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Building Better Platforms for Hispanic Marketing: An Interview with Latinum's David Wellisch

David Wellisch and Michael Klein have a knack for making big things happen. In 2003, Wellisch created AOL Latino from scratch – originating the concept and launching the service, which at its peak brought in \$130 million annually. At the same time, Klein was building and managing several of the world's largest business networks for the Corporate Executive Board, a portfolio which eventually grew to include over 2,500 companies and \$100 million in annual revenues.

Now these two Harvard and Stanford Business School graduates, senior executives and entrepreneurs have launched a brilliant new venture, the Latinum Network. Wellisch and Klein are bringing together top companies in the CPG, retail, financial services, technology, and other sectors to share ideas and experiences on the best ways to nurture Hispanic marketing in corporate settings. In Wellisch's words, the goal is to "enable the entire Hispanic ecosystem to operate more effectively by displacing cost and improving ROI."

A:I/R recently talked to Wellisch about his plans for Latinum, his experiences at AOL Latino, the reasons for Latinum working with Knowledge Networks, and his vision for a more effective and cooperative Hispanic marketplace.



Could you give us a sense of Latinum's goals, both immediate and long-term?

There is currently a gap between the highly attractive and sizable Hispanic consumer segment and the investment level being allocated by Corporate America to target this same market segment. We understand the reasons behind this dichotomy and launched this new venture as an answer to it. The Latinum Network is the first-of-its-kind Management Support Platform (MSP) dedicated exclusively to displacing costs and increasing the ROI of corporate efforts targeting the U.S. Hispanic Market. This platform is built around a network of corporate executives who lead these initiatives inside their organizations. Through a proprietary process for pooling resources and leveraging the collective expertise and buying power of companies

in the network, we are able to deliver premium solutions for a fraction of the cost of alternatives in the market.

What types of companies have joined Latinum, and which would you like to see join?

In a very short time, we have signed up tier-one companies like Clorox, Unilever, Hewlett Packard, Nestle, Kraft Foods, McDonald's, H&R Block, NBA, ACH Foods, Subway Restaurants, and more.... Our goal is to reach between 35 to 40 members by year-end. The platform will be made up of companies in every industry – consumer packaged goods, financial services, retail, pharmaceuticals, and auto.

I understand you recently did a survey of executives who joined the network. Can you share some of your findings?

The “Voice of The Leader” survey is ongoing. The 30+ completed surveys are from our members as well as other leading consumer-driven companies in the country. These results have allowed us to compile the first of its kind lens as to the state of the union of Hispanics for marketing across companies.

I would say, at a very high level, the market is evolving from one that is being managed as an initiative inside companies to one that's being embedded in almost everything companies do. So there is a structural shift taking place at the most progressive companies.

Secondly, there is very strong optimism for what 2010 will bring to these initiatives. Looking at these multicultural segments as emerging growth platforms for companies is something that we're seeing as a significant trend across industries. From a

challenge perspective, management and organizational design ranked very high in the order of priorities. Where do these departments report to? What type of support are they getting? Do they have the right resources allocated? Does the matrix structure enable successful execution?

Have you experienced any sense that companies are reluctant to share information?

We recently held our first Latinum session at McDonald's headquarters. We had about 14 companies, and it was a really fascinating day. Every company has challenges and opportunities – they've done great things, and they've learned a lot. So the learning that takes place when you put executives together who have the same responsibilities and face the same challenges is incredibly powerful.

At the beginning, before a session like this, there is a bit of a concern around competitive dynamics. As these sessions take place, what you find is that the benefit outweighs the apprehension and the walls begin to come down. The kick-off session was a very rich discussion – companies talking about the advantages and disadvantages of different organizational designs. There were learnings around optimal channel structure, key accomplishments and challenges, evolving subsegments and implications on the use of media, etc. In many of these cases, the battles are more internal than external, so there's a ton of learning that can be extracted from these interactions.

What types of things do you think these companies want or need to learn about Hispanics?

We have a very clear agenda for the year that came as a function of these meetings and our conversations. Number one in the priorities is all-around acculturation and incrementality. Every company knows that the unacculturated Hispanic presents an incremental opportunity. But as the acculturating consumer continues to grow, the key question being asked is, “What is the implication of such a trend for investment in market strategies?” As the consumer grows more acculturated, what should companies do? Should companies spend extra, incremental efforts on them, or do they just get garnered by general market efforts? That is our anchor initiative for the year, in very high demand from our members and prospects.

Secondly, we are looking at the future state of the Hispanic market – how are things going to evolve across these segments over the next three to five then 10 years? And there are three other themes that have emerged. One is around closing data gaps. The good news is that, from an agenda perspective, these multicultural markets have made it to the top of the CMO’s agenda at many of these companies. But many times, the executives in charge of these initiatives don’t have the right data infrastructure to be able to measure and track the activities in the marketplace. As a result, it’s very difficult to tell the story of how these companies are doing.

Another information priority that came up was around customer acquisition. What is the optimal channel for cost effectively acquiring customers? What’s the sequence in this multi-channel environment, when things are changing so rapidly? What is

the right location? What channels should we use for what? All those questions are high up there.

And, finally, is providing support to making the case for resources. What is the right level of resources to be spent? Making the case for investments, and then having the right expectation and benchmarks of metrics and scorecards, are key priorities for our members.

How well do you think the market research industry is approaching the need to understand Hispanics, and what other priorities need to be addressed?

You remember, I spent almost seven years at AOL, and I was a founding general manager of AOL Latino, a consumer subscription as well as an advertising play. In the general market, I think that using the internet for research and consumer panels is very compelling. I think in the Hispanic market, that has lacked because of the notion that you wouldn’t be able to utilize a good sample, and because of the potential lack of a computer and internet access in the homes. What is very clear is that companies are clamoring for access to these more efficient ways of doing research. *One of the reasons that we partnered with Knowledge Networks is that we actually are doing a ton of research, and you guys have done the work to solve that representation and coverage problem. That’s something that companies are absolutely looking for, and we don’t see much supply in that area.*

How do you see the Internet specifically affecting the U.S. Latino community?

When I founded AOL Latino in 2003, it was an ISP, so we were in the business of enabling internet penetration in these

underserved communities. I think what happened is that the online medium is becoming so much a part of all our lives that the digital divide is in fact diminishing at steady levels. The Spanish-dominant segment is growing rapidly in internet penetration, although still not at the same level of the general population.

The internet is such a phenomenal medium for the community's needs around communication with distant relatives and so forth and the consumption of content. There is still much more content to be developed that resonates, but I think there's some great progress that the industry has made in the last couple of years.

People sometimes see language – degree of English or Spanish spoken – as the most important marker for understanding Hispanics. Is that an oversimplification?

Absolutely. With the work that we'll be doing on acculturation, we will begin to better understand what are the drivers, what are the influencers, and how you need to communicate. What's clear is that the language distinction helps you to drive how you communicate. It is unclear that it helps you to understand these communities fully. At the end of the day, these are people. Language is one element of it, but the behavior and psychographic information about drivers are different depending on what industry you're in; so each company needs to define how to better serve that audience.

So you think it is very industry specific.

I think there is a set of common behaviors by segment that will drive segmentation, but how you execute on that does depend on the industry. For example, if you're

servicing a young audience, which skews heavily Hispanic, you need to really understand and generate the key insight which will allow you to communicate in a very unique way to that consumer. This is what consumer advertising is all about.

What did your experience at AOL Latino teach you about getting Hispanics to buy into something as big as the internet, or an internet service?

There were a lot of great learnings and lessons that we took away from that process. When you think about the actual product, one insight was the importance of a bilingual product when marketing to a family. Originally, we thought, "We have AOL; let's have AOL Latino be an all-Spanish solution." We quickly learned that the Latino version had to be a bilingual service, because while the older generation would like to consume something in Spanish, the younger generation would like it in English – and at that point, you were really marketing to a family.

From a content perspective, obviously there was the desire for entertainment, because that skews so highly in our community as a content genre. Then, from a marketing perspective, we learned the importance of testing different modes of acquisition to really get the community to act. We learned the importance of mass marketing from a brand building perspective, but also the importance of touching the community and having ways to cost effectively acquire members. Those are many times not the same thing.

Which industries do you think should be more involved in marketing to Hispanics?

What comes to mind are financial services, pharmaceutical and education. I think education companies have a great opportunity. In pharmaceuticals, I think there's a dramatic under-investment. In addition, in financial services, there is just tons of opportunity. I would also include technology there, like computer makers.

Where would you like to see Latinum be five years from now?

We would like to have made a profound impact in the industry, helping them – one

company at a time – generate positive incremental ROI, even vis-à-vis general market thresholds. We would like to help them all around utilize the right analytics and the right sort of management platform elements to get the industry to a whole different level when it comes to understanding and marketing to the Hispanic community. We will also utilize this platform to unleash innovations driven by the new media channels as a way to learn about and communicate and sell to this highly attractive, and still underpenetrated, consumer audience.

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