The US market

Barney Jopson looks at demographic changes driving sales

Abuelita hot chocolate in Mexico traditionally comes as a dark tablet that looks like a hockey puck. It’s dropped into a pan with four cups of milk and stirred over a flame. After 15 minutes or so, the result is a sweet, frothy drink that could have been made by the genial granny – or abuelita, in Spanish – who is the face of the brand. But making it that way yourself? That’s a lot of hassle.

The tablet has been in Mexican kitchens for many years and its producer, Nestlé, the Swiss food giant, wants to sell Abuelita to people of Mexican origin north of the border. But the US is a busy place and 15 minutes is a long time.

So it’s had to adapt. Since 2009, it has sold Abuelita as a powder that consumers can stir into a cup of hot milk. “The timing constraint is critical,” says Carlos Velasco, president of its international brands division.

Multinationals such as Nestlé are realising that such adaptations are vital to winning over more of the US’s 35m people of Hispanic origin, who they see as one of the US’s most attractive consumer groups.

Whether they’re tweaking merchandise from Latin America, or modifying goods from US mainstream, food manufacturers household goods makers and media multinationals are eager to find new ways to capture their attention.

They have concluded that if they don’t establish successful Latino brands in North America – brands that either specifically target Hispanics or are “inclusive” of them in marketing-speak – they are likely to miss out on a demographic wave that could carry much of the sector’s sales growth.

Hispanics make up about 17 per cent of the US population today, but the Census Bureau predicts that will rise to 31 per cent as the Hispanic population grows to 129m people by 2060.

The average income of Hispanic households is lower than the national median, but the buying power of US Hispanics in 2012 was $1.2tn, more than the gross domestic product of all but 13 national economies, according to the Selig Center at the University of Georgia’s Terry College of Business.

Of course, US Hispanics are not “new” consumers. They have been buying consumer products for as long as they’ve been in the US. But what’s been available to them are the same generic products – backed by the same generic marketing – that go out to the mainstream.

Marketers argue that by tailoring products and messages to Hispanic habits and preferences companies can win more of the market from their rivals.

Clorox, a household products group from the San Francisco Bay area, concluded that in the product categories where it competes, which include bleach, rubber bags and charcoal, Hispanic consumers would account for more than half the growth in US sales between 2010 and 2020.

In the big Latino cities – New York, Los Angeles, Miami, Houston, Dallas and Chicago – the proportion is likely to be even higher.

Clorox is also taking lessons from Latin America – Mexico in particular – given that nearly two-thirds of US Hispanics are of Mexican descent. But, like Nestlé, it is adapting things for the US.

US Hispanics and Latin Americans tend to have different economic profiles, shopping habits and ties to the Spanish language. The differences are increasing, as native births have taken over from immigration as the driving force of Hispanic population growth.

David Cardona, director of multicultural sales at Clorox, says: “We’re not just going to Latin America, pulling those insights and applying them here in the US. We’re validating them with Hispanic consumers.”

So, for example, Clorox’s Poett and Mistolin cleaning brands in Latin America bear out an oft-cited finding of Hispanic consumer research: many Latinos prefer products with strong fragrances, which they associate with cleanliness.

But when Clorox launched an equivalent product in the US, it asked consumers what it should be called and found they preferred what has become a US-only name: Fraganzia.

Procter & Gamble, which does not have the Latin American heritage of some of its peers, has tried to “Hispanicise” some of its US brands. The world’s biggest consumer goods group by sales, based in Cincinnati, it says it has more than 30 brands that are “active” with US Hispanics, among them its scented Gain dishwashing liquid.

The brand began in the southeast states of the US and turned out to be especially popular with African-Americans. Then P&G saw it was proving to be a hit with Latinos too. So it started to design its marketing programmes around US Hispanics and tweaked the product, for example adding a citrusy fragrance that it says Latinos love.

The products designed to catch their eye on supermarket shelves will only proliferate. But if US Hispanics are too busy to make a cup of Abuelita the old-fashioned way, companies will find they are fighting over small slivers of their attention.

Source: BrandAnalytics/Millward Brown

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