

# How California Created the Dairy Industry of the Future

Highlights from a Case Study Developed by  
Columbia University's Graduate School of Business  
on the Success of the Real California Cheese Campaign

CALIFORNIA MILK ADVISORY BOARD  
2005



*"Great Cheese comes from Happy Cows.  
Happy Cows come from California."*

## INTRODUCTION

“The actions of the California dairy industry over the past 20-plus years exemplify how an industry’s long term prospects can be dramatically transformed by:

- 1) a well done strategic plan at a critical juncture;
- 2) solid ensuing marketing strategies and tactics that are creatively and consistently executed over time; and
- 3) additions to infrastructure (both production capacity and knowledge dissemination programs) that support the strategic plan.

The many noteworthy aspects of the Real California Cheese (RCC) program include:

- The research that went into development of the long-term strategy.
- How well the tactics implemented the strategy.
- The thoroughness of the plans and pervasive attention to detail.
- The consistency of execution over an extensive period of time.
- The stellar long-term results.”

## THE STRATEGIC PLAN

“The Stanford Research Institute analysis concluded cheese was the dairy industry segment that offered the greatest profit and growth potential for the state’s dairy farmers. In addition to the competitive advantages mentioned above, cheese production was attractive because it takes approximately 10 lbs. of milk to make 1 lb. of cheese. Thus, it fulfilled the criterion of being a way to relatively quickly use up surplus milk when compared with the other dairy segment options (fluid milk, yogurt, butter, ice cream, cottage cheese and dry milk powder). Cheese had faster historical and projected consumption growth rates. It was also more profitable to produce. Because of the higher price per pound and greater density of cheese versus other dairy forms, it could be exported the farthest economically and, therefore, had the greatest potential geographic area for sales.”

**“By all measures, the program to expand California cheese production and consumption has been tremendously successful.”**

## CREATION OF A CERTIFICATION MARK

“One of the first acts undertaken by the CMAB to implement its new strategic direction was to create a distinct and compelling identity that would be the focal point of an integrated marketing communications program. The challenge facing the CMAB was that it needed to represent a wide range of products from many different cheesemakers, many of whom promoted their own brands. The CMAB created the Real California Cheese seal as a certification mark that could be used to identify natural cheese made in California from California milk. By doing so, the CMAB has been able to consistently and effectively promote many styles and varieties of cheese from California cheesemakers who qualify for and use the seal on their packaging.”

“The seal has been placed on as many applicable cheese packages as possible. In all advertising forms, on all of the CMAB’s coupons and promotions, in brochures, on point-of-sale materials at retail, and even on restaurant menus and table tents. Placement of the seal in all of these consumer communications elements reinforces the message and maximizes awareness of the certification mark.”





## Two decades ago, the California dairy industry developed a long-range strategic plan to make the state a leading supplier of cheese,

relying on comprehensive research conducted for the industry by the Stanford Research Institute. In doing so, our industry also embarked on a path that would make it a model for the dairy industry of the future.

Today, California is the nation's leading dairy state, producing a fifth of the country's milk and cheese. We can proudly claim to be the production leader in just about every dairy category, from fluid milk to butter and ice cream, and we will soon become the top cheese producer. California also has developed an enviable reputation for quality as our cheesemakers increasingly win awards in the U.S. and abroad.



### About the Case Study

Michelle Greenwald, a Professor at Columbia University, Graduate School of Business (GSB), prepared this case study. The California Milk Advisory Board supported the development of this case. GSB cases are developed solely as the basis for class discussion. Excerpted materials are reprinted here with permission of Columbia University. All excerpted materials Copyright© 2005 Columbia University, Graduate School of Business. The case is being distributed to universities in the U.S. and abroad by the European Case Clearing House.

This success story is the subject of a case study published in early 2005 by Columbia University's Graduate School of Business, one of the nation's leading business schools. The study, which will be taught at Columbia and other U.S. universities as well as abroad, cites the California Milk Advisory Board's Real California Cheese campaign as a particularly noteworthy example of best practices in integrated marketing and long-term strategic planning.

I am pleased to share with you these highlights from the case study.

Stan G. Andre

CEO

California Milk Advisory Board

A complete copy of the case study can be viewed on the Columbia University Graduate Business School website: <http://www2.gsb.columbia.edu/divisions/marketing/research/research07.html>



## THE ADVERTISING CAMPAIGN

“The role of advertising was to create a somewhat emotional bond or fondness and distinct affection for California cheese. The tone and manner of the advertising was designed to be human, intelligent and humorous.”

“In 2000, the advertising tagline was changed to ‘Great Cheese comes from Happy Cows. Happy Cows come from California.’ The ‘bold, memorable and totally ownable premise’ is that happier cows produce great cheese. The ads feature cows that talk and seem to think and process the world as people do. Their dialogue has been described as ‘being at home in a Woody Allen movie.’”

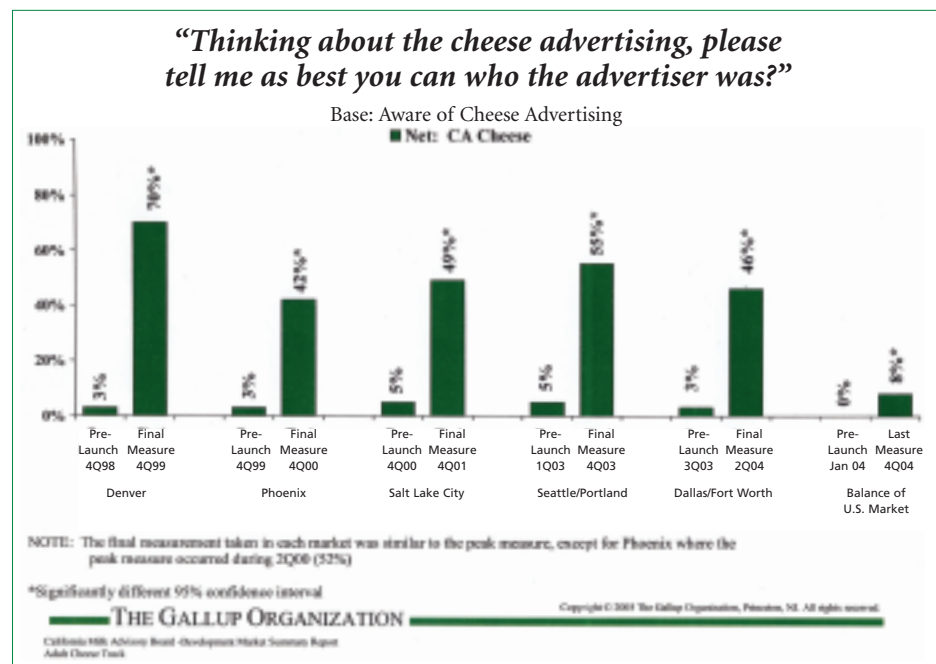
“Research has shown that the advertising has generated high awareness and is very popular with consumers, who report purchasing more California cheese since the campaign began. Retailers also have embraced the campaign and cite it as a reason for increasing the number of California cheeses they carry.”

**“The spots put a smile on the viewer’s face and increase awareness of the product.”**

## RETAIL & CONSUMER PROMOTION

“The primary objectives for the mass-market retail channel have been to expand authorizations and distribution and to promote the RCC seal at retail, thereby reinforcing the identity generated by the advertising. The RCC seal has been offered to retailers for their store brands, to all Real California Cheese manufacturers for their branded product, for private label cheese used in dairy departments, and for controlled brands offered by wholesalers and distributors.”

“The CMAB entered into cross-promotional partnership arrangements with products that are frequently consumed with cheese such as bread, crackers, tortillas, pizza crust, wine, champagne, luncheon meats and turkey. In addition, cross-brand coupons have been placed on RCC-identified cheeses. This program has been highly successful, with redemption rates of up to 21% in some markets. It’s a smart strategy because it stimulates awareness and purchase interest in RCC cheeses throughout the grocery store and thus has become a form of in-store merchandising. It also increases the likelihood of purchase since cheese complements the partners’ foods.”



Research shows that the advertising has generated high awareness among consumers.

## FOODSERVICE

"The multi-faceted foodservice program is another highlight of the RCC program's successful execution. The primary tactics include a strong presence at industry trade shows around the country, articles in key industry publications, strategic meetings with foodservice distributors and national foodservice accounts, and providing co-op funds for programs in which the RCC seal is displayed in foodservice establishments. Tactics have also involved educating dairy processors about the requirements of participation in the foodservice sector, including package sizes, quality, variety and volume needs."

## PIZZA

"Today, 43% of California's cheese production is in Mozzarella cheese. Pizza retail sales nationally are huge at approximately \$32 billion annually, so pizza has understandably become a high priority for state cheesemakers. The average U.S. pizza shop uses 500 lbs. of Mozzarella per week, and Mozzarella is the single largest cost item for pizza operators who spend, on average, \$800 per week."



## PUBLIC RELATIONS

"In addition to farmer success stories, articles include cheese contest award results, recipes and usage ideas, and cheese tasting tours in travel sections (akin to California wine tasting tours). Features have appeared in prestigious publications such as *The New York Times*, *Saveur*, *The Los Angeles Times*, *Business Week*, *Food & Wine*, *The Chicago Sun-Times*, *Gourmet*, *Sunset*, *Wine Spectator* and *House & Garden*."

## SPECIALTY CHEESE

"One of the CMAB's most successful initiatives, implemented under the public relations program, has been the extensive program it created to nurture the growth of the state's nascent artisan and farmstead cheese industries."

"As a result of the comprehensive programs put in place by the CMAB in the 10 years since the initiative began, California has quickly developed a worldwide reputation as a respected producer of many specialty, artisan and farmstead cheese types. Its efforts involved extensive research, smart objectives and strategies, and superior tactical execution. Though total sales of these specialty cheeses are small relative to the state's total cheese industry sales, the program has been a success that can be admired on many levels."

**"Great Cheese Comes  
From Happy Cows...  
and happy farmers."**

## RESULTS OF THE CMAB'S PROMOTION PROGRAMS

### PROGRAM RESULTS

- "Today, three out of every four Californians report they have seen the RCC seal where they shop. Of those, 95% report purchasing cheese that carries the seal.
- The seal appears on most California cheese sold as private label in supermarkets and on many branded products.
- In the expansion markets (outside California) between 1999 and 2004, the average number of SKU's bearing the RCC seal in supermarkets more than doubled.
- By 1993, California had become the country's leading supplier of milk and the country's largest dairy state. Milk production increased by 44% in the past decade to 36.4 billion pounds in 2004.
- In 1983, 17% of California's milk went into cheese production. By 2003, 45% went to cheese production and it's expected to reach 54% by 2013.
- California is projected to become the country's leading cheese producer. In addition to being the leading producer of milk, it's also the leading producer of butter, ice cream, cottage cheese, whey protein concentrate and nonfat dry milk.
- From 1983 to 2004, California cheese production increased 609% – seven times the national growth rate – and national cheese consumption increased by 1.8 billion pounds. Between 1994 and 2003, 48% of the U.S. increase in cheese consumption was supplied by California.
- The number of different cheese varieties and styles increased from 50 in the early '80's to 250 today."

#### CALIFORNIA DAIRY PRODUCTS PRODUCTION\*

Dairy Category	1983	2004	
Cheese	281.2 M/lbs	1.993 B/lbs	+609%
Butter	190.8 M/lbs	383.2 M/lbs	+101%
Cottage Cheese (all types)	217.5 M/lbs	99.3 M/lbs	-54%
Ice Cream	101.0 M/lbs	115.7 M/lbs	+15%
Yogurt	NA	452.6 M/lbs	

\*All data: California Department of Food & Agriculture