



DUKE Heights BIA's Food Sector Strategy

Strategic Planning Document



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DUKE Heights BIA Food Sector Strategy

Executive Summary

The DUKE Heights BIA commissioned this document to develop a strategy to encourage business activity in the food sector of the BIA. It is the continuation of a series of recommendations made by a consultancy report (the DUKE Heights Economic Development Study) commissioned by the City of Toronto and the BIA in 2016 completed by the IBI Group which identified 5 sectors that the BIA should focus on and encourage. The food industry is one of these sectors.¹

During the development of the DUKE Food strategy, the following observations about the food industry in the BIA were made:

- Toronto is home to the fourth biggest food manufacturing sector in North America
- There are approximately 1,580 food manufacturing jobs in the BIA with 50 companies, meaning that 1 in every 16 Toronto and 1 in every 35 Ontario food manufacturing jobs are in DUKE.
- The total annual revenues of the DUKE food industry are approximately \$ 306 million.
- 70% of the jobs in the BIA belong to the top three employers in the area.
- Aside from the 4 biggest firms in the industry, the rest (~94%) have less than 100 employees.
- Each employee in the DUKE Food sector generates on average \$194,000 in revenue.
- Exports are important to the industry in Canada generally, with approximately 26% of revenues coming from exports.

This document makes a series of recommendations for the food sector initiative. These are divided into Branding, Institutional Collaboration, and Internationalization and Export Promotion. Additionally, the report provides a summary of funding opportunities for the initiative, an implementation strategy for the initiative, and a proposed evaluation strategy.

The report's branding strategy constitutes the use of a sub-branding strategy placing DUKE's food sector under the greater DUKE brand as DUKE Food. It outlines a sector branding strategy known as "critical-mass positioning," which emphasizes the DUKE Food sector's size, intense concentration of firms, and its considerably above average productivity.

The institutional collaboration strategy suggested by the report emphasizes working with educational institutions, especially York University's Osgoode Hall Law and Schulich Business Schools and Seneca College. These partnerships will encourage increased activity, productivity, workforce development (through an ongoing partnership with Seneca), and perhaps most importantly, employment in the sector. This includes collaboration on the acquiring of better management practices by firms, internationalization strategies, and legal advice.

The export promotion and internationalization effort emphasizes using existing institutional resources to promote both DUKE Food products to consumers and the area itself to prospective manufacturers. It also suggests using DUKE's existing connections with Osgoode and Schulich to aid DUKE Food firms in internationalizing their businesses, both from a strategic and legal perspective.

¹ IBI Group. DUKE Heights Economic Development Study, 2016
<http://www.dukeheights.ca/wp-content/uploads/DUKE-Heights-Economic-Development-Study-and-Executive-Summary-FINAL-2016....pdf>

SEPTEMBER, 2017

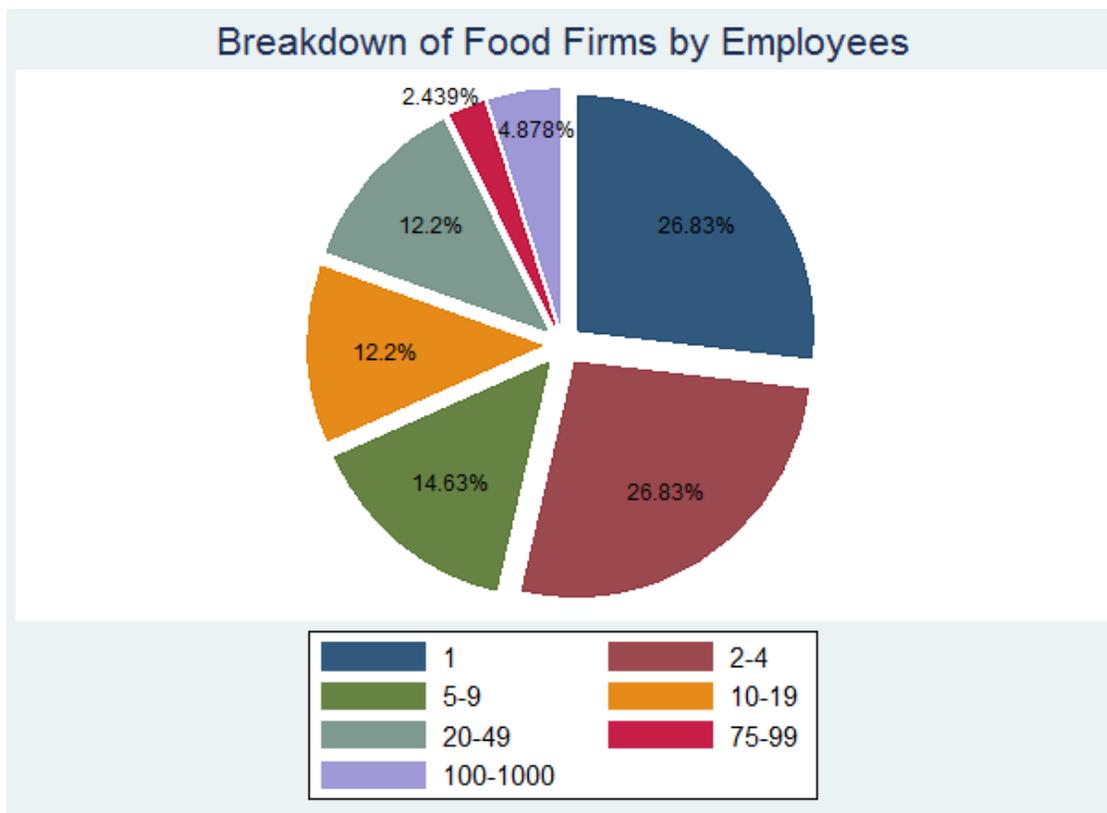
The report ends by suggesting a stage based implementation plan and an evaluation strategy combining quantitative and qualitative methods to ensure the viability and effectiveness of the sector strategy.

Snapshot of sector

Food is a significant sector in the DUKE Heights BIA. There are approximately 1,580 food industry jobs in the BIA and 50 companies. This is approximately 6% of the 25,000 industry jobs in the Toronto CMA, and 2.8% of the approximately 56,000 industry jobs in Ontario. There are approximately 246,000 employees in the Canadian food sector.

Canada has a domestic market of about \$ 77.7 billion; it exports \$ 27.8 billion worth of food. This is a relatively export-oriented sector, with about 26 % of Canadian food sales deriving from exports (export orientation = 26%). The proportion of the BIA’s food sales which are derived from exports is not available, but it may be safe to assume that the export orientation of the sector in the BIA is at least similar to the larger Canadian industry (i.e. 26%). The total annual revenues of the DUKE food industry is approximately \$ 306 million. Each employee in the DUKE Food sector generates on average \$194,000 in revenue. Revenue per employee is often used to measure the efficiency of a company and could be a measure used by the sector initiative to determine its effectiveness and for general observation purposes.

Large players hold the majority of employment in the food sector of the BIA, with approximately 70% of sector jobs belonging to the top three biggest companies, each of whom have 100 or more employees. Outside of the group of these 3 large companies, all other companies in this sector have less than 100 employees, qualifying them for “small enterprise” status by Industry Canada.



The food sector includes large traditional companies like Fiera Foods and Timothy's coffee processing plant. However, it also includes newer businesses attempting to disrupt the food business or serve niche or premium markets like Sweets from the Earth, a natural confectionary firm targeting the health-conscious market, and So Delicious Inc., a dairy free maker of milk, ice cream, and other traditionally dairy based food products.

DUKE's food sector is large, bringing in nearly a quarter of a billion in revenue, diverse, close to a growing and sophisticated market in Toronto, and attractive to businesses. However, DUKE's food sector has not received the attention it deserves. Its size and importance to Toronto's food industry are not well-known within the industry, policy circles, concerned institutions, or even among DUKE Food firms themselves. This lack of awareness prevents the food sector from: receiving public investment, gaining reputational benefits for its firms, coordinating within the different firms in the BIA for mutual benefit, and attracting private investment in the sector for growth. The DHBIA therefore has an opportunity to facilitate certain initiatives in the food sector to assure that the available resources in the sector (including the institutions in the surrounding areas) are efficiently and effectively used for the mutual benefit of the firms in the sector and for the BIA generally.

Branding Strategy

For Duke Heights' food sector strategy to be successful, it needs to effectively brand its food sector in a way which encourages greater growth and competitive advantage of the sector. The following brand strategy is backed by research and best practices in sector initiative branding. It will describe how the DUKE Heights BIA will use a *sub-brand strategy* to brand the food sector as DUKE Food.

Objectives

- To allow the DUKE Heights BIA to effectively brand its food sector both to its stakeholders, prospective workers, and to relevant consumers domestically and abroad
- Highlight the unique strengths of the BIA: particularly, its concentration of food jobs, its diversity, and its proximity to a large and sophisticated market in Toronto and the GTHA
- To add value for all the firms in the food sector of the BIA by allowing them to benefit from the brand and reputation of the BIA's food sector
- To attract consumers, skilled workers, businesses, and investment into the BIA through effective and realistic branding of the food sector
- To establish the DUKE Food Sector as the premier food centre in Canada

Branding Platform

The DUKE Food branding platform will take advantage of the work done on the DUKE brand – industrious, tough, hardworking, enterprising; new engine of growth between Dufferin and Keele; most connected BIA. These can be combined with the food industry branding that the City of Toronto is already undertaking, emphasizing the fact that Toronto is home to the 4th largest food cluster in North

SEPTEMBER, 2017

America and that Toronto is a large, diverse, and sophisticated food market with tremendous opportunity.

Brand values: industrious, tough, hardworking, enterprising.

Brand positioning: Due to the favourable location of the food sector in the BIA, DUKE Food will employ a “*geographical positioning*” strategy – emphasizing the food sector’s proximity to infrastructure, educational institutions, and markets as its greatest asset: “DUKE Food is the best-connected food manufacturing hub in the GTA. Located by subways, the growing Toronto market, and colleges, consumers, businesses, and skilled workers in the food business should look at DUKE Food as their first choice.”

Brand promise: “Canada’s best-connected food hub, all in the heart of the GTA”

The following statistics and facts should be emphasized to demonstrate the DUKE Food’s advantages:

- DUKE’s food industry is worth more than a quarter of a billion dollars (\$306 million) annually
- DUKE is served by three 400 series highways, CN Rail, and a brand-new subway (opening in December), allowing for easy movement of workers, materials, and products
- The Finch LRT, expected completion 2019, will further connect DUKE Food
- Workers and prospective workers can easily use the subway to travel to work, saving on transportation costs for employees and employers
- DUKE is located in the fourth biggest urban food manufacturing centres in North America.
- 1 in every 16 Toronto and 1 in every 35 Ontario food manufacturing jobs are in DUKE
- DUKE has easy access to Toronto consumers, a large and sophisticated market for food products
- Firms in DUKE have access to highly skilled workers in Toronto
- Toronto offers a series of tax and other incentives for businesses who expand, build, or renovate properties, like the Imagination, Manufacturing, Innovation and Technology (IMIT) Program, which shields businesses from the increased property taxes of their developments. ²

² <https://web.toronto.ca/business-economy/business-operation-growth/business-incentives/>

Brand Architecture

A sub-brand architecture will be used, presenting DUKE Food under the greater DUKE brand. This allows the food sector to take advantage of the work that has been done on the DUKE brand, which includes DUKE Perks, DUKE News, DUKE Talks:

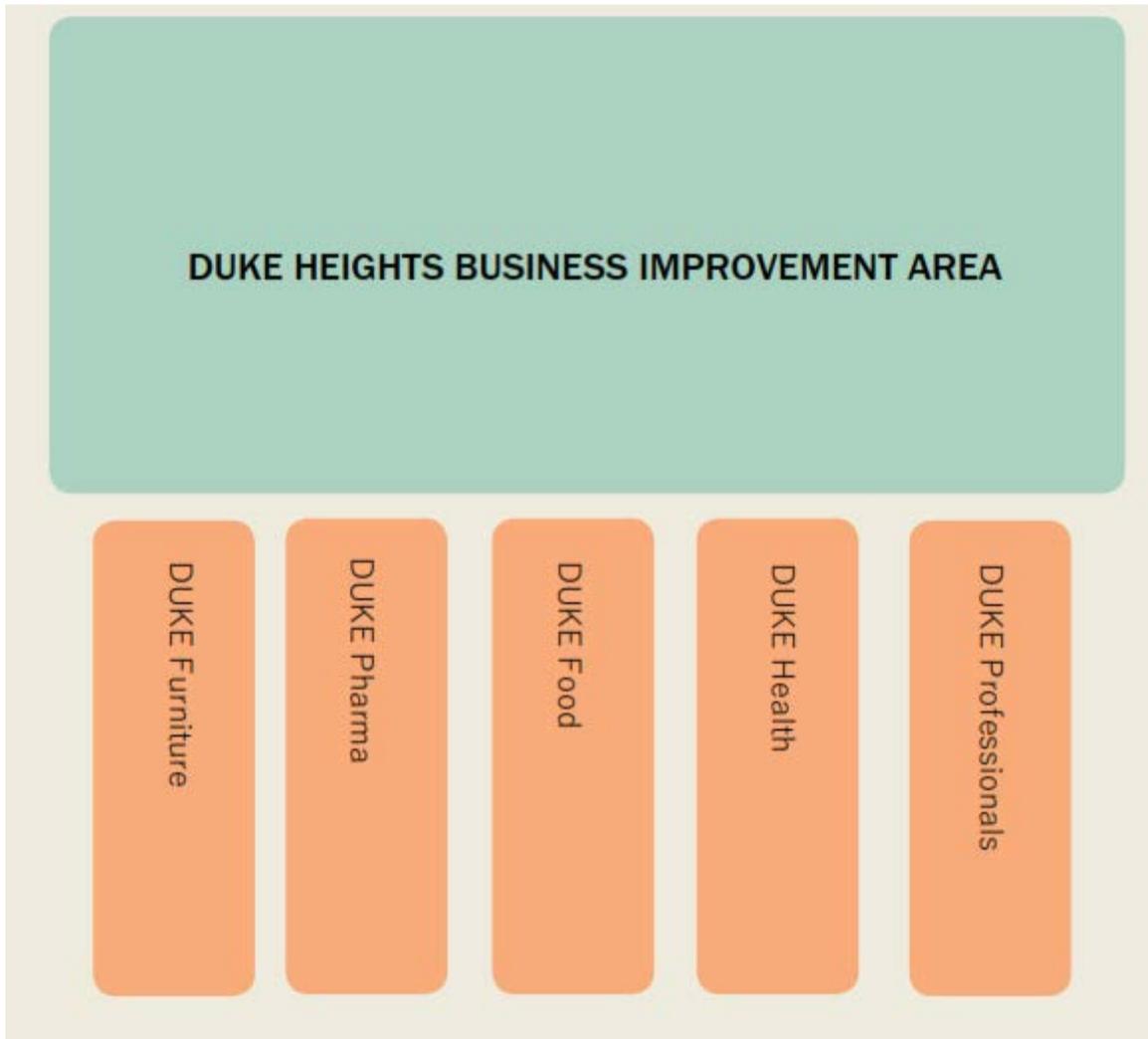


Figure 1. DUKE Sub-Brand Architecture

The advantages of a sub-brand architecture are that it allows the DUKE Food brand to benefit from the reputation that DUKE has already gained and allows the greater DUKE brand to gain greater reputation from association with the DUKE Food brand in the future.

Marketing Communication Strategy

One part of the communication strategy would consist of internal communication which would inform the BIA’s food firms of the DUKE Food initiative, allowing them to support and further publicize the initiative within their own networks. The value of the initiative will be presented to these stakeholders.

SEPTEMBER, 2017

DUKE Food will be incorporated into DUKE's website and networks, and aesthetic branding incorporating the DUKE logo will be incorporated. Newsletters, community papers, social media, and media coverage, methods with which DUKE is already familiar and experienced, will all be used as mediums for communicating the establishment of DUKE Food.

The DUKE Ambassadors Program will be used as part of the communication strategy to inform individuals and businesses in the industry of DUKE Food. These industry leaders will publicize the sector during their business travels and attendance at conferences, thus allowing DUKE to publicize itself within the industry with minimal cost. This will be addressed again in the export promotion section.

It is essential that the sector initiative and BIA invest in communicating the brand that has been outlined in the above section as part of its marketing communication strategy. The research shows that branding is an integral part of sector initiatives. However, this brand needs to be communicated with target markets, both businesses and consumers. The DUKE BIA will only gain results from the branding that is required from a sector initiative if it successfully and significantly invests in advertising and communicating that brand.

A more specific PR strategy will be created by the BIA to market DUKE Food to the food industry outside of the BIA, including attendance at trade fairs, targeted advertising, and other communications methods.

Institutional Collaboration Strategy

Sector initiatives offer considerable opportunities for educational and research institutions. Sector initiatives can allow educational institutions to harmonize their curriculums and programs with the industries in which their students desire to work upon graduation. This enhances the appeal of the institutions in question to prospective students and delivers better value to their existing students. Educational collaboration is something which DUKE has already been involved with, and can continue and expand with sector initiatives.

Seneca College – DUKE began a collaboration with Seneca college and the DUKE food industry in 2017. In this collaboration, DUKE Heights connected Seneca with food manufacturing firms in the area with a view to creating career pathways into the food industry through new programs designed around careers based on National Occupational Classification (NOC) numbers. In this way, DUKE is helping to fill the skills gap that many food manufacturers in the BIA face, while also helping Seneca improve the value that they deliver to their students by creating employer oriented course offerings. The collaboration with Seneca is one that can serve as a model for educational collaboration for the sector initiative.

York University – is an institution with which the DUKE BIA has experience and an established working relationship. York is a premiere educational and research institution with a variety of leading schools in management (Schulich), engineering (Lassonde), and law (Osgoode), among others. These schools each offer a path for collaboration in the food industry, described below.

SEPTEMBER, 2017

YEDI – the York Entrepreneurship Development Institute is dedicated to encouraging disruptive and innovative businesses and entrepreneurs by giving them access to world-class business education and access to funding. YEDI has expressed an interest in developing a furniture incubator with DUKE and is going to conduct a feasibility study in the Fall of 2017. DUKE can work with YEDI to explore the possibility of a food incubator.

Osgoode – The Osgoode Hall Law School has demonstrated continued willingness to work with the DUKE BIA as part of their initiative to establish connections with the local community. Osgoode has already expressed interest in developing a program with local lawyers in DUKE to provide consultation and advice to businesses in the area.

The school could also help develop business law workshops geared to the food industry. One specific type of workshop relates to the export promotion initiative (discussed below). Internationalizing one's firm involves a variety of legal jurisdictions and complex legalities are in place, complexities which may comprise a considerable barrier for firms who may be considering entering export markets. In this way, Osgoode can help firms in DUKE take the next step in their business and open new markets and sources of revenue and employment (more below).

Schulich– The Schulich business school can also facilitate sector-based workshops for the food industry with the aim of giving advice to food firms in DUKE. These would include giving specialized advice and information on the challenges and opportunities facing the food industry in DUKE. In this way, Schulich students and faculty can provide DUKE Food firms with knowledge and practices with which they would not have been familiar otherwise, encouraging success and greater competitiveness. These workshops can include best practices in management, and strategies for internationalization/export competitiveness.

Schulich can work with the sector in other ways as well, described in other sections below under the internationalization and export promotion heading.

Employment Ontario Service Providers – DUKE has 3 employment agencies within the BIA, in addition to those outside of the BIA but in close proximity. DUKE can work with these service providers to connect them with the food industry and create a mutually beneficial relationship where employment agencies can focus on recruiting food industry workers to fill short and long-term positions. Ideally, this would focus on creating long term career pathways into the food industry in DUKE, connecting the surrounding environment of marginalized community members to an important and highly competitive industry next door.

Internationalization and Export Promotion Strategy

Exporting is an important aspect of the food sector in the DUKE BIA. As mentioned above, more than a quarter of Canadian firms' food sales are a result of exports. Though information on the export orientation of DUKE Food firms is not currently available, we can assume that it is similarly oriented.

SEPTEMBER, 2017

Additionally, there is evidence that many companies who should be exporting are not; one study of Canadian companies found that only 5% of companies who are able to export are actually exporting.³

However, the act of exporting to foreign countries is one laced with logistical, strategic, and legal complications and barriers. There are ways in which the DUKE BIA can help businesses overcome these barriers. These methods differ based on the needs of these businesses and can be divided into internationalization, strategy, and export promotion.

Internationalization

Businesses who are beginning to explore the possibility of exporting or have begun to serve foreign markets need both legal and strategic advice. In this respect, the BIA can help by mobilizing the legal and business knowledge that exists in its institutional partners, namely Osgoode Hall Law School and the Schulich Business School.

The DUKE BIA is already in partnership with Osgoode to create a business legal consultation and advice program. This program would involve allowing small and medium size businesses to get legal consultation and advice services, with the former being free of charge and the latter being offered by lawyers in the BIA. There would also be a database of frequently asked questions (FAQs), where general advice on common business questions would be answered on an online medium. The BIA could use this program to help firms internationalize by adding an internationalization aspect to both the advice and database aspects of the program. The database would allow businesses in the BIA who are exploring the possibility internationalizing to have a low cost and low commitment resource to get a sense of what that would entail, while the advice and consultation aspects would assure that internationalizing firms have a reliable source of legal information for internationalization. Osgoode also has a specialization in international business law, and so could possibly incorporate this effort into that program.

The second barrier to internationalization for many firms is the difficulty of entering a new and foreign market and the different strategic thinking required to attain success. One study has found that 1/4th of Canadian companies interested in exporting do not know where to begin.⁴ Here, the DUKE BIA can utilize the considerable expertise at the Schulich business school to aid businesses in the planning stage of their internationalization process. Schulich has a strong international orientation, with campuses in India (Hyderabad) and China (Beijing) and programs in international business. Schulich's MBA and BBA programs both have international business specializations that are ripe for collaboration. This could include using students in these programs to help businesses develop internationalization strategies, the creation of basic internationalization strategy content for distribution to businesses, and the conducting of workshops on internationalization (the latter may require heavier faculty involvement). Specifically, the MBA program has a 6-8-month field study requirement, where students must complete

³ https://www.aimia.com/content/dam/aimiawebsite/landing_pages/100-Global-Champions/Aimia-Report-100-Global-Champions.PDF

⁴ https://www.aimia.com/content/dam/aimiawebsite/landing_pages/100-Global-Champions/Aimia-Report-100-Global-Champions.PDF

SEPTEMBER, 2017

a consulting report on a company of their choice to graduate. Food firms in the BIA who are looking at internationalization offer a very interesting opportunity for these students.

Export promotion

Related to the branding effort, the BIA should help food firms in DUKE to build brand awareness overseas and help them connect with foreign markets. There are numerous available strategies to accomplish this goal.

Firstly, a program which the BIA is already using to promote exports can be the first step in this effort. The DUKE Ambassadors program was started in early 2017 as a low resource yet effective way to create awareness of the BIA in international markets. The program recruited entrepreneurs and businesspeople from the BIA as DUKE ambassadors who are responsible for creating awareness about the BIA in foreign countries during their regular business travels. The Ambassadors distribute BIA material in international conferences, establishing links with Canadian embassies in foreign countries to attract foreign investor class immigrants to DUKE, and creating connections with foreign retailers and suppliers. This initiative could be expanded to include an Ambassador program specifically for DUKE Food, with promotional material developed which advertises the sector's advantages in line with the marketing strategy outlined above. These Ambassadors would attend food industry conferences and advertise DUKE Food, identify and create links with foreign food retailers, and encourage foreign food manufacturers to consider expanding operations to the DUKE area.

A second type of program is a formal DUKE Food presence at industry events in overseas markets. This kind of program would be aimed at small and medium sized businesses who do not necessarily have the resources, either in terms of manpower or monetary resources, to organize for a presence at an industry event. DUKE Food could gather resources from the sector's businesses, or use existing ones from grants and other sources, for a presence at these industry events. DUKE Food's presence would be to promote the brand of DUKE both for employers and for consumers of food products.

DUKE could also try to grow the reputation of DUKE Food by attracting write-ups in international industry magazines and other publications. This could include the writing of op-eds by DUKE staff or the communication with publication writers to create content about DUKE Food.

Funding

The Government of Canada and the Provincial government have several programs to encourage cluster (i.e. sector) development in regions. As such, there are funds and grants that the BIA can apply for:

- Cluster Development Seed Fund and the newly introduced Innovation Superclusters Initiative (ISI)
- Funding for the initiative should be discussed and gathered, with a view that government funding such as the *Cluster Development Seed Fund*⁵ exist (up to \$100,000 funding as a 1:1 initiative with private businesses)

⁵<http://www.occ.ca/programs/cluster-development-seed-fund/>

Once the DUKE Food initiative has been launched and displayed success, a need for greater funding will arise to continue and build upon this success. These funds could be pooled and used to launch larger projects than those outlined here, which require greater resources.

What are the Benefits of a Sector Initiative?

Geographical clusters of sectors have been shown to be fundamental to employment, growth, and innovation. The concept of clusters as integral to economic development and collective regional and national competitiveness was first introduced in 1990 by Michael Porter. Since then, scores of initiatives have been introduced worldwide which have attempted to leverage existing sectors in defined local and regional areas to increase employment and competitiveness. These initiatives are the model for this sector initiative strategy. These are initiatives which have shown that they have numerous benefits for firms (small and large firms), institutions, governments, and employees.

A sector's reputation is often one of the most important benefits that a sector can offer to its target businesses. SMEs (Small and Medium Enterprises) in an area with a strong sector reputation can attract consumers, investors, and workers who would otherwise be unlikely to consider these SMEs. On the consumer side, a smaller firm can use its sector's reputation to gain market share without the costly marketing campaigns that smaller firms can rarely afford, especially in regard to foreign markets. Smaller firms in a sector with a good reputation can also attract workers who would usually consider working for a smaller firm too risky by allowing these workers to take comfort in the fact that other businesses in the sector offer employment opportunities in case the smaller firm closes. Large corporations often use sector clusters and sector reputations to demonstrate corporate responsibility and communicate with policy makers. By showing that they are working with the local community, large corporations can show that they are responsible citizens in the community and country at large. Equally importantly, corporations often use sector initiatives to communicate effectively with policymakers, advocating for greater public investments in industries that benefit not only themselves, but the rest of the sector as well.

Implementation Plan

Stages and Timeline

Above, individual projects of the DUKE Food sector initiative were outlined and opportunities for using the considerable resources of the BIA were described. Below, a proposed timeline and stages for the establishment and monitoring of the success of the BIA will be detailed. The planning stages emphasize consultation with the BIA's constituents.

SEPTEMBER, 2017

Consultation should be undertaken before the initiative is implemented both in order to get ideas from the constituent businesses and to begin building a awareness within the food industry of both the initiative and the cluster itself. More is given on consultation processes below.

Networking/lecture events should be held while a short consultation period is being completed, and perhaps in the same venues and events. This will allow the food industry to build connections between its actors and to encourage organic cooperation and knowledge sharing. It will also create awareness in the food industry of the size and importance of the sector within firms themselves. More information is given on the proposed networking events below.

Implementation of the initiative itself will consist mostly of concomitant programs. Specifically, the branding strategy should begin as soon as possible, communicating the existence and importance of DUKE's food industry to both stakeholders and consumers. The other programs largely require close cooperation with institutional partners, especially those in York University. Below is a Gantt chart outlining a proposed plan of the timelines of these projects and how they should work together in view of the general initiative.

Consultation

Before the initiative is officially launched, the BIA will conduct a series of interviews and tests regarding the state of the sector in the area and, especially, the perceived needs of the firms in the sector, to ensure that the initiative's objectives are in line with the needs of the firms in question. This would entail the creation of an advisory group for the sector. This group would provide feedback and guidance for the sector initiative and assure that both participation and effectiveness of the initiative is maximized.

Fortunately, the BIA has already created a Food sector advisory group. This group can be further developed and incorporated fully into the sector initiative and can provide a model to the advisory groups of the other identified sectors.

This consultation process should take care to communicate the importance and goals of the sector initiative to the members of the sector to maximize participation and cooperation. The initiative should determine and make clear its overall objectives and vision: *growth* and *investment* are objectives connected with growth, and *export promotion* and *innovation and R&D* are connected to increased competitiveness⁶, and so these objectives should be a part of the initiative's objectives and should be communicated with initiative participants and in the branding effort.

Networking

In addition, a series of networking events should be held, to create/strengthen connections between the players in the sector and create awareness of the existence and strength of the food sector in the area. These networking events should be ongoing (i.e. past the research stage) and as frequent as demand allows, since networking and the facilitation of the sharing of information ("knowledge spillover") is a crucial part of a successful sector strategy according to the available statistical data. Lectures and talks

⁶ The Cluster Initiative Greenbook 2.0, 2013:
<http://www.czechinvest.org/data/files/the-cluster-initiative-greenbook-3916-cz.pdf>

SEPTEMBER, 2017

by industry figures and professors of management/business (here, Osgoode can be approached) can be used as a draw to attract individuals in the food industry to attend. The BIA already has similar networking/lecture events called DUKE Talks, which can be used and expanded to include a Talk for the Food industry.

Efforts should be made to invite relevant research and education institutions to these networking events, to create connections with a view to further collaboration – some of these were expanded upon in the institutional collaboration strategy section, but further research into feasibility and interest is needed. Especially invested or interested businesses should be identified for possible inclusion into a sector initiative advisory committee, as recommended in the 2016 IBI Group report.⁷

Evaluation

Evaluations of the cluster's success should be planned to be undertaken yearly; these include quantitative methods such as job growth in the sector, revenue growth for the sector as a whole, and number of new businesses opened in the sector, and qualitative methods such as satisfaction of a sample of firms in the sector and their perception of the success of the initiative. The purpose of evaluation is to assure that the sector initiative is sensitive to the unforeseen realities and changes on the ground and to the desires and needs of the members as the initiative proceeds.

On the quantitative side, the BIA can use the business database to which it is already subscribed to track the expansion of employment, number of firms, and revenue. The D&B Hoovers database is a sales based database which is regularly updated that includes information on number of employees, revenues, and NAICS data. This information can be used, with appropriate statistical methods to assure quality of data and the inferences that derive from them, to determine the success of the sector initiative.

Qualitative evaluation techniques should also be used to determine the views of the sector businesses on the initiative, especially where they feel the initiative is most effective and/or needed. In this way, the BIA can determine where to pay more attention and how to achieve greatest success and value for its businesses.⁸

⁷ IBI Group. DUKE Heights Economic Development Study, 2016

<http://www.dukeheights.ca/wp-content/uploads/DUKE-Heights-Economic-Development-Study-and-Executive-Summary-FINAL-2016....pdf>

⁸ IBI Group. DUKE Heights Economic Development Study, 2016

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