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**The Minority Report:
Selling To Ethnic Groups**

Consumer Technographics North America

FORRESTER®



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The Minority Report: Selling To Ethnic Groups

Racial minorities' \$460 billion of annual spending power has piqued retailers' interest. To capitalize, retailers need to revisit traditional ethnic marketing and target demographics *first* and shoppers' racial diversity *second*.

2 CONSUMER LANDSCAPE

- Racial minorities today comprise 25% of US households and 20% of consumer spending.
- Demographics and shopping attitudes vary widely by race.

7 ANALYSIS

- Demographics predict shopping attitudes better than race.
- Retailers need to flip ethnic marketing on its head.
- Gap celebrates race throughout the shopping experience.
- The U.S. Armed Forces are "all they can be" with ethnic marketing.

15 WHAT IT MEANS

- Local merchants will help national retailers understand specific neighborhoods.
- US stores will copy stores in Quebec.
- Tabloids will accuse retailers of redlining.

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CONSUMER LANDSCAPE

Don't Underestimate Racial Differences

Racial spending is a retail hot potato -- everyone wants to know about it, but nobody wants to talk about it. The fact is, racial minority groups generate at least 20% of consumer spending in the US -- so retailers must understand how racial groups differ demographically and attitudinally.

RACIAL MINORITIES SPEND MORE THAN \$460 BILLION A YEAR

The U.S. Census Bureau's report that the Hispanic population grew more than 50% between 1990 and 2000 threw many retailers into a tailspin, asking if and how they need to change their marketing, stores, and sites to keep up with the changing face of America.¹ To help retailers answer these questions, we analyzed data from our January 2003 Study of nearly 55,000 US households and government data and found that racial minorities:²

- **Make up one-quarter of US households.** Although the Hispanic population is growing quickly in the US, there are still more Black households than Hispanic households. According to the Census, Black households make up 12% -- 12.8 million households -- of the US population, followed by Hispanics, who represent 9% -- 9.3 million households, and finally Asians with 3% -- 3.3 million households (see Figure 1).³ The U.S. Census projects that there will be more non-White than White people in the US by mid-century.⁴
- **Represent one-fifth of consumer spending.** According to the U.S. Bureau of Labor Statistics (BLS), Black households spent 9% and Hispanic households spent 8% of the \$2.3 trillion spent on retail in 2001.⁵ Hispanic households spend more than the average US household on apparel and food. While Blacks' spending lags in each category, they spend 99% as much on apparel as the average US household. The BLS doesn't break out Asian households, but it's safe to assume that they spend at least as much as the 3% their population would imply, as their income is 6% higher than that of White households. Collectively, these three minority groups spend more than \$460 billion per year on retail.

Figure 1 Each Racial Group Has A Unique Demographic Profile

	White	Black	Hispanic	Asian
Percent of all US households*†	79%	12%	9%	3%
Demographics:				
Average household income (US\$)	\$56,700	\$32,700	\$40,600	\$61,200
Average age	50	51	45	41
Have college degree	32%	20%	19%	54%
Own home	77%	51%	57%	57%
Married	57%	23%	42%	40%
Children in household	33%	32%	40%	28%
Size of household	2.5	2.2	2.5	2.3
White-collar profession	42%	31%	38%	55%
Retired	21%	27%	16%	9%
Not employed	11%	15%	16%	10%
City population:				
Less than 100,000	22%	16%	16%	7%
100,000-499,999	15%	14%	14%	10%
500,000-1,999,999	21%	24%	24%	18%
More than 2,000,000	42%	46%	46%	66%

□ Indicates which segment is the highest

Base: US households

*Percentages do not total 100 because Hispanics who identify themselves as Hispanic and Other are counted twice in census data.

†Source: U.S. Census 2000

Source: Forrester's Consumer Technographics 2003 North American Benchmark Study

Source: Forrester Research, Inc.

- **Are difficult to analyze.** While retail business development folks get excited at the prospect of targeting untapped minority groups, market research people get nervous. Why? Aside from the inherent delicacy of the issue, 28% of Hispanics and 19% of Asians don't speak English -- making survey research and marketing communication difficult.⁶ Additionally, low-income Black consumers have a historical aversion to filling out surveys. These factors have led to a dearth of large-scale market research on these groups.⁷

ETHNIC GROUPS' DEMOGRAPHICS AND ATTITUDES VARY

The melting pot analogy for the United States implies a sameness that comes as a result of mixing groups together. However, racial groups in the US differ in two key ways:

1. Demographics Are Drastically Different

Consumers from different racial groups in the US differ widely by their demographics.

- **White households define the “norm.”** Right or wrong, Whites set the demographic benchmark because they make up nearly 80% of US households. Their average household income is \$56,700, and they are on average 50 years old. More than half are married, 33% have kids at home, 32% have a college degree, and 22% live in a rural area. White consumers tend to be wealthier and better-educated than Blacks and Hispanics but trail Asians in both categories.
- **Blacks are the least likely to be married and are the poorest.** Blacks are the most likely to have a nontraditional household structure -- nearly two-thirds of Black households consist of either a woman living alone or a single woman raising a child. The average household income of Black households is \$32,700, making them the least affluent racial group in the US. Blacks are also among the least likely to have a college degree and to own a home.
- **Hispanics are the most likely to have children at home.** Hispanic households are 21% more likely than White households to have kids at home. Meanwhile, Hispanics have an average household income of \$40,600, 19% have a college degree, 16% are retired, and 16% are unemployed. Therefore, while their incomes are several thousand dollars higher than Blacks, they rank among Blacks as the least likely to have a college degree and most likely to be unemployed.
- **Asians are young, urban, and educated.** Asians are on average 41 years old and have an average income of \$61,200, making them the youngest and most affluent racial group. What's more, 84% of them live in a metro area with at least 500,000 people, 54% have a college degree, 55% have a white-collar profession, and 40% haven't been married, more than any other racial group for each measure.

2. Attitudes Toward Life, Shopping, And Technology Also Vary

Demographics scratch the surface of differences between the races. Each group also has divergent attitudes toward life, shopping, and technology (see Figure 2).

- **Whites are motivated by family, not fashion.** Thirty-six percent of White households are family-motivated -- along with Blacks, they are the most family-motivated racial groups. Conversely, partially because White consumers buy based more on familial need, they are also the least image-driven. Only 8% of Whites say they are influenced by what's hot, and a mere 17% would pay more for a product that fits an image they like -- compared with 26% of Asians.

Figure 2 Racial Groups Differ By Life, Shopping, And Technology Attitudes

2-1 Racial groups exhibit different life motivations.

		White	Black	Hispanic	Asian
Primary motivation:	Career	35%	30%	34%	39%
	Family	36%	35%	31%	22%
	Entertainment	29%	36%	35%	39%

2-2 Asian shoppers are driven by trend, image, and convenience.

	White	Black	Hispanic	Asian
Price is more important to me than brand names	46%	51%	46%	50%
I am influenced by what's hot and what's not	8%	15%	13%	17%
I would pay more for products consistent with an image I like	17%	24%	22%	26%
When I find a brand I like, I stick to it	57%	58%	53%	55%
I would pay more for products that save me time and hassles	43%	39%	39%	50%

2-3 Black consumers are the most religious and concerned about their health.

	White	Black	Hispanic	Asian
I'm concerned that I won't have enough money to retire	47%	46%	51%	47%
I'm always willing to try or do new things	39%	44%	45%	50%
I am religious/spiritual	47%	63%	47%	34%
I go away on vacation more often than other people do	12%	10%	13%	16%
I am concerned about my personal health	60%	73%	59%	63%
I listen to music more often than other people do	26%	32%	34%	31%
I always try to make the best of every situation	64%	72%	67%	65%

2-4 Asian consumers are the most aggressive technology adopters.

	White	Black	Hispanic	Asian
Technology optimist	49%	55%	51%	70%
Own mobile phone	58%	56%	59%	65%
Have a PC at home	70%	45%	58%	78%
Online	67%	42%	57%	79%
Research products online	47%	24%	36%	65%
Buy online	35%	14%	27%	48%
Have broadband at home	15%	8%	13%	22%
Bank online	21%	11%	19%	37%

□ Indicates which segment is the highest

Base: US households

Source: Forrester's Consumer Technographics 2003 North American Benchmark Study

Source: Forrester Research, Inc.

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- **Blacks hold on to brands that fit their price-consciousness.** The economic adversity faced by most Blacks forces them to watch their dollars closely. Blacks are among the groups most likely to value price over brand, and they are the least likely to pay extra for something that saves time. Blacks are also the most likely to have a positive attitude -- 72% of Blacks say they make the most of every situation, and 63% report that they're religious.
- **Hispanics fret about retirement.** Hispanic consumers face a tough economic predicament themselves -- they are the most likely to have children at home and are among the most likely to be unemployed. This combination leads 51% of Hispanic consumers to worry about having enough money to retire -- more so than any other racial group.
- **Asians flock to technology, trends, and convenience.** Seventy percent of Asians are technology optimists. As such, they're leading technology adopters, and they're far more likely to have a PC, be online, buy online, and have broadband than any other group. Furthermore, 17% of Asians are influenced by what's hot, 26% would pay more for a product consistent with an image they like, and half would pay more for something that will save them time and hassles -- placing them at the top of each of these categories among racial groups.

ANALYSIS

Race Alone Is A Red Herring For Retailers

Racial groups are undeniably different, but race often matters less than demographics when describing consumers' shopping differences. Retailers will more effectively tap into racial minority groups' spending if they speak to their demographics *first* and then reflect their racial differences *second*.

DOES RACE MATTER? NOT AS MUCH AS DEMOGRAPHICS

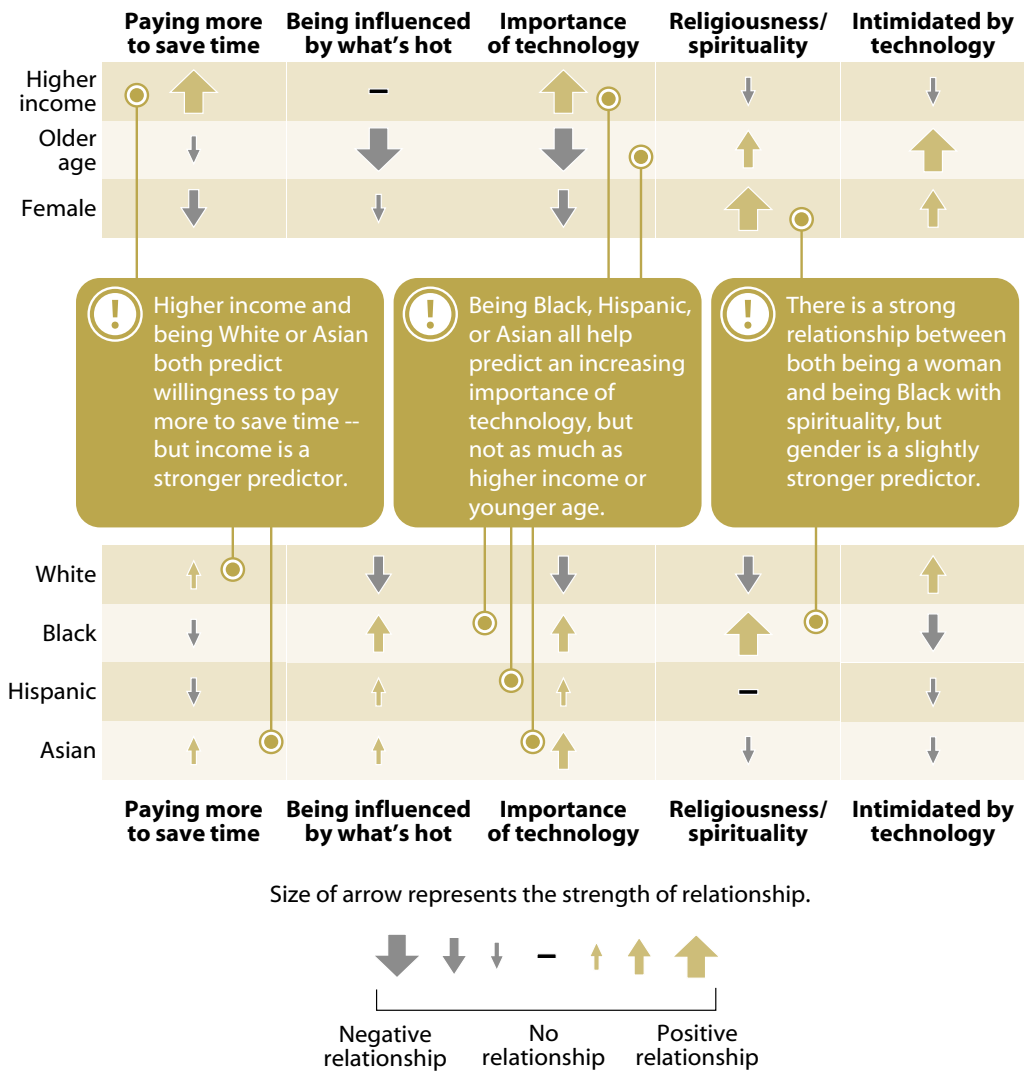
Does race alone explain differences between consumers' life, shopping, and technology attitudes? Yes and no. While race helps predict a variety of attitudes, in most cases it takes a back seat to socioeconomic status, especially some key demographic variables -- making race alone a red herring. Our regression analysis shows that consumers don't think or act a certain way based on the color of their skin as much as their:

- **Household income.** The willingness of a consumer to pay more for something that saves her time and hassles is better predicted by her income than her race (see Figure 3). That's why Asians -- with their high incomes -- are more willing to pay more for products that save them time and hassles than Black and Hispanic households -- which tend to have lower household incomes.
- **Age.** A consumer's interest in what's hot and what's not, along with the importance of technology in his life, is better predicted by his age than his race. Specifically, younger consumers are more likely to be trend-driven and to think technology is important than older consumers.⁸ So while Asian consumers are the most influenced by what's hot and the most likely to think technology is important, these are both more a function of the fact that they're the youngest ethnic group in the US than because they're Asian.
- **Gender.** Being both Black and female independently indicate a tendency to be religious or spiritual, but race isn't as important as gender. Therefore, since there are more females to males in the Black community than in any other racial group -- the Black community in the US is 54% female -- Blacks are more likely to be religious than other groups.⁹ Being a woman also predicts a lack of willingness to pay more to save time. Therefore, the gender skew in the Black community also helps predict why Blacks are among the least likely to pay extra for goods that save time.

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Figure 3 Demographics Trump Race In Predicting Five Key Attitudes

The spreadsheet detailing this regression is available by clicking the online "Get Data" button above this figure.



Higher income and being White or Asian both predict willingness to pay more to save time -- but income is a stronger predictor.

Being Black, Hispanic, or Asian all help predict an increasing importance of technology, but not as much as higher income or younger age.

There is a strong relationship between both being a woman and being Black with spirituality, but gender is a slightly stronger predictor.

Guide to Figure 3
 This table is the result of our regression analysis on the influence race has on key life and shopping attitudes. An "up" arrow means that there is a positive relationship between the demographic variable and the attitude, while a "down" arrow signifies a negative relationship. For example, as consumers become wealthier, they are significantly more likely to pay more for a product that saves them time. The width of the arrow reflects the strength of the relationship (using the standardized beta coefficient.)

Base: US households

Source: Forrester's Consumer Technographics 2003 North American Benchmark Study

Source: Forrester Research, Inc.

RETAILERS NEED TO TURN RACIAL MARKETING ON ITS HEAD

On the macro level, consumers of a specific socioeconomic group have similar shopping attitudes -- regardless of race. However, consumer tastes on the micro level often differ by race. How does a retailer deal with this paradox? Traditional approaches to ethnic marketing sometimes work, but they don't always address the complexity of the issue. For example, mistaking "urban consumers" with "minority consumers" can frequently lead to incorrect conclusions, as many urban consumers are, in fact, White. Instead, we recommend that retailers take three steps that reflect how race does and doesn't make us different consumers:

1. **Identify shoppers' racial mix.** Retailers need to understand their shoppers' overall racial mix so they can reflect this diversity in their national advertising and marketing campaigns. However, due to large socioeconomic and racial differences between consumers in different regions of the US, retailers also need to understand the racial composition of shoppers at the local level.
2. **Create messages based on demographics, then race.** Since demographics are often the strongest predictors of shopping attitudes, retailers should speak to shoppers' demographics first and then reflect the racial diversity of their consumers. But given regional, cultural, and physiological differences between racial groups, retailers also need to take the data gleaned from step one and fine-tune their marketing and merchandising for different stores.
3. **Learn from leaders.** Imitation is the sincerest form of flattery, and while ethnic marketing is more art than science, some companies and organizations have already made great strides. Retailers should seek out best practices from peers as well as from the travel, finance, CPG, and fast-food industries.

1. Identify Shoppers' Racial Mix

To assess how much of an opportunity racial minority groups represent, retailers need to identify how many shoppers they're talking about. Forrester recently measured the racial makeup of 24 major US retailers' shoppers and found that (see Figure 4):

- **Kohl's has the fewest minority shoppers -- for now.** Currently, only 4% of Kohl's shoppers are Hispanic, while 90% are White. Kohl's racial mix is drastically different than its competitors' -- 21% of both Sears and J.C. Penney shoppers are minorities, and California-based Mervyn's estimates that 28% of its shoppers are Hispanic.¹⁰ However, as Kohl's expands into Southern California -- where the populations of Los Angeles and San Diego are more than 25% Hispanic -- the racial profile of Kohl's shoppers will quickly become more diverse.¹¹

Figure 4 How The Racial Composition Of Major Retailers' Shoppers Differs

Percent of each retail store's shoppers that are:

	White	Black	Hispanic	Asian	Total minorities
Walgreens	76%	13%	9%	2%	24%
Circuit City	76%	13%	8%	3%	24%
RadioShack	77%	13%	8%	2%	23%
Toys"R"Us	78%	10%	9%	3%	22%
Costco	79%	6%	10%	5%	21%
Kmart	79%	12%	7%	2%	21%
J.C. Penney	79%	12%	7%	2%	21%
Sears	80%	12%	7%	2%	21%
CVS	79%	15%	4%	1%	20%
Target	81%	9%	8%	3%	20%
Sam's Club	81%	11%	7%	2%	20%
Wal-Mart	81%	11%	7%	2%	20%
Office Depot	80%	9%	7%	3%	19%
Best Buy	81%	9%	7%	3%	19%
The Home Depot	82%	9%	7%	2%	18%
Staples	83%	8%	6%	3%	17%
Barnes & Noble	84%	7%	6%	3%	16%
Borders	84%	6%	6%	4%	16%
Hallmark	85%	7%	6%	2%	15%
Lowe's	85%	8%	5%	1%	14%
Amazon.com	87%	4%	5%	4%	13%
eBay	88%	3%	6%	3%	12%
Lands' End	88%	5%	4%	3%	12%
Kohl's	90%	5%	4%	1%	10%

! Kmart's plans to emerge from bankruptcy include a big push for minority consumers.

! Catalog/Web retailer shoppers' composition reflects the relatively small number of minorities who shop online.

□ Indicates which segment is the highest

Base: US households

(percentages may not total 100 because of rounding)

Note: We asked consumers if they shopped at each retailer online or offline in the previous month.

Source: Forrester's Consumer Technographics 2003 North American Benchmark Study

Source: Forrester Research, Inc.

- **Online giants also have few minorities.** Although 48% of Asian households buy online -- compared with 35% of White households -- only 27% of Hispanic and 14% of Black households are Web buyers. So while Web buyers continue to become more mainstream demographically, they are still mainly White (see the November 2002 Forrester Report “Selling To Mainstream Consumers”).¹² So Web giants like Amazon.com, eBay, and Lands’ End have customer bases that are no more than 13% minority shoppers -- much lower than the overall US population.
- **Walgreens and Circuit City have the most diverse shoppers.** Thanks to Walgreens’ strength in states like Louisiana and Texas and Circuit City’s presence in the South and Pacific regions, 24% of consumers who shop at each of these stores are minorities (see the October 2002 Forrester Report “Retail North America: Consumer Technographics Data Overview”).¹³ On the flip side, CVS/pharmacy has less than half the percentage of Hispanic shoppers than Walgreens has, partially because of CVS’ New England roots, and Circuit City’s nemesis, Minnesota-based Best Buy, has a lower percentage of Black shoppers.

Given the drastically different racial mixtures in different regions of the country, retailers must understand the racial composition of their shoppers at the regional and local levels to support local consumers’ needs. The best way to approach this is to:

- **Use survey and database marketers to collect aggregate racial information.** Although survey biases exist, companies like NFO will give retailers a good regional view of their racial composition. Using demographic data appended by the survey panel house, retailers can field surveys that focus on shoppers’ motivations and desires without asking their race. Retailers can also use database marketing service providers like Harte-Hanks or Experian to add race to their existing customer files (see the April 18, 2003 Forrester Brief “Buyer’s Guide To Database Marketing Service Providers”).¹⁴
- **Supplement survey data with local counts.** Survey data is not well-suited to find the racial composition at the local level. To get more localized geographic data, retailers must also conduct research on a granular level. For example, Target can unobtrusively track shoppers’ race using handheld devices at the entrance of local stores in different geographies so it can see how its racial makeup varies by region. Retailers can also use U.S. Census data to get the racial composition of an area or send out researchers trained in anthropology and sociology to do ethnographic work to get a better sense of an area’s culture.

2. Create Messages Based On Demographics, Then Race

Once retailers identify the opportunity that minority shoppers present, they need to create marketing messages and merchandising assortments that reflect their consumers' demographic segments along with their racial diversity. Why? To attract the right consumers from all racial groups.

- **Kohl's should focus on minority soccer moms.** To take full advantage of its California expansion, Kohl's needs to balance its soccer mom shopper with the Hispanic population of the region.¹⁵ How? By starting with an SUV-driving, harried, errand-running, middle-class mom, and featuring a Hispanic woman in the driver's seat (see the March 10, 2003 Forrester Brief "Sears, J.C. Penney, And Kohl's Shoppers").¹⁶ A recent Circuit City television spot is a good model. The spot, which features a middle-class Black couple using the buy online, in-store pickup, is a great example of how to market primarily to a demographic while at the same time reflecting the diversity of the market.
- **The Home Depot should take advantage of its urban locations.** Lowe's expansion into Home Depot's turf has created a war for market share (see the January 9, 2003 Forrester Brief "The Home Depot And Lowe's Shoppers").¹⁷ In addition to reaching out to women and expanding self-checkout, Home Depot should better leverage its urban stores -- it has locations closer to downtown Atlanta, Boston, Manhattan, and Washington than Lowe's does -- to reach out to racial minorities. By advertising renovation clinics in metro newspaper FSIs, Home Depot will lure working-class homeowners as well as gentrification-minded professionals looking to improve their homes -- regardless of race.
- **Office Depot should expand Spanish-language initiatives.** Office Depot has already done more than most retailers to reach out to Hispanics by developing a Spanish-language Web site with LanguageSpeak. While this is a step in the right direction, Office Depot should also use the U.S. Census to map the Hispanic population to the county level against its store footprint and ensure that stores in Hispanic-heavy areas are fully equipped with bilingual salespeople, product information cards, kiosks, and service representatives.
- **Warehouse clubs must push their family-value message.** Costco and BJ's Wholesale Club attract upper-middle-class households with a lot of kids (see the March 24, 2003 Forrester Brief "Analyzing Sam's Club, Costco, And BJ's Shoppers").¹⁸ These clubs can expand membership and sales by marketing more effectively to mainstream consumers -- especially Blacks and Hispanics, who are as likely as or more likely than Whites to have children at home. If Sam's Club pushes its "It's a big deal" slogan in mainstream media with numbers that show how consumers can recoup their membership dollars, more mainstream

households from all races will strap their kids into their child safety seats and head to their local Sam's Club.

Consumers from all racial groups will respond to messages that tap into their demographic group's motivations. But there are intrinsic differences between races that call for micromarketing and merchandising.

- **Cinco de Mayo means much more in San Diego than in Minneapolis.**

In metro regions like Minneapolis/St. Paul that don't have a lot of Hispanic households, Cinco de Mayo is little more than an excuse to drink Corona. But in Hispanic-heavy -- especially Mexican -- areas like Houston, Phoenix, and San Diego, the holiday is a true celebration of Mexican culture. Beyond the usual targeted merchandising for this event, retailers in these markets can increase sales by more aggressively promoting specials on candy and homemade piñatas, red and green clothes, and traditional Mexican foods in the weeks prior to May 5. Their counterparts in suburban Minnetonka, Minn., will be promoting more traditional Mother's Day items (see the June 2002 Forrester Report "Boost Margins With Merchandise Optimization").¹⁹

- **Religious holidays are an opportunity to connect with the Black community.**

The US is the most religious country in the developed world, and the Black community is the most religious racial group in the US. What does this tell you? That Black families of all ages and incomes will be out en masse looking for Easter outfits at stores like J.C. Penney, Macy's, and Sears. While in the mall, they will also purchase a wider array of Easter cards at stores like CVS and Hallmark to send to friends and family from next door to out of state. To capitalize on this behavior, retailers should contact a merchandise optimization vendor like ProfitLogic to cater products to the local level.

3. Learn From Leaders

Many ethnic marketing best practices already exist in today's competitive consumer marketplace.

- **Gap celebrates diversity minus the controversy.** Gap gets ethnic marketing. It features minority musicians in TV spots, prominently displays consumers of all races throughout its Web site, uses models of all ethnicities for its store signage, and even features music from a variety of ethnic roots for its store soundtracks. Gap's ethnic diversity is shown in the context of a celebration with different races represented. In contrast, Benetton's approach to racial marketing also does a good job reflecting diversity but in a more controversial fashion -- an approach that risks turning away some conservative consumers.

- **Procter & Gamble products welcome Hispanic shoppers.** Hispanic households already outspend other racial groups on food -- and kudos to P&G for acting on their spending. Popular P&G products like Pringles, Tide, and Bounce all have packages that present important information like ingredients and product-related warnings in both English and Spanish.²⁰ While their packages are not 100% bilingual, their efforts will make Hispanic shoppers feel more at ease when choosing among products. Given that Hispanics also spend big on apparel, retailers like Pacific Sunwear and Target should follow suit and include bilingual size and care tags and store policy signs.
- **The U.S. Armed Forces drive their message home.** The armed forces know that enlistees tend to be teenagers of all races from lower-income households seeking career training and college dollars that would be hard to get otherwise. Each military division has responded masterfully by reflecting minority groups in their advertising as well as their sites. At the same time, the Army's "Be An Army Of One" and the Navy's "Accelerate Your Future" empowerment messages clearly resonate with today's youth -- regardless of race.

WHAT IT MEANS

NEW SOURCES WILL HELP ETHNIC MARKETING INITIATIVES . . .

Because of language, culture, and assimilation issues, traditional market research will only take retailers so far in understanding different ethnic groups. In their efforts to analyze these increasingly important consumers, retailers will also turn to:

- **Agencies and employees.** Peoples' understanding of race is often limited to their individual worlds. Recognizing this, a retailer like J.C. Penney will look to its agency -- DDB Worldwide -- for people who can bring additional racial knowledge to the table. Likewise, while the upper echelons of many retailers' ranks are dominated by Whites, local stores often have minority managers and associates. Smart retailers will tap these valuable sources for their rich insights and opinions. And while speaking with these employees, retail executives and diversity directors will also identify up-and-coming corporate talent.
- **Local merchants.** Ethnic neighborhoods have plenty of locally owned businesses that know their customers' behavior and cultures. When retailers like Claire's or Borders scope out areas to open stores, they will invite the managers of local banks, dry cleaners, and restaurants to talk about local consumers' views about spending money and their particular fashion tastes and styles. This will help national players understand whether their stores will be a good fit with the community beyond demographic analysis and focus groups.
- **George W. Bush's campaign workers.** Campaign workers in communities with large minority populations have important cultural knowledge. Expansion-minded retailers like Lowe's will hire former campaign workers as ethnicity consultants to catch up to the local knowledge that Mervyn's has in California and Bealls has in the Southeast. These consultants will infuse retailers with knowledge of whether a Hispanic community is more Puerto Rican, Mexican, or Brazilian and what this means for the marketing and merchandising mix for the stores in that area.

. . . AND AMERICAN RETAILING WILL CHANGE FOREVER

As retailers welcome consumers from across the diversity spectrum, they will signify the American dream for some consumers and the downfall of America for others.

- **Best Buy will take on the digital divide.** Black and Hispanic shoppers are more likely than Whites to be technology optimists, but they lag in the adoption of many technologies because of their lower incomes. Best Buy will reach out to these

consumers with a newly branded store that carries the least expensive name-brand computers and TVs from Compaq, Panasonic, and Sony. It will also specialize in products from companies with less expensive offerings like Daewoo and eMachines. This effort will close the gap between the percent of Best Buy's shoppers who are minorities compared with Circuit City's consumer base.

- **Retailers from Amazon to Abercrombie will test Spanish online.** Not everyone has the resources or desire to fully translate their site to Spanish like Office Depot did -- but Spanish experiments will become the norm. Lands' End already has an "Habla Español" section on its home page, and retailers like Apple and eBay that sell products popular with Hispanics like music and apparel will quickly follow suit. Amazon will announce Spanish capabilities above its product tabs, while Abercrombie & Fitch will take a more subtle approach, including the information three clicks into its site. Even brands like Linens & Things and Wal-Mart will investigate adding Spanish to their Web stores in the next year.
- **US stores will look like stores in Quebec.** For decades, retailers with stores in Quebec have had to deal with French-English signage and employee issues. Retailers with a strong Canadian presence like Sears and Best Buy will tap store managers in Quebec as bilingual experts who can help them ensure that they leave no communication gap from the entrance to the checkout. This will be easy for Québécois managers since bilingual stores in the US won't come with the baggage of confusing government regulation dealing with the predominance of one language over another as it does in Quebec.
- **Retail racial profiling stories will hit newsstands.** Racial profiling accusations against police departments and airports have sparked a firestorm of debate, and retailers won't be immune from the controversy. Somewhere along the line, a disgruntled employee will tip off tabloid-hunting reporters that his company tracks consumers' race. The media will quickly turn this into a redlining story accusing retailers of treating consumers differently by race. However, retailers that clearly communicate to consumers how shoppers of all races benefit from retailers' understanding of the issue will weather the storm unscathed.
- **The extreme right will ignite a language debate centered around retail.** The bilingual debate in the US currently focuses on education. However, as more signs and labels in English and Spanish pop up everywhere from Web sites like officedepot.com to Pringles labels to RadioShack stores, some consumers will rebel. English-only proponents will seize upon the increasing day-to-day bilingualism to call for all English, all the time policies. By this time, President Hillary Clinton will consult with her husband in Chappaqua to see which group she should appease -- the extreme right or Hispanic voters.

RELATED MATERIAL

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Methodology

Forrester conducted a mail survey of 61,086 US and Canadian households that are members of NFO's mail panel. NFO weighted the data by age, sex, income, education, household size, and region to demographically represent the adult North American population. NFO fielded the survey from December 2002 to February 2003 and motivated respondents by entering them in a drawing. For results based on a randomly chosen sample of this size (N=61,086), there is 95% confidence that the results have a statistical precision of plus or minus 0.4% of what they would be if the entire adult population of North American households had been polled. The sample used by NFO is not a random sample; while individuals have been randomly sampled from NFO's panel for this survey, they have previously chosen to take part in the NFO mail panel.

In addition to sampling error, one should bear in mind that the practical difficulties in conducting surveys can introduce error or bias into the finding of opinion polls. Other possible sources of error in polls are probably more serious than theoretical calculations of sampling error. These other potential sources of error include question wording, question ordering, and nonresponse. As with all survey research, it is impossible to quantify the errors that may result from these factors without an experimental control group, so we strongly caution against using the words "margin of error" in reporting any survey data.

These statements conform to the principles of disclosure of the National Council on Public Polls.

You can find more information about the data on the Survey & Data page online. From this page, you will be able to download the Survey Instrument and Data Crosstabs.

Additionally, we spoke with a representative sample of ethnic marketing experts at retailers, ethnic marketing firms, direct marketing companies, ad placement firms, and online portals.

Related Research

March 19, 2003 Forrester Brief "Make Over Beauty Sites To Reach Cosmetics Buyers"

November 2002 Forrester Report "Selling To Mainstream Consumers"

August 9, 2002 Forrester Brief "Where Hispanic Consumers Shop"

May 15, 2002 Forrester Brief "Fun Follows Online Spanish-Dominant Hispanics"

September 2001 Forrester Report "Cross-Channel Scenario Design"

ENDNOTES

- 1 Source: “The Hispanic Population 2000.” U.S. Census 2000 Brief, May 2001.
- 2 Typically, race and ethnicity are separated. Race is usually defined as “White” and “Black,” while “Hispanic” and “Asian” are often considered ethnicities. In this report, we discuss each of these four groups and will interchangeably refer to them as “racial” or “ethnic” groups.
- 3 Source: U.S. Census Table H1, March 2000. Data can be found online at: <http://www.census.gov/population/socdemo/hh-fam/p20-537/2000/tabH1.pdf>. In U.S. Census data, Hispanics are considered to be an independent racial group, independent of other races. Therefore, using Census data, the total number of households will add to more than 104.7 million because some Hispanic consumers identified themselves as both “Hispanic” and “White” or “Hispanic” and “Black.” In the Forrester data, if a consumer identified herself as both “Hispanic” and another race, we categorized her as Hispanic instead of double-counting her.
- 4 Population estimates by racial group published by the U.S. Census Bureau can be found at <http://www.census.gov/population/projections/nation/summary/np-t5-g.pdf>.
- 5 Source: U.S. Bureau of Labor Statistics 2001 consumer spending numbers (Table 7). The \$2.3 trillion number included: food, alcoholic beverages, household operations, housekeeping supplies, household furnishings and equipment, apparel and services, transportation (less public transportation), entertainment, personal care products and services, reading, tobacco products and smoking supplies, and miscellaneous.
- 6 Source: Summary file 3 (SF3), U.S. Census 2000.
- 7 Given that Forrester’s Consumer Technographics North America Benchmark Survey is only conducted in English in the United States, it is safe to assume that we did not capture data for any Asian or Hispanic consumers who do not speak English well. Furthermore, the large female skew for the Black population is partially due to the nonresponse bias of low-income African-American males with survey research. All Forrester consumer data presented in this report is limited because of these issues.
- 8 There is also a significant relationship between getting older and being religious. While this relationship is a moderately significant relationship for Blacks, Hispanics, and Asians, it’s more significant for Whites. For the sake of clarity, we used the middle arrow in Figure 3 to represent this relationship because three of the four races showed that level of significance between age and spirituality.
- 9 While we recognize that there is a skew toward Black female respondents in our data set, the U.S. Census confirms that the Black community has a lower percent of men than any other ethnic group.
- 10 Mervyn’s estimate was originally reported in the March 2003 issue of *Chain Store Age*. The company spokeswoman who was quoted in the magazine also mentioned that because Mervyn’s attracts so many Hispanic shoppers, it works to recognize and encourage this consumer base in part by holding Hispanic heritage events at its stores.

- 11 According to U.S. Census data, metropolitan Los Angeles is 40% Hispanic and metropolitan San Diego is 27% Hispanic.
- 12 Fourteen percent of Hopeful Consumers -- consumers with a household income of less than \$50,000 who are receptive to marketing -- are ethnic minorities.
- 13 Walgreens has a strong presence in the West South Central region of the country. This region includes Louisiana, which has a large population of Black households, and Texas, which has a large population of Hispanic households. Circuit City is strong in the South, which has a large population of Black households, and in the Pacific region, which has large percentages of Asian households (especially in the San Francisco area) and Hispanic households (especially in Southern California).
- 14 There are many safe bets among database marketing service providers. To help companies choose among them, Forrester has created a five-step process that companies can use to choose the vendor that will be the best fit for their organization.
- 15 Kohl's opened 28 stores in California in March 2003 and will open 45 stores in Nevada and Arizona before year-end 2003. Source: *Chain Store Age*, March 2003.
- 16 Kohl's shoppers fit the typical soccer mom profile. They are younger, more affluent, and more likely to have children at home than Sears or J.C. Penney shoppers.
- 17 This fight for shoppers is especially intense because the demographics of The Home Depot and Lowe's shoppers are essentially the same. The common denominator is that they all have a home or apartment they want to improve.
- 18 These more affluent households are more likely to choose a product based on brand and less likely to shop on price than nonwarehouse club shoppers are.
- 19 There are at least 10 vendors that apply predictive analytics to comprehensive data to help retailers improve service and gross margins.
- 20 Other examples of CPG products that are in English and Spanish include Kimberly-Clark's Huggies packaging and Abbott Laboratories' Pedalyte labels.

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