Advertising 2011
BUDGET ALIGNMENT
MAXIMIZING IMPACT IN THE HISPANIC MARKET

ahaa
association of hispanic advertising agencies
Hispanic Spend Trends Among Top 500 Advertisers

- Steep turnaround in 2010; Top 500 Advertisers reversed 2-year trend returning $500M+ in incremental ad spend to Hispanic media
  - intensifying Hispanic spend by 14% over 2009 to $4.3 billion.

- Hispanic media spend by the Top 500 stood only $163M below its peak in 2007.

- The Top 500 Advertisers’ Hispanic media spend as a share of their overall ad spend stood at 5.0%.
2006-2010 Hispanic Ad Spend Trends
Classification of Hispanic Advertisers

• For purposes of this study, Hispanic Advertisers were classified according to their Advertising Spend Levels
  – Best-In-Class: Allocating advertisement expenditures to the Hispanic market at a proportion that is equal to or greater than the percentage of adults in the United States that are Hispanic (according to the 2010 Census).

• In 2010, only 5% of the Top 500 Advertisers ranked as Best-In-Class, Leaders are 11%, Followers are 11%, Laggards 16%, while a majority of 57% were in the Denial classification.
Best In Class

3 of 51 categories ranked as Best-In-Class in 2010

- Beer and Financial Services-Tax Prep & Other increased spend by 21%
- Direct Consumer Marketing was the only Best-In-Class category that decreased its spending from pre-recession levels

HISPANIC ALLOCATION OF OVERALL AD SPEND

Best-in-Class in red
B-I-C & Leaders: 2010 v. 2006 Spending Allocation

Leaders
10 of 51 categories ranked as Leaders
- Media & Entertainment – Subscription TV/Radio category sky-rocketed the most, nearly $246M or 238% since 2006.
- QSR category showed a significant increase of 30% or $70M in incremental investment
- Home Improvement & Builders category rebounded from the recession dip increasing 6% over its 2006 base of $91M.
- Only Government & Lottery and Retail Mass Merchandisers/ Department Stores experienced decreases in overall spending.

Leaders in Black
- Media & En. Subsc TV/Radio $349
- Telecom $502
- Restaurants $301
- Auto Insurance $176
- Beer $191
- Financial Services: Tax Prep & Other $91
- Direct Consumer Marketing $79
- Fitness-Sports $17
- Retail-Mass Mer/Dept St $161
- Govt & Lottery $99
- Home Impr/Builder $96
- Insurance-Other $20
- $300
- $250
- $200
- $150
- $100
- $50
- $0
- $(50)
- $(100)
- $502
- $301
- $176
- $191
- $91
- $79
- $17
- $161
- $99
- $96
- $20
- $0
- $(50)
- $(100)

HISPANIC ALLOCATION OF OVERALL AD SPEND

Leaders in Black

38.11 39.06
## 2010 Category & Company Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Best-In-Class</th>
<th>Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription TV</td>
<td>Direct TV, Echostar, Time Warner Cable</td>
<td></td>
</tr>
<tr>
<td>Auto Insurance</td>
<td>State Farm, Allstate</td>
<td>Nationwide</td>
</tr>
<tr>
<td>Financial Services/Tax Preparation</td>
<td></td>
<td>H&amp;R Block</td>
</tr>
<tr>
<td>Beer</td>
<td>Grupo Modelo, SAB Miller</td>
<td>Anheuser InBev</td>
</tr>
<tr>
<td>Direct Consumer Marketing</td>
<td>Lexicon, Telebrands</td>
<td>Green Bullion Financial, Ideavillage</td>
</tr>
<tr>
<td>Telecom</td>
<td>Deutsche Telekom, Vonage</td>
<td>Leap Wireless, Metro PCS, Sprint, Verizon, AT&amp;T</td>
</tr>
<tr>
<td>QSR</td>
<td>AFC Enterprises, Dominos, McDonalds</td>
<td>Jack in the Box, Sonic</td>
</tr>
<tr>
<td>Home Improvement</td>
<td></td>
<td>Ace Hardware, Lowes, Home Depot</td>
</tr>
</tbody>
</table>
## 2010 Category & Company Highlights

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<tbody>
<tr>
<td>Packaged Goods</td>
<td>Colgate</td>
<td>General Mills, Ralcorp, Mars, Groupe Danone, Clorox, Unilever, SC Johnson</td>
</tr>
<tr>
<td>Auto Manufacturers</td>
<td></td>
<td>Toyota</td>
</tr>
<tr>
<td>Media &amp; Entertainment</td>
<td>Televisa, Univision, Vivendi</td>
<td></td>
</tr>
<tr>
<td>Bank-Mortgage</td>
<td></td>
<td>Wells Fargo</td>
</tr>
</tbody>
</table>
Hispanic Allocation & Overall Corporate Revenue Growth

...Is There A Connection?

Absolutely!
Findings

• The AHAA analysis found that there is a strong, positive relationship between the percentage of overall ad spend allocation to Hispanic media and a company’s topline revenue growth.

  – Hispanic allocation alone explains about half of the variance in revenue growth over a 5 year period.
  – Findings were found to be significant at 0.01 level.

• This suggests that while there are many factors which are responsible for a company’s revenue growth, Hispanic allocation IS responsible for about half of the overall picture among consistent Best-In-Class companies.
Findings

• In other words, the AHAA study found that, in general, for consistent Best-In-Class marketers...

  – a 5 percentage point shift in ad spend allocation from non-Hispanic towards Hispanic would yield between 1.1 and 6.6 percentage point increase in overall corporate revenue.

  – a 10 percentage point increase in Hispanic allocation will see between 2.2% and 11.2% acceleration in annual topline revenue growth rate.

That is, a Best-In-Class company allocating one quarter of its ad spend to Hispanic media over five years, would generate annual revenue growth of about 6.7%.

• Findings were found with a confidence level of 99%.
Implications

• Hispanic market has moved from opportunity to responsibility. Once given consistent and appropriate marketing investment resources, it can yield a direct return on overall revenue growth.

• This research underscores that companies can’t just pop in-and-out of the Hispanic market as a fad and see benefits – real bottom-line benefits come from consistent integrated approaches.

• While proper ad spend is basic, it is only part of the puzzle, Hispanic media spend should be more broadly defined as marketing investment
  – reflecting the most appropriate cultural insights
  – and developing integrated marketing strategies from communications to customer experience
to leap-frog corporate revenues into an accelerated growth rate.
Methodology

• Started with 35,000 overall advertisers in Nielsen data, looked at the Top 500 Advertisers by year and in aggregate, grouped them in five distinct levels of Hispanic allocation tiers, then matched each parent company to available published revenue data, and calculate compounded annual growth rates.

• 40 companies showed an aggregate Best-In-Class Hispanic allocation (above 14.2%).

• Companies which did not have consistent published financials such as venture capital firms, companies which had restated their earnings, non-profit organizations and companies which grew on acquisition sprees rather than consumer driven growth were eliminated from the final regression set.

• Final set of Best-In-Class in analysis included 14 companies: AFC (Church’s, Popeye’s), Allstate, AutoZone, Colgate-Palmolive, Collective Brands (Payless), DirecTV, Domino’s Pizza, EchoStar Communications (Dish Network, Dish Latino), Heineken, JC Penney, Rent-A-Center, SAB Miller, State Farm, and Vivendi.

• Ran nearly 100 regression analyses including: by tier, in tier combinations, by single year as well as in aggregate looking to identify any correlation patterns between percentage of ad spend allocation dedicated to Hispanic and overall revenue growth rates.

• Validated methodology, added new regressions and validated results with independent academic advisor.
Thank you! ¡Gracias!