

# CAB CONNECTION

## The roller coaster of retail

by David O'Diam, Certified Angus Beef LLC



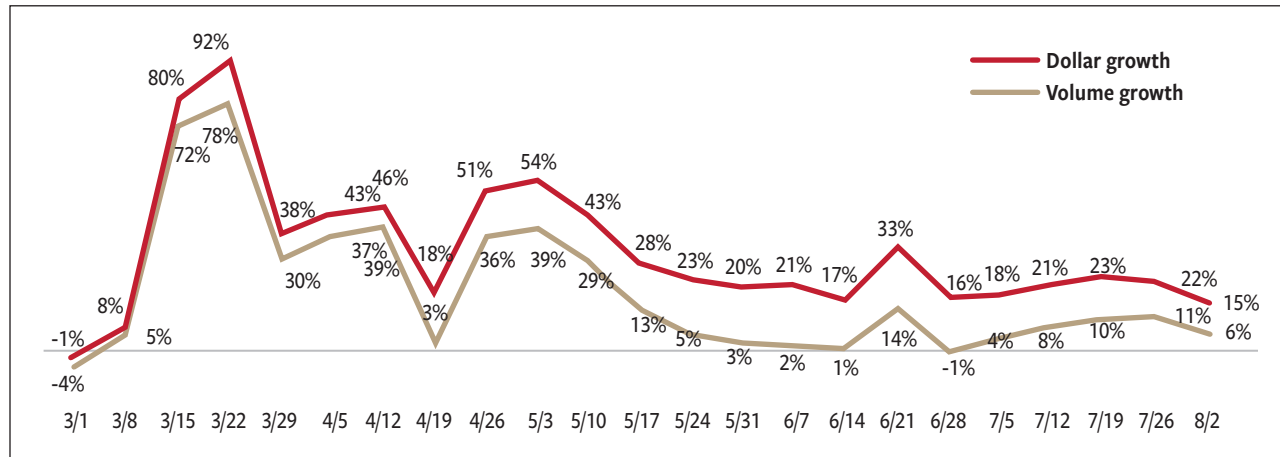
Just a few short months ago, “pandemic” wasn’t a term I used much. It and a host of other words like

pivot, new normal, social distancing, essential workers, etc., I’d be happy to never say or hear again for quite some time. However, if you argue with reality, you’re gonna lose — and unfortunately, the new normal describes the past six months in the retail industry.

I work with Certified Angus Beef® (CAB®) retail partners to help them best utilize the brand to increase sales and profitability. That way, they can leverage a higher-quality eating experience than their competitors, offering great prices with a much better value proposition than commodity beef. Our recognizable logo in their meatcase reassures at a glance the quality of product and great experience they can count on with each and every purchase.

Retail has always played a major role in CAB’s portfolio of sales, typically 40%-45% of overall business. That’s been a huge factor in the brand’s longevity, as packers don’t want a middle-meat-only program, and producers don’t want to rely on premium incentives based on a small percentage of the carcass. Retail represents a very balanced demand for the entire carcass and allows packers to evenly supply products across all segments.

Fig. 1: Dollar and pound growth in meat department vs. comparable week in 2019



SOURCE: IRI, MULO, 1 week % growth vs. year ago.



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### Catalyst to sales

Even though we’re in a year where overall CAB sales will be down, retail demand has kept us in a strong position, rising to the occasion to

comprise up to two-thirds of sales at times. It’s been the catalyst to keep a summer sales pace similar to last June to August — down only about 7% overall.

Historically, we’ve struck a nice balance between all segments (foodservice, international, value-added and retail), but this pandemic threw that balance out the window.

As the first cases of COVID-19 hit, U.S. consumers began to hit the grocery stores to stock up. Remember the shortages of toilet paper? Buying habits changed, with dollars moving away from entertainment toward groceries, and meat was a huge part of that additional spend.

The graph from 210 Analytics (see Fig. 1) shows the year-over-year growth in the meat department. Dollar sales are up 33.7% since March 15, with volume up by 20.7%. That translates into \$8.1 billion more in meat

department sales during the pandemic, \$3.7 billion in beef alone, according to the meat-trend monitoring firm.

CAB licensees saw a huge spike in demand, with our retail division growing 18.3% in May and June, compared to last year.

### Not easy

Today, retailers have more customers in their stores spending more dollars than ever, but that’s certainly come with its challenges. Going to the store isn’t exactly what it used to be: Everyone is wearing a mask, plexiglass partitions separate you from the cashiers, one-way aisles ... The list goes on, and it all adds cost and time. Retailers increased pay to their employees, too, who must work more hours to fill the demand.

Pandemic-related closures included some beef plants for a while. I don’t need to dwell on that, as many of you felt the ramifications of plant closures in cattle prices, but retailers felt it as well. They weren’t able to fully stock their shelves, and limited quantities their customers could purchase. The packing plant bottleneck sent shockwaves through the beef industry, from

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folks at the beginning of the supply line all the way to the end. It was a trying time.

### Answering the call

Retailers, just like ranchers, are resilient and have been able to answer the call in more ways than one. Flexibility became the name of the game. It wasn't *if* you were going to be shorted on product, it was *by how much*.

Our team worked hand-in-hand with retailers to help them locate product. One source was within our other divisions. Foodservice warehouses were full of product they couldn't sell, as the majority of restaurants across the country closed. At the same time, retailers couldn't find enough. They were able to help one another out by purchasing product originally destined for steak houses.

If you were to ask a retailer to reflect on this time period, I'm confident they would answer with, "I'd never want to do that again."

Countless hours were spent on the phones trying to locate product and make certain they had staff at the store who were able to cut it. It left retailers sleepless on nights they saw their beds. It truly has been a roller-coaster ride — great demand without the labor or supply to handle it.

For several months, many major retailers quit publishing their weekly circular ads. That might not seem like a notable occurrence, but we watch it closely, as front-page ad features drive a big share of sales. However, when those fliers started back up, our brand was a clear winner, as many front-page ads featured buy-one-get-one (BOGO) offers and low prices that literally moved truckloads of beef at a time.

Today, we've started to see meat movement back to "normal" with some changes along the way. Online shopping has gone from something "only those darn kids do" (millennials on down) to something a strong percentage of the

population is starting to try.

That's why we've bolstered our efforts in digital sales, with dedicated efforts toward helping our partners tell the story of quality when they can't even see customers face-to-face. Our brand's library of product photos help to show what any cut can look like once it's prepared at home.

In advertising, we know people are spending less time driving, not listening to the radio on their way to work. So we're sharing the messages of quality through online platforms, targeting customers who shop at brand partners, as well as those who don't, making sure they know where they can find a restaurant-quality steak: at a CAB retail store!

Once customers get that beef home, they can view the videos of our chef team showing how to prepare a great recipe and grill that perfect steak. All of these elements work together to help retail partners — and ultimately our

customers — have exceptional experiences with your great product.

As we move forward, the need for high-quality cattle that certify into your producer-owned brand is as important as ever. Retail is the first destination on the way to a quality meal, and the center of the plate is where meal planning begins. Our retailers keep driving demand for the brand, and with the holidays approaching, that's going nowhere but up.

While this year will go down as one that many of us would like to forget, remember that "the new normal" at retail is one that requires more CAB brand product than ever before. **I**

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Editor's note: This column is a regular column authored by staff of Certified Angus Beef LLC to provide insights into the brand and how commercial cattlemen, feeders, packers and consumers can profit from its high-quality target. David O'Diam is vice president of retail for Certified Angus Beef LLC.