



WHITEPAPER

NORTH AMERICA'S LOVE AFFAIR WITH THE ETHNIC SMORGASBORD

ABOUT HANS DAIRY

Founded in 1997, Hans Dairy is one of the largest Ontario businesses that specialize in South Asian dairy products. From the very beginning, our mission is to offer dairy products that provide our customers with a little taste of home. Mr. and Mrs. Hans immigrated to Canada and found themselves with limited options for food that was part of their upbringing in a little village in India. They wanted to give back to the community that welcomed them to their new home and soon found a demand from the growing ethnic community that was not being met.

www.hansdairy.com

EXECUTIVE SUMMARY: DEMAND FOR ETHNIC FOODS IS GROWING IN MOST MARKETS

The population of North America is steadily increasing, and in Canada in particular, immigration is the major driver of that growth. As more newcomers bring the tastes of home to Canada, and as Canadians, in general, become more open to new food and flavours, the demand for ethnic foods continues to rise at a rate of [5 percent](#) per year in North America.

Overall, however, grocery store offerings are not increasing to reflect this growth, and nearly half of Canadians say they can't find the ethnic foods and ingredients they're looking for in their regular stores. All the while, Canadian grocery stores are fighting to beat the competition and to keep up with the changing demands of consumers.

One solution for grocery stores that would help them meet consumer demands and make customers happier is to offer more ethnic food options, including healthy international snack food items, staples, and beverages.

Dairy products specifically are an excellent option for category managers to consider. Consumers today are looking for healthy and natural foods and snacks that taste great and make them feel good about their food choices. Items like Indian yogurt, whipped butter, Greek yogurt, and other ethnic dairy products meet all the criteria that consumers are seeking, namely healthy, exciting, new, flavourful, and both exotic and familiar.

INTRODUCTION

The palates of Canadians and North Americans are changing, and consumers are increasingly looking for new flavours, new cuisines, and new foods to explore.

And although ethnic foods are associated with specific countries and cultures, ethnic food in Canada isn't about a specific market segment: it's about food lovers from all cultures.

In fact, the ethnic food market in Canada is currently growing at a rate of about [14 percent annually](#), and this is expected to rise in the coming years as the number of new Canadians increases, and as all Canadians continue to explore new food offerings.

In the grocery stores, however, consumers are noticing a lack of ethnic foods available, and are having to visit multiple locations just to source all the ingredients they need for cooking. Meanwhile, Canadian grocery stores are struggling more and more to keep their heads up over the competition, and are often challenged to keep up with changing consumer habits.

Most notably, evolving attitudes toward food and nutrition are changing the way people shop. More Canadians are looking for healthier, fresher, and more convenient foods. Fortunately, there are some answers that can solve these problems for both consumers and food retailers, and the key lies in having a larger ethnic food selection in the grocery stores.



CHALLENGES FACING GROCERY STORES

Loblaws, Sobeys, Metro, and Save-On-Foods (as well as subsidiaries of these companies, such as Safeway, Real Canadian Superstore, and Food Basics) are the major grocery stores that are vying with one another for the attention of Canadian food shoppers. This rivalry has further increased in recent years as American superstores Costco and Walmart have set up shop in Canada, and their massively discounted model has led to a heavy competition among all major chains.

In fact, the big grocery stores accounted for about [78 percent](#) of the market share in Canada in 2015, which is a 6 percent drop since 2010.



Much of this decline is attributed to the American superstores. But while Canadian consumers are still grocery shopping at the big three primarily (Loblaws, Sobeys, and Metro), the competition will only continue to grow. To make matters worse, grocery stores are increasingly having to compete with convenience stores and specialty shops—which include gourmet food stores and ethnic grocery stores—who are all vying for a bigger and bigger piece of the retail food pie.

For instance, Canada's food industry was recently valued around \$80 billion annually, and while independent ethnic grocers currently account for as much as \$5 billion of that, the [ethnic food sector](#) is growing at a rate of about 20 percent per year.

GROWING NUMBERS OF CANADIANS ARE LOOKING FOR (AND NOT FINDING) ETHNIC FOODS ON GROCERY STORE SHELVES

Despite the competition for consumer dollars, grocery stores don't always carry the products their customers are looking for, and this is especially true when it comes to ethnic foods.

Moreover, it's not just new Canadians who are searching for ethnic foods either, and an increasing number of consumers are looking to try new foods and new cuisines. It's estimated that 72 percent of [Canadians are seeking out new flavours](#) in ethnic foods.

Despite this, 45 percent of shoppers say they're [interested in the foods of other cultures](#), but that their primary grocery store doesn't carry the selection of foods and ingredients they're looking for when it comes to ethnic cuisine. Some of the most common reasons for this desire to try new foods include:

- Wanting to explore new recipes
- A desire to have more adventurous eating experiences
- Family and friend recommendations
- Getting bored with the same old foods
- Going to a restaurant and trying ethnic cuisine

When it comes to ethnic-inspired dishes, Canadians are seeking out a variety of international cuisines, with the most popular being Chinese, Italian, Latin American and Mexican.

However, 50 percent of Canadians would like to try African food, 44 percent want to try Southeast Asian cuisine (which includes Indian), 38 percent want to try Korean fare, and 35 percent want to try Caribbean food.



WORLD CUISINES CANADIANS WOULD TRY

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THE RISE OF INDIAN FOOD AMONG MAINSTREAM NORTH AMERICANS

Food trends in supermarkets often mirror food trends established in the restaurant industry. Thus, cuisine trends in restaurants are an important predictor to pay attention to.

Indian food is poised to be the next trend in specialty cuisine among North Americans. Of the massive expansion of the ethnic food market, [35% can be attributed](#) to Indian food segments. This will only increase with the growth of the fast-casual restaurant space in Canada and the U.S. Fast-casual restaurants do not offer full table service, but generally offer higher quality food than typical fast food restaurants.

This category of dining is exemplified by restaurants such as Chipotle for Mexican cuisine, Shake Shack for burgers and fries, and Sweetgreen for fancy salads. Adding to this list is a new crop of Indian fast-casual restaurants opening from coast to coast.

These restaurants are marketing with modern branding and menus with dishes meant to be broadly appealing to the American fast-food customer. These restaurants are changing the perception of Indian cuisine for the mainstream American, priming them for the explosion of Indian cuisine in North America.

FOOD AND NUTRITION TRENDS ARE CHANGING THE WAY PEOPLE EAT AND SHOP

Another problem facing grocery store operators is the ever-changing dietary choices of consumers, which are often fuelled by food trends, increased awareness about nutrition, and growing concerns about health and the environment.

These days, many consumers actively seek out foods that are marketed as natural and organic, but they also want to see reduced ingredient lists. They are looking for familiar ingredients on labels, foods that are healthy and convenient, and foods that aren't necessarily the same traditional fare from their childhoods.

This is especially true of Millennials and Generation Z (the post-Millennials), who look for foods that are environmentally friendly as well as natural, but they also prioritize portable and grab-and-go style foods that are easy to prepare and that are bold and flavourful.

For instance, nearly 30 percent of Millennials are interested in [portable ethnic foods](#) like sushi and curry, and this may explain why Vancouver-based snack company Happy Planet has been so successful with their microwavable single-serving soups in flavors like West African squash with cashew and Thai coconut.

Millennials are “on the go, they’re looking for bold flavours and they really see eating as an experience,” said Happy Planet’s marketing manager, Ursula Klein, when asked by Food in Canada Magazine about the expanding palates of young Canadian consumers. And when you consider that Millennials alone have a [buying power](#) that represents about \$200 billion annually, it becomes apparent that the consumer demands of this generation are extremely relevant to all food retailers.

Millennials and Generation Z, however, aren't the only ones who are concerned with healthy foods, and Baby Boomers are spending more and more food dollars on healthy and natural products, such as kefir, a probiotic drink that saw [sales growth](#) of nearly 60 percent between 2013 and 2014 alone.

Although kefir originated in Eastern Europe and has been popular there for centuries, this ethnic health drink is becoming increasingly popular in North America, in part because it’s made from simple ingredients, and because it offers a number of health benefits.

INCREASING ETHNIC FOOD OFFERINGS TO ADDRESS THE LACK

One way that grocery stores can set themselves apart is to offer products that the competition doesn’t. If Canadian grocery stores want to continue growing and remain competitive, then they must cater to the growing number of shoppers who are seeking ethnic food in their grocery stores. At the moment, about half of Canada’s ethnic shoppers [visit specialty food](#) stores, and nearly 40 percent frequent local independent markets as well as grocery stores.

This is in line with the statistic that almost 70 percent of ethnic shoppers must regularly visit three or more food retailers just to find the full selection of ingredients they want. This is a strong indication that major grocery stores would attract more customers, and give themselves an edge over the competition (both other grocery stores and specialty/ethnic food stores), by offering a wider variety of ethnic foods, including spices, sauces, snacks, prepared foods, and staple ingredients.

NEW CANADIANS SHOP IN STORES THAT STOCK THEIR FAVOURITE FOODS

According to Statistics Canada, visible minorities will represent about a third of Canada's population by 2031. This represents as many as [14.4 million people](#), and South Asians alone will account for nearly 30 percent—over 4 million people—of that population.

That being said, it's important to note that almost [90 percent](#) of Canada's current ethnic shoppers choose grocery stores based on the selection of ethnic ingredients and foods available there, even though almost 70 percent feel that the selection is lacking where they shop.

There is a huge and growing market for ethnic foods. Grocery stores would be wise to consider incorporating more international foods on their shelves if they want to appeal to the growing numbers of new Canadians, as well as the increasing number of all Canadians who are looking to expand their food choices.

ETHNIC FOOD ISN'T JUST A CULTURE-SPECIFIC EXPERIENCE

Many grocery store category managers operate outside of large metropolitan centers, and are reluctant to bring in a wider variety of ethnic foods out of fear that there won't be a market for such products.

But it's not just ethnic shoppers who are seeking out international foods at the grocery stores: [Canadians in all market segments](#) are consuming increasing amounts of foods from other cultures. This can be seen with a product as simple as hummus: a few decades ago, hummus was virtually unknown in Canada outside of Middle Eastern homes, but today, 84 percent of Canadians are familiar with the product, and it can be found on the shelves of [every](#) grocery store in the country.

And Canadians' love for culturally diverse foods doesn't stop with hummus. About [16 percent](#) of Canadian shoppers buy ethnic foods each week, and up to [81 percent](#) of consumers say they would cook a greater variety of international foods at home if the ingredients were available at their local grocery store.

Furthermore, nearly 80 percent of Canadians between the ages of 18 and 44 [order ethnic foods](#) (take-out and at restaurants) monthly, while 61 percent will try their hand at [preparing an ethnic dish](#) after trying it at a restaurant. All of this amounts to a growing demand for international foods on grocery store shelves.



FOODS TO MEET THE CHANGING HABITS OF SHOPPERS

Along with struggling against competition in the form of other grocery stores and specialty, independent, and ethnic food stores, Canadian grocery stores are always having to contend with the changing needs and desires of consumers themselves.

The trend these days is toward healthier foods, and foods marketed as natural and organic, but also toward exciting new flavours and food experiences. The rise of Greek yogurt in Canada is a prime example of this shift. This food item, once almost unheard of, is now an indispensable staple that's found in grocery stores, in restaurants, and even now in national chains like Booster Juice. In fact, nearly 30 percent of [Canadians now prefer Greek yogurt](#)—which was once considered an exotic ethnic food—to regular yogurt. Spurred on by the success of Greek yogurt,

Loblaws has introduced a new Icelandic-style yogurt into their stores.

Caroline Khoury is the director of marketing at Dairy Farmers of Canada, and she told Food in Canada Magazine that “consumers are looking for naturally nutritious and functional foods, as well as healthy beverages (smoothies) over fortified foods with added ingredients.” This explains why Greek yogurt has seen such rapid success in Canada, and why the demand for this product continues to grow. Canadians are also increasingly interested in high-protein foods, and dairy products are an ideal source of this vital nutrient.

This could explain why butter sales saw a 4.2 percent sales growth each month in 2014, and why overall [yogurt consumption has increased](#) by over 34 percent since 2005.

In general, there is a large and growing market for healthy and high-protein foods, and grocery stores could increase their competitive edge, attract more customers, and appeal to a wider market segment by adding more specialty dairy products to their shelves. Also, by including more ethnic-inspired healthy snack foods and staples to their catalogues, and by branching out with exciting new flavours and food offerings from different cultures.

HANS DAIRY: A CASE STUDY IN ETHNIC FOODS FOR THE MASSES

Hans Dairy is a Canadian dairy that produces authentic Southeast Asian foods, including whipped butter, Indian yogurt, rice pudding, and yogurt-based smoothies. The products are being carried in national grocery store chains in several provinces.

Hans Dairy products offer consumers the best of all worlds, because not only are they natural foods made with real ingredients, but they're also authentically Southeast Asian while local at the same time. They appeal to a diverse and growing number of people who are concerned with eating healthy foods, and they also bring an exciting new cultural twist to a classic ingredient—milk—making them both ethnic and familiar at the same time (something that's been a [challenge for manufacturers](#)), and thereby appealing to the widest possible range of consumers.

CONCLUSION

Canadian consumers today, no matter where they were born, are seeking foods that are interesting, new, flavourful, and above all, healthy.

As the population of new Canadians continues to rise, and as more Canadians from all over the world become more accustomed to the foods of other cultures, the demand for ethnic foods in grocery stores across the country will rise. There is proof that ethnic foods appeal to Canadians from all cultural backgrounds because ethnic food isn't just about where you come from—it's about sharing experiences, trying new things, and opening your palate to new flavours.

The Canadian consumer is open to trying new foods, and consequently, the demand for more ethnic foods and ingredients in grocery stores will continue growing. Category managers, who are always seeking ways to remain competitive in an increasingly multicultural Canada, could find inspiration in this demand when choosing products for their shelves.

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