

The Changing Face of Hispanics — Middle Class and Affluent

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Affluent Hispanics. Who are they? Where do they come from? Do they really represent the U.S. Latino population? Over the past few decades the U.S. has experienced exponential growth within the Hispanic population, mainly fueled by immigration. This phenomenon has, in turn, stimulated the increase of Spanish media and advertising efforts. Retailers, from fast food restaurants to consumer goods, have been among the first to take notice and create Spanish campaigns and products/services geared towards this population. This trend, however, is expected to change. Today there are over 44 million Hispanics, representing 15% of the U.S. population. One-third of these Hispanics are immigrants, the balance of which is comprised of second- and third-generation Hispanics (children and grandchildren). By 2020 the Hispanic population is expected to reach 60 million — over 18% of the U.S. population. Second- and third-generation Hispanics, an audience segmentation that is more acculturated and enjoys higher income levels and stronger English proficiency, will primarily augment this growth.¹

Are we to infer, then, there could be multiple faces to the Hispanic population in this country? Absolutely. Not only should retailers focus on the Spanish-dominant Hispanics to gain a presence in this market, retailers must take notice of the growing middle and affluent classes in the Hispanic community — individuals who have evolved to a more advanced level of acculturation and English proficiency. No longer can the term “affluent Hispanics” be accurately associated with rich, first-generation Cubans, Venezuelans, and Mexicans. U.S.-born and educated Hispanics are responsible for igniting the growth of this group. A 2006 study conducted by J.D. Power and Associates indicates 31% of Hispanic households earn over \$50,000 annually; 13% earn over \$75,000 annually; and 6% earn over \$100,000 annually. This last group experienced a 126% growth

spurt between 1991 and 2001, compared to only 77% for the general market.

Although the average Hispanic household income is lower than the general market, studies denote the wealth of affluent Hispanics is growing faster than the general population. It is predicted that the total household financial assets among Hispanics in the U.S. will grow to \$2.5 billion by 2010. The wealth of this group is currently growing faster than the general population.³

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In 2006 the buying power of affluent Hispanics was \$292 billion. Experts have indicated that by 2008 affluent Hispanics, estimated to number 3.7 million by that time, will represent two-thirds of the total Hispanic buying power forecasted to be \$1 trillion. This scenario clearly illustrates the tremendous concentration of Hispanic wealth. What is the impetus for this growth? Most experts attribute the increase to Hispanic homeownership (over 50% of U.S. Hispanics own a home)

as well as business ownership and a higher level of education. It is estimated by 2010 there will be 3.2 MM Hispanic firms producing \$465 billion in annual gross receipts. Hispanic firms owned by women increased by 64% to 553,618 alone (from 1997-2004), with a combined revenue of \$44.4 billion.² It is interesting to note that a large portion of Hispanic businesses’ clientele is predominantly non-Hispanics.

The affluent Hispanics are spending their money on apparel as well as on electronics and wireless devices, sophisticated banking/financial services, and arts and culture. Research continues to show Hispanics outspend non-Hispanics in many retail areas such as children’s clothing, fashion and groceries.⁴

What is the predominant profile of these 3.7 million people? They are diverse and highly acculturated. “..they represent a unique blend of two cultures. Not only

Hispanic or simply American, this is the Hispanization of North America and the Americanization of Latin America.”⁵

This group can be further categorized as follows:

1. **Second- and Third-Generation Residents:** These individuals are the children and grandchildren of immigrants. They are English-dominant and are creating their own emerging culture; one that transcends a mixture of the U.S. and their countries of origin. Many of them are considered “tri-lingual” — being fluent in English, Spanish, and *Spanglish*.
2. **Wealthy Latin Americans:** This group is represented by highly educated, bi-lingual individuals, usually 30 years of age or older, who move their families to American social hubs such as Miami and New York City. They normally have multiple homes in the U.S. and their native countries. They spend lengthy periods of time in the U.S. as consumers. They are known to take purchased merchandise back to their native countries.
3. **Educated Latin American Adolescents:** These individuals are “18-plus” year-olds who are seeking higher education. They are bi-lingual and worldly. They come to this country with the intention of improving themselves and establishing familial roots. Although they possess a very strong allegiance to their culture of origin, they embrace the American way of life as well. They are the perfect blend of cultures.

Another important consumer segment to consider is that of Latin America visitors. These individuals vacation throughout the U.S. in popular resort destinations such as Miami and New York City, the West Coast, and ski towns such as Aspen. Shopping is also considered an essential activity during their vacation. In 2006, 1,713 Mexican tourists visited the U.S. (up 3% from 2005). The median average household income for this group was \$71,700. According to a report commissioned by the Office of Travel & Tourism Industries, 84% responded that shopping was the top activity in which they participated while here, compared to 78% in 2005. Visitors to the U.S. from South America in 2006 numbered 1,928 as compared to 1,820 in 2005. The median average household income for the 2006 group was \$52,700. Of

this group 88% gave shopping as their activity of choice (up from 84% in 2005).⁶

Taking into account the amount of disposable income associated with these groups, it is surprising to note that less than 5% of Hispanic advertising specifically targets affluent Hispanics. This is a costly mistake. These individuals are the ideal consumers. Not only do they care about and foster relationships of loyalty and trust with certain brands, they are renowned for purchasing the best foods, wines, clothing, accessories, and more. Studies have shown that this segment is *more than willing* to spend money. They are bi-cultural with a passionate sense of pride instilled from their heritage. These prosperous Hispanics are looking for engaging shopping experiences that offer genuine, tangible value.⁷

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Given this information, how should the wise retailer respond? By acknowledging and understanding that a brand needs to provide an “experience”; it needs to embody a Hispanic personality aspect or trait to entice a buyer to feel a real connection. “...the brands that will win the affluent Hispanic market race will be those that understand that this race is not only about marketing communications, it is about the Hispanization of your most important revenue producing asset: your

brand.”⁸

In order to gain — and retain — the attention and patronage of the affluent and middle-class Hispanic consumer, retailers must create and adhere to a marketing plan that is as analytical in its strategic process as it is articulate and inviting in its messaging. Some of the elements to include in the strategic process are:

- **Incorporate precise cultural understanding.** Never assume “one Hispanic marketing plan fits all”. There are many variations of Hispanic cultures and traditions; you must build your marketing plan on a precise understanding of the consumer group’s specific culture.
- **Recognize the consumer’s high level of sophistication and mobility.** Remember that 30% of affluent Hispanics are college graduates; they are very bi-cultural, and the majority of them are

business owners or investors. In fact, one in eight is self-employed.⁹

- **Build trusting relationships before any sales pitch.** Hispanics know many businesses try to court them with incorrect or incomplete information because this consumer group is often times erroneously perceived as being gullible. Because of that, a growing number of Hispanics are demanding the retailer earn their trust through honest, accurate information.
- **Invite the consumer into your family of products and services.** Family is a top priority with all Hispanics. If you want them to feel loyalty to your brand, you must create a “family-type” environment for your products and/or services and make them feel they are a welcomed and respected addition.

Some of the key elements to ensure an articulate and inviting message are:

- **Apply appropriate resources.** When it comes to developing the messaging, ensure you have the appropriate, authentic resources from whose

experience and expertise you can draw and benefit. These resources might include a bi-lingual staff and written/audio materials.

- **Focus on creating relevant content.** Avoid using double-talk or English slang that might weaken your message or confuse the consumer altogether. Tell Hispanics what they want to know right away; don’t make them drill down for the offer or advantage.
- **Emphasize the choices inherent with wealthy lifestyle.** The number of Hispanics who a) earn \$100,000+ per year, and b) have at least \$500,000 in assets is growing eight times faster than the non-Latino market. These individuals want and expect to be pampered and treated like the upper-class.¹⁰
- **Employ multi-media outlets to enhance outreach.** Affluent Hispanics enjoy listening to the radio and watching TV just like their non-Latino counterparts. They also frequently surf the Web and read newspapers and other publications in both English and Spanish. Utilizing all multi-media outlets would strengthen your reach to this consumer group.

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Sources

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