

3/31/03

Building a Brand Strategy for Alaska Grown



**FEDERAL STATE MARKETING
IMPROVEMENT PROGRAM**

Building a Brand Strategy For Marketing Alaska Grown Products

Contract Report to:
Alaska Division of Agriculture
Department of Natural Resources
State of Alaska

3/31/03

Building a Brand Strategy for Alaska Grown

Presented By:

Aadland Marketing

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EXECUTIVE SUMMARY

Food marketing in Alaska is undergoing dramatic change. Major retailers now control the bulk of Alaskan consumer access to Alaska Grown products. Centralized buying practices make it difficult for Alaska's agricultural industry to compete in what is now a complex buying environment. Aadland Marketing is pleased to offer this report of our findings that may help with some of these marketing challenges.

The situation for Alaska Grown is complex, and those in leadership positions are faced with a combination of geographical and physical limitations (growing season), scarce financial and material resources to invest in growing markets both instate and out of state. Much has been done to build this industry up from the grower and producer side, yet much remains to be done to take these resources, and secure a foothold in the competitive environments in Alaska.

Yet, Alaskans have come to know Alaska Grown as good quality, fresh produce that attracts the attention of consumers in the railbelt areas of Alaska. We now know from our research that the Alaskan consumer knows of Alaska Grown produce, and will place a 'value' on the products that are offered. This report speaks more to the potential of what Alaska Grown could be, and seeks to identify the potential of growing consumer awareness and loyalty.

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Alaskan Grown now represents a \$55 million industry, and it cannot compete or grow its market potential simply on intuition, or the experience of its farmers and growers. What we have here is the basis for strategic thinking on what directions Alaska Grown may take toward a successful future, and what elements are required. As we look at the current Alaska Grown industry, much of its current product is grown by goals set by the farmers themselves, rather than by objectives to please the buyer and consumer of produce in Alaska. The product offered by Alaska Grown has been recognized as a quality brand, yet it must compete in a retail environment that seems to engulf their product with huge bins of commodity priced produce from the lower 48.

We trust that this document will provide an good assessment of the external retail environment you must successfully compete in, and take a look from the inside out, of your capabilities to grow and define the brand known as Alaska Grown. The next and most important step would be to become selective about what opportunities to seize, what resources to place behind them, and what measurements should be established to get to the goal. Alaska Grown comes to the market not as the industry leader, but as a resource driven marketer of branded produce and plant products. As the underdog, we trust that Alaska Grown can take an aggressive and strategic leap toward defining the bull's eye, and then hitting that target. Most importantly, we have good insight

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now into the reasons for your business existence, namely feedback from the Alaskan retail buyer and consumer of Alaskan Grown product.

We trust that equipped with these new insights, Alaska's agricultural industry can evaluate your capabilities and what is required to adequately compete, sustain and grown the uniqueness that is Alaska Grown.

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SURVEY OBJECTIVES

The overriding objective of this project was to assess the strength of Alaska Grown as a marketing brand and understand how it can be used to enhance marketing opportunities for Alaska agricultural products. It was structured as an extension of the 2001 study -- Marketing Alaska: An Action Plan for Potato and Vegetable Growers -- conducted by Carol E. Lewis and Hans Geier of the School of Agriculture and Land Resources Management, Agricultural and Forestry Experiment Station, University of Alaska Fairbanks. Findings from that project provided an excellent baseline for understanding the dynamics of Alaska's agricultural industry.

Expanding on that base of knowledge, the current study focused on gathering information that would provide insight specific to developing promotion strategies and tactics that could be instrumental in growing consumer demand and retail support. Specifically, the project identified the following objectives:

Objective 1

To determine the level of awareness the Alaska Grown brand name has with consumers, food retailers and farmers.

Objective 2

To identify what characteristics consumers are looking for in the types of vegetables capable of being grown in Alaska.

Objective 3

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To understand the purchasing processes in place at four major food retail chains and identify market constraints these systems create.

Objective 4

To identify major problems local producer buyers have in receiving and handling Alaska grown food products.

Objective 5

To identify barriers to implementing in-store promotion efforts that educate consumers about the value and benefits of Alaska Grown products.

Objective 6

In cooperation with farmers and buyers, develop a tactical marketing strategy that helps increase awareness of the Alaska Grown brand.

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SURVEY METHODS

Three audiences were identified as key to providing insight into Alaska Produce Marketing: Producers, Retailers/Institutional Buyers and Consumers.

Producers and retailers/institutional buyers were interviewed in person and on the telephone. While a set number of questions were asked of each group, we also recorded answers to open-ended questions in order to elicit more in depth opinions in certain areas. Those comments and questionnaire templates are included in the Appendices.

Research was conducted during three distinct periods. Producers were contacted mid May through early June; Consumers were contacted from June 21 through June 26th; retailers/institutional buyers were contacted in July. We used findings of the consumer survey to help identify the retailers with the greatest share of the market for fresh produce.

Producers

The produce category included farmers and nursery operators from throughout the state. We did not attempt to classify by size of farm so much as by region; however, the majority of the farm respondents owned medium to large operations. Thirty-six (36) potential participants were

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selected using the Alaska Farm Directory lists and input from the Division of Agriculture staff. Contact was made on the phone or in person. Some received e-mail surveys. A total of 21 surveys were completed. The breakout of these respondents is as follows: Matanuska/Susitna Valley (62%), Fairbanks/Delta (19%), Anchorage (9.5%), Gulf Coast (4.8%), Southeast (4.8%).

Retailers & Institutional Buyers

The retailer/wholesaler category was determined by identifying the primary grocery operations selling fresh produce. These included Carrs/Safeway, Costco, Fred Meyer, K-Mart, Natural Pantry, Sagaya/City Market, Sam's Club, Elmendorf Commissary, FSA, DiTomaso's Fruit and Vegetables, and SYSCO. Interviews were conducted with corporate produce buyers/managers, local produce managers and local produce clerks. A total of 17 Responded: 7 local managers, 6 regional managers, and 4 local produce clerks. The management level was key to this research because purchasing and marketing display policies are decided at these levels. Two organizations, DiTomaso's and SYSCO, declined to participate, however, Carrs/Safeway and Fred Meyer personnel were generally responsive.

Consumers

The Consumers survey was conducted via telephone in the Anchorage Mat-Su area. A sample size of 357 respondents was selected to achieve a maximum margin or error of +/-

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5.2% at 95% confidence. Collected data was entered, verified, checked for accuracy coded and processed using SPSS, a standard statistical package for survey research. This survey was limited to the Anchorage/Mat-Su area due to the fact that the great majority of fresh produced raised and sold in Alaska is done so in this market area.

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FINDINGS

OBJECTIVE 1

To determine the level of awareness the Alaska Grown brand name has with consumers, food retailers and farmers.

The Alaska Grown Brand has very high recognition among all the survey groups. The findings also identified why the Brand is held in such high regard and what attributes each group assigns to the Brand. The following discussion, by group, summarizes these findings.

Producers

Producers were asked a series of questions regarding the Alaska Grown Brand in order to determine:

- How they perceived the governance of the organization
- What they believed the role of the organization to be

Governance of Alaska Grown

78% of the respondents understood that Alaska Grown was a public program administered through the Division of Agriculture, 5% believed it to be a private organizations, 17% were unsure.

Role of Alaska Grown Program

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Regarding the role producers believe Alaska Grown has, several answers were given. Respondents were given a list of 5 categories and asked to rank their preferences.

The Alaska Grown Program exists to:

- Increase consumer/retailer awareness of products grown in Alaska (35.7%).
- Increase consumer/retailer purchases of Alaska Grown products (28.5%).
- Identify consumer trends and assist producers in determining what products best meet consumer consumption preferences. (12.5%)
- Lobby the Alaska Legislature on agricultural issues (12.5%).
- Act as a sales agent for Alaska Grown products (10%).

Alaska Grown Marketing Items Used

When asked what Alaska Grown marketing tools they use, producers provided the following list.

- Alaska Grown labels on packaging (51.5%)
- Alaska Grown label on/in promotional material (31.8%)
- None (13.6% responses)

Program Effectiveness

While there has been criticism of the program over the years and many discussions regarding what Alaska Grown

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should do in the area of marketing, 60% producers believe the program is providing good to excellent service.

- Good (55%)
- Fair (25%)
- Poor (15%)
- Excellent (5%)

Program Weaknesses

Although the overall producer opinion of the Alaska Grown program was on the positive side, a number of weaknesses were identified.

- Not promoted well enough (37.5%)
- Hard to contact (19%)
- Consumers don't understand the program (12.5%)
- Not all markets sell Alaska Grown products (6.2%)
- Slow to react to market conditions (6.2%)
- Uncoordinated program (6.2%)
- Not used consistently by all members (6.2%)
- Grant program too complex (6.2%)

How Can The Program Be Improved?

Producer comments regarding this question provide useful insight into what the program can do to increase its overall effectiveness.

"Needs to touch a broader base of consumers."

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"Some money needs to go to statewide agriculture organizations. They are great at promoting too. After all, that's how they make their living."

"Needs to focus on keeping out non-local producers...protect high quality products when available."

"Grant program has too much paperwork...too complex for little guy."

"Everything goes to lawyers...folks who want and have big equipment and farms. Not to 'real' farmers who still do things by hand."

"Should discourage outside imports of things we can produce like raspberries and strawberry plants."

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Retail/Institutional

The retail/institutional buyers were asked two questions regarding the Alaska Grown Brand:

- Are you familiar with the Alaska Grown logo and program?
- What is your understanding of the purpose of the program?

Role of Alaska Grown Program

62% of the 21 respondents answered these questions. All indicated that they were aware of the program.

- Alaska Grown identifies products as grown in Alaska (46%)
- Alaska Grown purchases support of local farmers (38%)
- Alaska Grown indicates good/fresh quality (15%)

Consumers

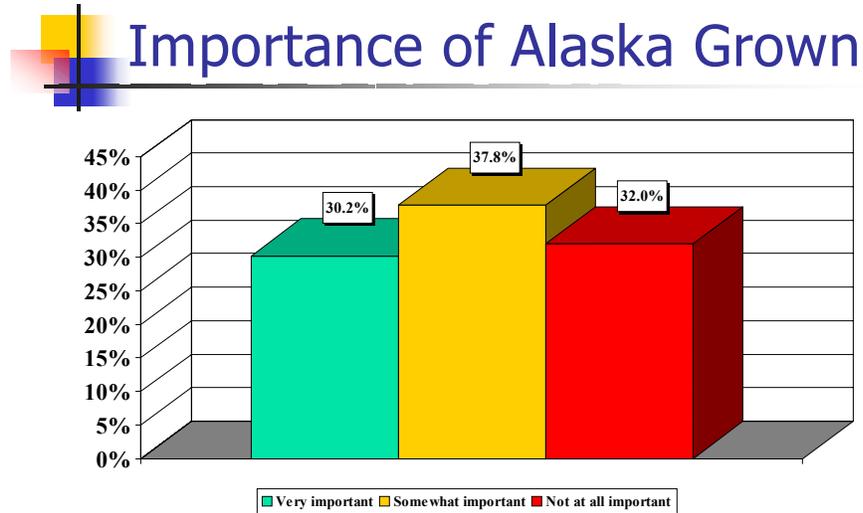
Consumers were asked how important is it that the produce items they buy are grown in Alaska --- very important, somewhat important or not at all important.

Importance of Alaska Grown Produce

Of the 68% who said they felt Alaska Grown was "very" or "somewhat" important, 44% gave "support our economy/better for Alaska economy" as the main reason...31% said "fresher" was the reason. (See following chart from page v,

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Executive Summary of the Anchorage/Mat-Su Public Opinion Survey.)



The more important Alaska Grown is to a respondent, the more likely they are to have purchased Alaska Grown produce, but the relationship is not as strong as one might suspect. Among the "very important" group, 75.9% have purchased in the last 30 days, among "somewhat important" respondents, 72.7%, and even among the "not at all important" group, 46.3% have purchased Alaska Grown. Just because it's not important doesn't mean they won't buy it.

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Relation between Importance and Perceived Quality

The more important Alaska Grown is to a respondent, the more quality they perceive in the product. Among the "very important" group, 80.5% perceive the quality of Alaska Grown produce as excellent; among the "somewhat important" respondents, 56.2% say excellent; and among the "not at all important" group, 28.3% say excellent. The more quality people perceive, the more important Alaska Grown will become.

Willingness to Pay More for Quality

The "very" and "somewhat important" respondents indicated a mean premium of 17% that they would be willing to pay more to purchase Alaska Grown produce. The median premium, a more accurate reflection of what this group would be willing to pay, was 9%.

Consumer Demographics

The "very important" group is significantly older, 47.7 years on average, than the "somewhat important" group, 42.7 years, and the "not at all important" group, 43.0 years. They also have significantly more Alaska residency.

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Alaska Grown purchasers are more likely to be married, have higher household income, and more likely to be women.

Role of Advertising in Purchase Decisions

Respondents who had purchased Alaska Grown produce in the last 30 days were more likely to recall advertisements for Alaska Grown products. They are also significantly more likely to recall seeing promotional signs in their grocery store.

- 38% recall seeing or hearing advertisements for Alaska Grown
- 40% recalled seeing promotional signs in their grocery store
- 69% recall seeing the Alaska Grown label on produce

Where Consumers Shop for Fresh Produce

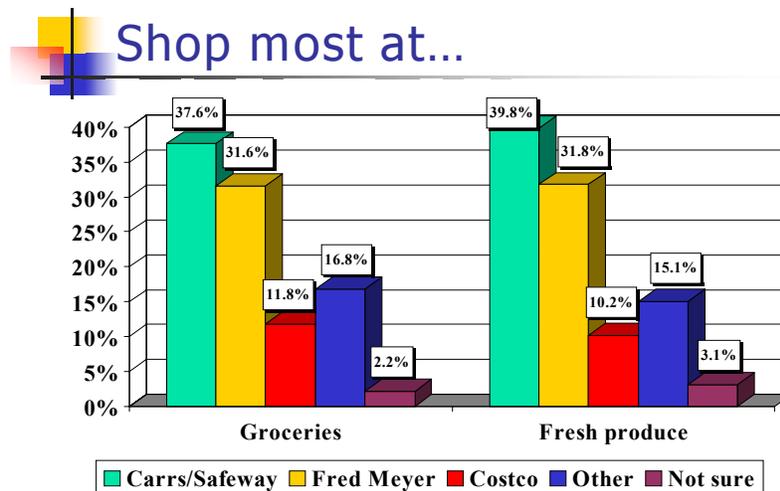
There is no real significant difference in perception of the importance of Alaska Grown by where a person shops... Carrs/Safeway, 29.1% very important, Fred Meyer, 32.6%, and Costco, 28.6%.

There is no difference in propensity to buy Alaska Grown produce by where a person shops...Carrs/Safeway, 64.1% have in the last 30 days Fred Meyer, 64.6% and Costco, 64.0%. There is also little difference between tendencies shopping for general groceries and shopping for fresh

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produce. Carrs/Safeway, despite their lower popularity than rival Fred Meyer, has the majority of the market share at just under 40%.

Their market share advantage increases slightly for fresh produce shopping. (See following chart from page iii, Executive Summary of the Anchorage/Mat-Su Public Opinion Survey.)



The top factors for deciding where to shop for fresh produce are:

- Freshness (27%)
- Quality (25%)
- Price (21%)

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OBJECTIVE 2

To identify what characteristics consumers are looking for in the types of vegetables capable of being grown in Alaska.

The consumer survey provided a valuable insight into what fresh produce and garden plants Alaska consumers purchase most often.

In terms of produce, lettuce, tomatoes and onions top the list as the most purchased items of fresh produce, with the following mean purchases over the last 30 days. While this survey was conducted in late June, it reflects what produce consumers buy on a regular basis.

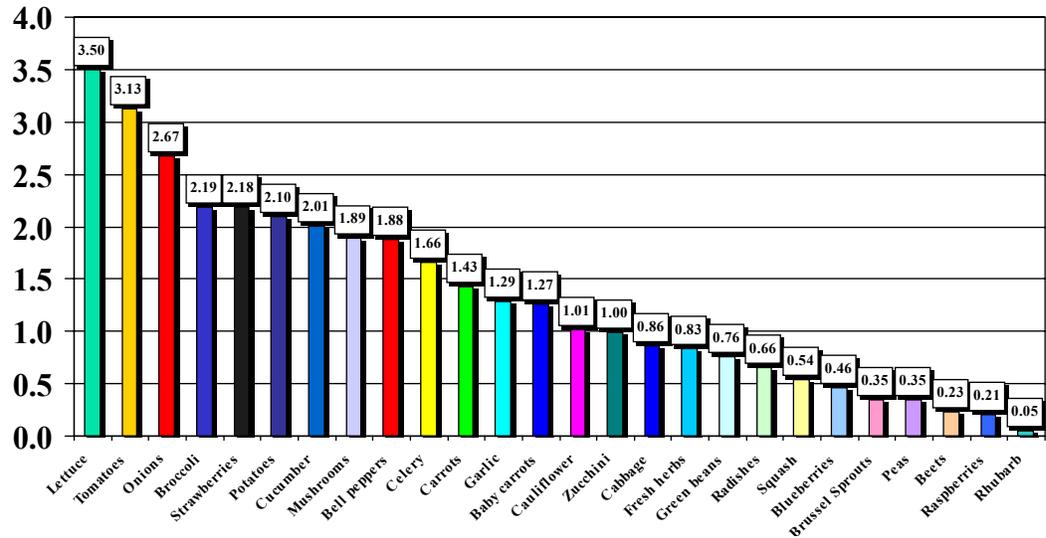
Alaska Grown Purchases

65% of respondents recall buying Alaska Grown produce in the last 30 days. Unaided recall of what types of produce

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they had purchased produced the following results.

Mean purchases last 30 days...



(Taken from page iv of Anchorage/Mat-Su Public Opinion Survey.)

Alaska Grown Items Most Often Purchased

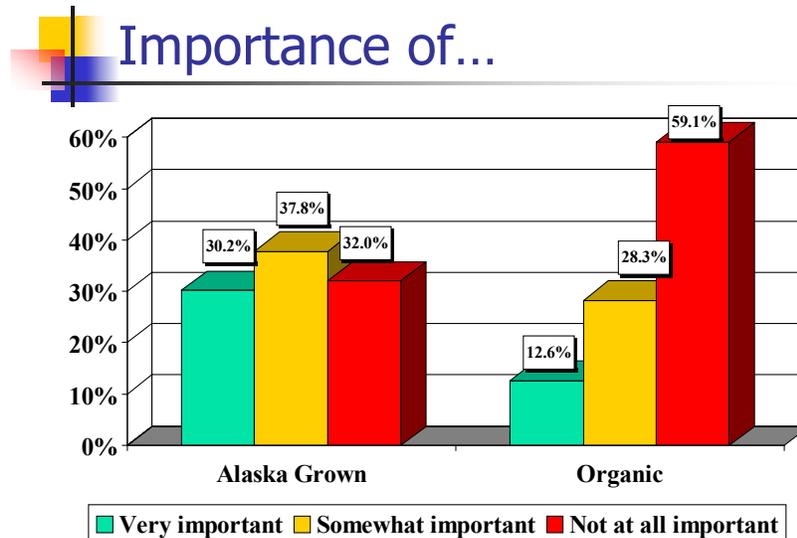
When asked what Alaska Grown items they buy most often, respondents relied as follows:

- Potatoes (46%)
- Carrots (22%)
- Tomatoes (20%)
- Green Beans (9%)
- Baby Carrots (6%)
- Radishes (4%)

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Importance of Organic Produce

It is interesting to note that when consumers were asked how important organic vegetables are in comparison to Alaska Grown vegetables, it appears being Alaska Grown is more important in purchasing decisions than being organic. This may indicate that Alaska consumers aren't as concerned about organic products as those in the lower 48, or that they perceive local produce to be more "natural" than crops imported into the state. (See chart below from page vii, Executive Summary, Anchorage/Mat-Su Public Opinion Survey.)



On the other hand, retailers consider organic produce as important for their product mix. 62% of retailers reported buying organic products from Alaska producers. This same number indicates they would be interested in purchasing

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more organic crops in the future. They specifically mention lettuce, broccoli, carrots and cabbage.

This finding presents a promotion possibility for Alaska Grown. While the majority of Alaska's produce is not organic, our products are generally much freer of pests and pesticides than produce grown anywhere else in the country. Educating retailers and consumers about this attribute could have a positive impact on sales in two ways: demonstrating to consumers the positive health aspects of locally grown produce versus imported produce and showing retailers how promoting locally grown produce can increase profit potential over the costs of importing increasing amounts of organic produce during summer months.

Plants and Flowers

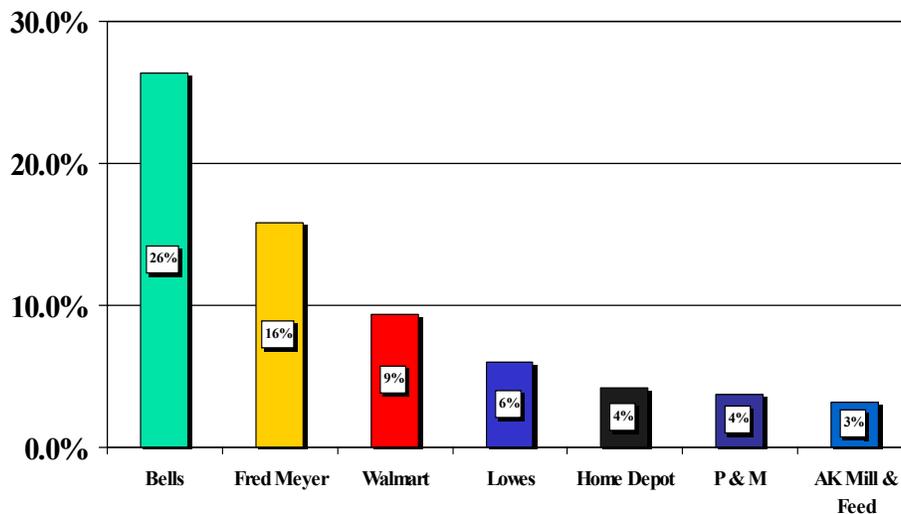
60% of respondents to the consumer survey say they have purchased plants or flowers for their garden at some time since the beginning of the year. What is very important to the Alaska Grown promotion effort is that in excess of 60% of gardening plants purchasers consider it very or somewhat important that the plants and flowers they buy be Alaska Grown.

Note: the survey was taken in just the Anchorage/Mat-Su area with Bell's Nursery ranked as the number 1 preference among consumers. However, of importance statewide are the

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rankings of the national retail chains. The findings appear to indicate that buyers purchase the majority of their plants from these retailers. Major nursery operators in Alaska, such as P & M Gardens, have already identified this as an opportunity and are expanding sales—prominently featuring the Alaska Grown logo--through this distribution channel.

Shop for plants and flowers...



Importance of Nursery Plants to Alaska Grown Brand

More and more consumers purchase Alaska Grown flowers, shrubs and trees each season because they out perform imported varieties. An Alaska Grown program including local nursery operations adds value to the overall image of the brand. Tapping this consumer preference for locally grown garden products will help expand the consumer's awareness of the

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Alaska Grown brand and the perception that "local means quality".

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OBJECTIVE 3

To understand the purchasing processes in place at four major food retail chains and identify market constraints these systems create.

Background

Producers have indicated many times over the years that the single biggest roadblock to significant growth in Alaska's agriculture industry is access to the marketplace. This problem has grown significantly due to continuing consolidation of food retailers, purchasing procedures within the state's institutional food service industry, and changing consumer demands concerning produce.

Alaska's retail grocery industry has gone through dramatic changes in the past few years. The state's largest independent food chain, Carr's Quality Centers, sold its operations to the food industry giant Safeway in 1998. At the time, Carr's was the State's largest food retailer holding a market share twice that of second place Safeway and much higher than Fred Meyer and Costco.

With this market consolidation local agricultural producers face a challenge of significant proportions: Alaska's retail food industry is now dominated by large, outside corporations. Each chain doing business in the state has well-established national standards for buying,

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stocking and promoting products. The result presents Alaska vegetable and potato growers with new and often confusing marketing dynamics.

A primary concern among Alaska's farmers and nursery operators is the necessity of presenting and selling their products within the centralized purchasing systems now in place. While some produce managers have local buying authority, major buying decisions are made through corporate channels. Lowering this barrier is a key factor to increasing sales of Alaska Grown products.

Commodity vs. Value-Added

Adding more complexity to the marketing challenge facing Alaska producers is the fact that retailers consider most of the products grown locally commodity items. In other words, they are essentially "raw" products whose perceived value by retailers is no greater than produce grown in other regions of the country. They are items people consume on a regular basis without much thought as to place of origin.

The Alaska Grown program seeks to make a distinction between imported and locally grown items. This study and other food industry research projects indicate that the awareness-building effort is having some positive effect. Ultimately, however, real growth rests in the development

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of value-added products targeting key market segments such as foodservice. The value-added issue was beyond the scope of this project, yet we believe that building awareness and preference for the Alaska Grown for seasonal products will give future value-added offerings bearing the brand's name strong introductory support.

Changes in Consumer Preferences

Nationwide, consumers are choosing vegetables that are smaller than what Alaska's farmers have produced historically. Zucchini is a prime example. Consumers are also paying more for the convenience of smaller packaging and specially prepared products. Buyers are stocking new varieties of lettuce and salad greens and more pre-cut vegetable and salad items. This means that many of the existing products grown or produced in Alaska may not remain competitive in the near future without attempts to meet these changing consumer preferences.

Another consumer characteristic affecting Alaska Grown produce is their demand for fresh produce. As referenced on page iv of the consumer report, consumers purchase a wide variety of fresh produce on a regular basis. That requires retailers and wholesalers to have a strong, dependable supply chain in place to ensure delivery of produce year-round. Local farmers, whose production is limited by seasonal factors, must present a strong reason for buying local products in season as well as maintaining

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store placements for products available all year (potatoes & carrots primarily).

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Retail/Food Service Responses

To develop an understanding of the dynamics affecting the retail environment in Alaska, producers and retailers were asked a series of key questions.

Where are buying decisions made?

According to producers, decisions are made fairly evenly between local, regional and corporate offices.

- At the corporate level out of state (35%)
- At the local store level (35%)
- At regional office in Alaska (30%)

Retailers, on the other hand, had a different view.

- At the local store level (43.7%)
- At regional office in Alaska (37.5% responses)
- At the corporate level out of state (18.8%)

Retailers claim to have a high level of local buying authority, however, producers believe, based upon the actual selling process, that the majority of the decisions are made at the regional and corporate levels. This disconnect must be dealt with both from a purchasing and in-store merchandising point of view.

In answering this question, retailers had these comments that seem to support the producers' belief that "local"

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purchasing authority is guided by regional and corporate directives.

"Local has some discretion during the season."

"All must be approved at Puyallup. Nothing approved locally."

"Big guys let managers bring in as much as we feel we can sell."

"Farmers go through warehouse. Nothing at store level."

"I have some leeway based on what local customers prefer."

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OBJECTIVE 4

To identify how retail/institutional buyers rate Alaska Grown products and to determine what problems they may have with locally grown vegetables.

Retailer/Wholesaler Opinions of Alaska Grown Products

Retailers and wholesalers reported a number of reasons for buying Alaska Grown. Of the 21 who responded, only 1 (Costco) indicated they did not purchase Alaska Grown produce. Of those buying Alaska Grown produce, the most common reasons are listed below. (Note: each respondent could list as many reasons as they chose.)

Reasons for Buying Alaska Grown

- Freshness of product (22.4%)
- Quality is up to my standards (19%)
- I try to support Alaska farming (19%)
- My customers ask for it (19%)
- I prefer the packaging (8.6%)
- The price is competitive (10.3%)
- Larger sizes (1.7%)

Freshness, Quality, Consumer Requests and Supporting Alaska Business were the most often cited reasons for purchasing Alaska Grown produce. These product benefits must be integrated as key concepts in future promotion programs.

Retailer Perception of Alaska Grown Quality

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- Good (64.3%)
- Excellent (21.4%)
- Average (14.3%)

Their comments included the following:

"Good to excellent"

"Any time you can cut 5 days on the water it is good quality."

"Poor at the beginning of the season."

"At end of year quality goes down."

"Usually better. Size varies too much."

"Quality is up to standard on certain varieties such as potatoes, carrots and cabbage. Some of the leaf products don't have the shelf life. In the south, lettuce goes into coolers that rapidly drop the temperature of the product so they last longer. Local producers don't do that. We supply customers (restaurants/institutional) who require shelf life."

Comparison of Local vs. Imported - Retail Point of View

When asked specifically to compare Alaska Grown produce to imported produce their response was generally favorable.

- Better than imported products (50%)
- Equal to imported products (50%)

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Their comments included the following:

"More than 80% of customers ask for Alaska potatoes and carrots."

"Equal to or a little less because of short growing season."

"Best after the first 2.5 weeks."

"Virtually as good as. In some cases far superior."

"Nothing close...best in nation."

"Local lettuce is untrimmed and not as clean as outside. This doesn't matter because we rinse and clean everything."

"Generally good to excellent for the products we purchase. Again, leaf items aren't as good for our customers."

(Wholesaler response)

Comparison of Local vs. Imported - Producer Point of View

It is interesting to note that producers had a different perception of how retailers rated locally grown products.

Better than imported products (46.7%)

Equal to imported products (33.3%)

Not as good as imported products (20%)

This difference could be due to a tendency among retailers not to be too critical, but it does seem to add credibility to the "commodity" perception produce buyers have of Alaska Grown products.

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Advantages of Buying Alaska Grown

When asked to list the advantages of buying Alaska Grown produce, retailers/wholesalers gave these responses and comments.

- Locally grown (25.7%)
- Support Alaska Business/farmers/people (14.3%)
- Fresh/taste (14.3%)
- Quality (11.4%)
- Price (8.6%)
- Customer requests (8.6%)
- Fewer pesticides, close to organic (5.7%)
- No shipping charges (5/7%)
- Personal relationship with grower (2.8%)
- Larger sizes (2.8%)

Their comments included the following:

"Customers ask when local is arriving."

"Alaska products sell first. If you see an Alaska Grown logo, it will sell first."

"Reaction time from ordering to receiving is great."

"Quality is better. Fresher from harvest."

"Our focus is to turn product as soon as possible; rotate quickly." (Safeway)

"Greater variety of products being produced versus 5/10 years ago."

Disadvantages of Alaska Grown

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When asked to list the disadvantages of Alaska Grown produce, retailers/wholesalers responded with the following reasons and comments:

- Short growing season (15%)
- Lack of variety (15%)
- Weather related quality issues (15%)
- Too much dirt (15%)
- Consistency in size/quality (10%)
- Price (10%)
- Packaging (10%)
- Many farmers not going through 3rd party inspections (5%)
- Potatoes/carrots stored too long (5%)

Their comments included the following:

"Bugs in product. Cleaning is a problem."

"We can land some products 40% cheaper than Alaska Grown. The biggest issue is being able to be competitive when other stores are selling item cheaper than Alaska Grown at Safeway."

"Consistency in sizing/grading is tighter in lower 48."

"Need to expand offering. Suggest growing other products...corn, beets. Things I saw growing here while visiting. " Respondent was referring to smaller farms and nursery operations.

"(Produce) erratic in size...not evenly sized."

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"Can't see through some carrot bags to identify bad carrots."

"Local zucchini sells ok but consumers still prefer small sizes."

"Need more pre-cut. Items are selling well."

What do Retailers & Producers Agree Upon?

<u>Positive</u>	<u>Negative</u>
Strong consumer demand in season	Inconsistent seasonal quality-early/late
Alaska product sells first in season	Short growing season
Local purchase supports economy	Purchasing process
Proximity of farms means quality	Pricing
Alaska Grown brand not promoted with enough with advertising	Display policies inconsistent regarding in-store activities
Product safety - fewer pesticides	Not enough product variety in stores

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OBJECTIVE 5

To identify barriers to implementing in-store promotion efforts that educate consumers regarding value and benefits of Alaska Grown.

One of the roles of the Alaska Grown program is to ensure that Alaska Grown signs and promotion material are available to be displayed where local produce is sold. While there has been some success over the years with this effort, especially among producers and Farmer's Market operations, major retailers have not consistently used the material.

Because in-store promotions are a powerful influence on sales, it is important that the Alaska Grown brand be highly visible in the produce departments of local grocers. Therefore, identifying barriers to placement of Alaska Grown signs, as well as understanding company policies regarding in-store signage, is critical to increasing sales of locally grown produce.

Retail Support of Alaska Grown Program

Producers believe that buyers generally support the Alaska Grown program. Of the 18 who answered this question, 89% responded, "Yes, producer buyers support the Alaska Grown program." Only 11% did not agree. Producer comments included the following:

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"I believe that some genuinely like the taste of the fresher produce and supporting the local economy."

"Most produce buyers support Alaska Grown - some have problems from corporate headquarters."

"Somewhat"

Retail Support of In-store Promotions

When asked if retailers were supportive in displaying and promoting Alaska Grown produce. 76.5% of the respondents believe retailers do provide some level of in-store support, but they also feel that help is not given easily.

"The original Carrs stores helped display and promote Alaskan products...the best by far."

"Only if pushed to do it."

"Alaska banners and price cards."

"Before the buyout."

"From "select individuals."

"Yes, in some chains."

23.5% of the respondents believe that retailers provide little support either in posting Alaska Grown provided material or identifying produce as being from Alaska when they don't use supplied signage.

"They have in the past but are getting very lax, not much going on the last few years."

"Retailers mix together local and outside produce so have high quality mixed with low quality. Hurts high quality produce."

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Barriers to In-store Support

The most challenging barriers to in-store displays are these:

- Consolidation of retail grocery chains
- Profit strategies of chains that squeeze out products not part of a national or store brand offerings
- Display policies & decisions made out of state
- Lack of merchandising services from Alaska Grown program

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Who Determines In-store Display Policies? (A Retailer's Perspective)

Of particular importance to this study was identifying how in-store display policies are set and who makes the decisions. Retailers replied as follows:

- Corporate level (out of state) 18.75%
- Regional Office (in Alaska) 37.5%
- At local store level 43.75%

Who Determines In-store Display Policies? (A Producers Perspective)

Alaska producers have a much different perspective when it comes to who decides and guides in-store display policy.

- Corporate level (out of state) 35%
- Regional Office (in Alaska) 30:
- At local store level 35%

As is the case with comparing quality of imported versus Alaska Grown produce, our sense is that retailers answered this question with a bias toward local support. We make that statement based on the qualifying statements made during the interviews. What this questions seems to indicate is that there is a good deal of local flexibility when it comes to buying produce. Therefore, the Alaska Grown program should focus more attention on positive brand perceptions with local buyers.

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Promotions Retailers Use Most Often

To determine how producers and retailers might work together more productively in developing in-store promotions, retailers were asked describe the types of in-store promotion they use most often.

Putting products on ad (37.5%)

Putting up signage (37.5%)

Demonstrations in-store (25%)

Produce managers also identified specific support activities they use.

"End caps are for on-ad products."

"We use the 4 x 8 signs from State."

"Every week our ads try to feature an Alaska Grown item."

Produce Buyer Suggestions for Producers

Retailers believe the Alaska Grown program should focus on increasing consumer awareness/sales of local products by:

Advertising more (61.1%)

Providing signs (16.7%)

Producing more to meet needs of all stores (11.1%)

Promoting "on ad" items (11.1% responses)

Retail comments included:

"Laminate the Alaska Grown signs to get longer use."

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"Develop niche products and more value-added items. Our customers want more items with some preparation. There is not as much demand for raw potatoes as in past. Our customers want to reduce preparation time."

"Make sure the end user knows Alaska Grown products are seasonal and build on this mystique."

"Look for new products that fill a niche and have longer availability. Follow the marketing example of Copper River Salmon."

These answers indicate that despite the general feeling among producers and retailers who do a good job of in-store promotions, the reality is that there are operational restrictions. Merchandising strategies that increase visibility of Alaska Grown brand at the retail grocery level must take these factors into consideration, and deal with them more aggressively at the regional and corporate levels.

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OBJECTIVE 6

In cooperation with farmers and buyers, develop a tactical marketing strategy that helps increase awareness of the Alaska Grown brand.

Aadland Marketing has been working with the Alaska Grown program (both in a volunteer and paid capacity) and local producers for the past four years. We have developed targeted advertising efforts (1999 - 2002) as well as a comprehensive promotional plan for the 2002/2003 fiscal year. Based upon this background and the findings of the survey, we offer the following discussion of strategic issues as well as a series of tactical recommendations for increasing brand strength.

Classically, brand strategies are shaped within the context of a strengths-weaknesses-opportunities-threat paradigm. So, let's begin with an overview of what our research tells us about the Alaska Grown program and brand.

Strengths

The Alaska Grown program has relatively high recognition among the three groups surveyed: producers, retailers, and consumers; however, that awareness has a narrow focus. All parties understand that the Alaska Grown name means locally grown, good quality products and economic

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support for local farmers. Among the less well known strengths include:

- Wide variety of crops/livestock grown/raised locally
- Availability of locally grown organic products
- Lower use of pesticides & other health/nutrition benefits
- How climate contributes to quality and taste of produce
- Locally grown nursery plants/shrubs/trees developed for Alaska climate
- Faster from farm to store than imported products (fresher)
- Alaska Agriculture is a \$51 million dollar industry
- Land availability for agricultural development
- Industry's search for value-added opportunities

These and other key attributes should play an important part of the Alaska Grown brand message to key publics and form the core communication points of future promotional efforts.

Weaknesses

During this era of consolidation and centralization in the retail food industry, Alaska producers face increasing marketing and merchandising disadvantages.

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They are presented with buying procedures that may involve several layers of decision makers (in state and out of state).

They must compete with company policies that tend to favor consolidated supply chain procedures.

They must act as both grower and sales agent for their own brand.

Their products are, for the most part, seasonal.

This complexity presents two major problems for the Alaska Grown brand.

Producers sell under their own brand names.

Lack of adequate promotion funding makes it difficult to compete aggressively in the retail and institutional marketplaces. Furthermore, government funding processes do not always allow for rapid responses to market challenges.

Alaska Grown versus Producer Brand

In order for Alaska Grown to become a truly strong brand, increasing penetration at the store level and consumer sales, it must be more prominent than individual producer brands. That requires a more coordinated effort among producers to display the logo on packaging and a broader effort on the part of the Alaska Grown program to educate buyers and consumers about the benefits inherent in the brand.

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Lack of Promotion Funding

For the most part, since its inception, the Alaska Grown program has not received consistent or adequate promotion funding. Not only does this lack of financial backing present a barrier to building consumer awareness and sales, it also blocks development of growth at the retail and foodservice levels.

Successful food brands are supported by manufacturers' representatives who present the benefits of a brand's products to retail and institutional buyers. These professionals also provide a wealth of printed information, promotion material and in-store display assistance. While the Alaska Grown program makes available some promotion material, current staffing levels in the Alaska Division of Agriculture are unable to support a coordinated and continual presentation effort.

Inconsistent Media/Consumer Communications

Media relations are also affected by lack of staff time and funding. Efforts are made to provide reporters with specific information at certain times of the year, yet there is no ongoing program focused on developing in-depth reports regarding the business of agriculture in Alaska.

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Likewise, advertising is an underused promotion tool. Historically, the Alaska Grown program has relied on small grants made to individuals with a few statewide efforts being undertaken in recent years (1998-2002). While this policy has made it possible for many producers to cover the cost of adding the Alaska Grown logo to their packages, signs and vehicles, it is not aggressive enough to maintain the brand's competitiveness against outside products.

Opportunities

In terms of building awareness and preference for the brand, there are many promotion opportunities available to the Alaska Grown program. With appropriate funding an effective, integrated marketing communications program can be implemented that includes advertising, public relations, sales material, in-store displays and product promotions.

Effective promotions deliver positive sales results, not only in the retail market place, but in foodservice as well. In fact, the foodservice segment (restaurants and institutions) may be the best opportunity for growth.

We were not surprised with findings from interviews with foodservice buyers and Alaska producers indicated that there is very little penetration of this potential market.

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The major problems cited by the buyers are:

Year-round availability

Limited product variety

Lack of value-added preparation

Product shelf life

Considering the size of the institutional feeding contracts awarded by the state and the number of restaurants in operation, a marketing and promotional effort coordinated by Alaska Grown could effectively increase seasonal sales in both the near and long term. Long-term increases would require development of value-added capabilities to ensure customers the convenience products they require as well as year-round supply. As we have heard many times in the past - Alaskans must support Alaskan industry, and with the right 'engineering' of products that can sustain foodservice needs, Alaskan buyers such as the prison, ferry system, public visitor sites could feature Alaskan procured and sourced products.

Value-added products also represent a major economic opportunity for the Alaska Grown brand. Various organizations and producers are exploring several options currently and we concur with the need to do more in this area of business development. Numerous small and large organizations exist in this State through entrepreneurial

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zeal creating everything from Alaskan sausage, value-added dairy products, and retail shelf food items such as birch syrup, jams and jellies. Our recommendation is that a further study be undertaken to provide a detailed assessment of potential value-added options available to Alaska producers and food manufacturers.

Attention should also be given to the growing "gourmet" vegetables niche—specialty potatoes, herbs, mushrooms, etc. They could easily be integrated into featured Alaskan menu items for the tourism and visitor markets.

Threats

The three most immediate threats immediately facing the Alaska Grown brand are the centralized buying policies of major food retailers, failure to educate the public, and lack of brand penetration in the local foodservice sector.

Market Consolidation

Consolidation of buying decisions outside of Alaska presents a serious problem because Alaska producers generally sell their products individually. Historically, they have worked with local buyers and store produce managers. Research indicates this process remains in effect. While local produce managers continue to report that local purchase is important, corporate policies

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appear to be making the process more complicated for Alaska producers.

Further, retailer policies limit the amount and type of in-store promotional support made available to the Alaska Grown brand. Verbatim comments collected during field interviews indicate that more personal, one-on-one contact from Alaska Grown representatives (at both the local and corporate level) could help change this situation. Again, it should be mentioned, that the responsibilities of the Division of Agriculture staff do not allow the time required to initiate this type of support.

Consumer Health/Safety Concerns

Failure to promote the healthful attributes of Alaska Grown products could restrict increased sales because consumers are paying more attention to health issues when making produce-buying decisions. A 2001 Fresh Trends survey (Produce Marketing Association) stated that the primary factors consumers take into consideration when purchasing fresh produce are:

- Expected taste (87%)
- General appearance (83%)
- Cleanliness (74%)
- Degree of ripeness (70%)
- Nutritional values (57%)

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Consumers are also more health conscious when it comes to produce. This same survey indicated that 81% of the respondents said they are addressing health issues through food consumption. For 52% of consumers, produce is considered a main element of meals; for 47%, produce is a meal supplement.

When asked the reasons why they would start or increase their consumption of one or more fruits or vegetables, consumers responded (top 5 reasons):

- Specific Vitamin/Mineral Content: 39% fruits, 33% vegetables
- Healthy/Good for You: 16% fruits, 17% vegetables
- Various medical Conditions: 13% fruits, 23% vegetables
- I/My Family Likes It: 13% fruits, 18% vegetables
- Diet: 8% fruits; 11% vegetables

Foodservice Issues

The Foodservice sector (institutional and restaurant) relies almost exclusively on produce and agricultural products from outside the state. Here too, centralized buying policies and contracts are often in effect. This represents a significant "lost opportunity". Efforts to promote Alaska Grown items to this market have been inconsistent. Aggressive promotion efforts in both the institutional and restaurant industries must be included

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in any strategy developed to build long-term growth for
Alaska's Agriculture industry.

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STRATEGIC RECOMMENDATIONS

Creating value for the Alaska Grown brand is the primary strategy for growing Alaska's agricultural industry.

For the purposes of this research project, "creating value" involves using integrated marketing communication tactics that deliver the following results:

- Expanded awareness among key market segments.
(consumers, retail buyers and foodservice managers)
- Increased brand preference among key market segments
(consumers, retail buyers and foodservice managers)
will lead to increased sales.

Building the Brand

Growth is often defined as "capturing the value within the opportunities at hand". That means understanding where consumers, retailers and food-service organizations are headed. Our findings provide a helpful background on what is happening in the market.

The Alaska Grown brand must speak to those issues with a sound brand promise that builds customer loyalty. That promise must be delivered consistently over time building

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on the "three R's of successfully building brand loyalty"
-- *Reliability, Reputation and Rank.*

\The Three R's of Brand Loyalty

Reliability isn't something that happens inside the product. Yes, Alaska Grown products have superior qualities, but just reading or hearing that fact won't build loyalty. Belief in that reality is built in the mind of the consumer. *Reliable* means a superior brand promise.

Reputation is the result of every contact with the customer: advertising, brochures, in-store displays, direct marketing, sales calls, public relations, packaging and promotions. The reason integrated marketing is so important is because customers integrate our messages whether we like it or not. They cannot separate the messages. To be successful in your communications program, you must design the brand's area of excellence into the program.

Rank is a statement of how the brand rates with consumer groups. In business as in life, how you rate or rank is everything. We know from local research conducted for other food companies, and general industry knowledge, that people will pay significantly more for dominant, differentiated, quality brands.

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What the three R's mean for building the Alaska Grown brand is that we must change our attention from focusing on pushing volume to concentrating on first on value. This will cultivate brand loyalty and in turn increase sales. It will also extend brand preference from produce and garden plants to all the other products Alaska agriculture is producing or can produce in the future.

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Tactical Recommendations

The three market segments with which our marketing communications must deal are: consumers, retail food chains, restaurants/institutional food service organizations. The following tactics are offered as suggestions. How they are developed, augmented, budgeted and implemented into an integrated program will be determined during creation of an approved master marketing plan for the Alaska Grown brand.

Advertising

The current fiscal year 2002/03 saw an increased use of advertising to promote Alaska Grown vegetables and nursery plants. Three media were used: television, print and radio. The unifying element in all three was the theme: *Alaska grown...fresher by far*. This is the very essence of the brand promise and the foundation of a strong positioning strategy.

Various elements of the campaign were run from February through March (promoting potatoes and carrots), June through September (promoting full range of Alaska Grown vegetables & nursery plants) and November through December (promoting potatoes and carrots).

Recommendations have been made to continue the campaign in February 2003 (National Potato Month) and May 2003 (Alaska Grown garden plants).

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The current plan is the first step in expanding the Alaska Grown message from one seen or heard only during the summer to one that supports all seasons where Alaska Grown items are available. Over time this approach helps maintain top of mind awareness for the brand, eliminating the need to "re-introduce" it on a seasonal basis. We recommend expanding this approach with additional media exposure presenting a broader range of products. As stated during our discussion of "threats" to the program, it is essential that an adequate level of funding and dedicated merchandising/marketing staffing be made available. We believe this funding should come from an investment from both industry and government sources (state appropriations, USDA grants).

Public Relations

Expanding and strengthening relations both with the media and specific customer segments is vital for enhancing brand value. It is the best tactic for delivering ongoing information about the brand and the products. Three tools are required to make this effort successful: a web site, media relations and a speaker's bureau.

Alaska Grown Web Site

The web site should be the single most important source of information about everything Alaska Grown. It should be designed to serve all market segments: consumers, retail produce managers/buyers, restaurant chefs/owners, food service buyers/managers, and the media.

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While several states have programs promoting local quality, we believe the mix of marketing, public relations and consumer information can be found at several sites in the U.S. and Canada. They serve as excellent examples of how an Alaska Grown site can become a powerful marketing tool serving all levels of the marketplace --- consumers, retail buyers and foodservice managers.

Some of the sites we found to be useful are:

Alberta Grown -- www.growingalberta.com

Ag Aware BC -- www.agaware.bc.ca

Ohio Proud -- www.ohioproud.org

Buy California -- www.cdfa.ca.gov/mkt/mkt/buycal.html

Pride of New York --

www.agmkt.state.ny.us/AP/PrideOfNY/pride_index.html

Virginia -- www.vdacs.state.va.us

Designing, developing content and integrating the site into all levels of communications is an important first step in brand promotion in the coming year. This tool would allow Division of Agriculture staff to increase the flow of information to key audiences without adding significantly to their workload. It also reduces the need to develop and distribute extensive printed material. In order to be certain the web site becomes the effective tool it can be, a development project must be undertaken

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to identify key audiences and information sources, establish graphic design, content and site structure, define site management and create a promotion strategy.

Media Relations

Personal contact with the media is another primary role of public relations. We single out public relations because current Division of Agriculture staff members have responsibility for working with producers and retailers. Additional support is required to generate more coverage of Alaska Grown issues in all major state media. We are suggesting an effort that goes beyond the creation of periodic releases. A proactive approach not only develops and pitches feature material throughout the year but also creates opportunities for producers to present key issues regarding the value of Alaska's agriculture industry to the media.

One such project would be to work with well-known Alaska chefs such as Chef Al Levinsohn (Former Alyeska Resort Executive Chef, and new owner of Gesines in Anchorage). Chef Al could include Alaska Grown products (especially potatoes & carrots) during his weekly appearances on KTUU television's food segment held each Wednesday during the Morning Edition.

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The expanding gardening coverage in local print and radio has and will continue to provide opportunities for Alaska Grown stories.

Speaker's Bureau

This tactic will help build awareness of the Alaska Grown brand as well as identify Alaska agriculture industry as an important economic engine in the state, both now and in the future. Timed to coincide with major advertising and publicity activity, designated speakers would make standard presentation to Chambers of Commerce and professional/social business organizations in Alaska's major cities. A multimedia program (6-8 minutes) would be presented with a speaker providing opening and closing remarks as well as answering questions. A small brochure highlighting key points of the presentation and the web site address would be provided to attendees.

This effort could also support the existing Agriculture in the Classroom program sponsored by the Alaska Grange, expanding coverage throughout the state's key communities.

Industry Relations

When discussing "Opportunities for Growth" the value of the restaurant trade was highlighted. Building awareness among chefs (current and future) is key to sustaining

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growth in this market segment. Public relations play an important role in this effort.

We offer these recommendations for consideration:

Conduct one-on-one meetings with key restaurant owners to determine what products local producers could provide. Promote our "gourmet" specialty vegetables and herbs that can add value to the established reputation of Alaska seafood.

Support culinary training programs throughout the state (UAF, UAA, King Career Center, Job Corps) with presentations, product and training.

Create a "Young Chef" competition in association with the Culinary Association.

Presentations should also be made with key produce buyers both in and outside Alaska. Develop a short orientation video including information about Alaska Agriculture products (health, quality, availability) and comments from consumers singing the praises of Alaska Grown. This effort should also include sponsoring Alaska familiarization trips for key outside buyers, especially Costco and Sam's Club.

Merchandising

The Alaska Grown program has signs, stickers and labels available for in-store and package use. However, due to

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lack of funds and staff time, this valuable marketing tool lacks consistency and is grossly underused. To be successful it must incorporate new creative messages and packaging, encourage increased sales and be acceptable to retailers.

We recommend that the program be revitalized to create and distribute a new series of in-store displays/signs/produce bags as well as restaurant table tents/posters. Survey results indicate that in-store signs may be more readily accepted if materials are provided that meet store policies and if Alaska Grown representatives work more closely with management to provide them with tools that are convenient. Several states are using shelf talkers that are accepted by major chains such as Safeway and Kroger (Fred Meyer).

The value of the Alaska Grown logo should also be nurtured among greenhouse/nursery producers. Here too, the "cachet" of something created (grown) by Alaskans specifically for Alaskans and their gardens has significant and demonstrated appeal to customers.

Sales Promotions

Sales promotions can be used effectively by Alaska Grown to build relationships with new consumers as well as strengthen relationships with retailers and food service managers.

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We believe the use of sales promotion in the near term is vital for getting past the order desk and speaking with those executives who make the broader corporate decisions affecting produce. This strategy lets them know that we understand the changing retail environment - customer trends, consumer needs, retail changes - and that we can provide potential sales solutions.

Providing these solutions means developing partnerships where both parties add value to the marketing relationship. This requires time and cannot be implemented in all market segments in a single season. We recommend selecting one retail chain and several key restaurants and develop programs for February (national potato month), July for vegetables & greens, and November for carrots and potatoes.

The specifics of these promotions (and the media tools required) will be determined as they are developed. It is important to remember that most producers cannot provide this sophisticated level of sales (and merchandising) support. Their focus is naturally on individual sales challenges. Overall promotions of this nature must be managed to deliver positive results for the brand. That necessitates a Division of Agriculture staff person or a contract professional.

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Event Marketing

Closely allied to sales promotions is event marketing. This activity includes anyplace where Alaska Grown products can be associated with an event theme or wherever an event can be created specifically supporting the Alaska Grown brand.

This would include state fairs, events and exhibits supporting agriculture groups (Grange, Farm Bureau, Ag Day, FFA, 4-H, etc.), harvest festivals, and special food promotion tie-in opportunities held in communities throughout the state such as the Symphony of Seafood, Providence Health System's Elegance of Good Nutrition or Fur Rendezvous in Anchorage. Special presentations, displays and food sampling (when possible) would support such participation. Both the Symphony and Fur Rendezvous would be ideal occasions to promote potatoes (February is National Potato Month).

Producer Support

Because not all Alaska Grown producers have experience to deal with the changing dynamics of the marketplace, we recommend that the Alaska Grown program develop a "Marketing Toolkit." Such a kit would provide information on the Alaska Grown marketing plan, suggestions on how to use the Alaska Grown marketing tools (signs, displays,

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web site & promotions), information on consumer trends and points about how to become more involved in a retailer's category management and best practices program. A section should also be included on effective marketing direct to consumers. The toolkit could be made available and distributed by the Alaska Division of Agriculture. It should be in both print and electronic format.

An important step in creating such a toolkit is working with retail buyers, foodservice buyers, and producer organizations. This approach does double duty: first, it gathers information from all segments involved in product production and sale; second, it helps build relationships among these groups. Building relationships and fostering teamwork is a valuable outcome of each communication tactic.

Since many producers listed in the Agriculture Directory have listed e-mail addresses, regular communication of updated Alaska Grown information and ideas is also possible. More interaction will help build a greater sense of teamwork between all who grow the Alaska Grown brand.

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