

# A Multicultural Moment

**TRADITIONAL GROCERY STORES ARE BATTLING NATURAL AND ORGANIC CHAINS FOR MARKET SHARE WHILE ETHNIC SUPERMARKETS ARE WINNING WITH AUTHENTICITY IN THE INDUSTRY'S HOTTEST SEGMENT. > By Gina Acosta**

A Spanish language soap opera is blaring from a speaker at Pepe's Taqueria. Soon, a customer receives his basket of tacos. Warm corn tortillas filled with beef and chicken are topped with minced cilantro and raw white onions. The tacos are accompanied by wedges of lime and charred green onions, as well as two kinds of salsa made in-house: one with chipotle peppers, the other with tomatillos. This simple but delicious plate of food costs under \$6.

Pepe's is not some hot new restaurant but rather a taco bar in a Fiesta Mart grocery store in the Northside neighborhood of Houston. It's just one of the many special features of this thriving supermarket chain in Texas.

While shoppers pull their carts around the store, fresh chiles, yucca and tomatillos are piled high in the produce department.

A butcher's counter with a "carniceria" sign overhead is heavy on the pork and beef and sits in the back. Shelves are stocked floor to ceiling with Mexican spices, assorted dried chilies, rice and a whole wall of beans. Posters for Mexican concerts abound, and fliers advertising rental apartments are

plastered near the front of the checkout area. There is a community feel around every aisle of this store.

As the United States becomes ever-more diverse (the U.S. foreign-born population reached a record 43.2 million in 2015, according to the Pew Research Center), ethnic markets such as Fiesta Mart offer a plethora of items central to cultural cuisine that aren't found in many traditional or natural food stores. These ethnic grocers are playing an increasingly important role for communities as a gathering place that provides a sense of culture and connection.

That sense of authenticity, and a surging ethnic population, are the main reasons why Fiesta Mart and other ethnic retailers are poised to be the next area of growth in the supermarket industry.

In fact, U.S. shoppers demanding more cultural foods, coupled with disposable income growing at an annualized rate of 2%, are expected to push ethnic supermarket revenue up 2.6% a year to \$41.7 billion by 2021, according to IBISWorld, a global business intelligence firm. Most of this boom is anticipated in California, Texas and Florida,

with Hispanic and Asian populations driving the growth. As food retailers look for more avenues of growth, a really strong offering that appeals to an ethnic community could represent an enormous opportunity.

According to a 2015 LoyaltyOne study, 61% of shoppers are not finding enough ethnic food or ingredients at their main grocery stores, and 59% shop at three or more stores regularly just to find everything they need for recipes. But these are not just ethnic shoppers. While 85% of ethnic shoppers revealed that they would cook traditional foods more often if they could find the proper ingredients, 65% of other shoppers said they'd would cook more multicultural foods if their stores had a better variety.

◀ This Fiesta Mart is located in Houston's Northside, a traditionally Hispanic community near the city center.



## THE 'TEXICAN' LEADER

For decades, Houston-based Fiesta Mart has been the innovator and the top store in Texas for shoppers seeking fresh multicultural ingredients, flavors and brands.

“Since 1972 Fiesta has been providing customers with a unique and revolutionary shopping experience by offering a wide variety of food from near and far,” said Mike Byars, CEO of Fiesta Mart, which was acquired by private equity firm Acon International in April 2015. Acon hired Byars, a former Bi-Lo president, to run the company, which had sales of about \$1.5 billion last year. Fiesta now has 70 stores in the Houston, Austin, and Dallas-Fort Worth markets and Byars says the chain serves customers from over 100 countries. “More and more, customers are looking for authentic brands. They want the real thing. Our goal is to have those varieties, plus the experience, available for our customers.”

Fiesta Mart is trying to leverage the massive growth in the U.S. Hispanic population, which is expected to double by 2050, according to sales and marketing research firm Acosta. In addition, Hispanic customers tend to buy more groceries and shop more often than other demographics in the United States. A recent study by Nielsen revealed that Hispanics are true to their heritage, attracted by cultural touchstones of smell, taste and familiarity, which is hard for traditional grocers to replicate in a store designed and assorted for mass-market appeal. More than half — 61% — said they shopped at cultural supermarkets at least once over the past year.

“Fiesta Mart offers authenticity. Our customers look for scratch-made products in the bakery (cakes, pan dulce, etc.) all made in-store. We have skilled, certified meat cutters, bakers and cake decorators ready to help our customers with anything they need. We have international foods from over 30 countries. Our prepared foods are made fresh, from authentic recipes,” Byars said.

Last year, Fiesta Mart went on a remodeling spree in an effort to expand its appeal to a wider demographic. New store features include Puerto Rican breads, redesigned employee uniforms, a larger apparel section and a smoothie bar.

“What you see in the new format is a store that still is relevant not only to the core Hispanic shopper but also provides outreach to any of the demographics we serve,” Byars said of a revamped market in Houston. “The grand re-openings are part of a long-term reinvigoration of Fiesta and our commitment to provide uncompromised freshness, great value and unsurpassed variety every day. We have been meticulously working to bring Fiesta to life in these locations. We’ve evaluated every item to ensure we meet the needs of local customers, and we have brought more variety

## THE ETHNIC EFFECT

Index of fresh spend to total basket in key categories.

	AFRICAN-AMERICAN	ASIAN AMERICAN	HISPANIC	NON-HISPANIC WHITE
PRODUCE	94	139	108	97
MEAT	116	101	103	97
SEAFOOD	166	258	106	81
DELI	92	113	107	100
BAKERY	89	102	103	102

Read as: African-Americans spend 16% more on meat than the average consumer.  
**SOURCE:** Nielsen Homescan TSV Panel, data 52 weeks ending July 2, 2016

that did not previously exist in some locations such as fresh seafood and our vast assortment of international grocery offerings.”

## MORE THAN A STORE

Pure-play chains such as Fiesta Mart are winning by truly knowing the customer and catering to specific cultural expectations and differentiators, said Ryan Fisher, a Principal in the Consumer and Retail practice of A.T. Kearney. “Leading Hispanic chains such as Fiesta Mart have some of the best perimeter merchandising in the market. Quality produce merchandised in farmers market-like fixtures, a back wall of every type of cut of meat a person could want and in-house bakeries are all standard. In-store restaurants and tortillas are also big differentiators. In addition to store merchandising, ethnic grocers focus on brands and price to match their target consumers,” Fisher said.

While Fiesta Mart has a large presence in Texas, it’s not the biggest Hispanic chain in the state. La Michoacana Meat Market is the largest Hispanic grocery chain in the country, with nearly 100 locations in Texas. La Michoacana stores typically offer a mole bar, a well-stocked cheese case stuffed with Mexican quesos, giant pork rinds and Mexican beers. The hot food bar and taqueria offer specialties such as gorditas, sopes and ceviches. Sales circulars are written in Spanish.

Yet, it’s not just the Hispanic chains that are poised for growth. Other ethnic markets focused on Asian foods are also booming. Last year, California-based

Japanese chain Seiwa's first store in Houston opened to large crowds, according to local media reports. The value proposition at Seiwa is all about the sushi: It is made with high-grade rice and some of the fish are flown in from Japan. Seiwa also boasts the largest assortment of Japanese products in the United States, and a staff member could be overheard telling a customer that the prepared foods are cooked in "the strict Japanese way."

A few miles from the Houston Seiwa, one of the largest Asian grocery chains in the United States, H-Mart, has opened a store with a food court, a housewares shop and a yakitori restaurant. Down the street, 99 Ranch Market is encroaching on H-Mart's turf.

With locations in California, Washington, Nevada and Texas, 99 Ranch Market has expanded rapidly because of its popularity within the Asian community and is now the largest Asian grocery chain in the country. The market in Houston offers a mix of Korean, Vietnamese, Chinese, Japanese, Thai and other Asian foods. The store has a huge bakery with seating, a produce department stocked with every vegetable one might need for an Asian recipe, and an enormous seafood selection (including many things still swimming). The market also has an in-store mini-mall that carries a selection of Asian cosmetics, toiletries and jewelry, as well as a pho bar.

All of these strong offerings from ethnic grocers are pushing some traditional grocers to increase their ethnic offerings. Some traditional food retailers are placing a bigger emphasis on ethnic with greater shelf space and broader assortments. While Walmart, Target, Kroger and other big chains expand their ethnic assortments, Southeastern Grocers recently opened five Fresco Y Mas



▲ 99 Ranch Market is an Asian American supermarket chain owned by Tawa Supermarket Inc. and based in Buena Park, Calif.

branded stores in South Florida catering to Hispanic communities (see sidebar).

"Conventional grocers can win diverse shoppers by managing ethnic as its own growth category and not just an add-on to the assortment. Winning in ethnic is about knowing the customer and providing a broad-enough assortment that can be paired with a more traditional assortment to fill baskets," Fisher said.

Traditional supermarkets may not be able to offer the expansive assortment seen in ethnic stores, but one of the ways retailers can stay relevant is by catering their product mix to their customer demographics. Traditional Food retailers should be looking to leverage the potential of an ethnic food trend that is only intensifying. **RL**

## SOUTHEASTERN GROCERS MAKES A CULTURAL CONNECTION

For Southeastern Grocers, catering to multicultural consumers means more than just adding a few ethnic products to the assortment and adding new signage. It's about a determination to put the right store experience in front of the shopper.

Last year, the company piloted a new format branded as "Fresco y Mas," and has since converted 11 of its former Winn-Dixie stores to the new banner.

The stores are designed to offer an authentic product assortment experience to South Florida's large Hispanic community with offerings that include pork roasting machines, a cafeteria with carne asada and yucca and a bakery with tres leches and pan dulce. Another interesting store feature is the "dollar" zone: an aisle in which more than 600 popular Hispanic staples, spanning the grocery, cleaning and health and beauty categories, cost only a dollar.

"We are meeting the expanding consumer demand of providing more communities with an authentic Hispanic grocery store," said Ian McLeod,

President and CEO of Southeastern Grocers. "As we continue to listen and learn from our customers, we are developing new stores that reflect exactly what our shoppers are looking for. Each store's new Hispanic-focused product assortment and features are our commitment to providing a shopping experience that reflects the cultural connection we strive to make with our Hispanic customers."

McLeod hasn't said how many more Fresco Y Mas stores are planned and the company declined several interview requests. However, it is clear Southeastern Grocers has a potential growth opportunity on its hands. Many of the company's 730 stores are located in states with large Hispanic populations, creating the potential for banner conversion in markets with the densest populations. At a minimum, Southeastern should be able to leverage insights from shoppers product preferences at Fresco y Mas locations to inform assortment decisions at its traditional stores where non-Hispanic shoppers are also clamoring for ethnic items. **RL**