

Responding to Consumers

Panel explores what is wrong and how to fix it.



From left, John Stika, Certified Angus Beef LLC; Robin Murphy, Central Market/H-E-B; and Kim Stackhouse-Lawson, National Cattlemen's Beef Association, formed a panel discussing the beef industry's response to consumers.

INDUSTRY AT A CROSSROADS



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— *John Stika*

“We need consumers very much. They bring in new money to the beef industry. That sustainability of business dollars is the key to longevity in our business,” John Stika, president of Certified Angus Beef LLC (CAB), told attendees of the 2014 International Livestock Congress (ILC-USA 2014) in Denver, Colo., Jan. 14.

Stika was part of a panel discussing the beef industry's response to consumers. Joining him on the panel were Kim Stackhouse-Lawson, director of sustainability research at the National Cattlemen's Beef Association

(NCBA); and Robin Murphy, business development manager at Central Market/H-E-B grocers. The panel was moderated by Molly McAdams.

Consumers in the grocery store

To answer whether the beef industry is responding to its customers, it is important to understand who those customers are. Murphy granted that her customers at Central Market and H-E-B can't be indicative of the entire population, but they do serve as a good sample.

She explained that H-E-B is a high-market-share grocer in Texas that serves more than 1.5 million consumers. They represent a wide economic spectrum ranging from the four poorest counties in the country to the 23rd-wealthiest county. They feature beef prominently year-round and offer about 10 different types of beef options. Central Market is the higher-end grocery geared for “foodies.”

The consumer landscape is

changing. There is a huge need to make beef approachable to consumers, she said, because the most-often-asked questions are still the cuts of beef and how to cook them. However, other frequent questions encompass welfare, grass-vs. grain-fed, safety, hormones, antibiotics, happiness of the animals, and locality of the meat.

“The kicker is that we have this halo of concerns, but ultimately they come to us for quality, for selection, and then they still decide what to put in their basket on package unit price,” Murphy explained.

“For low- and middle-income households — our Select and low-Choice grade customers — they are challenged to buy beef past the first of the month. With heavy carcass weights and increased subprimal weights, we are challenged to provide for them a package that fits within their food budget. With larger carcasses, the cost for a family steak dinner at home has grown to \$40 or more, so they aren't buying that meal as frequently,” she added.

Not just a buzzword

Among those questions behind buying decisions is the factor of sustainability. A key challenge to sustainability is understanding the consumer's definition of the word. It can mean different things to different people, including a host of hot topics like greenhouse gasses, traceability, and antibiotic and hormone use to name a few, said Stackhouse-Lawson. Consumer research has shown that buying decisions aren't absolutely made on sustainability, but it is on buyers' minds after price, taste, safety and nutrition.

People care about sustainability, but most can't define it. This is an opportunity for the beef industry to give consumers a definition and support that with science and positive stories, she asserted. Additionally, consumer research has shown that environmental sustainability is not the only concern.

Stackhouse said consumers suggest they may pay slightly more for social and economic sustainability indicators, meaning that they will pay more to ensure that workers are safe or to sustain a rural or small-town economy.

Millennials, the generation born between roughly 1980 and 2000, present a large opportunity, and transparency is key to that massive group of consumers. Stackhouse-Lawson said millennials don't think anyone is credible unless they have a relationship with that person. Due to the prevalence of smartphones, they can fact-check immediately, which

is when our science can count most, she said. However, she granted that the beef industry must take complex science and make it relevant and meaningful to consumers.

Future hinges on quality

“It doesn't matter how sustainable a product is if it tastes horrible,” Stika emphasized, adding that quality still plays a large role in consumer preference. In the worst global economy the past few years, he said, CAB and other premium brands have been the most profitable and have seen the most growth. The industry has been good at responding to tangible economic signals like marbling, which helps drive the demand, but he admits there are still areas upon which to improve.

Stika said he realizes that economics don't really allow for smaller carcass weight, but he thinks more research could be done to cut bigger carcasses into smaller, palatable cuts. The new generation is open to broader food choices. In addition to a few more tangible signals, the new challenge is to respond to the non-tangible, emotion-based factors that consumers want. These could be the new cost of doing business.

The more we learn, the less we realize we understand about consumers, he added, noting that consumers will tell you one thing, but do another. Watching what consumers do will help pinpoint those non-tangible items that they value.

Those non-tangible concerns may seem impractical to cattlemen, but Stika put it in perspective: “None of us in this room represent the average consumer of our product. We all believe that consumers are impractical about their perception of our industry because we are not one of them. We are that consumer to some other industry that is trying to put a product out there that has integrity to it and we should trust, but for some reason don't. It's kind of sobering to think about.”

On responding to consumers' wants, he concluded, “The decision is really ours. We can find ways to overlay these things and attributes that consumers value, or we can go find new customers. We really do have a choice. One is more practical than the other, and I don't want to go find a new customer.”

What do retailers ask for from the beef industry?

Robin Murphy, business development manager at Central Market/H-E-B grocers, outlined a few requests from a retail perspective to appease beef customers. She admitted that economics and requests don't always go hand in hand, but it is important for beef producers to understand what will keep consumers buying their product.

- Quality vs. quantity
- Product that delivers special flavor and certain tenderness in portion sizes to lend to more frequent use
- Carcass-weight containment
- Producers show romantic side of beef industry through social media; be more vocal to attract millennials
- Assure consumers that decisions made by cattlemen are safe and healthy for me and my children to eat
- Be able to defend all of those production decisions

Editor's Note: ILC-USA 2014, themed “The Cattle Industry at a Crossroads: How Do We Adapt to Change?” was hosted at the Renaissance Denver Hotel Jan. 14 in conjunction with the National Western Stock Show in Denver, Colo.