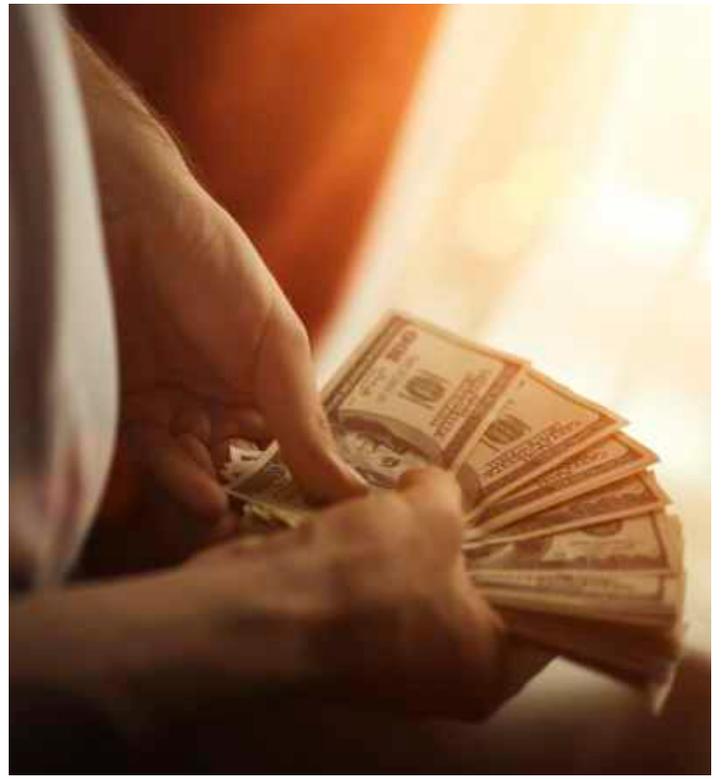
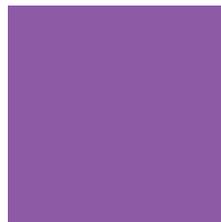
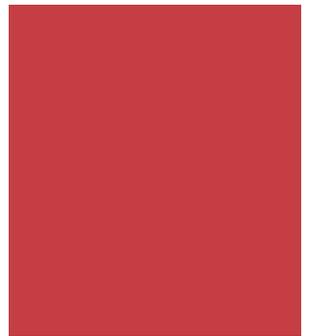


AN ANALYSIS OF
**LATINO HOUSEHOLD
CONSUMER SPENDING**
IN LOS ANGELES COUNTY



los angeles
latino chamber of commerce



AN ANALYSIS OF LATINO HOUSEHOLD CONSUMER SPENDING IN LOS ANGELES COUNTY

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The Los Angeles Latino Chamber of Commerce



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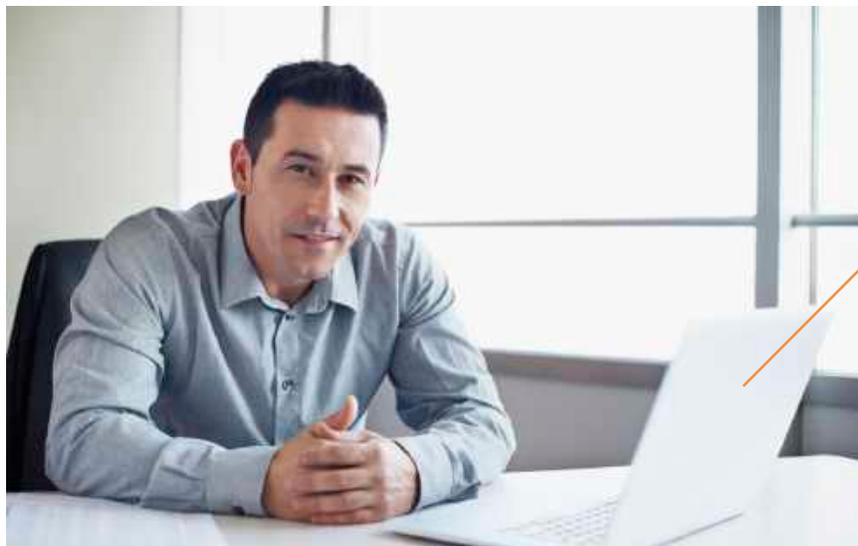
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TABLE OF CONTENTS



05_ Chairman's Note

06_
Executive
Summary

08_
Introduction

10_
The Latino
Demographic
Profile

15_ The composition of
latinos in the housing
market



16_
Consumer
Expenditures

18_ Focus: Food spending

18_ Focus: Entertainment
spending

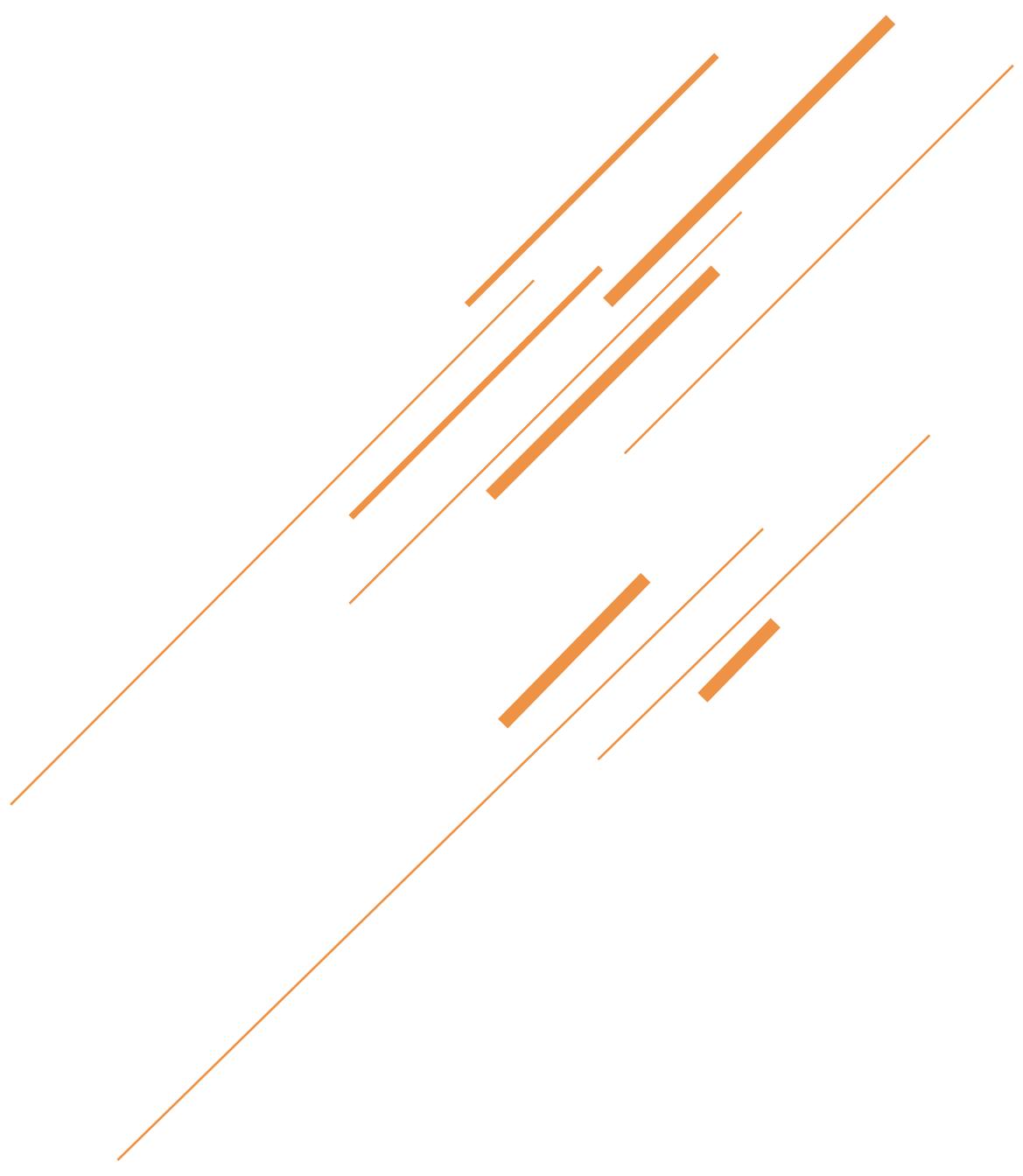
19_ Focus: Housing spending

19_ Focus: Apparel spending

19_ Focus: Transportation
spending

20_
Conclusion

21_ Appendix



OVERARCHING MESSAGES FOR THE
LOS ANGELES LATINO CHAMBER OF COMMERCE PRESS CONFERENCE

- The study, *An Analysis of Latino Household Consumer Spending in Los Angeles County*, does a remarkable job at really looking at and quantifying the enormous pending power of Latinos in Los Angeles.
 - The Latino aggregate income level has increased to **\$72.4 billion**—driven by significant demographic and income growth
 - This has allowed **Latino consumers to outspend other ethnic groups in most consumer segments.**

- The Latino community in Los Angeles County continues to grow and outspend its dollars well over other ethnic groups in a number of areas as a direct result of increased population growth and growing income levels creating opportunity for many businesses.
 - Latinos accounted for a large proportion of spending on various categories, including other Food at Home, Laundry and Cleaning Supplies, Cellular Phone Service, Audio and Visual Equipment, and Used Cars and Trucks
 - Spending on **housing** by Latinos totaled **\$29 billion in 2014.**
 - Latinos **spent \$10.9 billion on food in 2014.** In comparison African-American, Asian and Other Non-White household spent a combined \$8.5 billion on food that year.
 - Latino spending on **Eggs, Poultry, Beef, and Pork** combined is estimated at **\$1.3 billion.**
 - Approximately **\$11 billion in transportation spending in 2014** came from Latinos including purchases of new and used automobiles.

- If Corporate America is looking to invest in the most dynamic Latino market in the United States, **the findings of this study clearly suggest that they should bring their marketing and advertising dollars to the City of Angels.**

###



EXECUTIVE SUMMARY

The Latino population in Los Angeles County continues to grow robustly while, simultaneously, experiencing income growth. Put these two together and the County and big business benefit from a rapidly growing consumer base. *Indeed, from 2000 to 2014, the number of Latinos in the County grew by 15.5%, compared to a 1.1% decline in the rest of the population.* Meanwhile, the aggregate income among Latino head-of-households grew from \$45.9 billion to \$72.4 billion in 2014.

Major changes in demographic profiles of Latinos have occurred over the last decade and a half. Since 2000, Latinos are graduating from college at a much faster rate. Those who started their post-college careers back then are now reaching their prime earning years. Thus, growth in the Latino middle class is trending faster than in the rest of the population. *The proportion of Latino households earning between \$100,000 and \$200,000 per year in Los Angeles County grew from 15.9% in 2000 to 26.1% in 2014.*



Rapid population and income growth, compounded with changes in demographics, have influenced Latino spending patterns. Latino spending patterns tend to differ slightly from those of other race and ethnic groups, yet the major drivers appear to be the same. Housing in the County accounts for most of the spending for all race and ethnic groups because housing costs are much greater than in the rest of the Country.

Spending on housing by Latino households in Los Angeles County totaled \$29.0 billion in 2014.

Latinos in the County spent \$10.9 billion on food in 2014. In comparison, Black, Asian, and Other Non-White households spent a combined \$8.5 billion on food that year.

Approximately \$11.8 billion in Transportation spending in 2014 came from Latino households in the County, including purchases of new and used automobiles.

Latino households in the County contributed \$7.1 billion to personal insurance and pensions, excluding health insurance premiums.

In 2014, Latinos made up 48% of the population in the County and 37% of households. Latinos form fewer households than people in other race and ethnic groups because statistically there are more children in Latino households. Latino consumers therefore generally spend more on goods and services related to children.

Latinos in Los Angeles County spent more on clothes for children under two (\$166 million), boys between two and fifteen (\$246), and girls between two and fifteen (\$227 million) than any other race and ethnic group did in 2014.

Latinos have a greater preference for unprocessed foods compared to people in other race and ethnic groups. Latino spending on eggs, poultry, beef, and pork combined is estimated at \$1.3 billion in Los Angeles County, nearly as much as spending in those categories by non-Latino White households and significantly more than Black, Asian, and Other Non-White households combined.

Latinos accounted for a large proportion of spending on various categories, including other food at home, laundry and cleaning supplies, cellular phone service, audio and visual equipment, and used cars and trucks.

INTRODUCTION

The Latino population in Los Angeles County experienced robust growth in the 1970s, 1980s, and 1990s. Migration from Mexico and Central America was a major factor, so many Latino families in the County still speak primarily Spanish at home. By 2014, however, the County had experienced a demographic shift within Latino households. For example, many of the children of those who migrated before 2000 have been educated locally and are now of working age.

Simultaneously, a larger proportion of recent Latino migrants, especially from Mexico, have the skills and education to help them succeed in service industries, including Professional and Business Services, Information, and Financial Activities.¹

Demographic shifts generally take many decades to develop, but because of their rapid population growth over the last 45 years, Latinos today, compared to Latinos

in 2000, are much more educated, hold better-paying jobs, and have buying power that can no longer be neglected by business owners and media. This report will provide an extensive demographic profile of Latinos and Latino households in the County and will describe and analyze the changes in attitude toward investment in primarily Latino communities and local consumer spending patterns.





1 Elena Zuñiga and Miguel Molina, Demographic Trends in Mexico: The Implications for Skilled Migration, Transatlantic Council on Migration, Migration Policy Institute, November 2008, New York.



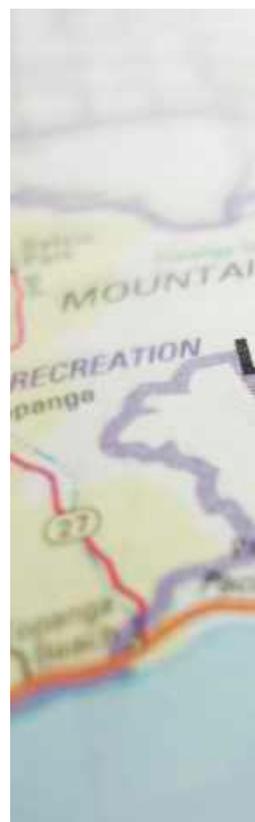
The Azaela shopping center in South Gate is drawing major retailers to cater to the changing demands of Latino shoppers

THE LATINO DEMOGRAPHIC PROFILE

In 2014, the County's Latino population was estimated at 4.9 million, 48.4% of the County's total population. Latinos accounted for the majority of the population in 33 of 88 cities in Los Angeles County, most of which are in the San Gabriel Valley, the San Fernando Valley, South Los Angeles, Southeast Los Angeles, and East Los Angeles.

Cities with an 80% Latino population or greater include:

- Huntington Park
- Maywood
- Cudahy
- Bell Gardens
- Commerce
- South Gate
- Irwindale
- Bell
- Pico Rivera
- San Fernando
- Lynwood
- South El Monte
- La Puente
- Vernon
- Baldwin Park



The 2000 Census provides numerous statistics that characterized the County's Latino population as young. Latinos accounted for 60.1% of the population younger than 9 and 54.0% of the population between 10 and 19 years of age. The large share of the youth population indicated that Latinos in the County would continue to increase in numbers. Indeed, the Latino population grew by 15.5% from 2000 to 2014, while the rest of the County's population declined by 1.1%. Latino population in the County is projected to continue to grow as Latinos today account for an even greater share of people younger than 9 years and those between 10 and 19.

County Latinos in their latter years of the prime working age and those growing closer to retirement age have experienced the most growth since 2000. This age group is an important demographic in terms of consumer spending because these people are probably earning incomes greater than they have in any previous year.

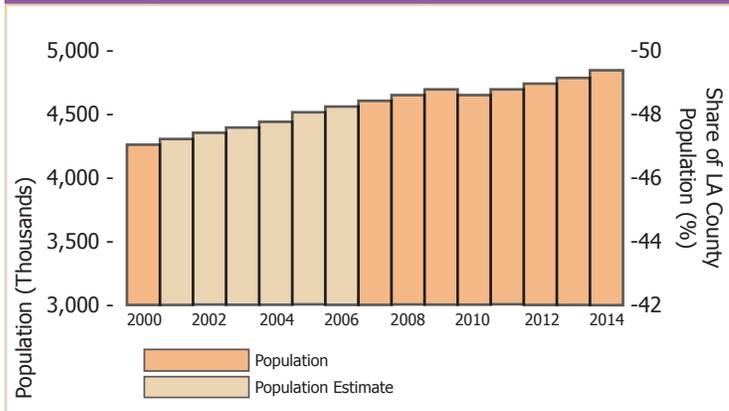
Latinos by Age Group in Los Angeles County

Age Group	Latino Population		County Share	
	2014	Change Since 2000 (%)	2014	Change Since 2000 (p.p.)
Under 9	798,937	-13.7	62.6	+2.5
10 to 19	796,707	+4.9	60.9	+6.9
20 to 29	842,185	+5.2	52.7	-1.3
30 to 44	1,093,686	+8.6	50.5	+7.1
45 to 54	612,208	+65.2	44.0	+11.8
55 to 64	407,109	+113.3	35.6	+8.2
65 and Over	346,913	+85.1	28.1	+7.9
TOTAL	4,897,745	+15.5	48.4	+3.8

Source: U.S. Census, American Community Survey

"THE LATINO POPULATION GREW BY 15.1% FROM 2000 TO 2014, WHILE THE REST OF THE COUNTY'S POPULATION DECLINED BY 1.1%."

Latinos Population in LA County, 2000 to 2014



Source: Board of Education





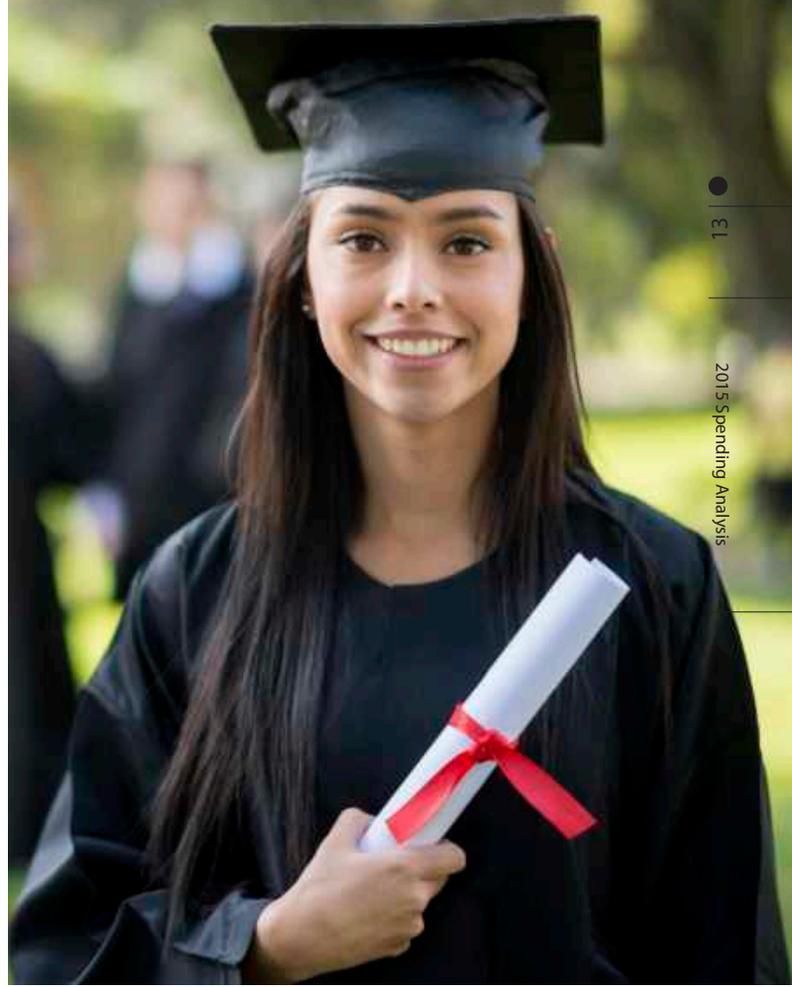
With more Latinos attending local elementary, junior high, and high schools compared to their parents and grandparents, the number of Latinos at every educational attainment level above junior high has increased. Particularly, the number of the County's Latinos over the age of 25 whose highest level of educational attainment is a bachelor's degree grew by 134.6% from 2000 to 2014. Although the proportion of Latinos with bachelor's degrees remains low compared to the total population (13.0% versus 30.3%), the rate of growth in this category since 2000 is faster for Latinos than for the total population (6.2 percentage points versus 5.4 percentage points).



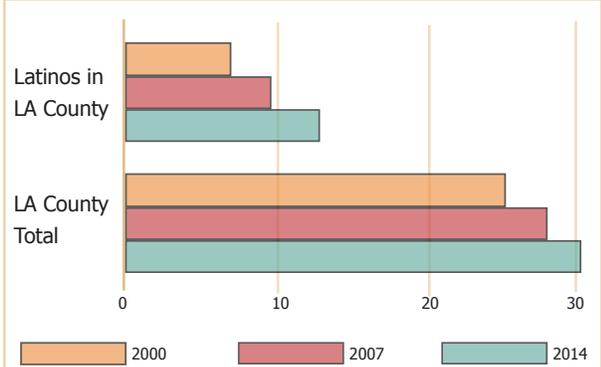
Latinos by Educational Attainment in LA County				
Educational Attainment	Latino Population		County Share	
	2014	Change Since 2000 (%)	2014	Change Since 2000 (p.p.)
No High School	1,196,950	-4.7	41.8	-16.1
High School	716,428	+4.9	25.0	+6.9
Some College/ A.A.	635,663	+5.2	22.2	+5.0
Bachelor's Degree	229,050	+134.6	8.0	+3.5
Master's Degree	83,058	+65.2	2.9	+0.6

Source: U.S. Census, American Community Survey

“THE NUMBER OF LATINOS WITH A BACHELOR'S DEGREE GREW BY 134.6% FROM 2000 TO 2014.”



Persons with a Bachelor's Degree (%) 25 Years of Age and Over



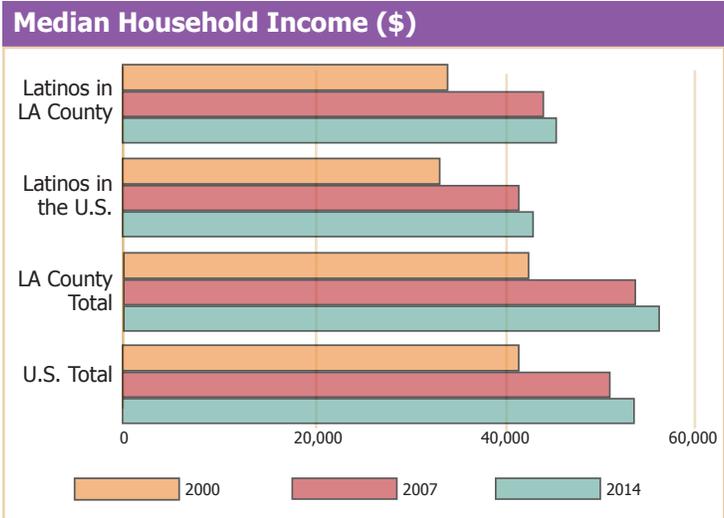
Source: U.S. Census

Technological growth and an increased share of economic growth coming from the service sector has increased the value of higher education. The increased number of Latinos with bachelor's degree and higher levels of education has helped Latino incomes rise. From 2000 to 2014, Latino median household income in Los Angeles County grew by 33.2% (to \$45,045), compared to 32.1% growth in total median household income (\$55,746). Even more telling of income growth, the proportion of Latino households in the County earning between \$50,000 and \$99,999 per year grew from 28.1% in 2000 to 39.0% in 2014, while the proportion of households earning between \$100,000 and \$199,999 per year grew from 15.9% in 2000 to 26.1% in 2014.

“THE PROPORTION OF LATINO HOUSEHOLDS EARNING BETWEEN \$100,000 AND \$200,000 PER YEAR IN LOS ANGELES COUNTY GREW FROM 15.9% IN 2000 TO 26.1% IN 2014.”

Latino Households by Income Group in LA County				
Income Group	Latino Population		County Share	
	2014	Change Since 2000 (%)	2014	Change Since 2000 (p.p.)
Less than \$30,000	388,085	-12.8	42.5	+2.9
\$30,000 to \$49,999	273,075	+8.4	48.0	+9.9
\$50,000 to \$99,999	357,585	+44.9	39.0	+10.9
\$100,000 to \$199,999	166,520	+187.2	26.1	+10.2
\$200,000 or more	25,868	+141.8	11.0	+1.2

Source: U.S. Census, American Community Survey



Source: U.S. Census



THE COMPOSITION OF LATINOS IN THE HOUSING MARKET

A larger proportion of Latino households are traditional married families than are non-Latino Whites, Blacks, and Asians. On the opposite end of that equation, fewer Latino households are considered non-family, such as those who are single or living with friends.

Related to close family ties, nearly a quarter of Latino households have more than one person per bedroom living in the home. In comparison, 8.6% of Asian households, 5.4% of Black households, and 2.5% of non-Latino White households have more than one person per bedroom.

A smaller proportion of Latino households live in owner-occupied housing than households of other race and ethnic groups.

Latino households living in owner-occupied housing on average spend a greater share of their incomes on a mortgages (18.8%) than those of other race and ethnic groups, and Latino household living in renter-occupied housing on average spend a greater share of their incomes on rent (29.5%) than households of other race and ethnic groups.





CORPORATE OUTREACH & CONSUMER EXPENDITURES

Latino households in the County have enormous spending power. More than \$1 of every \$4 spent by Angelenos in 2014 came from Latino households. Consumer spending, which is derived from household incomes, has been growing robustly over the last two and a half decades. In the aggregate, Latino household income has nearly tripled from \$25.9 billion in 1990 to \$72.4 billion in 2014, while the household income of non-Latino White households grew by 45% to \$131.4 billion over the same period.

Recognizing the buying power of the emerging Latino consumer, many corporations have initiated diversity programs within their respected companies and implemented

outreach efforts in procurement initiatives in order to keep pace with this ever-growing demographic. Major developments in primarily Latino communities within the County demonstrate the effect that some of these efforts have had, such as the “azalea” shopping center in the City of South Gate and the Promenade at Downey, both which opened within the last two years. In addition, corporations have been diversifying their workforce and vendor providers to cater to the growing Latino population.

Nevertheless, Latinos customers in the County as a whole remain highly underserved relative to their share of total income and spending.





“AGGREGATE LATINO HOUSEHOLD INCOME HAS NEARLY TRIPLED FROM \$25.9 BILLION IN 1990 TO \$72.4 BILLION IN 2014.”

Housing accounts for a large proportion of consumer spending for all households in the County. Since 2000, home prices and rents in the County have grown robustly, giving more home equity to those who have owned their homes longer than those who purchased more recently. Consumer spending on housing by Latino households grew from \$17.8 billion in 2000 to \$29.0 billion in 2014.

Another necessary expenditure for households is transportation. Traffic in Los Angeles has hardly subsided since 1990, and spending on fuel, for example, has demonstrated that all households are allocating a large portion of their budget for transportation in 2014, as they did in 2000. Consumer spending on transportation in Latino households grew from \$9.3 billion in 2000 to \$11.8 billion in 2014.

Food accounts for another vital part of consumer spending among Latino households. On average, Latino households have more members than non-Latino households; they have bigger nuclear families and often include grandparents. For this reason, more than 30% of food spending in the County is done by Latino households.

Healthcare spending by Latino households in the County grew by 182% from 2000 to 2014, nearly twice as much as healthcare spending by all households in the County.

Spending by Latino households in education and reading grew by 168%, compared to 122% for all households in the County.

Latino household spending on entertainment grew by 123% over the same period, compared to 73% growth for all households in Los Angeles County.

FOCUS: FOOD SPENDING

Los Angeles County Latino household spending on food consumed at home totaled \$6.7 billion in 2014, accounting for 32.7% of all food consumed at home in the County. Select foods purchased for at-home consumption stand out because the proportion of spending by Latino households is high and because these foods are unprocessed. These include eggs, poultry, beef, and pork. High consumption of these types of foods at home shows that Latino households highly value both eating and cooking at home and that they are underserved outside of home. Indeed, food consumption outside of home among Los Angeles County Latino households totaled \$4.2 billion in 2014, accounting for only 27.8% of all food consumed outside of home in the County. Still, Latino households in Los Angeles County spent more on Food consumed outside of home than Asian, Black, and Other Non-White households in Los Angeles County combined.

FOCUS: ENTERTAINMENT SPENDING

Spending on entertainment by Latino households in the County totaled \$2.6 billion in 2014, accounting for 21.2% of total spending in that category in the County. Although it is still proportionately low compared to the number of Latino households in the County, Latino entertainment spending has been one of the fastest-growing categories since 2000, when Latino households in the County spent just \$1.2 billion on Entertainment.

Much like the ratio of spending on food at home versus food away from home, spending in this category shows the importance that Latino households place on being home. Approximately half of entertainment spending by the County's Latino households in 2014 is categorized as audio and visual equipment, which totaled \$1.3 billion. In comparison, Asian, Black, and Other Non-White households spent \$1.0 billion. Similarly, Latino households in the County spent \$160 million on toys and hobbies and accounted for 28.8% of spending in that category.

Spending on fees and admissions to entertainment events is not as large relative to households of other race and ethnicities. Nevertheless, many

events that Latinos attend in high proportions include music concerts, comedy shows, and sports, such as soccer, baseball, basketball, and college football.

Additionally, from Spring 2009 to Spring 2014, KPCC 89.3, Southern California Public Radio's, total audience increased by 27%.² During this same time period the number of Latino listeners, increased by 96% — resulting in KPCC being the highest rated public radio station in southern California at the end of 2014. Listener support nearly doubled, from \$6.5 million to \$11.4 million; corporate underwriting revenue increased from roughly \$5.3 million to \$7.8 million during the same period.

Marketers continue to boost spending in the U.S. Hispanic media market, with 2014 advertising outlays growing by 12.0%, far ahead of the estimated 4.9% growth for all U.S. major-media ad spending.³



FOCUS: HOUSING SPENDING

The bulk of spending for most households goes toward housing, including mortgage or rent payments. More Latino households continued to rent rather than own in 2014, but that proportion has been declining over the last decade. In 2014, Latino renter households accounted for 30.5% of rentals throughout the County, compared to only 26.1% of mortgage and insurance payments in the County.⁴ With incomes growing, more Latino households, especially those with heads of households that have obtained a higher level of education and vocational training, are expected to move into owner-occupied housing over the next decade. This transition will shift consumer spending by Latino households toward less spending on rent and more spending on mortgages, home insurance payments, and other housing-related goods and services.

The amount of spending by Latino households in Los Angeles County on cellular phone service is notable. In 2014, Latino households in the County spent \$1.35 billion on cellular phone service. Those households also spent \$242 million on laundry and cleaning supplies, accounting for more than 32% of spending in the category throughout the County.

FOCUS: APPAREL SPENDING

Latino households in the County spent \$2.9 billion on apparel in 2014, accounting for 30.9% of Apparel spending throughout the County. Aligned with the demographic profile of Latinos as being younger, spending on apparel for Latino children under 2 years old totaled \$166 million in 2014 in the County, and spending on apparel for children 2 to 15 years of age totaled \$473 million, more than spending in each category by non-Latino White, Asian, Black, and Other Non-White households.

Spending on other apparel categories by Latino households in the County more closely resembled spending patterns in other major categories, with Latino households spending less than White non-Latino households and about the same as Asian, Black, and Other Non-White households in the County. However, as large numbers of Latino youths start to reach adulthood and start to enter the labor force or get deeper into their careers, Latino household spending on all Apparel categories is expected continue to grow robustly.



FOCUS: TRANSPORTATION SPENDING

Latino households in the County spent \$11.8 billion on transportation goods and services in 2014, up 26.7% since 2000, compared to only 18% growth in transportation spending by all households in the County. Most transportation spending is for gasoline, followed by finance, insurance, and other related charges.

In 2014, Latino households in the County spent \$1.7 billion on used cars and other vehicles and \$1.0 billion on new cars and trucks. Spending on used cars and other vehicles by Latino households in the County accounted for 34.5% of all spending in the category throughout the County.

2 Ginny Z Berson and Silvia Rivera, Brown Paper: "How Southern California Public Radio Opened Their Doors to Latinos and Became the Most Listened-to Public Station in Los Angeles," <https://latinopublicradioconsortium.files.wordpress.com/2015/01/brown-paper-catalog-6-final.pdf>

3 Annual Hispanic Fact Pack, "Advertising Age", August 3, 2015.

4 Note: Mortgage expenditures exclude principle payments.





CONCLUSION

Latinos in the County have significant buying power that has been increasing over the last few decades and is projected to continue to grow in the near future. Spending by Latinos in several categories, especially those that reflect goods and services for at-home consumption, merit more consideration from the perspective of marketing and advertisement diversity and inclusion, promotion, and vendor opportunities. Furthermore, Latinos will play an expanding role in the local workforce with educational attainment levels rising, leading to a faster pace of income growth.

APPENDIX

METHODOLOGY

Estimates for consumer spending are derived from the Bureau of Labor Statistics Consumer Expenditure Survey (CE Survey), which provides both historical and recent estimates of spending by category for households by various categories, including

- Race and Ethnicity
- Metropolitan Area
- Income Bracket



Beacon Economics estimated consumer spending by race and ethnicity in Los Angeles County by merging estimates from multiple categories. Spending estimates by race and ethnicity across the United States were used as the basis for the final estimates. Spending estimates by race and ethnicity were altered to incorporate spending patterns by Los Angeles County renters and homeowners. Renters' and homeowners' spending estimates were calculated separately to account for variations in the proportion of households renting and owning in the County compared to proportions of households renting and owning throughout the United States.

After deriving spending by category and by race and ethnicity in Los Angeles County using the CE Survey in 2000 and 2014, spending by category was multiplied to aggregate household by race and ethnicity in each respective year, which was obtained from the 2000 Decennial Census and the 2014 American Community Survey.



