



The Power of the Hispanic Consumer

Brand and Direct Advertisers Must Take Advantage of this Growing Market

Executive Summary

Latinos have a language, culture, and viewing behaviors that are uniquely their own. To effectively reach them requires a campaign that is discretely targeted, yet integrated with the general advertising campaign. As Mercury en español has shown, brands that follow this approach in the direct response space are rewarded with a significant return-on-investment (ROI).

In the 2009 Mercury Media Hispanic Index™, brands that allocated, on average, 24% of their media spend to a separate and unique Hispanic campaign, saw their overall sales revenue increase by an average of 47% and their revenue net of media spend grow by 71%. The decision to target Hispanics is not a zero sum allocation. Incremental spending against this segment will result in a return above and beyond the initial investment.

Despite this return, advertisers are not adequately leveraging the Hispanic consumer. Based upon analysis of data from Kantar Media, advertisers allocated just 6.1% of their total TV ad spend to the Hispanic consumer and short-form direct response advertisers 6.9%. Given that Latinos comprise 15% of the total U.S. population, with about 60% between the age of 18 and 49, and account for 10% of disposable income, advertisers are underutilizing a large and growing segment of the population, one with enough economic clout to increase corporate revenue and profit.

This does not take into account the fact that for many product categories, Hispanics are likely to comprise an even greater share of the target demographic. So while Latinos might comprise just 15% of the total population, they may already be making a much larger contribution to sales. For those brands and direct advertisers that target the “heavy users” of their products and services, ignoring the Hispanic market will have significant and negative long-term consequences.

Additional findings from this Mercury Media report include:

- ***The U.S. Hispanic population has both the size and spending power to determine the nature of its consumerism.*** Targeting the Hispanic consumer is not just for Hispanic oriented brands like Lexicon, Blue Casa Communications, Jarritos, Cacique, or Televisa Home Entertainment. Given the size of the Latino population and its expected growth rate and disposable income, every marketer should be targeting the Hispanic consumer.

- **The Hispanic consumer is evolving.** *Hispanic consumers are shifting from first generation Latinos, where Spanish is the dominant language, to second-generation, bilingual, bicultural consumers who are as influenced by American culture as the country of origin of their families. In addition, cross viewership is on the rise as Spanish-language content improves and channel options grow exponentially.*
- **Speak to the Hispanic consumer in their language.** *It might seem obvious, but too many marketers still fail to communicate with the Latino consumer in Spanish. More than three-quarters of Hispanics choose to speak Spanish at home, including those born in the U.S. According to the Nielsen Company, bilingual Hispanics have recall rates 30% higher for advertising creative executions and the advertised brand when commercials are seen on Spanish-language programming. This validates the strategic importance of media planning to address Hispanic cross viewership between English and Spanish language programming formats.*

*This **Mercury Media TV Perspectives** report examines the Hispanic consumer and what marketers should be doing to reach this growing segment of the population. Please note that throughout this report we will use the terms “Hispanic” and “Latino” interchangeably.*

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About the Authors



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As Senior Director, Research & Analytics at Mercury Media, Goodman provides strategic vision, planning, and actionable recommendations for all areas of performance-based advertising, including response analysis, attribution, segmentation, media planning, and market research.

Prior to joining Mercury Media, Goodman was Director, Consumer Research at Yankee Group, where he provided market research, syndicated reports, decision support tools, and consulting services to clients trying to understand and profit from the impact of technology on content distribution, advertising and consumer behavior. Before joining Yankee Group, Goodman was a marketing representative for Nielsen Media Research, where he was responsible for the design, management, analysis, and marketing of custom research projects. In addition to television research, Goodman was responsible for developing and managing the Nielsen Home Technology Report.

Goodman is a frequent speaker and moderator at industry trade shows including CES, CTIA, NAB, Digital Hollywood and E3. In addition, his expertise has been sought out by many news outlets including the New York Times, Wall Street Journal, Washington Post, Business Week, CNN, CNBC and NPR.

Goodman holds a Bachelor of Science in Business Administration with a concentration in Marketing from Boston University.



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As director of Mercury en español, the first full service Hispanic direct response specialty practice in the U.S., Miyares has expanded the agency's current in-language direct response television offerings to include a full suite of Hispanic, in-language general market, integrated direct response services. As a strategic planner and media director, Miyares has developed Citibank, MCI, Signature Group, Montgomery Ward, PepsiCo, Ameritech, PharMor, American Stores, Beneficial Finance, Chrysler, Chevrolet, McDonald's, Toys R Us, Philip Morris and various other national and local clients.

Miyares holds a Bachelor of Arts in Political Science from Northwestern University.

Methodology

The **Mercury Media Hispanic Index™** is an aggregation of actual campaign results from Mercury Media long-form DRTV campaigns that ran simultaneously in Spanish and English, representing approximately 80% of Mercury Media's long-form Hispanic DRTV campaigns. Our unique approach to integrating campaigns provides a unique opportunity to measure the real-world impact of Spanish-language spending at statistically significant levels across several product categories.

I. *Who is the Hispanic Consumer*

Four factors are driving the growth of the Hispanic market: 1.) the rapid growth of the Hispanic population, both in terms of raw numbers and as a percentage of the U.S. population; 2.) the steadily increasing purchasing power of the Hispanic consumer; 3.) the fact that Hispanic consumers spend more of their disposable income than non-Hispanics; 4.) Latinos' differing consumption patterns.

Hispanics are the single largest and fastest growing ethnic group in the United States. According to the U.S. Census Bureau, there are approximately 49.7 million Hispanics in the US, accounting for 15% of the total population, and they are expected to account for half of all population growth in the U.S. over the next five years. By 2015, the U.S. Census Bureau projects that the Hispanic population in the U.S. will grow to 57.7 million, accounting for 18% of the total population.

The growth of Hispanic TV households mirrors this trend as they outpace the growth of the general market. According to the Nielsen Company's universe estimates for the 2009-10 television season, the number of Hispanic TV households grew 2.3% to 12.9 million. In comparison, total TV households grew 0.3% to 114.9 million, African-American TV households grew 0.3% to 14.0 million, and Asian TV households grew 0.8% to 4.7 million.

As the Latino population grows, its composition is also changing from first generation Latinos, where Spanish is the dominant language, to second-generation, bilingual, bicultural consumers who are as influenced by American culture as the country of origin of their families. Based upon this, marketers should segment Hispanics into three different categories: Hispanic Dominant, Bicultural and U.S. Dominant (see Exhibit 1). By doing so marketers can begin to see that Hispanic consumers are not one big homogeneous group but rather they are comprised of discrete subsets.

Exhibit 1.

Segmenting the Hispanic Consumers based on Acculturation

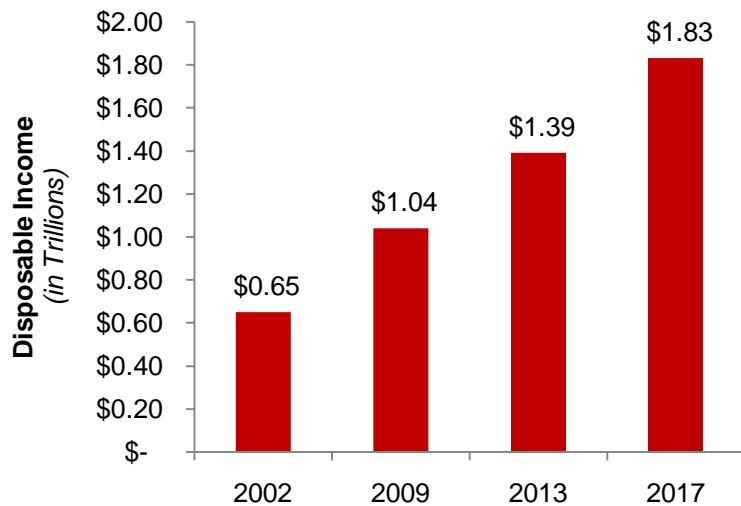
Source: AOL Advertising & Cheskin

	Hispanic Dominant	Bicultural	U.S Dominant
	<ul style="list-style-type: none"> • Predominantly speak Spanish at home • Most media consumption in Spanish • Foreign-born • Mean age 40 • Lived in the US seven years average 	<ul style="list-style-type: none"> • Speak both languages at home • Most media consumption in English • Foreign and US-born • Mean age 34 • Lived in the US 22 years average 	<ul style="list-style-type: none"> • Speak English at home • Most media consumption in English • US-born • Mean age 37 • Lived in the US 36 years average
% Audience Composition			
Offline	52%	19%	28%
Online	23%	31%	46%

In addition to their population clout, the Hispanic consumer also has significant spending power. According to Global Insight, Hispanic consumers had \$1.04 trillion in disposable income in 2009, accounting for nearly 10% of U.S. disposable income (see Exhibit 2). This makes Hispanic consumers in the U.S. equivalent to the 15th-largest consumer marketplace in the world.

**Exhibit 2.
Latino Buying Power is Growing**

Source: Univision, Global Insight



With a relatively young population, and proportionally more Hispanics either entering the workforce for the first time or moving up the career ladder, the Hispanic consumer’s spending power is only going to increase. By 2017, the Hispanic consumer’s disposable income will have grown 76% to \$1.83 trillion.

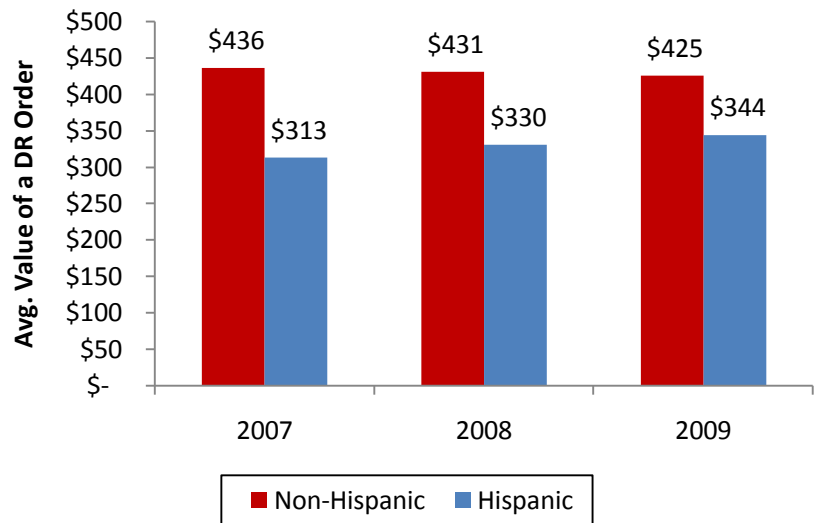
Hispanic consumers need this spending power as they tend to have larger households and larger families. According to the Nielsen Company’s 2009-10 universe estimates, there are 3.4 people per Hispanic TV household compared to 2.4 in non-Hispanic TV households. Hispanic TV households

are also more likely to have children. Fifty-one percent of Hispanic TV households have children compared to 31% of non-Hispanic TV households.

For marketers that want to reach specific demographic groups, Latinos can provide significant lift. Want to reach women with children? Twenty-one percent of U.S. moms are Hispanic. In Dallas this grows to 32%, in New York 33%, and in Los Angeles, 47% of women with children are Latino. For marketers trying to reach young men, it is important to note that over the past five years, the Hispanic male 18-34 population has grown 23% vs. just 2% for non-Hispanics.

Not only do Hispanic consumers have population clout and spending power, they are also a reliable demographic for direct marketers. According to Univision and Simmons NCS/NHCS, 13.1 million Latinos shopped via direct response (e.g., mail, phone or Internet) last year. This is a 50% increase in direct response shopping among Latino consumers since 2005. Among these Latino direct response shoppers, 13% responded to a direct response ad on TV (short or long form). Furthermore, as the median income rises among Latinos, so too does the average value of their direct response purchases. At the same time, non-Hispanic spending on direct response is falling (see Exhibit 3).

Exhibit 3.
Average Value of a Direct Response Order
 Source: Univision and Simmons NCS/NHCS



II. Targeting the Hispanic Consumer to Expand Your Market

The growth of the Hispanic marketplace is leading to an explosion in the number of Spanish-language networks. In the past, if you wanted to reach the Hispanic consumer you turned to Univision and Telemundo. Univision has gotten so big it ranks right up there with ABC, CBS, NBC and FOX and is one of the top five networks in any language in the 18-to-49 age group and in 18-to-34, they're typically the second or third-largest.

But competition is growing. In addition to market leaders Univision and Telemundo, advertisers can now choose from broadcasters Estrella TV, Azteca América, and América TeVé and cable networks like CNN en Español, Discovery en Español, Discovery Familia, ESPN Deportes, Fox Sports en Español, Galavision, Go!TV, MTV Tr3s, Mun2, Si TV, and Sorpresa to reach Latinos.

Despite the size and economic clout of the Hispanic market, advertisers continue to under spend against this target demographic. According to Kantar Media, advertisers spent \$57.7 billion on TV in 2009. Of this, \$3.5 billion accounted for advertising to the Hispanic consumer, representing 6.1% of the total TV ad spend. Given that Latinos comprise 15% of the total U.S. population, 12% of U.S. TV households account for 10% of disposable income in the U.S. Advertisers are underutilizing a large and growing segment of the population, one with significant economic clout (see Exhibit 4).

Exhibit 4.

Advertisers are Failing to Reach Hispanic Consumers

Source: U.S. Census Bureau, Univision, Global Insight, Kantar Media

	Total US	Hispanic	% of Total
Population	308.9 Million	47.7 Million	15.4%
Disposable Income	\$10.80 Trillion	\$1.04 Trillion	9.6%
TV Ad Spend	\$57.7 Billion	\$3.5 Billion	6.1%
DRTV Ad Spend*	\$3.9 Billion	\$565.8 Million	6.9%

* DRTV Ad Spend only includes short-form DRTV

Direct response advertisers are only slightly more cognizant of the value of the Latino consumer. According to Kantar Media, direct response advertisers spent \$3.9 billion on short-form direct response television (DRTV) in 2009. Of this, \$565.8 million accounted for advertising to the Hispanic consumer, representing 6.9% of short-form DRTV ad spend. In the end, both brand and direct-response advertisers are under spending against this valuable target market.

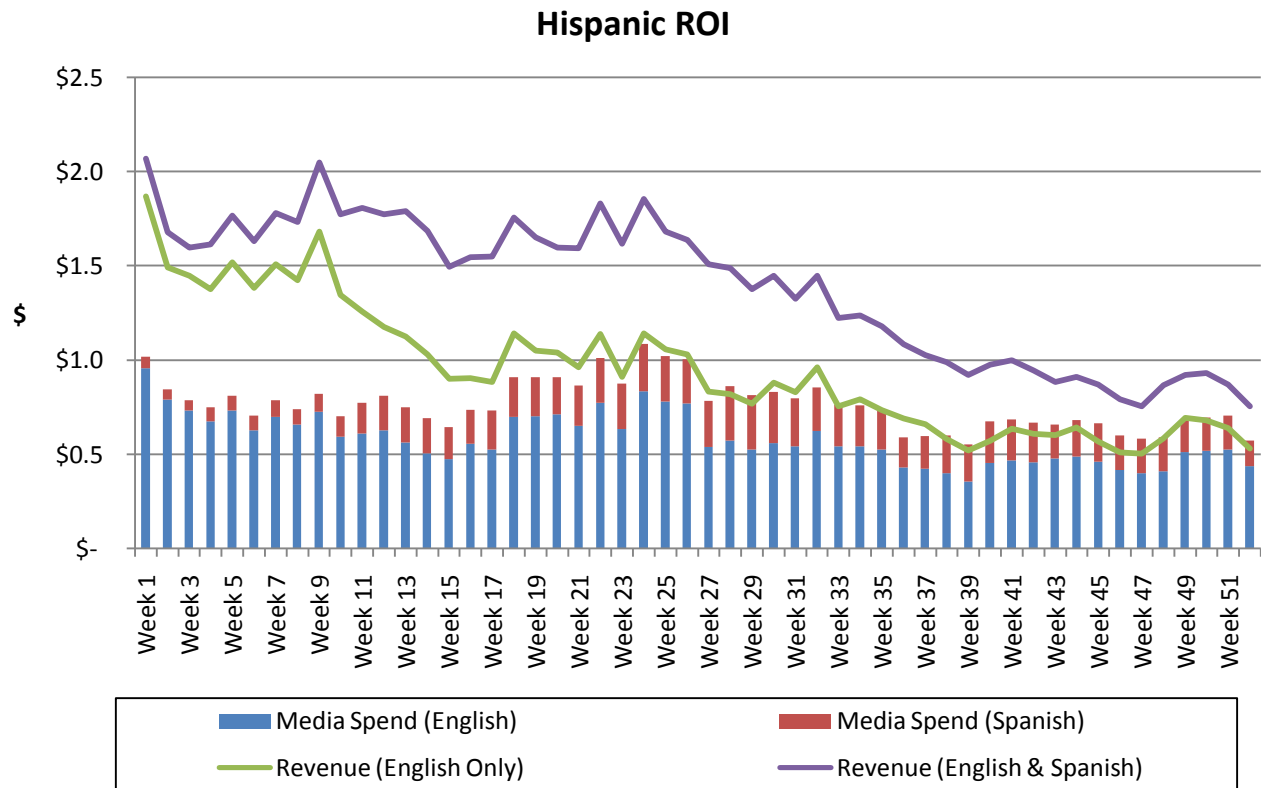
This is a missed opportunity for advertisers. According to a Simmons Market Research Media Habits Study, Spanish-language TV viewers are four times more likely to say they look to ads to help inform their purchase decisions.

Latinos have a language, culture, and viewing behaviors that are solely their own. As a result, what is required is a separate and discretely targeted advertising campaign. Brands that follow this approach are rewarded with a significant ROI.

In the **2009 Mercury Media Hispanic Index™** (an aggregation of results from Mercury Media long-form DRTV campaigns that ran simultaneously in Spanish and English, representing approximately 80% of Mercury Media’s long-form Hispanic DRTV campaigns), brands that allocated, on average, 24% of their media spend to a separate and unique Hispanic campaign saw their revenue increase by an average of 47% and their revenue net of media spend grow by 71% (see Exhibit 5).

Exhibit 5.
Hispanic Consumers Provide Significant Lift to Campaign Performance

Source: Mercury Media Hispanic Index™



The English language component of campaigns in the **Mercury Media Hispanic Index™** averaged an MER of \$1.63. That is, for every marketing dollar spent on the English language campaign it returned, on average, \$1.63 in revenue. In comparison, the Spanish-language component in the **Mercury Media Hispanic Index™** was far more efficient, generating an average MER of \$2.44. Overall, brands in the **Mercury Media Hispanic Index™** raised their overall MER to \$1.82 just by integrating a separate but parallel Spanish-language program into their general campaigns. (Note: individual results vary by company and product).

In order to achieve these results, it is necessary to customize the campaign to the Hispanic consumer.

- **Target Latinos where they live.** While the 2010 survey is expected to show that two-thirds of Hispanics in the U.S. continue to live in four states—California, Texas, Florida and New York – we expect to see dramatic growth in the Southeast as well.

- **Speak to the Hispanic consumer in their language.** It might seem obvious, but too many marketers still fail to communicate with the Latino consumer in Spanish. More than three-quarters of Latinos choose to speak Spanish at home, including those born in the U.S. According to the Nielsen Company, bilingual Hispanics have recall rates 30% higher for advertising creative executions and the advertised brand when commercials are seen on Spanish-language programming.

The Hispanic consumer is also more receptive to ads on Spanish-language TV. According to a Nielsen IAG study of bilingual Hispanic consumers age 13+, Spanish-language TV ads achieved a 35% brand recall score versus 27% for English language ads. In addition, respondents in the survey rated ads on Spanish language networks 62% on the likeability scale vs. 41% for spots featuring the *same brand* on English language networks. According to Nielsen IAG, these gaps were also seen for “translated” spots, where the Spanish language ad mirrors the version airing on general market TV, indicating that the television viewing experience, when delivered in Spanish, allows viewers to connect with their culture, history and identity in a way that may not be available in the general market TV.

- **Create spots specifically for the Hispanic consumer.** While not always possible due to time and financial constraints, creating spots from scratch with culturally relevant themes and Spanish speaking characters for the Latino market generally yields better results. When this is not practical, utilizing bilingual actors in ads that are re-purposed from the general market are better than using English language spots.
- **Target Spanish-language networks and stations.** As the Hispanic market grows, the number of networks offering Spanish-language programming is growing as well. In addition to market leaders, Univision and Telemundo, advertisers can now choose from a host of new networks, including broadcasters Estrella TV, Azteca América, América TeVé and cable networks like CNN en Español, Discovery en Español, Discovery Familia, ESPN Deportes, Fox Sports en Español, Galavision, Go!TV, MTV Tr3s, Mun2, Si TV, and Sorpresa to reach Latinos.

As the number of Spanish-language networks grows they must differentiate themselves. This is resulting in Spanish-language networks experimenting with different types of programming. For example, for three months in 2008, SBS built its schedule not around a rags-to-riches-and-romance *telenovela*, a staple of Spanish-language TV, but rather around a weekly drama about a Miami vampire, *Gabriel*.

- **As viewing choices for Latinos grow, so too does the need to segment the networks.** Does a third-generation Cuban yuppie in Miami want to watch the same shows as a Mexican professional in Los Angeles who just arrived in the United States last year? As the Hispanic marketplace shifts from first generation Latinos, where Spanish is the dominant language, to second-generation, bilingual, bicultural consumers, it transforms the market.

Hispanic consumers can also be targeted by their national origins. For example, TeVé America's news-talk offerings are strongly oriented toward Cubans, and the target audience of LATV's hit music show *Mex 2 The Max*, not surprisingly, is more Southern California.

III. Conclusion

With Latinos currently accounting for 15% of the U.S. population, half of the expected U.S. population growth in the next 5 years, and over \$ 1.0 trillion in disposable income, the Hispanic population has both the size and spending power to help make markets. Latinos, however, have a language, culture, and viewing behaviors that are solely their own. As a result, they require a campaign that is discrete but integrated with each respective general advertising campaign. Brands that follow this approach will be rewarded. As seen in the **2009 Mercury Media Hispanic Index™**, brands that allocated, on average, 24% of their media spend to a separate and unique Hispanic campaign saw their revenue increase by an average of 47% and their revenue net of media spend grow by 71%.

Additional finding in this report include.

- **Hispanics are the single largest, and fastest growing, ethnic group in the United States.** According to the U.S. Census Bureau, there are approximately 49.7 million Hispanics in the US, accounting for 15% of the total population, 12% of U.S. television households, and they are expected to account for half of all population growth in the U.S. over the next five years. By 2015, the U.S. Census Bureau projects that the Hispanic population in the U.S. will grow to 57.7 million, accounting for 18% of the total population.
- **Hispanic consumers wield significant economic power.** According to Global Insight, Hispanic consumers had \$1.04 trillion in disposable income in 2009, accounting for nearly 10% of U.S. disposable income. With a relatively young population, and proportionally more Hispanics either entering the workforce for the first time or moving up the career ladder, the Hispanic consumer's spending power is only going to get bigger. By 2017, the Hispanic consumer's disposable income is expected to grow 76% to 1.83 trillion
- **The Hispanic consumer is evolving.** Hispanic consumers are shifting from first generation Latinos, where Spanish is the dominant language, to second-generation, bilingual, bicultural consumers who are as influenced by American culture as the country of origin of their families.
- **Hispanic consumers are catching-up to non-Hispanic consumers and even surpassing them in some ways technologically.** According to Nielsen May 2009 universe estimates, Hispanic households are closing the "cable" gap with non-Hispanic households. Eighty-two percent of Hispanic households now have cable plus (expanded cable package that does not require a cable box) compared to 89% of non-Hispanic households.

Two-thirds of Hispanic households have personal computers, with six in ten also signed up for Internet access at home. Of those, nearly 70% have high speed broadband access, almost identical to the general population percentage.

- **Hispanic consumers are mobile.** According to Forrester Research, Hispanic Gen Y consumers 18-28 are "outpacing" their non-Hispanic peers in the amount of mobile activity and use of features in which they engage.

IV. Recommendations

- **Leverage the loyalty of Hispanic consumers.** Hispanic consumers tend to exhibit greater brand loyalty than non-Hispanics. McDonald's, which sees higher brand loyalty among its Hispanic consumers, has added offerings like breakfast burritos to its national menu. In further evidence of the growing bilingual voice of Hispanic consumers, McDonald's runs ads with Spanish taglines in general-market media, and earlier this year used "Spanglish" in general-market advertising for the Quarter Pounder.
- **Target Latinos where they live.** While the 2010 survey is expected to show that two-thirds of Hispanics in the U.S. continue to live in four states, California, Texas, Florida and New York, we expect to see dramatic growth east of the Mississippi in the Southeast corridor as well.
- **Speak to the Hispanic consumer in their language.** It might seem obvious, but too many marketers still fail to communicate with the Latino consumer in Spanish. More than three-quarters of Latinos choose to speak Spanish at home, including those born in the U.S. According to the Nielsen Company, bilingual Hispanics have recall rates 30% higher for advertising creative executions and the advertised brand when commercials are seen on Spanish-language programming.

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- **Create spots specifically for the Hispanic consumer.** While not always possible due to time and financial constraints, creating spots from scratch with culturally relevant themes and Spanish speaking characters for the Latino market generally yields better results. When this is not practical, utilizing bilingual actors in ads that are re-purposed from the general market are better than using English language spots.
- **Target Spanish-language networks and stations.** As the Hispanic market grows the number of networks offering Spanish-language programming is growing as well. In addition to market leaders Univision and Telemundo, advertisers can now choose from a host of new networks, including broadcasters Estrella TV, Azteca América, América TeVé and cable networks like CNN en Español, Discovery en Español, Discovery Familia, ESPN Deportes, Fox Sports en Español, Galavision, GoITV, MTV Tr3s, Mun2, Si TV, and Sorpresa to reach Latinos.

- **As viewing choices for Latinos grow, so to does the need to segment the networks.** In addition to targeting Hispanic viewers by age, gender and income, Hispanic consumers should also be categorized by Spanish-dominant, bilingual and acculturated. Hispanic consumers can also be targeted by their national origins. For example, TeVé America's news-talk offerings are strongly oriented toward Cubans, and the target audience of LATV's hit music show *Mex 2 The Max*, not surprisingly, is Southern California.
- **Look for an agency that knows the Hispanic market.** Many media agencies at big industry holding companies have created operations dedicated to multicultural planning and buying. These agencies might provide volume discounts but if they lack insights into the Hispanic consumer they are costing advertisers in the end.

About Mercury Media

Mercury Media is the largest privately-owned, full service direct response media agency in the country, headquartered in Marlboro, Massachusetts with offices in Philadelphia, Pennsylvania and Santa Monica, California. The agency launched the first full service Hispanic direct response specialty practice, Mercury en Español, in 2009. Established in 1989, Mercury Media specializes in long form, short form and digital direct response advertising and is committed to providing its clients with best-in-class measured media solutions across multiple platforms to achieve their strategic objectives and maximize their return on investment. By leveraging its unparalleled experience in direct response media and cutting edge analytics, the agency develops and executes innovative media campaigns that deliver superior results. For additional information regarding Mercury Media's clients, services and expertise please visit: www.mercurymedia.com For original articles, please visit The Mercury Index Blog at www.mercurymedia.wordpress.com.