

# The Impact of Global Trends

Dr David Hughes

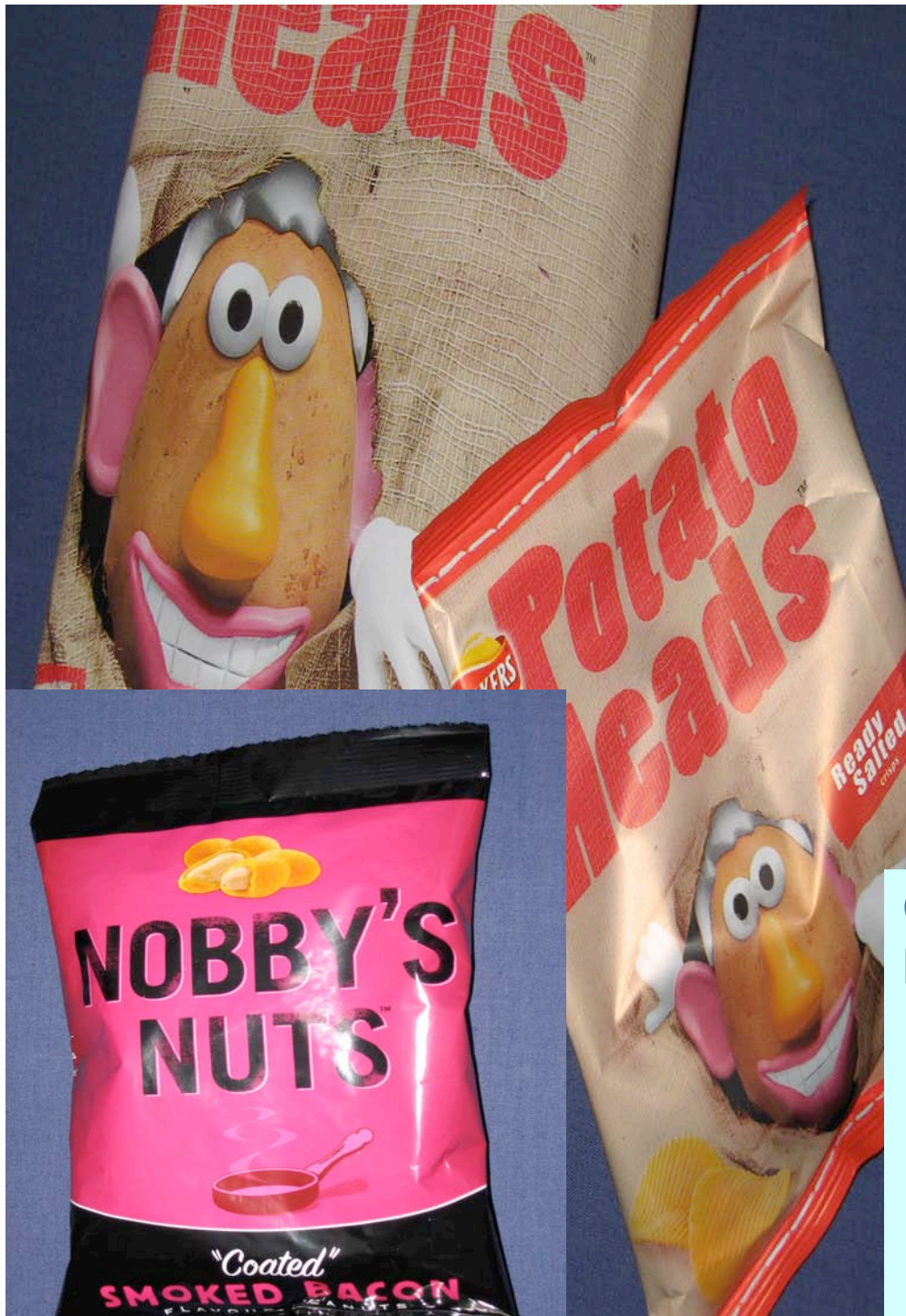
Emeritus Professor of Food Marketing

**2006 International Livestock Congress**

*Beef 2006 Strategic Thinking for a Changing Industry*

Roundup Centre Calgary Stampede, Calgary, Canada

Friday, July 14<sup>th</sup>, 2006



### Category:

Bagged snacks -1.2%

Total retail value 2005 £1.8 billion

Walkers Lites +2.8%

Walkers Potato Heads ++(new entrant)

Walkers Nobby's snacks ++

Walkers Salt 'n Shake -3.6%

Walkers Crisps -7.3%





**Category:**  
**Carbonated Drinks -0.7%**  
**Total retail value 2005: 2.3 bil.**  
**Red Bull +13.6%**  
**Coke +2.0%**





**Category: Hot Beverages -0.5%**  
**Total retail value 2005 £1.3 billion**  
*Nescafé Cappuccino* +69.8%  
*Twinings* +13.1%  
*Tetley* -1.6%  
*Nescafe Original* -3.9%





**Category: Frozen Ready Meals -12.9%**

**Total retail value 2005    £500million**

***Bird's Eye    -6.7%***

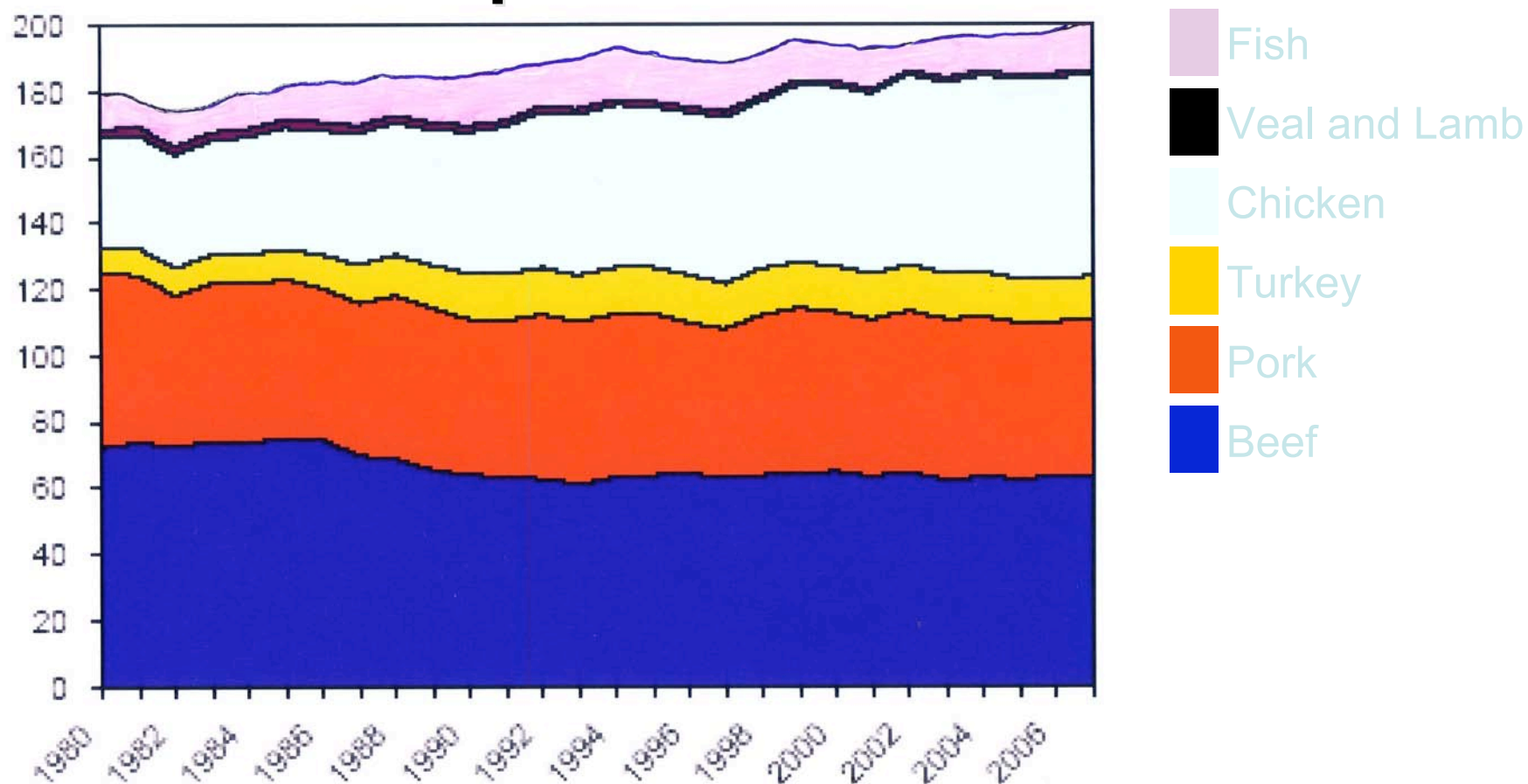






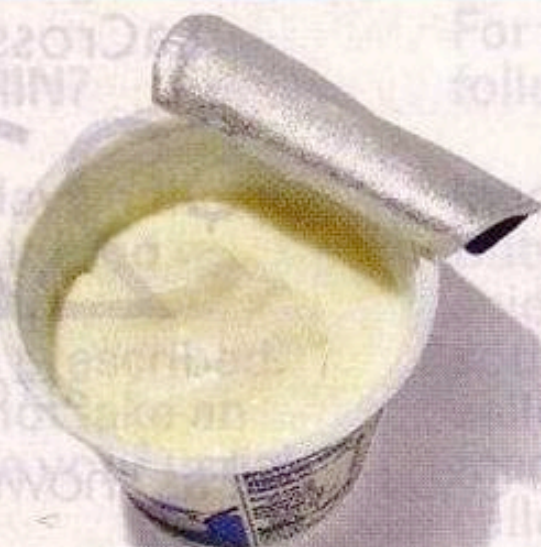
# Trends in USA Per Capita Meat Consumption

## Boneless Equivalent Pounds Per Year



Source: USDA





### **DAIRY: 3 CUPS**

**Eat up:** Skim milk, yogurt; or take calcium, vitamin D tablets

**Watch:** Ice cream, butter

**Why:** Excessive dairy consumption may be linked to prostate and ovarian cancers



### **MEAT AND BEANS: 6 OUNCES**

**Eat up:** Fish, poultry, beans, nuts

**Watch:** Alas, a big red steak

**Why:** Fish has omega-3 fatty acids; steak has lots of protein, but also lots of saturated fat



# CHEESE BURGER



Not all burgers are good burgers. What's on your plate? Visit [bhf.org.uk](http://bhf.org.uk)



# CHEESE BURGER



# CHICKEN NUGGETS



Not all nuggets are good nuggets. What's on your plate? Visit [bhf.org.uk](http://bhf.org.uk)



# CHICKEN NUGGETS



Not all nuggets are good nuggets. What's on your plate?







# Meat Consumption in Selected Countries

*Source: AFFA, Agrifood Globalisation & Asia, 2004*





# What's Driving Prices Down in the Grocery Business?

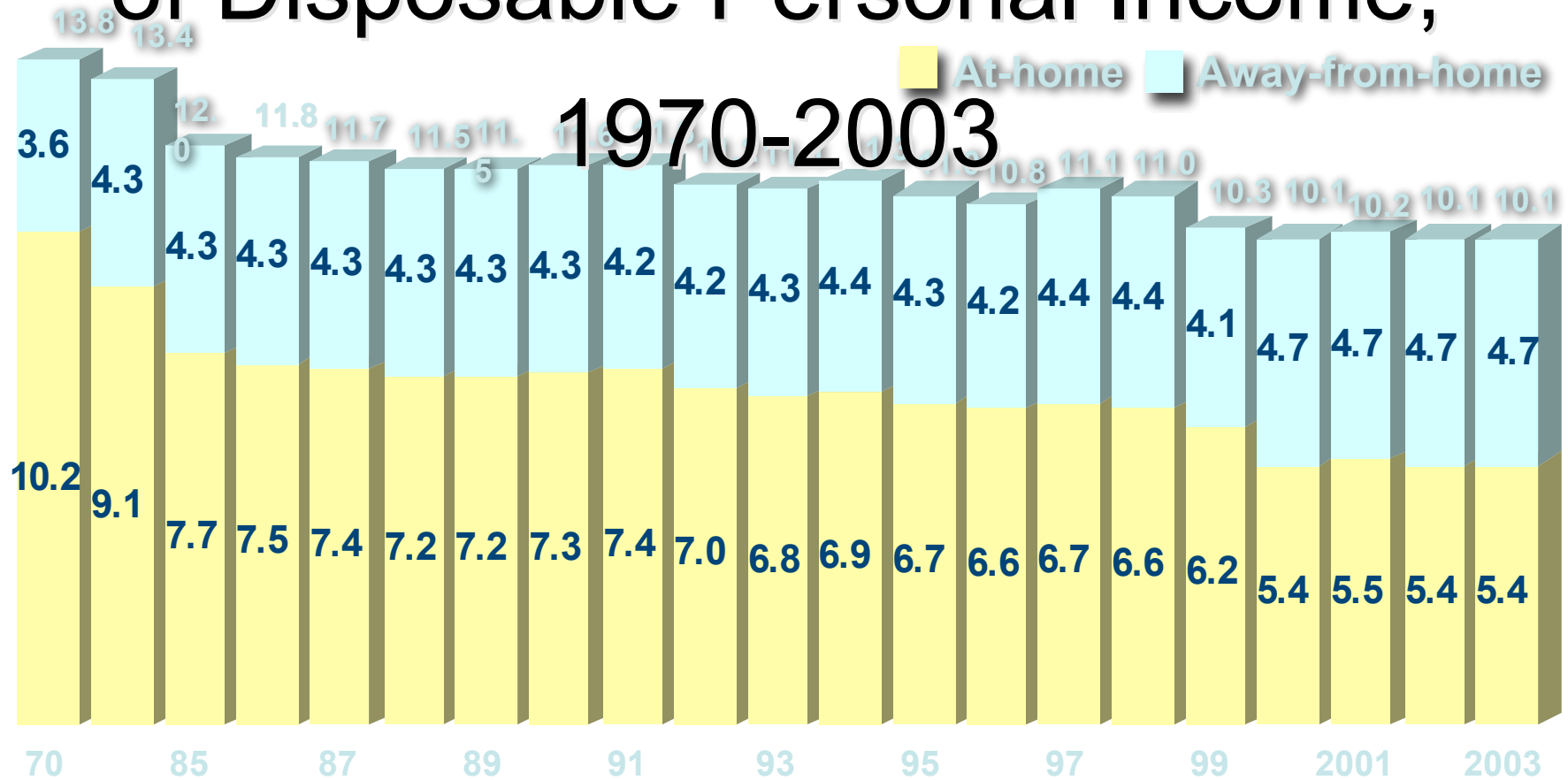
- Demographic trends – static and ageing population
- Consumers seduced by IT lifestyle products – the young perceive food a boring basic?
- Increase in new product launches – largely brand extensions and “me-too’s” – and under-investment in R&D
- Concentration in grocery retailing
- Key retail costs – energy, labour – expenses escalate
- Supermarkets rationalising supply bases and long line of manufacturers and fresh food

# What's Driving Prices Down in the Grocery Business?

- Slow down in growth in shelf-space for grocery products, and increasing rate of growth for non-food space
- Growth in supermarket private label
- Wal\*Mart spectre and growth in discount retailing (big box financial dynamics)
- Supermarket focus on EDLP and “twofers” trains shoppers to expect deals
- Pervasive over-supply in basic farm commodities
- Lower trade barriers



# U.S. Food Expenditures as a Share of Disposable Personal Income, 1970-2003



Source: ERS/USDA

**half  
price**

price shown includes  
reduction

Somerfield

Fresh  
**Beef**

BRAZILIAN SIRLOIN STEAKS

Keep refrigerated		can be frozen	
St. In BRH 4230	Cut In BRH 4230	Origin BRAZIL	Ref 1145
 Cooks in 8 mins in total <small>For full cooking instructions see reverse of label</small>			Use by 30 APR
Weight kg 0.545	Price per kg £ 6.99	<b>£ 3.82</b>	
		 0266854003820 1559	
<small>Packaged in a protective atmosphere. Packed in the U.K. for Somerfield Stores Ltd., P.O. Box 708, Bristol BS99 1GA.</small>			





**Finest\***

**TESCO**

# WELSH BEEF RUMP STEAK



*Finest\* Welsh beef is produced only on selected farms in Wales using a predominantly grass-based diet to give a fuller flavour. Head trimmed, thick cut, matured on the bone for added flavour and tenderness.*



SL IN: UK 7176 CUT IN: UK 7176, UK 8299

Expiry date	Wt	Price
15 MAR	0.448	9.18
16 MAR	UK 8299 EEC	4.16
		PRICE
0 241571 004116		£4.11

Save **60p**  
~~£4.76~~  
**£4.16**  
 per lb





# Sutton & Dodge™

STEAKHOUSE QUALITY ANGUS BEEF



USDA CHOICE A  
NATURALLY AC  
PREMIUM CU  
SUPERIOR FLAV  
HAND TRIMM

IP STEAK



TOP SIRLOIN STEAK



**Sutton & Dodge®**  
STEAKHOUSE QUALITY ANGUS BEEF



**Somerfield**

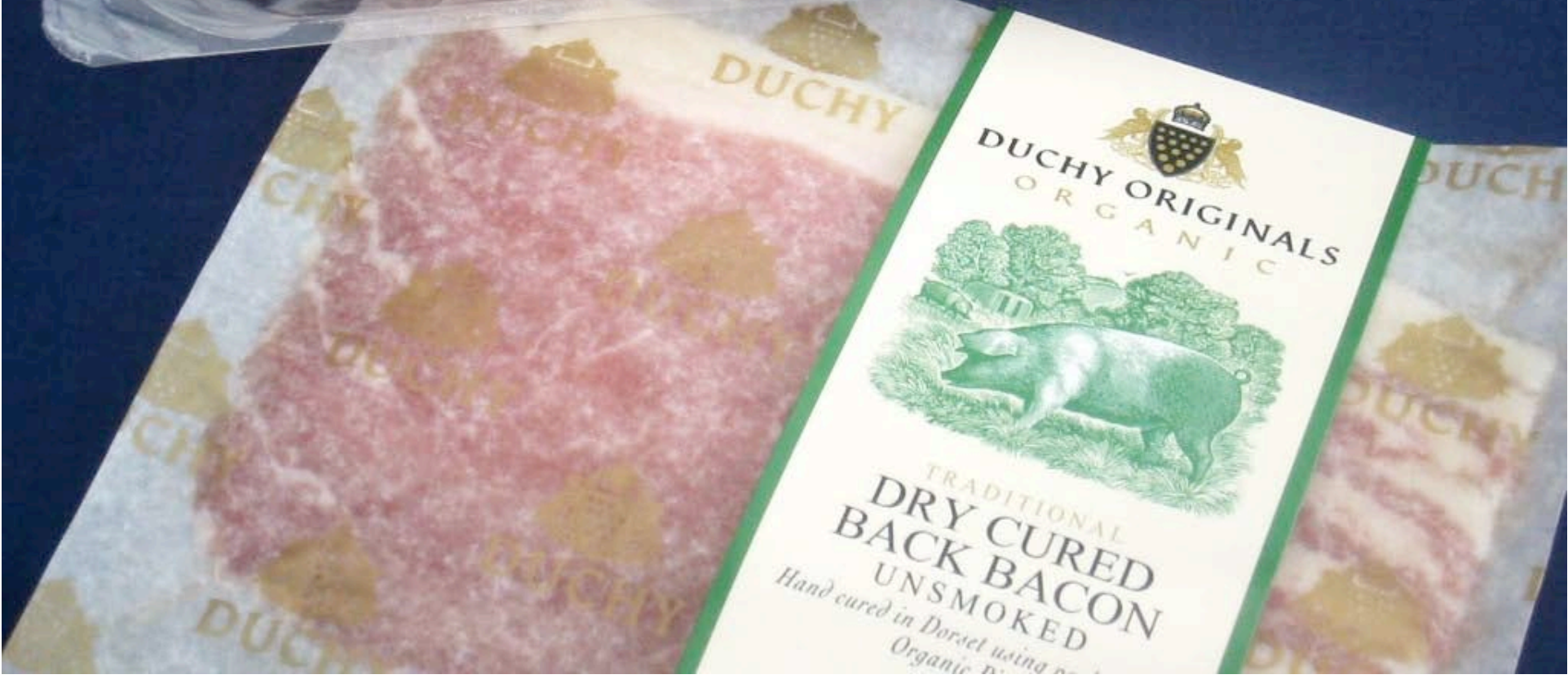
AVERAGE 4 RASHERS

**Unsmoked Rindless  
Back Bacon**



SERVING SUGGESTION

weight	keep refrigerated display until	can be frozen use by
150g	03 OCT 05	07 OCT 05 2325B









# Seven Major Shopper Segments in Europe

Percent of total respondents



Source: McKinsey consumer research

# Seven Major Shopper Segments in Europe

## Segment sizes

Percent of respondents

	Pure Price	Value Hunter	Value Loyalist	Uninvolved Shopper	Demanding Shopper	Quick Quality	Pure Premium	Total
UK	4	8	7	23	17	10	31	100
Germany	27	22	8	11	9	14	9	100
France	14	8	23	11	8	27	9	100
Italy	5	17	16	14	21	8	18	100
Poland	9	13	14	6	21	16	21	100
Weighted total	13	14	12	14	14	15	18	100

Source: McKinsey shopper research



# How Tesco Segments its Customers

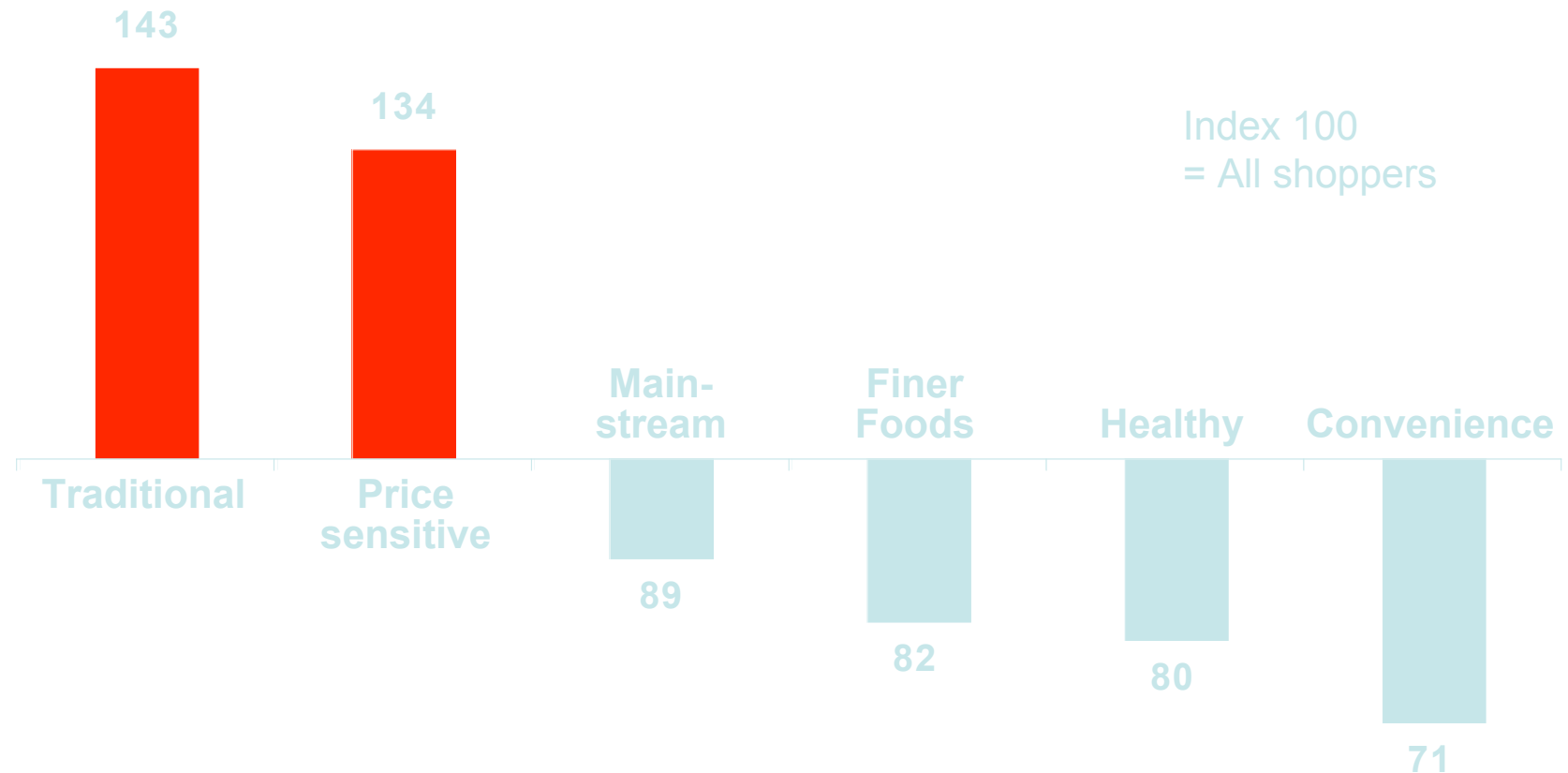


Source: Tesco

\* 84% shoppers buy Value lines

64% shoppers buy both Value and Finest

# Index of Tesco Club Card Customer Purchases of Fresh Pork by Segment



Source: dunnhumby



# Migration to the Poles



Global

High Tech

New and Improved

Ready-to-Eat

Fast Food

Just Me

Low Price

Good For You

All Year

Large-Scale

Commodity Market

Open Supply Chain

Local

High Touch

Traditional

Natural/Unprocessed

Slow Food

Friends/Family

Premium Price

Naughty but Nice

Seasonal

Craft-scale

Speciality Market

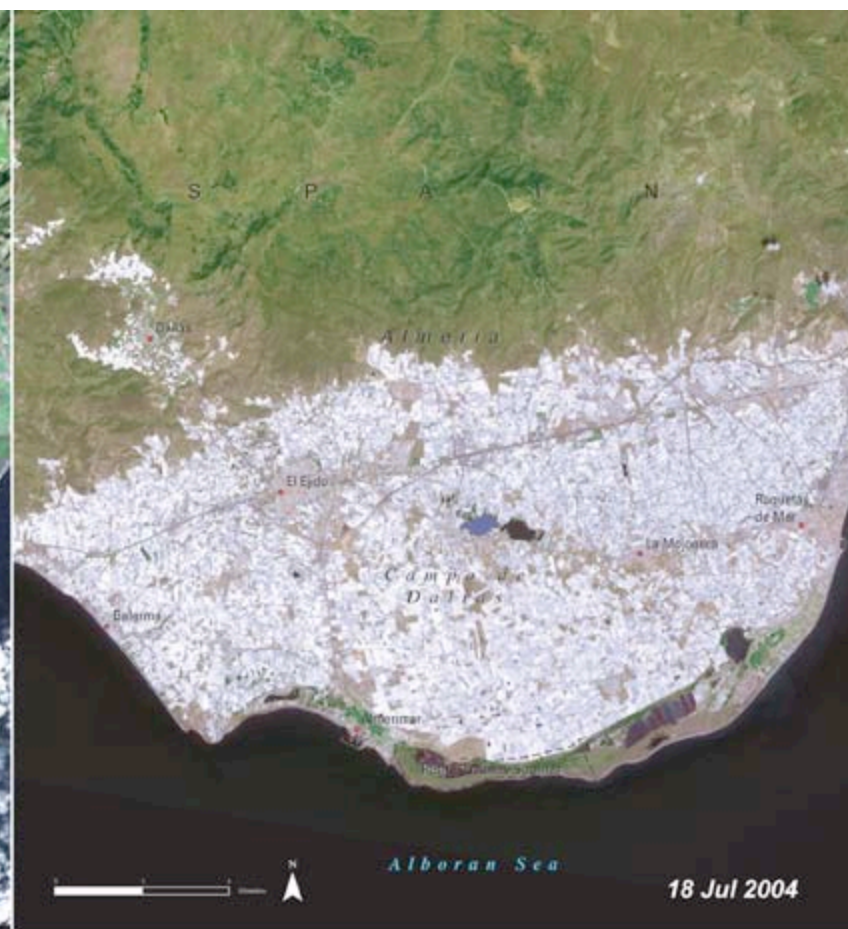
Closed Supply Chain

# What Do Consumers Want from Their Food and Drink Products

- Environmentally friendly
  - organic
  - global warming impact
  - reduced food miles
- Sustainability (“Schlosser effect”)
  - impact on biodiversity
  - small-scale farmer friendly
- GMO status
- Animal welfare-friendly
- Fairtrade
  - treatment of suppliers/workers

Apart from Low Prices?







Certification Mark



**WARNING**  
THE SUFFERING OF  
CHICKENS BRED FOR MEAT  
MAY LEAVE A NASTY  
TASTE IN YOUR MOUTH





OUR ANIMAL COMPASSION  
FOUNDATION IS THE  
**TALK OF THE  
PASTURE**



**Shop on Tuesday, January 24<sup>th</sup>**  
**and Help Support the Animal Compassion Foundation**

5% of sales from all Whole Foods Market stores will be donated to help producers  
evolve their practices for raising farm animals naturally and humanely.



[animalcompassionfoundation.org](http://animalcompassionfoundation.org)



# LEAF

Linking Environment And Farming



LEAF  
the organisation



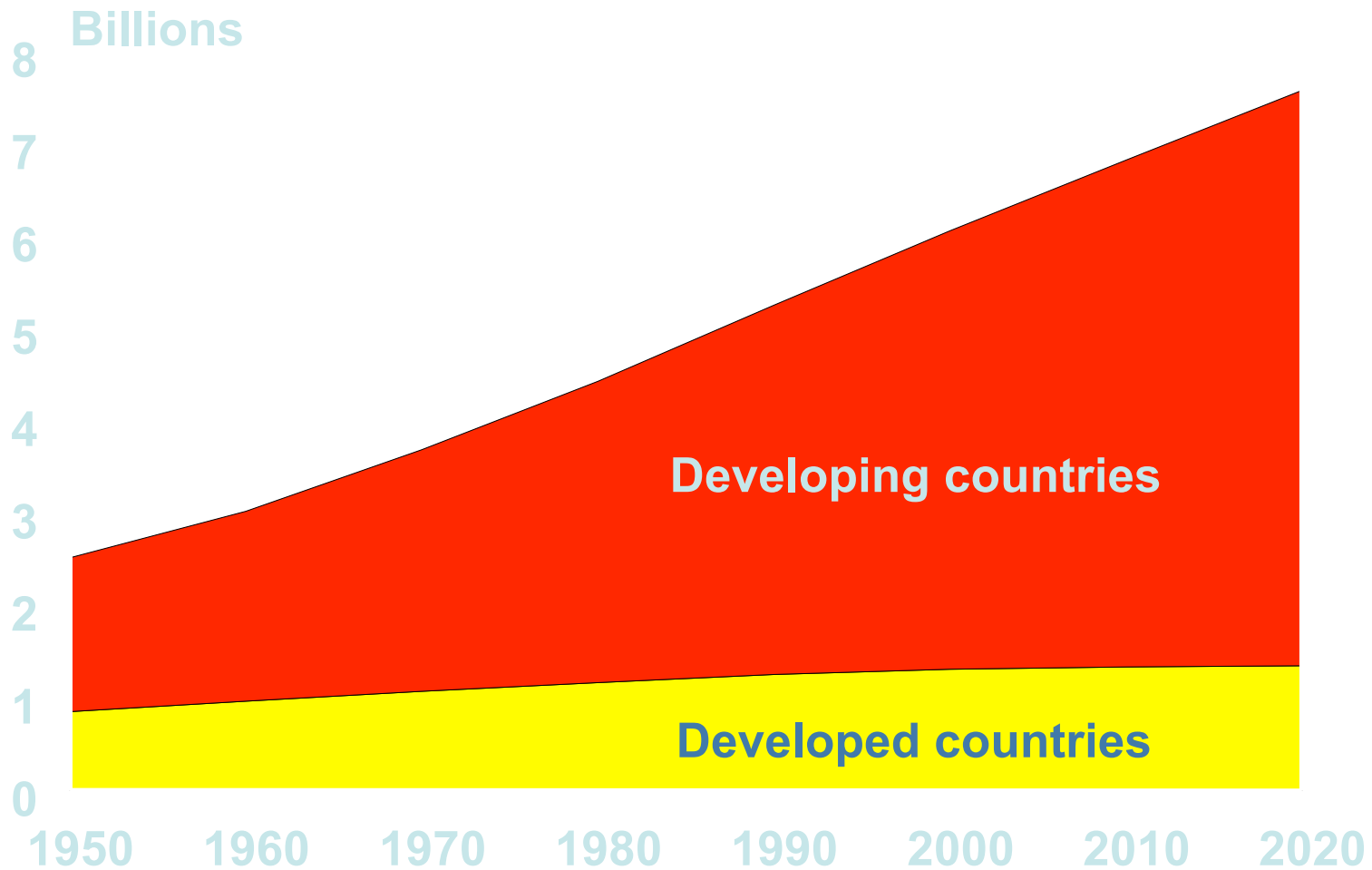
LEAF  
for producers



LEAF  
for consumers

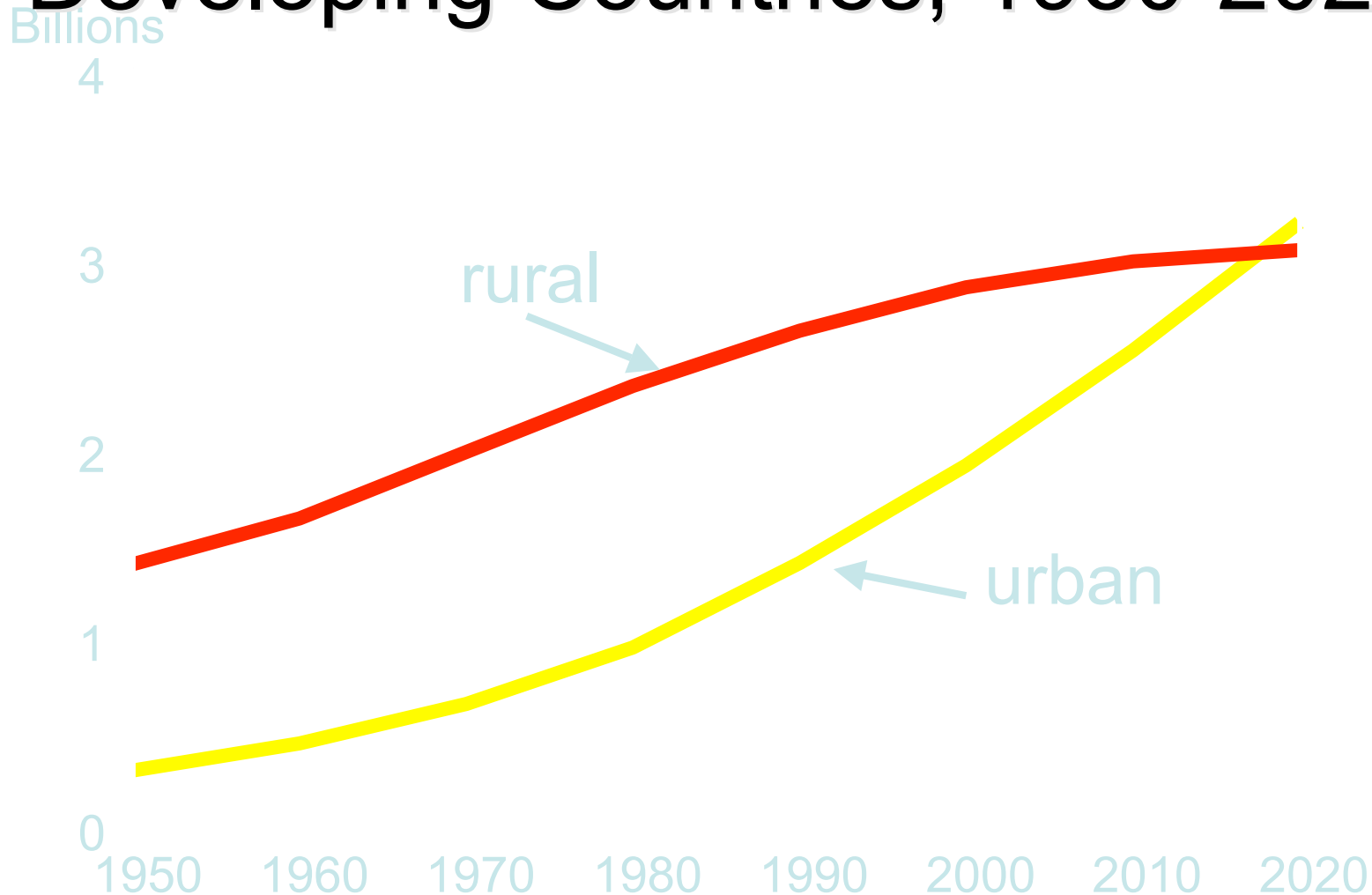


# World Population, 1950-2020



Source: UN (2002), IFPRI

# Urban and Rural Population in Developing Countries, 1950-2020



Source: UN (2002), IFPRI



















# MEALS IN MINUTES

Prepared Salads









No  
artificial  
flavours or  
colours

**Finest**<sup>★</sup>

**TESCO**

BRITISH

# STEAK & ALE WITH VINTAGE CHEDDAR MASHED POTATO

*Tender pieces of braised steak  
in a rich ale gravy with field  
mushrooms, served with  
creamy vintage farmhouse  
cheddar mashed potato.*



Serving suggestion



Oven



Suitable for  
home freezing



Serves

Keep refrigerated

21 APR

Display until

22 APR

Use by

500g  
e

Weight



5 051008 157697



# TESCO

## Vegetarian cannelloni

A tasty meat alternative filling enriched with tomato, red wine and herbs, hand wrapped in fresh egg pasta, on a layer of tomato sauce topped with a cheese sauce and finished with a vegetarian cheddar cheese



**new  
recipe!**



Serving suggestion



Oven



Microwave



Suitable for  
home freezing

Keep refrigerated

15  
NOV

Display until

16  
NOV

Use by

400g

Weight







New Zealand Organic Beef

Organic  
Filet Mignon Roast  
\$23.99

Organic  
Top Sirloin Steak  
\$10.99

Organic  
Tri Tip Roast  
\$9.99

Organic  
New York Steak  
\$17.99

Organic  
Rib Eye Steak  
\$16.99

Organic  
London Broil  
\$6.49

Organic  
7% Ground Beef  
\$6.99

and food safety quality standards

Raised to taste better

No added hormones or antibiotics

Monitored

# It's Tough in the Global Meat Business

**Increasingly competitive!**

- Within red meats
- Between producing regions of the world
- Between red meats and white meats
- Between meat cuts and prepared meals
- Between grocery retail and food service
- And, often, with damaging in-fighting between supply chain partners

**What do we need? An absolute focus on:**

- Consistently great tasting, affordable food products
- With consumer-relevant points of difference v direct competitors
- Of impeccable safety and integrity
- That are convenient to buy, prepare, consume and



# Principal Characteristics of the 21st Century Livestock and Meat Firm

- five year vision and strategy for getting there
  - staff who share the vision
  - food company not a meat trading company
  - volume and value growth to spread overhead, underpin investment, and staff professional development
  - operational excellence with effective performance measurement systems
  - outstanding supplier and customer relationship management
  - innovation in everything – products, services, business systems
- “Confront the brutal facts...yet never lose faith” (Jim Collins)*
- continuous investment, despite increasingly tight margins

# What do you do when you are Number One?

- It's your responsibility to show leadership:
  - in food safety
  - in quality
  - in building trust with consumers
  - in supply chain management
  - in innovation
  - in everything!
- It's inconceivable and would be commercial suicide to position ***yourself*** as:

***"We're Number One in Food Safety and Quality"***



## CONTACT POINTS:

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