

# Today's Hispanic Consumer

*“If you want to target Hispanics, you need to do your homework. You must approach them with emotion because they are very passionate about the products they love.”*

– Enrique Gil, President of marketing agency EMG

## White Paper

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Sources:

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## **Introduction**

When targeting the multicultural market, race and ethnicity are becoming less important than education, income, home ownership, age and lifestyles. Hispanics, African-Americans and Asian-Americans are moving to middle-class suburbs and prosperous neighborhoods, and are identified more by their lifestyles and spending habits than by their ancestry.

The composition of the Hispanic population is shifting. Hispanics now account for 13.7% of the total population. The “new dynamics” of the Hispanic market hinge on the emerging second and third generations, native- and foreign-born differences, and broad geographic growth.

According to a Census Bureau report released in June 2004, an estimated 39.8 million Latinos live in the U.S., an increase of almost 13% since the 2000 Census. It projects Hispanics will increase their ranks by 188% to 102.6 million—or roughly one-quarter of the population—by 2050. Hispanics will count for nearly one out of every five U.S. residents by 2012 if current growth rates continue.

Hispanics now are the largest minority group in the United States, according to the U.S. Census Bureau, comprising 13 percent of the population, or 39 million people. Moreover, their buying power has nearly tripled, from \$222 billion in 1990 to \$653 billion in 2003, according to a University of Georgia report.

The spending power of U.S. Hispanics also is increasing. The median income of Hispanic households rose 20 percent from \$27,977 to \$33,565 between 1996 and 2001, while the median for all U.S. households climbed just 6 percent.

“Whether a Latino household wants to buy a lawn mower has less to do with their ethnicity than if they happen to be homeowners,” says Michael Mancini of Claritas. The two great forces, age and diversity, have rendered the traditional marketing categories irrelevant in many cases.

One of the most common mistakes advertising executives make when marketing to Hispanics is assuming that the U.S. Hispanic population is homogeneous.

## **Profile of Hispanics Online**

Hispanics are entering cyberspace more quickly than other ethnic groups – Internet use jumped 7.4 percent in 2004 after an 8 percent spurt in 2003. The typical Hispanic-American Internet user is age 28, slightly more likely to be male and unmarried, according to a study by the Association of Hispanic Advertising Agencies. Half of all Hispanic-American Internet users are Spanish-language dominant, meaning that they speak Spanish at home more than English (Preparer’s Note: this could be attributed to their family-oriented lifestyle and may not necessarily affect the way younger Hispanics use the Internet).

This particular study found that:

- Hispanics spend almost 5-1/2 hours online weekly
- 71 percent of their usage is from a home computer
- 75% use the Internet for email

- 60% to get news
- 54% to listen to music
- 43% to chat

A March 2004 study by AOL/Roper ASW shows that 14 million Hispanics in the US are online. While this is already an impressive number, the growth rate is even more impressive. About 20% of online Hispanics had connected their households to the Internet less than six months earlier. More than half who were not yet online expected to connect within the next two years.

The more Latinos connect online, the less time they spend with other Spanish media, such as print or TV. Marketers will increasingly want to reflect this shift in media consumption in their advertising budgets.

### **The Younger, Hipper Hispanic**

The younger, hipper Hispanic target is most likely native-born in the US and differs greatly in their consumer behavior from older/immigrant Hispanics - they speak English fluently and tend to be familiar with main-stream American culture and have similar buying habits to whites, AA and other non-Hispanics.

Young blacks and Hispanic college graduates are reviving cities. They live in funky row houses and apartments in old neighborhoods that have been spruced up. They're part of the 'Bohemian Mix,' a cluster that has a substantial percentage of blacks and Hispanics. It's the most affluent of the racially and ethnically diverse groups. Bohemians socialize across racial lines, jog, shop at Banana Republic, read Vanity Fair, watch Friends and drive Audis.

Of note regarding youth in general: "Youth Digerati" (as opposed to the old nickname "Youth Literati"), an ethnically mixed group, is the most affluent urban cluster. Young Digerati tend to live in fashionable neighborhoods and are now more affluent than "Money & Brains" – older professional couples who have few children and own homes in upscale city neighborhoods.

### **The Difference Between Native-born U.S. Hispanics and Immigrants**

Second-generation Hispanic-Americans have been deeply affected by US culture and are very different in their consumer behavior than foreign-born Hispanics, who usually view themselves as completely Hispanic and have minimal contact with or interest in mainstream U.S. culture. Second-generation Hispanic-Americans are much more acculturated and want to replace, or already have replaced, their Hispanic identity with a more mainstream American identity.

Many Native-born U.S. Hispanics learn to speak Spanish at home because their families speak it. However, writing and reading in English is more comfortable, as this is what they've learned in school and growing up with other children.

## **U.S. Hispanic Purchasing Power**

The nation's largest minority group controlled \$686 billion in spending in 2004, the University of Georgia's Selig Center for Economic Growth concluded, and the community's purchasing power comprises the world's ninth biggest economy. It's larger than the GNP of Brazil, Spain or Mexico, reported the Hispanic Association on Corporate Responsibility. Hispanic purchasing power is projected to reach as much as \$1 trillion by 2010.

The main drivers of the surge in Hispanic consumer influence are education levels, labor force composition, household characteristics and accumulation of wealth.

Advertising expenditures aimed at U.S. Hispanics have grown while the *overall* ad market has slowed down. From 2000-2004, Latino-directed budgets from the top 50 advertisers rose from \$658 million to \$1.23 billion, or 87%. Major players such as Procter & Gamble, General Motors, McDonald's and Coca-Cola have continually increased the amount they spend to reach this coveted market, which is becoming more desirable in terms of sheer numbers and economic clout.

- U.S. Hispanic purchasing power posted a compound annual growth rate of 7.7%
- Higher paying managerial and professional jobs are the fastest-growing occupational categories for Hispanics
- California and Texas account for more than 34 percent of all Hispanic purchasing power and nearly half of the entire U.S. Hispanic population

## **Hispanic Travel Market**

Hispanic travel increased by 20 percent from 2000-2002, outpacing other minorities and growing 10 times the overall rate for the traveling population as a whole. As the Hispanic population grows, so does their amount of travel. They are taking more trips, spending more money. Airlines, hotels, convention and visitor bureaus have all caught on and are starting to work to attract Hispanic consumers.

Hispanics are interested in learning more about other cultures and have money to spend. While before, they may have traveled closer home and taken more low-key vacations, today they seem to be traveling more and farther to explore and broaden their horizons.

- Hispanic travel volume was up 20 percent from 2000 to 2002 (increasing from 64.1 million to 77.1 million person-trips), much higher than the two percent growth of travelers overall
- A majority of Hispanic person-trips are for leisure (77%), of which visiting friends or relatives is the ultimate goal for many (43%)
- Entertainment trips (16%) and outdoor recreation (8%) make up smaller shares of Hispanic person-trips
- The states that attract the greatest number of Hispanic travelers include California, Texas and Florida. Nevada, Arizona, and New Mexico are also popular destinations

- Hispanic households spend an average of \$480 on a trip, excluding spending on transportation to their destination
- One third (33%) of trips by Hispanic households include children under 18 years old, significantly higher than for overall traveling households in the U.S. (24%)

## Considerations

In order for companies to remain competitive, they will need to revise their strategies to target the increasingly affluent, second-generation Hispanics.

You can't just target "Hispanics" with your message. You need to know what demographics and geo-graphics you want to reach *just like a general campaign: Age, Male/Female skew, Household income, city, suburbs, key markets, etc.* Many Hispanic targeted email lists are based on first and last name - in addition to preferences, geo- and demo- targets. We cannot automatically assume that everyone with the last name "Moreno" is going to speak Spanish.

To reach Hispanics online, three key factors must be taken into consideration: Language translation, cultural adaptation, and a deep understanding of the Hispanic marketplace. If targeting Latino audiences from more than one background or country, the translation cannot contain any cultural references. Know the cultures you need to reach in your target markets. And, get to know the Hispanic consumer in your target markets – trends, interests, average income, employment, how they use media, etc.

Study Web marketing techniques such as search engine optimization, pay-per-click campaigns, banner ads and sponsorships, to know which sites are popular with Hispanics, which search engines they use and how they spend their time online. This knowledge is necessary in order build traffic to a Hispanic-targeted web site – especially one with Spanish translation.

If skewing a marketing message to older and/or immigrant Hispanics, a link to "view this in Spanish" should be provided, with the message translated in the most generic way possible so as not to offend any one group. This would provide a 'safety net' for anyone who receives this who may feel more comfortable with a Spanish message.

Generally, Hispanics are extremely family-oriented (this includes extended family, too), so marketing strategies with family themes have strong appeal. Endearing humor and laughter can be used, as long as you consider cultural preferences.

Advertising to Hispanics should not be stereotypical and offend – images of maracas and sombreros on creative executions would do so. In addition, there are so many different Hispanic identities that images and translation need to be general. Elements should not skew too ethnic, so as not to be offensive to any group of Hispanics.