

TRANSACTIONS

NOVEMBER, 1964

PANEL DISCUSSION

DEMOGRAPHIC TRENDS AND SOCIOLOGICAL RESEARCH AS APPLICABLE TO MARKET ANALYSIS

Panel Members:

ROBERT J. MYERS, *Moderator*

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DR. JOHN W. RILEY, JR., Vice-President and Director of Social Research,
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ALAN M. THALER

ROBERT J. MYERS:

In the past much of the emphasis in marketing life insurance and annuities has been on the economic aspects of the market. Today we hope to throw some light on the demographic and sociological aspects, which are probably equally important factors. I have had a considerable interest in demographic trends for a number of years, but as to market analysis I am quite confident that no member of the Society has less knowledge than I have. In fact, as you probably know, in my organization there seems to be no real need for market analysis, since all our business comes in automatically as a result of the compulsory coverage features in the Social Security Act. On the other hand, considering the legislative snarl that developed in the last session of Congress in regard to social security legislation, perhaps we do need a little more effort in regard to market analysis or perhaps political analysis. I would like to call on Dr. Taeuber to open the panel discussion this afternoon.

CONRAD TAEUBER:

All of us contribute to demographic trends, though perhaps without always realizing that the experience which we as individuals have had is really quite general. What I would like to do is to draw your attention to

a few of the highlights of current population developments in the United States.

To begin with we are growing, and we are growing rather rapidly. Table 1 shows a population of 189 million in 1963. By November, 1964, we were up to 193 million. We are growing about 1.4 per cent per year at the present time. This is about enough to double the population of the

TABLE 1
POPULATION OF THE UNITED STATES, 1940-63, AND
PROJECTIONS, 1965-85

(In Thousands—Figures Relate to July 1 Except
as Noted and Include Armed Forces Overseas)

Year and Series	Total	Under 14 Years	14-64 Years	65 and Over
Estimates:				
1940*	132,288	30,707	92,545	9,036
1950*	151,718	38,498	100,925	12,295
1960	180,676	53,350	110,667	16,659
1963	189,278	55,237	116,474	17,567
Projections:				
1965				
Series A	195,129	56,976	120,051	18,102
B	194,671	56,517		
C	194,136	55,982		
D	194,127	55,973		
1970				
Series A	211,430	61,739	130,120	19,571
B	208,996	59,305		
C	206,110	56,420		
D	205,886	56,195		
1975				
Series A	230,415	68,369	140,875	21,171
B	225,870	63,824		
C	220,133	58,087		
D	218,855	56,809		
1980				
Series A	252,056	77,383	151,586	23,087
B	245,313	71,405	150,821	
C	236,474	63,460	149,926	
D	233,140	60,148	149,905	
1985				
Series A	275,622	85,766	164,850	25,006
B	266,322	79,302	162,014	
C	254,016	70,398	158,612	
D	247,953	64,681	158,266	

* Figures relate to April 1.

Source: U.S. Bureau of the Census, *Current Population Reports*, Series P-25, Nos. 279, 276, and 265, and *U.S. Census of Population, 1960*, U.S. Summary, PC(1)-1C.

United States in fifty years. If that startles you or frightens you, let me just draw your attention to the fact that between 1910 and 1960 we doubled the population of the United States also.

The big element in growth at the present time is fertility. The projections in Table 1 are based entirely on four different assumptions as to fertility. On mortality, we have made the assumption that there will be only a small increase in the expectation of life. In 1962 for males it was 66.8 years; for 1984-85 we are assuming 68 years, only a little over a year's increase in expectation of life at birth.

We are assuming also that immigration continues at about the present level, when about 10 per cent of our annual growth is due to immigration. About 90 per cent of our annual growth is due to the excess of births over deaths, and we leave it to the reader to choose which of these four projections, A, B, C, or D, is to be preferred for 1985, or for any of the other years that are shown.

Our growth, however, is very uneven, reflecting considerable unevenness in the number of births in years in the past.

Figure 1 shows the expected increase in the population, particularly in the very young ages. There are relatively large increases also among women 55 years old and over.

The unevenness of our growth in the next years is shown in Figure 2, which portrays changes in 1960-65. Because of the drop in the number of births in the depression years, there is a decline in the number of 30- to 39-year-olds. The postwar increase in births is reflected in a very sharp increase in the age groups 15-19 and 20-24 as well as in increases among the younger age groups.

The most rapidly growing parts of our population are the very young and the relatively older population, 65 and over. The latter continues to grow rather rapidly, as I am sure all of you know, not primarily because people are living longer, but because more people are living to the point where they can be classified as in the older population.

One dramatic effect of this unevenness in the number of births is the large increase in the number of persons reaching their eighteenth birthday.

In the fiscal year 1962-63, two and three-quarter million youngsters reached this milestone, and in 1963-64 the number was about the same. This year, 1964-65, that number jumps by a million, and now three and three-quarter million youngsters are reaching their eighteenth birthday. This is one of the most dramatic aspects of the population changes that are taking place in the United States at the present time.

The increase in the number of women in the early childbearing ages is

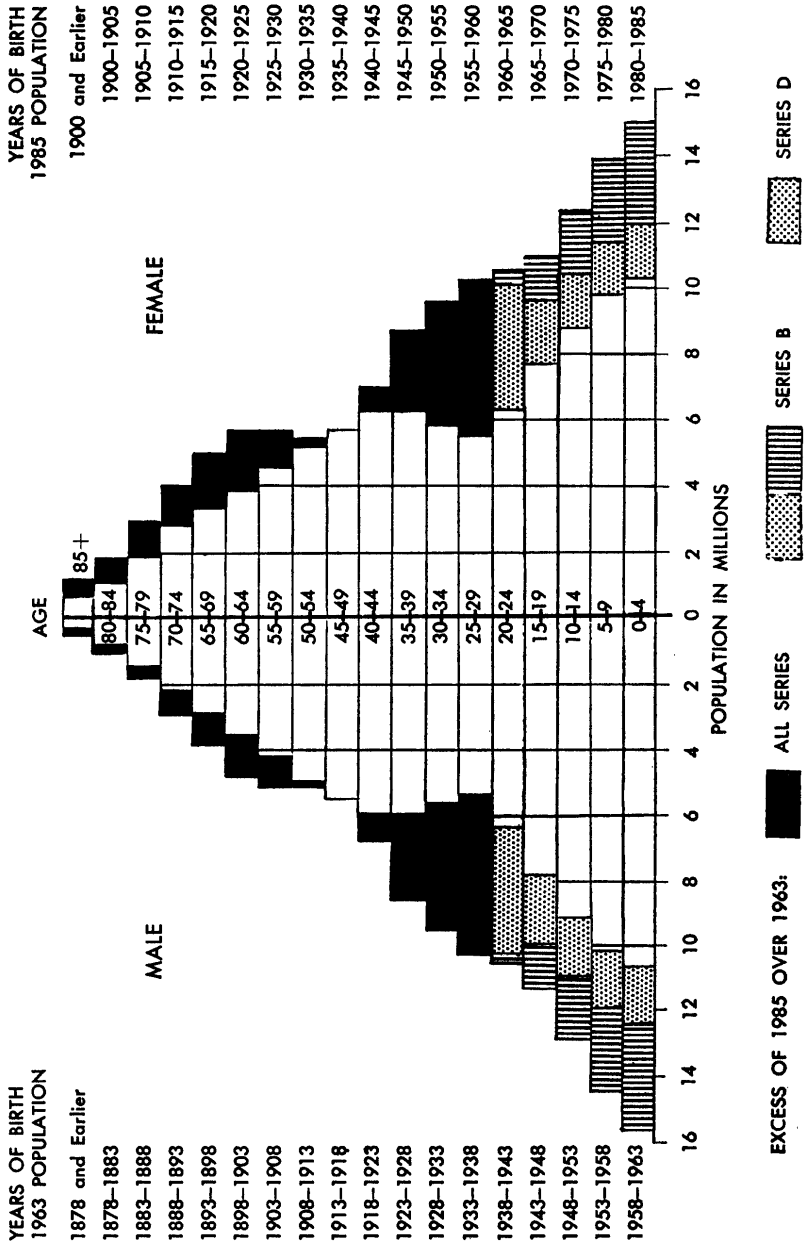


Fig. 1.—Population of the United States, 1963 and 1985

AGE
(Years)

75+
70-74
65-69
60-64
55-59
50-54
45-49
40-44
35-39
30-34
25-29
20-24
15-19
10-14
5-9
0-4

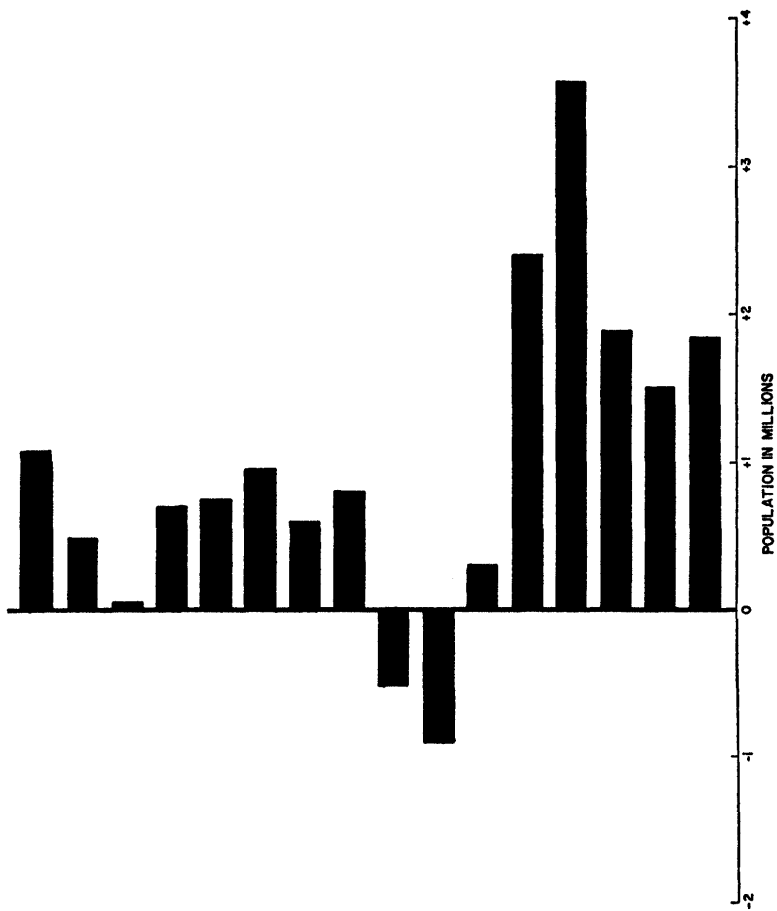


FIG. 2.—Population change, 1960-65

likely to result in some growth in the number of young children. Referring back to the projections in Table 1, we note that there is a substantial difference in the number of persons in the age group under 14, under the four different assumptions as to fertility. By 1985 there is a difference of approximately one-third between the numbers in that age group in Series A and in Series D. But, even if the declines in fertility which are assumed in Series D were to occur, the number of children under 14 in 1985 would still be larger than it was in 1963.

Despite talk of a population explosion, the birth rate in the United States is a highly controlled rate and is therefore subject to a good deal of change. If economic and social conditions, or fashion in family size, or any of the other factors that affect fertility should change, the birth rates could change very sharply, and the projections given in Table 1 could turn out to be far off the mark by 1985.

Growth patterns have changed a number of times in the recent past. They changed rather sharply in the 1930's; they changed again in the late 1940's, when birth rates went up; and they have stayed at what is a relatively high level compared with the 1930's and the 1920's, although there has been some falling off since 1957.

An indication of what the future holds in store can be gained from reports on the number of children whom women expect to have. The education of the woman bears a close relationship to the number of children she expects to have. The women who have only a grade-school education generally expect to have more children than do the women who have had high-school education, and they in turn exceed the women who have had some college education.

There is also a close relationship to husband's income and his occupation. The lower-income families expect a somewhat larger number of children. Farm women report that they expect to have larger families, but the families in which the husband is in a white-collar occupation tend to report somewhat smaller expected family size. The reported expectations correspond reasonably well to the actual performance.

An important change in American life in the last twenty-five years, comparing 1940 with the present, is that, practically speaking, every woman gets married in the course of her lifetime and that every married woman who is biologically capable has children. The striking shift has come in the tendency to have two or three children, rather than, as before the war, zero or one. The maiden aunt that all of us have encountered in fiction, and some of us may have encountered in real life, has practically disappeared from the American scene.

The changing age composition, and especially the large increase in the

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number reaching their eighteenth birthday in the next years, has raised questions about the ability to provide jobs for all who will want to enter the labor force.

Table 2 gives projections of the labor force. In 1963 there were nearly 76 million persons in the labor force; by 1975 it is expected to be about 93 million. During the 1950's the labor force increased annually by about 840,000; during the 1960's, and especially by the latter part of the 1960's,

TABLE 2
LABOR-FORCE ESTIMATES: ACTUAL, 1950-63
AND PROJECTED, 1965-75
(Thousands of Persons 14 Years of Age and Over)

Year	Both Sexes	Male	Female
Actual:			
1950.....	64,749	46,069	18,680
1960.....	73,126	49,507	23,619
1962.....	74,681	50,175	24,507
1963.....	75,712	50,573	25,141
Projected:			
1965.....	78,936	52,455	26,481
1970.....	85,703	56,295	29,408
1975.....	93,031	60,916	32,115
Actual—Average Annual Increase:			
1950-60.....	840	345	495
1960-63.....	860	355	505
Projected—Average Annual Increase:			
1960-65.....	1,160	590	570
1965-70.....	1,355	770	585
1970-75.....	1,465	925	540

NOTE: Individual items may not add to totals because of rounding.
Source: Employment and Earnings, U.S. Department of Labor *Special Labor Force Report*, No. 24, Interim Revised Projections of U.S. Labor Force, 1965-75, U.S. Department of Labor.

the annual increase will be about 50 per cent greater if past trends are continued. Because of the large increase of young adults, the projection calls for 1,350,000 additions to the labor force annually toward the end of the decade.

Unemployment rates have been relatively steady in the last few years, but the increase of young men and women has not yet made itself felt. In preparing these projections, it was assumed that the proportion of young men 14-24 years old who are in the labor force would decline because more of them would stay on in school or college. This was happening in the 1950's. The projections also assume a decline in the proportion of older people in the labor force. In part, this reflects the fact that retirement ar-

rangements have become more general, and it is expected that they will continue to become more general. Part of the change reflects the fact that the proportion of the self-employed in our population is declining and consequently more and more of our population is in the category of people who are either at work or not at work. The self-employed often can taper off their economic activity in their later years, but employees generally do not have that opportunity. The projections assume further declines in the

TABLE 3
EMPLOYMENT BY MAJOR OCCUPATIONAL GROUP, 1960-75

MAJOR OCCUPATIONAL GROUP	ACTUAL, 1960		PROJECTED, 1970		PROJECTED, 1975		PERCENTAGE CHANGE		
	No. (in Millions)	Per Cent	No. (in Millions)	Per Cent	No. (in Millions)	Per Cent	1960-70	1970-75	1960-75
Total.....	66.7	100.0	80.5	100.0	87.6	100.0	21	9	31
Professional, technical, and kindred workers...	7.5	11.2	10.7	13.3	12.4	14.2	43	16	65
Managers, officials, and proprietors, except farm	7.1	10.6	8.6	10.7	9.4	10.7	21	9	32
Clerical and kindred workers.....	9.8	14.7	12.8	15.9	14.2	16.2	31	11	45
Sales workers.....	4.4	6.6	5.4	6.7	5.9	6.7	23	9	34
Craftsmen, foremen, and kindred workers.....	8.6	12.8	10.3	12.8	11.2	12.8	20	9	30
Operatives and kindred workers.....	12.0	18.0	13.6	16.9	14.2	16.3	13	4	18
Service workers.....	8.3	12.5	11.1	13.8	12.5	14.3	34	13	51
Laborers, except farm and mine.....	3.7	5.5	3.7	4.6	3.7	4.3
Farmers, farm managers, laborers, and foremen..	5.4	8.1	4.2	5.3	3.9	4.5	-22	-7	-28

Note: Individual items may not add to totals because of rounding.

Source: *Manpower Report of the President and a Report on Manpower Requirements, Resources, Utilization, and Training*, U.S. Department of Labor, March 1963, Table 28.

proportion of persons 65 and over who are in the labor force, but they assume very little increase in retirement at younger ages.

The occupational pattern is changing rather sharply, as is shown in Table 3. The projections assume that, in line with recent trends, there will be sharp increases in professional, technical, and kindred workers and also in the number of clerical and kindred workers. Some increases are projected for the number of sales workers. Service workers are expected to increase rather sharply. Farmers, farm managers, and farm laborers are

expected to continue to decline very sharply as they have been doing in recent years.

One other aspect of the changing age pattern of the population is given in Table 4. All persons who have been at all active in community affairs are aware of what has been happening to the schools. They have been under severe pressure to have enough grade-school facilities, and more recently the pressure has been on high-school facilities. The colleges have just begun to feel this impact because the wave of 18-year-olds, the baby crop of 1947, is really just beginning to come to college.

The problems of the elementary schools are by no means over. The number of children of elementary-school age is not expected to grow as

TABLE 4
SCHOOL ENROLLMENT, 1950 AND 1960, AND
PROJECTED, 1965-80
(In Thousands)

Year	Elementary School or Kindergarten	High School	College
Estimated:			
1950.....	21,406	6,656	2,214
1960.....	32,441	10,249	3,570
Projected:			
1965.....	35,402	12,711	4,375
1970.....	36,360	14,110	5,261
1975.....	37,001	14,838	6,028
1980.....	41,151	14,752	6,342

Source: U.S. Bureau of the Census, *Current Population Reports*, Series P-25, No. 232, June, 1961.

rapidly as during the 1950's, but it is expected to grow. There will be significant increases in the number of high-school students. Their numbers reflect the increased number of children in the appropriate age groups and also the larger proportion of them who go on to high school. The college population is also subject to both of these developments.

The educational level of our population has been rising. The young man or woman who has recently been exposed to our educational system, as evidenced by those now at age 25, averages high-school graduation or better. This is relatively new in our population. By 1965 we expect to have more college graduates in the population than persons who have had less than five years of schooling.

The education of the parents and their income exert a considerable influence on the extent to which children remain in school beyond the

compulsory school-attendance ages. One third of the 16-17-year-old boys from homes with family incomes of less than \$3,000 and parent's education of less than eight years of school were themselves not enrolled in school. But only 6 per cent of boys of this age from homes with incomes of \$7,000 or over and parents who were at least high-school graduates were not enrolled in school. Progress within the school system was likewise related to income and education of parents. Children from homes with lower incomes and lower educational level of parents were more likely to be retarded scholastically than children from homes with higher incomes and educational levels.

Table 5 gives projections for the number of households. With more young people reaching adulthood, there will be more households. The pro-

TABLE 5
NUMBER OF HOUSEHOLDS FOR THE UNITED STATES, 1930-60,
AND PROJECTIONS, 1965-80
(Numbers in Thousands; Projections Based on Population Series II)

DATE*	No. OF HOUSEHOLDS	AVERAGE ANNUAL INCREASE OVER PRECEDING DATE	
		No.	Per Cent
Census:			
April, 1930.....	29,905	542†	2.2
April, 1940.....	34,949	504	1.7
CPS:			
April, 1947.....	39,107	594	1.7
March, 1950.....	43,554	1,525	3.9
April, 1955.....	47,788	833	1.9
March, 1960.....	52,610	981	2.1
Projections:			
Series A:			
July, 1965.....	58,637	1,130	2.1
July, 1970.....	63,865	1,046	1.8
July, 1975.....	70,036	1,234	1.9
July, 1980.....	76,494	1,292	1.8
Increase, 1960-80...	23,884	1,175‡
Percentage increase..	45.4
Series B:			
July, 1965.....	57,195	860	1.6
July, 1970.....	62,023	966	1.7
July, 1975.....	67,730	1,141	1.8
July, 1980.....	73,601	1,174	1.7
Increase, 1960-80...	20,991	1,032‡
Percentage increase..	39.9

* All dates are as of the first of the specified month.

† Average annual increase between January, 1920, and April, 1930.

‡ Average annual increase, 1960-80.

Source: U.S. Bureau of the Census, *Current Population Reports*, Series P-20, No. 123, April, 1963.

jections are based on two different assumptions as to the rate of household formation. The significant element here is that recently there have been fewer than a million new households per year, but, during the latter part of the 1960's and on into the 1970's, the number is likely to go up rather sharply. This assumes that there will be no hinderance to the formation of new households. The increase in the expected number of households is especially rapid for young households, that is, those with a head who is under 25 years of age. Between 1962 and 1970, these young households are expected to increase by 70 per cent or more, compared with an increase of about 15 per cent for all households.

The increase in the number of young households has important implications for the demand for rental housing and installment purchases, as well as for the number of births and a demand for all the services which children require.

Everybody knows that families have been increasing in size, and yet those stubborn people at the Bureau of the Census seem to insist that households are not increasing in size. The difference is that a family by our terminology consists of related people living together, and a household consists simply of all people living under the same roof. What has been happening is that older people, widows and older couples, have tended to maintain their own households. Increasingly, young people set up their own households as soon as they reach an age at which they become economically independent and can afford to do so. Consequently, the number of households has been increasing rather rapidly, and there has been a sharp increase in the number of one-person households. These are, to some extent, young people who take their own apartment rather than live with their parents. But in many instances these one-person households are older people who find it possible to maintain themselves in their own households and to have all the advantages or disadvantages of separate living.

One striking change in American life is in the family life-cycle. On the average, as of conditions in 1890, when the last child in a family left home, the husband had already died; that is, that child was already an orphan. As of 1960, the last child leaves home well ahead of the death of the family head. Because of earlier marriages, and the practice of having children soon after marriage and then stopping having children relatively early (the average woman has had her last child before she is 30 years old), there are now some fifteen years of joint survival of husband and wife after the children have left home. In many cases, no doubt, the son or daughter away from home continues to receive some financial support, and sometimes this may be quite substantial. Married college students frequently

receive financial assistance from one or both sets of parents. No one knows how many mothers are working in order to keep a son or daughter in college, but the number of such cases is probably larger than most people realize.

A group of families which is of particular interest to any sales program

TABLE 6
FAMILIES BY TOTAL MONEY INCOME IN 1963, BY NUMBER
OF EARNERS, FOR THE UNITED STATES

TOTAL MONEY INCOME	FAMILIES					PERCENTAGE OF FAMILIES BY INCOME
	Total	No Earners	One Earner	Two Earners	Three Earners or More	
Total.....	100.0	7.8	43.9	36.5	11.8	100.0*
Under \$1,000.....	100.0	38.3	44.2	15.1	2.4	3.8
\$1,000-\$1,499.....	100.0	37.2	41.2	18.8	2.9	3.2
\$1,500-\$1,999.....	100.0	36.1	41.5	18.6	3.8	3.6
\$2,000-\$2,499.....	100.0	27.3	46.6	21.8	4.3	4.2
\$2,500-\$2,999.....	100.0	20.5	48.4	26.3	4.8	3.7
\$3,000-\$3,499.....	100.0	11.8	56.4	27.0	4.8	4.6
\$3,500-\$3,999.....	100.0	8.1	55.9	31.0	5.0	4.1
\$4,000-\$4,999.....	100.0	5.3	54.9	33.3	6.6	9.0
\$5,000-\$5,999.....	100.0	2.0	55.8	35.0	7.2	11.1
\$6,000-\$6,999.....	100.0	0.6	48.9	42.0	8.4	10.2
\$7,000-\$7,999.....	100.0	0.5	45.5	42.6	11.5	9.1
\$8,000-\$8,999.....	100.0	0.8	37.8	46.3	15.0	7.8
\$9,000-\$9,999.....	100.0	0.7	29.1	52.5	17.7	5.6
\$10,000-\$11,999.....	100.0	0.6	29.9	47.1	22.4	8.3
\$12,000-\$14,999.....	100.0	0.2	26.4	47.4	25.9	6.2
\$15,000-\$24,999.....	100.0	0.3	29.4	35.0	35.3	4.4
\$25,000 and over.....	100.0	2.5	48.3	26.0	23.2	1.0

* Total includes 47,436,000.

Source: Based on *Current Population Reports, Consumer Income*, Series P-60, No. 43, September, 1964, Table 6.

includes a family with two earners. Nearly 50 per cent of the families with incomes of \$6,000-\$15,000 are two-earner families (see Table 6). In most cases the second earner is the wife. By her economic activity she has helped put the family into this income category where there is room for discretionary expenditures or for savings. No doubt these families contribute substantially to the purchase of big-ticket items, recreation services, vacation travel, etc.

In view of the current interest in poverty, your attention is drawn to

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the fact that, in 1962, 78 per cent of families with incomes under \$3,000 were white, 22 per cent were nonwhite. However, the nonwhite have a higher proportion in that particular income bracket than among all families.

Americans are born with the right to move. Within the large territory of the United States we are free to exercise our right to move at any time in any direction and as often as we please, and we do exercise that right rather freely.

Roughly one out of five persons moves at least from one address to another, or from one apartment to another in the course of a year. This is very unevenly distributed among age groups. The figure for males aged 18-24, our most mobile age group, is 33 per cent. Young people who are newly married change addresses rather freely—61 per cent in the course of a year. The rate is less for other groups, but for the young marrieds, 25-34 years old, it is 28 per cent in the course of a year. I understand that some of your agents are having trouble keeping up with people because they move about freely. This is one of the demonstrations of the reasons for that. It is not that your clients are particularly mobile; it is simply that they are in an age group that is particularly mobile.

The heavy migration to California, which has pushed it now into the number one position so far as population is concerned, is largely a migration of people in working ages. California by no means leads the country in the proportion of population aged 65 and over. That lead occurs in Iowa and generally in the Middlewest. Florida is high, but California is not high on that score. Some older people are moving to warm climates but in relatively small numbers.

ROBERT J. MYERS:

Dr. Taeuber has made a very interesting presentation that lays a good demographic foundation for our subsequent discussions. Also, as those of you who have gone over these extensive data will realize, there are many aspects that relate to each of our individual interests and businesses.

The next panel member to make a presentation will be Mr. Alan Thaler.

ALAN M. THALER:

Introduction

Conrad Taeuber has given you a great many facts and figures related to demographic and sociological trends. I have been asked to carry on with this discussion and to point up some of the insurance implications. There are many ways of approaching this topic, and in the limited time that has been allotted for this discussion I will try to concentrate on four significant

changes and trends now taking place. They are: (1) geographic changes; (2) family changes; (3) changes in the age distribution of the population; and (4) changes in work patterns.

Each of these trends has countless implications for insurance. I cannot hope to discuss them all. Therefore, let me deal with how these trends are affecting the relationship of our agents and companies with the people we insure; on how these trends may change the marketing of our products; and, finally, on how these trends may alter the insurance needs of the public and the products we sell.

Before I proceed, I would like to make it clear that I do not have a nice, neat package of answers as to where our business is going and what we should be doing about it. What I shall try to do is ask some questions which will need to be answered within the next few years. Perhaps this discussion will serve as a catalyst for some basic research which I believe must be done to ensure a promising future for our industry.

Changing Relationships among the Insured, the Agent, and the Company

As I said, I want to discuss first the implications of economic and demographic trends on the relationship among the insured, the agent, and the company.

Our business has been built largely upon personal relationships between our agents and our insured families and upon the service rendered to policyholders through our agency force. A company's strength or weakness depends to a large extent on how firmly these relationships are rooted, on the contacts between the company and the client, and between the agent and the client. What I would like to examine is: How are the trends in the areas I have just mentioned affecting these relationships? Let us first examine the geographic trends from this point of view.

Increased urbanization, along with its high-rise apartments and big-business offices, has had a stronger influence on the agent-client relationship than many of us realize. In many instances, the agent has become more anonymous and the relationship between him and his client more formal.

Increased suburbanization of the population has also changed the nature of the agent's job. The agent finds he must travel farther between calls, and, therefore, each call becomes more expensive to make. Suburban life also encourages people to make use of checking accounts. Persons who formerly paid their premiums either through their agent or by stopping in at the insurance company branch office are more likely to pay by check. Furthermore, suburban life means there is a greater distance between home and work. Men who live in the suburbs often prefer to carry out

their insurance transactions while at work. This may favor the insurance broker at the expense of the full-time company agent.

Conrad Taeuber has already pointed out that one person in five changes his residence in the course of a year. With such a high percentage of our population constantly on the move, the long-term relationship between agent and policyholder which has been characteristic of our business in the past is rapidly disappearing. Every insurance agency today is faced with the problem of how to give satisfactory service to an increasing number of orphan policyholders. The mobile policyholder moves from one formal and distant relationship with an agent to a new one.

These changes lead people to expect less of agents and to be less likely to call on agents. So the downward cycle is reinforced, and the relationship between agent and policyholder becomes even more formal and restrained.

Nor is the problem of orphan policyholders simply one of agent reluctance. For example, the company's concentration of servicing agents may vary from area to area and affect the ability of agents to service orphan policyholders.

If we examine this question of relationships from the standpoint of what is happening in the family, we recognize that the greatly increased number of working wives is also making problems for the agent who now frequently finds no one at home when he calls.

It would seem rather clear from an examination of these trends that the strength of the agent-customer relationship is diminishing, and this suggests some questions to which we should perhaps be finding answers.

1. If the policyholder-agent relationship is weakening, what can the insurance company do to offset this? Policyholders still need advice on their personal problems. They still need trained help in planning their financial security, and this help can best be given by someone who knows the family and understands the family's needs, problems, and capacities. What steps can be taken to provide these services to policyholders?
2. In particular, what steps can a company take to re-establish and maintain relationships with a policyholder who moves to another part of the country? Are there perhaps some new services which an insurance company should be offering to its policyholders in order to strengthen the ties between the insured and the company?

Marketing Methods

This takes us from the subject of agent-client relationships to the question of how these trends are affecting our markets and our methods of marketing. For example, when a person buys a policy in the ABC Life Insurance Company, this is, in his mind, a one-time transaction. When next he needs more insurance, he is faced with making a new and separate pur-

chase. Should we perhaps be doing something to change this situation? What incentives can we offer a policyholder to continue to purchase additional insurance with his insurance company once he has taken an initial policy?

Perhaps the biggest factor affecting insurance company marketing is the one of geographic mobility which has already been mentioned. In this connection, the question which we must answer is how can we best mesh our marketing efforts and the geographic location of field staffs with these population shifts? What systematic long-range planning should we be doing now so as to have the right number of agents in the right places at the right time?

Another important factor affecting marketing is the changing age distribution of the American population. These changes bring with them demands for different kinds of policies to fill new needs and goals. How should we alter our marketing to meet these demands?

In considering this question of marketing, we need also to study changes in work patterns. We have today more persons working for large organizations than ever before and more persons working in organizations of all sizes. The phenomenal growth of group insurance over the past twenty years indicates that large corporations and places of work in general are exceptionally good focal points for the marketing of insurance. The questions must be asked as to what further extensions will be made in marketing through a person's place of business. This question of marketing through employers brings us back to the question of relationships between policyholders and insurance company. Certainly, in group insurance as it has been developed, the relationship between the policyholder and the insurance company is remote. Have we not failed in allowing group insurance to develop in this way? Should we not be exploring how we can give the insured employee greater identification with the insurance company? Should we perhaps also ask if there is not a role that the agent might play in accomplishing this purpose? These questions would seem to be especially important in view of the increasingly important role that group insurance plays in the total insurance picture.

Insurance Needs and Products

Last, let me turn to the question of insurance needs and products and again look at some of the same demographic and social changes and consider their implications. In the area of geographic changes, we have said quite a bit about population movement. We have also mentioned the importance of group insurance plans. The question may well be asked: Has enough been done toward accomplishing portability of group insurance

and pension coverage? In the field of term life and health insurance, has enough been done for the convenience of persons insured under group plans to permit a simple bridging of employment gaps with appropriate life and health insurance? Alternatively, in the case of those who are changing jobs, can we do a better job of converting existing group coverage to permanent individual insurance?

If we look at the changes taking place in the family structure—the increase in the number of working wives, the trend toward larger families and more schooling—a number of implications and questions come to mind. The larger families and the longer schooling period suggest more family responsibility and greater needs for insurance protection. The working wives and the rising income of the husband suggest more available funds with which to satisfy these increased insurance needs.

At the same time that family needs are increasing and working wives are assuming a greater share of the family's financial responsibility, we see very little penetration of the women's life insurance market. This gives rise to many questions which must be answered as to why the insurance industry has thus far been ineffective in penetrating this most important segment of the market.

Summary

The few questions I have raised and the implications I have suggested in the past few minutes merely begin to scratch the surface. One thing seems clear from what has been said here today. We live in a rapidly changing world, and the insurance business is a part of it. The pace at which these changes take place and the magnitude of the changes seem to be at an ever increasing tempo. If the insurance business is to keep pace and maintain its position in this world of change, we must diagnose our problems with greater insight, we must devote more of our resources to research and development, and we must place greater emphasis on innovation.

To put it simply, first, we must understand the changes around us. As I have tried to show, broad social trends can have direct and immediate consequences for life insurance marketing. To recognize and understand these trends will enable us to react more intelligently and successfully to them.

Second, not only must we understand what is occurring now but we must also attempt to predict and project future trends.

Third, we must be sufficiently flexible to adapt our products and our marketing methods to fit these changing conditions. This involves not only adopting new methods and products but also retaining and modi-

fying those features of our present programs which continue to be of value to the insured.

For it is only through intelligent, planned adaptation to the needs of our customers that the insurance industry can fulfill its role in our society.

ROBERT J. MYERS:

Mr. Thaler has built well on the demographic foundation that Dr. Taeuber has created for us. It is, as you say, quite important to realize that these trends are coming and what problems these will present to the various types of insurance that we have in our country to provide economic security.

Next we will hear from Dr. Riley, who has had a unique background as a social scientist, both on the campus and now with a large life insurance company.

JOHN W. RILEY, JR.:

Dr. Taeuber has given us a picture of broad demographic changes, and Mr. Thaler, in pointing out some of the implications for our business, has outlined a number of challenges.

What I want to do now is to examine certain of these changes—but from a sociological perspective—in the hope of generating further insights and questions for market analysis.

Let me start by repeating Dr. Taeuber's observation on the changing life-cycle of the family, since this is the social institution of most central concern to life insurance. We are perhaps familiar enough with the statistical changes which allow us to observe, for example, that on the average a mother today has her last child well before age 30 and can consequently expect to see all her children married before she herself is 50 years old. Or, to look at the change in more functional terms, we can say that today the middle years are largely free from the direct care of children and that husbands and wives typically have close to a third of their married lives yet to live jointly after their children have married. (Contrast this with the situation around the turn of the century, when couples had less than a 50 per cent chance of surviving jointly until their children had married.)

Let me proceed, then, to consider some of the specific social changes within this broader change in the family life-cycle which would seem to have relevance for our concern with market analysis. I shall comment briefly on: (1) husband-wife relationships; (2) family social mobility; (3) family security; (4) patterns of intergenerational responsibility; and, finally, (5) the meaning of death.

1. Consider first the norms governing the husband-wife relationship,

with specific reference to family decision-making. One change in the family cycle is the tendency for more and more wives—especially better-educated wives—to enter the labor force. This seems to call for a change *within* the family as well, to call for *less* division of labor between husbands and wives and *more* joint participation—and this is true especially within that broad sector of our society known as the middle classes.

The homemaking magazines and the mass media have talked at length about “togetherness,” and they have made some pretty silly observations, but we can now report some fairly definite research findings at least on family decision-making. For example, the greater the competence of the wife in helping her husband to gain status in the community, the more influence she has in the family’s councils. Or, the closer the wife comes to matching her husband’s educational level, the greater her influence. Or, the greater the contribution of an independent income by the wife, the greater her influence in decision-making.

This last point may be of particular interest, as Mr. Thaler has just suggested. The middle-class working wife seems to be especially focused on two considerations: she is motivated to add to the provision for her children (notably their education), and, interestingly enough, she seems to be just as involved as her husband in plans for the retirement years.

But this emerging pattern of joint decision-making is relatively so new that its consequences cannot be fully identified, much less measured. On the other hand, there are some obvious possibilities and some tantalizing clues for market analysis.

First, for the sale of ordinary insurance, a recent study by the National Manpower Council concludes that “planning with regard to time and money for the future through insurance was more characteristic of the families with working wives” than in those families in which the wife is not working. (I cannot verify this study, but it fits the related findings of other research.) As one enthusiastic observer has suggested recently, the time may not be far off when “the one income family will be considered as unfortunate as the widower used to be in an agricultural society.”

Second, if it is true that the need for life insurance must be brought into salience through the efforts of an agent, and if there is an increasing amount of joint decision-making in the middle-class American family, it would seem to follow that the need or needs must be identified—directly or indirectly—for both husband and wife. Note that this is not simply a matter of seeing to it that wives are present at sales interviews. There are interactive processes at work outside the interview itself, and whole new selling approaches may have to be developed.

Third, the extension of the joint survival years seems to have brought an increasing awareness on the part of both husbands and wives of new needs and

new possibilities for the future. (There are now well over five million husband-wife families in the United States in which the head is 65 years or over.) Our products would seem to be uniquely suited to the meeting of many of these new retirement needs. Yet the marketing of these products in the middle and later years may depend partly on the time needed for decision-making. This time requirement appears to increase with age; and what we do not know is how joint decision-making and the time required fit into various stages in the family cycle.

2. We turn next to the general tendency toward upward social mobility. Dr. Taeuber's figures show that the percentage of the population 20 years and over who are college graduates will have nearly doubled between 1940 and 1970—with an even greater percentage predicted for the decade of the 1970's. This rapid change in educational levels is only one way of expressing the over-all trend toward social upgrading in our time. The picture is the same for income, occupation, or almost any variable which is reflective of social status.

What this upgrading process will ultimately mean for life insurance markets and the nature of the sales forces required to service them is far from clear.

Yet perhaps we can be certain of one thing. The number of these upwardly mobile families is very large, and they are required to allocate at least as large a share of their resources in order to achieve higher family status as the stable middle-class families allocate in order to maintain it. Thus, since we know that life insurance already plays a significant role in the middle-class scheme of things, the real question concerns the values of the upwardly mobile. On this I can report some indications from our preliminary studies to the effect that the parents of upwardly mobile young people have many of the same characteristics and aspirations as the so-called stable middle-class parents.

Indeed, it may well turn out to be the case that it is precisely these parental values which make the upgrading process possible. But that is too large a question for today. The real point for marketing is that there is a potential here which could be realized if there were some ready way of locating these upwardly mobile families. On this I think we have every reason to be optimistic.

3. Let us consider, in the third place, the norms of family security and asset accumulation. A major change, of course, has to do with the development in our time of various collective security programs—especially social security and private pension plans. The big question which this raises has to do with the moral values which are attached to individual initiative and conscious saving. Is it true, as many have contended, that the norm of

thrift has so weakened that the American family no longer really believes in saving?

Obviously we can have no simple answer to such a question, but some research is relevant, and the evidence strongly suggests that the various automatic security-providing programs are not tending to decrease additional savings—but may be increasing them.

To my mind, the most powerful theory to explain such a result, if, indeed, the findings ultimately bear it out, can be stated in terms of realizable goals. If people see that intermediate savings goals are attainable, their chances of continuing to long-range goals are greatly enhanced. (Incidentally, this is the same social-psychological concept which lies behind current learning theory and which is being used in such educational devices as teaching machines and programmed instruction.)

The implications of such a change for the market for life insurance could, of course, be great. Let me suggest three.

First, preliminary research suggests that a higher proportion of the families who are currently participating in private pension plans not only own life insurance but own it in larger amounts than nonparticipants. If such findings are confirmed, we should be able, as Alan Thaler has suggested, through systematic planning and aggressive selling, to hold present markets and also to open up new ones.

Second, since we know fairly well that savings through insurance and savings for specific purposes tend to go together in the same families, the changes that are taking place in the family life-cycle raise many new problems and exacerbate old ones. Consider, for example, the needs of the young marrieds where dissaving—typically via the installment route—is most common. Obviously, household formation requires many outlays for the home during the first five or ten years. Yet this period of childbearing and child-rearing—a period in which there is a great need for insurance protection—is now precisely the point in the family life-cycle when there is the smallest amount of discretionary income. The expectations of these young families, however, are great, and the rapid rate at which new families will be formed during the next decade or so will offer us many problems but great potentials.

And, third, another intriguing change in this connection is related to our discussion of social upgrading. One consequence of the technological revolution may be that the male reaches the top rung of his occupational ladder somewhat earlier than his predecessors. He reaches this occupational peak at the point where his family is becoming smaller and substantial family savings on a regular basis are becoming feasible. This suggests not only an important market potential for life insurance but also an enhanced motivation toward asset accumulation—as the middle-aged male, often frustrated on the scale of further occupational advancement, may substitute a new scale of financial advancement.

4. Also closely related to the upgrading process is a new and developing pattern of intergenerational exchange and support. While the current tendency for couples at all stages in the family life-cycle is to create separate and independent households—the so-called undoubling phenomenon—it does not follow, as we had earlier believed to be the case, that the contemporary family is a socially isolated unit. Rather, recent social research is beginning to uncover a complex network of kinship relationships which could prove to be of significance to our markets and our marketing approaches.

One example leaps to mind. As the period of formal education becomes generally extended for both males and females, this runs into full collision with the continued lowered ages at marriage. Although it should come as no surprise to us that fully one-quarter of all college and university students are already married, we know next to nothing on any systematic basis about the financial arrangements which are developing between parents, their own children, their in-laws, and their families. To be sure, a number of studies have shown that there is a middle-class pattern of financial support between parents and married children, whereas among lower-class families the pattern is characterized more by such services as baby-sitting, food preparation, and the like. Certainly, the extension of parental support into their children's majority is a new phenomenon in American society. On the other hand, we do not really know very much about the mechanics of these patterns and the systems of expectation which support them.

Similarly, at the other end of the age spectrum, we find comparable, but as yet obscure, patterns developing between aged parents and their middle-aged offspring.

One study recently estimated that the percentage of aged persons who receive regular cash contributions from their children is probably not very high. On the other hand, it is undoubtedly true that contributions for emergency or special needs would run the percentage up considerably.

But underlying this entire phenomenon is the very clear research finding that older people are far more reluctant to seek or to receive help from their adult children than are the children, in turn, to give it.

One of the most acute aspects of this as yet unevolved help pattern is to be found among the aged female population, whose life-expectancy has tended to improve more than the male, and this is a point which I hope Mr. Edward Lew will touch upon in his remarks. Certainly, these elderly women will constitute an important and challenging problem both for public policy and for the institution of life insurance.

5. Finally, turning to our last topic, the meaning of death, we seem to

be moving further and further away from a social environment in which the twin threats of suffering and premature death were of central personal concern and toward a mode of life in which it is possible to mitigate suffering and in which the incidence of premature death has been greatly reduced.

Of specific interest, for example, is the trend in the traditional belief which identifies death with suffering. This belief, though not widespread in contemporary society, does tend to increase with age. At the same time, a remarkable phenomenon emerges when we introduce education as another variable. In effect what happens is that the belief withers away with increasing education. Since we are in a period of rapid upgrading, we can thus safely predict that this threatening aspect of death is diminishing in our time.

Other research findings similarly suggest changes in the meaning of death. There seems to be far more open discussion of the topic nowadays. The taboo seems to be relaxing, and the traditional attitude which tends to deny death seems to be undergoing change. Perhaps of specific interest is the extent to which people are currently taking practical actions by way of preparation for death. On the basis of preliminary research, we can estimate that the great majority of all adults are sufficiently concerned about death, and the uncertainty as to the time of its occurrence, as to make some anticipatory plans. Thus about one-quarter of the adult population report having made wills. Approximately the same proportion say that they have entered into some kind of funeral or cemetery arrangements. Moreover, just about one-half report that they have made a point of talking about death with those closest to them. And, finally, a matter of no surprise to anyone here, over 70 per cent report the purchase of some form of life insurance.

Several additional points of interest are revealed, however, when we look at these actions by life-cycle stages and by socioeconomic status levels. In general, a fairly clear picture emerges. While older people tend to take more anticipatory actions, the trend (with the notable exception of funeral arrangements) is accentuated by higher status. Thus, upper-educated persons (at a given age level) are more likely to feel the need of talking about death with those closest to them, are more likely to have executed wills, and are more likely to have purchased life insurance.

Thus, although the American people seem to be increasingly inclined to consider death openly and to take certain preparatory steps, the full implementation of this trend may have just begun. After all, only one-fourth have made out wills, and the size of the average life insurance policy is certainly anything but adequate. The proper social value of adequate life

insurance protection for the family has yet to be established in American society.

In summary, I have tried to describe briefly five social changes which, together with the demographic trends already outlined, should carry implications for the designing, merchandising, and servicing aspects of market analysis. What some of these concrete implications are, I know that Mr. Lew, who is a real expert in these matters, will presently specify.

ROBERT J. MYERS:

Dr. Riley certainly has given us an interesting and intellectually challenging presentation on family structure. I think we can all well appreciate the new vistas of thought that are opened up to us in regard to how family structure affects the life insurance business. Our final panelist, Mr. Lew, will now build on that.

EDWARD A. LEW:

Business management everywhere is striving to sharpen its decision-making by basing its thinking on far more extensive and objective data. In the area of marketing, this calls for careful attention to the implications of demographic trends and the findings of sociological research, such as those outlined by Drs. Taeuber and Riley. Alan Thaler has identified some of these implications, and it is now my assignment to continue this analysis.

More specifically, demographic trends and sociological research suggest some of the answers to questions such as:

1. How are changes in income, age and sex distribution, occupation, and educational attainment of our population affecting various markets?
2. Are sales efforts being directed toward the major areas of growth not only in terms of numbers but also in terms of quality?
3. What products will best serve the coming wave of young families and the college market?
4. How can life insurance companies attract a larger share of the savings dollar?
5. What kinds of organization of sales appear advisable for the various types of markets?

For purposes of discussion, it is convenient to approach market analysis as a three-legged stool. One leg is the product—in our case, protection and savings; the second leg is the organization of sales; and the third is the market. There is an obvious interaction between product, organization of sales, and the market. Both product and organization of sales must be adapted to the changing characteristics of the customers. This is why we must have better understanding of the impact of population trends and of changes in people's attitudes, such as those brought to our attention by Drs. Taeuber and Riley.

Income Trends

Dr. Taeuber indicated that in 1963 approximately one-fifth of all United States families had money incomes under \$3,000, one-fifth had incomes from \$3,000 to \$5,000, one-fifth had incomes from \$5,000 to \$7,000, one-fifth had incomes from \$7,000 to \$10,000, and one-fifth had incomes of \$10,000 and over. It is estimated that by 1970 about half of all families will have money incomes of \$7,500 or more. This means that a materially greater portion of the spending of most families will be discretionary. Not only will more families enjoy larger incomes but these incomes will be more stable, permit more budgeting, and be spent to a greater extent through checking accounts. How much these families will allocate for more adequate insurance protection, more savings for children's education, and earlier and more ample retirement, instead of more expensive houses, bigger cars, and better vacations, is in part up to us.

To facilitate our efforts, Dr. Riley has alerted us to some basic changes in the structure of the family. If we can make it more fashionable to provide greater insurance protection, larger savings for children's education, and earlier and more ample retirement—give them a status value comparable to that of conspicuous consumption—then the country will have gained inestimable benefits. It will have taken a giant step toward controlling inflation, and it will also have added importantly to its needed capital formation for further expansion of the free-enterprise economy. This is a formidable task, but it is one on which the future of our business depends.

In considering the interaction between organization of sales and customers, we should keep in mind that the median income of families whose heads are professional or technical workers is already about \$9,500 a year and that for self-employed heads of families within this group it is nearly \$13,500. Agents with comparable incomes and backgrounds will usually appreciate better the needs and preferences of such families and hence be able to sell them more successfully.

Age and Sex Trends

It is well to bear in mind that our primary customers are men and women in the age range 18-64. They will increase from 106 million in 1965 to 114.4 million in 1970—or by nearly 8.5 million. However, almost 7 million of this increase will occur at ages under 30, with the 18-24-year-olds—a sizable proportion of whom will still be dependents—accounting for some 4.3 million. We must not count on over-all population growth in any area to increase the market automatically. Unless population growth is accompanied by constantly increasing productivity, living standards are likely to fall and markets may contract.

A case in point is the imminent sharp rise in the number of 18-year-olds—from 2.7 million in 1964 to 3.7 million in 1965, reflecting the marked increase in the birth rate of 1947. This unprecedented increase in 18-year-olds is not an unmixed boon, since it will aggravate the problem of finding jobs for the unskilled and the inexperienced. There is a serious question whether private business will be able to use the large numbers of unskilled and inexperienced young people who may be seeking jobs in the near future.

The forthcoming marriage boom may be delayed two or three years after 1965 because teen-age brides customarily marry grooms three to five years older than themselves. By 1970, however, we should be in the midst of a new baby boom.

The character of households in the United States is likely to undergo some radical changes, since most of the increase in households during the next five years will be accounted for by those whose heads are under 25 or over 55. The number of households headed by widows or divorcees is almost certain to keep on increasing. At both ends of the age scale, the size of new households will be somewhat smaller and their incomes below the current average for all households. While it is clear that we will have to cultivate the younger age groups more intensively than heretofore, we will at the same time have to persuade people from 25 to 55 to carry more insurance protection.

For the young married set, group attitudes are likely to be very influential in determining the extent to which life insurance, health insurance, and savings will be deemed a *necessity* or a *luxury*. It would appear that we can give proper guidance to these new families only if we have the right kind of agency representatives and the right kind of sales promotion and, at the same time, allow patterns of payment for protection and savings that fit the normal growth in the income of such families.

The number of women in the labor force, particularly at ages over 40, is likely to continue increasing because of the re-entry of women into the labor market after their children grow up. By 1970 nearly half of the women in the age range 35–64 will probably be working. The rise in the number of these supplementary earners will be an important factor in increasing the number of middle-income families. A new relationship between husbands and wives with respect to joint income is emerging, and we should learn to take advantage of it.

Continued increase in the longevity of women is making it necessary to accumulate larger savings to provide a reasonable income for widows. Women who return to the labor force after their children have grown should be made aware of these facts of life and counseled to provide par-

tially for their old age by buying endowment insurance or deferred annuities on their own lives.

Trends by Occupation

It is likely that in the early 1970's the number of white-collar jobs will exceed the number of blue-collar jobs. About half of the white-collar jobs will be in the relatively high-income categories of managers, officials, proprietors, professionals, or technical workers. There will also be considerable upgrading of blue-collar workers, since nearly a third of them are expected to be craftsmen, foremen, or other highly skilled personnel exercising a great deal of judgment and entrusted with the care of complex machinery. A high-school education for many production workers and an engineering degree for some foremen may soon be a necessity.

Despite increasing blurring of social class differences as a result of mass communication and the migration of blue-collar families to white-collar suburbia, some important differences in attitudes between the two groups may continue. Insofar as blue-collar groups retain their past attitudes toward children, education, leisure, and status, their acceptance of greater insurance protection and more savings through life insurance and pensions will continue to require a distinctive sales approach.

Unskilled service workers as a group are not expected to show any significant growth, while farm and nonfarm laborers are expected to decline in numbers. These two groups will comprise the major portion of those with the lowest incomes. Furthermore, they are likely to be the hardest hit by increasing automation in industry and farming and by increasing sophistication of the service trades in which they might seek employment.

Trends in Educational Attainments

The educational attainment of our population as measured by formal schooling is rising rapidly. By 1970 it is anticipated that the median completed years of schooling for males in the civilian labor force will rise above twelve years, which is already the case in California and very soon will be in Massachusetts. By 1970, about half of the population 25 years of age or over will have earned a high-school diploma, and over 9 per cent will have completed college. College enrollments may well reach seven million at that time.

At the present time, professional, technical, and kindred male workers average about sixteen and one-half years of completed schooling, and they constitute the fastest growing major occupational group. Salaried managers, officials, and proprietors, as well as the higher echelons of clerical and sales workers, average nearly thirteen years of schooling. Insurance

agents, brokers, and underwriters—who not so many years ago enjoyed some advantage in education attainment compared with business and clerical people—currently show up with about thirteen years of completed schooling.

It is particularly disheartening that the educational attainment of inexperienced ordinary agents hired by twenty-one large companies in the United States has actually shown a decrease in the past decade, according to LIAMA records. If we are to sell more protection and savings to the professional and technical occupations and to the higher echelons of business and clerical people, we must have agents with comparable educational attainments. This is also imperative for the extremely promising college market.

Trends in Geographical Distribution

Very recently figures have become available indicative of population changes during the period following the 1960 Census. The obvious facts are that the Western states increased their population by 13 per cent from April, 1960, to July, 1964; the Southern states, by 8 per cent; the Northeastern states, by 6 per cent; and the North Central states, by only 3 per cent. California, Nevada, Arizona, and Florida all registered gains in excess of 15 per cent, while Texas, Utah, Colorado, Georgia, Virginia, Maryland, Delaware, New Jersey, Connecticut, Alaska, and Hawaii showed increases from 8.5 to 12 per cent.

Perhaps more significant are the internal migration trends, which indicate that white persons have been moving predominantly to areas of higher incomes. Negroes have been leaving the Deep South in large numbers without too much regard as to where employment opportunities were available for them. The detailed trends show that more than a half-million whites left the East North Central states between April, 1960, and July, 1962; nearly 300,000 whites left the West North Central states during this period. Pennsylvania lost 225,000 whites by out-migration in the early 1960's, after experiencing a loss of 550,000 during the 1950's. Nearly 150,000 left the New England states in the early 1960's.

On the other hand, New York and New Jersey combined had an in-migration of 300,000 whites and 150,000 nonwhites in the early 1960's, following on the heels of in-migrations of 400,000 whites and 400,000 nonwhites in the 1950's. California gained nearly 700,000 white migrants and 100,000 nonwhite migrants during the early 1960's, after gaining 2,800,000 whites and 350,000 nonwhites during the 1950's. Between April 1, 1960, and July 1, 1962, Florida received 350,000 white in-migrants, the Mountain states 250,000, and Texas 125,000.

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In order to mobilize sales efforts in areas of maximum potential, it is necessary to watch carefully the population changes in the large metropolitan regions. While all of us are familiar with the population drift from central cities to suburbia, and more particularly to the outer suburbs, it is noteworthy that a number of metropolitan regions in the Northeast and Midwest have recently been losing population through migration. In the early 1960's this has been true of the areas around Detroit, Pittsburgh, Cleveland, Buffalo, St. Louis, and Boston.

For many years now differential migration from central cities to suburbs has been going on in the large metropolitan regions of the East and the Midwest. As a result, the socioeconomic status of people living in the suburbs has risen steadily, compared with that of people remaining in central cities. Whether the criterion be educational attainment, occupation, or income, socioeconomic levels are distinctly higher in the suburbs than in the central cities of the metropolitan area around New York, Chicago, Philadelphia, Detroit, Boston, Washington, D.C., Pittsburgh, St. Louis, Cleveland, Baltimore, Newark, Minneapolis-St. Paul, Buffalo, and Milwaukee. However, in the large metropolitan areas of the West and South, such as Houston, Dallas, Seattle, and San Diego, there is little difference in socioeconomic status between the people living in the central cities and those residing in the suburbs.

Data on population trends after the 1960 Census are currently being released by the Bureau of the Census and should be of considerable value in aiding us to make decisions on marketing in specific localities.

Tailoring the Product to the Market

Our principal products continue to be protection of the family in event of premature death or disability of the breadwinner, protection from costs of medical care, and savings for old age and interim emergencies.

That life insurance protection is a primary necessity which still needs to be sold is indicated in a recent LIAMA survey, which brought out that (1) one out of six husbands carries no life insurance at all and that this proportion rises to one out of three at ages 65 and over; (2) half of all husbands do not have life insurance protection equivalent to as much as one year's income; (3) a third of the husbands with incomes of \$15,000 or more have less than a year's income coverage; (4) only one out of fifteen husbands aged 45-64 have three or more years' income protection; and (5) the higher the income of the husband, the more life insurance protection he usually carries.

The last point is particularly significant. As more families move into middle-class income brackets, they will have the means to buy more ade-

quate insurance protection and to save more. It is our responsibility to guide them on how much life insurance and savings are needed to accomplish reasonable middle-class objectives. For instance, we should publicize the fact that about \$110,000 is required to provide a man aged 65 with an annual income of \$10,000 for life, and that \$65,000 is required to provide a woman aged 65 with an annual life income of \$5,000. With the leveling-out of male death rates at the older ages but a continued decline in female mortality, an average period of twenty years of widowhood needs to be provided for.

Noteworthy progress has been made in furnishing families of modest means with basic life insurance coverage through group life insurance as well as through individual family policies and policies with family-income benefits. We have also learned to serve various business needs with special policies. However, we have not done well enough in selling adequate amounts of permanent life insurance, which should be the backbone of every family's protection and savings program. Nor have we distinguished ourselves in recent years in selling individual life insurance or annuities for retirement purposes. We have probably paid less attention to the college market than it deserves because of its rich potential.

The approach suggested by Dr. Riley should lead us to re-examine the basic kinds of protection needed in different stages of the family cycle and to devise patterns of payment that follow the anticipated growth in family income. This means more consumer research and greater flexibility in making premium payments. Our objective should be to provide for increasing protection of the family with premium payments spread into the years when family income can better stand the strain. Thus, better to serve the college market, we might offer a combination of (1) minimum hospital and surgical benefits, with provisions for increasing this coverage, and (2) a modest amount of term insurance with a guaranteed issue option. Such a combination could initially be sold at a low cost in keeping with the slender resources of most college-age persons, while the provisions for increasing the hospital and surgical benefits and for exercising the guaranteed issue option could effectively be used to increase the family's protection when the college graduate becomes the head of a family with important responsibilities and a rising income.

Probably our most difficult problem lies in urging savings for retirement and emergencies through life insurance or annuities in competition with other investment media. To do a better job in this area, we will have to find out more about the changing attitudes of the younger generation toward savings and old age. We have a major educational job to do simply because the younger generation has not lived through a serious financial

depression. While consumption and savings habits are learned largely in the family circle, it is easier to remember the spending than the saving.

We will also have to ascertain the needs of different markets more objectively and provide financial guidance as part of the regular services of a life insurance company. Although we should not take it upon ourselves to decide that we know precisely what our customers need in the way of protection and savings to the disparagement of their judgment, we cannot pay them the undeserved compliment that they fully understand how their needs can best be met. Our products will have to be tailored to the varying needs of different markets on a more realistic basis, taking into account both consumer preferences and our knowledge to satisfy them.

Relating Organization of Selling to the Market

In considering the organization of sales efforts for different markets, it might be well to draw a distinction between the viewpoints represented by selling and marketing. When selling is the primary objective, an insurance company determines the products to be marketed, and its sales efforts then center on converting the company's products into cash by inducing customers to buy them. Marketing aims at satisfying the needs of the customer by tailoring the products and associated services to meet such needs. When marketing is the objective, the needs of the buyer determine what is purchased as well as the terms of payment. At the Metropolitan we have in recent years tried to determine the needs of the buyer more searchingly through our "Family Security Check-Up."

The propensity of agency managers and agents toward selling leads them to capitalize on short-run deals and on tempting but frequently transient markets. Single men drafted for military service in peacetime offer a good illustration of a transient market. Ours is a long-term business, and it is therefore advisable to emphasize the wisdom of long-term company objectives to agency managers and agents. The agent and the local manager will usually keep the short-term sales goals in view, and it is therefore up to the agency vice-presidents to present the company's long-term objectives forcefully. Continuing stress on whole life insurance as the most serviceable product of our business is one such long-term objective. Another bit of long-range wisdom may call for reducing commission rates on contracts that include a large savings element, since such a measure may enable us to compete more effectively with other investment media. In the final analysis, agency compensation provides the most telling instrument for expressing management objectives.

The most troublesome problems of relating the organization of selling

to different markets arise from the constantly changing characteristics and attitudes of our customers. We must be willing to adapt the organization to the changing trends in income, age, sex, occupation, and educational attainment of our customers. We should be willing to expand where new and better customers are likely to be found. We ought to be on our toes to keep agency managers and agents informed of the growing ability of various segments of the population to purchase larger amounts of protection, of the different attitudes to life insurance and other investment media in different markets, and of the type of guidance and other services that a more highly educated public expects.

We must also periodically re-examine the efficiency of existing distribution methods for different markets. To get the most out of a market, it is clearly advisable to select and train agency representatives who will understand their customers and match them insofar as possible in education and background. To reach new customers, it may be necessary to try out new sales and promotion concepts. The right combination of suitable agency representatives and compatible sales promotion can probably be found only after considerable market testing and perhaps some operations research. Demographic studies and sociological research will nevertheless furnish much of the basic information that can be put into use immediately to improve the organization of sales, so that we can take fuller advantage of the unprecedented opportunities for marketing protection and savings through life insurance.