



Understanding Tomorrow's Consumer

Beef industry experts John Lundeen and Joe Pawlak discussed beef consumer trends.



John Lundeen, National Cattlemen's Beef Association (NCBA) senior executive of market research, and Joe Pawlak, a Technomic vice president, spoke about beef consumer trends at the Hereford Genetic Summit Friday morning, Sept. 5. Being knowledgeable about the beef consumer is critical to the Hereford industry because while Hereford seedstock producers might consider commercial cattlemen their primary customer, those commercial Hereford-influenced cattle ultimately become the food on consumers' plates.

Lundeen and Pawlak spoke about what is going on with consumers right now and what they want from beef. They also spoke about the grocery and foodservice industries and what

is important to those individuals who are making buying decisions.

Not meat and potatoes anymore
The first thought-starter Lundeen identified was "It's not meat and potatoes anymore."

"This traditional meal of a steak with potatoes on the side is not where the food industry is going," he said. "And that has implications for our products because people are going to expect beef to do a lot of different things in the future. They're going to expect it to take flavors. They want a product that's moist and that holds up in a kitchen environment or a supermarket deli."

He listed six directions the food industry is going instead of the traditional sit-down supper of meat and potatoes. Ethnic foods,

fusion foods, food trucks, one pot meals, meat with meat and sandwiches are all trends that beef needs to find a way to fit into, according to Lundeen.

A major change has been the drop in numbers for roasts being purchased. In just 10 years, there's been a 30% reduction in people eating roasts. Because roasts were the beef industry's value whole-muscle cut, that decline has an impact.

"Roasts are too big," Lundeen said, "If I have a small household, and I cook a roast, I'd be eating it all week. It's just fallen out of favor. What's growing is Mexican dishes. Other things that are growing are meal kits, sandwich meals and skillet meals. And beef has to perform in all those situations."

Pawlak said ethnic foods have taken over the restaurant

business. Sixty-percent of all eating occasions from foodservice are global cuisines.

"It goes beyond just Italian, Mexican, Chinese," Pawlak said. "We have all these different products with ethnic influences that are finding their way into menus. We've got everything from chutney to pico de gallo, aioli, sriracha. Even Subway has a sriracha sauce on one of their sandwiches today. So ethnic flavors are taking over foodservice overall. Not just in fine-dining or white table cloth restaurants but all the way down into fast food."

What does this mean for beef? Pawlak points out that there will likely be an evolution in the chain of supply to allow for further processing of specific cuts for specific meals. Perhaps an easier, smaller roast will be more popular for home use, and value cuts will be more in demand because the flavoring takes center stage.

Ground beef

"When the recession started in America, ground beef sales didn't go down," Lundeen said. "Because I could take my family out and have a great burger."

In fact, ground beef sales have risen. From 2011 to 2013, ground beef sales increased 2%.

"Two percent, that doesn't sound like much," Lundeen said, "but you're talking hundreds of millions of pounds of additional ground beef eating."

The reason is that ground beef is very versatile. Americans can make tacos or skillet meals or burgers with ground beef in a short amount of time. It's also easy to stretch and serve a family with a moderate amount.

We have the beef version of the chicken nugget in the burger, he added. It is beef's handheld solution. The burger is also customizable, it's a crowd and family favorite, it's tasty. It also has an upside; by adding other meats or gourmet toppings, ground beef can be made fancy.

In fact, Pawlak talked about how that's exactly what "better burger chains" have done. To differentiate themselves from fast food chains like McDonald's or Wendy's, places like Five Guys, Smashburger and Mooyah, to name a few, have struck gold with a more expensive but better, bigger, more customizable burger.

Moving forward, Lundeen said, producers as an industry



"Healthy eating has changed in the consumer's eye. Fresh is the new healthy."

— Joe Pawlak

need to be aware and keep ground beef as their value offering. It's a big part of sales, and there is an expectation of quality. He said to expect blending in the future. There is already some blending of chicken and beef and beef and mushrooms. Also, he said to expect more toppings and more creativity with burgers.

It's a small meal or snack

"We are seeing a lot more small meals for a variety of reasons," Pawlak said.

A few reasons for that trend are smaller households, solitary eating and people eating less but more often for health reasons. Moms are more like short-order cooks now, preparing one thing for themselves, something else for the kids and a different meal for dad. The fourth meal, a small meal or snack after dinner before bed for those who stay up late, is also a new phenomenon.

The statistics show that now 47% of eating occasions are alone, and 50% of all eating occasions are snacks. This information creates problems on the retail side for beef.

Lundeen recently completed a thought-leader survey with supermarket executives. The results show that to deal with rising prices and the demand for smaller portions, grocers are doing three things: either cutting steaks thinner, cutting steaks into portions or starting with a smaller primal cut.

None of these is a perfect option. Thinner steaks result in overcooking, which compromises the eating experience. Cutting steaks into portions requires labor, which reduces grocer profit. Starting with small primals would require a smaller carcass, which reduces the efficiency of the beef business.

"Moving forward, we are seeing more further processing taking those products and making even smaller portions to meet these needs for smaller portioned snack type items that consumers want, whether that be on the retail side or for foodservice operators that are feeding consumers with those products," Pawlak said.

Quality matters

"Taste is the most important consideration when someone decides what to put on the table each night, even more true for what to order in restaurants. We have to continue to produce a really tasty product," Lundeen added. "That's what differentiates us from the other animal proteins and from other meals that I can put on a plate."

Consistent quality is very important, especially when consumers do decide to spend



"We have to continue to tell the story about how we are caretakers of the land and caretakers of each animal. It will become a more important thing in the future."

— John Lundeen

the money and splurge on steak. It must be a consistently excellent experience or consumers won't pay for it the next time.

More and more consumers are buying ready-to-eat-food, like a rotisserie chicken, at supermarket delis. These delis are convenient because the consumer is already there shopping and the food has perceived value but the food must also hold up under a heat lamp or in a refrigerator after preparation.

Pawlak points out that healthful eating has changed for consumers. Where it was all about what you can't have — i.e. low calorie, low fat and didn't taste good — now it's OK if it's got fat and calories as long as it's natural and wholesome. It's all about fresh food in moderation now. Key marketing words with appeal are fresh, unprocessed, local, no preservatives, made-to-order, nutritious, premium, artisan, authentic, seasonal, real, homemade.

The takeout industry has blossomed to 40% of all foodservice sales. And the most important factor to consumers when purchasing food to go is that it must taste as good as when dining in.

"It's difficult to go into a sit-down restaurant and invest an hour and a half for a full meal when everybody is busy," Pawlak said. "But food quality is often impacted by the time it gets home."

What that means for beef is that the product must hold up at the supermarket deli or during delivery.

"There might be a 25 to 35 minute lag-time between when the food is prepared in restaurant and when the consumer gets home," Pawlak said. "Does it hold up? Is the product still juicy, tender and tastes just as good as when it was made?"

Tenderness and taste are critical for beef. Also retailers and stores have to continue to improve and to keep menus contemporary and easily executed at the store level.

The production story

"I want to know where my food came from," Lundeen said. "The consumer doesn't want to know a lot, but they want to know a little. Breed name matters, where was it raised, and what type of beef is it? All those things matter to the consumer."

Consumers expect continuous improvement, he added. They don't necessarily expect perfection, but they expect commitment to improvement. That's why beef-quality-assurance programs are critical to keep ratcheting up the quality of the product.

"Especially with millennials, you'll hear about sustainability and social responsibility," Lundeen said. "We have to continue to tell the story about how we are caretakers of the land and caretakers of each animal. It will become a more important thing in the future."

All retailers are saying we need to have a set of animal welfare standards, Lundeen added.

"Consumers mistrust science or they find their own science on the Internet. We have to do a better job of telling our story about growth enhancement and why we feed the animals in a feedyard. We have to do a better job and we have to do it

in terms of consumer benefits — because it gets you a quality, tasty, safe product. Every one of our practices we have to be able to talk about in that context so it makes sense to people."

Price matters

The demand for beef is exceptional right now, Lundeen said, and the consumer is spending more on beef but buying it less frequently. Retailers and restaurant operators are nervous about beef prices, though, and the impact of these prices on their businesses. In the future, pork and chicken prices are likely to come down, Lundeen warns. And if the economy continues only slow growth that will certainly become a factor. That's why efficiency in production is as critical as ever, so beef can remain as affordable as possible.

Finally, Lundeen added that international demand is a big wildcard that can fluctuate easily and often.

Visit the "Summit Proceedings" page at HerefordGeneticSummit.com to watch presentations, download slides and listen to audio interviews of speakers. **HW**



Anson Elliott, Missouri State University Darr School of Agriculture department head and professor, welcomed guests to the event hosted at Missouri State's Darr Agricultural Center/ Bond Learning Center.