

SUPPLY SIDE

Hispanics Step Forward as Consumer Market Force

NEW YORK — Over the past decade plus, numerous studies have quantified the business opportunity represented by the burgeoning Hispanic population in the United States. Despite a recent dramatic slowdown in immigration, Latinos continue to demonstrate vibrant growth, and their steadily expanding purchasing power has made them a segment that mass market retailers and consumer packaged goods (CPG) manufacturers can ignore only at their own risk.

At present, American Hispanics number more than 52 million, or more than 16% of the country's total populace. Moreover, a recent report from Nielsen Co. titled "State of the Hispanic Consumer: The Hispanic Market Imperative" notes that, despite the dramatic drop in immigration, the Latino population is expected to grow 167% between 2010 and 2050, compared with a projected 42% increase for the total population and meager 1% growth among non-Hispanic whites.

Just as significant, the buying power of this group is growing at

an impressive clip. The Latino market was estimated at \$1 trillion in 2010 and is expected to reach \$1.3 trillion this year, ascending to \$1.5 trillion by 2015 — a 50% increase in the space of five years. As a recent report from SymphonyIRI Group Inc. titled "Diverse and Distinct" points out, those figures represent a growth rate more than double the national rate.

In fact, if it were a stand-alone country, the Hispanic market in the United States would make it one of the top 20 economies in the world. Moreover, U.S. Hispanics boast a higher per capita income than citizens of any of the four BRIC nations (Brazil, Russia, India and China).

Finally, despite the severe impact of the recession on many Latino households, those with incomes of \$50,000 or more are growing faster than in the general population, with especially strong growth in the \$75,000-and-higher bracket.

Another characteristic of this population segment that has huge appeal for retailers and



CPG manufacturers is its youth. The median age of the Latino population is just 28 — nearly 10 years younger than the median age of the general population. More than 60% of Hispanics are under the age of 35, and 75% are younger than 45. Consequently, Hispanics will be establishing families, buying and furnishing homes at an increasing rate over

the coming decade.

A recent study by IBISWorld has identified several sectors of the economy that stand to benefit most from the growing Hispanic population, and retailing (especially apparel and electronics) and food (including grocery retailing) are among the winners.

The SymphonyIRI study notes that Hispanics spent more than \$135 billion on CPG items in 2010, and that figure is projected to rise 25% by 2020. Additionally, with their larger families, Latinos tend to spend more per shopping trip, although that does not apply to all retail channels.

Given the importance placed by Hispanics on cooking and eating together, it is no surprise that grocery stores get the biggest

slice (\$2,261 per household) of a total annual CPG outlay of \$6,839. But Hispanics also favor warehouse clubs (\$1,338) and discount stores (\$717).

However, important channel shifts are taking place as well. Between 2010 and 2011, Hispanic expenditures in food outlets fell 5% while warehouse clubs saw a 4.9% increase. Interestingly, spending in dollar stores experienced the biggest increase, 6.1%.

That increase might reflect economic pressures that have compelled both Hispanics and non-Hispanics to shop dollar stores in search of low prices. But it might also reflect major initiatives undertaken by both leading chains in the channel, Dollar General Corp. and Family Dollar Stores Inc., to expand their offerings of consumables. The newest Family Dollar outlets also feature bilingual signage where appropriate and offer well-known Hispanic brands across several categories.

For mass market retailers there is an added bonus. Not only does its size make this population segment valuable, but its influence is spreading to the general population, particularly when it comes to food. Mexican cuisine, of course, has enjoyed great popularity among the general population in the western United States for decades, but general market shoppers may well begin trying Hispanic brands in such categories as cleaning products, baby care and beauty care.

Culture Guides Merchandising

By Richard Hartmann

HOUSTON — Retailers are placing more emphasis on Hispanic merchandising strategies since the 2010 census, and they now understand the importance of getting the right products and the right mix chainwide as well as for each region they serve.

Consideration of the regional demographics and the cultural backgrounds of the local consumer base can help bring in winning brands that will create long-term and loyal customers.

There are distinct preferences in the purchasing and use habits of different Hispanic cultures that are often visible in geographic markets such as California, Texas, the Southwest, the Southeast and the Northeast. An example would be Puerto Ricans' and Cuban-Americans' use of splashers and powders and their choice of fragrances such as lavender.

"The underlying motivation for

purchasing decisions is based on the brands that different cultures know and trust," says Chris Hartmann, chief executive officer of Midway Importing Inc. "For example, the baby brand Para Mi Bebe, with its floral fragrance emphasizing lavender, is preferred by Caribbean Hispanics, while another very successful baby line, Ricitos de Oro with chamomile,

Spanish accent that is attractive to all Spanish speakers.

"We have to consider demographics to determine the set size and product mix, the cultural makeup of the local population for specific product selection, and even seasonality to get the right products advertised and promoted at the right time of year," Hartmann adds.

Hispanic products

is preferred by the Mexican and Central American communities."

Major brands such as Sal de Uvas Picot and Mocode Gorila hair gel have developed market positioning and strategies to appeal to Hispanics across all communities. For example, Sal de Uvas Picot is advertised nationally on Spanish language television, and the voice-over on the commercial is done in a neutral

With careful research, retailers who understand the demographics and cultural differences can choose the brands that each group prefers and provide the ideal mix.

Richard Hartmann is chief strategist for Midway Importing Inc., a full-service distribution company specializing in Hispanic health and beauty care brands.



Internet, Mobile Shopping Channels Embraced by Latinos

NEW YORK — Since Hispanic households are often less affluent than their general market counterparts, it is frequently assumed that they make less use of the latest digital shopping technologies. Recent studies, however, have demonstrated that this is a flawed assumption.

In fact, the latest research on mobile shopping trends published in "The Checkout," an ongoing digital report issued by The Integer Group and M/A/R/C Research, reveals that both

Hispanics and African-Americans are adopting the latest shopping technologies faster than Caucasians.

About one in five Hispanic shoppers, for example, have used a mobile device to compare prices. Nearly 30% used a mobile device to locate a retailer, while about 17% have used them to keep shopping lists. About 16% of Hispanics have used a cell phone to scan an item in-store compared with only 6% of the general market.

African-Americans led the way

in both of the latter behaviors as well as in using mobile devices to read product reviews.

A February 2011 study in "The Checkout" indicated that 34% of Hispanics said they were shopping online more than during the previous three months, compared with just 23% of the general market. In fact, Hispanics' online shopping has been increasing since the beginning of 2009.

In addition, a study by Opinion Research Corp. concluded that Hispanics are 14% more likely

to be receptive to e-mail marketing, 78% more likely to click on banner ads and 63% more likely to review a sponsored search engine link, compared with general market shoppers.

The message for consumer packaged goods (CPG) manufacturers and mass market retailers is clear. "Marketers should use the Internet to influence Latinas before they enter the store via search engines, e-mail offers and lifestyle content," the "Checkout" study concludes. "Mobile

marketing shows promise that this is a way to influence in-store CPG purchases among Hispanic shoppers. Bilingual apps could reach Hispanic shoppers and capture their interest."

The study adds that it would be a mistake to target only Hispanic women, because Latino men are assuming a greater role as shoppers, and they are adopting the practices employed by their female counterparts, including use of the Internet and mobile devices.

SUPPLY SIDE

Burgeoning Customer Base Seen as H&BA Catalyst

NEW YORK — In recent years a number of studies have illuminated the value of the Hispanic consumer to the health and beauty care department. A recent report from Packaged Facts Inc. sheds light on some of the most important trends in this segment for mass market retailers and their health and beauty aids suppliers.

According to "The Latino Health and Beauty Care Market," Hispanic expenditures on personal care products and services rose from \$5.3 billion in 2000 to \$7.5 billion in 2009 — a 41% increase that far outpaced the 15% growth among non-Latinos. Looking ahead, though, the relative youth of the Hispanic population will be a key variable and growth factor in health and beauty care. With an average age of 28, United States Hispanics are much younger than the general population, and by 2015 they are projected to make up 20% of the

18- to 49-year-old demographic, a key segment to this business. Consequently, the Packaged Facts report concludes that product choices and usage patterns among Latino women and men will increasingly shape the growth dynamics of the personal care market.

The study reinforces a number of conclusions reached by previous research, such as the fundamental finding that Hispanics are, in general, high-volume users of health and beauty care products. For instance, Hispanic women are more likely than the general market female consumer to use eyeliner and mascara but less likely to use foundation. In addition, Latinas are almost twice as likely as all women to have used shampoo 12 or more times within the last seven days.

Hispanic men are also a growing force in personal care, given their greater likelihood to use

such skin care items as moisturizers and facial cleansers. Like Hispanic women, Latinos are fond of scented products and are likely to select a scented shaving cream and deodorant. Among the strongest-selling hair care brands that target Hispanics are Tio Nacho, produced by Genomma Lab Internacional SAB de CV,

scar gel and wrinkle cream, and Asepxia acne treatment soap. Tio Nacho natural skin cream and soaps have also been winners. Genomma plans to add body wash, lotions and wraps to its Asepxia line this year.

According to senior vice president of sales Carlos Castro, Genomma's portfolio of over-the-

to Hispanics looms large: 62% of Hispanics surveyed said they worry about the health of other family members, compared with only 47% among non-Hispanic Whites. Hispanics are also more likely (36%) than non-Hispanics (32%) to resort immediately to an O-T-C remedy when sick. But they prefer multi-symptom products that the whole family can use and prefer a liquid form. Taste, moreover, is a key factor.

Hispanics are much more likely to use children's O-T-Cs. While 23% of non-Hispanics use children's O-T-C fever/pain relievers, 35% of Hispanics rely on them, while 29% use children's cough/cold products compared with just 17% among non-Hispanics.

In addition, Latinos are more inclined to rely on the most advertised remedies. Conversely, Hispanics are less likely to use private label O-T-C products.

Finally, Latinos seek heritage brands that were available in their countries of origin. Hartmann notes that one of Midway Importing's most popular lines is Sal de Uvas Picot, an antacid that has achieved chainwide distribution in several national chains, while Derman Antifungal is a top-seller in the five leading U.S. Hispanic markets.

Hispanic products

and Moco de Gorila, a styling gel. According to Richard Hartmann, chief strategist for Midway Importing Inc., the popularity of Moco de Gorila is now extending beyond the Hispanic segment as it is adopted by general market youths.

In skin care, Genomma has had particular success with its Goicoechea leg lotion for women, Teatrical skin lotion, Cicatricure

counter medication brands offer the biggest future sales potential for the maker in the United States, and plans call for some O-T-C brands to debut later this year.

Research shows the importance of O-T-C remedies to the Hispanic consumer. The Consumer Healthcare Products Association, for instance, notes that Hispanics are less likely to visit a doctor than non-Hispanics. However, they express less satisfaction (19%) with the O-T-C options available than non-Hispanics (30%).

The Simmons NCS/NHCS study from Experian Simmons has shed light on Hispanic attitudes that make O-T-C products a vital part of any retailer's Latino-oriented offering. First of all, the importance of family

GM Items Also Key to Sales Mix

NEW YORK — While the value of Hispanic shoppers in health and beauty care has been amply documented, they also provide important sales momentum in a number of general merchandise categories.

Research conducted for the Global Market Development Center (GMDC) identified several GM departments that are of special interest to Latino consumers, including apparel, household goods, outdoor entertaining, religious and lifestyle, cleaning products, and food prep and storage.

A new Family Dollar Stores Inc. outlet in Bellville, N.J., reflects the insights that chain has leveraged in tailoring the product assortment to its customer base. In addition to a strong array of toddlers' and infants' clothing in the apparel section, the store offers religious and scented candles and an extensive assortment of popular Hispanic household cleaning brands, including Fabuloso, Ensueno, Pinalen and Suavitel. The store also features bilingual signage. While the Hispanic brands are frequently featured on end-caps, they are integrated within the individual category assortments and not segregated by themselves.

Dollar General Corp. has followed the same approach, as evidenced by the chain's 10,000th store that opened in Merced, Calif. "The idea is to get the customers, No. 1, to feel they are part of the store and that the whole store was built for them," said chairman and chief executive officer Rick Dreiling during an investors' conference.

All Purpose Cleaner/Disinfectant

For 12 Weeks Ended 7/8/12

DOLLAR SALES

\$86.9 mil. (-1.1%)*

Percent Change vs. Prior 12 Months

Supermarkets
-2.1% Drug Stores
-2.2%

UNIT VOLUME

31.1 mil. (-4.7%)*

Percent Change vs. Prior 12 Months

Supermarkets
-4% Drug Stores
-13.3%

Top Brands

	Dollar Sales	Unit Volume
1. Pine Sol	\$12.3 mil.	4.1 mil.
2. Clorox Clean Up	11.4 mil.	3.1 mil.
3. Lysol	9.9 mil.	3.9 mil.
4. Formula 409	6.1 mil.	1.9 mil.
5. Fabuloso	5.7 mil.	2.7 mil.
6. Mr. Clean	4.6 mil.	1.4 mil.
7. Mr. Clean With Febreze	4.0 mil.	1.3 mil.
8. Fantastik	3.9 mil.	1.4 mil.
9. Windex	2.0 mil.	0.6 mil.
10. Clorox Green Works	2.0 mil.	0.6 mil.

All Private Label

\$5.0 mil.

2.6 mil.

* Total of supermarkets, drug stores and discount stores excluding Walmart.

Source: SymphonyIRI Group Inc.

Familiar O-T-C Brands Build U.S. Distribution

NEW YORK — Hispanics are driving growth in a number of over-the-counter categories, ranging from vitamins and supplements to internal analgesics and digestives.

However, many Latinos prefer brands that they knew and trusted in their country of origin. One that is now achieving broad distribution in the United States is Prunelax, a laxative from Garden House Laboratories.

Prunelax was sold in Latin

America under the Ciruelax brand name. Ciruelax had achieved the rare distinction among O-T-C brands of attaining a leading sales position in no fewer than 13 Latin American countries and Puerto Rico, from Mexico to Argentina.

The success achieved in so many different markets provided Garden House with a wealth of consumer understanding. Nonetheless, the company recognized that marketing Prunelax to Hispanic consumers in the United States would present a number of complexities stemming from different national origins, levels of acculturation and media usage patterns.

According to executives, in addition to the brand name, a number of changes have been made to Prunelax, but the original formulation remains the same. "To maintain our Hispanic roots, our first change was to make the product totally bilingual, orienting it to third-generation Hispanics," says a company spokesperson. "The second innovation we implemented was to launch larger SKUs. In Latin America, packages are small because of the low purchasing power of the average consumer, but in the U.S., larger sizes are used by Hispanics who want to economize and also because they have greater purchasing power here."

Latin Flavors Gain Favor in Food

NEW YORK — Hispanic products have had more impact on the general market in food than in any other product area. While cuisines from different parts of Mexico have enjoyed popularity with non-Hispanics in the West for many decades, and Caribbean cuisine has become familiar in the East, Americans are now increasingly able to enjoy favorites from other parts of Latin America.

Executives of Goya Foods Inc. point out that the growing popularity of different Hispanic cuisines has been an important growth driver for the country's largest Hispanic-owned food manufacturer. The company has leveraged its website to further this trend, listing favorite

recipes from the Caribbean, Mexico, South America and Central America. As a result, Americans long familiar with such Mexican staples as enchiladas and tamales can try Cuban shredded beef, fried yucca, Salvadoran plantain empanadas, or Guatemalan rice and beans with coconut milk. Moreover, to make it easier, the website features recipe demonstration videos.

Another family-owned enterprise that has prospered through the growing popularity of Hispanic cuisine is California-based Ruiz Foods Inc., maker of the El Monterey brand sold across the country. "The growth of the Hispanic population in the U.S. has enhanced our growth because

it's helped introduce the flavors, textures and spices of Hispanic foods to non-Latinos," explains Kim Ruiz Beck, chairman. "As non-Hispanics taste Hispanic flavors, they enjoy the experience and want to recreate it at home."

Ruiz Foods started out in 1964 selling frozen burritos and tamales to mom-and-pop grocers in California's San Joaquin Valley, and now offers almost 200 SKUs, including the original products but also encompassing tamales, quesadillas, chile rellenos, taquitos and other Mexican favorites. A favorite for parties and snacks as well as meals is the El Monterey Snack Bag, which contains 12 items in a freezer-friendly reclosable bag.