

WIN!

THE HISPANIC MARKET

*Strategies for
Business Growth*

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Business Growth and Sustainability Are Hispanic!

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IF THE U. S. Census Bureau is right, and it usually is, by 2040, 51 percent of the total population of the U.S. will be multi-cultural, of these, 56 percent will be Hispanic. From a marketing perspective, a large percentage of these consumers are already here. Right now, 50.1 percent of U.S. children aged three and under, are non-White and that doesn't include babies in Puerto Rico. These young multi-cultural consumers have already joined the marketplace. Together with their pre-teen, teen, and young adult siblings, they are not only developing their product preferences, but they are also using traditional and social media programs, choosing their music and entertainment outlets, their favorite sports, and so on.

In other words, the 2040 “future” multi-cultural customer, patient, client, home buyer, new mom, loan applicant, student, business market is already here, building loyalties, preferences, and consuming. The Hispanic consumer over-indexes exponentially in the young consumer age segments, and therefore, will also be significantly over-represented by 2040, when the total Hispanic population is projected to reach 108 million compared with African Americans at 50 million and Asians, at 31 million. Combined, Hispanics, African Americans, and Asians, add up to 213 million. The mostly White, non-Hispanic, aging, retired baby boomer population will be composed of 205 million people, who are expected to be significantly less active in the marketplace due to age.

As we know, consumers begin to acquire their likes and dislikes at an early age, mostly through their parents, siblings, peers, family friends,

and grandparents—in other words, though their cultural communities, which I have labeled “in-culture” for lack of a better term. It follows simple math and logic that every business in America that expects to be successful and thriving in 2040 has to invest to appeal to and win these consumers and their families.

Otherwise, why or how will they build deep and lasting “emotional connections” with your brand? Why would these consumers purchase your brand, or go to your bank or visit your clinic or hospital, attend your college or university, if you are not a part of their personal network and cultural community? If you are not close, inviting, and talking to them, in a cultural language that is meaningful and resonates with them? Why would they spontaneously start consuming your brand of beverage, or patronize your restaurant, go to your bank, or hospital if you don’t invite them—or their parents or grandparents—in?

Is your corporation investing in the opportunity?

What is surprising is that the majority of U.S. corporations ignore the \$1.1 trillion U.S. Hispanic consumer market. As global CEO “Sol” Trujillo said at the Wall Street Summit in New York in October 2011, “The U.S. Hispanic market will soon be the eleventh largest economy in the world,” if it were a separate country. That puts the U.S. Hispanic market in the same category as Brazil, Russia, India, and China (the BRIC countries), with more per capita purchasing power than many of the G-20 member nations as well.¹ In other words, the U.S. Hispanic market has the potential to be the main source of growth for most business categories in a slow economy, but only a small number of corporations invest well and accordingly, attract and invite these consumers with relevant products, services, and messages, using the best in-culture, professional expertise that is available right now.

A 2011 study by AHAA² (Association of Hispanic Advertising

1. Pablo Schneider quoted “Sol” Trujillo on *Fox News Latino*, October 28, 2011.

<http://latino.foxnews.com/latino/politics/2011/10/28/follow-money-it-leads-to-latino-market>

2. “Advertising 2011 Budget Alignment: Maximizing Impact in the Hispanic Market,” *2011 AHAA Hispanic Advertising Ad Trend, Full Report*, by Carlos Santiago, CEO, SSG and Cristina Garcia, PhD, Statistics Professor, USC; commissioned by AHAA

Agencies) found that only 27 companies—5 percent of the top 500 advertisers—had an aggregate Hispanic advertising expenditure of just over 14 percent, comparable to the percentage of adults that are Hispanic according to the 2010 Census. This makes no sense, particularly when it has been demonstrated that strategic, sustained, and robust investment in the Hispanic market not only provides growth and sustainability to those corporations but also increases shareholder value.³ “With a confidence level over 95 percent a best-in-class company allocating one quarter of its ad spend to Hispanic media (Spanish and Bilingual) over five years would generate annual revenue growth of 6.7 percent,” according to the AHAA study, which includes only advertising, “over-the-line” expenditures.

A few best-in-class companies are already experiencing steady growth from their Hispanic market investment. However, based on this same study, we know that 57 percent of these top 500 advertisers “Don’t get it” and spent less than one percent targeting the Hispanic consumer market in 2010. Many in the trade question this lack of investment.

A business blind spot?

The social implications of this colossal demographic shift and exponential Hispanic population growth are obvious and explicit as well as subtle and even subconscious. The obvious is that America is becoming brown and black, and that mainstream American culture is shifting. We are no longer surprised by learning that the most popular sauce in America is a Mexican-style *salsa picante*, or that one of the best-loved ice cream flavors is Dulce de Leche, or that every day there are growing numbers of multicultural icons among artists and musicians, media programs, fashion leaders and so on.

However, there are the unconscious responses—those we may not be aware of or that are not verbalized. I believe the latter may account for some of the reticence to seriously target the Hispanic market. This blind spot can have negative implications when it comes to business decision-making.

3. “Does a Well-Resourced Hispanic Corporate Strategy Translate into Shareholder Value Creation?” by Santiago Solutions Group, Inc., 2006.

Let me borrow from Malcolm Gladwell, the bestselling author of *The Tipping Point* and *Blink*. In *Blink*, Gladwell talks about “thin slicing,” that fast, unconscious psychological response mechanism that “makes us” make subconscious decisions based on preconceived, erroneous ideas. I wonder if this could be the case with Hispanic marketing.

In my more than three decades in the Hispanic marketing field, first as a graduate student researcher at Stanford’s Institute for Communications Research, and later as the founder and CEO of Hispanic Market Connections, Inc.⁴ and still later as an Hispanic marketing consultant and strategist, I have had opportunities to interact with hundreds of clients and observe how they perceive the Hispanic market. In an infamous case

Hispanic Marketing “Sustainability”

Projected growth every 12 months

- 2.1 million **new** Hispanic consumers, about 5,000 a day, contributed mostly by higher fertility rates (2.4 births per Latina vs. 1.8 for White non-Hispanic) and less by immigration
- \$75 to \$100 billion **more** in income
- Half a million **new** Hispanic households
- \$1.1 trillion in estimated spending power in 2011

that I included in my first book (*Hispanic Market Handbook*, Gale Research, Inc., 1995), a marketing executive at a car manufacturing company in Detroit told me back then, that marketing cars to Hispanics had no purpose, “Big Sombrero, No Money.” Unfortunately, a stereotype that has been proven wrong many times continues to live in the unconscious mind of American popular culture. “Hispanics don’t have money.” Never mind that every 12 months or so, the Hispanic market “creates” another \$75 billion to \$100 billion in disposable income.

Fortunately, not every business succumbs to stereotypes. For example, in the late 1990s, Honda retained me to team up with its Hispanic advertising agency, La Agencia de Orci and Asociados, to introduce its brand to the Hispanic market. The directive from the Japanese CEO was clear: “Win the Hispanic market not once, but long-term” and “earn the right to do business with the Hispanic community.” He suggested that I take a month to think about and propose a

4. Hispanic Market Connections, Inc., was sold and publicly traded in 1998.

comprehensive strategic primary research program that would provide the insights and intelligence to win the market. He added, “It does not matter the color of the hand holding the dollar, but to be able to earn it with respect!” The funds allocated to “win the Hispanic market” were commensurate with the opportunity, and with the savvy expertise of the folks at La Agencia, in less than a year Honda’s sedan models were the best selling among Hispanics for decades.⁵ It was done “in-culture” building “Shares of Heart.”

In addition, we rarely learn about the amazing things taking place every day in our community. For example, the story of probably the youngest CEO in America, nine-year-old, Max Valdez, President, Cupcakes to the MAX, who successfully sells cupcakes on a daily basis. It helps to be the son of Jeff Valdez, accomplished Latino film director. However, Max runs the company and it was his idea! Another great story is that of a successful marketer at Frito-Lay, my dear friend Richard Montanez, famous for creating and bringing to market the first line of authentic Hispanic-flavored chips which include the delicious Flamin’ Hot Cheetos. He also launched the first bilingual packaging.

Richard proudly tells me that he started his career at Frito-Lay as a janitor’s room clerk. He laughs, and adds, “This is the equivalent, the Hispanic version of starting as a clerk in the ‘mail room’ for the Anglos!”

As Malcolm Gladwell writes in *Blink*, “The giant computer that is our unconscious silently crunches all the data it can from the experiences

Who is Hispanic in the U.S.?

Hispanics are considered an ethnic category rather than a racial group. Therefore Hispanics can be from any race—Black, White, Asian, Meztizo Indian, etc.—and are from many cultural backgrounds. Often the uniting factor is the Spanish language and Hispanic culture. In this book, you will find the terms Latino and Hispanic used interchangeably.

Because Hispanics may be of any race, the Census Bureau usually refers to the General Market, “non-Hispanic Whites”—people who have said they are White, but have not indicated they are Hispanic. Three out of every five Hispanics living in the United States were born here.

5. The Honda case study appears in my book, *Marketing to American Latinos: A Guide to the In-culture Approach* (Paramount Market Publishing, Inc., 2000)

we've had, the people we've met, the lessons we've learned, the books we've read, the movies we've seen, and so on, and it forms an opinion. That's what is coming out in the IAT [implicit association test]."⁶

Hence, this book, *Win the Hispanic Market*. To provide the best-in-class from the experts as to why—and how—corporate America must move to successfully do business with the Hispanic consumer market. And it must move quickly.

How many are you missing?

Few companies know how many Hispanics could be their customers and few know how to find out how many of their potential customers are missing. My question is, can you afford not to know the size of the prize?

Good insights can be expensive and require the time and help of experts who know the culture and language of potential and current customers. However, this is “your value business growth, sustainability market segment.” This is the consumer segment that adds half a million new households every 12 months, households in the family formation years, and with larger families. This is the market you can go to today when business is slow. But to see reliable results, you want to add value to your research when you turn to experts.

Yet, most corporations have to do “numbers patchwork” to get to some estimated “sort of” reliable Hispanic market business sizing number. When it comes to metrics and tracking results, many overlook a substantial part of their customer base. Sadly, much of the current syndicated data available is incomplete or under-represents Hispanic consumer sales, or is missing culturally relevant facts. Hispanic marketing executives and their teams work hard to target Hispanic consumers. Yet, every time retail data misses a sale or the service delivery of an Hispanic customer, it is counted as a non-Hispanic sale. I call this “the leaky bucket syndrome.” In other words, it is almost impossible to get to the true sales numbers, and therefore difficult for managers to ask for, or defend, the appropriate budget allocations. This is a serious flaw in the Hispanic research trade

6. *Blink*, Malcolm Gladwell, Back Bay Books, 2007, p. 85.

and, as many authors in this book underscore, it urgently needs to be addressed and solved.

Retailers, marketers, brand managers, not-for-profits, all need a reliable and consistent process for collecting data rather than doing it on a random basis when someone on the board of directors or in the C-Suite asks a question. It must be a base component in the corporate organization. And the process needs to include sharing the data with the people in marketing, finance, product development, sales, and retail to help make grounded, fact-based decisions and avoid missing an important part of your customer base. You should ask these questions and demand reliable answers from your research suppliers, because business growth and sustainability in the foreseeable future requires that you understand deeply the Hispanic market by its metrics.

Live in the present, not the past

In many ways, there is a paradigm shift between the old and new as we complete the first decade of a new century.

In the past, you didn't know how to identify your specific Hispanic customer segments. Thanks to new technology you can now identify Hispanics by country of origin, language and acculturation and learn exactly where they live and the products they purchase. You can see where growth is occurring, and segment the Hispanic market by consumer behavior.

In the past, you assumed that in all high-end business categories, Hispanic customers would respond to advertising in English because you also assumed that Spanish-dominant customers did not have enough money to acquire your products. Now you know that you have Hispanic customers with the necessary income. However, they may not speak or grasp the English language enough to get your advertising message.

In the past, you could not know the language preference of your Hispanic customers. Today you can readily segment Hispanics by

language preference and by where they live and shop. Today you also know that many Hispanic consumers who are bilingual prefer to consume media in Spanish because it is part of their cultural heritage, and you know this can be even more effective, since for bilingual consumers, advertising message recall is greater in their primary language.

In the past, you planned products and advertising for the “mainstream,” meaning White, English-speaking consumers. The new mainstream is multicultural.

In the past, you could target your Hispanic marketing efforts to a very few states and metro areas and you would reach the majority of Hispanics. Now, Hispanics are dispersing to more markets throughout the United States. New census data and new geosegmentation technology will help you target more successfully, wherever they are.

In the past, you could target Hispanic consumers successfully mostly or exclusively through mass media. Today you know it is imperative that your corporate platform also include programs reaching the Hispanic community through grassroots organizations, as well as communications programs with the broader Hispanic society, including Hispanic leaders, government and policy makers, with independent PR campaigns directed to them.

In the past, the “digital divide,” was huge and Latinos were significantly absent from the internet. Today, Hispanic youth is one of the most active segments in the new electronic social media and you need to include it in your media plan.

In the past, you didn’t need to worry about having a multicultural workforce. Now you know that your employees as well as your customers like to see people “who look like them” and reflect the make-up of the United States in their board rooms and C-Suites and at all levels in management. Now, your business growth may depend on the vision, contributions and innovations made by an associate that understands well the multicultural customer.

In the past, you thought you could do without specialized marketers who know and understand Hispanic culture and Hispanic customers. Now, you must incorporate Latino marketers and advertisers into your corporate strategy.

In the past, Hispanic voters were treated as a monolithic group, but Hispanics can no longer be considered as a voting block. Not all Hispanics care about the same issues.

In the past, businesses designed their pay, working hours, benefits, and travel requirements around the needs of White, male-dominated breadwinners. Increasingly the needs of multicultural, two-earner households and single-parent households need to be taken into consideration, which may mean flexible working hours, using technology to hold meetings rather than requiring travel, and childcare or cafeteria benefits, among other things.

In the past, the CEO was boss. Today the consumer is Boss. As former Chairman and CEO of Procter & Gamble, A.G. Lafley says, “Our goal at P&G is to delight our customers at ‘two moments of truth’: first, when they buy a product, and second, when they use it. To achieve that, we live with our consumers and see the world and opportunities for new product initiatives through their eyes. We do this because we win when more consumers purchase and use our brands—and do so repeatedly.”⁷ This is the only way to succeed In-culture and build lasting “Heart Shares” with your customers and consumers.

In the past, Hispanic marketing was a choice a few leaders made. Now a holistic and consistent Hispanic strategy is a requirement for innovation and sustainable business growth.

Corporate America and all organizations must respond to this new paradigm by incorporating Hispanics, African Americans, Asians and other cultural groups into their company cultures, from the boardroom

7. *The Game Changer: How You Can Drive Revenue and Profit Growth with Innovation*, New York: Crown Business, 2008, pp 4–5.

to product innovation, from retail to basic marketing and advertising. Recognizing the financial power and the growing strength of the multicultural consumer you will be able to respond to the shifts in American society and hence, win in the marketplace.

The Mission — The Book

The mission of this book is to bring together expertise across disciplines that can help you strategize, aim, successfully execute and measure the size of the prize—the sustainable business growth you can expect from the growing Hispanic market.

Certainly one book cannot cover all the possible issues or categories relevant to Hispanic marketing and the marketplace. The book does however bring together Hispanic market experts covering the shared “why” and “how” that apply across corporations and most business categories.

First, the perspective from the board room and Corporate, or C-Suite, Michael Klein and David Wellisch co-founders of Latinum Network (Chapter 1) will tell you why Wall Street will look at and consider your corporate Hispanic strategy in its valuations, and two POVs (Point of View) about why Hispanic representation is needed not only at executive levels of leadership and management but across levels from Carlos Orta and Alison Kenney Paul.

In Chapter 2, Carlos Santiago, CEO of SSG will deep dive into marketing and ask you the questions you need to consider to show you how to right-size the Hispanic business opportunity to avoid disappointment. This section includes a POV regarding the challenges facing the Hispanic market industry.

Throughout the book you will hear from the different experts why you should elevate the Hispanic market in your corporate strategy. As Marie Quintana of PepsiCo tells us in Chapter 3, this is no longer a *niche* market, it is **THE** market, and building deep relationships with retailers is the way to go! Gabriela Alcántara-Díaz shows us how the demographic shifts have impacted the new marketplace even within the Hispanic market and a POV on authentic Hispanic Supermarkets from one of the foremost experts in the industry, Don Longo, closes this retail section.

Chapter 4 focuses on state-of-the-art tools and consumer intelligence. From César Melgoza, CEO of Geoscape, you will learn about the latest in geo-segmentation systems that are helping successful marketers, media planners and retailers today to reach their multi-cultural consumers with laser precision. Also in Chapter 4, you will have access to the best, gold-standard data in language segmentation, media usage and other relevant in-culture socio-demographics from Doug Darfield, Nielsen Media.

In Chapter 5, Roberto Orci, CEO of Acento Advertising, will explain how to make the best choices for reaching your Latino customers, from acculturated to non-acculturated with a comprehensive media plan strategy. Then, Lee Vann, CEO of The Captura Group, shares the know-how on the successful use of a variety of new social media platforms highly popular with Latinos and Lucia Ballas-Traynor, co-founder of CafeMom, shares the latest insights on capturing Latinas online. Closing the chapter is a POV on the oldest Hispanic advertising media, print by business leader Martha Montoya.

In Chapter 6, dedicated to primary Hispanic marketing research, you will find specific steps you need to take to avoid mistakes and limitations with your market data online and not online, by one of the authorities in the industry, Carlos Garcia, SVP of Knowledge Networks and Cada Cabeza online panel. You will also learn the common pitfalls in primary research and what you need to know to make sure your Hispanic marketing research dollars give you the data and reliability you need, co-authored by Dr. Federico Subervi, Director of the Center for the Study of Latino Media and Markets School of Journalism & Mass Communication, Texas State University-San Marcos and myself. And in Chapter 7, Derene Allen will share her findings regarding why giving back to the community helps you deepen your relationship with your customers.

From the board room to the Hispanic retailer, it is a new game to win the U.S. Hispanic market.

