

CENTERSTORE



ETHNIC BOOM

In states with exploding Hispanic population growth, can retailers win over new customers using private-label ethnic products?

By LUCIA MOSES

IGA offers just seven Tex-Mex-style items under its own name, such as beans, salsa and taco shells. But for Jim Collins, national accounts manager with responsibility for private label, that's just a start.

"A lot of IGAs are in rural areas, but we're finding we've got to get into it more than we are," he said. "They're realizing there are more Hispanics out there, and there are different groups — there's Puerto Rican, Cuban, Spanish — and they all eat differently."

Many Southern and Midwestern states like South Carolina, Tennessee and Minnesota have relatively small Hispanic populations, but they've increased dramatically in recent years. North Carolina's Hispanic population mushroomed nearly 400% from 1990 to 2000, for example, while Florida's and Texas' grew just 70% and 54%, respectively, according to U.S. Census Bureau data. Among the states with the fastest-growing foreign-born populations between 2000 and 2003 (more than half of which were born

in Latin America) were Arkansas, Kansas and Mississippi, according to the Census Bureau.

Retailers in those fast-growth states have to figure out how to market to these communities. One of many questions they face is whether to target these newcomers with ethnic store-brand items as well as authentic ethnic-branded products known to new immigrants from their country of origin.

Some major retailers, among them Supervalu, Ahold USA, Publix Super Markets and H.E. Butt Grocery Co., have already introduced Hispanic-style products under their own labels. Others may not be far behind. SN's annual survey of Center Store activity found 40% of retailer respondents said they planned to add or introduce such store-brand items in the coming year, up from 34% the year before.

Topco Associates, Skokie, Ill., is working with retailer members to develop a Hispanic strategy, said Dan Mazur, senior vice president for the

retailer-owned cooperative. The company is identifying products that will help members satisfy this growing segment, he said.

Retailers have a big opportunity to use store-brand ethnic products to appeal to Hispanics, particularly as they acculturate and try less-familiar brands, observers say. Products also can cross over to the general market if they target acculturating Hispanics, as Supervalu sought to do with its Carlita line of packaged taco kits, salsas, refried beans and the like.

"People are in that middle ground and may not want to buy something from Mexico," said Karla Fernandez Parker, president and chief executive officer of San Antonio-based K. Fernandez & Associates, a Hispanic advertising and marketing firm, of the Tex-Mex store-brand strategy. "That's definitely happening. You're seeing whole categories getting broadened

as a result. And as people are here longer, they're taking advantage of the fact that people take shortcuts."

Publix Super Markets uses Hispanic-style store-brand products such as mojo, canned beans and adobo seasoning, along with authentic items, to cater to Hispanics where their communities are well-developed, such as South Florida, and emerging, such as Georgia and Tennessee. Publix features them as ingredients in its Simple Meals menu program and highlights them with bilingual signs. In developing Hispanic markets, Publix also offers plenty of samples to familiarize shoppers with them, spokeswoman Maria Brous said.

Strong brand loyalty among less-aculturated Hispanics could work against store brands, especially if they're perceived as being of lesser quality, though. A survey this year by Information Resources Inc. found

that Hispanics were less likely than non-Hispanics to completely agree that store-brand bleach was as good as the national brand (25.5% vs. 30.3%). They also were more likely to completely disagree that the two were just as good when it came to cosmetics, shampoo, dairy and snack products.

On the other hand, many conventional retailers serving emerging Hispanic communities face relatively undeveloped competition for the Hispanic food dollar, which could give their store brands a head start. Hispanic consumers are more price-sensitive than the general market, the IRI research indicated. And observers say many of these emerging communities are poorly served by bodegas where foods' quality and freshness can be uneven and prices high.

Brand loyalty comes first, Fernandez said. However, she added, "The alternative is to go to these little stores and pay a lot of money or try [the supermarket's] private label. That's where I think the stores have an advantage, if they can position it with the consumer and do tastings."

Retailers contend that having a strong, positive image with shoppers can spill over to its store brands and win over brand loyalists.



Retailers tend to stick to staple items with their store-brand ethnic items.

HISPANIC GROWTH

Many Southern and Midwestern states with small Hispanic communities have seen dramatic growth in those populations:

STATE	% CHANGE IN HISPANIC POPULATION, 1990-2000
Alabama	208
Arkansas	337
Georgia	300
Kentucky	173
Minnesota	166
Nebraska	155
Nevada	217
North Carolina	394
South Carolina	211
Tennessee	278
United States	58

Source: U.S. Census Bureau

Brous said Publix enjoys high affinity among its customers, which carries over to all its store brands, Hispanic and otherwise. That's why, in the case of all its private-label items, the retailer uses a consistent design that emphasizes the Publix name. "Customers know what we're about and

trust the quality," Brous said.

IGA also sees an opportunity to convert Hispanics with its house brand, not only because of its reputation but the cost savings.

"We certainly feel there's a strong attraction between these people and the brands they knew, but we've also

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said, these are savvy shoppers, and they're looking at doing what everybody else is doing," said Doug Stone, advertising and marketing director for W. Lee Flowers, an independent distributor in Lake City, S.C., that supplies 68 IGAs in Georgia and the Carolinas plus 30 other independents. Those IGAs support the store brand with bilingual versions of its "Compare and Save with IGA" signs on shelves and in windows.

While Stone doubts those markets have enough Hispanic shoppers to support a large Hispanic store-brand line, he acknowledges that day may come. "I think that we're seeing the Hispanic population move toward the IGA stores as they see the value we're offering." Of the bodegas that also serve those communities, he said, "I've been in them, and they're not cheap."

Dave Hayden, vice president of sales and marketing for Tigard, Ore.-based Western Family Foods, doesn't see store brands' appeal stretching beyond non-Hispanic and acculturated shoppers, however.

Western Family, which markets the Western Family and Shurfine lines, put bilingual labels on 30 or so Hispanic-themed items. Still, Western Family's retailer customers tend to rely instead on authentic ethnic products to target Hispanic shoppers. "We don't end up in the Hispanic aisle very often," he said. "We end up in the regular aisle."

Hayden said his experience made him skeptical that Hispanic store brands like Carlita would succeed long-term, despite Super-Valu's calling it one of its great private-label success stories.

"The Hispanic family likes the labels that they recognize. To put a Carlita

kidding themselves."

If and when retailers do decide to introduce or expand a Hispanic-style store brand, packaging and contents that emphasize quality is important, given the value Hispanic shoppers place on

quality, said Staci Covkin, executive vice president of consumer insights for IRI.

"They're less likely to buy typical private label, where there's typically no association with quality," she said. "If the retailer is going to

invest in [its] own brand, there's a lot of opportunity there. I think the packaging is so critical, and showing what the product is going to look like. Having quality products is so important to the Hispanic consumer."