



Measuring the Results of Commodity Marketing Programs

A Synopsis of a Report by Dr. Roberta Cook

Introduction: Generic vs. Branded Marketing

“How do we know this is working?” In an effort to examine the value and effectiveness of the California Avocado grower assessment and the California Avocado Commission (CAC) marketing programs, Dr. Roberta Cook from University of California Davis was invited to present a summary of studies conducted on numerous commodity groups during the August 20th CAC Board of Directors meeting.

Since 1985, Dr. Cook has been the Extension Marketing Economist in the Department of Agriculture and Resource Economics at UC Davis. She conducts applied research focusing on the marketing and international trade of fresh fruits and vegetables. She serves on the boards of directors for several grower-shipper companies and industry associations.

Dr. Cook reviewed various methodologies used to assess the effectiveness of generic commodity promotion and case histories to demonstrate whether commodity groups have produced measureable results. Her conclusion was simple: *“Extensive economic research has been done for years to evaluate generic promotion programs, with the development of robust methodologies and replication, all showing positive grower returns.”*

She commended the avocado industry for its foresight in establishing a generic program in the late 1960’s and the fortitude to stay with it through periods of significant change. “Consistent effort in this type of marketing is critical,” she noted.

In comparing generic versus branded marketing, she said, “Ultimately, branded promotion (for an individual company or product) seeks to increase the share of market or share of the pie for the brand. Generic promotion seeks to increase overall demand or the size of the pie for an industry, such as the California Avocado industry. For produce items that are largely sold as commodities, increasing primary demand is critical in addressing supply variables.”

Dr. Cook noted that the task of isolating the impact of commodity promotion is not easy. “The fundamental challenge is to isolate possible small demand shifts caused by promotion expenditures from the myriad of other factors that may be affecting demand.”

Commodity Case Studies: California Avocado Industry

Over time, the result of the generic promotion can more easily be documented. She quoted an extensive analysis by Drs. Carman and Craft which estimated that California Avocado producers achieved a benefit-cost ratio of 2.84:1 over the 34-year period of 1961 – 1995. *The study indicated that, based on assumptions of fixed supply, short-term returns to growers ranged from \$5.25 - \$6.35 for every dollar spent on advertising.*

In a 2009 study conducted for the Hass Avocado Board, Drs. Carmen, Li and Sexton found significant impacts from retail scanner data in markets where CAC was aggressively advertising in 2006 - 2008. *The data indicated that for every \$1,000 spent on advertising an additional 16,169 avocados were sold.*



Dr. Cook referenced commodities that have been very successful with generic promotions such as strawberries, grapes and avocados. She also provided case histories of commodities that have clearly suffered from *the lack* of promotional activity.

Commodity Case Studies: California Almond Industry

In the case of the California Almond industry, an ongoing promotional campaign that had contributed to industry growth was significantly reduced for three seasons from 1994 to 1997. In the face of a severe economic decline in the industry, full promotional efforts were resumed in 1997-98. This offered an opportunity to estimate the impact on producers returns caused by a reduction in promotion. A study conducted by Drs. Crespi and Sexton showed the estimated losses, or foregone profits, to producers were in the range of \$90 to \$243 million.

Commodity Case Studies: Blueberry Industry

The blueberry industry, forecasting additional production coming on line in the years to come, is seeking to increase its assessment rate to double promotional activity. A study by Professor Kaiser at Cornell University showed a benefit cost ratio for blueberry promotions of between 4.46 and 13.22 to 1. With these results and the potential of increasing worldwide production of blueberries from 606 million to 1.5 billion pounds by 2015, expanding promotional activity is needed to maintain the necessary growth in demand.

Commodity Case Studies: Targeted Promotions

In contrasting cases, Dr. Cook noted that having a positive nutritional story and promoting it aggressively can measurably increase demand. She compared the case of blueberries with kiwi fruit, both of which have a very positive health benefit story to tell. In fact, Dr. Cook said that research shows that kiwi fruit is the most nutrient-dense fruit. However, absent a promotional effort, kiwi fruit consumption is actually in decline. Meanwhile, blueberry consumption, bolstered by efforts to promote and publicize nutritional benefits, has seen extraordinary growth.

Data were presented showing that the California table grape industry and strawberry industry have achieved consistent increases in total volume and per capita consumption coupled with a higher price per pound. A feat only possible if primary demand has been increased. In a very targeted situation, Dr. Cook said that the California Strawberry Commission public relations campaign designed to restore consumer confidence in strawberries following an erroneous food safety scare in 1996, produced a benefit cost ratio of 454 to 1.

Generic Promotions

Why are generic programs successful? According to Dr. Cook, generic promotional programs representing the growers for an entire industry rather than a specific branded item often enjoy much greater success in generating media coverage, such as in consumer magazines and newspapers. The awareness, nutrition information and usage ideas that come from the consumer media can have a tremendous impact on consumption and demand for a commodity. Industries working together through commodity groups also have the advantage of pooling efforts for common objectives such as food safety standards, market information and research.



In terms of retail promotion and sales, she said CAC's data assets provide an important ability to demonstrate the performance potential to retailers. Collection of this data represents the entire category and has the ability to impact the retailer's marketing approach.

It was also noted that some generic marketing programs have achieved brand recognition status such as Washington Apples or Idaho Potatoes. Like the California Avocado program, these cases demonstrate that the generic marketing program can create marketing lift for the entire industry while achieving a competitive edge – more or less combining the advantages of generic and branded marketing.

Conclusion

Dr. Cook said that generic promotions have consistently shown that they produce positive returns for the industry. In consumer and trade marketing, advertising and public relations are critical to building demand, expanding product usage and developing an image. Program evaluation and research indicates that generic programs can be very successful. Finally, numerous case histories have shown declines in industries with the absence of generic promotional efforts. While causality cannot be proven, it is a fact that these industries lack both promotion and growth in demand.

She stated that not all commodities lend themselves to huge gains through generic promotion and that marketing activities have to be well conceived and executed. Dr. Cook also emphasized the importance of transparency in the information stating that it leads to more informed decisions by growers, shippers and marketers.

The Bottom-line on Generic Promotions

- *The economic evidence is overwhelmingly in favor of generic promotion via mandated marketing programs such as commissions, marketing orders and check-off programs.*
- *Generic promotion can expand total demand versus individual firm efforts that often compete only for market share and shelf space with little impact on expanding the total pie.*
- *Most studies show that producers could have profitably invested more in promotion rather than less.*
- *Generic promotion is only one of many factors affecting demand trends for a crop and certain crops may be more promotable than others – those that fit with broader societal trends and consumer preferences, like health, wellness and convenience.*
- *Many commodity groups promote, so not promoting can put groups at a disadvantage.*
- *Promotion of any type is a learning process, so programs that have a long record of success have more to build on.*
- *Fresh produce is out-promoted by other food products making it increasingly difficult to compete with snack food, sweets and other consumer options.*
- *It is both very hard and very expensive to establish brand recognition at the consumer level.*