

**Laura Mandaro and David Boraks, “Big Banks Angling for More Minority Depositors,”**  
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If a three-day span last month is any guide, ethnic marketing has replaced equity underwriting, private equity investing, and corporate lending as the hot business line in U.S. commercial banking.

On Dec. 11 Bank of America Corp. announced it would take a 25 percent stake in Mexico’s third-biggest bank and simultaneously unveiled a Hispanic initiative.

A day later executives from Citigroup Inc., which already owns a large Mexican bank and has just bought a San Francisco thrift, cosponsored a celebration to mark the half-completion of a development project in a heavily Hispanic section of Oakland. At the luncheon festivities, Citi representatives announced that it would devote resources to similar projects in other communities.

The next day Wells Fargo & Co. introduced Chinese-language features on 2,600 automated teller machines in 23 states. Though it has worked with the Chinese community since the days of the California Gold Rush, last year it appointed its first director of diverse growth segments, whose six-person staff will coordinate ethnic strategy companywide.

These and other banks are hoping to profit from what is expected to be the next boom - a burgeoning class of ethnically diverse consumers, suburban and otherwise, who are expected to increase their spending on bank products by as much as 94 percent in the next four years.

Multicultural marketing is certainly not a new idea to banks. For years urban ones have had bilingual branch employees and published foreign-language brochures in markets with large immigrant populations. And in cities from Los Angeles to Miami, some community banks have based their entire business plans on serving specific groups, from ethnic Koreans to Cuban immigrants.

But in the last two years interest by the largest U.S. banks in fast-growing ethnic markets, particularly those in the West and Southeast, has exploded. These companies have given whole business units titles like “emerging markets” and hired people to coordinate companywide ethnic strategies.

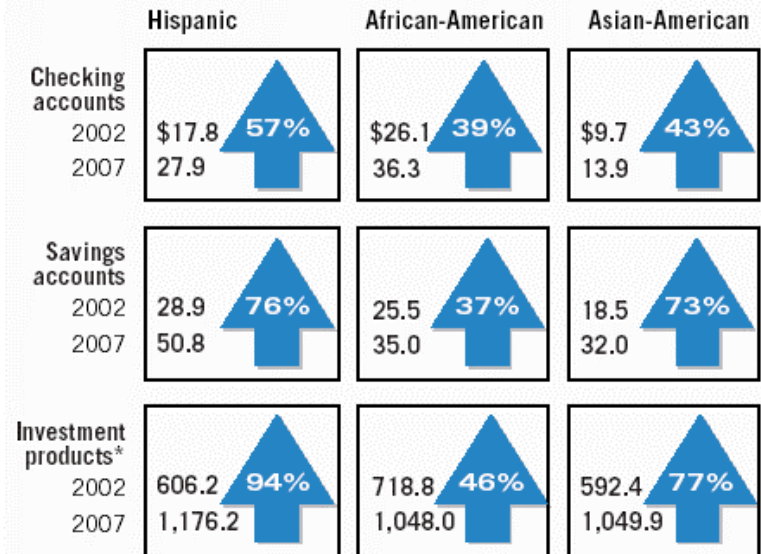
They have increased their local and national marketing and branding efforts - posting Spanish billboards, buying spots on African-American radio stations, and building floats for a Chinese New Year parade, for example. And they are trying to sell core products like checking accounts and mortgages in ways that appeal to ethnic minorities.

Some are even embracing a cross-border strategy. Bank of America hopes to use the 25 percent stake it is buying in Grupo Financiero Santander Serfin to take advantage of the expected growth in the number of Mexicans living in its southeastern, midwestern, and western U.S. markets.

“Our goal with this partnership is learning what the organization [Santander Serfin] is doing in Mexico to capture and grow their business” and “apply that to our U.S. footprint,” said Eusebio Rivera,

## Growth Markets

Projected assets in selected products (in billions)



\*Mutual funds, direct securities investment, life insur. cash value, annuities, retirement accounts Source: Research & Advisory Group

who was appointed the head of the Charlotte company's Hispanic Initiative the day the Serfin deal was announced.

In 2001 Citi bought Grupo Financiero Banamex-Accival, Mexico's second largest bank, for similar reasons. In November it acquired Golden State Bancorp, which has a large customer base in the Southwest, to raise its profile among Hispanic consumers on both sides of the border.

Citi used the December luncheon, which it put together in conjunction with local community development groups, to highlight this point. The event had a Mexican theme, and attendees were treated to a mariachi band.

The Oakland project, which includes \$27 million of construction and permanent financing, is "just one example of our ongoing commitment to the community," Michael Weitzman, the head of Citi's California and Nevada retail operations, said in a speech at the event.

Executives from as far away as its New York headquarters, including Marge Magner, the chief operating officer of its global consumer group, showed up to reinforce that message.

"The challenge we've historically had is we didn't have enough or the right distribution to leverage the right communities and partner with Banamex," Mr. Weitzman said in an interview about Citi's efforts in the Hispanic market.

He also acknowledged Bank of America's investment in the same community. "We're not the only ones to look at the census data."

### **The Numbers Have It**

Demographics unveiled in the 2000 census are driving banks' interest in ethnic marketing as they search for new areas of growth. "As more and more markets get fulfilled, banks' chances of making a strong profit in certain areas decreases," said Ravi Bhojwani, an ethnic marketing consultant for the New York-based Research & Advisory Group.

Robert W. Byrne, the director of Wells Fargo's diverse growth segments group, said that, even though "the demographics have been pretty apparent for 20 years," the last census "was an eye-opener for some - I think it was even stronger than people had assumed."

Asians make up 4 percent of the U.S. population, and that percentage is expected to grow to 6.5 percent by 2025, according to the Census Bureau. The Hispanic percentage, currently about 13 percent, is expected to hit 18 percent by 2025.

But only 65 percent of Hispanics have bank accounts, compared with 95 percent of non-Hispanic whites, according to a survey released last month by the Pew Hispanic Center and the Kaiser Family Foundation.

This translates into opportunity. Spending on investment products by Asian-Americans is expected to increase 77 percent by 2007, and spending by Hispanics should rise by 94 percent, according to estimates by the Research & Advisory Group.

And it's not just the booming immigrant groups from Asian and Latin America that have gotten banks' attention. Both Bank of America and Wells identify African-Americans, whose rate of homeownership rose by 89 percent between 1993 and 2000, as one of their target consumer segments.

The potential for these ethnic groups is so high that B of A is calling them its best source for future growth. "We think 80 percent of the growth in our retail markets will be driven" by those markets, Kenneth Lewis, its chairman and chief executive, said during an investor conference last month.

To prepare for this, B of A has been busy on the domestic side. Last year it introduced a \$40 million advertising campaign aimed at Hispanic consumers, and in August it started a money transfer service called SafeSend.

In a presentation in New York on Wednesday, Mr. Lewis said it will spend \$50 million on multicultural advertising this year. In California, 70 percent of the Hispanics who have bank accounts have them at Bank of America, he said.

In the last year several large banks have introduced or piloted money transfer services. Unlike traditional wire transfer services, some of the new ones - like Citibank's Money Card or Bank of America's SafeSend - use ATM cards and require a bank account. That is by design - the banks call money transfer a gateway service that will allow them to sell more things in the future to these customers.

### **Studying Nuances**

With ethnic marketing, it is no longer enough to translate a few brochures into Spanish or Vietnamese. Analysts said it demands a close understanding of each market's nuances, which vary according to the country of origin, the length of time a group has been in this country, and the degree of cultural assimilation.

"It's extraordinarily difficult to take out big national campaigns and expect to get big results," said Andrew Nuttney, a consultant with Research & Advisory and the former head of analysis at Datamonitor Inc. The most successful ethnic marketers "understand that profiles of risk differ, empower local agents/branches to take on initiatives themselves, and have a relatively sophisticated view of different subsegments."

Locally focused campaigns range from the novel to the obvious. With the Chinese New Year coming this Saturday, Citi has spent the last few weeks enticing customers in New York's Little Korea and Chinatown neighborhoods with giveaways based on how much is put in a money market account or a certificate of deposit. For example, customers who open an account with \$25,000 to \$49,999 get an 18-carat gold pendant depicting the infinity sign. On the highest end, those who deposit \$200,000 or more get a set of three Swarovsky crystal goat figurines - in honor of the upcoming Year of the Goat.

Wells Fargo's Mr. Byrne, who says a big part of his job is making sure successful ideas generated in one location get transmitted to others, has been working on ethnic-focused branch designs.

A few branches in Los Angeles have been renovated to reflect the customs of its Hispanic customers. Besides bilingual signage, these branches boast earth-tone colors, Mexican artwork, and more chairs to accommodate customers who bring several family members when making decisions. Similar changes are being considered at branches in Arizona and Texas.

But to get the most out of their infrastructure and marketing expenses, banks are not limiting their campaigns to local outreaches.

U.S. Bancorp of Minneapolis maintains a directory of bilingual tellers to maximize their effectiveness. If a Cantonese-speaking customer enters a U.S. Bank branch where none of the employees speaks Cantonese, branch staff get the telephone number of an employee at another branch who does.

Steve SaLoutos, a senior vice president for product management and financial analysis in U.S. Bancorp's consumer bank, said it is starting to track ATM and call-center preferences so it can identify customers' language preferences. The rationale is "just Marketing 101 - we should know how a customer wants to talk to us," he said.

Wachovia Corp. of Charlotte began airing Spanish-language television and print ads in Florida to coincide with the branch consolidations that followed First Union Corp.'s 2001 purchase of the old Wachovia, of Winston-Salem, N.C.

In focus groups it conducted while developing the ads, Wachovia discovered that its English-language tagline, "Uncommon Wisdom for Shared Success," did not translate well into Spanish, so it created a new one, "Sentido en comun," which, loosely translated, means "shared feelings."

The campaign marked the beginning of a new strategy for Wachovia, which is developing separate campaigns for targeted populations, including Hispanics, African-Americans, women, and gays and lesbians. "These are becoming not only very sizable groups in our markets, but they also are exercising quite a bit of economic and social presence," said Georgette "Gigi" Dixon, a senior vice president and the director of emerging markets in Wachovia's corporate marketing division.