TRENDS AND TECHNIQUES IN RETAILING MEAT

by Lewis Milkovics

General Trends in Retailing. Beef, of course, is the product we are primarily interested in. It is the main sales item in the supermarket. Iowa alone produces 12% of the nation's beef, and Iowa corn has long been associated with finer flavored meat.

On the average, beef accounts for 8% of store sales and 36% of meat department sales. In dollar profits it accounts for a healthy 7% of the gross store profits and 28% of the gross meat profits.

Each year for the past 29 years Progressive Grocer has made a nation-wide survey of independent stores. In recent years we have extended our research into the chain and wholesaling fields. The findings and observations that follow are based not only on our studies of 1961 operations but also on the invaluable information and background that comes only from our continuous research over many years.

Chain Store Sales Shift. Chain store sales have been shifting slowly from the big to the medium and small companies, an observation supported by this analysis.

Broadly speaking, the smaller the chain, the bigger the sales gain. This trend has been apparent for several years and is documented by studies of the U. S. Department of Commerce and Progressive Grocer. It dramatizes the great strength of the more localized operator. Such an operator generally enjoys greater flexibility, moves with more speed and often more ingenuity in merchandising and pricing, and possesses many of the same advantages held by the independent supermarketer. Major chains are aware of this -- as indicated by their recent moves to grant more operating authority to field supervisors and store managers.

Affect on Independents. On the whole, independents have adjusted remarkably well to this trend toward dominance of food retailing by larger units.

In this discussion independents are defined as operators of 10 or less stores; chains, 11 or more stores. In 1941 independents did an estimated 63% of U. S. sales. During World War II their share went up to 69%. Post-war 1949 saw it revert to the pre-war 63%, and, in the 13 years between 1949 and 1962, the independent share of total sales has declined by 3 percentage points.

Lewis Milkovics is associate editor, Progressive Grocer.
The independents' loss stems from two factors: (1) they did not open enough new supermarkets, and (2) they underestimated the sales potential of their new supermarkets and therefore made them too small.

"New Distributor." In the six years since 1955, sales of all chain and independent food stores have increased 39%. Yet, over the same period, sales of wholesale grocers have gone up 59% -- a growth almost entirely due to wholesale grocers who have allied themselves closely to the retailers they serve. This type of wholesaler is often thought of as the "new distributor."

Although the term "new distributor" has never been specifically defined, there is a common understanding of what it means. In short, it is the wholesaler who has built new efficiency into his business, pioneered in adding new and wanted lines of merchandise, become a bigger and better customer of major suppliers, and reduced merchandise costs to retailers. The "new distributor" offers professional store planning services, acts aggressively in securing sites for new stores and in financing them and handles for the retailer scores of functions that he can perform better than the retailer can himself. He encourages and guides the retailer in many ways -- yet strengthens rather than weakens independence of thought and action at the retail level.

Structure of Wholesaling. As a result of the wholesaler's spectacular growth, the structure of grocery distribution through wholesalers has become very similar to the structure of grocery retailing.

One sees here that the voluntary group wholesalers represent 23% of the total number of wholesalers and do 43% of wholesale sales. Cooperative group wholesalers account for 9% of the firms and do 29% of sales. Together, voluntary and cooperative wholesalers make up 32% of the firms and do 72% of total wholesale grocer sales.

Discount House Supermarket. Of all the developments in food retailing in 1961, not one kicked up as much controversy or uncertainty as the so-called discount house. Called everything from a dire threat to a golden opportunity, viewed with alarm, shrugged off as a fad, a phony or called a revolution in retailing -- the discount house unquestionably made its presence felt in every state of the Union.

How many are there? How many operate supermarkets? What are their sales? Where do they obtain their food stocks? How are they affecting sales and prices in existing supermarkets that compete directly with them?

In short, what does the discount house mean to food distribution -- today and in the future?

Firm, definitive answers to these questions are not possible at this
stage of discount house development. There is still no acceptable definition of a discount house -- and, therefore, no precise measurements can be made. However, some observations can be offered.

There is general agreement that 2500 to 3000 discount houses are now in operation in the U.S. From reports, trade sources and personal investigation by our research staff, it is apparent that 480 of these discount houses include supermarkets.

Considerable publicity is given to the huge discount houses maintaining correspondingly huge supermarkets. But a careful examination of nearly 300 discount supermarkets reveals that such markets are neither larger nor smaller than the average new conventional supermarket. Their sales average about $1,800,000 a year.

Their total annual sales approximate $800 million -- or about 1 1/2% of the total sales of U.S. chain and independent food stores.

Affect on Conventional Supers. How have conventional supermarkets been affected by this new kind of retailer?

Of all conventional supermarkets surveyed, about one-third say they compete directly with new discount supers. Conventional supermarkets competing with discount supers do as well as other conventional supermarkets. This is indicated by the fact that only 26% enjoyed sales increases compared with 71% for all conventional supers. On the whole they do not appear to have suffered sales losses. But they did not realize the solid gains reported generally by conventional supermarkets surveyed. In other words, supers competing with discounters seem to hold their own while those not competing showed substantial gains.

What does the future hold for discount supers? We hesitate to predict. However the enormity of food retailing, the high degree to which it has been developed and perfected and the time that is needed to effect change all suggest that the food retailing industry will absorb this new version of "total retailing" without great difficulty. It probably will find stimulation in doing so.

What of the other extreme -- the drive-in or the bantam market?

In sharp contrast to the super general store are the small drive-ins and convenience-type bantams. The drive-in bantam in a neighborhood or edge-of-town location, with parking, is a scaled-down version of the supermarket and usually is located in crowded areas.

Why this new interest in small stores? First, desirable sites for full supers are less plentiful and operators in areas fully stocked with supers see these small stores as a partial solution to their expansion problems. Others
feel that a scientifically designed small store with a brand-new look, fast-shopping, all product lines but only fastest selling brands has a strong appeal for a great many shoppers.

Our recent nationwide survey showed how these vest-pocket stores were doing. Collectively they reported 3500 in operation -- and almost without exception all doing "very well." Sales in the future are predicted to hit 10% of total food store sales.

**Super of Future.** Now what about the supermarket? What do retailers themselves say about the stores they expect to be building throughout the 1960's? Will they be bigger, smaller or the same as those built today?

Perhaps the most interesting answer that came from our retailer and wholesaler interviews was in response to this question of size of future supermarkets.

Their answer? "Tomorrow's supermarkets will not be bigger; and in many areas and localities they will be smaller than today's average-size supermarket." When asked for the average size their firms and customers would build those interviewed gave answers ranging between 10,000 and 24,000 square feet overall. It appears that the growth in size of the supermarket has ended, at least for several years to come. Operators will build less hastily, will design and size the supermarket to the trading area more carefully.

Let's turn now to the number of items and the new lines that retailers expect to carry in the 1960's.

Since 1928 the number of different items handled by the typical food store has increased more than six fold. But what about the future?

We believe we can shed some light on this. The Retailing Research Division of Progressive Grocer made a special continuous study of the decisions made by buyers and buying committees in 150 chains and wholesale headquarters throughout the country. When we eliminate all deals and seasonal items we find that the average company is adding 6.8 new items and dropping 4 items each week.

And so in the years between now and 1965, for example, a typical warehouse will have added about 2,500 new items -- and dropped approximately 1,500 items -- for a net gain of 1,000 items.

Which of the major classes of merchandise are expected to show the greatest sales gains in the 1960's?

Considering the store inventory in terms of broad classes of goods,
here are the categories that retailers and wholesalers say will show the highest rate of gain. Frozen foods are in the No.1 spot. Frozen fresh meats, in spite of their many problems in pricing and customer and retailer education, are No. 2, followed by soft goods, groceries, and health and beauty aids.

The subject of distributor headquarters is a vital one for manufacturers in the period ahead.

How many buying offices must be called on at distributor level in order to make products and promotions available to retail stores?

As this review indicates, the number of buying offices increased in the top three categories (voluntaries, cooperatives and chains) and declined sharply among unaffiliated wholesalers between 1950 and 1959. We expect that trend to continue but at a more moderate pace during the 1960's.

Meat Retailing Trends

With this broad background let us now turn to the subject of meat retailing trends and the economy under which it operates. Two factors largely affect these trends: changes in consumer demand and changes in technology.

What are the important changes taking place in consumer demand? By 1975, for example, total meat consumption is predicted to run between 50 to 60% greater than the 1955-1960 period. Population increases, no doubt, will be the reason for most of the increased consumption, as per capita meat consumption is expected to rise very little.

Beef, you will be happy to know, will remain the number one meat product. Pork consumption will continue high. Pork will maintain its position, with a decrease in pork prices, relative to beef prices.

The expected increase in total meat consumption means that companies at all levels must expand. In particular -- more meat warehouses, distribution centers and supermarkets will be needed to handle the greater quantities of meat.

Changes in meat technology certainly are not to be overlooked. Refrigeration and transportation methods have greatly improved. For example, we now have piggy-back facilities for truck and rail. Meat packers and processors have adopted new methods and packages designed to keep pace with the increase in self-service meat departments. Then, too, there are many technological improvements in the home, which are more and more influencing the kind, quality and form of products demanded by modern consumers.

Examples of this are more freezers and mail order buying by consumers
of frozen meats, also more frozen meat and food plans being offered by supermarkets.

Technological developments will increase in importance in the next decade and new ones will appear. For example, the market for fresh frozen cuts and packages of meat will certainly get bigger when problems are solved. There are already improved ways of identifying meat quality, both in the live animal and in meat in carcass form.

Processes will be perfected to increase shelf-life of fresh meats with treatment of antibiotics, radiation and freeze-drying. And new packages or processes will be developed that allow the meat cutting and processing now done at the retail level to be satisfactorily transferred to the grocery warehouse and/or the meat packing and processing plant. The USDA is doing considerable work along this line. For example, a recent article in Progressive Grocer points out the economies of a centralized meat prepackaging plant.

What about those factors affecting our meat economy due to other forces?

The major motivating force, of course, is to increase volume, net profits and return on investment. The ensuing competition results in an endless search for different or new products and ideas to increase efficiency. We are, therefore, witnessing spectacular and significant changes in the retail sector of the meat economy. Consider, for example, the chain stores' share of the market, which has continued to increase, but at a decreasing rate. There has been a tremendous growth in the proportion of sales by voluntary and cooperative organizations. The group movement, as you well know, is designed to give independent stores the same advantages and economies that the corporate chains enjoy.

The most significant development shaping up is increased purchases of meat by voluntary and co-operative groups. It is predicted that, by 1975, most meat will be purchased by some kind of group buyer. This means that fewer people will be buying, but buying larger quantities. This trend will give the retail buyer increased bargaining power.

Much thought, too, is being given to moving processing operations out of the store to a central plant and/or having the meat packer perform all processing functions and distribute the product. The speed with which this will be pushed will depend upon the technology now being developed.

One major change has been the decline in the number of branch house operations and an increase in the quantity of meat shipped directly to retail stores and warehouses. In recent years, there has been an increase in the importance of independent meat wholesalers who confine their
activities to a small select market. Their chief customers, however, are hotels, restaurants and other institutional trade outlets.

Perhaps the biggest change to improve efficiency and service noted among the large packers is the closing of obsolete packing plants. In general, there has been a decentralization of the industry taking place in Chicago, which makes that city less important as a meat packing and processing center. Smaller, more specialized plants have been put into operation throughout the country. Most of these plants are located fairly close to livestock suppliers, because of the freight advantage of meat over live animals.

The continued fierce competition in the meat industry will put a premium both on technological and marketing research. On the whole, marketing research will be carried on by outside research firms and individual companies or groups of companies through trade organizations.

**New Techniques in Retailing**

Permit me now to discuss techniques more specifically. Mainly, these are meat warehousing and storage by chains and affiliated groups, specification buying, centralized processing and packaging, the revolution in cattle breeding as it pertains to leaner beef, and retail merchandising ideas employed by the industry today.

On all fronts we see a sharpening interest on the part of chains and affiliated groups in warehouse-operated, distribution-center meat buying and handling programs. About every major chain and affiliated wholesaler is now operating such a warehouse or buying program in order to achieve better control of quality, freshness, trim, boning and inventory. The economy of mass purchasing and processing is the order of the day.

To best understand the modern purchasing, storage and handling of a beef warehouse program, let us examine the policy of a leading voluntary group.

*The meat warehousing and specification* set up of Super Valu, Minneapolis, was explained to Progressive Grocer by Marty Sandberg, Super Valu meat director, specially for this conference.

Super Valu experts believe that meat warehousing must either be done through a full scale centralized supply depot, with a beef breaking and trimming operation and possibly a beef grinding operation -- or it must be relegated to the position it now occupies in seven Super Valu Divisions. Presently the Super Valu meat warehouse serves merely as a convenient source of supply for retailers not able to make enough tonnage to order direct from Super Valu packer suppliers. It is also a means of distribution for company brand items such as Good Valu sliced bacon and Super Valu sliced luncheon meats. It is also a distribution system for major promotional items where large quantities can be bought at a saving and distributed on company-owned trucks more economically than by the packer.
Furthermore, their beef selectors are buying "Valu Selected" beef and "Thrifty Valu" beef to specification in the packers' coolers. It is the buyers' judgement and his alone as to whether the carcass meets the specifications. These "specs" are fairly broad but do control to a good degree the type, size and quality of beef to be merchandised under company brand. Super Valu also has specifications set up for company brand sliced bacon - "Good Valu." This bacon is being packed by several suppliers strategically located to more economically service each division warehouse. The quality and "specs" of all meats are checked by each division meat merchandiser, and periodically by Sandberg himself to insure conformation.

A meat merchandising program and Service are also offered to member stores. Super Valu offers a complete advertising program developed at the home office. A mat service carries the lead item, art work, descriptive copy, etc. Each division selects a given number of meat items each week and mails bulletins to retailers advising them of the items, the retail price, the cost and profit projection based on product movement anticipated. The bulletin is a two-part form, part of which is returned as an order for the store by a given date. This practice allows buyers to place orders with suppliers in advance to obtain guaranteed supply and price protection.

Super Valu also provides supervisory service through general field representatives. These are all meat-oriented men who attend frequent meat seminars to keep them posted on latest developments in the meat industry, as well as a bi-weekly sales meeting at which the meat merchandising manager presents upcoming promotions and programs. Super Valu also provides market news, cutting test information, merchandising ideas, display ideas, etc. in a weekly bulletin called the "Meat Merchandiser."

A complete store engineering service is also provided to which the meat merchandising department contributes greatly. Sandberg specifies equipment and layout to the home office engineering department, which prepares layouts for all new stores. A comprehensive study has been made of latest trends in this respect and a store engineering meat department specification check list has been provided to all people in the company concerned. Super Valu also provides specialized assistance to a store with meat department problems. Each division has a meat specialist qualified to put a special program into effect to correct situations causing low gross profits, high labor rates or low distribution rates.

Super Valu has two training seminars available to retailers. One is designed primarily to acquaint new retail meat personnel with SVT (Super Valu Trim) cutting methods and merchandising policies. The other is an advanced meat merchandising seminar for the retail meat manager.
In addition to keeping the field representatives appraised of new programs, policies and merchandising methods, each division meat merchandising manager holds group meetings with retail meat men in selected areas as time permits. These meetings are designed to review each phase of their program and to re-acquaint each retail meat man with Super Valu's programs, aims and objectives, and the assistance available to them under the Super Valu meat program.

Centralized meat processing. The following information on centralized meat processing is presented to this meeting through the courtesy of Jim Stimpson of Meat Operations Advisory Service, Chicago.

Here is the thinking of several meat operators regarding central meat distribution centers.

A large chain of more than 30 stores - large supermarkets - is interested in the possibility of entering into a centralized distribution program at warehouse level. This would entail a research program to study automatic packaging equipment, refrigeration facilities, distribution equipment and physical layouts for proper building facilities. A meat executive of this chain envisioned the possibility of breaking down a carcass into retail cuts, packaging the carcass and then loading the meat directly into a pre-cooled, refrigerated truck placed on a ramp leading directly into the delivery room.

A second chain of more than 30 stores is using a packing plan to supply all of its stores. This chain raises its own cattle, slaughters and processes them.

A packing plant has been thinking for some time about the possibility of breaking down its beef into primal cuts. Breaking down into primal cuts would require additional meat cutters as well as more truck drivers and equipment to deliver the meat to the markets.

Supplying primal cuts would necessitate more manpower to load the trucks with so many additional cuts. Plans for the future include the possibility of breaking rounds, tips and loins on hindquarters.

If the practice were successful, the packer would break down carcasses to retail cuts and then try packaging at the warehouse level. It is felt, however, that more research will be required to develop better refrigeration facilities for store and truck, also that research in chemistry is needed to prolong the life of red meats from warehouse to consumer.

Centralized buying, decentralized distribution. The last and most recently contacted food chain uses a totally different approach to the problem. It has little interest in central meat distribution centers, and is now operating quite differently. For example, buyers select beef at the packer level and instruct the packers as to quantities they wish shipped to packers' plants in various locations. From there, meat managers place orders with the
packers and obtain their requirements. Whole carcasses are sent to the stores and all breakdown and cutting are done at the store.

This chain feels that its method eliminates double handling, aging, storing and shipping of meat. For the moment, it is not considering any changes.

Preliminary studies lead many to believe that there should be considerable economies to scale in a centralized operation. Several firms have done some experimenting in this area, but most of them have found the problems insurmountable.

In a centralized fresh meat operation, one of the most important factors to consider is color. Here, sanitation, temperature and time are of the utmost importance. Under ideal conditions, it takes about eight days before discoloration sets in. Under store conditions it only takes two or three days.

Another important problem is transparency. Most films are quite transparent, but if temperature is permitted to vary we get fogging.

The package, both film and backing, will probably have to be stronger because of the extra handling and transportation. This is a factor that would add to the cost of a centralized operation.

Inventory control, shrinkage and rewraps are additional problems that could be improved considerably through personnel training and improved management.

Frozen meats appear to lend themselves to a centralized operation better than fresh meats. However, there are some serious problems here, too. One of the foremost is consumer acceptance. Studies at Michigan State University indicated that consumers are not adverse to frozen meats. They are willing to buy fresh meat and freeze it at home. They are, however, adverse to buying commercially frozen meats, partly because they have had bad experience with it, and partly because of their prejudices.

Another big problem with frozen meats is the package. Most housewives want to see the product, therefore several people have experimented with a transparent package. Some problems encountered with this type of package are discoloring because of light, stacking too high in cases, interior frosting, labeling and pricing.

The recent retailer demand for a uniform carcass of beef that can be fabricated into standardized cuts is not falling on deaf ears. Not only will it please customers, but also it will simplify mechanical wrapping since sizes and shapes would not vary as much as they do now. In other words, meat merchants value the labor-saving aspects of handling meat.
that is consistent in weight as well as tenderness.

In his book, "Beef Production and Distribution," University of Oklahoma Press, De Graff notes that one of the major packing companies has started on a program for improving the beef animal. This packer found it increasingly difficult to satisfy the rigid specifications of retail buyers. The company came to the conclusion that its future success depended on narrowing down all the variations that nature produces in present types of cattle. The job was to find the right strains and breed accordingly.

The company stated its objective in these words: "We hope to develop an animal which will be ready for slaughter at one year of age, weighing 1,000 pounds, yielding 60 per cent plus, producing a carcass of consistent meaty conformation, furnishing a high percentage of trimmed retail cuts and providing desirable characteristics of tenderness, color, marbling and the like." This, in essence, is the so-called meat-type beef.

Perhaps the topic of meat-type beef and the need for it can best be summed up by Bob Braunschweig, meat director of Kroger. He told Progressive Grocer that meat buyers are being forced to look at too many 600-800 pound heifers and 700-800 pound steers to be good for business.

What retailers really need in beef is a carcass that will yield 78% salable cuts which is what retailers were cutting out 10 years ago. With this kind of yield beef could be priced more realistically at retail and its use could be increased.

Beef is the most expensive item retailers process into retail cuts. In many cases, retailers actually sell beef at a loss when overhead is figured. Actually retailers subsidize the beef selling cost by over-pricing other items to balance out gross margin. This is not healthy and cannot continue for long.

What retailers would like to see producers shoot for is young cattle, 16 to 18 months old, that will weigh 900-1,100 pounds as steers and 800-900 pounds as heifers, with at least 48% hindquarters, thin rind (maximum of 1/2 inch) over loin and rib, finely dispersed fat marbling of the rib, rib eye of at least 2 square inches per 100 pounds of dressed weight and a kidney and fat weight not to exceed 3% of dressed weight.

The Kroger Company recognizes this is quite an order. But it feels that if the beef business is to grow the industry must breed cattle to stay competitive with other foods.

The big, horsey, two and three year old steers that have been traded several times, hauled all over the country and then warmed up 30 to 90 days will not make consumers want more beef. These cattle may make a fast buck or eat up moldy corn but won't really build business for the future.
With our population growth at home and abroad and nothing in sight to change this, those in the cattle and meat business must build a sound beef program if all people are to be fed.

Of course, nature doesn't work like a factory to produce the cattle required. It will take time. It will also take continued pressure to bring leaner beef about. The forces to insure better beef are already at work and are gaining more and more power.

Chain buyers, whether corporate or voluntary, are making the market for meats what it is. By demanding packer commitments as to quantity of supply and quality of supply they are providing the leverage which will reshape the meat industry and the cattle industry. And this is not being done simply as some kind of an "educational" program. The dictates of the consumer make it necessary.