Changing Consumer Demand for Dairy Products

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The consumer of the 21st century continues to evolve in terms of shopping, cooking and eating preferences and habits. This presentation will explore the impact of demographics and the changing consumer tastes and habits with reference to the potential impact on the dairy industry.

To a large extent, demographics continue to define our food behaviors. Fully 1/3 of the Canadian population is baby boomers – there are 10 million of you. The oldest are in their early to mid 50s, while the youngest are in their 30s. These Canadians were born between 1947 and 1966. They will continue to have a significant impact on Canadian life until around the year 2025. Although there are huge differences in circumstances between the front-end boomers and the genX boomers at the other end, they are part of a significant cohort and one that we tend to view as a key market segment for dairy product purchases. In Canada we also have a second strong cohort, the baby boom echo. This group is about 6.5 million strong. Born between 1980 and 1990, they are the children of the baby boomers and range between age 11-21 years. This is a large demographic group within a much narrower age spread than the baby boomers. They are expected to exert their influence on the market with increasing strength in the years to come. Indeed their strength is already being felt in some areas, particularly sports oriented and in adaptation to new technology. Although smaller in size than the baby boomers the echo cohort nonetheless will have a growing impact on Canadian society in the coming years. .

Canada is a country with an expanding population of both 50 year olds and 20 year olds. These two large demographic groups, in very disparate life stages, needs and behaviors, are bound to have an impact on the food industry as well as other industries and segments of society. For dairy farmers in Alberta, the boomers have long been a key target audience. They represent grocery shoppers with children in the home. We want them to keep milk in the fridge, in order to nurture the milk drinking habit in the baby boom echo cohort. These youth are our volume generators now and gatekeepers to the kitchen fridge in the future.

Let's take a closer look at the baby boomers. As an audience you represent pretty well the demographic splits in Canada – some are younger, some are older, but most of you are boomers (somewhere between 34-53, born between 1947 & 1966) and many of you have children still at home. These children, born between 1980 and 1990, are the baby boom echo. This cohort represents our future dairy product consumers. They are 6.5 million strong and the second largest demographic cohort in Canada. impact as they move through the various life stages. As we enter this millennium Many boomers are in the "sandwich" generation. They are guiding their teens through an often turbulent time of life, managing their own careers and starting to think about retirement, and at the same time many are caring for aging parents in declining health. The inevitable decline in the health of one's parents has an impact on decisions made by the aging boomer. The 45+ year old has a greater health awareness, tends to drive more safely, smoke and drink less, and pay more attention to what they eat than does a 25 year old. Even for those who do not feel like the jam in the sandwich, time stress and sleep deprivation seem to be a part of life. Food is but one of many concerns in their daily lives.

What about the baby boom echo? These youth are increasingly mobile, and have money to spend. While still living with family, their living expenses are generally minimal and their disposable income is high. They are facing an important period in their lives when further education and their careers will increase in importance. They will become the grocery shoppers of tomorrow and it is important to develop the dairy habit while they are still living at home.

▪ What about Social Trends?

The Alberta population is expected to continue to diversify. Our economy is forecast to be strong for the next decade, making Alberta an attractive place to live and raise a family. Our provincial government expects population growth over the next decade to come mainly from native populations, in-migration from other provinces and the arrival of foreign born immigrants. Changes in AB society can be expected to have far reaching impacts on consumers. As a result of government downsizing we can expect more emphasis on personal responsibility and caring for family members in need. Dual income families are becoming the norm both by choice and by necessity. The hurried lifestyle of the dual income family, with children, puts a premium on time.

▪ What about Food Trends?

Top food trends in North America are taste, convenience, & health. In Canada, it's taste, nutrition & convenience. Taste remains at the top of the list. Convenience is a rising factor of importance but so is health or nutrition.

For most consumers it's a balancing act. Today's environment is fast-paced and provides the consumer with increased social and work choices and a heightened awareness of health issues while dealing with time restraints at work and home, and less discretionary time. This has already had an impact on our food habits. Even with time constraints Canadians continue to try to serve family meals and almost half try to do so in 20-45 minutes of preparation for the evening meal. On the flip side of the coin, we have the mid-day meal. You've probably heard about the trend of grazing, that people tend to nibble on smaller snacks rather than 3 square a day. I think grazing is a misnomer. Most people don't actually have time to graze, which if you think about cows, is a rather pastoral activity; rather people eat as they rove. The result is a phenomenon called dashboard dining. Drive through, grab & go. Take-out, drive through meals and eating in the car are all at five year highs.

So in light of this, what do consumers think is a nutritious meal? In one 1999 grocery survey, using a scale of healthiest to less healthy, consumers rated home cooked meals as #1, followed by restaurant meals, store-prepared meals, and store frozen meals, while quick service (grab & go) restaurants landed at the bottom. Consumers in the same survey also clearly indicated their acceptance of store-prepared meal solutions. (Ready to eat or ready to heat.) Most respondents stated they ate a home cooked meal at least once per week with the average being 4.2 times per week. And, for 18% of consumers surveyed, a store-prepared meal served at home is a home cooked meal. And for this group, about 1.2 meals per week were store-prepared, i.e. bagged salad and a rotisserie chicken. Most people will be aware of the trend towards cocooning – deciding to step back from the rat race and spend more time in the comfort of one's home and family. This movement has lead to some interesting developments.

▪ What About Nutrition?

Only 4 out of 10 Canadians surveyed rated their eating habits as excellent or very good! Throughout the nineties, surveys have shown an increase in the nutritional awareness of consumers and a steady growth in the number who believe healthy eating is essential for a richer and more active lifestyle. Consumer's nutritional awareness has climbed with more and more generalized and specialized media coverage being created to meet the demand for information. But is the information fact or fiction? In one survey, 22% indicated their friends influence them, while magazines influence 21%. Only 19% take their doctors advice, while 17% rely on the Canada Food Guide to Healthy Eating. 16% depend on books. The influence of the Food Guide was highest in the prairies where 26% are influenced by it. Nutritional concerns are growing in their importance as the influencing factor on purchase behavior. The challenge ahead will be in providing nutritious easy to prepare meal solutions for the time stressed consumers. Younger consumers seem more likely to choose convenience in making meal decisions. Younger people were also more likely to choose taste over nutrition while older respondents favored nutrition over taste in meal decisions. But how does dairy fit into store-prepared meal solutions? Usually as an ingredient, i.e. cheese, sour cream or cream in sauces, or as an add-on at home, i.e. Milk as the meal beverage or shredded cheese added to a bagged salad. But regardless, some education will be necessary to get consumers thinking about the dairy component of their meals if the use of store prepared meals increases. Relying on meal solutions to provide adequate dairy intake for good health is unlikely to be sound practice. And work with the retail sector will be important to ensure dairy ingredients are part of the growing in-store meal solution category.

▪ How about Food Safety?

Safety of the food supply is a growing issue in consumer's minds as indicated by the number of media articles published on this issue and the emergence of home food safety programs and HACCP programs. However, in the 1999 consumer survey, indicated a real gap in consumer knowledge about home food safety procedures. It is going to become more and more important for dairy farmers to adhere to an On Farm Food Safety program in order to provide assurances throughout the supply chain of food safety.

▪ So Where are We Heading in This New Millenium?

By the end of the next decade, futurists are predicting:

- Authenticity – we will see a proliferation of so-called pure, natural products without chemicals. Minimal processing, certified organic and truly fresh will continue to grow.
- Value Added, No compromises – new products & services will have to offer added value to increasingly discerning consumers. We may see more specialty stores (less one stop shopping) and a proliferation of natural product stores in the west. Nutraceuticals and functional foods will become more important. R&D in dairy means the industry is already a leader worldwide in functional food development. These foods look like normal foods, are part of a usual diet, but go beyond basic nutritional functions and have demonstrated physiological benefits. These benefits include increasing one's "health span", therefore decreasing health care costs. Market drivers are the 45+year olds with a growing interest in their health. Examples of functional dairy foods include cultured products containing special bacterial cultures such as acidophilus and bifidus. These cultures are found in some yogourts and some specialty milks.

- Simplicity – Things that will make one's life easier in a rushed and harried world – Quick and accessible will be key. I.e. good food that is nutritious, tasty and ready in no time. We need to capitalize on the good fit dairy foods have here.
- Pleasure – the I'm worth it mentality
- Pent up demand from years of caution and insecurity will build the demand for "legitimate luxury" great chocolate, personal services, things that provide instant gratification.

Tomorrow's buying trends will continue to be influenced by the boomers. However, the baby boom echo generation was born in the midst of technology boom and they take to new technologies like fish to water. It used to be kids would come home from school and enjoy cookies and milk. Now children come home to cookies and spam. It used to be a usual activity for kids to go biking – now, even without an ocean in Alberta – kids spend their time surfing. And there are probably only a few of us who still consider browsing to be window-shopping. It seems the baby boomers, as technologically advanced or inept as we may individually be, have spawned the .com generation. And this generation is going to be looking at a very different world of information than what the boomers grew up with. Society is moving toward increased use of new technologies and the echo generation is poised to play an active role in shaping the changes and the future. As a significant cohort of consumers, this year they are between 9 and 19 years old. As we move further into the 21 century the older members of the echo cohort are going to be moving out, setting up house, getting married and raising they're own families (not necessarily in that order). Therefore they too are an important audience to consider.

Society is changing around us and we can expect that technological and societal changes will have an impact on people's eating habits. Organic sections of grocery stores are expanding. The dairy case continues to be nudged by soy drinks and other "new age" beverages. Although the family grocery cart spend continues to grow slowly the choice in foods and beverages is explosive. No longer is it a question of whether to pick-up 2% or 1% milk. Now the question becomes milk or calcium fortified orange juice? With Coke's recent announcement about venturing into the flavored milk beverage yet another new dimension may be added to the beverage category. In other sections the infringement continues. Soy-based dairy analogs expect continued growth especially with the reams of positive research about soy foods which is hitting the media. As the population ages we can also expect more demand for smaller packaging and single serving sizes for cream, ice cream, sour cream, etc. How can the dairy industry respond to the challenge. It will require a solid understanding of the consumer, and a desire to meet the competition for the share of stomach.

In preparing this presentation I drew from David Foot's Boom Bust Echo 2000, the Alberta Government's economic forecast and the 1999 Consumer line survey for Canadian Council of Grocery Distributors.