

Service, Por Favor

Ten Reasons to Better Serve and Woo the Booming Hispanic Market

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In This White Paper

- By 2020, one out of every five persons in the U.S. will be Hispanic.
- Companies are long overdue for a serious examination of escalating Hispanic influence in their markets.
- Following are ten reasons you can not afford to overlook this market segment.

Introduction

“Hispanics represent a tremendous current and future market opportunity...if your company hasn’t focused on this promising market, you’re already losing money.”

J-Lo, George Lopez, Dora the Explorer, soccer mania, Penelope Cruz, Sammy Sosa, Shakira ... if you haven’t noticed the Latino explosion of the last several years, it’s time to wake up and smell the salsa (which now outsells ketchup, no coincidence). The compelling facts are in: our U.S. Hispanic population is growing at a dizzying pace, as are Hispanic purchasing power, influence and expectations. Hispanics represent a tremendous current and future market opportunity for those companies that serve and woo them effectively. If your company hasn’t focused on this promising market, you’re already losing money. Below are 10 reasons to incorporate Hispanic perspective into your customer service and marketing strategy.

1) Hispanics represent a rapidly growing, yet underserved, consumer market

To say the Hispanic population is growing quickly is a gross understatement. In 2002, Hispanics represented a rapidly expanding 13 percent of the U.S. population, having grown nearly 10 percent over the last two years alone. From 1990-2002, Hispanics grew three times faster than the overall U.S. population. In size, Hispanics—defined as an ethnic group including individuals of Spanish, Hispanic or Latino origin—have overtaken African-Americans as the United States’ largest minority group.

Given the mounting evidence of Hispanics’ escalating impact, it is surprising that the market is so underserved: Hispanics have yet to see proportionate service and marketing efforts targeted to them. For instance, marketing expenditures targeted to Hispanics make up just 3.2 percent of advertising budgets, less than one-fourth the figure proportionate to their population size (13 percent), according to the Association of Hispanic Advertising Agencies (AHA). “Most industries would have to double or triple their current allocation to Hispanics to be aligned with current Hispanic purchasing,” said Carlos Santiago, president of The Santiago Solutions Group (SSG).

Too few companies tailor service options and messaging to Hispanics. The AHAA delivers a somber message regarding this neglect: if a company is under-communicating and under-serving in proportion to Hispanics' power and influence in their market, it means that the company is overspending for lower sales return from non-Hispanic households. Santiago concurs: "Stockholders should be concerned about widespread overspending in other consumer segments generating much less for every dollar of investment. These times of economic downturn are perfect to correct historic misalignments and invest [future] dollars in a way that truly maximizes each segment's short and long-term returns."

2) Amidst a sluggish economy, Hispanics exhibit increasing affluence and sustainable growth in purchasing power.

While the U.S. economy has slowed in recent years, Hispanic spending power is accelerating. This mushrooming market segment boasts some \$580 billion in spending power, expected to nearly double to \$925 billion by 2007, according to the Selig Center for Economic Growth. Even at its current size, U.S. Hispanics' economic impact rivals that of the entire Mexican economy (\$620 billion last year). And in comparison to non-Hispanic whites, U.S. Hispanics only become more attractive: U.S. Hispanic buying power is growing three times as fast.

Furthermore, the upswing in Hispanic economic clout promises to be sustainable: research by Global Insight Inc. projects that increases in Hispanic household disposable income and consumer spending will significantly outpace the expected national growth rate through 2020. Personal consumption spending by Hispanics will increase at an average annual rate of 9.1 percent, "far exceeding the national growth rate of 6 percent." Even as the economy rebounds, the Hispanic market will be among the most promising sub-sectors in the economy.

3) The Hispanic market skews young, indicating a tremendous opportunity to win customers at their peak of consumption and secure customers for life.

In addition to being numerous, Hispanics represent a young, high-consumption population. Proportionally, Hispanics spend more than non-Hispanics in numerous important product categories: groceries, telephone services, furniture, men's apparel, children's clothing and footwear, according to the Selig Center. Knowledge Networks/SRI found that Hispanics are more likely to own a PDA, DVD player, home theater and digital satellite television service compared to non-Hispanic whites and African-Americans.

Why the disproportionate spending on family and high-tech items? According to Hispanic Trends, the median age of the Hispanic population in 2000 was 25.9, nearly 10 years younger than the average for the overall U.S. population, 35.3. Young consumers represent a greater potential return on marketing and service investments, if companies are successful in securing lifelong loyalty. Moreover, young consumers (especially those starting families) represent individuals at the height of consumption patterns.

4) Hispanics are pouring online at a rapid pace.

After a slow start in overall Internet adoption, U.S. Hispanics are now embracing the Web wholeheartedly, spending more time online than the general population. Specifically, a January 2003 report released by AOL and pollster RoperASW found that while nearly half of Hispanics only obtained Internet access in the past two years, they're already spending 43 percent more time online at work and 13 percent more at home than the overall online population.

The U.S. Hispanic population is increasingly connected and Net savvy, indicating a burgeoning, untapped online market. The Pew Internet & American Life Project reported that the number of Hispanics online grew significantly from 43 percent of the Hispanic population in 2000 to 54 percent in 2002. Yet remarkably, Internet content written in Spanish accounts for only approximately 3 percent of Web pages. Only a handful of mainstream

retailers have begun to translate and tailor their online shopping and service experience to Hispanics (i.e., SearsEnEspañol.com). Companies that act quickly to serve this online population will reap mucho dinero.

5) Hispanics tend to be brand loyal, indicating tremendous potential.

So Hispanics are numerous, with money to spend...but are they worth wooing and serving to build long-term relationships? Absolutely. The Yankelovich Partners' Hispanic Monitor 2002 Study indicates that Hispanics develop unusually strong brand affinity and purchasing loyalty. Yankelovich found that 61.3 percent of Hispanic customers stay loyal to products once they find brands they appreciate.

Like all customers, Hispanic affinity is not based solely on the product itself, but also on customer service, packaging and messaging. According to a national study by SSG, this segment places enormous weight on the consistent delivery of high quality customer support in Spanish. For unlike many other immigrant populations, the sheer volume of Hispanics and geographic proximity to their countries of origin have allowed most U.S. Hispanics to maintain active use of their native language.

6) Hispanics value and refer those companies that provide Spanish service.

Sí, high-quality customer service in Spanish is a pivotal differentiating factor when Hispanics form brand impressions and make purchasing decisions among competitors, according to SSG. "Quality in-language, in-culture customer experience is a crucial component of a well-integrated multicultural initiative designed to win and retain Hispanic consumers because through it, the brand promise comes face-to-face with customers," says Santiago. Or perhaps Professor Alberto Sandoval-Sánchez of Mount Holyoke College put it best: "Si se habla español, se venden más productos. Spanglish is good business."

Known for their close ties to familia y amigos, Hispanic consumers are strong brand advocates and influential with other potential customers. SSG reports that the majority of Hispanics experiencing a positive customer service interaction tell an average of seven family members and friends. Conversely, half of Hispanics experiencing a negative customer experience tell an average of five friends and family members about their disappointing contact. Hispanics represent powerful product evangelists, or influential detractors-it all depends on how you serve them.

7) Hispanics are cultural influencers with increasing trendsetting power.

Chart-topping J-Lo and PBS' Dragon Tales speak loud and clear: Latinos are powering their way into the mainstream. The Washington Post recently asserted, "Because Latinos are so numerous, their tastes and circumstances increasingly will shape the nation's." That's an important message: future product and brand success may be increasingly reliant upon a company's ability to reach, attract and retain the influential Hispanic market.

As the U.S. population becomes "Hispanicized," success in addressing the market will return solid rewards. Betsy Zeidman of the Milken Institute asserts that Hispanic companies outperformed the Fortune 500 by 4.3 percent in 2002 due in large part to their superior ability to reach and market to Hispanics.

8) Nearshore outsourcing is an attractive option for serving U.S. Hispanics.

Many companies have dragged their feet on Spanish customer support and marketing because of the related expense. But in our increasingly global marketplace, companies have many options for providing high-quality Spanish support; foremost among them is nearshore outsourcing. Two-thirds of U.S. Hispanics are of Mexican origin. So why not turn to our Southern neighbor for quality service?

Mexico, Central America and the Caribbean are all compelling solutions for delivering Spanish and bilingual customer support. Caring for U.S. Hispanics from nearshore locations can cut costs as much as 30-40 percent over domestic support, which is why the Mexican call center market is projected to grow dramatically in the coming years. Forecasts indicate that the number of Mexican contact center agent positions will rise from nearly 51,000 in 2002 to more than 190,000 in 2007. Whether customers want support in Spanish, English or Spanglish, nearshore outsourcing is a cost-effective, culturally compatible and convenient solution for serving U.S. Hispanics. No more excuses.

9) Smart companies are already wooing Hispanics.

Over generations and market evolutions, occasional windows of opportunity emerge that smart companies recognize and leverage for success. Significant demographic shifts, such as the aging of the Baby Boomers and this growth of Hispanic influence, are examples of opportunities that will powerfully influence business for decades. Clever companies embrace these changes and ride them to profitability. Those that are unprepared or resistant to change often lose market share, relevance and stakeholder confidence.

Top retailers and product manufacturers have begun to recognize and reach out to the Hispanic community. Pepsi has embraced Shakira as its new dancing celebrity spokesmodel, Kmart is promoting merchandise with pop singer Thalía, Kraft has its own Hispanic marketing team, Hallmark Cards is growing its line of Spanish-language greeting cards and JetBlue recently built a Spanish-only Web site and purchasing process.

Marketing to Hispanics is old hat to some corporations. Proctor & Gamble has pursued the segment since the 1960s, while Continental Airlines recently celebrated its fifth anniversary of "Latinization," its enhanced customer service for Latin American and U.S. Spanish-speaking passengers. But far too many companies have yet to provide a bilingual, multicultural service and marketing experience reflective of our new American reality.

*10) Hispanics are the market of the future - continued
underservice of Hispanics will relegate your company
to sluggish sales and low returns.*

By 2020, one of every five persons in the United States will be Hispanic. Companies are long overdue for a serious examination of escalating Hispanic influence in their markets. What will be required for success? Nothing less than the re-evaluation of spending allocations, service languages, operating locations, Web options and marketing messages to match Hispanic market expectations and consumption patterns.

Hispanics are a segment that no company can afford to overlook or ignore. If your company has been deaf to their unique market requirements, listen up: Hispanics are the fastest growing consumer segment of today and tomorrow. If your company doesn't become an expert in the ways and wants of the Hispanic consumer, you will underperform your rivals and underdeliver to your shareholders. If you can't say, "Hola, gracias por llamar" (Hello, thank you for calling), millions of your customers may soon say "¡Adios!"

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