

Running Head: TAPPING THE ETHNIC HOUSING MARKET

Tapping the Ethnic Housing Market

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Abstract

Purchasing a home is the largest investment many Americans make hence resistance or lack of confidence in the process is not uncommon. The three ethnicities surveyed, African American, English Hispanic and Spanish Hispanic have one reoccurring theme amongst them is the lack of knowledge when purchasing a home and receiving a mortgage which leads to lack of confidence in the process. To overcome the lack of knowledge real estate agents and mortgage lenders will have to segment these subculture to further understand the wants and needs (reasons to purchase a home) within these segment to properly educate and position their products. The success hinges upon marketers understanding the cultural differences and lifestyles of each segment within the different subcultures and tailoring a message that the target market can identify with.

Table of Contents

Opportunities/Challenges..... 4
 African American..... 4
 English Hispanic 5
 Spanish Hispanic..... 6
 Overall Marketing Strategy..... 7
 African American..... 7
 English Hispanic 9
 Spanish Hispanic..... 10
 Advertising Campaigns..... 11
 African American..... 11
 English Hispanic 11
 Spanish Hispanic..... 12
 Training Materials..... 13
 Real Estate Agents 13
 Mortgage Lenders 13
 References:..... 14

Tapping the Ethnic Housing Market

Opportunities/Challenges*African American*

The African American subculture offers various opportunities for real estate agents and housing lenders. This subculture represents “13 percent of the American population...concentrated ...around major metropolitan areas” (Hawkins & Mothersbaugh, pg. 160, 2010). This subculture is on average younger than the white population and less educated yet one-third of this population earn \$50,000 per year and 10 percent earn \$100,000 (2010). Furthermore, this segment represent \$799 billion in purchasing power and is expected to grow over 30 percent through the end of 2011 (2010). This information alone lets a marketer know that there are opportunities to educate this population about real estate practices and what is to be expected during a real estate transaction. Since a majority live in or around metropolitan areas the opportunity to market to the masses may be simplified.

Per the statistical tables in the text, a large opportunity to educate this segment about lending rates and how the transaction progresses exists. Over 60 percent have the misconception that lenders are required by law to give the best interest rate. If a lender wants to capture this market a great way to do so is through educational seminars, online social media/interaction (ads on blackplanet.com or similar) on how interest rates are realized (e.g. down payment, credit score, debt-to-income ratios). Furthermore, over 60 percent do not understand how the commissions of the agents work; this signals a lack of understanding of the real estate transaction. Agents have an opportunity to educate this segment on who is involved and what is to be expected.

An opportunity could also double as a challenge; the opportunity to educate this segment could pose a challenge as well. If one is less educated their guard could possibly be up as evident that only 54 percent (Table A) of this segment feel that real estate is a safe investment with potential (Hawkins & Mothersbaugh, 2010). This figure is significantly below the general populations belief of 61 percent. Thus changing ones thoughts/habits might prove challenging.

Another challenge would be how to overcome the discrimination barrier. The African American subculture ranked the lowest (of those surveyed) of 3.4 out of 5 thus signaling they feel they would be discriminated against when purchasing a home (Hawkins & Mothersbaugh, 2010). Furthermore, it would be a dire mistake to assume that all members of this culture are the same, e.g. urban, challenging marketers to further segment this subculture (2010).

English Hispanic

The Hispanic market is the fastest growing subculture in the United States (Hawkins & Mothersbaugh, 2010). This subculture is expected to represent 20 percent of the population by 2030 (2010). Much like the African American subculture, over half of this population believes lenders are required to give you the best interest rates per the law. This would pose as an opportunity to educate this subculture on lending, lending practices and what to expect. The largest opportunity for marketers is that over three-quarters of this population dreams of owning a home (2010). Marketers could use this information to hit upon emotional hot buttons of homeownership that could solicit additional transactions. An additional opportunity is how important family is to this

subculture. The home is a gathering/meeting place that could be used in advertisement to portray to this subculture the importance of family in your home.

A challenge for this subculture would be that only 29 percent understand the process of purchasing a home (Hawkins & Mothersbaugh, 2010). Again, similar to the African American culture this is below the norm of 33 percent and could pose a challenge for marketers looking to educate this segment as resistance to change may set in (2010). Finally, the Hispanic subculture is highly brand loyal, thus a lender who is not affiliated with their bank or a real estate agent who has not worked with someone they know will be challenges that must be overcome (2010).

Spanish Hispanic

The Hispanic culture is “heavily influenced by the Roman Catholic religion” (Hawkins & Mothersbaugh, pg. 167, 2010). This is a possible opportunity as marketers could advertise distances from said property to specific Catholic churches in lieu of a list of the normal. Since this subculture is heavily masculine orientated advertising to appeal to the dominance of the male in the household might prove beneficial. In addition, highlighting the kitchen features/benefits is an opportunity for marketers to build image amongst the women of this subculture.

The statistical information set forth in the Hawkins & Mothersbaugh text provides additional opportunities for marketers. Forty percent of this population does not realize that information on buying a home is available in multiple languages, the highest of all subcultures surveyed (2010). Nearly three-quarters of this population believe that a home purchaser who is financing must commit to a 30-year mortgage. This provides an opportunity to educate this subculture on mortgages, preferably in Spanish to overcome

the aforementioned. Finally, the perception is that this subculture does not understand the process of purchasing a home (only 18 percent surveyed do understand). This simple opportunity could be resolved by having information on purchasing real estate and lending information in Spanish more readily accessible to this subculture.

One of the largest challenges marketers will face when targeting this subculture is the language barrier. The Hispanic subculture prefers Spanish-language media (Hawkins & Mothersbaugh, 2010). The challenge could be effectively translating the information from English to Spanish or more importantly the cost-to-benefit analysis of doing so. Another challenge facing this subculture is the lack of acceptance of technology; only 56 percent use the Internet (2010). Thus marketers will have to spend more offline to effectively communicate with the Hispanic subculture. Finally, a challenge to marketers is that only 63 percent, the least amount surveyed, dream of owning a home (2010). The premise of purchasing a home in the United States is based on the notion of “The American Dream”. It will prove challenging to market this concept to a market that is less likely to purchase a home based on this reason.

Overall Marketing Strategy

African American

The African Americans population is expected to increase steadily and the spending power of this subculture is expected to surpass the \$1 trillion mark by 2012 (Fabris, 2008). The size and the spending power of the African American subculture appeals to marketers as this market segment has greater combined spending power than that of the Hispanic market and Asian market (2008).

Formulating an effective marketing strategy for the African American subculture requires a marketing team to understand the distinct segments that make up this unique subculture (Hawkins & Mothersbaugh, 2010). The team would need to understand the needs of owning a home for each segment, the aspiration to owning a home, the income levels and the life stage each segment is within (2010).

The key reason why most African Americans, 82 percent of those surveyed, purchase a home is because of the feeling of ownership (Hawkins & Mothersbaugh, 2010). The second key reasons are African Americans feel renting is bad and always my dream to own a home (2010). The marketing strategy here would be to target lifestyle and portray home ownership compared to renting.

A majority (64 percent) of African Americans surveyed do not understand that lenders are not required by law to give the best possible rates (Hawkins & Mothersbaugh, 2010). Furthermore, based on the information in Table B in the Hawkins & Mothersbaugh text, nearly 50 percent of those surveyed believe an attorney needs to be hire while over 60 percent believe the person purchasing the home pays the real estate commissions (2010). The marketing strategy here would be to target the segments with different messages to educate the group on purchasing real estate to meet the needs of the various segments (2010).

Finally, the perceptions of home-buying confidence of the African American subculture need improvement at best. One in four feel they understand the process well while another one in four feel the process is too complex (Hawkins & Mothersbaugh, 2010). The statistic that is interesting to point out is that this subculture had the lowest confidence level, 3.4/5.0, that they will avoid discrimination (2010). The marketing

strategy here would be to “understand the common culture, value system, and life experience” through event marketing (Fabris, 2008).

English Hispanic

The English Hispanic subculture is the most favorable to purchasing a home when comparing those surveyed in Tables A, B, and C against the other subcultures surveyed. Much like the African American subculture English Hispanics key reason to purchasing a home is the feeling of ownership, 82% of those surveyed (Hawkins & Mothersbaugh, 2010). The second reason English Hispanics purchase a home is they feel renting is bad and always my dream to own a home. The marketing strategy here would be to understand the path of acculturation, if one exists, and integrate traditional values with dominant culture values (Sonderup, n.d.).

The English Hispanics surveyed are more knowledgeable of home-buying compare to the other ethnic groups. Despite being more knowledgeable, this subculture still lags behind the general population in 4 out of 6 statements surveyed. The most notable being that over 50 percent believe that mortgage lenders are required by law to give the best rates on loans (Hawkins & Mothersbaugh, 2010). The marketing strategy here would be educating, in English, to this segment prior to purchase while building a brand amongst a real estate firm and or a lending institution (2010).

Finally, the perceptions of home buying among the English Hispanics are the most favorable compared to the other ethnicities surveyed. The most notable statistic yielded, Table C, is that 18 percent feel that process is too complex compared to 13 percent of the general population (Hawkins & Mothersbaugh, 2010). The marketing

strategy here would be to educate as mentioned above through various mediums and or events this subculture frequents.

Spanish Hispanic

The Hispanic subculture is vastly diverse and needs to be further segmented into nationality subcultures: Mexican Americans, Puerto Ricans, Cubans and other Latinos (Hawkins & Mothersbaugh, 2010). The Spanish Hispanic “culture, beliefs...and consumer behavior patterns are not identical” (Sonderup, n.d.). It is of the utmost importance to understand the diverse segments within the Spanish Hispanic subculture to properly position real estate and mortgage products.

The key reason to purchasing a home, of those surveyed in Table A, is the feeling of ownership (79 percent) among the Spanish Hispanics (Hawkins & Mothersbaugh, 2010). The marketing strategy here would be to promote the pride of ownership that is communicated in the proper dialect of Spanish per each segment. Table B shows that only 60 percent realize that information on real estate is available in multiple languages thus a language barrier is predominant concern that must be overcome through effective marketing strategy to reach this lucrative subculture (2010).

Finally, it is no surprise that this subculture perception of home-buying confidence is weak because of language barriers. Table C outlines that only 18 percent, the lowest of the three ethnicities surveyed, understand the process of home buying (Hawkins & Mothersbaugh, 2010). The marketing strategy here would be to put heavier influence on communicating to this buyer in Spanish medium focusing on traditional methods such as, radio, TV and print as this subculture lags with Internet usage with only 56 percent (2010).

Advertising Campaigns

African American

The overall position strategy would be to promote the pride of homeownership with the core theme being based around the lifestyles of this subculture while educating about the real estate process. The key advertising points would be to focus the culture of this subculture in lieu of just simply replacing Caucasian models with African American ones (Hawkins & Mothersbaugh, 2010). Marketers will have to uncover the needs of this buyer, do they need a ranch home, townhome, condo, 30-year mortgage, 15-year mortgage and etcetera. Web marketing via African American websites such as BlackVoices.com and Blackplanet.com could be utilized to target this subculture's needs while retaining cultural values through education (Fabris, 2008).

English Hispanic

The overall position strategy would be to promote the positive feelings/pride of ownership while depicting the negatives that are associated with renting, e.g. throwing your money away. To communicate with the English Hispanic subculture English would be used exclusively promoting the assimilation of the Hispanic/American culture. The lifestyle advertisements of owning a home would be a mix of Hispanic culture and American culture with assimilation being the goal of the communication mix. The key media outlets would be radio, a proven effective medium in targeting Hispanics, television, print and some Internet advertising. The ultimate goal of the ad campaigns is a simplified approach that focuses on the positive feelings of home ownership and negatives of not owning a home.

Spanish Hispanic

The overall positioning strategy would be to break down communication barriers with this subculture. It appears per the survey results in Tables A, B and C that if the language barrier can be overcome this could result in more knowledge and confidence in purchasing a home. The theme is to have this subculture “adopt or adapt” to consumption habits and behaviors of traditional real estate/mortgage consumers (Sonderup, n.d.). Because this subculture is trying to assimilate into the U.S. culture is paramount that marketers integrate culture and values of this target market with the understanding that this ground will never be fully assimilated as their English Hispanic counterparts (n.d.). All communications should be in the proper dialect of Spanish to ease worries and build confidence in owning a home and mortgage.

Event marketing that focuses on educating will also build brand loyalty, which is important to this subculture (Hawkins & Mothersbaugh, 2010). Key media outlets will be television, radio and direct mail in Spanish. The average Spanish Hispanic family can spend 26-30 hours a week listening to one all Spanish radio station (Sonderup, n.d.). This will allow a lender or agent to build rapport via advertisements and solicit business. Finally, direct mail marketing is generally welcomed by this subculture. Spanish Hispanics are 3.5 times more likely to respond to a direct mail piece compared to non-Hispanics, Spanish Hispanics see it as an opportunity of being a more informed consumer (n.d.).

Training Materials

Real Estate Agents

Real estate agents are basically in business for themselves with minimal marketing assistance from their brokers. Based on the information set forth in Tables A, B & C real estate agents need to understand the differences among the ethnicities to uncover the needs of each segment. Upon realizing the needs of each segment, for instance credibility will need to be built among the African American subculture to increase confidence. This can be done through sponsoring events, partnering with local non-profit business or on a large scale the NAACP. Verbal training materials could be utilized in event marketing that surrounds the aforementioned non-profits. Written training materials could cater to educating subcultures to build brand awareness of a particular agent. Non-verbal communications could incorporate helping people improve their lives through home ownership.

Mortgage Lenders

Because of the lack of understanding mortgage and interest rates in Table B and the lack of confidence in Table C it is in mortgage lenders best interest to educate these subcultures about the process without belittling them. Co-promoting home-to-buy seminars with a real estate agent that specializes in a particular subculture is a great way to educate this buyer. Training materials should speak to each subculture independently and be in the correct language too not only increase understanding but confidence as well. Regardless of who the training materials come from, “consumers will not support a program...that is not near and dear to your core customer’s heart” (Gilbreath, pg. 128-129, 2010).

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