

# Business Opportunities in the Elderly Consumer Market

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## Abstract

*The elderly market has received increased attention in recent years as the business community recognizes the size and buying power of this group. The diversity of the elderly population poses challenges for managers who wish to develop an understanding of this unique consumer group. A segmentation perspective is offered as a means to integrate divergent research findings by considering retail patronage motives of three groups of older shoppers. Recommendations are suggested to guide retail marketing efforts aimed at each of these segments.*

## Introduction

Perhaps the most important demographic trend in the American consumer market is the so-called "graying" of America. The elderly portion of the U.S. consumer market has grown dramatically, not only in size but in spending power as well. The number of Americans aged 60 and above is already greater than the combined populations of Australia, New Zealand, Denmark, Finland, and Sweden (UNESCO 1985). Demographic projections indicate that growth in segments of the aged population will accelerate in the decades ahead, making older Americans an even more potent force on the economic scene (Francese 1988).

Research is presently underway in both academic and commercial research circles as characteristics of the aged population are explored in greater depth. One of the frustrations of previous research in this area is the apparent inconsistency of findings. For example, some researchers have found the elderly shopper to be highly price-sensitive (e.g. Gelb 1978, Mason and Bearden 1978, Lambert 1979). Other research has failed to confirm this finding (e.g. Lumpkin and Greenberg 1982, Lumpkin 1984). Some studies have found the elderly to be highly social shoppers, enjoying interaction with sales clerks and other retail personnel (e.g. Mason and Smith 1974, Gelb 1978, Lumpkin, Greenberg and Goldstucker 1985). Other studies have found that the elderly enjoy shopping less than other age

groups (e.g. Martin 1975, Lumpkin 1984).

The divergence of these research findings may be due in part to the diversity of the aged population. In the view of a prominent communications researcher, "the elderly are the most heterogeneous segment of the population, differing more from one another than any other age group" (Oyer 1976). Unfortunately, many of the marketing studies in this field have treated the elderly population as a uniform cohort, often contrasting older consumers with other age groups as if the elderly population were a homogeneous whole. It may be that researchers arrive at different conclusions because they are probing dissimilar portions of the elderly population.

Three retail segments are hypothesized and explored in this article as a means to reconcile some of the divergent research findings of previous studies. It is hoped that this perspective on the structure of the elderly market will help retailers understand the motives behind the retail patronage decisions of older shoppers. The proposed segments are identified as Social Shoppers, Traditional Shoppers, and Price-Sensitive Shoppers.

### *The Social Shopper*

Studies in gerontology indicate that as the aging process takes place, individuals are likely

to experience some degree of disengagement from society (Barrow and Smith 1983). Some reduction in social interaction may occur as individuals experience retirement from the work force, the "emptying of the nest" as children grow up and move away, and the loss of spouse, other family, and friends due to relocation or death. The aged are prone to lose many of the roles they had earlier in life. A significant role that the older person can maintain, however, is the role of consumer.

Many researchers maintain that the elderly compensate for the loss of some roles by becoming more active in other roles (e.g. Phillips and Sternthal 1977). For socially isolated seniors, shopping can take on special significance by becoming a social experience in and of itself. Shopping provides an opportunity to interact with salespeople and to engage in friendly dialogue. Shopping may provide one of the few occasions available for social interaction, especially for the widowed and isolated.

Retailers offering a friendly shopping atmosphere and congenial salespeople have a significant advantage in terms of appealing to the Social Shopper. Research has demonstrated a tendency among at least some older shoppers to favor the higher-margin retailer who offers personalized sales assistance in a congenial store environment (e.g.: Bernhardt and Kinnear 1976, Lumpkin and Greenberg 1982). Price is not the prime consideration for such individuals; better overall prices can generally be found in the larger discount chain stores. However, many elderly (and even younger shoppers) have the perception that discount stores are impersonal places, characterized by a frantic, self-service shopping atmosphere and impatient sales clerks. Department store chains, specialty shops, and single-line and limited-line retailers located in shopping malls are typically in the best position to appeal to Social Shoppers. These retail environments already tend to be focused on personalized sales assistance and a congenial store atmosphere.

Managers of discount stores who wish to appeal to the Social Shoppers in their trading areas should pay particular attention to training salespeople to deal with the elderly shopper in a friendly and patient manner. Appealing to this segment might also require special sales assistance, provision of rest facilities, as well as so-

me changes in the physical environment of the store. On the basis of the costs versus the benefits of such repositioning, many discounters will find it advantageous to emphasize pricing appeals and focus on the Price-Sensitive segment of the elderly market.

### *The Traditional Shopper*

The elderly population tends to be one of the least innovative of all consumer groups (Schiffman and Kanuk 1987). Previous studies have found that at least some older shoppers are consistently loyal in their retail patronage (e.g. Lumpkin and Greenberg 1982). Familiar surroundings appeal to these older consumers, who tend to avoid new retail innovations. Retail patronage patterns established earlier in life might be maintained indefinitely by those elderly who are reluctant to change familiar ways of shopping. Mature businesses, particularly those located in the central business districts of urban areas, seem to appeal to this particular segment of the elderly market to some extent. Traditional Shoppers are likely to continue to shop in these familiar environments so long as their needs are adequately met in this fashion. Retailers located in newer shopping areas such as regional shopping malls are likely to face special challenges in gaining the patronage of this segment. Venturing into unfamiliar surroundings can be a threatening experience for consumers at any age; all the more so for the older Traditional Shopper.

Retailers might appeal to members of this segment by sponsoring special opportunities for older shoppers to visit the store site. A number of shopping malls open their facilities to seniors who wish to walk indoors for exercise. Other merchants have reported success in cooperatively sponsoring special "senior visit" promotional activities. Bus or van transportation is arranged to convey groups of older shoppers from senior citizen centers and retirement communities to a regional mall, where a special tour and shopping visit takes place. This event might be held before or after regular operating hours if the merchants wish to devote more time and attention to winning the continued business of these visiting seniors. Venturing out as a member of a larger group can reduce feelings of anxiety and risk that often inhibit innovative behavior. Subsequent visits to the merchants should be easier for the senior shopper once the new pattern of shop-

ping has been established.

### *The Price-Sensitive Shopper*

For one reason or another, price can be a very important issue to a number of senior shoppers. Pockets of poverty persist in spite of dramatic improvements in the overall economic condition of the elderly population (Fowles 1984). The very old, the widowed, and blacks and Hispanics are most likely to be poor. Limited financial resources may force some seniors to shop on the basis of price almost exclusively. While price is a consideration for almost any shopper, it becomes an overriding concern for the economically deprived. Others among the elderly tend to be price-sensitive because they enjoy getting a bargain and take pleasure in shopping for one.

The importance of the Price-Sensitive Shopper has long been recognized by merchants emphasizing low prices and limited services. Discount stores, mass-merchandisers, catalog showrooms, and other low-margin retailers typically appeal to the price-conscious shopper of any age group. Other merchants employ a distinctive focus on the elderly with senior discount programs and other price deals.

While senior discounts naturally appeal to price-conscious elderly customers, business practices linked to age must be employed cautiously. Many older citizens are sensitive to perceptions of ageism and discrimination against the aged. In fact, some activists oppose any distinctive treatment due strictly to age. While senior discounts are not presently under widespread attack, the manner in which the discount is presented should respect the dignity of the elderly shopper. It should be made clear that the discount is offered to the elderly because the retailer values their patronage, not "because old people can't afford to pay full price." The elderly are becoming increasingly sensitive to perceptions of negative stereotypes conveyed through business

activities.

### CONCLUSION

The aging of the American population is an important demographic trend which is reshaping the domestic consumer market. While the elderly market is made up of millions of individuals who are unique and diverse, previous research has provided some insights into common shopping motivations in this population. This article proposes a segmentation perspective focusing on three groups of older shoppers: Social Shoppers, Traditional Shoppers, and Price-Sensitive Shoppers. Various retailers differ in their ability to appeal to one or more of these groups. Decisions related to positioning the retail firm will have an impact on the ability of the firm to appeal to older consumers; these decisions will take on special significance as the size and spending power of the elderly market increases in the years ahead.

While more research is needed to understand the aged consumer and to explore hypotheses about the structure of the elderly market, a number of findings seem well-established at this point. Marketing activities aimed at the older shopper must be carried out with particular sensitivity. Special treatment and offers should be presented with care so that the perception is "we recognize your importance to our business" rather than "we don't think you are as capable as our younger customers." Respect for the independence and dignity of the customer should underlie all enlightened marketing strategies, particularly those dealing with the elderly.

Finally, effective planning in this area should recognize and respond to the diversity in the elderly population. An assessment of the relative importance of various elderly segments in the customer base of the business can be an critical first step in preparing retailers for the consumer market of the future.

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take advantage of every opportunity that their state governments make available. The golden days of federal assistance are over, at least for the foreseeable future. As John Shannon noted in a recent speech: "The federal budgetary realities of the 1980's would have made it difficult for even a President Johnson to maintain - let alone expand - the federal fiscal presence on the state-local front. The American brand of federalism is marked by diversity, competitiveness, and resiliency, and the Reagan Administration's contribution boils down to this -- it has helped give our pre-Great Society brand of fend-for-yourself federalism a new lease on life."<sup>5</sup> In the realm of economic development efforts, the competition has begun, and that is a real legacy of the new, new federalism.

### Footnotes

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