



Activating

THE NEW AMERICAN

MAINSTREAM™



DEFINING, REACHING AND ENGAGING THE MULTICULTURAL MARKET

WHITE PAPER | SEPTEMBER 2015





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INTRODUCTION

It comes as no surprise that multicultural market segments are different in nearly every way from how we typically view the average American consumer. Their priorities are different, they shop differently, they engage differently, and their overall buying journeys are different. With the increasing influence of minority populations in North America—and with the reality that these powerful consumers will ultimately become (and in some regions have already become) the majority—many marketers are on the cusp of change within their organizations, seeking to provide content to these consumers in their native languages with the hopes of winning their business and loyalty. These marketers are meeting the “new American mainstream” and learning that the old segmentation models and behavioral assumptions are doing little to move the needle.

According to Geoscape—a leader in business intelligence across the multicultural market—more than one-third of the American population is Asian-American, African-American or Hispanic. By 2020, these three groups will number nearly 130 million of the total U.S. population. And when you consider consumer spending, although Hispanics represent approximately 18 percent of American households, they were actually responsible for nearly half of the growth in consumer spending from 2013 to 2014—add the Asian population, and these two groups accounted for two-thirds of the total economic spending growth. Once called a specialty segment or niche market, the multicultural consumer has really become the “new American mainstream,” complete with buying power and influence.

For their part, marketers are facing new pressures to reach and engage customers through an increasingly complex web of online and offline channels that allow for rich, personalized conversations. According to the CMO Council’s annual “State of Marketing” study, 56 percent of marketing leaders are being tasked with driving top-line growth for their organizations. In an effort to optimize engagements and maximize the lifetime value of customers and prospects, marketers are looking to connect in far more personalized ways, fueled by intelligence and analytics. This is certainly true of plans to outreach to new regions, market segments or prospect groups.

So today, there is little question that brands are feeling the pressure to make multicultural marketing a priority. But with this new reality comes the need to better understand just who this new mainstream consumer really is and what moves this powerful buyer to engage. Marketers require new insights and intelligence to target, reach and better engage this powerful market, pulling one-off novelty campaigns into a more comprehensive and holistic marketing strategy that is shared and embraced across the organization.

To determine how marketing is currently leveraging their assets and abilities to address the increasingly important minority customer segments, the CMO Council partnered with Geoscape to delve into the issues and complexities of the “new American mainstream” consumer to highlight where and how organizations can maximize strategies and right-size allocations to best engage America’s culturally diverse business environment. The research features findings from an online quantitative survey of 150 senior marketing leaders across both B2B and B2C organizations spanning a broad range of industry sectors, who were asked about the key issues and challenges they face as they engage across an increasingly diverse consumer population, as well as how their organizations will move forward.

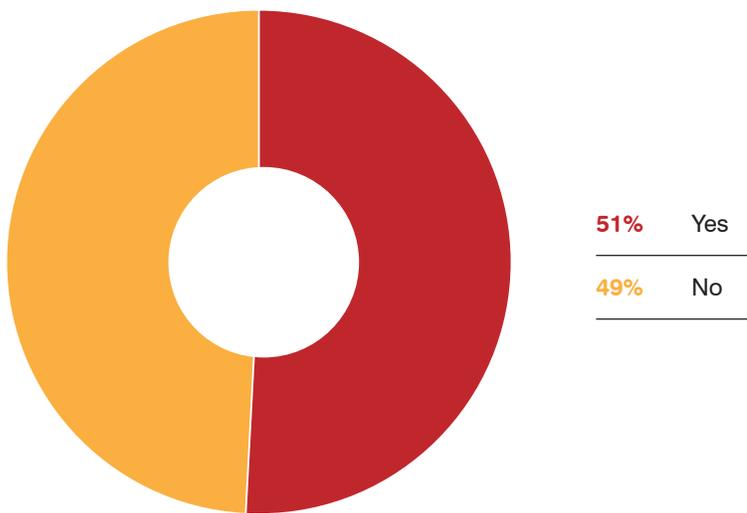


KEY FINDINGS

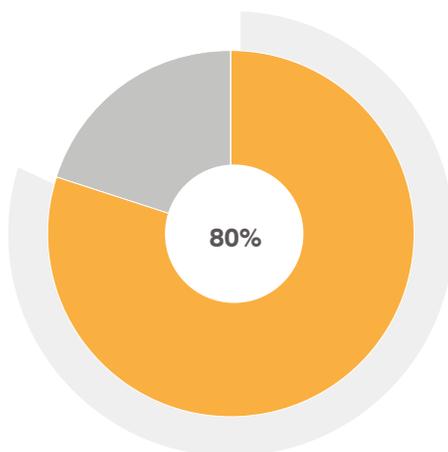
The imperative for multicultural marketing strategies is hard to ignore, and many companies are already on their way as 51 percent of the marketers we surveyed claimed that they do indeed have a multicultural marketing initiative in place. Unfortunately, that means almost half do not.

The breakdown of this number across industry types is even more revealing. Among B2B marketers, 80 percent say they do not have a multicultural marketing initiative in place. However, when looking at hybrid organizations (B2B and B2C), more than two-thirds (67 percent) do have a multicultural strategy in place.

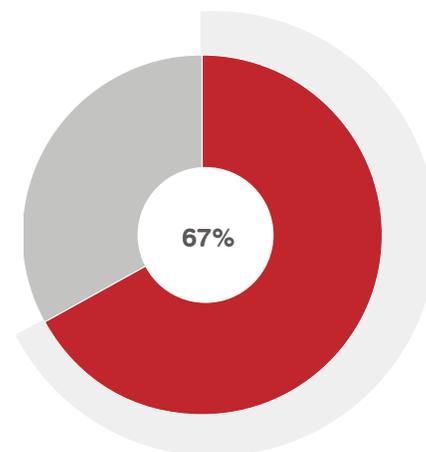
Does your company currently have a multicultural marketing initiative in place?



B2B Marketers vs. Hybrid Organizations



80% of B2B marketings **do not have** a multicultural marketing initiative in place.



67% of hybrid organizations (B2B and B2C), **do have** a multicultural strategy in place.



The top reason cited by those without a multicultural marketing initiative in place was that it simply wasn't a priority for their organizations (36 percent)—a rather alarming reality given the aforementioned growth and importance of these consumer segments. Other reasons for not having a multicultural strategy in place included insufficient budgets (34 percent) and having a strategy in place that was believed to address these segments through total-market efforts (26 percent).

For those who do have multicultural marketing strategies in place, the outlook is fairly positive as it seems these marketers at least have a sense of the urgency around multicultural efforts. When asked to describe their multicultural initiatives, 36 percent said they were strategic, and 27 percent claimed they were actually mission critical for their organizations. However, many are still refining their efforts in this area as nearly one-third (32 percent) of respondents described their efforts as experimental.

Challenges Around Support and Budget

When asked if marketers felt they had a high level of buy-in for multicultural marketing initiatives, the responses were evenly split: Half of marketers believe they have support, and half do not. More specifically, 55 percent of marketers feel they lack buy-in from the CEO, and 60 percent feel they lack support from the board of directors. Marketing leadership appears to provide greater support, however, as 66 percent feel they have support from the CMO, and 70 percent feel they have the support of brand management for multicultural marketing initiatives.

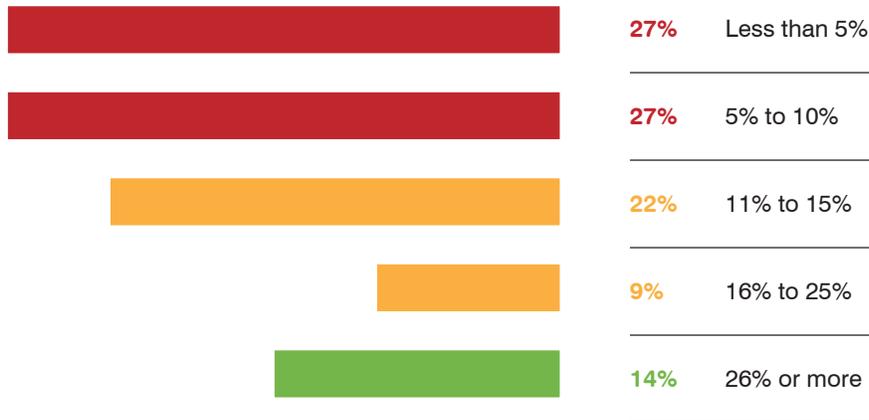
Although marketing seems to understand the importance of multicultural efforts based on these numbers, without support from the top of the organization, marketers will be fighting a losing battle in terms of organizational commitment and budgets to execute on these initiatives. Not surprisingly, when asked to characterize their companies' overall commitment to the multicultural market, more than half (51 percent) felt their companies had too many competing priorities, and a significant number (38 percent) also said that not everyone in the company was on board. Only 20 percent said that commitment to these efforts was mandatory and unanimous across the organization.

With such a lack of leadership support, it is no wonder that securing budgets to implement multicultural strategies remains a barrier for marketers as well. When it comes to budget, more than half of the marketers surveyed for this study (54 percent) indicate that total budget allocation for multicultural efforts ranges from 0–10 percent of their overall marketing budgets, with only 14 percent claiming that multicultural initiatives receive more than 25 percent of the budget.

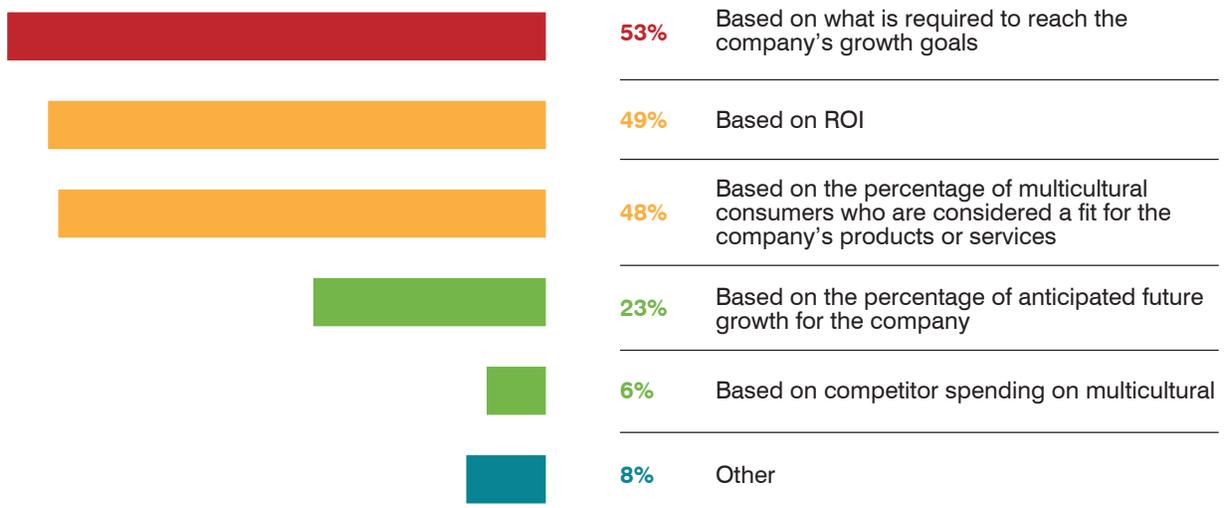
When asked how their organizations determine how much to allocate to these efforts, marketers felt that this percentage is primarily based on what is required to reach the company's goals for growth (53 percent). Forty-nine (49) percent also felt that allocation was based on ROI, and 48 percent believed this is determined based on the number of multicultural consumers who are considered to be a fit for their products or services. However, the write-in responses to this question were also very telling and revealed the need for a true mindset shift across the organization as many respondents stated that they view multicultural marketing "based on the market area," and budgets tend to be prioritized based on "what's left after everything else." Without making this critical area of marketing a priority, companies risk missing out on not only immediate sales, but also a lifetime of revenue that could be generated by building loyalty from these consumers.



Approximately what percentage of your marketing budget is allocated to multicultural marketing initiatives?



How does your company determine the percentage of marketing budget that is allocated to multicultural marketing initiatives?



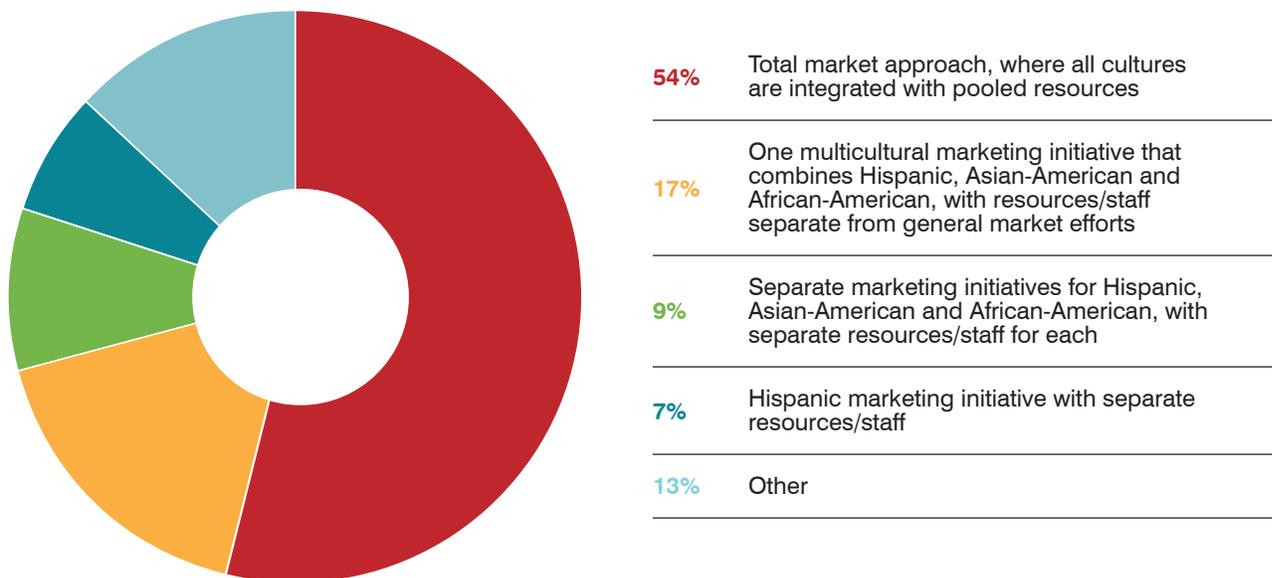


Oversight and Execution of Multicultural Marketing Initiatives

While marketers clearly seem to understand the importance of having an integrated multicultural marketing strategy, issues stemming from lack of management support still linger as the majority (59 percent) of marketers feel that they only somewhat have control of multicultural efforts but also have many other participants involved in the decision-making process. Just over a quarter (26 percent) of respondents feel that they have complete control over these efforts, while 15 percent feel they have no control over these efforts whatsoever.

And when it comes to the deployment of multicultural marketing initiatives, the news doesn't get much better. While 51 percent of marketers believe they have a strategy in place for these initiatives—as previously noted—more than half of respondents (54 percent) said these efforts are deployed through a total market approach, where all multicultural segments are integrated with pooled resources. Other responses revealed a focus on specific multicultural segments, with 17 percent targeting Asian-American and African-American consumers with separate resources but one strategy; 9 percent targeting Hispanic, Asian-American and African-American consumers with separate resources and dedicated strategies; and 7 percent targeting only Hispanic consumers with separate resources. So even among those who are implementing multicultural efforts, the majority (71 percent) are doing so through a shared approach.

Thinking about your operational approach to the new mainstream consumer, how would you characterize the manner in which those efforts are deployed?





Moving forward, marketers indicate that multicultural marketing efforts will continue to increase in importance, with 16 percent expecting significant increases and 37 percent anticipating that they will increase in importance somewhat. One-third (33 percent) of respondents predict that the importance of these initiatives will remain steady, and only 2 percent feel that they will decrease in importance for their organizations.

Interestingly, for those organizations that engage individual segments using targeted and individualized engagement strategies (some 9 percent of respondents), the view of the impact and criticality of multicultural marketing shifts. According to this slim minority, their multicultural programs are mission critical (57 percent compared to 28 percent of other marketers engaged in multicultural programs) and are being advanced thanks to strong commitment and buy-in from the organization that is being backed up by increased budgets to execute on multicultural engagement strategies. Looking into the year ahead, 84 percent of marketers who are engaging individual segments with individual strategies expect that their budgets will increase compared to 71 percent of marketers who are not engaging individually but anticipate budget increases.

CONCLUSIONS

Considering the growth and prevalence of the multicultural population in America and the lack of alignment that organizations seem to have in place to meet the needs of these customer segments, it is clear that marketers have a long way to go in order to develop strategies that will truly engage, meet the needs and gain the loyalty of these consumers over time. At the end of the day, marketers and organizations as a whole need to gain a better understanding of exactly who these multicultural consumers are, what is important to them and what moves them to make purchases. And without buy-in and support from executive leadership for an integrated multicultural strategy, organizations are essentially relying on individual campaigns and translations that do nothing to build a connected experience that resonates with these customers.

That's not to say that translation isn't important, however. Customers across all segments today are defining how they want to interact with brands and consume content, and providing the right content in the right language and the right context can mean the difference between customer transaction and brand rejection. But more than just translating content for these audiences, the messaging must be localized and personalized to engage these consumers at the core of who they are, and understanding what makes them unique will be key to creating experiences that resonate with them and allow marketers to tap into the very real opportunity that exists in these segments.

But more than anything, the prioritization of these efforts among leadership will be necessary in order to overcome the challenges that currently exist in this area for today's marketers. Securing the budgets and intelligence needed to understand these customers and what they value from a brand will require executive leadership to step in and will be critical to marketing's ability to engage these customers, move them to make a purchase and hopefully build loyalty over time.



EXPERT PERSPECTIVE FROM GEOSCAPE

By César M Melgoza, Founder and CEO of Geoscape

Business success is defined by growth—in revenue, profits and market share. Finding growth is the talk of the day within boardrooms and C-suites worldwide. Within developed regions, growth in the foreseeable future will emanate from the cultural transformation we've been undergoing during recent decades, which has become more pronounced each year.

Within the United States, nearly all of the growth comes from ethnic groups other than the Anglo-American population. Namely, both business and consumer sectors are experiencing growth almost entirely from segments still referred to as “minorities.” In fact, these minorities (Hispanics, African Americans, Asians and other cultural segments) are the majority in all major metropolitan areas.

Many companies of all sizes have realized that they must engage this consumer in a manner that is relevant and proactive in order to garner their fair share of this growth. Still, many others are reluctant to commit significant resources. This report, issued by the CMO Council in partnership with Geoscape, addresses key pivot points that are necessary when coming to terms with resource allocation among major brands. The report's findings add to the reasons why multicultural marketing should belong in the “important and urgent” quadrant of the priority scheme.

It's simply smart business to engage with multicultural audiences in a welcoming and culturally relevant manner. A marketer who believes he or she is “American-centric” simply needs to look at the demographic trends to see that more than one-third of American people are from the three largest ethnic sub-segments (Hispanic, African American and Asian). Furthermore, spending growth and share are dominated by these groups because they are younger, building families and households, and have increasingly formidable buying power.

Multicultural engagement does not happen overnight. While it's convenient to believe that a marketer can target all Americans with a simpler, all-encompassing message and value proposition, doing so will risk optimizing growth and ROI among those multicultural consumers upon whom the quarterly and annual budgets hinge. It also could be convenient to think that “minority groups” will soon assimilate into the melting pot and that in-culture targeting may not be necessary. That may have been true during the 1950s and 1960s, but today Americans increasingly embrace their heritage while embracing the American way as well. These values are not inconsistent, but complementary. Most Hispanics, for example, speak at least some Spanish, and nearly all speak at least some English. Furthermore, the value of culture is increasingly prominent. Gone are the days when ethnic groups rapidly discard their heritage for fear of discrimination. Most of us embrace our culture and want to share this with those outside of our culture in order to celebrate the finer and more gratifying parts of life—food, music, history, art, travel and so on.

Many marketers make the simple mistake of assuming (perhaps subconsciously) that our peers and friends are representative of our customer base. We tend to think that others watch the same or similar programs and that their psychographics are driven by similar values. The “focus group of our peers and friends” is too often not representative of the American population, especially if you weigh that perception by future growth potential.

This is why performing thoughtful and rigorous research is key to uncovering levers that will enable a brand to engage with high-growth target groups. For example, the value of food prepared and consumed in the home has increased among Americans overall, but it has been especially strong within the Hispanic and Asian cultures for as long as these things have been measured. This is why most grocers know that premium vegetables and meats are a must when serving ethnic shoppers.



Some marketers believe they can move the needle significantly by simply hiring a “resident multicultural expert” who will consult the organization on how to affect its programs in a responsible way. This is little more than wishful thinking that will ultimately result in disappointment for both the “expert” and the organization overall. It’s difficult to blame the rank and file for this shortcoming; each day, they are tasked with more responsibilities, perhaps with no incremental budget and an agenda packed with internal meetings, some of which are of questionable value. Instead, the C-suite should consider biting the bullet and allocate resources in a manner aligned with anticipated growth sources during the forthcoming years. We don’t acquire customers in hopes of one-time business; rather, we do so to engage a lifetime of loyalty, and therefore, investments should consider the lifetime ROI of an acquired consumer.

Chief marketing officers also may mistakenly presume that a segmentation strategy is entirely within their purview. However, if you consider that growth in the top line, bottom line and market share are constant boardroom exigencies, you’ll realize that cultural segmentation is something that even institutional investors care deeply about. For example, Goldman Sachs’ publication “[Hispanization of the United States](#)” makes it clear that companies will succeed based in large part on whether they focus on this cultural transformation. To be clear, executive bonuses are increasingly dependent on realizing growth, which emanates from large and growing cultural segments.

The question is, where do we go from here?

First, read about your peers and how they are addressing this. This CMO Council report is a good start.

Second, get fresh data on the subject. For starters, download [Geoscape’s “American Marketscape DataStream” report for 2015](#). Third, when it comes to business planning for next year, dig deep and make tough decisions on resource allocation. Consider the trajectory of growth, and align your investments with the segments you anticipate will contribute to your growth over the next five years. For example, the entertainment business—movies, in particular—see a disproportionate amount of box office revenue from Hispanics, who tend to be younger, connected and avid movie buffs. According to a recent report from the Motion Picture Association of America, US Latinos accounted for [25 percent of frequent moviegoers in 2014](#). By definition, frequent moviegoers are people who went to watch a movie once a month or more. Meanwhile, blacks made up 10 percent of moviegoers.

Finally, consider adjusting your organization so that you have the right data, skills and talents to tap into this growth. Dare to be audacious as dabbling will get you nowhere fast.



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ABOUT THE CMO COUNCIL

The Chief Marketing Officer (CMO) Council is the only global network of executives specifically dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 9,000-plus members control more than \$400 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 35,000 global executives in more than 110 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia-Pacific, Middle East, India and Africa. The council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Mobile Relationship Marketing (MRM) Strategies, LoyaltyLeaders.org, CMOCIOAlign.org, Marketing Supply Chain Institute, Customer Experience Board, Digital Marketing Performance Institute, GeoBranding Center and the Forum to Advance the Mobile Experience (FAME). For more information, visit the CMO Council at www.cmocouncil.org.



ABOUT GEOSCAPE

Geoscape International, Inc. was founded in 1995 by César M Melgoza with an emphasis on international and Latin American markets. In 2001, Geoscape began focusing more intently on the multicultural American business environment, and in June 2007, they engaged the investment firm Goldman Sachs. Geoscape serves clients nationwide, with offices in Miami and employees distributed throughout the U.S. Geoscape Europe BV is based in Amsterdam and serves the greater European community.

We are an internationally recognized firm with hundreds of clients across a number of industries. The Geoscape team brings a wealth of industry knowledge and expertise coupled with cultural insights and analytical brainpower that is unmatched in this dynamic industry. The Geoscape Intelligence System (GIS) and the DirecTarget® CultureCoding® system are deployed successfully by hundreds of companies that need to act upon the high-growth multicultural opportunity. Learn more at www.geoscape.com.