Demographics are shifting across multiple dimensions – the only constant is change
The business environment of the early 21st century is challenging. Consider what consumer businesses face: disinflation, poor demographics, constrained economic growth, rising protectionism, and a backlash against large retailers. In addition, the consumer is quite fickle. She/he demands low prices, high quality, fast shopping, and convenience. Moreover, he/she is willing to switch stores whenever a new and better value proposition emerges.

Forecasters often say that demographics is destiny. If so, retailers should be concerned.
Demographics is Destiny

- Silent generation (1925-1945) — “Depression babies”/soldiers/hardworking/opportunistic/dutiful conformists
- Baby boomers (1946-1964) — Redefinition of traditional values/globally connected/less tied to formal religion/goal oriented/socially conscious
- Generation X (1965-1979) — “Me Generation”/culturally astute/highly educated/independent/work-life balance
- Generation Z (2001-Present) — “Digital natives”/structured/active consumers/strong social conscience/work ethic
They are the most media savvy, educated, and wired population to have ever walked the earth. They are also the largest trend-setting population since the Baby Boomers. The Internet has become the centerpiece of not only GenY’s media engagement, but of most of their engagements. It has become almost an alpha-and-omega for how they communicate with each other and their world.

Who are the Generation Y consumers?
- Sophisticated shoppers who are particular about which brands they purchase.
- They are very good shoppers -- with an eye for value.
- They do a lot of research before they buy.
- They have a style all their own.
- They are optimistic, pragmatic and enjoy working together in groups.
- They are high-tech, mobile, novelty oriented and very independent and confident group.
- They also have a traditional side.
Who are the Generation Y consumers?
• A majority say they believe in God. They are idealistic.
• They enjoy knitting, scrapbooking and other crafts. Hands-on stuff is really interesting for them.
• They, like generations before them, are coming into their own, discovering who they are and want to express themselves.
• They express themselves by decorating their living space.
• 23% of Gen Yers are homeowners and that number is expected too increase every year as more members graduate college and enter the workforce.

1. **Make your products cool for the kids as well as their parents.** "Offer goods and services at good prices with a brand that will appeal to 30- to 50-year old soccer moms and dads but that Gen Y is not loathe to adopting.

2. **Exploit contests and promotions.** Gen Y is unbelievably enthusiastic about winning free concert tickets or cars or ski weekends. Marketers need to generate teen excitement with radio and mall tie-ins, advertising, discounting, promotional kiosks — anything that's cool and has cachet.
3. Become "hip." Yes, I'll explain. It means a combination of location and concept. You have to be present where teenagers want to spend time, in skateboard parks, at concerts, in malls. Older marketers are not as comfortable doing that.

Lots of Gen Y choices come from viral marketing — another name for peer-to-peer recommendations. To tap into that, Upoc.com links its digital prowess with its desire for community.

For instance, Sony Pictures hired Upoc.com to promote its movie, "Ali." After registering online, the teen receives wireless text messages (such as "When did Ali meet the Beatles?") to his cell phone or pager. That's called "interest-certain content," because the user signs up to receive the messages. In addition to building buzz for "Ali," Sony gets a database of customers (and teens) who like movies about sports figures.

Gen Y is also remarkably diverse.
About one-third minorities, predominantly African-Americans and Hispanics. They are noticeably tolerant. One in four teens lives in a single-parent home; every high school student seems to know someone who's gay. Neither is a big deal. Even so, traditional values and parental approval are important, more so than for Gen X before them.

DON'T TALK DOWN TO THEM

When pitching Gen Y, keep in mind that they've grown up on slick ads and commercial messages. "They don't trust advertising," says Burnett. To get past that skepticism, research suggests:

Deliver consistent, excellent service.
Understand the teen/Gen Y group. Do homework and don't make assumptions that they're all one homogeneous group. Acknowledge the differences.
Don't talk down to them. The most common characteristic is that they know a lot of stuff. The awareness level is very high.

Generation X is characterized by a generation that accepts diversity, is pragmatic/practical, self-reliant/individualistic, reject rules, mistrust institutions, uses and is comfortable with technology, multitasks, are latch-key kids, friends are typically not family.

Generation X saw their parents get laid off or face job insecurity. Many of them also entered the workplace in the early '80s, when the economy was in a downturn. Because of these factors, they've redefined loyalty. Instead of remaining loyal to their company, they have a commitment to their work, to the team they work with, and the boss they work for. For example, a Baby Boomer complains about his dissatisfaction with management, but figures its part of the job. A Gen Xer doesn't waste time complaining—she sends her resume out and accepts the best offer she can find at another organization.
With retailing more competitive than ever, merchants that take pains to generate loyalty within this group today will benefit in the years ahead. Xers have a major impact on certain product categories, such as consumer electronics, apparel, children's goods and home furnishings. Somewhat resistant to national brands, this group also represents a fertile market for new suppliers, while traditional vendors face a challenge to create new products and new images if they are to make an impact and maintain market share.

Interestingly, as consumers, young Gen Xers (ages 18-29) exhibit buying patterns resembling men 46 and older, and they show a more conservative, conforming trend than older Gen X'ers. And they all care what people think. A study of three generations of men sponsored by Men's Health Magazine and conducted by DYG, Inc. revealed that 53 percent of 18-29-year-old adults thought that a sense of success comes from what others feel about them, not how they feel about themselves.
Gen Xers like to feel in control, and are perfectly comfortable with answering machines, VCRs, CD, and remote-control devices because they can decide what to focus on. They are in control. So, the intrusive nature of the 1990's advertising does not appeal to Generation X. It's not that they don't like advertising, what they don't like is hype -- overstatement, self-importance, and hypocrisy.

Our product is useful, so we will be able to sell it to a Gen Xer. If it is clearly conspicuous consumption, forget this market. Oh, and by the way, they are definitely not into heroes, icons, or ideals. When asked if they would want to trade places with Madonna or Michael Jackson, not one person in the poll said yes.

Generation Xers have greater brand awareness, consciousness, but less brand loyalty. The latter is due to the wider choices available to them, the more open to experimentation, the more sophisticated as regards shopping and media, less brand advertising when growing up (during their formulative years, advertisers used smaller portion of advertising dollars on brand advertising and more on price promotion) and considerable shopping experience they have had.

They are less likely to look for brand names when shopping. They are open to new brands and products, however once they are committed to a brand, it's hard to make them switch (Ritchie 1995). They can be fiercely loyal to those brands who have earned their interest, attention and usage.

They are also willing to pay for value or brands that represent real value for the dollar spent (Dunn 1993b). They purchase brands and products not for reasons for status but because it fulfills a genuine need (Ritchie 1995). They seek economical, functional, quality (products must be useful, functional and fulfill a need). They tend to favor specialized products which are distinctive.

Male Gen-Xers constitute the most sales conscious shopper of all age and gender groups. Almost six out of 10 men in this age group reported being aware of a sale before entering a store.

- Appeal to their sense of fun and creativity.
- Include lots of visuals, headlines quotes, etc. in print materials (See Wired Magazine for examples)
- Communicate directly and openly. They'll see through anything else.
- Use their language. Either it "rules" or it "sucks."
- Demonstrate how your product or service can educate them. Gen Xers love learning.
- Offer a variety of times for events. Keep in mind that unlike preceding generations, this one has a life.
- Schedule business events in the daytime.
The largest buying group in America. These are the kids who were raised with the instant gratification of television and the advent of fast food. They broke with conventional norms in their music and dress. They came of age during decades of prosperity. This group is in its peak of earning years.

The way to the heart of a Baby Boomer is through customer service. Implement strategies that will save them time, money and aggravation. Feature custom orders, gift wrapping, personal shopping and shipping. Another key to pleasing Baby Boomers is to please their children or grandchildren. Have cookies, candy, toys or books on hand to occupy the children while you serve the parents.

Treat them special. Create preferred buyers’ clubs, hold special sales or establish private buying hours for them. Afterward, write notes to thank them for attending.
Baby Boomers are Internet-savvy. They use technology in their work, and they have learned to use it for pleasure as well. They shop online (although the majority still prefers mail order catalogs when they purchase from home), book their travel online, communicate online and read online. They own large screen televisions, fax and copy machines, cell phones and pagers.

They eat out at least three times a week. And at the same time they are leaping into the future, many Baby Boomers are longing for the past. They like nostalgic music—they kind they listened to growing up. According to some consumer profiles, these folks make up nearly one-third of the music buying market, but they won't download it. They'll go to a store to buy it and listen to it in their cars.

Companies that service small and medium businesses need to understand that these businesses will increasingly be run by smart, experienced boomers who will be demanding, creative and very inquisitive. They'll want to do business with people they believe are as smart as they are.
Boomers play a very important role in business growth and will continue to do so for the next couple of decades. Already, 50-year-olds make up a quarter of the workforce and a full 40 percent of the self-employed. Look for this trend to grow in the coming years as boomers retire from Corporate America to start their own businesses. Perhaps you've heard it said we don't retire, we rewire.

Boomers spend over $2.1 trillion/year of this unprecedented wealth on consumer goods and services including $79 billion on home improvements last year alone. They have $28 trillion in assets and control 67% of the nation’s wealth. 80% of boomers use computers, one third of them going on-line every day. Direct catalog marketers estimate that 70% of on-line purchases are made by women, the majority in the boomer demographic. 55% of boomers agree that they have no particular brand loyalties, with 68 percent of women over 35 saying that “the older they get, the more they enjoy trying new things.” In other words, baby boomers are not only the greatest market opportunity today, but a powerful force shaping the future of our society.
Over 55s are 25% more likely to shrink their monthly bills by being energy efficient than the younger generation.

Research results showed that the over 55s are well versed at making efficient use of modern technology. In the workplace, the baby boomers are three times more likely than diligently switch off phone chargers when not in use, with 43% switching of compared to just one in ten (13%) of under 25s making the effort.

You could say baby boomers have been through a lot. They were politically and communally active during the 1960’s. They struggled through the gas crisis in the 1970’s. They watched their pensions grow through the end of the last millennium, only to see many get stripped away as the economy falls here in the first decade of the new millennium. Baby boomers have also been party to the slow but steady rise of global warming. Needless to say, baby boomers are a very socially and environmentally conscious generation; and it shows.
According to a survey by AARP and Focalyst, 70% of baby boomers see it as their duty to make the world a better place. Typically, boomers express this overwhelming concern with their wallets. These spending habits are not limited to organic breads, laundry detergent, and other household items. Baby boomers are spending their money on larger projects like green building and solar power. According to a survey by Shea Homes, a national leader in active lifestyle communities, boomers rate solar as number one on their list of green priorities.

More Baby Boomers are concerned about gas prices and uninsured medical costs than about retirement and other long-term expenses, according to a new poll conducted by Harris Interactive for the American Institute of Certified Public Accountants (AICPA). This survey targets Baby Boomers but has advice on saving money that is valuable for senior citizens or anyone managing a household.
Appealing to Boomer’s sense of economy, thrift, and their strong ethic toward green energy and energy conservation is a key strategy.

This group is in its peak earning years and is the gold standard customer. They are comfortable with technology and see its uses to make their lives easier and less worrisome. Advanced high-technology solutions to problems that can be made affordable and saving the planet appeals to this group.

Alternative energy choices such as Biofuels with domestic, renewable content is right up this generation’s alley.
The Silent Generation - 1925-1945, - 35.9 million Americans - 134,657 in Connecticut

THE COMING “SILVER TSUNAMI”

30 years ago this age group was the most loyal to the retailer/retail or brand choices they made and were the most stable group of consumers. This consumer group relied upon the comfort of certainty, familiarity, and personal knowledge of those who operated their retail operations. Once you had this group it was very difficult to get them to change.

30 years ago, Wal-Mart wasn't on the Fortune 500.

Growing up in the Great Depression and World War II, and seeing the start of the Cold War this group sought security and certainty from a decidedly unsecure and uncertain experience and once they found it, they rarely changed. This group had a strong sense of community and a commitment to joining in things and participating in things such as associations, rotary clubs, bowling leagues.
The future older population is likely to be better educated than the current older population, especially when Baby Boomers start reaching age 65. Their increased levels of education may accompany better health, higher incomes, and more wealth, and consequently higher standards of living in retirement. By the year 2030, the size of this generation is expected to double.

Today, this same age group is 50% less loyal to retail/retailer or brand choices than the same age group in the 70s. This group entered the workforce during the Vietnam War and began to have its largest income growth as workers during Watergate and the inflation of the 1970s, along with its 2 energy shocks. This group, while still embodying a greater sense of loyalty than its successor generations, arising from its experiences with government and business and the economy of the 60's and 70's grew far less trustful and less loyal. 100,000 associations have gone out of business since the 1960's and most community organizations find it difficult to recruit volunteers for projects. This group's loss of sense of community is an offshoot of its diminished sense of loyalty.

Today, Wal-Mart is at the top of the Fortune 500.
Bucking the belief that environmentalism is a youth movement, a new survey finds that male and female consumers over age 55 are the most prolific users of green products in the United States, reports Retailer Daily.

Groups age 55+ reported above average usage of environmentally friendly home goods, according to a survey from ICOM Information & Communications.

Leading the way is the 55-59-year-old female demographic - more than twice as likely as the average consumer to use green products. Males age 65-69 are next - more than 1.7 times as likely to use than the average American.

Among the key survey findings:
Green products have penetrated into most American homes: 61.9 percent of respondents said they use some type of environmentally friendly product.
Asked why they elect to purchase eco-friendly goods, the leading response - by 33 percent of the group - selected the self-gratifying "makes me feel good about myself" response.
As asked why they elect not to purchase or use green products, 50 percent of non-adopters cited high prices as the main factor. The next reason selected was "I do not believe that they are that much better for the environment," at 17 percent. Of those who said they do not use environmentally friendly products, both male and female demographics age 25-34 years were among the "least likely to use" when compared with the national average.

80% of this demographic owns their own home and accounts for 50% of all US new car sales. This generation is among the wealthiest in the history of the United States.

Electronic communications is not something this generation is always comfortable with. Older consumers tend to read most of the text on a page and to be more cautious in everything they do on the Web, including clicking on links. They prefer larger text; are more likely to click objects that look “clickable,” including bullets and headings, and they have difficulty clicking small text links.
Numerous experiential differences contribute to older users’ overall level of confidence and anxiety in using the Web and they often do not understand the terms that younger users consider common knowledge. Fidelity is incorporating these insights into an improved web site design for easier navigation and task accomplishment by aging users.

The 65+ segment may be somewhat less open than younger generations to Web surfing or text messaging, but mature adults are gaining in every digital activity from medical research to social networking. In computing, wireless communications, and even television, larger print capabilities and technologies that assist hearing- or sight-impaired consumers will help marketers to reach their target audiences.

THE COMING “SILVER TSUNAMI”

By 2030, people age 65 and over are expected to number over 70 million; an even greater wave is sweeping the 85 and over age bracket, who are projected to surge from 4 million in 2000 to an amazing 20 million by 2050.
Our industry has lost 50% of its customers in the last 30 years. Stopping the trend and reversing it needs to be our absolute goal.

30 years ago Wal-Mart wasn’t on the Fortune 500 list – today it is at the top. Wal-Mart is successful because of several innovations that it pioneered. The result was a relentless pursuit of low costs that were passed onto consumers in the form of lower prices. This attention to price drove a value revolution in retailing.

If you don’t think Wal-Mart lessons matter – talk to the neighborhood grocery stores and the small pharmacy and hardware store on Main Street that were the bedrock of retailing for generations, sustained by an older generation of consumers through the 60's and 70s has largely given way to a vastly different retail experience serving less loyal, more finicky and consumers driven by a willingness to change and try new things more frequently.
In an era of low inflation, excess capacity, price driven consumer spending, and massive consolidation, retailers and suppliers must strive to stand out in the crowd while at the same time effectively managing costs. Doing this successfully requires capable management of information. Consumer businesses collect vast quantities of information, both about products and inventory flow as well as consumer behavior.

The result is that information is now the core asset for consumer businesses. In the past, the core assets of retailers were merchandise and property. Today, information is more important - information about what consumers do and what they want.
Environmental Threats
Climate Change. Most consumers believe it exists and that humans play some role. Most consumers tendencies are toward believing oil is at least partly at fault – oil cannot stand still and do nothing to reinvent itself and change its approach to consumers. Between climate change initiatives in Washington and in every one of the 24 oilheat states – as well as the 10-state Northeast Regional Greenhouse Gas Initiative – we have an issue to deal with that is the seminal environmental issue of our time that will determine our future.

Education
Our strongest consumer base in Connecticut is among those who attended school through high school [653,000] with no college. Of the population over 25 years of age, [1.27 million] have some college or an undergraduate or graduate degree - and now this part of the population, the under age 50 and college educated consumer, is our weakest market. We need to broaden our appeal as we cannot long sustain a business on only older, high school educated consumers.
Gender

Women dominate decision-making in the household. Appealing to women is a key element of a marketing strategy. Women are from Venus and Men from Mars - in a male-dominated industry whose advertising typically reflects a male-oriented perspective, to capture the attention of women who dominate decision-making we need a woman's perspective to make sure we guys get the message right.

Women were more value conscious than men in every age group except among those over 65, often by significant margins. For instance, 59 percent of women between 45 and 54 were aware of promotions vs. 50 percent of men. Nearly 62 percent of women between 55 and 64 checked prices before shopping vs. 47 percent of men. By contrast, 59 percent of men 65 and older were careful shoppers, compared to 53 percent of women that age.
Retail Innovation

The first program we ran this morning was on why retailers didn't need to do what every other retailer did in order to be successful. There is an important reason why. Differentiation is valuable until competitors imitate. Thus retailers must innovate in order to stay ahead of competitors. Innovation entails not only technology but also merchandising, customer interaction, supplier relations, product specifications, and branding.

The most successful consumer businesses have been those that have been most innovative. For example, consumer product manufacturers have long known that a disproportionate share of sales and profits comes from the newest and most innovative products. For them, the challenge has often been to know when a product is no longer innovative and should be retired. For retailers, the challenge is no different. They must know when to retire a store design, a merchandising concept, or a service initiative.
Revenue enhancement
Consumer businesses often face slow growth, market saturation, and intense price competition from within the industry and from industry competitors such as natural gas. Obtaining more revenue is a difficult challenge. Thus retailers and suppliers must look for opportunities to reach new consumers as well as to obtain more revenue from existing consumers. The ability to expand business with existing customers will be a key success factor in the next few years. The presentation on BPI/HES energy audits and the strength we have arising from consumer attitudes toward our service technicians/energy conservation technicians is a prime example.
Consumers Say That Company Least Trusted Has Lost Their Trust Because of High Charges, Poor Service

Consumers were asked what one business or company they regularly deal with in their everyday life, large or small, they trust the least. Among those who named a business, a retail or wholesale sales business was named by 13%. About one in ten (9%) said the company they trust least was an auto repair business, eight percent said this company was an auto dealer. Another eight percent said this was a communications or telephone company and an additional eight percent report it was a gas station.

When asked what the company had done for them to not trust the company, consumers most frequently, unaided, mention high charges or fees (30%), poor service (27%), failing to meet promises (16%), dishonesty (14%), poor quality (13%) or bad business practices/policies (12%)
Honesty & Ethics Tops List of Consumers’ Prerequisites for Gaining Trust in Companies

Consumers were asked what, in their opinion, was the most important thing a business must do in order to gain their trust. Leading the list of top-of-mind responses are honesty, truthfulness, and ethics, mentioned by 27% on an unprompted basis.

Good customer service is reported to be a prerequisite for gaining trust for one in five (19%) consumers, followed by accountability and delivering on promises, considered most important by 11%. Quality products and/or service are mentioned by one in fifteen (6%).
Two-thirds of Consumers If Given The Choice Would Opt For Doing Business With Small Companies

Given a choice, 67% of consumers say they would prefer to do business with a small company rather than a large company in their everyday life.
Finally, the key to success for consumer businesses is flexibility. All successful strategies eventually fail because the business and competitive environment that stimulates their development eventually changes. Companies must have the cultural flexibility to recognize that the environment is changing sufficiently to warrant a shift in strategy. They must change with the business environment and constantly strive to stay ahead of competitors’ eager to respond to the same trends. Perhaps Andrew Grove, former CEO of Intel, said it best when he suggested that companies must be perennially paranoid. Of course true paranoia involves irrational fears. Yet better to be irrationally worried than naively serene.