



Profiting from a Demographic Shift in the 21st Century

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What drives consumer choice?

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

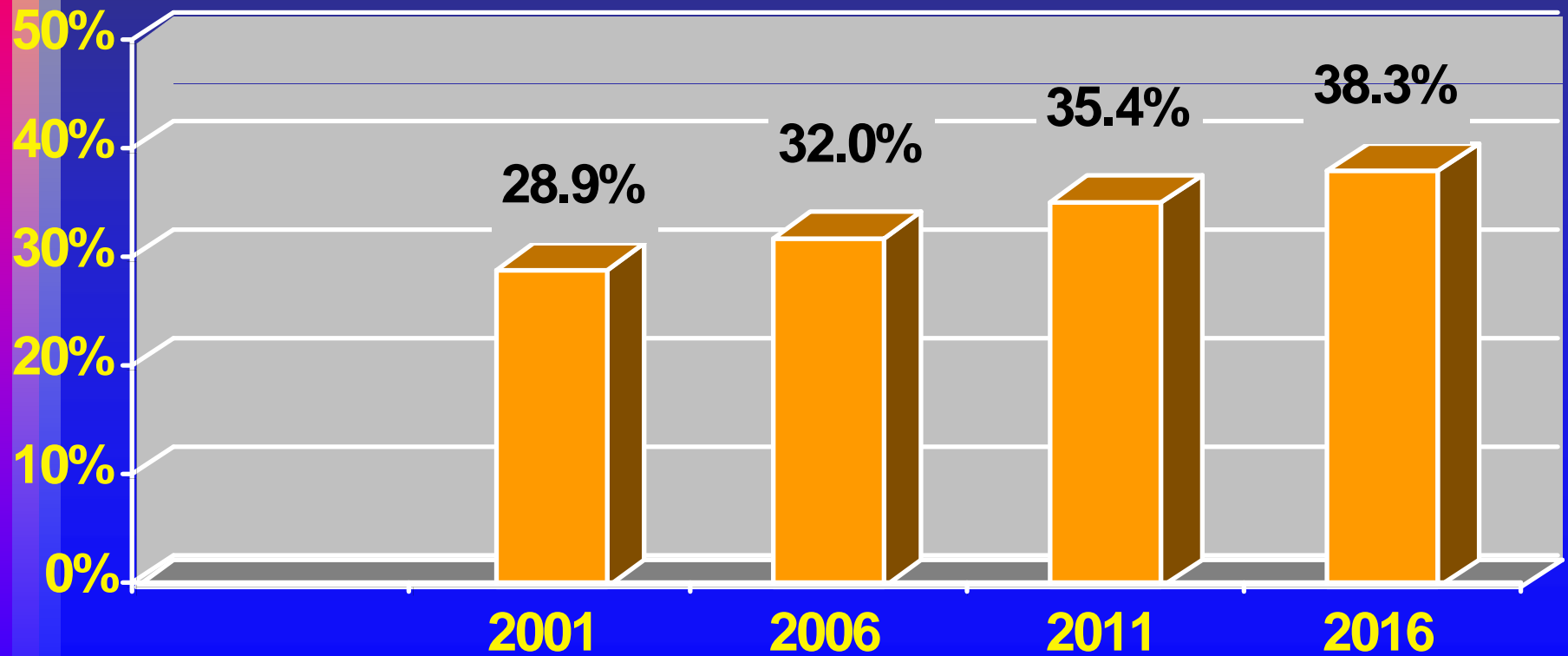


What's going on in demographics?

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

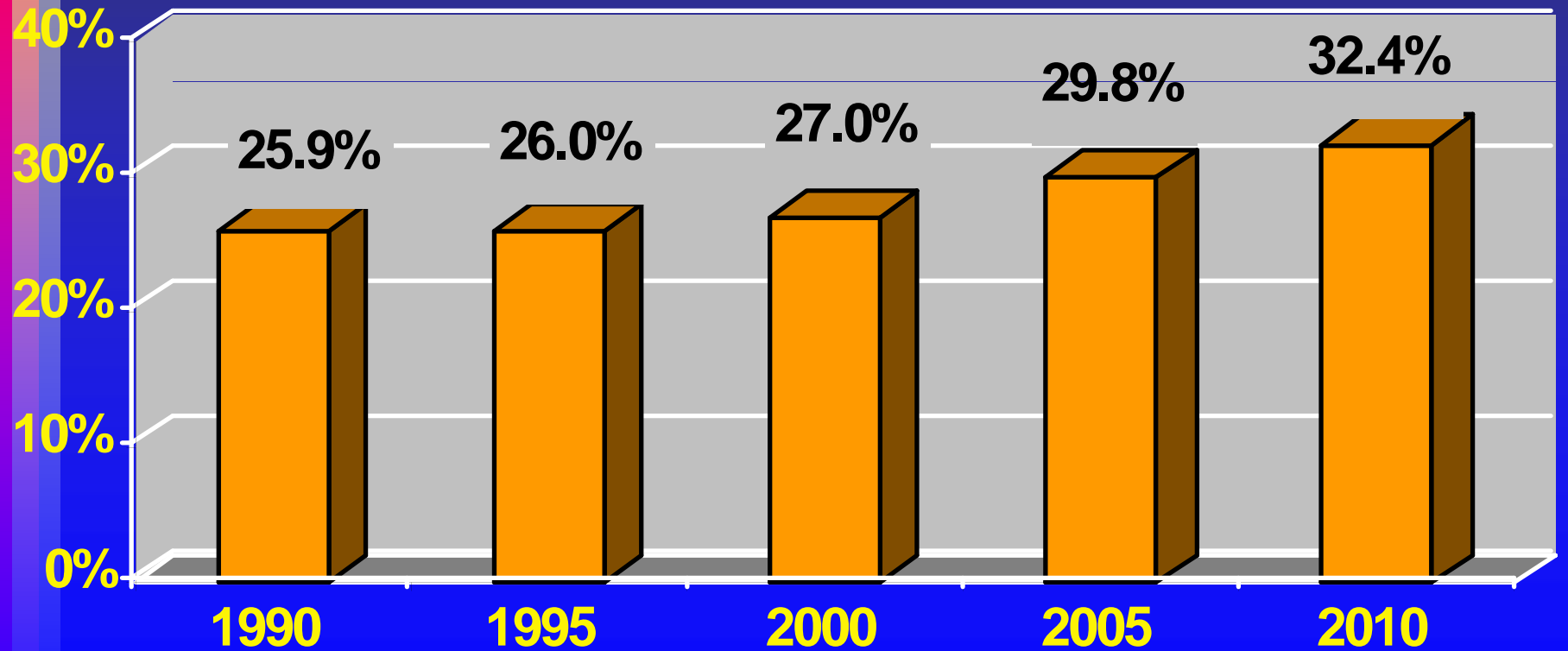
Population age dynamics -Canada

% population over 50



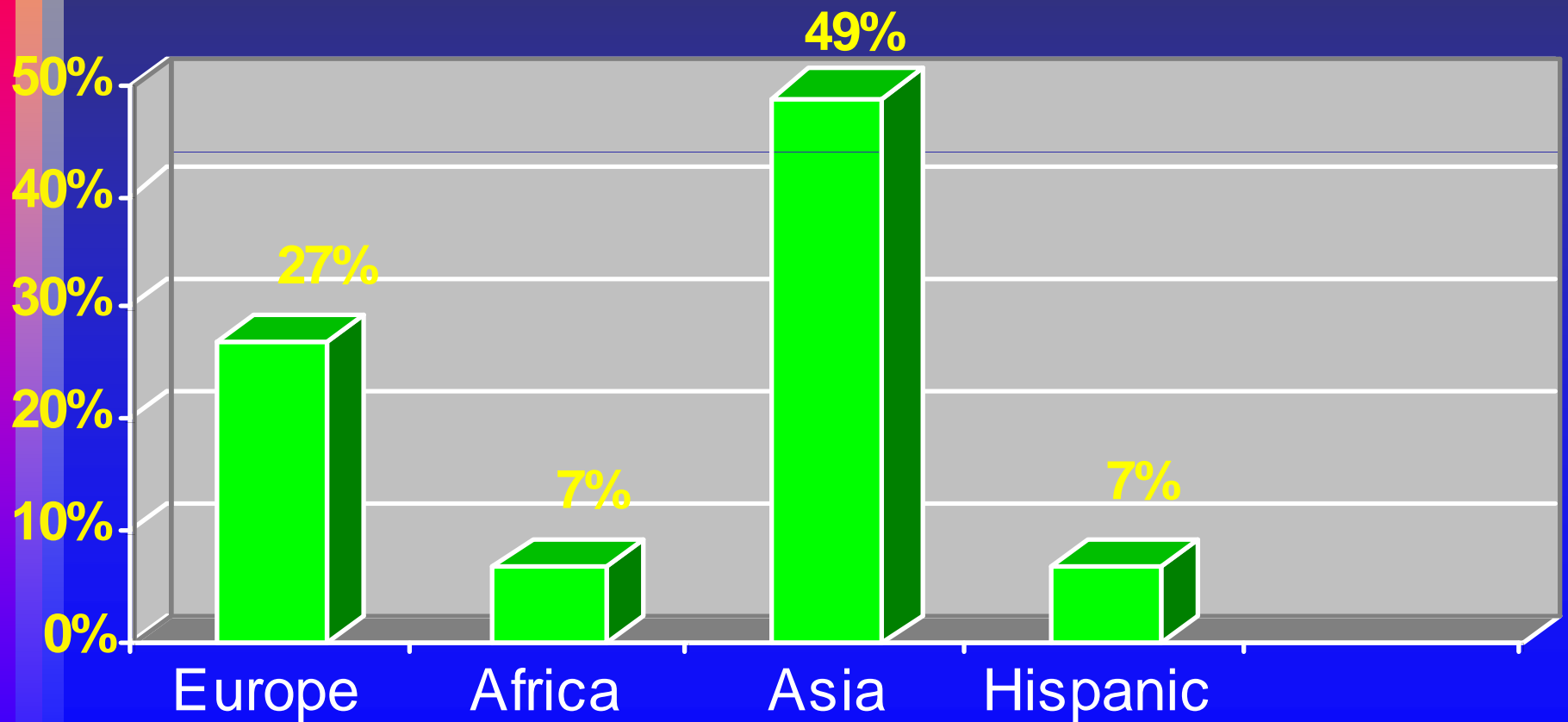
Population age dynamics - US

% population over 50



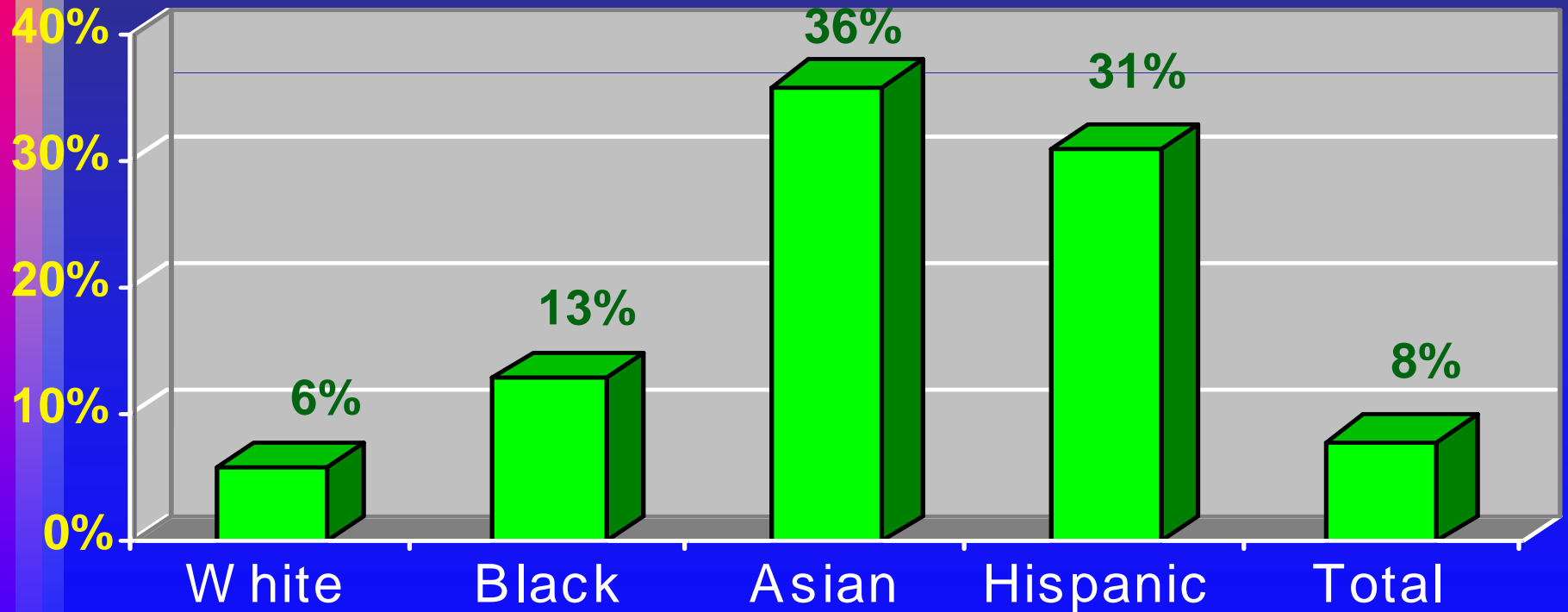
Ethnic Diversity - Canada

%immigrants in 1990-1996 period



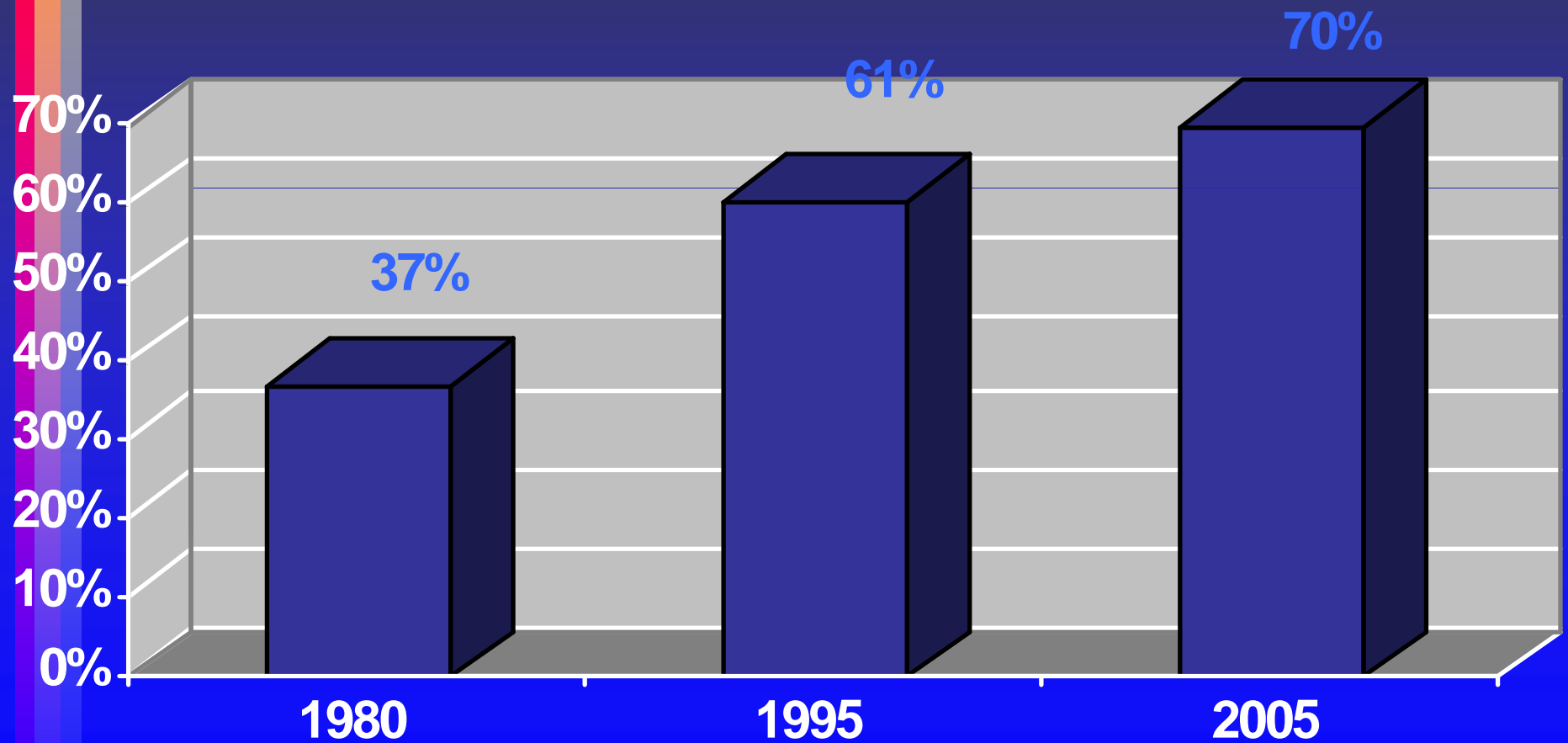
Ethnic Diversity - US

% increase in population 1998- 2008



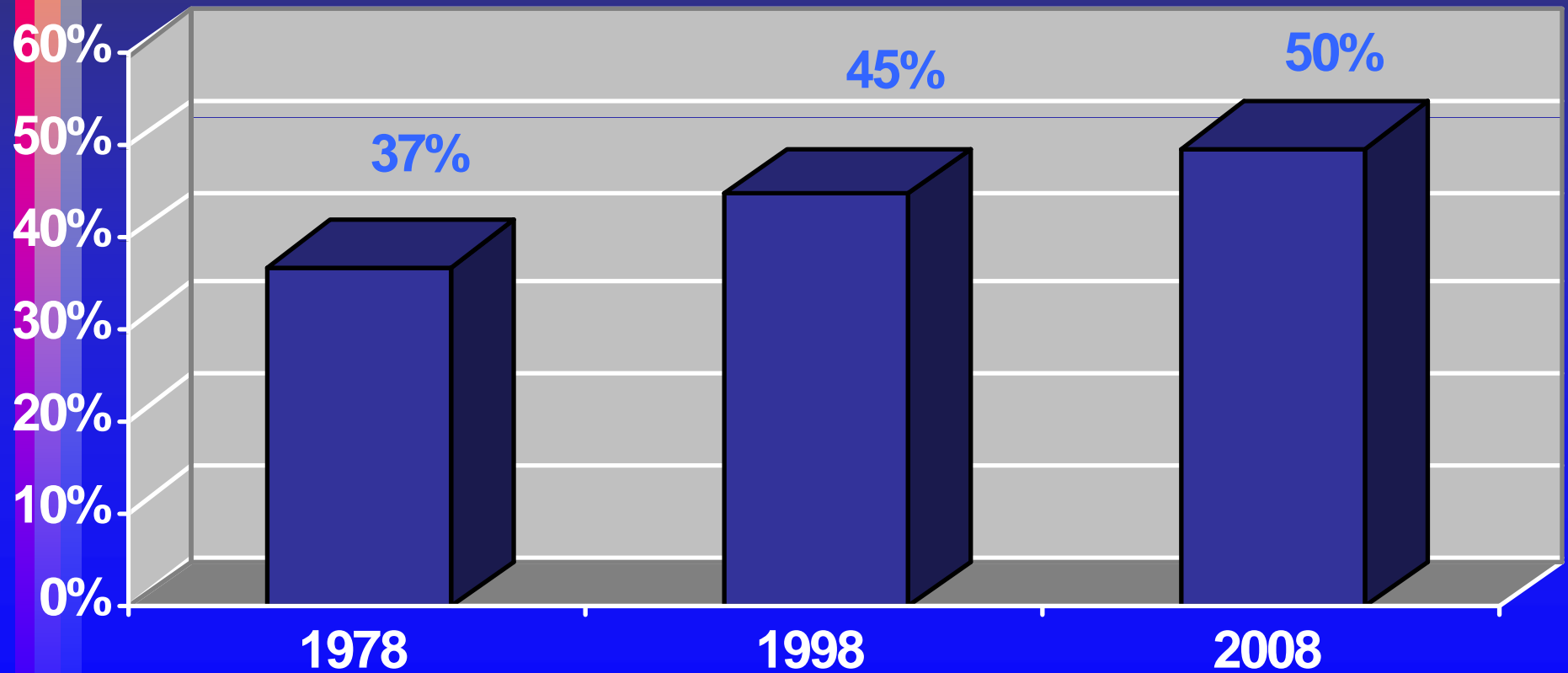
Dual Income Families - Canada

% Dual-income Family Households



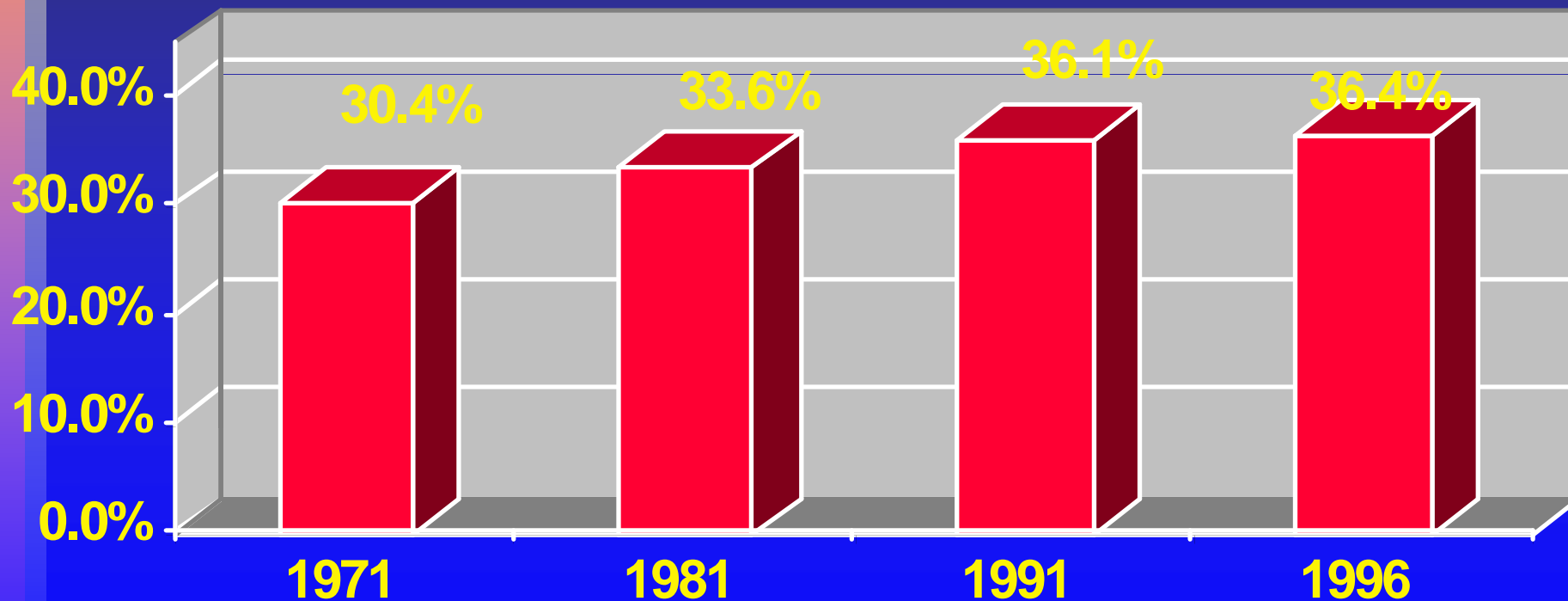
Dual Income Families - US

% Dual-income Family Households



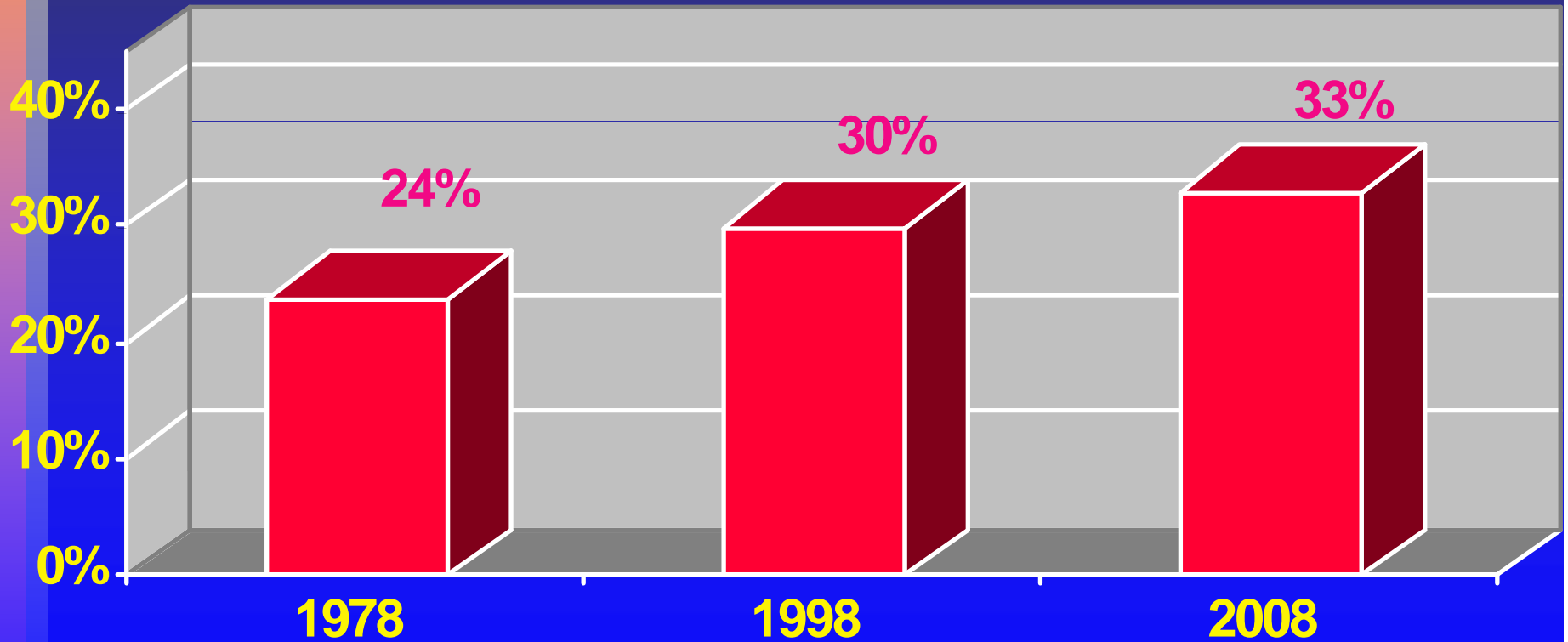
Small households - Canada

% 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

married

not

w/o kids

w/ kids

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

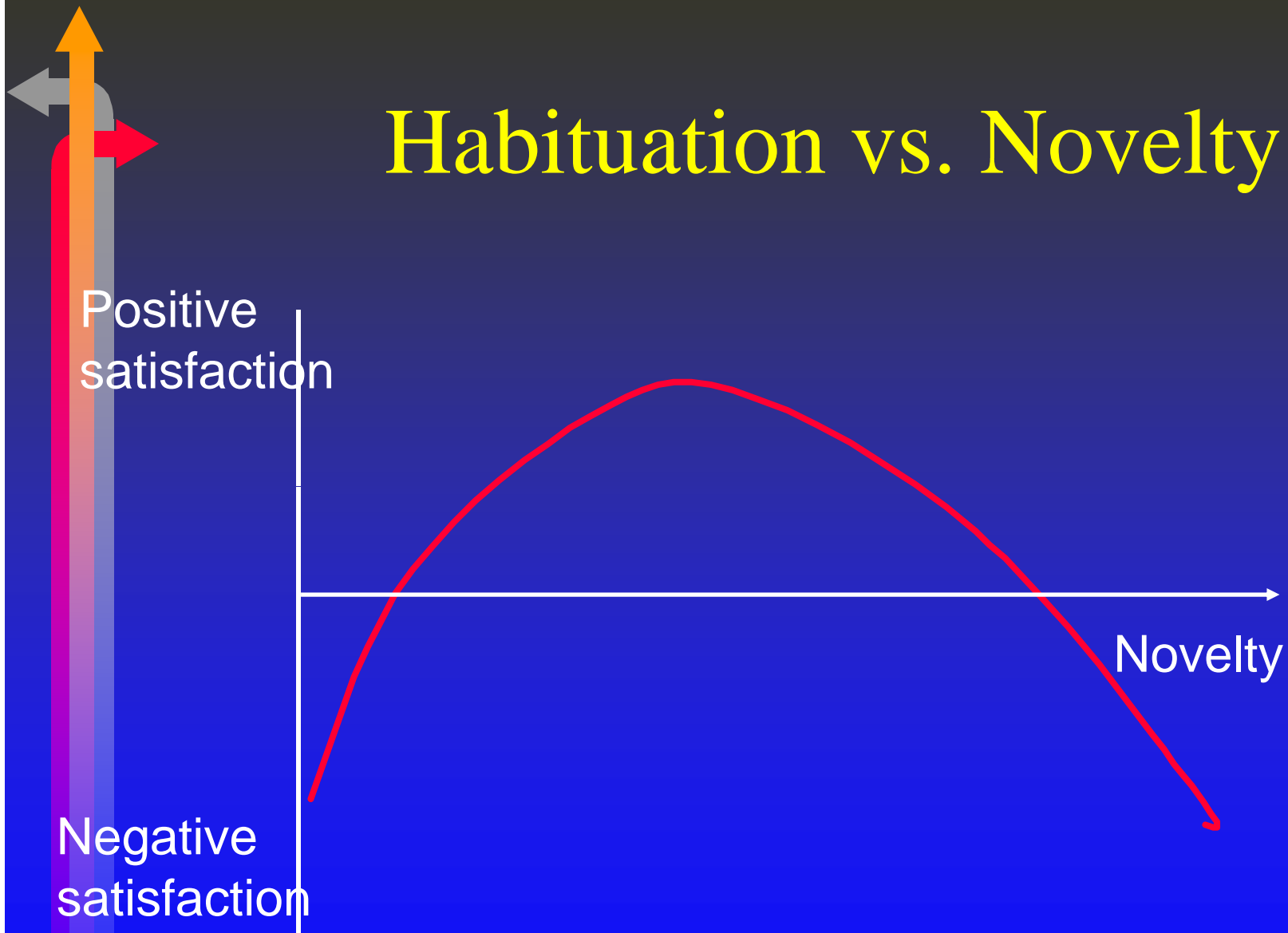
- Experimentation, novelty-seeking, and ethnic “boundary-jumping” occur in the foodservice sector
- Good news – since we have 1 ½ generations of inept home cooks
- Ironically, TV may save us, especially with Echo Boomers



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...