Solutions

RETAILING TO U.S. HISPANICS

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Retailers and companies in general are faced with an unusual dilemma in marketing to Hispanics who today comprise about 15% of the U.S. population. The products and services different groups of Hispanics buy depend largely on their level of acculturation.

For example, unacculturated Hispanics, often called first-generation, do not typically use credit cards, luxury cars, or the Internet. Yet these are the very products many acculturated Hispanics aspire to acquire as they become fully assimilated into the American culture.

Moreover, even when first generation and acculturated Hispanics buy the same products, they may have different reasons for doing so. Take fast food, for example. First generation Hispanics consume fast food for the flavor and taste. Not unlike other mainstream Americans, many acculturated Hispanics are modifying their diets to consume healthier foods with less fat and fewer carbohydrates. Thus, this is becoming a priority as well as flavor and taste.

The problem is particularly challenging for retail store chains since many of their trading areas have significant pockets of both first-generation and acculturated Hispanics. Chains contemplating new stores or adding sections to existing stores that cater to area Hispanics need to answer an important question, what should the level of acculturation of the store be?

Designing Store Prototypes

Designing Hispanic focused retail stores is an art and a science. One way to approach the task is to have an experienced designer develop a series of concepts, which are believed to appeal to different mixes of first generation and acculturated Hispanics. These could have orientations such as:

A Total first generation   **C** Mainly acculturated
B Mainly first generation   **D** Totally acculturated

Then, in a series of focus groups, some with first generation and some with acculturated Hispanics, the designs can be reviewed and the design elements modified to meet the needs of both types of Hispanic consumers.

> *First-generation Hispanics do not typically use credit cards, luxury cars or the Internet*

Prototype	Percent of Business Shifted	
	First Generation	Acculturated
A	80%	10%
B	70%	30%
C	30%	50%
D	20%	60%

Once the final prototypes have been developed, they can be further tested in quantitative research through mall intercepts or other in-person interviews. Participants can be shown renderings of the individual prototypes and read descriptions of them. They can be questioned as to how much business they would give to each store.

Let's suppose the results of a survey are as shown on the left. We see, for example, that first generation Hispanics would give 80% of their business to prototype A, while acculturated Hispanics would give only 10% of their business to that prototype. On the other hand, first generation Hispanics would give only 20% of their business to prototype D, while acculturated Hispanics would give 60% of their business.

Best Prototype Selection

The particular prototype to build depends on the mix of first-generation and acculturated Hispanics in the trading area. Consider four hypothetical areas whose mix of first-generation and acculturated Hispanics is as follows.

Trading Areas				
	I	II	III	IV
First Generation	20	90	50	40
Acculturated	80	10	50	60

Let's examine how much business each prototype would get in Area I as shown in the chart below and right. Clearly, prototype D would be most suited for Area I with a level of expected business of 52%, the highest of all prototypes.

Now, using the same approach, we compute the expected levels of business for each prototype in each area as shown below.

Prototype	Business Expected
A	(20% x 80%) + (80% x 10%) = 24%
B	(20% x 70%) + (80% x 30%) = 38%
C	(20% x 30%) + (80% x 50%) = 46%
D	(20% x 20%) + (80% x 60%) = (52%)

Prototype	Trading Areas			
	I	II	III	IV
A	24	(73)	45	38
B	38	66	(50)	(46)
C	46	32	40	42
D	(52)	24	40	44

Not surprisingly, the best store for trading Area I, a highly acculturated area, is prototype D, a store designed for acculturated Hispanics. Similarly, prototype A works best in Area II which is predominantly first-generation Hispanics. Interestingly, in trading Area III, which has an even mix of first-generation and acculturated Hispanics, the recommended prototype is B, a store with primarily first-generation orientation. Surprisingly, however, the same store is recommended for Area IV which is primarily acculturated. Perhaps this is not so surprising if we consider that first-generation Hispanics are more likely to gravitate to stores with a Hispanic orientation. Acculturated Hispanics are less likely to gravitate away from mainstream stores.

Refinements

The above approach can be refined by taking into account several other important variables. Dollar expenditures in the product category may vary depending on the acculturation levels of the different Hispanic consumers in the trading area. Also, first-generation and acculturated Hispanic trade area definitions may need to be different. Research has shown that first-generation Hispanics tend to travel farther to get the product they want. It is also important to consider the number of competitors in the area and percent of those that are currently catering to Hispanic consumers, and finally, the countries of origin of Hispanics in the area.

Conclusions

One of the key elements to successfully marketing to Hispanics is to know the target audience in terms of levels of acculturation. Once that is defined, the marketer needs to design or create stores that cater, appeal and meet the needs of that target audience. The more the marketer knows about the customer he wants to serve, the more likely he is to be successful.

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