

Branded Beef – Product of Tomorrow – Today

H.W. Meischen*, Leader
D.L. Huffman, Cooperator
G.W. Davis, Recorder

The selling of food products to the American consumer has become totally dominated by brand-naming marketing.

Fresh red meat is about the last place left in the supermarket where the product is not pre-sold to the consumer by the manufacturer or packer of the product.

About 10 years ago, the marketing of fresh frying chicken changed from a commodity business to a brand-name business – and resulted in not only a tremendous increase in broiler demand, but a wide range of new products which probably would have never been developed without the R&D and consumer research which go with brand-name marketing.

It also tremendously helped the earnings of the producers of brand-name poultry . . . just take a look at the earnings and stock price of Tyson and Federal Co. (Holly Farms' parent company).

While this has been great for the broiler producers and processors, make no mistake about it, the gains of the poultry industry have come at the expense of the other protein sources – especially beef.

The beef industry is responding in a number of ways – one of which was the approval of a per-head checkoff levied against each animal, which goes to support generic advertising for beef – the James Garner-Cybill Shepherd campaign. While we believe this campaign is of some value, we must honestly say that it will never do for beef demand what "Butterball" did for turkey or what "Oscar Mayer" did for hot dogs.

With this thought in mind: that beef *demand* – and ultimately, *beef consumption* – can be increased via brand-name marketing techniques, Excel in March 1985 began development of a *branded* beef project.

In a joint development agreement with Kroger, the leading U.S. food chain, we spent 16 months working on cutting methods, trim standards, brand-name research, equipment studies, studies of packaging systems, etc. All the elements

needed to position EXCEL Brand Beef as a product which would cause consumers to increase their beef consumption were, hopefully, identified prior to introduction into the first test market. Pro forma projections were developed which indicated that the return on investment (ROI) from Branded Beef would be better than our *normal* ROI.

In early June, 1986, Excel Brand Beef was introduced into 13 Kroger stores in Charlotte, NC and 2 stores in Myrtle Beach, SC.

A marketing thrust was launched which included television, newspaper, in-store demonstrations, in-store videos, point-of-purchase informational pamphlets and press releases.

In August, 1986, in-depth consumer research was conducted in Charlotte, both by phone and via personal in-store interviews, to measure customer attitudes toward Excel Beef, after it had been in the marketplace for 12 weeks.

The results of that research provided the basis for our decision to commit the necessary funding to expand the effort to other test markets and to enlarge production capabilities by making a major capital commitment at Rock Port, MO.

The research confirmed that beef sold under a brand name *did* appeal to consumers more than non-branded beef, and that consumers quickly recognized the benefits available to them by purchasing EXCEL Brand Beef.

I want to caution here, that mere "marketing hype" is not what we did. On the contrary, EXCEL set out to create a better product and then communicate the reasons why it's better to the consumer. Advertising a branded product only succeeds, over the long pull, if that product has something *unique* to offer the consumer: EXCEL Brand Beef has unique properties. They include:

- Uniformity of size (cattle selection)
- Product visibility (clear package)
- Convenience (long shelf life)
- Neater package (leakproof)
- Flavor and tenderness (natural aging)

All of these unique properties (with the exception of the uniform size) came about because of the package itself.

Now we will show you the two television commercials we're currently using to communicate to consumers the unique advantages of EXCEL Beef. One stresses convenience, the second stresses flavor and tenderness.

This package requires a tremendous investment in equipment – over \$100,000 per line – which dictates a centralized production system. There is no practical way that this type of packaging can be done at 26,000 local supermarkets. What

*H.W. Meischen, Vice-President Merchandising, Excel Corporation, P.O. Box 2519, 151 N. Main, Wichita, KS 67201

D.L. Huffman, Auburn University, Auburn, AL 36849

G.W. Davis, International Livestock Industry Associates, 5147 A 69th Street, Lubbock, TX 79424

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we need to recognize is that the challenge of improving beef consumption through brand name selling requires a marketing campaign.

In November 1986, the EXCEL line of product was introduced into 46 Kroger stores in Columbus, OH.

In February of this year, the line was introduced into 25 Roanoke-area Kroger stores and 5 additional stores operated out of Kroger's Charlotte division.

In early March, we introduced the line into 27 Florida Choice Stores, and in mid-April we introduced the line into 32 Memphis-area Kroger stores.

The EXCEL Brand of Beef is now being offered (along with conventional store-prepared beef) in 155 Kroger stores, and it is helping Kroger's beef sales, according to Bill Parker, Kroger's Vice President for Meat Merchandising.

During the first 9 months of test marketing, we tested exclusively in Kroger stores. This was in keeping with our

commitment to *jointly* test market branded retail-cut beef. We have now reached the first anniversary of our Branded Beef Project, and it is no longer a test.

In mid-March, we introduced the product into two Kansas markets, Wichita and Topeka, and have received support from more major retailers in the states.

In early July, we will introduce the line into the Oklahoma City, Tulsa and Ada-Ardmore markets, as well as the Tampa-St. Petersburg market in Florida.

In mid-July, we'll roll out into the Lincoln/Omaha/St. Joseph markets. By the end of 1987 we expect to have EXCEL Brand Beef in distribution in over 1000 stores in 8 states.

By the end of May 1988, our plans are to be in 4,000 stores throughout the southeast quarter of the U.S., selling over 1.6 million pounds of finished retail-ready steaks and roasts every week.

Discussion

Session One

R. Cross: Herb, can I ask what the ceiling is on the yield grade for your branded products?

H. Meischen: Yes, 3.2, Russell, we're able to trim external fat but we don't have glue yet that's going to allow us to pull a muscle apart and then glue it back together to get rid of the seam fat. Our findings have been that seam fat goes up exponentially above 3.2.

R. Vance: I noticed in your specifications, you don't show fat level. You've got uniformity of size, vacuum pack, etc. But all the cuts in your pictures were extremely lean, literally no fat on the outside, no seam fat, etc. Your acceptance level is very high, very quickly you got 50% of the sales in the store, don't you think that fat level has more to do with it than anything else that you've put down here?

Meischen: That's only one element of it, we can show you where we did test work where we could double the fat level and still drive the sales in that fashion.

R. Vance: To how high, 0.25 inch?

Meischen: A quarter inch is what our specifications are; there are some 32 items in the line and 12 of them still have surface fat, the other 20 have no surface fat on them, only internal fat. The surface fat appearing there is 0.25 inch or less.

N. Marriott: You asked for our input, I'm from an area that has been on this program since late '86 early '87, Roanoke area. A couple of observations that I have made while observing as well as comments I've heard, one is that it appears sometimes that it's a problem with the stores keeping these TV monitors running. I'm sure you're fully aware of that, this is an observation. The other is, we're hearing some feed-back from the people in our area that they think that a lot of this branded product that they're selling is over and above what they would normally be selling in a grocery store. The first one was only a comment, the second one, do you have any reactions to that statement?

Meischen: In all areas, branded beef has been incremental sales. Anywhere from a minimum of 6% sales increase on

upward to 15%. One of the things that we think has driven the poultry consumption to where it is, is that you could, in fact, have merchandised products on display irrespective of time of day because all you have to do is open the box and put it out there. So, we are, in fact, satisfying some demand because now there are no shelf-life risks in putting out large displays of those high-priced middle meats. The minimum shift in average retail selling price per pound of all of our experience is something on a magnitude of 40 cents a pound, because he changes his mix. How many times in your own experience, could you go in a grocery store at 8:00 a.m. on Monday morning and find three facings or some 40 packages of filet mignon? How many times could you do that at 9:30 a.m. on Saturday during the shopped-most hour? Now there is a comfort zone of that retailer to, in fact, display this product. So, yes, it has been incremental sales.

J. Secrist: I see that you are still hiding behind the USDA Choice grade. Are you going to move out from the U.S. Choice and use your own brand grade or are you still applying the same U.S. Choice which is meaningless to the consumer?

Meischen: We agree with you that there is some body of data that would indicate that quality grades are rather meaningless to the consumer. While they're meaningless, they still continue to be a comfort zone. Will we move away from it on downstream? I would hope that the whole industry does that finally; that we, in fact, sell the product on the merits of the product. We don't have any federal agency telling us that automobiles in this certain category are going to be built this way so, hence, you go back to the 30's and 40's. It was with World War II that we made the change to the USDA grade.

Secrist: Also, are you going to have a "pull date" on your products, since it's going to come out of your EXCEL companies right into the retail stores?

Meischen: There is a "pull date" on the product currently. That is the only way we are able to substantiate the seven-day freshness in that consumer's refrigerator. In the event that we do not pre-price the product, and we offer pre-pricing as a service to that retailer, there is dating on that package,