final report

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Prepared by: Peter Horchner

Symbio Alliance

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Meat & Livestock Australia Limited
Locked Bag 991
NORTH SYDNEY NSW 2059

Measuring and communicating the value of the creative butcher workshops

Results of a survey

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Abstract

Creative butcher workshops were run by Meat & Livestock Australia (MLA) from 2000 – 2003 to facilitate butchers developing and selling value added red meats. As a result of these workshops, MLA distributed kits with over 100 new value added products recipes and preparation methods to over 500 creative butchers. Following the workshops and distribution of the kits, financial benefits for retailers were estimated. In this project the estimates were confirmed by undertaking a survey of industry participants in meat retailing and processing and by drawing on industry experiences. Profitability was reported to have increased for 82% of Creative butchers, up 12% on previous estimates. The proportion of Value Added Red Meat (VARM) sales to total store sales was 32.3% for Creative Butchers, unchanged from previous estimates. It is estimated that the Creative Butcher program resulted in, at the least, an additional $30.5 million of product being sold through butcher shops (up to as high as $84 million depending on size of retailers). The potential for further growth in the value added sector is large, particularly for those retailers who have yet to participate in MLA retail programs. Marketing and communication materials should focus on the potential profitability of a well run VARM operation. It is recommended that case studies on retailers reporting exceptional results be undertaken to highlight the benefits of VARM and that MLA consider profit measures as well as sales increases in future work with meat retailers on VARM. It is estimated that an additional $38.4million sales could be achieved from VARM through butcher shops over the next five years by having 20% of butchers increase their average sales by the mean 16% achieve by Creative Butcher participants.

Executive Summary

Creative butcher workshops were developed and run by MLA from 2000 – 2003 to facilitate butchers developing and selling Value Added Red Meats (VARM). As a result of these workshops, MLA distributed kits with over 100 new value added product recipes and preparation methods to over 500 Creative Butchers.

Through survey and anecdotal evidence, MLA reported benefits of the Creative Butcher workshops and kits. By the end of 2004 these benefits were estimated to be:

- an additional $30million dollars worth of value added red meat products were sold through butcher shops alone;
- 70% reported increased profitability of the products they sold as a direct result from the workshops and kits; and
- on average the proportion of value added red meats sold through the creative butchers has increased by approximately 10% per annum from inception.

This project (RMICS.002) independently confirmed these initial estimates from 2004 and assessed the impact of the VARM project 2 years after its completion in 2003. The specific objectives of the RMICS.002 project were to:

- Quantify the value to the meat industry of the Creative Butcher workshops and accompanying kit
- Develop communications materials to disseminate the results of the project to industry.

In general terms, the approach involved a qualitative survey of meat retailers plus interviews with processors who regularly supply the meat retail sector. The project team then utilised past experience, knowledge of industry cost drivers and economics background to draw more theoretical conclusions about wider benefits to the industry and community from the Creative Butcher program.

The perceived benefits of VARM were overwhelmingly supported by retailers with between 74-94% of retailers agreeing on the benefits from a product and consumer viewpoint. Consumer convenience, giving customers variety and an appealing product were all strong benefits.

The financial benefits of VARM were well supported butchers although there were some differences between respondents who were part of the Creative Butcher program and those who were not. Overall 70% of retailers agreed that profitability had increased as a result of incorporating VARM products into their operations. The result increased to 82% for respondents who were part of the Creative Butcher program. This result is an improvement on the 70% figure reported in 2004.

On average, the proportion of VARM sales was reported to be approximately 30.6% for all respondents and approximately 32.3% for those respondents who had participated in the Creative Butcher program. This figure remains unchanged from the 2003 survey and no growth was reported in proportions of value added meat sold. However, the percentage of new VARM products being introduced by retailers since 2003 was approximately 32% (which is more than the 10% per annum previously reported by MLA).

In terms of the reported $30 million dollar of additional product sold through butcher shops which MLA provided, there was strong agreement using data from this survey . The estimations used to determine the agreement, were dependent on the size of the butcher operation. Even so, if all the

Creative Butchers were very small operations (turnover of $5000 per week), the additional product sold was valued between $30.5 million to $42.4 million. Using an average sized operation, the estimates devised here greatly exceeded MLA's estimate (from over $61 million up to over $84 million).

The best case scenario as reported by retail respondents in this survey was that VARM products resulted in:

- a 30% increase in weekly gross sales
- a 70% increase in the range of VARM products since 2003
- a 50% increase in profitability
- a 50% larger gross margin

There is potential to improve retail performance in the VARM market segment, particularly for those retailers who have yet to participate in MLA retail programs. The perception of financial benefit from VARM for this group of retailers was lower for those who had participated in the Creative Butcher program. Twenty percent of respondents still only sell less than 10% of their total store sales in value added products. By promoting this group, the benefits to industry could be in excess of $38.4million (based on an estimate of total butcher sales of beef and lamb of approximately $1.2billion, and an increase in sales of 16% attributed to VARM by an additional 20% of the butchers).

Processors and wholesalers reported no financial benefit resulting from an increased demand in less valuable products used for VARM. They did, however, report that the VARM market had provided another useful outlet to push product.

The Creative Butcher program in terms of MLA holding innovation events or other workshops should be continued. This should be targeted at existing Creative Butchers as well as those that have not participated in the past. Marketing and communication materials should focus on the potential profitability of a well run VARM operation. We recommend that case studies on retailers reporting exceptional results should be undertaken and that the focus be on profitability.

Contents

1 Background

Creative butcher workshops were developed and run by MLA to facilitate butchers developing and selling value added red meats in 2000, 2002 & 2003. Three workshops were run and as a result of these workshops MLA distributed kits with over 100 new value added products recipes and preparation methods to over 500 creative butchers.

Estimates reported by MLA of the benefits of the Creative Butcher workshops and kits are that by the end of 2004:

- an additional $30million dollars worth of value added red meat products were sold through butcher shops alone;
- 70% reported increased profitability of the products they sold as a direct result from the workshops and kits; and
- on average the proportion of value added red meats sold through the creative butchers has increased by approximately 10% per annum from inception.

This project (RMICS.002) was aimed at independently confirming these initial estimates from 2004 and assessing the impact of this project 2 years after its completion in 2003.

2 Project Objectives

The objectives of this project were to:

- Quantify the value to the meat industry of the Creative Butcher workshops and accompanying kit
- Develop communications materials to disseminate the results of the project to industry.

3 Methodology

3.1 Methodology – retailer survey and analysis

A list of retailers was compiled from Symbio Alliance databases supplemented by MLA listing of workshop attendees. A sub sample of 250 participants from a cross section of States was selected to be sent the survey. A written survey (Appendix 1) was designed by Symbio Alliance to investigate the success or otherwise of the MLA Creative Butcher Workshops. The surveys were sent by mail with surveys returned by either return mail in reply paid envelopes or fax. Follow-up calls were made to around 75 retailers with over half of the surveys eventually being completed by phone.

Results were analysed in Microsoft Excel using simple statistical analysis techniques. Results were analysed in three ways:

1. Using the entire data set (all respondents).
2. Comparing those respondents who had received an MLA kit and/or had attended a VARM/Innovation competition (ie part of the Creative Butcher network) with those who had not. This was to determine whether there were any differences between those who showed an interest in participating in a value added program versus those who did not. These results could not be analysed for significance as there were insufficient respondents, however, comments could be made where differences were noted.

3. Comparing data from this survey with the results reported in the "MLA Innovation Competition Survey, prepared for MLA in November 2003 by Solutions Marketing and Research Pty Ltd" in order to confirm the initial estimates.

Important note: We have used the term "CREATIVE BUTCHER" throughout this report to define respondents who have attended a VARM or Meat Innovation Competition sponsored by MLA, not just those respondents who to the survey and were using VARM products.

3.2 Methodology – processor/wholesaler interviews and analysis

A list of processors and wholesalers to be interviewed was compiled using contacts provided by retailers who participated in the retailers' survey and Symbio Alliance internal databases. In total 15 processors and wholesalers were contacted by phone, with some processors requesting a faxed or emailed written copy of questions in order to complete their survey (Appendix 2). Where processors or wholesalers were reluctant to undertake the survey, they were questioned briefly on parts of the survey so an overall impression could be taken.

3.3 Benefits summary

A wider benefits summary was prepared using our past experience, knowledge of industry cost drivers, previous project work and economics background to draw more theoretical conclusions about the wider benefits flowing on from what is identified as a result of the industry surveys. This is reported in section 4.3 and 6.

4 Results and Discussion

4.1 Results and Discussion - Retailers

The response rate for this survey was 20% with 50 retailers returning the survey. Not all respondents fully completed the survey and there was an overall reluctance to provide detailed financial data (eg percentage gross margin increase, increases in profit).

4.1.1 Demographics

The greatest response was from Queensland and South Australia (Figure 1). The majority of respondents (92%) were independent butchers (Figure 2), only one respondent was a wholesale butcher and two respondents were a combination (one an independent butcher/wholesale butcher, and one an independent butcher/wholesale butcher/smallgoods operator). There were no responses from supermarkets, independent or otherwise – they were not the intended target of the survey in any case.

Figure 1: Respondents by location (n=49)

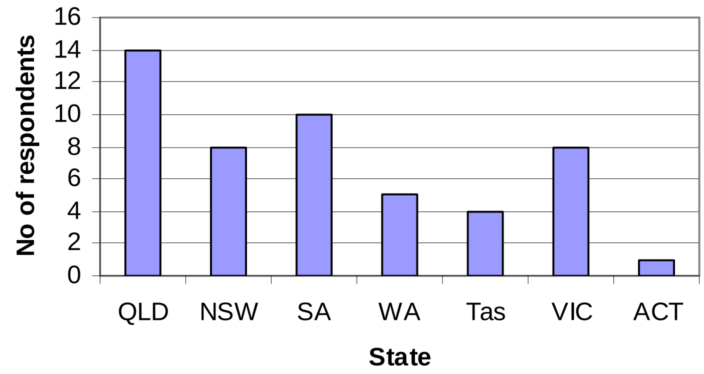
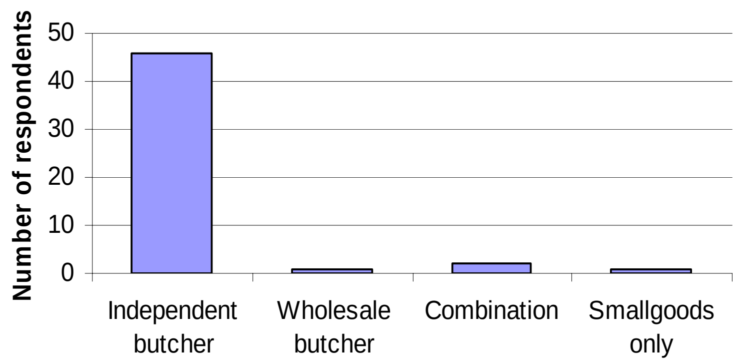


Figure 2: Respondents by type of operation (n=49)



4.1.2 Creative butcher respondents and Innovation Kits

More than half of the respondents (56%) indicated they had attended a VARM or Meat Innovation Competition sponsored by Meat & Livestock Australia (MLA). There was an equal spread of “when” they had attended (from before 2000 up to 2006).

Almost 60% of all respondents had obtained an Innovation or VARM Kit from MLA and of those, 71% currently use the recipes and preparation methods outlined in the kit. In the 2003 survey, 63% of respondents claimed the Meat Innovation Kit was useful.

Of those that had attended MLA workshops, all but one sold VARM before attending, indicating there was already a strong interest by these retailers. Further, 2 out of 3 participants in the program (67%) have sold more VARM products since attending.

4.1.3 Perceived Benefits of VARM

The perceived benefits of VARM had strong agreement by all respondents (Figure 3 and Table 1) with between 74-94% of retailers agreeing on the benefits. Consumer convenience, giving customers variety and an appealing product were all strong benefits from a product viewpoint.

Where some respondents (12%) disagreed was in terms of VARM products attracting customers into their shop. Respondents who disagreed were more likely to be retailers who had not participated in the Creative Butcher program (24% non-participant vs 3% participant[1]) indicating that the program has provided useful information on how to showcase VARM products to increase consumer interest.

Table 1: Perceived Benefits of VARM

Perceived Benefit of VARM	**Percentage of respondents**		
	Agree*	Neutral	Disagree^
VARM products give my customers more convenience	94	2	4
VARM products are appealing to customers	88	8	4
VARM product attract more customers into my shop/store	74	14	12
VARM products give my customers more variety	94	6	0
Selling VARM products keeps me at the cutting edge	86	6	8
VARM is the way of the future and necessary for my business	84	10	6

*Either "agreed" or "strongly agreed"
^ Either "disagreed" or "strongly disagreed"

[1] All results from comparing participants with non-participants from a statistical point of view are not significant because of low response rates. However, where appropriate, comments are made.

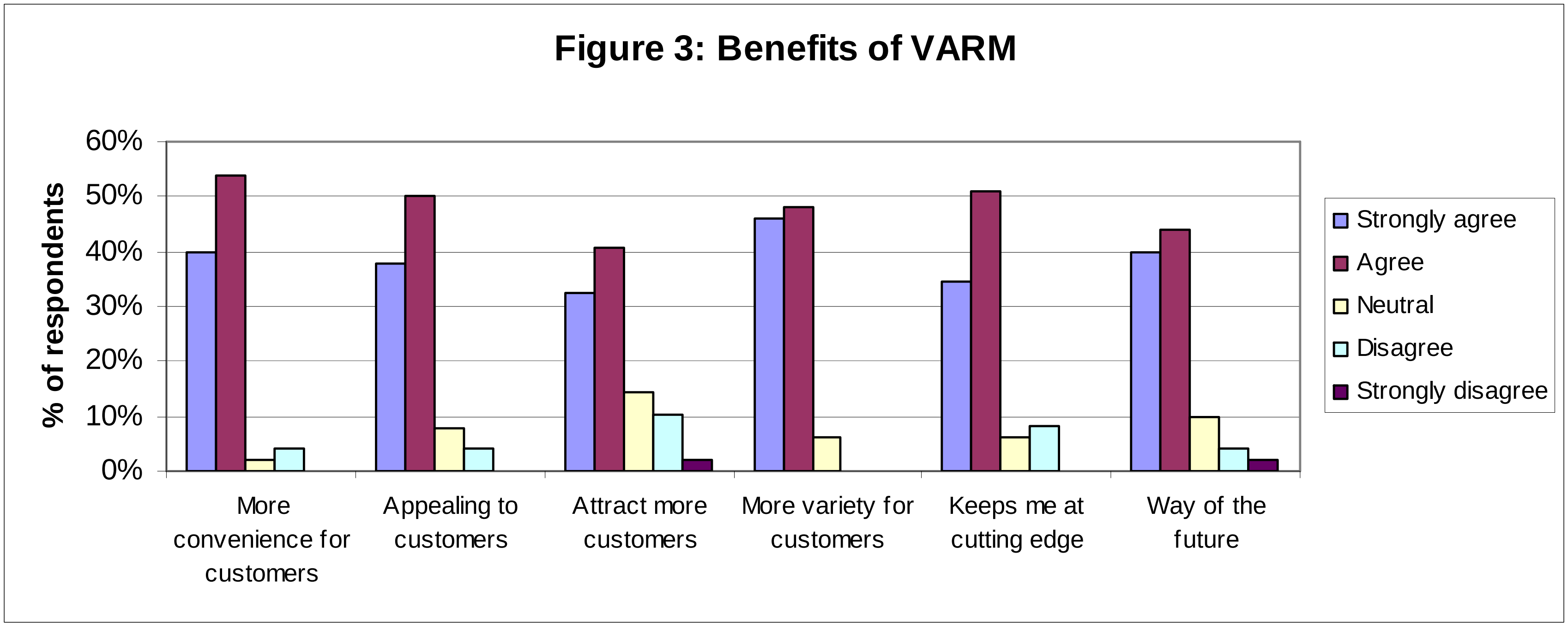


Figure 3: Benefits of VARM
% of respondents
60%
50%
40%
30%
20%
10%
0%
More convenience for customers
Appealing to customers
Attract more customers
More variety for customers
Keeps me at cutting edge
Way of the future
Strongly agree
Agree
Neutral
Disagree
Strongly disagree

The perceived benefits data was also compared to similar questions asked in the 2003 survey (Table 2). The comparison was done with data from the “entry survey” of 2003 which was prior to any participants undertaking the innovation workshop.

There are marked differences in attitudes since the 2003 survey with an overwhelming increase of retailers supporting the perceived benefits. This result is extremely positive for industry, given that the majority of retailers now *recognise* the benefits (although at the same time may not yet be implementing them).

Possible reasons for this improvement are:

1. The 2006 survey included 56% of respondents who have been part of the Creative Butcher program, whereas the entry survey in 2003 was taken before participants had participated in the program. Even so, notes on the exit survey from the 2003 reported that views of the majority of respondents did not change markedly following the competition. It can be concluded therefore that the driver for change is experience working with VARM since the workshops.
2. Retailers are now more aware of the need for a range of appealing and convenient choices for consumers. This general push appears to have happened from both consumers asking for the product, through to industry providing more information on which to assist retailers implementing a VARM product line.

Table 2: Comparison of 2006 and 2003 VARM Survey Data

Perceived benefit of VARM	**Percent of respondents supporting the perceived benefits**	
	This survey (2006)	2003 entry survey*
VARM products give my customers more convenience	94	34
VARM product attract more customers into my shop/store	74	52
VARM is the way of the future and necessary for my business	84	31
VARM products are appealing to customers	88	24

* Source 2003 data: MLA Innovation Competition Survey, Solutions Marketing and Research Pty Ltd, November 2003

4.1.4 Financial indicators of VARM

4.1.4.1 Sales of VARM products

VARM product sales as a proportion of total store meat sales was reported by respondents as shown in Figure 4. On average, the proportion of VARM sales was approximately 30.6% for all respondents and approximately 32.3% for those respondents who had participated in the Creative Butcher program. A comparison of these data with the 2003 survey was again made, with results shown in Table 3. However, raw data were not available to extrapolate sales proportions.

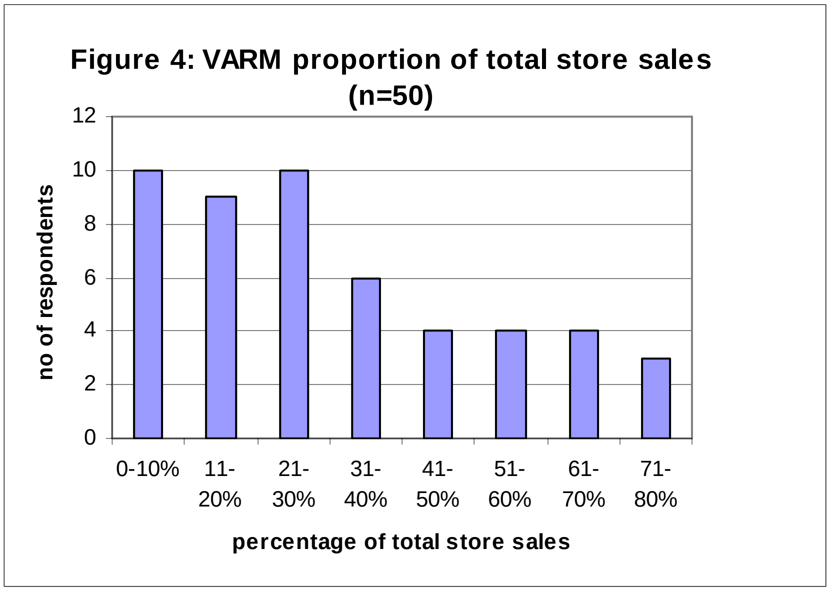


Table 3: Sales of VARM as a proportion of total meat sales

Sales of VARM as a proportion of total meat sales	This survey all participants	This survey Creative Workshop participants only	2003 Survey*
	% of respondents		
10% or less	20	9	4
11-20%	18	24	7
21-30%	20	18	24
31-40%	12	15	15
41-50%	8	12	24
50% plus	22	21	24
Did not know or refused	0	0	2

* Source 2003 data: MLA Innovation Competition Survey, Solutions Marketing and Research Pty Ltd, November 2003

4.1.4.2 Financial benefits

Financial indicators are ultimately the most important aspect of VARM in a business sense. But for any business, an increase in sales does not always equate to improved profitability. Increasing profitability for VARM retailers is primarily concerned with two factors:

1. Ensuring that gross margins for VARM products are sufficient to account for additional product and/or labour costs due to extra preparation; and
2. The ability to improve yields for particular products or lines as well as being able to use less valuable products or wastage for a value added product.

Table 4 and Figure 5 provide the results of the financial indicators used in this survey.

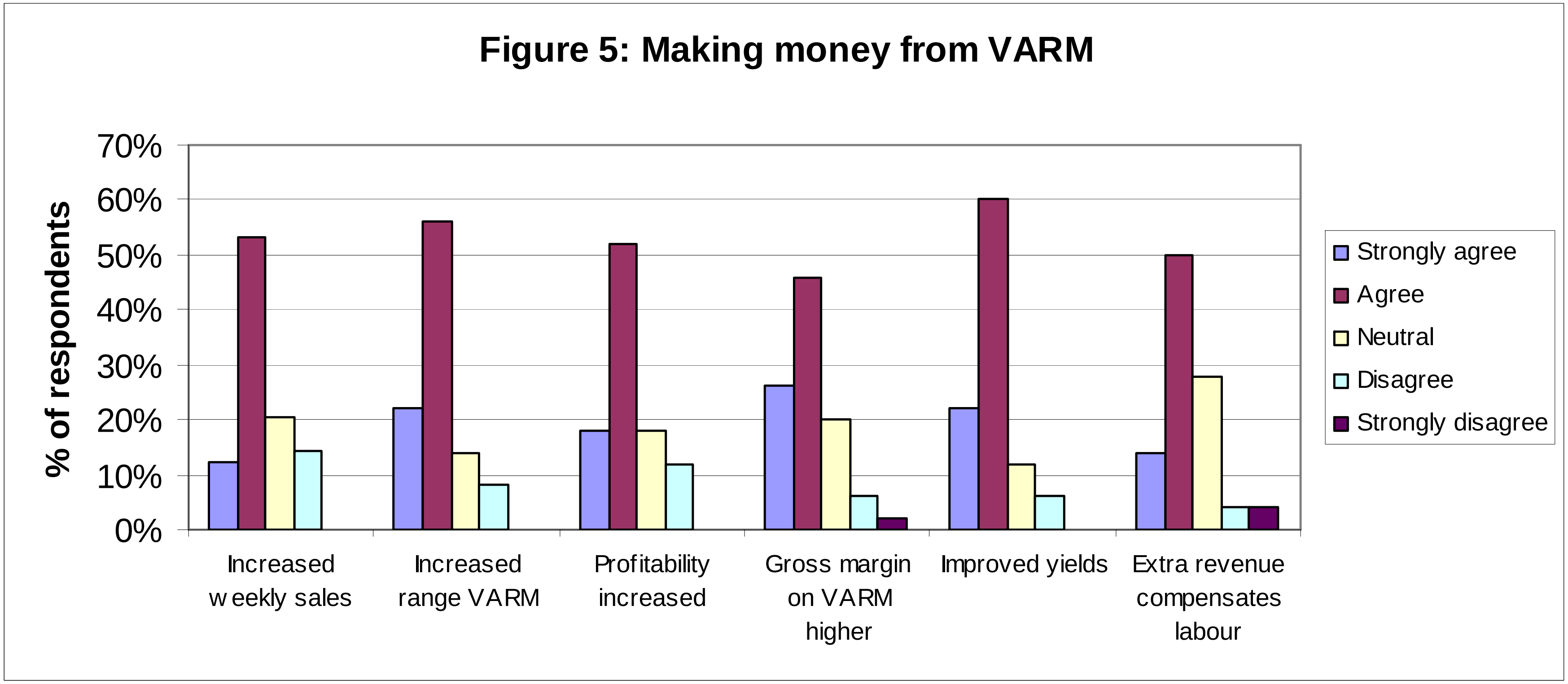


Figure 5: Making money from VARM
% of respondents
70%
60%
50%
40%
30%
20%
10%
0%
Increased weekly sales
Increased range VARM
Profitability increased
Gross margin on VARM higher
Improved yields
Extra revenue compensates labour
Strongly agree
Agree
Neutral
Disagree
Strongly disagree

Table 4 Financial benefits of VARM

Financial indicator of selling VARM	Percentage of respondents		
	Agree*	Neutral	Disagree
Gross weekly sales increased	65	20	14
Range of VARM products increased	78	14	8
Profitability increased	70	18	12
Gross margin is higher than other products	72	20	8
Improved yields for particular products	82	12	6
Extra revenue compensates for extra labour	64	28	8

*Either "agreed" or "strongly agreed"
^ Either "disagreed" or "strongly disagreed"

From these results, it is clear that many retailers claim to be successful in achieving improved sales and gross margins from VARM and obtaining improved yields which improve the profitability of the business as a whole. While these are positive results for industry, there is still an opportunity to educate and provide more information to retailers who are *not* performing financially better with VARM products (in terms of profitability this equates to 30% of respondents).

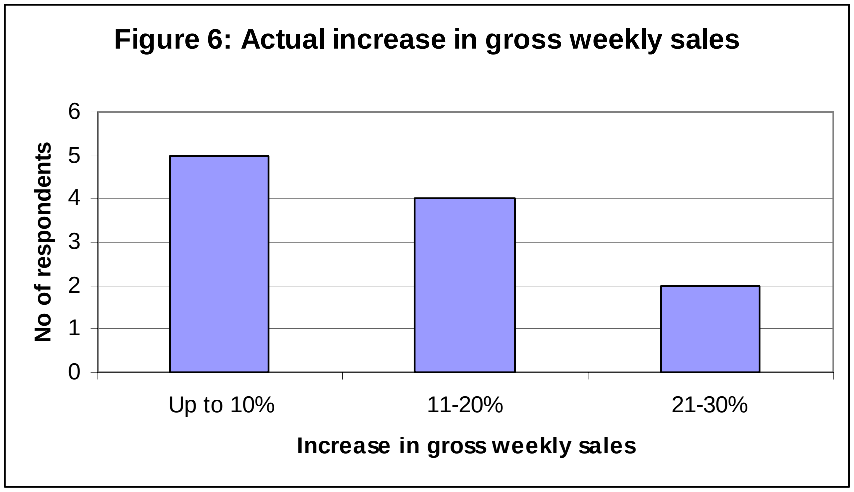
Further points on financial indicators:

Gross weekly sales

Gross weekly sales did not improve for 14% of respondents, while a further 20% reported no change. This non-improvement was most notable in respondents who had not been part of the Creative Butcher program (29% of non-participants vs 6% of participants). Likewise, Creative Butcher participants were also more likely to agree/strongly agree than non participants (78% vs 41%).

Eleven (11) respondents provided further information on the level of increase in gross weekly sales (Figure 6). On average, sales increased 16% (median 15%, with a range of 2-30%) (Note: it is not strictly correct to average these percentages since the total value of sales for each respondent is not known – it is therefore only a crude measure).

No comparison of data could be made with the report from 2003 as gross weekly sales were not reported.



Range of VARM products

Overall, 78% of respondents have increased their range of VARM products offered for sale, an increase on the results reported in the 2003 survey which reported levels of 50-68%. On average, the percentage of new VARM introduced by retailers since 2003 was approximately 32%.

Respondents who had not participated in the Creative Butcher program did not increase their product range as much as those who participated (65% versus 85%) but both were positive results nevertheless.

Profitability increase

For all respondents, 70% agreed that profitability had increased by selling more VARM. These results confirm the 2003 survey which also reported an increased profitability of 70%. The differences between the surveys are shown in Table 5.

Table 5: Comparison of profitability between 2003 and 2006 surveys

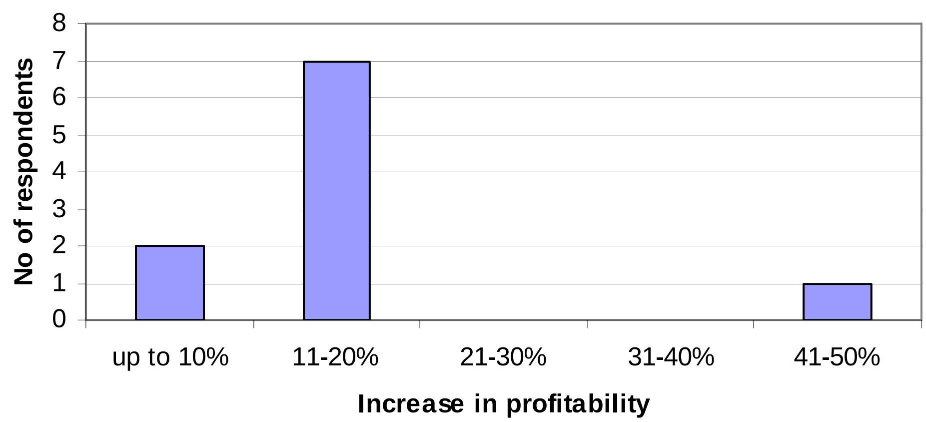
Increased profitability	This survey all participants	This survey Creative Workshop participants only	2003 Survey
	% of respondents		
Strongly agree (significantly increased profitability)*	18	21	20
Agree (increased profitability to some degree)	52	61	50
Neutral (had no effect on profitability)	18	12	26
Disagree (decreased profitability to some degree)	12	6	2
Strongly disagree (significantly decreased profitability)	0	0	0

*Descriptions shown in brackets were used in the 2003 survey. The 2006 survey used the simplified terms shown above the brackets. Source 2003 data: MLA Innovation Competition Survey, Solutions Marketing and Research Pty Ltd, November 2003.

Creative Butcher participants who took part in the 2006 survey were more likely to report increased profitability resulting from VARM - 82% compared to 70% overall and 47% from non-participants. This represents a 12% improvement on the 2003 figure.

Profitability was further analysed in the 2006 survey by asking for the actual increase in profit. The average increase in profit (by those who agreed) was 14%, with the median 10% and the range from 2-50% (Figure 7).

Figure 7: Increased profitability



Gross margin
Gross margins on VARM products were higher than for other products. Eleven (11) respondents provided actual gross margin figures. The gross margins for VARM were on average 20% higher than other products (median 20% with the range 10-50%).

These figures differ from the 2003 survey which reported much higher gross margins (median around 41-60%). This difference is more likely due to the difference in the way the question was asked. The 2003 survey asked for the actual gross margin, whereas this survey asked how much higher the gross margin was than other products.

Improved yields for particular products
This was the most supported financial indicator of the study, with 82% agreeing that yields had improved. No comparison with 2003 data could be made as this question was not asked.

Extra revenue from VARM compensates for the extra presentation time
The retailers surveyed agreed that the extra revenue from VARM more than compensates for the extra preparation time required (64%). Non-participants in the Creative Butcher program were more likely to disagree/strongly disagree than participants (18% vs 3%).

4.1.5 Defining VARM

Participants were asked to describe, in their own words the term “value added red meat” products (VARM) and results were grouped into the categories shown in Table 6 which correlated with the 2003 report.

It is interesting to note that the leading definition in the 2003 was financial, whereas in 2006 it now focuses on the product again (even though profitability has improved). In targeting an increase in VARM products at the retail level, it is recommended that VARM be defined more in financial benefits.

Table 6: Respondents definition of VARM

Definition of VARM	This survey % of respondents n=42	2003 survey % of respondents
Enhancing or improving the product	40%	26%
Make products to suit consumer needs	33%	44%
Improving the profit margin by presentation	27%	46%

* Source 2003 data: MLA Innovation Competition Survey, Solutions Marketing and Research Pty Ltd, November 2003

4.2 Other industry benefits

4.2.1 Processor Survey

The response rate for the processor survey was poor with only three (3) fully completed surveys being returned. However, phone contact was made with other wholesalers and processors in order to gather information in a interview format (discussions on VARM generally). Results will therefore be presented as descriptive rather than analytical.

Overall, sales of less valuable primals/products as a result of growth in VARM has improved over the last 5-7 years, however this did not relate to better gross margins or profitability. Essentially, it just provided another outlet for processors and wholesalers to move their product. Importantly, there has been no detrimental impact on their other more valuable products as a result of VARM (i.e. no canabilising of existing markets due to VARM). All product is still moving freely and it just the varying amounts of product for VARM (less valuable) and higher valued primals that change.

It is generally felt by processors and wholesalers that VARM products are providing no real and identifiable financial benefits to the processors and wholesalers, but at the same time is not adversely affecting their overall performance.

4.3 Confirmation of added revenue for VARM butchers

MLA has estimated that an additional $30 million dollars worth of value added red meat products were sold through butcher shops alone as a result of the Creative Butcher workshops and kits. In order to confirm this estimate, data from the retail surveys was analysed in two ways as follows.

Method A: Using the increase in sales reported by Creative Butchers

Average weekly turnover of butcher shops varies significantly. For this exercise, three different sized butcher shops are represented ranging from a very small operation (weekly turnover of $5000) up to an average sized operation (weekly turnover of $10,000). However, this scenario could be applied to any sized operation.

Average weekly turnover	Increase in sales from supplying VARM[1] per week	Over 3 years	With 500 creative butchers[2]	BUT with only 78% of creative butchers agreeing there is an increase[3]
$5000	$800	$124,800	$62,400,000	$42,432,000
$7500	$1200	$187,200	$93,600,000	$63,648,000
$10,000	$1600	$249,600	$124,800,000	$84,864,000

[1] Average 16% increase in sales from supplying VARM as presented in this report (range 2% to 30%)
[2] As reported by MLA – Creative butchers who have received kits or information
[3] As presented in this report

Method B: Using the increase in range of VARM products sold in shops over last 3 years

Using results from this survey, the amount of VARM product currently sold by Creative Butchers is 32.3%. The increase in the range of VARM products sold in shops over the last three years was 32% meaning there was an average 7.83% percent increase in VARM products as overall product sales.

Average weekly turnover	Increase in sales (7.83%)	Over 3 years	With 500 creative butchers[2]
$5000	$391.50	$61,074	$30,537,00
$7500	$587.25	$91,611	$45,805,500
$10,000	$783.00	$122,148	$61,074,000

The estimations used in both these methods are dependent upon the size of the butcher operation. Even so, if all the Creative Butchers were very small operations, then there is strong agreement with the estimate of $30 million provided by MLA. Using an average sized operation, the estimates devised here exceed MLA's estimate (from over $61 million up to over $84 million).

4.4 General discussion

It is evident that consumer demand for more convenient food is increasing and the retail respondents in this survey have a strong understanding of this demand. Only one (1) respondent commented that there customers did not demand it.

However, it still appears that many retailers did not understand the full potential financial benefits of providing VARM products. Table 7 provides the financial comparison between Creative Butcher participants and non-Creative Butchers (those that did not attend a MLA supported event or workshop). While the sample size is moderate and statistical significance can not be reported, it is reasonably to conclude that those respondents who had not participated in an MLA program had a much lower appreciation of the financial benefits.

Any communication or marketing material to encourage retailers to attend Creative Butcher events or to adopt VARM should therefore be highlighting the financial benefits of implementing a VARM product line using industry related support materials and programs. To support this notion, more innovation sessions were requested by respondents, both within and outside metropolitan areas.

Table 7: Financial comparison of Creative Butcher participants vs Non-Creative Butcher Participants
(Non-participants shown in brackets)

Financial indicator	% of respondents		
	Agree	Neutral	Disagree
Increased weekly sales	78 (42)	16 (29)	6 (29)
Increased range VARM	85 (64)	9 (24)	6 (12)
Profitability increased	82 (47)	12 (29)	6 (24)
Gross margin on VARM higher	76 (64)	21 (18)	3 (18)
Improved yields	85 (76)	12 (12)	3 (12)
Extra revenue compensates labour	73 (47)	24 (35)	3 (18)
N=33 (17)			

There is also an opportunity for existing Creative Butchers to improve their VARM operations. The range of profit, gross margin and gross sales figures reported show there is a wide gap. It would be useful to know in detail what the successful retailers in terms of profitability are doing differently than other less profitable operators. It is recommended that individual case studies be undertaken in order to gather this information.

5 Impact on Meat and Livestock Industry – now & in five years time

There is enormous potential to add further value to the industry by encouraging retailers to more widely adopt VARM. While the proportion of VARM in terms of retail sales remains unchanged since 2003, the issue remains that some retailers are still not realising the benefits of value added products and therefore not adopting them. Twenty percent of respondents still only sell less than 10% of their total store sales in value added products. By promoting this group, the benefits to industry could be in excess of $38.4million (based on an estimate of total butcher sales of beef and lamb of approximately $1.2billion, and an increase in sales of 16% attributed to VARM by an additional 20% of the butchers).

6 Conclusions and Recommendations

1. The value to the meat industry of the Creative Butcher workshops and accompanying kit has been assessed.

2. The perceived benefits of VARM were overwhelmingly supported by all respondents with between 74-94% of retailers agreeing on the benefits from a product and consumer viewpoint. Consumer convenience, giving customers variety, and an appealing product were all strong benefits.

3. Financial benefits of VARM were well supported although there were differences between respondents who were part of Creative Butcher program and those who were not. Overall 70% of retailers agreed that profitability had increased as a result of incorporating VARM into their operations. The result increased to 82% for Creative Butchers alone.

4. The majority of retailers are successful in achieving higher gross margins from VARM and obtaining improved yields which improve the profitability of the business as a whole.

5. Processors and wholesalers reported no financial benefit resulting from an increased demand in less valuable products used for VARM.

6. There is potential to further improve retail performance in the VARM market segment, particularly for those retailers who have yet to participate in MLA retail programs.

7. It is recommended that the Creative Butcher program and/or innovation events or similar workshops should be continued. These should be targeted at both existing Creative Butchers as well as those that have not participated in the past.

8. The Marketing and communication materials should focus on the potential profitability of a well run VARM operation. Case studies should be undertaken on retailers reporting exceptional results.

7 Bibliography

MLA Innovation Competition Survey, Solutions Marketing and Research Pty Ltd, November 2003, Prepared for Meat and Livestock Australia.

Australian Grocery Industry Marketing Guide 2001. A Retail World Publication.

8 Appendices

8.1 Appendix 1 Producer Survey

Survey on Value Added Red Meat Products

1.	What type of meat retailing operation do you run?	Independent Butcher ❐ Independent supermarket ❐ Major Retail Supermarket ❐ Wholesale Butcher ❐ Other ❐
2.	In your own words, please define the term "value added red meat" products (VARM). Note: VARM includes Lamb.	*Write your definition here…………………………………………………………………………* …………………………………………………………………………………………… ……………………………………………………………………………………………
3.	What proportion of your total store meat sales is VARM (please tick)?	0-10%❐11-20% ❐ 21-30%❐ 31-40%❐ 41-50%❐51-60%❐ 61-70%❐ 71-80%❐ 81-90%❐ 90-100%❐
4.	Have you attended a VARM or Meat Innovation Competition sponsored by Meat & Livestock Australia (MLA)	**Yes❐ No❐** *If **yes**,* a) Approximately when did you attend? ___________________ b) Did you sell VARM products before attending? **Yes❐ No❐** b) Have you sold more VARM products since attending? **Yes❐ No❐**
5.	Did you obtain an Innovation or VARM Kit from MLA?	**Yes❐ No❐** *If **yes*** a) Do you use recipes and preparation methods outlined in the Kit? **Yes❐ No❐**
The Benefits of VARM		***Please indicate your level of agreement with these statements***
6.	VARM products give my customers more convenience	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐
7.	VARM products are appealing to customers	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐
8.	VARM product attract more customers into my shop/store	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐
9.	VARM products give my customers more variety	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐
10.	Selling VARM products keeps me at the cutting edge	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐
11.	VARM is the way of the future and necessary for my business	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐
Making money from VARM		***Please indicate your level of agreement with these statements***
12.	Selling VARM has increased my gross weekly sales	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐ *If you agreed, please indicate approx. increase in sales (%): …………*
13.	I have increased the range of VARM products sold in my shop	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐ *If you agreed, please indicate approx. no. of new items since 2003:………………*
14.	My profitability has increased by selling more VARM	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐ *If you agreed, please indicate approx. increase in profit (%): ………………………*
15.	The gross margin on VARM is	Strongly Agree❐ Agree❐ Neutral ❐ Disagree ❐ Strongly Disagree❐ *If you agreed, please indicate how much higher the gross margin is (%): ……………*

higher than other products	
16. VARM products improve my yields for particular products or product lines	Strongly Agree❒ Agree❒ Neutral ❒ Disagree ❒ Strongly Disagree❒
17. The extra revenue from VARM more than compensates for the extra preparation time required.	Strongly Agree❒ Agree❒ Neutral ❒ Disagree ❒ Strongly Disagree❒
MEAT SUPPLY	
We are also surveying processors and suppliers to measure the benefits to them of supplying VARM products to meat retailers.	Can we contact your meat suppliers ? **Yes❒ No❒** ***If yes please provide your first name and contact phone number and we will call you for details:*** ……………………………………………………………………………………………
Which State do you live in?	NSW❒ VIC❒ QLD❒ SA❒ WA❒ TAS❒
How long did it take you to complete this survey?	……………………………………………………………………………………………

Thanks for your help

8.2 Appendix 2 Processor Survey

Benefits of processors supplying VARM products to meat retailers - Processor/Supplier Survey

Introduction

We have been undertaking a survey to determine whether value added red meat (VARM)products sold at the retail or foodservice sectors has benefited the industry and operators. Our survey has indicated there has been an increase at the retail and food service sectors for VARM products over the last 5-7 years due to consumer demand for more convenience. We are wanting to determine whether this increase has also benefited the processing sector.

Questions

Are you a: Processor ☐ Wholesaler ☐ Other ___________________

In terms of primals and other carcase/carcase products which can be used for VARM products in the domestic retail/foodservice sector, in your experience, over the last 5-7 years:

1. Sales of less valuable primals/products as a result of growth in VARM have improved
   ☐ strongly agree ☐ agree ☐ neutral ☐ disagree or ☐ strongly disagree

   If you agreed, please indicate approx. increase in sales (%): …
   If you agreed, please indicate approx. increase in NEW customers (%): …
   If you agreed, please indicate the specific primal/products which have increased in demand -
   ____
   ____
2. Gross margins or profitability on these primals/products has improved as a result of growth in the VARM market
   ☐ strongly agree ☐ agree ☐ neutral ☐ disagree or ☐ strongly disagree

   If you agreed, please indicate approx increase in profitability (%) …

3. It has added another outlet for products you might otherwise not be able to sell
   ☐ strongly agree ☐ agree ☐ neutral ☐ disagree or ☐ strongly disagree

4. Overall gross margins across all products has improved as a result of growth in the VARM market (ie we are wanting to know whether the growth in VARM has been detrimental to margins on higher valued products, or has it balanced out – please provide any additional comments in section 5).

   ☐ strongly agree ☐ agree ☐ neutral ☐ disagree or ☐ strongly disagree

   If agreed, overall gross margin increase (%): …
   If you agreed, please indicate gross margin decline (%) of these primals: …

5. Other comments
   ____
   ____