

The Hispanic Market in The Western United States

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Courtesy of Cambio magazine

Mexico Town is the first shopping center dedicated to promoting Mexican culture ever built in the United States. It is in Lynwood, near Los Angeles, which has the largest number of Mexican residents of any city in the country. Nine out of 10 Lynwood inhabitants are of Mexican

origin, the vast majority born in Mexico. Arturo Reyes and Luis Valenzuela, both of Mexican origin, and Donald Shea, of Korean descent, decided to take advantage of this niche in a burgeoning market, Latino consumers, to set up the most important ethnic development project in the Los Angeles metropolitan area.¹

Mexico Town is just one example of the dynamism of the Hispanic market. In the United States today, Hispanics are the largest ethnic minority, numbering 35.3 million,² 23.6 million

of whom are of Mexican descent. This community constitutes a powerful consumer market with about U.S.452.4 billion in purchasing power annually,³ an amount almost comparable to the size of the entire Mexican economy.

Hispanics, particularly Mexican-Americans and Mexicans, have maintained their cultural patterns, customs, traditions and language. These are all kept alive by continual migration to the United States and give this population specific characteristics, needs and consumption habits of its own that

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TABLE 1
HISPANIC AND MEXICAN POPULATION IN THE WEST (2000)

STATE	TOTAL POPULATION	HISPANIC POPULATION		MEXICAN POPULATION		% OF MEXICANS IN HISPANIC POPULATION
		NUMBER	%	NUMBER	%	
California	33,871,648	10,966,556	32.4	8,455,926	25.0	77.1
Arizona	5,130,632	1,295,617	25.3	1,065,578	20.8	82.2
New Mexico	1,819,046	765,386	42.1	330,049	18.1	43.1
Colorado	4,301,261	735,601	17.1	450,760	10.5	61.3
Washington	5,894,121	441,509	7.5	329,934	5.6	74.7
Nevada	1,998,257	393,970	19.7	285,764	14.3	72.5
Oregon	3,421,399	275,314	8.0	214,662	6.3	78.0
Utah	2,233,169	201,559	9.0	136,416	6.1	67.7
Idaho	1,293,953	101,690	7.9	79,324	6.1	78.0
Hawaii	1,211,537	87,699	7.2	19,820	1.6	22.6
Wyoming	493,782	31,669	6.4	19,963	4.0	63.0
Alaska	626,932	25,852	4.1	13,334	2.1	51.6
Montana	902,195	18,081	2.0	11,735	1.3	64.9
Western Region	63,197,932	15,340,503	24.3	11,413,265	18.1	74.4

Source: U.S. Census Bureau, Census 2000, "Table DP-1. Profile of General Demographics Characteristics: 2000". (The author consulted the same table for each state.)

spur phenomena like Mexico Town. At this shopping center, Latino buyers, especially Mexicans, will not only now have a place to acquire products made in their country of origin, but also the chance to be in direct contact with colors, textures and sounds that will make them feel at home.

To deepen our understanding of this natural market niche for our country, the Mexican-American Solidarity Foundation has decided to develop the Studies on the Hispanic Market in the United States Series in the nation's four regions: West, Northeast, Midwest and South. This article presents some of the demographic and economic characteristics found in the study on the West.

DEMOGRAPHICS

The region is comprised of 13 states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. It has the largest number of Hispanics of all the regions of the United States. According to the 2000 census, of the 35.3 million Hispanics in the U.S., 43.5 percent, or 15.3 million, live in this region.⁴

Hispanics make up 24.3 percent of the total population of the region, the only one of the four where Hispanics are more numerous than the national ratio of 12.5 percent. Although there are Hispanics in all 13 states, the vast

majority live in California (10.9 million), Arizona (1.3 million), New Mexico (765,000), Colorado (735,000) and Washington (441,000). The other eight states combined only have a 1.1 million Latino population.⁵

It is not necessarily the case that in those states where there is the greatest number of Hispanics, they represent proportionally the largest percentage compared to the total population. For example, almost half the inhabitants of New Mexico (42.1 percent) are of Latino origin, while in California, they represent only 32.4 percent of the population.⁶

To have a clear idea of Hispanics' dynamic development and growing im-

portance in the region, it is worth looking back 10 years. According to census data, 50 percent of the total population growth in the region is attributable to Latinos. In the last decade (1990-2000), in 12 of the 13 western states, the Hispanic population grew at a significantly higher rate than the overall population. The highest growth rates were found in the states where the Latino community is not very large, such as Oregon, Utah and Washington, which doubled their number of Hispanic residents. In Nevada, they tripled in number. In Idaho, Arizona and Colorado, the Latino population grew more than 50 percent, while six states had growth rates of under 50 percent. It is interesting to note that two of the latter, California and New Mexico, are states that have traditionally concentrated Hispanics. This short overview of the states shows us how Latinos are relocating and emigrating to areas where they did not previously live in significant numbers.

Hispanics are a diverse group made up of people from different nations. However, Mexicans are by far the largest group on a regional and national level.⁷ This means that there is a potential market niche for Mexican or Mexican-origin businesspersons. Of the 20.6 million people that the census classifies as Mexicans, 55.3 percent, or 11.4 million, live in the West. The total Hispanic population in the region is distributed as follows:

- 74.4 percent of Mexican origin
- 1.6 percent Puerto Rican
- 23.3 percent “other Hispanics”⁸
- 0.7 percent Cuban.

Clearly, Mexicans make up the vast majority. They are concentrated main-

ly in California, where three out of every four, or 74.1 percent, live. This is why there are cities like Lynwood, where 90 percent of the inhabitants are of Mexican origin (see table 1 and graph 1).⁹ Compared to the entire Hispanic population, Mexicans make up 82.2 percent in Arizona, 78 percent in Idaho and Montana and 77.1 percent in California.

These indicators allow us to locate the states where the diversity of the Hispanic population is a significant factor for marketing, particularly when dealing with the Mexican population, one of the most loyal to products from its country of origin.

SOME ECONOMIC INDICATORS OF THE HISPANIC COMMUNITY

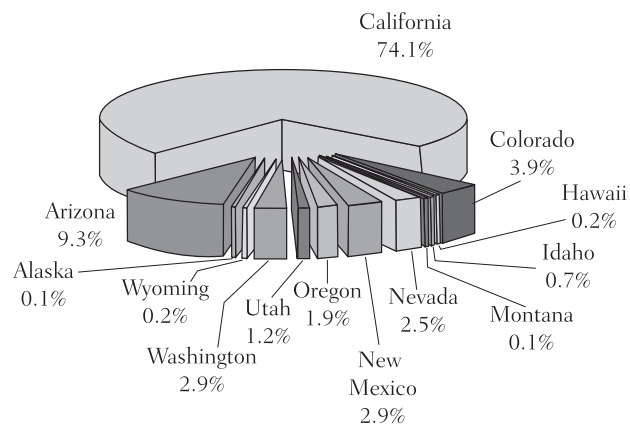
The demographics of the Hispanic population in the West are not enough to determine the importance of the market. We also have to discuss some economic indicators: income, buying

power and number of businesses, which increased significantly in number in the last 10 years. Most analysts think that one of the factors that led to this trend was the expansion of the U.S. economy after the 1990-1991 recession.

The positive trend of these indicators clearly illustrated that Latinos make up a consumer market with growing influence in the U.S. economy, despite constituting only 12.5 percent of the U.S. population and that, as a group, together with Afro-Americans, they occupy the country’s lowest socio-economic levels.

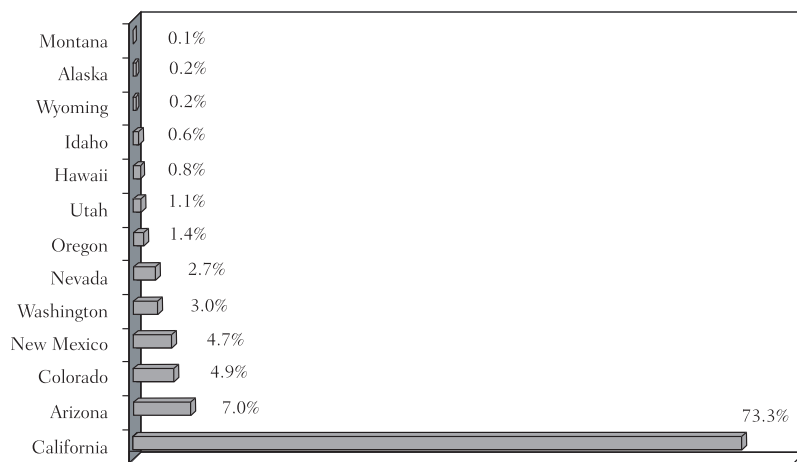
Generally speaking, in the 1990s earnings among the Hispanic population increased consistently. U.S. Census Bureau estimates put the mean annual income for Hispanic households at U.S.\$33,447, a historic high for that office’s records.¹⁰ Hispanics’ income is higher than that of Afro-Americans, although considerably lower than that of Anglos or the population of Asian origin. The mean income of Hispanic households in the West was 1.11

GRAPH 1
DISTRIBUTION OF THE MEXICAN POPULATION IN THE WEST



Source: U.S. Census Bureau, Census 2000 “Table DP-1. Profile of General Demographic Characteristics: 2000”. (The author consulted the same table for each state.)

GRAPH 2
HISPANICS' BUYING POWER IN THE WEST: VALUE AND DISTRIBUTION



Source: "Buying Power of the Beginning of a New Century: Projections for 2000 and 2001", *Georgia Business and Economic Conditions*, Terry College of Business, 60:4, July-August 2000.

percent higher than the mean nationwide.

Increased earnings and consequently greater purchasing power has turned the Hispanic community into a focal point for Anglo-American companies such as Macy's, AT&T and AOL Time Warner, just to mention a few of those that are already forcefully penetrating the U.S. Latino market with their goods and services through publicity and products designed especially for the sector.¹¹

There are different estimates of Latino buying power. Nevertheless, in this article we are using the University of Georgia Selig Center for Economic Growth study, which put the Hispanic community's 2001 purchasing power at U.S.\$452.4 billion.¹² This figure is 118 percent higher than the one for 1990, compared to a 67.9 percent growth in the non-Hispanic population's buying power for the same period.

Regionally, Latinos' purchasing power increased by 111 percent in the last decade, soaring from U.S.\$89 billion to U.S.\$188 billion, only 8 percent below the national estimate. In the 10 states nationwide in which the Hispanic community has the greatest buying power:

- California is in first place, with U.S.\$137.6 billion;
- Arizona, Colorado and New Mexico are in seventh, eighth and ninth place.

And, in the ten states nationwide in which their purchasing power grew the most:

- Nevada is in second place (with 272.5 percent growth);
- Utah is in eighth place (198.7 percent)
- Oregon is in ninth place (193.7 percent).

Overall, California concentrates 73.3 percent of total purchasing power for this community, followed in descending order by Arizona, Colorado, New Mexico, Washington, Nevada and Oregon (see graph 2).

One of the reasons for the rise in the Hispanic community's purchasing power has been the considerable increase in the number of Hispanic businessmen who create jobs and produce goods and services. According to the last economic census done in 1997,¹³ the United States had 1.2 million Hispanic-owned businesses, 5.8 percent of all businesses in the U.S. economy.¹⁴ The West has four of the 10 states nationwide with the largest number of Hispanic firms. California is once again the leader with 28.8 percent and Arizona, New Mexico and Colorado are in seventh, eighth and ninth place respectively. If we compare the percentage of Hispanic businesses to the total number of businesses in these states, we find that New Mexico is the state with the most Latino companies proportionally speaking (21.5 percent), although California concentrates 74.4 percent of all the region's Hispanic businesses.

If we look at the distribution of Hispanic businesses in the West by country of origin, the largest group is that of those owned by Mexicans, Mexican-Americans and Chicanos,¹⁵ which together represent 54.9 percent of the Latino firms in the region (see graph 3). In California, this group represents 57 percent of the Hispanic companies and their sales come to 57.6 percent of the Latino sales volume statewide.

Despite California's regional leadership, other states have registered an increase in the number of companies owned by Mexicans and their sales:

- in Arizona, they represent 67.5 percent of firms and 80.4 percent of sales of all Hispanic companies;
- in Wyoming, Washington, Nevada, Oregon, Idaho and Alaska, they represent over 40 percent;
- in Montana, they represent 74 percent of sales of Hispanic firms.

Clearly, California is a consolidated market in terms of the number of Hispanic and Mexican companies and their sales. Nevertheless, other markets are growing rapidly and are attractive to Mexican investors interested in linking up with these firms to do business.

METROPOLITAN AREAS WITH THE LARGEST HISPANIC POPULATION

To get a better idea of more specific consumer markets, it is useful to look briefly at the metropolitan areas with the largest Hispanic population in the West, those with 100,000 or more according to the Census Bureau.¹⁶ It is important to point out that we consider metropolitan areas specific markets given that the economic census itself defines a metropolitan statistical area (MSA) as an economic and social unit composed of at least 50,000 inhabitants.

The West includes 18 of the 38 metropolitan areas with the largest Hispanic populations in the United States. Of the West's 15.3 million Hispanic consumers, 13 million, or 85 percent, live in these metropolitan areas. These 18 areas are distributed as follows: 11 in California; 2 in Arizona; 2 in New Mexico; 1 in Nevada; 1 in Washington; 1 in Oregon and 1 in Colorado.

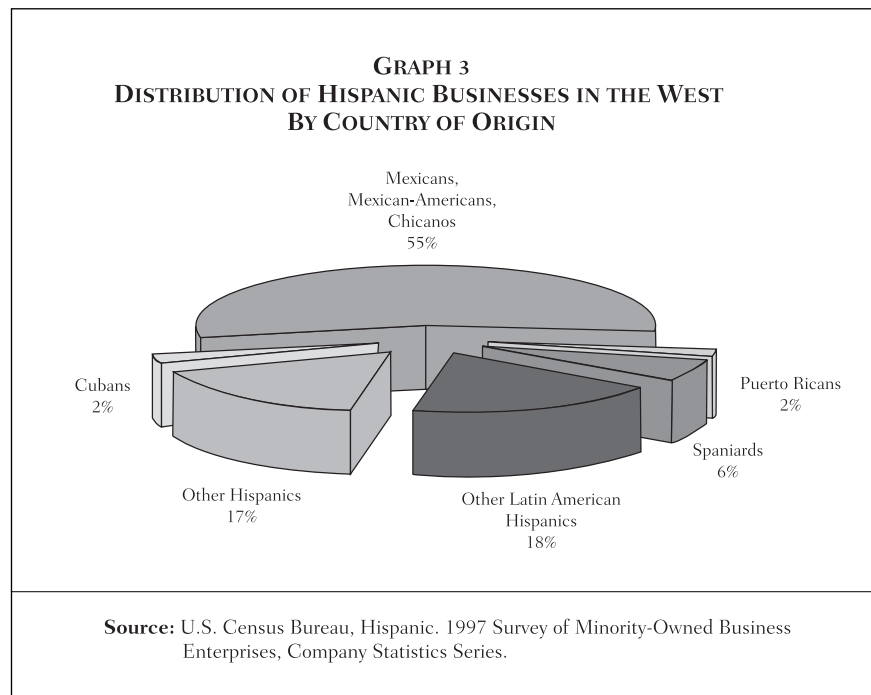
Outstanding among all these is the Los Angeles-Riverside-Orange Counties area which contains not only the largest Hispanic market in the West, but in the entire United States, with 6.5 million Latinos, 5 million of whom are of Mexican origin. Other metropolitan areas where Latinos represent 40 percent or more of the population are Fresno, California; Albuquerque, New Mexico; Salinas, California; and Visalia-Tulare-Porterville, California.

It should be mentioned that a larger number of Hispanics does not necessarily correlate with a larger number of Latino-owned businesses. This is only the case for the Los Angeles-Riverside-Orange, San Francisco and Modesto, California metropolitan areas. This trend is not repeated in the remaining areas. The most illustrative case is Phoenix, Arizona, which has the lowest number of Hispanic-owned businesses in the West's 18 metropolitan areas despite having the third largest Latino population.

FINAL CONSIDERATIONS

The figures presented in this article show some demographic and economic characteristics that illustrate the dynamism of the Hispanic market in the western United States. However, in recent years, it is Anglo firms that have begun to penetrate it, not primarily Latin American and particularly Mexican businessmen. In that sense, *Mexico Town* is a tangible example, among many others, that shows the business opportunities that the Hispanic community offers in this region.

In terms of market importance by state, California is at the head of the list of indicators in terms of the number of consumers, buying power and Latino-owned businesses. Nevertheless, in other states the indicators have grown enough to make them potential market niches; this is the case of Arizona, Colorado, New Mexico, Nevada, Oregon, Washington and Utah.



In coming issues of *Voices of Mexico*, we will examine the Hispanic market in the other three regions of the United States: the South, Northeast and Midwest.¹⁷ ■■

NOTES

¹ Dante Parma, "Bienvenidos a Mexico Town," *Cambio* (March 31-April 6, 2002) Mexico City, pp. 9-18.

² Betsy Guzmán, *The Hispanic Population. Census 2000 Brief* (Washington, D.C.: U.S. Census Bureau and U.S. Department of Commerce, Economics and Statistics Administration, at <http://www.census.gov>, May 2001).

³ Jeffrey M. Humphreys, "Buying Power at the Beginning of a New Century: Projections for 2000 and 2001," *Georgia Business and Economic Conditions*, published by Terry College of Business at <http://www.selig.uga.edu/forecast/GBEC/GBEC>, consulted October 2001.

⁴ Guzmán, op. cit.

⁵ U.S. Census Bureau, "Table DP-1. Profile of General Characteristics for Alaska: 2000," at <http://www.census.gov/prod/cen2000/dp1/2kh06.pdf>, consulted August 2001. Note: The same source was consulted for Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

⁶ Ibid.

⁷ By "Mexicans" we mean the population of Mexican origin living in the United States, including both Mexican-Americans and Mexicans.

⁸ In this category, the 2000 census includes persons of Central and South American and Spanish origin.

⁹ Parma, op. cit.

¹⁰ 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>, consulted in October 2001.

¹¹ See Pedro Pulgar, "Dólares latinos," *La Opinión*, 11 December 2001.

¹² Humphreys, op. cit.

¹³ The next economic census will be taken in 2003.

¹⁴ The census figures are derived from the Survey of Minority-Owned Business Enterprises, which does not include agricultural businesses.

¹⁵ The Census uses the category: "Mexican, Mexican-American and Chicano businesses" when referring to Mexican-origin related companies.

¹⁶ U.S. Census Bureau, "45 Metropolitan Areas with Large Numbers of Selected Racial Groups and of Hispanic Origin Population: 1997," *Section 1: Population, Statistical Abstract of the United States, 1999* at <http://www.census.gov/prod/99pubs/99statab/sec01.pdf>, consulted in October 2001.

¹⁷ If any reader wants more information about the four geographic regions, he or she can consult the Studies on the Hispanic Market in the United States Series on sale at the Fundación Solidaridad Mexicano-Americana, A.C. (Mexican-American Solidarity Foundation).