

## The New Customer Majority

*Marketing is in crisis. That's not news. The news is what's causing that crisis.*

There is hardly anyone who doesn't know these are harsh and unforgiving times in marketing. The ad business side of marketing had its worse year in history in 2001. Yet throughout the burp of a recession that followed the dotcom bust, consumer spending remained moderately strong. So how could consumer spending be reasonably strong while the ad business is gasping for air? In any other period, this rate of consumer spending would be a sign that advertising was enjoying sunny days.

What is the source of the grim picture in marketing? Why can't companies with mega budgets and deep pools of talent solve their marketing problems? Why is it that with more customer data than ever before, companies complain that customers are tougher to sell to today?

A cornucopia of reasons are given for marketing's problems and no shortage of ideas exist on how to solve those problems. Interestingly, explanations offered for marketing's travails generally exculpate marketers from any responsibility. Instead, marketing's problems are said to result from external conditions, like a savvier, more educated consumer population. But marketers are presumably among the better educated, so why should there be a gap? Other popular whipping boys include the astonishing range of choices available to consumers, ad clutter which disorients, and of course the Internet.

However, one condition that is playing the greatest role in marketing's derailment is rarely mentioned: the aging of society which is driving historic changes in the leading views, values and behaviors in the marketplace. In the process, this is radically changing the rules of marketplace engagement. Until marketers come to grips with

this historic event, customers will continue tuning out their messages on a massive scale and client companies will continue being skeptical of their marketing agencies.

### Chronic Youth Syndrome

Madison Avenue is suffering from a generation gap between itself and the older, more seasoned and autonomous consumer universe that has emerged. Perhaps nothing else has done as much to throw marketing off course.

Lessons on marketing meted out in business schools and learned on the job reflect decades of experience in markets dominated by the views, values and behavior of people under the age of 40. Many of those lessons no longer apply. Worse, persistence in following them is eroding marketing effectiveness because people over 40 are now the adult majority. That makes a good chunk of what you thought you knew about marketing wrong.

In 1989, the year that adults 40 and older became the *New Customer Majority*, the validity of marketing ideas shaped by experiences in youth dominated markets began to fade. But their influence on marketing has remained strong. Ultimately, the biggest challenge in marketing today is overcoming the momentum of those old ideas now made obsolete by the New Customer Majority.

Consider the old idea that youth is the ideal human state. In service of this bad penny, marketing experts repeatedly remind us that aging boomers hate the idea of aging, so base your marketing to them on the values of youth. Bad advice! Many studies indicate that people generally become well adjusted to aging as they grow older. Sixtysomethings are likelier to be more happy with their present age than

fortysomethings. The truth is, many people in marketing seem more afraid of aging than most aging boomers, or at least older boomers who have had enough time to work through their earlier midlife qualms about it.

Marketing suffers from a pandemic of *chronic youth syndrome*. CYS blurs one's vision of new marketplace realities brought about by the coming of the New Customer Majority.

Marketing's crisis owes much to the fact that too few people in marketing realize that New Customer Majority minds don't work the same as the minds of the Old Youth Majority. The former quite literally use different brain sites and mental processes to evaluate products and product messages and to make buying decisions. Marketing communications are still mainly geared to how younger minds work.

Young people buy products. Middle age and older people buy experiences. Lexus weaned away Mercedes and Cadillac owners by offering them pleasing experiences they had never experienced with a car brand. Guernsey Bank in Ohio outshines its competition in attracting affluent older customers by designing its branches with the warmth of a living room and treating its customers as one treats a house guest.

### **Authenticity Matters**

Meeting the expectations of New Customer Majority shoppers is not all that difficult. They want to be understood, respected and treated well. Meeting those expectations requires a depth of knowledge of human behavior, a genuine spirit of caring about customers and a dedication to serving customers throughout the employee population. One word seems to sum all this up: *authenticity*.

The New Customer Majority loathes artifice. They get turned off by manipulative advertising. Keeping in mind that consumer spending is currently in a healthy state while the ad business is anything but, it is apparent that people are less responsive to advertising than ever before. Since adults 40 and older are the majority and are

doing most of the spending, it does not take long to figure out that these adults are not finding advertising messages very relevant to them. Marketers continue to ignore the New Customer Majority by pumping out advertising that was more suitable in the pre-1990s marketplace.

### **Marketing's Biggest Challenges**

Einstein famously said that a problem cannot be solved in the same consciousness in which it arose. The consciousness or mindset out of which success arose in the dominantly pre-middle age markets of the past will not help marketers overcome the following challenges they face this decade.

#### **Population declined by 4.3 million among 25-44-year-olds**

This age group is traditionally the biggest-spending 20-year age cohort. But in this decade, its total spending will decline by \$104 billion, placing it behind 45-65-year-olds whose spending will increase by \$329 billion. Sales to 25-44-year-olds are likely to fall in nearly every category in this decade. Revenue growth must be derived from increased sales in older age groups, especially the 45-65 age group which is growing by nearly 16 million in this decade.

#### **Resistance of 45-65-year-olds to traditional marketing**

People in this age group, now the most numerous and biggest-spending 20-year age group, have greater resistance to traditional marketing because they tend to be more introspective (self-informed), more individuated (less influenced by peers), and more autonomous (greater resistance to those who try to persuade them). Persuasion advertising based on product claims is generally less effective than experiential advertising that tells a story. People in this age group demand greater authenticity in commercial experiences, and are less motivated by famous-person product endorsements, more resentful of manipulation techniques and less likely to be drawn into an ad by novelty for novelty's sake.

## **Mastering cross-generational marketing.**

For nearly 50 years, age segmentation has been a mainstay in marketing. Belief that marketing to older people forecloses success in younger markets has been gospel. However, with the 25-44-year-old population now shrinking, many companies must look to older age groups to grow sales without compromising their positions in younger markets. This requires *ageless* marketing that is based on projecting values that resonate across generational divides. New Balance Athletic Shoes, one of the few companies that practices ageless marketing, has seen annual sales grow 25 percent or more for the past five years in a category that is so flat that even Nike has had no real sales growth.

## **Declining consumer dependence on marketing communications for information**

Consumers can now get more information about products and companies from Internet sources than previously available through traditional marketing communications. The most productive response to this is to bring customers into the value chain through collaboration and dialogue that make them part of a brand's story—and *vice versa*. Evidence of this should permeate marketing communications and be apparent at all customer contact points.

## **Erosion of consumer trust in companies and their marketers**

The U.S. is experiencing one of its deepest recessions in trust. Recent scandals involving Wall Street firms and analysts, corporations, the accounting profession and the Catholic Church have convinced many that no institution, corporation or person in business can be automatically trusted. Marketers rank just above used car salespeople in trustworthiness.

Regaining consumers' trust in marketers depends on switching from product centric to customer centric marketing that reflects

empathetic understanding of customers' circumstances, feelings and motives. Trust will no longer be given blindly, but depend on humanized relationships between company and customer. This requires an intimacy with customers that companies have long rejected, an attitude that has become more transparent in the drive to automate nearly every interaction with customers.

## **Erosion of client trust in their researchers and marketing agencies**

Companies are cutting back or abandoning traditional consumer research because of declining dependability. Many are cutting back advertising and direct marketing budgets because of falling consumer response. The aging consumer universe has changed what works in research and marketing, yet researchers and marketers still use techniques that proved themselves in the younger marketplace of the past. Now people over 40 dominate the marketplace. A 45-year-old is not just a more experienced version of her 25-year-old self. She has undergone *predictable* changes in her worldviews (not her beliefs, but how she connects with the external world).

She mentally processes information differently, drawing less on reason and more on intuition. Years of experience have given her greater confidence in her gut feelings. When a researcher asks her a question, she responds differently than she would have at 25. Her response will be less black-and-white and more dependent on context.

Regaining client trust in research and marketing depends on researchers and marketers adapting to the mental information processing styles of the New Customer Majority. Doing so will yield more accurate research and better responsiveness to marketing communications. In short, the New Customer Majority will respond to marketing if marketing responds to them.



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