Latinum NETWORK

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Market Shifts Driven by the Acculturating Hispanic Consumer

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Cost-Effective Proven Formula: The Network Model

Latinum's agenda and deliverables are driven by member shared challenges, generating synergies and scale

Latinum team delivers network-wide initiatives in rich peer-to-peer environment and company specific, customized support delivered 1:1 in confidential interactions

Membership includes unlimited access to full suite of Latinum resources – no extra cost for customized services

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Membership Experience Overview

- ❖ Quarterly Business Leaders Roundtables
- ❖ Monthly Virtual Interactions
- ❖ Industry Collaboration
- ❖ Digital Platform
  - Content Workspaces
  - Peer-to-Peer Exchange
  - Commercial Collaboration

- ❖ Foundational Market, Category and Segment Data and Insights
- ❖ Acculturation, Spending and Consumer Behavior Analysis
- ❖ Marketing and Media Effectiveness and ROI
- ❖ Industry- and Issue-Cohorts

- ❖ Company-Specific Analysis and Project Support
- ❖ Strategy and Advisory Support of Key Priorities
- ❖ Executive Decision Support Service
  - Category Performance and Growth Analysis
  - Key Segment and Demand Driver Analysis

Questions This Analysis Addresses

1. What are the true dimensions of the U.S. Hispanic commercial opportunity and emerging category hot spots?
2. How do we better understand and act upon the underlying drivers of demand?
3. What insights do key market shifts give into the dynamic nature of the opportunity?

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What are the true dimensions of the U.S. Hispanic commercial opportunity and emerging category hot spots?

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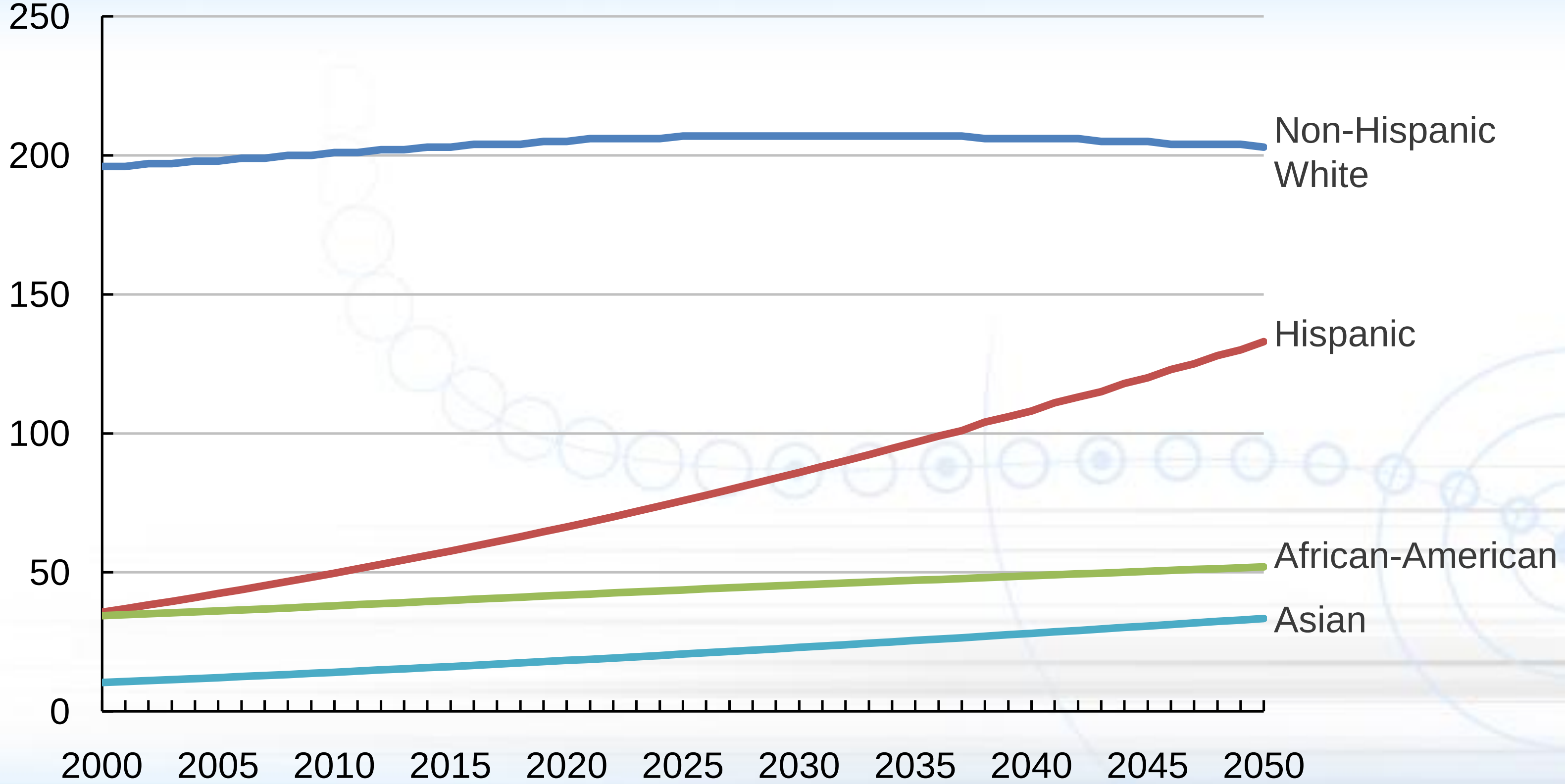
The U.S. consumer landscape is changing dramatically

Population levels by cultural segment

Millions



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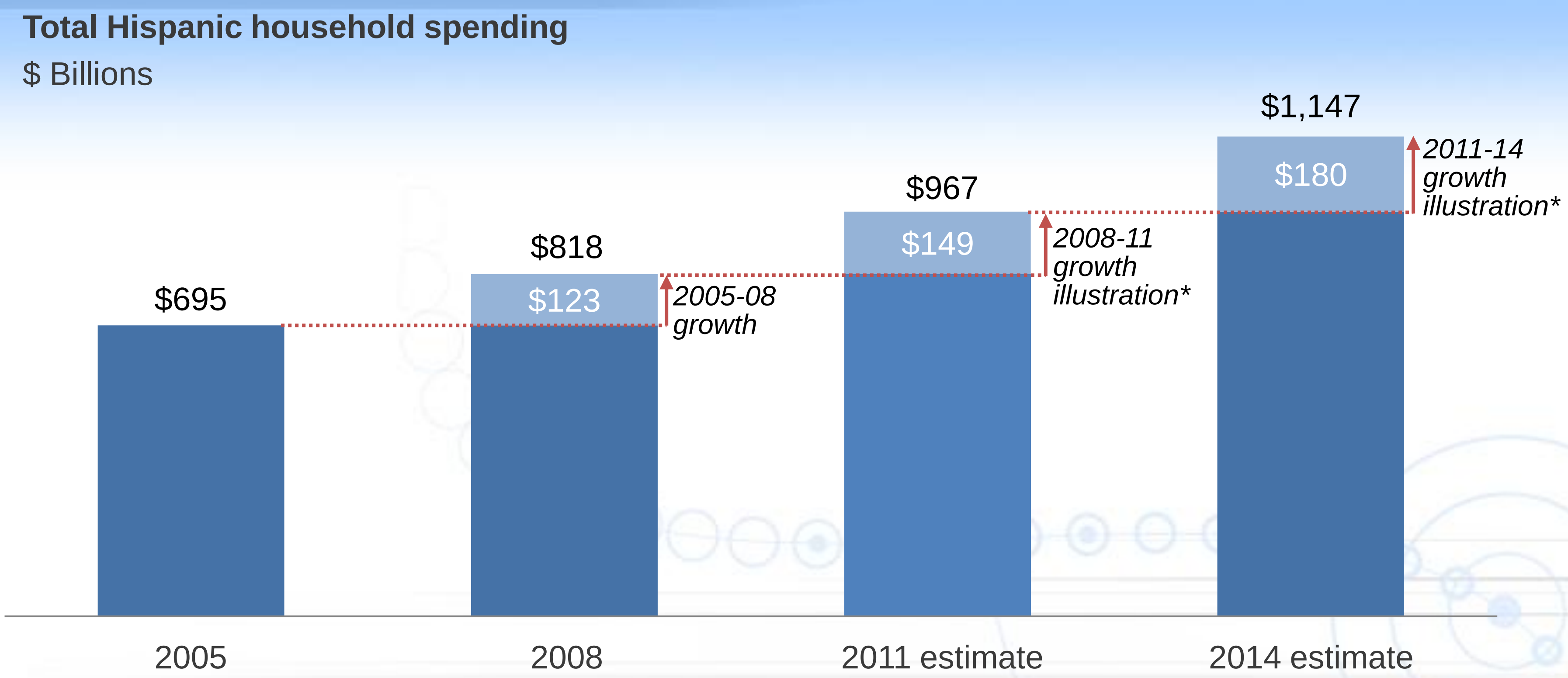
Source: U.S. Census Bureau; Latinum Network analysis

A $120+ billion "new market"… still growing



* Illustrative look at the impact of current growth rates if extended forward

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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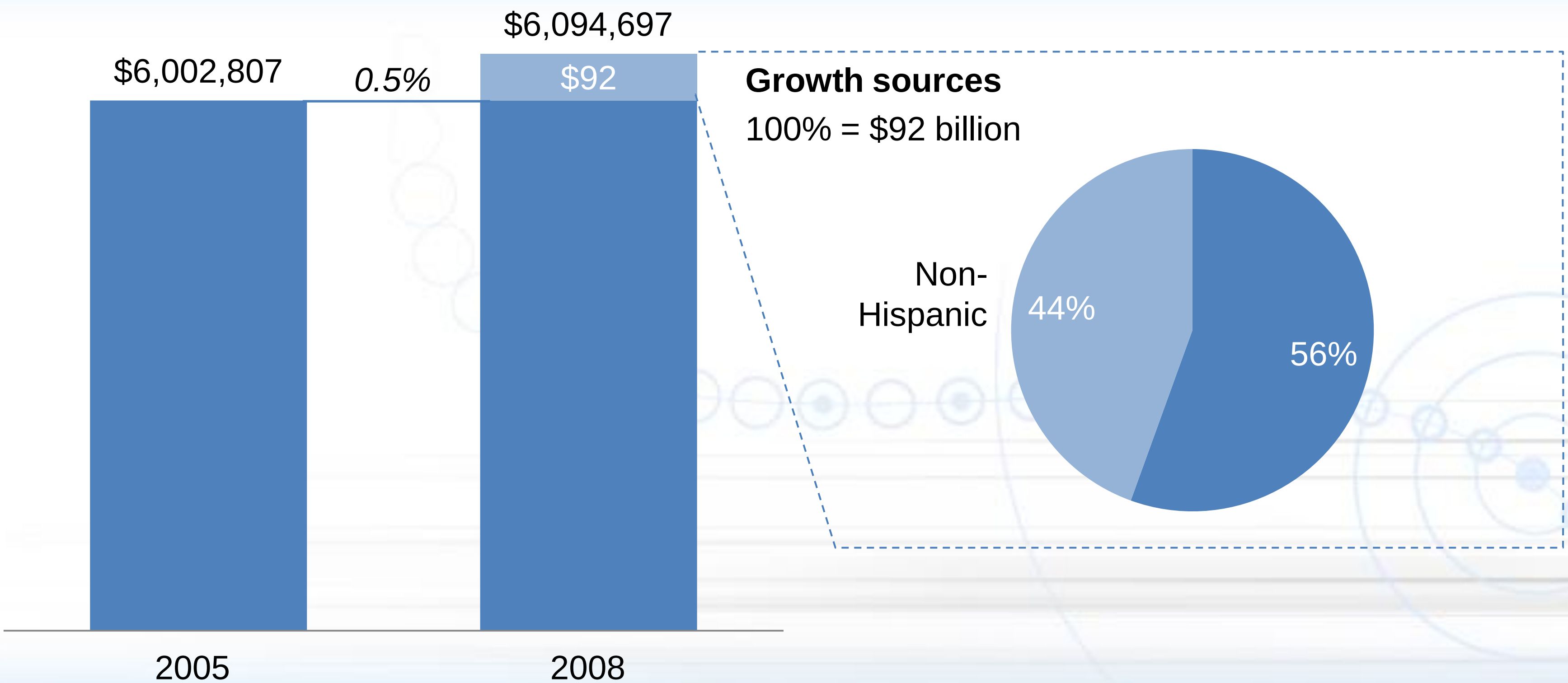
Hispanics drove 56% of real growth in a stagnant U.S. consumer economy between 2005 and 2008

Real growth* contributions to the U.S. consumer economy
2008 $ billions



* Inflation-adjusted growth to reflect underlying demand

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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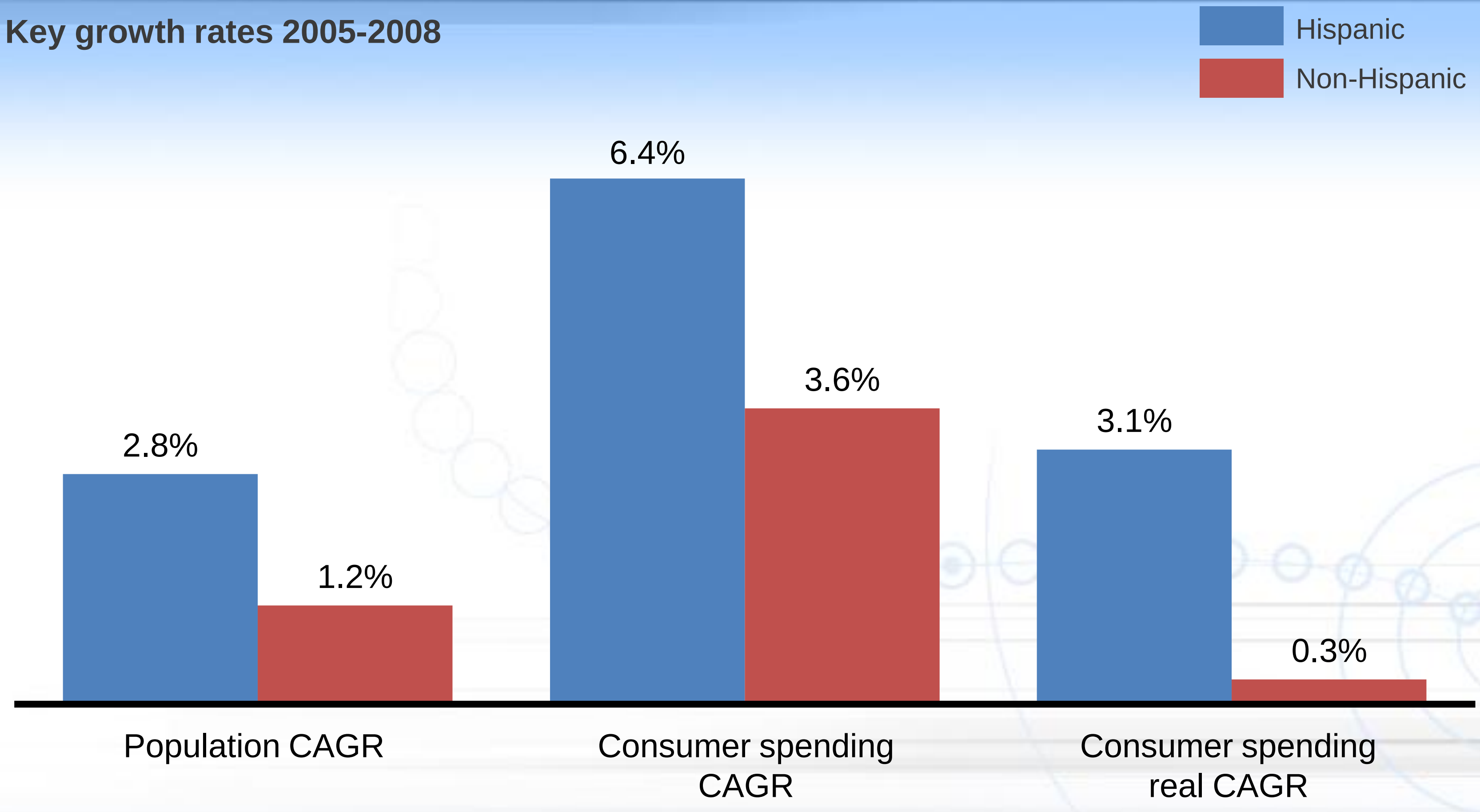
Hispanic spending grew at 2x the rate of inflation while non-Hispanics barely cleared it

Key growth rates 2005-2008



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; U.S. Census Bureau, American Community Survey, 2006-2008; Latinum Network analysis

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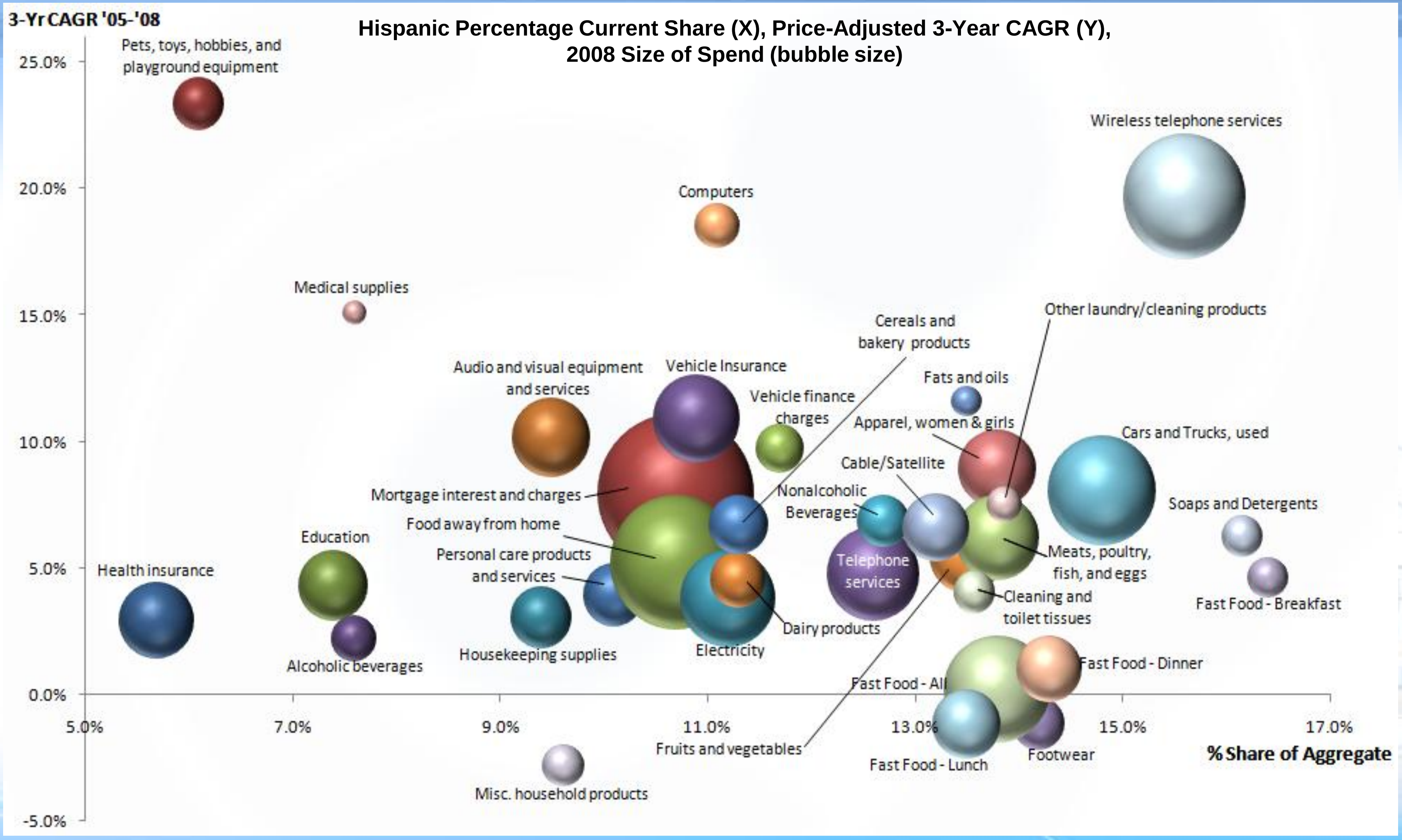
Selected categories: Hispanic price-adjusted growth rate vs. current share



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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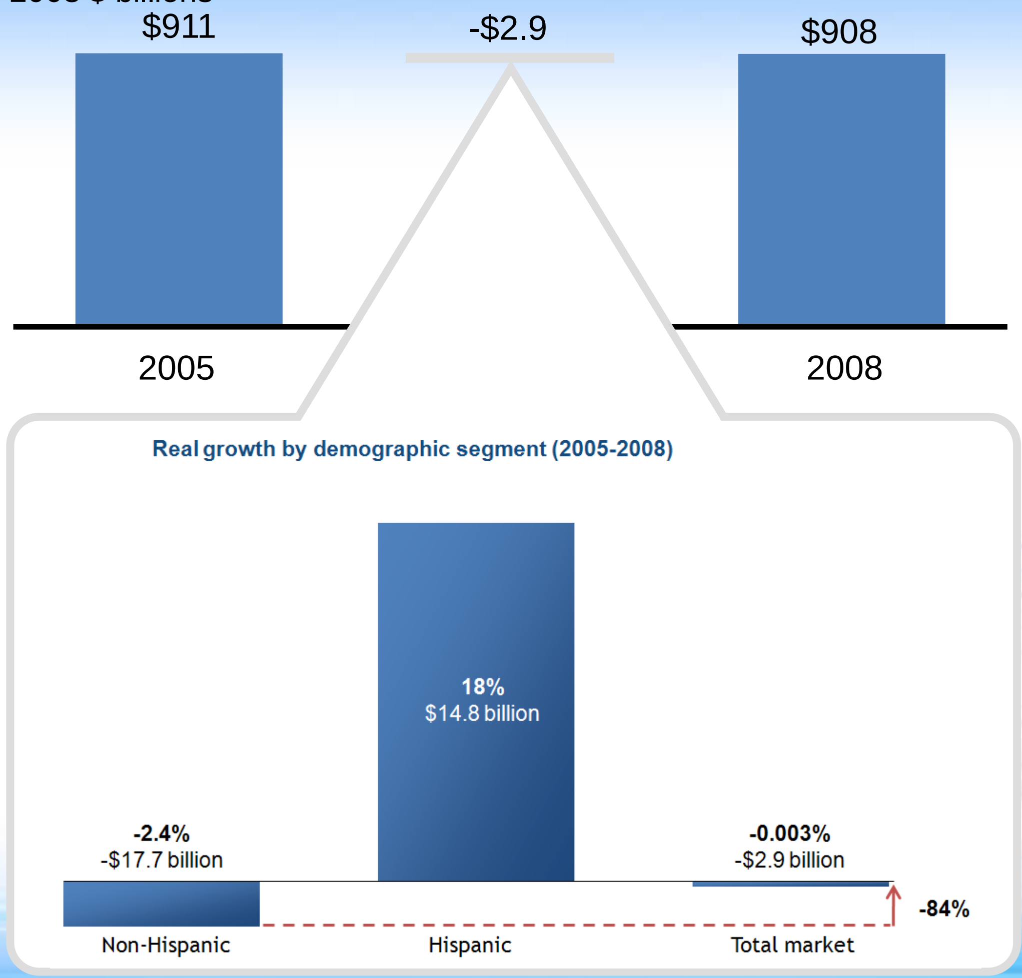
Hispanics remain a bright spot in a food industry facing headwinds

Industry sales for food, beverage, and restaurants 2005-08
2008 $ billions



	2005	2008	Change
Food	$454	$469	+$15
Beverage	$113	$114	+$1
Restaurants	$344	$325	-$19
Total	$911	$908	-$2.9

New Hispanic consumption offset 84% of the negative real growth across food, beverage, and restaurants

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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A Lens for Viewing the Importance of the Hispanic Market to Consumer Industry Categories

Hispanic consumption growth	Non-Hispanic Consumption Growth: Low	Non-Hispanic Consumption Growth: High
High	D Hispanics are primary growth opportunity *(85-100%+ of real demand growth is Hispanic)*	C Hispanics are important growth opportunity *(20%-85% of real demand growth is Hispanic)*
Low	A Hispanics may be a growth opportunity *(10-20% of real demand growth is Hispanic)*	B Hispanics not currently a growth opportunity *(<10% of real demand growth is Hispanic)*

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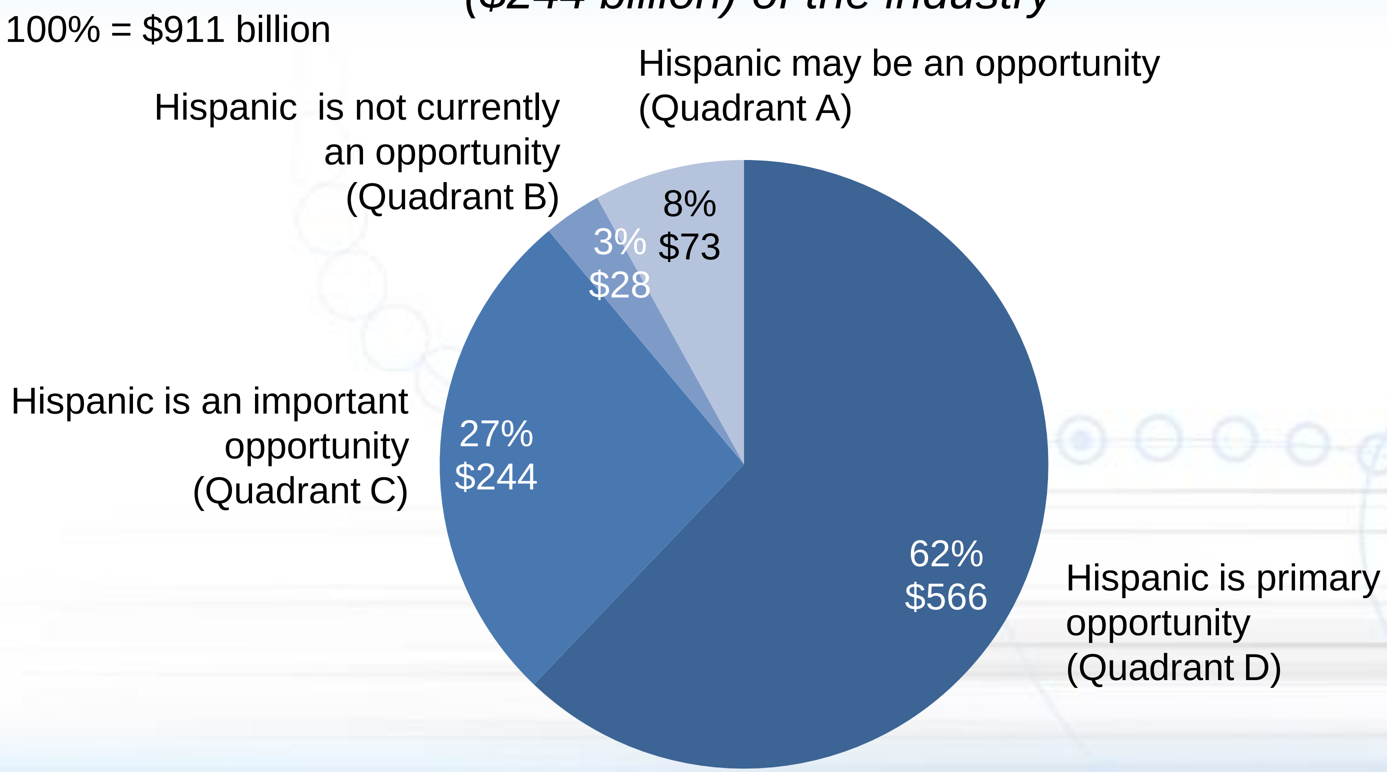
Hispanics are the major demographic growth driver for the food, beverage, and restaurant industry

Hispanics represent the primary demographic growth opportunity for 62% ($566 billion) and an important opportunity for 27% ($244 billion) of the industry



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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Hispanics are the primary demographic opportunity for a $566-billion majority of the food, beverage, and restaurant industry

D

Affected food/beverage category	Market size $ Millions 2008	Hispanic market share 2008	Real growth of Hispanic market 2005-2008 CAGR	Real growth of non-Hispanic market 2005-2008 CAGR	Real demand created by Hispanics $ Millions 2005-2008
Fish and seafood	$ 15,417	13.4%	10.2%	-1.3%	$ 524
Candy and chewing gum	19,644	10.8%	8.2%	-1.7%	446
Other dairy products	31,518	10.1%	4.1%	-0.2%	365
Canned/bottle fruit juice	14,508	17.4%	5.3%	0.1%	361
Beef	28,799	14.5%	3.0%	-1.2%	359
Fresh milk and cream	20,269	13.1%	4.9%	-0.2%	353
Cereal	23,092	13.1%	4.1%	-2.2%	339
Crackers	8,565	10.3%	12.0%	-0.1%	256
Noncola carbonated drinks	12,485	13.8%	5.4%	-1.5%	251
Processed fruits	14,032	13.4%	3.4%	-1.8%	178
Bananas	7,942	18.2%	4.0%	-0.6%	162
Salad dressings	6,658	12.4%	7.4%	-2.8%	159
Canned beans	3,578	15.3%	7.1%	0.2%	101
Citrus fruits, excluding oranges	4,499	21.6%	3.4%	-0.1%	93
Bacon	7,192	11.9%	3.5%	0.0%	84
Frankfurters	5,015	14.2%	4.1%	-2.9%	80
Fresh fruit juice	4,459	15.1%	3.1%	-0.4%	58
Peanut butter	3,157	7.9%	8.4%	-0.6%	54
Olives, pickles, relishes	2,054	12.6%	3.5%	-2.0%	23
Roasted coffee	8,433	12.0%	0.3%	-1.4%	9
Affected food-at-home cats	**$ 241,320**				**$ 4,254**
Restaurants	**$ 325,370**	**10.7%**	**5.2%**	**-2.5%**	**$ 4,908**
Total	**$ 566,690**				**$ 9,165**

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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Hispanics are an important demographic growth opportunity for $245 billion of the food, beverage, and restaurant industry

Affected food/beverage category	Market size $ Millions 2008	Hispanic market % 2008	Real growth of Hispanic market 2005-2008 CAGR	Real growth of non-Hispanic market 2005-2008 CAGR	Real Demand Created by Hispanics $ Millions 2005-2008
Frozen meals	$ 10,859	12.2%	30.1%	18.2%	$ 645
Poultry	19,175	15.2%	7.7%	3.5%	584
Pork	19,649	13.2%	8.4%	0.8%	556
Tea	7,901	12.6%	27.1%	9.1%	511
Fats and oils	12,595	13.5%	11.6%	0.7%	476
Fresh vegetables	25,542	13.1%	4.7%	2.8%	428
Ham (excluding canned)	8,130	15.0%	14.2%	4.4%	402
Miscellaneous prepared foods	21,640	20.3%	3.1%	2.6%	321
Noncarbonated fruit drinks	6,894	15.5%	10.9%	13.5%	285
Potato chips and other snacks	15,128	14.0%	5.6%	1.2%	278
Alcoholic beverages	53,558	7.6%	2.2%	-0.8%	256
Oranges	6,134	16.5%	6.5%	3.7%	175
Eggs	6,156	16.7%	5.7%	0.5%	157
Fresh and canned vegetable juices	3,612	16.0%	10.6%	3.7%	150
Pasta, cornmeal, and other cereal	7,502	11.9%	5.6%	2.3%	135
Salt, seasonings, spices	4,377	19.4%	6.4%	8.7%	120
Frozen vegetables	8,366	9.9%	5.2%	5.5%	117
Artificial sweeteners	1,608	11.4%	36.3%	4.0%	111
Baby food	5,211	30.3%	3.1%	4.9%	105
Mutton, goat, game	456	20.5%	33.8%	12.5%	45
Total	**$ 244,492**				**$ 5,858**

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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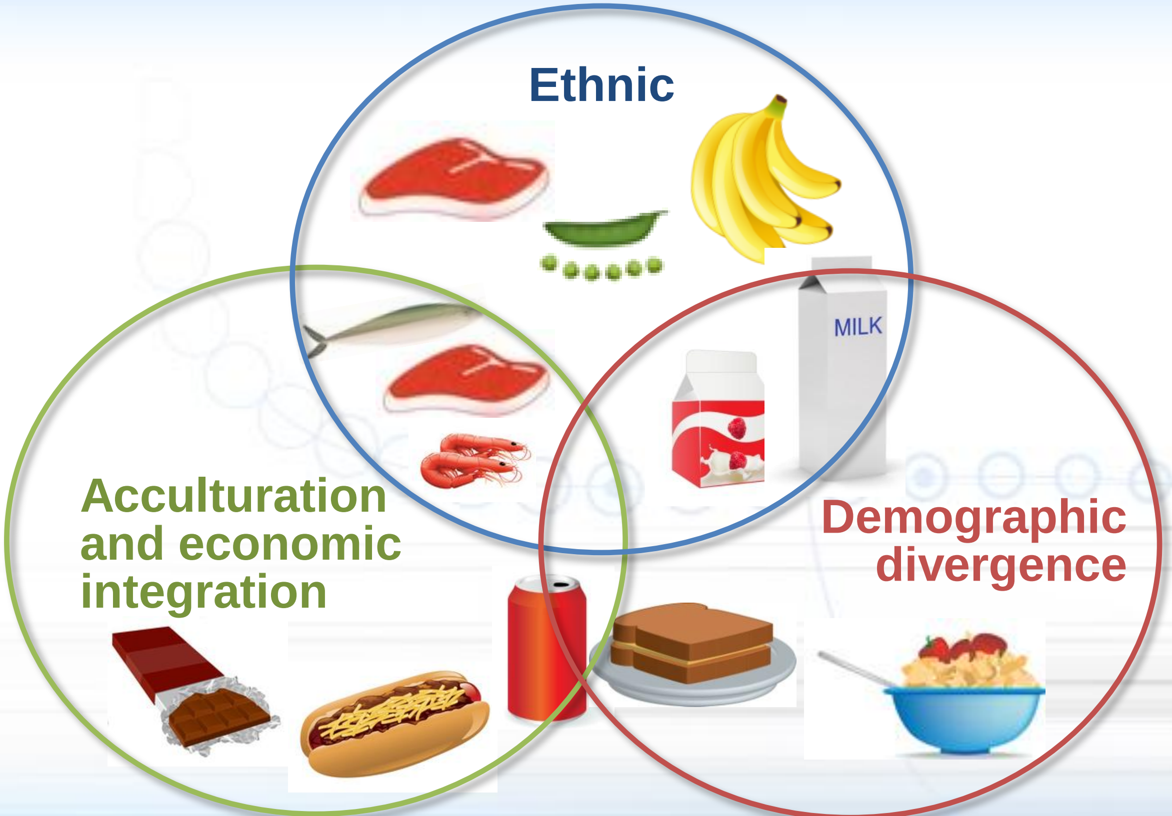
Mind the categories affected by diverging preferences or demographics

For example, health and wellness trends reduce non-Hispanic consumption of beef; but ethnic preferences buoy Hispanic spending



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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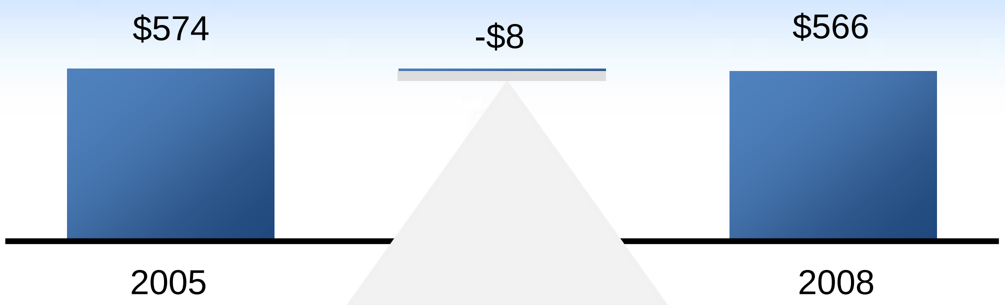
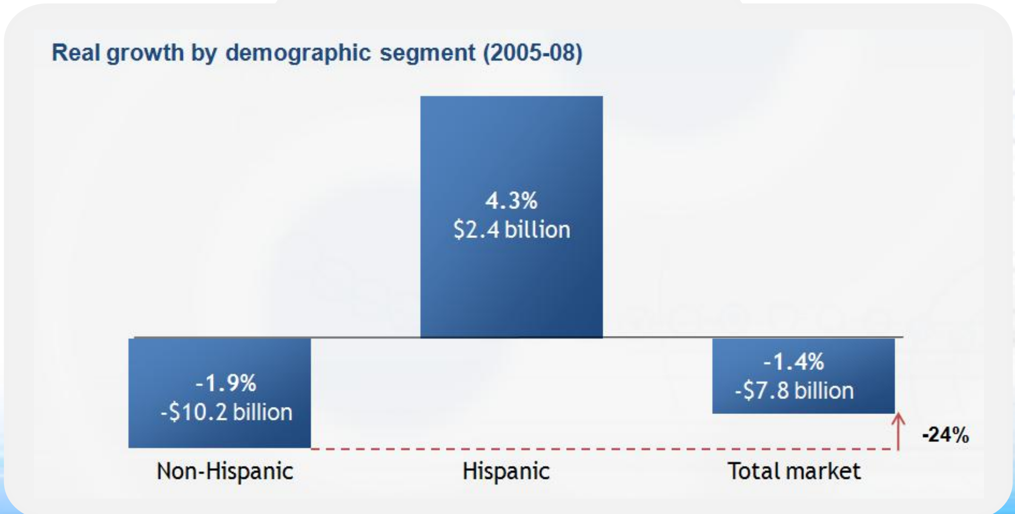
Hispanics are important contributors to the Household and Personal Goods industry

Industry sales for household and personal goods 2005-08
2008 $ billions





	2005	2008	Change
Household goods	$284	$275	-$9
Personal goods	$290	$291	+$1
Total	$574	$566	-$8

New Hispanic consumption offset 24% of the real growth decline across household and personal goods

Source: Bureau of Labor Statistics, *Consumer Expenditure Survey*, 2005-2008; Latinum Network analysis.

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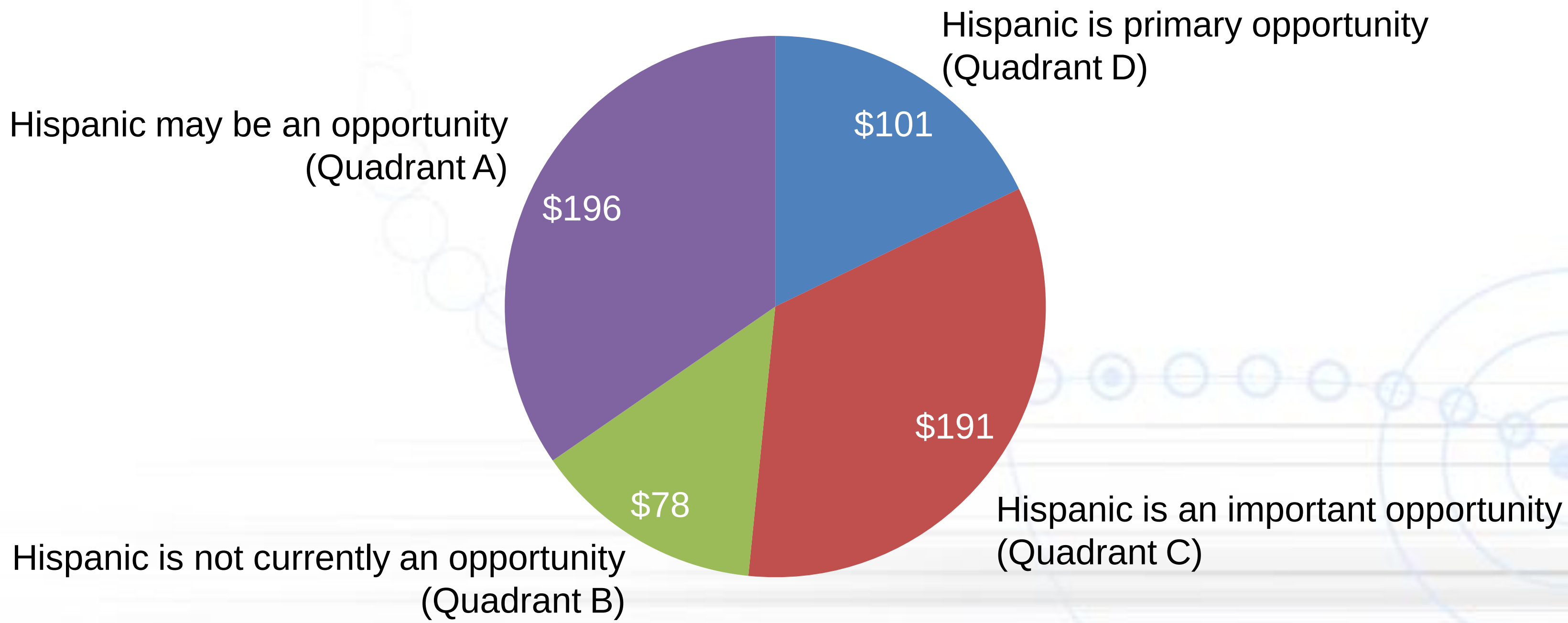
Hispanics are a major demographic growth driver for the Household and Personal goods industry

Hispanics represent the primary demographic growth opportunity for 18% ($101 billion) and an important opportunity for 34% ($191 billion) of the industry



Source: Bureau of Labor Statistics, *Consumer Expenditure Survey*, 2005-2008; Latinum Network analysis

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Selected Industry Overviews

	Non-Hispanic growth (2005-08)	Hispanic growth (2005-08)	Notes
Vehicle insurance	19.7% ($19.7 billion)	36.3% ($3.9 billion)	*Hispanics contributed a disproportionate 17% of growth to the vehicle insurance market.*
Mortgage interest	7.2% ($27.8 billion)	14.3% ($6.2 billion)	*Hispanics contributed a disproportionate 18% of growth to the mortgage market.*
Wireless service	51.5% ($55.7 billion)	71.4% ($12.6 billion)	*Hispanics contributed a disproportionate18% of growth to the wireless market.*
Cable/Satellite TV service	-6.5% (-$4.0 billion)	21.0% ($1.5 billion)	*New Hispanic consumption offset 38% of the real growth decline in cable/satellite services.*

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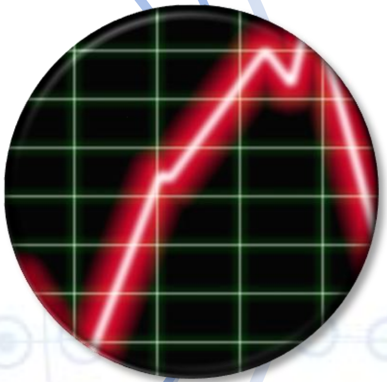
Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

How do we better understand and act upon the underlying drivers of demand?



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Incrementality in context

Definition of Hispanic consumer acculturation: the process by which Hispanic consumers norm to the general population

Demographic effects ↔ Behavioral effects

What categories they consume or use most
- Size/nature of market opportunity
- Growth sources
- Market shifts
- Category development
- Who buys what
- Key segments

Category usage drivers
- Family structure
- Education
- Asset ownership
- Category specific drivers

Which products or services suit them best
- Product life cycle matching
- Product targeting strategies
- Product design
- Complimentary products
- Regional vs. National strategies
- Packaging

Product suitability drivers
- Consumer life stage
- Product or category experience
- Taste and other preferences

How to influence their buying decisions
- Brand awareness/perception
- Media mix
- Regional vs. National strategies
- Communication and messaging
- Distribution
- Shopper marketing

Buying decision drivers
- Media/channel usage
- Identity, attitudes and other psychographics
- Buying habits and shopper experience

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Explaining Hispanic spend patterns

Latinum's analytical process

Economic and culturally relevant variables

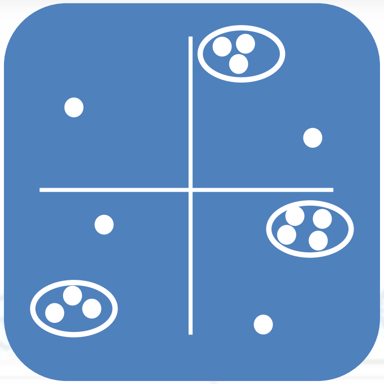
- Education
- Occupation
- Number of children under 18
- English proficiency
- Spanish preference
- Bicultural marriage
- Ethnic self-identification
- Country of origin
- Female role in household
- Extended family
- Age
- After-tax income
- Home ownership
- Citizenship
- Foreign born
- Years in U.S.
- etc.

Rich data sources

Consumer Expenditure Survey
16,000 households, including 2,250 Hispanic

American Community Survey
3m households, including 450,000 Hispanic

Factor analysis



Culturally relevant drivers of spend

- Household composition?
- Tastes?
- Household assets?
- Age?
- Income?

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What moves together

Family structure

- **Number of children**
- Multigenerational

Economic achievement

- **Highest education level**
- Post-secondary education
- Occupation

Primary cultural factors that influence category spend

Functional adaptation

- **Percent of life spent in U.S.**
- Citizenship
- English ability
- Language at home

Cultural factors that may explain consumer behavior

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Latinum’s foundational spending framework

Segments

Family structure	Low	High
Small	2 Small family, low economic achievement	4 Small family, high economic achievement
Large	1 Large family, low economic achievement	3 Large family, high economic achievement

Economic achievement

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Snapshot of segment attributes

2 Small family, low economic achievement	3.5 million households
Average household size	2.0
Average adult age	50.1
Median household income	$28,514
Householder or spouse college rate	5%
English-only home*	17%

4 Small family, high economic achievement	3.4 million households
Average household size	2.1
Average adult age	45.3
Median household income	$59,654
Householder or spouse college rate	95%
English-only home*	29%

1 Large family, low economic achievement	3.4 million households
Average household size	4.7
Average adult age	36.4
Median household income	$37,680
Householder or spouse college rate	4%
English-only home*	13%

3 Large family, high economic achievement	3.6 million households
Average household size	4.2
Average adult age	38.0
Median household income	$71,798
Householder or spouse college rate	92%
English-only home*	25%

Note: Hispanic consumers in Quadrants 3 and 4 have spent a higher percentage of their life in the US on average than those in Quadrants 1 and 2. A higher % of adults and children have also been born in the US.

Source: U.S. Census Bureau, American Community Survey, 2006-2008; Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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Where the Money Is

	Percentage of Hispanic households	Spending
Large family, low economic	27%	$194 billion (23.7%)
Small family, low economic	23%	$125 billion (15.2%)
Large family, high economic	27%	$286 billion (35.0%)
Small family, high economic	23%	$212 billion (26.0%)

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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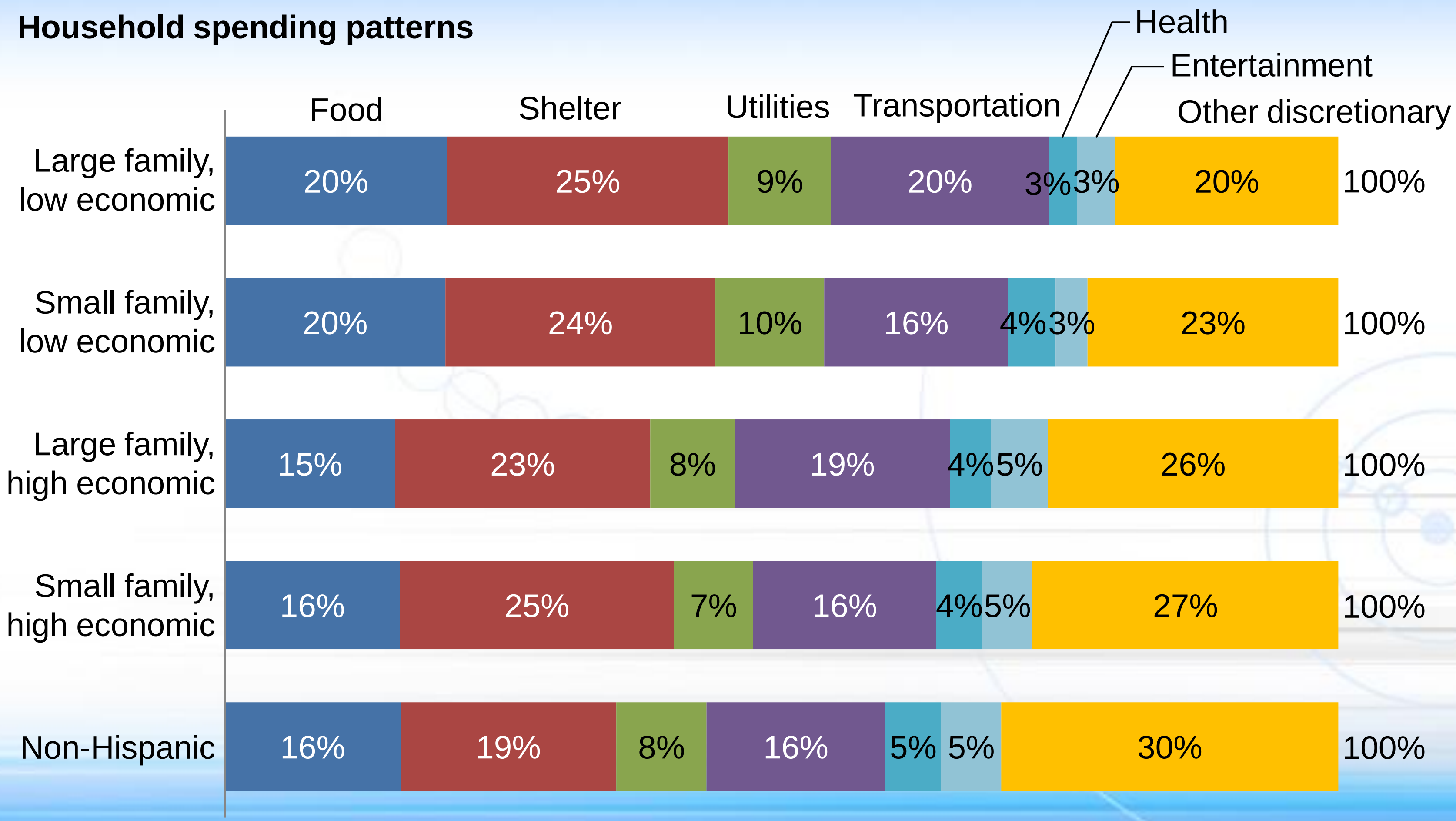
Spending patterns vary significantly by segment

As Hispanic consumers reach levels of economic achievement similar to non-Hispanics, their spending patterns look more like non-Hispanic general market spending patterns

Household spending patterns



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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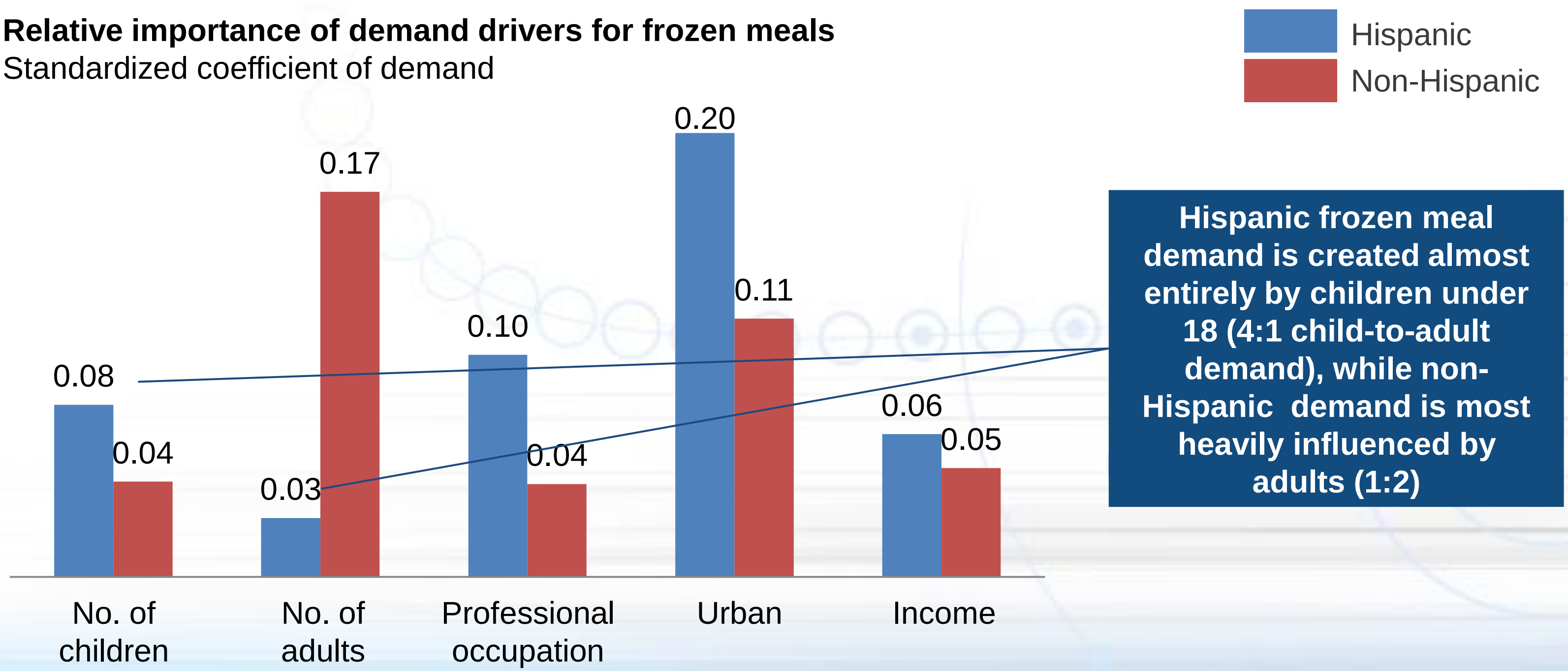
Example – frozen food preferences

Frozen meals is the highest-growth food category among Hispanics, but the demand for frozen food is driven by different drivers than in the general market: In the general market the number of adults is driving the demand, but for Hispanics it is more influenced by the number of children. Urban and professional Hispanics are also much more likely to buy frozen foods. It would seem that busy Hispanic professionals are increasingly turning to frozen meals to feed their children

Relative importance of demand drivers for frozen meals
Standardized coefficient of demand



Hispanic frozen meal demand is created almost entirely by children under 18 (4:1 child-to-adult demand), while non-Hispanic demand is most heavily influenced by adults (1:2)

Note: Several other factors influence overall demand, including urban living situations, parents' disposable time, and household income; some of these factors affect Hispanic decisions more acutely

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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What insights do key market shifts give into the dynamic nature of the opportunity?

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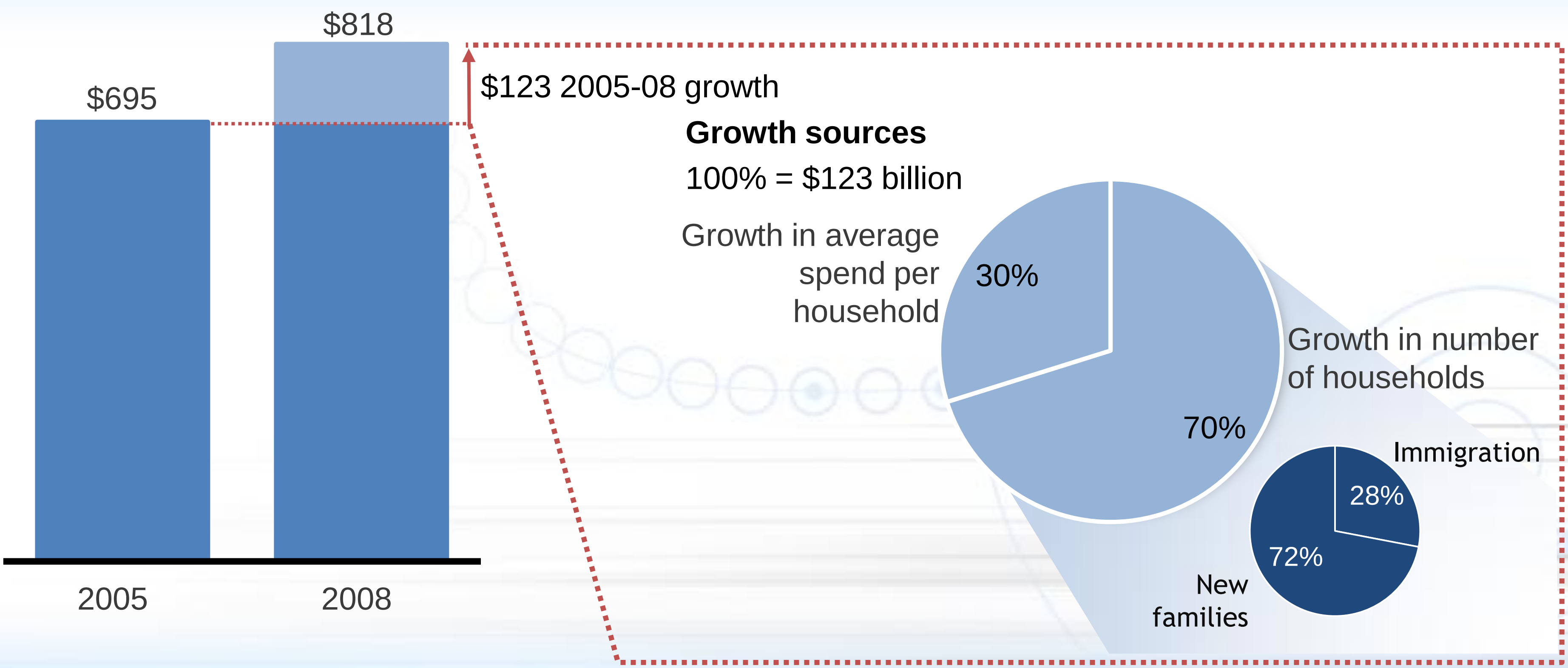
Spending growth is driven primarily by new households

Total Hispanic household spending

$ Billions



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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Higher economic achievers are ascendant

	Household growth contribution	Household population CAGR 2005-08
Large family, low economic	-14%	-2.2%
Small family, low economic	40%	6.9%
Large family, high economic	36%	5.3%
Small family, high economic	38%	6.0%

Note: Between 2006 and 2008, 72% of Hispanic population growth came from new births and 28% from immigration. During this period, immigration showed an annualized decline of 6.2%, while new births accelerated at 2.8% annually

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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High economic achievers are driving spending shifts

	Spend growth contribution	Segment spend CAGR 2005-08
Large family, low economic	10%	2%
Small family, low economic	20%	8%
Large family, high economic	35%	7%
Small family, high economic	35%	6%

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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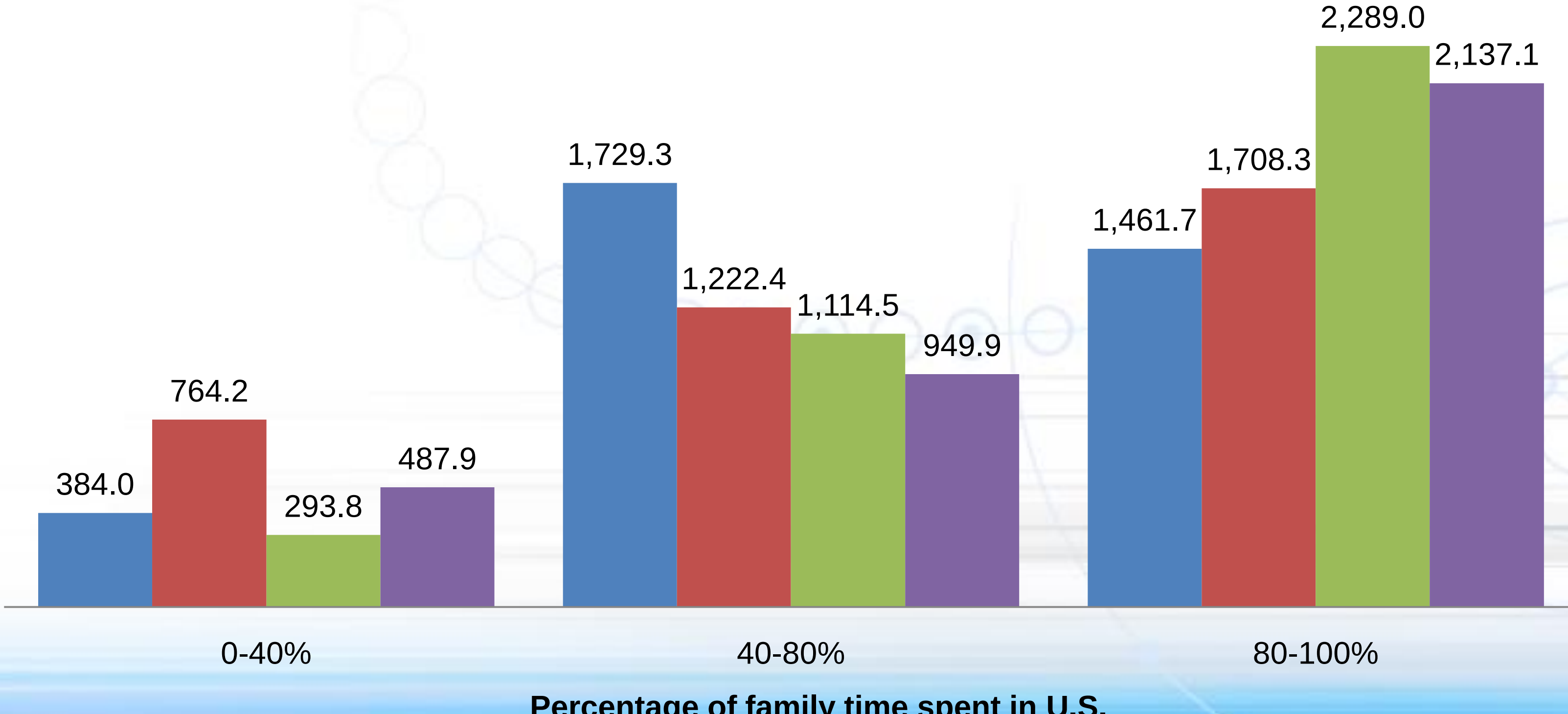
Family composition evolves over time spent in the U.S.

Influence of time in U.S. on family composition
Thousands of households

- *Small family, low economic* dominate among more recent immigrant families
- *Large family, low economic* dominate among immigrant families who have spent considerable time in the U.S.
- *Large family, high economic* dominate among long settled or U.S.-born families

Small family, low economic
Small family, high economic



Source: U.S. Census Bureau, American Community Survey, 2006-2008; Latinum Network analysis

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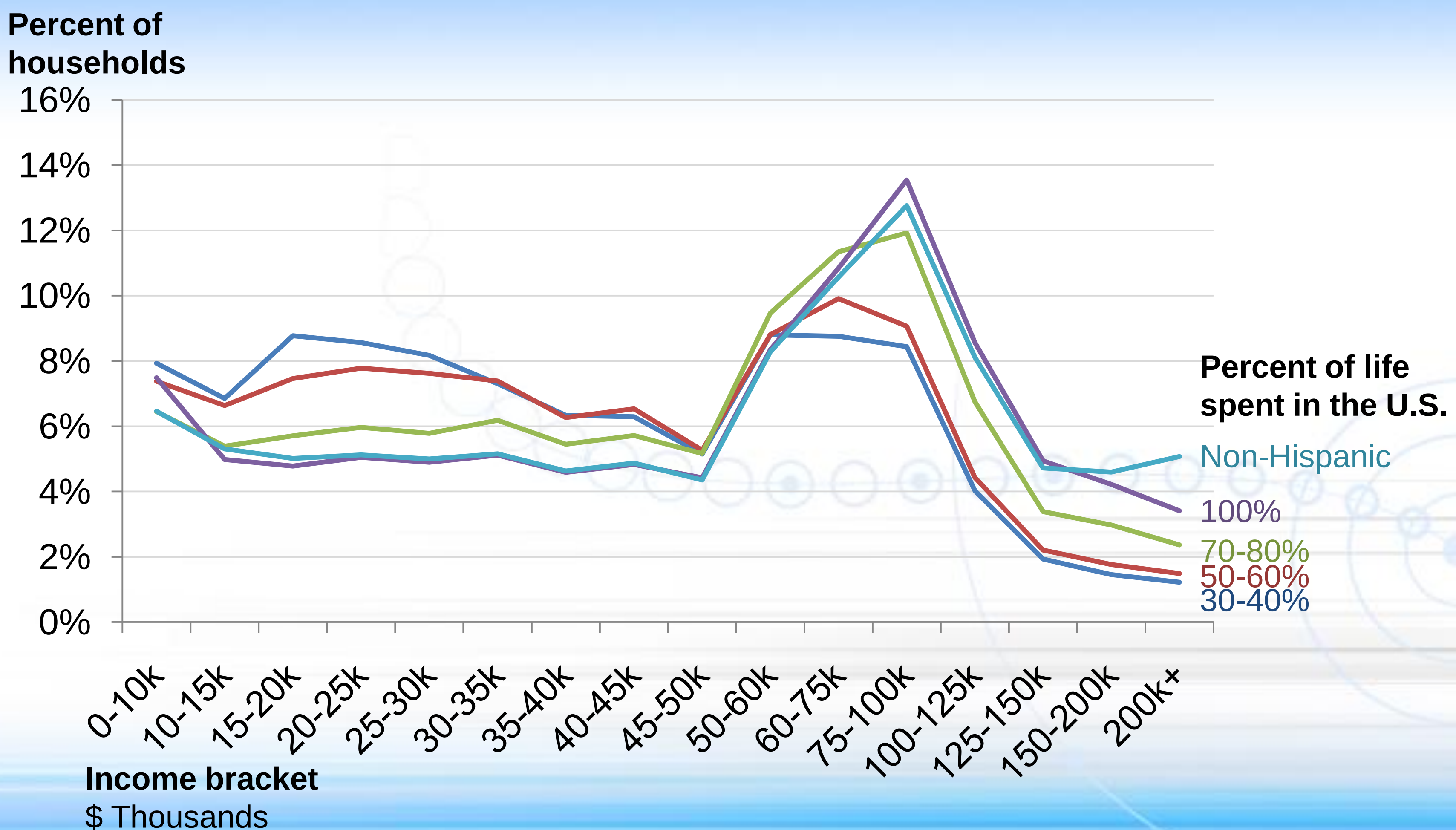
Income distribution *norms* to non-Hispanic patterns over time

Income distribution relative to time in the U.S.



Source: U.S. Census Bureau, American Community Survey, 2008; Latinum Network analysis

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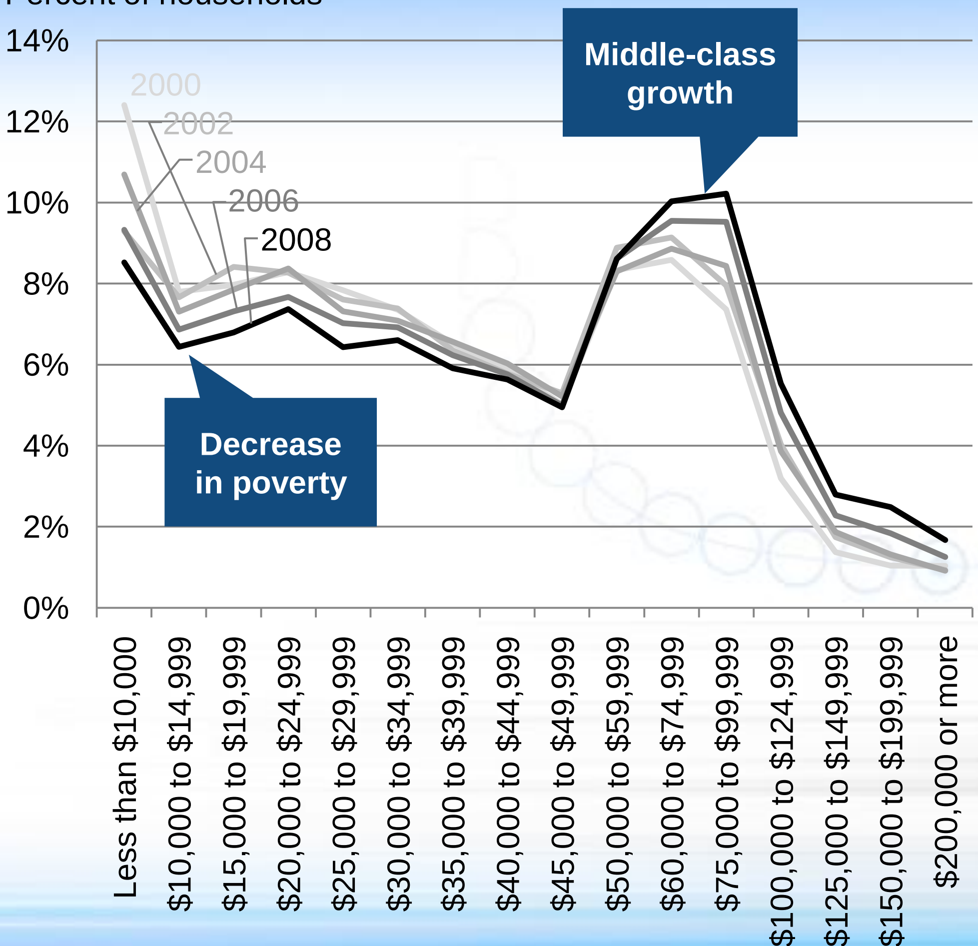
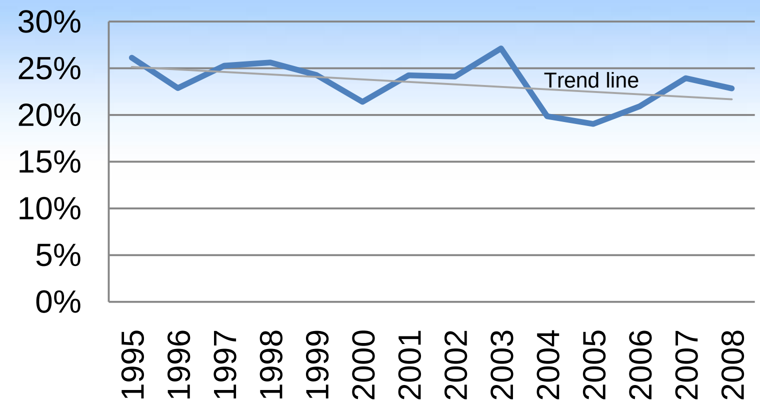
Wealth and asset effects: the rise of the Hispanic middle class

Hispanic household income distribution 2000-08

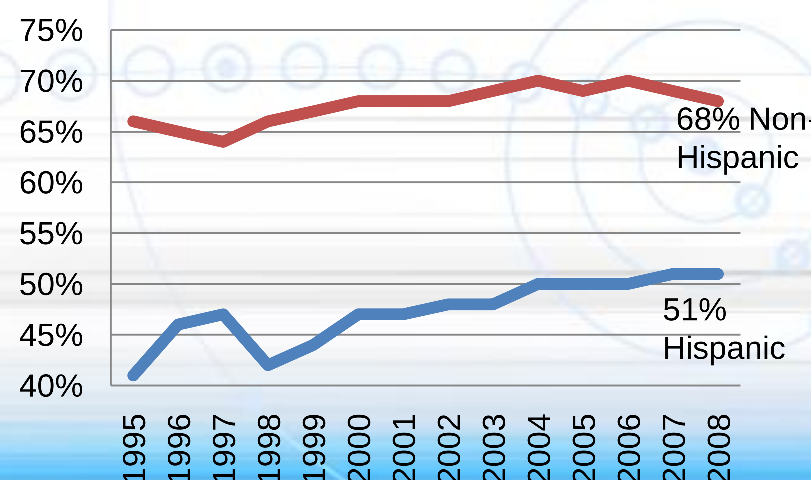
Percent of households



Hispanic income gap as percent of non-Hispanic income



Percentage of households owning homes



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2005-2008; Latinum Network analysis

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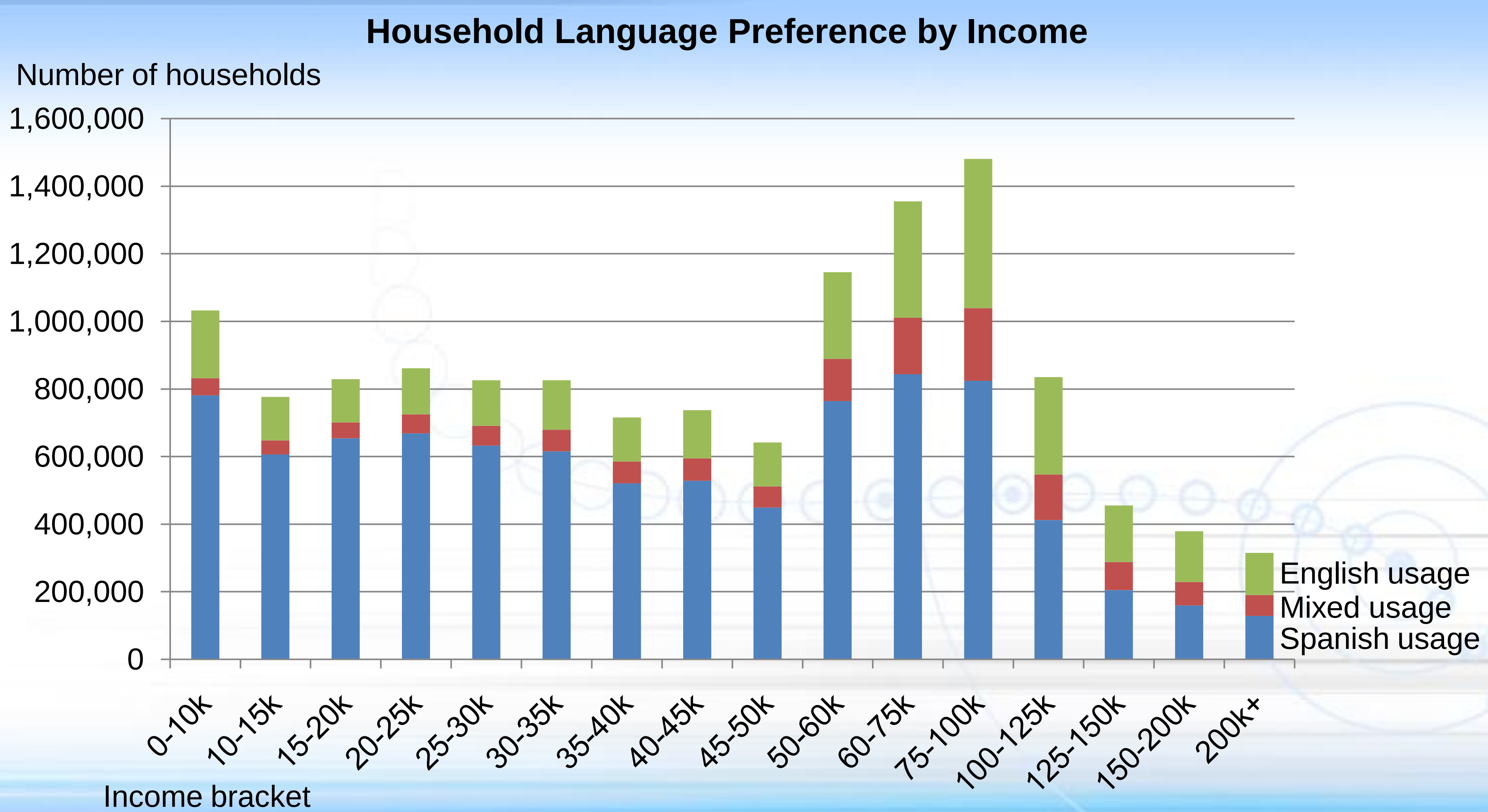
Spanish Is Used In The Majority of Households Across All Income Levels



Source: U.S. Census Bureau, *American Community Survey*, 2006-2008; Latinum Network analysis.

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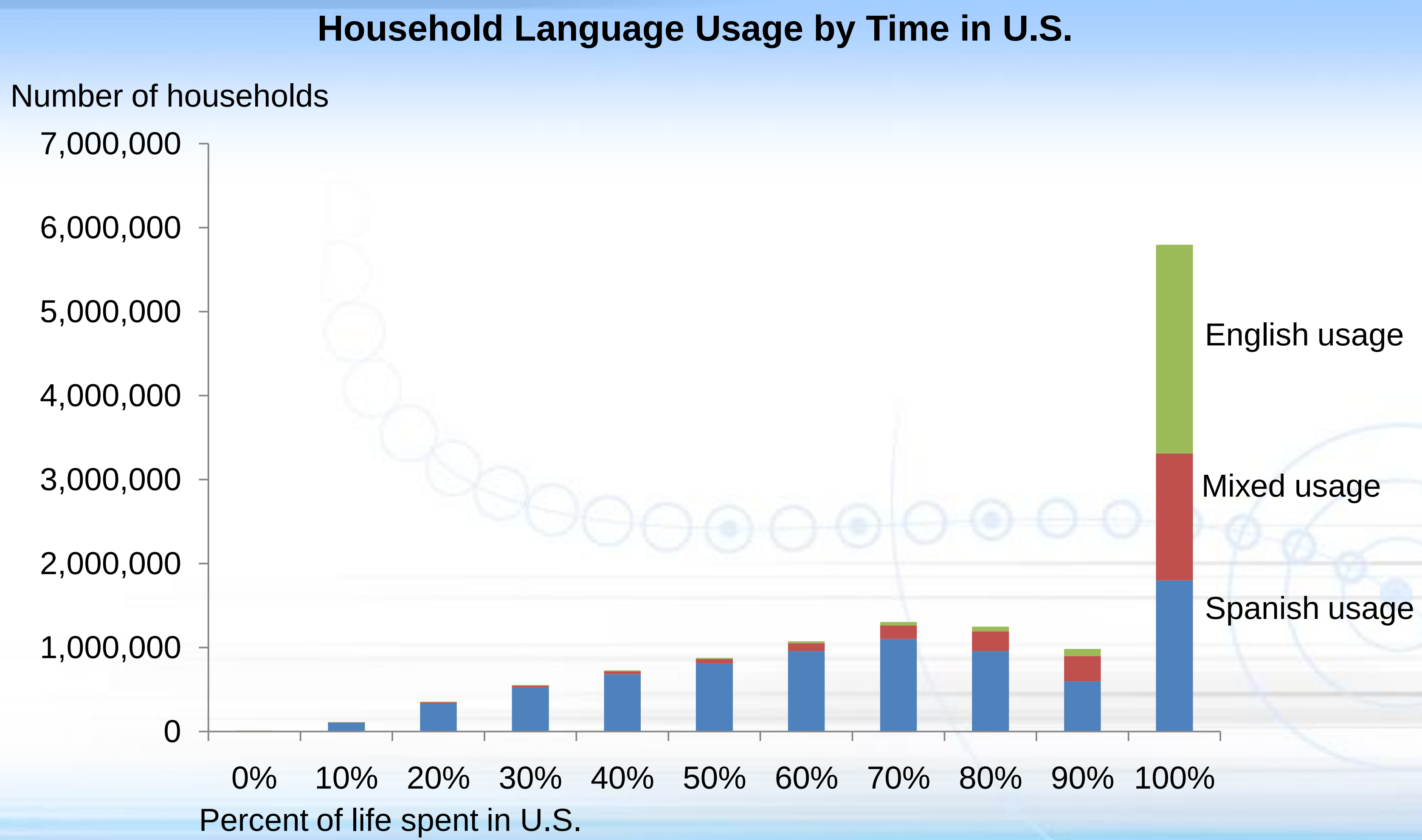
Spanish usage persists over time



Source: U.S. Census Bureau, *American Community Survey*, 2006-2008; Latinum Network analysis.

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What this tells us about the opportunity

- Most of the growth in the Hispanic population is from new births rather than immigration and from families with higher levels of economic achievement, representing an increase in the U.S.-born population and the average percentage of life in the U.S.
- Levels of economic achievement and income are norming over time to non-Hispanic patterns (with education still an open question)
- Family structures, on the other hand, are not as birth rates remain high and the Hispanic population continues to skew much younger than the non-Hispanic norm
- The language picture is mixed – although household usage of Spanish declines with longer time in the U.S., it remains widespread across segments and English adoption rate varies significantly by region
- These effects combine to create a market opportunity around growing numbers of more affluent Hispanic households, who can still be reached as Hispanics due to their cultural adherence as demonstrated by their household Spanish usage

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