Agricultural Extension Service
The University of Tennessee

October 2001

NICHE MARKETING FOR BEEF: WHY IT WORKS . . . SOMETIMES

Agricultural Development Center

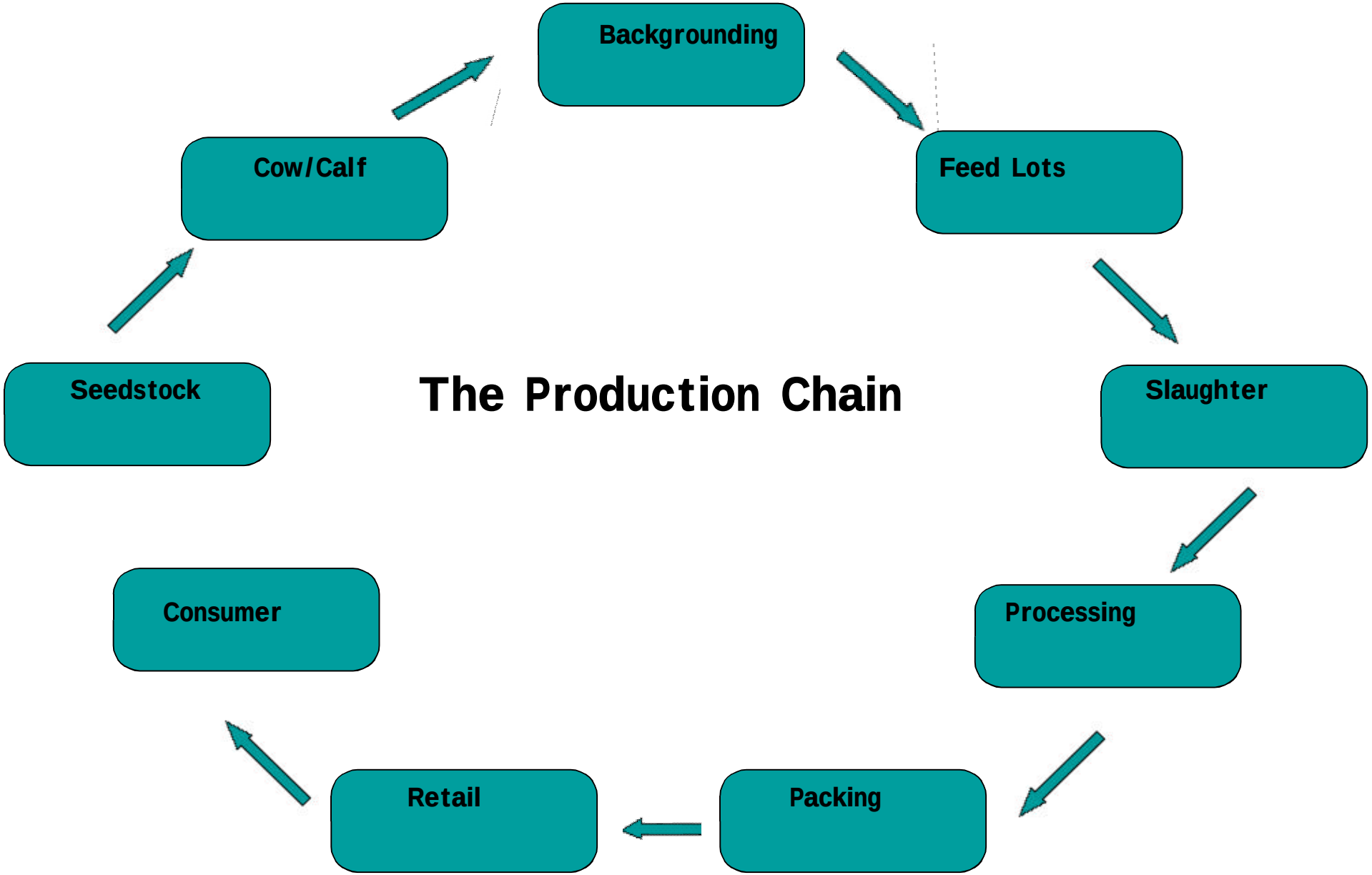
Rob Holland
Agricultural Development Center

“Build It . . .

And They Will Come”

But
will enough come ???

The Production Chain

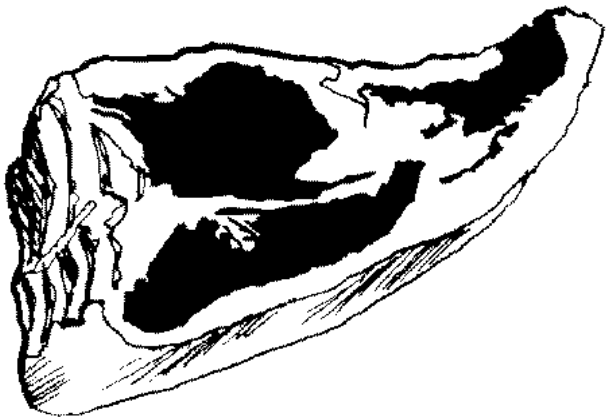


Value-added by:

processing

packaging

marketing



Niche marketing, relationship marketing:

differentiating the product for a segment of the buying public that is unsatisfied with conventional supplies and willing to pay a premium

Niche marketing may turn price takers into price makers . . .

But price making takes more time, labor, and resources to perform the added functions beyond producing livestock.

NICHE MARKETS FOR BEEF:

Grass-Fed
Corn-Fed
Freezer-Beef
County Beef
Locally-Raised
Lean
Fresh - - Aged
Hormone-Free
Organic
Natural

Baby-beef
Local Boxed Beef
Farmers' Markets
Catering
Restaurants
Grocery Stores
Natural Food Stores
Pasture-Finished
Family Farm
Humanely-Produced

Popular considerations for value-added beef:

- Freezer beef
- Labeled beef (grass-fed, corn-fed, natural, locally-raised)
- Gourmet/Upscale
- Organic
- Lean

Limiting factors:

* Regulations
* Marketing
* Cost
* Volume

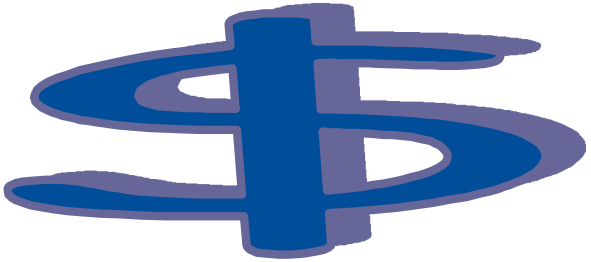
Regulations

- USDA
- HACCP
- TDA
- Organic, Lean, Label Claims

Marketing

- few buyers
- many preferences
- sensitive, very sensitive
- difficult to group the buyers
- balance: niche market & mass production

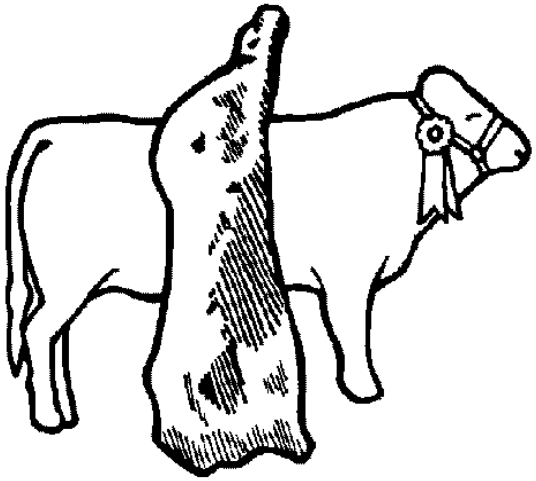
Costs



- finishing
- slaughter, processing, packing
- offal, waste
- storage
- delivery
- marketing, marketing, marketing

Volume

- finishing
- slaughter, processing
- demand
- seasonality



Selling finished calves for local, custom slaughter

consumer-characteristics for commercial stock:

- local is better
- beef eaters
- freezer space
- farmer reputation
- habit

Selling finished calves for local, custom slaughter

consumer-characteristics for niche markets

- natural, lean
- grass-fed
- corn-fed
- organic
- hormone-free

Selling finished calves for local, custom slaughter

Requirements:

- custom slaughter facility
- big-beef-appetite consumer
- b-b-a-c with freezer

1100 lbs. * $0.75 . . . . . $825.00 +

Slaughter fee . . . . . $40.00 +

Processing fee ($0.30 per hot-carcass pound) . . $225.00 =

Total $1,090.00

÷

Post-processing meat (80% of hot carcass) . . . . . 600 =

Consumer's Cost per pound $1.82

Plus a "niche" premium??

Challenges for servicing retail markets, grocery stores and restaurants:

- price
- volume
- seasonality
- consistency
- getting in

Marketing Efforts

- word-of-mouth
- build relationships
- preparing attractive informational materials
- sampling, contests, newsletters
- write articles . . . invest in mass media
- develop ‘brand’ & associated materials
- presentations in the community
- in-store cooking demonstrations
- exhibits at local events
- consumer education

“Consumers expect to pay less when buying direct from the grower.”

Profitability normally results from access to volume markets, cost-effective operations, adequate cash flow and professional management.

“Early on it seems that direct marketing local beef just sells itself. Low-cost, word-of-mouth marketing and great local response stimulates expansion in capacity, thus higher costs and the need for more sales. The true market is then uncovered and found to be shallow in that the number of people willing and able to buy at niche-market prices is limited. This turning point (hitting the wall of demand) will come at different sales levels depending on communities, customers, competition, reputation, etc.”

Critical Success Factors Include:

- consistent product
- balancing sale of different cuts
- seasonality
- satisfying the sensitive customer
- lot's of competition/substitutes
- getting repeat buyers

A noted successful grass-fed beef producer:

- 400 regular customers
- $200 - $300 premium per head
- Takes pre-orders once per year
- Sells @ $1 per head plus shipping and handling post-slaughter
- Distributes via local pick-up and mail.
- Samples, Education, Customer Appreciation

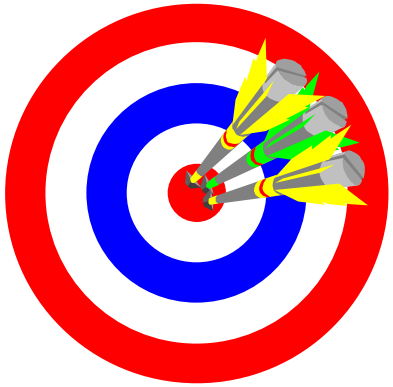
WHY IT DOESN'T WORK . . . SOMETIMES

- Small demand
- Too much work/risk
- Market is not studied and met first; product is normally developed then pushed
- Very, Very, Very sensitive buyers
- Not many buyers & difficult to group them by a single characteristic

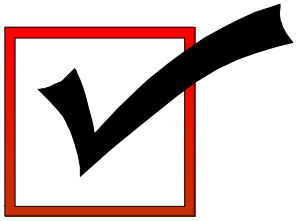
A product differentiated from conventional beef entails production AND marketing changes

A successful niche marketer will:

- target those poorly served
- identify the needs
- produce a product that satisfies those needs
- package & promote the product by touting how the product addresses the needs
- market to the target group



Why Does It Work Sometimes?



- consumer needs carefully identified
- product developed
- packaging
- promotion & publicity
- volume
- samples, education, customer appreciation
- relationship marketing
- time

Adding value through conventional markets?

Conventional

culling

castrating

bull selection

health programs

condition

weight

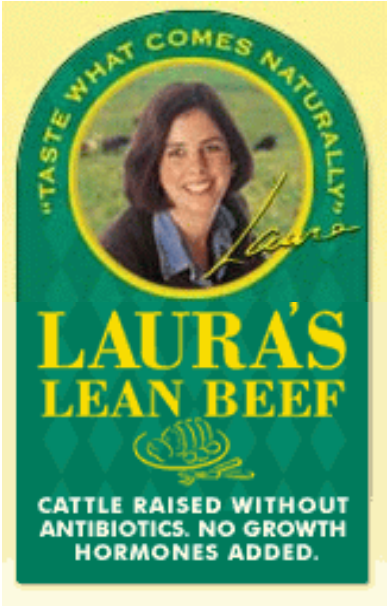
grade

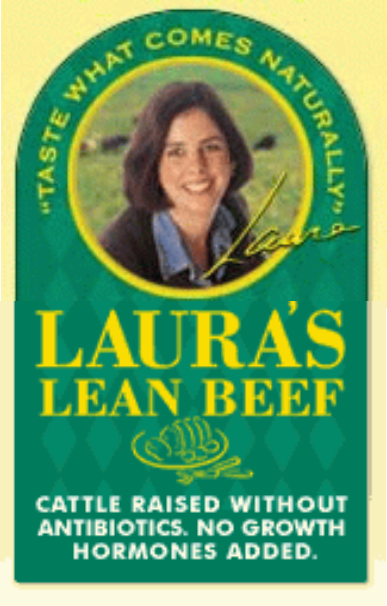
grouping

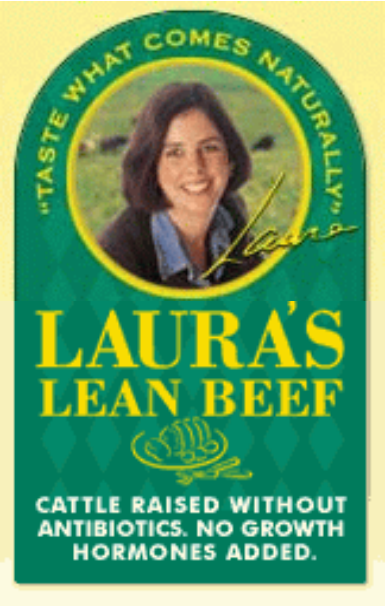
alliances

alternative marketing methods

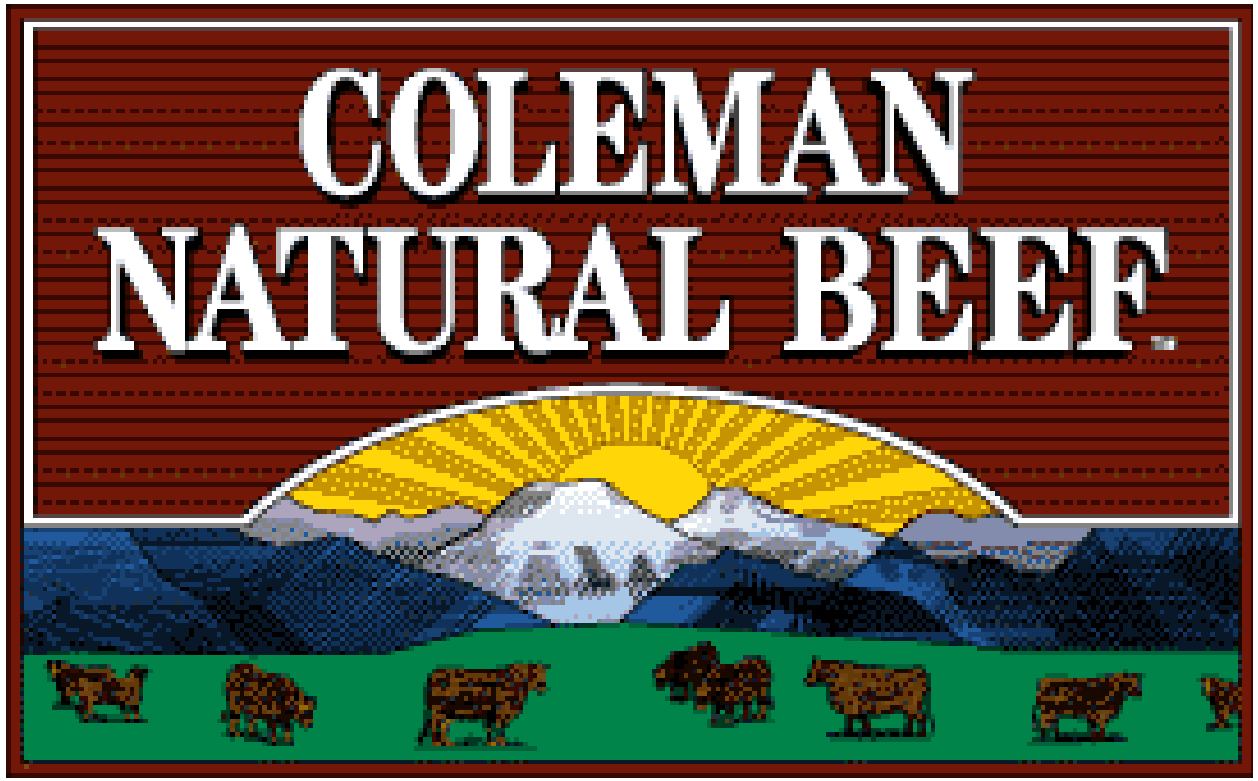
Laura's Lean Beef







Coleman Natural Meat



Coleman Natural Beef

- Denver, Colorado
- Branded Meat Product (no added hormones or antibiotics, animal wellness programs, free-range grazing, old-fashioned, natural and humane, sustainable agriculture program, vegetarian rations, 40% more space for animals, quality control at all levels)
- Quality, not quantity
- Good tasting, higher quality, wholesome, safe, natural and healthy food

Laura's Lean Beef

- Lexington, Kentucky
- Branded Meat Product (No added hormones or antibiotics, old-fashioned, naturally-raised beef certified by American Heart Association, healthy, beef you can feel better about, farmer-involved, clean taste, less cook time)
- Available in 3,500 stores in 30 states
- Specifications for All Natural and Lean Beef
- Cuts: 92% lean, 96% lean, Top Round, Eye of Round, Sirloin Tip Round, Ribeye Steak, Strip Steak, Sirloin Top Butt, Flank Steak, Tenderloin Filet
- Premium Program for Bulls and Cattle
- Bonus Program