CONSUMER PULSE SURVEY

U.S. Consumers' Appetite For Global Cuisine

October 2021

LAZARD

CH Consulting Advisors

THE SURVEY

It should come as no surprise that American consumers are looking to spice up their everyday lives after living through a pandemic quarantine and the doldrums of working-from-home since early 2020. Consumer interest in global cuisine—be it at a restaurant or in the form of made-from-scratch or consumer packaged goods—has never been higher. A wide range of consumers are shopping bodegas and Asian specialty grocers in search of authenticity in flavors and brands. From these shopping excursions, salsa and sriracha sauces are finding their place on mainstream foods to provide a bit more zip. What's stopping global cuisine from growing further?

Lazard's Middle Market Consumer, Food & Retail Group teamed up with CH Consulting Advisors to explore the ways U.S. consumers interact with flavors, foods, and ingredients from around the world. We surveyed over 1,000 consumers on their attitudes towards global cuisine. Our goal was to better understand and identify potential whitespace within the food industry according to current consumer preferences. To that end, our survey asked questions such as—Who is most interested in global cuisine? How are they learning about global cuisine in restaurants and how is that affecting in-home cooking? Where do they get their information about global cuisine and why might they not cook it at home?

Global Cuisine: An Integral Part of American Mainstream Tastes

Our third consumer pulse survey focuses on global cuisine consumption behavior. It was fielded in late summer, a period during which consumers had experienced more than a year of living through the COVID-19 pandemic, heavily reduced restaurant dining (as covered in our first consumer pulse survey), and increased scratch cooking at home. The consumer feedback we received has potential implications for food manufacturers, retailers, restaurants, and investors.

While a significant amount of the survey results confirmed our observations, such as high interest in exploring global cuisines in-home and away-from-home, sauces and seasonings are a gateway to global cuisine, and authenticity matters; there were also some more surprising results.

In all, we took a demographically proportionate sample of 1,000+ consumers and asked them more than 20 questions about their global cuisine consumption behavior. Our survey respondents spanned a variety of age, income, geographic, ethnic and other relevant demographic characteristics, which resulted in thousands of unique data points. This report focuses on three key cohorts: (i) 1st and 2nd generation Americans, (ii) Americans with longer roots in the U.S., but strongly identify with their ethnic heritage, and (iii) Americans that do not strongly identify with any ethnic group. In general, 1st and 2nd generation Americans have similar responses to almost all our questions, so we have combined their responses, unless there were distinct differences.

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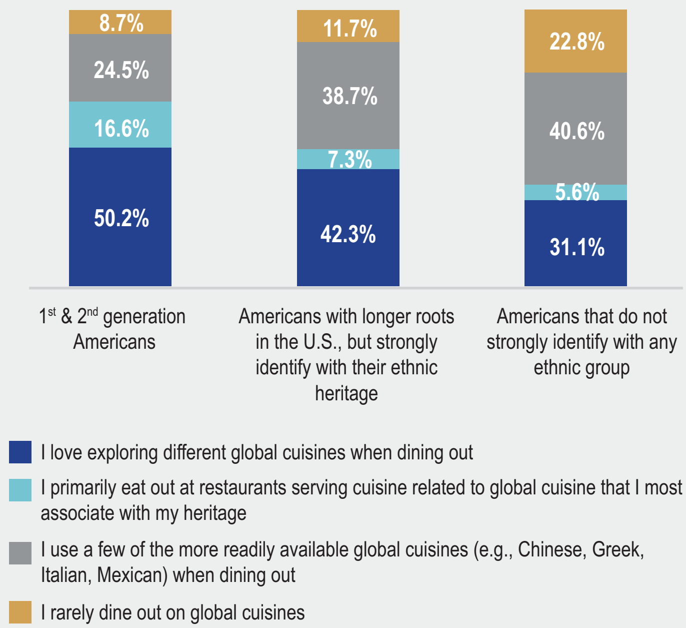
Consumers Love Exploring Global Cuisine in Restaurants and At-Home

Consumers aren't just interested in pursuing global cuisines in restaurants but want to bring these dishes home to make for themselves and their families. Because the easiest way for many people to explore global cuisine is in restaurants, we looked at interest in global cuisine when dining out. As Exhibit 1 shows, essentially all consumer groups have a strong interest in exploring global cuisines when dining out, with over half of 1st and 2nd generation Americans registering a deep interest in exploring different global cuisines in restaurants. When looking at how different ethnic groups answered this question, 46% of Asian respondents and 43% South American respondents strongly agreed with this statement, which is significantly greater than the responses of all other ethnic group. Beyond the 2nd generation, interest remains high in global cuisines, though a larger share of those segments sticks with more mainstream cuisines like Italian and Chinese.

Exhibit 1 - Describe Your Interest in Global Foods When Dining Out



Younger generations are more engaged with global cuisine than older generations

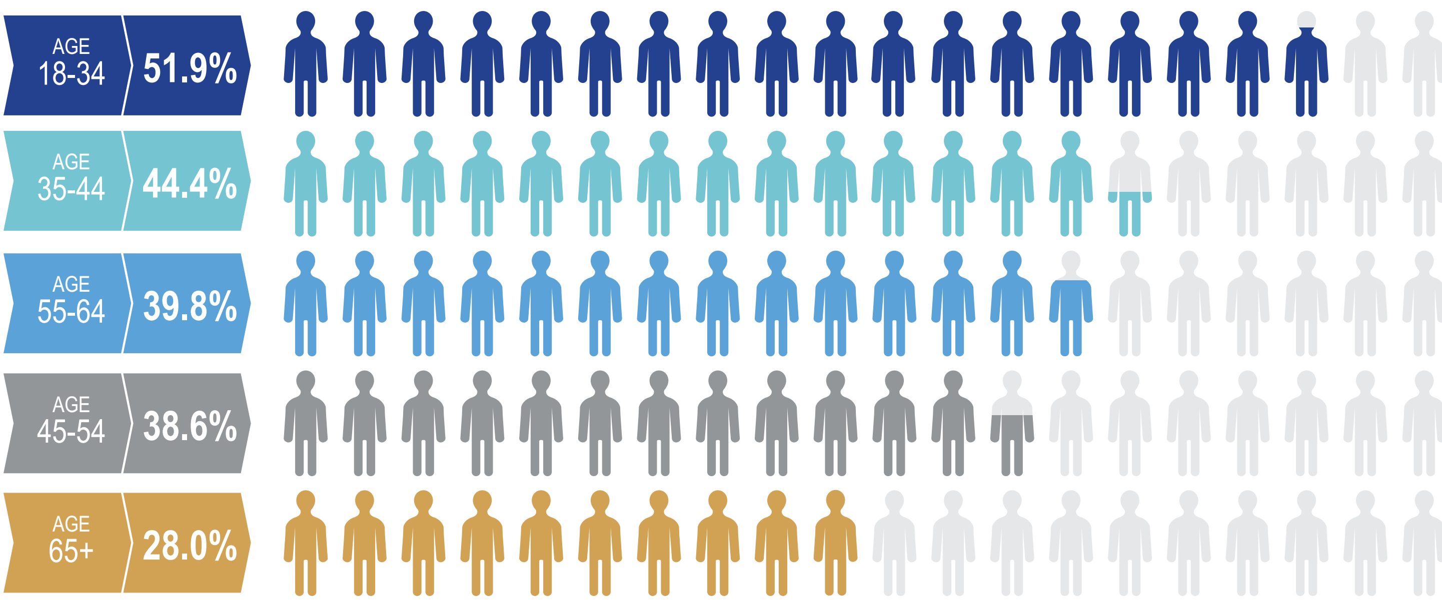
>50%

Over half of consumers 18-34 were a 6 or 7 on a 7-point scale when rating agreement with

"I love trying new global cuisines in restaurants"

Understanding and participating in global cuisine will be critical in capturing tomorrow's consumers

Exhibit 2 - I Love Trying New Global Cuisines in Restaurants



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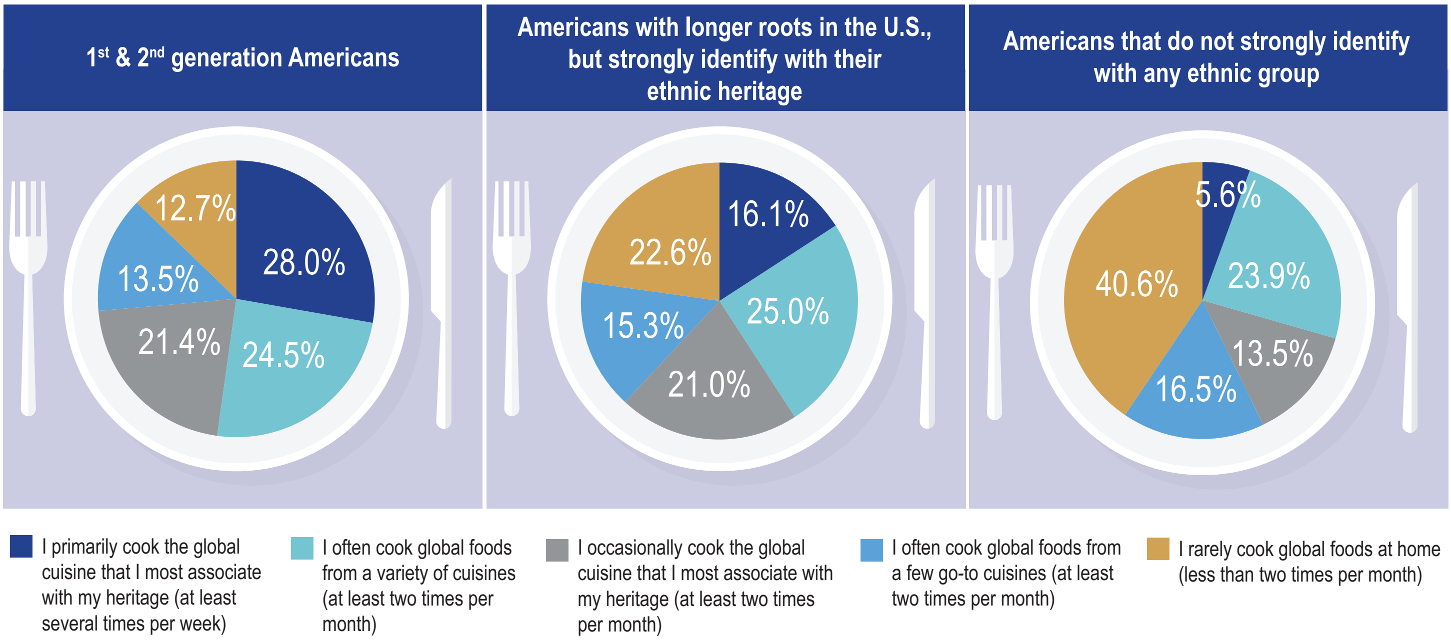
The interest in global cuisine away-from-home translates into an interest in exploring global cuisine at home. Exhibit 3 shows that over half consumers explore global cuisines at home. Mirroring the results on the prior page in restaurants, 1st and 2nd generation Americans have the strongest interest in exploring global cuisine, though every segment registered a strong interest.

The flavors of many global cuisines are spicier and sharper than traditional American fare. For many decades, the CPG industry has used a least common denominator approach to flavor profiles by making everything mild, but the current interest in global cuisines demonstrates the opportunity for bolder flavor profiles and fast adoption of restaurant trends.

Exhibit 3 - Use of Global Foods Prepared At-Home

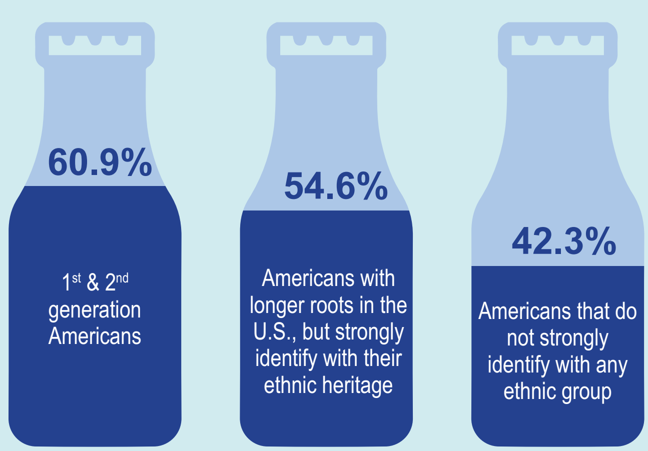


Sauces and Seasonings are the Gateway to Global Cuisine

An easy way for Americans to bring global cuisine flavors and textures to both ethnic dishes and mainstream recipes is through sauces and seasonings. Salsa is the classic example of a sauce that was originally only used with Mexican food, but is now used with eggs, chips, and hamburgers and may be more widely used than ketchup. Exhibit 4 shows that most Americans use global sauces and seasonings (e.g., gochugaru, sriracha chili sauce, chimichurri, tzatziki) on traditional foods. 1st and 2nd generation Americans are most likely to use global sauces and seasonings, but essentially everyone has adopted global sauces and seasonings into their foods.

While salsa and sriracha have made the transition to mainstream products, other global sauces are at the cusp of mainstreaming. Food companies need to get in front of the hot flavors that progressive consumers are discovering in specialty grocery retailers like H Mart, Cardenas Markets, and Patel Brothers to get ahead of the next global flavor trends.

Exhibit 4 - I Use Global Seasonings and Sauces Even On Traditional American Cuisine



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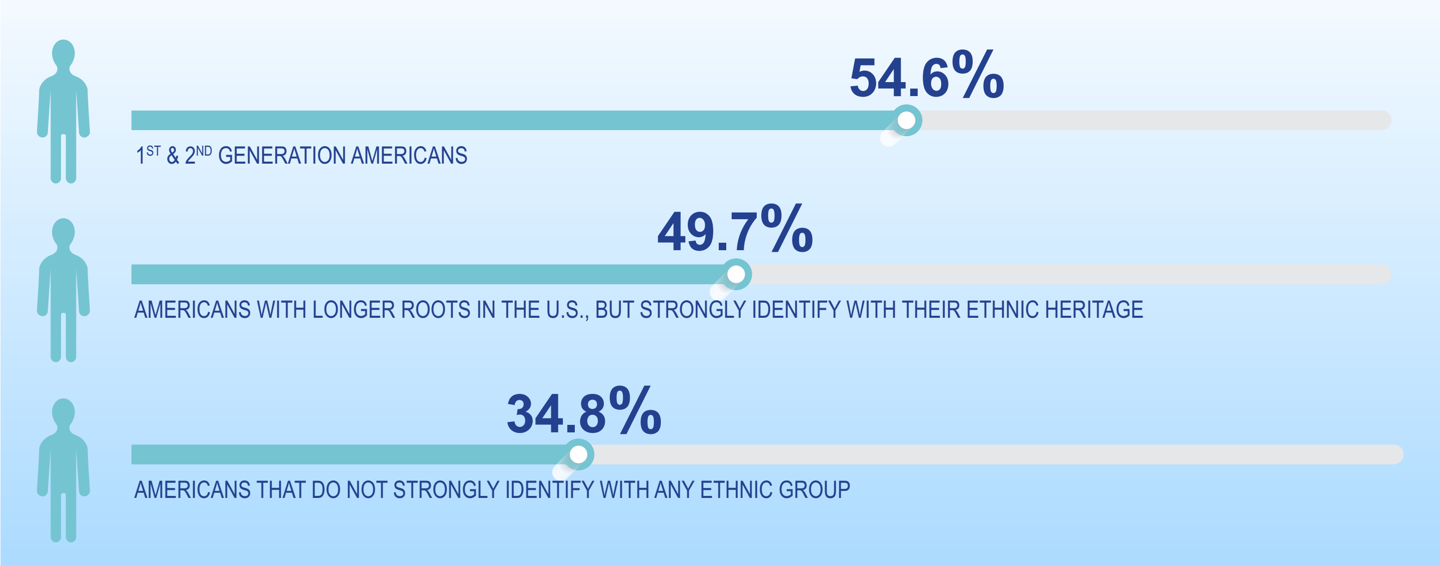
Authenticity Matters

Do consumers want genuine or Americanized versions of global food flavors? We asked consumers whether it was important to have genuine global brands as ingredients for foods cooked at home. Exhibit 5 shows that 1st and 2nd generation Americans seek out genuine brands, likely the ones that they were familiar with from their home country. Our survey revealed that younger generations are more focused on authentic brands while older generations find it to be slightly less important, but even assimilated Americans have a high mix of people seeking genuine brands.

Exhibit 5 - It Is Important To Use Genuine Global Brands As Ingredients

Of course, there is a tension between genuine and familiar brands. As shown in Exhibit 6, Americans also seek familiar brands. For recent immigrants, the brands from their country of origin may be the genuine and familiar brands that they are seeking. For Americans with multiple generations in the U.S., the search for genuine may be tempered by a desire for the safety of familiar brands. Hence the success of Old El Paso taco shells or LaChoy Chow Mein.

Exhibit 6 - I Prefer Familiar Ingredient Brands When Cooking Global Foods



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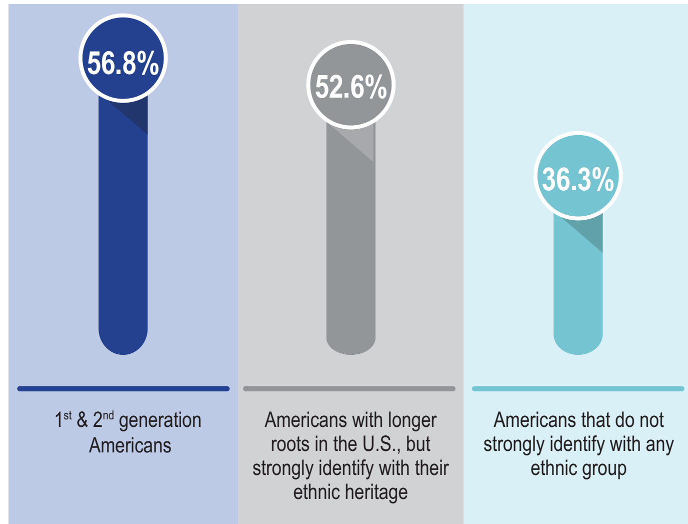
Our research suggests major opportunities for evolving strong brands in other countries from their current status as specialty import products sold to recent immigrants to bigger, more broadly distributed brands targeted at everyone. Soy sauce and ramen have made that journey and there are many imported brands with that potential if combined with mainstream CPG go-to-market capabilities.

When dining out, over 50% of 1st & 2nd generation Americans have a strong preference (top 2 box) for authentic global cuisine over fusion cuisine. This perspective even extends to those who identify strongly with their ethnic group and have been in the U.S. for multiple generations, with over 50% stating a strong preference. This corresponds to a new generation's interest in expanding their palates and heightened broad-based cultural exploration.

Exhibit 7 - I Prefer Authentic Global Cuisine Over Fusion Cuisine



COVID-19 Accelerated Global Cuisine Exploration At Home

During the Covid pandemic over the last year, 1st and 2nd generation Americans cooked more global cuisines at home. Those 1st and 2nd generation Americans, along with those who identify strongly with their ethnic groups, plan to continue cooking more global foods at home even when the pandemic subsides. 40% of all respondents say they expect to cook more global food at home because they had time to learn new recipes.

Exhibit 8 - I Plan On Cooking More Global Food At Home Even When The Pandemic Subsides

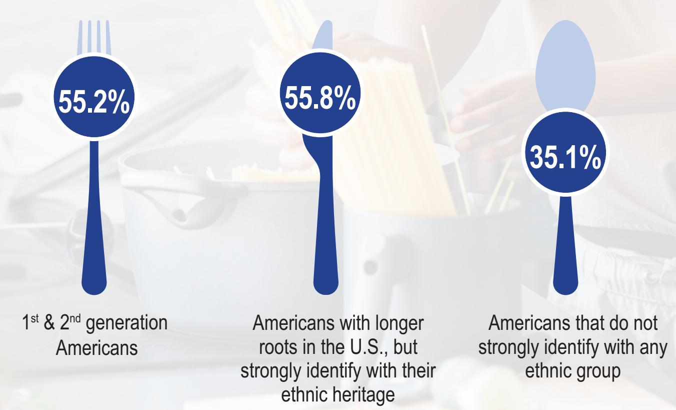
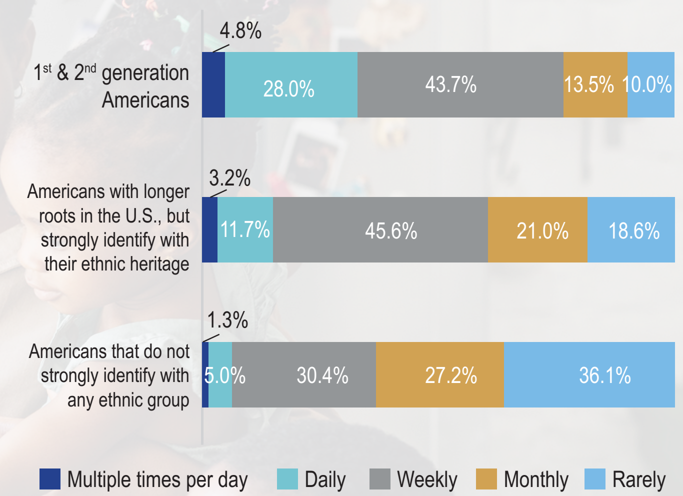


Exhibit 9 - Frequency Of Cooking Global Food At Home



Almost 40% of all consumers are cooking global cuisines at least once a week, with more than 45% of consumers who have many generations in the U.S. and still strongly identify with their ethnic group, cooking global cuisine once a week. Covid provided a watershed moment for many consumers to learn to cook and over the year of the pandemic. As a result, many have expanded their cooking to explore global cuisines to navigate cuisine fatigue.

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How to Grow Global Cuisine

Given how much interest consumers have demonstrated in global cuisines, there is an obvious path forward to feed into this demand.

Consumer Education

When we asked people who don't use global cuisine heavily, why they don't use global cuisine more, know-how is a clear barrier. While a minority of 1st and 2nd generation Americans cite cooking knowledge as a barrier to global foods, a majority of multigeneration Americans cite know-how as an impediment (Exhibit 10).

Exhibit 10 - As Someone Who Doesn't Cook A Lot Of Global Cuisine, I Don't Know How To Make Global Foods

Borrow from the Familiar

Another barrier to global cuisine is a preference for the taste of familiar foods. Older consumers want to stick with the familiar while younger consumers are more adventurous (Exhibit 11). Food brands may want to maintain key "classic" SKUs for older consumers but focus new products on younger, more adventurous consumers by embracing global food trends.

The familiar foods barrier is being eroded by restaurants. As shown in Exhibit 12, around a third of consumers under the age of 54 strongly agreed with the statement "I often try new global food at restaurants and then cook the global foods that I like at home." However, we cannot deny that the critical mass of consumers finds themselves in the middle. Perhaps, though these consumers enjoy trying new foods in restaurants, they are prevented by their limited culinary skills from trying to cook these global cuisines at home. This is then compounded by a generational difference in consumers over the age of 65, who strongly disagreed with the idea of trying new foods at a restaurant and then later cooking them at home.

Since restaurants are the clear path to educating Americans with less recent connections to their countries of origin, CPGs can leverage brands established in the food-away-from-home domain. A couple recent examples include the frozen entrée business of Panda Express and On The Border tortilla chip brand sold in grocery stores. Other paths might include featuring branded, global ingredients on a restaurant's menu, much like how mainstream brand Jack Daniel's has partnered with TGI Fridays on their Fridays Signature Glaze with Jack Daniel's menu items.

Exhibit 11 - As Someone Who Doesn't Cook A Lot Of Global Cuisine, I Prefer The Taste Of Familiar Foods

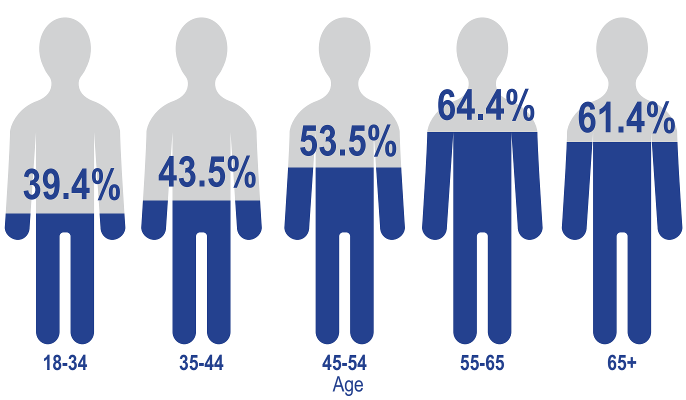
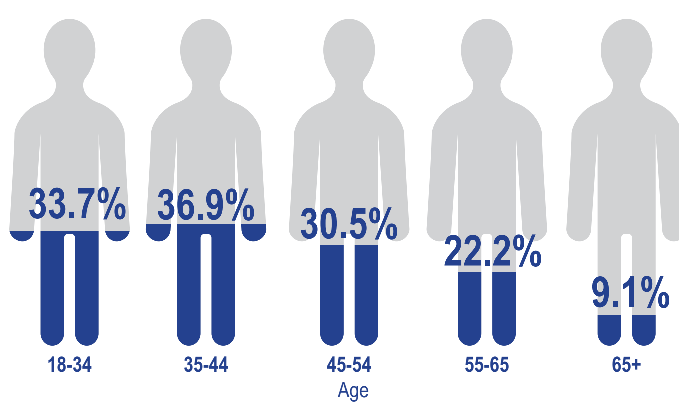


Exhibit 12 - I Often Try New Global Foods At Restaurants And Then Cook The Global Foods That I Like At Home



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The Power of the Internet

The cooking knowledge barrier is steadily eroding thanks to the internet (Exhibit 13). While word of mouth from friends and family remains the biggest source of cooking information, general cooking websites are almost as important. This highlights both the importance of online vehicles as key source of information for all groups and also how global cuisine has now permeated general cooking websites. Specialty global cuisines websites also were noted as strong source of information, especially for the multi-generational U.S. consumer who strongly identifies with their ethnic group, with over 54%. Clearly, any CPG building a global cuisine brand needs to make online education a major lever in their marketing strategy.

Exhibit 13 - Information Sources On Global Cuisine

	1st & 2nd Generation Americans	Americans with longer roots in the U.S., but strongly identify with their ethnic heritage	Americans that do not strongly identify with any ethnic group
General Cookbooks	39%	38%	29%
Global Cuisine Specialty Cookbooks	34%	34%	34%
General Cooking Websites	58%	53%	56%
Global Cuisine Specialty Cooking Websites	50%	54%	45%
Bloggers	37%	34%	27%
Facebook/Instagram/TikTok	42%	33%	26%
Cooking Shows/TV	44%	45%	35%
Restaurant employees	27%	20%	17%
Global Cuisine Store Employees	32%	25%	20%
Grocery Store Employees	30%	25%	17%
Friends/Family	61%	52%	47%

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The Opportunity for Grocery Stores

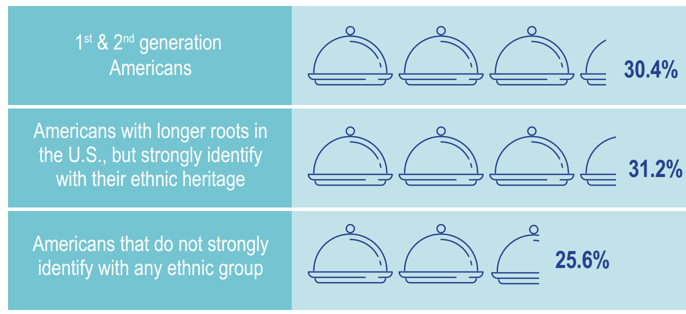
When it comes to shopping for their ingredients to prepare global cuisines at home, over 50% of 1st and 2nd generation immigrants look to ethnic specialty grocery stores to address their needs. This group also looks for brands that are popular in their home country and enjoys cooking from scratch. As highlighted in Exhibit 14, 50% or more of 1st and 2nd generation Americans and those with longer roots in the U.S. that strongly identify with their ethnic heritage primarily cook global cuisines completely from scratch. These survey results highlight compelling opportunities to both food manufacturers and traditional grocery retailers. For example, there is an opportunity for traditional grocery retailers to increase foot traffic in their stores by (i) broadening their selection of global cuisine ingredients and prepared food offerings, (ii) creating global cuisine meal kits that allow consumers to cook the foods themselves, but in a convenient way, (iii) add global cuisine recipes to their websites or in-store merchandising to engage customers and show how to use their products.

Exhibit 14 - Shopping for Ingredients to Prepare At-Home

Authentic, Prepared Global Dishes

Few options exist for authentic, prepared global cuisines in ready-to-heat / convenient packaging formats. Therefore, few consumers are using frozen / prepared global foods (Exhibit 15). Since lack of culinary expertise is the biggest barrier, there would appear to be a huge opportunity to tap into a new consumer here with authentic global cuisines in convenient, ready-to-heat formats.

Exhibit 15 - I Often Use Frozen And Prepared Global Foods



Opportunities for Investment and Acquisitions

Global cuisine has certainly found a permanent seat at the American dinner table. Given the clear consumer demand for global cuisines from sauces and seasonings to full ready-to-eat entrées, strategic and financial buyers have a significant opportunity before them, with many global cuisine-related companies ripe for investment and ready to enter their next stage of growth. These global cuisine-related targets extend from private label seasonings and spices to highly branded, fast-growing sauce companies, and from mainstay branded dessert companies to heat-and-serve dinner entrees or manufacturers of global cuisines for food service. Private companies, especially family/founder owned businesses, can find a partner in private equity, as Del Real Foods did with Palladium Equity Partners to extend its reach into new geographies, broaden its distribution channels, and enter complementary new product categories. Or Stripes' investment in Siete to help expand distribution and product lines. For corporations, there are mutually beneficial portfolio repositioning such as Mizkan's Chile Pepper Business finding new ownership under Olam International, to help OFI's customers meet consumer preferences for authentic ethnic flavors. Or Mars acquisition of Tasty Bite, a marketing and manufacturer of Indian and Asian ready meals. The CPG companies who are eternally looking for growth, should listen to their consumers clear desire for a more heritage-infused American table and incorporate the growing list of globally inspired business and brands into their M&A strategy.

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LAZARD

Lazard Middle Market LLC, a subsidiary of Lazard Ltd (NYSE: LAZ), is a leading middle market investment bank that provides customized advice on mergers and acquisitions, debt and equity recapitalizations, and financial restructurings to mid-sized companies across a broad range of industries. Lazard, one of the world's preeminent financial advisory and asset management firms, with origins dating back to 1848, operates in 41 offices across 26 countries in North America, Europe, Asia, Australia, Central and South America.

Lazard's Middle Market Consumer, Food & Retail Team

Lazard has financial advisory specialists throughout the world with experience and relationships in the consumer, food/ agriculture, and e-commerce/ retail industries. These bankers have played key advisory roles in some of the most important, complex, and industry-defining transactions. Our middle market Consumer, Food & Retail team has senior bankers in Charlotte, Minneapolis, and New York with long, deep roots at Lazard. Since 2000, we have completed more than 300 transactions and acted as financial advisor to clients on mergers and acquisitions (both buy-side and sell-side), capital raises, refinancings, and restructurings. Our transactions are award-winning, strategic, and often, cross-border.

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