

I. Marketing Strategies for Troubled Times

The subject of today's discussion is "*Marketing Strategies for Troubled Times*."

Given today's environment, it's a timely subject.

Our Chairman of the Board made the following statement in a meeting with our board of directors:

"It is most discouraging to do everything possible to maintain prices that will bring decent returns to our growers and then have these prices made meaningless by ruthless cuts of competitors."

How many of us here are faced with this same situation? And how many of us can say we've faced it in the past and will likely face it in the future?

It's interesting to note that our Chairman made this statement 50 years ago.

As marketers, we are always facing troubling times. That's the one constant in an ever-changing selection of circumstances and situations that are thrown in our path. We don't know what obstacles lay ahead, but we know they'll be there.

These days, the current market conditions for manufacturers or producers of retail products have us constantly guessing, reevaluating, and making adjustments to safeguard our businesses.

Back in 1987 when we launched Fresh 'N' Natural, the first name for our branded premium orange juice, it was a different world. We felt confident that if we made a good product and sold it at a good price in outlets we trusted, we'd have all the business we wanted. And for a while that was true. We launched our brand with a generic message of fresh taste and high quality. We advertised it as fun. Looking back at our first commercial, we made orange juice seem frivolous. Take a look at how we rolled out our product:

Play first Florida's Natural spot

As a new product launch, Florida's Natural went a long way toward our company's goal of creating a branded premium product that would help grow our business and the orange juice category.

But the market was changing.

The firmly entrenched Tropicana brand was acquired by Pepsi while Minute Maid, which initially had no not-from-concentrate brand, was still managed by Coke. The challenge of how our dramatically smaller cooperative could compete with the deep pockets of Coke and Pepsi loomed ahead of us. From our initially solid position, we suddenly found ourselves playing David to two very powerful Goliaths.

This was our wake-up call -- we needed to find a way to distinguish our brand from the others.

The mid 90s brought more change. Suddenly, "consolidation" was the buzzword as retail outlets began disappearing. Mom and Pop grocery stores were being driven out of existence and small grocery chains struggled to survive. Regional names like "Big Star," Bruno's and Ogletree's got bought up by supermarket giants who were merging, acquiring, and combining resources, which resulted in a striking shift of power in the industry. Today 10 grocery chains control 50% of the market.

Local and regional brands began disappearing as retail giants filled their shelves with national products whose manufacturers could pay their higher slotting fees and meet their distribution demands. In Florida, many of our smaller cooperatives disappeared -- they were either bought up by one of the big players or in some cases, they just went out of business entirely,

During this period, the way we sold our product changed too. Broker agencies consolidated, thus reducing our sales options. To give you an illustration -- twenty years ago a market like Houston had nearly 18 full-service brokers who handled all types and sizes of manufacturers. Today there are 3 national brokers in this market and a few very small regional companies. Effective sales representation becomes harder and harder to achieve.

Suppliers have also consolidated. Twenty years ago we had many companies producing all the paper, plastic and metal packaging we needed. Today, from 5 suppliers of our paper cartons, only two -- International Paper and Blue Ridge remain, Companies have been purchased, merged or spun off and now we're left with far fewer sources across the board in this critical area. This consolidation has squeezed our margins by limiting competition.

The impact of these shifts is obvious. Control of a very large market now lies in the hands of a very few.

II. Making a Marketing Shift

As a grower-owned cooperative, we constantly measure our success by how closely we come to meeting the goal on our Mission Statement: "To provide

our patrons with fruit returns that are consistently among the highest in the industry.”

Retail trends don't always make this easy. Growers face diminishing returns on their profits from the retail food dollar. Today that return is 20%. 10 years ago, the farmer's share was 24%. And 20 years ago, the share was 32%.

Faced with these numbers we knew we had to find a way to position our premium brand so it would return more to our growers. And in order to compete with Tropicana and Minute Maid, we had to find a way to stand out in the consumers' minds.

We knew that our positioning had to define us. That it would be crucial to our growth. Many of our initial ideas for advertising our juices could have worked for any premium product. We needed a point of difference. When discussion turned to our grower-owners, and the fact that of all the major brands we were the only ones who could claim ownership of the land, trees and fruit that went into our juices we knew we were on to something. Our company's cooperative heritage supplied the key to creating the right message.

And consumers liked the message. In focus groups we heard participants describe our products as “fresh,” our production processes as “hands-on.” Our single distinguishing point of difference was a very positive difference. It spoke of honesty, pride, high quality and consistency – things that were a direct result of our coop structure.

Current research into the minds of consumers shows a shift that has helped strengthen our position.

A recent study published by the Consumer Network, a Philadelphia-based tracking firm, indicated that consumers are becoming increasingly “jittery” about the growing number of giant food conglomerates. Big food companies mean fewer choices on the shelves..

In early June, Yankelovich released *The State of Consumer Trust Report*, which revealed that consumer trust has eroded to an all-time low due to fundamental shifts in the ways consumers view businesses, institutions and marketing in general.

According to report findings, 80% of consumers believe American businesses are too concerned about making a profit and not concerned enough about their responsibilities to workers, consumers and the environment. 67% believe that the quality of products made by big companies has been slipping.

I cite these examples as a way to illustrate the strength of our coop message. The minds of today's consumers are inclined in the direction of the smaller company – the grower-owner, the direct, hands-on approach. We are able to appeal to these feelings of trust and confidence due to the fact of what we are – a cooperative of growers. Our grower-owners control all aspects of our business, from the planting of the trees to the delivery of our product.

Let's take a look at how we get this message out. Here are our current spots.

Play spots.

A large portion of the coop message relies on the feelings we can communicate about our company. We can show pictures of our owners working the groves. Our advertising icon – the grower handing off a carton of our orange juice to a consumer – clearly makes the connection between the direct line from the grove to the glass. It's a claim none of our competitors can make. And it's one reason why we've chosen to continue with this marketing position.

III. Strength in Numbers

In a paradoxical world where retailers are getting bigger, yet smaller in number, brokers are disappearing, yet gaining in power, and suppliers are dictating the terms of our contracts, one thing becomes obvious. The only thing a marketer can count on to stay unchanged is the fact that there are ALWAYS changes.

Today's consumers are part of the dynamic market situation. They no longer passively consume products out of habit or because they're produced by the biggest names in the category. A mounting cynicism and a desire to have more control has led some to buy products only from companies they trust, who are responsible corporate citizens.

Current research points to a growing trend in consumers seeking out locally grown organic produce or food products from small local coops. Farmers markets are soaring in popularity as processed foods lag. Many consumers speak knowledgeably about "shopping the perimeter" of a grocery store, avoiding the prepackaged foods in the center aisles.

All of this is good news for us. At Florida's Natural we've taken advantage of the changes in consumer attitudes and the growth of our conglomerate competitors. Our coop message plays right into the minds and hearts of the consumers who are looking for more control over what they buy. They want products from companies they know. Companies who deliver using the

shortest route from raw material to their pantry. Or in our case, from the grove to the glass. Our unique coop positioning has strengthened our image and led us away from the “me-too” marketing trail.

As cooperative growers we're all faced with the pressures from larger corporate competitors. We need to step back and realize that together we form a powerful group. I'm talking about the sheer numbers of people involved in our cooperative businesses. From the farmers and the processors, to the office workers and all of our families – we are a large consumer group.

And as a group, it is in all of our best interests to support each other. We should be telling our employees to buy nothing but Land O' Lakes dairy products. Only Blue Diamond nuts, and of course, only Florida's Natural orange juice.

Last January Florida's Natural was faced with a difficult situation. One of the nation's largest retailers – I won't mention any names but they're based in Cincinnati – pulled our products off the shelves in favor of a line extension being introduced by one. Our numbers were very strong in that chain, yet we couldn't compete with cash. They pulled us out completely.

Two months later, we were creeping back onto the shelves in selected stores. A few months after that, whole markets decided they needed our products. We're still making a comeback in other areas. The reason they brought us back in? Consumers demanded it. Our loyal customers took the time to stop by management and register their complaint that they could no longer find us on the shelves.

My point in telling this story is to propose that we consider our strength. If the network of cooperative grower/producers, broken down into numbers of individual employees who shop in grocery stores, sought out and supported products from other cooperatives we would have a loud voice indeed. If we look out for each other we will all strengthen our positions in the marketplace.