

MAINE STATE LEGISLATURE

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MAINE
LOBSTER PROMOTION
COUNCIL

1992
ANNUAL REPORT

Submitted
February 14, 1992

Maine Lobster Promotion Council

P.O. Box 7505
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AUGUSTA, MAINE

February 14, 1992

The Honorable Harry L. Vose, Senate Chair
The Honorable James Mitchell, House Chair
Committee on Marine Resources
State House - Room 120 B
Augusta, ME 04333

Dear Senator Vose and Representative Mitchell:

Pursuant to Section 2 (6) of PL 1991, c. 523 and on behalf of the Maine Lobster Promotion Council I am pleased to submit the Council's 1992 Annual Report.

This initial report of the Council includes a summary of activity, a projected two-year budget, as well as the marketing strategy to be pursued by the Council. I am pleased to inform you that the Council, representing all segments of the Maine Lobster Industry, as well as the general public, has come together to work very hard and very effectively to launch its important mission.

I and other members of the Council look forward to the opportunity to review this report with you in the very near future.

Sincerely,



W. William Anderson
Chairman

**MAINE LOBSTER PROMOTION COUNCIL
1992 ANNUAL REPORT**

Submitted February 14, 1992

I. SUMMARY OF PLANS AND ACTIVITIES

Setting Objectives

Since our first meeting on October 29, 1991, we have kept up an aggressive schedule of meetings in order to effectively launch the Council's work. Our first task was to **clarify the Council's broad objectives** and establish criteria for selecting a marketing consultant to assist us in developing our first two-year marketing plan.

Selecting a Marketing Consultant

After a careful review of eleven very comprehensive proposals, we **selected the Portland firm of LSM/New England Group to work with us.** We selected LSM because of the amount of research and planning they did in preparing their proposal, because of their experience including the success they have had in working with the Wild Blueberry Association of North America, and because of their competitive bid. They demonstrated that they could "hit the ground running" from day one.

Creating a Slate of Officers

We filled out our slate of officers and now, in addition to **William Anderson as Chairman,** we have elected **Richard Carver, Vice Chairman; Richard Dudman, Secretary; and Greg Griffin, Treasurer.**

Establishing Office Support

In our efforts to assure independent operations, and so as not to become a burden upon the Department of Marine Resources, we have appointed an operations **sub-committee to explore the availability of low-cost or shared office space, and part-time secretarial support.** This sub-committee will also be recommending a schedule and a **procedure for hiring an executive director** at some point in the future.

As a temporary measure, and for the purpose of cost efficiency, we have asked our **consultant to arrange for a Maine Lobster Council phone line and post office box, which they will attend to, until we have our own staff.**

Communication

The Council has also appointed a **Legislative sub-committee to help keep the lines of communication open with the Committee on Marine Resources and the Committee on Appropriations and Financial Affairs.** We anticipate naming other sub-committees to address specific issues in the future, as well.

Public Comment

Although the Council is aware that a number of phone calls and letters have been received by the Department of Marine Resources complaining about the surcharge on the 1992 licensing fees, it is not aware of any actual problems created by the Act. The Council has also begun to receive phone calls from members of the industry seeking marketing materials or other promotional assistance in their efforts to Market Maine Lobsters.

In order make sure that as many members of the industry and the public as possible have input into the Council's plans and activities, a general informational meeting was held in Ellsworth, on February 11, 1992. Through the leadership of the several Maine Lobster industry associations, members of the industry were invited to attend. Notice of the meeting was also released to state-wide news media through the Associated Press wire service and 13 weekly and daily newspapers serving coastal areas of the state.

Approximately 35 harvesters attended the two-hour meeting and an informative discussion took place. It was apparent that there are many long-standing issues of concern on the minds of industry members -- many of which pre-date the formation of the Council. Issues such as the change in the guage size, distrust of financial interaction between harvesters, dealers and pound owners, Maine versus Canadian industry practices, etc., have remained as continuing grounds for anger, frustration and cynicism within the industry.

Many harvesters seem to have been concerned that the dedicated revenues of the Maine Lobster Promotion Council fund will somehow be swept away into the General Fund, or that successful promotion will only benefit certain segments of the Maine Lobster industry. The Council has tried to address these concerns in its discussions and will continue in the future to welcome public comment and participation in its meetings and plans.

Two Year Marketing Plan

Following a series of meetings and discussions on marketing the Maine Lobster, the Maine Lobster Promotion Council has completed a marketing plan which identifies the Council's objectives, and program strategies and activities for the next two years.

A summary of the Council's marketing plan is included in this Annual Report.

The complete, detailed description of the two year marketing plan is attached.

The two year marketing plan is the result of an extended process in which the Council and LSM/New England Group examined problems, opportunities and key issues facing Maine's Lobster industry. Objectives were defined and agreed to, priorities were assigned, budget parameters were established and strategies were formulated and refined. The timing of activities was discussed and budgets were reviewed before the plan was finalized and adopted.

In its present form the Maine Lobster Promotion Council's two year marketing plan describes **why Maine's lobster industry should invest** in a marketing, promotion and communications program. It clearly identifies **what the Council wishes to accomplish** and describes exactly **which strategies and activities will be utilized**. A **timeline has been developed** and **program expenditures have been projected**.

Method of Evaluation

Accountability for a meaningful return on the industry's investment and the responsible oversight by the Legislature are dependent upon an evaluation of the effectiveness of the Council's marketing and promotional efforts. Each year the Council will produce a comprehensive report to both quantify and characterize its accomplishments.

During the first two years of the Council's programs, effectiveness will be measured more in terms of the results of specific activities and strategies, rather than overall demand and pricing patterns.

Over the next several years, the Maine Lobster Promotion Council expects to achieve long-term positive, measurable results in several key areas -- particularly in the areas of:

- Establishment of new domestic and international markets for Maine Lobster.
- Increased demand for Maine Lobster at key times during the year.
- Increased average price obtained by all segments of the Maine Lobster industry, **relative to price trends in comparable seafood category products.**

A full discussion of the methods of evaluation for the programs of the Maine Lobster Promotion Council is presented in both the summary and the detailed description of the Two Year Marketing and Promotional Plan attached.

Funding and Cash Flow

The following funds are allocated from the Lobster Promotion Fund to carry out the Purposes of this Act.

	1991-92	1992-93
LOBSTER PROMOTION COUNCIL		
Positions	(1.5)	(1.5)
Personal Services	\$32,426	\$46,975
All Other	\$217,421	\$289,894
Capital Expenditures	\$25,000	
 Provides funds for a part-time Executive Director, a full-time Clerk Typist II, per diem and expenses for the Lobster Promotion Council, contractual services for the promotion and marketing of lobsters, computer equipment, a vehicle and general operating expenses.		
LOBSTER PROMOTION COUNCIL		
TOTAL	\$274,847	\$336,869

The Maine Lobster Promotion Council has planned its work and activities on a very conservative basis to reflect the degree of uncertainty that exists in generating funds from the license surcharge. Our current plan actually utilizes less funds than those appropriated in the preceding budget.

Between now and the end of the current fiscal year the Council expects to have a better sense of funds collected from the license surcharge, and we anticipate amending our work plan and our contract with our marketing and promotion consultant accordingly.

II. SUMMARY OF TWO YEAR MARKETING PLAN

The 115th Maine Legislature, by a vote in June of 1991, enabled the formation of the Maine Lobster Promotion Council. With the stated mission to "promote and market actively Maine Lobsters in state, regional, national and international markets," the Council joins the ranks of numerous food industry councils and associations seeking to increase the demand for their products.

What follows is a brief overview of the Council's marketing plan for the next two years. The full detail of the plan is presented in the accompanying document.

The program is an ambitious but realistic one which starts by very quickly putting in place the basic "tools of the trade" necessary to market and promote a seafood product in today's competitive food marketing environment. The program will also immediately undertake an integrated set of marketing and promotional activities to begin to increase interest in promoting Maine Lobster by retailers and restaurant/foodservice professionals, and to increase consumption of Maine Lobster by consumers.

Promotion Council/Association Successes

Although it is acknowledged that it takes time for a new promotion council to get programs up and running and begin making an impact on demand and pricing for their products, there is a clear track record of success by such organizations. Promotion Councils/Associations have demonstrated success in many food categories and at many budgetary levels. A study of some major generic commodity marketing programs showed producers getting \$4.00 and more in return for every dollar invested.

The Maine Lobster Promotion Council has looked at the experiences of several of these Councils/Associations to gain valuable insights into which strategies may prove most effective.

Seafood Industry Trends

The seafood industry is facing a number of challenges: Excessive supply, depressed prices, a slow U.S. economy, resistance in foreign markets, consumer fears of frozen or unfamiliar products, and misconceptions about health and nutritional issues.

There are, however, strong growth projections and significant new market opportunities ahead. **Education** for the consumer and the trade is becoming the focus of industry marketing programs.

New technologies, including aquaculture and special freezing techniques, are opening new markets, enhancing quality and increasing supply. Dietary and nutritional trends strongly favor seafood.

Four themes or issues will influence seafood sales in the '90s:

- Frozen products
- Value-added products
- Education (consumer and trade)
- Promotion

Organizations and businesses attempting to compete in national and international seafood markets will have to be mindful of activities and trends in each of these areas.

Lobster Industry Situation

The lobster industry is characterized, on one hand, by depressed prices, increased competition, insufficient demand, and adversarial relationships. On the other hand, new global markets are opening up, new technologies are being developed in shipping and processing, and new product forms are being introduced.

Although there is very little data about the lobster industry, especially in the areas of distribution infrastructure and consumer attitudes and behaviors, most believe that "Maine" lobster is the best-known and most highly regarded by consumers in the U.S.

The Maine Lobster industry is at a competitive disadvantage relative to Canada because of harvesting seasons and discrepancies in legal size limits.

Moreover, Maine is lagging behind the Canadian lobster industry's promotional and marketing efforts, as well as those of many other seafood category suppliers. There is a great deal of enthusiasm in Maine about new lobster product forms, but there are concerns that a lack of quality assurance standards could undermine this new growth area.

Quality assurance in all its aspects, from handling live lobsters, to freezing and vacuum packing new product forms, is one of the major issues in the industry today.

The new Maine Lobster Promotion Council is the right mechanism, at the right time, to help move the Maine Lobster industry on track to capitalize upon the very positive opportunities in world-wide seafood marketing.

The Two-Year Marketing Program

The Maine Lobster Promotion Council has outlined nine broad objectives for its programs:

- To increase year-round demand for Maine Lobster.
- To encourage better utilization of existing markets and develop new domestic and international markets.
- To improve the handling and marketing of shedders or new shell lobsters.
- To develop new products and new product forms (i.e. frozen, microwave-ready, institutional, value-added) to meet the needs of changing markets.
- To develop communication/education programs for consumers and all classes of trade (wholesale, retail, manufacturing, and foodservice*) in handling, preparation, menuing, nutrition, new product ideas, serving suggestions, merchandising and promotion.

- **To provide leadership on issues affecting the lobster industry including consumer concerns about health and nutrition.**
- **To be in a position to counter negative publicity or be prepared to manage crisis situations.**
- **To improve communication and training within the Maine Lobster industry with emphasis on issues of quality assurance and to build continuing support for unified promotional efforts and industry development.**
- **To foster the general prosperity and well-being of the industry.**

*Foodservice -- also referred to as the HRI market -- includes hotels, restaurants and institutions.

Over the next two years, a program of nine major strategies will be implemented to work toward achieving these objectives. The major strategies, outlined in detail in this report, are summarized as follows:

A. Product Identity Program

Seafood marketers from all over the world have launched sophisticated communications programs to bring visibility to their products and tout the benefits of increased utilization of them.

It takes takes a strong, unifying graphic identity program and a smart and meaningful promotional theme to make sure that consumers and the trade ask for **and get** "Genuine Maine Lobster. "

B. Sales and Promotional Materials

A core of important printed materials and other support information will be developed to address concerns by consumers and the trade, and provide education and encouragement for greater consumption and enjoyment of Maine Lobster.

These materials include brochures, flyers, technical bulletins, supplier directories, videotapes and other promotional items to support activities such as public relations, trade advertising, trade shows, promotions, direct mail and the Maine Lobster identity program.

C. Public Relations

Public Relations is an essential communications activity for keeping awareness of the Maine Lobster high -- for both consumers and the trade. An effective Public Relations program requires an ongoing positive relationship with the media, with trade and consumer audiences, and within the Maine Lobster industry itself.

Among the goals of the public relations effort will be: to increase the visibility of Maine Lobster, to position Maine Lobster as a healthful, nutritious and delicious meal, to show restaurateurs and consumers new ways to enjoy Maine Lobster, to encourage more frequent utilization and promotion by the trade, and to support specific promotions and other marketing activities by the Council.

D. Promotions

The most direct efforts by the Maine Lobster Promotion Council to actually "move product" will be in creating or supporting special promotions.

Since an estimated 65% to 70% of all lobsters harvested in Maine are "new shell" lobsters or "shedders," and because new shell lobsters are the predominant product at the time of year when lobster prices are most depressed, it is essential that special promotions be developed during the months of July, August and September, or "new shell" season. An especially critical time for promoting new shells is September, immediately after summer tourism activity drops, but harvesting is still very strong.

Because of the fragility and difficulty of shipping new shells over great distances, the emphasis in the new shell lobster promotions will be on enlisting cooperative support from New England's restaurant, hospitality and wholesale/retail trades in encouraging those who live in, or visit the region to eat more Maine Lobster, try new dishes featuring Maine Lobster and bring home Maine Lobster.

Initially on a pilot-program basis the Maine Lobster Promotion Council will work to identify one or two major US markets in which to create and/or support special **selected market Maine Lobster promotions.**

Members of the Maine Lobster industry have already achieved success working with grocery chains on the West Coast, in the Midwest and in Florida, and the Council can increase the volume of Maine Lobster shipped by creating and/or supporting additional promotions. The months of May and October have been identified as the the ideal months for distant promotions in light of the value of price support at those times, the availability of hard shell product for ease of instant shipping, and the marketing opportunity in potential markets.

The Maine Lobster Promotion Council will also explore additional promotional opportunities with particular emphasis on **co-promotions** with national/regional restaurant and foodservice organizations, food manufacturers and marketers of companion products such as wine, margarine or produce.

E. Trade Shows

The Council will develop a Trade Show Program in order to establish a consistent, professional and effective presence in the seafood, foodservice and food technology markets. In 1992, the Council will participate in two shows (Boston Seafood Show and National Restaurant Show in Chicago) on a limited basis. Information and materials will be developed in anticipation of a more extended exhibition schedule in 1993, including possible participation at additional trade shows on the West Coast and in Europe.

F. Trade Advertising

The Council will advertise very selectively in leading industry trade publications in order to increase visibility for Maine Lobster at critical times: when the decisions about locating suppliers and making purchases are being made. Advertising in such trade publications as *Seafood Leader* and *Seafood Business* will coincide with annual buying guides, major seafood and foodservice shows, and other significant events.

G. Direct Mail

Direct Mail is an effective way to reach a target audience with a specific message. The Council will develop and produce a promotional newsletter twice a year to keep existing trade customers and new prospects well informed about new ideas in the promotion and utilization of Maine Lobster, and help to maintain a high degree of interest by the trade. The Council will also develop a lead generation program to put additional detailed information about Maine Lobsters into the hands of qualified buyers and key decision makers, and to channel names of these buyers to Maine's Lobster suppliers.

H. Industry Development

The Maine Lobster Promotion Council is a partnership between all segments of Maine's lobster industry and communication between all parties is essential for success. In today's competitive market, it will take a unified, well-trained and well-informed industry to keep Maine Lobster in the highest regard. The Council will help in two ways: 1) by fostering communication and awareness of Council and industry achievements, and 2) by focusing attention on new product development and new promotional opportunities. Industry newsletters, "flash reports" or industry bulletins, industry forums, regional meetings and other events are some of the activities to be carried out by the Council in its industry development efforts.

I. Clearing House

Through its work and interaction with the many Maine Lobster Industry associations and organizations, the Maine Lobster Promotion Council will be established as the clearing house for information about the Maine Lobster Industry.

Members of the food marketing trades from around the country and around the world will have a place to start in order to get information about Maine Lobster, to request product information, or directories of suppliers.

As new promotional opportunities arise, there will be a vehicle for communicating with members of Maine's Lobster industry to encourage maximum participation. And, as issues may develop, requiring urgent response to counter negative publicity or to answer questions and concerns, the Maine Lobster Promotion Council will stand ready to assist.

Method of Evaluation

Each year the Council will produce a comprehensive report to both quantify and characterize its accomplishments and to evaluate the effectiveness of its marketing and promotional efforts. Accountability for a meaningful return on the industry's funds and the responsible oversight by the Legislature are dependent upon this kind of evaluation.

- **Short Term**

The Council has a great deal of ground work to do to put in place the necessary tools to launch marketing and promotional programs. Its first two years in operation will be characterized by trying, on one hand, to build a marketing capability, create basic promotional materials, and establish trade contacts, while on the other hand, immediately implementing pilot promotions and communications programs.

During these early efforts, program effectiveness will be measured more in terms of the results of specific activities and strategies, rather than overall demand and pricing patterns.

Specific short-term results will be analyzed in such areas as:

- Response to lead-generation programs directed at trade buyers (such as trade show, trade advertising, direct mail and public relations/promotional support efforts).
- Documentation of acceptance by, and utilization of promotional programs and materials made available to the restaurant/foodservice, wholesale and retail trade.
- Number of Maine Lobster industry members utilizing Council programs, materials and services.
- Reporting of estimated volume of Maine Lobster sold in conjunction with specific pilot promotions created or supported by the Council.

- Long Term

Over the next several years, the Maine Lobster Promotion Council expects to achieve positive and measurable results in several key areas:

- Establishment of new domestic and international markets for Maine Lobster and establishment of new utilization patterns in those markets (such as expanded menu utilization in restaurants, expanded use of frozen product, use of Maine Lobster in prepared or manufactured foods, etc.).
- Increased demand for Maine Lobster during key periods traditionally associated with abundant supply and depressed boat and wholesale prices.
- Increased average price obtained by all segments of the Maine Lobster industry, **relative to price trends in comparable seafood category products.**

The relatively small amount of data routinely collected about the Maine Lobster industry will make it challenging for the Maine Lobster Promotion Council to track and document the impact of all of its programs and its overall impact on the industry. It will, however, utilize all available data collection from such sources as the National Marine Fisheries Service and the Maine Department of Marine Resources, to augment its own data collection through other wholesale and retail organizations and associations. The Council will also conduct and document periodic informal trade research efforts in order to report on the acceptance and impact of its programs and to monitor other trends in the business.

Preliminary Marketing and Promotion Budget First 12 Months

<u>ACTIVITY</u>	<u>ALLOCATION</u>
Graphic Identity/Marketing Theme	\$ 3,500
Stationery Materials	3,000
Sales/Promotional Materials	22,000
Brochure	
Directory	
Product Guide	
Recipes	
Consumer Flyer	
Fact Sheets	
Photography	6,000
Public Relations/Promotions (Fees)	36,000
Public Relations/Promotions (Expenses)	30,000-40,000
New Shell Lobster Promotions	
Selected Market Promotions	
Development/Distribution of Press Kits/ Ongoing Media Relations/ Releases/ Articles/Follow-up/Distribution of Recipes/ Promotion Publicity/Trade Show Support/ Industry Newsletter	
Trade Advertising	13,000-18,000
Ad Development and Film Materials	
Trade Publication Insertions	

(Budget - First 12 Months p.2)

Trade Shows	13,000-18,000
Trade Show Display Development	
Exhibit Expenses/Travel	
Industry Development	2,000
Communications	
New Product Development	
Marketing Consultation and Program Management	24,000
Administrative Expenses	2,500
	<hr/>
	\$155,000 - 175,000

Preliminary Marketing and Promotion Budget Second 12 Months

<u>ACTIVITY</u>	<u>ALLOCATION</u>
Reprint Stationery Materials	\$ 3,000
Sales/Promotional Materials	36,500
Replenish Inventory	
Trade Newsletter	
Training Video	
Recipes	
Fact Sheets/Bulletins	
Posters/POS Materials/Table Tents	
Photography	6,000
Public Relations/Promotions (Fees)	36,000
Public Relations/Promotions (Expenses)	30,000-40,000
New Shell Lobster Promotions	
Selected Market Promotions	
Joint Promotions	
Development/Distribution of Press Kits/ Ongoing Media Relations/ Releases/ Articles/Follow-up/Distribution of Recipes/ Promotion Publicity/Trade Show Support/ Industry Newsletter	
Trade Advertising	30,000
Ad Development and Film Materials	
Trade Publication Insertions	

(Budget - Second 12 Months p.2)

Trade Shows	30,000-45,000.
Exhibit Expenses/Travel	
Industry Development	2,000
Communications	
New Product Development	
Marketing Consultation and Program Management	24,000
Administrative Expenses	2,500
	<hr/>
	\$200,000-225,000

Lobster Promotion Council

Fiscal Year Ending June 30, 1992

2/14/92	JUL			AUG			SEP			OCT			NOV			DEC			JAN			FEB			MAR			APR			MAY			JUN		
Promotions																																				
Selected Markets																																				
Trade Shows																																				
Boston Seafood																																				
National Restaurant																																				
Trade Display																																				
Industry Development																																				
Communications																																				
New Product Development																																				

**MAINE LOBSTER PROMOTION COUNCIL
TWO YEAR MARKETING PLAN**

1992/1993

Submitted February 14, 1992

**MAINE LOBSTER PROMOTION COUNCIL
TWO YEAR MARKETING PLAN**

1992/1993

The Maine Lobster Promotion Council's two year marketing plan will address the following questions:

I. Why should the Maine Lobster industry invest in a marketing, promotion and communications program?

II. What does the Maine Lobster Promotion Council wish to accomplish? What are the Council's broad objectives?

III. How will the Council work to accomplish these in the next two years? What are the planned program strategies and activities?

IV. How much will the marketing program cost? What is the proposed two year budget?

V. How will the Council know the program is effective? What means of measurement and follow up are planned?

VI. How will the activities be scheduled? What is the expected timeline?

I. Why should the Lobster industry invest in a marketing, promotion and communications program?

In 1991, the Maine Legislature passed the necessary law enabling the funding of the Maine Lobster Promotion Council. With the stated mission to “promote and market actively Maine Lobsters in state, regional, national and international markets,” the Council joins the ranks of numerous food industry councils and associations seeking to increase the demand for lobster.

Promotion Council/Association Successes

A study of some major generic commodity marketing programs showed producers getting \$4.00 and more in return for every dollar invested. A look at the experiences of these Councils/Associations provides valuable insights into which strategies may prove most effective for the Maine Lobster Promotion Council.

Associations ranging from the California Kiwifruit Commission, which started with \$300,000 (nine years ago), to the Catfish Institute with a \$2 million budget, to the National Dairy Promotion Board with a \$200 million budget, have demonstrated success, albeit in proportion to the scope of their programs.

The Catfish Institute was formed in 1986 to stimulate demand for Mississippi Prime farm-raised catfish. From 1980 to 1989, catfish volume jumped from 46.5 million pounds delivered to processors, to 295 million pounds. The Institute's \$1.3 million ad budget and \$400,000 public relations budget are used to convince consumers that “catfish are not the bottom-dwelling mud suckers people perceive.”

The Pork Industry, faced with a “fat” image despite genetic changes to decrease fat, began a checkoff program, raised millions of dollars and introduced a successful campaign called “the other white meat,” directly challenging the poultry industry.

The California Kiwifruit Commission is working to change consumer perception of kiwifruit as an exotic fruit -- used only as a garnish -- to an everyday, convenient and nutritional food that's easy to eat. Based on a national research study, costing approximately \$20,000, the commission conducted its first communications efforts through public relations. In 1981, 80% - 85% of California kiwifruit had to be exported to be sold. Today, the crop has grown 10 times and 80% - 85% is sold domestically. "Perhaps our biggest accomplishment," says Mark Houston, Commission president, "is that in 1984 we had less than 10% distribution across the nation. Today, we have 94% national distribution." The California Kiwifruit Commission has now increased its annual budget to \$1.2 million."

The National Dairy Promotion Board, by far the largest program with annual expenditures of \$200 million, has achieved increases in dairy consumption of 12% since 1983.

In a study of some major generic commodity marketing programs, Dr. Ron Ward of the University of Florida has found a great deal of success. "Producers are getting \$4 and more in return for every dollar spent." Dr. Ward specializes in econometric modelling in the food industry.

Although Dr. Ward's studies have focused on the larger programs, in which econometric modelling can be afforded, "It is possible for some of the smaller programs -- although unable to evaluate economic data as effectively -- to achieve very dramatic results."

Sources:

Personal interviews with:

Mark Houston, California Kiwifruit Commission

Dr. Ron Ward, U. of Florida, Gainesville

Publications:

Advertising Age 4/10/89

The Packer 8/4/90

The Packer 11/3/90

The Packer 8/4/90

Seafood Industry Trends

CURRENT CHALLENGES

Economic and Distribution Factors

•**Excessive Supply** -- Due to aggressive harvesting, more efficient processing and the growth in seafood aquaculture, there is an abundance of high-quality fresh and frozen seafood in U.S markets from all over the world.

•**Low Prices** -- Due to the strong supply of seafood and the intense foreign and domestic competition, prices and profit margins are depressed.

•**Slow U.S. Economy** -- Poor U.S. economy leads consumers to eat out at restaurants less often. In addition, studies show that restaurants have been successful at introducing new varieties of seafood, however this doesn't necessarily translate into trial and sales at supermarket seafood departments.

•**Slow Growth At Retail** -- Supermarket in-store seafood department growth is slowing - In 1988, 1,206 new departments opened, while in 1989, only 360 new departments opened. The percentage of supermarkets offering fresh/seafood departments is only up to 45.6%.

•**Resistance in Foreign Markets** -- International cultural barriers exist that inhibit acceptance of some U.S. seafood, such as lobster. In Japan, consumers are comfortable with the red, clawless Australian lobster. Therefore, the North Atlantic lobster looks odd and unappetizing.

•**Foreign Competition** -- Foreign seafood dealers are offering world markets an increasing variety and have been undercutting prices of domestic dealers which hurts profitability and growth.

Negative Consumer Perceptions

- **Fear of Frozen Seafood** -- Many consumers perceive frozen seafood to be of inferior quality to fresh seafood. Although fresh seafood is generally preferred to frozen, it may, in fact, have deteriorated for 6 to 21 days by the time it reaches consumers. Supermarkets contribute to frozen seafood's image problem by freezing fish that is on the verge of spoiling, in-house. On the other hand, consumers are not aware of new flash-freezing technology which freezes fish immediately at sea with nitrogen, to maintain quality and freshness.
- **Lack of Familiarity** -- Many consumers are unfamiliar with many varieties of seafood and don't know how to prepare them for eating.
- **Fear of Spoilage** -- Many consumers have concerns over the safety of consuming seafood for fear of spoilage.
- **Health Misperceptions** -- Many consumers have been misinformed about fat/cholesterol content in shellfish (as low as skinless chicken) and are not aware of the potential benefit of shellfish because of "heart-healthy" omega-3 fatty acid content.

FUTURE GROWTH PROJECTION AND MARKET OPPORTUNITIES

High Projected Growth

- The U.S. Seafood Industry is expected to grow from the current annual volume of \$49 billion to \$62 billion by the year 2000.
- The most popular seafood is catfish, shrimp, Alaskan pollock, cod and tuna, fresh or frozen.
- The fastest growing seafood items are shrimp, salmon, surimi, catfish and prepared entrees.
- Within supermarkets, shrimp is the best-selling seafood. Fish prepared as steak fillets, such as tuna, salmon, halibut and shark, are items that had the highest growth in sales in 1990. Lobster comprises only 9% of fish/seafood sales, while seafood items accounted for 50% of the section's revenues.
- Consumers are continuing to shift their diet habits toward foods with lower levels of fat and cholesterol, such as seafood. U.S. consumption of seafood increased 33% from 1980 to 1989 and growth is projected to continue through the 1990's.

Geographic Brand Appeal

- For brand recognition, consumers perceive the cold waters of the North Atlantic ocean and the crystal seas of the South Pacific, as ideal environments where fish can grow big, tasty and healthy.

Increased Consumer/Trade Education and Promotion

- Consumers, domestically and internationally, need to be educated as to the various types of seafood available as well as about seafood packaging, distribution and preparation in order for the industry to grow. Therefore, wholesalers and distributors will be playing a key role in helping train in-store supermarket personnel.
- In addition, there will be an increased presence of aggressive and sophisticated promotion by manufacturers, processors and industry councils. In particular, in-store demonstrations and merchandise

sampling will help educate consumers, encourage trial purchases, and increase sales.

- Cross-merchandising with other products can raise sales of fish or seafood and anything they are cooked with.
- Although only 360 new seafood departments were opened at supermarkets last year, their percentage of total store sales grew from 1.95% of total store sales in 1988 to 2.83% in 1989.

New Technology Will Open New Markets and Enhance Quality

- The industry will produce new product forms of existing seafood due to the invention of advanced freezing technology, value-added processing and synthesized product, such as surimi. Narrowing the perceived quality gap between fresh seafood and frozen can only help the industry as frozen seafood has better quality-consistency and higher margins. Value-added products, either cut-to-order or pre-seasoned, offer consumers the most important added value: convenience.
- A greater reliance on aquaculture and advanced technology will also help the industry maintain the freshness and quality of seafood delivered to the consumer, enable fast and efficient transportation of seafood anywhere in the world and therefore, help maintain steady prices and even supply.

Casual Dining Restaurants will Provide Growth Opportunities

- Less expensive restaurants with strong customer bases should provide good avenues for sales growth.
- Red Lobster, Skipper's, Long John Silver's, and Captain D's are examples.

Asian Markets should offer Continuing Growth for Seafood Suppliers

- Japanese consumers eat nearly as much seafood annually (63 lbs./person) as Americans do beef and chicken.

SUMMARY

Four major themes will drive seafood sales in the 1990s:

- Frozen products
- Value-added (e.g. microwave-ready) products
- Education (both trade and consumer)
- Promotion

Sources:

Food People, Aug. 1990

Quick Frozen Foods International, Jan. 1990

Seafood Leader, Mar./Apr. 1991

New York Times, Jan. 9, 1991

Straight Facts About Cholesterol and Shellfish, N.F.I., 1990

Progressive Grocer, Mar. 1990

Food People, Oct. 1990

Restaurants and Institutions, Feb. 7, 1990

Supermarket Business, Jun. 1989

Supermarket Business, Nov. 1990

Adweek's Marketing Week, Jul. 30, 1990

Lobster Industry Situation

PRODUCT/PERCEPTIONS

As a product, lobster has earned a premium image. For years, lobster has often appeared to consumers as the priciest entree on many menus. This distinction has led to lobster sometimes being referred to as "the king of seafood." Today, lobster has become almost synonymous with Maine -- whether it is harvested off the coast of Long Island or Maine or Prince Edward Island, any lobster is likely to be marketed as a MAINE lobster.

Maine lobster's appeal lies in its taste, and in its romantic origins. It is a highly perishable item. (Properly packed and iced, soft-shelled lobster can be kept out of water for about 24 hours and hard-shelled lobster for about 48 hours.) But certainly, live tanks in supermarkets and restaurants across the country have added to the appeal of lobster.

Consumer Perceptions

While there is no existing formal research regarding how consumers perceive lobsters, we can identify what some of these perceptions might be. Apparently to consumers throughout the U.S. and in many other countries, MAINE lobster is already recognized as a mark of "the best tasting" lobster.

Positive

- Lobster is perceived as a premium product--the ultimate in seafood.
- MAINE lobster is considered the best available. Its taste is rich, and unique. There is also a certain mystique associated with the MAINE lobster. It immediately conjures up very pleasant, traditional images of Maine --the ocean, its rocky coast.

Negative

- Eating lobsters at home or in a restaurant usually involves a real commitment in terms of time and money. Sometimes the product just isn't available in a local restaurant or grocery store. When it is available, it is usually high-priced. Because of severe fluctuations in market price, restaurants rarely print the price on their menus.
- Whole lobsters can be considered difficult and messy to eat. People are often squeamish about cooking **live** lobsters.
- There also appears to be a misperception that lobsters are high in cholesterol. The National Fisheries Institute has published brochures to counter this misperception.

There is obviously some lack of appreciation and understanding of lobsters among consumers. We will not know the extent of it until a research study is conducted. In the meantime, we can begin to formulate many broad and general communications goals with respect to the consumer market.

NEW PRODUCTS

Most lobster is sold fresh. Other forms are available -- canned and, to a growing extent, frozen. There is currently a great deal of interest in processing Maine lobster for new products and markets. (Due at least in part to the success of Canadian processing of lobsters.)

There appears to be a rush to new, frozen product forms. However there is concern in the industry that a lack of technical knowledge or established standards of quality could spell disaster for this otherwise promising opportunity. Some feel that newly refined IQF/vacuum-pack freezing processes will "completely change the lobster industry."

PRIMARY MARKETS

It is estimated that over **70%** of all lobsters consumed are eaten in restaurants, hotels, clubs or other foodservice establishments.

An increasing number are sold to supermarket chains for individual consumption.

MARKET POTENTIAL

Major supermarket chains such as Von's on the west coast and Kroger's in the midwest have implemented highly successful, large-volume promotions featuring live lobster. Although they have been short-term, seasonal events (e.g. April and October in California), they suggest great opportunity for expansion.

Several restaurant chains in the "casual dining" category are making increasing commitments to healthier fare (more fish and seafood) and have implemented major promotions such as Red Lobster's Maine Lobster Special. Even fast-food chains like McDonald's and Arby's (on a limited regional basis) have had success with lobster rolls. The cruise ship business is also a rapidly growing opportunity for high-quality frozen products.

Although U.S. markets remain very promising, much growth has come from opening up European and Asian markets. Air cargo and improved handling techniques have been key issues in overseas marketing.

Marketing of lobsters in Europe is taking off with tremendous volume potential, particularly during the Christmas season. France, Italy, Germany, Holland, England, and Belgium are key markets. France is the number one European market by far.

Asian markets have untapped potential, if education and transportation issues can be dealt with effectively.

PRICE/SEASONALITY

Currently there are three important issues with respect to price in the lobster industry.

1. Pricing is characterized by fluctuation.

Maine's lobster harvesting volume is concentrated in the seasons that are ideal for fishing so there are periods when supply far exceeds demand. Since most of the product is distributed fresh, prices drop during these seasons and are higher in the season where less lobster is available.

This is especially true immediately after Labor Day when the departure of tourists and reduced demand from local restaurants coincides with the season when catches are traditionally at their peak.

Landings in July, August and September typically represent approximately 65% of the state's annual production.

Because harvesters need to cover sizeable, fixed operating expenses, regardless of their catch, price fluctuation is critical to them. According to one harvester, "Twenty-five cents a pound can mean the difference between a good year and a bad year. A price drop of 50¢ a pound can put a lot of fishermen out of business."

2. In the past three years, Maine's annual catch has increased in volume, while the value of the catch has decreased.

The 1988 catch of 21.7 million pounds was valued at \$60.7 million. In 1990, an estimated total of 24.3 million pounds was valued at \$54.4 million. Total annual production of lobster in New England and Canada is also increasing, while the overall value of the catch is decreasing. The value of the 1990 lobster catch for the New England Region (including Maine) and Canada combined was \$324.7 million for 145.3 million pounds. This was down from 1988 when the 130.6 million pound catch was valued at \$348.3 million.

3. There continues to be hostility between harvester and dealer over price.

In addition, Maine harvesters remain adversarial toward their Canadian counterparts. However, U.S. dealers have become interdependent with Canadian dealers and processors.

DISTRIBUTION

Maine lobsters are distributed throughout the U.S. and Europe by an intricate network of dealers, pounds, wholesalers, shippers, and retailers.

Operations of firms in the marketing chain vary enormously. Firms combine different, vertically integrated portions of the business (some dealers own pounds, some buy from pounds, some buy from other dealers, some are also processors, etc.)

Between six and twelve large dealers handle a dominating share of the entire Maine catch, although there are approximately 85 dealers with active businesses along the coast.

It is estimated that 70% of lobsters harvested by Maine fishermen are purchased by one of seventeen co-ops or the dealers for sale primarily to wholesalers, or directly to restaurants, supermarket chains or other retail operations.

Seafood wholesale firms in major cities buy large quantities of lobsters from New England dealers and sell to outlets in their own areas.

COMPETITION

In 1990 about 50% of all lobsters harvested in New England were Maine lobsters (22 million of the total 46 million pounds).

Yet Canada is Maine's most serious competitor. In 1990, the Canadian lobster catch (99 million pounds) exceeded Maine's by a ratio of 4.5 to 1.

Canada's lobster industry appears to have significant advantages over Maine's industry:

- Because of the smaller legal size limits, Canadian processors have overwhelming advantages in the frozen tail and canning businesses.
- Because of staggered seasons along the Canadian coast, and avoidance of the summer months, Canadians put, almost exclusively, hard-shell lobsters on the market.
- They have a significant headstart in marketing aggressively to Europe.
- Canadians enjoy a better product perception for quality in Europe. They have already successfully marketed themselves as having a superior product in Europe.
- The same premium perception seems to exist among many U.S. (trade) seafood buyers. One dealer recounted a story of how a loyal customer "got a hold of a case of Canadian lobsters and stopped being a loyal customer."
- Great strides have been made in processing lobsters and in new product development including frozen whole lobster in a vacuum pack. Canadians are also marketing a split lobster that is repacked with claw meat. Paturel in New Brunswick, one of Canada's largest processors, markets a variety of lobster products for the foodservice industry.

In the face of this competition, the Maine lobster industry continues to have some advantages:

- The Atlantic lobster is known world wide as the MAINE lobster.
- Sophisticated buyers think Maine lobster is sweeter than Canadian lobster.
- On a level playing field, American industry has generally shown the ability to “out promote” Canadian counterparts.

PROMOTION

As interest in seafood continues to grow, there is a tremendous opportunity for the lobster industry.

However, many others recognize the market potential for seafood products and have invested significantly in product development, advertising and promotion to consumers and the trade. The Canadian lobster industry has begun aggressive “branding” programs (e.g. Quebec, Prince Edward Island) and aggressive marketing and promotional programs

Within the state of Maine there are a number of organizations dedicated to improving the lobster industry including:
The Lobster Institute, The Maine Lobster Pound Association, The Maine Import/Export Dealers Association, The Maine Lobstermen's Association, The Downeast Lobstermen's Association, and others.

The formation of the Maine Lobster Promotion Council is an important step in the development and future growth of the industry.

MOST PRESSING ISSUES

- Resolution of Maine-Canadian agreement regarding minimum size, and resulting agreements on trade.
- Increased demand for Maine Lobster
- Improvement of relations between harvesters and dealers
- Establishment of quality standards for handling live product (e.g. double banding, packing shedders, etc.)
- Development and marketing of frozen product.

Sources:

Personal interviews with:

Bill Atwood, Wm. Atwood Lobster Company
David Cousins, Pres., Maine Lobstermen's Association
Bob Pedreira, Maine Coast Seafood Company
Sid Look, O.W. and B.S. Look Company (phone interview)
Bob Bains, harvester
Jeff Holden, Holden Seafoods

Publications:

The Lobster Gangs of Maine, James M. Acheson, 1988, University Press of New England
Bangor Daily News, Dec. 27, 1990
Sun-Journal (Lewiston), Dec. 28, 1990
The Times Record (Brunswick), Dec. 27, 1990
The Times Record (Brunswick), Dec. 28, 1990
Commercial Fisheries News, Jun. 1990
Commercial Fisheries News, Dec. 1991
Island Ad-Vantage (Stonington), Jan. 16, 1990
The Washington Post, Aug. 26, 1990
The Ellsworth American, Dec. 28, 1989
The Evening Express (Portland), Dec 26, 1990

II. What does the Maine Lobster Promotion Council wish to accomplish? What are the Council's broad objectives?

- To increase year round demand for Maine Lobster.
- To encourage better utilization of existing markets and develop new domestic and international markets.
- To improve the handling and marketing of shedders or new shell lobsters.
- To develop new products and new product forms (i.e. frozen, microwave-ready, institutional, value-added) to meet the needs of changing markets.
- To develop communication/education programs for consumers and all classes of trade (wholesale, retail, manufacturing, and foodservice*) in handling, preparation, menuing, nutrition, new product ideas, serving suggestions, merchandising and promotion.
- To provide leadership on issues affecting the lobster industry including consumer concerns about health and nutrition.
- To be in a position to counter negative publicity or prepared to manage crisis situations.
- To improve communication and training within the Maine Lobster industry with emphasis on issues of quality assurance and to build continuing support for unified promotional efforts and industry development.
- To foster the general prosperity and well-being of the industry.

*Foodservice -- also referred to as the HRI market -- includes hotels, restaurants and institutions.

Need for Research

In order to address each of these objectives effectively we need to understand as precisely as possible how consumers and the various classes of trade, and perhaps members of the industry itself view or perceive lobster. Without a current reading on awareness levels, attitudes, preference and perceived problems/issues the council will be severely handicapped in identifying marketing opportunities and the danger of mis-directed activities is great.

- In Conjunction with the **University of Maine research study planned for 1992**, the Council will identify the kinds of information or data that would be helpful as it embarks on a full scale marketing and communications program.
- Because of the complex and varied ways that Maine's dealers, pounds, and shippers supply lobsters to wholesale, retail, and foodservice markets, an **in-depth understanding of strengths and weaknesses** of the system is essential, before any specific recommendations for improvements can be made.
- An **analysis of the wholesale distribution system** should be a part of the study.
- In the short run, the Council can also begin a less formal yet focused **survey of the various classes of trade*** through in person interviews at tradeshow, by telephone and eventually through the direct mail program.

*Various classes of trade include wholesalers, distributors, foodservice and industrial customers.

III. How will the Council work to accomplish these objectives in the next two years? What are the planned program strategies and activities?

A. Product/Industry Identity Program

Build an image and an identity for the Maine Lobster Promotion Council and the Maine Lobster industry, by creating a graphic identification program and adopting a marketing theme.

B. Stationery and Sales/Promotional Materials

Develop materials to support all planned communications and promotional activities.

C. Public Relations

Use Public Relations to increase visibility and to enhance the image of the Maine Lobster among consumers and the trade.

D. Promotions

Plan Promotions in seasons where there is great need to stimulate demand, ie. new shell season. Identify and take advantage of opportunities for joint promotion.

E. Trade Shows

Develop a Trade Show Program to establish a consistent and professional, upscale presence in the seafood, foodservice and food technology markets.

F. Trade Advertising

Advertise very selectively in leading industry trade publications.

G. Direct Mail

Utilize direct mail to generate leads and to maintain relationships with existing prospects and customers.

H. Industry Development

Provide Maine Lobster industry communications support with emphasis on new product development.

I. Clearing House

Establish the Maine Lobster Promotion Council as the **clearing house for the Maine Lobster Industry.**

Program Strategies and Activities

A. MAINE LOBSTER IMAGE/ IDENTITY PROGRAM

Build an identity and an image for the Maine Lobster Promotion Council and the Maine Lobster.

Short Term:

- **Create a Maine Lobster mark/logo and a marketing/positioning theme** which will be adopted for use on all promotion and sales materials for advertising, public relations, and communication materials. The goal is to give all materials generated for promotion of the Maine Lobster a unified and consistent look, and to establish and reinforce the superior image of the Maine Lobster.

Long Term:

- Explore the practicality and wisdom of establishing a "**Genuine Maine**" brand Lobster by identifying Maine Lobsters with bands or tags. In determining the advisability of a Maine branding program it will be critical to determine the feasibility of managing and enforcing a quality assurance program.

Program Strategies and Activities

B. SALES AND PROMOTIONAL MATERIALS

Develop sales and promotion/merchandising materials to support all planned communications and promotional activities including -- public relations (including industry communications), trade advertising, trade shows, promotions, direct mail and the Maine Lobster identity program.

1992

- Before creating new pieces, conduct a complete **survey of existing materials** (including photography) available through the Lobster Institute, Department of Marine Resources and the Maine Lobstermen's Association.
- Create **stationery materials** for letters, releases, and memos.
- Produce a **folder for media** materials.
- Create a **brochure** with general information about Maine Lobster (for consumer and trade.)
- Develop an **industry directory** for the trade.
- Prepare **technical bulletins/fact sheets** for trade.
- Develop a **product guide for the trade** which includes information on handling, preparing, recipes nutrition, and available product forms.
- Identify and locate **existing usable (tested) recipes** for consumers and foodservice.
- Identify and schedule additional recipe **testing an development and photography needed.**

- **Develop a consumer flyer with general information on preparing, and eating lobsters, nutritional and health benefits and recipes.** Outlets for distribution of consumer flyer include the state's tourism department, fairs, festivals, airports, hotels, restaurants and supermarkets.

1993

- **Replenish 1992 inventory of sales/promotional materials.**
- **Develop promotional materials and merchandising tools to encourage retail/foodservice markets to promote Maine Lobsters to consumers.**
 - **Create educational/technical communications including training videos where appropriate.**
 - **Create table tents, menu cards, recipes (with photography) and menuing ideas for foodservice.**
 - **Create posters, mobiles, price cards.**
- **Develop additional fact sheets/technical bulletins for the trade, as needed.**
- **Design a masthead and format for a Trade Newsletter. Create and mail two trade newsletters.**

Program Strategies and Activities

C. PUBLIC RELATIONS

Use Public Relations directed at consumers and the trade (wholesale, retail, foodservice, and food manufacturing). Communications targeted toward both the media and the lobster industry itself will:

- **Increase visibility** and enhance the image of the Maine Lobster
- **Encourage more frequent utilization** or consumption of Maine Lobster regionally and nationally
- **Position Maine Lobster** as a healthful, nutritious meal
- **Solidify industry support**
- **Foster the general prosperity** and well-being of the Maine Lobster industry

Media Relations/Trade

- **Develop a trade media list**
- **Prepare trade media kits** to tell the story of the Maine Lobster in national and regional trade media. Trade kits include:
 - News release announcing Maine Lobster Promotion Council as industry resource
 - Backgrounder on the lobster industry's heritage and traditions or lore
 - Positioning piece on the advantages of Maine Lobster
 - Glossary of industry terminology

- Recipes, menuing ideas and photographs/slides
 - Promotion and merchandising ideas
 - Educational fact sheet on nutrition, handling, and preparation with toll-free number for more information
 - News releases on new developments in shipping, handling and storage
- **Mail kits to selected trade media. Followed up by telephone on an ongoing basis with special attention to editorial calendars and deadlines.**
 - **Continue to contact the trade with information on new product and packaging information** as soon as it becomes available, also on new developments and appropriate information about the industry. Coordinate efforts with those of the Lobster Institute.
 - **Systematically send to the trade media, new foodservice recipes with slides or photography (where possible) and menuing/nutritional information.** Holiday recipes would also be developed.
 - **Maintain a data base of information and resources for the industry and the trade -- create a foundation of articles and stories including:**
 - A series of **business articles** for placement at sensitive times in the lobster industry's business cycle.
 - Articles **directed at the medical community** to dispel the perception of lobster and cholesterol.
 - Position piece on PCB's.
 - **Prepare media kits and line up interviews with the appropriate media at trade shows in advance.** Include up-to-the minute-new-product profiles and photographs.

- Maintain the "**Maine Lobster Line**" a toll-free 800 number to handle information requests from the trade or media or consumers.
- Prepare **media support materials** for use by local marketers in media relations efforts and **for special promotions**.
- Provide a source of highly professional **industry spokespersons** to local, regional, national, and international media on issues pertaining to Maine Lobster.

Media Relations/Consumer

- Develop a **consumer media list**
- Prepare **consumer media kits** to tell the story of the Maine Lobster in national and regional trade media. Consumer Kits include:
 - Nutritional information
 - Consumer guidelines for purchase, handling, storage and preparation of Maine Lobster
 - A calendar of events during the lobster season
 - Backgrounder on the industry's heritage and tradition or lore
 - A glossary of industry terminology
 - Recipes with photographs/slides
 - Lobster hotline (toll-free number) for information on distribution and listing overnight direct consumer delivery options
 - Consumer recipe booklet and where to write for additional copies
 - Feature stories to dispel myths about the Maine Lobster (e.g., high cholesterol, expensive, feels pain, etc.)
 - Stories that reinforce positive attributes

- **Mail kits to selected consumer media.** Followed up by telephone on an ongoing basis with special attention to editorial calendars and deadlines.

- **On-going recipe development** program for the consumer can be promoted through publicity in print, radio and television.

- Systematically send **recipes with photos/slides** (when available) to consumer media.

- Create a **calendar of summer/fall lobster-related activities targeting tourists** in Maine.

- Emphasis on placing stories with **food and lifestyle editors** of daily newspapers in areas where Maine Lobster is readily available or in markets where special promotional programs are undertaken.

- Reinforce the sophisticated consumer's belief that Maine Lobster is the sweetest, finest lobster available through feature stories in **national lifestyle publications.**

- Present story ideas to **travel and inflight magazine** editors to capture the attention of tourists on their way to New England.

- Work with the **travel and food editors** of Women's magazines.

- Initiate a **search for the Maine Lobster spokesperson.** Ideally the spokesperson would be a personality from within the industry, experienced in food preparation.

Industry Relations

- Create and produce **industry newsletter** 2 times/year (Spring and Fall) or during sensitive times in the industry. Directed to all members of Maine's lobster industry, the newsletter would report on major developments in marketing, promotion, product development and people in the industry. Upcoming meetings, seminars, and trade shows would also be announced.
- Produce "**flash reports**" for immediate dissemination of important bulletins or timely information.
- Use a **national clip service** to keep the industry apprised of publicity or council efforts and competitive developments in the world market.
- The Council can facilitate communication among the various national, regional and local associations concerned at least in part with the Maine Lobster Industry including:

Lobster Institute Department of Marine Resources
Maine Import/Export Lobster National Marine Fisheries Services
Dealers Association National Fisheries Institute
Maine Lobster Pound Association
Maine Lobstermen's Association
Downeast Lobstermen's Association

- Explore the potential of **working with other national, international and regional groups** (such as CALPA in Canada) in the joint, generic promotion and marketing of lobster.

Program Strategies and Activities

D. PROMOTIONS

The most direct efforts by the Maine Lobster Promotion Council to actually "move product" will be in creating or supporting special promotions.

New Shell Lobster Promotions

Since an estimated 65% to 70% of all lobsters harvested in Maine are "new shell" lobsters or "shedders," and because new shell lobsters are the predominant product at the time of year when lobster prices are most depressed, it is essential that special promotions be developed during "new shell" season. These promotions must take into account the special challenges involved in marketing new shell lobsters:

- 65% to 70% of all Maine Lobsters harvested are new shell lobsters.
- New shell season includes the months of July, August and September.
- It is preferable to market new shells in the Northeast region or within a 24-hour transport area.
- Special communications are needed to promote the unique and positive benefits of new shell lobsters including their excellent taste and "easier-eating" and faster cooking characteristics.
- An especially critical time for promoting new shells is September, immediately after summer tourism activity drops, but harvesting is still very strong.

The strategies for creating new shell lobster promotions may include the following:

- New England Restaurants and Inns Cooperative Promotion
- Summer and Fall Country Fairs and Festivals Promotion

- Regional Lobster Bakes/Charitable Events Program
- Boys/Girls Summer Camp - Parents Weekend Promotion
- New England College Town Back-To-School and Homecoming Promotion
- Outlet Shoppers (Kittery/Freeport) Promotion
- Bring Home Maine Lobster Tourist Promotion (Who says "You Can't Take It With You?")

The emphasis in the new shell lobster promotions will be on enlisting cooperative support from New England's restaurant, hospitality and wholesale/retail trades in encouraging those who live in, or visit the region, to eat more Maine Lobster, try new dishes featuring Maine Lobster and bring home Maine Lobster.

Selected Market Promotions

Initially on a pilot-program basis, the Maine Lobster Promotion Council will work to identify one or two major U.S. markets in which to create and/or support special Maine Lobster Promotions. The markets or regions will be selected on the basis of specific demographic and other marketing factors.

Members of the Maine Lobster Industry have already achieved success working with grocery chains on the west coast, in the Midwest and in Florida. The Council can increase the volume of Maine Lobster shipped by creating and/or supporting additional promotions.

Selected market promotions will take into account the following considerations:

- The months of May and October have been identified as the ideal months for distant promotions in light of the value of price support at those times, the availability of hard shell product for ease of distant shipping, and the marketing opportunity in potential markets.
- October is National Seafood Month.

- Selected market promotion opportunities should be designed to encourage participation by the largest number possible of Maine Lobster Industry members.

Holiday Promotions

Interest in cooking and entertaining is at its highest during the holiday season and Maine Lobster offers an outstanding addition to holiday menus for family and for parties. And, as the shrimp marketers of the world have found, Super Bowl Sunday offers the greatest single-day potential in the year for their product. The Maine Lobster Promotion Council may find a way to capitalize upon this trend, too.

Other Trade Promotions

The Council will explore additional promotional opportunities with particular emphasis on co-promotions with the following categories of trade:

- Restaurant/foodservice (national or regional)
- Food manufactures (frozen or prepared foods)
- Companion products (wine, margarine, produce)

Program Strategies and Activities

E. TRADE SHOWS

Develop a Trade Show Program to establish a consistent and professional, upscale presence in the seafood, foodservice and food technology markets.

1992

- **In 1992 the Maine Lobster Promotion Council will have a presence in two shows on a shared, but very limited participation basis. A significant portion of the time spent at these shows will be devoted to fact-finding.**
- **Preliminary materials will be prepared for the Boston Seafood Show, to suggest the strong support forthcoming for the industry from the Maine Lobster Promotion Council. Formation of the Council will be announced, visitors will be asked to register for future mailings, and informal interviews will be conducted with the trade.**
- **Information kits will be prepared for distribution to qualified prospects at the National Restaurant Show.**
- **A trade show display will be designed and produced.**

1992 Trade Show Schedule

Boston Seafood Show	March 1992
National Restaurant Show Chicago	May 1992

1993

In 1993 the Council will look at exhibiting on the West Coast and in Europe.

1993 Trade Show Schedule

Seafare/Long Beach CA	February 1993
Boston Seafood Show	March 1993
European Seafood Expo Brussels or	April 1993
S.I.A.L./Paris	October 1993
National Restaurant Show Chicago	May 1993

• On an on-going basis the Lobster Promotion Council will be involved **in trade show planning including:**

- Setting show objectives
- Identifying target markets
- Pre-show analysis and evaluation
- Budget planning
- Choosing display and products
- Advertising and promotion plans
- Determination of show staff
- Staff responsibilities
- Lead generation and conversion
- Post-show follow-up
- Alternative shows
- Time-line for preparation

• Identify partners for **joint exhibiting** at shows.

• **Prepare media kits** and line up interviews with the appropriate media in advance. Include up-to-the-minute new-product profiles and photographs. (See Public Relations).

Program Strategies and Activities

F. TRADE ADVERTISING

Advertise very selectively in leading trade publications

- Advertising prominently in key issues of the leading seafood publications (*Seafood Leader* and *Seafood Business*) will increase visibility for the lobster industry when the attention of key decision maker's in the seafood trade (wholesalers/distributors, foodservice/retailers and manufacturers) is focused on locating suppliers and making critical purchasing decisions.
- The advertising will be scheduled in issues that coincide with annual buying guides, major seafood and foodservice shows, and other significant industry events.

1992 Trade Advertising Schedule

Seafood Leader	Sept/Oct	S.I.A.L. Whole Seafood Catalog
Seafood Business	July	1993 Seafood Buyer's Catalog
Seafood Business	Sept/Oct	S.I.A.L. Annual Retail Survey

1993 Trade Advertising Schedule

Seafood Leader	March/April May/June Sept/Oct
Seafood Business	March/April July 1994 Buyer's Guide Sept/Oct
Seafoodservice	July/Aug/Sept

Program Strategies and Activities

G. DIRECT MAIL

Direct mail can be used effectively to reach a defined audience with a very specific message. It will enable the industry to put detailed information about Maine Lobsters in the hands of qualified buyers and key decision makers.

Trade Newsletter

- **A newsletter would be produced two times a year to keep existing trade customers and newly acquired prospects well informed and to maintain a high degree of interest by the trade in the Maine Lobster. Recipes, new product information, customer testimonials, information on new markets, merchandising and promotions would be featured in the newsletter.**

Two-step Lead Generation Program

- **In the next twenty-four month a collection of materials or pieces will be produced for promotion of Maine Lobster. Selected pieces can be assembled into an information kit and eventually offered free to key decision makers in foodservice, retail, and/or the prepared or manufactured foods industry.**
- **Through an approved program of lead distribution, a list of respondents would be made available through the Council for follow-up.**

Program Strategies and Activities

H. INDUSTRY DEVELOPMENT

Maine Lobster is the world's best-known lobster. With today's more aggressive competition and promotion, it will take a unified, well-trained and well-informed industry to keep Maine Lobster in the highest regard across the nation and around the world.

Communication

The Maine Lobster Promotion Council is a partnership between all segments of Maine's lobster industry, and communication between all parties today and into the future is essential. Some of the work of the Council will take time to come to fruition, and it is important to hold the industry together and maintain continuing support while both promotional and quality assurance programs evolve.

As progress is made in achieving the Council's objectives, it becomes very important to publicize the Council's accomplishments in a meaningful and timely way.

- A status report of the Council's achievements would be included in an **industry newsletter** which would be published twice a year and distributed to all members of Maine's lobster industry. The newsletter would bring important news from the Council regarding major developments in handling, shipping, processing, product development, marketing, promotion, and the people of the industry. Announcements of upcoming meeting, seminars, and trade shows would also be included.
- **“Flash reports”** would be produced for the immediate dissemination of important bulletins or timely information.

The Maine Lobster Promotion Council can also improve communications within the industry and support unified promotion by interfacing with the Lobster Institute, the Maine Lobstermen's Association, the Downeast Lobstermen's Association, the Maine Import/Export Lobster Dealer's Association, the Maine Lobster Pound Association, the Department of Marine Resources, the National Fisheries Institute, and the National Marine Fisheries Services. This will help keep the industry apprised of important information and developments.

- **Lobster Industry Focus/Fishermen's Forum.** In conjunction with the Lobster Institute and other Maine Lobster industry associations, the Council can facilitate a series of discussions or workshops focused on key product and marketing issues for the lobster industry.
- **Regional Meetings.** Several times a year, open meetings of the Council can be held in different regions along the coast to maximize the opportunity for industry members from all sectors to attend, become informed, and address the Council.

New Product Development

As the industry places more emphasis on developing new products and new product forms to meet the needs of changing markets, the Council will become more involved in facilitating the process and in building awareness of the importance of a constant focus on new product development.

- **Establish a product development sub-committee** of the Maine Lobster Promotion Council and conduct regularly scheduled product reviews with scheduling considerations for meetings preceding and following seafood and foodservice trade shows.

- **Do an annual “survey”** of grocery chain seafood buyers and foodservice professionals to identify the top 10 needs, ideas or trends in new products/new product forms. LSM/New England Group has had considerable success in conducting such trade and professional phone surveys. This study is not intended to be a statistically accurate survey -- rather an important directional research vehicle for the purposes of reporting to the Council.
- **Work with the Maine Development Foundation (MDF)** and/or other foundations to develop funding for “seed grants” to be awarded to Maine's Lobster Processing Community specifically for R&D to attempt to bring new products and processes into use.
- Concentrate on product directions which are competitive with private enterprise initiatives, and steer clear of products and processes already developed by Maine's private industry.
 - **Work with the Lobster Institute** to evolve and test new physical product forms and processing technology.
 - **Utilize the resources of the University of Maine's Food Science Department;** when additional resources are needed, facilitate joint programs.
- **Conduct an annual New Product Symposium** to coincide with a major seafood show or event. Invite representatives from the leadership of the national foodservice profession and from industry associations such as the Food Marketing Institute, the National Fisheries Institute, and the appropriate frozen food industry association, to discuss trends and specific opportunities or needs in the many fields.

Program Strategies and Activities

I. CLEARING HOUSE

Through its work and interaction with the many Maine Lobster Industry associations and organizations, the Maine Lobster Promotion Council will be established as the clearing house for information about the Maine Lobster Industry.

Members of the food marketing trades from around the country and around the world will have a place to start in order to get information about Maine Lobster, to request product information, or directories of suppliers.

As new promotional opportunities arise, there will be a vehicle for communicating with members of members of Maine's Lobster industry to encourage maximum participation. And, as issues may develop requiring urgent response to counter negative publicity or to answer questions and concerns, the Maine Lobster Promotion Council will stand ready to assist.

IV. How much will the marketing program cost? What is the proposed two year budget?

Preliminary Marketing and Promotion Budget First 12 Months

<u>ACTIVITY</u>	<u>ALLOCATION</u>
Graphic Identity/Marketing Theme	\$ 3,500
Stationery Materials	3,000
Sales/Promotional Materials	22,000
Brochure	
Directory	
Product Guide	
Recipes	
Consumer Flyer	
Fact Sheets	
Photography	6,000
Public Relations/Promotions (Fees)	36,000
Public Relations/Promotions (Expenses)	30,000-40,000
New Shell Lobster Promotions	
Selected Market Promotions	
Development/Distribution of Press Kits/ Ongoing Media Relations/ Releases/ Articles/Follow-up/Distribution of Recipes/ Promotion Publicity/Trade Show Support/ Industry Newsletter	
Trade Advertising	13,000-18,000
Ad Development and Film Materials	
Trade Publication Insertions	

(Budget - First 12 Months p.2)

Trade Shows	13,000-18,000
Trade Show Display Development	
Exhibit Expenses/Travel	
Industry Development	2,000
Communications	
New Product Development	
Marketing Consultation and Program Management	24,000
Administrative Expenses	2,500
	<hr/>
	\$155,000 - 175,000

Preliminary Marketing and Promotion Budget Second 12 Months

<u>ACTIVITY</u>	<u>ALLOCATION</u>
Reprint Stationery Materials	\$ 3,000
Sales/Promotional Materials	36,500
Replenish Inventory	
Trade Newsletter	
Training Video	
Recipes	
Fact Sheets/Bulletins	
Posters/POS Materials/Table Tents	
Photography	6,000
Public Relations/Promotions (Fees)	36,000
Public Relations/Promotions (Expenses)	30,000-40,000
New Shell Lobster Promotions	
Selected Market Promotions	
Joint Promotions	
Development/Distribution of Press Kits/ Ongoing Media Relations/ Releases/ Articles/Follow-up/Distribution of Recipes/ Promotion Publicity/Trade Show Support/ Industry Newsletter	
Trade Advertising	30,000
Ad Development and Film Materials	
Trade Publication Insertions	

(Budget - Second 12 Months p.2)

Trade Shows	30,000-45,000
Exhibit Expenses/Travel	
Industry Development	2,000
Communications	
New Product Development	
Marketing Consultation and Program Management	24,000
Administrative Expenses	2,500
	<hr/>
	\$200,000-225,000

**V. How will the Council know the program is effective?
What means of measurement and follow up are planned?**

Method of Evaluation

Each year the Council will produce a comprehensive report to both quantify and characterize its accomplishments and to evaluate the effectiveness of its marketing and promotional efforts. Accountability for a meaningful return on the industry's funds and the responsible oversight by the Legislature are dependent upon this kind of evaluation.

• **Short Term**

The Council has a great deal of ground work to do to put in place the necessary tools to launch marketing and promotional programs. Its first two years in operation will be characterized by trying, on one hand, to build a marketing capability, create basic promotional materials, and establish trade contacts, while on the other hand, immediately implementing pilot promotions and communications programs.

During these early efforts, program effectiveness will be measured more in terms of the results of specific activities and strategies, rather than overall demand and pricing patterns.

Specific short-term results will be analyzed in such areas as:

- Response to lead-generation programs directed at trade buyers (such as trade show, trade advertising, direct mail and public relations/promotional support efforts).
- Documentation of acceptance by, and utilization of promotional programs and materials made available to the restaurant/foodservice, wholesale and retail trade.
- Number of Maine Lobster industry members utilizing Council programs, materials and services.

- Reporting of estimated volume of Maine Lobster sold in conjunction with specific pilot promotions created or supported by the Council.

 - Long Term
- Over the next several years, the Maine Lobster Promotion Council expects to achieve positive and measurable results in several key areas:
- Establishment of new domestic and international markets for Maine Lobster and establishment of new utilization patterns in those markets (such as expanded menu utilization in restaurants, expanded use of frozen product, use of Maine Lobster in prepared or manufactured foods, etc.).

 - Increased demand for Maine Lobster during key periods traditionally associated with abundant supply and depressed boat and wholesale prices.

 - Increased average price obtained by all segments of the Maine Lobster industry, **relative to price trends in comparable seafood category products.**

The relatively small amount of data routinely collected about the Maine Lobster industry will make it challenging for the Maine Lobster Promotion Council to track and document the impact of all of its programs and its overall impact on the industry. It will, however, utilize all available data collection from such sources as the National Marine Fisheries Service and the Maine Department of Marine Resources, to augment its own data collection through other wholesale and retail organizations and associations. The Council will also conduct and document periodic informal trade research efforts in order to report on the acceptance and impact of its programs and to monitor other trends in the business.

VI. How will the activities be scheduled? What is the expected timeline?

