

Generic Advertising for the Seafood Industry

Walter J. Armbruster
Farm Foundation

Abstract. The seafood industry is one part of the food industry competing for consumer protein demand. Generic advertising or promotion offers one approach to expand that demand. Generic promotion programs focus on market expansion involving an entire industry or segment. They involve advertising directly to the final consumer or to institutional or retail buyers, or promotion programs to accompany other marketing activities. Generic advertising programs to educate consumers about nutritional values of seafood and food safety measures taken by the industry may help to increase consumer demand. Generic promotion programs for agricultural commodities have enjoyed success and provided lessons useful for the seafood industry. Econometric analyses have generally determined that generic promotion programs have been relatively profitable for producers in aggregate, but impact varies considerably among programs. For success in the seafood industry, a substantial sub-sector of participants would need to agree to work together to provide the funding through a trade association or government program. The fragmented structure of fishing boat owners and the open access, common property nature of U.S. fisheries indicates that programs would need to be organized at the processor or wholesaler levels. Challenges would be the relatively small operations which are geographically dispersed, but a few companies account for a large portion of total product. Several generic promotion programs exist in the seafood industry: the unsuccessful U.S. Seafood Promotion Act of 1986, an ongoing Alaska salmon promotion program, a Norway salmon promotion program, and in the farm-raised catfish industry program in the southeastern U.S. Successful programs will require well thought out objectives that identify commodity attributes that could be successfully promoted, recognize budget limits, allocate resources carefully, develop an implementation strategy that fits the industry structure, and include plans to evaluate effectiveness.

Keywords: generic seafood advertising, seafood promotion

The seafood industry's challenge is to capture the consumer's attention as part of a protein market that includes animal, seafood, and vegetable proteins. According to The National Fisheries Institute website, Americans consume about 14.9 pounds of seafood annually, up from 12.8 pounds in 1980 and 10.3 in 1960. "American consumers spend almost \$50 billion each year on a wide variety of fish and shellfish products. This total includes about \$32 billion purchased in food service establishments, and about \$17 billion in retail stores. The thousands of firms which produce, process, and distribute fish and shellfish are located throughout the United States. Altogether these firms contribute more than \$25 billion to the U.S. gross national product," but seafood, as a portion of U.S. average, has changed little in the past century.

Generic advertising or promotion of seafood offers one approach to trying to expand demand. Goals may be to attract additional use by existing consumers, identify new consumers, or create new market opportunities in other countries. Generic programs focus on market expansion as opposed to brand advertising, which attempts to capture a larger share of a given market, perhaps simultaneously expanding the market. Generic programs involve an entire industry, or segment thereof, working together for the long-run benefit of the industry. The programs may focus on advertising directly to the final consumer through various media, advertising to institutional or retail buyers, or

promotions to accompany pricing and other activities at the point of purchase.

Scientific research reports on the nutritional value of fish and seafood as a good protein source with low fat content and its health benefits, as discussed elsewhere in this conference, have increased its market potential. The anticipated growth in demand for health-related foods generally should continue to benefit the fisheries market. A generic advertising program to educate consumers about nutritional values of seafood, and about food safety measures taken by the industry, may offer real opportunity for increasing consumer demand.

There have been a number of generic promotion programs implemented for agricultural commodities. Extensive analysis of the economic characteristics of the industry and the effectiveness of these programs have been carried out by a number of agricultural economists over the past 15 years. From those results, it is possible to draw some implications about characteristics of programs or industries that may offer possible success. It is important that programs be carefully designed to fit the industry structure, target the market faced by the industry, and create information or persuade consumers that the products being promoted deserve their market dollar.

Generic Advertising of Agricultural Commodities

Forker and Ward (p. 6) define generic advertising as "...the cooperative effort among producers of a nearly homogeneous product to disseminate information about the underlying attributes of the product to existing and potential consumers for the purpose of strengthening the demand for the commodity." They define the key elements of this definition as: cooperation within the industry, homogeneous products to identify the range of possible participants in the program, disseminating information for the purpose of informing and persuading potential users, and strengthening demand by building a consumer support base for the commodity.

Generic advertising or promotion programs for agricultural commodities may be undertaken through trade associations or through government involvement, either at the national or more localized regions. They involve joint effort among or between producers, processors, and/or distributors. Government involvement normally entails generating funding through a market check-off program, at least in the case of agricultural commodities. Domestic programs are predominant in the U.S. and have grown in numbers, and particularly in expenditures over the past 15 years. International market development and promotion programs jointly sponsored by government and industry have also grown. They allocate federal dollars to help industry fund foreign market promotion and development activities.

Most agricultural commodity promotion programs employ a small staff to work with an elected board to develop program objectives, implement strategies, and evaluate results. The programs undertake activities to influence consumer behavior, perhaps including changing the way consumers use or purchase the product. They may also undertake activities to influence consumer attitudes, such as those related to nutrition or food safety. Activities to influence consumer beliefs, based on factual information to counter misperceptions or widespread misunderstandings influencing consumer awareness in a crowded marketplace, is a common strategy for generic promotion programs. It is important to recognize that while generic advertising promotion activities impact sales, many other factors also are important. Pricing, sales volume, quality, product form, and brand advertising promotion are under the control of private sector firms. Coordinating the collective activities of the industry through a commodity promotion organization is difficult but necessary to achieve any success. (Forker and Ward, p. 77.)

In the U.S., NEC-63 Research Committee on Commodity Promotion, has brought together a number of economists from universities, federal and state agencies, and industry

organizations to evaluate the impacts of generic promotion in agricultural commodities. While most emphasis has been on the aggregate level of impacts, some work has been done on the distribution of impacts within the food supply chain. Based on econometric analyses of a number of programs, these economists have generally determined that generic promotion programs have been relatively profitable in aggregate from the viewpoint of producers funding them. Supply and demand elasticities provide a basis for understanding the distribution of benefits to producers, marketing firms, and consumers from commodity promotion programs. Much more work has been successfully completed on analyzing the shorter-term impacts of commodity promotion programs in domestic markets than on the longer-term issues involving intercommodity competition, distribution of benefits among different size producers and firms, and international trade issues and impacts.

There has been some debate over how program funds should be allocated among consumer promotion, or farm-level and marketing research. Wohlgenant found that beef and pork producers gained more from farm-level research than from promotion activities or marketing research. He concluded that "...consumer demand must increase by more than a decrease in farm-level production costs in order for producers to prefer promotion over on-farm research (p. 650). Chung and Kaiser challenged his conclusions and concluded that indeed consumer promotions benefitted producers more than did research activities. Further, they concluded that relative profitability of research versus promotion is highly sensitive to the assumption about the nature of resulting shifts in demand and supply, and that a definitive answer is impossible without further research results.

Ward (p. 42) draws some general conclusions about the impacts of commodity promotion programs in agriculture. They have had a positive impact on demand, though varying considerably among different commodities. Some programs have shown long- term impacts, while others have shown only short-term impacts. Advertising responses differ across media, markets and products. In addition to directly increasing demand, commodity promotion programs and organizations have influenced the rate of technical change in production and marketing.

According to Ackerman and Henneberry (p. 58), steep increases in federal and private funding for non-price export market promotion programs in the late 1980s and early 1990s refueled interest in research on their effectiveness. Returns to dollars invested show differences by commodity, time period, type of marketing activity conducted, market maturity, importance of price, and other

variables in the demand equation and how promotion expenditures are modeled.

A Framework for Seafood Generic Advertising

What would the objectives of a generic promotion program in the seafood industry need to encompass? There would need to be an agreement within a substantial element of the industry that working together was in their long-run best interest to expand product demand by providing one voice about the attributes of the commodity. A feature to remove the "free rider" problem is an important aspect of a generic promotion program. All benefactors need to pay a fair share of the cost of the market expansion effort. Industry members must transfer some authority from individuals to groups representing them, and this is particularly controversial among independent producers or marketers in any industry. Whether the seafood industry is willing to forego some independent decision making to facilitate total industry expansion is a critical question. This may be particularly problematic in an industry where small operators abound and larger players are seen to have unequal influence or power in the marketing system.

Assuming the industry is interested in proceeding with a generic promotion program, steps would be needed to obtain industry agreement to either form a strong trade organization, or to give an existing trade organization strong powers to collect fees from all members and allocate the resources to the generic promotion program. Clearly, guidance from a board of industry representatives would be critical. Alternatively, the industry leaders could approach the government for legislative authority to require all participants in the industry or subsector thereof to contribute monies that would then be allocated to the promotion programs through a clearly specified administrative body. The authorizing legislation would need to address basic parameters of the program, a time line for implementation, evaluation of impacts, and preferably a periodic review process to determine whether the program still was serving the long-term interests of the industry participants.

There are costs involved in a generic advertising and promotion program and the relative burden of those costs will vary among industry participants. The industry structure will have much to say about how costs are shared and who obtains the benefits, particularly if there are elements of the industry which have market power compared to the less organized individual boat owners. Given the highly fragmented structure of fishing boat owners, and the open access, common property nature of most U.S. fisheries, programs will need to be organized at

the processing and wholesaling levels. But Keithly and Roberts note that processors tend to be relatively small and geographically dispersed, and a relatively small number of companies account for a large portion of total product. These characteristics are likely to make organizing generic promotion programs difficult, though not impossible. At the least, they suggest that programs must be organized by sectors of the seafood industry with enough commonality of interests to benefit from everyone's cooperation.

There are several reasons for the seafood industry to consider generic promotion programs. One is to obtain more direct input into product marketing, since most primary producers involved in the seafood industry are small and have little control over price received for their commodity. Aggregating resources to inform consumers of the attributes of their products may help expand market opportunities. Industry coordination of opportunities to improve the product, its packaging, and the forms available in the market may require research in product and process technology, new product development, and product distribution. All this work might be funded under a check-off program as is done under the research and promotion programs used by agricultural commodities.

As Forker and Ward (p.43) point out, in recent years nutritional attributes have provided a significant opportunity to convey new information to consumers. Not only have the agricultural commodity promotion programs funded new research to develop products aimed at nutritional concerns, they have also attempted to change previously-held perceptions of their product. This has been driven by the desire to counter perceived negative attributes of products to better position theirs with competing products seen as more nutritional.

A well-designed seafood promotion program coordinated with product development to provide desirable consumer product attributes could expand the market. For example, a program could address issues of food safety, given the mandatory federal inspection of seafood products in the U.S. Generic programs may provide the vehicle for immediate response to consumer nutrition or food safety scares that may be disseminated through the mass media. Countering negative publicity from isolated incidents might mitigate serious implications for the industry.

Some Seafood Industry Examples

I am aware of several initiatives in the fisheries and seafood industry over recent years to conduct generic promotion programs. The U.S. Seafood Promotion Act of 1986 was passed due to efforts by the economically important

industries in Alaska and Louisiana. The main focus of the program was to encourage regular consumption of seafood. It was intended to strengthen the competitive position of the U.S. commercial fishing industry in the domestic and international marketplace, educate and inform consumers to encourage them to utilize a broader array of domestically-produced fish, improve quality and the efficiency of the fishing industry in the marketplace, better coordinate marketing and promotion activities with commercial fisheries research and development programs, and educate and inform the public about nutritional value of fish. It envisioned using regional councils to undertake promotion of seafood products. The government provided basic funding and the program only actively operated for two years. The program didn't continue because of difficulty in getting agreement among fishermen, processors, and marketing firms over funding, program thrust, and other elements required to make a program successful (Keithly; Wessels).

State funded programs have attempted to promote specific species of fish. The best know example is the Alaska salmon promotion program which allocates several million dollars annually to its efforts funded through a one percent tax on landed salmon. One thrust of that program currently is to educate fishermen about the vagaries of the seafood market. A major concern of the industry is that the funding of the program basically makes free riders of aquaculture producers (Keithly; Wessels).

Norway has an export levy to fund generic promotion of Atlantic salmon into the EU and internationally. That program has led to trade disputes and illustrates one of the difficulties that may be encountered in promoting seafood in international markets (Kinnucan). Oystein and Kinnucan have undertaken research to evaluate the impact of the program, as reported elsewhere in this proceedings.

Perhaps the most successful program of which I am aware is the generic promotion program in the farm-raised catfish industry in the southeastern U.S. It was instituted in 1987, and funded through a voluntary check-off on feed sales. According to Kinnucan and Miao (p. 81) "...the industry has used a variety of media, including television, in its national campaign, despite a limited budget (about \$2 million per year). The program has focused primarily on a print campaign aimed at consumers.

After experiencing rapid growth in the 1980s as a new industry, the farm raised catfish industry faced a downturn due to concerns about health because of water pollution and similar issues that affected the seafood industry in the late 1980s. While the catfish industry's growth continued in the early 90s, it was at a slower pace than during the 70s

and earlier 80s. In 1994, there was an actual decrease in total production and a significant downturn in per capita consumption (Kinnucan).

Kinnucan believes that, unlike most agricultural commodities, catfish had a new story to tell to people who were unfamiliar with it. Their promotion program created an awareness of "farm-raised catfish" as a new product and provided information which replaced a lot of misinformation regarding catfish. This convinced people to try the product which had nutritional advantages over some meat products. This contrasts with the persuasive messages used for many generic agricultural commodity promotion programs.

Kinnucan and Miao (p. 97) found that for catfish "...producer returns from the total advertising program were positive, but that a different media mix would have resulted in larger profits." This was because "...media-specific effects differed significantly, with magazine and radio expenditures showing a positive response, newspaper no response, and television a negative (but unreliable) response."

More generally, Keithly and Roberts (p. 12) noted that "when analyzed at the commodity level, seafood seems to be a successful candidate for generic promotion efforts," given the large number of seafood items and types, and the relative homogeneous nature to seafood. The product maintains its identity in the marketing channel and the industry generally has clear standards that make it possible for the consumer to identify it at the time of purchase. Further, the seafood industry has well-established marketing channels, and, per capita consumption in seafood is relatively small. However, they go on to note that there are certain industry and market characteristics of the seafood industry that make long-term effectiveness of generic promotion efforts problematic. For example, domestic producers and the marketing sector may have competing objectives involving imports of products. Geographic dispersal of producers would likely hamper promotional efforts on a national scale; and lack of barriers to entry would likely somewhat mitigate long-term effectiveness of promotion efforts.

Conclusions

Generic promotion of seafood has significant potential within the industry. From the individual fisherman's or industry participant's perspective, maximizing total industry revenues would be a major goal of a generic promotion program. Success in seafood generic promotion programs would require a well-defined set of objectives for

the organizations involved and the programs put into place. It would be critical to identify commodity attributes that might be successfully promoted, allocate funds among media and activities carefully, and develop an implementation strategy that fits the industry or sub-sector structure and marketing system.

Given the diversity of the industry, including fishermen pursuing wild stock, sea-based aquaculture and farm-raised aquaculture products, generic programs would need to be initiated on a sub-sector level. But perhaps more can be done at the national level, such as through The National Fisheries Institute to educate consumers about the general nutritional and health benefits of seafood, as well as promote the safety aspects of the existing industry. Beyond that, programs would need to focus on regional and/or species sub-sectors or find some way to equitably share costs of national programs for which the distribution of benefits will be hard to determine.

Any program implemented must be evaluated to determine if it is effective, whether it should be continued or dropped. But there are examples of apparently successful programs and experiences along with failed programs that provide lessons about the necessary elements for success.

Acknowledgments

I acknowledge helpful conversations with Chuck Adams, Walter Keithly, Henry Kinnucan, and Cathy Wessels about generic promotion programs in the seafood industry. Responsibility for the final content of this paper rests entirely with the author.

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