
Changing Demographics and Their Impact
on Consumer Behavior

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Abstract

In this invited address, the author describes four major demographic changes and their impact on consumer behavior. They are: aging of the population, dual income career oriented families, single person households, and decline of the middle class. These demographic shifts will create a time poor, money rich consumer with highly individualized life styles which are adult-oriented rather than family oriented. In addition, consumers will demand quality in products and services, hassle free procurement and use, and will manifest strong consumer militancy as the nation shifts from a product-oriented to a service-oriented economy.

Introduction

I am pleased to present this invited address on changing demographics and their impact on consumer psychology. Four major demographic shifts are taking place. Together, their impact on the psychology, life styles, and behaviors of consumers will be unprecedented and far greater than the impact of the post-war baby boom phenomenon. Both as academic scholars and practicing professionals, we must examine implications of the demographic changes either to revise our theories and practices or to reassure ourselves that our old theories and practices can survive these changes.

The four major demographic changes are: the aging of the U.S. population, the prevalence of dual income career oriented families, the significant increase in such nontraditional households as single person households, and decline of the middle class. In the rest of my presentation, I will discuss each changing demographic and how it is creating new needs, wants, perceptions, and behaviors among consumers. Then I will conclude my presentation with a listing of eight megatrends that will impact consumer behavior.

America is Getting Older

In 1980, the median age in the U.S. was 30; demographers estimate, however, that by the year 2000, as the baby boomers mature, the age will creep up to 40. When the population grows older, a new set of concerns and needs arises. Consumption behaviors and marketing practices all must shift to stay afloat.

Health

When people grow older, they worry more about their health; health concerns become a national consumer obsession. Experts believe that

health preservation will become the largest American economic sector in the near future, surpassing the automobile and housing sectors which drove the American economy in the forties, fifties, and sixties.

This health consciousness will not be limited strictly to the physical care of the body, but will extend to all phases of human life, affecting the foods consumers eat, the beverages they drink, the clothing they wear, the housing in which they live, etc.

As a consequence, interest in physical fitness will continue to rise, as will everything related to health. This phenomenon can already be seen in the fact that it is almost impossible to sell food, housing, or even clothing without some emphasis on their health benefits. With foods, for example, almost all processed foods have begun shifting to a more natural orientation, using less salt and more unprocessed ingredients. Red meat consumption is declining and will ultimately become an occasional, specialty meal rather than daily fare. And the decline in alcoholic-beverage consumption can be attributed largely to the aging cycle of the population. These trends can also be seen in many European countries, most notably Sweden and Germany, with similarly graying populations.

Wealth

When the population grows older, people also worry about their finances. Consumer experts believe, therefore, that wealth preservation and financial planning will be another major sector of the American economy. These two areas are expected to grow anywhere from 9 to 15 percent per year--that's three or four times higher than the projections for most other economic segments.

Wealth preservation no longer means just worrying about the weekly paycheck--and therefore income. It means worrying about the total accumulation of assets. Estimates show that the average total net worth of a household today is a substantial \$160,000. Of course, a large chunk of that money is in frozen assets, the biggest of which is in the pension plan. And it's also in housing. More than 50 percent of people's home value is paid-up equity, as contrasted to the minimum 10 to 20 percent they put down when they bought those homes in the fifties.

Therefore, whereas in the past only a small segment of the population, say 5 or 10 percent, worried about estate planning or establishing a will or a trust, a large number of people are now concerned. As a consequence, financial services will soon be shifting from a highly specialized, professional service to basically a mass-consumption, "shopping mall" phenomenon.

Safety and Security

When people grow older, they can't protect themselves as well, so they worry more about safety and security. They become concerned with law and order, public safety, and with security devices for their homes and automobiles. And for their persons. It is estimated that since 1985 the number of people who possess guns in this country has risen above the number of smokers. This personal security concern is illustrated by a popular Father's Day gift given in Florida by adult children to their parents last year: real guns. Such gifts are likely to continue to be the trend.

Leisure Needs

The recreational and leisure needs of older people are very different from those of their younger counterparts. It is okay to play

contact sports at age 20, but it is much more dangerous at age 40. Outdoor activities are therefore shifting: from contact to non-contact sports and from team to individual sports. Activities where people can proceed at their own pace, rather than be cast against other players, will become more popular; these include, for example, sports like tennis and golf, as well as running, which has already moved from a physical-fitness activity to a full-fledged sport.

Elder Care

Care for the growing numbers of elderly people is also providing a major market opportunity. In the 1950s, 2,500 Americans were 100 years or older. By 1987, the number of centenarians jumped to 25,000. And by the year 2000, the number will reach a startling 107,000 Americans. Elder care has begun to, and will continue to, take four forms: the traditional nursing home; moving into the homes of their children; moving into their own home in their children's neighborhood, generally hiring in-home nursing care to assist with their daily needs; and the formation of retirement communities where elderly people buy their unit, but upon the death the unit returns to the community (these facilities generally provide round-the-clock physicians and other special services). These latter two areas are quickly becoming the largest segments of care for the elderly.

Dual-Income Families Rise

Demographers estimate that by the year 2000, 65 percent of all women between the ages of 16 and 68 will be in the workforce (currently, 56 percent of them are). And more importantly, 90 percent of women with children under age 6 will be employed (currently, it's 68 percent). The norms of a generation ago, when women had children and quit work to

become homemakers, are reversing. Today, for most women, having a child creates the financial necessity to go out to work. This rise in dual-income families will continue to bring about four major changes:

Commercialization of Homemaking Activities

The three Cs of home economics--cooking, cleaning and caring--are already being performed by commercial enterprises outside the home. An estimated one-and-a-half of the three meals per day are now eaten out. America has moved from a nation of diners to a nation of grazers. Supermarkets have responded by offering fresh food and deli and even catering services, while simultaneously decreasing the traditional canned- and frozen-foods sections. At the same time, the restaurant business is booming. Many food companies, for example, the Pillsbury Company, are beginning to shift to restaurants as a primary channel of distribution.

Even among the one-and-a-half meals that are eaten at home, about half of them are prepared by someone else. The kitchen, therefore, has shifted from a place for food preparation to one for food consumption. Interestingly, this is creating a shift in the design and arrangement of the kitchen itself. A study I conducted, called "The Kitchen of the Future," found that the kitchen is becoming an operations center for the house; people are doing the kinds of activities they used to do in the recreation room, the library, the den, and the living room.

Commercialization is also coming to cleaning. A very significant shift for the mass market is that people can now afford and are willing, because of the value of their time, to hire companies to clean their homes. Many companies that used to specialize in janitorial services for industries, Service Master of America, for example, are targeting

this home market as a major area of opportunity. Most of this activity right now is concentrated in the large metropolitan areas, but it will begin diffusing outward.

Child care is, of course, being commercialized as well. Employees are increasingly demanding on-site day care centers for their children. Generally subsidized by the corporation, this child-care arrangement is both affordable and psychologically comforting to parents, who can visit their children during their lunch breaks. It's been estimated that 10 percent of workers now take their children to work, a phenomenon that includes both blue- and white-collar employees. Other parents, especially professional employees, are hiring nannies to come to their homes, creating a growing referral industry whereby nannies and parents are matched together. Many other children remain latch-key kids, with school extracurricular activities thrust into the role of baby sitter.

Time Becomes Scarce

Because people have less free time, their desire for convenient products and services increases. Service and delivery are already becoming major problem areas, because women and men are unwilling to wait at home for the repair person to come "at some time during the day." Even telling them the person will be there in the morning or the afternoon is no longer enough. People want to make appointments, and they want those appointments kept. The current systems for repair and delivery were put into place for the lifestyles of the forties and fifties, and they are not meeting the needs of consumers today.

Discretionary Time Skews

As more women work outside the home (average full-time jobs consume 55 to 60 hours per week), discretionary time not only becomes scarce, it

gets compressed into evenings and weekends. Service providers, however, generally want to do business Monday through Friday, 9 to 5; a gap is therefore created between what the customer wants and what the supplier will do.

So it's not just financial services that are finding their way into the shopping mall--which is generally open nights and weekends. Other services, like health care, are also moving there. Dentists and eye doctors have already begun operating out of these malls, and it is predicted that within the next few years physical exams will be performed routinely there as well, as general practitioners relocate their offices. Even emergencies are being divided into life-threatening and non-life-threatening, with the non-life-threatening emergencies moving away from hospitals and into 24-hour "doc in the box" facilities conveniently located in shopping centers and malls. Already, more than 2,000 such facilities are in place, and the numbers are growing.

Non-Traditional Households Expand

In the old days, the non-traditional household was one adult living alone. These households, mostly composed of widows, comprised roughly 6 percent of total households in the fifties. Today single-person households make up fully 25 percent of all households, and by the year 2000 it should go up to 33 percent--that's one-third of all households.

This trend is occurring in part because of the aging population, which by necessity creates these living patterns, but also, and importantly, because people are choosing to live by themselves. The later age of marriage, the high rate of divorce, the longevity of the old, are all contributing to this phenomenon.

What happens when, on a mass scale, society becomes single-person based?

Loneliness Rises

From a psychological perspective, it is estimated that loneliness will become the single largest rising need. When people feel lonely, they try to cope with that feeling. To escape from it they turn to everything from drug and alcohol abuse, to meditation, or to workaholicism, in effect allowing the worksite to replace the home as a place of identity. Some who cannot escape the feeling may turn to suicide. Sociological research clearly shows that it is loneliness, not poverty, that is one of the primary causes of suicide. Sweden already has the highest per capita suicide rate in the world, and researchers expect the rates in the U.S. to begin rising as well.

In a more positive vein, when people get lonely they also go shopping. It won't be the activity, like it was in the past, when the whole family went out to the store. But people will go out because they want something to do, or want to be around people. So researchers are forecasting that shopping centers and malls will become less a place to sell merchandise and more a place to be entertained, a place where people can watch shows or participate physically. We suspect that most shopping centers will eventually phase out much of the merchandise and become more of a community gathering place.

Another positive way people cope with loneliness is to organize into a network other than a kinship. Causes will begin to rise, not because people necessarily believe in the causes but because it's a way to be with other people. But unlike the past, when the nation was driven by a few large causes, like civil rights and anticommunism, they

will organize around any little thing that bothers them. Multiple causes, with a few thousand people supporting each, will begin to rise--and that's bad news for the three institutions that are targets for most cause-related activities: business, religion, and government.

Rise in Impulse Purchasing

When people live alone, they are not influenced too heavily by social norms; they feel free to execute their desires when and how they wish.

Many of the purchasing theories which are based on cognitive processing rather than on stimulus-response behaviors, will have to change. The emphasis will move to point-of-sale displays instead of traditional advertising. Direct marketing activity will also increase.

One phenomenon now being talked about is called "cocooning," where people want to be totally self-sufficient in the privacy of their own homes--they want vendors to come into their house rather than their having to do the shopping at a store. Though this new group is reviving the old tradition of in-home selling, it is doing so with new, more advanced technologies. For example, retailers have finally found a new retail institution that, I believe, is here to stay: the home shopping network. Through the technology of television, time and place boundaries of retailing are finally broken down. With home shopping networks, cost efficiencies are remarkable. Retailers can sell more than \$100,000 in less than 20 minutes--and the whole nation can be reached. Moreover, there is no need for atmospherics; it's strictly a warehouse operation. No beautiful stores or courteous salespeople are needed, so the price can be lowered substantially.

A Three-Class Society is Emerging

For most of its history--and up to the late fifties--the U.S. was dominated primarily by the middle class. It is estimated that about 60 percent of total households were considered middle class in the early sixties. That figure is declining significantly. By the year 2000 it is projected that this class will be down to about 35 percent of the population. As the middle class declines, the two extreme classes rise:

Upper Class Expands

We are already seeing the affluent classes sharply increase. What used to be affordable by only 5 or 6 percent of the population is now affordable by about 15 percent. And this is a very quickly rising segment. By the year 2000, we expect 30 percent of American households to be affording things that were previously considered premium products. With cars, for example, BMWs or Mercedes-Benzes will no longer be the ultimate in status symbols.

As mass markets emerge for such premium products, channels of distribution will have to shift in the process. Already, premium retailing is on the rise. While stores like Sears, J.C. Penny, and Montgomery Ward battle for a decreasing share of middle-class consumers, premium merchandisers are having a field day. This is true in food, automobiles, appliances--almost any market.

Super Premium Develops

As more people come into the affluent class, people who were previously the cream of the economic society (that 5 to 6 percent who could afford BMWs when no one else could) look for something else to distinguish themselves from the rest. Consequently, a super premium market, also called the customized market, is beginning to rise. For

example, in the affluent segment today, people are spending anywhere from \$50,000 to \$100,000 just to remodel their kitchens. And it's not just their kitchens. They're looking for customized cars, customized food, customized clothing. Custom marketing opportunities are going to be opening up in all sectors.

Newly Defined Poor

At the other end of the spectrum, as the middle class declines another bulge is being created on the social chart, the new poor. In the olden days in America, the poor were the immigrants; that's no longer the case. Immigrants now are coming from all socioeconomic classes--very affluent immigrants, boat people, and the middle class. For the first time in this country, the new poor is coming out of the traditional stock of the population: Anglo-Saxon. And the worst of the lot in that particular group is women heads of households, with children at home. Another major population group which is also becoming the new poor is the traditional single-wage earner in the older, blue-collar families.

This rise in the poor brings with it many changes. For example, if the white population becomes the poor, they are going to demand more from the government than the traditional poor did. Immigrants were used to the concept, before they landed here, that they would fall into the lowest socioeconomic class and would eventually work their way out of it. Their children, they felt, would be better off than they were. The WASP poor, on the other hand, unaccepting of their lot because they have regressed and are worse off than their parents, will insist that the government help them out. They will not simply request this help, they will demand what they believe to be their due.

New Marketing Demands

One of the key consequences to emerge from this income redistribution is that companies will need to develop multiple brands if they wish to dominate the market. A single-brand strategy is no longer sufficient. Multiple brands with multiple price points are going to rise, with the prices stretching between the two extremes. This can already be seen in some industrial segments. With cars, for example, the Yugo from Yugoslavia or the Hyundai are selling for a few thousand dollars; at the same time a company like Cadillac, which in the past never dared to price its cars beyond \$25,000, is selling the Italian-designed Allante for more than \$50,000. At least five companies are planning to introduce \$100,000-plus cars in the next few years.

Rise of Consumer Militancy

The rise of the new poor will extend the consumerism of the sixties and seventies into a new realm, what could be called "consumer militancy." This militancy will also reach those with money but with little discretionary time. I often say that in the future unhappy customers are going to become terrorists. They're not going to put up with poor service, poor quality products, lack of concern for them, or anything that eats away at their time or money. Feeling like no one else will help them, they will take the law into their own hands. At the Los Angeles airport, for example, in two separate incidents in one month, airline personnel were physically assaulted by passengers who had been bumped from their flights.

The Eight New Megatrends

In summary, these societal trends will lead to eight important changes that have already begun to alter the way consumers behave.

We will become a time-poor/money-rich society. For much of the population, time will become a scarcer resource than money. At the opposite end, though, the new poor will be a class with more time and less money, so these two opposite trends will exist at the same time.

We will see highly individualistic lifestyles, even within the same family. Because both spouses work, the days of getting together every evening for a family meal will be a thing of the past. We are eating on the run, symbolized by the fact that the refrigerator has changed its role from a food-storage place to a great message center.

Adult-oriented patterns of consumption will occur, because many households will be composed of aging adults with no children in the home. We can already see this trend in the mass media. In the sixties, the popular programs were "The Ed Sullivan Show" and the Walt Disney movies. Most of the evening shows today are adult-oriented: "Dallas," "Dynasty," "Miami Vice"--which are not family shows by any stretch of the imagination.

The same shift can be seen in radio. ABC radio network abandoned its rock-and-roll format about seven years ago. The ABC-owned stations were reprogrammed to cater to an emerging adult society that is becoming more information- and less entertainment-oriented. ABC went into 24-hour talk shows. And the talk shows on radio today are not family shows.

Additionally, quality consciousness in products and services is going to rise. As the population grows older, more mature consumers will make up the marketplace, and as more mature consumers they will understand what is right and what is wrong. The quality dimension of

all phases of commercial activity, from procurement and consumption to disposal, will become very important.

In addition, consumers want that commercial transaction to be hassle-free. This demand will most heavily affect the delivery side, but it will also make inroads on product designs. If the service, product design, or even the instruction booklet fails them, people will take out their frustrations on the product or on the service provider. We'll see a strong movement towards blatant consumer militancy.

Impulse purchasing behavior by consumers will also increase, with its resulting changes on the way marketers try to reach consumers.

Segmented markets, almost bordering on fragmented markets, will also be the wave of the future. The mass consumption society of the past 20 years is going to give way to the specialized consumption society of the next 20. Niching strategies are going to be more profitable than mass-market strategies.

Finally, we are now shifting as a nation from an industrial to a service-oriented society, which has implications for all sectors of the American economy. At one time, products created services (e.g., automobiles created repair shops). In a service industry, though, services create products (e.g., health care needs create diagnostic machines).