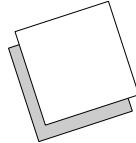


An executive summary for managers and executive readers can be found at the end of this issue



Marketing to older adults: an updated overview of present knowledge and practice

George P. Moschis

Professor of Marketing, Alfred Bernhardt Research Professor,
and Director of the Center for Mature Consumer Studies,
Georgia State University, Atlanta, Georgia, USA

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Abstract The changing demographics and the aging of the population are affecting the age composition of consumer markets. This, in turn, creates opportunities and challenges for organizations serving consumer markets. This article reviews some corporate challenges and opportunities facing the corporate American due to the aging marketplace. A list of actionable guidelines suggested for strategy development. These guidelines are based on present knowledge about the mature market. While the effectiveness of the recommended strategies is likely to vary across situations and sub-segments, it is hoped that they would be effective in most settings.

We have been witnessing perhaps the most important demographic shift in the history of mankind – the rapid aging of the earth's population. Today, there are approximately 600 million people over the age of 60 living on this planet. By year 2050 this figure is expected to almost quadruple to 2 billion (United Nations, 2002). Two main forces have been responsible for this global aging: sharp increase in life expectancy and high birth rates in post-Second World War years. In the twentieth century, we gained 30 years in life expectancy, which is greater than what was attained in the previous 5,000 years of human history. This increase was due to better public health, immunization, nutrition, and medical advances. The higher than normal birth rates that followed the post-Second World War years, especially in developed countries, have been responsible for the aging cohort of baby boomers, those born between 1946 and 1964. As this cohort ages, it will swell the ranks of older age brackets, resulting in disproportionate distribution of the age structure.

Aging population

The aging population is affecting just about every one on this planet. It is affecting governments, institutions and individuals. The aging population is putting pressure on pension funds and healthcare systems, and is having economic consequences that affect economic growth, savings and investments. This trend is also affecting families and raises issues such as elderly care giving, family composition, living arrangements, and quality of life in old age. Finally, there are a host of corporate issues raised due to the aging population, most of which fall under "workforce" and "marketing".

This article is based on the author's keynote presentation, "Guidelines for a senior-friendly marketplace", at the 6th Global Conference on Aging, Perth, Australia, 29 October 2002.

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Although keeping older workers has been viewed as a very expensive decision due to higher salaries and healthcare costs, many companies today are re-thinking the costs and benefits of hiring younger workers versus the costs of keeping or even hiring older workers. Younger workers are harder to find, more expensive to train, need benefits for a longer time, and often do not perform as expected due to care-giving responsibilities. There are also issues related to marketing to the “maturing marketplace” because of the shifts in the age composition of the markets and their buying power.

This article presents a state-of-the-art assessment of marketing to the “mature” population. Specifically, it traces the evolution of marketing to the older population, presents corporate challenges and responses to the growing mature market, and suggests guidelines for marketing to this segment based on our present state of knowledge.

Evolution of mature consumer marketing

In tracing the development of the mature market segment and marketing efforts to address its needs, we can identify three distinct stages of development: the prior to 1980s stage, the 1980s stage, and the stage since early 1990s.

Prior to 1980: total neglect

Neglect

Just less than 25 years ago, there was hardly any evidence to suggest that the older consumer market was of interest to most businesses. Until 1980, the focus of companies had been on younger consumers, usually those under the age of 50, mainly because this country has been predominately youth-oriented. Older consumers were not considered to be a significant segment, and were ignored. Evidence of such a neglect can be seen in a number of areas, including the scarcity of products available for older consumers and the published research on mature consumers. Even companies that were compiling and selling syndicated studies, like A.C. Nielsen, were not gathering information on consumers older than 50. And nearly all research published on older consumers dealt with topics of interest to public policy makers. Another interesting observation one can make is that the older consumer market during this period was defined mainly in a gerontological context, referring primarily to people over the age of 65. This may have affected perceptions of the market's size and viability.

Thus, the older consumer market was viewed as an underprivileged segment of the population, having limited economic resources and significance. As a result, most efforts addressing this market were limited to offerings that matched those perceptions such as the need for senior discounts. These efforts were primarily motivated by corporate efforts to be “socially responsible” by attending to the needs of this deprived and underprivileged segment of the population.

The 1980s: trial-and-error marketing

Redefined market

Perceptions of the older consumer market began changing around 1980. Rena Bartos' (1980) article in the *Harvard Business Review* is the first credible publication that redefined this market both in terms of size and buying power. In this article, she views the 50-plus segment of the population as a “mature” market, consisting of a large number of people with diverse lifestyles and buying power. The 1980 census also made marketers and demographers aware of the importance of the older segment of the population, showing surprisingly large numbers and wealth for the mature market.

The new census data received a great deal of publicity by popular media and trade publications. The media coverage also mentioned the younger segment of the population, the baby boomers who comprise 78 million or 30 per cent of the USA population. Marketers began taking heed to these messages and developing interest in the mature market. But since this segment of the population had been ignored, there was little reliable information for effective decision making. Faced with the urgency to respond to this new opportunity, many marketing decisions made by marketers, their consultants and advertising agencies were based on stereotypes and anecdotal evidence. It is for this reason that the 1980s can be labeled as years of “trial-and-error marketing”.

Mature market

Many of the assumptions about the older populations upon which advertising and marketing decisions were made failed to live up to realities. For example, most advertisements during the 1980s portrayed the mature market as a homogeneous group of cranky, isolated, and unhealthy people who like to be with other older people, buy products designed exclusively for them, and like to see people their age in advertisements. Companies and advertisers who made decisions based on such stereotypes learned their lessons. There are numerous examples of companies that erred. Kellogg’s cereal developed for the mature market and named “40-plus” was taken off the market in just six months because it stigmatized or labeled the people who were buying it as “old”. An advertisement for a personal-response system that showed a person lying in the middle of the floor, yelling, “I fell and I can not get up”, was viewed as poor taste by many seniors who took action (via AARP) to take it off the air. And an ad for Dennis Restaurant insulted the mature market audience. Further evidence of such marketing and advertising errors comes from one of our large-scale national surveys in the late 1980s which revealed that one-third of adults age 55 and over had boycotted products and vendors because of the way their ads were portraying older people.

Two trends

1990s-present: increasing commitment and caution

Since the early 1990s, we noticed two trends in mature consumer marketing. First, there has been an increasing number of companies that recognize the importance of the mature market and develop marketing programs to effectively reach it. This is attested to by the increasing numbers of product offerings developed to satisfy the needs of this segment. It is also evident in the increasing number of companies that develop mature-segment departments to better address the needs of the older consumer. This trend is most evident in the insurance industry.

The second trend is the increasing caution among marketers in designing products and messages to reach the mature audience. This caution is in part due to the previous marketing errors, and in part due to the increasing recognition of the diversity and complexity of the mature market. As information and knowledge about this market becomes available, marketers increasingly prefer to rely upon such information rather than their gut feelings or anecdotal evidence. Yet, even today, a large number of companies do not make an effort to market to the older segment because either they still do not see its importance or do not know how to market to this group of consumers.

Corporate challenges and responses

Organizations that market products and services to older consumers are faced with both opportunities and challenges. On one hand, the changing composition of the marketplace creates new opportunities and puts pressure

on them to respond to the increasing in size and wealth of the mature consumer markets, whose needs are largely unmet because they have been ignored. One of our studies, for example, found that 78 per cent of Americans age 55 and over are not happy with the products and services available to them. On the other hand, these organizations find it difficult to respond effectively to these new opportunities due to relatively little (and often contradictory) information available about this market. I have compiled a list of questions by companies based on my experience in talking to them:

- (1) *Should we market to older people?* Many companies still do not see the reason they should be concerned with the mature market. Traditionally, the USA consumer market has been viewed as comprised of younger people, and it is rather difficult for some companies to consider the older population as part of their main market. They may be aware of the changing demographics, but they have been slow in responding to these changes.
- (2) *Should the older market be treated differently?* Even when companies decide to market to the older segment of the population, many of them do not see the need to treat this segment of the population differently. They are not convinced that mature consumers differ substantially from the younger population to justify a different treatment as unique consumer market.
- (3) *Should the older consumer market be treated as a homogeneous market?* Most companies that have decided to market to the mature segment tend to consider everyone over a certain age, such as 55, as part of the mature market and treat them the same way. They do not see the need to consider them as a heterogeneous group of consumer who have diverse needs and preferences for marketing offerings. However, reality is that older people are more heterogeneous than younger consumer age groups because people become increasingly different from others with age.
- (4) *What are the most effective bases for segmentation?* The organizations that accept the reality of a heterogeneous older consumer market are often faced with the challenging task of deciding how to subdivide this market. They consider a wide variety of bases for breaking it down into sub-segments, and quite often are not sure which basis to use for effective market segmentation.
- (5) *How do we market to the older population?* Finally, whether an organization chooses to market to the entire mature consumer market or to specific sub-segments, they must address a host of marketing-related issues such as:
 - What products or product modifications should be made?
 - What advertising appeals and spokespersons should be used?
 - What types of sales promotions are effective?
 - What types of services should be offered?
 - How should products and services be distribute?

In sum, they want to know what works best for the senior customer.

Guidelines for developing marketing strategies

While the effectiveness of specific marketing strategies is likely to depend on the specific sub-segment and product or service being marketed, I can

suggest a few guidelines that should be of assistance to those marketing or contemplate marketing to the mature market:

- understand the needs of older consumers;
- rely on research;
- apply existing knowledge in developing marketing strategy;
- test before implementing strategies; and
- seek feedback.

Understand the needs of older consumers

Effective strategy

Adopting a consumer-oriented marketing philosophy is key to effective strategy development. Simply put it, think of the mature market first, and try to understand the needs of older people, how they differ from those of younger people, and why such needs differ among older people. Differences in needs tend to be the result of two types of factors. First, they are due to differences in aging processes, which include physiological, social, and psychological aging. Physiologically, people age differently, experiencing changes in bodily systems such as declines in vision and hearing, and the onset of chronic conditions and disease at different ages and different rates of such physiological declines. People also age differently socially, as they assume roles associated with old age, like the role of a retiree and a grandparent. Finally, psychological aging means, among other things, increasingly thinking of oneself as an “old” person, and we know of people of a certain age who you are still “young at heart”, while others of the same age will tell you that they are old and act their age.

Second, people’s needs differ due to life circumstances they have experienced. These tend to affect their mindsets and trigger specific needs, as in the case of an older woman who becomes a widow and needs help with managing her finances (something that her late husband used to do). People tend to experience various life changing events at different ages. As people age differently and experience various life circumstances, they often change their outlook on life as they re-evaluate their goals, wants and roles on both personal and consumer levels. As they go through these changes older consumer needs for products are likely to change, and so do their perceptions of, and responses to, marketing stimuli.

Rely on research

Credibility of information

Marketers have access to a wide variety and sources of information, but the credibility of information also varies widely. I have previously eluded to these differences and will not dwell on them (Moschis, 1991). However, at this juncture I think it would be worthwhile to present some general findings from search that have received considerable support based on several recent studies .

We have learned that, in comparison to younger people, people in the mature market:

- save/invest more;
- spend more on luxury products and services;
- shop during morning hours;
- prefer “one-stop” shopping;
- consider shopping to be a social event;

- are very convenience-oriented;
- patronize reputable/traditional outlets;
- seek personal attention and special services such as valet parking and gift wrapping;
- choose products based on quality and brand name;
- are less price conscious and deal prone;
- use credit as often;
- are as likely to show non-significant responses to sweepstakes and telemarketing; and
- complain less when they are not satisfied with something they have bought.

Key decision areas

Apply existing knowledge on developing strategy

Consumer research findings are not useful unless they are translated into implications for affective strategy in the key decision areas of market segmentation, positioning, product/service development, promotion, distribution and pricing. Unfortunately, the effectiveness of a specific strategy is likely to vary according to the specific sub-segment targeted and specific product or service under consideration. Yet, I feel that there is enough evidence generated to suggest the desirability of certain strategies in most situations (products and segments). The following guidelines are likely to be helpful in developing strategies in main marketing decision areas.

Market segmentation. While age appears to be the most common and easiest way of segmenting the mature market, it is probably the least effective in most cases. This is because people's behavior does not correlate well with age. Instead, we found that older people's behavior is more sensitive to their needs and lifestyles, which are in turn influenced by life-changing events and circumstances they experience. We found that segmentation based on these life events and circumstances is more effective than segmentation based on age. This segmentation approach takes into consideration the aging process and the person's life experiences. Simply put, older people who experience similar circumstances in late life are likely to exhibit similar patterns of consumer behavior. Their consumer behavior differs from those of the older people who experienced different sets of circumstances. This approach, which is based on what I call "gerontographics" (Moschis, 1996), has produced four older consumer segments whose size (percentage of the USA population) has been very consistent across studies: the "Healthy Hermits" (38 per cent), the "Ailing Outgoers" (34 per cent), the "Frail Recluses" (15 per cent) and the "Healthy Indulgents" (13 per cent).

Positive self-esteem

"Healthy Hermits" are likely to have experienced life events that have affected their self-concept and self-worth. They react by becoming psychologically withdrawn. Many resent the isolation and the fact that they are expected to behave like old people. "Ailing Outgoers", on the other hand, maintain positive self-esteem and self-concept, despite life events such as health problems. Unlike the "Healthy Hermits", they accept their "old age" status and acknowledge their limitations, but are still interested in getting the most out of life. "Healthy Indulgents" have experienced the fewest life changing events such as retirement, widowhood, and chronic conditions. They are the group that differs the least from the younger generation of baby boomers. Finally, the fourth group consists of "Frail

Recluses'', who have experienced the largest number of life changing events that denote physiological, social and psychological aging.

Four segments

The four segments respond differently to marketing stimuli, justifying the development of different marketing strategies to reach each segment.

Positioning. Positioning involves the creation of an image in the minds of consumers for a product or service. It refers to what consumers think about your product or facility's characteristics or offerings relative to other similar offerings. Positioning strategy is an important aspect of marketing decision making because it defines the specific actions that must be undertaken in the areas of promotion, product development, pricing and distribution.

Attributes

By positioning a product or service as having certain characteristics, it stands a good chance of gaining advantage over competitive offerings when consumers associate it with the specific characteristic(s). Our research suggests that different positioning strategies are effective for different segments of older adults. Yet, there are certain product and vendor attributes that older consumers generally value regardless of type of offering or segment. Thus, positioning a product, service, or vendor along the following attributes is likely to effective:

- *Convenience.* The mature consumer is very convenience-oriented. Convenience means different things to different people, and could include location (in relation to a person's home, work, or other retail outlets), ease of doing business by phone or mail, and ease of using products and services.
- *Functionality.* Older consumers are interested in the product's intrinsic benefits, its objective characteristics, rather than subjective benefits such as what the product stands for in the eyes of others. With age, people become more introverted and, therefore, indifferent to the social benefits of the product.
- *Quality.* Older consumers are very quality-conscious. They are willing to pay a higher price in order to get a better-quality product or service. In our research we found that price becomes an important consideration only when the quality of various product and service offerings is the same.
- *Dependability.* With age, people become risk-averse and prefer hassle-free products and services. One way to ensure that they get such offerings is to buy a familiar or reputable brand or patronize a well-established and well-known retail vendor.
- *Personalized service.* Personal attention is important to older consumers who prefer to do business face-to-face. They value the personal relationship with the service provider, and they want to know that someone within the company cares for them.
- *Product development.* In developing new products or modifying existing products to better serve the mature market, companies have learned that they should not develop products or attributes of interest exclusively to the older person. Rather, an increasing number of providers develop offerings that have an intergenerational or universal appeal. This means products and attributes that can satisfy the needs of both younger and older consumers, but are most beneficial to the older person such as developing easy-to-open packages and containers.

Ease-of-use

Older adults prefer products that minimize problems, rather than products that maximize benefits. For example, a PC that has the capacity to do wonderful things may not be desirable if after-sales-service or repairing is rather inconvenient. Ease-of-use should be a guiding factor in product development. Also, functionality should be a main theme in development products and services, since older consumers are more interested in product performance rather than its social appeal. For example, Sears developed functional (casual) shoes for the mature market. The firm stresses "comfort" as the primary benefit and "style" as secondary. The product was not marketed exclusively for the mature market, but "comfort" is of greater interest to older adults when buying shoes.

Promotion. We have learned much over the past 20 years what types of messages appeal to the mature market. First, with respect to spokespersons, we have learned that older people do not relate to older models. They relate more to those chronologically younger by ten to 15 years. Therefore, spokespersons should be considerably younger than the average age of the target market. Furthermore, when older people develop association between the product and the older user, many older people may not buy the advertised product because by buying it they would admit to their "old-age" status, and using the product would remind them of their old age.

Youthful self-concept

We also have learned that the aging person wants to maintain his or her youthful self-concept, so messages that reinforce the perception of being the "same person", the notion that a person of a certain age is like a person of any age, can be rather effective. Also, an effective way of reducing the perception that an advertisement targets only the mature segment is to use age-irrelevant or intergenerational appeals. For example, ads for Ensure show a supposedly white-haired mother and her daughter using the product. Finally, nostalgia should be considered as an appeal, since older people enjoy products and services that allow them to re-live their youth.

Some additional recommendations suggested by research:

- TV ads that are informative should focus only on few, key points;
- TV ads should present information at a slow pace;
- keep the message short and simple;
- keep background/environment simple and uncluttered;
- print media should include newspapers; and
- radio ads should be aired during news programs in early-morning hours.

Distribution methods

Distribution. In distributing products to older adults, an organization should attempt to use a variety of distribution methods, since the older consumer market is very diverse and prefers the various distribution methods as much as the general population (with exemption of the Internet, although the older market is the fastest growing age segment of Internet users). When using a direct marketing channel such as mail order, marketers should emphasize company reputation, adopt policies that reduce risk (such as free pick-up services for merchandise returns), and offer a variety of payment options.

When developing traditional retail distribution outlets, the following are recommended:

- locate retail establishments near other establishments;
- provide adequate parking and well-lighted parking lots;

- provide rest areas, such as small café-style areas, or benches;
- restrooms should be easy to locate;
- use adequate lighting;
- mark stairs with contrasting colors for easy height-change identification;
- use services such as valet parking, gift-wrapping, and package carry-out;
- consider innovative ways of using coupons (e.g. coupon dispensers, scanners, magnetic cards); and
- offer programs that reward long-term patrons, since older consumers are loyal customers.

Four recommendations

Pricing. Pricing decisions should also take into account the needs and preferences of older consumers. Research suggests four general recommendations for pricing strategy:

- (1) Offer price reductions when products and services are similar or standardized across sellers. Generally, older consumers are not very price sensitive and less likely to sacrifice quality for lower prices, but lower prices could entice them when no significant differences in product quality or service are perceived.
- (2) Use premium pricing for drastically different products. Older consumers would pay a higher price for products suitable to their needs.
- (3) Price product/service offerings “à la carte.” Although older consumers are willing to pay higher prices for certain products, they are not willing to pay for product benefits and services they do not use or need. They are less likely to pay for “bundles” of benefits, when many of the benefits do not interest them. Therefore, when pricing products and services where a buyer has options, such as automobiles and cable services, marketers should make those options available for a cost rather than marketing all of them as a “package” of offerings.
- (4) Do not over-emphasize senior discounts. Generally, senior discounts do not affect switching behavior. Seniors who use these tools buy more of the same brand or shop on different days of the week. Do not ask people to engage in activities that either remind them of their old age, label them as “old” or contribute to the definition of one’s self as an old person, because reality is that nobody wants to be old.

Multiple segments

Test before implementing and seek feedback

It is prudent to test-market a strategy prior to its implementation on a large-scale basis. This can be done in a limited number of environments such as retail outlets and geographic regions. When the strategy involves the targeting of multiple segments of the mature market, it is necessary to develop different marketing programs for different segments. In this case, a strategy developed for a specific segment should not only be tested for its effects on that specific segment but also for any effects on other segments of the population, both older and younger. Its effectiveness should be evaluated based on its overall impact, not just its impact on the specific segment for which the strategy was developed. When a Publix supermarket in Lake County, Florida, decided to appeal to the elderly by making its store more “senior-friendly” (such as making motorized carts available), it drove away the younger patrons. The retail strategy had a positive effect on older

customers, but the younger people did not like to patronize a “geriatric supermarket”, in the words of a younger patron.

Feedback on the effectiveness of a marketing strategy may be sought in a number of different ways depending on the product, service or other stimuli marketed. It may be assessed by means of changes in sales volume, store traffic, and attitudes (assessed through “before-and-after” surveys).

Feedback mechanisms should be made available to the mature market on a continuous basis, such as having a suggestion box or a toll-free number for complaint handling, because of the need to monitor changes in the environment such as competitors’ actions and reactions.

Composition of markets

Summary

The changing demographics and the aging of the population are affecting the age composition of consumer markets. This, in turn, creates opportunities and challenges for organizations serving consumer markets. This article has reviewed some corporate challenges and opportunities facing the corporate American due to the aging marketplace. A list of actionable guidelines has been suggested for strategy development. These guidelines are based on present knowledge about the mature market. While the effectiveness of the recommended strategies is likely to vary across situations and sub-segments, it is hoped that they would be effective in most settings.

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