

THE SENIOR MARKET: INFLUENCE AND OPPORTUNITY

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Today we are constantly being exposed by the media to rhetoric about the senior market, but rarely in a strategic sense. So let's strategically look at the senior market and what it is made of; just what is a senior, anyway; and finally, how can you benefit most from this dynamic market.

First, let's look at this market statistically. Numbers alone can be boring, but we cannot get our hands around this market if we cannot quantify it. If we consider a senior market entry age of 60, and I believe there is strong case to be made for that, which I will address later on, in the year 2000, there were just under 46 million seniors, according to the U.S. Census Bureau.¹ By the year 2030, just 25 years from now, the senior population will have grown to over 91 million, doubling its size just since the last census. That represents over 37% of the total adult U.S. population, ages 25 and over. So make no mistake, we are talking about a large market with huge business potential.

When we talk about this great market, it is important to keep in mind that we are speaking in generic terms, for it is difficult to look at it strategically without further analysis. The generic perspective may be sufficient for separating the senior market from other adult markets, but unacceptable for target marketing most initiatives. For that, the senior market will require some measure of segmentation. When the issue of market segmentation is considered, we are most often inclined to think of demographic segmentation, starting, for example, with age, gender and income, or geographic segmentation by market area. There is, however, more than

those characteristics to demographic and geographic segmentation, and there is much more to market segmentation than demography and geography. So let's move on to more strategic segmentation options, which can provide for better target marketing to seniors.

Psychographic segmentation, while a valuable potential resource, is more difficult to perfect as it includes less tangible qualities.² Concepts such as lifestyle, personality and social standing can say a great deal about one's receptivity to marketing approaches, and the likelihood of success. This underscores the need for solid research to provide the necessary information, but there likely will be a need for additional information for this to be useful.

Segmentation by product or service need and use will help provide information essential to the design of the products and services themselves to the perfection of marketing strategies.³ Since the generic senior market has an effective age range of up to 40 years or more, depending upon where you peg the starting point, this form of segmentation could be crucial to some initiatives.

Segmentation by product or service benefits, which may go hand in hand with need and use, should be another important consideration, particularly in health care and related products and services.⁴ Various benefits provided may appeal to distinct market segments in diverse ways, providing for opportunities to customize your advertising messages.

These are just a few examples of the more commonly used segmentation options available. You may want to investigate others to meet particular needs. Which ones are needed at any given time will depend on the desired outcome to

support given strategic marketing initiatives. But in most cases, some market segmentation will be required to maximize opportunities. The senior market is simply too large and diverse to be painted with a broad brush. While the cost of segmentation must be reckoned with, the potential for enhanced perfection can be substantial.

Thus far we have generically quantified the senior market and proposed the means to qualify it in various ways, but we have not looked at what, besides age, constitutes a senior. While age can be somewhat subjective in determining when one qualifies as a senior, the mental acceptance of reaching that point may be another matter. In other words, whether someone is classified as a senior at age 55, 60 or 65, for example, may be important in terms of reaching retirement or qualifying for benefits and health care, but to the subject senior, the mental adjustment may lag at least temporarily. Case in point, the baby boomer generation. Here the key question is: will mental acceptance result from perception on the part of the senior to be or the prognostication of the marketing pundit?

Some so-called experts have gone so far as to predict that with the arrival of baby boomers, the first of whom, so called “leading-edge boomers,” reach age 60 in 2006, what has been called the senior market will undergo a major transformation.⁵ Terms such as “senior” and “retirement” will become extinct.⁶ Boomers will change the way we approach aging, how we age and how we adjust to it, these self-proclaimed experts say.⁷

My response is, NOT SO FAST! While on-going changes in American society will contribute to altering lifestyles, the comparison between generations

may not be as pronounced as some people think.⁸ There is no doubt that the baby boomer generation will change the senior market in numbers for the next 20 years. This alone will provide new challenges and opportunities in consumer markets for products and services, not least of which in the health care arena. But will the boomer behave so differently from his immediate senior predecessors? While no one, not even the pundits, know for certain, there are some clues, I believe, that make a good case for the differences to be more subtle than what some predict. Furthermore, these same clues strengthen the proposition that age 60 is a valid senior market entry point, as mentioned earlier.

There is no question boomers will begin entering retirement age having earned more money than their elders. However, the number of them still making mortgage payments is 60% higher today than it was for those retiring in 1980, and credit card debt is held 27% more frequently by boomers than their predecessors.⁹ Yet, according to the Congressional Budget Office, “boomers’ saving behavior is much the same as that of their parents.”¹⁰ So, while they will enter senior age status having earned more during their working years, boomers have not changed savings patterns, but carry a greater debt burden. Moreover, in a recent survey reported in USA TODAY, the two greatest fears people have about retirement today are the “high cost of health care and running out of money.”¹¹

Due to regulations, programs and other factors already in place, boomers will encounter forces firmly entrenched in government and society.¹² The Age Discrimination Act of 1967, amended in 1990 as the Older Workers Benefit Protection Act, continues to protect employees age 40 and older from age and

benefit discrimination. Thus, retiring boomers already are classified as “older workers.”

At age 60, boomers will be covered by the Older Americans Act, enacted in 1965 and amended in 2000. It provides Federal support to states for social and other services to people 60 and older who qualify, based on health, income and social criteria. Further, those 60 and older come under the purview of the Administration On Aging, an agency of the U.S. Health & Human Services Department.

Under current guidelines, decisions on Social Security come into play upon reaching age 62. Boomers will have to choose between taking a lesser monthly allotment or delaying their final decision to a later age for a higher monthly check. Personal finances, quality of health, as well as other individual considerations, and any changes or restrictions enacted by Congress, will influence these choices.

In their early 60s, boomers will be presented with options for senior discounts to movies, parks and recreation, memberships and a variety of other choices. For example, at 62 one qualifies for a Golden Age Passport, providing free lifetime access to all National parks and forests, wildlife sanctuaries and other similar areas, all for a one-time fee of \$10. This will tempt even the most stubborn “anti-senior” boomer to become at least a temporary or selective senior in order to take advantage of these offers.

At age 65, according to current guidelines, the boomers will face important decisions on Medicare, Medigap and other private healthcare options, further plunging the boomer into a more senior role in society.

Between ages 60-65, a host of community social, health and wellness and personal services begin to surface for those reaching the minimum age for qualification. Boomers may decide to pick and choose from such menus, but when they do, they will be joining others who are their senior, and they likely will be viewed as that group is seen in the public eye. While optional, these programs may come with a cost in attitude adjustment.

Lifestyle decisions may surface as boomers seek to downsize their larger empty-nest homes. Some choices will include attractive minimum-age housing developments with an age qualification starting at 55, for example. While 55 is a boomer age, these developments will include residents from the minimum age to older than 90. This may make such choices psychologically difficult for some boomers.

In addition to facing these challenges and opportunities, boomers will become sexagenarians, joining others in the seventh decade of life, upon turning age 60. They will be inexorably linked to those their senior. So, whatever they may call themselves, they likely will be defacto seniors. No doubt the baby boomer generation will have a profound influence on the future of the senior market, but the degree and pace will be best kept in perspective relative to the big picture.

There is another dynamic that further sets the senior market apart from others. More so than in any other adult market, seniors are likely to have others involved in their purchasing decision-making processes.¹³ This becomes more prevalent as both age and the importance of the purchase increase. Studies in the independent living industry, for example, have shown that from age 75, joint

decision-making steadily increases to over 80% of the time. For significant purchases, mental and physical health play a role as well. Awareness of this phenomenon, and knowing how to benefit from it provides the means to greater strategic marketing success.

Who are these third parties, and are they concerned participators looking out for the best interest of their senior charge? Or are they merely interlopers, looking to take advantage of potential opportunities the relationship may present? Before we can answer this, let's take a look at some third party candidates.

Family members. Sons and daughters, and even grandchildren, may be involved in assisting with or making purchasing decisions on behalf of a senior. This is more likely to be true for older seniors and for larger purchasing decisions, such as furnishings, appliances and living accommodations. The family members may tour apartments or senior residences, for example, not only to help their senior family member, but also to satisfy themselves that this is the "right place" for their mother, father or grandparents. Unfortunately, there is sometimes a negative side to family involvement in some senior purchasing decisions. There may be a concern that mom or dad is spending a potential inheritance. However, earlier studies predicting a bright future for baby boomer inheritances are proving to be overstated, as rising health care costs, life expectancy and the cost of long-term care were understated in those studies.¹⁴ Whatever the motivation, the involvement of family in a senior's purchasing practices cannot be overlooked when marketing programs are being designed.

Neighbors and friends. While not having family ties, others may be concerned with the welfare of a senior friend or neighbor. This can lead to their involvement in the selection of particular products and services. Very often these concerned parties know more about seniors and their needs than do family, by virtue of their proximity to and involvement with a senior. As in the case with family, the efforts of friends and neighbors to support seniors are typically well intended, but sometimes may represent ulterior motives under the guise of a concerned party.

Other caregivers. When there are not family available, or if a senior needs more support, hired companions or even home health aides may be involved. They provide the support a senior may need to extend their independence. In that role, caregivers may be making purchasing decisions on behalf of the senior, and even the family.

Professionals. Also providing various forms of support to seniors are professionals such as doctors, lawyers, financial advisors, trust officers and sometimes clergy. Less personally involved than family, perhaps, but nonetheless interested in the senior's welfare, these professionals often get to know and participate in purchasing decisions for their clients, patients and parishioners. In addition to whatever personal interest they may have in the senior's welfare, there is often a financial interest as well. They may, in fact, have more to gain from taking good care of their client or patient than some family members. Whether their interest is benevolent, as well as self-serving, is sometimes an interesting question.

From a strategic marketing standpoint, the producer and supplier has to know that when selling to the senior market there may be one or more parties interested in the purchase, all of whom may not be the ultimate user of the purchased object. This phenomenon has led to the realization that the senior customer may be an “extended senior customer,” one encompassing more than the senior himself or herself.¹⁵ The successful marketer will be able to use this knowledge to capitalize on senior market opportunities.

Now that we have examined the senior market in terms of size and content, as well as the potential impact of the baby boomer generation, let’s turn our attention to how best to benefit from this dynamic market. Just what can you do proactively?

While much of what I will cover next will sound familiar, it is important to put it in proper context and perspective for maximum benefit, as these are time-tested principles. Remember, the senior market is a complex market; one that is unique while possessing some similarities to other adult markets. Keep this in mind while we explore clues to success for your senior market strategies.

Catch them early. Recall that the senior market has an extended age range of 40 years or more. By bringing them in as customers in their early senior years, you have an opportunity to keep them as customers for a long time. Better yet, begin working on them before they reach their senior years. The “leading-edge boomers” begin reaching age 60 next year, so while you are already late if you haven’t gone after them yet, you still can catch them early in their senior years. AARP has been working on this group for nearly ten years already, having begun

garnering them as members as they turned 50 years of age. Theirs' is a great example of catching them early. However, in their zeal to covet the baby boomer generation, have they forsaken pre-boomer generations? Time will tell, but they seem to have taken a "one size fits all" approach.

Study and analyze your market. Not just to know your market, but to really know your market. Remember, there is more to knowing a market than demographics. It begins by knowing when to use the marketing research resources available to you. Customer surveys, focus groups and consumer panels provide more than opportunities to gather information. They are a great way to develop and build relationships with your customer base. Customers like to be asked and want to believe that you care. Senior focused web sites can provide valuable insight to senior market opportunities. The AARP Internet Resource Guide, The Mature Market.com, Sold on Seniors.com and Seniorsnet.com are good examples of such web sites. Let it be known that you hire seniors. This provides a powerful sign that your organization is "senior focused" and empathetic to seniors.

Know your competition. More than knowing who they are, where they are and what they offer, you need to know how they think. What are their strengths and weaknesses? Who are their customers, and why aren't they your customers? Develop a good understanding of your competitors and how they are positioned in the senior market. Use surveys to gather information about the competition from your customers and their customers. Talk to your vendors and suppliers. Chances are good that they supply your competitors, as well. Too often we tend to look

internally rather than externally, and look at competitors from our own perspective. That simply is not good enough.

Use your marketing tool bag. Beginning with the information you develop through researching your senior markets, design and implement the advertising and promotional approach that best suits your needs. This will necessarily include taking into account the extended senior customer at the appropriate time. By bringing them into the picture, you can build greater interest and credibility toward your products and services, as well as strengthening relationships with your primary senior customers. Also, concepts such as differentiation, positioning and branding provide the means by which you can separate your organization and your products, services and programs from those of your competitors.¹⁶

Build meaningful, lasting relationships. Know and use the principles of good customer service, starting with “put customer service first.” The old adage that suggests putting the customer first does not go far enough, for it is the service your customers receive that will keep them coming back, and it is the service they will speak to their friends and associates about.¹⁷ Relationship selling is by no means a new concept, but nowhere in consumer marketing will it be more important than in senior markets.¹⁸ The potential longevity of these markets, and the frequent involvement of third parties in certain purchase decision-making produce a powerful case for a sound relationship-selling component in strategic marketing plans. For long-lasting results, approach sales as a win/win proposition.

Strategic partnerships. Few organizations can be all things to all seniors, so partnering should be a consideration in developing marketing strategies. This

underscores the importance of knowing your market. Marketing research, supported by a sound compliment of networking, will help identify partnering opportunities for consideration. Your staff must be encouraged to actively network in the marketplace, helping build relationships possibly leading to meaningful partnering opportunities. Few organizations can succeed in a virtual vacuum, going it alone against a growing, competitive marketplace. The surge of baby boomers is certain to bring new competitors to your turf. Strong partnerships may provide the best defense to your market share.

In summary, remember the senior market is not a homogeneous market, and all seniors are not alike. This is a diverse market, transcending forty years or more, and typically 60-year-old seniors will differ markedly from 85 year olds. Also, recall that the senior market can include a number of third parties, whom along with their senior relative, friend, client or patient, become extended senior customers. These parties, while usually not seniors themselves, come to the table with their own perspective toward your organization, and your products and services. Use them, but use them wisely in your strategic marketing initiatives.

Also remember that solid customer service is an imperative and a constant if you hope to keep your customers. Your sales team must never forget that a sale does not end with delivery of the product or service.¹⁹ Follow up the sale to ascertain satisfaction. Remember, no news is not necessarily good news, and without dedicated follow up you will never know. Not only will this validate your sales, but also it will help build relationships for future business from your customers and

prospective customers you hope they will refer. Qualified referrals are crucial to new business development.

Make sales as easy to consummate as possible. Make them customer convenient over provider convenient. Keep sales and application forms easy to work with. Set business hours that are customer friendly. Be conveniently accessible by walk-in, drive-in, telephone, e-mail and sales representative. Make purchasing terms clear, concise and user-friendly.

Today's seniors are more accustomed to personal contact. Keep voice mail and e-mail to a minimum, and when using them, keep messages clear and simple. For more mature seniors, be sensitive to sight, hearing and other age related impairments. While the baby boomer generation will be more resigned to non-personal contact, remember that exemplary customer service will set your organization apart from the competition. That was true yesterday, it's true today, and you can bet it will be true tomorrow.

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Endnotes for Further Reference

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