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Progressive Grocer Magazine FEATURE: Beyond Cinco de Mayo

By Jenny Summerour

AUGUST 01, 2002 -- Those in the trenches of ethnic marketing agree: It's going to take more than tortillas and salsa music for U.S. supermarkets to win Hispanic shoppers. As America's largest ethnic group—already pegged at 35 million and believed to be much larger—continues to grow by leaps and bounds in urban and rural areas alike, food retailers must decide exactly how they want to serve the market, as well as how much time, money, and creativity they are willing to invest. The payoffs promise to be plentiful, but the key is establishing a long-term, company-wide strategy.

While Hispanic marketing has been around for two decades, plenty of companies have yet to craft a strategy for attracting and keeping customers in this shifting demographic, which is expected to reach 55.1 million by 2020, according to 2000 Census projections. In the Food Marketing Institute's latest study on Hispanic shoppers, only two in 10 respondents said their primary grocery store did an excellent job, while 19 percent rated their store as only "fair." The study found that factors such as income, age, and gender, as well as how long respondents had been in the country, created key differences in how they perceived the supermarket. In general, those who were more acculturated were more satisfied with their shopping experience.

Perhaps one of the biggest challenges to retailers is that there is no single formula for reaching consumers with Latino origins. As with any other demographic, there are a number of subsets within the group that bring a variety of tastes and expectations, including different levels of acculturation—the process of adapting to a different culture—as well as factors that influence acculturation, such as language preference, country of origin, and birthplace of parents. Countries of origin vary from Mexico to Central America, South America, and the Caribbean, and each area has its own food preferences.

"You can't use a cookie-cutter approach. As with any other marketing approach, you have to make a distinction about what you're going to be," says Al Plamann, president and c.e.o. at Commerce, Calif.-based Unified Western Grocers, which supplies independent grocers in such ethnic hotbeds as Los Angeles. Plamann equates Hispanic marketing to any other marketing initiative. "We're seeing a spectrum of concepts that reach Caucasian customers. You have to have that in Hispanic markets too, from more take-home formats to wholesale-type stores." One of the California independents Unified works with has seen high sales on carry-out items like fresh menudos, an aromatic soup favored by Mexicans, Plamann notes.

Ideal customers

Not by the numbers

The person responsible for ethnic initiatives should work with local buyers and merchandisers to learn as much as possible about consumers, observe what their competitors and local restaurants are doing, read cookbooks, and in general find ways to reach out to the community. "You just can't do category management by the numbers, because the numbers will tell you about the movement of product, but they won't tell you what's out there that you're not taking advantage of," says Soto.

As far as acquiring products, where there's a will, there's a way. Hy-Vee, for example, created its own distribution arm, Lomar Distributing, which enables the company to source products across the globe.

Jurgens acknowledges that his company is already at an advantage since its 200-plus stores are run locally by store directors and can more easily be addressed market by market. The company has designated one of its directors of operations to be in charge of ethnic marketing and is funding Spanish classes for some of its store managers. Some of the smaller rural communities in Hy-Vee's Midwest marketing areas are beginning to get a larger percentage of Hispanic consumers, Jurgens notes. For example, in Denison, Iowa, a town of 6,600 that is the birthplace of actress Donna Reed, about 50 percent of the kindergartners are from Mexico.

Merchandising to Hispanics is really no different from setting aside space for the health segment or a college population, says Soto. "It's really a matter of understanding the key things they want—even just 14 feet or 20 feet of the staples. That saves them time from going to a Hispanic store. Retailers should know the primary types of produce their customers want, the kinds of oil they cook with," she says.

But beyond having an ethnic aisle, the store should make its commitment visible from the moment a customer enters the door, Soto says. One way is to set up displays in the front of the store featuring staples in the Hispanic diet, which of course will differ depending on the country of origin. Other considerations include bilingual signage, which should be used in hot spots such as produce and even among non-ethnic items that Hispanics tend to over-index on, such as Clorox bleach, soft drinks, cereals, and corn oil, adds San Jose's Woods.

Some retailers are intimidated by Hispanic signage because it involves a different language, and in some cases they don't want to offend their non-Hispanic customers, observers say. But once a company has made the commitment, it must make its position clear. "Employees need to be trained on the supermarket's position to cater to the local consumer, and based on that, they must demonstrate commitment to these goals in the face of adversity rather than apologize to the customer," says Soto.

Having bilingual employees who are easily recognized by customers is just as crucial. "If a Hispanic who primarily speaks Spanish walks into a store and doesn't find what he's looking for, chances are he won't approach someone and ask. He'll vote with his feet and go somewhere else," says Viva Partnership v.p. Gus Ferreira. And in today's competitive retail climate, that's the last thing a retailer wants to happen.

Despite the differences among Hispanic shoppers, several commonalities make them ideal supermarket customers. On average, their spending patterns outpace those of non-Hispanic shoppers, and they prefer fresh ingredients and home-cooked meals. Traditionally, Hispanic mothers consider it a duty and an expression of devotion to cook for the family. Consider that Hispanics spent \$33.1 billion on food at home in 2000 and, on average, spent \$117 per week on groceries, while the average U.S. shopper spent \$87 per week. And Hispanics spent above average in perimeter departments such as produce and dairy.

Hispanics also tend to be savvy consumers, observers note. They expect a clean store and good customer service. And unlike many non-Hispanics, they enjoy grocery shopping and see it as a social event. "This is a segment that will shop a minimum of five stores a week. It's a circuit, an event to them. Usually the mother, father, and children go along, or maybe the mom will shop with her co-madre—her girlfriends—and their kids," says Jennifer Woods, e.v.p. at Chicago-based marketing firm The San Jose Group.

In addition, Hispanic shoppers are known to be brand loyal, and price isn't necessarily the first thing they look at, says Linda Lane Gonzalez, president of Miami-based marketing group Viva Partnership. "They're looking for someone who's going to care about them and speak to them in their language and cultural context. Will the company sponsor a Little League Baseball team? Those little things add up and help cement the brand loyalty," she says.

Yet several marketing challenges have stopped some retailers short of making a full-time, 365-day investment. Local marketing, for instance, can be a sizable challenge, especially to bigger chains that are looking to buy and merchandise on a more efficient, large-scale basis. They may find it more difficult to deviate from traditional category management models and customize assortment for subsets of stores. "Many do not have dedicated staff to review and analyze sales data or to be out in the field trying to identify assortment opportunities or looking for distributors," notes Terry Soto, principal at Burbank, Calif.-based consulting firm About Marketing Solutions, and author of *Grow with America*, an ethnic marketing study conducted for the Coca-Cola Retailing Research Council of North America.

Ideally, retailers need to take an introspective look into their organization and its culture, decide to what extent they want to reach Hispanic customers, and then designate a senior executive—not a store-level employee who is more concerned with day-to-day operations—to work with specific task forces within the company to carry out the overall mission, says Soto. "If anyone approaches ethnic marketing as a test or a project—something you just do from time to time—it will never work. It will always be looked upon as one more thing to do, a burden." The commitment must go beyond an annual Cinco de Mayo event generated by vendors, she notes, adding that a growing number of retailers are hiring ethnic buyers.

"You can't just buy some tortillas and piñatas and say you're marketing to the Hispanic population in the United States today," says Ric Jurgens, president and chief administrative officer at West Des Moines, Iowa-based Hy-Vee. "It needs to be a designated department with someone in charge and a concerted effort to keep it a dynamic and moving section of the store, responding to the variety of acculturation levels." Jurgens and Unified's Plamann both serve on the Coca-Cola Retailing Research Council.

Supermarkets are already at an advantage—they are the most popular type of store for purchasing groceries among Hispanics, according to FMI's report. But by making a full-time commitment to Hispanic marketing, savvy retailers can win the loyalty and spending power of what one marketer calls a "dream" demographic.

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