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White Paper

STUDYING THE HISPANIC SHOPPER SEGMENT

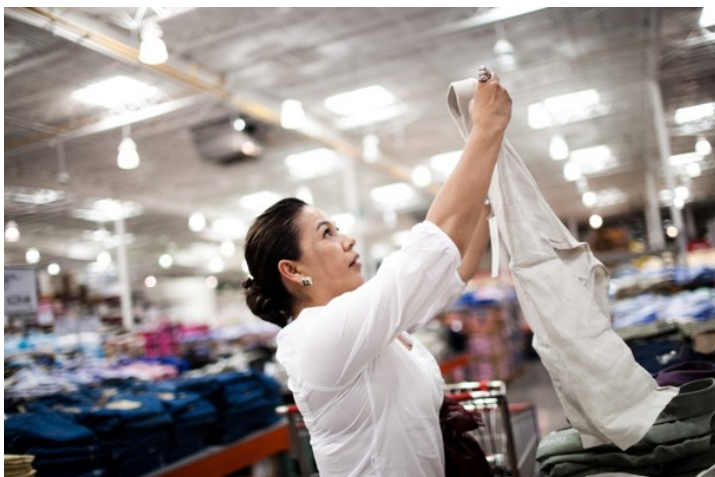
Connecting the Dots, Diving Into Data, & Digging Deep Into Community Insights

The changing landscape of American consumerism is undeniable, as well as altering rapidly. Now, more than ever, differing segments of the shopper population are emerging, based on everything from culture to race to religion to affluence. One of these emerging shopper segments is a demographic that's long been discussed, but hasn't seemed to catch the eye of most brand marketers enough to really become a priority in their shopper marketing strategies. Well, no longer. Advertisers, retailers, and brand marketers — it's time for you to start paying attention to the Hispanic shopper.

The Hispanic Shopper: Misconceptions, Expectations, & Missed Opportunities

Like any segment of the population, there are stereotypes and misconceptions about the Hispanic shopper. According to Sidney Hopper, Chief Operating Officer, United Supermarkets' Amigos Banner, one of the biggest misconceptions about the Hispanic shopper as a demographic is that they are singularly price-focused across the board. In other words, all "Bargain Hunters."

Ever since the 2000 Census revealed that the Hispanic population had become the largest minority in the United States, surpassing the African American community and growing more rapidly than any other demographic, brand marketers, trend analysts and other industry professionals have had the Hispanic community pegged as the next major target audience. Over ten years later, the Hispanic population is still booming, and so is their spending power. In spite of all of that potential, there is a shocking lack of true understanding



of these shoppers and what drives their decision-making process during the path to purchase, and there has only been weak (if that) efforts made at effectively targeting this shopper segment by large brands or retailers.

So, what's the holdup? Frankly, it all has to do with an unfortunate wealth of misconceptions and stereotypes surrounding what is actually an incredibly complex and diverse segment of America's shopper population. Many of America's largest brands and retailers have not invested in becoming deeply informed about Hispanic culture and how it shapes Hispanic consumers' identities as shoppers because they don't yet see the Hispanic shopper as valuable enough for a sound business model.

This lack of connection makes it impossible for those brands and retailers to authentically engage with this group of shoppers—a group of shoppers that represents 16.7% of the United States population with a purchasing power estimated to reach a staggering \$1.5 trillion by 2015. In addition, according to the recent article "Latino and Hispanic Shoppers Are Setting Trends: An Advertising Opportunity for Business" by Spanish Language Domains, the median age of Hispanic shoppers is 10 years less than that of the average U.S. shopper, at 28 years of age. This makes them even more desirable as a distinct shopper group, as a large number of Hispanic shoppers fall into the same demographic as Millennial shoppers—the largest generation of shoppers on the planet and the most influential.

Along with their tremendous purchasing power and relative youth, according to a 2012 study from AMG Strategic Advisors and Univision Communications, Inc. entitled "The Why? Behind The Buy, Hispanic Edition", Hispanic shoppers also boast a large shopping budget, at approximately \$425 per month. The majority of Hispanic shoppers—across all income brackets—also on average spend more than \$100 per shopping trip, and they prefer to shop with others. In fact, only 22 percent of Hispanic shoppers shop alone; a fact that lends itself well to their level of influence as well as their strong sense of family and community.

With a shopper segment that skews younger, and that boasts significant and continuous, consistent growth, it's worth it to brands and retailers to focus their efforts on engaging deeply with them for the long haul, and that means peering past misconceptions and

stereotypes in order to see the true power of the Hispanic shopper.

Family, Food, & Community: How Hispanic Shoppers Plan Their Trip

What drives the Hispanic shopper? It's not just price, but we'll get to that later. In order to fully comprehend what drives the Hispanic shopper's shopping trip, brand marketers and retailers will need to abandon their base knowledge of mass market and be prepared to dive deep into understanding how Hispanic culture treats food as more than necessary fuel. Food for the Hispanic shopper represents family and community, and as a result of that significant relationship with food, food preparation, and food-centric gatherings of family members, the Hispanic shopper doesn't take their trip lightly—and neither should you.

This level of thought about every detail that goes into food shopping, preparation and serving translates into the Hispanic shopper operating as a meticulous Trip-Planner: she plans everything down to the last detail, and knows what she has at home already and what she needs to get.

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According to the Unilever study "Winning the Hispanic Shopping Trip", in comparison with the mass-market shopper, the Hispanic shopper makes more Stock-Up and Fill-In trips, and a far less amount of Quick Trips. In addition, less than half of her Quick Trips are meal-focused, and she makes less overall shopping trips than the general market consumer—9.6 per four-week period versus 10.2.

The attention to detail Hispanic shoppers give to their shopping habits make them just—habitual, routine. As already identified, the Hispanic shopper plans every last minute detail of her trip, so she knows her needs before she ever sets foot inside a store, thus 56 percent of her shopping trips are considered routine, vs. the 26 percent that represents the mass-market shopper. Meanwhile, 54 percent of her total grocery spending occurs on routine trips (vs. 22 percent for the mass market shopper). Finally, 20 percent of what she's buying during her shopping trip, she will use the same day—and that's vs. roughly zero percent for the general market shopper.

When it comes to the Hispanic shopper's Fill-In trips, they're easily her favorite, making up 37 percent of her entire grocery routine. Though she fills in more than the average general market shopper, she also spends less per trip. According to the study, the reason that her Fill-In trips are so frequent as well as satisfying is because they allow her an avenue to better organize her kitchen, making her feel more accomplished and self-satisfied, and they

also provide her with a way to treat herself by purchasing items she wouldn't normally indulge in during a major Stock-Up trip. For example: she's much more likely than a general market shopper (two and a half-times more likely, in fact) to pick up a "ready-to-eat" item, viewing it as more "upscale" and a "treat" during a Fill-In trip; similar to her Stock-Up trip, the products she buys during her Fill-Up trip are for meals that same day. Essentially, because the Hispanic shopper's household goes through food faster than that of a general market shopper's, her Fill-In trips are much more routine, providing brands and retailers another opportunity to become apart of that habitual exercise.

According to the Unilever study, there are four keywords brands and retailers should usher into their vocabulary when it comes to winning the Hispanic shopper's shopping trip: Convenience, Service, Information, and Value. The key to winning the Hispanic shopper and activating those key words is by becoming a trusted part of that routine, and the way to do that is to create an atmosphere in-stores that is friendly and feels familiar, like home. In addition, she needs to feel that the shopping journey is convenient, and that the service is not just good, but authentic, so that her "value" quota is filled.

It's Not All About Price: Digging Deep Into What Drives the Hispanic Shopper & What They Value Most

Let's move on to what we mean when we're talking about "value" for Hispanic shoppers. In order to fully shed the preconceived notions about Hispanic shoppers, the first step brand marketers and retailers must take is to replace "price" with "value". As stated, for years brand marketers have operated under the guise that price is king when it comes to the Hispanic shopper segment. In actuality, however, though price is a driving factor—as it is for most shoppers in a economy suffering from a period of recession—what is vastly more important to the Hispanic shopper is something deeper, subjective and more elusive: value.

Value is, of course, subjective, as mentioned, because it is perceived differently from shopper to shopper. Despite being tricky to sort out on a shopper-by-shopper basis, there are some notable insights that clue us into what Hispanic shoppers value.

So, what makes up the value equation? Price is certainly a large factor, and a good place to start, even if it's not the whole answer. According to data from Integer's 2011 study "The New Hispanic Shopper", while price is a determining factor for Hispanic shoppers on one level, of all things, seasonality makes up another layer. For example: during nine months out of the year, price operates as the biggest standalone influence on Hispanic shopper's path to purchase within the perceived value model, but for the months of May, August, and November, convenience and family outweigh affordability.

It is no coincidence that these months reflect three major seasonal holidays and/or promotions for retail: summer, Back to School, and the Holiday season. This finding mirrors what we already

know: that Hispanic shoppers value deals, but their desire to satisfy their family's wants and needs is a huge driver to where they find value in their shopping trip. Savvy brands and retailers could leverage this shift of perceived value during seasons and adjust their promotional calendars accordingly.

But in order to not sell the Hispanic shopper short, we have to look at more than how they interact with price and promotions. As mentioned, perceived value is not made solely made up of what is most affordable; like the rest of the general mass market, Hispanic shoppers are kept or lost along their path to purchase because of their entire experience. According to the study from Unilever, the top ten value drivers for Hispanic shoppers are:

1. Friendly/helpful staff
2. Fun place to shop
3. Enjoyed trip
4. Enjoyable music playing
5. Service people are knowledgeable; can assist in decision-making
6. Items in-stock
7. Shuttle service
8. Can get in and out quickly
9. Employees know the store layout and product placement
10. Store boasts involvement in the Latin community/culture

All of the above value drivers prove that price is not the defining driver of the Hispanic shopper's trip. Hispanic shoppers are demanding more of brands and retailers than good prices and culturally diverse products. Instead, they are demanding what they are owed: a good experience, a desirable atmosphere, as well as the affordability and product variety they are looking for as well.

The way to achieve what the Hispanic shopper is looking for and become a part of their routine is by paying as much attention to their experiential desires as the mass-market shopper's. What are those desires? Here are the top ten store traits that drive the highest dollar intake from Hispanic shoppers according to the Unilever study:

1. Low prices
2. Store gives food ideas
3. Carried unique/wide array of products
4. Ability to find everything needed
5. Shoppable layout
6. Different from other stores; not cookie-cutter
7. Makes/sells fresh tortillas
8. Variety of categories of food
9. Fresh bakery
10. Supports charity/education

While some of these desires might be hard to implement by hitting the ground running, many are not. Go beyond stocking Hispanic produce and products; instead, stock regionally specific items to better suit the diverse Hispanic population. Instead of just including Spanish on popular POP and other signage, make bilingual announcements, and schedule a bilingual associate

during all open hours, and if possible, position them in strategic areas of the store, so they are available if needed for non-English speaking customers. Play music and engage with Hispanic shoppers—as well as probably many mass-market shoppers—by offering applicable recipes throughout the store and in circulars.

Finally, engage with Hispanic shoppers online. While one of the most common misconceptions about Hispanic shoppers is that they are less affluent and therefore less digitally savvy than mass-market consumers, according to the Integer data, from a shopping standpoint, they are actually taking advantage of e- and m-commerce more than general market shoppers. As of 2011, 34 percent of Hispanic shoppers reported that they are shopping online more, and that number has been growing since 2009. So, in essence, the online arena is another avenue for brand marketers and retailers already focusing on their e-commerce efforts to double up and create specific drivers for Hispanic shoppers online, as well as in-stores.

There are many options to brands and retailers out there looking to draw in and keep the Hispanic shopper, as long as they are willing to take in what the Hispanic shopper wants out of their shopping trip—the same as any shopper segment.

The Hispanic Shopper of the Future | Investing in the Future of An Ever-Evolving Shopper Segment

The most important insight we can glean from our past misgivings and mistakes regarding the Hispanic shopper and our need today to dig deeper into their culture to find out how to better target and serve them is that what we didn't know and what we know now is not constant. Humans evolve, and so shoppers evolve, and that evolution is based on their identity as well as market trends and the world around them. According to AMG Strategic Advisors and Univision's "Hispanic The Why? Behind The Buy", there is further data that suggests an even brighter future for this shopper segment's potential, in addition to the commanding presence they have now in the world of retail. Here are some of the trends the data currently identified about Hispanic shoppers that are anticipated to grow and likely change in the future:

- Hispanic shoppers are optimistic and have a positive, forward-looking view that transcends today's struggles;
- 32 percent of Hispanic shoppers expect their household income to increase over the next year (vs. 22 percent of non-Hispanics); and
- 25 percent of Hispanic shoppers expect a positive change in employment in the coming year (vs. 14 percent of non-Hispanics).

The insights briefly mentioned in this whitepaper are still largely general takeaways—and so it is up to brand marketers and retailers with their eye on the prize that is winning the Hispanic shopping trip to stir the pot, make the effort, and change the conventional wisdom surrounding this ever-evolving and always interesting shopper segment.

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