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UPSCALE LATINOS 2.0

A RENEWED OUTLOOK FOR HIGH-END MARKETERS

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UPSCALE LATINOS 2.0

2014

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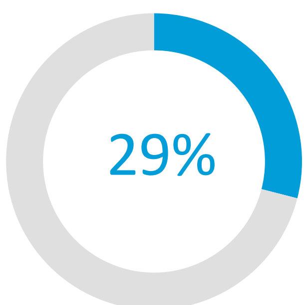
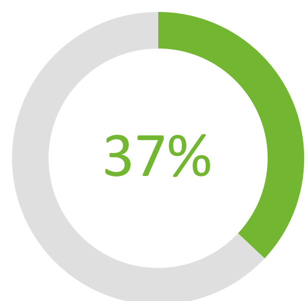
MARKET SIZING, UPSCALE LATINOS 1.0

SIZEABLE SEGMENT



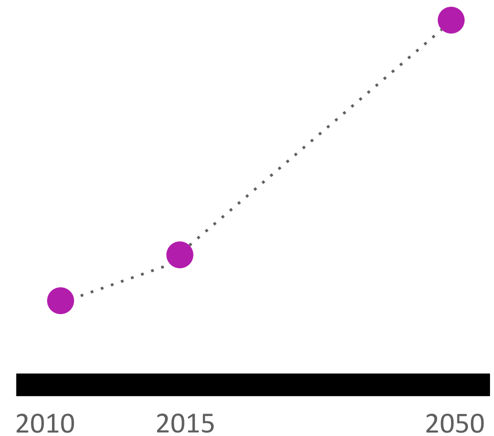
15 Million within Upscale homes

WITH RESOURCEFUL POCKETS



$500 Billion annual spent out of $1.3 Trillion

BUILDING LOYALTIES



35 Million strong by 2050

Source: America's new upscale segment, LATINOS

Source: Nielsen People Meter Universe Estimate, P2+ Hispanic, Q4 2012.

UPSCALE LATINOS 2.0

The objective of AHAA's Upscale Latino 2.0 study, co-authored by Nielsen, is to further understand the Latino Upscale Household behaviors, what drives them towards upscale-luxury purchases in mid-to-high-end brands/formats, and what drivers & detractors they share, or not, with Non-Hispanic Upscale households

UPSCALE PURCHASE BEHAVIOR
- OPTIMISM
- PAST PURCHASES
- FUTURE PLANS

LUXURY VALUES & REWARDS SEGMENTS

DRIVERS & DETRACTORS COMMON & NUANCED
- DEPT STORES
- PRESTIGE COSMETICS
- CASUAL DINING

MEDIA HABITS
- SCARBOROUGH
- NIELSEN MOBILE MARKETSIGHT
- NIELSEN NPOWER

LUXURY SEGMENTS INFLUENCING SHOPPING

3 KEY UPSCALE SEGMENTS FOR TOTAL UPSCALE ADULTS AGES 18+ ($50-99K)

LUXURY SEEKERS

35%

Feel strongly drawn to luxury, feeling good about themselves, individual rewards

- In my opinion, luxury is pleasant
- One buys luxury goods primarily for one's pleasure
- In my opinion, luxury is good taste
- The luxury products we buy reveal a little bit about who we are

SOCIAL SEEKERS

18%

See luxury as refined, seek recognition and social status

- In my opinion, luxury is old fashioned
- I could talk about luxury for hours
- Those who buy luxury are refined people

SENSIBLE SEEKERS

47%

Pragmatic about luxury, making high-end decisions as it makes sense

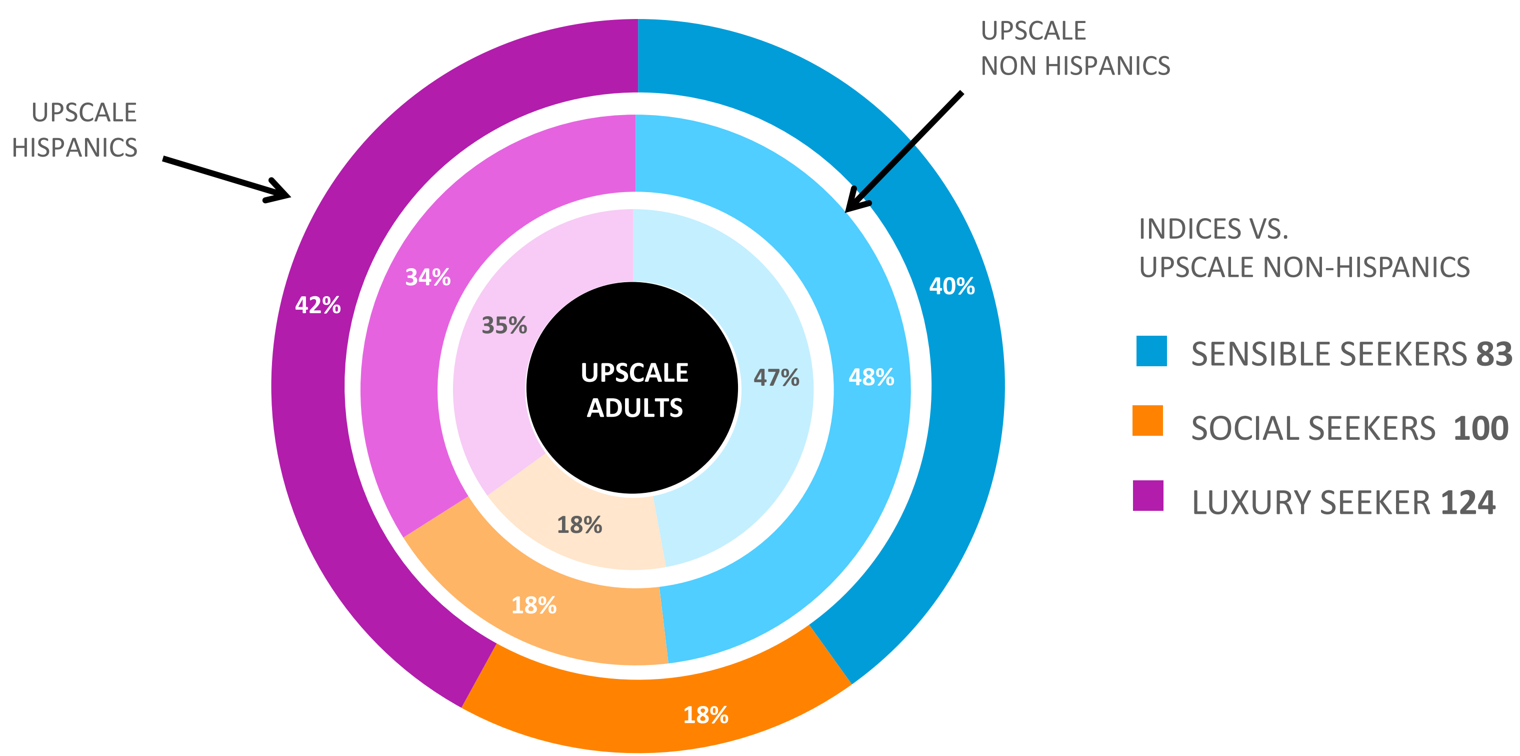
- I would not feel at ease in a luxury shop
- In my opinion, luxury is flashy
- People who buy luxury products try to differentiate themselves from others
- I don't know about the luxury of the world
- Luxury does not make me dream

Bernard Dobois, "Attitudes towards the Concept of Luxury" in Asia Pacific Advances in Consumer Research, 1994.

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

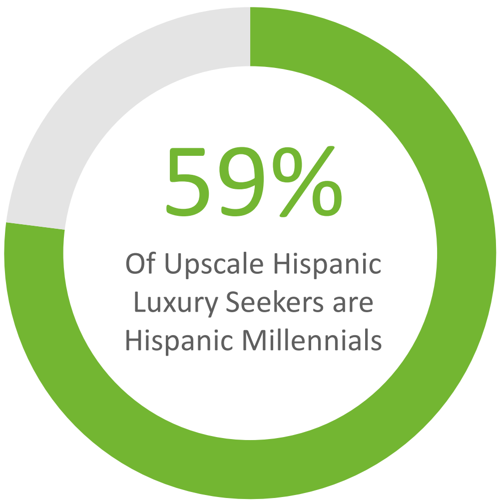
UPSCALE HISPANICS, LUXURY AND SENSIBLE SEEKERS

Upscale – Luxury Attitudinal segments:



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

YOUNG, U.S. BORN AND BICULTURAL



vs. **31%** of Upscale non-Hispanics Luxury seekers

WITHIN ALL 3 KEY UPSCALE HISPANIC SEGMENTS:

- At least **60%** of each upscale segment is **U.S. born**
- **60%** of each segment has strong ties to **Latino culture**
- **30%-40%** voice a strong **cultural duality**

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

HIGHER EDUCATION & PROFESSIONAL ATTAINMENT

Upscale Hispanics

32% some college
20% college graduate

44% white collar
17% sales/office

56% 1 or more child vs.
36% Upscale non-Hispanic

Source: Scarborough Hispanic Multimarket PLUS, 2013 Release 1

HISPANIC UPSCALE CONSUMERS, YOUNG & BICULTURAL

1. Across all luxury segments, About **60%** have strong ties to the Latino Culture; **30% - 40%** voice a strong cultural duality

2. Upscale Hispanic Luxury Seekers are more likely to be Millennials and Bicultural, they are twice as likely to be Gen Y than Upscale non-Hispanics Luxury Seekers

3. Upscale Hispanics Social Seekers tend to be Gen X

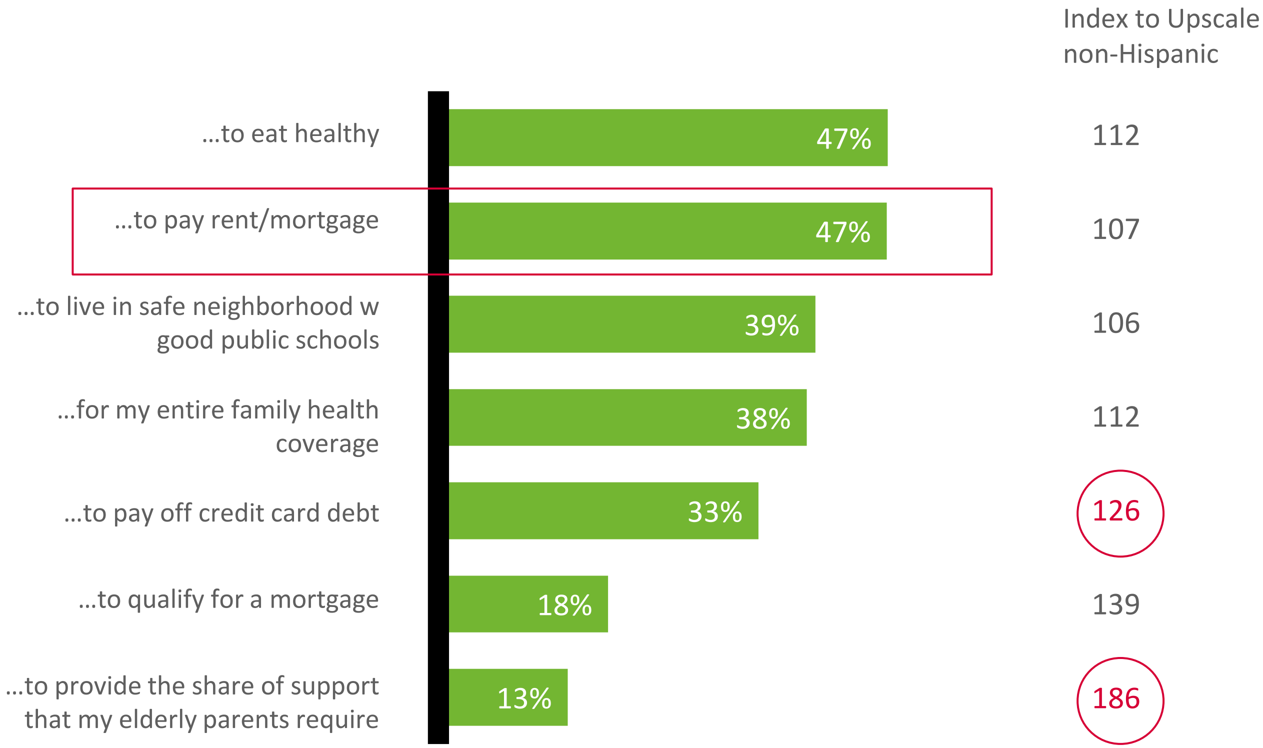
4. Upscale Hispanics Sensible Seekers are Gen Y and X and more likely to be Latino Culture Oriented

Source: Scarborough Hispanic Multimarket PLUS, 2013 Release 1

OPTIMISM
AMONG UPSCALE CONSUMERS

UPSCALE HISPANICS BEAMING WITH OPTIMISM

% of Upscale Hispanics that say that in the next 12 months they have sufficient resources to….



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

CONFIDENCE IN FAMILY FINANCES, PAYING OFF DEBT

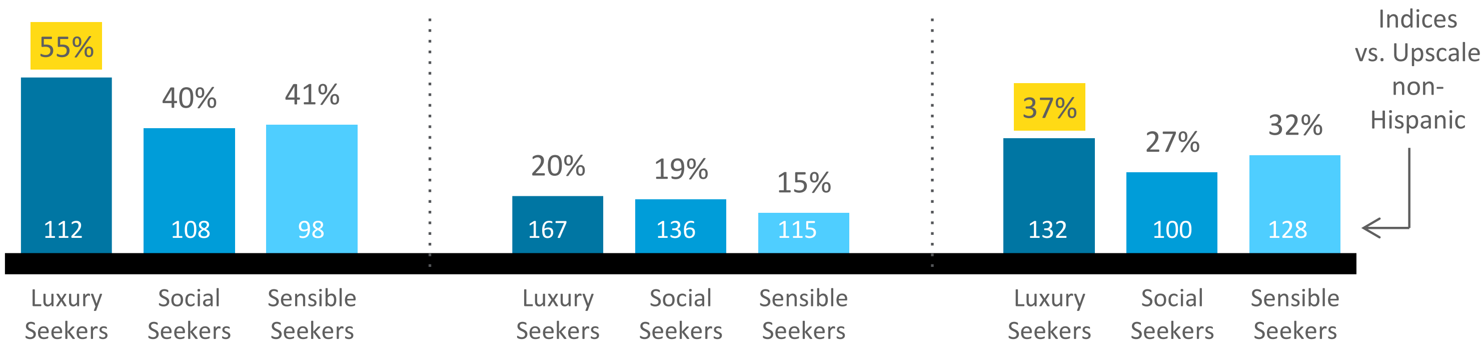
% of Upscale Hispanics that have sufficient resources in next 12 months to…

47% to pay my rent/mortgage vs.
44% Upscale non-Hispanics

18% Qualify for a mortgage vs.
13% Upscale non-Hispanics

33% pay off credit card debt vs.
26% Upscale non-Hispanics (126 index)

% by Upscale Hispanic segment & Indices vs. Upscale non-Hispanic



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

PLANNING FOR A BRIGHTER TOMORROW…

Savings allocation prioritized differently based on upscale segment

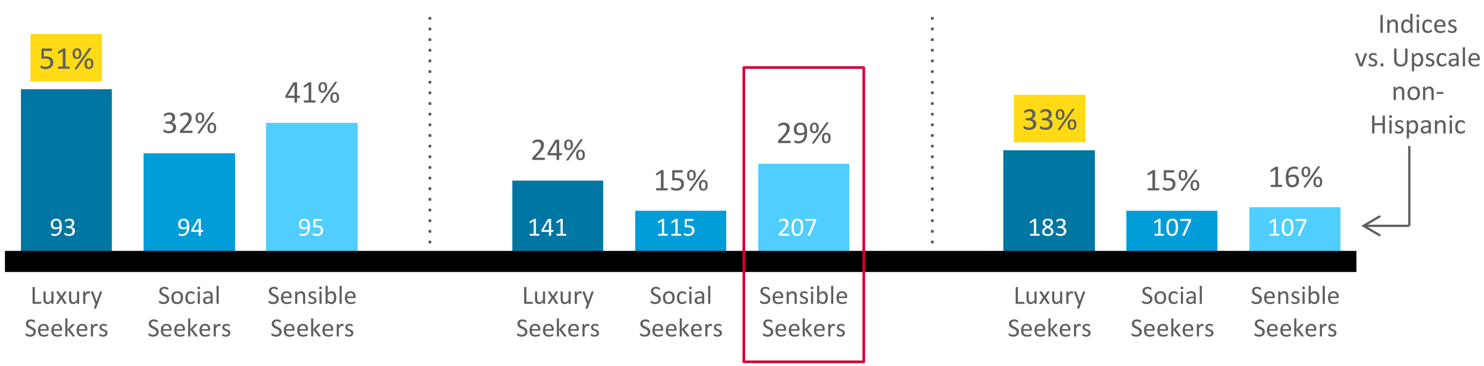
% of Upscale Hispanics that will definitely save in the next 12 months for…

43% retirement, pension fund vs.
45% Upscale non-Hispanic

24% children's college fund vs.
15% Upscale non-Hispanic

23% investing in life insurance/annuities vs.
16% upscale non-Hispanic

% by Upscale Hispanic segment & Indices vs. Upscale non-Hispanic



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

FAMILY FIRST, INCLUDING ELDER PARENTS

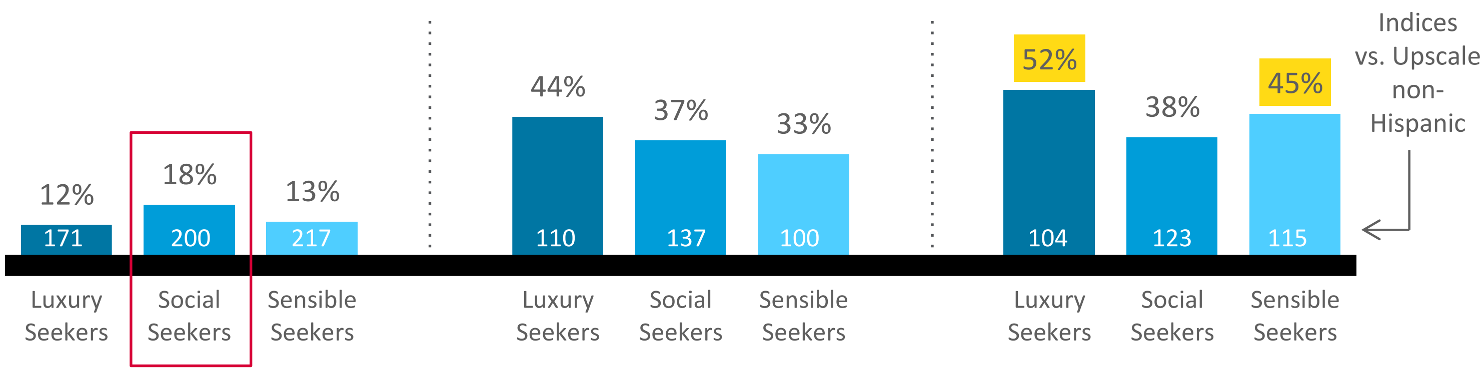
% of Upscale Hispanics that have enough money in next 12 months…

13% to provide share of support elderly parents require vs.
7% Upscale non-Hispanic

38% for my entire family's health coverage vs.
34% Upscale non-Hispanic

47% to eat healthy vs.
42% Upscale non-Hispanic

% by Upscale Hispanic segment & Indices vs. Upscale non-Hispanic



DURABLE GOODS & UPSCALE PURCHASE BEHAVIOR

HIGHER PURCHASING FOR KEY CATEGORIES

Past 2 months	% UPSCALE HISPANIC	INDEX TO UPSCALE NON-HISPANIC
SHOP AT CHILDREN'S STORE	57%	**163**
PURCHASE COMPUTER, LAPTOP AND/OR TABLET	51%	**150**
STAY IN A HOTEL WHILE ON VACATION	51%	113
PURCHASE DESIGNER SHOES, CLOTHING AND/OR ACCESSORIES	43%	**215**
PURCHASE ELECTRONICS SUCH AS FLAT SCREEN TV, HOME THEATER AND/OR GAME CONSOLE	42%	135
PURCHASE HOME FURNISHING AND/OR APPLIANCES	40%	118
MAJOR HOME IMPROVEMENT*	20%	125
PURCHASE A PRIMARY HOME	12%	171

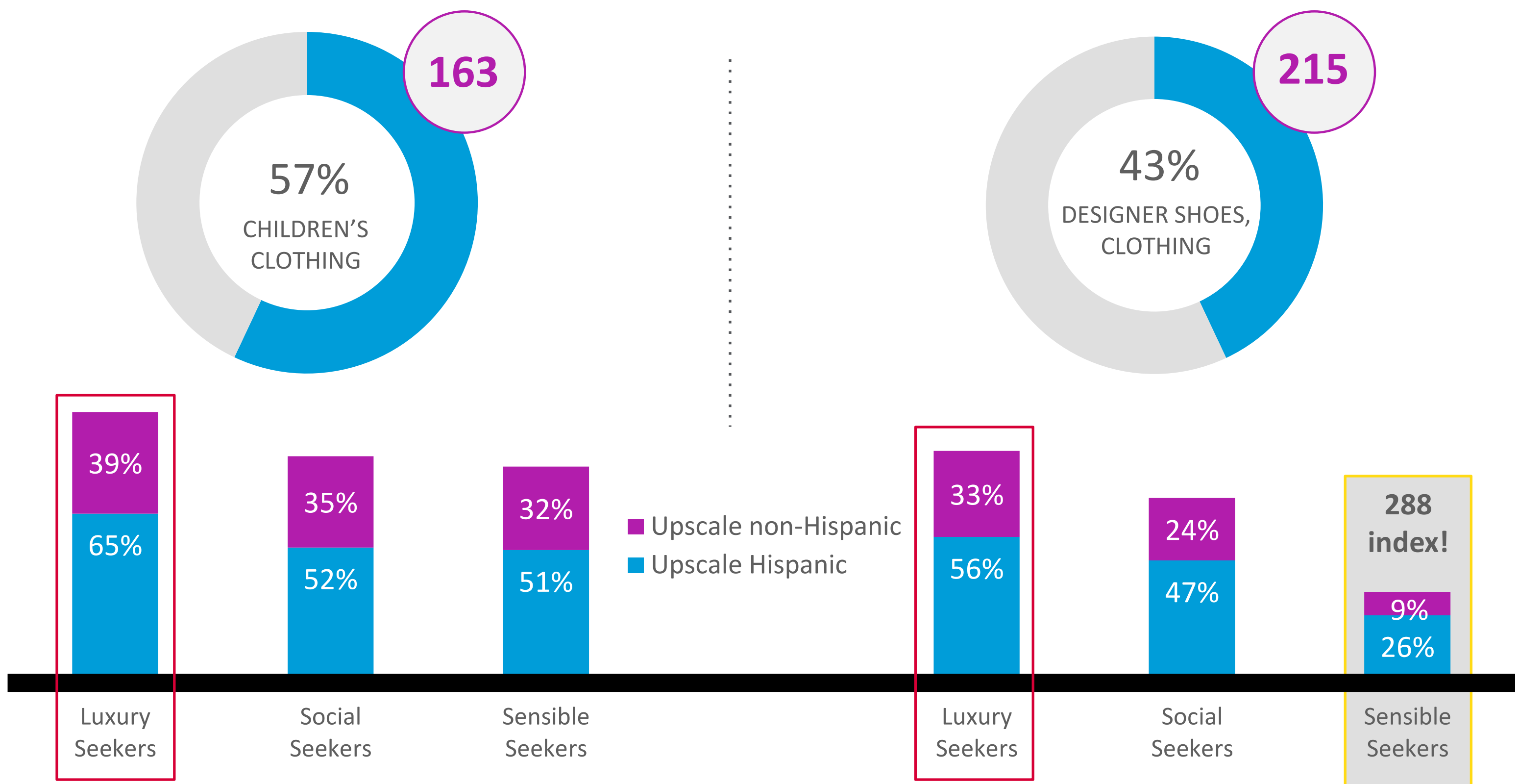
*(roof, flooring, landscape), home remodel of your kitchen or bath, or a room addition

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

CHILDREN AND FASHION TOP OF MIND

Luxury Seekers leading the way with highest incidence of purchasing…

% of Upscale Hispanics making select purchases in past 12 months & Index against Upscale non-Hispanic

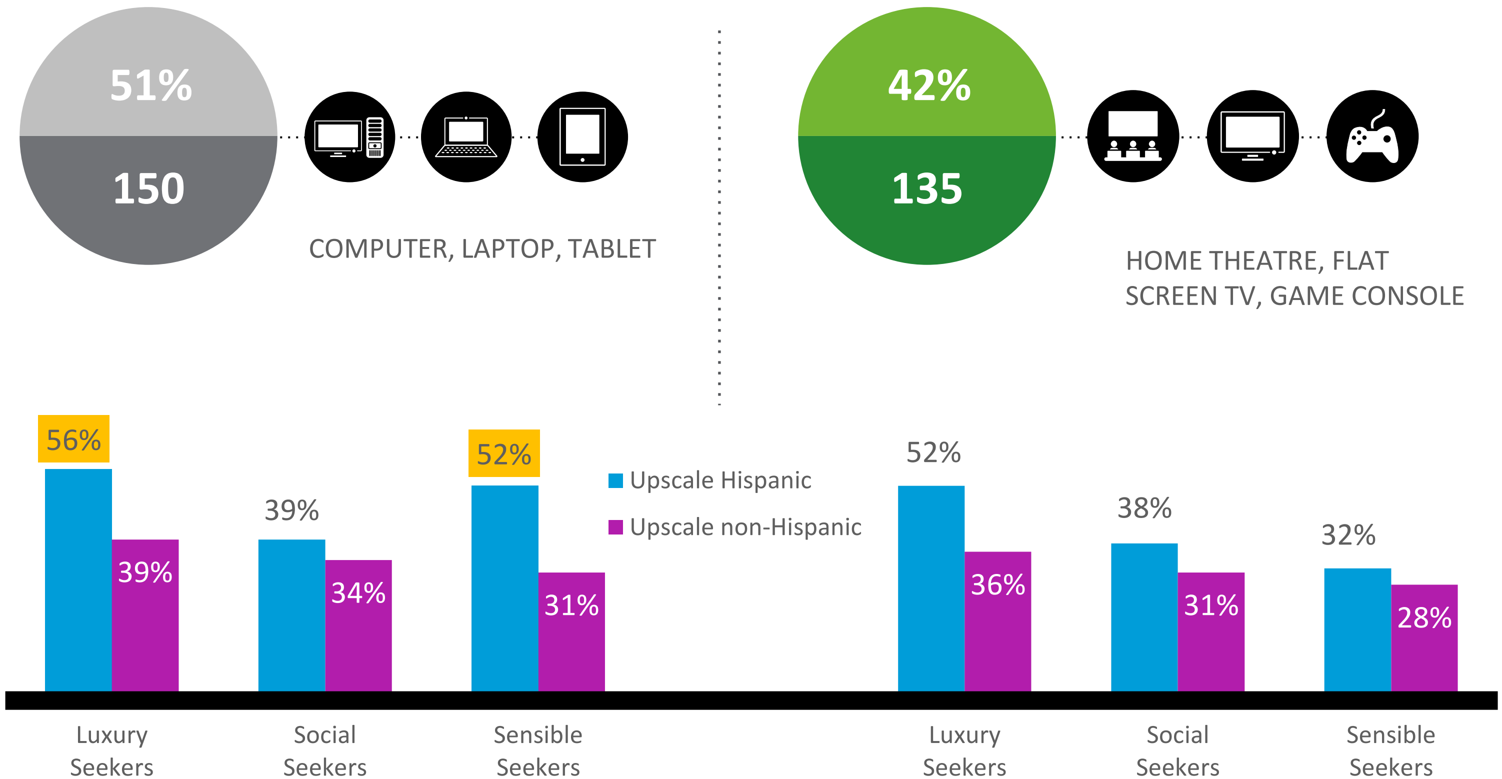


Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

OUT-PURCHASING TECHNOLOGY

Across all computer, laptop, tablet and home entertainment within all sub-segments

% of Upscale Hispanics making select purchases in past 12 months & Index against Upscale non-Hispanic



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

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AND ACTIVELY ENGAGING IN E-COMMERCE

Upscale Hispanics spent **$3.7BB** in online purchases in the past 12 months

Index vs. Upscale non-Hispanics

	Index vs. Upscale non-Hispanics
42% MOBILE SHOPPING	151
51% MOBILE BANKING	155
65% ONLINE SHOPPING	91

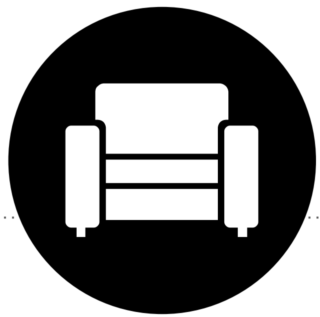
Items purchased past 12 months online:

CLOTHING/ACCESSORIES	31%
AIRLINE TICKETS	24%
HOTELS/CAR RENTALS	16%
HEALTH & BEAUTY	11%
HOME ACCESSORIES	10%

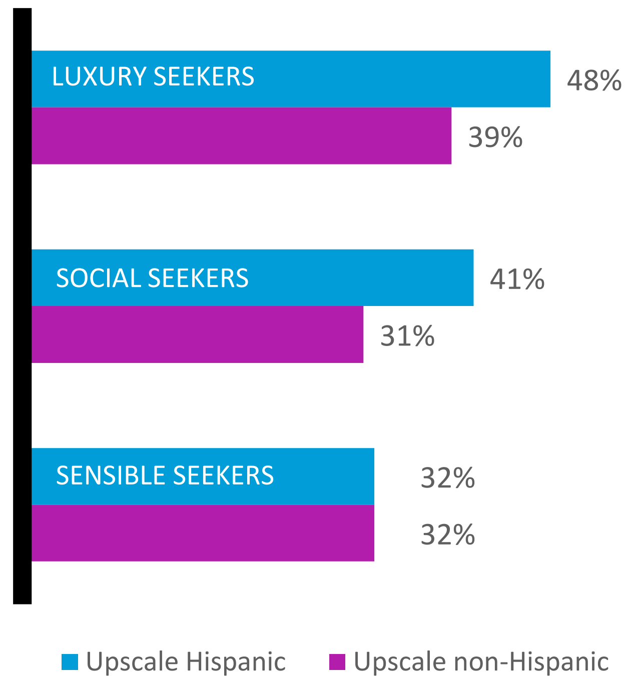
Source: Source: Nielsen Mobile Marketsight Q2 2013, Hispanic Latinas A18-54 Indexes based on NON Hispanic Latinas A18-54; Scarborough Hispanic Multimarket PLUS, 2013 Release 1

HOME FURNISHING & DURABLES OPPORTUNITY

For Hispanic Luxury and Social Seekers



40% of Upscale Hispanics purchased home furnishings/appliances in past 12 months; **18%** more likely vs. Upscale non-Hispanics **(34%)**



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

DEPARTMENT STORES MIDDLE-MARKET AND HIGH-END

DEPARTMENT STORE CATEGORIES

PRICE DEPARTMENT STORES

- Sears
- JC Penney
- Kohl's

MIDDLE MARKET

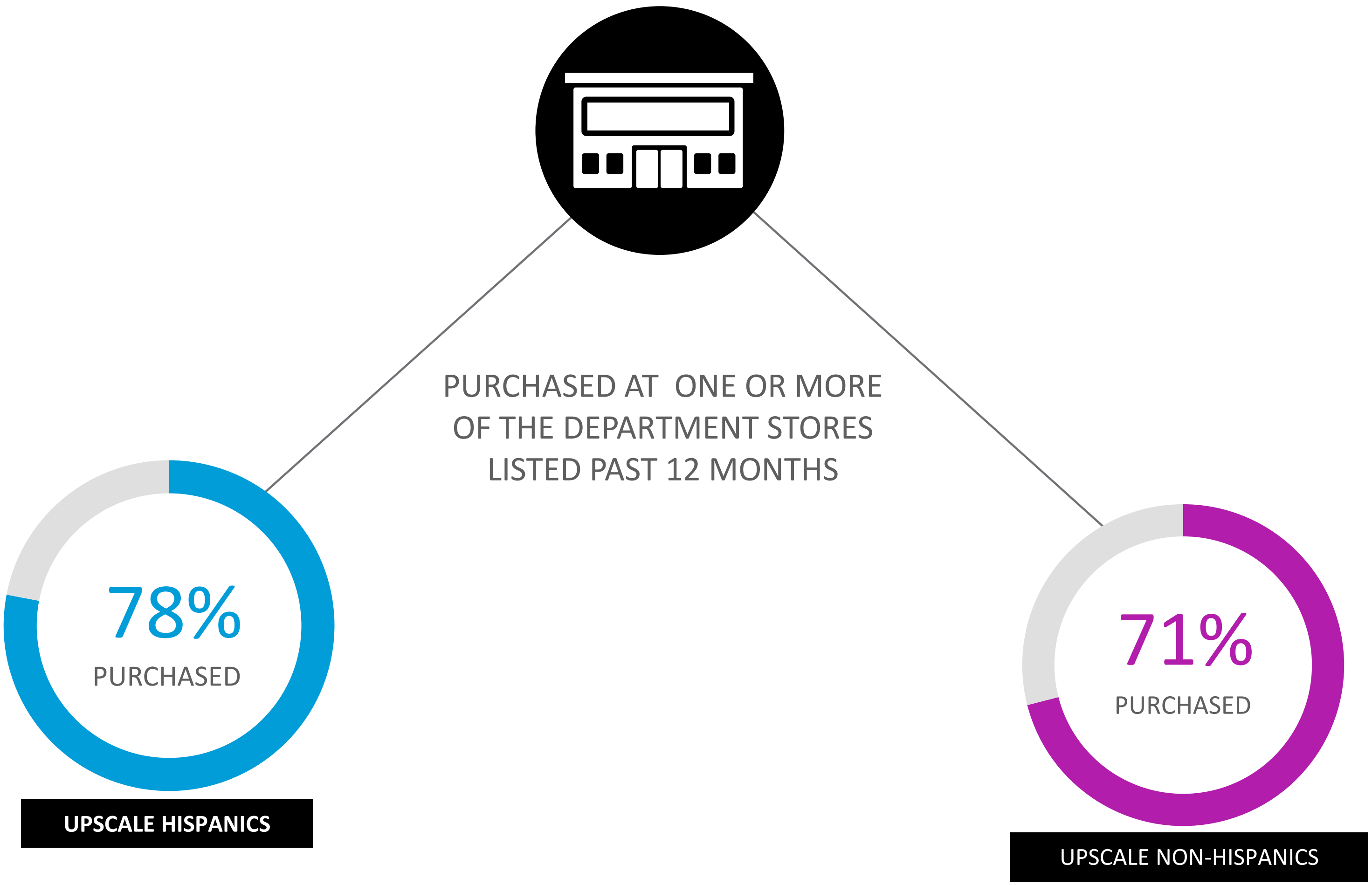
- Dillard's
- Macy's

HIGH-END

- Barney's
- Bergdorff Goodman
- Bloomingdales
- Lord & Taylor
- Neiman Marcus
- Nordstrom
- Saks Fifth Avenue

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

UPSCALE HISPANICS, HIGHER PURCHASING INCIDENCES



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

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WITH INTENT TO CONTINUE PURCHASING

Indices of Upscale Hispanics that intend to purchase at the following store types vs. Upscale non-Hispanics

	HIGH-END 200	MIDDLE-MARKET 165	PRICE DEPT. STORES 105
Luxury Seekers	146	128	106
Sensible Seekers	241	201	103

Indices of intent for key upscale Hispanic sub-segments vs. non-Hispanic Upscale sub-segments

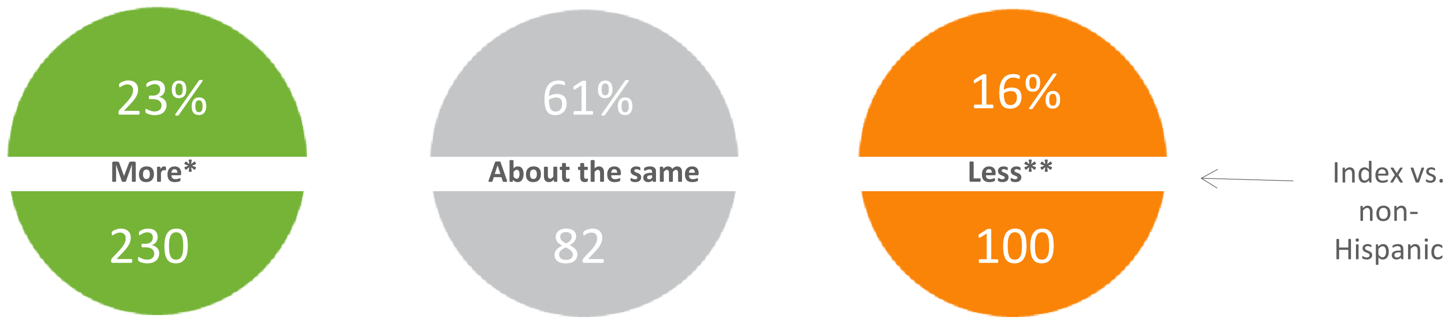
BASE: Purchased at Department Store past 12 months and Intends to purchase at Department Store next 12 months

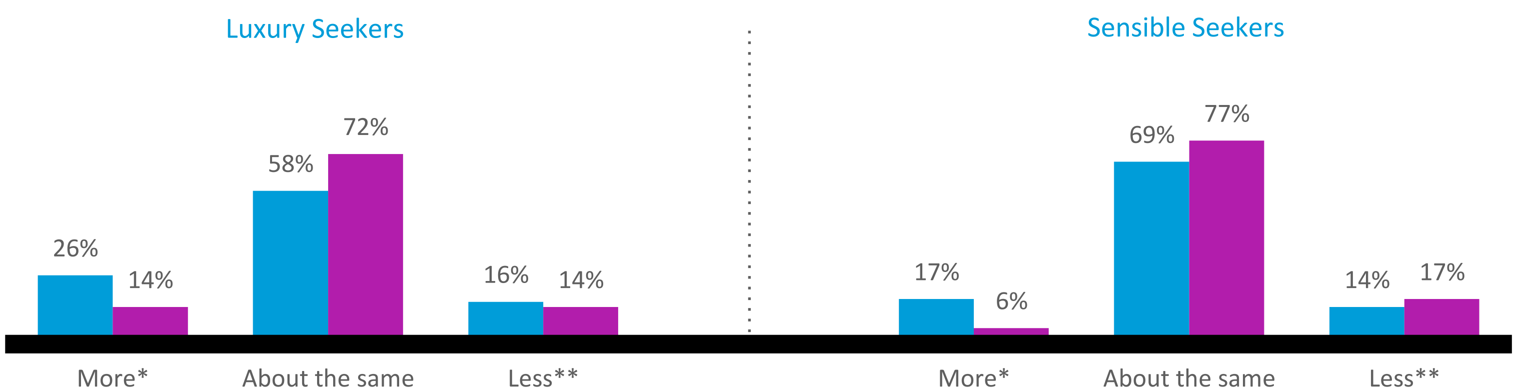
Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

AND INCREASED SPENDING

Upscale Hispanics twice as likely to plan to spend more, led by Luxury Seekers

Compared to the last 12 months, % of Upscale Hispanics that plan to spend in next 12 months at department stores…





A DESIRE TO DIFFERENTIATE THEMSELVES

...and a willingness to pay more

KEY DRIVERS THAT LEAD UPSCALE HISPANICS TO SHOP AT HIGH-END DEPARTMENT STORES

	DRIVERS	INDIFFERENT	DETRACTORS
UPSCALE HISPANIC	• Willing to pay more for best quality • Differentiate myself	• Purchase because of quality • Sign of social standing • Aesthetics important • Feel better about myself • Represent what's new & in-style • Increase my quality of life	
UPSCALE NON-HISPANIC	• Willing to pay more for best quality • Purchase because of quality • Sign of social standing • Aesthetics important	• Differentiate myself	• Feel better about myself • Represent what's new in style • Increase my quality of Life

Regression Beta Coefficient,
BASE: Purchased at Department Store past 12 months and Intends to purchase at Department Store next 12 months

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

IMAGE AND QUALITY APPEAL TO HISPANICS

KEY DRIVERS THAT LEAD UPSCALE HISPANICS TO SHOP AT MIDDLE MARKET DEPT. STORES

	DRIVERS	INDIFFERENT	DETRACTORS
UPSCALE HISPANIC	• Connotes degrees of success • Willing to pay more for best quality	• Purchase because of quality • Makes me feel more valuable	• Makes my life better • Aesthetics are important
UPSCALE NON-HISPANIC	• Connotes degrees of success • Willing to pay more for best quality • Purchase because of quality		• Makes my life better • Aesthetics are important • Makes me feel more valuable

Regression Beta Coefficient,
BASE: Purchased at Department Store past 12 months and Intends to purchase at Department Store next 12 months

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

OUT-PURCHASING AND PLANNING TO SPEND MORE

With a slightly higher incidence to purchase at department stores they are twice as likely to plan to increase their immediate spending and spread their discretionary spending across all different classes of retailers.

LED BY UPSCALE HISPANIC LUXURY SEEKERS

- Twice as likely to shop in high-end department store brands that allow them to differentiate, even at premium price
- 50% more likely to shop in middle market stores like Macy's and Dillard's that help them project success
- Just as likely to shop at price retailers as their Upscale non-Hispanic counterparts

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

MID-HIGH END COSMETICS

2014

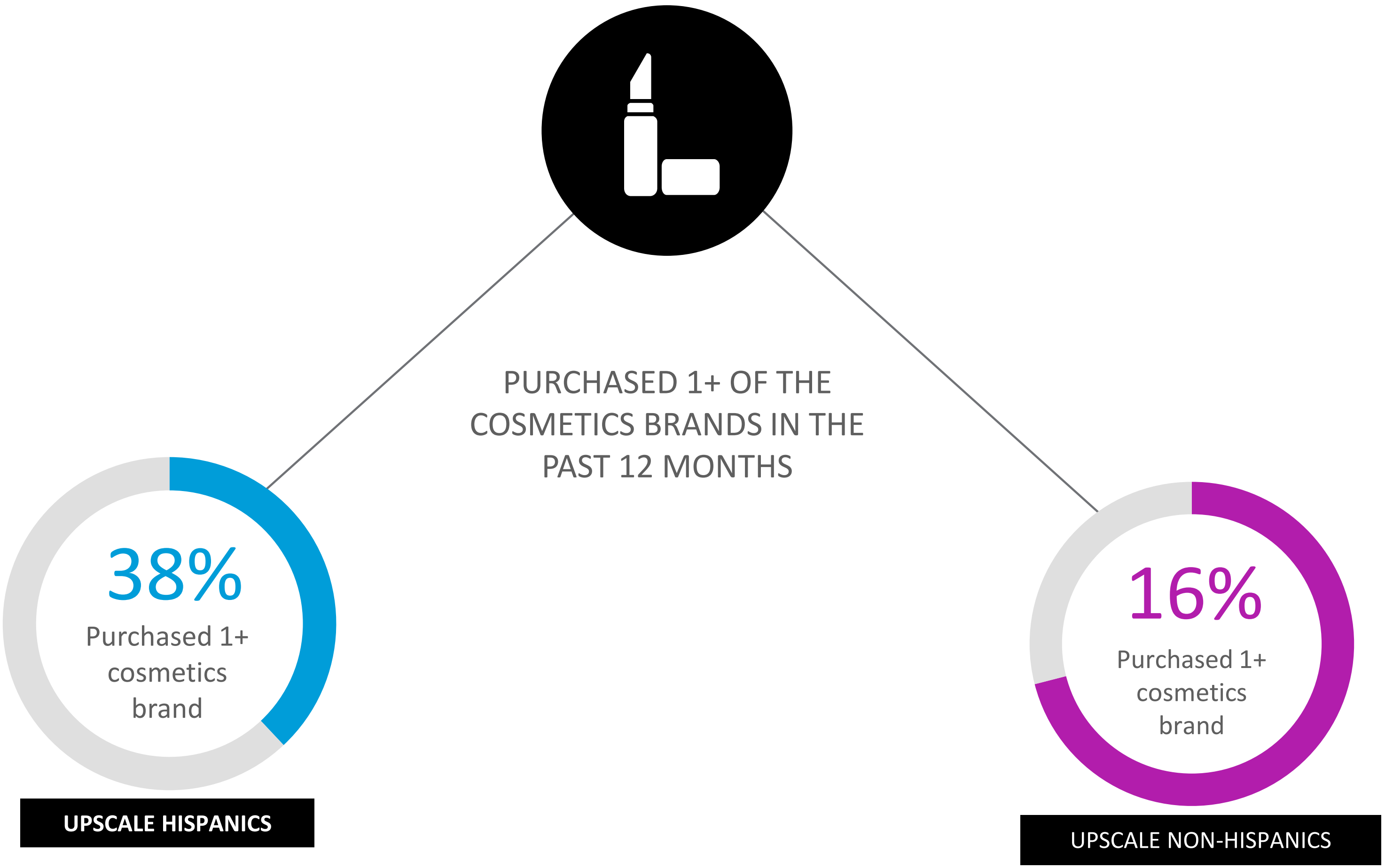
MID-HIGH END COSMETIC BRANDS IN STUDY

100% Pure Anastasia Beverly Hills Bare Minerals Benefit Cosmetics Biotherm Bobbi Brown Buxon	Channel Clinique Dior Elizabeth Arden Estee Lauder Fashion Fair Glo Professional	Guerlain Hourglass IT Cosmetics Josie Maran Lancome Kat Von D Korres	Laura Mercier Lotus Base-Mineral M.A.C. Make up Forever Merle Norman NARS Origins	Sephora Shiseido Smashbox Stila Tarte Yves Saint Lauren

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

HISPANICS KEY TO PRESTIGE COSMETIC SALES

137% more likely to have purchased high-end cosmetics vs. Upscale non-Hispanic



Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

TWICE AS LIKELY TO SPEND MORE ON PRESTIGE BRANDS

Compared to the last 12 months, do you plan to spend more, less, or the same in the next 12 months on premium cosmetics/make-up?

More*	About the same	Less**
33%	51%	16%
207	74	106

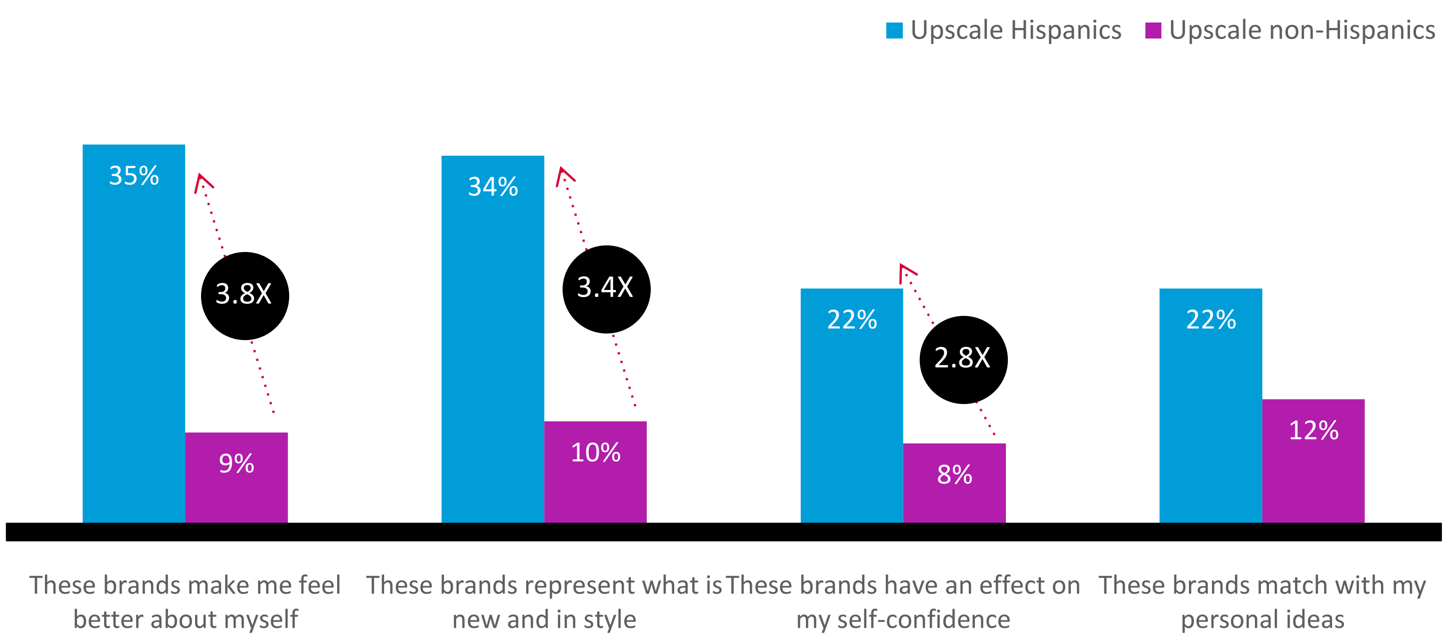
Indices vs. Upscale non-Hispanic

*Much or somewhat more, **Much or somewhat less
BASE: Purchased 1+ brands of cosmetics past 12 months, Intends to purchase 1+ brands of cosmetics next 12 months

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

INNER BEAUTY DRIVERS WITH STYLE APPEAL

% of Upscale Hispanics and Upscale non-Hispanics that strongly agree on key drivers that lead them to purchasing mid-High end Cosmetic brands

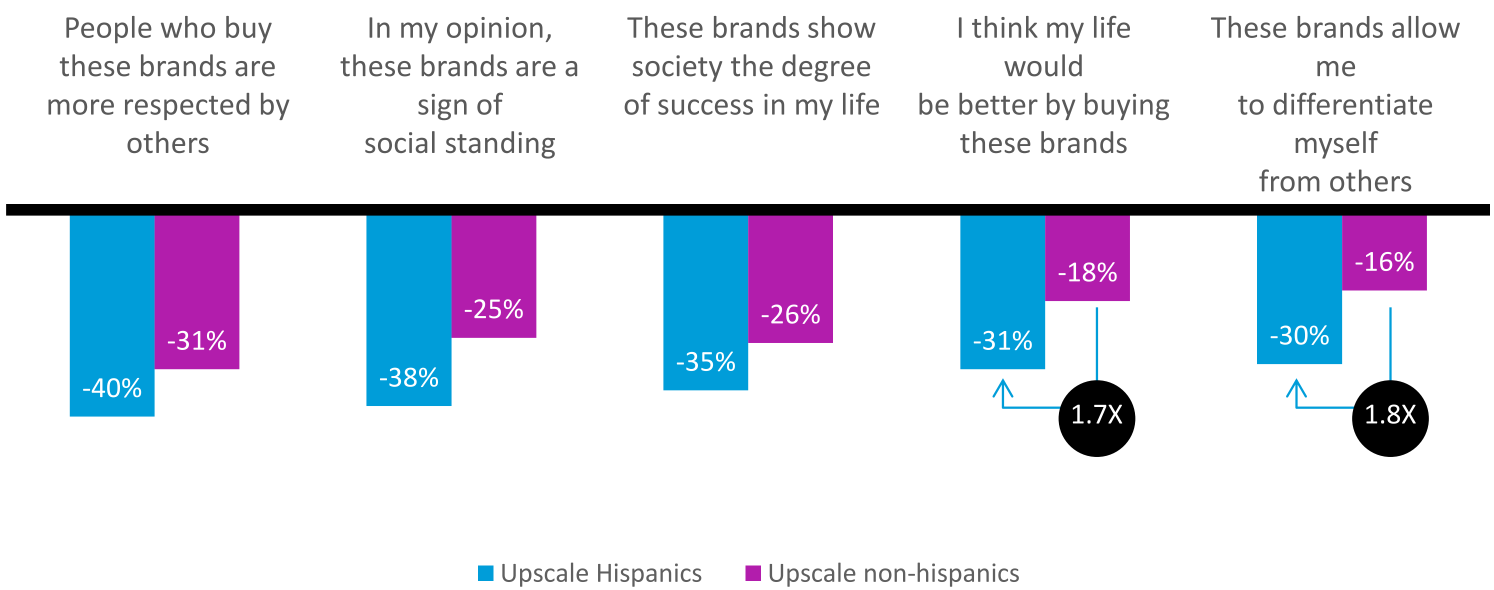


BASE: Purchased 1+ brands of cosmetics past 12 months, Intends to purchase 1+ brands of cosmetics next 12 months

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

SOCIAL DRIVERS UNFAVORABLY SEEN BY HISPANICS

% of Upscale Hispanics who strongly disagree with drivers below...



BASE: Purchased 1+ brands of cosmetics past 12 months, Intends to purchase 1+ brands of cosmetics next 12 months

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

DRIVING GROWTH OF PRESTIGE COSMETIC BRANDS

UPSCALE HISPANICS ARE:

1. two times more likely to purchase mid-high end cosmetics vs. Upscale non-Hispanics
2. 2-4 times more likely to use these brands based on ‘inner’ rewards and nearly 2x more likely to be deterred by status rewards
3. 3x as likely to seek the latest style

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

UPSCALE LATINO 2.0, KEY FINDINGS

1. Marketers have an opportunity with Upscale Hispanics spending **$500BB** annually
2. Cultural duality is strong and generational differences must be recognized
3. More likely to be Luxury Seekers, compared to Upscale non-Hispanics, Sensible Seekers are second largest
4. Purchase mid-to-high end brands
5. Share similarities with Upscale non-Hispanics, yet maintain their uniqueness in important luxury product and retail drivers

Source: Nielsen Latina Power Shift Report August 2013

UPSCALE LATINO 2.0, KEY FINDINGS

3 Have resources, are optimistic about their financial opportunities along with a willingness to spend more

4 It is not all about the kids or family – opportunity in leisure and entertainment industries:

- hotel vacations
- personal designer brands
- digital/entertainment technology
- home amenities

5 Have acquired an affinity toward mid-market & high-end retailers, prestige cosmetics and core casual restaurants

- that fit their emotional and functional needs
- drivers that attract them are very different from Upscale non-Hispanics

Source: AHAA/Nielsen Shopping and Dining Custom Recontact Survey, 2013

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AN UNCOMMON SENSE OF THE CONSUMER™

For the complete study or to join the Upscale Latino 2.0 webinar go to www.ahaa.org