

# CMD 529

**529 – Modeling and segmenting consumer preference for differentiated chicken meat**  
**Researchers: Getu Hailu – University of Guelph**

## **Research Summary**

Although the overall chicken meat consumption in Canada has been rising over time, there is a consistent change in the composition of chicken meat consumption. There is descriptive evidence that per capita chicken meat consumption for certain cut is declining over time while it is rising for some other cuts. Some cuts of chicken meat are associated with a high quality product sought by consumers while others seek the convenience of shorter meal-preparation. The overriding question is whether this change in composition is associated with convenience and health concerns, in addition to real price differences. No previous meat demand studies have scrutinized such behavioural change in per capita chicken meat consumption and consumer valuation of the various attributes in Canada. In spite of the steady growth of meat demand over the last three decades, some believe that chicken consumption may have reached a saturation point and that without the introduction of new products, per capita consumption may not increase. The potential benefits of quality and convenience chicken meat attributes are emerging as a new reality in the agricultural and food industries. The growing market for quality and convenience chicken meat attributes creates opportunities for both consumers and producers alike. For example, the development and introduction of grain-fed, organic, naturalness, free-run ready-to-eat and ready-to-prepare chicken meat products offer the promise of delivering foods with a wide range of enhanced consumer benefits. Differentiated chicken meat development and commercialization allow consumers to reveal their preferences for certain product attributes; and offers producers the potential to capture price premiums arising from product differentiation at the marketplace. The importance and acceptance of variety and specialty products are witnessed by the growing market/demand for product with ethical (e.g., free-run), process (e.g., organic), health (e.g., white meat) and convenience (e.g., ready-to-eat) attributes. Consumers confront food consumption issues with health, animal welfare, convenience and environmental dimensions on a daily basis through the media, popular academic articles, friends, etc. Despite the growing demand for highly differentiated chicken meat products, most previous consumer preference studies (Hassan and Johnson, 1983; Reynolds and Goddard, 1991; Chen and Veeman, 1991; Moschini and Vissa, 1994; Xu and Veeman, 1996; Eales, 1996; Cranfield, 2002) related to chicken meat choice have tended to focus on studying demand for meats as commodities rather than their specific properties/attributes. In addition, these studies have not explored the Canadian chicken market in recent years. It is important that economists contribute to the ongoing discourse over benefits and costs of differentiated food products by providing scientifically credible information on how consumers value various attributes.

## **Significance of Research**

Understanding the factors that influence meat demand in Canada is important for the Canadian agricultural sector since Canadian consumers spend approximately 30% of their food budgets on beef, pork and chicken (Eales, 1996). Anecdotal evidence indicates that consumers are willing to pay a significant price premium for specialty chicken meat, some times twice as much as the conventional/generic counterpart. Enhanced capacity of Canadian chicken producers to market their value added poultry products, in part, depends on consumer valuation of and preference for the added attributes. The results serve two purposes. First, they will be useful to policy makers considering how to develop and assess consumer valuation of and preferences for value added food products. Second, the results identify additional opportunities for chicken producers/processors to generate added value that will optimize the competitiveness, growth, profitability and sustainability of the industry. Hence,

the outcome of this study will: 1. Enhance the capacity of Canadian chicken producers/processors, take advantage of value added opportunities by delivering product attributes consistent with the needs of consumers; 2. Provide poultry producers with better information on the extent to which the market values chicken products with enhanced quality and convenience attributes. This information is useful in guiding future product development and commercialization programs aimed at improving producer/processor profit margins. 3. Provide poultry producers/processors and retailers with distinct dimensions of consumer segments, and retail intelligence, enabling them to separate and target distinctly target distinctly different groups of consumers enabling them to separate and target distinctly different groups of consumers which exist in a large population.