



CAB Program Overcomes INTERNATIONAL BARRIERS

BY CRYSTAL MEIER

WHEN IT COMES TO QUALITY AND TASTE, THERE ARE NO CULTURAL BARRIERS CERTIFIED ANGUS BEEF PRODUCT/S ENJOYED BY CONSUMERS IN 19 DIFFERENT COUNTRIES. THERE ARE, HOWEVER, SEVERAL OBSTACLES

PARTICIPANTS MUST WORK THROUGH TO GET PRODUCT TO THESE VARIOUS DESTINATIONS

International partnerships are necessary to ship Certified Angus Beef product around the world. In addition to the expected culture and language differences and government regulations, beef shipments require a lengthy transit time, constant product



Tokyo is one of the many export destinations for Certified Angus Beef™ product.

temperature and cooperation among several participants.

Ted Suenaga, Pacific Overseas, Tokyo, says The Bruss Company, Chicago, Ill., a licensed exporter, fully matches Pacific Overseas' idea of a partner. "Bruss tries hard to understand our business surroundings, habits and preferred items," says Suenaga.

Both Suenaga and Butch Pfaelzer, chairman and CEO of Bruss, identify communication as a necessity in their partnership. They work together to supply New Tokyo restaurants, a chain of 49 licensed restaurants, with Certified Angus Beef product at the best possible value. "We keep them apprised of buying opportunities, new product availability, market trends and marketing ideas," Pfaelzer explains. "They, in turn, keep

us fully informed of marketing plans and purchasing requirements."

Service is evident in this venture. Bruss' product aging programs meet New Tokyo's requirement to provide consumers with quality products. Additionally, Bruss sends several smaller "sample" shipments to Japan to verify cutting specifications and provide accurate costs.

Pfaelzer also travels to Japan each year to visit accounts with Pacific Overseas. When first doing business with New Tokyo, he was told it was far more important to have a personal relationship than to do business. "Over the years, we have become true friends with some of the key people," he adds.

In Canada, Retail Ready Foods supplies Loblaw's

Supermarkets with Certified Angus Beef product. John Ferraro, president of Retail Ready Food Products, Kitchener, Ontario, says his company has established credibility and a strong rapport through an evolving, interactive process.

"We have attained beneficial goals such as expanding unique product lines in Loblaw's fresh meat cases," Ferraro explains. "We have also created a relationship that maximizes the expertise of Loblaw's in-store staff, meat specialists and merchandising directors."

He cites collaboration as the key to this partnership. Retail Ready identified potential challenges prior to test marketing Certified Angus Beef product at the first licensed Loblaw's store. Then, these partners implemented in-store product samplings, conducted store visits to provide informal training and observed consumer and staff comments.

"By continually evaluating the results of these actions, it gave more certainty and foundation to the success of the CAB Program in the next 13 stores, and one year later, in a flourishing chain-wide Program," Ferraro says. Now, 69 stores are licensed.

They are also branching into promotional partnerships, Retail Ready is working with Loblaw's to prepare for its first chain-wide Certified Angus Beef advertising campaign. Also, Retail Ready places Certified

Angus Beef promotional materials and displays in Loblaws stores and makes it easy for the stores to place product orders and track their usage.

Retail Ready's monthly newsletter provides the stores a forum to share ideas and information about issues, opportunities, research and successes. "The feedback we receive helps us continually evaluate the outcome of our actions," Ferraro says.

Additionally, Retail Ready provides sales analysis and market trend information to Loblaws' merchandising office. This information helps these partners discuss conditions affecting *Certified Angus Beef* product prices to assist in ad planning.

Freedman Food Service, Dallas, Texas, and Comercial Norte Americana, Mexico City, are expanding their partnerships in the Mexican marketplace.

During May they conducted a chef's association meeting in Cancun. They highlighted lower cost beef cuts and corresponding menu ideas. "By showing interest in the success of these chefs and in market development, we fully expect to gain more CAB Program partners," says Ron Boatwright, Freedman's general manager.

In Freedman's partnerships, a little "give and take" is expected to reach mutual success. "We express, and listen, to problems, needs, goals and ideas," Boatwright explains.

Freedman, a co-owner of Comercial Norte Americana, may simply be winning partnerships by continuing operations in Mexico. When hard economic times hit during December, several U.S. suppliers closed shop. "Many of our Mexican friends have been impressed that we are in for the long term," Boatwright says.

The devaluation of the peso is the litmus test for partnerships in Mexico.

Customers suddenly faced tough decisions because imported product doubled in cost. "To keep them on the CAB Program, we had to make price concessions, and they had to accept much higher food costs," Boatwright says. "We're both accepting short-term losses for long-term gains."

However, the devaluation of the peso has not dampened enthusiasm for the CAB Program. Fiesta Americana Hotels, the largest chain in Mexico, decided to offer *Certified Angus Beef* product during 1994. "When the peso devaluated, we thought they would drop the program, but they have not faltered at all," Boatwright says. The plan is still full speed ahead.

The CAB Program also plays a partnership role in international market development. During May and June, the first *Certified Angus Beef* retail promotion was held in Bermuda.

Although product has been in this market for a few years, this is CAB Program's first focused, joint effort with a licensee to explain its product qualities to Bermudian consumers. Promotions include full-page ads in the local paper and in-store product samples presented by a chef.

John Ryall, sales manager for the Butterfield & Vallis consumer products group, identifies the CAB Program as his promotional partner due to supplied information, promotional materials and advertising support.

"We believe this knowledge will increase consumer demand for *Certified Angus Beef* product in Bermuda, which is traditionally quality oriented," Ryall says.

International trade can be challenging. Still, through partnerships, CAB Program participants are making it a small, small world.

AJ

CAB Program Delivers by land, Sea and Air

Shipping by LAND



Example Dallas to Mexico City

Cost of product	= \$500/lb.
Truck freight from Dallas to Mexico City	= 0.10/lb.
Tariff and brokerage charges (about 3.6%)	= 0.18/lb.
Total	= \$5.28/lb.

Pros/Cons

- Codes and documentation must be perfect to avoid delays at the border.
- New and changing Mexican government regulations can cause confusion as to the exact requirements for shipments. It's important to maintain relations with embassy contacts to be apprised of potential changes and actual requirements.

Shipping by LAND & SEA



Example: Louisville Ky., to Osaka, Japan

Cost of Product	= \$5.00/lb.
Truck freight, Louisville to Los Angeles	= 0.10/lb.
Ocean freight from Los Angeles to Osaka	= 0.25/lb.
Subtotal	= \$5.35/lb.
Tariff (currently 50% of landed value)	= \$2.68
Subtotal	= \$8.03/lb.
Consumption Tax (3%)	= 0.24
Fee for Clearing Customs & Transportation	= 0.15/lb.
Total	= \$8.42/lb.

Pros/cons

- Ocean shipments are scheduled by a full 40,000-pound container.
- Full ocean containers can be loaded and sealed at the plant where the product originated and not opened again until they reach Japan. This means the temperature can be set at the plant and remain the same until it reaches its destination. The product remains in good condition, and the opportunity for contamination is minimized.
- For partial containers, the truck makes several stops on its way to Los Angeles, or the product is first put into the ocean container in Los Angeles. This increases the opportunity for temperature variations and potential contamination problems.
- Transit time from the plant to Japan or Hong Kong is approximately two to three weeks. Shelf-life is also a concern to importers and their customers.
- A complicated distribution structure exists in Japan. Product shipments can be difficult to track from the importer through several wholesale distributors to the customer offering the product to consumers. Most of the time, the importer located in Japan purchases insurance.

Shipping by AIR



Example: Chicago to Osaka, Japan

Cost of Product	- \$5.00/lb.
Air freight from Chicago to Osaka, Japan	- \$.75/lb.
Subtotal	= \$5.75/lb.
Tariff (currently 50% of landed value)	- \$2.88
Subtotal	= \$8.63/lb.
Consumption Tax (3%)	= \$0.26
Fee for Clearing Customs & Transportation	= 0.15/lb.
Total	= \$9.04/lb.

Pros/Cons

- Increased** freight cost. With customs duties in Japan, an increased shipping cost significantly affects the product's cost.
- Most exporters indicate that product for overseas destinations is generally shipped by ocean container. Air shipment, however, is available should product be needed in a hurry.
- On a limited basis, *Certified Angus Beef* product is currently being shipped by air to Lima, Peru.