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Reviewing the State of the Retail Fresh Meat Case

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# Reviewing the State of the Retail Fresh Meat Case



**Winter 2009**

Presented by  
Rick Dawrant, Lucid Partners, Inc

# Outline of the Discussion

- **Objective: Gain a clearer understanding of the link between the current economic challenges and fresh meat merchandising by looking at several topic areas:**
- **Review retail fresh meat volume and pricing trends on a broad scale**
- **Focus on segments to understand current dynamics on a volume and price basis**
- **Review what retailers are telling us about their merchandising plans for the coming year**
- **Begin by understanding the current state of retail fresh meat merchandising**

# Perspective:

## The Current State of Retail Meat Merchandising

- ☞ **How Lucid Partners defines the art of Fresh Meat retailing:**
  - The act of buying product at the lowest possible price and then selling product at the highest price that consumers, the marketplace and/or the broader store strategy will allow.
  
- ☞ **Fresh Meat retailing remains focused on the buy side of the equation.**
  - Selling commodity product vs marketing to consumers
  
- ☞ **More effective marketing strategies and tactics could be put in place but are not due to limited bandwidth of personnel and overall complexity of the category**
  - Trained to buy and buying activities trump everything
  - Leveraging the lack of information within their own organizations

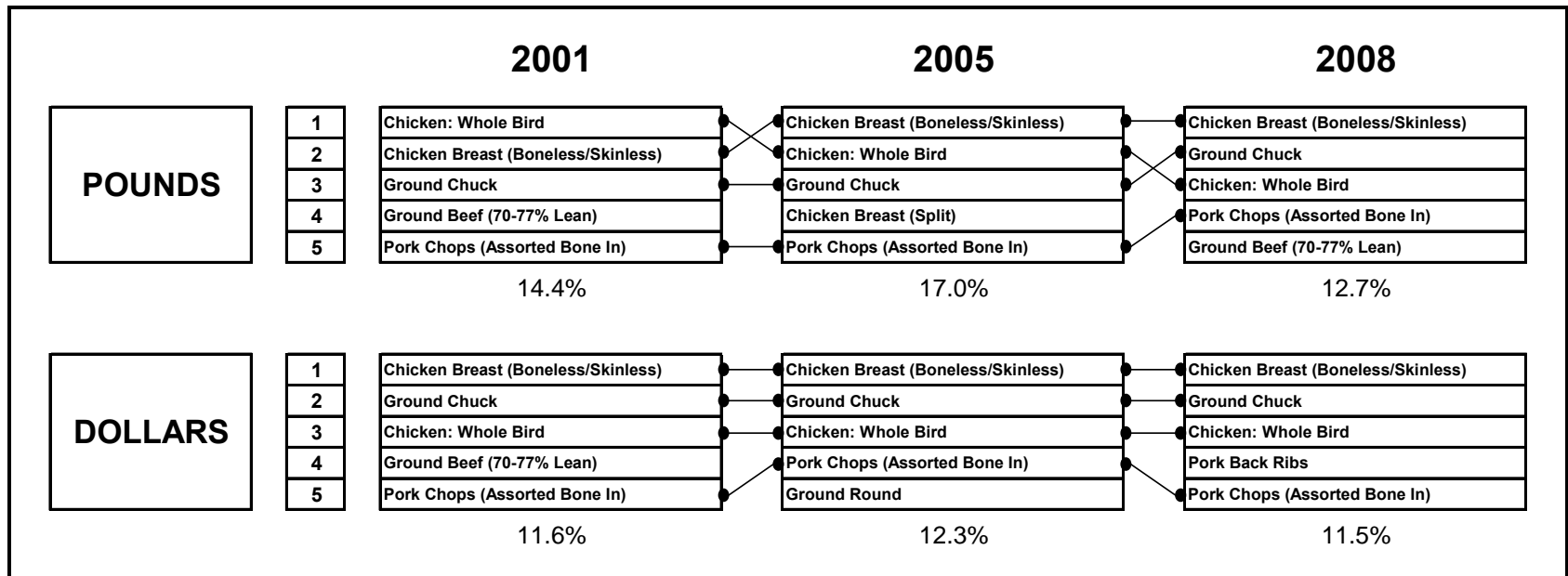
# Perspective:

## The Current State of Retail Meat Merchandising

- ☞ **Data remains complex and quality is an issue in raw form**
  - Inconsistent coding, each store can act as a manufacturing plant
  - System II data – reporting different codes, different measures
  - Most systems not capturing accurate retail prices or causal
- ☞ **Fresh meat features remain central to weekly retailer ads**
  - Center of plate plays a central role in the weekly ad strategy
  - Markets do not always align with retailer strategy and tactics
  - Ad plans change to react to competitive market conditions
- ☞ **Sales patterns are shifting faster than advertising changes**
  - Often retailers are resistant to deviating from historical ad patterns
- ☞ **Country of origin labeling intent vs reality**
- ☞ **Volume is concentrated on a finite number of core cuts / SKU's**

# Concentration of Volume

- All SKU's in the Lucid database are scrubbed, coded to a proprietary code structure then matched to **URMIS** (Uniform Retail Meat Identity Standard)
- The key item groupings below represent the top five in terms of dollar and pound volume for the periods identified, but represent less than 0.25% of all item groupings observed



Source: Lucid Partners national fresh meat database 2001-2008

# Identifying Current Trends:

Analyzing Fresh Meat Point of Sale Data



# Data Parameters

Identifying accounts to serve as sample

## ☞ **Lucid Partners national fresh meat database overview**

- Collection of syndicated and retail direct point of sale data
- Overlay of causal data for inclusion of featuring activity
- Production of additional measures for purpose of analysis
- Some accounts dating back to 1997
- Approximately 18 million+ records

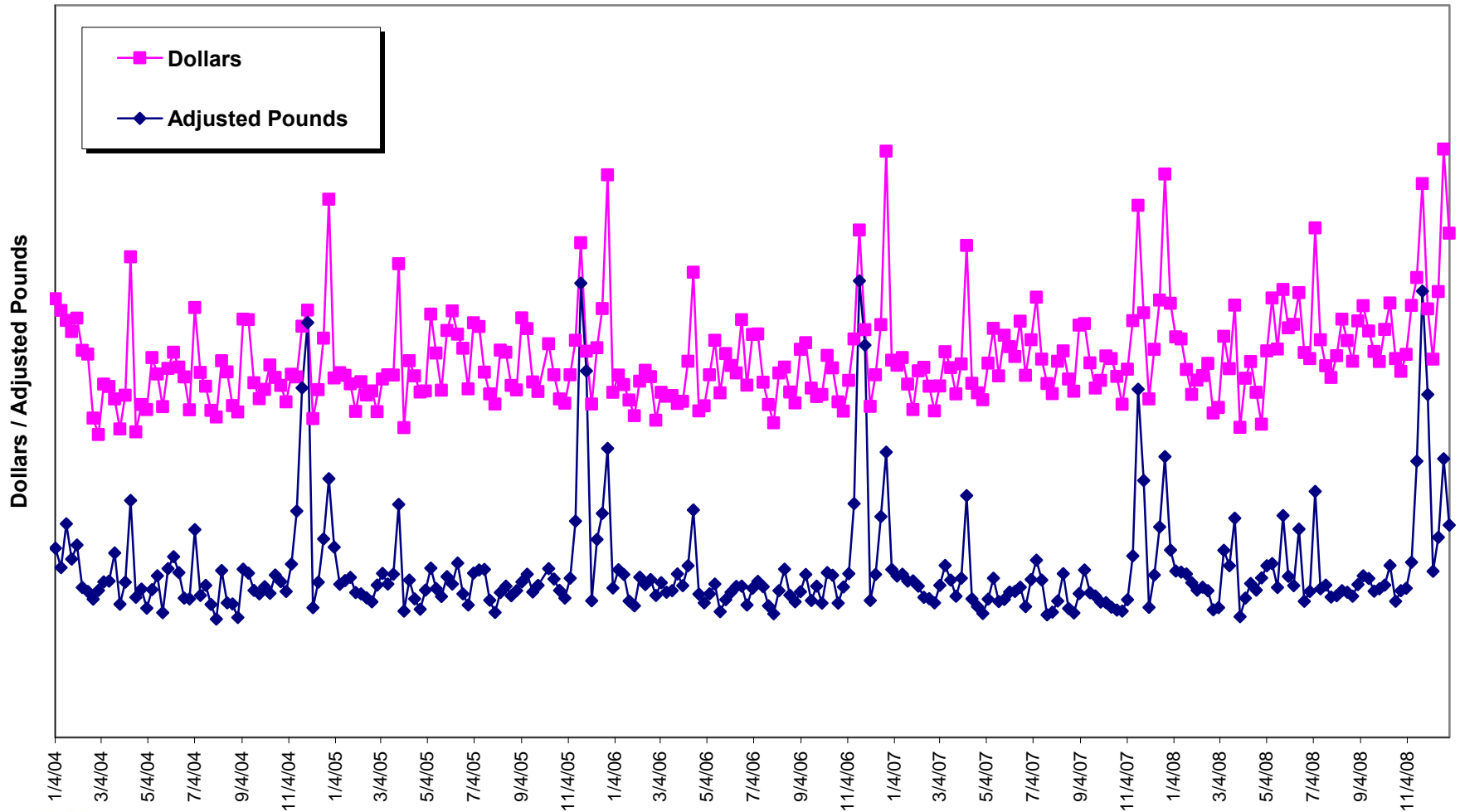
## ☞ **For purposes of this review, a set of criteria was established to determine which accounts from the database would serve as part of the sample used for this evaluation**

- Geographically dispersed
- Consistent data delivery
- Matched to causal data
- Data runs through December 2008

## ☞ **Selected set of accounts used all analysis contained within**

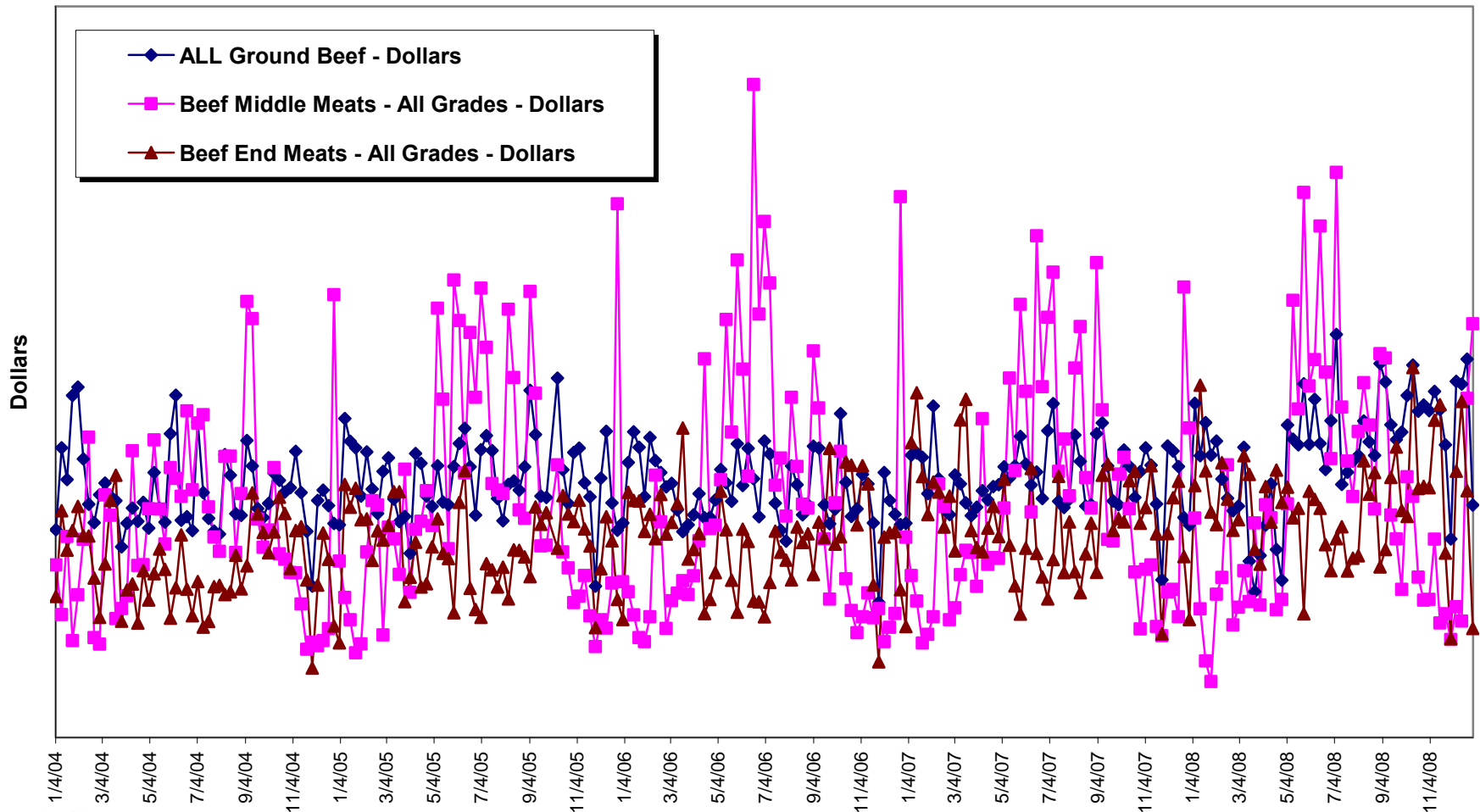
# Total Fresh Meat Volume

Dollars and Adjusted Pounds 2004 - 2008



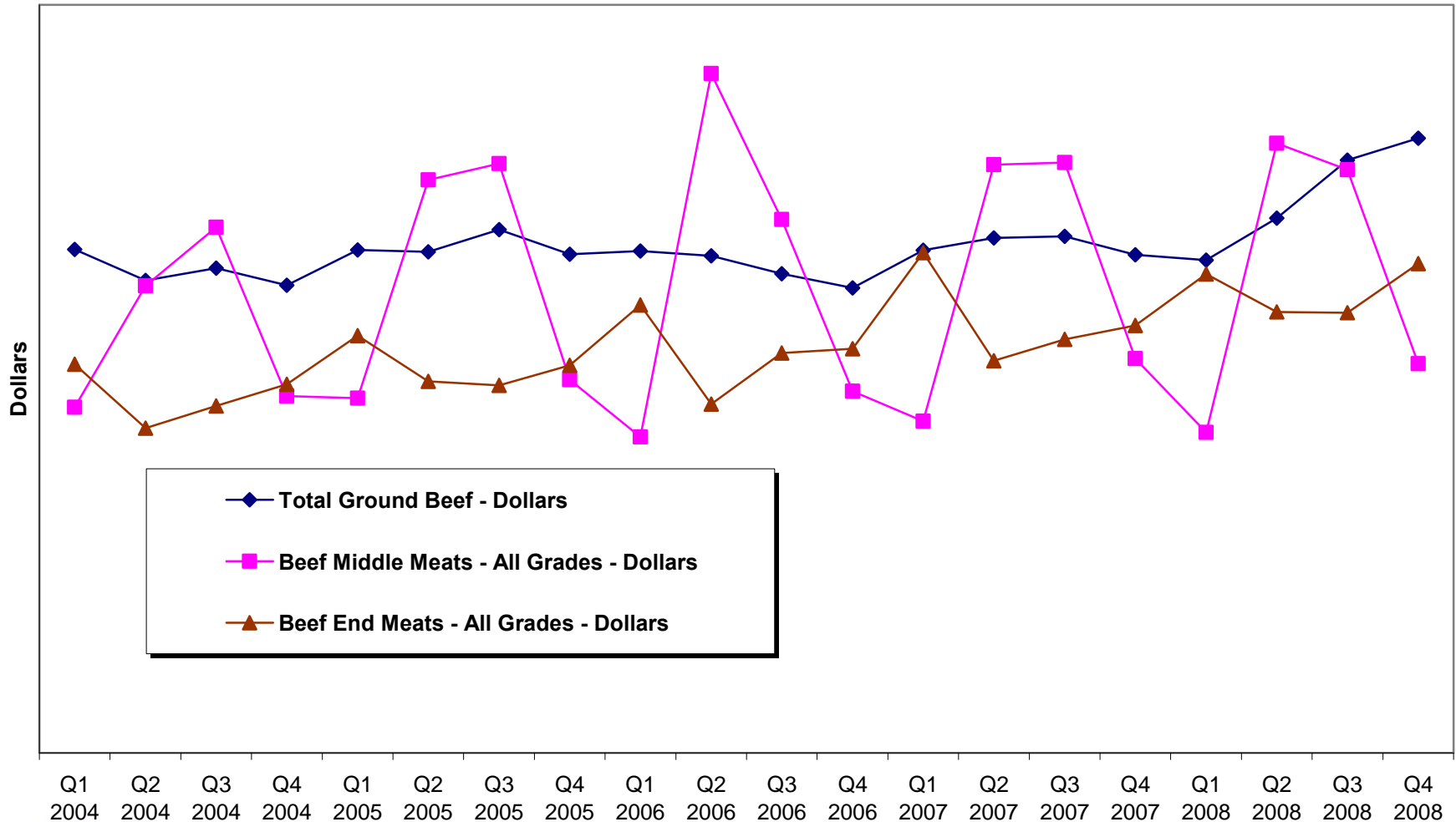
# Total Fresh Beef Volume

Weekly Dollars by Segment 2004 - 2008



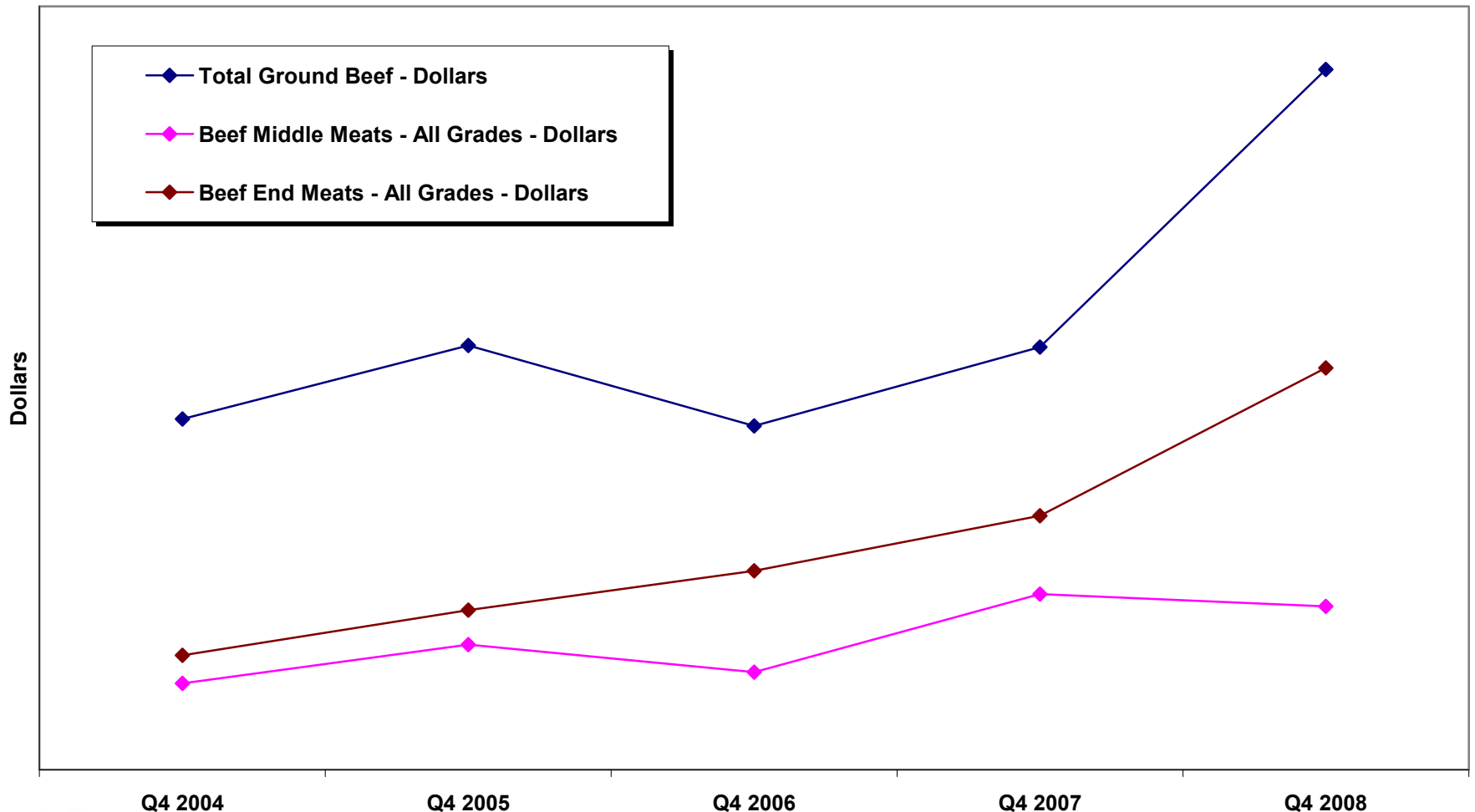
# Total Fresh Beef Volume

Quarterly Dollars by Segment 2004 - 2008



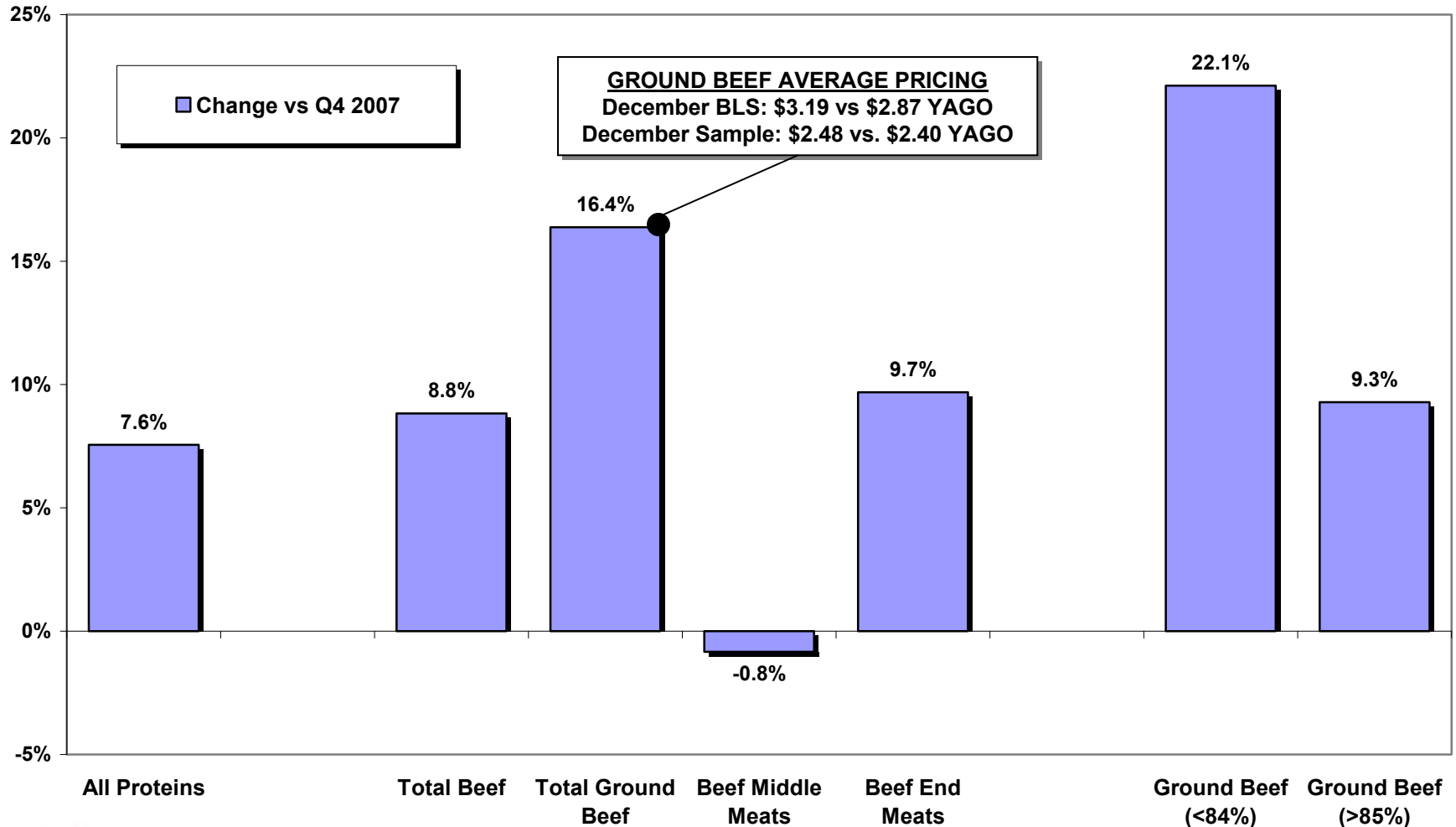
# Total Fresh Beef Volume

Dollars by Segment Q4 Comparisons 2004 – 2008



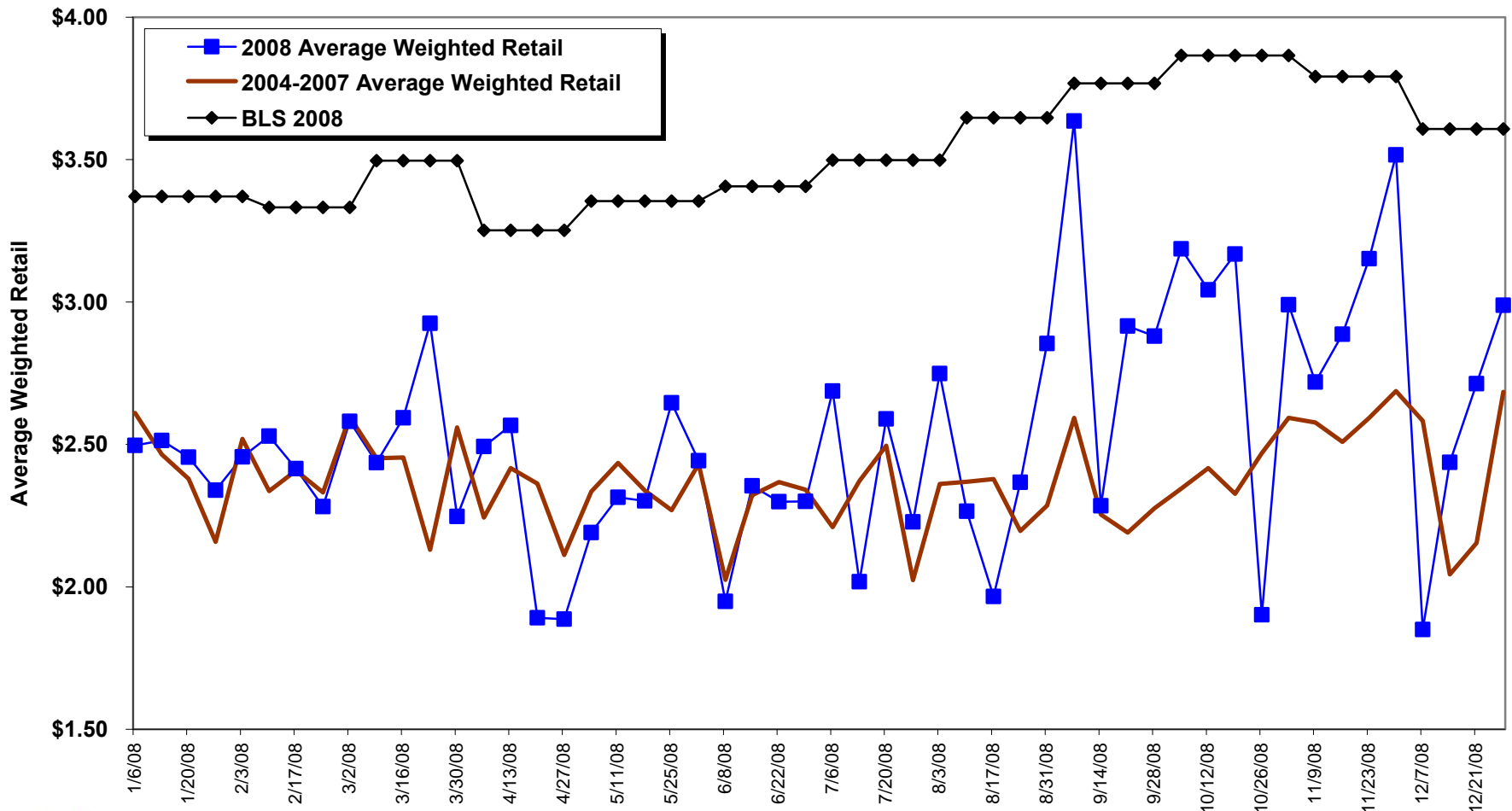
# Fresh Meat Volume Change

Q4 2008 Dollars vs. Q4 2007



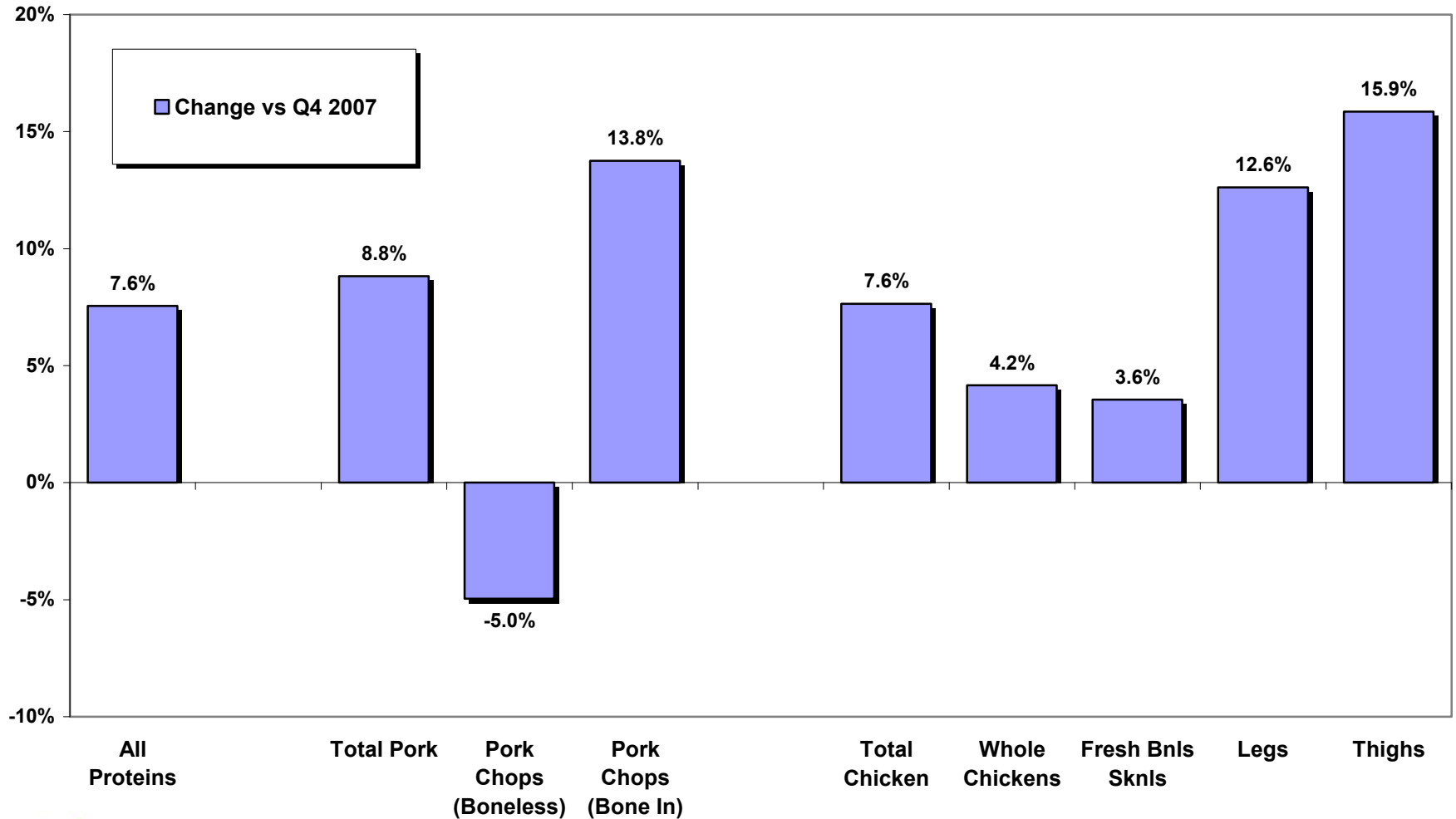
# Retail Pricing – Boneless Chuck Roast

2008 Average Weighted Retail vs. 2004-2007 & BLS 2008



# Fresh Meat Volume Change

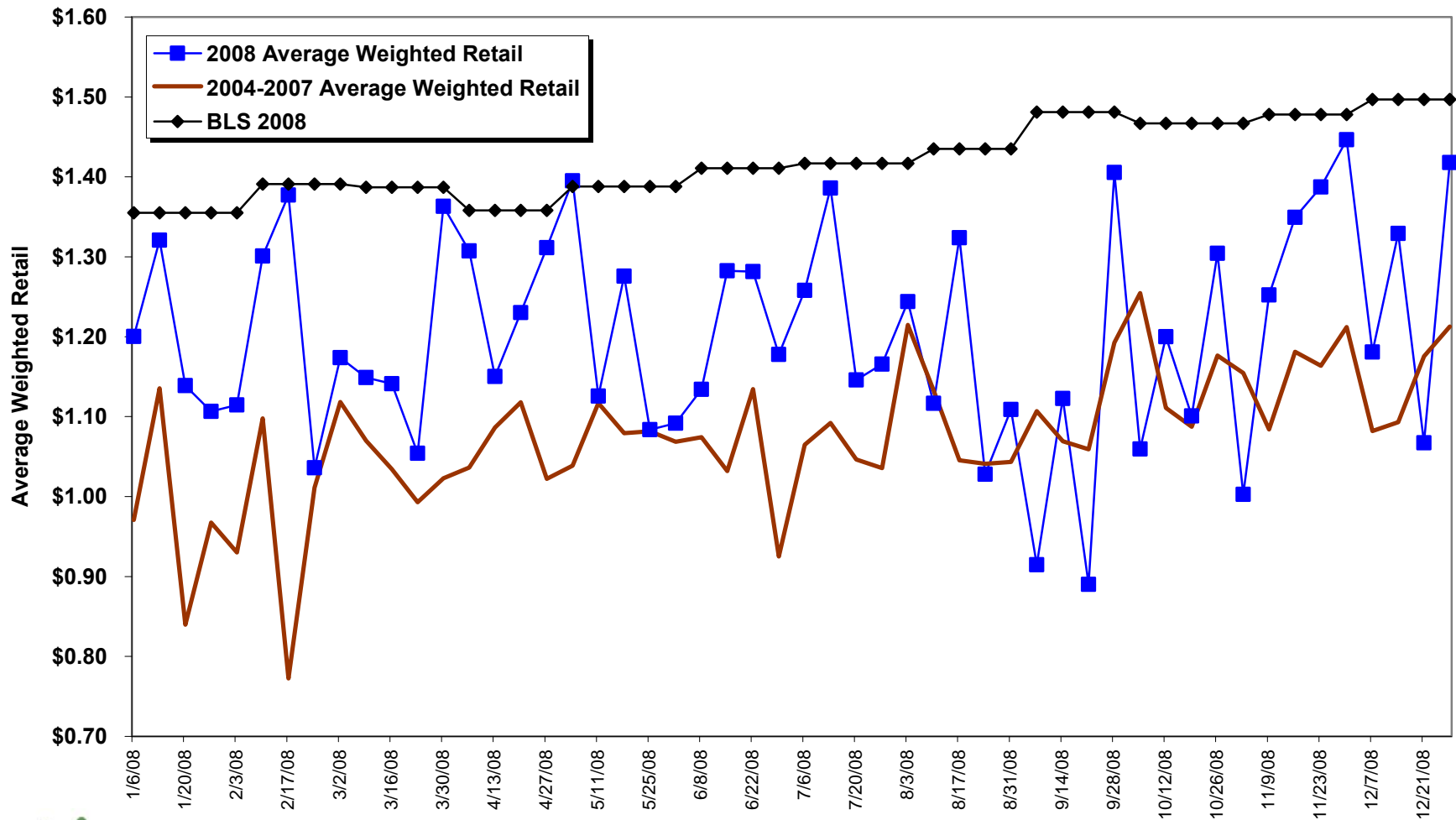
Q4 2008 Dollars vs. Q4 2007





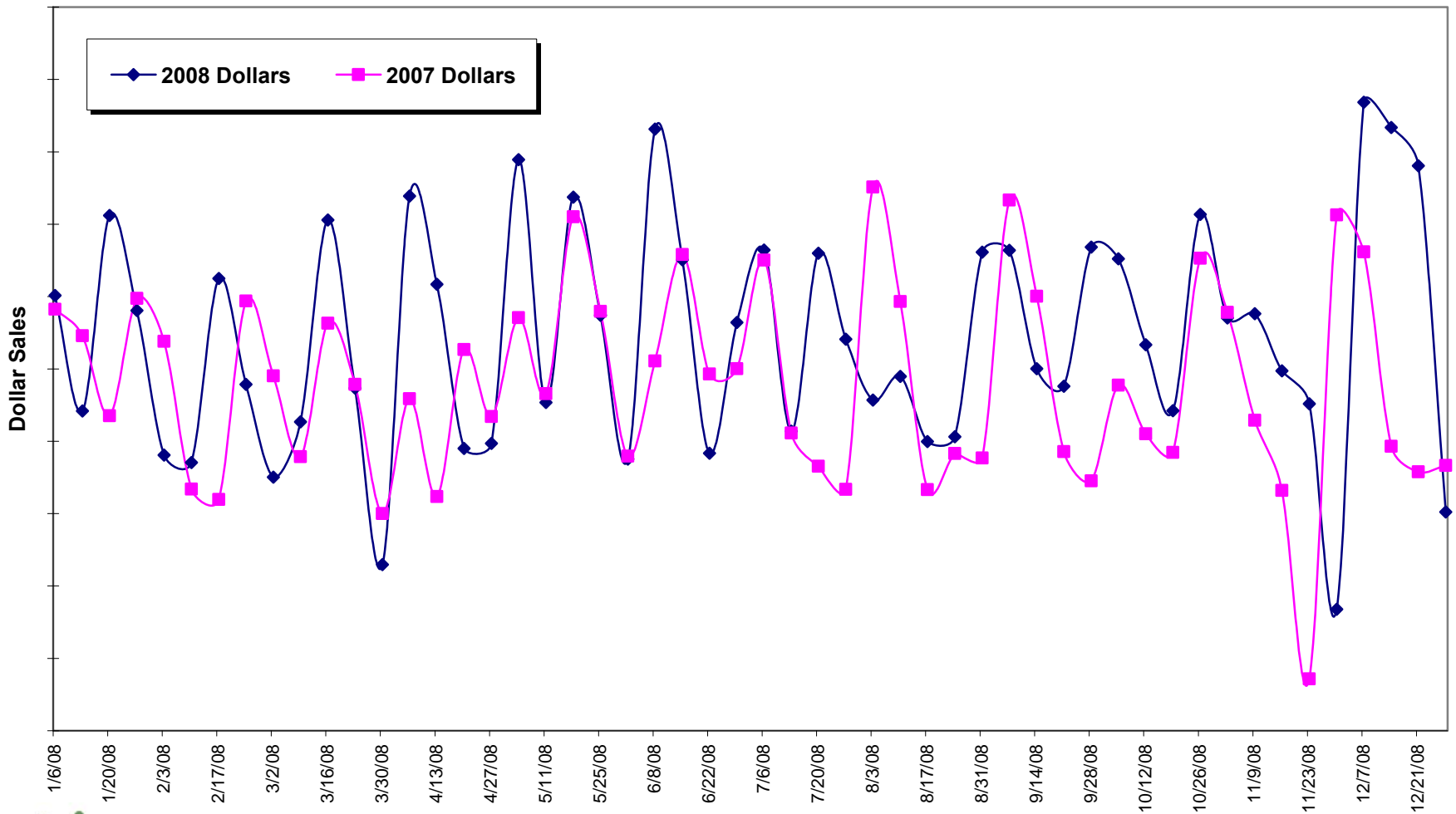
# Retail Pricing – Chicken Legs

2008 Average Weighted Retail vs. 2004-2007 & BLS 2008



# Patterns in Promotional Timing

2008 vs 2007 Single Account Dollar Sales - Ground Beef <84% lean



# Retailer Interviews

# Retailer interviews

## Macro store environment

- ☞ **Store opening, expansions, conversions to higher end formats have either slowed or are on hold**
- ☞ **Larger retailers hold edge over smaller competitors due to their ability to leverage size to gain price and supply advantage**
- ☞ **Increasing concern about the recession creating a legacy switching issue to alternate channels, specifically Wal\*Mart and Costco**
  - Increased efforts to maintain customer loyalty through the recession in the hopes of reaping a long term payout

# Retailer interviews

## Meat Merchandising Strategies

- **Increased focus and coordination with the meat department over what items are run on the front page of the ad**
  - Meal planning opportunities that bridge across the store to create value
- **Investigating or beginning to use new, outside of normal merchandising practices aimed at retaining customer dollars**
  - Use of “Buy One Get One Free” offers
  - Store purchase offers: “Purchase \$X.<sup>00</sup> groceries or meat and receive \$Y.<sup>00</sup> off your next purchase
- **Lower retail prices on turn (began earlier in Wal-mart markets) to retain traffic and create/retain a value image**
- **Increased emphasis on store branded meat product lines to retain margins**
  - Even a reposition of commodity product

# Retailer interviews

## Meat Merchandising Strategies (continued)

- **Shifting to greater emphasis on grinds**
- **Anticipate shift towards pork due to value**
- **Retailers struggling to merchandise the whole animal as more middle meats come into the market, but demand is off because of the retail price points**
- **Retailers asking packers for new solutions to help them merchandise better**
  - New cuts with a value proposition that they can build around
  - Pre-cut case ready programs on selected cuts
  - Value pack plant packaging as a transition to bulk “club style” buying
  - Sponsored analytical services to measure their performance

# Retailer interviews

## Consumer Response

- ☞ **Increase in store traffic as consumers slide more of their dollars into the grocery channel and away from certain sectors of food service**
  - Increasing turn business
- ☞ **Sharp increase in “cherry picking” by consumers across multiple competitors and multiple channels**
  - Resulting in more educated and at times less valued consumers
- ☞ **Shifting buying habits**
  - Trading down dollars from more expensive cuts to those with greater value
  - Larger size packages, cut and freeze
  - In some cases consumers trading up to more expensive prepared meals that save time even though they cost more

# Concluding Comments

- **Fresh meat continues to be a push business**
  - Supply side of the market still driving what consumers buy due to exposure of product at retail
  - Consumer demand by way of turn business is having greater influence over what is being “pulled” out of the retail case
- **Retailers are evolving their decision making on fresh meat merchandising, but real change on a broad scale will be slow**
- **Broad category level figures are moving slowly, but sub segments are seeing a swifter change as consumers react at the point of sale**
- **Consumers are seeking value in terms of price, size and outlet**
- **Fresh Meat business is dynamic with no single magic bullet**