News analysis

Talking 'bout my generation, my generation yeah . . .[1]

*Following his recent article on segmentation,[2] **David McCaskey** evaluates the potential for the leisure-and-hospitality industry to be found in the Baby-boomers—his own generation.*

From WW2 to Woodstock to Woodstoves to the World Wide Web, what a long, strange trip it's been. Born in that baby-making bonanza which took place between 1945 and 1964 and now aged 39–58, the arrival of this generation has been a most predictable of demographic events. Yet few in our leisure-and-hospitality world are repositioning themselves to meet the unprecedented opportunities presented by this age cohort.

The Baby-boomers concept first emerged in the US. Most American marketing texts agree that the Babyboom ran for a 20-year period following the end of WW2—1945 to 1964; during these 20 years some 77 million Americans were born.[3] Many in the UK and Europe regard the ten years from 1945 to 1954 as the boomer decade.

Where the wealth is

Let's look at a few Baby-boomer facts:

- the over-50s possess 80 per cent of the UK's wealth and 40 per cent of its spending—worth £145 billion per year
- this is the only population group set to increase—from 20 to 27 million by 2025

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Therefore the 50-plus age group is the only expanding market segment in the UK—indeed, as it is in all of Western Europe and North America. They have more disposable income or discretionary spend than all other consumer groups combined. For many, substantial inheritances from their property-owning parents, completion on their mortgages and liberation from the costs of children as they in turn graduate to achieve empty-nester status has left them with significant capital and—for the first time—a very positive balance of income over expenditure.

And the big spenders

In the US, Alison McGuire of Elderflower Ltd found a complete turnaround in boomer attitudes compared with those of their parents, who were parsimonious, prudent and deferred gratification by continually saving for a rainy day. Her research exposed an outlook in the US which 'forgot saving for the future—making the most of the present is the priority'. This generation has coined a new cluster: SKINS—'Spend the Kids Inheritance . . . Now!' For them, 'Pleasure rather than duty is the order of the day.' As one boomer put it succinctly to an interviewer: 'I've written a will and if there's anything left, my kids will get it; if there isn't, tough!' Most estimates put the UK some 5–10 years behind the US.[4]

This group now has increasingly the time, money and inclination to spend, spend, spend. In *The Sunday Times Money* section, David Budworth was recommending that investors should cash in on the Baby-boom market by investing in businesses involved in fast cars, motorbikes, Winnebagoes, luxury cruises and hip replacements. 'When the children have gone', he finds, 'spending transfers to "dream-fulfilment" goods—thus good news for the likes of Porsche, Harley-Davidson and P&O Princess Cruises.' Investing in guitar-makers could also be recommended.[5]

Tony Blair's widely publicised photo-call from a school visit where he is strapped to a Fender Stratocaster for an impromptu jam accompanied by both the sixth form and the nearly 50-year-old David Blunkett on drums prompted *Independent* columnist John Walsh to investigate the electric-guitar market. Here he found that

> *the Prime Minister was embodying a significant trend. Ageing hobbyists have returned to the realms of Jimmy Hendrix and Mark Knopfler, boomers are buying electric guitars, amps, wah-wah pedals, fuzz boxes and other rock-god paraphernalia with an enthusiasm that hasn't been seen in a decade. Sales figures were showing a steep upward curve: in 1999 a quarter-of-a-million guitars were sold—a 19 per cent rise on the previous year. In 2000 sales were up by 23 per cent, in 2001 by 30 per cent—and still rising.*[6]

Dennis Drumm, MD of Oxford Street's Ivor Mariants Music Center, commented:

> *We're seeing a lot of sales to the DDL market. By which I mean doctors, dentists and lawyers who are now on good professional salaries and who can afford to spend £800–3000 on a serious acoustic or electric guitar.*

No more air-guitar for them—let's play this section out to the strident bass tones of Peter Gunn (you can hum) or—for the more adventurous—that rousing riff from Eric Clapton's *Layla*.

Marketing for mass old age

This is the upside to growing old—yes, there are some! You are now able to act out your dreams and ambitions, for the first time focusing on your needs rather than meeting the needs of family and work. Kath Harris captures this well:

> Before the research, we expected boomers to be making the most of their affluence by 'treating' themselves to products and brands as a reward for having worked hard during earlier years. What emerged was certainly a sense of self-worth (much of what they did was supported by the notion that 'I deserved it'). However, there were few brands in existence that could be aspirational to their segment—only one or two had succeeded in providing a dignified blend of 'mutton and lamb'.

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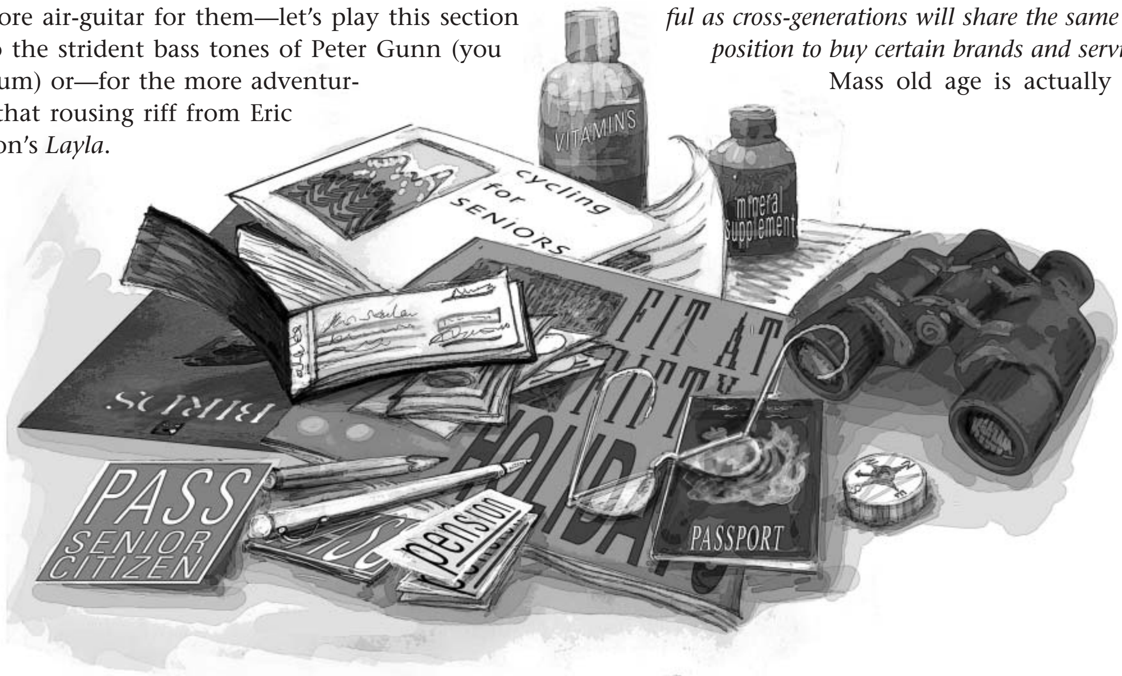
Harris determined that this generation is

> *a child in time, sandwiched between the austerity of their parents and the consumerism of their children. This is in some senses a 'forever young' group likely to reject the conventional life-stage cycle brought on by the ageing process. It can be argued that it will be ultimately no longer relevant to segment markets on the basis of life stage as lifestyle marketing becomes more meaningful as cross-generations will share the same predisposition to buy certain brands and services.*[7]

Mass old age is actually a new



phenomenon. At the beginning of this century most of us would have been dead or worn out by the time we got to 40 or 50. Most died through accident or disease, least often through 'natural causes'. The Queen's 100th birthday telegram no longer makes the news. That this cohort will be around for a long time may be evidenced in a speech by the LSE's Professor Nick Crafts:

> *Longevity has increased hugely. Life expectancy at birth, now about 77 years, has almost doubled since 1870. Only 26 per cent of men born in 1901 could expect to reach retirement age, and they would die within one year. Nearly 90 per cent of males born now can expect to make it to retirement, and enjoy years of healthy retirement.*[8]

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So what is happening? It looks like the Baby-boomers are back in town, ready to take up where they left off—and, more importantly, back in the shops—and are major purchasers of services. Paul Fifield identifies them in 'New Age Marketing' and finds:

> *The consumers who caused the first big marketing upset 30 years ago when they demanded products and services designed specially for them —the original 'youth-market'—are back with attitude after having their families and now have a lot of living to catch up on. They are the '60s generation, the social revolutionaries who shaped the world we live in today.*[9]

Ageing hedonists hunt quality experiences

Kim Green, head of PricewaterhouseCoopers' European retail business, stated that most retailers were guilty of short-termism, and would be caught short by this demographic trend. It puzzled him that, given the predictability of this demographic event, few were repositioning themselves to cater for the ageing baby-boomer.

> *Already in Europe there has been a marked decline in retail spending from 40 per cent of disposable income to 32 per cent as people have redirected their funds towards leisure, dining out and financial services.*

As one of the few who has responded, he cites Selfridges—at 80,000m^2 one of the largest retail spaces in London:

> *Three years ago, a debate raged about whether department stores were the dinosaurs of the retail sector. Selfridges poured millions of pounds into a makeover, a complete reworking of the store's image. They took a serious risk in that there was a lot of upfront investment, but they captured the mood of the customer through the introduction of theatre and theatrics.*[10]

The success of a revitalized Selfridges and that of its new offshoots may be witnessed daily.

This concept of theatre and theatrics fits well with my earlier article: this describes the economic progression from the delivery of services moving on to the staging of 'experience' which is now at the forefront of consumer requirements.[11] To reiterate:

> *An experience occurs when a company intentionally uses services as a stage, and goods as a prop, to engage consumers in a way that creates a memorable event. Commodities are fungible (interchangeable), goods tangible, services intangible and experiences memorable.*[12]

The Henley Center noted a sea-change in consumer attitudes:

> *the disappearance of the inert consumer and the emergence of the Active Truster consumer who forms an attachment to innovative consumer brands but is skeptical of institutions. They are outspoken and will actively support or disparage brands based on their consumer experience.*[13]

Alison McGuire's research shows that for this generation

> *whether talking about restaurants, nightclubs, health clubs or holidays, boomers want to enjoy experiences designed for them, not their parents or their children. The market they are going to create over the next 25 years will be a new one.*[14]

This is a mass market which cannot be treated as one homogeneous segment. Factors that help in our approach to segmentation include lifestyle, social cir-

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cumstance, income, health, attitude and values—these may throw up great disparity. Visit Yahoo and enter 'boomer': you'll open over 250,000 sites, many of which may yield useful ideas as you consider your strategies for entering this market. As US citizens they have an unalienable right to travel, to eat out and to participate in memorable experiences; fail to meet the promise made and your business will be severely castigated as this example from the Boomer Café shows:

Boomer Beware: United Airlines' Silver Wings Program. Launched a couple of years ago by United Airlines in an effort to appeal to the baby boomer, membership in Silver Wings will cost you $250. What you will receive in return is a packet of coupons that are worth one-half the membership costs. It's a classic rip-off, to be avoided.[15]

It would seem that boomers are very clubbable: there are many travel services and banks have been developing all sorts of club offerings well honed to meet the market. One UK example would be Whitbread's Emerald Club, open to all of 55 or over This now has well over one million members who accept benefits such as early-bird discounts on dinner at the myriad of Whitbread outlets. This is a good example of 'win/win' with the customer achieving a better price and the company better turnover/occupancies. Long-term it is classical CRM—consider an average of one hot meal per week over 25 years—that's before they start to bring in their children and their children's children, let alone the cross-selling opportunities.

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The hospitality response

Throughout the '90s, in his many reports for Kleinwort Benson (et al), Paul Slattery tracked this generation set against the background of momentous secular change (a trend occurring or persisting over an indefinitely long period) in the structure of the UK economy. He recorded the continued year-on-year growth in sales of the leisure-break weekend—with many boomers taking two or three breaks each year—and concluded that this was a recession-proof market. From this he constructed his treatise on 'The Golden Age for Hotels' where 100 per cent occupancy at good AARRs would be the norm as the take-up of the three-day weekend break grew and corporate business downturn in the summer would be compensated by leisure demand.[16]

In another analysis, 'UK Freestanding Restaurants PLC', Slattery summarizes secular changes in employment for women, dual-career families and the steady shift from an industry-based economy into today's postindustrial economy where the service sector dominates. One accompanying lifestyle change would be the accelerated demand for eating out, matched by a reciprocal downturn in the frequency of cooking at home. He captures change thus:

The priority since WW*2 has been to acquire goods such as houses, cars, brown and white goods as boomers' needs for these are fully met, the emerging priority which has massive growth potential is the demand for leisure activities. These include eating and drinking in restaurants, holiday-taking, staying in hotels, playing and watching sport, participation in arts and culture and gambling.*[17]

In what is almost a decade since he wrote this, today's leisure demand more than fulfils his prophecy.

And so, the long-predicted demand is here—on our very doorsteps. Our response as an industry has not been dissimilar to that of UK retailers—very limited with occasional examples of good practice such as, for example, that found in Whitbread's Emerald Club.

Repositioning may be witnessed in other markets. There may be evidence of the boomers' drive to 'Keep Young and Beautiful' in two recent reports. Last month's Mintel Report on the health-and-beauty products market shows that

consumers spent £12.8bn on health and beauty products, a market sector which grew 13.7 per cent between 1997 and 2001. Much of this growth is attributed to the growing and increasingly affluent boomers.[18]

Last year's Allegra Strategies report into the health and fitness industry noted

that the growth from 4,822 clubs in 2002 to 5,081 by 2004 would be driven by the wealthier ageing population who were now better accommodated by the more forward thinking branded outlets.[19]

A visit to the Red Letter Day website will introduce you to a whole range of 'Experiences' quite clearly geared to boomer needs for some thing different—the photographs of happy boomer participants are not dissimilar to those to be found in Saga Holiday brochures.

The indeterminacy of the effects of the SARS pneumonia virus currently sweeping Asia, compounded by the possibilites of terrorist attack and recession all introduce much uncertainty—so let's work with the one certainty that the youth market is shrinking, the seniors are being displaced by the boomers—a market with very different needs and wants. It is time that our innovative and entrepreneurial marketers come to grips with this market to maintain our businesses into healthy and affluent longevity.

The proposal, entirely contrary to The Who's lyrics, *We're not trying to*, should really be: . . . *we're trying to create a great sensation.*

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