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Cabaña Las Lilas: A unique relationship binds Nutryte with its clients in a single effort aimed towards one primary goal: total customer satisfaction.

Vacuum Packaging Works for Argentine Firm

Can it work here?

Victor Tonelli is president of Nutryte, S.A., a fully-integrated meat company that breeds, raises, feeds and slaughters cattle; processes and brands selected beef products; and provides a case-ready, vacuum-packaged product, known as Cabaña Las Lilas, to supermarkets throughout Argentina and Chile. In addition, the company has begun exporting a branded product to Latin America and has created a sizable kosher market in Israel.

Tonelli's success in the Argentine market is stunning. His company, Nutryte, S.A., has achieved what our biggest cor-

porations have failed to do in the U.S. In fact, Tonelli has done what U.S. companies have been talking about doing for more than 10 years.

What is Nutryte?

Nutryte was originally a family ranching business dedicated to animal and crop agriculture. Up until 1965, the ranch consisted of 120,000 hectares with 80,000 head of cattle and 35,000 hectares in grain production. From 1965 through 1986 the company became one of the leading sources for superior beef genetics in Argentina. In 1986, semen sales had reached 500,000

units a year and the company was selling 2,000 bulls to ranchers throughout the country. In 1986, the company decided to capitalize on its superior beef genetics and began commercial integration toward the consumer with the aim of providing a superior beef product at the retail level. The company's objectives were to lead the sales of qualified beef with a company branded product emphasizing the company's superior genetics and to strengthen the brand's image by offering products with added value. In 1986, Nutryte devoted its business operations to the processing and marketing of top quality beef. At that time, Nutryte

launched the Cabaña Las Lilas brand.

The Argentine meat system is very different from that in the U.S., which created additional challenges and opportunities for a branded beef product. Research conducted in 1985 found that much of the meat sold throughout the country was still sold through private, small butcher shops, much like the U.S. in the 1920s and '30s. However, the growth of the retail marketing system in Argentina was a sign of the country's middle-class growth. Nutryte also found that retailers were dissatisfied with consistency in terms of quality.

VACUUM PACKAGING



Consumer Acceptance: Nutryte personnel are available at all retail locations selling Cabaña Las Lilas. The product managers conduct taste tests and show consumers how the meat "blooms" once it is opened. This attention to detail has encouraged consumers to try and then buy the product on a regular basis.

"In 1986, the boneless vacuum-packed meat idea with a brand name was an innovation in Argentina," says Tonelli. "We felt that if we could control the quality of the product through the initial stages, we could obtain a product that was consistent." Since Nutryte was able to capitalize on its years as a leading cattle breeder, they felt consistency could be achieved.

Barriers

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stages of product development, Nutryte studied what had been learned by Excel Corp., a pioneer in vacuum-packed meat in the U.S. During this stage, the company worked closely with Cryovac Latin America.

Research conducted in 1985

found that Argentine supermarkets had a reluctance to share its brand name. To overcome this barrier, Nutryte decided they needed to develop a product with unique characteristics. The unique characteristic was a product raised in a closed production system from conception to consumer purchase. In addition, this identifiable brand needed to be packaged in a barrier that guaranteed quality and freshness. "Supermarkets didn't want our product," said Tonelli. "Through special strategic alliances we were able to gain access to their meat cases."

Supermarket employees also had a fear of unemployment, so Cabaña Las Lilas was positioned as a complementary product, not a substitute of current beef products. Research also showed that retail meat managers believed that out-of-stocks were 6 to 8 percent. However, research showed that most retail chains were experiencing 21 percent out-of-stocks. When presented with the research, retail meat managers were shown how they could increase sales by maintaining in-stock inventories with this complementary product. Meat personnel training programs were also identified as a tool for marketing the product to consumers.

The burgeoning supermarket phenomenon in Argentina gave the retailers a strong negotiating position. Through strong consumer confidence, supplier-client alliances, special technical

assistance, differentiated commercial systems and cash incentives for utilizing value-added products, this strong negotiating position was overcome.

Currently, beef accounts for 7.5 percent of total supermarket sales in Argentina. One advantage in the system is Argentine consumers eat 132 pounds of beef per person per year. This is almost twice what is consumed

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in the U.S. on a per capita basis.

On the consumer side, it was found that they were concerned with the product's dark color and the excessive amount of juices that appeared in the package. Communicating the technical advantages of vacuum packing became a priority and Nutryte personnel were dispatched

to retail outlets to educate grocery store marketing managers and consumers about vacuum packaged meat. "We have been doing this every day for the last 10 years and we will continue to do so. The most important marketing strategy that we use is the demonstration and sampling of the product in the store," says Tonelli. A marketing/advertising budget is utilized for this purpose. According to Tonelli, 80 to 90 percent of this budget is used to support store sampling. The remaining 10 to 20 percent is used for advertising. During the in-store demos, Nutryte employees tell consumers about the vacuum packaging and the preservation it provides, including additional hygiene. Promotions with famous chefs are also conducted and consumers are again told that the dark color is a sign of freshness. Consumers were educated that bright red meat meant that the product had already begun to deteriorate.

On top of all the challenges in creating a favorable marketing environment for Cabaña Las Lilas, the company was also concerned about consistent supplies. To create sufficient raw materials, customers of company genetics were tapped as a source for product that met certain requirements such as consistent quality.

Results:

The product is currently in 140 supermarkets and 36 "re-

ceivers," or Nutryte employees, oversee the product offering, orders and quality assurance. This large presence in the Buenos Aires market gives Nutryte access to 42 percent of the beef market in the city.

All this success and Cabaña Las Lilas sells for 15 to 25 percent more than competitive cuts. The mark up on Cabaña Las Lilas is set by store managers says Tonelli. "We have proven that Argentines will pay more for a vacuum-packed, brand name meat." Nutryte traditionally charges 10 to 12 percent more for its brand name product over normal market price.

"In 1991 we were the only company that sold vacuum-packed

brand name meat in the Jumbo stores," says Tonelli. At that time,

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— Victor Tonelli, Nutryte.

Jumbo management decided to add another brand name, "Estancias del Sol," produced by

Cargill. "In less than two months, Cargill was selling three tons of product a month. During the same period, we sold 12 to 13 tons of meat a month," says Tonelli.

Nutryte introduced Cabaña Las Lilas Beef Light brand in November 1993. Since that time, it has garnered 18 percent of brand name meat sales for Nutryte. "We have developed a special type of animal for this product. We guarantee the consumer less than 2 grams of fat (chemically analyzed) and 50 milligrams of cholesterol per 100 grams of beef, which results in 98 percent lean meat," says Tonelli. This product received the Medalla de Oro de SIAL (Gold Medal from SIAL - the leading

meat show in Paris) in October 1994.

Vacuum packaged, branded meat products have created quite a niche market in Argentina. "Offering clients a good value is the best way to expand our market," says Tonelli. "The traditional meat business has worked very well using gross margins per kilo. Nevertheless, this idea is not valid when you introduce products with added value."

Today, Cabaña Las Lilas is a market leader with more than 60 branded products and a 75 percent market share in branded beef. Cabaña Las Lilas export sales are experiencing high growth in supermarkets all over the world. □