

# MAINE STATE LEGISLATURE

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# Maine Lobster Promotion Council



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## ANNUAL REPORT 2011





*This Annual Report is prepared annually and distributed to the Joint Standing Committee for Marine Resources, Maine Department of Marine Resources, Lobster Advisory Council, and other industry organizations and interested parties. An electronic copy is available at [www.LobsterFromMaine.com](http://www.LobsterFromMaine.com).*

## OVERVIEW

The Maine Lobster Promotion Council (MLPC) is a public instrumentality of the state, founded by the industry to help promote and actively market Maine lobsters in state, regional, national and international markets.

The Council looks to identify market areas that will provide the greatest return on the investments made by lobster license holders and undertake those media or promotional efforts that represent the most cost-effective use of a limited promotional budget.



## MISSION

The **mission of the Maine Lobster Promotion Council** is to provide professional support, guidance and leadership for members of the Maine Lobster industry in the areas of marketing, advertising, public relations and promotional efforts to assist in developing long-term market value and economic stability for the industry.



### BOARD OF DIRECTORS

The Council is governed by a Board of Directors comprised of representatives from the harvester and dealer sectors as well as public members.

#### Harvesters

- ◆ Jim Dow, Bar Harbor
- ◆ Peter Miller, Tenants Harbor
- ◆ John Jordan, Chebeague Island

#### Dealers

- ◆ Emily Lane (chair), Calendar Islands Maine Lobster

#### Dealers

- ◆ Mike Cote, Bar Harbor Foods
- ◆ John Petersdorf, Linda Bean's Perfect Maine Lobster

#### Public

- ◆ Dick Grotton, Maine Restaurant Association
- ◆ Cathy Billings, Lobster Institute
- ◆ Patrice McCarron, Maine Lobstermen's Association

## EXECUTIVE SUMMARY

In addition to a report on the Council's activities in 2011, this report provides an overview and background of the Council's strategic initiatives spanning the most recent several years in order to present a broad and balanced perspective for readers.

The Council faces enormous challenges as we mark the 20<sup>th</sup> anniversary of the Council's formation. In 1991, the size of the harvest was approximately 26 million pounds; in 2011 it reached 100 million pounds.

While the size of the harvest has increased nearly 400%, the funding levels for the Council have actually declined by about 50%, when adjusted for inflation. So, with about half of the funds to work with and a harvest that has quadrupled, the Council is charged with fulfilling a challenging mandate. The size of the US seafood market is roughly \$93 Billion. American lobster is currently exported to 50 countries around the globe and the international markets are expanding. The market we need to influence is enormous.

The intensity of the marketplace, ultra-competitiveness of the global food markets, weakened US and European economies, and the resulting downward pricing pressure combine to make an extremely challenging marketplace for Maine Lobster. Lobster meat at retail is roughly twice the price of the next highest priced protein in the store.

There are significant competitive and structural obstacles to increasing demand and value for the Maine lobster harvest. Changing lifestyles, consumer preferences, increasing consolidation of buyers, and globalization of markets add to the challenge.

However, the Council has also identified significant opportunities for growth, increased demand, and value creation.



To support the needs of the industry and help Maine Lobster compete and face its current challenges, the Council has been strategically focused, in recent years, on:

1. Finding ways to increase much needed funding for marketing
2. Utilizing available marketing funds in highly efficient and productive ways to optimize the return on investment

—This report outlines some of the findings and activities that support this strategic focus.—



## BACKGROUND

The economic crisis in the fall of 2008 highlighted a significant structural weakness within the Maine Lobster industry. On average, 70% of the Maine Lobster harvest is brought in from August to November, and as much as 50% of it during the fall when demand for live product was low, resulting in an over-reliance on the low margin processing segment during this time. To help move live product during this critical time when processor buying was greatly reduced due to an international credit crisis, the Council responded by developing an emergency marketing campaign consisting of public relations, radio advertising and very limited television advertising. While the average price during this time dropped to a dismal \$2.62/lbs., there was sufficient demand to move the 24 million pounds of lobster that fishermen brought in between October and December that year to avoid a full collapse.

### Some important key findings emerged:

1. The limited fall media campaign (the first developed by the Council) proved to be very effective in stimulating interest and demand.
2. At the urging of the Council, retail chains promoted lobster during October and November for the first time ever.
3. Results in retail chains was very surprising – Hannaford experienced the 2<sup>nd</sup> highest level of weekly sales of lobster for the entire year in the week before Thanksgiving, second only to July 4<sup>th</sup> week. Having never promoted lobster in the fall, Hannaford was surprised at the response to a fall lobster promotion and vowed to do more in the future.
4. The upsurge in awareness, interest, and demand were so encouraging that the Council decided to prepare a more focused fall campaign strategy for the next year. To support this effort, the Council applied for, and received grant funding to help with the costs and the Council's Board of Directors authorized increased expenditures focused on establishing a 'fall season' for Maine lobster.
5. To test the effectiveness of the campaign in 2009, the Council developed parameters to evaluate the 'test market' aspects of the campaign. Research showed that the average shore price, calculated as a weighted average, in Maine for the Summer (Jul-Sep) harvest as compared to the Fall (Oct-Dec) did not vary much and was usually in the +/- 3% range, except for the abnormal 2008 season. This was surprising since the quality of the lobsters harvested in the fall was superior, in terms of ship-ability and meat yield, to that in the summer and should have commanded a higher price in the fall.
6. With this as a measurable basis and very few, if any, outside influences that would change in any meaningful way between September and October of the same year, the test was based on seeing if any difference in shore price, a general measure of overall demand, might be influenced by a fall marketing pilot campaign.



*Of note:* Overall shore prices are disproportionately influenced by the 'live' price even though the major portions of the landings are sold to processors. The 'live' price is influenced by orders from retail chains, large wholesale distributors, and restaurants, mostly here in New England.



With this in mind, the Council produced and executed fall marketing campaigns for Maine lobster in the fall of 2009 and 2010 with the help of additional grant funds received by the Council for this purpose. In 2011, the grant funds received were restricted, so pilot programs were run in areas outside the local markets on a much more limited basis and a very limited fall campaign effort was developed for the local markets.

The results of the fall campaigns for 2009 and 2010 met and exceeded expectations.

A key finding of this effort was the strong results from the 'domino' effect of local promotional activity. By encouraging local Maine retail chains to promote lobster in the fall, it triggered responses from other New England chains and greatly magnified the impact in positive ways. In 2010, the second year of the 'fall season' campaign, nearly all New England retailers ran some form of lobster promotion in the fall period, something they had never done before the Council's fall campaign initiatives in 2008. Thus, a new 'Fall Lobster Harvest Season' with great potential emerged.

## Seasonal Boat Price Comparison



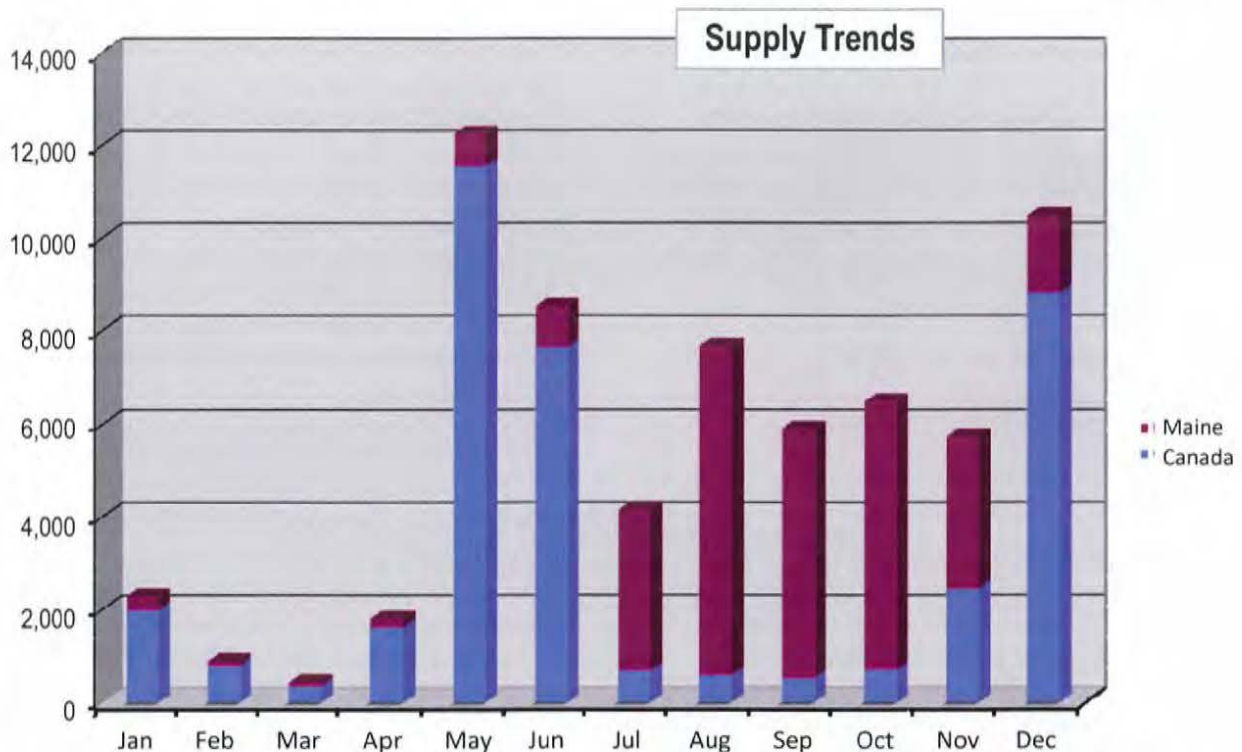


## RESULTS

In 2009, the average boat price in the fall season increased 21 cents from the summer, resulting in an additional \$5 million to Maine harvesters in the fall.

In 2010, the average shore price in the fall increased 56 cents over the summer season, resulting in an additional \$17 million for Maine harvesters.

**Additional key consideration:** In the fall season, most of the Canadian harvest areas are closed so that the vast majority of American lobster is coming from Maine. This means that efforts to increase shore price benefits the Maine lobster industry specifically.



In 2010, the Council's Board of Directors determined that the Council should expand its leadership role within the industry. The Council convened a Leadership Forum including leaders from all sectors of the industry as well as speakers from the blueberry industry to emphasize the value of marketing. The group agreed enthusiastically on the importance of marketing to improve the economic stability of the industry.

The Council continued to develop the new Fall Harvest season for Maine Lobster. This is a time of year when supply is high, quality is good and other suppliers are relatively dormant.

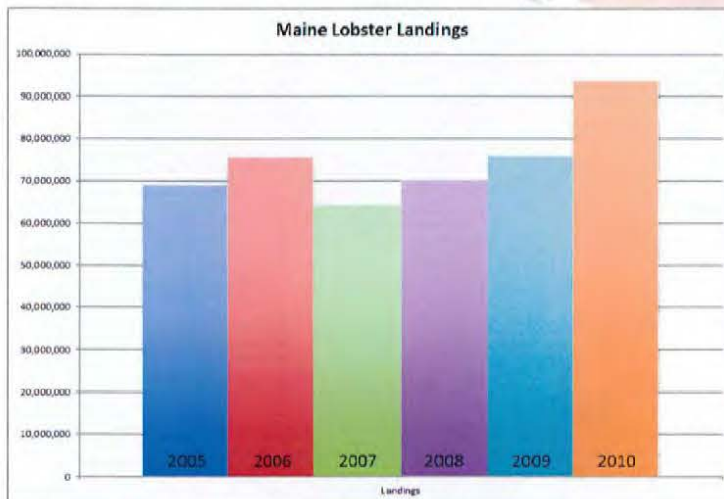
The Council successfully positioned fall as a key season for Maine Lobster with consumers and encouraged participation by retailers and restaurants.

In 2011, the Council continued its focus on marketing that provided the greatest return on investment. Expanding its online presence, resulting in over 589,000 website visitors with over 1,443,000 page views, an increase of more than 800% from 2008. The website is the world's most popular for Maine lobster and has ranked as #1 on Google for three years running, an unprecedented dominance in our category. The Council's website referred over 77,000 buyer/prospects to Maine dealers in 2011.

## MAINE LOBSTER SITUATION ANALYSIS

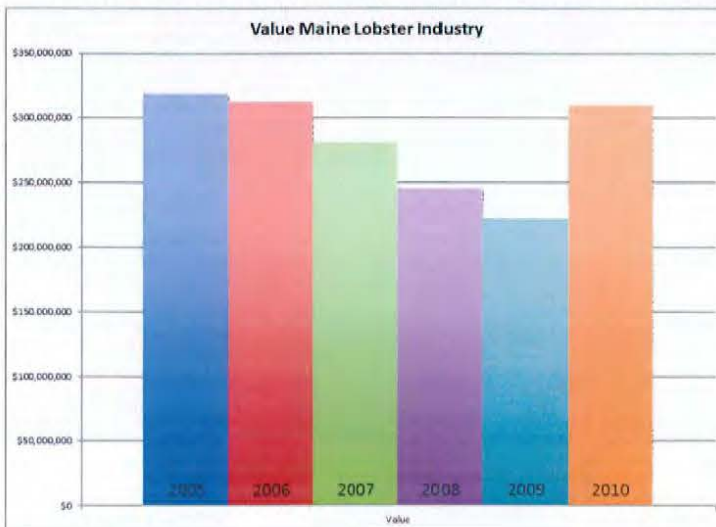
### Strengths:

- ◆ The Maine Lobster fishery has been well managed for generations, resulting in record level harvests in recent years.
- ◆ There is a high level of awareness and regard for the Maine Lobster brand among consumers.



### Weaknesses:

- ◆ The Maine Lobster industry is highly fragmented and plagued by destructive pricing competition.
- ◆ The fishery has an inherent high cost of production that is at odds with the low value commodity pricing structure



### Opportunities:

- ◆ The extraordinary results from the efforts to establish a fall season for Maine lobster strongly indicate that there is significant potential demand for Maine lobster, even in a mature market segment with otherwise stagnant or declining sales – the retail chain market in the Northeast.
- ◆ The success of limited marketing efforts shows that even limited promotional efforts, when coupled with good distribution and cooperation with key customers, can result in impressive gains and return on investment.

### Threats:

- ◆ Weak economies in Europe and the US, the two largest markets for American lobster, are limiting demand in non-essential food products.
- ◆ Weak demand and profits in the retail and restaurant chain market segments are forcing strong downward pricing pressure on center of plate products.
- ◆ Changing consumer lifestyles and preferences limit growth opportunities for live lobster sales, which still account for approximately 45% of total lobster sales.







## GENERAL MARKETING

The overall objective is to increase the value of the Maine lobster harvest to better ensure long term economic sustainability for the industry. Value is a function of the supply/demand dynamic. A good target goal would be to increase the value of the harvest by \$30-\$50 million.

Since the supply of lobster is rising and relatively unrestricted, the focus has to be on increasing demand in a period of rising or changing supply.

Increased effective marketing is the only way to increase demand. The current practice of discounting to push excess supply into the marketplace is counterproductive and makes it harder to increase profitable demand.

The 'How' of what we want to do is represented by the tactical elements outlined here...

The result is a two part strategy (the 'What' we want to do):

1. Increase strategic marketing levels to increase demand to support high levels of supply and increase the value of the harvest.
2. Reduce dependency on non-productive price discounting by developing non-price oriented promotions and marketing campaigns, test them for effectiveness, and use them to encourage cooperation between suppliers, retail chains, and restaurant chains in the execution stages to effectively drive demand.

### Target Audience

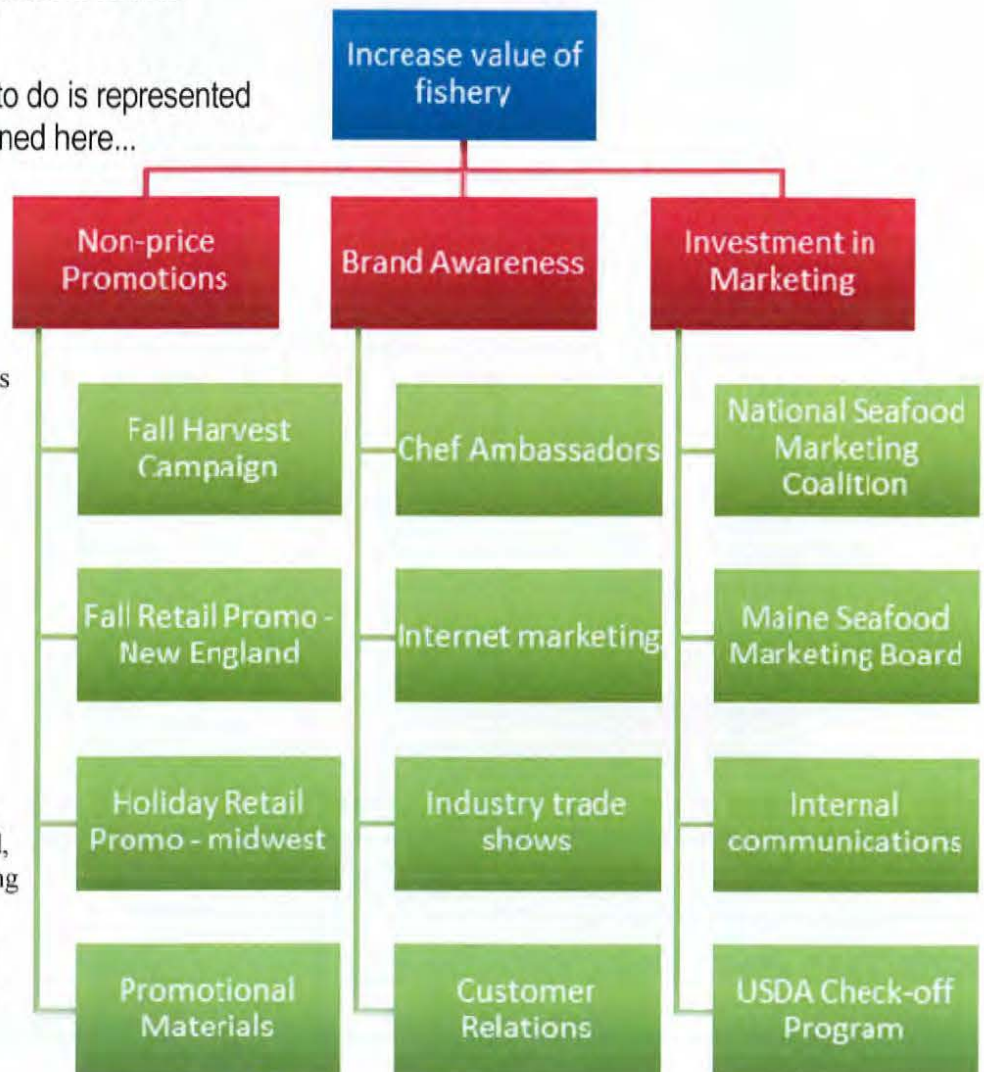
**External** – Retail seafood buyers, foodservice operators/chefs, seafood dealers, consumers

**Internal** – Maine lobster harvesters, dealers, processors

### Target Markets

Northeast United States; Select United States areas, California, Florida, Major metros: Chicago; Washington DC; Las Vegas  
Europe; Asia

In 2011, the MLPC continued to explore ways to increase demand, reduce dependency on discounting with test marketing of programs in other markets, and to evaluate ways to increase the value of the harvest for the benefit of all industry members.



# 2011 ACTIVITIES & RESULTS

## NON PRICE PROMOTIONS



### Fall Campaign

The Council continued to promote Maine Lobster in the fall season. Funding restrictions limited the campaign to the following activities:

- ◆ Maine Lobster Chef of the Year at Harvest on the Harbor\* program and resultant 6 weeks of media coverage
- ◆ Maine Lobster Month produced 20 articles online and in print
- ◆ Veteran's Day Promotion in cooperation with WLOB - daily coverage for one month on WLOB

\*The annual fall *Harvest on the Harbor* event in Portland, voted one of the top ten food and wine festivals in the country is a key element of the Council's Fall Harvest Campaign. The Council is a key sponsor of the event which showcases our Maine Lobster Chef of the Year competition.

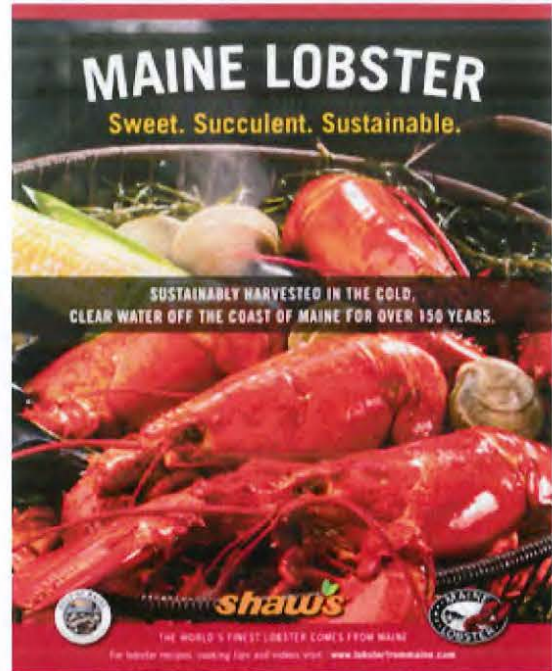
In lieu of a fall advertising campaign, the Council conducted two pilot marketing programs outside the local market.



## Pilot I: Fall Retail Program in New England

The Council conducted a test program across with approximately 170 retail stores in New England featuring live Maine Lobster. The promotion ran for several weeks in November with a special focus on Veteran's Day. Promotion included point of sale materials, email marketing and print, radio and online advertising. Creative messaging focused on the Maine Lobster origin and the new Gulf of Maine sustainability seal.

The Seafood Manager for the chain reported that *"We slightly exceeded an aggressive sales goal. Can't wait to run another promo with the Council."*



## Pilot II: Holiday Retail Program in the Midwest

The Council conducted a test with two retail chains featuring frozen Maine Lobster tails and claws in the Midwest. The smaller chain of 6 stores included comprehensive in-store displays around the Maine Lobster product, including a consumer contest and retail flyer ads. The larger chain of 31 stores carried the product without any promotional display or advertising. The smaller chain sold over three times as much Maine Lobster as the larger chain during the holiday period, meaning that the stores with promotional displays sold approximately 16 times as much product as stores without.

The seafood supplier reported that *"The materials for the lobster promotion were great. Sales exceeded our expectations for the promotion."*

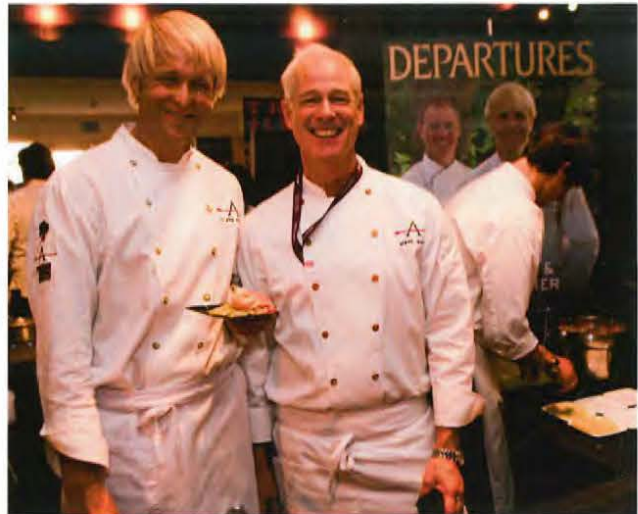
## BRAND IMAGE

### Chef Ambassadors

To support the premium brand positioning of Maine Lobster nationally, the MLPC works with leading chefs to highlight Maine Lobster at key events around the country. The program is designed to emphasize Maine Lobster's positive attributes to chefs, restaurant owners, foodies and journalists nationwide.

### 2011 Chef Ambassadors

- ◆ *Wilfred Beriau* – former head of Culinary Department at Southern Maine Community College, ACF Chef Educator of the Year
- ◆ *Eric Warnstedt* —Executive Chef/Owner Hen of the Wood Restaurant, CA
- ◆ *Nick Flores*—Executive Chef Hank's Oster Bar, VA
- ◆ *Mark Gaier and Clark Frasier* – Chef/owners Arrows restaurant, MC Perkins Cove and Summer Winter; James Beard Best Chefs in the Northeast
- ◆ *Stephen Corry* – Chef/owner of 555 and Petite Jacqueline, Maine Restaurant Association Chef of the Year, Food & Wine Best New Chef
- ◆ *Margaret McLellan* – Maine Lobster Chef of the Year



### Chef Ambassador Events

- ◆ Monterey Bay Aquarium's Sustainable Seafood Celebration
- ◆ Smithsonian Institute, Demystifying Seafood
- ◆ American Culinary Federation Educators Conference
- ◆ Pebble Beach Food & Wine
- ◆ Chefs' Tribute Event for Meals on Wheels
- ◆ Great Chefs Event for Alex's Lemonade Stand
- ◆ Taste of the Nation's Share our Strength
- ◆ Great American Seafood Cook-off
- ◆ East Meets West Gala





# OUTREACH & COLLABORATION

## Internet Marketing

The MLPC consistently ranks #1 on Google searches for 'Maine Lobster' and 'lobster recipes' and #2 for 'lobster' (after Wikipedia). This exemplary positioning is a result of valuable content and has resulted in 175,000 referrals from Google in 2011. If this traffic were the result of paid positioning, the cost to the industry would be approximately \$132,000. The estimated value of the visitor traffic to the MLPC website is over \$250,000 each year.

The website boasts almost 600,000 visitors per year, and almost 1.5 million page views. The MLPC referred over 77,000 customers and prospects to Maine Dealers through the website.

After promoting Maine Lobster at the Asian Seafood Show in 2010, the Council tracked increased web traffic and inquiries from China. US exports to China were up nearly 1000 % in 2010. To better serve this growing market the Council launched a Chinese language version of the website.

[www.LobsterFromMaine.com](http://www.LobsterFromMaine.com)

## Industry Trade Shows

MLPC exhibited at the International Boston Seafood Show, Fishermen's Forum, the Maine Restaurant & Lodging Expo, the Food Export Northeast event in Boston and the Lobster Town Meeting in New Brunswick. The goal was to communicate with both internal and external customers at all events. At the seafood show in Boston, Dane Somers delivered a presentation on the lobster industry to key **international buyers** in cooperation with Food Export NE.

The Council received the **Lighthouse Award** for "exemplifying outstanding leadership in promoting Maine as a tourism destination while enhancing the quality of life for Maine people."

## Customer Service

In addition to the customers serviced through the website, the Council fielded hundreds of requests for information and materials in 2011 from journalists, consumers, seafood buyers, lobster dealers and wholesalers.

The Council produces generic marketing materials for dealers, wholesalers, retailers and foodservice operators to promote the positive attributes of Maine Lobster, with no emphasis on pricing. The Council also cooperatively produces materials upon request.

The Council distributed over 5,000 pieces of marketing materials to dealers, hotels, restaurants, chambers of commerce and schools, and an additional 7,000 brochures through the Maine Visitors Centers.



## Brand Protection

The MLPC works to ensure that inferior or substitute products do not use the Maine Lobster brand. In 2011, Zabar's, a premium deli in New York City, labeled a crawfish salad as lobster. Dane Somers contacted the store's owner to explain the FDA and FTC labeling regulations. Zabar's changed the name of their mislabeled 'Lobster Salad', Somers also handled the onslaught of journalists who were interested in the story including an article in the New York Times. The MLPC handles similar issues throughout the year.



## Internal Communications

MLPC works to communicate marketing activities, opportunities and results to industry members throughout the year to demonstrate the importance of marketing., through:

- ◆ Annual reports
- ◆ Annual print newsletters
- ◆ Monthly e-newsletters
- ◆ Submissions to MLA, DELA newsletters
- ◆ Email blasts
- ◆ Articles posted on website
- ◆ International Boston Seafood Show, Fishermen's Forum and Maine Food & Lodging Expo exhibits

## INVESTMENT IN MARKETING

### National Seafood Marketing Coalition

Dane Somers helped to initiate the NSMC effort and is now a member of the Advisory Committee. Somers works throughout the year to move this initiative forward, including:

- ◆ Draft a bill to provide access to approximately \$100 million per year in marketing funds to promote U.S. seafood
- ◆ Met with Senator Snowe, Representative Pingree and key staffers to move forward the National Seafood Marketing Coalition initiative
- ◆ Met with Eric Schwaab, NOAA Assistant Administrator for Fisheries, to discuss the Fish Watch sustainability program and to gain support for the National Seafood Marketing Coalition



### Maine Seafood Marketing Board

Dane Somers is participating in the marketing subcommittee formed by the Lobster Advisory Council. Somers and staff also participate in the Maine Seafood Marketing Network, an initiative to look at ways to promote all Maine seafood, including lobster.





# 2011 ANNUAL REPORT FINANCIALS

## REVENUES

The following schedule presents a summary of revenues for the fiscal year ended June 2011 and the percentage of increases and decreases in relation to the prior year.

	FY 2011	FY 2010	Change	Budget 2011	Change	% Change
Intergovernmental	\$375,692	\$380,373	(\$ 4,681)	\$373,910	\$ 1,782	0.5%
Grant Income	\$150,000	\$ 40,000	\$110,000	\$100,000	\$ 0	0.0%
Interest Income	\$ 1,509	\$ 1,929	( \$420)	\$ 1,500	\$ 9	0.6%
Miscellaneous	\$ 289	\$ 5,952	( 5,663)	\$ 1,800	\$ 1,511	-83.9%
<b>Total Revenue</b>	<b>\$527,490</b>	<b>\$428,254</b>	<b>\$ 99,236</b>	<b>\$527,210</b>	<b>\$ 280</b>	<b>0.1%</b>

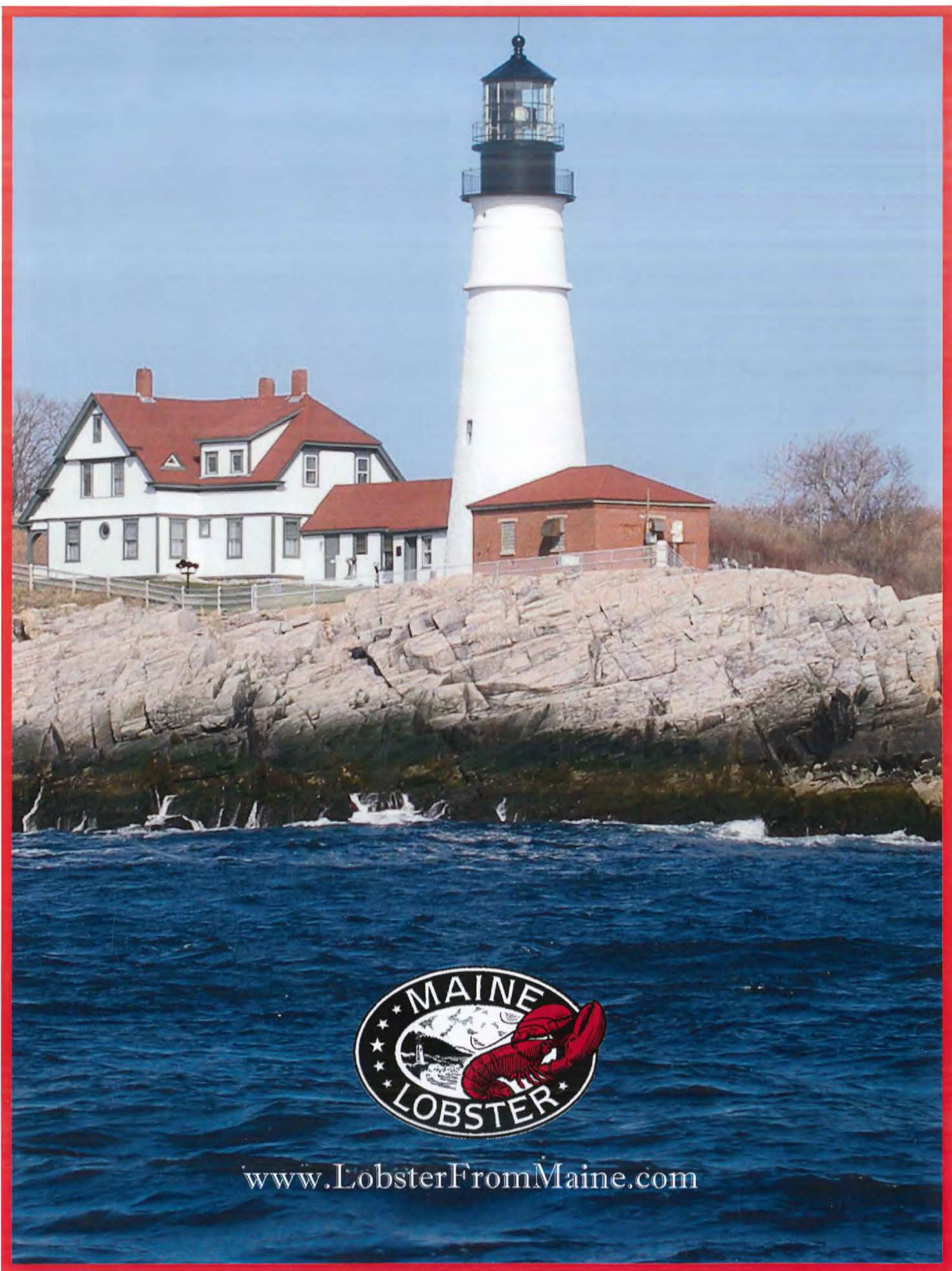
## EXPENDITURES

The following schedule presents a summary of expenditures for the fiscal year ended June 2011 and the percentage of increases and decreases in relation to the prior year.

	FY 2011	FY 2010	Change	Budget 2011	Change	% Change
Administrative	\$ 52,802	\$ 36,822	\$ 15,980	\$ 59,244	(\$ 5,442)	-9.3%
Travel	\$ 14,640	\$ 9,317	\$ 5,232	\$ 16,952	(\$ 2,312)	-13.6%
Personnel	\$203,387	\$179,579	\$ 23,808	\$197,100	\$ 6,287	3.2%
Marketing	\$180,842	\$206,294	(\$25,452)	\$254,384	(\$73,542)	28.9%
<b>Total Expenses</b>	<b>\$451,671</b>	<b>\$432,012</b>	<b>\$ 19,659</b>	<b>\$526,680</b>	<b>(\$75,009)</b>	<b>-14.2%</b>







[www.LobsterFromMaine.com](http://www.LobsterFromMaine.com)