

# COMING OF AGE

I N C O R P O R A T E D

## Baby Boomer Marketing & Senior Marketing

### **“Consumer Behavior Marketing – A Revolutionary Approach to Marketing & Sales to Baby Boomers & Senior Markets**

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By Jim Gilmartin

#### **A Marketing Paradigm Shift**

The typical American company is undergoing a transformation. Consolidation, competition and legislation are forcing companies to change the way they practice business. Consumers are scrutinizing products and services more closely than before. As mergers and acquisitions abound and companies join forces to increase market share, reduce costs and increase profit, customers are feeling alienated and abandoned.

Coincident to these changes is the rapid aging of America. Every seven to ten seconds someone turns fifty in America. In 1996, 50% of adult Americans were forty-three years of age or older. In addition, over the next seventeen years the over fifty markets will increase by approximately 50%. The less than fifty markets will increase by only 1%.

The United States Census data estimates the growth of maturing consumer markets to continue at a phenomenal rate. The current 50+ populations total approximately 72 million, with population estimates of 80 million by the year 2000, and to 97 million by 2010. Consider also that each day approximately 6,000 Americans turn 65 years of age.

Maturing consumers (aging baby boomers and senior consumers) are also the biggest spenders. They are the wealthiest, best educated and most sophisticated purchasers. In his book, *Age Wave*, Ken Dychwald, Ph.D. explored some astounding statistics. Maturing consumer markets:

- Control more than 70% of the total net worth of American households - \$7 trillion of wealth
- Own 80% of all money in savings and loan associations
- Purchase approximately 43% of all domestic cars and 48% of all luxury cars
- Purchase 80% of all luxury travel
- Purchase more than 25% of all the toys sold
- Purchase approximately 25% of all alcoholic beverages
- Spend more in the drugstore than any other age group
- Spend more disproportionately to their numbers

- Are not fanatically loyal to brands
- Spend more on health and personal care products than any other age group
- Purchase 37% of all over the counter medicine and 37% of all spa memberships
- Spend more per person in the grocery store than any other age group
- Watch television more than any other age group
- Read newspapers more than any other age group
- Spend more on quality children's clothing than any other age group
- They have more discretionary income (wealth) than any other age group. The data shows that discretionary income rises and reaches its peak in the fifty-five to sixty-four-age bracket
- In addition, they are living longer, enjoying better health and their values are changing

### What Are They Worth?

And, these consumers are worth plenty! In 1993, for those in the thirty-five to forty-four age brackets, median net worth was \$29,202. For those in the forty-five to fifty-four age brackets, net worth rose to \$57, 555. For those in the fifty-five to sixty-four-age bracket it was much higher still: \$91,480. Also consider this, during the 1990's the 18 to 34 year olds will number 9 million less than in 1989. This group will also spend \$41 billion less than the same age group did in the late 1980's. Thus, maturing consumers are significant markets for products and services. Changes in the overall marketplace and rapidly growing maturing consumer markets will combine to forge new and creative approaches to securing market share and profit.

### Most Believe They See the World As It Is, but Really, We See It As We Are

Unfortunately, many companies that target maturing consumers take a programmatic or a tactical approach rather than a strategic approach to increasing market shares. Because of all the rhetoric and media hyperbole about demographic trends, marketers are allowing the age of current and future customers to decide the company's approach to marketing, sales, product development and service delivery.

Age is the inappropriate focus. Business has developed frames of reference about maturing consumer markets that too often cause focus to be exclusively on the development of so-called "senior" products or services. In addition, marketers are lumping aging baby boomers into the "senior" market at a significant cost to business. We strongly suggest removing the word "senior" from your company's vocabulary unless you are certain the euphemism is acceptable to your markets.

Finally, stereotypical thinking about maturing consumers is driving marketing and sales programs. This approach to serving the wants and needs of this significant segment of the market is costing many companies market shares. In opening a recent article in the European Journal of Marketing, Peter Doyle reflected marketing's unhealthy state, "The 1990s are not proving a good decade for marketing."

Companies must develop business and service delivery system strategies to respond to the changing needs of maturing consumers. In doing so, marketers must position their company

correctly to take advantage of the coming changes that favor the company with a knowledgeable, strategic, systematic and integrated approach to securing, serving and retaining maturing consumers.

## **Customer Satisfaction**

Is the maturing consumer king? We think not. Why is there such a gap between customer's expectation and performance? Several factors cause the gap:

- Too many companies do not understand the reasons for the service crises
- Management sees the surface problems but do not understand the seriousness of the deep and abiding reasons that drive existing customers away and make it difficult to secure new customers
- Management will typically take a programmatic approach rather than a strategic approach to serving these markets.

## **Faulty Frames of Reference**

Too many companies have developed a paradigm (frame of reference) which unfortunately pigeonholes the maturing consumer into their "Senior" products or services. This results in the loss of those prospective customers who do not consider themselves as "senior" or in need of socialization services. Management doesn't deal with the service issues affecting maturing consumers as top strategic issues. Some companies have a narrow view of customer satisfaction for maturing consumers, and how to produce it. Finally, marketers have little knowledge of how to communicate effectively with maturing consumers. The major reason for the gap is tunnel vision, or what we've come to call - "Medicare Myopia."

Typically, sales and customer service staff struggle to deliver services and field complaints and their training is usually inadequate. They have little power to do their jobs (to solve customers' problems), and their status is usually low in the organization. Maturing consumers are very responsive to those that make it their business to get to know them and respond to their needs.

## **The Maturing Baby Boomers**

No serious discussion of maturing consumer markets can be complete without some discussion of the baby boomers. This large group of World War II progeny born between 1946 and 1964, like the older consumer or "seniors," has long suffered from being lumped together under a single label. It's as if 76 million are moving through life as one organism.

Baby boomers have dominated household-based markets since shortly after the first reports in 1946 of a birth explosion. No consumer industry - no sector of U.S. society - has escaped dramatic changes because of the sheer force of numbers of this remarkable 18-year-span cohort. Misconceptions about this significant segment of the marketplace currently exist. The problem is that we largely fashion current perceptions out of past perceptions, with no allowance made for the personal growth that accompanies maturity.

Aging boomers are no different from aging pre-boomers. Boomers are not, as so widely predicted, destined for a later life of perpetual regrets over lost youth. Such predictions contradict the findings of better than 50 years' of research into adult psychological development and brain/mind research. Those predictions ignore the idea of passages through the seasons of life that dramatically alter behavior, as reported by Daniel Levenson in *The seasons of a Man's Life*.

## Individuality

Like their predecessors, boomers are becoming more individualistic as they age. They do not often reference peer group dictates and values in making decisions. Post war affluence also allowed parents to indulge their children as never before. They invested in their children's skills by sending them to college. They encouraged them to succeed in a job market that rewarded competitive drive more than cooperative spirit, and individual skills more than teamwork. This individualistic perspective is not something that baby boomers can turn off and on like a faucet. For better or for worse individualism is here to stay.

The oldest boomers are 53, which places them squarely in the center of a “catered experience stage”<sup>1</sup> of life. The leading edge boomers are, indeed, at the center of consumer services markets. However, the precocious boomers, consistent with their patterns all their lives, are entering the “being experience years/stage”<sup>2</sup> ahead of schedule. In the process, they are forming the most extraordinary middle-aged generation of all time. A generation that presents the most complex sets of challenges to product and service providers and marketers in the history of modern marketing.

## Some Implications

The greater unknown of the future regarding spending habits of maturing consumers is how boomers will handle their money as they age. Living through the Great Depression has not influenced boomers attitudes. It is any one's guess what aged boomers' attitudes on money will be. When marketing products and services, companies should watch for the signs of differences between the traditional attitudes of older consumers and emerging attitudes of boomers.

## A Case for Change

Kevin Clancy and Robert Shulman, former heads of Yankelovich Clancy Shulman, wrote in *The Marketing Revolution* there is a marketing revolution coming “because failure is self-evident and everybody -- stockholders, directors, CEOs customers, the government -- is angry because marketing, which should be driving business and marketing, doesn't work.”

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<sup>1</sup>Typically, as we move into our mid-thirties, our need for material “things” lessens and we develop a higher need for catered experiences.

<sup>2</sup>The need for “being experiences” increases as we enter our mid-forties and beyond. We seek interactions that provide us with gateways to positive or value driven experiences from products and services above and beyond the generic nature of the product or service.

In their book, *Driving Brand Value*, Tom Duncan and Sandra Moriarty caution the reader about the credibility of marketing communications agencies . . . “Most of these agencies, and especially ad agencies, have little expertise in integrating marketing communications and designing constant messages that create purposeful dialogue, moves customers through the buying process, and speak to all key stakeholders.”

A Booz Allen & Hamilton report declared "brand managers were failing to get to grips with commercial realities," while a 1995 McKinsey report somberly warned, "Doubts are surfacing about the very basis of contemporary marketing." The report charged marketing departments with generating "few new ideas, being "unimaginative, and failing to pick up the right signals."

Marketing desperately needs help. Other business costs are falling while marketing costs are rising. Yet, response rates to many traditional marketing techniques are off. There is growing impatience with a sector of business that is costing more, delivering less and resists accountability.

### **What Was Before, Is Now, And Ever Will Be . . .**

In the 1970's, we overlaid the largely demography-based approach to defining market segments with psycho graphic factors, which generally correlated consumer behavior with demographic profiles. The term cluster describes clusters of people said to share similar lifestyles and values, and we arrayed the full spectrum of clusters in "lifestyle typologies."

Lately, however, researchers have written often about the growing ineffectiveness of traditional marketing segmentation notions and strategies as they have finally evolved within the various typology systems. The concept advocated in the remainder of this article is a new way of looking at consumers that transcends traditional ideas about market segmentation.

### **Consumer Behavior Marketing™**

The alternative to the tried and true methods currently practiced by marketers is an approach to marketing incorporating revolutionary new findings in brain/mind research. We call it Consumer Behavior Marketing™ (CBM). It will give marketers unique access to the basic notions of marketing.

- Knowledge of the market position of the company
- Knowledge and its business culture
- Knowledge of its products and services
- Knowledge of customers' needs
- Knowledge of customers' behavior and motivations
- Knowledge of how to start consumers' motivations in favor of product purchase
- Knowledge of how to retain the consumer

Consumer behavior is a product of how the human brain and mind work which challenge some enduring tenets of marketing. Marketing studies and observations that confront conventional wisdom:

- Focusing on product features and benefits often is a losing strategy in advertising
- Consumer surveys are one of the least effective ways for learning why consumers buy products
- New research suggests that consumers' final decisions are virtually never the direct product of reasoning processes.

The origins of CBM lie in a book written by David B. Wolfe, *Serving the Ageless Market* (McGraw- Hill, 1990). In that book, Mr. Wolfe first proposed the idea that the levels of personal development determine consumers' behavior much more than the age of the consumer. He developed Developmental Relationship Marketing concepts (DRM) used in TV commercials, print ads, direct mail, and face-to-face selling.

“DRM revolves around the simplest definition of marketing, product-related information processing,” says Wolfe. Certain characteristics that define us as humans lead us all to process information in approximately the same way. Knowledge of these processes provides a dependable map to guide marketers in shaping and transmitting messages to consumers.

Developmental relationship marketing is based on the premise that five systems of key underlying motivating values cause all human behavior. Under this premise, all behavior stems from desires to satisfy needs that fall into five categories:

- Identity
- Relationships
- Centering or life purposes
- Adaptation, and
- Energy conservation and renewal

While the mechanisms of information processing are the same for everyone, changes take place in the workings of these mechanisms across the life span. These developmental changes involve changes in motivational forces and in how we experience and think about matters. Their schedule and manner are predictable.

Knowledge of the timetable and nature of these developmental changes enables a marketer to accurately presume much about a consumer. Marketers need to know a consumer's age, cultural background and gender and, in some respects, they will be provided more information than traditional consumer surveys reveal.

DRM communications first target the brain and preconscious mind. The preconscious mind control's information flow to the conscious mind by determining which information is most used for a person's interests. Preconscious screening of incoming information is necessary because more data enter the brain from the five senses than the conscious mind can handle.

For the most part, the focus in relationship marketing has been on data base management -- more specifically, on data capture, analysis and the creation and management of lead systems and customer relations programs. What has not been well dealt with is "What do you say to a consumer in a relationship, how do you say it and when do you say it."

Dialogues to be sustainable on an enduringly satisfying basis depend on trust, of course. This has received considerable attention in relationship marketing literature. However, trust ultimately is dependent on empathy and vulnerability, with both operating in reciprocating fashion between two parties to a dialogue.

DRM provides the insights for integrating both empathy and vulnerability into marketing relationships. These two attributes are essential to optimal results in relationship marketing. To the extent they are weak or missing in a relationship, the content of dialogues tends to ring hollow. Introducing the notion of true empathy and vulnerability on a reciprocal basis to a company may challenge its longstanding culture.

Company tradition may place too much weight on its ability to know what consumers really want, and in most probability has a defensive attitude toward consumers' -- meaning it would have no part of vulnerability. DRM points the way to safely increasing company vulnerability in relationships with consumers in which communications flow evenly and unconstrained between both parties.

### **Taking DRM Further**

Consumer Behavior Marketing takes DRM several steps further. DRM promotes identification of individual consumers' needs and motivations and the creation of messages that have the best chance of generating consumer interest and converting that interest into a buying decision. The CBM process builds upon DRM protocols.

Using proven strategy development and execution techniques and methods, CBM helps companies to develop a comprehensive and integrated approach to increasing profit in maturing consumer markets. Marketing and sales efforts using CBM protocols increase the potential of identifying and diagnosing functional resistance and obstacles and identifying appropriate corrective action. The process leads to successfully planning and executing maturing consumer-marketing initiatives. Finally, through educational programs designed to support sustainable strategy execution, the process improves sales, service and customer satisfaction programs and efforts.

We are not attempting to simplify complex issues. There is always a risk that marketers will make oversimplified interpretations. Nevertheless, the thoughts that we develop in this section lay the groundwork for an ageless approach to market success. Developmental Relationship Marketing has been field tested and has yielded strong positive results by American Express, Alexander Hamilton Life Insurance, PacifiCare Health Systems, Del Webb, Blue Cross and others. This new model paves the way for a renaissance in marketing and its restoration to a place of esteem in the business community.

## **Don't Make the Same Mistake Twice**

In other words, for all the talk about the wealth and income of older Americans, prospects are good that the wealth and income of maturing consumers will be much greater in another ten years or so than it is today. Many marketers do not understand the differences in the characteristics of the boomers and this symbolizes the error in lumping all baby boomers together, just as it is done for other maturing consumer markets.

## **Pay Attention - Now!**

Management cannot afford to ignore maturing consumers. In particular, Management needs to begin thinking about boomers in their latest phase as maturing consumers - not as perpetual adolescents. As the boomers age, companies have no safe alternative than to ride the boomers "horse." Consider this, during the 1990's the 18 to 34 year olds will number 9 million less than in 1989. This group will also spend \$41 billion less than the same age group did in the late 1980's.

To survive, companies will have to learn how to do well in these markets. In contrast to the nine million decrease in 18 to 34-year-olds between 1989 and 2000, will be an increase of nearly 13 million (47 percent) of the 45-to-54 age cohort. The handwriting is on the wall for business: With market size dramatically decreasing in the young adult markets, Managements' current healthy book of business today may show evidence of a sickness in five to 10 years if management doesn't understand that and start to take action now.

## **Leadership Sets the Tone**

Successful companies recognize the need to use new approaches to adapt to a changing demographic environment. Identifying and acting upon new opportunities in maturing consumer markets will result in increased profit. Marketers should not continue to practice what they consider to be "tried and true" methods to attract and retain maturing consumers. The aging process causes physiological, psychological and behavioral changes. A significantly different management and marketing approach are required to maximize success.

## **Go with the Grain of the Brain**

Company marketers must take the time to understand such concepts and theories as, life stage analysis and the findings of brain/mind research. The next step is to apply that knowledge to marketing, sales, service and product development decision making. This approach will significantly increase their chances of success in maturing consumer markets. This knowledge will help companies to avoid costly and ineffective marketing, improve the effectiveness of communications and improve the user friendliness of the company to these markets.

In short, successful marketing depends more on what takes place in consumers' brains and minds than on product features and benefits. Yet, few marketers have substantive understanding, much less coherent strategies for integrating into their decisions how the brain and mind work. Few groups offer as much potential as maturing consumers. Company management's success or failure is tied directly to its frame of reference and the strategic approach it takes. You can view

your approach to maturing consumers as an opportunity or an unavoidable requirement - the choice is yours.

### Three Steps to Increasing Your Profit

*Most believe they see the world as it is, but really, we see it as we are.*

Step 1
Assessment Environmental Assessment Knowledge of customers & Service Audit Among Customers Among Staff Product/Market Opportunity Assessment Communications Assessment Market Research: Motivational Segmentation
Potential Outcomes 1. Determine magnitude of increased profit opportunity 2. Plan for next step

*The emotional test: "I'll see it when I believe it" vs. "I'll believe it when I see it."*

Step 2
Planning Positioning/Communication Strategy Preliminary Concept Development Product/Packaging Implications Sales/Service Implications Marketing Communications Plan
Potential Outcomes 1. Define timing and investment required to pursue 2. Plan for next step

*Marketing takes place in the theater of the mind.*

Step 3

Implementation

- Sales/Service Training
- Environmental Improvements
- Product/Packaging Implementation
- Campaign Development, Execution and Test Marketing
- Results Tracking

Potential Outcomes

1. Make final execution decision
2. Successful execution; build/retain business

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*Biographical note:* Jim Gilmartin is president of Wheaton, IL based *Coming of Age, Incorporated*. Established in 1991, the full service integrated marketing firm specializes in helping clients to increase leads and sales in baby boomer and senior customer markets. The firm provides clients' marketing communications, full advertising agency services and public & media relations' services. The firm also provides clients sales and service improvement training and turnkey Customer Loyalty/Affinity Clubs.

Jim is a frequent speaker at sales and marketing conferences, leadership/management retreats and association meetings. He currently teaches marketing and management seminars at the *University of Chicago* and is on the faculty of the *Bank Administration Institute's* Graduate School. He can be reached at 630-462-7100 or e-mail him at [jimgilmartin@comingofage.com](mailto:jimgilmartin@comingofage.com).

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