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Diversity efforts more segmented, focused in 2004

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Multicultural marketing is fast becoming more sophisticated and specialized as companies work to be more responsive and to reach out to a diverse marketplace in new ways.

But in 2004, experts predict that more companies will rethink their strategies for multicultural marketing, with a possible shift in focus to higher-income households in the Hispanic segment and on a younger generation of consumers. At the same time, the crystal ball shows companies looking for better metrics on multicultural marketing overall, just as they do for the general marketplace. (Companies spend only about 5% to 10% of their marketing budgets on reaching multicultural consumers, according to McLean, Va.-based Association of Hispanic Advertising Agencies.)

"The economy in the last several years has forced many (multicultural marketers) to re-examine their approaches, their investments and overall commitment to this market. More marketing directors and brand managers will be expected to substantiate their return on investment (in this area)," says Jennifer Woods, executive vice president of San Jose Group Co., a consortium of marketing communications companies based in Chicago.

A cultural check

In 2004, more companies are expected to change their approach to ethnic consumers, multicultural experts predict. The options vary with size of budget, but those with the means to do so likely will segment their efforts more finely than in the past, while those with less money to invest will soldier on with a more general approach.

"Companies will focus on whether or not taking an umbrella multicultural marketing approach is the right thing to do vs. segmenting out Hispanic, African-American and Asian with resources and teams dedicated to those specific things," Woods says. "More companies



are being forced to look at it as an umbrella strategy—to look to the most predominant common denominator that binds each group. But, in so many cases, each of these groups needs to be reached in a distinctive way."

In addition, Larry Moskowitz, vice president of strategic marketing for New York-based Kang & Lee Advertising Inc., an agency that targets the Asian-American market, says larger companies will want to "ensure that they have alliances or wholly owned subsidiaries that are knowledgeable about multicultural marketing" in order to better serve their clients.

A grassroots approach

Speaking of strategies, Erika Prosper, director of account services and planning for San Antonio-based Garcia 360° Partners Ltd., expects more businesses to take a grassroots approach toward reaching multiethnic markets this year.

"We're seeing, as the economy is stabilizing... a lot more companies are focusing on Hispanic-specific or ethnic-specific events," Prosper says.

For example, Prosper notes that Northfield, Ill.-based Kraft Foods Inc. helped finance a variety of community outreach programs aimed at Hispanics—\$2.5 million in the past two years.

She adds: "What's specific to the grassroots component is that companies are looking for ways they can speak to the ethnic community on a deeper level.

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One-on-one contact makes a difference with ethnicity, and grassroots events are good for sampling opportunities."

Urban marketing: a younger generation

Experts also foresee companies spending more time and money on urban marketing by venturing into areas where trends typically start—such as New York City and downtown Los Angeles.

"We see a big increase in the urban approach. The reason is that when it comes to urban marketing, it's a whole other mindset. That's really where pop culture trends have started," Prosper says.

Similarly, Andrew Erlich, president of North Hollywood, Calif.-based Erlich Transcultural Consultants Inc., points out that the younger generation of Hispanics, African-Americans and Asian-Americans see themselves as part of an urban youth segment, as opposed to a specific ethnic component or identity.

"This is an area that (companies) may try to (target), and try to get them as trendsetter voices... as early adapters," Erlich says.

His view is that companies will direct more of their promotions and introduction of new products toward the younger ethnic population in 2004. "I'm seeing that more and more (companies) will begin to advertise to subsequent generations they might not have been familiar with before," he says.

A class distinction

At the same time, more companies will create a class distinction in the multicultural marketplace among all ethnic groups this year.

Prosper uses the Hispanic segment as an example: "It used to be that companies wanted middle-class Hispanic customers, for instance. But companies are now defining (low, middle and upper classes) among the ethnic segments within each of the target markets. (The Hispanic segment) still has certain lifestyles that certain types of products may be more appealing to," Prosper says. "But now, 40% of the U.S. Hispanic population is entering the \$75,000 income range. So companies are saying that they don't necessarily want the \$25,000 segment or below (for certain products they sell), but (instead) they want the higher-income households."

Splurge a little more

Lastly, experts predict more companies also will reach deeper into their pockets on multicultural marketing research overall.

"In the past, we would do one Spanish-language focus group. But now, clients are waking up to the realization that we have to do as much research on these markets as we do on general markets," Prosper says. "We've seen an increase in research spending."

Moskowitz adds: Generally speaking, it's going to be a good year (for multicultural marketers) simply because multicultural has done well in spite of the downturn in the economy. We have weathered the storm well and we've grown, but that's because marketers who were in it had a good bang for their buck." ■

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