

## 5<sup>th</sup> ANNUAL HISPANIC RETAIL 360 FOCUSES ON CURRENT ECONOMIC CONDITIONS



By Mehgan Belanger and Don Longo, **Progressive Grocer**

**September 4, 2009** - With more than \$1 trillion in spending power up for grabs, retailers and marketers didn't let the current poor economy dissuade them from attending this year's Hispanic Retail Summit, held Aug. 9 to 11, in Las Vegas.

For the more than 350 attendees, the Hispanic Retail 360 Summit offered an opportunity to tour four stores that target Latino customers, hear major retailers including Best Buy, Ace Hardware and SuperValu discuss the development of their Hispanic initiatives, and participate in smaller concurrent sessions featuring leading authors, consultants and researchers on multicultural markets.

The summit also featured a product showcase room with 22 exhibitors of products and services for the Latino market.

On the first day of the conference, attendees viewed four leading Hispanic-focused retailers in the Las Vegas market — grocer La Bonita, Mariana's Supermarket, electronics retailer Best Buy and value grocer Food 4 Less, a Kroger chain. Led by the Summit's Master of Ceremonies Armando Martin, managing partner of XLEdge, his partner, Manny Fields, and Barbara Soto of api plus, the tour-goers saw two authentic Latino grocers, an example of a major grocery chain (Kroger) that does a great job of matching its footprint to the local community, and a giant superstore chain (Best Buy) staffed with bright and enthusiastic young people steeped in the language and culture of their community.

### BEST BUY KEYNOTE

Later that day, Best Buy employees took the stage for the keynote presentation, showing their efforts to connect with Hispanic consumers both at the store and in their homes. Teresa Iglesias-Solomon, vice president, Hispanic Initiative for Best Buy, began the presentation by highlighting Best Buy's three-step process to connect with Latino customers and build relationships. "Invite Latinos into stores through efforts such as community events and involvement, and social networking; engage the customer with a passion to understand their needs; and fulfill their experience with services such as its Geek Squad technical team and bilingual signage and store associates," said Iglesias-Solomon, noting the importance of getting the retailer's employees engaged in connecting with Hispanic customers. "Employees are passionate, and they all know about how great an opportunity Latino customers are for us."

Jackie Rodgers, territory five marketing manager for the Hispanic Initiative in Chicago, discussed how Best Buy connects with Hispanic shoppers through sponsorships and events they are passionate about. One of the ways the electronics chain does this is through its sponsorship of Major League Soccer's Chicago Fire. In all 52 Best Buy stores in the Chicago market, large banners illustrate the sponsorship of the team. Rodgers called these signs a "conversation starter," and said, "We share passion for the sport. Employees notice customers looking at the sign, and can start conversation. It's not about selling, it invites community interaction."

Beyond connecting with consumers through their interests, Best Buy also ensures its store level staff can communicate and listen to its customers by hiring bilingual employees, and offering Spanish language training. Since Hispanic spending will soon reach \$1 trillion, it was imperative Best Buy capitalize on that opportunity, said Ronee Wyatt, territory three Hispanic field support, in Texas.

"We made sure we have enough bilingual employees," she said, noting the retailer also offers training in Latino cultural tips so associates can better understand and connect with customers. In addition, Best Buy offers a one-year license to access the language learning software Rosetta Stone, so associates can learn Spanish on their own time, Wyatt said.

Best Buy associates are also given the opportunity to listen to customers' needs and address them, explained Marco A. Orozco, territory two marketing manager, Hispanic Initiative, Southwest U.S. and Hawaii. "Building trust is critical, but employees are our greatest asset. Our people grow the business genuinely, and innovate locally based on customer voices."

In one store in Las Vegas, employees continually heard customers asking for GPS devices with software for other countries, and now the location advertises that it offers such products. The store also moved its Latin music section from the back of the selling space to the front, after Hispanic consumers repeatedly asked where it was located. As a result, sales for that section of music increased.

"Our authentic voice is the connection to the customer. Employees are the heart of Best Buy," said Orozco, noting the associates' connections with consumers are also relayed in the brand's commercials, which feature real store associates telling true stories of helping customers. Orozco also premiered Best Buy's latest Hispanic-focused television commercial, which tweaked the concept -- instead of telling a story about a past experience, the commercial created an experience by surprising a Latino family in their home with a new home theater system and gave them the opportunity to meet several athletes from the MLS.

Concluding Best Buy's presentation was Christine Webster Moore, vice president, .com business initiative, who noted: "The team is proud of the work we've done. We've made some nice progress since last year, but we aren't done."

Looking ahead, Best Buy wants to become more fluid in its thoughts about Latino relationships, offer more creative ways for purchasing at Best Buy and dig deeper into social media, she said.

"We are authentically committed to serving Latino customers, despite the economy," she said, adding the economy is causing other companies to cut

back on initiatives, which may negatively impact the customer experience, but Best Buy will "honor the difference [between Hispanic and non-Hispanic customers] when difference matters, and when it does not, make Best Buy a world class experience."

## **ACE HARDWARE**

Cindy Nunez-Hasman came to Ace Hardware from multicultural marketing leader Sears to champion the Hispanic segment for 4,400 stores in the 85-year-old, retailer-owned cooperative. "At Ace, we started at ground zero, and the biggest struggle I've had has been educating my peers," said Nunez-Hasman. She joined with Jose Gonzalez, chief strategist of Revolution, to present the results of Ace's recent Hispanic market program in Denver, where sales in Hispanic-designated stores saw a 7-percent sales lift while non-Hispanic stores reported a 5-percent decline.

These results were achieved through five specific steps:

- 1) **Hispanic store visits:** After identifying more than 950 sites as Hispanic stores (with more than 15 percent of their trading area of Latino heritage), the company noticed the majority of these stores were not aware of the Hispanic customer, not aware that the company had Spanish language signage available to them and not even aware of internal e-mail alerts regarding the company's Latino marketing activities. "Our program didn't come to life until corporate went out into the field," said Nunez-Hasman. "You have to go out into the field to build credibility that this is a serious issue."
- 2) **Acknowledge the insights of managers and associates:** "Listen to the people, then get the business ready as much as possible. It doesn't have to be perfect. Start driving traffic immediately," said Gonzalez.
- 3) **Carefully observe the store and the surrounding trading area:** "Don't make assumptions about your brand equity," warned Nunez-Hasman. "We thought everyone knew Ace. Turns out we were lacking brand awareness among Hispanic shoppers. They were actually confusing us with a check cashing business named Ace."
- 4) **Educate yourself about the Latino shopper:** Ace named its Latino customer "Julio" and did research to understand his key motivators. "Latinos are very proud of the progress they've made in the U.S.," said Gonzalez. "Using this theme we were able to drive sales periods and product selection. We ensured Julio could get the help he needed from the local Ace Hardware store."
- 5) **Reach out to drive sales:** Using both in-store signage and displays, as well as TV and radio spots in Denver, Ace increased sales in Hispanic stores at a greater rate than at non-Hispanic stores. The Hispanic stores also reported higher transactions vs. non-Hispanic stores and feedback from the stores was very positive.

After the success in Denver, the Hispanic marketing program was taken to Sacramento and Chicago in 2009, and will go national in 2010, with the support dollars coming out of the co-op's general market funds, noted Nunez-Hasman.

The first day concluded with a \$5,000 check presentation from Anheuser-Busch to the Hispanic Scholarship Fund. Jena Focht, NRS senior key account manager for Anheuser-Busch presented the check to Molly Vitorte, director of outreach and nonprofit alliances for the charity.

## **HISPANICS AND THE ECONOMY**

Day two started by with an examination of the effects the recession has on Hispanic consumers and their shopping habits. During the first general session of the day, Daniel Aversano, product leadership, Nielsen Consumer Panel Services for The Nielsen Co., explained the two contrasting theories on the recession's impact on Latinos.

Because Hispanic consumers are more likely than the general population 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, he said. 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.

However, the picture is not that simple, Aversano explained, because the consumer 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. "True economic recovery will not begin until Hispanics are convinced it is here."

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 -- but now, they are saving money or lowering debt, behaviors that are 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 economic recovery since they aren't de-leveraging or changing purchasing habits to the extent of the total consumer group, Aversano said.

Looking at the impact of the economy on consumption and shopping habits, in a recent survey 41 percent of Hispanic consumers reported eating at home more often for breakfast, while 60 percent said they are eating dinner at home more often. Moreover, 60 percent of Latinos reported eating less

often in fast food locations, according to Aversano, who noted the emphasis is now on what consumers need, not what they want.

"Value is king," he 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.

And in terms of where consumers are shopping during the recession, Latinos reported making 9 percent less trips to grocery stores, but spending 2 percent more when they do shop in those locations. Meanwhile, Hispanic customers are visiting c-stores and bodegas four percent more, and spending per trip is up 17 percent, Aversano said.

Following the Nielsen Co. presentation, which included data from Nielsen's new national Hispanic consumer panel, Terry Soto, president and CEO of About Marketing Solutions Inc., provided examples of how Hispanics in America were coping with the new economic conditions. While many Latinos are redefining their notion of the American dream, according to Soto, it is more important than ever for marketers to provide transparency in all their communications with this segment, which is no longer as trusting as before the economic meltdown.

### **SUPPLIER DIVERSITY**

The next general session 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.

Indeed, the current economic crisis means that marketers have to prove their value every day, according to Reinaldo Padua, assistant vice president, Hispanic Marketing for Coca-Cola North America. In a presentation enlivened with videos showing how Coke connects on a cultural, emotional and functional level with the Hispanic consumer, Padua showed how the giant soft drink brand stays relevant to its customers even in the current economic environment.

"We're in more than 200 countries – that's more than the number of countries that belong to the United Nations," said Padua, who emphasized that Coke's success is heavily reliant on its retail partners.

One TV commercial that wowed the audience showed a blue-collar Hispanic father visiting his surgeon daughter. "It doesn't matter if you are from Cuba or Mexico, or if you're first generation or second generation, we are all looking for a better future," said Padua, after showing the "dreams" commercial. While the dreams campaign appeals to all Hispanics, Coke also developed special programs tied to World Cup soccer and Spanish-language TV telenovellas, as well. Padua noted that in 2010, Coke will take the World Cup (the first ever held in Africa) to new heights.

Following the general session programs, 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.

### **RESEARCH PRESENTATIONS**

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 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 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. Other service opportunities for c-stores include cash wiring services, bill payments, printing, fax and photocopy services, along with Redbox and video game rentals.

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.

## WORKSHOPS

Manny Fields, a partner with multicultural consulting firm, XLEdge, urged audience members in his breakout session to leverage assets from their general market programs to maximize results in their multi-cultural programs. He pointed to retailers such as H-E-B and Publix as examples that do it the best, as well as manufacturers such as Nike, Procter & Gamble and Unilever.

Latinos were described as coveted employees in a highly interactive workshop led by Mariela Dabbah, author of several books including "The Latino Advantage in the Workplace." The session was designed to help people who have to hire and manage Latino workers, as well as for Latino employees seeking advice on career advancement. Dabbah presented a series of Latino traits that are advantageous for employers, such as their adaptability and resourcefulness, as well as tips on how to avoid shortcomings of each trait, such as losing sight of career goals and their need to be encouraged to take on the next challenge.

She used relevant examples from such companies as ExxonMobil and McDonald's Corp.

Georgia Galanoudis, group director of custom solutions for Meredith Corp., used Kellogg's Healthy Beginnings strategy as a case study to explore how brands and retailers work together for Hispanic success. Started in 2006, the Healthy Beginnings program has evolved through trial and error into both a general and Hispanic market program that provides long-term customer engagement with four key healthier-for-you brands.

## INNOVATION IS KEY

The final day of the Summit was highlighted by a dynamic panel of retailers discussing best practices and innovation in addressing the needs of Hispanic shoppers.

Led by business strategist Art Turock, the panel included representatives from three major regional grocery chains, an award-winning independent and the largest electronics superstore chain in the nation.

First, Turock got the audience thinking by pointing out how difficult economic times are the best times for innovation to flourish, citing numerous examples from the creation of King Kullen supermarkets to Starbucks. "Any day you stay hunkered down [during the recession] is a day you don't further your competitive edge," he told attendees.

Daniel Herrera, marketing manager for North Carolina-based regional supermarket Food Lion, spoke about the retailer's five-year planning process that has resulted in undertaking a major remerchandising program turning 59 of Food Lion's 1,200 supermarkets into Hispanic stores. For something of this magnitude, "it has to be a corporate initiative," said Herrera. The company also visited Hispanic supermarkets in several markets, including Houston, Atlanta, Raleigh-Durham, N.C., Richmond, Va., among others.

But a real key to rolling out the program was conducting both qualitative and quantitative customer research. "As valuable as focus groups are, you can't make decisions just on the basis of 12 people," said Herrera. "You have to do the quantitative research as well."

Marco Orozco, who spoke earlier in the program as part of the Best Buy keynote, pointed out that it's "all about foundation and fundamentals." And, those fundamentals start at the store level, he noted, pointing out that the idea to create an experience for Latino mothers around a cultural relevant holiday like Mother's Day. "That was an initiative that was instigated by employees," said Orozco.

However, Orozco also warned the audience of 350 retailers and marketers that "innovation has to be measured and provide a return on investment." As an example, he recalled how Best Buy had much less success with a program designed to help its customers learn English. "We tested some language software programs, but we found that the community didn't look to us to do that, so we stopped it because there was no ROI."

Jose Amaya, director of diversity at Midwest-based Hy-Vee supermarkets, observed that he was the only academic on the panel. "I was told to go out and get the best and the brightest to work for Hy-Vee," said the former Ohio State professor. Amaya acknowledged that like Food Lion, Hy-Vee is a late entry into Hispanic retailing. But, he said the Midwest grocer found itself in the "eye of a perfect storm" between the growth of the Latino population and the company's ability to address the health and wellness concerns of the Hispanic community.

Knowing that Latinos index higher than the general population on a variety of health issues such as obesity, lactose intolerance and heart disease, Hy-Vee launched an extensive health and wellness program. The grocery now has a dietitian working in 173 of its 225 stores — with plans to place one in every store. "We also know that this community is not just un-banked or under-banked," said Amaya. "We know they are also in need of sound medical advice." The company's pharmacists work extensively with these dieticians in every store to advise Latino customers on how to eat healthier, he said, noting the dieticians will also work to help consumers make compromises to meet their budgets and health goals. He also noted that local and

organically-grown produce is selling “quite well” in stores where this is happening.

Tracy Krogstie, marketing and promotions manager for Jewel/Osco, spoke about four ways the Chicago-area grocer brings its “Cosa Buenas a la Vuelta de la Esquina” (“Good Things are just Around the Corner”) campaign to life. The first is through direct mail piece. “Hispanics actually respond well to direct mail about grand openings,” said Krogstie, who noted coupon redemption rates are much higher when the offers are positioned as a “gift” to the Hispanic family, rather than a discount. Buy-one, get-one-free, 10 to \$10, or 99 cents promotions are also very effective.

She also noted that partnering with key vendors on in-store events is important. Jewel has done in-store demonstrations with Unilever, and autograph signings with Hispanic sports and telenovella stars with both Anheuser-Busch and General Mills.

Working with non-traditional partners has also been effective for Jewel. Examples include programs with Mexicana Airlines (discounts) and Dodge Chrysler (coupon for oil change). Krogstie also noted eight of Jewel’s top Red Box DVD rental kiosks are in Hispanic markets.

Finally, she pointed out that ethnic and special integration is extremely important. Because few stores represent a monolithic customer base, Jewel has found success integrating Kosher, Polish and other ethnic and specialty items into its Hispanic ads.

Juvenal Chavez, founder and president of San Jose, Calif.-based Mi Pueblo Food Center, showed a video of his stores, after which Turock asked audience members to describe what they saw. Responses included “authentic,” “relevant,” “spacious,” “friendly,” “home,” “colorful” and “clean.”

Chavez, who earlier in the conference accepted a 2009 Hispanic Retail Excellence Award, said, “At Mi Pueblo, we make you feel at home.” He added: “We realize customers visit us for a basic need. We turn the mundane need into something different.”

However, he cautioned general market retailers trying to cash in on the Latino market that “the easy thing to do is to cut your prices, paint the store bold colors and say you’re doing business with Hispanics. It’s not so easy. It is very challenging.”

Chavez, who arrived in the U.S. on Independence Day in 1984, opened his first 4,000-square-foot Hispanic grocery store in 1990 and now has 10 full-size stores in northern California, said he is still learning. “There is a wisdom in knowing you don’t know all the answers,” he said. “You must never stop learning.”

### **The Mystery Margin**

Master of ceremonies Armando Martin closed the conference by reminding attendees that “where there is mystery, there is margin.” He encouraged retailers and marketers to look at their general market resources and the amount of dollars devoted to the multicultural market and analyze the gap between the spending and the amount of opportunities in each market. In most cases, this analysis will show that your company is under-spending against the multicultural opportunity.

The 2009 Hispanic Retail 360 Summit attracted more than 350 leading retailers and marketers interested in growing their business with Latino consumers. The Summit was hosted by Convenience Store News, Progressive Grocer and Nielsen Business Media. Presenting sponsor Coca-Cola was joined by other sponsors including Geoscape, Café Bustelo, Anheuser-Busch and Western Union. For more on the Hispanic Retail 360 Summit, watch for the Sept. 28 issue of Convenience Store News.

Next year’s Hispanic Retail 360 Summit will be held in Scottsdale, Ariz. in August 2010.