

## Banking On The Dollars

**A Special Report on Financial Services in the U.S. Hispanic Market**

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Despite a weakening economy, many financial services companies still see plenty of opportunities in courting the more than 41 million Hispanic consumers in the U.S. Many of these firms - banks, credit card issuers, brokerage firms and mortgage lenders - have fine-tuned their strategies but remain committed to the Latino market.

A few have even increased their marketing budgets for the Hispanic marketplace.

"We see no reason to slow down our efforts to grow market share," says Javier Palomarez, vice president for multicultural marketing at ING.

The Netherlands-based financial services conglomerate recently hired its first Hispanic agency of record, San Antonio-based Creative Civilization, to develop a marketing and media plan aimed at reaching Hispanic consumers and businesses ([HMW Archives 5/21/08. ING Takes The Creative Route](#)).

Companies like ING have no doubt that the Hispanic market is a growing one, with significant profit potential.

Today, Latinos account for more than 15 percent of the U.S. population, according to new Census Bureau data. In an annual report, the Census revealed there are 45.5 million Hispanics in the U.S. That's up from 35.7 million in 2000, when they made up 12.6 percent of the population. Growth among Hispanics was responsible for half of the U.S. population gains between 2000 and 2007.

Another factor keeping financial institutions' attention on Latino consumers is that they represent an underserved customer base, especially in terms of financial products. Roughly 40 million households in the U.S. are "under-banked," according to the Center for Financial Services Innovation in Chicago.

A recent report from Experian Marketing Services indicates that 35 percent of Hispanic immigrants do not have bank accounts. Also, 51 percent of Latinos don't have credit cards; by contrast, 77 percent of non-Hispanics do.

After lagging behind other industries in their efforts to reach Latino consumers, banks, investment companies, brokerage and mortgage firms, and credit card companies recognize that this group can no longer be considered a niche market. Many have retooled their marketing strategy with a focus on multicultural efforts as part of a plan designed to increase market share

among Hispanics.

The financial services category continues to devote millions of dollars in advertising to U.S. Hispanic media. In the first six months of 2007, for example, Visa invested \$13.9 million in Spanish-language media tracked by Nielsen Monitor-Plus. In 2005, more than 1,650 different financial institutions accounted for nearly \$29.3 million in ad dollars specifically earmarked for Spanish-language campaigns. In 2006, that number dipped to \$25.8 million.

**The Numbers Say It All.-** Research from the Selig Center for Economic Growth at the University of Georgia indicates that the buying power of Hispanics is expected to rise sharply to \$1.2 trillion in 2012, up from \$862 billion in 2007.

Along with the fast growth should come the need for increased banking products and financial services. The Federal Deposit Insurance Corp. (FDIC) estimates that more than half of all U.S. retail banking growth during the next 20 years will come from Latinos. "The rapid growth of the underbanked Hispanic market suggests a new growth opportunity for many institutions," the FDIC predicts.

This projected growth will also bring increased economic wealth.

Right now, U.S. Hispanics - native-born as well as foreign-born immigrants - lag on the pay scale. The Pew Hispanic Center's data show just over 2.6 million Hispanics earning more than \$50,000 annually. Some 30.7 million non-Latinos surpass that level.

Manuel Lasaga, president of Strategic Information Analysis in Miami, points out that as Hispanics' wealth increases, financial services companies will have the opportunity to offer business owners and entrepreneurs more sophisticated services. These include insurance, annuities, investment services and estate planning.

"Now we're seeing second- and third-generation Hispanics, some of whom have become very successful," says Lasaga.

Increasingly, Latinos are doing business with Hispanics and that provides good opportunities for banks, credit card companies and mortgage lenders, explains Lasaga, who recently worked with an investment group to set up a new community bank in South Miami - Professional Bank. Initially, the plan was to focus on professionals in South Florida. But after examining the demographics of the Miami area, the group quickly realized that the Hispanic market would have to be part of the new bank's target audience as well in order for Professional Bank to become successful.

But Lasaga warns there are some segments of the Hispanic market, such as smaller businesses, that could be hurt by the slowing economy. The key is for banks and credit card companies to identify the less vulnerable sectors of the market.

**Treading Cautiously.-** Although large credit institutions continue to target Hispanic consumers with advertising buys on Spanish-language media, industry watchers point to an inevitable

softening of marketing activity.

David Joyce, an analyst with Miller Tabak who follows Spanish-language media, expects spending by credit card companies looking to extend their franchise among Hispanics to be cut back because of the turmoil in the credit market.

"I would expect solicitations to slow down because individuals are going through a rough patch," says Joyce. "They can no longer tap credit lines to pay off credit card bills."

During the first half of 2007, credit card companies allocated \$22 million to Spanish-language print, radio and television, according to data from Nielsen Monitor-Plus. Of the total, 97 percent of the dollars came from three of the industry's largest players - Visa, MasterCard and JP Morgan Chase & Co.

By contrast, in 2006 the eight credit card companies actively targeting Hispanic consumers invested \$49 million in local newspapers, national magazines, cable and network television, local spot television campaigns and spot radio.

Several companies that had been active in 2006 showed no activity during the first half of 2007 - PNC Bank, Wells Fargo Bank, Discover, Capital One and AmigoMoney, which offers a debit-based Visa card designed to assist those with no credit history or poor credit.

The U.S. home mortgage market, sent into a slump by the subprime mortgage crisis, is currently worth about \$12 trillion. And Hispanics hold roughly 40 percent of mortgages in the troubled subprime mortgage market.

The credit crunch has driven large-scale lenders to cut back their Latino outreach. Dollars to Spanish-language media from Chase Investment Capital, Wells Fargo and Countrywide Financial all but disappeared ([HMW Archives 3/20/08. Industry Snapshot: Mortgage Lenders](#)).

For many mortgage lenders seeking Hispanic consumers, local is the way to go ... especially when it comes to advertising and marketing.

Of the leaders in advertising dollars to Spanish-language media, five are local players. Chicago-based Columbia Mortgage & Funding Corp. took the top spot with \$1.3 million invested in spot television and radio in the first six months of 2007.

Coming in at No. 2, Von Rope Mortgage and Si Se Puede Financial of Glendora, California allocated nearly \$814,000 to local broadcast media. Rounding out the top five were Chicago-based Tamayo Financial Services and two California-based ventures - Conquistamerica Inc. and Mexibanc Mortgage Co.

All focused their advertising spending on Spanish-language radio in their respective markets, with minor allocations to spot television and online initiatives.

Nilda DeVoyries, a former Miami banker and now head of her own brokerage firm that targets

Hispanic women, points out that the Latino market is a complex one for financial services firms to conquer. The cultural differences among the various ethnic groups require messages specifically tailored for each sector or market.

**Taking It To The Bank.**- In an effort to lure Hispanics' business, banks and credit card companies are still investing in advertising and are also expanding the myriad of services tailored to this growing consumer group.

William McCracken, CEO of Atlanta-based Synergistic Research, which conducts Hispanic market studies, says some banks, such as Bank of America and Wells Fargo, continue to be in the forefront with their outreach to Latinos.

And some retailers such as Wal-Mart and Target, seeing the market's potential, have moved in aggressively by offering many of the services currently provided by traditional banks.

To new immigrants, banks can be perceived as cold and institutional. But some banks are making an effort to be more welcoming places.

In one example, Wells Fargo has opened Hispanic-themed branches where the décor is done in pastels or in shades of browns and reds. The paintings in the branches are done by local Latino artists and even the music has Latin flavor. Of course, all the staff is bilingual and product and service information is in Spanish.

To make banking easier, many banks have hired bilingual tellers, relaxed lending rules and some, like Wachovia and Bank of America, have started accepting alternate forms of identification - such as the Mexican Matricula Consular card.

Facilitating options for Hispanic immigrants who regularly send money to relatives in their homelands, many banks have started offering services such as free wire transfers in hopes of getting this largely untapped immigrant market to open bank accounts.

**Here's a closer look at what some of the financial institutions are doing to connect with Hispanic consumers:**

**Chase.**- Conscious of the complexity of the U.S. Hispanic market - from newly arrived immigrants to Latinos who have been established in the U.S. for three or four generations - executives have a broad reaching strategy: "Serve them all," says Rebeca Vargas, head of the multicultural segment at Chase.

The bank's strategy to reach Hispanics includes speaking their language; tailoring existing services and adding new ones to meet their needs; getting the word out about what the bank offers through various media as well as event marketing; and developing closer ties to community organizations to provide ongoing education about money and finances.

"We understand that sometimes Latinos have unique needs," says Vargas.

There's bilingual staff in the branches that serve Hispanic neighborhoods and also at Chase's call centers. The bank's statements and information on products and services are available in Spanish. In addition to a Spanish-language website, the bank earlier this year introduced checking account documents in Spanish. The bank's money remittance service, Rapid Cash, allows customers to send money to Mexico at no charge.

For Chase, which has 3,000 branches in 17 states, the Hispanic segment is one that's growing "as fast, or faster, than the general market," says Vargas.

A Latino-focused marketing campaign launched in June positions Chase as a money management partner for Latinos - a trusted "socio" that provides dependable options. Running through October, it includes two television spots and three radio commercials ([HMW Archives 6/22/08. A Dependable 'Socio'](#)). The campaign is Chase's first Hispanic-focused activity since 2006.

**ING.-** After years of targeting Hispanics through event sponsorship and community involvement, ING this year unveils its first advertising campaign aimed at Spanish-speaking customers.

Events and community outreach allow the brand to integrate itself into the Hispanic community and build brand awareness from within, explains Palomarez. The investment firm sponsors Celebrity Domino Nights in Miami and works with Amigos for Kids, a group of young professionals who focus their efforts on disadvantaged children and teenagers. Nationwide, ING started a project - Corre Por Algo Mejor - to promote running programs in schools to help combat obesity among children.

"ING is very much about the communities where we do business," says Palomarez. "Outreach in this fashion helps you build brand awareness and helps you build affinity."

ING, which has a presence in 50 countries, has tailored its understanding of the Hispanic community to the services and products it offers. In contrast to most banks who offer straight term-life insurance policies to Hispanics, ING has tweaked this product to provide a "return of premium." This, explains Palomarez, gives the policyholder a chance to recoup some of the money paid in premiums when the policy term expires.

"We understand this consumer," says Palomarez. Term life policies are generally popular with Hispanics, but ING's version "breaks down the objection of many customers who need to live within their means but also don't want to leave their families' destitute. We try to make it relevant" to their desire to buy insurance and their income level.

While it's premature to say what ING's media mix will look like in 2008 and 2009, Palomarez points out that the campaign currently in development at Creative Civilization will include television and print components.

**Wachovia.-** For Wachovia, reaching out to Latino consumers is a top priority, and to do so the bank has set its sights on Texas, Florida, New Jersey, Georgia and the Washington, DC area.

A three-pronged approach to its Latino-focused marketing efforts targets key English-language and Spanish-language Hispanic media while seeking associations with community philanthropic leaders. Ad messages build on the "made possible by Wachovia" theme, with culturally-relevant messages.

In April 2007, Wachovia selected Charlotte-based ROJO, which specializes in the financial services and telecom sector, as its Hispanic agency of record. ROJO is focusing its efforts on creative, direct marketing and grass-roots programs.

The bank has tailored its products and services to reach various segments of the Hispanic market. For recent immigrants, who might be new to banking, Wachovia offers statements in Spanish for checking, savings and money market accounts. The bank partners with Latino organizations in each market to offer educational sessions, in both English and Spanish, about financial matters. It also provides seminars to small businesses owned by Latinos.

To make it easier for new immigrants to open accounts and establish credit, Wachovia accepts the Mexican matricula consular as a valid form of identification.

Wachovia's Dinero Directo Card allows customers to send money to Mexico, Latin America and 160 other countries for a flat fee. The card is part of a package of products - Cuenta con Todo - that the bank designed for its Spanish-speaking customers, which includes a free checking account, savings account, systematic saver CD, and security and identity protection, explains Kathy Harrison, a spokesperson for the bank.

Additionally, the bank's loss management group formed a bilingual unit staffed with fraud analysts to help Spanish-speaking customers with credit card fraud claims.

**Washington Mutual.**- Marketing outreach to Hispanics centers on Washington Mutual's retail branch network and existing services, including free checking accounts and credit cards. Today, Hispanics represent more than 10 percent of the retail banking business for Washington Mutual, especially in California, Florida and New York.

"If you are in the Southeast, a substantial segment of your customers would be Hispanics," says Joe Castro, executive vice president at Coral Gables-based Zubi Advertising, Washington Mutual's Hispanic agency of record.

In addition to free banking offerings, Washington Mutual has bilingual staffers in branches in Hispanic neighborhoods and its call centers have Spanish-speaking customer representatives.

"Whether it's been in focus groups or surveys, we hear that Washington Mutual is a bank that truly cares about the customer, doesn't nickel and dime them and gives something back," Genevieve Smith, chief marketing officer for WaMu, said in a statement.

In February, the bank launched a multiplatform marketing campaign that taps into the emotional reactions and sentiments - using the "Whoo Hoo!" theme - of its customers. Developed by Zubi, the initiative includes Spanish-language network and spot television, radio, print and out-of-

home initiatives.

Smith also said that WaMu took a different approach in its new campaign from previous efforts that separated the bank from its competitors by offering "a more forward-looking optimistic approach" through customer experience of Washington Mutual services.

Washington Mutual has been working with Zubi since March 2006, when it selected the agency following the end of a three-year relationship with Dieste, Harmel + Partners ([HMW Archives 3/13/2006. Washington Mutual Taps New Hispanic Shop](#)).

**Bank of America.**- For several years, the bank has been the top spender in Spanish-language media in the banking category. In late 2007, the bank expanded its online banking service to include an array of features - view account information, transfer funds between accounts, receive alerts and locate ATMs and banking centers ... en español.

Marketing efforts have centered around its non-Latino "Bank of Opportunity" initiatives - with a 60-second spot, translated into Spanish that aired on Telemundo, TeleFutura, Univision and Galavisión.

Bank of America has tailored some products to meet the needs of certain segments of the Hispanic market. Among them are SafeSend, which allows for online or phone money transfers to Mexico from anywhere in the U.S.

The bank also offers mortgage products, in some cases modifying them to take into account the different make-up of Hispanic households. One mortgage product allows mortgage applicants to include extended family members as part of the qualifying income for the loan.

**Wells Fargo Bank.**- Growth in the Hispanic market has helped offset the impact of the current economic slowdown at Wells Fargo, a major financial institution in the western U.S.

Rather than be deterred by the weakness in the economy, Wells Fargo has stepped up its outreach to Hispanics, explains Roberto Orcí, president of Latino agency of record Acento Advertising.

Among Wells Fargo's Hispanic-focused offerings are wire transfers, checking accounts, credit cards and mortgages. In order to get the word out about its services, Wells Fargo - and Acento - turn to direct mail, television, radio, print and online advertising.

Orcí explains that the bank has begun reaching out to more acculturated Hispanics- the first generation born here or at least schooled in the U.S. And while language is no longer the key access point for these consumers, Wells Fargo is depending on culture to get its message across.

A current television spot shows a couple following their daughter through various stages in her life. "Whether they speak Spanish or English, both new arrivals and native born, Hispanics value culture in the same way," says Orcí.

After 13 years with Anita Santiago Advertising, Wells Fargo in October 2006 shifted its Hispanic account to Acento Advertising ([HMW Archives 10/16/2006. Wells Fargo Taps Acento](#)).

**Focusing On Hispanics.**- Over the last four years, a number of banks that cater specifically to Hispanics have opened their doors in burgeoning Hispanic markets. These de novo banks have popped in Alabama, California, Florida, North Carolina and Washington.

Some are independent banks, backed by a group of investors, often including Latinos. These include Promerica Bank in Los Angeles, Americas United Bank in Glendale, Plaza Bank in Seattle and Nuestro Banco in Raleigh. Others are branches of established local and regional banks, but they operate under a different name to distinguish them from the parent, such as CapitalSouth's Banco Hispano branch in Hoover, Alabama.

Launched in 2006, Plaza Bank during its first six months received \$10.2 million in deposits and lent \$11 million -- \$1 million more than its goal.

"It makes business sense to do this because a huge part of the Latino population isn't banked - 50 percent do not have a bank account," Plaza Bank president Carlos Guangorena said when the financial institution opened its doors. "There's a mistrust of financial institutions."

A former commercial lending executive at Wells Fargo and Pacific Northwest Bank, Guangorena has focused Plaza Bank's marketing efforts advertising in Spanish-language radio and newspapers.

While these new banks conduct some traditional marketing, going the media advertising route, they take some unconventional steps to reach their market.

David Flores, CEO of Raleigh-based Nuestro Banco, explains that a grassroots approach is the primary way to reach Latinos. This includes involvement in community organizations and supporting local events. Among Nuestro Banco's efforts, hosting a monthly lunch for local church pastors; attendance ranges between 25 and 30.

"You want to identify groups that influence [the community's] behavior and have earned their members' credibility and trust," says Flores. "Then they can transfer that credibility to you."

A former Chase Manhattan Bank executive, Flores points out that the smaller, community banks can take Hispanics beyond check cashing, bill paying and remittances.

Nuestro Banco modified the traditional loan product to better serve its customers needs. The bank, notes Flores, will write loans secured by a savings account so customers can begin to establish a credit score. Representatives also help customers fill out the required forms to obtain a tax ID number and provide notary services.

**Swipe It.**- Three big credit card companies have emerged as the leading players in the U.S. Hispanic marketing landscape - Visa, JP Morgan Chase and MasterCard. Together, they account

for 97 percent of the advertising dollars going to Spanish-language media.

Visa, with its "Está donde quieres llegar" tagline, has emerged as the dominant investor in the Hispanic media tracked by Nielsen Monitor-Plus - pulling away from MasterCard in 2007.

In the first six months of 2007, Visa placed nearly \$13.9 million in Spanish-language media - broadcast and cable television, radio and magazines.

Despite the increased activity - and spending - Visa executives are keeping their Latino-focused marketing plans close to the vest. A new Hispanic marketing plan for 2008-2009 is currently in development and executives declined to be interviewed.

In 2007, Visa launched VideyDinero.com, a website with lessons to help Latinos understand the U.S. banking system, the difference between credit and debit cards and financial security. Developed in conjunction with the U.S. Hispanic Chamber of Commerce, the site offers tips from budgeting for a new baby and buying a first home to saving for college and planning for retirement.

MasterCard née, a strong No.2 in the credit card category, posted a sizeable dip in its Hispanic advertising investments in 2007. From the \$19.2 million allocated to Spanish-language in 2006, the first six months of 2007 saw MasterCard invest a mere \$2.2 million.

In addition to traditional media - television, radio, newspapers and magazines - MasterCard in 2007 moved into the sponsorship arena, teaming up with Chase and Telemundo for a Latino-themed financial education tour. A Telemundo financial expert appeared with telenovela star Natalia Streignard in sessions designed to educate Latinos on finance and credit card use.

JP Morgan Chase picked up on MasterCard's inactivity and moved seamlessly into the No. 2 spot, behind Visa. In the first six months of 2007, Chase invested \$5.5 million in Spanish-language media tracked by Nielsen, almost par with the \$5.7 million allocated in all of 2006.

The remainder of the activity in the U.S. Hispanic market from those wishing to attract more credit card users involves Bank Of America, HSBC, Citigroup and US Bank.

Be sure to read last week's Industry Snapshot for a full review of 2007 advertising activity in the U.S. Hispanic market by credit card issuers.

**Looks Like A Bank ... But It's Not A Bank.-** Nowadays, if it provides services and products like a bank, it doesn't necessarily mean it is a bank or even a credit union. It could be a giant retailer like Wal-Mart and Target.

Realizing that a large percentage of the Hispanic market remains unbanked, retailers are offering those services to consumers who already shop at their stores.

In October 2007, Target launched its debit card, the Target Check Card. With a secure personal identification number, customers can use the card to buy merchandise in its stores and the money

is debited from their checking accounts. The card also allows for cash-back withdrawals of up to \$40.

It's the retailer's way of "reaching out to Hispanics who haven't established enough credit history to have a credit card," says Courtney Forster, a Target spokeswoman.

The most innovative and aggressive player in this space is Wal-Mart. The Bentonville, Arkansas-based retailer provides money transfers, prepaid cards, money orders and bill payment at its stores. The company plans to open 875 new money centers by the end of 2008.

But it's not calling itself a bank and it's not licensed to operate as a bank.

In 2005, Wal-Mart sought approval from federal regulators to open a bank in Utah that would process credit and debit card transactions for its 4,000 U.S. stores. At the time, company executives said they would not use the bank as a conduit to enter the consumer financial services business. Opposition swelled and banking and watchdog groups testified at hearings.

In mid-March 2007, Wal-Mart abandoned those plans. Instead, executives said they would roll out new financial products through third-party partners.

"What Wal-Mart has done is brilliant," says McCracken, of Synergistics Research. "Wal-Mart truly wants to become a one-stop provider for a certain segment of the Hispanic population - first-generation and early second-generation Hispanics."

One of the services offered by Wal-Mart - a payroll deposit card - has "everything a checking account has except the paper checks," he adds. Consumers can cash payroll checks and load a portion on to the debit card, branded with a Visa or MasterCard.

For the retailers, reaching out to these Hispanics is an extension of the marketing they already are doing. No doubt offering remittances for a one-flat fee of \$9.95, which provides a savings to customers would pay more elsewhere, makes Wal-Mart's money services popular. The retailer has started publishing a quarterly magazine geared to its Hispanic customers, where it features the products and services it offers to the community.

Synergistics Research's Hispanic Market Monitor 2007, which was released earlier this year, found that one-tenth of the Latino consumers surveyed - 1,000 in total - have already used Wal-Mart's financial services offerings. Additionally, the firm found that three in 10 Hispanics who already are bank customers said they would be likely to use the money services offered by Wal-Mart.

"The threat of Wal-Mart should not be discounted by traditional financial institutions," says McCracken. "These new entrants into the financial services field will take away revenue from banks and eventually could erode the contact banks have with their customers."

**The Forecast: Cloudy.-** Although credit cards and banks are keeping Hispanic consumers squarely in their sights, it's unclear what impact the weakening economy will have on their

marketing efforts.

As some financial services firms make their first incursions into the Latino marketplace, others are fine-tuning their strategies and retooling their media mix. Traditional media vehicles are slowly facing competition from grassroots, online and more hands-on efforts from banks, credit cards and investment firms looking to bring Hispanics into the fold.