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## ASIAN-AMERICAN BUYING POWER BY PLACE OF RESIDENCE: 1990-1999

Jeffrey M. Humphreys

**W**ith close to \$230 billion in spending power, Asian-Americans are a powerful force in the U.S. consumer market. In 1999, 10.9 million Americans—4 percent of the country's population—will claim Asian ancestry and their share of the market will attract increasingly more attention from producers and retailers alike. The Terry College of Business projects that the nation's Asian buying power will rise from \$113 billion in 1990 to \$229 billion in 1999, an increase of 102 percent in nine years, or a compound annual rate of growth of 8.1 percent. The percentage gain is substantially greater than the increases in buying power projected for the U.S. as a whole (57 percent) and for other groups: 73 percent for African-Americans and 84 percent for Hispanic-Americans.

The Asian buying power estimates presented here, as do those for African-Americans and Hispanics, suggest that specifically targeted advertisements and products are profitable ways in which to capitalize on this bur-

geoning market segment. Entrepreneurs, marketers, economic development organizations, and area chambers of commerce therefore look for estimates of Asian-American buying power to provide a timely, cost-efficient, and quantitative way to assess the size of national and state Asian-American markets.

Asian refers to a person of Chinese, Japanese, Hawaiian, Filipino, or other Asian or Pacific Islander ancestry, and is considered a racial group, rather than an ethnic category. Simply defined, Asian buying power is the total personal income of Asian residents that is available, after taxes, for spending on goods and services—the disposable personal income of the Asian residents of a specified geographic area. Unfortunately, there are no geographically precise surveys of annual expenditures and income of Asian-Americans. Even estimates of Asian buying power are hard to find, especially for individual states.

This article approaches the problem by providing estimates of Asian buying power over 1990-1999 for the

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nation, the states, and the District of Columbia. The estimates are reported in current dollars (not adjusted for inflation), and can be used in many ways. They can indicate the economic power of the Asian community; measure the relative vitality of geographic markets; help to judge opportunities to establish new businesses or to expand existing ones; gauge a business's annual sales growth against potential market increases; indicate the market potential of new and existing products; and help to plan advertising campaigns.

These buying power estimates are only the first step toward a more comprehensive analysis of the market, however. An entrepreneur who considers investing substantial capital in a new enterprise, a new product line, or a new advertising campaign will need extensive feasibility analysis to determine opportunities in the Asian-American market more precisely.

## METHODOLOGY

Because there is no direct measure of Asian buying power, these estimates were calculated using national and regional econometric models, univariate forecasting

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Total Buying Power 1990-1999  
March-April

African-American Buying Power 1990-1999  
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techniques, and data from various U.S. government sources. In general, the estimation process has two parts: estimating disposable personal income and allocating that estimate by race or ethnicity.

The Terry College of Business's most recent estimates of disposable personal income (the total buying power of all groups, regardless of race or ethnicity) were reported in the March-April 1998 issue of *Georgia Business and Economic Conditions*. For 1990-1996, data on disposable personal income for the U.S., the states, and the District of Columbia were provided by the U.S. Department of Commerce's Bureau of Economic Analysis. The Terry College of Business prepared corresponding projections of total buying power for 1997-1999, and also projected buying power estimates for African-Americans and Hispanics, which appeared in separate issues of *Georgia Business and Economic Conditions* last year.

Defined as the share of total personal income that is available for spending on personal consumption, personal interest payments, and savings, disposable personal income measures the total buying power held by residents of an area. Approximately 93 percent of disposable personal income is used to purchase goods and services; the remaining 7 percent represents interest paid by persons, their savings, or their net transfers to others.

Readers should note that the Terry College of Business's estimates are based on disposable personal income data, rather than on the U.S. Bureau of the Census' money income values for the U.S. as a whole. The result is significantly higher estimates of Asian buying power. Much of the discrepancy is due to the fact that Census data are gathered through a nationwide sample of households via surveys on which respondents tend to underreport their incomes. The Bureau of Economic Analysis adjusts income tax return information to cope with legal but misreported income to deal with just this problem.

Total buying power in 1990-1999 was allocated to Asian and non-Asian populations on the basis of racial

Table 1

**Asian and Pacific Islander Buying Power for U.S. and States,  
by Place of Residence, 1990 and 1995-1999  
(millions of dollars)**

Area	1990	1995	1996	1997	1998	1999
United States	113,066	167,240	179,260	193,670	209,994	228,567
Alabama	284	437	463	498	536	581
Alaska	276	391	408	456	509	578
Arizona	718	1,238	1,372	1,514	1,669	1,846
Arkansas	151	247	268	291	316	344
California	42,314	58,560	62,394	67,568	73,355	79,858
Colorado	747	1,243	1,355	1,475	1,601	1,743
Connecticut	1,057	1,677	1,799	1,970	2,144	2,344
Delaware	177	300	327	356	388	422
District of Columbia	216	365	375	382	388	397
Florida	2,279	3,985	4,406	4,785	5,224	5,699
Georgia	1,109	2,149	2,418	2,646	2,854	3,090
Hawaii	11,875	15,055	15,190	15,477	16,054	16,815
Idaho	111	174	186	199	213	228
Illinois	4,956	7,494	8,075	8,731	9,456	10,309
Indiana	700	1,108	1,208	1,306	1,414	1,537
Iowa	259	415	450	489	533	588
Kansas	403	608	655	704	761	827
Kentucky	295	475	524	568	615	671
Louisiana	465	739	783	837	892	956
Maine	82	116	123	132	140	150
Maryland	2,513	3,775	4,043	4,363	4,693	5,072
Massachusetts	2,124	3,351	3,624	4,034	4,476	4,953
Michigan	1,843	2,940	3,199	3,451	3,735	4,081
Minnesota	736	1,228	1,349	1,467	1,610	1,774
Mississippi	130	216	235	251	268	289
Missouri	637	994	1,082	1,162	1,247	1,349
Montana	43	62	65	71	79	87
Nebraska	136	244	277	307	338	375
Nevada	547	1,039	1,174	1,296	1,433	1,577
New Hampshire	152	232	258	279	302	330
New Jersey	5,679	9,144	9,872	10,780	11,845	13,015
New Mexico	178	319	344	375	413	459
New York	11,774	17,610	18,970	20,556	22,350	24,416
North Carolina	677	1,257	1,417	1,559	1,707	1,886
North Dakota	40	68	80	89	100	114
Ohio	1,822	2,761	2,975	3,208	3,481	3,810
Oklahoma	416	583	623	672	720	772
Oregon	856	1,363	1,496	1,638	1,797	1,982
Pennsylvania	2,238	3,430	3,735	4,048	4,410	4,799
Rhode Island	204	270	282	308	336	368
South Carolina	301	460	504	540	578	621
South Dakota	29	48	56	60	65	71
Tennessee	465	836	906	988	1,077	1,180
Texas	4,512	7,822	8,605	9,399	10,331	11,345
Utah	320	541	595	662	730	804
Vermont	36	70	76	84	94	107
Virginia	2,526	3,958	4,291	4,654	5,012	5,481
Washington	2,901	4,662	5,081	5,603	6,171	6,771
West Virginia	216	302	316	338	369	401
Wisconsin	512	836	900	997	1,110	1,239
Wyoming	29	43	46	50	54	58

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

Table 2

**Percentage Change in Asian and Pacific Islander Buying Power  
and Rank of Percentage Change, 1990-1999, by State**

<u>Area</u>	<u>Rank</u>	<u>Percentage Change in Total Buying Power 1990-99</u>	<u>Area</u>	<u>Rank</u>	<u>Percentage Change in Total Buying Power 1990-99</u>
United States	—	102.2	Missouri	32	111.6
Alabama	41	104.8	Montana	42	104.0
Alaska	33	109.1	Nebraska	6	175.7
Arizona	8	157.2	Nevada	2	188.2
Arkansas	22	127.8	New Hampshire	30	116.5
California	45	88.7	New Jersey	21	129.2
Colorado	18	133.2	New Mexico	7	158.6
Connecticut	26	121.7	New York	36	107.4
Delaware	16	138.9	North Carolina	4	178.6
District of Columbia	48	83.6	North Dakota	3	184.3
Florida	12	150.1	Ohio	34	109.0
Georgia	5	178.5	Oklahoma	47	85.7
Hawaii	51	41.6	Oregon	20	131.5
Idaho	39	105.5	Pennsylvania	31	114.5
Illinois	35	108.0	Rhode Island	50	80.8
Indiana	28	119.7	South Carolina	37	106.3
Iowa	24	127.1	South Dakota	13	142.8
Kansas	40	104.9	Tennessee	9	153.8
Kentucky	23	127.2	Texas	10	151.4
Louisiana	38	105.5	Utah	11	151.1
Maine	49	82.2	Vermont	1	197.5
Maryland	43	101.9	Virginia	29	117.0
Massachusetts	19	133.2	Washington	17	133.4
Michigan	27	121.5	West Virginia	46	86.0
Minnesota	15	140.9	Wisconsin	14	141.8
Mississippi	25	122.6	Wyoming	44	99.9

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

distributions provided by the Census Bureau's *Estimates of the Population of States by Age, Sex, Race and Hispanic Origin: 1990 to 1996*. The population estimates for 1997-1999 were prepared by the Terry College of Business, and are based on Census data.

An income adjustment factor also compensated for the variation in per capita personal income (and by extension, in disposable personal income) that is accounted for by race. These factors were calculated from the local area per capita money income data by race gathered during the 1990 *Census of Population and Housing*. Long-term trends in per capita money income suggest that relative ratios in per capita income between the races change quite slowly. The ratios in this study, however, were adjusted to account for trends in the median household income, by race, described in the Census Bureau's Current Population Reports for the nation. The absence of current detailed data at the state

level clearly makes the Asian buying power estimates less precise because it increases their statistical error.

### **ASIAN-AMERICAN BUYING POWER IN THE U.S. AND THE STATES**

The Terry College of Business projects that the nation's Asian buying power will rise from \$113 billion in 1990 to \$229 billion in 1999, or by 102 percent in nine years. Over the same period, total U.S. buying power will increase by 57 percent; nominal gross domestic product by 55 percent; and the national Asian population by 44 percent. Since the U.S. Consumer Price Index will increase 29 percent during this same period, Asian buying power will grow more than three and one-half times as fast as inflation. The group's substantially above-average growth in buying power demonstrates

Table 3

**Asian and Pacific Islander Share of Total Buying Power  
for U.S. and States, 1990 and 1999  
(percent)**

<u>Area</u>	<u>1990</u>	<u>1999</u>	<u>Area</u>	<u>1990</u>	<u>1999</u>
United States	2.7	3.5	Missouri	0.8	1.1
Alabama	0.5	0.7	Montana	0.4	0.5
Alaska	2.8	4.1	Nebraska	0.6	1.0
Arizona	1.3	1.8	Nevada	2.6	3.6
Arkansas	0.5	0.7	New Hampshire	0.7	1.1
California	7.7	9.8	New Jersey	3.4	5.3
Colorado	1.3	1.8	New Mexico	0.9	1.4
Connecticut	1.4	2.2	New York	3.3	4.7
Delaware	1.4	2.1	North Carolina	0.7	1.1
District of Columbia	1.6	2.2	North Dakota	0.5	0.9
Florida	1.0	1.6	Ohio	1.1	1.5
Georgia	1.1	1.8	Oklahoma	1.0	1.2
Hawaii	58.1	58.0	Oregon	2.0	2.6
Idaho	0.8	1.0	Pennsylvania	1.1	1.6
Illinois	2.4	3.3	Rhode Island	1.2	1.5
Indiana	0.8	1.2	South Carolina	0.6	0.8
Iowa	0.6	0.9	South Dakota	0.3	0.4
Kansas	1.0	1.4	Tennessee	0.6	1.0
Kentucky	0.6	0.9	Texas	1.7	2.5
Louisiana	0.8	1.1	Utah	1.5	2.0
Maine	0.4	0.6	Vermont	0.4	0.8
Maryland	2.7	3.7	Virginia	2.3	3.3
Massachusetts	1.8	2.8	Washington	3.4	4.5
Michigan	1.2	1.7	West Virginia	0.9	1.2
Minnesota	1.0	1.5	Wisconsin	0.7	1.0
Mississippi	0.4	0.6	Wyoming	0.4	0.6

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

the increasing importance of Asian-American consumers and should create great opportunities for businesses that pay attention to their needs. Because the group includes consumers of so many national ancestries and such diverse cultures, firms that target specific sub-groups may find niche markets particularly rewarding. Indeed, many entrepreneurs may first begin with goods or services aimed at a specific national group—Chinese or Filipino, for example—and then branch out to the Asian market in general.

Many forces support the substantial and continued growth of Asian buying power, but perhaps the most important is better employment opportunities for all Americans, including Asians. Asians also are better educated than the average American, therefore a large proportion of them hold top-level jobs in management or professional specialities. The increasing number of successful Asian entrepreneurs also helps to increase the

group's buying power. Favorable demographic trends are reinforcing these positive economic forces. The Asian population is growing more rapidly than the total population, mostly because of strong immigration, a trend that is expected to continue. A relatively young Asian population, with most adults in their early career stages, also argues for additional gains in buying power.

In 1999, Asians will account for 3.5 percent of all U.S. buying power, up from 2.7 percent in 1990. In each intervening year, Asian buying power has or will grow faster than that of all U.S. consumers, thus a review of the decade reveals a pattern of substantial but varying annual growth: 7.6 percent in 1991, 9.9 percent in 1992, 7.4 percent in 1993, 6.7 percent in 1994, 9.1 percent in 1995, 7.2 percent in 1996, 8 percent in 1997, 8.4 percent in 1998, and 8.8 percent in 1999. Over 1990-1999, the compound annual rate of growth in Asian buying power will be 8.1 percent, well above the 5.1 percent compound

Table 4

**Estimates of the Total Population and Asian and Pacific Islander Population  
of the U.S. and States, 1990 and 1999  
(number)**

Area	Total Population in 1990	Total Asian and Pacific Islander Population in 1990	Total Population in 1999	Total Asian and Pacific Islander Population in 1999
United States	249,397,990	7,553,589	272,423,443	10,888,314
Alabama	4,048,317	22,198	4,391,822	31,220
Alaska	553,102	20,518	633,763	35,140
Arizona	3,679,370	59,133	4,784,307	106,048
Arkansas	2,354,301	12,811	2,596,749	19,608
California	29,901,421	2,983,951	32,435,218	4,104,573
Colorado	3,304,004	62,476	4,075,261	102,611
Connecticut	3,288,975	52,351	3,279,105	81,045
Delaware	669,071	9,277	756,190	15,426
District of Columbia	603,792	11,669	522,624	14,885
Florida	13,018,496	159,179	15,045,138	277,045
Georgia	6,506,509	77,981	7,758,907	150,714
Hawaii	1,112,646	701,232	1,223,955	769,765
Idaho	1,011,904	9,749	1,297,421	14,986
Illinois	11,446,801	295,954	11,977,943	413,124
Indiana	5,555,019	38,589	5,985,033	58,733
Iowa	2,779,652	25,986	2,885,631	39,182
Kansas	2,480,630	32,786	2,633,180	46,980
Kentucky	3,692,529	18,228	3,964,108	27,819
Louisiana	4,217,362	41,850	4,398,995	58,592
Maine	1,231,284	6,785	1,253,513	8,928
Maryland	4,797,676	143,355	5,210,222	210,553
Massachusetts	6,018,305	147,547	6,167,126	234,362
Michigan	9,310,677	107,473	9,671,908	161,286
Minnesota	4,387,209	79,540	4,791,064	131,636
Mississippi	2,577,213	13,219	2,786,922	19,427
Missouri	5,126,241	42,293	5,488,053	60,807
Montana	799,826	4,337	926,357	6,289
Nebraska	1,580,648	12,765	1,693,860	24,016
Nevada	1,218,702	40,418	1,810,356	83,095
New Hampshire	1,111,861	9,484	1,208,179	14,630
New Jersey	7,739,502	280,055	8,125,939	456,902
New Mexico	1,520,039	15,291	1,819,483	27,830
New York	18,002,719	717,042	18,194,553	1,021,001
North Carolina	6,657,040	53,865	7,674,793	100,350
North Dakota	637,369	3,533	657,282	6,622
Ohio	10,861,875	93,071	11,271,070	134,013
Oklahoma	3,147,095	34,968	3,358,324	46,700
Oregon	2,858,757	71,419	3,359,612	110,493
Pennsylvania	11,895,491	141,608	12,133,727	210,296
Rhode Island	1,004,665	19,092	993,984	24,649
South Carolina	3,498,970	22,989	3,808,829	32,670
South Dakota	696,636	3,190	760,896	5,128
Tennessee	4,890,621	32,521	5,560,645	55,780
Texas	17,046,399	335,539	19,974,760	567,842
Utah	1,729,784	34,532	2,152,892	56,732
Vermont	564,489	3,263	608,011	6,831
Virginia	6,213,684	163,581	6,902,643	256,679
Washington	4,901,289	219,504	5,788,516	341,473
West Virginia	1,792,429	7,570	1,833,457	9,808
Wisconsin	4,902,197	54,886	5,282,728	89,556
Wyoming	453,397	2,936	508,392	4,434

Source: Estimates for 1990 were obtained from the Bureau of the Census (December 18, 1997); estimates for 1999 were prepared by the Selig Center.

annual rate for the buying power of all U.S. consumers.

Estimates of the absolute size and rate of growth of Asian buying power are two firm indications of market potential in specific areas. This market is much more focused on a few states than are the total and black consumer markets, but less so than the Hispanic market. The five states with the largest Asian markets account for 64 percent of the group's buying power. In contrast, the five states with the largest total consumer markets provide only 38 percent of total national buying power. The five states with the largest black consumer markets account for just 37 percent of black buying power. Hispanic consumers are even more concentrated than Asians; the five states with the largest Hispanic consumer markets make up 71 percent of Hispanic buying power.

In 1999, the ten states with the largest Asian markets, in order, will be California, New York, Hawaii, New Jersey, Texas, Illinois, Washington, Florida, Virginia, and Maryland. Ranked by the rate of growth of Asian buying power over 1990-1999, the top ten states will be Vermont, Nevada, North Dakota, North Carolina, Georgia, Nebraska, New Mexico, Arizona, Tennessee, and Texas. Most of these states have relatively small but flourishing markets.

A third ranking, the market share claimed by Asian consumers, is important for very practical reasons: the higher their market share, the lower the average cost of reaching a potential buyer in the group. Targeting Asian

consumers in diffuse markets is more expensive, although selective media or zip code mailings can lower the cost per individual. In order, the ten states with the largest shares of total buying power that is Asian in 1999 will be Hawaii, where Asians account for 58 percent of the state's buying power, California, New Jersey, New York, Washington, Alaska, Maryland, Nevada, Virginia, and Illinois.

Nationally, Asian consumers' share of the market will increase from 2.7 percent in 1990 to 3.5 percent in 1999, or by almost one percentage point. Except for Hawaii, the share of buying power controlled by Asian consumers will rise in every state. California, New Jersey, New York, Alaska, Washington, Nevada, Massachusetts, Maryland, Virginia, and Illinois will see the largest increases in the group's market share.

The ten states (including the District of Columbia) with the slowest growth of Asian buying power over 1990-1999 will be Hawaii, Rhode Island, Maine, the District of Columbia, Oklahoma, West Virginia, California, Wyoming, Maryland, and Montana. Total buying power also is growing slowly in many of these states. The ten states with the smallest markets, largely because of their small Asian populations, are Wyoming, South Dakota, Montana, Vermont, North Dakota, Maine, Idaho, Mississippi, New Hampshire, and Arkansas. Despite their size, the spending power of Asian-American consumers is growing very quickly in several of these markets, including Vermont, North Dakota, and South Dakota.

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