Ingredients: Enemy or Ally?

Daniel L. Camerer*

In this presentation, I would like to cover ingredient acceptance; and challenge certain current perceptions. In doing so, I will present quantitative consumer and buyer research. Hopefully, I can provide some new insights that will stimulate thinking and challenge all of us to consider how ingredients can play a larger role in the meat industry of tomorrow. But, no matter what I say or believe, it will be your job—personally and within your organization—to determine the role for ingredients and decide whether ingredients are an enemy or ally.

Today's environment requires a market-led consumer orientation for success. Processors must understand the market and develop products truly aligned against real consumer needs and do it at a profit. Although the challenge is simple enough, the issues that you and many other industries face can appear overwhelming. For instance, consumers are re-evaluating needs, price/value is being challenged, and buyers are becoming more powerful. Obviously, the way used to conduct business is also being challenged.

These challenges can be illustrated all the way down to the product level. For instance, take a low-fat hot dog. A marketing objective might be for 3% fat, tastes like our regular frank, and may be "slightly" higher in price. And, by the way, don't use "any ingredients." Obviously, there are two perspectives here. The marketing perspective which looks at positioning, like low fat, comparable pricing, no "added ingredients," original taste, as a product platform. The other perspective is technical. How can we accomplish this goal? The issues the technologists face are how to hold on to all of this water while limiting purge, extending shelf life, optimizing meat sources, lowering costs, improving texture and having an acceptable flavor.

Why "No Ingredients?"

Why this position of "no ingredients?" In preparing for this meeting, I did an informal survey on the way to work the other day. I asked the counter person at McDonald's, the guard at the gate, and a secretary in the elevator—"Would you like 'added ingredients' in the meat products you buy for your family?" The reply was—no, no, and no! There you have it. The basis for the typical marketing platform—the consumer does not want ingredients in products and won't buy them.

Obviously, this exercise was meant to make a point. Sometimes, our decisions or reasons for doing things are based on conjecture, intuition and little information. I would like to take the subject of ingredients and follow through with a more disciplined approach in examining the marketplace, the consumer and buyer through a quantitative approach to information gathering. Let's see if our conclusions around ingredients are any different.

Figure 1

Top 20 New Food Product Categories in Last Decade

1. **"Light" Anything**
2. **Single Serve Entrees, Side Dishes, Desserts**
3. High Fiber Cereals and Breads
4. **Surimi Based Seafood**
5. Dried Fruit Snacks
6. Pasta Sauces and Pasta Varieties
7. Ramen Soups
8. **Microwave Breakfast and Luncheon Entrees**
9. Rice Cakes
10. Non-Dairy Spreads
11. Dry Beer
12. Fat-Free Desserts, Cheeses, Salad Dressings
13. **Poultry Based Luncheon Meats/Sausages**
14. Herb and Flavored Teas
15. Fresh and Frozen Yogurt
16. Oat Bran Cereals, Breads, Muffins
17. **Mexican Sauces, Entrees, Condiments, Flavor**
18. Wine Coolers
19. Flavored and Juice Based Water and Seltzers
20. Aseptically Packed Juices and Drinks

Source: Gorman's New Product News

Let's examine the total marketplace by reviewing Gorman's top 20 new food product categories for the last decade (Figure 1). Considering the meat industry, you can see #1 "Light" products; #2 Single-serve entrees #4 Surimi-based seafood; #8 Microwave breakfasts and luncheon entrees; #13 Poultry-based luncheon meats/sausages; and #17 Mexican entrees have emerged. All definitely have ingredient contributions in their creation and those ingredient contributions stretch the gambit from cooking qualities, textural characteristics, taste, health (lower fat, cholesterol), price/value, structure to shelf life.

Beyond this, ingredients have provided significant bottom-line opportunities through the creation of new products and new market positioning and through improved margins. Thus, ingredients have provided processors with options; options that can address needed product characteristics and create bottom-line opportunities. A few marketplace examples demonstrate this principle. In each, ingredient or ingredient systems play a significant role:

- ConAgra's Healthy Choice
- Hormel's Chicken-by-George (Marination)
- McDonald's Lean Deluxe

*D.L. Camerer, Director, Meat Industry Markets, Protein Technologies International, Checkerboard Square, St. Louis, MO 63164.

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- Oscar Mayer's Light Bologna
- Louis Rich's Turkey Breasts
- Banquet's Chicken Nuggets

Myths and Misconceptions

Even with this kind of evidence, many myths and misconceptions still exist around ingredient use within meat systems (Figure 2).

1. **Ingredients are Cheap Fillers.** This old myth still is very prevalent in the minds of processors. The reason for this is twofold: first, that is the way ingredients are still being used in many cases; and second, the less technically advanced forms are still in common use.

2. **Products with ingredients are inferior.** This is true if ingredients are only used to lessen cost and quality is not maintained. This has occurred too often in the past and has led to this perception. Fortunately, processors are becoming more in tune with their markets and are recognizing that quality must be maintained, even if costs need to be cut. And importantly, both goals can often be reached simultaneously with the proper use of ingredients.

3. **Ingredient presence diminishes a strong meat strategy.** Misconceptions exist that ingredients diminish meat sales and negatively impact meat poundage. The use of ingredients can allow the processor to reach product goals that would not otherwise be possible with meat or poultry alone. Often, this has a direct bearing on meeting competition or fulfilling a consumer need. Therefore, ingredients can contribute to more processed meat or poultry products being sold through stronger targeted products.

I would now like to spend the remainder of my time on the last four misconceptions listed in Figure 2. To support this, I will concentrate on the consumer and buyer research.

Ingredients and the Consumer

First, let's examine the consumer and ingredients. The fact is that if you ask any consumer, "Do you want an ingredient or ingredients (say salt, carrageenan, or vegetable protein) in your meat or poultry products?" the answer would be no. We saw this in the earlier example in isolation—the consumer will always respond negatively to adding an ingredient when asked, especially with no benefit associated with it. However, both marketplace experience and consumer research have borne out that:

1) ingredient concern is not a major consumer issue, and,

Figure 2

Ingredient Myths/Misconceptions

- Ingredients Are Cheap Fillers
- Products with Ingredients Are Inferior
- Ingredient Presence Diminishes a Strong Meat or Poultry Strategy
- Consumers Are Not Open to Ingredient Presence
- Buyers Will Not Accept Ingredients and/or Will Challenge with Price Concessions
- Competitors Will Use Ingredient Presence Against Us and Take Share
- Ingredients/Suppliers Are All Alike

2) ingredient presence is accepted and does not curtail purchase.

Let's look at research that positions consumers' attitudes as far as overall concern for ingredient presence and acceptance.

A recent quantitative FMI Study (Figure 3) shows consumers are far more concerned about the nutritional aspects of what they eat than with ingredient issues. In fact, concern about ingredients, per se, ranks very low. Even considering preservatives and "chemical" additives, concern is low. Further, actual concern in any of these areas that might relate to ingredients has dropped over the last four years.

Another quantitative study on trends in eating conducted by *Prevention Magazine* (Figure 4) shows avoidance by consumers. Taking the most pejorative approach—"avoid foods with additives," shows a lot less concern than with overall nutritional and nutrient concerns.

A third quantitative study sponsored by the American Meat Institute and the Beef Board on nutrition labels and meat (Figure 5) showed that food labels are primarily used for dietary and nutritional purposes, (i.e. to maintain a diet or choose products that provide the best nutrition for the money). Only a third claim to read the information just to know what is in a product. These studies (and others) collaborate the fact that ingredients as an entity in food are not a major consumer concern.

Little quantitative consumer information on ingredient acceptability exists within the meat and poultry industries. To quantitatively understand the relative acceptance of commonly used ingredients in processed meat and further processed poultry products, Protein Technologies International has commissioned a number of quantitative, independently conducted studies. We certainly will not have time to touch on all of these, but I will concentrate on key qualitative and quantitative information concerning relative ingredient acceptability.

Consumer Acceptance

In-depth focus groups were held recently to obtain consumer input on ingredients. The top lines of those discussions yielded the following findings:

Figure 3

What Concerns Consumers About the Nutritional Content of What They Eat

	%		
	1988	*1992*	*Change*
Fat Content	27	50	+23
Cholesterol Content	22	30	+8
Salt Content	26	21	-5
Sugar Content	20	13	-7
Preservatives	16	11	-5
Calories	14	9	-5
Chemical Additives	12	9	-3
Vitamin/Mineral Content	21	8	-13
Food/Nutritional Value	14	5	-9
Freshness, Spoilage	15	5	-10
Ingredients/Content	8	5	-3
Getting Balanced Diet	11	4	-7

Source: FMI 1992 Trends

1. Consumers trust that a manufacturer/fast food chain will use wholesome ingredients.

2. They are open to ingredients, even if they don't understand them. They may even wish certain ingredients were not present, but they will buy them anyway as long as the taste and price value expected is delivered.

Interestingly, on discussions of lite products, they showed further openness, as they said:

1. No one knows how lite products are achieved.

2. Few people expect lite products to be exactly identical to the traditional product.

A 1991 quantitative consumer study (Figure 6) reported by The Telecenter rated 23 commonly used ingredients in the food industry and had consumers rank them on a 7-point scale as to the acceptability of purchasing a product with the ingredient present. This study was conducted after McDonald's major low-fat burger introduction, with the following results:

1. A majority of ingredients (palm oil through flavorings) were viewed as neutral, contributing neither positively or negatively to a product's ingredient statement.

2. Many commonly used ingredients (like sodium phosphate, nitrites, guar gum, cellulose gum) rated lower on the consumer acceptability scale.

3. Only seasonings, non-fat dry milk and vegetable protein rated higher on acceptability, probably due to their more common household terminology.

Figure 4

Consumer Trends in Some Key Aspects of Diet and Nutrition (Those Who Try a Lot)

	%	
	1987	*1990*
Get Enough Vitamins and Minerals	59	59
Eat Enough Fiber	60	59
Avoid Eating Too Much Fat	54	56
Avoid Eating Too Much Salt	54	51
Get Enough Calcium	54	50
Avoid Eating Too Many High-Cholesterol Foods	42	49
Avoid Eating Too Much Sugar	49	46
Avoid Foods with Additives, Such as Preservatives, Colorings, Artificial Flavorings	36	33
Avoid Caffeine	34	32

Source: Prevention Magazine

Figure 5

How Food Label is Used	**%**
For Dietary/Nutritional Purposes	58
- To Help Select Products In Order to Maintain Diet	36
- To Help Decide Which Products Provide Best Nutrition for Money	22
Just to Know What's in a Product	34
To Help Plan a Specific Meal	7

Source: AMI/Beef Board Study, 1992, "Nutrition Labels and Meat"

These 1991 findings corroborated a similar 1989 study by Koerner Associates, indicating that consumers had the same degree of open-mindedness to ingredients. This study utilized a slightly different list of ingredients, but the relative position of common ingredients were similar.

Analysis of these studies suggest:

1. A consumer does not buy a meat or poultry product simply for the secondary ingredients present. In other words, a consumer would not seek out a meat or a poultry product because it has one of the top five ingredients on the chart. They would not be the driving value. What a marketer needs to know is that the ingredient utilized contributes to his product strategy and is neutral to positive in rating.

2. Surprisingly, processors are reluctant to use some of the ingredients ranked neutral to positive. Yet every day they continue to use the ingredients perceived low in acceptability by the consumer, as being consumer acceptable. Indeed, if products sell with less positive ingredients, why not open options with ingredients ranked more positive?

3. Beware of the "ingredient of the month." Never assume that simply because an ingredient is popular with processors, that consumers know all about it or accept its use.

4. Most ingredients cause little consumer concern. Though they may not favor one, their presence does not preclude purchase.

If one studied the ingredient acceptability rankings in the 1991 study (that is, adding up the percentages acceptable and the neutral rankings) one would again see the general openness consumers have toward ingredients. No ingredient is perfect. However, any time one can obtain acceptabil-

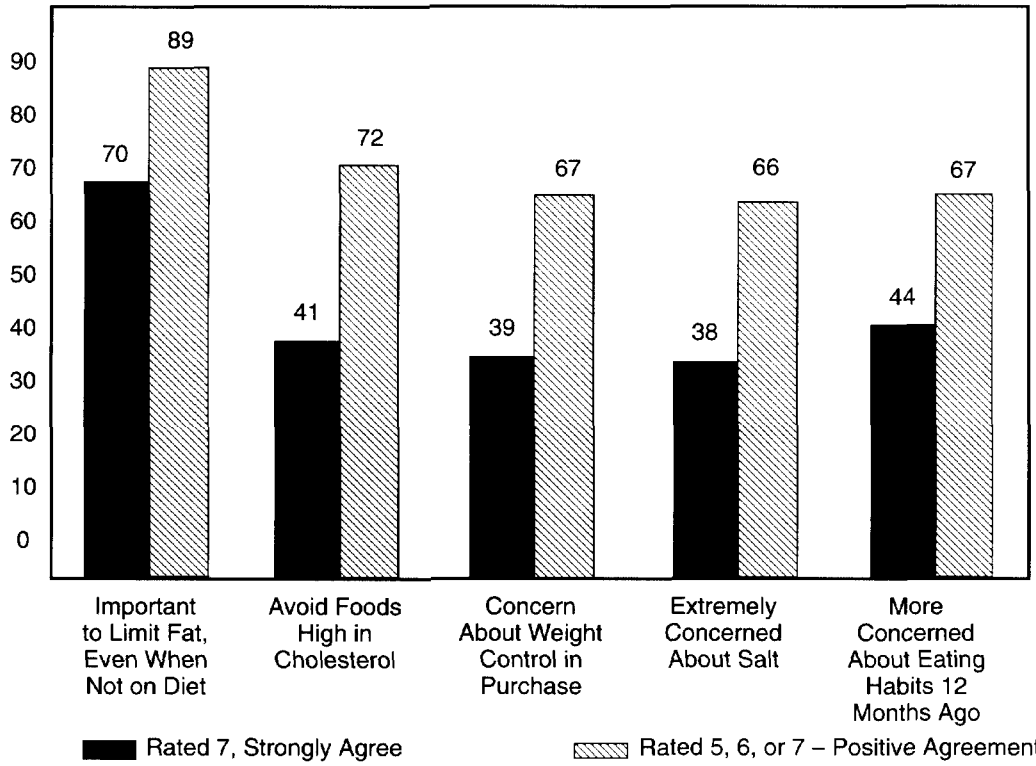
Figure 6

Quantitative Ingredient Research 1991

	Ingredient Acceptability *(7 Point Scale)*
Seasoning	5.75
Non-Fat Dry Milk	5.16
Vegetable Protein	5.09
Flavorings	4.88
Egg White Solids	4.75
Soy Protein	4.60
Whey	4.52
Isolated Soy Protein	4.43
Calcium Caseinate	4.37
Lactose	4.03
Hydrolyzed Vegetable Protein	4.00
Dextrose	3.94
Egg Yolks	3.88
Salt	3.58
Modified Food Starch	3.58
Gluten	3.43
Carrageenan	3.43
Palm Oil	3.22
Guar Gum	2.95
Monosodium Glutamate	2.89
Cellulose Gum	2.89
Sodium Phosphate	2.86
Nitrite	2.73

Source: The Telecenter, 1991

Figure 7
Consumer Attitudes Toward Health/Nutrition Issues 1991
% Agree



Source: The Telecenter, 1991

ity rankings (neutral to positive) above 60% on a nationally representative test, these are significant findings.

One can see that you must be careful in ingredient testing. If ingredients are singled out or isolated, an unacceptable ranking (below neutral) will occur at about 15% to 30% for most ingredients. Many of these ingredients, which when singled out could seem questionable, are selling in the marketplace without problems. Acceptance relative to other ingredients and marketplace experience should be key measures of acceptability.

The 1991 study by The Telecenter also reported that 79% of consumers would "definitely" or "probably" buy a fast-food hamburger that tastes like a regular hamburger and was priced the same—if it had one-half the fat. Consumers were then asked their purchase intent if vegetable protein or carrageenan were used in the hamburger to help achieve the lower fat level. Purchase interest was not affected by the identification of ingredients. Compare this with the bulk of lite meals or entree labels currently lining the supermarket shelves. Consumers are not balking at the presence of ingredients. As technologies and ingredients change, so have ingredients utilized in the meat industry. Again, consumers have shown continued purchase.

To summarize consumer attitudes toward ingredients:

1. Consumers show a considerable degree of openness to ingredients.

2. Most ingredients can be used without special consumer concern, as long as the processor delivers the quality, wholesomeness and price value expected.

3. Responsible testing is required in ingredient decisions and in many cases, the marketplace can be used as a quick guide.

4. If you have an issue, ask your ingredient supplier for their consumer testing. A responsible supplier should be able to provide not only insights on the relative acceptability of their ingredients, but help on even individual ingredient aspects such as:

(1) Consumer awareness
(2) Consumer acceptance
(3) Consumer association with health issues
(4) Impact of the company image

Health and Nutrition

As consumer trends shift, so do needs. This is illustrated by consumer attitudes toward health and nutrition (Figure 7). In this study, the dark bars show the consumer ratings of "7" on a 1–7 scale for strongly agreeing with the statement. The striped bars show total positive agreement (the total of 5, 6 and 7 ratings). Obviously, consumers are looking to limit fat, but cholesterol, calorie and sodium concerns received significant acknowledgement, though the "strongly agreed" category is lower.

These general attitudes carry over into the meat and poultry arena. The AMI/Beef Board Study showed the most important nutrient information sought on labels to be total fat, cholesterol, calories, saturated fat, and sodium (Figure 8). Further, consumer trends and demands expected throughout the 1990's will further pressure old product approaches.

Figure 8

Nutrients Most Important to Know About When Buying Meat and Poultry

	%
Total Fat	49
Cholesterol	47
Calories	36
Saturated Fat	33
Sodium	31
Calories from Fat	27
Protein	27
Unsaturated Fat	23
Iron	18
Fiber	12
Total Carbohydrates	12
Calcium	10
Vitamin A	9
Vitamin C	9
Simple Sugars	7
Complex Carbohydrate	6

Source: AMI/Beef Board Study, 1992 Nutrition Labels and Meat

They will require new means to address these segments and maintain or improve quality. Ingredients figure to be part of the ultimate solution.

Buyers' Concerns

Let's turn our attention from the consumer to buyers. Generally speaking, many buyers have worked from the axiom that "the fewer the ingredients – the better the quality, the more expensive the product" and vice versa. Unfortunately, this came about from two perspectives. One is the need for buyers to generalize and categorize, as they have more and more information to assimilate. Second is a "taught" scenario from meat processors trying to differentiate their positions from one another. Obviously, this often makes processors fear moving forward with ingredient changes and/or additions even if they add value, better the product or make them more competitive.

In-depth focus groups and personal interviews have revealed some interesting facts about buyers and ingredients, and suggest that minds are not as closed as might be perceived. In fact, value can be established with the conveyance of the proper facts.

In-depth discussions reveal that buyers cannot really tell you the ingredients within the current products purchased. They admit to limited label reading and not knowing as much as they should about ingredients.

They recognize that ingredients are probably necessary and would generally like to know why they are there. They fear when they see a long label declaration that they are no longer buying meat (or poultry), but ingredients. In the absence of information, they have been conditioned to fear the unknown and often challenge with price. It is almost an involuntary response or a "game." They indicate that understanding the why's of ingredients frees their thinking and concerns. And with knowing the general purpose and level, they are open to ingredients and the value they contribute. In fact, it provides them the means to defend their decisions on product and pricing to their management.

Discussions indicated that a simple message for acceptance would include:

1. **The rough dry weight of all added ingredients.** The purpose is to overcome the stigma that they are buying 40% meat and 60% ingredients. Buyers actually believe when they see a long ingredient statement that they are buying only 40% to 50% meat. They appear to have little problem with ingredients (on a dry weight basis) of 10% or less. In fact, with the right product benefits attached, they would accept even higher levels with little or no problem.
2. **Two to three simple rationales for the ingredients present.** Essentially, the ingredients are present to (for example) improve purge and consistency, or reduce fat and maintain succulence, etc. Here you are helping the buyer ascribe value for the ingredient presence.
3. **Be able to have a simple statement for any particular ingredient present if asked.** This should be in terms of product benefits, not a technical litany. It should always relate back to the general ingredient rationale.

This simple message adds credibility and value to the product. There is no longer guesswork on the part of the buyer as to why the ingredients are there and whether or not the processor is trying to sneak something by (e.g.: cheapening the product). Any reformulation or ingredient label that has a simple justification can find acceptance.

Discussions suggest that the ingredient message be kept simple and concise. After all, processors are selling products, not ingredients. The ingredient message should be a small part of the typical product "sell" message. Within the product "sell" agenda, it would be contained within the "product composition" segment. In doing this, relating the ingredients to the product strategy is what establishes value in the minds of buyers. Further research is being planned among buyers to achieve an even stronger, more quantitative perspective and understanding.

Competitive Selling Posture

The old selling technique in competitive sales was to portray ingredients as "culprits" or "bad actors." Many sales forces attempted to use ingredients, or the lack of, as a point of positive distinction. This approach has tended to build apprehension and misconceptions among buyers. So instead of having flexibility and building the strongest product possible, it has pinned many processors into a corner. The industry needs to get away from this practice and sell products on their merits. If it takes ingredients to achieve a product's benefits, so be it.

Ingredients should be thought of as the means to an end. It is the ingredients, combined in a certain manner, that achieve the desired product results. If done appropriately, every one wins: the processor, the buyer and the consumer. This will require a greater level of professionalism that sells products and ingredients on their value, not on issues.

Recently, a good example of the old approach was an ad where an ingredient supplier, not a processor, was using the old fear, uncertainty, doubt routine. The tag line read—"Your labels do not have to be chemically dependent." It then men-

tioned other ingredients in this vein. Interestingly, soy protein, food starch and cellulose gum were mentioned. The question is, where is the research that supports such a position? I just showed quantitative evidence where these three ingredients were no less acceptable than many of the ingredients used today. This just causes continued confusion and permeates misconceptions. Interestingly, negative ingredient ad campaigns by processors or manufacturers have never really gained any long-term market or consumer positions. Ads that sell value and benefits far out-distance these negative campaigns.

A competitive selling posture requires that a processor be aware of the following:

1. **Equate the composition, or the ingredients, with the benefits each provides the product (such as increased juiciness or reduced fat).** Let the buyer know what is present as the ingredients are in the product for a purpose. By doing so, value is ascribed not only to the ingredients, but to the product as well.
2. **Communication is the best offense.** A buyer armed with simple facts that support your product platform will typically use those facts to confront competitive challengers.
3. **Today's competitive marketplace demands an intense look at how a company sells.** The buyer needs processors who can adapt and can help them move ahead. The industry needs to take a more positive selling approach, where ingredients are seen as allies, and not enemies. Efforts through associations and the market approach should work to keep options, like ingredients, open to meet consumer challenges and internal bottom-line objectives.

Ingredient Misconceptions

Before closing, let's quickly cover the most common ingredient and supplier misconceptions. Simply, many processors believe all ingredients are the same, just buy the one with the lowest cost. And, generally all suppliers are alike.

Well, the fact is that not all ingredients are created equal. Here is a quick checklist to be used when comparing ingredients. Remember cost is only one aspect. The organization should, in its ingredient evaluation, look to maximize finished product and corporate strategies:

1. Quality of Ingredient
2. Functionality
3. Finished Product Contribution
4. Cost Effectiveness
5. Ease of Use/Incorporation
6. Source and Price Stability
7. Supplier Reliability
8. Supplier Commitment

Likewise, suppliers are not alike. They vary in their means to deliver quality, cost-effective goods; to offer technology transfer and development assistance; to provide solid cooperative working relationships; and to their overall commitments, both to the industry and their customers. Importantly, today more than ever, key suppliers can be a resource and looked to bring innovation and technical solutions, as well as ingredients.

Summary

I believe the onus is on each and every one of us to:

1. Open our minds—and challenge the myths and misconceptions.
2. Build targeted products—Targeted products based on value, rooted in consumer need, and created through innovative use of all tools available.
3. Use ingredients where they assist product strategy execution.
4. Not fear ingredient use with the consumer or buyer.
5. Utilize targeted products and simple positioning to address competitive challenges.
6. Lastly, choose the right supplier, someone who can provide products and services required to compete in tomorrow's marketplace.

The challenge is now before you and your organizations to determine whether ingredients are an ally or an enemy.