



It starts with an idea

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Ethnic Marketing

Best Practices in Marketing to African-, Hispanic-, and Asian Americans

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0 EXECUTIVE SUMMARY

0.1 INTRODUCTION

Minority purchasing power will grow at higher than average rates

The past decade has seen a tremendous increase in interest in the buying habits of ethnic and racial minority groups, particularly African-Americans, Asian Americans and Hispanics, partially as a result of the data 1990 U.S. Census revealed about the future of these groups. According to the U.S. Department of Commerce, we can expect the following developments in America's demographic landscape:

- From 2000 to 2045, minorities will account for 86% of the total population growth, increasing from 29% of the total population to 46%. The non-Hispanic White population will begin to register negative growth rates after 2035. The total minority population will surpass the non-minority population sometime between 2055 and 2060.
- From 2000 to 2045, minority purchasing power will grow from 20% to 32% of total disposable income, assuming current disparities in income remain constant.
- In major markets such as New York City, Washington, Atlanta, Los Angeles and San Francisco, non-whites already make up more than half the population. In 2025, the minority population will exceed the non-minority population in five states.

Clearly, the ability to effectively market to ethnic groups will grow increasingly important. Companies that are unable to grab a share of ethnic markets will soon find themselves catering to the fringes of the consumer population.

Traditional methods have become less effective at targeting a diverse population

The latter half of the twentieth century has seen the fragmentation of mainstream American media. The emergence of new television networks, specialized cable and satellite channels and the Internet have given consumers many more options for news and information than what was only recently available.

At the same time, our population is becoming increasingly diverse. As we have seen, minority groups represent a growing percentage of the United States population. Additionally, today's immigrants are retaining their native culture to a higher degree than their predecessors. A process made easier by the growth of foreign language in business and the media. Foreign language programming, advertising and print media have increased tremendously in recent years. Advertising expenditures in multicultural-focused media equaled \$3.6 billion in 1998, more than double 1993's expenditures of \$1.7 billion. By comparison, overall media expenditures grew only 45% during that same time period.

Overall, it has become more difficult to both create and communicate a targeted marketing message for the population at large. Without having a single forum or strategy with which to effectively market to the majority of the population, the need to effectively market to growing ethnic populations will only increase.

Issues Unique to marketing to Ethnic Groups

Ethnic marketing could be described as simply marketing to a target audience that, unlike other target audiences, happens to be defined by ethnicity. However, we believe that marketing to ethnic groups, as opposed to other target audiences, presents unique and fundamental issues and challenges. In addition to traditional marketing challenges, ethnic marketers face the additional following obstacles:

- Confronting a different cultural context – Marketers are accustomed to dealing with the unique values and habits of diverse groups. Each target audience comes with its own quirks and idiosyncrasies, each requiring a different marketing strategy. However, targeting ethnic markets often requires a greater level of mental flexibility than is otherwise required. Many of the ethnic groups that have recently come under scrutiny have cultural differences that exist on a more fundamental and profound level than the differences found within the non-minority population. Addressing these fundamental differences requires “stepping out” of one’s accustomed perspective to one that may be radically different.
- Diversity among minority groups – Facing the initial challenge of marketing to ethnic groups, there is a danger of falling into the mental trap of oversimplifying minority populations. Certainly, members of an ethnic group often share certain traits and values, resulting in a tendency to consider these groups as a unified whole. However, within the broad category of ethnicity, there can be extraordinary differences in culture, education, values and language.
- Sensitivity – One of the greatest dangers of marketing to ethnic groups is the potential for individuals to take offense. This refers to the use of offensive or insensitive stereotypes or images. Most minority groups have a history of facing prejudice and discrimination. As such, minority groups are sensitive to images in the media that may be similar to negative stereotypes. Ignorance of the taboos and idiosyncrasies of other cultures can also result in an unintentional insult.
- Addressing dynamic populations – Through assimilation, cultural adoption and immigration, ethnic populations change at much higher rates than the general public. Immigration rates, which are subject to a variety of international social, political and economic forces, have an inherent unpredictability, thereby creating an unpredictable mix of cultures and nationalities. With varying pressures to assimilate, ethnic communities will reflect an unknown hybrid of multiple cultures that will continuously be altered by the influx of new immigrants.

0.2 KEY DEMOGRAPHICS

Hispanics

The Hispanic market is the most complex due to the extreme variety in cultural backgrounds and levels of acculturation. The key difference is that Hispanics can be of any race. The current population of Hispanics in the US is approximately 32 million. Some key features of the U.S. Hispanic population are:

- Hispanics are, on average, younger in age than other ethnic groups in the U.S.
- Hispanics are more likely to live in large households than their non-Hispanic White counterparts. The average married couple household size in 1998 was 4.10 for Hispanics and 3.18 for non-Hispanic Whites.
- Hispanics are more than twice as likely to be unemployed as Whites, 9.8% versus 4.6%. The median household income for Hispanics in 1999 was \$30,735 compared to \$44,366 for non-Hispanic Whites.
- Hispanics have the lowest educational attainment compared to the rest of the population.

Asian Americans

In 2000, the Asian American population was estimated at 11.2 million, an increase of 3.8 million since 1990. This figure represents 4.1% of the overall population of the United States. Some key features of the U.S. Asian American population are:

- Immigration has accounted for 86% of the increase in population since 1990.
- Six nationalities make up 89% of Asian Americans: Chinese, Filipino, Japanese, Asian-Indian, Korean and Vietnamese.
- The majority of the Asian American population lives in just three states, California, New York and Hawaii. 96% of the population lives in metropolitan areas.
- The Asian American population is the smallest of the three major ethnic groups but is growing at a rate faster than that of any other group.
- From 1990 to 2000, the median age of the Asian American population went from 29.4 years to 32.0 years. For comparison, the median age of the general population went from 32.8 years to 35.8 years and the non-Hispanic White population went from a median age of 33.7 years to 36.9 years in that same period.
- The households of Asian Americans tend to be larger than those of Whites, 3.15 versus 2.47 persons per household in 1998.
- Asians had the highest median household income among the racial groups in 1999, earning \$51,205. Non-Hispanic Whites were second, with a household income of \$44,366.

- Asian Americans have the highest level of educational attainment when compared to other groups.

African-Americans

The African-American population is expected to reach 40 million by 2010. In 2000 the population was 35.4 million, representing 12.8% of the total population, a 0.5 percent greater share since 1990. African-Americans have the most stable population growth year on year. Some key features of the African-American population are:

- 54.6% of the African-American population is in Southern states and 55.1% of African-Americans live in Metropolitan areas inside central cities.
- The African-American population is significantly younger than the general population. From 1990 to 2000, the median age of African-Americans went from 27.9 to 30.4. In comparison, the median age of the general population went from 32.8 years to 35.8 years and the non-Hispanic White population went from a median age of 33.7 years to 36.9 years in that same period.
- Single parent families represent a growing share of African-American families. In 1999, 45% of African-American families were maintained by women, with no spouse, and 8% were maintained by men with no spouse. In contrast, less than 20% of White families were single-parent families.
- African-Americans tend to have larger households. Among married couple households, the average number of family members for African-Americans was 3.58, compared to 3.18 among non-Hispanic White families.
- In 1999, the unemployment rate for African-Americans was more than twice that for non-Hispanic Whites (9% and 4%, respectively). Although the lowest of the major ethnic groups the median African-American household income was \$27,910 in 1999, which represents the greatest increase (14.0%) in household income from their 1989 level of \$24,479.
- African-Americans spend more than non-Hispanic Whites with comparable incomes on luxury items such as cars, clothing and home furnishings.
- African-Americans have lower education levels than the general public

0.3 IDENTIFY RELEVANT VALUES

Identifying themes, perspectives and imagery that will resonate with the mores of your target audience

Effectively reaching any audience often requires communicating a marketing message that will resonate with its recipients on a personal, emotional level. In order to create such a message, marketers must first identify the values that the target audience holds and to which they will subsequently respond. The identification and incorporation of appropriate values is not unique to marketing to ethnic groups. However, an ethnic marketing campaign will face the additional difficulties of having to confront fundamentally different value systems, a different frame of reference regarding compelling themes and imagery, and difficulties with cross-cultural communication.

Some of the more basic determinants of relevant values are:

- Family structure – One of the most important aspects of daily life with regard to the formation of values is family structure. Families are the most basic unit of a culture. They are the locus that provides the basis for all further socialization. Notions of extended family, roles and relationships, and norms of behavior will directly affect the formation of beliefs, mores and values.
- Religion – As one of its functions is to provide a structure of beliefs and moral and lifestyle guidelines, religion is a significant determinant of relevant values, themes and imagery. As in a majority of communities, religion will frequently act as the social and cultural glue for ethnic populations, as well. As such, religion is often strongly rooted within immigrant and ethnic communities, and is inextricably tied to feelings of national and ethnic pride and identification.
- Gender roles – Cultures universally have strong gender role components regarding how individuals form their sense of self-identification. Personal experiences and expectations are intimately linked to how a culture will view differences between the genders. Divisions of labor within the home, standards of beauty, courtship and dating rituals, and childhood behavior, among other roles, reflect personal experiences, self-identification, and deep-seated values. Understanding gender roles also has the added benefit of being better able to identify which members of the family should be targeted.
- Historical events – There is a strong relationship between significant historical events and the formation of values and the impression of imagery. Some marketers have developed strategies that are based on the socialization effects of shared historical events among age cohorts. Examples such as how today's seniors were influenced by the Depression of the 1930s and World War II, and how the Vietnam War affected Baby Boomers, demonstrate the impact of history on socialization. With regard to ethnic audiences, marketers can also look at relevant historical events, at home or abroad, for clues as to what values, themes and imagery will resonate with audiences.

0.4 ESTABLISH RELATIONSHIP

The need to establish a rapport with a community

More so than mainstream populations, establishing and building a relationship with the community is a crucial component of marketing to ethnic groups. Of course, creating a rapport with a community has strong benefits, regardless of the audience. A familiar, friendly face can be a strong reassurance and motivator for any consumer. In addition, consumers frequently prefer to give their business to companies that work to better their community or perform other forms of philanthropy, all other factors being equal. However, with ethnic markets, there is an increased importance on creating a positive context for communication with the community.

Companies can help create a positive context with ethnic communities through working with and being involved in community activities. One significant benefit is simply the increased familiarity that comes with a continued presence in the community. This familiarity can reduce the level of wariness that marginalized communities can have toward institutions and provides the beginning of a context for any future communication. Participating in community activities and events demonstrates a level of respect for that community, which can help generate positive feelings towards a company. Acknowledging a community in such a fashion is seen as a sign of respect and recognition of their importance. Signs of respect can be very effective among audiences that have historically been disrespected by various institutions. Similarly, by participating in community events, companies show their support for issues that are important to local populations.

Many major companies that have enacted internal diversity programs often keep their multicultural makeup open to the public. In addition to the benefits a diverse workforce can give to a company, these companies have recognized that many audiences, particularly ethnic audiences, appreciate a company's commitment to diversity. Ethnic groups, particularly groups that have historically experienced employment discrimination, will be especially appreciative of companies that are willing to give members of their community opportunities.

Ethnic communities can have strong collective memories of companies that are associated with negative behavior. Actions and events such as discrimination lawsuits, the selling of harmful or defective products, or offensive statements will remain associated with a company and within the context of future communication. Companies with a history of negative actions should, as a first step toward marketing to an ethnic community, attempt to repair their image. An attempt that tries to ignore past action or could be construed as self-serving would be ineffective, due to strong collective memory with communities and the tendency to recognize and assign a motive to that attempt.

Making special arrangements to meet the needs of consumers is almost always good for establishing a relationship and, therefore, good for business. This is especially true when dealing with ethnic groups, as they have been ignored in the past. Proactive accommodations are another method of demonstrating respect for and awareness of a group's culture.

One of the best ways to build a relationship with a community is to participate in or sponsor community events or holidays. Participation in community events provides easy and positive exposure. Many ethnic holidays are unique to that group. When a company participates in an event that is normally for that particular community alone, it can give that community a sense of empowerment. Involvement in community events acts as an acknowledgement of a community's importance. Attitudinal surveys have shown that minorities, particularly African-Americans and Hispanics, have relatively high levels of ethnic

identification, ethnic pride and are more religious. Making an investment in a community event that demonstrates knowledge and respect for the community's traditions and culture can be very effective at building positive relations with that community. This will help to establish a positive image with the community and a positive context for future communications.

0.5 CREATE AND COMMUNICATE A MARKETING MESSAGE

Understanding media habits are crucial to reaching your target audiences

Understanding media habits are a critical part of any ethnic marketing campaign simply because, unless a marketer knows what his or her audience is watching, reading or listening to, the marketing message will not reach its intended audience. Other than providing channels for marketing to ethnic audiences, advertising in ethnic media confers other benefits, as well. Ethnic media lends a degree of legitimacy to companies who advertise their products with them. Ethnic audiences are often distrustful of mainstream institutions and media, as they have not historically represented their specific interests and concerns. Ethnic media that have risen to fill the void left by mainstream media have come to represent these interests and concerns and, therefore, enjoy a degree of credibility that mainstream media does not have. Advertisements in ethnic media have the benefit of receiving a tacit endorsement among ethnic audiences.

The benefits of marketing through ethnic media are evident in the high growth rates they have experienced lately. From 1985 to 1995, African-American media grew by 72%, Hispanic media by 160% and Asian American media by 173%.

Social communication networks are strong within many ethnic communities

Many members of ethnic groups in the United States live in close-knit, concentrated communities with their fellow members of that group. As is common in many concentrated communities, strong social communication networks have developed in many ethnic communities. The insular nature of many ethnic communities also encourages the growth of social communication networks. As communication between ethnic communities and the general population is inhibited by differences in language and culture, the effectiveness of mainstream channels of communication will be limited. The strength of social communication networks has the effect of rapidly spreading information and experiences with a company throughout the community rapidly.

Communicating in a foreign language is effective, but requires more than mere translation

As we have seen, using a foreign language in an ethnic marketing campaign can often be extremely effective. Some estimates show that only 40 percent of U.S. Hispanics report being totally fluent in English and 75 percent of Hispanics report speaking Spanish at home. The second reason for the effectiveness of using a foreign language is that it is a symbolic gesture, which acknowledges a group's culture and shows respect. However, using a foreign language effectively requires more than a translation of words. Marketers should not assume that the English words used in an effective marketing campaign would have the same effectiveness as their literal translation. What has made an English-language

marketing campaign successful is the meaning behind the words, not the words themselves. It is the images, feelings and themes invoked by those words that resonate with consumers and make the marketing message effective. It is the meaning behind the words that should be communicated in a foreign language, something that may not be accomplished with a literal translation.

One of the dangers of using foreign languages in marketing communication is that it sets up the expectation that ethnic consumers will be able to conduct business in their native language. While foreign language access to customer service, information lines, or sales associates can very beneficial to marketing to ethnic groups, it can also require a substantial investment. If a company is not willing to make this investment, it should seriously consider whether or not it should distribute foreign-language materials or advertisements. Using foreign languages to attract ethnic consumers, but not being able to accommodate them adequately, sends, at best, a mixed message.

One of the biggest potential dangers of marketing to ethnic groups comes from the problems that arise from confronting a different cultural context. Potentially more significant than being able to identify relevant values or understand family structure in order to fine-tune a marketing campaign, knowledge of a group's culture can minimize the danger of a miscommunication or inadvertently violating a taboo.

Shopping practices and perceptions can be fundamentally different among ethnic groups

In order to maximize the efficiency of ethnic marketing campaigns, marketers must understand the shopping habits of their target population. Perhaps the most important habit to understand is the division of labor within households regarding shopping. Understanding who the influencers and decision-makers are for a purchase is critical to the design and placement of marketing messages. Another example of how marketers can benefit by accommodating an audience's shopping habits

One of the most basic strategies of marketing to ethnic groups is to incorporate actors who are also members of that particular group. Overall, this strategy is an effective method to generate positive feelings in ethnic audiences. Research has shown that the effectiveness of incorporating ethnic actors will vary in correlation to the level of ethnic identification of the audience. The strength of racial and ethnic identification will play a significant role in whether or not an advertisement featuring ethnic actors will be received positively. Individuals with relatively strong racial or ethnic identification will react more favorably to advertisements that feature members of their racial or ethnic group in a dominant position. Conversely, individuals with relatively weak racial or ethnic identification will react more favorably to advertisements featuring whites and are placed in non-specific media.

Using ethnic actors is, overall, a good strategy for marketing to ethnic groups. Most ethnic consumers will identify more strongly with members of their own group. In addition, ethnic consumers will appreciate the acknowledgement and demonstration of respect. However, it would be unwise to simply substitute an ethnic actor for a white actor, leaving other elements unchanged, and assume that the advertisement will be appropriate for ethnic audiences. Inserting an ethnic character into an advertisement may be perceived as a blatant attempt to appeal to that group without having made any significant investment toward understanding issues important to that group or building a relationship.

0.6 APPROPRIATENESS OF PRODUCT

Determining a group's predisposition to a product

Identify market opportunities within ethnic groups can often be more difficult than with the general marketplace. These additional difficulties are caused by: the different cultural context and foreign environment often found in ethnic communities, a general lack of information regarding ethnic consumers, and the dynamic nature ethnic populations. The difficulties in identifying market opportunities in ethnic communities highlights another advantage of a workforce that is representative of target audiences. Having members of an ethnic group involved in marketing decisions can provide insight into these communities and help to identify market opportunities.

Various cultures will each have their own general preferences for certain types of tastes, styles, and qualities. These preferences, if relevant to a given product, will play a significant role in whether or not these exists an opportunity in the marketplace. Certain types of products may be inherently positive or negative to members of an ethnic group, depending on these preferences. In addition to the impact of cultural traits on market opportunities of a given product, marketers should consider the communication capabilities of ethnic consumers. Without foreign language customer service, sales assistance or technical supports, some products may simply not be an option for some ethnic consumers.

Determine how needs are currently being met

Just because certain mainstream products may not have penetrated ethnic markets does not mean that ethnic consumers are not having their needs met. Very often, ethnic communities have alternatives to mainstream products and services. Either these alternatives are part of the "indigenous" culture of the community, or they have come about as a result of the absence of certain traditional products and services. Examples of the two types of alternative products are Eastern, herbal remedies, and check-cashing stores in African American communities. Eastern medicinal products exists because they are part of a community's culture, while check-cashing stores have come about due, in part, to the absence of mainstream financial services.

Marketing mainstream products to communities that have alternatives available requires that marketers either differentiate themselves from or replace the alternative products and services. Although each situation should be evaluated individually, as a general practice marketers should attempt to differentiate their product from alternatives that are part of the local culture as opposed to attempting to replace them.

Porous, international markets have made international actions locally significant

Recent immigrants and ethnic populations are now capable of maintaining ties to their countries of origin to a much greater degree. Additionally, companies have increased their reach around the world and are rarely constrained by national borders. As such, ethnic populations are in a position in which all types products can be found in both the United States and their countries of origin. With consumers and companies both capable of straddling national borders so easily, it would be a mistake to think that marketing campaigns in different countries are separate and distinct from each other. Not only are consumers exposed to products and marketing campaigns in foreign countries, but ethnic consumers are

likely to favor and remain loyal to products popular in their home countries, due to their familiarity with the product (an extremely important quality considering the difficult transition to the vast, confusing array of choices in the American marketplace), perception of superiority due to the international quality of the product, and associations with home.

The importance of awareness

As ethnic communities have only recently come under the close scrutiny of many companies, consumers in these communities have not received the same level of exposure to certain products. The awareness of products and industries that marketers can take for granted in mainstream markets may not exist in ethnic communities. This lack of awareness becomes even more pronounced in recent immigrant populations. These groups may not have had access to many types of products in their countries of origin and, due to the insular nature of immigrant communities and impediments to communication, may still not have been exposed to these products in the United States.

1 INTRODUCTION

REPORT PURPOSE

Report Catalyst

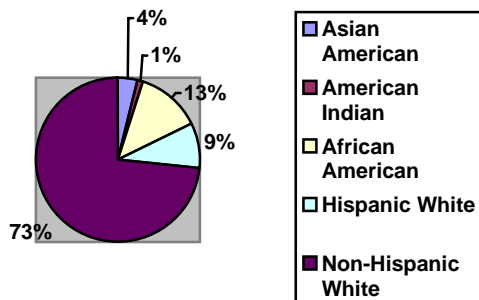
Minority purchasing power will grow at higher than average rates

The past decade has seen a tremendous increase in interest in the buying habits of ethnic and racial minority groups, particularly African-Americans, Asian Americans and Hispanics. Although some companies have seen minority communities as a significant market for many years, the data from the 1990 U.S. Census has brought these communities to the attention of businesses everywhere and in every field. In many ways, the 1990 Census was a wake-up call to corporate America about the growing numbers, influence and purchasing power of minority groups. According to the U.S. Department of Commerce, we can expect the following developments in America's demographic landscape:

- From 2000 to 2045, minorities will account for 86% of the total population growth, increasing from 29% of the total population to 46%. The non-Hispanic White population will begin to register negative growth rates after 2035. The total minority population will surpass the non-minority population sometime between 2055 and 2060.
- From 2000 to 2045, minority purchasing power will grow from 20% to 32% of total disposable income, assuming current disparities in income remain constant. If income disparities between minorities and non-minorities were to be eliminated, minority purchasing power would account for 46% of the total.
- In major markets such as New York City, Washington, Atlanta, Los Angeles and San Francisco, non-whites already make up more than half the population. In 2025, the minority population will exceed the non-minority population in five states.

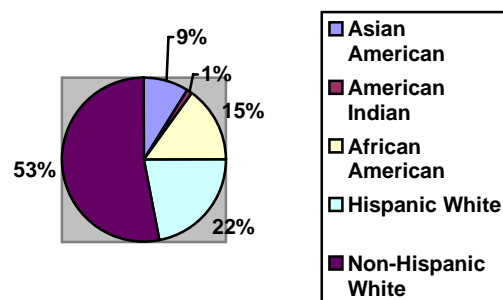
Clearly, the ability to market effectively to ethnic groups will grow increasingly important. Companies that are unable to grab a share of ethnic markets will soon find themselves catering to the fringes of the consumer population.

U.S. Population - 1995



Source: U.S. Census

U.S. Population - 2050



Source: U.S. Census

Traditional methods have become less effective at targeting a diverse population

The latter half of the twentieth century has seen the fragmentation of mainstream American media. Whereas a few decades ago, three major television networks provided access for marketers and advertisers to almost all of the American market, today the media have become fractured and decentralized. The emergence of new television networks, specialized cable and satellite channels and the Internet have given consumers many more options for news and information than what was only recently available.

At the same time, our population is becoming increasingly diverse. As we have seen, minority groups represent a growing percentage of the United States population. Additionally, today's immigrants are retaining their native culture to a higher degree than their predecessors. One reason for the lower levels of assimilation in recent immigrants is the ease of international transportation and communication. Modern technology enables immigrants to remain in direct contact with their native country and culture, thus allowing ethnic populations to retain their ethnic identities to a greater degree.

Another reason for lower levels of assimilation in recent immigrants is the greater degree of cultural accommodation. In general, there has been an increased emphasis on taking pride in and retaining one's ethnic identity. This process has been made easier by the growth of foreign language in business and the media. Many mainstream businesses will accommodate non-English speakers. Foreign language programming, advertising and print media have seen tremendous increases in recent years. Advertising expenditures in multicultural-focused media equaled \$3.6 billion in 1998, more than double 1993's expenditures of \$1.7 billion. Of that \$3.6 billion spent in 1998, almost \$1.7 billion targeted Hispanics, \$1.5 billion on African-Americans, and \$439 million on Asian American media. By comparison, overall media expenditures grew only 45% during that same time period.

Because of higher levels of cultural accommodation, recent immigrants have less pressure to learn English and otherwise assimilate. Increased non-English programming and writing also further reduce the impact of mainstream media, especially television. Overall, it has become more difficult to both create and communicate a targeted marketing message for the population at large. Without having a single forum or strategy with which to effectively market to the majority of the population, the need to effectively market to growing ethnic populations will only increase.

REPORT STRUCTURE

Imperatives for Marketing to Ethnic Groups

Model and Chapter Structure

This report examines the issues that are unique to marketing to ethnic groups as opposed to another, non-minority target population. The next section in this chapter goes into greater detail in identifying those differences and what obstacles they present to marketers. We have included a chapter with specific demographic data for the three largest minority groups, African-Americans, Asian Americans and Hispanics.

We have identified four key strategies for accommodating these unique issues. They are: identifying relevant values; establishing a relationship with a community; creating and communicating an effective marketing message; and assessing the appropriateness of the product. A chapter has been devoted to each, along with industry examples that demonstrate successful and unsuccessful implementation of those strategies.

The report also includes a chapter on benchmarking companies on these four strategies. We have chosen five major companies in the automotive, personal computer, and financial services industries. These industries were chosen as the represent industries with a varying degree of experience in marketing to ethnic groups. The report concludes with worksheets to help you determine a best practice for marketing your company to ethnic groups.

Defining terms

Any frank discussion of racial and ethnic groups and their relevant characteristics as consumers requires speaking in sometimes gross generalities. Any such generalizations found in this report should be attributed to a desire for brevity, and not a cavalier attitude toward the concerns of minority groups.

Although African-Americans, one of the three major minority groups looked at in this report, are commonly thought of as a racial group, this report uses the term “ethnicity” to describe African-American population. For the term “ethnicity,” this report uses the following definition: People who perceive themselves as constituting a community because of common culture, ancestry, language, history, religion, or customs. We feel that using this definition appropriately places the African-American population as an ethnic group.

ISSUES UNIQUE TO MARKETING TO ETHNIC GROUPS

The difference between ethnic marketing and target marketing

By learning about the habits, needs, knowledge and values of the target audience, a marketer can develop a mix of product, placement, promotion and pricing strategies that is most effective for that audience. This basic process is used to market to any demographic, large or small, from urban teens to soccer moms to Southern retirees. Each groups has its own idiosyncrasies that requires a customized approach, but the basic process of targeting each group is the same. Therefore, the question that arises is “How is marketing to ethnic groups different from marketing to any other group?”

Ethnic marketing could be described as simply marketing to a target audience that, unlike other target audiences, happens to be defined by ethnicity. However, we believe that marketing to ethnic groups, as opposed to other target audiences, presents unique and fundamental issues and challenges. In addition to traditional marketing challenges, ethnic marketers face the additional obstacles of confronting a different cultural context, recognizing and addressing the diversity within minority populations, an increased need for sensitivity, and dealing with dynamic populations. This report is an attempt to address and analyze these issues in order to provide a framework for marketing to any ethnic group.

Confronting a different cultural context

Companies must avoid an ethnocentric perspective

Marketers are accustomed to dealing with the unique values and habits of diverse groups. Each target audience comes with its own quirks and idiosyncrasies, each requiring a different marketing strategy. However, targeting ethnic markets often requires a greater level of mental flexibility than is otherwise required. Although diversity does exist among non-minority audiences, there is still a great deal of similarity, especially among fundamental values, belief systems and perspectives. Many of the ethnic groups that have recently come under scrutiny have cultural differences that exist on a more fundamental and profound level than the differences found within the non-minority population. Addressing these fundamental differences requires “stepping out” of one’s accustomed perspective to one that may be radically different.

High context vs. Low context cultures

Several sociologists have proposed that a basic distinction can be drawn among various cultures with regard to the context of their communication, dividing cultures into “low context” cultures and “high context” cultures. Low context cultures are those in which visual, written and verbal communication is relatively precise and specific. Words are used and understood in a more literal sense. There is an almost mathematical quality to language in that the meaning of what is being communicated is strongly related to the specific meaning of the words being used. Information is primarily conveyed in a direct and immediate manner. English speaking, Scandinavian and Germanic cultures are examples of low context cultures.

By contrast, high context cultures are those in which the actual words being communicated are relatively less important than other, non-verbal, forms of communication. Although the meanings behind the words used are, of course, important, there is a greater emphasis on external factors, such as tone, body language, location, appearance and social relationships. In high context communication, details about the form of the message and messenger are intimately tied to the meaning of the message itself. Most cultures other than the ones previously mentioned, such as Japanese, Mexican, Brazilian, Chinese, Korean, and Puerto Rican, fall into the high context category.

Effective communication is crucial to the success of any marketing effort. As one can see, however, there is a fundamental difference in communication practices between high context and low context cultures. This difference is especially relevant considering that a majority of marketers in the United States belong to a low context culture and many of the ethnic minorities currently under scrutiny belong to high context cultures. Therefore, not only must marketing take factors such as language and media habits into consideration, it must also bridge the gap between two fundamentally different manners of communicating. Bridging this gap requires a special focus and emphasis on the context of the message in addition to its content.

Communication can often be a stumbling block

One consideration that is generally unique to marketing to ethnic groups is that of language. Sometimes a necessity, using a foreign language can often be beneficial to an ethnic marketing campaign. However, the benefits of using a foreign language can be lost without competent translation. Effective translation requires a working knowledge of the culture and idiosyncrasies of a language. The focus should not be on creating a literal, word-for-word translation, but on communicating the *meaning* behind the words. Different cultural frames of reference and idiomatic expressions can cause literal translations to warp the meaning of the intended message. A competent translation will use whatever words and phrases are necessary to effectively relate the ideas and imagery of the campaign.

Using culturally sensitive translations can also avoid potential problems associated with alternate meanings of words. A translator that is unaware of the idiosyncrasies of a culture may not recognize when a literal translation may have an unintended and negative meaning. For example, a marketing campaign aimed at Chinese Americans distributed coupons for \$24. In some dialects, the word for “two” is similar to the word for “easy,” and the word for “four” is similar to the word for “death.” An experienced translator would have recognized the negative effect of “easy death” coupons.

Diversity among minority groups

The word “ethnicity” fails to address the wide variety within minority groups

Using words such “ethnicity” or “ethnic group” to describe Hispanics, African-Americans or Asian Americans ignores the high degree of diversity among these and other ethnic groups. Facing the initial challenge of marketing to ethnic groups, there is a danger of falling into the mental trap of oversimplifying minority populations. Certainly, members of an ethnic group often share certain traits and values, resulting in a tendency to consider these groups as a unified whole. However, within the broad category of ethnicity, there can be extraordinary differences in culture, education, values and language.

This monolithic view of minority groups can result in inappropriate and inefficient marketing strategies. More importantly, it can reflect poorly on the company that is delivering the marketing message. Ignoring subtleties of cultures can be perceived as buying into stereotypes of ethnic groups. While they may not necessarily be negative stereotypes, resorting to them can cause a negative reaction. The inability to distinguish differences among minority populations can create the perception among consumers of ignorance, indifference, and a lack of respect by companies.

Hispanics represent a multitude of cultures and nationalities

The term “Hispanic” generally refers to Spanish-speaking populations. This definition would include people from Mexico, South and Central America, several Caribbean countries and Spain. It should be noted, however, that Spanish people are often lumped into the category of European Caucasians and not considered Hispanic. Similarly, Brazilians are often considered Latino (a term that is often used interchangeably with “Hispanic”) despite the fact that Portuguese is the dominant language in their home country.

While the existence of a common language may simplify some marketing decisions, marketers are still faced with an audience that consists of dozens of nationalities, each with cultures and values. It would be difficult to find a single marketing strategy appropriate for groups as diverse as Cubans, Argentines, Puerto Ricans, etc. This difficulty is compounded by the fact that there can be significant diversity within a single country. Mexico, for example, is a large country with strong regional differences. Additionally, members of any race can be considered Hispanic, adding further complexity to the equation in race-conscious America.

Asian Americans are segmented by language and dialect in addition to nationality

Asian Americans present a similar situation to marketers in that the term “Asian” refers to many nationalities, each with a distinct culture. However, populations that fall under the term “Asian” do not share a common language, as do Hispanics, creating an additional difficulty for marketers. Any tendency to generalize about Asian languages will risk alienating a target audience. For example, although Japanese and Chinese people use a character-based writing system and not a Western alphabet system, the two languages and writing systems are very different. In fact, there are hundreds of distinct dialects within the Chinese language, the most common of which are Mandarin and Cantonese. Most Chinese-Americans fluent in some Chinese dialect will be able to speak either Mandarin or Cantonese.

Marketers are confronted with varying levels of assimilation and racial/ethnic identification within groups

One of the most significant reasons for diversity among ethnic groups is the varying degree of assimilation and racial and ethnic identification. Within any ethnic or racial group, the degree to which individuals hold shared values, subscribe to shared beliefs and base their identity upon membership within that group will vary. Some factors that affect levels of assimilation are:

- An individual’s age and degree of socialization in the original culture.
- Length of time spent in contact with the new culture.
- Strength of connection with the original culture through either international communication or the immediate community.
- The degree to which the new culture will accept and accommodate individuals of that particular ethnic group.

Strength of racial or ethnic identification will be mostly determined by personal experience and upbringing. However, factors such as local geography and historical and current events can also play a role in its determination.

Just as the degree to which individuals will base their sense of self-identity on membership in a racial or ethnic group will vary, the effectiveness of a targeted marketing campaign will also vary. Recent studies have demonstrated that the strength of racial and ethnic identification will play a significant role in whether or not a targeted advertisement will be received positively. Individuals with relatively strong

racial or ethnic identification will react more favorably to advertisements that feature members of their racial or ethnic group in a dominant position. There is also a more positive reaction to advertisements that are placed in racially or ethnically specific media. Similarly, individuals with relatively weak racial or ethnic identification will react more favorably to advertisements featuring whites and are placed in non-specific media. As such, the effectiveness of some of the most common practices for marketing to ethnic groups, namely incorporating ethnic participants and placement in ethnic-oriented media, will not be uniform throughout the targeted audiences.

Sensitivity

Missteps can range from mild lapses of political correctness to violating taboos

One of the greatest dangers of marketing to ethnic groups is the potential for individuals to take offense. Of course, the potential to offend consumers can exist in any marketing effort aimed at any audience. However, marketing to ethnic groups presents an especially tricky situation. One significant potential stumbling block is the use of offensive or insensitive stereotypes or images. Most minority groups have a history of facing prejudice and discrimination. As such, minority groups are sensitive to images in the media that may be similar to negative stereotypes. In fact, any negative imagery, whether or not it is related to established stereotypes, will often invoke a negative reaction. Minority groups have historically been underrepresented in mainstream media. Any negative portrayal, based on stereotypes or not, will therefore be seen as having a greater impact on how a group is perceived by society at large. Even if an image is not meant to be representative of a particular group, the absence of competing images give those that do exist a disproportionate impact on the mindset of others.

A second potential stumbling block comes from ignorance of the taboos and idiosyncrasies of other cultures. This is simply being unaware of images, words or even colors that have surprising meanings and implications. Situations in which a taboo has been violated occur more frequently with non-Western, Judeo-Christian cultures due simply to the fundamental nature of the cultural differences that exist. One example comes from a Chinese New Year promotion in which marketers gave away green baseball caps. For older generations of Chinese, a man wearing a green cap signifies that his wife has been unfaithful and he is trying to bring shame on her. Avoiding these types of situations requires intimate knowledge of the target audience's language, culture and values.

Companies must walk a fine line between targeting and pandering

Something that is more difficult to gauge is the possibility that an attempt to market to a particular ethnic group will be negatively received, not because of cultural insensitivity or an inappropriate marketing message, but because consumers have recognized and become upset by *the attempt itself*. In some situations, member of the targeted group may feel that the marketing attempt is forced, insincere, or blatant.

Several studies in this area have determined that there is a positive correlation between recognizing the racial or ethnic nature of a targeted marketing campaign and assigning a motive to the marketers. Consumers may assign a positive motive, such as giving a population the respect of recognition, or a negative motive, such as simple greed. Much of the current momentum behind marketing to ethnic

groups has come from recent economic data indicating that ethnic groups are rapidly growing in population and purchasing power. Some consumers may notice that this new focus is in stark contrast to the lack of attention minority groups were given in the recent past. This can generate resentment among consumers who think, “now they care because we have money” or “they don’t care, they just want our money.” Marketing to ethnic groups can appear self-serving when the target audience has long been marginalized and placed on the periphery of attention by businesses.

It can be hard to determine exactly where the line between “trying hard” and “trying too hard” falls. A company’s marketing history is important in this regard. Companies with a history of racial or ethnic insensitivity or negative behavior will find it difficult to erase these impressions from a group’s collective memory. A radical departure from previous campaigns, even one in a positive direction from the audience’s perspective, can draw attention away from the marketing message and to the intentions and motivations behind the effort.

Addressing dynamic populations

Current ethnic dimensions will change with assimilation, cultural adoption and immigration

The idea that populations are never static and will evolve and change is nothing new and is certainly relevant to all groups and target audiences, not just ethnic markets. However, the very growth that has attracted the attention of marketers, and the nature of that growth, gives ethnic populations a dynamic quality greater than that of the general population.

One major contributor to the high population growth of Asian Americans and Hispanics is immigration. For example, approximately 75% of all U.S. Hispanics were born outside of the United States. In addition, immigration will be responsible for a larger percentage of the growth of the Asian American population than natural population growth until 2025, according to the U.S. Department of Commerce. In general, growth through immigration will allow for larger and faster changes in the cultural landscape of a population. As previously noted, minority populations are far from homogeneous. One major reason is simply the large number of cultures and nationalities that constitute these populations. Immigration rates, which are subject to a variety of international social, political and economic forces, have an inherent unpredictability, thereby creating an unpredictable mix of cultures and nationalities.

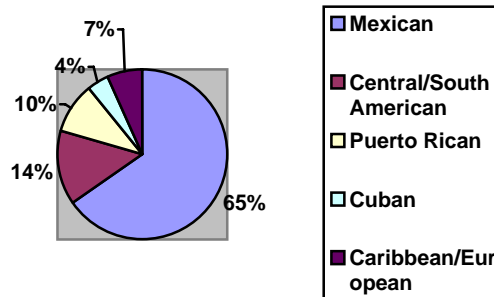
More unpredictable than immigration rates themselves, is how immigrants will adapt to living in a new country in general. During the major influxes of European immigrants of the late nineteenth and early twentieth centuries, immigrants had little choice but to adopt the culture of their new country. Today’s immigrants, through the availability of international communication, the ease of international travel, and higher levels of cultural accommodation, have the capability to retain their home culture to a much greater degree. However, it is unlikely that immigrant populations will not assimilate to some degree. As such, ethnic communities will reflect an unknown hybrid of multiple cultures that will continuously be altered by the influx of new immigrants and the pressure to assimilate.

2 KEY DEMOGRAPHICS

2.1 HISPANICS

Population Overview

The Hispanic market is the most complex due to the extreme variety in cultural backgrounds and levels of acculturation. The key difference is that Hispanics can be of any race. The current population of Hispanics in the US is approximately 32 million. Of those 32 million, two thirds are of Mexican origin. The remainder are of Central/South American (14.3%), Puerto Rican (9.6%), Cuban (4.3%) and Caribbean or European (6.6%) descent.



U.S. Hispanic Population by Origin

Hispanics also represent a large proportion of the foreign-born population of the U.S. In 1999, of the approximately 26 million foreign-born U.S. residents, over one-third were from Mexico or another Central American country. Of the 32 million Hispanics in the U.S., 34.0% were foreign-born in 1999.

Age

Hispanics are, on average, younger in age than other ethnic groups in the U.S. Nearly 40% of the Hispanic population was under 20 years of age in the 1990s. The median age of Hispanics has increased from 25.3 years in 1990 to 26.6 years in 2000. For comparison, the median age of the general population went from 32.8 years to 35.8 years and the non-Hispanic White population went from a median age of 33.7 years to 36.9 years in that same period. These differences are largely attributed to higher birth rates and younger Hispanics migrating to the US. A further breakdown of Hispanic median age shows that Cubans have the highest median age of 38.9 years, followed by Central, South and Other Hispanics at just over 28 years. Puerto Ricans have a median age of 25.7 and the median age of the Mexican population is 24.1 years, as indicated by the US census population report.

Family Structure

Hispanics, like other ethnic groups, are more likely to live in large households than their non-Hispanic White counterparts. Among married-couple households in 1998, 31.4% of Hispanic families lived in households of five or more compared to only 14.4% of non-Hispanic White families. The average married couple household size in 1998 was 4.10 for Hispanics and 3.18 for non-Hispanic Whites. Although Hispanic families are more likely to be headed by a single parent than non-Hispanic White families (32% and 17.8%, respectively), this trend holds among single parent households, as well. This cultural tendency toward living with an extended family is also apparent in the difference between one-person households among Hispanics and Whites. In 1996, 15.9% of Hispanics versus 26.0% of non-Hispanic Whites, lived in one-person households. Living with one's family is a long held custom of Hispanics, (79.2%) in 1996, which is evident throughout Latin America as well as the United States, and is mainly attributed to socioeconomic conditions. A multi-generational home has a better chance of being able to provide for their family.

Economic Status

The Hispanic unemployment rate has been fluctuating over the last decade. In 1990, the unemployment rate was 8.2%, which rose to 11.9% in 1993 and fell to 9.8% in 1996. Many studies have suggested that, due to the current economic boom, Hispanic unemployment rates have continued to fall in the later part of the 1990s. Approximately 55% of Hispanics aged over 18 are employed full time. The difference in the rate of unemployment for Hispanic males and females in 1996, 9.7% versus 10.0% respectively, is expected to remain small in the coming years. Hispanics are more than twice as likely to be unemployed as Whites, 9.8% versus 4.6%. Cubans and Central/South Americans have lower unemployment rates at 6.2% and 8.9% respectively.

Hispanics earn less than non-Hispanic Whites, based on year-round, full-time employment. The median household income for Hispanics in 1999 was \$30,735 compared to \$44,366 for non-Hispanic Whites. This represents a 5.0% increase in real income from 1989 to 1999 for Hispanics, compared to a 6.4% increase for the same period for non-Hispanic Whites. Hispanic males earned a median income of \$18,234; Hispanic females earned \$11,314 compared to \$30,594 for White males and \$15,922 for White females. The distribution of earnings in the Hispanic community shows a larger percentage of the population, 25.6% of Hispanics compared to 8.2% of non-Hispanic Whites, living in poverty.

Currently, 26% of Hispanic households send money to relatives in their country of origin. The average amount of money sent is upwards of \$220 a month. In 1998, approximately \$9 billion was transferred from the U.S to Mexico. Currently, one third of the Mexican-Americans that send money to their families in Mexico do so by using wire transfers, one-third use money orders and one-third send cash.

Education Level

Hispanics have the lowest educational attainment compared to the rest of the population. There has been some improvement in the last decade. The percentage of Hispanics 25 years and older with a high school diploma went from 50.8% in 1990 to 56.1% in 1999. Additionally, in 1999, 29.2% of Hispanics 25 years and older had some college education, and 10.9% were college graduates. For comparison, among non-

Hispanic Whites 25 years and older, 87.7% were High School graduates, 53.4% had some college education, and 27.7% were college graduates.

2.2 ASIAN AMERICANS

Population Overview

In 2000, the Asian American population was estimated at 11.2 million, an increase of 3.8 million since 1990. This figure represents 4.1% of the overall population of the United States. In the 1990s, the Asian American population grew by approximately 2% a year. Immigration has accounted for much of the increase (86%); the balance is attributed to natural increase (the number of births outweighing the number of deaths). Six nationalities make up 89% of Asian Americans: Chinese, Filipino, Japanese, Asian-Indian, Korean and Vietnamese.

The majority of the Asian American population lives in just three states, California, New York and Hawaii. Additionally, 53% live in the Western U.S. The majority of those (96%) live in metropolitan areas. Of those living in metropolitan areas there is a roughly even split of those living in the suburbs and those in centralized urban areas. Although the Asian American population is the smallest of the three major ethnic groups, it is growing at a rate faster than that of any other group.

Age

From 1990 to 2000, the median age of the Asian American population went from 29.4 years to 32.0 years. For comparison, the median age of the general population went from 32.8 years to 35.8 years and the non-Hispanic White population went from a median age of 33.7 years to 36.9 years in that same period. In 1999, 29% of Asian Americans were under the age of 18 years and only 7.0% were over the age of 65. In contrast, 24% of non-Hispanic Whites were under 18 years and 14% were aged 65 and over. The difference was less notable when subgroups like Chinese- and Japanese-Americans were examined. This is because immigrants and first generation large families account for a large portion of the young population of Asian Americans. Chinese- and Japanese-Americans, on the other hand, have been in the country for many generations and tend to have fewer children.

Family Structure

In 1996, around 74% of Asian Americans had three or more people in their households, compared with 53% of non-Hispanic White families. Asian Americans were more than twice as likely to have five or more people in a house compared to White families. Six in ten Asian American families had related children under 18, whereas White families had five in ten, which points to a larger household size. The households of Asian Americans tend to be larger than those of Whites, 3.15 versus 2.47 persons per household in 1998. Rates of households headed by married couples as opposed to single-headed households for Asian Americans and non-Hispanic Whites are comparable.

Like Latin Americans and Hispanics, Asians across the world tend to have larger households. This is due to socioeconomic and cultural trends among Asian groups. Acculturated Asians tend to follow patterns similar to those seen in the White population group. As their incomes increase, they are more likely to move out on their own to pursue a career.

Economic Status

Asians had the highest median household income among the racial groups in 1999, earning \$51,205. Non-Hispanic Whites were second, with a household income of \$44,366. From 1989 to 1999, median household income increased by 5.8% for Asian Americans and 6.4% for non-Hispanic Whites. In 1996, Asian American males (running a household with no spouse) earned \$38,820 while their female counterparts earned \$26,550. Asian American females were on par with White females and Asian American males earned more than \$6,000 more than White males under similar circumstances.

Asian Americans did not fare as well against Whites when looking at people 25 and older with year-round, full-time workers with a high school diploma. Asian Americans were earning \$21,120 compared to Whites, who earned \$25,350 in 1996. Asian Americans with a bachelor's degree or more also had a lower median earnings (\$37,040) compared to non-Hispanic Whites (\$42,050). This is reflected in the difference between White men (\$50,240) and Asian American men (\$41,370); females of both races had a difference of less than \$2,000.

Despite higher educational attainment and a similar median family income, Asian Americans had a poverty rate of 13% in 1999, while non-Hispanic Whites had a poverty rate of 8%. Asian Americans are only slightly more prone to unemployment than Whites.

Education Level

Overall, the Asian American group has the highest level of educational attainment when compared to other groups. In 1999, 84.7% of Asian Americans had graduated from High School, slightly less than 87.7% of non-Hispanic Whites. However, 62.3% of Asian Americans had some college education and 42.4% were college graduates. Only 53.4% of non-Hispanic Whites had some college education and 27.7% were college graduates. However, high school completion rates varied widely among Asian subgroups. For example, among the most recent immigrants, only 31% have a high school diploma whereas Japanese-Americans, who have been in the U.S. for several generations, have a graduation rate of 88%. The U.S. census and several Asian American agencies see education attainment levels continuing to rise in the future, because of the importance Asian cultures place on education.

2.3 AFRICAN-AMERICANS

Population Overview

The African-American population is expected to reach 40 million by 2010. In 2000 the population was 35.4 million, representing 12.8% of the total population, a 0.5 percent greater share since 1990. Unlike

the Asian population, about 84% of the growth in the African-American population since 1980 has been due to natural increase (births minus deaths), while immigration has accounted for just 16%. African-Americans have the most stable population growth year on year. African-Americans are also concentrated in the South, with 54.6% of the population to be found in Southern states compared to 32.6% of the non-Hispanic White population. Additionally, 55.1% of African-Americans live in Metropolitan areas inside central cities (21.7% for non-Hispanic Whites), 31.0% live in Metropolitan areas outside central cities (55.8% for non-Hispanic Whites), and 13.9% in non-Metropolitan areas (22.5% for non-Hispanic Whites).

Age

The African-American population, like the other major minority groups, is significantly younger than the general population. From 1990 to 2000, the median age of African-Americans went from 27.9 to 30.4. In comparison, the median age of the general population went from 32.8 years to 35.8 years and the non-Hispanic White population went from a median age of 33.7 years to 36.9 years in that same period. In 1999, 33 percent of the African-American population was under age 18, compared with 24 percent of the non-Hispanic White population. For the population 65 years and over, the figures were 8 percent and 14 percent, respectively.

Family Structure

Single parent families continue to represent a growing share of African-American families. In 1999, 45% of African-American families were maintained by women, with no spouse, and 8% were maintained by men with no spouse. In contrast, less than 20% of White families were single-parent families. Less than half (46%) of all African-American families had married couples in 1996, compared with 50% in 1990, 56% in 1980 and 68% in 1970. The U.S. census expects this decreasing trend to continue throughout the beginning of this century. Despite the higher number of single-parent households, African-Americans tend to have larger households. Among married couple households, the average number of family members for African-Americans was 3.58, compared to 3.18 among non-Hispanic White families. Among female-headed households, the average number of people was 3.32, compared to 2.89 for non-Hispanic Whites.

Economic Status

In 1999, the unemployment rate for African-Americans was more than twice that for non-Hispanic Whites (9% and 4%, respectively). In 1998, over a quarter (26%) of all African-Americans were poor, compared to 8% among non-Hispanic Whites. African-Americans aged 25 years or older, who worked year-round, full-time, and had a high school diploma, were earning \$20,360 compared to \$32,820 for those with a bachelor's degree. 14% of African-Americans with a college degree earned less than \$20,000 compared with 48% with just a high school diploma. African-American women aged 25 years and over who worked year-round, and full-time had median earnings of \$17,640 in 1996, which is 78% of comparable African-American men's and 87% of comparable White women's earnings. In 1999, the median African-American household income was \$27,910. Although the lowest of major racial and ethnic groups, this

represents the greatest increase (14.0%) in household income from their 1989 level of \$24,479. Additionally, African-Americans spend more than non-Hispanic Whites with comparable incomes on luxury items such as cars, clothing and home furnishings.

Education Level

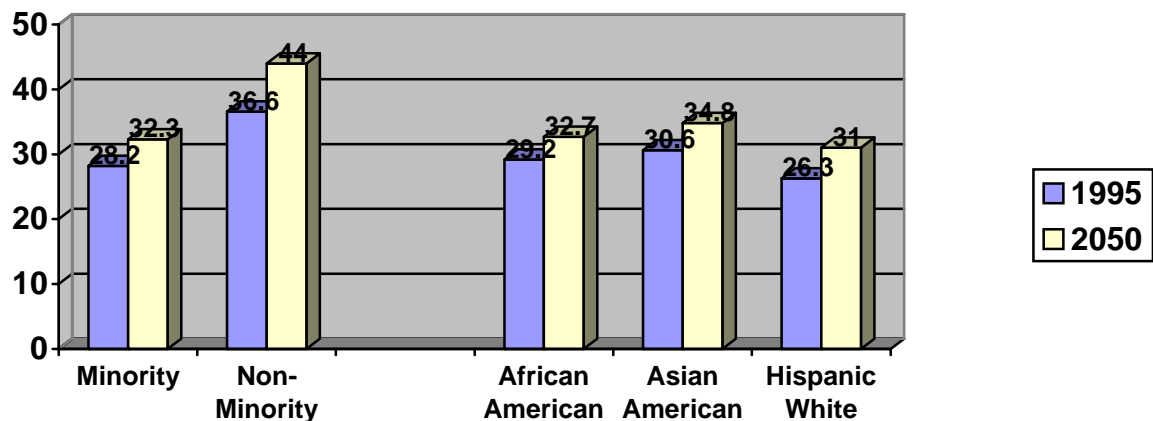
In 1999, 77.4% of African-Americans had a high school diploma, 41.4% had some college education, and 15.5% were college graduates. By comparison, 87.7% of non-Hispanic Whites were High School graduates, 53.4% had some college education, and 27.7% were college graduates. Although this educational discrepancy has been longstanding, there has been a steady increase in African-American college attendance since 1940.

2.4 KEY FINDINGS

Findings relevant to marketers

Overall, we have seen that ethnic populations are usually younger, geographically concentrated and live in larger families. Each of these findings is relevant to marketers and will influence any marketing strategy. Younger populations indicate that there exists greater potential to establish lifelong brand loyalty. Marketers should work to establish long-term relationships with brands. The geography of a target audience will obviously influence any marketing campaign. Having ethnic populations living in close proximity allows for focused, targeted but efficient advertising and promotions. The compact nature of ethnic populations also allows companies to engage in targeted marketing campaigns without running the risk of alienating other groups. While most consumers reject overt racism and prejudice, many consumers may react negatively to a company or brand being associated with certain ethnic populations. The larger family size of ethnic audiences will influence the effectiveness of various marketing messages and determine what the needs of the community are.

Median Age by Race/Ethnic Group: 1995 and 2050



3 IDENTIFY RELEVANT VALUES

DEFINITION

Identifying themes, perspectives and imagery that will resonate with the mores of your target audience

Incorporating appropriate values will give you an “in” for your marketing message

Effectively reaching any audience often requires communicating a marketing message that will resonate with its recipients on a personal, emotional level. In order to create such a message, marketers must first identify the values that the target audience holds and to which they will subsequently respond. These values will vary from group to group. The incorporation of audience-specific values is a crucial aspect of targeted marketing campaigns, one that is often a defining quality of the target audience.

The identification and incorporation of appropriate values is not unique to marketing to ethnic groups. However, an ethnic marketing campaign will face additional difficulties in this particular regard. The first of which is simply the potential to face fundamentally different value systems. Although many values will be universally important, various cultures may hold different priorities as to which values are most important. For example, consumer studies with Asian Americans consistently listed financial security as a major priority in their lives. This response was conspicuously absent in studies featuring African-Americans, Hispanics and non-Hispanic whites. There may also be subtle, but significant, differences in interpretation of what certain values mean to different groups.

One example of how values differ across ethnic groups, resulting in a need for different marketing strategies, is that of Hispanics' perceptions of the elderly. Many advertisements for financial services, specifically retirement planning, aimed non-minorities portray retired couples as enjoying a carefree, fun-loving lifestyle. This approach would not be as effective at targeting Hispanics because it does not conform to the cultural ideal of the dignified elder. As an executive at a communications agency that specializes in ethnic markets said, “the American ideal of retirement represented by an older couple with an active lifestyle miss the mark with Hispanic Americans. Latin American women are formally dressed and, when aged, are dignified.” Marketing promotions for financial services aimed at Hispanic consumers would need to incorporate appropriate depiction of older Hispanics.

Similarly, compelling themes and imagery will not be universal by any means. Themes and images that will resonate with particular groups have been created through historical events and figures, literature and mythology, and popular culture unique to each nationality and culture. As these frames of reference will not hold across cultures, the themes and imagery upon which they are based will not hold the same meaning, if any, to various groups. Therefore, finding themes and images that can be effectively incorporated into a marketing campaign requires a degree of cultural literacy.

Additionally, communication problems and different frames of reference that accompany a variety of cultural backgrounds will make *learning* about relevant values difficult. Difficulties with language present obvious obstacles with regard to qualitative market research. However, cross-cultural communication, and, therefore, the discovery of relevant values, is made more difficult due to the differences between frames of reference. Discussions of a subjective nature can only be effective when participants share some common reference. If participants are working from different planes, the

meaning behind what is communicated will not be received accurately. Learning which values will resonate with ethnic audiences requires more than knowledge of a language, but an understanding of a culture's frame of reference.

Family structure, religion and gender roles are basic determinants of relevant values

Although they may not reveal all the intricacies and subtleties of a culture's values, certain aspects of life are so fundamental, they can provide a significant amount of insight into a culture's basic belief system. One of the most important aspects of daily life with regard to the formation of values is family structure. Understanding family structure is so central to understanding the rest of a culture that, for cultural anthropologists, determining kinship and family structure is an absolute requirement at the beginning of any research. Families are the most basic unit of a culture. They are the locus that provides the basis for all further socialization. Notions of extended family, roles and relationships, and norms of behavior will directly affect the formation of beliefs, mores and values.

Marketers have recognized the importance of family structure, at least with example of the multigenerational nature of many Asian households. In traditional Asian households, the notion of immediate family is a much broader concept than what is typically found in Western households. Similarly, the idea of being responsible for the care taking of elderly parents is more strongly ingrained. Research has shown that symbolism that portrays the importance of financial security for the safety and stability of one's family can be a powerful stimulus for Asian Americans.

As one of its functions is to provide a structure of beliefs and moral and lifestyle guidelines, religion is a significant determinant of relevant values, themes and imagery. Although many ethnicities may subscribe to one of the major religions, there can be strong regional and national variations among them. As in a majority of communities, religion will frequently act as the social and cultural glue for ethnic populations, as well. As such, religion is often strongly rooted within immigrant and ethnic communities, and is inextricably tied to feelings of national and ethnic pride and identification.

In addition to being a potential source of insight into a community, respectful acknowledgement and recognition of a culture's religious traditions can help form strong bonds with a community (See chapter on Establishing Relationships for more information). Unfortunately, the negative aspect of such strong identification with religious themes and imagery is the potential risk for individuals to take offense. This risk is present whenever marketers make use of imagery or themes to which individuals have strong personal connections. However, incorporating religious symbolism can be construed as offensive simply because of the commercial context. Many consumers who have strong religious personal identification will react negatively to seeing something they consider to be holy being used to hawk goods.

A third fundamental determinant of relevant values will be what roles each gender is expected to play in a culture. Cultures universally have strong gender role components regarding how individuals form their sense of self-identification. Personal experiences and expectations are intimately linked to how a culture will view differences between the genders. Divisions of labor within the home, standards of beauty, courtship and dating rituals, and childhood behavior, among other roles, reflect personal experiences, self-identification, and deep-seated values.

Understanding gender roles also has the added benefit of being better able to identify which members of the family should be targeted. Marketing messages, in terms of both content and placement, can be

targeted more effectively through an understanding of who makes purchasing decisions and the actual purchase.

Historical events can influence how individuals are socialized within a particular culture

There is a strong relationship between significant historical events and the formation of values and the impression of imagery. Some marketers have developed strategies that are based on the socialization effects of shared historical events among age cohorts. Examples such as how today's seniors were influenced by the Depression of the 1930s and World War II, and how the Vietnam War affected Baby Boomers, demonstrate the impact of history on socialization. With regard to ethnic audiences, marketers can also look at relevant historical events, at home or abroad, for clues as to what values, themes and imagery will resonate with audiences. However, it is worth noting that these events will be seen from the particular perspective of that population. For example, events in American history will be perceived and interpreted very differently for African-Americans than for white Americans. The impact of World War II was significantly different from the perspective of African-Americans. Their unwillingness to settle into peaceful contentment upon their return from overseas was an important catalyst for the Civil Rights Movement in the 1950s and 1960s. For marketers, this means that similarities in socialization among age cohorts, or other groups delineated by various demographic factors, may not apply to ethnic groups.

One particular experience that is relatively common in ethnic populations is that of the immigrant experience. Although coming from extremely diverse backgrounds, immigrants to the United States have a shared experience in coming to this country. As such, patriotic, "American Dream" themes will often resonate with this audience, many of whom have left their home countries for greater economic or political freedom.

3.2 INDUSTRY EXAMPLES

Coors has emphasized its sense of history and tradition to appeal to Hispanic consumers

The United States beer market has stagnated lately. Annual growth rates of beer sales in the 1990s have either been negative or extremely low. Having experienced near zero growth, beer companies are looking to establish themselves with fast-growing ethnic markets. In their efforts to market to Hispanics, Coors has recognized that Hispanic consumers respond well to themes that emphasize history and tradition. One series of ads incorporate Hispanic Coors executives, distributors and employees who talk about the company's appreciation of its relationship with Hispanic consumers. Another series of ads in the campaign, done in English and Spanish, featured Hugo Patino, Coors' vice president of research and development (a.k.a. head brewmaster), talking about the company and its history. As a communications manager at Coors said, "The Hispanic audience and its sense of history and family and tradition is different from mainstream America's so Hugo talks a lot about those aspects." The inclusion of Hispanic executives, in addition to the specialized themes, is an effective strategy for marketing to Hispanic audiences.

Print advertisements for Guinness Extra Stout make subtle reference to the beer's aphrodisiac properties

In April 1998, Guinness Import launched its first major ethnic advertising campaign for Guinness Extra Stout targeting Caribbean and West African consumers. The outdoor and print campaign was delivered in more than 20 U.S. markets. The advertisements depicted silhouettes of naked black men in energetic poses with the Guinness Stout logo projected onto their bodies. The advertisements featured the tagline: "It gets in you." The sexual nature of these advertisements is a reflection of the belief among Caribbean and West African consumers that Guinness can increase overall health and, particularly, sexual prowess.

Jaguar enlisted Spike Lee in an effort to appeal African-American consumers

In an effort to break from its old-money image and attract African-American consumers, Jaguar has brought in filmmaker Spike Lee to produce advertising pieces. Mr. Lee's first project was an eight-minute movie-like commercial called "The Harlem to Martha's Vineyard Special." The short film shows a wealthy African-American female surgeon at Harlem Hospital in New York and her sculptor husband. The wife, in talking to the camera, says how good it is to be married to a man who does not feel threatened by her success. The wife refers to herself as her husband's "patron." At the end of the day, the husband takes their Jaguar to pick up the wife and head out to their house on Martha's Vineyard. The spot continues to depict the couple enjoying their stay at their vacation home and ends with the couple returning to New York.

The depiction of an obviously well off African-American couple will resonate with African-American consumers. The imagery included in the spot will help build associations of success, style and luxury with Jaguar among African-American consumers. However, one of the most striking aspects of the spot is the role reversal with the wife being the breadwinner of the two and husband as the talented, happy, but as-of-yet unsuccessful sculptor. This depiction fits the idealized image of the "strong, black woman." The notion that an African-American woman can become a successful surgeon is one that resonates with African-Americans' pursuit of equality.

Mr. Lee has also produced 30- and 60-second television spots and the targeted campaign will also include print advertising in magazines such as African Americans on Wheels, Black Enterprise and Essence. Although Jaguar has not disclosed the exact amount to be spent on the campaign, an executive said in an interview that it would account for 10 to 20% of the company's ad budget for North America. Mike O'Driscoll, president of Jaguar, has stated in an interview that he expects minority dealers to account for 10% of U.S. sales next year.

4 ESTABLISH RELATIONSHIP

DEFINITION

The need to establish a rapport with a community

The context of communication may be equally important as the message itself

More so than mainstream populations, establishing and building a relationship with the community is a crucial component of marketing to ethnic groups. Of course, creating a rapport with a community has strong benefits, regardless of the audience. A familiar, friendly face can be a strong reassurance and motivator for any consumer. In addition, consumers frequently prefer to give their business to companies that work to better their community or perform other forms of philanthropy, all other factors being equal.

However, when marketing to ethnic populations, there are additional benefits to, and need for, creating a relationship within a community. One of the major challenges in marketing to ethnic groups is effectively communicating with what are considered High Context cultures. High Context cultures are those in which the context of communication has a relatively stronger impact on the meaning of the communication. Factors such as tone, body language, location, appearance and social relationships are emphasized and need to be taken into consideration. Therefore, in order to communicate effectively with ethnic communities, companies must establish a positive context in which to communicate. Without a strong context, any communication will be incomplete.

Unfortunately, the creation of a positive context for communication requires proactive steps on the part of companies. Many ethnic communities have historically been marginalized or ignored by most companies. With some exceptions, companies have either no history or a negative history with ethnic communities, creating a difficult contextual environment. Companies also face the challenge of overcoming lack of awareness or leering among ethnic communities, especially among immigrant communities, towards large institutions. The first step in building a rapport with ethnic communities is to give a company a familiar face.

Past community involvement can be a significant factor

Companies can help create a positive context with ethnic communities through working with and being involved in community activities. One significant benefit is simply the increased familiarity that comes with a continued presence in the community. This familiarity can reduce the level of wariness that marginalized communities can have toward institutions and provides the beginning of a context for any future communication.

Participating in community activities and events demonstrates a level of respect for that community, which can help generate positive feelings towards a company. Working to improve a community creates the impression that a company sees the community as more than a wallet from which to take money. Acknowledging a community in such a fashion is seen as a sign of respect and recognition of their importance. Signs of respect can be very effective among audiences that have historically been disrespected by various institutions. Similarly, by participating in community events, companies show their support for issues that are important to local populations.

Some consumers look at employee composition as an indicator of commitment to their group

Many major companies that have enacted internal diversity programs often keep their multicultural makeup open to the public. In addition to the benefits a diverse workforce can give to a company, these companies have recognized that many audiences, particularly ethnic audiences, appreciate a company's commitment to diversity. Ethnic groups, particularly groups that have historically experienced employment discrimination, will be especially appreciative of companies that are willing to give members of their community opportunities.

Diversity in employee composition is also beneficial in that consumers who belong to an ethnic group will often prefer to give their business to fellow members of their group. This preference may be of varying intensity, but it is safe to say that, all other factors being equal, consumers will feel better about giving their business to someone who belongs to their group or community. An African-American participant in our consumer study expressed this notion when, upon asked if he would prefer to buy a car from an African-American salesman, he stated that he would "give him a shot first."

Ethnic consumers will also respond positively to a company with a workforce that represents them because they will perceive that company as having a better understanding into their community. Such a company would be better able to understand what is important to members of the community and could act accordingly. A workforce that is reflective of a community will be perceived as more responsive to the needs of that community.

A history of negative practices can have lingering effects on how communication is received

Ethnic communities can have strong collective memories of companies that are associated with negative behavior. Actions and events such as discrimination lawsuits, the selling of harmful or defective products, or offensive statements will remain associated with a company and within the context of future communication. When presented with any communication, strong associations with negative behavior in the past will increase the likelihood of consumers assigning a negative motive to a company's marketing effort, reducing its effectiveness.

Companies with a history of negative actions should, as a first step toward marketing to an ethnic community, attempt to repair their image. An attempt that tries to ignore past action or could be construed as self-serving would be ineffective, due to strong collective memory with communities and the tendency to recognize and assign a motive to that attempt.

The effect of a company's business practices on how communications are received by a community can be seen in the example of Nike. Nike has dedicated a great deal of resources marketing to urban African-American markets. Nike also used African-American athletes extensively in its advertisements. While minority consumers often appreciate having members of their background in advertisements, Operation PUSH, a minority rights group, boycotted Nike in 1990 when the organization felt Nike was not returning enough of its revenue to the African-American community. Although African-Americans were prominent in its advertising, Nike did not use a minority advertising agency. It has since appointed one. Reminiscent of public calls for Black Power; African-American audiences reacted to Nike's economic practices in addition to its marketing practices.

Proactive accommodations can engender trust among consumers

Making special arrangements to meet the needs of consumers is almost always good for establishing a relationship and, therefore, good for business. This is especially true when dealing with ethnic groups, as they have been ignored in the past. Proactive accommodations are another method of demonstrating respect for and awareness of a group's culture.

The most common of these accommodations, with regard to ethnic markets, is to provide information and customer service in foreign languages. The first benefit to addressing consumers in their native language is that, for some, it is simply a necessity. It is estimated that only 40% of Hispanics feel they are fully conversant in English and about 75% speak Spanish at home. Additionally, in certain industries, such as financial services, automobiles, and computers, the subject matter can be highly technical and confusing. Consumers are forced to learn and understand products and ideas that are not part of their everyday vocabulary. Consumers who may be comfortable speaking English for everyday needs may prefer to communicate in their native language for these types of products to insure that there is no misunderstanding. For both non-English speakers and moderately fluent speakers, the ability to communicate in their native language confers a strong competitive advantage. Even for consumers who are completely fluent in English, they often appreciate the efforts the company has made. Therefore, providing multi-lingual services can make a company more approachable for foreign language speakers of all levels of English fluency.

Holidays and special events are excellent opportunities to build relationships with communities

One of the best ways to build a relationship with a community is to participate in or sponsor community events or holidays. Participation in community events provides easy and positive exposure. Many ethnic holidays are unique to that group. When a company participates in an event that is normally for that particular community alone, it can give that community a sense of empowerment. Involvement in community events acts as an acknowledgement of a community's importance. Attitudinal surveys have shown that minorities, particularly African-Americans and Hispanics, have relatively high levels of ethnic identification, ethnic pride and are more religious. Making an investment in a community event that demonstrates knowledge and respect for the community's traditions and culture can be very effective at building positive relations with that community. This will help to establish a positive image with the community and a positive context for future communications.

Through involvement with holidays, companies can also take advantage of the feelings associated with them. Each culture has specific holidays that are more significant than others and invoke stronger emotions than others. Especially in situations in which a company can demonstrate its knowledge of the significance of the occasion, companies can capitalize on the powerful associations with certain holidays.

Understanding the subtleties of a holiday and its significance is also important when it comes to devising an appropriate marketing campaign. For example, many Hispanic groups celebrate, in addition to Christmas, Los Tres Reyes, or The Three Kings, on January 6. Gifts are often given on this holiday, and marketing campaigns should reflect this calendar. Another example is from a JCPenny promotion for Chinese New Year. Being that the coming year was the Year of the Dragon, and knowing that many Chinese Americans try to plan the birth of their children in this particular year, JCPenny made special

posters available in departments that sell baby apparel. An executive with the agency that helped develop the program said “The posters make a baby sale relevant to these customers. It gives customers something they can identify with.”

Unfortunately, using holidays and special events as promotional opportunities also runs the risk of alienating consumers. Consumers may react negatively to companies’ attempts to commercialize holidays with strong personal and symbolic meaning. For example, Hispanic demonstrators have protested against the commercialization of Cinco de Mayo by alcohol companies. Cinco de Mayo commemorates the date on which outnumbered Mexican troops defeated the invading French in 1862 at the Battle of Puebla. In Mexico, where Independence Day is celebrated September 16, Cinco de Mayo is a minor holiday. However, Chicano activists popularized the holiday in the United States to reassert their cultural identity. Attempting to capitalize on the growing economic power of Hispanics, many companies have seized Cinco de Mayo as a promotional opportunity. For many years, corporate sponsorship of this holiday has probably been an effective marketing strategy. However, many members of the Hispanic community have become upset that what used to be an expression of cultural pride has become co-opted by companies and made into a reason to drink. Budweiser, which has promoted local festivals as the “Budweiser Cinco de Mayo” or the “Bud Light Cinco de Mayo,” has been criticized for exacerbating the significant problems with alcohol consumption in the Latino community and demeaning and distorting the real meaning and history of the holiday. Marketers need to take care when it comes to using an event with strong symbolic meaning to a group for commercial purposes. Attempting to recognize and acknowledge an important event may have the opposite effect of alienating ethnic consumers, particularly once the attempt becomes blatant or has little to do with the underlying theme of the celebration.

INDUSTRY EXAMPLES

ATT&T sponsored several events during Cinco de Mayo

One of the most significant events for Hispanics, particularly Mexican American who account for nearly two-thirds of United States Hispanics, is Cinco de Mayo. Cinco de Mayo commemorates the date on which outnumbered Mexican troops defeated the invading French in 1862 at the Battle of Puebla. Although not a major occasion in Mexico, Mexican American activists popularized the holiday in the United States as a means to reassert their cultural identity. One of the largest Cinco de Mayo celebrations is the AT&T Fiesta Broadway in Los Angeles, the largest Hispanic market in the United States. With more than 6 million Hispanic consumers in the area, crowds of 300,000 are the norm. AT&T took advantage of the number of consumers by making prepaid phone cards available, a product with strong appeal to markets with families in other countries. AT&T has capitalized on its exposure with the Hispanic market, the goodwill generated through their sponsorship, and identifying products that are especially appropriate with their target audience.

The MONY Group enacted an initiative to recruit African-Americans to help penetrate the market

The MONY Group has characteristically targeted small-business owners, high net-worth individuals, pre-retirees, and retirees using a “clients for life” approach. In the mid-1990s, MONY began to extend this approach to various ethnic groups. After successfully reaching the Asian American market, MONY

began researching and assessing the financial needs of African-Americans in 1994 and began an initiative aimed at the African-American market in 1996.

A central feature of this campaign was an effort to recruit and hire more African-American agents in addition to increasing awareness of MONY among targeted groups within the African-American market. The MONY Group took a long-term vision of positioning itself as the company of choice for African-American employees, field associates and clients by cultivating an environment that values diversity. Their research had shown that potential clients felt they could more easily approach a member of their own ethnic group with questions and concerns about life insurance. Respondents said they felt that agents in their ethnic group were better able to identify with the different needs and desires of ethnic communities and establish a comfort level with them. MONY also learned from their research that affluent African-Americans would respond positively to companies that affirm both their social status and heritage and have strong affiliations with social organizations.

The goals of MONY's recruiting effort were to establish or enhance existing relationships with African-American organizations, such as the National Black MBA Association, The College Fund/UNCF, and the Urban League. The company was also involved in local community activities and national organizations. The MONY Foundation Field Grants program, which focuses on "Meeting the Essential Needs of Minority Children," provided the vehicle for giving financial support to the African-American community and actively establishing MONY agents within various children's aid agencies. The director of the initiative, Walter Bell, said in an interview, "We've tried to build a marketing program that would affirm the social status and heritage of African-American employees by working with many organizations that are predominantly African-American."

The MONY Group was able to significantly and publicly recruit African-Americans. MONY continues as an active partner with the National Black MBA Association, The College Fund/UNCF, and historically Black colleges and universities. The relationships have been key to their recruitment strategy and have included conference and reception sponsorships, value-added educational workshops, and career fairs. As a result, hires of African-American field agents increased 50% from 1996 to 1997 and 137% from 1997 to 1998.

IBM has made substantial contributions to mentoring and outreach organizations

IBM has worked with several organizations with the goal of increasing minority presence in math and science professions. IBM had made several public donations to the United Negro College Fund. IBM also works with the National Action Council for Minorities in Engineering (NACME), which encourages and supports students of color in their pursuit of math and science courses in the path of their careers. IBM itself has also created or worked with outreach programs aimed towards helping minority students get involved in various business opportunities. Some of these programs are the Minority Campus Executive program, a Faculty Loan program and a mentoring program for students of color. IBM has also joined the Career Communications Group in co-promoting the second annual Black Family Technology Awareness Week, a national campaign that emphasizes the importance of African Americans incorporating technology into their daily lives.

Bank of America has publicly supported anti-discrimination initiatives

Bank of America has publicly demonstrated its commitment to diversity through the sponsorship of major anti-discrimination initiatives. One of the most significant contributions was the sponsorship of a major, nationwide survey on racial, ethnic, religious and social discrimination in the United States entitled "Taking America's Pulse II." This study, undertaken by the National Conference for Community and Justice (NCCJ), updates and expands on NCCJ's groundbreaking 1993 survey "Taking America's Pulse." The NCCJ survey measured the frequency of discriminatory and prejudicial acts experienced by virtually every major racial, ethnic, religious or social minority group. When the results of the study were revealed in May 2000, NCCJ and the Bank of America Foundation announced a \$1 million partnership to create model diversity leadership initiatives in six cities where both organizations operate.

In addition to the partnership with NCCJ, Bank of America has worked with Freddie Mac and the Jesse Jackson's Rainbow/PUSH Coalition in a program to increase homeownership among minority families. In August 2000, Bank of America President and Chief Operating Officer Kenneth D. Lewis was elected the National Urban League's board chairman. Additionally, Bank of America won the 1999 Spirit of America Award from the United Way, their highest honor for a company with outstanding community involvement. Bank of America's work with anti-discrimination programs works to reduce the negative associations minorities, particularly African-Americans, have formed with banks based on historical issues of refusing credit to minority communities.

Gateway has courted Hispanics through the creation of a Spanish Web site and education promotions

Gateway has been at the forefront in aggressively marketing to Hispanics. In October 1999, Gateway became the first major PC manufacturer to provide automated telephone menus, sales assistance, customer service and technical support in Spanish. Gateway also offers keyboards and software in Spanish, as well. In March 2000, Gateway announced an agreement with Quepasa.com, a leading Hispanic community Web site, in which Gateway would purchase 7.6% of Quepasa.com for \$10 million. Gary L. Trujillo, Quepasa.com's Chairman and CEO said in an interview, "Gateway made a very public commitment to [the Hispanic] community when it announced its Spanish-language initiative in September 1999 and now the company is further expanding that commitment by investing in the only publicly traded community to do so in both English and Spanish." Gateway's investment in the Web site is also an investment in the online contingent of the greater Hispanic community.

Budweiser used local politics to appeal to Hispanics in California

In 1994, California voters were asked to vote on Proposition 187, an initiative that would bar the state from providing public services such as health care and education to illegal immigrants. This proposal, and many others like it around the nation, reflected a strong anti-immigrant sentiment, with immigrants from Mexico a prime target. At this time, Budweiser noticed sales to Hispanics had declined slightly. During this atmosphere of hostility toward immigrants, Mexican-Americans turned to Mexican brands, such as Corona, as an expression of cultural pride. To counter this drop in sales, Budweiser created a 30-minute, Spanish language "documercial" highlighting its support of Hispanic arts and education

initiatives and its long-term support for the National Hispanic Scholarship Foundation. The program featured notable Hispanic figures, such as Archbishop Patrick Flores of San Antonio and boxer Oscar de la Hoya. In addition, Budweiser launched a voter registration drive among Hispanics in California to help them enter the political process. Budweiser saw significant gains in sales with the Hispanic population soon after.

5 CREATE AND COMMUNICATE A MARKETING MESSAGE

DEFINITION

Cultural considerations in creating and communicating your marketing message

Understanding media habits are crucial to reaching your target audiences

Only a few decades ago, three major television networks provided access to nearly all of the U.S. market. Since that time, we have seen a tremendous fragmentation of the American media. This at once presents difficulties and benefits to marketers. Marketers are faced with a bewildering number of channels from which they must select. However, more media options have created specialized channels that make targeting specific audiences easier. This higher level of specialization is especially beneficial to marketers of ethnic groups. Not only can marketing messages be targeted with greater precision, but it enables companies to deliver different messages to different groups, maximizing their effectiveness and minimizing the potential of alienating other groups.

Realizing these benefits, however, is contingent upon understanding the media habits of your target audience. Without this understanding, marketers cannot take advantage of the benefits of today's media and use specialized channels with precision. The media habits of various ethnic groups have been formed by both cultural factors (such as literacy rates and entertainment preferences) and commercial factors (such as geographic concentration and disposable income). For example, Asian language television has not proliferated to the degree that Spanish language television has, in part, because of the diversity of languages among Asian Americans and the relative smallness of the Asian American audience. Asian language newspapers have grown as a result of high literacy rates among Asian Americans. African-Americans, living in predominantly urban areas are often marketed through targeted radio broadcasts. Hispanics have proven to be a very receptive audience to Spanish language direct mail marketing because of the advantages of using the Spanish language in the mailing and the relatively small number of mailings Hispanics typically receive. Regardless of the reasons why, unless a marketer knows what his or her audience is watching, reading or listening to, the marketing message will not reach its intended audience.

Other than providing precise channels for marketing to ethnic audiences, advertising in ethnic media confers other benefits, as well. Ethnic media lends a degree of legitimacy to companies who advertise their products with them. Ethnic audiences are often distrustful of mainstream institutions and media, as they have not historically represented their specific interests and concerns. Ethnic media that have risen to fill the void left by mainstream media have come to represent these interests and concerns and, therefore, enjoy a degree of credibility that mainstream media does not have. Advertisements in ethnic media have the benefit of receiving a tacit endorsement among ethnic audiences.

Advertising in ethnic media also has the benefit of generating appreciation among their audiences. Consumers view advertising in ethnic media as a sign of respect and acknowledgement of their community. It shows that a company views the audience as a worthwhile investment and worthy of attention. As an advertising director of a leading African-American magazine said, "ads in our publication show that an advertiser has acknowledged that the reader has money to spend."

In addition to the benefits of acknowledging a group's economic strength, companies can also benefit when the placement of advertising signifies social acceptance as well. For example, Virgin Atlantic received more than 200 thank-you notes when it advertised in Out magazine, a leading gay magazine.

Virgin Atlantic generated a great deal of support through simple, respectful acknowledgement of a historically marginalized and ostracized group. While gays and lesbians are not technically classified as an ethnic group, many ethnic groups have experienced prejudice and discrimination that makes them, like gays and lesbians, appreciative of mainstream acknowledgement and acceptance.

The benefits of marketing through ethnic media are evident in the high growth rates they have experienced lately. From 1985 to 1995, African-American media grew by 72%, Hispanic media by 160% and Asian American media by 173%.

Social communication networks are strong within many ethnic communities

Many members of ethnic groups in the United States live in close-knit, concentrated communities with their fellow members of that group. As is common in many concentrated communities, strong social communication networks have developed in many ethnic communities. The insular nature of many ethnic communities also encourages the growth of social communication networks. As communication between ethnic communities and the general population is inhibited by differences in language and culture, the effectiveness of mainstream channels of communication will be limited. We have seen how ethnic media are growing rapidly to fill the void left by mainstream communication channels and have become an extremely powerful channel for marketing to ethnic consumers.

However, long before modern ethnic media began to communicate with communities, social communication networks were meeting the information needs of ethnic communities. The strength of social communication networks has the effect of rapidly spreading information and experiences with a company throughout the community rapidly. An executive with a communications company that specializes in the Hispanic marketplace said of potential negative experiences with a company "... you haven't just affected one customer, you've affected 50."

The strength of these informal communication networks provides additional incentive for companies to be involved in community activities. These networks are decentralized and do not have a single, central locus. Therefore, some of the most effective channels for accessing a broad segment of these social networks can be found at community events. In other words, places where members of the community congregate, such as holiday celebrations, church and school events, and community activities, are the best places to get people talking. Not only are ethnic communities more concentrated, in general, but they are concentrated *around* church and community groups to a greater degree. Being involved in related activities not only creates goodwill towards a company, but creates an opportunity for knowledge of your company to filter throughout the community to a greater degree than possible in mainstream communities. Marketers that can identify and utilize these centers of social communication have the opportunity to market to an ethnic population more efficiently and effectively.

Communicating in a foreign language is effective, but requires more than mere translation

As we have seen, using a foreign language in an ethnic marketing campaign can often be extremely effective. One major reason for this is simply due to the significant number of consumers who are not fluent in English. Some estimates show that only 40 percent of U.S. Hispanics report being totally fluent in English and 75 percent of Hispanics report speaking Spanish at home. The second reason for the

effectiveness of using a foreign language is that it is a symbolic gesture, which acknowledges a group's culture and shows respect.

However, using a foreign language effectively requires more than a translation of words. Marketers should not assume that the English words used in an effective marketing campaign would have the same effectiveness as their literal translation. What has made an English-language marketing campaign successful is the meaning behind the words, not the words themselves. It is the images, feelings and themes invoked by those words that resonate with consumers and make the marketing message effective. It is the meaning behind the words that should be communicated in a foreign language, something that may not be accomplished with a literal translation. In fact, the word "translation" is misleading in this situation. Translation deals with transforming one set of symbols, words in this instance, into another. Interpretation, the task of attaching meaning to symbols, should be the goal of marketing in a foreign language.

Interpretation is a necessity because of differences in culture, language, and frames of reference. Simply taking an English piece of marketing material and substituting foreign words will ignore these differences. Overcoming the difficulties imposed by idiomatic expressions, different values and inconsistent frames of reference requires someone who is fluent in both language and culture. An interpreter must know more than a language's vocabulary, but what words and phrases will convey the meaning and context behind a marketing message. Sometimes, the only way to communicate a marketing message with a foreign language is to find a cultural equivalent to the original. It may be necessary to use completely different text so the message can be understood in the target language in the same way it was understood in the original language.

Be sure your company follows up on foreign language marketing messages

One of the dangers of using foreign languages in marketing communication is that it sets up the expectation that ethnic consumers will be able to conduct business in their native language. While foreign language access to customer service, information lines, or sales associates can very beneficial to marketing to ethnic groups, it can also require a substantial investment. If a company is not willing to make this investment, it should seriously consider whether or not it should distribute foreign-language materials or advertisements. Using foreign languages to attract ethnic consumers, but not being able to accommodate them adequately, sends, at best, a mixed message. As a Hispanic marketing manager for a national bank said, "You can do all the marketing and advertising in the world but if you don't have a bilingual staff and if you're not involved in the community, you're throwing good money after bad money."

Marketers should be aware of idiosyncrasies and recognize the danger of crossing cultural taboos

One of the biggest potential dangers of marketing to ethnic groups comes from the problems that arise from confronting a different cultural context. Potentially more significant than being able to identify relevant values or understand family structure in order to fine-tune a marketing campaign, knowledge of a group's culture can minimize the danger of a miscommunication or inadvertently violating a taboo. Marketing literature is rife with examples of companies that suffered because they failed to notice an

idiosyncrasy of language and culture. Some of the more amusing, but damaging nonetheless, examples are:

- Colgate introduced a toothpaste in France called Cue, which is also the name of a notorious French pornographic magazine.
- Gerber created some confusion when it introduced its baby food in Africa using the same packaging as in the U.S., which includes an image of a baby. As many Africans cannot read English, companies often put pictures of *the contents of container* on the label.
- Coors translated its slogan, “Turn it loose,” into Spanish, where it was read as “Suffer from diarrhea.”
- Pepsi’s “Come alive with the Pepsi Generation” translated into “Pepsi brings your ancestors back from the grave” in Chinese.

Although these examples are extreme, they underscore the potential problems that can arise from a lack of understanding of cultural idiosyncrasies, not just language. Being aware of culturally unique expressions and references requires culturally fluency above and beyond literally fluency.

Shopping practices and perceptions can be fundamentally different among ethnic groups

In order to maximize the efficiency of ethnic marketing campaigns, marketers must understand the shopping habits of their target population. Perhaps the most important habit to understand is the division of labor within households regarding shopping. Understanding who the influencers and decision-makers for a purchase are critical to the design and placement of marketing messages. As the roles of decision-maker and purchaser may vary, the ideal placement and promotion strategies will also vary depending on which member of the household is to appropriate one to be targeted. For example, many consumer goods purchases are decided upon jointly in Hispanic households. Hispanic families tend to go shopping as a unit. Additionally, children may also play an influential role in the purchasing process, especially with recent immigrants. In many immigrant households, children usually learn and adapt to a new culture and language faster than their parents. In many activities, including shopping, children often serve as cultural interpreters for their parents. As such, any strategy for marketing to recently immigrated Hispanic consumers would be incomplete without taking the role of children into consideration and, subsequently, incorporating appropriate content in and placement of marketing messages.

Beyond understanding shopping habits in order to appropriately create and deliver promotional messages, marketers should, in general, understand how different populations perceive and go about shopping. It is critical that product placement reflect consumers’ perceptions of appropriateness for various types of products. For example, when attempting to penetrate the Hispanic market, Frito-Lay took note of Hispanics’ tendency to purchase snacks at small, local grocery stores rather than major supermarkets and adjusted their placement strategies appropriately.

Another example of how marketers can benefit by accommodating an audience’s shopping habits comes from catalog companies targeting African-Americans. Essence by Mail is catalogue service done in

partnership with Hanover Direct that features apparel and collectibles, and annually reaches over 11 million African-American households. Hanover uncovered some relevant differences in the way African-Americans shop, particularly, with regard to apparel. African-American consumers do not respond to traditional seasons they way the general market does. They tend to buy closer to the season in which they have a need for a product. Essence by Mail has accommodated this difference with a mailing schedule specific to African-American consumers.

Incorporating foreign language and ethnic actors and personalities is an effective first step

One of the most basic strategies of marketing to ethnic groups is to incorporate actors who are also members of that particular group. Overall, this strategy is an effective method to generate positive feelings in ethnic audiences. Research has shown that the effectiveness of incorporating ethnic actors will vary in correlation to the level of ethnic identification of the audience. The strength of racial and ethnic identification will play a significant role in whether or not an advertisement featuring ethnic actors will be received positively. Individuals with relatively strong racial or ethnic identification will react more favorably to advertisements that feature members of their racial or ethnic group in a dominant position. Conversely, individuals with relatively weak racial or ethnic identification will react more favorably to advertisements featuring whites and are placed in non-specific media.

Using ethnic actors is, overall, a good strategy for marketing to ethnic groups. Most ethnic consumers will identify more strongly with members of their own group. In addition, ethnic consumers will appreciate the acknowledgement and demonstration of respect. Companies can also generate the same appreciation by using endorsements by ethnic celebrities. The general benefits of having celebrities in advertisements can be compounded by the appreciation created by acknowledging a group's ethnicity. For example, Anheuser-Busch's choice of boxer Oscar de la Hoya to deliver a responsible drinking spot at once capitalized on his celebrity and generated appreciation among Hispanic consumers because of the company's recognition of a Hispanic as an ideal example of responsibility, hard work and perseverance.

However, it would be unwise to simply substitute an ethnic actor for a white actor, leaving other elements unchanged, and assume that the advertisement will be appropriate for ethnic audiences. Inserting an ethnic character into an advertisement may be perceived as a blatant attempt to appeal to that group without having made any significant investment toward understanding issues important to that group or building a relationship. The additional consideration of avoiding ethnic stereotypes compounds the need to avoid a simple substitution of actors. A message that might be benign if coming from a White actor can be insulting when coming from an ethnic actor, especially if the message is perceived as being motivated by existing stereotypes. For example, AT&T has produced several commercials that emphasize the confusing and misleading nature of their competitors' claims. An idea for having an elderly Korean woman being upset about being deceived by a competitor was rejected because it would imply that she was gullible and ignorant. Additionally, as minority groups have historically been underrepresented in the media, ethnic actors will take on a greater level of representation than normal, placing more importance on avoiding negative images in the media.

5.2 INDUSTRY EXAMPLES

Foreign language and ethnic media markets have been booming recently

Just as minority populations and purchasing power are experiencing rates of growth much higher than the general public, ethnic-oriented media have grown in pace, as well. From 1989 to 1999, African-American media grew by 70%, Hispanic media grew by 180% and Asian American media by 150%. Ethnic television networks have become established as a strong medium to reach Asian and Hispanic consumers who want to maintain links to their homeland by tuning into programs direct from their country of origin mixed with culturally relevant locally produced broadcasts. Univision is often considered the fifth full time broadcast network in the United States. It is the nation's fastest growing network, broadcast or cable, among the highly coveted 18-49 year segment. Univision claims to reach 92% of the Spanish-speaking U.S. audience with access to cable television. It has higher ratings than the UPN network, the WB network, HBO and ESPN. Univision is also has the most popular 6 p.m. news broadcast in Los Angeles and was the leader in prime-time rating in Miami and Chicago in 1996 and 1997.

Ethnic-oriented print media are also growing quickly. The African-American magazine market, once represented by a few major names like Jet and Essence, has expanded into interest and demographic-specific publications. New York-based Latina magazine has adopted the "the new mainstream." Ad Week recently ranked the bilingual publication third in its "10 under 40" list of America's hottest magazines targeting young adults, calling it a "hot prospect for media buyers." Advertising Age named it one of the nation's five best magazines. Subscriptions, which account for 80% of circulation, are at a quarter of a million and growing, with more than a fourth of them in California. Most revealing is the lineup of new high-end advertisers, many of whom have never tried to reach Latina consumers, such as Chanel, Ann Taylor, Polo Ralph Lauren, XOXO, and Liz Claiborne Cosmetics' fragrances.

A natural accompaniment to the growth of ethnic-oriented media, advertising spending has also grown significantly for ethnic media. Advertising expenditures in ethnic-oriented media totaled \$3.6 billion in 1998, more than double 1993's expenditures of \$1.7 billion. Although still a relatively small fraction of the \$200 billion total U.S. media spending, overall media expenditures grew at only 45% during that same time period.

The Internet has created an opportunity to target ethnic groups effectively

The growth of the Internet has been a significant factor in the general fragmentation of American media. Online consumers have access to an almost unlimited number of potential marketing channels. Fortunately for marketers, a majority of these new channels are highly specialized, focusing on a particular interest, activity or association. Marketers are therefore presented with an opportunity to deliver targeted marketing messages to a specified audience. Along the rest of the online world, there has been strong growth in sites that focus on issues and topics that are specifically relevant to ethnic and racial communities. The Internet has given marketers avenues in which they can communicate with members of an ethnic population from all over the United States in a compact, convenient forum.

Another factor that makes the Internet a valuable channel for marketing to ethnic groups is the growing number of ethnic consumers going online. Recent demographics for online household penetration for 2000 show the highest online penetration in Asian Americans with approximately 68% of households

online. Hispanic and African-American households follow at 43% and 40% penetration, respectively. All three of these groups have a greater percentage of online households than the general population, which is estimated at 35%.

Skyy Spirits generated protests over the depiction of Asians in a print advertisement

One of the negative aspects of the growth of online ethnic communities is the increased level of negative exposure that comes with marketing missteps. A print advertisement for Skyy Vodka demonstrates this effect. Printed in mainstream magazines such as *Vanity Fair* and *Rolling Stone*, the advertisement depicted a young Asian woman, wearing a traditional Mandarin dress, serving a drink to a Caucasian woman lounging on a towel. Although not explicitly intended for Asian American audiences, news of this advertisement found its way to several Asian American community Web sites. Asian Americans were upset over the portrayal of an Asian woman in a subservient role that harkened back to stereotypical images of “Geesha girls.” One site, *AsianAvenue.com*, posted protests from hundreds of users. After receiving comments from consumers along with a letter from *Asian Avenue.com*, Skyy pulled the advertisement from its campaign.

This example underscores yet another way in which the Internet has empowered consumers to a greater degree than ever before. Consumers not only made aware of companies’ actions to a greater degree as a result of the Internet, but consumers have a convenient forum in which to air their grievances. This may be a more significant factor when it comes to marketing to Asian Americans. Perhaps an unfair stereotype, but Asian Americans are generally perceived to be less confrontational than other groups. As a participant in one of our consumer studies put it, “We (Asian Americans) generally don’t make a big deal out of these sort of things... but I think that is changing.” With the Internet providing an anonymous, non-confrontational venue for Asian Americans to make their protests, it is likely that this group will become more vocal about negative portrayals in the media.

Burger King pulled a radio advertisement aimed at African-Americans that did not conform to Muslim dietary restrictions

In March 2000, the Burger King Corporation announced it would pull a radio advertisement aimed at African-American consumers following complaints from the Council on American Islam Relations. The voiceover for the advertisement was made a character that identified himself as Rasheed, traditionally an Islamic name, and also used other phrases that would indicate the character was Muslim. Unfortunately, the advertisement was for the company’s bacon-cheddar sandwich, and the Islamic faith strictly prohibits consumption of pork products.

Burger King contends that the advertisement was not meant to refer to any religion but was designed to appeal to African-American customers. The Council on American Islam Relations concedes that there was no intent to offend but was moved to object because of the lack of sensitivity that was displayed by the company. The Burger King Corporation lost the time and money it had invested in the spot, along with straining their relationship with African-American consumers, due to their failure to acknowledge the diversity of the African-American populations and one of the most basic and well-known taboos of the Muslim faith.

U.S. Postal Service dropped certain elements of a campaign that targeted Hispanics

The U.S. Postal Service sent a direct mail package to Hispanic business owners, seeking to attract them to their Priority Mail Program. Their initial design of the mailer was to translate their English version, which incorporated cartoon images of trucks, airplanes and delivery personnel. However, U.S.P.S. revised their mailing in order to accommodate Hispanic's attitudes towards work. As an executive at an advertising agency that specializes in direct mail to Hispanics said, "In general, Latin Americans are far more serious and formal than Americans are, and are particularly so at work." The cartoon version of the direct mail piece was dropped as it would look foolish or "dumbed down" for Hispanics. Instead, a photo of hardworking people was incorporated for the Hispanic audience.

Jaguar used appropriate product and ad placements for marketing to Cantonese immigrants

In the 1990s, almost 90,000 Cantonese immigrated to Canada each year. Most were residents of Hong Kong who decided to leave before China took over the former British colony in 1997. This small but relatively wealthy population of recent immigrants came to the attention of Jaguar Canada. Among recent Cantonese immigrants, the perceived first choice of luxury cars was Mercedes-Benz. Jaguar Canada set about to change this perception. One aspect of their strategy was to increase advertising aimed at Cantonese immigrants. Jaguar advertised in the Sing Tao Daily and Ming Pao Daily News, two Cantonese newspapers available in Canada. This was followed up by a direct mail campaign as well as in-dealership advertisements, both done in Cantonese. Additionally, Jaguar's marketing efforts focused on features that appeal especially to the Cantonese market, particularly safety features, luxury features such as leather seats and wood-grain trim, and showed the preferred coupes and avoided convertibles.

In addition to increasing its Asian staff in Canadian dealerships, Jaguar also accommodated the shopping habits of its target audience by moving beyond dealerships. As wealthy Cantonese feel it is beneath their station to go to a car dealership, Jaguar moved many display vehicles into shopping malls where customers can look at the cars anonymously. Jaguar Canada saw a 14.6% increase in sales for the month of June 2000 compared to June 1999. As a result of this increase, Jaguar Canada has added Cantonese-speaking staff to its dealerships.

6 APPROPRIATENESS OF PRODUCT

6.1 ASSESSING NEED

Determining a group's predisposition to a product

Identifying market opportunities can be difficult in ethnic communities

Identifying the potential for success for a given product in a marketplace is a critical step in any marketing strategy. Without firmly establishing whether or not a need exists in a market, marketers are left unable to evaluate the effectiveness of any other elements of a marketing campaign. If a company does not know for certain that a given product has a place in a target market, it can never identify with certainty the reasons and factors for the product's inability to penetrate the market.

Identifying market opportunities within ethnic groups can often be more difficult than with the general marketplace. One major reason for the added difficulties is the different cultural context and foreign environment often found in ethnic communities. Quite simply, marketers are confronted with populations that may react to marketing communication differently, assess products differently, and have preconceptions that are different from what is considered the norm. Without a solid understanding of a population's cultural context, marketers do not have the tools needed to assess market opportunities in ethnic communities.

Another reason why identifying market opportunities is difficult in ethnic communities is that there is a general lack of information regarding ethnic consumers. Although ethnic markets have come under close scrutiny lately, they have been overlooked for a number of years. Ethnic groups have usually been socially and economically marginalized. There is much less of a track record from which to learn about what products have succeeded and what have failed. In addition, the insular nature of ethnic communities will make it difficult to identify potential market opportunities. There are many products that have been successful in mainstream markets but have not penetrated ethnic markets. This could be due to a difference in the marketplace that makes a given product less favorable, or, it could be due to the fact that some products may not have infiltrated past the "borders" of ethnic communities.

Lastly, identifying market opportunities in ethnic communities can be difficult because of the dynamic nature of ethnic populations. While no population remains static, ethnic communities tend to experience higher rates of change than non-minorities. One major factor for this high rate of change, especially among Asian Americans and Hispanics, is immigration. Approximately 75% of all U.S. Hispanics were born outside of the United States. In addition, immigration will be responsible for a larger percentage of the growth of the Asian American population than natural population growth until 2025. In general, growth through immigration will allow for larger and faster changes in the cultural landscape of a population. Immigration rates, which are subject to a variety of international social, political and economic forces, have an inherent unpredictability, thereby creating an unpredictable mix of cultures and nationalities. In addition to the changes caused by immigration itself, varying levels of assimilation contribute to the dynamic nature of ethnic groups. Unlike their European counterparts from the beginning of the twentieth century, today's immigrants, through the availability of international communication, the ease of international travel, and higher levels of cultural accommodation, have the capability to retain their home culture to a much greater degree. However, immigrant populations will assimilate to some degree. As such, ethnic communities will reflect an unknown hybrid of multiple

cultures that will continuously be altered by the influx of new immigrants and the pressure to assimilate. With ethnic populations experiencing such high rates of change, identifying market opportunities becomes more difficult. Research or experiences from a relatively short time ago may be outdated, further limiting the ability to learn from the past experiences of other products.

The difficulties in identifying market opportunities in ethnic communities highlights another advantage of a workforce that is representative of target audiences. We have already seen that a diverse workforce can help a company establish a relationship with ethnic audiences. However, having members of an ethnic group involved in marketing decisions can provide insight into these communities and help to identify market opportunities.

Cultural mores or traits may render products inherently favorable or unfavorable

Various cultures will each have their own general preferences for certain types of tastes, styles, and qualities. In fact, the differences in general preferences are often some of the fundamental distinguishing traits of a culture. These preferences, if relevant to a given product, will play a significant role in whether or not these exists an opportunity in the marketplace. Certain types of products may be inherently positive or negative to members of an ethnic group, depending on these preferences. Of course, cultural taboos and values may play a strong role in how products are perceived, as well. One obvious example of this would be religious dietary restrictions, such as those found in the Jewish, Islamic or Hindi faiths. Beyond such obvious examples, cultures' values regarding lifestyle or what is considered appropriate will affect how many products are evaluated.

One example of cultural traits affecting market opportunities can be found in Hispanic eating habits. Many Hispanic cultures see both the eating and the preparation of food as a traditional, family activity. Preparing meals is often a group activity that reinforces familial bonds. Hispanic households are known to eat out less and buy more groceries than the general public. The quality and freshness of groceries are especially important factors in Hispanics' purchasing decisions. With strong preferences for fresh food products and the significant cultural significance placed on food preparation, it is easy to see that pre-made "convenience foods" may not be ideally suited to Hispanic households. Although it is possible to successfully market pre-made food products to Hispanics, marketers would have to overcome this cultural trait.

Cultural traits may also affect other aspects of marketing products beyond their inherent acceptability by an ethnic group. Cultural preferences or mores can influence how placement, pricing and promotional strategies are received by a group. One example is the difficulties insurance companies have when communicating with members of certain Asian cultures. Some Asian cultures have taboos against frank and open discussions about death. It is easy to see how this can be a serious obstacle to marketing life insurance to some Asian American consumers.

The above discussion generally refers to the appropriateness of mainstream products in ethnic markets. Of course, ethnically specific products, products that are created with the needs of a particular ethnic group in mind, are usually well received by ethnic groups. For example, the Mahogany line of greeting cards was created specifically for African-American consumers. The Mahogany line, which features pictures of African-Americans, was created as a result of the conspicuous lack of African-American characters in mainstream lines of greeting cards. The Mahogany line, like other ethnically specific

products, came about because of the inability of mainstream versions of products to satisfy the needs of ethnic markets.

In addition to the impact of cultural traits on market opportunities of a given product, marketers should consider the communication capabilities of ethnic consumers. In other words, providing services in foreign languages may be a necessary component of a product. Without foreign language customer service, sales assistance or technical supports, some products may simply not be an option for some ethnic consumers. The need for bilingual services is increased in service industries and for highly technical product.

Determine how needs are currently being met

Assess your product's ability to supplant existing products

Just because certain mainstream products may not have penetrated ethnic markets does not mean that ethnic consumers are not having their needs met. Very often, ethnic communities have alternatives to mainstream products and services. Either these alternatives are part of the "indigenous" culture of the community, or they have come about as a result of the absence of certain traditional products and services.

An example of alternative products being part of the local culture is the medicinal use of eastern herbal remedies. Eastern medicine has not only migrated with Asian immigrants, but is even becoming part of mainstream Western medical traditions. While Western OTC remedies may not be widespread in certain Asian American communities, this does not mean that Asian Americans are doing without medical products. OTC drug companies that want to market to Asian Americans may not have to compete with other OTC companies, but, instead, need to make inroads against the existing alternatives.

An example of alternative products coming about as a result of the absence of traditional products and services is the collection of alternative financial services in African-American communities. Banks and other financial services companies have an extensive history of not providing services to African-American communities. In the place of traditional financial service companies, check-cashing stores, pawnshops and illegal loan-sharking services have arisen to meet the needs of African-American consumers.

Marketing mainstream products to communities that have alternatives available requires that marketers either differentiate themselves from or replace the alternative products and services. Although each situation should be evaluated individually, as a general practice marketers should attempt to differentiate their product from alternatives that are part of the local culture as opposed to attempting to replace them.

Again using the example of Eastern medicine, the use of Eastern herbal remedies is, in addition to the function they perform, an expression of a group's culture. Attempting to compete directly with traditional products would pit a company's product against a group's desire to retain part of their cultural identity. By differentiating a product from existing alternatives, marketers position their product as a compliment, not a competitor, to the traditional products, thereby avoiding a confrontation with a group's cultural identity. Although ethnic consumers may have become familiar with alternatives that have come about as a result of the absence of traditional products, marketers are usually not faced with the same situation

where the alternative product is an expression of cultural identity. In these situations, marketers can safely work to replace these alternative products and services.

Porous, international markets have made international actions locally significant

Recent immigrants and consumers with frequent contact with foreign countries value products associated with their home countries

As we have seen, recent immigrants and ethnic populations are now capable of maintaining ties to their countries of origin to a much greater degree. Additionally, companies have increased their reach around the world and are rarely constrained by national borders. The term “multinational” no longer refers to strictly Fortune 500 companies. As such, ethnic populations are in a position in which all types products can be found in both the United States and their countries of origin.

With consumers and companies both capable of straddling national borders so easily, it would be a mistake to think that marketing campaigns in different countries are separate and distinct from each other. Not only are consumers exposed to products and marketing campaigns in foreign countries, but ethnic consumers are likely to favor and remain loyal to products popular in their home countries, due to their familiarity with the product (an extremely important quality considering the difficult transition to the vast, confusing array of choices in the American marketplace), perception of superiority due to the international quality of the product, and associations with home.

The importance of awareness

It is imperative to recognize that certain groups, especially recent immigrants, may feel negatively towards or be unaware of particular products or industries

As ethnic communities have only recently come under the close scrutiny of many companies, consumers in these communities have not received the same level of exposure to certain products. The awareness of products and industries that marketers can take for granted in mainstream markets may not exist in ethnic communities. This lack of awareness becomes even more pronounced in recent immigrant populations. These groups may not have had access to many types of products in their countries of origin and, due to the insular nature of immigrant communities and impediments to communication, may still not have been exposed to these products in the United States.

Additionally, immigrants will often perceive particular industries in the United States as they did in their home countries. The negative features of these imported perceptions are especially apparent in the financial services industry. The president of a Houston communications company that specializes in ethnic markets said of immigrants’ perceptions of banks “In our countries of origin, banks were very forbidding... [and] only the rich went to banks and only the rich had checking accounts.” In many industries, a successful marketing campaign will address the need for education and altering perceptions among ethnic communities.

Some industries may be hampered in their attempts to appeal to ethnic communities by a history of negative actions. Many minorities groups may have strong negative associations with certain industries

that need to be overcome. For example, African-American perceptions of financial services companies may be dominated by those created as a result of the practice of red-lining in which banks would refuse loans to businesses or individuals that were in minority areas. Until financial regulations addressed this practice directly, lower and working class African-Americans were effectively shut out of mainstream sources of capital. The absence of these services fostered the growth of alternative services, such as pawnshops, check-cashing stores and illegal loan sharking. Most historically marginalized communities will have some perceptions of industries based on the prototypical bank officer, salesman, or contractor who acted in a less than ethical manner. Marketers must take into consideration that these associations may still exist in ethnic communities and need to be overcome.

6.2 INDUSTRY EXAMPLES

Frito-Lay has created several snackfoods as a response to Hispanics' aversion to available items

In doing research in the Hispanic market, Frito-Lay learned that Hispanics are 52% less likely to eat salty snacks than the general market because the available items do not appeal to them. Hispanics, particularly teens and young adults, thought that snackfoods produced by Frito-Lay and other U.S. brands were too mild. Frito-Lay also learned that there was little demand for low-fat or unflavored tortilla chips in the Hispanic market.

As a result of their efforts to capture a larger share of the growing Hispanic market, Frito-Lay introduced Doritos Salsa Verde and Lay's Adobadas, hotter and spicier version of their flagship brands. Frito-Lay followed up these products with Lay's Limon, a lime-flavored potato chip, Lay's and Frito's Flamin' Hot Sabrositos, and Frito's Lime n' Chile Sabrositos. Frito-Lay also incorporated Spanish-language radio and television advertising for regular Doritos and Baked Lay's.

Frito-Lay's target audience of young Hispanics is largely bicultural. They embrace certain aspects of life in America but still feel close to their roots. In addition to adding new, more appealing flavors, Frito-Lay's media campaign combined with the incorporation of Spanish-sounding names appealed to young Hispanics because it allowed them to maintain an with their culture. Frito-Lay launched its Hispanic products in San Antonio in 1997. Sales of the Doritos brand jumped 32% after the rollout and the Salsa Verde flavor represented 15% of all sales. In 1998, Frito-Lay expanded the line into other U.S. markets with large Hispanic populations. Sales to Hispanic generated \$100 million and Doritos Salsa Verde accounted for nearly half of sales.

Gateway has partnered with Procter and Gamble to provide discounted PCs to Hispanic students

Gateway has been one of the leading PC manufacturers to market to Hispanic consumers. Recent studies conducted by Procter and Gamble showed that only 30% of U.S. Hispanic households own computers, with only half having Internet access. The rate of computer ownership among non-Hispanic white is 80%, with most having Internet access. Among the general Hispanic population, 38% of respondents said cost was a prohibitive barrier towards computer ownership. Procter and Gamble also learned that one main reason for Hispanics purchase a computer and go online is that they see this as crucial resources for their children's education.

Procter and Gamble, using their *avanzando con tu familia* program, decided to work with Gateway to offer thousands of Hispanic families discounted PCs and free educational software. The *avanzando con tu familia* program is a long-term community outreach initiative developed to provide Hispanic families valuable tools and information in areas of education and health. The *avanzando con tu familia* magazine reaches more than 4 million Hispanic households. Knowing that the education of their children is a major motivator for Hispanics, Procter and Gamble and Gateway have tapped into the specific needs of the Hispanic community.

Charles Schwab enacted several programs to educate African-American consumers about investing

In 1997 and 1998, looking to market African-Americans, Charles Schwab and Ariel Mutual Funds of Chicago, an African American company that is also a member of Charles Schwab's Mutual Fund OneSource, conducted a demographic survey of African-American investors. The results of the survey showed that African-Americans felt they lacked the knowledge to invest and had a lack of trust regarding financial advisors that was considerably stronger than the general public. The survey also found that African-Americans tend to invest more conservatively, preferring real estate and life insurance over the stock market. The survey also uncovered misconceptions about penalties for withdrawal and the accessibility of investments. In general, there was a very low level of comfort regarding investing in the stock market.

As part of their strategy to break into the African-American market was the creation of several educational programs. Schwab works with the Coalition of Black Investors (COBI) to hold nationwide investment seminars with beginner, intermediate and advanced levels. These seminars have become so popular that hundreds have been turned away due to lack of space. Schwab has also participated in several conferences hosted by African-American professional groups such as the National Association of Black Accountants, Blacks in Government and the National Association of Black MBAs. Charles Schwab understood that in order to attract African-Americans as clients, it was necessary to help bring African-American consumers into the financial services market.

Frito-Lay incorporated a Mexican logo to appeal to Mexican Americans

Frito Lay is an example of an international company being able to take advantage of their presence in foreign markets for marketing to ethnic populations in the United States. Frito-Lay operates in Mexico under the name Sabritas. Sabritas products are adorned with a distinctive yellow happy face icon. Having learned that the icon reminds Mexican Americans, who account for 63% of Hispanics in the United States, of snack food from their home, the Happy Face icon was included in Frito-Lay's targeted packaging and advertising.

Colgate enjoys high brand loyalty among Hispanics in the U.S. and abroad

Colgate is an excellent example of the benefits a strong international presence has on ethnic markets in the United States. Colgate toothpaste is one of, if not the, dominant brands of toothpaste in the world. In 1995, Colgate toothpaste was in the top selling brand in 34 countries in Latin America. In the entire

world, almost four out of five users of toothpaste use Colgate. Not surprisingly, a poll of Hispanics in the United States showed that 78% of households had Colgate toothpaste in their home.

7 BENCHMARKING

7.1 INTRODUCTION

Methodology

We have examined each of fifteen different companies within three different sectors: the automotive, home computer, and financial services industries. Each company was measured on five separate criteria with regard to these companies' ethnic marketing efforts:

Product fit: Does the company take care to recognize which of its products/services might be most useful to certain ethnic audiences and why they are useful? Just as importantly, does the company take care to create or tailor products or services with the needs of ethnic communities in mind?

Relevant values: Does the company take into account the core values of the community to whom it wishes to cater? How well does the company incorporate relevant features of style, family unity, and upward mobility that may be particularly relevant to certain ethnic communities?

Relationship building: How well does the company seek to establish relationships with the community it targets? Does the company actively make community outreach efforts, develop aggressive employee recruitment programs, forge partnerships with related minority-owned enterprises, and so on?

Effective marketing: Does the company take care to incorporate effective stimuli into its advertising? How well does the company utilize ethnic media such as TV stations and newspapers to communicate their message?

Overall effort: How well does the company incorporate the various elements necessary for an effective ethnic marketing campaign? Does the company integrate sensitive advertising, employee recruitment, community relationship building, and tailored products/services into one effective ethnic marketing initiative?

7.2 AUTOMOTIVE

Industry Overview

Auto companies are quickly turning their attention to ethnic markets

The automotive industry has, like many other major industries, only recently come to see ethnic markets as having the potential to become major sources of growth. Hispanics, who are projected to overtake African-Americans as the largest minority group in 2010, have come to the attention of carmakers, in particular. Estimates show that Hispanics account for approximately 7% of overall new car market. However, registrations of new cars and light trucks owned by Hispanics have grown by over 20% annually for the last two years, more than double the rate of the U.S. market as a whole. However, industry estimates show that African-Americans spent about \$12.6 billion on new cars and trucks in 1999, an increase of 40% from 1998. In addition, Asian Americans spent approximately \$11 billion on new

vehicles in 1999, an increase of 13% from the prior year. Automakers have recognized the benefits of tapping into this expanding market and are moving quickly to target ethnic consumers.

Lower-end cars are attractive to minority consumers, for now

With regard to what makes a particular model attractive to minority consumers, there is an interesting dichotomy in the auto industry. Although cultural differences may contribute to different preferences, a new car is still a major purchase. Basic economic factors dominate the purchase-making decision. Ethnic consumers generally have larger families, are younger, and have lower incomes than the general public. As a result of these key demographic differences, there is a preference for less expensive cars, particularly among African-Americans and Hispanic, who have smaller incomes than non-Hispanic Whites and Asian Americans.

However, at the same time, certain ethnic groups, particularly African-American, spend a much higher percentage of their incomes on luxury items, such as clothes and automobiles. In addition, ethnic purchasing power is growing at higher than average rate. Many ethnic consumers will be more willing and able to pay for high prestige models. With many manufacturers making a lion's share of their profits from the booming SUV market, companies can benefit significantly from effectively tapping into ethnic markets.

Representative sales associates are important in the auto industry

The automobile is arguably the most universally well-known and desired product in the United States. It is one of the most significant symbols for success and American life in general. As a result, there is little need to educate consumers, increase awareness of the product or otherwise demonstrate the value of their product, unlike in other products areas such as financial services. However, the purchasing process can be confusing and intimidating. Cars are major purchases with complicated, detailed procedures for both buying and leasing. Many ethnic consumers, particularly non-English speakers, will appreciate being able to interact with someone who can speak their language, literally and figuratively.

Placing dealerships in minority communities is also a critical aspect of targeting ethnic communities. The majority of ethnic consumers live in concentrated communities, particularly in urban areas. In situations in which consumers are making a large and relatively long-term decision, location may not play as crucial a role since consumers are more willing to invest time and energy to compare options. However, due to the sometimes-insular nature of ethnic communities and the potential need to return for scheduled maintenance, providing convenient and easily accessible locations is a prerequisite for the auto industry for tapping into ethnic communities.

Although minority populations have been shifting to a greater degree, moving out of urban areas into the suburbs, there is still a significant concentration in cities. In addition, this move away from cities, along with access to public transportation found in urban areas, will increase the importance of ethnic consumers to the auto industry.

Diversity in the auto industry has become a political issue

Diversity issues are major concerns within the automotive industry, particularly those of minority suppliers, minority-owned dealerships, and internal workforce makeup. Responding to the urging of community leaders and government agencies, automotive companies have made using minority-owned suppliers a priority. In 1998, Ford Motor Co., Chrysler Corp. (now DaimlerChrysler), General Motors Corp., and the Small Business Administration announced a plan in which the Big Three would increase their minority contract expenditures by \$3 billion over the next three years.

Also of concern is the need to increase the number of dealerships owned by minorities and to enter traditionally underserved communities, particularly poor, inner-city neighborhoods. Jesse Jackson and the Rainbow/PUSH Coalition have weighed in on this issue, encouraging automakers to support dealerships in minority communities. Although the pressure to address these internal decisions have largely not come from consumers themselves, but political and activist groups, automakers have tried to make their efforts known to consumers and incorporate them into their public relations strategies.

Auto companies have stepped up advertising in ethnic media

In terms of advertising dollars, Hispanic media are getting the lion's share from the automotive industry, with an emphasis on Spanish-language advertisements. Industry experts generally agree that marketers use mainstream media in their efforts to target African-American consumers. For example, Univision, the Spanish-language television network, received almost \$70 million from auto companies in 1999. However, only \$25 million went to Black Entertainment Television, BET Magazine, Ebony Magazine and Essence Magazine. Automotive marketers have been slow to target the Asian American market. Three of the largest Asian American ad agencies, Kang & Lee, Admerasia, and Dae Advertising, have yet to land major automotive accounts. Although many industry experts expect expenditures on ethnic advertising to increase significantly, estimates show that out of the more than \$7 billion the industry spent on advertising, less than 2% has been aimed at minorities.

Lessons from the auto industry

The auto industry is characterized by:

- A major purchase, thereby making economic and demographic factors relevant.
- A status symbol, thereby stressing the importance of style, image and prestige, particularly among groups that spend more on luxury items.
- Universally well known and desired, thereby reducing the need for education or increasing awareness.
- Obtained through a confusing and intimidating process, thereby making representative and bilingual sales staff necessary.

- Less of a necessity in urban areas, thereby placing emphasis on consumers making a transition to suburbs.
- A very large industry, thereby putting internal business practices under public scrutiny.

Automotive Industry					
Evaluation Criteria	Chrysler	Ford	GM	Honda	Toyota
Product Fit					
Relevant Values					
Relationship Builder					
Effective Marketing					
Overall Effort					
Total Score (out of five)	3.87	3.93	3.47	3.93	4.27
Poor / Not Applicable	Moderate	Good	Strong	Very Strong	

Ford Motor Company

Ford has an exemplary record of support for minority owned businesses

The Ford Motor Company is the world's largest truck maker and the second largest overall manufacturer behind General Motors. In addition to the Ford line of vehicles, the company also produces Aston Martin, Jaguar, Lincoln, Volvo and Mercury vehicles. The company also owns a controlling interest (33%) of Mazda. Henry Ford began the company in 1903 and introduced the famous Model T in 1908, which was produced on a moving assembly line that revolutionized both carmaking and manufacturing, in general. The Ford family still controls 40% of the company and William C. Ford Jr. is the company's

Chairman and Jacques A. Nasser is President and CEO. The Ford Motor Company employs approximately 364,000 workers.

In 1999, the Ford Motor Company had over \$162 billion in sales, 69% of which came from the United States and 20% from Europe. In terms of types of vehicles sold in 1999, 16% of the total units were small cars, 24% were mid-size cars, 7% luxury cars, 3% large cars, 22% compact vans or utility vehicles, 13% full-size pickups, 6% compact pickups, 6% full-size van or utility vehicles, and 3% were medium and heavy trucks.

The Ford Motor Company has made solid, sensible steps towards attracting ethnic consumers. Although larger cars and trucks are major portions of the Ford line, Ford has appropriately emphasized vehicles more in line with the relevant demographics of ethnic populations. Ford has also dedicated resources towards building relationships and communicating with ethnic communities as can be seen in their efforts to promote minority business, increase minority-owned dealerships and make use of ethnic media.

BENCHMARKING:

Product Fit – In its marketing efforts towards Hispanics and African-Americans, Ford has wisely emphasized its new Focus. Emphasizing its value and stylish design, the Focus is targeted at young audiences, particularly first-time buyers. Considering the demographics of the African-American and Hispanic population, it is no surprise that the Focus has caught on with younger African-Americans and Hispanics.

In 1998, Ford launched a Spanish-language Web site, www.fordespiritu.com, tailored for the Hispanic market. Understanding the appeal of economical cars, the homepage features the Ford Focus. The site also lists a toll-free number where consumers can reach Spanish-speaking operators.

As part of its strategy to tap into African-American, Hispanic and Asian American markets, Ford has worked hard to recruit and train minority dealers. Under their program, candidates complete two years of business classes and Ford helps finance the dealership. More than good corporate citizenship, these efforts are seen as a strategy for improving Ford's products in the minds of ethnic consumers. As Elliot Hall, vice president of dealer development said in an interview, "The business reasons are monumental. We need to attract minorities into our showrooms."

Score: Strong

Relevant Values – Ford's Spanish-language Web site, has several of its charitable featured on the homepage. One highlighted initiative is Ford's "Salute to Education" scholarship program that targets disadvantaged youth in Florida, California and Texas. Themes that stress the important of education have been very effective at generating positive responses among Hispanics.

However, recent problems with tire recalls may have especially strong negative effects among ethnic groups due to larger family size (i.e. more kids in the back seat) and subsequent emphasis on safety.

Score: Strong

Relationship Builder – Ford CEO Jacques Nasser has made workforce diversity a major priority. As a result of company-wide directives, 30% of Ford’s new hires were minorities in 1999, raising the percentage of minority managers to 15%. Fortune magazine recently rated Ford the 30th best company for minorities in the United States. No other automaker made the top 50.

With regard to encourage minority dealerships, Ford is the industry leader. From 1984 to 1997, Ford increased minority dealerships by 225% to lead the industry with 338 minority-owned dealerships, compared to General Motors’ 280 and Chrysler’s 134. In terms of the percentage of overall dealerships, Ford had 6.8% of its dealerships owned by minorities, General Motors had 3.5%, and Chrysler had 3.0%.

Ford has the nation’s leading minority supplier development program. In 1998, Ford purchased \$2.5 billion in goods and services from minority suppliers and approximately \$3 billion in 1999. Moreover, Ford has established several innovative programs to enhance the effectiveness of minority suppliers and train and mentor their employees. In September 1999, Ford received the Distinguished Corporate Award from the U.S. Department of Commerce for exemplary performance in promoting minority business growth in the nation. Ford was the first automotive company ever to receive the award. Also in 1999, the National Coalition of Minority Businesses (NCMB) named Ford an “Automotive Company of the Year.” The award recognized that Ford has gone “above and beyond” in its efforts to maximize minority participation in all elements of its business.

As mentioned earlier, Ford has its community and educational initiatives listed prominently on its Spanish-language Web site. Among Ford’s community activities are sponsorship of several Hispanic artistic and cultural events, including Ford’s sponsorship of the Tejano Music Awards.

Score: Very Strong

Effective Marketing – In 1999, Ford spent \$4.4 million in top African-American media outlets, up 36% from 1998, and \$21 million in Hispanic media, an increase of 77%. Ford spent \$15.2 million in Hispanic media advertising from January to August 2000.

Ford has used their efforts to nurture minority dealers and suppliers as major component of its ethnic marketing and advertising strategy. Ford has used a widespread minority print campaign that highlights how Ford dealers and suppliers give back to their community.

Score: Good

Overall effort - Ford is to be commended for its strong commitment to diversity and implemented an effective strategy for targeting Hispanics. In recent years, sales to Hispanics have offset an otherwise declining national market share.

Score: Strong

DaimlerChrysler

DaimlerChrysler has pioneered a child safety seat program for minority families

In 1998, Daimler-Benz acquired Chrysler for \$37 billion, creating the third-largest carmaker in sales (behind General Motors and Ford) and fifth-largest in vehicles sold. In addition to the Chrysler and Mercedes Benz lines, DaimlerChrysler produces the Dodge, Jeep, Plymouth (which is scheduled to be discontinued after the 2001 model year), and smart (a European compact) lines. Mercedes Benz has also been a major producer of commercial trucks. Its Freightliner unit is the top heavy truck maker in the United States. The Chrysler Group is run by the recently installed President and CEO Dieter Zetsche. DaimlerChrysler employs approximately 467,000 workers.

In 1999, DaimlerChrysler made approximately \$151 billion in revenue. Of that amount, 41% came from the combined Chrysler, Plymouth, Jeep and Dodge lines, 24% from the Mercedes Benz and smart lines, 17% from commercial vehicles, with the remainder from financial services, aerospace and other industries. Chrysler has been successful with its line of minivans, its best selling products, and has tried to bring that success into the booming SUV market.

BENCHMARKING

Product Fit – With regard to the small car market, the Dodge Neon is DaimlerChrysler’s latest venture. Some of DaimlerChrysler’s other vehicles, particularly Jeeps, have become popular with African Americans and Hispanics. This is despite the fact that minorities are concentrated in urban areas where, logically, there is less need for off-road capabilities. In addition to SUVs having become status symbols, Jeep has used the theme of negotiating the “urban landscape” to overcome this difficulty. However, the Dodge Neon, in the crucial small car arena, has not achieved the same level of popularity and status. In addition, DaimlerChrysler low number of minority-owned dealerships can hurt the company in the showroom.

Score: Good

Relevant Values – Playing on themes that stress the values of families and children, two themes that resonate with ethnic consumer, one of DaimlerChrysler’s outreach programs has been a million-dollar effort to increase child safety seat usage by minority families. This program is especially relevant to ethnic consumers since among children under age 4, African-Americans have the highest highway death rate, followed by Latino children. Among children ages 5 to 12, occupant death rates for African-Americans were almost three times those of whites, and Latinos had a death rate 60 percent higher than whites, according to the National Transportation Safety Board.

DaimlerChrysler’s initiative is the second phase of the company’s “Fit for a Kid” program. As part of the program, Daimler Chrysler has distributed 5,000 free car seats at participating hospitals in Detroit, Miami, San Diego, and San Antonio, Texas that tend to serve minority and low-income patients. To widen the appeal to Hispanics, the campaign has a new Spanish slogan, “Me Siento Seguro,” which means, “I feel safe” and “I am sitting safely.”

Although a worthy cause, the effectiveness of DaimlerChrysler’s safety initiative is hampered by its limited public visibility.

Score: Good

Relationship Builder – In addition to its safety program, DaimlerChrysler created a community-based education outreach program called “The Chrysler Hoop Dreams Challenge.” Part of a public relations campaign centered around the documentary film “Hoop Dreams,” this program creates educational opportunities for diverse youth in 23 major urban areas.

Although lagging behind Ford and General Motors in total number and percentage of minority-owned dealerships, DaimlerChrysler has made significant advances with regard to minority suppliers. In 1999, DaimlerChrysler launched a supplier-mentoring program, teaming DaimlerChrysler managers with vendors to collaborate on business plans. In 2000, DaimlerChrysler was named “Corporation of the Year” by the National Minority Supplier Development Council, beating out fellow finalists Ford and General Motors. In 2000, minority suppliers will receive \$2.5 billion from DaimlerChrysler, up from \$2.1 billion in 1999.

Score: Strong

Effective Marketing – DaimlerChrysler has made effective use of its community outreach in its marketing to ethnic communities. However, DaimlerChrysler has not made the same level of investment in ethnic media as has other automakers. In Hispanic media, for example, Daimler-Chrysler was fourth in spending in Hispanic media at \$8.9 million from January to August 2000.

Score: Good

Overall Effort – DaimlerChrysler has done a good job with developing minority contracts, but needs to step up its marketing of inexpensive cars

Score: Good

General Motors

General Motors has an excellent program of enticing minorities to own franchises.

General Motors is the world’s largest maker of cars and trucks. Started in 1908, the Flint, Michigan-based company thought to reap the benefits of consolidating several lines of cars at a time when a much larger number of manufacturers, each with a few models, existed. General Motors currently produces vehicles under the Buick, Cadillac, Chevrolet, GMC, Oldsmobile (which is being phased out), Pontiac and Saturn lines. General Motors has also recently purchased Saab fully and 49% of Isuzu and 20% of Fiat. General Motors also provides financial services through the General Motors Acceptance Corporation, communication equipment through Hughes Electronics, medium- and heavy-duty transmissions with Allison Transmission, and train components, diesel engines and light armored vehicles with the GM Locomotive Group. General Motors is run by President and CEO G. Richard Wagoner, Jr. and employs approximately 388,000 workers.

In 1999, General Motors had approximately \$177 billion in sales. Of that, 74% came from the United States, 7% from Canada and Mexico, 15% from European nations, and 4% from Latin America. Automotive products accounted for 86% of sales, financial services took in 8%, and other service taking in the remaining 6%.

BENCHMARKING

Product Fit – General Motors has been losing its market share among Hispanics. In the past four years, Chevrolet's share of light trucks has slid three percentage points while its share of the car market has fallen two percentage points. Industry experts attribute this decline to the fact the Chevrolet's older, more expensive model line has not been able to attract young, first-time buyers, hurting them with Hispanics and African-Americans. General Motor's decision to emphasize Buick to ethnic consumers, highlighting its update style, good mileage and low cost, is a good strategy. Focusing on the Saturn line would also be in line with relevant demographics of African-Americans and Hispanics.

In terms of showroom presence, General Motors has made significant improvements in minority-owned dealerships, but is still second to Ford.

Score: Good

Relevant Values – General Motors has worked substantially with educational programs targeted at minorities, such as the 100 Black Men of Greater Detroit, a project to help academically "at-risk" students get on track for college. The Mentoring Partnership Early Identifications College (EIC) Program, developed to prepare inner-city youth for higher education, provides 180 students who have an approximately 2.0 grade point average with mentoring, internship opportunities, summer leadership retreats, academic enrichment and ongoing academic support, with several GM executives serving as mentors. Education themes play well with ethnic consumers. However, a large majority of GM's educational programs focus on higher education rather than on the local level, which is where ethnic communities traditionally focus.

Score: Good

Relationship Building - General Motors has the oldest minority franchise program in the auto industry and one of the most comprehensive programs in the country. According to GM, senior GM managers started the program in 1972 to give minority customers someone at their dealerships to whom they could relate. However, GM has been forced to step up its efforts in the face of criticism from African-American activists and dealers. Although the number of minority-owned GM franchises has increased 155% since 1974 while the total number of dealers has declined 37%, an independent report criticized GM's minority dealership program and issued a list of 215 recommended improvements. GM has taken these recommendations seriously and has been able to follow through on 213 of the recommendations. According to one GM spokesman, "Our strength comes from our dealers. We have a very good relationship with them and we work closely with our minority dealership advisory council to continue to improve our relationships."

General Motors has also supported corporate diversity and affirmative action. In July 2000, GM filed a friend-of-the-court legal brief that supported the University of Michigan's use of affirmative action. GM defends affirmative action as necessary to the creation of a "well-educated, highly-diverse workforce" and ending the practice would "deprive businesses of the well-trained minority candidates who are essential to our nation's economic success."

General Motors conducts substantial philanthropic work. While some of it does impact minority communities, there is not a strong focus on the needs of these communities with the exception of higher education.

Score: Strong

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Effective Marketing – General Motors has spent a great deal of money on ethnic advertising. GM leads the industry in money spent on Hispanic media with \$26.5 million and also spent \$12.5 on African American media in 1999. However, this expense has a backdrop of decline sales among Hispanics. Additionally, GM has tapped Innovasia Communications, an Asian-owned ad agency, to handle a campaign aimed at the growing Asian-American market.

Score: Strong

Overall Effort – General Motors' efforts and expenditures on minority dealerships and advertising are strong points. However, these efforts are offset by higher priced products and a lack of local community involvement.

Score: Good

Honda

Honda saw a need and targeted it brilliantly.

With its lines of motorcycles, automobiles, lawn mowers, snowblowers, outboard motors, and portable generators, the Honda Motor Co. is the world's largest manufacturer of internal combustion engines. Honda first entered the United States market as a motorcycle manufacturer starting in the 1950s. In 1972, Honda introduced the Civic to tap into the U.S. car market and, four years later, introduced the Accord. A leader in small engine technology and pollution control, Honda has bucked the trend in the automotive industry toward consolidation and has avoided any equity deals with other companies. The Honda Motor Co. is run by President and Representative Director Hiroyuki Yoshino and employs approximately 112,000 workers.

In 2000, Honda had approximately \$57 billion in sales. Of that, 44% came from Japan, 42% from North America, and 9% from Europe. Automobile sales generated the most revenue at 81%, motorcycles accounted for 12%, and financial services and other products making the remaining 7%.

BENCHMARKING

Product fit - Honda realized early on that minorities, particularly Hispanics, perceived imports as too small and expensive. Research showed that Hispanics wanted to see themselves reflected in advertising that showed the luxury and elegance they aspired to have. Starting in 1989, the company enacted a strategy that included building long-term relationships with Hispanic customers through cultural enrichment, community support, and sports and entertainment sponsorships. In addition, Honda began an advertising campaign focuses on the extra features of the Accord and Civic models. When combined with the high percentage of minority customers that are young, first-time buyers, it is no surprise that the Honda Civic and the Honda Accord have been the top two selling car models in the Hispanic market for the last eight years.

Score: Very Strong

Relevant Values – Because Honda made an early effort to attract ethnic consumers, the company was able to head off perceptions of their cars being too small and expensive. Honda has focuses the attention of minority consumers on its value, added features, reliability and style. In addition, Honda's general reputation for reliability plays well with value-conscious ethnic consumers.

Honda has also created a Spanish-language Web site aimed at Hispanics. Both sites focus on Honda vehicles. However, it is interesting to note that the English-language Web site contains pictures of vehicles, while the Spanish version contains images of Hispanic families and children.

Score: Strong

Relationship Builder – Honda’s involvement in local communities is more limited than that of other automakers, but it is efficient, nonetheless. As mentioned above, Honda has taken the step to create a Spanish-language Web site. In addition, Honda has been a sponsor of the Ballet Folklorico de Mexico, a Mexican dance ensemble that will be touring through major U.S. cities through 2000. Most significantly, Honda has been a sponsor of Major League Soccer, gaining wide exposure in the Hispanic community.

Score: Good

Effective Marketing – Honda has spent relatively little on ethnic media out of the major automakers. In 2000 through August, for example, Honda only spent \$5.9 million in Hispanic media. Honda’s media efforts have been assisted by its attachment to professional soccer and its Spanish-language Web site.

Score: Good

Overall Effort – Honda’s strengths come from its excellent product fit with young, first-time buyers and the fact that the company made *early* efforts to approach minority consumers. Honda’s has benefited from the high levels of brand loyalty to be found in ethnic markets. Except for the combined lines of General Motors’ vehicles, Honda has the highest share of the Hispanic car market with 14.6%.

Score: Very Strong

Toyota

Toyota recognizes the importance of strong “frontline” initiatives.”

Started in 1933, Toyota, the fourth-largest automaker in the world since 1970 (behind General Motors, Ford, and DaimlerChrysler) has produced the best-selling car of all time, the Corolla. The oil crisis of the 1970s, and the subsequent demand for fuel-efficient cars, helped Toyota become a dominant manufacturer in the United States. In 1975, Toyota displaced Volkswagen as the top importer in the United States. The Toyota line has diverse levels of cars and trucks. One of the pioneers in four-wheel drive vehicles with the launch of the Land Cruiser in 1951, Toyota has benefited significantly from the booming SUV market. Toyota has also branched out into upscale models with the introduction of the Lexus line in 1989 in the United States. The current chairman is Hiroshi Okuda and the President is Fujio Cho. Toyota employs approximately 215,000 workers.

In 2000, Toyota earned approximately \$120 billion in revenue. Sales in Japan accounted for 59%, while North American sales were responsible for 29% of sales, with the remaining 12% coming out of Europe and elsewhere. Automotive sales accounted for 86% of Toyota’s revenue in 2000, with 4% coming from financial services and 10% Toyota’s other products, such as factory automation equipment and industrial vehicles.

BENCHMARKING

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Product Fit – Like Honda, Toyota's line fits well with the needs of younger, first-time buyers. Its reputation for economical family cars helps tremendously with minority communities. Toyota's Echo, in particular, has become popular with Hispanics. For example, almost half the Echos sold in Southern Florida are bought by Hispanics. Also like Honda, the limited number of minority-owned dealers may hurt Toyota in the showroom.

Score: Strong

Relevant Values – Toyota has philanthropic work is very much reflects themes that resonate with ethnic communities. With major efforts on education, family literacy and urban and rural healthcare, Toyota is in a good position to maintain an image of a company committed to family and local communities.

Score: Strong

Relationship Builder - Toyota's reputation as a minority-friendly company has gone a long way toward new business development with the communities it targets. Several leading studies have listed Toyota Motor Sales as one of the top ten companies today for blacks, Asians, and Hispanics. Although the number of minority-owned dealerships lags behind U.S. automakers, Toyota is committed to improving its standing. According to a Toyota spokesman, "Enhancing diversity in our retail automotive operations makes good business sense. The addition of several new ethnic minority and women dealers... clearly are steps in the right direction. While we've made significant progress in this regard, we still have a lot more to do." With regard to minority contracts, Toyota missed stated goal of 5% from minority suppliers but will exceed 3% in 2000.

Toyota has also taken the initiative with regard to philanthropy. In addition to its education and health initiative, Toyota announced in August 2000 a \$1 million gift to the National Underground Railroad Freedom Center, an interactive learning center to be built in Cincinnati by 2004. The National Underground Railroad Freedom Center project began in 1994 as a local golden anniversary for the National Conference for Community and Justice, a human relations organization dedicated to fighting bias, bigotry, and racism in the U.S. Toyota said the donation was part of the company's global commitment to diversity.

Score: Strong

Effective Marketing – Toyota is a leading spender in ethnic media with over \$20 million spent in Hispanic media. Toyota also makes several brochures available in Spanish. Toyota's promotional campaigns integrate the company's outreach efforts, product attributes and aggressive advertising.

Score: Very Strong

Overall Effort – The strength of Toyota's products and their aggressive advertising has made Toyota a preferred automaker among ethnic markets. For example, Toyota is slightly behind Honda in percent of the Hispanic car market at 14%.

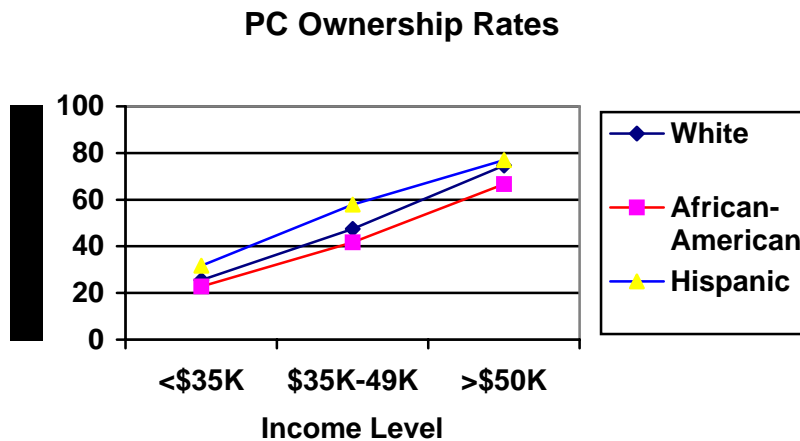
Score: Strong

7.3 PERSONAL COMPUTERS

Industry Overview

Computer makers have been behind the curve when it comes to marketing to ethnic groups

Industry experts generally agree that, until recently, computer makers have not focused on ethnic markets. With lower income and education levels among African-Americans and Hispanics, these groups were not perceived as an attractive audience. In fact, most PC makers usually just target businesses or general consumer audiences. A 1998 study shows that African Americans were less likely to own PCs at every income level and Hispanic households had slightly higher rates of PC ownership than whites. However, with computer prices having dropped below the \$1,000 mark, the demand among ethnic markets has built up. Among those earning less than \$35,000, both African-American and Hispanic households were twice as likely as whites to want to buy PCs in the next year. Some industry experts predict that the Hispanic PC market will be roughly equal to the college-student market in 2000. African-Americans are currently spending more money on computers than televisions. This is particularly important considering that there is currently a strong, overall slump in PC sales worldwide. Many computer manufacturers have been negatively affected by this slump and would benefit significantly from capturing part of this emerging market.



Stressing themes of education are critical towards reaching the ethnic PC market

In addition to the lowering of PC prices, another major reason for the increasing number of ethnic consumers who wish to purchase a computer is their children. Using computers and the Internet as a means of furthering the education of children is a major motivator for ethnic consumers. In fact, in terms of households with access to the Internet, non-Hispanic whites lagged behind both Hispanics and Asian Americans with 34%, 36%, and 64%, respectively. As a result, advertisements and promotions that demonstrate a link between computers and children's academic success are very effective themes with ethnic audiences.

Additionally, PC manufacturers that work with schools and other educational facilities, such as public access libraries, will benefit from increased exposure to ethnic consumers and an association with learning.

The information-intensive nature of PCs makes language a prominent issue

Another barrier to ethnic PC ownership is the technical and information –intensive nature of the product, making language barriers a significant obstacle. Increasing awareness and education about a product takes on some importance in this regard. Although not as large a car, home computers can also represent a significant investment. In addition, comparing and evaluating products can be highly technical and confusing. For this reason, bilingual sales staff and customer support is a critical component of reaching non-fluent audiences.

However, of equal importance is the product itself. Educating non-English speaking consumers about complex products can be challenging enough. However, the use of a PC (generally) requires some ability with the English language. Other areas where language can be a barrier are customer service, technical support, software and even keyboards. Companies that recognize and address this fact, by providing foreign-language software, for example, will have a significant advantage over other PC companies in reaching ethnic audiences.

A growing secondary market may make ethnic audiences even more important in the PC industry

Despite the PC industry's high rate of obsolescence, there are signs that a secondary, or used, market for PCs may become more popular. As a result, ethnic consumers, with lower average incomes, will have improved access to PCs due to lower prices. Manufacturers with lease programs, in which consumers can trade up after a period of time, will be poised to take advantage of this emerging trend, which would likely have stronger representation of ethnic consumers.

Lessons from the PC industry

The PC industry is characterized by:

- Steady reductions in price, thus creating a wider potential marketplace.
- An information intensive product, placing importance on language barriers in both service and the product itself.
- Moving from being a product for specialized, niche audiences to mainstream consumers.
- Seen mainly as an educational tool by a large section of ethnic audiences.
- Slow to court ethnic consumers, giving a strong advantage in the form of brand loyalty to early movers.

- Having the potential for the growth a secondary market, making the product more accessible to lower-income consumers.

Home Computing					
Evaluation Criteria	Apple	Compaq	Dell	Gateway	IBM
Product Fit					
Relevant Values					
Relationship Builder					
Effective Marketing					
Overall Effort					
Total Score (out of five)	2.00	1.80	2.07	4.33	3.87
Poor / Not Applicable	Moderate	Good	Strong	Very Strong	

Apple

Apple makes a very limited effort to target African-, Hispanic-, and Asian Americans.

Once the world's top producer of personal computers, Apple has fallen on hard times as a result of its decision not to license its products and make its platform an industry standard, thus enabling Microsoft/Intel PCs to become the industry standard. In addition to their best known Macintosh computer, Apple also produces the brightly colored iMac desktops and iBook laptops, the high-performance Power Mac G4, Mac OS operating systems; and FileMaker Pro database software. Apple has been able to remain strong in some sectors, remaining popular in classrooms, Web design shops, and graphic arts studios. Co-founder Steve Jobs returned to the distressed company in 1997 as interim CEO. The "interim" was dropped from his title in early 2000. Apple employs approximately 8,500 workers.

In 1999, Apple earned approximately \$6.1 billion in revenue. Of that, 58% came out of North and South America, 21% from Europe, and 14% from Japan. The Power Macintosh accounted for 38% of sales, the iMac was 31%, the PowerBook was 14%, and software and other services were 17% of revenues.

BENCHMARKING

Product Fit – Although higher in price than some competitors, Apple’s emphasis the educational uses of its products fits well with the needs of ethnic consumers. Apple provides special packages for educators and low-interest finance plans for schools and students. In addition, Apple has technical assistance available on its Web site in multiple languages, including Spanish.

Score: Good

Relevant Values – Apple’s emphasis on education plays well with ethnic consumers. Apple has also incorporated major African-American cultural icons into its advertising. A very successful series of advertisements depicted Muhammad Ali, Martin Luther King Jr., and Rosa Parks in a commercial that paid tribute to “those that changed the world.”

Score: Good

Relationship Building – Apple has not undertaken any major initiative to build relationships with ethnic communities.

Score: Poor

Effective Marketing – Apple has been known to produce innovative and evocative commercials, particularly the series mentioned earlier that depicted three African-American icons. However, there has been no significant effort to engage ethnic media.

Score: Moderate

Overall Effort - Steve Jobs, Apple CEO, has publicly stated sentiments to the effect that Apple does not actively target ethnic minorities because, (paraphrasing) “We don’t see color, we only see people.” One Apple executive said, “We have a broad target market, and we try to target anyone who is thinking about buying a computer. African-Americans are a part of that group, but we’ve not done anything special to target our ads towards them.” The same could be said of Apple’s non-efforts towards Hispanic-and Asian-American communities as well.

Score: Moderate

Gateway

Gateway has incorporated a Latin emphasis in its overall marketing efforts.

Started in 1985 as telephone retailer of Texas Instruments’ PC add-ons, Gateway, then known as the TIPC Network, was able to meet the demands of savvy computer buyers who were willing to search through catalogs for the exact system they wanted. Gateway has since become the second-largest computer maker behind Dell in telephone and online sales. With weak global sales in the corporate computer market, Gateway has refocused its efforts on traditional small business and retail customers. Gateway operates over 250 Gateway Country test drive showrooms and has plans to expand further into Canada and Europe. The company also plans to establish in-store sales operations at some 1,000 OfficeMax locations. Founder Theodore W. Waitt still acts as chairman of Gateway, but Jeffrey Weitzen is the President and CEO. Gateway employs approximately 21,000 workers.

In 1999, Gateway had sales of approximately \$8.6 billion. Of that, 86% was from the United States, 8% was from Asian and Pacific Rim countries, and 6% was from Europe. Sales to consumers accounted for 48% of revenue, business sales were 37%, and 15% came from other sources.

BENCHMARKING

Product Fit – In October 1999, Gateway began an extensive effort to target Hispanic consumers. A leasing program allows consumers to get a PC and Internet access for as little as \$30 a month. The PC comes bundled with Spanish-language versions of Microsoft Office or Microsoft Works plus five family-oriented pieces of software from Learning Co. Spanish keyboards are also available. Gateway is expected to add Spanish-language pages to its Gateway.net portal site and links to Spanish-language portals. Gateway is also going to have bilingual staffers available on the telephone, online and in stores. Gateway had planned on having 500 bilingual employees in 2000. As one Gateway spokesperson put it, "The appeal in this market is no different from our mainstream market. Hispanics want to educate their kids, want quality products that are well supported and available in their language."

Score: Very Strong

Relevant Values – Gateway's product, pricing and promotions for the Hispanic market focus strongly, and wisely, on education. Gateway advertisements use family and education as common themes. One example is a commercial in which a family encourages a child who wants to become a pilot. In another, a Hispanic woman uses a Gateway portable PC as the narrator says, "Wherever your dreams take you, we're there."

Score: Strong

Relationship Builder – Gateway has become involved with the Hispanic community online. In March 2000, Gateway announced an agreement with Quepasa.com, a leading Hispanic community Web site, in which Gateway would purchase 7.6% of Quepasa.com for \$10 million. Gary L. Trujillo, Quepasa.com's Chairman and CEO said in an interview, "Gateway made a very public commitment to [the Hispanic] community when it announced its Spanish-language initiative in September 1999 and now the company is further expanding that commitment by investing in the only publicly traded community to do so in both English and Spanish."

In addition, Gateway sponsored the Tapas portion of Miami's Hispanic Heritage celebration and held small-scale fiestas at its Gateway Country stores. The firm also plans to be involved in computer programs at predominantly Hispanic elementary schools throughout the country.

Score: Strong

Effective Marketing – As part of Gateway's effort to target Hispanics, the company began with an advertising budget of \$2.5 million for television and radio advertising for 1999 with significant increases likely for 2000. The campaign will include television spots on the Univision and Telemundo networks along with local radio and product ads in Spanish-language newspapers. The ads emphasize the company's Spanish-speaking sales and technical help and each finish with the theme "Tomarlo Personal," which means taking it personal.

Score: Very Strong

Overall Effort – Gateway is clearly the leader among PC makers for marketing to Hispanics. The only negative feature of Gateway’s ethnic strategy is that other ethnic groups have not received the same attention, although many aspects of their campaign (e.g. price, focus on education) can carry over into other ethnic markets.

Score: Strong

IBM

IBM has launched a multimillion-dollar campaign aimed at niche groups, including African-, Asian, and Hispanic Americans.

IBM’s roots go back to 1914 and punch-card processing machines. Changing its name from Computer-Tabulating-Recording Company to International Business Machines in 1924, IBM went on to quickly dominate the global market for tabulators, time clocks, and electric typewriters. By 1940, IBM was the largest office machine maker in the United States. It is not an exaggeration to say that the research and development that came out of IBM provided the foundation for computer industry of today. However, IBM’s size and history may have hurt the company as, in the 1980s, IBM continued to focus on large mainframe systems as the market was moving towards small, inexpensive personal computers. Although now a PC manufacture, IBM continues to focus on business products and applications. IBM, which was late to adopt a strategy for addressing the needs of small Internet companies, also is trying to attract startups with increased services and financing. IBM is run by Chairman and CEO Louis V. Gerstner, Jr. and employs approximately 307,000 workers.

In 1999, IBM had sales of approximately \$88 billion. Of that, 42% came from the United States, 12% from Japan, and 46% from other countries. Hardware accounted for 42% of revenue, business services have grown to 37%, software was 14%, and financing and enterprise investments accounted for the remaining 7%.

BENCHMARKING

Product Fit – IBM, like Gateway, has been serious about marketing to ethnic groups. However, IBM has taken a different approach and is actively going after small businesses rather than households. E-business products and services have become IBM’s dominant focus. For clients of all sizes, that means everything needed to convert a bricks-and-mortar outfit into an e-business operation. With ethnic minority groups owning close to a third of new businesses, IBM is well positioned to become a leader in this emerging category.

Score: Strong

Relevant Values – IBM’s general strategy is to target ethnic small businesses of all types. Since the company is going after a diverse audience, it uses diversity as a strong theme in its marketing. While not specific to any one ethnic group, themes of diversity have proven to be moderately effective with minorities. IBM insists on diverse casting in all ads, including newspaper ads, which account for about \$150 million of the ad budget.

Score: Good

Relationship Building – With IBM’s focus on minority businesses and individual consumers, it is with the business community that IBM is building a relationship. To reach minority business owners, IBM works with groups such as the U.S. Hispanic Chamber of Commerce and the National Black Business Council. IBM sponsors events and conventions, providing speaker and special prices on computer/printer packages. Whenever possible, IBM ties its niche campaigns to events such as February's Black History Month and May’s Asian Heritage month, as well.

In addition, much of IBM’s philanthropic work centers on education and literacy, which can be helpful with ethnic markets, business or otherwise.

Score: Strong

Effective Marketing - IBM has undertaken a multimillion-dollar ad campaign aimed at ethnic and other population groups. A slice of its \$600-million annual ad budget has been allotted to target eight niche groups, including the African-American, Asian American, and Hispanic communities. Another segment of IBM’s campaign is focused on niche business magazines and supplemented by corporate, or brand, ads in niche newspapers. These include African-American papers, such as the Atlanta Voice, Chicago Defender and New York Amsterdam News, and Latino-oriented papers, such as Noticias Del Mundo in New York as well as El Heraldo de Brownsville and the Harlingen Valley Morning Star in Texas.

Score: Strong

Overall Effort – Having taken the lead in targeting minority business owner, IBM is in an excellent position to maintain its dominance.

Score: Strong

Dell Computers

Dell has a decent program of targeted marketing campaigns towards minorities as programs for employee recruitment

Dell is currently the largest direct seller of personal computers and the second largest PC maker behind Compaq. Started in 1984 out of Michael Dell’s college dorm, Dell sold IBM clones directly to consumers rather than through retail outlets. By avoiding retail markups, Dell could sell PCs at about 40% of the price of an IBM. In 1990 and 1999, Dell allowed CompUSA and Staples, respectively, to sell its PCs at mail-order prices. Dell began selling PCs through its Web site in 1996, which currently draws \$40 million in computer sales daily, and processes up to half of the company’s transactions. Founder Michael Dell is still Chairman and CEO. Dell employs approximately 37,000 employees.

In 2000, Dell posted revenues of approximately \$25 billion. Of that, 71% came from the Americas, 22% from Europe and 7% from Asian and Pacific Rim countries. Desktop computers accounted for 54% of revenue, notebooks were 23%, and enterprise systems were 15%. Additionally, nearly 60% of Dell’s desktop PCs, notebooks, and network servers were sold to government entities, large corporations, and educational facilities.

BENCHMARKING

Product Fit – Dell offers multiple levels of home computers for various income levels and needs, with lower levels below \$700, making Dell accessible to lower income, minority households. Dell also offers online support for multiple countries with multiple languages.

Score: Good

Relevant Values – Although Dell does not target individual minority groups, it does use diversity as a theme throughout its promotions.

Score: Good

Relationship Builder - Dell has recognized the problem of our national “digital divide”, and has undertaken several philanthropic endeavors to combat it. For example: Dell contributed \$100,000 in computer equipment for projects at selected public schools in Austin, TX that train students and adults in the use of computers, and provide all-day access to the computers. Dell worked with a vendor that provided an additional \$100,000 in software, training programs and Internet access. Dell also recently announced a grant program for teachers aimed at enhancing the use of technology, specifically the Internet, in classrooms. However, a majority of Dell’s philanthropy is limited to areas where the company has a significant presence.

Score: Good

Effective Marketing – Dell has had only limited exposure in ethnic media and does not offer group-specific content.

Score: Moderate

Overall Effort – Like most competitors, Dell has not implemented any comprehensive strategy for marketing to ethnic groups.

Score: Poor

Compaq

Compaq makes little overt effort to target ethnic minority groups

Formed by Joseph Canion and two other ex-Texas Instruments engineers in 1982, Compaq began manufacturing and selling portable IBM-compatible computers. Within one year, Compaq had recorded sales of \$111 million. Emphasizing leading-edge technology, Compaq introduced a 28-pound computer 18 months before IBM and was the first to release a computer based on Intel’s 386 chip in 1986. Utilizing the base of dealers and suppliers built up around the IBM PC, Compaq became the first company to exceed the \$2 billion sales mark within six years of its first product introduction. A price battle in the early 1990s led to Compaq surpassing IBM in world PC sales by 1994. In addition to personal and business computers, Compaq has also expanded into consulting, network integration and

project management services. Currently, Michael Capellas is Compaq's Chairman, President and CEO. Compaq employs approximately 85,000 workers.

In 1999, Compaq had revenues of approximately \$38 billion. Of that, 45% were from the United States. Consulting services accounted for 52%, commercial PCs were 32%, and consumer PCs were 15% of sales.

BENCHMARKING

Product Fit – Like Dell, Compaq computers come with multiple price levels, giving lower-income households access to computers. As the leading PC maker in the world, consumers of all types should find a product to suit their needs.

Score: Good

Relevant Values – Compaq has done little to incorporate values significant to ethnic markets except for an emphasis on education in its philanthropy.

Score: Moderate

Relationship Builder - Compaq has engaged in moderate philanthropic activities, mostly centered on improving education and strengthening the communities in which they operate. In Silicon Valley, Compaq created an innovative literacy program that encourages more than 18,000 public elementary school students in Santa Clara and Southern Alameda Counties to read. Compaq has donated resources and equipment to the San Jose Children's Discovery Museum and Idea Labs at The Tech Museum of Innovation.

Score: Moderate

Effective Marketing – Compaq has not made significant investments in ethnic media or has used ethnic-oriented content in its promotion.

Score: Poor

Overall Effort – Although Compaq has not targeted ethnic groups, the strength of its product will attract all consumers.

Score: Moderate

7.3 FINANCIAL SERVICES

Industry Overview

Government regulation pushed financial institutions ahead of the curve regarding marketing to ethnic groups

The financial services industry has been a leader in marketing to ethnic groups. This is due, in part, to the Community Reinvestment Act (CRA). The CRA was created because banks tended to stay in affluent, white neighborhoods, preventing poor and minority populations from gaining access to traditional financial services thereby discouraging the accumulation of wealth. The CRA establishes that “regulated financial institutions have continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.” The law singles out lower-income neighborhoods when it says regulators shall “assess the institution’s record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution.” This law was amended in 1989 to establish a four-tier examination rating system and requiring public disclosure of an institution’s rating and certain portions of its examination report. With the CRA in place and banks being pushed into ethnic communities, these companies were given an incentive early to make the best of the situation.

In addition, unlike many other industries, financial services have taken a much stronger interest in Asian American consumer. Although smaller in number than African-Americans or Hispanics, Asian Americans have higher incomes than all other major ethnic groups, including non-Hispanic whites. They are also concentrated geographically, particularly along the West coast and in urban areas. With many banks operating in a particular region, there can be substantial incentive to market to Asian Americans.

As an industry, financial services have negative history and associations to overcome

Because of the complex and on-going nature of financial services, the ability to establish relationships with communities takes on increased importance. The financial services industry has a negative past, having been associated with practices of redlining. This past needs to be overcome in some communities. For consumers in immigrant communities, negative associations with financial services in their home country also need to be overcome. As a result, active steps towards demonstrating a company’s commitment to a community will help erase some of these negative preconceptions.

Many ethnic communities have incorporated non-traditional financial services

The lack of access traditional financial services and sources of capital have created alternative services in many ethnic communities. As many minorities have not had full access to banks, credit cards and mortgages, services such as check cashing, pawnshops, loan sharks, and other aspects of a cash-only economy have become important sources of financial services. Targeting ethnic communities requires that financial service companies demonstrate their superiority to the services that are available and familiar.

Education and communication are extremely important to financial services

Language and education is also of importance in financial services. The subject matter is often complex. In many populations, there is limited awareness about the nature of financial products. Some immigrant communities may have negative associations with financial institutions that have been imported from their country of origin. The need to educate consumers, which may require foreign languages, is extremely important in this industry. Providing foreign language service is a critical component of maintaining the ongoing relationship between consumers and financial service companies.

Lessons learned from the Financial Services industry

The Financial Services industry is characterized by:

- A need to establish ongoing relationships between companies and consumers.
- A very complex and confusing product.
- Products that can be very alien to many ethnic consumers, particularly immigrants.
- Being strongly attached to the community in which businesses operate.
- Facing a marketplace that has incorporated non-traditional alternatives to their product.

Financial Services					
Evaluation Criteria	BankOne	Bank of America	Chase	First Union	Schwab
Product Fit					
Relevant Values					
Relationship Builder					
Effective Marketing					
Overall Effort					
Total Score (out of five)	3.07	4.80	3.20	2.33	3.87
Poor / Not Applicable	Moderate	Good	Strong	Very Strong	

Bank One

Bank One is committed to provide financing in underserved areas

The Chicago-based company is the fourth largest United States bank by assets, behind Bank of America, Chase Manhattan, and Citigroup, and its First USA unit is the second largest credit card issuer in the United States, behind Citigroup. Bank One has more than 1,800 branches in 14 states provides electronic banking facilities for customers anywhere in the United States. Bank One has tried to become a “one-stop shop,” offering credit card services, retail and commercial banking, leasing, lease financing, investment management, and consumer finance. James Dimon is currently Chairman and CEO. Bank One employs approximately 86,000 workers.

In 1999, Bank One had approximately \$269 billion in assets and \$26 billion in revenues. Of that, 50% came from interest on loans, 16% from interest from other sources, 14% from fees and commissions, 13% from credit card income, and 3% on gains on investments.

BENCHMARKING

Product Fit – Bank One has also been a pioneer in reaching out to Hispanic consumers ever since it acquired Valley National Bank, a Texas bank which a strong Hispanic base. Applying lessons learned from Valley National, Bank One has used a strategy of segmenting Hispanic consumers into three groups, unacculturated Hispanics who are predominately Spanish speaking, bilingual and bicultural Hispanics

who are becoming more familiar with banks and financial services, and acculturated Hispanics who are more sophisticated in their banking habits. Using this segmentation strategy, Bank One provides different products depending on the consumers' comfort level.

Score: Strong

Relevant Values – Bank One's segmentation strategy underscores their understanding of the changes in perception and need that comes with acculturation. Bank One approaches each segment with different themes to resonate with each stage of their ethnic customers.

Score: Good

Relationship Builder – Bank One sees itself as a strong community supporter by providing community-based project financing in areas that are typically not looked upon as development opportunities. It has created a division called, Banc One Community Development Corporation, to manage its community development projects.

Score: Good

Effective Marketing – Education is a critical aspect of Bank One's segmentation strategy. Bank One recognizes the strong need for continual education with the acculturation process. Bank One has also effectively utilized a diverse workforce in penetrating ethnic markets. Bank One makes a practice of hiring brokers who reflect the ethnicity of the neighborhood surrounding a bank branch. In close-knit communities, one ethnic broker will create significant word of mouth generation of new business.

Score: Good

Overall Effort – Bank One has been a pioneer in marketing to Hispanics, and is planning on reaching out to other ethnic groups in the future. However, the company will need to move beyond its segmentation strategy and address cultural differences between groups.

Score: Good

Bank of America

Bank of America saw the potential of ethnic markets early on

Bank of America, formed in 1998 by the merger of NationsBank and BankAmerica, is the nation's largest bank. Based in Charlotte, North Carolina, Bank of America has more than 4,500 branches in 21 states as well as offices in almost 40 countries. Bank of America operates through four business segments: Consumer Banking (its largest unit, which provides retail banking, credit cards, and insurance), Commercial Banking (commercial loans, treasury services, and equipment leasing), Global Corporate and Investment Banking (international investment banking), and Principal Investing and Asset Management (financial services for private clients). Bank of America is currently focusing on its online presence, expanding electronic billing and payment options and building a business-to-business Web site. At the same time, Bank of America is closing a few hundred branches and restructuring remaining branches into three distinct types, each focusing on traditional banking services, simple transactions, and financial

planning. Hugh McColl Jr. is Bank of America's Chairman and CEO. Bank of America employs approximately 156,000 workers.

In 1999, Bank of America had approximately \$633 billion in assets and \$52 billion in revenue. Interest on loans accounted for 54% of revenue, interest on other investments was 17%, charges and fees were 8%, credit card income was 3%, and asset management was 2% of revenues.

BENCHMARKING

Product Fit – Bank of America has taken the approach that the market for white homeowners is nearing saturation. With African-American and Hispanic homeownership rates approximately two-thirds that of non-Hispanic Whites, Bank of America sees minority homebuyers to be a growth market. To tap that market, Bank of America introduced two innovative mortgage structures in 1998 to serve the low-income market and reach minorities and immigrants, groups usually passed over by conventional programs. Bank of America created the programs after studying data from rejected applicants and from existing low-income borrowers and found a viable market. In the spring of 1998, Bank of America introduced the Zero Down program, which requires no down payment from low-income borrowers with established credit.

Bank of America also understands that since many ethnic communities have not had access to credit, they may not have credit history whatsoever. In response, Bank of America introduced Neighborhood Advantage Credit Flex, in July 1998. Rather than using traditional methods of assessing consumers' credit histories, Bank of America looks at other aspects of applicants' financial history, such as timely payment of rent and utilities.

Bank of America also recognizes the increased importance of using foreign language in financial service. Bank of America can accommodate speakers of several Asian languages. Bank of America also takes a customized approach and will use formal or informal Spanish, depending on nationality.

Score: Strong

Relevant Values – Bank of America is closely attuned to a wide variety of cultural nuances, particularly among Asian Americans. Bank of America has a solid understanding of idiosyncrasies such as the meaning of certain colors and numbers for various Asian cultures. Bank of America has implemented tailored promotions with ethnic holiday tie-ins, such as Asian New Year celebrations or First Communion among Hispanics.

Score: Strong

Relationship Builder – In terms of community development, Bank of America has embarked on an ambitious plan to spend \$350 billion over the next ten years. Bank of America has also sponsored a nationwide survey by the National Conference for Community and Justice that studied interracial and intergroup relations and attitudes.

Bank of America has incorporated substantial educational programs to combat the relatively lack of awareness among minority groups. To address the industry's general inattention paid to educating African-Americans with regard to savings and investments, Bank of America has networked with many community churches in an effort to educate parishioners, taking advantage of strong social communication networks often found in ethnic communities. Bank of America uses materials that

explain investing basics and demonstrate how consumers can use Bank of America's programs to get a mortgage for zero down, purchase retirement products, and so on.

Score: Very Strong

Effective Marketing – Bank of America uses home mortgages as the cornerstone of long-term relationships with ethnic consumers. Bank of America believes that once consumers become committed to a long-term product, such as a mortgage, opportunities for cross-selling other products will arise.

Bank of America ran heavy promotions for its targeted products in ethnic media and has tied in its campaigns with significant ethnic holidays and events. Bank of America has made significant efforts to have staffs that reflect the make-up of the communities it serves.

Score: Very Strong

Overall Effort – Studies have shown that about 40 percent of new homebuyers in recent years have come from the low-income and minority markets. Bank of America has been ahead of the curve in marketing to increasingly important ethnic communities. In addition to marketing its retail bank products to ethnic consumers, Bank of America will soon expand its efforts to include investment products. It is also planning to expand its existing ethnic marketing campaign to other markets throughout the U.S.

Score: Very Strong

First Union

While not aimed at ethnic communities, First Union has done substantial philanthropic work

Through a strategy of aggressive acquisitions beginning in 1991, First Union has become the sixth-largest bank in the United States. The bank views acquisitions as part of a larger strategy of becoming a 50/50 mix of traditional banking on one hand, and investment, brokerage, financial and insurance services on the other. However, difficulties in assimilation and acquisition costs forced First Union to issue earnings warnings in 1999, resulting a drop in stock price and a lawsuit from investors. First Union's CEO is Kennedy Thompson. First Union employs approximately 72,000 workers.

In 1999, First Union had approximately \$253 billion in assets and \$22 billion in revenue. Of First Union's revenues, 49% came from interest and fees from loans, 13% came from interest and dividends on securities for sale, 11% came from capital management, and 8% from capital markets.

BENCHMARKING

Product Fit – First Union has recently introduced multi-lingual call centers for limited geographic regions. It will have approximately 260 customer service representatives, financial specialists and administrative staffers.

Score: Moderate

Relevant Values – Much of First Union’s community involvement has been focused on education, early childhood literacy and other issues of importance among ethnic communities.

Score: Good

Relationship Builder – First Union has incorporated an extensive staff volunteerism programs. It has also made a strong effort to make capital available to underserved areas. Although First Union’s philanthropic work has not focused specifically on the needs of minorities, the company has made substantial contributions in the areas of community development, education and low-income health care, issues that are generally of concern to ethnic groups. First Union has received the President’s Service Award, the government’s highest award for volunteer service, for the company’s Education First volunteer program.

Score: Good

Effective Marketing – First Union has had only limited exposure in ethnic media and has not tailored its content to suit ethnic audiences.

Score: Moderate

Overall Effort – First Union has been hampered by its limited profile in ethnic communities.

Score: Moderate

Chase Manhattan

Chase has made a strong commitment to diversity and community development

Now officially known as J.P. Morgan Chase & Co. following Chase Manhattan’s acquisition of J.P. Morgan & Co., Chase is the second-largest bank in the United States after Bank of America. Chase offers commercial, consumer, and institutional banking throughout the United States and the world. Chase has a network of more than 700 branches concentrated in New York and Texas. The recent acquisition of J.P. Morgan brings strength in investment banking and equities to Chase’s dominant role in commercial banking. Chase’s Chairman is Douglas A. Warner III and its President and CEO is William Harrison Jr. Chase employs approximately 75,000 workers.

In 1999, Chase Manhattan had approximately \$406 billion in assets and J.P. Morgan had \$261 billion. Chase’s revenues totaled \$34 billion with 39% coming from interest on loans, 10% from interest on securities, 18% from service and management fees, and 5% from credit card revenue. J.P. Morgan’s revenue totaled \$18 billion with 60% coming from interest, 17% from trading, 9% from advisory and underwriting fees, 6% from investment management, and 5% from fees and commissions.

BENCHMARKING

Product Fit – Since the first quarter of 1999, Chase has had the ability to offer complete credit card services in Spanish – including solicitation letters, statements, and customer-service and fraud-center representatives. Chase is also working on providing similar services in Chinese.

Score: Good

Relevant Values – Chase has focused on issues of workplace diversity, access to credit for low-income areas, community development and other issues that are important to ethnic communities.

Score: Good

Relationship Builder – Chase made several commitments to providing access to capital to underserved and minority businesses. Chase is nearing the end of a five-year \$18.1 billion community investment commitment. In 1997 and 1998, Chase was awarded the U.S. Small Business Administration's Pinnacle Award, which recognizes the lending institution that has made the greatest number of SBA loans. Chase has also twice won the Pacesetter Award for excellence in lending to minority and women-owned businesses.

In their efforts to foster diversity, Chase has formed 35 diversity councils throughout the bank, involving more than 700 people. These councils address work-place issues for people from different ethnic backgrounds in an effort to create an ideal environment where everyone can be successful and perform at their best. Chase has been at the forefront of viewing diversity as a reality of the demographics of the work force, and considers minority recruitment as a business need.

Chase has also been involved in local ethnic communities, sponsoring events in public schools and working on improving return rates for the U.S. Census among minority areas.

Score: Strong

Effective Marketing – While Chase has always solicited and attracted people who, for example, were Spanish-speaking or ethnic Chinese, it has only been recently that they have started thinking about marketing to different groups according to their ethnic background. Only within the past year has Chase tried to understand unique things that can be done in terms of communication or other forms of service. They have discovered that taking these measures continues to prove successful. One such measure that they have take is to actively recruit minorities as career fairs.

Score: Good

Overall Effort – Chase's greatest assets in terms of its future viability are its diversity councils. They offer a tremendous opportunity to leverage the experience and knowledge of its employees, to form effective ethnic marketing strategies. Chase's main strategy is to develop their ethnic marketing initiatives through increasing diversity within the company. By rewarding employees that contribute to Chase's diversity its bound to generate some unique ideas and methods in ethnic marketing in the coming years.

Score: Good

Charles Schwab

Schwab was an early marketer to Asian Americans and has recently broadened its view to African-Americans

Schwab's main focus is still the discount brokerage, the area it pioneered about 25 years ago. With more than 360 offices in the United States, Schwab has exported no-frills trading to Canada, the United Kingdom, and a few Asian and Pacific Rim countries. However, it is beginning to offer more advisory services. Schwab also offers online trading, futures and commodities trading, access to IPOs, and educational material. Schwab is also a leading mutual fund distributor, offering approximately 1,900 no-load mutual funds. Through a partnership with E-Loan, Schwab has also added mortgages to its service mix. Founder Charles Schwab is Chairman and Co-CEO, along with President and Co-CEO David Pottruck. Schwab employs approximately 18,000 workers.

In 1999, Schwab had revenues of \$4.7 billion. Of that, 39% came from commissions, 31% from interest, 16% from mutual fund service fees, and 11% from principal transactions.

BENCHMARKING

Product Fit – Schwab created a 24-hour call center with assistants fluent in both Mandarin and Cantonese, and conducted educational seminars for Asian Americans. Schwab recognized in the early stages of ethnic segmenting that there were tremendous cultural differences between groups regarding which particular products they actually use. Schwab has found that Chinese-Americans throughout the country are far more active traders than, for example, Hispanic Americans. As a result, Charles Schwab has created an Internet trading site in Chinese.

Because of Schwab's strategic focus on the Asian-American market, banks are looked upon as principal competitors. The general tendency has been for Asians, once they arrive on the mainland, to look upon banks as more reliable enterprises than investment firms, in which to place their money. This is because many recently arrivals in the Asian community lack familiarity with financial services products, and also because they recognize banks as safe havens for their money. With this in mind, Schwab has staffed a 24-hour call center with people who speak Mandarin and Cantonese. It also ran 100 financial services education seminars in 1999, attended by more than 1,000 people. This helps Schwab's overall effort to position itself not only as a provider of financial services products but also as a trusted educator.

More recently, Schwab has set its sights on the African-American market, beginning in 1997 with a large survey of African-American investors. Results from the survey showed that African-Americans view the stock market as a risky enterprise. Schwab has undertaken a nationwide educational seminar program for African-American investors, which has become very popular.

Score: Very Strong

Relevant Values – Schwab's focus on Asian Americans has led to the company to a strong understanding of many relevant customs, traits and idiosyncrasies. With strong ethnic staffing, Schwab is able to understand and adapt to the mores of a variety of cultures.

Score: Strong

Relationship Builder – Schwab’s early strategy to target Asian Americans and their recent efforts to education African-American consumers is a good start to building long-term relationships with these communities.

Score: Good

Effective Marketing – Charles Schwab has taken advantage of strong social communication networks through its educational programs. By helping to create a new group of consumers (through its African-American education programs), Schwab has taken an early lead with a strongly brand loyal market.

Score: Strong

Overall Effort –

Charles Schwab has, until recently, chosen to focus almost exclusively on the Asian-American market. They have seen a growth rate of 50% a year and Asian American now account for an increasing share of Schwab’s overall business. While Schwab has made inroads with African American investors with its educational programs, it remains to be seen whether or not Schwab will pursue African Americans or Hispanics with the same level of commitment.

Score: Strong

8 WORKSHEETS

UNDERSTANDING YOUR TARGET AUDIENCE	IDENTIFYING YOUR MARKET POSITION	ASSESSING THE COMPETITION
<p>What are the target-specific values and themes in the community?</p> <p>What images and icons are relevant?</p> <p>What are the relevant gender/familial roles?</p> <p>What is the level of awareness of your category/product?</p> <p>What are the relevant differences among sub-groups (i.e. nationality, dialect, acculturation)?</p> <p>What are the media habits of your target audiences?</p> <p>What are the important events and holidays in the community?</p> <p>What are the general demographics of the group?</p>	<p>What is the reputation of your company in the target community? Of your industry?</p> <p>What alternatives to your product can be found?</p> <p>Is your involvement in community events, activities and charities deemed appropriate by the group for your:</p> <ul style="list-style-type: none"> • product • product category • competition <p>Is the audience reflected in your workforce?</p>	<p>Is your competition:</p> <ul style="list-style-type: none"> • Mainstream • Culturally-specific • A recent entry to the community <p>Does your competition speak to the target audience with:</p> <ul style="list-style-type: none"> • Foreign language • Literal translation • Idiomatic expressions <p>What sources of information about your products/category are there?</p> <p>How effective is your competition's use of media?</p> <p>Are they publicly involved in community events and charities?</p> <p>Are minorities employees used in public roles? Upper management?</p>