

## Banking the Hispanic Community; it's not about Spanish

*Drew W. Edwards, Chairman & CEO, Banuestra Financial Corporation*

**W**hen my good friend and board member Teodoro Maus was Consul General for Mexico in Atlanta, Georgia, many companies came to him for advice on reaching the Hispanic consumer. One of these companies was a major national supermarket store chain that seemed very frustrated with their fruitless efforts to reach this consumer. Their sentiment was “we’ve spent untold amounts of money on research, bi-lingual signage, Mexican aisles, bi-lingual staff and new Spanish merchandise... and yet these Hispanic stores pop up all around us and get the lion’s share of the business.”

Teodoro proceeded to take the supermarket executives to a Tienda (Latino/Hispanic store) and teach them some lessons that apply to banking as well. In essence, they learned that language isn’t the only difference between this consumer and mainstream America. When they first entered the Tienda, the executives noticed all sorts of American merchandise on the shelves like Fab® detergent, Dove® soap, and Coca-Cola®. “Wait a minute,” they said, “this isn’t Mexican product!” With a smile Teodoro replied, “Exactly. And what makes you think that a Mexican only buys Spanish merchandise? They buy what they bought back home and we have all kinds of brands from all kinds of countries back home.”

Next, Teodoro led these executives over to the meat counter where, as you may or may not be aware, you can reconstruct the entire pig right there in the counter. For a typical American this sight was “less than desirable” because we are not used to the tongue and brains, among other things, laid out in their natural state. These executives

were adamant when they said “we can’t put that kind of display in our stores!” Therein lies the second lesson from Teodoro and he explained to them that “you may not want this consumer in your store because this is what they buy and this may not appeal to your mainstream consumer. And you see that butcher behind the counter? He knows how to cook that tongue 5 different ways. It’s his food too.” We learned early on at Banuestra Financial Corporation<sup>SM</sup> (formerly El Banco Financial Corporation<sup>SM</sup>) that an immigrant who came to this country after birth is very different than an American who speaks Spanish. Furthermore, within the Hispanic community there are at least 12 different cultures and versions of language so Mexican means Mexican, not Guatemalan and not Honduran. A bank and a grocery store need to understand the demographic make up of its Hispanic population. We do that in our locations and for our clients through extensive street research because this data is not found in the Census statistics or at the Hispanic Chamber of Commerce.

In our Banuestra branch locations (formerly El Banco de Nuestra Comunidad®) we took these lessons to heart 6 years ago and went on to figure out the “tongue and brains equivalent” for banking this consumer. We learned that these people truly go to a Tienda for the meat, and then they expect to have all of the other items available that they’re used to from back home. But the meat is the draw and the one thing they can’t get on the “Mexican Aisle” at a mainstream supermarket. So they go to the Tienda. Yes, it doesn’t hurt that the Tienda is staffed by peo-

ple just like them, who talk just like them, look just like them and eat just like them. But I believe they would go to the supermarket and buy that meat from a gringo if that was their only choice and the supermarket had the product they wanted.

In their financial services world, we learned that the meat is comprised of various transactional products and needs such as cashing payroll and other checks, buying money orders and phone cards, sending money home to their families, paying bills, and loading pre-paid accounts. These items draw Latinos to predators such as check cashers or liquor stores and are top of mind when they think about financial services. If a bank wants to sell this community its “products and services” then it first needs to figure out how to offer this consumer what this consumer cares about the most. It usually starts with cashing a check and then works its way through the list. Notice that how to save, or deposit their money, is not even on the list yet.

Next, a bank needs to consider if it can create an environment within its current physical branch infrastructure that is both comfortable to this consumer and not intimidating or in conflict with its mainstream clientele. Just like the supermarket’s reaction to the “tongue and brains” the bank may want to consider whether or not its current clientele will be pushed away by a lobby full of consumers that are culturally different than themselves. We happen to believe at Banuestra that, unless it’s an in-store branch, a bank should consider opening separate stand-alone locations that specifically cater to this consumer and offer a

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unique product set designed for this consumer. These locations shouldn't have a cost structure that looks like a bank and shouldn't be located on a big street corner like a bank. Banks should go where this consumer is comfortable today and offer him what he needs today. In other words, stop thinking like a bank.

When we were partnered with a large bank to operate as El Banco in our early years, we had El Banco branches directly across the street from this bank's mainstream branches and we worked in tandem without competing. Some of our client banks have done the same with our assistance. On the other hand, if your bank has in-store branches in places like

Wal-Mart® for example, that already cater to a diverse customer base, we are seeing client banks deploy these transactional products and services as add-on's to their traditional in-store product set.

It's impossible to describe in a short article how to successfully build a Hispanic banking strategy but hopefully your organization has someone challenged with this overwhelming opportunity. Hardly a bank in this nation has overlooked the fact that our new largest minority is here to stay and is an economic power to be reckoned with. We have found our rapidly growing customer base of 24,000 Hispanic workers in Atlanta, Georgia to be generally honest and loyal customers. But we had to learn to serve our Latino

customers their way, on their terms, in an environment that they trusted. ■

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Strong profits and an increasingly international outlook have allowed Indian corporations to venture beyond their borders. According to an analysis of 673 Indian companies, as reported in the Financial Express, aggregate net profit grew by 46.3% and consolidated sales by 32.2% in fiscal 2006/07 compared with 2005/06. Rising competitive pressures are also prompting Indian companies to grow rapidly through acquisitions.

**Foreign banks join the M&A rush**

Foreign banks have been eager participants in the Indian M&A surge. As the size and scope of Indian acquisitions has grown, their involvement has been critical. According to Thomson Financial, no Indian investment bank was in the top ten of M&A deals struck in the year to May 2007. UBS (US/Switzerland) topped the list with 23.4% of the market, advising

Indian companies in eight deals. Morgan Stanley (US) followed with six deals and a market share of 9.2%.

Foreign and domestic banks have joined to syndicate loans, such as the March 2006 purchase of Belgium's Hansen Transmissions by wind turbine manufacturer Suzlon. At the time, it was India's second biggest foreign takeover after Dr. Reddy's Laboratories US\$573m purchase of Betapharm Arzneimittel (Germany). The acquisition was financed by Barclays Capital (UK), Deutsche Bank (Germany) and ICICI Bank (India's second-largest domestic bank).

Since then, the stakes have gotten bigger, and the role of international players larger. Steelmaker Tata's £6.6bn purchase of Anglo-Dutch rival Corus, which closed in April 2007, is the largest Indian overseas purchase ever and catapulted Tata into the first rank of global steel producers. The deal is being financed with £3.17bn in debt, and not one of the banks leading the

syndication-Citigroup (US), ABN Amro (the Netherlands), and Standard Chartered (UK)-is Indian.

Only a few weeks after the Tata-Corus deal closed, aluminium producer Hindalco finalised the second-largest Indian foreign acquisition. This time, the target was US-based Novelis, and the price was US\$6bn. Once again, the major financiers are foreign banks. The financing consists of two parts: a US\$3.1bn loan and US\$2.4bn in leveraged buy-out financing. UBS, Bank of America (US) and ABN Amro (Netherlands) are syndicating the former, while UBS and ABN Amro are syndicating the latter.

**Regulatory considerations**

With their appetites whetted, Indian companies are asking for support from the government in making even more overseas acquisitions. In early 2007, the president of the Associated Chambers of Commerce and Industry of India, Anil Aggarwal, said, "We want the government to

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