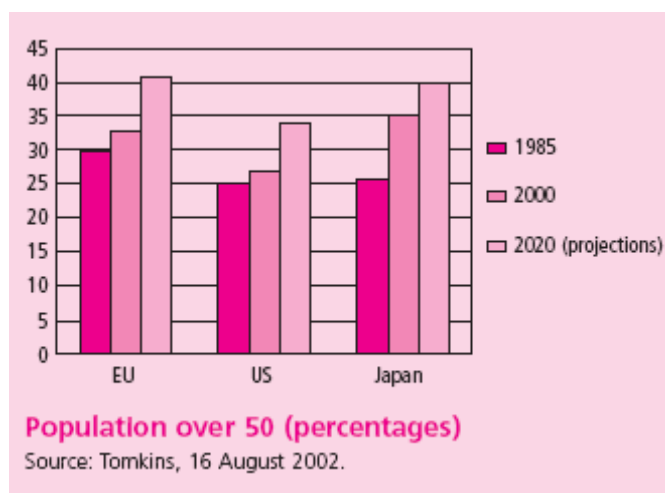


The growing power of the older consumer

Case taken from The International Business Environment, second edition (Palgrave, 2006), by Janet Morrison

A new Ferrari costing \$660,000 and capable of a top speed of 217 mph would seem to be an unlikely product to be targeted at the older consumer, yet the company has felt the need to respond to the changing profile of its customers, whose average age is near 50 and getting older. Subtle design changes have involved enlarging the seat and altering the door height to make it easier for those with stiffer limbs to manage. These changes, engineered to give better accessibility and roominess, are not obvious to the eye and are designed to retain the sporty look desired by customers. By contrast, General Motors, catering for a mass market, has built a 'Sit-n-lift' motorized chairlift as an accessory for its minivan. Ford, too, has adapted door handles and dashboard lighting to cater for some of the problems common among older consumers, such as arthritis and poor eyesight. These examples point to contrasting strategies in the growing 'grey' market: should marketing explicitly address the ageing consumer, or should products be adapted in a way that does not remind people of their age? This strategy debate becomes increasingly important as the proportion of over-50s grows (see figure).



The spending power of the grey consumer is seen by some businesses as a threat rather than an opportunity, particularly in advertising. Consumer goods companies have generally become accustomed to targeting the young adult consumer. A range of products, such as convenience foods and aerosol deodorants owe their success to the enthusiasm of young adults. These consumers, it is assumed, are more open to new products and brands and more likely to be influenced by advertising than their older counterparts. If advertisers shift their focus towards older consumers – as the changing demographics suggest they should – they fear an inbuilt resistance to their messages, as these customers are harder to persuade that they actually need the latest fashion accessory or high-tech gadget.

Older consumers, who are more experienced and more knowledgeable, are more discerning in making purchase decisions and less likely to buy what they perceive to be a mere fashion item. An implication for mobile phone companies, for example, is that the older customer is less likely to see the need of a video phone. On the other hand, there are pitfalls in making generalizations based on spending habits of previous generations of pensioners. Today's 'baby boomers' are people born between 1945 and 1965, who grew up in a changing social environment. Postwar industrialization was bringing better jobs and aspirations of a better lifestyle than their parents. They were also better educated and more liberal and free-thinking in their views. The fifty-plus consumers are now likely to have more free time, good health and a desire to spend their money in ways not dissimilar to more youthful consumers. And free from the financial burdens of thirty somethings, such as mortgage payments, they are finally able to indulge in products that make them feel good, such as sports cars and adventure holidays. Saga, a company which has catered for the over-50s, is indicative of changes taking place in this market. Started in 1951 as a family business, it began by offering off-peak holidays in British seaside resorts to retired people, who were likely to be the only people able to take holidays out of the peak summer period. The company diversified into a range of products, including insurance and publishing, as well as a hugely expanded holiday business, which now offers white-water rafting in Canada and jungle trekking in Borneo.

Internet use by older people confirms their influence. Market research indicates that those over 55 account for 16.7 per cent of users of online media and shopping sites, and they spend longer online, over 30 hours each quarter, than the average for the rest of the population, which is 28 hours. These well-informed and astute shoppers are posing challenges for marketers to think beyond the stereotypes of the 'old' market.

Sources: Tomkins, R. 'Grey power', *Financial Times*, 16 August 2002; Wendlandt, A., 'Champion of "grey pound" calls it a day', *Financial Times*, 27 November 2003; Roberts, D. 'The ageing business', *Financial Times*, 20 January 2004; Cohen, N., and Cookson, C., 'The planet is ever greyer', *Financial Times*, 19 January 2004.

Case questions

What are the challenges facing businesses in selling products and services to the older consumer?

@ The issue of ageing societies is one of the global issues highlighted by the UN at www.un.org/en/globalissues/ageing