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## **Who is Reacting to the Food Industry's Generic Advertising Messages?**

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Since 1984, U.S. dairy producers and milk processors have contributed more than \$300 million annually to promotions, with a relatively large share committed to generic advertising programs. Hence, it is very important for farmers, processors, and policy makers to understand the economic impact of generic advertising.

This article reports the results of a recent study that used household-level data to analyze the impact that generic advertising has on the demand for dairy products, including its effect on the likelihood of purchase and levels of consumption. This is particularly important when evaluating advertising programs to determine to whom – new or current consumers – the message has been successfully delivered.

Purchasing data for fluid milk and cheese for home consumption and annual household demographic data were obtained from the ACNielsen Homescan Panel sample of U.S. households from January 1996 through December 1999. Fluid milk was divided into four sub-categories: whole, reduced fat (2%), light (0.5%-1%), and skim milk. Cheese was divided into American, Mozzarella, Processed, and Other cheese categories. The Other cheese category contains several varieties, including Ricotta, Muenster, Farmers, brick, and cream cheese.

The effects of numerous factors on the demand for dairy products are considered in this study. Product price, household income, household size, and generic advertising are the basic factors analyzed. Because price often varies due to volume and store discounts, we include variables that reflect the proportion of purchases in various package sizes and store types, and the

proportion of units sold. Variables used to reflect differences in household composition are age of the household head, whether mom works outside of the home, and the proportion of family members by age classification. The study also analyzes these data with regard to race, education, geographic location, and seasonality.

Since the focus here is on advertising, only the advertising impacts are reported. The generic milk advertising message appears to have a predominant effect on levels of consumption of fluid milk. Generic milk advertising had a positive and significant impact for all fluid milk products. The results of our analysis showed that, for total fluid milk, a 10% increase in advertising has a slightly less than 1% (0.81%) increase in household demand for milk. Of that increase, 88% can be attributed to increasing the demand for milk from current consumers, while only 12% can be attributed to increasing the likelihood of new households to purchase fluid milk. This is consistent across all fluid milk categories, with the largest response from the generic campaign shown for reduced fat (0.81%) and skim milk (0.82%), followed closely by whole (0.74%) and light milk (0.72%).

While the effect was positive and significant from generic advertising in the total cheese category, the effectiveness of the generic cheese advertising campaign appears lower than that estimated for fluid milk. The total cheese category had a 0.24% increase in household demand for cheese with a 10% increase in cheese advertising. However, the entire amount of this was realized from the likelihood of households to purchase cheese. That is, cheese advertising appears to be effective at increasing the probability of new consumers to purchase cheese, but has no significant effect on increasing the demand of current consumers. This is consistent across all cheese. The largest contributors to the total cheese result were from the Other cheese category (0.69%) and American cheese (0.63%), while the Processed (0.21%) and Mozzarella (0.21%) advertising effects were more similar in magnitude to that of the aggregate product. It is interesting that while both programs are generic and do not target any specific products, the generic advertising effects on individual product are more variable for the relatively differentiated cheese categories, but are much more similar for the relatively homogeneous milk products.

From the wide disparity in advertising response, it is clear that the fluid milk and cheese generic advertising campaigns are inducing response from different types of consumers. While fluid milk advertising seems most effective at increasing the demand of current consumers, its

effect on new buyers is less pronounced. Conversely, the effect that cheese advertising has had on total household demand is clearly from the response of new buyers to the market or from increasing the likelihood of purchase for U.S. households, not from increasing the consumption of current consumers. This type of information could provide valuable information to dairy product marketers in determining where past efforts have been most effective and to all agricultural product marketers in developing future advertising strategies with respect to their target audience.

**Smart Marketing** is a monthly marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by faculty members in the Department of Applied Economics and Management at Cornell University.

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