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## **The Impact of Aging Consumers on Business**

For over a decade now there has been a constantly increasing buzz, from all quarters, concerning the impact of aging consumers on business. The business they refer to is not limited to commercial business but also includes, for example, the business of government, the business of education and even the business of spirituality. Speculation and predictions of all kinds emanate from academics, economists, business leaders and politicians. While there is more than a little disagreement on the nature of potential changes that might be brought about by our aging population, all agree that changes will occur and that those changes will have an impact on business in its broadest sense. This report seeks an overview of the nature of the messages being delivered by those concerned about the impact of aging consumers on business, as noted in scientific and professional journals and through academic research.

### **Who are the Aging Consumers?**

We are all consumers. Our need for food, shelter, clothing, transportation, finances, travel & leisure, health care, education, etc. assures our status as consumers. We became consumers even before birth with pre-natal care. And in a sense, we are consumers at the end of life as well when you consider end of life costs.

All would acknowledge that the nature of our consumption changes as we age. Children consume elementary education, summer camps, bicycles and other facets of childhood. Teenagers add to the consumption mix with “must have items” such as today’s cell phones and ipods. Young parents also have special consumer needs like larger homes for growing families as well as a host of other consumer needs. And

finally, there are the baby boomers and senior citizens who continue as consumers but with differing needs from those of their earlier years.

### **Why are Aging Consumers Different?**

One might ask, don't all consumers age? The answer, of course is yes, and at the same rate. Consumers are often viewed by business, sociologists and others, as in segments. There are a variety of reasons for such segmenting but principal among them is the assumption that each segment is different. In business, the maker of baby food does not want to direct his appeal to the entire universe of consumers when only a portion of them will buy baby food. Likewise, the pharmaceutical maker of anti aging drugs does not wish to waste his advertising dollars on the youngest of the consumers since they have no desire to slow the aging process.

Those who do market analysis often choose to segment consumers by age into many groups. Some look to identify only the 18-25 group, others the 25-39 group, etc. In terms of dealing with the broadest aspects of the aging market one finds that it is most frequently divided into three simple groups. Those groups often referred to as the *youth*, market, the *middle* market and the *aging* market, are significantly different from one another. Different not only in age, but also in consumption, needs and habits.

While there is considerable debate about the age at which the *aging* segment begins, many studies consider the aging group to begin at age 50. Others may begin at age 65 and argue that 65 is the traditional retirement age. To be sure, there are differences between those at age 50 and those beyond 65. But when identifying those considered *aging* it is important to view the consumption habits of those already at the older level in order to make some assumptions about those at the lower end of the group

since they are soon to be at the older level. Thus knowing habits of those at 65 will help predict the habits of those who soon will be 65.

Attitudes on the part of business that stereotype the aging as poor and lonely clearly are misperceptions. Professor Leventhal's research paper indicates that the aging consumer has unique characteristics and values and that those values will impact the market in significant ways. Those business entities that recognize and properly address those characteristics will benefit while those who ignore or overlook them will be more negatively impacted. He identifies the five values that characterize the aging as, *autonomy, connectedness, altruism, personal growth and revitalization* (Leventhal 2-3).

To expand on those values, Professor Leventhal notes that *autonomy* has to do with the baby boomers need to control their lives in self sufficient ways. With regard to *connectedness* he maintains that it is largely a social issue with the aging population and represents a need for neighborliness, meeting new people and securing intergeneration connections. He believes that the aging consumer places a somewhat higher value on *altruism* than do those in younger consumer groups. He states that it is a "desire to give something back to the world" (Leventhal) that makes this group different. His research cites an example of this based on the experience of the Thrifty Car Rental Company. Thrifty found in their own study that of those consumers who collected on a senior discount, 41% chose to have that discount savings transferred to a fund established to provide vans for senior citizens centers. Such altruistic motives tend to characterize the aging consumer. Personal growth and *revitalization* are also special values shared by the aging consumer. Such consumers tend to seek out new opportunities to learn and apply what they learn in new and different ways. In the process the aging consumer seeks

revitalization in new ways different from those of their past. For example, Leventhal notes that “teaching and volunteering are two of the most important aspects of revitalization” (3) and that it is significant to the aging consumer. And author David B. Wolfe writes that “aging boomers are looking less to material trappings to define the meaning of their lives” (Wolfe 5) and “they are less influenced by peers in what they buy, consume, think, and do than they were when they were younger” (5).

### **Why are Aging Consumers Significant?**

Because the mix and ratio of ages in the population is changing, so are the population’s consumption patterns. Because the aging consumer group will represent the largest segment of the total population, they will of necessity command the attention of the business world.

The authors of *Demography Is Not Destiny*, (Friedland) point out that since 1900 the elderly population has doubled by more than 100 percent while the overall population has grown only 50 percent. Thus the increasing proportions of elderly will greatly influence consumer behavior in the future. They note that the Census Bureau projects that the elderly population will more than double by the year 2040. Thus the increased ratio of older to younger people is certain to shift societal focus from one that promotes growth and innovation to one that is preoccupied with caring for dependent people.

As the baby boomers, those born between 1946 and 1964, move out of the labor force and into the population segment considered elderly, their changing consumer demands will impact business in significant ways. No segment of the business community will fail to feel the impact of these changes.

A Deloitte Research Study entitled *Wealth with Wisdom: Serving the Needs of Aging Consumers* states that “in the U.S., age 65+ consumers are the most affluent of any age segment with many having multiple income sources.” (Pak 3). They add that “Consumers over 50 account for almost half the total consumer spending in the United States” and “Americans aged 50+ also account for nearly half of the market share in personal insurance and pensions, transportation, health, housing and food” (3). These factors alone make the aging consumer very significant in terms of their impact on business.

Adding further significance to this view, David B. Wolfe writing for *Generations Journal*, noted that “the sheer weight of boomers’ numbers ensure their outsize influence on society” (2). He affirms that there is “little wonder that the baby boomers are currently the most influential source of cultural and consumer behavior trends” (3).

### **How Will Aging Consumers Impact Business?**

Richard C. Leventhal, Professor of Marketing at Metropolitan State College, Denver, Co wrote ten years ago in the Journal of Consumer Marketing, that “The first of approximately 77 million baby boomers turned 50 in 1996 and this signaled the start of what is to become one of the greatest marketing movements ever seen in the USA in a movement which will last some 30-40 years and it won’t be business as usual” (Leventhal 1). Professor Leventhal points out that no area of activity will be unaffected by the influence of the aging consumer. Basic industries like food, shelter and clothing will be influenced by what the aging choose to eat, where they choose to live and what they choose to wear. In addition, travel and leisure will be affected by choices the aging

make about where they want to travel, what kinds of hotels they wish to stay in and the kinds of transportation they use to travel.

The impact of the increasing numbers of aging consumers can not be denied. Ten years ago it was noted that this segment of the population already represented 37 % of all US consumers and the ratio continues to increase in favor of the aging. The impact will be felt by retailers, financial services, healthcare, automotive, travel, entertainment, government, education and a host of other business relationships. Businesses that fail to identify and recognize these changes will do so at their own peril.

Friedland and Summer, offer a contrary view of the impact of aging. They believe that the impact may well be less than has been predicted by others (Friedland 15). They point out that the increased birth rate between 1946 and 1964, that resulted in the so called baby boomers, overlooks the fact that, even without the increased birth rate that there would be about 64 million births if former birth rates had not increased. Thus they argue that instead of 76 million more aging consumers that the actual increase is something on the order of only 12 million additional persons in the aging segment of society (23).

Other concerns about the impact of aging consumers are found in the financial community. Some economists predict that as baby boomers reach retirement, the need to fund their retirement will result in the sale of their investments and thus result in a serious market decline with loss of equity. A *Research At Penn report* from the University of Pennsylvania notes that at the end of 2000, mutual fund assets totaled nearly \$7 trillion and that 35% of those assets are held in retirement accounts such as IRA's and 401K's (Ten 1).

Economics Professor Andrew B. Abel at the Wharton School of Finance said “I’m a baby boomer and I worry about it” (1). A contrary view however is put forth by James Poterba, an economics Professor at MIT. Professor Poterba argues that other possible factors are likely to offset any projected sell off and market decline. He suggests that increased immigration and or increased birth rates could affect the market. He speculates that even increased Chinese investment could alter the market significantly. While Professors Abel and Poterba disagree on the degree of impact on financial markets by aging consumers, they do agree that one should not ignore the influence of the coming baby boomers on business. As Professor Abel said “there are some really powerful forces at work” (Ten 2).

A 2003 *Research at Penn report* speculates about the impact of aging consumers on the medical field. It notes that the potential for implantable medical devices offers huge growth for makers of such devices. It states that “an estimated 35 million Americans suffering from conditions that can be treated by the devices” exist, but that “only 2.5 million actually (are) using them” (Aging 1). Growth for implantable technology is, in large measure, being driven by an aging population. Aging consumers will require and demand more pacemakers, defibrillators, artificial joints and other technology to improve quality of life. The report notes that the current market for arterial stents is \$2.5 billion a year. The market for implanted defibrillators is currently \$2.2 billion a year and estimated to increase to \$13.5 billion a year (2). The aging consumer demand for medical technology will not only impact the device makers but will also impact the insurance industry that will be expected to pay for such devices. And of

course, that impacts governmental departments such as Medicare and Medicaid as well (3).

In other areas such as the business of education, aging consumers are making an impact in a variety of ways. Rachel Filinson writes in the Educational Gerontology Journal, noting that programs designed to improve delivery of geriatric health care have among their programs, educational workshops that promote utilization of older adult volunteers as educators (Filinson 155).

In the business of advertising, aging consumers are making their presence known in the way advertising communicates their messages. D.E.Bradley and C.F.Longino Jr. note in their report for Communication Abstracts, that because “older people think of themselves as younger than they are, marketers use relatively young models in attempts to sell self-image-related products to mature consumers” (Bradley 287).

The business of publications is also touched by the aging consumer. R.Somerville writing for Communications Abstracts, notes that “it is clear that aging is among the trends that will have the most profound effect on newspaper readership” (Somerville). The concentrated aging readership will also dictate the nature of newspaper advertising as well. And of course, not to be left out are those in the food producing business. Food producers feeling the influence of an increasing aging consumer market have moved to provide foods “carrying added health benefits” to address rising health costs associated with aging (Schlenker).

And not to be overlooked is the business of spirituality. As noted earlier in this report, the business being impacted by aging consumers is not limited to commercial business but includes the business of government as well as the business of spirituality.

The business of spirituality is impacted by the consumer just as is commercial business. Finke and Stark, in *Retreat From The Churches*, write “The invisible hand of the marketplace is as unforgiving of ineffective religious firms as it is of their commercial counterparts” (Finke 2).

The author of *The Soul Connection*, John McManus, suggests that the country’s renewed interest in spirituality fits the demand-based consumer model just as well as a mutual fund portfolio. He notes that the consumer bases his spirituality on the basis of his desire for value. The value of spirituality he suggests is found in “balances of good health, good feelings and good faith” (McManus).

In Roger Payne’s (Payne) abstract of Roof’s book entitled *Baby Boomers & the Remaking of American Religion*, he notes that while Boomers may be experiencing a resurgence in religion, it has not been “a return to traditional faiths” (Roof 118). And, Louis B. Weeks (Weeks) in his review of the same work notes that most people spot their spirituality somewhere on the spectrum between religious dogma at one extreme and ideological secularism on the other. Over time one’s place on the spectrum changes (Weeks 3).

Thus, the aging consumer appears to impact the business of spirituality in a variety of ways. One might conclude that the increasing numbers of Boomers are driving the growth in the many mega-churches springing up around the country. Many focus on non-denominational approaches as an alternative to attract the increasing number of Boomers. Likewise many Boomers appear to be drawn to other alternative paths of spirituality such as New Age and Eastern religions. Clearly, the impact of aging consumers is no less apparent in the business of spirituality than in any other business.

### **What Evidence Supports the Anticipated Impact?**

Consumers are seen to be seeking products that fit their needs in spite of the preponderance of advertising that appeals to the youth market. Increased longevity is placing more demands on the business of government i.e. Social Security and Medicare programs and how to fund their increased costs.

The Friedland and Summer study indicates that not all evidence supports a belief in the impact predicted by others. They argue that there is significant disagreement among authoritative sources as to exactly what the elderly population is likely to be in the year 2030. For example, the U.S. Census Bureau predicts 69.3 million, while the Social Security Trustees predict 68.4 million. And yet a third source, the Urban Institute, predicts only 64.3 million. The authors suggest that this 5 million person spread makes it difficult to accurately predict the impact of aging (23).

### **How Will Business Prepare for Change?**

Those business entities, whether commercial, governmental or otherwise, who start now to plan how to address this new growing market will be in the best position to reap the rewards of preparedness. Those who ignore the evolving shift in consumer activities will miss the opportunities that this shift offers.

Authors Cabrini Pak and Ajit Kambil in their *Deloitte Research report* note that the aging process changes consumers in a variety of ways. They focus on four areas in which they believe changes in aging boomers will impact business. They point to **Biological, Psychological, Social** and **Economic** (Pak 5) changes as the factors that will most affect the behavior of the aging consumer. They note that among the *biological* factors are changes in vision, hearing, muscle and joint elasticity and changes in

communication. The *psychological* factors they believe may include changes in the way they process information and how the memory deals with the necessary recall. The *social* factors bringing change relate to how the aging consumer deals with their shifting role in life style. Such shifts can affect travel patterns, daily routines and how the aging consumer interacts with all manner of business entities. And finally they note that the *Economic* factors bring changes in the income and resources of the aging consumer and these changes can have a very significant impact on business (7).

A number of researchers have written about how various businesses have altered the way they create, develop and market products that will meet the needs of the aging consumer.

These businesses believe that the steps they are taking or plan to take will favorably affect the way in which aging consumers impact their business. Some notable examples are...

**Ford Motor Company** (9) in attempting to address ways in which they might increase occupant safety for aging drivers were challenged as to how they might become aware of the physical limitations that accompany aging consumers. To deal with this challenge Ford created what they call the *Third Age Suit*. The suit enables them to simulate the changes in mobility, strength and vision that occur in someone as much as 30 years older than those conducting the tests. The testers even wear gloves that reduce the sense of touch and goggles that simulate cataracts. Ford believes that these efforts will bear fruit in terms of product acceptance among the aging consumers.

Another example is found in the financial industry at **Fidelity Investments**, (10) one of the worlds largest mutual fund companies. Fidelity has discretely monitored aging

consumers of their web sites by tracking click patterns that enable them to determine the interests and needs of their aging customers. They believe that in so doing they have been able to make their web sites more user friendly for aging consumers. They note that aging consumers tend to read most of the text on a page and that they prefer larger text.

In retailing, **The Home Depot Company** (10) has significantly altered their focus from one of a company supplying *do it yourself* items to one that now focuses on a *do it for you* service approach. They have noted that baby boomers, stressed for time, have preferred to not do it themselves and thus opt for someone else to do it for them. By shifting their focus they believe that they will be better positioned to benefit from the growing aging consumer.

And yet another example of a company whose focus has for years been centered on the youth market, illustrates how a change in strategy can appeal to the aging consumer. The **Walt Disney Co** (10) created a marketing program called “Magical Gatherings”. The program is directed towards the 50+ segment of the market and seeks to organize special reunions of former schoolmates and special events for groups of all kinds. In particular they also appeal to grandparents wanting to travel with their grandchildren.

Perhaps the best example of the value businesses find in adjusting to the increased numbers of aging consumers can be found at the sneaker maker **New Balance** (Wolfe 6). This company moved from 12<sup>th</sup> to 3<sup>rd</sup> place in their industry when they shifted their advertising focus “from the narcissistic mien of youth to achieve resonance with the characteristic midlife quest for balance and life meaning” (Wolfe). Their shift in strategy

is likely to keep them well positioned to serve the ever increasing numbers of aging consumers.

It is clear that businesses, to succeed in the future, must modify their goods and services to accommodate the changes of the increasingly influential aging consumer. To that end many advertising agencies and consulting firms have chosen to specialize in aging consumers and to provide research and advice to those businesses who seek to market goods and services to the growing aging consumer group.

### **Conclusions**

The evidence suggests that society in general and more specifically, business in its broadest sense, including the business of government, education, and spirituality, recognizes that changes are taking place relative to aging consumers.

While the precise impact that aging consumers will have is debatable, all agree that the impact will be enormous and wide spread. Does that mean that young people will get the short end of the stick in terms of their impact on business? Not likely, but as commercial business scrambles to devise strategies to appeal to this new consumer majority and the business of government struggles to find ways to pay for increased health care, the demands of aging consumers are likely to govern the behavior of all aspects of business for the next 25-30 years.

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