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# Baby Boomer Segmentation: Eight Is Enough

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# Baby Boomer Segmentation: Eight Is Enough

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Age Lessons

“The most important thing to remember about Boomers is that they are rule breakers. Individuality over conformity is a consistent Boomer pattern. They always have done it differently than the way it was done before, and as they get older, they will continue to demand products that fit their individuality.”

–From *Rocking The Ages:*  
*The Yankelovich Report on Generational Marketing*  
by J. Walker Smith & Ann Clurman

Given its relative size and influence on U.S. consumer markets, surprisingly little formal, quantitative segmentation work has been conducted on Baby Boomers. The question remains: how to right-size the huge Boomer cohort? How many segments would capture the important, often subtle, nuances that can spell the difference between a successful new product launch or marketing campaign and a complete misfire? Turns out, eight segments is enough.

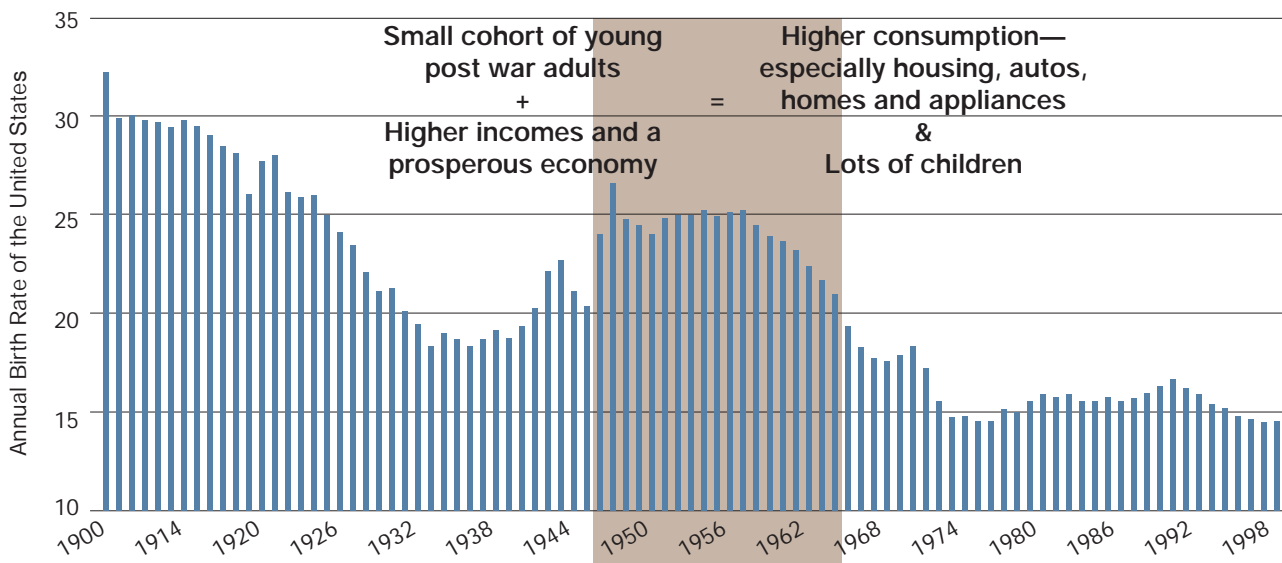
Often, when shaping products or programs for Boomers, marketers have viewed this generation as a single, monolithic entity with lockstep needs and purchasing patterns. Akin to a “big gulp” theory, this framework poured every Boomer into one purchasing pool of interchangeable consumers. That theory just doesn’t hold water.

At best, marketers acknowledged the sweeping 19-year age span of 1946–1964, and using a little rough justice, split the segment in half or thirds, addressing campaigns to older or younger Boomers. In this generational approach, age serves as an overly simplistic proxy for the correct measure—household composition.

Under the generations method, rather than directly measuring the elements of household composition, observed differences in purchasing behavior are wrongly attributed to some underlying, shared social/political/cultural touchpoints. That theory is out of touch with marketplace realities.

■ See chart 1.

Chart 1: Finding the years of the Baby Boom is pretty easy...





Simply put, there is no shared cultural milieu that resonates with all Baby Boomers. Many age cohort members were neither born in the United States, nor grew up here, leaving the shared culture concept significantly diluted.

### Size matters

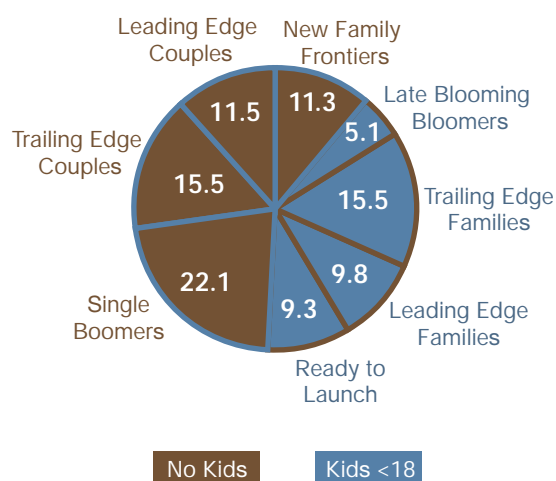
When people hear the term *Baby Boom generation*, the first thing that comes to mind is its massive size. The second thing is its unabated appetite for conspicuous consumption. Boomers have been tagged with superlatives since birth, re-shaping American culture and institutions to reflect their unique zeitgeist. Today, this age cohort is defined as follows:

- The biggest age band in history, numbering some 77 million persons
- The highest earners, with a median household income of \$54,170; 55% greater than post-Boomers and 61% more than pre-Boomers
- The best educated of any group before it, with 28.5% holding a bachelor's degree or higher and 45 million boasting some college
- The most influential investing group, with 40% of the U.S. population age 50+ controlling 75% of financial assets
- The deepest pockets, responsible for more than half of all consumer spending
- The preferred safe harbor for returning college grads (2/3 support an adult child) and their aging parents (25% live with a parent)
- The largest homeowner group; 80% of Boomers vs. 69% of the general population own a home; 25% own at least one property in addition to their primary residence according to the National Association of Realtors.

### More alike than different

While neither the one- nor the two-tier segmentation approach is accurate, it's easy to understand how this convention emerged. As a group, Baby Boomer households exhibit the least behaviorally differentiated purchasing patterns of any generation. This apparent behavioral flatness is due to the fact that there is often more behavioral variation between different groups of Boomers than between Boomers overall and the pre- and post-Boom populations which bracket them.

Chart 2: Percent of Baby Boomer households by the behavioral consumer segments



Source: ACNielsen Homescan & Spectra

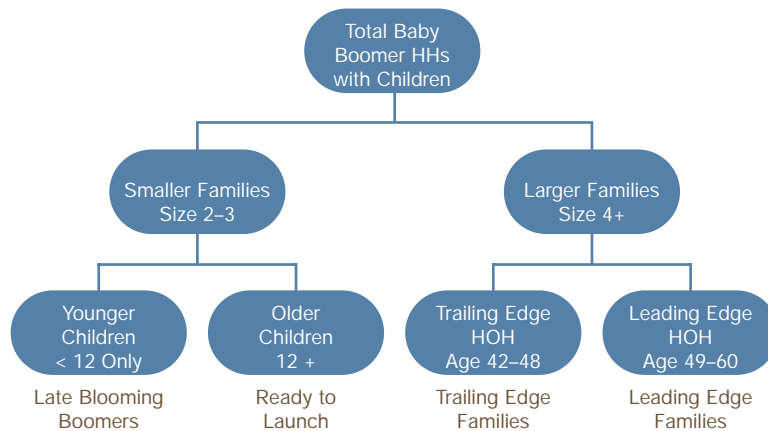
Any segmentation structure assumes that there are behavioral or other key differences within the group to be segmented. As behaviorists, we believe that segments generated should show differences in real, measurable consumer behavior. In the case of Boomers, much of the intra-generational variation observed has more to do with household composition, and less to do with membership in simplistic, age-based cohorts.

### Slicing the pie

The overriding factor dictating Boomer consumer segments proved to be the presence of children in the home. In 2000, 65% of elementary and high school students had Baby Boomer parents, and high school enrollments reached their highest level since 1979. Nearly one in five school-age children had at least one foreign-born parent, and their ethnicity reflects the diversity of the Boomer band: 63% non-Hispanic White, 16% African-American, 15% Hispanic and 4% Asian.

A detailed ACNielsen Homescan & Spectra analysis of Baby Boomer households revealed eight discrete segments that clustered into two broad groups: the four Boomer segments with children under 18 represented 39.7% of the cohort, while the four without children accounted for 60.3% of Boomer households. ■ See chart 2.

Chart 3: Segmenting Baby Boomer households with children less than 18



Source: ACNielsen Homescan & Spectra

### Kid stuff

Marketing to the Boomer segments with children is anything but child's play. It requires an understanding of the nuances between the four groups. For example, highly educated Late Blooming Boomers may have made the choice to start families later in life or are the by-product of divorce. As a result, Late Blooming Boomers have smaller, younger families comprising one to two children under the age of 12. A single parent heads fully one-third of Late Blooming households, which also index above average for African-American and Asian ethnicities, but below average for Hispanics.

Late Blooming heads of household span the entire Baby Boomer age group. Since education correlates strongly with income, any attempt to divide Boomers on the basis of age alone would clearly miss the mark here, and leave out a significant number of affluent Late Blooming households.

■ See chart 3.

Trailing Edge Families comprise larger, stable households of 4+ persons who have lived at the same address for more than five years. Unlike Late Blooming Boomers, Trailing Edge heads of household fall into a narrow age parameter, sharing a birth date between the years 1958 and 1964. Averaging 2.5 children per household, they have far fewer (less than half as many) adult children than Leading Edge families, which appears to be a direct function of parental age.

The least educated of any Boomer group, Trailing Edgers are even less educated than the post-Baby Boom cohort. Another note of internal segment consistency demarcating Trailing Edgers is the above average concentration of Hispanics populating the group, the most of any Boomer sub-segment.

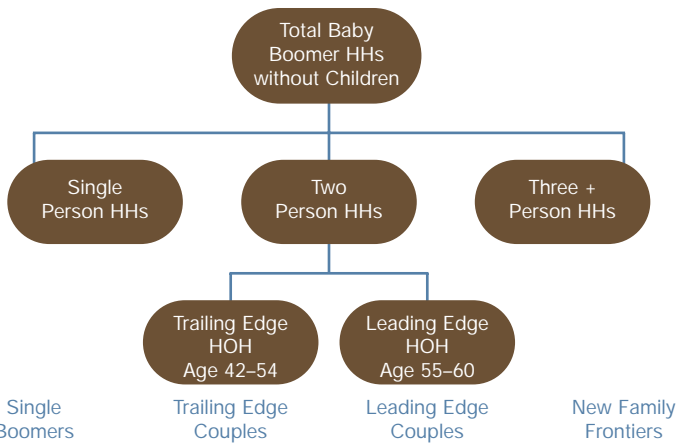
### Older, not necessarily wiser, kids

Leading Edge Families feature older parents born between 1946 and 1957, large households averaging 2.4 children, with approximately one “adult child” for every four children under age 18. As one might expect from the doting parents who pioneered those ubiquitous baby-on-board signs, the apron strings are proving hard to cut—or perhaps just more elastic—as young adult children bounce back to the security of home.

The purse strings to Junior are even harder to untie. As a consequence, Boomer offspring are returning to the nest after college in record numbers, or remaining at home while getting their start in the working world. According to 2000 U.S. Census figures, 56% of men and 43% of women in the 18–24 age bracket reside with a parent, and 65% of recent college grads enjoy the largesse of Mom & Dad's hospitality.

While better educated than pre-and post-Boomers, Leading Edge Families fall into the lower tier of academic accomplishment compared with other Boomer segments. After Trailing Edge Families, Leading Edge Families are the most Hispanic-dominant of any Boomer group and far and away the “most married.” Seven in ten Leading Edge Family households are headed by married couples.

Chart 4: Segmenting Baby Boomer households without children



Source: ACNielsen Homescan & Spectra

By contrast, the Ready-to-Launch segment weighs in with the lowest incidence of Hispanics and the highest incidence of African-Americans among Boomers. All Ready-to-Launch households have at least one child over 12, and for the most part, only children over twelve, skewing toward the late teens. The Ready-to-Launch segment splits roughly in half between couples with one child and single parents with one or two children. Heads of household can be any age within the Boomer bandwidth, and there are few adult children in view.

### Adults only

Apparently Single Boomers hit the books in college, tying Late Bloomers for the title of “most educated.” Some 41% of Single Boomers never opted for marriage, and established single households. Half of the Single segment unpacked their bags five or more years ago and still call the same residence home today. ■ See chart 4.

# Working Retirements

Work long and prosper. That’s the new mantra of the Boomer generation as it edges toward Social Security eligibility and retirement age. So hold on to those gold watches, because the Boomers plan on retiring the traditional concept of retirement with a characteristically bold move that will surprise detractors and benefit—rather than hijack—the economic future of the generations that follow.

The idea is simplicity itself: keep on working, earning and contributing to the economy for as long as one is able and enabled. Driven by a host of motivations ranging from self-actualization to financial need, many Boomers reject the idea of a leisurely retirement and plan to work well into their 70s and beyond. In a 2006 Merrill Lynch study, 71% of adults envision working in retirement, and half of those said they intended to work as long as they were physically and intellectually able.

### Companies need the workers

While the statistics vary dramatically (estimates of a labor shortage as early as 2010 range from 800,000 workers to almost 10 million), the inescapable fact remains that the “baby bust” generation numbers 11 million fewer bodies than the Boomers. Even with productivity gains, process changes, outsourcing options and immigration inflows, there simply may not be enough workers to fill available jobs. The obvious solution: retain the ones you’ve got.

Progressive employers are experimenting with any number of riffs on the traditional consulting contracts or part-time positions available to retired employees. Among the more innovative working retirement ideas:

- capability-specific personnel banks of skilled temporary workers;
- roadblocking schedules, where retirees rotate between time on/off the job for a pre-determined time increment (e.g., three months on/off);
- job sharing, reviving what Boomer women elevated to an art form; two individuals sharing a job, salary and performance expectations;

Trailing Edge Couples carved their own path on the matrimonial front, and report the highest rate of unmarried partners living together. Trailing Edge Couples typically are headed by a person born in the 1952–1964 period, who have occupied the same house for the past five years, find themselves situated in the bottom Boomer tier on the education dimension, and have fewer than expected Hispanic and African-American members.

### The social vanguard

Leading Edge Couples, with a head of household born between 1946 and 1951, represent the first group of the Boomer generation to serve as social change agents. One of the top three best-educated Boomer segments, Leading Edge Couples exhibit just half the unmarried rate of Trailing Edge Couples and two-thirds have shared a residence for five or more years. Less ethnically diverse than other

Boomer strata, Leading Edge Couples report a low incidence of Hispanics and the lowest African-American incidence of all Boomer groups.

One of the most interesting segments to emerge from the Boomer study was the New Family Frontiers faction, characterized by three or more adults sharing a household. The typical New Family Frontiers household encompasses 1.1 children between the ages of 18 and 24, with 40% claiming another resident relative such as a parent (1/3 of such family units) or adult siblings.

From an economic perspective, it is worthwhile to note that 54% of New Family Frontiers households have three or more employed workers in the home. Among the highest earning households, New Family Frontiers do a pretty good job of hanging on to what they make, second only to Leading Edge Couples on the savings front.

■ See chart 5 on page 10.

- seasonal positions that follow employees who split time between two geographical locations (e.g., New York and Florida);
- sampling arrangements that enable a worker to move across departments for a new challenge.

### Boomers need the money

It's a good thing that Boomers say they want to work, because it's clear that many will have to work for financial reasons. One factor that impacted even diligent savers was the stock market decline of 2001–2003 that eradicated roughly \$7–8 trillion in shareholder wealth, much of it held by Boomers.

In the process, the dot-com crash ate away some \$279 billion in 401(k) assets and huge chunks of other retirement savings. Boomers dialed-in to the nuances of finance recognize that 401(k) and IRA/retirement money statements can create a false sense of wealth, since these amounts will be federally taxed on withdrawal (with the exception of Roth IRAs).

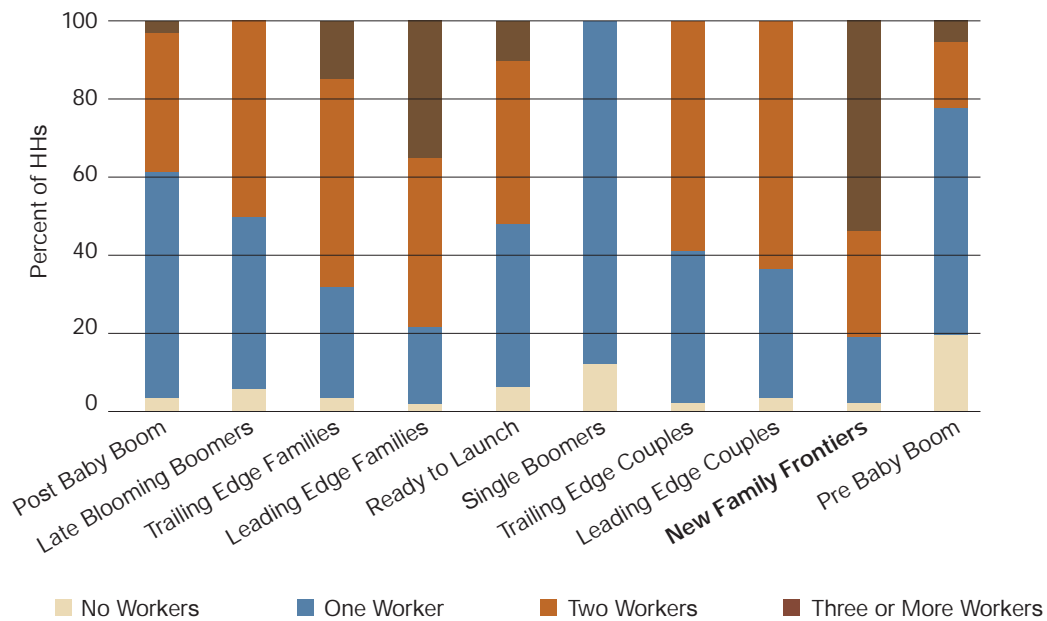
### Everybody wins

Working Boomer retirees will have more discretionary income to continue fueling the economic engine, less need to draw down savings and liquidate investments, and can readily fill the emerging labor gap by staying employed. Meaningful employment enables critical knowledge transfer from highly skilled Boomers to other workers, and keeps older employees mentally and physically engaged.

At the same time, employers access a labor pool of proven workers with the flexibility to calibrate hours to match demand. In a Center for Retirement Research survey, older workers earned consistently higher marks than younger counterparts from employers for their “knowledge of procedures and other job aspects” and “ability to interact with customers”. Overall, older workers were seen as more productive based on their accumulated institutional knowledge and efficient work habits.

Retailers like CVS Pharmacy, Home Depot and Borders have already tapped the retiree talent vein with outstanding results. When it comes to the workplace, some things apparently do get better with age.

Chart 5: New family configurations have new numbers of workers



Source: ACNielsen Homescan & Spectra

### Gray matters

The shift towards adult-only households will continue as Boomers age. By 2007, fewer than 30% of Boomer households will have children under 18 at home. By 2010, that number will have declined again to just 20%. By 2014, fewer than 10% of all Boomer households will include children under 18. Americans are getting older, living longer and having fewer children.

An 85+ population growing eight times faster than the country as a whole will throw a new wrinkle into long-standing assumptions which form the underpinnings of social services programs. In 1995, Federal spending per child under 18 years of age was \$1,693 per child. For the same period, per capita spending on each 65+ adult was \$15,636. The combined effect of population trends and federal spending patterns results in a double whammy—fewer wage earners paying into a system serving an exploding population base.

### Golden, global concerns

Not only is the U.S. population aging, the very old component is growing at an even faster rate. In 2000, there were approximately 72,000 centenarians in the U.S. By 2050, using mid-range Census Bureau estimates, that number will

increase fourteen-fold, exceeding 834,000. To get a relative sense of size, it would take a city as large as Detroit to house all the people older than 100 at the mid-century point.

Concerns about aging are not confined within the borders of the United States. Worldwide, the current ratio between the young (under 20) and the old (over 65) is roughly 3:1. By 2050, that ratio will recalibrate to equilibrium at 1:1. At that point, older people will outnumber younger ones for the first time in recorded history.

### Spending shifts

Consumption and spending patterns mirror changes in the Boomer demographic. Food away from home eats up a larger share of Boomer budgets when the need to stage a nightly family dinner with the kids goes away. Beer and wine top off the shopping list for those Boomers furthest from child-rearing responsibilities. Alcoholic beverage marketers can expect to tap into this bottled-up demand in the future as consumption levels are expected to maintain even as Boomers age.

When it comes to home improvements, Boomers gravitate toward household textiles and furniture, outspending other segments. Staying connected to friends and families is a



It is not uncommon to find a Boomer parent liquidating retirement savings or mortgaging their home to subsidize their child's college tuition. Despite years of denying themselves luxuries, they will indulge an offspring's demands for a car, expensive vacation or the latest and greatest in consumer electronics.

### A perfect storm

The graying of America presents a number of questions such as the prospective impact of impending retirements on:

1. financial markets, as Boomers prepare to liquidate equity holdings and supplement retirement savings;
2. real estate markets, as Boomers prepare to trade down from large homes—a flurry of sales may add momentum to the imploding housing market;
3. employment issues, as Boomers exit the workplace and the baby bust generation comes up 11 million people short of available openings;
4. consumer spending, as Boomers retire or are forced into second careers, part-time or lower paying positions;
5. healthcare system, as Boomers begin to experience the inevitable decline of physical vigor and the onset of chronic illnesses like high blood pressure and diabetes.

### An uncertain outcome

Some pundits ponder these issues and see the makings of a perfect storm capable of capsizing the U.S. economy. Others see the opportunity to extend the consumer use-life by extending the Boomer work-life from an arbitrary retirement at age 65, to an open-ended employment contract that keeps people working, and earning, for as long as they are physically able. ■ See sidebar on "Working Retirements" on pages 8 and 9.

Society has never been asked to solve a socioeconomic equation with so many unknown variables before. There simply have never been so many old people, living so long and staying so healthy.

From a marketing perspective, one thing is certain. Older Boomers represent both a viable market and one too large to ignore. **CI**

Boomer imperative, accounting for their 50% higher spending rate on cellular phones and pagers. Plugged in to electronic entertainment media, Boomer spending rates outpace the average for audio equipment, televisions and radios.

The Boomer obsession with health and wellness extends to their extended family—including the four-footed, finned and winged members. Boomers willingly open their wallets for veterinary care and other pet services such as grooming and doggie day care.

### Family finances

The Boomer relationship with money is complicated and convoluted. Shaped by parental stories of the Depression and WWII deprivation, Boomers learned to respect money, save money, value work over leisure and savings over debt. They look askance at credit issuers who mail out unsolicited cards to college students, in the hopes they'll be used. All in all, one could say Boomers are a fiscally conservative bunch—except when it comes to their kids.