PPI

# Market research – restructured meat products M.188

*Prepared by:*
**Ramis Corporation Pty Ltd**

**Published: April 1992**




MEAT & LIVESTOCK
AUSTRALIA

# CONTENTS


| | | Page No. |
|---|---|---|
| 1. | EXECUTIVE SUMMARY | 1 |
| | 1.1. Consumer Market | 1 |
| | 1.2. Food Service Industry | 2 |
| 2. | INTRODUCTION | 5 |
| 3. | RESEARCH METHOD | 8 |
| | 3.1. Consumer Research | 8 |
| | 3.2. Food Service Industry | 9 |
| 4. | CONSUMER RESEARCH COMPONENT | 11 |
| | 4.1. Food Preferences and Attitudes | 11 |
| | 4.2. Initial Reactions to the Concept of Restructured Meat | 15 |
| | 4.3. Discussion of the Actual Product | 17 |
| | 4.4. Restructured Meat Through Food Service | 20 |
| | 4.5. In-Home Use | 23 |
| | 4.6. Promotion | 27 |
| 5. | INDUSTRY RESEARCH PHASE | 29 |
| | 5.1. Initial Reactions to the Concept | 29 |
| | 5.2. Barriers to Purchase and Dislikes | 32 |
| | 5.3. Product Advantages | 34 |
| | 5.4. Likely Markets | 35 |
| | 5.5. Product Specific Demand | 39 |
| | 5.6. Pricing | 41 |
| | 5.7. Distribution and Marketing | 44 |
| | 5.8. Retail Distribution | 46 |

# 1. EXECUTIVE SUMMARY

This report summarises the findings of consumer and food service industry research into the likely market acceptance of and positioning of restructured meat, being minute steaks, schnitzel and pre-cooked lamb and beef.

The following is a summary of the main points arising form the research:

## 1.1 Consumer Market

The consumer market reacted negatively to the name "restructured" meat, though in a recessed market, were keen to see and try the product. Once they go beyond the conception of a processed product, there were many advantages to restructured meat. It will not be easy, however, to break down the barriers to acceptance of restructured meat.

The quality of meat available through the lower end of the food service industry was said to be low, offering an opportunity for a reliable and consistent product. Restructured meat was expected to be better quality than much of the products used in the food service industry.

For in-home use, restructured meats were seen as easy, convenient meals offering no waste, value for money and consistent quality. There was substantial interest in minute steak and also the roasts.

Pricing expectations were below that of normal fresh meat, generally a dollar or two less per kilogram, and for lower priced meals through food service, for example, bistro, take away and club meals. Such meals would be functional rather than positioned as higher priced restaurant meals.

Expectations were for distribution through supermarkets, delicatessens (pre-cooked meat) and possibly convenience stores, with promotion based on convenience, consistency, value, quality and nutrition.

The major question is whether or not the consumer market is ready for restructured meat. The negative reactions to the concept, despite acceptance of the product when it was explained to them, imply the need for substantial market education and conditioning to accept it. Consumer acceptance is likely to be high assuming good quality and reasonable price, if and when the market is ready to accept restructured meat.

## 1.2 Food Service Industry

The industry is ready to accept any product that leads to savings in purchase price, staff time or skill levels, and equipment costs. Restructured meat definitely has potential in the industry assuming quality and reasonable price.

Some barriers to acceptance do exist, exacerbated by flawed attempts to produce restructured meat in the past and difficulty in understanding the meaning of restructuring. However, the industry will judge it on its merits rather than having emotional problems with the concept.

The fundamental need in the industry is for meat products that look good. That is more important to them than other quality attributes. If the product looks like real meat, then the advantages of product consistency, reliability and ease of use which are offered by restructured meat are considerable to the food service industry.

There are several likely markets for restructured meat. The overall market would not include industries which have highly skilled staff (such as several chefs) and large scale cooking equipment, nor in areas where they purchase high volumes of bulk meat. That excludes RSL clubs, restaurants and function catering. The opportunities lie more in areas where buyers are looking to externalise or minimise labour costs or skill levels, have simpler cooking facilities and place a higher value on standardisation. That includes:

* the lower price market which is institutions, industrial canteens, event catering and take-away

* the middle market of cafes, bistros, some commercial catering and leagues clubs.

We recommend that the starting place should be the middle market rather than the lower end of the market. Institutions, canteens, take away and event caterers want high volume at low price and unless the meat is produced in enormous quantities (which is unlikely) the option of targeting the middle market appears to be more acceptable. This market will respond well to the product advantages of restructured meat and will not be as price sensitive.

Pricing and market positioning work in tandem. Most industry respondents expected a low price, though a discount of 10% (relative to normal meat) would be sufficient to generate substantial interest and at 20%, restructured meat would be extremely attractive. The pre-cooked meats appeared to have a narrower target market though this market is growing quickly where companies seek to reduce labour costs.

Distribution could be through frozen foods distributors or possibly fresh meat wholesalers. In terms of retail distribution, the food service industry was unsure of the likelihood of consumer acceptance. Most felt that the starting place should be in the food service industry.

In conclusion, we believe that there are substantial market opportunities for restructured meat provided that:

* the quality is high. If the appearance, texture, colour and taste are comparable to fresh meat, it has every chance of success

* price is below that of normal fresh meat.

We recommend targeting the food service industry in the first instance and consider retailing after the product has become established in the food service industry. Pricing should be marginally below that of fresh meat (around 10%) to avoid the perception of a low quality or processed product, whilst promoting the advantages of the product such as consistency, reliability, lower labour costs, ease of handling, cooking and storage, low fat and no waste.

## 2. INTRODUCTION

This report summarises the findings from qualitative research conducted in March and April, 1992, with consumers and the food service industry.

The topic of the research is the market potential of restructured meat. The Meat Research Corporation has acquired overseas technology which will be developed locally with the intention of producing commercially viable restructured meat products.

Restructuring involves the joining of smaller pieces of meat together into a larger piece. Cuts from primals that are too small to be sold as a complete product such as a steak would be machine cut into a standard size, with a finished product being produced from binding together several pieces.

It is likely that a range of restructured meat products would be produced such as:

* steaks, for example, minute steak
* schnitzels
* pre-cooked roast lamb and beef, which would come in rare, medium and well done.

All products would be lean and the quality is expected to be consistent and quite high.

During the research, we obviously could not show people the finished product. As such, we had to assume that the product would look very similar to normal fresh meat and that its quality in terms of colour, taste, appearance, texture etc. would be comparable with fresh meat. The findings from this research should be considered in light of those assumptions.

The research was conducted during March and April, 1992, with the consumer segment being conducted in Sydney and the food service industry research being conducted in Sydney and Melbourne.

The primary objective of the research was to evaluate the commercial viability of restructured meat within the two market segments. That included:

* reactions to the **concept** of restructured meat and perceptions of its meaning and product features

* potential **applications** of restructured meat

* **likes and dislikes** including barriers to its acceptance and the strengths of the product

* **substitution** effects, being the products that restructured meat would replace if introduced and used

* likely **demand** for the product, including the potential size of the market

* pricing expectations and likely demand at differential pricing relative to the price of fresh meat

* appropriate market positioning

* suggestions for marketing such as communication messages, distribution and promotion.

The consumer research also covered more general food habits and attitudes to understand the market environment in which restructured meat would need to compete, plus attitudes to manufacturing and processing.

# 3. RESEARCH METHOD

## 3.1 Consumer Research

This phase involved the conduct of three consumer group discussions. All group members were screened prior to recruitment to ensure that they:

* regularly eat red meat

* eat out at least once a week at restaurants, cafes, pubs, as well as consuming take away food containing red meat

* ate a "traditional" Australian diet and were not on a restrictive diet due to health or other reasons.

The groups were stratified as follows:

* one group of younger blue collar workers, equal male and female, aged to thirty years with no dependants. This group was held in the western suburbs (Guildford)

* one group of lower to middle level white collar workers, equal male and female, aged to thirty years, with no dependants. This group was held in the city

* one group of middle to upper level white collar workers (senior administrative, professional, senior technical) including equal males and females aged 30 to 50 years who were married. This group was held in the city.

## 3.2 Food Service Industry

The food service industry interviews were conducted solely by our executive staff at the work address of each respondent. In several cases, we talked to two or more people from the one organisation. Interview length varied from 30 to 75 minutes, depending on how much each respondent had to say.

The groups covered were as follows:

* executive directors and senior office bearers of the following associations:
  - the Chef's Association
  - the Food Service Industry Association
  - Restaurant and Catering Association

* commercial catering organisations (n = 4) including the largest commercial catering company in Australia

* meat distributors and wholesalers (n = 4)

* RSL clubs (n = 2)

* major sporting clubs (rugby league, VFL) (n = 3)

* major frozen and processed foods distributors (n = 2)

* one of the major national food retailers

We report the feedback from the food industry collectively though we identify variations between segments (of which there were many) where appropriate.

The consumer and industry groups are reported separately, starting with the consumer research.

# 4. CONSUMER RESEARCH COMPONENT

## 4.1 Food Preferences and Attitudes

This section considers the food preferences of group members, including their attitudes to the quality of food purchased through the food service industry.

Firstly, all group members had a typical Australian diet whereby they consumed red meat on a regular basis and ate out frequently, both sit down meals and take away.

In terms of food preferences, they frequented:

* restaurants, particularly Italian, Asian and other European

* clubs and pubs, being the traditional steak and roast type meals

* take away, both small shops and chains.

The choice basis regarding the selection of any location comes down to what can be afforded at the time. Expectations are strongly linked to price:

* at restaurants, you pay for much more than the food. There is the ambience, location, service etc. that is also paid for. Value here is not a simple relationship between price and food

quality. For most, including upper white collar workers, restaurant meals are irregular, particularly if they have children

* the next stratum was believed to be pubs and bistros, where you get:

  - good quality meat, though sometimes variable
  - large serves
  - fresh food (generally)
  - relatively cheap and good value

* clubs were rated lower, with meals being low priced though not as fresh, mass produced, re-cooked or re-constituted and rather dull and boring. At its worst, this food was seen as "plastic" food, at best, a cheap, reasonable quality meal

* right at the lower end was take-away. Group members had mixed feelings about chains like McDonald's (some liked them, others hated them) though group members almost universally thought that take away from small shops was of very low quality:

  - junk food
  - extremely variable quality

- fatty, greasy meat.

A few issues raised are worth discussing in the context of restructured meat:

* before the issue of restructured meat was even raised, there was believed to be a lot of emphasis on the appearance of food. For that reason, pub food was regarded as reasonable quality as you can often see it. Any meat produced with a "normal" appearance is assumed to be of reasonable quality. As such, restaurant food is regarded as good quality due to the emphasis placed on appearance. The implication for restructured meat is obvious

* pub and club food is seen as functional, and eating there arises from time pressures, not wanting to cook or where a cheaper meal is all that can be afforded at the time. The implication is that restructured meat should be positioned at that level

* people eat food that they regard as poor quality. Depending on circumstances, they will not ask too many questions about the quality of food from clubs or take away food, despite recognising that it may not be good quality. As a result, restructured meat can be positioned above some

of the lower grade meat moved though the food service industry.

The above issues are discussed throughout this report in more detail.

Regarding the issue of **quality**, consumers are often contradictory, which has implications for restructured meat:

* firstly, for home cooked meals, a lot of emphasis is placed on quality. They want food that is fresh (possibly the most important criterion), nutritious, looks and tastes appealing, is "healthy" in terms of fat and additives, taking value and price into consideration

* the above criteria do not necessarily apply to take away and lower priced sit down meals. The functional aspects of such meals mean that an expedient approach is taken with overt aspects of quality such as appearance being very important. Expectations are lower and they become less fussy or demanding. Concerns about the quality of the food they buy is over-ridden by functional issues.

The implication is that via the food service industry, apparent indicators of quality such as appearance are critical. If the meat looks good, it assumed to be good quality.

At the same time, most recognised that there is not a simple relationship between price and quality. Some cheap food is good quality and vice versa. One problem raised with lower priced meals was a lack of consistency, which in this context should be a distinct advantage of restructured meat. It also explains the popularity of chains whereby people do not necessarily expect good quality, though they do expect a reliable standard.

A final issue is that there was little difference between the three groups. Whilst blue collar workers were less discriminating about food in general, that difference was marginal. Upper white collar workers often said the same thing in a more lucid and erudite manner though the similarities in attitudes were surprising.

## 4.2 Initial Reactions to the Concept of Restructured Meat

From the outset, it was blatantly obvious that the interpretation of "restructured" is quite different to the product itself. The word has negative connotations, viz:

* it was seen as processed, mashed up, ground down, pulverised, reconstituted and manufactured

* it was associated with meat products such as mince, sausages, rissoles, meat pies or processed smallgoods like devon or brawn

* the meat itself was assumed to be very low quality such as off-cuts, scraps, offal or floor sweepings

* the finished product was held to be full of fillers, chemicals, preservatives or fat

* it would not look like normal meat nor taste like it.

Nobody had a nice word to say about the word based around their interpretation of the product.

The real issue here is that "restructured" means processed or manufactured meat. This does not indicate a negative reaction to the real concept. Rather, it suggests that:

* whatever you call it, avoid labelling it as restructured meat

* the product should be positioned in the market as something entirely different from manufactured meat

* again, ensure that the appearance is that of normal meat. The negatives associated with manufactured meat are strong, and it must not give the impression of being "processed".

## 4.3 Discussion of the Actual Product

Having covered reactions to the name, we explained to group members what the product really was. During that process, group members asked many questions. It should be recognised that the concept is not one that is easy for the average consumer to follow. Upper white collar worker latched on to the concept more readily though asked the same questions.

In the process of coming to terms with the concept, a number of questions were asked which highlight the underlying concern that restructured meat is in fact processed:

* will it fall apart?
* what type of meat will it be made from?
* will it be 100% meat? What about additives, fillers, chemicals?
* where would it be made (at what point in the production process)?
* what would it cost?
* will it look like normal meat?
* will the pieces stay the same colour when cooked?

* how much fat would be in it?

* how fresh would it be and how long will it last?

These questions should be regarded as normal, rational scepticism where the word "restructured" is interpreted as something other than what the product really is. At the same time, these notions of the product and questions raised about it will need to be considered in the promotion of the product.

The single most fundamental barrier to its acceptance arose as the name, **not the product**. That is, there were few real barriers to the product itself, once consumers came to terms with its meaning. In effect, the acceptance of restructured meat, assuming the nature of the product is known, would involve a cultural change to the way consumers think of food that has been in any way processed. Irrespective of the product, the idea of any form of change to the meat implies manufacturing, which is really the only barrier to the product.

Once individuals overcame their difficulties with their interpretation of the product, there was little doubt that it has a good deal of potential. Provided that there is consistency and reliability in terms of product quality and appearance, we believe that it will readily be accepted. That is despite the perceptions of processing, which do need to be addressed.

Puzzled expressions soon turned to a more positive approach to the product:

* it would be more appealing than most take away and low price meals

* if it tastes okay and looks the same, who cares [if it is restructured]?

* nearly everyone was prepared to give it a try, and further, many were keen to do so

* it has a lot going for it.

We explained to group members that there are likely to be three types of restructured products made, being steak such as minute steaks, schnitzel and deli-roasts (beef and lamb). Reaction to the three were generally positive, though it was easier for them to imagine the steak. Schnitzel as opposed to veal did have a poor image, being perceived as crumbed and containing poor quality meat. Again, this is a conditioning process that needs to be overcome. It was difficult to move them away from their pre-conceived notions of "schnitzel".

The deli-roast concept was also difficult to explain as they envisaged the product being like a processed ham, formed into a neat shape. A standard shape and size was associated with manufactured meat again, whilst "real" meat is variable.

All products, when understood, were liked and respondents were keen to try them. The negativity is related to experiences with other products, not restructured meat.

We then examined attitudes to restructured meat:

* via the food service industry

- direct sales to consumers such as through supermarkets.

We discuss the two separately below.

## 4.4 Restructured Meat Through Food Service

The preliminary discussion regarding the quality of food through the food service industry certainly .indicated some concerns about quality and consistency. It is against that background that attitudes to restructured meat was considered by group members. There was broad acceptance of the concept in such applications and restructured meat was seen as providing distinct consumer benefits.

Looking at the quality of restructured meat in comparison with what is expected through the food service industry, group members generally agreed that it would be of better quality. Whilst some were concerned that it would be passed off as normal meat, the consensus was that it offered consistent and reasonable quality. Some also felt that it would be perfect from the point of view of the food service industry itself due to standardisation in size, quality, appearance, fat content and taste.

Of course, the acceptance of the product was based on the assumption that quality and consistency would be high. If that assumption holds, then people are not even likely to notice it. In fact, the opposite view held. Compared with typical pub, club and take away, they may notice it if the quality is better than alternatives.

The positioning of the product in the minds of group members was at the lower end of the spectrum, though above the quality associated with steak sandwiches. That is, a quick, easy inexpensive meal. Upper white collar workers, who were equally accepting of it as were others, described it as an ideal functional meal, and as such, it has a "lot going for it". The most frequently mentioned advantage was consistency, and if achieved, was expected to be a successful product.

The product was **not** associated with top class, high priced restaurants, where group members saw a need for establishments to offer top grade cuts rather than the egalitarian or functional products that restructured meat was positioned with.

Of the three products, the concept of a minute of barbeque steak was accepted more than the other, followed by the roasts. The main concern about roasts was that they are likely to be pre-cooked. It should be recognised that most consumers do not understand that the food service industry often sells pre-cooked products, so their concern was understandable in that context.

The acceptance of a schnitzel product was again tainted by past experiences and expectations. A "schnitzel" to consumers meant a pre-crumbed product which is more bread than meat, with what little meat it contains being of low quality. The product would need to be positioned away from that type of product. In any event, schnitzels were seen as a niche product and consumed irregularly.

Some suggested that the image of the products could be improved if it had heart foundation approval. That would re-position restructured meat away from a functional meal to being a "healthy" meal, and eliminate some of the negatives associated with take-away and low priced club or pub food. This is worth considering as some group members were of the opinion that the product is likely to be more nutritious (less fat, gristle etc) than most.

Regarding **pricing**, our initial hypothesis was that consumers would expect it to be relatively cheap. Whilst that holds, it is more complex an issue. Firstly, the belief that it would be better than the types of meat it would replace via the food service industry suggests that it should not be priced below that of meat in a steak sandwich or cheaper club or pub meals. Obviously, the price should not be up there with rump steak or eye fillet.

There was no real agreement on pricing, and pricing expectations were driven by the attitudinal barriers raised earlier about the concept of restructuring:

* because it is a "processed" product, then it should be low priced. The logic here is that it could not reasonably be sold at the price of "normal" meat

* the opposite view was that it is likely to be better in quality than substitutes, thus would be more expensive.

As a sit down meal, most expected the three types of products to be within the $7-$8 bracket, though some mentioned figures as low as $5 (a cheap club meal) or up to $10 (good quality pub meal or bistro). Overall, the issue of price was difficult for them to deal with given the influence of pre-conceived notions about restructuring and processing.

Our suggestion is to position the product above that of poor quality meat through the food service industry. This is supported by the finding that the product was seen as having advantages over many substitutes, is perfect for the food service industry, and that pricing expectations were aligned with reasonable quality meals.

If restructured meat is priced at a low level, the problem is that it will reinforce the attitudinal problems raised earlier related to processing. Positioning should be a above average quality, reliability, consistency and nutrition, which is not compatible with low price.

Finally, a view was that if the difference is not noticeable then who cares? That attitude was more likely from blue collar workers.

## 4.5 In-Home Use

The next aspect of the discussion was interest in purchasing the product for in-home use, expectations of distribution and of pricing in that context.

There was a lot on interest in all three products for home use, though the order changed. Looking at the roasts, they were met with broad acceptance, with the following typifying responses:

* it would be great for entertaining where simplicity and convenience are desired.

* for a normal meal, it would be easy to prepare

* importantly, there is a lot of emotion associated with the concept of a "family roast". Whilst it would not necessarily compete with the traditional roast, it offers many of the benefits without the work. Normal roasts were seen as "too difficult" on most occasions

* standard sizes offer value for money - no waste. This was a real advantage particularly for couples and those living on their own

* where group members had children, it was seen as a good children's meal.

Some described it as a "breath of fresh air" for home use, with negatives being limited to concerns about pre-cooked meat. We also gained the impression that males were more interested than females. However, nearly all group members has rosy memories of family roast dinners and some discussed how they would prepare and present restructured roasts if and when they became available.

The idea of a steak was liked though the potential for savings regarding time, money and effort were not believed to be as great. Its applications were more for children, barbeques and quick, simple meals where money was of concern. Assuming a reasonable price, it was seen a product that will be successful. However, it was positioned as a lower priced product.

Reactions to schnitzels were not as positive, though as we discussed earlier in regard to food service meals, the negativity was associated with cheap, crumbed products sold through take away and clubs. If the product is sold to consumers, it should not be crumbed. In that case it would be a niche market product. Some would buy it, others would not. Demand would be steady rather than dramatic.

For home use, these products would be substitutes for:

* low priced meats and meat products such as chops, sausages, barbeque steak

* cold meals like ham, particularly the roasts

* take away food

* at the margins only, with traditional roasts and higher priced steaks or veal. Further, they would not be used for special occasions.

Overall, the positioning is a good quality, quick, convenient and no waste product offering reliability. In simple terms, a "lazy" meal.

The importance of consistency and reliability cannot be over-emphasised. Many of the lower white and blue collar workers in groups watched their money carefully, and were keen to find a product that is reasonably priced, reasonable quality and reliable, viz:

> "it would be nice to have decent quality meat that you can rely on.."

Regarding distribution, expectations were for these products to be sold:

* primarily through supermarkets

* possibly through delicatessens (though that was seen as the domain more of the pre-cooked roasts)

* possibly convenience stores

One suggestion from the upper white collar group was to ensure that the products are not displayed with processed meats such as in the smallgoods section.

In regard to pricing, there was a range of views discussed:

* the steak should cost somewhere between mince and normal steak, with their idea of steak prices being $8-$10 for average cuts

* $1 to $1.50 below the price of steak of a similar quality that is not restructured

For the roasts, some expected the price per kilogram to be above that of normal cuts like legs of lamb, other expected it to be more due to the absence of bone and less fat. After discussion, most leaned toward the higher price end. They had difficulty in thinking of a price for the schnitzel with prices such as $7.99 per kilogram being coined.

In summary, there was a high level of interest particularly in the roasts and steak. Positioning is as an efficient and reliable product offering value for money.

## 4.6 Promotion

The major benefits of these products that consumers are likely to accept are:

* convenience
* consistency and reliability
* value for money
* quality - 100% beef, steak or lamb
* a healthy meal - low fat, nutritious, no additives or fillers

Given that the product is difficult for consumers to come to grips with and that the concept of restructured meat was not liked, several suggested in-centre taste trials and demonstrations. Part of the reason was that there may be reluctance to try such an idea. Secondly, acceptance from one person is likely to be communicated to others.

The main suggestion was to give the product a catchy name (certainly not restructured meat) which would communicate the benefits of the product and differentiate it from "processed" meat. More choosy consumers would like product information and Heart Foundation approval as a testimony to quality.

Provided that the product quality is high, we conclude that consumer acceptance will be high, though initial reactions may be negative. Market education would be required to position and differentiate the product if it was distributed through supermarkets and other retailers.

# 5. INDUSTRY RESEARCH PHASE

## 5.1 Initial Reactions to the Concept

This section covers the initial reactions of industry personnel to the concept of restructured meat, including their level of awareness of it and understanding of the meaning of restructuring.

At the outset, it was apparent that the level of knowledge of sectors within the industry was varied:

* some of the meat distributors and wholesalers were very familiar with the concepts and had in fact looked at ways of restructuring meat

* some distributors were experimenting with different forms of restructuring, though with limited success. One Sydney distributor was producing a product from diced beef where the grain of the meat was crossed like a checker board

* they were aware that previous commercial attempts at restructuring had not been entirely successful. Some products tried before had fallen apart or were otherwise of poor quality (taste, texture etc).

Even among meat wholesalers, the meaning of restructured meat was ambiguous. Some recognised that it was a product formed from whole pieces of meat whilst others still regarded the term as meaning flakes or ground meat formed into a fixed shape. An example here would be formed chicken pieces such as nuggets. Such products do not have a high quality image and as with consumers and other market segments, it was necessary to remind them of the nature of the product we were talking about.

Meat wholesalers were very interested in the concept as a potential way of adding value to off cuts. Any way of increasing the return on a meat usually sold at a low price, such as diced meat or meat for mincing or processing, would be well regarded.

Going beyond the meat industry per se, buyers and users of meat had no real concept of restructured meat, and their reactions to it were similar to those of consumers. Only a few of the more sophisticated respondents (eg, Chef's Association, a few major caterers) had any concept of the product, and saw it as a meat that was chopped up and put back together again.

The majority saw restructured meat as a processed product and were not particularly excited about it. As a result, we had to explain it to them more clearly to differentiate it from a ground product.

The implication here is that, like consumers, restructuring is akin to processing. The hospitality and food service industry do not understand the product and during interviews, often lapsed back into thinking that the product is processed.

The above does not mean that the food service industry have any barriers to the acceptance of restructured products per se. As was the case with consumers, the concept of restructured meat, without seeing it, means that they still have an image of a processed product. Not surprisingly, we constantly heard:

> "I'd really need to see the product.."

Going beyond that initial confusion, attitudes to the concept were generally favourable:

* virtually all respondents expressed an interest in the product, with no respondent dismissing it

* everyone would like to see it and try it out. There is a lot of curiosity in that regard

At the same time, there is caution within the industry. The acceptance of the product is conditional on restructured meat being a good quality product. As such, there are several barriers that need to be overcome, discussed below.

## 5.2 Barriers to Purchase and Dislikes

The negative aspects of the product varied substantially depending on the industry category we talked to:

* **meat distributors and wholesalers** pointed to technical problems, viz:

    - the grain can't go in one direction - some see this as impossible and the meat would have a checker board appearance
    - the cut must always be the same, eg, always topside steer etc. This tends to limit the applications of the product
    - the products tried before have failed, which has given restructured meat a bad name
    - possibly flavour problems. It may not taste fresh or be tasty.

* **commercial caterers** pointed to non-technical aspects such as:

    - appearance (extremely important to them) - it must look like real fresh meat
    - it must taste the same

- it may fall apart
- shelf life is shorter for such products, though this is a minor problem only

Overall, caterers were very concerned about the appearance, more so than other aspects.

* **clubs** again pointed to the need for the product to look like normal meat, and were somewhat sceptical of the appearance of the product. That is particularly important in RSL clubs which have a conservative market.

The above comments indicate that in the food service industry, the most critical aspect of quality is appearance. If it looks unappealing, then the product has very limited applications. If it looks good, then most of the barriers and concerns evident in the market will be alleviated.

The level of concern for taste, colour, tenderness etc. was substantially less largely due to the perception that these qualities are not a problem in off cuts anyway. All things being equal, it is really appearance that will make or break the product.

Another fear was the behaviour of the meat industry itself. Meat wholesalers and distributors in particular raised concerns as to the final quality of the product when commercial interests take over the production of restructured meat. That is, they would not produce a consistently high quality product, rather, poor quality meat such as shin beef, gravy beef etc would be thrown in as well.

The concern of the market was that if producers see it as a way of getting rid of cheap cuts, they will be sorely tempted to do so. Clearly, control over the quality when in commercial hands is a concern in an industry not known for its ethics.

## 5.3 Product Advantages

Assuming the negatives raised above are not a real problem, then the food service industry recognised several advantages with both the uncooked and pre-cooked products.

By far the major issue is **standardisation and consistency.** This is a particular problem with steak and schnitzel more than pre-cooked meats. All sectors of the market recognised that raw meat in portion control varies in weight. Variation in, say, a 100 g minute steak would be up to 15-20 grams. If the restructured product was always the same size, weight and thickness (a major issue with low skill staff) then there would be major benefits in ease of handling, cooking and in labour costs.

Consistent products are attractive to the industry and that is a major product benefit which can be marketed. Part of the reason is that both commercial minute steak and pre-cooked meat tend to be variable in quality (fat lumps, gristle, tenderness etc, with pre-cooked meat often being rolled) and the competition for restructured meat is not that high in quality.

The other major perceived advantage is **price**. It should be pointed out that expectations were nearly always for a product that is cheaper than fresh meat. Only a few industry personnel imagined it as a product that would be pitched at a price comparable with fresh meat.

Putting it in the words of many respondents, in particular, association executives and the meat industry, they believe that any product offering a competitive price cannot fail assuming at least reasonable quality, especially when the state of the economy is considered. We discuss the quality - price trade off later and implications for pricing.

## 5.4 Likely Markets

There is certainly no one market that these products can be targeted toward. Part of the issue is price and quality. At the bottom end of the market, such as institutions, industrial canteens, event catering and take-away, the market will almost certainly demand a low cost product with the quality criteria being consistency rather than excellence. In simple terms, mediocrity is acceptable to this market provided the buyer knows what they are getting, always gets the same product, and gets value for money.

The middle market is clubs (excluding the event catering which is typically steak sandwiches, pies, chips, hamburgers), lower priced cafes and bistros, pub food and lower priced commercial caterers. This market is fussy about appearance and is willing to pay more for reasonable quality and a visually appealing product.

The top end of the market, such as restaurants, high priced caterers and special event catering or function is unlikely to be a suitable market with the exception of set menus, lunchtime specials or children's meals. Most respondents envisaged that this end of the market would not be appropriate for restructured meat. Any location with chefs rather than cooks is going to be more difficult to penetrate.

At the outset, we see the positioning as offering two possibilities, though a crucial factor will be the volume that will be up for sale:

* if restructured meat is produced in huge quantities, then the lower end of the market may be applicable. The limitation here is that it would become known as a "cheap" product and saleable only at a relatively low price

* the other option is to position restructured meat in the middle market, where it would necessarily look the same as regular meat, and sold on the basis of consistency rather than price.

It is worth looking more specifically at the views of each group:

* **meat wholesalers and distributors** were generally positive about the demand for the product and pointed to opportunities in areas such as:

  - overseas markets (price sensitive)
  - commercial catering
  - fast food and take away
  - institutions (education, hospitals, nursing homes, prisons etc)
  - canteens and staff meals
  - hotels and motels
  - inputs into TV dinners

Note that in Sydney, they saw it as being more suitable for the lower end of the market than in Melbourne.

* **commercial caterers** and their association were very interested in the product for their own use, though not always in **function** catering. There were mixed views in terms of its applications. Some saw it a product for the lower end of the market (take away, event catering, lower price catering, cafeterias, canteens etc) whilst some saw it as having wider applications

* **clubs** saw the products as being unsuitable for their restaurants, though suitable for their bistros, take-away areas and particularly events in the case of sporting clubs. For the roasts, there was little interest. Probably only for buffets and events, with the traditional carvery being popular here.

At this stage, the RSL clubs arose as being unsuitable. They tend to buy bulk meat for low priced meals (often $3 to $4, sometimes less) to attract people into the place. Being an old, conservative market, they relied more on carveries for roasts and were not major sellers of steak or schnitzel sandwiches. They really wanted sirloin or porterhouse type steaks and expressed little interest in minute steak in portion control.

The direction that the market appears to be taking is polarisation:

* either minimise labour costs, rely on low skilled staff, simple cooking and heating facilities, and buy portion control and standardised products

* rely on volume sales and purchase bulk meats at very low price, where the establishment can use all the meat and has better cooking and food preparation facilities.

The first segment is certainly large. There is pressure on the industry to lower labour costs and the opportunity for restructured meat is obvious. If they can save money by employing less skilled staff, reduce staff hours, waste less, have easy handling and preparation, then consistent products like restructured meat will be successful. For that reason, we consider that the middle market would be preferable assuming that the market would not be flooded with restructured meat.

The starting place, as a result, should be in commercial catering, events, bistros, cafes and diners, leagues clubs (not RSL), and canteens. The institutional market offers a low price though the product itself is very suitable. If the product is sold to caterers like the Spotless Group for industrial and event catering, do not expect a high price. That organisation buys literally millions of dollars worth of meat a year and demands low price.

## 5.5 Product Specific Demand

In this section of the report, we look more specifically at the likely demand for each product type.

**Minute steak** was probably the most acceptable product though its applications would exclude function catering. This product has major opportunities in event catering, take away, bistro type meals, institutions and canteens. There was more demand for this product than the others.

**Schnitzel** is more a niche market and less applicable in the higher volume areas. Yearling schnitzel is used in many applications though less in commercial catering, function catering, institutions and canteens where throughput is high. The product is more applicable for pubs, cafes, bistros, some take away and leagues clubs. It is unlikely to be a mass market product like the minute steak though certainly there was some interest.

The **pre-cooked roasts** were in less demand in the middle market and present more opportunities in the lower end where there are lowly skilled staff and rudimentary cooking facilities. Many market segments were not interested, such as most clubs (they want spit roasts and buy bulk for cheap meals) and commercial caterers who cook their own meat. At the same time, pre-cooked meat was reported to be a growing market (Beak and Johnson estimated 30%) though in price sensitive markets such as institutions, canteens and event catering. Some argued that pre-cooked meat is too dear and unnecessary when you have cooking facilities. Those without such facilities and skilled labour offer the best potential.

Without moving into the institutional market, the best avenues appear to be smaller cafes, pubs, motels, diners and take away outlets, industrial canteens and event catering. The latter two depend largely on price and are not suitable for larger chains which buy in bulk and cook their own meat.

If volume in pre-cooked meat is desired, then the institutional market, both private and public, would be more suitable. It is likely to be a strong market in future and by the time the restructured products are fully developed and reach the market, it is possible that greater opportunities will exist as the food service industry continues to rationalise due to the recession and seeks to reduce labour costs.

A problem here is that pre-cooked meat has a poor image and is associated with outlets which buy on price. Even distributors of pre-cooked meats saw it as a poor quality product (often rolled) which may make it saleable at a low price only. The opposite may hold provided restructured cooked meats proves itself as a good quality product. Given that pre-cooked meat is often poor quality (lumps of fat in it, poor texture and flavour, greasy, fatty appearance etc) then it may develop a new market niche.

We also noted more interest in the lamb than the beef, with there being more competition for beef (steaks etc) as raw products and as pre-cooked products. This is a potential market gap if quality is good. Further, the demand will be more for rare and medium meat rather than well done.

## 5.6 Pricing

Prices indicated at the present time for comparable fresh meats were as follows:

* portion control minute steak (topside) costs around $7 - $8 per kilogram, depending on volume. Sizes wanted were:

    - as low as 50 grams for children's meals, institutions etc
    - 80 g to 120 g for sandwiches
    - 150 g to 200 g for plate meals

* schnitzel appeared to vary more in price. Some quoted $12 per kg, others as low as $8 per kg, depending on volume. Sizes were generally small, around 100 grams, though in any one meal, you may get more than one very small piece. Pricing depends on the quality of the cut, with yearling topside or backstrap being more expensive than other cuts or pre-formed products

* bulk lamb and beef is purchased in bulk for $3 to $5, often at the lower end of the scale for topside and lamb legs purchased in high volumes such as clubs and commercial catering. Prices rise to $6 for the same if volume is low. For pre-cooked boneless lamb and beef, prices were said to be

around $8 to $9 depending on the cuts and the volume. Clearly, there is a big difference in cooked vs. uncooked pricing, even allowing for the bone

* for pre-cooked meat, 5 kg was the size most frequently suggested, though half that for smaller outlets.

The pre-cooked meat will face stiff price competition if it is promoted among buyers of bulk raw meat. For that reason, it is not likely to be competitive for buyers of volume purchases where they do their own cooking. For portion control, buyers relate more to the cost of a portion than a per kg price where they can calculate the costs of provisions per serve.

Looking at pricing relative to what they were paying or charging for portion control minute steak and schnitzel and pre-cooked lamb and beef, views were polarised:

* those turning over relatively low volumes or had less staff and equipment resources tended to have higher price expectations. They regarded the advantages in terms of consistency and standardisation as justifying the same price as normal comparable meat

* at the other end of the spectrum, particularly those turning over high volume (clubs produce 500 to 800 plate meals a day) the expectation

was for low price. Estimates were for 20% to 50% less, mainly around 30% or one third (33%).

Part of the issue is whether respondents positioned the product with fresh or processed meat. This makes the points make earlier on product positioning more important as if it is positioned as a product for institutions, event catering, canteens and take away, it will be seen as a cheap product.

Another issue here is what the product will take sales away from. To most, it was a cheaper alternative to fresh meat rather than a substitute for processed meats or very cheap cuts. The implication here is that most buyers would be looking to increase their margin by reducing the cost of the ingredients in meals. Given the competitive nature of the market, the possibility of increased competition or even a price war when restructured meat is introduced is also a possibility.

If the products were all priced at 20% less, there would be substantial demand. When probed, respondents agreed that such a price differential would be very attractive. The belief was that a saving of 20% would undoubtedly lead to a successful product launch assuming acceptance of the quality of the products.

At a discount of 10%, there would be less interest though most would still want to try the product out and see if the additional benefits of consistency actually apply. Some felt that 10% was not a sufficient discount to justify changing from what they were already using.

At the same price, demand would be limited. The product would need to prove itself in the market as a good quality product before many potential buyers would consider it at that price. It would remain a niche market product with a slow rate of adoption.

If production volume is low and quality very high, the option of niche marketing is still worth considering, with the market being those applications where consistency is seen as a virtue.

It volume is high and competition is strong, then a market penetration strategy may be more appropriate, assuming that production costs justify it. A discount over fresh or normal pre-cooked meat of over 10% would make the market take notice. An option is a special introductory price to generate initial usage and to prove the quality of the product, then easing the prices upward as barriers to purchase are countered and acceptance as a quality product takes place.

## 5.7 Distribution and Marketing

Firstly, there was more interest in the industry for frozen steak and schnitzel than fresh, though both should be available. As a result, the general view was that restructured meats should be distributed by **frozen foods wholesalers.** Note that many of these wholesalers such as Manettas, Roberts etc distribute just about anything including fresh meats and processed meats.

Surprisingly, the view was that fresh meat distributors would not be a suitable method of distribution. One reason was that they generally do not have refrigerated trucks, though another reason is that meat distributors would not push the products to the same extent as frozen food wholesalers. The meat distributors themselves were, however, very interested in the distribution as well as the production of the meat.

Another suggestion was smallgoods wholesalers. That option is not recommended on the basis that the product would become positioned as a processed product. An exception would be made where smallgoods wholesalers also distributed fresh meat though that fresh meat is often limited to pork only.

Looking at the communication process, the image of processed meat is still a pressing problem. It should not be called "restructured" meat even within the food service industry. Rather, treat it as a normal meat product and explain the benefits carefully to the industry, pointing out the quality rather than the processing.

The major advantage that needs to be promoted is consistency and standardisation and the resultant benefits:

* customers know what they will get and only pay for what they want

* lower labour costs

* no waste

* ease of handling, cooking and storage

* consistent presentation - exact cooking time can be calculated (for raw products)

* customer satisfaction due to low fat, gristle, good appearance and quality.

At the same time, the concerns of falling apart, poor taste etc. can readily be broken down by producing a good product.

## 5.8 Retail Distribution

The supermarket chain we talked to questioned the market acceptance of restructured meat based on their fear of processed foods, which reinforces the need for positioning of the product. As well, many food service respondents were of the opinion that the product benefits such as consistency were not that important, and in fact may indicate that the product is processed.

The overall view was that:

* the product is more suitable for the food service industry

* it may be applicable in the retail end of the market for quick, easy meals, though the product benefits are not as relevant to consumers.

The danger, as raised by the meat distributors, is negative consumer reaction to the concept of restructuring. Some saw it as dangerous to position the product in that market.

The supermarket chain did keep an open mind though had many doubts about market acceptance. A problem is that the pre-cooked meat would be placed in the dairy cabinet or delicatessen alongside processed meats and smallgoods. However, the fresh products were seen as suitable for the meat cabinet. It should be noted that the chain was rather cynical of the quality of the product and would need substantial proof of that quality.

The food chain also saw the product as competing more with processed meats rather than fresh products and would want proof it will sell to the public (such as research results) prior to being interested in distribution.

Our overall recommendation here is that the product benefits are tailored more to the food service industry. If it will not sell in food service, it will certainly not sell to consumers. Our recommended strategy is to try food service first and move to retailing, assuming volume production, only after a track record is established.