SULLIVAN CONSULTING

The Mature Imperative

Why Marketers Can No Longer Afford to Overlook the Older Consumer.

Sullivan Consulting

250 Old Wilson Bridge Road

Columbus, Ohio 43085

Telephone: 614 985 1200

Fax: 614 846 2679

www.sullivan-consulting.net

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Section One

How Long Can We Overlook the Most Lucrative Market in History?

Spend any time looking at national TV commercials or magazine ads and it's easy to reach the conclusion that the life of an active, sought-after consumer ends sometime around the age of 45. Throughout the myriad marketing messages that bombard us daily, you'll find the subtle but relentless message that youth is to be worshipped, and that the passing of time renders all of us less attractive and less desirable, commercially as well as physically.

The only concerted marketing effort toward older Americans is limited primarily to products designed specifically for staving off the effects and/or appearance of aging (specifically, cosmetics, mobility, security and fitness enhancing products and services). But how much do older customers really matter outside the scope of the "seniors" product niche?

Apparently, not much. Outside of geriatric-driven products ("Help! I've fallen and I can't get up."), marketing's interest in older consumers has traditionally been negligible. For the broader marketing universe, a prejudice denying the significance of virtually any consumer over 45 has been both pervasive and profound, and rooted in marketing principles established in the 1950s. The problem for marketers is that these principles are proving consistently less applicable and less effective today than they were a half-century ago.

The front end of the more than 70 million Baby Boomers is approaching completion of a sixth decade. This fact has brought some marketers to the realization that there will soon be huge market in mature consumers. While marketing professionals' interest in the mature consumer is growing, albeit slowly, it is treated as a specialty niche rather than the dominant marketing strategy it should be. Madison Avenue, given its druthers, would prefer to continue in its pursuit of emerging youths, and do so under the impression that, now and forever, that segment of the population represents a more lucrative and impressionable target for advertising messages. The facts, however, no longer support that prejudice.

The purpose of this paper is to make the case for the marketing profession in America to realign its thinking toward the older market—to take it more seriously than ever before. It is the most lucrative market segment not only now but *ever*. It will generate substantially more revenue than any other consumer segment through the rest of this decade and beyond. Its real buying power will create market leaders out of those companies that realize its potential and learn how to connect with the values that drive the purchase decisions of older customers.

We don't expect the marketing establishment to readily initiate a paradigm shift in its entire approach to marketing fundamentals (i.e., its lust for younger consumers). Traditional advertising and marketing have, for too long, been locked into the lure of selling to youth. The evidence suggests that a dramatic and necessary change in marketing to mature consumers will not be openly embraced by those who have made their careers chasing the buying power of younger adults.

What will drive the change? We believe that marketing's ultimate acceptance of the importance of mature customers will be driven by the diminishing returns of marketing that have become more evident with each passing year. As the effectiveness of traditional marketing continues to decline, company executives will demand new strategies, different approaches and more accountability from their marketing staffs and advertising agencies. Some marketers, in response to that challenge, will try to find ways of squeezing more sales out of a diminishing pool of youthful buyers. We believe that a careful examination of the unprecedented population shift toward older adults will reveal that strategy for what it is: shortsighted and exasperating. This report attempts to provide that kind of examination.

We believe that the marketing champions of the future (starting *now*) will be those who realize and accept the necessity of realigning their strategies and resources to meet the needs and preferences of the mature market segment. Doing so will constitute the first major shift in marketing practices since the 1960s. Executive frustration with marketing's performance today is but one symptom of the need for that shift.

Marketing's ultimate acceptance of the importance of mature customers will be driven by the diminishing returns of marketing that have become more evident with each passing year.

That shift will come only with a keen awareness of the buying power of the mature segment. There is still too much of a preponderance of tradition-bound marketing and advertising professionals who, like a famous Spanish explorer of old, remain in dogged pursuit of an elusive and limited treasure that obscures a rational appreciation of the enormous and very real opportunity before them.

The Ponce de Leon Syndrome

Among those on Christopher Columbus's second voyage to the New World in 1493 was a soldier named Juan Ponce de Leon, who settled in the New World in 1502.

Ponce de Leon's accomplishments as a warrior, explorer and administrator were many. He served successfully as governor of Hispaniola until 1508. He established a Spanish colony on Puerto Rico and served as its governor until 1511. He discovered what is now Florida in 1513, being the first European to set foot on the territory that is now the United States. During his exploration of the Florida coast, he discovered and charted the Gulf Stream, which revolutionized oceanic transport and commercial opportunities in the New World. The king of Spain honored Ponce de Leon with a knighthood and the governorship of Florida, which Ponce de Leon believed was only an island. He attempted to colonize Florida in 1521, but was wounded in battle with the American natives and died later that year in Havana at the age of 61.

Those are briefly the facts of Ponce de Leon's colorful and productive life. His swashbuckling exploits render Hollywood's fictions pale in comparison. But for which of these exploits is Ponce de Leon known today? If you live in St. Augustine, you're probably aware that he discovered Florida. But for most people, the name Ponce de Leon conjures up an entirely different image.

The romantic tale of Ponce de Leon that school children are still taught is, in all likelihood, not even accurate: that Ponce de Leon spent most of his career in the New World in the fruitless search for a "fountain of youth." There is no historical evidence that even the legend of this fountain existed, though it is true that Ponce de Leon discovered Florida while he was in the process of searching for the island of Bimini (the reputed location of the fountain of youth). Yet it seems unlikely that such a man of action, a man as dedicated and accomplished as Ponce de Leon, would be swayed from his duties by the lure of eternal youth and the hearsay of a fountain capable of bestowing it.

And yet, how appropriate, how American, is that legend? That a man would spend his life and the resources available to him in the relentless pursuit of youth, all the while failing to recognize the real potential of his greatest discovery. It is a fact that, on his deathbed, Ponce de Leon still believed that Florida was simply another Caribbean island, and not the gateway to a continent whose riches were more than even he could fathom.

Al Ries has said that the real power of a brand is its ability, when properly managed, to "own a word"[1]: to have a meaning and value so clear and singular that it instantly stands for something meaningful in the mind of consumers, and thereby differentiates itself from all of its competition. Federal Express owns "overnight." Prego owns "thick." Kleenex owns "tissue." Volvo owns "safety."

Right or wrong, for better or worse, the "brand" Ponce de Leon owns "fountain of youth." The facts of history aside, his name will forever be linked to the hopeless but no less seductive striving to find and claim eternal youth. Every school child who learns of Ponce de Leon knows that he died trying to find that fountain, giving up everything else in its pursuit. It's a pleasant fable, and an apt metaphor for marketing's obsession with youth today.

Is "obsession" too strong a word? Not if you examine the evidence. Like the legend of Ponce de Leon passing up the potentially larger and richer rewards of one opportunity (Florida) to chase eternal youth, the marketing and advertising establishments seem eternally committed to connecting with the youth market despite the superior mass and buying power of older consumers. This obsession with youth has not only blinded the majority of today's marketers to realizing a greater opportunity in the mature market segment; it has also blinded them from understanding the reasons why marketing's effectiveness is not what it was 40 or more years ago. It has obscured the real reasons why marketing principles and tactics that worked so powerfully with consumers decades ago today meet an audience indifference that is too often frustrating and inexplicable.

Let's call it the "Ponce de Leon Syndrome," the unwavering pursuit of the youth market even when the numbers point to its irreconcilable illogic. The Ponce de Leon Syndrome is real, and an appropriate example of it can be found in events that occurred just a year ago, when a controversy raged over an American institution threatened with extinction because its base of support was too old to be desirable.

The Youth Cult in American Marketing

It is a rarity when an advertising media issue rises to the level of a national controversy. But such was the case in 2002 when the national press revealed that the ABC network was aggressively courting David Letterman and that, should he jump from CBS to ABC, his show would replace the venerable and much-heralded news program *Nightline with Ted Koppel*.

Nightline debuted during the Iran hostage crisis in 1979 and has held the 11:35 EST slot on ABC since.[2] At the time of its debut, it was unique in its focus on a single subject per nightly program, providing an in-depth coverage on timely issues that could not be afforded on the early evening network broadcasts. During the next 22 years, it became a television institution; and while its ratings had eroded somewhat with the emergence of other extended-format news programs and cable news alternatives such as CNN, the program still garnered critical approval and attracted an audience slightly larger than that of David Letterman's *Late Show*.[3]

The problem for ABC management (and for the management at Disney, its corporate parent) was that *Nightline* was no longer profitable.[4]

While news programming has traditionally been the least profitable part of television network operations, in this case the issue in considering the replacement of *Nightline* with David Letterman's *Late Show* was not driven by content (i.e., the profitability of news versus entertainment programming) but by audience demographics. The issue centered around which type of audience advertisers valued more and were willing to pay a premium to attract. The *Late Show* offered ABC something *Nightline* could not provide: a younger audience profile. That's where marketing logic was cast aside in favor of the Ponce de Leon Syndrome. The audience for both programs was comparable (about four million viewers per night[5]), though *Nightline* did command slightly higher ratings, with a 2001 annual average rating of 3.4 compared to 3.1 for Letterman.[6] Yet the *Late Show* has always been highly profitable.[7] And the reason: "Letterman's viewers are so much younger—and advertisers are willing to pay much more to get in front of them,"[8] in this case, a premium of $166 per commercial second. "*Late Show* brings in almost 30 percent more viewers from ages 18 to 49 and about 50 percent more viewers younger than 35 than the ABC late-night hour of *Nightline* and *Politically Incorrect*."[9]

Why are younger viewers more valued by advertisers? The answer is simple and totally subjective: because the advertising establishment *believes* that younger viewers are more desirable. It is a position accepted without question, as if passed down from a divine origin. There is no quantifiable evidence to support the position that today's 20- and 30-something viewers will generate more revenue for advertisers over the next ten years than mature consumers. In fact, as we shall see later in this report, the buying power of consumers under age 40 is less today and will be significantly less by the end of this decade.

Of course, Letterman stayed with CBS, and *Nightline* remained on the air, its loyal (and vocal) *older* audience pacified. The brouhaha offered television pundits ample opportunity to skewer ABC and Disney for their calculated desire to trade late-night substance for late-night profits. But no one in the national media questioned the business logic behind the issue that prompted ABC's advances toward Letterman: that a younger television viewing audience can and should command more marketing respect and substantially more money per commercial second than an older audience. Apparently, the Ponce de Leon Syndrome has been in effect for so long that no one in the media considers questioning it.

That's only one example of the Ponce de Leon Syndrome at work. Another current example resides in an examination of competing television news organizations (keeping the comparison "news to news" this time). Early in 2002, Fox News Channel passed CNN in the ratings for the first time ever (and has continued to lead in attracting viewers since).[10] What's interesting about this situation is that CNN, despite its second-place position, continues to command higher advertising rates than Fox News, generating approximately $300 million in annual ad revenues compared to $100 million for Fox News.[11] Why the discrepancy? Is it because the CNN brand is still perceived as stronger than that of Fox News and a strong brand can command premium pricing? Possibly.

There is another possibility. Guess which broadcast news organization attracts the youngest audience? That's right: CNN.[12] We're not talking 20- and 30-somethings in terms of average audience age (which is probably why, barring a war or a celebrity murder trial, CNN doesn't command the advertising rates of a Letterman). But is it a coincidence that the news organization with the youngest average audience can get higher advertising rates than its chief competitor, despite lower ratings? Or is it the Ponce de Leon Syndrome?

In today's marketing mindset, younger adult audiences automatically translate into higher advertising rates—and greater profitability for the programs that can attract those younger adults. There is nothing new in this strategy; the Ponce de Leon Syndrome is as old as network television itself. In the early 1970s, CBS purged its lineup of mainstays like Jackie Gleason, Red Skelton, *Mayberry RFD*, *Green Acres* and *The Beverly Hillbillies* for more youth-oriented programming that could generate higher advertising revenues—despite the fact that all these shows still delivered fairly strong ratings.[13] The difference between now and the 1970s was the make-up of the U.S. population. In 1970, the *oldest* of the Baby Boomers were in their mid-twenties. The majority of the U.S. adult population was under forty, and that under-forty adult segment was still growing. It made absolute sense to court the youth market because that was where the buyers were.

Is it a coincidence that the news organization with the youngest average audience can get higher advertising rates than its chief competitor, despite lower ratings? Or is it the Ponce de Leon Syndrome?

That's no longer true. The median age for adult Americans today is 43[14] and rising. By the end of this decade, driven largely by the horde of aging of Baby Boomers and the lower birth rates of the subsequent "generations," the median age for adults will approach 50. Yet Madison Avenue continues to operate as if the real buying power resides among the young, only to wonder why the effectiveness of advertising isn't what it used to be.

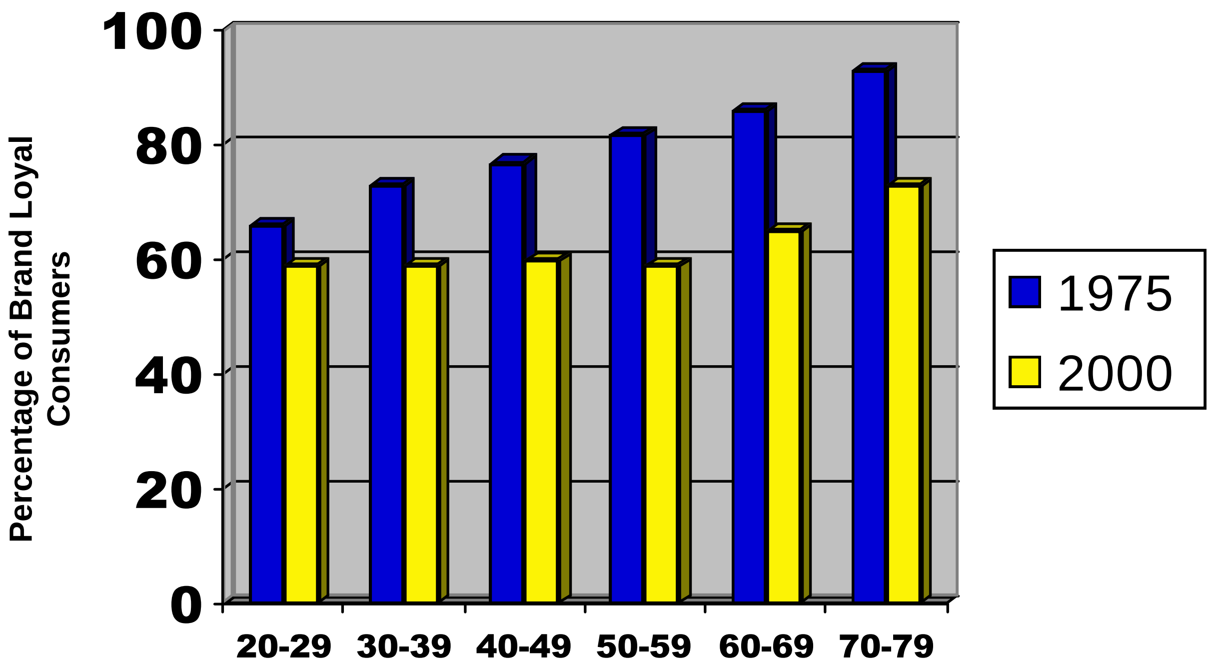
How long will companies persist in relying on marketing principles that were defined for a set of marketplace dynamics so different from those actually at work today? How long before they break out of the Ponce de Leon Syndrome?

Three Myths that Obscure the Mature Opportunity

Part of the reason for the vitality of the Ponce de Leon Syndrome is the widespread acceptance within the marketing and advertising establishment of three myths that portray mature consumers as not particularly desirable, or at least not worth the effort.

Myth #1: Mature customers won't change brands. The commonly accepted truism has been that older adults are set in their ways as consumers. They are seen as significantly less likely to switch brands and, therefore, not worth the marketing effort. By concentrating marketing efforts on younger consumers, so the marketing logic goes, there is a stronger probability of impacting buying preferences, increasing the chances for marketing's effectiveness, and promoting a higher return on a marketing investment.

If true, that would seem to be a sound and reasonable strategy. While it may have been the case decades ago, anyone in marketing today is aware that brand loyalty simply does not exist the way it used to, in any demographic group. A recent Accenture study noted that " the percentage of consumers who claim that they tend to stick with well-known brands when purchasing products and services has dropped dramatically for all age groups between 1975 and 2000. Even the percentage for individuals over 60 years of age—typically the most brand-loyal consumers—dropped 20 points in the past 25 years."[15]



Source: DDB Life Style Study 2000

What this means is that older adults are nearly as brand-promiscuous as their younger counterparts. They are just as susceptible to marketing messages that are relevant, believable and compelling. (How many of those messages really are? Is the problem old, tired consumers, or old, tired marketing approaches?) Writing off older consumers as brand-intransigent is no longer justifiable. In addition, the strategy of building brand loyalty early in people's youth and then coasting on that loyalty for life is a nice fantasy, one that marketers and advertising professionals want to believe is true; the fact is, it has never applied to the realities of the marketplace. As consumer behaviorist and mature marketing pioneer David Wolfe has noted, "No research supports that position. Besides, most brands probably won't be around anymore when today's 25-year-old reaches 55. Remember Ipana, Halicrafter, Nash, Old Gold, Life Buoy, Brill Cream, National Airlines?"[16]

Myth #2: Mature consumers are homogeneous. How expedient the world of marketing would be if all people, upon reaching a certain age, lost their individuality and melded into a homogeneous pack that shared identical beliefs, values, desires and preferences. As absurd as that sounds, it has been the prevailing marketplace prejudice regarding older adults. Like most prejudices, it is rooted in a convenient lack of understanding of the facts.

We know today that, if anything, the opposite is true: older adults tend to become more *individuated* as they mature, and are significantly less herd-driven than teens and young adults, two groups who, at their stage of life, are much concerned with where and how they "fit in" to the various communities that make up their lives. Younger adults are more inclined to weigh their choices and decisions (including purchase decisions) based on enclave criteria and likely peer judgments. Older adults, having long before established themselves within their various social and professional communities, are more trusting of their own feelings and judgments, and are less likely to be swayed by the opinions of peers or celebrity endorsements ("Such endorsements have less influence on the buying behavior of middle age and older customers"). [17] Their focus is introspective, and they more readily trust "gut" reactions whose accuracy has been sharpened through years of experience. All in all, they are autonomous individuals who are more likely to be influenced than persuaded.

Older adults represent an untapped and largely unknown audience to marketers.

Older adults represent an untapped and largely unknown audience to marketers. As is true for any unknown group of people, assumptions such as these two "myths" emerge faster than facts. Marketers all too readily work from those assumptions until disproved by more exact and discriminating insights. The myths of inflexibility toward brands and senior homogeneity are being dismantled as we come to understand better the prevailing values and motivations of mature consumers. But casting away these myths won't awaken marketers to the opportunity of mature marketing as long as they also continue to believe…

Myth#3: Mature consumers are not worth spending the time and money on. This myth conjures up images of a retired couple on a fixed income, clipping coupons amid outdated and even ratty home furnishings, pinching pennies and struggling to pay the utility bills as they live out their "golden years." What marketer in his right mind *would* covet this consumer?

Once again, the facts don't support the myth. Americans 65 and over outspend consumers 25 and under—the darlings of Madison Avenue—by a ratio of four to one.[18] While there are older Americans living on the cusp of impoverished retirement, more of them have entered retirement in better financial condition than any previous generation.[19] It is estimated that Americans over 50 control 75% of the nation's individual wealth, yet constitute only 30% of the population.[20]

How long can that kind of economic and commercial impact be ignored by marketers? How long will it be before the Ponce de Leon Syndrome is cast aside for a more objective appreciation of the commercial potential to be realized by tapping full-force into mature consumers?

It is time for marketers to outgrow their age-based prejudices and look at the real numbers behind the most lucrative market in history. What they find will be startling.

Section Two

The Numbers Don't Lie

Fact: The mature segment of the U.S. population (45+) is growing faster than at any time in our history.

Fact: The mature segment of the U.S. population is growing faster than any other segment.

Fact: The mature segment of the U.S. population spends more than all other segments combined—and the gap will widen throughout the rest of this decade.

However you slice it, the mature segment of the population cannot be ignored. Its commercial impact will be driven and sustained as more than 70 million Baby Boomers make the passage through their sixth decade of life. Those preceding the Baby Boomers will still be around in substantial numbers, and they represent the wealthiest generation in history.

By the end of this decade, nearly half of all adults in this country will be 50+, an unprecedented maturing of the population. They will wield economic power unheard of for any demographic majority in this country's history. They will create new fortunes, new market leaders and even new industries. As a group, their economic power will eclipse that of the traditionally more desired younger population segments.

We challenge you to do two things: First, look closely at the numbers associated with mature consumers. The numbers are staggering. Then we challenge you to try to ignore those numbers and to try to ignore the mature market.

We contend that the greatest business challenge over the next fifteen years will be for those who attempt to grow any enterprise *without* a marketing strategy tailored specifically for mature consumers.

The End of the Birth Boom

A sobering fact is forcing companies to rethink their ideas about marketing.[21] Marketers' most prized audience, the 25- to 44-year-olds, is shrinking in number. By the end of this decade, the number of 25- to 44-year-olds in this country will be *reduced* by 4.3 million. As their numbers decline, so will their buying power. By the end of the decade, annual spending by 25-44-year-olds will drop by as much as $104 billion.

There is no way to reverse this trend. The people who will constitute this age group in this particular time frame are already here, and, short of cloning, there won't be any more of them. It's part of the fulfillment of a warning issued by Peter Drucker in 1999: "The most important new certainty—if only because there is no precedent for it in all of history—is the collapsing birthrate in the developed world."[22]

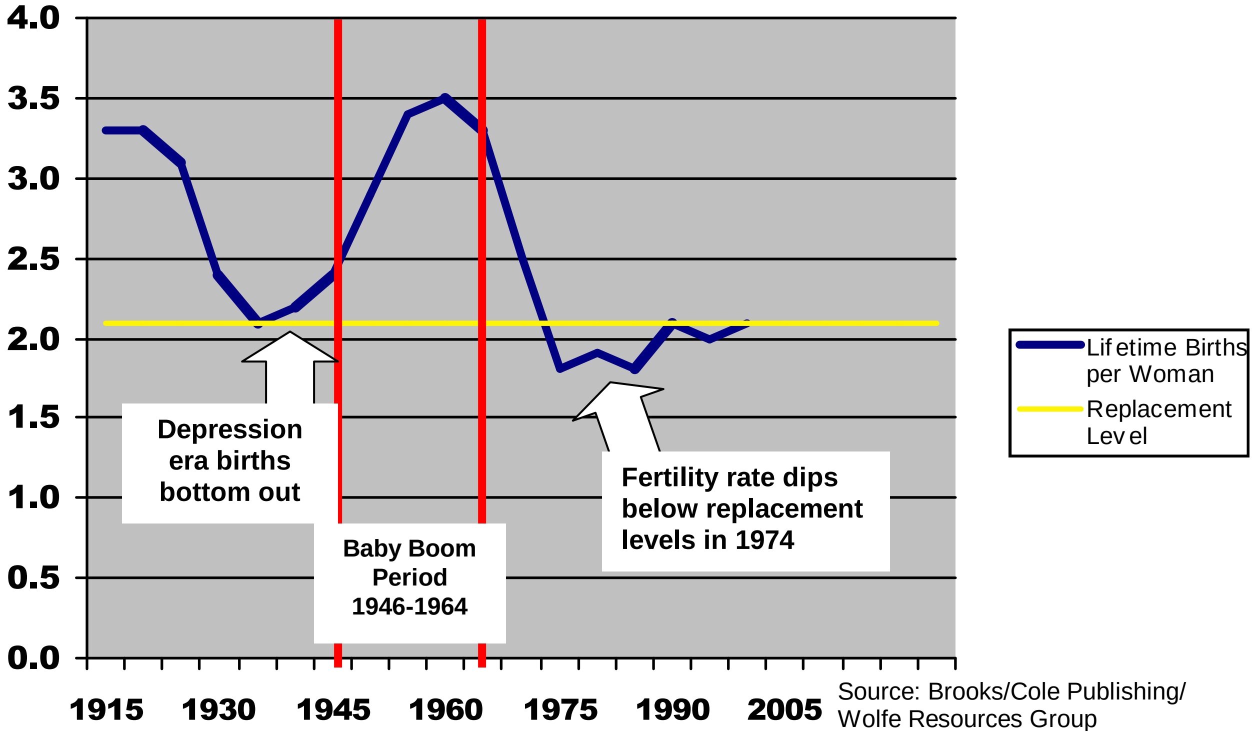
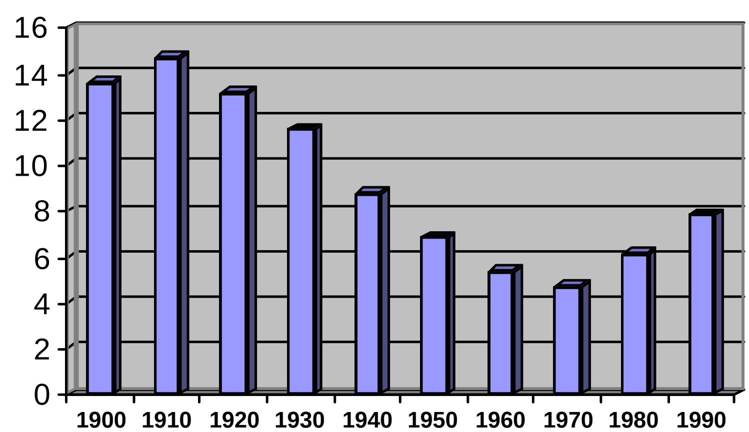


Table 2: Negative Growth in Fertility Rates

The second half of the 20th Century witnessed consistently negative growth in fertility rates in the United States, as demonstrated in Table 2. A minor population boom following the First World War gave way to a decline in birth rates during the Great Depression. There were 78 million births during the Baby Boom (1946-1964), when the fertility rate in the U.S. hit its peak for the century.

From 1974 through the end of the 20th Century, the fertility rate in the United States remained *below* the replacement level of 2.1 lifetime births per woman. The incremental growth in the nation's population has been more the result of growing immigration rather than higher birth rates (see Table 3).

Table 3: Foreign-Born as Percent Of U.S. Population 1900 to 1990

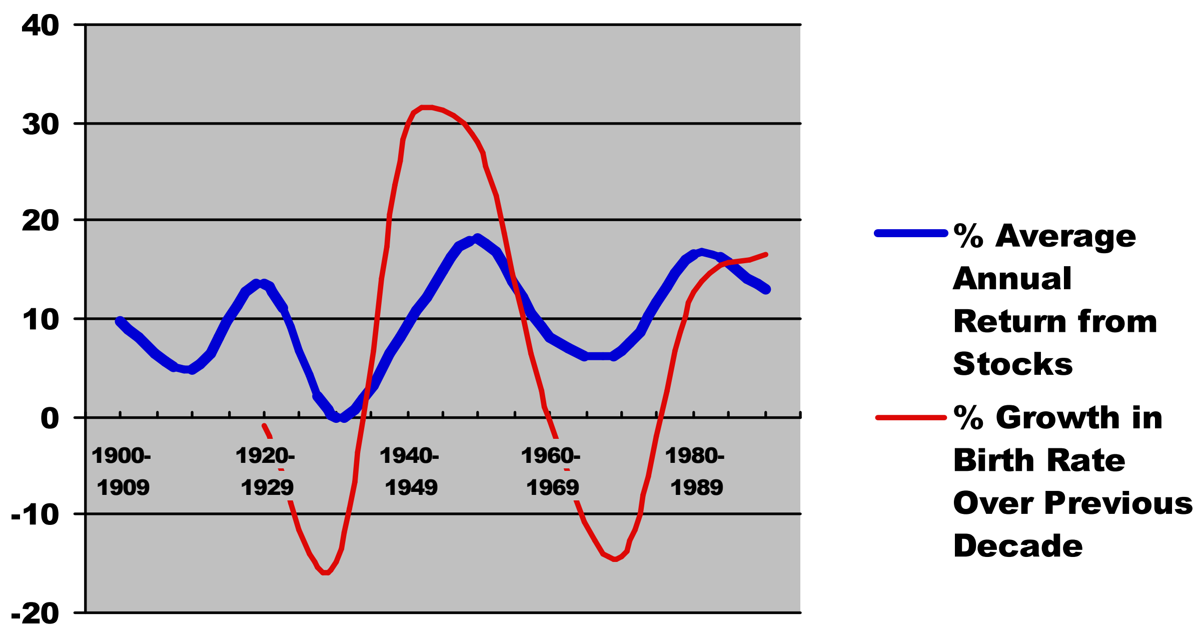


Source: U.S. Census/Wolfe Resources Group

Furthermore, the decline in birth rates is not a uniquely American phenomenon. Birth rate declines have also been prevalent among the developed countries in Europe and the Pacific Rim.[23] Where the period immediately following World War II spawned a Baby Boom in America upon the GIs' return, it had the opposite effect in Russia[24] and Japan.[25] Any opportunities for hedging sales growth internationally against the population shift in the United States are limited primarily to developing countries.

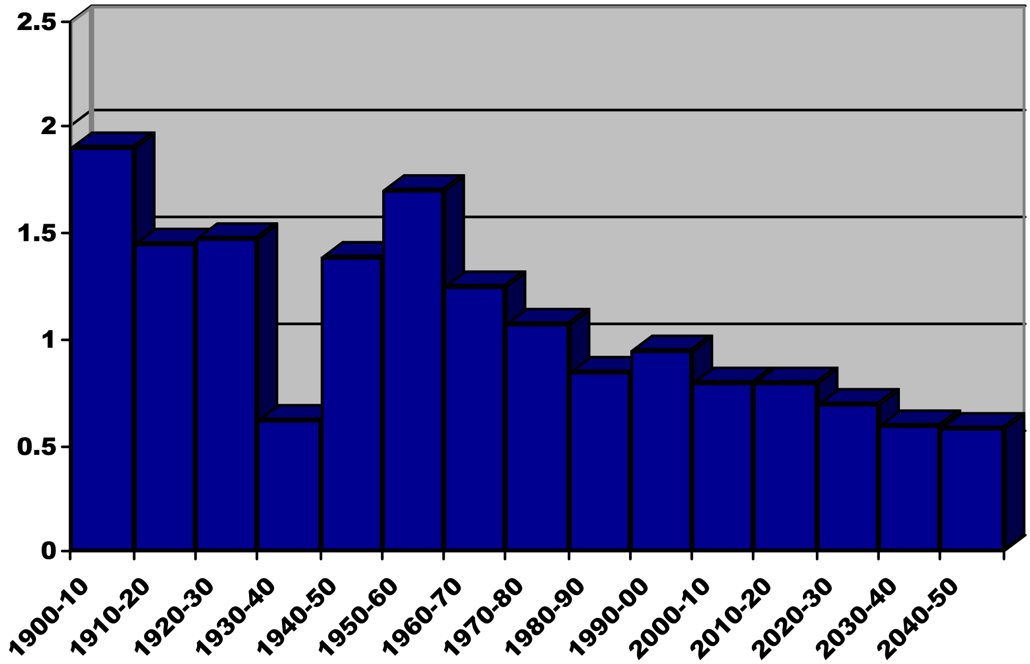
What this means is that, for the first time, the American economy will not have a swelling population to drive domestic consumer demand and business growth. The economic prosperity of the 1950s and 1960s reflected the immediate and lasting impact of 78 million new American consumers created within a span of less than two decades. As birth rates and the growth rate of the population began their steady decline at the end of the 1960s, the resulting economic growth of the 1970s and 1980s was less consistent. The combination of new technology, easy credit sources, and population growth (spurred by immigration, not higher birth rates) fueled sustained economic growth again in the 1990s, in much the way that those same three components drove the economic boom of the 1920s.[26] But the real drivers of business growth have remained rising birth rates and population growth. It's more babies that traditionally have created more demand and more opportunities for economic expansion. As demonstrated in Table 4, there has been a clear correlation between birth rates and economic growth as measured by stock performance.

Table 4: Correlation Between Birth Rates and Stock Performance



Sources: U.S. Census, Wall Street Journal

Table 5: Average Annual Population Growth By Decade



Source: U.S. Census/Wolfe Resources Group

The projections for population growth through 2050 suggest that there is no Baby Boom in our immediate future (see Table 5). But have the marketing and advertising establishments recognized this fact? Apparently not. They continue to function as if market growth has no end, as if the younger edge of the population determines the values and predilections for all, as if the age-based marketing principles and prejudices established fifty years ago remain timeless and above reproach and somehow even beyond the context of economic and socio-political realities.

The emphasis on marketing to youth is a remnant of a marketing model that needs to be challenged but hasn't. A marketing model so focused on youth and so dependent on increasingly higher birth rates can't help but offer diminishing returns when confronted with a consistent decline in birth rates. It is no coincidence that the so-called "Golden Age of Advertising" occurred during the second half of the Baby Boom.

What sense does it make to continue to adhere to marketing models that were developed in the 1950s and 1960s, when unprecedented population growth was the most important single economic driver—and one *that no longer applies today*? Why should we really be surprised and perplexed that marketing practices, which worked so well a half century ago, prove consistently less effective today?

And if the old ways no longer work as well, what should marketers do to promote business growth in ways that capitalize on, rather than ignore, current economic and demographic realities?

Why Matures Represent the Only Real Growth Market

It is a fact that the 25-44 population segment—the one rightly prized in periods of accelerated population growth—is shrinking and will continue to decline in numbers well into this century. So where does business turn for its best hope of sustaining sales growth?

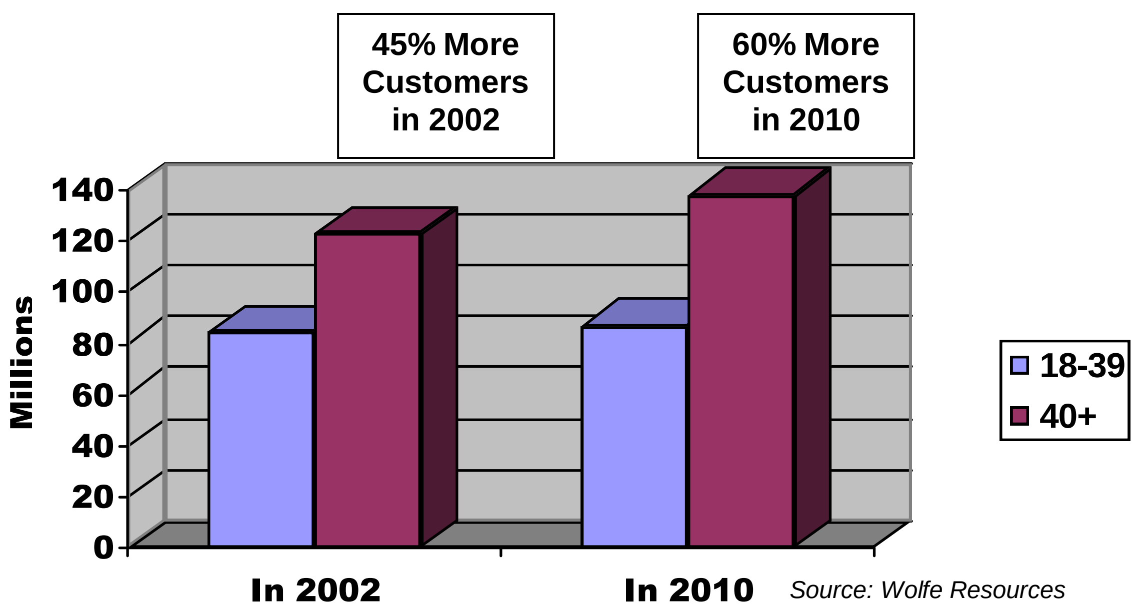
We believe the answer is obvious. Business will have to find its new prosperity by concentrating on older consumers, the population segment that offers the only real opportunity for significant sales growth throughout the rest of this decade and beyond.

Whereas the number of 25- to 44-year-olds will decline by more than four million through 2010, the number of 45- to 64-year-olds will *increase* by 16 million during that same period. By the end of the decade, the annual spending of 45- to 64-year-olds will increase by $329 billion to nearly *$2 trillion by the end of the decade*.

It's simple math. Would you rather sell to a market segment spending $1.5 trillion annually (over $100 billion *less* than they're spending today) or one spending $1.95 trillion? That's a difference of over $400 *billion*.

We recommend following the money. Marketers who remain adamant in their focus on younger consumers will be effectively leaving money on the table. Lots of it.

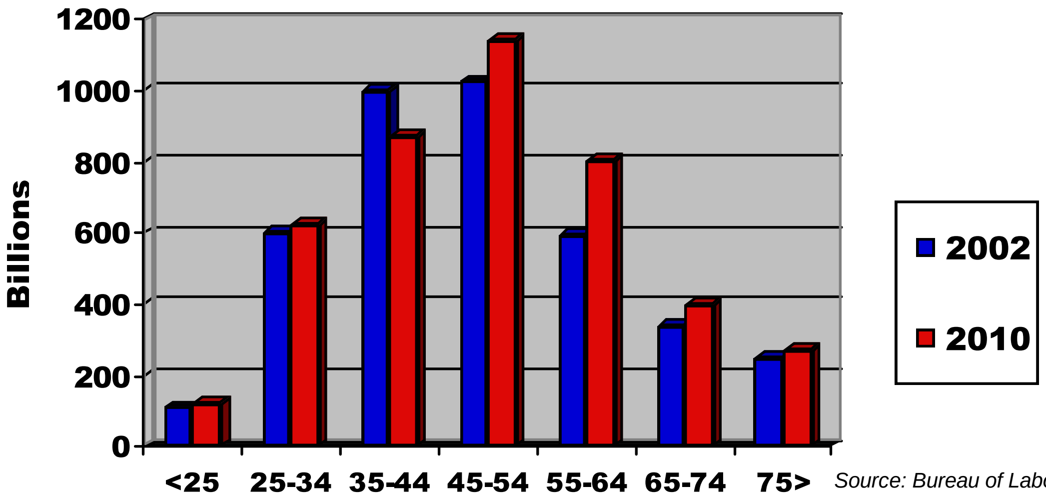
Where should they be focusing? On what David Wolfe refers to as the "New Customer Majority": adults 40 and older.[27] Table 6 demonstrates the size gap between those above and below age 40, and how much that gap will grow by the end of this decade. Already there are 45% more adult customers above age 40 compared to the rest of the adult population. By 2010, when Baby Boomers will be between the ages of 46 and 64, there will be 60% more adult customers age 40 and above compared to those under 40. And from the evidence of a continued decline in population growth as exhibited in Table 5 above, we can be certain of a similar or greater 40+/- gap well into the second decade of this century.



Source: Wolfe Resources Group

Table 6: Adults 40 and Older Have Become the New Customer Majority

If growth in the adult population will be found predominantly in the older segments, we can also be certain that spending growth will follow the same pattern. Table 7 demonstrates the projected difference in annual spending from 2002 to 2010. Notice that the 35-44 segment shows an actual decline in annual spending from now to the end of the decade, as the last of the Baby Boomers (the so-called "Trailing" Boomers[28]) pass their mid-40s, leaving the 35-44 segment to be populated by the significantly smaller Generation X (45 million versus 78 million Baby Boomers).[29] The segments generating the greatest spending growth are 45-54 and 55-64, reflecting the Baby Boomers' presence within these age milestones. Altogether, consumers 45 and older will spend over $2.6 trillion annually by 2010, compared to $1.6 trillion by adults under 40—a 61% difference.



Source: Bureau of Labor/Statistics/ Wolfe Resources Group

Table 7: Annual Spending Growth By Age Segments

Remember Myth #3? Mature consumers are not worth spending the time and money on. A glimpse into the future refutes the validity of that myth completely. Older customers are where population and spending growth are to be found in the next 20 years, and they are already outspending their younger counterparts today. Perhaps marketers haven't been aware of the potential economic impact of older customers, though the projections cited in this study should come as no real surprise to anyone familiar with the size and buying power of Baby Boomers and the history of their impact as consumers at each stage of their lives.[30]

Business sense insists that it is imperative for marketers to make a more concerted effort to attract the attention and brand loyalty of older customers. However, we believe that marketing's neglect of older customers, particularly those who preceded the Baby Boomers, runs deeper than just numbers. It also points to a crisis whose foundation encompasses more than a benign neglect of the most lucrative customer segment.

Can a More Mature Perspective Rescue the Marketing Profession?

Earlier this report cited an Accenture study[31] on the current state of the marketing profession. It provides a succinct and compelling overview of the challenges that make today "a difficult time to be a marketing professional."[32] Among the challenges cited in the report are:

- **The explosion in purchase choices that make conscious brand loyalty less relevant.**
- **The huge jump in the number of marketing messages to which consumer are exposed daily** (from an average of 650/day in 1985 to over 3,000/day now[33]).
- **Increasing customer sophistication.** ("Because of the Web and the boom in cable television, consumers now have access to more information than ever before and, thus, are much better able to evaluate offers from competing companies."[34])

The study goes on to identify how these challenges impact the marketing profession and its practitioners:

- **Companies aren't getting through to their audiences.** (A survey of companies in the US and UK "found that 70 percent of market executives have difficulty capturing the attention of customers, given the noise and clutter in the marketplace."[35])
- **Companies are having trouble holding on to valued customers.** ("Estimates show that the average US company loses 15 percent to 20 percent of its customer base each year."[36])
- **Marketing ROI is dropping.**
- **Marketing campaigns take too long to create and implement**. (Two months or more for more than half the companies surveyed.[37])

So what is this study telling us? The marketing profession is in a crisis, taking longer than ever to generate programs that are consistently *less* effective in connecting with their target audiences, that aren't making the value connections between customers and brands that keep customers coming back (and keep selling margins higher), and are generally delivering a diminished return on the dollars invested. If all this is true, and most marketing professionals have been living it, then what is the solution? What can marketing do to increase its effectiveness (especially in terms of how its efforts translate into profitable sales) and repair its credibility with executive management?

We believe the obvious and most immediate solution is for marketing professionals to capitalize on the value and potential return on investment of initiating a more concerted effort to understand and reach mature consumers. It doesn't reverse all the trends and challenges identified above, but it does give marketing a better opportunity to help companies realize real and more profitable business growth where it matters most—in customer acquisition and retention.

It is not a change that will come easily, particularly if the marketing establishment, including advertising agencies, clutch relentlessly to an outdated paradigm: "Agencies need to train their young writers and artists in how midlife minds typically perceive, think and decide about products and product messages. They need to learn … how to practice the subtle art of ageless marketing. Young professionals creating ads must be cured of their ageism for corporate America to begin regaining lost confidence in Madison Avenue."[38]

It is a *huge* shift for marketing and advertising professionals to make, but a necessary one. It means looking at marketing from an entirely different perspective. It means re-assessing strategies focused almost exclusively on attracting younger audiences. It also means re-examining creative approaches that, at best, have reinforced indifference with older consumers and, at worst, even alienated them.

After decades of honing their persuasive skills in attempting to reach younger audiences, marketers must also quickly recognize that the rules for the entire marketplace have changed dramatically. It is not within the intended scope of this study to address the issues of what types of messages work more effectively with mature audiences. However, it should come as no surprise that what appeals to a 20-something is less likely to have a similar impact on a 50-something. Nor will the messages and message styles that worked with Baby Boomers 30 years ago be perceived by them as being as meaningful and relevant now as they once were. David Wolfe points out that "A 50-year-old Boomer is not simply a 20-year older version of her 30-year-old self." She now functions at higher and more complex states of behavior, and the marketing approaches needed to connect with her must accommodate her own continuing development.[39]

The same might be said of the marketplace as a whole. Today's customers—at any age—also function at a higher and more complex state than was true even a decade ago. But the values customers share according to their "seasons of life"[40] and the manner in which they receive and process information depending on age have not changed significantly since the emergence of our species. The process of acquiring a true, empathetic understanding of mature customers can re-shape and re-vitalize the marketing profession in ways that go beyond more effectively accessing the large and un-appreciated buying power that mature customers bring to the marketplace.

Mature customers are not "set in their ways;" it's the marketing establishment that is.

Ironic as it may seem, the mature customer represents the future in terms of business growth and marketing success. Mature customers are not "set in their ways;" it's the marketing establishment that is. And until it commits to redefining the rules of marketing according to today's customer realities rather than those of an era now past, the marketing profession should expect only a continuation of the frustrations and limited successes to which its initiatives are subject today.

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[18] David B. Wolfe. The numbers cited in this section come from the keynote address and a lecture delivered by Mr. Wolfe at the "Beyond the Numbers Mature Market Summit" in New York, October 7-8, 2002.

[19] Susan Mitchell. *American Generations: Who They Are. How They Live. What They Think*. New Strategist Publications, Inc.: 1998, p. 28. Mitchell describes the generation born between 1909 and 1932 (The World War II Generation) as "the most affluent elderly population in American history."

[20] Barbara Lippert. "What's Wrong With This Picture?" *My Generation*: January-February 2003, p. 48.

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[23] U.S. Census Bureau. "World Population Profile: 1998—Highlights." http://www.census.gov/ipc/www/wp98001.html: "Population growth has continued throughout the past three decades in spite of the decline in fertility rates that began in many developing countries in the late 1970s and, in some countries, in spite of the toll taken by the HIV/AIDS pandemic… Over the course of the next 25 years, the age structure of world population will continue to shift, with older age groups making up an increasingly larger share of the total. For example, during the 1998-2025 period, the world's elderly population (ages 65 and above) will more than double while the world's youth (population under age 15) will grow by 6 percent, and the number of children under age 5 will increase by less than 5 percent. As a result, world population will become progressively older during the coming decades."

[24] Sergei A. Vassin. "The Determinants and Implications of an Aging Population in Russia." *The Economic Consequences of Population Aging*: http://www.kimep.kz/SSE/popdev-k/Topics/Conferences/Aging/vassin-russia.html: "Shifts in population and subpopulation growth rates, as well as waves in the population age structure, can be traced to the reverberating effects of several demographic crises in Russia in this century."

[25] Patrick Burns. "Japan—Environment, Development and Contraception, Audubon Population & Habitat Program: http://www.audubonpopulation.org/sections/news/11.14.02.01.cfm: "One factor driving fertility reduction was later age at marriage. Another factor -- too often overlooked -- was crippling poverty after the War. Japan in the late 1940s and 1950s was a miserable place, and few people could afford to have the large families they did prior to World War II. The real driver of

fertility reduction in Japan, however, was a desire for peace and prosperity. While prior to WWII large families had been seen as a source of prestige and prosperity, afterwards they were seen as destructive to the long-term peace and economic self-sufficiency of the nation.

[26] Harry S. Dent. *The Roaring 2000s.* Touchstone: 1998. Dent points out the business parallels between the 1920s and the 1990s by demonstrating that the economic good times were fueled by the combination of population growth (spurred by immigration more than rising domestic birthrates), the broad acceptance and application of new technology (electricity, telephony and mass production in the 1920s, information technology in the form of the PC and then the Internet in the 1990s) and easier consumer access to money (the widespread acceptance of buying on credit and paying by installments in the 1920s, the ubiquitous availability of credit—check your mail tonight for credit card offerings—and the almost-universal acceptance of credit *as the standard and preferred exchange medium* for purchases by consumers and business in the 1990s). According to Dent, all three conditions are necessary for strong economic growth, and their convergence comes in cycles. Given that, taking population out of the equation for the immediate future suggests that marketers will have to either hunker down until the next baby boom, or work from a different mindset to attract more customers.

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[30] "[Jerry] Della Femina once made a celebrated statement about how to get rich: 'Just follow the baby boomers throughout every stage of their lives,' he said almost 20 years ago. 'You can't miss.'" From Lippert, *op. cit., p. 50.*

[31] O'Halloran, *et.al., op.cit.*

[32] *Ibid.,* p. 3.

[33] *Ibid*., p. 9.

[34] *Ibid.,* p. 10.

[35] *Ibid,*. p. 11.

[36] *Ibid*., p. 11.

[37] *Ibid,*. p. 12.

[38] Wolfe, "Up Marketing's Creek Without A Paddle," *op. cit.*, p. 4.

[39] Wolfe, "Beyond the Numbers Mature Market Summit," *op. cit.*

[40] *Ibid.*

