

Outside the Box: Consumer wants and beef demand

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The foundation of success in the beef industry rests squarely on consumer demand. Understanding consumer behavior, purchasing trends, and the factors that influence consumer decision-making is critical market intelligence for the beef supply chain. Given the amount

of noise surrounding the market in terms of social activism, economic uncertainty and shifting demographics, maintaining focus on the target is difficult.

John Lundeen, executive director of marketing for the National Cattlemen's Beef Association (NCBA) recently

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reminded an industry group that “your competition is *not* meatless Mondays.” John’s point is that the industry must remain focused on the opportunities, not the detractors.

In fact, despite all of the chaos, 50% of dinners served in American homes in 2010 included a ground or whole-muscle meat item — the same percentage as compared to 2001. Over the same decade, beef’s share of dinner plates fell slightly, from 22.7% to 20.5%.

Consumer studies funded by the beef checkoff demonstrate that beef’s advantages compared to poultry include being viewed as an all-American meal, having desirable taste, and providing pleasurable, memorable protein to meals that provide a high level of satisfaction. Poultry’s advantages, based on consumer perception, include fat content, nutrition, calories, ease of preparation and lower cost.

Taken in total, consumer perception of beef measured as the percent that state beef’s positive attributes strongly or somewhat strongly outweigh the limitations improved from 69% in January of 2007 to 77% in July of 2011.

A brand promise

In an effort to capture value, beef is increasingly being differentiated in the retail meatcase as either supplier or store brands. In fact, fully 60% of retail beef sold under a brand label in 2010 as compared to only 36% five years earlier. Beef has made the jump from commodity status to brand promise.

That status shift is accompanied by higher expectations for delivering value, taste and quality to the marketplace. Demand among the baby boomers and moderate to high beef users should be considered strong. Among this more economically established consumer segment, beef is positioned for continued high performance.

Reaching millennials

The question that the supply chain must answer to assure future demand growth is how to position beef with the largest demographic sector — the millennials — those consumers born between 1980 and 2000. Consumer research has revealed that the millennial generation is comfortable with ground beef in terms of preparation, versatility and convenience.

However, whole-muscle cuts such as steaks and roasts are more intimidating to these consumers. In

fact, the meatcase bewilders them. The millennial consumers want to include beef in their diets, but they want beef to be fast, easy and convenient. Furthermore, their palate is more sophisticated and adventuresome than any other generation of domestic consumers. Thus, beef must fit into their desire for a diverse, fun and exciting diet.

The millennial generation is not the “meat and potatoes” diner of the past, but it poses a great opportunity if the beef industry can enhance convenience and user aspects effectively.

An international study by the Ketchum group that evaluated the major factors affecting consumer demand for food determined that taste, price and quality were the dominant decision drivers, with 75%, 73% and 70% of consumers reporting these three as important when making a purchase. These three factors have been the dominant influencers for more than two decades, and, as such, ought to frame the focus of our efforts to meet consumer demands.

The next three to five years are going to be characterized by a relatively unique phenomenon in the meat and poultry business — tight supplies of beef, poultry and pork.

Most of the historic measures that have been used as a proxy for demand are really measures of disappearance determined by dividing supply (tonnage) by the number of consumers. These measures do not adequately illuminate demand. For example, as supplies tighten and export markets recover, more supply will be diverted to international markets based on the relatively weak position of the U.S. dollar. This will magnify the reduction in per capita disappearance statistics. This should not be viewed as weakening demand. Remember that in June of this year, *Certified Angus Beef*® (CAB®) experienced its greatest sales month in history, topping 70 million pounds.

The National Meat Case Study, funded by the beef checkoff, measured zero stock situations or those cases where a beef cut was not available from a retail counter. Stew meat was never out of stock, while strip, ribeye, sirloin and cubed steaks were out of stock 8%, 11%, 10% and 11% of the time, respectively. This suggests that current supply is not able to hold pace with consumer desire to purchase. Furthermore, beef held 42% of the self-serve meatcase space in 2004 and today holds the same share.

The sky is not falling on beef demand. The future for U.S. beef is exciting, and now is the time for beef industry participants to rededicate their efforts to producing and merchandising products in response to fundamental demand signals. Improving quality, value, satisfying eating experiences and enhanced user experience through better convenience, packaging and preparation are goals that will provide returns on investment.

