



US Food Companies Look For Growth In Hispanic Markets

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NEW YORK (Dow Jones)-- Kraft Foods Inc. (KFT) publishes a food magazine in Spanish. Frito-Lay taps Hispanic employee groups for marketing tips. The by-products: Dulce de Leche Oreo cookies and Fiery Habanero Doritos.

Food giants, eager to boost growth, are hustling to woo the fast-growing Hispanic market in the U.S. New products, special advertising and community outreach programs are building the food companies' presence and profits. But unraveling the cultural nuances between, say, Cuban and Mexican consumers can make the task challenging.

The stakes are big. The U.S. Census Bureau estimated the U.S. Hispanic population at 42.7 million as of July 2005, making this the largest minority group. Some researchers believe that by 2010 the purchasing power of Hispanics will be at least \$1.2 trillion, offering consumer companies huge potential for growth.

"It's not a choice - it's a must-have," says Kraft's head of multicultural marketing, Yolanda Angulo, of her company's marketing efforts to reach the Hispanic community.

Since 2002, Kraft has spent \$4.5 million to support a program called Salsa, Sabor y Salud. It works in partnership with the National Latino Children's Institute to create healthy lifestyle courses for Hispanic families. The macaroni-and-cheese maker also has a Spanish language magazine called Comida y Familia with recipes and product descriptions targeted at the Hispanic market.

Still, catering to a group that is diverse and evolving quickly can be challenging. This is particularly true given that the broad Hispanic market is made up of groups that originate from a variety of countries and are at different levels of assimilation.

"We've seen companies get more sophisticated in understanding the national origin of the Hispanic community, understanding that someone from Mexico has different needs from someone in Cuba," said Dave Sievers, principal at Archstone Consulting, who has studied consumer companies' efforts to push into the Hispanic market. The next challenge for the food companies will be to hone their strategies further to cater to the diverse elements of this group.

PepsiCo Inc. (PEP) unit Frito-Lay's marketing team taps an internal resource: A Hispanic employee group called "Adelente" - Spanish for "forward" - that is spread throughout the company's plants.

"It started as an opportunity for employees to connect, but has served in other capacities," says Frito-Lay spokeswoman Aurora Gonzalez. Adelente is often a source of ideas for products, and Frito-Lay's marketing team sometimes runs new ideas by the group to find ways to make brands connect with the Hispanic community. "It's a back-and-forth kind of thing," said Gonzalez.

Pepsi also has its own Latino Hispanic Advisory Group, an outside group whose members range from academics to business leaders connected with the Hispanic community. That group, says Gonzalez, gives the company "a reality check" by providing feedback on marketing and helping the company develop opportunities to partner with the Hispanic community.

The search for growth in these markets also has companies spending more to advertise to this segment. The Hispanic advertising industry has been outpacing all other sectors of advertising, growing four times faster recently to become a \$4 billion-plus business, according to the Association of Hispanic Advertising Agencies.

"While it's a growing segment, it further splits (companies') advertising dollars," said Archstone consultant Sievers. "It makes marketing more complicated." Still, companies are willing to absorb these costs if the payoffs are good enough, he said.

According to the Hispanic advertising association, PepsiCo used about 11% of its total advertising spending of \$768.3 million in 2003 to reach out to the Hispanic market. General Mills Inc. (GIS) spent 2.4% of its total ad spending of about \$472 million on Hispanic advertising.

According to market researcher Information Resources, 90% of Hispanic households speak at least some Spanish in the home. "It means a lot to them when manufacturers and retailers go out of their way to market specifically to them," says Staci Covkin, executive vice president of the consumer insights group at Information Resources.

Still, not all food companies are making a concerted push to reach out to the Hispanic market. Many "assume sales will (automatically) come from this group because they are such a force," said Covkin.

The Hispanic population is growing bigger and ultimately "the companies that are ahead of the curve are going to win," she said.

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