

# California Walnut Board

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## JOINT CALIFORNIA WALNUT BOARD/ CALIFORNIA WALNUT COMMISSION

### MARKET DEVELOPMENT COMMITTEE MEETING MINUTES Monday – May 11, 2009

The California Walnut Board and the California Walnut Commission Market Development Committees met on Monday – May 11, 2009 at the California Farm Bureau in Sacramento, CA. The meeting was called to order by CWB Market Development Committee Chair Jack Mariani at 9:46am. Ms. McConico called the roll and informed the Board Market Development Committee and Commission Market Development Committee members that a quorum was present for each committee. The following members were present:

#### **CWB MDC**

Jack Mariani (Chairperson)  
Jack Gilbert  
Jim Frazier  
Walter Deardorff

#### **CWC MDC**

Chuck Crain (Chairperson)  
Carl Cilker  
Robert Driver  
Sharon Hertlein  
Peter Jelavich  
Donald Norene  
Bill Tos

CWB Market Development Committee members Al Bonturi, Gary Ford, Earl Perez and CWC Market Development Committee members Janet King, David Miller, Jerry Moore and Phil Short were absent. Others in attendance included Debbie Wray of USDA, Robert Maxie and Janyce Wong of CDFR, Anton Oenning and Harpreet Ahuja of McCann-Ericson, Steve Rose of Rose Research, and California Walnut Commission Chairman Sam Keiper. CWB/CWC staff members in attendance were Dennis A. Balint, Michelle McNeil, Jennifer Getz, Heather Donoho, and Anne McConico.

The first order of business was the approval of minutes for the March 12, 2009 Joint CWB/CWC Market Development Committee meeting.

Mr. Jim Frazier made a motion to approve the minutes of the March 12, 2009 Joint CWB/CWC Market Development Committee meeting. Mr. Jack Gilbert seconded. The motion carried unanimously.

Mr. Donald Norene made a motion to approve the minutes of the March 12, 2009 Joint CWB/CWC Market Development Committee meeting. Mr. Bill Tos seconded. The motion carried unanimously.

Mr. Dennis A. Balint proceeded with agenda item IV, Consideration of a Broader Domestic Marketing Program and outlined the reason for the meeting. He stated that during the meeting on March 12, 2009 staff was asked to perform an analysis and develop a concept for a domestic marketing program that would assist with the current supply situation. He pointed out that shipments have increased from non-traditional markets and the star market in the international arena is Korea, largely due to its home shopping network, which shows 40 one minute infomercials daily. He

mentioned that domestically we were down approximately 9 million lbs shelled through April. Mr. Balint introduced Steve Rose of Rose Research to summarize research done to this point.

Mr. Rose gave some background about where we have been and where we are today in terms of consumer mindset, attitudes and behavioral practices. He mentioned two Predictor studies, one done in 2007 to estimate sales of shelled walnuts when budgets were increased and a second conducted in 2008 to estimate sales of shelled walnuts when prices were significantly higher and the economy began to soften. The 2008 study consisted of 400 female respondents who are the primary grocery shoppers of their household. There were 200 in the control cell and 200 in the experimental cell. The control cell respondents were not exposed to any California walnut advertising/promotional support and the experimental cell respondents were exposed to California walnut advertising/promotional support prior to shopping in the mini store. Items on the shelf included walnuts, almonds, peanuts, cereals containing nuts etc. In the 2007 test, when stimuli was turned on, there was a 20% increase in sales. In 2008, when prices increased and the economy weakened, sales were flat from 49% to 39%. He pointed out the stimuli had little effect in the 2008 test but had a significant effect in the 2007 test. Mr. Rose explained respondents in the 2008 test mentioned they were concerned about food prices, were cutting back, and sacrificing on luxury items. This was the beginning of price increase awareness. Mr. Rose stated the Attitude & Usage study is also conducted to better understand consumer dynamics in terms of the consumer mindset with regard to walnuts. Approximately 1,000 online interviews were conducted which consisted of primary grocery shoppers, 18 years or older who have purchased walnuts in the past year. They were asked if they thought they were eating healthier compared to a few years ago. In 1993, 71% answered yes compared to 80% in 2008. The A&U study showed that 78% of grocery shoppers agree that all nuts, in general, are extremely or very healthy and the vast majority also agree walnuts are extremely or very healthy (67%). He stated almonds and walnuts are perceived to be the two healthiest nuts. Mr. Rose said this demonstrates that walnuts are very well accepted, as consumers listen to the news, watch Oprah and try to eat healthy.

Mr. Bill Tos inquired whether there was significant room to grow and improve for the spend being considered. Mr. Rose responded yes, because there has not been a lot of money spent in the domestic market promoting walnuts and there are still a number of consumers unaware that walnuts are a healthy food.

Michelle McNeil outlined the program parameters. She stated the program objectives are to increase the awareness of walnuts, purchase of walnuts, and achieve a maximum reach and frequency to the consumer via the media. The parameters are timing – 9 months (October 2009 thru July 2010), target females aged 25-54 who are primary shoppers.

Mr. Balint emphasized we were unable to go through an RFP process due to the short period of time between the committees' request for staff to work on a broader domestic program and the current Market Development and upcoming Board meetings. He stated the project had to go to an organization that would accomplish the goal in the time allotted with the target of achieving high reach and frequency. Other considerations such as reputation and direct and indirect conflicts were considered when reviewing prospective candidates. After the preliminary work was done, it is estimated that \$10 million is needed to make the necessary impact. Mr. Balint then introduced Anton Oenning of McCann-Erickson to speak about the proposed domestic program.

Mr. Oenning explained he would discuss the target deep dives, target audience, and media plan for the program. He mentioned looking at two key audiences. The first audience would consist of females aged 25-54 who tend to have busy lifestyles, families, and jobs as well as being homemakers. This group generally prepares simple quick meals using fresh nutritious ingredients. He said in terms of media consumption, this group indexed low against television due to their busy lifestyle however, they opt in to portable media such as magazines and radio. They also have a high

outdoor index because they commute a lot therefore, newspaper reading is low and internet usage is high among this group. Mr. Oenning said some of the media properties this group consumes are *Oprah* magazine, *Gourmet*, *Cooking Light*, *People*, *Better Homes* and online *Epicurious.com*. The second audience is not the focus, but we do want to reach them. This group consists of grandparents, female, aged 55-69. Family and health are important to this group. Mr. Oenning said because this generation has more time, they enjoy reading the newspaper and their media consumption for TV is high. They also have a low outdoor and internet usage index. The media properties they consume are *AARP* magazine and *NutritionData*. Mr. Oenning then discussed the media strategy. He said great care was taken to avoid waste in the plan therefore publications which focus on food preparation, recipes, and healthy living were considered. He pointed out they looked at all media platforms and channels, but television was dropped because running an impactful television campaign nationally would require more than the \$10 million budget. They found that magazine and online offered the best opportunity to maximize efficiency, and they tried to find publications that reached both audiences. The pilot plan is to reach 88% of the target, 77 million individuals, a total of 14 times with different usage propositions and recommendations for walnuts. Mr. Oenning then pointed to the Media Flowchart: Scenario 1 Print and Online (attachment A) listing recipe based publications, healthy living publications, general publications and timelines. He also mentioned an investment in Google and Yahoo using key words such as antioxidants, whereby walnuts would come up as an ad for the consumer to click on. He then pointed to the Media Flowchart: Scenario 2 Print and Search Only (attachment B) which is not recommended. He stated print and online each work differently. Print is an awareness media channel and online is an engagement tactic. Mr. Oenning said combining print and online will give a higher reach frequency. The consumer sees the ad in print and registers the benefits and versatility of walnuts. They then see the ad online and can act on the information received by clicking on a recipe, with the intent of purchasing walnuts to make the recipe. He also suggested considering a relevant newspaper like the *New York Times* food section as well as buying digital outdoor and radio time for consumers thinking about dinner preparation while driving home.

Mr. Mariani inquired why December was a blacked out month in the two scenarios. Mr. Oenning explained this could be looked at in two ways. One is to take December off the schedule because consumers are already thinking about purchasing walnuts for baking. The second is because consumers are thinking about using walnuts for the holidays, the committee could choose to fuel this with an additional investment. He did point out that since there are limited dollars it might be a better decision to invest in the months consumers are not thinking about walnuts.

There was some discussion regarding internet advertising and search engine concepts. Mr. Harpreet Ahuja stated some of the media being considered includes flash units or vibrant media which embeds itself in editorial content so that when the consumer runs their cursor over a particular word, an ad pops up allowing the consumer to opt in. He stated the compelling reason for using visual media is that it is measurable. He said ad networks also allow for behavioral targeting. The consumer visits a website, such as *Prevention.com*, reads an article on antioxidants, then visits another website for a recipe and an ad appears reminding the consumer that walnuts are the strongest nut.

Discussion continued regarding how long it would take before the benefits of the program could be measured and how we would differentiate this from the long term investment the industry currently has in health research activities. Mr. Ahuja stated it typically takes 13-16 weeks before awareness and perception attributes regarding health and nutrition can be measured. Online measurement is slightly different because results are readily available. McCann-Ericson would set the parameters to be tracked on a daily and monthly basis. They would then optimize based on this information however, Mr. Ahuja cautioned that optimizing too frequently might cause an overreaction to a particular situation. He said one way to track results from the print platform would be with codes

similar to UPC codes that can be scanned with a cell phone and then transported to the website to provide information such as which magazine the information came from.

Mr. Balint said the health research program goes back many years and can be hard to measure because there are dry spells where nothing publishes and then three or four studies will publish in one month. He also said the health program is the foundation for the new program.

Mr. Keiper stated in the past 4-5 years the health research promotion has gained a lot of traction. He commented the industry has shipped more walnuts in the last four crop years than were produced, which is driving prices up. He said these discussions are taking place due to the dramatic hit from the global economy on the industry. Mr. Keiper inquired how our current programs were performing and suggested that our PR firm, Torme Lauricella, take the program to the next step and reach out further. He also asked about focusing on the internet and dropping the magazine portion of the program.

Mr. Ahuja responded the print phase of the program serves as the awareness element and the internet is the engagement element that pulls the program together. He said the campaign is consumer focused therefore it is important to look at both print and online as working together. Since the mandate to McCann-Ericson was to put together a consumer campaign requiring broad scale awareness against the target audience, they did not look into an online only campaign.

There was some discussion regarding current tie-ins. Mr. Balint explained we do not control what goes out to the consumers as editorial. With this program we are able to control the message unlike PR, where we do not control the message.

Mr. Balint excused Mr. Rose, Mr. Oenning and Mr. Ahuja from the room at 11:45am to provide an opportunity for committee members to broaden the discussion.

Mr. Keiper stated those present will have to go back to their grower constituents, look at the proposal and sell it one way or the other. He said with this program the assessment would go up from 1¢/lb to 2.9¢/lb inshell. He explained we are trying to build the shelled arena because inshell will sell itself therefore, on the shelled side we are looking at an equivalent of 6.4¢/lb and this would put us close to a \$22 million ledger. Mr. Keiper said the ending inventory will be lower than was projected in February due to the school lunch buy and inshell going overseas to non-traditional markets. He stated inventory was a bigger concern at the last meeting than it is now. Mr. Keiper suggested working with our current agencies to find out what their framework of reach is for increasing the internet and health messaging before going to the \$10 million point.

Mr. Balint explained the direction given to staff at the last meeting was to make an impact to reduce inventory. He also said the job of the Board and Commission is to increase returns. Mr. Balint pointed out the tools are available for measuring the leading indicators of behavior with the market research done and not for measuring volume and value.

Mr. Norene stated he is supportive of the program cost and most of the growers he has spoken with are supportive of the cost as well. It was agreed four weeks was a very short period of time to put the proposed program together and there was still work that needed to be done before moving forward. Some committee members stated they did not have a good idea how the short term return and long term investment would be measured. Mr. Keiper wanted to consider a more conservative approach instead of the one year program and said he was not prepared to sell the program to the growers. He wanted to continue to refine the current message.

The committees continued to discuss moving forward with the online only portion of the program. Mr. Balint emphasized the proposed program was designed to get the inventory situation

under control to achieve a low ending inventory next year. He explained the 2009-2010 plans for our current program are to increase online activities, reach out to the health professionals, and utilize spokespeople within the context of the existing budget. He restated an online only program will not make the same impact that the print and online program presented is designed to make.

Committee Members agreed the proposed program needed fine tuning as well as the ability to see how it is performing quarter by quarter. This would provide for an opportunity to decide, on a quarterly basis, whether to continue with the proposed program. They agreed the print and internet portions of the program are important in order to capture both target audiences. The committees again discussed looking at the existing programs with the possibility of adding more dollars to them.

Mr. Balint asked for direction from the committees even if a decision is made not to move forward. This would allow staff to move quickly without wasting money. Mr. Keiper responded the Pre Market Development Strategic Planning meeting in the summer and the Strategic Planning meeting the end of this year would produce a solid focus with efficiency of spend. He said these two meetings should be helpful before jumping into a new program at this time as the immediate problem seems to have alleviated itself for the short term.

The time and place of the next meeting will be determined at a later date. The meeting was adjourned by Chairperson Crain at 1:00pm.