



In the Digital Bullseye:

Online Marketers Take Aim at Multicultural Consumers

Multicultural Marketing Comes of Age

In November 2012, President Barack Obama won a close election for a second term by catching a rising wave. Obama claimed 93% of African-American voters, 71% percent of Hispanics, and 73% of Asian Americans.¹ Though Republican candidate Mitt Romney won most of the white vote, about 72% of all U.S. voters, he ended up high and dry.² The lesson, say political analysts: The white vote is no longer enough. The key to this and future White House victories is the allegiance of minority voters, whose ranks now comprise a third of the U.S. population and are growing fast.

Another key to the 2012 victory, perhaps less noticed, was Obama's ability to ride the digital tide. His was the first presidential campaign ever to use full-blown microtargeting techniques from digital advertising to identify and to turn out key "persuadable" voters, such as

¹ Peter Grier, "Election 2012: Who Won it for Obama?," *DC Decoder*, Nov. 7, 2012. <http://www.csmonitor.com/USA/DC-Decoder/Decoder-Wire/2012/1107/Election-results-2012-Who-won-it-for-Obama-video> (accessed Nov. 19, 2012.)

² *Ibid.*

18-to-24-year-olds, African Americans, Hispanics, and women, in swing states.³ The campaign's Analytics group, staffed by quants and scientists, built and analyzed detailed demographic profiles of individual households by zip code, including their charitable contributions and their favorite TV shows and magazines, to tailor advertising and door-to-door canvassing messages to these voters.⁴

If the U.S. presidential bid is America's ultimate marketing campaign, the 2012 election shows that the marriage of multicultural marketing and digital microtargeting has come of age. When whites are expected to drop to less than half of the population by 2043,⁵ other marketers are quickly realizing that keeping a finger on the pulse of America's multicultural up-and-comers through digital targeting can reap sizeable rewards. The potency of digital marketing, compared with traditional advertising, raises concerns that discriminatory marketing practices that existed in the offline world will continue with renewed vigor and greater effectiveness in the online world. Traditional ads are able to target consumers only in broad strokes—aimed at groups of individuals with common attributes, such as sugar-craving kids, music-loving teens, harried moms, or homeowner dads. In contrast, digital marketers can serve up ads to individuals tailored to that person's traits, at a moment's notice, based on extensive demographic data about them. Digital marketers know a lot more about each consumer, including their race, financial status, and health condition, and can easily use or misuse that information. Digital microtargeting, for instance, makes it easier for advertisers to push certain products, such as fast foods or payday loans, to consumers with particular traits, or to withhold products, such as financial services or travel deals, from consumers with specific attributes.

³ "How Data and Micro-targeting Won the 2012 Election for Obama," Brand Media Strategy, Nov. 26, 2012, <http://brandmediastrategy.com/2012/11/26/how-data-and-micro-targeting-won-the-2012-election-for-obama/>

⁴ Ibid.

⁵ Mike Muskal, "Whites to lose majority status by 2043, the Census projects," Los Angeles Times, Dec. 12, 2012. <http://www.latimes.com/news/nation/nationnow/la-na-nn-whites-to-lose-majority-status-by-2043-the-census-projects-20121212,0,3964623.story> (accessed Dec. 18, 2012).

Discriminating Among Online Consumers

Already there is evidence that some online companies serve only customers deemed lucrative prospects. According to news reports, Orbitz, the online travel broker, employs real-time data analytics to determine whether visitors to its site are big spenders or cheapskates.⁶ Criteria include whether the customer got to the site through search or by typing in Orbitz's Web address, how many times they rerouted their itinerary, and whether they have used Orbitz before.⁷ If the customer is deemed a mere bargain hunter, Orbitz sends him or her to a competing online travel site.⁸

Moreover, evidence exists that race also plays a role in online advertising strategies. Google searches of people with names associated with African Americans, such as Tyrone and Latisha, for instance, bring up ads touting services for background checks and arrest records much more often than Google searches for names associated with whites, such as Brad and Kristen.⁹ When race is a key criterion by which marketers make these decisions, multicultural consumers should be on guard.

Gold Mine

For now, many online advertisers claim multicultural consumers are the next big gold mine. To hear them tell it, the Digital Divide is yesterday's story. Instead of being left behind in the mass digital migration, minority groups are leading the charge as online super-users. Hispanics, for example, are more intensive users of smart phones than the general U.S. population; African Americans, avid social networkers; and Asian Americans rule in Web videos. While the Digital Divide isn't quite behind us—Hispanic online penetration is still just 66%

⁶ Al Urbanski, "Making Data Big and Smart with Data Intelligence," *Digital Marketing News*, Nov. 1, 2012, <http://www.dmnews.com/making-data-big-and-smart-with-data-intelligence/article/265534/> (accessed Jan. 10, 2013).

⁷ *Ibid.*

⁸ *Ibid.*

⁹ L. Sweeney, "Racial Discrimination in Online Ad Delivery," Harvard IQSS White Paper Series, December 13, 2012, <http://foreverdata.org/onlineads/study.html> (accessed Dec. 19, 2012).

versus 76% for the total U.S. population¹⁰—online marketers have latched onto the wave of the future. Growing at a faster rate than the general population, the leading U.S. multicultural groups include a greater percentage of the young and connected. They are some of the most advanced consumers of online technology today and the trendsetters of tomorrow.

For that reason, digital marketers are waking up to the siren call of targeting Hispanic, African-American, and Asian-American online consumers. Together, their buying power totals \$2.7 trillion, up 85% since 2000, compared with a 43.6% increase for whites over that same period.¹¹ On the horizon are more multicultural populations to watch, including Muslim Americans with spending power of about \$200 billion today.¹²

In some ways, marketers' enthusiasm about multicultural consumers is heartening, a recognition that these Americans are influential contributors to the national culture. Online advertisers targeting these populations can help fund online multicultural editorial content, adding a greater diversity of voices to a national mainstream media that is becoming more homogenous as it consolidates under a handful of big companies. Such advertisers can also help other forms of multiculturalism by funding online sites, from established outfits such as Univision and Essence Communications to new arrivals, such as Japanese-American comedian Ryan Higa, whose Web videos are now YouTube's second biggest channel.

Prying Digital Eyes

Yet now that online marketers have their eyes trained on them, multicultural online users also should address the ways in which digital target marketing can be harmful. The collection of vast amounts of information on every consumer has led to what some have called the "surveillance economy." In other words, online marketing has ushered in practices that

¹⁰eMarketer, *U.S. Hispanics and Social Networking*, Oct. 2012, 3.

¹¹ Global Advertising Strategies, *Branded Drug Websites: A Look at Major Trends in Healthcare Marketing*, Dec 2012, 9.

¹²Hewar Thought Leadership, *A New Multicultural Opportunity Emerges Carving out a \$200 Billion Consumer Niche Brands Can't Afford to Miss*, 2011.

threaten our privacy with consequences for both civil liberties and consumer protection. Some of the very characteristics that make multicultural consumers attractive to marketers, such as their relative youth, can also make them more vulnerable to advertising of products that may not be beneficial to them, such as junk food. Consumers are making more of their daily decisions involving their finances, health, and families using the Internet, including connections via mobile phones. Their data will be collected and analyzed, leading to decisions made by others about their creditworthiness, health, factors that could affect employment, and more. Sophisticated online consumer tracking and targeting can help marketers distinguish consumers' race more easily and facilitate age-old discriminatory practices, from redlining to predatory lending, in the digital age. This paper discusses the relationship of the commercial digital marketplace to multicultural groups and identifies issues requiring scrutiny, safeguards, and advocacy.

Online Consumer Tracking and the Multicultural Market

In the offline world, instances abound where marketers have differentiated their sales approach based on customers' race. Not all multicultural advertising and sales targeting is harmful. Advertising legitimate goods and services of special interest to multicultural consumers helps to match up sellers and buyers in a way that's useful to both—whether it's Hispanic foods to Hispanic grocery shoppers or tickets for shows by performers popular with particular multicultural groups. But a history of less savory targeting also exists. In the 1930's, after federal housing agencies started delineating African-American, Jewish, Hispanic, and other minority neighborhoods on residential maps with a red line, for example, lenders denied mortgage loans to residents of those areas in a practice known as redlining. More recently, during the real estate boom of the last decade, lenders pushed subprime mortgages with onerous terms to low-income, often minority, borrowers, who then defaulted. Evidence

suggests that these lenders peddled subprime mortgages to minority borrowers, regardless of their income, at much higher rates than they did to whites.¹³

Today, the explosion of online media and advertising data collection techniques makes it easier to identify individual consumers. Digital advertisers need not know someone's name to understand what content they like, how much they spend and on what products, and their geographic location. Through tracking software and data from other sources, marketers create online profiles that can give a rich picture of consumers' interests, attitudes, and financial resources. The heightened focus on generating profits from multicultural consumers and communities means that online marketers will put considerable resources into the latest technology to more effectively target and influence multicultural consumers. The results can be benign or harmful for users depending on what products and services are marketed and how, but the burgeoning population of multicultural online consumers—and all online users—should be aware of the extent to which they are being tracked, studied, and targeted so that they can make informed choices about their responses to such advertising.

Indeed, every time Internet users go online, through their laptop, Droid, iPad, or other connected device, the websites they visit and the applications they use collect data on their online behavior to sell to marketers and advertisers. The sale of data on Web consumers is the financial fuel that funds nearly all the commercial sites online. In the U.S., for example, online ad spending totaled nearly \$32 billion in 2011.¹⁴ Though still dwarfed by overall ad spending in the US, at \$144 billion¹⁵, online ad spending is rising rapidly, as more of our daily experiences migrate to mobile phones and other digital media.

¹³ Jeff Crump, "Subprime Lending and Foreclosure in Hennepin and Ramsey Counties: An Empirical Study," *Cura Reporter*, Spring 2005, 16, <http://www.cura.umn.edu/publications/catalog/reporter-35-2-3> (accessed Dec. 17, 2012).

¹⁴ Interactive Advertising Bureau, *IAB Internet Advertising Revenue Report*, Apr. 2012, http://www.iab.net/insights_research/industry_data_and_landscape/adrevenue-report, 4.

¹⁵ Meg James, "U.S. advertising spending totaled \$144 billion in 2011," **Los Angeles Times**, Mar. 13, 2012, <http://latimesblogs.latimes.com/entertainmentnewsbuzz/2012/03/us-advertising-spending-totaled-144-billion-in-2011.html> (accessed Dec. 18, 2012).

Big Data

Behind the ads and marketing pitches found online is a pervasive, highly developed “Big Data” consumer information collection system. Many companies track consumer behavior when an Internet user goes online—including the website the user is visiting, her online or mobile phone provider, or third parties, such as ad networks and data brokers. The websites that users visit and the online applications that they download collect information about them through registration data or by loading code called “cookies” onto users’ browsers to track their online journeys in real time. Websites and applications providers also can expand their knowledge of each user by purchasing consumer data from data brokers selling consumer information, such as ethnicity, gender, residence, income, credit ratings, and behavior, gleaned from both online and offline sources.¹⁶ Aggregating all the available data, these marketers build digital dossiers on every user, which can contain information about an individual’s finances, health, family composition, ethnicity or race, and more. Though available for marketers to use, this information is not shared with the user.¹⁷

Online Auctions

An entire online marketing ecosystem has developed based on these consumer digital dossiers. Advances in the tracking, targeting and profiling of online users are transforming how marketers and tech companies learn about consumers to deliver advertising. Today, it’s increasingly no longer that important what websites you may visit, but who you are. Are you a big spender? What kind of neighborhood do you live in? Are you looking for a new mortgage or credit card? Do you spend time on social media and use Facebook? And what ethnicity might you be? All this and more can be reflected in your profile, which invisibly accompanies you as you travel online—even when using a mobile phone.

¹⁶ Natasha Singer, “Your Attention, Bought in an Instant,” *New York Times*, Nov. 18, 2012, Sunday Business 1.

¹⁷ Ibid.

Here's how the online ad auctions work: When a user calls up a site, an ad server auctions her impending visit within milliseconds to the highest bidding advertiser.¹⁸ By the time the consumer arrives at the site, she sees an ad honed to her interests, concerns, or vulnerabilities. It may even look less like a traditional ad than a message that appears to be connected to friends from her social network.¹⁹

Online marketing technologies can also track and report the consumer's response to the ad, adding more information to her digital dossier. In today's digital world, the ad is interactive. It can offer discounts, deals, or new opportunities. Or, because it knows you, it can decide you are not the right kind of customer and either ignore you or give you higher prices and poorer service.

Consumer Data Bonanza

The array of data available on online consumers is dizzying. Among data aggregator BlueKai's many offerings, for example, is the ability to target millions of U.S. households from information gathered from their in-store, catalogue, and online purchases, combined with offline data, including auto registrations, TV viewing habits, financial behavior, and geographic location.²⁰ Meanwhile, Facebook tells advertisers it can microtarget consumers by categorizing their social traffic into 15 basic user types and by mapping their demographic/psychographic characteristics to geographic locations and IP addresses with the help of "thousands of predictive models."²¹ Ad agencies, such as WPP, are also creating "data desks, consisting of a treasure trove of information on tens of millions of consumers."²²

¹⁸ Ibid.

¹⁹ Hayley Howell, "A Overview of Available Facebook Ad Formats," Ad Exchanger, Nov. 21. 2012, <http://www.adexchanger.com/ad-exchange-news/facebook-ad-formats/> (accessed Dec. 18, 2012).

²⁰ BlueKai, *Little Blue Book-A Buyer's Guide*, 2012, 17.

²¹ Cottingham Data, *Facebook: microTargeting*, 2012, 2.

²² Emily Bailian, "WPP Unit Targets Consumers with 'World's Largest' Profile Database Xaxis to create personalized ads," Ad Week, June 27, 2011, <http://www.adweek.com/news/advertising-branding/wpp-unit-targets-consumers-worlds-largest-profile-database-132956> (accessed Dec. 18, 2012).

Multicultural Online Marketing Ecosystem

These online data-targeting systems are spawning a whole new multicultural tracking industry. The most mature apparatus, including a well-developed ecosystem of advertisers, ad agencies, and media outlets, focuses on Hispanics, because of their large market potential.²³ Lena Grove Media, for example, engages in real-time bidding for ad space targeting Hispanics by first identifying visitors of Spanish-language sites, tagging them, and then serving them ads when they visit other websites that sell less expensive ad space than “overpriced” Spanish-language online media.²⁴ EZTarget Media, the ad network of major Hispanic ad network Terra, tracks Hispanics’ online behavior in multiple market segments, including auto lovers, sports fans, supermoms, social networkers, video watchers, finance watchers, gamers, and the like to help target ads.²⁵ Another ad network, Batanga.com, targets ads on behalf of major marketers such as Procter & Gamble, the Disney Co., and Jack Daniel’s, to Hispanic Internet radio listeners by age and interests, such as “career seekers,” “do it yourselfer,” “motorcycle owner,” and “Democrat.”²⁶ Capitalizing on the burgeoning Hispanic smart-phone market, RedMas specializes in marketing to Hispanics over mobile technology for advertisers that include Toyota, Miller Lite, Sprint, and the Obama campaign.²⁷ Not to be left out, the Newspaper National Network launched a network in 2011 targeting Hispanic readers through over 500 print and online Spanish-language newspapers and magazines.²⁸ Now, increasingly, many of these publishers and marketers are also reaching out to Hispanics via Facebook. In 2010, only Univision and Telemundo had a significant Facebook following among this population, but now, many

²³ Laurel Wentz, “Ad Age’s 2012 Hispanic Fact Pack is Out,” *Ad Age*, July 24, 2012, <http://adage.com/article/hispanic-marketing/ad-age-s-2012-hispanic-fact-pack/236263/>; AHAA. <http://ahaa.org/default.asp?contentID=27> (accessed Dec. 18, 2012).

²⁴ Lena Grove Media. http://www.lenagrove.com/index.php?option=com_content&view=article&id=51&Itemid=55 (accessed Nov. 21, 2012).

²⁵ Terra, *The Hispanic Digital Consumer*, 2012, 3.

²⁶ Batanga Network, <http://www.batanganetwork.com/advertisers/> (accessed Nov, 5, 2012).

²⁷ RedMas, *Connecting Brands with the Hispanic Mobile Consumer*, 2011.

²⁸ Erik Sass, “Ad Targets: NNN Launches Hispanic Network,” *Media Daily News*, Aug. 10, 2011.

Hispanic publishers have established significant positions on the social network to reach their target audience.²⁹

Other multicultural groups also figure heavily in target marketing databases. Geostream Intelligence Service, for example, indexes both Hispanics and Asian Americans by age, income levels, country of origin, language usage, and the degree to which they are acculturated to the United States—sometimes down to the block or zip code where they live (“Hispanicity,” or “Asianicity”).³⁰ African-American ad networks AdGroups.com places ads in more than 300 publishers, to reaching various sub-segments of the African-American market.³¹ Lee Moss Media offers inventory among premium African-American websites that attract more than 2.2 million monthly unique visitors.³² Last fall, a consortium of black-owned marketing companies partnered with major black media companies, including BET Networks, Black Enterprise, and Essence Communications, to launch the #INTHEBLACK campaign to help advertisers reach African-American audiences.³³

The New American Markets

What’s behind the excitement over online multicultural consumers and the scramble for data about them? Online marketers’ reports describe fast-growing, young, and connected multicultural populations, ripe as opportunity. Studies abound from the Nielsen Co., Google, Yahoo!, AOL, NBC Universal, and others, analyzing the demographic characteristics of Hispanics, African Americans, and Asian Americans, their digital preferences, and potential as online

²⁹ Captura Group, “Hispanic Online Publishers Doubledown on Facebook,” Jan. 9, 2013, http://www.hispaniconlinemarketing.com/2013/01/hispanic-online-publishers-double-down-on-facebook/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+HispanicOnlineMarketing+%28Hispanic+Online+Marketing%29&utm_content=Yahoo%21+Mail (accessed Jan. 10, 2013).

³⁰ Geoscape, *American Market Datastream*, 2012, 34, 46.

³¹ Ad Network Exchanges, <http://brandedcontent.adage.com/ang/vendor.php?id=5> (accessed Nov. 9, 2012).

³² Lee Moss Media, http://www.leemossmedia.com/platform/1083/static/our_services.html (accessed Nov. 9, 2012).

³³ Pepper Miller, “Finally Black Media Agencies Unite to Get Their Consumers a Fair Shake,” *Ad Age*, Sept. 12, <http://adage.com/article/the-big-tent/finally-black-media-agencies-unite-consumers-a-fair-shake/237122/> (accessed Nov. 9, 2012).

consumers. Digital advertising also enables companies to measure the response of consumers in real time, creating instant “focus groups” and other ways to analyze actual behaviors closely.

Below is a summary of each groups’ attributes drawn from such reports, demonstrating the extent to which these populations are under study. Hispanics appear to be the most heavily researched, followed by African Americans, and then Asian Americans, reflecting their relative share in the total U.S. population.

The bottom line: These groups all skew younger than the general population, and because of that, they are more apt to use digital media extensively in their daily lives. Hispanics are especially intensive and sophisticated smart-phone users. Though African Americans still prefer TV as their primary media source, they increasingly are using the Internet and smart phones. Early adopters and users of digital media, Asian Americans are especially active users of Web video.

Hispanics: Mobile Vanguard

At 52 million strong, Hispanics comprise 16% of the U.S. population—and counting.³⁴ Projected to be the fastest growing multicultural population in the U.S., they will grow by 167% from 2010 to 2050, compared to 142% for Asian Americans, 52% for African Americans, 1% for non-Hispanic whites, and 42% for the general population as a whole, according to the Nielsen Co.³⁵ Most of that growth will come from births in the U.S., rather than from immigration.³⁶

As the rest of the U.S. ages, Hispanics skew younger, putting them in the vanguard as consumers and as digerati. The median age for Hispanics is 28, compared with 37 for the general population.³⁷ Today, 23% of Americans under age 18 are Hispanic.³⁸ In 2018, a quarter of those under age five in America will be Hispanic.³⁹

³⁴ AHAA, <http://ahaa.org/default.asp?contentID=161> (accessed Nov. 8, 2012).

³⁵ Nielsen, *State of the Hispanic Consumer*, 2012, 4.

³⁶ The Nielsen Company, *State of the Asian American Consumer*, 2012, 2.

³⁷ Nielsen, *State of the Hispanic Consumer*, 5.

Digital marketers are agog over the opportunity. Online media giants, such as Google, Yahoo!, and AOL, and traditional companies, such as Coca-Cola, McDonald's, and Procter & Gamble, are chasing this population, whose purchasing power is expected to jump from \$1 trillion in 2010 to \$1.5 trillion in 2020.⁴⁰ Now at \$5 billion, the Hispanic advertising market is growing four times faster than other advertising sectors.⁴¹ As Hispanics continue to acculturate, more ads targeted to them will be in English. Today, less than a quarter of Hispanics are Hispanic dominant, culturally, nearly a third are bicultural, and nearly a half are U.S. dominant, according to AOL's 2010 Hispanic Cyberstudy.⁴²

Hot Mobile Prospects

Hispanics lag the general population in online penetration today. About 66% of them are online, compared to three-quarters of the general population,⁴³ but by 2015, 73% of Hispanics will be online.⁴⁴ Meanwhile, they're leaders in mobile technology use, linking to the Internet primarily through smart phones. Today, 57% of Hispanics own a smart phone, compared with 46% of general U.S. households.⁴⁵ Even less acculturated older Hispanics are increasingly adopting mobile tablets.⁴⁶

³⁸ NBC Universal, A Market on the Rise, Part I, <http://www.hispanicsatnbcu.com/index.html> (accessed Nov. 3, 2012).

³⁹ AHAA, <http://ahaa.org/default.asp?contentID=161> (accessed Nov. 8, 2012).

⁴⁰ Yahoo! Advertising Solutions, <http://advertising.yahoo.com/blogs/advertising/infographic-targeting-hispanics-223748622.html> (accessed Nov. 2, 2012).

⁴¹ AHAA, <http://ahaa.org/default.asp?contentID=161> (accessed Nov. 8, 2012).

⁴² AOL, *Hispanic Cyberstudy 2010*, 5.

⁴³ eMarketing, *U.S. Hispanics and Social Networking*, 3.

⁴⁴ Interactive Advertising Bureau, *U.S. Latinos Online: A Driving Force*, May 2011, 11.

⁴⁵ Gavin O'Malley, "Hispanics Embrace Mobile, Raise Purchasing Power," *Online Media Daily*, June 25, 2012, <http://www.mediapost.com/publications/article/179593/hispanics-embrace-mobile-raise-purchasing-power.html> (accessed Nov. 8, 2012).

⁴⁶ Jose Villa, "Hispanics, Tablets and the Mobile First Imperative," *MediaPost*, Oct. 4, 2012, <http://www.mediapost.com/publications/article/184506/hispanics-tablets-and-the-mobile-first-imperati.html#axzz2Epl1zgB4> (accessed Dec. 17, 2012).

Hispanics are sophisticated smart-phone users. For instance, 64% of U.S. Hispanic mobile users text, compared with 56% of the general market.⁴⁷ More Hispanics (64%) visit video sites, compared with the general population (50%).⁴⁸ More than a fifth of U.S. Hispanic mobile users download or listen to music, compared with 15% of the general market, and 12% of them use social networks on their mobile phones, vs. 10% of the general market.⁴⁹

What's most attractive about Hispanic mobile users is their youth. Nearly three-quarters of Hispanic mobile subscribers are between the ages of 18 and 44.⁵⁰ Among them, the Millennials, ages 18 to 29, are likely to use smart phones most actively—50% access the Web from a smart phone while at home, vs. 27% for Hispanics ages 30 to 49.⁵¹ For marketers, these youngsters are the sweet spot, and brands that can reach them through an understanding of their culture can benefit from the powerful word of mouth these users employ.⁵²

Receptive to Online Ads

Hispanics spend 200% more on e-commerce than the average Internet user,⁵³ accounting for 11%, or \$2.2 billion, of total e-commerce purchases made across the United

⁴⁷Captura Group, "Mobile is a Must for Reaching U.S. Hispanics," Feb. 10, 2011, <http://www.hispaniconlinemarketing.com/2011/02/mobile-is-a-must-for-reaching-us-hispanics/> (accessed Nov. 8, 2012).

⁴⁸Google. "U.S. Hispanics." <http://www.thinkwithgoogle.com/insights/library/all/?cat=us-hispanics> (accessed Nov. 3, 2012).

⁴⁹Captura Group, "Mobile is a Must for Reaching U.S. Hispanics."

⁵⁰Jose Tillan, "Staying Connected: Hispanic Millennials and Mobile Usage," *Insight Tr3s*, June 6, 2012.

⁵¹Ibid.

⁵²Ibid.

⁵³Interactive Advertising Bureau, *U.S. Latinos Online*, 14.

States in the first quarter of 2012.⁵⁴ They use online platforms and smart phones to research and to make purchases more often than the general U.S. population.⁵⁵

Luckily for marketers, Hispanics are also more receptive to online ads than non-Hispanics, according to various studies. Some 41% of Hispanics find it easier to obtain information from interactive online ads than from TV commercials, vs. 37% of non-Hispanics.⁵⁶ They're also more likely than the general public to recall seeing Web and apps ads, especially on smart phones.⁵⁷ Moreover, Hispanics have a 43% higher click rate on email ads compared with the general public.⁵⁸ And more than 60% of Hispanics can recall Internet radio ads they've heard in the last 30 days, compared with 58% of the general population, and 61% of them respond to the ads, compared with 44% of the general population.⁵⁹

African Americans: Cultural Trendsetters

Numbering 42 million, African Americans comprise 13.6% of the U.S. population.⁶⁰ Growing at 52%,⁶¹ faster than the general U.S. population, they are expected to reach 14% of the U.S. population, or 47.6 million people, by 2020.⁶² Though they face a slowing birth rate, today they're still youthful, with a median age of 31 years, compared with 36 years for the total

⁵⁴Fernando Rodriguez, How Advertisers can Reach the Growing U.S. Hispanic Market, *Ad Age*, July 26, 2012, <http://adage.com/article/the-big-tent/advertisers-reach-growing-u-s-hispanic-market/236336/> (accessed Nov. 8, 2012).

⁵⁵Gavin O'Malley, "Hispanics Embrace Mobile, Raise Purchasing Power," *Online Media Daily*, June 25, 2012, <http://www.mediapost.com/publications/article/179593/hispanics-embrace-mobile-raise-purchasing-power.html> (accessed Nov. 8, 2012).

⁵⁶Fernando Rodriguez, *How Advertisers Can Reach the Growing U.S. Hispanic Market*.

⁵⁷RedMas, *Connecting Brands with the Mobile Hispanic Consumer*, 5.

⁵⁸Experian, *The 2011 Digital Marketer: Benchmark and Trend Report*, 2011. 13.

⁵⁹TargetSpot, *TargetSpot Digital Audio: Benchmark and Trend Study, 2012: Hispanic Insights*, 9.

⁶⁰The Nielsen Company, *State of the African American Consumer*, Sept. 2011, 4.

⁶¹The Nielsen Company, *State of the Hispanic Consumer*, 4.

⁶²Nielsen, *State of the African American Consumer*, 4.

population, according to the 2010 Current Population Survey.⁶³ Nearly 31% of African Americans are ages 15 to 34, compared with 27% for the general population, and they are cultural trendsetters for the rest of America.⁶⁴

From 2000 to 2009, African-American households making \$75,000 and up grew 63.9%, more than the total population making that level of household income, while the percentage of black households making \$50,000 and under declined.⁶⁵ African-American buying power is expected to increase from \$1 trillion today to \$1.1 trillion in 2015.⁶⁶ In 2011, advertisers spent \$2.114 billion in media ads to target this group, almost 5% more than the previous year, according to Nielsen Co. Top advertisers included Coca-Cola Co., Ford Motor Co., General Mills, McDonald's Corp., Procter & Gamble Co., and State Farm.⁶⁷

TV First, Internet Second

African Americans prefer TV—spending a third of their media consuming time, or six hours and 54 minutes a day viewing, vs. five hours and 11 minutes a day for the general population.⁶⁸ Some 30% of African-American households own four or more TV sets.⁶⁹ The Internet comes in a close second with the 27 million African Americans online spending slightly less than a third of their time online, vs. slightly more than a third of their time watching TV.⁷⁰

⁶³Burrell Communications Group, "In Plain Sight—The Black Consumer Opportunity," *Advertising Age*, 2012, 6, <http://brandedcontent.adage.com/pdf/CABblackconsumer.pdf> (accessed Nov. 9, 2011).

⁶⁴ Ibid, 6.downsides

⁶⁵Nielsen, *State of the African American Consumer*, 6.

⁶⁶Nielsen, *State of the African American Consumer*, 6.

⁶⁷Burrell, "In Plain Sight," 3.

⁶⁸ Cheryl Pearson-McNeil and Todd Hale, "Dissecting Diversity," *Nielsen Wire*, May 2011 (accessed Nov. 3, 2012).

⁶⁹ Ibid.

⁷⁰ Google, *Five Truths about the Digital African American Consumer*, June 2011, 3, <http://www.thinkwithgoogle.com/insights/library/studies/five-truths-of-the-digital-african-american-consumer/> (accessed Nov. 1, 2012).

Some 69% of African Americans are active online buyers, and 51% of them are mobile Internet users.⁷¹

While online, African Americans are intensive users of search, video, and Twitter.⁷² According to Google, African-Americans are more likely than the general population (45% vs. 38%) to use search at the beginning of the purchase process.⁷³ They also use video sites at a higher rate (44%) to learn about brands, products, or services than the general population (39%), spending 52 minutes per video site visit, vs. 42 minutes for the general population.⁷⁴ African Americans engage in the same amount of social networking as the general population with one exception: They use Twitter at a much higher rate.⁷⁵ As of last May, a quarter of African-American Internet users were on Twitter, compared with 9% of white Internet users, according to Pew Research.⁷⁶

Smart Phones: Talking and Texting

African-American smart-phone ownership outpaces that of the general population by many counts. Google finds that 53% of African Americans own smart phones, compared with about 45% of the general population.⁷⁷ They use their smart phones primarily for talking and texting, talking 1,298 minutes a month, vs. 606 minutes a month for whites.⁷⁸ African Americans are second only to Hispanics in number of texts per month: Hispanics average 943, and African Americans 888, vs. whites at 687 texts.⁷⁹ Emailing, Web access, and social

⁷¹Ibid, 3.

⁷²Ibid, 13, 20, 23.

⁷³Ibid, 29.

⁷⁴Ibid, 8.

⁷⁵Ibid, 20.

⁷⁶Mark Dolliver, "Black Consumers and Mobile Digital: Digital Lives Lived in Motion," *eMarketer*, 5.

⁷⁷Google, *Five Truths*, 15.

⁷⁸Dolliver, "Black Consumers and Mobile Digital," 6.

⁷⁹Pearson-McNeil and Hale, "Dissecting Diversity."

networking are also popular smart-phone uses for African Americans.⁸⁰ Indeed, 67% of black smart-phone users access social sites through their phones.⁸¹

Receptive to Digital Ads

Again in a boon for marketers, African-American consumers are more responsive than the general population to search ads, digital video ads, and smart-phone ads, according to studies.⁸² They notice search ads more frequently than the general population (78% vs. 71%) and click on them more often (20% vs. 16%).⁸³ About 40% of African Americans recall seeing ads on their smart phone, compared with just 31% of the general population.⁸⁴ And they are more apt to click on those ads and to visit the website of the advertiser than the general population, 31% vs. 21%, respectively.⁸⁵

Asian Americans: Tech Savvy

At 18 million, Asian Americans comprise about 5% of the total U.S. population, which grew at the highest rate of any multicultural group since 2000—51%—edging out Hispanics at 50%.⁸⁶ Asian Americans are expected to constitute 9% of the U.S. population by 2050.⁸⁷ While the U.S. Hispanic population is growing primarily from U.S. births, Asian-American growth stems primarily from immigration—with three in four Asian Americans born outside the U.S.⁸⁸ Like other multicultural groups, Asian Americans skew younger than the overall U.S. population at a

⁸⁰ Nielsen, *State of the African American Consumer*, 13.

⁸¹ Dolliver, “Black Consumers and Mobile Digital,” 5.

⁸² Google, *Five Truths*, 33-40.

⁸³ *Ibid*, 35.

⁸⁴ *Ibid*, 39.

⁸⁵ *Ibid*, 39.

⁸⁶ Nielsen, *State of the Asian American Consumer*, 3.

⁸⁷ Bill Duggan, “Marketing to Asian Americans and Insights from the 3AF Conference,” Association of National Advertisers, May 21, 2012, <http://www.ana.net/blogs/show/id/23552>(accessed Nov. 5, 2012).

⁸⁸ Nielsen, *State of the Asian American Consumer*, 2.

median age of 41 years, compared to 45 years overall.⁸⁹ U.S.-born Asians are much younger, with a median age of 30.⁹⁰

Asian Americans represent \$718 billion in purchasing power, which is expected to grow to \$1 trillion in five years, on overall high median household incomes of \$63,420, vs. \$49,580 for total U.S. households.⁹¹ Fifty percent of Asian Americans over the age of 25 graduated from college, compared to 28% of the total U.S. population of this age.⁹²

YouTube Sophisticates

As early adopters of technology, Asian Americans are experienced online users, with 80% enjoying home broadband access, vs. 60% of the total U.S. population.⁹³ They spent 80 hours on the computer, measured in the month of February 2011, vs. 55 hours by the general population, according to the Nielsen Co.⁹⁴ They watch the least daily TV of any multicultural group at three hours and 14 minutes—about half that of African Americans and two-thirds of the time whites spend.⁹⁵

Asian Americans spend twice as much time watching Web videos than any other multicultural group, and they're more likely to watch videos on their mobile devices, according to Nielsen.⁹⁶ In February 2011, Asian Americans streamed an average of 10 hours and 39 minutes, compared with an average four hours and 20 minutes by the general population.⁹⁷

⁸⁹Ibid, 2.

⁹⁰Ibid, 2.

⁹¹Ibid, 14, 4.

⁹²Ibid, 4.

⁹³ Nielsen, *State of the Asian American Consumer*, 9.

⁹⁴ Pearson-McNeil and Hale, "Dissecting Diversity."

⁹⁵Ibid.

⁹⁶ Meg James, "Ad Agencies Tap the Web to Appeal to Asian Americans," *Los Angeles Times*, Sept. 20, 2012, http://www.heraldextra.com/business/technology/ad-agencies-tap-web-to-appeal-to-asian-americans/article_2082d1c9-0f25-52e6-a876-567d20af5569.html (accessed Nov. 9. 2012).

⁹⁷ Pearson-McNeil and Hale, "Dissecting Diversity."

Overall, Asian Americans love YouTube and are 38% more likely than other groups to visit the site.⁹⁸ Asian American stars are also dominating YouTube in a way they have not been able to do in traditional media. Unlike mainstream media, YouTube is amassing fragmented multicultural audiences, aided by high minority Web viewing habits: Nearly 80% of minorities regularly watch online videos, compared with less than 70% of whites, according to the Pew Internet & American Life Project.⁹⁹ Ryan Higa, a Japanese-American comedian, has 5.2 million subscribers, second among all YouTube channels. He joins Freddy Wong and Kevin Wu as three of the top 10 highest-earning YouTube channels.¹⁰⁰

Advertising to Asian Americans

Asian Americans make more purchases online than other multicultural groups.¹⁰¹ Though they are an increasingly important online market, 27% of Asian Americans say many ads targeted to them are offensive, trafficking in the derisive Asian nerd and heavily accented stereotypes.¹⁰² According to marketing research, Asian Americans are particularly receptive to product features in advertising, while Hispanics like ads highlighting family, and African Americans, humor.¹⁰³ Toyota is one advertiser that has made significant inroads with Asian Americans after targeting that population in 2003 for sales of the Sienna mini-van, now the top mini-van brand among Asian Americans.¹⁰⁴

⁹⁸ Nielsen, *State of the Asian American Consumer* PAGE?

⁹⁹ Hayley Tsukayama, "In Online Video, Minorities Find an Audience," *Washington Post*, Apr. 20, 2012, http://www.washingtonpost.com/business/economy/in-online-video-minorities-find-an-audience/2012/04/20/gIQAdhliWT_story.html (accessed Nov. 12, 2012).

¹⁰⁰ "Cashing In," *Wall Street Journal*, Feb. 2, 2012, <http://online.wsj.com/article/SB10001424052970203711104577199030541087146.html?KEYWORDS=nigahiga> (accessed Nov. 12, 2012); Justin McCraw, "Asian Americans Make Top Dollar on YouTube," *Dumpling*, Feb 6, 2012, <http://www.dumplingmag.com/2012/02/asian-americans-make-top-dollar-on-youtube/> (accessed Nov. 12, 2012).

¹⁰¹ Nielsen, *State of the Asian American Consumer*, 11.

¹⁰² Duggan, "Marketing to Asian Americans."

¹⁰³ Ibid.

¹⁰⁴ Ibid.

The Risks of Online Multicultural Targeting

As multicultural consumers increasingly depend on digital media in their daily lives, online target marketing carries many potential risks. To the extent that multicultural consumers are more responsive to advertising than the general population, whether because of their youth, high exposure to media, or other factors, they may be more vulnerable to advertisers' claims. Irresponsible online target marketing in products such as high-calorie food and drinks, pharmaceuticals, and financial services can have negative impacts on these consumers' health and financial security. The section below discusses the potential impacts of online target marketing to multicultural consumers in these sectors.

Food: Have a Little More

Multicultural youth, especially teens, are Ground Zero when it comes to digital junk food marketing. Food and beverage companies know these digitally connected youth are cultural trendsetters, and reeling them in burnishes company brands and reaps revenues. Online media are an especially effective channel to reach these hip, impressionable consumers, who have been shown to be both more brand-conscious and more responsive to advertising than their white peers. While many multicultural youth-oriented marketing campaigns seem fun for the targeted consumers, they can carry unhealthy side effects for African-American and Hispanic youth, who suffer higher obesity rates than white youth.¹⁰⁵

Splashy campaigns to push high-calorie foods and beverages to these populations are proliferating. The Coca-Cola Co., for one, has said that 86% of its growth in the youth market through 2020 would come from multicultural populations, and has poured many marketing dollars into hooking this crowd.¹⁰⁶ The company's Sprite Step Off campaign, for example, which targets African-American youth, has become a cultural phenomenon. Featuring regional and

¹⁰⁵ Ogden, C.L., Carroll, M.D., and Flegal, K.M. (2008). High Body Mass Index for Age among US Children and Adolescents, 2003-2006. *JAMA: The Journal of the American Medical Association*, 299(20), 2401-05.

¹⁰⁶ Chiqui Cartegena, "Hispanic Market the Hot Topic at Nielsen Conference," *Ad Age*, July 5, 2011, <http://adage.com/article/the-big-tent/hispanic-market-hot-topic-nielsen-conference/228543/> (accessed Dec. 20, 2012).

national college competitions of the synchronized group dance popular among African-American fraternities and sororities, the campaign awards college scholarships to the winners.¹⁰⁷ The shows, hosted by rapper Ludacris, are featured on YouTube, Facebook, and the MTV2 TV channel in one of its most successful programs ever.¹⁰⁸ Since its 2009 launch, boasts the ad firm that created the campaign, the event has generated 400 million media impressions.¹⁰⁹

Marketers' tactics include infiltrating social networks and mobile connections favored by minority youth, who connect to brands and share thoughts more often via such networks. Dr Pepper's Vida 23 campaign, for example, invites young Hispanics to share, via Flickr, photos of themselves holding Dr Pepper products.¹¹⁰ In a successful mobile campaign, Coke harvested names and contact information for thousands of minority youth in a matter of minutes during the 2011 Essence Music Festival. Capitalizing on the feel-good party mood, Coke asked the 400,000-person audience to text "CELEBRATE" along with their first and last names to win free party tickets and VIP passes.¹¹¹ Within 30 seconds, more than 3,000 people responded, and altogether, 16% of attendees texted, many of whom continued an online connection with the company.¹¹²

Similarly, McDonald's has targeted minority youth with a viral video campaign featuring African-American performers promoting McDonald's Dollar Breakfast Menus¹¹³ and Hispanic youth with the McCafe site, inviting visitors to experience its java digitally

¹⁰⁷ "Creative Media Awards," *MediaPost*, <http://www.mediapost.com/creativemediaawards/finalists/?event=2010> (accessed Dec. 20, 2012).

¹⁰⁸ *Ibid.*

¹⁰⁹ "Sprite Step Off II," Ignition Inc., <http://www.ignition-inc.com/2012/07/sprite-step-off-ii-2/#/> (accessed Dec. 20, 2012).

¹¹⁰ Dr Pepper. Vive la Vida 23. <http://es.drpepper.com/promotions/vida23/> (accessed Jan. 10, 2013).

¹¹¹ Rimma Kats, "Coca-Cola exec: Mobile connects offline to online world," *Mobile Marketer*, Apr. 15, 2011.

¹¹² *Ibid.*

¹¹³ Skee Stylus, "How Viral Video Became Mainstream Corporate Advertising Strategy," *Highbrid Outdoor Journal*, Feb. 3, 2010, <http://highbridoutdoor.wordpress.com/2010/02/03/marketing-matters-how-viral-video-became-mainstream-corporate-advertising-strategy/> (accessed Nov. 13, 2012).

through sight, sound, and other senses.¹¹⁴ The company also targeted African-American youth via a 365Black.com site by asking “Sprite Step Off” event audiences to vote for their favorite McDonald’s burger and DJ via text messaging to enter a national Flavor Battle sweepstakes.¹¹⁵

Fattening Ads

Unfortunately, the sophisticated and effective digital on-ramping of such marketing exacerbates abiding health issues that among many multicultural youth can start at childhood. Sugary drink consumption and obesity are more prevalent among black and Hispanic children, compared with white kids.¹¹⁶ Some 12.4% of blacks and 18.5% of Hispanic children were obese by age three, compared with 8.5% of whites.¹¹⁷ Even after adjusting for household income, black children were 4.6 times more likely and Hispanic kids 2.7 times more likely to consume sweet drinks, compared with white children.¹¹⁸ While obesity among white children declines the higher their parents’ education and income levels, the same is not true for black and Hispanic children.¹¹⁹

A big contributing factor is both higher media consumption by African-American and Hispanic children and their greater responsiveness to the advertising shown via this media.¹²⁰ One possible reason for these populations’ susceptibility to ads is that they may be more

¹¹⁴ “Case Studies: Multicultural,” Digitalads.org, <http://case-studies.digitalads.org/multicultural-digital-marketing/> (accessed Dec. 19, 2012).

¹¹⁵ Tsurulnik, G., “McDonald’s Uses Mobile to Provide Instant Gratification to Young Consumers, *Mobile Marketer*, Sept. 9, 2009, <http://www.mobilemarketer.com/cms/news/messaging/4129.html> (accessed Jan. 10, 2013).

¹¹⁶The African American Collaborative Obesity Research Network (AACORN), *Impact of Sugar-Sweetened Beverage Consumption by African Americans*, Jan. 2011, 7.

¹¹⁷*Ibid*, 7.

¹¹⁸*Ibid*, 7.

¹¹⁹Sonya A. Grier, “African American & Hispanic Youth Vulnerability to Target Marketing: Implications for Understanding the Effects of Digital Marketing”(memo prepared forThe Second NPLAN/Berkeley Media Studies Group Meeting on Digital Media and Marketing to Children, June 29-30, 2009), 1.

¹²⁰*Ibid*, 4.

independent from their parents and rely more on ads as a source of information than white kids.¹²¹ Many fast food ads also contain black characters and snack ads fewer adult characters—possibly making them more appealing to some of these young viewers.¹²²

As advertising of high-calorie foods and drinks migrate to digital and mobile media, where multicultural youth are spending more of their time, the results may be a boon to marketers, but less so for their impressionable audiences. The penetration of digital and mobile media into the daily lives of multicultural youth can make marketing campaigns on these platforms especially potent and a force to monitor for impacts on public health.

Health Care: This Won't Hurt at All

Online healthcare marketing is big business. Today, 60% to 80% of Americans turn to the Web to search for health information, and the Web rivals doctors as a prime source of this information.¹²³ To reach these online users, U.S. healthcare and pharmaceutical marketers spent \$1 billion on online ads in 2010, a figure that is expected to rise to \$1.52 billion in 2014.¹²⁴ These marketers can target consumers by medical condition with an arsenal of sophisticated techniques, including gathering information on them via their social networking interactions and orchestrating seemingly viral, word-of-mouth chatter via social media to generate buzz about their products.¹²⁵

With such large potential markets at stake, many healthcare companies are eager to sell to U.S. multicultural groups. Contrary to popular perception, they note, these populations are

¹²¹ Ibid, 4.

¹²² Ibid, 4.

¹²³ Jeff Chester, Center for Digital Democracy, et al., "In the Matter of Online Health & Pharmaceutical Marketing that Threatens Consumer Privacy & Engages in Unfair and Deceptive Practices," Complaint before the U.S. Federal Trade Commission, Nov. 26, 2010, <http://www.democraticmedia.org/digital-pharma-marketing-FTC> (accessed Dec. 19, 2012).

¹²⁴ Ibid.

¹²⁵ Ibid.

insured at levels comparable to the 88% rate for whites—with blacks at 82%, Hispanics at 69%, Chinese Americans at 87%, Korean Americans at 75%, and South Asian Americans at 88%.¹²⁶

Pharmaceutical companies have not made as much of an inroad in multicultural marketing as food companies. Only 1% of pharmaceutical companies' direct-to-consumer marketing budget today is targeted to Hispanics, for example.¹²⁷ But the higher incidence of diseases, such as diabetes, hypertension, and obesity, among Hispanics and African Americans make these populations lucrative prospects for pharmaceutical companies. Hispanic spending on adult prescription drugs today totals only \$17 billion, or 9%, of that market.¹²⁸ Those sales could rise to \$30 billion if Hispanic spending increased to a level more representative of their share of the U.S. population.¹²⁹

Trusting

Online media is an effective way to reach these groups because they rely on and trust media more for health information than whites. For instance, 83% of Hispanics who seek out healthcare information get it via TV, radio, print media, and the Internet, according to Pew Hispanic Research.¹³⁰ Moreover, Hispanics are more trusting of information they get from pharmaceutical companies—32% compared with 11% of non-Hispanics. About a quarter of Hispanics trust information from health insurers, compared with 5% of non-Hispanics.¹³¹ Advertiser are also mindful that reaching Hispanics and blacks via smart phones can be effective, because they're more likely than whites to use those devices to find health

¹²⁶Global Advertising Strategies, *Branded Drug Websites*, 9.

¹²⁷ Eileen O'Brien, A Growth Opportunity for Pharma: Hispanics, *SirenSong*, Feb. 17, 2012, <http://sirensong.sireninteractive.com/uncategorized/a-growth-opportunity-for-pharma-hispanics/> (accessed Nov. 13, 2012).

¹²⁸Univision Communications Inc. "Pharma/Rx Fast Facts." <http://corporate.univision.com/the-hispanic-consumer/reports/research/pharmarx-fast-facts/#axzz2AQBavGkc> (accessed Nov. 13, 2012).

¹²⁹ *Ibid.*

¹³⁰ *Ibid.*

¹³¹ *Ibid.*

information and mobile applications to manage their health, according to a 2010 Pew Internet & American Life Project study.¹³²

Drug companies are starting to reach out to blacks and Hispanics online. Novartis, for example, markets its eXForGE hypertension drugs to African Americans via a button on the main Web page for the drug, taking users to customized content for African Americans.¹³³ Eli Lilly's F.A.C.E. (Fearless African-Americans Connected and Empowered) diabetes campaign features webisodes on diabetes-friendly cooking and fitness advice from an African-American expert. The F.A.C.E. diabetes website reached about 31,000 yearly visitors, as of 2011.¹³⁴

Similarly, Astra Zeneca's Crestor is reaching out to Hispanic patients through a Spanish-language site customized to Hispanics in both design and content, such as dietary recommendations.¹³⁵ Eli Lilly's site for bYetta, an injectable diabetes medication, likewise features dietary advice tailored for Hispanics.¹³⁶ Novo Nordisk's Spanish-language marketing campaign for the FlexPen insulin-delivery device includes both TV ads on Univision, Telemundo, and Telefutera as well as online outreach through a miflexpen.com website, ads, and paid search and relationship marketing.¹³⁷

Targeting potential patients with ads about drugs to manage their diseases is not necessarily harmful to informed consumers. But multicultural online users should be aware that pharmaceutical companies are eager to push their remedies, and patients should make sure before they open their wallets that these remedies are the best ones for them and their condition.

¹³²Victoria Petrock, "Mobile Health Care Marketing--Prescriptions for Health and Wellness on the Go," *eMarketer*, Sept. 2011, 4.

¹³³Global Advertising Strategies, *Branded Drug Websites*, 19-20.

¹³⁴*Ibid*, 21.

¹³⁵*Ibid*, 26-27.

¹³⁶*Ibid*, 27.

¹³⁷Matthew Arnold, "Novo Nordisk Launches Robust Hispanic Flexpen Play," *Medical Media & Marketing*, Feb. 27, 2012, <http://www.mmm-online.com/novo-nordisk-launches-robust-hispanic-flexpen-play/article/229608/> (accessed Nov. 12, 2012).

Financial Services: Borrow to the Hilt (or Not)

Recent U.S. financial history shows that race discrimination in lending persists despite decades of efforts to eliminate such practices as predatory lending, redlining, and payday lending. In the middle of the last decade, many banks engaged in predatory lending during the real-estate bubble, pushing ever-more-risky subprime mortgage loans at abusively high interest rates and onerous terms to those with weak credit, often minority borrowers. There is evidence, too, that lenders peddled subprime mortgages to minorities, regardless of their income levels.¹³⁸ In a study of subprime mortgage borrowing from 1996 to 2002 in two Minnesota counties, for example, African Americans, regardless of income, were more than three times as likely to get subprime mortgages than whites.¹³⁹ Across the U.S., many subprime-mortgage borrowers defaulted, triggering a spate of foreclosures and the 2008 financial crisis.

After that crisis, several banks, chastened by past lending experience, swung in the opposite direction and withheld credit from poor, minority neighborhoods in a practice called redlining. According to an April 2011 study of several major U.S. cities in 2008 and 2009, mortgage refinancing declined sharply in minority neighborhoods while doubling in white ones. Redlining, the practice of denying or overcharging for credit, insurance, and other services based on race, became prevalent in the 1930s and still exists.¹⁴⁰ Meanwhile, the age-old practice of lending short-term cash loans at high interest rates to the poor, or payday lending, continues to prey on those who have little access to other types of credit.¹⁴¹

Today, with the availability of sophisticated consumer-tracking databases, financial services companies looking to lend to poor, minority customers, to charge them higher rates, or to avoid such customers altogether can easily identify or target them online. Consumer

¹³⁸ Crump, "Subprime Lending and Foreclosure in Hennepin and Ramsey Counties," 16.

¹³⁹ *Ibid.*

¹⁴⁰ Clea Benson, "A Renewed Crackdown on Redlining," *Bloomberg Businessweek*, May 5, 2011, http://www.businessweek.com/magazine/content/11_20/b4228031594062.htm (accessed Nov. 16, 2012).

¹⁴¹ Herb Greenberg, "Crackdown Needed in Predatory Lending," *CNBC*, Aug. 24, 2012, http://www.cnbc.com/id/48777323/Crackdown_Needed_in_Predatory_Lending (accessed Nov. 16, 2012).

analytics companies, such as eBureau, provide financial services companies and other such clients with e-scores, which rank consumers according to a valuation of their buying power based on income, residence, purchasing history, and other information from multiple databases.¹⁴² These scores, which separate promising from unpromising sales prospects, can facilitate the digital-age redlining of online offers for credit cards, loans, insurance, and other products. Conversely, they could help marketers push certain products, such as payday loans, to specific customers, or to set different prices and terms for customers based on their scores.

eBureau subsidiary TruSignal, for example, helps advertisers target “underbanked consumers” who use online money transfers, payday loans, or prepaid debit card services. It markets a proprietary formula of 127 predictors developed from over 40 third-party data sources, such as census data, property records, purchase history, financial records, and hobbies and interests, to identify these consumers and to profile more than 100 million U.S. adults who use money transfer services.¹⁴³ TruSignal claims its targeting software can improve the accuracy of advertisers’ online campaigns by as much as 80%.¹⁴⁴ TruSignal says its technology is based on data mining and predictive analysis, not behavioral tracking.¹⁴⁵

Financial service providers, from TruSignal to the nation’s largest banks and credit card issues, are eyeing Hispanics and Asian Americans as promising markets. Hispanics are three times more likely than the general population to use mobile banking, for example.¹⁴⁶ In addition, the growing Hispanic market is offsetting a decline in credit card ownership among the rest of the U.S. Between 2004 and 2011, Hispanic card ownership rose 23%, compared with

¹⁴² Natasha Singer, “Secret E-Scores Chart Consumers’ Buying Power,” New York Times, Aug. 18, 2011, http://www.nytimes.com/2012/08/19/business/electronic-scores-rank-consumers-by-potential-value.html?pagewanted=1&_r=3&ref=todayspaper (accessed Jan. 10, 2013).

¹⁴³ TruSignal, “Ideal Audience: Underbanked Consumers,” 2012.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid.

¹⁴⁶ NBC Universal, “A Market on the Rise-Part 3,” <http://www.hispanicsatnbcu.com/part3.html> (accessed Nov. 3, 2012).

a 7% decline overall in the U.S.¹⁴⁷ For their part, Asian Americans are a lucrative online banking market, because of their high average income levels. Three quarters of Asian American households bank online, compared with 67% of non-Asian Americans, according to Nielsen Claritas.¹⁴⁸

While online targeting of multicultural consumers by legitimate financial services companies may not in itself raise red flags, such consumers should stay on notice that online marketers now have the tools today to carry out discriminatory practices. With their ability to differentiate specific consumers, marketers can either withhold or push certain products at different prices and terms to consumers, depending on their scores. Given the history of discriminatory sales practices, multicultural consumers need to be aware of the potential misuse of such scoring in the digital era.

Conclusion

Burgeoning multicultural U.S. populations, actively engaged in the digital realm, are a match made in heaven for online marketers. While the rest of America ages, youthful Hispanic, African-American, and Asian-American populations are on the rise, and will continue to fuel consumer spending. Meanwhile, these new generations, increasingly digital natives, spend more and more of their time on online services and devices, where they can be tracked and targeted with the aid of ever-more-advanced technology. That some of these consumers are more responsive and trusting of advertising, according to studies, is a bonus. For marketers, it's a win-win all around.

But, is advertiser attention necessarily a win-win for multicultural digital consumers? On the one hand, the notice is flattering, a recognition that they have arrived as significant

¹⁴⁷Tanya Irwin, "Latino Market Holds Key for Credit Issuers," *Marketing Daily*, Sept. 6, 2012, <http://www.mediapost.com/publications/article/182423/latino-market-holds-key-for-credit-issuers.html?print#ixzz25nMRXXwZ> (accessed Nov. 16, 2012).

¹⁴⁸The Nielsen Company, "Asian Americans Most Active Users of Online Banking," *Nielsen Wire*, Dec. 18, 2009, <http://blog.nielsen.com/nielsenwire/consumer/asian-americans-most-active-users-of-online-banking/> (accessed Nov. 2).

influencers of U.S. culture. At the same time, Hispanic, African-American, and Asian-American online consumers need to understand the lengths to which marketers will go to sell to them and the potent technologies used to do so. If advertising in the offline world hasn't always ended up benefiting minority consumers—whether fast-food peddling leading to weight-related diseases or dodgy lending schemes wreaking financial havoc—the power of advertisers in the online world to serve exactly the right ad with exactly the right message to exactly the right customer at exactly the right time augments their ability to push offers onto consumers successfully. Multicultural digital consumers must be on guard and protect their own interests against the digital advertising onslaught aimed squarely at them, by filtering out the beneficial from the harmful. As well, all digital consumers should pay heed to the evolving online target-marketing juggernaut.

This report is the first in a series on multicultural consumers and digital consumer protection issues. It was written by Catherine T. Yang, a Washington, D.C.-based writer, who specializes in technology policy and U.S. and international economic issues. She was a correspondent in Business Week's Washington bureau for 19 years, covering a variety of beats, including digital media and technology, consumer protection, and law. She is also a former Managing Director at the Glover Park Group in Washington, D.C.

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