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Diffusion of consumption lifestyles...Beyond the ethnic markets in US

The dilemma with specialty food segment

Often companies marketing exotic foods, on both the processed and unprocessed sides, draw unwarranted conclusions that tilt them towards specific ethnic consumers. Can you imagine a market research company conducting surveys in the inner cities when the assignment involves developing entry strategies into US for a Soy sauce company?!

We're finding, however, that the combination of the globalization of lifestyles and the influx of immigrant populations into US may be starting to turn this approach on its head, and that perhaps all those market research firms who have ignored the inner cities should rethink their strategy!

The proof is in the Pudding

Developing the entry strategies into US for a Seasonings company presented precisely this dilemma for TLCN. With a predictable mindset, the market opportunity for the seasonings was automatically focused amongst select spice consuming ethnic segments. No surprise that the Hispanic segment, a population of 44 million (14% of the total US population), was seen as the prime customer segment along with a large proportion of the 14 million-strong Asian population.

Interestingly enough, investigating these markets, however large the potential may seem, revealed that they present some barriers to entry. First, a significant proportion of the ethnic consumers, especially the Hispanic segment, tend to direct their grocery purchases toward specialty grocery stores. Second, ethnic segments tend to lean towards familiar brands from their home countries. Moreover, mainstream retailers as well as mainstream suppliers such as Sara Lee are targeting these ethnic segments by creating specialized brands, thus intensifying the competitive environment for new entrants.

It therefore becomes essential for new entrants to ensure that their efforts are not focused solely toward niche segments that are already highly sought after and therefore closed out of the rest of the market.

The diffusion effect...

The good news for such aspirants is that while they may represent a niche product segment that is targeted towards specific ethnicities, this does not imply that they have to be restricted only to those ethnic segments. Why? Because factors such as globalization, the intermingling of immigrants, the influence of one ethnic segment's habits on others, and the growing curiosity of each ethnic segment towards others are making the market less quantifiable and more diffused.

Let's look at an illustration from the seasonings industry. While the niche ethnic segments are indeed a big part of the market, mainstream consumers are fast adapting to such tastes, out of diffusion, curiosity and an evolution in tastes.



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The annual growth in consumption of spices and seasonings is up 8% per year. Hispanic consumers constitute only a fourth of that growth, while another 15% is mostly attributed to Asian customers. This means that fully 60% of the overall growth is due to mainstream consumers in America. The fact is: the tastes of average Americans are changing and this shift numerically represents a larger proportion of the potential market, which, in turn, has largely been ignored by aspirants hurrying to capture the ethnic market.

From a qualitative perspective, this signifies that the average American is spending more money and time to consume exotic foods with larger proportion of spices and seasonings. Not only is this reflected in a proliferation of ethnic food products but also an increased demand and consumption of such products far beyond the demand estimated purely based on ethnic demographics.

The mouse will eat what the cat cannot...

As more and more aspirants join the gold rush of tapping newly discovered ethnic market segments and increase the competitive environment in this niche segment, McCormick, the largest seasonings company traditionally supplying to mainstream American consumers, is enjoying a 2.6% growth in revenues annually supplying mainly to mainstream American consumers.

Lessons learned...

A rapidly growing ethnic minority that represents 41.3 million of the US population and another minority that represents 14 million of the population not only have stories to tell about their own consumption patterns but also on how they have influenced the tastes of the majority population. The smallest shift in tastes of 243 million still amounts to big numbers and is indeed not a phenomenon that can be ignored!

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