San Francisco State University
College of Business
Marketing Management: MKTG 649, Spring 2003
Cases for Class Discussion

Pfizer Animal Health – 11 pages including the cover (March 25, 2003)

Case Discussion Questions

- Does it make sense for the Cow/Calf Team to continue segmenting the market on the basis of herd size?
- If it doesn’t make sense to continue segmenting on the basis of herd size, what variables can be used to segment the market that more accurately capture the variation in the marketplace? What do the resulting segments look like? What segments are most viable for Pfizer?
- How solid is the research for drawing conclusions?
- Assuming that support exists for the recommended segmentation approach, how can the recommended segmentation scheme be implemented in terms of marketing strategy?
Strategic Marketing

Seventh Edition

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Case 2–4
Pfizer, Inc., Animal Health Products (A)*

Kipp Kreutzberg was putting the finishing touches on his marketing plan for the coming year. As the senior marketing manager of Pfizer's Cow/Calf Division, he was responsible for a full range of animal health products: Pfizer marketed to cattle ranchers, including vaccines for newborn calves and their mothers, medicines (dewormers, antibiotics, etc.), and antibodies (for pneumonia and other diseases). Pfizer positioned its products on the combination of superior science (resulting from its significant R&D efforts) and high-quality production/quality control techniques. Pfizer's pride in its sophisticated research and development was based on its new and useful products for the market. The company invests more in research and development than any other animal health company does.

Pfizer historically had segmented ranchers in the cow/calf business on the basis of herd size, as shown in Exhibit 1.

"Hobbyists" are so called because in many cases these ranchers run their cattle as a sideline to another job. For example, a schoolteacher may keep a herd of cattle simply because he grows up on a ranch and couldn't imagine not doing so. In many cases hobbyists' ranch income accounts for a minor percentage of their overall income. The average age of hobbyists is 50 years, and 15 percent have a college degree. They have been in the cattle business for an average of 26 years and spend 51 percent of their time with their cattle businesses.

The main livelihood of "traditionalists" is their cattle operation. The average age of traditionalists is 51 years, and 26 percent have a college degree. They have been in the cattle business for 30 years and spend 70 percent of their time with their cattle operations.

The "business" segment operations are headed by ranchers who average 55 years of age, 22 percent of whom have a college degree, and who average 30 years in the business. They spend 80 percent of their time with their cattle. These large ranch businesses are owned either by a family or by a corporation.

Pfizer had an extensive network of field sales representatives who visited ranchers to inform them of products, offer seminars on herd health, and sponsor industry activities such as stock shows and 4-H. Time spent with accounts typically is allocated on the basis of volume of product purchased. Ranchers then buy the animal health products they need from either a veterinarian or a distributor/dealer (typically, animal feed stores and similar establishments). The field sales reps also call on the vets and distributors/dealers to help them manage inventory and inform them of new products and merchandising programs.

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**EXHIBIT 1**
Pfizer Market Segmentation, 1998

<table>
<thead>
<tr>
<th>Segment</th>
<th>No. Cattle</th>
<th>No. Operations</th>
<th>Percent of National Cattle Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hobbyist</td>
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<td>50%</td>
</tr>
<tr>
<td>Traditional</td>
<td>100–499</td>
<td>69,000</td>
<td>36%</td>
</tr>
<tr>
<td>Business</td>
<td>500+</td>
<td>5,900</td>
<td>14%</td>
</tr>
</tbody>
</table>

*This case was written by Jakki Mohr and Sara Streeter, University of Montana. © Copyright by Jakki J. Mohr, 1999. All rights reserved. Support from the Institute for the Study of Business Markets, Pennsylvania State University, is greatly appreciated. Some of the information in this case has been modified to protect the proprietary nature of firms' marketing strategies. The case is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective marketing strategies.
The Problem: Industry Challenges and Change and a Need to Evaluate Segmentation Practice

As the leader of the marketing team, Kipp recognized that his customers were facing some daunting challenges that would result in significant changes in the industry, changes that probably would affect Pfizer’s animal health business. For example, the market share of beef products had declined from 44 percent in 1970 to 32 percent in 1997, while pork and poultry had gained share. The decline in beef consumption was due in part to well-known concerns about cholesterol and fat. In addition, preparation issues affected the demand for beef, as they did for poultry and pork demand as well. For example, two-thirds of all dinner decisions are made by a consumer on the same day. In these same-day decisions, three-fourths of the consumers still don’t know what they are going to make as late as 4:30 P.M. Obviously, many beef products require cooking and preparation time, and this limits consumer selection.

Of course, other types of meat products also require cooking and preparation time. A key difference, however, is that consumers were being bombarded with new products from the poultry and pork industries. For example, in 1997 Tyson Foods introduced stuffed chicken entrees, roasted chicken dinners, Southwest-style blackened fajitas, and a host of other creative products. The names Tyson and Purdue are well recognized by the public, unlike the names of most beef products.

Some of the changes that had occurred in the poultry and pork industries were expected to diffuse into the cattle industry. Industry analysts believed that the beef industry would need to develop products that could be more easily prepared and develop branded products that consumers could recognize and rely on for quality and convenience.

In addition, industry analysts believed that the beef industry would have to improve the quality of its products in terms of more consistent taste and tenderness. Beef quality is assessed on the basis of U.S. production targets for tenderness, juiciness, flavoring, and marbling (fat) of cuts of beef. The targets are based on two dimensions. The first dimension is based on taste quality (tenderness and juiciness) and specifies that 70 percent of beef production should be rated high quality (choice or prime). The second dimension is based on yield and specifies that 70 percent of beef cattle should be rated grade 1 or grade 2 (implying a good amount of beef for the carcass size), with 0 percent poor yield (meaning that the carcass did not yield much meat). Currently, only 25 percent of beef cattle meet these criteria.

One way to improve the percentage of cattle meeting these criteria is participation in the Beef Quality Assurance program run through the federal government. This is a voluntary quality control program that is based on the education, awareness, and training of cattle producers to influence the safety, quality, and wholesomeness of beef products. It specifies injection sites (neck versus rump) for shots, a seven-step quality check for cows, a method and location for branding, and so forth. Forty percent of ranchers say they have participated in this program in the last two years, among whom 67 percent have changed the way they manage their cattle.

In summary, consumer demand for beef products had declined over the years, resulting in a situation of overcapacity, which depressed prices. A flood of imports resulting from NAFTA regulations further worsened the situation, as did high prices for feed. Most industry analysts were predicting a period of consolidation and alliances. Furthermore, many industry experts expected that beef would have to improve in quality and be better marketed and packaged to fit consumers’ changing lifestyles.

Kipp wondered how the ranchers, who were the lifeblood of his division’s sales, would handle the changes. From reports by the sales representatives in the field, he knew that the
situation was dire for many ranchers. He wondered whether Pfizer’s approach to marketing
took account of the complicated situation. In particular, the Cow/Calf Division had been
segmenting the market of ranchers on the basis of herd size for at least 15 years. In light of
the significant challenges posed by industry changes, Kipp wondered whether his team’s
approach to the marketplace was still a useful one. Perhaps a different approach to seg-
menting the market might allow his division to develop more effective marketing strategies
in light of the changes looming on the horizon.

Research Method

To provide some insight into the continued viability of segmenting the market on the basis
of herd size, Kipp asked Joan Kuzmack, the manager of marketing research for the Live-
stock Division, to conduct a series of depth interviews with cattle ranchers in the Rocky
Mountain/Midwest region. These interviews offer qualitative insights into behavioral and
attitudinal differences among cow/calf ranchers. More specifically, the objectives of the
research were to do the following:

- Identify the inputs driving ranchers’ success as cow/calf producers.
- Identify whether ranchers’ values and beliefs about herd management differed by herd
  size.
- Determine what motivates cow/calf producers in selecting products.
- Examine ranchers’ views about the future.

A stratified random sample was used to select ranchers for interviews. Rocky Mountain
and Upper Midwest ranchers in each of the three groups (hobbyist, traditionalist, and busi-
ness) were identified and randomly selected from within those strata. Exhibit 2 provides
descriptive statistics on the types and numbers of ranchers interviewed.

Ranchers were asked a variety of questions, using a semistructured questionnaire. The
questionnaire focused on their herd management activities: attitudes, values, and beliefs
about herd management, and views of the future trends in their industry.

Research Findings

Inputs Driving Ranchers’ Success as Cow/Calf Producers

The results from the interviews suggested that commercial producers across all three herd-
size categories look for maximum output (weight gain, number of calves) with the mini-
mum inputs. They attempt to improve the quality of their calves through health and
nutrition programs, genetics, and herd culling. Activities used to manage the herd include
vaccinations, nutrition, and breeding programs. Ranchers also strive for uniformity in the
calves, typically on the basis of size. These goals in managing the herd are traded off
against the cost of achieving them. As one respondent stated:

We strive for the largest amount of production with the least amount of input going in.
That’s really the only thing we can control at this point with the economy the way it is.
We can’t control the price that we get for our product, so the only way we can make
ends meet is to control the input cost.—Traditionalist

Some ranchers also focused on range management of their grasslands as another objec-
tive in managing their operations:
<table>
<thead>
<tr>
<th>Number of Interviews</th>
<th>Hobbyist</th>
<th>Traditionalist</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td></td>
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<tr>
<td>&lt;100</td>
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<td>1</td>
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<tr>
<td>&gt;1,000</td>
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<tr>
<td>Percent of Time Spent with Cattle</td>
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</tr>
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<td>&lt;80%</td>
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<td>1</td>
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</tr>
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<td>2</td>
</tr>
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<td>100%</td>
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<tr>
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<td>2</td>
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<tr>
<td>Type of Operation*</td>
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<td></td>
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</tr>
<tr>
<td>Commercial</td>
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<td>4</td>
<td>3</td>
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</table>

*Seed-stock operators focus on breeding high-quality bulls for use by commercial producers. The bulls are measured by the quality of their offspring. Desirable characteristics include low birth weight, rapid growth, high carcass yield, and grading of choice or better-quality meat. Commercial producers raise calves to sell to feedlots. The feedlots fatten the calves, are sold to packing houses, and move on to the retail distribution channel for consumers. In some cases, commercial producers retain ownership of their calves, in which case the rancher pays the feedlot to feed out the calves but the rancher still owns them. Then the rancher sells the calves to the packing houses.

Basically I think of us as ranchers; we're in the business of grass managers. We grow grass, and if we don't manage our lands to grow a lot of grass, the right kind of grass, we can't run the cows properly. All the genetics in the world won't be of use without the right grass.—Traditionalist

The degree to which ranchers felt that health management was critical to their herds' success varied greatly. Some valued herd health as one of the most important concerns:

You start off with the best breeding that you think you can do through bull selection. From there, it goes on with nutrition and herd health. You're expecting more from the cows. You have to put more into them with nutrition and herd health. You can't cut corners on either one of those. Some feeds will be cheaper some years than others, but we stay with the same drugs.—Traditionalist

Others tended to put in the bare minimum into herd health, sometimes because they were uncertain what results the health management programs yielded:

We only do the bare minimum on health care. We do more of a preventative maintenance than anything else. We don't do any more than we have to because you can vaccinate for so many things. Our philosophy has been, if you don't need it, don't do it. You can get an awful lot of money in your cows giving them shots of stuff I don't know if you need.—Traditionalist
I try to keep them healthy with shots and nutrition. I don't want to skimp on the health of a cow, but if I can save some money by supplementing different things in the ration or with vaccinations. . . . —Hobbyist

Seed-stock producers were seeking “best genetics,” a loosely defined goal that commonly focused on breeding bulls that would maximize weight gain in commercial calves. Seed-stock producers consistently used artificial insemination in their cows and kept computer records to track information on their herds. They used software programs provided through the breed association to record animal registry and performance information.

Use of Information in Herd Management

To aid in herd management, most of the ranchers in the hobbyist and traditionalist categories collected information on their cows and calves. The information collected on calves included birth date, birth weight, sex, and weaning weight. The information collected on the cows included calving history, mothering ability (temperament and/or milk production), calving ease, and which cows birthed the replacement heifers. This information typically was handwritten in a book of some type. The ranchers maintained an intimate familiarity with their cattle and saw them as individuals.

We knew everything there was to know about our cattle. . . . We knew more about our cattle than we did about our family. We could tell you every calf a cow had, pretty much the exact minute she had it every year. I’ve got little books here that I wrote everything down exactly.—Traditionalist

In the business category, ranchers collected some information on their cows and calves. That information might be collected on an exception basis because of the number of head with which the ranchers were working. The ranchers were familiar with their cattle, but not to the degree demonstrated by the owners of smaller herds.

Some ranchers used a very sophisticated approach to gathering information in order to refine their herd management practices. For example, one purebred operation sent some of its calves to a test station where all the calves from various ranches were fed and cared for similarly. This allowed the rancher to show how well his bulls stacked up to bulls from other ranches in a controlled experiment. Another rancher stated:

We’ve performed quite a few experiments of our own over the years, and still do. I have a fair sense of what a true experiment is with controls and so forth. We get a lot of cooperation from the pharmaceutical industry. We’ve tested new products such as ear tags. We get a lot of things free as long as we’re willing to put in some controls and report on the results. I enjoy that sort of thing. We’ve had some experiments going for a couple of years on range management. The opportunities are out there if you’re cooperative. I think I probably have an advantage because I know how to conduct an experiment. We can get information firsthand from experiments we conduct ourselves. . . . We’ve changed our method of supplementing cattle in the winter. We’re using more expensive supplements that don’t rely on salt. We seem to distribute cattle better. I think it worked. It’s cheaper in the long run because you have more grass.—Business

The changes made on the basis of the information ranchers collected varied in their sophistication. Some made changes that were based primarily on judgment and intuition.

It’s done by eye and is not as scientific as it could be.—Business

A lot of times you know in the back of your mind what you want to do with a cow. It’s sure nice to have the records, because you go back and refer to it.—Hobbyist
Many of the ranchers attempted to get information back from the feedlot on their calves in order to assess how well they did after leaving the ranch. In some cases they also received carcass data, which allowed them to assess weight gain, quality of the meat, and other types of information.

There were isolated but notable exceptions to gathering and using information about the herd. One rancher kept no information on his herd, did not attempt to get new information on herd management practices, and relied strictly on the information “in his head” based on his cumulative years of experience. Another said:

It was just a matter of whatever the good Lord gives them when they come out; that’s what they are. I can’t change that very much.—Hobbyist

The information ranchers gathered was used primarily as a tool in culling the herd. Culling of open (not pregnant) cows or those that were “unsatisfactory producers” usually occurred in the fall. In general, it seemed that changes in herd management were highly judgment-based. Cause-and-effect links for possible problems were hard to establish. For the larger herds, information was not collected on a detailed enough level to analyze and draw specific conclusions.

Where I’ve got a thousand head, and we’ve got one full-time employee, we don’t track detailed information on a cow-by-cow basis. I’ve always got a book with me, so when we’re working them, I put things down in the book. That information will be put on the computer. After a while you kind of know your cows. It’s visual, when you see things you don’t like.—Business

Motivations in Selecting Products
Ranchers as a whole were interested in getting additional information about how to manage their operations better. They read industry trade publications, attended seminars, and talked to neighbors. They were most likely to view information as credible if it came from a local source that was familiar with specific local conditions. As a whole, it was clear that the person the ranchers trusted most was the veterinarian. The ranchers also found the animal health product firm reps to be a good source of information, but not as credible as the veterinarian.

On a drug situation, I wouldn’t necessarily trust one person over another, but I would certainly pay attention to my veterinarian. He knows my area and my situation better than the drug rep from the company does. Even though I know the drug rep from that company is going to represent the drugs he sells, I don’t necessarily trust what he says. I just like to have more information about what works in my environment.

—Traditionalist

Ranchers bought their animal health products from both veterinarians and supply houses. Price was an important consideration but not an overwhelming concern.

Ranchers’ Views about the Future
The ranchers all expressed concern about the future. The number one concern among the commercial hobbyists and traditionalists was the low prices for their calves. While business producers also were concerned about price for their “outputs” (cattle), they were concerned about the input side of the equation (expenses) as well. All the ranchers noted that with the low prices they were getting for their calves, they couldn’t afford to maintain and replace the old, dilapidated equipment they were using.
It takes a lot of calves to buy a new pickup, when they want about $30K or something.—Hobbyist

[My number one concern is] pricing, and not just the price of the product but the price of what it costs to produce that product. Compare the price of beef with the price of machinery. Calves are bringing what they brought in the 60s, but a tractor costs three times as much.—Traditionalist

In addition, they noted the high price of land. One rancher stated, “The land around here grows houses better than cattle.”
Ranchers spoke vehemently against NAFTA and the influx of cheaper imports.

Well, the biggest issue we have right now is NAFTA. NAFTA is probably the worst thing they’ve come up with. It has lowered our cattle market so bad, it’s put a lot of people out of business, driving the prices down so low. It is not fair trade from the standpoint of shipping Australian cattle into Mexico; they become Mexican cattle and come right into the U.S. They can get our top dollar (whatever we’re getting here—say, 60 cents) but were brought in through Mexico at 30 cents. They flooded the market. They didn’t have to make as much: they don’t have as much in their cattle. With this R-Calf thing, they’re investigating Canada. Let’s face it: They’re overrunning our market. It takes away the supply and demand. It’s not just affecting us, it’s affecting everybody—for example, the beef business, the car business, the timber industry.—Traditionalist

Tightening environmental regulations (the Endangered Species Act, pesticides, water quality, etc.) also had an impact on the economics of ranching operations.

The increasing market strength of the packers was viewed with fear and trepidation and also with a sense of increasing helplessness. Ranchers sold their calves to the feedlots, which in turn sold them to the meatpackers. Packer concentration (four packers controlled 80 percent of the market) and the packers’ perceived ability to set prices (the implication is “collusively”) for the industry was a recurring theme. Moreover, fears of vertical integration by the packers, or packers that own their own cattle and feedlots, further worried the ranchers.

We have no market for our agriculture products. To back that up, when you’ve got packers controlling 80 percent of the cattle and they’ll buy cattle for a half hour in the middle of the week, you either take the offer or you leave it. If you turn them down, pretty soon they won’t come back and look at your cattle or price your cattle. This is where we’re going to have to have more players in our market or we’re going to have to become one of the major players against the packer in supplying food to the consumer. We cannot compete with packers that own their own cattle and slaughter their own cattle instead of paying the market value for cattle they don’t own. So that’s why I say we have no market. The grain is the same way, because basically, the same companies that control the grain control the cattle: Cargill, ConAgra, ADM. You just look through the hall of mergers. One of these days, if things don’t change, we will know the true value of our food when the corporations get it and we’re all working for those people. The consumer will find out what the value of it is.—Business

In general, the view among the commercial producers was one of extreme pessimism. They saw a lot of other ranchers going broke (but usually not themselves).

I think it’s all offset by the good things, but sometimes you wonder. You have to wonder about your mentality. You work and you work and you work and you work and you work and you
work and then you sell your cows at a loss, and you think, “Why am I doing this?” Either I’m really stupid or really stubborn.—Traditionalist

I think the day that the old rancher who gets on his horse at daybreak and gets off his horse at sunset and never sees another human being, and everybody is knocking on his door to buy his calves—those days are through. I hate to admit it, but everywhere you turn, somebody is trying to put you out of business. If it isn’t the Bambi-huggers, then it’s the prices, and if it isn’t that, then somebody’s coming along with those brainy ideas. The small producer is really going to have to work at it to stay in business.—Traditionalist

Solutions: Value-Added Marketing, Branded Beef, and Quality

Ranchers were asked about possible solutions to the depressed prices they were facing. The solutions discussed in industry publications included value-added marketing, or marketing strategies designed to increase the value and quality customers receive from beef purchases, and a branded beef model. The development of branded beef would require a tracking system from “birth to beef” in the supply chain. Such tracking would allow standardized health, quality, and management protocols as well as improved feedback through the entire production model.

Branded beef production would move the industry from a cost-based (production) model to a value-added model. This change would also require the producers to be more closely linked to the feedlots to improve the quality of the beef. Better coordination along the supply chain would ensure an increased flow of information from the consumer to the producer. Alliances between the cow/calf producers and the feedlots would allow ranchers to better track the success of their calves (based on health and weight gain). Those data could allow the ranchers to further improve the genetics of their herds by tracking which cow-bull combinations had delivered the higher-yield calves. As part of these trends, some degree of integration or vertical coordination would occur in the beef industry. Ranchers would have to participate to ensure market access for their product. Ranchers would have to think beyond the boundaries of their own ranches.

Most ranchers were familiar with the concepts of value-added marketing and a branded beef model. However, most were dubious about their viability and impact on ranchers’ independence.

I don’t know if any kind of marketing at this point is going to get us where we need to be without a change in the price structure of cattle.—Traditionalist

If there is a demand for high-quality beef, then the market should show it, and the packers will start bidding more for a piece of that quality. There may be some niches somewhere that people can fall into, but it’s not going to be the salvation of many ranches. What we need is a mass market. Whatever niche there is, is going to be saturated very quickly, and the price will come down. I think the solution is cutting costs. People are eating a tremendous amount of beef, but the production is enormous as well. Numbers are down, but tons are up. The amount of beef being eaten is still quite high. I just think that some people have got to quit producing beef.—Business

We are concerned about the vertical marketing approach big companies are introducing into the system. Ranchers are very independent-minded people. We are fearful about the control that companies will be able to exert on us.—Traditionalist

Skepticism about value-added marketing is also derived from history: Other programs used in the past to provide a more consistent product to the feedlots, with supporting
documentation, did not result in noticeable price differences. Of all the information ranchers collected on their herds, only vaccination records seemed to be valued by cattle buyers. Ranchers with complete histories of their cattle were selling their calves at the same price as ranchers without that information. Hence, the information was not viewed as a way to command a premium for the calves.

For many years, it seemed like having good health records on the calves didn’t matter. One herd would keep excellent records and be real progressive, and the next-door neighbor was the exact opposite, and it was the exact same price for both. The local cattle buyers didn’t give a premium to keep the records, give the vaccines. . . . There were green tag programs in the 1980s (we followed one) where the vet certified you used them [preconditioning records]. But the cattle buyers didn’t pay a premium for them. They as much as said, “We don’t care.” Today, 10 years later, cattle buyers are starting to ask. Will you precondition your calves? Will they be “bunkbroke” (so when they get to the feedlot, the calves will be trained to go to a feedbunk to eat)? Will they be weaned? There’s a stress period associated with weaning. So there’s more of a focus on those questions now than there has been. But there’s still no rule; it’s not a given. It’s still ambiguous when it comes to marketing the cattle whether the information matters or not [results in a better price for the cattle].—Traditionalist

The feeling was that price premiums, if any, would accrue to others in the supply chain (the packers, retailers, and others). Despite that, some with more progressive views noted the need to have more of a consumer focus in their efforts:

We need better beef quality if we’re going to increase consumption. A lot of the breed associations are concentrating on carcass quality right now. There’s measurement; there’s selection for marbling and yield on cattle. I think as long as there is a possibility there might be some added value, a person should start working on it a little bit, along with the other production traits. I think it’s something to pay attention to.—Traditionalist

I think in the future, all ranchers are going to have to retain ownership of their cattle more and follow them closer to the consumer. I think that’s part of our problem right now with our packer concentration. The producer’s going to have to be a meat producer and not just sell calves. I think some of our long-range goals are going to have to be to get closer to the consumer with our product and know what he wants instead of listening to the packer tell us what he wants.—Business

The money in agriculture is not in producing it. It’s in processing it. This is where more ranchers and farmers have to realize that you can’t produce the raw product anymore; you’ve got to follow it on through.—Business

Ranchers also noted that the idea of consistent quality beef was important.

I’m expecting to see a change to where quality is more important. I think, down the road, that it’s going to be mandatory that you know exactly what your cattle are doing. Those that aren’t producing well at the kill floors are going to come back to haunt you.—Business

Interestingly, each of the respondents who was interviewed felt that the quality of his or her beef was above average. However, there was some doubt about whether consistent quality could be achieved easily with range cattle.

That’s going to be pretty tough with cattle. With chickens and hogs, you can throw up a confinement building. One person can control x amount of hogs and turkeys and
chickens. But how do you do that with cattle? You can only have so many cattle in one spot because they’re bigger and they need more feed. You’re going to have to have pasture. It’s going to be pretty tough to get everything uniform. There are a lot of small producers with just a few cows around.—Hobbyist

I’m not convinced that branded products are going to magically save the beef industry. I think we’re in competition on a world scale, and we’re going to have to cut our costs of production. I think we could get our costs down to about 45 cents per pound of critter sold if we had to. Our total production would go down, but I think our costs would go down more.—Business

Because of the doubts about the viability of moving to a branded beef model, ranchers tended to focus more on controlling the cost of inputs and weathering the current downturn in the production cycle. One respondent cited earlier summed this up as “striving for the largest amount of production with the least amount of input.”

Rancher’s Concluding Thoughts

Despite these hardships and concerns, the ranchers were passionate about their love for their lifestyle, feeling that the benefits of living a life on the land outweighed the drawbacks.

You get up in the morning and go out there, and everything’s bright and fresh. We’re fortunate in this part of the world that we don’t have a lot of noise from cars and trains. It’s gratifying to see what happens when spring turns around, new things start to grow, new animals come into the world. It’s pretty special, something that you can’t explain to a lot of people because they don’t understand what you’re talking about... It isn’t the highest-paying job in the world, but it’s got a lot of happiness that money can’t buy.—Traditionalist

They expressed pride in their work and a sense of ownership for feeding the country’s people.

Back to the Segmentation Decision

As Joan perused the findings from the qualitative interviews, she wondered what she would report to Kipp about possible changes in their approach to market segmentation. Joan wondered whether their historical approach to segmenting the market on the basis of herd size was consistent with the changes in the industry and the changing needs of ranchers.

Despite the insights gathered, there was a lack of understanding of the various segments of beef consumers and their needs, how brand marketing could affect consumer demand, and how alliances within the supply chain could affect the ranchers’ situation. Unfortunately, the fragmented nature of the cow/calf producers, combined with their focus on production rather than marketing, meant that the beef industry was not very consumer-focused.

As she pondered how all these pieces fit together, Joan began to brainstorm new ways to look at the market. She wanted to work with Kipp in developing a plan to maintain Pfizer’s market position in light of the changes in the industry.