

The growing US Hispanic population presents a wealth of opportunities for the CPG industry

The Hispanic population in the US has jumped by 42% over the last 10 years to reach 50 million, making it the second largest consumer market after white Americans. The emerging young, bilingual and urban Hispanic population has significant 'cultural capital' and growing spending power, and therefore CPG marketers will have to adjust their strategies to cater for this burgeoning demographic.

Today's US immigrants differ from their predecessors markedly due to globalization, which has facilitated inexpensive air travel, the internet and native-language TV. These developments mean that immigrants are becoming acculturated quicker but still have close links to their home countries, ties that will heavily impact US culture, including music, food and sports.

The mass demographic change in the US has been compared to the 'Baby Boom' of the 1950s, with millions of bilingual Hispanic teenagers moving into adulthood and thereby providing a boon to the consumer packaged goods (CPG) industry, particularly as those in the Baby Boomer generation are now starting to retire. Today's Hispanic population is, on average, more than 10 years younger than the non-Hispanic average, with the median age being under 28.

In addition to being younger on average, today's Hispanics are also more acculturated than their predecessors, with Hispanics under the age of 18 overwhelmingly US-born. Indeed, 91% of Hispanic children under the age of 18 were born in the US, compared to only 47% of Hispanic adults. Furthermore, according to a survey carried out by the US Bureau of Labor Statistics, almost half (44%) of Hispanics are either comfortable or very comfortable speaking in both English and Spanish.

The Hispanic consumer group also differs markedly from non-Hispanics in that the household size of US Hispanic families is the largest of any segment. The average Hispanic family has 4.00 members compared to 2.90 members in the average white American family. One of the implications of this is that Hispanics eat at home more frequently than the population as a whole, offering retailers the opportunity to provide 'family-size' meals, bulk purchasing discounts and extended lines in ethnic cuisine.

One brand aiming to capitalize on the rapidly growing consumption of wine among the Hispanic community is Beringer. According to Experian Simmons, Hispanic wine consumption has grown by 35% since 2005, and consumption is still low compared to non-Hispanic consumers. Through a multi-platform marketing campaign, the brand is demonstrating how wine fits naturally into Hispanic lifestyles. The campaign spans a variety of formats, including Spanish-language broadcast television, point-of-sale promotional materials and dry sampling at Hispanic events and in grocery stores with Hispanic customer bases, and through public relations initiatives. A core component of the campaign will be in-store materials, including a 'wine wheel' that suggests specific Beringer varieties that pair well with three different Latino meal flavor groups. The brand is also developing a Spanish-language page within its website, and Beringer Vineyards is adding twice-weekly Spanish-language tours and tastings. By educating Hispanic consumers about the compatibility of its wines with the Hispanic lifestyle, especially in terms of how they can be paired with Hispanic cuisine, the brand is effectively building a relationship with consumers, demonstrating recognition of Hispanic values and culture.

The emerging acculturated Hispanic group is becoming a key demographic in the CPG industry, driving sales in both traditional Hispanic food and beverages and in US cuisine. According to Nielsen data,

sales of food and beverages through retail and foodservice generated by non-Hispanic consumers declined by \$17.7 billion, or 2.4%, while Hispanic consumer sales rose by \$14.9 billion, or 18%, between 2005 and 2008. During this time frame, new Hispanic spending offset 84% of the decline in real demand across the entire food, beverage and restaurant industries.

Key opportunities include: frozen meals, which according to Nielsen recorded a compound annual growth rate (CAGR) of 30% between 2005 and 2008 among Hispanic consumers, versus an 18% CAGR among non-Hispanics; fish/seafood, which grew by 10.2% among Hispanics compared to a 1.3% decline among non-Hispanics; candy/gum, which grew by 8.2% among Hispanics versus a decline of 1.3% among non-Hispanics; and cracker sales, which declined by 0.1% among non-Hispanics, but rose by 12% among Hispanics. The difference in growth in categories such as candy/gum and frozen meals is indicative of the younger Hispanic demographic, with young professionals seeking out frozen meals for added convenience, and the large number of Hispanic children will have driven candy sales.

Nielsen estimates that Hispanics generated \$4.9 billion in new sales for the restaurant industry between 2005 and 2008, with growth among Hispanics at 5.2%, versus -2.5% among non-Hispanics. Driving this growth is a marked increase in restaurants offering authentic Hispanic cuisine to this growing demographic and increased experimentation by Hispanic consumers with US foodservice. Foodservice operators should consider offering authentic or fusion cuisines that will appeal to both Hispanic and non-Hispanic consumers. Looking forward, Datamonitor expects that Hispanic consumers will play an even bigger role in the US foodservice industry, as increased time pressures will drive demand for fast and convenient food and beverages.

Datamonitor anticipates that, in the future, the spending patterns of Hispanics will begin to mirror non-Hispanics. At present, the household and age composition of Hispanics more closely mirrors that of the traditional Baby Boomer demographic of the 1950s, with traditional at-home meals and larger households being the norm. Looking forward, the trend will be toward smaller family units, as younger Hispanics become more prosperous. Rising levels of Hispanics speaking English as a first language, growing numbers of younger Hispanics in public schools and a rising number of US-born Hispanics will all impact the number of opportunities for this group in the US, and will facilitate assimilation into the overall US population. This growth in acculturation will drive the number of Hispanics in universities and professional jobs, resulting in increasing spending potential as Hispanic consumers 'trade up' to premium goods to mirror the trends witnessed among the population as a whole.

Datamonitor predicts that the growth in young, urban Hispanic professionals will drive sales in convenience products, closely mirroring the broader CPG industry, as time pressures and rising disposable income facilitate a movement away from traditional home cooking. For marketers, sophisticated targeted marketing that considers the differences in ethnic preferences, household composition, cultural integration and age demographics will be key to growing sales.