

By Dick Stroud and Alex Batchelor

Meet the Charmed Generation

A sizable group of the current generation of over 50's is, by all accounts, an affluent one, having benefited from a strong State welfare system for health and education, and from generous pension benefits, now on their way out. So why is this generation the subject of discrimination in marketing? The authors look at the facts and figures shaping the marketing world and its view of the 'Charmed Generation'.

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,

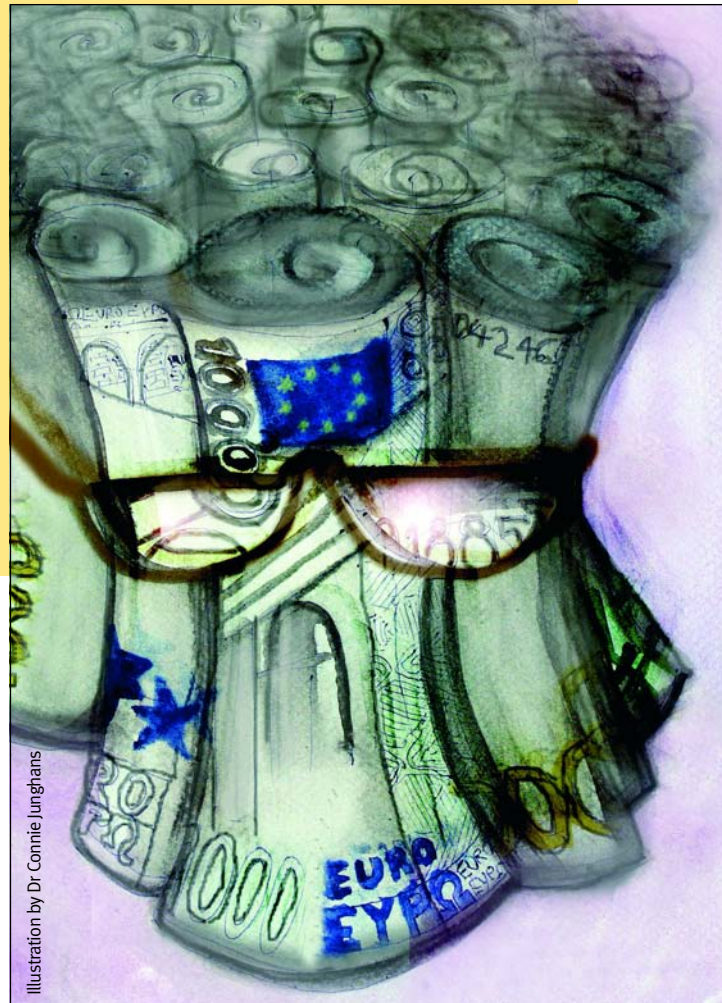


Illustration by Dr Connie Lughmans

marketers behave as they do. This is not a value judgement, it's 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 screams "the future is grey" while blaming young marketers for their insipient age-phobia. All of the time, fellow marketers whisper not to worry, it doesn't 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.

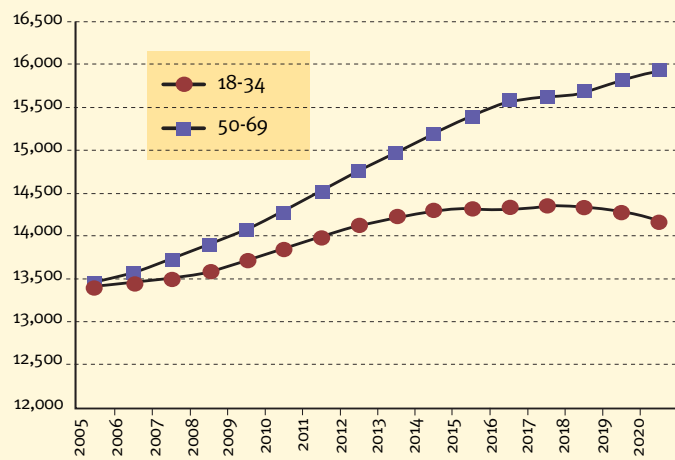
Numbers

The most common argument why marketers, especially of the youthful variety, should pay more attention to their parent's and grandparent's 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% of the UK's wealth, worth more than £280 billion and represent 42% 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 ageing may have been dented by the dire predictions contained in Lord Turner of Ecchinswell's Pensions Commission report in the UK. Once the spotlight of the media moves to another 'crisis', the implications of the ageing population will soon be 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 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 UK Government Actuary's Department forecasts. Between the date of the previous population forecasts (2000) and the latest version (2004) the difference in the forecasted numbers of 60-69 and 18-34 year olds, by 2015, has changed by 700,000 people.

Figure 1 Predicted numbers of the UK population aged 15-34 and 50-69.



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 five to ten 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.

BDWM recently published research showing that affluent retirees account for a third of all 'half millionaires' in the UK, and hold nearly a tenth of all the personal wealth in Britain.

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!

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 or younger you are less likely to own a property now than 20 years ago. The barrier to becoming a home owner is the relatively high cost of property. If you were buying a house between 1960



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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.

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, as older people have to use their property value to repay debt. 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. However, before considering how companies should adapt to this wealthy group, it must be remembered that a far larger group of older people are poor, some are very poor. Help the Aged estimate 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? Ageing causes degradation in physical capacity, short-term memory, eyesight, precision movement, taste and hearing. The exact reasons 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 ageing do not distinguish that much between race, gender or social class.

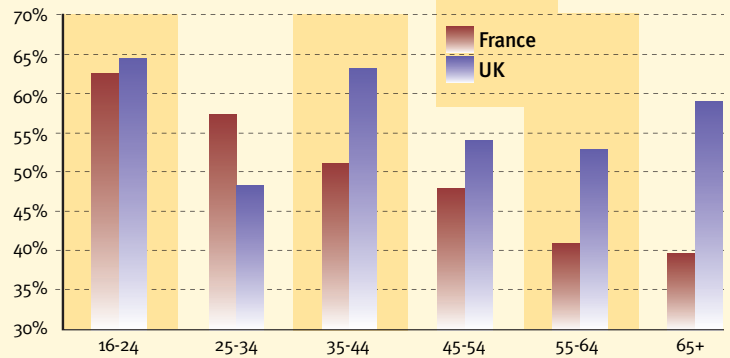
So what role does the physical effects of ageing play in influencing the design of new products? Not much is the answer.

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:

- 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 recently launched '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 upon 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 ageing 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 ageing. 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 ageing bore the average marketer. Not so the role ageing 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. OMD, one of world's largest media specialist companies and part of Omnicom, conducted over a thousand interviews in France, Australia, UK, US and the Czech Republic to test the hypotheses about the ageing and consumer behaviour. The research showed the effects of ageing to be far more complex than previously believed. For example, the relationship between ageing and willingness to experiment with new brands was greatly influenced by nationality. Figure 2 shows the responses from France and the UK to the question "I am willing to try new brands".

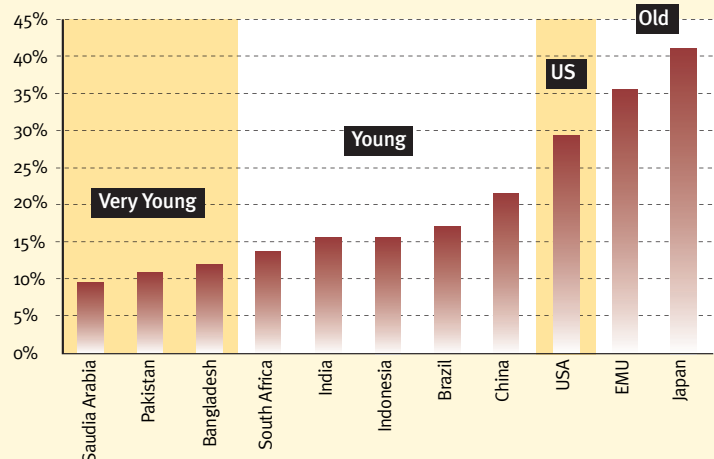
Figure 2 Results from France and UK agreeing with the statement "I am willing to try new brands".



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% of the 16-24 age group agreed with the statement, which fell to 40% 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. 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%. 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.



Figure 3 Percentage of population aged over-50 in 2005.



Source: The World Bank Group

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Old and Young World

The publicity surrounding Live8 concerts and the G8 conference could not leave anybody in doubt 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 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% 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’s 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 and in another 5 years, by 2025, the US and China have very similar proportions of their population in the over-50 age category.

Japan moves from being ‘old’ to becoming ‘ancient’ with 21% of its population aged over-75. 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+ (Japan) and in another it is 2% (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

However, there is 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. Figure 4 shows the first steps to jettisoning age bias from your marketing activities.

Good examples of brands that are practising age neutral marketing are Innocent, Orange, Café Direct and Honda. They have either dismissed the factor of age from their marketing mix or have precise knowledge of how it relates to customer behaviour. When asked about Honda (UK)’s approach to

Figure 4

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

Forget the assumptions about the effect of ageing 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 to consumer markets created by changes to population age and economic structure.

Remember the importance of country and ethnic differences in behaviour of older people. Apply an age neutral approach to all areas of marketing, not just communications.

Incorporate the physiological affects of ageing 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.

advertising, Simon Thompson, the UK's Marketing Director, says: "Honda's advertising creative is age-neutral. When we focus on specific age groups it is achieved by our media planning." The company's award winning 'Cog' and 'Grrr' advertising campaigns demonstrate what he means.

Sylvie Barr, Café Direct's head of marketing and marketer of the year, says about the age of their customers, "age is not a primary factor in our approach to marketing. What matters most is Cafe Direct's ethos and our brand values, and this drives everything we do."


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 to 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 TV and press advertising demonstrates this fact as the creative is all about company's passion for healthiness and quality and presented in a way that does not exclude or favour any age group.

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So What?

In June 2005 McKinsey published a research paper entitled *What Global Executives Think About Growth and Risk*. The ageing 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 ageing body with a maturing wallet". Surely the 'maturing wallet' characteristic should be enough to excite the business world? 



Dick is the Managing Director of 20plus30, a marketing strategy consultancy that focuses on the 50 plus market. He previously had a career with IBM and PA Consulting. He teaches at London Business School and for the Chartered Institute of Marketing.

Dick's latest book, *The 50-Plus Market*, was published by Kogan Page in October 2005.

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Alex joined Orange from brand consultancy, Interbrand, where he spent five years, latterly as joint Managing Director. Before that he was Board Strategic Planner at Saatchi & Saatchi Advertising, working on accounts including Toyota, Hilton, and Carlsberg Tetley.

Previously Alex held a variety of marketing positions at consumer products group, Unilever, including several years as Product Group Manager for Elida Fabergé in Austria.

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