



By Jack Kohane

GAY LEA CEO FOCUSES ON CONSUMERS

On any given day, Andrew MacGillivray might just decide to get out from behind his polished executive desk and pop into a supermarket. The dairy section is his first and likely only stop, of course. As president and CEO of Gay Lea Foods Co-operative Ltd., one of the country's largest dairy co-operatives, he wants to hear what customers are saying about his products and that of the competition.

"I've always focused on consumers," says the 51-year-old Saint John, N.B. native at Gay Lea's sprawling Weston, Ont. corporate headquarters, which he has been steering since January 2002. "There's a unique dynamic in the dairy market, and whatever strategies food processors may use to sell their products, in the end it's the consumer who makes the choices."

In a packaged goods sector accustomed to narrow margins and negligible sales gains over the past several years, MacGillivray remains resolutely optimistic about the long-term future. "I believe our company, and the dairy industry as a whole, is poised to achieve even greater things," he insists. "What's needed is a more innovative product and marketing approach to drive consumer interest. At Gay Lea, we're committed to bringing innovation to retail shelves." But he also concedes that launching new products is not a quick fix, requiring significant investments in capital resources and time. "You have to work a year or two in advance to create brands that consumers will love. And that's what our company is doing now – laying the groundwork for our unprecedented expansion that we estimate will reach five to 10 per cent over the next few years."

MacGillivray is quick to point out that Gay Lea – owned and operated by milk producers – has provided a vital link

between Ontario dairy farmers and consumers.

Over half of the Co-operative's 4,500 members are actively engaged in the production of milk, representing about 18 to 20 per cent of the dairy farms in Ontario. Established in 1958 to process and market milk-related food products for the Co-operative's members, today Gay Lea Foods processes approximately 11 per cent of Ontario's milk. With sales of over \$271.5 million in 2002 (a sales spurt of two per cent over its 2001 performance), Gay Lea took 27th spot in *Food in Canada* magazine's 2003 "Top 100" roster of food and beverage processors from across the country. The company's 2003 sales totalled \$284 million.

"And we're set to surpass the \$300 million sales mark in 2004 – for the first time in the company's history," boasts MacGillivray. "Over the next three to five years, we'll continue to drive growth by remaining focused on the categories in which we do lead and can lead in the market."

Navigating the oft-nebulous environment of Canadian dairy enterprise is not a new venture for MacGillivray. After attending St. Francis Xavier University in Antigonish, N.S., he headed to York University in Toronto, receiving his Master's degree in Business and Marketing. It was here that his enthusiasm for consumers, sales and marketing was kindled. He joined the Carnation Company as a management trainee. "That was the title they gave those of us who did everything – sales, retail, food service and marketing," smiles MacGillivray. "It was an outstanding place to work at and learn."

In 1985, Nestlé Canada Inc. purchased Carnation, and for the next 10 years, recalls MacGillivray, he received a lifetime's worth of education in marketing excellence.

Then came another twist of fate. "I longed to get back to my own roots, and to apply my entrepreneurial skills in the dairy industry," he says. When the offer to join Baxter Foods (at the time a privately owned dairy processor in Saint John, N.B., and one of the largest in Atlantic Canada) as its president and CEO came, MacGillivray gladly accepted. When Baxter was purchased in 2001 and subsequently re-sold, MacGillivray returned to Toronto to assume the reins of Gay Lea.

"The fact that Gay Lea Foods is embedded in the rural community, exemplifies a dairy dynamo with national scope and potential, and remains a solid market leader in several key categories, these facets strongly appeal to me," he remarks.

It's an enviable base from which to fortify his formidable sales and marketing expertise. Gay Lea, which comprises about 400 employees, has four well-entrenched processing facilities: in Guelph, Teeswater and two in Toronto. The facilities serve the retail, industrial and foodservice sectors mainly in Ontario, but product is sold nationally via a network of distributors and wholesalers. The company manufactures a variety of food products, including award-winning butter (retail and restaurant portions), skim milk powder (instant and non-instant), yogurt, cottage cheese (sold under the Nordica brand), sour cream, dips, aerosol whips, creamers, cream, milk and toppings.

In June 2003, Gay Lea opened a \$40 million state-of-the-

art milk receiving, separating, drying and warehousing plant at its Guelph location. Other recent upgrades: a 25,000-square-foot refrigerated and frozen warehouse extension at the Weston product distribution centre and augmented milk storage facilities at the Teeswater Creamery.

Gay Lea is also a major supplier of private label dairy and non-dairy products for President's Choice (Loblaws Brands), Equality (A&P), Smart Choice (Sobey's) and Glencourt (Lucerne/Safeway), and private label/ house brands are currently being developed to meet the needs of U.S. grocery retailers. The company's non-dairy export division comprises about 10 per cent of its overall portfolio, which MacGillivray is seeking to optimize as a major point of leverage into lucrative U.S. markets.

"Ongoing initiatives will raise capital to continue investing in our plants to position Gay Lea as the dairy innovation leader," states MacGillivray. "Yogurt, a category that has achieved double-digit growth over the past 10 years, demonstrates what the industry is capable of doing to accelerate demand. If we can duplicate that kind of success in other categories, such as cottage cheese – which has equally exceptional potential – we can draw customers in increased numbers. It's a matter of understanding what quickens the pulse of consumers."

As part of the spree to spearhead innovation, Gay Lea will

launch three new products – in the cottage cheese, dip and sour cream segments – over the coming months.

MacGillivray's ability to harness the winds of change recently swept him to national prominence. He was appointed the first chairperson of the Dairy Processors Association of Canada (DPAC), successor to the National Dairy Council, which is the new national trade association working to influence government policies, legislation and regulation to improve the competitiveness of dairy industry members.

Highlighting the association's mandate to ensure the interests of its members (currently totalling 10 dairies) are well understood and to respond to developments on both the domestic and international trade fronts, MacGillivray emphasizes that he firmly believes in the stability of the dairy industry and in its prospects for sustained growth and power to innovate despite the highly regulated, supply managed environment in which it operates.

When it comes to creating a winning food product and brand, MacGillivray always starts by listening to consumers. "They'll tell you what they want," he says. "These aren't challenges they throw at us, but golden opportunities to help build our businesses."

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