

Taking the pulse of their market

Who knows the Hispanic market better than those who communicate with it continuously? Hispanic ad agencies perceive their world according to their successes and failures. Their lifeline is the accuracy with which they predict the behavior of the consumer. In the fall of 2004, the authors, along with Nadia Saavedra, conducted a study of U.S. Hispanic advertising agencies to find out their perceptions of:

- how the Hispanic market is changing;
 - how clients that work with the Hispanic market are evolving;
- and
- how these agencies are adapting to these changes, if any.

Almost all of the approximately 70 members of the Association of Hispanic Advertising Agencies (AHAA) were contacted to request an interview to answer the above main questions. Eighteen agencies cooperated with this research effort. The collaborating agencies are located in major U.S. Hispanic markets and were about equally distributed between larger and smaller agencies according to net revenues based on the classification in the Hispanic Fact Pack of *Advertising Age*, 2004.

Fifteen in-depth interviews that lasted from 30 to 90 minutes were conducted by phone, and three interviews were done by e-mail. All the interviews were done with high-level managers or agency owners. The interviews were recorded, transcribed and analyzed between September and December 2004. The results are summarized below.

Survey finds Hispanic ad agencies adapting, changing

Perceptions of a changing market

Agencies perceive that the sophistication of the market is increasing according to indicators of accul-

turation, e.g., length of time in the U.S., information about life in the U.S., understanding or products and services in the U.S.

It is no longer universally true that Hispanic immigrants to the U.S. come here totally unaware of how to adapt to U.S. society. Because of NAFTA, increasing business internationalization, and access to U.S. cable programming, even humble immigrants from Latin America have an idea of the products they will find in the U.S. Those who come to the U.S. without prior information now

By Felipe Korzenny and Maria Gracia Inglessis

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are more likely to benefit from family members or friends who have been longer in the U.S. "Hispanics are no longer isolated, they have somebody to ask and have a better sense of what to do in this country in terms of institutions, housing, transportation and so forth," said one respondent.

In a similar vein, Hispanic consumers have learned about how to achieve a better status in the United States via education and political participation. Hispanics are evolving into a more demanding group that is aware of opportunities and obstacles in their new society. The political passivity that characterized Hispanics in the past appears to be dissipating in favor of a proactive stance.

Increasing Hispanic economic power contributes now to a more demanding attitude towards products and brands. Hispanics' aspirations for products and services are climbing at a fast pace. It used to be the case that Hispanics would cling on to a few well-known brands. Now they seem to be more analytic in their approach as they have more access to information and consumer literacy.

The market is also changing in its geographic distribution. Hispanics have dispersed in the United States. Agencies pointed out, for example, how Mexicans are moving from the West Coast to the East Coast and Miami is becoming a more "Argentinean" city. New emergent markets include Chapel Hill, N.C., Minneapolis and other areas where Hispanics were not abundant in the recent past. Moreover, Hispanics are migrating from urban to rural settings. This dispersion is creating a marketing dynamic that requires more widespread efforts to reach Hispanics. Marketers and Hispanic media need to anticipate this trend towards dispersion to reach Hispanics in ways that were not contemplated just a few years ago.

The English language is becoming more accessible to U.S.

Hispanics and that is changing the way in which marketers need to reach them. At the same time, continuous immigration contributes to the maintenance of the Spanish language. Spanish and English are becoming equally important and used in everyday life. Now the messages directed to Hispanics need to be in both English and Spanish media and need to be consistent across the two languages.

Because of the influence of marketers and politicians, the self-esteem of Hispanics has been elevated so that now it is truly "cool" to be Hispanic in the U.S. This means that marketing to non-Hispanics can be more effective with a "Hispanic touch." One can think of a hybridization of the Hispanic culture and the rest of the non-Hispanic population. That also has important implications for marketing in both Spanish and English and with cultural sensitivity to diverse constituencies.

Perceptions of changing clients

Based on the interviews with ad agencies, their clients fall into four main categories:

- learners;
- ROI seekers;
- old foxes; and
- stereotypers.

Learners are those first entering the Hispanic market and heavily relying on consultants and ad agencies to understand their opportunities. Learners read reports and articles about the complexity of the market. They are open to suggestions and education. More importantly, these clients are willing to dedicate resources and develop specific products for Hispanics. These are a very important segment of the client landscape.

ROI seekers are pragmatists that address the Hispanic market as long as they can anticipate an important return, typically in the short term. They expect an ad agency to be a strategic partner that is able to offer a plan to demonstrate the impact of advertising.

Old foxes tend to be the large and successful companies that have learned to work with the Hispanic market and have dedicated major efforts to it. Since these clients are leaders and have been in the market for a long time, usually they understand its dynamics. However, these clients can also represent a challenge to ad agencies when it comes to innovation because they are perceived to have fixed ways of doing things.

Stereotypers are those who still use the family and other traditional images of Hispanic culture to reach Hispanics. Even if they recognize the financial opportunity the market offers, they do not seem to understand its cultural nuances. They insist on using *la abuelita* (the grandma), *la cocina* (the kitchen), and *los labios rojos* (the red lips) as the only way to appeal to the market.

Ad agencies indicate that with the exception of the old foxes the other types of clients request education about the market. The tendency is for many agencies to still rely heavily on ad agencies in order to obtain cultural insights to position and communicate their products and services.

Increasing sophistication

Agencies report they are adapting to the increasing sophistication of the market, and also to the requirements of their clients. Some of the interviewees pointed out that allocation of resources to the Hispanic market continues to lag in comparison to the spending power of Hispanics and their population size. This discontinuity continues to make education efforts by agencies important.

Some interviewees indicated that audiovisual documentation efforts are important to persuade clients to abandon strictly demographic thinking and move more towards cultural thinking. With audiovisual materials, in the style of ethnographic documentaries, some agencies help clients to understand the cultural differences, purchasing pat-

terns and other variables relevant to successful marketing efforts. Flexible clients allow agencies to recommend relevant and different communication approaches, and also strategies that involve new product development.

Many ad agencies, particularly smaller ones, are forming their own media divisions in order to complement their offerings. Agencies that outsource media buying accentuated their active participation with ideas and opinions in the media planning. In some cases media planning is influenced by the fact that larger clients many times have a well-established relationship with media outlets. This tendency limits the autonomy of agencies in the process of media selection.

Agencies are capitalizing on the growth and diversification of Hispanic media. This diversification includes a new array of print outlets, radio stations, TV channels, and Internet offerings. There is an increasing presence of product placements in media directed to Hispanics in order to sidestep advertising fatigue. One example is the use of embedded scripts in telenovelas in which products become part of the story.

In addition, there is an increasing reliance on non-broadcast media and a proliferation of personal marketing efforts. Examples of one-on-one communication efforts include examples of interpersonal outreach to Hispanic sorority and fraternity students. Also, these efforts include marketing campaigns at the community level that include concerts and demonstrations.

In recognition of increasing sophistication on the part of Hispanics, Internet advertising and Web sites are proliferating. It is estimated that about 65 percent of U.S. Hispanics access the Internet. That is a figure that is bound to grow very fast because Hispanics see the Internet as a means of leapfrogging stages of economic and social well-being.

When addressing the issue of

media and language, agencies admitted their preference for Spanish-language media. Spanish-language media are more affordable and many clients have strong budget limitations. Moreover, some conservative clients perceive Spanish-language marketing as the only efficient means. However, and perhaps more importantly, agencies perceive that the Spanish language will continue to be relevant to the Hispanic population for the foreseeable future. Agencies indicate that the first reason for the endurance of the Spanish language is continuous immigration to the U.S. from Latin America. Second, even later-generation Hispanics have an emotional connection to the Spanish language. Third, these later generations use Spanish media as a language-learning tool. And fourth, the Spanish language is the ultimate unifier: no matter country of origin, years in the U.S. or generation, language is believed to keep Hispanics together.

Nevertheless, an increasing number of ad agencies are incorporating the English language in their repertoires. This used to be taboo in the industry just a few years ago. Now there is an increasing recognition of the fact that bilingualism is a trend of the future. Placing Spanish-language ads in English media was not possible in the past. Nowadays, there are many examples of cross-media advertising. Some agencies indicated in their interviews that if Spanish broadcasting companies would allow it, they would place English ads in Spanish broadcast media. Furthermore, the use of Spanglish and code-switching are gaining acceptance and have become relevant alternatives to appeal to younger, urban segments.

Sophisticated segmentation schemes are in the process of development by many ad agencies and the industry in general. As the market has turned more complex, it is increasingly important to understand the nuances of diverse sub-

groups within this population. Agencies are approaching segmentation beyond the traditional formulation based on country of origin, acculturation, language preference and region in the U.S. They are adding factors like cultural identity, product usage, brand preferences, buying habits, social networks and so on. Agencies recognize the importance of lifestyle segmentation and a more holistic approach. More agencies are conducting in-house research, particularly qualitative research in the form of focus groups, ethnographies, youth panels and participant observation. In many cases this tendency to conduct in-house research contributes to proprietary research schemes and strategic platforms.

Account planning based on consumer insights is a growing trend in Hispanic ad agencies. The account planner is the bridge between the consumer and the different ad agency functions. It is the key to strategy. Account planners are still very scarce in Hispanic marketing and in the industry in general.

Agencies are taking note

There is an active effervescence taking place in U.S. Hispanic marketing and ad agencies are taking note of that. Many see that they need to adapt to these changes rapidly and some also fear that the niche they have occupied is being threatened by large competitors that have created or purchased Hispanic divisions.

The key changes in the market have to do with consumer savvy and language evolution. The Spanish language, however, will continue being the language of the heart for a long time to come. Still, ignoring the fact that Hispanics are exposed to English-language content is no longer tenable. Marketing in-culture is now more important than marketing exclusively in-language. | Q