



CAB Corner on Quality
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Stay the course

By Al Kober, CAB Retail Director

Whatever the dictionary says, “quality” is the personal interaction of expectations versus reality. So, beef quality varies with consumer expectations – but it usually involves words like, tender, juicy or flavorful.

Sure, these are times of diminished “consumer confidence,” according to the index set up to measure that. But, reality check: if a consumer is not living off investments and still has a job, like 92% of Americans, their life has not changed. At least not for the worse. They may be in better short-term financial shape than before the down-turn. With lower energy prices and everything else on sale, it’s a buyer’s market.

Still, buyers lack the confidence to spend what they have, because of a nagging worry that it will not be as easy to replace those dollars.

Retailers across the U.S. are faced with many decisions because of the financial world. Some are making decisions for their customers, which is not a good idea. It needlessly builds a self-fulfilling prophecy that does a lot more harm than good.

Consider the retailers who absorb all the negative press about how consumers are trading down. They assume they must act on this reported trend – just another version of, “which came first, the chicken or the egg.”

Yes, consumers are being very cautious. That is why now, more than ever, it is important to offer them the value and quality they desire. When they face uncertainty elsewhere, no good can come of pre-deciding for them in the meat case, sacrificing quality for price. Beef, especially *Certified Angus Beef*[®] (CAB[®]), is a comfort food.

Consumers need to have choices, so they can find comfort and regain confidence. Retailers who change to lower quality beef do so to achieve a lower, but completely arbitrary price point, one that they believe will increase their sales or at least “stop the bleeding.”

We have already seen the results of this kind of thinking. Retailers who have built their customer base by offering high-quality beef are now abandoning their core business principles to chase after a dead end. Instead of turning the corner to better days, here’s what can happen:

1. Their beef tonnage sold remains the same or declines.
2. Their dollar sales are lower because they're selling lower-value beef at a lower price.
3. Even if their gross profit percentages increase, their net dollar profits are lower.
4. Their image for quality is tarnished, if not destroyed altogether.

It can take from three to six months for their customers to respond to the quality change; when they do, many will go somewhere else to get what they want.

These retailers have taken steps down into the crowded arena of low-price, low-quality competition. Once their quality image begins to slip away it is a very slippery slope to climb out of, to regain the high ground of a quality image.

On the other hand, retailers who have chosen to stay the course, offering the quality their consumers expect, are having the best success. Their sales may be down a little because some consumers choose to eat a little less beef – they may even try some of that lower-quality product across town, but just once, because they are customers who appreciate quality. They will always come back to quality.

We have retailers, who have stayed the course and have not wavered in their passion for our brand. While all their other proteins sales are either flat or somewhat smaller, their CAB sales are growing. The consumer's standards for quality beef have not changed, so why should the retailers?

Things will get better. Consumers have maintained the same definition of a great beef eating experience. And when they want that great eating experience, they will go to where it is still available.

This is true for cattle producers as well. If you have been riding the high-quality horse, and it has been good for you, keep on riding. Hang on, keep your boots in the stirrups, because it may get a little rough for a little while, but in the end you will be the winner.

Now, more than ever, it is important to shoot for higher quality. This "consumer confidence crisis" is not your fault, and you have no reason to set your sights lower. Orders for high-quality beef are strong from our established accounts, and it's no coincidence that our established accounts remain strong.

Retailers and ranchers who stay the course or keep looking for ways to improve are in the best position now, and will be ready for the sure growth opportunities that are still ahead.

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