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INVESTMENT CONSULTANT

Could Banks Do More to Build Broker Business?

Managing Through a Merger

How to Tap the Hispanic Market

Mystery Shopper Grades Reps' Deskside Manner

America's Spanish-speaking population now numbers some 37 million people — or 13% of the overall population, according to the 2000 U.S. Census Bureau. The fastest-growing market segment in the U.S., this demographic has been under-served by the financial services industry. But that's changing.

One bank that staked its claim early, the \$35 billion Banco Popular, has a presence in all the major Hispanic markets — California, Texas, Florida, New York, New Jersey and Illinois. According to Jeff Ellis, senior vice president of Popular Insurance, a wholly owned subsidiary of the Rosemont, Ill.-based bank, its average initial insurance sale is \$38,000, making this population a prime target for bank investment consultants.

Being known as a bank that primarily caters to non-English speakers allows Banco Popular to occupy a niche that other banks have been slower to target. The branding has been so successful that the bank coyly reminds its Anglo-American customers, who make up around half of the bank's customer base, that their business is welcome, too.

"If you go to one of our branches in Southern California, you'll see signs saying, 'Yes, we speak English,'" says Ellis, who notes that only four in 10 Hispanic households own financial products, which is dramatically less than the national average. "When they understand how insurance products or IRAs work, they're all ears, but the educational component has to come first. It usually takes two or three meetings in a branch about a product to bring them in. Over 70% of our customers are first-time investors."

Banco Popular's business is split among fixed annuities (37%), variable annuities

Sí, Hablamos Español

How banks are tailoring sales strategies to reach the Hispanic market.

By Howard J. Stock



(34%), mutual funds (15%) and general stocks and bonds (14%). The bank's customers tend to be conservative, looking for guarantees of both rate and principal. But variable annuities have been growing over the past few months, due to new life and death-benefit add-ons, Ellis says.

Traditionally, the Hispanic market has tended toward fixed annuities, says Frank Vigil, a financial advisor at Banc of America Investment Services in Miami. He explains that most Americans take political and economic stability for granted, which is not necessarily the case with recent immigrants and foreign investors.

"In their experience, every election could turn out to be a disaster, causing high inflation and currency issues. That's what makes them different — their risk

tolerance tends to be lower. But through conversation and education, they begin to understand," he says.

While set annuity terms eat away at buying power, which is a contradiction given their fear of high inflation, Hispanic customers like that they will at least get all their money back at the end of the term, Vigil says.

"The majority of Hispanics are savers, not investors," he says, although he expects that to change over time as the market becomes savvy to complex financial products. For the time being, though, he says bank reps need to tailor their pitches to appeal to Hispanic customers.

"The majority of the people I deal with tend to be high net worth. While it usually takes two or three meetings, as it does

with most customers, the explanation needs to be slower, with greater detail about liquidity and charges," Vigil says.

Vigil provides financial advice to a book of 184 accounts. He says that around 60% of his customers are Hispanic.

Hispanic clients' trust is won not through product performance, but by an advisor who follows through on what he explained to the customer and making him or her aware of risks involved so they're not surprised if there's a downturn of any kind. By doing this, Vigil says, "the lion's share of my book has been with me for a long time."

After an advisor has reached that point of trust, referrals start rolling in.



"It's equally important to the success of a bank's program that its reps not only speak the language of their clients, but that they understand their culture."

— Doug Lipp

"If a client knows you're working diligently in his or her best interests, you'll get referrals. They tend to be very private, but domestically, Hispanic customers are the best referral sources," he says.

Back at Banco Popular, the closing ratio across the program is 50% to 60%, about the same as most bank programs, Ellis says. However, in common with Vigil's experience, the bank's reps don't usually make a sale on their first meeting, but on the second or third conversation, as a result of the educational aspect.

Another factor in a sale is that Hispanic customers often make decisions as a family, not as individuals. While an initial pitch may take place one-on-one, closing the deal may involve meeting with both spouses, or other family members.

"In our experience, it is oftentimes the wife who gathers the information and takes home the brochures, but the final decision involves both parties. If her husband doesn't give the nod, there's no sale, so we make a point of involving the family if we can," Ellis says.

When dealing with older Hispanic customers, it works best to ask which family members are involved in the decision,

often nieces and nephews, he says.

"Since banks typically serve an older clientele, it's important that all influencers be brought together. If we do well, these meetings create opportunities to cross-sell other products," Ellis says.

First-generation Hispanics are biased toward bilingual bank reps, although that's not so important to second-generation Hispanics, he says. Investment products are conceptual, which doesn't always lend itself to translation, so if a rep can clearly and simply articulate the sale in Spanish, nothing is lost in translation. Hispanics, as with anyone else, prefer to conduct business transactions in their native tongue.

"Fluency is important on two levels: investment sales is a relational business, and if a rep speaks the same language and shares a common culture, then it creates a deeper rapport and faster bonding," Ellis says.

Cultural knowledge is vital. Doug Lipp, a customer relationship management consultant, with such banks as Wells Fargo under his belt, says that as long as a bank does it due diligence, tapping non-English-speaking markets is a viable business opportunity.

"It shouldn't be done willy-nilly. If you go after the market with people who don't represent the culture, you'll miss," he says.

For example, Lipp says, a study by Continental Airlines found that coveted Latin American customers appreciated the safety level of American airlines, but they preferred the personal touch offered by Latin American carriers. As a result, Continental increased staff headcount. For some groups, personal touch may be the deciding factor. It's equally important to the success of a bank's program that its reps not only speak the language of their clients, but that they understand their culture.

Enrique Lopez, an investment execu-

tive at Lone Star National Bank in Pharr, Texas, and a representative for Raymond James, agrees.

"Hispanic customers feel more comfortable with people who understand their culture and speak their language. It would be nice if it didn't matter, but it's extremely important," says Lopez, whose customer base is largely Mexican and interested in traditional products such as CDs and bonds.

"People are still seeking safety, but they are moving into securities. Annuities are becoming popular, mostly fixed annuities, but drifting toward variable annuities. We use mutual funds primarily for asset allocation, using funds-of-funds," says Lopez, whose clients' average account size is \$100,000.

Lopez adds that a mistake advisors make when talking to first generation or older customers is talking over their heads. Keeping it simple is what works best.

"They're not aware of the more sophisticated instruments. Talking over their heads will lose a sale real quick," he says. "I use a lot of graphs. Mutual fund companies are very good at providing charts on how the markets have done, just to educate the public on the basics of investments."

However, Ellis says that many product manufacturers have been slow to provide sales literature in Spanish, partly due to the regulatory hassle of having to provide their prospectuses in both languages. He says that only two — AIM and Nationwide — have distinguished themselves in this area.

To get started in ethnic marketing, consultant Lipp suggests that a bank contact its local Chamber of Commerce chapter, which may have groups that represent minorities, and which can provide feedback or send someone out to a branch to consult. As a result of doing his homework, one banker increased office space to meet with Hispanic business owner clients because they tend to make group decisions, he says.

"It's important not to be blinded by one's own culture," Lipp says. "The most important factor is being able to communicate in the manner the customer appreciates, so salespeople must be able to alter their pitch."

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