A CASE STUDY ANALYSIS OF THE CERTIFIED LAMB PROGRAM

By

JACKY LYNN COON HILDEBRAND

Bachelor of Science

California Polytechnic State University

San Luis Obispo, California

1989

Submitted to the Faculty of the
Graduate College of the
Oklahoma State University
in partial fulfillment of
the requirements for
the Degree of
MASTER OF SCIENCE
July, 1993

OKLAHOMA STATE UNIVERSITY

A CASE STUDY ANALYSIS OF THE

CERTIFIED LAMB PROGRAM

Thesis Approved:

Clement E. Ward

Thesis Adviser

James N. Trapp

Gerald Fitch

Thomas C. Collins

Dean of the Graduate College

ACKNOWLEDGEMENTS

I wish to dedicate this thesis to my grandparents Roberta and George Deming, without their support my education would have been a difficult road to pursue.

I would like to express my sincere thanks to Dr. Ward for his interest in my ideas and undertaking of a unique project. I would also like to thank his wife Mimi, and sons Justin and Bryan, for allowing my husband and myself an extended family here in Stillwater. Many thanks also go to Dr. Fitch and Dr. Trapp for serving on my committee.

Thanks to the Agricultural Economics Graduate Studies Committee, Dr. Dicks, and Dr. Norris for finding the funding to offer me the assistantship.

Special thanks go to Betsy, Cathy, Priscilla, and Brent whose knowledge and technical support was invaluable. I wish to thank Megan and Deb, without their nanny skills my graduate work would not have been completed. To Bryan, Joe, Kristi, Carl, Roy, Waylon and Lance, you made this time fun.

Most importantly, I would like to thank my parents Bob and Trish Coon, and Bob and Joanne Cummings, for their encouragement to pursue this degree. Finally I would like to thank my husband Chris, and my son Nolan, you guys are the best any mom or wife could ask for.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Figure		Page

CHAPTER I

INTRODUCTION

Faltering demand occurs when consumption of a product is declining or failing to grow at an acceptable rate due to deteriorating quality, number of substitutes, high price, change in consumer tastes and preferences, or adverse or negative news reports. New product development or product improvement is one method used by companies to stimulate demand. Lamb has been criticized for inconsistent quality and high prices. Declining per capita consumption of lamb also could be attributed to changes in consumer taste and preferences.

Affects of Consumer Behavior

The 1980's aroused a new consciousness in American consumers, as they became more aware of their health and the foods they consume. Nutritional value, levels of salt and amount of fat in foods steadily became an increasing concern. Lifestyles were also changing. A need for convenience was a trait adopted by the busy American population. In 1987 the Food Marketing Institute identified 10 trends in consumer attitudes that would affect their eating habits in the 1990's (Senauer, et al): adventure, neotraditionalism, indulgence, individualism, cocooning, grazing, wellness, controlling time, selectivity and ethics. Each is described briefly in Appendix A. These trends further strengthen the fact that American consumers demand high quality, nutritional foods that are convenient and easy to prepare.

The consumer decision-making process varies with the type of product he or she wishes to purchase. Assel distinguished four types of consumer buying behaviors based on the degree of buyer involvement and the differences among competing products (Kotler)(Table I).

TABLE I

CONSUMER BUYING BEHAVIOR

	HIGH INVOLVEMENT	LOW INVOLVEMENT
SIGNIFICANT DIFFERENCES BETWEEN BRANDS	Complex Buying Behavior	Variety-Seeking Buying Behavior
FEW DIFFERENCES BETWEEN BRANDS	Dissonance-Reducing Buying Behavior	Habitual Buying Behavior

Many food items were traditionally thought of as a low involvement purchase demonstrating either habitual buying behavior or variety-seeking buying behavior. For example, habitual buying behavior is exhibited when a purchaser goes to the supermarket to buy sugar and reaches for a brand based on familiarity, rather than brand loyalty. Since buyers are not committed to any single brand, marketers will use price and sale promotions to encourage product trial.

Variety-seeking buying behavior can be observed with low involvement products that exhibit differences among brands, such as breakfast cereal. Consumers will generally switch brands often, either due to boredom or price differences, however final selection is done with little evaluation. In this case, marketers want to encourage habitual buying and compete for shelf space, avoid out-of-stock conditions and use advertisements to lure consumers to purchase their product.

Yet, as the 1980's progressed many food products became a higher involvement purchase. Consumers were found reading labels to check for nutritional value and ingredients and searching for products that were easy and quick to prepare. New product development often concentrated on reduced fat and reduced sodium foods. While product differentiation was a key in the ever-growing health-oriented environment, the meat industry was no exception.

In the mid 1980's, the major meat industries (i.e. beef, pork and poultry) began to examine the future of their products. In-depth marketing campaigns pointing out nutritional value and addressing the fat issue were implemented. Additionally, new product development and a variety of new leaner cuts of meat were introduced.

Promotions featuring recipes and fresh new ways to serve their products, followed these campaigns. Soon the supermarket shelves were filled with "ready to serve" meat dishes and low fat and fat free meat products.

A 1987 study titled, "Consumer Climate for Meat Study," funded by the National Livestock and Meat Board and the American Meat Institute, revealed that the consumer's decision-making process to purchase meat and meat products is complex. Researchers found that although diet-health concerns remain important to consumers, the decision to serve meat is determined by more traditional factors such as convenience, taste and economic value. When asked to rank attributes that motivate their decision to purchase meat, diet-health ranked fourth behind convenience, taste and economic value. Poultry was easily a favorite among American shoppers and could be separated from the red meats for marketing purposes. John Huston, President of the National Livestock and Meat Board, realized the complexity of meat marketing when he stated:

> The consumer decision to spend money on beef, pork, lamb, veal or processed meats, instead of competing foods is a complex one. We must address this decision-making process on many levels in many ways at different times with a comprehensive and flexible marketing program.

Consumption Patterns of Meat

The lamb industry neglected to follow the lead of their competitors and fell behind in the battle for market share of consumers' meat purchases. This was evident by the declining consumption of lamb by the American shopper. In 1962 per capita consumption for lamb reached a high of 4.5 lbs per person. However, in 1991 consumption had dropped to 1.5 lbs per person. In comparison, per capita consumption of beef reached a high of 94.5 lbs per person in 1976 and was 67.3 lbs per person in 1991, and pork's per capita consumption reached a high in 1971 of 60.6 lbs per person and was 50.4 lbs per person in 1991 (Meat and Poultry Facts, 1992). The poultry industry, however, exhibits growth with per capita consumption in 1960 being 34.1 lbs per person while per capita consumption in 1991 was 83.7 lbs per person, a 246% increase. Although the red meat industry as a whole shows declining per capita consumption, lamb has the largest decrease in demand. An illustration of the above is shown in Figure 1.

Demand for Lamb

Analyzing consumer demand for lamb is difficult. Ideally, developing an accurate demand curve requires retail prices and per capita consumption, however the USDA stopped reporting retail lamb prices in 1981. Purcell attempted to analyze demand for lamb by substituting wholesale prices for retail prices. A reproduction of Purcell's scatter plot of

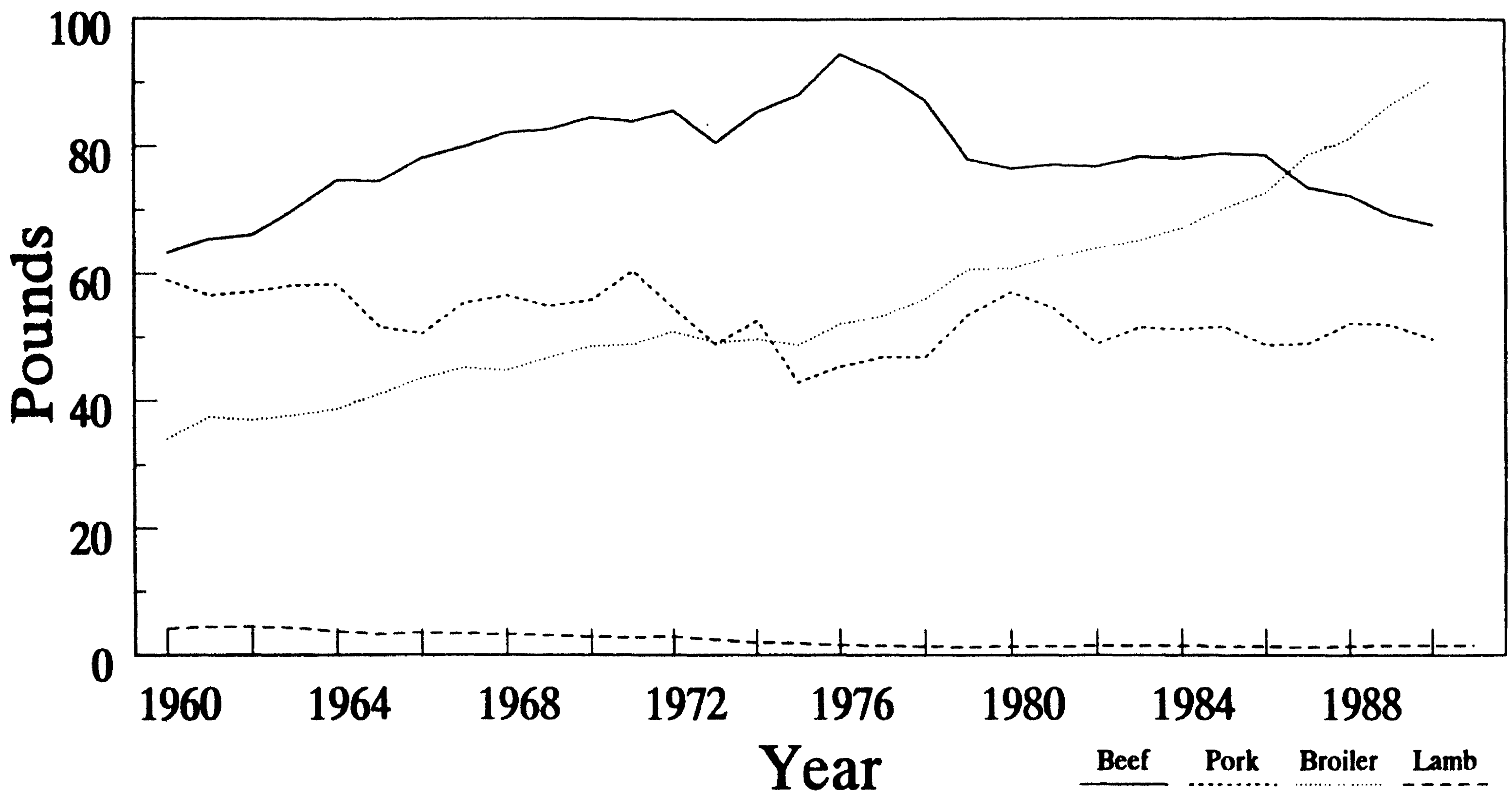

Figure 1. Per Capita Consumption of Beef, Pork, Lamb, and Broilers, 1960-1990

per capita consumption and deflated wholesale prices for lamb and mutton from 1960-1988 is shown in Figure 2. He noted that using wholesale prices could alter the results as consumers react to changes in retail prices rather than wholesale prices. Retail prices tend to show very little change in the short run and wholesale-retail price spreads vary with wholesale prices. Furthermore, unlike the beef and pork industry where live price changes are reflected almost immediately at the retail level, retail prices of lamb take approximately five weeks to respond to changes in live lamb prices (Purcell). Other obstacles that Purcell encountered he attributed to the nature of the industry; lamb is not available in all markets, lamb is consumed on a regional basis by ethnic groups, and price-quantity relationships for lamb are not influenced by the traditional economic forces that effect beef, pork, and chicken.

Purcell then modeled the demand for lamb by integrating retail prices through 1980 with wholesale prices for 1981-1987, He used shift dummies to account for changes in price levels in 1981 (i.e. retail to wholesale). He concluded that demand for lamb across the 1970-1987 time period appeared to be inelastic. None of the traditional economic factors, income and prices of potential substitutes, appeared to have a significant influence on demand during this period. Variations in per capita consumption was explained primarily by lamb prices and time related measurements such as time trends and yearly intercept

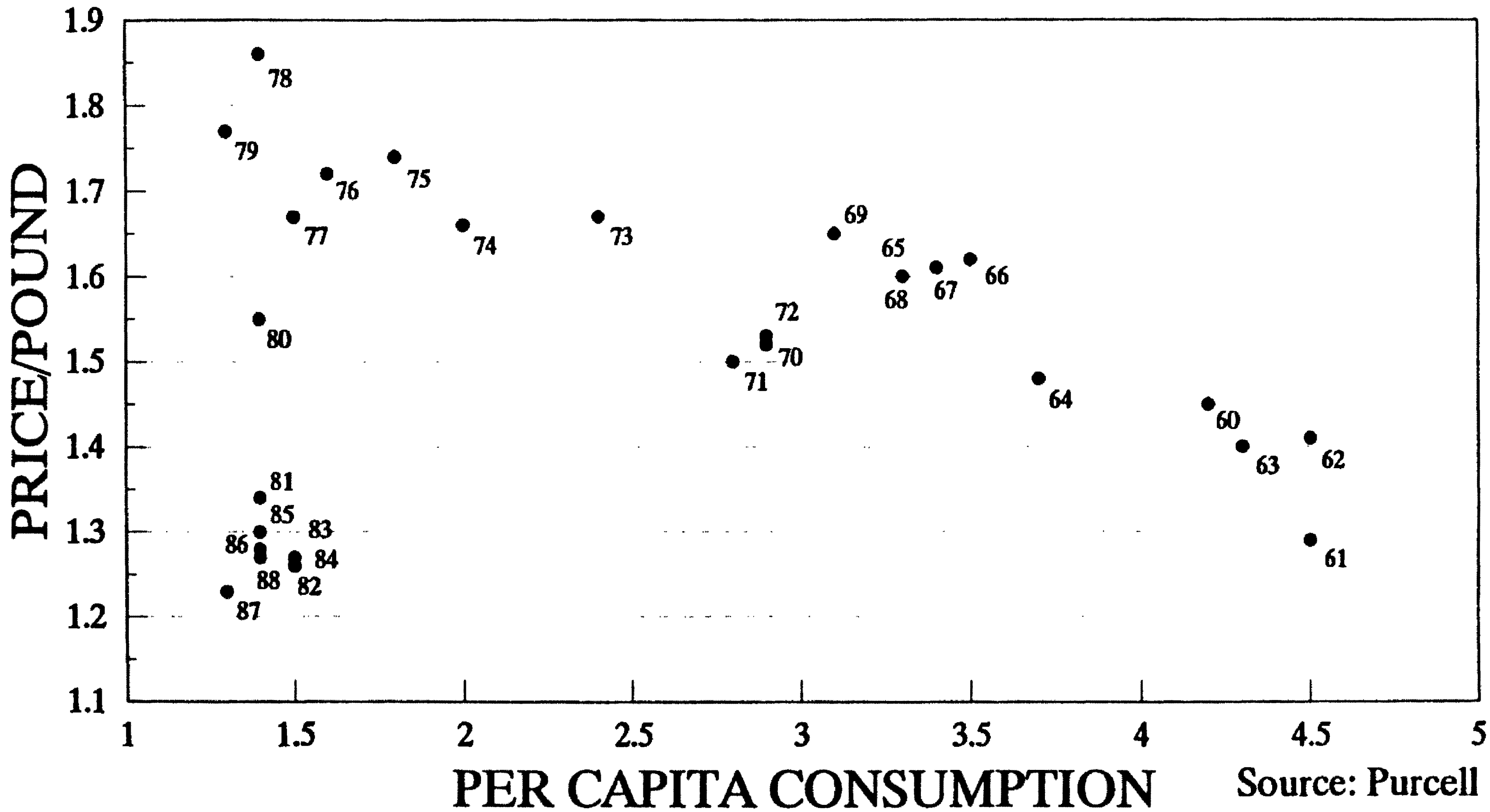

Figure 2. Per Capita Consumption and Deflated Wholesale Prices for Lamb and Mutton, 1960-1988

shifts. Changes in consumers' preference patterns could account for the decline in demand during the early 1980's.

Marketing Margins

Another problem that arises when using wholesale prices to determine demand is the elimination of examining what has happened to the farm-retail price spread across time or in other words the observed marketing margin. The history of lamb price spreads across the industry has been a hot topic of debate. The lack of a formal method to collect retail prices since the early 1980's additionally hinder the examination of marketing margins. Price spreads have been a major concern of sheep producers in recent years, and their concerns are justified when observing farm/retail price ratios for beef, pork, and lamb for 1970 and 1990 (Purcell) (Table II).

TABLE II

PRICE RATIOS OVER TIME

	Farm/Retail Price Ratios 1970	Farm/Retail Price Ratios 1990
Beef	3.3/1	3.7/1
Pork	4.1/1	4.4/1
Lamb	5.0/1	9.0/1

The Texas A & M Research Center (TAMRC) Lamb Study Team found that lamb prices at the feeder, slaughter and wholesale levels tend to follow a cyclical pattern. Retail prices, however, have increased rather steadily since 1978 and have shown little relationship with slaughter and wholesale prices (TAMRC Report)(Figure 3). When prices are adjusted for inflation and expressed in 1982-84 dollars, real retail price has been relatively constant, while slaughter and wholesale prices have decreased over time (Figure 4). Therefore, both methods of examining prices yield the same results; the margin for lamb (slaughter-to-retail price spread) has risen dramatically. Furthermore, it appears that the expanding margin has been passed down in the form of lower prices to the wholesaler, slaughterer and the producer (TAMRC Report).

Value-Added Products

Market demand can be defined in terms of the alternative quantities of a commodity that all consumers in a particular market are willing and able to buy as price varies and as all other factors are held constant (Tomek and Robinson). Market demand will reflect the change in quantity demanded due to price changes, i.e. when consumers move in and out of the market in response to price changes. However, since demand curves are representative of the industry, how are individual grades or higher quality products reflected? How does the introduction of branded or value-added meat products effect market demand? And is the producer being paid more for value-added or branded meat products that receive a premium price at the packing or retail sector? The examination of marketing margins in the lamb industry might be one method of determining the effect of a value-added product on demand and to discover who benefits from the premium price.

Tomek and Robinson define marketing margin as the difference between the price paid by consumers and that obtained by producers, or simply the difference between the primary demand and derived demand curves for a particular product. Products that tend to have high margins are as follows: (1) slow-moving items, (2) new items, and (3) items with low unit prices (Rhodes). Primary demand is determined by the response of the ultimate consumer and in some sense a joint demand for all inputs in the final product. Derived demand is based on price-quantity relations that exist either at the point where products leave the farm or at intermediate points where they are purchased by wholesalers or processors (Tomek and Robinson).

New products or value-added products could have an effect on the primary demand curve. The primary demand curve will shift with the adoption of new services or products. This is because a new demand curve exists for the new product or at least slightly different product. Consumers have the alternative to buy the old product or the new product, usually at a higher price. If the consumer is

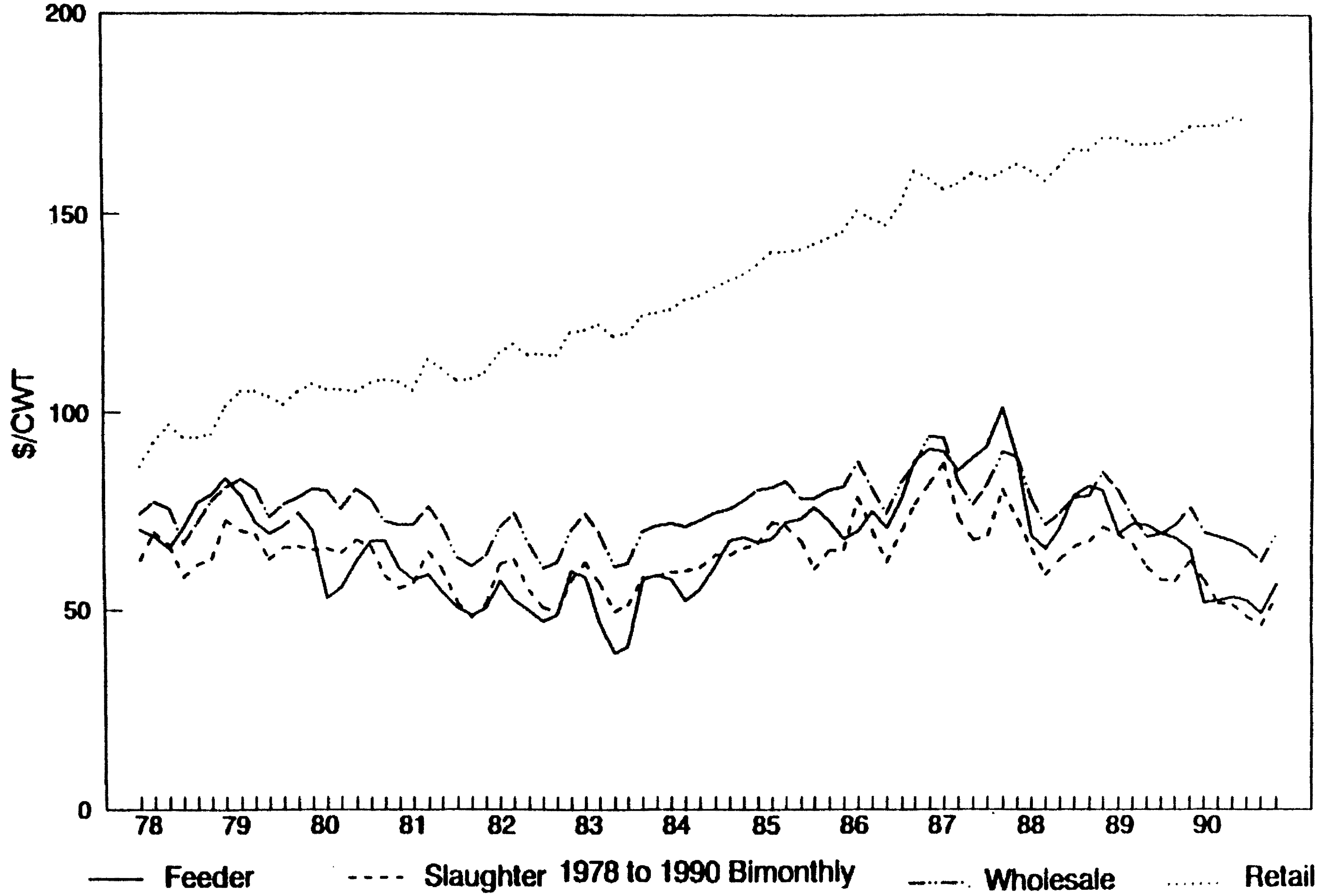

Figure 3. Feeder, Slaughter, Wholesale, and Retail Lamb Prices, 1978-1990 (TAMRC)

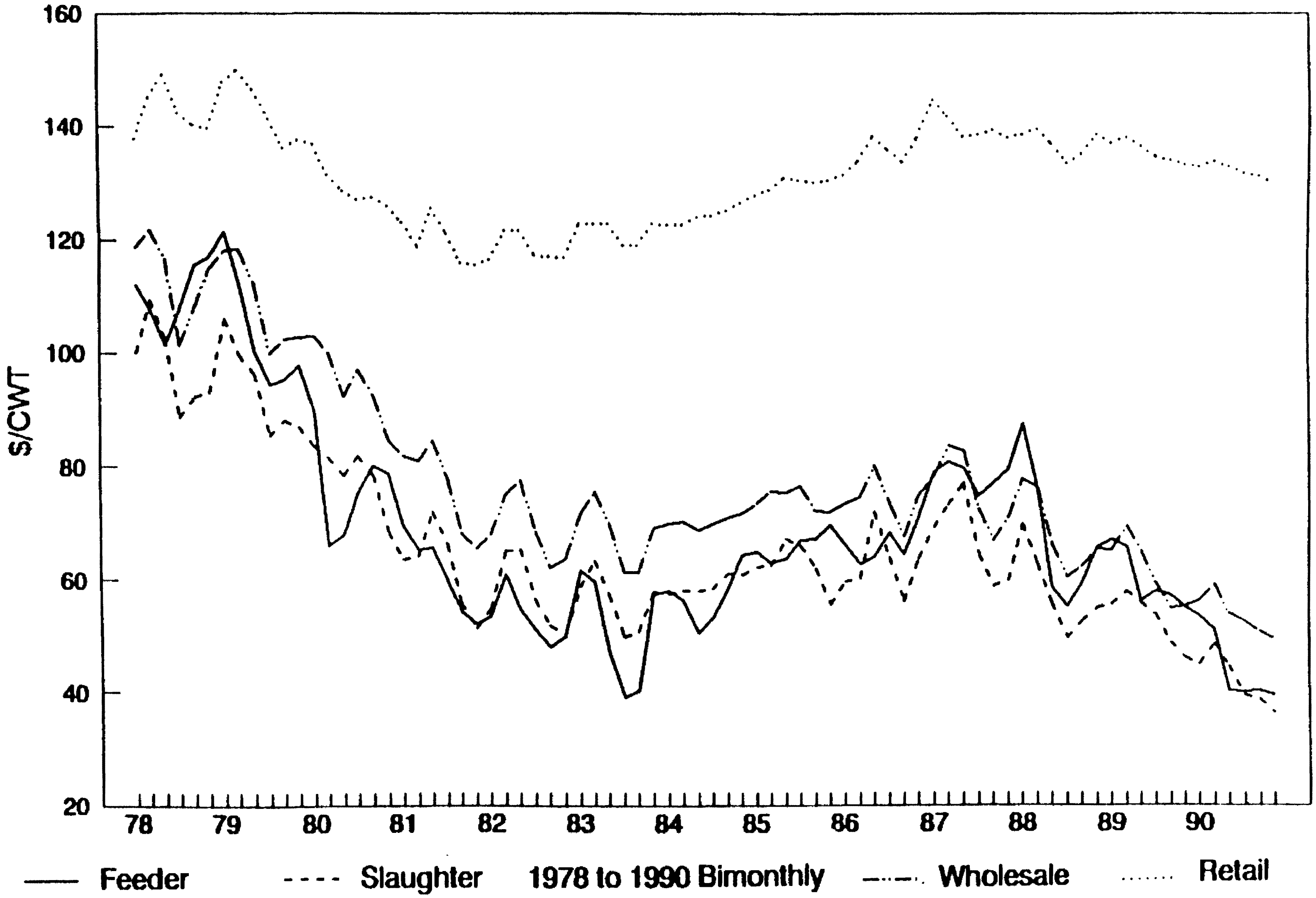

Figure 4. Real Feeder, Slaughter, Wholesale, and Retail Lamb Prices, 1978-1990 (TAMRC)

willing to pay more for the new product, then primary demand has increased.

However, maybe the introduction of value-added or higher quality products do not shift the demand curve. These products could already be represented within the concept of market demand. Plotting deflated retail price against per capita consumption for an agricultural commodity for a given period of time is a common method of depicting market demand. The downward sloping linear line which best fits those points is the estimated demand curve. There will be observed price-quantity points both below and above the actual demand curve. Several factors effect demand from time period to time period. However, perhaps points represent different quality grades, e.g. the points above the demand curve could be branded products and the points below the demand curve represent the generic commodity. Therefore, together they comprise an overall demand curve for the product. In actuality there should be several separate demand curves, one to represent each type or quality of the commodity.

The lamb industry has many obstacles to overcome in order to regain market share of red meat purchases. Product improvement or new product development could not only aid in increasing per capita consumption of lamb, but assist in stabilizing prices.

Problem Statement

The American Sheep Industry Association in conjunction with the American Lamb Council was aware of the lamb demand dilemma and searched for a way to improve their product. They implemented the Certified Lamb (CL) program in the spring of 1990 in hopes of gaining consistency with lamb sold at the retail level. CL offered a more uniform product that carried lower levels of fat. The idea was to improve wholesale cuts sold and thus move more lamb through retail and food service outlets. Additionally, CL carcasses would generate less waste and have the potential to lower retail prices.

Acceptance of CL by some retailers and wholesalers has been favorable. The CL program not only proposes to improve lamb product quality, it also creates a branded meat product, a relatively new concept in the meat industry. The beef industry has experimented with a few branded meat products, the most successful of which has been the Certified Angus Beef (CAB) program.

Now, two and one-half years after introducing CL, the American Sheep Industry Association needs to examine CL growth and see if the program has affected demand. Charting the number of lamb carcasses certified weekly and tracking sales of CL into the retail/food service sector will be one indicator of growth. CL's growth can be compared with that of CAB. A direct comparison of both programs will identify strengths and weaknesses in the CL program. Gathering views of CL throughout the sheep industry (especially packers and retailers) will add insight in determining if CL was a step in the right direction. Finally, for continued success the American Lamb Council needs to develop a marketing plan for CL that will target specific markets which can assist in the growth of CL and ultimately aid in increasing per capita consumption of lamb in the United States.

Objectives

The objectives of this thesis are:

1. Document the growth and acceptance of Certified Lamb and Certified Angus Beef.
2. Compare market strategies of Certified Lamb and Certified Angus Beef.
3. Summarize Certified Lamb with respect to the basic marketing tools, using a strategy statement.

Organization of Thesis

Chapter II introduces Certified Angus Beef and documents its growth and development. Chapter III will be similar to Chapter II, but emphasizing the Certified Lamb program. A direct comparison of the two programs, and an evaluation of the Certified Lamb program's success focusing on the new product development process, market segmentation, and target marketing with respect to current trends and a strategy statement summarizing these marketing tools are included in Chapter IV. Conclusions and recommendations, including short range goals for the American Sheep Industry, are presented in Chapter V.

CHAPTER II

CERTIFIED ANGUS BEEF

"Uphold the integrity of the beef industry and stimulate demand for registered Angus cattle"
Century old Goal of American Angus Association

Introduction

Certified Angus Beef has been an active marketing program for the American Angus Association since 1978. Their home office is based in Salem, Ohio. CAB's Promotional Resource Manager, Kathleen Marrin, supplied all the literature that was reviewed for Chapter II. Materials included: CAB pamphlets, news releases, copies of articles that appeared in trade journals, and brochures used to sell CAB to retailers and the food service industry. These materials were written over the duration of the program.

History

Creating a high quality, consistent, value-added product is not a revolutionary idea in the meat industry. The Certified Angus Beef (CAB) program was developed by the American Angus Association (AAA) for just this purpose. In 1976 the United States Department of Agriculture (USDA) was petitioned by the National Cattlemen's Association to change its grading standards, thus lowering marbling and maturity requirements for USDA Choice and maturity requirements for USDA Prime beef. The volume of USDA Prime beef was also declining. It appeared that within the beef industry a top quality product was vanishing from the retail market. The American Angus Association, the largest beef cattle registry in the United States with over 25,000 producers and feeders, wanted to establish a product that would still guarantee the consistency and high quality that was demanded by the food service industry.

With the new grading specifications, approximately 90 percent of all cattle slaughtered that are federally graded, grade USDA Choice or higher (The Certified Angus Story). The AAA felt assured of the quality of their product and looked beyond the traditional meat marketing strategies in developing a branded meat product. Long since established as the "butchers breed", Angus cattle produce highly palatable meat which exceed minimum Choice grade standards when slaughtered at a finished weight. Marbling occurs at a younger age which eliminates the need for more external fat. These traits worked together to produce a high quality, lean, tender cut of meat that can be targeted at a specific market segment rather than the broad segment of generic commodity beef.

Certified Angus Beef (CAB) was developed in 1978 by the American Angus Association. Initial research was done by Dr. Bob VanStavern who at the time was an extension meat specialist at Ohio State University. CAB is designed for today's more selective, taste conscious consumers, who demand superior tasting beef.

CAB uses a two part qualification system to insure the quality of their product. First, cattle must have a live evaluation identifying them to be Angus-type cattle, predominately black hide with typical beef-type conformation and no hump or long, floppy ears. If the animal meets this specification then they are referred to as "identified." All identified carcasses then must meet the following standards to receive the CAB label: (1) have modest (average Choice) or higher marbling degree (only 30 percent of all Choice carcasses meet this requirement), (2) be "A" maturity category, the youngest age classification for beef (9-30 months of age), (3) have medium to fine marbling texture, and (4) be USDA yield grade 3 or leaner. Figure 5 shows where CAB fits into the USDA grading requirements. On average only one out of five cattle identified as eligible for CAB carcass evaluation meets the rigid specifications and is marketed under the federally registered CAB trademark (Certified Angus Beef Program facts).

Although cattle are identified in the pen, the certification process begins at a licensed packing plant. Typically, 40 percent of all cattle entering the packing plant will meet the live evaluation requirements. Upon being certified by USDA graders, the CAB carcass roll is placed parallel to the USDA stamp and reads "accepted as

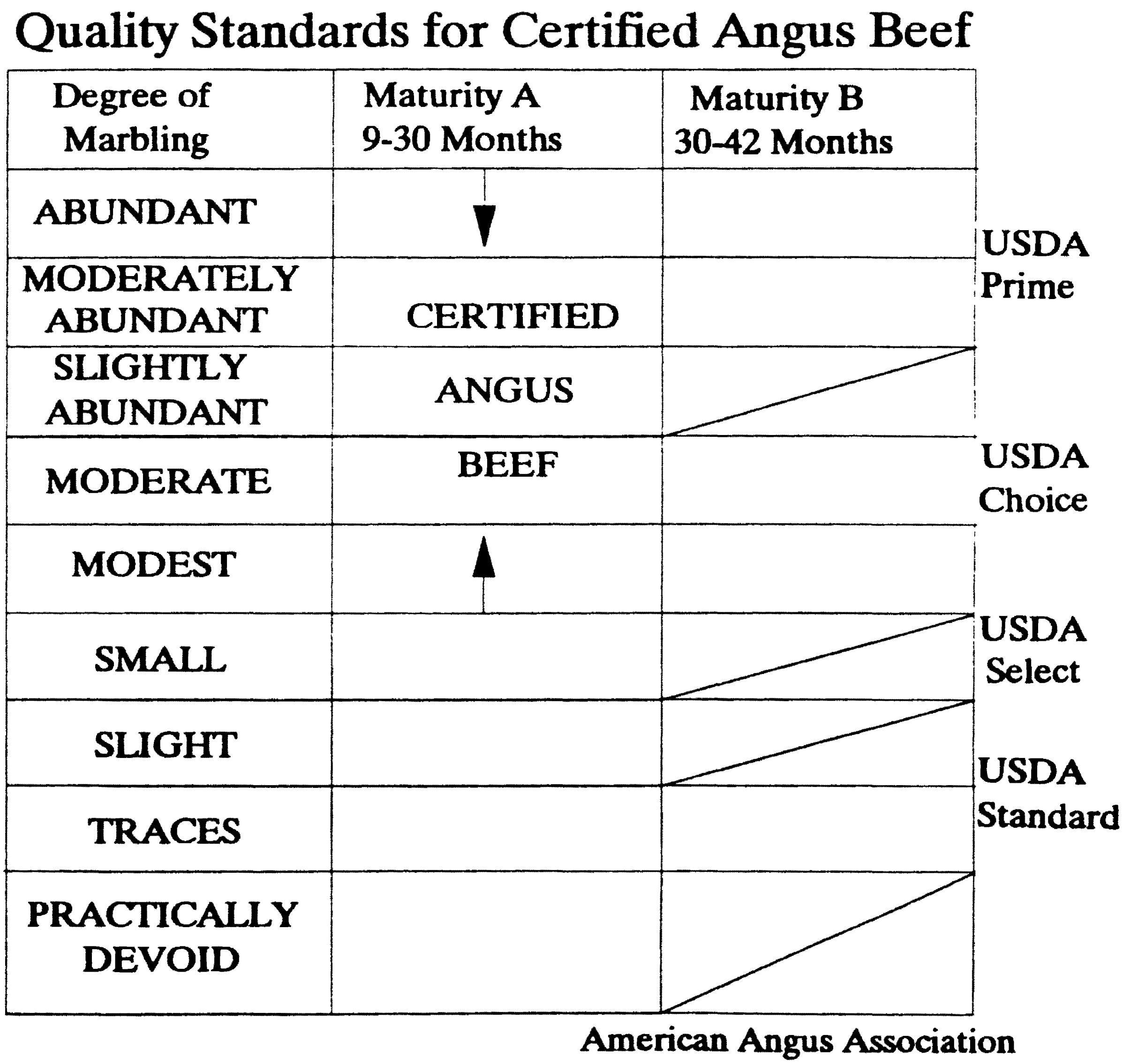

Figure 5. Quality Standards for Certified Angus Beef

specified." At this point the certified carcass becomes a value-added product. Carcasses are separately cut, labeled and packaged to maintain identity. The meat is either bagged or boxed bearing the federally registered CAB trademark. To maintain the integrity of CAB the USDA Food Safety and Inspection Service (FSIS) oversees all program procedures. The product is then sold to the retail and food service industry by licensed distributors. Although CAB can be sold to unlicensed retail and food service outlets, only licensed operations can use promotional tools and the CAB trademark differentiating the product to the consumer from generic beef. CAB was the first beef program that maintained identity from the feeder's pen to the consumer's plate. Competitors have used "Black Angus" or "Angus" in their product's name, but CAB is the only program approved and monitored by the USDA grading service and sponsored by the American Angus Association.

Growth and Early Supporters

CAB was introduced on October 19, 1978 in Renzetti's IGA store in Columbus, Ohio. A branded fresh meat product was a relatively new concept in the meat industry in the late 1970's, therefore CAB's introduction was a widely covered event and even made network news. However, not all were impressed with the program. In November, CAB hit a major obstacle. Carol Tucker Foreman, Assistant Secretary of Agriculture, had read an article about CAB in the

National Provisioner and believed the program to be a consumer rip-off. She managed to stop CAB temporarily because the American Angus Association had neglected to get a carcass roll approval for the Certified Angus Beef stamp. Yet, it was only a minor setback, as approval was accomplished five months later and CAB was back in business (Colvin).

In 1982, a food service supply line was created with 3 slaughter plants, 1 fabricator, and 7 distributors; and sales began to grow. Mick Colvin, Director of the Certified Angus Beef Program, pointed out the difficulty in getting CAB sales off the ground when he stated:

> The packers were interested and the retailers were interested but trying to get them together was difficult. Getting people in the meat business to be pioneers in merchandising meat is not the easiest task.

Significant levels of sales to the retail and food service industry were first realized in 1983 (CAB Growth Chart). Figure 6 represents the number of head identified and the number of head certified on a monthly basis from September 1981 to August 1992. Over time the average percent of carcasses certified versus identified was 20.4 percent. The percent certified was much higher initially given the number identified in 1981-1983 versus the number identified in 1990-1992. This demonstrates the selective and high quality product that CAB represents in the market

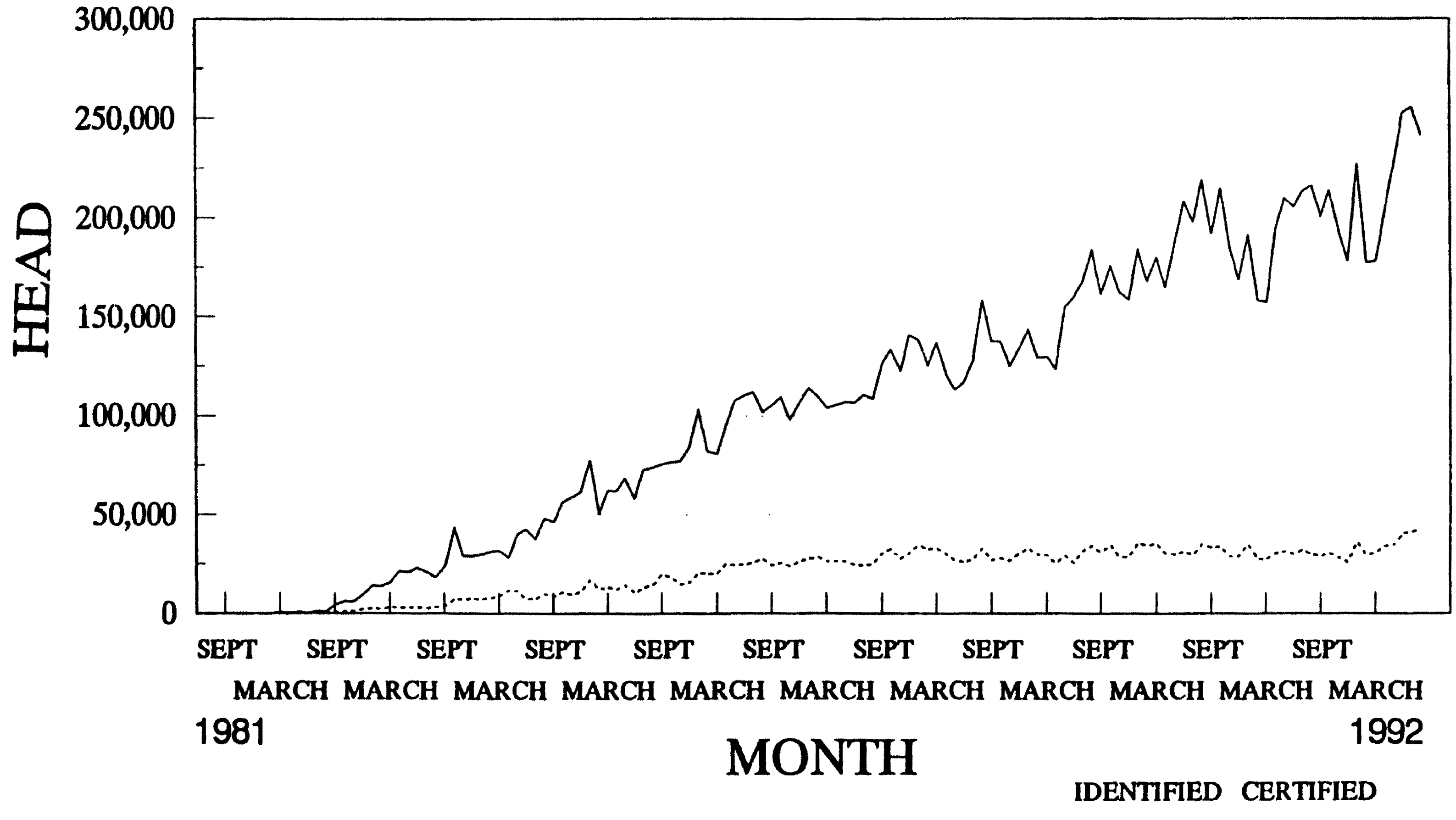

Figure 6. Number of Angus Cattle Identified for Certification versus the Number of Cattle Actually Certified, September 1981-August 1992

place. Only the finest Angus carcasses become certified, and within the industry a 25 percent rule is used when estimating the number of identified carcasses that will be certified.

Actual number of pounds sold has increased over time, too. In March of 1985, a milestone was reached when monthly sales topped the one million pounds sold per month mark. In 1989, sales had grown to 71 million pounds of CAB sold, which is equivalent to a 4.5 ounce serving for every United States citizen. Over the last 10 years, growth has dramatically increased. Sales in 1992 were 93.2 million pounds, a 3,107 percent increase from 1983 (Figure 7). CAB projects 115 million pounds will be sold in 1993.

Growth in pounds can be attributed in part to the growing number of head certified, but more so to the increase in percent of the carcass that is actually sold as CAB. This can be shown by the leveling off of the number of head certified a month since around 1987 (Figure 8). At the same time pounds sold has continued to increase, although at a slower rate than in earlier years. In the beginning of the program, mostly middle meats (loins and ribs) were marketed under the CAB label. This accounted for roughly 20 percent of the carcass. The other 80 percent was labeled and sold as USDA Choice beef, traded with typical commodity beef at market prices.

The versatility of the CAB product line, selling carcass units, individual sub primals, and new product

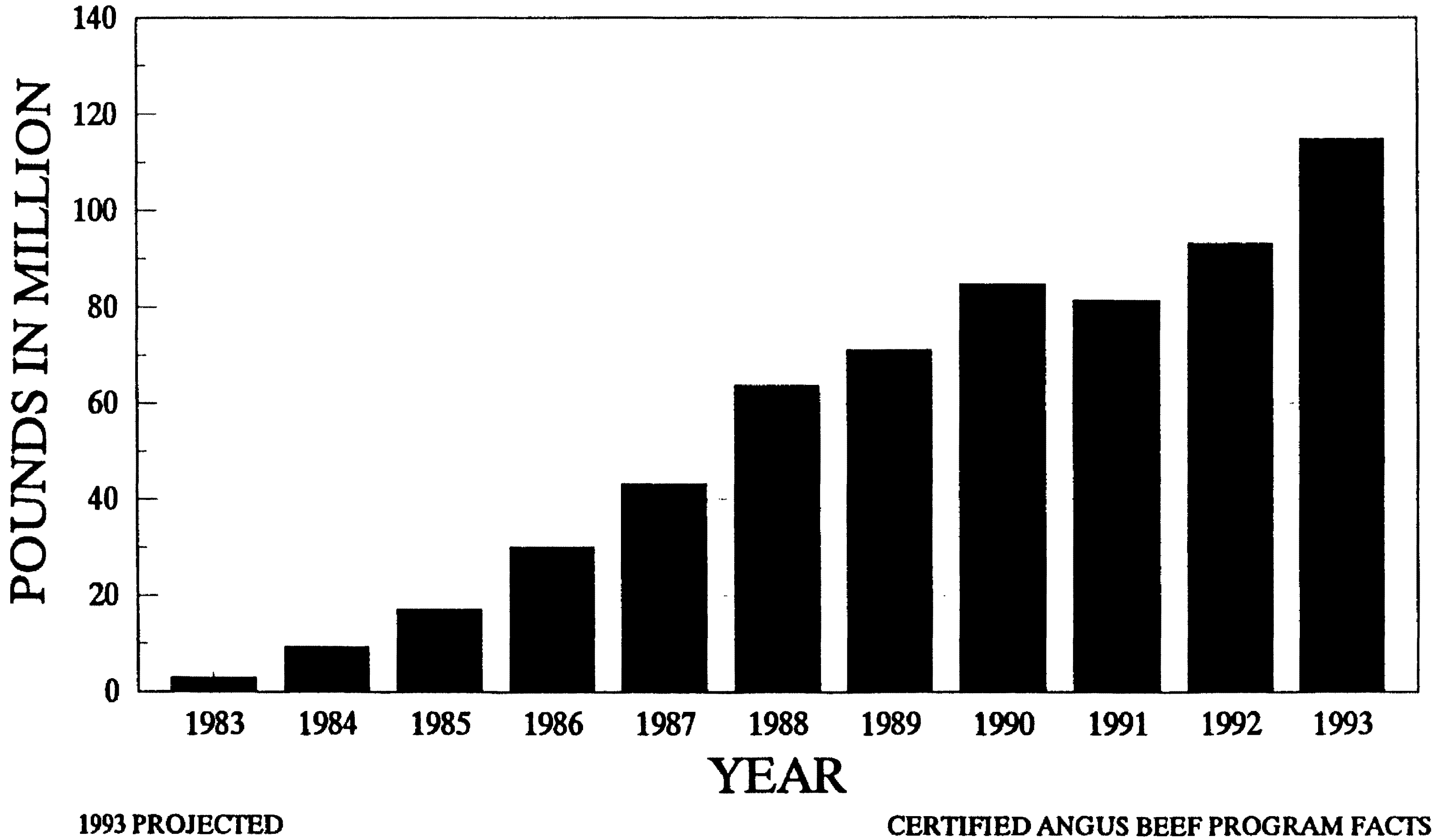

Figure 7. Growth of Certified Angus Beef, in Pounds, Over the Last Eleven Years

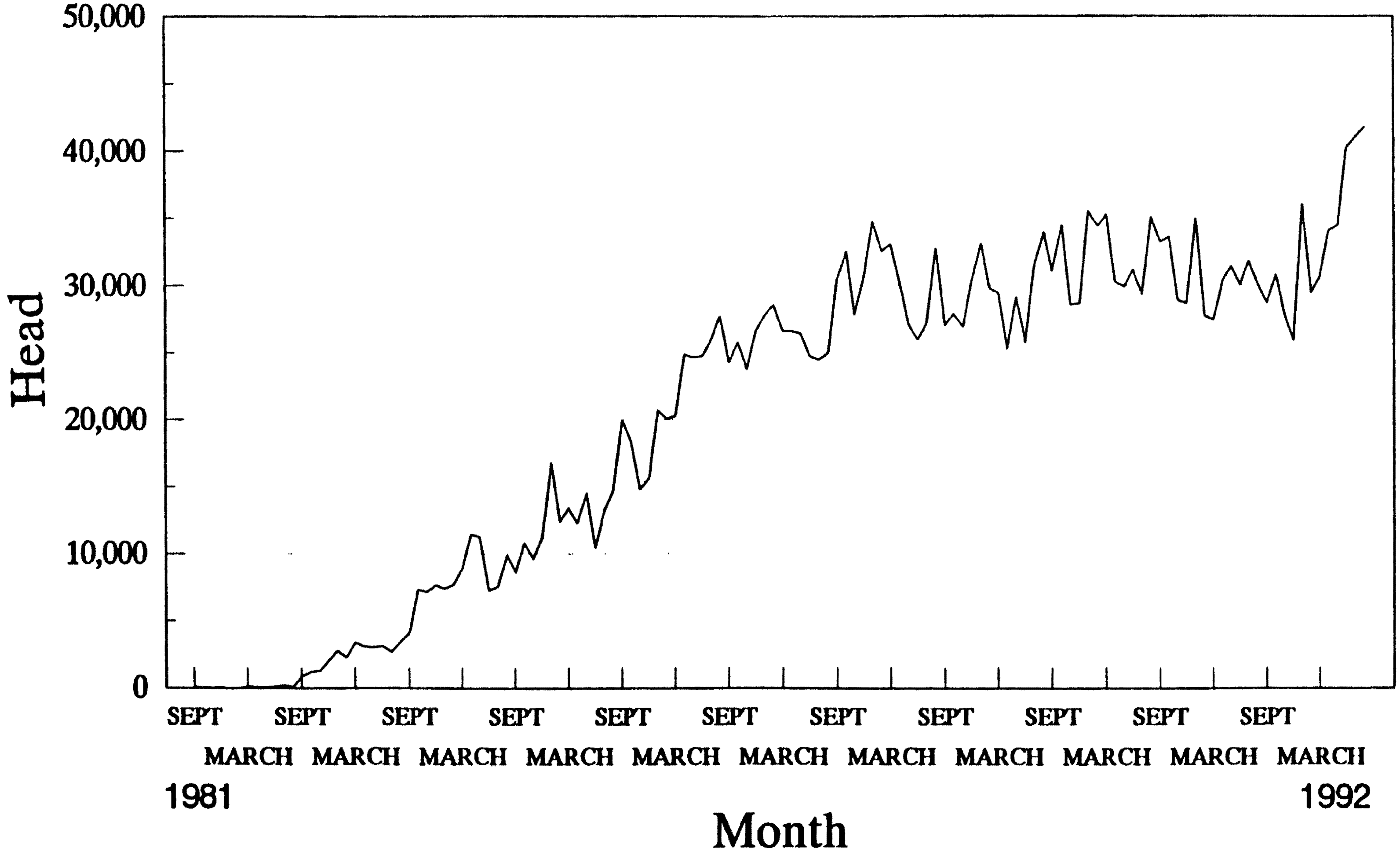

Figure 8. Number of Angus Cattle Certified, September 1981-August 1992

development, has more than doubled carcass usage to 53.9 percent. Currently CAB sells on average 7.76 million pounds a month in 16 countries and 47 states and the District of Columbia within the United States. Distribution of CAB throughout the United States is illustrated in Figure 9. Distribution of sales are as follows: 14.3 percent Region 1, 34.5 percent Region 2, 10.6 percent Region 3, 10.9 percent Region 4, and 29.6 percent Region 5. CAB can be purchased in over 750 retail stores and 6800 restaurants, with roughly 800 restaurants licensed to use promotional material.

Promotion

CAB is a non-profit division of the American Angus Association and is financed by funds that are generated at the packer level through sales of product. The CAB sales mix consists of 33.3 percent food service, 58 percent retail, and 8.7 percent export sales. Creating an image of a superior quality and guaranteed consistency has been a top concern of CAB. The AAA has emphasized marketing the image of CAB and has targeted a specific market niche. They consider their target market to be consumers who enjoy a high quality beef product, are interested in consistency and are willing to pay a premium price. Most advertising done by CAB is aimed at the retail/food service industry. Ads placed in industry publications often feature photos of a raw steak and emphasize the superior quality and consistency found in CAB that separates it from other beef. Testimonials

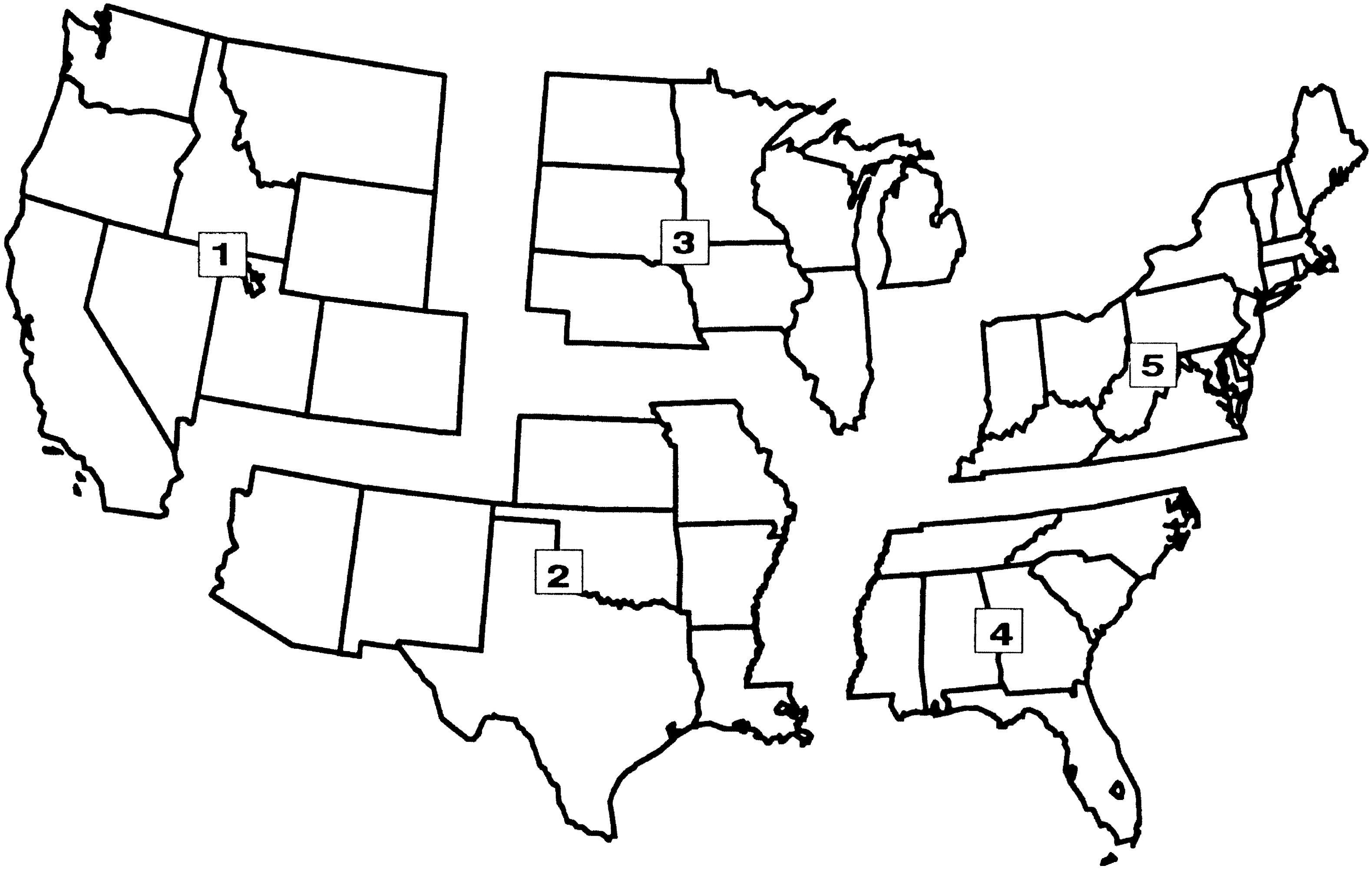

Figure 9. Distribution of Certified Angus Beef Across the United States

from successful restaurateurs have also been used to show how CAB has worked for others. The CAB logo consists of a black Angus steer and the words Certified above the steer and Angus Beef below the steer (Figure 10). Slogans, "The ONLY way to be sure" and "Clearly a Matter of Taste" can been seen on handouts, advertising, and packaging.

License agreements are the foundation of the promotional program. There are three basic licensing agreements: (1) packers, (2) distributors, and (3) retail sector with retail stores and restaurant/hotels having separate contracts. All packing plants, fabricators, processors, and distributors must be licensed to handle CAB. At the end of 1992 there were 25 licensed packers, 18 licensed fabricators, 23 licensed retail distributors, 48 licensed food service distributors, and 22 licensed exporters. Distributors are licensed based upon their ability to custom process and age beef to their clients' specifications. They need to be familiar with marketing value-added products and viewed as "center-of-the-plate red meat specialists" by their customers. The distributor must have a reputation for quality and their sales representatives need to be adept at procuring high quality raw material for chefs in the white-tablecloth restaurant, hotel, and country club segment of the food service industry. In return, CAB agrees not to license another distributor in the same marketing area. Retail and food service firms that participate in the licensing program are

Figure 10. The Certified Angus Beef Logo

signed up by the distributor and the agreement is between them and their distributor.

There has been no national promotions directed to the consumer due to the program's limited advertising budget. CAB has, however, recently produced a recipe brochure series. Each series features two simple dishes and these brochures have been made available to distributors. They instead rely on the promotional materials distributed to their licensed retail and food service firms to inform consumers. Other consumer promotions are developed by individual firms. Retail and food service firms sign a licensing agreement with the distributor allowing them access to merchandising support, labeling material, point of purchase displays, banners, ad slicks, and even educational material for their employees. CAB realizes that for the product to be a success the people working behind the meat counter or presenting the product need to be educated about Certified Angus Beef.

When a new store switches to CAB, a field representative will conduct a program on CAB and explain why CAB is special and requires different handling then ordinary beef products (Ferguson). They feel that educating the retail and food service firm's employees will lessen or reduce the gap of confusion and guarantee the consumer a premium product. CAB offers the retailer who is going to feature CAB in a section of his meat case a promotional package. Promotion material available includes: camera ready ad slicks that can be use in promotions and menu identification, table tent, elegant steak pics, engraved invitations, and window or glass decals. Restaurants featuring more than two CAB entrees receive a beautiful framed letter from the headquarters office of the American Angus Association and a custom designed personalized engraved CAB plaque when featuring 100% CAB (CAB leaflet). CAB will continue to supply materials as sales grow within the company.

Channel of Distribution

The Certified Angus Beef program's channel of distribution is highly integrated leaving the communication process open from producer to consumer. Figure 11 illustrates the channel involved with getting CAB to the consumer's plate. Breaking the channels down into five stages can show how the parts work together as a whole. Stage one consists of the registered purebred Angus producer, the commercial cattleman, and the feeder. Purebred producers supply commercial cattlemen with the seedstock needed to produce cattle that can qualify for CAB. The feeder then purchases angus-type stockers from the commercial cattleman, feeds them to a proper finish and weight, and then sells them to a licensed packing plant.

Certification takes place in stage two. All players in stage two, packing plants and fabricators, must be licensed by the American Angus Association to process CAB. CAB

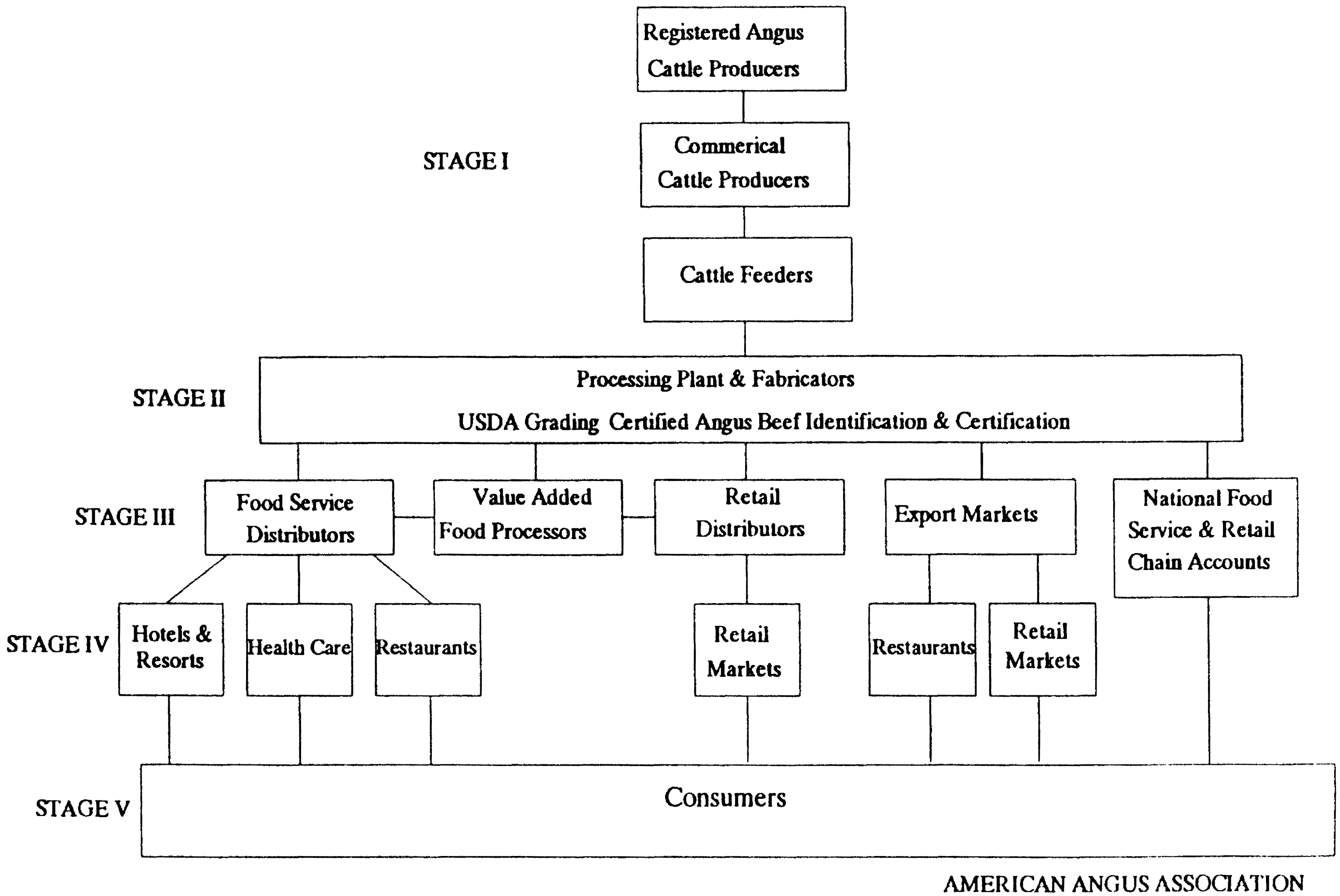

Figure 11. Marketing Channel for Certified Angus Beef

becomes a value-added food product at this stage, as well as incurring additional handling costs.

Distributors, stage three, are the gate keepers of CAB. The distributors have to be licensed and are responsible for selling CAB. The distributor works closely with stage four, retail and food service firms, in continually offering the highest quality beef to the consumer. Distributors are also responsible for getting retail/food service firms to sign licensing agreements and use promotional material.

Stage four is where the consumer finally is introduced to CAB. Presentation is of utmost concern. The success of CAB lies here with product differentiation and repeat purchases. Though CAB costs more than generic beef, the increase in price has not caused any noticeable marketing problems. A taste test sponsored at the Zona Spray Cooking School in Hudson Ohio, found that 92 out of 100 customers said that taste is more important than price when purchasing a cut of beef.

Industry

Producers and Feeders

The Supply Development Division of AAA was established in 1988 to assist feedlots in increasing the supply of certifiable cattle to licensed CAB packing plants and to work with producers by gathering feedlot performance and carcass data on cattle sired by registered angus bulls. The producer is an important player in CAB's success. It is important that producers focus on producing cattle that excel in superior carcass traits. This division helped implement a vertically integrated program which linked together and further supported CAB's claim that they monitor the product from "the packing plant to the dinner plate." Given that carcass characteristics are highly heritable, there is a need to identify sires within the Angus breed whose offspring yield certified carcasses. The American Angus Association's Sire Evaluation Program, was introduced to help producers select bulls whose progeny excelled in carcass merit. EPDs (expected progeny differences) are available for fat thickness, ribeye area and marbling score for each bull monitored in the program. An accuracy value is also included with each bull's EPDs.

The Supply Division tracked 53 producers' cattle in 1992 and the total number of cattle in CAB's carcass data collection numbered 5,669 head. These numbers are expected to double in 1993 and triple by 1994. Cattle are tracked through the USDA Beef Carcass Data Service (BCDS). The BCDS charges $.50/head for an ear tag, but this expense is paid by CAB. The producer is only responsible for the $1.50/head charge for gathering or receiving summarized information. Therefore, the producer doesn't incur any costs on cattle with lost ear tags. Feedlot performance data is gathered with the cooperation of the feeder. The American Angus Association has an Angus Feeder Cattle directory that is published in the fall and spring listing Angus-sired feeder calves for sale. There is also a list of feedlots available to help producers locate feeders that are willing to collect carcass data and that are regularly visited by packer buyers from licensed CAB packing plants.

Although some producers are paid a premium price for cattle that meet live evaluation standards, this is very rare. As a rule of thumb, one can estimate that out of a group of black cattle only 25 percent will be certified. Therefore, it is economically unsound when buying 1,000 head to pay \$1.00/cwt premium when only 250 carcasses will qualify to be marketed as CAB and receive a premium.

Packers, Fabricators, and Breakers

The certification process begins with the packing plant. Monitored by FSIS, the integrity and accuracy of the grading and certification process is upheld. Though packers sell CAB for a premium, there are additional costs associated with processing CAB compared to generic beef. First, there is a \$27.50 per hour charge for the federal grading service. However, the greatest expense comes with the fabrication process. To maintain identity, the packer must fabricate certified beef separately from the rest of the day's kill. The fabrication room must be cleared, cleaned, and let stand empty for 9 minutes before the processing of CAB begins. With labor costs at \$57 a minute, this lost time is costly to the packer.

Food Service and Retail

The acceptance at the food service and retail level has accounted for the impressive growth in sales over the last 10 years. An article in the June 1986 Feedlot Management magazine stated that within the first six months of 1986, CAB more than doubled in the retail market. They found that many retailers would try the product to get consumer feedback. If consumers responded favorably, so would the retailer by devoting more of the meat counter to CAB. New CAB products have been developed for the retailer. For example, CAB developed a 1/4 inch fat trim boxed beef product for retailers in New England to keep in line with consumers' demand for leaner meats.

But, the retail food market isn't the only place CAB has found great success. The food service industry seems to be the niche market CAB was looking for. An article in the September 1989 Angus Journal reported that over 6,000 restaurants were serving CAB as their only beef product (Stowell). The AAA claims that many are the finest restaurants in the country. CAB has directly assisted in improving sales for many food service firms. For example, Edd Hendee owner of "Taste of Texas" in Houston wouldn't think of serving anything but CAB.

> I had tried other beef before CAB, but it was very inconsistent. Our restaurant wasn't successful; it was mediocre at best. We were just

ecstatic to find a consistent product like CAB so
we could specialize in steaks.

Edd Hendee has been in the restaurant business for over 19 years but has only been serving CAB for the last 5 years. And what a difference CAB has made. The "Taste of Texas" sales have almost tripled in the past four years and Edd Hendee orders 5,500 to 6,000 pounds of CAB a month. He needs 180 carcasses a month just to fill the most popular dish on the menu, prime rib. He even aids in the marketing of CAB by putting the CAB registered trademark on his menu.

There are many success stories such as Edd Hendee's in the history of CAB. The product's high quality is filling a need in the middle-to-upper class restaurants and hotel chains. Bruss Company, a beef purveyor, suggests that the uniqueness of CAB is that it is a higher quality product than USDA Choice beef but lower priced than USDA Prime beef. Many restaurants do not consider CAB an added expense, but rather an added value. A popular slogan in the food service industry pretty much sums up the acceptance of CAB by consumers and restaurants, "The Reputation that Reserves Every Table."

Future

CAB is the nation's leading branded fresh beef program and accounted for 2.1 percent of the total fed beef production in the United States in 1992. Given current (1992-1993) cattle population, the CAB Product Supply

Division foresees a potential to reach a certification level of 4 percent of all cattle slaughtered in the United States. In February 1993, CAB once again set a record, selling over 10 million pounds of product in a single month.

The Certified Angus Beef program has shown that with the proper marketing techniques, branded fresh meat products can increase sales. Continued efforts in selling a greater percentage of the certified carcass will brighten CAB's future. Industry "experts" contend that beef products marketed under brand labels, whether they be lite, lean, natural, gourmet, or a combination of these aimed at the retail, restaurant, institutional, or organic market segments will undoubtedly be the wave of the future (Ferguson). The key to CAB's marketing campaign is to have the consumer gain the correct perception and knowledge of the product and acceptance will naturally follow.

CHAPTER III

CERTIFIED LAMB

Introduction

The Certified Lamb program was activated by the American Lamb Council, a division of the American Sheep Industry (ASI), Association, in the fall of 1989. The programs' marketing operations are conducted out of the ASI's office in Englewood, Colorado. Information and literature used to prepare Chapter III came from various sources: excerpts from many issues of the National Wool Grower, the TAMRC Report, personal interviews conducted by phone with retail meat buyers, contacts made while attending the American Sheep Industry convention in Dallas, Texas, and material supplied by Tim Bauer, Western Regional Marketing Director for the American Lamb Council.

History

United States per capita consumption of lamb has been declining since 1963. Popular theories suggest that this decline has occurred for many reasons; high price of lamb, poor consumer image, availability in the retail market and an overfat product. Walker Research did an analysis of lamb usage and awareness in July 1989 and concluded similar results. The respondents' reasons for not eating lamb were taste/flavor and price. When they were asked, "Why haven't you served lamb in the last 12 months?" over half of the respondents mentioned either "don't like lamb" or "family doesn't like lamb." Taste/flavor and health concerns were responses for not eating lamb in the future. A negative image has surrounded lamb reflecting a poor tasting, expensive, fat product.

Criticisms of lamb held by the retail sector were lack of a uniform product and excessively high retail prices. High retail lamb prices were due to costs associated with time spent by the meat manager to prepare the cuts and remove excess fat, along with the amount of lamb thrown away due to spoilage. Up until July 1992, less than 1 percent of lamb carcasses were yield graded, therefore fat coverage varied from carcass to carcass. On average, 93 percent of all lambs grade USDA choice or higher resulting in few descriptive differences among carcasses (Ward). Retail merchants were not assured of the amount of fat coverage nor quality of each lamb carcass they purchased. They couldn't depend on the uniformity of the lamb carcass shipment, which meant they passed on an inferior product to the consumer. For example, a meat manager might order 5 lamb carcasses. Of them 1 or 2 might be free of excess fat and of high quality. The rest will vary in degree of external and internal fat and will require additional processing time, therefore resulting in a loss of product. Feeders and packers were unconcerned with the retailer's need to reduce fat coverage and increase product consistency since they received their price for the carcass on a per pound basis.

Many people in the sheep industry saw that "fat lambs" had become a problem. In 1986 the American Sheep Producers Council initiated a cutability task force made up of producers, feeders, packers, breakers, and retailers to look into the matter and derive some standards for a cutability program. The group surveyed 11 of the major packing plants over four time periods in 1988 (Feb-March, April-May, July-Aug & Oct-Nov). A total of 6,224 lamb carcasses were evaluated. The results showed that even though an average of 93 percent of the carcasses graded low Choice or higher only 30 percent of the lambs killed had .1-.25 inches of backfat and 3.5 percent or less kidney and pelvic fat. The average external fat thickness was greater than .25 inches. The task force developed the following standards for "lean" lamb carcasses: (1) External fat thickness of .10 to .25 inches, (2) Leg conformation score of average Choice or higher, (3) Kidney and pelvic fat of 3.5 percent or less and (4) USDA quality grade of low Choice or higher (Butler, et al).

The Certified Lamb (CL) program was developed in 1989, its main purpose being to enhance lamb quality. It focused on improving retail lamb (less fat, more consistency, larger cuts and better plate coverage) without increasing the retail price (Ward). The CL program is for the health conscious consumer who desires a high quality product that is a good value for his or her dollar. CL also created a uniform product that the retailer could request and be guaranteed of the quality and consistency in the carcasses received. The Certified Lamb program was approved by USDA's marketing service and food safety and inspection service on November 17, 1989.

Growth and Early Supporters

The CL program was implemented in the fall of 1989 and first appeared in a San Jose supermarket in December 1989. It received applause in January 1990 at the ASI convention where Tom Demott, vice-president of meat merchandising at Safeway, expressed confidence that the Certified Lamb program would sell more lamb at the retail level. He believed that a consistent, high quality product would gain the confidence of the retailer.

> We don't want a surprise in every box of lamb. The consistent, high quality provided by certification encourages us to keep retail sales levels steady.

Safeway was not the only retail chain supportive of CL. Other early adopters were an Atlanta retail chain (spring 1990), St. Louis's National Supermarket chain with 57 stores in the St. Louis area (August, 1990), and Fiesta

Supermarkets' 20 outlets in the Houston area (September, 1990).

Certified Lamb created optimism in the lamb industry. Curt Terry, Coordinator of Research and Technology for the American Lamb Council, set some pretty impressive goals for the CL program.

> Our goal is to have 100 percent of the retailers participating and 60 percent of the packers involved in the program (CL) when it gets going.

By September, 1990 2 percent of all American lambs graded certified, which would seem to fall short of the above goal.

The CL program has grown steadily over time. Figure 12 shows the number of lambs certified versus the number of lambs slaughtered by month from July 1991 to April 1993. Over time the percent of lambs qualifying for certification has grown from 8.4 percent in July 1991 to 19.9 percent in March 1993, a 237 percent increase. Currently (spring 1993), on average, 17 percent of the lambs slaughtered in the United States qualify for certification. When observing month to month comparisons for multiple years, there appears to be growth within a seasonal pattern (Figure 13). The number of lambs certified in July, 1991 was 31,787 head compared to 81,805 head certified in March, 1993. Although some of the growth shown in the summer and fall of 1992 can be attributed to the introduction of mandatory yield grading, it appears that more lambs are meeting the qualifications for certification.

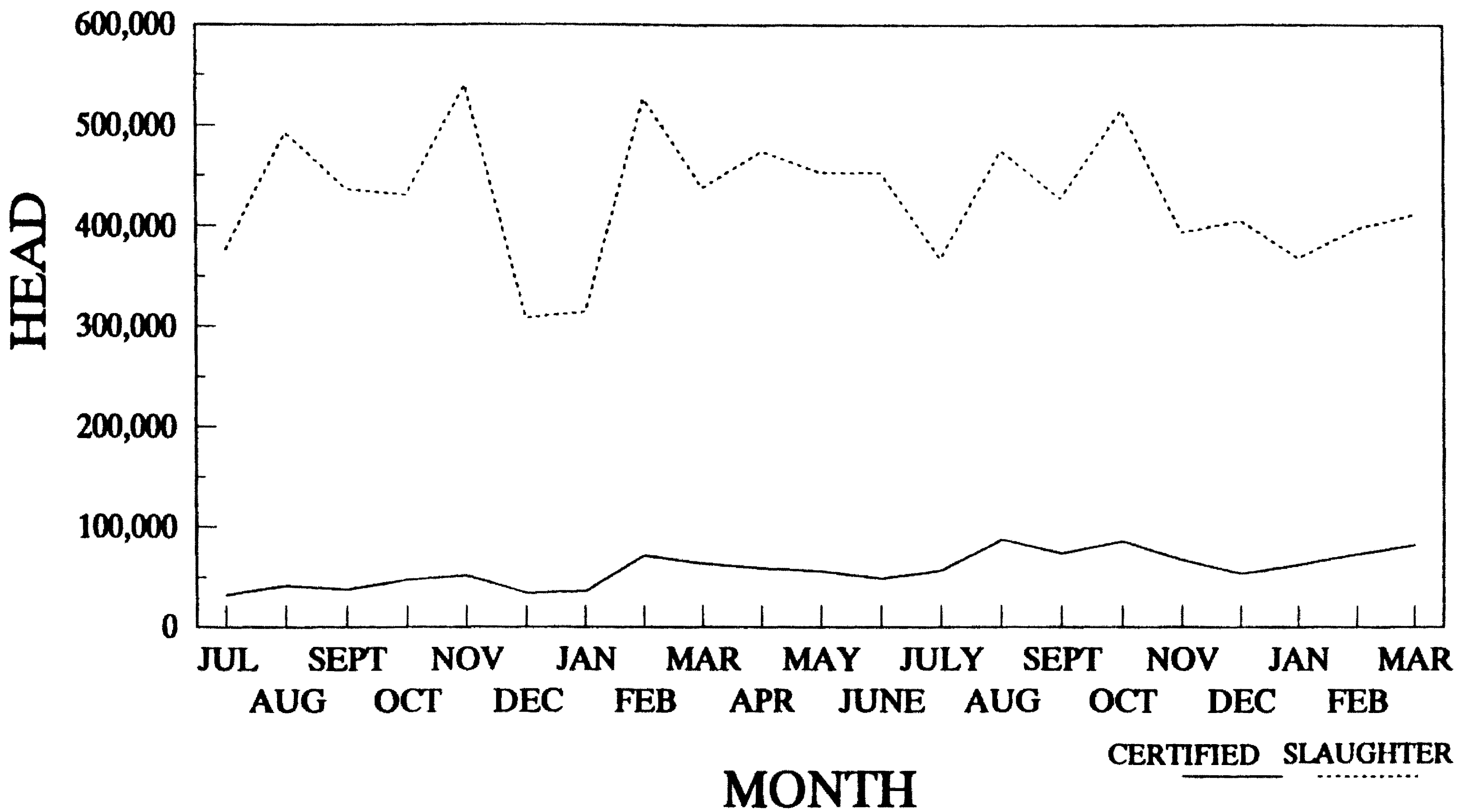

Figure 12. Number of Lambs Certified versus the Number of Lambs Slaughtered, July 1991-March 1993

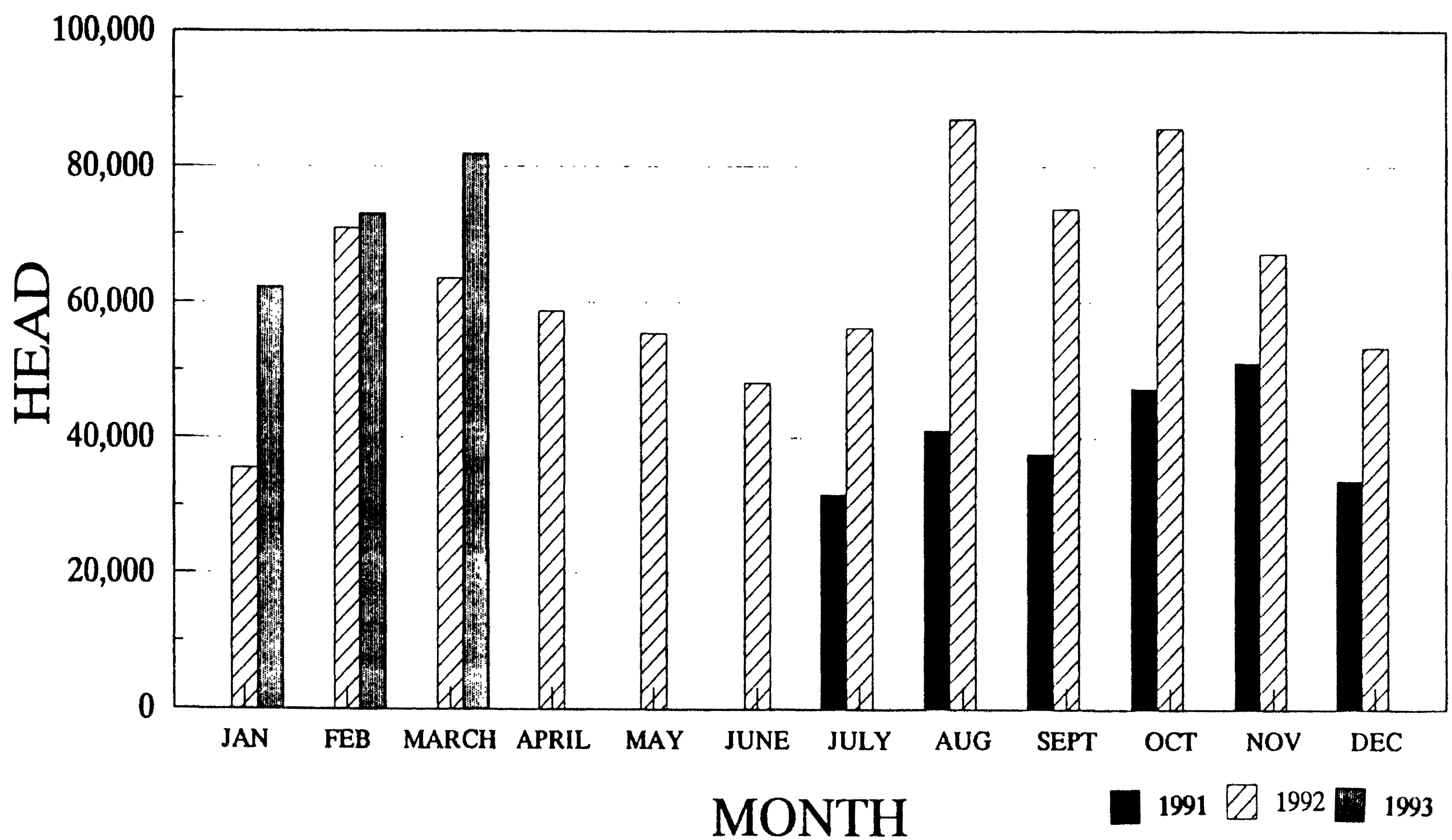

Figure 13. Month by Month Comparison of Lambs Certified, July 1991-March 1993

However, a comparison that could be used is the data collected in 1990 by the TAMRC study team. They concluded that packer respondents in their study accounted for 68 percent of the 1990 national lamb slaughter. Even though yield grading was not required at that time, the packers estimated that of lambs slaughtered 43 percent were equivalent to U.S. Yield Grade 3, 28 percent to U.S. Yield Grade 2, 19 percent U.S. Yield Grade 4, and 5 percent each to U.S. Yield Grade 1 and 5 (TAMRC). Thus estimating approximately 33 percent of the lambs slaughtered in 1990 would have qualified for certification.

Actual number of pounds sold is very hard to determine since sales are not formally reported. However, using a formula supplied by ASI, the following numbers are estimated (Figure 14). The formula is simply: number of carcasses sold * 63 pounds. The 63 pounds comes from an industry average dressing percent of 52.5 percent and an average slaughter lamb live weight of 120 pounds. This method is subject to uncertainty because it assumes that the entire carcass is being sold as CL. It also uses industry averages for dressing percentages and live weights, although lean lambs' carcass statistics should differ from industry averages.

According to the above method, over the last six months (October 1992 to March 1993) CL sales on average were 4,545,700 pounds of product per month across the United States. Since sales of CL are not monitored separately from

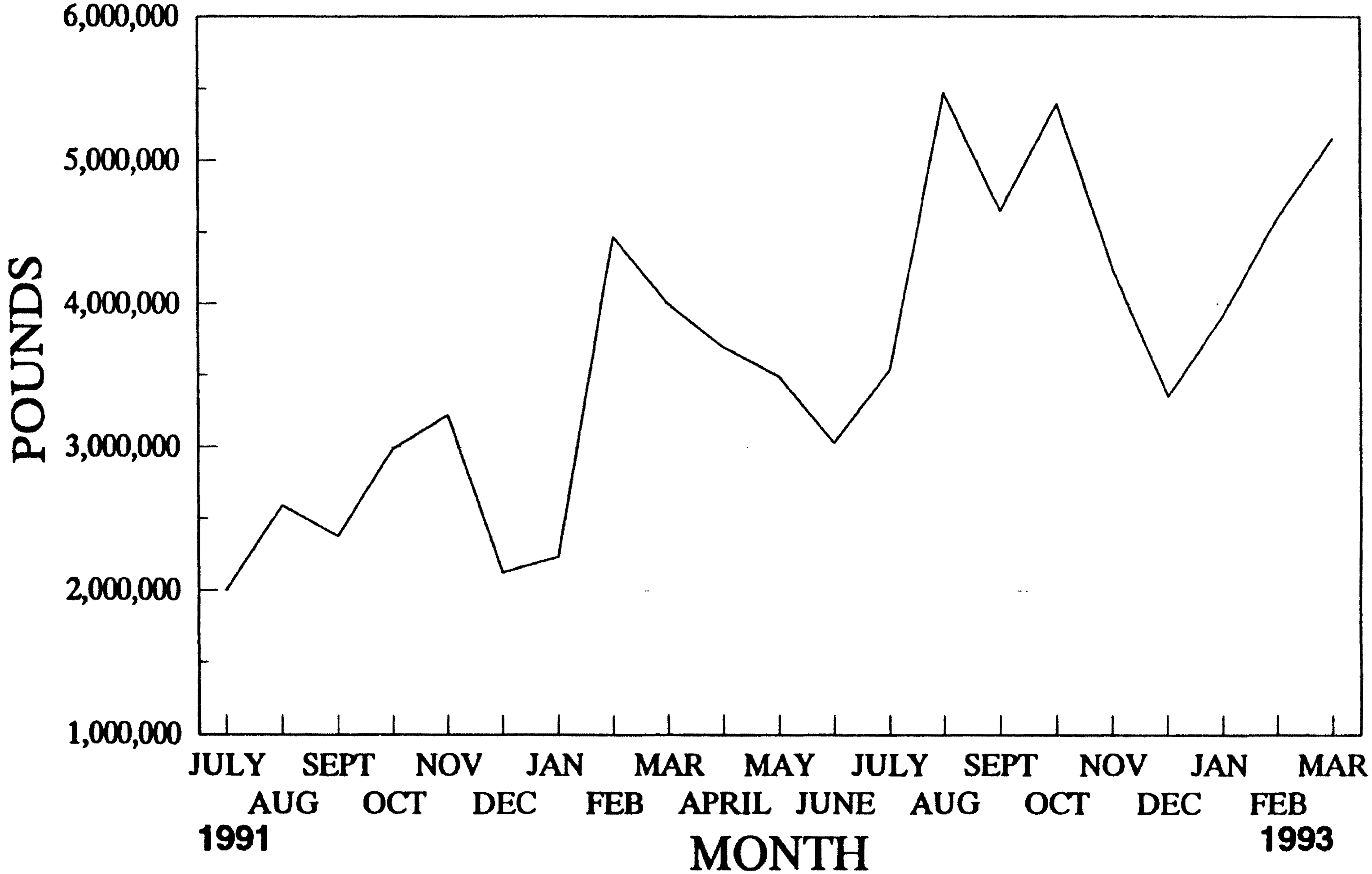

Figure 14. Pounds of Certified Lamb Sold, July 1991-March 1993

American lamb, regional distribution can be assumed similar. Figure 15 illustrates distribution of American lamb throughout the United States. The Northeastern region leads lamb sales with 30 percent, followed by Pacific Coast 20 percent, Southeastern 16 percent, Great Lakes 14 percent, Central 11 percent, and Western Region 9 percent (ASI). However, there is some differences between generic lamb distribution and CL distribution. Using number of CL retail accounts provided by ASI, Texas has the largest concentration of retail firms using CL. Fewer CL accounts are found in more mature markets, such as the East Coast (ASI). Certified Lamb is sold through 35 food service distributors to an undetermined number of restaurants and food service firms. Estimation of retail stores carrying CL is impossible to calculate since there is no control over inventory levels and who is purchasing the product.

Promotion

Little effort and creativity is observed in lamb promotion at the retail level (TAMRC Report). The American Lamb Council, a division of ASI, is solely in charge of the promotion and marketing of Certified Lamb. Although, most of the promotional material generated by the American Lamb Council is based upon the "Fresh American Lamb" theme, there has been some marketing material produced solely for CL.

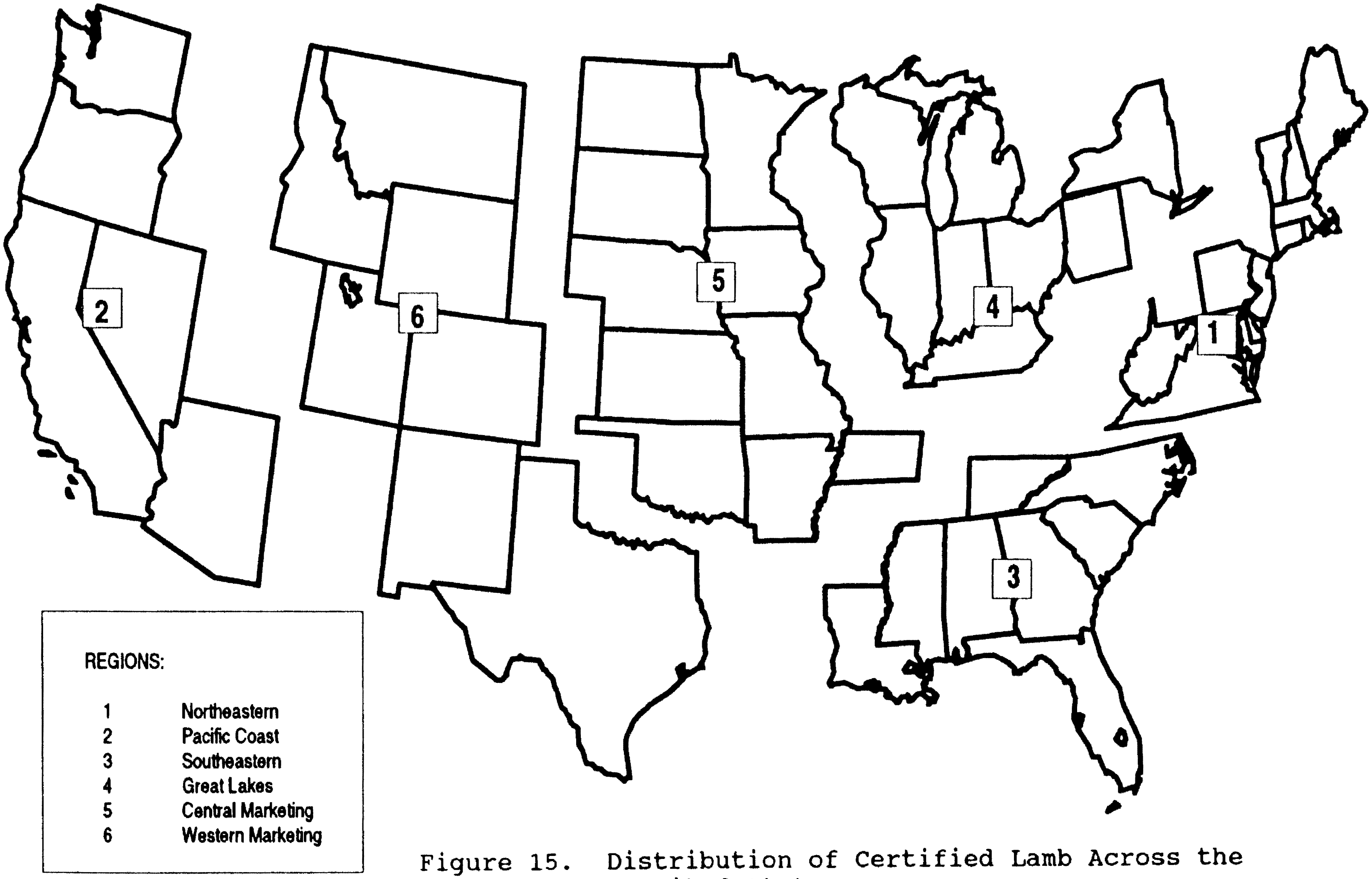

Figure 15. Distribution of Certified Lamb Across the United States

The CL sales mix is estimated to be 63 percent retail and 37 percent food service sales.

Each of the five regions within the United States has a marketing director whose responsibilities are to promote lamb and lamb products. They are the main "promoters" of CL. Since retailers purchase lamb directly from packers, there is little encouragement to purchase CL in this scenario. Therefore, it is the regional marketing director's responsibility to contact the retail buyers and discuss with them the advantages of Certified Lamb.

During a personal visit a regional marketing director will present a CL packet to the perspective account. "More of what you need, less of what you don't," can be seen on almost all of the CL literature. The packet contains a number of leaflets that discuss the benefits of purchasing CL: larger, leaner cuts for shoppers, less trimming, fewer markdowns, guaranteed year-round quality and availability, and 7.4 percent increase in cutouts will improve profitability. Other areas that the marketing director might touch upon are information regarding special cuts, such as racks, and the availability of point of purchase material and added market support. A sample of promotional material available to the retailer to use in advertisements is available in Appendix B. Lastly, the regional marketing director will demonstrate that even though CL costs more than generic lamb, the added-value due to higher yield, less fat and less trimming cost, enables CL to be more profitable than non-certified lamb (Table III). And this holds true given no retail price increase.

Certified Lamb is ultimately designed to improve the product that the general public receives, therefore most of the promotional material is developed keeping the consumer

TABLE III

PLATE COST OF CERTIFIED LAMB VS NON-CERTIFIED LAMB

Assuming a 10% Higher Wholesale Price for CL	**Certified**	**Non-Certified**
Wholesale Price (per lb)	\$3.30	\$3.00
Weight of Whole Rack	6.7 lbs	8.5 lbs
Total Cost	\$22.11	\$25.50
Weight of Frenched Rack	2.56 lbs	2.45 lbs
Yield	38.2%	28.8%
Plate Cost	**\$5.53**	**\$6.38**

* Certified = 13% lower plate cost

in mind. The flashy red, blue and gold label reads "Certified Fresh American Lamb" and was created to attract the consumer's attention (Figure 16). Banners and stand-up material with photos of lamb dishes on them and bearing the Certified label, are available for meat counter displays.

However, even though all these merchandising materials

Figure 16. Certified Lamb Logo

are readily available, the retailer may opt not to distinguish CL from the rest of the lamb within the meat case. Therefore, in the eyes of the consumer, it is basically the same as generic lamb. Informal interviews with retailers selling CL revealed that 50 percent were not labeling and differentiating CL from the rest of the lamb in the meat counter. Reasons for lack of labeling were that they felt the CL label meant little to the consumer and that the product was mainly developed to enhance the lamb that retailers were purchasing.

Channel of Distribution

Using the report done by the TAMRC Lamb Study Team and informal interviews of retail lamb buyers and packers, the following channel of distribution was created (Figure 17). The diagram assumes that CL follows the same basic marketing route of American lamb. Breaking the channels down into five stages will allow for a better interpretation of each stage within the industry.

Stage one consists of the sheep producers and commercial feeders. Purebred seedstock breeders, the commercial sheep grower, and small farm flocks are all included within the scope of sheep producers. Producers will either sell feeder lambs to the commercial feeder who will finish the lambs, then sell them to the packer, or the producer will sell slaughter lambs directly to the packer. In both cases, lamb is sold on a per pound basis. It is

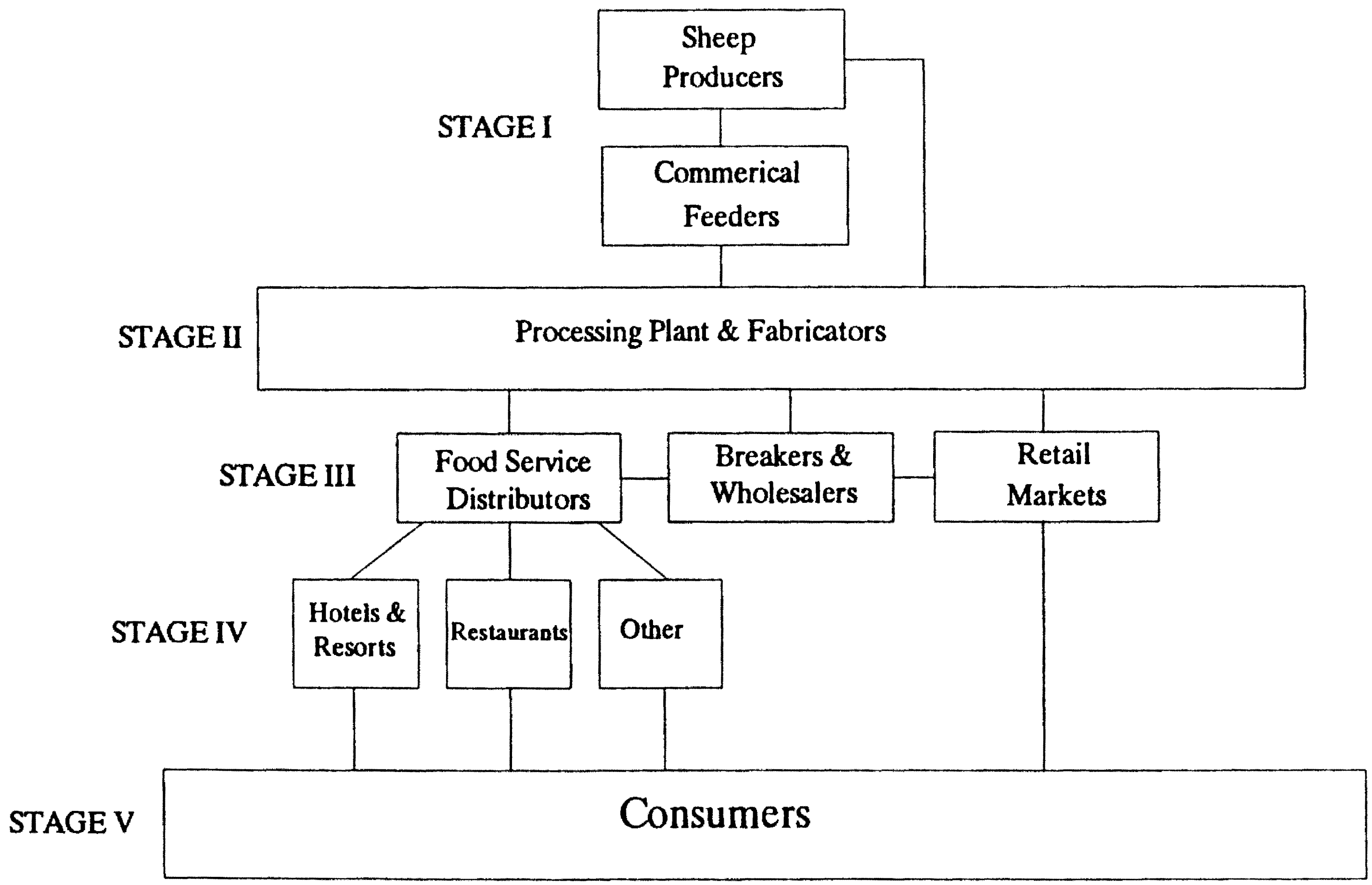

Figure 17. Marketing Channel for Certified Lamb

still uncommon within the sheep industry to select lambs on ean value or seedstock on carcass characteristics. Evidence of this can be found within the TAMRC Lamb Study. When their survey team asked, "What was the biggest marketing problem with lamb?" the number one response of feeders was overly finished/fat lambs.

Vertical integration is found often within the sheep industry. Many packers either have ties to feedlots, processing facilities, or sometimes both. This stage has the fewest number of players, when compared to the industry as a whole. Combining stages eliminates a point of sale and should aid in controlling price and encourage selection of leaner lambs. Certification takes place in stage two. A USDA grader will regrade the carcass at the packing plant, to guarantee the lamb meets CL requirements. Little promotional work is generated at this level. Breakers and non-breaking wholesalers do not initiate advertising or promotion activities to any extent (TAMRC).

Stage three and stage four are very closely related. The marketing channel is dictated by what route the retail or food service firm takes when purchasing lamb. Many retail chains will buy directly from the packer, thus eliminating wholesalers. There are 35 food service distributors that sell CL to their restaurant and hotel accounts. The regional marketing director will work within these two stages of the lamb buying process, to encourage CL sales. And ultimately the consumer, stage 5, will benefit from a higher quality, leaner cut of lamb.

Industry

Producers and Feeders

Unlike CAB, the Certified Lamb program has yet to develop a supply division emphasizing the production of livestock that possess the carcass characteristics required for certification. It is still not uncommon for a lamb producer to give little regard to over finishing lambs. Currently, (1992-1993) a number of research projects are being conducted at the university level examining what makes lambs produce leaner carcasses. An Oklahoma State University study has examined the use of wheat pasture feeding to produce lean lambs and Colorado State is examining which frame size produces the leanest carcasses. Studying feeding programs, growth cycles, and types of lambs will continue to be a high priority of the sheep industry with the increasing importance of producing leaner, higher quality lamb carcasses.

Packers, Fabricators and Breakers

To encourage the packer to promote and sell CL, an incentive is added to all CL carcasses. The packer will receive a premium price from the retail and food service industry. However, these premium prices are not passed on to the feeders and producers for lambs that meet the CL requirements. The premium price is based on the fact that the carcass is of a higher quality and requires less exterior fat trimming and has less seam and interior fat. Thus, processing costs are lower. One can identify a CL carcass by the rolled on stamp that extends from the shoulder to the leg and specifies certification. It is very similar to the USDA quality grade stamp. Boxed lamb is also labeled. In 1990 packers were merchandising 69 percent generic lamb, 24 percent CL and 7 percent house branded lamb. However, no breakers reported handling CL and less than 1 percent of lamb sold by non-breaking wholesalers was CL (TAMRC Report).

Food Service and Retail

Compared to CAB, the number of retail and food service accounts seems to be small, though satisfaction with CL is high. There also appears to be growth in number of retail accounts. The TAMRC report conducted a survey in 1990 and found that out of 29 retailers (17 corporate chains, 5 regular chains, 6 local store, and 1 specialty shop) only 1 retailer reported selling CL. Today, about 30 retailers across the United States, consisting of approximately 2,500 stores, carry CL. All of the retailers interviewed for this study carry Certified Lamb year around and 80 percent stock CL exclusively.

The TAMRC report surveyed food service firms and discovered some interesting facts. The total amount of lamb purchased in 1990 by the food service respondents was 1.6 million pounds, which is an average of 69,348 pounds per food service firm. Of the 1.6 million pounds, 13 percent was reported to have been New Zealand lamb, 1 percent Australian lamb, and 0 percent Certified Lamb. Although there are no actual sales figures, the percent of CL served by the food service sector has had to have increased over the last few years since there is presently 35 distributors selling CL to restaurants, hotel chains, and country clubs.

Future

The future of CL could be very limited. As of July 6, 1992, all carcasses that the packer chooses to USDA quality grade, must also be USDA yield graded. Also initiated with the yield grading requirement was the removal of kidney and pelvic fat prior to grading. Since kidney and pelvic fat ranged from less than 1 percent to 9 percent of the hot carcass weight, overall carcass weights will decrease and carcass cutability variation will decline. With the implementation of yield grading, the criteria for CL changed. To qualify for certification the lamb carcass has to yield grade 1 or 2. This change removed the minimum fat thickness requirement of .10 inch.

The yield-grade system will hopefully make even more changes in the sheep industry. Steve Raftopoulos, American Lamb Council Chairman, pointed out the potential effect of yield grades in the American Sheep Industry Annual Report.

The changes are important because within the yield-grade system, we need to change the way the price of lamb is determined. We need to move away from determining the value of live lambs based on the carcass trade and move into determining price based on retail value.

Yet, implementing a yield-grade system still does not directly deal with the marketing image of lamb. The general consumer knows very little about grading standards and is mostly concerned with the meat at the counter. CL needs to consider moving in a new direction, targeting a specific market segment and refining a lamb product to fit the target market's needs.

CHAPTER IV

MARKETING CERTIFIED LAMB

Certified Lamb versus Certified Angus Beef

Before one can evaluate the success of the Certified lamb program and develop a short range marketing plan it would be beneficial to compare the two programs, Certified Lamb and Certified Angus Beef. Table IV is a brief comparison of the two meat products.

Unlike the American Angus Association with Certified Angus Beef (see page 18), the American Sheep Industry has never formally stated the goal or objective of the Certified Lamb program. Yet, after reviewing the program and talking to people within the industry, the goal stated in Table IV seemed relatively easy to develop.

Estimating the target market of CL also took some guess work. The target market stated in Table IV, seems a logical choice since many different opinions exist. One response gathered during an informal interview was that the general consumer was the target market, which by definition is not a target market. A popular view that kept surfacing among retailers and packers was that CL was developed for

TABLE IV

CERTIFIED LAMB VS CERTIFIED ANGUS BEEF

	Certified Lamb	Certified Angus Beef
Goal	To establish mandatory yield grading and create a more consistent lamb product that the retail sector can ask for by name	Establish a product that would guarantee the consistent and high quality that is demanded by the food service industry
Target Market	Varies	Consumers who enjoy a high quality beef product, are interested in consistency, and are willing to pay a premium price
Date Began	December 1989	October 1978
1st Measured Volume	July 1991 31,787 head	January 1983 2,792 head
Growth to Date	February 1993 4,601,583** pounds, 73,041 head	February 1993 10,075,000 pounds, # of head unknown
Market Penetration	East Coast leads lamb sales with 30 percent followed by Pacific Coast 20 percent.	South Central part of the state leads CAB sales with 34.5 percent followed by East Coast 29.6 percent.
Responsible for Promotion	American Lamb Council's Regional Marketing Directors	Licensed Retail & Food Service Distributors
Support	CL is one of the many responsibilities of the American Lamb Council, a division of the American Sheep Industry, Association	Certified Angus Beef is a division of the American Angus Association
Key Features	* The more lambs that qualify the better * Creation of a lean lamb product	* Selectivity * Licensing Agreements * Supply Division

**Estimate

the retailer or meat buyer, thus leaving the consumer completely out of the purpose of the program. CAB's target market came directly from CAB literature and is stated on page 29.

It is very hard to compare growth rates of the two programs since they have different purposes and are in separate stages of the product life cycle. CAB has collected actual sales figures for 10 years. By comparing Figure 8 with Figure 19 it appears that CAB is somewhere between the latter part of the growth stage and the early part of the mature stage of the product life cycle. CAB concentrates on pounds sold, utilizing as much of the carcass as possible. The selectivity found through the certification process guarantees CAB a position in the marketplace as a high quality product, served by only the finest eating establishments. On the other hand, the sheep industry views CL as a way to improve their product. Therefore, the more lambs that qualify for certification the better. The CL program has only been in effect for three years and by comparing Figure 14 with Figure 19, CL is most likely in the introduction stage of the product life cycle.

Although the two programs follow a similar channel of distribution, promotional responsibilities are handled very differently. The American Lamb Council's Regional Marketing Directors have been noted to be the "sales staff" for CL, but they are not directly involved in the lamb buying process. CAB's marketing program utilizes two key ingredients in successfully promoting their product. First they control all participants and the promotional material they use by the implementation of the licensing agreements.

Second, they enlist the help of licensed distributors to sell their product, thus maintaining control over the marketing of CAB while staying involved in the direct process of meat buying.

Marketing Management

In evaluating the success of the Certified Lamb program, one runs into many problems. First, there is a need to determine the initial goal of the program and construct a measurement device. Was the CL program launched to increase sales of domestic lamb to the consumer or was the program introduced simply to obtain mandatory yield grading? If the objective of Certified Lamb was the later, then yes it was a successful program. As of July 6, 1992 all USDA quality graded lamb carcasses receive a USDA yield grade. However, lets assume that the goal of the Certified Lamb program was to create a high quality, lean lamb product that would increase per capita consumption of lamb.

Determining the success of CL based on the product enhancement goal is the basis of this chapter. The rest of this chapter will address various marketing tools and a strategy statement will be used to summarize and evaluate the Certified Lamb Program's success. A strategy statement covers the major marketing tools, such as target market, positioning, product line, promotions, etc.

Analyzing CL's development and growth process compared to a typical new product, is a good place to start within the marketing process. Since CL is an industry wide product and not a product of a single firm there is a chance that the new product development process could be slightly different. There is a difference between firm and industry, and concepts concerning marketing generally relate directly to the firm.

New product development does not begin when researchers create a new product. There are a number of stages prior to actual creation. Only after the market has been segmented, target customers chosen, and desired market position determined can a new product be developed and launched (Kotler). In other words, one does not create a product and then look for a market. Just the opposite, first current market conditions are investigated and then the product is developed to fit the consumer's need.

Strategic Planning

Strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives and resources and its changing market opportunities. The aim of strategic planning is to shape and reshape the company's business and products so that they combine to produce satisfactory profits and growth (Kotler). The American Sheep Industry's mission statement defines their purpose as follows:

> The mission of the American Sheep Industry Association, as a federation of member

> associations, is to be proactive in promoting the well-being and profitability of the United States sheep industry; presenting an image of the highest quality, integrity and dependabilitas the national authoritative voice of the industry (1992 Annual Report).

ASI's underlying goal is profitability for United States sheep producers. Market price of live lamb is the key to profitability at the production level and live lamb prices are directly affected by retail price and consumer demand.

Three key issues define the strategic planning process: (1) investment portfolio, (2) future profit potential, and (3) strategy (Kotler). Investment portfolio asks the question, "Which business entities need to be built, maintained, phased down/harvested, and terminated?" The American Sheep Industry is involved with two business entities, lamb and wool. Therefore ASI's strategic plan needs to address both products. For this study, however, only lamb will be discussed. There are only two logical choices to make when analyzing the lamb industry, either build or maintain. Looking at current trends of the lamb industry, for example growing marketing margins, decrease in per capita consumption of lamb, etc., maintaining may not accomplish the profitability goal. Therefore, ASI needs to focus on building and expanding the lamb market. New product development, Certified Lamb for example, is one form of expansion.

Assessing the future profit potential of the lamb industry needs to be done very carefully. Exploring current prices and past price trends will not fully reveal an accurate figure. ASI also needs to examine other market conditions such as; consumer trends, competitor's market position, inventory levels etc. The introduction of a market analyst to the ASI staff will potentially benefit this process.

Lastly, the third key for successful strategic planning is strategy. Strategy is the "game plan" for achieving the firm's long run goals and objectives (Kotler). It is important for the firm to keep in mind its industry position, opportunities, and availability of resources. Lamb's position within the meat industry is hard to predict. Yet, it is apparent that lamb's per capita consumption is decreasing in a decreasing market. The red meat industry as a whole is experiencing declining retail sales volume. The fact that we live in a health conscious society is an opportunity for CL. Marketing leaner cuts of meat is a definite advantage of the CL program. Availability of resources may become a concern if the supply of yield grade 1 and 2 lamb carcasses fall below the level of demand.

The Marketing Process

Once the strategic plan is established the firm can concentrate on the marketing process. The marketing process consists of analyzing marketing opportunities, researching and selecting target markets, designing marketing strategies, planning marketing programs, and organizing, implementing, and controlling the marketing effort (Kotler).

Analyzing Market Opportunities

Marketing opportunities can be identified and evaluated by building and operating a marketing information system. A marketing information system consists of people, equipment and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decisions makers (Figure 18)(Kotler). ASI might have used a system similar to this when they realized the need for leaner lambs. Many external and internal factors would suggest there is a need for Certified Lamb.

A marketing information system analyzes the micro-environment, macro-environment, consumer markets and business markets. Lamb's micro-environment consists of the producers, feeders, packers, breakers, wholesalers, retailers, and consumers. Any entity that could affect the lamb industry's ability to produce and sell lamb is part of their micro-environment. Competitors are also part of lamb's micro-environment.

Defining CL's competitors could be difficult. Lamb is an industry-wide product, and competitors are not as simple as farmer vs farmer or retailer vs retailer. CL's competition could be product specific such as fresh American lamb, a packer's house brand, or imported lamb. Alternative

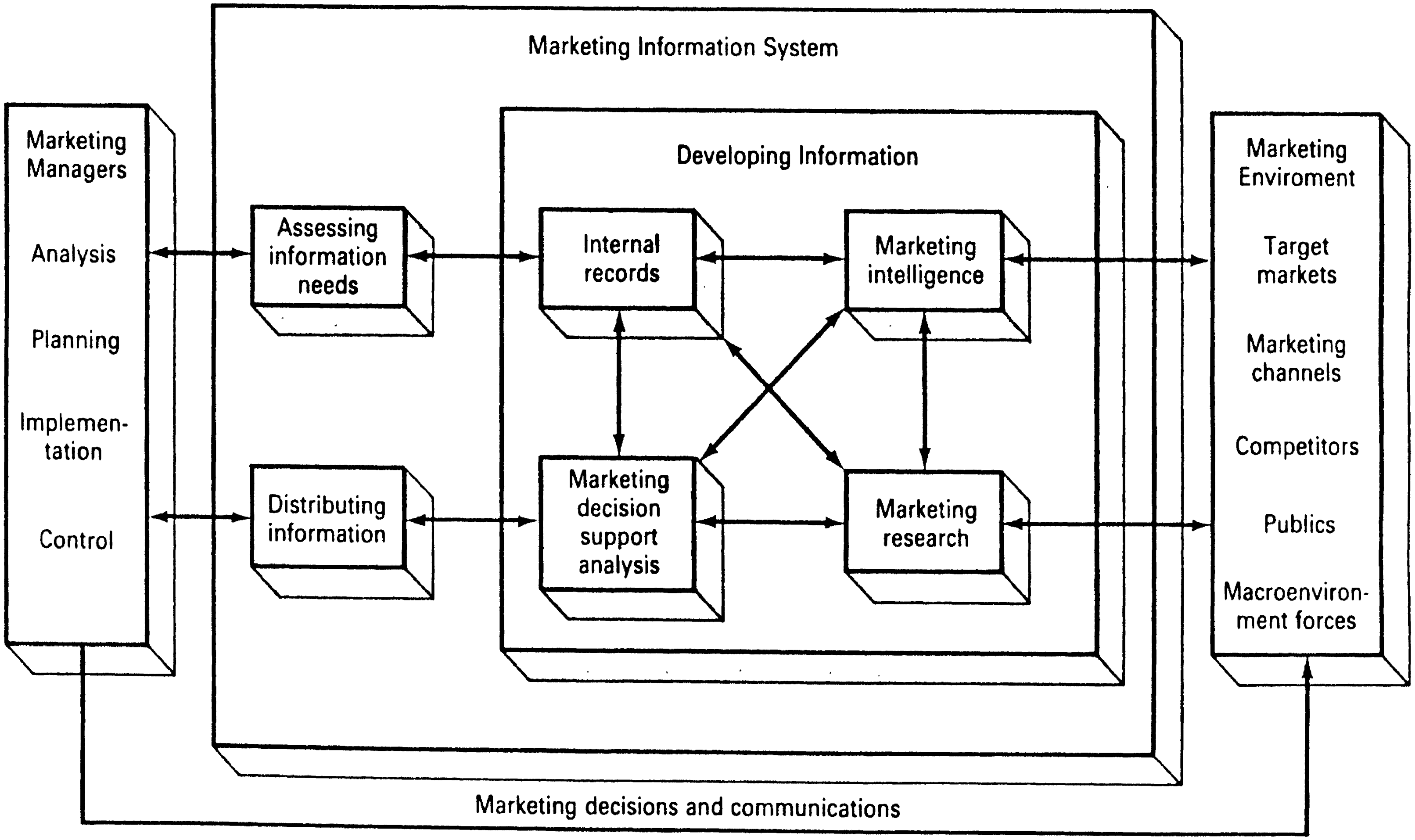

Figure 18. Example of a Marketing Information System (Kotler)

meat sources, such as beef, pork, chicken or veal, could also be considered "the competition."

A firm should not lose sight of the trends happening in their macro-environment. Questions concerning demographic changes, economic outlook, political/legal movements, technological advancements, and social/cultural developments must be addressed when observing the market potential of a product. Factors that might affect lamb sales could be the 10 food trends identified in Chapter 1 and defined in Appendix A, economic conditions of the United States and changing demographic structure of the American population.

For example, the two fastest growing (as a percent) consumer groups by age are the baby boomers (born between 1946-1964) and the 65 plus age group. As these groups continue to increase, compared to other age groups, they will represent a large percentage of the consumer population (Assael). Therefore, marketers will have to keep these mature markets needs in perspective when positioning and developing new products.

Understanding consumer markets will help in determining what are the potential influences of price, advertising, and sales promotion of a product (Kotler). Questions that sheep marketers might ask themselves when examining consumer markets are: How many households buy lamb?, Who purchases food for the household?, What features are important when purchasing meat?, and What is the image of lamb?

Researching and Selecting Target Markets

Selecting a target market doesn't only aid in developing a new product, but assists in marketing it successfully. This requires estimating the market's overall size, growth potential and profitability. Target marketing calls for three major steps: (1) market segmentation, (2) market targeting, and (3) product positioning (Kotler).

Market segmentation is the task of breaking the total market (which is too large to serve) into segments that share common properties. The criteria used to break down a market into segments can be a number of things, users/nonusers, consumer demographics, consumers' needs, or a number of other characteristics. Using the Lamb Usage and Awareness Study done in August 1992 by Walker Research Analysis the following market segmentation was derived (Table V).

Assuming that this study's results are representative of the United States population, 62.4 percent of the general public does not eat lamb. Furthermore, 30 percent buy lamb at the retail level and 19 percent eat lamb when the go out to dine. The study further broke down the retail users into light users (ate lamb within last year, but not last 2 months), medium users (eat lamb 1 or 2 times every two months), and heavy users (eat lamb at least 3 times in an average two month period). Of the retail users 42 percent were light users, 32 percent were medium users, and 26 percent were heavy users. Restaurant users were divided

TABLE V

MARKET SEGMENTATION FOR LAMB
BASED ON USAGE

700 Respondents	Retail Users	Retail Non-Users	Total
Restaurants Users	77 (11.0%)	55 (7.9%)	132 (18.9%)
Restaurant Non-Users	131 (18.7%)	437 (62.4)	568 (81.1%)
Total	208 (29.7%)	492 (70.3%)	700 (100%)

into two categories, light users (ordered lamb 1-4 times within last year) and medium/heavy users (ordered lamb 5 or more times within last year). Of the restaurant users 73 percent were light users and 27 percent were medium/heavy users.

Customer segments should be profiled in more detail than just a single consumer trait. Further characteristics should be included such as demographics, attitudes, behavior, size of segment, and media graphics. It is not sufficient just to segment a market based on user/non user. Based on a further review of the awareness study, the following customer segment profile was developed (Table VI).

Inexperienced buyers are those who have never eaten lamb or who haven't eaten lamb in a year or longer. Consumers enjoy simple meals that are quick and convenient to prepare. They would most likely try loin chops, lamb kebabs, and lamb steaks, keeping with the trait that they enjoy to barbecue. Demographically they are younger, have lower incomes, and tend to be high school graduates. Contemporary consumers are more likely to eat lamb away from home. They are willing to try new things and enjoy gourmet meals. Loin chop medallions, rib chops and leg of lamb are the dishes the contemporary group are most likely to eat. Demographically they are the most educated group, have the highest income, and are on average 45 years old.

The traditional segment is comprised of heavy lamb eaters. They are a price conscious group that desires a well balanced meal. They tend to favor the traditional cuts of lamb (rack, leg of lamb, and loin chops). Demographically they are the older consumer, many 65 and older, have some college education and are the medium of the income scale.

A target market consists of a set of buyers sharing common needs or characteristics that the company decides to serve (Kotler). Characteristics important in the decision by consumers to try lean meat products have been identified as: (1) age, (2) education level, (3) household size, and (4) predisposition to buying low-fat foods (fat consciousness)(Capps, et al). Capps concluded that consumers in excess of 30 years of age were more likely to try lean meat products than consumers 20-29 years of age. Furthermore, people who attended college were more likely to try lean meat products. As household size increased so did the likelihood of trying the lean meat products increased. However, income class and being a price conscious consumer were not traits that influenced the choice to purchase lean meat products.

A company can consider five patterns of target market selection: (1) single-segment concentration, (2) selective specialization, (3) product specialization, (4) market specialization, and (5) full market coverage (Kotler). The best selection for the lamb scenario is single-segment concentration. Single-segment concentration is when a company selects a single market segment for positioning its product. It is the best method for firms with limited funds, the product has few competitors and is a logical launching pad for further segment expansion (Kotler). All these are characteristics of the lamb industry. The target market selected for a lean lamb product will be the "Contemporary Consumer" who enjoys eating lamb at a restaurant but not at home.

Designing Market Strategies

Once a target market is selected a firm needs to determine how they will differentiate and position the product to potential users. Product differentiation is the act of designing a set of meaningful differences to distinguish the product from competitors (Kotler).
Fresh meat has generally been sold to consumers as undifferentiated, homogeneous commodities, with few brand

TABLE VI

LAMB MARKET SEGMENTATION PROFILES

Name	Inexperienced	Contemporary	Traditional
Size:	62%	21%	17%
Distinguished Benefits Desired:	*Meat & Potatoes *Enjoys BBQ *Fast Food *Free Quick/Easy Recipes	*Dine in Fine Restaurants *Enjoys a Gourmet Meal *Likes to Experiments with New Foods *Enjoys Physical Activity *Not Likely to Eat Lamb at Home	*Price Conscious *Looks at store ads before shopping *Well balanced meal important *In store ad specials
Frequency of Use:	Ultralight to Never	Light to Medium	Medium to Heavy
Type of Usage:	None	Mostly Restaurant	Heavy Retail
Brand Usage or Cuts Preferred:	Loin Chops Lamb Kebabs Lamb Steaks & Premarinated Lamb Steaks	Loin Chops Medallions Rib Chops Leg of Lamb	Rack Leg of Lamb Loin Chops
Demographics:			
Median Income Dollars/Year	40,500	52,500	47,000
Education	High School Graduate	College Graduate & Post Graduate	Some College or College Graduate
Age	25-44	45 Average	50 Plus
Household Size	2.9 Persons	2.7 Persons	2.8 Persons

names associated with either category of goods (Skaggs, et al). A branded lean lamb product can be differentiated from generic lamb as a leaner, higher quality product. But, branding of homogenous commodities can also differentiate a product whether or not actual physical differences exist (Skaggs, et al).

Positioning is the act of designing the company's offer so that it occupies a distinct and valued place in the target customers' minds (Kotler). A firm needs to not only promote a product with respect to its features, but create the proper image in the consumers mind. A lean lamb product will need to be positioned so that the consumer realizes the health value, as well as, the good taste. Underpositioning, when potential buyers are unaware of the product or special features that the product possesses, could be a potential problem. CL would be an underpositioned product if little consumer awareness exists, which appears to be true and should be a concern of lamb marketers.

Although, new product development is a form of expansion, at the same time it is very risky. Food firms introduced more new and varied products over the past decade (10,000 in 1990 compared to 2,000 in 1980), as they differentiated their products to satisfy ever smaller targeted markets (Gallo). Between 1989 and 1990 new product introductions were up 10%, as 11 food categories increased. However, 75,000 new products placed on the market from 1982 to 1990 failed and were withdrawn from the market shelves within a year (Gallo).

A firm can add new products through acquisition and new product development. The marketing concept holds that customers' needs and wants are the logical place to start in the search for new product ideas (Kotler). Studying the behavior of consumers who use the product most frequently will aid in determining which attributes can be improved upon. Others who may aid in developing a new product, food scientists, meat specialists, or food processing employees, are individuals that are closely associated with the industry. CL was created by an industry wide panel comprised of producers, feeders, packers, breakers, and retailers. Keeping an eye on the competition will also lead to new product ideas.

The introduction of mandatory yield grades has reduced the uniqueness of CL. For the target market selected, a lamb product needs to be developed that will compliment a restaurant's menu. Contemporary Consumers are more likely to be patrons of the restaurant trade. They are willing to try new dishes, prepared in a variety of ways. Willingness to pay for higher priced meals has yet to be determined. The TAMRC report showed that restaurants were serving 1.6 million pounds of lamb, none of which was CL. CL is not popular within the restaurant industry, but none the less, they are serving lamb.

Maintaining the consistency and leanness of CL is important. A spin-off from CL should be a product that keeps the restaurateur in mind. For example, lets call the new product Certified Premium Gold Lamb. Since, the major problems expressed by the food service industry when purchasing dressed lambs were: (1) inconsistent quality, (2) fat, (3) ribeye too small, and (4) mutton taste, (TAMRC) there is a need to establish certain specifications for the new product. Additional qualifications of Certified Premium Gold Lamb would be the reinstatement of the minimum fat coverage of .10 inch and the introduction of a 2.5 inch loin eye measurement. An industry average for loin eyes is considered to be 2.1 inches. Requiring a minimum loin eye of 2.5 will not only maintain a consistent product, but give the food service sector a standard for menu items. Since a large portion of the lamb purchased by this sector is imported, the ability to buy fresher American lamb will be a benefit.

Besides offering the traditional cuts of lamb, introducing lamb leg steaks or another new variety of lamb will encourage an assortment of lamb dishes. Certified Premium Gold Lamb would be sold boxed, offering individual cuts. The remaining lamb carcass will be sold as CL. This will allow for new cut development thus increasing the usage of the entire carcass over time.

The food sector suggested the following as problems associated with merchandising lamb: (1) high price, (2) keeping menu prices down, and (3) competing menu items, specifically beef (TAMRC). Therefore a new product's price should remain constant with traditional restaurant trade prices. Competitors to Certified Premium Gold Lamb would be beef dishes such as prime rib and rib-eye steak, pork dishes such as baby back ribs or pork chops, numerous poultry dishes and a variety of seafood.

However, there are potential problems with trying to introduce a new product, Premium Gold Lamb. First, there would be a problem with introducing the 2.5 inch loin eye requirement. Lamb carcasses are graded on the rail. They would need to split every carcass to obtain loin eye area in order to qualify the carcass as Certified Premium Gold. The use of ultrasound could assist in obtaining this measurement without the need to split carcasses. Another system to obtain loin eye measurements could be modeled after CAB. CL carcasses would be "identified", and during processing/fabrication when carcasses are split, an actual measurement could be taken. Then the box of cuts could be labeled Certified Premium Gold Lamb. Another problem is the finances involved with the introduction of a new product. The sheep industry already has a limited marketing/advertising budget.

Before the firm can concentrate on promotion and advertising of their new product, they first have to observe some market conditions. Understanding the consumer-adoption process is important to effectively market a new product.

This process describes how potential customers learn about new products, try them, and adopt or reject them. There are five stages in which a consumer passes through when adopting a new product: (1) awareness, (2) interest, (3) evaluation, (4) trial, and (5) adoption (Kotler). Marketing campaigns targeted at new products should aim to facilitate consumer movement through these stages.

Not only is the adoption process a valuable tool to asses the consumer market, but could easily be used when estimating how the restaurateur will come about to try the new lamb product. Eventually the restaurateur will become aware of Certified Premium Gold Lamb, either through word of mouth, trade journal articles or advertisements, or direct contact with ASI, and seek additional information regarding the branded lamb product. Once aware, he or she will seek additional information, thus being interested. After additional knowledge is gathered, the restaurateur will evaluate and determine if the product will benefit his business. Most likely trial of the product will follow and either adoption of the product will occur or the product will be discarded.

Realizing what stage a product is in within the product life-cycle is important when developing advertising. Though variations do occur, a typical product life-cycle is S-shaped and consists of four stages: (1) introduction, (2) growth, (3) maturity, and (4) decline (Figure 19). A re-creation of a table in Kotler's Marketing Management is the best summarization of the characteristics of each stage (Table VII).

Planning Marketing Programs

Planning a marketing program involves all the essential tools to successfully launch a new product and help it grow. The marketing plan can be broken down into the basic foundation of the marketing mix. The marketing mix is made up of the four P's: (1) product, (2) price, (3) place, and (4) promotion.

Product is the first and most important element of the marketing mix (Kotler). A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (Kotler). The products mentioned in this study (Certified Angus Beef, Certified Lamb, and Certified Premium Gold Lamb) are all physical products. Physical products can be either classified as durable or nondurable products. Furthermore, consumer products can be classified by consumers' shopping habits. Convenience, shopping, specialty, and unsought goods are the four categories used to classify consumer goods. Most food products are considered to be convenience goods as they are frequently purchased items that are bought with little thought. Lamb, however, follows more closely the purchasing pattern of an unsought good. Consumers won't know much about an unsought good and will not normally think of purchasing the product. Advertising is an important tool to increase awareness of unsought products.

One form of advertising is packaging. Effective packaging can be an essential promotional tool. It is important to determine what the packaging will do for the product. For example, the packaging could instill the image of quality and uniqueness or it could represent safety. Decisions also need to be made regarding size, shape, material, color, text and the use of a brand name and logo.

These features are important not only to the secondary packaging, outer layer, but the primary packaging, the product itself. For example, the box that a bottle of aspirin comes in is the secondary package while the bottle that holds the pills is the primary package.

Meat products are traditionally packaged in a styrofoam tray with protective cellophane wrapping. A flashy/eye catching label should be used on products sold directly to the consumer. Since Certified Premium Gold Lamb is aimed at the food service sector, this decreases the concern of packaging in the sense of a flashy design. Here, durability is an important trait of packaging. A vacuum packaged lean lamb product that keeps fresh and has a prolonged shelf life would be beneficial.

Although, price is an essential piece of the puzzle of success, it becomes a problem in this scenario. Traditional marketing methods to establish price can not be usedeffectively with lamb products. This is due to the

TABLE VII

SUMMARY OF PRODUCT LIFE-CYCLE STAGES

STAGE	INTRODUCTION	GROWTH	MATURITY	DECLINE
CHARACTERISTICS				
Sales	Low Sales	Rapidly Rising Sales	Peak Sales	Declining Sales
Costs	High Cost Per Customer	Average Cost Per Customer	Low Cost Per Customer	Low Cost Per Customer
Profits	Negative	Rising Profits	High Profits	Declining Profits
Customers	Innovators	Early Adopters	Middle Majority	Laggard
Competitors	Few	Growing Number	Stable Number Beginning to Decline	Declining Number
MARKETING OBJECTIVES				
	Create Product Awareness and Trial	Maximize Market Share	Maximize Profit while Defending Market Share	Reduce Expenditure and Milk the Brand
STRATEGIES				
Product	Offer a Basic Product	Offer Product Extensions, Service, Warranty	Diversify Brands and Models	Phase Out Weak Items
Price	Use Cost-Plus	Price to Penetrate Market	Price to Match or Beat Competitors	Cut Price
Distribution	Build Selective Distribution	Build Intensive Distribution	Build More Intensive Distribution	Go Selective: Phase out Unprofitable Outlets
Advertising	Build Product Awareness Among Early Adopters and Dealers	Build Awareness and Interest in the Mass Market	Stress Brand Differences and Benefits	Reduce to Level Needed to Retain Hardcore Loyalist
Sales Promotion	Use Heavy Sales Promotion to Entice Trial	Reduce to take Advantage of Heavy Consumer Demand	Increase to Encourage Brand Switching	Reduce to Minimal Level

nature of the product. First, lamb, in any product form, is an industry wide product. Second, lamb farm level prices tend to be more seasonal then retail prices, which remain constant throughout the year. Yet, price remains an

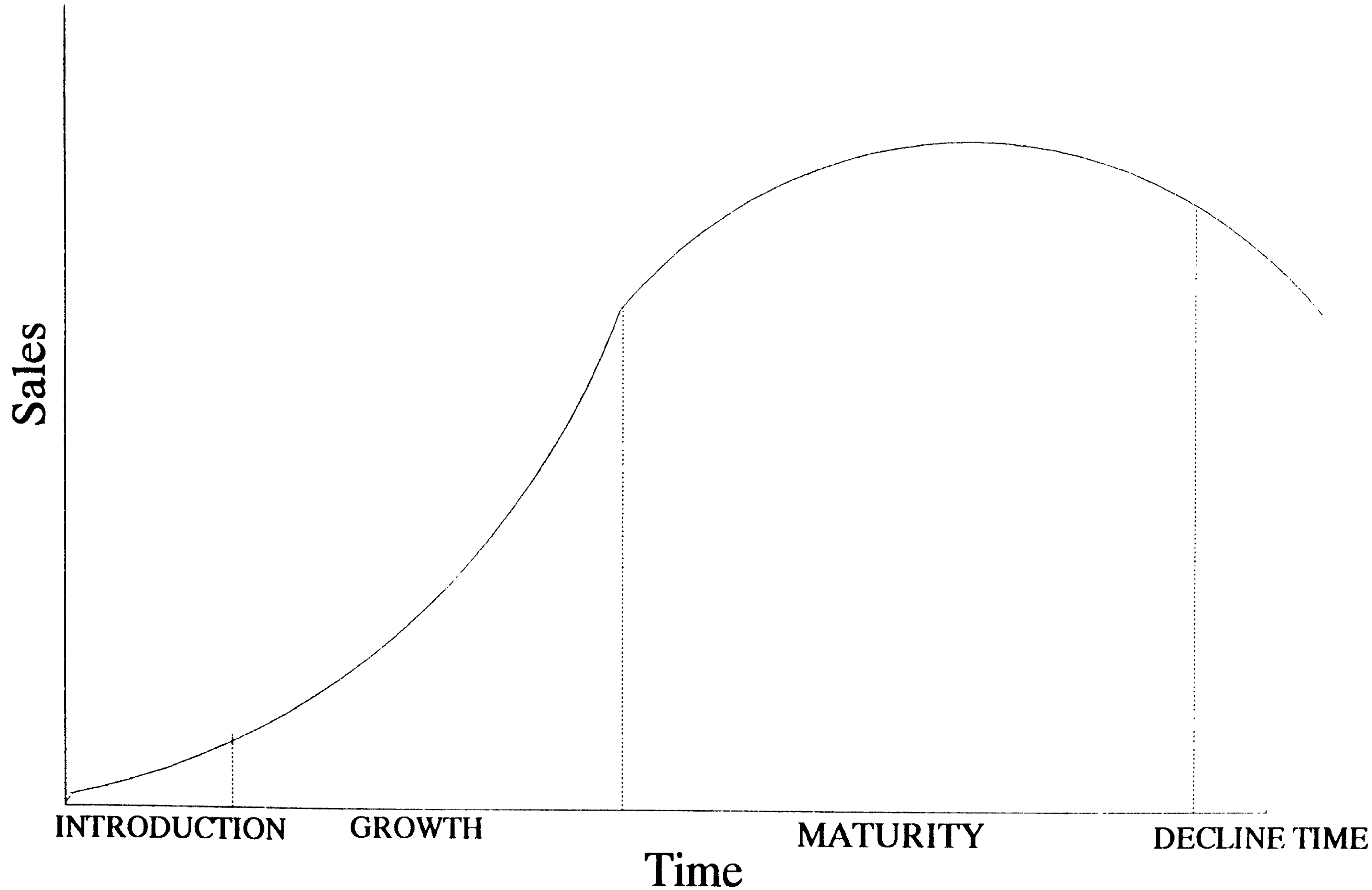

Figure 19. Basic S-Shaped Product Life-Cycle Curve

important issue and should not be overlooked by marketers nomatter what kind of the product one is selling.

Similar to price, place carries an industry wide theme. As described in Chapter III, the marketing channel of lamb follows a basic perishable commodity marketing route. The chain of events starts with the producer/farmer, passes through some sort of processing stage, and eventually ends up on the consumer's plate. Yet, the role the regional marketing directors play in selling CL appears to be incomplete. Maybe a position at ASI needs to be established where the employee's sole responsibility is marketing Certified Lamb or Certified Premium Gold Lamb. This would give the RMD a home base to direct questions and allow the full attention of one person to market the product. For example, give presentations to restaurateurs, generate a promotional program within the restaurant, etc.

Promotion of a product is made up of a mixture of advertising, sales promotion, public relations, and personal selling. Since most firms are dealing with limited promotional budgets, they need to determine a successful promotional mix to achieve sales goals. Consumer goods are more likely to have the largest percent spent on advertising, followed by sales promotions, personal selling and public relation.

To develop successful promotional programs for the 1990's smart marketers will have to address five fundamental issues: quality, health, convenience, the environment, and home (Fisher). With ASI's limited advertising funds, ads should offer a simple message and a media type chosen that will be observed by the target market. To establish a clear image of lamb, public relations can be used in the form of demonstrations, free samples, and exhibits at trade shows. Personal selling is the responsibility of the regional marketing directors. Finally, sales promotions could be established and costs kept to a minimum if done in conjunction with another product. For example, feature an ad with the recipe for a lamb dish and when consumers purchase lamb they receive a coupon for an ingredient in the dish, such as a spice or condiment.

Organizing, Implementing, and Controlling

Even though a firm may have developed a successful marketing program for a product, it is only effective if it is properly implemented. Monitoring progress and adjusting strategies needs to be done in order to reach specified goals. Keeping lines of communication open and maintaining awareness of the marketing environment is also important.

Summary

To summarize the above marketing tools, a strategy statement appears in Table VIII. Since, there are differences noted for both lamb products, Certified Lamb and Certified Premium Gold, each is listed separately.

Remembering that lamb is an industry wide product, a few sections of the strategy statement had to be left unanswered.

TABLE VIII

STRATEGY STATEMENT

Marketing Tool	Strategy
Target Market	
*CL	None
**CPGL	Contemporary Consumer, Restaurant User of Lamb
Positioning	
CL	A guaranteed, consistent, lean lamb product for retail buyers
CPGL	A guaranteed, consistent, lean lamb product for food service industry
Product Line	
CL	Full Carcass, Boxed Lamb
CPGL	Separate Lamb Cuts
Price	
CL	Industry Dictates
CPGL	Industry Dictates
Distribution Sales Force	
CL	Marketing channel of generic lamb, salesmen are American Lamb Council, Regional Marketing Directors
CPGL	ASI CPGL Marketing Director in conjunction with firms selling CPGL.
Advertising	
CL	Little to None
CPGL	Develop an ad campaign aimed at restaurateurs with ads appearing in trade journal.
Marketing Research	
CL	None
CPGL	Discover consumer choice process for buying lamb and determine primary competition
*CL=Certified Lamb	**CPGL= Certified Premium Gold Lamb

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

As stated in Chapter I, the objectives of this thesis were:

1. Document the growth and acceptance of Certified Lamb and Certified Angus Beef.
2. Compare the marketing strategies of Certified Lamb and Certified Angus Beef.
3. Summarize Certified Lamb with respect to the basic marketing tools, using a strategy statement.

With respect to the first objective, Chapter II and Chapter III documented the history and growth to date for each program. Chapter II, charted the advancement of CAB and the rapid growth CAB sales have experienced over the last ten years. CAB appears to be highly accepted by all that are involved with the program, i.e. from producer to consumer.

Even though the Certified Lamb program has been in effect for a shorter time, it appears to be growing at a faster rate then CAB did in its early years (1978-1983). CAB had marginal sales until 1982, when they implemented the food service supply line and licensing agreements. This growth could also be contributed to the introduction of mandatory yield grades. Throughout the sheep industry, CL seems to have been accepted and has created the awareness of the need for leaner lambs.

Comparing the strategies of the two programs is fairly easy. Although on the surface CL and CAB seem to be very similar programs, both focusing on marketing a branded, lean meat products, that were developed due to a hole in the USDA grading standards, their market strategies are very different.

CAB has worked hard to position itself as a high quality product which is served in the finest eating establishments. The marketing program is consumer driven. The selectivity found with the certification process is invaluable in creating the overall image of CAB. The strength found with the industry wide communication and producer involvement is invaluable.

On the other hand, CL is an improvement on an existing product, generic lamb. CL is an industry driven product, created for the retail and food service meat buyers. CL does not want to be an elite lamb product. Just the contrary, if every lamb marketed in the United States graded yield grade 1 or 2, the sheep industry would be delighted.

Finally, developing a strategy statement for CL was objective three. While analyzing the marketing program of CL, it became clear that many of the questions that a strategy statement asks are unanswerable. Therefore it was essential to hypothesize a new product to properly answer these questions. To successfully complete a strategy statement would require an individual firm's product. Lamb is an industry wide product and this places a limitation on how complete the strategy statement is.

Limitations

The length of time that the CL program has been in effect limits projection of growth and acceptance. Furthermore, actual feedback from more sectors of the industry, feeders, packers, and food service, would be beneficial to successfully plan a marketing program. Most importantly consumer feedback is needed, i.e. focus group, test markets, etc., to properly evaluate the attributes of any product.

With respect to evaluating the CL program, a major limitation was the fact there was no formally stated goals or objectives to measure success with. The lack of necessary sales data and other information regarding CL hindered this research paper.

Future Research

Marketing of branded meat products is going to increase greatly in the future. Gaining knowledge of competitors and how lamb is perceived by consumers compared to other meats would be beneficial to properly position lamb.

Consumer research is necessary, but with limited resources a nationwide survey is unrealistic. Two alternatives could be: (1) Survey certain cities that are said to be representative of the U.S. population (for example, Tulsa is often used for consumer surveys or test markets). (2) Assume that the suggested target market is correct and find demographically where these people live and survey them directly. Finally much information is needed regarding the restaurant industry. Taking the list of CAB accounts would be a good sample to survey.

REFERENCES

"American Sheep Industry 1992 Annual Report." National Wool Grower, January 1993.

Assael, H. Consumer Behavior and Marketing Action. 4th Ed. Boston: PWS-Kent Publishing Company, 1992.

"Assessment of Marketing Strategies to Enhance Returns to Lamb Producers." TAMRC Commodity Market Research Report No. CM-1-91. Texas A&M University, December 1991.

Bauer, T. Personal Communication, April 13, 1993.

Boyle, J.P. and J. Knutson. Meat Facts, August 1991.

Butler, J.G., G.Q. Fitch, and J.D. Tatum. "A National Survey of Lamb Carcass Cutability Traits." Colorado State University and Oklahoma State University: Consulting Report for the American Sheep Producers Council, March 1988.

Capps, O. Jr., D.S. Moen, and R.E. Branson. "Consumer Characteristics Associated with the Selection of Lean Meat Products." Agribusiness, Vol. 4, No. 6, 1988, pp. 549-557.

Cattle Buyers Weekly. April 12, 1993.

"Certified Angus Beef." Angus Journal, March 1993.

Certified Angus Beef. "Annual Report." Angus Journal, October 6, 1989.

Certified Angus Beef. Beef with Close Attention to Taste.

Certified Angus Beef. Carcass Data Program.

Certified Angus Beef. Certified Angus Beef™.

Certified Angus Beef. Certified Angus Beef Program Achieves Record Sales in 10th Year.

Certified Angus Beef. Certified Angus Beef Program Facts, March 1993.

Certified Angus Beef. Certified Angus Beef Sales Growth, 1983-88.

Certified Angus Beef. Putting Black in Your Bottom Line.

Certified Angus Beef. Quality Standards for Certified Angus Beef.

Certified Angus Beef. Questions Producers Ask Most.

Certified Angus Beef. The Art of Cooking with Certified Angus Beef, 1989.

Certified Angus Beef. The Certified Angus Beef Specification Program.

"Certified Angus Is a Certified Winner." Feedlot Management, 6, 1986, pp. 20-23.

Ferguson, M. "Surveying the Angus Edge." Montana Angus News, March 1988.

"Fiesta Offering Certified American Lamb." National Wool Grower, September 1990, p. 25.

Fisher, A.B. "What Consumers Want in the 1990s." Fortune, Jan. 29, 1990, pp. 108-112.

Fitch, G. "New Lamb Yield Grading Approved." Cooperative Extension Service Sheep Update, July 1992.

Frazier, K. "Target Marketing." National Cattlemen, August 1986.

Gallo, A.E. "The Food Marketing System." Food Review, July-September 1991, pp. 38-42.

Grauberger, J. "New Grading Standards Adopted Stressing Quality and Yield." National Wool Grower, July 1992, pp. 8-9.

Kotler, P. Marketing Management Analysis, Planning, Implementation, and Control. New Jersey: Prentice Hall, 1991.

Marrie, Kathleen. Personal Communication. March 8, 1993.

Menkhaus, D.J., G.D. Whipple, S.J. Torok, and R.A. Field. "Developing a Marketing Strategy for Branded, Low Fat, Fresh Beef." Agribusiness, Vol. 4, No. 1, 1988, pp. 91-103.

"National Supermarkets Offering Certified Fresh American Lamb." National Wool Grower, August 1990, p. 23.

Purcell, W.D. "Analysis of Demand for Beef, Pork, Lamb and Broilers: Implications for the Future." Virginia Tech University Research Institute on Livestock Pricing Research Bulletin 1-89, July 1989.

Rhodes, V.J. The Agricultural Marketing System. Columbus, OH: Grid Publishing, 1978.

Senauer, B., E. Asp, and J. Kinsey. Food Trends and the Changing Consumer. St. Paul, MN: Eagan Press, 1991.

"Sheep Producers Endorse Certified Lamb Program." National Wool Grower, 2, 1990, p. 19.

"Shoppers See First Certified Lean Lamb." National Wool Grower, March 1990, p. 11.

Skaggs, R.K., D.J. Menkhaus, S.J. Torok, and R.A. Field. "Testing Marketing of Branded, Low Fat, Fresh Beef." Agribusiness, Vol. 3, No. 3, 1988, pp. 257-271.

Stowell, J. "Value-based Marketing: The Certified Angus Beef Program Perspective." Angus Journal, 9, 1989, pp. 37-39.

"The Angus Angle." Meat Industry, October 1983.

Tomek, W.G. and K.L. Robinson. Agricultural Product Prices. 3rd Ed. Ithaca, NY: Cornell University Press, 1990.

Walker Research and Analysis. "Lamb Usage & Awareness Follow-up Study." Walnut Creek, CA, July 1989.

Walker: Research and Analysis. "Lamb Usage & Awareness Study. Walnut Creek, CA, August 1992.

Ward, C.E. "Economic Assessment of the Certified Lamb Program." Consulting Report for the American Lamb Council, Stillwater, OK, December 1989.

APPENDIXES

APPENDIX A

10 TRENDS AFFECTING CONSUMERS' EATING HABITS IN THE 90'S

10 TRENDS AFFECTING CONSUMERS'

EATING HABITS IN THE 90'S

Trend	Definition
Neotraditionalism	A need for premium quality products.
Adventure	A willingness to try new products with little risk involved.
Indulgence	As leisure time shrinks the need to indulge increases.
Individualism	Allows consumers to make statements about who they are and what they believe.
Cocooning	A need to stay home and protect self from the hassles and uncertainties of interaction.
Grazing	Eating smaller quantities of food more often.
Wellness	Leading a healthy lifestyle by eating nutritious, low fat meals and increasing physical activity.
Controlling Time	Increased need to manage one's time.
Selectivity	Encourages safe, higher quality purchases.
Ethnic	Represents the return of culture and moral values.

APPENDIX B

PROMOTIONAL MATERIAL FOR

CERTIFIED LAMB

PROMOTIONAL MATERIAL FOR
CERTIFIED LAMB

Herbed Butterflied Leg of Lamb

1 5 6 lb butterflied leg of lamb
3 cloves garlic minced
cup onion grated
1 tbs Worcestershire sauce
[illegible]

Place lamb in shallow dish. Combine remaining ingredients, mix thoroughly and pour over lamb. Refrigerate and marinate for at least one hour, preferably overnight. Remove lamb and reserve marinade. Place lamb on barbecue rack 4 inches from heat source. Baste often with marinade. Grill until lamb registers 140° F for rare or 150-155° F for medium. Makes 8 servings

Lamb Chops Dijonaise

2 lbs lamb chops or steaks ¾ inch thick
cup Dijon mustard
2 tbs Worcestershire sauce
cup herb seasoned bread crumbs

Trim chops or steaks. Mix ¼ cup Dijon mustard with 2 tbs Worcestershire sauce. Place in pan and brush with sauce. Sprinkle 1 tsp bread crumbs on top and broil 5 6 inches from heat for 4 5 minutes. Turn chops, brush with sauce. Sprinkle with 1 tsp bread crumbs. Broil additional 4 5 minutes. Serves 4, preparation time 20 minutes

65 line screen

(Store Name) Introduces

Certified Fresh American Lamb

A New Standard of Quality

At (Store Name), we're committed to bringing you the finest quality lamb available. And that's why we're proud to be the first in your area to introduce new Certified Fresh American Lamb. It's a brand new program that guarantees you the leanest, best tasting cuts you can buy — 52 weeks a year.

Certifiably Better

You see, before a lamb can be certified, it must meet rigid new standards that are strictly enforced by the USDA. Today, less than ¼ of all lambs are good enough to receive the Certified mark of excellence. It all adds up to the quality, consistency and value that you've come to expect from (Store Name).

Certifiably Better

Keep It Simple
Make It Sizzle

Certifiably Better

Keep It Simple
Make It Sizzle

Certifiably Better

Keep It Simple
Make It Sizzle

VITA

Jacky Lynn Coon Hildebrand

Candidate for the Degree of

Master of Science

Thesis: A CASE STUDY ANALYSIS OF THE CERTIFIED LAMB PROGRAM

Major Field: Agricultural Economics

Biographical:

Personal Data: Born in Atascadero, California, January 5, 1967, the daughter of Mr. Bob Coon and Mrs. Joanne Cummings. Married to Chris Hildebrand on January 27, 1990.

Education: Graduated from Templeton High School, Templeton, California, June 1985; received a Bachelor of Science degree in Agricultural Business Management from California Polytechnic State University, San Luis Obispo, California, June 1989; completed requirements for the Master of Science degree at Oklahoma State University in July, 1993.

Professional Experience: Graduate Research Assistant, Department of Agricultural Economics, Oklahoma State University, August, 1991 to present.