

## **Tapping into the U.S. Latino Market**

There is a quiet giant in the United States that is only now beginning to attract the attention its buying power and influence deserve. This market, traditionally misunderstood and often underestimated, is growing far faster than other markets and has a number of extremely attractive qualities. The potential to use this market as a starting point for national marketing efforts is considerable, as is the possibilities that this market can be used to launch and carry new products into the American mainstream. The U.S. Latino market has all the makings of a powerhouse. The time has come to begin tapping into it.

It should be noted from the outset that Tudog views the U.S. Latino market as an asset to marketers on two distinct levels and that the marketing plan executed by a Company needs to decide prior to implementation which of the two assets it seeks to leverage. In one scenario the U.S. Latino market presents an opportunity to sell products that the general non-Hispanic market also craves, but to do so in a manner that appeals more directly to the Spanish speaking community. In this instance the products are the same and sales are already being conducted in the broader community. The idea here is to sell to the Latino community through channels and via messages that are distinctive to them.

In another scenario, the U.S. Latino market is the sole initial target for products. In this case the Latino market is the sole or primary focus for the sale of products, many of which are imported from Central and South America. Tudog recognizes the value of the Latino market as a point of entry for imported products, but strongly cautions against the concentration of the Latino market as the final destination in the U.S. market penetration voyage. The U.S. market in its entirety offers significant promise for imported goods, and while the Latino market can be engaged in order to initiate sales and create a strong presence, the remainder of the market should be considered part of the ultimate U.S. market penetration goal.

### **Why the Latino Market?**

From a marketing perspective the American Latino market offers a number of attractive characteristics. These include:

1. The Latino community is the fastest growing sector in the United States. For example, from 1990 – 2000 the number of Latinos in the U.S. grew 57.9 percent – while the total U.S. population growth rate during this period was 13.2 percent. The U.S. Census Bureau now estimates that the Latino community will number more than 102 million by 2050, comprising almost 25 percent of the American population.
2. The Latino community, while present in most U.S. states, is highly concentrated in 9 major states – California, Florida, Arizona, Illinois, New Mexico, Nevada, New York, New Jersey, and Texas.
3. The Latino population is statistically younger than the median American age – 25.9 years versus 35.3 years. This means that the market is now growing into the age marketers most enjoy targeting.

4. The Latino community is becoming more affluent, with more families becoming solid middle class. The current buying power of the American Latino community exceeds \$770 billion, and is expected to surpass \$1 trillion by 2010.

5. Latinos are excellent consumers, buying items such as clothing and electronics in proportionately higher quantities.

### **Understanding Market Segments**

Like every sophisticated and developed market sector in the United States, the Latino market is subject to division into certain segments. The understanding of these segments is critical not only because it demonstrates the error in viewing the Latino community as a homogeneous market, but because it serves to identify specific market opportunities within the various segments. The segments to be aware of with the American Latino market include:

#### Country of Origin

There are five primary Latino segments in the United States. They are:

- Mexicans
- Cubans
- Puerto Ricans
- Central Americans – which can be further sub-divided by country
- South Americans – which can be further sub-divided by country

#### Level of Acculturation

This segment is primarily divided between Latinos born outside of the United States and those born in the United States, as well as those in the U.S. for 10 or more years. Like most immigrant communities, the more recent arrivals are less likely to be acculturated. Conversely, the more members of a particular segment that are born in the United States – or live in the United States 10 years or longer – the better the chance that these individuals will be more or fully acculturated. The Latino market is divided into three segments based on acculturation. They are:

- Detached – the portion of the community – mostly relatively new arrivals - who are separated and isolated (often by choice) from mainstream America.
- Acculturated – the portion of the community that maintains its Latino identity but is also comfortable with American culture.
- Assimilated – often second or third generation Americans of Latino descent who identify as Latino but are predominantly American in culture. Assimilated Latinos are more comfortable communicating in English, and may in fact not be fluent in Spanish.

While there are other market segments within the Latino community that mirror the general division with markets – such as age, income, gender – these typical segments are apparent to marketers. So too are the differences that come from geographical location, which may lead, for examples Mexican Americans in California to behave differently as consumers than Mexican Americans in New York. The segments determined by country of origin and level of acculturation are less evident and may be

overlooked, to the detriment of a comprehensive integrated marketing plan intended to target the U.S. Latino community.

There is, however, one additional market segment – Latinos in the United States either on a temporary basis or without legal documentation - that demands mention not so much because its members have a distinctive set of consumer habits, but rather because the segment is not counted in classic understandings of the American Latino market. These people typically meet the profile of the detached segment as they tend to concentrate in the highly Latino neighborhoods, associate with other Spanish speaking people, and adhere to their home country customs.

### **Marketing to U.S. Latinos**

Marketing to the Latino community is similar to traditional marketing and has many dedicated channels to raise awareness, create interest, and deliver the offer. These include:

#### Media

The size, spending power, and distinctiveness of the Latino community has encouraged the establishment and sustained the operations of a wide range of media and exposure outlets. The Latino community in the United States has Spanish language advertising channels in the follow media sectors:

- Television – there are two major Spanish television networks in the United States (Univision and Telemundo) and more than 25 Spanish language cable television channels (including CNN Espanol, HBO Latino, Discovery Espanol, and ESPN Deportes).
- Radio- there are more than 700 Spanish language radio stations in the United States. The market leader is the Hispanic Broadcasting Company, which was purchased by Univision.
- Magazines – although limited in their circulation (for example Time’s People En Espanol sells less than 500,000 copies per issue), the proportional sales (to population) of Spanish language magazines actually rival their English language counterparts. Some major Spanish magazines in the United States include Ser Padres, Latina, Reader’s Digest Selecciones, Cosmopolitan En Espanol, and Newsweek En Espanol.
- Newspapers – there are dozens of weekly, bi-weekly and monthly Spanish language newspapers throughout the United States, with every major market featuring at least one newspaper. In major regions of high Latino concentration there are also daily Spanish newspapers, such as La Opinion (Los Angeles), El Nuevo Herald (Miami), and Hoy (New York).
- Internet – more than 13 million American Latinos use the internet on a regular basis, spending more than 10 hours per week online (the U.S. average is 8 hours weekly). The internet is used mainly as a communication channel (to chat with friends and family and to send and receive email), as well as for shopping, making travel arrangements, and downloading music files. All the major portal operators have Spanish language websites (such as Yahoo En Espanol, AOL Latino, and MSN Latino) although these sites are not necessarily intended solely for the U.S. Latino market.

In addition to American produced Spanish media, the U.S. proximity to Mexico, and Central and South America provides significant opportunity for the import of media content. This content is both delivered via exclusive American Latino channels and via original channels (such as imported magazines).

Overall, major American companies and specialty marketers are now spending more than \$1.8 billion annually on advertising in the U.S. Spanish media. Of this, more than half is being spent on television, a quarter is being spent on radio, and the remainder is being spent on print advertisements.

### Distributors

There are product distributors of all sizes that specialize in goods directly specifically toward the Latino market. These distributors often have an established network of retailers located in areas with a high concentration of Latinos. The distributors are usually aware of the composition of each area and the segments of the population that reside and shop in specific geographical areas. Marketing to the Latino community includes tapping into the distributorship networks and working in conjunction with them to plan and execute a balanced and integrated marketing scheme.

### Retailers

Both large and specialty retailers offer opportunities for marketers to the Latino market. The larger retailers can be encouraged to position certain products in high visibility, high traffic areas, as well as to highlight certain products through promotions (in conjunction with the importer or the distributor). Also, large retailers can be encouraged to hold ethnic food festivals that provide not only Latinos but the broader market with the opportunity to try typically Latino oriented products. Smaller retailers and specialty retailers may have fewer resources to co-market, but can be engaged and encouraged to promote and position products within their shops.

### **Additional Tactics**

A comprehensive, integrated marketing plan does not rely solely on advertising for exposure or distribution of delivering the offer. The use of other tactics, such as public relations, events sponsorship, ethnic fair appearances, and others need to be considered, implemented and measured for efficacy.

### **A Word on Strategy**

Although understanding segments and marketing channels are crucial, perhaps most important when seeking to engage the Latino market is the strategic analysis and planning stages. The identification of priority target markets and the best means to engage the markets is critical to the continued success of the enterprise and its ability to create value in the Latino market. The use of the Latino market for foreign (especially Central and South American) importers as a stepping stone into the broader U.S. market can be effective as long as the company does not identify itself too narrowly with the Latino community. If it does, it may find that non-Latino consumers too closely perceive the product as Latino, reducing the possibility that they will develop an identification and consumer relationship with the brand.

The American Latino community is the quiet elephant in the bustling American marketplace – nobody remembers it is there until they look up and notice its size and power. The sheer size of the community and the potential of the market demand that marketers begin to engage it in a meaningful and respectful manner.