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MARKETING OPPORTUNITIES FOR NATURAL BEEF PRODUCTS IN THE INTERMOUNTAIN WEST

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- *The use of hormones, antibiotics and environment-friendly production practices are important to all types of consumers.*

- *The potential market for natural ground beef is larger than that for natural steaks.*

The recent release of the proposed Federal guidelines on organic foods has reignited interest over who is buying these products. Natural and organic food sales have grown significantly in recent years gaining market share in several categories. This growth has been mirrored in the fresh meat sector as demonstrated by the increasing share of shelf space in premium meat cases devoted to natural beef and poultry. It is not clear what specific product attributes attract consumers to these products, what consumers value about 'natural' as opposed to 'organic' products, and what effect these preferences have on optimal marketing strategies.

To address some of these issues, an association of Western Colorado meat producers and Rocky Mountain Farmer's Union funded a market survey, which was completed in the spring of 1998. The mail survey was conducted in the Rocky Mountain Region (Colorado, Eastern Utah, Northern New Mexico) by the National Family Opinion (NFO) survey research group. Several natural beef brands were available in natural food stores in this region (including Maverick Natural Beef and Lassater Grassfed Beef). However, at the time of the survey no organic beef products were in traditional supermarkets in the same area. The survey was used to determine what production practices were most important to consumers, thereby enabling producers to develop better production and marketing plans for natural or organic beef. The study also focused on the willingness to pay for natural meat products among Intermountain consumers.

Both pork and beef products were explored in the survey, but this paper focuses on issues related to marketing regional, natural beef products, specifically, ground round and steak. Consumers were asked to rank how important production characteristics related to meat products were to them. These attributes are discussed below in more detail. A second section of this survey also determined what price premiums consumers would be willing to pay for these new products. Combining the information on attribute valuations and willingness to pay for the new product allowed general conclusions to be made about how a new natural beef product could be marketed more effectively. This report highlights important findings and marketing implications.

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How Consumers Value Production Attributes
The survey of 1400 consumers living in the intermountain region of Colorado, Utah, and New Mexico asked consumers to rank the importance of several production attributes for both beef and pork products (from 1-5 with 5 being the most important). The complete list of attributes listed to rank were: No small or crowded pens, No antibiotics, No growth hormones, Grazing managed to protect streams, Grazing managed to protect endangered species, Animal born and raised within 250 miles, Meat aged at 14 days, and Grass Fed. Results indicated that the consumers were highly sensitive to the use of chemical additives in the production of meat as illustrated by the fact that the attributes most important to consumers were "no use of antibiotics" and "hormone free" (Figure 1). Production practices that protected streams and did not further contribute to the endangerment of some wildlife were also of importance to respondents.

Previous research suggested that locally produced products are more likely to be purchased by residents of the area as consumers may see their purchases as a way to support local producers. However, these survey results indicated that the "Animals born and raised within 250 miles" was the least important attribute to Colorado consumers. Subsequently, local producers will have to do more to differentiate their beef than labeling it as Colorado-grown.

Willingness to Pay for Natural Beef Products
In addition to questioning the respondents about their attribute concerns, the survey respondents were asked how much they would be willing to pay for local, natural beef if it were available (see Figures 2 and 3). The base prices given for ground round and steak were $1.69 and $4.99 per pound, respectively (based on prevailing retail prices at the time).

The higher curve in both figures represents those consumers who have purchased natural beef in the past and their corresponding WTP for these natural beef products. As expected, a higher share of consumers who noted past purchases of natural beef was likely to pay at each premium level. This finding adds credibility to the stated preferences of the consumers, since those with revealed preferences (who have made purchases) also respond with consistent stated preferences.

Of the 1400 survey respondents, 521 consumers (38%) were willing to pay $5.49 (10% price premium) for natural steak and 197 consumers (14%) were willing to pay $5.99 (20% price premium). At $1.89 (12% price premium), 912 consumers (67%) would buy natural ground round, and at $2.09 (23% price premium), 403 consumers (29%) were still willing to buy the natural ground round (see Figures 2 and 3). In the ground beef figure, we can see that respondents were willing to pay at most an 83% premium, while no steak consumers were willing to pay more than a 50% premium. In both figures, the difference between the two samples (all consumers and those who purchased natural beef in the past) declines as the price level rises. Finally, past natural beef consumers make up a significant share of the consumers who would pay the highest premiums for the natural, ground beef.

One might assume that those who shop in specialty food stores (including those that carry natural products) would be sensitive to additives and production methods that detrimentally affect the environment. Yet, the survey indicated that even those shoppers who make most of their purchases at traditional grocery stores ranked such attributes highly. Figure 4 illustrates average attribute rankings for those whose meat shopping choices were "some meat purchased in a natural food store," "some meat purchased direct from a producer," "some meat purchased at a meat shop," and "most meat purchased from a supermarket."

As discussed previously, hormones, antibiotics, protection of streams, and protection of endangered species were the most important factors to all types of consumers, while the local attribute was consistently lowest. Those who mostly shop in supermarkets dominate the sample, but 14% of the sample purchased some meat at a meat shop, 6% at natural food stores, and 6.1% purchased directly from producers. As expected, natural food shoppers ranked all attributes higher (and more variably) than the other subsamples. With the exception of local and aged attributes, those who bought meat from producers had higher ranks than the two remaining subsamples. The next highest average ranks were by supermarket shoppers (except for the grassfed, local and aged attributes where meat shop purchasers have the next highest ranks).

Marketing Implications
Consumers in the Intermountain region are very concerned about additives (hormones and antibiotics) to the meat they consume, and somewhat concerned with how friendly livestock production methods are with respect to the environment and animals. In addition, many of these consumers are willing to pay a premium

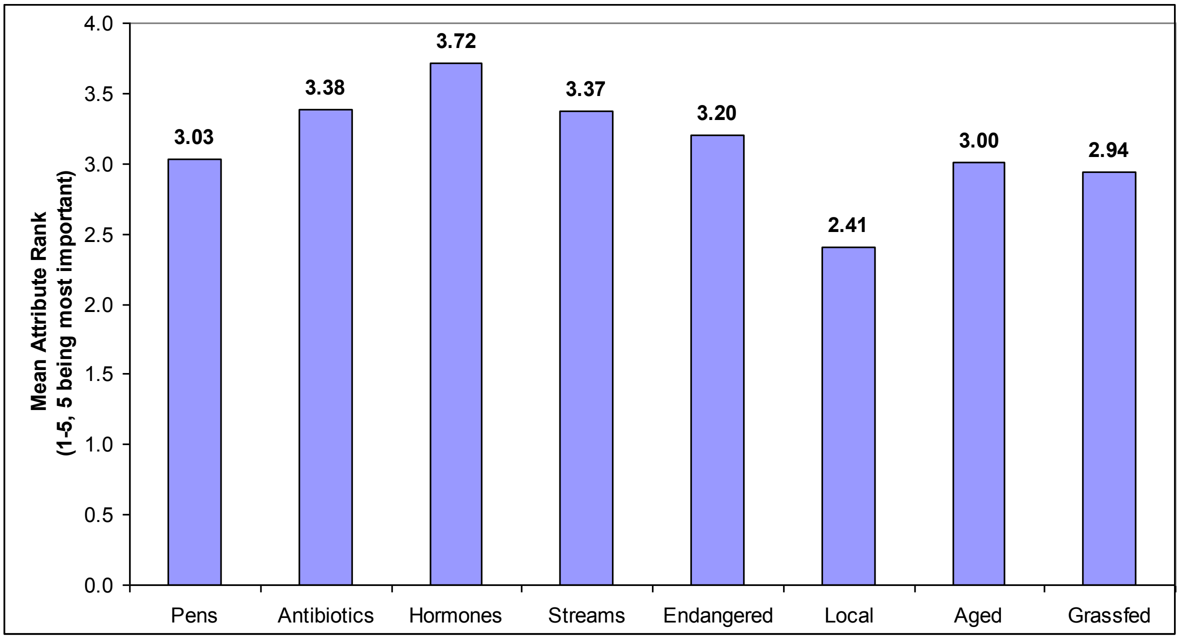

Figure 1. Ranking of Production Attributes by Consumers

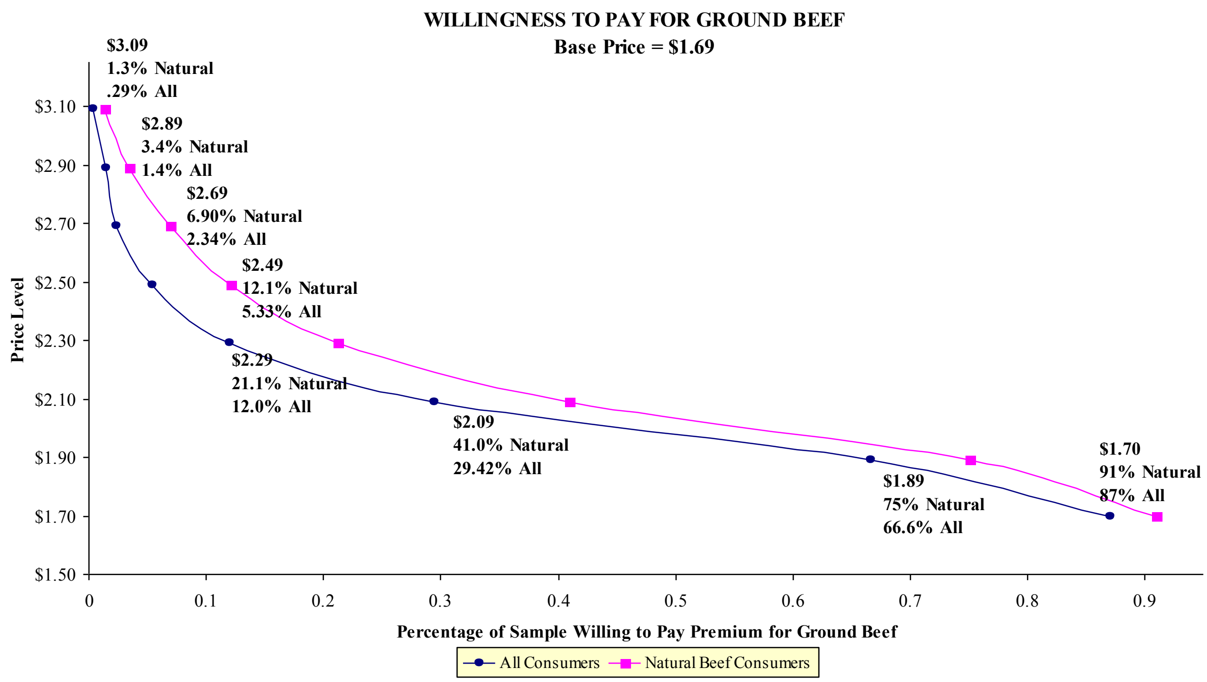

Figure 2: Willingness to Pay for Natural Ground Round

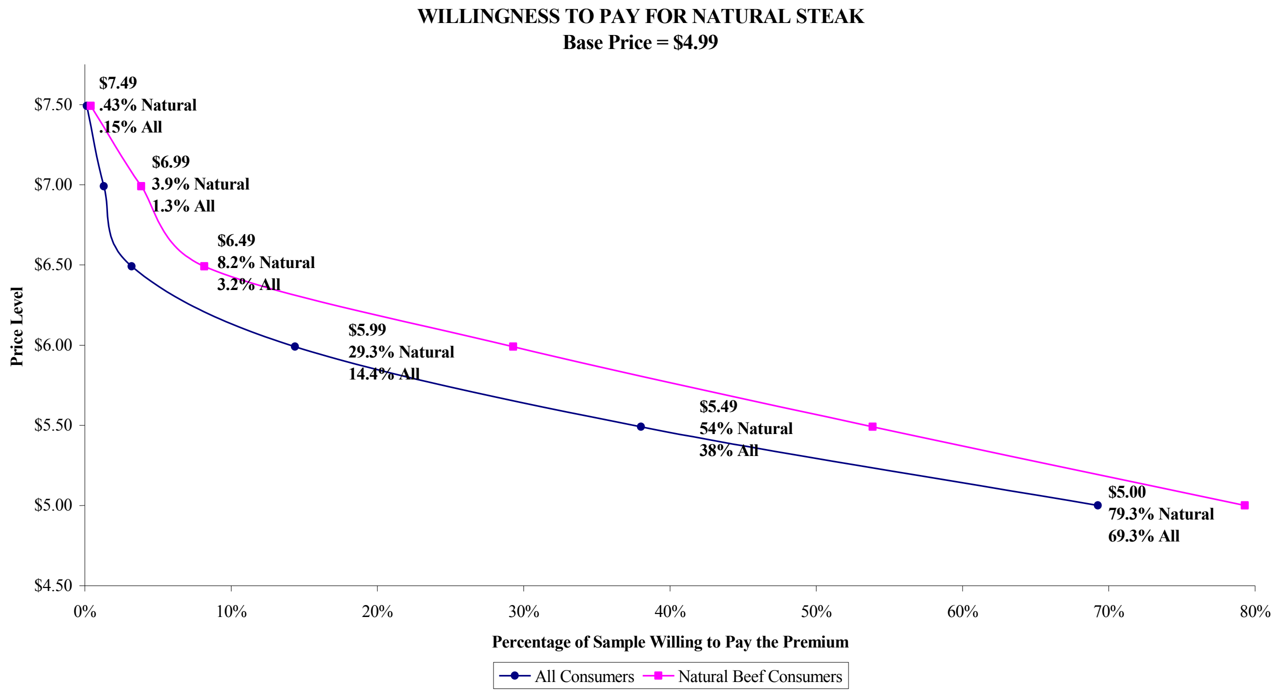

Figure 3: Willingness to Pay for Natural Steak

for natural meat that promote attention to some, or all, of these practices. Unfortunately, the locally-produced attribute is not as important to these consumers, so an alternative marketing strategy needs to be considered. Adoption and promotion of the other practices is especially important if producers want to attract those willing to pay the highest premiums for natural beef to their specific brand of natural beef (and would provide a competitive edge against bigger, established brands).

There is a substantial market segment willing to pay a twenty-percent premium for either natural steak or ground round, indicating a strategy that is well-suited to a traditional grocery store. Producers limited by production capacity may want to look at entering natural food/specialty meat markets, or selling premium local products to restaurants where premiums would be higher (and the lower quantity demanded would make their supply issues more manageable). In either case, this study provides the market research necessary to secure a retailer relationship (or to attract a food broker) and initiate a marketing campaign.

Figure 4: Average Attribute Rankings relative to Consumers' Shopping Behavior