

Targeting the mature market: opportunities and challenges

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Increasing attention on aging

Introduction

The subject of “aging” has recently received a great deal of attention in the media and in our national dialog due to the increasing size of the older population. Two factors have contributed to the increasing attention. First, a revolution in longevity is taking place in this country and around the world as more people are living far longer lives than has ever been true in the history of mankind. For example, in the USA, three-fourths of the people who are born today are expected to live to age 65, and half of them will live to the age of 80.

A second factor responsible for the increasing attention on aging has been the increase in birth rates in the USA between 1946 and 1964. Those born between these years, the baby-boomers, increased the total population by half within a very short period of time. With the baby-boomers approaching retirement years, the increasing size of the aging population has contributed to ongoing public debates regarding age-related issues in both government and media forums. Today, one cannot turn on the television or pick up a magazine or newspaper without noticing something about “aging” issues. Such concerns include long-term care, Medicare, health insurance for retirees, intergenerational equity, retirement policy, and Social Security, as well as topics concerning the maintenance of health through exercise and nutrition, and the changing occupations and lifestyles of older people.

The growth in the aging population is likely to affect businesses in a number of ways. First, companies will have to understand the consumption needs of older people and how the older market responds to various marketing activities of the firm. Businesses have already begun to respond to the needs of the aged population by developing new products or modifying existing ones. The increasing number of older adults puts more economic power in the hands of these consumers, who are likely to demand products and services suitable to their needs and lifestyles. Second, businesses are likely to be influenced by the aging workforce, which has implications for employee benefits, job training, job discrimination, elder-care programs, and pension design. Firms have already begun to realize that keeping an older person on the job may be more desirable than it has been in the past. Finding and training younger workers might not only become increasingly difficult, but also businesses would have to pay benefits to retired workers for a longer time. Finally, as the population ages many younger workers must provide care for older family members, and companies are beginning to feel the pinch of elder-care benefits and employee absenteeism.

The purpose of this paper is to highlight key issues confronting marketers who contemplate targeting the older population, and to provide guidelines for addressing these issues. These range from issues definition of the mature market to specific marketing strategies. In this paper we address some of the most commonly raised issues for which there is wide variation in opinions.

Most powerful consumer group

These are related to specific stages in the strategic marketing process: defining and targeting the mature market, positioning products and services, developing marketing programs, and evaluating the effectiveness of marketing efforts.

Marketing strategies

Defining and targeting the mature market

Should I target the mature market? Although most marketers are aware of the aging marketplace many of them are still not convinced that they should appeal to the older consumer market (often referred to as “the mature market”) differently than they presently market to the general population. “What should I do differently and why?” are commonly asked questions. Reluctance to target the older population stems, in part, from lack of information (uncertainty) about the older consumer market. For several decades the marketplace had been treated as consisting of only younger consumers (usually under the age of 50), so this idea of marketing to older people is very novel. Many of the marketers themselves are much younger than their potential target audience. Given that they have had neither training nor experience in marketing to older people, marketers tend to be hesitant in making this target market decision.

Presently, there are approximately 55 million people in the USA aged 55 and older, and approximately 33 million aged 65 and older. Worldwide, there are approximately 300 million people over the age of 65. The US older population is expected to double by the year 2030. Worldwide, the 65-plus population is expected to nearly double in 20 years as economic conditions improve and health care becomes available to developing nations (Moschis, 1992). Because people over 55 control more than half of the USA’s assets and more than half of the discretionary income, marketers cannot afford to ignore these demographic trends. Businesses are likely to respond to consumers who have economic power, and the mature consumer market is increasingly becoming the most powerful consumer group.

Who is an older consumer? There appears to be no consensus on the characteristics that define one as an “older person.” Age *per se* is not a very good criterion to use because there is a great deal of variability in aging. Because aging is multidimensional – that is, people gradually grow old biologically, psychologically and socially – any age boundary used is not likely to produce a meaningful definition. Simply, people do not always look or act their age. It often becomes necessary to use an arbitrary age, and even chronological definitions need to be placed in a proper perspective. For example, marketers of nursing homes may use a higher age boundary than marketers of travel and leisure services. Yet, for practical purposes, we often use a lower age limit, usually 50 or 55, to include people who may have a need for a wide variety of products and services.

One segment or many? Marketers who contemplate targeting the older population must often decide whether they should treat all consumers over a certain age as one segment, or whether to assume that older consumers are heterogeneous and further subdivide the mature consumer market. Most marketers usually make a decision based on their understanding and assumptions about the older consumer market.

One common mistake marketers often make in developing strategy is believed to be the use of stereotypic profiles of older persons. For example, common stereotypes of older Americans include those of poor health, social

Marketing strategy

isolation and lack of interest in romance and adventure. While many older adults may fit such profiles, the reality is that many others do not fit these descriptions. The older consumer market consists of older people who exhibit a great deal of variability with respect to the way they look, think and act. Therefore, any generalizations about older people are likely to be inaccurate.

How should the market be segmented? Marketers who view the mature consumer market as a heterogeneous segment of the population are often confronted with the challenging task of deciding how to segment this market. While objective criteria such as age are often the most convenient bases for segmentation due to availability of data, research shows that objective measures do not produce effective segmentation. This is because segments formed on the basis of such factors (for example, age brackets of 55-64, 65-74, 75 and over) do not seem to respond differently to the marketers' offerings.

Market segmentation is a widely used marketing strategy. It involves the subdivision of the entire market for a product or service into smaller market groups or segments, consisting of customers who are relatively similar within each specific segment and maximally different from customers comprising other segments. The assumption underlying market segmentation is that customers vary widely with respect to their needs and preferences for products and services and, generally speaking, with respect to the way they perceive and respond to marketing offerings. By grouping customers together based on similarity of their responses to marketing factors, greater marketing efficiency and customer satisfaction can be achieved. Marketers often design different products and services to appeal to specific segments, hoping to get a more favorable response than they would have received from using a uniform marketing approach to appeal to every potential customer. Of course, the underlying rationale for market segmentation is that the incremental consumer responses achieved by appealing to specific segments' overuse of the "shot gun" approach justifies the costs of developing offerings tailored to individual segment's needs. This is something marketers rarely consider in evaluating segmentation alternatives.

Subsegment values

Positioning strategies

How should my product or service be positioned? When practitioners consider targeting the mature consumer market or specific segments, they often want to know how they should position their products and services. Positioning refers to the "image" or "impression" about the company or its products marketers want their present and potential customers to have. This is often achieved by taking into account the factors the market or a certain subsegment values, as well as the impression consumers have of other competitors.

Positioning strategies tend to be easier to develop and implement when a company sells products only to one market or segment consisting of a homogeneous group of people who value certain offerings such as "convenience" and "value." However, this is hardly the case with most organizations since their customer bases are rather heterogeneous. In the most common cases, what appeals to one segment might not appeal to another. For example, when Publix supermarket tried to appeal to the elderly population in Florida by changing its facilities to accommodate the frail shoppers (e.g. making motorized wheelchairs available), it lost many of its

Impact of positioning strategies

younger shoppers. The latter group (the company found) did not want to patronize a “geriatric” supermarket.

A firm should assess the impact of its positioning strategies on other segments. If there is an adverse reaction from other segments, whether these are younger or older customers, perhaps the marketer should identify those factors (if any) which are likely to appeal to all or most segments and position products and services based on these factors. Alternatively, the company could pursue “niche marketing,” that is, concentrate on the most profitable segments or those segments which are currently ignored or underserved by competitors. The company should also consider product and brand extension strategies by marketing its offerings under different names, or forming alliances with different organizations – strategies which may lessen the risk of detracting from the company’s image in the minds of different groups of consumers.

Developing marketing programs

How do I market to older consumers? This is a frequently asked question by those who want to know differences in the way one goes or should go about marketing to older consumers. Unfortunately, there are no straight answers to this question. Research and case studies show that answers would differ based on the type of:

- specific segment targeted, and
- product or service being marketed.

Comprehensive marketing program

A comprehensive marketing program encompasses a wide array of marketing decisions in the areas of product design, pricing, promotion and distribution. Developing an effective marketing program involves making sound decisions in these specific areas. Because people respond differently to marketing stimuli based on their needs, experiences, stage in life and other factors, it is highly unlikely to be able to develop marketing strategies that would be effective for all mature consumers.

Marketing programs should be tailored to the specific needs of a market or segment; and the programs that may be effective with one segment may not be effective when implemented to appeal to another. Partly, answers to the question of effective marketing programming would be driven by strategic decisions made in the areas of target selection and positioning. That is, the specific segment(s) chosen, and positioning strategies appropriate for each segment, would determine the viability of certain marketing tactics. Another factor that needs to be taken into consideration is the type of product or service involved. Consumers in general, and older consumers in particular, do not respond the same way to specific strategies or company offerings. Their responses tend to be influenced by the characteristics of the products or services being marketed. For example, products and services important to consumers are marketed differently than products of lesser importance.

Because the effectiveness of marketing strategies and programs varies by type of segment and type of product, decision makers should rely primarily on information about older consumers’ responses to marketing offerings which are specific to the product or service being marketed as well as to the segment of interest. Such product segment-specific information is likely to be more useful than generic information on any segment or product offering.

Evaluating the effectiveness of marketing efforts

How do I know my marketing strategies work? This is perhaps the most challenging question to answer because the effectiveness of your strategies

Three types of costs

is intertwined with those of your competitors. Yet, marketers want to know the effectiveness of their programs. It is often assumed that if a leader in the industry uses a strategy it must be effective. In fact, our research shows that many strategies reflect marketers' efforts to respond to competitive offerings rather than trying to satisfy older consumer needs. For example, senior membership programs, once popular with hospitals, have been losing their appeal and are being discontinued. It is also possible that a strategy that was effective yesterday may not be effective today because it may be widely practiced by competitors. For example, airlines which were among the first to offer senior discounts may not consider these offerings effective any longer, since nearly every airline has been using these promotional offerings.

Marketers or consultants who recommend the implementation of various strategies should be able to show the effectiveness of the contemplated or proposed programs. There are three types of costs involved in developing special programs for the mature market:

- (1) Changes must be made in products, promotions and methods of delivering products and services to one of more segment of the mature market; these changes involve costs.
- (2) There may be an adverse reaction from customers who are presently served because many of them are likely to become aware of the marketer's efforts aimed at older consumers.
- (3) The opportunity cost of funds used in developing various programs would be an issue.

Ideally, marketers should try to assess the effectiveness of their programs, proposed or implemented, by examining these costs in the context of their incremental effects they have had (or are expected to have) on sales, profits, customer satisfaction or other acceptance measures of effectiveness.

To summarize, because of the heterogeneity of the mature market, marketing strategies should be segment-specific. Furthermore, the effectiveness of specific marketing programs varies according to the type of product or service under consideration. Therefore, when marketing to older consumers, decision makers should rely on information which is relevant to a specific segment's response to marketing stimuli concerning a specific product or service. Broad strategies to reach the mature market or any of its subsegments without considering the nature of the product involved are likely to produce less than optimum results.

An illustration

To illustrate the importance of developing segment-specific strategies and show how market segmentation, targeting and positioning strategies help develop effective marketing programs, this section presents a step-by-step approach used to segment the market and suggests marketing strategies. In doing so, we illustrate how the consumer behavior of each specific segment (determined via research) can suggest specific strategies which are product/ service- and segment-specific. Finally, we illustrate additional application and usefulness of the segmentation approach.

The segmentation model

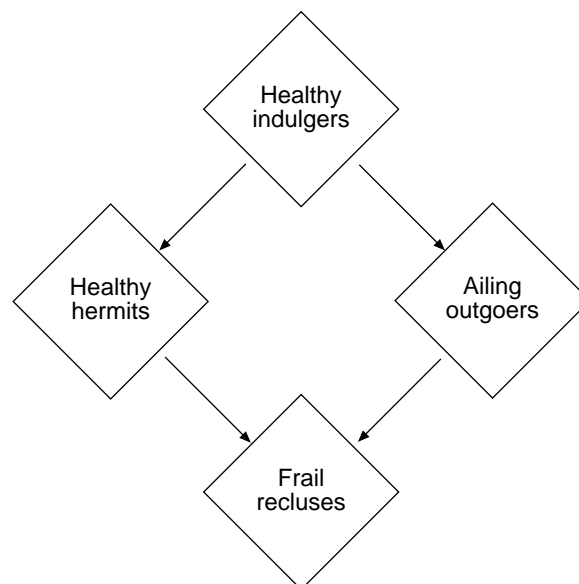
A series of studies conducted by researchers at the Center for Mature Consumer Studies (CMCS) used gerontographics – i.e. variables that tap the person's biophysical, psychological and social circumstances in life, and determine the impact of key life events that are likely to contribute to the

Consumer behavior of individuals

older person's aging processes – to produce the lifestage model which consists of four groups of older adults who are at four different stages in later life (see Figure 1). The first stage includes *healthy indulgers*. Mature Americans who are at this stage are closest to the stage at which most baby-boomers are found. The major difference between mature people who experience this stage and baby-boomers is that the former group is better-off financially and settled careerwise, with their main focus on enjoying life rather than trying to “make it in life.” Opposite to this stage is the life stage occupied by *frail recluses*, or people with chronic ailments who are pretty much in isolation and are likely to think of themselves as “old persons.” At some earlier point in time they may have experienced the same stage healthy indulgers presently do, although stages are age-irrelevant. Many of the frail recluses may have gone through the intermediate lifestages experienced by *healthy hermits* and *ailing outgoers*. The former group is relatively more socially withdrawn and healthy but secluded, while the latter is still active and likely to maintain high self-esteem despite adverse life conditions. Furthermore, healthy hermits are concerned with day-to-day tasks and are likely to deny their “old age” status; on the other hand, ailing outgoers, have internalized many of their frailties and, though they try to make the best out of life, they are preoccupied with their physical and financial independence and wellbeing. Thus, people in late life can move from one stage to another. Although such changes may occur over time and may be abrupt (e.g. retirement, stroke), the processes or “flows” are relatively age-irrelevant because they may begin at any age in life or never be experienced.

Segment- and product-specific strategies

The consumer behavior of individuals in these segments also differs. Differences in consumer responses to marketing offerings can form the bases for selecting targets, position products and services, and developing



Note: Specific arrows indicate that people may move to the next stage in life due to physiological, psychological and social aging. Arrows pointing to the left denote psychosocial aging; arrows pointing to the right denote biophysical aging

Sources: Moschis (1996)

Figure 1. Lifestage segments of the mature market

Lifestage model

marketing programs (Moschis, 1996). Table I provides an illustration of marketing strategies that can be developed to target consumers of various products and services. As shown, the viable market segments (lifestage groups) are product-specific. Similarly, the strategy that appears to be effective in one industry may not be effective in another. These strategies reflect the segment's favorable response to specific marketing offerings covered in our research studies over the past ten years.

Applications and usefulness

The lifestage model presented has a wide range of potential applications to the field of marketing, ranging from database marketing to identifying potential customers and developing specific marketing strategies.

Linking lifestages to other databases. Data from other models such as PRIZM and VALS can be linked to the gerontographic segments to enhance the value of these existing databases and help develop behaviorally-sensitive marketing strategies. For example, a marketer targeting a market segment in SRI's VALS2 model can determine the specific gerontographic group that dominates it and design appropriate marketing strategies for their products, promotion, pricing and distribution. To be able to link an existing database with our lifestage model one can use either a direct or an indirect method. The first method involves obtaining information necessary in constructing both models and then determining the segments in the one model that contain the proportionately largest number of individuals classified by the criteria used in the second model. The indirect method involves the use of variables common in both models. For example, once the marketer identifies the types of products or media used by a segment in one model, they can look for segments in the other model that makes heavy use of the same types of products or media.

By linking the lifestage model to other commercial databases, the value of these databases can be enhanced considerably because these commercial sources do not contain information on older consumers' sensitivity to marketing strategies. Thus, for example, a marketer of financial services interested in reaching older adults who are heavy users of low-risk investments could learn about the specific gerontographic segment(s) which are most receptive to these investments, as well as the types of marketing strategies that would be most effective in reaching each desirable segment.

Linking lifestages to products and services. Marketers can determine the lifestage segment(s) which is(are) most viable for specific products and services by using primary data from the market surveys to link lifestage groups to specific products or services. This approach requires the analyst to gather relevant information, analyze the information gathered to construct the lifestage segments, and assess each segment's sensitivity to specific marketing stimuli for a given product or service. Alternatively, the lifestage groups can be linked to specific products or services by means of available data, published or previously collected. The analyst must know how the use of certain products (one may or may not be interested in) correlates with the use of products one is primarily interested in, and how the former type of products relates to the lifestage segments. The assumption made here is that if preference for a product not related to the marketer's interest correlates with the use of a product one is interested in, and the product of no interest is preferred by a given lifestage segment, then products of interest to the analyst should also be preferred by the same segment.

Products/ services/institutions	Viable segment(s)	Marketing programs and strategies				
		Positioning theme(s)	Products/ services	Promotion	Distribution	Pricing
Food products and stores	Ailing outgoers	Emphasis on taste	Easy-to-use, with clear labeling and instructions	Coupons, senior discounts, avoid stereotypes in ads	Educate sales clerks re products and older shoppers' needs	Liberal return policy rebates, "specials"
Restaurants	Ailing outgoers	Emphasis on convenience	Items easy to read and suitable to dietary needs	Special-assistance services (e.g. valet parking)	Location near other retail facilities	Senior discounts
Apparel and footwear	Healthy hermits	Social acceptance by same-age groups		TV and print ads, emphasis on group conformity and acceptance	Help in locating merchandise, carry well-known brand names	"Skim-the-cream" (high) pricing
Pharmaceutical products	Ailing outgoers	Product functionality and social acceptance	Special sizes and features	Direct mail, informal seminars	Wide assortment, special-assistance pick-up service for returns	"Sales"
Airlines/cruise lines	Healthy indulgers	Ease of product use, price	Easy-to-use features	Proper stereotypes in ads, educate pharmacists	Carry well-known brands	Sales, discounts
Hotels/motels	Ailing outgoers	Emphasize convenience and price	Offer a wide variety of travel-related services	Use testimonials, properly stereotype seniors in ads	Emphasize ease-of-doing business by phone/mail	Special prices to groups, senior discounts
		Emphasis on "value"	Develop alliances with other service providers, develop "packages" of services	Free seminars proper stereotyping in ads	Train representatives for direct marketing	Special group-membership discounts
(Continued)						

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Table I. Sample of marketing strategies for various types of product/services and institutions based on gerontographic segments

Products/ services/institutions	Viable segment(s)	Marketing programs and strategies				
		Positioning theme(s)	Products/ services	Promotion	Distribution	Pricing
Financial services	Healthy indulgers	Convenience, personal relationship	Moderate- low-risk investments, overdraft protection	Train personnel/staff, emphasize convenience in ads	Telemarketing, private banking	Free financial services for keeping large balances
	Frail recluses	Position investments as vehicles for financial independence	IRA/Keogh, reverse mortgage plans, overdraft protection	Train sales represen- tatives to spend time explaining services	Personnel in branches available to assist with filling out forms	Senior discounts
Health-care products and services	Ailing outgoers	Emphasize reasonable fees/prices	Health membership programs, healthy club memberships	Avoid age stereotypes in ads, telephone/ personal contact	Direct contact systems for appointments and health monitoring purposes	Reasonable prices, senior discounts
	Frail recluses	Emphasize "convenience"	Home-health-care, exercise equipment, self-diagnostics	Direct mail, group membership programs, avoid stereotyping in ads	Outpatient health clinics, locational convenience	Make available several payment systems
Insurance	Ailing outgoers	Emphasize "convenience"	Long-term care insurance, medigap, wide assortment of investment products, liberal cancellation/ refund policies	Train salesforce at cross- selling sponsor events, provide assistance with filling out forms	Develop partnerships with nontraditional service providers, efficient telemarketing	Offer variety of payment systems/plans, membership discounts

(Continued)

Table 1.

Products/ services/institutions	Viable segment(s)	Marketing programs and strategies				
		Positioning theme(s)	Products/ services	Promotion	Distribution	Pricing
Housing	Frail recluses	Accessibility to medical, personal, and home-care services	Single-family houses, home remodeling product/ services	Promote accessibility of housing projects to health, personal and home-care services	Locate housing projects near hospital	Price home-care services on <i>à la carte</i> basis
	Healthy indulgers	Locational convenience, security	Apartment, town-houses and condos; home security systems; home-care services	Emphasize proximity to retail facilities and services; personal selling	Develop projects near shopping centers	Price home-care services on <i>à la carte</i> basis
	Ailing outgoers	Housing that promotes independence, a viable alternative to maintaining single-family home, home/personal security	Retirement communities, nursing homes	Sponsor seminars	Accessibility to public transportation, personal and home- care services	Low price sensitivity
High-tech products and telecommunication services	Healthy indulgers	Emphasis on “convenience”	Home-security systems, telephone answering machines, discount “package” long distance plans	Promote new products through organized groups, emphasize convenience in buying direct, promote/explain products in group settings	Direct marketing	Low price sensitivity

Table 1.

Classification

Identifying present and prospective customers. Another potential usefulness of the lifestage model can be in identifying present and prospective customers for specific products and services. By examining product preferences across the four segments, marketers can determine whether the primary market for a given product or service presently is the healthy hermits, ailing outgoers, frail recluses, or healthy indulgers. By identifying specific objective characteristics that define or exclusively describe each of these groups, such as mass media and products used, marketers can obtain mailing lists and telephone numbers for direct marketing; or they can examine the specific group's inclination to respond to other marketing activities of the firm for developing target-marketing strategies.

Because people in various gerontographic segments are classified according to information pertaining to various aging processes, events and circumstances in later life, a prospective customer's classification or transition into a given life stage (and their subsequent development of needs for specific products and services as a result of such a transition) can be predicted using event-history analysis (or hazard) models. Thus, individuals who are "at risk" of moving into a given lifestage can be identified and profiled, enabling the marketer to be proactive in targeting older adults who are anticipating lifestage changes and, as a result, are in the process of developing needs for new types of products and services. This can be done by examining the variables that carry the heaviest weight in predicting a person's transition into the next stage, where such a transition can be modeled as an event. This approach would give the marketer an edge over competition because they can proactively position a product or service when the need for it is about to develop among a group of prospective buyers.

Developing marketing strategy. Finally, the lifestage model can be used by marketers in developing marketing strategy. Because the link between a specific lifestage segment and that segment's responses to marketing stimuli (tactics and strategies) has been established – that is, we have demonstrated that each of the four segments responds differently to various types of marketing efforts – one can see the usefulness of using these segment-specific responses in developing marketing strategies and programs for the mature market. Furthermore, we have demonstrated that older consumers' responses to such marketing efforts vary by type of product or service, suggesting the value of the lifestage model in formulating product/service- or industry-specific marketing strategies. Finally, the data from national studies have shown that product-specific strategies may be more appealing to certain lifestage segments, suggesting the need for targeting each segment with different marketing strategies and marketing programs for specific types of consumer products and services.

Suggested guidelines

To help the reader summarize much of the information presented and interpret it in the context of effective decision making, a number of guidelines are suggested:

- (1) Consider the mature market as a unique market segment, and different from younger age segments. This market is growing, and in today's consumer-oriented economy it is likely to influence the way companies market their products and services.
- (2) One cannot assume the mature market is homogeneous. Before developing marketing strategies, marketers should consider segmentation criteria which help form segments that respond differently to marketing offerings.

- (3) Positioning strategies should be evaluated with respect to their impact not only on specific target market(s) but also with regard to their overall effect on all present and potential customers.
- (4) Look for segment- and product-specific information. General statements about the effectiveness of specific strategies that are indiscriminately applied to the entire mature market should not be given much weight.
- (5) Be skeptical of information or statements made about the mature market which offer concrete explanations and answers to marketing questions. The mature market is very complex, and what works for some older consumers or situations may not work for others.
- (6) Look or ask for strong evidence (such as research studies and case studies in your industry) which shows a particular strategy is (or can be) effective. Because the mature market was recently "discovered" it has not been extensively researched, and much of the available information about the effectiveness of various marketing strategies has not been validated. Many ideas or suggestions on how to market to older consumers are intuitively appealing but less than rigorously proven.
- (7) Realize that long-run strategic marketing planning is risky, since assumptions are often necessary about the behavior of tomorrow's older consumers. Because we have a difficult time understanding even the younger consumers of today who are relatively more homogeneous, the task of making predictions about the older consumers of tomorrow is not easy. When reading about prognostications or listening to futurists, keep in mind that tomorrow's older people are not only going to be more heterogeneous but they will be behaving in an uncertain environment.
- (8) Keep in mind that the mature consumer market is constantly changing. What works today might not work tomorrow. Information about older consumer behavior quickly becomes obsolete.
- (9) Marketing programs should be designed for specific segments and products or services. Strategies which are not segment- and product-specific are likely to produce less than optimal results.
- (10) Before implementing a proposed strategy ask yourself, your staff or consultants how the effectiveness of the strategy is going to be determined. A strategy is effective when the incremental benefits outweigh its costs.

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