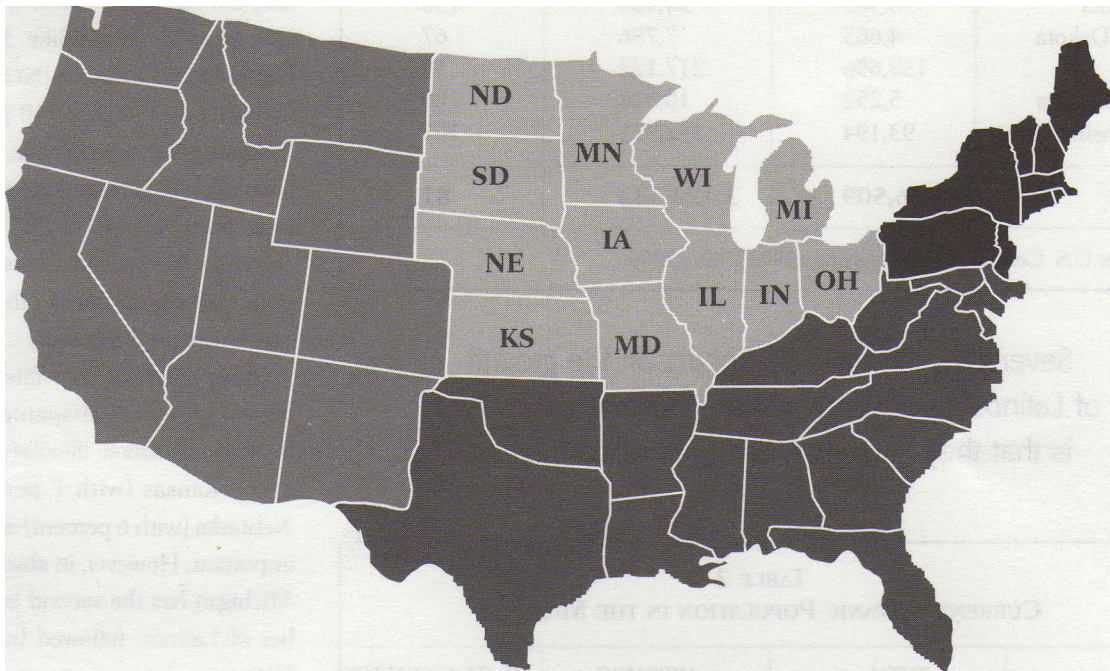


The Hispanic Market In The U.S. Midwest

Salvador Ramírez-Contreras*



INTRODUCTION

After the U.S. Civil War (1861-1865), the Midwest grew spectacularly, with industrialization and waves of migration playing an important role.

The Latino community began to settle in the area, made up of Illinois, Indiana, Iowa, Kansas, Michigan, Min-

nesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin, in the early twentieth century. Mexicans began to move into Illinois and other states of the region due to railroad construction and the demand for labor in local industries. Later, the Mexican population increased with the arrival to Chicago of thousands of workers brought in to break the big 1919 strike. Between 1910 and 1920, approximately 250,000 people emigrated there.¹

* Assistant director of business and institutional development of the Mexican-American Solidarity Foundation.

In those same years, a large influx of Mexican laborers also came to the states of Indiana, Michigan and Ohio to work in heavy industry and meat packing plants. Latino migration to the other states of the Midwest is more recent.

DEMOGRAPHY

To get a current panorama of growth trends in the Latino population in the Midwest, we have to look back ten

TABLE 1
GROWTH OF THE HISPANIC POPULATION 1990-2000

STATE	1990	2000	GROWTH (%)
Illinois	904,446	1,530,262	69
Indiana	98,788	214,536	117
Iowa	32,647	82,473	153
Kansas	93,670	188,252	101
Michigan	201,596	323,877	61
Minnesota	53,884	143,382	166
Missouri	61,702	118,592	92
Nebraska	36,969	94,425	155
North Dakota	4,665	7,786	67
Ohio	139,696	217,123	55
South Dakota	5,252	10,903	108
Wisconsin	93,194	192,921	107
TOTAL	1,726,509	3,124,532	81

Source: U.S. Census Bureau, Census 1990/Census 2000.

Several factors have an impact on the growth of Latinos' purchasing power. The most important is that they have increasing job opportunities.

TABLE 2
CURRENT HISPANIC POPULATION IN THE MIDWEST

STATE	TOTAL POPULATION	HISPANIC POPULATION	% OF HISPANICS
Illinois	12,419,293	1,530,262	12
Indiana	6,080,485	214,536	4
Iowa	2,926,324	82,473	3
Kansas	2,688,418	188,252	7
Michigan	9,938,444	323,877	3
Minnesota	4,919,479	143,382	3
Missouri	5,595,211	118,592	2
Nebraska	1,711,263	94,425	6
North Dakota	642,200	7,786	1
Ohio	11,353,140	217,123	2
South Dakota	754,844	10,903	1
Wisconsin	5,363,675	192,921	4
TOTAL	64,392,776	3,124,532	5

Source: U.S. Census Bureau, Census 2000 Redistricting Data (Public Law 94-171), Summary File.

years (see table 1). We can see how this group has really increased enormously. Latinos went from 1.7 million in 1990 to 3.1 million in 2000, an 81 percent rise. This allows us to understand the increasing importance of the Hispanic population in recent years and for the future.

In table 1 we can also see how, of the 12 Midwest states, only five did not double their Hispanic population, though they did experience more than 50 percent growth. States like Minnesota, Nebraska and Iowa, on the other hand, had increases of over 150 percent.

During the same decade, the Latino population in Illinois increased 69 percent, from 904,446 to 1,530,262. It is currently the second minority in that state, only slightly smaller than the African American population.

Table 2 shows the states with the largest groups of Hispanics vis-à-vis the total population: Illinois (with 12 percent), Kansas (with 7 percent), and Nebraska (with 6 percent) are the most important. However, in absolute terms, Michigan has the second largest number of Latinos, followed by Ohio and Indiana.

Illinois, with its 1.5 million Hispanics, 49 percent of those living in the entire Midwest, is the largest, followed by Michigan, with 10.4 percent, and Indiana and Ohio, with 6.9 percent each.

It is important to note that Mexicans are the largest group of Hispanics in the region, as can be seen in table 3. An average of 70 percent of the Hispanic population is Mexican; and in some states, like Kansas, Indiana, Illinois, Iowa and Nebraska, Mexicans exceed that percentage. In Ohio, however, only 41 percent of all Hispanics are Mexican.

ECONOMIC DATA

Several factors have an impact on the growth of Latinos' purchasing power. Perhaps the most important is that they have increasing job opportunities. Other factors include an increase in the number of Hispanics who have successfully opened their own businesses, plus the sector's demographic growth trends, which strengthen their markets. Migration also plays an important role, bringing in a primarily young population, a new work force that is constantly added to the market.

According to the U.S. Census Bureau, from 1990 to 1998, Latino families have consistently increased their average yearly incomes. An October 1999 Census Bureau study states that in 1998, the income of the average Hispanic household was about U.S.\$28,300 (table 4).

Compared to other minority groups, in 1998, as shown in the table, Latinos had higher incomes than African Americans (U.S.\$25,350 per family on the average), although significantly lower than families of Asian origin (U.S.\$46,640 per household). Cubans were the national segment with the largest family incomes of all the Hispanics, while Puerto Ricans had the lowest.

In her book *Marketing to American Latinos*, Isabel Valdés states the well known fact that Hispanics' average per capita income in the United States is much higher than that of families in Latin American countries.²

If we look at the growth figures for Hispanic purchasing power produced by the University of Georgia (table 5), we can see that among the 10 states with the highest growth in the U.S. for 1990-2001 are Nebraska and Iowa, in

TABLE 3
MEXICAN POPULATION COMPARED TO HISPANIC POPULATION
IN THE MIDWEST

STATE	HISPANIC POPULATION	MEXICAN POPULATION	% OF MEXICANS
Illinois	1,530,262	1,144,390	75
Indiana	214,536	153,042	71
Iowa	82,473	61,154	74
Kansas	188,252	148,270	79
Michigan	323,877	220,769	68
Minnesota	143,382	95,613	67
Missouri	118,592	77,887	66
Nebraska	94,425	71,030	75
North Dakota	7,786	4,295	55
Ohio	217,123	90,663	41
South Dakota	10,903	6,364	58
Wisconsin	192,921	126,719	65
TOTAL	3,124,532	2,200,196	70

Source: U.S. Census Bureau, Census 2000 Redistricting Data (Public Law 94-171), Summary File.

TABLE 4
INCOME BY ETHNIC GROUP (USD)

YEAR	1990*	1998**
Hispanics	22,300	28,300
Afro-Americans	18,680	25,350
Whites	31,230	40,912
Asians, Pacific Islanders	38,450	46,640

* Average income in current dollars.

** Average income in constant dollars.

Source: U.S. Census Bureau, Statistical Abstract of the United States 2000.

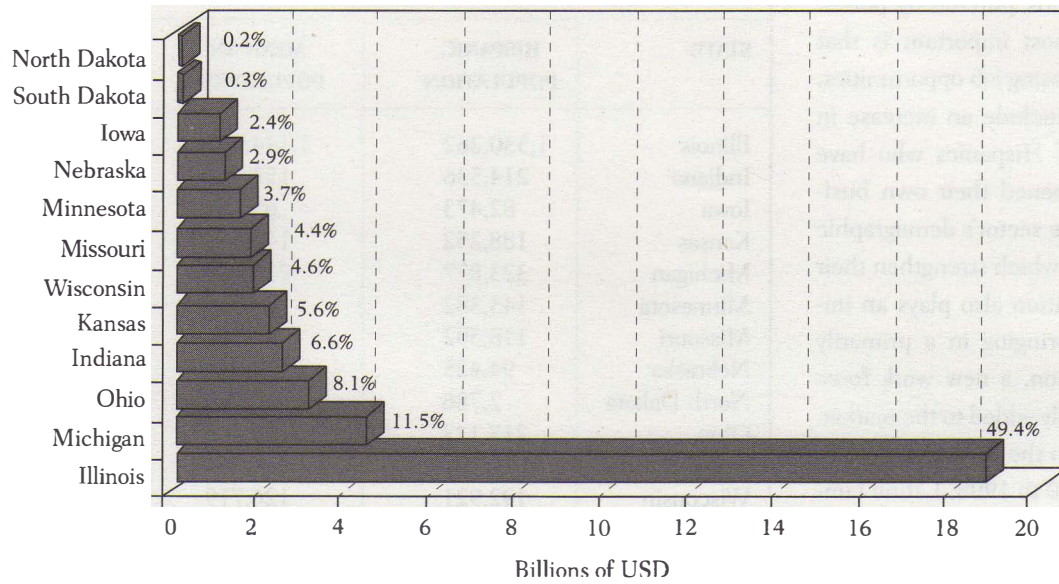
fifth and ninth place respectively, both with about 200 percent growth. Finally, among the 10 states with greatest Latino purchasing power for 2001, Illinois was in tenth place.

As a whole, the Midwest currently accounts for almost U.S.\$38 billion in Hispanic buying power a year, a 124 percent increase, rating higher than

the estimated national average of 118 percent.

Graph 1 shows that Illinois is the state with the greatest purchasing power in the region (U.S.\$18.7 billion), concentrating almost 50 percent of the Hispanic population. Nevertheless, even while recognizing that in only a decade Illinois doubled its purchasing power,

GRAPH 1
SIZE AND DISTRIBUTION OF HISPANIC PURCHASING POWER IN THE MIDWEST



Source: The Selig Center for Economic Growth, Terry College of Business, University of Georgia, July-August 2000.

we should note that other states like Nebraska, Iowa and Minnesota also experienced spectacular growth, higher even than Illinois’.

At the same time the current difference in purchasing power between Illinois and the two states that follow it is noteworthy, since Michigan can only boast 11.5 percent and Ohio, only 8.1 percent. The rest are significantly lower. However, we should not lose sight of the percentages of increased buying power over the last decade given that the Midwest Hispanic market is a considerable niche for Mexican products.

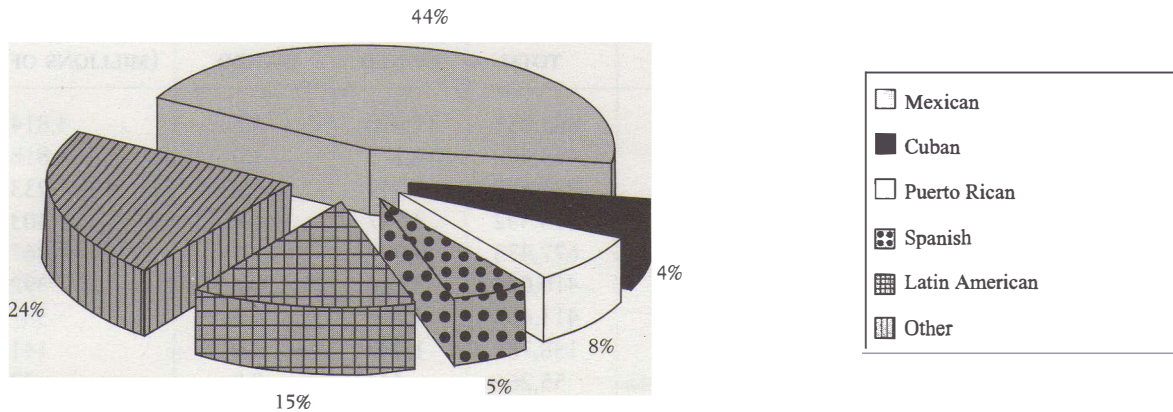
The last economic census, done in 1997 by the U.S. Department of Commerce,³ states that there are a total of 20.8 million businesses (not including agricultural businesses) in the U.S.⁴

TABLE 5
HISPANIC PURCHASING POWER IN THE MIDWEST

STATE	PURCHASING POWER (MILLIONS OF USD)		INCREASE 1990 TO 2001
	1990	2001	(%)
Illinois	8,592	18,768	118
Indiana	1,039	2,499	140
Iowa	311	907	192
Kansas	880	2,142	143
Michigan	2,159	4,384	103
Minnesota	499	1,389	179
Missouri	752	1,682	124
Nebraska	334	1,114	234
North Dakota	33	91	175
Ohio	1,520	3,090	103
South Dakota	47	129	173
Wisconsin	759	1,765	133
TOTAL	16,925	37,960	124

Source: The Selig Center for Economic Growth, Terry College of Business, University of Georgia, July-August 2000.

GRAPH 2
HISPANIC BUSINESSES IN THE MIDWEST BY ETHNIC ORIGIN OF OWNER



Source: U.S. Census Bureau, U.S. Department of Commerce Census 1997.

TABLE 6
MEXICAN AND HISPANIC BUSINESSES BY STATE

STATE	NUMBER OF BUSINESSES		MEXICAN (%)
	HISPANIC	MEXICAN	
Illinois	31,010	15,584	50
Indiana	4,277	2,102	49
Iowa	1,343	712	53
Kansas	3,547	1,999	56
Michigan	9,997	3,914	39
Minnesota	3,616	1,163	32
Missouri	4,107	1,644	40
Nebraska	1,437	807	56
North Dakota	444	83	19
Ohio	6,448	1,516	24
South Dakota	261	69	26
Wisconsin	3,020	1,057	35
TOTAL	69,507	30,650	44

Source: U.S. Census Bureau, U.S. Department of Commerce, Economic Census 1997.

Of these, 5.8 percent, or around 1.2 million, belong to Hispanics. They employ more than 1.3 million people and make a total of U.S.\$186.3 billion in sales yearly. Forty-two percent of Hispanic firms are in the service sector.

Of the more than four million businesses in the 12 Midwest states, 69,507 belong to people of Hispanic origins (table 6). Illinois once again heads the list, with almost half the region's Hispanic firms. Nationwide, it is in sixth place, preceded by New Jersey, New York, Florida, Texas and California, in ascending order.

The region boasts 30,650 Mexican establishments. Mexicans also own more than half the Latino-owned businesses in four of the midwestern states: Kansas (56.4 percent), Nebraska (56.2

percent), Iowa (53 percent) and Illinois (50.3 percent).

After Illinois, the two states with the most Hispanic businesses are Michigan and Ohio (see table 7). The three together generate sales of U.S.\$8.3 billion, 70.5 percent of all Hispanic sales in the region.

A comparative analysis of the Latino population in each state and the number of Hispanic-owned businesses indicates, for example, that in Chicago, two out of every 100 Latinos are business owners. An interesting piece of information is that, of every 100 inhabitants, six are business owners in North Dakota, four in Missouri and three in Michigan. North Dakota is particularly noteworthy in that, with a Hispanic population of only 7,786, there are almost 500 Latino-owned businesses and a purchasing power of U.S.\$91 million, an increase of no less than 175 percent over the last decade. These numbers show that this state's economy is very dynamic.

Table 8 shows that the Chicago metropolitan area boasts 27,488 Latino businesses, with U.S.\$4.554 billion in annual sales, putting it in eighth place among the 10 largest U.S. metropolitan areas with regard to registered Hispanic-owned companies. Chicago is in ninth place of the 10 cities with the most Hispanic businesses.

The Chicago metropolitan area's demographic and economic importance in the Midwest makes it undoubtedly the region's main Hispanic market. Added to those of the St. Louis metropolitan area (which has the fourth largest number of Hispanic businesses of the 10 biggest cities in the region), the two have 29,456 businesses, with annual sales of almost U.S.\$5 billion.

TABLE 7
SALES OF HISPANIC BUSINESSES IN THE MIDWEST

STATE	NUMBER OF BUSINESSES		% THAT ARE HISPANIC-OWNED	SALES OF HISPANIC-OWNED BUSINESSES (MILLIONS OF USD)
	TOTAL	HISPANIC-OWNED		
Illinois	882,053	31,010	3.5	4,814
Indiana	413,400	4,277	1.0	818
Iowa	227,562	1,343	0.6	233
Kansas	213,392	3,547	1.7	403
Michigan	677,473	9,997	1.5	1,967
Minnesota	410,034	3,616	0.9	392
Missouri	411,403	4,107	1.0	587
Nebraska	138,762	1,437	1.0	141
North Dakota	55,266	444	0.8	22
Ohio	781,284	6,448	0.8	1,513
South Dakota	65,791	261	0.4	59
Wisconsin	366,436	3,020	0.8	817
TOTAL	4,642,856	69,507	1.5	11,766

Source: U.S. Census Bureau, U.S. Department of Commerce, Economic Census 1997.

TABLE 8
METROPOLITAN AREAS WITH GREATEST NUMBER OF HISPANIC-OWNED BUSINESSES

CITY	STATE	NUMBER OF BUSINESSES	SALES (MILLIONS OF USD)
Chicago	Illinois	27,488	4,554
Detroit	Michigan	4,377	1,378
Kansas City	Missouri	1,995	259
St. Louis	Illinois	1,968	333
Cleveland-Lorain-Elyria	Ohio	1,447	193
Milwaukee-Waukesha	Wisconsin	1,304	515
Grand Rapids-Muskegon-Holland	Indiana	1,271	101
Gary	Indiana	1,100	176
Indianapolis	Indiana	884	219
Ann Arbor	Michigan	875	61

Source: Developed by the Mexican-American Solidarity Foundation (FSMA) with data from the U.S. Census Bureau, U.S. Department of Commerce, Economic Census 1997.

TABLE 9
METROPOLITAN AREAS WITH LARGEST SALES BY HISPANIC BUSINESSES

CITY	STATE	NUMBER OF HISPANIC BUSINESSES	SALES (MILLIONS OF USD)
Chicago	Illinois	27,488	4,554
Detroit	Michigan	4,377	1,378
Milwaukee-Waukesha	Wisconsin	1,304	515
St. Louis	Illinois	1,968	333
Dayton-Springfield	Ohio	638	295
Kansas City	Missouri	1,995	259
Indianapolis	Indiana	884	219
Cleveland-Lorain-Elyria	Ohio	1,447	193
Kalamazoo-Battle Creek	Michigan	236	184
Gary	Indiana	1,100	176

Source: Developed by the Mexican-American Solidarity Foundation (FSMA) with data from the U.S. Census Bureau, U.S. Department of Commerce, *Economic Census 1997*.

The Detroit metropolitan area is also an important business center for Hispanics, and together with Ann Arbor, another metropolitan area in the same state, has 5,252 firms with annual sales of U.S.\$1.439 billion. Indiana is the only state that has three metropolitan areas, with a total of 3,255 firms with annual sales of U.S.\$496 million.

The cities of Chicago and Detroit come in first and second with regard to sales of Hispanic businesses (table 8). Third place is occupied by Milwaukee-Waukesha, and Kansas City is sixth. The table shows two cities that are not among the first 10 with regard to the number of businesses: Dayton-Springfield and Kalamazoo-Battle Creek. In these, with far fewer firms, more sales are generated than in cities like Grand Rapids-Muskegon-Holland and Ann Arbor, which are in seventh and tenth place respectively.

CONCLUSIONS

One of the factors that has contributed to the social and economic development of the U.S. Midwest has undoubtedly been migration. Specifically, the Hispanic population grew considerably in the region in the last decade of the twentieth century, creating important Latino communities, particularly in the states of Illinois, Michigan, Indiana and Ohio.

Of the region's 12 states, Illinois is the most important, both in the region, where it undoubtedly has the lead, and nationwide. It is among the top 10 states in the country for all socio-economic indicators and also has one of the largest Hispanic populations.

Hispanics as a whole, in addition to being significant as consumers in the U.S. market, also participate as business owners who create jobs and produce goods and services.

In recent years, Hispanics' success has been reflected in better job opportunities, access to key posts in private and public institutions and, above all, in the growing number of Hispanic businesses in cities like Chicago, Detroit, Kansas City and St. Louis.

All this has meant that Hispanic buying power in this region has increased more than 100 percent over the last decade, demonstrating what good economic performance the Latino community has had.

Clearly it is imperative that U.S. businesses win over the Hispanic consumer. Therefore, it is fundamental that Mexican companies recognize the importance of the Hispanic market as one of the biggest growth segments in the United States. This will allow them to understand the importance of the Hispanic consumer, since he/she is a natural market for a wide variety of Mexican products, particularly in regions like the Midwest, where the Mexican population predominates and where, therefore, adapting these products is easier because of a similarity in tastes of Hispanic and Mexican consumers, at the same time that the Spanish language offers direct advantages for market promotion and penetration. **MM**

NOTES

¹ Roger Díaz de Cossío, Graciela Orozco and Esther González, *Los mexicanos en Estados Unidos* (Mexico City: Editorial SITESA, 1997).

² M. Isabel Valdés, *Marketing to American Latinos. A Guide to the In-Culture Approach* (Ithaca, New York: Paramount Market Publishing, 2000).

³ Figures for these items from the 2000 census have not yet been released.

⁴ The terms "business", "firm" and "company" will be used interchangeably to refer to a company dedicated to commerce, whether it be a producer, distributor or retailer of goods and services selling to the final consumer.