



## Salsa Outselling Ketchup? Marketing to Hispanics Is Hot

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Hispanics are now the largest minority and fastest growing population segment in the U.S., with annual spending power of more than \$540 billion. As a result, marketers are scrambling harder than ever to address this market, which, in addition to its impressive size, is unified by a common language.

Yet despite its promise, Hispanics as a buying bloc pose a number of challenges, including segmentation by national origin and varying levels of acculturation, according to speakers on a panel at last month's Wharton Marketing Conference.

Mike O'Shea, vice president of business development at Spanish language television network Telemundo, suggested that the 2000 Census, which showed the Hispanic population had grown by 53% since 1990, was a wake-up call to corporate America. "CEOS were reading about it and passing notes to marketing directors asking, 'What are we doing to target this consumer?'"



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The answer for many companies is to hire strategic marketing directors to produce new business. "What better opportunity is there than the Hispanic market because it is the fastest growing consumer segment," said O'Shea. "It's a market you can really build your brand with." Hispanic influence is especially apparent in mainstream culture, O'Shea added, noting that Latin artists such as Ricky Martin, Jennifer Lopez and Marc Anthony are at the top of the Billboard charts, not just the Latin charts. Salsa, he said, outsells ketchup, and a third of all major league baseball players are Hispanic.

Dina Weitzman, vice president of Hispanic markets at Citigroup, predicted the Hispanic market will experience a steady stream of immigration, unlike the European immigration waves in the early 1900s that eventually stopped. "The Hispanic segment continues to immigrate because of economic difficulties," she said. "You will continue to see a wide variety of first, second and third-generation people and those who arrived here last week. There will be the full spectrum, from those who are acculturated to those who have no clue what's going on in the United States."

### Video Cameras in Household Kitchens

According to Yolanda Angulo, area director for multicultural marketing in the New York region for Kraft Foods, her company has established geographic-opportunity teams to create marketing programs targeting Hispanic, African-American and Kosher consumers. The company is conducting research into the way consumers in these segments use food products, and has installed video cameras into household kitchens. "We are going into consumers' households and living with them. We're cooking with them." Angulo has learned, for example, that people in her target markets usually have smaller kitchens in the United States than in their home countries, and tend to add a lot of spices to liven up their foods.

Within the Hispanic market there are distinct segments. People of Mexican heritage make up 66.9% of the U.S. Hispanic populations followed by Central and South Americans at 14.3%, Puerto Ricans at 8.6% and Cubans at 3.7%, according to the census. Given this breakdown, the panelists agreed that it is difficult to slice up the Hispanic market by national origin. O'Shea, however, noted that his advertisers have the

same message for Cubans in Miami and Mexicans in Los Angeles. "I treat the market in a monolithic way which makes a lot of marketers cringe. Still, it's the Spanish language that is the catalyst of the culture."

According to Angulo, most Spanish-speaking cultures also have a strong sense of family and religious devotion, but she, too, said it is difficult to segment by nation of origin. "If you had to slice it up you wouldn't have enough money to target everybody. You have to understand the bigger segment. At Kraft we have to think about the Mexicans."

The level of acculturation is also an important consideration in marketing to Hispanic consumers, she noted. Regardless of country of origin, there are major differences in how a customer who has been in the United States for four or five years reacts to a product, compared to one whose family has been in this country for three generations. Distribution channels differ as well. Newly-arrived Hispanics tend to shop in small, urban stores, while those whose families have been in the country longer are more likely to buy at retail chains, she said.

### **Cross-Pollination**

Louis Martin, a consultant at McKinsey & Co., suggested that Hispanic consumer markets in the United States are so big that Latin firms based overseas are looking to break in. They view the market as confined not just to North America, "but accessible to Latin American companies as well," he said, adding, however, that U.S. companies which have learned to target Hispanics effectively would not necessarily be able to turn such success into results overseas.

"That said, there's tremendous cross-pollination," he noted, with Latin Americans traveling to North America and back frequently. As a result, multinational firms need to be careful positioning brands in the United States and Latin America because of differences in consumer sophistication. A brand that might sell at a discounter like Wal-Mart in the United States may be a premium brand in Latin America. "There's a continuous flow of products that are bought in the States and sent home to families [which could result] in brand confusion."

Some specialized products are best targeted regionally, Martin said. An understanding of the local market should determine whether to promote a product with a Mexican soccer player or a Dominican baseball star. "Understanding your demographic base on a local level can help you."

According to Weitzman, another way to think of the Hispanic market is as one made up of younger, larger families that tend to live in multigenerational households more often than the general population. Hispanic families are also more likely to make purchasing decisions as a group. "We will see whole families going food shopping or opening a checking account," she said. And Hispanics, more than the overall population, "tend to be brand loyal and respond to Spanish language movie stars as spokespersons. They are not a jaded segment. They are like a typical 1950s family."

Weitzman also noted that the Hispanic market is both mature and developing at the same time. "Everything in financial services comes down to, 'Do you have credit or not?' For Hispanics, there are many who do, but then there is a huge segment that is 'unestablished' and 'unbanked' with no credit cards." Meanwhile, financial firms have saturated the market among Hispanics who are acculturated, have good credit and own their own homes. Newer immigrants, she said, still struggle to establish credit. "There will be those two segments forever."

Acculturation can occur at different rates, Angulo said. For example, there are so many Mexicans in Los Angeles that they have developed their own rich community and feel less need to interact with mainstream America than Hispanics in other regions. "They are holding more of their culture. It is happening in different ways across the different Hispanic segments."

Hispanics want to acculturate, she said, but they don't want to assimilate. She suggested that as Hispanics become more acculturated, general marketing campaigns must become more trans-cultural. In addition, focused marketing should reach out to the newer immigrants - "all the people we don't even know about, who in the next three to five years may be coming."

Kraft has business-to-business partnerships and media alliances tailored to the Hispanic market, but no major Hispanic products. "At the end of the day we are Kraft Foods and we are as American as apple pie," Angulo said. In the past, Kraft has tried to launch more specific Hispanic products, but it didn't work well. "We are American cheese. When consumers come over, it is part of that acculturation."

Martin also pointed out that it is difficult for marketers to research buying patterns among Hispanics, compared with other populations. For example, many Hispanics shop in small, inner-city stores that do not scan items. Researchers would have to track buying patterns manually. "Customers have told us it takes five times as long to understand these segments. A lot of marketing firms have to rethink how they can approach this segment going forward."

In surveys of his firm's clients, respondents mentioned marketing to Hispanics as one of their top 10 goals, but it was not usually in the top five or six priorities. "Many heads of companies say, 'I know it's important but I don't understand the most efficient way to go after it.' They put it on the list, but they target the problems they know they can fix today. That mentality is going to have to change."

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