

## **MEETING CUSTOMER REQUIREMENTS WITHIN THE BEEF VALUE CHAIN**

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### **SUMMARY**

Operators within the current commodity beef selling systems are falling short of desirable quality performance standards. Results from a beef quality audit of 36 meat processing establishments supplying the food service industry are presented. The concepts of Value Management are described which is a consumer focussed system and targets the various segments of the marketplace.

**Keywords:** Beef quality, audit, food service, value management, PACCP.

### **INTRODUCTION**

The Australian beef industry has traditionally been based on a commodity selling system. This system suits beef producers looking for low involvement or risk takers who understand commodity cycles and can exploit the high and low price opportunities available at various times. Prices therefore, are set by other beef value chain members. A commodity selling system has low product differentiation to meet target specifications, low controls over offered price requiring relatively low degrees of production control and the effect on the market of an individual producer's supply failure is very low.

Today's consumers of beef products are more discerning than ever before. Consumers' requirements can not be generically categorised. Each retail butcher, supermarket, restaurant or food service outlet must respond to their individual consumers' needs. Individual consumer trends include:

- \* Increased awareness of food safety, health and nutritional aspects.
- \* An increase in anti-meat attitudes and vegetarianism, particularly amongst younger people.
- \* Increase use of take-away and convenience meals, staggered meal times and the use of microwave cooking.
- \* Increasing demand for a variety of foods and less demand for traditional meals.
- \* Consistency and assurance in eating quality.

These changes in consumer eating habits require beef to be consistent in palatability characteristics, most notably tenderness, juiciness and flavour, to be hygienically safe and prepared, cooked and presented in a variety of convenient snacks and meals.

**MRC FOOD SERVICE BEEF QUALITY AUDIT**

There is evidence that operators within commodity selling systems of the Australian Beef Industry are falling far short of desirable quality performance standards. For instance the MRC has conducted an audit of 36 meat processing establishments supplying the food service industry with beef products sourced from the traditional commodity selling system. Over a 15 month period during 1994 - 1995, beef tenderloins servicing the food service industry were randomly and objectively assessed to a common food service specification ( meat colour 1a to 3; pH 5.4 to 5.7; texture and firmness score of 4 to 6 where 1 = "very coarse and soft" to 6 = "very fine and firm" ). Table 1 demonstrates the percentage of grass finished and grainfed product meeting this specification over the audit period. Note the extent of "out of specification" performance. Figure 1 shows the percentage of product meeting specification from the 36 audited meat processing establishments. Note the variation in performance here. These results demonstrate the wide variation in performance of product sourced for the food service industry in Eastern Australia from the traditional commodity based selling system.

**Table 1. MRC quality audit of objectively measured parameters of beef for the food service industry 1994 - 1995. Percentage of grainfed and grassfed beef tenderloins meeting a common food service specification**

Specification	Grainfed	Pasturefed	Overall	N
In Specification	67%	57%	59%	1248
Out on pH	24%	21%	22%	466
Out on Meat Colour	3%	11%	9%	202
Out on Text/Firm 6%	11%	10%	215	
Total Number	417	1715	2132	

**MEETING CONSUMER'S REQUIREMENTS THROUGH THE USE OF VALUE MANAGEMENT**

Value Management offers the Australian Beef Industry an important set of processes for enhancing measured performance of consumer satisfaction. Value Management differs from commodity selling strategies by targeting consumer segments of the marketplace, by being consumer focused, and by differentiating its products through a high percentage of value adding. Price is determined by consumer value and forward pricing can be negotiated under supply contracts. Strong linkages need to exist between all alliance partners, there is mandatory use of quality assurance and objective measurement and Value Management is more brand name orientated than commodity based selling systems.

A Value Management system identifies the product or service that the end - user company / individual will offer as a superior value proposition to their selected target consumers and identifies the capability to deliver that value proposition at acceptable reward and risk. This is achieved by:

- \* Internally and externally benchmarking your own and competitors' present products and services respectively. This process should be dynamic to respond to consumers' changing needs.
- \* Recognising the alliance's special competencies and capabilities to enhance the value proposition.
- \* Identifying the consumer's key performance indicators and responding to and monitoring continuous improvement to achieve consumer satisfaction levels.
- \* Validating the financial reward and risk for all alliance members.
- \* Focusing on new and identified opportunities, developing specifications and marketing strategies to targeted consumers / customers.
- \* Establishing a quality alliance between all partners of the alliance, specifying pricing schedules, product specifications, volume demands and health and hygiene requirements.
- \* Piloting new products / services throughout the whole alliance. Assessing compliance performance to the quality alliance at all levels along the value chain.
- \* Implementing performance based payment systems which reward alliance partners meeting consumers' and customers' requirements.
- \* Developing feedback and feedforward mechanisms to communicate key performance indicator information including consumer satisfaction to all partners of the alliance.
- \* Developing appropriate continuous improvement processes to respond to consumers' value propositions.

The results of developing a Value Management food service alliance are presented in Table 2. Processor L achieved an 84% compliance performance under such an alliance to a tighter specification than the one presented in Figure 1. Compare this to a 15% compliance performance by this processing company demonstrated in 1994 using the traditional commodity selling system to supply product to the food service industry.

These value management results were obtained by the enhanced management and operational expertise of alliance partners. The results presented only demonstrate the alliance's improvement in meeting specifications. Other continuous improvements included the implementation of performance based payment for all alliance partners, lower risk initiatives and the ability for alliance partners to match their capability to compliance performance.

**Table 2. MRC Marketlink Program. Performance summary of a beef alliance**

Target Market	Domestic Food Service
No. of head assessed	2346
Method of purchase:	
Saleyard	0
Direct producer	
- Grain	3%
- Grass	97%
% Meeting specifications	4% S
	3% R
	3% Dark
Reasons for non compliance:	
Carcass Wt.	5%
P8 fat depth	4%
Meat Colour	4%
Meat pH	3%

**IMPLICATIONS FOR THE PRODUCER**

In meeting consumer eating satisfaction, beef has the disadvantage of inconsistency of eating quality between the different meat cuts once an animal passes the veal stage of growth. A number of beef cuts may only be suitable for a limited variety of cooking techniques. The inconsistency of eating quality of particular beef cuts has led to the restaurant industry mainly utilising the tenderloin, striploin, cube roll and rump cuts.

In adopting a Palatability Analysis Critical Control Point approach to controlling variation within a beef cut, the following factors should be considered:

- \* Variation between breeds.
- \* Variation within breeds.
- \* Environmental impact on breed chosen.
- \* Management and pre pre-slaughter stress factors including: stock handling, nutrition, weight gain, temperament, health, withholding periods for vaccinations, drenches etc., avoidance of feeds that are associated with adverse flavour characteristics, slaughter age, transport procedures and bruising.
- \* Training of producers to assess cattle before leaving the property.
- \* Vendor declaration and feedforward provided to customer.
- \* Electrical stimulation, product safety and optimum chilling procedures.
- \* Ageing, packaging, storage and preparation techniques.
- \* Cooking techniques and procedures.

Value Management operational procedures for producers include:

- \* Initial consultation with the end - user company and other alliance members to objectively define carcass specifications and relevant livestock management practices. These are communicated to producers with current pricing schedules, volume requirements and health and hygiene aspects.
- \* All livestock are assessed prior to slaughter for compliance with the above.
- \* Meat samples from selected / random livestock are further evaluated through trained taste panels and results communicated to producers.
- \* Detailed objective and subjective feedback is provided to participating producer members on the compliance performance of their livestock. Results are benchmarked against the alliance best and average for each trait.
- \* The data base developed on the alliance livestock is regularly reviewed to identify management, breeding and marketing factors that improve the consistency of supplying product to consumer satisfaction requirements.
- \* Implementation of performance based payment systems which reward producers meeting consumers and customers requirements.

### **CONCLUSION**

The results presented in this paper demonstrate the improved performance for a meat processor involved in a Value Management alliance, compared to sourcing product under the traditional commodity based system.

Value Management gains its focus by identifying and prioritising a customer's or end consumer's unique value requirements and developing a matching superior value proposition which can be provided at acceptable profit and risk. The development of marketing initiatives based on Value Management allows the identification of the right product, at the right price, with the right promotion and at the right place and time.

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