



## Going Beyond The Numbers

### *A Special Report On Research In The Hispanic Market*

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Anyone can recite the numbers. Hispanics make up the largest ethnic group in the U.S., numbering almost 45 million in an overall population nearing 300 million. Latino purchasing power is expected to exceed \$1 trillion by 2010. Hispanic spending accounts for roughly 9.2 percent of overall household expenditures.

But the real questions for marketers include the following: What influences Hispanics' decisions at the time of purchase? What products or brands do Latinos prefer? What do Hispanics think of the pricing options and packages that a telecommunications company offers? What segment of the Latino market should I communicate with?

And so research comes to the rescue.

Through focus groups, online surveys, copy-testing or turf analysis, clients glean valuable insight into who's buying their products, what the individual consumer's needs are and how to best deliver "the marketing message" to Latinos.

Hispanic-oriented market research, while still a relatively young area, continues to plow new ground. As the industry matures, it will provide more - and in-depth - data to help companies target Latinos.

A more proactive disposition from clients has many getting involved in research from the ground up - in everything from what kind of methodology is used to the nuances associated with the questionnaire's design.

"Clients are asking for more ... more insight, more details," says Ed Rincón, president of Dallas-based multicultural research firm Rincón & Associates. "They are getting pickier about the quality of the data."

**Slow But Steady.** - Research in the Hispanic market is moving slowly compared to what's taking place in the non-Latin arena. But the steady pace is delivering the data that clients need to connect with consumers and move their products.

On the advertising front, sophisticated media measurement techniques - including machines that recognize what songs people are listening to and then track their preferences - that are already examining habits of non-Hispanics are slowly making their way into Latino-centric research.

"There is still a lot of confusion regarding where the Hispanic market is supposed to be," says Felipe Korzenny, director of the Florida State University Center for Hispanic Marketing Communication. "The educational process has been slow to teach non-Hispanic corporate leaders that language isn't the only aspect that defines Hispanics."

Language segmentation, notes Korzenny, is primitive, useful when corporations and advertisers were beginning to understand the market. "Back then just knowing if Hispanic consumers were more conversant in one language or if they were bilingual was helpful," he says. Today - with Hispanics born stateside forecast to comprise roughly 70 percent of the total U.S. Latino population by 2020 - the market must be segmented differently.

Korzenny believes that media exposure, consumers' experience in the U.S. and lifestyle are some of the factors that must be taken into account when segmenting Hispanics.

"You can have two families with a similar number of years in the U.S. and with similar language and media habits that live very different lifestyles - one may include a mother that's studying while the father works three jobs and the other may have both parents working," he adds. "Some variables are not being taken into consideration seriously."

**Do Clients Want To Know?** - While interest from clients and marketers for additional insights into the Hispanic market is evident, the learning curve is a steep one, say researchers. One factor that has negatively influenced the education process is the quick turnover rate at the corporate level.

"Over the past three decades we've learned very little because when someone in the top job 'gets it,' a new person comes on board. The person who leaves takes what he's learned and the new one has to start over," says Korzenny. "That slows the process."

Another obstacle several researchers point to is the need for marketers to realize that by getting to know the Hispanic market more intimately, they will establish a deeper connection with Latino consumers - one that will result in increased sales.

"Marketers want to get more money from the Hispanic market," says Korzenny. "But a lot of the advertising currently being produced isn't based on consumer insights, it's done to stand out and be cute."

Korzenny and Rincón agree that the research needs to be better and more in-depth in order to really connect with consumers so that the particular brand will become part of the decision-making process.

"Being funny isn't enough to sell products," quips Korzenny.

Adds Rincón: "There's a real need to find out which Hispanic persons will be attracted to a particular product.

Executives at Hispanic advertising agencies and clients alike insist that the demand for research is on the rise. Traditionally a "push and pull" situation dictated by the client's needs, the last five years have seen a rise in the requests and offers for research, explains Andrew Speyer, vice president of account planning at Miami-based Zubi Advertising.

"There was a period when clients weren't asking and agencies weren't offering," says Speyer. "Since then, agencies have elevated the level of research that they offer. Any value proposition for an agency has to include really smart thinking, and when clients are faced with the right amount of data at the right time you can blow them away."

As a result, clients have increased their expectations. Speyer notes that "higher-involvement" categories - such as automotive, financial or wireless - seek out additional understanding of Latino consumers.

"Any category where there's a powerful emotional component associated with a purchase knows that you have to spend time with people to understand them better," says Speyer. "Even packaged goods companies know it can help."

At Sprint Nextel, research is actively involved in strategy and execution, playing a role in pricing, messaging and the evaluation of advertising creative, explains Isaac Mizrahi, director of multicultural marketing. "We rely on research to make informed decisions," he adds.

The telecommunications company turns to focus groups for pre-testing and post-testing its television commercials. Executives also query Latino consumers for insight on shaping prices, offers and marketing messages. Custom research, notes Mizrahi, takes a close look at Hispanics' aspirations regarding technology and the telecommunications category and examines drivers for purchases and brand loyalty.

Among the questions that Sprint Nextel asks: How consumers make purchasing decisions, where they purchase wireless products, what features they request or include on their phones, the frequency of their wireless calls and how many minutes of air time they use.

"Consumer insight is a big focus for us," says Mizrahi. "When we start to identify or witness trends, research often confirms them. Plus, it helps us identify opportunities that we can tap or justifies a more customized messaging."

**Custom Or Syndicated, That Is One Question.** - Clients and researchers alike are still divided by what type of research delivers the best results. For some, the only answer is custom research, which is tailored to the specific needs of individual marketers, ad agencies and companies. Others favor syndicated services that offer periodic studies of the Hispanic market, including ad tracking, use of the internet, television, radio and products and services.

"It all depends on what the client needs accomplished and the objective of the study," says Michele Valdovinos, senior vice president of research and marketing at Phoenix Multicultural.

While many clients - and their respective advertising agencies, Hispanic or non-Latino - still rely heavily on syndicated research, some are realizing that they need to get to know the market and the consumer more intimately, notes Rincón.

"Syndicated research answers general questions and is limited in sample size. Many clients turn to syndicated research in search of guidance in the absence of additional information," says Rincón. "Today, clients are frustrated by the same old, same old. Through custom research, you're getting exactly what you need."

For Mizrahi at Sprint Nextel, the research process begins with Census-delivered demographic data about the Hispanic market. From there, syndicated research offers more details about the Latino population overall. The next round, he points out, branches out into category specific proprietary research.

Regardless of their position, all agree that the Hispanic market is large enough - and growing at such a pace - that there is room for both.

"Custom research will continue to be important because you want to have proprietary insights and ideas to help you get ahead. It gives you a competitive advantage," says Korzenny. "Syndicated research is a good way of getting less expensive information to the industry."

On the qualitative research front, clients are looking to break out of the traditional and toss in a little creativity into the mix, explains Raúl López, president of Phoenix Multicultural. Some are favoring ethnographic studies with home visits or "intercept" surveys and others are reducing the traditional focus group - normally with eight to 10 participants - into more intimate gatherings.

Among quantitative studies, researchers have also noticed an uptick in segmentation studies, particularly conjoint analysis and turf analysis. The objective of conjoint analysis is to resolve the natural trade off that buyers make when comparing product or service features against price. Valdovinos explains that it's an effective tool to help marketers optimize pricing-packaging combinations.

Originally devised for analysis of media campaigns, turf analysis - an acronym for Total Unduplicated Reach and Frequency - has been expanded to apply to product, line and distribution analysis. It provides estimates of market potential or identifies the number of users reached.

"These types of research are helping manufacturers that need to develop pricing strategies or are using them for product selection," says Valdovinos. "They deliver more advanced statistical analysis."

**The Internet: A Double-Edged Sword.** - While it's true that Hispanics are commanding attention for the fast pace at which they are becoming "wired," researchers caution that the surge is the result of a years-long lag. Many also warn against relying too heavily on internet-based research when seeking the opinion of Latinos.

"You have to be aware of who's wired, how they use the internet and take into account the level of cooperation - the internet is a method that doesn't have personal interaction," says López from Phoenix Multicultural. "Many Hispanic households are wired, but the head of household traditionally has very little internet skills."

A report issued last spring by the Pew Hispanic Center and the Pew Internet & American Life Project found that 56 percent of all U.S. Hispanics use the internet. By comparison, 71 percent of non-Latino whites and 60 percent of non-Latino blacks surf the web. It pointed to several socioeconomic characteristics, including low educational attainment and limited English ability, for the gap between Latinos and non-Latinos in regard to internet use ([HMW Archives 3/19/07. Online Activity Lags For U.S. Latinos](#)).

Online research has gained popularity in recent years because it is cheap and quick - participants go online, respond to questions and hit send. But among Hispanics, it's not as effective as other methodologies.

Valdovinos explains that when turning to online research, clients and research companies alike have to work diligently to gain participation from the most representative persons in the segment. Online panel providers, she adds, don't have enough Hispanics in their samples that are Spanish-dominant or less acculturated that can participate in online research.

Traditionally, Latinos don't respond to banner ads requesting participants and they don't readily sign up to be included on a panel, which forces panel providers to pay for recruiting initiatives and participation incentives. "If you take away the cost benefit, there's no point in doing online for Hispanics," says López.

Adds Valdovinos: "It's a chicken and egg kind of thing. It requires a big investment to put together such a panel in anticipation of demand."

One way researchers are overcoming obstacles and boosting Hispanic participation in online research is a hybrid methodology that requires Latinos be intercepted at high-traffic locations such as a mall and taken to a central location equipped with computers and internet access where they can take the online survey or be

given a handheld mini-computer where they can fill in their responses, explains López.

**The Language Equation.** - One of the biggest questions facing the Hispanic-focused research industry centers on the topic of language. Particularly on the assumption that Latinos are primarily reached in Spanish and that segmentation of the Hispanic market must be based on language, not other identifying factors.

"They are putting Hispanics into five language buckets," says Rincón from Rincón & Associates. He points out that research based on language segmentation is unreliable because Latinos don't decide what products they buy based on the language they speak. "Language won't determine if Hispanics eat wheat bread or white bread," Rincón insists. "It only determines what media you watch."

Despite the fact that research refutes these assumptions, many clients still subscribe to both premises, say industry insiders. Data from the Census Bureau shows that more than 70 percent of those designated as speaking Spanish at home also understand English well or very well. Additionally, the 2005 Yankelovich MONITOR Multicultural Marketing Study revealed that 40 percent of Hispanics surveyed prefer Spanish, 41 percent prefer English and 20 percent prefer both languages ([HMW Archives 7/11/05. Altered Preferences](#)).

In terms of media consumption, research as early as 2003 indicated that Latinos weren't only watching Spanish-language television. Research conducted by Korzenny revealed that Latinos whose first language is Spanish spent 13.6 hours per week watching Spanish-language television and 13.5 hours watching English-language television ([HMW Archives 6/21/04. A New Look](#)).

Market research focusing on Hispanics must now account for diversity of language and media exposure.

Rincón notes that clients - as well as agencies - have traditionally used language segmentation at the wrong point in the marketing process. The first phase requires market analysis, identification of consumer segments that will be targeted and determination of consumers' needs and how the product will satisfy them. In the second phase, Rincón points out, the focus turns to promoting the product and establishing both pricing and distribution. It's at this juncture where advertising takes center stage, he adds.

"Language doesn't come in until the promotion point, when you identify the segment of the Hispanic market most likely to buy the product and identify its language and media preferences," says Rincón. "Clients have had it upside down this whole time. You have to understand the consumer's needs first."

Rincón argues that while language segmentation did have an important role in Hispanic research - one of identifying Latinos as a segment that needed to be addressed by marketers - its time has come. "That was needed 20 years ago," he quips. "The psychological variations of Hispanics are much more interesting than language, which only determines what media you watch, not what products you buy."

However, the language trend is still prevalent in Latino-focused advertising. Insiders point out that roughly 90 percent of ads targeting Hispanics are in Spanish when research indicates that 60 percent of Latinos today were born in the U.S. and consume little or no Spanish-language media.

"Marketers assume that we all watch Univision and Telemundo," says María López-Knowles, senior vice president at MRM Worldwide, the digital and direct-marketing arm of McCann Worldgroup. "They are not speaking to second generation Hispanics, those born in the U.S. that live in a bilingual, bicultural state."

López-Knowles counts herself as part of that Latino generation that marketers aren't reaching out to via traditional Spanish-language messaging and media. Last year, the agency created a Hispanic advisory panel that includes the heads of multicultural marketing at various corporations, all "hyper acculturated" Latinos who were either born in the U.S. or emigrated as children.

"There isn't a lot of good data on second-generation Hispanics because it's a micro segment of a segment and not a lot of time has been spent studying it," says López-Knowles. "The second generation is the one that interprets language and culture to the parents and plays the role of brand influencer within a multigenerational family. Marketers need to understand it's not a black-and-white market anymore."

This is precisely one category that Mizrahi - and Sprint Nextel - is paying close attention to. "We have to look beyond language; examine what makes them similar, what makes them different," he says. "Any marketer involved in the Hispanic market must have it on the radar screen because we need more insights regarding this topic."

**Challenges Abound.** - Like any maturing industry, Latino-focused research must still endure some growing pains. One challenge facing researchers doing work in the market is that many clients want to conduct Hispanic-focused research in the same way they do among non-Latinos - particularly using the same

methodologies.

"That's like fitting a square peg in a round hole," says López from Phoenix Multicultural. "If they do that, they won't have a truly representative picture of what they are measuring." The most accurate picture of Hispanic consumers, he adds, will be delivered by a mixed lineup of initiatives and methodologies.

Another hurdle that is yet to be surmounted is the integration of Hispanic research with the non-Latino market. If a company conducts a quarterly or annual tracking study in the non-Hispanic market, the Latino version is usually fielded separately, done less frequently and handled by a different provider, explains Speyer from Zubi.

"In order to compare data, they should be handled the same way," says Speyer.

He credits Ford with understanding the need to give equal footing to Latino and non-Hispanic research. Last year, Ford conducted a research project that sought to develop an individual marketing strategy for all of California ... and put Zubi at the helm of the initiative.

"They recognized that a Hispanic agency needed to handle it," says Speyer. "We talked to people independently of their ethnicity and the effort yielded some great learning that we're still using."

Describing it as a "dream project," Speyer points out that the research initiative included focus groups, interviews with academics, experts and journalists and visits to car shows, car clubs and auto repair shops throughout the market. "The depth of understanding we obtained was remarkable," he adds.

On the copy-testing front, notes Speyer, suppliers need to build up their lineup of Hispanic benchmarking results. While suppliers boast a "huge database of results" across categories for previous copy-testing studies, they can't say the same for Latino efforts.

"That will change with time," says Speyer. "But suppliers have to commit."

**The Road Ahead.** - As the need to "connect" with Latino consumers intensifies, Hispanic-focused research will expand in scope and depth, insiders forecast. There will be an industry-wide shift to dig deeper into consumers' relationships with brands and products ... and it's the consumers who will be in the starring role.

Latinos will be analyzed from top to bottom, with researchers delving into every corner of their lives, lifestyles and habits in a quest to identify how certain products impact their lives, how a particular brand lives within that Hispanic consumers' world. The growing array of media options available to Hispanics - from cable and local television to Latino-focused technology - will keep both researchers and clients on their toes.

The custom of providing "generic information" about a product will give way to a need to create a brand identity through insights, to make consumers feel that brand is a part of their lives, Korzenny predicts.

"That was okay when product offerings were less and the Hispanic market was immature," he adds. "Now a deeper connection is required."

At the agency level, executives can only hope for more... time and budgets, that is.

"The thing about being in the Hispanic ghetto is that our timing and our budgets are always shorter and less," says Speyer. "We're always told about the general market strategy before we learn about the Hispanic strategy and then we have less time and less money to answer the questions that come up. The future lies in granting more time and more money for the Hispanic component."

Mizrahi is confident that broadband and wireless technology will allow telecommunications companies like Sprint Nextel to shape the future of research in the Hispanic market.

"Given the penetration and usage of cell phones combined with the speed of wireless broadband, maybe we can also be an enabler," says Mizrahi. "Imagine using a cell phone to text message a survey. It could be the next generation of consumer research."