Southwest

SOUTHWEST STATE UNIVERSITY • MARSHALL, MINNESOTA

Assessment of Market Alternatives for Minnesota Meat Exports

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SMAC is committed to advancing businesses in southwestern Minnesota through market research, promotion and related marketing activities

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Executive Summary

Chorizo, a traditional type of Hispanic sausage, is one example of a product that could flourish in the ever-expanding Hispanic market. This group represents one of the fastest growing segments of the US population. In recent years, preferences for Hispanic food products have also penetrated mainstream American tastes.

The growth of this particular group has varied across the United States. Some of the areas of most significant growth can be found in California, Arizona, and New Mexico. A significant number of counties in each of these states have Latino populations of 30% or more. These populations represent market potential for a new product geared toward Hispanics; California, Arizona and New Mexico were selected as areas for further study.

Any marketing directed at the Hispanic population must be conducted with the understanding that Hispanics differ from non-Hispanics; these differences include lifestyle choices, eating habits and shopping patterns. Various subgroups within the Hispanic population also exhibit specific characteristics.

Hispanics generally shop more often than non-Hispanics; the places they patronize also differ. The population as whole spends more on food, and will buy different types of food than the general population. Fresh foods and meals made from scratch are extremely important to this population. The tendency to buy packaged or convenience foods increases as an individual or family becomes acculturated to the "American" society.

Meat purchasing habits also differ from the average consumer. Hispanics purchase more meat and poultry on average and prefer fresh products, which they can see prepared in front of them.

There are producers of chorizo in the current market. Any new product must be positioned to differentiate from existing items. A campaign geared toward the growing number of Americans who eat Hispanic foods may represent one alternative for success within the competitive environment.

Recommendations

1 Examine the potential of marketing chorizo as a “Mexican food” to the general U.S. population.

2 Conduct further research to determine which specific group of Hispanics would be best suited as a target market for a new chorizo entry.

3 Investigate the Hispanic populations’ acceptance of and willingness to buy packaged versus fresh chorizo.

4 Examine potential distribution channels to determine which outlets possess the attributes necessary to sell Hispanic products.

5 Investigate ways to position a new chorizo entry within the current Hispanic sausage market.

Conclusions

1 The Hispanic population represents a sizable target market for chorizo; however, the general US population may also represent a potential market. A growing Hispanic population in the U.S. has led to an increase in the consumption of Hispanic foods in restaurants and homes across the nation. The expanding market should be investigated as possible outlet for chorizo. An entry into this market would require a marketing approach geared toward the American who enjoys Hispanic foods, or is interested in exploring new meal ideas featuring well-seasoned products.

2 The Hispanic population has several subgroups with differing habits. Any product marketed to Hispanics should be targeted toward a specific group within the population. The target group will have identifiable lifestyle and buying patterns, which will make it the most suitable for buying a new chorizo entry.

3 Hispanics tend to have shopping habits and food preferences, which differ slightly from the general U.S. population. The willingness to buy frozen foods compared to fresh products is essential to market success of any Hispanic food items. Though consumption of frozen foods appears to growing among Hispanics, further study should be done to ensure that this trend has reached a level high enough to make a new chorizo brand profitable.

4 There are currently several competitive sources in the chorizo/sausage market. In order to be a success any new chorizo product must be positioned as high quality and affordable. Further research should be done on exactly which characteristics should be

promoted and how this effort should be conducted to reach the target Hispanic population.

5 Using appropriate distribution channels is vitally important in the positioning of a new chorizo brand. Several supermarket companies have taken steps to reach a growing Hispanic population. Stores that have made such changes will present the best opportunity to bring the new product to the Hispanic population. A study should be conducted to determine which retail outlets would be best suited for the new chorizo brand.

Detail of Findings

The Hispanic Population

The first step in the analysis of this market is to accurately define the Hispanic/Latino population. The US Census Bureau defines Hispanic as any individual who classifies him or herself as a Spanish descendent or Latino. Individuals who chose the category may further classify themselves as Mexican, Mexican America, Chicano, Puerto Rican, Cuban or "Other Spanish/Hispanic/Latino," (US Census, 2000).

The Census definition of Hispanic indicates the diversity present within the population. A February issue of Gourmet Retailer explains, "The word Hispanic is a U.S marketing term. It does not refer to a race of people, but rather is a term that clumps a conglomeration of ethnicities into one ethnic classification. Members of these ethnicities come from 20 different countries who once here refer to themselves as Hispanic or Latino," (Moran, 2002).

Specific State Populations

Despite the variations within the population, statistical data on the number of Hispanics may still be used as a guide for the feasibility of a new product geared toward this particular market. For the purposes of this research, California, Arizona and New Mexico were selected for analysis. These states were chosen because each has a relatively large Latino population, and the states geographically create a distribution area, which could be reasonably serviced by a company's distribution channels with a new product.

California has a Latino population of 10,966,556, which constitutes 34% of the total population. More than 44% of the population in New Mexico is classified as Hispanic; Latinos make up 26% of Arizona's population. The Hispanic population in these three states totals more than 13 million people according to the 2000 Census (Exhibit A). These statistics indicate that there is a sizable Hispanic population in California, Arizona and New Mexico that could serve as a customer base for a new brand of chorizo geared toward this group.

Estimates per County

To further assess the target market, percentages were calculated on a county-by-county basis for each of the three states. Any county that had a population equal to or greater than 30% Latino was considered a potential target market. Six of Arizona's 15 counties met this criterion; all were located in the southern part of the state. The total Hispanic population in these counties was more than 450,000 people. Yuma County in the southwestern corner of the state had the largest Latino population at 52% (Exhibit B). California has 20 counties with a Hispanic population of 30% or more. In these 20 counties the population of Latinos is more than five million. These counties were concentrated in the southern and central part of the state. Several counties had populations in the mid 40% to 50% range. Tulare County had the biggest population of Hispanics with 52% (Exhibit C). Twenty-seven of New Mexico's 33 counties met the criterion, and in total these counties had a Latino population of 728,435. The six counties that didn't fit the parameter were located either in the northwestern corner or the mid-section of the state. Mora and Guadalupe counties had the highest population percentage at 84 (Exhibit D).

These population percentages reaffirm the conclusion that southern sections of California, Arizona, and New Mexico would make a suitable area to position a new brand a chorizo.

Variations within Population

The varying definitions of Hispanic/Latino must be taken into account when reviewing population statistics. These numbers do not represent a completely homogenous group. According to estimates, 65% of Hispanics come from Mexico, 14% come from Central or South America, 10% from Puerto Rico, 4% from Cuba and 7% other Hispanics (Clutter & Ruben, 2000), (Exhibit E). Any characteristics applied to this entire group will likely vary in pervasiveness and intensity from segment to segment. This variation suggests that certain items may be most suitable for certain subgroups within this population, and any product geared toward Hispanics would be most successful if marketing approaches were tailored to reach specific groups within the population.

Lifestyle Characteristics of the Hispanic/Latino population

Hispanics are family oriented, and responsibility toward traditional roles is taken seriously. They value elaborate food preparation, personalized service, mutual understanding, and a sense of group welfare compared to individuality. Generally Hispanics are very brand loyal and emphasize social stratification. This is a contrast to traditional "American" values which emphasize individuality, casual atmospheres, and fast efficient services including food preparation (Veldes, Sloane, 1995).

Diet Characteristics

The diet of Hispanics who emigrated from Mexico is generally influenced by pre-Colombian, Spanish, French and even American culture. This population consumes a significant amount of corn, beans, rice, bread, eggs and fish. The diet also contains a variety of meats including pork, beef, poultry and goat (Warrix, 1995).

The diet of Puerto Rican immigrants is similar to that of Mexican-Americans; breads, cereals, rice, and corn products are heavily consumed. Whenever possible, starchy vegetables like sweet potatoes are also eaten. Individuals eat meats including pork sausage, pork chops, marinated pork, spare ribs, beef and turkey (Jones Syracuse, 1995).

The comparison of diet for these two specific groups illustrates the similarities and variations between groups in the Hispanic population. In general the daily diet includes complex carbohydrates in the form of rice, and corn, and meat including pork and beef. Diversity in diet appear most frequently in the amounts of calcium and vegetables consumed. Differences between Hispanic and Non Hispanics can also be examined. The dietary choices made by each population are demonstrated by each groups spending habits related to specific foods (Exhibit F).

Lifestyle choices made by Hispanics provide insight into what this group views as important and how a traditional daily routine for this population may differ from other segments of the U.S. population. This type of information is essential for developing a product that will flourish in a competitive environment.

The Hispanic Consumer

Acculturation -- the degree to which Hispanics have assimilated into the American culture -- has a significant influence on the types of foods the population purchases and how they buy them. Shopping patterns seem to reflect a combination of Hispanic and American culture. "Acculturated Hispanics retain the core values of their traditional culture while adopting many of the behavioral norms of the general market," (Product Development, 1997). These core values are the reason that many Hispanics who have lived in the U.S. for several generations may still eat and prepare versions of the foods originally made by their grandmothers (Hartnett, 2002).

Shopping patterns of the Hispanic population differ from the American mainstream in several ways. Hispanics make 4.7 trips to the store per week compared to 2.2 for Non-hispanics (Exhibit G-1). Over the course of a single month this translates into 18 trips for a Hispanic family compared to eight for a non-Hispanic family (Exhibit G-2). As a result of these additional visits more money is spent on food; per week, Hispanics spend \$117 versus \$87 by non-Hispanics (Exhibit H). The population also tends to purchase food from outlets other than supermarkets more often than other groups (Morse, 2002).

Number of store visits per month

Super market	Bakery	Butcher	Corner store	Discount
4.3	3.4	2.4	2.3	1.8

Food Purchase Behavior

Once at the store, Hispanics traditionally purchase different types of products than their non-Hispanic counterparts. Seventy-five percent believe fresh food is more nutritious than packaged food. Sixty-seven percent make meals from scratch. This behavior is reflected in purchasing patterns. Ten percent do not buy food mixes; 18% do not buy canned foods (Morse, 2002).

Larger families, cultural affection for fresh meat, poultry, and bread, and lower incomes keep many away from frozen food (Wellman, 2001). Approximately 43% do not purchase frozen food (Morse, 2002). However, it seems that the trend is slowly changing. Frozen food purchases appear to increase in direct correlation with levels of acculturation. Even new immigrants show significant, surprising levels of frozen food purchases (Wellman, 2000).

Meat Purchasing Characteristics

According to the Cultural Access Group report, *The Hispanic Shopper*, 67% of the population buys meats from a supermarket while 18% prefer to make their purchases at a butcher shop. Additionally, when asked which factors influenced where they shopped, Hispanics chose "Freshness and Quality of Meat" as the 5th most important factor 91% of the time (Morse, 2002).

The desire to buy fresh food is extremely important in connection to buying meat. Winn-Dixie supermarkets reconstructed their meat counter by removing the wall that concealed the meat processing area so customers could see what was going on. According to Ron Pearl, a meat merchandiser for Winn-Dixie, “Hispanics generally like to see their meat sliced or ground in front of them.” Pearl also says that Hispanics tend to develop a relationship with their meat cutters. As a result of these and other changes the store has made in an effort to cater to this group of shoppers, the store has seen an increase in sales. Specifically, sales in the meat department rose from 9 to 12% (Blank,1998).

Other supermarket chains are beginning to pursue in the Hispanic market. Foodmart International in New Jersey is one example of such a chain. According to President Lewis Wu, in Jersey City, New Jersey, the store rearranged its meat selection and has started to bring in goat to meet the needs of Hispanic customers (Zimmerman, 1998). In an article for Reuters magazine, a spokesperson for Kroger Company noted that five years ago their stores had very few Hispanic items; today there are more than 300. (Green,2001).

Supermarkets have begun to adapt to meet the needs of a growing number of Hispanic customers and have received positive responses from this consumer group. Research appears to suggest that chorizo would have the greatest success if distributed in a supermarket chain, which has made such changes and currently sells other Hispanic food items. The attributes which characterize the Hispanic population, indicates that any new food product developed for this group will have a strong emphasis on quality and be able to develop a sense of brand loyalty with the customer base. Marketing must emphasize a product image which appeals to those with traditional and contemporary values, in addition to a product which can compete in a fairly saturated market.

Competitive Analysis

There are companies in the current marketplace that produce and sell chorizo. These companies include Cacique USA, which produces Bolita, Chorizo Fino(lean sausage) and Chorizo(Cacique, 2001). Clougherty Packing Company, of Los Angeles, markets chorizo under the Farmer John label (Farmer John, 2000). Another Los Angeles Company, Carmelita Chorizo also makes the product. The online Albertson's grocery store indicated that Cacique's beef and pork chorizos cost $1.19 for a 12-ounce package. Farmer John chorizo sells for $1.69 for a 12-ounce package. Carmelita's beef and pork chorizo's come in 1 pound packages which sell for $1.79. Other producers include North Country Smokehouse of New Hampshire, and San Luis Sausage in California; these products are both marketed as high quality, all-natural sausages. Both companies allow for ordering online. Though no package size was given, San Luis chorizo costs $7.50. North Country Smokehouse sells three pounds of chorizo for $19.95 (North Country, 2002), (San Luis, 2000). The North Country Smokehouse chorizo is the most expensive at 42 cents per ounce. The other products range between 11 and 14 cents per ounce.

Retail Prospective

In an effort to gain a better understanding of the competitive forces at work in the targeted region, interviews were conducted with meat department employees in the three states recommended in this analysis; Albertsons' stores in Tucson, Arizona, Roswell, New Mexico and San Diego, California were included in the study. Krogers' subsidiaries, Fry's Food and Drug in

Tucson, and Ralph's located in San Diego, were also contacted. Every store contacted carried chorizo. An employee at Fry's Food and Drug noted that the number of brands carried by each particular store varies depending on the store's specific location. All stores reported carrying between two and four pre-packaged brands. The brands included Arizona, Cacique, Carmelita's, El Mexicano, Renaldo's, and Payton's. One of the Fry's food and Drug stores said that a Fry's Brand is also carried in that particular Tucson store; the employee noted that it is requested most often because it looks fresher than the other products available as a result of the packaging. The other products appear to be vacuum packed and "less fresh" than the Fry's brand. All the stores felt that the pre packaged chorizos sold well in spite of the idea that some Hispanics prefer to buy fresh meat products. When asked what percentage of customers were Hispanics, employee responses ranged from 20 to 75%. The varying percentage of Hispanic customers at each store didn't appear to create any differentiation in answers. However, it should be noted in that region, even if only 20% of customers are Hispanic these stores still serve a fairly large population of Hispanics. Information provided by the store employees revealed that chorizo is currently being sold in the target area, and the products sell successfully. Research suggests that chorizo can be sold in this area, but a new entry into this category will face strong competition from a number of well-established brands.

U.S. Mainstream

It should be noted when considering market potential and positioning for a new chorizo brand in a Hispanic market that is fairly saturated, other opportunities may exist. As the Hispanic population grows within the U.S., so does its cultural influence on the nation's population as a whole. The Food Marketing Institute's 2001 consumer attitude survey found that more than half of all grocery shoppers purchase ethnic foods once a month (Green, 2001). Evidence of this trend can be seen in restaurants and homes across the country as individuals add Hispanic flavors and recipes to their daily menus. As a result of changing tastes, Mexican cuisine product manufacturers report annual sales growth in excess of 20% almost as a matter of routine (Hartnett,2002). Chorizo is already a part of diets in the southwestern U.S. (Byers,2002). Chorizo appears to have a level of product awareness already present in this region and if differentiated properly a new brand of chorizo may be successfully marketed to the mainstream population.

If a new chorizo brand enters the Hispanic market in the targeted region, it must be differentiated from the existing items. Special attention must be paid to the product's packaging, placement on the store shelves, and the type of promotions used to inform consumers. Greater success may be found if this product were marketed to the American mainstream in a region, which is not currently served by several chorizo producers.

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Phone Interviews Conducted

Albertsons-Meat Department- 1350 N. Silverbell Rd. Tucson, AZ 85745-(520)623-7449

Albertsons-Meat Department- 1110 S. Main St. Roswell, NM 88203-(505)623-9300

Albertsons-Meat Department- 4421 University Ave. San Diego CA 92105-(619)563-6565

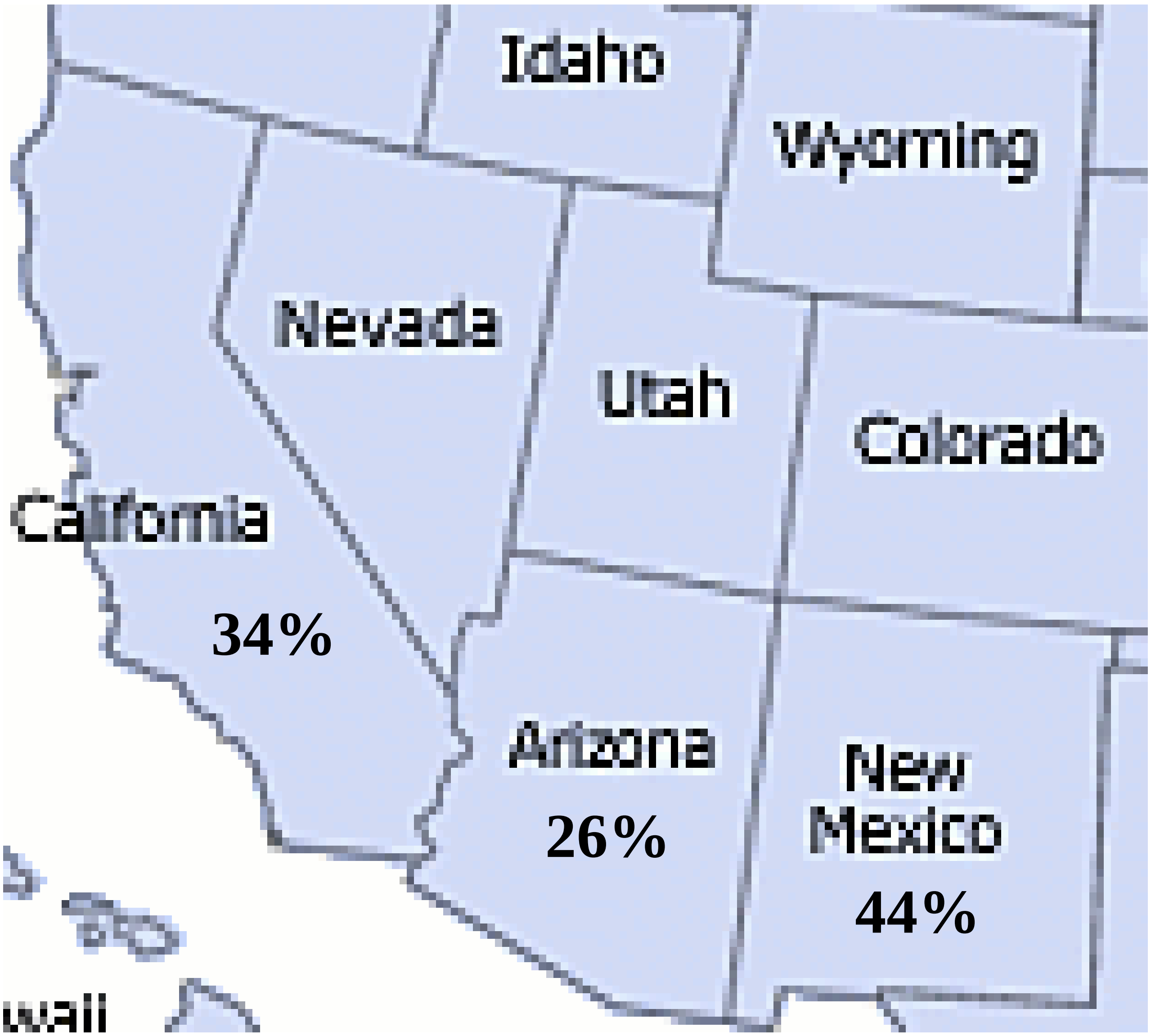
Fry's Food and Drug-Meat Department-555 East Grant Road Tucson, AZ 85705-(520)622-1976

Fry's Food and Drug-Meat Department- 7951 Oracle Rd. Tucson, AZ 85704-(520)297-1174

Ralphs-Meat Department- 101 G. St. San Diego CA 92101-(619)595-1581

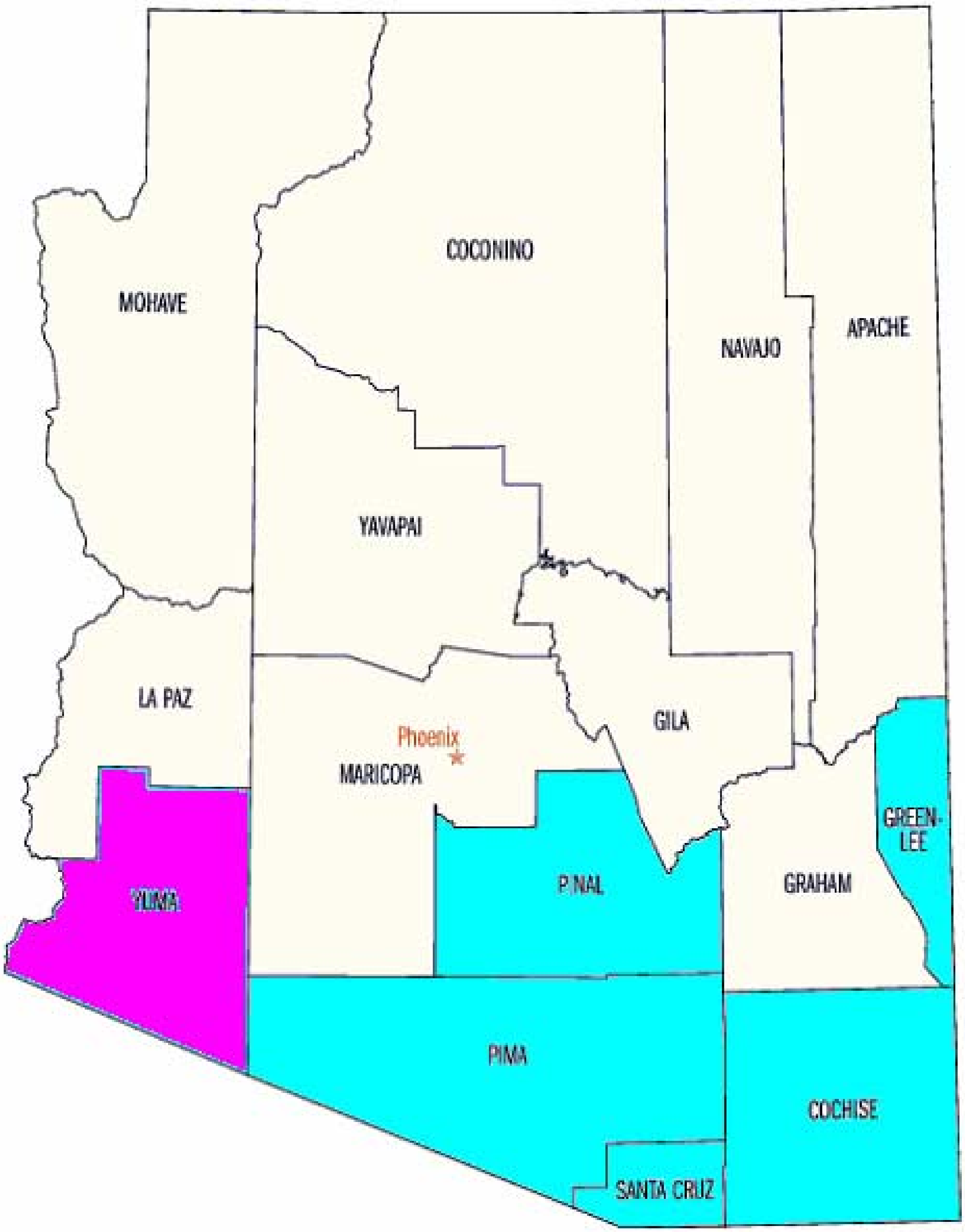
Exhibit A

Latino Population Percentages in States Examined



ARIZONA

Exhibit B



Counties with populations equal to or greater than 30% Latino

County with highest Percentage

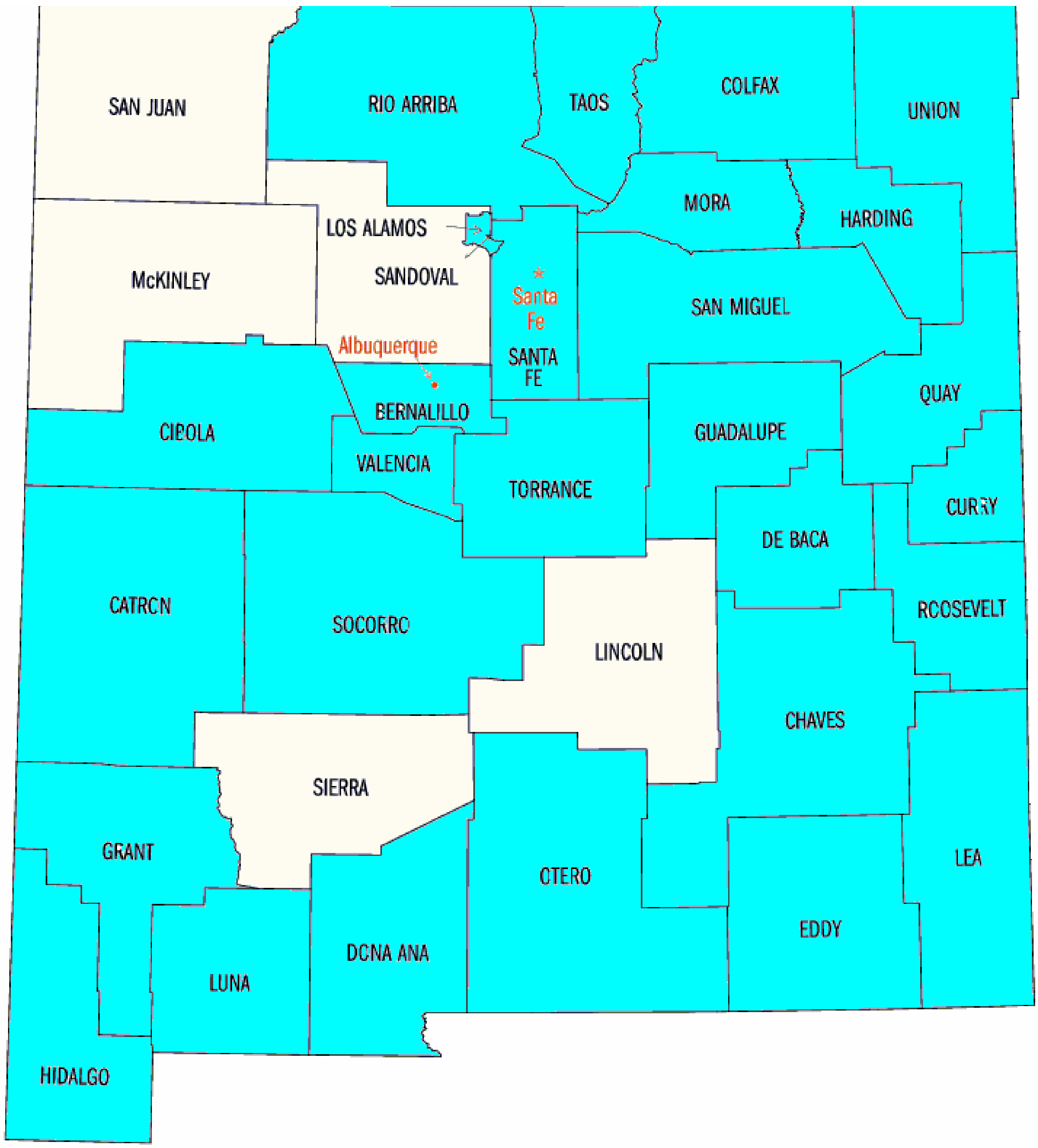
Exhibit C

CALIFORNIA

Counties with populations equal to or greater than 30% Latino

County with highest percentage

NEW MEXICO **Exhibit D**



Counties with populations equal to or greater than 30% Latino

County with highest percentage

Exhibit E

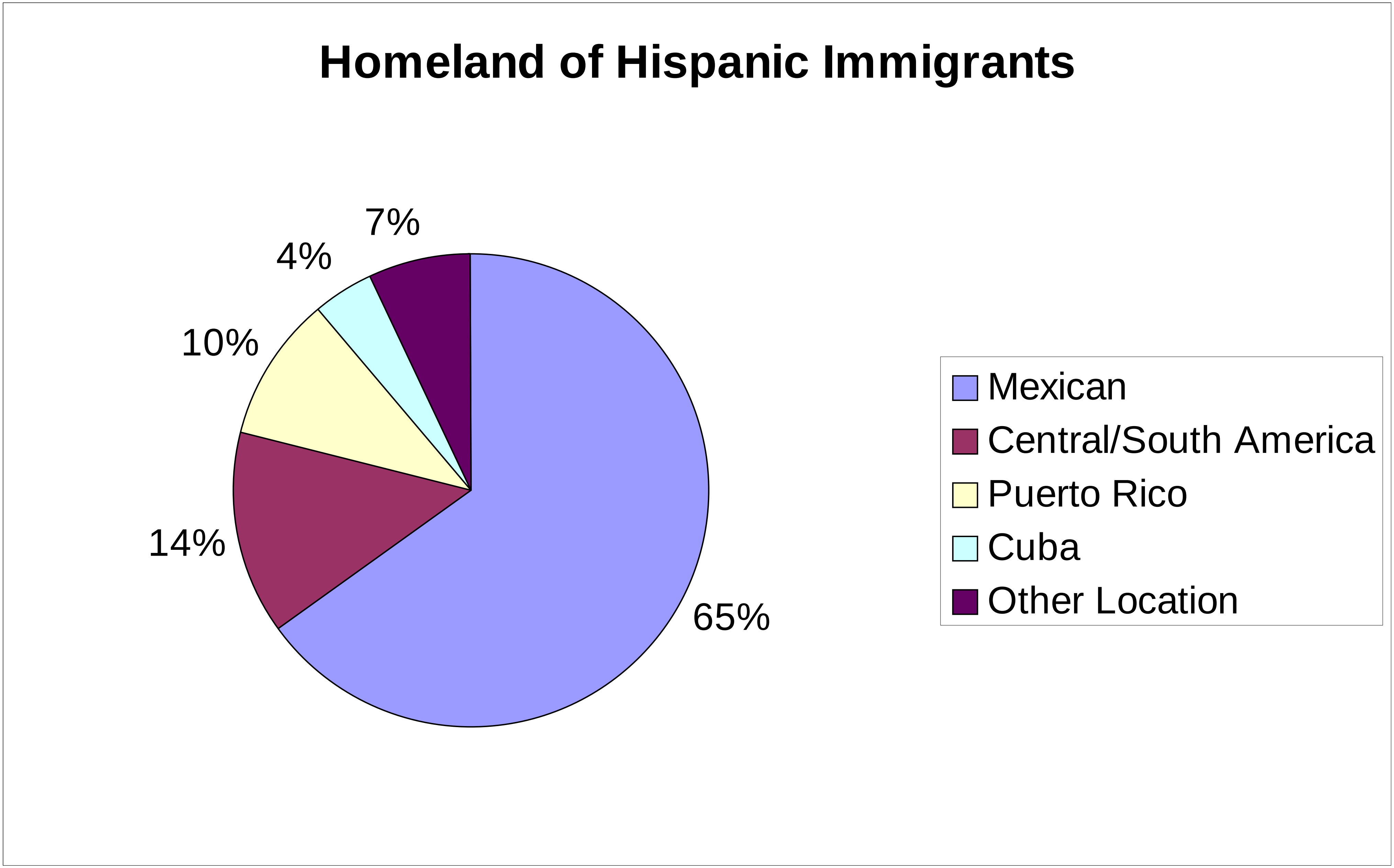
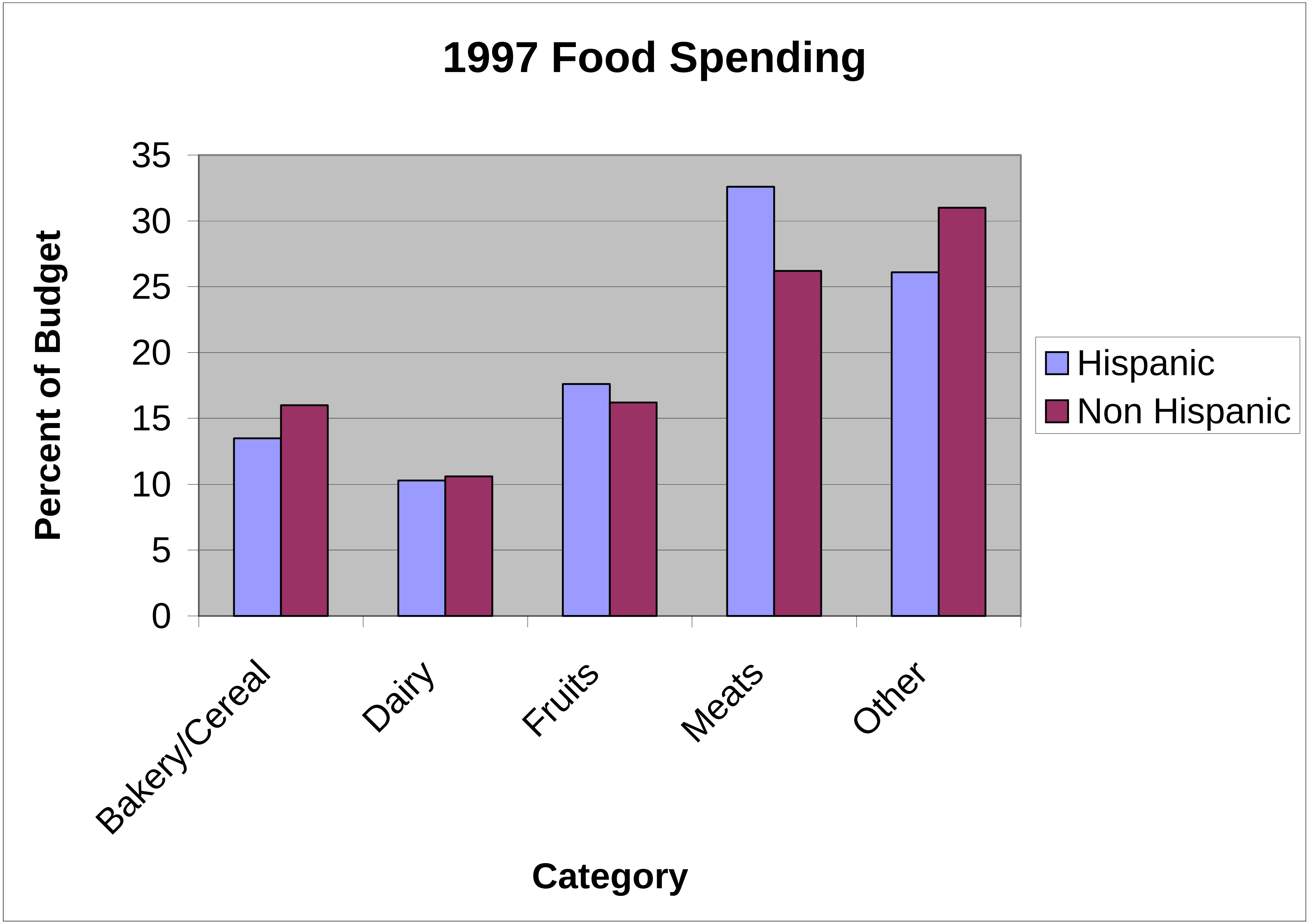

Homeland of Hispanic Immigrants
7%
4%
10%
14%
65%
Mexican
Central/South America
Puerto Rico
Cuba
Other Location

Exhibit F



1997 Food Spending
Percent of Budget
35
30
25
20
15
10
5
0
Bakery/Cereal
Dairy
Fruits
Meats
Other
Category
Hispanic
Non Hispanic

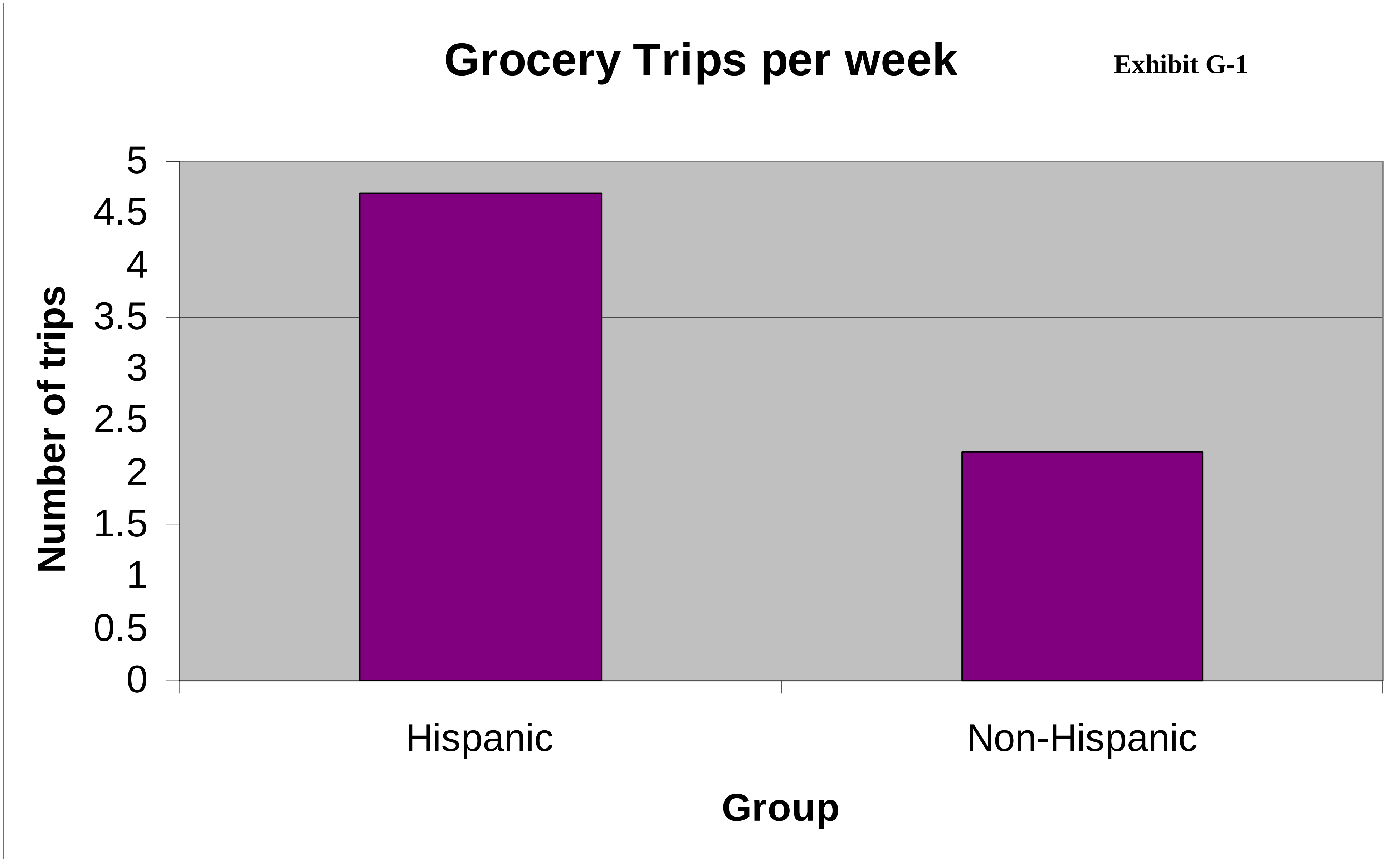
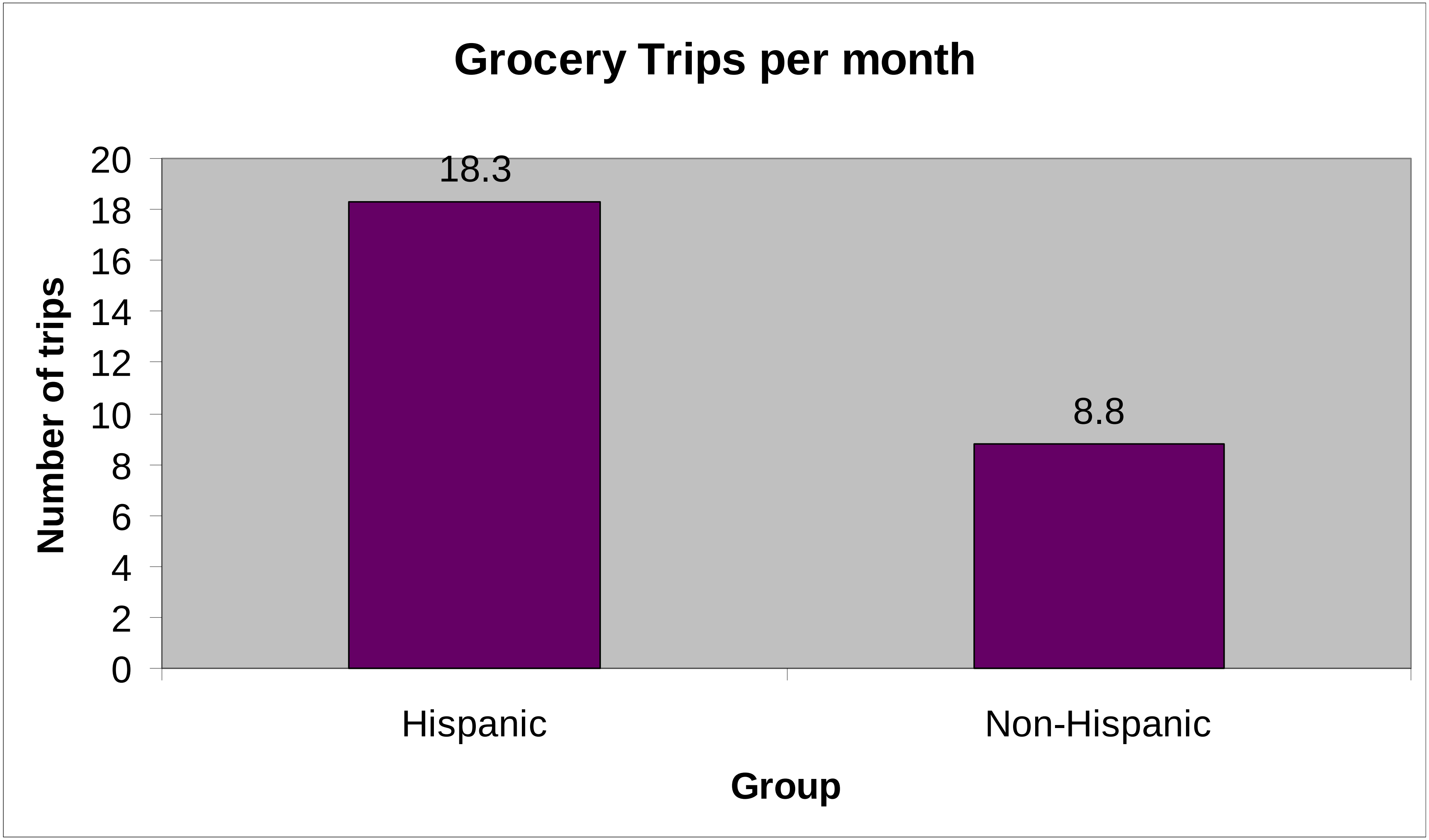
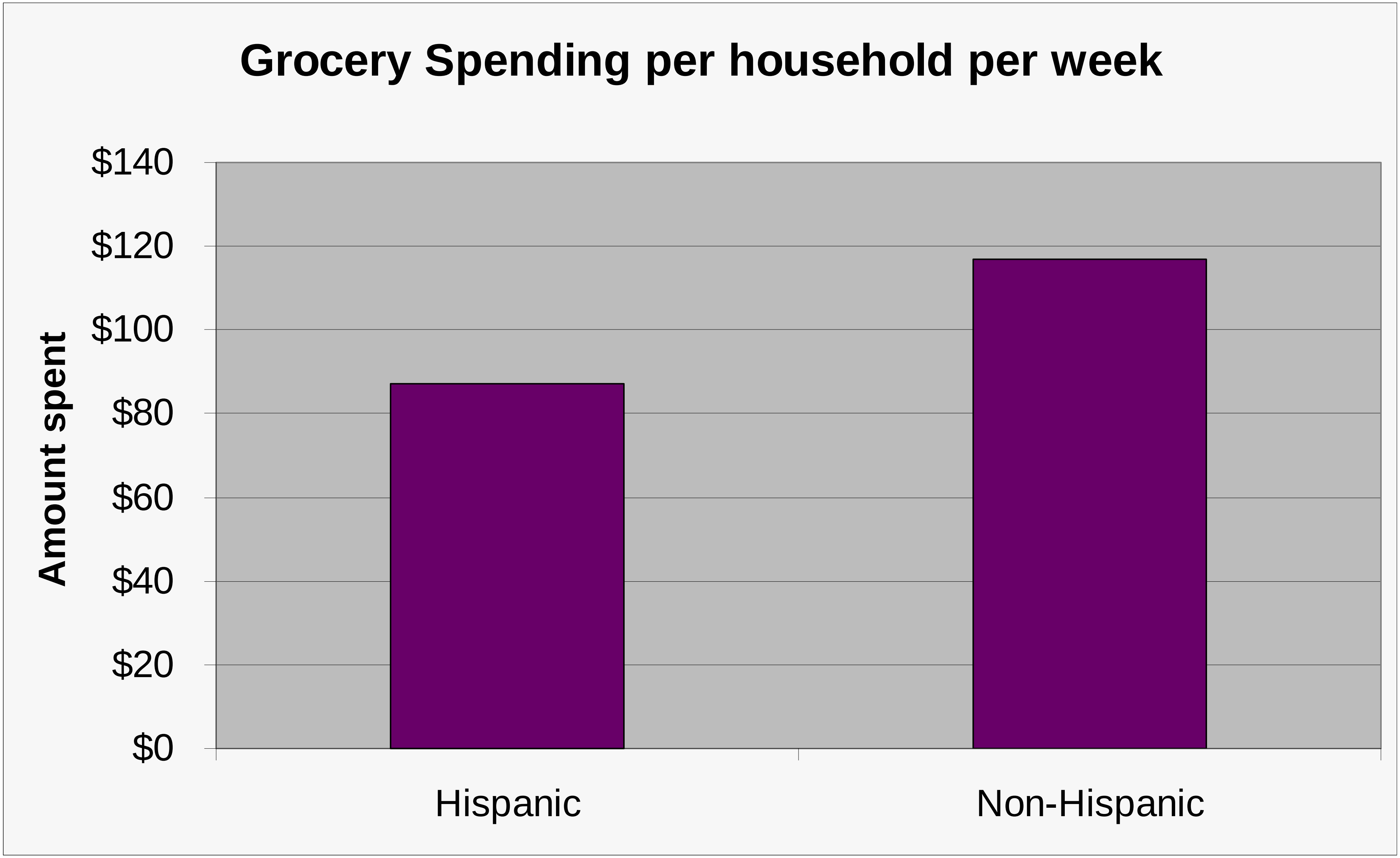

Grocery Trips per week
Exhibit G-1
Number of trips
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
Hispanic
Non-Hispanic
Group

Exhibit G-2



Grocery Trips per month
Number of trips
20
18
16
14
12
10
8
6
4
2
0
18.3
8.8
Hispanic
Non-Hispanic
Group

Exhibit H


Grocery Spending per household per week
Amount spent
$140
$120
$100
$80
$60
$40
$20
$0
Hispanic
Non-Hispanic