



Research Overview: The Aging U.S. Marketplace

Key Issues and Considerations for Designing and Managing Primary Market Research

SUMMARY

A large volume of information has been published over the past decade regarding the aging of the U.S. consumer population, particularly in relation to the migration of baby boomers into the 55+ segment. This shift in the median age of U.S. consumers will have significant implications for the marketing strategies pursued by corporations, particularly with regard to the development of new products targeted specifically toward elderly consumers. Researchers asked to assist in these efforts will face similar challenges in terms of the methodological and analytical approaches utilized when accessing the voice of this important segment.

This overview discusses a variety of issues and considerations related to the design and management of primary research among senior consumers and provides valuable direction for firms in the initial stages of developing or reviewing their approach to this area of research.



Research Overview: The Aging U.S. Marketplace

Key Issues and Considerations for Designing and Managing Primary Market Research

BACKGROUND

The increasing median age of consumers in the U.S. is an often-discussed and frequently documented trend. The marketing-related implications of this change in the age profile of U.S. consumers will be significant and widespread, as evidenced by the following data points:

- The number of U.S. consumers aged 65 / over will increase from 35 million in 2000 to an estimated 71 million in 2030. The number of consumers over the age of 80 will more than double during the same time period.
- The number of adults aged 55 to 64 will increase by nearly 50 percent between 2000 and 2010, a rate of growth more than six times higher than that estimated for the remainder of the population; the number aged 65 to 74 will increase by nearly 20 percent during the same decade.
- Empty Nester households were projected to spend nearly \$650 billion on consumer packaged goods in 2003.
- Consumers over the age of 55 have a per capita income that is 25% higher than that of the general population.
- Consumers over the age of 55 own 77% of all financial assets in the U.S. and purchase nearly half of all luxury automobiles sold.
- Nearly half of all consumers over the age of 55 own a computer, 70% of whom use the Internet regularly.

Companies that achieve success in this marketplace must recognize the complexity of the segment, the continuously shifting need sets of older consumers, and the impact of their efforts to target this population on their ongoing delivery of products and services to other segments of consumers.

More specifically:

- Consumers aged 55 to 64 differ drastically from those aged 75 and above.
- A consumer aged 60 today will have very different needs when they turn 70.
- A company that successfully serves a younger segment cannot expect their product benefits, positioning strategies and / or brand identities to transfer equitably to the older consumer, AND VICE VERSA.


The decision to target older consumers includes significant investments into understanding the relevant customer segmentation(s), diversified product requirements, positioning strategies and marketing messages.

IMPLICATIONS FOR SPECIFIC PRODUCT / SERVICE CATEGORIES

The total set of product and service categories that will be significantly impacted by the aging of the population is vast and diverse. As a means of demonstrating the challenges facing just a few example categories, two specific product / service segments are discussed in greater detail in the following sections.

Telecommunications

As the U.S. consumer population ages over the next 10 to 20 years, the composition of the consumers' core need set for telecommunication products and services will transform dramatically. At a very basic level, a new set of requirements will emerge – albeit gradually – for user friendly products that accommodate diminished eye-sight, hearing and manual dexterity. More complex, however, will be the life-stage factors such as reduced income, grown children with remote families and a shifted set of personal interests regarding information, travel and entertainment options that alter these consumers' interest in and need for products and services that were seen as critical just 5 – 10 years prior.



Wireless Telephones

The Baby Boomer generation played a significant role in the exponential growth of wireless telephone services over the past 20 years. Consumers between the ages of 35 and 55 not only represented the largest proportion of the population, but also demonstrated a previously unseen appetite for new communication and entertainment technologies.

As this segment of the population enters into the senior age segments, however, their key requirements are likely to shift dramatically, including increased demand for services and handsets that represent a better fit with their physical capabilities and evolving lifestyles. The changing profile of the wireless user, therefore, holds significant implications for wireless carriers and handset manufacturers.

- In the year 2000, wireless penetration among consumers over the age of 65 was just 19 percent (6.7 million users). However, among those aged 55 – 64, penetration was 43 percent (10 million users).
- Assuming that most of the Baby Boomer users will maintain their wireless phones, the number of wireless users over the age of 65 will increase by more than 300 percent, to 22 million users, by the year 2010.
- The total proportion of wireless users, who are over the age of 65, just 8 percent in 2000, could increase to nearly 20 percent by 2010.

Internet Web Sites

Similar to the growth seen for wireless telephones, the drastic increases in Internet usage seen over the past 20 years can also be attributed in large part to the demand for these services among Baby Boomer generation consumers. As these consumers reach 65 years of age and older, however, the trends that have seen increasing levels of detail and complexity in Internet Web site content may be counterintuitive to the core requirements of this important group of Internet users. With the growth of alternative Web content access tools relatively flat over the past 10 years (aside from some wireless), the necessity falls to content providers to develop Web sites that accommodate the changing physical and life-style related requirements of the older Internet user.

- In 2001, 65 million adults aged 25 to 49 were regular users of the Internet. This population represented more than 65 percent of all consumers in this age group.
- Conversely, only 28 million adults over the age of 50 were regular Internet users in 2001, representing just 37 percent of all consumers in this age group.
- Depending on the degree to which older adults maintain their use of the Internet past the age of 65, the total number of Internet users in this age group could more than double by 2010, to more than 50 million users.

Food and Beverage Services

Overall, the Baby Boomer generation is very likely the healthiest 50+ generation in history, with previously unseen levels of awareness and concern regarding the pursuit of a vibrant lifestyle, for maintaining a healthy diet and for continuously exploring new and better options for slowing the aging process. Still, the changes that take place in the human body as a person reaches the age of 65 and beyond are largely unavoidable and have clear implications for companies serving the food and beverage needs of this segment.

As more and more consumers in the U.S. reach the age of 65 and beyond, the demand for tasty, yet nutritious, foods and beverages will increase dramatically. The need for specialized foods and nutrients will rise, especially for those with acute medical conditions and / or limited mobility.

With regard to individual wants and preferences, taste becomes an amplified issue for older adults, as specific flavors need to be up to 10 times higher for these consumers than for the younger population. Appetites decline over time, perhaps due in part to diminished taste capabilities, but also as a result of health issues and physical capabilities (chewing, swallowing, etc.).

Given these issues, food and beverage providers must:

- Recognize the financial resources of this segment and value of established loyalty with older consumers over the next several decades;
- Develop specialized products that target the specific needs and wants of individual senior consumer segments, particularly in terms of taste, nutritional value, freshness, and so on; and
- Consider senior's limited capabilities and specialized needs in terms of shopping, traveling, standing in line, sitting, driving, etc., as means of accessing the products offered.



ISSUES OF MARKET RESEARCH AMONG SENIOR CONSUMERS

Given the marketing-related issues noted, the challenges for researchers commissioned to assist in these efforts are as varied and as considerable as the population of older adults as a whole. Aside from recognizing the differences that exist between various segments of seniors (e.g., 55 – 64 year olds versus 75+), we must also take the specialized needs and capabilities of these consumers into account at multiple stages of the research project cycle.

Project / Sampling Design

During the initial stages of research, specific attention must be given to the articulation of an appropriate set of goals for the project, in direct relation to the marketing decisions faced by the client. With regard to the senior population specifically, marketers and researchers must carefully consider the following:

- ✓ Which segment(s) of the 55+ population are relevant to the issues at hand?
- ✓ In addition to age, what segments exist in terms of financial status, residency, household composition, and so on?
- ✓ In what geographies of the U.S. are these consumers located, and to what extent might their needs and behaviors differ by geography?
- ✓ Are there issues of housing that need to be considered, for example, the need to reach seniors who live in managed housing facilities or communities?

Only through the documentation of specific and actionable goals for the research can considerations be made for an appropriate set of tools for gathering the necessary information. As with any research, the ideal methodology is a function of the study's objectives, not vice versa.

Data Collection

In some ways, senior consumers are an attractive target for traditional research methods such as telephone surveys, based on slightly higher levels of interest and participation. However, changes in lifestyle, physical capabilities and technology adoption that take place after the age of 55 hold important implications for the selection of an appropriate data collection method.

In particular, the following factors should be taken into account:

- ✓ Does the target audience have access to, and / or the physical means of completing, surveys delivered through traditional methods such as the telephone or mail?
 - Do they have individual telephones or are they housed in a senior care facility or community?
 - Does their age status call into question issues of hearing or eyesight to a degree that would impact survey completion / participation rates?

- ✓ What opportunities do the respondents have for participating in qualitative studies?
 - Are they able to travel to a facility independently?
 - Is group transportation an option?
 - Would on-site discussions (at their home or community, for example) be more appropriate?

- ✓ What is the level of Internet access among the targeted consumers, and how does that level of penetration relate to the nature / topic / goals of the study?
 - How do the project's needs for projectability relate to the proportion of Internet users in the population?
 - What lists or databases are available for reaching the target population through an online survey?

Questionnaire Design

Regardless of the data collection method utilized, significant attention must be given to the structure and content of the questionnaire / discussion guide utilized to capture the information.

- ✓ When designing the questionnaire, what are the capabilities and limitations of the audience for utilizing specific scales, question structures, visual aids, and so on?
 - Is it necessary to include varying scale anchors (1 – 5, 1 – 7, 1 – 10, etc.) or can a single set of anchors be used in order to reduce the overall complexity of the instrument?
 - Do the visual aids being considered for the study effectively communicate the desired messages / images? Are they easy to see and easy to read?



In summary, primary research among older adults is a specialized discipline calling for a specific set of tools, techniques and considerations. The Praxi Group welcomes any input or reactions to this white paper, and would appreciate any opportunity to discuss your specific needs for senior research in greater detail.

The Praxi Group., Inc.
303.679.6300
info@praxigroup.net
www.praxigroup.net

Bibliography

Intellihealth.com, “Featuring Harvard Medical School’s Consumer Health Information”

Mintel International Group, Ltd. (2001), “Diet Aids Market – U.S. Report,”
www.marketresearch.com

Mintel International Group, Ltd. (2003), “Attitudes Towards Diet and Exercise,”
www.marketresearch.com

Reuters Business Insight (2000), “Marketing Food and Drink to Senior Consumers,”
www.marketresearch.com

Calculations by the Canadian Council on Social Development using Statistics Canada’s Social Survey, Cycle 14, 2000.

U.S. Census Bureau. State and national population projections. Available at
<http://www.census.gov/population/www/projections/stproj.html>

The-infoshop.com, “Empty Nesters,” (2004)

Mann, William and Helal, Sumi (2002) “Smart Phones for the Elders: Boosting the Intelligence of Smart Homes,” American Association for Artificial Intelligence

Peterson, Constance (2000), “Accessible Web Sites Matter,” Enterprise Development Magazine, www.smartisans.com

National Institute of Nutrition (1996), “The Growing Seniors’ Population and its Potential Market Segments”

Goodgold, Elizabeth (2003), “Seniority Rules,” Entrepreneur Magazine

Fox, Mark A., and Kempiak, Mike (2002), “Online Grocery Shopping: Consumer Motives, Concerns and Business Models,” First Monday, vol. 7, number 9.