

Trends Driving Consumer Meat Preferences

Wendy Feik Pinkerton & Sharlet R. Teigen

Introduction

Consumer preferences evolve and are shaped by a number of factors. By investigating shifts in the United States consumer demographics and behavior, and monitoring emerging food products, trends can be identified that will influence meat purchases. By evaluating these trends, meat industry experts can anticipate product needs and develop products ideally situated for the every-changing consumer marketplace.

Demeter Solutions, a marketing firm specializing in food and agriculture, has identified five trends that are likely predictors of near-future consumer food and purchase behavior.

Consumer Realities

Before a discussion of these trends, it is important to understand existing consumer realities most of which were identified as trends in the past five years. But first, some key facts from the U.S. Census Bureau:

- The median age of people living in the U.S. is 35.3 years; 74.3% are 18 and older
- 12.9% are Hispanic
- The average household size is 2.59 people and the average family size is 3.14 people
- 24.4% have a bachelor's degree or higher
- 54.4% are married
- 63.9% are in the work force
- The median household income is \$43,318 and the median per capita income is \$27,588

Today's consumer lives under almost constant time starvation. Between work and family obligations, adults face a daily dilemma: How do I get it all done? More than 70% of women between 20 and 54 years old are in the work force, and well over 80% of men in this age bracket, ac-

ording to the U.S. Labor Department. Add to this the new phenomena of Stretch Commuting 80% of commuters drive 50-99 miles one way to work. Plus, single moms average five trips/day that are child-related, according to research firm Mintel.

Convenience is no longer an added benefit for food items it is a cost of entry. Consumers expect really good food fast. We eat 1.5 evening meals a week away from home. In the 1930s, Americans spent about 30 hours a week preparing meals. Today, it's about 12 hours a week.

Americans continue to say they are concerned about nutrition. The focus is now on weight loss and childhood obesity. Even though we say we are more concerned, this has not resulted in any significant reduction of overweight or obese people. Food marketers are facing criticism as never before about their tactics to influence youth food choices. Many are drastically altering how they reach out to kids and are changing their product portions and formulations. For example, quick service restaurants now offer fruit and milk as alternatives to French Fries and soft drinks. Retail chains and convenience stores have snack pack lunches with 100% fruit juice and calcium-fortified, lower-sodium meat and cheese.

Ethnic Diversity Trend

It's no secret that the U.S. is attracting immigrants, especially Hispanics and, to a lesser extent, Asians. The % of U.S. population growth today is as much from immigration as it was during the peak of Ellis Island arrivals.

These new inhabitants may be looking for a better life, but they are unwilling to give up their cultural food connections. Because of their sheer numbers, marketers are paying attention by offering new or reformulated products. Casual dining establishments are introducing new flavor profiles based on these cultures, but also that appeal to mainstream consumers. The next wave of cultural influence in foods will likely be Middle Eastern.

The spotlight is currently on Hispanic consumers in the U.S. They spend considerably more on groceries per week (\$133 versus \$92.50 for non-Hispanics) and make 26 grocery-shopping trips/month three times as many as non-Hispanics. Futurists are projecting that 20% of the U.S. population will be of Hispanic background by 2020.

Wendy Feik Pinkerton & Sharlet R. Teigen
Demeter Solutions
406 S. Edwin St.
Champaign, IL 61821

Email: pinkcomm@sbcglobal.net; sharlet.demeter@hughes.net

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For the meat industry, there will be an ever-increasing shift for all consumer palates to not just tolerate, but embrace, hotter flavor profiles. The flavors, however, must not just be warm, but complex, as the collective tastebuds of the U.S. consumer become savvier to nuances and subtleties.

This ethnic diversity also brings opportunities for the meat industry to explore other flavor profiles that appeal to emerging ethnic segments, as well as to the general consumer. Hot flavors may be hot, but fruity may be the next emphasis. Asian and Pacific Island influences that focus on fresh fruit like papaya and pineapple incorporated into foods, and specifically meat products, are gaining sales in some areas of the country. The industry implications lie with the enzymatic effects from such fruits and that subsequent formulations don't lead to a product that lacks firmness or bite.

With more and more interest in Middle Eastern and Mediterranean cuisines, comes an opportunity for expanded flavor profiles. Spices like cardamom, cinnamon, tamarind, mint, marjoram, coriander, cumin, oregano, and rosemary will appeal to many consumers, and some of those (rosemary and oregano) also have antioxidant properties that could be favorable in processed products.

Back on the fruity front, those fruits with antioxidant properties blueberries and cranberries, for example may appear as an ingredient in formulated products, and have appeal to those in groups we'll address next.

Bi-Polar Ages Trend

The U.S. is almost to the point of having as many people more than 65 years old as under 20 years (about 12% of the population is in each age segment). By 2025, our population will have the most youth and retired members in U.S. history.

Kids grow up in a society that gives them basically what they ask for, from pink ultra-thin cell phones to their choice of five salsas at their favorite Mexican diner. They influence family meal choices at retail and foodservice. Remember that in just a few years, these will be the core consumers for meat. Will we be prepared to serve them the way they think we should?

People older than 65 no longer fit the senior citizen label. They may be semi- or fully-retired, but that just means they have more energy to give to causes they believe in and the older they get, the more conservative they get. Older Americans also eat considerably less red meat as taste preferences shift to less dense proteins such as fish and concerns about medical conditions such as heart disease increase.

For the meat industry, it's not just about attracting these bi-polar consumers; it's about keeping them as purchasers. Kids are fickle, often swayed by peers and celebrities. Yet, if the product they purchase has good value and satisfies them

(and their peers), they can become loyal consumers. Peer-to-peer marketing that creates a buzz about a product will be essential to capture the youth vote.

At the other end of the spectrum are the thinking-young older consumers who look for taste and health benefits in the products they consume. The Food Marketing Institute said that nearly half of all U.S. adults identified nutritional value as the most important factor for deciding the food they consume. For this older segment, the emphasis is even greater. The 65-plusers remain traditionalists, yet adventure-some. They want to include protein in their diet, but will look for healthful, lighter options. This bodes well for fish and poultry, but also presents opportunities for manufacturers and retailers to provide lean, tender, tasty cuts of beef and pork.

Value-Plus Branding Trend

Having a brand that people want and trust is now a cost of entry—not the sure road to success. Brands stand for quality, but U.S. consumers have become accustomed to quality so that is no longer the only selling point. More than ever, products must differentiate themselves from the competition or perish. Even store brands go beyond plain label characteristics.

To complicate the matter even more, price is no longer the strong decision-maker it once was. Consumers are looking at overall value. Recent research reported by the Food Marketing Institute said that two of the top three reasons people shop at a supermarket is for quality of offerings. Price is the fourth reason. As companies rush to increase their brand's value, they are learning that the experience of buying and using the product is as important as the product itself. Brand recognition is not enough—marketers are seeking brand *loyalty*.

Brand extensions seem to face new hurdles. If introduced today, a new color of ketchup probably won't be all-the-rage it was a few years ago. Choices need to be meaningful and many are not. The average supermarket today has 40,000+ items, but consumers can only pay attention to about 160, according to market research.

One way marketers are pursuing value-plus branding is through mass personalization of foods. An example is the 5% growth in commercial foodservice sandwich sales during 2004. More companies are expected to find ways to add this level of value. Think of it as the next rung on the value ladder.

Along with programs that build brand recognition and loyalty, the meat industry has an opportunity to tell the story. By incorporating emotion into the marketing of the product, consumers can begin to identify with the product, and how it was produced and who produced it. Consumers want the whole ball of wax, the whole experience. The story, however, must contain both the emotion and the facts. In the age of social responsibility, driven by companies like McDonald's and Safeway, American consumers

want to know and feel good about the whole process, from gate to plate. Traceability, humane animal treatment and handling and environmental stewardship will come under the umbrella of the story that branded meat products will need to convey.

Less in a Global Economy Trend

Less competition, that is. Companies around the world have turned to mergers and acquisitions to drive efficiencies resulting in reduced costs demanded by shareholders and consumers. What used to be national or regional brands are turning to global markets to find new customers. The emergence of retail powerhouse Wal-Mart has completely changed how suppliers are forced to operate. Wal-Mart is projected to sell 50% of the groceries in the U.S. by 2010.

Unlike the food retailing business, where consolidation is fairly new, the meat processing industry began its trend to fewer but larger processors more than 50 years ago. According to a recent report titled *The New U.S. Meat Industry* from the Center for the Study of Rural America at the Federal Reserve Bank in Kansas City, some consolidation occurred among poultry processing plants in the 1950s, but increases in poultry consumption has led to a consistent number of poultry plants since the 1960s. Since 1980, the number of slaughter plants has plunged from more than 600 to about 170 for cattle and from more than 500 to about 180 for hogs. The number of meat processing firms has also dropped, increasing the market share for the largest of players.

According to the Federal Reserve Bank report, basically two factors are driving industry consolidation: food demand and technology. The food demand aspect has led consumers to seek food that is convenient, healthful, safe and consistent. With consumers seeking more convenient options, traditional food retailers go toe-to-toe with restaurants and other food service establishments, and have increased their offerings of prepared or ready-to-eat foods. Such selections were sparse a decade or two ago, but by the late 1990s more than 80% of the nation's supermarkets sold prepared foods. Food product development of meal solutions rather than simply food products offers expanded opportunities for the meat industry.

Expect there to be fewer independent feeders, small manufacturers and distributors. The number of farmers/ranchers continues to decline. This leads to another issue: Where will the grassroots leadership come from to thoughtfully move the various agricultural segments forward?

Lifestyles of Health and Sustainability (LOHAS) Trend

Pay attention to this one what people once brushed off as being radical appeals to many. A recent poll reported by Vance Publishing's *Food Systems Insider* says that 9.2% of U.S. general population is devoted organic users.

LOHAS goes beyond this group committed to organic. It is manifested in product descriptions such as fresh, local, authentic, natural, free range and fair trade. There is a core customer base of committed people willing to pay extra. During the past few months, mainstream companies have launched their own brands that appeal to this growing consumer segment, thereby exposing further consumers and making products more affordable.

It is being influenced to some degree by Bi-Polar Ages. Predictably, younger consumers are still idealistic, not yet forced into the reality of making a living. But aging Boomers are having a significant influence. It turns out that as they get older, Boomers are increasingly concerned about the legacy they are leaving. The older or younger we are, the more green we want the world to be.

And as green becomes the fashionable color this season, we can expect to see more organic products on retail shelves, and at lower prices. Most of the nation's major food producers are working to develop organic versions of their best-selling products, like Kellogg's Rice Krispies and Kraft's macaroni and cheese.

In large part, Wal-Mart is driving the organic bandwagon because it wants to sell more organic food. As the nation's largest grocery retailer, Wal-Mart hopes that by offering organic food, it will broaden its overall appeal to urban and upscale consumers.

The growth in organics and naturals isn't limited to groceries or produce. Organic baby food, pet foods and personal care items such as toothpaste and cosmetics share space with the regular versions and are available in mainstream supermarkets and drugstores. Convenience foods and fresh meats also are seeing new players.

Meats produced without hormones or antibiotics have become popular with chefs and shoppers alike. Hormone and antibiotic-free Murray's Chickens and Maverick Beef are mainstream lines sold at Publix and other retailers. Niman Ranch meats, once the exclusive favorite of chefs, are now marketed to the public at Whole Foods.

Some ranchers, who see the success of popular organic labels like Niman Ranch, are starting at ground level to change their production to organic. But it's a slow, detailed, record-thick process. It takes at least three years to gain organic status of land.

Yet, where there is growth and profit potential, then products will come. Larger companies and smaller producers and processors, will get into the mix and with that, increased marketing to consumers. For agriculture as a whole, this means a rip current under the waters. As marketing messages get louder for this category, there will be increased accusations that traditionally raised food must be unsafe and not taste very good. How will the different segments of agriculture accept farmers/ranchers who go into this market?

Conclusion

Marketing meat in 2010 will be quite different than 2006. Expect consumers to have higher expectations for overall value and be unforgiving. Brands will need to evoke new techniques to develop a loyal customer base. What used to

be selling propositions will be expected a commodity attribute. As the younger and older consumer segments increase their power, product offerings must change. These two segments are most inclined toward greener products and will hear a greater volume of messages about perceived shortcomings of traditionally produced foods.