

Financial Services Shopping Preferences: A Comparison Of African American And White Households

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ABSTRACT

The purpose of this study is to generate information for financial services marketers who are seeking to reach and provide more effective service to the growing African American segment. This information is needed because research has shown that the shopping behavior of African American consumers differs from that of their white counterparts in terms of information gathering and patronage patterns. Therefore, different marketing communications techniques may be needed to reach these people. Nevertheless, there has been a paucity of contemporary empirical studies of how shopping behaviors manifest themselves with regard to the purchase of financial services. This paper uses the Federal Reserve System's most recent Survey of Consumer Finances to analyze differences between black and white household financial services shoppers. Findings indicate that there are similarities and differences in the ways that blacks and whites seek to access the offerings of this industry. Suggestions are offered to financial services marketers based on these findings.

INTRODUCTION

The role of segmentation in the development of an effective marketing strategy is well established in business literature. There are many bases used for market segmentation including geographic, psychographic, and usage factors; but the demographic characteristics of age, occupation, income level, educational attainment, and race are the bases most frequently used to identify key markets. Race in particular is important as a segmentation variable because racial minorities have come to represent a large proportion of the U.S. population, and it has been shown that race can influence consumption patterns. The African American minority group (the terms "African American" and "black" are used synonymously in this paper because there is no clear preference for either term among members of this racial group) (Morris, 1993) is of particular interest to marketers because of the sheer number of people represented and because of the improving economic and educational attainment of many of its members. Furthermore, it has been shown in many studies that the shopping and consumption behavior of blacks differs from that of whites. Despite this, however, there has been little empirical study of racial differences in shopping and consumption behaviors for financial services. It is the purpose of this study to determine if African American shopping patterns are different from those of whites in the purchases of such services. Moreover, if differences are identified, a further purpose is to determine how these differences are manifested, so that marketers of financial services can better understand how to effectively approach the African American segment.

BACKGROUND

The number of African Americans in the U.S. is continuing to grow rapidly. In the period from 2000 to 2003, for example, there was an increase of more than 1.6 million blacks in the U.S., a 4.4 percent increase. The corresponding percentage increase for whites in the same period was 2.8 percent. During the 1990-2002 period, the number of black households grew by 52 percent; white households grew by only 27.5 percent. Moreover, the total U.S. population of blacks is predicted to increase by nearly 3.4 million by the year 2010. This represents a projected nine percent increase over the

seven years from 2003; the white population is forecast to grow only 4.6 percent during the same period. By 2010, African Americans are expected to represent just over 13 percent of the U. S. population (U. S. Department of Commerce, 2004-2005).

Nevertheless, a mere increase in numbers of people does not mean that a particular group is an attractive segment. Also present must be the means to purchase and a perceived need for the products or services being offered. In the case of the black minority, at the same time that it is increasing in numbers, its household income is also increasing, indicating a probable need for more of the offerings of the financial services industry. To illustrate, from 1990 to 2002, median money income of African American households increased over 55 percent while white median money household income increased only 44 percent. This increase in black household income is reflected in declining poverty levels in the group. From 1990 to 2002 there was a 12 percent drop in the percentage of black persons below the poverty level; the comparable drop in the percentage of whites below the poverty level was two percent. Nevertheless, even though the percentage of blacks dropped to about 32 percent (lower than it had been for more than 20 years), the large number of African Americans below the poverty level means that not all members of the group have participated equally in the upward economic movement (U. S. Department of Commerce, 2000; 2004-2005). Despite the presence of a large number of black poverty level households, however, overall African American purchasing power rose to \$723 billion in 2004, up from \$585 billion in 2000. Further, forecasts indicate that by 2009, blacks will have \$965 billion in purchasing power, up 203 percent since 1990 (Holmes, 2005).

To some extent, this growth in purchasing power and increases in total household income can be explained by changes in occupational status. For example, the number of blacks employed in managerial and professional specialties increased by nearly 200 percent, an increase of more than 2,609,000 workers, from 1983 to 2003. During this twenty-year period increases in the percentages of African Americans in specific occupations were as follows: financial managers, 192 percent; physicians, 58 percent; pharmacists, 51 percent; accountants and auditors, 48 percent; lawyers and judges, 46 percent; and dentists, 44 percent. These career advancements were supported by increases in the college enrollment of many African Americans as well as significant increases in degrees awarded. From 1990 to 2001, total black undergraduate enrollments increased by more than 500,000 students, a 44 percent increase; and graduate school enrollment doubled, an increase of more than 85,000 students. Degrees awarded to African Americans increased from the year 1990 to 2002 as follows: bachelors' degrees, 91 percent; masters' degrees, 163 percent; doctors' degrees, 109 percent; and first professional degrees, 70 percent (U. S. Department of Commerce, 2000; 2004-2005).

These statistics and others, such as the increases in numbers of African American owned businesses and sales receipts and profits of such businesses, indicate that there are members of the black minority that comprise an attractive market segment for the products and services offered by the financial services industry. Indeed, one study noted that the phrase the "emerging black middle class" is passé; the group has arrived (Lach, 1999). Yet to take this statement literally as a rationale for grouping all African Americans together and viewing them as an attractive segment would be simplistic. On the contrary, similar to any other racial or ethnic segment of the population, the African American "segment" is really a number of segments. To illustrate, the 2005 Yankelovich Monitor Multicultural Study identified six sociobehavioral segments within the African American market. One of the groups, representing 27 percent of blacks, was identified as "Attainers," and characterized as usually married, with a median age of 40 and a median household income of \$55,000. They have college degrees and are looking for tools to help them reach their aspirations. A second group labeled as "Elites," represented five percent of U.S. blacks. This group was described as mature (median age was 46) people who live and work in the mainstream and had a median annual income of \$113,000. The third group, representing about 14 percent of African American was labeled "Conservers." They have median household incomes of \$38,000, median ages of 67, and most are retired. These three groups together represent about 46 percent of all U.S. blacks, a market of approximately 18 million individuals who could be expected to have an interest in and need for the services of the financial industry (Robinson, 2006). The route to reaching members of these groups, however, is not necessarily clear. Some argue that the differences between blacks and whites can be attributed mainly to social class, income, and location of residence (O'Hare, 1987). This view is supported by studies into the value orientation of the middle class that found many similarities between blacks and whites (Schiffman & Kanuk, 1997). Such similarities would be expected to lead to a convergence of values among the races in situations where socioeconomic levels are comparable.

Other studies, on the other hand, have shown that there are significant differences between the races. For example, Freeman (2002) reported that blacks go to the store more often and spend more on groceries per week in comparison to all shoppers. Another study, that controlled for education levels, age, occupation and family structure, found that, “compared to whites of equivalent backgrounds, African Americans watch more television, spend more time at church, do less housework, and do more child care” (Robinson, Landry & Rooks, 1998). That study also found that in comparison to similar whites, blacks spend more time in phone and family conversation. Another study (Schlossberg, 1993) asserted that African Americans do not seek to converge into the mainstream culture as incomes rise. Instead, the importance and value of ethnic heritage and identity rises as incomes and educational levels increase (Berry, 1991). In addition, another study determined that the tastes of African Americans do not resemble those of whites (Williams & Qualls, 1989). These findings lend support to the statement of one black advertising executive who said, “Black people are not dark skinned white people – there are cultural values that cause us to be vastly different from the majority of the population” (Spadoni, 1984).

These differences manifest themselves in numerous ways, some of which can be seen in household consumption behavior, especially as incomes rise. One study of purchase intentions found blacks more likely than whites to intend to purchase high-ticket items like home appliances, jewelry, cars, and computers (“Motorola,” 1996). Among blacks involved with the internet, socioeconomic levels are high. A survey of subscribers to an African American newsletter delivered via e-mail showed that more than 75 percent have college degrees and that 45 percent of subscriber household incomes exceed \$50,000 (Wynter, 1996). Another study showed that black and white viewers browse web sites differently. That is, blacks spend more time browsing and recall more information from black-targeted web sites, but whites’ browsing and recall are no different no matter what the racial target of the web site (Appiah 2003). Differences in internet browsing habits are of note because internet spending by blacks increased by 600 percent between 1996 and 1997, from ten to \$60 billion (“Black American,” 1999), and it is still increasing.

In usage of other media, blacks also have different media habits and attitudes than whites. For example, blacks represent only ten to 12 percent of mass-market magazine readership (“Black Consumers,” 1993), but they regularly read black community newspapers and find them credible (Legette, 1994). Of African American women who rely on magazines as a source of information, 70 percent rely solely on African American magazines; only five percent rely on general market magazines (“Most Wanted,” 2005). African Americans are increasing their spending on newspapers. From 1995 to 1999, for example, U. S. Commerce Department figures showed that spending on home delivery and newspaper subscriptions rose five percent among black households and dropped two percent among white households. As a result, total annual per household spending for newspapers for black households was higher than for white households (Fitzgerald, 2001). Other studies show that blacks watch different television programs than do whites (Jensen, 1993) and listen to radio more frequently than do similar whites (Robinson, Landry & Rooks, 1998). Moreover, many resent the way they have been portrayed in advertisements in print and electronic media; 60 percent of blacks in one survey felt that ads were, “designed for whites” (Reynolds, 1993). Another survey showed that the majority of consumers felt that there are not enough African Americans in ads, and more than 90 percent of the respondents were white (Ward, 1992). Moreover, there is ample literature that has analyzed the media and called for improvements in the frequency and role portrayal of African Americans in both electronic and print media (e.g., Bristor, Lee & Hunt, 1996; Stevenson & Swayne, 1999; Taylor, Lee & Stern, 1995).

The results of differences in buyer behavior, values and attitudes that lead to differences in racial consumption patterns also manifest themselves in purchase decisions regarding financial services, and it is apparent that many African Americans are not being reached by the industry. To illustrate, Boyce (1998) noted that there is less involvement in the stock market by affluent blacks than by affluent whites. Zhong and Xiao (1995) found race to be a factor in stock ownership and determined that white households were more likely to invest in stock than were black households of similar age and educational levels. Gittleman and Wolff (2004) determined that fewer blacks than whites invest in equities and other historically higher return investments. Perhaps a reason for this is suggested by a 1997 study finding that 77 percent of black respondents feel they know “just ‘some’ or ‘very few’ of the things needed to make good investment decisions, compared to only 46 percent of whites” (Lach, 1999, p. 59.) A survey of families with household incomes of at least \$50,000 found that 63 percent of African American investors were conservative; the comparable figure for whites was 53 percent (Scott, 1998).

Another study found that in households with incomes in excess of \$50,000 annually, black women are the least likely group to be invested in stocks (Mincer, 1999). The reluctance of African American women to invest in stocks, attributed to cultural and demographic factors, is especially important because women are the primary financial decision makers in 21 percent of African American households; in white households only ten percent of wives take this role (Smith, 1997). This conclusion, based on a 1997 nationwide survey of 974 adults, supports previous analysis of the role of the wife in black household consumption (Scanzoni, 1971). The 1997 survey further asserted that because blacks have not had parent and grandparent investors to emulate, they are more reluctant than whites to take the risks necessary to achieve higher returns. Additional support for this belief comes from Shanmuganathan et al (2004) who suggested that a divergence exists between blacks and whites in regard to investment savings and investment tools because African Americans were introduced to these concepts later in life than were whites. Thus blacks tend to invest in more conservative instruments such as real estate and make few other investments due to lack of knowledge. Nevertheless, they seek annual investment returns more than three percentage points higher than whites and are more likely than whites to rely on financial advisors rather than family or friends (Smith, 1997). Perhaps this explains why a recent survey showed that when it comes to managing their money, 43 percent of black women indicate an interest in financial investing while only 33 percent of general market women express such interests (“Most Wanted,” 2005).

These fragmented findings provide a glimpse into where the African American market is being under-served by financial services marketers. However, in order to reach this underserved sector, it is necessary to determine how blacks gather information about the products of the financial services industry. In addition to understanding communication channels, it is also important to know what distribution channels (in person, mail, computer, for example) are preferred. This information would give a clearer picture of which communication and distribution channels show the most promise for reaching this high-potential sector.

RESEARCH QUESTIONS

As the previous section demonstrated, literature regarding how African Americans shop for financial products and services is minimal. Therefore the focus of the remainder of this paper is on testing the veracity of previous research conclusions to profile differences between African American and white household shopping behaviors, highlighting statistically significant pair wise differences between the two groups. Further, because previous research has shown that household income and educational achievement of the head of household may influence purchase behavior, the study examines the influence that these factors may have on behavior by controlling for both income and education in the analysis. By isolating these two intervening variables, the study will highlight whether shopping preference differences increase, decrease, or remain the same as income and educational levels change. The research questions are:

- Are there differences in financial services shopping behavior across African American and white households that can be explained by controlling for level of household income?
- Are there differences in financial services shopping behavior across African American and white households that can be explained by controlling for level of head of household educational attainment?

METHODOLOGY

Data for this study were gathered from the 2004 Survey of Consumer Finances (SCF) prepared by the Board of Governors of the Federal Reserve System in cooperation with the Statistics and Income Division of the Internal Revenue Service. The SCF, conducted triennially since 1983, provides detailed information on the financial characteristics of U.S. households, including financial asset and liability holding patterns, real estate ownership, and household net worth. Also included are demographic and attitudinal characteristics covering age, sex, race, educational attainment, income, and other classificatory variables useful for characterizing household balance sheet characteristics across different subgroups within the American population. A more complete description of the SCF dataset is given by Bucks, Kennickell, and Moore (2006).

The SCF dataset uses a dual-frame-sampling plan that incorporates both an area-probability sample and a special list sample derived from IRS tax records. The area-probability sample provides information on financial variables that are widely distributed in the general U.S. population, such as automobile ownership and home mortgages, while the list sample represents a special oversample of relatively wealthy families designed to capture financial data items that are highly concentrated within a relatively small proportion of the population, such as commercial real estate holdings and household trust fund ownership. This unique sampling methodology results in the oversampling of households more likely to be wealthy. Therefore, descriptive statistical measures derived from the SCF sample must be weighted to generate sampling estimates that are projectible to the entire US population (Board of Governors of the Federal Reserve System, 2006). Thus, the weighting scheme used to combine the area probability sample with the list sample adjusts the main dataset for the over sampling of relatively wealthy families in the full unweighted sample. The statistics reported below are derived from the full, weighted version of the SCF sample and focus on moderate to higher income households rather than a general description of the U.S. population across all income strata. Further, the sample sizes for the various subgroups reported below are normally less than the 22,595 potential 2004 observations because the study uses information covering only two racial subgroups and eliminates some responses considered irrelevant or invalid in the context of household financial information.

The household responses to specific survey questions contained in the dataset are organized according to primary economic unit (PEU). Each PEU represents an economically dominant single individual or couple in a given household, and includes information for all other individuals who are financially dependent on the dominant individual or couple. Thus, the shopping preferences shown profile the entire PEU rather than the behavior of a single individual. The intent is to highlight, by the use of difference of proportion tests, composite differences in financial asset shopping patterns and preferences across the sample of PEUs, rather than to emphasize individual differences in such behaviors.

FINDINGS AND DISCUSSION

Information concerning the amount of time that SCF survey households devote to shopping for savings and investment products as well as credit and borrowing products is shown in Table 1, which also identifies the sources of information that household members consult when making decisions regarding the purchase of savings and borrowing products. These statistics control for various household income levels to illustrate how shopping patterns change with increasing purchasing power. Table 2 provides information similar to that in Table 1, but it is stratified by education level of head of household. Both tables show that the shopping patterns and methods used to seek financial services vary somewhat between black and white households, but there is ample evidence of similarity as well. (Note: To conserve space, the data tables are abridged to report only three income and educational attainment categories from the SCF dataset, even though the SCF dataset includes a greater number of categories for each respective independent variable. In addition, the tables report statistical significance with symbolic notation, rather than reporting the standard deviations and p-values for each pair wise difference. Nevertheless, complete, unabridged tables that include all SCF income and educational attainment categories as well as all calculated standard deviations, t-statistics, and p-values were prepared and used to develop the abridged tables shown in this paper).

Findings By Income

One difference between the races is the amount of time that survey respondents report shopping for investment and savings and investment products. In all but one income category, a greater proportion of African American than white households report spending a moderate or great deal of time shopping for savings and investment products, and in all income categories a smaller proportion of black households reports spending very little time shopping for such products. Perhaps this is because of the technical complexity and material significance of investment decisions, and perhaps more black families feel unprepared to make these decisions without extensive research and evaluation. This suspicion is borne out by a study research by Ariel Mutual Funds and Charles Schwab. It found that 77 percent of black respondents believed they knew just “some” or “very few” of the things necessary to make good investment decisions, while only 46 percent of white investors reported a similar lack of comfort with investment decision-making (Lach, 1999). Thus, because African American income levels are rising, leading to increasingly complicated investment scenarios, black households may be making an extra effort to gain the information and knowledge necessary to support financial decision-making.

A similar pattern characterizes borrowing decisions for credit products. A greater proportion of African American than white households at all income levels report spending a moderate or great deal of time evaluating credit terms and products. This may occur because black households perceive that potential discrimination in the credit market will impede their ability to negotiate credit at favorable terms, so these families feel it is especially important to research and evaluate various credit alternatives before making a borrowing decision. Gutter, Fox, and Montalto (1999) support this contention by noting that credit discrimination can take many forms, from reduced access to credit to limited access to credit information. Perhaps the limited information access argument makes it more difficult for African American households to obtain information about alternative retail credit instruments, and the added difficulty these households face in seeking out credit information accounts for the higher number of black families who report spending a great deal of time shopping for credit products. Nevertheless, it is interesting to note that in all income categories a larger percentage of whites than African Americans indicate that they do not borrow. Thus, white families would be expected to spend less time shopping for credit and borrowing products than would blacks.

Reviewing the various information sources consulted by consumers in selecting financial products and services, however, suggests that black households generally are about as unlikely to be self-reliant in information gathering as are white households. This is demonstrated by the fact that at most income levels similar percentages of black and white households report self-consultation. This tends to refute claims that African American households are less confident than white households in trusting personal judgment and making financial decisions without outside assistance, although for both races the proportion of households reporting self-consultation is somewhat small. Highly more likely for both races is the seeking of outside information regarding savings and investment products from financial planners. Interestingly however, black households turn to financial planners for assistance less frequently than do whites, especially at the highest income level. This finding does not support the assertion that blacks are more likely than whites to rely on financial advisors rather than family or friends (Smith, 1997). It also tends to refute the notion that African Americans are less confident than whites in making decisions regarding financial matters. On the contrary, it may simply be an indication that financial institutions have failed to employ sufficient numbers of African Americans to appeal to this minority. This is plausible because it has been shown that the black minority is underrepresented in the financial services industry and that less than two percent of America's private investment dollars are managed by minorities (Hira, 2006). Interestingly, there were no differences in the incidences of African Americans and whites who turn to friends and relatives for advice regarding savings and investment products, and this source of information was among the most frequently used in the lower and middle income groups. Only at the highest income level did this source of information become less used by both races. That is, at income levels over \$100,000, both African Americans and whites turned away seeking information from family and friends and turned to other sources of assistance. High income white households relied more frequently on financial planners and lawyers; black households sought information from advertisements and by proactively calling various vendors.

While Legette (1994) reported a higher rate of radio listenership and television viewership within black households, these families do not turn to television and radio in large numbers for savings and investment advice. Rather, print media outlets – including magazines and newspapers – represent a popular source of financial information for both black and white families and black households in the \$50,000 to \$100,000 income and over \$100,000 categories. Other sources of information such as the internet, bankers, accountants, and printed material received in the mail were about equally important to both groups. The relative lack of emphasis in either group on commercial bankers for investment advice is surprising because historically there has been a greater rate of commercial bank patronage reported by higher income households. These data show instead that bankers are an under-utilized source of financial advice at the middle highest income levels, replaced in both races by magazines, newspapers, and financial planners, but still more important than television, radio, lawyers and accountants.

In looking at sources consulted for information on credit or borrowing products, again there are similarities and differences in shopping behaviors among the races. Looking first at similarities, generally speaking there are few differences between the races in the usage of mail, television, radio, and other advertisements as sources of information. In virtually all income categories, such information sources are rarely consulted. There is no also no difference in the races in usage of the internet when controlling for income level, but in contrast to the four sources of information just mentioned, internet usage is high in both racial groups, usually ranking in the top three or four of the sources listed. This points to the

growing importance of the internet in B2C commerce; a phenomenon widely noted as having changed the way that many consumers shop. The relevance of the internet for shopping information for African Americans with above average incomes was anticipated more than a decade ago by Legette (1994) and later by Robinson et al. (1998). Indeed, in terms of racial usage of the internet for financial shopping purposes, the findings of this study support the assertion that African American households with higher incomes (above \$75,000 annually) have the same incidence for computer usage as whites (Freeman, 2002). In terms of differences, however, again there is evidence that blacks are less likely than whites to work with financial planners. This is especially true in the highest income category, a fact that suggests that financial planners are missing an opportunity to connect with a substantial segment of the financial services market.

Findings By Education

Similar to Table 1, Table 2 shows shopping pattern characteristics for savings and investment products and also for credit and borrowing products, but Table 2 is stratified by educational level of head of household, unlike Table 1 which is stratified by income. However, since education levels are related to income levels, it would be expected that there would be much similarity between the results shown in the two tables. This is true for some shopping patterns, but not true for others. In the case of higher levels of education (college and attendance in graduate school) and higher levels of earnings (\$50,000 and over), the proportion of African Americans who spend either a moderate or great deal of time in shopping for both savings and credit products always exceeds the proportion reported by white households. Likewise, the usage of financial planners, bankers, and accountants as providers of information on both types of products is virtually parallel in both tables, with blacks lagging whites in nearly all income and education categories. Another similarity in both the income and education tables is the use of the internet as a source of information. In all but one education category (college graduates) where internet usage to seek savings and investment information by blacks trails that of whites, African American and white households show no significant differences in their usage of the internet. And in all income and education categories for both races, internet usage as a source of information always exceeds the usage of lawyers, radio and television, direct mail, and other forms of advertising. This indicates that both races assume greater credibility on the internet than in more traditional forms of advertising, which is consistent with the exponential growth of the internet in B2C commerce.

On the other hand, there are some surprising differences in shopping behavior between the races when education rather than income is used to stratify the data. For example, stratifying by education levels reveals virtually no difference between the races in the propensity to call various vendors in seeking information regarding both savings and borrowing products. Such was not the case when stratifying by income (Table 1), where there were significant differences in four of the six stratification categories. Most notably at the highest income level, a much higher proportion of African Americans were proactive in calling various vendors than were white households, whereas in the mid-income range, the picture was just the opposite. This pattern did not repeat itself at different levels of education.

Also strikingly different when controlling for education was the tendency of African Americans to consult family and friends for information, especially with regard to credit and borrowing products. At all education levels blacks were significantly more likely than whites to use this information source. A possible explanation for this may be that black households lack trust in the industry, thus they turn to personal contacts for information about which credit providers they can trust. Whether or not this is the cause, the finding supports the notion by Jamison (1993) that African Americans are more likely than whites to rely on social reference groups when making financial decisions, regardless of education level. This unique characteristic of black households was not shown to be as evident when stratifying by income. Last, although the tendency to rely on oneself as a source of information generally was cited by less than ten percent of respondents of both races, in every case except that of college graduates the percentage of African Americans reporting this information source exceeded that of whites reporting similarly. This appears to conflict with previous information that indicated that blacks, in contrast to whites, report that they know “just ‘some’ or ‘very few’ of” the things needed to make good investment decisions (Lach, 1999). Instead, at least for African American women, this adds credence to the notion that a greater percent of black women indicate an interest in financial investing than do general market women (“Most Wanted,” 2005).

Table 1
2004 Shopping Patterns by Income

Shopping Pattern Characteristic	---\$25,000 to \$49,999---		---\$50,000 to \$100,000---		---Over \$100,000---	
	-----Race-----		-----Race-----		-----Race-----	
	Black 816 Prop.	White 3347 Sig. Prop.	Black 416 Prop.	White 3900 Sig. Prop.	Black 157 Prop.	White 7381 Sig. Prop.
Savings and investment products:						
<u>Time spend shopping:</u>						
Very little	22.55%	25.34%	10.34% ^{***}	18.41%	0.00% ^{***}	17.95%
Moderate	37.87% [*]	33.88%	39.90% [*]	34.49%	40.13% [*]	31.57%
Great deal	19.24%	18.34%	23.56%	20.05%	49.68% ^{***}	24.70%
<u>Information sources consulted:</u>						
Call various vendors	16.18% [*]	14.97%	12.74% ^{***}	17.79%	21.02% ^{***}	10.41%
Magazine/newspapers	4.17% [*]	5.89%	9.86%	8.64%	12.74%	11.42%
Mail	4.29% ^{**}	2.45%	2.40%	1.79%	1.27%	1.06%
Television/radio	4.17% ^{**}	1.79%	0.24% ^{***}	1.85%	3.18%	0.80%
Internet	6.62% [*]	8.01%	9.62%	8.67%	9.55%	8.70%
Other advertisement	2.57% ^{***}	0.60%	1.20%	1.31%	9.55% ^{***}	0.08%
Friend or relative	18.50%	18.40%	14.66%	14.31%	7.01%	6.84%
Lawyer	1.23%	0.63%	1.20%	0.64%	0.00% ^{***}	2.17%
Accountant	0.61% ^{**}	1.79%	3.61%	2.38%	6.37%	6.25%
Banker	9.07% ^{***}	17.24%	13.46%	12.49%	6.37%	10.19%
Financial planner	10.66%	11.74%	16.83%	19.90%	11.46% ^{***}	28.02%
Self	7.11%	6.66%	9.13% ^{***}	3.54%	8.28%	11.83%
Do not save or invest	13.36% ^{***}	7.68%	2.64% [*]	4.49%	0.00% ^{***}	1.10%
Do not shop around	0.00% [*]	0.15%	0.00% ^{***}	0.26%	0.00% [*]	0.07%
Credit and borrowing products:						
<u>Time spend shopping:</u>						
Very little	19.00%	17.72%	7.69% ^{***}	12.05%	6.37% ^{***}	18.89%
Moderate	42.16% [*]	37.88%	41.35% ^{**}	33.62%	43.31% ^{**}	32.48%
Great deal	25.86%	23.72%	35.58% ^{***}	26.51%	39.49% ^{***}	22.42%
<u>Information sources consulted:</u>						
Call various vendors	27.33%	24.74%	19.95% ^{***}	30.49%	34.39% ^{***}	19.36%
Magazines or newspapers	5.02% ^{**}	7.50%	15.87% ^{***}	7.15%	12.74% [*]	7.42%
Mail	7.60%	8.13%	4.81% [*]	7.08%	3.18%	1.92%
Television or radio	6.74% ^{***}	2.45%	1.20%	0.85%	2.55%	0.76%
Internet	11.15%	10.25%	18.03%	15.38%	16.56%	11.83%
Other advertisement	3.06%	2.78%	1.20% [*]	2.36%	3.18%	0.95%
Friend or relative	14.09%	14.01%	14.42% ^{**}	8.92%	3.18% [*]	6.29%
Lawyer	0.00% [*]	0.18%	1.20%	0.23%	0.00% ^{***}	0.96%
Accountant	0.00% ^{***}	1.05%	0.00% ^{***}	1.18%	3.18%	5.38%
Banker	9.07% ^{***}	15.00%	10.58% [*]	13.95%	1.27% ^{***}	17.71%
Financial planner	10.05%	8.57%	12.50%	14.38%	13.38% ^{**}	21.11%
Self	6.86% ^{***}	2.75%	6.97% ^{***}	2.36%	3.18%	5.28%
Do not borrow	5.39% ^{**}	8.37%	4.09%	5.36%	3.18% ^{***}	12.13%
Do not shop around	0.00% ^{***}	0.33%	0.00% ^{***}	0.18%	0.00% [*]	0.07%

Note: Significance levels denoted as follows: *.05; **.01; ***.001.

Table 2
2004 Shopping Patterns by Education

Shopping Pattern Characteristic	High School Graduate			College Graduate			Attended and/or Completed Grad.		
	Race			Race			Race		
	Black 711 Prop.	White 3899 Sig.	Prop.	Black 324 Prop.	White 4415 Sig.	Prop.	Black 197 Prop.	White 4472 Sig.	Prop.
Savings and investment products:									
<u>Time spend shopping:</u>									
Very little	22.36%	***	28.39%	15.74%		19.03%	11.68%		14.42%
Moderate	43.46%	***	30.03%	36.42%		33.54%	34.01%		30.72%
Great deal	17.86%	*	21.65%	29.32%	*	22.85%	33.50%	*	25.29%
<u>Information sources consulted:</u>									
Call various vendors	16.32%		14.44%	16.98%		13.64%	17.77%	*	11.25%
Magazine/newspapers	7.74%	*	5.18%	9.26%		11.12%	5.08%	***	13.44%
Mail	2.81%	*	1.41%	1.54%		2.27%	1.02%		1.21%
Television/radio	4.22%	**	1.82%	0.00%	***	1.36%	0.00%	***	0.36%
Internet	5.34%		5.13%	6.17%	**	10.51%	10.66%		8.77%
Other advertisement	2.11%		1.03%	4.63%	***	0.00%	5.08%	**	0.72%
Friend or relative	21.10%		18.31%	13.89%	*	9.35%	12.69%		9.17%
Lawyer	1.41%	*	0.41%	1.54%		2.27%	0.00%	***	0.89%
Accountant	0.70%	***	2.67%	1.54%	***	4.53%	10.15%	**	4.03%
Banker	15.47%	*	18.62%	10.80%		9.13%	3.55%	***	9.37%
Financial planner	1.41%	***	13.39%	21.60%		23.62%	15.23%	***	26.39%
Self	9.70%	*	6.92%	2.47%	***	7.45%	13.20%		11.34%
Do not save or invest	10.55%		8.72%	8.02%	**	3.62%	3.05%		1.83%
Do not shop around	0.00%	**	0.26%	0.00%	**	0.23%	0.00%		0.00%
Credit and borrowing products:									
<u>Time spend shopping:</u>									
Very little	25.18%	*	21.49%	9.26%	***	16.24%	8.63%	***	17.53%
Moderate	36.15%		34.62%	50.62%	***	31.14%	35.03%		32.92%
Great deal	23.63%		24.16%	27.78%		25.87%	41.12%	***	21.36%
<u>Information sources consulted:</u>									
Call various vendors	26.86%		27.19%	23.15%		23.51%	15.23%		20.17%
Magazines or newspapers	4.64%		5.51%	16.98%	***	7.63%	7.61%		9.26%
Mail	3.52%	**	5.92%	6.17%		4.05%	7.61%	*	2.95%
Television or radio	4.22%	***	1.54%	1.54%		0.34%	6.09%	**	0.67%
Internet	6.05%		7.00%	16.98%		15.90%	15.74%		13.04%
Other advertisement	3.52%		3.08%	0.31%		0.93%	0.51%		0.56%
Friend or relative	22.64%	***	12.62%	17.28%	***	8.34%	15.23%	**	7.02%
Lawyer	0.00%	***	0.38%	0.00%	***	0.68%	2.54%		0.56%
Accountant	1.41%		1.67%	0.00%	***	3.74%	2.54%		4.38%
Banker	9.85%	***	17.70%	7.72%	***	13.84%	3.05%	***	15.74%
Financial planner	1.41%	***	10.13%	20.06%		16.78%	15.23%	*	20.95%
Self	6.61%	***	2.44%	0.62%	***	3.90%	10.15%	*	5.10%
Do not borrow	7.88%	*	10.59%	1.54%	***	9.88%	6.09%	**	10.89%
Do not shop around	0.00%	***	0.36%	0.00%	*	0.11%	0.00%	*	0.11%

Note: Significance levels denoted as follows: *.05; **.01; ***.001.

IMPLICATIONS AND CONCLUSIONS

The primary purpose of this study was to determine if differences exist in the ways that African American and white households seek information regarding the offerings of the financial services industry. Findings indicate that there are similarities as well as differences in financial service shopping behaviors between black and white households. Marketers of financial services must recognize and understand the differences, then address them appropriately in race specific marketing programs to effectively penetrate the rapidly growing African American sector. Although development of all the facets of appropriate strategies to reach the African American market is beyond the scope of this paper, several preliminary implications can be drawn from these findings.

First, although previous research has shown that blacks listen to radio and television at higher rates than whites, few use these media to acquire financial information. Instead, magazines and newspapers are preferred and should be a part of the promotional mix when targeting African American households. Equally and sometimes more important is the internet as an information source. It should definitely be a part of the integrated marketing communications mix because it is used by a larger percentage of black families – than whites at higher levels of both household education and income.

Second, blacks at all education levels turn to family members and friends for financial advice at much higher percentage levels than do whites. Depicting such activities in all media copy would be consistent with the buying patterns of this segment. Further, because of blacks' relative unwillingness to consult professionals (lawyers, accountants) in seeking information regarding financial services, such scenes should play only minor roles in media depictions.

Third, financial planners at nearly all income and education levels play a role in a larger percentage of white families than they do in black households. Hence, financial planners are missing the opportunity to reach an attractive and growing segment, particularly at the highest levels of income and education. One way to deal with this problem would be to use promotional images that portray financial planners in consultation with African Americans. Further, because of the strong identification of African-Americans with their communities, heritage, and religion (Jamison, 1993), financial planners should consider using community outreach efforts, such as underwriting scholarships or sponsoring church picnics to garner exposure and positive word-of-mouth.

Fourth, some experts in financial services marketing advocate using African American ad agencies to develop race-appropriate messages for the black community (Jamison, 1993). Other research has shown that using black models in advertisements leads to increased likelihood of purchase (Whittler, 1991). This suggestion also applies to internet promotion, since it has been shown that, blacks spend more time browsing and recall more information from black-targeted web sites (Appiah, 2003).

Last, providers of financial products and services should develop programs to attract more African Americans to their industry. Doing so would be appropriate because it has been shown that the black minority is underrepresented in the financial services industry and that less than two percent of America's private investment dollars are managed by minorities (Hira, 2006). Employing more blacks in sales and in other positions visible to consumers would send a signal that the industry is supportive of African-Americans, values their input, and welcomes their business. Moreover, including a larger commitment to personal selling in marketing to blacks would offer opportunities for cross-selling not as available in other distribution channels.

In conclusion, it is clear from the information presented here and a review of relevant literature that discusses purchase and consumption behavior across different racial groups that "black people are not dark-skinned white people," as one astute advertising executive noted (Spadoni, 1984). Those marketers of financial services who recognize this and respond accordingly stand to gain access to an increasingly attractive segment.

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