

The Growing Hispanic Population Means Big Business for These 7 Sectors

By Brian Bueno

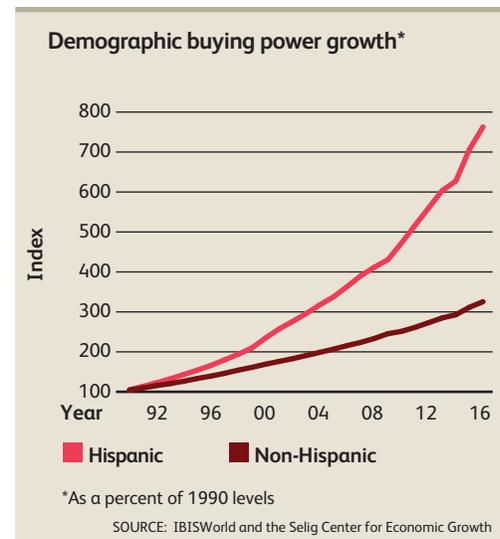
As the nation's Hispanic population surges, so too does their respective buying power. IBISWorld expects these seven sectors to benefit the most.

Total Hispanic buying power in the United States is estimated to reach \$1.1 trillion by year-end 2011

Hispanics are expected to make up about 16.6% of the US population in 2011, representing roughly 56.0% of total population growth over the past decade. The 2010 Census revealed the surging Hispanic presence in the United States and brought about numerous questions regarding the group's future political and economic influence. By 2016, this demographic group will comprise 17.8% of US residents, furthering its impact on the US economy as its presence and buying power climb.

IBISWorld estimates that overall Hispanic buying power will total \$1.1 trillion in 2011, or about 9.5% of the US total (source: Selig Center for Economic Growth). For more than two decades, Hispanic buying power growth has outstripped that of the general population. Despite difficulties during and following the recession of 2009, buying power among Hispanics continues to escalate steeply. Over the next five years, the nation's buying power is projected to grow 27.5% to \$14.7 trillion, while that of the Hispanic population is forecast to grow 48.1% to \$1.6 trillion. Companies across all sectors are eager to claim a piece of this pie.

The Hispanic population is comprised of a wide variety of ethnic, cultural and socioeconomic backgrounds.



Understanding this diversity has been fundamental to various companies' ability to capture a substantial share of the market. Furthermore, there are some unifying characteristics that are distinctive of this group, such as its young age relative to that of the general population and its aforementioned rapid buying power growth. Whether through active marketing strategies or mere coincidence, some sectors have managed to capture a large and growing share of the Hispanic market. IBISWorld has identified 20 industries in seven sectors that, over the five years to 2016, will

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benefit most from a growing Hispanic population in the United States.

Food

Hispanics have influenced the American palate for decades, but have only recently become a major demand determinant in restaurants and supermarkets. Hispanics spend about 7.7% of their incomes eating at home, compared to 6.0% for non-Hispanics. However, excluding income differences, they also spend 0.9% more than non-Hispanics on food at home. For example, the average Hispanic spends roughly 38.1% more on eggs every year than the average non-Hispanic. As supermarkets and grocery stores catch on to this trend, they are scrambling to cater to Hispanic consumers, often through ethnic aisles and food offerings typical of a particular cuisine (e.g. Mexican and Peruvian). Hispanic grocery stores are also popping up around the country, particularly in the West and Southwest, areas with large Hispanic populations. These stores offer cuisine-specific items and have been a notable development and growth opportunity in the Supermarkets and Grocery Stores industry.

Restaurants across all food types have also benefited from the growing Hispanic population. Social factors, such as the tendency to dine out with the entire family, gives this group a substantial 11.4% share of the Single Location Full-Service Restaurants

industry. Growth in the national availability and affordability of ingredients typical of Hispanic cuisines have allowed such restaurants to open across the country, attracting Hispanic and non-Hispanic customers alike. Fast food restaurants caught onto this trend years ago and have invested large sums in attracting Hispanic consumers. For instance, McDonald's spent \$118 million in Hispanic media in 2010, making it the fifth largest advertiser geared toward the market, behind P&G, Verizon, AT&T and DirecTV.

Retail

Retail industries are some of the main beneficiaries of growing Hispanic buying power due to their long history of advertising toward the market. With concerted efforts by retailers to attract Hispanic consumers through English- and Spanish-language mediums, the sector's share of the demographic is projected to swell. For example, advertising campaigns and product lines that involve well-known Hispanic celebrities have been hugely popular. Kmart, in particular, is seeking to regain overall market share in the Department Stores industry and recently launched a clothing and accessories line with Sofia Vergara, a celebrity popular with both Hispanic and non-Hispanic consumers. Retailers are also seeking to establish relationships with younger buyers, especially because surveys have pointed

Food industries

Industry	Industry Size	Hispanic Contribution		Annualized
	2011 (\$ million)	2011 (\$ million)	2016 (\$ million)	Growth (%)
Supermarkets & Grocery Stores	494,622	63,568	70,087	2.0
Fast Food Restaurants	165,409	18,831	23,251	4.3
Single Location Full-Service Restaurants	91,400	10,406	13,765	5.8

SOURCE: IBISWORLD

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Retail industries

Industry	Industry Size	Hispanic Contribution		Annualized
	2011 (\$ million)	2011 (\$ million)	2016 (\$ million)	Growth (%)
Department Stores	192,148	22,131	27,797	4.7
Consumer Electronics Stores	80,132	9,671	13,938	7.6
Children's & Infants' Clothing Stores	9,717	1,869	2,324	4.5
Men's Clothing Stores	9,030	1,168	1,532	5.6

SOURCE: IBISWORLD

to relatively strong brand loyalty among the Hispanic market.

The Hispanic share of the Children's and Infants' Clothing Stores industry is one of several that exceeds the group's population share. This fact reflects the young age of the Hispanic population, combined with higher birth rates among the demographic (source: US Census Bureau). In fact, roughly 23.5% of US residents younger than 15 are of Hispanic origin, compared to only 12.4% of those older than 30. As a result, Hispanics are major purchasers of children's and infants' clothing, accounting for about 19.2% of industry sales in 2011.

The Men's Clothing Stores industry is one of the more surprising industries extracting growth from the burgeoning Hispanic population. Nevertheless, buying patterns that result largely from cultural differences among Hispanic males have long pointed toward this trend. According to the Bureau of Labor Statistics' latest "Expenditure Survey," Hispanic men spend 7.0% more than non-Hispanic men on clothing on a per capita basis – particularly on shirts, coats and jackets, pants and uniforms. Consequently, the Hispanic demographic's contribution to the Men's Clothing Stores industry is forecast to grow at an average annual rate of 5.6% over the next five years, faster than industry revenue.

Owing primarily to the relatively

young age of the Hispanic population, this demographic is a prominent and growing market for Consumer Electronics Stores. The Nielsen Company, a leading marketing and advertising research firm, reported that Hispanics are 7.0% more likely than the general population to own a smartphone, download music online, utilize mobile video, use e-mail and send or receive text messages. Additionally, a recent ComScore survey reported that the group is also more likely to own an internet-enabled television, e-book reader, Apple iPad and 3-D television.

Education

Education, particularly higher education, has become vastly more attainable to minorities and low-income households over the past decade. As a result, Hispanics comprise a quickly growing share of the higher-education sector, leading enrollment growth among all racial groups over the past five years, according to the Pew Research Center. Soaring tuition costs, however, remain a limiting factor. As a result, Hispanics have also led strong growth in community college and trade and technical school enrollment, which offer advanced degrees at lower costs and allow students to postpone enrollment into four-year institutions, reducing overall education costs.

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Education industries

Industry	Industry Size	Hispanic Contribution		Annualized
	2011 (\$ million)	2011 (\$ million)	2016 (\$ million)	Growth (%)
Colleges & Universities	354,219	34,308	43,955	5.1
Trade & Technical Schools	16,608	2,059	2,819	6.5

SOURCE: IBISWORLD

With a large share of the Hispanic population that has yet to enter college age, the group's contribution to the education sector is projected to grow rapidly over the coming years. Over the five years to 2016, the Hispanic contribution to the Colleges and Universities industry, for example, is projected to grow at an average annual rate of 5.1% to \$44.0 billion. Institutional and government programs that promote minority and low-income college attainment will continue to boost the Hispanic contribution to higher education. Any reductions in aid programs, however, such as Pell Grants and subsidized student loans that assist low-income households, have the potential of curtailing this growth.

Real estate

With rising incomes, falling unemployment and an increasing number of Hispanics entering the workforce with advanced degrees, the "American dream" of owning a home

inches that much closer for this demographic. Additionally, because many Hispanics put off purchasing a new home during the economic slump, the better conditions ahead are expected to bolster homeownership. As a result, Hispanic contribution to the housing market is expected to grow robustly over the five years to 2016, particularly within the Home Builders industry.

Hispanic-owned and co-owned businesses are also turning up all over the country, and in areas beyond the food sector. Overall, these businesses are centered on wholesale trade, construction and retail, which account for a combined 50.8% of Hispanic-owned business revenue. And with rising business ownership through increased access to small-business loans, the group is anticipated to increase its share of the Commercial Leasing industry. In particular, Hispanic businesses are concentrated in areas with large Hispanic populations, such as California, Florida and Texas, where language

Real estate industries

Industry	Industry Size	Hispanic Contribution		Annualized
	2011 (\$ million)	2011 (\$ million)	2016 (\$ million)	Growth (%)
Home Builders	187,693	15,391	34,582	17.6
Commercial Leasing	145,468	4,400	6,465	8.0

SOURCE: IBISWORLD

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Financial services industries

Industry	Industry Size	Hispanic Contribution		Annualized
	2011 (\$ million)	2011 (\$ million)	2016 (\$ million)	Growth (%)
Commercial Banking	570,900	54,291	77,138	7.3
Credit Card Processing & Money Transferring	43,689	5,243	7,406	7.2

SOURCE: IBISWORLD

barriers can be more easily overcome and expansive markets exist for Hispanic-catered products.

Financial services

Although Hispanic household wealth, relative to that of other demographic groups, was a major casualty of the recession, the group continues to represent one of the biggest growth opportunities within commercial banking. In connection with its contribution to the housing market, mortgages to Hispanic customers are anticipated to be an important source of income for banks in the coming years. In addition, credit cards and checking and savings accounts are increasingly being opened by the market, thanks to major promotional and development efforts by banks. Specifically, banks have actively hired Spanish-speaking tellers and customer service agents, launched websites in Spanish, partnered with Latin-American companies and leveraged their foreign subsidiaries to establish brand recognition. Citibank, for example, recently opened Banamex USA branches, using the well-known brand name of its Mexican subsidiary to attract Mexican-American clients.

From 2011 to 2016, Hispanic contribution to the Commercial Banking and Credit Card Processing and Money Transferring industries will grow at annualized rates of 7.3% and 7.2%, respectively, faster than both industries' revenue growth. For the latter industry, fees for remittances sent to countries of

origin will be a key source of revenue, but such services are expected to be increasingly performed by major banks instead of money transfer services providers, such as Western Union. This shift will occur as banks introduce new and less costly international transfer services that take advantage of new technologies and established customer relationships, such as Bank of America's SafeSend service that offers customers free money transfers from the United States to Mexico.

Transportation

Due to growing buying power and focused efforts by advertisers, Hispanics encompass a quickly growing share of the market for automobiles. Young Hispanics, in particular, are purchasing vehicles at higher rates than their older counterparts. By 2016, Hispanics will contribute roughly \$14.0 billion to the Car and Automobile Manufacturing industry, representing annualized growth of 7.4% from 2011. According to a recent automotive market survey, the top five car brands among Hispanics between the ages of 18 and 34 are: Mitsubishi, Nissan, Toyota, Suzuki and Honda. Major marketing efforts by these manufacturers have been important in their success in capturing the market. General Motors is struggling to keep up, spending roughly \$102 million in Hispanic media advertising in 2010.

Airlines are also anticipated to benefit from rising Hispanic movement across the American landscape. Hispanic

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Transportation industries

Industry	Industry Size 2011 (\$ million)	Hispanic Contribution 2011 (\$ million)	Hispanic Contribution 2016 (\$ million)	Annualized Growth (%)
Car & Automobile Manufacturing	83,189	9,787	13,974	7.4
Domestic Airlines	147,178	13,178	16,876	5.1

SOURCE: IBISWORLD

populations, once concentrated in particular areas of the country, are growing in areas far from the typical Sunbelt of previous years. This shift is occurring not only as Hispanic immigrants gravitate toward areas with employment prospects, but also as US-born Hispanics spread across the country for college and other opportunities. Leisure travel to countries of origin is also a major market for airlines, mostly benefiting international carriers. However, US carriers have sought to gain from such travel activity by offering routes to foreign destinations. In 2010, Southwest Airlines entered an agreement with low-cost Mexican airline Volaris, whereby various flights and connections are sold by both airlines.

Entertainment and media

Entertainment providers have long been catering to the Hispanic market with Spanish-language offerings, but there is

still a lot of room to grow. As companies expand their investments in attracting the market, advertising agencies are set to benefit substantially. Agencies offering Hispanic-centered services are already gaining momentum as large corporations increasingly set aside advertising budgets for Hispanic outreach efforts. In particular, efforts targeting Hispanics through mobile and internet channels are a prime target for advertisers, considering the Hispanic market's significant use of mobile and internet platforms. Following the recession of 2009, ad spending on Hispanic media grew 1.9% more than that of non-Hispanic media, with the largest gains experienced in TV, magazines and the internet.

Although Spanish-language films have yet to make a dent in the American film industry, Hispanics constitute a key market for movie studios and advertisers. According to a

Entertainment and media industries

Industry	Industry Size 2011 (\$ million)	Hispanic Contribution 2011 (\$ million)	Hispanic Contribution 2016 (\$ million)	Annualized Growth (%)
Advertising Agencies	29,215	2,979	4,277	7.5
Sports Franchises	24,098	1,862	2,688	7.6
Television Production	32,496	3,000	3,761	4.6
Movie Theaters	12,645	933	1,193	5.0
Magazine & Periodical Publishing	42,615	3,000	3,549	3.4

SOURCE: IBISWORLD

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recent report from the Motion Picture Association of America, Hispanics are more likely to go the movies than the general population, and they tend to go more often and in larger groups. As such, studios continue to invest heavily in efforts to attract Hispanics, and many of those efforts have paid off. The 2009 release of *Fast and Furious*, for example, gained about 46.0% of its opening weekend revenue from Hispanic audiences. Over the five years to 2016, Hispanic contribution to the Movie Theaters industry is projected to record average annual growth of 5.0% to \$1.2 billion. Such growth will be bolstered by the arrival of well-known Mexican movie theater chain, Cinépolis, which seeks to establish a market in the United States among luxury consumers and those already familiar with the brand.

Hispanics have had a long history in American sports, particularly in major league baseball. Today, they comprise a substantial share of fans for all major sports, including basketball, football and soccer. Additionally, the surging popularity of professional soccer in the United States can be attributed, in part, to substantial support by the Hispanic population. Sports franchises, similar to movie studios, have also sought to cater to growing the Hispanic market through complex promotional efforts, such as the marketing of players to create a brand image that attracts a Hispanic audience. For example, using established brand recognition, Major League Soccer (MLS) added the Los Angeles Chivas USA club in 2004, becoming the first team in MLS to be directly connected to a foreign club, its sister club of Guadalajara, Mexico.

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