



*Addressing the Accounting,
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Breaking into the Hispanic Food Marketplace

The Hispanic marketplace has become the most important U.S. demographic growth driver in the food, beverage and restaurant sectors, according to data from Hispanic market research firm Latinum Network. Demographic trends indicate Hispanics should continue to be a dominant consumer segment in the food, beverage and restaurant sector for years to come, according to Latinum. Total U.S. Hispanic household spending is expected to top \$1 trillion by 2013, and with stable birth rates, household spending in this demographic should continue climbing until 2050. It is for this reason that we are focusing this issue of the Food Digest on the Hispanic marketplace.

I recently attended the Expo Comida Latina Convention held in San Diego, California. Over 300 companies from all over the U.S. and from other countries attended the convention, exhibiting their products to other vendors and customers with the goal of generating commerce. I spent time with several companies discussing their business philosophy on the importance of conducting business in the Hispanic marketplace as well as competition and the various barriers to entry.

Biggest Challenges in Doing Business in the Hispanic Marketplace

Day-Lee Foods, Inc. is a leading manufacturer of fresh and frozen foods both nationally and internationally. Mario Holguin, the regional Sales Manager for Day-Lee Foods indicated that a big challenge for their company or any other company in their market space is trying to introduce and to bring frozen foods into the Hispanic community and the local stores. Holguin was very happy with the public response their company had with the foods that they were sampling at the show.

"It is very difficult to make headway in the Hispanic marketplace with frozen food when fresh foods in family stores are the norm, and when the traditional Hispanic shoppers are not frozen food consumers," Holguin indicated.

Holguin was very optimistic about future opportunities as the population grows and quality frozen foods are introduced and become more prevalent in the local market place. This challenge is also shared by Ignacio Hernandez, founder, president and CEO of Mexgrocer.com. Mexgrocer.com is a national, bilingual online grocery store for hard-to-find, non-perishable Mexican food and household products.

"There are still divisions between first, second and even third generation Hispanic consumers. First generation consumers like to buy in the local, independent markets," Hernandez said.

The challenge for Hernandez and Mexgrocer.com is to get the younger generations to purchase more on line. They want to appeal more to the professional sector for people who buy certain products and brands because of cultural preferences, but who also have less time to go to the stores and who are more computer savvy.

Additionally, California is the largest marketplace for Hispanic foods in the country. The continuing challenge is to make headway on the East coast as well. Mexgrocer.com is promoting and pushing to expand this market by continuing to introduce new hard-to-get lines to the public.

Linda Lippincott, chef and owner of The Arizona Tamale Factory attended the Expo Comida Latina Convention for the first time this year. She also mentioned her struggle with expanding her company's reach outside of the Southwest U.S. Linda had indicated that her company is looking to expand both nationally and internationally and has been growing rapidly. However, distribution of her tamales has been a challenge.

"Because of our location in Arizona, it takes longer to receive the needed ingredients to manufacture the tamales and then to turn around and ship the product to the end users," Linda mentioned. Arizona Tamale Factory manufactures its tamales with only the most natural of ingredients.

"...in order to win over [U.S. Hispanics], brands must make an authentic appeal to the unique behaviors and tastes of U.S. Hispanics through distinct products, channels, messaging and marketing strategies."



Lippincott, like Holguin, found the response to her foods at the convention to be very positive. The key for Lippincott is to find the correct and most efficient distribution channel for deliveries into other states. Currently, the company is looking into the opportunity to move into Southern California and to be closer to many of her customers.

Barriers to Entry

Language and common culture were two of the most common barriers to entry that were mentioned by the folks I spoke to at the convention. Many of the food manufacturers trying to make headway into the Hispanic marketplace do not traditionally manufacture Latino foods. Furthermore, many of the key company personnel do not speak Spanish.

David Wellisch, co-founder and principal of Latinum Network indicated that "Clearly, U.S. Hispanics represent a growing market in the midst of a mature U.S. consumer economy, but in order to win over this important demographic, brands must make an authentic appeal to the unique behaviors and tastes of U.S. Hispanics through distinct products, channels, messaging and marketing strategies."

For example, while younger Hispanics have higher levels of English proficiency and economic achievement due to having more education than their older counterparts, Spanish usage and preference remain high as consumers acculturate, giving companies expanded options for in-language and multichannel advertising and marketing strategies which appeal to a broader portion of the market.

While language may be a barrier to entry for some, the quality of the product sold is what many distributors are trying to successfully market. Lippincott believes that by having a tamale line with only natural ingredients, she will have an advantage over many other competitors. The focus for her is to be more selective in finding a retail market for her product that caters to a natural food line. Once this is done, the language barrier will become less of an issue.

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Holguin feels his barrier to entry in the Hispanic marketplace is more about getting consumers to appreciate the convenience that frozen foods offer. He has been working to get his Day-Lee brand to be top-of-mind with Hispanic consumers. But more importantly, he wants to lead those consumers to the frozen food aisle.

Expansion Opportunities

Mexgrocer.com, Arizona Tamale Factory and Day-Lee Foods are all currently conducting business in California, among other locations and are looking to expand their product both nationally and internationally. While the taxes in California are higher than most states, the rising population in the Hispanic community presents greater consumer opportunities than ever. These companies believe that it is a great time to distribute their products in California and are always looking for new market opportunities to expand their operations in the state. Mexgrocer.com generates approximately 90% of its business in the United States and they are expanding their reach in Canada and overseas. For Hernandez, the company's distribution centers are set up to provide their product all over the country and with the ever growing population of the Hispanic marketplace, there are not a lot of changes that need to be made to the current infrastructure to handle expansion across the country. &

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