

CENTRALLY PREPACKAGED FRESH RED MEAT – A COMBINATION OF TECHNOLOGY AND MARKETING

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THE PRESSURE TO CHANGE

With very few exceptions fresh red meat is sold at retail outlets through-out the world in a poly-foam tray overwrapped in stretch P.V.C; processed, trimmed, portioned, and packaged in the backrooms of the many grocery stores throughout the metropolitan areas. This process is certainly not an exercise in efficiency or productivity.

Over the past twenty years there has been increasing pressure to change the system of meat retailing. Urban labour costs, consumer desire for freshness, escalating costs of real estate for retail outlets, and retailer's desire to move away from processing and concentrate on retailing have exerted pressure to change. Perhaps the most significant factor for change has been competition.

In 1970, U.S. beef consumption was double that of chicken, but it is predicted that by 1990, Americans will eat more poultry than beef. A similar relationship exists in both Australia and Europe. How has poultry made such a significant gain on beef? Price is not the answer. In the U.S., the price mix of retail poultry cuts has gained in relation to the mix of beef cuts. U.S. retailers respond that central prepackaging has been the key. "Prepacking of poultry has increased the variety of cuts, eliminated stock-outs and kept the poultry section of the meat case fully stocked twenty-four hours a day," according to Pete DeJesso, Meat Merchandising Director of Wakefern, the largest supermarket co-op in the U.S. "Availability, variety, and consistent quality of prepackaged chicken far outweigh price and health as factors in the growth of poultry's market share."

FACTORS FOR CENTRALLY PREPACKAGING FRESH RED MEAT

The meat slaughter industry in the western world has reached a mature, highly competitive stage, with margins shrinking to 1% of sales and per capita consumption falling.

Centrally prepackaged meat cuts offer packers growth opportunity by control of a larger share of the finished product and the ability to break out of a mature commodity business. Benefits to the packer pale in comparison to those realized by the retailer. Prepackaged, branded meat cuts would: a) eliminate in-store processing

and associated floor space and equipment requirements, b) reduce store labour costs and union control, c) eliminate stock-outs and allow faster response to case demand, d) ensure continuity of product among stores within a chain, as well as more consistent quality, e) provide greater variety of cuts, f) minimize case service, g) eliminate by-products, h) lengthen shelf-life, i) allow management control of the meat department, j) ensure packer support of meat promotion and liability for product.

The consumer or end-user of case-ready meat would have a better and more consistent selection of meat cuts, consistent quality, and more convenient product. These are a result of less bone and fat, longer keeping quality, a more hygienic product, and a brand name to rely on.

More efficient labour utilization at packing plant level, reduced transport costs with much of the fat and bone left at the plant, and better utilization of fabricating and packaging equipment should result in a less expensive and higher quality end-product.

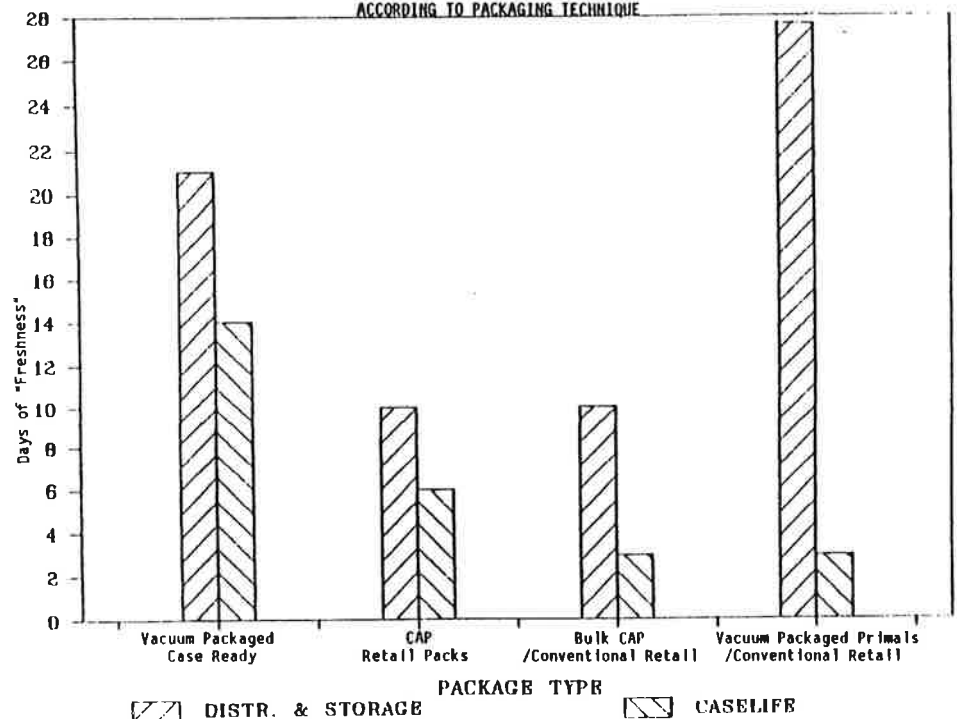
EUROPE LEADS THE WAY

In Europe, the drive to central prepackaging of meat has been led almost entirely by the retailer. The European retailer is all-powerful in the food chain. As major U.S. retail chains have moved rapidly in the past decade to divest themselves of manufacturing facilities, almost the opposite is true of Europe's retailers.

In selection of a packaging/distribution system, the European retailer has focused on variety, consistency, and excellent consumer appeal. Controlled atmosphere packaging (CAP) of fresh red meat is now the undisputed leader in Europe's drive to central prepackaging. In

THE SHELF LIFE FACTOR

TYPICAL MAXIMUM SHELF LIFE
ACCORDING TO PACKAGING TECHNIQUE



Note: Retail shelf life may change according to time in distribution.

Denmark, 35% of all retail meats utilize CAP; in the United Kingdom, 25%; France, 10%; and West Germany, 2%.

Europe's first successful fresh red meat prepack program began in Denmark at the giant I.R.M.A. retail chain. I.R.M.A. owns and operates a massive meat processing and packaging plant near Copenhagen to supply its retail outlets throughout Denmark. As Denmark's largest grocery retailer, I.R.M.A. had no special promotions to introduce CAP meat but relied on its consumer franchise to move the new product. I.R.M.A. allows five days for distribution and sale of its branded meat from the date of packaging. All retail outlets are within 250 miles of the manufacturing plant. I.R.M.A. uses its own vehicles for delivery to retail outlets daily.

Following I.R.M.A.'s lead, Marks and Spencer introduced CAP meat to its outlets in the early 1970's under its St. Michael's brand. Marks & Spencer now utilizes CAP for 100% of fresh meats in its outlets through Britain and is now the standard for United Kingdom fresh meat packaging. Marks and Spencer does not maintain ownership in its meat processor but is well recognized for taking an active role in product development processing specifications and a quality control and inspection system of world renown.

Meadow Farms, the major supplier of Marks and Spencer meat, uses Multivac R 7000's to CAP meat products for the retailer. The product is shipped directly to retail outlets daily and carries a "sell-by date" of six days from packaging. No Marks and Spencer retail outlet is over 300 miles from the processor.

Tesco and Sainsbury, two major United Kingdom grocery retailers have followed Marks and Spencer's lead in case-ready CAP fresh meat packaging although 50% of their meat at retail is still conventionally cut and wrapped back-store.

None of the United Kingdom retailers using CAP for fresh meat has undertaken any special marketing program for introduction of the product. No major meat packer has made a commitment to CAP or any other central prepackaging meat system in Europe, except as a contract packer for a retailer. Distribution of CAP meat is usually within a 100 mile radius and rarely exceeds 250 miles. European distribution systems are very efficient, cost effective, and well controlled. European retailers require no more than six days of shelf life from packaging to last sale date. Comparable meat cuts can sell from between 50% and 100% more than in the U.S.A. and can justify more costly packaging and distribution. The European meat consumer purchases smaller portions of meat than the U.S. shopper, shops more often, and pays more. It has been estimated that less than 15% of meat purchases are subsequently frozen by the purchaser. In the U.S., up to 75% of all fresh meat purchasers are frozen before use.

CONTROLLED ATMOSPHERE PACKAGING FOR U.S.A.?

Perhaps the most significant factor distinguishing the potential use of CAP in centrally prepackaged meat between Europe and the U.S. is that in Europe, central

prepackaging is retailer driven and controlled, while in the U.S. initial interest is packer driven and controlled. What this translates to is the need for extended shelf life and the most efficient distribution. For a packer shipping fresh meat across the U.S.A. to distribution centers where product is then transhipped to retail outlets, a minimum of fifteen days is required. (Nine days before reaching the retail case, four days in the case and two days prior to cooking.) To be able to supply a major retail chain such as Kroger, U.S.A. incorporating all thirteen divisions across the nation from a central plant in Dodge City, Kansas, a guaranteed shelf life of twenty-one days would be a more acceptable minimum.

Options available to U.S. packers are detailed according to shelf-life in the attached graph. "CAP retail packs" relates to the European Atmospak. The "Bulk CAP conventional retail" refers to systems gas flushing prepacked retail packages and vacuum packed primals/convention retail refers to standard meat distribution merchandising techniques.

A rule of thumb for CAP is that the package must be twice as large as the product to allow sufficient head-space for the gas. This translates to twice the bulk, twice as many trucks and twice packaged primals or retail cuts. Europeans have resorted to returnable plastic containers to bulk pack individual retail packages, but back hauling of such containers in U.S. national distribution would be prohibitive.

CAP has one major advantage for both the European and U.S.A. markets; it maintains the colour of meat in the cherry red hue that consumers associate with freshness. For those retailers who have distribution systems and turnover frequency which allows a shelf-life of less than ten days from point of packaging, this colour characteristic of CAP makes this method compelling. For those retailers who must source meat from distant packers of uncertain time and temperature controls and less certain product turn-over, CAP may not be the choice.

The several forms of vacuum packaging, while changing the meat's traditional retail colour, offers the packer distribution advantages and the consumer a variety of advantages which may make the costly colour education justifiable. The extended shelf-life (up to 21 days) and shipping density to reduce transportation costs are generally 50% that of CAP. Vacuum packaging is ideal for freezing meat, where CAP is almost totally unacceptable due to oxidative rancidity and freezer desiccation.

Despite the rhetoric surrounding case-ready, branded fresh red meat, most U.S. packers and retailers are awaiting a technology "breakthrough" before making a commitment. Retailers state that they are ready to test market "case-ready" meat products in the U.S.A. but as yet have been unwilling to share development cost or promotional expenditures. Several major meat slaughter companies have acquired case-ready vacuum packaging systems but have been unable or unwilling to make the marketing commitment.

Three major meat packers have begun programs to develop and test case-ready fresh meat products on a

scale far less than the poultry packers, yet impressive for the conservative U.S. meat industry.

Wilson Foods of Oklahoma City is in its third year of marketing a branded case-ready fresh pork product under the "Tender Cuts" brand. Wilson, using a patented gas flush masterpack system, is able to attain a 14 day shelf-life on fresh centre loin pork chops. The investment in this program is an insignificant portion of Wilson's \$1.5 billion annual sales but represents a major investment in plant, equipment, and marketing expenditure in the fresh meat industry. Several million dollars have been invested in their Marshall, Missouri processing plant for this product. Their market introduction program includes training and in-store videos, point of sale materials, cents-off coupons, and cooperative and free standing advertising. To date the product is available only in Houston, Los Angeles, and Indianapolis.

Perhaps the best example of a major marketing commitment in the fresh meat industry to branded prepacked fresh meat cuts has come from Excel Corporation. Last year Excel introduced 38 fresh beef items for retail sale and currently markets in 14 states through over 1,000 supermarkets. Initial sales were limited to conventional laminate vacuum packaging but late last year Excel introduced five cuts packaged by an innovative retail vacuum skin packaging system. Both systems allow Excel a thirty day "freeze by" date. Excel's market introduction includes in-store videos, P.O.S. materials, T.V. commercials, in-store demonstrations, free standing and co-op advertising as well as special promotions. Excel has invested over \$10 million in their program in the past eighteen months. Although this represents less than 1% of Excel's revenues, like Wilson's commitment, it is very significant in our industry.

Excel's major marketing thrust has been to educate consumers to accept purple meat. According to Excel's Vice President of Marketing, H. Meischen, "Retailers want to put the same mark-up on the 'case-ready' product as they would on product fabricated and packaged back-store."

In June of 1988, Monfort of Colorado introduced case-ready vacuum skin packaged lamb cuts to the 84 store, Baltimore/Washington division of A & P. The A & P stores have agreed to feature the case-ready products in regular weekly advertising, use P.O.S. materials to promote the products, guarantee minimum facings of the lamb, and give Monfort exclusive lamb rights for the six-month test period. The program, a co-operative effort on the part of A & P, Monfort, and the American Lamb Council, will be a definitive test of vacuum skin packaged case-ready lamb cuts. The comprehensive marketing approach includes specially developed case cards, posters, recipes addressing the new package and meat colour, as well as bag stuffers, regular promotional features in newspapers, meat personnel contests based on sales increases, in-store taste samplings, and competitive pricings. The total cost of the market introduction program with A & P will be \$120,000, spent over six months. The cost of the program has been shared by the American Lamb Council, Monfort of Colorado, and A & P. It is too early to conclude that the A & P program has been a success, but initial results hold great promise.

As long as case-ready programs in the U.S.A. are driven by the meat packers and not retailers, successful programs will be limited to those combining the best packaging/distribution technology and a comprehensive marketing promotion program. Neglecting either of these elements will assure failure.