AMERICA’S NEW UPSCALE SEGMENT: LATINOS!

Roundtable
9-17-13

Contributors: Gabriela Alcantara, Reny Diaz & Carlos Santiago
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  2. Take-Aways & Conclusions

Part 2 – Areas for Further Discussion

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  2. Contributing household Earners
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Market Dynamics
  1. Additional Regional Markets – New York, Texas

Media
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AHAA: The Voice of Hispanic Marketing, in alliance with Nielsen, conducted a comprehensive study in 2013 on U.S. Latino Upscale households.

The study brings together many Nielsen assets to profile the Upscale Latino segment of today and tomorrow.

- Demographics
- Lifestyle Segmentation
- Financial & Investment Behavior
- Purchasing Habits
- Media Behavior
- Technological Adoption

In this study, “Upscale Latino” refers to Hispanics in a households that earn an annual aggregate income of $50-$100K
Take-Aways
Fast growing Latino Upscale segment reins nearly 40% of Hispanic Spending Power

• Viable and sophisticated market of enormous proportion -- $500 Billion annually
• A force behind new businesses with higher educational and professional attainment
• Younger in age and larger households provides lifetime value and upside opportunities for many high-end & luxury brands
• Preliminary report finds Upscale Hispanic over-index compared to Hispanics in Investments and Personal Care categories
• Expenditures in-line with Non-Hispanic Upscale across two-thirds of Food sub-categories, exceeding in one quarter of sub-categories
• Upscale Hispanics are shaping technology trends through their use of financial services through mobile devices
• Latino identity with one foot in each culture - their fully BILINGUAL tendencies are reflected in their pervasive use of language, and media consumption
Conclusions

Upscale Latinos will drive shifts in category consideration, purchasing behavior and brand relationship.

Marketers have a unique opportunity to identify the needs of an evolving Upscale Hispanic household:

- with an interest in building net worth,
- simplifying their lives,
- while benefiting from a bicultural lifestyle,
- streamlining their multi-generational responsibilities
- and enriching their American Dream.
DEFINING THE UPSCALE LATINO
Study Upscale Segment Definition

Upscale Consumer Segment: persons and families in households with $50-100K annual aggregate HH income

Context

• Marketers have traditionally focused their attention on Hispanics households earning around the median Hispanic HHI.
• Conversely, Hispanics $50-100K have received little attention from marketers. The available knowledge about this “Upper Middle Income” consumers is limited despite their substantial share of all Hispanic households and enormous purchasing power.

Objective & Segment Definition

• To begin to explore the composition, behaviors and purchase characteristics of Upper Middle Income segment Hispanic vs. the Non-Hispanic segment of same income profile.
• We focused on the segment of households with aggregate annual income of $50-100K.
  • Well above the median HH income ($39K) but without entering the Affluent segment which typically begins at $100K HHI and has unique characteristics.

Study Upscale Segment Definition

We realize that marketers economic segmentation definitions are vague and confusing. Unfortunately, there are no set standards.

• Economists nor politicians agree on what is middle class, let alone lower middle class or upper middle class families.

• Marketers across categories often use a wide range of definitions.
  – The $100K+ segment is commonly broken apart and even here there are different definitions used by marketers. Some use Affluent consumers and Luxury consumers interchangeably and others overlay Net Worth to aggregate HH income. Furthermore, Super-Affluent consumers may include $150K+ and sometimes at $250K+.

• Media planners often define the Upscale segment as $75-100K.

When applying/sourcing AHAA-Nielsen’s study we strongly recommend that “Upscale” should be accompanied by the aggregate household income range of $50-100K.
Segment Stratification by HHI

Non-Hispanic Median**: $51,980

- **Poverty**: 15%
- **Mass Market**: 24%
- **Upscale**: 31%
- **Affluent**: 30%

Hispanic Median**: $39,589

- **Poverty**: 16%
- **Mass Market**: 34%
- **Upscale**: 32%
- **Affluent**: 18%

Sources:

* 2011 Poverty Guidelines per Federal Register by the Department of Health & Human Services for determining financial eligibility for certain federal programs. 2011 Federal Poverty Level*:
  - 3 persons in fa/HH = $19K
  - 4 Persons in fa/HH = $22K (Hisp. Avg. HH size 3.5, NH 2.6)**

** US Census ACS 2011
MARKET DYNAMICS
Upscale Latinos Live in Top Latino Markets

There are approximately 1.5 million Upscale Hispanic homes in the top US Hispanic DMAs

Upscale Latinos Live throughout the US

The Pacific and Southwest region contain roughly 60% of Upscale Latinos.

Largest Upscale Hispanic markets

Over 2 Million Upscale homes in top Hispanic Markets among DMAs with more than 10,000 HHs.

<table>
<thead>
<tr>
<th>City</th>
<th>HHs</th>
<th>Hispanic HHs</th>
<th>Upscale Hispanic HHs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles, CA</td>
<td>5,806,202</td>
<td>1,970,381</td>
<td>625,629</td>
</tr>
<tr>
<td>New York, NY</td>
<td>7,742,613</td>
<td>1,427,294</td>
<td>396,011</td>
</tr>
<tr>
<td>Miami-Ft. Lauderdale, FL</td>
<td>1,643,542</td>
<td>758,634</td>
<td>194,892</td>
</tr>
<tr>
<td>Houston, TX</td>
<td>2,293,642</td>
<td>645,893</td>
<td>181,920</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>3,589,014</td>
<td>533,489</td>
<td>172,723</td>
</tr>
<tr>
<td>San Francisco et al, CA</td>
<td>2,654,810</td>
<td>452,105</td>
<td>147,500</td>
</tr>
<tr>
<td>Dallas-Ft. Worth, TX</td>
<td>2,661,865</td>
<td>536,777</td>
<td>147,149</td>
</tr>
<tr>
<td>San Antonio, TX</td>
<td>917,362</td>
<td>441,497</td>
<td>125,897</td>
</tr>
<tr>
<td>Phoenix et al, AZ</td>
<td>1,904,420</td>
<td>376,710</td>
<td>96,128</td>
</tr>
<tr>
<td>Sacramento et al, CA</td>
<td>1,444,289</td>
<td>292,419</td>
<td>89,246</td>
</tr>
</tbody>
</table>

Source: Nielsen Pop Facts 2013. © Nielsen 2013. Prepared by Nielsen for the use of the Association of Hispanic Advertising Agencies. This information may not be used for other purposes without written permission from Nielsen and AHAA.
Upscale Hispanics in New York DMA

**Occupation**
- Blue Collar: 31%
- White Collar: 43%
- Not in Labor Force: 26%

**Household Size**
- 1: 4%
- 2: 16%
- 3: 20%
- 4+: 59%

**Home Ownership**
- Renter: 64%
- Home Owner: 36%

**Language**
- Mostly English: 30%
- Spanish English: 8%
- Spanish Only: 15%
- Mostly Spanish: 39%

**Education**
- <High School: 17%
- HS Grad: 38%
- Some College: 45%

Source: Scarborough USA+ 2012 R2
Strong Upscale presence in key markets

- In these markets, the Upscale Hispanic composes roughly 30% of the Hispanic population.

<table>
<thead>
<tr>
<th>Local Market</th>
<th>Hispanic HHs</th>
<th>Upscale Hispanic HHs</th>
<th>Pen%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington et al, DC-MD</td>
<td>231,435</td>
<td>82,609</td>
<td>35.69</td>
</tr>
<tr>
<td>Baltimore, MD</td>
<td>40,286</td>
<td>13,485</td>
<td>33.47</td>
</tr>
<tr>
<td>Santa Barbara et al, CA</td>
<td>60,367</td>
<td>19,868</td>
<td>32.91</td>
</tr>
<tr>
<td>San Francisco et al, CA</td>
<td>452,105</td>
<td>147,500</td>
<td>32.62</td>
</tr>
<tr>
<td>Honolulu, HI</td>
<td>32,512</td>
<td>10,570</td>
<td>32.51</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>533,489</td>
<td>172,723</td>
<td>32.38</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>1,970,381</td>
<td>625,629</td>
<td>31.75</td>
</tr>
<tr>
<td>Monterey-Salinas, CA</td>
<td>83,366</td>
<td>26,392</td>
<td>31.66</td>
</tr>
<tr>
<td>Seattle-Tacoma, WA</td>
<td>130,015</td>
<td>39,853</td>
<td>30.65</td>
</tr>
<tr>
<td>Sacramento et al, CA</td>
<td>292,419</td>
<td>89,246</td>
<td>30.52</td>
</tr>
<tr>
<td>Las Vegas, NV</td>
<td>164,456</td>
<td>49,828</td>
<td>30.30</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>38,970</td>
<td>11,806</td>
<td>30.30</td>
</tr>
<tr>
<td>San Diego, CA</td>
<td>269,466</td>
<td>81,132</td>
<td>30.11</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
<td>102,315</td>
<td>30,264</td>
<td>29.58</td>
</tr>
</tbody>
</table>

Only DMAs with more than 10,000 HHs were chosen. Source: Nielsen Pop Facts 2013.© Nielsen 2013. Prepared by Nielsen for the use of the Association of Hispanic Advertising Agencies. This information may not be used for other purposes without written permission from Nielsen and AHAA.
Washington DC Upscale Homes will grow 19%

After increasing by 100% from 2000 to 2013, Upscale Hispanic homes in Washington D.C. are projected to grow by 19% by 2018.
Upscale Hispanics in Washington, D.C. & Baltimore DMAs

Occupation
- Blue Collar: 37%
- White Collar: 35%
- Not in Labor Force: 28%

Household Size
- 1: 3%
- 2: 15%
- 3: 22%
- 4+: 61%

Language
- English Only: 17%
- Mostly English: 24%
- Mostly Spanish: 30%
- Spanish Only: 29%

Home Ownership
- Renter: 51%
- Home Owner: 49%

Education
- <High School: 22%
- HS Grad: 30%
- Some College: 48%

Source: Scarborough USA+ 2012 R2
Upscale Hispanics Households are Multiple income Families

There are 2.1 working P18+ in Upscale Hispanic HHs on average, versus 1.5 working P18+ in Non-Latino White upscale HHs.

51% of Upscale Hispanics HHs are multiple income

44% of Upscale Non-Hispanic Whites are multiple income

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The Future of Middle Class America

½ Million
Upscale Hispanic homes have a member in their households that own their own business; 1 in every 8 Upscale homes.¹

+15%
Increase in college graduation rates among Hispanics overall.²
Upscale Latinos Are Increasingly bilingual

Spanish dominant speakers are increasing among Upscale Hispanics at a fast rate than English Dominance.


- Spanish Dominant: 5,148 (2010) vs. 6,072 (2012) [+18%]
- English Dominant: 7,825 (2010) vs. 8,739 (2012) [+12%]
MEDIA, TECHNOLOGY & THE UPSCALE LATINO
75% of Upscale Latinos Speak Spanish

Upscale Hispanics spend 52% of their Broadcast TV viewing time on Spanish Language networks while spending some 48% on English Language networks.

Nielsen People Meter. Quarter 4 2012. 6A-6A. Persons 2+
Bi-Cultural TV viewership

37% of Upscale Hispanics are being reached through both Spanish Language Television and English Language Television.

37% are reached by both

Spanish Language Television  English Language Television

Over 75% of Upscale Latino Homes Subscribe to One of the top Four US Mobile Providers

Upscale Hispanics are more likely than Upscale Non-Hispanic Whites to use no-contract service providers and prepaid plans.

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Upscale Hispanics are more likely to use smartphones

52% of Upscale Hispanics use a smartphone

47% of Upscale Non-Hispanics use a smartphone
Managing their finances via mobile

Nearly twice as many Upscale Hispanics are using their mobile devices to access their financial accounts in comparison to Upscale Non Hispanics.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Upscale Hispanics</th>
<th>Hispansics</th>
<th>Upscale NH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Financial Accounts via Mobile Device</td>
<td>34%</td>
<td>30%</td>
<td>22%</td>
</tr>
<tr>
<td>Receive Financial Alerts via Mobile Device</td>
<td>30%</td>
<td>28%</td>
<td>15%</td>
</tr>
<tr>
<td>Locate ATM/Branch Via Mobile Device</td>
<td>27%</td>
<td>24%</td>
<td>13%</td>
</tr>
</tbody>
</table>

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Upscale Hispanics Households own iPads at roughly the same rate as Non-Hispanic Whites.

**Upscale Hispanics**

- 13% of Upscale Hispanic HHs own iPads
- 61% of tablet HHs own iPads

**Upscale Non-Hispanics**

- 15% of Upscale Non-Hispanic HHs own iPads
- 58% of tablet HHs own iPads