

## **Affluent U.S. Hispanics: Segmenting the Segmented**

It is hypothesized that if economic growth continues, especially as entrepreneurialism grows and younger Hispanics enter the workforce or progress in their careers, this group will increase in size and influence on U.S. General Market consumer needs, desires, and trends. Hispanics in the United States are a dynamic and evolving demographic, estimated at 14.8 percent of the total U.S. population and projected to experience substantial growth over the next four decades.<sup>1</sup> By the year 2050, nearly 30 percent of the total population will be Hispanic.<sup>2</sup>

However, when it comes to purchasing power, not all U.S. Hispanics are the same, and marketers must be mindful of the complexities that exist within this segment of the market in order to benefit from its nuances. For example, affluent U.S. Hispanics command a greater share of American wealth and are critical in multicultural markets because of the power they wield.

Affluent U.S. Hispanic households with median incomes of \$100,000 or more have grown to over ten percent in 2006, or more than 1.3 million households.<sup>3</sup> Nevertheless, this segment of the U.S. Hispanic population still remains uncharted territory. No one has conducted significant research into this area of the market, and most companies underestimate the tremendous possibilities that can arise from courting this segment's loyalty. COSTA IMC has carefully reviewed existing data, aiming to shed light on the U.S. Hispanic segment as a whole and on affluent U.S. Hispanics.

### ***Population Growth/Demographics***

The U.S. Hispanic population is experiencing tremendous growth among native-born residents as well as immigrants, with Latin-American immigration peaking in the economic boom of the late 1990's. The majority of U.S. Hispanics (60 percent) are native born, with the remaining 40 percent foreign born.<sup>4</sup>

Hispanics under the age of 18 are a third of the U.S. Hispanic population; 90 percent are native-born.<sup>5</sup> U.S. Hispanic children and teens contribute to the lower average age of the Hispanic population in general. The median age of U.S. Hispanics is 27 vs. the median age of 36 for the total population.<sup>6</sup>

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<sup>1</sup> U.S. Census Estimate, July 1, 2006

<sup>2</sup> Pew Hispanic Center Report: U.S. Population projections 2005-2050

<sup>3</sup> U.S. Census Current Population Survey 2006

<sup>4</sup> Pew Hispanic tabulations of U.S. Census American Community Survey 2006

<sup>5</sup> Synovate

<sup>6</sup> U.S. Census Estimate, July 1, 2006



Hispanic country of origin or ancestral heritage includes 22 Latin American countries, however, the majority of U.S. Hispanics come from Mexico (64 percent; four out of ten are immigrants), Puerto Rico (nine percent) and Cuba (three percent; six out of ten are immigrants).<sup>7</sup>

### ***Geography***

The U.S. Hispanic population remains fairly well concentrated in a limited number of states and urban areas; however, there is evidence of migration to low penetration states and to suburban and rural areas.

Over 80 percent of U.S. Hispanics live in ten states: California, Texas, Florida, New York, Illinois, Arizona, New Jersey, Colorado, New Mexico, and Georgia (vs. 37 percent of the total population). Virtually all states have shown U.S. Hispanic population growth vs. 2000 levels, but the following states had higher than 50 percent gains in U.S. Hispanic population over the seven year period: Georgia, Nevada, North Carolina, Tennessee, South Carolina, Arkansas, and Alabama.<sup>8</sup> Though the majority of U.S. Hispanics live in urban areas, higher population growth rates have been found within suburban and rural communities.<sup>9</sup>

### ***Acculturation***

Acculturation is the process of learning a second culture while retaining values and behaviors of the original culture. This differs from assimilation, in which immigrants fully adopt their new culture, abandoning aspects of their original culture.<sup>10</sup>

There are various estimates of Hispanic acculturation levels in the U.S., ranging from 45-75 percent of U.S. Hispanics with some level of acculturation to mainstream U.S. society (with 25-55 percent relatively unacculturated).<sup>11</sup> The Spanish language remains a strong connection to Hispanic heritage, shared with family and community, but as U.S. Hispanics become integrated into mainstream U.S. culture and society, English becomes more important in work situations: Spanish is spoken at home for the majority of U.S. Hispanics, but less than half speak Spanish in their place of work.<sup>12</sup>

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<sup>7</sup> Pew Hispanic tabulations of U.S. Census American Community Survey 2006

<sup>8</sup> Pew Hispanic tabulations of U.S. Census American Community Survey 2006

<sup>9</sup> U.S. Census, USDA Economic Research Service, Rural Development Research Report no. RDRR99

<sup>10</sup> Dr. Felipe Korzeny, "Acculturation, Conceptualization and Measurement," Quirk's April 1998

<sup>11</sup> Synovate U.S. Diversity Markets Report 2006, People en Español HOT Study 2006

<sup>12</sup> Synovate U.S. Diversity Markets Report 2006





It has been proposed that this unique fusion of cultures, with Hispanic culture's focus on family and tradition merging with American independence, ambition and risk taking, is "at the core of the Latino middle class and the growing ranks of the wealthy Latino community."<sup>13</sup>

### ***Income/Buying Power***

Median income for U.S. Hispanic households has increased over time to nearly \$38,000 in 2006, remaining lower than income levels for non-Hispanic White households (\$52K), but has surpassed levels for non-Hispanic Black households (\$32K).<sup>14</sup>

Buying power for this entire group was nearly \$900 billion in 2007, and is estimated to reach \$1.2 trillion by 2012, accounting for nearly ten percent of total U.S. consumer buying power.<sup>15</sup> Beyond the U.S. Hispanic population increase, the increase in buying power is partially attributable to younger U.S. Hispanics entering the workforce or progressing in their careers, along with growth in the number of U.S. Hispanic business owners.<sup>16</sup>

Although U.S. Hispanic income is lower than that of the general population, U.S. Hispanics on average spend a greater proportion of their disposable income, helping to narrow the gap vs. non-Hispanic White purchasing power.<sup>17</sup> According to the U.S. Consumer Expenditure Survey, U.S. Hispanics spend more on big ticket items such as: housing, vehicle purchases, major appliances, as well as on groceries, telephone, men's/children's apparel, personal care products and services, and gasoline/motor oil.

### ***Business Ownership***

Entrepreneurs are helping to drive the growth of the U.S. Hispanic middle and upper classes, supplying economic stability for the business owner and family, and providing a springboard for children to further their economic growth. It is estimated that two million small businesses worth \$350 billion in revenue are owned by U.S. Hispanics; this number is expected to grow to 3.2 million businesses worth \$465 billion in revenue by 2010.<sup>18</sup> Many of these businesses are small, with less than \$250,000 revenues and one to three employees. Notably, female U.S. Hispanic businesses have grown in number over the past ten years, comprised of mainly service sector, retail, and real estate concerns.<sup>19</sup>

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<sup>13</sup> Tomás Rivera Policy Institute, "Increasing Wealth in the Latino Community," 2007

<sup>14</sup> U.S. Census Bureau Current Population Survey 2006 data

<sup>15</sup> University of Georgia Selig Center for Economic Growth, Multicultural Economy Report 2007

<sup>16</sup> University of Georgia Selig Center for Economic Growth, Multicultural Economy Report 2007

<sup>17</sup> vFinance, Inc.

<sup>18</sup> AdAge, Marketing to Hispanics, March 2008

<sup>19</sup> Tomás Rivera Policy Institute, "Increasing Wealth in the Latino Community," 2007





### ***Home Ownership***

Home ownership levels have increased over time and have surpassed African-American levels, with 49 percent of U.S. Hispanics living in owner-occupied dwellings in 2006, up from 46 percent in 2000. Home ownership is even higher for native-born Hispanics, at 53 percent in 2006.<sup>20</sup>

### ***Affluent U.S. Hispanic class***

U.S. Hispanic affluence has been defined in several sources as household incomes of \$100,000 or more. One source describes U.S. Hispanic millionaires as self-made, first and second generation Americans.<sup>21</sup>

According to the U.S. Census, demographic skews for affluent Hispanics include:

- Ages 35-54
- Married
- Homeowners
- Over 50 percent associate's degree or higher education
- Pacific region
- Slightly larger households
- 2+ wage earners in the household<sup>22</sup>

It has been estimated that 50 percent of the U.S. Hispanic affluent class is foreign born, and one in eight is self-employed.<sup>23</sup>

Nearly half (45 percent) of affluent U.S. Hispanics are concentrated in five markets: Los Angeles, New York City, Miami, Houston, and Chicago.<sup>24</sup>

The growing U.S. Hispanic entrepreneurial class, as well as wealthy recent immigrants and more acculturated high-income professionals/business owners are components of the growing affluent segment:

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<sup>20</sup> Pew Hispanic tabulations of US Census American Community Survey 2006

<sup>21</sup> Tomás Rivera Policy Institute, "Increasing Wealth in the Latino Community," 2007

<sup>22</sup> U.S. Census Current Population Survey 2006

<sup>23</sup> David Perez, CEO of Latin Force, LLC

<sup>24</sup> Jerry Haar of Florida International University, "The Hispanic Wealthy: The Next Big Wave in Financial Services," [Hispanicbusiness.com](http://Hispanicbusiness.com), Oct. 5, 2007





- *Small Business Owners:* Annual sales of \$750K+, first generation American, less well-educated and less acculturated, Spanish-language preferred, ages 35-65.<sup>25</sup>
- *Immigrant Entrepreneurs:* \$150K+ annual income, immigrants educated outside the U.S., in executive or entrepreneurial roles (either self-made or inherited wealth), acculturated, conservative, ages 45-70.
- *Young Professionals:* \$175K+ annual income, first generation Americans, mobile, highly educated and acculturated, ages 35-50.
- *Heavy Hitters:* \$250K+ annual income, second generation Americans, either executives or entrepreneurs potentially with Ivy League educations, ages 50-70.

Although there is little existing knowledge of detailed demographics, behaviors, and attitudes of this target group, there is significant opportunity to market goods and services to the growing numbers of affluent U.S. Hispanics.

COSTA IMC will continue to research this important segment of the U. S. market.

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<sup>25</sup> "The Hispanic: Wealthy: The Next Big Wave in Financial Services," [Hispanicbusiness.com](http://Hispanicbusiness.com), Oct. 5, 2007

