Dick Stroud

is a strategic marketer who is fascinated by new technologies. He is the founder of Internet Strategies, a consultancy that helps marketers to understand and use emerging technologies. He is also the MD of 20plus30, a marketing consultancy that helps clients exploit the business opportunities created by the ageing population. Dick's most recent interest is Web video. You can contact Dick at dick@20plus30.com and read his blogs at www.guerillavideo.co.uk and www.20plus30.com/blog.

Alex Batchelor

joined the Royal Mail as Marketing Director in June 2005, after almost four years at Orange. As Vice President — Worldwide Brand, he was responsible for managing and developing the Orange brand on an international basis.

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Our culture faces 'young', while the economic reality centres on 'old'

Dick Stroud
E-mail: dick@20plus30.com

Meet the charmed generation

Dick Stroud and Alex Batchelor

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Abstract

The current generation of over-50s is an affluent one. They have benefited from a free welfare system for health and education, from generous pension benefits and unprecedented increases in property values. Yet, marketers largely ignore this group of affluent consumers or treat them as a 'niche' sector. The authors identify a sub-group of the over-50s, called the 'charmed generation', possessing high levels of wealth and income. Companies should be targeting these consumers. The authors explain how this can be done. *Journal of Direct, Data and Digital Marketing Practice* (2008) **10**, 43–51. doi:10.1057/dddmp.2008.25

Weird or what?

In the past, the old 'map' of consumer marketing was exquisitely simple; it showed a single road, leading to metropolis '18–34-year-olds'. Nowadays, the landscape has somewhat changed, dissolving into a myriad of side-turnings and lanes. New signposts appear with names like 'the over-50s'. Some of these go nowhere, but some lead to six-lane highways. Marketing now needs a new map — maybe even a new car.

The western and much of the eastern world is institutionally ageist. Youth, youthfulness, vitality and modernity always trump age, maturity, wisdom and experience. It is not surprising, then, that living in a culture where young is good and old is boring, marketers behave as they do. This is not a value judgment, it is a fact of life.

Another fact of life is the current relentless shift in the economic centre of gravity towards older people. Each day there are more, better-off 'oldies' and fewer, increasingly indebted youngsters. Our culture faces 'young', while the economic reality centres on 'old'.

Naturally, these opposing forces are creating strains and conflict. Attempting to make sense of this dilemma is the archetypical '30 something' marketer. Every so often the media is screaming 'the future is grey' while blaming young marketers for their insipient age-phobia. All of the time, fellow marketers whisper not to worry, it does not really matter, and anyway we all know that 'the future of a brand is young'. Senior managers look down from their offices on the top floor, seemingly unconcerned about the commotion.

Numbers

The most common argument as to why marketers, especially of the youthful variety, should pay more attention to their parents' and

Don't scare them by numbers

grandparents' generation relates to the growing numbers and huge spending power of the 50-plus. Read any article or book on the subject and, within the first few sentences, you will see a quote along the lines of 'they (the over-50s) own 80 per cent of the UK's wealth, worth more than £5 trillion, and represent over 40 per cent of the adult population'.

This 'scare them by the numbers' tactic is at best useless, at worse counterproductive. The numbers are perfectly correct, but when young marketers read the statistics, they filter them out and pigeonhole the arguments as yet more stuff banging on about old people. The reticence of marketers to think about the economic implications of aging may have been dented by the dire predictions contained in Lord Turner's Pensions Commission report. The spotlight of the media quickly moved to another 'crisis' and is now focusing on the 'credit crunch', the implications of the aging population soon being forgotten.

However, even the most statistically allergic marketer has to pay attention to this fact. During the next decade the numbers of people aged 50–69 years will increase twice as fast as those aged 18–34 years (see Figure 1).

If you read this and still think, 'nothing to do with me' you should be fired!

A word of warning about the accuracy of the Government Actuary's Department forecasts. Between the date of the previous population forecasts (2000) and the 2004 version the estimates for 2015 change by 700,000, in the net numbers of people age 60–69 and 18–34. Beware the accuracy of these numbers, especially those of younger people.

Figure 1: Predicted numbers of the UK population aged 15–34 years and 50–69 years
Source: Government Actuary's Department (2004 forecasts)

The 'charmed generation'

In the UK, a significant section of the people, who are retired or who will retire in the next 5–10 years, have a level of wealth and income that is unlikely to be repeated in future generations. They are the *charmed generation*, and represent a business opportunity that, once gone, is unlikely to be repeated.

Some of the circumstances surrounding the *charmed generation* are special to the UK, but in differing degrees they are also present in Europe, Australia, Canada, Japan and the USA.

The reason for this generation's good fortune is explained by the four Ps: pensions, property, parents and prudence, not to be confused with marketing's 4Ps!

The 4 Ps

Pensions

Many people of this generation receive, or will receive, a defined-benefit pension. This scheme pays the highest level of guaranteed income, relative to the person's final salary, of any type of pension. It is unaffected by changes to the stock, bond, currency or any other market. Its recipients receive a guaranteed level of income for the rest of their lives. This generous form of pension provision is fast disappearing for all but state employees. Tomorrow's generation of the 50-year-olds will have to use a lot more of their income to get an inferior pension.

Property

If you are 30 years or younger you are less likely to own a property now than 20 years ago. The barrier to becoming a homeowner is the relatively high cost of property. If you were buying a house between 1960 and 1970 it would cost you three times your annual earnings. Today, it is exactly six times. In the last ten years property prices have trebled. These facts mean that much of the UK's property assets are owned by people aged over 45 and that the financial barriers for future generations to join the ranks of property are immense. Only a major reduction in property prices, which even in today's uncertain times seems unlikely, will significantly reduce the immense property wealth of the 50-plus.

Parents

Another repercussion of the rapid rise in property prices is the inherited wealth the over-50s receive on the death of their parents. Few older people in their 70s and 80s have used the equity in their property to fund their retirement; consequently, most of the property value is passed on to their children as an inheritance. Today's 50-year-olds differ from their parents, and see releasing equity (wealth) from the value of the home as an important way of funding retirement. Already a fifth of people, moving between owned properties on which there is no mortgage, say they want a cheaper house. This is a euphemism for saying they want to release some of their property value as cash.

The outcome of the over-50s' dependence on property wealth has a worrying implication for their sons and daughters. Property wealth spent on funding mum and dad's retirement will not be inherited. We have witnessed the birth of the SKI phenomenon — spending the kids' inheritance.

Prudence

Very little of the UK's vast mountain of consumer debt resides with today's retired generation. They come from the pre-credit card era, when debt was something to avoid at all costs. Things are different for younger people and those close to retirement. Many 50-year-olds are spending rather than saving, and this is setting the trend for 40- and 30-year-olds. There is a cohort of people entering retirement with considerable levels of debt that has to be serviced by retirement income rather than earned income. This change in behaviour is likely to affect intergenerational transfers of wealth, because older people have to use their property value to repay debt. Signs of this are already appearing. A report by Age Concern and Barclays¹ found that credit users in their late 50s and early 60s owe on average at least four times as much in unsecured credit as their counterparts did a decade ago.

The *charmed generation* grew up during a period when the state paid for higher education, and when all but the very wealthy went to state-funded schools and used the free health service. Now the burden of paying for education and health is increasingly transferring from the state to the individual. This generation has benefited from good pensions, rocketing property assets and low debt. It is not surprising, when you look at the wealth profile of the UK, that so much of it is concentrated with the 50-plus. The 50-plus cohort in a decade's time will have a very different wealth profile. It will still contain its very rich and very poor, but the group of people who benefited from the unique combinations of the 4Ps will have disappeared.

The *charmed generation* are significant spenders on travel, cars, white goods, electronics and clothes. In addition, this group is becoming the source of finance and buying influence for their children's purchases.

Before, however, considering how companies should adapt to this wealthy group, it must be remembered that a far larger group of older people are poor, some very poor. Help the Aged estimates² that over 2 million pensioners live below the poverty line.

Real and imaginary differences (Warning: This section is unsuitable reading for young marketers with a fear of getting old)

What is it that differentiates older people from those who are 10, 20 or 30 years younger? What are the characteristics of 'older' that are different from 'younger'? Are the differences so significant that they warrant changing what we sell and how we market?

Aging causes degradation in physical capacity, short-term memory, eyesight, precision movement, taste and hearing. The exact reasons as to why we experience these problems are not always known, but the end results are well understood. To make life simpler for marketers the effects of aging do not distinguish that much between race, gender or social class.

So what role does the physical effects of aging play in influencing the design of new products? Not much is the answer.

Building the requirements of older people into the new product development process should be a standard procedure. Unfortunately, it rarely happens. It is so exceptional that, whenever the subject is discussed, the same examples are always quoted:

The physiological effects of aging bore the average marketer

- Ford's use of inclusive design to create the Focus model
- BT's Big Button telephone
- OXO's range of age-friendly kitchen tools
- NTT's 'easy-easy' mobile phone.

Vodafone is now added to this list with its 'Simply' phone that is targeted at older consumers. The phone is claimed to be 'redesigned to put customers' needs not technology first', a design principle that will be welcomed by not only the 50-plus. As older people will testify, mobile phones have so far been designed for those with 20/20 vision, petite and nimble fingers, who relish the challenge of mastering fiendishly complex menu systems.

You would think that as the population ages, so would the hypothetical user, upon which product and marketing decisions are based. It is pointless making decisions on the physical condition of your average 20–30-year-old, when the majority of people suffer from some or all of these age-related conditions.

The cosmetics, pharmaceuticals and, to a lesser extent, the financial service industry are designing products for older people; they are the exceptions.

The physiological effects of aging also determine how people use interactive communications channels like the Web, SMS, iDTV, MMS, e-mail and instant messaging.

Older people are likely to be slower and make more errors when using these channels. The reaction to colour, size of images, menu systems and animation are all affected by aging. Most interactive channels are built by the young to be used by the young, and pay scant attention to the needs of the older person. How many companies do you know that have in their design brief for their interactive channels that they should be '50-plus friendly'?

The physiological effects of aging bore the average marketer. Not so the role that aging has on determining consumers' reaction to new brands, adopting new technology and seeking out new 'experiences'. The proposition that 'older people are unwilling to try new brands' is probably the most important of all the assumptions in determining the allocation of marketing spend.

Figure 2: Respondents from France and the UK agreeing with the statement 'I am willing to try new brands'

Age is a poor proxy for predicting consumer behaviour

OMD, one of the world's largest media specialist companies and part of Omnicom, conducted over a thousand interviews in France, Australia, UK, the US and the Czech Republic to test the hypotheses about aging and consumer behaviour. The research showed the effects of aging to be far more complex than previously believed. For example, the relationship between aging and willingness to experiment with new brands was greatly influenced by nationality. Figure 2 shows the responses from France and the UK to the statement 'I am willing to try new brands'.

In France (and the Czech Republic), there was a clear relationship between age and the level of agreement with the statement. In France, over 60 per cent of the 16–24 age group agreed with the statement, which fell to 40 per cent for the over-65s.

The pattern of responses in the UK was far more varied. The over-65s were more in agreement with the statement than those aged 25–34 years.

In Australia there was no clear relationship between the level of agreement and age. In the US there were fewer older people agreeing with the statement than younger but the percentage difference over the age range 16–54 was less than 6 per cent.

The headline conclusion from OMD's research is that age is a poor proxy for predicting consumer behaviour. For large parts of the age spectrum, behaviour is primarily influenced by lifestyle factors. This conclusion puts into question the worth of segmentation techniques that are either directly or indirectly based on age. Generational and life stage segmentation models might have a simple 'common sense' appeal but their worth as mechanisms to drive marketing campaigns must be questioned.

Old and young world

We all know that the world divides into the rich and the poor nations. Just as significant is the split of countries into old and young.

Figure 3: Percentage of population aged over 50 in 2005
Source: The World Bank Group

Japan moves from being 'old' to becoming 'ancient'

Figure 3 shows the percentage of the population aged 50-plus for the world's largest countries. The 'old' world of Japan and Europe has over 35 per cent of its population in this category. In the 'very young' countries of the Middle East and parts of Asia, this figure falls to a tenth of the population.

In South Africa, large parts of South America and Asia, the ratios of older people are slightly higher. The US population is somewhere between the 'young' and the 'old'.

The forecast for population growth for the next 15 years produces some staggering conclusions. By then China will have aged more than any other country. By 2025, the US and China will have very similar proportions of their population in the over-50 age category.

Japan moves from being 'old' to becoming 'ancient' with 21 per cent of its population aged over 75 years. It is beyond our comprehension what a country is like when one in five people are over the age of 75.

For the marketer this analysis raises a simple question: will the global companies' mantra of 'act global think local' still apply in a world that is so separated by age? How will you manage a brand where in one country nearly a quarter of the population is 75-plus (Japan) and in another it is 2 per cent (Saudi Arabia)?

The future is *age neutral*

Jeremy Bullmore is the past chairman of both J. Walter Thompson and UK's Advertising Association and a non-executive director of WPP. When he was asked 'How should communicators approach the 50-plus market', he gave a disarmingly simple and brief response. He believed there were four things to get right: 'select the right media, see the world through their eyes, treat them as people and don't be surprised if they don't differ too much from other members of the human race'.

Age-neutral marketing says something very similar.

‘The principles of marketing to a 25 year-old are the same as to somebody age 75 years. Marketing theory is intrinsically age neutral. It should be unbiased, dispassionate and make no assumptions about the implications of age’.

There is, however, a very big ‘but’. The application of marketing is instinctively and illogically youth-centric.

Here is the conundrum; marketing theory is unaffected by age but marketers are. The way most companies practise marketing is not neutral, it is contorted by years of age bias.

Age-neutral marketing does not imply that age is dismissed as a marketing variable, creating a ‘one size (*age*) fits all’ approach. Such a suggestion would be daft.

It does mean that marketing principles are applied, unencumbered by bias, and when decisions are made about different ages it is done for rational reasons rather than reasons of fad, habit and convenience. Here are the first steps to jettisoning age bias from your marketing activities.

Here is the conundrum; marketing theory is unaffected by age but marketers are.

Assume consumer behaviour is age neutral unless there is convincing evidence to the contrary.

Forget the assumptions about the effect of aging on consumer reactions to new brands, technology, change and new experiences, unless there is convincing evidence to the contrary.

Plan how to exploit the changes in consumer markets created by changes in population age and economic structure.

Remember the importance of country and ethnic differences in the behaviour of older people.

Apply an age-neutral approach to all areas of marketing, not just communications.

Incorporate the physiological affects of aging into all aspects of marketing.

Resist limiting the use of age neutrality to ‘niche’ and ‘project’ marketing. It should be central to the way a company markets.

Forget using chronological age as a primary means of segmenting adult markets, unless there is evidence proving its validity.

Good examples of brands that are practising age-neutral marketing are Innocent, Orange, Café Direct and Honda. They either have dismissed the factor of age from their marketing mix or have precise knowledge of how it relates to customer behaviour.

When Alex Batchelor, Orange’s then Global Brand Director, was interviewed about the role of age in the marketing mix, he said, ‘With our market segmentation we try and ignore age as much as possible. You can have 70-year-olds who buy all the latest gadgets alongside 30-year-olds’.

Richard Reed, Founder and Marketing Director of Innocent Drinks, when asked about the importance of age in his choice of advertising

media, said: 'I don't ever look at the age of viewers or readers'. Richard believes the values that Innocent and its customers have in common are not limited to one age group and shared across the age spectrum. Innocent's television and press advertising demonstrates this fact because the creative is all about the company's passion for healthiness and quality and is presented in a way that does not exclude or favour any age group.

So what?

In June 2005 McKinsey published a research paper entitled *What global executives think about growth and risk*. The aging of the population in the developed world was voted the fourth most important factor, with the majority of CEOs perceiving it as leading to more positive than negative outcomes. Slowly and belatedly, senior management are taking interest in the effects of demographic change.

The challenge for marketers is to see the relentless rise in the importance of the older consumer as a fantastic opportunity rather than something that will hopefully go away if ignored for long enough. It will not.

When I asked Robin Wight (Chairman of WCRS) to describe the 50-plus, he said 'they have a young mind in an aging body with a maturing wallet'. Surely the 'maturing wallet' characteristic should be enough to excite the business world?

Acknowledgments

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Notes

1. http://press.helptheaged.org.uk/_press/Releases/_items/_olderborrow_260308.ht.
2. http://press.helptheaged.org.uk/_press/Releases/_items/_poverty_130707.htm.