

# LANDWRIT

## Demographics and Retail

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**The dispersion of Hispanics and African Americans to the suburbs creates new opportunities to serve ethnic markets.**

THE UNITED STATES is undergoing demographic shifts that not only will transform political, economic, and social priorities, but also will redefine retail markets. Retailing will continue to experience revolutionary shifts driven by ongoing changes in demographics, attitudes and tastes of consumers, and technology. Retail formats will change and new concepts will arise and thrive.

The future presents unprecedented opportunities for targeting highly segmented sources of demand for retail uses. An important factor in programming new retail centers or repositioning existing centers will require an understanding of specific growing minority markets. In the past, for example, retail centers serving minority groups tended to be infill projects because the majority of Hispanics and African Americans lived in center cities and close-in suburbs. While this is still true, the dispersion of Hispanics and African Americans to the suburbs creates new opportunities to serve ethnic markets. The growth and dispersion of the Hispanic population will affect retailers in more places than the traditional gateway metropolitan areas. Given that Hispanics will make up one in four Americans, they will constitute far more than a niche market, although one segmented by nationality, cultural experience, and demographic characteristics.

Constituting the smallest population group in 2000 at less than 4 percent of the total population, Asians are projected to experience the fastest population growth—with an increase of 68 percent from 2000 to 2020, and of 213 percent from 2000 to 2050. Making up less than 12 percent of the total population in 2000, Hispanics are projected to grow almost as fast as the Asian population—by 67 percent from 2000 to 2020, and by 181 percent from 2000 to 2050. This equates to an increase of nearly 22 million people from

2000 to 2020, and to nearly 60 million people by 2050. By 2050, Hispanics will account for more than 21 percent of the total population and more than 43 percent of the growth in population from 2000 to 2050.

African Americans, constituting the second-largest population group in 2000 at nearly 13 percent of the total population, are projected to grow by a comparatively “slow” 27 percent from 2000 to 2020, and by 71 percent from 2000 to 2050. The ratio of African Americans to Asians, for example, is projected to decline from more than 3.4 to one, to 1.8 to one.

In 2000, Caucasians accounted for 69 percent of the population of the United States. According to the U.S. Census Bureau, Caucasians are projected to constitute 61 percent of the population in 2020, and less than 49 percent of the population in 2050. The projected population growth of Caucasians of only 5 percent from 2000 to 2020 and 7 percent from 2000 to 2050 is far less than the growth of any other population group. Of the nearly 138 million people to be added to the U.S. population by 2050, only 14.5 million, or less than 11 percent, will be Caucasians.

Retail centers catering to the Hispanic market need to take buyer preferences into account when selecting tenants. For instance, the Hispanic family allocates more of its income to food cooked at home and less to meals in restaurants. Hispanic males allocate more of their household income to apparel and shoes. Color preferences also differ among Hispanics, with Mexican and Central American women preferring earth colors to bright colors.

Higher-end specialty stores and brand name stores do very well with Asians with median and above-median household incomes, as long as they offer products that fit the Asian body types. A look at a recent Sur Le Table catalog, for example, shows an empha-

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sion on Asian and Indian cuisine and cultures. These population groups have more PhDs than other groups; they also have a high proportion of upper-income households able to buy expensive kitchen ware.

The rapid and significant changes that immigration and birth rate differentials among population groups are making to the U.S. population mix are spreading unevenly over the states. According to demographer William Frey's analysis of the U.S. Census Bureau population estimates since the 2000 census, Hispanic and Asian populations are spreading out from their traditional metropolitan centers, while African Americans are turning toward the South at an accelerated pace. About one-half of Hispanics live in the ten metropolitan areas that represent original settlement areas. But only 41 percent of the growth of the Hispanic population has occurred in these areas since the first half of the decade. This population growth in nontraditional settlement areas like Atlanta and Washington, D.C., reflects the lure of strong employment opportunities for Hispanics. Also, Hispanics have been moving away from high-cost coastal metropolitan areas like Los Angeles to lower-cost areas with higher job growth, and to more "suburban" metropolitan areas such as Riverside/San Bernardino and central California metropolitan areas such as Stockton and Modesto.

The Asian population continues to cluster in gateway magnet areas with Los Angeles, New York, and San Francisco housing 57 percent of the population, although this figure has dropped from 61 percent in 1990. The traditional settlement areas have attracted only 47 percent of the population growth since 2000. Asians are also dispersing to metropolitan areas like Dallas and Riverside as well as Sacramento, Stockton, and Modesto, reflecting the same shift that Hispanics are making to lower-cost, higher job-creating regions.

African Americans increasingly have moved toward the South, though in fewer numbers to the "Old South" of Mississippi or Alabama and in larger numbers to the "New South" growth magnets such as Texas, Georgia, Florida, and North Carolina. Some 72 percent of the growth of the African American population is occurring in the South, with 58 percent of the nation's African American population growth taking place in large southern metropolitan areas with populations of more than 500,000. Atlanta has led all areas in African American population gains since 1990 due to its large African American middle class and growing, diversified economy.

The fastest-growing metropolitan areas that serve as magnets for overall population growth such as Las Vegas, Orlando, and Phoenix, also are the fastest-growing areas for Hispanics. Similarly, nontraditional magnets—such as Las Vegas and interior California metropolitan areas—are attracting fast-growing Asian populations. The metropolitan areas with the fastest-growing African American populations include Las Vegas, Phoenix, and Orlando.

Declines occurred in Caucasian populations in 111 metropolitan areas, with the largest declines in coastal metropolitan areas such as New York, San Francisco, and Los Angeles. The highest proportions of Caucasians remain in the Northeast and Midwest. Much of the Midwest will remain Caucasian, where younger residents will move away and the population will age. Caucasians dominate retirement migration to the Sunbelt regions of the South and West such as Phoenix, Las Vegas, Atlanta, and Dallas. Caucasians are domestic migrants leaving higher-cost, congested metropolitan areas for smaller, more affordable, suburban lifestyles in the interior West and the southeastern United States. The new Sunbelt, including Virginia, North Carolina, and Georgia, will attract younger fami-

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lies no longer able to afford living in the suburbs of states like New Jersey and California. Faster-growing smaller metropolitan areas like Boise or St. George, Utah, or Bend, Oregon, derive much of their growth from an immigration of Caucasians.

Asians, Hispanics, and African Americans currently are major sources for population growth in exurban or outer suburban areas, but these areas also continue to attract Caucasian populations. What these differing ethnic and racial groups have in common are middle-class families aspiring to the suburban lifestyle, and lower-skilled minority workers who benefit from new employment growth.

Income, age, and educational differences exist within the Hispanic group. For example, the demographics of Hispanics in Miami differ considerably from those in Los Angeles. America's large second- or third-generation Cuban population, highly educated and affluent, differ in their retail demands from those of first-

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generation, poorly educated, low-income immigrants from Mexico. San Antonio, containing the most heavily concentrated Hispanic population of a major U.S. city, is dominated by Mexican immigrants because of the proximity of the Texas/Mexico border. Ethnic supermarkets such as Fiesta Mart and Carnival cater to Hispanic needs with stores that often feature services such as wire transfer and passport photos in a marketlike atmosphere.

As of 2003, African Americans continued to have the lowest median household income at \$31,460, and Asians, the highest, at \$59,109. Median income for Caucasians was the second highest at \$50,702, while Hispanics had the second lowest at \$35,017. More than 25 percent of Asians had incomes above \$100,000, while the proportion of African Americans and Hispanics with incomes above \$100,000 was less than 8 percent and 9 percent respectively.

Income levels, alone, however, give a misleading indication of expenditure potential.

For example, both African American and Hispanic parents spend far more on children's apparel, while Caucasians spend far less, given their respective average household incomes. The same also applies to footwear and men's and boy's apparel, as well as food eaten at home. On the other hand, African Americans and Hispanics spend less of their income than do Caucasians on items such as pets, toys, playground equipment, drugs, new cars and trucks, and entertainment.

For items like girls' apparel, non-Caucasians spend much more than Caucasians, with the non-Caucasians from households with an average income of \$49,215 for African American households and \$56,000 for Hispanic households.

The two racial and ethnic age groupings differing the most are the under-five and the over-65 age cohorts. Minorities account for 35 percent of the under-five, but only 15 percent of the over-65 cohort. Because the nation's population of children is more racially diverse than the adult population, in about one-third of large metropolitan areas such as Chicago, Phoenix, Atlanta, and Washington, D.C., less than one-half of all residents under age 15 are Caucasian. Children in 27 large metropolitan areas are now "majority minority." In short, a "racial generation gap" within metropolitan areas is developing across the country.

The current population, with its large mid-section representing the baby boom generation, resembles a pyramid. In about ten years, this population pyramid will begin to look like an hourglass with the largest number of older people in the nation's history at the top, including the baby boomers (born between 1946 and 1964), the smaller number of Generation Xers (born between 1965 and 1980) in the pinched middle, and the echo boomers (born between 1981 and 1995) at the bottom. Baby boomers, the wealthiest older generation in U.S. history, provide unprecedented market opportunities as they remake their so-called golden years in their own image.

Many retailers and entertainment enterprises still target today's Generation Y—the echo baby boomers—as their primary market, instead of their richer parents, the baby boomers themselves. Given its sheer size, the Gen Y market will continue to be central for the next 35 or more years. Nevertheless, the baby boomers still have a disproportionate amount of wealth, as well as income, and while decidedly middle aged, they do not perceive themselves as such. Boomers have seen their parents age and have decided against it. Retailers that help baby boomers hold on to their youth will themselves prosper.

Many retailers have failed to acknowledge that the female baby boomer still wants to purchase hip clothing—but is more likely to need this clothing in a size 10 to 14 rather than a size 4 to 8. The most popular size in

women's apparel was a size 8 back in 1985; in 2002, it was a size 14. This increase in average size is due not only to the increase in the size of aging baby boomers and to the average Hispanic and African American woman who tends to be larger than the average non-Hispanic Caucasian woman, but also to the overall "epidemic" of obesity worldwide. This trend creates an opportunity for retailers specializing in large sizes for both adults and children. These retailers should be part of any tenant mix in centers catering to specialized ethnic and age groups.

Because boomers tended to have children later in life and Generation Xers are starting to have children earlier, there are a variety of opportunities for entrepreneurs with an eye for the market in children's and adults' apparel and other related businesses. The design boom has been extended to children with the development of television programs such as Trading Places and MTV Cribs, and with new publications for teens. Pottery Barn Kids, Land of Nod, and other retailers are providing markets for children's furnishings.

To capture boomers' dollars will require appealing to the unique lifestyles and values of boomers. Boomers tend to seek life's greater meaning and take a proactive stance against the aging process. Older consumers, however, are more knowledgeable and have to be convinced of the desirability of a purchase.

Retailing and retail development opportunities in the future will be based on niches and the replacement of obsolete formats and concepts. As competition from on-the-ground stores and "etailing" shopping expands, it will be increasingly important for consumers to perceive shopping as fun, safe, and an efficient use of time. Differentiated retailers and developments that stay tuned to contemporary preferences and demographic and cultural shifts will be the long-term winners in market share and profitability. **U**

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