

SENIORS: DEFYING STEREOTYPES

Today, 35 million seniors control 70 percent of the wealth—and they spend more than you might think. But retailers aren't paying attention to them. Big mistake.

In a society where youth counts and age doesn't, marketers scramble to lure young consumers. Which means that, in this youth culture, today's "new seniors" are overlooked. And so are the profits they generate.

Seniors today are a far cry from the stereotypical doddering, out-of-touch, tight-fisted old men and women, grumpy or otherwise. Seniors today are generally healthier, in touch, and very active—on golf courses and tennis courts, in the community, the classroom, the mall, and the voting booth. They take classes in Tai Chi or Tuscan cooking with other adults young and old. They learn the ins and outs of the Internet (and maybe even inline skating!), often with their grandchildren. They shop, read, socialize, and travel. Some even work part-time, often in new fields. Countless seniors can do what they want; and because they have the time and money, they do just about everything younger adults do.

"Many older folks strive to squeeze the most they can out of every moment of their lives," says Joe Marconi in his book, *Future Marketing: Targeting Seniors, Boomers, and Generations X and Y*. "They want to be active, independent, involved, busy, on the scene, online, traveling, dancing, experiencing and discovering all forms of entertainment." And to one degree or another, most of them can afford it.

By the numbers

According to data compiled by the Administration on Aging, nearly half of all households headed by older Americans (65+) in 2001 had incomes of \$35,000 or more. And in 15.6 percent of senior households, "or more" meant \$75,000 and up. A generation ago, one in four people age 65+ lived in poverty. Today, it's fewer than one in ten. Maddy Dychtwald, one of the nation's leading authorities on generational marketing, examines this tremendous reversal of fortune in her book, *Cycles: How We Will Live, Work, and Buy*. "During the past half century, this group has gone from being the poorest segment of society to being the richest through a combination of saving, investing, pension programs, and the windfall profits from rising home costs," says Dychtwald; 80 percent are homeowners, and three-quarters of them have paid off their mortgages.

How much do they spend? On average, 65+ households manage to spend a hefty \$30,000 a year, according to the latest Bureau of Labor Statistics Consumer Expenditure survey. "The seniors group has by far the greatest percentage of those who have achieved financial and professional success, and who can stop at a clothing or department store, cosmetics boutique or fine jewelry counter and buy without guilt and without compromising the family budget," says Marconi. And while the two-year slump in the stock market cut a deep swath in their investment income, it now seems that seniors curtailed their spending only marginally.

Forever young?

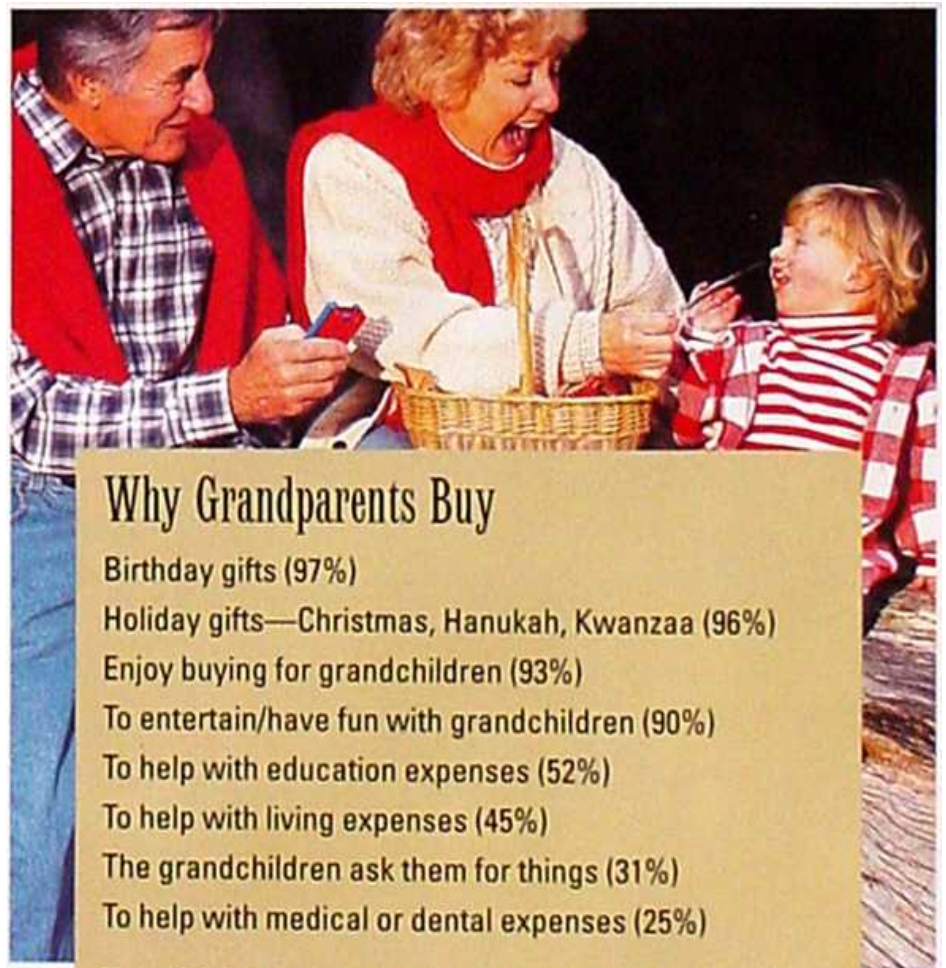
When do people officially become "seniors"? It's difficult to pinpoint. The HARP, the nation's largest senior-advocacy group, starts recruiting when people turn 50. Some government agencies define "older population" as starting at age 55; for others, it starts at 65. And because the first of the boomer generation is just now inching toward seniority, market-research firms often draw the dividing line at "matures," starting with those who turned 57 in 2003.

But according to leading market authorities, age doesn't matter. The senior lifestyle, not the number of birthdays, defines them as consumers. "Maybe you can call them 'seniors,' but you can't assign them all to the same category," says Dychtwald. One 65-year-old might do laps in the pool every morning and work part-time, while another prefers to spend the day on the porch, thinking he worked hard all his life and deserves

to rest like this. "Age is no longer the ultimate definer of who we are, what we're doing, how we feel on the inside, what group we're a member of, or the products and services we demand from the marketplace," she says.

Of course, poor health and failing eyesight are the reality for many seniors, and they tend to spend significantly more on health-related products than any other age group. They buy vitamins, supplements, and machines for home exercise, and they're willing to try new products that offer real health benefits. These are educated consumers who do the research, often online, and see through health-claim scams.

Many seniors travel: 58 percent of age 65-74 take overnight vacations (usually guided tours) several times a year, according to Yankelovich, Inc. Since comfort is so important to them, they're likely to buy travel-related items that make travel easier: inflatable pillows for



Why Grandparents Buy

- Birthday gifts (97%)
- Holiday gifts—Christmas, Hanukah, Kwanzaa (96%)
- Enjoy buying for grandchildren (93%)
- To entertain/have fun with grandchildren (90%)
- To help with education expenses (52%)
- To help with living expenses (45%)
- The grandchildren ask them for things (31%)
- To help with medical or dental expenses (25%)

Source: AARP, *The Grandparent Study 2002*

sleeping on a bus or plane, travel slippers, small folding umbrellas, document pouches, easy-close straps for suitcases, wheeled shopping totes, and so on. They're also more likely than other age groups to own a vacation home, which means purchasing second sets of kitchen items, housewares, décor items, garden supplies and the like.

According to Peter Francese, consumer trends advisor and founder of *American Demographics* magazine, senior households spend considerably less than other households in three product categories: clothing, cars, and entertainment. But they spend a lot more in these two areas: grandchildren and gifts.

G is for ...

According to Yankelovich, Inc., 82 percent of today's "mature consumers" have grandchildren, including step-grandchildren. Although very few grandparents fit the old stereotype of gray-haired grannies who do little more than knit or garden, and wizened grandpas who whittle or fish, one thing hasn't changed for years: grandparents adore their grandkids and want to be a big part of their lives. And they dote on them.

According to the latest AARP survey, 68 percent of grandparents see a grandchild every week or two. Together they have dinner (in or out), watch TV, read, do chores, bake cookies; they play video and board games; they go to sports events and parks and movies. And, of course, they go shopping—and when they do, more often than not, the grandparent buys something for the grandchild.

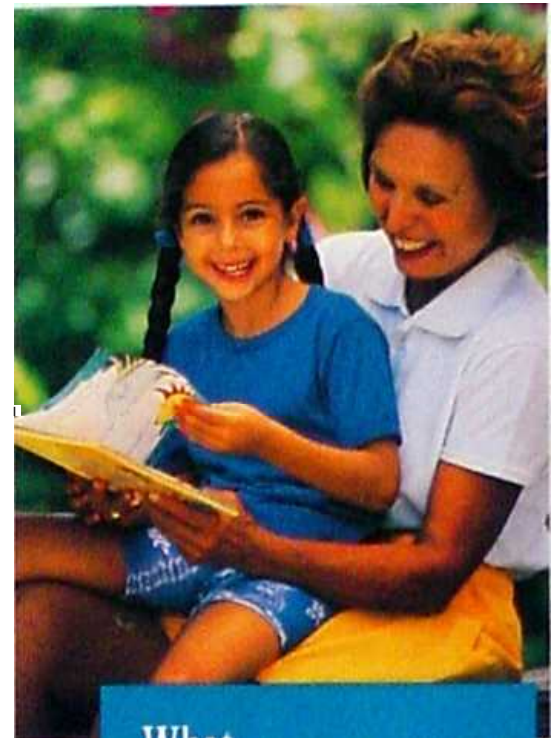
They shower the kids with gifts on birthdays, holidays and other special occasions, but that's riot all. Whether together or not, they often buy presents just because they enjoy buying for the kids. Grandparents spend \$35 billion a year on them—that's an average of \$500 per grandchild. And many spend a lot more: in the AARP survey, 33 percent spend up to \$2,499 a year, and 7 percent spend \$2,500 or more. The eldest grandparents seem to be the most generous—25 percent of the 80+ age bracket spend

between \$1,000 and \$2,499 a year. (Not surprisingly, less than one percent checked the "I don't spend money on grandchildren" box.)

What are they buying? Clothes, books, fun food, toys, music CDs, and videos/DVDs. Very often, kids specify what they want, but many grandparents want to buy items of lasting value, things to be treasured, things the children can associate with them or remember them by. As the grandparents see it, there's no point buying another Barbie for the 5-year-old granddaughter who has a dozen of them.

One option is the classic toy. Jean Giles-Smith, professor of sociology at Texas Christian University and founder of grammystories.com, says many grandparents like high-quality toys they remember fondly from their own childhoods. The grandparent wants to be able to say "I had something just like that when I was little," he says. The simpler the toy, the better: for example, well made wooden blocks, trucks or doll furniture, card and board games (checkers, anyone?), and items that can start a collection often score high. They tend to stay away from flashy, mass-produced plastic toys that may get a "Wow, thanks, Grandma!" but wind up on the shelf in short order. "Grandkids have too much stuff," says Giles-Smith, "so grandparents want to buy one thing that's truly special, so that kids can associate them with the toy." For special gifts, grandparents spend money on necessities and niceties both, like a school outfit or two plus a trendy necklace or the latest DVD.

And there's another kind of gift: education. More than half of today's grandparents are college-educated (23 percent attended college, 19 percent graduated, and 10 percent went to graduate school), which makes them keenly interested in furthering their grandchildren's education. In the HARP survey, 52 percent spent money on grandchildren's educational needs, from college tuition funds for later to books for right now. "They're very



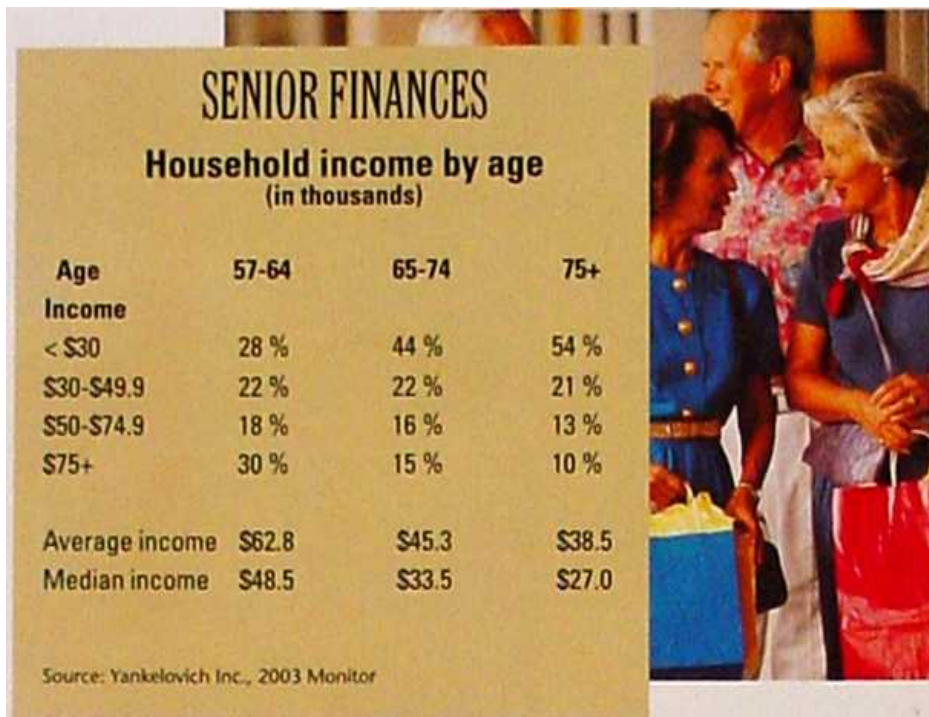
What Grandparents Buy

- Clothing (87%)
- Books (80%)
- Fun food (78%)
- Toys (76%)
- Music CDs (48%)
- Videos, DVDs (45%)
- Jewelry (37%)
- Magazines (32%)
- Video games (31%)
- Other electronics (28%)
- Software (28%)

Source: AARP, *The Grandparent Study 2002*

interested in getting books into the hands of their grandchildren," says GilesSmith. And books, like board games, can provide an excellent opportunity for interaction.

But sometimes grandparents buy things just to make the grandchildren happy, even if it's just another fad item that will be history in a few weeks. Do



grandparents always know what's hot with 7- or 15-year-olds this minute? Not necessarily. That's why Dychtwald says retailers should be ready to offer suggestions. "They need to empower grandparents to buy gifts that are relevant, gifts that create an emotional connection with the grandchild," she says. They should know what teenagers are into, and maybe even have a copy of *Seventeen* or *Lucky* magazine available for customers to browse through. "To target grandparents of all ages, making it easier for them to figure out which gifts their grandchildren might really appreciate as they move through their youth and early adulthood, is definitely one way to increase sales," says Dychtwald. Retailers should do their homework and be able to say, "You have an 11-year-old? I know just what she'll like."

Paws and whiskers

In the US, pets outnumber people by 70 million, and 62 percent of households have at least one pet. Although married couples with children have always been the best market for pet products, the rapidly growing senior population will spend whatever it takes to keep Fido or Fluffy happy and healthy. "Spending on pets by adults in the 55.64 age category is expected to grow the fastest of all age groups (4.8 percent annually) in the next few

years, from an average of \$246 a year in 1999 to \$310 in 2004," writes Rebecca Gardyn in *American Demographics*.

According to New York City-based Mediamark Research, Inc., 25 percent of the 65+ group and 39 percent of the 55to-64 group own pets: "Baby boomers are filling their empty nests with dogs, cats and birds," says Gardyn. As boomers age, they look to pets to provide comfort, warmth, and companionship that might be missing when spouses are gone and adult children live hundreds of miles away. Especially women: 40 percent of women age 65+ live alone (vs. 17 percent of men); and for women age 75+, that climbs to 49.4 percent.

A pet serves as a surrogate family member, and is usually treated like one. According to a 2001 survey by the American Animal Hospital Association, 83 percent of pet owners refer to themselves as their pet's "mommy" or "daddy"; 59 percent celebrate their pet's birthday; and 66 percent prepare special meals for their pet.

Many pets travel with their owners wherever they go, not just on quick shopping errands but weekend getaways and long trips, as well. Products that make it easier and safer to take the pet along—seat-belt restraints, portable folding water bowls, and special travel bags and beds—

are must-haves for retailers selling to devoted pet lovers. According to the AAHA survey, 36 percent even have special luggage for their pets.

When it comes to pet toys, treats, and accessories, senior owners demand the same quality they want for their family members. Health benefits are a big plus, and products such as puppy teethers, interactive toys, and all-natural treats (some available as "bake-at-home") are hits. Most seniors include pets in their holiday celebrations, but holidays aren't the only time they're pampered: seniors are likely to buy gifts whenever they see something they like.

Serving seniors

Personalized service is very important to older consumers. For this market, the quality of service is just as important as the quality of products. Seniors are concerned with value, safety, security and quality: "This is a generation that attaches a premium to loyalty and service, and tells people about it," says Marconi: "Stress the benefits of what you are offering and the qualities that distinguish your service." They'll buy more if they can ask questions, get some advice, and even call the salesperson by his or her first name.

Dr. George Moschis, Director of the Center for Mature Consumer Studies at Georgia State University, says senior consumers often use an extensive referral network of friends and family before they buy. If your older customers seem particularly interested in your store or your product line, ask them to refer their friends, and even offer a discount. And take your time. "Older people don't process information as quickly . . . so don't try to make a fast sales pitch," he says. "Give them your name, give them some information, and give them more time to make a decision."

According to Yankelovich, Inc., 60 percent of seniors decide to shop in places where they find knowledgeable salespeople. "The best approach is an honest approach, showing real advantages of your products," says Giles-Smith.

"Seniors appreciate advice but they don't want to be talked down to or patronized." Dychtwald has these additional tips for selling to seniors:

- Ask how you can help, but don't be intrusive.
- Never call seniors "dear," "honey," "sweetie" and the like.
- Try to hire a few older salespeople: they can relate to mature customers better than someone just out of high school can.
- Always treat older customers as welcome guests.

Smart marketing

To attract older consumers, retailers may need to tweak their overall marketing approach rather than try to figure out what kinds of products seniors are likely to buy. "Seniors buy everything that everyone else does and then some," says Gary Onks, founder of Sold on Seniors, a marketing consultancy specializing in selling to the elderly. Age-specific products are only a small percentage of seniors' purchases, he says.

But marketing to the mature market can get tricky. Many older consumers don't accept their age and don't like to be called "seniors." Offer a "senior discount" and you might scare them off. "Everyone 50 year and above sees themselves as 10 years younger. Mention a retirement home to a 75-year-old and he'll probably say he's 'too young' for it," says Onks. So retailers should come up with creative ways to label their discounts—a "55+ Special" resonates much better than anything labeled "senior."

One foolproof method: offer them a special discount. Mention a 10- or 15-percent off special, and they'll flock to you as if you said "Free!" Even though seniors have 28 percent more disposable income than do other age groups, they tend to be extremely careful with their money. Many older consumers are on fixed incomes, or incomes that depend on how Wall St. performs. Plus, many grew up during the Depression, when money was tight, income

uncertain, and spending curtailed and almost non-existent: people went to great lengths to "make do or do without." As a result, says Onks, "seniors are frugal people—they'll spend two dollars on gas to save a buck" at the store. And finally, the bottom line for seniors is this: after comfort and safety, Onks says, their number-one issue is whether their money will last for the rest of their lives. And so they do everything they can to protect what they have.

Another good marketing approach that won't bruise feelings: special sales events geared to older people's *lifestyles*, not their age. "Seniors get up a lot earlier than others," Onks says. So have "early-bird specials," or open up an hour earlier on certain days. "They like to come out when traffic is lightest, and they do their shopping early in the day." Make the sale day a social event with free pastries and coffee.

If you have a database of customers' mailing addresses, send postcards ahead of time. "Seniors often get lonely and isolated, [so] they'll be grateful for a chance to ... go out shopping and meet people." They appreciate the personal touch, so include your picture: accustomed to face-to-face retail service, seniors are more likely to support a local retailer if they can connect a person with a name. And don't be afraid you're just wasting paper: studies show that seniors read every piece of mail they receive. "To seniors, there's no such thing as junk mail," says Onks. Seniors are avid readers and the weather and obituaries pages in local newspapers might be the best places

to advertise. Be sure to put your local address, phone number and hours in the ads. And if you've been around for many years, say so: seniors are often wary of new businesses, he adds.

On the horizon

According to census projections, one in six Americans—56.2 million people—will be older than 65 by 2020. By 2030, that population will balloon to about 70 million.

And as baby boomers enter senior ranks, they'll likely change this group's spending habits. In continuing boomer fashion, they'll redefine "senior market" as they get older (the oldest turned 50 in 1996). They're already balking at being thrown into the "senior" patch (AARP changed its name to those initials partly to make the words "Retired Persons" disappear; and a few years ago, changed the name of its magazine to *AARP The Magazine*, in large part because boomers didn't cotton to the title and slant of the long-standing *Modern Maturity*). Just as they resist not just looking old but aging itself, they also defy the stereotypical senior image and lifestyle. "Boomers will probably work longer and make more money [longer]," Francese says. "How they'll spend it or give it away remains to be seen."

But a rich opportunity already exists. Selling to today's seniors market: a "golden" opportunity for specialty retailers right now.

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