

# Recession + Consumers = Changes in Buying Habits

Insight into how consumers choose whether or not they'll buy beef.

by *Kindra Gordon*

**A**s a global recession continues to plague the 2009 economy, the beef industry is paying close attention to consumer buying habits, particularly their food purchases — and with good reason.

John Lundeen, National Cattlemen's Beef Association (NCBA) executive director of market research, reports that consumers are changing how they purchase food due to the current recession. He shares that in a September 2008 consumer survey:

- ▶ 61% of consumers said the downturn in the economy had altered their food purchases.
- ▶ 24% said they were trading cuts to a lower-price product, like pork or poultry.

Among loyal beef consumers:

- ▶ 29% said they were still buying beef, but were "trading down" to less-expensive cuts or smaller portions of beef.
- ▶ 47% said they were not making any changes in their buying habits.

Acknowledging that the survey is now more than six months old and the economy has seen little recovery, Lundeen says consumer spending on beef is still very constrained.

Similarly, the economy's slowdown has negatively affected beef sales at the restaurant level, says Tracey Erickson, vice president of marketing with Certified Angus Beef LLC (CAB). She reports that at the restaurant level sales of middle meats at the end of 2008 were down 12% and end-meat sales were down 4%.

From the data collected, Lundeen says price right now is the No. 1 factor affecting domestic beef demand by consumers.

"Currently, consumer confidence is low," he says. "If people are optimistic, they feel they can buy a new home or car or steak. But if consumer confidence is low — or pessimistic, as in a recession — they tend to remodel their home and fix their old car rather than buying a new one. They also tend to eat at home versus eating out."

## Keeping beef on the plate

Lundeen and Erickson say it is critically important for the beef industry to recognize these changes taking place with consumer buying habits, and then devise merchandising strategies to help continue to drive beef demand.

As one example, Erickson shares that retail sales of beef — especially for middle meats



— saw an increase in fall 2008. Specifically, sales of middle meats like steaks were up 9% and grinds were up 20%. "This tells us that consumers still want a high-quality eating experience, but are doing it at retail with steak purchases that they can make at home," she says.

By recognizing the current trend toward more retail purchases, Erickson says, retailers have been willing to do price featuring for beef in their ads. Also, grind programs that feature in-house gourmet patties are on the rise at retail stores as consumers look for branded specialty ground beef, Erickson says.

With these efforts, Erickson says, "It's the retailer who is helping beef maintain market share."

Foodservice restaurants are also working to keep beef in front of customers by offering specials. Erickson reports that restaurants

## Marketing to Millennials

As the beef industry designs its marketing strategy for the future, one target audience will be Millennials — those born between 1980 and 2000, who are currently ages 8-28.

"They are 83 million strong, which is as big as the Baby Boomer generation," reports John Lundeen of the National Cattlemen's Beef Association (NCBA). To illustrate their power, Lundeen says that Millennials were 17% of the vote in the November 2008 election — and only half of them could vote.

"That tells me they'll represent a huge shift in our consumer base going forward," Lundeen says. "They'll be buying beef for a long time, and our industry needs to be getting ready for them."

Certified Angus Beef LLC (CAB) vice president Tracey Erickson also acknowledges a need to focus on Millennials. "We can't market to them with the marketing tactics we've used in the past," she says. Instead, Millennials have a desire to engage.

"Marketing to them needs to be faster, louder and interactive," Erickson says. She says examples include social networking pages on the Internet such as Facebook. Erickson says more restaurants already recognize this as Cheesecake Factory and Famous Dave's already have such pages.

Cell phone couponing is another tool that seems to appeal to Millennials. Test markets have shown a 13% redemption rate for such coupons, which Erickson says is "amazing," as the industry average is only 5%.

Other marketing techniques that might better reach this young target market include cooking demonstrations at events or in-store. This could include making your own spice blend for meats or cooking with kids.

"All of these allow our industry to engage, interact and talk about our product," Erickson concludes.

at all price points are offering coupons and frequent purchase loyalty programs.

"These are things we have not seen before in higher-end, upscale foodservice restaurants, but they are saying some business is better than no business," Erickson says.

### Other expectations

What else does the beef industry need to do to maintain or grow market share during this tight economy?

"Consumers are getting choosier and have higher expectations for beef," Lundeen says. Behind price, safety ranks as the second concern among consumers buying beef. Convenience ranks third, nutrition is fourth, and reputation or social consciousness ranks fifth.

**Safety.** From the recent checkoff-funded research study titled "U.S. Beef Demand Drivers and Enhancement Opportunities," Kansas State University (K-State) economist James Mintert says beef safety does affect beef sales. Specifically, he says, "Our numbers say recalls hurt beef demand. Consumers remember recalls and react negatively."

Thus, he says, "Food safety matters. We don't want to give consumers non-price reasons to walk away from our product. As an industry we need to keep quality up and have a proactive food safety program."

**Nutrition.** Lundeen says that in the future the beef industry must focus more on selling its product based on its nutritional benefits.

"An American Dietetics survey showed that more and more consumers are making nutrition part of their food-purchasing decisions, and that trend is continuing every year," he says. "So, the beef industry must be out there telling our story of how beef fits a healthy diet."

Erickson agrees and says that already the CAB program has seen more restaurants and retailers, particularly on the East and West coasts, asking for more information on beef's nutrition so they can provide that to their consumers.

**Product quality & convenience.** "People's lifestyles are as busy as ever, and they need meal solutions that they can get to the table fast to feed their family," Erickson says.

"They are looking for something that is great-tasting, safe to eat and a good value for their money," Lundeen adds. "They also need to know how to prepare it."

Because of these factors, Erickson and Lundeen point out that the trend in restaurant "to-go" meals has been solid, and now consumers are looking for "to-go" meals at their grocery store because it is a little cheaper.

This duo says the take-home message for the beef industry is that ready-to-eat and

## America's new favorite appliance

What appliance saw a surge in sales in 2008? It was the freezer, with sales up 7% from the previous year.

Food industry analysts say consumers see the freezer as a means for stretching their food dollar during the current recession.

"It allows consumers to buy items that are on sale in bulk and freeze them," says John Lundeen of the National Cattlemen's Beef Association (NCBA). Experts say consumers are freezing everything from meats to fruits and vegetables.

Harry Balzer, a national expert on food and diet trends, says the freezer is in line with the trend of more consumers eating at home. "Consumers are not necessarily cooking more, they are just freezing more meals and eating more meals at home," he says.

frozen meals are a solution for today's time-starved society.

"We — beef — have to be where consumers are looking for their meals all throughout the store," Erickson says.

To that end, she says the continued development of innovative beef products is still needed from the beef industry.

CONTINUED ON PAGE 64

## Recession + Consumers = Changes in Buying Habits CONTINUED FROM PAGE 63

As some examples, she reports that CAB has recently launched a rotisserie-style meatloaf to compete with rotisserie chicken. Other relatively new CAB products include a fully cooked prime rib, a marinated London broil and mini burger sliders.

Convenient beef products for foodservice are also important, Erickson says. For instance, she says that entrée items that are precooked and can be made by a cook — instead of a chef — offer value and

convenience to restaurants. “Those need to be offered by our industry,” she says.

As well, Erickson says choices need to be offered among beef industry products. As an example of that, CAB began offering a natural line of products several years ago. “We’re not saying it is better, safer or more wholesome because we don’t want to discredit our traditional CAB product, but it is a different choice for consumers. And as a result, we’ve drawn in a new customer for

the natural product, which ultimately helps improve beef demand,” she says.

**Social consciousness.** Lundeen says the issue of animal welfare and fresh, healthy food continues to be in the press, so it is something the industry must continue to monitor.

“Consumers want the general feeling that the animal was taken care of,” he says. “Seventy-two percent of consumers give farmers and ranchers an A or B for their efforts [in] caring for animals. So we need to continue sharing our stories of caring for the land and livestock.”

Lundeen points out that the term

“carbon footprint” is another upcoming buzzword targeted at reducing greenhouse gas emissions. “Consumers want natural and low-impact products,” he says, and emphasizes again that the beef industry must be proactive in educating consumers on their stewardship efforts.

### **Luxury position**

Last but not least, Erickson emphasizes that the long-term goal is to maintain beef’s position as a luxury item in order to maintain and grow market share.

“Positioning beef is critical. We need to sell it as a desirable, high-quality protein

that is the king of taste. We need to maintain beef’s position as a luxury ... Taste is the great story about beef; it’s the No. 1 reason consumers purchase beef.”

Andy Gottschalk, who has more than 35 years of experience as a beef industry market analyst, agrees that the beef industry’s key is value.

“That drives revenue for the industry,” Gottschalk says. “We will consume everything. The question is how much revenue comes from that consumption. This industry will not survive if it is just selling hamburger. Beef value comes from middle meats, and we need to keep that value up.”

Erickson believes taste is what will ultimately drive the beef industry for the future, saying, “Consumers love their beef. This is the meat of celebrations. It’s the meal they tell their friends about the next day, and we need to remind restaurants of that so they keep beef on the menu — because that is what will bring in more customers for their business.”

She concludes, “We need to remember that the end product we deliver is not beef, but rather taste. People will pay more for greater satisfaction, and taste is their means of satisfaction.”

