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CUSTOMER SEGMENTATION

# When Gray Equals Green

**Baby boomers are shaking up tired images of aging. And they're not afraid to open their wallets to fuel their active lifestyles.**

By Elaine M. Cummings

On New Year's Day, the first baby boomer turned 59. By 2020, the 65-and-over segment will rise from 40 million today to more than 54 million. Boomers are becoming more affluent every year and now control more than 77 percent of U.S. wealth, while the 18- to 34-year-old set is getting statistically poorer, with unemployment and single-parent families both on the rise.

Why, then, are so many marketers still enamored with the younger segment? Ken Dychtwald, for one, doesn't understand. "Boomers have more than a few extra birthdays under their belts," says Dychtwald, president and CEO of Age Wave, a research firm that focuses on the graying workforce. "But they also have a few extra raises."

For many, that translates to a deeper pool of discretionary income, with spending power in the neighborhood of \$750 billion, says Brent Green, president of Brent Green & Associates, a marketing communications consultancy, and author of Marketing to Leading-Edge Baby Boomers: Perceptions, Principles, Practices, Predictions. Not only do boomers have the money, he says, but many are more eager to spend than they have been at any other point in their lives. As the nest empties, these consumers are staring down the midlife crises that gripped their parents, turning anxiety into opportunity.

[Boomer Stats](#)

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**Boomers...Earn more than \$2 trillion in annual income...Have annual discretionary spending of \$750 billion...Control more than 77% of U.S. financial assets...Represent 50% of all discretionary spending power...Have 2.5 times the per capita discretionary spending power of average younger households... Account for 52% of all home maintenance, repair and insurance spending (\$56 billion)...**

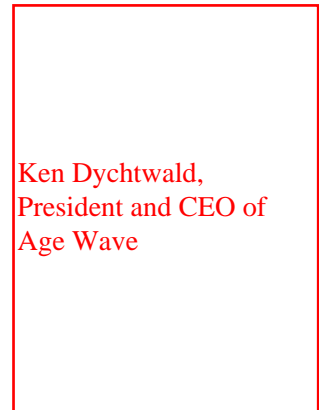
Unfortunately, many marketers have failed to fully grasp either the weight or the challenge of this population shift. They've held tight to the notion of building brand loyalty with teenagers and young adults. "It made good sense during the last half-century to focus most of the marketing attention on young consumers, both because they were spending money and because they were open to marketing influences," says Dychtwald. The 50-and-over crowd, by comparison, traditionally has been driven by fear and loss.

Today's mature adult, however, is at a much more powerful life stage. Men and women nearing retirement are remodeling their homes, buying sports cars and learning to surf the Internet. They possess a new style of maturity in which openness to new things is the new chic. "They're still youthful, and they have plenty of money," says Dychtwald. "To ignore them, or to relate to them as though they're still kids, is a mistake."

Les Moeller, a vice president at Booz Allen Hamilton, agrees. "Boomers are certainly more interested than the generation before them in various living experiences such as vacations, entertainment and family get-togethers," he says. That's opening up a whole new opportunity, not just for industries that have always targeted the older crowd, but also for companies that historically have steered clear of an aging demographic.

What's the secret to capturing this group's affections? The first step, marketing veterans contend, is to understand that the "old" rules no longer apply. Dispel the myths that older consumers are reluctant to part with their money. Forget what you've heard about their unwillingness to try new brands. "Hip" and "cool" don't equate just with "young" anymore. Today's images of aging should include wisdom, experience, maturity and the vast reserves of social capital.

"This is not a generation that plans to move to Florida to play golf and die in 2.6 years," says Dychtwald. "Advertising that's geared toward older adults shouldn't show everyone in the group with silver hair. This group loves to mix it up, and they want to be portrayed that way."



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## Fountain of Youth

Jim McDowell sees BMW as a brand of youth, "but it doesn't mean we're only for young people," says the CMO of BMW of North America. "If Beemers appeal to the baby boomer, it's not because they're trying to recapture their youth. It's because they've never lost it."

They also tend to seek their children's approval more than previous generations. "Perhaps they do it as a way to maintain their youth, but the opinions of their children matters a lot to a baby boomer," says McDowell. "Frankly, if their children didn't think BMWs were cool, they might not either."

### Boomer Stats

**Boomers...Purchase 57% of health-care insurance (\$75 billion)...Represent 58% of all health-care spending (\$152 billion)...Purchase 67% of all prescription drugs (\$37 billion)...Account for 61% of all over-the-counter drug purchases...Purchase 41% of all personal care products and services (\$24 billion)...Purchase 50% of all reading material (\$8 billion)...**



BMW's research, in fact, shows that its older customers are an awful lot like its more youthful buyers. "We see all of our customers as a psychographic, not a demographic," says McDowell. "They are active and fit and enjoy driving. They are people who achieve success very early in life. They're driven in terms of performance, both professionally and personally.

"They're hard on themselves and have high expectations of the people around them," he adds. "And because they're work-hard, play-hard kind of people, when they get their free time, they really enjoy it."

Tom Anderson, CMO at Spirit Airlines, also sees common themes between the boomers (defined as those born between 1946–1964) and Gen X-ers (the generation born between 1965 and 1977). "Young people are concerned with speed and price. Boomers are interested in value for their time and value for their dollar," says Anderson. "So we're trying to marry those two markets. It doesn't have to be one or the other. It can be both."

Spirit decided to go after boomers when new population data came to light. "We're a family-oriented airline that targets mostly leisure travelers. We also work closely with cruise lines, and they are targeting boomers big time," says Anderson. "We found that boomers liked our routes and our value proposition. So we didn't need to make material changes in our branding or advertising."

Although Spirit didn't make major adjustments to marketing strategy, it has worked with AARP and similar groups to develop targeted vacation packages for boomers. It also is working with Disney and Universal to promote travel to the segment—with or without their kids or grandkids. "Our focus is providing value for the dollar with friendly and efficient service," says Anderson.

Automakers, airlines, makers of beauty products and the like have historically included the mature adult, particularly one with affluence, in their marketing mix, with different degrees of emphasis. "Several industries—pharmaceuticals and financial services, for example—have come to realize that their absolute target audience are people older than the age of 50," says Dychtwald, "and they're going after them hammer and tong.

Now, however, some companies with traditionally youth-oriented brands are also starting to pay more attention to the over-50 set. The Gap, the clothing retailer that caters to kids and young adults, plans to launch later this year a new chain of stores targeting older women—a segment that currently accounts for only 3 percent of the company's sales, according to a Gap spokeswoman. "We're very excited about our fourth brand launch," she says. "We've done extensive consumer insights research to bring us to the decision of going after a market that we think is currently underserved."

## Booming Business

Categories that stand to profit the most from the boomer segment

**FITNESS CENTERS:** Expect an increase in new facilities or a change in existing facilities to specialize in exercise programs that include joint-friendly aerobic equipment, gentle yoga classes and relaxation programs.

**RETIREMENT COMMUNITIES:** Forward-thinking boomers are relocating to homes that offer traditional conveniences, such as single-story layouts and assisted-living services. But this generation also wants more modern perks, such as media rooms and home offices.

**INVESTMENTS AND FINANCIAL PLANNING:** Lacking many of the retirement benefits of their parents, boomers are closely managing their retirement assets, often by seeking counsel about how to address this complex and dynamic aspect of their lives.

**INSURANCE:** The insurance industry will continue to evolve, finding new ways to build products for aging boomers, with long-term care insurance taking a leading role.

**ADVENTURE AND EDUCATIONAL TRAVEL:** Boomers are seekers and explorers; those with the means will roam widely, coupling exciting adventures off the beaten track and learning opportunities on cruises and exotic destinations.

**GENERATION-SPECIFIC PUBLICATIONS AND WEBSITES:** Those who are searching for more meaningful experiences will turn to information resources, such as AARP, to provide details about the newest trends and opportunities.

**MEDICAL SPECIALISTS:** Baby boomers are more willing to seek doctors and practices that specialize in holistic approaches to health care.

**SOURCE:** Marketing to Leading-Edge Baby Boomers: Perceptions, Principles, Practices, Predictions (Paramount Market Publishing, January 2005)

Those 40 million female boomers are a growth opportunity that The Gap management simply cannot afford to ignore, says Green.

## Dream State

The critics who viewed septuagenarian John Glenn's return to space in 1998 as a publicity stunt probably don't know much about following their dreams. A generation of baby boomers, however, understands how Glenn felt.

"There are still plenty of 55-year-olds who are dreaming about a cool sports car they might buy, or 62-year-olds hoping for a fabulous romantic vacation, or 70-year-olds searching for the terrific new technology to buy in order to start a new career," says Deborah Natansohn, president of Seabourn Cruise Line, a luxury cruise line that caters to highly affluent clientele, many of whom are over the age of 50.

The quest for self-discovery, signified by travel, fitness, learning and the occasional expensive toy, has become a fundamental midlife issue for many U. S. consumers. "Aging is often associated with the values of comfort, predictability and routine," says Green. "But healthy boomers defy these generalizations. Many head in the opposite direction and embrace unabashed experimentation as a pre-retirement lifestyle."

In general, the cruise line industry has expanded enormously over the past 15 years due to an increase in boomer business—by and large, the best-traveled generation in America. Natansohn notes that more than 120 cruise ships have been built industrywide between 1990 and 2005, many of those in the "megaship" category (2,000 or more passengers). "This growth can in part be attributed to the maturing of the boomer generation, some of whom see luxury travel as almost an entitlement, not something they saved for years to do once," says Natansohn. "Previous generations might have anticipated one grand tour of Europe, but now affluent baby boomers are going every single year."

In short, this isn't the passive bus tour crowd. "They go to a destination to learn about its culture and history," she says. "They look for guest lecturers on some of our cruises with unusual destinations to teach them about the country's politics or academics. And of course, they're always interested in learning about food and wine."

### Boomer Stats

**Boomers...Purchase 48% of all housekeeping supplies (\$30 billion)...Purchase 35% of all apparel (\$68 billion)...Account for 63% of all education gift spending (\$13 billion)...Purchase 40% of all new cars (\$79 billion)...Spend 40% more time vacationing and spend 74% more on a typical vacation.**

But while boomers don't seem to be slowing down in terms of their love of life or their love of driving, they also acknowledge that time isn't on their side. Savvy marketers understand this as well, and cater their products and services accordingly. "They want useful technology, because it helps them master time," says McDowell, "and some of them are willing to spend quite a lot of money to be able to do that."

Natansohn agrees that boomers put a premium on time. "Time is one of the key motivators for baby boomers, because most of them are not yet retired," she says. "So when you're marketing something like vacations, you're really targeting the most precious commodity they have. They're still working, they're still dealing with families, they have an active social life, and when they go on vacation, they want to believe it will be time well spent.

"The challenge," she adds, "is to meld a quality image with the hot buttons that clinch the purchase decision. In the case of a vacation, that could be relaxation, adventure, learning, spa activities or a

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combination of all of the above."

The good news is, if you satisfy this crowd, they're very likely to spread the word, just as they look to their friends and family for recommendations. "Probably their most important source of information is their friends and relatives," says Natansohn. "So word-of-mouth marketing is important." To keep those words positive, she says, the most important rule is to deliver what is promised and, if possible, exceed expectations. "Baby boomers will become advocates and disciples of a product if they believe in it," she says, "but they are also quick detractors if they are disappointed. They have access to a lot of information, and they're looking for third-party confirmation to be sure the experience will deliver what it promises. "

Keep in mind, though, as with all segmentation efforts, that there's no silver bullet in marketing to a group called "seniors."

"Most groups are made up of very complex subgroups," says Sergio Zyman, the former CMO at Coca-Cola and author of *The End of Marketing as We Know It*. "You're not simply a teenager or a baby boomer. You might be a blue-collar boomer with a mortgage and a lousy job. You have to learn to market and remarket your products, because the world—and your customers—are constantly changing."

For boomers in particular, a more sophisticated audience requires a more sophisticated message. "A lot of people find that task daunting," says Dychtwald. "But if you don't break that code, you'll lose."

Send comments to [cmofeedback@cxo.com](mailto:cmofeedback@cxo.com).

## Non-Trivial Pursuits

The diversity of the baby boomer demographic makes it difficult to target the segment by age alone. One 50-year-old may be retiring. Another may be starting a new business. One might have just had heart surgery, and another might be running a marathon. They're all 50, yet their lives have little in common. Here, according to Ken Dychtwald—president and CEO of Age Wave—are some simple rules to keep in mind when thinking about how to target the maturing population.

**1 BABY BOOMERS** are often actively in pursuit of work, self-improvement and fun. Look to inspire them with messages that are hopeful, exciting, heroic.

**2 BOOMERS** are not who they used to be. And they're not becoming their parents. Boomers do not fix their identities, but allow themselves reinvention. This generation is completely different at 55 than their parents were at that age.

**3 THEY'RE ALSO** not their children. If you target them as though they're 35, your message will miss the mark.

**4 OLDER ADULTS** do not see themselves as out of touch. They think they're in the mix and connected to people of all ages.

**5 OLDER ADULTS** are more seasoned consumers. At this stage in their lives, they have likely raised children, survived a health scare or two, purchased two or three homes and a dozen cars, bought thousands of meals in restaurants, been fired, made some money and lost some money.

— E.C.

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### Plus: Straight from the Source

Got a question about how to best approach the baby boom generation? Age Wave CEO Ken Dychtwald is on hand to answer it.



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## Readers Viewpoint

### Gray equals green, and sometimes Red

Posted: JAN 05, 2005 03:58:41 PM

First, let me congratulate CMO on an outstanding layout for the Inks to articles.

If I can add something to the discussion based on my experience and expertise as a Publisher and Editor of Mature Lefestyle publications, and currently helping businesses and organizations with their Marketing, it would be this:

Some separation of marketing focus is required even within the overall demographic. This is because two 55 year olds can have the same income, but one is a NASCAR enthusiast, speedboat owning, fishing and water skiing fan. The other is a Symphony-loving, sailboat enthusiast, who loves good wines and dining out.

The former wouldn't be caught dead in an upscale, French "haute cuisine" restaurant, while the latter just might consider Outback, but is more oriented to "destination" dining.

Boomers and their parents are maybe the last generations to care about and subscribe to daily newspapers; the next generation will be Internet and 24 hour Cable news driven. The fastest growing segment of publishing is "community" newspapers because people care about their local issues.

Growing diversity, even fragmentation, of advertising venues makes it increasingly difficult to "reach" target audiences, and when you do, sometimes the cost isn't worth it.

Now we add cultural differences to the mix (who says Hispanic Boomers won't be a target market?) and languages, and subtle "message" creative nuance starts to become important.

One thing for sure; Marketing is not a place where people can stop growing their experience and knowledge base; it's become increasingly apparent that the definition of a successful marketer to age-driven market segments will have to develop a "gestalt" mentality, and spend a lot of time thinking their way through the creative process of reaching and motivating a variety of people, AND evolve new ways of researching and defining optimal targets.

Let me opine that you CAN sell the 35 year old children of Boomers, THROUGH their parents.

Our research indicates that more than ever, parents are involved in assisting the financing of home purchases for children (12%); actually raising grandchildren as parents (11%), buying 26% of the gifts for grandchildren, and more, lots more. Are these segments worth targeting? Some marketers think so.

By the way, our "Affluence and Influence" Index indicates that the largest pool of money available for investment and income needs is the home equity of boomers and their parents, some three trillion dollars (that's a "T" folks). Excuse me if I got saliva on your screen from drooling.

Caution is advised, however, to those who think that the any Boomer or Senior market segment is "there for the taking."

It's not.

Barry Dennis  
President  
Netweb/Omni

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