



Global Perspectives in Real Estate

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Capturing Ethnic Markets in the U.S.

By Oscar Gonzales

The U.S. Census Bureau predicts that the Hispanic and Asian populations of the United States will triple by 2050 and that the White non-Hispanic population will increase by only seven percent. Since that recent report, you don't have to look very hard to see a lot of attention being paid to ethnic market consumers—a heightened interest not unique to the real estate industry. In fact, a push to capture emerging market consumers can be seen in many industries, from automobiles to toiletries.

So, exactly what are these emerging markets—where have they come from, and why the sudden focus? One definition might be minorities, families of modest means, new Americans, all underserved markets—many with very little wealth and complicated job and financial histories. Up to now, most of the focus has been on the minority component of these emerging markets, perhaps rightfully so.

The Multiethnic Consumer Pool is Growing

The multiethnic consumer pool, like the supplier diversity sector¹, has been expanding dramatically. People of color accounted for nearly 40 percent of the growth in homeownership from 1994 to 1999, and will represent 30 percent of total households by 2010. Consumer buying power in this group will triple from what it was in 1990. This trend demonstrates major economic strides among African-Americans and Hispanics, according to a recent study from the University of Georgia.

According to the Selig Center for Economic Growth at the University of Georgia, overall buying power—defined as total post-tax personal income of residents available to spend on goods and services—will have risen by 148 percent between 1990 and 2008. By then, the combined buying power of African-Americans, Asian-Americans, and Native Americans will have exceeded \$1.5 trillion, more than triple the 1990 level of \$456 billion. That's a gain of \$1.1 trillion, or 231 percent—way ahead of the trend. In those years, Hispanic buying power will have jumped 357 percent, and African-American buying power will have increased 189 percent, continuing the upward mobility of minorities in the U.S. Selig Center Director Jeffrey M. Humphreys comments, "In sheer dollar power, the economic clout of the nation's minorities—Hispanics in particular—is formidable."

What does this mean to you as a real estate professional? It means that these homebuyers will play a major role in your business in the near term and extended future. Over the next five-years, total households are forecasted to grow about 5 percent, which will add about 5 million new households. Emerging market homebuyers will make up the major part of this growth. For example:

- Hispanics, the largest segment, is expected to grow about 17%, resulting in roughly 1.5 million new households, which constitutes about 28% of the total five-year growth estimate.
- African-Americans, the second largest segment, will grow by 8%, adding 1 million new households, making up about 20% of the total five-year growth estimate.

- Asian-Americans are expected to grow by 17%, resulting in approximately 600 thousand new households, or 12% of the total five-year growth estimate.

You Can Prepare to Serve Emerging Markets

So, how do you prepare to accommodate the increased buying power and growth of these populations? You begin by increasing your cultural awareness and educating your marketplace. Ethnic market homebuyers can have little, if any, point of reference for what a real estate professional is and the role you play in the transaction. Over the past several years, many organizations, such as the National Association of Hispanic Real Estate Professionals (NAHREP)² and the Asian Real Estate Association of American (AREAA)³ have emerged to help educate real estate professionals on the uniqueness of their respective cultures.

In the past, the process of reaching the ethnic markets was often limited to one-dimensional efforts, such as the literal translations of general market campaigns. Today, organizations are developing new products designed specifically to meet the needs of this new America. Companies are creating separate multicultural departments; allocating marketing budget by segment; and most importantly, setting measurable goals for each segment. The success of any ethnic initiative is ultimately determined by:

- Your effectiveness in developing and being able to offer culturally relevant products and services.
- Your ability to brand products and implement culturally relevant marketing strategies.
- Your skill in providing a high level of customer service in several languages.
- Your aggressiveness in positioning and pricing quality products.

If you undertake any type of multicultural initiative—whether Hispanic or Asian—partner with the experts. Don't try to go it alone. When planning an ethnic campaign, identify the appropriate resources and consider hiring an agency. These are high context cultures that place a lot of emphasis on being in a relationship rather than simply being a part of a deal. In these cultures, information is not communicated in explicit words or messages. The cultures of Japan, Spain, China, the Middle Eastern Countries, and the Latin American countries establish relationships first before business is conducted, and then communicate within the context of these relationships. In low context cultures—for example, in Canada, the U.S., and Northern Europe—information is expressed in explicit codes such as words. Relationship building takes a back seat.

Build New Markets into Your Business Model

It is no secret that businesses measure return on investment. And, while in many cases, diversity programs have been considered “soft” programs whose returns have also been soft and difficult to gauge, successful businesses are learning to measure the contribution of diversity to a their bottom line.

A lack of quantifying tools has forced companies to estimate the effectiveness of their diversity efforts—often looking at the traditional and static measurement tools without leveraging and taking into account the opportunities that diversity initiatives could contribute. These initiatives are often not considered in the long-term forecast for the organization. Sadly, some companies position diversity as a minority issue rather than as an organizational issue.

By using broader organizational metrics, companies can link diversity to business outcomes more effectively. For example, to show a measurable return on investment for diversity programs, link these efforts with the organization's sales and marketing functions. Ethnic markets are growing rapidly and each represents billions of dollars in spending power in the U.S. Businesses are increasingly competing for these growing markets, especially at a time when population growth overall has slowed.

Reach Out to Ethnic Marketers

Linking internal diversity initiatives with external efforts to capture nontraditional or diverse markets for your firm's products and services not only enhances the credibility of your diversity efforts. It also enhances the credibility of your marketing efforts to minority populations. Here are a few tips on how you can leverage the enormous opportunity that lies in the ethnic markets:

- Consider a referral arrangement.

Partnering with an ethnically owned firm can help put you in touch with homebuyers in the Asian, African-American or Hispanic communities.

- Recruit one ethnic agent at a time.

It's okay to keep tabs on ethnic agents on the other side of your transactions. They're already familiar with the real estate process. Perhaps you can provide them with the next career step they are seeking.

- Buy a company and merge it into your existing operation.

There is no quicker way to merge disparate cultures than by buying a company that already has a sound foothold in the ethnic community.

- Consider buying a company and leaving it as a stand-alone.

While this could be the most efficient way to enter the ethnic market, be careful not to go in guns-a-blazing and potentially commit costly cultural mistakes.

In these last two instances, emphasize the support you can provide in gaining market share outside their existing markets; the possibilities of joint venture opportunities with lenders and title companies; and access to tools only economies of scale can bring. Understand that you also must be willing to adapt to practices that currently work in their marketplace and may be unfamiliar to you.

Monitor Your Results

If you currently have a diversity initiative, be certain the effectiveness of the campaign directed at emerging market customers is evaluated against your business plan on a regular and timely basis. The only way to gauge a plan's effectiveness is to monitor and measure it. Ask yourself:

- What is being expended on the initiative?
- What is the return?
- How many more customers were gained?
- What is the company's market share and penetration?
- What elements of the campaign are working well and which are not?

Also, by creating a new balance sheet, you can measure the contributions of your diversity initiatives. By putting these measures into a larger context and linking them to intangible assets, you can break out of the soft diversity silo to show that diversity is a value-creating process for your business. Create and measure a DROI—Diversity Return on Investment—rather than viewing your diversity initiatives as just social outreach exercises.

Albert Einstein once said, "Not everything that counts can be measured, and not everything that can be measured, counts." Remember that at the end of the day it's about building your economic as well as your social equity.

One thing is certain—the homebuying landscape is changing and if you are going to capitalize on it, you need to tweak your business plan and marketing approaches to accommodate the new consumer.

POPULATION GROWTH					
	Total	White	Black	Asian	Hispanic
2005					
Population by Race	295,292,828	236,619,412	38,123,935	13,249,051	42,850,201
2010					
Population by Race	307,825,552	244,109,693	40,244,239	14,176,663	50,031,411
Percentage Change					

Population by Race	13%	12%	13%	15%	20%
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MEDIAN INCOME					
	Total	White	Black	Asian	Hispanic
2005					
Median Income by Race	48,300	50,982	35,988	60,852	44,110
2010					
Median Income by Race	54,447	57,432	40,874	69,459	52,348
Percentage Change					
Median Income by Race	12.73%	12.65%	13.58%	14.14%	18.68%

¹ For more on this subject, go to www.diversityinc.com.

² www.nahrep.org

³ www.areaa.org

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