AHAA Finds Hispanics Are Driving Growth in the Technology, Telecommunications and Entertainment Sectors

Hispanic Marketing Allocation Accounts for Nearly a Third of Average Corporate Growth Revenue

McLean, VA, July 17, 2012 – AHAA: The Voice of Hispanic Marketing has released its third study in its Revenue Growth series revealing a positive connection between corporate Hispanic marketing and revenue growth specific for the Technology, Telecommunications and Entertainment categories. In fact, the data showed that Hispanic allocation alone explains about 30 percent of change in topline revenue growth among manufacturers of consumer hardware, software, content, and connectivity providers.

While other factors, such as product innovation, user experience, brand equity, price and distribution, among others, are at play, the AHAA study found that for every additional point increase in Hispanic marketing focus yielded a boost of about two-thirds of a point in average annual growth. In other words, if a company were to allocate an additional10 percent of ad resources to Hispanic media over five years, in general there would be an average increase of 6.8 percent in organic revenue.

One unexpected finding was that for the tech sector, an average allocation of six percent in Hispanic accounts for 30 percent of the corporate growth.

“This is a compelling figure because it means that Hispanics are a major driver of growth among technology companies, and there is still a huge growth opportunity ahead as Hispanics continue to lead adoption and usage – think about the growth potential if technology companies were to increase that figure to 10 or even 15 percent,” said Roberto Orci, chair of AHAA and CEO of Acento Advertising. “Brand loyalties are increasingly at stake as Hispanics dominate segment growth. In fact, many brands may be falling short of their optimal revenue generation while opening the door to their competitors who boast higher advertising allocation figures and cohesive Hispanic-centric strategies.”

The study analyzed all the major technology, telecom and entertainment companies that have ranked consistently among the Top 500 overall advertisers in the U.S. and found, with a 95 percent confidence level, that Hispanic allocation alone explains nearly a third of topline revenue growth. Companies that scored in the top 30th percentile of allocation and revenue growth include DirectTV, Echostar/Dish Network, MetroPCS, Leap Wireless (Cricket), Time Warner Cable and Verizon. Other notables, falling in the mid 40th percentile, were T-Mobile, Cablevision, AT&T, Lions Gate, Comcast, Vonage, Best Buy, News Corp, Liberty Media and Cox.
Leading Global Innovators in a Class Apart

Because Apple and Samsung are game-changing companies that are consistent global pioneers in extreme product innovation, they have garnered heightened global brand awareness transcending borders, cultures, and ethnicities. They have little to no Hispanic marketing investment, yet they generate very high yearly revenue growth rates. Because Hispanics overindex in being the first to try new technology and placing an emphasis on connectivity, the behavior transcends marketing allocations.

Hispanics are the ideal tech-entertainment-telecom consumer

Hispanics account for 17 percent of the U.S. population, but they account for 35 percent of the growth in the technology-telecommunications-entertainment consumer base. In fact, from 2006 to 2010, the Hispanic consumer base for that category grew three times faster than the non-Hispanic consumer base. According to Geoscape, technology, telecommunications and entertainment lifetime spending is 38 percent greater for Hispanic households, due to its larger size and longer household lifespan.

According to a 2011 study by GfK MRI, Hispanics are early adopters of technology – they are 25 percent more likely than non-Hispanic whites to pay more for top quality electronics with smartphones and tablets being at the top of the list. With a culture based on stronger ties to family and friends, it is no surprise that Hispanics spend more time on social networks, use more mobile minutes and data a month, with nearly 50 percent more voice calls and text messaging than any other group. Finally, Nielsen reported earlier this year that Hispanics are heavy video content users across all screens with high indexes in online video and mobile video usages.

Takeaways and implications

The Hispanic market has moved from opportunity to a required corporate strategy for sustainable growth, particularly in the technology sector. In this discretionary category, Hispanic allocation is a significant driver to boost organic growth, particularly among companies that don’t have as revolutionary product innovation advances in their pipeline as iPhones or Google Android.

“Hispanics have been fueling a large part of the growth of the tech sector, representing a third of the new consumer base between 2006 and 2010,” said Carlos Santiago, AHAA research chair and CEO of Santiago Solutions Group. “As a younger segment, they utilize technology in more activities in their daily lives, resulting in higher spending and greater influence on others’ purchases. Couple that with the highest intent on purchasing even more tech-entertainment gadgets in the next year, and that makes Hispanics vital for accelerated growth in a sluggish sector.”

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1 SSG Analysis of 2006-2010 GfK MRI
2 2010 Geoscape Consumer Spending Dynamix™
3 2011 Doublebase GfK MRI - Base: All (n= 6.6K Hispanics & 46.5K Non-Hispanics)
4 Nielsen 2012 Mobile Insight Survey: Netview 2012, Mobile Bill Panel
5 Nielsen Video Census 2012; Mobile Insight Survey: Netview 2012, Mobile Bill Panel, Nielsen TV Panel
According to Santiago, successful growth leaders move from a ‘Hispanic initiative’ mode to a central quest for a competitive advantage. “To boost overall results, these forward-thinking brands embed Hispanic at the center of their corporate strategy and allocate heavily across operational activities, optimizing their brands’ potential in every line of business while finding synergies with the overall market,” he adds.

Methodology:

Ad spending data was collected from The Nielsen Company. The study was commissioned by the AHAA Research Committee and executed by the Santiago Solutions Group, a growth strategy consultancy with methodological review by Dr. Cristina Garcia, former professor of statistics at USC. AHAA analyzed all 35,000 U.S. advertisers and their allocation trends to Hispanic media for five years between 2006 and 2010. Each parent company was matched to the available published financial revenue data, and calculated 2006-2010 compounded annual growth rates. Various regression analyses were applied to identify any correlation between the percentage of advertising allocation dedicated to Hispanic and the company’s compounded annual revenue growth rates. Companies which did not have consistent published financials such as venture capital firms, companies which had restated their earnings, non-profit organizations and companies which grew on acquisition sprees rather than consumer driven growth were eliminated from the final regression set.

About AHAA:

Headquartered in McLean, VA, AHAA: The Voice of Hispanic Marketing represents the best minds and resources dedicated to Hispanic-specialized marketing. Companies trying to reach and connect with Hispanic consumers and businesses turn to AHAA members for unmatched cultural expertise and knowledge. As the voice of the Hispanic marketing industry since its founding in 1996, AHAA demonstrates the value of targeting Hispanics, showcases the impact of using AHAA member agencies, and provides forums for the discussion and dialogue between brands and industry professionals.

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