

Marketing

The Big Cheese:

Saputo sells more natural cheese than anyone else in Canada but its goal is to become a national household name

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Saputo may be the big cheese of cheese in Canada, but most Canadians outside of Quebec "think we're Korean carmakers." So says Mario Demers, national marketing director, Saputo dairy products at Saputo Inc., which sells 35% of all natural cheese in Canada ahead of such names as Parmalat, Agropur and Kraft.

Although the Saint-Leonard, Que.-based company sells \$2-billion worth of dairy products annually in Canada (and \$3.4 billion once U.S. cheese and Vachon bakery sales are factored in), Saputo brand recognition is at only about 3% outside of Quebec.

Most of Saputo's cheese sales out of the province come from private labels-its production of cheese for Loblaws and Sobeys "no-name" labels makes it "the king of private label"-and from brands like Armstrong, Stella and Cayer. While the Armstrong brand has 75% name recognition in English Canada, few know the company behind the cheese. And in the milk business, it's little known that Saputo owns Baxter and Dairyland (which has a 73% market share in Vancouver).

To make the Saputo name better known nationally, "we have work to do," Demers admits. "Lots of work."

To achieve that goal, the publicly traded company has embraced marketing in a big way, notes Demers, who joined Saputo in 2002 after spending three years at the TVA network and 11 years at Quebecor. Without revealing numbers, Demers says the marketing budget has been increasing by about 25% annually in the last few years-and that sales have been increasing commensurately. The company is edging closer to having marketing budgets in line with those of Parmalat and Agropur, but not Kraft which has a substantial number of non-dairy brands.

Founded in 1954 as a mozzarella-maker by the Saputo family, the company was food-service oriented for 45 years, especially in Quebec where Saputo has 83% brand recognition. "The company didn't focus on the retail side very much," Demers says. "The first thing I implemented was a strategy to go toward the consumer."

The first step, in 2002, was a change of logo and packaging. The packaging had gone unchanged for 12 years and the Saputo logo was too corporate-looking. "It could be for Alcan, could be for anything; it wasn't food." And every time a new product was launched, it took on the mood of the day.

Numerous focus groups were held in the Italian and non-Italian communities of Montreal, and Pigeon Branding + Design devised a cleaner, more stylistic and food-oriented logo and packaging reflecting the company's Italian heritage. And a tag line was developed: "A family tradition since 1954."

The new look far surpasses what Saputo had before, "which was literally something out of the 1970s," says John Dutton, creative director of Allumia Communications in Montreal, which did project work for Saputo last year. "Obviously they're moving into branded consumer-based merchandise as opposed to cheese as a commodity sold to pizzerias and restaurants."

To herald the new packaging, Allumia created a small promotional campaign which ran on the TVA network with four spots showing the simplicity of cheese in cooking and containing lines like "melt, melt, melt, that's all you have to do."

That marked a big change for a company that had run the same cheesy spot for 15 years on ethnic channels: A guy drives up to his mother's house in his red Ferrari, presents her with flowers and sits down to a cheese-filled dinner.

Demers is also fixing brand conflicts and is moving toward only three brands for Saputo's cheeses: All Italian cheese (mozzarella, bocconcini, etc.) is going under the Saputo banner; Canadian cheese, like cheddar, is being wrapped into Armstrong; and French cheese, like camembert and brie, goes under Cayer. Smaller brands like Bari, sold mainly in the West, will disappear and be rolled into the Saputo brand. As well, the Saputo corporate name now appears on all packaging. "That's going to make sense for a retailer like Loblaws," Demers says.

In January, the cheese and milk divisions of Saputo merged to form Saputo Dairy Products. "What we're trying to do is get down to one umbrella," he says, "so when you go to banners like Sobey's or Loblaws you represent milk, yogurt and cheese. That gives us some strength and should bring some results in terms of listings throughout Canada."

One of the major means of making Saputo better known started a year ago through an integrated strategy called Cucina etc. It involves a 30-minute cooking show for the Telelatino network and a custom-published magazine of the same name. On the TV show, chefs discuss Italian cooking and DeMontis tells viewers they'll find the recipes in Cucina etc. The magazine is available in grocery stores and on newsstands for \$5.95 and is published to coincide with the 13-week cycle of shows. Naturally, most of the recipes on the show and in the magazine recommend using Saputo products.

The availability of the cheese at Loblaws is also promoted on the show. And, in turn, Loblaws will provide the listing and advertise the magazine in its flyers. "That will create velocity. From there, I'll track my sales of that specific week, of that specific banner, of that specific cheese, to see movement."

Demers says the preliminary aim of the show is to introduce Saputo to Toronto's huge Italian market, which doesn't know the brand and where the National Cheese Company-owned Tre Stelle brand is a big regional player. Viewership of the show, which airs three times weekly, is now at 100,000, while the magazine, which is available in English and French, has a circulation of 50,000. Subscriptions to the magazine are now available and a DVD of the show will soon be released. Cucina etc. "is a very sensible bit of marketing," Dutton says.

The next step in creating brand equity in Saputo is to go national with the show and Demers says a deal has been signed with Global to start airing the show in the fall. That should increase viewership to an estimated 400,000 and also buoy Saputo's listing base in groceries.

Last fall, Saputo's former cheese division chose an agency of record for the first time: BBDO Montreal. The result is a 30-second TV ad called "Romantic Dinner." Set to the Italian tune Te Amo, a sexy woman prepares dinner for her boyfriend, slicing, tasting and pouring dressing on a cheese dish. It ends with a real punch line-she accidentally wallops her date in the face while opening a wine bottle.

The ad ran for five weeks in April and May on Quebec's major French-language networks. In English, it's set to run 200 times in five weeks during Telelatino's broadcasts of the Euro Cup of soccer in June and July. National TV advertising could begin once the brand is better known, Demers says.

The TV couple will help bring recognition to the brand and increase sales, Demers says. "That gentleman is deeply in love. He will forget that little punch. As good Italians, they will probably get into dating again. They're probably going to get engaged, and have children." Each ad will likely end with some sort of accident, although care will be taken to ensure people don't get bored with the concept.

To boost cheese consumption and introduce new varieties, the company is increasingly turning to in-store demos and tastings of specialty cheese. "You won't spend \$10 on a cheese if you don't know what it tastes like."

To break into the kid's market, Saputo last year introduced its Frigo Cheese Heads -a huge hit in its U.S. cheese division-to Canada, under the Saputo brand name. That puts it in direct competition with Parmalat's Ficello Cheestrings.

In the U.S., Frigo Cheese Heads is the market leader in the fast-growing category of children's string-cheese snacks. The introduction of Cheese Heads here allows the Canadian division to tie-in to promotions done in the States, such as a recent licensing deal with the Warner Bros. film Looney Toons: Back in Action.

With its marketing initiatives, Saputo is "making a quantum leap," says David Newman, an analyst at National Bank Financial in Toronto, who follows the company's stock. "They haven't done anything in the past. They're doing wholesale changes all of a sudden."

"Any time you put more marketing dollars behind your products and you have excellent products and an excellent reputation, suffice to say, it's a good thing," Newman says.

Saputo is aiming to be "the Italian brand reference throughout Canada," and marketing is helping it achieve that goal, Demers says. The key is getting people to try Saputo cheese once.

"Once they experience the product, they're going to come back," he says. "Once you have convinced someone, it's a gimme."