

Maximizing Ethnic Sales

*Understanding what
drives & motivates the
non-Anglo shopper
Part I – Asian Focus*

Ta-De Produce Distributing/2016 Season



PART 1: It's in the Numbers

Hispanic, Asian, African-American and Caribbean groups represent approximately 30% of the U.S. population, and are expected to grow another 40% in the next few years.

Combined, all ethnic groups spent more than \$150 billion on food at home and are responsible for 37% of all supermarket sales. By 2040, these groups are projected to surpass 50% of the U.S.

Clearly, non-White segments represent a great opportunity for grocers, especially in the perishables departments.

Spending on Grocery

	Group	Annual \$\$
LARGEST	Hispanic	\$56.4B
STEADIEST	African-American	51.5B
FASTEST-GROWTH	Asian	30.3B

Additionally, key shopping behavioral criteria make these group attractive to retailers:

- Ethnic households eat at home more often — four to five nights a week.
- Ethnic consumers prefer to cook from scratch and use fresh ingredients.
- The market baskets of ethnic consumers are 20% larger than those of non-ethnic consumers.
- These consumers shop more often: two to three times per week.
- Ethnic food consumers shop longer: 40 to 60 minutes per trip.

What this means to you:

Retailers who compete effectively for these customers will be in a position to profit from this growth. Those who ignore the changing makeup of the marketplace —or make only token efforts —will not find success.

- While the industry has successfully created ever-greater efficiencies for decision making about product assortment, category management, and consumer merchandising, today's challenge is to develop practices that build flexibility throughout the chain to address changing preferences for these groups.

PART 2: Gathering the intel

Savvy retailers make a concerted effort to learn first-hand about ethnic customers. These are some of the intelligence methods used:

- Ask ethnic employees to recommend restaurants and then bring them along to explain the dishes. How are meals prepared? When are they eaten? What are the ingredients?
- Bring prepared and packaged ethnic foods to merchandising meetings to introduce buyers, merchandisers, and category managers to new items and brands.
- Surf the Internet and look through cookbooks for recipes, and check out popular blogsites. .
- "Mystery shop" leading ethnic supermarkets on a regular basis to:
 - Ask questions about certain product or brand preferences.
 - Watch the interaction among employees and customers in service departments.
 - See how product categories and departments are merchandised.
 - Note pricing structures, particularly for perishables.
 - Check store signage to ensure it is bilingual (Mandarin or Cantonese?), and visible from a distance.

Other ways to learn more about ethnic preferences

- Tap the experience and expertise of national and ethnic food manufacturers. Typically, they have spent a lot of money for research and other tools to ensure their product introduction doesn't fail.
- Invite selected suppliers to teach ethnic marketing classes to key staff members.
- Work with suppliers to "mine the data" and develop ground-up programming and help develop ethnic strategies.
- Attend specialty food trade shows.
- Join local ethnic food trade associations.
- Peruse local ethnic newspapers to see what items are advertised.
- Develop a clear understanding of the ethnic makeup of your customers — ideally by store cluster.
- Define assortment based on a strong understanding of each ethnic group's consumption profiles.
- Build working relationships with top distributors who will help store teams access and understand ethnic food products. Once you have identified the right distributors, work with them to learn about other ethnic products that might also be appropriate for specific target customers.

Using the right data...and using data right

Syndicated data doesn't always reflect local market situations. Sales data is useful for evaluating product movement, but it doesn't help identify new opportunities. These actions can help:

- To supplement syndicated scanner data, tap vendors to get a more accurate picture of how a category or product behaves in-store (as recommended above). Then, apply sales data to identify which products and categories require expansion and which require less space or need to be eliminated.

- Benchmark threshold by measuring the "rhythm" of the total store's business — whether it is going up, going down, or equal to overall goals and objectives.
- Examine the competitive activity related to the ethnic product assortment and pricing strategies, and see competitor reactions as a good indication that other stores are concerned about losing ethnic customer.

PART 3: Winning with Ethnic

The produce department is arguably the most important department to ethnic shoppers. The key to success is delivering the right produce mix for these groups.

Applying the category management strategies of **PROCUREMENT, ASSORTMENT, PRICING, PROMOTION** and **MERCHANDISING**, these actions can help you win with your ethnic shoppers:

- ✓ Provide larger produce sets —20% to 40% larger than standard spaces.
- ✓ Use mass displays (bins, waterfall displays, bigger sections overall) to convey a message of value, freshness, and variety.
- ✓ Offer less basic variety (of the kind found in suburban mainstream stores), and then build an ethnic assortment layer on that base.
- ✓ Quality is critical to ethnic customers. For example, Asian supermarkets wrap their vegetables in plastic to minimize potential damage caused by excessive handling.
- ✓ Strike a balance between price and grade. Some chains that pull from warehouses have separate ethnic produce buyers so they can strike this balance.
- ✓ Price competitively, using local ethnic supermarkets as a benchmark.
- ✓ Expect lower margins but very fast movement.
- ✓ Use multi-unit/multi-pound pricing to convey value.

- ✓ Adopt a simple pricing structure (e.g., three for \$1).

Store segmentation is critical

There is no one size fits all when dealing with ethnic shoppers. Stores within walking distance may have very different ethnicity. Clustering is the key:

- ✓ Customize offerings based on different store groups or clusters
- ✓ Separate the sales data for ethnic store clusters and then use that data subset to identify category assortment
- ✓ Use census data to identify the concentration and composition of specific store regions
- ✓ Identify all stores with a high concentration of these groups as "ethnic" – this is the first tier
- ✓ Identify a second group of stores that are 10% to 15% below the market average. This cluster represents the second tier.

PART 4: Key Elements of Your Marketing Plan

It is not enough to simply create an ethnic merchandising strategy and hire a diverse staff. It's important that ethnic customers are aware of the "value" associated with shopping a particular store.

Successful retailers employ different approaches to promote products commonly used by their ethnic shoppers.

Advertising departments can provide ethnic stores and district managers with options for promoting products from an ethnic shopper's point of view.

Here are some of the elements that make up successful retail ethnic marketing and promotional programs:

- **Circulars and flyers** going to ethnic stores are typically bilingual unless they're placed in an

ethnic newspaper. Ensure that your messages are inclusive and relevant.

Separate and distinct mailers to different ethnic groups

- Overwraps with ethnic merchandising themes draw the eye
- Ethnic sections on the front page of newspapers are ideal during festivals, holidays etc.

Use **marketing research** to gain insights about target customers and develop relevant messages.

We stress importance of developing separate television and radio spots via specialized agencies to ensure cultural relevancy and comprehension among their customers.

Ads should represent the types of shoppers found in stores. For example, the ethnic marketing campaigns of successful retailers include people of the group being addressed in their mainstream English-language ads.

Some retailers adjust their messages to highlight pricing for urban stores and a brand message for suburban stores.

Ethnic marketing experts point out the importance of establishing relationships with the community before communicating your commitment to the market. These retailers caution if you "talk before you walk," you could undermine your credibility.

It's critical to develop relevant **promotions and events** that connect with ethnic customers, and that play into the everyday lifestyles and attitudes. By exploring the daily routines, family dynamics, and the types of activities engaged in by individual and groups, a retailer can become a part of these communities. These are some promotional tips that work

- ✓ Promotions that stress value are winners. For example, Filipino and Vietnamese supermarkets award gifts based on purchase size.

- ✓ Promotional programs that deliver immediate gratification are the most effective: buy-one-get-one-free, gifts with purchase, in-store cents-off offers.
- ✓ Focus on events that can attract a high number of ethnic as well as non-ethnic shoppers. Typical “hallmark” events, like Cinco de Mayo, Chinese New Year, etc, are obvious occasions for marketing activities. More important, however, are grassroots events and projects developed in conjunction with local, community-based organizations.
- ✓ Successful promotional events don't have to be major or large. Even simple parking lot events can be more impactful than larger, more commercial events. Events centered on children — like building a local playground or supporting a local arts event — are particularly meaningful to ethnic consumers.

PART 5: Specific Ethnic Food Preferences

Understanding the specific items and ingredients these ethnic groups use is the first component of your ethnic outreach plan. Here are some guidelines:

ASIANS

Asian foods share many similarities, given broad Chinese influence in East Asia. The pillars of the Asian diet are: rice, noodles, vegetables, and seafood. Compared to the western diet, meats are eaten relatively sparingly, while seafood is abundant and wide-ranging.

- ✓ **Chinese** cuisine and cooking styles date back hundreds of years and vary broadly by region—including Canton, Szechuan, Shanghai, and Beijing provinces.

- ✓ **Cantonese** cuisine uses natural ingredients, steamed or stir-fried and flavored with soy sauce, ginger, and green onion. Pork and seafood are most popular, while rice is the main staple.
- ✓ **Peking** dishes include hot pots, dumplings, and duck.
- ✓ **Szechuan** food is flavored with chilis, garlic, and spices. The ingredients are braised, crisply fried, or dry-cooked.
- ✓ **Northern** Chinese like soups, noodles, and sesame-covered breads.
- ✓ **Japanese** food emphasizes natural flavors and simplicity, a reflection of Japan's Buddhist and Taoist cultures.
- ✓ **Korean** cooking favors barbecued meats in the Mongolian tradition and includes lots of seaweed and cabbage. Korean cooking possesses strong, hot, and nutty flavors provided by a combination of chili peppers and sesame.
- ✓ **Filipino** cuisine is a melting pot of Spanish, Chinese, Malay, and native elements, which is a reflection of the country's history. Filipino food emphasizes pork, poultry, seafood, rice, and noodles.
- ✓ **Vietnamese** meals are characterized by abundant fresh greens, often stacked together in lettuce or sheets of edible rice paper along with slivers of meat. The French influenced their taste for terrines and compressed sausages.



Red Lotus

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