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HEALTH CONCERNS AND BEEF - A CASE STUDY IN MARKETING

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ABSTRACT

The feasibility of marketing a branded, low fat, fresh beef product was studied. Consumers were receptive to the test product and were willing to compromise on taste for a product that was perceived to be healthier. Opportunities exist for a range of beef products targeted at selective consumer segments.

HEALTH CONCERNS AND BEEF - A CASE STUDY IN MARKETING

A 1985 study of the "Consumer Climate for Red Meat" prepared for the American Meat Institute and the National Livestock and Meat Board reports that as many as nine out of ten Americans now exercise care with respect to fat intake, and that two out of three consumers are health conscious. The report also states that since 1983, Americans in the active lifestyle category have increased from 16 percent to 26 percent of the population. Health-oriented consumers have increased from 17 percent in 1983 to 24 percent in 1985. These two consumer groups, which presently make up 50 percent of the population, limit fat in their diets and are less likely than others to include meat in a meal (Yankelovich, et al; 1983 and 1985). With this apparent shift in terms of increased support for diet and health factors by consumers, what are the implications for marketing beef at the retail level?

The overall purpose of this paper is to report the procedures and conclusions of the market test phase of an interdisciplinary project designed to determine the feasibility of marketing a branded, low fat, fresh beef product. Scientists involved with the project included agricultural economists, meat scientists and human nutritionists. The specific objectives of the market test were to estimate the market potential for a branded, lean, fresh beef product; determine the appeal of this product in the context of fresh beef products presently available; and assess performance strengths and weaknesses of the test product based on home usage relative to beef currently available.

Selected Marketing Principles

The beef industry, and agriculture in general, has historically had a commodity rather than a market orientation. Beef has typically been sold as a

homogeneous product. Through a variety of innovative efforts, the market approach is now receiving more attention in the beef industry, as compared to a commodity emphasis. Beef is presently being heavily promoted as a healthy product by numerous organizations that are also stressing consumer education on the positive nutritional benefits of beef. Market segmentation is also being advanced as an effective means by which the demand for beef can be expanded.

Market Segmentation

The principle of market segmentation is based upon the assumption that all consumers are not alike, and that the needs of some individuals cannot be satisfied through the mass market. Rather, these consumers have certain desires which might best be satisfied through a specialized product. New product development, product differentiation and product branding are the means by which a market segment or niche is captured and maintained.

With market segmentation, it is also assumed that some competitors will be better able to meet the needs of a particular group of consumers. This reduces intense competition in the mass market and can lead to increased and steady returns for all competitors because each will tend to produce and market according to its own comparative advantage.

Through market segmentation, consumers' heterogeneity is recognized and the characteristics of particular subgroups of consumers are defined and analyzed. As the next step in the segmentation process, target marketing is the act of evaluating, selecting and concentrating on those market segments which the company can serve most effectively (Kotler, p. 194).

Concentrated target marketing occurs when the firm decides to direct its efforts toward a narrow market segment. The ideal product, price, geographic

area and promotional efforts are combined to specifically serve the target market. Target markets are often referred to as "market niches."

Concentrated target marketing is especially useful when a company's resources are limited, thus enabling small firms to achieve small but strong market positions. However, highly specialized marketing efforts can be risky if consumers' tastes and preferences should suddenly change. Under these potential conditions, diversification into several small target markets insures against disaster.

Some supermarkets are presently making adjustments to meet the special desires of their clientele. Meat merchandising is being segmented on the basis of price by selling ungraded, choice or prime meat and by the reintroduction of service meat departments. Market segmentation founded on nutritional concerns is evident from the appearance of numerous products identified as "organic", "natural" and "lean." Demands for convenience and gourmet tastes are also among the many consumer needs and desires now being met through market segmentation and product differentiation.

Product Differentiation

Branding is a general term which describes the establishment of brand names, brand marks or trademarks for a product (Kotler, p. 366). A brand distinguishes a product from those of competitors and provides an easily recognizable name or symbol to consumers and thus can be a form of product differentiation.

Fresh meat and produce have generally been sold to consumers as undifferentiated, homogeneous commodities, with few brand names associated with either category of goods. Certain exceptions are notable: Ocean Spray Cranberries and Sunkist Oranges, both producer owned marketing cooperatives; Idaho Potatoes, Washington Apples and Florida Oranges, all examples of

state-branded goods; Harris Ranch Beef, Coleman Natural Beef, Laura's Lean Beef and Foster Farms Chicken, which are private enterprises. The above brand names have been successful because consumers have learned to associate specific characteristics with each product. Brand names such as those listed above not only create awareness of the product, but retailers can be assured of consistent quality which helps to market the product (Supinski, p. 14). Branding of homogeneous commodities can also differentiate a product whether or not actual physical differences exist. Product branding and promotion create a "brand personality" which can be designed to appeal to a corresponding "consumer personality", or a target market (Kotler, p. 201). This successful match of product to consumer is the final result of market segmentation.

The fresh beef product under investigation in this study seeks to fill a market niche which is presently unoccupied. A potential target market for the product is presumed to exist, particularly among health and nutrition-conscious consumers. The product is characterized by less fat, natural production methods and a brand which denotes the Western image of clean air, wide-open spaces and high mountain ranches. To determine consumers' appeal for this differentiated, image-laden product, a market test was conducted.

Test Marketing

A conventional market test, for a product of the type described above, usually involves several stores in one or more metropolitan areas, and is typically conducted over a period of at least six months. Conventional test marketing has been criticized as an excessively slow and expensive means of testing new products (Tracy).

In response to dissatisfaction with conventional test marketing; faster, less expensive alternatives for new product testing have been developed. A

popular and relatively simple method of test marketing is through the use of laboratory test markets (LTM's). This procedure was used to test the general appeal of the product under study here and is explained in detail in Wind, et al (pp. 249-267).

Briefly, the LTM is a simulated retail system which assesses the opportunity for new and repositioned products. The LTM provides management with: a sales forecast for the test product; an understanding of the source of business for the new entry, including comprehensive profiles of purchasers and non-purchasers; complete diagnostic purchase appeals and reasons for rejection; basic data on consumer practices and attitudes with regard to the category that affects product acceptance and/or rejection; and a detailed analysis of the reaction of consumers to the new product purchased, after initial use and after subsequent purchase and use occasions. The LTM allows researchers to capture basic data on consumer practices and attitudes in a highly controlled environment. Thus, several variables can be accounted for and problems of confounded results eliminated. The procedure has been criticized for being more efficient at weeding out failures than for predicting actual successes (Tracy).

The LTM for the test product was formally conducted in October, 1985, by Yankelovich, Skelly and White (YSW), a New York based market research firm. The market test was greatly enhanced because of "tag on" benefits derived from the National Consumer Retail Beef Study which was supported in part by the USDA, American Meat Institute, the National Cattlemen's Foundation and others.

Specific LTM Procedures

Two-year old grass fed steers weighing 1,000 to 1,100 pounds were slaughtered, electrically stimulated to improve tenderness, and boxed at a federally inspected plant located in the region. Boxed meat was then

transported to a retail chain warehouse in the San Francisco Bay area. Project personnel trimmed, cut, packaged and transported the meat from grass-fed steers as well as control meat, to the study site in Sunnyvale, California. Good grade beef was used as the control because approximately 70% of the beef sold in Bay area supermarkets is of that grade. The beef came from feedlot animals but it failed to grade choice.

In accordance with the YSW contractual agreement, 150 female primary food shoppers were used in the study. These women were representative of the California population and ranged in age from approximately twenty to sixty-five years. They came from Sunnyvale and from other cities in the Southern Bay area and were paid twenty dollars for their participation in the study. An additional 150 respondents constituted the control cell. Thus, two cells of 150 participants each, differing only in the types of beef sold, made up the LTM cellular design.

The research facility was located in a shopping center on one of the main streets through Sunnyvale. The facility consisted of several large rooms which could be observed through one-way mirrors. The simulated supermarket was in one of the rooms with a viewing cubicle on one side. A refrigerated meat case was positioned along one wall, and to make the room appear more like a supermarket, a set of shelves stocked with bread and cereal products was also present. A selection of condiments and other products often used to prepare beef were also displayed. Posters promoting beef in a generic manner were positioned on the walls over and around the meat case with the test product point-of-purchase information located above and on the case.

The refrigerated case contained equal amounts of grass-fed beef and control beef, which was Good grade. The control beef was trimmed to three-

tenths of an inch of external fat while beef from grass-fed cattle averaged fifteen hundredths of an inch external fat and required very little trimming. The four boneless cuts used in the LTM were the chuck roast, rib steak, top loin steak and top round steak. Each of the test product packages were labeled "Wyoming Lean Beef", and they also displayed a sticker which contained a nutritional panel. The control beef was labeled "Select" and no claims were made regarding its taste, fat content or method of production.

Price per pound of the test product was the same as that for the control. The prices used were representative of those being charged for similar cuts of meat in self-service meat counters throughout the San Francisco Bay area during the period October 9 - October 18, 1985. There was no significant difference in package weight or total package price between the Wyoming Lean Beef and the "Select" meat.

The pricing issue was discussed in depth prior to the LTM. It was agreed that given the budget constraints for the market test and the small size of consumers participating in the LTM, a more detailed study of price would be left for subsequent additional tests. Primary focus was placed on determining the general appeal of the product, even though it was anticipated that the test product would need to sell at a premium price to cover additional production, processing and marketing costs.

The study participants arrived at the research facility in groups of twenty-five (four groups on October 17, two groups on October 18). Each group of twenty-five women was first seated in a large room where they completed a self-administered questionnaire on demographic characteristics,beef buying practices and attitudes. The YSW representative went through the questionnaire with the group as they answered it. All the consumers were then handed a promotional pamphlet, for the test product, which they returned to

the YSW facilitator after reading. The pamphlets were used to simulate advertising through the mass media.

After all consumers had completed the questionnaire, the YSW facilitator ushered the women, five at a time, into the simulated supermarket. She first welcomed them to the "store." The consumers were then given an order form while the facilitator explained that meat in the case was actually for sale at 25% less than the labeled price. The consumers were asked not to talk to or influence each other and told that they were not obligated to purchase. They were also told that not purchasing would in no way affect their participation in the study. The consumers were not hurried and were allowed all the time they wished to inspect the meat.

If a consumer did not purchase meat, her blank order form was first taken from her. She was then ushered to an adjacent room where she filled out another questionnaire which concentrated on Wyoming Lean Beef and the consumer's attitude toward the new product.

Purchasers of meat (test product and/or Select) picked up the packages and carried them to a table in the simulated stores. At this table, the facilitator helped the consumer fill out the order form, a cashier calculated what the consumer owed (less the 25% discount) and another employee double-wrapped and bagged the meat. The consumer was then ushered from the room to fill out the same questionnaire as the non-purchasers. Her meat was taken out separately and given to her just before she left the study site. Consumers who bought only Select beef had an "X" marked on their bag, and without their knowledge, a package of the test product (the same cut as the control meat they bought) was put into the sack before they went home. A note indicated that the test product was a gift. A promotional pamphlet was added

to the sack. Consumers who bought only the test product also had a pamphlet put into their bag.

Individuals were selected to participate in focus sessions from the first and second groups of twenty-five consumers which went through the simulated market on the morning of October 17. For each focus session, eight consumers were chosen from the larger group of twenty-five. Each group of eight consisted of purchasers and non-purchasers of both test and control products.

During each focus session, the women sat at a large round table with the YSW facilitator. The facilitator led the discussion and asked the consumers about why they did or did not purchase meat in general, and the test product in particular. They discussed in depth the product's price, labels, point-of-purchase materials, cooking methods, etcetera. Each focus session was tape recorded and lasted approximately one hour, with the participating consumers not filling out the additional post-purchase questionnaire.

One week after the in-store experience, the meat buying consumers were interviewed by telephone on their reactions to the beef they had purchased and eaten. During the interview, consumers were asked if they wished to purchase more test product at the regular package price (no discount). If they did, meat packaged in the same manner as before was delivered to them. On November 10, 1985 a second telephone interview was held with the test product buyers and they were again offered the opportunity to purchase more test product at the full package price.

During the week of November 25, all test product purchasers were called for a third telephone interview. They were again offered the opportunity buy more meat, but were then told that the test product was out of stock. In all three call-back interviews, the consumers were asked about their experiences with the meat they had purchased, their degree of satisfaction or

dissatisfaction, whether or not the meat had lived up to their expectations and to compare the test product with previous beef they had used. The telephone interviews were unexpected by the consumers, as they had not been told they would receive any follow-up calls. Employees of a California-based research firm were responsible for all telephone interviewing and meat delivery to the consumers' homes after the telephone reorders.

LTM Results

Yankelovich, Skelly and White analyzed the results of the LTM. A summary of the conclusions from the full report prepared by YSW follows. Where appropriate to the test product results, selected findings from the National Consumer Retail Beef Study (conducted in San Francisco and Philadelphia) are also presented.

1. Given current diet and health attitudes, consumers are showing that they are highly receptive to new and modified beef products that promise to be leaner, lower in fat and therefore, more healthful in the long run. A significant majority of the LTM participants (about six out of ten) bought the test product, either exclusively or in addition to the control product. In total, sales of the test product exceeded sales of the control beef by nearly two to one.
2. Without the benefit of marketing, branding or any other form of product communication, the experienced consumer relies on product appearance factors in the beef selection process. Accordingly, the focus is on finding the cleanest, freshest and leanest looking of the desired beef cut.

   ... In the purchase process, consumers judge leanness primarily on the basis of amount of external fat and secondarily on amount of seam or intermuscular fat.

... Marbling, to the extent that it is relevant as a selection factor, is more likely to be considered in the context of taste/texture qualities than in assessing leanness.

... Because consumers rely on visible fat as a leanness indicator, trim level has a significant impact on purchasing in a Choice grade market such as Philadelphia, where closely trimmed beef cuts are likely to be the exception, not the rule.

3. The test product, involving a form of advertising and a branding approach, serves to illustrate the potential power of these consumer marketing tools.

... With some marketing support behind the new test product, overall buying of beef was over 50% higher than in the control cell, with no market support.

... The relevance of the claims made for the test product, namely low in fat and natural, stimulated a high trial rate by Laboratory Test Market standards.

4. Further, the study results (Table 1) indicate that consumers are ready to compromise or make adjustments on eating/taste requirements for the sake of a product that is perceived to be better for their health than currently available beef products.

... Evidence of consumer readiness to adapt and/or modify palatability standards (when leanness is an end benefit) emerges in the postusage evaluation of both the test product in San Francisco and Good grade beef (Select) in Philadelphia.

... In each of the respective product tests, consumer repurchase levels were high despite awareness of a difference in texture (i.e., tougher and drier than beef normally purchased).

Table 1. Postuse Ratings and Reorder Rates for Control and Test Product.

Product Characteristics Rated "Excellent"	Product	
	Control	Test
POSTUSE	(%)	(%)
Taste	57	51
Low in fat	53	80
Nutritional value	35	60
Amount of marbling	26	48
Low in cholesterol	11	45
DESIRE TO REPURCHASE		
Definitely will rebuy	48	52
Probably will rebuy	40	42
Probably will not rebuy	8	4
Definitely will not rebuy	4	2

5. Seen in broad perspective, all the insights gained through the research point to opportunities for a range of beef products targeted at selective consumer segments as well as for different usage occasions.

   ... Specifically, the research helped identify an opportunity for richer, fuller flavored Choice grade beef in areas where the standard product is leaner Good grade -- not as a replacement, but rather for change-of-pace consumption.

   ... Likewise, leaner grades are also appealing to consumers.

6. On balance, consumers are showing an ability to discriminate between beef types (though grading per se is not the issue) and to choose among available options depending on priority given to taste, health and price factors, on a case by case basis.

   ... The lesson to be learned is to make available products that address these different needs and requirements.

7. Lastly, the importance of branding, as in the case of the test product, should not be overlooked.

... Branding is a means of identifying the positioning the products that aid consumers in making purchase decisions.

... Branding is a means for building confidence and for giving assurance of consistent quality.

8. In order for new beef products, such as the test product, to realize their full potential (and have a meaningful impact on marketplace behavior), a commitment to marketing and to some form of branding is, however, required.

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