

# 2001 and Counting

## The CAB® brand enters its 24th year in fine form.

by Crystal Meier and Steve Suther

**R**ecord sales by a record number of Certified Angus Beef LLC (CAB) licensed restaurants helped the Foodservice Division to be the leader in CAB 2001 total sales gains by division. The number of U.S. restaurant licensees grew to 4,060 businesses, selling 165.9 million pounds (lb.), which was up 2.9% from 2000. The International



Jim Riemann

Division, with 408 licensed restaurants and 792 retail businesses at 50 ports of call, posted a record 86.4 million lb. in sales, which was up 4.1%. Value-added sales also grew by 3.1% to reach 9.5 million lb. Retail sales by the 3,308 U.S. licensed stores continued as the mainstay of the brand, accounting for 51.2% of sales. However, lack of retail featuring in the first half of the year, coupled with suspicion in the United States because of European animal disease outbreaks set up a wary market. Ending the year in the shadow of the Sept. 11 terrorist attacks, total program sales of *Certified Angus Beef*® (CAB®) fell just short of projections at 537 million lb.

The extraordinary circumstances in September forced cancellation of the CAB annual conference, but the brand still found much to celebrate, President Jim Riemann says. "Production and sales of CAB Prime product grew significantly, both in retail and foodservice." Likewise, production of the brand in Canada grew to supply new Canadian retail and foodservice demand.

Angus cattle producers and feeders, led by the premiums paid by licensed CAB packers, are discovering it pays to aim high.

"Stories abound from our 68 licensed feedlots of 30% and higher CAB acceptance rates and significant financial rewards," Riemann says. "The word is spreading; beliefs are changing. Traditional thinking about genetics, feeding and managing cattle to produce high-quality beef is changing."

### Fine-tuning supply

DNA testing for marbling potential is a step closer to commercial availability, after a year of sequencing and validating. The test identifies whether cattle have the genetic

potential to produce flavorful, high-quality beef if fed and raised properly. It may unlock doors for producers to profitably increase customer satisfaction.

Heritability studies continue that will shed light on what the test means for breeding decisions.

Licensed feedlot partners more than doubled their supply of Angus-type cattle in fiscal 2001, enrolling 76,899 head, which is a 65% increase over last year. Recognition for selling groups of 30% or greater CAB and Prime cattle with zero outliers propelled three feeders — Heartland Feeders II, Menlo, Kan.; Sandhills Cattle Feeding Inc., Bassett, Neb.; and Boise Valley Feeders, Parma, Idaho — to the Bronze achievement level of supplying 500 or more head of such on-target cattle.

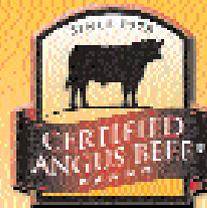
Managers at these yards say success comes from starting with top-quality Angus cattle and then giving them personal attention, including sorting for finish and quality. More than 48% of enrolled cattle last year were sorted at least once before harvest. When it comes to quality, CAB acceptance rates for licensee-fed cattle are about 4% higher than the brand's average in the plants in which feeders deal.

The combination of licensed feeders' quality mindset and performance gives them an edge in the CAB co-sponsored "Best of the Breed" national Angus challenge and its \$340,000 in cash prizes. The challenge began in August and promises rewards in January 2003 for the pens with the highest total carcass value divided by pounds using the contest grid.

Three new plants joined the supply line this year. Murco Foods in Plainwell, Mich., and ConAgra Beef in Dumas, Texas, give the brand access to 82% of the nation's fed cattle. The Better Beef plant at Guelph, Ontario, licensed in late summer, brings the number of Canadian plants producing the brand to three.

### Icon and brand

Maintaining annual sales above the half-billion-pound level, CAB focused on



strengthening the brand in 2001. Market research revealed greater than 80% brand recognition in six major North

American markets.

"The studies helped our Marketing-Communication Division understand how consumers perceive the brand, and what actions may successfully differentiate CAB from the multitude of lower-quality Angus brands," Riemann adds.

Loyal customers expect top-of-the-line beef every time they buy it. For them, the brand's logo has become the green light for making a purchase and ultimately driving demand for superior Angus cattle. To give that same high-quality message to new consumers in a fraction of the time, CAB refined the brand's icon. It offers premium appeal and debuts with an intriguing promotional campaign this spring.

"We listened to the brand's consumers through our qualitative and quantitative research," says Tracey Erickson, CAB vice president. "The new, richly colored mark keeps the signature design elements consumers associate with the *Certified Angus Beef* brand but denotes the premium quality within. Similarity to the traditional mark invites recognition by existing customers, promising a smooth transition. It will also assist us in setting our brand apart from other Angus products."

Consumers began seeing the new mark on licensed restaurants' menus designed by our staff. It will next appear on package labels in licensed meat departments before the start of the 2002 Olympic Winter Games in February.

"It will take some time for a complete transition, so both logos will be used for a time," she said. "We are confident our consumers will associate the new design with the brand they trust."

### Adding value and recognition

Baseball and hot dogs are an American matchup and the CAB frankfurter manufactured by Fred Usinger Inc., Milwaukee, Wis., hits a home run with consumers. The July 3, 2001, edition of *USA Today* noted the popular hot dog took first place in a frankfurter taste test co-sponsored by the Baseball Hall of Fame. The same CAB Usinger frank will be supplied to the 2002 Olympic Winter Games in Salt Lake City, Utah, next month, along with RMH Foods' precooked pot roast, Levoniam Brothers' deli

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meats, W&G Marketing's barbecue beef, and Advance Foods' chili.

"Value-added products established a greater presence in retail and foodservice businesses, increasing processors and products to set the stage for continued growth," Riemann says.

"More usage of these products will not only increase brand presence, but value of the brand through greater carcass utilization."

New partnerships with large-scale manufacturers drive substantial CAB

product volume and brand presence in the consumer marketplace. Licensed in 2000, Aidells Sausage Co. began producing fajita- and teriyaki-flavored CAB sausage last May, marketing to Club stores (Sam's and Costco). Emmepak Foods began marketing CAB roast beef, corned beef, pastrami, smoky beef brisket, cooked prime rib roast, pot roast and frozen ground chuck patties. The Excel company will play a major role in growing the brand at both foodservice and retail.

Aries Prepared Beef, licensed in 2001, will support the West Coast foodservice market and build CAB demand with Asian/Pacific Rim companies. The most recent partnership involves Advance Foods of Enid, Okla. Besides the CAB chili that will be offered at the Olympic Games, the company offers a country-fried steak, Philly steak and precooked ground-chuck patty.

Value-added products also experienced international growth during fiscal year 2001, with major events in Canada and Bermuda.

"The possibilities are endless and the future is promising for *Certified Angus Beef* convenience items," says division director Brett Erickson.

### Golden opportunity

"Like the athletes, our team prepared all year to get maximum benefit from our official branded beef suppliership to the 2002 Olympic Winter Games in Salt Lake City," Riemann says. Partnerships were formed with licensees to sponsor special events across the country in which consumers, many for the first time, sampled those value-added products that will be featured at the Olympic games in February.

"It has been a marathon effort that will extend beyond 2002 as our brand will continue supporting the U.S. Olympic team through 2004, winning continued consumer accolades," he says.

When the modern Olympic Games

began in 1896, no one fathomed corporate support. Today, putting on the Olympic Games without it would be nearly impossible. Companies giving support enter into a win-win situation that has two major dimensions, says Deanna Scrimger, CAB Olympic coordinator.

"It was a good marketing decision for us, as the leading brand of beef, to take part in some of the limelight cast by the Olympics," she says. "But most important are the attributes demonstrated by the games — transcending limits and breaking barriers to reach new levels of excellence. That is how the *Certified*

*Angus Beef* brand was started and continues to operate today.

"The second dimension is the huge amount of pride and excitement in knowing, that in our own way and to the best of our ability, we are helping put on some of the finest Olympic Games to date." The world will focus on Utah for only 17 days. CAB involvement started two years ago, on Feb. 6, 2000, and will include the 2002 Paralympic Games in March as well as continuing support to the U.S. Olympic Team through 2004. Naturally, the suppliership has been a major focus for fiscal 2001.

Olympic suppliership marks went on everything from the company stationary, to cooperative advertising with approved licensees, to conducting a national consumer sweepstakes and offering sales incentives. CAB also conducted 15 sales contests to motivate licensees and drive value-added sales. The 90 winners will attend the Olympic Games as special guests of CAB.

Besides continuous promotion for the CAB value-added products on the Olympic venue, the brand created two full-page food features to focus on the Olympics. The first

reached a circulation through daily and weekly newspapers of more than 7 million and helped promote the consumer sweepstakes. The second will appear in newspaper food sections during the games.

Other releases included a set of hors d'oeuvre recipes developed by Dianna Stoffer, who is a CAB foodservice specialist for chains and is also a certified chef. These recipes, designed for chefs and consumers for CAB Olympic hospitality, feature items from the value-added product line. By the time the games take place, recipes will have been shared with consumer and trade media and placed on the Web.

The brand is already present on menu boards at Olympic food venues. It has been served at events at those venues since Nov. 1, 2001. Olympic-themed CAB brand advertisements have been seen from California to the East Coast. Most of the licensed retail stores (about 1,800) took part, and most foodservice distributors and value-added licensees also chose to join in the Olympic momentum.

Promotional efforts culminate with an eight-city ice carving demonstration partnership ending in Provo, Utah, as part of the Olympic Arts Festival and to welcome CAB winning incentive and sweepstakes guests while James Beard Foundation chefs at the festival cook with CAB fresh beef cuts. More than 350,000 lb. of CAB brand product is expected to be consumed during the games.

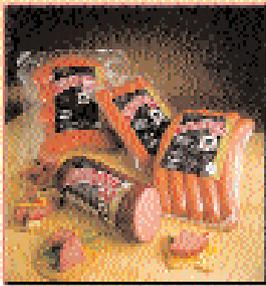
"All these efforts not only help promote the brand and our licensees offering it, but give premium Angus beef its due," Scrimger says. "This is the ultimate reward for the Angus producer and the beef industry — to see the best fruits of their labor showcased and then to have demand for that quality product increase."

### Primed for progress

Foodservice and restaurant licensees tempted customers' palates for the ultimate in beef — CAB Prime. National Beef Packing became the second plant offering this elite product, bringing Prime sales to 1.1 million lb.

The exceptional quality in this niche item makes it a natural for foodservice. In fact, El Gaucho restaurants in Portland and Seattle rely on it. "Nobody has better beef than we have. There's no competition," says owner Paul McKay.

CAB Prime takes restaurants a cut above the nation's leading steak houses. It's not just for fine restaurants, though. In America's heartland, Reasor's supermarkets never



**2002 Olympic Winter Games**  
**For 17 days (Feb. 8-24, 2002), the**  
**world's focus will be on Utah.**  
**Eighty countries will be represented**  
**by 3,500 athletes and officials.**  
**More than 10,000 media**  
**representatives from around the**  
**world will be there, as will**  
**2 million spectators.**



► Employees in Hanwha's five licensed retail stores encourage customers to sample *Certified Angus Beef*® (CAB®) Prime cuts.

underestimate consumers' demand for quality at their 12 Oklahoma stores.

"We try to keep prices competitive and close so they can try the Prime, and as customers try it, they tell us," says Paul Roach, director of meat operations. "No. 1, they tell us about the flavor versus our competition." Customers also appreciate the opportunity to shop where they can buy CAB brand Choice or Prime.

Internationally, Asia is the leading market for Prime. Hanwha Corp. debuted CAB brand Prime in December 2000 at five of its Seoul, South Korea, stores. The two-week promotion helped Hanwha position it as the highest-quality imported beef. South Korea's market liberalization in January 2001, continues to open doors for the brand.

### Canadian, eh?

The first full year of Canadian production reached 8.8 million lb., 1.5 million lb. more than the initial capacity anticipated for the two Alberta plants. IBP-Lakeside, at Brooks, and Cargill Foods, High River, became licensed in late 2000. Better Beef, Guelph, Ontario, joined the team in September, making it easier for Eastern licensees to purchase Canadian-produced items if they prefer.

Canadian production assists licensees in increasing sales because desire for domestic product, especially in Western provinces, is satisfied. In addition, some demand comes from outside of North America, amounting to nearly 300,000 lb. last year. Ultimately, the supply of CAB brand product increases for all licensees and meets anticipated rising demand.

Overwaitea Food Group, a chain of 84 stores throughout Alberta and British Columbia, introduced Canadian-produced CAB products under the Overwaitea Foods, Save-on-Foods and Urban Fare banners. Today, Longo's, a chain of 12 stores in the Toronto area, and numerous independent retailers offer the brand from Canadian plants.

Interest exists from the Canadian

foodservice sector as well. Since Lakeside began production in October 2000, Intercity Packers has licensed 17 Vancouver-area restaurants, on behalf of CAB, to promote the brand to their clientele.

### Gains with chains

Offering high quality at a good value has piqued the interest of casual restaurant chains across America. In 2001, the top 10 licensed chains experienced a 12% increase in CAB brand sales.

While half of all CAB licensed restaurants are chain locations, the CAB brand has merely crossed the threshold of these categories, says CAB specialist Dianna Stoffer. "There's great potential for driving consumer attitudes and understanding of our brand at a large number of locations, even with just one item on the menu." For example, Chili's Grill and Bar offers a CAB country-fried steak on menus at 649 U.S. locations. Satisfied diners later seek the brand at other establishments as well.

"One of our top 10 chains, Steak and Ale, discovered sales potential with a second cut," Stoffer said. "*Certified Angus Beef* brand sirloin roaster joined our brand's top sirloin steak on some of the chain's menus for a test period. Its success led to the roaster being offered at all 60 locations. In turn, sales of a CAB burger at the new Plano Tavern concept in Plano, Texas, brought the burger to lunch menus at all 60 signature locations."

Chains also have power to produce win-win promotions. The regional Saltgrass Steak House chain, with 27 Texas locations, embarked on a \$1 million television advertising campaign featuring the brand. The ads aired before, during and after the Houston Livestock Show and Rodeo, where Saltgrass offered CAB brand "saddle sandwiches" to attendees.

When it comes to food on the go, the brand brings a whole new flavor profile to "cheap eats." In Arizona, Filiberto's Mexican Food is among the top 10 CAB licensees with just 19 locations. Customers experience CAB flavor with Mexican flair for a mere \$3.50 per order. Also a top 10 chain, Blake's Lotaburger in neighboring New Mexico offers CAB brand barbecue beef sandwiches and burgers at its 76 outlets.

### Global ties that unite

Access to the brand grew worldwide. The [www.certifiedangusbeef.com](http://www.certifiedangusbeef.com) site introduced the Flavor Finder, a tool that helps consumers find the brand at restaurants and

grocery stores any time a craving strikes. Additionally, products were first offered to consumers on the World Wide Web.

In Mexico, *Comercial Norteamericana* became the first portion-control plant outside of the United States to cut CAB brand steaks for restaurant customers. The timing was ideal. In the spring, rising tariffs on portion-cut imports made it cost-prohibitive for restaurants to order cut steaks from the United States. Restaurateurs began ordering primals and cutting them, which tends to reduce their cost savings and uniformity. Licensed distributors anticipated the availability of locally cut steaks.

Fine beef flavor transcends languages. In Japan, celebrity chef Yoshihiro Fujimoto helped 80 individuals prepare CAB brand entrées, leading them to discover how well the brand fits into their dinner menus. Similarly, in Houston, cookbook author and cooking show host Melissa Guerra demonstrated Texas-style beef entrées at a CAB-licensed Randalls store. Her recipes offered customers ideas for using underutilized cuts.

Leading chefs took the brand to the fall 2000 International Culinary Olympics in Erfurt, Germany. The American Culinary Federation's Team USA earned a medal in the hot foods competition with a CAB brand tenderloin.

The Internet linked communications directly to licensed partners in 2001. Frequent electronic messages now inform them of brand news, trends and industry issues that affect their bottom-line profits. As this communication trend helps CAB refine communication efforts worldwide, the brand can grow at the speed of a keystroke.

"All the steps and incentives we make are focused on creating win-win opportunities for our licensed partners and our brand," Riemann says. "Consumers and producers will be the ultimate winners with fantastic brand availability driving demand and making our brand, and licensees' businesses, destinations for the premier beef brand.

"We ended the year with renewed determination to grow, strengthen and differentiate the *Certified Angus Beef* brand," he says. "The steadfast commitment of our licensed retail, foodservice, and international partners is clear evidence that CAB products consistently deliver great-tasting eating experiences to their customers. We must stay focused on exceeding consumers' expectations." 

