SEGMENTING THE MATURE MARKET: HAVE MARKETERS MATURIZED ALONG WITH THEIR MARKET?

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ABSTRACT
Marketing broadly to the "mature consumer" is a mistake (Conaway 1991). Just as “working women” or “Hispanics” are not homogeneous segments, neither are consumers over the age of 60.

According to the 2010 U.S. Census, there are approximately 50 million Americans age 62 and older representing 16% of the total population. This number increased by 8 million in the last 10 years.

Chronological age ranges is one segmentation scheme, while cognitive age is a better predictor although it does not create easily identifiable segments. Another segmentation basis suggested has been employment.

This is a study of the current wisdom and fallacies in the segmentation of older consumers. First, the demographics and segmentation schemes of the older consumer market will be presented. Finally, a study will be suggested to pursue the question of whether marketers know their mature market.

INTRODUCTION
Target marketing is an integral part of any marketing plan. But are marketers utilizing the latest knowledge of the mature market when segmenting the market and designing their marketing communication, especially when this market has changed considerably in the past 20 years?

The size, buying power and opportunity of the mature market is remarkable. People over 60 will outnumber those under 75 for the first time in 2045 (AARP 2011). Furthermore, they currently control three-fourths of all U.S. financial assets and account for half of all discretionary spending (Moschis 2003). The opportunity of this market is staggering considering that in a large survey, seventy eight percent of Americans age 55 and older were unhappy with the products and service available to them (Moschis 2003).

When companies realized the potential of the older market, they were mystified as to how to approach it. Are they a separate segment? What is the best way to connect with them? Will one marketing communication campaign work for both young and older consumers? How should this market be portrayed?

This is further complicated by the unique situation of this time period. Currently, Baby-Boomers are 50 – 65 years old. They are presently mature but not elderly. Within a few years, baby
boomers will enter the “elderly” market, changing this segment forever. It is imperative that we understand as much as possible about our current elderly market, as well as the baby boomer market before that transition takes place.

This is a study of the current wisdom and fallacies in the segmentation of older consumers. First, the demographics of the older consumer market will be presented. Then, the current segmentation schemes will be investigated. Finally, a study will be suggested to pursue the question of whether marketers know their mature market and which segmentation basis is the most suitable.

THE OLDER MARKET

Various different ways of referring to this group are in use: “50-plus market” (Silvers, 1997), “older market” (Sherman et al. 2001, Carrigan et al. 2004), “senior market” (Reece 2004, “mature market” (Shoemaker 2000, Moschis et al. 2003, Wang et al. 2005) and “maturing market” (Whitford 1998). In this paper, consumers over the age of 65 will be referred to as “mature consumers” or the “mature market”. This delineation has never been more important because of the possible confusion between the over-65 market and the baby boomer market.

Due to great cultural differences and the role and status of older citizens and potential for youth-centricity, this paper focuses solely on the U.S. market.

By 2030, over 21% of the U.S. population will be age 65 and over (Lazer 1986) and by 2050, the number of people over the age of 60 worldwide is expected to almost quadruple to two billion people (United Nations 1999). Average life expectancy for a human being born today is 67.6 years. In 1950, it was 46.6 years; in 2050 it will be 75.5 (AARP 2011). Additionally, as of 2010, the average life expectancy was 78.2 years (World Bank 2012).

Even 20 years ago, although they comprised only about 25% of the U.S. population, senior citizens controlled over 50% of the nation's discretionary income and 77% of its financial assets (Conaway 1991). Americans 55 and older purchased 43% of domestic cars, made up 80% of the luxury travel business, ate out three times a week, consumed 25 percent of alcoholic beverages, and constituted % of total demand (Dychtwald and Flower 1989).

The generation known as baby boomers (born 1945 – 1960) is just beginning to enter this market. When they do so, there will be even greater urgency to be prepared. As baby boomers turn 65, they bring their own consumption habits with them. This paper recognized the future need to incorporate the body of knowledge on baby boomers but currently focuses on the U.S. population 65 and older.

Prior to 1980, the older consumer market was almost completely neglected. AC Nielsen did not gather information on consumers older than 50 (Moschis 2003). Up until the mid-1980s, the U.S. Bureau of Labor Statistics tabulated and reported data only on those persons 65 and over as a single group (U.S. Department of Labor 1986) and most of the data are still grouped this way (see 2010 U.S. Census).

SEGMENTATION OF THE MATURE CONSUMER MARKET

The 1980 census made marketers more aware of the size of the older segment of the population. There was a great deal of media coverage about the older segment. The first academic research on older consumers was published in 1980 in Harvard Business Review. Rena Bartos was the
first researcher to define this market in terms of size and buying power and refer to them as “mature” (Bartos 1980). Unfortunately, there was very little guidance for how to deal with this market, and so marketers relied upon stereotypes (Moschis 2003).

“While age related myopia is unsatisfactory for both consumers and marketing, older consumers may express a wide range of identifies, making a potentially complex target for marketing” (Carrigan and Szmigin 1999).

### Demographics

The earliest and perhaps simplest, method of identifying and segmenting the mature market is to use age ranges, many as simple as 55 and older. Age groups such as: 55-64 years old, 65-74 years old, 75-84 years old, and over 85 years. (i.e., Lazer 1986, Conaway 1991) have been suggested. The theory is similar to that of life stages wherein consumers typically move through life in parallel (young adult, young married, married with small children, etc.). In a literature review of 33 segmentation studies, chronological age was the most common basis (Bone 1991).

Age groupings meet one of the criteria of a “good target market” (Kotler 2003) in that the segments are identifiable and measurable. Indeed, many media keep demographic data on their audiences although often clumped as 55+ or 65+. The groupings, however, fail the criterion of “homogeneous within” which states that members of a market segment should be similar to each other so that they respond similarly to marketing stimuli.

It is suggested the “segment” of older consumers may be even more heterogeneous than younger consumer age groups (Moschis 2003). Assuming that all Americans age 65 and over are similar is irrational. Among other things, these consumers belong to different age cohorts. Age cohorts share common experiences (i.e., whether they remember World War II, their age during the Civil Rights Movement, how mature they were during the Peace Movement of the Vietnam Era). Furthermore, baby boomers will act differently at age 65 and older than their parents do now.

This means that previous research done on “older” consumers may have little bearing on the current or the next generation. “Information about older consumer behavior quickly becomes obsolete” (Moschis, Lee and Mathur 1997).

The use of cognitive or psychological age (developed by Tuckman and Lorge 1954) has been suggested to replace chronological age (e.g., Bone 1991). A person’s self-perceived age, how they view themselves, is known as “cognitive age” (i.e., Kastenbaum et al 1972, Dychtwald and Flower 1989, Moschis et al 1993).

One's psychological age is likely to be more reflective of one's one’s satisfaction with life (Sherman et al 2001) and one’s attitudes and behaviors than is one's chronological age (Van Auken et al 1993). Research in this area consistently illustrates, for example, that mature consumers typically have psychological ages that are much younger than their chronological ages (e.g., Cadwell Davis Partners 1982, Roark 1989). Van Auken et al (1993) found consumers of the age of 55 had a psychological age 13.5 years younger than their chronological age.

It is suggested that the measurement of cognitive age has not been well grounded in reliability and validity (Cutler 1982). Subjective age was negatively related to entertainment activity and cultural activity in Wilkes' (1992) study.

While demographics are easy to measure and readily available, they do not always translate into predictable behavior.
Gerontographics
The most prolific source of information on the mature market comes from the Georgia State University's Center for Mature Consumer Studies. Here, George Moschis and his colleagues' work created a database from surveys of thousands of consumers who were born before 1960.

They found that consumers are influenced by needs, attitudes, demographics, and lifestyles, which are, in turn, influenced by changing life condition. Older consumers are different from younger consumers because of changes in their lives due to the aging process and changes in their life circumstance (Moschis 2003). Some life changes are biological; others are social and psychological. With major life events, people change their goals, wants, and their roles in life and their self perception changes.

A company can consider occasions of critical life events or transitions - marriage, childbirth, illness, relocation, divorce, career change - as giving rise to new needs. These should alert service providers … to ways they can help. Kotler 2009, p. 157

Moschis et al (1997, 2003) created four segments (seen in the Table) using cluster analysis and based on surveys of over twenty thousand consumers over the age of 50. This method they called gerontographics. Simplistically speaking, segments were based on one’s health and propensity to stay home or go out.

**TABLE**

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| **HOUSE “BOUND”** | Frail recluses 15%  
• Have had the largest # of life changing events  
• Accept their “old age” status.  
• Have adjusted their lifestyles to cope with physical decline, may have belonged to another segment prior  
• Cope with changes by becoming spiritually stronger | Healthy hermits 38%  
• Lower self worth  
• Resent isolation and “old age” |
| **OUTGOING**    | Ailing Outgoers 34%  
• Maintain a positive self-esteem in spite of life events.  
• Accept their old age status and of their limitations and want to get the most out of life. | Healthy Indulgents 13%  
• Positive self esteem, accept their “old age” status.  
• Experienced the fewest life events.  
• Most similar to baby boomers than are any of the other segments although they are financially better off |

*based on Moschis et al 1993, 2003, etc.

Gerontographics has been shown to correctly predict the propensity to purchase long-term insurance (Moschis and Weaver 2010), and influence patronage of food and grocery stores (Moschis et al 2004) and other products. This scheme is based on psychographics and behavior which is difficult to measure. A reminder about target market identification,
... subjective segmentation bases such as values and benefits seek to help us better understand market behaviour but present problems in measuring and locating segments” (Mathur, Lee and Moschis 2006, p. 115).

Other Segmentation Schemes
Other segmentation bases suggested have been employment (Tongren 1988), and others based on lifestyle (i.e., Oates, Shufeldt, and Vaughn 1986, Bone 1991, Sudbury, and Simcock 2009). Bone (1991) suggests five variables, (income, health, activity level, discretionary time, and response to others [self vs. others]).

In retail consumers 65 and older, significant differences were found among five clusters of psychographics, or lifestyle with regard to the perceived importance of various retail attributes which sell over-the-counter drugs: quality of store and personnel, store characteristics, and use of coupons and discounts (Oates, Shufeldt, and Vaughn 1986).

One commonality among the studies is that the researchers agree that mature consumers are significantly different from younger consumers and justify segmentation. The authors agree with the caveat that there will also be some products which do not require segmentation.

Research questions suggested by the literature include:
- When might simple age groups be sufficient for segmentation?
- How would one identify and measure the Gerontographics segments?
- Would appropriate segmentation bases change when marketing age-related products?

PORTRAYAL AND POSITIONING
Issues with marketing communication and mature consumers tend to revolve around three issues: information processing differences, portrayal of mature consumers and positioning techniques.

Information Processing
Results indicate that the affluent elderly neither like advertising nor utilize it. In fact, the elderly, both the affluent and moderate, tend to exhibit a negative attitude toward advertising altogether (Burnett 1991).

Findings of whether emotional differences to advertising exist are mixed. Drolet et al found elderly participants had more positive attitudes toward and better recall of affective ads relative to the rational ads, regardless of the underlying product category type (hedonic or utilitarian). In contrast, young adult consumers’ attitudes toward and recall of affective vs. rational ads depended on the product type (Drolet, Williams, and Lau-Gesk 2007).

Although, mature consumers are less likely to recall information in an advertisement they are more likely to be persuaded by the information (Phillips and Stanton 2004). Carstensen (1992) found reactions to emotional advertising but McKay-Nesbitt, Smith and Huhmann (2011) did not. Benet, Pitts, and LaTour (1993) found no differences to fear based appeals.

One almost universal finding was that mature consumers do not like ads that highlight or remind them of their age (i.e., Tongren 1988). When Kellogg’s developed a new cereal called “40-plus”, it was a complete failure, because it alluded to consumers for the product as “old”.

For the rest of the market, there is the question of whether explicitly targeting mature consumers will alienate younger consumers. When the Publix supermarket chain tried to target older...
shoppers in Florida by changing its facilities to accommodate frail shoppers (e.g. making motorized wheelchairs available), it lost many of its younger shoppers who did not want to patronize a "geriatric" supermarket. In a survey of executives' views on clients' attitudes, fifty-three percent maintained that clients often refuse to associate elderly figures with their brands (Greco 1989).

Research questions suggested by these findings include
- Does alienation of younger consumers continue if the product is age dependent?
- Is “old” product identification universally unwelcome?

**Portrayal**

Many researchers have remarked on, and shown the percentage of, older models in ads is disproportionately lower than the population (e.g., Carrigan, and Szmigin 1999 in the U.K., Peterson 1995 in bank advertising, Peterson 1992 in magazine advertising even for age-related products). Given the question of whether chronological age or cognitive age is the appropriate variable for targeting, this is not, in itself, disturbing. What is of concern is how unfavorably older consumers are portrayed (e.g., Peterson 1992), although others (Ursic, Ursic and Ursic 1986) did not find this. Regardless, the differences that Peterson (1995) found were not statistically significant. A large scale national survey in the late 1980s, found that one third of adults aged 55 and over had boycotted a product because of its portrayal of older people (Moschis 2003).

Opinions on whether older models will repel younger consumers is mixed. Greco, Swayne, and Johnson (1997) found that model age did not have a significantly different effect on consumers of different ages.

**Positioning**

The research indicated a tendency by the elderly to rely more heavily on advertiser-supplied information when making price/quality evaluations (Lumpkin and Festervand 1987). Specifically, price reductions and special sales heavily influence mature consumers' choice of brand, secondary to advice of spouse, relatives or salespeople (Moschis, Ferguson and Zhu 2011).

Moschis (2003) discourages emphasis on price yet when Quality Inns started a 10% senior discount program, the chain recorded a 60%-80% increase in senior travelers within the next year (Conaway 1991). Further, while most mature consumers do not wish to be identified as “senior”, they are willing to take advantage of discounts (Moschis and Mathur 2006).

Research questions suggested by the conflicting findings include:
- Considering the dates of the studies on portrayal of mature consumers, are marketers still shying away from using mature models?
- Are mature consumers portrayed in unflattering ways?
- Can appropriate portrayals of mature consumers be found that will alienate neither younger or mature consumers?
- Is price, quality, or value the most effective positioning for any given mature segment?

**FUTURE RESEARCH AND CONCLUSIONS**

In this paper, we have examined the literature on mature consumer segmentation, consumer behavior, reaction to advertising, portrayal within advertising, and suggestions for proper positioning. Research questions have arisen in each area.
Given the age of many of the studies on mature consumers and the speed at which the market is changing (as each age cohort matures), the number of conflicting findings is not surprising. Rather than suggest replications of each study more than 20 years old, it would be more useful to glean as much as possible from the body of work and to move forward.

A three part research project is proposed. This would include a study of existing advertisements to discern segmentation bases, a series of interviews with marketers to discover their use of demographics, psychographics and behavior in target market identification, and a series of focus groups with consumers over the age of 65 to gather their reactions to current advertising, portrayal and positioning.

Interviews with marketers of products/services to mature markets would generate first hand information on how marketers segment their markets. Do they think in terms of demographics, psychographics or other? How sophisticated are their methods? Do they have some insight into the market that has not yet been considered by researchers?

Other research questions include:
- How do companies change their marketing for a mature market?
- What do “senior product” companies do differently?
- What differences are seen between “everyday” products and age specific products?

Focus groups with consumers would go beyond the questionnaire studies that have been conducted. Studies of the portrayal of mature consumers, in particular, rely heavily on content analysis by trained researchers. While these are very useful in establishing the current usage (portrayal and prevalence) of mature models, they do not collect the reactions of the consumers themselves. And they, without question, do not gather intelligence on what consumers consider to be “ideal”.

The combination of the size, growth and buying power of the mature market make it well worth the researching effort. Are we, as researchers, maturing as rapidly as the changes in the marketplace? It would be a rich irony if, as we become members of the “mature marketplace”, we were irritated by the failings of our own profession.

REFERENCES


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