



The Multifaceted Hispanic Market

The U.S. Hispanic market's sheer size, youth and rate of growth has many in the financial services market understanding now is the time to adjust for service to this critical consumer segment. Credit unions in particular, with a focus on the "people helping people" philosophy, understand serving this disproportionately underserved community is not only an investment in the sustainability of their cooperatives; it's a way to continue supporting their collective mission.



Yet many are curious where to start. Like most cultural groups, the Hispanic market is made up of several smaller segments, many of which represent great opportunity for financial service providers. Three of the segments in particular comprise individuals who need credit unions as much as credit unions need them. They are:

- › Second-Generation and Generation Y
- › Small Business Owners
- › Underserved



What follows is an exploration of each of these three segments of the critical Hispanic marketplace, including what we know about the members of these segments and how that translates to opportunities for U.S. credit unions.

Second-Generation and Gen Y Hispanics

The Opportunity

Part of the draw to serving Hispanic consumers – particularly for credit unions who struggle with aging memberships – is the unmatched youth of the U.S. Hispanic market. For this reason, targeting “second-generation” or children of Hispanic immigrants, is a smart strategy for credit union leaders who want to introduce their cooperative to the next generation of financial-service consumers. Beyond this target market’s youth, second-generation Hispanics generally have higher incomes, more degrees and own more homes than their parents, making them attractive financial clients.

What We Know

New research is available on this market, serving as a guidepost for credit unions that are right now mapping out their Hispanic-growth strategies. Chief among the findings of this new research are that second-generation Hispanics:

- › place more importance than the general public does on hard work and career success
- › are more likely to say their standard of living is higher than that of their parents
- › think of themselves as “typical Americans.” Interestingly, however, when asked which term they generally use first to describe

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themselves, young Hispanics show a strong preference for their family's country of origin (52%) over "American" (24%) or the terms, like "Hispanic" or "Latino" (20%).¹

- › have friends and spouses outside their ethnic or racial group²

Hope for a bright future and a commitment to hard work are strong among young Hispanics. In fact, 91 percent of Hispanic youth agreed with this statement: "No matter how poor you start out in the United States, with hard work you can achieve success."³ The possibilities for credit unions to act as a partner in the pursuit of this belief is equally as strong, as many young Hispanic members will have part-time jobs with income streams at younger ages. Couple that with a need for education, lifestyle and auto loans, and the value of a credit union to a young Hispanic American becomes clear. If established early, that relationship is likely to grow over time, as members enter adulthood, their careers grow and they begin to upgrade vehicles and purchase homes.

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Communicating this ability and willingness to help young adults reach their financial goals will be less complicated with second-generation Hispanic consumers, as 93 percent report they speak English either very well or well. That said, this audience is typically bilingual, with eight-in-ten second-generation Hispanics reporting they converse either very or pretty well in Spanish.⁴

Of course there is a significant difference in the needs of youth vs. young adults. The average age of the Hispanic community is 28, and 65 percent of U.S. Hispanics are Millennials, ages 22 to 35.⁵ Hispanics comprise 22 percent of all children younger than 18.⁶ Understanding which segment of the Hispanic youth population best aligns with a credit union's value proposition and strategic growth goals is an important first step to the development of a plan to serve young Hispanics.

Products and Services Important to this Segment

Of particular importance to the Gen Y or second-generation Hispanic consumer is the availability of mobile products. Study after study indicates Hispanic consumers make up one of the most tech-savvy demographics in the U.S. One such survey goes a step further, however, indicating that Hispanic consumers' comfort with technology may very well extend to mobile banking. The survey, conducted by the Federal Reserve, indicates that even though Hispanics make up 13 percent of

¹ "Between Two Worlds: How Young Latinos Come of Age in America," Pew Research Center, December 11, 2009

² "Second-Generation Americans: A Portrait of the Adult Children of Immigrants," Pew Research Center, February 7, 2013

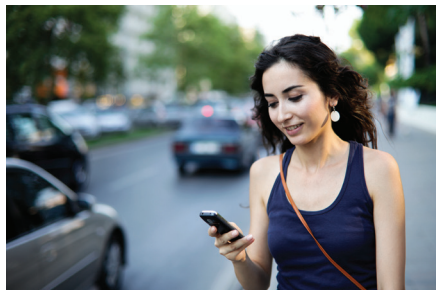
³ "Latinos and the 2010 Census: Let's Put Those Numbers to Use," National Council of La Raza

⁴ "Second-Generation Americans: A Portrait of the Adult Children of Immigrants," Pew Research Center, February 7, 2013

⁵ "Research Shows 65 Percent of U.S. Hispanics are Millennials," QSR, December 11, 2012

⁶ "Hispanic Fast Facts" Ahaa, the Voice of Hispanic Marketing

all mobile phone users, they represent 17 percent of those using mobile banking.⁷



Although still in their infancy, mobile-payments services also appear to be particularly appealing to this market. Of those who claimed frequent use of mobile-payment services, more than 20 percent identified themselves as Hispanic. When you consider that three-quarters of those identified by the Fed survey as mobile payment users were younger than 44, a clear picture of the mobile payments “early adopter” comes into focus.

Credit unions must remember, however, that service to the Hispanic market goes beyond simply making available a popular or emerging product. As credit unions roll out different products and services, they must understand that second-generation Hispanics – although raised in the U.S. and fluent in the national language – still have unique needs and wants, driven by a deep connection to their culture. Among the values present in this culture are, notably, the traditional American values of faith, family, community and patriotism.⁸

Credit union leaders should also keep in mind that serving first-generation Hispanics can help credit unions attract the coveted second generation of Hispanics. The U.S. Census reveals that the more than 18 million foreign-born Hispanic immigrants living in the U.S. have a median age of 39 years old. These are the hard-working parents of these relatively young second-generation children.

Helping the very young understand the value of participating in the U.S. financial system, too, can help credit unions establish early relationships with second-generation Hispanics. With nearly a quarter of all U.S. children identifying themselves as Hispanic, there is no shortage of opportunity.⁹ Courting the first generation and the very young may have a residual effect of creating trust and loyalty with the second generation of Hispanics.

Other products and services to help credit unions serve young Hispanic members include financial-education courses, credit-building products, checking and savings accounts, as well as payments tools, like prepaid reloadable cards and person-to-person (P2P) payment tools.

⁷ “Hispanics Adopt Mobile Banking, Payments at Higher Rate,” Federal Reserve, March 19, 2012

⁸ “Latinos and the 2010 Census: Let’s Put Those Numbers to Use,” National Council of La Raza

⁹ “The United States of education: The changing demographics of the United States and their schools,” The Center for Public Education

Hispanic Small-Business Owners



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The Opportunity

Between 2002 and 2007, the number of Hispanic-owned firms grew by nearly 50 percent. For context, the number of firms owned by non-Hispanics grew a mere 15 percent during the same time period. Today, Hispanics own 2.3 million businesses, or 8 percent of all U.S. non-farm businesses.¹⁰ What kind of a financial opportunity does this represent, though, you may ask. A large one. Five years ago (2007), Hispanic-owned businesses generated more than \$350 billion in sales.¹¹

In certain states, the opportunity is particularly clear. According to recent research Coopera conducted in partnership with the California and Nevada Credit Union Leagues, for instance, 8 percent of all Nevada businesses are Hispanic-owned. In California, that stat jumps to 17 percent.

This is not to say other, non-“gateway” states should not pay attention to the opportunity represented by small-business owners in the Hispanic community. The states with the highest growth rates for the Hispanic community are in the Southeast, Midwest and Mid-Atlantic regions.¹² As entrepreneurialism and a strong work ethic are strong tenets of the Hispanic culture, it stands to reason these regions are about to see an explosion in the number of Hispanic-owned businesses. In some respects, the Midwest already has. In 2002, Hispanic-owned firms in the Midwestern states brought in just over \$15 billion; by 2007, that figured had grown to nearly \$25 billion.¹³

What We Know

Like most small businesspeople, Hispanic leaders need strong guidance, both financial and otherwise, to achieve and maintain success. The potential to increase business revenues can be seen in the simple fact that Hispanic-owned businesses have a tendency to generate average annual incomes well below the average in the U.S. (even below the average for minority-owned businesses).¹⁴

Lower-than-average income from these businesses may be due to the challenges Hispanic Americans face when it comes to founding and maintaining a successful business, namely limited capital and access to credit. Those factors certainly influence the types of businesses Hispanic entrepreneurs create. The most current data available shows the most

10 “Latino-Owned Businesses: Patterns on Growth and Exclusion,” NEXO, Spring 2011
 11 “Hispanic Americans: Census Facts,” Infoplease.com
 12 “Latinos and the 2010 Census: Let’s Put Those Numbers to Use,” National Council of La Raza
 13 “Latino-Owned Businesses: Patterns on Growth and Exclusion,” NEXO, Spring 2011
 14 “Latino-Owned Businesses: Patterns on Growth and Exclusion,” NEXO, Spring 2011

common industries for Hispanic-owned businesses, a small majority (51 percent) of which are owned by females, are:

- › Administrative and support
- › Construction
- › Health care and social assistance
- › Personal and laundry services
- › Repair and maintenance
- › Waste management and remediation services

Often Hispanic business owners are on their own, without the benefit of boards of directors, shareholders or even executive teams. Nearly 90 percent of Hispanic-owned businesses, in fact, are without paid employees. This underscores the importance of leadership support and guidance for this critical segment of the Hispanic population.



Products and Services Important to this Segment

Credit unions that partner with local organizations that serve Hispanic entrepreneurs and small businesses, such as Hispanic Chambers of Commerce, are having tremendous success connecting with this valuable community. By supporting culturally relevant financial and other education initiatives and providing capital opportunities, these credit unions work in conjunction with these organizations to provide a much-needed service and begin to build trust.

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Often this is most successful when credit unions work to add bicultural outreach coordinators and/or business development professionals to their staffs. It becomes the job of these individuals to reach out to their local small business community to make introductions, talk about their business needs and offer them relevant financial products. Female staffers may be in a particularly unique position to serve as outreach coordinators because the fastest growing sector in Hispanic-owned business is women-owned and women-operated.¹⁵

These products may include business loans, but they may also be solutions to help business owners optimize their operations and ultimately grow their business. Consider solutions that help reduce business expenses, such as payroll costs, for example. Offering the employees of Hispanic businesses payroll direct deposit to checking accounts or to prepaid reloadable cards will help the business owner

15 “Hispanic Women-Owned Businesses,” National Women’s Business Council

eliminate payroll check printing and will provide employees more access to their money. This type of a program can be mutually beneficial, as the business saves time and money while the credit union establishes potentially long-term relationships with the employees.

Beyond simply offering ways the credit union can help optimize and grow the businesses of their Hispanic community members, outreach coordinators can build an even deeper level of trust and cooperation by connecting business owners with other local organizations that might provide technical or operational assistance to entrepreneurs in their language of choice and in the areas of marketing, accounting, legal, HR, technology or business plan development.

Other products and services to help credit unions serve small-business members include business accounts, merchant services, business lines of credit and micro-financing.

Underserved Hispanics

The Opportunity

More than one in four households (28.3 percent) in the U.S. today is underserved, conducting all or some of their financial transactions outside of the mainstream banking system.¹⁶ Hispanics represent a disproportionate number of this group. And while at first glance, the pursuit of this market for potential members may seem counterintuitive for a credit union, the underserved represent a large market opportunity. That’s because underserved Americans are a fast-growing and young population with growing incomes. For the credit union that supports such an individual through a difficult time, the potential for life-long loyalty is huge. Underserved Hispanics, in particular, tend to have large households and live in tight-knit communities, creating more word-of-mouth opportunities for the credit union that serves them well.

What We Know

Not participating in the U.S. financial system is not an indication of an unwillingness to participate in or align with the tenets of American culture. In fact, Hispanic Americans love their country. In 2008, Hispanics made up more than seven percent of all voters (up from six percent in 2004).¹⁷ Between 2009 and 2011, the number of Hispanic recruits to the U.S. military rose from just under nine percent to just over 14 percent.



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¹⁶ “The Comprehensive Guide To The Un-And Underbanked,” The Financial Brand, September 17, 2012
¹⁷ A Record 24 Million Latinos Are Eligible to Vote, But Turnout Rate Has Lagged That of Whites, Blacks,” Pew Research, October 1, 2012

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There are nearly 7 million Hispanic households in the U.S. that are unbanked and underserved, which means that about one out of every two U.S. Hispanics is unbanked or underserved. The most common reasons why households (regardless of ethnicity) report they do not have bank accounts are that they feel they do not have enough money for an account or they do not need or want one. Yet, nearly 70 percent of unbanked households have used an alternative financial service provider in the last year to conduct financial transactions outside of a traditional financial institution, such as cash their check or buy money orders.¹⁸

For many credit unions, the best marketing tactics possible for reaching the unbanked will be financial education outreach and word-of-mouth referrals. With these methods, the credit union can begin to build awareness about the benefits of depositing and borrowing from a federally insured financial cooperative, as well as the credit union difference. The Hispanic culture relies heavily on the experiences of friends and family members to guide decisions and choices. So when a credit union serves one Hispanic member well and provides financial information and guidance to that member, the cooperative can receive several more opportunities to help friends or family members.

Products and Services Important to this Segment

Many credit unions are surprised to learn that success with the underserved Hispanic community begins simply – not with the rollout of extreme product innovations; rather it begins by developing mutually beneficial partnerships within the community.

“We have found many of the Hispanic residents in our local community already have a basic understanding of the U.S. financial system, yet they struggle with money management and building credit for loans,” said Dallas Zimbelman, Financial Services Representative at KEE Federal Credit Union in Lexington, Nebraska. “To help this crucially important group better understand our credit union’s products and services, as well as general principles of financial health, we use a mix of external outreach efforts and internal marketing programs.”

An important aspect of KEE FCU’s outreach efforts to underserved Hispanics in their community is partnerships with area employers. The credit union works closely with the local meat packing plant, where many Hispanic residents are employed. In partnership with the employer, the credit union helps employees having trouble with their finances

¹⁸ “2012 FDIC National Survey of Unbanked & Underbanked Households,” FDIC, September 2012



understand their options and the potential solutions to their money troubles. KEE FCU also works with a local community college, hosting workshops using Credit Union National Association (CUNA) and Coopera's Spanish seminar-in-a-box series. The ultimate goal? To educate the underserved Hispanics in their community on personal finance topics, like the credit union difference, building credit, improving credit scores and maintaining good credit, as well as methods for managing a budget. "All of these efforts combined have proven to be successful," said Zimbelman. "We continue to serve a large and growing population of Hispanic members, and our opportunities for revenue and membership growth continue to grow alongside this important segment of our membership base."

Remittance services or non-wire money transfer services represent a core product important for the underserved Hispanic community. Beyond simply allowing Hispanic consumers another choice for sending money home to loved ones, providing remittance services also gives credit unions the chance to deliver more comprehensive financial services to this market segment. The World Bank reported that remittance flows topped \$530 billion in 2012, and credit unions continue to have a negligible market share in this space. However, they are well-positioned to offer remittance services to the youngest, largest and fastest-growing segment of the U.S. population. This group alone sent more than \$61 billion to Latin America in 2011.¹⁹

It's important to understand remittances aren't necessarily a tool for attracting new Hispanic members. Credit unions should view these services more as a value-added tool to increase the depth of their product suites.

Prepaid reloadable cards, on the other hand, have been successful at attracting new underserved members to credit unions across the country by providing an easy-to-open and easy-to-use first payment solution. Hispanic cardholders may want to use their prepaid reloadable card as an affordable way to share funds with family members abroad, so it's important for prepaid reloadable cards to allow multiple cardholders on the account. The Coopera Card, for instance, allows cardholders to request up to six additional cards for family, whether stateside or outside the country. For cardholders looking to use prepaid reloadable cards as an alternative to international money transfers, presenting an option

¹⁹ "Report: remittances to Latin America and the Caribbean rose to \$61 billion in 2011," Inter-American Development Bank, March 8, 2012

that charges less in foreign exchange rates can go a long way toward attracting cardholders to a credit union.

Other products and services to help credit unions serve more underserved members include culturally relevant savings accounts and programs; auto, micro and lifestyle loans (for quinceañeras, weddings, immigration, citizenship, travel, etc.), and of course, financial education.

In Conclusion...

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Catering to the Hispanic consumer requires an appreciation of the many nuances that exist inside this fast-growing market. When broken into its many unique segments, the Hispanic market becomes fairly complex. This can be intimidating for short-staffed or resource-challenged credit unions looking to adapt their products, services and operations to the service of this crucial demographic.

That’s why it’s so important to understand the makeup of your local Hispanic community. After determining which of the Hispanic market segments exist within your field of membership, you can better define your target market and understand how service to these consumers aligns with your credit union’s growth strategies.

Coopera helps credit unions with this exact process by performing a comprehensive Hispanic market analysis. The analysis examines Hispanics in the credit union’s field of membership and studies their acculturation levels, language preferences, spending habits and other information. Coopera then converts that market analysis into an actionable plan, providing very specific and intelligent marketing campaigns to credit union staff for their implementation.

Now is the time to invest in service to the Hispanic market. Where you will start depends on the special opportunities unique to the Hispanic consumers in your local communities.