

Strength of the Brand



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The concept of brands in marketing of products is certainly not a new concept. Hundreds of brands have come and gone over time; many of which were displaced by a newer brand of product with more “bells and whistles” or by companies that move the needle more quickly on product development and marketing.

On many occasions the old tried-and-true brands have been pushed aside by those that appeal to a new generation of consumers. On the other hand, there are older brands that refuse to be knocked off. Take for instance Wrigley’s chewing gum. In 1893 William Wrigley Jr. first developed Juicy Fruit, and Wrigley’s Spearmint chewing gum has dominated the category for now over a century.

Both of those brands are still on the shelves, Wrigley’s is still managed by a fourth-generation family member, and it now owns other brands in the category. Fourth generation — why that sounds like a Hereford breeder!

Branding is not a new concept to the meat industry. In the heyday of the terminal market era in the 1920s through the 1950s, beef packers differentiated themselves

by branding their name on swinging carcasses. The Swift, Armour and Cudahy families built packing empires on delivering their own brands of quality to the major metropolitan cities.

U.S. Department of Agriculture (USDA) beef grading was just being introduced and many packers differentiated themselves with their own set of custom grading standards. Over time packers either innovated, consolidated into multinational firms or conceded a slow business death to new innovators that entered the boxed beef trade.

Eventually the landscape changed in packing, but the USDA grading system became the “gold standard” for differentiating quality of beef. During the last 20 years, brands have been developed to enhance the grading system through specification marketing. Breed, particularly Hereford and Angus, hormone free, locally raised, private company labels, age and source, VAC-45, and in the not so distant future, humane handling guidelines have, or soon will, become standards that add value to beef products.

Consumers want to know more about the food they buy and how it was raised. Products like Certified

Hereford Beef (CHB®) have a story to tell. As a part of the Hereford story, we may soon be required to tell consumers how we raise our cattle.

The two breeds of cattle in the U.S. that have established themselves as the unequivocal champions of beef quality — Hereford and Angus — have generated the most awareness with the most story line. Both breeds complement one another and are recognized as breeds that produce a quality beef eating experience.

For Hereford this reputation is multicultural. The Hispanic community, now accounting for more than 50% of the population in the southern U.S., has always recognized the Hereford breed as a breed of high quality.

CHB LLC has experienced increased interest in the Nuestro Rancho Hereford brand. The American Hereford Association (AHA) established the CHB Nuestro Rancho brand in 2009 to capture an added value for Select Hereford beef, a program that offers about as much potential as the CHB brand itself within a growing Hispanic consumer segment that is looking for quality and leanness at a reasonable price.

Although the category for fresh beef is getting crowded, there is a great deal of opportunity for both the CHB and Nuestro Rancho brands at retail and on restaurant menus.

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Fiscal year CHB LLC statistics			
	2009	2010	Difference
Number CHB live cattle identified	379,282	378,621	Even
Carcasses certified	250,266	226,570	-9.5%
Total pounds sold	36.8 million	38.1 million	+3.5%
Pounds sold per carcass	136 lb.	168 lb.	+23.5%

The Angus name is becoming commodity. Almost every packer has its own private label Angus program. Certified Angus Beef's exclusivity advantage has been diminished.

This year, retailers began shopping Angus products across packers in an attempt to drive the price down on what can be described as a commodity mindset. This interest in looking at other brands opens opportunity for Hereford products that can deliver as good or better quality from a natural, non-enhanced beef standpoint but yet be different enough to market against Angus.

Continued success of the Hereford brand will depend on how many marketers believe in and are sold on the brand. Every day the number of people selling and communicating the quality attributes of CHB grows. Every time a foodservice distributor makes CHB its featured brand, between 30 and 100 new street salesmen begin to tell the story of the Hereford breed and the great quality it delivers.

CHB had a tremendous year for foodservice, experiencing 37.6% growth. New distribution channels were opened with Sysco Baraboo in Wisconsin, Sysco Minneapolis in Minnesota and Kohls Wholesale in southern Illinois with continued growth in Sysco Nashville in Tennessee, Sysco Virginia and Merchant Foodservice across the southeastern U.S.

We are very proud that there are chefs across the country who are true believers in the brand. Shifting the wave of influence by creating a belief in your product and brand is the necessary ingredient to growth and long-term stability. Overall CHB LLC reported an increase in tonnage of 3.5%. Foodservice has now grown to nearly 20% of the 38 million lb. sold in 2010. **HW**