



Minyard Food Stores' new Carnival grand opening celebration.

MARKETING Revival

Hispanics are shopping more mainstream as marketers test new concepts to appeal to this diverse group

By CHRISTINA VEIDERS

Hispanic Heritage Month, which kicks off this Friday, is an appropriate reminder to food retailers how culturally complex it is to capture the hearts of this burgeoning consumer segment.

The observance celebrates the culture and traditions of U.S. residents who trace their roots to Spain, Mexico and the Spanish-speaking nations of Central America, South America and the Caribbean.

Until now it's largely been

independents with their ethnically correct merchandise sets, specialty fresh departments, Spanish-speaking staff, bilingual merchandising and community outreach that have won over Hispanic food shoppers.

According to a new Unilever study, "Winning the Hispanic Shopping Trip," independents are generating bigger market baskets from Hispanics over chain grocery stores. For every \$1 spent at a chain, Hispanics spend \$1.45 at an independent. The study found that Hispanics spend \$6 per trip

more and purchase six to seven more items per trip at an independent.

The reason, the study concludes, is that employees at independent stores often speak Spanish and the stores have the lowest prices. Independent retailers also are seen as a place where shoppers can find everything they need.

"Independent supermarkets are stores of their community where people speak the language and know all the shoppers. These stores are the gold standard," said Michael Twitty, senior

group research manager, Shopper Insight, Unilever, Englewood Cliffs, N.J.

Over the years, mainstream supermarkets have tested various concepts to appeal to Hispanics — with varying degrees of success.

In 1986, Vons, now a Safeway banner, launched Tianguis in Southern California. After eight years, the nine-store operation closed in part because of the company's inability to keep up with its fast-changing demographics.

At the time, the late Roger E. Stangeland, then

chairman and chief executive officer of Vons, told SN, it was "the inability to understand how rapidly the immigrant Hispanic segment of the market acculturates, thus changing their needs and preferences as they become Americanized," which led to the stores closing. "Many customers from this market segment preferred to shop at a regular supermarket format."

With the fastest growth coming from Hispanics born in the United States, acculturation remains a

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factor for retail marketers attempting to target the Spanish-speaking segment, said Staci Covkin, executive vice president of Consumer Insights Group, Information Resources Inc., Chicago.

"The growth is coming from those born in the U.S. who are more acculturated. As they become Americanized, it's calling for a different level of [marketing] sophistication," she explained, and noted L'Oreal Paris signing Penelope Cruz to promote Natural Match hair coloring as an example of building a brand using a Hispanic celebrity to reach acculturated Hispanics.

"The second and third generation is probably the future of marketing to Hispanics," said Bill MacAloney, owner of the three-store Jax Markets, Anaheim, Calif. MacAloney has served the Hispanic community for the last 29 years.

Robert Ortiz, vice president sales and merchandising, Bashas' Food City, Chandler, Ariz., sees a big opportunity of growth coming from second-generation Hispanics. "The second generation is a lot more in culture," he said.

"They will still buy jalapenos and do traditional holidays, but they will have a broader market basket and want more selection and buy things their parents didn't," Ortiz said. "I don't see us flipping our stores, but rather adding some things and increasing variety."

Minneapolis-based Nash Finch made a failed attempt to market to Latinos with its Avanza format, which it largely abandoned when it didn't meet financial expectations (three stores still operate in Denver). While observers generally praised the wholesaler for being at the forefront of a big demographic trend with Avanza, some speculated the concept missed the mark as far as being authentic to shoppers. In some markets it faced stiff competition from independents who were well-entrenched in their local community.

Another obstacle to operating a Hispanic-only format is making sure the

shopper base supports it, especially if the store also caters to the general market. "On Spanish-only [stores], many retailers feel they need to do a balancing act between the sensibilities of the general population and Hispanics," said Twitty.

Maria Brous, spokeswoman for Publix Super Markets, Lakeland, Fla., which is rolling out its Sabor Hispanic format, agreed there may be a danger in alienating some shoppers. "It is a fine line, and we need to make sure we are being inclusive with our marketing plan and really look at the community at large and not alienate any part of it."

As the public spotlight has turned to immigration reform, the Hispanic population continues its rapid growth, especially in



Nash Finch received poor reception to its Hispanic store in Chicago where independents are strong.

non-urban markets not traditionally considered Hispanic. Michael Sansolo, senior vice president, Food Marketing Institute, points to census data showing counties with the largest Hispanic growth are deep in the heartland or far north. He said he has seen Nebraska and Iowa retailers reaching out to newly emerging Hispanic communities (see Center Store, Page 56).

The segment's spending power is projected to soar to over \$900 billion by 2009. Such statistics aren't being ignored by mainstream supermarkets or those in other channels. Retailers, including Wal-Mart Stores, are renewing their focus on how to reach Hispanics. They are taking action with new store formats or fine-tuning how

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Opening Ceremony

DALLAS — The blessing of the store was among the grand opening activities of Minyard Food Stores' new Carnival prototype that opened in Dallas' southwestern Oak Cliff section here last month.

While it's not unusual to have a priest or minister on hand to help open a store, it is especially appropriate for a Hispanic-oriented store since the Latino community has a strong bond with the church. Retail marketers say they work through church organizations and schools in their neighborhoods to help identify their customers.



"Having the local pastor to bless the store helps get the word out to the local congregation and local groups," said Michael Byars, president and chief executive officer of Minyard.

"Because this is such a unique store, our marketing efforts are on the store with a strong focus on the communities around it," said Poul Heilmann, senior vice president of marketing-strategic planning.

Mario Chavez, vice president of Latino merchandising, described the opening celebration as an event for the whole family.

"We know those families in the Latino and Hispanic community make grocery shopping an event so we'll have fun and festive activities they can enjoy," he said.

The grand opening featured balloons, a mariachi band, giveaways to the first 100 customers in the store, free glucose screenings at the farmacia and drawings for prizes that ranged from a pickup truck to a four-day Disney vacation. FC Dallas/Verizon also sponsored a tailgate party in the parking lot. The opening is being followed by eight weeks of other events, including Hatch chili pepper roasting and Dr Pepper radio remote broadcasts.

Minyard supports the Carnival banner by sending weekly ad circulars directly to the home through Advo. It spends on radio, outdoor and some television advertising. It sponsors Cinco de Mayo and provides free transportation to FC Dallas soccer games.

But the real focus remains at the grass-roots level in the immediate community, Heilmann said.

— C.V.

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they go to market locally with the right merchandise, pricing, value offering and message.

New Prototype

Last month, Minyard Food Stores, Coppell, Texas, debuted a 56,000-square-foot Carnival Super Market in Dallas (see photo layout, Page 28).

First launched by the Minyard family in 1990, the Carnival banner was designed and customized specifically for Hispanic shoppers. In 2004, the Minyard family sold its business to an investment firm that operates the chain under the Minyard Group.

The new owners spent nearly two years evaluating the Dallas-Fort Worth market, and the viability of its Carnival format.

Michael D. Byars, Minyard's president and CEO, said the marketplace is expecting 40% growth of Hispanics over the next five years. The majority of Minyard's 66 stores are located right in the middle of the growth areas, he said, so it

required a re-examination of the market to make sure the company really understood its customers. Executives looked at demographic research, conducted focus groups and traveled to Mexico and other top Hispanic markets in the United States to see how retailers were serving Latino communities. These efforts resulted in four Carnival remodels and the prototype, which emphasizes price and freshness within a colorfully designed retail space.

The company is counting on its Carnival prototype to be its growth vehicle in a highly competitive market where Fiesta Mart and Wal-Mart compete with Carnival.

There are now 25 Carnival stores. Byars said Minyard will take the best of what it learns and apply it to store conversions and remodels.

"This marketplace has really shifted with Albertsons closing, and with what we are doing. If you aren't flexible, you tend to lose," he told SN.

One thing that surprised

Vendor Understanding

CHANDLER, Ariz. — Since Bashas' has been operating Food City, a chain of 63 stores, over the last decade, the retailer has seen greater sophistication and understanding on the part of its vendors in how they market to Hispanics, said Robert Ortiz, vice president sales and merchandising, Food City.

"Five years ago, many of the large manufacturers didn't have much expertise in the Hispanic market. They came in with general market programs and simply said, 'Change this to Spanish,'" he said. Such programs didn't translate well.

Ortiz said things have changed and vendors are investing heavily in the Hispanic market, and working with agencies that know the market. Ortiz cited General Mills, Kellogg's, Unilever and Anheuser-Busch among as some of the leading companies reaching out to Hispanics.

Ortiz feels Bashas' is now getting effective point-of-sale programs from the major food vendors, many of them actively involved in Food City promotions and community sponsorships. He said the focus is now on interaction with customers.

"When Unilever comes in, they bring in demo people. They talk to customers, hand out coupon booklets and do premiums. That interaction is important and we've been able to take it internally to another level." Food City sets up its own special kiosks on weekends and sells traditional Hispanic food items such as masa to make tamales or menudo, a Mexican soup, Ortiz said.

"If you are a manufacturer and want to get into this market, you got to get customers to try your product, see it and talk to them about it."

During the World Cup, the chain was supported by numerous suppliers. "I can't tell you how many different manufacturers we had who all had big promotions running. Promotional sponsors got a 20% lift in sales [during the two months of promotions]," Ortiz said.

As part of its marketing program, Food City ties into many Hispanic events and celebrations like Mexican Independence on Sept. 16, a three-day festival celebrating the traditions and history of Mexico; tamale festivals; and A Su Salud, free health screenings.

Food City also sponsors Copa Food City, a free soccer tournament comprised of about 96 teams. The retailer supplies the uniforms, trophies and equipment. The three-day event draws about 30,000 people.

— C.V.



Kellogg's and Coca-Cola team up to help Food City market its stores to Hispanic shoppers. The retailer also extends its market reach through many special events such as Angeles Del Barrios, a children's celebration.

Byars was the ethnic mix found in a store's local operating area. "Even though these stores are Latino-focused, they are reaching out to other ethnicities in different neighborhoods. We want to make sure we truly merchandise and market to the neighborhoods and that we don't miss customers. We feel this prototype will cross ethnicities as well."

Poul Heilmann, Minyard's senior vice president, marketing-strategic planning, said they faced the acculturation factor with third and fourth generations.

"One big challenge is being able to satisfy the diversity and needs of these customers as well as first-generation Hispanics, depending where they land in the acculturation flow."

Other Retail Programs

Covkin said IRI's recent survey — "Uncovering Insights on Hispanic Shopping Behavior" — really drove home the importance of marketing. "Hispanics told us it really makes a difference when marketers and retailers go out of their way to market specifically to them. That includes Hispanic products and signage in the store that is specifically Hispanic," she said.

In marketing to Hispanics, Covkin said it's important to understand the idiosyncrasies of country of origin and the impact of acculturation in formulating a compelling marketing program.

Covkin cited specific examples from the study on how retailers were marketing to Hispanics.

• Supervalu's Cub Foods has designed a Hispanic private label, Carlita, that conveys Mexican quality through a unique-looking package. "They did it right in terms of designing an authentic-looking package, using rich dark brown and red Aztec designs. We learned quality is very important to Hispanics," Covkin said.

• Publix debuted its Sabor stores in Kissimmee and Hialeah, Fla., last year. It plans two more in Miami in 2007. Covkin noted Sabor's focus is on fresh produce and tropical fruits. The deli merchandises authentic Hispanic favorites — roast pork, black beans and plantains, as well as a juice and nectar bar, where shoppers can order tropical drinks made from fresh fruits. The

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Big Retail Opportunity

Food retailers hoping to capture some of the more than \$700 billion in buying power that the Hispanic market represents today need to improve and fine tune their overall shopping experience. Hispanics are much less likely to report being extremely satisfied with their trips to the store when asked about overall satisfaction with the last shopping trip.

EXTREMELY SATISFIED

General population

58%

Hispanic population

35%

Source: "Winning the Hispanic Shopping Trip" Shopper Vision Study, Unilever

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stores also have a cafe that sells pressed sandwiches, cafes con leche and churros, and signage is bilingual.

A challenge for Publix Sabor is that it is up against Hispanic retailers like Sedano's in Miami and Navarro Discount

Pharmacies, both well-rooted within the Latino community, one observer said.

- H.E. Butt Grocery Co. and Target have conducted significant research on the Hispanic markets through IRI, Covkin said.

- Wal-Mart is printing its

monthly ad circular in English and Spanish. It launched a Hispanic magazine, called *Viviendo* (Living), which it distributes free at 1,300 stores that are heavily shopped by Hispanics. It merchandises Spanish books, CDs and DVDs. It began stocking a line of bathroom and tabletop accessories from New York restaurateur and cookbook author Zarela Martinez.

In terms of services, Wal-Mart offers low-price MoneyGram money transfers so customers can send funds to family members in their home countries. It has teamed up with Sprint Corp. and several other companies to offer prepaid wireless service.

Other notable developments in the Hispanic arena include San Antonio-based H-E-B's new \$30 million retail support center in Monterrey, Mexico, to service its 21 stores in Mexico. The company crossed the border to begin food retailing in 1997.

United Supermarkets, Lubbock, Texas, expanded its Super Mercado to two more stores in Wichita Falls. The stores were purchased from Brookshire Grocery Co. and converted.

Kroger opened its Fry's Mercado in Phoenix this spring. Food City's Ortiz said Kroger is doing pretty



Community Partner

LAKELAND, Fla. — Publix Sabor, launched in early 2005, might be viewed as a response to migration taking place from the South Florida marketplace.

Spokeswoman Maria Brous notes Hispanic growth in the state is moving northward. "Central Florida is becoming one of the fastest-growing places for Hispanics. It's what Miami went through 30 years ago. Now Central Florida is beginning to experience the same."

Sabor is still a test and very localized with locations in Kissimmee and Hialeah. The company plans to expand with two more stores in Miami next year. Brous said Publix recognized that change was needed to service growing Hispanic communities. "It's about being able to work within the community and understand it."

To that end, Publix in conjunction with its vendors sponsors a number of health-related programs in the Hispanic community. Health and wellness is said to be important to Hispanic consumers. Publix raises awareness and drives traffic through in-store events such as salsa and coffee nights. It also publicizes Sabor through radio and television shows to explain what the Sabor shopping experience is all about.

Brous said Sabor appeals to the general market as well. "The whole point is any customer who has a palate for cuisine of robust flavors would enjoy shopping at Sabor."

Brous said it's all about having the right product, having it at the right price point, and linking with the community.

"We aren't just here to sell groceries. We are here to be a partner in the community."

— C.V.

well with its one unit, and he expects more. However, he noted that from a large-chain perspective, rolling out such prototypes is challenging internally.

Hispanics' No. 1 Choice

Last year GfK NOP's Omni-Tel Retail Study polled 500 Hispanic Americans, aged

18 and older, nationwide, and asked them to name their favorite store among discount retailers. Wal-Mart was the top selection by 36% of respondents, followed by JCPenney, Sears and Target, tying for second place at 4%.

Hispanics are a major cus-
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tomer target for the Bentonville, Ark.-based discounter, and the Spanish-speaking market is an integral part of Wal-Mart's renewed marketing and public relations thrust. Hispanic Business ranks Wal-Mart a leader in serving the Hispanic community in the discount channel with a 37% share of the Hispanic market.

Earlier this year, Wal-Mart CEO H. Lee Scott told the media the company was learning a great deal about Hispanic trends through its stores in Mexico, where Wal-Mart is No. 1, and in Central America. He noted Wal-Mart has about 1,300 stores that are predominately Hispanic, and that the company is spending \$45 million per year in Spanish-language advertising.

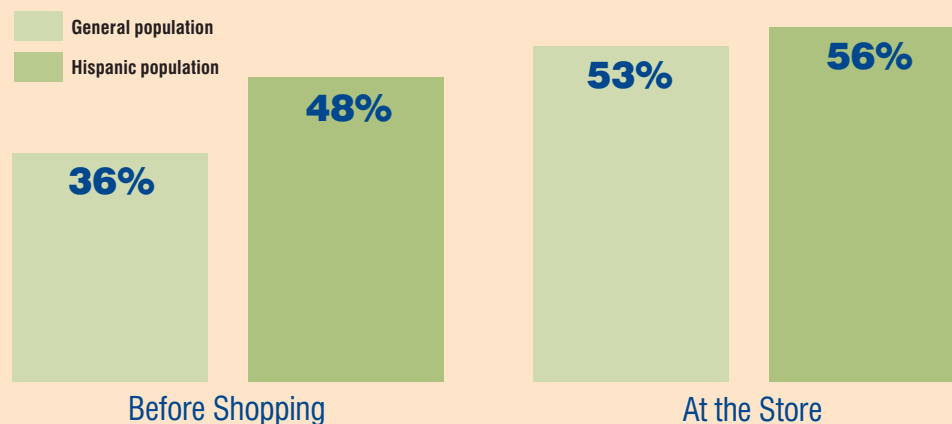
In a written response to SN, Wal-Mart outlined some

of its outreach program to Hispanics. It said it strives to be "stores of the community," where products in each store reflect the items that customers in those communities request. This is illustrated in Wal-Mart's ethnic food selections as well as the health and beauty aids it offers in supercenters and Neighborhood Markets. Currently, Wal-Mart said it does business with more than 600 individual Hispanic-owned businesses. Wal-Mart reaches out to Hispanic suppliers, many of whom own small businesses.

Wal-Mart's agency for Hispanic marketing is Lopez Negrete, which the company has retained for the last 10 years. The agency works closely with Wal-Mart's marketing group to develop relevant communications for the Hispanic market. The agency is involved in the

Targeting First in Home

When asked about the importance of advertising, Hispanics are more likely than the general market to be aware of specials before going to the store.



Source: "Winning the Hispanic Shopping Trip" Shopper Vision Study, Unilever

production of creative television commercials, media buys, in-store signage and educational workshops for its employees, to help Wal-Mart better understand the needs of Hispanic shoppers.

Wal-Mart also supports

the League of United Latin American Citizens to foster long-term relationships with organizations that develop and promote national and community-based initiatives that help the Latino community move forward. "The impact that Hispanics are

making in the U.S. and the Americas is one of the driving forces behind Wal-Mart's support of LULAC's programs that address the needs of the Hispanic community," said Pepe Estrada, Wal-Mart's director of Hispanic Markets,

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Top Advertisers

(In Hispanic TV and Print Media)

Each year Hispanic Business Magazine ranks the Top 50 Hispanic advertisers. The following are consumer packaged goods manufacturers and mass merchandisers that sell grocery products that made the ranking. No large supermarket chains were in the Top 50.

Rank	Company	Annual Expenditure 2005 (In Millions)
2	Procter & Gamble Co.	\$158.2
6	PepsiCo	\$73.7
7	Johnson & Johnson	\$71.2
11	Wal-Mart Stores	\$57.7
20	Altria Group	\$35.9
26	Coca-Cola	\$30.2
30	Anheuser-Busch	\$27.1
31	Kellogg	\$26.6
39	Target	\$21.8
41	Clorox	\$20.5
43	Unilever	\$20.0

Source: Hispanic Business Magazine

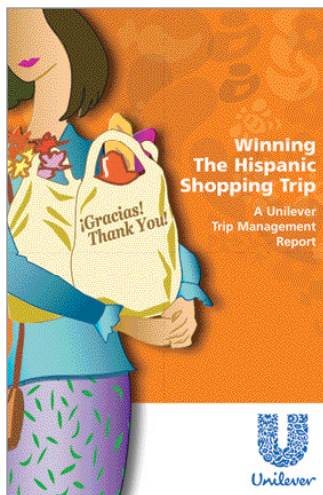
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in a written release.

"Wal-Mart is doing a very good job in reaching out to this community, and they are improving every day on their assortment. They do a great job on signage already. They don't do some of the things independents do, but they are moving in this direction, and we'll see even more from them," said Twitty of Unilever.

The most significant finding of the Unilever Study, he said, is that Hispanics are smart shoppers because food is incorporated into most aspects of their lives. Smart shopping is so important to this group, Twitty said, because they have less median income (\$34,241) than the general market (\$48,997).

Twitty believes when it comes to the overall retail environment, rather than market basket and assort-



Researchers analyzed 3,621 Hispanic food shopping trips taken by 1,799 shoppers who kept purchase diaries.

ment, Hispanics and the general market have similar shopping patterns.

"My premise is that Hispanics shop a lot like the general market. If you were to take general market shoppers and look slightly down from the average on the eco-

nomie ladder to just below the average, I think you'd find they shop nearly identical because it is an economically driven difference. It's subtle and not that great."

That may explain why Wal-Mart is No. 1 with the Hispanic segment, which is highly price-driven.

Commenting on Unilever's study, Sansolo said it indicates that "the Hispanic shopping model is morphing more and more to an Anglo model. They are taking fewer shopping trips, have larger market baskets and extending their loyalty to one-stop shopping because now that they are in the U.S. they see what they can accomplish in one store. [The Hispanic segment] is a moving target but the proper customer merchandising is what works.

"It all comes down to the basic and best attributes of marketing and retailing and customer service. Understand the difference, service the difference and delight the customer."

Shuttle Service

ANAHEIM, Calif. — Jax Markets, a three-store retailer with locations here and in Santa Fe Springs and Ontario, knows the importance of service in its marketing mix.

For years the retailer has offered bus service home for its predominately Hispanic customers. It will bus about 200 people a week from the store, said owner Bill MacAloney, who has been marketing to Hispanics for the last 29 years. "We'll pick them up if they like. It's been one of our best features. It's a little costly in today's environment, but when you start something you need to continue it," he said.

According to Unilever's recent study on Hispanic shopping, nearly one in four Hispanic shoppers walk or take public transportation (22%), compared to one in 33 of general market consumers. Researchers also found that store proximity is the No. 1 reason for store selection (24%) for all trips — an overwhelming 4-to-1 margin over low prices, the No. 2 reason. The study recommended providing a branded shuttle service to expand a retailers' trading area, lift traffic and volume. Respondents named shuttle service as one of their top six reasons for trip satisfaction.

Jax requires its shoppers to spend a minimum of \$30 in the store to use the service. However, MacAloney said the average market basket at his stores is much higher, \$80 to \$100.

Jax has recently begun to run its own in-store demos, using staff. MacAloney said he couldn't get support from his vendors to run the demos so he decided to do it himself. "It's incredible how much more stuff we are selling than before," MacAloney said. Jax demo clerks are dressed in white shirts and aprons and walk the small 25,000-square-foot stores asking shoppers to sample products. "Our customers seem to trust the checker they normally check out with, and are willing to taste the



products," he added.

To stay competitive, MacAloney said they have put in place a category management program to monitor movement. "We want to give the customer new and exciting things, and reduce our inventory so we can spend on other products and services."

The retailer runs 600-700 temporary price reductions a week in its stores, which are everyday low priced. "Whatever money we get back from manufacturers we put it back into the cost of goods," MacAloney said.

Jax also shifted its advertising from Wednesday to Thursday because more people are shopping on weekends, he said. The retailer distributes a four-page bilingual color flier directly to 65,000 households weekly.

"You have to give the community what they want as far as goods, quality and price is a big issue," MacAloney said. "Today, everyone is trying to capture Hispanic shoppers."

— C.V.