



CAB Corner on Quality
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Diversification as a strategy

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“Diversification” has become the buzzword of the 21st century. Whether you’re in farming, finances or management, you have probably diversified in the last year or so. It could be something as small as adding a new client, or as large as planting new crops or adding new beef genetics to the herd.

This notion of diversification has taken on a new meaning at Certified Angus Beef LLC (CAB), particularly in the Foodservice Division, where it is a strategy. In particular, CAB is working with regional restaurant chains, healthcare institutions and rural foodservice distributors. That should increase producer profitability through more pounds sold and brand recognition.

With 51% of the U.S. food dollar spent on meals away from home, it isn’t surprising to find *Certified Angus Beef*[®] (CAB[®]) brand interest in restaurant chains. Sure, it’s exciting to license national chains, but the brand was built on regional companies.

Filiberto’s, a Mexican restaurant chain in Arizona, is not a typical CAB[®] 100% licensee. For one thing, it utilizes cuts that are not typical of restaurateurs—steering away from middle meats—instead relying on underutilized thin meats to produce the famous burritos and *carne asada*. This 20-unit chain consistently ranks in the top 10 volume-moving chains within foodservice. By incorporating CAB[®] products, Filiberto’s has raised its market image from sub-par to premium, and in the process driving the price of thin meats to a point where contracting is a necessity.

Focusing on these non-traditional cuts makes for greater carcass utilization and potentially higher premiums for producers. This diversification allows infiltration into other smaller, regional chains that may be more ethnically driven, but still sell tremendous amounts of CAB[®] product.

According to the U.S. Bureau of Census, the nation’s elderly population is expected to double between 2000 and 2030 to near 70 million elderly. These baby boomers will be in need of acute and long-term care, and the majority will have the resources to accommodate their needs. These needs span from the typical supervisory and medical attention common to these facilities, to V.I.P levels and filet mignon for dinner.

CAB, in cooperation with licensed distributors, has begun tapping a resource that contributes \$1.3 trillion into the economy. John Landry, CAB[®] Specialist for SYSCO Kansas City, with Patti Dollarhide, Director of Nutrition Services for Via Christi Medical Center, Wichita, Kan., have spearheaded the effort to incorporate more CAB[®] product into the healthcare segment.

As a 100% licensee, Via Christi utilizes middle meats, grinds and rounds to service the medical facility. The success at Via Christi has encouraged additional CAB[®] distributors to diversify and begin targeting acute and long-term facilities. They are training sales staff to have the confidence to approach these once unapproachable entities. The new focus adds value to end meats and pre-cooked entries, items typical of healthcare operations.

There are currently 107 licensed foodservice distributors, with additional companies being evaluated as supply dictates. These distributors tend to locate in urban areas where transportation to the customer or restaurant is quick and convenient. However, in May 2002, SYSCO Food Services of Montana was licensed to distribute CAB[®] products.

It was another kind of diversification, from city-oriented to a more rural scene. The move includes product distribution to restaurants in towns frequented by the ranchers who produce the cattle. In fact, in 2003, SYSCO reached a pinnacle, distributing 1.4 pounds of product for every person in the state of Montana. Focusing on various types of distribution outlets—small or large, urban or rural—is important in order to increase the value of the CAB[®] brand coast-to-coast.

Diversification, aside from being an industry catchphrase, is a key strategy in any type of business. However, it is important to keep it in perspective, never losing sight of tactics that have worked previously. That's why you'll see more CAB brand product in regional chains, healthcare establishments and new distribution channels. But you won't see a wavering from the CAB mission of building demand for Angus cattle through high-quality branded products.

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