

Southern U.S. Markets

A New Niche for Mexican Exports

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According to the 2000 census, the second largest number of Hispanic inhabitants in the United States, 11.6 million (32.8 percent), live in the South.

Traditionally, most economic activities of Hispano-Americans in the United States have been carried out in the West, in states like California, Arizona, New Mexico and Colorado, where the largest number of Hispanics reside.¹ However, we should not underestimate the growth potential developing in the South's Hispanic market, which boasts annual sales of

more than U.S.\$86 billion and the highest number of Hispanic businesses in the country.

Geographic proximity, the different levels of economic development, socio-cultural diversity and trade agreements, among other factors, have favored both migration and trade between the southern United States and Mexico. To analyze this trend, the Mexican-American Solidarity Foundation prepared a series of studies about the Hispanic market in four regions of the United States. This article presents some of the de-

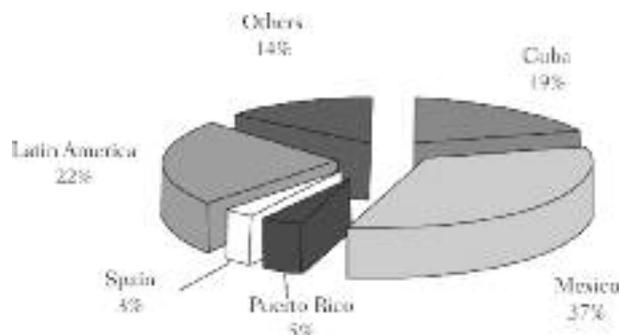
mographic and economic traits of the southern states, as well as a projection of the area's demographic and economic development.

THE DYNAMIC HISPANIC MARKET

Hispanics make up 12.5 percent of the U.S. population; numbering 35.3 million, they are the largest ethnic minority. At least 23.6 million of them are of Mexican origin. This community constitutes an ethnic market with almost

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HISPANIC BUSINESSES IN THE SOUTH BY COUNTRY OF ORIGIN



Source: U.S. Census Bureau, Hispanic, 1997. *Survey of Minority-Owned Business Enterprises, Company Statistics Series, EC97CS-4.*

U.S.\$500 billion annually in buying power.² This equals the size of the Mexico's economy each year.

The Hispanic market is a natural bridge to the rest of U.S. society, but above all it implies an extremely important business niche for both nations. Hispanics, and particularly Mexican Hispanics, have adapted to a new way of social and economic life in their host country, but they also maintain their customs, traditions and language. This is why they are the most important targets for exports from Mexico, above all those who reside in the southern states, who have significant purchasing power.

The U.S. South is made up of 16 states and the District of Columbia. Today, 11.6 million Hispanics are distributed throughout this area, 32.8 percent of all Hispanics in the United States. They are highly concentrated in Texas, where 57.6 percent live (6.7 million people) and in Florida, where 23.2 percent live (2.7 million). Together, the two states make up 80.8 percent of all Hispanics in the South. In nine southern states, Hispanics do not even make up 1 percent of the total population.

DISTRIBUTION OF THE HISPANIC POPULATION IN THE SOUTH

Mexicans are the dominant group in the region, making up 56 percent of the Hispanic population. The second largest group is made up of what the Census Bureau calls "other Hispanics," that is,

people mainly from Central and South America, who total 29 percent. Cubans represent 8 percent and Puerto Ricans, 7 percent. Florida concentrates 90 percent of all the Cubans in the South and 74.2 percent of all Cubans in the United States.

Even though they represent much smaller markets than those of Texas and Florida, the importance of Mexican consumers in Oklahoma, Arkansas, North Carolina, Georgia and Tennessee

should not be underestimated. In those states, Mexicans make up more than 60 percent of Latinos.³

In the last decade, Arkansas and North Carolina registered the largest growth in Hispanics' buying power in the region, which indicates its growing potential. Other markets like Georgia and Tennessee are developing and may be attractive above all for Mexican investors. In these states, more than 25 percent of Hispanic businesses are owned by Mexicans.

Texas also concentrates the largest number of people of Mexican origin, with 5.1 million, surpassed nationally only by California.⁴ One indicator of the growing importance of the Hispanic market in Texas is that in the 1990s alone, Hispanics represented 56.6 percent of its total population growth.

Florida is the South's second largest state in terms of Hispanic population: 23 percent of all its residents are Hispanic and it is fourth in the country,

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with 2.7 million, after California, Texas and New York. Despite being a predominantly Cuban market, this state has the South's second largest Mexican community, with 364,000 inhabitants.

Texas will probably continue for a long time to be the state with the greatest number of Hispanic consumers in the south, reaching 11.6 million in 2025. Nevertheless, demographic projections show that the Hispanic population will grow the most in the states with the

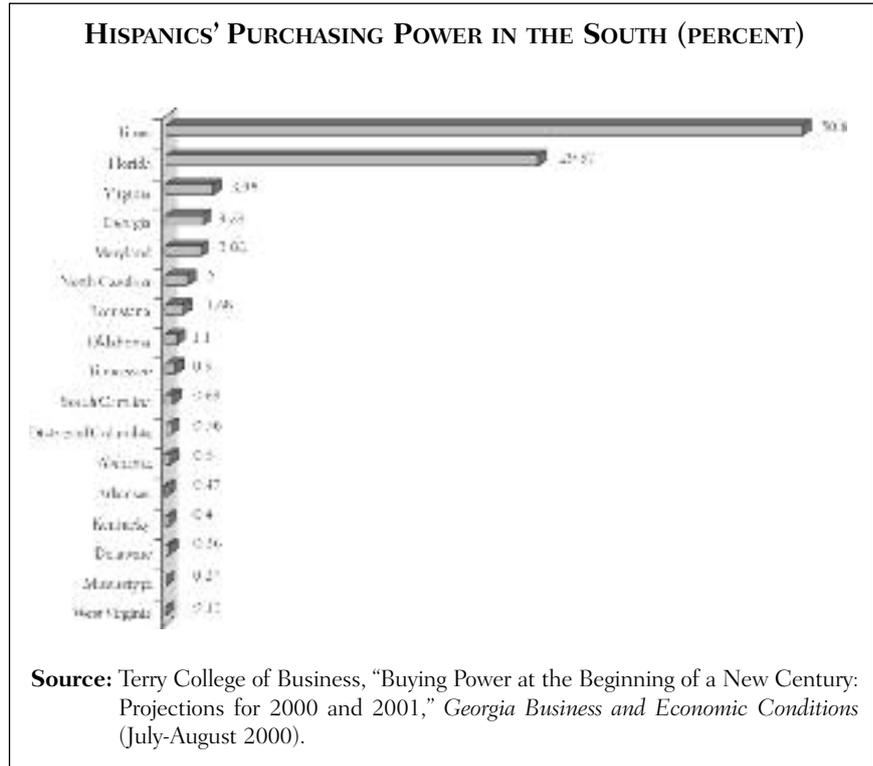
fewest Latinos, at the same time that more Hispanic businesses will open there. This is the case of Arkansas and Oklahoma.⁵

GROWTH OF THE
HISPANIC POPULATION

In the 1990s alone, the Hispanic population grew 57.9 percent, increasing from 22.4 million in 1990 to 35.3 million in 2000, compared to a 13.2 percent increase overall in the United States.

This dynamic growth will continue. U.S. Census Bureau projections indicate that the Hispanic population in the South will expand 84 percent by 2025, increasing from 11.6 million to 21.3 million. Hispanics will continue to grow at a much higher rate than the general population.

By 2025, Florida will also have a 5.5 million Hispanic population and Georgia, 796,000. It is estimated that



Hispanics are the ethnic minority that has the largest number and variety of media in their language, built around their culture.

at least Florida, Maryland, Virginia, Alabama, Arkansas and the District of Columbia will double their Hispanic population.

Fourteen of the 38 metropolitan areas (almost 37 percent) with the highest Hispanic population in the U.S. are located in the South. Four of these have over a million inhabitants, making them important markets.⁶

Of the South's 11.6 million Hispanic consumers, 6.6 million, or 57 percent,

live in these 14 metropolitan areas. Texas is home to nine of the 14, followed by Florida with four, and the

fourteenth is spread over parts of Maryland, Virginia, West Virginia and the District of Columbia.

The Miami-Fort Lauderdale metropolitan area is the third largest ethnic market in the United States, the South's largest, with 3.5 million Hispanics.⁷ Laredo, McAllen-Edinburg-Mission and El Paso are the areas with the highest proportion of Hispanics, with 95 percent, 87 percent and 74 percent, respectively.

OTHER SOCIOECONOMIC INDICATORS

The 2000 census showed that the average age of the U.S. population is 35; however, while for Anglo-Saxons it is 36, for Hispanics, it is only 26. Among the latter, Mexicans are the youngest group, with an average age of 24.

Of all the United States' Hispanics, 14.5 million (41 percent) were born abroad. They are older on the average (35) than U.S.-born Latinos (26). Forty-one percent arrived in the United States after 1990; 93 percent have jobs, but are part of the lowest-income group in the country.

All this has significant implications for anyone interested in accessing this market, since the simple demographic weight of the foreign-born determines a great deal about how the market works, particularly with regard to language, life style, consumer patterns and the demand for certain goods and services.

PROJECTION OF HISPANIC POPULATION FOR 2025

STATE	HISPANIC POPULATION		GROWTH (PERCENT)
	2000	2025	
Texas	6,669,666	11,605,218	74
Florida	2,682,715	5,526,392	106
Georgia	435,227	796,465	83
North Carolina	378,963	655,606	73
Virginia	329,540	659,080	100
Maryland	227,916	464,948	104
Oklahoma	179,304	353,228	97
Tennessee	123,838	225,385	82
Louisiana	107,738	204,702	90
South Carolina	95,076	182,545	92
Arkansas	86,866	176,337	103
Alabama	75,830	128,911	70
Kentucky	59,939	102,496	71
District of Columbia	44,953	89,906	100
Mississippi	39,569	73,203	85
Delaware	37,277	71,572	92
West Virginia	12,279	26,768	118
Total South	11,586,696	21,342,762	84

Source: U.S. Bureau, *Projections for States by Age, Sex, Race and Hispanic Origin: 1995-2025*, 1996, P25-1130.

For example, Hispanics born abroad prefer to speak Spanish. As a group, they tend to rent housing instead of buying; they are more likely to send remittances to their countries of origin; and they usually live in homes with larger families.⁸

A vast majority consume Mexican products and make their purchases in cash, despite the fact that they use bank services and have lived in the U.S. for several years.⁹

The Spanish-language media has played a fundamental role. Hispanics

are the ethnic minority that has the largest number and variety of media in their language, built around their culture. Two television networks, Univisión and Telemundo, have more than 95 stations; about 638 radio stations broadcast in Spanish; 26 newspapers and 490 periodicals publish a total of 12 million copies; and 268 magazines in Spanish are currently available.

GROWING HISPANIC FREE ENTERPRISE

The last “economic census,” done in 1997, put Hispanic-owned businesses at 5.8 percent of all U.S. companies. Mexicans owned 39 percent (472,033) of the 1.2 million Hispanic businesses in the country. Central and South Americans were next with 24 percent, while Cubans—who have the highest income level of all the sub-groups—owned 10 percent, despite only representing 3.5 percent of the total Hispanic population. Overall, Hispanic businesses employed 13 million people in 1997 and had earnings of U.S.\$186.3 billion.¹⁰

The South has half a million Hispanic businesses, the largest number of any region in the United States, as well as the highest level of annual sales. This is even more significant if we consider that the West has the largest Hispanic population, with 3.4 million more than in the South.¹¹

According to *Hispanic Business* magazine, the 20 most important Hispanic businesses in the South are among the 35 largest nationwide; 13 of these are in Florida. The largest Hispanic business in the country, MasTec, Inc., a telecommunications company, is headquartered in Miami. Texas is home to four, among which is the nation’s fourth, an

auto sales and services company. Georgia has two, in the same sector. Oklahoma has one, the nineteenth largest, a meat derivatives manufacturer.

Miami-Fort Lauderdale, Florida, has the largest number of businesses in the South, with 140,150 companies. The second largest metropolitan area is Houston-Galveston, with 95,518. In the three most important metropolitan areas, there is a direct correlation between the number of businesses and the size of the Hispanic population. However, the case of Dallas-Fort Worth shows that this is not always the case: it is fourth in population size while five other metropolitan areas have more Hispanic businesses.¹²

BUYING POWER AND CONSUMER HABITS

Generally speaking, the income of the Hispanic population in the 1990s increased continually. In 1993, the average annual income in Hispanic homes was U.S.\$26,919; by 2000, it had reached U.S.\$33,447, an increase of 24.3 percent in seven years. From 1999 to 2000 alone, it increased 5.3 percent. This change may be related, among other factors, to the economic boom that the United States experienced after the 1990-1991 recession.¹³

In the South, Hispanic household income was U.S.\$33,584, slightly higher than the national average. Compared to the nation's other three regions, the South is in third place, surpassing only the Northeast.

According to data from the Selig Center for Economic Growth, Texas ranks second nationwide, after California, in terms of Hispanic buying power, with U.S.\$75 billion a year; Florida

comes in third with U.S.\$44.1 billion. Virginia ranks tenth. Of the ten states with the highest increase of Hispanic buying power between 1990 and 2001, Arkansas is first, with an impressive 316.6 percent hike; North Carolina is third with 255.2 percent; and Georgia, fourth, with 250.6 percent. These states have relatively small but flourishing Hispanic markets.

With regard to consumer habits, Hispanics, particularly Mexican-Americans and Mexicans, have preserved cultural patterns, customs and traditions from their countries of origin, as well as their language. These characteristics remain vibrant because of the constant migration to the United States, giving this population particular characteristics, needs and consumer habits.¹⁴

Hispanics also show more brand loyalty and more stable consumer habits than non-Hispanics. Thus, there is a high demand for our products and a growing presence of Mexican companies in that market.¹⁵

The Hispanic market in the South displays vigorous buying power and consumers are avid for products with which they can identify culturally. This is a great opportunity for producers who are able to satisfy those needs. ■■

NOTES

¹ Mónica Bellizia, *Medio Oeste*, Serie de Estudios sobre el Mercado Hispano de EUA, vol. 1 (Mexico City: Fundación Solidaridad Mexicano-Americana, May 2001).

² Esther González and Erika González, *Oeste*, Serie de Estudios sobre el Mercado Hispano de EUA, vol. 2 (Mexico City: Fundación Solidaridad Mexicano-Americana, November 2001).

³ U.S. Census Bureau, *Profile of General Demographic Characteristics: 1990* and U.S. Census

Bureau, *Profile of General Demographic Characteristics 2000* (Washington, D.C.: U.S. Government Printing Office, 1990 and 2000).

⁴ By "Mexicans" we mean everyone of Mexican origin who lives in the United States, including both Mexican-Americans and people born in Mexico.

⁵ Betsy Gusmán, *The Hispanic Population. Census 2000 Brief* (Washington, D.C.: U.S. Census Bureau and the U.S. Department of Commerce, Economics and Statistics Administration, May 2001), at <http://www.census.gov>

⁶ U.S. Census Bureau, "Metropolitan Areas with Large Numbers of Selected Racial Groups and of Hispanic Origin Population: 1997," *Statistical Abstract of the United States: 1999*, no. 45, (Washington, D.C.: U.S. Government Printing Office, 1999).

⁷ Carmen De Navas-Walt, Robert W. Cleveland and Marc O. Roemer, "Money Income in the United States: 2000," *Current Population Report* (Washington, D.C.: U.S. Government Printing Office, 2001), pp. 60-213, at <http://www.census.gov>

⁸ The Mexican-American Solidarity Foundation used Gallup-Mexico methodology to do a survey about the consumer habits of Mexican residents in the U.S. With help from the Mexican Telephone Company, they conducted 3,600 phone interviews with Mexicans over 15 who had resided more than three years in the United States.

⁹ Carmen de Navas-Walt et al., op. cit.

¹⁰ Melissa Therrin and Roberto Ramírez, "The Hispanic Population in the United States," *Current Population Reports* at <http://www.census.gov/population/www/socdem/hispanic.html>

¹¹ Ibid.

¹² Pedro Pulgar, "Dólares latinos," *La Opinión* (Los Angeles), 11 December 2001.

¹³ U.S. Census Bureau, "Buying Power and Projections for 2025" (Washington, D.C.: n/p, 1990).

¹⁴ BANCOMEXT, *Estados Unidos, perfil del mercado hispano* (Mexico City: BANCOMEXT, 2000).

¹⁵ See Leopoldo Eggers' article about the most successful Mexican companies in the United States in this issue of *Voices of Mexico*, pp. 53-61.