

CASE 7.1
TROPICAL DRINK FOR THE US MARKET
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Instructor Notes

This case points out the application of market segmentation on the one hand and the importance of targeting a country's subculture on the other hand. Taratip's success in the U.S. market stems from its effort to target the Asian and Hispanic subcultures. Both market segments have been steadily growing in number, affluence, and influence. In spite of their different languages and ethnic backgrounds, the two groups also happen to share a common taste for tropical drinks (e.g., young coconut juice with pulp).

The U.S. population has more than 301 million people, and the median age is 36.6 years. The various ethnic groups are: white (81.7%), black (12.9%), Asian (4.2%), Amerindian and Alaska native (1%), and native Hawaiian and other Pacific islander (.2%). The U.S. Census Bureau does not have a separate listing for Hispanic because it considers Hispanic to mean a person of Latin American descent (including persons of Cuban, Mexican, or Puerto Rican origin) who may be of any race or ethnic group (white, black, Asian, etc.). Based on the 2000 census, the breakdown in terms of language is: English (82.1%), Spanish (10.7%), other Indo-European (3.8%), Asian and Pacific island (2.7%), and other (.7%).

The minority population of the United States is about one-third of the total population, topping 100 million for the first time in 2006. California has about 20 million minority residents. It should be noted that a few states are now more than 50% minority. The states and figures are: Hawaii (75%), New Mexico (57%), California (57%), and Texas (52%). In Washington, D.C., the figure is 68%.

Demographic trends tell marketers about the kind of market that they will have in the future. One trend, based on a generation gap, is that most people over 60 are non-Hispanic whites but that most under 40 are not.

The terms "Hispanic" and "Latino" are often used interchangeably. While the two terms overlap, they are not the same thing. Not all Latinos speak Spanish, and not all Spanish-speaking people are Latinos. Regardless of the labels (terms) used, members of this group are not homogeneous.

For any group of consumers to be considered to be a viable market (or market segment) that deserves its own special marketing mix, there are four conditions that should be met. That market segment should have unique demographic characteristics, unique behavioral responses, selective advertising media for communication purposes, and an adequate size. It is a good idea to view the Hispanic market as a viable segment because it satisfies all four requirements.

Demographically, while the total population has an average family size of 3 people, the Hispanic group has 4. Unlike non-Hispanic white, Asian, and black people who average just under 2 children, Latino women average about 3 children. Hispanic consumers are generally

young, with about half of Latinos being under 25 years old. Not all of them are immigrants, even though more than 15 million of them are foreign born. Most of them speak another language other than English at home.

Behaviorally or psychologically, Latinos emphasize family and have a strong family orientation, and individuality is secondary. They tend to be fatalistic, more likely to believe that they have no control over their lives. While they share American attributes and while many have been well assimilated into the larger society, they also have unique tastes and purchasing habits (e.g., being brand loyal).

Hispanic consumers have their own media, making it possible to communicate with them in a selective manner. To make contact with Latinos, a variety of media can be used, ranging from Spanish-language newspapers and telephone directories to local TV and the Spanish-language TV networks.

With regard to market size, there is no question about the significance of Hispanic Americans. Latinos are the fastest-growing minority group in the United States. According to the 2006 American Community Survey of the U.S. Census Bureau, the Hispanic or Latino (of any race) segment has more than 44 million people (14.8% of the U.S. population). It should be noted that the Hispanic population was 35 million based on Census 2000. In comparison, there are more than 40 million African Americans, while the Asian American group has about 15 million (not including Native Hawaiian and Pacific Islander groups which have about 1 million each). In particular, Latinos account for more than one-third of California's population.

In conclusion, the Hispanic market is impressive, and even the largest marketers (e.g., Procter & Gamble) have been paying attention to it. Still it must be noted that the Hispanic market accounts for 8.9% of the U.S. total purchasing power but only 2.4% of the U.S. total advertising expenditures (see "Sampling Smarts," *PROMO*, September 2006, 10, 64). To effectively appeal to Latinos, Taratip and other marketers need to really understand these customers in terms of their psychological, social, and behavioral tendencies. While designing a brand for this segment is a good start, Taratip needs to take an integrated approach so as to effectively appeal to this important segment.