

# CAB Distributors



# Face Many Challenges

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But the road ahead looks positive for those carrying the *Certified Angus Beef*® logo.

by Fred Minnick

**R**estaurants are struggling.

According to a recent National Restaurant Association survey, 27% of restaurant operators say the economy is the No. 1 challenge facing their business, while 21% of operators say skyrocketing food costs represent the No. 1 challenge.

In April — the most recent data available — restaurateurs reported negative same-store sales for the fifth time in the past six months, and their outlook for sales growth in the coming months is uncertain.

“The sluggish economy and rising food costs continue to create a challenging business environment for restaurant operators,” says Hudson Riehle, senior vice president of research and information services for the National Restaurant Association.

The restaurant industry is also preparing for the minimum wage hike. And all of these costs go upline to the distributors trying to sell *Certified Angus Beef*® (CAB®) brand product, says Marty Berlin, executive account manager for Certified Angus Beef LLC (CAB).

“All the distributor costs are going up on everything; they are getting pinched in a lot of ways,” Berlin says.

## Pinching pennies

Some restaurants are beginning to request lesser-quality beef to save on costs. Berlin says distributors are struggling to get restaurant owners to understand the price-value relationship associated with high-quality products.

“If I am going out to dinner, and I want a steak dinner, I have a certain eating

experience in mind. If I get anything less, I am unhappy,” Berlin says. “I assume to pay that couple extra dollars if I’m going out to eat.”

On the retail side, grocers are taking a hit on the middle meats, especially the steak cuts — the grilling ribeye, filet mignon and New York strip. They are still trying to provide consumers with quality meats, but the customer is pinching his pennies a little closer.

“The retailers are pressed with: ‘Do we continue to buy CAB at highest quality, or can we get by at a little bit lower quality?’” he says. “A lot of them are creating their own brands that may not have any quality specifications. They’ll put together a good marketing spin on commodity beef and try to pull the same money from that product as they did with *Certified Angus Beef*.”

Retailers see their own brands as a viable solution in the current marketplace, maybe even a long-term fix. But Berlin contends the enthusiasm will be short-lived.

“In the long term, if the customer is disappointed or can’t differentiate in quality between retailer A and retailer B, they have really defeated what they’re trying to do,” he says.

Some have created lower-tier brands using the Angus name to generate excitement, but those products pale in comparison to CAB quality. According to the U.S. Department of Agriculture (USDA) G Schedule, cattle from a randomly selected Angus brand are 51% black hide, have a maturity score of C through E — “that’s old cattle” — and are classified as cow instead of steer or heifer carcass type.

“Those things aren’t going to perform; they’re not even as good as commodity Choice beef or Select beef,” Berlin says. “And yet they’re putting the Angus name on them because they have a black hide. It’s what we call ‘Angus confusion.’”

## Quality sells better than price

Despite the challenges facing distributors, retailers and restaurateurs, and despite the generic brands out there, the CAB name seems to be as good as gold. While many are stepping down on quality to save cash, several companies are stepping up to differentiate themselves in the marketplace.

As a result, CAB had record sales last year and is on pace for record sales in 2008, Berlin says. This pendulum swing was, by design, not an accident.

As distributors face the challenges of the marketplace, Berlin and his cohorts conduct educational seminars to teach reps about beef quality, CAB’s company history and

how to overcome sales objections. Berlin typically role-plays as a restaurateur, giving a list of reasons why he cannot buy CAB product.

“The goal is to help these guys who have thousands of products to sell,” Berlin says. “A lot of them don’t have a meat background. Maybe they were selling electronics last week and now they’re a new foodservice sales rep. We want to get them up to speed, so they can sell the product with confidence.”

### **Solid name, solid product**

While CAB needs the distributors, it seems the inverse is true, too.

“In today’s business climate, the *Certified Angus Beef* brand has never been more relevant,” says Randy Hoogstad, CAB specialist for Sysco Spokane. “As consumers become more discriminating with their dining dollars, the 10 scientific-based specifications deliver the flavor and tenderness that bring customers back.

“We grow as our customers grow,” he continues. “The *Certified Angus Beef* brand product is the most powerful tool I can offer customers to help them grow. Our licensed accounts continue to outperform their competitors.”

Others across the country share Hoogstad’s enthusiasm and results.

Neesvigs Inc., a Wisconsin-based purveyor of fine meats, had a strong showing in the first quarter of people registering to use the CAB logo on their menus. Lee Fritz, vice president of procurement for Neesvigs, says his customers are losing the cheap beef and knocking on his door for CAB.

“This one gentleman had cow tenders as a feature because it was cheap and he always wanted to have a cheap steak on lunch,” Fritz says. “He’s done away with all that, and he’s straight *Certified Angus Beef* now. This year, he’s made a total conversion to the higher-cost quality, feeling you can’t serve marginal

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things and expect to be in the top, to keep [customers] coming back.”

Fritz says not all restaurateurs necessarily understand the brand completely, and he is always selling them the value of it.

“You have to remind them [of] the marketing *Certified Angus Beef* brings to the table and that people are becoming more and more conscious of the brand because of the advertising,” Fritz says. “[Consumers] sit down at a restaurant that’s very nice and they see that [CAB] logo and know the steak is the best there is.”

Neesvigs also spends time with its clients’ waitstaff — the true frontline in restaurants — educating them on the value of *Certified Angus Beef*. At one session, Fritz educated 20 waitresses and at another he created a contest to see who could sell the most CAB brand product.

“Through the training we can provide, they get excited about *Certified Angus Beef*,” he says. “[Waitstaff] can explain the product to their customers. In turn, their tips go up — that’s what it’s all about. We’re in this to make money. Do you want to work for a buck tip at a breakfast place or do you want to work at a place where you get 10 bucks?”

Some restaurants want to carry the CAB

brand steaks, but not the name.

“They may want to say my marketing plan is to promote my own restaurant, my name first, Joe Blow’s Signature Steaks and then the only thing he buys is *Certified Angus Beef*, but he’s not willing to sell it as such. He wants people to remember that they came to his place and his signature steaks were the best,” Fritz says. “There’s others that want to use the logo to identify themselves and use it as a further identifier of just higher-quality consistency.”

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### **Cargill fights market challenges with customer service**

Packers are feeling the economy, too. But the good ones are one step ahead of their competitors.

Cargill is finding that the best way to improve margins is to increase customer service. The international company, which carries the *Certified Angus Beef*<sup>®</sup> (CAB<sup>®</sup>) brand and other Angus brands, offers just-in-time inventory. Instead of buying \$40,000 of beef, restaurant owners are purchasing steaks, halves and other sizes one order at a time.

“Just-in-time inventory for restaurants allows them to make more money at the

table and not waste storage space,” says Cesar Martinez, general manager, Cargill Food Distribution Miami. “They get it when they need it. ... We provide inventory management.”

Martinez sells mostly to a tourist marketplace in the Miami area and nearby islands. He says with the economy shaken up, many hotels are becoming all-inclusive resorts and want a less-expensive product. With Cargill’s extensive portfolio of Angus products, he says, the company is helping customers “keep costs down.”