

Who's Our Consumer and What Do They Want 20 Years from Now?

Trends in the Protein Landscape

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Introduction

It is no secret that the protein category has seen challenges over the last five years. The most recent Technomic Center of the Plate Beef and Pork Report (Technomic, 2014) reveals fresh meat shopping trips by today's consumer have declined. This may, to some degree, be attributed to a continual rise in red meat prices since 2010. Who knows, this may be a result of fuel prices, dual outside the home working families or simply just the number of hours in a day. However, don't be fooled, the slight dip in demand does not mean today's consumers have stopped craving red meat. With 97 percent household penetration, consumers still plan meals and special occasions around red meat proteins. One must remember that today's shopper in fact we must first understand and appreciate everything that has changed around them. While it is true that the millennial generation has driven this growth, these dynamic and interesting changes expand well beyond them. More than 80% percent of consumers, ages 18-64, have access to the internet, with that number growing to over 93 percent for those under the age of 50. For most easy access is strapped to their belt or carried in purse. In 2015, it is estimated that 78 percent of consumers have a smartphone and over 40 percent of consumers own a tablet device. With these advancements in technology, it becomes important to remember the **5 "M's"** associated with today's consumer and the protein that we are providing them.

MEAT LOVERS: According to findings of a propriety study (Cargill Proprietary Red Meat Consumer Study, 2015), true meat lovers have a passion for food, and they know what cuts to buy and how to prepare fresh meat. Quality is foundational for this segment. This group searches the meat case for beef cuts with high flavor and marbling and is willing to open their wallets to pay for the best. These consumers are primarily females' age 45-64 who are either retired or have higher household incomes and represent one-third of all dollars spent in the fresh red meat category. They have more time to prepare meals featuring red meat and have a tendency to bring people together to enjoy a high-quality dining experience. Baby Boomers (born 1946-1964) that prepare beef six or more times per month are considered true meat lovers and tend to be our most loyal consumers. Quality-conscious Baby Boomers mainly purchase red meat to connect with others through a special occasion. Confident in the kitchen, this group has a passion for food, knows what cuts to buy and knows how to prepare fresh red meat. Alternatively, value-conscious Baby Boomers often purchase red meat as part of their routine. Also experienced in the kitchen, they are very comfortable with shopping for, and preparing, red meat.

MILLENNIALS: What may be somewhat surprising is how important Millennials (born 1981-1996) are to the future growth of the red meat category. While Millennial budgets and kitchen experience is limited at the current moment, over the next 20 years, they are going to gain experience and confidence in purchasing and preparing red meat products. Some published reports suggest this group will be the only generational group that plan on spending more on all red meats next year compared to this year. This is certainly one of the reasons why many companies are directing their efforts at communicating with this particular group of consumers. This generational group shares similar motivations with Generation X (born 1965-1980), but because they are at a different income threshold and life stage, their behaviors do not always align. Millennials look for nontraditional sources of information about preparing food, complementing cuts and the latest trends that help support their busy lifestyles. Make no mistake, this younger fresh meat user thinks and acts differently than older, more confident users the industry knows. Keeping Millennials engaged in the fresh meat case will require a shift in thinking from product mix, rethinking the role brands play, how the case is merchandised and priced, and what role value added products play in helping get meals to the table to meet the demands of a busy lifestyle.

MOTIVATION: It is not enough to know our consumers, but we must also understand the motivations behind why they are buying red meat and what they want from the experience. Obviously, consumers desire a consistent eating experience and one way of motivating protein sales is creating a branded program that tells a story. This story (i.e., "brand") must not try to educate the consumer, but connect with the consumer and provide transparency associated with all aspects of the brand. A study conducted by Deloitte (Deloitte, 2015) revealed that consumers still want protein products that are affordable, taste good and convenient, but they are using a new set of evolving factors to make their protein purchases. These new motivational ideas include transparency factors that concentrate on social impact (It is not enough for a company to sell products consumers want at prices they are willing to pay, companies are now expected to demonstrate that they care about more than just profits), safety, health, animal well-being and sustainability. Additional research dealing with transparency (Maslansky and Partners, 2013) determined that 78% of consumers claimed it is very important for retail and foodservice entities to provide information on how food is raised. Many consumers – 40 percent – want this additional information but if they don't receive it they

are confident that the industry has something to hide (Maslanky and Partners, 2013). In a recent NCBA Beef Issues Quarterly publication (March, 2016), it was determined from the Consumer Image Index it was determined that only 1/3 of consumers claim to have knowledge about how animals are raised for food. This number becomes even more diluted when consumers are asked to focus on specific topics (i.e., antibiotics, factory farming, branding, dehorning, packing plant processes). Each year more and more consumers are becoming more interested in how animals are treated and raised for food production. So the dilemma on industry finds itself in is we are trying to be transparent to a group of people that do not have the knowledge base to understand.

MOMS: Women represent the largest market opportunity in the world, according to Forbes magazine. Globally, they control \$20 trillion in annual consumer spending power. In the next five years, it is expected that this number will rise to nearly \$30 trillion. In the United States, women have enormous control, and it's increasing. Reports range from \$5-15 trillion, with Marketing Zeus citing sources that \$7 trillion is contributed by women in the U.S. in consumer and business spending. Fleishman Hillard Inc. estimates that women will control two-thirds of the consumer wealth in the U.S. over the next 10 years. Women handle the bulk of purchasing decisions for everyday items like groceries and clothing — even for those items targeted at men. In fact, 50 percent of products marketed to men are actually purchased by women. That's why items for men are often marketed with women in mind, as well. In addition to being responsible for most of the day-to-day purchases, women are also heading up or influential in large ticket purchases like cars, homes and appliances. Women account for 85 percent of all consumer purchases including everything from autos to health care: 91% of New Homes, 66% of personal computers, 92% Vacations, 80% Healthcare, 65% New Cars, 89% Bank Accounts, 93% Food and 58% of Total Online Spending. A new generation of moms is rattling the baby care category. Here is some interesting information in that 83 percent of new moms are Millennials, making this generation the new target demographic purchasing all aspects of baby care. It has been established that selling to Millennials poses new, unique challenges not seen by generations past. Millennials are even more adamant about their unwaveringly high standards and need for instant gratification when shopping for their babies.

MARBLING: Although livestock producers have felt the pressures of economic change for considerably longer, the 2009 collapse in the U.S. housing market and following recession directly affected consumers and their meat purchasing habits. Even as late as 2013, among consumers who changed their meat purchases, 91 percent were spending less (FMI and AMI, 2014). Despite the recession, demand for high quality beef has continually risen and had obvious effects on the quality of the already low feeder cattle supply. Today, as a result of genetic tool implementation use as well as more affordable feed grains, the beef industry has seen a 12 percentage-point increase in carcass grading USDA Prime and Choice since 1995 (Dykstra, 2014). Currently a tremendous demand exists for high quality, storied beef programs at Performance Food Group. You can have all of the transparency in the world but the product has to check the box for consistent cooked beef flavor and tenderness.

Discussion

In a recent report (Deloitte, 2015) entitled, "Capitalizing on the Shifting Consumer Food Value Equation" underlined how widespread health and wellness and other "evolving value drivers" have become in influencing food sales in the U.S. The year-long study from Deloitte, Food Marketing Institute and Grocery Manufacturers Association included a survey of 5,000 prescreened American adults, fielded to more than 11,000. Survey data were weighed to represent U.S. food purchasers, based on U.S. Census data (age, gender, household income). Food purchasers were defined as adults 18 to 80 who are primary food/beverage shoppers for their households and eat dinner at home at least three times per week. Overall, 51% of those surveyed indicated that they weigh factors including health and wellness, safety, social impact, experience and transparency more heavily than the "traditional" value perception drivers of taste, price and convenience in their buying decisions. The other 49% said they give more weight to the traditional drivers. The shift toward the evolving drivers was "pervasive across region, age and income," meaning that "each and every consumer targeted by food manufacturers and retailers has changed in a fundamental way," stress the researchers. "It's not just Millennials or the most affluent putting these evolving drivers in the mix," summed up Jack Ringquist, principal, Deloitte Consulting LLP and global consumer products leader. Further, "preferences are becoming even more fragmented than the food industry may have anticipated," he said.

The survey also found a shift in how Americans define food safety. Nearly three-quarters (74%) said that a definition limited to foods or beverages not causing any "immediate, physical, harm" is insufficient. Instead, their definitions now include factors such as "free from harmful ingredients" (62%), clear and accurate labeling (51%), and "fewer ingredients, processing and nothing artificial" (42%). Consumers who place more value on the evolving drivers appear to be more likely to use social media, mobile apps and digital sources to research products and brands on the path to purchase. They're also more prone to distrust the food industry than those who put more stress on traditional drivers. Regarding food safety, companies need to ensure that they are satisfying consumers' broadened definition. Regarding "social impact" factors like food sourcing, sustainability, animal welfare, and fair treatment of employees, they are advised to "identify which issues have most opportunity or represent the greatest risk, and when to lead versus follow."

Consumers define the "experience" driver as including factors beyond the actual products offered, such as retail store layout and services, channel innovation, brand interaction, and personalized engagement spanning pre-, during and post-purchase. The survey found "transparency" to be an "overarching" evolving driver. Consumers define it as including clear labeling, certification by trusted third parties, and company attributes such as access and trust. Food companies and retailers should provide access to all relevant information, and "be prepared for two-way engagement to promote trust," sums up the report.

Figure 1. The Consumer Value Driver Plate (Deloitte, 2015)



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