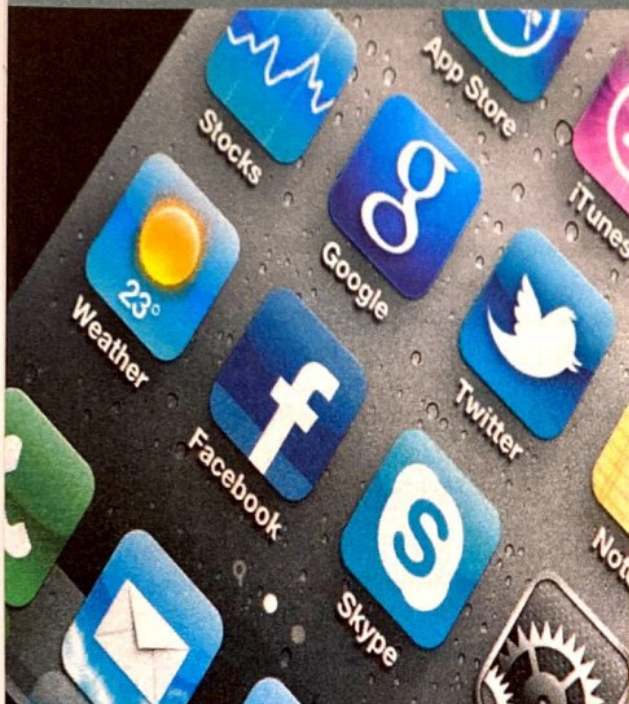


# CHAPTER 15

## THE INFLUENCE OF DEMOGRAPHY



**OBJECTIVES** After studying this chapter, you will be able to...

- 1 Understand the importance of population size and demographic transition.
- 2 Define and understand social class.
- 3 Explain social structure in the United States.
- 4 Compare and contrast income versus social class.
- 5 Understand the importance of social class to consumer behavior.
- 6 Describe the six age cohorts in the United States.

### Marketing to the "Mass Class"

"Mass Luxury," "Mass Prestige," and "Mass Class" caption a relatively new phenomenon in consumer behavior. Consumers are trading up to higher levels of quality and taste. In 2010, more than 45 million U.S. households (about 38%) earned more than \$65,000 annually, a group referred to as the "middle-market." In contrast, median household income in 2010 was \$49,445 (mean household income was \$67,530). Members of the U.S. middle-market are well educated, well traveled, more sophisticated, and generally more adventurous than in the past, and they are happy to spend their discretionary income on high-quality premium-serviced products. They're buying a small taste of the luxury market. While trading up in premium product categories that are emotionally important, the middle-market is trading down to low-cost brands and private labels in categories that are less meaningful. For example, a middle-market household might shop at Costco for household toiletries and at the same time purchase

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Sam Adams beer. Businesses now offer a wide variety of new-luxury goods and services, including automobiles, appliances, consumer electronics, shoes, clothes, beer, wine, and spirits. Indeed, new-luxury brands such as Starbucks coffee, Kendall-Jackson wines, and Victoria's Secret lingerie command a premium over traditional brands, but they are priced dramatically below super-premium, old-luxury brands. Bath & Body Works is another good example. They typically offer body lotion at nearly three times the price of Vaseline Intensive Care, and yet B&BW only costs about half as much as Kiehl's Crème de Corps.<sup>1</sup>

Some call this behavior the "ongoing democratization of luxury."<sup>2</sup> And the trend isn't limited to the United States. Firms like Nokia, H&M, Zara, ING Direct, Dell Inc., Gap, Virgin, Microsoft, Nike, EasyJet, and L'Oreal are targeting millions of middle-market consumers all over the world who are seeking luxury at affordable prices. Increasing wealth in developed economies (e.g., South Korea and Hong Kong) encourage entrepreneurs to introduce high quality brands. Economic growth in many developing nations (e.g., Zimbabwe and Botswana) has also generated millions of new consumers who want the same quality brands as the developed world. And worldwide communication channels play on the desires of these new consumers. The following examples demonstrate the eagerness of global firms to embrace the "Mass Class":

- IKEA, the Swedish furniture company, recently opened new mega stores in Russia and China. By 2010, IKEA had a total of 10 new stores in Beijing, Guangdong, and Shanghai's Pudong New District.

- French car manufacturer Renault is building the Logan, also known as the “World Car.” Production on the Logan began at Renault’s Dacia subsidiary in Romania. Renault hopes to build 200,000 cars a year for Eastern European consumers.
- Two Chinese auto manufacturers, Chery and Geely, have gained a domestic market share of around 10% by undercutting international rivals on price. The Chinese cars cost about RMB 40,000 (US\$4800). Geely is planning to increase exports to the Middle East and South America. In 2010, Geely purchased Volvo.
- Indian car maker Tata Motors is appealing to the country’s masses with a sporty vehicle priced at US\$2000. Tata also owns the Jaguar and Range Rover brands.

Segmentation lies at the very heart of modern marketing. Its premise is simple—all consumers are not alike. It follows that targeting unique groups of consumers seeking similar benefits is good marketing practice. The process of segmentation involves a three-step procedure: (1) define a broad product market, (2) identify a variety of consumer needs within that product market, and (3) organize potential subsets of consumers who share common characteristics and behaviors. This chapter examines consumer characteristics and behaviors relating to demography.

We also provide information on specific groups such as Hispanic and African-American subcultures, Jewish consumers, Generation Y, and working women, and provide key references to help understand these important subgroups on our Cengage Learning website. For example, the U.S. Census Bureau ([www.census.gov](http://www.census.gov)) provides information regarding the size and trends of all races in the United States, and detailed information on the demographic, economic, and social characteristics of individual cities and counties throughout the country. We encourage our readers to visit our book companion website at [www.cengagebrain.com](http://www.cengagebrain.com) to find more interesting resources for understanding demographics and subcultures.

## Demography

**Demography** refers to the statistical study of human populations. Key population metrics include population size, social class, income, and age. Many professionals, such as marketers, economists, social psychologists, sociologists, and public health officials, are interested in understanding demography. Although marketers rarely begin the segmentation process by arbitrarily selecting a demographic characteristic such as age or income, demography often becomes the launching point for marketing programs once consumer needs are clearly understood.

For example, using the three-step segmentation procedure above, a marketer might first select a broad product category such as time-displaying devices. Second, the marketer identifies a variety of consumer needs relating to the use of time-displaying devices. Asking the question, “who needs these products and why?” is a good starting point for identifying consumer needs. One need might include large, analog displays for children learning to tell time. Another need might be highly decorative time pieces that convey wealth and status. These two needs clearly suggest different strategies for organizing groups of consumers who share common demographic characteristics—age and social class. After identifying consumers who share common demographic characteristics, marketers select appropriate media to develop effective advertising and promotional campaigns. Demographic characteristics are relatively easy and inexpensive to measure, and most secondary data, such as U.S. Census data, are described in terms of demography. We’ll begin by examining population changes around the world before moving on to social class, income, and age demographics in the U.S.

### OBJECTIVE

**1**

### Population Size

The world population recently eclipsed seven billion people (as of October 2011). Professors at the University of Virginia explain the world population through **demographic transition**, a four-step process that occurs as nations develop from pre-industrial to highly developed economies.<sup>3</sup> The idea of demographic transition can be traced to Warren Thompson, an American demographer who identified population shifts during the industrial revolution of the late eighteenth century. Stage 1, the *pre-industrial stage*, depicts a population with

TABLE 15.1 | Demographic Transition

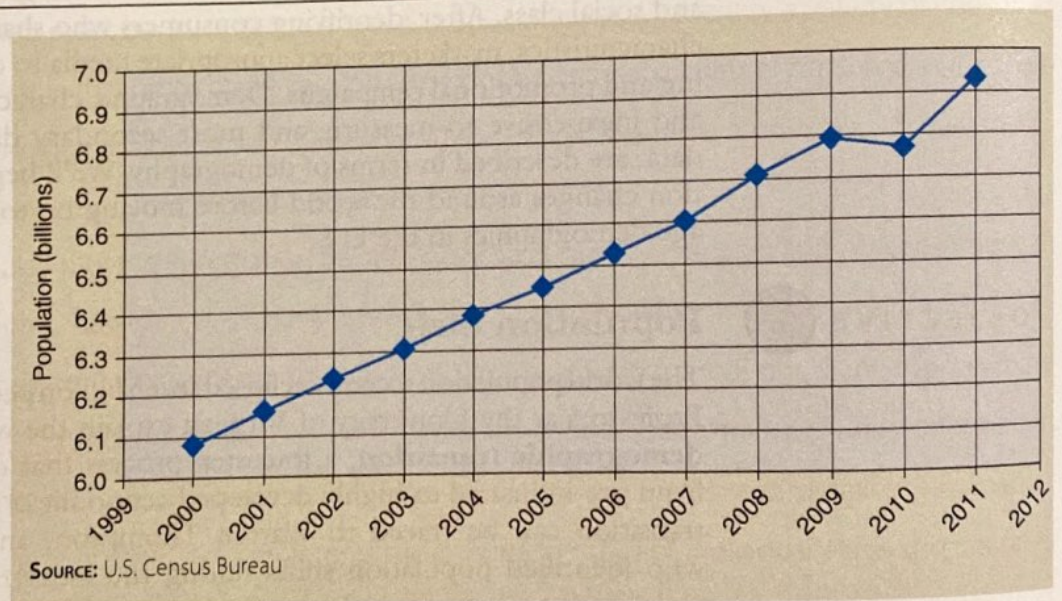
	Population	Economy	Examples
STAGE 1	Very Slow Growth	Pre-industrial	All countries prior to 1800
STAGE 2	Population Boom	Industrialization in progress	Nigeria, Bangladesh
STAGE 3	Stationary	Industrialized	Brazil, South Africa, U.S.
STAGE 4	Declining	Highly Industrialized	Japan, Germany

SOURCE: Bellow, S. (Spring, 2012). Over Seven Billion Served. *The University of Virginia Magazine*, 26–30.

equally high birth and death rates, and hence a relatively stable population. Stage 1 describes most of human history: life is difficult, and large numbers of children are necessary to support a labor intense, agrarian society. In Stage 2, the *transitional stage*, the onset of industrialization boosts agricultural production. In addition, discoveries in medicine decrease death rates. Birthrates, however, remain high. The early twentieth century describes Stage 2 in much of the world, along with the world population growth of five billion people. During Stage 3, the *industrial stage*, birthrates decline due to increasing affluence and urbanization. Birthrates approach the death rate, and population growth slows to near zero percent. In Stage 4, the *post-industrial stage*, births fall below 2.1 children per woman, which has been defined as the replacement rate necessary to maintain a stable population. Death rates remain low, and the population eventually decreases.

Professor Qian Cia observes that different parts of the world today exhibit different stages of demographic transition. A glance at some major regions of the world support Cia's observations (see Figure 15.1).<sup>3</sup>

**FIGURE 15.1** | World Population



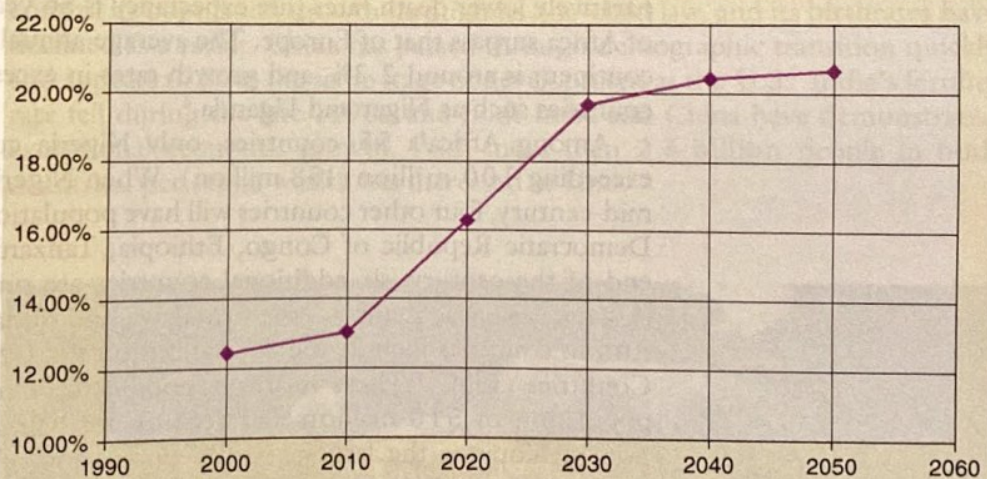
**The United States** The United States is at once growing and aging. The U.S. population tripled during the twentieth century and will exceed 320 million by 2014. Increasing birthrates and immigration accounted for the majority of growth over the past two centuries. During the past decade, however, the U.S. population growth rate has hovered at around only 0.90 percent, never exceeding one percent. Although this growth rate may appear low, other industrialized nations are growing even more slowly. For example, Japan, South Korea, and most of Europe have near zero or even negative growth rates.

The United States is the third most populous nation in the world, yet it is less than one-fourth the size of China (1.35 billion) and less than one-third the size of India (1.22 billion). In contrast, the U.S. produces about \$14.7 trillion of the world's \$74.5 trillion GDP (2011 purchasing power parity). The U.S.

is responsible for almost 20% of the global economy with fewer than 5% of world's population. This combination makes the U.S. a desirable target market for global marketers.

A current trend in the U.S. population is lower fertility and greater longevity. The result is an increasing proportion of older people. In 2010, approximately 13% of the U.S. population was at least 65 years old. By 2050, this proportion is projected to exceed 20%. Aging is a global trend. The number of people aged 65 and older is expected to reach 1.53 billion (or, 16% of the population) worldwide by the year 2050, three times more than the 516 million in 2010. During the same period, people in the 85-and-older group will increase from 40 million in 2010 to 219 million. Currently, 20% or more of the populations in Germany, Italy, and Japan are 65 years or older. By 2050, approximately one hundred countries will host older populations representing 20% or more of their people, with Europe the world's oldest region. Clearly, the age structure of a population can affect a nation's economy. Highly developed nations with older populations typically demand more health care, assisted living, and travel and financial services.

**FIGURE 15.2** | Projected Proportion of U.S. Population Age 65 and Older



SOURCE: U.S. Census Bureau

**South America** South America shows vast disparity among wealthy and poor nations. For example, Bolivia and Brazil exist side-by-side; however, they represent different stages of demographic transition.<sup>3</sup> Brazil is the largest nation in South America, with a population of more than 200 million and a growth rate barely over one percent and declining. Brazil's population comprises mostly immigrants and their descendants. The richest economy in South America, Brazil produces the eighth largest GDP in the world (\$2.2 trillion in 2011). Characterized by large and well-developed agricultural, mining, manufacturing, and service sectors, Brazil has progressed through the later period of Stage 3 in demographic transition.

Bolivia, on the other hand, is one of the least economically developed nations in Latin America and most likely resides early in Stage 3 of demographic transition. Bolivia's GDP is ranked 92nd in the world at less than \$52 billion (as of 2011), behind much smaller nations such as Costa Rica and Slovenia. Although Bolivia's population growth rate is declining slightly, it remains near 2% with a fertility rate of about three children per woman and a median age of 22. In contrast, Brazil's fertility rate is approximately 2.8% with a median age of 30 (the median age in the U.S. is 37).<sup>3</sup>

Professor Hernan Moscoso Boedo links changes in fertility rates to demographic transition. During the first stage, subsistence farmers need children as an inexpensive economic input. In addition, a relatively high fertility rate counteracts high infant mortality. Finally, without the benefit of social security payments, parents need children to take care of their needs as they age. As a nation's economy transitions into Stage 2, however, child labor loses its value and there is less incentive to produce children.<sup>3</sup>

**Africa** Africa is projected to make significant economic gains over the next decade. Nevertheless, a population boom currently burdens the continent. Africa's population has more than tripled during the second half of the twentieth century, growing from 230 million to over a billion people. Moreover, in many sub-Saharan countries, 40 to 50% of the population is younger than 15 years old. High fertility rates (nearly five children per woman) and comparatively lower death rates (life expectancy is 56 years) helped the population of Africa surpass that of Europe. The average annual growth rate for the entire continent is around 2.3%, and growth rates in excess of three percent exist in countries such as Niger and Uganda.<sup>4</sup>

Among Africa's 55 countries, only Nigeria currently has a population exceeding 100 million (158 million). When Nigeria reaches 390 million at mid-century, four other countries will have populations exceeding 100 million: Democratic Republic of Congo, Ethiopia, Tanzania, and Egypt. Before the end of the century, six additional countries are projected to join this group (Uganda, Kenya, Zambia, Niger, Malawi, and Sudan). Another key group of African countries include the 33 nations on the UN's list of Least Developed Countries (LDC). These relatively poor African countries have a combined population of 510 million and account for half of the continent's population. Ethiopia is the largest, with a population of 83 million, followed by the Democratic Republic of Congo at 66 million. A large portion of Africa remains in the early stages of demographic transition. As death rates begin to fall, birthrates will remain high, which will feed Africa's population boom. Assuming a moderate decline in current fertility levels, Africa's population is expected to double to 2.1 billion by mid-century. At this level, the continent would account for nearly a quarter of the world's population.<sup>1</sup>

Marketing to subsistence economies creates both challenges and opportunities for marketers. Conditions in distribution systems needed to reach consumers in subsistence markets differ greatly from those of highly developed nations. Subsistence consumers often earn less than \$2 per day, lack adequate food and education, demonstrate limited literacy, and lack access to transportation. All of this adds up to limited consumption alternatives. When aggregated across the globe, however, subsistence markets demand

aggregate purchasing power of more than \$5 trillion. A recent study shows that subsistence consumers are members of densely networked social and kinship communities, on which they draw to offset their lack of money, access, and education.<sup>5</sup> One particular marketing approach that works in subsistence markets is referred to as **microenterprises**: small, informal groups that help supply goods and services to rural customers. Some consumers in microenterprises help manage the distribution of products and services while balancing business and family demands. These key players are termed *subsistence consumer-merchants* (SCMs) because of the multiple roles they play. SCMs can sustain relationships in three interdependent areas: (1) vendor, (2) customer, and (3) family. These relationships are managed through buying, selling, and receiving, as well as granting of credit. Marketers who want to work with SCMs should try to understand how they operate their businesses and how they manage these highly interdependent relationships.

**Asia** Asia hosts six of the most populous nations in the world (China, India, Indonesia, Pakistan, Bangladesh, and Japan). Challenges faced by large populations include the strain they place on resources and infrastructure. Large populations with extreme poverty, unstable governments, and civil unrest impede demographic transition. Countries such as Pakistan and Afghanistan, where political instability delays economic development, still maintain very high birth and death rates. China, on the other hand, has made a deliberate attempt to control its population growth through its one-child law, and its birthrates have declined as a result. China has passed through demographic transition quickly and appears to be at the same stage of development as the U.S.<sup>3</sup> India's fertility rate fell during the late 1990s, and both India and China have demonstrated exceptional economic growth. With more than 2.5 billion people in both countries, per capita wealth has increased in kind.



Charlotte Thege/Images of Africa Photobank/Alamy

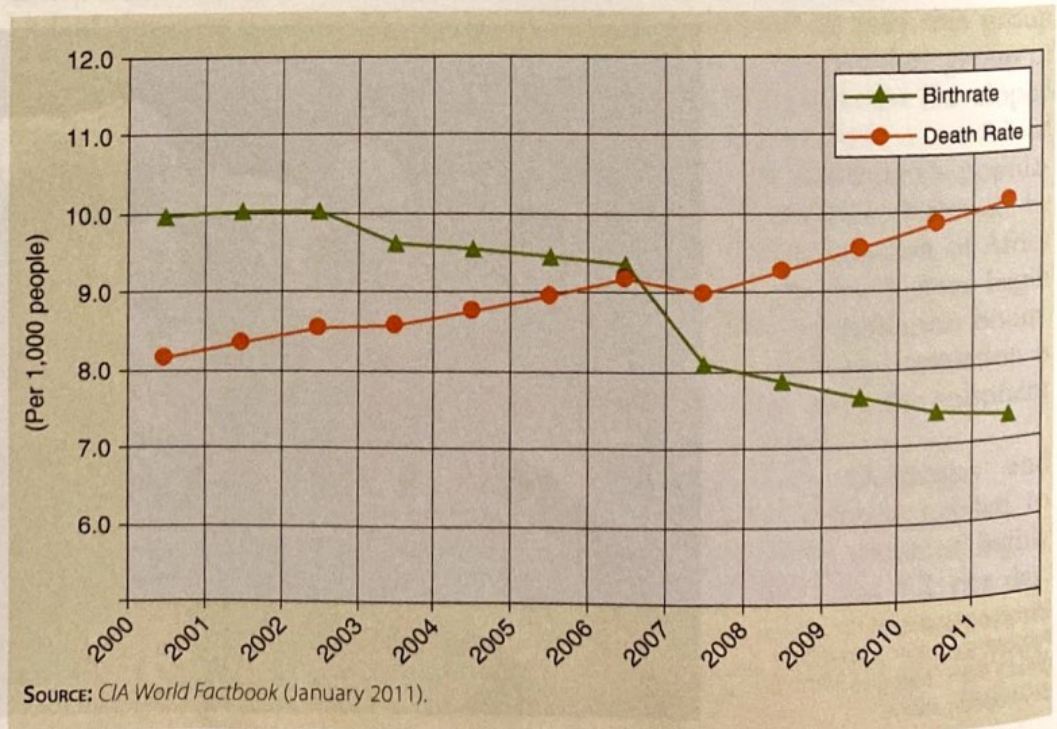
Marketing strategies to subsistence economies differ greatly from strategies in more developed nations.

China's economic rise over the last generation has been meteoric. China now boasts the second largest economy in the world with more than \$10 trillion GDP (2011 purchasing power parity). Nevertheless, projections of its future power ignore that its fertility rate is 30% below replacement rate, i.e., the birthrate is not sufficient for long-term population stability. The Census Bureau estimates that China's population will peak in 2026, its labor force will shrink, and its over-65 population will more than double over the next 20 years—from 115 million to 240 million. In short, China will age rapidly. Only Japan has aged more quickly. However, Japan had the advantage of growing rich before growing old. By 2030, China will have a slightly higher proportion of elderly people than Western Europe does today. In fact, Western Europe has a higher median age than Florida! That puts this data in perspective.<sup>6</sup>

Like China, other highly developed countries in Asia face population decline. Japan, South Korea, Singapore, and Hong Kong face aging populations and declining birthrates. The Census Bureau projects that Japan's population will decrease by 30 million people over the next 40 years. During the past decade, Japan's death rate exceeded its birthrate. Today, Japan's death rate is approximately ten deaths per 1,000 people per year. By comparison, Japan's birthrate is about seven births per 1,000 people per year. In nations where the death rate exceeds the birthrate, fewer workers will be supporting more retired people.

**Europe** Europe, once the bastion of kingdoms, will account for only seven percent of the world's population by 2050. Nevertheless, all of Europe is not shrinking. Despite low birthrates, countries such as Great Britain, Ireland, and Spain maintain modest growth. Ireland, for example, has maintained

**FIGURE 15.3** | Japan's Birth and Death Rates





# Global Perspectives

## Marketing to Asia's Low-Income Population

Four billion people across the globe live on about \$2,000 a year; most of them live in Asia. Can marketers satisfy the needs of these consumers both ethically and profitably? The late professor C. K. Prahalad reasoned that marketers penalize the poor when they fail to give them access to high-value, mass-marketed products.<sup>7</sup> Nevertheless, a majority of global marketers have focused primarily on the affluent Asia minority. These high-income consumers tend to live in urban areas and share the product preferences of their Western counterparts. Yet low-income Asians have the same aspirations as the wealthy—they want to live the good life, raise their children to be respected by their peers, and signal their achievements through purchasing and using high-value brands. Herein lies a marketing opportunity. As a group, low-income Asians aren't necessarily cost-conscious; they are value-conscious. And they have strong feelings about the roles brands play in their lives. They prefer high-value brands because these brands carry an implied "quality guarantee." For example, Heinz offers Complian Family, a nutritional powdered-milk supplement that has gained strong brand equity among Indian consumers. Heinz markets two-serving packs, which enables mothers who cannot afford large quantities to give it to their children during stressful times as a nutritional boost. For their part, Proctor & Gamble designed and markets a completely new version of Tide that recognizes the washing habits and water conditions of Chinese consumers. This is strikingly divergent from the practices of multinational firms that simply strip down

premium brands by offering inferior ingredients and packaging, or just sell smaller sizes.

Michelle Kristula-Green, Global Head of People and Culture for Leo Burnett Worldwide, offers some strategies for marketing to Asia's low-income majority:

- Don't assume that a \$2,000-a-year income is poverty. Many of these consumers pay little to no taxes, have no housing or child-care expenses, and buy inexpensive, fresh food. Eighty-four percent of Chinese earning about \$2,400 a year have a cell phone.
- Live with the people. Visit their homes, go to their markets, and travel in their mode of transportation.
- Understand that low-income Asians are willing and able to purchase high-value products and services.
- Don't take an existing brand and water-it-down so that it can be sold at a lower price. Design the brand for the specific needs of the market.
- Invest in local distribution systems that employ rural villagers.

What is evident from the points listed above is that significant marketing opportunities exist for the four billion people at the bottom of the economic pyramid. Marketers should think about new product development (contents, packaging, and pricing), new distribution alliances, novel business models, and local support for successfully marketing to the Asian masses.



### Ethics

## Is Nestlé's Infant Formula Better than Breastfeeding?

In June 2011, Non-governmental organizations (NGOs) in Laos openly criticized Nestlé for unethical practices regarding its infant

both the UN Children's Fund (UNICEF) and the World Health Organization (WHO) dispute. Moreover, Nestlé's assertion doesn't consider the circumstances required to safely prepare the formula for consumption. In many developing countries, infant formula is prepared in unhygienic circumstances due to unsafe water and misinterpreted instructions.

Another issue centers on the use of Nestlé's anthropomorphized (human-like) bear brand logo, which showed

a baby bear breastfeeding from its mother bear. The problem: a coffee creamer that uses the same bear logo was fed to children by mothers who do not speak English or Thai, and the product labels were not translated into local languages in countries such as Pakistan, Bangladesh, and Laos. Following the negative publicity, Nestlé removed the bear logo from its infant formula and insists that they follow local and international regulations in product marketing.<sup>8</sup>

formula. The heart of the matter was Nestlé's suggestion that its formula was better than breastfeeding, a claim that

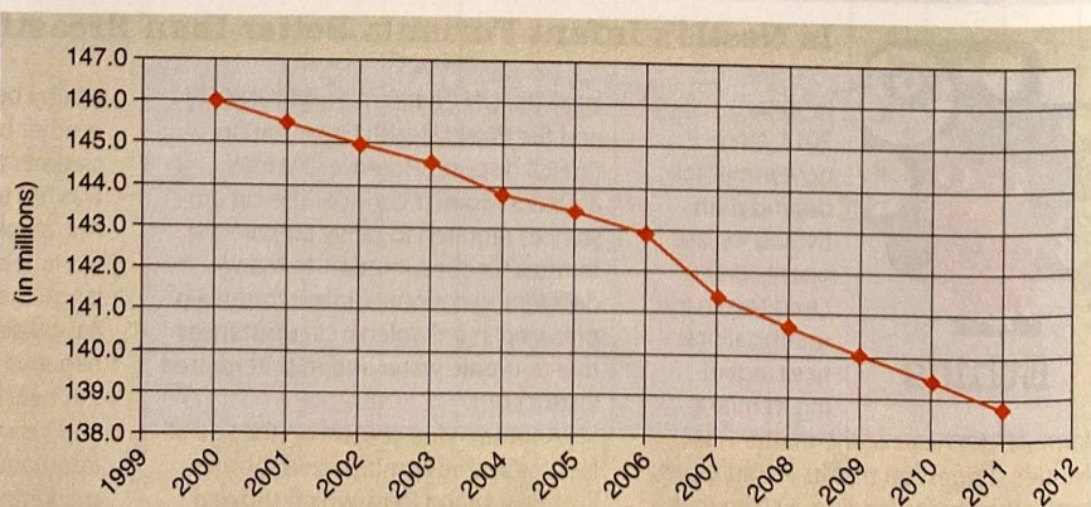
a population growth rate of at least one percent over the past decade, and Spain's growth rate recently increased, from near zero in 2009 to just under 0.6 percent in 2011. On the other hand, the populations of Germany, Bulgaria, and Poland are declining. Similar to highly developed Asian countries, low birthrates and an aging population present problems of population sustainability in Europe. Fewer workers can shrink economies. In the European Union, labor tends to move from country to country for better opportunities.<sup>3</sup> Because the industrial revolution began in Europe, demographic transition occurred there first. Now, much of Europe has reached the fourth stage (contracting).

The population of Russia is also declining. Over the past decade, its population has decreased by more than five percent. According to Professor Katya Makarova, this dramatic decline can be explained primarily by the collapse of the Soviet Union.<sup>3</sup> The most notable feature of Russian decline is the increase in the death rate—particularly among men, resulting in a drop in life expectancy. In fact, the death rate in Russia has been increasing for half a century. Factors such as the collapse of the public health system, alcoholism, drug abuse, suicide, tobacco use, and heart disease have contributed to the increasing death rate.

Marketing in transition economies like Russia can be a challenge. Russia is not a single “country”; it's a huge, sparsely populated region where no one marketing strategy applies. For centuries, Russia has been home to Slavic, Turkic, Finno-Ugric, and many other peoples—a genuine melting pot of cultures.<sup>9</sup> Diverse regional differences in traditions, values, occupations, and buying habits translate into a variety of consumer preferences. That means that what consumers prefer in Moscow may not appeal to buyers in St. Petersburg, and even less so in Siberia. Moreover, Russian markets are so dynamic that successful marketing strategies today may become out of place tomorrow.

Marketing on the basis of population size and growth rates can be complicated. Holding everything else constant, size matters. In China, 1.3 billion

**FIGURE 15.4** | Russian Population



SOURCE: CIA World Factbook (January 2011).

consumers offer more potential than 36,000 consumers in Liechtenstein. On the other hand, marketers rarely have the luxury of holding everything else constant. Good market segments must be substantial. For example, Liechtenstein boasts the second highest per capita GDP in the world at \$141,000 per person (purchasing power parity). By comparison, the U.S. ranks eleventh in the world at \$42,100. Sometimes small, wealthy demographics can be desirable targets. Finally, demographic segments must be measurable, accessible, and actionable. It does a marketer no good to identify Tuvalu consumers only to find limited access to this Polynesian nation in the South Pacific. Similarly, Indian consumers, in general, do not purchase products online. They like to touch and feel the product in order to ensure its quality before actually buying it. Indians tend to obtain information online but make their purchases at traditional stores.<sup>10</sup>

Now that we've examined population changes around the world, let's take a look at a complicated but useful issue in consumer behavior—social class. Social class offers important insights on the marketplace behavior of the nation's consumers. First, we'll define social class. Next, we'll examine class structure, along with various measurements of class hierarchy in the United States. Finally, we'll explain a number of relationships between social class and consumption behavior.

**TABLE 15.2** | The Average World Citizen versus the Average U.S. Citizen

	The Average World Citizen	The Average U.S. Citizen
Median Age	28.4	36.9
Life Expectancy	67.0	78.4
Religion	Christian (33.3%)	Christian (79.6%)
Language	Mandarin Chinese (12.4%)	English (82%)
Years in School	11	16
Child Fertility	2.5	2.06
Median Income	\$7,000	\$27,446

SOURCE: CIA World Factbook (2012); U.S. Census Bureau, 2010.

## OBJECTIVE

2

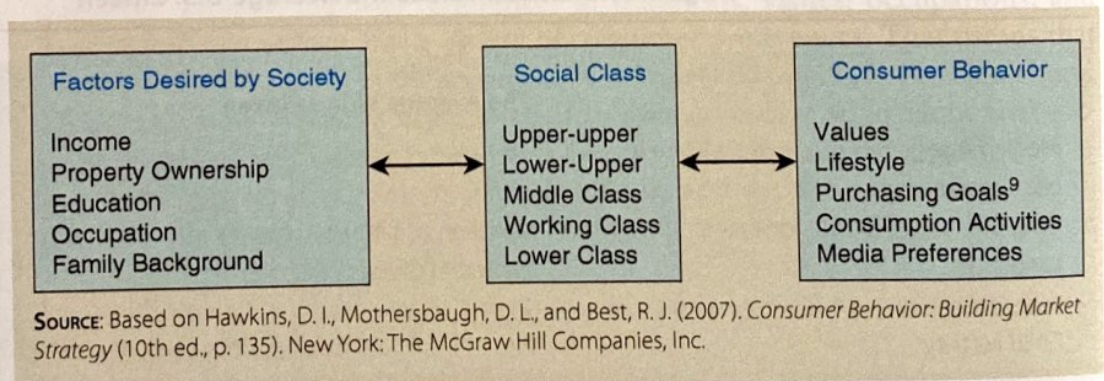
## Social Class

Social class is a construct far easier to use than to define. That's because a consumer's standing in society is determined by a complex set of interacting variables, including family background, income, occupation, and education. Some sociologists view **social structure** as a hierarchical division of homogeneous groups, or "classes," based on a common set of values and lifestyles. Sociologist Max Weber believed that the rankings people attain in society derive from three, distinct domains: (1) prestige or social honor, also called *status*, (2) access and control over valued resources, or *power*, and (3) wealth and property, which

he called *class*.<sup>11</sup> Taken together, we define **social class** as the overall *standing* a consumer occupies in society based on characteristics valued by others. Consumers who occupy the same social class are likely to share common lifestyles and preferences based on similarities in one or more of the following factors: family backgrounds, income, ownership of property, occupation, education, and ethnicity. In short, social class can be thought of as groups of people who are approximately equal in *community esteem*.<sup>12</sup> It follows that consumers in the same social class are likely to socialize with one another and share common purchase goals and shopping behaviors.<sup>13</sup> Figure 15.5 depicts the relationship between these factors desired by society, social class, and consumer behavior.

It's fair to note that the factors determining social class are strongly related. One's family background often determines whether a person attends college, trade school, or neither. And level of education is highly correlated with lifetime earnings. Research also demonstrates that the children of the working class tend to be working class, and the children of the upper-class tend to remain upper-class. Finally, whereas social standing predicts consumption patterns (e.g., the very wealthy may send their children to private schools and attend opera), consumption patterns *per se* can signal social standing (e.g., middle class individuals aspiring to achieve a higher social standing may travel abroad and enjoy theatre). These two-way relationships are depicted with bi-directional arrows in Figure 15.5.

**FIGURE 15.5** | Social Class



Social classes are rarely determined by a single characteristic, such as income or education. In fact, income—by itself—can be a very poor predictor of social class. Consider a high school English teacher and an auto mechanic who each earn about \$65,000 a year. The teacher and mechanic are likely to have very different views on how life should be lived. This will be manifest in their attitudes, values, avocations, and purchase preferences. The English teacher may enjoy gardening and reading classic novels, whereas the mechanic might prefer bow hunting and classic cars. As a result, the teacher and mechanic will attain a different overall social standing in their communities, based on factors other than income. In a similar vein, education—on its own—doesn't always predict social class. For example, two students who graduate in mechanical engineering from a major university may choose completely different lifestyles. One may open his own contracting business in rural Pennsylvania, while the other might take a corporate job in Houston. These choices will lead to different social classes,

based on factors other than their education. Sometimes even two characteristics are insufficient in determining social class. For instance, two graduates of the same law school may take positions as attorneys in the same law firm. One lawyer, however, decides to focus on pro-bono work and consequently earns 50% less than his colleague, who specializes in personal injury cases. These two lawyers' social classes will diverge primarily based on income.

It's also important to consider a person's social class in smaller contexts. Perhaps an accomplished violinist is viewed with esteem by young, aspiring musicians and students, but assumes a lower social position compared to his neighbors who are comprised mostly of physicians. In the broad context of society, however, the violinist's income, occupation, and education will combine to determine how society "ranks" her within the entire class structure.

**Social mobility** describes the movement of consumers from one social class to another.<sup>11</sup> In the United States, *upward mobility* embodies the American Dream: work hard and move up. And most Americans are optimistic. Poll after poll shows a majority reject the notion that social class is determined by forces beyond their control. In 2009, despite an economy marked by high unemployment, a collapse in the housing market, and a \$700 billion bank bailout, 71% still agreed that hard work and personal skill are the greatest predictors of success. In fact, a high degree of social mobility has always defined American culture, from the work of Alexis de Tocqueville to the remarkable story of Barack Obama. But the reality of upward mobility for most Americans is complicated. The recession of the late 2000s came at the end of a period marked by record levels of inequality. Many Americans, lacking true upward mobility, tried to consume their way forward, buying bigger houses or better cars. *Downward mobility* ensued, caused by housing foreclosures, displaced workers, and more under- and part-time employment. As a result, American optimism has been pierced by doubt. In a 2010 poll for *The Economist*, 36% of respondents indicated that they had less opportunity than their parents, compared with 39% who said they had more. Approximately 50% of respondents thought the next generation would have a lower standard of living, more than twice the proportion that indicated living standards would increase.<sup>14</sup> With these considerations in mind, let's explore the social class structure in the United States.

### OBJECTIVE 3

## Social Structure in the United States

Social class is not a perfect measure of a consumer's status or community esteem—it involves a number of interdependent factors. The lines between classes are not clear-cut, and people can move upward and downward over time. But social class is worth investigating because of the insights it offers on the marketplace and the nation's consumers.

The first social structure used by marketers was introduced in the U.S. by sociologist W. Lloyd Warner.<sup>12</sup> He described six, distinct classes of people who were seen as approximately equal in *community esteem* and tended to socialize among themselves and share expectations about life:

- Upper-upper
- Lower-upper
- Upper-middle

- Lower-middle
- Upper-lower
- Lower-lower

Warner's system deviated from the income-only structures and political interest typologies used by other social scientists during the 1940s. Instead, Warner believed that his system of social classification centered on consumers' self-feelings and community respect. Marketers embraced this system when researchers were able to demonstrate that social classes helped explain shopping habits and consumption patterns. In 1957, Joseph Kahl researched communities in the U.S. and described social class as a matter of "style, social networks, and personal prestige."<sup>15</sup> Later, D. Gilbert and J. A. Kahl (1982) combined sociology with political economics to depict the American class structure as a series of "situations" in which people find themselves. These situations comprised occupation, income, general living conditions, and ethnicity.<sup>16</sup> Table 15.3 shows three major groupings of Americans—Upper, Middle, and Lower. The three status divisions seem to fit the contemporaneous thinking of the middle class. They saw people like themselves, people better off, and people not as well off, with income as the major differentiating factor.<sup>13</sup>

**TABLE 15.3 | Gilbert-Kahn Class Structure**

#### Upper Americans

- *The Capitalist Class* (1%). Their investment decisions influence the national economy. They earn income mostly from assets, enjoy inherited wealth, and maintain prestigious university connections.
- *Upper Middle Class* (14%). Upper-level managers, professionals, and moderately successful business people who are college educated with family income nearly twice the national average.

#### Middle Americans

- *Middle Class* (33%). Mid-level white-collar and top-level blue-collar workers with education beyond high school. Income slightly above the national average.
- *Working Class* (32%). Mid-level blue-collar and low-level white-collar workers with education and income slightly below the national average.

#### Marginal Americans

- *Working Poor* (11–12%). Below mainstream America's living standard, but above poverty. Low-paid service workers with some high school education.
- *Underclass* (8–9%). Welfare dependent with standard of living below poverty. Not regularly employed and lacking schooling.

**SOURCE:** Adapted from Gilbert, D. and Kahl, J. A. (1982). *The American Class Structure: A New Synthesis*. Homewood, IL: The Dorsey Press.

In the 1970s, Richard Coleman and Lee Rainwater described a U.S. class structure based on how people interacted with one another. They believed that people compared themselves to others based primarily on educational credentials and occupation. Income is somewhat downplayed; it's merely a measure of success on the job. The heart and soul of their class system is personal and group prestige, which is partially driven by family history, physical appearance, as well as social aspirations and skills. They used everyday language to describe each class, but also argued that the delineation between classes

is clouded by the consumers' aspirations. In other words, some middle-class consumers may behave like upper-middle class in the marketplace and vice versa. They also found a wide range in income within each class.<sup>13</sup> Table 15.4 shows the **Coleman-Rainwater Social Class Hierarchy**.<sup>17</sup>

**TABLE 15.4** | Coleman-Rainwater Social Class Structure

#### Upper Americans

- *Upper-Upper* (0.3%). The world of inherited wealth and aristocratic names. "Old money"
- *Lower Upper* (1.2%). Newer social elite, drawn from corporate leaders and professionals. "New money"
- *Upper-Middle* (12.5%). College graduate managers and professionals interested in private clubs, social causes, and the arts. "Collegiate credentials"

#### Middle Americans

- *Middle Class* (32%). Average pay white-collar workers and their blue-collar friends, living on the better side of town. "White-collar associations"
- *Working Class* (38%). Average pay blue-collar workers "leading working class lives," regardless of income, education, and occupation

#### Lower Americans

- *Upper-Lower* (9%). Working, not on welfare with a standard of living just above poverty. Behavior is considered "crude and trashy."
- *Lower-Lower* (7%). On welfare and visibly impoverished, usually out-of-work or working in the "dirtiest jobs." "Bums and criminals."

**SOURCE:** Adapted from Coleman, R. P. and Rainwater, L. P., with K. A. McClelland (1978). *Social Standing in America: New Dimensions of Class*. New York: Basic Books.

**Upper Americans** represent a lively mix of many lifestyles, including upper-upper, lower-upper, and upper-middle classes. The top tier, **upper-upper**, or "old money" lives an aristocratic lifestyle. They inherited their money and in the past were often featured in the society pages of newspapers and magazines—they include famous family names such as Roosevelt, Kennedy, Rockefeller, Bush, Mellon, Vanderbilt, Carnegie, DuPont, and Hilton. More recently, the upper-uppers stay out of the public spotlight. They typically live in classic homes, drive luxurious automobiles, and travel the world. Consumers in this highest social class often prefer Ivy League schools, are more likely to seek to enter politics, and enjoy golfing, yachting, and wine tasting. They also frequent exclusive country clubs, resorts, and ranches.

If you're a young member of the upper-upper class in America, you no longer inherit the family fortune as a matter of course. Or if you do, you might not inherit the status that goes with it. Things are expected of you. You must attend a prestigious college. You might be expected to do thrill-seeking, dangerous things, particularly if you're male. Acceptable *ordeals* of danger include sports, aviation, and sailing. You're also expected to contribute something to society—charity work, funding the arts, teaching children, or publishing. These ordeals of the upper class are what tame them and make them a force for positive social good in America. In a sense, they earn their money by developing real virtues. Development of human character is what can make the upper class admirable in the eyes of others, rather than be seen as selfish monsters.<sup>18</sup>

Because their considerable wealth typically has been acquired within their own generation (i.e., not inherited), **lower-uppers** are referred to as “new money” or the **nouveaux riche**. Their income often exceeds that of the upper-uppers, but they are rarely accepted by “old money.” Members of the *nouveau riche* often feel discriminated against by the upper-uppers since they “lack the proper pedigree.”<sup>19</sup> The behavior of these newcomers is often satirized in American society by implying that they copy the stereotyped, rather than actual, behavior patterns of the upper-uppers. Nevertheless, the importance of the lower-uppers cannot be overstated. Famous entrepreneurs such as the late Steve Jobs (Apple), Meg Whitman (eBay), Oprah Winfrey, Sir Richard Branson (Virgin Mobile), and Sam Walton (Walmart) admirably represent “new money.”

Arguably, Bill Gates is the group’s most prominent member. Gates’ journey was not exactly smooth sailing. A Harvard dropout, Gates founded Microsoft, the software behemoth, with his close friend Paul Allen. Today, Gates is the richest man in the U.S. and the third richest in the world. A lesser-known example of “new money” is Gurbaksh Chahal, an entrepreneur whose start-up businesses, BlueLithium, Yahoo! acquired for \$300 million. Gurbaksh, the son of Indian immigrants, is a high school dropout.

Sports stars and other celebrities frequently enter the ranks “new money.” Unable to socialize with the upper-uppers, they respond with aggressive **conspicuous consumption**, purchasing publicly consumed luxury goods to demonstrate their newfound wealth. They often buy garish homes, enormous yachts, and posh clothing.

The **upper-middle** class could be labeled as “the professionals.” They are college graduates, some with advanced degrees, who have attained upper-class status in their communities through their education and occupation. Physicians, corporate managers, lawyers, college professors, and business owners represent this category. This group pays special attention to prestige brands, and their self-image is one of “spending with good taste.” Interesting neighborhoods such as up-and-coming, inner-city areas are appealing to the upper-middles, as are the conventional suburbs or charming rural properties.<sup>20</sup> Upper-middles often dream of more theatre, investment in art, and travel. And they would like some additional “help in the house,” “nights on the town,” and better schooling for their children. They also aspire to join private clubs for golfing, swimming, and tennis. At the same time, upper-middles have demonstrated volunteerism for good causes and spend much of their spare time on cultural and athletic activities.<sup>13</sup>

**Middle Americans** comprise two distinct classes: the middle class and the working class.<sup>13</sup> Although these two classes may not differ dramatically by political views or public image, they still represent different social strata with different purchasing attitudes—despite overlapping income levels. The **middle class** is comprised primarily



Celebrities who represent “new money” oftentimes promote expensive brands as symbols of their wealth.

of average-earning, white-collar workers and their blue-collar friends living on the better side of town (e.g., lower-level managers, schoolteachers, and skilled workers such as electricians and factory supervisors). The middle-class household is remarkably diverse. It could include a traditional married couple with children, a single mom head-of-household with one child, a local business owner with no children whose spouse helps run the business, a widow, or a never-married woman. In any case, these middle-class households have no ties to or aspirations to become upper Americans. As a group, they value respectability and conformity, live in modest, suburban homes, and purchase modest furnishings. But they often live paycheck to paycheck, overextending themselves by purchasing liabilities (e.g., boats, computers, big-screen TVs) that they confuse as assets. The middle class has become increasingly concerned about job security due to the shrinking number of modest-paying white- and blue-collar jobs.

The **working-class** Americans have been described as “family folk” who depend heavily on relatives for economic and social support.<sup>13</sup> With below-average education, they typically work in average-paying, blue-collar jobs or low-paying, white-collar positions such as service, sales, and semi-skilled technical fields. Accordingly, this group has been referred to as the “laboring class.” Working-class families live in modest homes in marginal neighborhoods or in deteriorating rural areas. With little means to improve their purchasing power, the working class tends to protect what they have and resent upper Americans, particularly those with high levels of formal education. This group sees itself as the unappreciated “backbone” of U.S. industry. Accordingly, they demonstrate a preference for American-made products, carry out more traditional sex-role divisions within the family, and enjoy masculine camaraderie such as camping, fishing, and hunting, as well as the products that support these activities. The working class exhibits a relatively parochial view of the world. Their sports heroes, TV-viewing interests, and vacation spots tend to be local. They prefer brands that are honestly targeted at their working class lifestyles. In general, they prefer bowling to golf, country music to rap, and hamburgers to sushi.

**Lower Americans** can be separated into two subclasses—the upper-lower class and the lower-lower class. The **upper-lowers** could be labeled the “working poor.” Many live *above* the poverty threshold and do not collect welfare benefits. For example, the poverty threshold in 2011 for a household of four people with two children under the age of 18 was \$22,811. The lower-lowers have limited high school education and work in unskilled positions. They tend to live in decaying neighborhoods filled with drugs, crime, and gangs. Lack of education, role models, and opportunities often lead to negative purchase behaviors, such as alcohol and cigarettes.<sup>21</sup> Demographically, the working poor resemble Middle Americans. Approximately 67% are white, 18% are black, and almost 12% are Hispanic. Many in this group own property. According to the National Survey, 84% own cars, and a significant number own homes. The primary characteristic of the working poor is their lower level of education. According to the Urban Institute, close to half the household heads of all low-income families have only a high school diploma or GED.<sup>22</sup>

The long work hours, low pay, and family burdens of the upper-lower class create challenges for marketers. Those marketers who have succeeded in reaching this segment pay attention to several important behavioral patterns of the group. They tend to look for value rather than inexpensive products.

They are very sensitive to issues of trust and will talk among family and friends when things go right or wrong. Finally, they tend to be very brand loyal. Some ambitious retailers have attempted to reach lower-income Americans, partially through government incentives and to some extent by taking advantage of the changing character of the upper-lowers. Drugstores, supermarkets, and dollar stores have increased their presence in lower-class neighborhoods. Part of the success of the off-price retailers has been offering an assortment of private-label brands and simple pricing schemes. For example, some dollar stores offer every product for 99 cents or a dollar.<sup>22</sup>

The **lower-lowers** live below the threshold of poverty and rely heavily on government assistance programs. Sociologists often refer to this group as the “underclass.” Marketing “sin” products such as cigarettes and beer to the lower-lowers is even more controversial than marketing to the working poor. And yet the same marketing principles that showed success with the upper-lowers can be applied to this group. A long-term commitment to value-laden brands and enough volume might be the recipe.

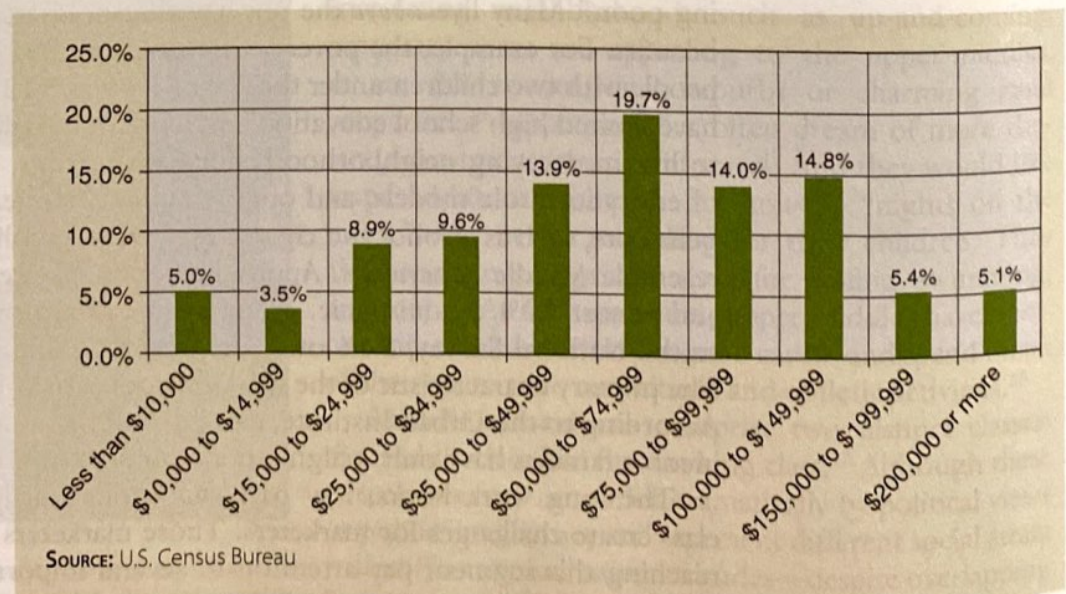
#### OBJECTIVE

4

#### Income versus Social Class

Although income is only one component of social class, Americans often equate “class” with income. Figure 15.6 shows the distribution of household income in the United States. Notice the relatively normal distribution across income categories, with roughly five percent of American households in both the top and bottom categories. Also notice the most frequent category, \$50,000 to \$74,999, captures the average household income (\$67,530). That is not to suggest that income is distributed equally in the United States. It should come as no surprise that top earners in America earn significantly more than those in the middle of the distribution. In fact, income inequality is greater in the

**FIGURE 15.6** | 2010 U.S. Household Income Distribution



U.S. than in most developed nations. America ranks in the bottom third of the list of 90 countries measured for income inequality by Branko Milanovic, an economist with the World Bank.<sup>23</sup> But while America ranks relatively high in income inequality among rich nations, plenty of countries demonstrate greater inequality, particularly in Latin America. Honduras and Guatemala show the most income inequality. Income inequality has also increased in Russia and China. Russia shows slightly less inequality, whereas China has greater income inequality than the U.S.

In some cases, income can be an adequate predictor of whether consumers will have access to certain product categories. After all, income is the gateway to luxury goods such as vacations, boats, and pools. But income alone does not explain what kind of vacations or jewelry consumers prefer. Moreover, what is considered a necessity to the very wealthy may be a luxury to the poor (e.g., automobiles). Coleman points out that a wide range of ages of household heads, single consumers, and dual-income couples can be found in every social class, and that adding income via a second job doesn't necessarily elevate a family into a higher class status.<sup>13</sup> Sometimes the new social elite of the lower-upper class earn more money than the Upper-upper Americans, but they lack the community esteem of "old money." Similarly, high-earning working class people often tend to lead "working class life styles," unconcerned with doing the "proper things" or moving their families to "the better side of town." In summary, we believe the Coleman-Rainwater class structure, which includes income, is generally a better predictor of consumer behavior than income alone. However, we acknowledge the following generalizations about income and social class provided by professor Charles Schaninger<sup>24</sup>

- Social class is better at predicting consumer behavior than is income for low-dollar expenditures that reflect status and lifestyle (e.g., coffee, beer, breakfast cereal, shampoo, and cosmetics).
- Income is an adequate predictor of consumer behavior for high-dollar expenditures that don't reflect lifestyle or values. "Affordability" is key (e.g., tires, televisions, and computers).
- Social class, with income as a special consideration, is the best indicator for understanding moderate to high-dollar expenditures on items that signal status (e.g., automobiles, homes, and jewelry).

## OBJECTIVE

5

**Social Class and Consumer Behavior** The origins of social class may date back to primate hierarchies.<sup>25</sup> In fact, most animal species demonstrate dominance-submission ranks (e.g., wolf packs). The very term **pecking order** originates from chicken hierarchies. A pecking order among chickens determines who is the "top hen," who is the "bottom hen," and where the other hens fill in the ranks. Because the beak is used for defense and aggression, birds skilled with their beaks peck more and established dominance over those that pecked less. A dominance hierarchy in animals is thought to reduce the incidence of intense conflicts and determine which animal gets preferential access to resources such as food and mates.<sup>26</sup> Similarly, social class ranks people in terms of their community esteem, which produces more unified social functioning and determines consumers' access to resources such as safety, food, education, housing, and other consumer products.

Research demonstrates that social class can bestow or withhold interpersonal privileges. Unlike externally assigned, or **ascribed status** (gender, race and age, social class), social class conveys **achieved status**, attributed to internal factors such as effort and ability.<sup>27</sup> It follows that people are assumed to be responsible for their own social class—the upper class are credited for their higher standing, and the lower class are blamed for their inferior status. In addition, the upper class are presumed to be more competent, even under ambiguous performance. A classic study involved participants watching the same video of a little girl taking an oral exam. She performed inconsistently across questions. Sometimes she performed well, sometimes poorly. Before viewing the video of her oral exam, however, participants watched another video of the little girl in her social-class setting—either upper class or lower class. In the upper-class background video, the little girl was shown in a large, suburban home and in an attractive playground; in the lower-class background video, she was seen in a deteriorating home and in a neglected playground. Interestingly, the participants rated the little girl's performance on the oral exam much better when they had previously viewed the upper-class background video than the lower-class video. Even when they didn't view the background video, they saw her as brighter, more motivated, sociable, and mature when they were simply given her social class.<sup>28</sup>

It doesn't take long for the upper class to benefit from dispositional attributions, or positive character traits. Elementary school children rate the performance of wealthy children better than poor children.<sup>29</sup> This effect is consistent across cultures in the U.S., Europe, and Asia. In contrast, the upper class are typically thought to be less warm and less trustworthy.<sup>30</sup> In addition to being thought of as competent, studies also show that people think the wealthy have somehow earned their lot in life due to their strong work ethic.<sup>31</sup>

Apparently, the upper class also think highly of themselves. Wealth generates high self-esteem, which increases from childhood through middle age. Moreover, social class is more closely linked to self-esteem for consumers who feel that they have *earned* their high social esteem. For example, people who have achieved educational and occupational success (as opposed to inherited wealth), adults (as opposed to children), professional women, and recent immigrants view social class as integral to their self-esteem.<sup>32</sup>

At a personal level, the upper class tend to engage less with others. Research suggests that, because the wealthy already feel confident, they perform more disengagement cues (e.g., doodling, self-grooming, fiddling) and fewer engagement cues (e.g., nodding, laughing, raising eyebrows). Social class appears to signal consumers' non-verbal expressions of wealth, which are mostly discernible from others.<sup>33</sup> For example, high status consumers tend to demonstrate more relaxed nonverbal communication, such as an open body, calm voice, and stable tone. When engaged, they also express themselves more confidently with posing skills and facial activity and intrude more with direct gazes, closer interpersonal distance, more interruptions, and louder voices.<sup>34</sup> In general, people tend to excessively stereotype the nonverbal communication of the upper class as cold and severe. In contrast, consumers are skillful at detecting the pecking order between two people.<sup>35</sup> What are some of the cues that signal dominance? An open body, literally taking up more space by sitting upright with arms draped over adjacent chairs, and crossing one leg with an ankle on the other knee, are more dominant postures than sitting with hands in lap, with knees together, or slouching.<sup>36</sup>

Nonverbal status cues can also elicit conformity. Curiously, pedestrians will follow high-status jaywalkers into traffic,<sup>37</sup> and the lower class are less likely to honk their horns at high-status vehicles.<sup>38</sup> Finally, higher social status is related to less stress and illness, because the upper class are more likely to experience fewer negative life events and have more resources for coping with those that do occur.<sup>39</sup> It's no surprise that the wealthy represent a prime target for marketers—they possess the resources and motivation to buy products that enhance their lives and help them return to normalcy when things go wrong. In summary, higher status brings privileges such as presumed competence, increased self-esteem, freedom from nonverbal engagement, and pursuing the status quo.<sup>27</sup> Now that we've discussed social class and income, we'll examine another key demographic factor that influences consumer behavior—age.

## OBJECTIVE

## 6

## Age Subcultures

Perhaps no demographic variable suggests such intuitive market segments as age. Age literally defines who we are—how we communicate, how we shop, and even our attitudes toward marketing activities. Age can also define our needs and wants. Babies need small clothing and diapers, adolescents want products that enhance their social skills, and seniors often seek products

that help maintain health and fitness. Consumers of various ages seek different solutions to the similar problems, providing rich opportunities for marketers to design and communicate age-relevant products. Consider the need for entertainment. Many children enjoy the vibrant colors and uncomplicated story lines of Disney movies. Teens, however, often prefer entertainment with an “edgier” feel, such as the John Hughes movies of the 1980s (*The Breakfast Club* and *Pretty in Pink*, to name two) and more contemporary movies such as *Mean Girls* and *Juno*.

Marketers often divide consumers into *generations* or **age cohorts**, groups of people who have experienced a common social, political, historical, and economic experience. In other words, people in the same age cohort have experienced similar world conditions, and of course, they are about the same age. Although there is no universally accepted cut-off for age cohorts, we have drawn on *American Demographics*' “Where Generations Divide: A Guide” to provide approximations for six American Generations:<sup>40</sup>

- **The Pre-Depression Generation**—born prior to 1930
- **The Depression Generation**—born between 1930 and 1945
- **The Baby Boomers**—born between 1946 and 1964
- **Generation X**—born between 1965 and 1976
- **Generation Y**—born between 1977 and 1995
- **Generation Z**—born after 1995



Universal/The Kobal Collection/The Picture Desk

In *The Breakfast Club*, commonalities from age and life cycle help five teens from all walks of life to eventually transcend their differences over the course of a Saturday detention session.

Table 15.5 describes the six primary age cohorts in the U.S., along with key characteristics. Columns 1 and 2 give common names for the cohorts. Column 3 shows the birth years for each cohort, and column 4 gives the size of the cohort birth range. For example, the Depression Generation was born between 1930 and 1945 inclusive, a 16-year birth range. Column 5 provides the ages of the cohort members in 2010 (the most recent census). For example, in 2010, members of Gen X were between 34 and 45 years old. Columns 6 and 7 show the populations for each cohort in 2010 and their percent of the U.S. population, respectively. The Baby Boomers (24.6%) and a majority of their offspring, represented by Gen X (26.2%), comprise more than half of the U.S. population. Adjusting for the birth range, however, the populations are fairly balanced. For example, the baby boomers capture 24.6% of the population; however, their cohort spans 19 years, which is 23.5% of the total cohort range (81), not including the Pre-Depression cohort.

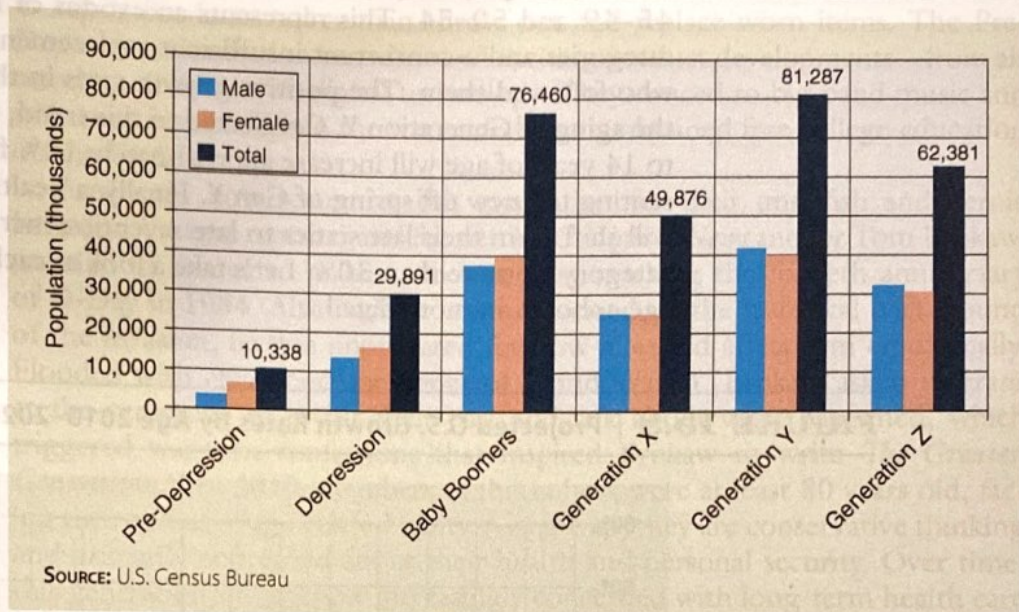
**TABLE 15.5 | U.S. Age Cohorts and Characteristics in 2010**

1	2	3	4	5	6	7
Cohort Name	AKA	Cohort Birth Dates	Birth Range (years)	Age Range Cohort in 2010	Approximate Population (2010)	Percent of total Population
Pre-Depression	<i>GI Generation</i>	-1929	-	>80	10,338	3.3%
Depression	<i>Silent Generation</i>	1930-1945	16	65-80	29,891	9.6%
Baby Boomers	<i>Me Generation</i>	1946-1964	19	46-64	76,460	24.6%
Generation X	<i>Baby Busters</i>	1965-1976	12	34-45	49,876	16.1%
Generation Y	<i>Millennials; Echo Boom</i>	1977-1995	19	15-33	81,287	26.2%
Generation Z	<i>Echo Bust; Gen I</i>	1996-	15	<15	62,381	20.1%

SOURCE: U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement, 2010.*

Figure 15.7 depicts the approximate population distribution among the six U.S. age cohorts in 2010 for men, women, and total population. A quick glance at this figure reveals two obvious relationships: First, Gen X is squeezed between the Baby Boomers and Gen Y. Second, Gen Y (81.3 million) has surpassed the Baby Boomers (75.5 million) in population, if not in scope. Also noteworthy, women comprise 57% of the combined Pre-Depression and Depression cohorts, compared with 51% of all cohorts combined. By 2015, the Pre-Depression Generation will likely be reduced to half its current size and will all but disappear by 2020 (the youngest of this cohort would be 91 years old). Table 15.6 projects the age range and median age for the six U.S. age cohorts in 2020. By 2020, the median age for Baby Boomers will be 65, about half of the Depression Generation will be older than 80, and most members of Gen Y will be in their thirties. When 2020 arrives, Generation Z will have been around for 25 years, and a new cohort will likely be named.

**FIGURE 15.7** | 2010 U.S. Age Cohorts



**TABLE 15.6** | U.S. Age Cohorts and Characteristics in 2020

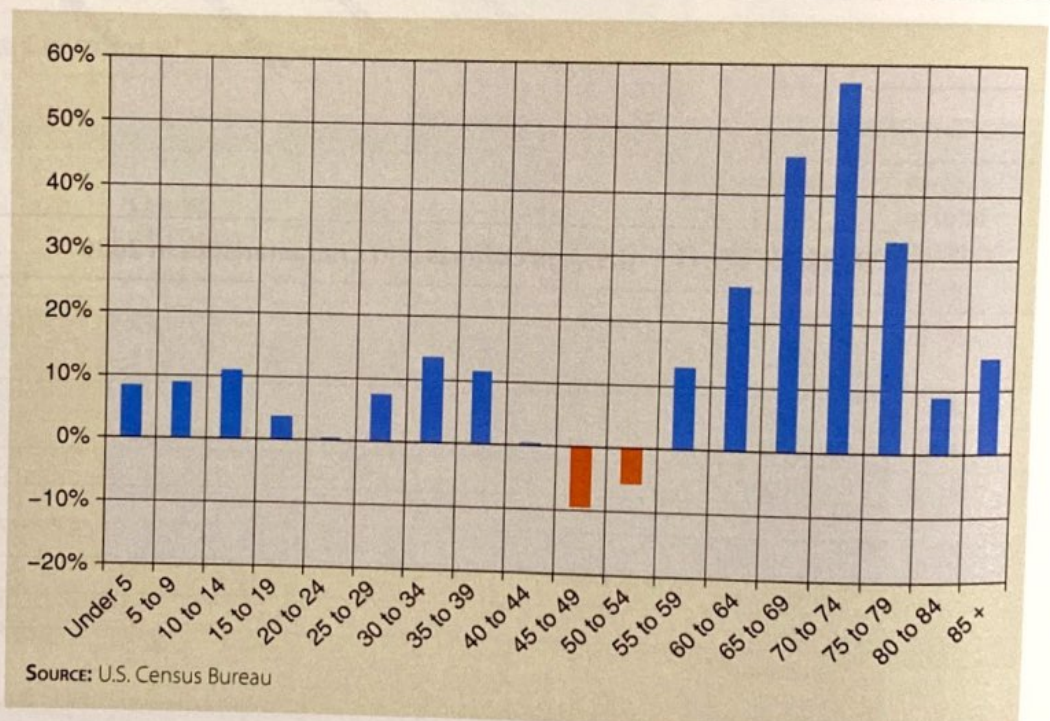
1	2	3
Cohort Name	Ages of Members in 2020	Median Age In 2020
Pre-Depression	>90	-
Depression	75-90	82.5
Baby Boomers	56-74	65.0
Generation X	44-55	49.5
Generation Y	25-43	34.0
Generation Z	<25	-

SOURCE: U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement*, 2010.

Tracking age cohorts is not the same as observing the number of consumers in a particular age group. The purpose of cohort analysis is to track a specific group of people who were born during a specific time frame because they are likely to share attitudes and preferences based on their shared experiences. When people are born into a cohort, they remain there for life. So, the size of established cohorts can never increase. As cohorts mature, they simply shift into older age categories and eventually die off. This shifting of cohorts, along with birth and death rates, influences the number of consumers in particular age categories at a given time. For example, as the large cohort of Baby Boomers matures, it will dramatically add numbers to the upper-age categories. From 2010 to 2020, the surviving Baby Boomers will have shifted from ages

46–64 to ages 56–74. Figure 15.8 shows a 57% increase in the number of consumers aged 70–74. Also notice the projected decrease in age categories 45–49 and 50–54. This represents an exodus of Baby Boomers from these categories and a concurrent insufficient replacement rate from Generation X, who followed them. The positive growth rates in the 25–39 category shows the aging of Generation Y. Connected to this trend, the number of children up to 14 years of age will increase approximately 10% from 2010 to 2020, representing the new offspring of Gen Y. Finally, a healthy Depression Generation will shift from their late sixties to late seventies, increasing the 75–79-year-old category by more than 30%. Let's take a look at each of the six generations, or age cohorts, in more detail.

**FIGURE 15.8** | Projected U.S. Growth Rates by Age 2010–2020



### The Pre-Depression Generation

Born prior to 1930, the **Pre-Depression Generation**, or the *GI Generation*, came of age during the Depression (1930–1941) and went on to build modern America. In 2010, more than ten million people in this cohort represent about 3.3% of the U.S. population. In 2020, all the surviving members of this group will be more than 90 years old. Before the stock market crash of 1929, about three percent of Americans were unemployed. By 1933, the figure had increased to 25%.<sup>41</sup> No surprise that this generation helped create the U.S. Social Security System. Many gave life to the Baby Boomers. Many of the men and women from this cohort served in World War II (1941–1945). Accordingly, their attitudes and behaviors are largely shaped by frugality and

patriotism.<sup>42</sup> This generation turns off the lights when they leave a room, and they keep the heat low. They don't waste food, and they're inclined to fix or repair products rather than throw out and replace worn items. The Pre-Depression Generation has witnessed exciting product developments—from air travel to antibiotics to digital technology. They danced to big band music and still enjoy Sinatra. When the war ended, many obtained free college education on the GI Bill.

Americans now recognize this generation for their unselfish and heroic behavior. Veteran reporter and former *NBC Nightly News* anchor Tom Brokaw, traveled to France to make a documentary marking the fortieth anniversary of D-Day in 1984. Although he was well versed on the historical background of the invasion, he was unprepared for how it would affect him emotionally. Flooded with childhood memories of World War II, Brokaw asked veterans at the ceremony to revisit their past and talk about what happened, which triggered war-torn confessions that inspired Brokaw to write *The Greatest Generation*.<sup>43</sup> In 2010, members of this cohort were at least 80 years old, facing the realities of age-related frailty. As a group, they are conservative thinking and primarily concerned about their health and personal security. Over time, this generation will become increasingly concerned with long-term health care and assisted living. Forward-thinking retailers, banks, and health care providers will find distribution systems that make their goods and services accessible to this aging cohort.

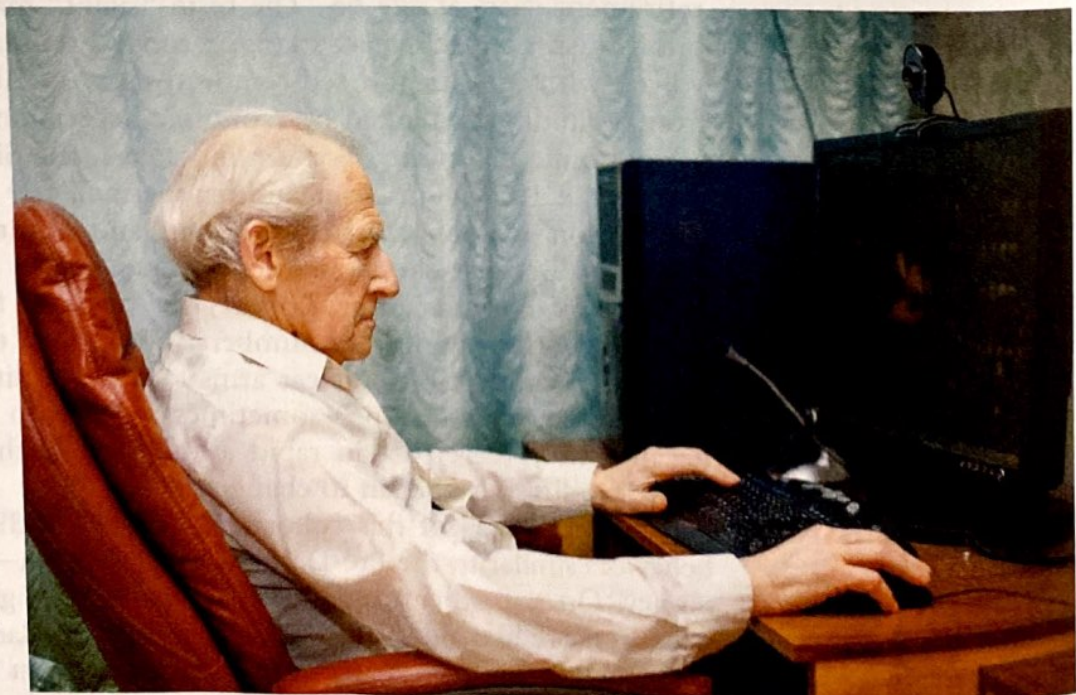
### The Depression Generation

Also known as the *Silent Generation*, the **Depression Generation** was born between 1930 and 1945. In 2010, nearly 30 million consumers in this age cohort comprised about ten percent of the American population. In 2010, their median age was about 72; the youngest were entering the traditional retirement years at age 65. The term “silent” may have been unflattering, but it wasn't entirely inaccurate. By today's standards, this group was uninvolved with politics and self-removed from social strife. They transitioned from a childhood marked by economic depression to a post-war adulthood of economic prosperity. For the most part, the Silent Generation grew up during the 1950s—in peace and prosperity. After WWII, many Depression Generation women married GI men and became parents of the Baby Boomers. Because the women of this generation had children earlier than any other twentieth century cohort, they were the first generation of women to go to work in significant numbers.<sup>42</sup> For some, their lives were shaped by the Cold War and the nuclear arms race. In addition, many served in the Korean War. This group is sometimes referred to as the *Swing Generation* because they took part in rapid advances in technology, and as a result, American lifestyles began to change.

Early members of this cohort (born 1930–1939) manifest attitudes and behaviors similar to the Pre-Depression Generation—they work hard and save money. On the other hand, the later part of this group (born 1940–1945) behaves more like older Baby Boomers. They popularized rock-n-roll, enjoyed the first television programs, and sparked the first civil rights and feminist

movements in the U.S. This dichotomy within the Depression Generation shows how difficult it can be to draw lines between generations, and that every member of a defined age cohort does not behave identically. Nevertheless, the Depression Generation is generally conservative, tending not to go against the grain. They typically worked for a single employer for much of their careers, married early, saved money, and lived within their means. They also represent the last generation to count on pensions and defined-benefit plans. Life was relatively simple.

The Depression Generation has deep pockets, but they are sometimes overlooked by marketers who are smitten with younger demographics.<sup>44</sup> The youngest segment of this group doesn't like to be called "old," and they are no more brand-loyal than any other age cohort—which means marketers cannot simply assume that they'll continue to purchase the same brands they did as young adults. This group is not particularly enamored with nostalgia. Accordingly, marketers should speak to their current life-styles, not to relics of their past. Consumers in this age group have at least 50 years of exposure to marketing and media. As a result, they prefer straight-sell approaches and dislike advertising hyperbole. This group is comfortable with traditional media, including newspapers, magazines, and television. But online marketing works too, as almost 60% of this generation uses the Internet.<sup>45</sup> Because members of this group have an empty nest, they also have money to spend on their grandchildren, and they frequently shop for children's toys, books, furniture, and clothes. For themselves, they buy leisurely travel, healthy activities, and adult education. Because of their wealth, they also represent prime targets for asset management, legal, and insurance professionals. Some estimates place the value of wealth transfer from this group to their beneficiaries at more than \$1 trillion.<sup>46</sup>



Marketers must avoid the pitfall of overlooking the members of the Depression generation.

**The Mature Market** The **mature market** includes a broader group of consumers aged 55 years and older. In 2010, the mature market consisted of the Pre-Depression and Depression Generation cohorts, along with approximately half of the Baby Boomers. By 2020, the mature market will include all of the Baby Boom Generation. One approach to understanding the mature market is known as **gerontographics**, a segmentation philosophy that maintains mature consumers' receptivity to marketing activities is related more to life changes rather than to chronological age. Some life-changing events are physical, such as the onset of chronic health problems. Others, however, are social and psychological, such as becoming a grandparent or losing a spouse. The gerontographics life-stage model has identified four, distinct groups of mature consumers. Typically, mature consumers move from one group to another—sometimes slowly as a result of scaling back their work, other times abruptly due to illness.<sup>47</sup>

1. *Healthy Indulgents* (18%). These mature consumers have experienced the fewest life-changing events. In general, both spouses are alive and free from chronic health problems, and at least one spouse is working. Middle-aged Baby Boomers comprise a majority of this group. Consequently, Indulgents are most likely to feel and act young. This group enjoys independent living on a reduced scale from their child-rearing years. They typically sell their large, single-family homes and buy townhouses or condos near shopping centers and recreational venues. And they have money to spend on furnishing their new homes with home-security systems, carpeting, furniture, and high-tech gadgets. Because they value convenience and personal service, this group is well suited for moderate-risk investments and personalized banking services. Finally, Indulgents are more likely to take expensive vacations via air and cruise ship.
2. *Healthy Hermits* (36%). This group has experienced life events that have challenged their self-concepts, such as the loss of their spouse. As a result, they become socially withdrawn. To a large extent, this group resents its isolation and the expectations that they should behave like old folks. Because they are less sociable, Hermits respond favorably to conformity in the marketplace, particularly with clothing. They prefer to blend in with a crowd, and like their appearance to match their same-age colleagues. As a group, they prefer well-known brands, and they don't mind paying a little extra for them. Hermits like to remain in the homes where they raised their families. This makes them a good target for do-it-yourself remodeling.
3. *Ailing Outgoers* (29%). Compared to Healthy Hermits, this group is neither healthy nor reclusive. They typically battle chronic health problems, and yet they maintain positive self-concepts, accept their old age, and enjoy getting the most out of life. Outgoers like their independence, which includes dining outside of the home. In general, they respond positively to restaurant and grocery promotions that focus on their health and dietary needs. And they appreciate bargains, as they are not as financially well off as Indulgents. With respect to clothing, Outgoers want to appear socially acceptable. But they value function over form. Clothes that accommodate increasing waistlines do well with this group. Finally, Outgoers represent a prime target for health-care products and services. Due to their upbeat nature, Outgoers

face the aging process from a straightforward perspective, which makes them good targets for long-term medical insurance and health club memberships with senior discounts.

4. *Frail Recluses* (17%). This segment of the mature market has accepted their old age and adjusted their lifestyles accordingly. Their physical deterioration may have limited their mobility, but they have become spiritually stronger. Many Indulgents, Hermits, and Outgoers eventually become Recluses. This group is not entirely capable of handling their health-care needs. As a result, they are good targets for transportation services to hospitals and clinics, as well as home exercise equipment and self-diagnosing medical kits for diabetes, blood pressure, and cholesterol. Finally, Recluses appreciate human-to-human contact when buying and using services such as banking.

Marketing to matures (age 55 and older) creates challenges for marketers because the mature market represents a wide variety of social classes and comprises three, separate age cohorts. Research provides some guidelines when marketing to this large and diverse group:<sup>48</sup>

- Instead of chronological age, consider mobility, marital status, and faith.
- Consider health-status. Many older women suffer from arthritis, and men are assuming more household duties.
- Make packaging easy to open and technology simple to use.
- Use easy-to-see colors such as oranges and reds.
- Feature models and spokespeople who are ten years younger than the target audience.
- Create simple layouts for web pages.
- Use 60-second advertisements (versus 30-second spots) to allow for adequate processing time.
- Advertise in newspapers and magazines. The mature market still reads them.

It seems intuitive that chronological age would affect consumer behavior. Yet many products designed to appeal to older consumers have been rejected by matures. In some cases, older consumers have boycotted products and vendors because of offensive age stereotyping in advertisements.<sup>49</sup> In fact, a long-standing challenge in marketing to older consumers is how to target them with products and promotions (e.g., senior discounts) without stigmatizing them based on their age. Recent research demonstrates that **subjective age**, how old someone *feels*, can be more predictive of consumer behavior than **chronological age**, the number of years a person has lived.<sup>50</sup> Many consumers who are chronologically eligible for age-related promotions are holding on to younger age-based self-concepts. Specifically, matures aged 50–54, who maintain younger subjective ages, are reluctant to use senior citizen discounts to avoid being thought of as “old.” In contrast, matures 65 years and older do not mind being labeled as seniors.<sup>51</sup> Unless older consumers feel old (subjective age), they are not likely to respond favorably to products targeted to consumers in their chronological age group. Many of the middle-aged Baby Boomers in the mature market really feel young at heart, and marketers should use spokespersons and celebrities who reflect subjective, not chronological age. Moreover, the promotional labels should be age-neutral. For example, “loyalty discount” works better than “senior discount.”<sup>50</sup>

## The Baby Boomers

Born immediately after World War II (1946–1964), more than 76 million **Baby Boomers** made up about 25% of the total U.S. population and nearly one-third of the U.S. adult population in 2010. At that time, their ages ranged between 46 and 64, with a median age of 55. Although Generation Y recently began to outnumber the Boomers, the latter continues to generate considerable interest from marketers, in large part due to its spending power. The Boomers may not have the wealth of their GI Generation parents, but they spend more than any other generation. Research also shows that Boomers are just as likely as younger consumers to try new products and switch brands. As an example, Boomers purchased more of Proctor & Gamble's Swiffer Sweepers than any other age cohort.<sup>52</sup> Many Boomers were at the height of their earning power during the most recent recession (2008–2009). Consequently, many in this group are working late into their sixties, beyond the point at which they can receive full social security benefits (age 65). This trend may augment Boomers' discretionary income and further increase their propensity to spend, including helping their children through a stagnant economic climate. Despite general curiosities about the baby boomers, some researchers believe that this group is being taken for granted in the market place. According to the Nielsen Company, less than five percent of advertising dollars are targeted at 35–64 year-olds.<sup>53</sup> This presents an opportunity for marketers to exploit Boomers' generous TV habits (more than 44 hours per week) with uncluttered messages. In addition, nearly 80% of boomers are online, and more than 60% with access to broadband.

Because this cohort spans 19 years, researchers often divide Boomers into two sections—**Leading-Edge Boomers**, born between 1946 and 1955, and **Younger Boomers**, born between 1956 and 1964. Leading-Edge Boomers represent our images of the Vietnam War, Woodstock, and the sixties in general. They came of age when the U.S. economy was robust and booming. Inflation was stable (1–2%), unemployment was low (5–6%), and average salaries increased dramatically (by as much as 20%).<sup>54</sup> In 2010, Leading-Edge Boomers were 55 to 64 years old. This group's parents (the GI Generation) gave them what they didn't have as children, and the Leading-Edge Boomers expected to live better than their parents—forever. They were taught that nothing was impossible for them to achieve. Moreover, they were encouraged to be individualistic, sometimes to a fault. Many became rebels, experimenting with a hippie lifestyle, which included recreational drugs and protesting the Vietnam War. They were responsible for the sexual revolution, along with the advent of the birth control pill. They became the most educated cohort in history, with access to job opportunities unavailable to previous generations.

During their thirties and forties, Leading-Edge Boomers often eschewed delayed gratification, over-extending themselves on large homes, new automobiles, and expensive gadgets. But they were also willing to work like no generation before them in order to support their self-gratifying purchases. By 2015, all Boomers will account for about 40% of U.S. spending, particularly in categories such as consumer electronics, clothing, home furnishings, restaurants, and health care. As many of this group approach retirement, the older Boomers appear to be scaling back their buying and planning to

work beyond age 65. Indeed, 60% of Boomers will not be able to maintain their current lifestyles without continuing to work. Some studies indicate that the Boomers' newfound frugality could stall the U.S. economy.<sup>55</sup> Additional research has called for business to prepare for the changing needs of Leading-Edge Boomers.<sup>56</sup> Sixty percent of this group now suffers from chronic health problems, and they will represent more than twice as many single households as their parents. They also demonstrate higher rates of drinking and psychiatric problems than any generation that preceded them. Most Boomers are skeptical of traditional financial services, mistrust financial advisors, and don't feel that doctors take enough time to understand their health problems. Bayer Nutritional Science recognized these characteristics and has developed a line of eye, heart, mind, and joint supplements for older Boomers.

But Boomers are nothing if not resourceful, eager to try new products and services that benefit their lifestyles. A majority of older Boomers watch videos online, 43% participate on a social networking site, and almost all of them use email (93%). Eighty-five percent look for health information online, 76% get their news from the Internet, and almost 70% have purchased products online. They're also catching up with texting; 30% of this group sends instant messages.<sup>45</sup>

Younger Boomers experienced a different world than did older Boomers. Whereas the older Boomers enjoyed Woodstock and a strong economy, the Younger Boomers came of age during the Cold War and lengthy recessions (1973–1975; 1980–1982). Younger Boomers were the first latchkey kids as the number of working women began to increase.<sup>42</sup> More than 50% of women participated in the labor force during the early 1980s (by 2010, the figure approached 60%). This group also endured their parents' divorces at a rate heretofore unmatched in U.S. history. In fact, their parents' marriages lasted only 6.6 years on average.<sup>57</sup> Unlike the older Boomers, the Younger Boomers didn't expect everything to be handed to them; they sensed that life requires uphill battles—both economically and socially. Younger Boomers display a remarkable comfort with technology. More than 80% are online; of that proportion, 70% make travel reservations online, 62% watch videos, 50% maintain social networking sites, 50% download or stream music, and 35% send instant messages.<sup>45</sup>

As a whole, Boomers' shrinking income and high expectations will challenge marketers.<sup>55</sup> They want it all—strong brands with high levels of service at low prices. Still, hustling firms have been successful with this group. Southwest Airlines, for example, combines low prices and strong on-time service. Similarly, Charles Schwab offers more personalized services than do most online brokers and at comparable prices. Internet applications such as Skype's videoconferencing have been a hit with Boomers who want to keep in touch with their children and grandchildren. Brand-conscious Boomers have also embraced the high-value offering of Target and JetBlue. The former offers a wide variety of products for receptive Boomers, along with a clean environment and attractive displays. For their part, JetBlue targets Boomers with flights from New York to Florida, combining low prices and comfortable seating with extra leg room.



Richard B. Levine/Newscom

Boomers demand a high level of services at low prices, and some marketers have been able to deliver on that demand.

## Generation X

Squeezed between the Boomers and Millennials, **Generation X**, also known as Xers or Baby Busters, were born between 1965 and 1976. In 2010, this cohort included about 50 million consumers and represented about 16% of the U.S. population. Busters will be in their thirties and forties for most of the current decade. To some Americans, this group carries a reputation as “slackers” or “whiners,” because they openly show concern about job loss and financial stability. Gen X created “PC” or “politically correct” language. They are more ethnically diverse than the preceding generations, and they appear to champion their diversity.

As a group, Xers express pessimism about their futures, perhaps with good reason. They tend to blame Boomers for the sagging economy and for draining government programs such as Social Security and Medicare. Generation X grew up watching their parents work like carpenter ants, only to be rewarded with layoffs and downsizing in the workplace. As a result, Xers tends to care less about their careers and more about their quality of life. But this philosophy may be backfiring, as they are considered the most economically stressed of all generations.<sup>52</sup> Crowded in the workforce by Boomers who refuse to retire and Millennials who are desperate for jobs, Xers’ income hasn’t kept pace with inflation during the past decade. From 2000 to 2008, male income decreased by more than 10%, whereas female income remained constant. As a consequence, Xers’ homeownership rates are lower than any other preceding generation, and homeownership stands out as a primary goal for this cohort.

The Baby Busters may be the most college-bound generation in history—but not the most educated.<sup>58</sup> In 1992, the percentage of 18-to-24-year-olds

enrolled in college or who had completed one year was 54%, up from 43% a decade earlier. In 1993, however, only 24% of this cohort had earned bachelor's degrees, not much different from the 22% who had earned degrees in 1982. So while Gen X may be eager for diplomas, many have not attained the education necessary for better jobs and higher earnings. It is also noteworthy that women Xers are better educated than men, with 34% of women earning college degrees or higher compared to 32% of men. As a group, Xers are 25% more likely to be self-employed than previous generations.<sup>59</sup> Currently, Busters are approaching their peak earning years, and they spend more on food (particularly out-of-home dining) than any other generation. In addition, they spend more than the average American on housing, clothing, and entertainment.<sup>52</sup> These spending patterns can be linked to child-rearing, as nearly half of Xers have children at home. And Xers value spending time with families. They grew up in an era marked general uncertainty—dual-income parents, divorce, and job uncertainty. This makes Gen X a principal target for family-oriented products and services—everything from movies to toilet tissue. Because they long for the pre-recession days, Xers respond favorably to aspirational appeals in advertising. At the same time, this group spends conservatively and appreciates a savings account, which suggests an opportunity for marketing necessities and practical goods and services. Eighty-six percent of Gen X is online, with 62% on social networking sites. No generation gets more news online than Xers (79%), and they lead in making online travel reservations (67%), participating in online auctions (31%), and donating to charities through the Internet.<sup>45</sup> A majority came of age during the recent era of media fragmentation—cable television, specialized magazines, digital radio, podcasts, and other online media. It comes as no surprise that the Baby Busters watch less television than the Baby Boomers. They also played a



Marketers can oftentimes appeal to Generation Xers' desire to build a solid family life.

Colorblind/Digital Vision/Getty Images

major role in the success of technological advances such as Google, YouTube, and Amazon.

## Generation Y

Largely created by their Baby Boomer parents, **Generation Y** (also known as the Millennials, or Echo Boom), were born between 1977 and 1995. In 2010, they comprised more than 26% of the U.S. population with more than 81 million consumers. In 2010, Generation Y's age range was between 15 and 33, with a median age of 24. Also noteworthy, Gen Y recently surpassed the Baby Boomer generation (76 million) in size. Like the Boomers, the Echo Boom came of age in relatively peaceful and economically prosperous times, and they generally share their parents' optimism about the future. Raised with a healthy dose of civic-mindedness, Gen Y appears to be committed to good race relations, improving communities, and environmental stewardship.<sup>60</sup> Their living preferences seem to reflect their values, and a majority indicates that they want to live in racially and ethnically diverse neighborhoods. No wonder—this is the most ethnically diverse cohort in history, with only 55% of the population projected to be Caucasian by 2030.

Gen Y received “quality time” from their parents, who emphasized boosting their children's self-esteem. As a result, the Millennials are skilled self-advocates, are comfortable questioning authority, and believe everyone is a “winner.”<sup>61</sup> Nevertheless, the Millennials also came of age in an era marked by the AIDS epidemic, gang violence, and global terrorism. In fact, for the older Millennials, the terrorist attacks of September 11, 2001 is the defining event of their generation. Gen Y grew up in a small world—thanks to the Internet. As a result, they are tech-savvy, literally redefining how we communicate and share information. They embrace 24/7 connectedness and multi-tasking on computers, cell phones, and MP3 players and iPods. Comfortable with digital technology, Gen Y expects personal communication with brands and likes to share its opinions about products and services online. Almost a third of this group has rated a product or service online. Gen Y is online (95%), and a correspondingly large percentage gets their news from the Internet (76%).<sup>45</sup>

Unlike their parents (who emptied the nest after college), Gen Y created a phenomenon called **boomerang kids**, children who return home to live indefinitely after graduating from college. Some estimates indicate that about 65% of Gen Y has moved back in with their parents at some point.<sup>62</sup> About 56% of men and 43% of Gen Y adult children lived with their parents in 2004. By 2010, this figure had risen to about 60%. The reason? Unemployment and debt. Although fewer than half of Millennials have reached full-time employment age, they comprise about 45% of the unemployed in the U.S., the highest unemployment rate of any generation.<sup>53</sup> In addition, the average Gen Y college graduate owes more than \$20,000 in loans. This debt has contributed to Millennials delaying the formation of their own households and decreased their discretionary spending, two trends marketers must watch carefully. For marketers, boomerang

kids represent an interesting opportunity, as the adult children in the household influence their parents' purchases. Parents are turning to their children for advice on everything from automobiles to refinancing, and especially on high-tech products like smartphones, DVRs, and laptops. As a group, Millennials embrace change; in fact, they expect it. This is reflected in their marketplace behavior, as more than 60% of 18- to 24-year-olds like trying new products and brands.<sup>52</sup> One area where Gen Y discriminates is digital media—they rarely listen to podcasts, avoid banner ads, and pay little attention to tweets—63% don't read them and 72% don't send them. In contrast, 42% visit social media sites multiple times per day. But they get information from each other—not from marketers. So, marketers must be patient, authentic, and unobtrusive. Marketers don't successfully sell to Generation Y; Generation Y comes to them through recommendations from their friends, colleagues, and communities.

Because Gen Y is considered an "experience" culture, they don't like to be told what to like or what to do. They want to experience the world for themselves and make their own judgments. Leadership coach Bea Fields recommends reaching the Millennials through the following:<sup>63</sup>

- Social networking sites (e.g., Facebook, Delicious, Digg, Second Life)
- Concerts
- Extreme sporting events
- Movies
- Video games and video game competitions
- Mashups (e.g., Weather Bonk, Where's Tim Hibbard, Y! Mash, Sims on Stage)
- Tattoo parlors (36% have at least one tattoo)



The Gen Y group like to experience life for themselves, without being told what to do.

Photo: Yoko Azizi/Alamy Limited

## Generation Z

Although there is rarely complete agreement about when one generation ends and another begins, **Generation Z** is commonly thought to include those born during the latter half of the 1990s through the late 2000s, specifically after 1995. In 2010, this cohort consisted of more than 62 million consumers and about 20% of the U.S. population; they were no older than 15 years of age. This group is sometimes called the Echo Bust because they are largely the offspring of the Baby Busters (Generation X).

Also known as *Gen I*, due to their alleged me-centric attitudes, this group is well versed in the social issues of the day. They have already shown interest in socially-conscious activities, such as recycling efforts and community service. They are even more tech-savvy than Gen Y, routinely upgrading software and navigating through any new smartphone app without instruction. And they tend to embrace change, which makes the world less boring to them. Although Gen I shares similarities with Gen Y, members of Gen I possess the following unique characteristics:<sup>64</sup>

- self-esteem-building parents who over-celebrate and reward them for the most trivial accomplishments
- being over-scheduled, well-traveled, and uniquely mature for their ages
- living in non-traditional households and moving to new households with different family structures
- respond to powerful advertising and branding
- perpetual connectedness through smartphones
- a preference for written over verbal communication (e.g., texting)
- having access to media on demand, such as iTunes, videos, and movies
- nonplussed by violence, sex, and other adult content in the media
- highly tolerant, but less conscious of ethnicity, gender, and age than Gen Y

Like the later members of Gen Y, Generation Z wields tremendous influence on daily household spending. Many parents provide Gen I with self-allocated discretionary income (we used to call it an “allowance”). Those of Gen I who are fortunate to receive allowances are expected to make their own purchase decisions regarding clothing, video games, and electronic gadgets. Despite this enormous potential, the teenage market continues to frustrate marketers. Today’s teens have access to more information than any other generation, through a plethora of media. This makes them more accessible to marketers, but also more skeptical. Teen skepticism centers primarily on advertising, which implies that teen members of Gen I recognize that advertisers are trying to persuade; hence, they conclude that advertisers must be biased and untruthful.<sup>65</sup> Moreover, because Gen I typically does not respond to lectures from parents (what generation did?); they absorb the views of their peers. It follows that ads targeting teens in Gen I should use teenage spokespersons.<sup>66</sup> Research also demonstrates that advertising using a unique selling proposition (versus straightforward information) featuring a nonconformity message increases teens’ brand awareness and stimulates product trial.<sup>67</sup> Marketers can learn a great deal from Gen I.



# Marketing in Action

## Designer Gum for Generation Z

In the past, chewing gum was simply meant to be chewed. But today's teen market seems to have embraced it as a designer brand, not unlike clothing, shoes, and jewelry. Attempting to reverse declining sales, chewing gum producers advertise unique selling propositions such as "energy-boosting," "biodegradable," "aspartame-free," and even "vegan" gum. The result of these new campaigns? Gum has become hip. According to psychologist Renee White Fraser, "Teenagers want to be spontaneous and iconoclastic. Now, they can choose a gum that delivers that each time they chew."<sup>68</sup>

Chewing gum represents a \$2.6 billion domestic industry (nearly the size of the economy of Belize). Like many categories locked in the maturity phase of the product life cycle, overall sales have been declining (4% decrease in 2012). So, new flavors aren't likely to excite Gen Z; they need socially relevant reasons for chewing. The following brands' claims seek a connection with the fastidious teen market:

- Kraft introduced its iD brand, which features artistic designs created by young artists on each stick and comes in a magnetic sealing package.
- Wrigley plans to sell its Orbit and 5 Gum brands in pellet-sizes. They will be available in mini-bottles that hold approximately 30 pieces.
- The Rev7 brand claims that it is the first "degradable" and "removable" gum. It is targeted at environmentally conscious teens. Apparently, this gum can decompose into a fine powder with a little water and rubbing action.

- PUR gum is a vegan and aspartame-free product made with natural sweeteners. Their positioning statement is, "the cleanest gum on the market."
- Rockstar Iced Mint Energy gum is positioned as an energy-booster. It contains caffeine and taurine, similar to the brand's energy drinks.
- Stride gum offers Shaun White Whitemint, with Shaun's likeness prominently displayed on the package.

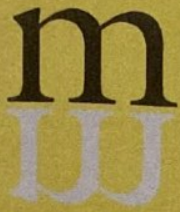


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## Chapter Summary

Demography is the statistical study of human populations. Key population measures discussed in this chapter include population size, social class, income, and generations. Shifts in the world population can be explained through demographic transition, a four-step process that occurs as nations develop from pre-industrial to highly developed economies. Recently, the U.S. accounted for almost 20% of the global economy with less than five percent of world's population. This combination makes the U.S. an attractive

target market for global marketers. The least developed African countries account for half of the continent's population. In subsistence markets such as these, one particular marketing approach that works is microenterprises, or small groups that bridge the gap between subsistence consumers and companies. China now boasts the second largest economy in the world with more than \$10 trillion GDP (purchasing power parity). The Census Bureau estimates that China's population will peak in 2026; its labor force will shrink,



## MARKETING METRICS

### Generational Differences in Attitudes

Interview 10–15 members from *two* separate age cohorts: (1) Pre-Depression, (2) Depression, (3) Baby Boomers, (4) Generation X, (5) Generation Y, and (6) Generation Z. Ask them to respond to the following statements by circling the answer that best reflects their feelings:

1. “Overall, I am optimistic about the outlook for my financial well-being over the next several years.”  
Strongly Agree (5) Agree (4) Neither Agree nor Disagree (3) Disagree (2)  
Strongly Disagree (1)
2. “I prefer name brands over store brands.”  
Strongly Agree (5) Agree (4) Neither Agree nor Disagree (3) Disagree (2)  
Strongly Disagree (1)
3. “I prefer doing my banking online.”  
Strongly Agree (5) Agree (4) Neither Agree nor Disagree (3) Disagree (2)  
Strongly Disagree (1)

#### Your Task:

Use the Excel file (DT15-1.xls) as a template for entering your participant’s responses. Enter 5 for “strongly agree,” 4 for “agree,” 3 for “neither agree nor disagree,” 2 for “disagree” and 1 for “strongly disagree.”

1. After entering the data in the spreadsheet, compare the arithmetic means (averages) for means for columns B–D and F–H. Compare column B to F, C to G, and D to H. Do any of the differences appear large?
2. A standard deviation depicts the variation, or “spread,” inherent in a data set. Higher standard deviations indicate that there is disagreement among the respondents, whereas lower standard deviations indicate more agreement. Compare the standard deviations for columns B through D. Do any of these measures appear considerably large or small? Do the same for columns F through H.
3. Test the differences in financial outlook *between* cohorts by conducting a two-sample *t*-test. Find the data analysis tab and click “t-Test: Two Sample Assuming Unequal Variances.” Variable range 1 is F3:F17, and variable range 2 is B12:B21. Use 0 for the hypothesized mean difference, put the output in J2, and click “OK.” The first three rows in the second column of

output show the statistics for Cohort 1, whereas the first three rows in the third column of output show the statistics for Cohort 2.

- Which cohort appears to be more optimistic about their financial outlook?
- Is there a difference in the variance between cohorts? What does this imply?
- Look at the two-tailed *p-value* for the test:  $P(T \leq t)$  two tail.  $1 - (p\text{-value})$  provides the level of confidence in concluding that there are statistically significant differences between the two cohorts with regards to their financial outlook. How would you interpret the findings?

4. Conduct similar *t-tests* for the other two questions. What are your conclusions?