Consumer Purchase Behavior with Processed Meats

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Abstract

Beginning in January 1995, organizations funded by the beef and pork checkoffs began a comprehensive "Deli Meats Purchase Diary" to track, monthly and over time, the consumer purchase behavior for processed meats. Four processed meat manufacturers also contributed funding for this research. Of specific importance for this paper are discussions of low-fat and lean processed meats and their place in the market. Presented here is information on household penetration, pounds per household, dollars per household, pounds per package, price per pound, pounds sold on deal, purchase occasions per buying household, packages per purchase occasion, and pounds per purchase occasion.

Introduction

Processed meats are the most frequently consumed form of protein in America, yet there is little comprehensive data available for general use to assist the livestock and meat industry in formulating marketing strategy. As low-fat and lean products came onto the market in the past five years, the industry also lacked overall consumer purchase information on this category. In 1995, the livestock and meat industry, through the former National Live Stock and Meat Board, began the "Deli Meats Purchase Diary," conducted by the NPD Group, Inc., Rosemont, IL. This study is now funded by the National Cattlemen's Beef Association, the National Pork Producers Council, and four national processed meats manufacturers: Armour Swift-Eckrich, Hormel Foods Corporation, Oscar Mayer, and Sara Lee Meats Group. The purpose of this research is to track trends over time to assist in formulating marketing strategies.

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Materials and Methods

The "Deli Meat Purchase Diary" tracks purchases of 3,000 U.S. households every month. All purchases are recorded, including those made at full- and self-service delis, wholesale clubs, convenience stores, meat markets and traditional supermarkets. Households participating in the study submit detailed written diaries to the NPD Group, Inc. The following data is collected and analyzed: share of pounds, share of dollars, packages purchased per household, pounds per package purchased, dollars per package purchased, and purchase occasions per buying household.

The major categories of products tracked are luncheon/deli meats (ham, chicken/white turkey, bologna, sliced beef, miscellaneous), hot dogs (meat/combo, 100% beef, 100% poultry, low fat/lean), bacon and sausage (breakfast, dinner). Data are collected and analyzed on a quarterly basis, with the first reporting quarter being January-March 1995.

For this discussion, we will look at data from each quarter and also comparative data between January-March 1995 and January-March 1996. We will focus on that data of value in marketing low-fat/lean processed meats.

Results and Discussion

As Americans continue to show interest in low-fat and lean food products, it is important to understand how this translates into purchase behavior for deli meats. The "Deli Meats Purchase Diary" shows that household penetration during a two-week period (see Table 1) of all deli meats averages about 72%, ranging from a high of 75.2% in 3Q95 to a low of 69.4% in 1Q95. On average, the household penetration for low-fat/lean deli meat products is 21%. Or, looked at another way, of those consumers purchasing deli meats, about 29% on average purchase low-fat/lean items. The time period of the study does not yet allow for trends in seasonality, though it is interesting to note that while 1Q96 showed an increase in overall deli meat household penetration compared to the same quarter in 1995 (70.8% vs. 69.4%, respectively), the household penetration level for low-fat/lean products is down slightly (20.4% vs. 21.5%, respectively).

TABLE 1. Household Penetration During a Two-Week Period. (% of U.S. Households Purchasing)

	1Q95 (J,F,M)	2Q95 (A,M,J)	3Q95 (J,A,S)	4Q95 (O,N,D)	1Q96 (J,F,M)
Total Processed Meats	69.4	72.9	75.2	71.8	70.8
Total Low-Fat/Lean	21.5	20.6	22.8	18.5	20.4

The supermarket consistently has a firm hold on the deli meat purchases, with almost 80% share. Warehouse clubs account for 11%, butcher/meat markets, 4%, local delis, 4%, and other locations, 3%.

As Table 2 illustrates, when we look at pounds purchased per household and the average amount of product per package, package sizes for all processed meats seem to be staying quite stable. Again, we see a slight increase in total processed meat purchases 1Q95 vs. 1Q96, and a downturn in low-fat/lean purchases during this time frame. Pounds per purchasing occasion was very consistent for total processed meats (Table 3), averaging 1.97 pounds for the five quarters. This includes low-fat/lean products. For low-fat/lean products specifically, the average was much less, at 1.01 pounds. On average, each household purchasing any processed meat item did so 2.5 times during the quarter, compared to 1.6 for low-fat/lean products. There was no seasonal difference between the five quarters tracked to date, though there may be differences that show up over time.The price of low-fat/lean products consistently stays about $1 per pound higher than an average of all processed meat products. The average price per pound rose 21 cents between the two 1Q results, versus 50 cents for low-fat/lean products (Table 4). We also see that low-fat/lean products seem to be trending upward when it comes to the percent sold on deal (Table 5). The gap between total processed and low-fat/lean sold on deal was quite wide when the study first began, but is now significantly narrower.

When it comes to products that are labeled as low-fat or lean, poultry products lead the pack by a significant margin. During 1Q96, 33% of processed turkey/white meat chicken was so labeled, compared to 24% for ham and 16% for bologna.

TABLE 2. Pounds Per Household//Pounds Per Package.

	1Q95	2Q95	3Q95	4Q95	1Q96
Total Processed Meats	3.29//.93	3.72//.93	3.90//.93	3.47//.94	3.46//.91
Total Low-Fat/Lean	.38//.68	.34//.65	.38//.64	.32//.66	.31//.62

TABLE 3. Pounds Per Purchasing Occasion.

	1Q95	2Q95	3Q95	4Q95	1Q96
Total Processed Meats	1.94	1.98	2.00	1.97	1.94
Total Low-Fat/Lean	1.07	1.00	0.97	1.05	0.98

TABLE 4. Dollars Per Household//Price Per Pound ($).

	1Q95	2Q95	3Q95	4Q95	1Q96
Total Processed Meats	7.39//2.24	8.52//2.29	9.05//2.32	8.33//2.40	8.46//2.45
Total Low-Fat/Lean	1.20//3.17	1.10//3.27	1.34//3.48	1.09//3.45	1.15//3.67

TABLE 5. Percent of Pounds Sold on Deal.

	1Q95	2Q95	3Q95	4Q95	1Q96
Total Processed Meats	40.0	41.1	38.1	35.9	39.0
Total Low-Fat/Lean	31.6	34.0	35.3	36.8	37.6

Hot dogs are one of American's favorite foods, with an average of almost 27% of all households purchasing them during the five reporting quarters. Low-fat/lean hot dogs, on the other hand, have not reached the popularity of their traditional counterpart. On average, only 5% of households purchased them during the reporting quarters. While the price of all hot dogs has risen an average of 14% per pound when comparing 1Q95 with 1Q96, the price of hot dogs labeled low-fat/lean has risen 20%.

The difference between the average hot dog consumer and those who purchase low-fat/lean hot dogs is consistent with other food categories. Low-fat/lean hot dog purchasers have at least double the household income, and the household head is professional/management (Table 6).

Conclusions

While low-fat/lean deli meat items are a small segment of the total deli meat market, they have found a consistent market niche, as demonstrated by the household penetration over the past five reporting quarters. However, pounds purchased per household seems to be slipping during the past two quarters and there is a great deal more product sold on deal than in the past.

As the "Deli Meat Purchase Diary" continues, more information on trends will be available.

TABLE 6. Hot Dog Demographic Profile.

	Total Hot Dogs	Low-Fat/Lean Hot Dogs
Household Income	<$15,000	$30,000+
Household Size	3+, esp. 5+	5+
Age of Female Head	<35	<35
Occupation of Female Head	Not Employed, also Part Time	Not Employed
Occupation of Household Head	Blue Collar	Professional/Mgmt
Census Region	Slight Skew toward North	South