

THE MULTICULTURAL BUSINESS MARKET AND EMPLOYEE BENEFITS
How To Build Awareness and Communicate the Value of Benefits to Ethnic Business Owners



FOCUS REPORT



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Part I

The Multicultural Business Market Overview

Outpacing the 13 percent average growth rate of non-minority owned firms, minority-ownership of U.S. firms has been steadily growing between 1982 and 2002 with an average 40 percent growth rate. In 2002, 18 percent of all firms in the U.S. were owned by minorities, compared with seven percent in 1982.¹ Combined these firms number 4.1 million and generate \$694.1 billion in revenues annually. They employ 4.8 million workers, many of whom identify themselves as Hispanic-American or Asian-American.

Despite their sizable numbers, minority-owned firms are under-penetrated in terms of employee benefit sales note industry experts. Many multicultural business owners lack awareness of insurance carriers and associated benefit products as well as knowledge about how these products can be used as a tool to recruit and retain employees. Their understanding of benefit products may not be as robust as other business owners who have an established benefits culture within their organization.

Additionally, many non-English speaking or bilingual business owners may not have access to brokers who truly understand their needs. This is an especially significant hurdle when language barriers exist. In both the Hispanic-American and Asian-American business owner marketplace, the demand for producers who speak Spanish or an Asian dialect like Mandarin Chinese is high.

This focus report is designed to give you perspective on how culture, language, accessibility to benefits, and attitudes towards brokers and insurance impact multicultural business owners' benefits purchasing behavior. The report offers best practices in reaching the multicultural business marketplace including discussion of marketing strategies, target industries, and relevant products.

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Part II The Asian- American Business

Mirroring the diversity of the population at large, the population of Asian-American business owners is split between a number of different ethnic groups that include Asian Indians, Chinese, Filipino, Japanese, Korean, and Vietnamese according to the U.S. Census Bureau.² Of these groups Chinese business owners are the largest with 286,041 firms with sales and receipts in excess of \$105 billion. Industries with high concentrations of Chinese owners include Professional, Scientific, and Technical Services, Retail, and Manufacturing.

While there is little documentation on the insurance purchasing behavior of Asian business owners, industry experts have extensively studied attitudes and behaviors of Chinese-Americans, the largest Asian population group, around insurance. Among the most salient characteristics that Chinese-Americans exhibit in regards to benefit purchases is the desire to protect their family, often through life insurance purchases. Additionally, their culture is described as “savings-oriented.”³

Word-of-mouth recommendations and recommendations from trusted advisors strongly influence their choice of insurance company. Value, quality, and service resonate with this population. Benefit packages with these key attributes will likely be well-received. Additionally, based on Asian-American business owners’ entrepreneurial spirit, carriers that demonstrate innovation and offer customization of packages will likely garner their attention.

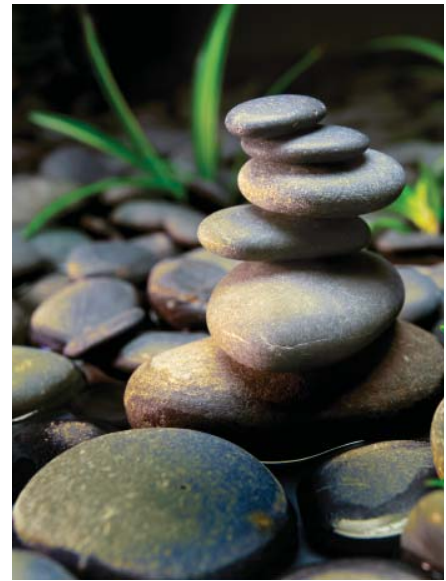
Marketing Strategies for Reaching the Asian-American Business Owner

Given their cultural emphasis on community and family, Asian-American business owners might best be reached at the local level through local media such as newspapers. A study by Ethnic Media in America revealed that Asian-American newspapers reach a substantial percentage of adults in the U.S. Approximately 80 percent of all Korean, Chinese and Vietnamese adults read an ethnic newspaper on a regular basis.⁴

In addition to newspaper advertising, other media outlets that skew high in terms of Asian-American consumption include the Internet. According to eMarketer, Asian-Americans are a prime target for online marketers. As a group, they are Internet savvy. In 2007, there were 11 million Asian-Americans online, and eMarketer projects that number will grow to nearly 14 million by 2011.⁵ LIMRA notes the importance of advertising on both in-language and English sites as Asian-Americans visit both types.³

Designing Benefit Packages with the Asian-American Business Owner In Mind

Like other minority groups, Asian-Americans have traditionally been “under-served” by the financial services/broker community. Skepticism and mistrust prevent many Asian-American business owners from taking advantage of producers’ services. In this regard, producers who speak an Asian dialect like Mandarin have an immediate



advantage and way of establishing trust with this community. Moreover producers who demonstrate cultural understanding and express an interest in designing benefits packages with this population’s values in mind will likely be viewed as trusted advisors.

Given their heightened emphasis on obtaining value at the lowest possible cost, a characteristic universal to most business owners, Asian-American business owners may be especially receptive to voluntary products that can be offered on an employee-pay-all basis or dental products. For example Asian-American business owners who already sponsor employer-funded life plans may also be receptive to offering their employees supplemental Life and AD&D coverage.

Part III

The Hispanic-American Business

Like the Asian-American business owner population, the Hispanic-American business owner population is multi-faceted. Hispanic-American business owners represent a wide range of cultures, dialects, geographic areas, acculturation and education levels. According to the Census Bureau's Hispanic Owned Firms study, the predominant sub-groups comprising the 1,573,464 Hispanic/Latino owned firms include those who self-identify as Mexican, Mexican-American, Chicano, Puerto Rican, and Cuban. Industries with high concentrations of Hispanic-American owners include Construction, Manufacturing, and Educational services, health care, and social assistance.⁶

Outreach to Hispanic-American business owners should be culturally and linguistically relevant. To that end access to Spanish-language producers is key for this population, where 80 percent consider a Spanish-speaking producer/financial advisor very important.⁷ Some attributes common to Hispanic-American business owners that shape their benefit choices include a savings orientation focused on their children's future and assisting extended family.⁸

Though these are only a few characteristics common to Hispanic-Americans, they are instructive in terms of understanding what a Hispanic-American business owner may seek from a benefits advisor. If the business owner is running a small business, he/she may be employing other relatives or family members. Benefits packages with a heavy emphasis on protection may have special resonance. Since education

is another frequently mentioned concern among Hispanics, benefit packages that include an educational benefit whether it be a long-term disability product or a life accumulation product may be especially applicable to this population.

Marketing Strategies for Reaching the Hispanic-American Business Owner

Hispanic-Americans are open to multiple channels for receiving information. Family and community are extremely important to Hispanic-Americans and consequently local outreach is a favored strategy by many producers. While Hispanic-Americans skew high in terms of media usage, face-to-face meetings are their preferred method for receiving information around insurance products.⁷

In terms of language preference for target marketing efforts, there is no "one-size-fits-all" model. Acculturation and educational levels can play a role in language preference as can age and income. Yet the U.S. Census Bureau reports that eight out of 10 Hispanic-Americans are Spanish-dominant. Consequently, bilingual Hispanic-Americans may be more receptive to ads in Spanish-language.

In terms of media outlets, Hispanic-Americans represent a sizable portion of the online community, with a reported 20 million Hispanic-Americans going online according to ComScore Media Matrix.⁹ In online channels, Hispanic-Americans reportedly prefer information in both English and Spanish.¹⁰ Other media outlets that skew high in terms of Hispanic-American usage include

Spanish-language radio programs and television.

Designing Benefits Packages with the Hispanic-American Business Owner In Mind

Hispanic-American households are less likely than the general population to own life insurance. Yet Hispanic-Americans are a natural market for life insurance. Forty percent of Hispanic households consist of married couples with young children compared with only 23 percent of all U.S. households. Additionally, Hispanic-American households are more likely than all U.S. households to include extended members of the family.⁷

The workplace could also potentially be an excellent place for Spanish-speaking employees to be introduced to limited health mini-med products. Yet in order for this to occur, Hispanic-American business owners first need access to producers who understand their needs. Adequate access to Spanish-speaking producers is seen as the major obstacle to increased Hispanic-American ownership of life insurance. Additionally, Hispanic-Americans customarily prefer a face-to-face method of purchasing insurance which is not always offered by carriers.

When designing benefits packages for Hispanic-American business owners, it is important to emphasize the availability of bilingual employee education materials. Holding step-by-step discussions about employee

benefit options, enrollment, and product administration also lends greater clarity to the benefits process which is sometimes daunting for Hispanic-American business owners unfamiliar with benefits terminology. Product specification sheets, payroll stuffers, benefit summary cards, and other collateral material should be translatable into Spanish, and carriers should be able to provide follow-up client services in appropriate languages.

Part IV

Seizing the Untapped Opportunities of the Multicultural Business Owner Marketplace

As an employee benefit producer, you are serving an increasingly diverse pool of employers and employees. To compete in this environment, you must be aware of the niche markets within the client base you are serving and understand the various cultural and attitudinal differences that shape employers and employees' decision-making processes around benefits.

Your role is both consultative and educative and therefore increasingly complex. However, by applying some of the best practices outlined in this paper to your marketing and selling strategies, you may gain a significant share of the growing multicultural business market whose influence on benefits design and selling will only increase in coming years.

To compete in this environment, you must be aware of the niche markets within the client base you are serving and understand the various cultural and attitudinal differences that shape employers and employees' decision-making processes around benefits.

- ¹ U.S. Census Bureau, 2009.
- ² "Asian Business Owners Survey," U.S. Census Bureau, Economic Census, 2002.
- ³ "A Close Look At The Chinese-American Market," LIMRA, 2009.
- ⁴ U.S. Asian Wire as reported on <http://www.usasianwire.com/release.php?id=443971727>, 2009.
- ⁵ eMarketer as reported on http://www.emarketer.com/Reports/All/Emarketer_2000413.aspx, 2009.
- ⁶ "Hispanic Business Owners Survey," U.S. Census Bureau, Economic Census, 2002.
- ⁷ "Targeting the U.S. Hispanic Market," LIMRA, 2007.
- ⁸ "Hispanic Direct Marketing: The Latest Research, Analysis, And Insights," Michael Surray Hispanic Marketing as presented to the Direct Marketing Association, 2008.
- ⁹ ComScore Media Matrix as reported on <http://capturagroup.com/hispanic-online-market.html>, 2009.
- ¹⁰ Forrester Research as reported on <http://capturagroup.com/hispanic-online-market.html>, 2009.

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