

"Americanized" Asian Boosts Category Visibility

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Asian food provides a real opportunity for retailers who can benefit from its growing popularity as a cuisine and as an influence on more mainstream eating, but merchandising the category requires tailoring product assortment to evolving consumer preferences.

A recent report from Chicago-based Mintel International indicates U.S. sales of ethnic foods at retail reached a record high \$2.2 billion in 2009.

"It's the Asian and Indian food segments that are driving the market's growth," the report stated, citing an 11% increase in Asian food sales and a 35% jump in Indian food sales between 2006 and 2008.

More recent figures from The Nielsen Co., New York, suggest the recession did little to slow the segment's growth at retail. In fact, the company reported, sales of "Oriental" frozen entrees jumped 9.2% over the 52 weeks ending Dec. 26 to more than \$800 million. A closer look at the numbers, however, reveals that much of the growth is being driven by more mainstream offerings — think Healthy Choice Chicken Teriyaki and similar products — that bear limited resemblance to traditional Asian fare.

But Tim Tsao, vice president of sales and marketing at Gahanna, Ohio-based Kahiki Foods (888-436-2500), isn't worried about "Americanized" items undermining the category.

"We love it," he says. "Major new entries this year will throw upwards of \$100 million in advertising at this space, which will bring increased visibility and traffic to that section of the store."

Stephen Chen, president of Joyce Chen Foods (978-929-9797), Acton, Mass., says distribution of Americanized versions of traditional Asian foods can introduce new consumers to an unfamiliar cuisine they may explore further and into more authentic territory.

"You start them with the Americanized and then move them into the traditional," he explains. That's why his mother, company founder Joyce Chen, nicknamed her frozen potstickers "Peking Ravioli," he adds, to draw an immediate comparison with a product U.S. consumers already understood.

Union, N.J.-based Deep Foods (908-810-7500) had the same idea when it added four flavors of Naan Pizza to its all-natural Tandoor Chef lineup, reports vice president of sales and marketing Mike Ryan.

"We thought an Indian pizza might appeal to people who like pizza but aren't familiar with Indian. If they liked it, it could serve as a gateway item to more traditional Indian foods."

Emphasizing Asian food in the appetizers category is another way to coax trial from consumers unfamiliar with the cuisine. Consumers shopping appetizers often are willing to chance something new or different, says Keith Chen, founder and president of Toronto-based Culinary Destinations (416-201-0707). After all, the now ubiquitous spring roll helped introduce many consumers to Chinese food two or more decades ago.

"Consumers liked them and, as a result, were willing to try Asian products in other categories," he says.

Something for Everyone

But what about those shoppers who already are familiar with Asian food and want more authentic cuisine? Retailers should not alienate them by offering only homogenized fare, says Stephen Chen. They need to serve two masters: the category newcomer and the veteran Asian food consumer.

The proportion of SKUs intended for either audience will vary depending on the retailer, but he says it is important to offer something for everyone. His company's solution is to provide a more "mainstream" precooked frozen potsticker for private label and a more authentic raw version under the Joyce Chen brand.

"Having a wide enough assortment, including both mainstream and signature items, is key," particularly as the economic recovery begins to take hold, agrees Keith Chen, who expects consumers' growing comfort with Asian foods, combined with an increase in disposable income, to boost demand for higher-priced authentic fare.

"Retailers should use the recovery as an opportunity to bring on more indulgent items," he adds.

But even more authentic, premium-quality Asian foods should be easy to prepare given consumer preferences. The need for convenience has prompted the introduction of multiple microwaveable and/or steamable products, often in bags or trays, that retailers might benefit from highlighting.

"One of our most important audiences is second- and third-generation Indian-Americans who can't cook like mom or grandma but still want that authentic taste," explains Ryan.

To meet their needs, he continues, Tandoor Chef is in the process of launching its first Dinner for Two, a microwaveable meal that includes an entree, side dish, appetizers, sauce and bread in one box.

"It really takes the guesswork out of putting together a complete Indian meal," Ryan says, noting that the company hopes to distribute the product through Amazon.com, which recently began offering a selection of 30 Tandoor Chef frozen foods.

Integrate or Separate?

Despite the category's growth, the question of where and how to merchandise frozen Asian food continues to dog retailers. Should they take a page from Trader Joe's playbook and put Asian foods all together in their own freezer space or follow the lead of many mainstream retailers and integrate them with similar products scattered throughout the freezer aisle?

Tsao is an advocate of placing all Asian foods in a single door.

"Where it's done, it's been very successful," he reports, citing Harris-Teeter as an example. "It lifts the entire category because all of the items play off one another."

As a result, he says, consumers who only plan to buy, say, a frozen Asian entree, may pick up some fried rice or eggrolls as well.

Putting like items together also creates the critical mass necessary to get attention from consumers who don't normally buy from the Asian category at retail, says Ryan.

"If it's displayed together in a big brand block," he says, "it catches the consumer's eye as she races through the frozen food section."

Yet, Stephen Chen worries that consumers who resist the pull of a dedicated door will never be exposed to frozen Asian foods. He would rather merchandise the products his company produces beside similar mainstream items, whether frozen appetizers, frozen entrees, or, in the case of Joyce Chen's potstickers, frozen pasta.

"Mixing Asian products into different sections helps introduce non-Asian food buyers to items they wouldn't even see otherwise," he explains.

If a retailer carries a full line of Asian items across several product segments, cross-merchandising represents a useful way to boost sales and awareness. But maintaining a sufficient assortment may be the key to maximizing frozen Asian food sales.

"You can't just have four or six SKUs," says Ryan. "You've got to have an assortment that's broad enough to allow consumers to create a full Indian meal, to truly replicate the restaurant experience at home."

Restaurants' Loss is Retailers' Gain

Although the recession has forced many consumers to curtail dining out, Americans' appetite for Asian fare shows no signs of diminishing, creating a unique opportunity for food retailers.

Those retailers willing to engage in aggressive merchandising and promotion might reverse a 25-year erosion in their industry's share of consumer food dollars spent on Asian fare.

From Indian to Vietnamese, a substantial portion of the Asian food consumed in the U.S. is prepared in restaurants. Yet, restaurant share of consumer food dollars is vulnerable. A new report from the Coca-Cola Retailing Research Council of North America in conjunction with The NPD Group, Port Washington, N.Y., says that the "successful capture of the incremental business projected to be available across breakfast, lunch and dinner can boost a retailer's food sales by up to 3.2%," which translates into a 2.2% increase in total store sales.

The report cautioned, however, that "more eating at home has not meant a return to cooking from scratch," suggesting plenty of upside potential for refrigerated and frozen options.