EXECUTIVE SUMMARY

• Hispanics currently represent 17% of U.S. population and more than $1 trillion in spending power; halfway through the 21st century, they could comprise as much as 30% of the population.

• Despite the inevitability and opportunity behind these numbers, brands and retailers are only just beginning to adjust to this multicultural “re-mix,” as one Clorox executive calls it.

• What’s behind the hesitation? A misunderstanding of cultures and a dearth of data and insights for planning, strategizing and measuring.

• U.S. Latino population growth is due more to birth than immigration. These “biculturals” don’t wish to be treated differently than the general market.

• The primary trend in multicultural shopper marketing is toward a general or “total market” view, weaving in multicultural considerations. Some cultural behaviors and preferences must be acknowledged, but basic marketing principles do not change.

• Given the distinct cultural differences between, for example, Latinos in Miami and South Carolina, retailers should consider hyperlocal tactics, but national brands cannot due to marketing inefficiencies.

• With the advent of a “total market” approach, some companies have begun to move away from having separate, multicultural departmental structures.
**Prologue: From Colombia To Bentonville**

**Javier Delgado** has been active in Hispanic shopper marketing in the United States long enough – nearly 20 years – to see it change in some very profound ways. When he started out, marketing to Hispanics was, at worst, barely an afterthought and, at best, usually a scattershot effort of a few true believers.

Today, however, it’s a full-tilt priority with none other than Walmart, the world’s largest retailer.

As senior marketing manager of dry grocery at Walmart, Delgado, a Columbian, says that in the past, a marketing initiative that was focused on Hispanics needed special approval to gain funding. Today, if a Walmart campaign doesn’t include Hispanic shoppers, it must be cleared by a senior vice president. And where once there were “multicultural teams” at Walmart, today everyone in marketing is expected to have multicultural responsibilities.

Delgado notes that the attitudinal shift aligns with demographics, as a U.S. population that includes 30% Hispanics is not far off on the horizon, according to some census projections. “If you don’t engage now,” he says, “you’re going to lose a huge growth opportunity. Five years ago I would have said that you need to be specialized [in your marketing approach], but growth is not going to come from immigration as much as births and Millennials. And we see now that they don’t want to be targeted in a different way.”

Delgado’s observations pose some intriguing dilemmas for all shopper marketers, be they agency professionals, brand executives or chain managers:

- **What is the growth opportunity of this booming demographic?**
- **What are the behaviors of Hispanic shoppers, and the effects of their culture (and U.S. culture) on how and why they shop?**
- **How should you organize to maximize the opportunity?**
- **Should you start by hiring Hispanic shopper marketers?**

Delgado says “not necessarily” to that last question. “Get away from hiring Spanish-speaking people to do Hispanic marketing,” he says. “When you are targeting boomers or senior citizens, you don’t hire agencies that have only boomers or senior citizens working there, right? You have to be driven by insights and have a total market approach.”

“And I’m getting a little tired of hearing, ‘Hispanics over-index on mobile use’ or ‘Hispanics over-index on movie-going’ or ‘Hispanics are family-driven,’” he adds. “Everybody is family-driven.”

Delgado says that, Walmart’s progress notwithstanding, Hispanic shopper marketing is still not well established at the national level for a number of reasons:

- Many companies still consider Hispanic shopper marketing to be a specialty that requires deep investment and extra staff;
- research and data sources aren’t yet robust enough to make campaign tactics surefire and ROI factoring as accurate as it is for total market calculations; and
- change is hard.

Companies that should have planned ahead can catch up, Delgado says, but they’ll “need to start yesterday.” During his first job back in the 1990s, he says, marketing to Hispanics was always discussed in the future tense: “It was ‘eventually’ and ‘they’re going to become’ a strong segment. Now the conversation has shifted: ‘What are we going to do today?’”

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Given current growth rates, Hispanics will by mid-century represent 30% of the population of the United States. Hispanic “Biculturals” (households where equal priority is given to both Spanish and English) are the largest group and have become a key population growth driver.

**Source:** Pathfinder Consulting
Waking Up The Total Market
Michael Klein is co-founder and managing partner of Latimum Network, a Bethesda, Md.-based membership organization where multicultural marketing professionals share data, insights and best practices. Klein believes that you can “tell the ongoing tale” of multicultural marketing in the United States by describing it as four distinct periods:

1. Ethnic marketing: Marketers first woke up to the spending power of ethnic segments during the 1960s, Klein says. It wasn’t mere coincidence, he adds, that this period also saw the maturing of the civil rights movement in the United States.

2. Hispanic marketing: In the 1980s, the media “woke up” to Hispanics, immigration accelerated, the Univision and Telemundo networks started to become true media giants, and marketers started to buy serious amounts of Spanish-language advertising.

   This time period also saw the advent of the Center of Excellence (COE), Klein says: “Wanting to join the party, companies centralized their multicultural marketing into one group. In some companies, like Procter & Gamble, this worked extremely well. But in others, the COE became just a ‘check the box’ function.”

3. “Show Me” marketing: The first decade of the 2000s was the “show me” era, he says, where ROI and incrementality became the primary jobs for heads of multicultural departments.

   “But if advertising campaigns weren’t driving positive same-period sales – 150%, 200% – you got cut,” Klein says. The bar was set higher for multicultural marketing initiatives, he argues, because they were seen as an “also” and not “a part of the whole.”

4. The Total Market: “We think that we’re now entering into an era of the ‘total market,’” Klein says. “This doesn’t mean – and this is really important – that we’re marketing to ‘one America.’ But it does mean that multicultural segments aren’t a stuck-on silo. It means they are in a leadership position at the first strategy conversations. And in many cases, it’s multicultural consumers who are leading decisions on new products, extensions and overall go-to-market strategy.”

   However, the “total market” conversation has not been without its debating points, Klein says. Many business partners that used to be able to count on having a multicultural “champion” or a buying center within an organization say they’ve been frustrated by decentralization. “And rightly so,” says Klein. “There’s evidence that some companies have taken ‘total market’ too far. If you just make ‘multicultural’ a part of everyone’s objectives, it can lead to a rapid loss of focus and momentum. For these reasons, we definitely believe that eliminating a central multicultural department is usually a big mistake.”

   Meanwhile, says David Cardona, director, multicultural development at The Clorox Co., there has been an important demographic shift inside Hispanic marketing from Spanish dominant households to “bicultural households,” where equal priority is given to both Spanish and English. This shift has driven organizational changes and strategic maneuvers within his company.

   “Years ago, [Spanish] was the right thing to do as Hispanic population growth was fueled from immigration,” Cardona says. “But since 2008, several key external factors have impacted the mix between foreign born and native born, and Census 2010 validated the fact that Hispanic biculturals are the largest group and have become a key population growth driver.”

Sizing The Prizes
Lauventria Robinson of Coca-Cola North America and Monica Garaitonandia of Brown-Forman have one goal in common: Entice more multicultural – mainly black and Hispanic – consumers to buy their companies’ beverages.

   The approaches taken by their two companies, however, could not be more different.

   Robinson is VP, multicultural marketing, Coca-Cola North America Group, a company that enjoys its highest per capita volume in Mexico, and whose Sprite brand is recognized as a pioneer in multicultural campaigning. Robinson can recite data points off the top of her head: nine of the United States’ top 10 metropolitan statistical areas are majority multicultural; in terms of buying power, U.S. Hispanics...
INDUSTRY REPORT

Hispanic Shopping Behavior in Independent Grocers

- **Groupthink**
  A whopping 91% of Hispanic grocery shoppers will ask their family members “what they want” as part of their planning. Only 77% of the general population plans that way.

- **Family Matters**
  Latinos tend to hit the aisles as a family unit. According to the NVista Shopper Tracking surveys, 61% of Hispanics shop with someone – a child or another adult. Only 38% of the general population shops that way.

- **Mass Movement**
  The mass channel is important for “non-food” categories. 50% of Hispanics grocery shoppers said a mass retailer was actually their primary choice for household cleaning products, while 58% said they turn to mass first for health & beauty items.

- **Pester Power**
  Fully 44% of Hispanic grocery store shoppers say they’ll buy a brand because “the kids asked for it.” Only 16% of the general population shops that way.

- **Digi-Shoppers**
  Nearly 80% of Hispanics say that digital shopping tools have changed their shopping habits in some way. They’re also far more likely than the general population to say that they “enjoy shopping more because of these tools.”

- **Tech Savvy**
  Hispanic shoppers are more likely than the general population to own a smartphone, and bilingual Hispanic shoppers index even higher.

**But here’s a key to designing a shopper marketing program:**
A less-acculturated Hispanic shopper is more likely to be found using digital tools in-store; a more-acculturated Hispanic shopper will tend to use digital tools across the entire path-to-purchase spectrum.

Source: NVista’s Shopper Tracking surveys

represent the world’s 12th largest economy. Meanwhile her colleague, Brandon Leck, AVP of shopper marketing, can tell you that 21% of all moms in the United States are Hispanic, and that Hispanic blue-collar males comprise 23% of the blue collar workforce.

Coca-Cola intends to remain a giant in multicultural sales, and Robinson and Leck are two of many Coca-Cola employees searching for ways to meaningfully reach an exploding and culturally vibrant segment. That in itself poses something of a challenge, Robinson says: “Because we’ve been doing this for so long, how do we take it to the next level?”

While Coca-Cola is fine tuning, Garaitonandia’s company, spirits producer Brown-Forman, just bought the violin and is taking lessons. Garaitonandia, Brown-Forman’s AVP, director of new product development and multicultural marketing, says her company got “a wakeup call” from the 2010 Census, and that up until then, marketing to multicultural consumers had been a low priority combined with a lack of understanding. “The way we did it in the past was, ‘Gosh, African Americans like hip-hop; Latinos like Rock en Espanol’ – let’s go to market with a one-off event, hope that it sticks and we get loyalty from these consumers,” she says. “It was seen as an opportunity that was incremental, but not fundamental, to our business. When there was extra money, we’d just do some things versus having the brands really allocate resources. We had 15 years of start/stops.”

To kick-start a true change in approach, Brown-Forman not only hired a multicultural marketing director but endeavored to understand precisely what a new direction would mean to the company. “The critical, number one win we had to get done was size of prize – really understanding what the opportunity represented financially,” Garaitonandia says. “You really need a good strategist that can help you look at the company financials and figure out exactly what African-Americans and Hispanics represent for the company in terms of business growth. We came up with a size of prize which, depending on how you look at it, is either an opportunity or a gap.”

Garaitonandia says it became clear that if Brown-Forman didn’t change the way it did business, “We were going to lose out on X millions of dollars, and that makes it really imperative to align, ramp up and understand how to reach this consumer. After you have the size of prize, you then have to build it into your business growth structure, to get the whole organization behind it.”

“National brands shouldn’t try to concern themselves with the differences among Cubans, Mexicans and Puerto Ricans, but regional retail chains must.”

Francisco Ortiz, managing director, PanaVista
Robinson says she and her Coca-Cola colleagues followed a similar logic. After much analysis, they decided they needed to identify one primary prize—a sales growth figure for the beverage category—instead of setting one goal for strategy, another for sales, another for multicultural, etc. Ultimately, they settled on this: 74% of the growth between now and 2020 is going to come from multicultural consumers.

“That's driving where we're going,” she says.

**Removing Obstacles To Entry**

Multicultural marketing leaders like PanaVista’s Roberto Siewczynski say that despite all the compelling projections for population growth and the spending power of Hispanics (current estimates place it at $1 trillion), Hispanic shopper marketing as practiced by CPGs, retailers and agencies remains barely in its adolescence. Why? Resistance to change is one big reason, he says, along with fears that considerable investment for a host of standalone campaigns will be required.

Skimpy insights are a major roadblock as well, asserts Clorox multicultural team leader Shannon L. Elliott, although good old-fashioned capitalism may be starting to fill those gaps: “Our number one issue is data, and this is true for the entire industry,” she says. “The industry needs to continue to work on gathering better data around multicultural population segments. Our ability to inspire material changes inside of an organization will be based upon the quality of data. There is a rapidly increasing need for better and more information to help make strategies and decisions moving forward. This is true for all CPGs and specialized plans of the past: “Our challenge as a solution provider is to provide economically feasible solutions,” says Siewczynski. “This involves two approaches: number one is understanding what's out there and what can be tweaked; number two is to develop new things that are economically feasible and efficient for the client. We don't live in a silo … we know the pie is limited … there are only so many dollars.

**Pathfinder Management**

Consulting’s Donald King concurs: “You know what you call multicultural marketing in 2013? You call it marketing.” However, while the tools and foundational principles are unchanged, the shopper is different, Siewczynski warns. The high hurdle is gaining deep insights into the Hispanic shopper—cultures, habits and preferences—before attempting to apply them to the familiar pre-store, in-store and post-store stages.

Any fears of heavy incremental investments due to added campaigns can be addressed via initiatives that include Hispanics rather than separate them. The trend today favors “all-inclusive campaigns” rather than the complementary

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While Hispanics represent 17% of total U.S. population, in many local markets, their representation is much stronger. In Miami, Los Angeles and San Antonio, for example, roughly one out of every two shoppers is Hispanic. In Houston, Dallas-Fort Worth and Phoenix, roughly one out of every three shoppers is Hispanic.

*Source: US Census Bureau, 2010*
We have to figure out how to work within those dollars.”
Marketers should build campaigns on the assumption that the Hispanic consumer “doesn’t live in a vacuum” and will be exposed to general market efforts. “If a client has a summer grilling program,” Siewczynski says, “we’re not going to say no to a summer grilling program, right? On the other hand, we do know that the meat selection is different; that maybe Latinos like to grill out more in the park; that they tend to have larger gatherings. So all of those factors need to be thought through as part of a large-platform, go-to-market strategy.”

There are, of course, unique opportunities for the segment that arise from “bottom-up” thinking. “Latinos are predominantly Catholic, and with that comes Lent,” Siewczynski says. “Manufacturers would probably never think of a ‘Lent solution’ for the general market, but they should be actively thinking about them for Hispanics.”

Hyper-Localizing The Effort?
Francisco Ortiz, Siewczynski’s colleague at PanaVista, believes that brands and retailers should all follow efficiency-minded approaches, albeit to quite different degrees. Retailers can and should focus regionally, even store by store, Ortiz says, but brands have built their appeals as broadly as possible while still including Hispanics. In other words, national brands shouldn’t try to concern themselves with the differences among Cubans, Mexicans and Puerto Ricans, for example – but regional retail chains had better.

Ortiz, PanaVista’s managing director, says his company sees three stages of multicultural marketing development:

1. Tactical Adaptations, which are merely translations from English to Spanish.
2. Strategic Interpretation, or adapting general market strategies to Hispanic marketing strategies.
3. Strategic Imperative, where Hispanic or multicultural considerations actually lead the go-to-market strategy.

Where are they Taking their Food Shopping Trips?

<table>
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<th>% of trips</th>
<th>GROCERY</th>
<th>SUPERCENTER/MASS</th>
<th>CLUB</th>
<th>DRUG</th>
<th>VALUE</th>
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<td>All Trips</td>
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<td>26%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Hispanic</td>
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<td>27%</td>
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<td>3%</td>
<td>6%</td>
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Source: Coca-Cola Landmark Shopper Study 2011
Any development phase will, of course, be dependent on the shopper mix and revenue coming from the different bases, Ortiz says, but in general, while a “total market” multicultural strategy makes sense for branding efforts, the same cannot be said for shopper marketing or consumer promotions. “While there are opportunities that transcend all markets,” he says, “shopper marketing is often driven by the specific needs of retailers and their very specific Hispanic shoppers. Retailers are starting to see that Hispanics don’t just represent 17% of the total U.S. population – in many markets, they have much stronger representation. In Miami, Los Angeles and San Antonio, for example, roughly one out of every two shoppers is Hispanic. In Houston, Dallas–Fort Worth and Phoenix, roughly one out of every three shoppers is Hispanic.”

For this reason, Ortiz says, major retailers like Vallarta Supermarkets (San Fernando, Calif.), La Michoacana (Houston), or Cardenas Markets (Ontario, Calif.), are much more likely to buy into a Hispanic program than a multicultural program. “And I think we’re going to see more retailers adopting similar approaches whenever a general market, shopper marketing program just will not cut it.”

“The challenge with multicultural strategies,” he adds, “is that they often boil down to insights that are not powerful enough for shopper programs. They’re more of a ‘lowest common denominator’ than a real purchase driver. So it’s case by case, and the better case is with unique Hispanic insights.”

Numbers & Behaviors
Ah, yes, insights – not to be confused with data, the lack of which all multicultural marketers agree scares many companies from committing to multicultural marketing. Cardona says that Clorox’s focus on Hispanics was ignited not only because their absolute growth numbers are largest, but because they have commanded the best research thus far. “Hispanic research is still underdeveloped versus Caucasian,” he says, “but there is accurate syndicated data to measure success with Hispanics. Research capabilities for other ethnic groups are not at par which makes it difficult for business people to validate the effectiveness of their efforts.”

That situation is changing, however. PanaVista, most notably, has been investing heavily in a series of ‘NVista Hispanic Shopper Tracking studies in recent years. The 2013 research wave was built around detailed shop-alongs involving 24 families from three U.S. regions. Ortiz cites some examples of ‘NVista’s broader findings:

- Latinos shop nearly twice as much as a family (61%) compared to the general population (38%);
- for cleaning products, Latinos visit mass (50%) more than twice as much as grocery (20%), followed closely by club (17%).

Latinum Network is developing interesting insights from its in-house research as well:

- While Hispanic shoppers are often pegged as “value” price shoppers, research now shows that low prices are rarely the main product purchase driver for Hispanics (less than 5%) across household products, personal care and food & beverages categories.

Siewczynski says that the pre-store, in-store and post-shopping time spent with the 24 ‘NVista families showed that:

- Latinos love to be “surprised and delighted” by in-store efforts;
- They like to divide their shopping into categories by family member;
- Freshness and abundance trigger memories of how shopping was done in the market in Mexico, which revolves around daily and just-in-time pantry management;
- Emotional triggers that resonate, like interpersonal relationships with store employees, have loyalty implications.

Retailers know these things, he says, and brands should too: “Hispanics first get the perishables, then they get the non-perishables,” he says. “Mass merchants are starting to realize this, which is why they’re heavily marketing the produce section to Latinos. Target and Walmart both have an extremely intense focus on produce and freshness, and it’s one of the reasons they’re starting to gain trips.”

A store is considered convenient to Hispanic shoppers, in Siewczynski’s estimation, when everything is fresh, the associates are friendly, prices aren’t too high, and distances aren’t an issue. “And assortment is a category,” he emphasizes. “It’s not about having five SKUs – it’s about having all 50 of them. It’s about having the 60 cuts of meat. That’s what establishes a retailer as a legitimate cultural retailer.”

Robinson of Coca-Cola says, “Focus, focus, focus on cultural differences. There are times when it’s about being really deep in a culture, and there are times when I want to see myself integrated into a total market. The challenge is, it’s not an either/or … it’s both. It’s understanding the duality that’s a challenge.”

Univision and AMG Strategic Advisors, part of Acosta
**Sales & Marketing**, have published a Hispanic Edition of their research, entitled “The Why? Behind the Buy.” It shows that three of every four Hispanics use their smartphones to help them shop – indexing 26% higher than the total U.S. population.

A sub-segment of Hispanics has recently begun to excite the business world, the “Upscale Hispanic.” **The Association of Hispanic Advertising Agencies** and **Nielsen** studied Hispanic households making $50,000-$100,000 and found that upscale Hispanics now total 15 million, or three of every 10 Hispanic homes (approximately 12% of all U.S. households). This segment represents $500 billion of total Hispanic consumer spending power, and is expected to grow to 18 million by 2015, and to 35 million by 2050.

And there’s one last demographic milestone that should spur all CPG marketers to get their “multicultural houses” in order sooner, rather than later:

- **In 2012, the under-five population of the United States was 49.9% minority.**

**I’m Convinced: What Now?**

Perhaps you’ve come to the same realization as Brown-Forman: You’re losing out on an opportunity because your competition is more heavily invested in multicultural marketing. What are the first steps to catching up?

The consensus of multicultural marketing experts is that there must be commitment to multicultural marketing from the top. As one consultant put it, “multicultural becomes part of a company’s bloodstream and is not confined to an organ.”

Team objectives also factor heavily in multicultural results. For example, Cardona says that Clorox’s multicultural team collaborates with all the commercial functions across the company, primarily marketing, sales and global insights. “Our objective is to consistently and systematically foster early inclusion of multicultural insights across the entire business planning process,” he says.

Siewczynski touts the benefits of hiring an agency not only to advise and consult companies just starting out, but also on a campaign basis. “They can’t assume that they can address the market with their current efforts,” he says. “One trend is that dollars are shifting from advertising and traditional media to shopper. The other trend is that the Hispanic population is where the growth is. Having those two things come together is forcing companies to take a closer look at the Hispanic shopper, but in many cases they’re ill-equipped.”

Garaitonandia of Brown-Forman suggests that a multi-brand company that’s crafting a multicultural portfolio strategy should begin by building out a single brand; her company chose Jack Daniels, its best-selling brand. She says companies have to learn how to evaluate, to discover what accounts they are pursuing, and most importantly, “Measure success. Without it, we’re not going to know what we’re doing right and what we’re doing wrong.”

Latinum Network’s Klein has identified four actions that the top multicultural performers seem to have in common:

- They create fluid experiences across platforms;
- They engage users with experiential content;
- They have content in both Spanish and English;
- They include calls to action and ask users questions.

Of course, there is never going to be just one “right” approach, experts say. The right way will be unique to each brand and retailer and agency. What is certain is that the growth of the multicultural population in the U.S. will continue, and that its largest segment is and will be Hispanic.