

Understanding Restaurant Attitudes and Practices Regarding Niche Pork Products



By:



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I. Project Overview



Introduction

The National Pork Board and its NichePORK program have identified a need to understand usage and attitudes toward the niche protein category and, more specifically, towards niche pork.

As its initial step to understanding restaurant usage and attitudes toward using niche pork product, the National Pork Board has engaged Technomic to develop this report and analysis. The findings of this report will be used to assist in developing strategies and tactics for promoting niche pork products to the restaurant industry.

The primary objective of this assessment is to provide the National Pork Board with an evaluation of restaurant usage of and attitudes toward niche pork products, such as organic, antibiotic-free, free-range, genetic-specific, locally-raised and farm direct products. In the context of this assessment, attitudes and practices toward other niche protein products will be covered for comparison, where appropriate.

Methodology

Technomic completed 50 in-depth qualitative interviews by telephone with key decision makers (primarily chefs), primarily within the fine dining arena; however some casual dining restaurants were also interviewed. 10 of the 12 contacts provided by the National Pork Board were successfully interviewed, including two chain restaurant operators. The companies interviewed are listed on the following pages.



Study Participants

Adelmo's	Dallas, TX	City Grille	Atlanta, GA
Al Biernat's	Dallas, TX	Cliff House Inn	Manitou Springs, CO
All City Diner	Renton, WA	Cosi Cucina	Des Moines, IA
Ambrosia on Huntington	Boston, MA	Court Avenue Restaurant & Brewing Co.	Des Moines, IA
Anacapri	Miami, FL	Dailey's	Atlanta, GA
Appetito Restaurant	New York, NY	Deleece	Chicago, IL
Arun's	Chicago, IL	Dodd's Townhouse	Indianapolis, IN
Aura	Boston, MA	EBT Restaurant	Kansas City, MO
Austin's Bar & Grille	Olathe, KS	Eli's, The Place For Steak	Chicago, IL
Bayona	New Orleans, LA	Emeril's	New Orleans, LA
Bayport House Restaurant	Bayport, NY	Geja's Café	Chicago, IL
Blackbird	Chicago, IL	Gotham Bar & Grill	New York, NY
Black Kettle	Milwaukee, WI	Great Caruso	Houston, TX
Bob's Steak & Chop House	Dallas, TX	Hickory Park	Ames, IA
Bonnie's Beef & Seafood	Houston, TX	High Finance	Albuquerque, NM
Bradley Ogden's	Las Vegas, NV	Jay's Seafood Restaurant	Dayton, OH
Chipotle Corporate Office	Denver, CO		



Study Participants

L'ETOile	Madison, WI
Landmark Tavern	Pittsburgh, PA
Mary Elaine's	Scottsdale, AZ
New World Home Cooking Co.	Saugerties, NY
Norwood's Seafood Restaurant & Wine	New Smyrna Beach, FL
Old Gadsby's Tavern	Alexandria, VA
Ortanique On the Mile	Miami, FL
Red Barn Steakhouse	Lakeland, FL
Restaurant L	Boston, MA
Sal Grasso	Atlanta, GA
TGIFriday's Corporate Office	Dallas, TX
The Bristol at Arrowhead	Edwards, CO
The Church Brew Works	Pittsburgh, PA
The Inn Philadelphia	Philadelphia, PA
The Landmark Restaurant	Mesa, AZ
The White Horse Inn	Madison, WI
Zane's Grey Dining Room	Payson, AZ



Report Organization

The remainder of this report is organized as follows:

- Niche Protein Usage
- Niche Protein Promotion
- Decision-Making Influences
- Conclusions and Recommendations

II. Niche Protein Usage



Usage of Various Proteins

Among the operators interviewed, usage of the three major protein types – beef, pork and chicken – is highly prevalent. The following chart briefly indicates most popular cuts used and the situation for each protein based on respondent insights.

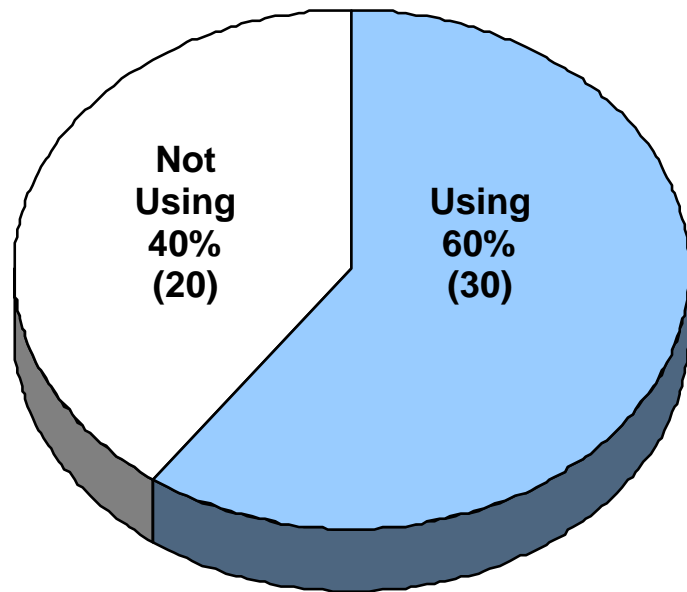
Protein	Most Prevalent Cuts Used	Growth Situation	Rationale for Growth
Pork	<ul style="list-style-type: none"> • Bacon • Chops • Shoulder • Tenderloin 	Strong	<ul style="list-style-type: none"> • Patrons are becoming more comfortable eating pork as it is seen as becoming more “mainstream.” • New cuts/menu items are being provided to operators, which further motivates offering.
Beef	<ul style="list-style-type: none"> • Steaks 	Strong	<ul style="list-style-type: none"> • The low carb, high protein trend has been positive for beef, especially steak items.
Chicken	<ul style="list-style-type: none"> • Breasts • Whole 	Strong	<ul style="list-style-type: none"> • Chicken remains popular given versatility and strong patron acceptance.

Current Usage of Niche Products

Of the 50 operators interviewed, thirty (60%) used some type of niche protein in their operations. Among the different proteins, niche beef products appear to be the most extensively used.

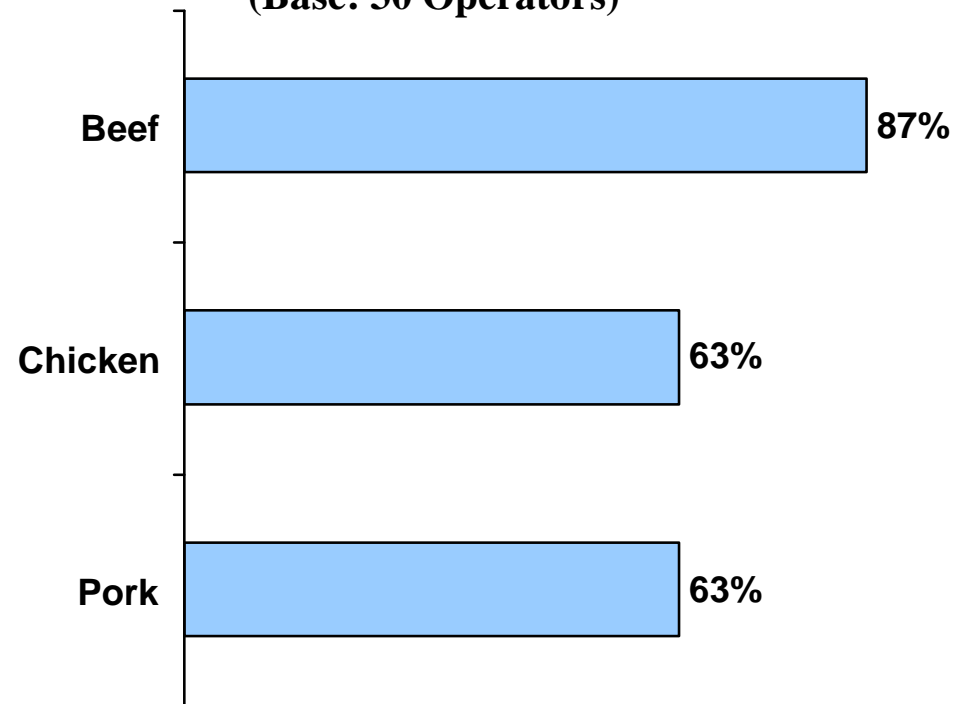
Usage of Niche Protein

(Base: 50 Operators)



Niche Proteins Used*

(Base: 30 Operators)

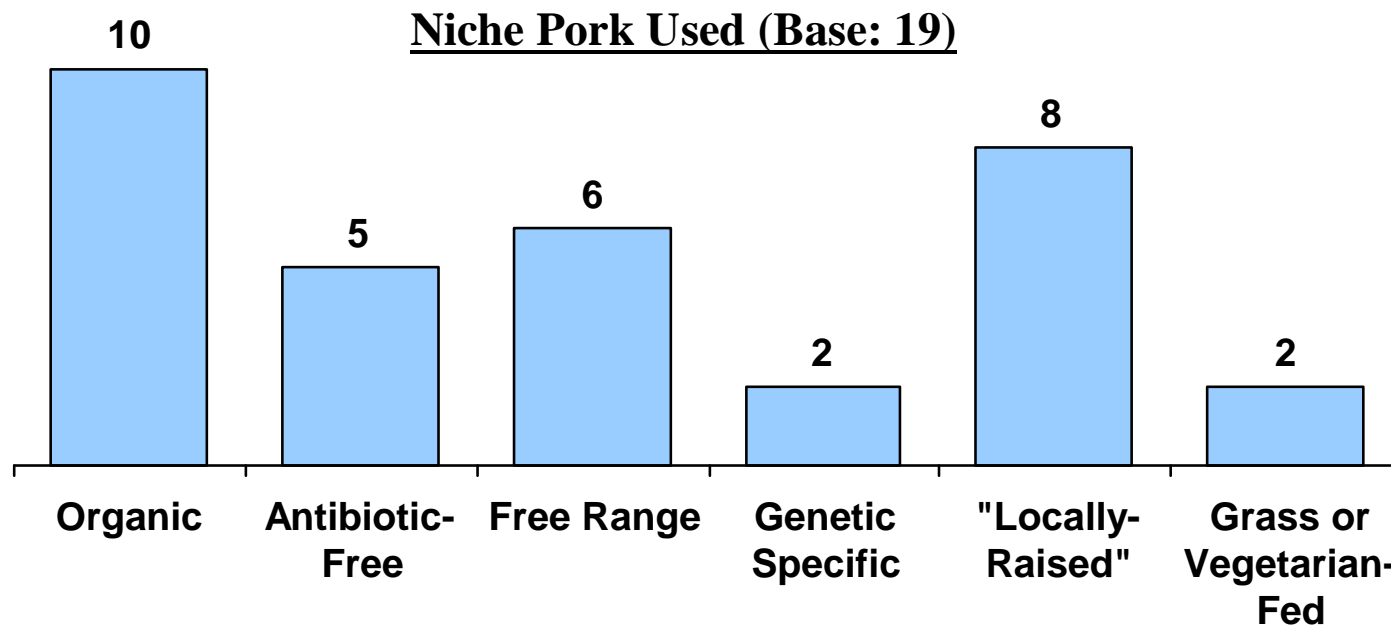


Base: Operators using a niche protein; multiple mentions accepted

Niche Pork Products Used

Of the niche pork used, the majority of reported usage was in “organic” pork, followed by free range and “locally-raised” pork. Only two operators report using genetic-specific pork, however, few understand this term and its meaning.

- The term “organic” was used “loosely” by many operators to represent products purchased that encompass multiple niche characteristics (i.e., locally-raised, antibiotic-free)



Note: Multiple mentions accepted

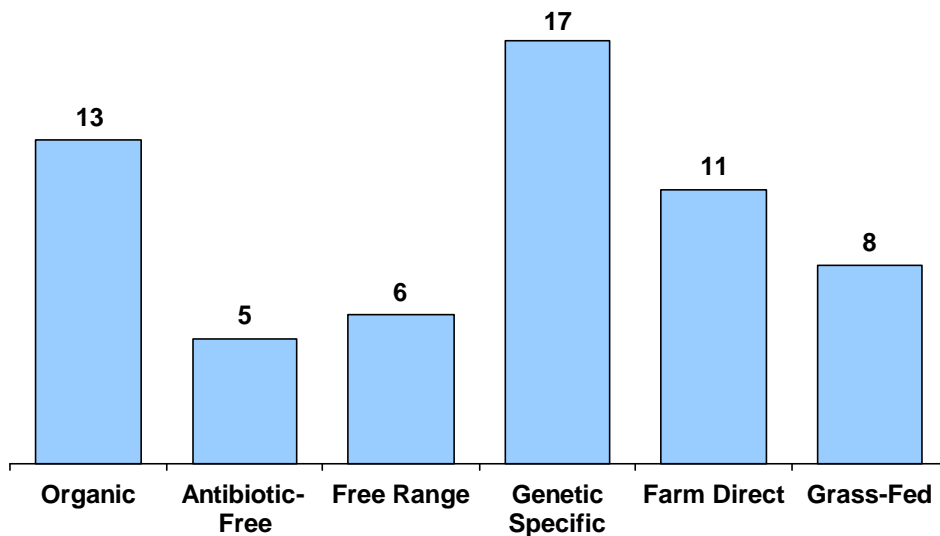
Niche Beef and Chicken Used

Looking at beef and chicken, organic is also a major niche product that is used by operators.

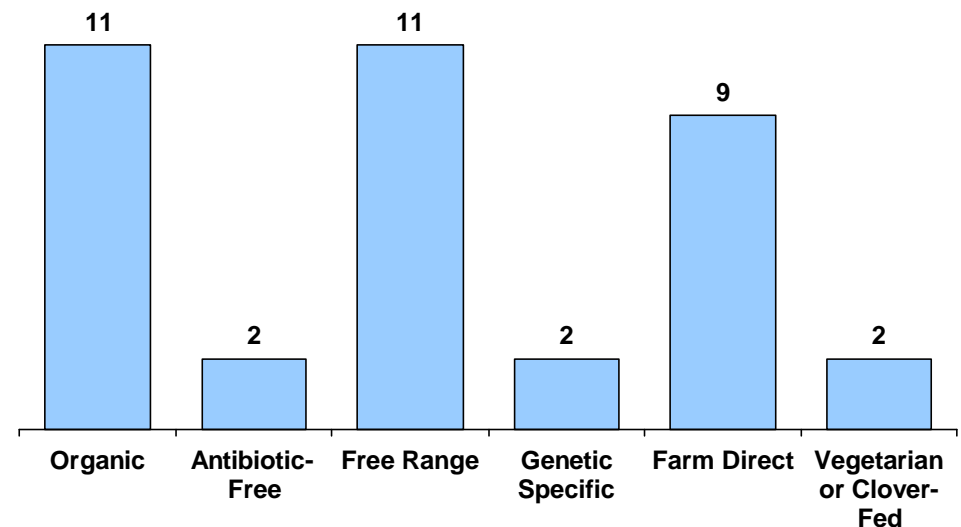
- Primary genetic-specific mentions were for Kobe beef and Angus beef; grass-fed beef is popular.
- In chicken, free range appears to be the major niche.

Niche Proteins Used

Beef (Base: 26)



Chicken (Base: 19)



Note: Multiple mentions accepted

Rationale Behind Offering of Niche Proteins

From a research perspective overall, a number of reasons are given for using niche proteins specifically. These are listed in order of mentions.

1. The quality of the meat is perceived to be better.
 - Juicier, more flavorful, tender, and better coloration
 - “The population is so large that we forget about quality because we have to produce for the masses. As a chef I have to do less with the product when it is organic.”
2. Niche products are perceived to be healthier and safer.
 - More vitamins and nutrients
 - “When the prices of beef went up with the whole Mad Cow scare, I wanted to make the concerned customer feel safe.”
3. The ability to support the local agriculture and economy is seen as a positive.
 - Locally grown, direct from farm
 - “When directly dealing with local farms, personal relationships are established, customers are more supportive and you have a better grasp on how they are raised and what they are fed.”

Rationale Behind Offering of Niche Proteins

4. Offering niche proteins often allows for differentiation.
 - “We are a niche restaurant so we want to serve only the best out there.”
5. The public is becoming more educated and are expecting better quality products, which often is offered with niche proteins.
6. Traceability (knowledge) of where the meat comes from and how it is raised is becoming important.
 - “I have been in business for more than 30 years, and I have seen what has happened to food we buy pre-packaged. I also do a lot of research, and believe that the closer the product is to itself the healthier it is.”
7. Niche proteins are perceived to provide a more humane way to treat the animals.
 - “I am an advocate for animal rights.”

Rationale Behind Offering of Niche Pork

Along with the previously listed reasons for use of niche proteins, the following are the major reasons niche pork products are to be used, which are identical to ones seen for overall niche protein usage.

1. The quality is perceived to be better.
 - “It is the best quality you will find for pork belly.” (said of organically raised)
 - “The pork looks nicer, better coloration. It is more of a red meat.”
 - “When raised free-range, the pigs get a natural, thick layer of fat on their back, which they don’t get when raised in confined spaces. It makes the meat taste better.”
 - “It is a good product, different and better than pork you normally buy.”
2. The style of the restaurant is conducive to using niche products.
 - “It is very important to the ‘old’ style feel of our establishment, before chemicals were used or large production of pork was used.”
3. Operators want to support local agriculture.
 - “Some people seem to be hesitant on pork, but always trust products from their local area.”

Replacement or Addition of Products

When the restaurants interviewed started to menu “niche” pork items on their menus, the response was almost evenly split between these items being a menu “replacement” versus an “addition.”

For those that say that the niche pork item was a replacement for another pork item, the main reason dealt with differentiating on an overall basis.

- The quality of the meat is perceived better than “normal” forms.
- “I am impressed with the care of farmers and the quality of meat produced. We wanted this to be something we offered menu-wide.”
- The niche items are viewed as safer and healthier, therefore providing “comfort” to clientele.

For those that indicate that the product was an addition to the menu, the following reasons were provided.

- New cuts have been introduced in niche, therefore offering these cuts provide a specialty image of the menu item.
- Inconsistent availability is an issue, which does not allow for replacement of an existing item.
 - “I can only offer organic pork as a special because of inconsistent supply.”

Factors That Would Increase Niche Pork Usage Among Current Users




There are a number of factors that would lead current niche pork users to increase their usage of niche pork. These are:

- Improved pricing of niche pork products. Price of niche pork items are seen as high, and many believe that this is the major inhibiting factor for increased usage throughout the industry.
- Increased availability of niche protein items.
 - “I have run into problems when the supply doesn’t meet the demand, and I am forced to carry commercial grade meats.”
- Increase in customer demand. Respondents report that if customers demanded these products more vocally, more cuts and forms would be offered. The perception is that the majority of customers do not understand the benefits of niche products.

Price Perceptions Among Users

Among current users, the price for niche products vary by protein. The typical price premium paid (as reported by operators) for each protein purchased is listed below.

Cost Premium (Reported by operators)

Pork		20-30%
Beef		30-40%
Chicken		10-20%

Rationale For Not Using Niche Products

The major reason those operators that do not utilize niche proteins in their operation is the high perceived cost. This is the major hurdle for operators to offer these products, regardless of protein type.

- “It is cost prohibitive.”
- “I can’t maintain profits without charging more and we don’t want to, that is not our style or reputation.”
- The perception of non-users is that niche protein products in general cost anywhere from 20-50% more than their commercial counterparts.

Another reason for not offering niche protein products is that some operators are satisfied with current “normal” products available in the market.

- “We don’t feel the need to, we are fine with what we currently sell.”
- “We already have high enough quality, know where the products come from and haven’t had any requests. So why change?”

Rationale for Niche Beef/Chicken Users for not Using Niche Pork

There were a number of users of niche beef and/or chicken products did not use niche pork. There were two major reasons provided for not using a niche pork product among these type respondents.

- Low volume of pork used did not necessitate using a niche pork product.
 - “As a restaurant we are not focused on pork, we are a steakhouse.”
- Perceptions that there is no difference between niche products and commercial pork.
 - “There is no overall difference, the organic bacon was too fatty and that isn’t what I want to be paying for.”

Factors That Would Motivate Niche Pork Usage Among Non-Users

The following factors would motivate usage of niche pork by operators not currently offering niche pork. These are listed in order of mentions.

- Lower cost overall.
- Proof that the benefits of specific niches are truly attractive to patrons.
- Proof that the health benefits of niche pork are true.
 - “I would consider using the products if the costs went down and I became more knowledgeable about all of the products and their benefits.”

Future Use of Niche Proteins

According to those interviewed, (both current and non-users), niche proteins, including pork, will increase significantly over the next several years. In fact, most report that their own usage will increase over the next several years. Reasons include:

- Production of niche items is increasing, hence supply is increasing.
 - “There will be more farmers producing organic products.”
- Costs are anticipated to decrease as production increases, which will reduce price barriers for some operators.
- Stricter government regulations are expected to be imposed on all meats, which will result in more demand for niche products.
 - “The momentum for cleaning up chemicals has begun. Politics are going to be the driving factor between commercial and organic meats.”
- Patrons are perceived to becoming more educated on the benefits of niche products, and increasingly will demand these products from restaurants.

Greatest Opportunities for Niche Pork

Operators interviewed identified the greatest opportunity arena for niche pork going forward.

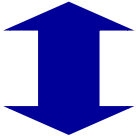

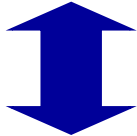
- Many believe that the term “organic” is resonating very strongly with consumers. The term is seen as promoting products that are “healthy,” “free of preservatives” and “wholesome.” Hence, pork that is described as “organic” is seen as offering strongest growth opportunities among the niches.
- At this point, operators interviewed believe that niche pork product appeal is mostly limited to upscale, white tablecloth restaurants. However, looking forward, there is a belief that as more consumer demand builds for “wholesome” products, increasing appeal will result in casual dining and even quick casual restaurants offering these products.

III. Niche Protein Promotion



Menu Pricing of Niche Products

Operators report that they believe they can charge a premium for niche products on their menus. They typically charge a premium that is equal to the percentage premium paid for raw materials.

Example of Price Premium for Niche Pork					
<u>Product Type</u>	<u>Price Paid for Pork</u>		<u>Price Charged on Menu*</u>		<u>Differential</u>
“Commercial”	\$5.00		\$15.00		\$10.00
		25% Premium		25% Premium	
Niche	\$6.25		\$18.75		\$12.50
					25% Increase in profit

*Assumes 33% food cost

Promotion

Most restaurants interviewed are highly involved in promoting niche proteins directly on their menu. They have paid a premium for these products and want their customers to feel comfortable paying a higher price; they accomplish this by promoting the exclusivity of the product. Another reason to promote is to show support for the local farmers.

Chefs take pride in their efforts and want clientele to know, so they promote their work in any way they can.

- The product niche is usually promoted right on the menu.
 - The nature of the niche is stated. (organic, natural fed, Kobe)
 - The farm/ranch where it was raised is mentioned. Some even go as far as to name the individual farmer from which the product is purchased.
- If not promoted on the menu, word-of-mouth is a popular technique. Tableside mentions from the server at the time of order are used.

Examples of Specific Names Mentioned on Menus

Specifically Named Types of Niches and Farm/Ranches Used			
	Beef	Pork	Chicken
Type of Niche	<ul style="list-style-type: none"> • “Angus” • “Kobe Wagyu” • “Hereford” 	<ul style="list-style-type: none"> • “American Choice” • “Free-Range” • Organic • “Kurobuta” (Berkshire) 	<ul style="list-style-type: none"> • “Free-Range”
Farm/Ranch Mentioned	<ul style="list-style-type: none"> • “Morgan Ranch” • “Allen Brothers” • “GypsyCow” • “Organic Valley” 	<ul style="list-style-type: none"> • “Niman Ranch” • “Smithfield” • “Gunthrop Family Farm” • “River Farms” • “Brookshire” 	<ul style="list-style-type: none"> • “Gunthrop Family Farm” • “Bell and Evans”

Patron Reaction to Promotion

According to operators, patrons welcome the promotion of the niche products in restaurants they visit. The following are reasons why patrons are positive:

- It makes the customer feel more comfortable knowing that high quality products are served.
- They too believe in supporting the local agriculture industry, hence knowing this makes the patron feel comfortable.
- Many are interested in learning more about the niche products and their benefits as they become more commonplace on the menu.

Promotional Issues

Among the few restaurants interviewed choosing not to promote the niche proteins on the menu, most are due to the chefs or general manager's own personal choices, but others are unable to because of availability issues.

- Some of the restaurants stated that they sometimes are unable to place niche products on their permanent menu because of inconsistent supply. Although this is slowly improving, supply is still unable to meet demand, and they are then forced to offer “commercial grade” meats.
- One restaurant mentioned that they used to promote the product but no longer due to the fact that lower-end restaurants are now able to carry the same product. The chef believes it will take away from his credibility if it were known that his product is in the same category as food you are able to get at a fast-food chain.
- Another chef said that he used to promote niche pork on his menu when it was an up-and-coming trend, but now everyone promotes where the product is from and what it is, hence it is no longer unique.

IV. Decision Making Influences



Key Decision Makers and Influencers

Interviews with operators for this study suggest that executive/head chefs have the greatest “say” in terms of identifying and selecting what items are menued and promoted. Chefs are the inspiration and develop the direction for menu items offered in their operations. In many cases, these chefs also have ownership interest in their restaurants, which provides them with the “power” to menu as they see fit.

Some of the interviewees mentioned the owners and/or general managers also play a role in the decision making process, especially if menu items will impact product cost or overall operations.

The decision making process is highly informal. Chefs often will offer a new product on a menu because of:

- They creatively develop an item that they feel is appealing to their clientele.
- They get an idea from an outside source (competition, supplier, trade publication, etc.).
- Customer suggest or asks for an item.

Menu Item Criteria

When selecting new menu items, there are a number of primary factors evaluated by operators interviewed. These are described below.

Factor	Comments/Specifics
Profit margin potential	<ul style="list-style-type: none"> • Operators are primarily concerned with their ability to meet their specific profit goals. <ul style="list-style-type: none"> – “Can we get the ingredients at the right price to make a strong profit?” – “Will this item increase sales and present itself as a growth opportunity?”
Ingredient/item availability	<ul style="list-style-type: none"> • Obviously, operators need to be sure that a given item is available in consistent supply in order to put it on the menu. <ul style="list-style-type: none"> – “The last thing I want to do is tell a patron ‘we’re out of that.’”
Proven customer demand	<ul style="list-style-type: none"> • Operators are motivated by research and facts that indicate a product’s acceptance among consumers. • Research information is mostly gleaned from publications, such as <i>Nation’s Restaurant News</i>, <i>Restaurant Business</i>, and <i>Restaurants & Institutions</i>.
Ability to differentiate	<ul style="list-style-type: none"> • As competition in the restaurant industry proliferates, operators are looking to differentiate by offering unique items not offered by competitors.
Food cost	<ul style="list-style-type: none"> • A function of profit margin. Operators are willing to pay more for items so long as they can get a premium price for that item, and volume supports providing it with a slot on the menu.

Major Criteria Influencing Usage of Pork Products

There are a number of criteria that influence what types of pork products are menued.

Influence	Definition
Quality	<ul style="list-style-type: none">• Consistency with the shape, size, fat content, color, smell.• “You want the best for your customers.”• “Flavor is a must.”
Profit Potential	<ul style="list-style-type: none">• “Although quality comes first, it must be balanced with the cost.”• “If the quality is there, I am willing to spend a little more.”• The potential for profit plays a major role.

Major Criteria Influencing Usage of Pork Products

Influence	Definition
Customer/Patron demand	<ul style="list-style-type: none"> Restaurants must offer pork products that are popular and demanded by patrons. Oftentimes, operators gauge customer demand by first putting a new item on a “specials” menu. Once success is proven, it may move to the everyday menu.
Availability through current distributor	<ul style="list-style-type: none"> Restaurants become comfortable purchasing pork from their current suppliers; they prefer purchasing items from their current suppliers, rather than searching out new suppliers. For niche products, operators do realize, however, that often times they must buy these products from specialty sources. <ul style="list-style-type: none"> – “By definition, I have to buy my locally-raised pork from a unique source, not SYSCO.”
Own preferences	<ul style="list-style-type: none"> Choices are made based on the chefs own tastes and ideas for dishes to menu.
Brand name	<ul style="list-style-type: none"> Brand name plays a minimal role, except in the case where a “niche brand” is promoted on the menu.

Information Sources for New Products

Operators use various sources for new product ideas.

Influence	Prevalence of Usage	Comments
Competitors	High	<ul style="list-style-type: none"> The chef community is very “tight” and fraternal; chefs often will share ideas, especially if their respective restaurants do not directly compete. Chefs will also dine at competitive restaurants and get ideas from menus and offerings from these sources.
Distributors	High	<ul style="list-style-type: none"> Distributor sales reps are seen as key new product information sources, especially on new products offered by manufacturers. “They will stop in with trial products or send them.”
Trade magazine articles	High	<ul style="list-style-type: none"> <i>Restaurant Business, Restaurant and Industry, and Nation’s Restaurant News</i> were the top three mentioned. The others mentioned include <i>Cooks Illustrated, Chefs, Hospitality, Produce Concepts, Food Arts, and Plate Magazine.</i>
Food shows	High	<ul style="list-style-type: none"> National, regional, and distributor food shows provide ideas to operators. Operators like these shows because they are exposed to numerous new ideas at once, which saves them significant time.

Information Sources for New Products

Influence	Prevalence of Usage	Comments
Internet correspondence	Medium	<ul style="list-style-type: none"> E-mails are somewhat effective at getting information to operators, but many mention that e-mail overload is an issue. “The e-mails always get to me, but I ignore some of the e-mails that aren’t of interest.”
Trade associations	Medium	<ul style="list-style-type: none"> Trade associations (especially commodity boards) are seen as effective in providing new menu ideas.
Direct Mail	Low	<ul style="list-style-type: none"> Ability to sort through the mail and choose the more important/relevant information is seen as a positive. However, many operators mention that most direct mail is thrown out without review.
Supplier web sites	Low	<ul style="list-style-type: none"> Able to check numerous supplier web sites quickly for new products and up and coming products is seen positively. However, many operators believe supplier websites are self-serving and more focused on selling their specific products rather than giving menu ideas.
Food processor sales reps and brokers	Low	<ul style="list-style-type: none"> Operators state that they rarely see manufacturer reps or brokers, hence they are not seen as new product information sources.

V. Conclusions and Recommendations



Conclusion and Recommendation #1

Niche proteins are increasingly being offered on upper-end restaurant menus. Organic products appear to be the most “popular” offered by restaurateurs.



Although organic is the most popular in pork, other niche qualities including free range, farm direct, locally-raised should be promoted as they all have positive connotations.

Conclusion and Recommendation #2

Perceived health quality and social consciousness benefits are seen as the major drivers motivating restaurants to offer niche pork products. However, operators appear to be unclear about specifics around these benefits.



To further promote niche pork to drive volume, the true health, quality and social benefits need to be spelled out and communicated to operators for each of the specific niches (organic, genetic-specific, free range, antibiotic-free, locally grown, grass-fed.)

Conclusion and Recommendation #3

Pricing and availability are two major hurdles to further penetration of niche pork.



- From a pricing perspective, the story must be told that offering niche pork products can actually result in higher profit, given the potential for premiums charged on the menu.
- It will be important to work with producers and processors to assist them in understanding the potential of these products, to motivate increased production.

Conclusion and Recommendation #4

Operators actively promote usage of niche pork on their menu, to portray uniqueness and to play to patron acceptance of these products.



Working with operators to best promote and/or describe the niche pork item used is warranted. This may include educating operators on the true benefits, so that they can communicate these to their patrons.

Conclusion and Recommendation #5

Chefs are the major driver of new product activity within an operation.



- Chefs should be the target group for promotional and menu items.
- Working with local and national chef organizations to develop new menu offerings with niche pork and to promote usage of these products.

Conclusion and Recommendation #6

Competitors, distributors, trade articles and food shows are the main information sources for new products for operators.



- Working with distributor sales reps to “get out the word” should be considered.
- Trade press articles (working with trade press editorial groups) and ads focusing on the benefits of niche pork should be emphasized.
- Food shows provide a good medium for operators to be exposed to niche pork and should be exploited.