



THE
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MULTICULTURAL
SCIENCE

Estimating the Value of the U.S. Hispanic Shopper: An In-Culture™ Analysis

Executive Summary

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Sponsors

The Center for Multicultural Science (CMS) is highly indebted to the following companies who made this study possible:

National Grocers Association (NGA)
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Background: Addressing the Hispanic Retail Sales Undercount

Key Issues

The 2010 U.S. Census determined that the U.S. Hispanic population surpassed 50 million (17 percent of total population) and is projected to become 25 percent of the total U.S. population by 2050.¹ At the same time, the Selig Center for Economic Growth reported that the estimated total purchasing power of U.S. Hispanics exceeded \$1.2 trillion² in 2012. With a young population in household formation stage, Hispanics add an estimated \$80 to \$100 billion every 12-months to the U.S. marketplace.³

Despite these gains, U.S. Hispanics remain disproportionately under-represented as key contributors in almost every sector of the economy. Isabel Valdés Consulting (IVC) analyzed the *2012 Multicultural Economy Report* published by the Selig Center for Economic Growth and concluded that almost 50% of the \$1.2 trillion in Hispanic purchases could not be accounted for. That is close to \$600 billion!⁴

Additionally, multicultural consumer purchasing data is often incomplete or inaccurate, posing a major challenge for corporations to develop effective business and marketing strategies, and measure the true contribution of the U.S. Hispanic market to their ROI. Presently, this data gap is driven partly by the fact that most U.S. Hispanic syndicated retail data undercounts an estimated 20 to 60 percent of purchases made by Hispanic consumers (depending on the category).

This study aims to address the Hispanic consumer purchasing data gap. Analyzed through the In-Culture™ methodology, this study will help retailers and suppliers better understand the rapidly evolving market place, and its shifting socio-cultural landscape. The study also provides insights that show how retailers and suppliers can leverage the full economic potential of the Hispanic population for growth, today and in the future.

For further information on this topic, we recommend reading *WIN! The Hispanic Market: Strategies for Business Growth*, (M. Isabel Valdés, Editor, 2012, PMP Publishers, Ithaca, NY).

¹ The Bureau of the U.S. Census, 2010

² *The 2012 Multicultural Economy Report*, Selig Center for Economic Growth, University of Georgia

³ IVC estimates

⁴ IVC estimates based on Selig Center's *2012 Multicultural Economy Report* and U.S. Census, 2010

Data part of "Where's the Beef" presentation made at Hispanic Retail 360 Conference, Los Angeles, August 2012

* Not including 3.7 million Puerto Rican islanders

Purpose and Scope of the Study

The purpose of this study was two-fold:

- (1) To estimate the economic contribution of the Hispanic population in the independent retail grocery channel, based on the parameters defined by the National Grocers Association (NGA), a leader and authority in the independent retail grocery industry, and
- (2) To conduct an In-Culture™ analysis of the NGA data to uncover key shopper insights and purchasing patterns among Hispanics, which provides retailers and suppliers with actionable strategies.

The Center for Multicultural Science formed a strategic partnership with the National Grocers Association and John Dunham & Associates. The present study is based on data collected for *The Economic Impact of Independent Grocers: 2012*⁵ study, published by the National Grocers Association. John Dunham and Associates developed the methodology of the report, and adapted it for the present study. The Center for Multicultural Science directed the study, providing in-culture directions and parameters, as well as methodological recommendations.

To our knowledge, the current study may be the first to estimate the economic contribution of the Hispanic population across the independent retail grocery channel. The Center for Multicultural Science recognizes that this channel is fragmented and highly challenging to measure, and further research is needed.

Hence, this study is considered the first step to accurately measure the total value of the Hispanic independent retail grocery channel. In addition, we are teaming up with Nielsen to ascertain the total value of the Hispanic shopper and other multicultural segments across the entire U.S. independent retail grocery channel.⁶

⁵ See: *The Economic Impact of Independent Grocers: 2012*, prepared for the National Grocers Association by John Dunham and Associates, April 2013, on-line at: www.nationalgrocers.org/economic-impact/

⁶ The Center for Multicultural Science is presently engaged in a second study to address sampling and methodological issues that surfaced as a result of this seminal study, and to ascertain the economic contribution of the Hispanic population in the independent grocery retail stores whose sales are under \$2 million annually. We are grateful to our sponsors and partners for their continued support.

Executive Summary

This is the first study that attempts to estimate the economic contribution of the U.S. Hispanic population in the independent retail grocery channel.⁷ The analysis was based on data collected for *The Economic Impact of Independent Grocers: 2012* study,⁸ published by the National Grocers Association (NGA).

This report provides suppliers and retailers with an analysis of the NGA data based on a unique marketing research methodology - In-Culture Marketing™ - a gold standard applied by leading corporations. This research methodology uncovers customer insights and shopping patterns that are significant for the retailer and marketer to devise actionable multicultural marketing strategies at the hyper-local level—across merchandizing, product assortment, grassroots, community relations, media, and the like.

Data presented herein reflects annual estimated sales of the independent retail grocery channel in 2012. The data in this report was analyzed across Hispanic and Non-Hispanic populations; by state, city, grocery retail categories, and five Hispanic neighborhood clusters, which this report refers to as In-Culture™ Zones (1-5).⁹

Key Findings

- *The Economic Impact of Independent Grocers: 2012* study estimated the total value of the independent retail grocery channel in the United States at **\$131.2 billion**.
- This study estimated the total Hispanic contribution of the independent retail grocery channel at **\$22.9 billion**, based on the financial estimates of the National Grocers Association.¹⁰
 - **\$22.9 billion** represents an estimated **17.4%** of all purchases made at independent grocers, which is in line with the U.S. Hispanic population of **17%** or **52 million**.

⁷ This study used the National Grocers Association's definition of Independent Grocer: It includes all privately owned or controlled grocery stores with annual sales between \$2 million and \$5 billion.

⁸ *The Economic Impact of Independent Grocers: 2012*, Prepared for the National Grocers Association by John Dunham and Associates, April 2013, on-line at: www.nationalgrocers.org/economic-impact/

⁹ In-Culture Zones: Zone 1: 0% Hispanic population density; Zone 2: 1-15% Hispanic population density; Zone 3: 16-34% Hispanic population density; Zone 4: 35-65% Hispanic population density; and Zone 5: 66%+ Hispanic population density.

¹⁰ *The Economic Impact of Independent Grocers: 2012*, prepared for the National Grocers Association by John Dunham and Associates, April 2013, on-line at: www.nationalgrocers.org/economic-impact/

- The Top 5 categories in this channel represent an estimated **\$21.2 billion** in annual sales, accounting for **93%** of total Hispanic sales in the independent retail grocery channel.
 - “Groceries” was the largest category, representing almost **80%** of the total Hispanic annual sales or **\$18 billion**. The “Grocery” category includes “Fresh fruits and vegetables,” “Fish, poultry and meats,” and others.
 - The second largest category was “Drugs, beauty aids, health aids, and cosmetics,” which generated an estimated **\$1.2 billion** in Hispanic annual sales.
- Hispanic purchases in the independent retail grocery channel are concentrated in states with the highest Hispanic population, referred to in this report as “Hispanic States”—CA, TX, NY, AZ, FL, IL and NJ. With more than **36 million** Hispanics, these seven states generated an estimated **\$16.7 billion**, accounting for approximately **73%** of the total national annual Hispanic sales.
- The In-Culture™ analysis showed that the Top 20 “Hispanic Cities”—Los Angeles, Houston, Dallas, New York, Phoenix, San Diego, Fort Worth, Chicago, San Jose, Sacramento, Fresno, San Antonio, Modesto, Miami, Denver, Brownsville, McAllen, San Francisco, Visalia and Washington, D.C.—generated the bulk of the annual sales in these cities, an estimated **\$2.2 billion**.
 - A hyper-local In-Culture™ analysis showed that sales from stores located in the highest Hispanic population density neighborhoods in the Top 20 Hispanic cities—Zone 5 (66%+ Hispanic population density) and Zone 4 (35%-65%)—generated an estimated **\$1.7 billion** or **78%** of Hispanic annual sales.
- **82%** of the total annual Hispanic sales in the Top 4 Hispanic cities—Los Angeles, Dallas, Houston and New York—were generated in high-density Hispanic neighborhoods (Zones 5 and Zone 4).

Implications

The findings of this study validate that Hispanic consumers are key drivers for growth for independent retail grocers and suppliers:

1. Hispanics contribute greatly to the independent retail grocery channel at the national level, and in cities where the Hispanic population is concentrated.

Based on the current and projected growth of the Hispanic population (i.e., the U.S. is projected to be a “minority-majority” country by 2043), suppliers and independent retailers should accelerate their efforts to develop on-going strategies and programs to effectively target the Hispanic shopper.

2. The In-Culture™ analysis uncovered shopper insights and demographic differences not only between the Hispanic and non-Hispanic shopper, but also between Hispanics across different Hispanic population density neighborhoods.

The In-Culture™ analysis provided granular intelligence and shopper insights that can significantly aid suppliers and retailers to target and merchandize to the Hispanic shopper, successfully.

3. While there is a trend towards creating “total market” strategies, this study underscores the need to strategically support and invest in brand activation at a local level.

Findings from the In-Culture™ marketing analysis reinforce the need for hyper-local marketing and retail sales strategies, and on-going, robust, community-based retail programs.

Future Considerations

It is important to note that this study examined the economic contribution of the U.S. Hispanic population at independent retail grocers with annual sales between \$2 million and \$5 billion, and reported sales data across the Top 20 “Hispanic Cities” (not DMAs or MSAs). For this reason, future research is needed to estimate the full value of the U.S. independent retail grocery channel not just for Hispanics, but also for all multicultural consumers in the United States.

As more In-Culture™ studies are conducted, and more shopper insights are gained, retailers and suppliers will have additional market intelligence to devise strategies to effectively target multicultural consumers, drive ROI, track sales—and win with the Hispanic customer “for life.” The Center for Multicultural Science invites you to join us in this effort.

About the Authors

M. Isabel Valdés – Project Director

Isabel Valdés is recognized as one of the nation's leading multicultural marketing experts and researchers. A former CEO, she developed the In-Culture Marketing™ methodology, which continues to be the gold standard in multicultural marketing today.

For over two decades, Isabel Valdés has consulted in virtually every business category for Fortune 100 and 1000 companies in the U.S. and abroad. She has collaborated with a number of syndicated research companies, including AC Nielsen for whom she developed the Hispanic Panel (Los Angeles) in the 1990s.¹¹ Presently, she heads Isabel Valdés Consulting (IVC), advising corporations on a broad range of business- and marketing-related issues.

Presently, Isabel is the Chairperson at the Center for Multicultural Science, Vice President of the Chile California Council, a member of the Board of Trustees at the San Francisco Symphony, and JUMA Ventures. Previous board affiliations include: the National Council of La Raza (NCLR – Washington D.C.); National Hispana Leadership Institute (NHLI – Washington D.C.); the Tomás Rivera Policy Institute (Los Angeles –TRPI) and Latino Community Foundation (LCF – San Francisco).

Isabel is the published author of five best-selling books in Hispanic marketing and multiple articles. A frequent speaker at conferences and TEDx, she is the recipient of numerous awards; amongst these, she was named “ahead of the wave in multicultural research” by American Demographics Magazine.

Ms. Valdés holds several degrees in Communications, Education, Research and Advertising: two Masters degrees from Stanford University and two from leading universities in South America.

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Marie Quintana

As President and member of the Board of Directors of Tu Familia, Marie directs the work of a company dedicated to delivering comprehensive digital services and reliable, trusted information to the Hispanic community.

Before joining Tu Familia, Marie was President/CEO of The Quintana Group, a full service management consulting firm with leading international companies and brands to define, refine and implement business strategies to maximize sales.

Prior to that, Marie spent 14 years with PepsiCo, most recently as the Senior Vice President of Multicultural Sales and Marketing. She led the customer strategy for PepsiCo's Multicultural markets, taking an integrated approach to align brands, retail and community programs. Marie also served as PepsiCo's Vice President of Global IT Strategy and Capability, as well as Vice President of Technology.

During her career, Marie held executive sales and consulting roles at Perot Systems and IBM. She spent 13 years with IBM where she was in sales and marketing leadership heading up business solutions for customers in the Consumer Packaged Goods Industry.

¹¹ Valdés, M.I. (2002), Marketing to American Latinos: A Guide to the In-Culture Approach – Part II, pp. 143-177, PMP, Ithaca, NY

Among her affiliations, Marie served on the Board of the Network of Executive Women, and chaired the Corporate Board for Latina Style Magazine. She was named one of the Top Women in Grocery by Progressive Grocer. Marie is a contributing author to the book, *WIN! The Hispanic Market: Strategies for Business Growth*, and is currently on the board of the Center for Multicultural Science.

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Jake Beniflah

Dr. Jake Beniflah is the founder and Executive Director of the Center for Multicultural Science, the first think tank in the U.S. dedicated to bridge the gap between corporations and academic researchers in multicultural marketing.

Over the last 22-years, Jake has held a number of senior-level positions in the advertising industry, working with leading corporations to drive ROI for Hispanic and mainstream consumers. His areas of expertise include consumer insights, acculturation, market research, and brand strategy.

Jake formed a strategic partnership with Henry Stewart Publications in the UK, and is leading a national effort to launch the first-ever Special Issue in multicultural marketing under the Journal of Brand Strategy in the fall of 2014. The plan is to introduce the first quarterly multicultural marketing journal in 2015, and provide leading corporations with cutting-edge multicultural marketing research to drive ROI.

Jake studied under a number of research pioneers who had tremendous impact on Hispanic marketing strategy and acculturation measurement. He earned his Doctorate in Business Administration from Golden Gate University in 2010.

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