

An Emerging Market:
Driving Affluent Hispanics to Universities
MKTG405; Survey Research
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BACKGROUND

According to a Bloomberg report, college tuition has increased by 1,120% since 1978 (Jamrisko, “Cost of College”). In fact, tuition has increased four times faster than the consumer price index. During the spring of 2011, James Madison University’s (JMU) Board of Visitors increased the university’s tuition by 5.8% to combat the “reduced state and federal aid for [the] fiscal [year of] 2012” (Associated Press, “JMU to Increase Tuition”). Unfortunately, even colleges and universities have been unable to avoid the economic effects of the twenty first century recession. As the price of a four-year university education has increased, university officials have found that they have had to adjust their outreach to prospective students in order to continue to attract a group of culturally diverse high quality applicants. The resulting challenge has forced James Madison University’s Admissions Office to focus on minority student applicants and seek to understand the factors that influence their decisions to attend a specific educational institution. In order to maintain a diverse student enrollment that will enrich the college campus, the JMU’s Admissions Office has adopted the important business practice of understanding consumer behavior. They have determined that high school students who are considering admission to four year colleges and universities are influenced by two main drivers: brand influence, and parental influence (Noel Levitz, “Institutional Brand and Parental Influence”).

Brand-influenced students are primarily concerned with the overall reputation of the university they are considering. This group considers universities based on the reputation of the employers who recruit at these schools, the average salaries of the university’s college graduates, and the university’s overall academic reputation. “Brand-influenced” students tend to have

higher SAT/ACT scores, higher levels of family income, and show a greater desire for personal independence. This group also tends to have higher grade point averages and has taken numerous Advanced Placement or honors courses while enrolled in high school. These students view colleges as a brand, and consequently, they are more likely to wear apparel with a collegiate logo or branding. Unlike the brand-influenced group, the second group makes decisions largely based off of the influence of their parents.

This group of students is categorized as “parent influenced” and are under the constant surveillance of their parents and typically live micromanaged lives. These parents choose their children’s high school courses, volunteer at their children’s schools, assist their children in preparing for the SAT/ACT tests, seek college applications, and read letters and brochures from colleges. The parents within this group also apply “pressure [on their children] towards selecting a specific school” (Noel Levitz, “Institutional Brand and Parental Influence”). Parental involvement has been increasingly active throughout the twenty-first century. Overall, parents will provide some amount of influence to their child’s university selection process. The selection of a child’s college is a major decision, and the parents carry the financial burden of paying room and board.

There are generally four types of parenting styles that are exercised when parents evaluate colleges and influence enrollment (Longmire and Company, “Study of Parents”). Type A parents allow their children to make their own decisions, with little to no interference. The children of these parents are most likely “brand influenced.” Type B parents are the most dominant group and they expect their children to follow parental rules and guidelines but are willing to modify the rules if their children’s objections are supported by sound reasoning. Type C parents expect their children to follow all rules and guidelines without questioning them.

Finally, Type D parents have a mutual friendship with their children. Since the majority of students have Type B parents, it is apparent colleges will want to understand their decision making styles; thus, they will serve as the focus of this study.

The mothers and fathers of Type B parents typically share equal influence on most key issues. Type B parents influence the college selection process focused on the available curriculum choice, sports and recreational opportunities, and health and safety issues. Parents also influenced which colleges were selected to visit. An astonishing 59% of parents influenced their child to select a specific college (Logmire and Company, "Study of Parents"). Parents and children generally prefer the same medium of communication with colleges. College websites, personal meetings on campus, mailings, and e-mail were ranked highest in terms of popularity with parents and their children. Parents were particularly influenced by a college's customer service, or lack thereof. In fact, parents were drawn away from colleges because of excessive mailings, emails, and phone calls. Type B parents were also dissatisfied when universities were slow to offer or decline admission to their children. On the other hand, colleges relieved stress from the selection process when the university provided help in meeting registration deadlines, provided good communication with admission representatives, and hosted productive, well executed campus visits. It might be assumed that parental styles would apply to all parent subgroups, however, admissions offices are beginning to take a closer look at specific subcultures.

In the United States, 45-75 % of U.S. Hispanics have "some type of acculturation to mainstream U.S. society," while "25-55 % remains relatively unacculturated" (Costa IMC, "Affluent U.S. Hispanics"). American Hispanics value the Spanish language, as well as the strong role the language plays within Hispanic families and communities. An Ohio State research

stated, “The Hispanic family is a close-knit group and the most important social unit” (Clutter, “Ohio State University Fact Sheet”). Presumably, parental influence plays a major role in the affluent Hispanic college selection process. On average, U.S. Hispanics spend a greater portion on their disposable income on items such as “housing, vehicle purchases, and major appliances” (Costa IMC, “Affluent U.S. Hispanics”). This buyer characteristic supports the claim that Hispanics would be financially willing to make a large college tuition purchase. Affluent Hispanics can be separated into two main segments. The first group of Hispanics is well-educated, first or second generation citizens and well acculturated. The second group of Affluent Hispanics tends to be first generation citizens, Spanish-language preferred, uneducated, and less acculturated. During the course of the study, each group will have to be treated uniquely.

PROBLEM MOTIVATING STUDY

Primary Difficulty

- What are the factors that influence Hispanic families to select specific four-year educational institutions?

Hispanics currently comprise 14.8 % of the U.S. population. By 2050, the Hispanic population is estimated to grow an additional 15 % in size (Costa IMC, “Affluent U.S. Hispanics”). James Madison University’s (JMU) student population, however, is disproportionate to the overall American Hispanic population. Hispanic students only comprise of 2.2 % of James Madison’s total student population (“James Madison University). This statistic does not support JMU’s strategic community goal to be “a diverse community whose members share in, and contribute, to a common JMU experience” (“Defining Characteristics”). In order to achieve a more proportionate Hispanic population, JMU must understand the characteristics that motivate this

ethnic group in choosing a particular university. There is one significant barrier towards accomplishing this objective. Currently, 26.7 % of Hispanics in the U.S. meet the census's official poverty standards (Lopez, "Hispanic Poverty Rate"). It is not feasible for JMU to provide tuition support for an additional 12.6 % of Hispanic students with limited fiscal resources. For this reason, this research study is focused specifically on the affluent Hispanic population. Affluent Hispanics are defined as households that generate more than \$100,000 in yearly income. It is interesting to note that although this segment accounts for 10% of the affluent population, there has been a limited amount of significant research focused on affluent Hispanics.

Sub Problems

- What desired benefits do Hispanics seek from a four year university?

Parents and students of prospective college students are influenced by numerous advantages offered from colleges and universities. The variety of clubs, political groups, fraternities, sororities, and sports all play a significant role in the process when parents and students select a four year university. Other factors may include job and internship opportunities, the institution's academic reputation, and a quality social life. Researchers have studied how families weigh these benefits when selecting a university; however, these studies have not been focused specifically on affluent Hispanic populations. It is likely that Hispanic families seek a unique set of desired characteristics when selecting a four year institution.

- What are affluent Hispanics' preferred channels of communication when receiving promotional materials from colleges and universities?

It is important to understand affluent Hispanics' preferred modes of communication in

order to determine how to influence and persuade students to attend JMU. The Hispanic population has a unique culture, and within this culture, individuals hold unique preferences. Senior high school students are bombarded with college literature, so it is important to understand which forms of promotion are most effective in marketing to the affluent Hispanic population. Although there is a limited amount research on affluent Hispanics, the researcher must identify which channels of communication are most effective in persuading Hispanics to purchase products, and make the assumption that a similar purchasing behavior is applied when purchasing college tuition.

- What are the common lifestyle characteristics of affluent Hispanics who select four year universities?

James Madison University prefers that incoming freshman have a moderate level of involvement in high school activities. It is important to identify trends in affluent Hispanic activities and interests. By learning these lifestyle characteristics, JMU's Office of Admissions can identify specific high school groups to whom they can focus their marketing efforts. The university can also emphasize affluent Hispanic lifestyle characteristics within individual marketing campaigns.

- What are the demographic characteristics of individuals who choose four year universities?

Hispanic culture has unique subcultures within itself. In order to effectively communicate to the targeted affluent Hispanic group, demographic characteristics of this group must be identified. Age, income level, educational level, and ethnic origin are important factors to be considered when communicating to affluent Hispanics. Trends within these demographic characters determine which members of the Hispanic community should be targeted.

PURPOSE OF THIS STUDY

What Is To Be Accomplished

The issue of James Madison University's lack of student diversity has been addressed as an institutional challenge, yet there is a general lack of understanding of its importance. It is imperative to acknowledge the positive correlation between a university's diverse student body and academic success.

Research studies have found that diversity has contributed to career enhancement, student success, and the success of colleges and universities. Diversity at a four year university can help students gain experience working in a diverse professional environment. A two year study conducted by Forbes Insights found that organizations that "diversify talent and leadership" are more successful overall (Rizy, "Linking Diversity to Innovation"). In a separate study, researchers found that "the most innovative companies deliberately established diverse work teams" ("Benefits and Challenges of Diversity"). In order for diversity to have a positive influence on an institution, minority groups must refrain from self-prescribed homogenous grouping. A controlled experimental study placed Asians, Hispanics, African-Americans, and Whites into homogenous and mixed groups. When the groups were homogeneous, the study found "no significant difference in the number of ideas generated by the...groups" ("Benefits and Challenges of Diversity"). When groups contained members of multiple races, the ideas generated by the groups were rated as being of "higher quality" ("Benefits and Challenges of Diversity"). Ethnically diverse groups are able to obtain higher levels of synergy within the workforce and classroom.

Students who socialize with individuals from different racial groups or with individuals who discuss racial issues experience “academic development, satisfaction with college, cultural awareness, and commitment to racial understanding” (“Who Benefits From Racial Diversity?”). The benefits of racial diversity also have a direct relation to academic success. A research study found that universities with diverse environments have higher student retention rates, higher levels of student satisfaction, higher college grade point averages, more intellectual self-confidence, and social self-confidence (“Benefits and Challenges of Diversity”). The University of Wisconsin also cited a study with similar results. A national longitudinal study of 25,000 undergrads at 217 separate universities found that institutions that promoted policies of diversity had positive effects on students’ cognitive development, satisfaction with the college experience, and leadership abilities (Wisconsin). Universities without a diverse student population could gain these intellectual and institutional benefits if they found ways to persuade minority population to select their individual schools. More specifically, if James Madison University could increase its overall Hispanic population, students would experience the same benefits.

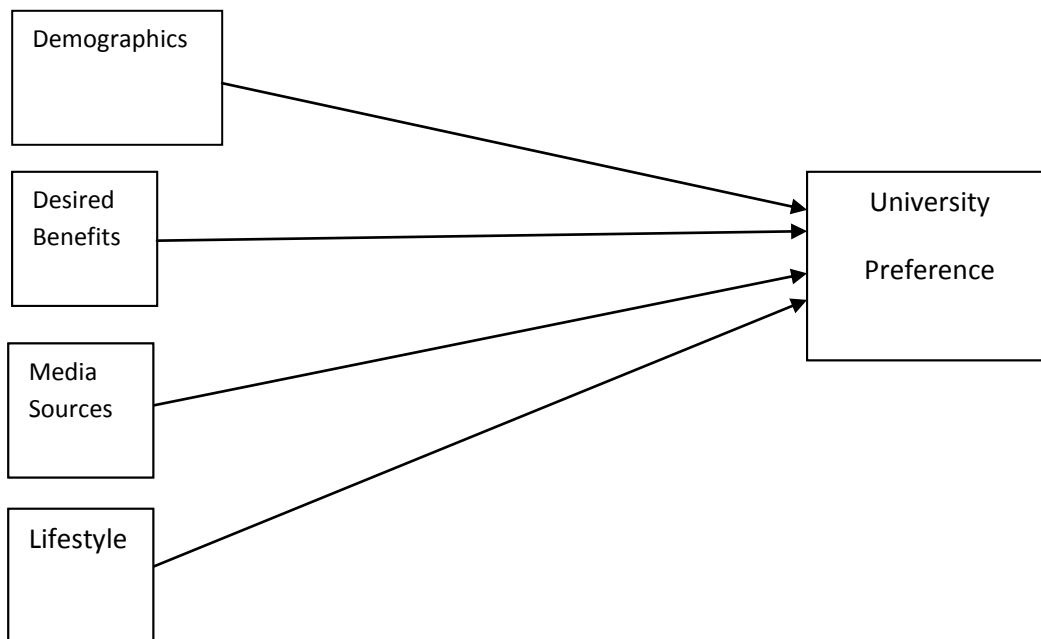
Usefulness of Study

This study can potentially benefit higher education admissions departments throughout the United States. Affluent Hispanics are a growing demographic group, yet there is a surprising lack of available research on their buyer behavior. As a result of this study, universities could learn which specific styles and methods of communication to use when attempting to persuade affluent Hispanics to attend their schools. Based on Hispanic lifestyles and attitudes, these Universities could also learn specific types of content to include within their promotional communication materials. In a much broader context, the study could also benefit for-profit

organizations that are hoping to seek entrance into the affluent Hispanic market.

The procurement of college tuition is only one example of a large financial investment. Organizations could use the uncovered material in this study to understand what motivates affluent Hispanics to make large purchases. For example, realtors and car dealers could utilize the outcome of this research study to understand and persuade affluent Hispanics to purchase houses and cars. If the study finds unique characteristics that separate affluent Hispanics from the overall affluent American population, companies could use these discoveries to specifically focus on marketing to the affluent Hispanic segment. Overall, the marketing departments of universities or businesses will benefit from the study's findings.

CONCEPTUAL BACKGROUND



Demographics

Typically, individuals associate annual income with the term affluence. Needless to say, income is an important factor to consider when describing affluent Hispanics. This study will

specifically focus on the Hispanic population with an annual income of \$100,000 or more.

Although income level is an important identifier, there are several other demographic attributes that apply to affluent Hispanics. Costa IMC, a marketing consulting firm, conducted research to discover numerous demographic characteristics of affluent Hispanics (Costa IMC, “Affluent U.S. Hispanics”).

Costa gathered the demographic information of affluent Hispanics and categorized them into four different groups. This study, however, will only focus on the three groups with educated backgrounds. The first group, known as “immigrant entrepreneurs,” typically has a gross annual income of \$150,000. The “immigrant entrepreneurs” have become wealthy either from self-employment or through inheritance. This group is generally educated outside of the United States and holds either executive or entrepreneurial roles. The “immigrant entrepreneurs” are acculturated and fall in the age range of 45-70 years old. The second group, “young professionals,” earns an annual income of \$175,000 or more. The “young professionals” are first generation Americans, highly educated, acculturated, and they fall in the age range of 35-50. The final group, the “Heavy Hitters,” earn an annual income of \$250,000 or more. These are second generation Americans who have typically attended Ivy League Universities. “Heavy Hitters” are either executives or entrepreneurs and are usually from 50-70 years old. These demographic characteristics alone, however, cannot determine if affluent Hispanics prefer Ivy League over Private universities.

Statistics indicate that a larger percentage of Hispanics attend public universities (“The Top 25 Universities For Hispanics”). Unfortunately, these statistics do not indicate how many of these Hispanic students come from families with incomes of over \$100,000. Typically, the “Heavy Hitters” would be the group most likely to attend a private university, and the other two

groups could potentially attend public or private institutions. Each group contained educated parents. All three groups also met the targeted age range of parents who could potentially have children in college. The U.S. Census uncovered more similar statistics about affluent Hispanics. The Census data illustrates that affluent Hispanics are identified as Hispanic individuals who are typically 35-54 years old, married homeowners, live in slightly larger households, and have two or more wage earners in the household (Costa IMC, "Affluent U.S. Hispanics"). Over 50 % of affluent Hispanics are foreign born and hold a degree from an institution of higher education. The following demographic trends allow for implications to be made for demographic characteristics of households that are considering four year universities for their children. Affluent Hispanics who attend four year universities typically live in larger than average households with two wage earners who generate a minimum of \$100,000 annual income.

Desired Benefits

In a study conducted by Exelecnia, Hispanic students attending four year universities were divided into two main groups. Students either attended Hispanic-Serving Institutions (HSIs) or Non Hispanic-Serving Institutions (Non-HSIs). HSIs were colleges that had a Hispanic population ranging anywhere from 30-94% (Santiago, "Choosing Hispanic Serving Institutions"). HSI students tended to select universities based on smaller size, affordability, and a proximity to home and family. Students attending HSIs usually attended school within close proximities to their homes so they could make college more affordable by commuting. Non-HSI students, on the other hand, did not emphasize the importance of cost when selecting a university. The Non-HSI students' lack of concern regarding college costs makes this group more applicable to the affluent Hispanic population.

In a focus study conducted on Non-HSI students, results found that this group did not consider the proximity of their family when selecting a four year school. In fact, many Non-HSI students attended school out of state. Non-HSI students “considered the institutions’ national reputation and the quality of academic programs as critical criteria in making their college choices” (Santiago, “Choosing Hispanic Serving Institutions”). In addition, Non-HSI students tended to prefer more selective institutions. These selective institutions are likely to be private schools or prestigious public universities. It may be assumed this group was able to afford more selective institutions without any financial aid.

Excelencia’s study went on to state that Non-HSI students did not have to fulfill any financial obligations at home. Non-HSI students received “parental support in selecting and paying for college” (Santiago, “Choosing Hispanic Serving Institutions”). Based on the data collected, it may be assumed that affluent Hispanics desire universities that are highly ranked and have highly reputable academic programs.

Media Preference

Overall, statistics indicate that Hispanics have higher preferences of online communications than the white population. In a recent Noel Levitz survey, 16% of Hispanics indicated they had downloaded a college podcast, as opposed to 8% of white students. In addition, 57% of Hispanic students said they would participate in an online college recruiting chat. Only 48% of white students said they’d participate in this event (Noel Levitz, “Institutional Brand and Parental Influence”). Hispanics have various other preferred sources of communication. A Sonderup study found that radio and television were “proven, effective communications in targeting Hispanics” (Noel Levitz, “Institutional Brand and Parental

Influence”). Noel-Levitz study found that only 55% of Hispanics had internet. When targeting affluent Hispanics, however, it may be assumed that a majority of the population has internet, and therefore, relies on the internet as a preferred method of communication. Internet, television, and radio are all more socially distant forms of communication. Affluent Hispanics, however, also value face to face interactions.

In the article “Knowing What Hispanic Clients Value,” the author Marcella De Simone states that, “the affluent or more acculturated Latinos in the U.S. prefer a more consultative relationship with a well-trusted person” (Simone). He goes onto saying that “your knowledge must be up to par.” Both acculturated and newly arrived affluent Hispanics value face-to-face meetings. The communicator also needs to “display a sense of Hispanic heritage and tradition.” In fact, a Nielson study indicates that a vast majority of Spanish households are still Spanish-preferred (Nielson, “Below the Topline”). 40% of Hispanics prefer to have college materials in both English and Spanish. This may apply to e-mails, letters, web pages, and other written forms of communication.

Each of the following studies has helped to indicate which forms of communication to use when attempting to reach affluent Hispanics that are considering colleges and universities. Affluent Hispanics are more likely than whites to utilize online materials when considering colleges. When applying to colleges, it is safe to assume that affluent Hispanics are most likely to prefer personalized online college communications where bilingual options are available.

Lifestyles

In a focus group study, affluent Hispanics were found to have many similarities to other affluent ethnic groups (“Enormous Diversity Among High School Students”). All groups tended

to live in upscale suburban areas. Although Hispanics typically have a number of distinct Hispanic cultural characteristics, affluent groups of all ethnicities use similar approaches when sending their children off to college. Parents and high school guidance counselors always expected affluent students to attend colleges. As a result, affluent Hispanics choose activities that will advance them on the track to college.

In comparison to students of lower socioeconomic statuses, affluent students are more likely than other socioeconomic groups to be involved in extracurricular activities. Affluent students are more likely to participate in sports, performing arts, and honors organizations (“Extracurricular Participation”). Based on these findings, there is a positive correlation between affluence and the amount of extracurricular activities students are involved in. Furthermore, affluent students’ parents persuaded their children to sign up for advanced courses, AP courses, and college preparation programs such as PSATs. Many students that had taken PSATs “subsequently received information from colleges and universities that invited [affluent Hispanics] to consider attending and explained how to apply” (“Enormous Diversity Among High School Students”). It becomes apparent that affluent Hispanics that attend four year universities have had previous involvement in academic-related extracurricular activities.

Affluent Hispanics’ lifestyles are obviously manipulated by parental forces. The activities that these affluent Hispanics participate in help build credibility when applying to four year universities. Colleges and universities should target affluent high school Hispanics that are actively involved in scholarly extracurricular activities.

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