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The Meat Consumer Today
Price: Is It Time for a New Strategy?

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INTRODUCTION

When determining the purchasing behavior of today's consumer, one should realize that price is but one factor in the buying decision. This tenet applies to meat producers, packers, and retailers alike, many of whom are beginning to look at the definition of price in a different way. There are, in fact, two ways of looking at price: from the "inside out" and the "outside in". When pricing is determined by the "inside out" method, the emphasis is on recovering the initial production costs and the addition to those costs to generate a profit. The "outside in" approach to pricing, however, is driven by demand and attempts to determine customer perception of value. The meat industry is faced with a challenge in this respect: consumers may perceive meat as having an equal, or even lower, value than chicken and consequently feel meat is overpriced. Hence, the question to the meat industry centers around priorities: Do we lower our price? Or do we improve the value of the product?

Price vs. Value

Low price is not the sole consumer buying factor. We know that today's consumers are more complex: when they walk up and down the meat case, they are also looking for meals that are convenient, intriguing, and nutritious. Producer leadership acknowledges that there is a need for a better, more consumer-sensitive pricing system based on value.

Cutting Price: A Sound Strategy?

Some industry experts argue that cutting price is not a strategy but a tactic--a tactic that happens every day at the meat department. The key is understanding consumers' relationship between *value* and price. Change the value, they say, you can change your price; change your price without changing value, and you lose volume. Others adhere to the "reality" that price cutting logically results in increased volume. Moderates point to the danger in looking at these options in an exclusive way. Addressing both issues indeed is a logical way to enhance the product's competitiveness, raising quality to improve value perception.

Cents-Per-Pound

There is a new method of meat pricing today, based on research, that aims to help retailers develop a more effective and efficient price system. Cents-Per-Pound differs from the traditional gross margin concept and takes into account direct product costs required to put meat into the retail meat case. Many retailers are already using the innovative Cents-Per-Pound method, and thus far, there has been a tonnage increase of seven and a half percent in beef alone. At the same time, interestingly, poultry tonnage remained consistent or decreased.

CONCLUSION

Programs like Cents-Per-Pound, that examine both price and value, will comprise the pricing system of the future. This pricing philosophy must begin at all levels, from top management to meat managers to meat supervisors. Ultimately, the industry can offer an improved price-value relationship to shoppers.