

F&F Opportunities: the Influence of Latin America and U.S. Latinos

Rising spending power, aging populations, millennial influencers, new ingredients, changing tastes and more.

During a presentation taking place during Women in Flavor and Fragrance Commerce's "Latin America: 360 Degrees" conference^a, Juan Jose Garcia Vilches of Bell Flavors & Fragrances explained that the region comprises 26 countries and 614 million people, 75% of which live in urban areas. By 2030, 609 million people will live in the region's cities. The opportunities for flavor and fragrance suppliers are significant.

However, products will have to be developed for unique cultural and economic dynamics. Vilches noted that 400 million people, or 65% of Latin America's population, live on less than \$10/day. Still, that makes this group worth hundreds of millions of dollars to consumer product companies. Despite the low wages, some 70% buy top brands because security and trust is a top concern. These consumers are wholly willing to pay more for top brands. Meanwhile, new middle classes are emerging. For instance, in Brazil, there are 100 million middle class people, of which 61% have access to credit.

Consumer Spending

Latin Americans spend about 32% of their income on food, including 17% on dairy, according to Vilches. They spend 14% of their income on household products and 10% on personal care. Ninety percent of their purchases are conducted by cash. About 75% of sales are driven by preference or tradition, as opposed to price point.

The retail space: In a typical pharmacy store, 51% of purchases are for personal care. In wholesale stores, about 29% of purchases are for household goods, 27% for food and 21% for personal care. Neighborhood stores capture about 54% of all sales; in these establishments, 60% of purchases are in food segments.

Variations in consumer habits: Vilches noted that not all markets within Latin America can be approached with a single outlook. For instance, about 70% of Colombians eat out every day, spending 15% on packaged food, 22% on soft drinks, 37% confectionery and 22% on vegetables. In Brazil, 79% women use beauty products every day; women aged 18 to 24 spend 71% of their income on beauty. About 55% of Brazilians buy luxury products from outside of the country. Seventy six percent of Brazilians use credit cards.

An Aging Population Creates New Opportunities

About 30% of the Latin American population is under 25, but this is shifting as lifespans increase. Vilches explained that, by



Speakers, from left: Juan Vilches (Bell Flavors & Fragrances), Norma Angelica Lujan (Bravo Y&R), Soledad Bianchi (IFF), Monica Pinotti (Natura Cosméticos S.A.), Pablo Britti (San Miguel S.A.) and Luis Haro (Citrojuco, S.A.).

2045, average lifespans could reach 82.2 years. In Brazil, the average age of the population will be in the 50s by 2050. As a consequence, the demand for fortified food and beverage products, energy supplements, vitamins and more is growing across Latin America.

Changing Gender Roles

Women have grown their leadership in the workplace across Latin America, Vilches explained. In addition, women make 88% of the choices of food products, and 80% percent of healthy product selections.

On the other hand, the demand for men's hair care and anti-aging products is picking up. About 70% of Latin American men want to look better for work, Vilches explained, while 67% are seeking self-confidence from their product selections. Only 29% make product purchases to impress a significant other.

Flavor Preferences

Latin American cuisine represents a confluence of European and indigenous cultures, explained Soledad Bianchi of IFF. Spicy foods tend to be preferred only in Mexico, Honduras, Guatemala, and, to a lesser extent, Peru. The rest of the region prefers well-seasoned foods. Meanwhile Uruguay, Argentina and Chile feature some of Latin America's simplest cuisines. While many regions generally consume three meals per day, Argentina, Paraguay, Uruguay and Bolivia consume four, one of which is *merienda*, or "tea time," during which cookies, toast, jam, cheese, etc. may be consumed.

^aFor insights into Mexican lime and Argentinean lemon production, see Page 30.

In general, Latin American cultures focus on communal eating, with an emphasis on family, said Bianchi. However, a 50% rise in the middle class and growing urbanization in the region are leading consumers, particularly women, to seek out convenience foods that offer a personal touch. Consumers may even add spices or seasonings to packaged products. New product launches may feature homemade twists or incorporate local and traditional ingredients.

While consumers across Latin America are highly varied, the region's sauce and soup flavor diversity is relatively low. Tomato dominates the categories, comprising 41% of the market, compared to 21% globally. Asian sauces have grown in popularity, marking a potential for a wider embrace of the cuisine.

Bottled water is as popular as carbonated soft drinks in Latin America, said Bianchi. Consumption, in fact, is about three times higher than the global average. Mexico and Brazil are the largest Latin American carbonated soft drink markets, while Argentina has the largest per capita consumption rate. At the same time, naturally sweetened beverages have increased significantly, Bianchi explained, particularly in light of governments such as Mexico targeting added sugar.

Powdered soft drinks are also highly popular in Latin America, representing 44% of the global market. Those products are often presented in multi-flavored pouches that can be mixed with water and drunk separately or combined. Some of these products contain vitamins or tea to support health/antioxidant claims. Another product is a powdered oat mix intended to be mixed with milk for an on-the-go smoothie. Powdered soft drink mocktails are also growing in popularity in flavors such as Pisco sour and piña colada. Local and traditional flavor profiles are highly popular—horchata and hibiscus, Peruvian lemonade and chicha morada, a purple corn beverage.

Latin America's per capita dairy consumption is much greater than the world average, Bianchi, explained. Today, drinkable and spoonable yogurt are growing at 5% and 6%, respectively, outpacing the growth rates of sweet and salty snacks. Fruity, flavored and drinkable products are a key trend at the moment. Drinkable products may contain probiotics or soluble fiber or grains such as quinoa. As such, yogurt products serve as healthy indulgences and may be formulated in flavors such as chocolate, key lime, coconut, cappuccino, and cookies and cream, or even with local flavors such as dulce de leche, guanabana, guava and eggfruit (*pouteria*). Products in small single-serve bottles, cups and cartons encourage on-the-go consumption. For the low end of the market, plastic pouches offer cost value. Product developers have launched yogurts with cereals and grains in separate compartments, or variations in which these elements are premixed. Bianchi added that the Greek yogurt has had an impact on the region, positioned as creamy high-protein products.

Putting Biodiversity to Work

Natura, based in Cajamar, Brazil, is the leader in perfumery and deodorants in the region, and a top-five brand in makeup, oral care and skin products, as well as men's grooming. The company recently achieved B Corp status, a certification that reviews the social, environmental and corporate transparency of organizations. Natura sources its natural materials from 3,100 families across 32 supplier communities, a network that accesses the rich biodiversity of the region. The company's innovation



Paramela flower (photographed in Argentina), one of a range of native ingredients sourced by Brazil-based Natura; photo: Creative Commons.

center is reportedly the largest cosmetic development lab in Latin America.

Natura has developed a wide range of native botanicals for its products. The materials that are developed are then carefully matched to the identities and demands of the company's brands. During her talk, Natura's Monica Pinotti (fragrance evaluation manager) presented several examples of the company's unique and diverse ingredient portfolio. In addition to acai, Pinotti displayed breu branco (*Protium heptaphyllum*), which is derived from a resinous liquid that is extracted via incisions in the breu branco tree. The liquid is then dried and often marketed as an incense aromatic. Estoraque (*Styrax officinalis*) is a small flower that can be found in Patagonia. The botanical has a green, sweet, floral and woody odor. Pinotti also presented pripricoa (*Cyperus articulatus*) and paramela (*Adesmia boronioides*; pictured), cumaru (*Dipteryx odorata*), pitanga (*Eugenia uniflora* L.; syn: Surinam, or Brazilian, cherry; pictured).

Driving Growth: U.S. Hispanic Millennials & Changing Preferences

Hispanics will comprise one third of the U.S. population by 2050, noted Norma Angelica Lujan (Bravo Y&R). The median age of this group is 27, compared to 37 for the overall population, and will have a market value of \$1.7 trillion dollars by 2017. About 63% of the Hispanic population is of Mexican heritage, followed by 9% Puerto Rican, 5% Cuban, 3% Dominican, 8% Central American, 6% South American and 8% other. The Hispanic population is clustered in places such as the U.S. southwest, Florida, areas of the northeast, Minnesota and the Carolinas. The West Coast is more Mexican, given its proximity to the country, while the eastern United States is more South American.

What's driving growth? Hispanic millennials, which comprise 20% of the population. Lujan said that Latinas, in particular, are "social amplifiers" that focus on the sharing of opinions and put a priority on being "part of the conversation." About 2% of these consumers blog, while 26% use Twitter and 19% use Facebook. In addition, new affluent immigration is bringing money, business startups and consumption of luxury products to the United States. Lujan explained that acculturation is shifting Hispanic consumer needs and preferences. She described the phenomenon as the process of adopting a second culture on

top of a primary, original culture. This differs from assimilation, which is the replacement of one's native culture for a new culture. The level of acculturation among Hispanic consumers is dependent upon a range of factors, including country of origin, socioeconomic level, the language spoken at home, the duration of residence (long-term versus short-term), etc. Currently, about 15–30% of Hispanics are considered unacculturated, about 50–70% are considered bicultural and 15–20% are acculturated. In acculturated homes, English is preferred; unacculturated Hispanics prefer Spanish. This stark difference affects every aspect of product development for the Hispanic market, including how packaging is designed.

Lujan provided insights into the mindset of Hispanic consumers. For instance, she said, cleanliness is directly tied to smell, whether in cleaning products or laundry. The Hispanic consumers' life typically revolves around the family, driven by occasions that bring everyone together. At the same time, looks and presentation matter. As a result, personal fragrance is all about personal positioning. One's look is incomplete without scent. This facet matters somewhat less to acculturated Hispanic consumers. About two thirds of Hispanics purchase fragrance for themselves or someone else, said Lujan. Overall, there is a \$3.8 billion personal care opportunity for the Hispanic market.

The maintenance of personal image drives Hispanic consumers to regularly seek out new products. Loyalty to brands is conditional upon the fulfillment of personal identity enhancement, Lujan noted. Hispanic consumers are influenced by the recommendations of family and friends, but also use testers and samples to make selections. In the end, quality is the primary concern, followed by price.

For these consumers, beauty is about aspiration, striving for a goal and achieving it. Top Brands for these consumers include Victoria's Secret, Calvin Klein, Avon, BBW and Ralph Lauren. In scent, Hispanic consumers are generally seeking out strong florals and powdery notes in fine fragrance, while preferring floral, fruity and floral personal care scents. Lujan noted that olfactive preference trumps brand, and may be influenced by the time of day, activity or season.

Lujan noted the differences between U.S. Hispanics and Latin Americans. In Latin America, for instance, the focus on appearance is even more pronounced. Frequent showering is prevalent, for instance in both Mexico and Brazil. Mexican consumers respond to a color-, scent- and texture-saturated



Pitanga (Eugenia uniflora), one of a range of native ingredients sourced by Brazil-based Natura; photo: Creative Commons.

world. Lujan added that the region embraces natural and herbal ingredients, which derive gravitas from cultural and spiritual traditions. To this day, Mexicans support a traditional use of medicinal and curative plants, which extends to pre-Hispanic Mexico. The national diet may often comprise aromatic plants, whether for medicinal or therapeutic needs. Some indigenous ingredients in personal care include manzanilla (or chamomile). These extracts and scents may even be found in household cleaning and laundry products. (Despite these preferences, she said, European fine fragrances are popular in Mexico.) Throughout Latin America, stores feature regional personal care products that include materials such as rose water, aloe vera, avocado and even snail extract. Across Latin America and the United States, traditional Latin American ingredients have found their way into mainstream products, including lime in chocolates, *limon* in potato chips and soft drinks, *chile-limon* profiles in chips, jalapeno jerky, brown rice and red bean crackers, aloe in cleaning products and tropical fruits in dish soap. Meanwhile, brands like Fabuloso and Suavitel, have crossed over in the United States from Hispanic-centric to general market. As the cross-pollination continues, the influence of Latinos inside and outside the United States will continue to reshape the marketplace.

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