final report

Project code: P.PIP.0462

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Date published: June 2016

PUBLISHED BY
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Teys Australia Deli Hot Box Grab’n’Go red meat - proof of concept

This is an MLA Donor Company funded project.

Meat & Livestock Australia acknowledges the matching funds provided by the Australian Government and contributions from the Australian Meat Processor Corporation to support the research and development detailed in this publication.

Executive Summary

BBQ-roast chicken is a popular product in Australia - valued at $932.6m in 2014. Distribution is dominated by full service supermarkets, with take-away outlets holding an estimated 20% market share.

Household penetration is broad and reflective of a mainstream product that is purchased for its wide appeal, convenience and value. The product is typically bought for either immediate consumption or for use the same day.

Consumer responses to a beef alternative to a BBQ chicken indicated potential for purchase intent from 25% of BBQ chicken buyers.

These positive demand signals were flowed into shaping a hot ready-to-eat beef product new product development plan, which was designed to be distributed with similar handling methods to BBQ chicken merchandised through retail supermarkets.

Concept roast beef and corned beef products were developed as part of the project along with review of “in-store” heating protocols. The developed sliced roast beef products have been forecasted to increase demand for Beef Outside flats in Year 1 of 814 tonnes volume (based on projected year 1 sales, which translates to 2.3 million head equivalent) and new profit of ~$5.5 Million (with ~17% of this profit captured by beef producers/processor).

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1 Background

Australian consumers are more accepting of prepared food that supports their time pressured lifestyles and provides value without compromising health. Hot grab ‘n’ go BBQ chickens meet these needs and have evolved to a high volume mainstream product purchased by the large majority of Australian households.

Retail distribution is dominated by the full service supermarkets with this product dominating the sales of ready to eat meals through these outlets. Fast food outlets distribute 20% of national volumes of hot chickens sold.

Market demand was assessed by defining the current BBQ chicken penetration. Primary influences on buyers were assessed and the main product attributes were ranked by buyers. Buyers and non-buyers were then prompted as to whether they would purchase a hot beef product as alternative.

Below is a snapshot of current offers during 2015 in both supermarket and QSRs – currently estimated at over $932m.

Red Rooster	Woolworths	Woolworths	Broadies	Woolworths
				
Chicken	Chicken	Roast Beef	Sliced Beef	Chicken Kiev bites
$12.99 Promotional activity examples: • 2 for $20 • $9.99 • Meal Deals	**Regular: $10.00** (previously $10.99) **Free Range: $11.00** (previously $13.49) Promotional activity examples: Chicken Tuesday $8.00	Limited ranging **$12.99 / unit**	Limited ranging **$12.00 / 400g**	Pack of 4 for **$4.50**

Figure 1: Domestic market review of hot box grab ‘n’ go products

Retail ranges of hot ready to eat proteins in other developed markets were assessed for knowledge transfer into development options. Typically other western markets are more developed and have a greater range of product compared with Australia.

The wide appeal and household participation in this product invites exploring alternative proteins in similar forms. This was the driving rationale for exploring the viability of a hot ready to eat beef product.

2 Methodology

2.1 Consumer panel survey

The supporting research provider Freshlogic provided access to the Mealpulse™ food panel. A series of questions were developed and put to 1,000 respondents in this panel. Responses were processed into nationally representative profiles of; buyer behaviour influences and propensity to purchase an alternative hot beef product.

2.2 Other developed market precedents

Hot protein offers in UK, US and NZ retail markets were assessed by a network of Freshlogic associates in these markets and online assessment of ranges on offer. Learnings and precedents that had scope for local market implementation were identified.

2.3 Bill of Materials (BOM) Product Costings and Specifications

Product/process specifications, yields and bill of materials were completed by the product development team for several proofs of concept hot beef roast products. This included nutritional panels and concept pack designs.

Formulations were developed where the minimum 85% beef content is declared on the ingredient listing and 16g protein per 100g cooked portion.

Beef Outside flats (Handbook of Australian Meat number 2050) was the selected primal – typically this represents 3.8% of carcass yield. Primals were trimmed to 6mm fat and sliced to target 750g average finished product weight. Processing costs to cook and distribute the “roast” portions were as per normal cook-chill manufacturing.

Figure 2: Raw meat portions ready for transfer to value add facility

Displayed on the ensuing page are the developed concept products in cooked form. Both products had validated chilled shelf life exceeding 50 days. Hot Corned beef contained less than 125 ppm of nitrite in final goods. Target salt level was less than 1,090 ppm in final goods.

Packaging material was selected to allow reheating in the instore ovens (200◦C/10mins plus 10 min preheat) and displayed within the grab n go carry pack and Bain Marie Hot Box Carousel (maximum at 80◦C/4hours).


Figure 3: Final product prototypes – hot beef roast and corned beef

Hot Box Roast Beef

NUTRITION INFORMATION

Servings per kg:	10					
Serving size:	100	g				
	Ave Quantity Per Serving		%Daily Intake* Per Serving		Ave Quantity Per 100 g	
Energy	672	kJ	8%		672	kJ
(	161	Cal)		(	161	Cal)
Protein	21.1	g	42%		21.1	g
Fat, total	8.3	g	12%		8.3	g
- saturated	3.0	g	13%		3.0	g
Carbohydrate, total	0.4	g	0.1%		0.4	g
- sugars	LESS THAN 1	g	1%		LESS THAN 1	g
Sodium	607	mg	26%		607	mg

*based on an average adult diet of 8700 kJ

INGREDIENTS

Beef (90%), Water, Salt, Acidity Regulators (451, 325, 262), Thickeners (1414, 415, 412), Dextrose (from Maize), Soy Sauce Powder (**Soy Sauce**, Dextrin (from Tapioca), Salt), Herbs, Onion Flavour (Sunflower Oil, Natural Flavour), Yeast Extract, Canola Oil, Vegetable Extract (Celery), Acidity Regulators (260, 270), Colour (150a), Lemon Juice Concentrate.

Contains: Soy

Hot Box Corned Beef

NUTRITION INFORMATION

Servings per kg:	10					
Serving size:	100	g				
	Ave Quantity Per Serving		%Daily Intake* Per Serving		Ave Quantity Per 100 g	
Energy	368	kJ	4%		368	kJ
(	88	Cal)		(	88	Cal)
Protein	16.1	g	32%		16.1	g
Fat, total	1.4	g	2%		1.4	g
- saturated	LESS THAN 1	g	2%		LESS THAN 1	g
Carbohydrate, total	1.9	g	0.6%		1.9	g
- sugars	0.8	g	1%		0.8	g
Sodium	954	mg	41%		954	mg

*based on an average adult diet of 8700 kJ

INGREDIENTS

Beef (85%), Water, Salt, Thickeners (1414, 415, 412, 407), Sugar, Acidity Regulators (451, 450, 260, 270), **Soy Protein**, Gelling Agent (508), Antioxidant (316), Maltodextrin (from Maize), Preservative (250), Canola Oil, Herbs & Spices, Lemon Juice Concentrate.

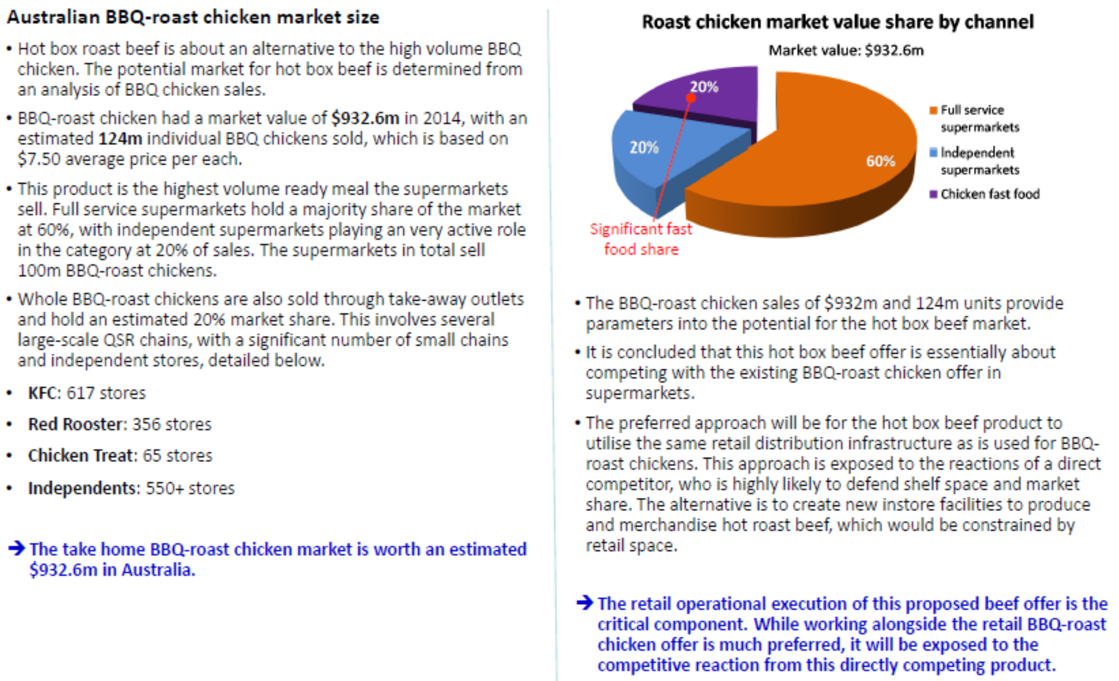
Contains: Soy

3 Results

3.1 Market Assessment

The following aspects were quantified to determine Australian market size for cooked beef roast.

- Household penetration of BBQ chicken
- Reason for not buying from non-buyers
- The drivers of purchase for BBQ chicken
- The importance ranking of main attributes for BBQ chicken
- Willingness to buy a hot ready to eat beef product
- Reasons for non-willingness to buy a hot ready to eat beef



3.2 Other market learnings precedent

The ranges and values offered in these markets were successfully assessed and extent of learnings from other markets, with local relevance was limited. This was attributed to a number of factors including more advanced ready meal offers in these markets competing with BBQ chicken.

In developed UK and USA food markets the level of retail competitive intensity has increased. The dynamics driving this pressure are anchored on growth of the retail discount formats causing pressure on the once dominant full service supermarkets. In response to this pressure the FSS have targeted household spend on prepared food. This has led the full service supermarkets to explore more “ready to go” options including hot protein. While the pressures are similar, the status of the UK and US markets are shaped quite differently.

Figure 4: Framing the domestic market – review of BBQ chicken

This is reflected in the failed Fresh & Easy venture by Tesco in California, where UK ranges, retail systems and store formats failed to engage the US consumer.

3.3 Cost Benefit Analysis – value proposition

Raw Beef outside flats are commonly used for both fresh and cooked corned beef and silverside (Virginian) roast and sandwich steaks. It is estimated that increased demand from year 1 sales of hot box roast will create value, due to competition for both the raw material in a new segment, plus the added value with further processing to achieve required trimming and extension with brine and ingredients including cooking by the processor and value adder.

Year 1 projected launch is forecasted to contribute $14m in retail sales and increase demand on beef outside flats of 814 tonnes (assumed 29 units per store per week (UPSPW) in 900+ outlets sold, which translates to 2.3 million head equivalent). This translates to a year 1 benefit to producers/processors of $919,820 ($0.40/head), with total value creation across all sectors of $5.5 Million (which translates to $2.39/head value creation from the two new beef products).

Consumers' price expectations are in line with retail market price relativity for beef and chicken. It is expected that the retail value of the hot roast Beef category within supermarkets in Australia will be between $14m - $23m pa.

The research showed that 25% of consumers who were buying BBQ chicken would purchase a hot Roast Beef.

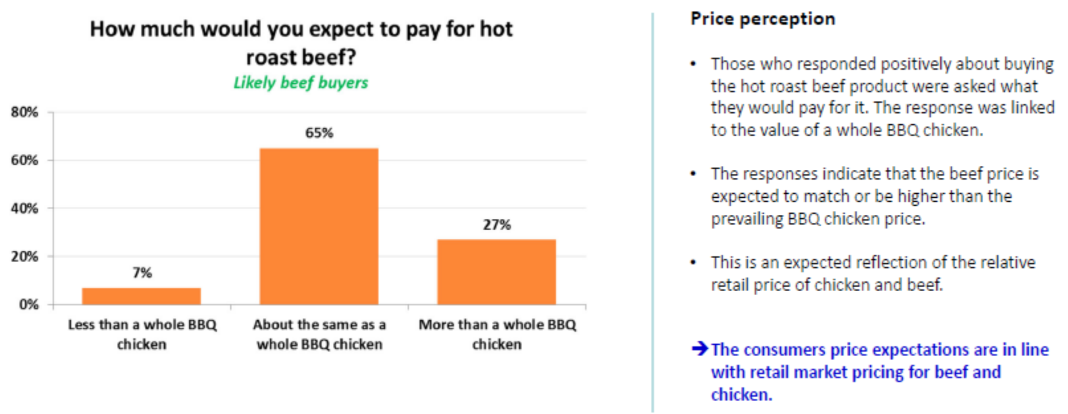


Figure 5: Price perception survey

Cannibalisation of chicken will occur but at an equal or higher price, resulting in Category Growth. The research showed that 25% of consumers who were buying BBQ chicken would purchase a hot Roast Beef.

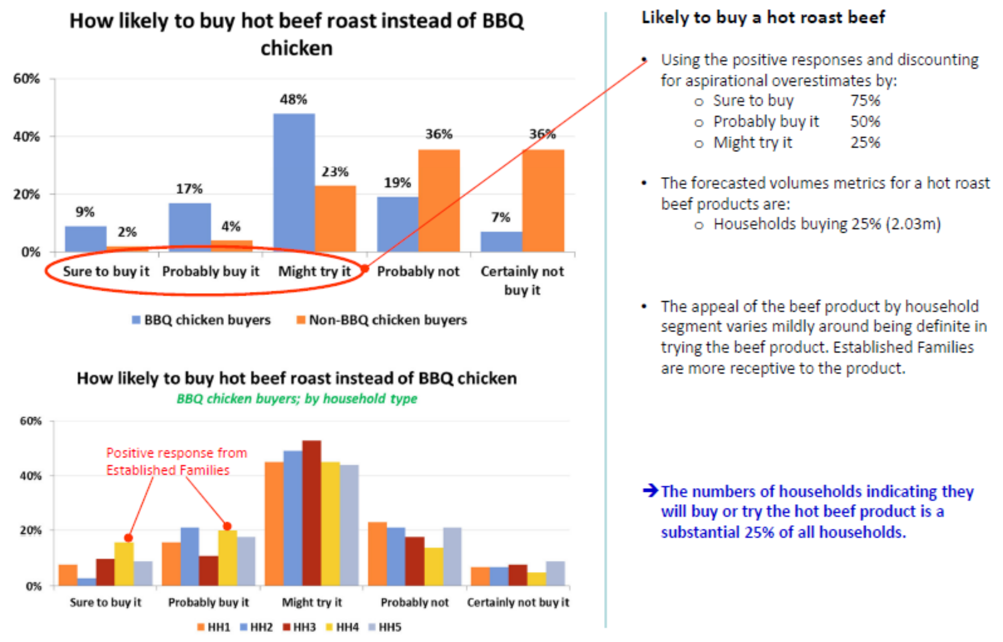
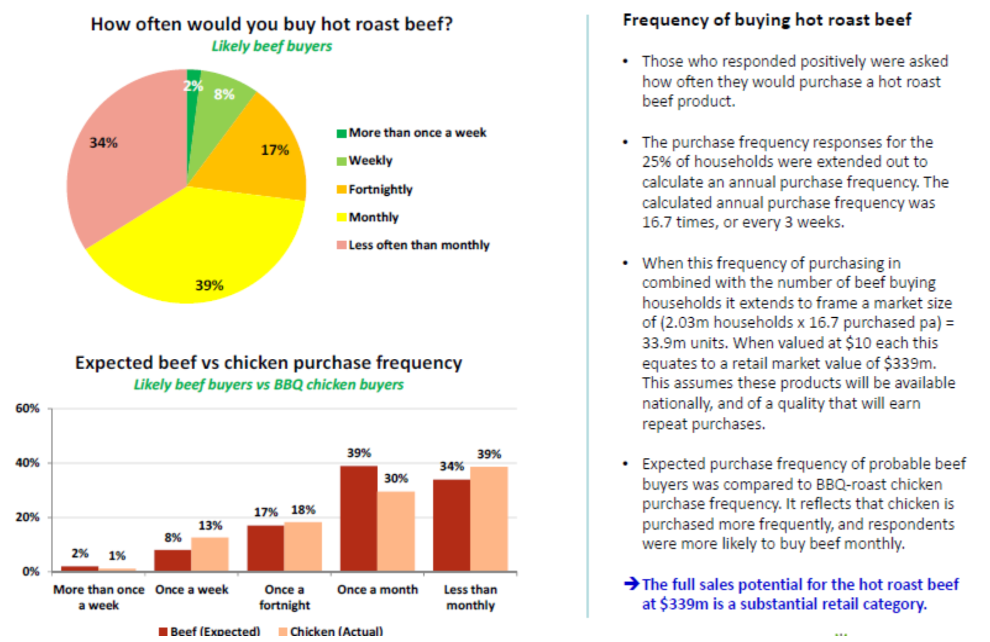


Figure 6: consumer buying behaviour and indicative frequency survey for buying Hot Beef roast



Perceptions of product quality are the dominant reasons for not wanting to buy a hot beef product. This also serves to identify the high risk of delivering poor quality.

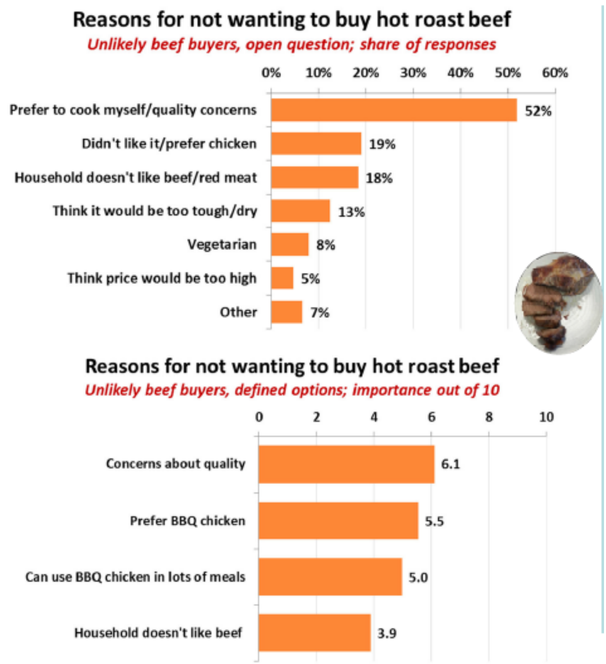


Figure 7: Barriers to entry for Hot Beef roast

The initial research didn't directly address the format of the product in terms of sliced or a whole portion. There were a number of unresolved questions so a short supplementally piece of research to resolve the issues was undertaken.

While consumers generally prefer to eat roast beef with gravy, they would prefer to buy a whole, unsliced portion. The quantitative research did not look at the underlying reasons for this but a number of respondents were followed up and from those interviewed to draw the conclusion that the reference for not having gravy was a concern for quality: "What are you hiding under the gravy?" epitomising the consumer barrier.

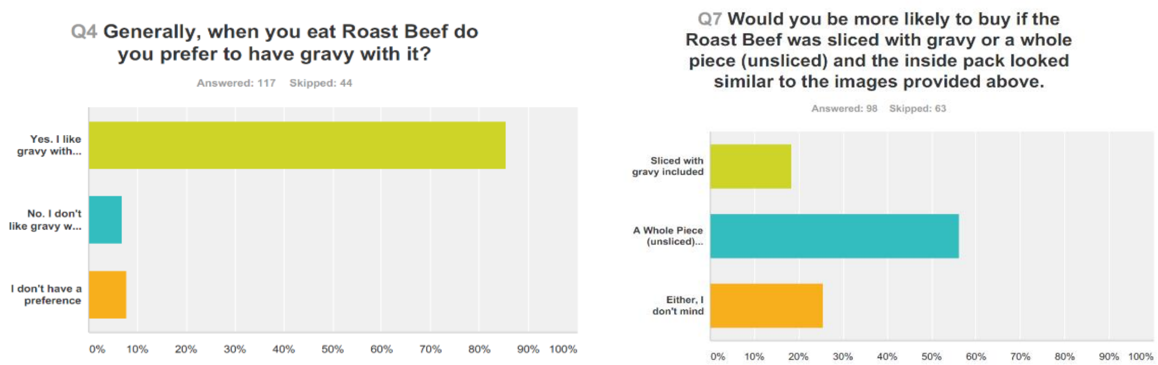


Figure 8: Survey results for inclusion of gravy with Hot Beef roast

4 Conclusions

The project successfully provided a basis to forecast the potential for a hot ready to eat beef concept product. It also gathered information on the details of local consumer demand and global retail offers that helped shape a local market offer.

The compelling value proposition to both procure outside flats to add value and range the two proposed cooked beef concept products, to reheat in store and merchandise in the deli hot box cabinet, has been agreed to proceed within the Teys Australia value chain for a 2016 launch.

The consumer panel was found to be appropriate for identifying the detail of demand for BBQ chicken and with that the basis to forecast performance of a hot ready to eat beef product. Interviews and online assessments of other developed market hot protein offers provided was effective, albeit the scope for use of the findings in the local market was found to be limited.