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U.S. Customer & Consumer Perceptions of Wagyu

March 2024



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Objectives and Methodology

Meat & Livestock Australia (MLA) and Australian Wagyu Association (AWA) sought to understand the opportunities and challenges in growing the value of Australian Wagyu sales in North America and to identify opportunities to position Australia as the market leader in Wagyu. Specifically, MLA and AWA needs to understand the consumer and foodservice operator purchasing dynamics around Wagyu beef with an emphasis on investment in the “Wagyu definition,” how environmental issues may impact perception, and whether this designation may be expanded beyond the beef category.

To this end, Menu Matters designed a multi-stage exploratory research methodology that would create a base-level framework of understanding around the Wagyu market in the U.S. with the anticipation that this initial phase of research would lay the groundwork for further quantitative research that would provide both MLA and AWA key insights to build a Wagyu strategy for the U.S. market.

This first phase of research included the following:

- 1. Stakeholder Interviews:** Twelve Australian Wagyu exporters and importers were interviewed to build out basic market intelligence, to understand past and potential future growth rates, to identify key trends impacting the market, and to discuss key issues that required exploring during the second and third stages of this first phase of research. These interviews were conducted in November and the beginning of December 2023.
- 2. Consumer Focus Groups:** Eight focus groups were held with a total of 40 consumers (20 Wagyu consumers and 20 luxury beef consumers). These focus groups were held virtually to ensure a representative sampling across a variety of markets. Each focus group was an hour and included visual aids as well as a traditional guided discussion. These focus groups were held at the end of January 2024.
- 3. Individual Foodservice Operator Interviews:** Ten foodservice operators were interviewed on an individual basis for 30 minutes regarding their current awareness, perception, and usage of Wagyu. These interviews focused on the key issues impacting their decision whether to and how to menu Wagyu. All of these interviews focused on fine dining or higher-end lodging operators for which Wagyu and other luxury beef products would be a more important element of the menu. These interviews were conducted in February and March 2024.

Why Understand the U.S. Market?

The U.S. presents an extremely attractive and relatively easy source of market development given the following factors:

- **Nation of beef eaters** – The U.S. is the world’s largest consumer of beef, accounting for 21% of the world market, and has the second largest per capita consumption level (behind Argentina). Culturally, beef plays a large role in the U.S. and despite the plant-based/ plant-forward movement, very few Americans are – or have – significantly reduced their beef consumption.
- **Unencumbered by sustainability mandates** – Unlike Europe and other countries around the world, the U.S. has few sustainability mandates to negatively impact beef imports. Furthermore, though the average American is more conscious of environmental issues now than ever before few make purchase decisions based on that awareness. It is unlikely there will be significant changes in the U.S., either culturally or politically, in the near future. When it does shift, however, Australia will be in a far more powerful position than the U.S. domestic beef producers.
- **Stable trading partner** – The U.S. has been, and should remain, a stable trading partner for Australia for the foreseeable future with no indications this will change. This contrasts significantly with several other trading partners such as China.
- **Strong post-pandemic economic improvement** – With inflation declining and no signs of an imminent recession, the U.S. economy has proved itself extremely resilient post pandemic. In fact, in the short-term all signs point to unabated consumer spending.

Given Australia’s share of the Wagyu market in the U.S., it has done a great deal to elevate Wagyu. This is evident in the past and anticipated growth of Wagyu in both foodservice and retail. **Among consumers, however, Australia has virtually no awareness suggesting both an underleveraged market and a tremendous business growth opportunity. Developing a stronger understanding of the U.S. Wagyu market will mitigate the risk of lack of association as the market grows.**



Important Questions for Research:

- **Attitude/ Usage Needs:** What are the current trends in Wagyu (and Kobe, as relevant) category, and how are they impacting the opportunities and challenges? What are consumer and foodservice operator attitudes and usage, and how have they changed? Has “Wagyu” been undermined, given innovation outside the typical premium, luxury positioning?
- **Wagyu Extensions/ Shifts:** Can Wagyu be divorced from or extended beyond the beef category?
- **Wagyu Brand Engagement/ Impact:** How invested are foodservice operators and consumers in the Wagyu designation? How flexible is their understanding and expectation for “Wagyu,” thus supporting potential new certification/ branding or expanding beyond beef? How does the brand impact behavior? How can Australian Wagyu leverage key consumer category drivers to enhance the current category brand?
- **Environmental Factors:** To what degree do environmental issues impact the foodservice operators and consumers engaging in Kobe/Wagyu? How can environmental issues change the impact and/or engagement with Wagyu?
- **New Brand Exploration:** What would an environmental credential that also incorporates the premium/ luxury perception of Wagyu look like? Can Australia own it? What are the opportunities and challenges in creating such a designation from an foodservice operator and consumer POV?



Key Stakeholder Interviews



Market Tenure of Stakeholders

Interviewees have, on average, been exporting Wagyu into the U.S. between 3 and 10 years. For many, these efforts have picked up within the past 3 years.



Past 5-year Growth

Nearly all stakeholders agree the Wagyu market in the U.S. has grown over the past five years, and that the growth is likely around 20% (3-4% CAGR). [See more on page 4.](#)



Next 5-year Growth

Again, stakeholders were nearly unanimous in the perception that Wagyu in the U.S. will grow over the next five years, but the perceptions of what will drive that growth and how much it will grow varied. [See more on page 6.](#)



Market Size

Sizing out the Wagyu market in the U.S. is challenging, given the lack of strong quantitative data from any reliable source. Estimates vary widely. [See more on page 5.](#)



Foodservice vs Retail Split

As with future market growth, perceptions regarding the split between foodservice and retail vary from 50%:50% to 90%:10% (favoring foodservice).



Australian Wagyu Share

Nearly all stakeholders agree that Australian Wagyu makes up the majority of Wagyu in the U.S. given the small U.S. herd and limited Japanese exports to the U.S. Perhaps the biggest questions is how the domestic herd will change and how quickly.



Key Targets

Key targets for Wagyu in the U.S. vary by marble score/ quality but primary targets continue to be upscale restaurants, resorts/ lodging and specialty retailers. However, most believe the dynamics are changing with the growing interest in trim (burgers) and secondary cuts.



Key Cuts

The U.S. market appears to be focused on loin cuts and while the popularity of these cuts is likely to continue, Wagyu burger popularity is likely to drive trim sales and shifting U.S. demographics/ behavior should increase demand for secondary cuts more popular now in Asia. [See more on page 9.](#)

➔ COVID-19

The pandemic acted as an accelerant for Wagyu, speeding up the growth observed shortly before the pandemic hit. Though the effect was devastating to the foodservice channel, more Wagyu filtered into retail where it gained significantly greater exposure with a wider range of U.S. consumers. This increased awareness of and familiarity with Wagyu has helped to drive greater demand in foodservice as it opened up and recovered from the pandemic.

➔ Changing Relations with China

Political and economic challenges with China for nearly all stakeholders drove larger supply of Australian Wagyu into the U.S. market. This not only increased supply and, thus, availability of Wagyu in the U.S., some believe helped drive prices down making better cuts and quality Wagyu available to a wider audience. There is some disagreement here, however, as there are others who believe prices have been inflated and have experienced a correction over the past year.

➔ Limited Domestic U.S. Supply

With a very limited supply of domestic Wagyu, coupled with strict quotas on Japanese Wagyu, the growth in demand for Wagyu at both retail and foodservice has driven increases specifically for Australian Wagyu given its dominant position in the U.S. market.

➔ Changing Luxury Behavior

The post-pandemic economy and shifting consumer behavior has propped up a luxury market inclusive of and beyond Wagyu. This increased focus on and spending in luxury categories – including wagyu – has helped drive growth and demand. This perception is supported by the ongoing growth of fine dining restaurants and higher-end/ luxury lodging and resorts as other budget and mid-tier foodservice and hospitality segments experience limited to no growth.

➔ Growth of Wagyu Burgers

Though there are some concerns regarding the commoditization of Wagyu given the growth of Wagyu burgers, particularly at limited service restaurants, most agree there is room in the market for a wide range of Wagyu quality and offerings and that the proliferation of Wagyu burgers and other Wagyu products made with trim (and, thus, lower priced) will serve to increase awareness and familiarity much as McDonald's Angus burger promotion did for the Angus market.

Key Stakeholder Interviews

Past 5-year Growth Drivers

Over the past five years, most stakeholders believe the Wagyu market in the U.S. has grown. Though there are no reliable sources measuring or recording the actual growth, there is a general consensus that the Wagyu market has grown 20% for a CAGR of 3% to 4%.

There are several reasons for the growth of Wagyu in the U.S., many of which are directly or indirectly related to the COVID pandemic. The drivers at left were identified by most, if not all, of the stakeholders during the course of the interviews.

Of specific benefit to Australia, the U.S. Wagyu supply has been limited and is expected to be limited for the near term. Though many stakeholders expect the U.S. to ramp up its Wagyu production in response to increased consumer interest and demand, the interim will provide Australia a strong opportunity to increase both its market share and both foodservice operator and consumer awareness of its products.





Size of the U.S. Wagyu Herd & Processing

Based on the best information available, the U.S. herd size is assumed to be 140,000, made up of 100,000 F1 and higher and 40,000 purebred and full blood. Given this, the number processed annually breaks down to:

- 100,000 F1/XB
- 10,000 purebred/ full blood

Given this, it can be assumed that the U.S. is processing between 2,100 and 2,200 per week.

As several stakeholders believe breeders in the U.S. are looking to increase the herd size, this may be undercounting domestic production but will be used for the proposes of this exercise.



Estimate of U.S. Wagyu Market Size

To create some initial estimates for the size of the U.S. Wagyu market, the following assumptions were made:

- Average carcass: 420 kilos/ 930 lbs
- Average yield: 67%
- Average boxed meat yield: 280 kilos/ 617 lbs
- Average wholesale value per pound: \$7.60/lb

Based on these assumptions, the wholesale domestic supply value is approximately \$515M. Retail value, assuming a 30% markup, is \$670M.

Considering this estimate and the assumed U.S. share of the overall market, the overall size of the U.S. Wagyu market is estimated to be:

\$1.6 B to \$2.0 B



Estimated Australian Share of the U.S. Wagyu Market

Assumptions regarding Australian Wagyu share of the U.S. domestic market vary widely. Based on the best information available, the following estimates were developed for Australian market share as well as Japanese and U.S. share of the domestic market:

	Foodservice Share	Retail Share	Overall Share
Australia	70%	15%	48%
U.S.	15%	80%	41%
Japan	15%	5%	11%





Key Stakeholder Interviews

Future Growth Drivers

As with past growth estimates, there is no reliable source that measures or tracks Wagyu market growth in the U.S. After reviewing several sources estimating future five-year growth rates, Menu Matters reviewed those rates with the stakeholders and most agreed that the future rate of growth for Wagyu in the U.S. will be between 25% and 30%, or a CAGR of 4% to 5%. This represents a slight acceleration of the past five-year growth rate.

There are many variables that will either accelerate or decelerate the growth of Wagyu in the near term, including economic, cultural, and political issues.

For the most part, stakeholders reached consensus on several drivers that will accelerate growth of Wagyu going forward. While increased awareness and interest among U.S. consumers represent an opportunity for Australian Wagyu, the growth of domestic Wagyu and potential price reductions of Wagyu to both foodservice operators and consumers may help to accelerate growth of Wagyu but represent market challenges regarding potential profit margins and Australian share of the overall market.

The growth of mass market availability is a bit of a double-edged sword for Wagyu. Certainly, broader availability will help to fuel increased awareness and, likely, interest among consumers which will accelerate growth. But, the availability of Wagyu in down-market venues such as Walmart, McDonald's and Arby's may dampen demand at higher-end locations. That said, however, many stakeholders believe there will continue to be a market for higher BMS product that will only be availability at upscale locations, approaching Wagyu much like the wine market with quality existing on a wide spectrum without lower quality product negatively impacting the perception of the better quality product.

➔ **Increased Awareness/ Interest**

Thanks to the growth rate over the past five years, increased awareness, trial and interest will drive growth going forward. Continued growth in availability – particularly across a wider range of retail and foodservice venues, making it available to the broader market beyond luxury – will spur a slightly higher growth rate.

➔ **Growth in Domestic Availability**

While many believe the U.S. Wagyu herd will grow in size and improve in genetics in the near future, thus growing the amount and quality of Wagyu in the U.S. market, a more significant driver of growth will be the liquidation of much of the U.S. Wagyu herd due to drought and other climate-related challenges. This liquidation will flood the market, driving down prices which will, in turn, make Wagyu within reach of a wider audience and more competitive with conventional premium beef products.

➔ **Price Reductions**

Many stakeholders believe prices for Wagyu will come down as supply, and competition, in the U.S. increases. Furthermore, cost efficiencies gained in exporting Australian Wagyu to the U.S. will also help to drop the price. Though almost none of the interviewees want the price of Wagyu to fall to or below prime, prices that are less inflated will help to make Wagyu more attainable and attractive to a wider audience.

➔ **Growth of Mass Market Availability**

There are indications that mass market retail and foodservice venues are becoming more interested in offering Wagyu in some form and to some degree. These larger places will drive increased volume, but this comes with challenges. Supply is not steady/ reliable enough to support extremely large players (e.g. Walmart, McDonald's, etc.) in offering Wagyu regularly. Thus, these venues will be forced to consider Wagyu as a special/ limited-time offer only which may dampen growth in the short term before supply chain issues are worked out.



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Key Stakeholder Interviews

Trim & Burger Opportunities

Though some concerns were raised regarding Wagyu burgers and whether these options would negatively impact the perceived value of premium or luxury wagyu offerings, the majority believe burgers offer an entry options for average consumers to try Wagyu. Though these are often cut to some degree with conventional beef (ex: Arby's Wagyu burger is 51% Wagyu), the experience is still higher-end than the average burger at the same venue. Other issues to consider...

- Much like wine, Wagyu can exist on a spectrum of quality on its own (i.e. marbling grades) or as a trim-based product. This spectrum allows consumers to enjoy Wagyu from day-to-day occasions to special events.
- Products, like burgers, that rely on trim will increase the efficiency and profitability of the entire carcass.
- Additionally, maximizing the trim will create a story for producers and foodservice operators/ retailers regarding waste minimization.
- There are concerns about the lack of regulation around what consists of a Wagyu burger. Until the USDA offers guidelines or legislation governing these items, the experience for consumers will vary widely.





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Key Stakeholder Interviews

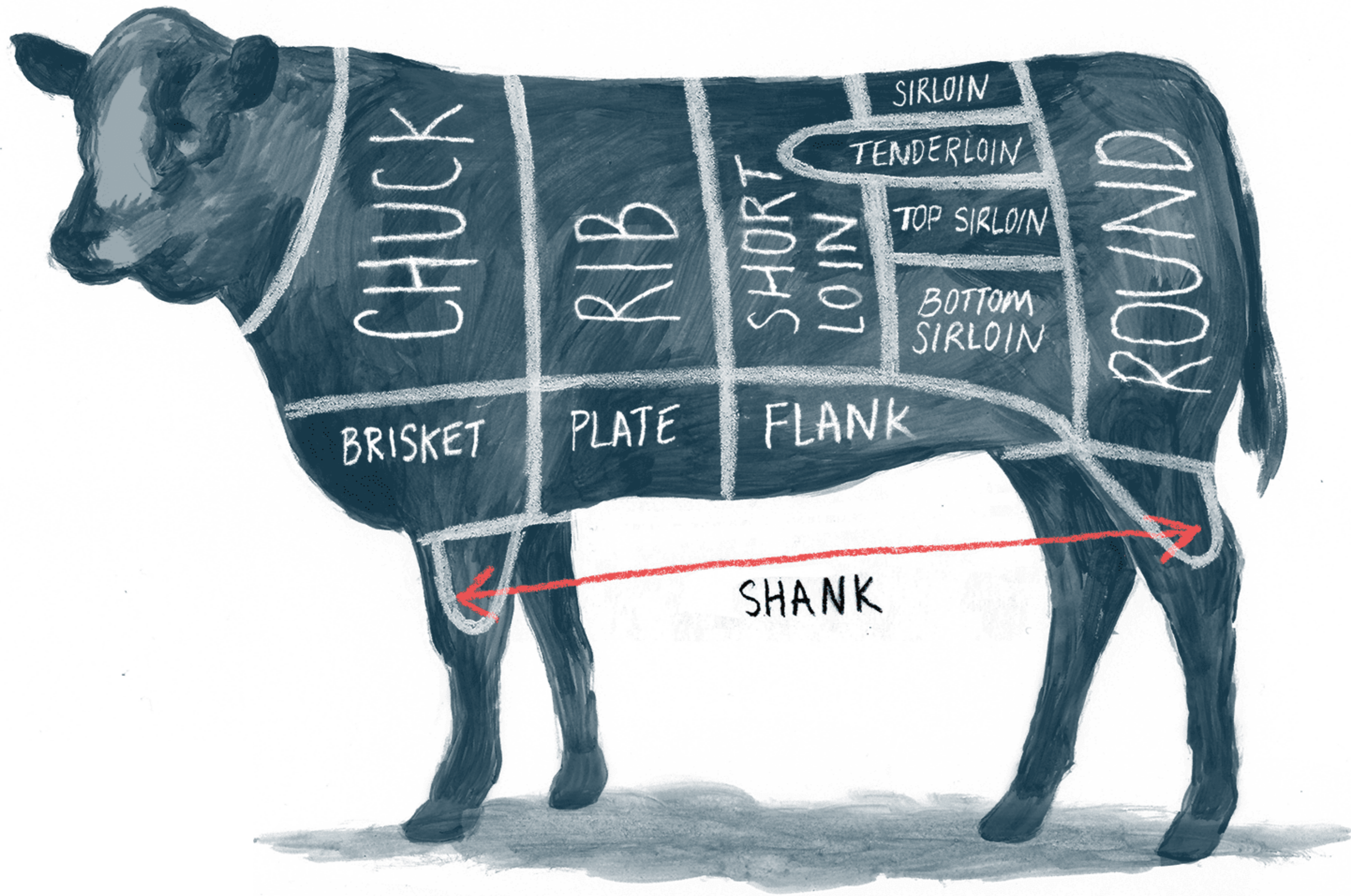
Online Retail/ Butchers Impact on Wagyu Market

All interviewees noted the growth of online retailers and the impact making Wagyu available through these online purveyors has had on the Wagyu market.

While there has been significant growth of these retailers over the past few years (essentially, since the pandemic), many believe the growth will – or already has – slowed. Whether online butchers and other purveyors of fresh or frozen meat products will last is up for debate but these sources are in line with the growth in at-home food preparation particularly among consumers who are cutting back on foodservice trips but still looking for higher-quality experiences at home.

Another benefit cited by several is extensive use of photography as a key element in selling Wagyu online. This imagery, it is believed, should increase consumer familiarity with the different marbling scores and genetic quality of Wagyu, leading to a more informed and demanding consumer.





Key Stakeholder Interviews

Preferences for Loin Cuts, with Future Shifts Expected

The U.S. is widely seen as one of the largest market for Wagyu loin cuts, which reflects the more traditional, conventional beef consumption.

While this situation is not expected to change completely, many stakeholders believe the dynamics of the U.S. market will shift. Trim is already becoming a more significant product opportunity due to the growing popularity of Wagyu burgers (as discussed on page 7). Additionally, shifting U.S. demographics and growing interest in cuisines from Asia, should increase the demand for secondary cuts (flank, brisket, rounds, etc.) which are a larger market outside the U.S. This should help improve the efficiencies of exported Wagyu to the U.S. market.

Finally, as Wagyu is arguable better enjoyed in smaller quantities given its rich eating experience, there may be shifts in the portion sizes of Wagyu offered. Smaller portion sizes may support higher quality offerings. This dynamic – luxury Wagyu offered in smaller portions – pairs well with the growth of plant-forward eating as the premium product compliments without overwhelming the plant-forward dish design.



Key Stakeholder Interviews

Other Key Issues

Positioning Australian Wagyu Against U.S. Wagyu

Across the interviewees, Australian Wagyu is believed to be higher quality due to better genetics and stricter controls.

Even though there are U.S. producers who offer grass fed Wagyu, Australian grass fed Wagyu is believed – thanks to its better genetic quality – to be better flavored. That said, U.S. Wagyu beef skews closer to conventional beef which may make it more palatable to a U.S. audience.

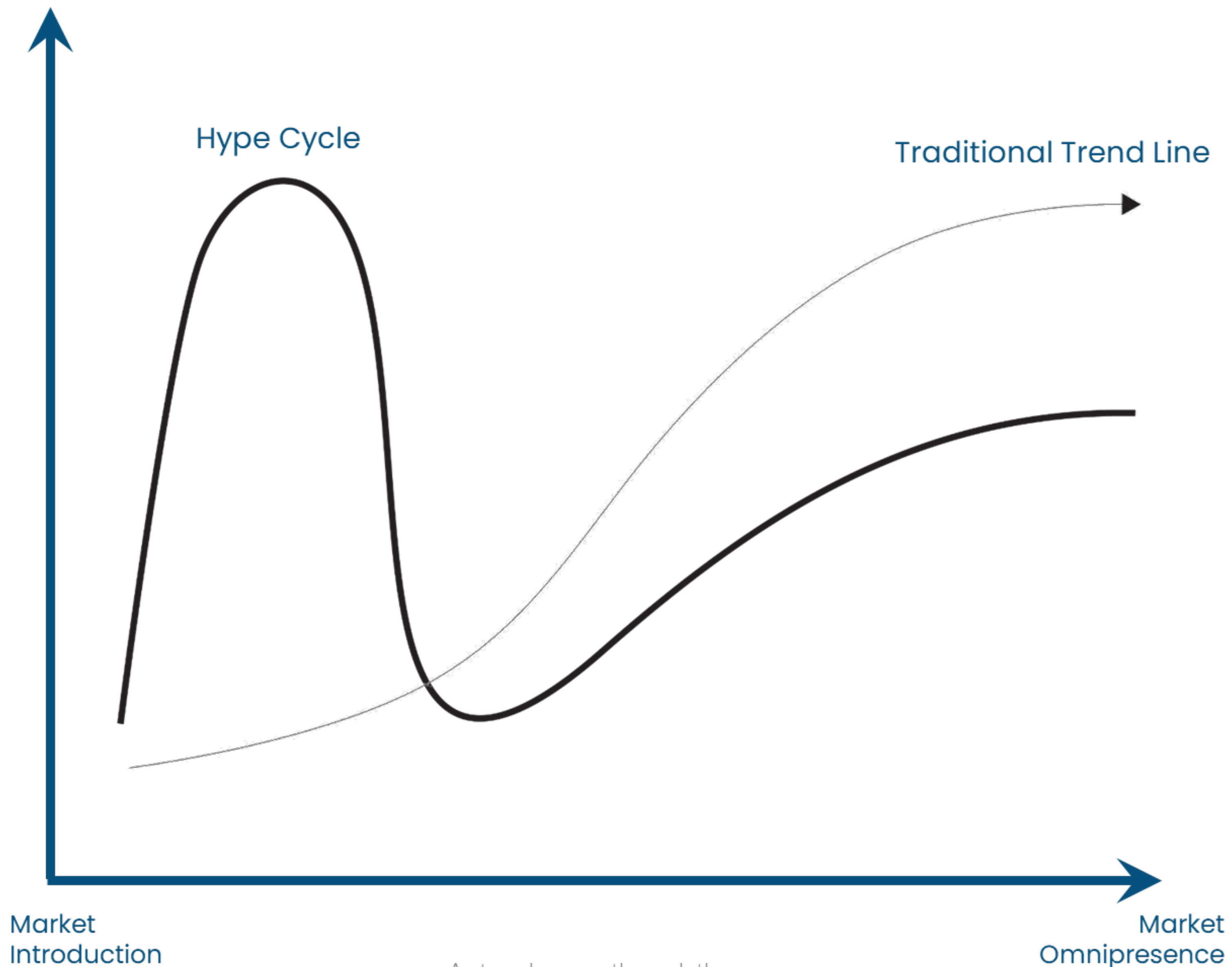
Supply inconsistency – boom and bust – must be evened out to better support the growing market and, most significantly, the potential entrance of large, national retailers and foodservice operators.

Grades and Prime Competition

Currently, the U.S. does not have a detailed marbling score for Wagyu. This lack of designation makes it more challenging for Australian Wagyu to leverage its better genetics or to communicate to consumers why Wagyu is more expensive than conventional prime beef.

Many stakeholders specifically noted they do not want to offer Wagyu products that can be compared directly – or close to directly – with prime given the challenge in communicating quality.

Trends Impacting Wagyu



Market Introduction

Introduction into the market through fine dining restaurants, ethnic grocers, and other niche retail/ foodservice outlets

As trends move through the markets, they shift from niche venues to more mainstream locations through more accessible formats and prices

Market Omnipresence

When trends are broadly available through mainstream foodservice and retail outlets they reach market omnipresence

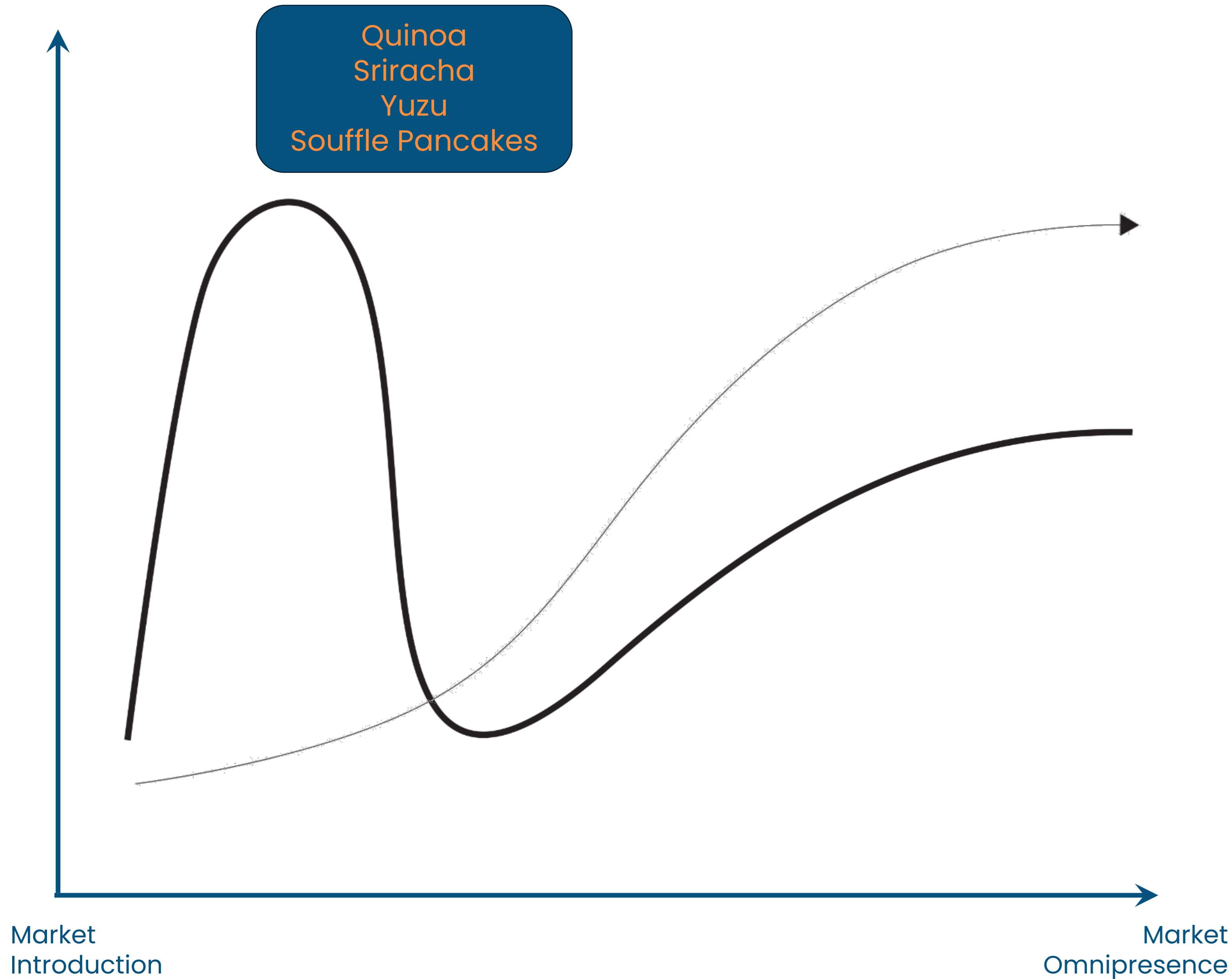
Trend & Hype Cycle Explanation
Understanding the trend/ hype cycle analysis for trends

Traditional trend lines are ubiquitous in the food and beverage industry. All follow the same, standard plot with trends moving from some form of origin or birth to mainstream omnipresence.

Given the speed with which trends move through the industry and the pressures to react to trends, few move through the trend cycle as smoothly as may have been the case five or ten years ago.

After analyzing the evolving lifecycle of trends in foods and beverages, Menu Matters has leveraged the Gartner Hype Cycle to help better analyze and predict issues with emerging trends. The Hype Cycle (the thicker of the two lines) illustrates how trends that grow too fast early on are likely to suffer from what is typically described as a “trough of disillusionment” when applied to tech. In food, this trough is driven by several other factors:

- Inadequate supply/ supply issues
- Inability to grow/ produce domestically
- Lack of strong consumer need/ driver
- Difficulty in recreating accurately/ authentically
- Lack of prepared products to drive further growth
- Inflexible price
- Market oversaturation
- Funding/ capital constriction



Trend & Hype Cycle Explanation

Trends that have suffered a hype cycle trough

Hype cycles are likely to occur far more frequently now – and going forward – given the speed of information due to social media, the internet, etc. While there is often no way to avoid a hype cycle trough, they can be predicted by avoiding being caught up in the excitement of a new trend and, rather, analyzing the potential for a trough due to the issues noted on slide 1.

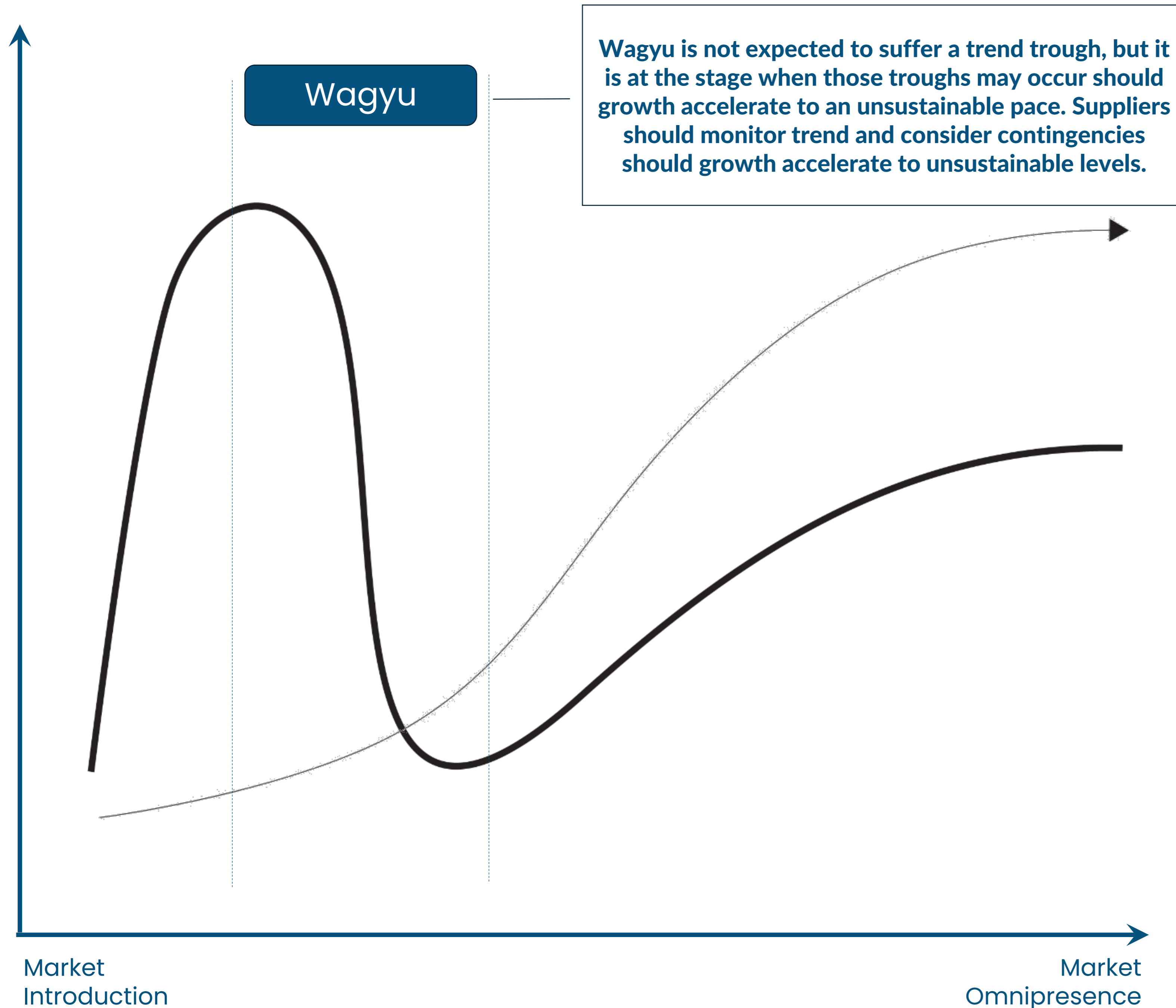
Some trends that have fallen into the hype cycle trough include:

Quinoa: growth outstripped supply, opening opportunities for alternative grains. Additionally, supply issues highlighted the negative impact global demand for quinoa had on the communities for which quinoa was a staple ingredient which resulted in some drop in interest and menuing.

Sriracha: supply choked due to one supplier owning the market created market issues and drove many foodservice operators and consumers to alternative products. This trough did not kill the demand for sriracha but, rather, opened the door for countless competitive products.

Yuzu: inability to import fresh product or grow that product domestically to any great extent has forced this trend to exist exclusively in the further processed realm which has its own unique issues regarding trends toward transparency, whole ingredients, and more natural products.

Souffle Pancakes: social media-driven trends often suffer a trough as many are not driven by true consumer demand/ need and, as such, typically fade as quickly as they emerged.



Source: Menu Matters LLC

Trends Impacting Wagyu

Wagyu in early trend stages, but growing

Wagyu, despite some showings on QSR menus, is still in the very early stages of its trend life. The primary menuers of Wagyu, at this stage, continue to be higher end casual, resorts, hotels and fine dining restaurants. In part, this is driven by cost to the foodservice operator and the subsequent price to consumers. Sourcing is another issue that's kept broader menuing at bay.

Given the recent growth of Wagyu, however, there are concerns it could fall victim to the hype trough. The key issues that may create the trough specific to Wagyu are:

- **Sourcing constraints** – As was noted by stakeholders, supply continues to go through sawtooth spikes and drops. Couple that with limited domestic availability, and mass market foodservice operators and retailers may have concerns about featuring Wagyu on the main menu.
- **Sustainability backlash** – Though Wagyu is largely flying under the radar given its significantly lower level of access versus other animal proteins, increased media exposure and LTOs featuring Wagyu may put it in the crosshairs of animal welfare and sustainability advocates.
- **Cost** – Wagyu is likely to be a higher cost item regardless of increased availability through increased production, economic dynamics in the U.S. could impact its growth trajectory in the near term. Should the U.S. fall into recession or inflation accelerate again, Wagyu growth may slow significantly.
- **Labor issues** - While foodservice operators at the higher end are facing somewhat fewer issues than mainstream or mass market foodservice operators, labor availability and, more specifically for Wagyu, skill could impact its application.





Trends Impacting Wagyu

Trends Supporting Wagyu

- **Broader menuing** – Though the vast majority of Wagyu is menued as a center of plate protein, foodservice operators are experimenting with Wagyu in an ever-growing array of applications including but not limited to bowls, vegetable-forward dishes, appetizers, shareables, catering, and cocktails.
- **Beef tallow** – Still in its infancy, the beef tallow trend is a backlash trend in the face of growing plant-forward/ based applications, but the tallow trend is offering an alternative revenue source for fat trims with Wagyu fat a unique subtrend within this trend.
- **Revenge spending and indulgence behavior** – Deprivation, economic stress and years of anxiety are supporting luxury-based behavior in the face of economic pressures. Consumers no longer want to compromise, particularly on an ingredient as important to an occasion as beef.
- **Growth of fine dining/ luxury lodging** – Associated with the trend above, consumers are spending more when dining out or vacationing. In part, this behavior is driven by the increased inconsistency and growing lack of confidence in mid to lower tier restaurants and lodging.
- **Asian cuisine influences in the U.S.** – Asian cuisines have been some of the most influential cuisines in both foodservice and, increasingly, retail. Given Wagyu's prominence in these cuisines, it is not surprising they are helping to drive increased awareness and trial.
- **Price justification with premium ingredients** – Foodservice operators have had to raise prices across the board. To help support higher prices, premium ingredients are often employed in both higher-end and more approachable applications. Wagyu, in both cases, creates a value-proposition for these higher prices.
- **Self-fulfilling prophecy** – Wagyu appeared on several trends lists for 2024, which often helps support and accelerate growth.
- **Plant-forward innovation** – Though plant-forward innovation may seem like a headwind, these dishes often encourage or support the use of higher-quality animal proteins when used.



2024 Consumer Need States

Help Consumers Live Well

- As a premium ingredient, Wagyu helps consumers live well through indulgence, celebration
- Fits well with “you only live once” (YOLO) and “revenge spending” economic behavior
- Wagyu also has a place in healthier behavior as a premium product that can elevate plant-forward dishes

Help Consumers Connect

- Consumers consistently noted Wagyu is selected for celebrations – personal and professional
- Larger cuts of Wagyu work well as shareable entrees
- Wagyu works well in unique, well-designed appetizers across a swath of cuisines
- With education, Wagyu can become a key element of at home celebrations

Create Value

- Though a higher priced product, Wagyu creates value through elevated eating experiences
- The breadth of Wagyu options by BMS offered by Australia creates elevated value across a range of occasions
- Smaller portions of Wagyu facilitate use of higher quality options with greater frequency

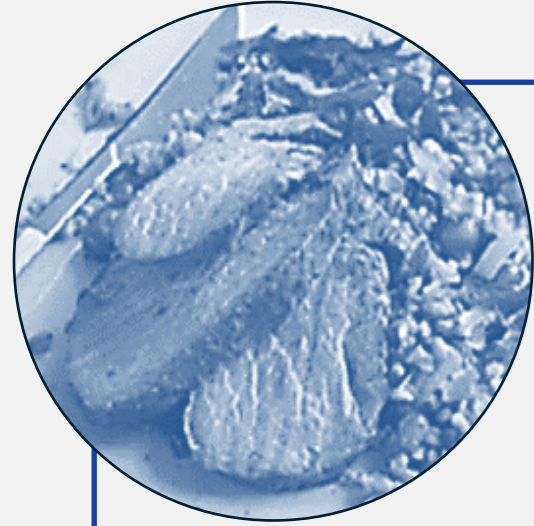
Make Consumers' Lives Easier

- Increased availability in foodservice would increase access to Wagyu without forcing consumers to learn how to prepare Wagyu at home
- Broader availability of Wagyu in foodservice would allow consumers to enjoy Wagyu across a wider range of eating occasions
- Retail-based education would help consumers feel more comfortable and confident in preparing Wagyu at home would allow them to enjoy Wagyu at a lower price point (versus restaurants) and, potentially, more often

Be Sincere

- Australia has a strong, facts-based story about its environmental efforts, which may not be a driving factor for Wagyu but can mitigate guilt and serve foodservice operators' need to improve operational sustainability
- Messaging that uses a “real” and “authentic” voice fits consumer demand for greater sincerity from the products they purchase
- Though difficult to achieve, educating consumers regarding Australia's certification process may aid in strengthening their faith in its products
- Traceability and source of origin promotion are all important here

2024 Consumer Need States



Enjoyment

Quality, Taste, Tenderness

Wagyu is strongly positioned for enjoyment, given the expectations of high quality, “buttery” or luxurious eating experience, and beef taste that is enjoyable but not overwhelming. **This is Wagyu’s strongest driver alignment.**



Nutrition

Healthy, Essential to Balanced Nutrition, Natural

Though consumers in the U.S. have a tense relationship with fat, Wagyu can be part of a well-balanced diet.



Heritage

Cultural Significance, Pride, Country of Origin

Here, Wagyu is challenged given the strong cultural connection to Japan making country of origin identification for Australia a cognizant disconnect for consumers. However, consumers have no negative associations or perceptions of Australia that would limit country of origin marketing.



Convenience

Easy to Buy, Easy to Cook

There is opportunity to improve Wagyu’s position on both “easy to buy” and “easy to cook.” Leveraging the breadth of BMS products from Australia should increase Wagyu’s menuing across the foodservice industry. Education and awareness campaigns should then target consumer knowledge regarding at home preparation.



Integrity

Ethical, Safe, Sustainable

Though sustainability is not a key purchasing factor for either foodservice operators or consumers with regard to Wagyu, Australia’s sustainability efforts could help elevate Australia Wagyu above similar competitive products. Furthermore, these efforts eliminate the guilt factor for consumers.



Value

Range of Price Options

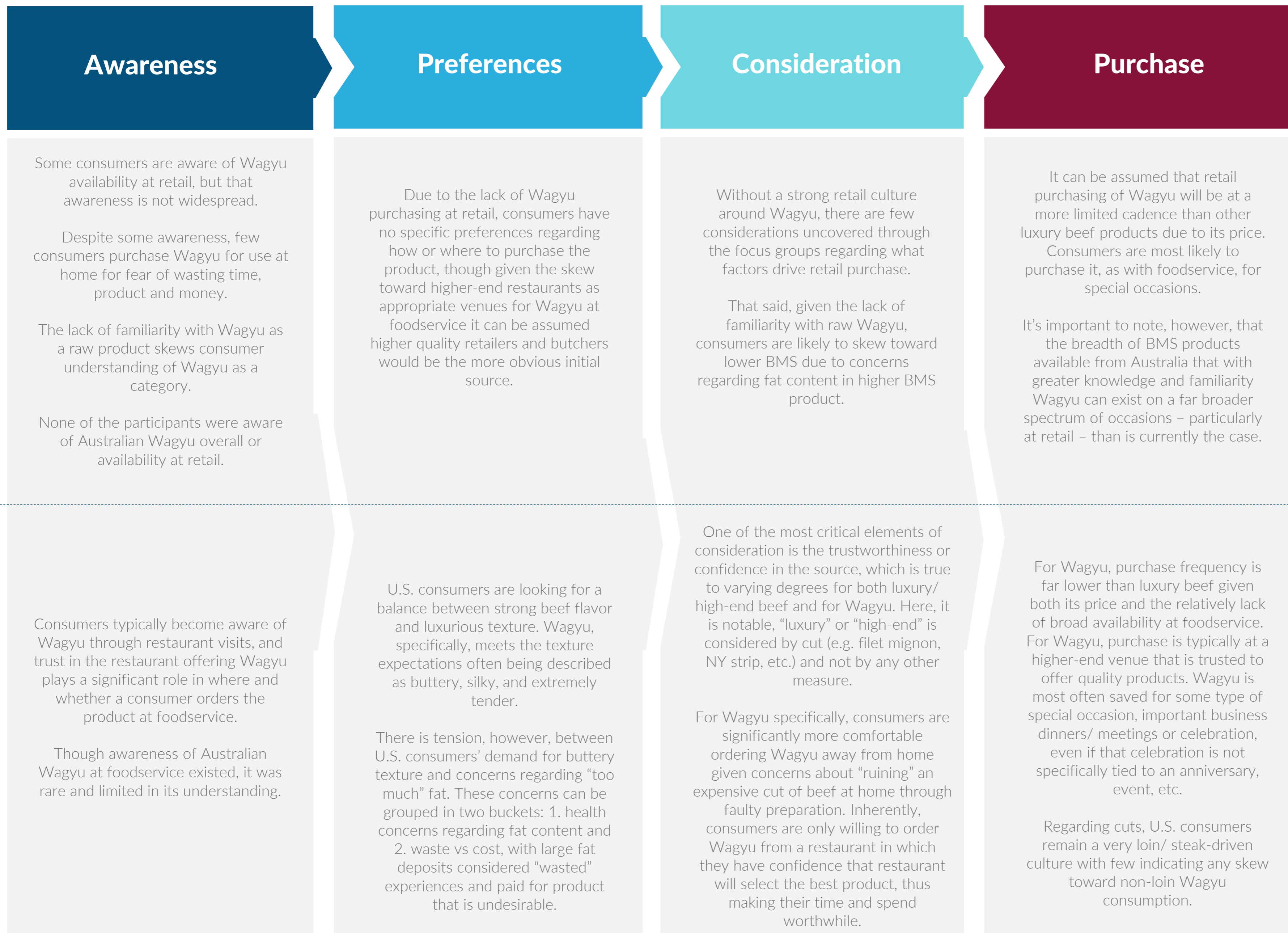
While the majority of Wagyu is currently positioned as a luxury or premium item, Wagyu can exist on a spectrum similar to wine offering consumers a range of solutions from more affordable to extremely high end. This range of options can drive increased Wagyu menuing as well as consumer at home use and away from home ordering.

Consumer Focus Group Findings

Consumer Wagyu Path to Purchase Initial Findings

Retail

Foodservice



Consumer Focus Group Findings

Path to Purchase

The focus groups cannot fully illuminate a Wagyu consumer's path to purchase, but the insights from these groups have helped us fill in some of the blanks that existed. There is still work to do to fully understand and built out the path to purchase for Wagyu products, but the chart at left provides a beginning point for that work.

Overall, luxury/ high-end beef consumers, awareness is not met with skepticism much like categories such as organics may be. There is a believability associated with Wagyu that it is truly a higher-end or luxury beef product that is worth the money to some degree.

Note that a detailed consumer path to purchase study at retail was completed for the beef category overall. The findings at left are specific to Wagyu and are only an initial understanding of that specific path to purchase. These findings are not meant to supersede the previous study, which is available from Meat & Livestock Australia.



Depth of Grading Awareness & Understanding

The focus groups made clear that there is little to no true understanding of the U.S. grading system. “Prime,” though used extensively by respondents, appears to be more of an adjective than a grading term that adds value and confidence to consumer decision making. There was virtually no discussion of choice or select. Perhaps one or two individuals were knowledgeable of the grading system but they were certainly outliers.

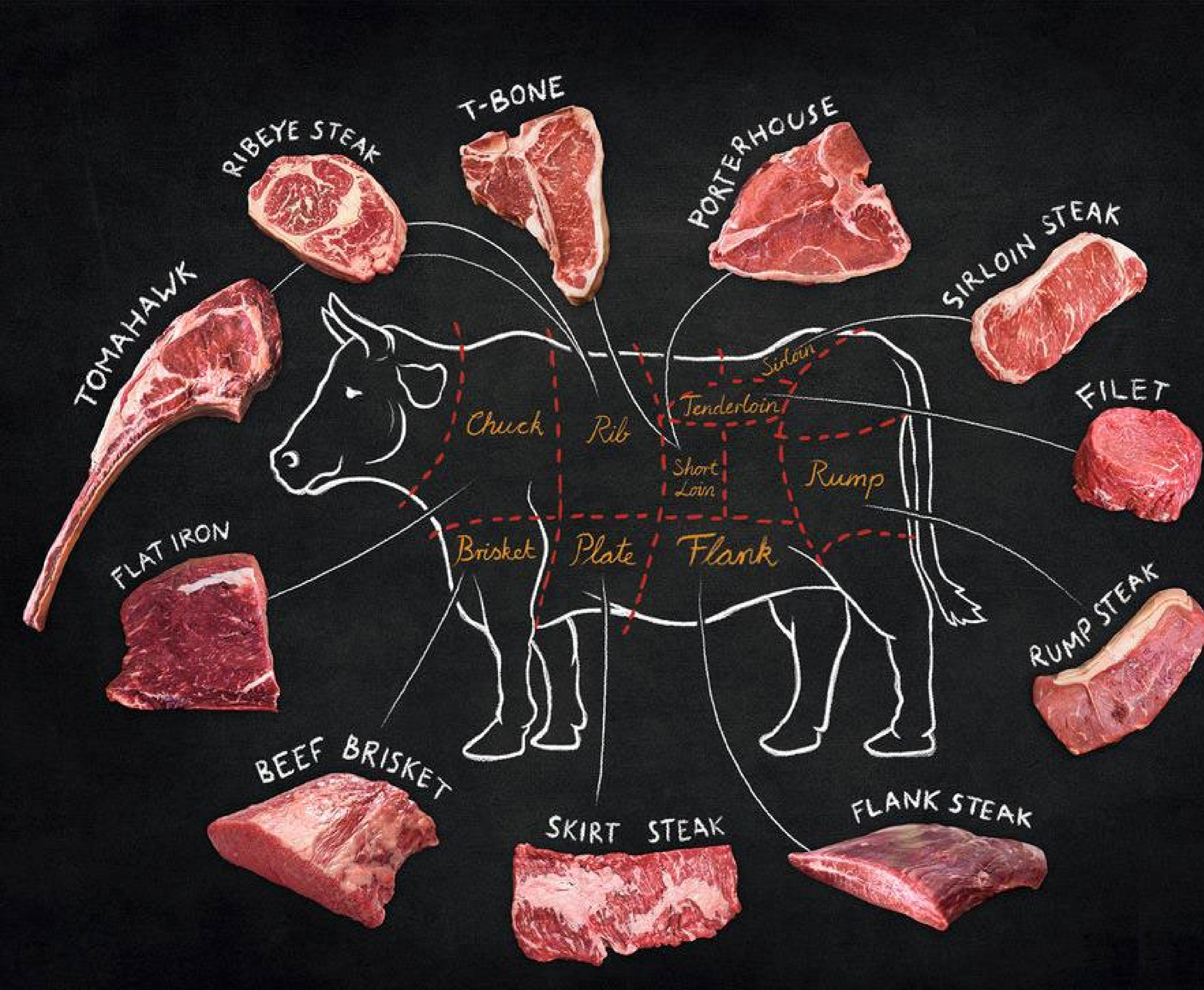
As may be imagined, given the low awareness and understanding of the U.S. grading system, there is virtually no awareness of the beef marbling score system. Again, the one or two respondents who mentioned the scores only served to demonstrate how little the rest of the respondents knew and understood about that system.

Certainly, there was no understanding or awareness of any other grading or certification systems including Australia’s.

Instead, consumers associate quality with the cut of beef with filet mignon, NY strip, ribeye and tomahawk cuts the most commonly mentioned luxury or high-end cuts. This, then, goes back to the confidence and trust placed in the restaurant or retailer to offer the best possible quality based on the price point.

Key Takeaway:

Consumers will relate to and understand messaging around cuts and eating experience far quicker than they will messaging around certifications, grading and BMS.





Consumer Focus Group Findings

Role of Restaurants

As mentioned in the path to purchase diagram on slide 16, restaurants have the largest impact on consumers' awareness with, knowledge of and experience with Wagyu. This is particularly true as consumers are significantly less likely to purchase Wagyu for at home preparation than they are other luxury cuts of beef. They trust restaurants to prepare it correctly, thus maximizing the consumer's time and spend.

Consumers not only place their trust in a restaurant offering Wagyu to source the best quality for the prices charged but have gathered the majority of their knowledge about Wagyu from the information provided by restaurants. This, certainly, emphasizes the importance of working with foodservice operators to provide as much information as possible on the menu to help educate consumers.

With that said, most consumers are not looking to be educated at occasions featuring Wagyu. Most of these occasions are either business occasions or special personal occasions, which place the emphasis on the diners and not an education opportunity. This creates some tension between using foodservice operators to educate consumers and creating meaningful experiences that inherently capture these individuals as future Wagyu consumers.

Key Takeaway:

Retail efforts are likely to lag behind foodservice Wagyu consumption.

Broadening Wagyu menuing beyond fine dining/ high-end foodservice operators will require focusing on operators with strong brand positioning and trust among consumers.



Consumer Focus Group Findings

Expectations and Priorities

When planning a Wagyu occasion or selecting Wagyu as the protein of choice for an occasion either at home or at a restaurant, taste and eating experience are the most critical priorities. Nothing is more important to consumers, and this fact must be stressed. If the taste and texture do not meet expectations, no other attributes or promises will compensate for that disappointment.

From an expectation point of view, consumers expect a Wagyu experience to have a good beef flavor with a texture most often described as “buttery” or “melt-in-your-mouth.”

With that said, there are some issues that consumers note do factor in a lesser degrees in their decision-making process. Among the other issues consumers noted may make some impact on their purchase:

- **Local:** This is often, and more often than not, an aspirational attribute. Consumers like the idea of locally sourced food and do, to some extent, seek out local sources at farmer’s markets, at retailers (as available) and, increasingly, online. But true local is not available or not available in reliable quantities to make it a true source in beef and, certainly, Wagyu.
- **Feed:** Some consumers noted concerns with or awareness of feed and what the cattle were fed. This most often either came up with pushback on corn feed (as many consumers have negative perceptions of corn overall) or positive perceptions of unique feed and feed finishing (like all carrot finishes for beef). Given the lack of information available to most consumers on feed, it is unlikely this truly moves the need to any discernable extent.
- **Living Conditions/ Humane Treatment:** This issue is likely the most impactful issue for consumers. Consumers do worry about or are conscious of the need for humane treatment of animals used for food. That said, most assume the animals are treated well – for the most part – so the impact here is usually more negative should information come out that a specific source is not living up to this expectations. Despite the concern, it appeared few consumers actively seek out information on the living conditions or humane treatment of specific brands/ sources but, rather, respond to either positive claims or negative news.

Key Takeaway:

Messaging efforts will be more effective in the short-term focusing on eating experience/ flavor, with environmental and animal welfare issues secondary and more mid- to long-term opportunities.





Consumer Focus Group Findings

Perception and Impact of Wagyu Burgers

Interestingly, few consumers were familiar with Arby's Wagyu burger promotion, or any other promotions of Wagyu items on fast food or fast casual menus.

When informed of that promotion, nearly all respondents were skeptical about the promotion. That skepticism was grounded, first and foremost, in a lack of trust and confidence in Arby's to offer the best quality products for the price. And, given the perception that Wagyu is a more expensive product – worth the price when at the right quality – that lack of faith was exacerbated given the price points on an Arby's menu.

Ultimately, respondents did not believe the product likely was Wagyu, that it had more than a “dusting” of Wagyu in the final product, or that the Wagyu was good enough quality to really be Wagyu.

Therefore, an Arby's (or similar) menuing of Wagyu is unlikely to fundamentally harm the overall Wagyu category with most high-end Wagyu consumers. It will, however, offer those consumers who have greater faith in Arby's or similar foodservice operators to offer them a better or higher quality option than what is typically on the menu or that they would typically otherwise order, thus expanding the overall market for Wagyu.

Key Takeaway:

Wagyu burgers are unlikely to have a significant negative impact on consumers' perception of the category, but skepticism regarding truth in advertising will exist on an operator-by-operator basis.



Consumer Focus Group Findings

Associations of Wagyu with Japan

One of the most critical learnings from the focus groups was the extremely strong association consumers have with Japan and Wagyu.

Despite the initial introduction of Kobe into the U.S. market in the early 2000's, the idea of cattle that is massaged regularly and dieting on beer persists.

Once introduced to the idea that Wagyu may be sourced from the U.S., Australia or other countries, many consumers pushed back noting this was likely “fake” Wagyu or “lesser than” Wagyu.

Consumers do not understand that Wagyu is a breed and has nothing to do with place (Japan) and production (beer, massages).

Key Takeaway:

The strong association with Japan is likely the most significant hurdle Australian Wagyu faces.



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Consumer Focus Group Findings

Familiarity with Australian Wagyu & Perceptions

With only a few exceptions, there was no awareness or familiarity with Australian Wagyu. A few respondents had heard of Australian Wagyu and fewer still noted they had tried it.

When presented with the idea of Australian Wagyu, the primary pushback related to the strong association of Wagyu with Japan. Respondents did not question Australia as a possible source of products or indicated any negative association with Australia overall or with beef specifically. Rather, the respondents generally questioned whether Wagyu from Australia was real Wagyu or insisted that it could not be real Wagyu.

The same can be said for domestic Wagyu. Though domestic Wagyu benefits from the halo of local sourcing, most respondents question the legitimacy of Wagyu raised in the U.S.

Only two sources of origin with negative perceptions were identified: Mexico and China. These two sources were consistency mentioned as unreliable, untrustworthy, and sources of origin that consumers actively try to avoid as much as possible.

Key Takeaway:

Australia has the opportunity to create a unique market position given limited to no awareness of Australian Wagyu.





Consumer Focus Group Findings

Wagyu & Sustainability

Though both luxury and Wagyu consumers expressed some concerns about sustainability and the environment, few noted these concerns impacted their decision making with regard to either luxury or Wagyu beef.

This is particularly true for Wagyu beef consumers. Given the occasions for which Wagyu is typically ordered or purchased, sustainability and environmental concerns factor very little. These occasions could be thought of as exemptions from everyday concerns. Several respondents specifically noted that if you're going to celebrate or make an effort to do something special, then you make a conscious decision not to worry about issues you may typically take into consideration including, but not limited to, sustainability.

Though not explicitly discussed, this seems truest for Wagyu occasions in a restaurant than those that may take place in the home (which are a far smaller share of the overall occasions). Again, here, consumers may leave those more basic concerns to the foodservice operator and trust that the foodservice operator is making the right decisions for them. For the consumer, they are ordering Wagyu as a treat for a special occasion that is apart from their day-to-day experiences and issues.

Key Takeaway:

Environmental and sustainability issues are growing in consumer awareness and are likely to play a growing role in purchasing behavior, but likely more mid- to long-term.



Consumer Focus Group Findings

Marbling Score Preference

When presented with the visual aid at left, consumers skewed towards the lower marbling scores. This despite consumers expecting Wagyu experiences to have that “buttery” or luxurious textural experience when eating.

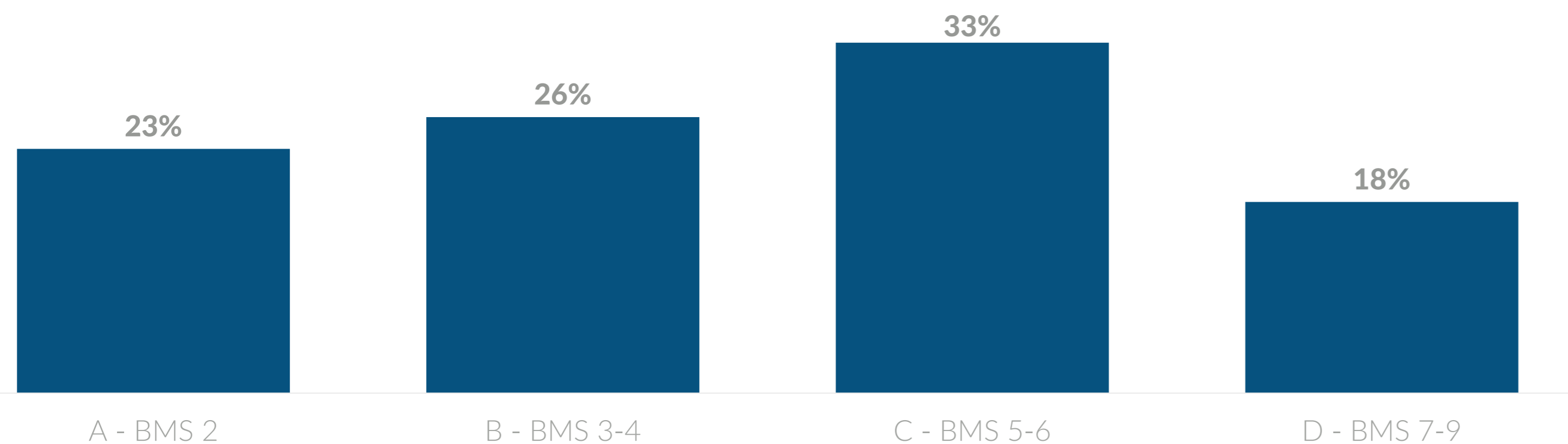
The key issue, when presented with the visual aid, centered around the larger deposits of intermuscular fat. As seen particularly in B and to some degree in D, these are considered both unhealthy and wasteful. Specifically, consumers noted they don’t want to pay for something they aren’t going to eat, and given the expense of Wagyu that can add up to a lot.

Though the larger deposits created concerns regarding health and waste, the higher marbling scores for some consumers did create health concerns regarding the amount of fat present. There appeared to be no correlation in the minds of these consumers between the marbling and the texture or “buttery” experience they consistently noted in a Wagyu experience. Furthermore, the discussion around marbling and fat drove home the lack of experience most of these consumers – luxury beef and Wagyu alike – had with purchasing this type of beef product at retail where they would be exposed to the appearance of the beef prior to preparation.

Beyond those fat deposits, consumers were drawn to the amount of “red” that indicated a stronger or more robust beef flavor. As noted earlier, U.S. consumers are nearly exclusively consuming both luxury beef and Wagyu in loin cuts or steak presentations rather than smaller portions.

Key Takeaway:

U.S. consumers react poorly to intermuscular fat and expect a fair amount of “red meat” as an indicator of good beef flavor. Limited retail experience skews expectations regarding raw Wagyu



Consumer Focus Group Findings

Source of Origin Preference

During the course of the focus groups, respondents were presented with the visual aid at left that compares a U.S. Wagyu ribeye (A), an Australian Wagyu ribeye (B) and a Japanese Wagyu ribeye (C).

As noted in the graph at bottom, respondents overwhelmingly selected the Australian Wagyu ribeye as the preferred option based on its uncooked appearance.

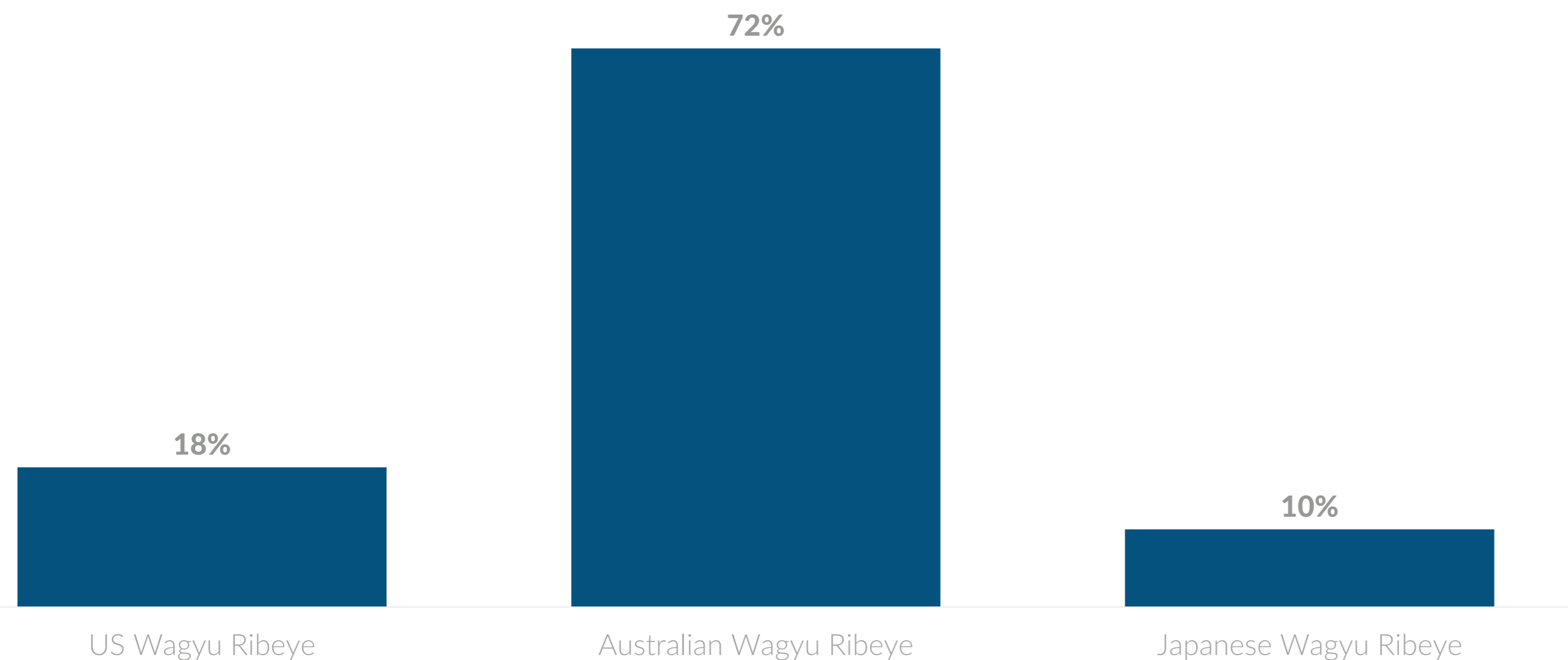
Respondents indicated that it had the best meat to fat ratio without the large deposits of fat that are observed in both the U.S. and the Japanese Wagyu options.

The U.S. Wagyu ribeye was thought to have far too many larger “waste” deposits of fat and not enough marbling (though that term was not used by many consumers) to create the “buttery” experience that is important in a Wagyu occasion.

The Japanese ribeye, by comparison, was perceived as being far too fatty in addition to having larger fat deposits. As such, consumers were worried that it would be too overwhelming as a steak or be too greasy with not enough robust beef flavor.

Key Takeaway:

Australian Wagyu has the right amount of intermuscular fat, intramuscular marbling, and red meat to visually indicate the right flavor and texture to U.S. consumers.



tender lamb...
spices, garlic, ginger, olive oil, salt
pepper. Skewered with peppers
and flame-grilled.

Skewer of the Day
Please ask you waiter for today's special

*Market Price

Connoisseurs Choice «

Gold Long-Fed Australian Angus Beef
250 days grain-fed. Sensational taste & tenderness
in abundance with this award winning "Gold
Medal" Beef, fine marbling and firm texture that
assure an enjoyable eating experience

Gold Fillet 200g/300g
Gold Rib-Eye 300g

Australian Wagyu Beef
350 Days Grain Fed
Wagyu, rich in marbling and flavour, very
tender, juicy and naturally high in Omega 6 &
Omega 3. "The beef that's good for you"

Rib-eye (4/5 marbling score) 300g
New Yorker (5/5 marbling score) 300g
Fillet (5/5 marbling score) 300g

21,000
19

Consumer Focus Group Findings

Education Opportunities

How to educate consumers becomes a critical question. Or, rather, is trying to educate consumers worth the effort and, if so, what information will be worth the effort.

Consumers, subconsciously or consciously, are educated and informed through social media more so than many other sources. With Wagyu, however, restaurants and other foodservice operations are the initial, primary source of education. From there, social media can support, validate or enhance what is learned at restaurants.

Restaurants have other priorities than education, particularly at the fine dining or steakhouse level where most Wagyu is currently consumed. Restaurants can educate through menu descriptions and details but few occasions encourage education sessions at the table beyond answering questions from the patrons. Furthermore, patrons are typically at these venues for occasions at which asking many questions aimed at learning more about the food is not the primary point.

Based on the focus group findings, any education should focus on what the consumers are getting out of any grading, scoring system or source. The primary message should be taste and texture, with secondary messaging focusing on how making certain decisions means a better experience for the customer or removing guilt.

The exception here is at retail, where consumers are more engaged with learning and making decisions in a far different way. At retail, there is enormous opportunity to educate consumers about selection and, perhaps more important for Wagyu, preparation to ensure time and money are well spent. If MLA and AWA can position Australian products as helping consumers enjoy Wagyu at home (presumably at a lower cost than restaurants) by ensuring they have the knowledge they need to make the right decisions for themselves and their families, that could go a long way toward growing the category overall.

Key Takeaway:

Education is most likely to happen at retail, where consumers often proactively seek information and instruction

Education must tie grading/ certification/ BMS directly to flavor, texture and eating experience to make it intuitive.





Consumer Focus Group Findings

Australian “Brand” Opportunity

When asked how Australian Wagyu could stand out or gain U.S. consumer attention, several focus group participants floated the idea of a special Australian brand or descriptor that sets its Wagyu apart from Japanese Wagyu. This was a discussion that occurred organically and was not initiated by the moderator.

These consumers noted that there would be skepticism around Wagyu available from a source other than Japan and if Australia did have quality Wagyu then it should set it apart from a Japanese product.

The introduction of this potential solution from consumers without prompting is one of the more interesting findings from the focus groups and dovetails well with the initial project discussions between Menu Matters, Meat & Livestock Australian and Australian Wagyu Association.

Given the strong tie in consumer perception with Japan and Wagyu, the question becomes how easy will it be to disconnect Wagyu from Japan and is that activity worth the likely effort and resources required? Rather, can Australia create some type of descriptor, brand or other certification that allows it to own its own unique market position?

Arguably, this may be the more appealing option for Australia given consumer preference for Australian Wagyu over Japanese Wagyu products and may allow Australia to carve out a defensible market position before domestic supply becomes large enough to offer strong competition.

NOTE: Certification at left designed as an example only.

Key Takeaway:

Consumers appear open to the concept of an Australian-specific Wagyu designation.



Consumer Focus Group Findings

Key Findings

While this initial work against the Wagyu market and consumer behavior and understanding helped to answer some key questions for Australian Wagyu exporters, several other questions remain or were raised.

To fully understand the broader consumer market and to effectively identify opportunities that exist for Australian Wagyu, further quantitative research is required and will offer the insights required to confidently create a near and long-term strategy for Australian Wagyu in the U.S.

From this research, however, the following key findings emerged:

- **Consumers have little to know understanding of grading, BMS, or Wagyu as a breed**
- **Wagyu is primarily consumed away from home due to concerns about ruining or wasting Wagyu at home**
- **Quality expectations are tied directly to the faith/ trust in the foodservice operator menuing**
- **Because consumers do not purchase Wagyu for preparation at home, few understand what raw Wagyu looks like and, thus, are surprised by the fat (both inter and intramuscular)**
- **There is tension between the demand for and expectation of “buttery” Wagyu texture and fat as a healthy or unhealthy attribute**
- **Burgers have little impact on consumer Wagyu expectations**
- **Wagyu is almost exclusively associated with Japan**
- **Sustainability and environmental concerns are on the mind of consumers, but often abandoned for the special occasions for which Wagyu is most often consumed**
- **Consumers may be open to an Australian-specific brand or other identifier for its Wagyu product**



Foodservice Operator Interviews

Operators Interviewed

<p>Blue Blood Steakhouse (Toronto, Canada)</p>	<p>Dalida (San Francisco, CA)</p>	<p>Echo & Rig (Las Vegas, NV)</p>
<p>First Hospitality (Orlando, FL)</p>	<p>Flagstaff House (Boulder, CO)</p>	<p>Gibsons Italia (Chicago, IL)</p>
<p>Holsteins (Las Vegas, NV)</p>	<p>Langham Hotel (Chicago, IL)</p>	<p>Macs on Main (Fort Worth, TX)</p>
<p>Mortons (Chicago, IL)</p>	<p>Northwood Hospitality (Denver, CO)</p>	<p>Prohibition (Charleston, SC)</p>
<p>StepStone Hospitality (Boston, MA)</p>	<p>Spago (Los Angeles, CA)</p>	

Foodservice Operator Interviews

Complete list of operators interviewed for this stage

Operator interviews focused on fine dining operators and higher-end lodging properties. Most operators currently feature Wagyu on the menu to some degree (either main menu or promotional activities) while others either abandoned Wagyu or have never menued.

Operators were promised anonymity in individual responses.



Foodservice Operator Wagyu Path to Purchase Initial Findings



Foodservice Operator Interviews

Path to Purchase Framework

More so than the consumer focus groups, the foodservice operator interviews were small in number and, as a result, a true path to purchase analysis is not possible. However, the framework at left begins to fill in the blanks regarding operator awareness, decision factors, and ongoing purchase behavior.

To fully understand the path to purchase and, thus, identify opportunities for Australian Wagyu to exploit going forward, a great deal more information from a larger sample of operators is needed.



Foodservice Operator Interviews

Why Menu Wagyu?

For those foodservice operators currently menuing Wagyu, there are two primary drivers to featuring Wagyu on the menu.

Diversity of beef experiences - These foodservice operators tend to have very robust beef programs or are steakhouses. Wagyu offers an opportunity for these foodservice operators to present a wide range of beef experiences to their patrons. In fact, many noted that larger parties – often business-related groups – will order several different types, cuts or sources of origin for a defacto beef flight which allows the patrons to experience and understand the diversity of flavors, textures and eating experiences that exist in the beef category. These foodservice operators largely believe offering Wagyu is almost a requirement to prove their legitimacy as beef experts. These foodservice operators are most likely to feature Wagyu only or primarily as a loin cut/ steak/ center of plate protein.

Unique, competitively differentiated offerings – This is often the primary driver for foodservice operators that do not identify as steakhouses or similar to steakhouses. Rather, these foodservice operators have beef as a key ingredient on their menu but not the primary identity definer. For these foodservice operators, Wagyu is used either in limited time offers, seasonal menus, or other specials to help create unique, competitively differentiated offerings. In this case, Wagyu is as likely to be featured in or as an entrée as it is in an appetizer or as a supporting or featured ingredient beyond the center of plate protein application.

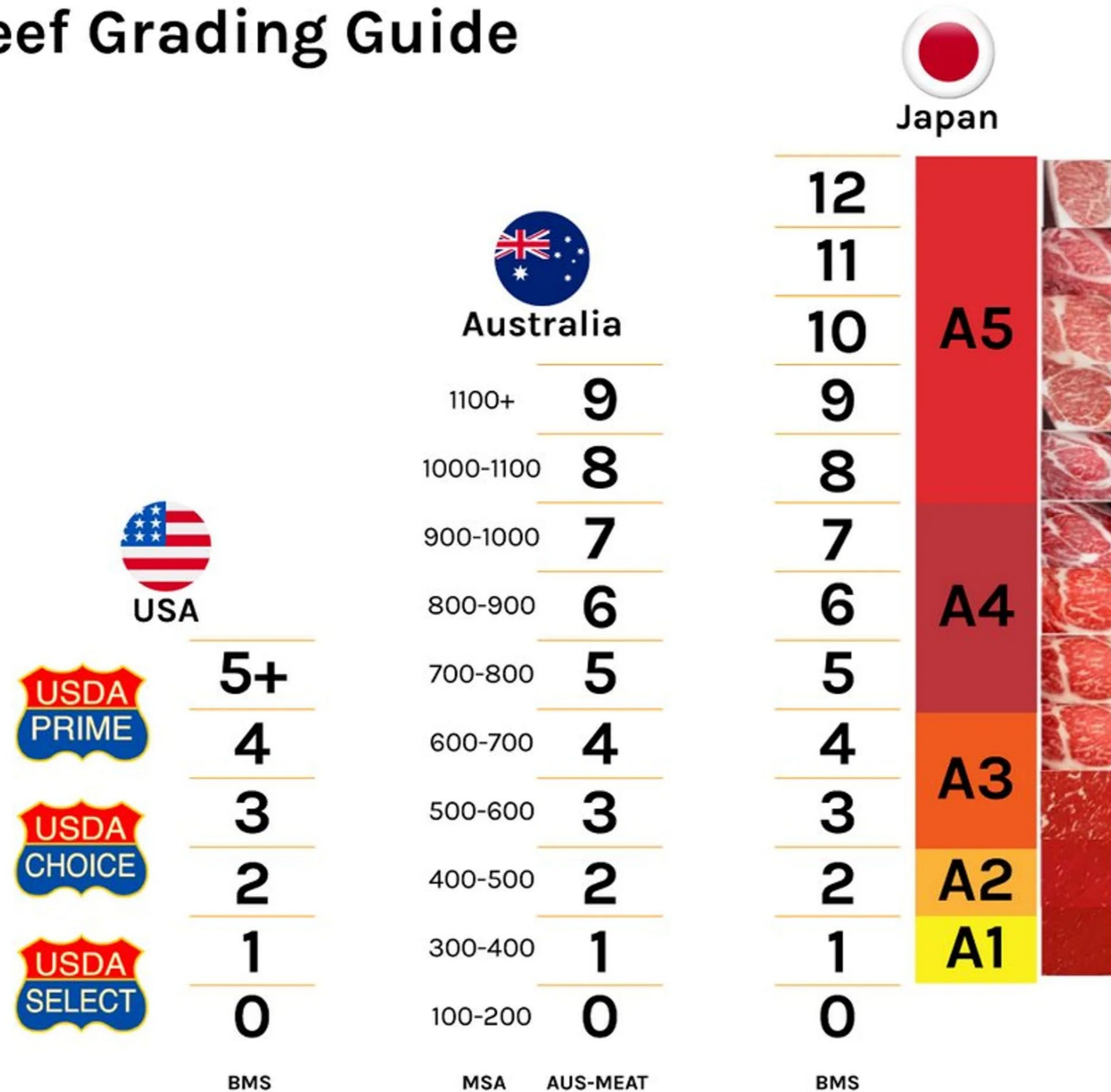
Key Takeaway:

Many operators are likely to menu Wagyu from multiple sources if the beef program is robust.

Australia's broad range of Wagyu products should secure more spots on strong beef menus.



Beef Grading Guide



BMS = BEEF MARBLING SCORE

Foodservice Operator Interviews

Depth of Grading Awareness & Understanding

Unlike consumers, foodservice operators have a very strong understanding of both the U.S. grading system and the beef marbling score. The BMS awareness is, though, higher among foodservice operators currently menuing Wagyu and present to a large degree among foodservice operators without Wagyu on the menu.

Few of the interviewees note on the menu the BMS of the Wagyu offered. Those that do believe the consumers ordering Wagyu are educated enough that the BMS is used to impress patrons, reinforce trust in the foodservice operator as an expert in beef, and to support higher price points.

Among those that do not identify BMS scores, it is widely believed consumers do not have a strong understanding and that most are not interested in getting into the “nitty gritty” of the product details. Rather, as was noted by consumers, Wagyu orders are typically for special occasions so few consumers are looking for some type of tableside education.

In fact, this issue of educating consumers tableside is largely seen as a sticky issue for foodservice operators. Though some foodservice operators enjoy taking the time to “show off” the knowledge of their staff when it comes to any ingredient or product featured on the menu, many foodservice operators find it difficult to balance the potential need to or interest in being educated at the table with taking away from the specialness of an occasion at their venue.

Key Takeaway:

Fine dining/ high-end foodservice operators have a strong understanding of grading and BMS, and often rely on these indicators to differentiate their beef programs.

Flavor, however, is the ultimate guide and will not be trumped by grades, certification or BMS.



Source: Aussiemeat.hk
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Foodservice Operator Interviews

Concerns Over Cost

While consumers focus on the specialness of Wagyu and its role in unique, treating occasions (which allow for more discretionary spending), foodservice operators are extremely conscious of the higher cost of Wagyu particularly in the current economic climate.

Several foodservice operators noted that they have removed Wagyu from the menu or stopped featuring it as a special given the higher costs now and pressures facing their patrons. Otherwise, however, believe consumers are looking for a special treat for which they are willing to spend more, understanding (from the foodservice operators POV) that sales may be lower than other menu items but worth having available for patrons wanting a special experience.

Outside of these specific economic times, foodservice operators believe there is a value added story behind Wagyu that typically justifies and supports higher prices. They understand that Wagyu is not an “everyday” spend, but rather something that allows individuals or businesses express or demonstrate something outside the ordinary is happening.

Key Takeaway:

The cost of Wagyu is a concern for foodservice operators now given the economic environment, but will decline in importance as the economy improves.



STK STEAKHOUSE

NATIONAL STEAKHOUSE MONTH

WAGYU Selections

Starter

JAPANESE JOSHU A5 WAGYU TACOS* (3)
pickled shallots - fresno peppers - crème fraîche 49

Steaks

JAPANESE KAGOSHIMA A5*

DELMONICO 8oz | 219
PICANHA 8oz | 195
TOP STRIP 8oz | 185

AUSTRALIAN STONE AXE*

HANGER 8oz | 149

AMERICAN MASAMI*

RIBEYE 16oz | 169

We have proudly selected these curated cuts because they are the best representation of our "Wagyu of The World" vision.

MASAMI RANCH from Northern California, is a single-farm ranch, which creates some of the most flavorful steak you can imagine, like the Ribeye that is featured! STONE AXE'S Hanger Steak, a.k.a. the "Butchers Cut," only 1 per cow is available, while the KAGOSHIMA WAGYU is the all-time most awarded Wagyu Olympic champion.

No matter which Wagyu you choose to indulge in, enjoy your Wagyu of The World experience.

**These items may be served raw and/or undercooked. Consuming raw or undercooked meats, may increase your risk of a food borne illness especially when you have a medical condition.*

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Foodservice Operator Interviews

Menu Identification and Descriptions

Most of the foodservice operators interviewed do identify the source of origin on the menu. Much of this ties back to the desire to showcase the foodservice operator's knowledge and authority in the beef category, and to encourage beef flights or sampling. Additionally, several foodservice operators indicated that some truly knowledgeable patrons will have preferences for specific sources of origin, though this is fairly rare and not a primary driver for the foodservice operators.

Sources of origin are far more likely to be identified than either grades or BMS. If a grade is identified it is only ever prime but, as was learned in the consumer focus groups, most few this as a descriptor rather than a certification of quality or other attributes.

Though not as uncommon as featuring the grade or BMS on the menu, few foodservice operators identify the farm or brand of the Wagyu (or other beef) featured. For the foodservice operators featuring the brand/ farm, this is often a point of pride and goes toward reinforcing patron confidence as well as driving toward broader operation goals of strong supplier relationships and, often, local/ domestic sourcing. But, more foodservice operators are hesitant to feature farms/ brands on the menu given concerns about consistent availability and the need – at least occasionally – of alternative sourcing due to low supply. Foodservice operators also question consumer interest (at that level of dining) or awareness of brands to support taking that type of real estate on the menu.

Key Takeaway:

Restaurants with strong beef programs are more likely than other operators to feature the source of origin, BMS and/ or the brand of Wagyu on their menu.





Foodservice Operator Interviews

Perception, Impact of Wagyu Burgers

While few of the foodservice operators interviewed featured Wagyu burgers (or any type of burger) on the menu, the general opinion was that Wagyu burgers generally pose no threat to patron perceptions about Wagyu as a higher end beef option.

As with consumer insights, foodservice operators believe much of the confidence in the quality of a Wagyu burger comes down to the respect or trust in the foodservice operator offering that burger. If the foodservice operator is a trusted authority and source for high quality food, then patron faith in a Wagyu burger will exist and that experience will not detract from more expensive Wagyu dishes.

Many foodservice operators, however, did note a concern about Wagyu featured by certain foodservice operators. Again, as with consumer sentiment, foodservice operators noted that foodservice operators with little consumer trust that offer Wagyu as either a main menu item or as a promotion could create some issues with the perception of Wagyu more broadly. But, this comes down more to the foodservice operator than to the product, and several foodservice operators indicated that the patrons spending money at their establishments likely weren't the ones seeking out a Wagyu burger at a fast food restaurant.

Additionally, some foodservice operators did indicate that making higher quality food more broadly available and at more accessible price points should be a goal of the foodservice industry but with the understanding that even if a Wagyu burger at a fast food restaurant is lower priced than a Wagyu steak at fine dining, it should still be more expensive than other burgers available at that same foodservice operator. There were also truth in advertising concerns about how much of that burger should be Wagyu before being identified as Wagyu. This had more to do with keeping all the industry players honest than concerns in the overall impact of the perception of the Wagyu category.

Key Takeaway:

Concerns regarding Wagyu burgers comes down, as with consumers, to the foodservice operator featuring rather than the concept of a Wagyu burger (or other non-premium application).

Foodservice Operator Interviews

Associations of Wagyu with Japan

Unlike consumers, foodservice operators do not strongly associate Wagyu with Japan. There is a far better understanding of the beef category overall, sourcing, cattle breeds and the place Wagyu has in the industry overall.

This understanding is evident with the foodservice operators that identify the various sources (either by country or by farm/ brand) of Wagyu and that Wagyu is not tied specifically to Japan.

The understanding of the lack of this awareness and understand with consumers varies, with many foodservice operators assuming consumers know far more about sources of origin for Wagyu than appears to be the case with the consumer focus groups.

Key Takeaway:

Foodservice operators do not tie Wagyu specifically to Japan so the need to disconnect Australian Wagyu from Japanese Wagyu is not a priority.





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Foodservice Operator Interviews

Familiarity with Australian Wagyu & Perceptions

All of the foodservice operator interviewees were aware of Wagyu from Australia, whether that product was on the menu or not. Most had experienced or tried Australian Wagyu either for consideration for their operation or when dining out.

There were no negative perceptions of Australia or Australian Wagyu noted during the course of the interviews. Rather, nearly all interviewees indicated some level of affinity toward Australia and/ or Australian ingredients.

Rather, any “negative” perceptions came down to personal preferences for flavor and texture. Most foodservice operators acknowledged that Japanese Wagyu was relatively inappropriate for “steak” consumption as is the norm in the U.S. Therefore, much of the comparison for loin/ steak cuts was between U.S. and Australian product. Whether an foodservice operator preferred or expressed preference for Australian centered around the degree of strong beef flavor they or – they believed – their patrons demanded from a steak experience.

Key Takeaway:

Australian Wagyu has a strong awareness and positive perception among foodservice operators.





Foodservice Operator Interviews

Sustainability & Wagyu

Most foodservice operators have sustainability and environmental issues on their radar to some degree or another. The degree to which those issues and concerns impact operational decisions or menuing varies widely at the level of industry and foodservice operators included in these interviews.

Some foodservice operators have already or are planning to make sustainability a bigger part of their operation's mission or positioning. These foodservice operators acknowledge this move is both a result of their own or the operation's acknowledgement of the broader issues that need to be addressed and believe it is their responsibility to help create solutions. Others are making decisions preemptively assuming that legislation or consumer demand will force changes down the road.

Other foodservice operators indicated that while they are concerned about sustainability and the environment, and are often considering or beginning to make some back of house changes to address these concerns, they do not believe these are issues that are of importance to consumers when dining at their operations. As has been mentioned several times, these foodservice operators are most often catering to patrons celebrating special occasions large and small or are hosting higher-end business dinners/ events. For these events, foodservice operators do not believe consumers are focused on the "everyday concerns" and rather want to remove themselves from these issues while dining at their venue.

Here, there may be an opportunity to provide foodservice operators a solution kept "in their pocket" until needed or if asked by a patron.

Key Takeaway:

Sustainability issues are more immediate for operators who are, largely, trying to develop their operations' sustainability program due to current, impacting or expected legislative requirements.



Foodservice Operator Interviews

Australian “Brand” Opportunity

Given the instances of consumers raising the idea of an Australian-specific Wagyu brand, foodservice operators interviewed were presented with this possibility. Unlike consumers who seemed to embrace the idea, most foodservice operators pushed back against it.

Many of these foodservice operators believe another brand that would remove Australian Wagyu from that category would create confusion or be more difficult to promote to consumers. They did not want “the hassle” of figuring out how to identify something beyond Wagyu on the menu. And, in some cases, wrongly assumed consumers already knew enough about Wagyu, grading and BMS scores that creating a new brand or similar would be detrimental to Australian Wagyu.

These foodservice operators believe Australian Wagyu should spend more time educating consumers on Wagyu, grading and BMS scores. They believed that consumers just need more information to better understand the market and, then, the need for another brand/ grade/ etc. would not be necessary.

NOTE: Certification at left designed as an example only.

Key Takeaway:

Foodservice operators are resistant to a new Australian Wagyu-specific certification or designation, suggesting Australian Wagyu may need a dual approach – one specific to foodservice operators and one that exists primarily in retail.

Foodservice Operator Interviews

Key Findings

As with the consumer focus groups, the foodservice operator interviews created a strong intelligence base but did not answer every question and brought up other questions that require answering before either Meat & Livestock Australia or the Australian Wagyu Association can effectively create a strategy to grow Australian Wagyu in the U.S. market.

From the interviews, the following key findings emerged:

- **Foodservice operators often over-estimate their patrons' awareness and understanding of either the U.S. beef grading system or the BMS system**
- **Foodservice operators do not have the same strong tie of Wagyu to Japan, and underestimate the degree to which their patrons likely do**
- **Australian Wagyu menuing often exists alongside other sources (Japan, U.S.) and does not need to create an “either/ or” scenario**
- **The majority of Wagyu menuing is focused on center of plate protein applications (loin/ steak) with a more limited application within appetizers or dishes in which Wagyu is a smaller ingredient**
- **Foodservice operators are concerned about the cost of Wagyu in the current economic climate**
- **Taste is the most critical purchase decision attributes, followed by cost, supply confidence, quality consistency, and menuing application**
- **Sources of origin are more commonly called out on menus than brands or farms, though when called out it is to reinforce the foodservice operators' authority and trustworthiness as well as create competitive differentiation**
- **There is a tension among and for foodservice operators regarding educating consumers, whether it should happen and to what degree**
- **Foodservice operators were more likely than consumers to push back on the notion of an Australian-unique Wagyu brand**
- **Sustainability is a looming issues most foodservice operators understand they either have to now or will have to address, but is not currently having a significant impact on Wagyu selection**



Overall Findings & Next Steps



Initial Opportunities Identified

- Mitigate the risk of lack of association due to Australia's limited awareness
- Wagyu is a product leadership-driven category, in which the quality of the product is more important than any other issue including operational excellence and customer relationships
- Strengthening Australia's position through education, driving increased familiarity and comfort with preparing Wagyu at home
- Potential to create an ownable unique "brand" or "certification" for Australian Wagyu, setting itself apart from the Wagyu category
- Australian Wagyu appeals to U.S. consumers' demand for beef flavor well balanced with fat content for "buttery" eating experience
- The breadth of Australian Wagyu by BMS positions it well for a wide range of occasions, well beyond the special occasions for which Wagyu is currently limited

Answers to Important Questions for Research:

Attitude/ Usage Needs: What are the current trends in Wagyu (and Kobe, as relevant) category, and how are they impacting the opportunities and challenges? What are consumer and foodservice operator attitudes and usage, and how have they changed? Has “Wagyu” been undermined, given innovation outside the typical premium, luxury positioning?

Overall

- Wagyu has experienced growth over the past 3-5 years.
- That growth is expected to accelerate in the near future, though supply chain constraints may impact that acceleration.
- Growth is grounded in organically occurring consumer and operator trends, suggesting a trend with a sustainable growth cycle.

Consumer

- Consumers have high awareness of Wagyu as a category, but limited to no understanding of Wagyu as a category.
- Limited to no experience with Wagyu at retail has skewed consumer understanding of what raw Wagyu appearance (e.g. the role of intramuscular fat) versus the expected eating experience.
- Perceptions are positive with limited negative perceptions regarding health or sustainability.
- Innovation with Wagyu outside the luxury/ premium foodservice segments (e.g. QSR Wagyu burger promotions), has not negatively impacted consumer perceptions of the category.

Foodservice

- Foodservice operators have a strong awareness and, generally, understanding of Wagyu as a category (though note this stage focused only on higher-end operators with strong luxury beef programs).
- Perceptions of Wagyu are strongly positive with cost and inconsistent supply the only concerns noted.
- Wagyu is considered by most foodservice operators at this level a must have for a well-rounded, robust luxury beef program – preferably with multiple sources of origin noted.
- Some foodservice operators believe Wagyu innovation in down-market segments has undermined, to a degree, the Wagyu category but most believe consumers will understand there is a range of Wagyu products available without any negative impact on the category overall.

Answers to Important Questions for Research:

Wagyu Extensions/ Shifts: Can Wagyu be divorced from or extended beyond the beef category?

Wagyu Brand Engagement/ Impact: How invested are operators and consumers in the Wagyu designation? How flexible is their understanding and expectation for “Wagyu,” thus supporting potential new certification/ branding or expanding beyond beef? How does the brand impact behavior? How can Australian Wagyu leverage key consumer category drivers to enhance the current category brand?

Consumer

- Consumers strongly associate Wagyu with beef and, even more so, with Japan.
- As noted, consumer understanding of Wagyu as a category is minimal to non-existent which presents the opportunity for Australia to define its product or a unique category in a new, competitively differentiated way.
- U.S. consumers appeared more willing to accept a new certification or brand/ identifier that is unique to Australia – separating its Wagyu from Japanese Wagyu – which may facilitate a broader range of products.
- Note that consumers do not generally look to be educated at foodservice occasions so education-based marketing must occur at retail primarily.
- Additional exploration of this topic is required to best understand the opportunity or pitfalls of moving Australian Wagyu in this direction.

Foodservice

- Foodservice operators are significantly better informed and educated about Wagyu as a category – though it’s important to note interviews were conducted solely with foodservice operators offering a robust beef program.
- U.S. foodservice operators seemed resistant to the concept of an Australian brand, certification or identifier that moved its Wagyu product outside the overall Wagyu category.
- Operators with strong beef programs seem the most likely to resist an expansion of “Wagyu” branding beyond beef.
- Regarding education, foodservice operators ensure their staffs are well educated to answer any patron questions but hesitate to “offer a lecture” at the table without specific requests to do so.
- Additional exploration of this topic is required to understand if a unique brand/ identifier/ certification would work beyond beef-focused foodservice operators and how that would impact premium users.

Answers to Important Questions for Research:

Environmental Factors: To what degree do environmental issues impact the operators and consumers engaging in Kobe/Wagyu? How can environmental issues change the impact and/or engagement with Wagyu?

Consumer

- While consumers generally note they are more concerned with and conscious of environmental issues since the pandemic, few indicate these concerns have a significant impact on their Wagyu behavior.
- For consumers, Wagyu exists outside the day-to-day given its tie to special occasions and celebrations and, thus, these concerns are abandoned for these occasions.
- However, positive environmental/ sustainable messaging may elevate Australian Wagyu above similar competitive products.

Foodservice

- Foodservice operators do not generally factor environmental/ sustainable issues into their selection of Wagyu products.
- With that said, foodservice operators understand they will need to increase their operation's sustainable efforts going forward and an environmentally-positive message from Australian Wagyu would support those efforts.
- Though high-end, premium products are likely the last category to face significant environmental scrutiny by operators, increased legislative pressure and growing consumer awareness are likely to force that issue sooner rather than later.

Answers to Important Questions for Research:

New Brand Exploration: What would an environmental credential that also incorporates the premium/ luxury perception of Wagyu look like? Can Australia own it? What are the opportunities and challenges in creating such a designation from an operator and consumer POV?

Consumer & Foodservice

- This is an area that needs to be explored further. As noted, consumers expressed an openness for a new brand created by and for Australian Wagyu which would better differentiate it from – in their opinion – the strong tie of Wagyu to Japan. Operators were far more reticent about the potential for this type of branding.
- Given the lack of understanding among consumers regarding the grading system, the question becomes to what degree can or should Australian Wagyu Association/ Meat & Livestock Australia try to educate consumers and, to a far more limited degree, operators about grading? Does Australia need a new logic for its labelling standard or a U.S. equivalent grading that exposes consumers (primarily) to whether what they are purchasing/ ordering is full, pure, F1 or lesser Wagyu product?



Areas for Further Clarification and Examination: CONSUMERS

1. Build out a more detailed path to purchase for Wagyu at both retail and foodservice to better understand how it differs from luxury beef and how Australia may own or disrupt various steps within that path
2. Explore the potential for an Australian brand/ certification developed for the U.S. market that creates an ownable competitive position
3. Develop an understanding of attribute prioritization and the role trade offs/ compromise may strengthen or weaken Wagyu's position for consumers at retail and foodservice
4. Understand the most impactful tools and sources Australian Wagyu may use to further educate consumers at retail for market expansion
5. Understand the potential for expanding Wagyu beyond luxury positioning into a broader range of eating occasions to maximize Australia's Wagyu product breadth
6. Test and understand the impact of various statements and attributes to refine Australian Wagyu's market position in both foodservice and retail



Areas for Further Clarification and Examination: FOODSERVICE

1. Build out a more detailed path to purchase for Wagyu among foodservice operators to better understand how it differs from luxury beef and how Australia may own or disrupt various steps within that path
2. Identify opportunities to strengthen Australian Wagyu's position against competitors (primarily domestic and Japanese) among operators
3. Understand the potential for expanding Wagyu beyond luxury positioning into a broader range of eating occasions to maximize Australia's Wagyu product breadth, particularly with down-market foodservice operators
4. Develop an understanding of attribute prioritization and the role trade offs/ compromise may strengthen or weaken Wagyu's position for foodservice operators
5. Identify opportunities to refine Australian Wagyu's products (e.g. intermuscular fat trimming, etc.) to make them more effective and impactful to foodservice operators
6. Test and understand the impact of various statements and attributes to refine Australian Wagyu's market position among foodservice operators



NEXT STEPS

Develop Reliable Market Size & Growth Statistics:

- Create better visibility of products, market size, sales and volume to more effectively leverage opportunities and gauge opportunities
- Marketing sizing for Australian market, including exports, is necessary to understand Australia's share of U.S. market
- Marketing sizing and growth in the U.S. market is required to better understand opportunity and set goals, which Menu Matters LLC can help develop

Conducted Quantitative Consumer Research:

- Create baseline metrics against which Australian Wagyu efforts may be measured
- Test and evaluate consumer reaction to messaging, certification and Wagyu expansion opportunities
- Better understand the nuances and trade offs driving consumer behavior in Wagyu
- Understand a broader range of perceptions and behaviors beyond the luxury beef/heavy Wagyu consumer
- Build out retail and foodservice path to purchase

Conducted Quantitative Foodservice Research:

- Create baseline metrics against which Australian Wagyu efforts may be measured
- Test and evaluate consumer reaction to messaging, certification and Wagyu expansion opportunities
- Better understand the nuances and trade offs driving foodservice operator menuing and purchase behavior in Wagyu
- Understand a broader range of perceptions and behaviors beyond the fine dining, high-end foodservice operator
- Build out retail and foodservice path to purchase



Phase 2: Quantitative Research

While this first phase of qualitative research created a strong base of knowledge, there are many unanswered and new questions as well as a lack of clarity around some issues.

Menu Matters LLC recommends a second phase of quantitative research that looks to create significantly more clarity around the most critical issues.

Further details may be teased out based on required timing and budget, but quantitative research among both groups may look as follows:

Quantitative Consumer Research: This phase should focus on a qualified group of beef consumers (qualified based on consumption frequency and participation in “luxury” categories) drawn from a representative sample of U.S. consumers. A minimum of 1,000 qualified consumers would allow for deep cross tabbing to understand subsets and response relationships. Wagyu-specific consumers will be identified and analyzed separately.

Quantitative Operator Research: Approximately 300 operators from high-end casual, fine dining restaurants, lodging, resorts and country clubs will be surveyed online. These operators will be qualified based on having beef on the menu, specifically luxury products. Wagyu menuers will be a strong subset of this category, assuming 30% of the mix based on incidence.

Pursuing quantitative research will allow Australian Wagyu Association and Meat & Livestock Australia to ensure that strategic decisions around market position, marketing and competitive differentiation as well as the leveraging of Australia’s strong environmental stance can be best leveraged given consumer and operator behavior, perceptions and – in some cases – lack of clear understanding of the Wagyu category.

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