Part One

AN ERA OF NEW RULES

William Shakespeare's counsel from *The Tempest,* "Whereof what's past is prologue," is not absolute. There have been a few times in human history when what's past bore little influence on the unfolding future. We live in such a time. It is a time when waves of uncertainty deny the past and are plunging the present into churning disorder. Old rules do not explain new conditions. We suffer nettlesome frustration because solutions based on old rules fail us. Uncertainty reigns, but this much is certain: To regain a steady hand on the directions of our work, our society, and perhaps our own lives, we must unlearn a host of old rules and learn many new ones. There is no more daunting task we face than to adapt to the idea that much of what we thought we knew is wrong.

Chapter

1

WHY MARKETING STOPPED WORKING

Doing Less with More

"The Seniors are coming! The Seniors are coming!" So began *Serving the Ageless Market,* a book I finished nearly 14 years ago. This book extends many of the themes and ideas of *Serving the Ageless Market* (*SAM* 1990). While much of the earlier book was forward looking—The Seniors are coming! The Seniors are coming!—this book is more present-day-focused because *the seniors are here.* They are here in staggering numbers that are getting bigger by the year. This "pig in the python" demographic bulge called boomers will be entirely in midlife in 2004, when the youngest boomers will be 40 and the eldest 58.

We hear often that every seven seconds another boomer turns 50; however, for reasons that will soon be apparent, the "age floor" of this book is 40, the year marking the beginning of the second half of life and the first year of midlife by most reckonings.

UP MARKETING'S CREEK WITHOUT A PADDLE

After *SAM* 1990 hit bookstores, it seemed only a matter of time before Corporate America would awake to the demographics-driven trans-

formation of the marketplace just getting underway as the last decade of the 20th century was beginning. Articles about the aging of America began showing up everywhere. Ken Dychtwald's *Age Wave* was published about the same time as *SAM* 1990 to sound yet another clarion summons to Corporate America to begin preparing for the largest wave of aging consumers in history. Who wouldn't take notice of this phenomenon, those of us tracking the event thought? We just needed to get a few facts and figures out there for everyone to see.

But Corporate America was preoccupied with other things, especially information technology from which it was wringing out costs and making historic productivity gains. But one sector of business did not participate in these productivity gains. Marketing, which revolves around information, ironically became *less* productive during the 1990s.

Television advertising lost much of its punch. The fact that Starbucks, New Balance, and other brands you will read about in this book became superbrands without advertising on television suggests that the tube is no longer the high-powered marketing tool it once was. A 1999 study found television advertising returning only 32 cents for every dollar invested.[1] Trackers of market trends report that consumers are paying less attention than ever to advertising. Growing numbers are using TiVo and ReplayTV to banish on-air advertising from their lives. More and more, consumers are tuning out and turning off.

Marketing's flagging effectiveness has strained relationships between marketing agencies and their clients. While agencies blame external conditions from media clutter to new wrinkles in customer behavior for falling productivity, clients blame their agencies because good marketers are supposed to know what to do when conditions change the requirements for marketing success. With growing dissatisfaction in ad agency performance, the number of years that clients retain the same agency has declined from 11 years to only 2½, according to an October 2001 survey by consulting firm Pile & Co.[2]

Other areas of marketing aren't doing any better. Recent research shows that 90 percent or more of sales promotions for packaged goods result in lowered profits. A 1995 study by Information Resources, Inc., found that 70 to 80 percent of new product introductions fail, with each failure resulting in a net loss of up to $25 million. Some observers claim that the failure rate runs as high as 94 percent.[3]

Direct marketing response rates were falling even before anthrax made headlines following 9/11. BAI Global reported that response rates for credit card marketers have steadily declined from 2.8 percent in 1992 to an all-time low of 0.6 percent in 2000.[4] And everyone knows that response rates to Internet-based marketing have sharply declined, driving a slew of Web sites that were dependent on advertising revenues out of business.

Despite this broad picture of decaying efficacy, marketing is consuming a bigger portion of corporate budgets than ever. In an analysis of 20 industries, half had selling, general, and administrative costs (SG&A) of more than 40 percent of every sales dollar, and all had SG&A of more than 30 percent. Between 1978 and 1996, SG&A expenses for the S&P 500 increased from 19 percent of sales to 24 percent—an increase of 25 percent. Spending on advertising increased from around 3 percent of revenues to over 4 percent during the same period—a 50 percent increase.

Thus, in an age when every other business function has had to do more with less, marketing has managed to achieve an unenviable track record of doing less with more.

The Costs (Not Savings) of Automating Marketing Functions

In golf, rule number one is keep your eye on the ball. In marketing, rule number one is keep your eye on the customer. Too many have lost sight of the first rule of marketing over the past several decades, especially during the 1990s when corporate bean counters became Johnnie one-note warriors battling for every dollar they could save. Automation became their weapon of mass destruction. Anything moving that could be automated was fair game. Researchers were replaced by data mining systems, telephone receptionists by automated phone systems, and salespeople by digital filtering systems that shoved product offerings before customers that were tailored to their “preferences” according to computer analysis.

CFOs, with their evangelistic fervor for cost cutting became the dominant force in business in the 1990s. Referring to one of the four largest ad agency conglomerates, I was told by one of its consultants, “The CEOs

of the business units in [this conglomerate] are no longer in charge. Their CFOs, who have a direct line to headquarters, are in charge." With the tyranny of numbers that held unchallenged sway over so many companies in recent years, it is no wonder that accounting scandals have arisen on a scale never before seen. When even the once venerable Arthur Andersen gets caught up in such messes, we can sadly appreciate more than ever that when numbers dominate business decisions, morality becomes extraneous. Greed thrives and customers become irrelevant nuisances to the bean-counting priesthood.

Though the information revolution drove some of the largest productivity gains ever during the 1990s, many of the cost savings were illusory and few promises of improved marketing results materialized. As the 21st century began, marketing had fallen on hard times because everyone forgot rule number one: they took their eye off the customer.

Desperate for a "magic bullet" to cure mounting marketing woes, companies invested billions of dollars in customer relationship management (CRM) systems to automate customer analytic and transaction processes. Software vendors promised corporate clients a seamless integration of sales, marketing, and customer service around the needs of individual customers. CRM became big business overnight on the strength of such promises. The CRM software market, starting from scratch in the mid-1990s, had reached approximately $10 billion in annual sales by 2001, according to AMR Research. The global marketing research firm IDC estimated that the total worldwide CRM services business generated $40 billion in 1999, and will pass the $100 billion mark sometime in 2004.

Despite this flood of spending, however, the Gartner Group regularly reports that over half of all CRM initiatives fail to achieve their objectives. Many companies have given up on CRM. Wells Fargo pulled the plug on its CRM program in 2002 after spending $38 million trying to make it work. Research by Bain & Company found "an extremely low satisfaction rate and correspondingly high defection rate among those respondents who were already using CRM programs."[5]

Companies are learning the hard way that deploying expensive software "solutions" does nothing to address the fundamental philosophical, methodological, and organizational flaws that bedevil their marketing functions. Merely automating a business function that is deeply dysfunctional to begin with only makes matters worse. Companies must first

learn to "do the right things before worrying about doing things right." They need to understand that the right things in today's more life-seasoned markets are often not the same as the things that were right when the consumer universe was dominated by 18-to-34-year-olds.

Reducing Human Contact May Reduce Payroll Costs but Increases Marketing Costs

Poor marketing doesn't simply move less product because it's less effective. It also moves less product because it angers and alienates customers. If the walk-around market research which I conduct on trains, in airports, on airplanes, and in other public places means anything, huge numbers of adults—perhaps even a majority—feel marginalized by most advertising. That's astounding. It indicates that media clutter, a surfeit of choices, product commoditization, and other commonly cited explanations for marketing's loss of productivity might not be the biggest problems after all. One of the biggest problems, and one not mentioned often enough in business media, is the dehumanization of customer experiences with a company.

Many gains in productivity over the past decade have been at the expense of the quality of the customer experience. When the only major airline making money these days is also the only one with live telephone receptionists, one wonders how long it will take Southwest's competitors to realize that automated telephone systems can drive business away.

Despite the ubiquitous "your call is important to us" recording, a company obsessed with automating interactions with customers shows its workers that it doesn't really give a damn about customers. Workers then adopt the same attitude, because as goes the top so goes the bottom. In any event, cutting their direct contact with customers puts workers out of touch with customers' hearts, minds, and issues.

CFOs don't think of themselves as revenue producers, but rather as cost controllers and money managers. As a result, they lack appropriate sensitivity to connections between their cost-cutting objectives and earned revenue production, especially with respect to specific staff relationships to earned revenue production. Think of how much experience, encoded in the memories of long-time employees, has been destroyed by aggressive early retirement programs. The human factor,

be it with respect to workers or customers, appears to have become irrelevant in the theory and practice of organizational management.

The American Consumer Satisfaction Index reflects the extent to which a company's inattention to customers is marginalizing and alienating customers. Nearly 90 percent of the companies in the ASCI index had lower scores in 2001 than in 1995. Dissatisfied customers not only dissolve customer loyalty, they lead to higher customer maintenance and acquisition costs because what companies say in their advertising and other product messages becomes less credible when the human connection is weakened. With eroded credibility, companies have to spend more money to bring new customers aboard and keep them aboard.

The Seminal Cause of Marketing's Present-Day Woes

Consumer research—the customer knowledge industry—has played a big role in marketing's waning effectiveness. More companies are seeing this and taking actions that appear to presage the end of consumer research as we have known it. In the face of such high-profile failures as Procter & Gamble's ill-fated fat substitute Olestra (branded as Olean), on which it spent $800 million to bring to market, confidence in traditional consumer research is sagging. General Mills has abandoned focus groups altogether. It now conducts 60 percent of its consumer research online.[6] One Coca-Cola business unit reportedly is eying context-sensitive software to analyze research subjects' open-ended statements as an alternative to the restrictive close-end queries used in traditional quantitative research. Another Coca-Cola unit is experimenting with neuroimaging (brain scanning) to divine customer behavior. Research clients are desperate to try something, anything, that will work better than what is being used today.

Aside from contributions made by people-insensitive numbers people, what brought on these dark days in consumer research and marketing?

Mostly, it was the emergence of the *New Customer Majority.*

In 1989, adults 40 and older became the adult majority for the first time in history. No headlines proclaimed that event, but not since P. T. Barnum earned the title of "Father of Modern Advertising" has one event—not even television—led to so much change in leading consumer behaviors in such a short period of time. Television initially changed

how people came to be informed about products, but did not initially generate big changes in leading marketplace behaviors. The New Customer Majority has done just that, and did it in well under a decade. Meanwhile, consumer research and marketing have failed to realize the relationship between changes in the leading values, views, and behaviors of the marketplace and the New Customer Majority.

MADISON AVENUE: STUCK IN THE 1960S

Customs often persist long after their usefulness. There is a story about a woman preparing for a dinner party with the help of a friend. Before shoving a beautiful slab of beef into the oven she cut a healthy slice off the end. “Why did you cut the end of the roast off?” her friend asked. “I dunno. I guess because my mother always did.”

The next day the hostess called her mother to ask her why she always cut the end off her beef roasts. “I dunno. I guess because my mother always did.” The hostess then called her grandmother and asked her why she always cut the end off her beef roasts.

“Well, when your grandfather and I were first married we just had this little teeny pan and a decent-sized roast wouldn’t fit in it. So I cut the end off the roast to make it fit.”

That story would resonate with CBS executive vice president Dave Poltrack, from whom I borrowed the title of this subsection. It was the title Poltrack gave a speech that he delivered in Fall 2002, in which he recalled the origins of age-based advertising. Poltrack observed that in television’s early years, household television viewing patterns were not reported according to age. However, one network was instrumental in changing that. Third-place ABC sought to get out of last place (remember, there were only three networks and no cable in those days) in Nielsen’s reports. ABC hit on the idea that because its audience was younger than those of either NBC or CBS, it could turn that distinction to its advantage in selling air-time. So it persuaded Nielsen to begin reporting viewing patterns according to the age of viewers.

So, there we have it. Age-based advertising, which as I will show is often counterproductive in the era of the New Customer Majority, was created to give a struggling network with a younger audience a perceived advantage over its competitors. ABC’s pitch was “Get them young

and before some other brand gets them." The problem is that this idea has become as outmoded as the dinner hostess's custom of slicing off the end of a slab of beef before putting it in the oven. The emergence of the New Customer Majority has left Madison Avenue up marketing's creek without a paddle to steer back into today's mainstream consumer population—people 40 and older. This is having a devastating effect on Corporate America, including equity markets depressed by anemic profits, and on the national economy.

This book presents a practical alternative to the age-based marketing that ABC and Nielsen collaborated to bring forth in the 1960s, the time period in which Madison Avenue is still stuck according to Dave Poltrack. This alternative is *ageless marketing*—marketing based on values and desires that appeal to people across generational divides. Age-based marketing *reduces* the reach of brands because of its *exclusionary* focus. Ageless marketing *extends* the reach of brands because of its *inclusionary* focus.

To avoid any misunderstanding, I need to say that targeting specific age groups remains a valid marketing gambit. One of the nation's most successful ageless marketers, New Balance, about whom I will say more later, does not ignore age. While the core values New Balance reflects in its general marketing are ageless, it targets specific age groups through media selection, the content of selected messaging, and how it manages its channel relationships. It stocks its retailers with a keen eye on the core age group served by each specific retailer. By practicing the art of ageless marketing with the skill of a neurosurgeon maneuvering probes through a patient's brain, New Balance has outpaced its competition—including powerful Nike—in annual sales growth since the mid-1990s. Its competitors continue to restrict the reach of their brands by sticking with age-based marketing.

Companies stuck in the age-based marketing mind-set of the 1960s lessen their chances of surviving to the end of this decade. The reason for this will become clear shortly, but first it would serve well to review an event that took place in 2002 that many of us who work primarily in middle age and older markets have been waiting for since the publication of *SAM* 1990. In 2002, Corporate America began awakening—still bleary-eyed, confused, and disoriented—to the fact that the young adult market had become a customer minority, spending significantly fewer consumer dollars than the New Customer Majority.

THE SHOT ON MADISON AVENUE HEARD 'ROUND THE BUSINESS WORLD

In late winter 2002, a shot was fired that was heard 'round the business world. It came in the form of a massive volley of criticism that ABC drew when it became public knowledge on March 1, 2002, that the network was negotiating with CBS's late night comic host David Letterman to replace Ted Koppel's venerable *Nightline.*

The motivation to dump Koppel was *Nightline's* older audience. The average age of its viewers was 52. Letterman's audience averaged 46. That six-year age difference translated into a 30-second ad rate of $40,000 on Letterman's show versus $30,000 on Koppel's show, despite Koppel's 10 percent larger audience.

Suddenly, not just ABC but Madison Avenue found itself under fire for its view that the value of marketing investment declines in inverse relationship to consumers' ages, starting at age 35, becoming virtually nil at age 50 in most product categories.

Numerous talk shows and a slew of news and trade magazine articles examined the issue in some depth, calling in marketing experts from big agencies and advertising companies to explain the reasoning behind why advertisers ignore much larger and far wealthier audiences in favor of smaller and decidedly less affluent ones. Interviewers and journalists often expressed their bewilderment over advertisers' willingness to spend as much or more for a 30-second spot on a show aimed at young audiences of five or six million as they might pay for the older and much more affluent audience of shows like *60 Minutes,* which attracts 15 or so million viewers. Clearly, traditional marketing ideas about the value of younger markets that emerged when the young ruled markets, were as embedded and as difficult to dislodge as impacted wisdom teeth.

Taunted by pundits who couldn't understand why the far wealthier New Customer Majority was being widely ignored, mavens of Madison Avenue defensively fired back ungrounded explanations of why companies should continue devoting most of their marketing dollars to younger adult markets with a population growth that is nearly nil in contrast to the explosive population growth of the New Customer Majority.

Consider the words a media buying company CEO uttered in defense of ABC's decision to fire Koppel and hire Letterman. The CEO,

whose company spends over $4 billion annually in advertising buys, told Bob Garfield, host of National Public Radio's *On the Media,* "They [younger people] haven't made all their brand choices, particularly the younger side of that spectrum, and if you could reach them and get them to be users of your brand at an early age, you'll have them for a lifetime."[7]

In the vernacular, that's BS. No research supports that statement. Yet, it is one of the most commonly offered reasons to justify spending the lion's share of marketing dollars on youth and young adult markets. Not only is that the stuff of barnyard residue, new research buries it.

AARP, whose 35-million members obviously aren't very popular on Madison Avenue, engaged Roper ASW to assess brand loyalty by age. Roper found that product category correlates better with brand loyalty than age does. Within some product categories—for example, athletic footwear, leisure wear, car rentals, hotels, and airlines—people aged 65 and older were less tied to specific brands than 19-to-44-year-olds were.[8]

The idea that companies should spend money to get younger people into their brands so they will "have them for a lifetime" is specious. How many companies think and plan ahead two, three, or four decades? Corporate America is notoriously short-sighted. Most companies pay far more attention to Wall Street time frames than to long-term marketing time frames. Why risk betting on a future that is 20, 30, or 40 years away? How many of today's brands will even be around then? Most of us who are old enough to remember the JFK Camelot years can recall numerous late, great brands like Ipana, Woolworth's, DeSoto, Packard, Burma-Shave, Emerson, Philco, Nash, Old Gold, Life Buoy, Brill Cream, Teal, Collier's, and Pan American Airways.

It's time that marketing grows up, stops forcing ill-fitting answers like a cornered teenager with no rational defense for his actions, and becomes unstuck from 1960s thinking. The so-called aging of America (and all other developed nations) is dramatically, if not radically, changing the rules of marketplace engagement.

WHY CONSUMER RESEARCH STOPPED WORKING: KNOWING LESS WITH MORE

Astonishing gains in technology have placed at our fingertips more information about consumers than anyone had ever hoped for. Yet despite the wealth of information, there is a poverty of customer

understanding judging by the rising tide of product and marketing campaign failures.

At a workshop on the New Customer Majority that I recently conducted for a Midwestern bank, I asked its marketing director, "How long have you been marketing director."

"About 12 years," he said.

I then asked, "With all the high-tech information systems at our disposal, do you think you have a better handle on customers today than when you first became marketing director?"

"No," he crisply replied, adding, "They are not acting like they used to and we don't really know why."

Can anyone who is aware of marketing's declining productivity during a time when the amount of customer information has never been greater conclude anything other than marketers don't understand customers now as well as they used to? It's easy to blame external factors such as weather, war jitters, weak economy, and so on, but marketing clients want solutions not excuses. Marketing is broken and needs fixing.

Kevin Clancy and Robert Shulman saw marketing's problems coming over a decade ago. They announced on the first page of their 1991 trailblazer *The Marketing Revolution,* "The marketing revolution is coming because failure is self-evident and everybody—stockholders, directors, CEOs, customers, the government—is angry because marketing, which should be driving business . . . doesn't work."[9]

Clancy and Shulman, the former chairman and CEO, respectively, of Yankelovich Clancy Shulman, went after consumer research in their no-holds-barred assault on marketing. They are hardly alone in criticizing their own field. A seasoned researcher at a global brand company recently told me, "The old ways of research are fraying. Poor guidance from research is costing companies bundles. We need new ways of looking at consumers because they've changed."

The head of consumer research for one of the world's largest pharmaceutical companies (who asked not to be named) called me after reading an article I had written for *American Demographics*[10] that drew the largest reader response in the magazine's history. The article described how contemporary brain research explains much about why consumers often mislead companies. "Even so," he said, "Something is wrong because results are getting less dependable even though we're doing research the way we've always done it."

I offered him the following thoughts:

Traditional research has become less dependable because methodologies are based on experiences in a marketplace dominated by younger minds. Traditional consumer research lacks sensitivity to the different mental processing styles of the older people who now form the adult majority. It is structured around how minds operate in the "much coveted 18-to-34 demo." The younger mind is more linear, literal, and categorical. This makes it easier to render what they say into statistical statements. Also, younger minds are less sensitive to context when inferring the meaning of things because their thinking style is more absolutist. Things either *are* or *are not.* There are few grays, few in-betweens, because perceptions are more sharply defined—more broadly etched in unambiguous black and white. Thus, what they tell researchers is more clear-cut, less context-sensitive, and less conditional than what older people may tell researchers. So, the gaps between truth and error are narrower between young research subjects than between older subjects.

Older subjects' mental processes tend to be less absolutist and their perceptions tend to be more subjective. They generally feel less compelled to align what they think with what others think. An older person's greater sensitivity to contextual influences when inferring meanings of things can yield research testimony laced with ambiguity and murky results. The older person often wants to answer a question with "it depends" but is frustrated by research instruments that prevent him or her from doing so. The result? Subjects mislead researchers by doing the only thing they can do in response to black-and-white questions: They provide black-and-white answers that distort reality. This is not arcane theory. A large body of research literature describes how mental processing styles evolve from a more objective, absolutist bent in adolescence and early adulthood to a more subjective, conditional bent in the second half of life, where most adults are today. By the time a person nears the half-century mark, this developmental change in mental processing only can increase the tentativeness of research results if it is not taken into account in designing the research.

"Of course!" the pharmaceutical consumer researcher said, almost shouting over the phone. "I should have known! I also do research on

physician markets. I've seen what you just described. When I interview young doctors I often know what their answers will be before I ask a question, but it's harder for me to predict how the older guy will answer the same question."

THE PERSISTENCE OF RESISTANCE TO THE NEW CUSTOMER MAJORITY

When attendees at my workshops first see the eye-opening numbers you will shortly see, this question often arises: Why have the brightest minds in business ignored the New Customer Majority? Call it the cognitive equivalent of Newton's law of inertia, replacing the words *at rest* with the words *in place:* a belief in place tends to stay in place. The human brain evolved to resist change in the interest of keeping things predictable and stable for its owner. Just as Newton taught that objects tend to keep doing what they are doing, people tend to keep believing what they believe, and do so with a natural sense of defensiveness. The first response we all have to an idea that contradicts what we believe is to deny that idea a landing site in our minds.

The idea that an aging customer universe changes the rules of marketing can be unsettling. It means giving up beliefs that undergirded successful marketing in a time when younger people defined the rules of marketplace engagement. However, it is now time that companies and their researchers and marketers break away from the inertia against changing their beliefs and form new mind-sets that are more appropriate in a marketplace dominated by people in the second half of life—*second-half markets*.

Because people in second-half markets see and hear product messages differently than people in first-half markets, companies and their marketers need to learn about these differences in order to put marketing more in sync with customers 40 and older.

Significant differences exist in the deeper, subtler *core* needs and desires between people in first-half and second-half markets. A 45-year-old is likely to have very different reasons for buying the same product a 25-year-old buys. Both may give a researcher the same reason for buying a product, but deeper, subtler core needs of which neither has awareness may drive the final decision.

University of Virginia psychologist Timothy Wilson addresses in his book *Strangers to Ourselves* our inborn resistance to change—the cognitive inertia that often keeps us from changing beliefs when objective reason says we should. Wilson examines what goes on outside of consciousness in our brains to shape our perceptions and beliefs: "When an event is not easily explained by what we know, we alter what we know to accommodate the new event."[11]

I first read those words around the time I listened to Bob Garfield's interview with the media buying company CEO who argued that youth markets are more attractive because of their influence on markets in general. Sounding something like a teen, he told Garfield, "Let's talk about, you know, the rap culture's influence on, on really suburban youth, or let's talk about Nike and its belief that the basketball court on West 4th Street is the epicenter of the Nike brand. I, I think it's a pretty well-accepted proposition that you have, you know, circles of influence that emanate from a central point."

Timothy Wilson might conclude that the CEO was altering what he knows to fit a new event that he doesn't understand. The CEO knows from experience that market segments with the most consumers spending the most money are where marketing dollars should be concentrated. But according to that old knowledge, his company should now be making bigger media buys in second-half markets. These markets are 45 percent larger than young adult markets and spend considerably more money. Yet, rather than adapt to that new reality, the CEO alters what he knows from past experience to accommodate the new event.

There's a saying that *people won't change until the pain of staying the same becomes greater than the pain of changing*. That could help explain the resistance of marketers to shift attention and marketing dollars toward the New Customer Majority.

The pain of staying the same in marketing must be getting close to exceeding marketers' pain tolerance. The advertising industry has been in its biggest slump since the Great Depression. Ad agency revenues fell in both 2001 and 2002, the first back-to-back negative growth years since the 1930s. Interestingly, consumer sales remained remarkably strong during the same period. In the past, strong consumer spending meant the advertising business was doing well, but not recently.

The CEO of the media buying company was indeed correct in saying that marketplace behavior is subject to "circles of influence that emanate from a central point." However, that central point is now smack dab in

the middle of the New Customer Majority. "Now hear this," I wanted to shout back into the radio, *"The majority rules—in the marketplace, as well as in politics."* Adults under 40 once were the majority, and they ruled the marketplace. Adults 40 and older are now the majority, and they now rule the marketplace—in numbers, in spending, and in determining the rules for successful marketplace engagement.

Today's Leading Customer Behavior Attributes Were Predictable Decades Ago

The Yankelovich Monitor, a consumer trends information service, provides subscribers intelligence on what customers are thinking and doing. It recently described the leading views, values, needs, and behavior in the marketplace in ways that would not have surprised a prominent American psychologist who dedicated his professional life to studying human development, especially in the second half of life. But for his death in 1971, Abraham Maslow might review a 2002 Yankelovich Monitor report and say, "Of course." In fact, he could have predicted more than two decades ago much of what the Yankelovich Monitor and other consumer behavior tracking reports are saying today about the leading values, views, needs, and behavior in the marketplace.

How is that possible? And why is that significant today?

First, as to its significance: Obviously, being able to predict changes in marketplace behavior years in advance would have great value to companies. Fourteen years ago, when I was immersed in writing *SAM* 1990, it was being widely predicted that boomers would enter old age, still self-centered, still chasing hedonistic pleasure, still playing more the grasshopper than the ant, and running out of money. *SAM* 1990 drew a different picture. It described how aging boomers (not all, but many) would increasingly turn their attention to altruistic pursuits and begin pursuing simpler pleasures, with many going into old age in financially better shape than their parents. This would happen because a substantial number of boomers, upon reaching midlife, would change their worldviews and begin moving—in Abraham Maslow's words—"toward the higher levels of humanness," toward the maturational state of *self-actualization*.

About 3.7 million boomers turned 40 in 1986, the first to do so. Throughout the 1990s, around 4 million more turned 40 each year to begin their ascent to higher levels of humanness that would make them

less self-centered and more concerned with matters beyond their own skins. With more than 60 million boomers entering midlife between 1986 and 2000, it is more than coincidence that philanthropy and volunteerism has experienced unprecedented gains.

The American Association for Fundraising Counsel <www.aafrc.com> reports that annual growth in philanthropy exceeded 10 percent during much of the 1990s, far faster than growth in incomes and family wealth. According to Larry Wheeler, director of the North Carolina Museum of Art, "In several recent years, the growth in philanthropy has been recorded at above 20 percent."[12]

Many companies could have saved great sums over the past few years had consumer researchers been savvier about characteristic behavioral changes in midlife. Procter & Gamble's Olestra fiasco is just one high-profile example that could have been avoided.

Companies have widely misread aging boomers. Bent on catching the "age wave" of these boomers, they had researchers survey and interview boomers about their lifestyle patterns and needs five to ten years into the future, as leading-edge boomers were entering their 40s. A few years later, a car company wanting to learn what boomers would want as they entered retirement called me about participating in such a study. At the time, the oldest boomers were 53. I was unsuccessful in persuading the person who called me that it would be futile to ask preretirement boomers about their retirement lifestyles because many would have different attitudes influencing vehicle purchase decisions after retiring. I know this from 20 years of experience working in midlife and older markets. Still, that experience counted for nothing to the researcher who desperately needed something to statistically analyze because his company insisted on having numbers on which to base its decisions.

"Big Breasts and a Soft Fatty Little Tummy"

Movie actress Jamie Lee Curtis, a 43-year-old boomer, recently demonstrated quite dramatically how lifestyle attitudes often dramatically change in midlife. In doing so, she became something of a pinup girl for many aging boomers who wistfully wish that they might once again have the body of a svelte and fit 21-year-old, but not so seriously that it has much influence on their lifestyles.

Curtis stunned readers of the September 2002 issue of *More* by appearing in a full-page photo, sporting a two-piece black sweat outfit that revealed recently acquired love handles connected to a thickening waist. Jamie confessed, "I don't have great thighs. I have very big breasts and a soft fatty little tummy. Glam Jamie, the perfect Jamie . . . it's such a fraud." She added with great dignity and self-respect, "The more I like me, the less I want to be other people."[13]

Jamie Lee, who talked about her earlier obsession with physical appearance, had undergone a change of attitude in ways quite normal for people in midlife. Yet, her self-appraisal is at odds with what many have predicted about aging boomers, tempting companies into making costly ill-founded decisions. The makers of fat-free ice cream lost a bundle betting on boomers retaining their narcissistic values in midlife and beyond. More on that later.

At age 23, Jamie Lee Curtis could not have imagined showing off her love handles in a popular magazine. But a 43-year-old Jamie is not just a 20-years-older version of her 23-year-old self. She is in many ways a different person. However, the person she is today evolved along a somewhat predictable path—*the seminal idea that is the foundation of this book.*

About 4.4 million people in the United States share Jamie's birth year. Many have no doubt come to terms with themselves in much the way that Jamie has. Ahead of Jamie are 50 million other boomers who have already passed 43, many of whom are quite far ahead on the road to the higher levels of humanness that lead to dramatic changes in buying behavior.

The general predictability of personal development in midlife would have enabled Maslow 25 years ago to predict that by 2002, "The characteristic behavior of developmentally advanced adults that I wrote about in *Toward a Psychology of Being* will have a strong presence in marketplace behavior." The certainty of that prediction was secured by the fact that a downward trend in fertility rates presaged middle-age dominance of the marketplace by the 1990s. Fewer births in the late 1960s and early 1970s and, finally, the dropping of the fertility rate below population replacement levels meant that the percentage of older people would steadily rise until people 40 and older would become the New Customer Majority.

Maslow would have reminded a doubting Thomas that personal development does not end with adulthood. Rather, it continues for all of life in somewhat predictable ways. He would surmise that a marketplace

dominated by people in the second half of their lives would inevitably make the values, views, needs, and behavior characteristic of that time of life the leading behavioral attributes of such a marketplace. Maslow might then have noted that marketers would have to change much of their thinking and the way they do things to be successful in a marketplace so configured.

Yankelovich CEO J. Walker Smith said in a 2001 speech that Monitor research reported that consumers were acting more paradoxical, wanting less "stuff," reprioritizing their lives, showing greater self-reliance, and seeking more balance in their lives.[14] Maslow would not have been surprised to find that people in the second half of life were now the adult majority. For instance, he said in *Toward a Psychology of Being* (1968) that at higher stages of maturation people reflect "polarities and oppositions" in their behavior ("paradoxical behavior"); strive to simplify their lives (less "stuff"); experience changes in values ("reprioritizing"); become more autonomous ("self-reliant"), and avoid extremes ("more balance").[15]

So, in the end, consumers are not acting all that strangely, as many have claimed. Rather, most have simply outgrown the old youth-based marketing paradigm. Members of the New Consumer Majority think and act the way people in midlife and older have always thought and acted. It's more accurate to say that the supply side of the equation has been acting strangely—sticking with old ways of doing things as though the worldviews, values, needs and behavior of young minds still ruled the marketplace.

THE TRILLION DOLLAR TRUTH NO ONE CAN AFFORD TO IGNORE

Companies have nothing to lose and everything to gain by becoming more ageless in their marketing. In *SAM* 1990, I saw a long-term anemic economy on the horizon as a result of population shrinkage in younger age groups, and suggested that the well-being of the entire economy could depend on companies giving more attention to older markets:

> Creative action taken today in penetrating older markets will allow for a smoother transition after the heady growth we have

> enjoyed for nearly a half-century. I firmly believe that older people, within the limits of financial prudence dictated by their individual circumstances, can generally be induced to spend more than past history indicates. To the degree that increased spending occurs, however, it will be brought about by a much better understanding of the psyches of older consumers than currently exists. It is their behavior patterns, not their number or their affluence, that will influence their future contributions to the consumer economy.[16]

It's a good bet that many older people don't spend as much as they might because they feel marginalized by Madison Avenue. Try something. Start asking people you run into who are over 40 if they think that the people who make ads think their age group is important enough to be targeted in advertising. Then ask them if they think ad makers understand them. Keep score by age of respondent. It won't be scientific, but the results might be revealing. Remember as you do this walk-around consumer survey that you will be talking to consumers in an age group that is 45 percent larger than the much-coveted 18-to-34 age group.

Corporate America, as well as society at-large, cannot afford the persistent, pernicious ageism that prevails in marketing. Advertisers, marketing agencies, consumers, and, not the least of all, governments who depend on a healthy consumer economy to generate tax revenues are all suffering, and stand to suffer even more as this decade rolls on. Here is the chilling reason why:

> The New Customer Majority is the *only* adult market with realistic prospects for significant sales growth in dozens of product lines for thousands of companies.

Overall, the population growth among young adults is barely moving the needle. The traditionally all-important 25-to-44-year-old age group, which in the past contributed more to the gross domestic product than any other 20-year age group, is *shrinking*. It will be smaller by 4.3 million people in 2010 than it was in 2001. This follows population shrinkage in the 18-34-year-old age group that took place during the 1990s, when the number of 18-to-34-year-olds fell by more than 8 million. That triggered the end of sales growth in many youth-oriented indus-

tries including music CDs, youth apparel, and athletic footwear. Now, even though the population of the younger half of this much coveted 18-to-34 demo is starting to grow again, it is not enough to offset population shrinkage among 25-to-44-year-olds.

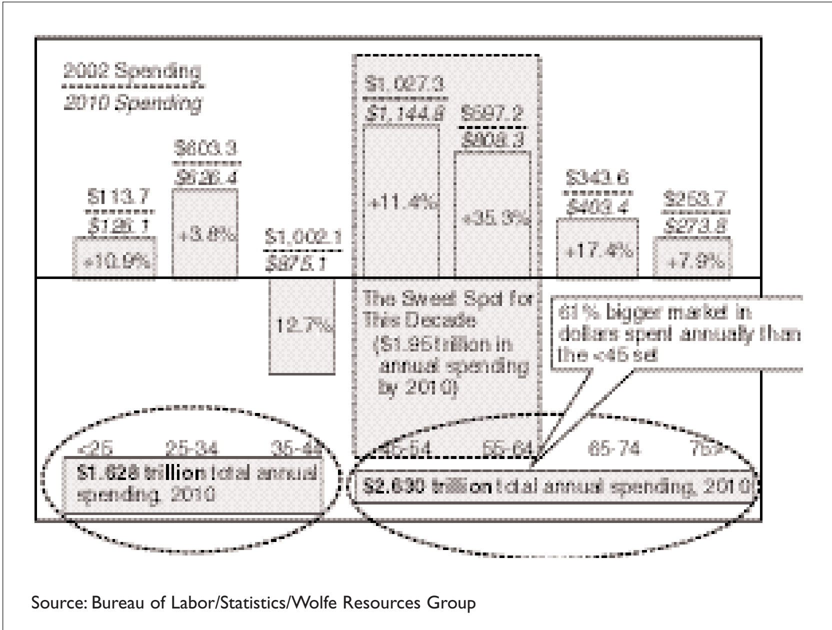
People in the 25-to-44-year-old age group have been crucial to a healthy consumer economy because they tend to highly leverage the purchasing power of their incomes through loans and revolving charge accounts to buy "stuff"—lots of "stuff." People in the 25-to-34-year-old age group lead in vehicle spending, while 35-to-44-year-olds lead in housing and housing-related spending. All told, spending in this age group is projected to decline by $115 billion between 2001 and 2010.

In sharp contrast, the 20-year cohort of 45-to-64-year-olds will grow by 16 million people during this decade. Sales are projected to grow by $329 billion. Taking into account the full range of New Customer Majority spending, by 2010, *spending by people 45 and older will be a trillion dollars greater than spending by people between the ages of 18 and 39*—$2.6 trillion to $1.6 trillion. (See Figure 1.1.)

The population count for all adults under age 40 is now about 85 million in contrast to the 45 percent larger New Customer Majority, which numbered a little over 123 million in 2000. By 2010, the number of adults under 40 will have increased only by about 2 million people, while the New Customer Majority market will become 60 percent larger than the younger adult age group by adding more than 13 million new members. (See Figure 1.2.) In light of these figures, what argument can convincingly demonstrate that Madison Avenue and Corporate America are on sound footing in putting the lion's share of marketing dollars into young adult markets?

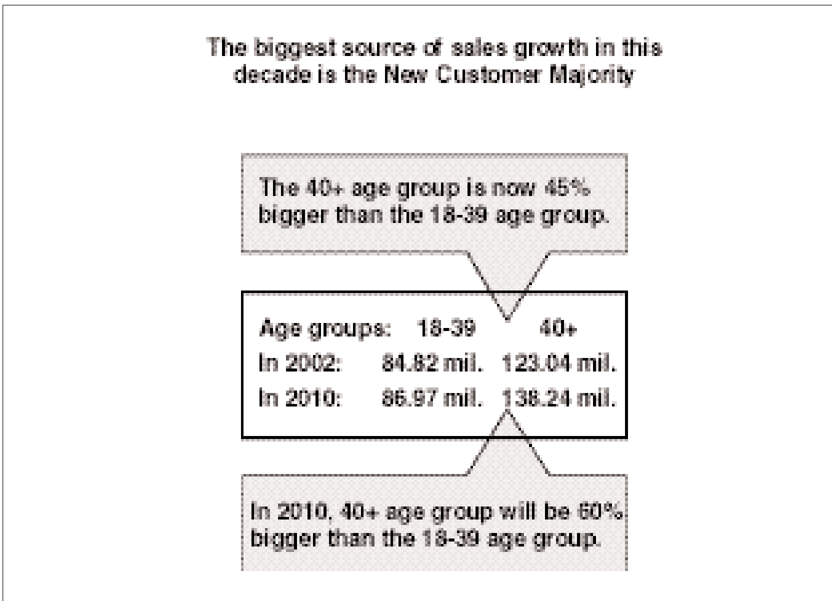
"When an event is not easily explained by what we know, we alter what we know to accommodate the new event." These words from University of Virginia's Timothy Wilson offer a new perspective on why a turnabout in thinking on middle-age and older markets is moving so slowly. Those who defend their continuing preoccupation with first-half consumers do not understand the event of dramatic changes in customer behavior, so they alter what they already know to accommodate it. The welfare of the consumer economy, indeed of the entire national economy and thousands of companies, is being compromised by an unwillingness to change mind-sets to accommodate the new event of the New

FIGURE 1.1 *Spending Trends by Ten-Year Cohort*



Source: Bureau of Labor/Statistics/Wolfe Resources Group

FIGURE 1.2 *The Biggest Source of Sales Growth*



Customer Majority's emergence as the most powerful force in the consumer marketplace today.

This book explains why research and marketing have lost their way from a fresh perspective, from a new *consciousness,* as it were. Albert Einstein's famous words "a problem cannot be solved from the same consciousness that created it" describe what is necessary to begin repairing marketing, as well as consumer research. Marketing's present-day problems have not been generated by customers, or by 9/11, or by war jitters, or by any other externality. They have been generated internally by the persistent existence of a consciousness that occludes the vision necessary to figure out why things are not working so as to be able to move on to problem solving.

No thoughtful reader will agree with everything I say in this book. Some readers may be caustically critical of some things I say. But this I promise to every reader: No one who reads this entire book is likely to ever see customers and the art of marketing quite the same. By the end of this book, I hope every reader who needs to do so will become unstuck from the 1960s, as CBS's Dave Poltrack would put it. Beyond that, it is my intention to give every reader a sizeable array of new thought tools to better navigate the era of the New Customer Majority.