

A COOPERATIVE MARKETING ORGANIZATION LOOKS AT THE RECORD CROP

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It seems to me quite appropriate that this pioneering seminar should take place in the North County—historically the focus of California avocado production and still the area with the largest concentration of producers.

As I understand it, this morning's session marks only a beginning of an ambitious project—one designed to unveil the "mysteries," if that's the right word—of marketing California's ever larger crops of avocados.

I think all of us acknowledge a debt to Don Gustafson, one who has never shown any reluctance to tackle and implement assignments that would quickly discourage less dedicated individuals.

We are delighted to share in Don's newest project: seeking to identify—and clarify—some of the basics of free enterprise marketing of avocados.

I am personally pleased to be sharing today's program with a distinguished panel. Gil Henry has long been a leader among the independents, giving of his time on numerous boards and committees working for the industry as a whole.

Over a period of years, Allen Chaikin has proven an energetic and dynamic spokesman for the Avocado Growers Bargaining Council and the North County growers it represents. Without question, he speaks forcefully for an appreciable body of avocado producers.

As for Ralph Pinkerton—the spearhead of our industry's successful effort to pull itself up by the bootstraps—no one can speak more knowledgeably to the question of orderly marketing, advertising, and promotion.

Ron Hughes, who is merchandising manager of the Avocado Commission, is unique in his knowledge of the produce distribution system and his ability to communicate with it. Ron is well acquainted with retail chain operations throughout the United States and able to speak factually.

In recent weeks we have had occasion to seek the views of a number of our North County grower-members . . . asking each for his input on how best to move this and future years' crops to maximize returns to growers. The individuals came from a wide variety of backgrounds—a fact perhaps unique to our industry.

Each of these members expressed his views in different words, with differing emphasis. But the net result was remarkably the same. In the "supply and demand" equation that determines the price you—as growers—receive for your fruit, each emphasized the need for grower participation in creating the demand so essential to the profitable marketing of ever-greater avocado supply.

Speaking for Calavo, I must say we are in wholehearted agreement with our North County growers—in fact, have long recognized the need for emphasis on *building demand*. Those of you who, over the years, have voted in support of the Advisory Board—now the Avocado Commission—obviously concur. Few would doubt that the skilled advertising and promotional efforts of this industry-supported agency have had a tremendous impact on your returns. It's a matter of record.

In this year when *supply* is expected to reach record levels, the Avocado Commission is gearing up for its biggest campaign ever. But, with your costs of production constantly escalating, this is no time for any of us—growers or handlers—to sit back and look for the Commission to perform *all* the missionary chores, converting non-users, light users, into more frequent users.

It's come to my attention that some of our North County growers make pretty good missionaries themselves. One, travelling in the East, took time to visit retail stores, to make note of the pitiful displays of poor quality fruit he found in a number of cities. As an industry we haven't the resources—or the bodies—to police every produce department, to point out profit opportunities to every produce manager. But multiply thousands of California avocado growers, with their knowledge and enthusiasm, by the possible number of produce managers each could visit over a year's time, and the results could be startling.

Another of our growers has no problem shopping for Christmas gifts for friends and relatives back East. He just sends all of them a gift of avocados, then goes one important step further. With his fruit gifts go instructions on *when* the fruit is ready to eat, and some of the ways to enjoy them.

The handler, too, must play a role in *building demand*.

Remember, chain store executives are motivated as we are—a desire to maximize PROFITS by maximizing DEMAND. Their capability of enhancing demand is *direct*, influencing buying decisions—in the example of large chains—in scores of outlets, serving thousands of consumers.

For example, Calavo has made an objective to motivate retail food chain management to heavily promote California avocados. We have made promotional material available to them and advised them on profitable display techniques. The results over a period of years have been very interesting.

Several years ago, one well-known western chain was so motivated to promote avocados. They realized that a long-range effort would be required to successfully accomplish the objective they had set for themselves. Top management of that chain made all personnel involved in produce aware of the fact that avocados were to be a select push item. Displays were widened and increased in size. Greater attention was paid to freshness of avocado displays. In store promotion materials were utilized.

Regular food-day advertising was used for avocados routinely—at least once per month, and usually more often. The result was that within five years this chain had moved avocados from the 20th leading sales and profit producer to No. 5 on the volume and profit list. Naturally, the chain executives were delighted because these additional profits were generated without detracting from profits of other commodities.

More recently, a large mid-western chain has taken a similar interest in the promotion of avocados, as well as all Calavo tropical fruits. Although starting from a smaller base of tropical sales activity, this chain doubled its business the first year of promotion effort. It has a long way to go to catch up with the unit sales achievements of its western counterpart, but it is enthusiastically pursuing the challenge and one day will reach its objective.

We are all aware of the fact that approximately two-thirds of the United States population lives in the eastern one-third of the country. An extremely large eastern chain has recently been motivated, by Calavo, to put avocados and other tropical fruit on their select promotion list. In each of the past two years, this chain has doubled its sales of avocados over the preceding year. Within the next five years, we expect to realize major market expansion results in the eastern United States using this chain store promotional technique.

We believe our emphasis on sound relations with the major chains offers the greatest immediate potential for the orderly marketing of this—and future—record crops.

I suppose some would say that marketing avocados is a classic case of which comes first—the chicken or the egg . . . the "chicken" of profitable *demand* ... or the "egg" of *supply* to meet that demand.

Neither comes first. They go together like a whistler and his dog.

Since we are dealing in an agricultural commodity that is perishable, the analysis of supply and production estimate is the first step of developing a marketing program. At Calavo we have crop estimates under analysis at all times. At the beginning of each season we project the crop for the four succeeding years. Of course, we pay more careful attention to the immediate year at hand. The estimate is then broken down into monthly increments and finally into a weekly crop-flow chart that contains the weekly production estimate for the balance of the crop year. This chart is reviewed and revised each month.

This flow chart tells us the probable supply of fruit for each month this year—its mix, its timing, its volume. It's one of the *basic tools* of our marketing strategy—for *what* you have to sell, and *when*, must form the basis for sales promotions. I don't exaggerate when I say that "Production" and "Marketing" are Siamese twins, in constant touch in making the plans to move members' fruit profitably.

A successful marketer is one who can manage demand for his commodity. Calavo pays careful attention to demand patterns apparent from consumer shopping and eating habits. We make a strong effort to capitalize on natural high demand.

Timing and *experience*—these, too, play key roles in marketing decisions. For example, *experience* tells us that the period between Thanksgiving and New Year's is one of relatively lower demand. Not only is Florida generally in the picture, but the most

elaborate promotional schemes will rarely influence the housewife to forswear cranberries in favor of avocados.

Come Spring and re-awakening interest in fresh produce, experience tells us, the avocado will enjoy renewed favor. Even the May-June competition of other soft fruits will not deter the salad buyer from adding avocados to the shopping list.

The *timing* of weather has its effects. Winter rains and also, wind, heat, and freeze in growing areas can affect our supply. . . and snowbound trucks on interstate highways are a sure drag on re-orders. A Boston buyer with a truckload of avocados stuck in a snowdrift somewhere along the way, just isn't a likely prospect for a re-order.

Custom, too, affects sales . . . though here we may have room for some reeducational maneuvering. We know that our so-called "average" buyer uses avocado either as a guacamole dip or as a salad enhancer. When schools reopen and winter weather comes, the "salad season" diminishes in much of the nation. The need for promoting other uses, such as a lunchpail sandwich offering solid nourishment, is obvious.

I doubt if many of you—or your wives—have to go to a Safeway store to buy an avocado. But I suspect that you have stood in a checkout line holding a carton of eggs or a pound of butter.

You know then that some items are more affected by UNIT PRICE than others. When you're out of eggs, it doesn't much matter whether a dozen are going at 69c or 99c, when you need 'em, that's it.

How about tomatoes? Or a prime top sirloin? Do you look at the price tag first? A *real* steak-loving, tomato-loving aficionado, suitably well-heeled, might not. But I suspect MOST housewives, however they may adore a juicy beefsteak tomato, will look—and think—twice before crossing the line from looker to buyer.

Demand, we know, very often is related to retail price. An avocado at 89c will go home in some shoppers' carts . . . but at 59c or 69c the buying "curve" may move ahead in geometrical progression. It is this *interplay* of supply and retail price that markedly affects demand.

Other factors may enter in as well, of course. The *quality* and eye appeal of the fruit being offered, the attractiveness of a well-planned display, and *many* other individual motivations may enter into a buying decision.

Is there such a thing as a "right" price? Probably not. But experience tells us there *can* be a "wrong" price—one that turns off a lot of marginal buyers.

Trying for balance between *supply* and *pricing* can be a tricky business, calling for continuous communication between production and marketing personnel.

It's not enough to say: "Sell at the highest price the market will bear." It's a nice-sounding theory, but the market is rarely singular, ranging from the wellheeled aficionado to the young housewife tempted by an Avocado Commission ad to try an avocado for the first time. And the simple fact is there are a whole lot more of these young housewives forming the basis of that *broadened demand* we *must* secure if orderly marketing is to be achieved.

At the risk of oversimplification, let me pose a question. Are you, as a grower, better off selling ALL of your fruit at, say, a 50c average ... or netting 60c for *part* of your crop? Sure, there are a *lot* of variables that would affect your response.

I am going to make an assumption: MOST of you will be selling avocados, not only THIS year, but for a number of years to come. It is NOT an assumption when I also mention that California's avocado crops will become LARGER as the years go by. With all the new acreage, it's inevitable.

A logical question follows: who will buy your avocados next year, the year after, and on down the line? I think we can agree that the volumes anticipated MUST be accompanied by expanded numbers of users. We *love* those aficionados, but—like Republicans on Election Day—there just "ain't enough of 'em!" To elect ourselves into prosperity, we're going to have to convert a lot of Democrats and Independents (voters, that is) as well.

Please, let there be no misunderstanding about what I have said. Calavo does not, and will not, give fruit away. We will price competitively, yet be ever aware of the critical need to broaden our base of regular users. Fruit quality, attractive display, motivational advertising, and many factors other than retail price alone, merit our full attention.

In summary, the *planning* that must precede orderly marketing is a function of a variety of elements: timing, experience, custom, and promotions geared to expand demand.

Each of these enters into what is a basic tenet of Calavo marketing: that DEMAND inevitably falters—whether in the form of orders from produce managers, or in the numbers of end users and usages—when supply is spasmodic and prices are marked by rollercoaster ups and downs. We believe that a relatively stable supply is *vital*. . . that the consumer *must* have access to good-quality fruit at a price she will pay—when an Avocado Commission ad motivates her to buy. Sure, good display and proper handling help to make the sale, but the *prime ingredient* is the avocado itself. It's got to be there in good condition and abundant supply, if the new user is to become part of *tomorrow's demand*. We believe the California avocado has got to become as much a year-'round fixture in the produce department as the orange.

Finally, we recognize that it's the nature of the supply and demand market that prices can—and do—change in response to shifts in the equation. But we do *not* believe that excessive price movements can ever lead to improved grower returns.

The prudent produce buyer in a rollercoaster market will buy sparingly, fearful of holding higher-priced fruit when the Magic Mountain train starts into its fast downhill run.

And sharply changing retail prices confuse the consumer, all too many of whom will respond by waiting until the next fire-sale comes along.

As noted before, a *variety* of powerful factors *must* affect pricing considerations. For an industry expected to produce some 300 million -plus or -minus pounds this year alone—and even greater quantities in years to come—other considerations come into the picture.

I emphasize, finally, just one such consideration: the absolute need to *expand our markets*. Eastern United States, Japan, Europe. Our ultimate goal must be to achieve a

profitable return—not piecemeal, but for an entire crop ... for the entire year—and to so build our markets that *the demand will be there* for the even more plentiful supplies in our immediate future.