CULTURAL DIVERSITY AND ITS IMPACT ON GLOBAL CONSUMER MARKETS
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EXTRACT FROM THE REPORT CULTURAL DIVERSITY AND ITS IMPACT ON GLOBAL CONSUMER MARKETS
Strong migration flows, combined with higher birth rates among minority populations, have led to an unprecedented level of ethnic, cultural and religious diversity in developed markets. This, along with multicultural consumers’ rising incomes, is profoundly impacting lifestyles and shopping behaviours within Western societies. This global report examines the wealth of new opportunities open to marketers and the shift from traditional ethnic marketing to “marketing in a multicultural world”.
MARKET DRIVERS

• The changing ethnic, cultural and religious mix within Western societies is having a profound impact on consumer lifestyles, shopping behaviour and company strategies.

• Minority communities often identify with one another on the basis of a boundary that distinguishes them from the majority of the population or other minorities, for example common ancestry or elements of cultural, language or religion.

• The key factors affecting the ethnic and cultural mix of populations include people moving more between countries for purposes of work, leisure or study; migration and asylum; and generally higher birth rates among ethnic communities.

• From an economic point of view, migrants contribute to the prosperity of their host countries, helping fill employment gaps when necessary and rejuvenating ageing populations and workforces.

• Migration is also contributing strongly to the growth of urbanisation and to overall population growth in markets where birth rates are stagnant.

• The US had the highest number of foreign citizens among developed markets, at over 22 million in 2013. Most of the growth in people of ethnic backgrounds has come from higher birth rates among naturalised or second-generation Hispanics.

• Asian communities are growing strongly in countries such as the US, Australia and Canada. Asians recently surpassed Hispanics as the largest wave of new immigrants to the US, with increased border enforcement suppressing illegal immigration via Mexico.
• Other developed markets with substantial foreign populations include Australia (8 million foreign-born citizens), and Germany (8 million foreign residents).

• Australia has become the most diverse nation in the world, with foreign-born people accounting for 31% of its total population and a net migration rate of 9.8 per 1,000 population in 2013.

• Immigration flows in Europe have continued apace. In Italy, the number of foreign citizens rocketed by 51% between 2008 and 2013. Italy was once a country of mass emigration but it is now Europe’s first port of call for economic migrants sailing over the Mediterranean from Africa.

• Other key markets in which foreign populations grew strongly over the review period include the UK (24%) and Canada (11%). The Syrian crisis brought thousands of refugees to Turkey, causing its foreign population to soar by 131% over the review period.

• Switzerland is a very popular destination for emigrés, due to its wealth, employment opportunities and high wages. However, its strict laws place barriers on naturalisation and in 2013, as much as 23% of its population was foreign.

• The proportion of foreign citizens residing in Japan and South Korea is still very low, at less than 2% of their populations. This may change in the coming years, as Japan, faced with low birth rates and an ageing population, looks to bring in high-skilled workers from overseas.

• Spain witnessed a spectacular decline in immigration over the review period, as its unemployment rate skyrocketed after the recession hit in 2008. In 2013 alone, over half a million people left Spain, causing net migration to fall to -152,000.

• For many economic migrants, the main reason for travelling abroad for work is to be able to send money home to their families. Developing countries like India, Pakistan and the Philippines have long experienced a “brain drain” of skilled workers to richer countries.

• According to the United Nations High Commissioner for Refugees (UNHCR), there were some 17.9 million refugees/asylum seekers fleeing persecution, conflict, violence or human rights violations in 2013.
• An increasing number of young people are choosing to study or work abroad – especially in English-speaking countries. China sends the largest number of overseas students, while the US is the largest host nation for international students.

• Migrants tend to be younger than the general population and have larger families. They tend to cluster in large cities, although second and third generation migrants seem to be shifting towards suburbs and semi-rural locations.

• Poverty rates among migrants are declining in some countries, and studies show that minority groups are more economically empowered than ever before, as they become more highly educated. This is contributing to their greater purchasing power.

• In the US, Asian-Americans are the highest income and best educated racial group in the country, with 61% of those who have come from Asia in recent years having at least a bachelor’s degree.

• Higher levels of education among African-American consumers has led to increases in household income, with 44% of all African-American households now earning US$50,000 or more, and 23% earning above US$75,000.

• In the UK, the average British Indian man is now reported to be on a higher income than his white counterpart, and research shows that the spending power of the black and minority ethnic (BME) community shot up from just £32 million in 2001 to £300 billion in 2011.

• In Germany, Turkish consumers are estimated to spend some €2.3 billion on consumer goods annually, but the more recent wave of immigrants from Poland are now the best educated minority in Germany. Two thirds of Polish immigrants have secondary or higher education.

• As a result of continuous immigration into developed markets, and higher birth rates among existing minorities, religious diversity is growing. In particular, there has been a significant rise in the number of Muslims throughout Europe, North America and Australasia.

• According to the website islamicpopulation.com, Europe (including Russia) is now home to around 51 million Muslims, while a further 7 million live in North America.
• France has Western Europe’s largest Muslim population, equal to over 7% of the total population, while over 5% of the populations is Muslim in Austria, Germany, Greece, Netherlands and Switzerland.

• There were estimated to be some 13.9 million Jews in the world in 2013, equal to just 0.2% of the global population. Many countries have a small Jewish population, but as much as 82% of the Jewish community is concentrated in Israel and the US.

**Leading Countries for Net Migration in 2013**

![Graph showing leading countries for net migration in 2013.](Source: Euromonitor International)
IMPACT ON CONSUMER MARKETS

• Growing diversity is giving manufacturers the chance to segment their offer by launching products or services that meet the needs of specific consumer groups or that appeal to the ever more adventurous tastes of mainstream consumers.

• Rapidly expanding Muslim populations within major markets have created rising demand for Islam-friendly and halal-certified products and services. The global market for Islamic products was worth an estimated US$2 trillion dollars in 2013.

• The halal food industry remains highly fragmented and so far lacks any international brands, although some national brands have emerged, such as France’s Zakia, Isla Délice and Medina. In addition, food companies such as Nestlé have sought halal certification for many products.

• With Islamic laws forbidding the eating of pork, Muslims are primarily consumers of chicken, lamb and goat meat. Globally, poultry and lamb/mutton/goat were the two fastest growing categories within the fresh meat market by volume between 2008 and 2013.

• Halal restaurants and outlets offering halal options are becoming increasingly common in developed markets. In the UK, several major chains, including KFC, Nando’s, Subway and Pizza Express, have replaced some or all of their meat with halal versions.

• In Australia, leading brands such as Vegemite, Cadbury Flake and Nestlé’s Kit Kat chocolate are among many that have sought halal certification. However, there has been a backlash from some consumers, who have made a point of boycotting halal products.
• Muslim consumerism is now being extended into categories other than food, such as fashion, beauty products, tourism, media, banking and education, as companies look to certify more areas of consumption as religiously permissible.

• There is a much smaller market for kosher foods and other products that cater to the needs of the Jewish population. These products are also consumed by some Muslims, due to similarities with halal. The kosher market in the US is estimated to be worth over US$12 billion.

• For a long time, authentic ethnic foods were only available to consumers via independent specialist grocers. However, Western supermarkets have significant expanded their world food offers in order to cater to the increasingly culturally diverse consumer base.

• Supermarkets often now hold special events, consisting of special offers, displays and promotions, based around non-Christian celebrations, such as Chinese New Year, Diwali and Ramadan.

• Authenticity is key for ethnic food products, as consumers are no longer content with imitations adapted to Western tastes. Indeed, world foods are appealing not only to the relevant ethnic communities but also to mainstream consumers seeking new eating experiences.

• In addition, the changing ethnic mix and the fact that consumers are travelling more and bringing back a taste for foreign cuisines and new flavours are contributing to a trend towards spicier versions of mainstream foods, such as sauces, soups, seasonings and ready meals.

• Ethnic diversity has also had a profound effect on the consumer foodservice landscape, leading to a greater variety than ever of authentic, exotic cuisines in restaurants or street stalls that appeal not only to ethnic communities but also to locals seeking more variety.

• A greater number of shoppers from ethnic minorities and their rising spending power has created demand for beauty and personal care products that better meet the needs of diverse skin tones and hair types. Ethnic beauty is considered a lucrative niche within a flat overall beauty and personal care market.
• Skin whitening products are very popular among Asian consumers and have been incorporated into several categories of the beauty and personal care market, including face masks, facial cleansers, facial moisturisers, anti-agers and toners.

• Demand for ethnic colour cosmetics is often driven by the desire to find foundations that match darker skin tones more exactly. Furthermore, foundations containing titanium dioxide, a pigment base found in many cosmetics products, can cause ashy skin.

• Mainstream brands have attempted to capture a growing share of the ethnic beauty market, and recent years have seen a plethora of high quality new product launches, such as Yves Saint Laurent’s Le Teint Touche Éclat foundation, launched in 22 shades.

• Companies such as Revlon, Lancôme and Cover Girl reach ethnic consumers via the creative use of celebrity spokespeople, specialist advisers and targeted advertising. Carol’s Daughter targets the wider audience in addition to the ethnic market, in order to widen its distribution.

• Ethnic hair care is an area of growth, directed largely at consumers of Afro-Caribbean or mixed race origin who have specific hair care needs. Problems of hair dryness and weakness are common among this consumer group.

• Black women are known to be willing to spend more on the right products to suit their needs, such as those offering curl control, frizz control or protection against hair breakage. Natural hairstyles, natural ingredients and weaves are currently fashionable, while sales of relaxers are declining.

• The largest black hair care brands include ORS and Soft-Sheen Carson’s Dark & Lovely, but several smaller brands have recently managed to break into the mass category, such as SheaMoisture and Miss Jessie.

• In increasingly diverse markets, the emphasis in recent years has shifted from ethnic marketing to “marketing in a multicultural world”. Big companies are adapting their general strategies to be all-encompassing, focusing on points of interest across cultures that align with their brands.
MARKETING STRATEGY

• Nevertheless, minority groups are still often under-utilised, stereotyped and misrepresented in the media. In the UK, a recent study found that only 45% of black and other ethnic minorities (BMEs) said they thought advertising reflected the diverse society they live in.

• The three main types of marketing to minority groups are multicultural marketing, total market approach and cross-cultural marketing. The former involves customising messaging and channels for each target group. Specialist agencies are able to provide expertise in this area.

• The “total market” approach refers to a single marketing programme designed to reach all consumers across both general and ethnic markets. Its aim is to reflect diversity in all marketing: focusing on commonalities across cultures rather than on specific cultural elements.

• “Cross-cultural marketing” comprises inclusive campaigns that give ethnic consumers a more central role but are aimed at a wider audience, such as General Mills’ 2013 Cheerios commercial, which featured an interracial family, or Coca-Cola’s “It’s Beautiful” campaign.

• Consumers from ethnic minorities are generally more likely to feel an affinity to brands that respect their culture and make an effort to engage with them. Strategies may include collaborating with community leaders or promoting symbols and celebrations important to a precise target.

• While recent immigrants who have language difficulties may prefer to be addressed in their mother tongue, second or third generation immigrants often see themselves as “bi-cultural” and may be put off by bilingual advertisements.
• Consumers from ethnic minorities are heavy users of social media websites, and this can be effective way to target specific audiences. In 2014, McDonald’s launched a new account, @McDScene Twitter, to channel content that is relevant to the African-American community.

• In general, those with an ethnic background have been found to be more likely to own smartphones than the general population, largely as a result of their younger age profile.

• Marketers often use ethnic minority celebrity role models to endorse their products. Indeed, in 2014, black celebrities occupied seven out of the top 10 positions on Forbes’ World’s Most Powerful Celebrities list.

• Black entertainers and sports personalities are especially coveted for both ethnic-orientated and total market campaigns. Their image of power and cool appeals to young consumers in particular. Examples include Beyoncé, Rihanna, Jay-Z and basketball player LeBron James.

• Celebrities often collaborate with fashion or beauty retailers to launch their own ethnic-orientated collections. For example, in 2014, CVS/pharmacy launched an exclusive beauty collection with Latino actress Salma Hayek, called Nuance Salma Hayek.

• Mainstream beauty brands are also using more multicultural models in order to appeal to a wider audience. For example, Neutrogena signed Mexican actress and recording artist Sandra Echeverria as its latest US brand ambassador in 2014.

• Some companies have sought to tap into the multicultural market by acquiring smaller, specialist players that are able to bring their own marketing knowhow to the table. In 2014, for example, L’Oréal purchased African-American-owned beauty company Carol’s Daughter.
OUTLOOK

- Thanks to continued migration, international travel and foreign study, combined with higher birth rates among ethnic communities, the major developed markets will become increasingly diverse in terms of culture, ethnicity and religion over the review period.

- Consumers from ethnic minorities will continue to become more economically empowered, as immigration policies are more selective and second and third generation immigrants gain higher educational achievements and better jobs.

- Opportunities will open up for companies to further segment their product ranges or market existing brands to new consumer groups. Areas of particular interest may include world foods (including halal certified products), ethnic beauty, travel and fashion.

- With an ever increasing amount of customer data available to retailers, big chains will also be able to better tailor their in-store offers and communications to meet the demands of local communities.

- With ethnic groups accounting for an increasing share of newborns and infants (half of all births and half of children under five are now non-white or Hispanic in the US), they represent an increasingly important target market for baby and children’s products.

- Today’s tech-savvy, urbanised and multicultural youth generations will also provide a strong market for digital devices, such as smartphones and tablets, as well as a variety of apps, and these groups will be particularly receptive to mobile advertising.
• Islam-friendly products represent a dynamic area that will grow in tandem with the rise in Muslim populations throughout Western markets. Halal products will become more mainstream, adopted by consumer foodservice chains and sold in more supermarkets.

• The future will see more online businesses tap into the Muslim lifestyle market with a variety of goods and services, including, for example, Islam-friendly hotels that ban alcohol, fashions that meet Muslim ideas of modesty and medicines which exclude banned animal products.

• Increasing diversity among populations will create stronger demand for culturally appropriate weddings and other religious/cultural celebrations and festivals, thus opening up new opportunities for an array of event organisers and service providers.

• In marketing, diversity and multi-ethnic thinking will need to be incorporated into core strategies, rather than added in as a token gesture. The future will see a further shift from ethnic or multicultural marketing towards a cross-cultural or total market approach.

• Despite the current rise of anti-immigration parties in Western Europe, immigration flows will continue into these countries over the forecast period, as well as into other developed markets, such as Japan, the US, Canada and Australia.

• The US will continue to be home to the largest number of foreign citizens, at 22.5 million by 2018. However, their number will remain broadly stable over the forecast period, due to strict immigration controls.

• Europe will see stronger growth in the number of foreign citizens, thanks to the continued free movement of people around the EU. In Germany, Italy and the UK, the number of foreign citizens is predicted to increase by 11%, 24% and 17%, respectively, over the forecast period.

• Spain will continue to be most affected by falling immigration and rising emigration, as further economic uncertainty and record unemployment will deter new arrivals in search of work. As a result, Spain’s net migration will remain negative over the forecast period.

• As the move towards points-based systems (PBSs) for selecting immigrants continues, new migrants are likely to be more highly educated than in the past and therefore have the potential to be high earners within their host countries.
Forecast Numbers of Foreign Citizens in Developed Markets 2018

Source: Euromonitor International
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