Building a Relationship with Ethnic Consumers: From the Exotic to the Ethnic Assortment

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ABSTRACT

In recent decades many Countries have become multicultural societies. Many researchers have stressed the relevance of understanding the ethnic cultures and their impact on consumption behaviors and marketing practices. This is even more true in Countries that only recently are facing the presence of ethnic minorities. This article aims at analyzing the beginning of the relationship between indigenous retailers and immigrants. After a review of relevant literature in the area of ethnic consumer behavior and retailer marketing strategies, this article analyzes a case study, involving an Italian large-scale retailer, and its project aiming at targeting ethnic consumers. Issues and implications are then discussed.

Keywords: Category Management, Ethnic Assortment, Ethnic Marketing, Ethnicity, Retailer, Supply Chain

1. INTRODUCTION

In recent decades many Western Countries have become multicultural societies, becoming more racially and ethnically diverse (Reardon, Hasty & McGowan, 1997; Herbig, 1998; Wang, 2004; Huang, Oppewal & Mavondo, 2013). Indeed, immigration flows have led to the development of large ethnic subcultures in a number of Countries.

The US Census Bureau (2010) reported that on July 2010 the foreign-born population reached 40 million, which accounts for 12.9% of the total US population of 309.4 million. Besides, the Hispanics reached 49.9 million (US Census Bureau, 2011b), the Blacks 41.5 million (US Census Bureau, 2011c), the US Asian population 15.6 million (US Census Bureau, 2011a).

In Australia the 2006 census revealed that the Chinese speakers were 500,000, representing 2.7% of the population (Australian Bureau of Statistics, 2006); in Canada the foreign-born individuals are 6.8 million, representing 20.6% of the total population (Statistics Canada, 2011).

Even European Countries are becoming increasingly “mestizos” (Tréguer & Segati, 2003).

In the United Kingdom the ethnic groups are growing: the 2001 Census stated that there were 4.5 million people from ethnic minorities, which accounted for 7.9% of the total population (Emslie, Bent & Seaman, 2007): before World War II they had been mostly of Irish descent,

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while in 50’s and 60’s they were from more culturally distant Countries, like the Caribbean, India or Africa. After decades of immigration and settlement, in 1991 half of the non-white population was born in United Kingdom.

In Germany (Kutay & Schmidt, 2008) the number of people of Turkish descent is 2.6 million, but there are also Italians, Greeks and Spaniards, while in France the foreign-born are 5.5 million, representing 8.5% of the total population (Insee, 2010).

But also other European Countries, like Italy or Spain, are facing similar trends, with a growing presence of ethnic groups.

All these minorities have some common features: the growing purchasing power, the increasing size and the young age, especially in comparison to the age structure of the native population (Reardon, Hasty & McGowan, 1997; Pires & Stanton, 2005; Emslie, Bent & Seaman, 2007; Seock, 2009; Campbell, 2013; Huang, Oppewal & Mavondo, 2013).

The ethnic groups are also the fastest growing segments of the total population, due to further migration and higher fertility rates (Burton, 2002; Emslie, Bent & Seaman, 2007), which contribute to their younger age structure. For these reasons ethnic groups could represent significant marketing opportunities for companies and retailers (Herbig, 1998; Burton, 2002; Emslie, Bent & Seaman, 2007).

Traditionally, many marketers have treated ethnic minorities as homogeneous with the overall population (Reardon, Hasty & McGowan, 1997), but in the 90’s some retailers in the U.S. started to consider ethnic groups as interesting segments (Lavin, 1996). They have been targeting them with specific marketing mix strategies, by tailoring their assortments or designing special formats.

Conversely, for a long time European companies and retailers have not been so proactive (Nwankwo & Lindridge, 1998) to target ethnic markets with specific strategies. Ethnicity has indeed received little attention in marketing theory and practice, and research tends to be dominated by US studies (Burton, 2002).

This lack of attention is attributed to several reasons.

First, the perception that the ethnic segment lacks of substantiality (Jamal, 2003a; Pires & Stanton 2005), since the minorities account only for a small percentage of the total population.

A second reason (Burton, 2002; Emslie, Bent & Seaman, 2007; Kutay & Schmidt, 2008) could be the negative stereotypical images of ethnic minorities held by part of the population and the prejudices against them.

Third, there is an absence of ethnic managers in marketing positions and there is a lack of knowledge on how to target them.

Finally, accurate ethnic data and specific market research lack and little is known on specific cultures, religions and languages.

However, by neglecting ethnic markets, companies and retailers could miss an opportunity (Herbig, 1998; Seaman & Bent, 2007), given their purchasing power and size. Besides, not addressing the specific needs of ethnic consumers, companies and retailers are reinforcing their sense of exclusion from society. Therefore many researchers have stressed the relevance of understanding the ethnic cultures and their impact on consumption behaviors and marketing practices (Donthu & Cherian, 1994; Penaloza & Gilly, 1999; Jamal, 2003a). This is even more true in Countries, like Italy, that only recently are facing the presence of ethnic minorities.

This article aims at analyzing the beginning of the relationship between indigenous retailers and immigrants, focusing on the ways marketers of one culture adapt to the these new consumers. How the indigenous retailers develop a relationship with the ethnic consumers? Which are the implications for the indigenous retailers aiming at targeting the ethnic community? And which are the effects of these strategies on the supply chain?

Beginning with a review of relevant literature in the area of ethnic consumer behavior and retailer marketing strategies, these research questions are then investigated in a case study, concerning an Italian large-scale retailer and its project aiming at targeting ethnic consumers.
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