CHAPTER THREE

A Strategy for the Future: Regaining Market Share Through New Product Development

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INTRODUCTION

Twenty-five years ago, a great deal of excitement surrounded the entire meat industry. This excitement was associated with having a premium product, a product consumers wanted because it met their quality expectations and lifestyles. Today, meat is no longer the king protein. For example, nearly a third of beef's share of the red meat and poultry market has been lost to poultry. By the year 2000, some experts project, per capita poultry consumption will reach 100 pounds. Unless some fundamental strategic change comes into play, this growth will continue at the expense of meat. What the industry needs to regain market share and to provide sustained profit opportunity for all participants of the farm-to-fork chain, are innovative new products that meet the wants and needs of American consumers.

BACKGROUND

How did meat lose such a large market share to poultry? There are two generally accepted reasons that have been offered to explain the dramatic consumer preference shift:

- Lower poultry production costs facilitated by vertical integration.
- Delivery of quality and consistency through genetics and management.

The logic behind these reasons is strong and difficult to argue. While there have been efforts to lower costs in the meat industry, quality and consistency are the critical keys to regaining share.

POULTRY'S EXAMPLE

Poultry did not gain substantial market share by merely marketing affordable whole fryers. Instead, it offered consumers a diversity of new products which met or exceeded—and at times anticipated—their needs. It is not uncommon to find up to seven points of sale for poultry in the supermarket. Further, most of these products are consumer-friendly, ready-to-eat products.

By contrast, meats like beef, pork, lamb and veal are offered mostly raw in the refrigerated meat case and in packages that have not changed in decades. Does this take into account that most Americans have less than one hour to tackle the entire home meal challenge—planning, shopping, cooking, eating and cleaning? Except for ground meat, current meat products are definitely not in line with this challenge.

Consumers have been receptive to product innovations that respond to their changing needs and lifestyle. However, introduction of new meat products has been at a "standstill" for several years. With the exception of beef fajitas, a truly innovative meat product has not been introduced in several years. The meat industry has not focused on new product efforts, while other protein categories like poultry have. Product innovation in other protein categories has not been the result of "one big fix"; rather, it has been through consumer-driven product development efforts within a total value chain perspective. The meat industry has not succeeded with new products because it is not focused on such efforts. Because there is a lack of product innovation, the stimulus within the industry to innovate diminishes.

MODELS OF SUCCESS

Cotton Inc.: Example of New Product Success

A successful model for direct involvement in new product development does exist. Twenty-five years ago, the cotton industry was in very much the same situation as the meat industry. The advent of synthetic fibers had eroded cotton's share of the market down to 20 percent. With 57% share of the domestic textile market, cotton is today the best-selling fiber at retail, outselling all other fibers combined. The rebound was accomplished through the development of value-added new products, fostering strategic relationships, and innovative marketing. Cotton Incorporated has been the primary driver and catalyst of these successful programs. The entire industry relies heavily on Cotton Incorporated, a checkoff-funded organization, for technical and new product guidance.

Ocean Spray Cranberries, Inc.

Until the late 1950s, cranberries had been a seasonal business. A cooperative of growers in a very consolidated industry were selling their product in a very short season. Beginning with Thanksgiving in November, through the major holidays, the bulk of sales occurred. In November 1959, that business was severely crippled as the government announced a herbicide used in some cranberries had been found to be carcinogenic. The bottom fell out of the market as their one season selling was about to get underway.

As the industry regrouped, gaining subsidies from the government for healthy crops that went unsold, the leadership saw that a change in strategy was necessary. From that point forward, the industry needed to expand the use and market cycle of its crops. Thus, Cranberry Juice cocktail, a by-product which had sat on the shelf without much attention for many years, was reformulated to the sweeter palate of the American consumer. Its reintroduction in the early 1960s set off the rapid expansion into beverage products and a variety of other innovative fruit-based products, which the consumer now associates with the Ocean Spray Brand. New product development, and re-marketing of others, remains a cornerstone of the industry's approach to the consumer.

THE NEW PRODUCT TOOL

A focused effort by the meat industry on innovative new product development can provide the needed link for collaboration among the participants of the production-process chain. A commitment to identify and understand the needs of consumers leads to the realization that partnerships, collaborations and alliances are essential to fulfilling such needs. Each segment of the farm-to-fork chain really can be defined as an internal customer whose needs for information, services or raw materials must be met for the entire chain to fulfill its reason for being.

What is needed is a strategic approach through an initiative that would act as a catalyst and ignite many small "brush fires" throughout the industry, some of which could become blazing successes. Resources which are already in place, but are underutilized or dormant, must be leveraged to improve results.

OTHER ISSUES

There are other external barriers to new product development in the meat industry. These may include:

- Lack of concentrated/undivided resource investment in beef product research.
- Allocation of Research and Development resources in areas such as safety, quality, and cost improvements.
- New product funding tied to quarterly profits.
- Emphasis on leveraging existing brands rather than creating new ones.
- Few CEOs with direct experience in new product development.
- Lack of understanding of the new product process outside the Research & Development functions.
- Annual bonuses based on P & Ls or other financial performance measures with no tie-in to new product introductions.

Any initiative must address most, if not all, of these barriers.

CONCLUSION

If the industry remains in the current paradigm, it will continue to lose demand and points of distribution, as well as consumers' imagination and interest. Poultry has become the protein of choice for many Americans not because of its taste, but because of its consumer-friendly products. With its superior taste and flavor, meat can once again become the "king protein." But this cannot be accomplished without new products that deliver convenience and perceived value.

The time to begin is now.