

Meat in the Middle

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As summer grilling season heats up, retailers look to boost meat department sales without sacrificing too much margin

Summer is finally here, and retailers are hoping that the warming weather might help take some of the chill out of the economy. To be fair, supermarkets have weathered the recession better than many other businesses. To save money, consumers are cooking and eating at home more often, and meat department managers are hoping that this trend will translate into a good season for summer cookouts, possibly even offering opportunities to move premium cuts like steaks. But as one retailer noted, you've got to be on top of your game to ensure success in this climate.



"There's no margin for error" when trying to sell premium cuts of meat in these recessionary days.

"They've got to make sure that they've got all of the basics in place," said Kelly Mortensen, corporate meat, deli and seafood director with Associated Food Stores in Salt Lake City. "It's like squeezing blood out of a turnip right now. There's no margin for error. They've got to have everything in place, they've got to be in stock and have good customer service. We've had some good years with protein, but it's kind of come to a screeching halt. Chicken sales are still good, but beef and pork are hurting."

Shoppers have been hesitant to buy steaks, Mortensen said, adding that Memorial Day sales had been off quite a bit from a year earlier, a discrepancy that he attributed partly to

poor spring weather.

“We weren't able to get it to the retail that it was last year, because middle meats were more expensive at that time. But [shoppers] are still trading down. We're trying to find a combination to perk them back up. I think it goes back to price. We have some good promotions planned for Fourth of July week - really good price points. So, we're hoping it will rebound at that time.”

Wholesale prices for middle meat cuts of beef are currently at levels last seen in 2005 and 2006, due to a combination of factors. Most notably, U.S. consumers are eating at restaurants less often, driving down demand for steak and other meats in the foodservice sector.

During the 13-week period ending April 26, average retail prices for beef declined about 4% vs. the same period a year earlier, said Randy Irion, director of channel marketing for the National Cattlemen's Beef Association, Chicago, citing data from the FreshLook Marketing Group. Channel marketing and consumer response has been very positive, Irion added. Total retail beef sales were up 5.7%, sales of rib cuts were up 12.1% and loin cuts experienced a 6.1% increase. The NCBA contracts to manage retail promotional programs through the national Beef Checkoff program, and has been urging retailers to consider reducing their average prices for rib and loin cuts to boost sales.

“They give up margin, but are rewarded with not only higher pound sales, but higher dollar sales as well,” Irion said. “I've got to believe that in the long run, for most retailers, that's a very positive scenario.

“I'm not saying that it's easy out there,” he added. But given current wholesale prices, “retailers have an opportunity. People are eating at home more.”

NCBA and the Beef Checkoff program have developed a variety of tools and promotions geared toward boosting sales in the coming months, including a “Retail Pricing Matrix,” to help retailers determine price points for middle meats, gauging gross margins based on current wholesale costs and commonly used cutting techniques. Their on-pack recipe labeling program called “Easy Fresh Cooking” includes recipes geared specifically toward steaks for the summer grilling season. A “Beef Alternative Merchandising” program includes cutting guide videos and point-of-sale materials geared toward developing merchandising programs for ribeye, top loin and top sirloin cuts that address price sensitivities. And the NCBA has renewed summer promotional programs with several partners, including Kraft's A.1. steak sauces and marinades, and Anheuser-Busch's Budweiser brand. More information is available at beefretail.org.

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