Generational Economics

Age-old "advertising speak" is falling on deaf ears. Marketers want to understand how consumers are thinking, what are their priorities, and why they buy. This white paper is designed to help you forget about reaching 18-34s, 25-54s, or 18-49s… and start reaching *people.*

By the time you finish reading this paper, you will see yourself and your own buying style. (You, after all, are a consumer.) But more importantly, you'll be better equipped to articulate to others why your media or marketing plan is right on target… in terms that even *people* will understand.

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Generational Economics

by Mike Anderson
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Arthur C. Nielsen's research firm had been estimating the size of radio audiences since 1942 when Nielsen made the logical move into television ratings in 1950. And his timing couldn't have been better. Television was becoming the epicenter of the living room by the late 1950s and early 60s. Modern news coverage, country and pop music were bringing a powerful (albeit more fragmented) resurgence to radio. And to create a seemingly perfect storm, marketers were beginning to realize the immense impact America's largest population cell in history—the Baby Boom generation—would have on their companies. So, it was during this time that common media demographic terms and cells became mainstream (i.e., Adults 18-34, Women 25-54, Men 35-64, et al).

But the problem with referring to an audience or consumer group as a set of simple age cells is that one can lose touch with the reasons that population is so inherently important to the marketer. That's why, years ago, we started challenging companies to reconsider their target consumer, based not just on ages, but life stages. *Generational Economics* is intended to stimulate your thinking about how and why purchasing priorities and consumer behaviors tend to evolve as each of us moves through life.

Note: This discussion is not intended to give you all the answers; its goal is to help you start asking *all the right questions*… about why people buy and how their priorities change over time.

Pre-adulthood

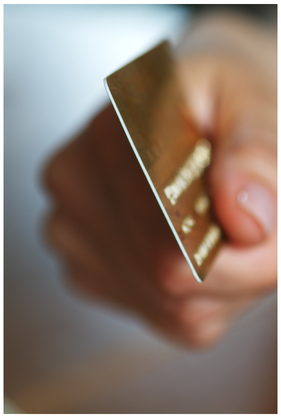
Do you know what the average teenager spends during the course of one week? Before you settle on a specific number, let me confess that I do not know the answer to that question, at least not as a marketer. But I do know the answer from the perspective of being a parent. How much money does a teen spend in a week? *All of it!*

In fact, it could be argued that they spend *more than 100%* of their money. Because in addition to the income they might generate through a job or allowance, they often spend at least some of their parents' money, too. Teenagers are not a wise market to overlook, because the money they have access to could be described as *almost entirely discretionary.*

(Caveats and counter-trends: Many teens are responsible for maintaining their own smartphone contract and paying for their monthly gaming expenses. Some buy their own clothes, and some have a car payment. And post-recession, more teens are helping out with general household expenses when a family has been impacted by job loss.)

The Age of Acquisition

Generally speaking, this group lives between the ages of 18 and 34. (Therefore, at this writing, we could loosely refer to this group as The Millennials.) But the Age of Acquisition is a great moniker for this life stage, because their appetite for consumer spending seems insatiable.



We realize that “Acquirers” can sound a little cliché, just like so many other terms the advertising industry has invented for itself. So to fully appreciate the true significance of this group, think about this line of questioning:

- Did you own your first NEW car on the day you turned 18? Did you by the time you turned 34?
- Did you have a place of your own by the time you were 18? Did you by the time you were 34?
- Had you filled that place with furniture when you were 18? 34?
- Did you have a spouse or significant other by the time you were 18? But, did you by the time you turned 34?
- Did you have children at 18? Did you by the time you turned 34?

This line of questioning helps you realize just how little you had at age 18, and just how much you had acquired by the time you turned 34. That’s why we call it the **Age of Acquisition**: People in this life stage are likely to consume everything in their path.

Not everyone will answer these questions precisely the same. But generally speaking, at age 18 we’re often born into consumer adulthood with virtually nothing, except that which our parents let us take from home. And by the time we’re 34, many of us owned at least one copy of almost anything it takes to run a typical household. (And some stuff you *don’t need* to run a household!)

In addition to those young adults who will leave their parents home, go off to college and then venture off to start their own life, there is a large and growing segment of young adults that are having difficulty with this move, or are purposefully delaying it. Often, this hesitation is in response to the post-recession labor market. Often unable to find a full-time job in their chosen field after graduating from college, many twenty-something adults return to their parents’ home until their income can match the cost of striking out on their own. Think of them as *return-to-nesters*. By the way, this can still be a very attractive target group, as they often earn an income that is *not* going toward a rent or house payment (if they are living in a home that is paid for by someone else). That leaves a lot of discretionary income for things like entertainment, clothes, electronics, etc.

The Age of Upgrades

Generally referring to people between the ages of 35 and 49, we have to reflect on the Age of Acquisition to fully appreciate the Age of Upgrades.

Think about all those belongings the typical consumer acquires in their 20s and early 30s: Cars, homes, furnishings, appliances, educations, food for their families and children and more. How do people buy all of these things while earning what amounts to the median salary of a 26 year-old?

Here’s how. First, we had to make choices. Compromises. While we were buying almost everything, we could not afford to buy the BEST of everything. So, we purchased a lot of entry-level goods. Entry-level cars, starter homes, knock-down furniture… you know the routine. Secondly, we racked up a lot of consumer debt. There’s a reason credit card companies so often target young adults and teenagers. A lot of people use credit cards to feed their insatiable consumer appetite during the age of acquisition. And finally, we got help from the Bank of Mom and Dad. Plenty of middle-age and older parents can tell you how expensive it can be to help their adult children get up-and-running.

But, back to the *Age of Upgrades*. By the time we turn 30, 35, or 40 years old, our purchasing priorities change a bit. By now, most folks have their career well established, and a family underway. And since you already own much of what you *need*, you shift from simple need-based purchasing to more *want*-based purchasing. You already have a (home, car, furniture), but now you're ready for a *nicer* (home, car, furniture). You decide it is time to jettison the knock-down furniture, and replace it with a solid oak wall unit. Out with the entry-level domestic hatch back, in with the imported SUV.

Note that for the Age of Upgrades, I've arbitrarily drawn the line at 35 to 49. You might draw the line differently for different categories of products and services. But either way, it is that life stage where low cost is replaced by quality as a purchase priority. You're often after products that are thought of as premium, rather than famous for being low-priced.

The Age of Increased Equity

Once again, we're going to create an arbitrary border that begins at age 45 and runs up to around age 59. Yes, that does mean that we could overlap a bit with the previous life stage… but that's just reality.

In the Age of Increased Equity, there is a very good chance that the careers in the household are very well established. People in this age group are often earning at a higher level than at any other time in their lives. (Of course, some households have had to adjust that relative income due to recession-related job loss.) Still, many people in this life stage are working in professional occupations (doctor, lawyer, engineer), as upper managers and executives, or have been in a blue-collar job long enough that they could be called, "Blue Chip Blues."

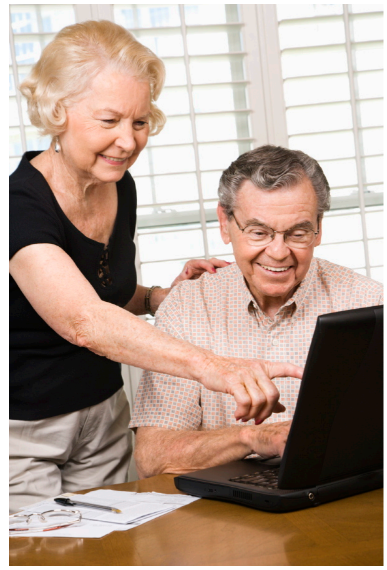
Meanwhile, this pinnacle income is happening just as the fixed expenses in their lives are beginning to fall. Think about this combination of events: By now you have a solid career, lots of experience, and you're probably earning more money than ever… and it's happening just about the time you've pared-down your consumer debt, kids are leaving home, and you may even be close to paying off your mortgage.

True, there is probably college tuition to worry about, and helping young adult children get their feet on the ground… and a lot of folks in this life stage are starting to realize they have some catching-up to do with their investments and retirement savings. But each of these expenditures is nonetheless, "discretionary." That's the best way to describe the Age of Increased Equity.

New Age Seniors

The arbitrarily line for this group is age 60 to 69 years old. Once upon a time, you might have begun to refer to this age group as "upper demos." But we believe that is an outdated description, one that has not kept up with the changing face of demography, at least in the industrialized parts of the world. Here's why I say that:

Fifty or sixty years ago, life expectancies were different than they are now. People often retired from their careers at 62 to 65 years old… and then enjoyed life for a few years before their health began to deteriorate (or they just plain tipped over). Now, life expectancies are longer—approaching eighty years old—and many people are living into their 90s and beyond. These longer lifespans are having a dramatic effect on how we're living life, especially after age sixty.



Retirement savings have to last a lot longer. So we're finding that "retirement" no longer means, "the end of employment." It often means quitting the job you've always *had* to have—for economic reasons—so that you can take the job you've always *wanted* to have. Someone who has worked in a confined space for a lot of years might decide to find a job where they can get out and meet people. Others take a position that lets them fulfill a passionate interest or hobby. In fact, the concept of "retirement" is making way for the idea of "re-hirement." And to the New Age Senior, that return to the workforce serves two purposes.

First, it can be an important supplement to a retirement savings plan that simply has to last longer than it might have, say, fifty or sixty years ago (retirement will last longer than it did back in the fifties for most people).

But also, the right job can be a source of stimulation and self-actualization for the New Age Senior. Just realize that their motives for wanting to work might be different now than they were during an earlier career.

Counter-trends

Just as there are exceptions to any rule, every trend comes with what we might call counter-trends: Issues that seem to contradict or defy the core trend.

The first one we'll acknowledge is simply: Behavioral Diversity. While the advertising industry has long tried to put consumers into tidy little demographic boxes, the fact is, that is awfully hard to do. People don't celebrate a birthday and then change their buying patterns the next day because they now fall into a different demographic. And just as there are limits to describing people by demos, humans tend to also defy their life stages from time to time.

Here's a great example: My mom. In her 70's, my mother is two generations removed from the life-stage we described as *The Age of Acquisition*. At age 70, she probably already has most everything she needs, right?

While my mother has a near-aversion to new technology, she has a deep passion for genealogy. (In fact, she has part of our family's lineage traced back to the 1600s.) One day, she discovered technology could enhance her genealogical investigations, through family tree software, online research and more. And the rest, as they say, is history. In her 70's, mom's home office now includes a tower, a laptop, and an all-in-one scanner, fax and color printer. She has talked about diving into digital photography, and she's even thought about moving into a laptop that could travel with her to family reunions.

Even in her 70's, my mom is in the age of acquisition, at least where technology is concerned. But *she's not buying computer equipment*. She's buying genealogy equipment.

On the other end of the spectrum, there is our son, Zachary. At age 19, funded by his job and the fact that he still lived at home—rent-free—Zach's technological life stage was very definitely the age of upgrades. He had the big plasma TV, the latest gaming equipment, smartphone, and more. His computer assets were seen as fluid belongings that were only expected to last around 18 to 24 months. He was constantly *upgrading*, even though he would generally be described as "age of acquisition."

Summary

From the teens who are helping fund their household needs with a part-time job (instead of having discretion over their earned income), to seniors with no intention of going back to work after they retirement because of reverse mortgages or other financial instruments that allow a more traditional "Golden Years" period of life… there are plenty of exceptions to the rules of Generational Economics. But the goal of this work is to illustrate the consumers you aspire to serve, rather than relegate your marketing plan to a bunch of outdated demographic terms.

Consumer preferences often change in response to *precipitating events*. We outlined many of these life events in the course of explaining Generational Economics, but there are others. Other precipitating events might include becoming engaged or married, the birth or adoption of a child, becoming separated or unmarried, starting a first job or new career, their retirement, purchasing a first home, relocation, a death or loss in the family… any life event that might alter the priorities that influence the things we buy, and why.

So… what are the precipitating events that cause someone to buy the products and services you sell? Instead of an age, can you express your target consumer in terms of their life stage? What other things are they focused on at the same time they're considering your products and services? Beyond what they will buy, do you know why? Does this unique understanding of your customer come through in your marketing messages?

Here's to your success and prosperity… for generations to come.

About Us

The Center for Sales Strategy is based in Tampa, Florida. Since 1983, CSS has provided a wide variety of B2B sales, marketing, and management consulting services to clients across the U.S., Canada & Australia. For more information about the company, visit http://TheCenterForSalesStrategy.com or, contact JimHopes@TheCenterForSalesStrategy.com.

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