

THE DILEMMA IN LAMB MERCHANDISING

by Norman F. Klemm¹

We are partners in one of the greatest enterprises of this great country of ours. Naturally, we all want a fair profit for our efforts, but our main goal should be to satisfy the housewife. She is "Queen for the Day" when she shops for her family food needs. Her wants and desires govern what retailers handle and charge for the meat she buys on each shopping day. She is "The King Pin." She is in mind in everything we do in the store--lighting, decorating, displaying.

Without an understanding of the problems that concern both retailer and consumer, we tend to pull in opposite directions. I am reminded of the story of two soldiers on maneuvers who were chased by a bull. One soldier quickly climbed a tree and the other jumped into a foxhole. The bull looked at the soldier sitting safely in the tree, snorted and turned to see the other soldier standing halfway out of the foxhole. The bull charged and the soldier ducked just in the nick of time. The soldier stood up. The bull charged again and the soldier ducked just in time again. Six times this happened--the bull charged, and the soldier ducked. The other soldier sitting in the tree finally yelled, "That's a hell of a way to run an operation--if I were you I'd stay down in that foxhole." His buddy replied, "Not if you had this porcupine down in this foxhole you wouldn't." So let me tell you of some of the porcupines in my foxhole and I hope I might learn some of yours.

Some years ago we used the old barrel system. We'd throw the money in the barrel, pay the bills and at the end of the year anything that was left on the bottom was considered profit. Competition in the retail field does not allow anyone to progress profitably in this manner. Today, we must know where we are going. What makes money and what does not? If it doesn't make money, does it add to the overall display and entice the customer to buy and eat more meat? What is the effect on profits of specials we run to draw the customer? How do I determine these profits? Why don't I promote some items more than others? How do I decide what items to feature? This becomes a complex business.

Principles of Meat Merchandising

Our markets are run on a four-week period, making 13 equal periods a year. Every four weeks we have a physical inventory, so we have a beginning

¹Meat merchandizer and buyer, Gromer Super Markets, Elgin, Illinois.

and an ending inventory to determine the percentage of profit made during the four week period.

Profit is estimated by tonnage or pounds of meat sold. Each week the figures on pounds of meat are taken from invoices and recorded on a tonnage sheet in one of 21 categories. They are then entered on a summary sheet showing the beginning and the ending inventory, and total tonnage sold during the four-week period. (See Tables 1 and 2.)

By dividing the tonnage of each item by the total tonnage, we arrive at a product mix. (See Table 3.) Looking at the first column dated 1/28, we find that 15.19 percent was in poultry. Pork accounted for 22.88 percent, beef 43.72 percent and lamb 2.70 percent. Look at the variations as the year progressed. What caused this change in the mix figure? Many things--seasons of the year, hot or cold weather, the cost price, the items featured--each one can be a reason for change.

I know or can estimate what percentage of each item I sell. Next, I must have an overall gross profit goal. Our controller figures the cost of doing business that cannot be charged directly to the department--heat, light, power, checkers, carryouts, top management salaries, a profit for the owner and other things. This is called C.T.O.--contribution to overhead. Let's set my C.T.O. at 14 1/2 percent. Let us say my labor cost in the department is 8 percent and my supply cost within the department is 1 1/2 percent. Add these 14 1/2 percent, 8 percent and 1 1/2 percent--and you have the overall gross profit needed in the department. Twenty-four percent then becomes my gross profit goal. I cannot price every item at a 24 percent mark-up and stay in business. Special prices to draw customers; the mark down of a product; wasty beef, pork or lamb; and many other factors affect the gross profit of a department.

I know my mix of product or can estimate it. I select the tentative specials for the next four weeks. Next I estimate the change in mix due to these specials and assign a gross profit to each of the 21 categories of meat.

By multiplying the mix times the assigned gross profit, I attain a contribution to gross profit. (See Table 4*) Totaling these gives me the estimated gross profit for the next four weeks. So you see, there is a constant shifting of mix and gross profits to attain the desired goal.

The gross profit of items is determined by cutting tests. Table 5 shows the results of a cutting test on two U.S. Choice grade lambs, which weighed a total of 106 pounds. The gross weight of each primal cut is shown and below each, the cuts made from them. These cuts are then changed from pounds to a percentage figure which becomes the same as the number of pounds per 100 pounds of lamb carcass. This, then, becomes a comparable figure with other lamb cutting figures.

A price is placed on each of the cuts of lamb and multiplied by the percentage or mix figure. The dollar values of the various cuts are summed to determine the retail dollar sale value per 100 pounds. Subtracting the cost per 100 weight of lamb, \$51.00, gives a remainder of \$17.57 in gross profit dollars. Dividing the gross profit dollars by the retail dollar sales gives a gross profit percentage figure of 25.62 percent.

Profits in Lamb

Now let's talk specifically about lamb. I took a time study on the complete processing of two lambs, broke the figures down to a 100 weight basis and found that the labor cost as a percent of sales amounted to 7.57 percent and the supply cost amounted to 1.76 percent of sales, or a total department cost of 9.33 percent. Is lamb profitable? Subtract the department cost, 9.33 percent, from the percentage of gross profit, 25.62 percent, and you can see that lamb's contribution to overhead is 16.29 percent. Remember that the C.T.O. (contribution to overhead) figure for my department had been set at 14 1/2 percent. Yes, lamb is profitable at these competitive regular prices in our area.

Is there something more profitable? Table 6 shows the results of a cutting test on a box of pork loins. The total retail sales value per 100 weight is \$66.30, and the cost per 100 weight is \$48.00. Thus the gross dollar profit is \$18.30. The percentage of gross profit is 27.60 percent. The labor to process 100 pounds of pork loins amounts to 5.03 percent of sales. The supply cost as a percent of sales is 1.76 percent, leaving a contribution to overhead of 20.81 percent. With the C.T.O. goal again set at 14 1/2 percent, pork loins are more profitable to sell than lamb. I can find many items sold in a meat department which are more profitable than lamb, but also many which are not. Beef, which accounts for about 40 percent of our meat sales, requires a lot of labor to process and is less profitable.

So why don't I sell more lamb? It took this speaking engagement to force me to find out. I think I know. Upon accepting this opportunity, I looked at my mix figure on lamb and said, "Klemm, you had better get busy. Here's an item that can make money and you're just riding along."

On the week ending 8/1/64 I had a lamb promotion. I must compliment the lamb council for the fine point-of-purchase material it made available to the retailer. I have used the material they make available to the retailer before and found it outstanding.

Now what did this do for sales? We sold about five times the number of lambs we normally sell. One store did 6.76 percent of total department sales in lamb. The gross profit on lamb that week dropped to 11.48 percent,

but because the department works on a four-week period I had three weeks to make it up. My normal gross was 25.79 percent for three weeks; thus our four-week gross profit figure was 19.55 percent. Not bad, considering that this gross was on only 6.76 percent of sales! It proved that there were potential lamb eaters I wasn't reaching. But, I goofed again, for my lamb sales dropped down to what I thought was normal because I didn't follow through with a lamb feature. I have a lamb sale set for this next period and I plan to follow up with a lamb feature, special displays and promotions, but not necessarily special prices.

I believe this is the key to more lamb sales: the use of display material, a special sale price more frequently, and a special feature of a few lamb cuts in keeping with the recipes sent from the lamb council.

What is the negative side of lamb sales? The ex-G.I. says, "Boy, I had so much of that in England I'd say 'Baah' to my wife and go out to eat." The memory of poorly prepared mutton during the war years still lingers on. This can be and is handed down from generation to generation. Many housewives do not know how to properly prepare lamb. Recipes on lamb and perhaps a group of slides or a film on lamb cookery made available to the retailer for use at clubs or group meetings would be helpful. Carving hints would be of interest too. I'm thinking of the bone in shoulder or the sirloin half of a leg of lamb.

Because there is less demand for lamb and it does not appeal to all customers, the meat merchandiser cannot spend too much of his advertising allowance on lamb. Advertising has but one purpose--to bring in the customer. Therefore lamb becomes a secondary item to advertise or feature. Perhaps it always will be, but I think that you people should work hard to educate the people and the butchers of the food value and profits that can be made by selling and eating more lamb. •

Most people do not know that lamb is the most easily digested meat on the market until "Pop" comes up with an ulcer and is told to eat lamb. That's the answer! Give everyone a slight case of ulcers.

Does the meat man really want to handle lamb? If he is buying straight lambs, he has the breast to merchandise or bone for ground patties. If he is selling ground beef and no hamburger, he must completely separate his grinding or some customer will complain about the ground beef or pure pork sausage tasting like mutton--not lamb, mutton. He should be taught to merchandise. Some years ago, the National Livestock and Meat Board put on cutting demonstrations, mainly on beef and pork. I received and used many of the ideas presented at these meetings. The Boston-cut pot roast and sirloin-tip roast of beef are just two of the cuts I first saw made at such a cutting demonstration.

Table 2. Tonnage summary

	Beginning inventory					Less ending inventory	Sold 4 week period
Fryers - Parts							
Rabbits - Hens							
Turkeys							
TOTAL FOWL							
Pork Loins							
Butts - Ribs							
Misc. Pork							
TOTAL PORK							
Bacon							
Ham							
Picnics - Sm. Butts							
Canned Hams							
TOTAL SMOKED MEAT							
Chucks							
Rounds							
Hinds							
Sides							
Corned Beef - Tenders							
Backs							
Boneless							
TOTAL BEEF							
TOTAL VEAL							
TOTAL LAMB							
TOTAL SAUSAGE							
TOTAL VARIETY MEATS							
GRAND TOTAL							
Bone							
Fat							

Table 3. Meat department, product mix and gross profit history

Date	Product mix												
	1-28	2-25	3-25	Easter 4-22	5-20	6-17	7-15	8-12	9-9	10-7	11-4	12-2	12-30
Poultry	15.19	18.04	14.18	18.16	13.32	14.07	15.84	17.22	13.86	17.36	14.76	22.61	21.63
Pork	22.88	22.81	23.84	25.95	22.82	20.43	22.48	20.16	22.99	23.26	23.63	22.01	23.49
Beef	43.72	40.73	42.12	36.80	43.08	44.03	39.61	41.43	40.77	40.42	41.29	36.82	37.66
Veal	.78	.84	.93	1.06	.93	.83	.67	.96	.58	.81	1.09	.92	.60
Lamb	2.70	2.21	2.57	2.63	1.99	1.95	1.87	1.51	2.67	1.81	1.98	2.15	1.58
Sausage	12.67	13.51	14.50	13.95	16.28	16.95	18.14	17.31	17.77	14.88	15.49	13.89	13.46
Variety meats	2.06	1.86	1.85	1.46	1.57	1.73	1.39	1.41	1.36	1.46	1.77	1.60	1.58
Bone & fat	9.35	8.08	8.81	8.11	10.44	9.71	7.89	8.27	8.30	8.04	8.89	7.34	7.13
Gross profit													
Poultry	20.67	19.21	21.59	20.70	23.05	29.49	28.22	21.84	29.65	15.67	28.86	16.01	17.06
Pork	26.31	23.28	24.96	21.47	26.56	25.84	25.13	26.04	24.45	21.93	24.40	25.85	22.73
Beef	23.46	23.74	24.43	25.90	24.02	25.02	27.51	27.63	26.88	27.68	27.31	27.32	26.39
Veal	24.90	17.25	20.53	24.43	24.92	22.00	20.32	25.17	21.85	20.75	21.85	25.27	21.85
Lamb	35.51	35.51	34.20	34.00	29.77	29.28	26.53	30.05	26.61	30.39	29.50	33.96	32.17
Sausage	26.00	26.00	24.00	26.00	26.00	26.00	26.00	26.00	25.00	26.00	25.00	26.00	26.00
Variety meats	36.00	36.00	36.00	36.00	36.00	35.34	36.00	35.00	36.00	36.00	36.00	36.00	36.00
Est. gross	24.6	23.7	24.1	24.4	25.8	26.4	26.8	26.1	26.6	24.1	26.8	24.5	23.7
Gross	22.6	22.4	21.1	26.0	24.8	25.7	26.2	25.1	26.4	26.1	25.6	25.4	23.0
Promotion specials	poultry smoked butts bacon	pork loin beef steaks fryers	3¢ franks hinds leg lamb liver	hams can ham fryers bacon	sausage bf, streak chix legs pork loin	bacon pot roast steaks chix legs	gr. beef franks sausage chix legs	pot roast gr. beef corn beef fryers	pork lamb sausage	poultry liver pork	lamb sausage pork	poultry turkeys	poultry turkeys beef lamb

Table 4. Estimated gross profit

	Mix		Item gross profit	=	Contribution to gross profit
<u>Fowl:</u>					
Fryers	8.24	x	26.75	=	2.20
Rabbits	2.06	x	13.26	=	.27
Hens	.36	x	28.89	=	.10
Turkeys	10.97	x	10.25	=	1.12
Total Fowl	21.63	x	17.06	=	3.69
<u>Pork:</u>					
Bacon	3.96	x	20.02	=	.79
Loin	6.73	x	28.86	=	1.97
Ribs & Butts	3.03	x	26.85	=	.81
Pork-Misc.	1.76	x	25.00	=	.45
Hams	3.93	x	18.64	=	.73
Picnics	.13	x	27.71	=	.04
Sm. Butts	.62	x	19.90	=	.12
Canned Hams	3.34	x	14.04	=	.47
Total Pork	23.49	x	22.73	=	5.34
<u>Beef:</u>					
Chuck	6.34	x	26.01	=	1.65
Rounds	5.64	x	25.37	=	1.43
Hinds	5.54	x	28.30	=	1.57
Sides	12.37	x	30.52	=	3.78
Corned Beef	.37	x	28.00	=	.10
Backs	.85	x	25.70	=	.22
Boneless	5.84	x	15.00	=	.88
Tenders	.70	x	44.85	=	.31
Total Beef	37.66	x	26.39	=	9.94
Total Veal	.60	x	21.85	=	.13
Total Lamb	1.58	x	32.17	=	.51
Total Sausage	13.46	x	26.00	=	3.50
Variety Meats	1.58	x	36.00	=	.57
Estimated Gross Profit					23.68
Bone and Fat	7.13				

Table 5. Cutting test - whole lamb

Grade - U.S. Choice
2 lambs tested - total weight 106 lbs.

	lbs.	Percent	Price per lb.	Gross dollars
<u>Shoulder - 32.28 lbs.</u>				
Round bone steaks	4.32	4.07	.85	3.46
Blade steaks	7.92	7.47	.79	5.90
Shoulder roast	14.83	13.99	.59	8.25
Neck slices	2.29	2.16	.45	.97
Bone & fat	2.92	2.75	-	-
<u>Back - 18.16 lbs.</u>				
Loin chops	8.27	7.80	1.49	11.62
Rib chops	6.37	6.01	.95	5.71
Bone & fat	3.52	3.32	-	-
<u>Saddle - 35.66 lbs.</u>				
Legs	31.03	29.27	.79	23.12
Kidney	.68	.64	.35	.22
Bone & fat	3.95	3.72	-	-
<u>Shank - 4.02 lbs.</u>				
Shank	3.33	3.14	.55	1.73
Bone & Fat	.69	.65	-	-
<u>Breast - 15.84 lbs.</u>				
Ground patties	12.38	11.68	.65	7.59
Bone & fat	3.46	3.26	-	-
Shrink		<u>.07</u>		
Total		100%		
Total retail			\$68.57	
Cost per 100			<u>51.00</u>	
Gross dollars			\$17.57	
Percent of gross profit			25.62%	
70 min. labor to cut-bone trim-grind-tray-wrap			7.57%	of sales
Supply cost			1.76%	"
Total			9.33%	
Contribution to overhead			16.29%	

Table 6. Cutting test - whole pork loins

12-14 lb. average
 1 box 50.25 lbs. (4 loins in box)
 Reg. trim

	lbs.	Percent	Price per lb.	Gross dollars
<u>Loin end - 12.72 lbs.</u>				
Loin end roast	12.08	24.04	.65	15.63
Fat	.58	1.15	-	-
<u>Rib end - 12.67 lbs.</u>				
Rib end roast	12.32	24.52	.49	12.01
Fat	.35	.70	-	-
<u>Center cut loin - 23.78 lbs.</u>				
Center cut chops	12.77	25.41	.95	24.14
Loin pork chops	7.37	14.67	.99	14.52
Fat	2.90	5.77	-	-
Bone	.38	.76	-	-
Total shrink from box weight	1.50	<u>2.98</u>	-	-
Total		100%		
Total retail			\$66.30	
Cost per 100			<u>48.00</u>	
Gross dollars			\$18.30	
Percent of gross profit			27.60%	
Min. labor to cut-bone trim-grind-tray-wrap			5.03%	of sales
Supply cost			1.76%	"
Total			6.79%	
Contribution to overhead			20.81%	