

HISPANIC RETAIL 360

Serving Latinos the Walmart Way
By Laura Liebeck

With food as the cultural marker, Walmart is growing its Hispanic retailing menu to best serve the diversifying and migrating Latino population across the U.S. The world's largest retailer is doing this with new store formats, palette-pleasing foods, targeted advertising, in-store signage and more.

Despite the apparent recent emphasis, Walmart's commitment to serving the Spanish-speaking community is no different now than it was in 1962 when Sam Walton founded the company. Then and every year since, Walmart's goal has been to serve all of its customers – of every background. What has changed over the years is the composition of the retailer's clientele across a much larger geographic area and the products and services offered to satisfy their needs. From a little salsa here and a tortilla there in largely Mexican communities in the Southwest to a variety of retail formats geared to Hispanics born in the United States (natives), newly arrived and non-English speakers (immigrants) to the general market consumer, who's culturally receptive with regard to cuisine, the retailer now offers a broad-based assembly of goods available in communities near and far from the Mexican border.

"Mr. Walton always said to look at what the customers are buying, listen to them and give them what they want," said Barbara Brown, a retired Walmart executive who left the company six years ago when she was vice president of customer service.

In the early years, Brown said Walmart didn't have any specific programs in place to serve Hispanic customers, but always had "traited merchandise." We would have Hispanic merchandise for the Hispanic market and over time, we recognized the importance of it."

"The managers listened to the customer," she continued. "We always have listened to the customer, so we were probably up above the competition in responding to the Hispanic market. They talked to us."

And Walmart listened. Now, Walmart not only offers a wide range of products designed to serve the diverse Hispanic community, it has retail formats specifically developed to enhance the Latino shopping experience, which, in turn, builds a loyal customer base for the retailer well into the future. To effectively communicate with Latinos, Walmart has been working with Lopez-Negrete Communications to execute its branding messages to Hispanic consumers and likewise has an agency specifically charged with messaging to African-Americans.



Walmart is responding more robustly than ever before to "the numbers." The U.S. Census Bureau reported that the Hispanic population – people of Cuban, Mexican, Puerto Rican, South or Central American or other Spanish culture or origin regardless of race – grew by 43 percent in 2010, compared to 2000, to 50.5 million people. This growing community helped push Hispanic grocery sales in the U.S. to \$90 billion in 2009.

That same year, Walmart opened Supermercado de Walmart, 39,000-square-foot stores with 13,000 SKUs in Phoenix and Houston. These two stores, part of Walmart's store-of-the-community program, are staffed by about 130 bilingual employees each and offer a mix of products to primarily serve the immigrant population. These stores offer a "cocina" with tables and chairs so patrons can stay and enjoy such traditional Hispanic food as tortas, aguas frescas and more. When the Supermercados opened two years ago, Walmart said the plan was to

use the units as test sites and the retailer would tweak the products and services before expanding. At the time, Jose Antonio Fernandez, Walmart's vice president of business development, who was recently promoted to head the giant retailer's international business in Chile, said the company would not rush expansion of the prototype but concentrate on getting the mix right.

In 2009, Fernandez, as vice president of Supermercado de Walmart, accepted the Hispanic Retail Excellence Award for "leadership in serving the wants and needs of Hispanic shoppers" at the Hispanic Retail 360 Summit in Las Vegas.



Supermercado de Walmart in Phoenix features a wide selection of fruits and vegetables for Hispanic shoppers.



Pork is easy to pick out at this butcher-shop display at Supermercado de Walmart.

was nearly as important; 23.5 percent

Also in Houston, Walmart opened a Hispanic version of a Sam's Club, called Mas Club, or in English, More Club. This 143,000-square-foot store is similar to the chain's Sam's Club wholesale club and carries about 4,000 items, including Latino brands like Badia, Minsa, Dela Rosa and La Huerta.

But Walmart's efforts to serve Latino shoppers go even further than these new concepts. Supermercados share information with other Walmart formats so that all the stores benefit from the intelligence. It has not, however, added more Supermercados thus far, giving pause to some observers that the units as originally presented are not working. However, Walmart has never been one to rush a test. Also, Walmart has developed a broad offering of Hispanic (mostly Mexican) fare at its store in Garland, Texas, in the Dallas/Fort Worth market.

The Garland store, like its cousins in Phoenix and Houston, reflects the unique characteristics of the local Hispanic community and offers a mix of Hispanic foods and merchandise to serve the needs of acculturated Hispanics, those who move more easily across the borders of both cultures. In keeping with cultural preferences, Walmart emphasizes fresh produce and strikes a balance with Spanish and English packaging and signage, observed Edward T. Rincon, president of Dallas-based market researcher Rincon & Associates. The concept store model balances the needs of both Hispanic groups effectively to win at retail, and Rincon feels this format will be the one to succeed over stores that cater primarily to immigrant consumers.

According to research conducted by Rincon & Associates in the Dallas market, the primary reason consumers shop at Walmart vs. market competitor Fiesta Mart is food prices. When asked why they shop at Walmart, 41.6 percent said price compared to 31.6 percent for Fiesta Mart. Store proximity to the shopper's home sided with Walmart vs. 17.8 percent for Fiesta Mart customers.



The back wall of the in-store dining area at Supermercado de Walmart includes TVs tuned to Spanish-language channels.

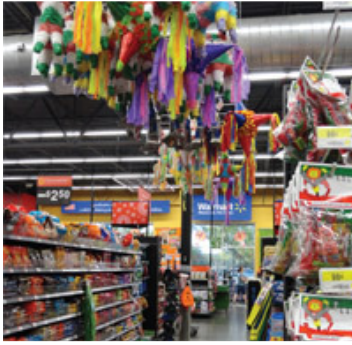
However, Walmart falls short on food selection, according to survey results. In this area, Fiesta Mart beats Walmart substantially, with 25.5 percent of shoppers saying the primary reason they shop the competition is selection vs. 9 percent who shop Walmart, according to Rincon & Associates. More Fiesta Mart shoppers also noted that "freshness of food" was a primary reason for shopping there, with 14.4 percent of shoppers naming that motivator, compared to 8.2 percent for Walmart.

"Other store features" gave Walmart an edge over Fiesta Mart, with 8.5 percent of shoppers mentioning that characteristic as a reason for shopping at Walmart compared to 3.2 percent for Fiesta Mart.

"Food is a cultural marker," said Owen Shapiro, president of the Chicago-based market research firm Leo J. Shapiro & Associates, and Walmart is winning over customers first in this area. Other products are secondary, as food most closely aligns people with their heritage, he said. Fresh produce is especially important to Hispanic consumers, especially such 'signal items' as limes, tomatoes, avacados and onions. As such, available literature on Supermercado de Walmart talks about produce. This is similar to other retailers serving Latino communities.

On a recent visit to the Garland store, Rincon tried a pineapple empanada, which was 'super good,' he said, and is a benchmark item for him personally. He spotted a big display of Mexican sweet breads, one of tortillas for which he'd give the store a "5 or 6" on a scale of 1 to 10, and some pre-packaged prepared foods including a Doña Maria Plátanos container of pork and chili verde that just needed heating and a tortilla. Pre-packaged heat-and-serve foods are not traditionally appealing to Hispanics, said Rincon, but with acculturation, the program will have some measure of appeal. The same is true of foods lower in salt and fat.

David Morse of market research firm New American Dimensions of Los Angeles recently conducted a Latina Shopper Study with the Redbean Society to better understand the variables that drive Hispanic shopping behavior. The survey of 1,200 people explored shopper attitudes and behaviors across food and beverages, clothing and personal care products to uncover shopping behaviors, preferences and influences in five top U.S. Hispanic markets – Los Angeles, New York City, Miami, Houston, and Chicago. Together, these markets account for about 40 percent of all Latinas aged 18 to 54 nationwide, the ideal demographic of U.S. consumers. Accordingly, 30 percent of polled Hispanics reported that Walmart is their favorite store for grocery shopping and the No. 1



The candy aisle at Supermercado de Walmart is decorated with piñatas.

reason is price.

"Walmart does a fabulous job with pricing, and with the down economy, more Hispanics are shopping there," said Morse. In addition, a quarter of survey respondents said their favorite destination was a Hispanic supermarket, with an equal number saying an American food chain and 23 percent specifically identifying Walmart. "I have never seen Walmart numbers so high," Morse said.

In apparel, Walmart led, too, but with a much smaller percentage. "It's nothing compared to food," said Morse. "I would have thought it would be closer."

Rincon & Associates also surveyed Hispanic consumers in a number of non-food areas and found that Walmart stores overall were the preferred shopping outlets for children's clothing, with a strong showing among women's and men's fashions. The recent survey found that Walmart is the preferred outlet of 18.5 percent of surveyed shoppers, with Ross Stores second at 8.5 percent. For women's clothing, Walmart was second to Ross, 16.6 percent to 13.9 percent, and among shoppers of men's clothing, Walmart edged out Ross stores 13.5 percent to 13.1 percent.

The market researchers are confident Walmart is in a position to grow its status in the Hispanic community, especially with store formats that cater to the more acculturated consumer who easily moves between the cultures and who may not want or need a Hispanic-only store. This may become more evident as Latino populations further expand and move beyond highly concentrated neighborhoods and penetrate the suburbs in greater numbers, forcing retailers such as Walmart to follow them.

To a large extent, this is happening now. In Walmart's Fishkill, N.Y., store, a growing Hispanic presence has resulted in a substantial selection of shelf-stable foods that span the better part of a full aisle run – and are topped with two informational signs: "Hispanic Food" and "Latino Food" – descriptions that are largely interchangeable. This aisle, unlike many others in the store, is stocked almost exclusively with popular branded merchandise. There are few private-label goods, in keeping with the long-held food preferences far from all geographic borders.

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