PROMOTING BRANDED PRODUCTS AS INNOVATION IN THE AUSTRALIAN BEEF MARKETING SYSTEM

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ABSTRACT

The Australian beef industry has evolved in its processing and quality evaluation systems into a more integrated supply chain via the introduction of Meat Standards Australia (MSA) grades. Even though the eating quality consistency of each cut may be guaranteed using the MSA scheme, consumers do not have much information about its attributes when they want to buy a piece of meat, so their purchase could be far from their preferences.

Quality differentiation of fresh beef is rare in Australia; therefore, the capacity of consumers to express their preferences is constrained and the profitability of the entire supply chain is reduced. Some small specialised companies have received higher prices by introducing MSA grades and offering products that are differentiated, branded and guaranteed. But large Australian beef-producing companies are not currently selling differentiated and branded products to important retailers such as supermarkets.

The objectives of this study are to identify the characteristics of the demand for branded beef products and the potential for large-scale differentiation using brands in the Australian beef marketing system, and how this differentiation may best be done given the structure of the supply chain.

Beef consumers show differences in beef preferences and sensitivity to price, explained by the characteristics and environmental influences of each consumer, the effect on expected quality of cues related to eating experience, health and production process, and the perceived risk of choosing the wrong product with possible adverse health implications. Eating experience is difficult to predict as consumers generally do not have enough information to form reliable expectations, while in the case of credence quality dimensions consumers cannot assess them by themselves. They therefore need to trust in the information provided by the producer or retailer. As the perceived risk to choose the wrong cut increases, the willingness to pay for a branded product will be greater. Then, the value of a brand is to become an extrinsic quality cue that can help to predict eating and credence quality dimensions, reduce the degree of uncertainty in the purchase decision process, increase the probability to fulfil consumers' purchase motives and make the choice easier allowing them to use information from past experiences at the purchase moment.

This study entails pluralistic research, composed of qualitative and quantitative methods. The qualitative component uses focus groups to obtain knowledge about beef buyers' perceptions. The quantitative part includes a survey and multivariate data analysis to test the focus group's results and quantify relationships between consumers' characteristics and beef attributes, including brands. The multivariate data analyses applied were: i) cluster analysis, to identify consumer segments with different characteristics, behaviours and interests; ii) factor analysis, to determine factors grouping attributes and psychographics that are highly correlated; iii) discrete choice analysis, to determine the propensity to buy branded products, given the consumer characteristics, preferences and behaviour, and product attributes relevant for the consumer; and iv) multiple regression analysis, to estimate the potential willingness to pay for branded beef products, given the product attributes relevant for the customer, preferences, behaviours and consumer characteristics.

An integrated approach combining the characteristics of traditional marketing perspectives and econometric analysis was preferred for the quantitative component of this research. The procedure chosen has characteristics of a sequential analysis, where the results obtained from the cluster and factor analyses were then used in the discrete choice and multiple regression analyses.

Three focus group discussions financed by the Cooperative Research Centre for Beef Genetic Technologies (Beef CRC) were run in September 2008 to identify differences in attitudes, feelings and characteristics of beef buyers who shop in the South Melbourne area, buying beef in supermarkets, general butcher stores and specialised butcher stores. This location was chosen because in the area there are supermarkets, a local market including around 10 general butcher stores, general butcher stores on main streets and specialised butcher stores, so it is possible to find branded beef in different stores. The questioning route used for the group of specialised butcher store consumers was different from the route used for the supermarket and general butcher store consumers groups.

Focus groups indicated that consumers who do not have strict budget constraints and have an appreciation of meat quality are the potential targets for selling branded beef at supermarkets and other retailers. These consumers specifically buy beef at supermarkets for shopping convenience reasons or do not buy beef at supermarkets because they are very concerned about consistent high quality, freshness and healthiness. It was also suggested that branded beef products would need to be sufficiently differentiated from unbranded supermarket beef to be successful.

Using the information from the focus groups and previous studies, a survey was applied on-line between December 2009 and February 2010, collecting information on 1,084 beef buyers across Australia who answered the complete questionnaire.

Data analysis identified six different consumer segments in the Australian beef market, recognising five beef dimensions and six psychographic groups of variables. Household income did not affect the decision to buy branded beef when respondents have medium to high incomes. Opposite effects in the decision to buy branded beef product for taste and health reasons are shown by marbling and cut. This result indicates the nature of relevant variety in preferences of sub-segments in the market and the content of shared preferences at different levels of sub-segment aggregation. These findings can inform market targeting decisions. Buyers who have tried branded beef were more likely to buy these products again and pay premiums, showing satisfaction with branded products in most of the cases.

Beef buyers concerned about quality consistency showed a higher probability of being unwilling to pay premiums, demonstrating that high quality and quality consistency are concepts that are not always linked. Most buyers were looking for a cut with a guaranteed consistent eating quality at an acceptable level instead of a high quality product. In the case of those willing to pay extra for an ideal beef cut, the expected premium was affected more by involvement and quality appreciation than by household income.

Premiums for MSA cuts have fluctuated from about $1 to $6 per kilogram of specific cuts in Australia. The target group of beef buyers is estimated to be 3.8 million people across Australia. If companies decide to sell those cuts to this group, taking care of attributes used by them as quality cues and guaranteeing credence attributes, the industry could receive an average premium of $5 per kilogram and up to double it in some cases.

There appears to be significant potential to sell branded beef products across Australia. Even though beef buyers could shop in the same stores, they are looking for different product attributes and have different characteristics, motivations and attitudes towards beef. Given this situation, beef retailers should study the information search activity done by buyers in their stores and the information required and processed by them in each case, before attempting to use ways to attract different potential branded beef buyers. Ways that could be explored include organisation and display of beef products in shelves to enable easy comparison between eating quality, potential uses, other credence attributes, prices and convenient packaging, among other possible actions. The effectiveness of these methods may be limited by the priority that supermarket patrons give to convenience, which could lead them not absorbing much information when shopping. This demonstrates the need of future research in the area to analyse whether the methods are worth pursuing.

It is suggested that further marketing studies could be undertaken to analyse specific geographic areas, identifying groups of beef buyers, variables influencing the decision to buy branded beef products and premiums to pay using revealed preferences to get more accurate results. Also, it may be worthwhile to explore the costs and expected returns involved in designing and selling highly differentiated branded beef products oriented to specific sub-segments, determining their profitability in each case, given the considerable size of the segments identified. Finally, the fit with supermarket strategies and incentives will inevitably play a defining role in the practicability of brand-based segmentation in beef. Research in this area is needed.

DECLARATION

I certify that the substance of this thesis has not already been submitted for any degree and is not being currently submitted for any other degree.

I certify that any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

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LUIS EMILIO MORALES

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