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ESSAY

Understanding Gay Consumers

HOWARD BUFORD

RESearch suggests that some seven percent of the U.S. population freely identifies as gay or lesbian. In America's large cities, where both gay men and lesbians tend to congregate, that proportion can be as high as twelve percent or more. In total, this consumer marketplace numbers some twelve million ethnically diverse consumers who spend in the range of 400 to 475 billion dollars annually.

It has been widely reported over the past decade that gay and lesbian consumers constitute a more affluent market on average than non-gay American households. Meanwhile, in reaction to these (often exaggerated) claims concerning gay affluence, the opposite argument is now being advanced, namely that gay and lesbian consumers are actually less affluent than their non-gay counterparts. Without trying to resolve this dispute, let me suggest that from a marketing standpoint the issue of gay and lesbian affluence per se is not the relevant one. Indeed, savvy marketers to the gay and lesbian community are well beyond worrying about whether gay gross income is higher or lower than that of straight people.

The fact is, we don't know with certainty how gay and lesbian affluence compares to that of the general public, because studies to date have not satisfied the rigors of sound methodology. For example, one of the studies responsible for promulgating the myth of dramatically higher gay affluence was put forth by the now defunct Mulryan/Nash agency, which concluded that a substantially higher percentage of gay households earned over \$50,000 a year than did non-gay households. The trouble with this study, as with similar studies over the past ten years, is that it was based on a sample that wasn't representative of the entire gay population, but included only holders of a certain credit card, contributors to community causes, and buyers from a gay mail-order catalog. It's not surprising that this group was found to be more affluent than the U.S. population as a whole. Any similar sample of Americans would be, too, regardless of their sexual

orientation. But this higher level of affluence can scarcely be generalized to the gay and lesbian population as a group.

This and other studies have tended to exaggerate the difference between gay and non-gay levels of affluence. However, it is likely that gay and lesbian income figures *are* higher than those of the general market; but these differences seem to be slight, and are probably due to what are essentially technical factors. First, people who enjoy a measure of financial security and independence may be more likely to live openly gay lives than those for whom coming out could jeopardize their livelihood. At the very least, they may be more likely to confide to a survey taker that they're gay or lesbian. Second, studies that aggregate gay men and lesbians may yield higher-than-average incomes because of the prevalence of males in the sample. Since self-reporting gay men seem to outnumber lesbians (in most surveys), and since women earn only about 75 percent as much as men, the average income for gay men and lesbians is likely to be somewhat higher than the norm. This gender effect is compounded when a gay "household" consists of two men.

But, from a marketing standpoint, income is not the real issue. The average household income of any group of consumers is never the determinant of how attractive those consumers are to any given marketer. Instead, the determining factor is how much that group of consumers spends, or can be stimulated to spend, on a given product. Take the case of Miguel X, a new immigrant to the United States. He is semi-skilled and earns \$35,000 a year for a family of five. Conversely, Susan Z is a native-born American, has never left her hometown, is highly educated and earns \$200,000 annually. Who is the more interesting consumer prospect? It all depends on what you're selling.

Miguel and family are new to the United States and hold strong ties to their homeland in South America. Susan's social network is all in her hometown. To AT&T, Miguel is a much more interesting prospect than is Susan. Statistics show that Miguel and family are likely to spend hours and hours on long distance service to South America—which is significantly more profitable per minute than is domestic long distance—while Susan will be a mostly local caller. The fact that income alone is not a good predictor of consumption can be seen in cases that are

Howard Buford is the founder and president of Prime Access, Inc. (New York), an advertising and direct marketing agency that specializes in emerging markets, including gay and lesbian, African-American, and Latino consumers. He received his BA and his MBA from Harvard.

familiar to us all: the affluent New Yorker who doesn't own a car versus the middle-class Angelino driving a late-model SUV.

To the extent that gay and lesbian consumers constitute a distinct consumer niche for marketers, what makes them an especially interesting group is not household income as such, but instead the community's unique characteristics as consumers. Two lifestyle facts in particular account for much of the difference in the gay community's patterns of consumption: higher discretionary income and more disposable time.

The absence of children in the vast majority of gay households means that these households, which probably do not earn dramatically more than others in the U.S., *do* have dramatically more *discretionary* income, that is, money that's not earmarked for necessities like feeding and clothing the kids and paying for their health care. An even stronger effect of the absence of children is a gain in disposable *time*. Today's "supermom"—or dad—devote much of their non-working time to child care, while gay and lesbian consumers are more likely to have time for leisure activities, and are thus especially interesting prospects for products and services that are consumed in units of disposable time. This includes entertainment and travel and all the industries they encompass, such as movies, premium TV channels, airlines, cruise companies, resorts, and so on. Among the companies regularly advertising to gay and lesbian consumers are American Airlines, Levi Strauss, American Express, IBM, Saab, and Anheuser-Busch.

Reaching the gay market effectively means creating advertising and other marketing communications specifically directed toward their consumer mindset. In the early 90's, it was sufficient to run mainstream advertisement in a gay publication to capture the attention of the market. Today, with more marketers vying for the gay consumer dollar, the bar has been raised. Gay consumers now expect advertisers to address them for who they are, directly and openly. What used to be called "winking" at the market was effective in times of no clutter and low consumer expectations. This has changed. In focus groups nationally, gay men and lesbians express a definite preference for advertising that specifically reflects their mindset and sensibilities.

A general rule of marketing, borne out by years of practical experience and research, is that if you want to sell more of something, target the people (or type of people) who are already buying it. As consumers, gay men and lesbians have measurable preferences for certain types of products, even within the broad categories mentioned above. Thus, for example, we know not only that gay consumers spend significantly more on travel, but also that they strongly prefer warm-weather destinations. We can only speculate as to *why* that is, but it seems likely that cruise lines and resort hotels didn't create this demand but are instead, as it were, going with the flow.

At the same time, it's also safe to say that sophisticated marketers understand the gay and lesbian market and what makes it tick. While there is no uniform "gay lifestyle" of the kind suspected by the religious Right, there clearly are patterns of consumption that suggest a configuration of lifestyle prefer-

ences. A quick inventory of the kinds of companies that have targeted the gay and lesbian market is instructive.

A brief content analysis for a few recent issues of three national gay/lesbian magazines—*The Advocate* (three issues), *Out* magazine (two issues), and *Girlfriends* (one issue)—give a rough idea of the kinds of national advertisers that are targeting gay and lesbian consumers. (Note that this does not take into account local gay and lesbian weeklies, which tend to feature a very different mix of advertisers.)

Product Type	Ad pages	No. of ads
Alcohol	41	45
HIV drugs / Viaticals	39.67	35
All travel	37	†
Clothing / jewelry	29.67	23
Websites	29.33	33
Cosmetics / vits. / drugs	20	14
Cigarettes	16	10
Personal services	12	12
Entertainment	10.5	15
Misc. (esp. cars)	19.5	20

† Includes many smaller ads (often 16 to a page).

The prevalence of ads for HIV drugs and viatical insurance companies is unique to the gay (male) community. But other marketers that have targeted gay and lesbian consumers are led by basic marketing principles:

Perceived Risk. The first marketers to target gay men and lesbians were not only those with the most to gain, but also those with the least to lose. Gay culture has traditionally centered around the gay bar; companies with products consumed in bars, such as spirits, beer, and cigarettes, saw this marketing opportunity early on. But these products also had relatively little to lose from a conservative consumer backlash. Conservatives and the religious Right already viewed these products as morally suspect, so

these marketers weren't taking a huge risk by their association with gay consumers.

Perceived Needs. The next products to be targeted to the gay and lesbian market were those suited to the market's unique needs. To take a counter-example, everyone uses laundry detergent in roughly the same way regardless of sexual orientation, so there's little opportunity to target people on that basis. On the other hand, financial service companies, for all their conservatism, have targeted gay people, because they've figured out that we have different financial needs. While the general market is most interested in retirement savings and financing their children's education, lesbians and gay men want help in establishing and managing joint ownership of assets for unmarried couples.

Competitive Pressure. When one brand in a product category begins making inroads into the gay market, rival brands begin to feel pressure to compete. This is the driving force behind gay car advertising and fuels the competition between American Airlines and United for the gay travel dollar.

The Internet. The large number of ad pages for Websites targeting lesbians and gay men underscores the extent to which the Web is a gay people's paradise and a gay marketer's dream. The privacy and anonymity of the Web are clearly appealing, but so

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is its ability to bring together people of a similar mindset who might be geographically scattered or socially isolated. Couple this with the propensity of gay consumers to embrace new technology early on, and it's no wonder that (as a number of recent studies have indicated) a much higher proportion of gay people than straight people are online.

On balance, much has been made of the "gay dream market" based on inflated household income statistics. I don't doubt that gay and lesbian households *do* constitute an excellent target market—for the right kinds of products and services. Reports of extraordinarily high incomes for gay men and lesbians have too often served an agenda of some kind, whether a financial or a political one. Marketing firms like Mulryan/Nash and Overlooked Opinions, both now defunct, tried to benefit by claiming that the gay market was extravagantly more affluent and better educated than mainstream America. The far Right then seized on this claim and asserted that this already privileged minority was seeking "special rights" with which to feather its nest. More recently still, the opposite claims are being made by people who prefer to present lesbians and gay men as a "marginalized" or oppressed minority.

The fact that different groups can make such wildly divergent claims should serve to remind us that the question of gay affluence is far from settled, with few robust findings from the small number of studies that have been carried out. And yet, while this "political" question remains elusive, companies selling their goods and services to gay and lesbian consumers have done their

market research homework and concluded that, regardless of aggregate income, gay men and lesbians constitute a very desirable segment of the consumer market.

Appendix. Detailed breakdown of advertisers by type:

Product Type	Ad pages	No. of ads
Alcohol	41	45
HIV Drugs	33	24
Websites	29.33	33
Clothing	25	18
Travel destinations	20.25	26
Cigarettes	16	10
Cosmetics, vitamins	10.67	9
Travel resorts	9.67	†
Baldness drug	9.33	5
Financial services*	7	7
Event (e.g. expo)	7	8
Movies	6.67	8
Viatical / insurance	6.67	11
Help line	5	5
Cars	5	4
Jewelry	4.67	5
Music	3.75	7
Misc.	14.5	16

* Banks, credit cards

† Includes many smaller ads (often 16 to a page).

Source: *The Advocate*, *Out* magazine, and *Girlfriends*.



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345 SEVENTH AVENUE | NEW YORK, NY 10001 | 212.868.6800 | PRIMEACCESS.NET