



BEEF RETAIL RESEARCH



BAM cuts: Beef's solution to smaller households, smaller appetites

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Background

It is great when a new cutting solution creates a great new product that matches up with demographic and social trends. That is the case with the new BAM (Beef Alternative Merchandising) cuts that have been championed in checkoff-funded product research.

BAM cuts are ribeyes, top loins and top sirloins that are further fabricated to create small filets and roasts. In addition to creating smaller portions, this process also eliminates additional seam fat from the cut. The price per pound increases, but a package with two filets can cost less than the full cut.

Introduction

Focus groups were held in 2009 to understand the appeal of BAM cuts. Consumers assigned a wide range of benefits to BAM cuts, with convenience, enhanced nutrition and portion control leading the list. Products were placed in a middle-America grocery chain during the summer of 2010, and 150 consumers provided valuable insights on product appeal, first in the store, and then after cooking and sharing the product with their household.

Discussion

Demographic Trend

The large family is not a thing of the past, but it is increasingly a smaller and smaller percentage of the households in America. Urban households tend to be smaller. The Millennial generation is reaching adulthood, and many are forestalling settling into a long-term relationship. Additionally, older Americans often end up in one person households, and reduce their meat package size shopping accordingly. And unfortunately, the increasing divorce rate results in many single parent households. As a result, households with one adult now number close to 22 million. Compare that to households with two or more adults, which is estimated at approximately 78 million.

Nutritional Trends

Overall, Americans are trying to make better nutritional choices, and this is especially true for boomers. As a boomer ages from 44 years old to 63 years or older, they move from average interest in nutrition (average is an index score of 100), to much higher levels of interest.

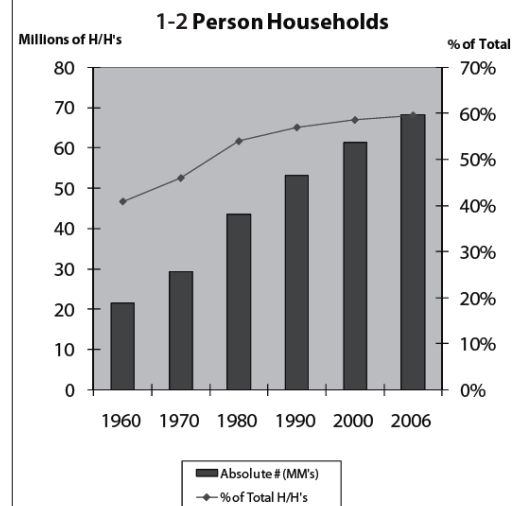
Highlights

Larger carcass sizes and consumers' increasing interest in portion control prompted researchers to develop methods to further fabricate ribeyes, top loins and top sirloins to create small filets and roasts.

Consumer research was conducted with checkoff funding to evaluate the potential application of these newly developed cuts.

Consumers demonstrated considerable purchase interest in the newly developed cuts. While the new cuts should not replace traditional steak options such as the ribeye, they do represent a marketing opportunity for more health-conscious consumers seeking to reduce their portion size or reduce fat intake.

Growth of 1-2 person households



Source: U.S. Department of Commerce, Bureau of the Census

Dinner Time Food Selection Motivations

| | Younger Boomers (44-52) | Older Boomers (53-62) | Seniors (63+) |
|------------------------|-------------------------|-----------------------|---------------|
| Was Healthy/Nutritious | 99 | 125 | 144 |

Source: Boomer Industry Analyst Report, 2009
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Another issue that will compound the level of interest boomers place in health and nutrition is the prevalence of obesity in America today. Over time, obesity manifests itself in other related health issues. Unquestionably, physicians, health authorities and family members will be stressing healthy eating to boomers as these diseases become a reality in their lives.

The Proof - A Recently Completed In-Market Test

One hundred fifty grocery store customers were given a ribeye filet BAM cut and a top loin petite roast to evaluate. They cooked the products in their homes using their chosen techniques, and completed a diary capturing their reactions. This data was then collected online and analyzed.

Conclusions

A remarkable 84 percent indicated purchase interest in the ribeye filets, and 78 percent in the petite roast. For about 20 percent of the consumers, the product had a bit less fat than they preferred. This speaks to the add-on opportunity these filets represent. The retail team suggests keeping traditional ribeyes, top loins and top sirloins in the case for those who prefer the cuts they have always loved, with the marbling they have been accustomed to. But a more health conscious consumer represents a valuable new market for the BAM filet and roast options.

