

## HISPANIC CONSUMERS: A CURE FOR RECESSION BLUES?



By Mehgan Belanger, **Brandweek**

**August 13, 2009** - More than 350 attendees to the Hispanic Retail 360 Summit gathered for the second day in Las Vegas to examine what effects the recession has on Hispanic consumers and their shopping habits.

Because Hispanic consumers tend to carry less debt and pay for items with cash, one theory is Hispanics may actually be less affected by the downturn in the economy, said Daniel Aversano, product leadership, Nielsen Consumer Panel Services for Nielsen, during the first general session of the day. Conversely, because Latino customers also are being impacted by high unemployment and the downturn in the construction industry, and generally have lower incomes than non-Hispanic customers, they could be impacted to a greater degree than the general market, he noted.

However, the picture is not that simple, Aversano explained, because the consumer is in the middle of the picture, and is influenced by the media, which has painted a gloomy picture of the economy. What really matters is consumer perceptions of the economy and their resulting actions, he said, noting purchasing power is increasing for some consumer groups, while July retail sales grew, and less jobs were lost in July than in previous months. "It's starting to look like recovery," he said.

While Hispanic unemployment is higher than the general market, at 12.3 percent, it has shown a leveling off in the past two months. Meanwhile, consumers were de-leveraging—during the economic boom, total consumers spent money they didn't have, and now are saving their dollars or lowering debt, which is expected to continue once recovery occurs. However, since Hispanic consumers don't hold as much debt compared to the total consumer group, they are a better consumer to target during the recovery since they aren't de-leveraging or chaining their purchasing habits to the extent of the total consumer group, Aversano said.

Looking at the impact of the economy on a granular level, 41 percent of Hispanic consumers said they are eating at home more often for the breakfast daypart, while 60 percent said they are eating dinner at home more often, he said, noting the emphasis is now on what consumers need, not what they want.

"Value is king," Aversano said. "When push comes to shove, you have to cut."

When asked what they would cut spending on if they had to, Hispanic consumers said they would reduce money spent on energy, food, clothes, transportation, entertainment and travel.

"True economic recovery will not begin until Hispanics are convinced it is here," he concluded.

The second general session of the day centered on supplier diversity, and was presented by Michael Byron, vice president of supplier diversity for grocer Supervalu.

Supplier diversity is "educating people to think differently," on how it can connect companies to its communities, he explained, noting the "true meaning of supplier diversity is how we enrich lives of people in the community, and create jobs in its areas."

If done properly, supplier diversity allows a company to differentiate its business model, along with supporting sales, gaining access to new markets and surviving the changing economy.

"Look at it as a competitive advantage," Byron said, adding there are supplier diversity opportunities in construction, legal and marketing.

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Following the general session, Hispanic Retail Excellence Awards were presented to Walmart for its Supermercado de Walmart, and Mi Pueblo Food Centers. In presenting the awards, Convenience Store News Editor-in-Chief Don Longo said the goal of the awards is to "recognize leadership of serving the wants and needs of Hispanic shoppers."

Accepting the award for Walmart was Jose Antonio Fernandez, vice president of Supermercado de Walmart, while Mi Pueblo President Juvenal Chavez accepted the award on behalf of his San Jose, Calif.-based grocery chain.

Later that afternoon, Hispanic Retail 360 attendees split up to attend several concurrent sessions on three tracks—advertising and marketing, consumer insights and retailing.

During the session titled "Seeking Growth via Hispanic Segments in a Down Economy," Cesar M. Melgoza, co-founder and president of Miami-based **Geoscape**, an analytics firm and sponsor of Hispanic Retail 360, showed data on the spending power of Latino customers over their lifetime.

**Geoscape** looks at a consumer base's "lifetime profit margin contribution," or what impact consumers can have on a company's bottom line over the course of their lifetime.

Because the median age of Hispanic consumers in the country is 27 (vs. 40 for non-Hispanics) and they live to a median age of 83 (compared to 81 for non-Hispanics), the Latino consumer group contributes 56 years of spending, the longest of all consumer groups in the U.S. And although they don't spend the most, Hispanic consumers spend longer, and are valuable, Melgoza said.

Hispanic spending power at various retail channels was the focus of the "Hispanics and the Retail Experience" concurrent session, presented by Leylha Ahuile, multicultural reports editor and senior analyst for Mintel International Group.

Latino consumers' purchasing power will reach more than \$1.4 trillion next year, primarily through the group's population growth, said Ahuile, noting there are more Hispanics born in the U.S. annually than those who immigrate to the U.S. In 2008, Hispanic babies made up 24 percent of all babies born in the U.S., while 62.7 percent of Hispanics were younger than 34. And because there are more Hispanic children growing up in the U.S., they will likely learn how to speak English, receive higher education levels than previous generations and be able to earn higher incomes, she explained.

In the current economy, Hispanic consumers are seeking out deals, with 75 percent of Hispanics saying they are looking for deals more often when making purchases now compared to a year ago. Despite this, household expenditures for Hispanic homes increased 78 percent across all retail channels last year, compared with 33 percent for non-Hispanic households, according to Ahuile.

In the convenience channel, Hispanic households' average annual spend totaled \$299, 10 percent higher than non-Hispanic households. In addition, Hispanic households' trips to c-stores were also up 3 percent over non-Hispanics, at 15.2 visits annually, she said.

The convenience channel—which includes bodegas—is also visited more frequently by Hispanic shoppers, compared to all other consumer groups. Within Hispanic shoppers, those aged 18-34 visit c-stores once per week or more, and younger Hispanic consumers are interested in finding financial services at convenience stores.

Overall, Hispanic consumers are more likely to purchase automotive products and phone cards at convenience stores, while they would like to see more home office services in the channel, such as fax and copier services, bill payment, check cashing and money transfer, along with entertainment options, including video games and DVDs, Ahuile said.