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Latin America

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- One *trillion* dollars in projected expenditures for 2010.
- \$523 billion in *actual* expenditures for 2002.
- A 58% growth rate between 1990 and 2000.



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The U.S. Defense department budget? Rising health care costs? High-tech investment statistics? None of the above. Actually, the figures above describe the growing economic influence of the Hispanic population in the United States.

According to the 2000 U.S. Census, the Hispanic population in the U.S. increased by 58% during the 1990s. To put this in perspective, the Hispanic population grew by more than four times that of the total U.S. population and approximately *seven* times that of the non-Hispanic population. In 2000, the Census counted 35 million Hispanics, comprising 12.5% of the U.S. population and making this ethnicity the largest minority group in the country. Looking ahead, the U.S. Census bureau projects that the Hispanic population will double by 2050-ultimately representing 25% of the total U.S. population.

But numbers alone fail to completely describe this relatively young and consumer-oriented segment of the population. You need to look at the dollars-*la Plata*-being spent and then the phenomenon becomes clear and compelling.

A Standard & Poor's Consumer Market Report determined that consumer expenditures from the Hispanic-American population totaled \$523 billion in 2002, an increase of 143% from 1990. By way of comparison, the 2003 U.S. Defense Department budget totals \$379 billion- which even includes an extra \$10 billion for the war on terrorism. Hispanics are expected to account for \$1 trillion of U.S. consumer spending by 2010, far outpacing the expected growth in total U.S. consumer expenditures.

Though these aggregate figures of buying power are certainly impressive, corporations across America have yet to fully tap into the entirety of the Hispanic-American consumer market. Consider that although Hispanic-Americans account for 12.5% of the total population, their consumer spending of \$523 billion represents only 7.7% of total U.S. consumer expenditures. Okay, so Hispanics that live in the United States are not spending money in proportion to the expenditures of other groups. But, perhaps Corporate America should understand this huge consumer market a little bit better. Investors, too, would be wise to pay close attention to this powerful consumer group. Times are changing.

The Hispanic-American population is actually comprised of multiple ethnic groups. The majority of Hispanics are Mexican-Americans who live predominantly in the Southwest-where Hispanics account for 46.5% of the Los Angeles population. Hispanics of Puerto-Rican, Dominican and Cuban roots are found residing in the Northeast-where Hispanics account for 27% of the population of New York City. Yes, there are cultural differences amongst these groups, however, there are still some significant commonly-shared characteristics of which marketers and investors should be mindful.

Demographics and Buying Habits

public opinion

Will [importing prescription drugs](#) from Canada help American consumers?

- Yes
- No
- Not Sure

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According to Nielson Media Research, Hispanic-American households tend to be larger in size, averaging 3.5 persons per household versus the non-Hispanic American average of 2.4 persons per household. Also, the U.S. Hispanic population continues to be significantly younger than the non-Hispanic population-65% of the U.S. Hispanics being under the age of 35, compared to 45% for the non-Hispanic population. In fact, more than 16 million Hispanic-Americans are under the age of 24.

The implications are that the materially different demographics of Hispanic-Americans translate into equally different buying patterns. Why? The combination of younger and larger families leads Hispanic-Americans to spend more per household on certain categories of goods than the average American. For instance, the typical Hispanic-American household spends 49% more per year on food at home, 24% more on clothing, 88% more on footwear, 19% more on phone services and 52% more on laundry and household cleaning products than the average non-Hispanic household.

So even though aggregate expenditure percentages of Hispanic-Americans fail to match their population percentages, their consumption still accounts for a disproportionate share of growth in nationwide spending in several meaningful consumer categories. As the Hispanic-American population's disposable income continues to rise, we can expect them to account for an even greater percentage of aggregate U.S. consumer spending in those categories.

Demographics and Media

Regardless of income or education level, approximately 68% of all Hispanic-Americans speak Spanish at home. Standard & Poor's research predicts that this percentage will remain relatively constant through at least 2010, suggesting that the number of Hispanics who speak Spanish at home can be expected to increase from the 23 million reported at the end of 2002 to almost 30 million in 2010.

Advertisers are already starting to realize this. According to *Hispanic Business* magazine, \$2.22 billion in total advertising expenditures were directed toward Spanish-language media in 2001, and of these amounts, nearly 60% targeted Hispanics directly through Spanish-language television advertising. It's obvious why. According to Nielson Media Research, Hispanic-Americans account for 18% of the highly-coveted U.S. adult 18-34 television population. Last year, Hispanic-Americans accounted for 84% of the growth in those combined television population categories.

And the influence isn't limited to video. A study by the Recording Industry Association of America (RIAA) concluded that over 91% of Hispanic-American consumers consider listening to music to be *extremely important, or fairly important*. This in-depth study by the consortium of music producers is in some ways a model for how Corporate America could better comprehend and tailor strategies toward Hispanic-American purchasing tastes.

For example, once the RIAA profiled their heaviest segment of Hispanic music purchasers (between 14 and 39 years old), the industry was able to target that segment's tastes more appropriately. The RIAA determined that 42% of the segment speaks Spanish at home; that their interest in new Rap/Hip-Hop music is very high; and that 67% find radio stations to be the biggest influence in determining their music habits. In fact, 46% of this segment purchases more than 50 CD's a year. As a result, the music producers discovered a way to reach this important market segment by promoting Rap/Hip-Hop alongside Latin music on Spanish-speaking radio stations. Companies that follow the RIAA's example of tailored marketing toward Hispanic-American tastes are likely to enjoy similar success with the population.

A company that has successfully understood this market is **Univision Communications** (NYSE: UVN), the nation's leading Spanish-language media company and the *number-one* Spanish-language television broadcaster in the U.S. Univision broadcasts three Spanish-language networks and owns and operates 48 television stations across all the major U.S. markets. The company is well-positioned with consistent cash flows and substantial market growth. Goldman Sachs Media Analyst

Richard Rosenstein agrees, saying, "Univision, with some of the fastest organic revenue and cash flow growth in broadcasting, is expanding its rapidly growing Hispanic audience through its new network launch (Telefutura), allowing it to protect [and] enhance market share."

Already a solid television media company, Univision agreed last June to buy radio broadcast company, Hispanic Broadcasting for \$3.5 billion. Hispanic Broadcasting owns and operates 52 Spanish-language broadcast radio stations serving thirteen markets throughout the U.S. The combination of these two complementary Spanish-language media forces should result in a dominant and diversified industry player.

Global Demographics

The economic figures are unquestionably compelling for companies to capitalize on the Hispanic population in the United States. But since there are nearly half a billion Spanish speakers in the world, do these consumer and media trends exist in other major Spanish-speaking regions? Absolutely-and they exist to an even greater degree. A Strategy Research Corporation study found that the consumer buying power of Latin America's 480 million consumers totals nearly \$1.5 trillion annually. They predict that the region will hold almost 675 million consumers by 2025.

The potential for the Latin American media industry is equally promising. McKinsey & Company research estimates that by 2004, there could be up to 4.3 million broadband subscribers in Latin America, with growth rates of up to 102% translating into annual market revenues for broadband access as high as \$1.4 billion. The vast and growing opportunities are some of the main reasons Latin America attracted record investments from multinational corporations during the 1990s-even in spite of economic volatility.

But as we wait for Latin America to fully blossom into the investment gold mine everyone hopes it will become, we already have potentially gold-paved streets here in America. One out of every six persons between the ages of 18 to 34 is Hispanic. Even more compelling: *one out of every five children under the age of 12 is Hispanic*. So, strategic marketing to Hispanic-Americans doesn't pave our streets with gold-instead, the streets are paved with *oro*.

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