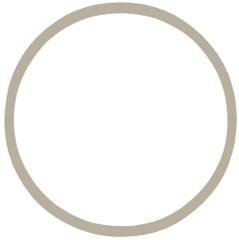




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Aggressive promotion in the domestic market



Ex-post evaluation of the 2.4 beef marketing program



Prepared for

Meat and Livestock Australia



*Centre for International Economics
Canberra & Sydney*

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Summary

The CIE has been commissioned to undertake the evaluation of the beef promotion activities by MLA in the domestic market. This is part of the ongoing program evaluation that takes place at MLA and is useful for business planning and prioritisation of expenditure across program areas.

The domestic promotion program refers to program 1.1.1 for the period 2004–05 to 2007–08, program 2.5 for 2008–09 to 2009–10, and Program 2.4 for the 2010–11 financial year according to MLA’s AOP sub-program expenditure nodes.

- Certain components of related investments have been evaluated in the past by the CIE; these are the nutrition and the eating quality sub-programs. The results of these two program assessments are incorporated in the broader ex-post evaluation of beef domestic promotion presented in this report.

Since 2001, the success of MLA’s promotional activities has been appraised through consumer perceptions and attitudes towards red meat the MLA strategy has been;

- (1) based on sound research
- (2) featured likeable and well branded advertising,
- (3) considered channels and influencers, and
- (4) is shown to achieve good consumer recognition and message comprehension.

Therefore, it seems more than reasonable to assume MLA’s advertising spending has engendered a positive result on red meat sales. However, given the complexity of disentangling the confounding effects of price, the discontinuities in survey data, and the lack of more detailed consumer purchase data, we cannot put a quantifiable ‘payoff’ figure on the investment.

As a result, this evaluation has not been able to identify sufficient evidence of any shifts in domestic beef demand that can be reasonably attributed to the program that would allow calculation of a benefit-cost ratio for domestic beef promotion.

The key lessons learned from this analysis are:

- **Promotion activities in the domestic market are not only important but necessary. Because:**
 - the domestic market is very important not only in terms of quantity and values but also because it complements key export markets in terms of carcass utilisation;
 - it offsets the adverse effects from other market drivers such as rising retail prices and negative perceptions around health and convenience of beef; and
- **competitive pressure from other meats, especially chicken which has improved in perception as being cheaper, healthier and more convenient To assist the beef industry in addressing these challenges MLA has conducted various integrated marketing activities each of which take effect through various mechanisms:**

- television, radio, outdoor and print advertising and printed material distributed at point of sale, including online information for consumers;
 - exclusive circulation of technical material for butchers and food service users on how to handle the product including new cuts, recipes, etc;
 - technical workshops, tours; and
 - Industry Collaborative Agreements (ICAs).
- **The impact of the program in terms of growing demand for beef cannot be confidently determined using the time series data currently available.**
- Market penetration has remained stable at 90 per cent.
- **MLA promotional activities are valued by industry stakeholders, and are recognised as supporting their integrated approach to beef promotion.**
- Most stakeholders in the market appreciate the value of MLA generic beef promotion activities in the domestic market. However they agree that beef marketing metrics can be improved so they can better understand the impact of MLA activities on beef sales.
 - Also, many stakeholders see MLA promotion as being complementary of their own overall marketing strategy.
 - ... The case for industry involvement in beef is on a generic basis to ‘fill the gaps’ rather than the promotion of individual brands or products.
 - ... It maintains awareness of beef among consumers and to balance information that may have adverse price effects and therefore contributes to the maintenance of aggregate levels of market penetration/share.
- **A number of conclusions can be drawn from our attempts to quantify the benefits from MLA domestic promotion activities.**
- Unfortunately, based on the available data and case study evidence for domestic consumer demand, it is not possible to establish a plausible ‘without MLA investment’ scenario and baseline based on available evidence.
 - The largest contributing factor to the problem identified with the data is that, taking a whole-of-market impact perspective, the proportion of industry expenditure allocated to consumer beef marketing is comparatively so small that it is difficult to isolate any potential impact relative to those from other market drivers.
 - Compared with the spend levels of initiatives undertaken in the retail channel by the major supermarkets, including their own media campaigns and a range of point of sale materials, the relative contribution by MLA is most likely minor.
 - The underlying logic of the ‘without program’ scenario is probably that these activities must be undertaken to defend beef’s current high level of ‘market penetration’ against a range of threats.
 - ... Therefore, the rationale for this type of investment is that these are defensive or insurance-like activities that must be conducted primarily because beef competitor meats have a similar approach.

... This rationale has very important implications on how to structure such a generic beef promotional program going forward over the next three to five years.

■ **There are some common stakeholder perspectives on the key areas where MLA generic beef promotional activities could continue complementing the overall industry effort in the marketing of beef:**

- clearer definition of MLA's beef promotion strategy and KPIs;
- continuing work on understanding the market and consumer trends;
- work more closely with key industry players in the market;
- use promotion to further inform consumers about all aspects related to beef, quality and industry practices;
- continuing recipe promotion material; and
- continue working on beef promotion as a meal option for all seasons.

It is accepted that MLA is best placed for undertaking generic promotion of beef and this would continue to be the case.

Glossary

ABS	Australian Bureau of Statistics
AMPC	Australian Meat Processor Corporation
AOP	Annual Operating Plan
BCR	Benefit Cost ratio
CIE	Centre for International Economics
EBIMS	Ehrenberg-Bass Institute for Marketing Science
ICA	Industry Collaborative Agreements
KPIs	Key performance indicators
MLA	Meat and Livestock Australia
POS	Point of sale

1 *This evaluation*

The CIE has been commissioned to undertake the evaluation of the beef promotion activities by MLA in the domestic market. This is part of the ongoing program evaluation that takes place at MLA and that is useful for business planning and prioritisation across program areas. Both MLA, as an industry service provider, and levy payers as the beneficiaries, are interested in knowing the scale of the returns from marketing activities. Indeed, the Beef Funding The Future review committee (2009) has suggested that a minimum ongoing return target of three times for the full marketing investment should be set. They went further to recommend that periodic independent expert analyses be undertaken of the major marketing programs to ensure they are each contributing to achieving this overall goal.

The domestic promotion program refers to program 1.1.1 for the period 2004–05 to 2007–08, program 2.5 for 2008–09 to 2009–10, and Program 2.4 for the 2010–11 financial year according to MLA's AOP program expenditure nodes.

- Certain components of the program have been evaluated in the past by the CIE; these are the nutrition and the eating quality sub-programs.
- The results of the two program components previously evaluated are incorporated in the broader assessment of beef domestic promotion presented in this report.

The evaluation is supported by both qualitative and quantitative information on MLA's promotion activities and consumer demand:

- MLA's internal information on beef domestic promotion investments;
- MLA's documentation of domestic promotion campaigns; including targeted channels, objective, activities, time period, output and means;
- survey data on consumer attitudes towards beef (red meat in some cases) available to MLA from various sources;
- tracking data on usage by retail specialty stores and food service;
- ABS quarterly meat prices data and serves data as a basis for consumption;
- AC Nielsen data on beef expenditure; and
- MLA Butcher Scan data.

The above mentioned sets of information were found not to be consistent in terms of the time coverage or the level of detail available. In the past, and, as part of this evaluation, the CIE presents its recommendations to MLA on consumer demand data collection for future evaluation. The recommendations incorporate suggestions on specific program KPIs.

Further to this information, the CIE has reviewed relevant literature on the payoffs of beef marketing to inform the process of program benefits attribution. Research conducted in this area has confirmed that it can be difficult to isolate the effect of promotion on consumer demand from other drivers such as prices, substitute product prices, etc.

As a final step of the evaluation process, the CIE undertook consultation with a limited but representative group of industry stakeholders along the value chain in order to gather anecdotal evidence of the impact of MLA domestic promotion activities. These perceptions have informed the formulation of assumptions underlying the analysis.

This evaluation has not been able to identify sufficient evidence of any shifts in domestic beef demand that can be reasonably attributed to the program in order to allow calculation of a benefit-cost ratio for the domestic promotion of beef.

Even if a result could be estimated using the available data it still would have been highly dependent on the several major assumptions that would have been necessary to calculate the result and therefore wide open to interpretation by stakeholders consulted in the process.

The following chapters of this report refer to:

- a background section on the issues to be considered when conducting program evaluation and on the beef domestic market;
- a description of the activities and investments on beef domestic promotion for the period of the evaluation;
- the description of the likely impact of the beef domestic promotion program; and
- a set of recommendations on data collection and KPIs to continuously monitor the impact of the program.

In addition to this, further detail on the evaluation process is provided in the appendices:

- a list of stakeholders consulted; and
- analysis and characterisation of key data sources accessed during this work.

2 Background

The CIE has evaluated MLA's programs in the past and understands the importance of this process to both MLA and levy payers. From an economics point of view, the outcome and impact of MLA's promotion activities should be an increase consumer demand (volume and/or price) for red meat, in this case, for beef. In some cases promotion activities may intend to reverse downward trends in the consumption of beef, or red meat in general.

Comparing marketing and economic perspectives

Economic evaluations tend to focus on measuring *change* over time against a counterfactual or baseline – outcomes that could be reasonably be expected without the program or activity – that are sustained rather than temporary. Marketing evaluations tend to measure the current state. They are typically 'dipstick' measures of gains revealed through comparisons of states between two points in time. The differences between the economic and marketing evaluation approaches are best illustrated through an example.

In a marketing evaluation, evidence of the impact of advertising campaigns would look to report attitudes in the following manner:

Question: How strongly do you think the advertising gave you these impressions about red meat ?

... Is meant to be eaten three to four times a week.

... Is more important for health than we thought.

Results would be reported in terms of per cent of respondents stating 'strongly suggests'. Comparisons of change would compare the per cent stating 'strongly suggests' between two points in time (for example July and August in the same year).

The question does not provide any insight into whether the respondent's impressions changed as a direct result of the advertisement. In an economic evaluation, evidence of attitudes would be based on asking slightly different questions.

Question 1: How strongly do you agree with the following statements? (5-point scale: strongly disagree to strongly agree)

... Is meant to be eaten three to four times a week.

... Is more important for health than we thought.

Question 2: After viewing the advertising how strongly do you agree with the following statements? (5 point scale: 5-point scale: strongly disagree to strongly agree)

... Is meant to be eaten three to four times a week.

... Is more important for health than we thought.

Results would be reported in terms of the baseline score established by the first question and the second question would indicate the change from the baseline. The baseline would reflect question 1 and the change would be measured as the difference between strength of agreement in questions 1 and 2.

The indicators of success from the two perspectives

The typical way an economic approach assesses the value of promotional activities in achieving the expected impact is to calculate a ratio comparing the investments in promotion and the incremental improvement in **sales of beef**; as measurements of the program costs and benefits respectively.

- This increment is then subtracted from the change that would have resulted without the program – the baseline or ‘without MLA investment’ case.

Indeed, the Beef Funding The Future review committee (2009) has suggested that a minimum ongoing return target of three times for the full marketing investment should be set. They went further to recommend that periodic independent expert analyses be undertaken of the major marketing programs to ensure they are each contributing to achieving this overall goal.

From a marketing perspective, growing demand for beef has been primarily related to encouraging the growth in key purchasing disposition and **attitudinal measures** among target segments of the domestic market. In the past, much of MLA’s success in promotional activities success has been appraised through changing consumer perceptions and attitudes towards red meat, beef in this case. See box 2.1 for a marketing expert appraisal on MLA’s beef domestic promotion program.

2.1 MLA’s marketing strategy from a marketing science perspective

For this evaluation MLA has engaged the Ehrenberg-Bass Institute for Marketing Science (EBIMS) so that a balance of both marketing and economics perspectives are included in the analysis. EBIMS has provided an independent assessment of the program, from a marketing science perspective, as a key input into this particular evaluation in regards to:

- commenting on the effective design of MLA marketing strategy;

(Continued)

2.1 MLA's marketing strategy from a marketing science perspective (Continued)

- building on the attribution arguments for MLA generic promotion programs;
- reviewing of the CIE's previous program evaluations and other models for meat assessing demand drivers; and
- complementing the CIE's analysis with marketing expert opinion.

After reviewing the key data summaries and information generated by the beef domestic promotional program since 2004 and other complementary generic marketing activities for the period 1999 to 2008, the EBIMS concluded that

The MLA strategy since 2001 has been (1) based on sound research (2) featured likeable and well branded advertising, (3) considered channels and influencers, and (4) is shown to achieve good consumer recognition and message comprehension. Therefore, it seems more than reasonable to assume MLA's advertising spending has engendered a positive result on red meat sales. However, given the complexity of disentangling the confounding effects of price, the discontinuities in survey data, and the lack of more detailed consumer purchase data, we cannot put a quantifiable 'payoff' figure on the investment.

In order to determine a quantifiable 'payoff' figure on this investment from an economics perspective, measurable changes in consumer attitudes towards a product need to be mapped to associated changes in consumer expenditure when compared to the 'without MLA investment' case, as a first step. A second step is to determine how much of this expenditure is attributable (driven by) to the promotional activities. That is, isolating the effect of other consumption drivers from that of promotion activities. See chart 2.2.

Previous experience by the CIE in evaluating MLA promotional programs indicates that there are two key issues to be address in such an analysis:

- the robustness and availability of detailed consumption data; and
- the challenge of attributing observed increases in demand to MLA promotional activities.

Information required for this evaluation

Detailed data is required on both the MLA promotion activities (the cost side) and on beef expenditure (the benefit side). Accessing the required time series data should in principle, also facilitate the better understanding of the linkage between the two.

2.2 MLA activities and investments

Initially, specific information on the type, timing and duration of promotion activities and corresponding investments is required:

- the target consumer group for each of the various promotion campaigns;
- the target consumer group for each of the various promotion campaigns;
- if carried out on a seasonal or ongoing basis, via one or several means of communication channels; such as television commercials, printed material, radio or point of sale;
- the specific objectives; to maintain consumer base, to attract new consumers, to get old consumers to eat more or higher quality cuts of beef, to address beef nutrition concerns, to promote new products and/or presentation and handling of the product;
- the investment quantum and the source of the resources: levy-payer resources (for example, the Australian Meat Processor Corporation) for beef only or if in conjunction with other red meat levy resources, and any matching funding by the Australian government:
 - for this evaluation, expenditure figures in consideration are those for program 1.1.1 during 2004–05 to 2007–08, species-specific components for the programs 2.5 for 2008–09, 2009–10 and Program 2.4 for the 2010–11 financial year;
 -

Expenditure data for domestic beef purchases

These investments need to be contrasted with actual returns to the beef industry. Ultimately, increases in consumer demand (volume and/or price), specifically expenditure on beef, indicates whether the objective of the promotion program has been achieved or not, from an economic point of view. That is, whether consumption expenditure has in fact been maintained or increased according to the objective of the campaigns/sub-programs.

Data used in the past for evaluating MLA promotional programs has referred to both monthly and weekly surveys. Some of the consumer tracking data report on shifting consumer attitudes towards beef rather than actual purchase of it. Other data provides some information more useful for estimating impact on consumer demand for beef through self-reported estimation of serves per household but expenditure data based on the necessary combination of volume sold and price achieved were typically not available to MLA.

- It is important to emphasise here that for estimating demand, both volume and value figures are required.

MLA has traditionally relied on data measuring consumer attitudes and number of reported serves. This was largely due to the lack of data from any other source that is truly representative of red meat sales.

The serves data has informed the analysis of sales peaks/spikes over the short term but it is still insufficient to confidently assess changes in consumers' demand for beef. An additional weakness of the short term time series data, for serves and on consumers' attitudes, is inconsistency of time series due to sampling and survey design issues. Data points are not always continuous over the evaluation period or even over the period of a single promotional sub-program.

- This is consistent with CIE's experience with the nutrition evaluation when using the three data sources available at the time: periodic data collected through face-to-face interviews for 1999 to 2003, weekly data collected through computer-aided telephone interviews for 2004 to 2006 and weekly data collected via online surveys for July 2006.
- Furthermore, data from these surveys would usually target changes in consumption at home and not consumption away from home, so additional data is required to assess the impact of the program on consumption through other market channels, foodservice for example.
- The data available on medium to long term consumption trends is more consistent but still not sufficiently detailed for mapping the links between the outcome of marketing activities and changes in demand in volume terms.
 - So far, annual or quarterly consumption per person has been the most common measure of beef demand. This data on consumption per person is derived from domestic disappearance; beef production minus exports divided by the population. Expenditure values are similarly not actual but derived by using indicative ABS average retail prices for common cuts.
 - These calculations usually estimate only volume figures of beef consumption: kilograms per person each year. Therefore, this data source does not allow for understanding any more detail about why changes in consumption occur, just the absolute magnitude change in volume terms nor which domestic market channels that are driving the change and why.

A key feature of these broad consumption measures, based on domestic disappearance, has been the observed lack of variability in estimated consumption over time. This measure includes all beef consumption across the main channels and but will differ significantly across all three:

- retail:
 - full service supermarkets;
 - specialty retail;
- food service:
 - fast food or food service outlets;
 - hotels and restaurants; and
 - manufactured beef products including complete meal solutions, bakery products and smallgoods.

A key data shortfall here is that the quantity of beef sold through each of these three channels is only an estimate and nor are the drivers for demand in each are not well understood.

The right balance between having detailed but not ideal time series data and having the broader but more consistent time series data is central in order to assess the impact of advertising investment on actual beef consumption. See box 2.2 for a further discussion on the issues surrounding the data sources available to MLA.

2.2 Data sources available to MLA on beef consumption tracking

Sources of consumer tracking data available to MLA are currently:

- weekly consumer tracking data on attitudes and behaviour from Millward Brown;
- monthly meat purchasing data from Roy Morgan (number of serves per household);
- butcher tracking data from NFS;
- health professional communications from Delta MV;
- food service usage and attitudes from Penfold Research;
- bi-annual category attitudes and behaviour study conducted by The Clever Stuff; and
- other demand driver and market indices from MLA's economic services.

These sources have been used for program evaluation and other studies but are not the best suited for consistent economic analysis of beef consumer's demand. A focus on consumer disposition and attitudinal rather than volume and price variables and the inconsistency in the time coverage and the level of detail across the various sources makes it difficult to conduct robust demand cost benefit analysis. Having access to more consistent volume and price time series data sources will help address the data challenge for this evaluation but the challenge of attribution still remains.

The rationale for the promotion campaigns

This section explains why promotion activities in the domestic market are not only important but necessary.

The domestic market is very important

The domestic market is the single most important market for Australian beef producers. The Australian beef industry sells about one third of its output to the domestic market, on a

quantity basis. Generally the model of cattle sold for the domestic market and higher value cuts demanded would indicate higher average value when compared to key exports markets such as Japan or the United States.

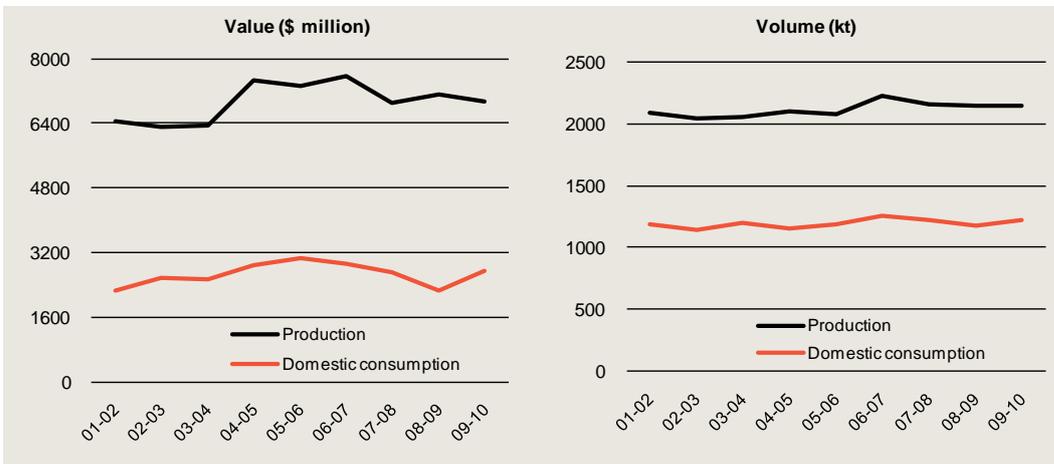
Chart 2.3 illustrates the significance of the domestic market to the beef industry; representing approximately 38 per cent of the value and 56 per cent of the volume of production.

Adverse effects from other market drivers such as raising retail prices need to be neutralised

Given the export orientation of the Australian beef industry, prices in the domestic market are linked to prices in the competing markets; the export markets. The exchange rate of the Australian dollar plays an important role in re-directing product from one market to the other, influencing cattle prices.

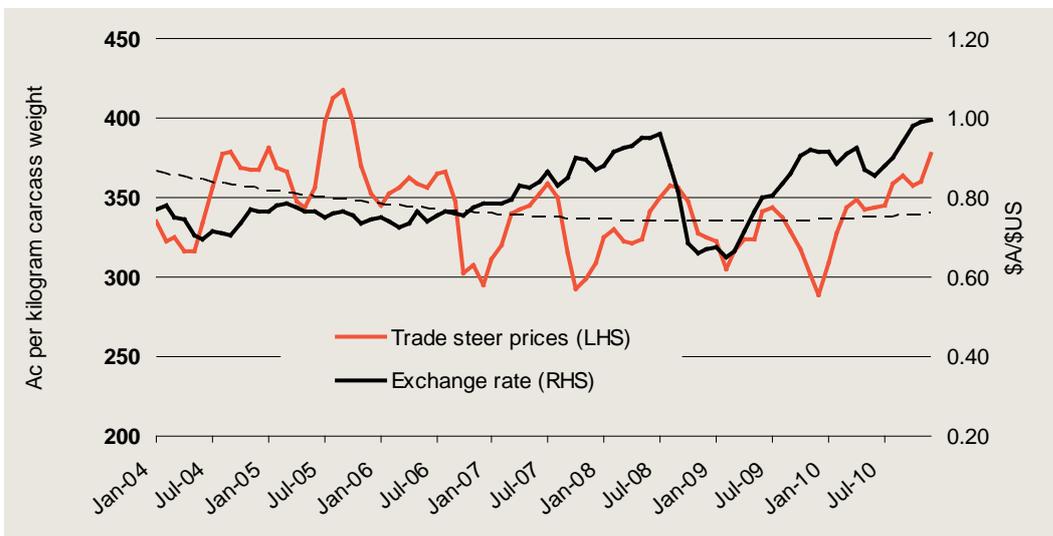
Chart 2.4 shows that a sustained upward trend in the Australian dollar has lead to downward pressure on the saleyard price of domestic steers, with some significant variations around the trend.

2.3 Production and domestic consumption of beef



Data source: CIE based on ABS data.

2.4 Trade steer saleyard prices and the exchange rate



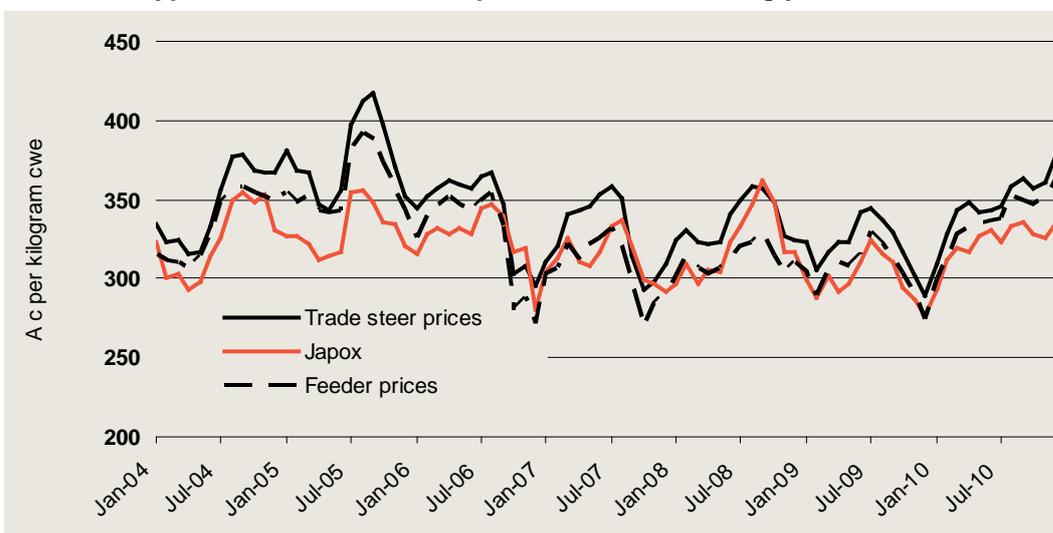
Data source: GMI database.

The price of trade cattle is linked to other cattle prices even though cattle for the domestic supermarket trade generally have a different specification to those destined for the export market based on carcass weight, dentition and fat score.

Chart 2.5 shows that prices of cattle slaughtered for the domestic market are very highly correlated with heavier cattle types required by the export markets, in particular Japan.

- This is because these prices are linked through the price of feeder cattle, an input into both channels which are then fed either on grain or on pasture to achieve the target specification.
- Having the same common cost (feeders) plus recognising that fattening is a margin activity, means that cattle can be diverted quickly between channels in response to very small changes in prices paid by each market.

2.5 Cattle types for domestic and export markets are strongly linked

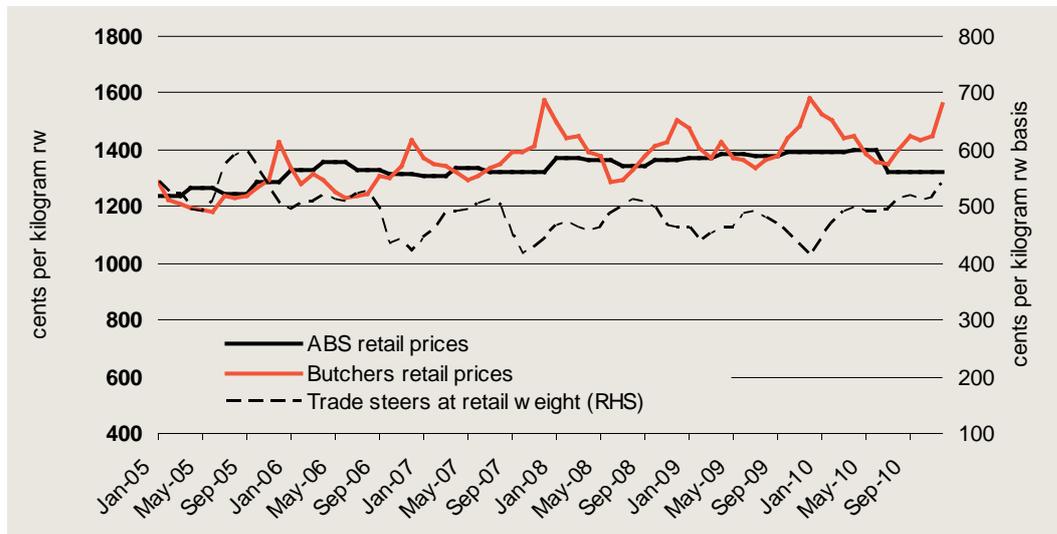


Data source: GMI database.

- Retailers supplied through dedicated supply chains, would be aware of the opportunity costs (cattle price) of the interaction between export beef prices and domestic wholesale prices.

Chart 2.6 compares the trade steer price (on a retail weight basis) and retail prices shows that there may have been some divergence between cattle and retail prices over the evaluation period.

2.6 Comparing cattle and retail beef prices^a



^a Saleyard prices for trade steers are adjusted for retail yield but not additional costs of processing, boning and transport and distribution. Data source: GMI database and MLA POS data.

Retail prices of beef in the domestic market not only adjust to the cattle prices, being a key element of the beef chain, but to changes in the cost of other inputs along the chain such as labour costs.

- The processing sector is a very highly competitive activity based on small margins, with around 70 per cent of non-livestock costs involving labour and related on-costs.

Outside of the processing sector, the principle chain costs are outside the influence of the beef industry:

- transport and distribution costs are already highly competitive;
- labour costs and other overhead costs in boning rooms, retail and food service are determined by the wider labour market; and
- pricing policies especially with regard to retail margins which are set not only by costs but also by marketing strategies designed to maintain or increase market share, especially by the major supermarket players.

For example, there has been recent change in strategy by the major supermarkets players away from having a range of beef quality offers and regular cycles of price discounting to a model of stocking everyday beef quality offered at the same low price point.

- The key point is that the general level of cattle and retail beef prices observed the domestic market are beyond the control of any MLA program. However, promotional activities by MLA can offset adverse effects from these drivers.

Beef faces strong competition in the domestic market from other meats, especially chicken

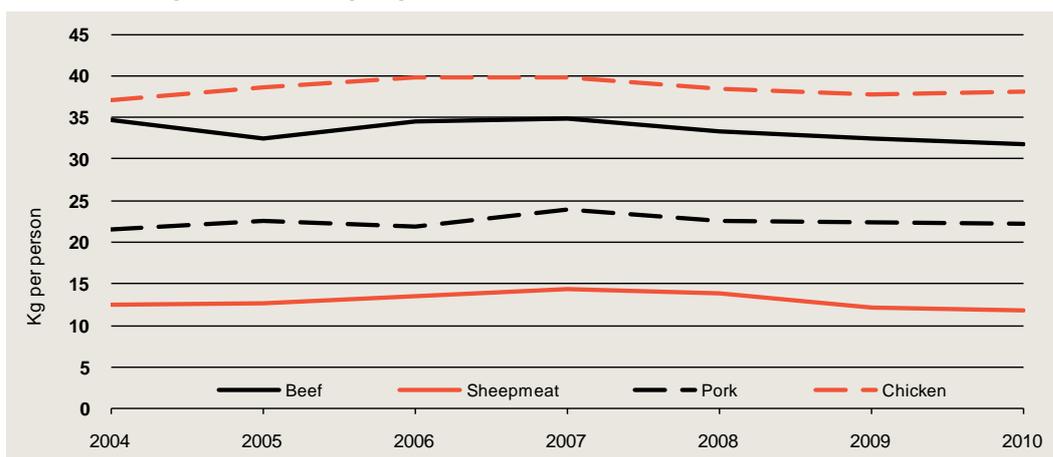
There is strong competition between beef and other meats. This represents a continuous threat of substitution between red meat and other meats, and therefore, non-price promotion is required to sustain consumption of beef.

Beef competes with other meats for a share of consumer expenditure. As chart 2.7 shows, average consumption of beef per person has experienced a small decline in comparison to competitor meats. The emergence of white meats in consumer diets, especially poultry, coincides with the decline in consumption of red meats. Productivity growth in the poultry sector, resulting in falling prices, compared to beef, together with positive health perceptions, new product development, improved quality and strong promotion all could have contributed to the substitution suggested above.

A key rationale for MLA domestic promotional activities is to contribute to maintaining domestic consumption despite competition from other meats. Other underlying factors challenging the beef industry relate to:

- adverse economic circumstances (the global financial crisis);
- an ageing society;

2.7 Consumption of meat per person



Data source: GMI database.

- more environmentally conscious or ethical consumption;
- countering adverse environmental and health claims;
- poor performance at retail level was affecting the chances of increasing beef demand;
- the competition from new products and promotions within the other meat categories taking away beef's share in all market channels; and

- poor consumer knowledge/information on purchasing and preparing beef.

The remainder of this document describes in more detail the program's activities and their contribution to the overall performance of beef domestic demand.

3 *The beef domestic promotion program*

MLA has undertaken beef promotion activities in the domestic market for several years. The general objective has remained as **growing demand** but over the period of the evaluation this general thrust has been further disaggregated into a number of specific objectives each relating to one of the 'five pillars' of demand in the domestic market; enjoyment, convenience, nutrition, integrity, and value.

These specific objectives include the marketing components of other MLA programs such as nutrition, eating quality (MSA), and new product development:

- to grow consumer demand for beef in the domestic market in value terms through increased frequency of beef meals;
- to enhance consumer attitudes to beef as a popular meal option;
- to reduce barriers to consumption of red meat based on health concerns;
- to maintain focus on red meat as a critical category in the retail segment;
- to maintain beef as a popular option in foodservice menus;
- to conduct research on the domestic market and on consumer trends;
- to build demand for beef secondary cuts;
- to promote the adoption of eating quality standards by end users; and
- to assist in the launch of new products.

The activities and the investment

Activities performed to achieve these objectives over 2004–05 to 2009–10, include marketing through various means:

- television and printed material distributed at point of sale, including online information for consumers;
- printed material distributed at point of sale;
- exclusive circulation of technical material for butchers and food service users on how to handle the product, new cuts, recipes, etc.
- technical workshops and tours;
- internet information for consumers; and

- Industry Collaborative Agreements (ICAs).

Table 3.1 presents the aggregate expenditure figures in the AOPs for the beef domestic promotion program. Approximately \$52 million dollars were spent over the evaluation period; at approximately \$10 million a year. This expenditure does not include related investments in eating quality and nutrition objectives, the impact of which has been evaluated previously. The associated industry benefits arising from these other programs are additional to those determined here and BCR results are reported separately. Table 3.1 also presents indicative beef retail sales figures, estimated from AC Nielsen *HomeScan* data for the corresponding years. According to this data, the retail market for beef is worth approximately \$2 billion each year. MLA expenditure on promotion is a very small proportion of the size of the market at 0.45 per cent on average. Although this proportion appears insignificant, it should be noted that:

- processors and retailers of beef also undertake significant marketing activities, but the size of this investment is unknown:
 - generally, these players would decide the size of the expenditure based on their current or target size of the market.

3.1 MLA beef promotion activities in the domestic market

<i>Financial year</i>	<i>Program number</i>	<i>Budget^b & Actual^c figures in AOP^a</i>	<i>Consumer beef expenditure (retail only)</i>	<i>Ratio (MLA beef promotion/retail sales)</i>
		AUD million	AUD million	%
2004–05 ^b	1.1.1	3.1	1 840	0.17
2005–06 ^b	1.1.1	5.9	1 939	0.30
2006–07 ^b	1.1.1	11.5	1 994	0.58
2007–08 ^c	1.1.1	11.1	2 000	0.56
2008–09 ^c	2.5	9.1	1 897	0.48
2009–10 ^c	2.5	11.0	1 913	0.58
Total over 2004-05 to 2009-10		51.7	11 584	0.45

^a It includes market research (0.4 per cent total) and any matching funding by government and marketing sub-programs

Note: Data for the last two financial years in this table includes the levy streams to the program from grass-fed and grain-fed cattle and 50 per cent of contribution from processors.

Source: MLA Annual Operating Plan, various years.

- To assess whether the total spend on beef marketing is appropriate in regards to the size of the market, both MLA and all other marketing activities should be aggregated together.

The beef promotion program has sometimes targeted specific market channels, beef cuts and/or beef attributes. However, beef specific campaigns are also supported by generic promotion activities on red meat which benefits and funding, are shared with lamb producers.

The Industry Collaborative Agreements for marketing

The Industry Collaborative Agreement (ICAs) mechanism is not part of the domestic promotion program (as conceived in this evaluation); however, it has been a parallel funding mechanism contributing to the objectives of enjoyment 'pillar' because it requires the relevant MSA licenses for participation.

The ICA program commenced in 2008 and is based around joint funding of approved programs whereby MLA matches every dollar by the retailer/processor. Requirements of the program are summarised in box 3.2.

The ICAs are a form of networking and training but the work conducted is on projects that are specifically approved and co-funded with individual industry players. Therefore the outcomes are of different nature to those of the generic domestic promotional program.

- While the ICA program provides for new product development and support to specific brands, the domestic promotion program is responsible for the generic promotion of beef.
- Yet, both programs work towards growing the demand for beef products, the ICA program has a greater focus on market share for individual companies.

3.2 Current ICA requirements

Under the ICA Program, joint promotional activities were funded on a 50:50 basis with MLA contribution being capped at A\$250 000 each year by company regardless of the market.

- MLA support is subject to acceptance and approval of annual plans and specific activity proposals by MLA.

MLA has also conducted the MSA Brand Support Program for beef to support and further commercialise MSA brands.

- Through this program, brands that were fully underpinned by MSA were eligible for co-funding on a 50:50 basis capped at A\$30 000 each year per brand.
- Companies must be licensed with MSA.

The ICAs have assisted with the development and ongoing market support of over 30 beef brands and five lamb brands. All brands are fully underpinned by the MSA program, offering consumers a choice at point of purchase based on their individual brand attributes and also a consistent eating quality outcome. The ICAs are not only a way of promoting beef but also work to support an integrated marketing approach across various MLA programs, such as MSA.

The ICA program has been allocated approximately \$2 million in matching levy dollars since its commencement in 2008:

- around \$1.2 million were spent between 2008–09 and 2010–11; and
- \$0.8 million are allocated for spending next year.

Some stakeholders consulted during this evaluation¹, commented on the advantages of the ICAs as a mechanism to promote beef products with relatively easy-to-track results. The impact of the individual ICAs are easy to trace because of the focus on sales of specific new product development and building brands. MLA partners can monitor impact on sales that is directly attributable to the work under the particular ICA. However, being able to trace the impact easily does not imply that the return of investment from ICAs may be higher than that from generic promotion. Neither does it imply that generic promotion, which is making the case for beef and for the beef industry may ultimately be ineffective or redundant.

One of the reasons for some stakeholders in the industry to feel positive about the ICA mechanism is that they can contribute to tailoring the promotional activities to respond to market trends they have identified through their own businesses and therefore maximise the value to them.

4 *Impact of the program*

The objective of promotion campaigns should translate into changes in purchasing behaviour for beef. The above-the-line mass-media component of this program seeks to maintain the currently high level of 'market penetration' of beef (average of 90 per cent, Roy Morgan) by being largely defensive in that it confirms existing loyalties, nurtures favourable dispositions, and reinforces habitual consumer behaviour (Hugh McKay, 1983).

How does the program contribute to promotion of beef?

The CIE consulted with industry stakeholders across processor and retailer sectors about their commercial perspective on the contribution of MLA beef domestic promotion activities to growing domestic demand for beef. These industry stakeholders were also asked about areas where improvements should take place in the future.

Most stakeholders see the value of MLA generic beef promotion activities in the domestic market. However, they commented that it is difficult to quantify the impact of any promotions on sales and more specifically the impact of MLA promotional activities on beef sales. Also, many stakeholders see MLA promotion as a complementary, albeit a relatively small part, of their own overall private company marketing strategy.

The following list of activities illustrates the typical profile for a marketing strategy developed by these industry players. These strategies normally include several components, of which MLA activities are only one small part.

Product offer mix includes various qualities from budget to premium.

- Industry players, peak bodies and presumably consumers recognise that the current product offer mix in the domestic market is, on average, of a higher eating quality than it was some 15 years ago prior to the commencement of the eating quality initiatives. Improvements in process control along the value chain, lot feeding, animal genetic improvements, and consumer research underpinning eating quality have all contributed to this outcome.
- However, some processors and retailers have improved beef quality, as a marketing tool, in combination with brands to differentiate themselves from their competitors. This means evolving from the traditional or bulk discount approach to supplying the market with consistent high quality beef along with better levels of customer service.
 - Some of the leading players are progressively diversifying the range and the quality of beef products and brands in their offer.

- A business/marketing strategy, based around offering a range of product from budget to premium quality products, allows industry to capture loyalty from a broader spectrum of buyers.

MLA marketing activities fill in gaps for the industry

Taking an all of industry perspective, MLA domestic marketing activities are a relevant but only minor component compared to what some industry players do with their own private company marketing activities.

- As part of their business strategy, some retailers and processors have implemented an integrated marketing approach.
- Leading retailers and processors in the industry, far from relying on MLA’s generic promotion activities, are developing promotional campaigns that are focused on creating and marketing their own brands, either beef brands or private label brands.
 - While brands may grow the overall market, in a highly competitive industry, the primary function is to maintain or even increase market share for the brand owner at the expense of other companies.
- While players in the market are brand-oriented, MLA generic promotion activities focus on making the broader case for beef and the beef industry. This appears to be a complementary approach.
 - Generic MLA domestic marketing must be independent of brands by definition because levy payers cannot have a brand of their own unless they are part of an integrated supply chain with a brand at the point of final consumption.

Table 4.1 illustrates the main complementarities between generic MLA promotional activities and those by leading industry stakeholders.

4.1 Generic MLA promotion to fill-in gaps in private promotional strategies

<i>Private promotion</i>		<i>Generic MLA promotion</i>
Type	Branding	Generic beef and on the beef industry
Objective	<ul style="list-style-type: none"> ▪ To differentiate an industry player from its competitors ▪ To either obtain price premiums or increase demand based on special attributes characteristics of their products 	<ul style="list-style-type: none"> ▪ To maintain awareness of beef among consumers and to balance negative information that may have adverse price effects ▪ Not for premiums but to maintain prices and consumption
Orientation	<ul style="list-style-type: none"> ▪ New products and branding of an individual player 	<ul style="list-style-type: none"> ▪ Could potentially target new cuts and meals solutions without referring to a particular brand (for example, masterpieces)
Frequency	<ul style="list-style-type: none"> ▪ According to market signals and business needs such as new product launch or price promotion announcement 	<ul style="list-style-type: none"> ▪ In the past, the campaigns have focused on seasonal campaigns, especially winter, but should now target positioning of beef as an all-year option.

Point of contact with market	<ul style="list-style-type: none"> ▪ Direct channels to sales of own meat products 	<ul style="list-style-type: none"> ▪ Indirect through industry (MLA does not own the meat product) and therefore more joint work with industry in order to get better data on actual consumer behaviours data is required on a cut-by-price basis.
Value	<ul style="list-style-type: none"> ▪ Its main strength comes from the ability to shape marketing to a particular market niche or product (branding) based on market signals. ▪ Marketing is most effective when it supports a thorough business strategy based on consistent, better quality product, and superior customer service. 	<ul style="list-style-type: none"> ▪ Its main strength is to complement what individual players do and to support those small players constrained to doing local consumer research and marketing or needing to quickly respond to changing market signals.

Source: CIE.

It is noted that major advertising campaigns by the major supermarket for beef is only a relatively recent development as a result of the strategy shift towards low prices of everyday quality beef under own house brands.

- While this trend is likely to be sustained into the future, we do not know the extent of this expenditure is now or likely to be in the context of the overall market value.

Quantifying MLA's contribution

In this part of the report we deal with the attribution issues mentioned in the background section. So far we have:

- examined market penetration for beef and competitor meats; as the proportion of households buying a particular meat;
 - it was found to be stable for all meats
 - market penetration for beef and chicken is between 85 and 90 per cent and between 60 and 65 per cent for lamb and pork
- analysed how MLA promotion activities complement within the rest of private promotion activity that the industry players carry on anyway as part of business-as-usual:
 - MLA promotional activities are identified as being only a very small part of the integrated marketing strategies developed by leading processors and retailers;
 - therefore, the scope for MLA promotional activities is narrow but can be an excellent complement to the integrated approaches to marketing beef by leading stakeholders in the domestic market.

The bottom line is that the analysis above suggests that beef sold through the retail channel in the domestic market, when viewed across all of its sub-categories and across the product mix of different cuts from budget to premium, can be considered to be, on average, a staple product in most households purchased on a regular basis.

Because of this high penetration, it will always be difficult to assess the impact of promotional activities on demand, especially MLA generic promotion. Given that, both

price and per person consumption appear to have fallen slightly over the evaluation period, the counterfactual question is *would this decline had been more significant if generic MLA promotion had not been conducted?*

The bottom line for quantification

A number of conclusions can be drawn from our attempts to quantify the benefits

Based on the CIE analysis of the available data and case study evidence, it is not possible to establish a 'without MLA investment' scenario and baseline.

- In view of this, it is not appropriate for MLA to continue to expect to be able to use measurement of changes in consumer demand or expenditure in the domestic market as an indicator of the performance of its beef marketing campaigns.

However, it is important to emphasise here that the inability to find evidence of the impacts of the program does not mean that they do not exist. Indeed, MLA's marketing activities may well be working in the sense of maintaining demand for beef.

- Therefore, the future rationale for this type of investment is that these are defensive or insurance-like activities that must be conducted primarily because beef competitors have a similar approach.

This rationale has very important implications on how to structure such a generic beef promotional program going forward over the next three to five years.