



“Where we have been (with ethnic merchandising) is more of a broad-brush, general market approach. Where we’ve been is just to say, ‘Oh, this is a category.’ Where we’re going is into the multi-level segmentations. You really have to understand the mini-markets.”

— Mary-Frances Winters, president and CEO of The Winters Group Inc.

# America’s Retail Melting Pot

## One pot that should be watched

**H**ammond, Ind. Located 22 miles from Chicago, in the northwest corner of Indiana. Population 83,048. Historically, an industrial area.

Most people wouldn’t expect to find a huge population of Hispanics in northern Indiana. But ethnic diversity in the area is so great that Strack & Van Til spent two years incorporating a Hispanic focus into a store in Hammond. Part of the company’s Ultra Foods chain, it opened in May 2002. Two weeks earlier, the company unveiled a store in Calumet Park, Ill., that also contained Hispanic influence.

And for good reason. The area’s Hispanic population is expected to double within 10 years, Strack & Van Til meat director Carl

Lindsey says. Already, Hispanics comprise 30 percent of the population in the region.

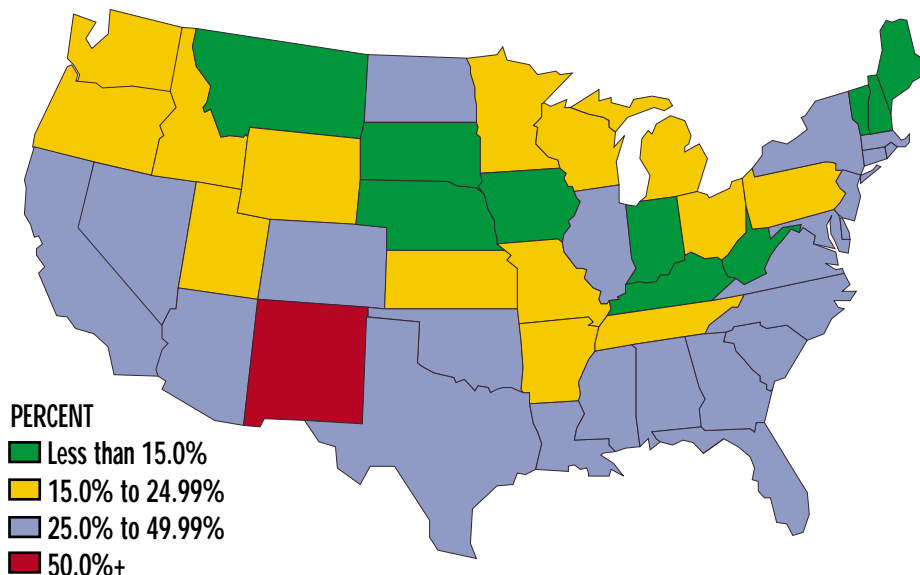
“We’re taking a very aggressive approach,” Lindsey says. “You have to take some real hard looks.”

### Ethnic population boom

Strack & Van Til isn’t the only retail-food-industry player staring down ethnic-merchandising opportunities. As the U.S. melting pot continues to simmer, more suppliers and retailers are realizing that diversity is here to stay. As a result, they’re tailoring their products and services to the market – a market that represents huge growth potential.

According to a 1999 U.S. Census Bureau

Percent minority of total state populations



Source: “Dynamic Diversity: Projected Changes in U.S. Race and Ethnic Composition 1995 to 2050,” U.S. Census Bureau



Like other ethnic-oriented stores, this Fiesta Mart in Houston displays hanging carcasses to attract non-traditional shoppers.

report commissioned by the Minority Business Development Agency, the minority population will account for almost 90 percent of total U.S. population growth between 1995 and 2050 and will most likely surpass the non-Hispanic white population after 2050.

Hispanics are the fastest-growing segment, but that statistic also includes Asians, blacks and other groups. In fact, any non-traditional customers are considered ethnic shoppers, says Payton Tucker, director of meat and seafood for Shoppers Food Warehouse.

Tucker has seen first-hand how the ethnic population boom has transformed the retail meat and seafood landscape. In the three years he's worked with SuperValu's East Coast price-impact format, he's watched the focus on niche marketing increase dramatically. Each of the 60 Shoppers Food Warehouse locations caters to the demographic needs of its neighborhood. As a result, the stores serve a diverse customer base, from Salvadorian to Jewish shoppers, and carry everything from Jamaican beer to kosher meat.

"We have been challenged in our stores with more products that are culture-driven," Tucker says. "You have to put together a merchandising program that encompasses everyone that comes into your store."

### Increased awareness

That process starts long before customers stroll through the doors. Recognizing the value of ethnic merchandising, processors and suppliers have become keenly aware in the past five years of retailers' and consumers' demands for ethnic-specific products. In fact, some are even applying

general industry trends to products targeted to specific ethnic groups.

PM Beef, for example, has taken case-ready meat to the Jewish market. After supplying private-label boxed beef for the past 10 years, the Kansas City, Mo.-based supplier launched in 2001 its own brand of case-ready kosher beef to fill what it perceived as a void in the Jewish foods market.

Available in cuts ranging from beef patties to cube steak, Zalman's Glatt kosher beef is distributed to conventional supermarkets from a specialty-foods plant on the East Coast, which boasts a large Jewish population. The Star-K third-party kosher certification body ensures proper processing and eliminates the need for supermarkets to have their own rabbinical supervision.

"It's a much more targeted marketing approach," says Leann Saunders, PM Beef vice president of marketing and communications. "As our communities become more diverse, there's always going to be a need for more specific targeting."

As that targeting becomes more and more specific, blanket marketing to large ethnic groups may lose its effectiveness. For example, Cubans, Guatemalans, Salvadorians, Puerto Ricans and numerous other segments of the Hispanic population have different needs.

"Oftentimes we want to get a general market understanding, but with the ethnic markets, that's not the best approach," says Mary-Frances Winters, president and CEO of The Winters Group Inc., a New York-based diversity-consulting firm. "You can't just say you're going to market to Asians. Which Asians? The biggest challenge is segmenting the market within different groups."

**"We are truly reaching what America was supposed to be. That's the melting pot."**

*— Payton Tucker, director of meat and seafood for Shoppers Food Warehouse*

That segmenting affects nearly every aspect of a retail meat or seafood operation, from hiring to pricing. Perhaps the most obvious impact, though, is in the display case itself.

### Changing the case

Randy Domer, corporate director of meat and seafood for SuperValu in Minneapolis, says he's recently been asked to carry items that SuperValu either didn't stock previously or stocked only in small volumes. For example, in the past, the chain offered standard offals, like feet and ears. Now, because of customer requests, Domer is considering carrying lips, tendons, spleens and other less-common parts.

Product sizes are different, too. Because many ethnic customers tend to have larger families than traditional shoppers, family packs sell well in ethnic-oriented stores.

The space allotted to fresh chicken at Shoppers Food Warehouse, for example, is three to four times larger than the space in conventional supermarkets, and family packs

fill much of that, Domer says. In fact, Tucker estimates that family-pack sales represent 30 to 45 percent of total meat sales. Even seafood is available in family packs at Shoppers Food Warehouse.

Many suppliers and retailers have adjusted pricing structures, too, to attract price-conscious ethnic shoppers. But some customers may not be as price-sensitive as others, especially if they're searching for a particular item. For example, Shoppers Food Warehouse stores sell a high volume of chicken feet, even though at \$1.69 per pound, they're more expensive than other chicken items like leg quarters, which retail for 49 cents per pound.

"If you're looking at the yield and the economics of the item, you would think that people would buy leg quarters, not chicken feet," Tucker says. "We used to think of (ethnic items) as being products that are economically driven, that people were looking to purchase these products because they were lower-cost protein items. So many of these items are not economically driven. They are culture driven."

They're also brand driven, says Stan Lammers, president of LamPost Meats, a Des Moines, Iowa, company that specializes in case-ready pork and beef offals aimed at Hispanics and blacks.

"Once they find a product they're comfortable with, ethnic groups will give you a large percentage of brand loyalty," he says. "They're a market in themselves."

As a result, the look of ethnic-oriented stores has changed. Brightly colored bilingual signage dangles from the ceilings. Package labels are printed in numerous languages. Because many ethnic shoppers are accustomed to buying meat cut fresh off of the carcass in local markets or cutting the meat themselves at home, some ethnic stores, like Fiesta Mart in Houston, display whole meats.

### Understanding the customer

Even employee recruitment has changed. Bilingual employees are in demand, and in-store employee training is being modified to include language and culture-sensitivity training. For example, the demographics of the Shoppers Food Warehouse staff mirror the demographics of its customer base, Tucker says.

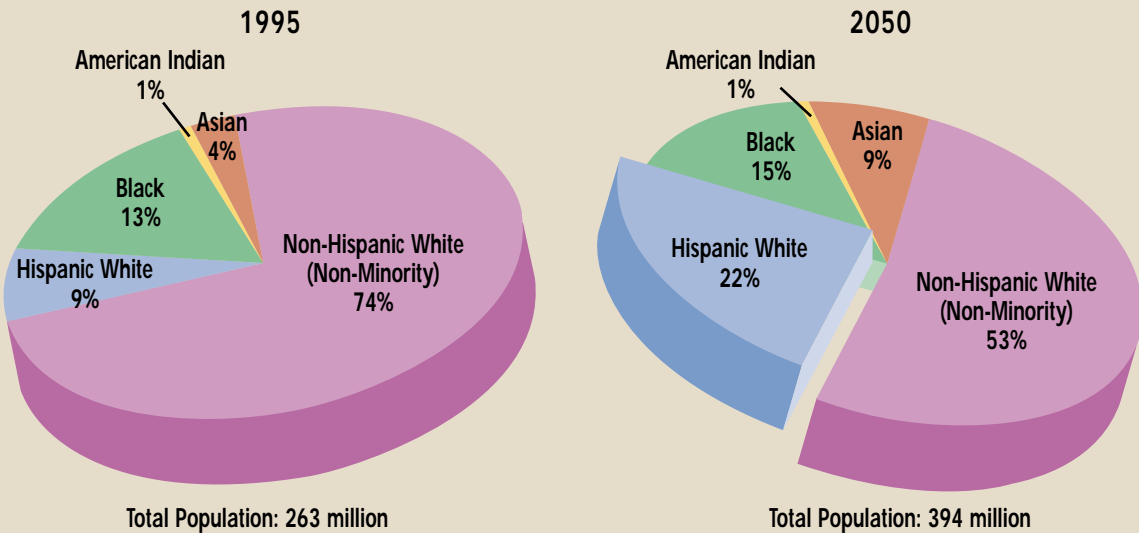
And it should. Knowing what customers want is key to meeting their needs. That's why staying in tune with trends in the ever-changing ethnic market is so crucial.

"If you don't study those groups, you just don't realize what it is they look for," says Ed

Cross merchandising grocery items with meat or seafood is common in ethnic stores. Here, a Malone's Cost Plus store in Richardson, Texas, merchandises Hispanic cheeses in its service meat department, and a Fiesta Mart store in Dallas displays tortillas near the meat case.



## Percent distribution of U.S. population



Source: "Dynamic Diversity: Projected Changes in U.S. Race and Ethnic Composition 1995 to 2050," U.S. Census Bureau

Tropp, sales director at Salmolux, a kosher-seafood supplier that uses bilingual labeling on several of its products. "You're not going to sell them things that they don't want to buy. That's just marketing 101."

Researching the market can be as easy as visiting ethnic stores in other cities, a technique Domer uses to glean ideas. Serving on industry boards and committees is also a great way to exchange ideas.

James Stover, meat supervisor at a Malone's Cost Plus store in Richardson, Texas, takes research a step further. Personnel at the six-store chain regularly travel to Mexico to observe trends at local markets. Stover then implements these ideas in his store, which serves a significant Hispanic clientele.

"The competitive nature of our business today demands that we fine-tune our operations," Domer says. "Know your geographic area. You may not have those customers in your store today, but it's important to know what's happening around you."

One challenge of merchandising to specific groups is meeting their needs while not turning off more traditional customers. A multifaceted approach is crucial.

"I think you have to be careful about preserving your identity, that you don't go so far in any one direction that your customers start to view you as not a multidimensional ethnic merchandising store," he says. "If you go too far to one side, you may isolate some of your customers."

Despite specific targeting, some ethnic

foods have crossed over into the traditional marketplace. For example, Zalman's products appeal not only to Jewish consumers, but also to Muslims and to traditional customers who prefer the strict inspection and processing of kosher foods, Saunders says. Salmolux's kosher seafood products cross ethnic barriers, too, to customers searching not necessarily for kosher foods but for healthy food options, Tropp says.

### Tapping the potential

Crossover expands the ethnic market's potential even further – potential that will only increase, according to industry experts. The ethnic-merchandising market will double within the next five years, says Dante Lee, president of A.S.J. Media, a Maryland-based ethnic marketing and public-relations firm. Online marketing, he says, is a particularly huge growth area, as companies are just now realizing how extensive that area can be.

"That really adds another chapter to the book of marketing," Lee says. "(There's) nothing but opportunity there."

And as retailers and suppliers explore that and other opportunities in the ethnic marketplace, they will continue to shape the future of the meat and seafood retail industries.

"We are truly reaching what America was supposed to be," Tucker says. "That's the melting pot." ■

By Christy Simon