

COOL vs. Choose Canadian Program

Roy Kruse

Alberta Pork, #103 – 14707 Bannister Road SE, Calgary, AB. T2X 1Z7;
Email: roy.kruse@albertapork.ca

■ Background

In 2008 the Canadian pork industry's Pork Marketing Canada (PMC) group launched the Choose Canadian program. PMC, which administers the Choose Canadian Program, is a strategic alliance of pork organizations across Canada set up to streamline consumer marketing efforts. The launch of the Choose Canadian program was an action driven by an unprecedented crisis in the Canadian pork industry, one that was replicated to varying degrees in pork industries around the world.

While the economic crisis was a major driver of this program, there is growing evidence that stronger emphasis on the domestic market makes solid sense and has tremendous potential to provide a critical anchor to the pork industry over the long term.

This presentation recaps the crisis that drove the need for the Choose Canadian program, the rationale and structural approach of PMC, the logic and details of the Choose Canadian effort, the results of the program to date, what's coming for market research and plans for the future.

■ Recap: Canada's Pork Industry Crisis

No Canadian pork producer needs to be told that there has been a financial crisis at the producer and processor level in their industry in Canada. However, it's worth restating the details as a reminder of what we're facing.

- **Pork prices.** Canadian pork producers struggled with the lowest pork prices since the 1998 pork financial crisis.

- **Feed prices.** Skyrocketing feed prices put pork to feed price ratios into the lowest ranges ever seen.
- **Effect of the Canadian dollar.** The rapid appreciation of the Canadian dollar from 63 cents U.S. in 2002 to parity-plus had a dramatic impact on Canada's competitiveness for processing and production and greatly affected export sales of both live animals and pork worldwide. The threat of currency fluctuation continues.
- **Processing issues.** The Canadian processing sector is also under pressure. Domestic processing volume has declined steadily from the 2004 record and was down 2.4 percent for 2007. Longstanding structural inefficiencies, labour shortages, tight commodity margins, expansion moratoriums and supply chain issues are forcing pork processors to implement radical reorganization, including the closure of several plants.
- **Increase in imports.** More pork is coming into Canada from other countries, primarily the U.S.
- **Nation-wide consequences.** There are significant consequences both for pork producers and the Canadian economy. There is a negative impact on the Canadian economy and employment. Every dollar lost from a primary industry means several dollars and jobs lost to the overall economy. The Canadian economy could lose billions of dollars and tens of thousands of highly skilled jobs. Also, potential trade actions from protectionist forces in the U.S. are a constant threat.

■ **The PMC Program**

PMC has been designed to drive, develop and deliver new ideas for getting pork on the plates of Canada's food consumers. It is a truly national, grassroots-driven effort designed to encourage participation from all members of Canada's pork industry. PMC has a strong governance and operational structure with producers and producer organization representatives acting as managers.

PMC moves into the coming years with three specific core objectives.

Objective 1. To improve consumer perceptions, sales and prices paid for Canadian pork with a positioning and messaging strategy that presents pork in new, exciting and unique ways.

Actions:

- Develop clear consumer strategy to provide common elements to other actions in all objectives.
 - Target people 25 to 35 years old with clear messages
 - Conduct supporting consumer research
 - Run a media campaign
- Further develop the “Choose Canadian” program.
 - Develop labeling program and establish that the word “Canadian” provides value
- Improve the younger generation’s perception of Canadian pork.
- Improve and deliver versatility of pork.
- Teach younger people how to cook pork.

Objective 2: To influence health professionals, foodies and fitness leaders to advocate for pork’s health and nutrition attributes.

Action:

- Build direct contact with these networks.

Objective 3: To provide Canadian retailers and food service operations with profitable opportunities to sell Canadian pork.

Actions:

- Develop special marbled brand for food service.
- Work with Canadian Pork International (CPI).
- Track consumer purchases.
- Work with food service sector.

■ The “Choose Canadian” Program

While the launch of Choose Canadian was moved forward by economic pressures, targeting the domestic market has been a critical part of PMC’s plans from the beginning. Here’s an overview of the questions PMC addressed in launching the program.

Why build a “Canadian Pork” label?

Prior to this program, consumers didn't know if the fresh pork they selected from the meat case was Canadian grown or imported. PMC believes that consumers deserve a choice and the new label gives them that opportunity.



Will consumers choose “Canadian Pork” over imports?

According to studies, if given the choice, Canadian consumers will choose Canadian products over imports. They want high-quality foods that are safe and produced under environmentally sustainable practices.

For example, a study by the Canadian Federation of Agriculture found that 90 percent of consumers felt Canadian-grown product should be easily identifiable in stores. Furthermore, 95 percent of consumers would prefer to buy Canadian-grown product that is competitively priced.

These findings are consistent with an Agriculture and Agri-Food Canada study that found the quality of food produced in Canada is viewed as better than food produced in other countries. Canadian consumers continue to believe that Canada has better production practices and standards and more rules and regulations than other countries.

Not surprisingly, the demand for local food continues to rise. With heightened concerns for the environment and an increasing focus on food safety, people are more interested than ever in the food on their plate. The new labels clearly identify fresh pork produced in Canada, providing consumers with peace of mind and confidence.

Why should consumers choose “Canadian Pork” over imports?

Canadian pork producers are committed to providing a safe, quality product to consumers. In 1998, Canadian Quality Assurance® (CQA®) was launched by the industry to help ensure on-farm food safety.

The CQA® program is a proactive, practical, on-farm food safety program focusing on good production practices and detailed record keeping. The

program is based on the principles of HACCP (Hazard Analysis Critical Control Points), an international, science-based approach to food safety.

What difference will choosing “Canadian Pork” make to Canada’s economy?

It’s important to choose Canadian for many reasons. Not only does it let consumers meet their need for Canadian and locally produced food, it supports the local and domestic economies. Canada’s pork industry makes a significant contribution to the nation’s trade balance and a healthy economy. Pork industry 2007 farm gate income totaled \$3.32 billion and estimates show this accounted for 100,000 jobs. In 2007, pork exports from Canada were valued at \$2.39 billion. Live animal exports to the U.S for 2007 were 9,815 million head.

Choosing Canadian pork also helps support Canadian pork producers who are facing the toughest economic times in 10 years. While pork producers are committed to maintaining high product quality and consumer satisfaction, it’s becoming increasingly difficult to make a living. More and more pork is coming into Canada from other countries and a 25 percent increase in pork imports is expected in 2008.

The new label is currently featured on fresh pork products at participating grocery stores across Canada. If consumers can’t find fresh pork with the new Canadian Pork label, they are urged to ask the meat manager or butcher where the pork is coming from.

How was the Choose Canadian program funded?

Funding was provided in part by producers and by Agriculture and Agri-Food Canada through the Agricultural Adaptation Council’s CanAdvance Program.

■ Measuring Progress

One fundamental of the Pork Marketing Canada strategic partnership is to measure results. When PMC developed a print and television consumer awareness campaign to promote fresh pork to consumers under the “Canadian Pork” label, it set up a corresponding market research program. The national firm Ipsos Forward Research was commissioned to conduct research designed to measure the campaign effectiveness with the goal of assisting pork organizations to better meet consumer needs.

To achieve this, Ipsos Forward Research is conducting three waves of research with consumers:

- **First wave.** Baseline research was conducted prior to the launch of the first campaign in June of 2008 to capture benchmark scores on key measures.
- **Second wave.** Conducted during the campaign, this research is completed and results were being compiled as this paper went to press.
- **Third wave.** To be conducted following the campaign, this research is scheduled for the spring of 2009.

Primary market research objectives with consumers are to:

- Measure awareness of the ad campaign.
- Measure advertising recall and awareness by medium, as well as main message communication.
- Assess current attitudes, consideration and purchasing behaviour with respect to fresh pork.
- Assess campaign effectiveness by measuring shifts on key metrics (attitudes, consideration, and behaviour).

Wave 1, Key Findings

These are the key findings from the baseline research.

Consumption of pork and other meats

- Pork was included in approximately 22 percent of meals including meat and meals prepared at home. Pork ranked third behind chicken (33 percent) and beef (31 percent) and significantly ahead of other meats such as turkey, veal and lamb.
- Meat consumption was relatively consistent across regions, with the exception of veal consumption which was significantly higher in Quebec.

Core pork consumers versus low-usage consumers

- Two types of pork consumers were defined: core pork consumers and low-usage pork consumers.
- On average, high-usage (core) pork consumers included pork in one third of their meals (34 percent), nearly four times as many meals as low-usage consumers (9 percent). For pork low-usage consumers, chicken and beef constituted a greater proportion of their diet.

- By age, core pork consumers were more likely to be younger, 36-44 years.
- By income, core pork consumers were more likely to have a household income of less than \$45,000.

Interest in the country of origin when purchasing food

- Respondents indicated a strong degree of interest in the country of origin of the food they purchase.
- Consumers were more likely to care about the country of origin of meat than vegetables or fruit.
 - 51 percent “care very much about the country of origin” for beef
 - 49 percent for chicken
 - 47 percent for pork
 - 32 percent for vegetables
 - 32 percent for fruit

Behaviour relating to actively looking for the country of origin when shopping for meat

- Regardless of the meat type, more than half of consumers indicated they “*always*” or “*often*” look for the country of origin when shopping for beef, chicken or pork.
- Among those consumers who regularly looked for the country of origin for pork, 72 percent have actively done so for more than one year.

Ease of identifying Canadian meat at large chain grocery stores

- Regardless of meat type, the majority of consumers believe the meat in Canadian grocery stores is predominantly Canadian (85 percent of total meat). And 45 percent of consumers believe that all pork in Canadian grocery stores is Canadian.
- Consumers indicated that Canadian meat is moderately easy to identify at large chain grocery stores, with beef and chicken being the easiest to identify.
- A smaller proportion of consumers strongly felt that Canadian pork is easy to identify at the grocery store (8 percent) relative to beef (15 percent) or chicken (12 percent).

Purchases of meats in a package/format that allowed them to be identified as produced in Canada

- Asked to indicate if they purchased Canadian labeled meat during the past four weeks, more than half of respondents indicated they purchased chicken, beef and/or pork in a format that allowed it to be identified as produced in Canada.
- Quebec respondents and females were the least likely to have purchased any of these meats in this format.

Aided awareness of the Canadian Pork logo

- Respondents were exposed to the “Canadian Pork/Porc Canadien” logo and asked to indicate if they had seen this logo on packages of pork or on promotional displays at their grocery store during the past four weeks.
- Overall, regardless of the location, two in 10 consumers indicated they were aware of the Canadian Pork logo on promotional displays or on packages of pork at their grocery stores.

Awareness and sources of advertising discussing Canadian pork during past four weeks

- Awareness of advertising discussing Canadian pork, during the past four weeks, was limited, with less than 2 in 10 respondents indicating they had seen ads.
- BC and ON residents were least likely to have seen Canadian Pork ads.
- Among those who had seen advertising relating to Canadian pork, the vast majority cited television as the main source of advertising. Newspapers, flyers and advertising inside a grocery store were other common sources of advertising.

Types of advertising seen and sponsors of Canadian pork-related advertising

- About 37 percent of consumers who had seen ads relating to Canadian pork were unable to remember the content of the ad and 57 percent were unable to remember the sponsor of the advertising.
- The core types of pork advertising remembered include: ads relating to the overall promotion of pork, ads relating to the pork industry, ads relating to in-store sales or coupons and ads relating to the promotion of Canadian pork.

Exposure to news/stories on pork farming in Canada during the past three months

- Overall there was limited exposure to news, with only 18 percent of consumers indicating they have seen/heard news or stories related to pork farming in Canada during the past three months.
- The only exception were the MB/SK residents, who were the most likely to have seen/heard such news (53 percent), mainly relating to Manitoba's hog industry.
- The main topic of the news and stories heard related to a general perception that the hog industry is in trouble, declining number of hog farms, Manitoba's moratorium on hog farming, and news related to low hog prices and increasing operating costs.

Perceptions of Canadian pork farming and Canadian beef farming

- Overall consumers have very positive perceptions of Canadian pork farming and Canadian beef farming.
- The vast majority considered them an important part of Canada's economy and future, with higher food and safety standards than anywhere else in the world.
- Canadian beef farming was also perceived as an important part of Canada's heritage and tradition with the highest quality in the world.

Willingness to pay a premium for Canadian beef and Canadian pork

- Asked to choose between two identical packages of beef roast or pork loin roast, at par, virtually all consumers indicated they would choose the package that identified Canada as the country of origin (versus unknown country of origin).
- At a 10 percent premium the willingness to pay a premium for Canadian labeled beef or pork is almost identical with approximately 80 percent of consumers "choosing Canadian."
- However, at a 20 percent premium, while the proportion of consumers willing to pay a premium for Canadian beef declines slightly (73 percent), a significantly lower proportion of consumers would continue to pay a premium for Canadian pork (66 percent).
- Price elasticity indicates that pricing either Canadian beef or Canadian pork at a premium, over the package without a country of origin label,

would have the potential to reduce the expected sales for each of these meats.

Main reasons for willingness to pay a premium for Canadian labeled meat

- Higher Canadian food standards and regulations were, by far, the main reason consumers were willing to pay a premium for beef and pork produced in Canada.
- Supporting Canadian products and farmers, and receiving higher quality from Canadian products, were other reasons mentioned by consumers.

Wave 2 and 3 Results

These will be released as they are received, as part of PMC's commitment to report to stakeholders.

■ Where to from here?

One of the common questions that has come up since the launch of the Choose Canadian program is how long will this program run.

The answer is potentially, forever. The fundamental effort to brand Canadian pork in the domestic market can potentially be a permanent effort, one around which producers and the industry can build over the long term. In fact the Choose Canadian program is an integral part of PMC's business plan. This thinking has also already been capitalized into pork revitalization strategies at the provincial level, such as Alberta Pork.

While the initial goal of this program was to stop the bleeding, the longer term goal is to grow the business by identifying and developing opportunities. Partnerships will be key in this and the fact that pork organizations are working together to streamline and enhance their efforts is a major factor in success.

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