ASCOT

EMMA'S JAMBROSIA

MARKET AND BRAND REVIEW

May 24, 1984

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I. THE MARKET

1. Size and growth

Canadian jam production totalled 37.3 million pounds in 1982, according to Statistics Canada. Shipment value was $35.7 million.

The long-term trend in tonnage has been downward, while dollar volume has increased substantially:

Canadian Jam Production

	1978	1979	1980	1981	1982	Change 1978-82
MM lbs.	40.2	36.2	38.4	35.7	37.3	- 7.2%
MM $	23.4	23.4	27.2	29.8	35.7	+ 52.3%

Source: Statistics Canada

The retail jam market is estimated to be worth approximately $65 million nationally. The market is essentially flat with only inflationary growth evident during recent years.

2. Regionality

Ontario represents approximately 40% of the Canadian jam market.

The market is most highly developed in the Prairies, while Quebec and British Columbia are low development markets:

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I. THE MARKET (Contd.)

2. Regionality (Contd.)

Regional Market Development

	B.C.	Prairies	Ontario	Quebec	Maritimes
Estimated % jam volume	9%	20%	40%	22%	9%
Estimated % population	11%	17%	36%	27%	9%
Market Development Index	82	118	111	81	100

Source: Statistics Canada and Ascot Marketing estimates.

3. Seasonality

Jam consumption is year-round with no significant sales seasonality.

4. Segmentation by flavour

Strawberry represents an estimated 50% of total jam volume.

Raspberry is the second most popular flavour with an estimated 25% share.

No other flavour accounts for more than 10%, but peach and apricot are believed to be the next best sellers.

5. Segmentation by product type

The jam market is dominated by the traditional high-sugar products.

However, in recent years new product activity by Kraft, E.D. Smith and Weight Watchers has opened up a lower sugar market segment. This is believed to be a growth segment.

I. THE MARKET (Contd.)

5. Segmentation by product type (Contd.)

Golden Valley introduced a honey sweetened preserves product to the western market in 1981.

Marmalade products and jelly products combine to add an estimated one-quarter in case volume to the jam market.

6. Segmentation by price

The jam market covers a very broad price spectrum - ranging from around $1 to over $3 for 250 ml.

The low price segment is primarily represented by private label and off-shore products.

The premium price segment is exclusively the domain of imported British and American brands.

In between these two extremes are national and regional manufacturers such as Kraft, E.D. Smith and Golden Valley. Safeway's house brand - Empress - belongs here, too, rather than in the low price segment.

The consumer price index recorded a 71% increase in jam from 1979-1983.

7. Segmentation by package size and type

The large tins which traditionally characterized the lower price segment in western Canada have become less dominant since the recent shift to glass by Empress. However, the 375-500 ml package sizes still account for the majority of jam volume while smaller glass containers are dominant for secondary flavours and specialty brands.

I. THE MARKET (Contd.)

8. Retail distribution channels

It is estimated that approximately 90% of retail jam volume is sold through grocery stores, with more than three-quarters of this through chains and large independents.

Natural food stores, delicatessens, drug stores, specialty and department stores account for the balance.

9. Market shares

Private label brands are the largest force in the jam category, accounting for an estimated 50% share of market.

The market in western Canada underwent a major re-organization following Nabob's withdrawal from the jam category in 1981. Up until then the Nabob/Regal lines accounted for approximately 20% of the market. The major beneficiaries from Nabob's withdrawal were Golden Valley and Kraft.

Kraft is the leading national manufacturer with an estimated 20% market share.

10. Advertising and consumer promotion

Advertising and consumer promotion in the jam category has been extremely low.

Kraft has been the only consistent advertiser in recent years, with support concentrated against their "Fruit Basket" brand. Media expenditures averaged $425,000 annually during the 1981-83 period, according to Elliot Research.

II. THE CONSUMER

1. Household usage

Jam or jelly is used by 87% of Canadian households, according to a survey conducted by the Print Measurement Bureau.

Usage ranges from a high of 90-91% in the Prairies and Maritimes to a low of 84-85% in Quebec and British Columbia.

As can be seen from the following chart, the very heavy users of jams or jellies are strongly weighted to Manitoba/Saskatchewan and the Atlantic region:

Household Use by Region
Principal Shoppers
(Indexed)

	B.C.	Alberta	Manitoba/ Sask.	Ontario	Quebec	Atlantic
Very heavy users (daily)	118	111	133	103	56	144
Heavy users (several times user)	100	111	111	106	85	89

Source: PMB II.

Consistent with the above findings, heavier usage of jams or jellies is least apparent in the major metropolitan areas:

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II. THE CONSUMER (Contd.)

1. Household usage (Contd.)

Household Use by City Size
Principal Shoppers
(Indexed)

	< 100 M	100 M - 1 MM	1 MM +
Very heavy users (daily)	112	100	84
Heavy users (several times week)	105	107	87

Source: PMB II.

2. Usage by household composition and age

Usage of jams or jellies is heaviest in larger households and households with teenage children:

Household Use by Size and Composition
Principal Shoppers
(Indexed)

	Household size				Household with children		
	1	2	3	4+	< 2	2-11	12-17
Total users	88	96	101	106	99	105	106
Very heavy users	67	76	105	125	89	120	128
Heavy users	92	97	95	108	111	110	104

Source: PMB II

As may be expected, heavier usage of jams or jellies is most apparent in households where the principal shopper is aged 35-49; however, heavy usage is equally well developed among the 50-64 age group:

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II. THE CONSUMER (Contd.)

Usage by household composition and age (Contd.)

Household Use by Age
Principal Shoppers
(Indexed)

	18-24	25-34	35-49	50-64	65+
Total users	102	103	103	99	89
Very heavy users	**50**	73	127	124	108
Heavy users	**92**	104	**96**	100	100

Source: PMB II

3. Usage by education and income

There are no significant educational or income variations for the heavier jam or jelly user households:

Household Use by Education and Income
Principal Shoppers
(Indexed)

	EDUCATION				HOUSEHOLD INCOME					
	<Grade School	Some Sec.	Comp. Sec.	Post Sec.	<10M	$10-15M	$15-20M	$20-25M	$25-35M	35+
Total users	91	101	102	103	92	99	102	102	106	107
Very heavy users	106	104	104	90	96	100	95	100	106	110
Heavy users	88	100	112	97	92	100	111	100	100	100

Source: PMB II

II. THE CONSUMER (Contd.)

4. Household usage of honey

According to PMB II data, honey is used by 74% of Canadian households.

Usage is most developed among shoppers with the following characteristics:

- Post secondary education
- High household income
- Professional, senior management or executive occupation

III. THE BRAND

1. Sales volume

Sales of Emma's Jambrosia totalled 1,438 cases during the first six months, as follows:

Shipments by Month

	November	December	January	February	March	April
Actual cases	106	236	234	279	321	262

Gross dollar volume for the six month period was $26,332.

2. Sales by region and outlet

Retail sales to date have been exclusively through natural food stores in British Columbia.

3. Sales by distributor

Case sales by distributor have been as follows:

Distributor	Sales to Date	Share of Total	Average Order per Month
Lifestream	410	35%	137 cases
CRS	376	32%	75 cases
Wild West	200	17%	33 cases
PSC	200	17%	33 cases

III. THE BRAND (Contd.)

4. Sales by flavour

The sales split by flavour has been as follows:

Strawberry - 36%
Raspberry - 34%
Peach - 30%

5. Pricing

All distributor sales to date have been at the discounted 100 case rate of $18.

The regular retail shelf price in Vancouver has typically been $2.69, with some discounting activity to $2.39.

6. Publicity, advertising and consumer promotion

Emma's received initial publicity through a BCTV news hour feature and an article in the Globe & Mail.

Consumer promotion activity has centred on sampling presentations at fairs and in stores.

Advertising has been run in Alive magazine, in local newspapers and on the Vancouver Co-op radio station.

III. THE BRAND (Contd.)

7. Product

Independent product testing confirms that Emma's contains less than half the carbohydrates and calories of regular jam, and significantly less than Kraft's Fruit Basket:

Strawberry	Carbohydrates (sugar)	Calories per 100 g.
Emma's	31.2%	121
Kraft Pure	68.4%	265
Fruit Basket	47.2%	183

Source: Cantest Ltd.

By comparison, Weight Watcher's claim 32.4% carbohydrates and 130 calories in their strawberry brand.

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III. SUMMARY AND CONCLUSIONS

- The Canadian jams market is weak. It is a static to declining category and receives very little advertising support. The retail jam price index increased by 71% over the last five years and price is now probably the single most important factor in the marketplace.

- An estimated 87% of Canadian households use jam. Consumption is heaviest in households with teenage children.

- The retail jam market is poorly developed in B.C. and Quebec, perhaps due to a higher incidence of home-made jams in these provinces.

- Strawberry and raspberry flavours account for approximately 75% of total jam volume.

- The premium price segment is exclusively the domain of imported British and American brands.

- More than 90% of retail jam volume is sold through grocery stores.

- Private label brands control 50% of the grocery store jam market.

- The one encouraging sign has been development of specialty brands such as Kraft's "Fruit Basket" and Golden Valley's honey sweetened preserves. These reflect consumer concerns about sugar consumption as well as a general trend towards lighter more natural products.

- Emma's Jambrosia has established an excellent distribution base within B.C.'s natural food stores market. Sales to date have been below expectations but the trend is steadily upward and the company's reputation in the industry is good. The peach flavour has met with strong initial acceptance, accounting for 30% of brand volume.

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IV. PROBLEMS AND OPPORTUNITIES

A. PROBLEMS

- Low volume due to narrow business base in B.C. natural foods' stores.
- Operating business loss projected through 1985/6 fiscal despite target increase in sales to 20,000 cases.
- Lack of appeal to mainstream jam user due to taste and price.
- Consistency and colour problems with raspberry and strawberry flavours.
- High raw material cost of honey.
- Heavy freight costs to ship to major U.S. and Canadian markets.
- Limited shelf life makes it difficult to build inventory.
- Poor differentiation between flavours on labels.

B. OPPORTUNITIES

1. Short term

- Achieve distribution in chain store natural food sections which are serviced by Lifestream. These include Safeway, Super-Valu, and London Drugs.
- Introduce popular flavour line extensions such as apricot, plum, blueberry.
- Cultivate grass roots support through women's organizations and networks.

IV. PROBLEMS AND OPPORTUNITIES (Contd.)

B. OPPORTUNITIES (Contd.)

1. Short term (Contd.)

- Appeal for local sales and promotional support through tie-ins with tourism, hospitality trade, gas stations.
- Utilize excess capacity by producing special label product for non-competitive ventures such as fund raising and promotions.
- Modify label graphics and copy to strengthen brand imagery and positioning.

2. Mid-term

- Expand natural foods' distribution base across Canada. Priority markets are Alberta and Ontario.
- Diversify selectively into B.C. grocery outlets. Key target chain store accounts are Woodwards and Overwaitea.
- Undertake a formal publicity programme to capitalize on Emma's inherent news and human interest appeal.
- Generate trial and initial purchase through in-store sampling and promotion.
- Introduce new specialty flavour line extensions.
- Roll-out regionally into the U.S. natural foods' market.
- Consider an organically grown line extension.

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IV. PROBLEMS AND OPPORTUNITIES (Contd.)

B. OPPORTUNITIES (Contd.)

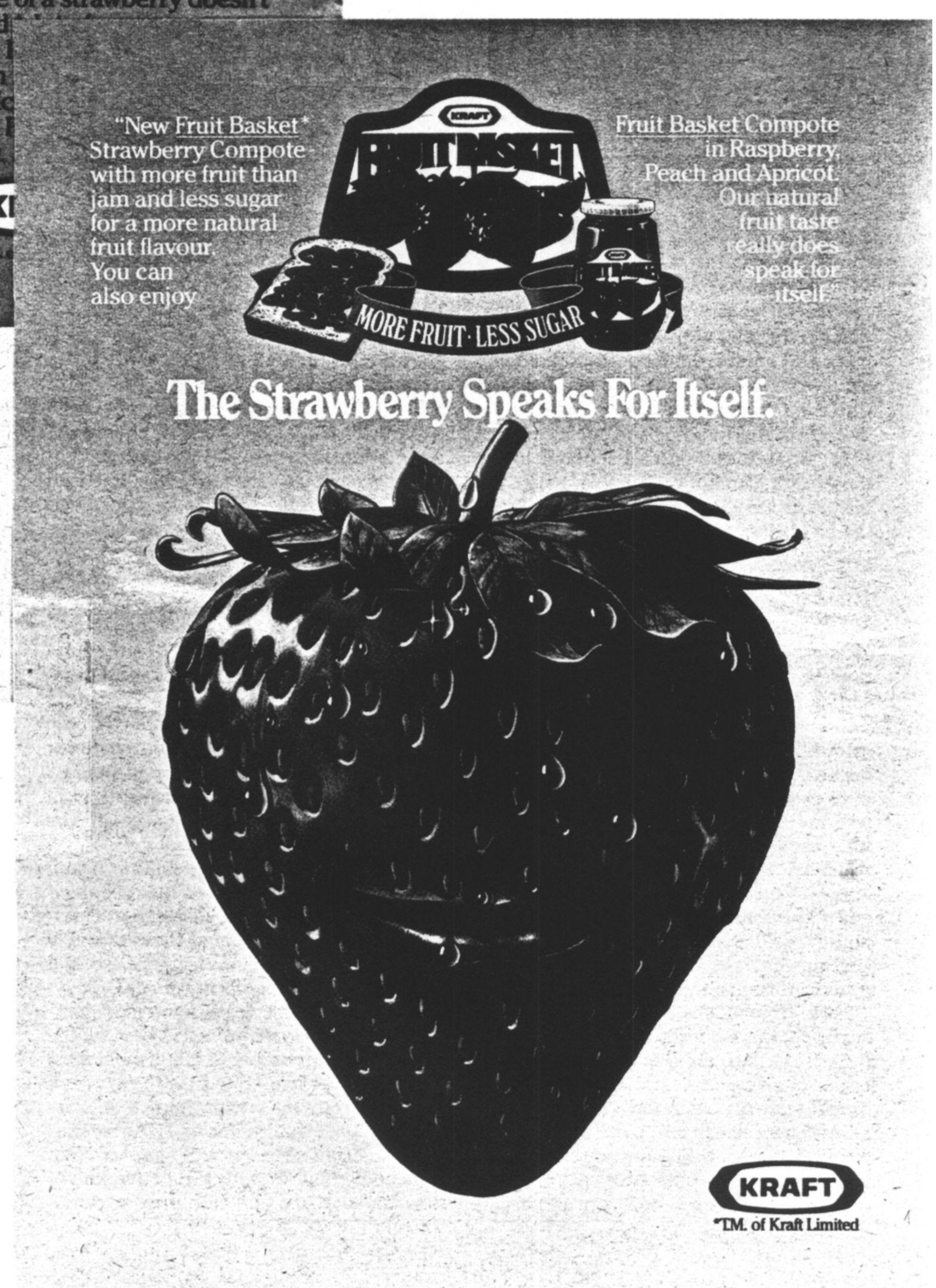
2. Mid-term (Contd.)

- Develop a special gift pack combining jams and local crafts' items for sale through summer fruit stands, Woodwards/Eatons and gourmet/specialty stores.

3. Long term

- Create a special niche in the vacuum which exists between the national brands and the premium-priced imports.
- Exploit the key product appeals which discriminate the brand from regular jams ... home-made taste and honey (no sugar).
- Consider labelling as Emma's principal advertising medium and capitalize on Kraft and General Foods ability to build the market for lighter jams with more fruit and less sweetness.
- Build in 'low in calories' and 'no preservatives added' as secondary brand appeals.


There's more of us. And less of them.
KRAFT
FRUIT BASKET
There's less added sugar in FRUIT BASKET* Compote and more fruit than you'll find in an ordinary jam.
Because the naturally sweet taste of a strawberry doesn't


"New Fruit Basket* Strawberry Compote with more fruit than jam and less sugar for a more natural fruit flavour.
You can also enjoy
Fruit Basket Compote in Raspberry, Peach and Apricot. Our natural fruit taste really does speak for itself."
FRUIT BASKET
MORE FRUIT · LESS SUGAR
The Strawberry Speaks For Itself.
KRAFT
*T.M. of Kraft Limited


WHAT'S A HOMEMADE JAM WITH ONE THIRD LESS SUGAR TASTE LIKE?
LIKE THIS.
SO TRY THIS.
It's new Certo Light. The first, all-natural, fruit pectin product that lets you use 1/3 less sugar. To you, that means a homemade jam that's less sweet…and to your family, a jam that's fresh and fruity tasting. For either reason, be sure and give it a try.
NEW
CERTO* LIGHT
FRUIT PECTIN CRYSTALS
USE 1/3 LESS SUGAR
FOR HOMEMADE JAMS WITH MORE FRUIT, LESS SUGAR.
Easy to prepare recipes in package.
*Reg'd Trade Mark of General Foods, Inc