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To turn Latino consumers and business owners into an opportunity market, the small banking sector in Missouri must go beyond the surface strategies.

Latino Consumers and Community Banking

A new local market...2.7 billion dollars worth of purchasing power, businesses that have generated 682 million dollars in Missouri alone. Do I need to repeat that? Have I got your attention? In a time when everyone is scrambling for new accounts, how is it that attempts to cultivate business in this segment have lain dormant? The US Hispanic and Latino market continues growing more rapidly than any other ethnic group in the United States. In fact, the population of the US Hispanic and Latino community reached 44.5 million in 2006, making it the second largest Spanish-speaking community in the Americas after Mexico with 101 million, and Colombia in the third place with 42 million in the same year. As you can see, the U.S. has a lot of Spanish speaking people waiting for you to approach them with a financial product that meets their needs, with materials that speak to them in their own language, both culturally and literally.

Today the United States has reached an average of 20 million Latinos (Latin American Immigrants) and 25 million US Hispanic individuals (born in the US) in the country. The significant number of Latinos has reshaped the infrastructure of the US Hispanic market from the 60s to present time in race, culture, identity, language and geographic distribution.

In the last 10 years, the US Hispanic market has begun reshaping itself. Millions of Latinos began to migrate from the coast into the Central States. They come for lower cost of living, better-paid jobs, more affordable housing and better schooling for their children. The majority of this Latino segment is un-aculturated and come from small towns in their country of origin. Where they come from, everything from commerce to personal relationships had a flavor of a close community.

What does it all mean to the Community Banking sector?

When people move to new places, in a time of change, they look for the comfort of the familiar. As Latinos come from relatively small villages in their countries of origin, they expect to settle in relatively small American communities. The appeal of a small town draws them. They are attracted to a place where they can trust and be trusted by people to build close relationships at both the personal and business level. In essence, they are re-living their experience from home in a small town America. Given that, the community banking industry is uniquely equipped to serve this growing market. They hold a strong advantage over large American banking chains which the typical Latino consumer perceives as intimidating and un-welcoming. Opening the doors and welcoming this diverse group of people will increase consumer and business deposit accounts without a doubt.

So what can the community banking sector do to reach out to the Latino consumer?

Like any market, you can wait and let them come to you—and risk missing out on a huge opportunity, or you can make an effort to reach out and reap the benefits of a well constructed strategy that could establish a loyal consumer base. In short, the community-banking sector has to get more proactive toward the Latino/Hispanic audience. As I've said, the consumer segment reached \$2.7 billion in purchasing power and the Latino/Hispanic-owned businesses segment generated an average of \$682 million in revenues in Missouri. That's too big of a market segment to ignore.

But just being aware of Latinos and Hispanics won't draw them in. Reaching this market isn't only about translating your current product material to Spanish. In order to turn Latino consumers and business owners into an opportunity market, the small banking sector must go beyond the surface strategies. Imagine an American consumer receiving marketing material from Italy that presents images of the Roman Coliseum—or even Australia expecting to establish common ground by sending materials etched with images of the Outback and kangaroos. While the pictures are nice, they have nothing to do with us and would be unlikely to touch us in any meaningful way. Likewise, to reach the Latino/Hispanic market, one needs to develop in-culture marketing strategies to address the needs of the un-acculturated Latino and create a sense of acceptance and belonging.

Beyond the obvious base needs of any banking consumer, the banking industry needs to understand the unique needs of Latino and/or Hispanics. This is a challenge that can be effectively and gradually embraced by developing grassroots programs and services tailored to Latinos. For instance, remittance services is a product that small Missouri banks should offer Latinos since this particular group on a nationwide basis is currently sending an average of \$45 billion annually back to their country of origin. In fact, the wiring service for this type of transaction is presently being provided by selected nationwide banks and the small Latino businesses owner as opposed the community-banking sector.

If the small community-banking sector does not get involved with the Latino community in the immediate future, it will be inevitable for Latino consumers not to accept the services of nationwide banks targeting them through localized branches in their own community. As we all know, when a Latino builds brand equity with a product, it will be very difficult for him or her to abandon such brand, and this is an opportunity that the community banking industry can not afford to lose.

By Claudio Perez-Korinko, IM International Marketing, LLC, October 29, 2008

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