



SOCIETY OF ACTUARIES

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MARKETING TO MY GENERATION ... AND YOURS

BY CHARLES D. SCHEWE

Editor's Note: This article is based on a presentation made by Charles Schewe, Ph.D. at the Professional Insurance Marketing Association (PIMA) MarkeTTechSM Symposium. Schewe is a professor of marketing at the University of Massachusetts at Amherst and a principal in Lifestage Matrix Marketing. He can be reached at 413-256-0914 or schewe@mktg.umass.edu. Visit the Professional Insurance Marketing Association at www.pima-assn.org.

Suppose someone asked you to describe what life was like at 18. It's probably safe to say your answer would be peppered with words like "exciting, scary and emotional." But that's where all assumptions end. If you are now 65, then *your* 18 was a whole different ball of wax from that of someone who's now 40. Likewise, today's 12-year-olds will have an 18th year that's different from both.

Furthermore, you have a lot in common with other Americans who hit that milestone year along with you. That's because you all shared the same "defining moments"—say, Pearl Harbor or Kennedy's assassination or the fall of the Berlin Wall. Now, take off your "nostalgia" hat and put on your marketing one. There's money to be made from tapping into the latent feelings and values of the various groups of generational cohorts that make up American society.

The essence of the cohort approach

We are now just understanding the breadth of the impact of shared experiences that happened while we were becoming economic adults, roughly between the ages of 17 and 23. These are impressionable times, times when our social antennae are operating at full throttle. What we experience, and experience with others sharing these late adolescence/early adulthood times in the way of environmental events, creates values in us that we hold with us throughout our lives. We all know of people, now in their eighties, who came of age during the Great Depression and who still save their money. That is the way they faced life during their coming of age times and it is their value still today.

Defining moments, defining markets

Defining moments and markets through cohort analysis provides a way to look at customers not just as flat statistics on a page, but as multi-dimensional beings, motivated and driven by a complex matrix of demographics, physiology and emotion. Generational cohort analysis is the key to multi-dimensional marketing. It provides information about the defining moments and values during a cohort's coming of age experience [defined as the period between the ages of 17 and 23]. These core values typically don't change over time, so they provide a reliable way to connect with people again and again on a very personal level.

But cohort analysis is only part of the picture. There exist five factors that influence buying behavior and which make up multi-dimensional marketing. They are:

Cohort Values

The people who are about our age and with whom we share important life experiences when we were young adults are members of our cohort. These shared experiences help shape our cohort's long-term values, which we carry through life virtually unchanged. And these values color the way we react to the other four factors. Let's take a look at each of these factors and look at how today's Baby Boomer cohort, for instance, might react.

Lifestage

These are the roles we take on, or act out, over our lifetime, such as spouse, parent, divorcee, retiree, and so on. Lifestages define our attitudes, outlooks and daily activities, but different cohorts often react to the same lifestage in completely new ways. Consider grandparenting. If the Baby Boomers gave us “latch key” children, wouldn’t it follow that they would be even less engaged with their grandchildren? Or because they missed the chance to nurture their own children, perhaps they will be disproportionately more nurturing of their grandchildren.

Physiographics

These are changes in bodily appearance and function as we age. For example, older people are more likely to suffer from reduced grip strength, while middle-aged people are just beginning to notice gray hair. Do you think those who came of age during the Great Depression would have used botox if it were available to them when they turned 50? They were not fixated on holding on to their youth like today’s Boomers.

Emotional/Affinity Effects

Our age affects our attitudes about a wide range of issues. For example, teens tend to worry about their appearance, while new parents tend to put their child’s needs ahead of their own. In youth, we strive for independence...and again in toward the end of our lifelong journey. Nostalgic memories for Boomers include reflecting on their days as social revolutionaries while those now in their eighties find nostalgic thoughts of baking bread and cookies.

Socioeconomics

This includes our financial, educational, career, marital and other social and economic states. While important to keep in mind, a person’s socioeconomic status tells us little about the underlying motives for consuming behavior. Boomers reaching their peaks in income production surely don’t show the concern for saving money that their parents still do!

Cohorts Defined

Now let’s look at cohorts and how they impact marketing efforts. Cohorts are groups of individuals born during the same period and “travel through life”—together. With characteristics that are much more significant than birthdates, generational cohorts center on the social events that took place during their “coming of age.”

Depression Cohort

(Born from 1912 – 1921; Came of age during the Great Depression; Aged 84 –92 in 2005): This group’s coming of age experience consisted of economic strife, elevated unemployment rates and having to take menial jobs to survive. Financial security—what they most lacked when coming of age—rules their thinking.

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World War II Cohort

(Born from 1922-1927; Came of age during World War II; Aged 78-83 in 2005): Sacrifice for the common good was widely accepted among members of this cohort, as evidenced by women working in factories for the war effort and men going off to fight. Overall, this cohort was focused on defeating a common enemy, and their members are more team-oriented and patriotic than those of other generational cohorts.

Post-War Cohort

(Born from 1928-1945; Came of age after WWII; Aged 60-77 in 2005): These individuals experienced a time of remarkable economic growth and social tranquility, a time of family togetherness, the Korean conflict, McCarthyism, school dress codes and moving to the suburbs. Overall, this cohort participated in the rise of the middle class, sought a sense of security and stability, and expected prosperous times to continue indefinitely.

When you consider the core values of each cohort, you realize that the marketing approaches won't work in the future.

Leading-Edge Baby Boomer Cohort

(Born from 1946-54; Came of age during the turmoil of the '60s; Aged 51-59 in 2005): This group remembers the assassinations of John and Robert Kennedy and Martin Luther King, Jr. It was the loss of JFK that largely shaped this cohort's values. They became adults during the Vietnam War and watched as the first man walked on the moon. Leading-edge Boomers were dichotomous: they championed causes (Greenpeace, civil rights, women's rights), yet were simultaneously hedonistic and self-indulgent (pot, "free love," sensuality).

Trailing-Edge Baby Boomer Cohort, or "Generation Jones"

(Born from 1955-1965; Came of age during the first sustained economic downturn since the Depression; Aged 40-50 in 2005): This group witnessed the fall of Vietnam, Watergate and Nixon's resignation. The oil embargo and the raging inflation rate and the more than 30 percent decline in the S&P Index led these individuals to be less optimistic about their financial future than the Leading-Edge Boomers.

Generation X Cohort

(Born from 1965-1976; Came of age during a time of instability and uncertainty; Aged 29-39 in 2005): These are the latchkey children of divorce and have received the most negative publicity. This cohort has delayed marriage and children, and they don't take these commitments lightly. More than other groups, this cohort accepts cultural diversity and puts quality of personal life ahead of work life. They're "free agents," not "team players." Despite a rocky start into adulthood, this group shows a spirit of entrepreneurship unmatched by any other cohort.

N Generation Cohort

(Born from 1977-?; Came of age during the "Information Revolution;" Aged 28 and under in 2005): We call the youngest cohort the "N Generation," or "N-Gen," because the advent of the Internet is a defining event for them, and because they will be the "engine" of growth over the next two decades. While still a work in progress, their core value structure seems to be quite different from that of Gen-X.

They are more idealistic and social-cause oriented, without the cynical, "What's in it for me?" free-agent mindset of many Xers. When you consider the core values of each cohort, you realize that the marketing approaches that may have worked in the past probably won't work in the future. Today's insurance consumers—just like all consumers in general—are more sophisticated than ever, demanding personal attention and products that suit their lifestyle. They do not want to be encumbered with mistargeted or misguided products and promotions. A multi-dimensional marketing approach can provide a sense of familiarity and personal appeal to these savvy consumers, bringing them one step closer to making a purchase and providing the groundwork for building long-term relationships. Understanding each cohort's unique set of values can go a long way to unlocking the best ways to build relationships with different customer cohorts. ■

Charles D. Schewe, Ph.D., works at Lifestage Matrix Marketing. He can be reached at charles.d.schewe@matrix-marketing.com.