WINNING WITH THE HISPANIC CONSUMER TODAY
An IRI & Latinum Network Presentation

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Introduction

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Insights Agenda

1. Hispanic Consumer Trends and the Need for Customized Strategies
2. Inaccurate Data & Metrics May Be Costing You an Incredible Opportunity
3. Proactive Hispanic Engagement with a Total Market Strategy
4. Case Studies
Insights Agenda

1  Hispanic Consumer Trends and the Need for Customized Strategies

2  Inaccurate Data & Metrics May Be Costing You an Incredible Opportunity

3  Proactive Hispanic Engagement with a Total Market Strategy

4  Case Studies
Hispanics Are a Diverse and Rapidly Growing Consumer Segment with Some Common Characteristics...

There are 50.5 MILLION Hispanics in the U.S.

Which is 43% MORE Than in 2000

They Represent 1 IN 6 Americans

Source: www.ahaa.org

Why You Should Care: Common & Targetable Need-states
More Importantly, Hispanics are a Consumer Segment Brands Looking to Grow Cannot Ignore...

**Over $1 TRILLION**

Purchasing power

Approximately **12%**

U.S. CPG Consumption

*The time to act is now...*

- Total U.S. population grew by 0.7% in 2013...the Hispanic population grew over 2% in the same time period

- The opportunity is, however, exponential...at an average age of 27, the Hispanic population is 10 years younger than the U.S. average and just entering the prime of their earning years...their earning power will increase dramatically over the next decade

- IRI’s Ethnic workbench that tracks Hispanic sales indicates that brands having a higher development (BDI) in Hispanic markets are growing much faster than their peers

Source: Pew Center
Hispanic Acculturation & Dual Language Usage Complexities Drive Further Differentiation from the General Market...

Hispanic Acculturation Continuum

- **Unacculturated Traditionals**: 7%
  - Med to High Cultural Tension
- **Unacculturated Stable**: 19%
  - Low Cultural Tension
- **Traditional**: 14%
  - High Cultural Tension
- **New Latino**: 21%
  - Medium Cultural Tension
- **American Latino**: 28%
  - Low Cultural Tension
- **Mostly Acculturated**: 11%
  - No Cultural Tension

- 80% of Hispanic adults learned Spanish as first language
- 52% speak Spanish mostly or all the time at home
- Spanish-language only media consumption is strongest among less acculturated
- Drops to 39% when away from home
- ~50% are comfortable speaking Spanish in a social situation

Hispanic Shopping Behaviors: Venue Locations are Driven by Cultural Motivations

<table>
<thead>
<tr>
<th>Venue Type</th>
<th>Hispanic</th>
<th>General Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket/Grocery store</td>
<td>79%</td>
<td>80%</td>
</tr>
<tr>
<td>Mass Merchant/ Super-Center, such as Wal-Mart/Kmart/Target</td>
<td>61%</td>
<td>74%</td>
</tr>
<tr>
<td>Drug store</td>
<td>46%</td>
<td>53%</td>
</tr>
<tr>
<td>Dollar store</td>
<td>30%</td>
<td>56%</td>
</tr>
<tr>
<td>Convenience store, such as 7-Eleven or Quik-Chek</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>Warehouse Club, such as Sam's or Costco</td>
<td>23%</td>
<td>33%</td>
</tr>
<tr>
<td>Ethnic Supermarket/Grocery store</td>
<td>4%</td>
<td>28%</td>
</tr>
<tr>
<td>Bodega or tiendita, a small neighborhood Hispanic store</td>
<td>1%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Hispanics Are Social Shoppers, Decisions Heavily Influenced by Family and Friends as well as Advertising...

I usually only shop at my favorite stores because I know they have the brands I like
Even when I do not purchase something, I enjoy shopping
I prefer to shop with my family
I really enjoy any kind of shopping

**Source:** (Via Mintel) Experian Marketing Services, Spring 2013 Simmons NHCS Adult Study 12-Month.

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**Source:** Mintel Hispanics & retail, Dec 2013
Hispanics Within your Omnichannel Strategy...

Fast Facts*:

• Hispanics under-index in online shopping relative to non-Hispanics (35% vs. 49%)
• Willingness to shop online increases with acculturation levels
• Predominant device is the PC but smart phones are their second favorite device
• Interestingly, English sites are preferred
• Hispanic online shopping tends to be non-CGP focused, with a much smaller percentage of Hispanics shopping CPG online
• Spanish-dominant Hispanics still hesitant to use payment cards online
• More than half of Hispanics prefer to shop in physical stores
• Hispanics are comparing prices online more in 2014 than they did a year back

BOTTOM LINE: Omnichannel strategy-wise, Hispanics may be more similar to the rest of the market...Brick & Mortar experience is still critical but online brand experience increasingly vital...

*Source: Hispanic Consumers and Online Shopping - US - May 2014
Cultural Connection and Multi-Platform Strategy in Messaging Is Vital...

Hispanics expect ads to be entertaining and pay greater attention to in-program product placement than general market.

Hispanic women enjoy advertising that is entertaining more than men do, and are also more likely to remember advertised products when shopping.

Hispanics are more likely than the general market to pay attention to outdoor advertising.

Hispanics believe it is important to teach Spanish to Hispanic children as a way to help preserve Hispanic culture.

Source: Mintel
Insights Agenda

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Performance Measurement Is Indispensable, But Incorrect Approaches Drive Misconceptions of Hispanic ROI Potential...

What effect does Hispanic advertising have on my sales?

Advertising effectiveness is measured by evaluating the effect individual marketing drivers have on sales.

Current calculations evaluate how Hispanic advertising efforts (aimed at 17% of the population) change sales for the total population.
Although Spend Allocations are Slowly Rising, Perceptions of Poor ROI Result in Continued Under Investment

<table>
<thead>
<tr>
<th>SPANISH LANGUAGE MEDIA</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALCOHOLIC BEVERAGES</td>
<td>14.40%</td>
<td>14.00%</td>
<td>18.82%</td>
</tr>
<tr>
<td>AUTOMOTIVE</td>
<td>4.05%</td>
<td>4.80%</td>
<td>7.34%</td>
</tr>
<tr>
<td>BEAUTY CARE</td>
<td>6.79%</td>
<td>8.03%</td>
<td>9.30%</td>
</tr>
<tr>
<td>CPG FOOD AND BEVERAGES</td>
<td>7.44%</td>
<td>7.66%</td>
<td>8.68%</td>
</tr>
<tr>
<td>PHARMACEUTICALS</td>
<td>2.14%</td>
<td>3.43%</td>
<td>4.16%</td>
</tr>
<tr>
<td>RETAIL</td>
<td>4.72%</td>
<td>5.12%</td>
<td>6.53%</td>
</tr>
</tbody>
</table>

Tony Rogers to indicate their commitment to spending and to SL:

“One hundred percent of the growth [in sales] is going to come from multicultural customers; Our spending against multicultural customers will grow by at least 100%.”

Source: Nielsen AdViews, includes TV (National & Local), Print (National & Local Newspapers, Magazines, Sunday Supplements) and Radio (National & Local)
Hispanic Strategy Has Typically Been Executed Based on Instinct Rather Than Insights

Lack of appropriate decision support systems has created a vicious cycle of under-investment

Resulting in the fate of Hispanic strategy resting with the “gut feel” of a few stakeholders
Breaking Out of Vicious Cycle Requires a Comprehensive Insights Regimen Founded on Robust Data, Rigorous Analytics

**INSIGHTS**
- Gain crucial insights about the Hispanic consumer to learn how to best create a cultural connection
- Identify how to best target key Hispanics at the household and store levels
- Track Hispanic sales to right-size the opportunity and leverage evolving trends

**ACTIVATE**
- Optimize marketing execution
- Activate consumers offline / online / in-store

**MEASURE**
- Measure marketing impact on sales and brand perception

**INNOVATE**
- Develop specialized product improvements / launches
The Upside to Effective Engagement is Substantial...

A Total Incremental Spend of $8MM in Hispanic Strategy Yields $71MM (+7.1% / ROI = $1.57*)

10 CPG Product Portfolios Evaluated

Average Sales
$1B

Average Marketing Budget
$115 MM

Average Hispanic Spend
$6MM

Source: IRI Marketing Benchmarks & Simulations

*using average profit margins across the brands
# Insights Agenda

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What “Total Market” Really Means: Steering Committee Key Insights

BEFORE: “GENERAL” WITH SATELLITES

- AfAm
- Hispanic
- LGBT

General Market

• “Exclusive”
• “Siloed”
• “Suppressive”
• “Bolt-on”
• “MC Specialists”
• “Hobby”

NOW: ONE BIG PIE WITH SLICES

Total Market:

- “Inclusive”
- “Integrated”
- “Additive”
- “Baked-in”
- “Business”

- Mandated from the top; senior leadership support
- Everybody accountable for understanding whole pie
Total Market Does Not Mean...

- Eliminate the COE
- Rely on English-language halo
- Don’t do Spanish-language qualitative
- Count on assimilation
- Don’t include diversity as a hiring criterion
- “Dumbing down” to the lowest common denominator
Economic (Growth) and Cultural Imperatives Lie Behind Every Total Market Transformation

1. Growth Engine
- Demographics vs. culture
- Cultural catalyst drives the growth engine
- Allow insights to drive major strategic decisions and insert “cultural marketing” upstream in the value chain

2. Cultural Catalyst
Total Market Strategies are:

“The organizational and business strategies which most effectively market to all (target) consumers in a multicultural nation by moving beyond silos to more holistic, integrated approaches to brand plans, consumer insights and go-to-market programs.”
...And an “Outside In” Definition

Our country can no longer be defined as a majority along with minorities. Every year, we inexorably move to being an increasingly diverse quilt of cultures, which are at the same time becoming more vibrant and interchanging ideas and traditions. Total Market companies are open to and follow cultural influence, wherever it comes from.
Ten critical strategic, marketing, and organizational imperatives to think about
Strategic Imperatives

1. EMBRACE EFFICIENCY
Maximize company assets and make dollars work harder by removing redundant fixed costs.

2. MOVE TO HOLISTIC MARKET FOCUS
Win with all available consumers to drive cases, diapers, salad dressing, insurance plans, etc.

3. RECOGNIZE CULTURAL INFLUENCE
Let multicultural segments lead the organization now—they are the new majority.
4. MOVE INSIGHTS UPSTREAM
Effectively and efficiently reach the target, whoever that might be, by starting with insights and evolving through communication plans and touch points.

5. INTEGRATE PLANNING
Don’t do a “general market” plan and then come back with the leftovers to activate against the multicultural consumer. It will inevitably be out of sync with your master brand strategy and won’t take advantage of full brand weight.

6. INTEGRATE AGENCIES
Bring all third party agencies in the room to reach the best outcome.
Organizational Imperatives

7. REMOVE SILO MENTALITY
Break down mental and cultural silos around “general market” vs. “other.”

8. MOVE AWAY FROM “PC” RATIONALE
Change the infrastructure to focus on the multicultural opportunity as a business imperative—and not as a cultural or political agenda item to check off a list.

9. STRIVE FOR DIVERSITY ACROSS THE ORGANIZATION
Create a workforce that reflects U.S. cultural, gender, and age mix. Staff with people who have relevant points of view.

10. DRIVE FROM THE TOP
Make the change originate with the C-suite
Total Market Translated into Budget Dollars

1. **Wall Street Commitments**
   - **“Remnant”**: Understand long-term growth strategy; back into overall growth needs from “Wall Street” commitments

2. **Brand- or BU-Level Prioritization**
   - **“Hybrid”**: Decompose Growth by Brand Only: Understand which brands will drive growth

3. **High-Level Program Budgeting**
   - **“Total Market”**: Decompose Growth by Brand and Multicultural Segment: Prioritize based on growth projections from multicultural segments within brands

4. **Detailed Budgeting**
   - **“Remnant”** to Multicultural: Whether by “rule of thumb” or tin-cupping, allocate non-spent dollars to multicultural segments; sometimes called “vicious cycle”

   - **“Total Market”** S-Curves and Spillover: Set integrated “Total Market” program budgets by brand baking spillover, “intelligent media planning” in early

   - **“Total Market”** Complete Matrix Media Plan by Segment, Brand: Use “Intelligent Media Targeting” stretch strategy to set up front creative, media buying strategies to maximize effectiveness, reach and frequency across high-growth segments


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**Red line**: Where “Total Market thinking” truly enters the process
Latinum Members Have Assessed Themselves Across This Taxonomy
## 2012 Assessment Results: Lower Scores in Product Innovation, Servicing, and Metrics

<table>
<thead>
<tr>
<th>Score</th>
<th>N/A</th>
<th>Not Started</th>
<th>Basic</th>
<th>Progressive</th>
<th>Leading</th>
<th>Need Help</th>
<th>Case Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Total Market Score</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Organizational Leadership and Structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.6</td>
<td>21</td>
</tr>
<tr>
<td>2. Insights and Analytics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.5</td>
<td>16</td>
</tr>
<tr>
<td>3. Product and Service Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.0</td>
<td>14</td>
</tr>
<tr>
<td>4. Advertising, Promotion, &amp; Engagement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.1</td>
<td>13</td>
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<tr>
<td>5. Distribution Channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.3</td>
<td>10</td>
</tr>
<tr>
<td>6. Servicing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.0</td>
<td>6</td>
</tr>
<tr>
<td>7. Metrics for Success</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.7</td>
<td>11</td>
</tr>
</tbody>
</table>

### Key:

10th Percentile of all companies: 

Mean of all companies: 

90th Percentile of all companies: 

Source: Latinum Network 2012 Total Market Assessment, n = 39
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### Case Study: Sizing the Hispanic Opportunity

**CLIENT ISSUE**

<table>
<thead>
<tr>
<th>Client Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major center store food brand with over $1 billion in sales and 50% total market share and 40% Hispanic market share</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Client Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand has been losing share, especially with Hispanics where the smaller share competitor has been making significant inroads with aggressive promotions</td>
</tr>
<tr>
<td>The brand needs to identify the right counter-play; advertising or promotion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IRI Approach</th>
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</thead>
<tbody>
<tr>
<td>IRI leveraged Hispanic Mix platform to analyze volume losses by promotional vs. everyday sales in top Hispanic markets</td>
</tr>
<tr>
<td>Analysis identified that not all Hispanic market losses were from competitive promotional activity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Highlight Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift funds out of retailers &amp; markets where brand has high BDI into Hispanic markets where competitor is aggressively dealing</td>
</tr>
</tbody>
</table>

### CLIENT IMPACT

The client re-allocated $5 million in marketing budget to Spanish language advertising and additionally moved promo funds from higher BDI Hispanic markets to lower BDI Hispanic markets.

The strong media campaign highlighting family values optimized to shows with higher ratings in those markets resulted in driving **$50 million in topline growth**, coming largely from Hispanic markets where their BDI was historically lower.
Hybrid Targeting Strategy: Taking Action Where It Works Best
National Plan, Locally Optimized: Greatest Near-Term Opportunity for the Brand is in Houston...

**Houston Market Top Rated Hispanic Show Genres**

<table>
<thead>
<tr>
<th>Genre</th>
<th>Show Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talk / Reality</td>
<td>Nuestra Belleza Latina</td>
</tr>
<tr>
<td>Music / Variety</td>
<td>Sábado Gigante</td>
</tr>
<tr>
<td>News / Public Affairs</td>
<td>Al Punto</td>
</tr>
<tr>
<td>Sports</td>
<td>Republica Deportiva</td>
</tr>
<tr>
<td>Drama / Telenovelas</td>
<td>Por Siempre mi Amor</td>
</tr>
</tbody>
</table>

An advertising plan was developed that drove higher impressions in Houston through national TV, radio and outdoor advertising.
Key Takeaways

- Hispanics are multi-faceted yet connected by common motivations and needs. Marketers need to better acknowledge this.

- ROI misperceptions are causing marketers to be hesitant to take sufficient action. Better research insights and research are needed.

- Deploying a proactive strategy to engage Hispanic consumers will result in substantial growth—immediately.

- Total market means leading with ethnic insights and consumers at the beginning of the strategic planning process.

- Total market thinking necessitates a different kind of organization, where cultural thinkers lead big, cross-organizational change, and “share of growth” replaces “market share” as the prime objective.
Questions?

Hispanic Media Effectiveness Consortium April - October 2014
A study unprecedented in its breadth and depth in addressing Hispanic media strategy

IRI HispanicLink 2014
Linking attitudes and motivations from survey to actual shopping behavior from IRI panelists to provide the “why” behind the buy – first time for Spanish-dominant segment.

Latnum Network’s mission is to enhance our members’ ability to drive profitable growth from the multicultural economy with:

www.latnumnetwork.com
info@latnumnetwork.com
1.240.482.8260

Via shared cost technology platforms and world-class custom support.
INSIGHTS: Understanding Drives a Cultural Connection; Reaching Hispanic Consumers Through Path to Purchase

1. Reads latest FSIs From Mass Retailers / Supermarkets

2. Mom sees TV ads (Retailer and CPG Brand) for items on Hispanic Channel

3. Mom plans traditional meals using family recipes

4. Mom checks prices for items on mobile apps

5. Mom calls family to chat about the menu

6. Completes list and chooses which retailers because of availability & price

7. Purchases made at 7-10 stores based on availability of ingredients and best value

8. Sister shares content on new product offers off the Walmart App while shopping and they agree for her to buy

9. Share meal experience with offline and online social network
### ACTIVATE: Optimize Marketing Execution Based on Insights

**Who is the target consumer for my product?**


- How do they consume media?
MEASURE: Quantification of Sales Impact

Taking into account the nuances of bilingual media consumption

- Hispanic Stores
  - Halo Effect
    - Topline & Profit
  - Direct Effect
    - “Spillover” Effect (Extended Hispanic population outside core Hispanic Trade Areas)

- General Stores
  - Advertising
    - Brand Perception
      - ROI
        - Sales Contribution
          - TV
          - Base
          - AO Media
          - Trade

- English Media
  - Advertising
    - Halo Effect
      - “Acculturation” effect if present
  - Direct Effect

- Spanish Media
  - Advertising
    - Direct Effect
    - “Spillover” Effect

MEASURE: Quantification of Sales Impact
INNOVATE: Bringing New Ideas to the Forefront

A deeper understanding of the Hispanic consumer purchase motivations and how to best reach key clients breeds the opportunity for product and message enhancements to build cultural connections and drive growth.