Profiting from a Demographic Shift in the 21st Century

Randall Westgren
Canadian Meat Council
8 May 2008

What drives consumer choice?

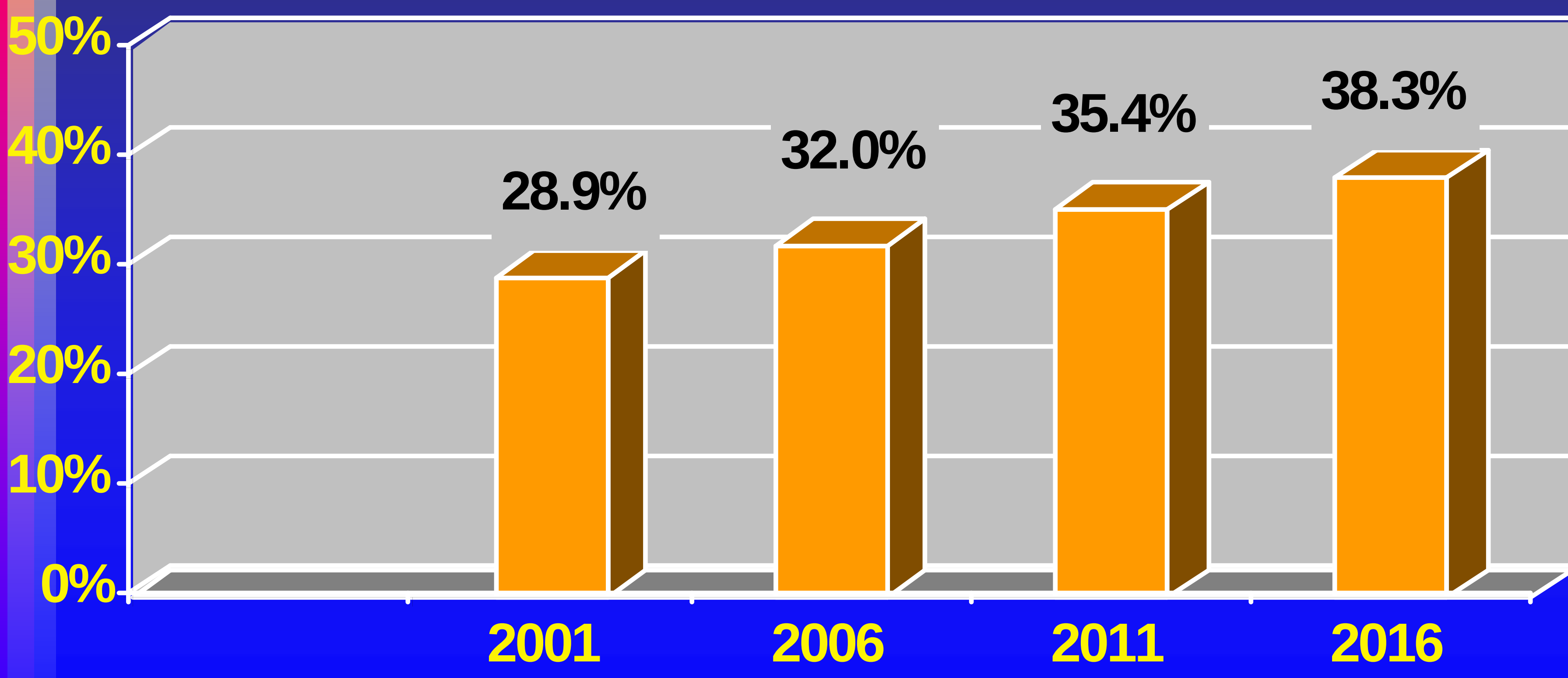
- Demographics
- Lifestyle
- Habit vs. Novelty-seeking
- Learning (information)

What's going on in demographics?

- Population age dynamics
- Ethnicity of North American consumers
- Dual incomes
  - affluence effect
  - time constraint effect
- Rising number of single-person households

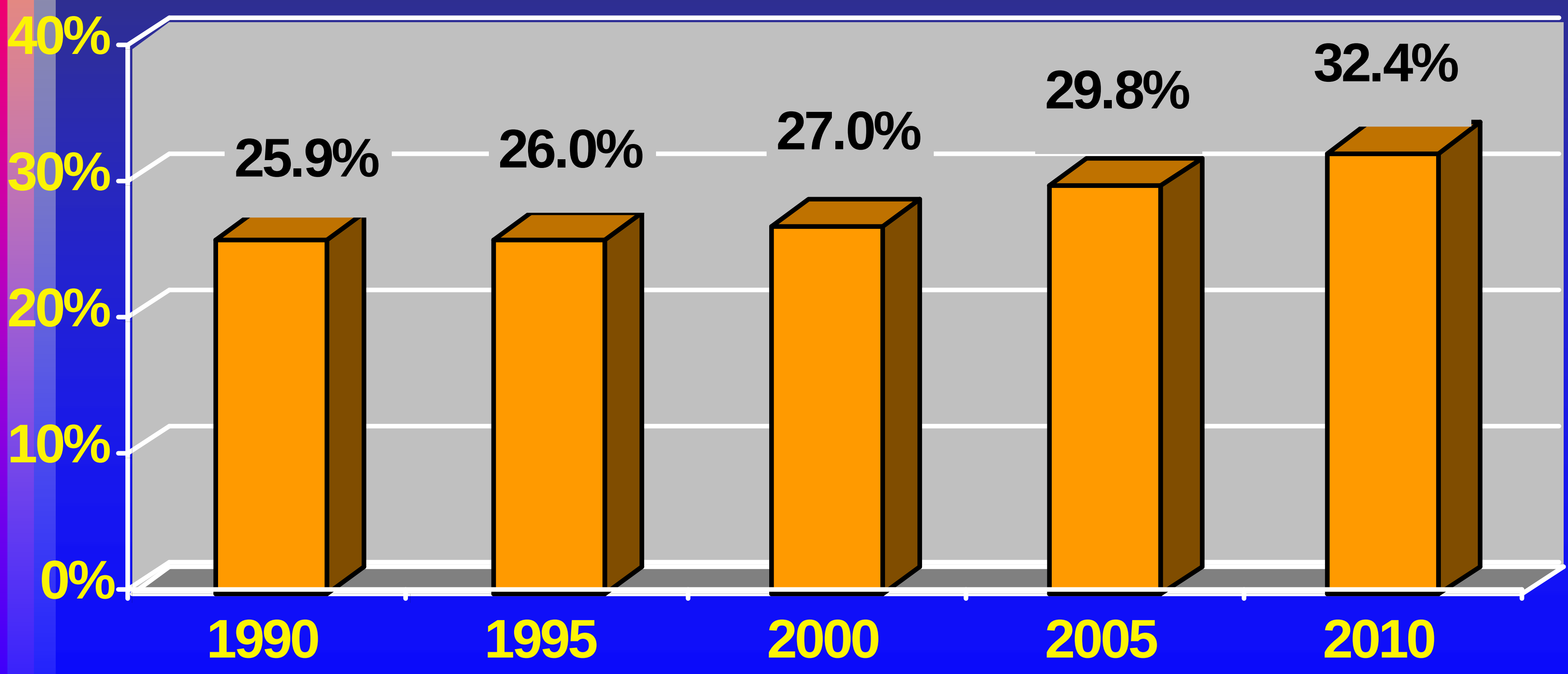
Population age dynamics -Canada

% population over 50



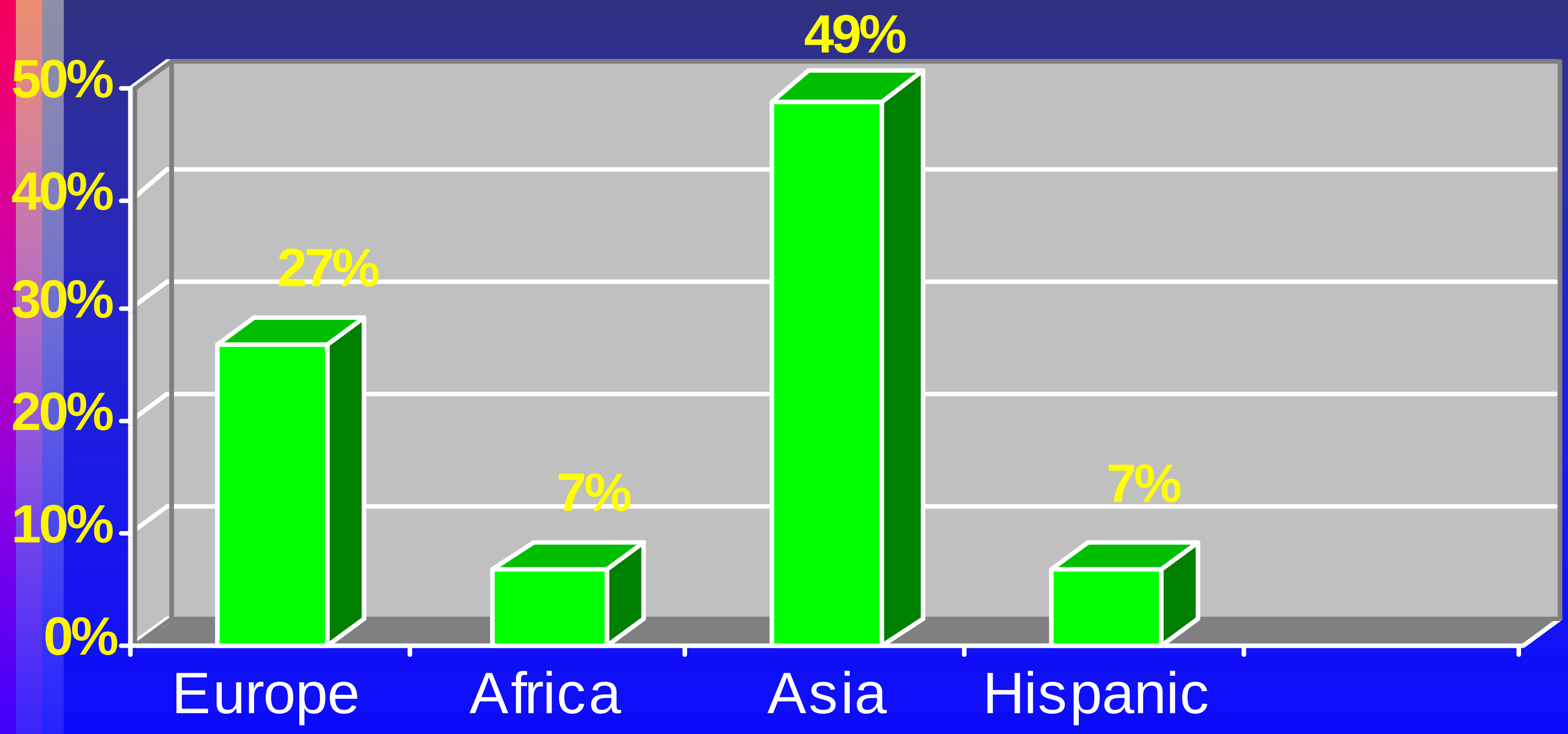
Population age dynamics - US

% population over 50



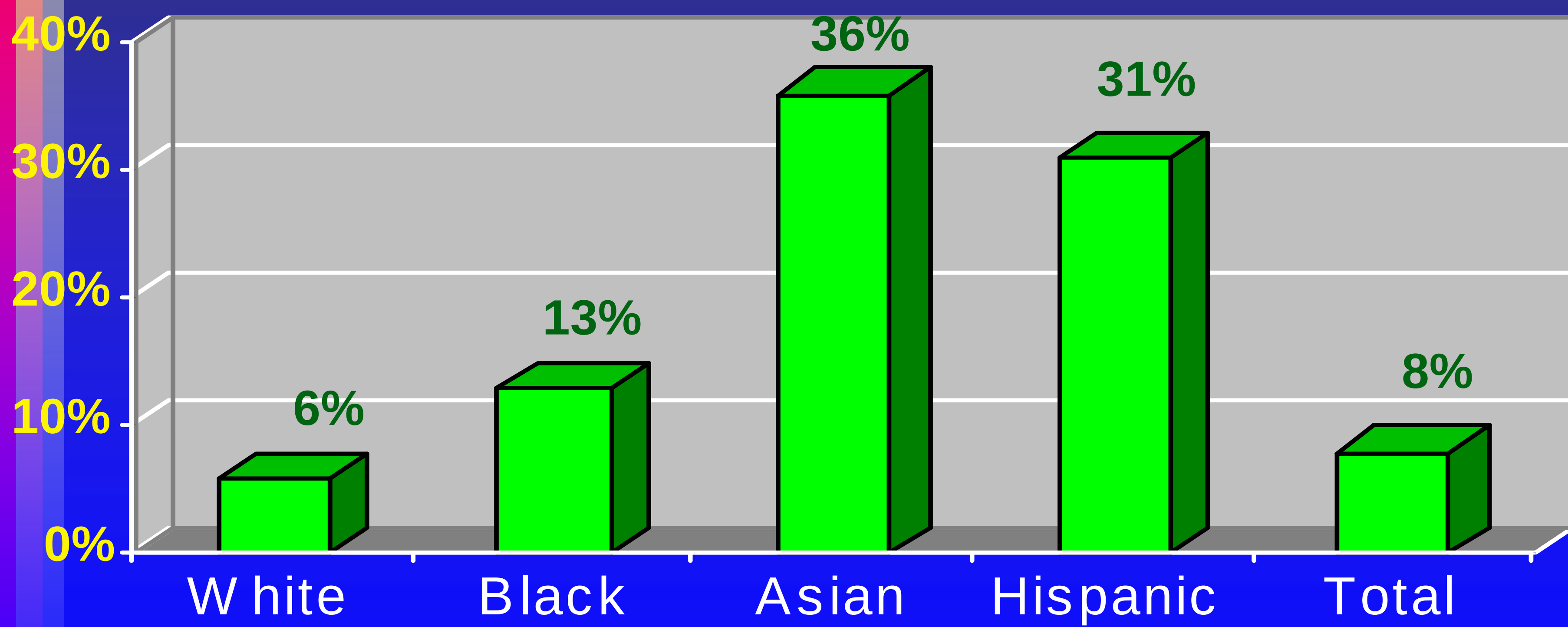
Ethnic Diversity - Canada

%immigrants in 1990-1996 period

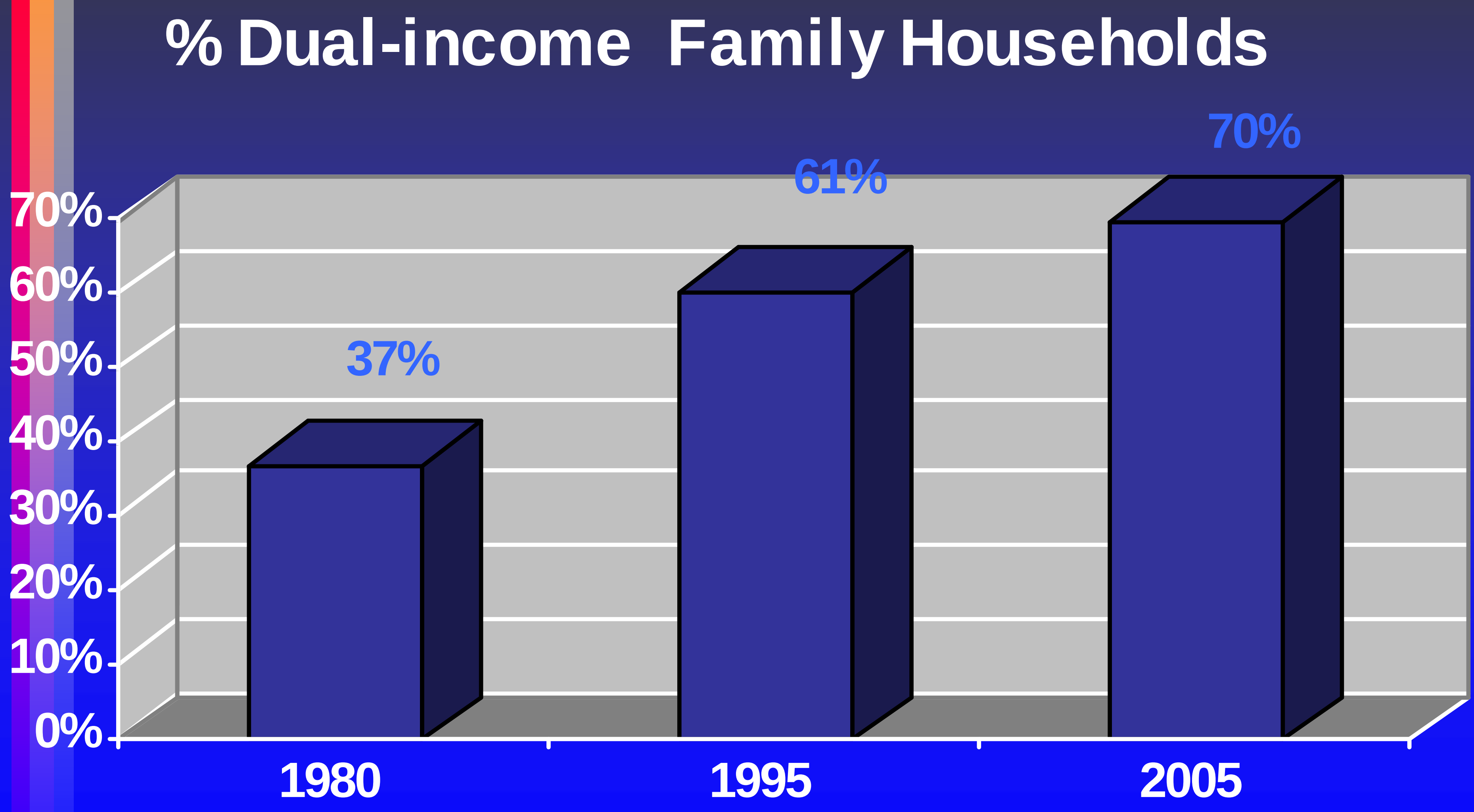


Ethnic Diversity - US

% increase in population 1998- 2008

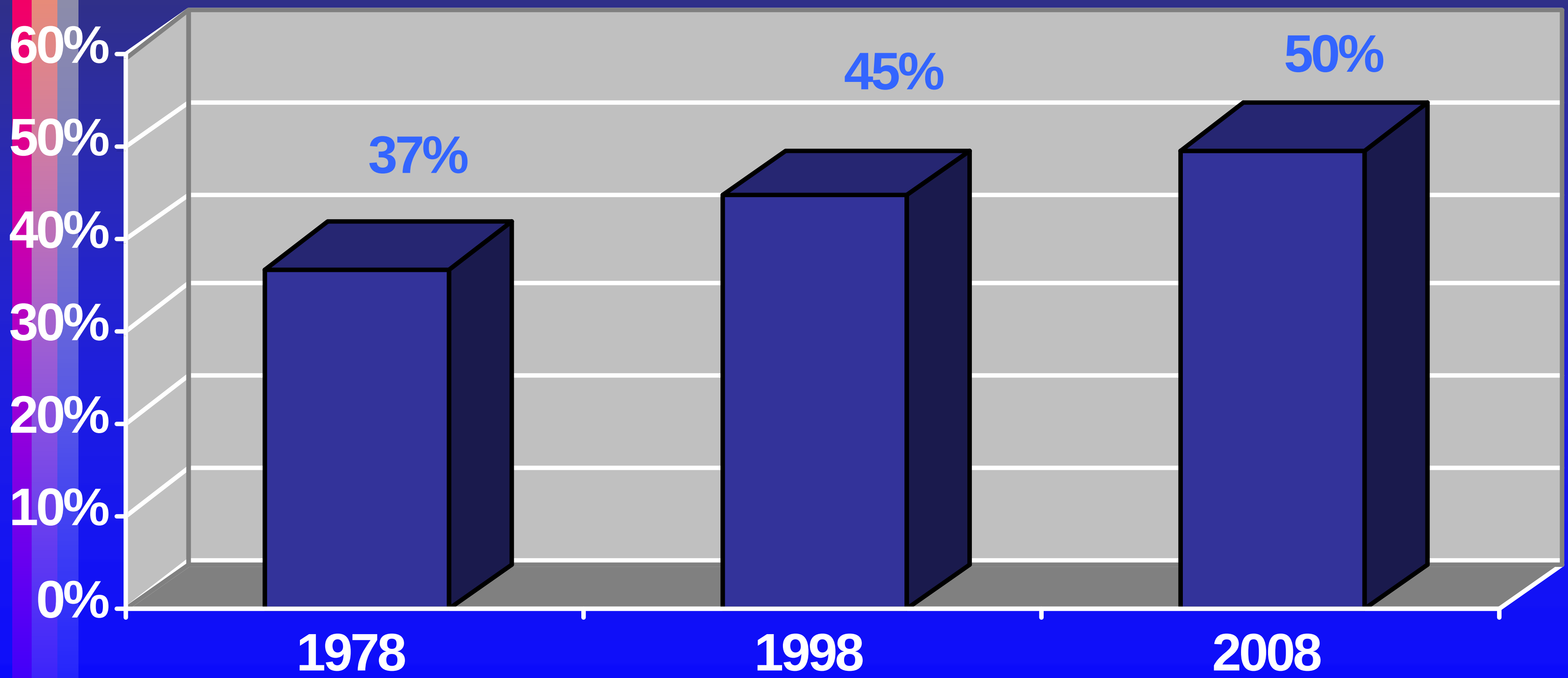


Dual Income Families - Canada



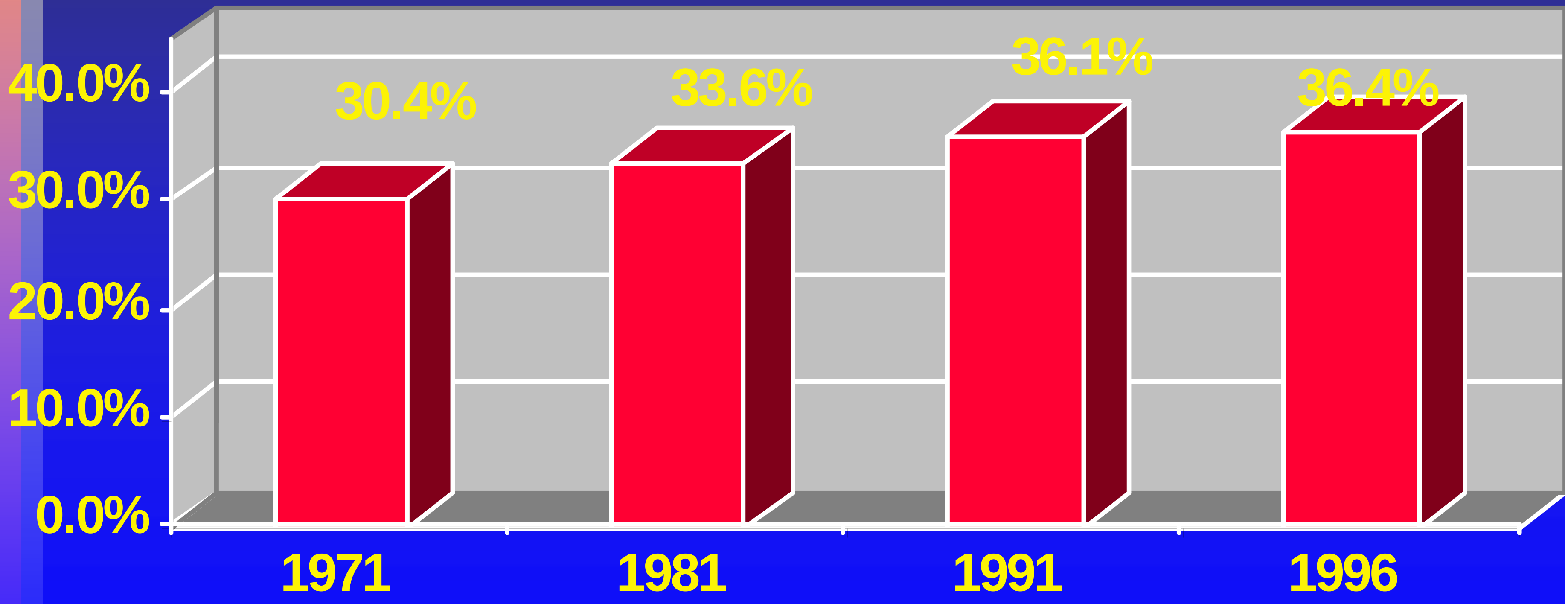
Dual Income Families - US

% Dual-income Family Households



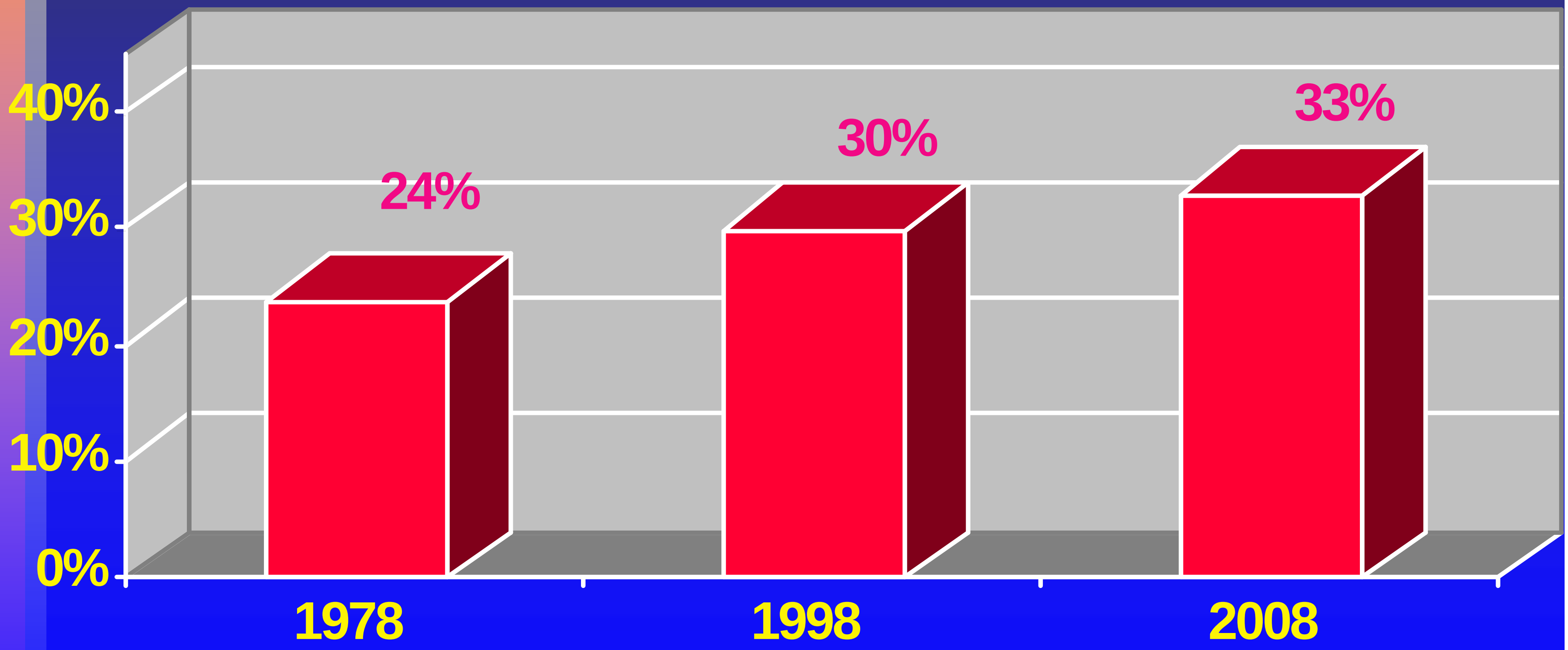
Small households - Canada

% of single households



Small households - US

% of single households



What does it mean when we have

– increased single-person households?
– increased dual-income households?
– increased population over 50?
– increased numbers of Asian and Hispanic consumers?

First-order effects

- Dual incomes imply
  - higher disposable income
  - increased time constraints for "consumption"
- Therefore increased demand for high-end products AND
  - convenient meal solutions
  - "behind-the-wheel-friendly" foods

First-order effects

Single person households imply

- smaller packages
- convenience
- high away-from-home consumption
- lower “food interest”

First-order effects

Growth in ethnic consuming populations implies

- different product mix at retail
- diversity in food service

First-order effects

Aging population implies higher disposable incomes

Second-order effects

– Affluence tends to break traditional socio-demographic consumption patterns
– The products that are brought out for ethnic markets are adopted by broader consumer markets
– Combination of time constraints and affluence leads to “eatertainment”

The problems with demographics

- They imply behavioral norms based on “what you look like”
- Demographics are no longer stable predictors over time
- “What we look like” is less important than “how we behave”
- Let’s call this “lifestyle” for now

After all these years

- “Dis-moi ce que tu manges, je te dirai ce que tu es.”   - Jean Anthelme Brillat-Savarin 1825

Lifestyle - behavior

% who eat a home-cooked dinner 6-7 nights per week

"loners" married	married w/o kids	married w/ kids	not married w/ kids
44%	**46%**	**45%**	**45%**

Source: Peter Hart for Grocery Mfrs Assn, 1998

Lifestyle - behavior

% who dine with entire household 6-7 nights per week

"loners"	married w/o kids	married w/ kids	not married w/ kids
N/A	**60%**	**52%**	**54%**

Source: Peter Hart for Grocery Mfrs Assn, 1998

Lifestyle - behavior

% who buy a ready-to-eat meal 2 or more nights per week

"loners"	married w/o kids	married w/ kids	not married w/ kids
39%	**27%**	**33%**	**42%**

Source: Peter Hart for Grocery Mfrs Assn, 1998

Lifestyle - behavior

% who use microwave almost all the time/very often

"loners"	married w/o kids	married w/ kids	not married w/ kids
43%	**36%**	**33%**	**29%**

Some emerging lifestyle issues

- Fastest growing product categories in the "center of the store"
  - TASTE, INDULGENCE, VARIETY
  - FUNCTIONALITY

Some emerging lifestyle issues

- “Echo Boomers” are a strange, volatile age cohort
  - BIG into self-indulgence
  - Most likely to shop in Supercenters
  - Low incomes with high consumption aspirations
  - Novelty-seekers
  - Ethnicity doesn’t drive purchases

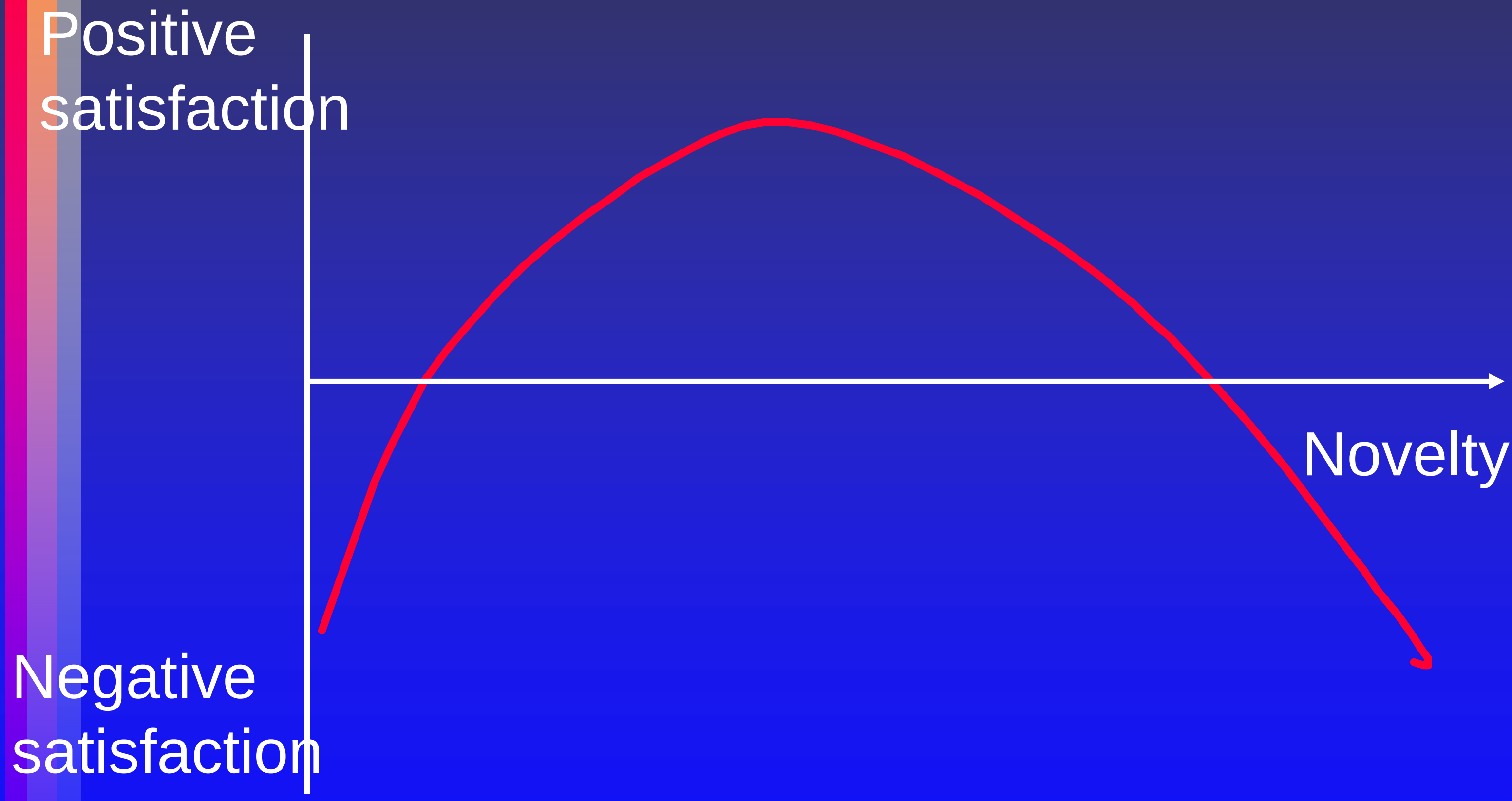
More learning opportunities

- Experimentation, novelty-seeking, and ethnic “boundary-jumping” occur in the foodservice sector
- Good news – since we have 1 ½ generations of inept home cooks
- Ironically, TV may save us, especially with Echo Boomers

Habituation vs. Novelty

– Habituation is a classic response to the huge number of consumption choices before us
– Food products are EXPERIENCE GOODS, as are food retailer patronage, and restaurant choice

Habituation vs. Novelty



The Wundt curve

Habituation vs. Novelty

- There is a constant tension between the comfort of habitual purchases and the search for novelty
- Marketing expenditures flow to this tension:
  - reinforce positive satisfaction for existing products
  - present new choices in product categories
- Marketers battle over which brands/items will enter our “evoked set” during the shopping task

How do we “make a market”?

- Consumers on one side with
  - Changing basic demographics
  - Increasingly specific behavior segments
  - Increasingly unstable “presence” in segments
  - Interest in novelty
- Food marketers with
  - Huge capacity to generate new products
  - Blurred, fragmented market channels

How do we “make a market”?

- Use the metaphor of maps:
  - Consumers have an incomplete mental map of the array of choices they have to purchase food (products, sources)
  - Marketers have a fuzzy, incomplete mental map of consumer needs, wants, desires
  - Both parties are “navigating” with imperfect maps, trying to meet at the cash register

The complication of “what is being purchased?”

- Consumers don’t really consume products
- They consume complex goods that they “construct” from products bought at retail OR they buy complex goods that someone constructs for them (food service)
- The value they get from these complex goods comes from the combination of *characteristics* they consume

Characteristics of Consumption Goods

- Intrinsic characteristics in food products
  - Nutritive
  - Organoleptic
  - Physical/ biological
- Extrinsic characteristics
  - Psychic: tradition, sophistication, economy
  - Entertainment
  - Convenience

Where do “story” products fit?

Navigating

- Consumers navigate from memory, even if their mental map of consumption possibilities doesn’t match up with “reality” -- habituation
- To find novelty in the landscape of consumption possibilities, they need signposts
- Who makes the signposts?

Navigating

- Signposts:
  - Consumer advertising
  - Point-of-purchase in retail
  - Food service industry
    - The "early warning system" for novelty in the US.
- Note that the food retail system is generally devoid of personal information sources, unlike most consumer products markets, except…