The U.S. Senior Market: A Study to Assess a Framework for Analyzing Market Segment Histories

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This paper assesses the appropriateness of a framework (Branchik 2002) created to guide the analysis of market segment histories. A previous paper established the framework using the U.S. gay market segment. This paper examines the history of the U.S. senior market segment. Following the framework, it begins by reviewing the history of the group of interest, identifying historical drivers key to the development of the segment, and creating a resultant periodization consisting of historical periods or phases into which the segment's history can be logically divided. In the case of the U.S. senior market segment, three phases emerge: (1) the Independence Phase, mid-19th century-1935; (2) the Growing Affluence Phase, 1935-1965; and (3) the Maturity Phase, 1965-present. The paper then follows the framework by examining buyer/seller activities in each developmental phase and providing examples of associated products and services. Findings confirm the appropriateness of the framework including portions that state that buyers, sellers or both can create a market segment; and that although growth usually proceeds in a gradual evolutionary manner, important historical or societal events propel the market segment's growth forward in revolutionary spurts. The original framework is enhanced with the explicit inclusion of gradual demographic changes that must be accommodated along with the key historical events and eras.

The market segment is an essential unit of analysis in marketing (Wedel and Kamakura 2000), important both to practitioners and academics. Made popular in the 1950s, the concept of market segments came about as a result of (1) the recognition of the heterogeneity of demand in monopolistic (Chamberlin 1937) or imperfect (Robinson 1933) competition versus the homogeneity of demand implied with perfect competition (Alderson 1957); and (2) as an alternative or precursor to product differentiation (Smith 1956). A market segment is defined as a group of buyers who respond in similar ways to a set of marketing activities or messages (Kotler 1986, McCarthy and Perreault 1990). Based on this definition, there are virtually infinite combinations of market segments comprising infinite combinations of buyers. And just as many firms could potentially arise to meet the needs of those segments by differentiating targeted offerings.

An important component of any market segment is its history. By examining the history of a given market segment, both academics and practitioners can gain important insights into anticipating the appearance of new segments based on past patterns. Recent examples of this forecasting capability might include the growth of the U.S. Latino or Asian ethnic markets. Their increasing significance in the 1980s and 1990s displays similarities to the growing attention paid to the African American market segment in the 1970s. In addition, by studying market segment histories, scholars can gain insights by expanding the body of marketing thought; and marketing managers can anticipate changes in a segment to tailor their marketing programs more effectively. Unfortunately, the tools available to the researcher studying market segment histories are limited. One useful tool is a framework to guide and organize the study of marketing segment histories.

This paper utilizes a recently developed framework by Branchik (2002). The framework, originally created to examine the history of the U.S. gay market segment, approaches the study of market segment development by examining both buyer and seller activities within a periodization of historic or societal periods or phases. It proposes that market segments develop in a gradual evolutionary manner. But more important to the speed and magnitude of their growth are a series of historic shocks that propel the segment forward in revolutionary spurts. These shocks are described by Stephen J. Gould's notion of punctuated equilibria (Eldredge and Gould 1972), a biological theory that describes evolution as including long periods of stasis or slow growth punctuated by episodes of very rapid change (Futuyma 1986, 401).

The purpose of this paper is to assess the appropriateness of the Branchik framework by analyzing other segments than the original study on the U.S. gay market segment. This paper focuses on the senior market segment in the United States, an age-based market segment acknowledged by both scholars and practitioners. An age-
based market segment was selected to differentiate the market segment category of interest of this study from the category utilized in the Branchik (2002) study, thereby broadening the framework's generalizability. The U.S. senior segment specifically was selected due to its acknowledged size and importance, and the availability of historical materials. If the framework is appropriate, it will contribute to both marketing thought and practice by providing a generalizable tool that guides and organizes the researcher exploring market segment development.

This paper begins with a brief summary of the marketing literature on market segmentation followed by a description of the basic framework and a summary of key premises underlying its use. Next, the historical periodization of the senior market segment in the U.S. is developed, categorizing the history of the senior market segment into three phases: (1) the Independence Phase, mid-19th century-1935; (2) the Growing Affluence Phase, 1935-1965; and (3) the Maturity Phase, 1965-present. The paper then assesses the fit of the study of the senior market segment history into the framework. Finally, areas for future research and conclusions are presented.

HISTORY OF SEGMENTATION IN MARKETING

Referencing the works of Joan Robinson (1933) on imperfect competition and Edward Chamberlin (1937) on monopolistic competition, Wendell Smith (1956) is credited with introducing market segmentation into the marketing literature (Haley 1968, Sheth et.al 2000, Wind 1978). Describing segmentation as consisting of “viewing a heterogeneous market...as a number of smaller homogeneous markets,” (Smith 1956, 6), Smith contrasted market segmentation with product differentiation. He explained that differentiation was something firms did to shape the demand function for their offerings, while buyers created market segments by expressing their unique requirements.

Also basing his thinking on monopolistic and imperfect competition, Wroe Alderson (1957) further developed the concepts of differentiation and segmentation in Marketing Behavior and Executive Action. These concepts stress the differences between buyers within a given market, the heterogeneity of markets in general, and the differentiation that sellers undertake to provide offerings necessary to successfully meet the needs of these disparate market groups. As a result, market segmentation became a key aspect of the growing marketing sub-field of marketing management.

After its introduction into the field of marketing, researchers in the 1960s onward sized, analyzed and classified market segments. These early studies utilized a priori models, in which firms or academics segmented markets by pre-ordained criteria, such as income or age (Andreasen 1966, Bass et al. 1968, Wind 1978). In the late-1960s and early-1970s, articles began to refer to more abstract segmentation variables such as benefits, perceptions of value (eg. Haley 1969), motivation, or attitude (Cunningham and Crissy 1972).

In the 1970s, cluster-based models, in which “the number and type of segments are not known in advance and are determined from a clustering of respondents on their similarities on some selected set of variables” (Wind 1978, 321-322) became popular. This approach left researcher more open to resulting segmentation bases than the a priori models.

Beginning in the late-1970s and into the 1980s, market segmentation played an important role in the burgeoning field of marketing management and strategy. As product development and market evolution cycles increased at increasing rates, firms realized that they had only limited time to anticipate and then to respond to changing segments and their needs (Abell 1978, Johnson 1971). This need to anticipate market changes leveraged the increasing availability of sophisticated computing resources to result in segmentation being declared “...marketing’s most important contribution to strategic management.” (Biggadike 1981, 624).

Through the 1980s and 1990s, ever-smaller market segments and sub-segments were explored and quantified. This approach culminated with the proposition that market segmentation effectively extended to the individual buyer (Walsh and Godfrey 2000, Wind and Rangaswamy 2001). It is important to note that the attention paid to market segments over the past 50 years by both academics and practitioners was usually focused on methodologies and models used for identification and quantification. Adequate tools for analyzing the history of a given market segment have not been provided. One such tool, a framework for analyzing market segment histories, is described in the next section.

A FRAMEWORK FOR ANALYZING MARKET SEGMENT HISTORIES

This section describes the framework that will be assessed in this paper. A graphical example of the framework, including a summary description of its components, and the highlighted enhancement resulting from this analysis, is provided at Table One.
The Romance of Marketing History

TABLE ONE
MARKET SEGMENT HISTORY FRAMEWORK

<table>
<thead>
<tr>
<th>Historical Phases</th>
<th>Ongoing demographic changes</th>
<th>Historical Drivers</th>
<th>Buyer Activities</th>
<th>Seller Activities</th>
<th>Products/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order and naming of historic or societal phases derived from historical drivers, buyer/seller activities and phase’s products and services</td>
<td>Summary of historic or societal forces that define the phase and cause revolutionary changes</td>
<td>Listing of common buyer activities performed by segment of interest during the phase</td>
<td>Listing of activities of sellers relative to buyers during the phase</td>
<td>Examples of products and/or services supplied by sellers or demanded by buyers during the phase</td>
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</table>

The above framework approaches the study of the history of the market segment of interest via six factors: (1) historical phases; (2) ongoing demographic changes; (3) historical drivers; (4) buyer activities; (5) seller activities; and (6) product/service offerings. The explicit presence of the second factor represents an enhancement to the original framework (Branchik 2002) resulting from this analysis.

(1) Historical Phases

A market segment develops within the context of the broader historical events that impact it. A periodization of the segment of interest’s history divides the history into phases. In order to derive these historic phases (and drivers discussed in (3) below), the researcher undertakes a study of the history of the group, interest, or technology around which this market segment revolves, e.g. the history of the U.S. gay market segment (Branchik 2002). Reviewing the group’s history was the first step in the development of this market segment history. Upon completion of this task, a clear series of developmental historical phases were derived.

(2) Ongoing Demographic Changes

An enhancement to the original framework resulting from this paper was the explicit acknowledgement and inclusion of ongoing changing demographic patterns. In the case of the U.S. senior market segment, these ongoing demographic changes included the growing percentage of senior citizens within the U.S. population resulting from improved medical care and hygiene, and the increasing affluence of senior citizens resulting primarily from U.S. Government programs for senior citizens and private pension funds.

The explicit mention of gradual demographic changes in the initial (Branchik 2002) study’s framework was not made. This oversight resulted from the lack of demographic data for a group that was all but invisible in the past and remains underground to a certain extent even today. Although this paper argues that important historic events, eras or drivers are key to the timing of the development and magnitude of a given market segment, it is necessary to explicitly include on-going demographic changes in any generalizable framework.

(3) Historical Drivers

An important result of the pursuit of this portion of the framework—and one of its key premises—is that market segments do not only (or always) develop in a slow and evolutionary manner. Rather, their development includes revolutionary change resulting from what Gould referred to as punctuated equilibria (Eldredge and Gould 1972). In the case of this project, revolutionary historic or societal events, discovered during the periodization of historic phases, are the catalysts or drivers of the punctuated growth spurts (or possibly contractions) of a market segment of interest. In turn, these historic events or shocks can be used to classify segment development into their phases.

(4) Buyer Activities

Buyers are as important to the creation of market segments as sellers. Alderson notes “...buyers no less than marketing executives come into the market to solve problems.” (Alderson 1957, 163), and that “...exchange
takes place because each party to the transaction has a surplus of one product and a deficit of another” (195). Smith (1956) contrasted segmentation with differentiation by attributing the development of market segments to buyers and product differentiation to sellers. Given their indispensable role in the creation of market segments, the framework summarizes various buyer activities that ultimately lead to the creation of the market segment as expressed by differentiated products and services.

The following example from the original study (Branchik 2002) illustrates this point within the context of the creation of the gay market segment. As a result of urbanization, gay men in the U.S. were gathering in large coastal cities such as New York and San Francisco. These men, realizing that there were others like them, and pursuing the basic human need to form community, used clothing to signal other gay men that they were also gay. A red necktie was one example of a distinctive piece of clothing that gay men bought early in the 20th century to signal other gay men. Members of this nascent market segment drove sellers to meet their demands for this product that had little demand within the broader male market.

(5) Seller Activities

The key premise of this framework -- that both buyers’ and sellers’ efforts create market segments -- is described in the marketing literature (eg. Alderson 1957, Kotler and Levy 1973, Smith 1956). In anticipation of or reaction to buyer demand, sellers undertake activities such as differentiating their offerings.

In the gay market segment’s history, clothiers began meeting the buyers’ need for red neckties by providing this differentiated offering in a market where there was little demand for such neckties outside the gay market segment.

(6) Products and Services

Within these historic phases and as a result of buyer and seller activities, examples of products and services can be found that manifest both the unique requirements of the market segment of interest and the product differentiation that sellers undertake to meet those needs. One example of a product/service offering resulting from buyers of a given market segment and sellers meeting in the marketplace from the initial Branchik (2002) study was the market need and ultimate supply of “vatical insurance policies”. In response to the AIDS crisis in the 1980s and early 1990s, gay men suffering from AIDS required money to live. Insurance and financial firms devised vatical settlement policies whereby AIDS/HIV-infected consumers could get immediate cash in exchange for naming vatical firms their life insurance policy beneficiaries.

This section has provided an overview of the proposed framework. The following sections assess and augment the framework by utilizing it in analyzing the history of the senior market segment in the U.S.

U.S. SENIOR MARKET SEGMENT HISTORY

Scores of books and articles have been written in the past 20 years about how to market to the senior market segment (eg. Lewis 1996, Moschis 1996, Morgan and Levy 1993, Petre 1986). This market segment is comprised of those consumers in the U.S. over the age of 50, 55 or 65, depending on the source. Today, it is estimated that consumers over 55 account for 40% of total consumer demand, 55% of all deposits in financial institutions, and 77% of all assets in the U.S. (Lewis 1996). This market segment has existed for about 150 years. Its development and growth has resulted from a combination of increasing longevity and wealth, independence from family caregivers, and governmental policy. The segment can be divided into three historical phases: (1) the Independence Phase, mid-19th century-1935; (2) the Growing Affluence Phase, 1935-1965; and (3) the Maturity Phase, 1965 to present. The summary framework that is the basis of this history is provided in Table Two.

FRAMEWORK ASSESSMENT

This section assesses the appropriateness of the framework in Table One above by applying it to the examination of the history of the senior market segment in the U.S. Periodization of its history into three historic phases serves to organize the analysis.

Phase One: The Independence Phase – Mid-19th Century-1935

Phase Historical Background

The first phase in the development of the U.S. senior market segment, covering the period beginning in the mid-19th century with the Industrial Revolution through 1935, is described as the Independence Phase. This designation reflects the fact that during this period, seniors became increasingly independent of their extended family support networks and, whether by desire or by necessity, began making consumer decisions on their own.

Pre-industrial families usually lived together on farms. Title to the property was held by the patriarch of the family. During the 17th and 18th centuries, “young men had remained dependent and directly responsible to fathers or masters until marriage or their father’s death” (Cole 1992, 55). By the 19th century, there was often pressure for the father to relinquish ownership to sons, who could take advantage of available American frontier land and leave the farm if the father did not comply (Cole 1992, 50). However, there still was a strong incentive for families to remain
Table Two: Senior Market Segment History Framework

<table>
<thead>
<tr>
<th>Phases</th>
<th>Historical Drivers</th>
<th>Buyer Activities</th>
<th>Seller Activities</th>
<th>Products/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Independence Phase - Mid-19th century - 1935</td>
<td>- Industrialization and associated urbanization - Young people leaving elders for cities - &quot;Pathology&quot; of aging - Passage of Social Security Act 1935</td>
<td>- Elderly search for &quot;cure&quot; for aging - Consumers beginning to make consumption decisions for themselves</td>
<td>- Minimal seller focus on market - Shady entrepreneurs try to make money from fear of aging</td>
<td>- Aging advice books - Rejuvenation methods, pills and procedures</td>
</tr>
<tr>
<td>2. Growing Affluence Phase - 1935-1965</td>
<td>- GI, VA bills increase education, home ownership, future affluence - Expanding private pensions, providing old age income - 1951 White House Aging Conference - 1956 founding of AARP - Passage of Medicare Act of 1965</td>
<td>- Need for health insurance, Medicare - Search for appropriate housing and location to spend retirement</td>
<td>- Marketers asked to join government to create &quot;aging industry&quot; - Seniors begin creating offerings to meet their own needs</td>
<td>- Insurance products - Retirement housing developments</td>
</tr>
<tr>
<td>3. Maturity Phase - 1965 - present</td>
<td>- Stress on marketing inclusivity of minority groups - Increased political and economic power - Affluence - Intensified marketer focus on leisure activities - Explosion in media attention</td>
<td>- Desire targeted products but concerned about &quot;old&quot; connotation - Increasing focus on leisure activities</td>
<td>- Advertisers begin phase with stealth advertising and end phase with direct senior targeted ads - Increasing targeting of products</td>
<td>- Senior foods - Liquor brands - Travel services - Credit cards</td>
</tr>
</tbody>
</table>

As the landowners aged, they relied on their children to make various consumption decisions as part of the caregiving their children provided.

With the onset of the industrial revolution and its associated phenomenon of urbanization, individuals left farm-based extended families, migrating to cities and factory jobs. As a result, elders lost power relative to other family members throughout the 19th century and into the 20th century. The abandoned elderly were now required to care for themselves (Dychtwald 1999). This independence, an important factor leading to the development and growth of the senior market segment, extended to purchase decisions for a variety of products and services.

During this same period, longevity of the U.S. population was increasing (Dychtwald 1999, Moschis 1996) due to evolving public hygiene, improving medical care and diet, among other factors. Between 1900 and 1930 alone, life expectancy in the U.S. increased from 47.3 to 59.7 years (Historical Statistics 1975, 55) a growth of more than 25%.

A key acknowledgment by U.S. Government leaders and society as a whole of the growth of the senior population and of their need for financial security-security that would ultimately make them an attractive market segment—was the passage of the Social Security Act of 1935 in August 14th of that year. In signing the bill, President Franklin Roosevelt stated, "The Civilization of the past hundred years, with its startling industrial changes has tended more and more to make life insecure. Young people have come to wonder what would be their lot when they came to old age." (Special 1935, 1). Social Security both freed the elderly from poverty and permitted them to retire,
rather than working themselves to death trying to compete with much younger industrial workers (Dychtwald 1999).

Prior to the Social Security Act, few firms provided any sort of pension program for employees. In 1875, the American Express Company permitted workers past 60 to receive some compensation upon retirement (Achenbaum 1978). In 1884, the Baltimore and Ohio Railroad pioneered the fixed retirement age when they required employees to retire at age 65. But even with over 170 pension plans in the U.S. in effect by 1915, less than 1% of older Americans were provided financial security via pension plans (Achenbaum 1978).

One obvious impact of the passage of the Social Security Act was that the elderly finally had a means of financial sustenance. However, another impact—and cause of the Social Security Act—was the changing societal view of the elderly. Late in the 19th and earlier in the 20th centuries, the elderly were essentially seen as unproductive components of the industrial revolution, incapable of meeting its demands for strong and energetic factory workers. With the passage of the Social Security Act, society acknowledged that this view had been transformed into a view of seniors as a group needing and, more importantly, deserving care and respect (Achenbaum 1978). When viewed within the context of the history of the senior market segment, the passage of the Social Security Act of 1935 marks an historic shock that had a profound and lasting impact on the development of the senior market and that illustrates the punctuated equilibria discussed earlier in this paper. It therefore marks the culmination of the first phase of the history of the senior market segment, which began with industrialization.

**Historical Drivers**

From the historical background provided above, four key historical drivers emerge. The first of these drivers is industrialization and its associated urbanization. Seniors, abandoned by children leaving for opportunities in cities, now had more independence to make their own consumption decisions. The second key driver was increasing longevity resulting from improved healthcare and hygiene. A third key driver was the involvement of the U.S. government in providing for senior citizens. Increasing longevity resulted from improved hygiene and medical care, mandated through a variety of federal laws and regulations affecting industries such as food processing and pharmaceuticals. Both hygiene and medical care were facilitated by the federal government. The fourth historical driver was the passage in 1935 of the Social Security Act, ensuring a degree of financial security for seniors. These drivers acted together to gain some seller attention and helped create the U.S. senior market segment.

**Buyer Activities**

Senior citizens, left increasingly behind by their children heading for better lives in cities and seen as dispensable components of the industrial revolution, were now responsible for making a variety of consumption decisions.

The rejection of aging culminated during the late 19th and early 20th centuries in viewing old age as an illness or something to be cured or avoided (Dychtwald 1999, Cole 1992, Achenbaum 1978). As a result, aging people—primarily men—began looking for ways to stave off the aging process. They sought out peers who were able to gain lost vigor for their advice (Cole 1992). Those with less patience simply looked for pills, injections, or serums.

**Seller Activities**

For the most part, sellers were unaware or ignorant of the senior market segment early in this phase. Later, along with the rest of society, they noticed the growing senior population and the desire of seniors to regain lost youth. They responded with books, advice manuals and even patent medicines to “cure” old age with some cynical and bogus products.

**Product/Service Examples**

Beginning in the early to mid-19th century, books containing instruction, inspiration, consolation, and advice about aging appeared in the literary marketplace. In 1829, the Reverend John Stanford wrote and marketed *The Aged Christian’s Companion*. Three editions were published by 1852. The companion was advertised as the “first attempt to provide a book adapted especially for those…entering the vale of years.” (Cole 1992, 67) Similar works included, *The Aged Pilgrim*, written in 1846, by Joseph Alden; and *Looking Toward Sunset*, written in 1864, by Lydia Child (Cole 1992, 67).

Between 1890 and 1925, the “war” on old age created a large number of “bogus rejuvenation methods” (Cole 1992, 81) or patent medicines. Some examples included Vita-Ore in 1891, advertised in religious weeklies and targeting the elderly. It later was found to consist of Moncel’s salt and Epsom salt. By 1907, its developer and marketer had netted over $200,000 (American Medical Association 1912). Another “cure”, El Zair, promised to remove waste matter that caused old age (AMA 1912). Other treatments marketed to seniors included ionization of the elderly’s endocrine cells with radioactive elements of the thorium family and compounds of magnesium chloride or lactic acid used as antidotes to aging (Achenbaum 1978).
Phase Two: The Growing Affluence Phase - 1935 – 1965

Phase Historical Background

The second historical phase of the senior market segment follows the passage of the Social Security Act of 1935, and ends with the passage of the Medicare Act in 1965. This phase also includes a variety of other government or government-inspired actions that worked to enhance the affluence of the senior market segment. During this period, the senior population continued to grow. In 1930, people over 65 comprised 5% of the U.S. population. By 1960, that proportion grew to 9% (Historical Statistics 1970).

In 1942, the U.S. Government amended tax rules to make employer contributions to both pensions and pension earnings tax deductible (Dychtwald 1999). During World War II, unions were prohibited from negotiating for higher wages. They therefore negotiated for improved pensions. As a result, private pension plans grew and firms guaranteed their employees enhanced financial security during their retirement, thereby making seniors more attractive to sellers as a market segment. By 1950, 25% of the private sector labor force was covered by private pensions (Dychtwald 1999), and by 1969 it had grown to 47.5% (Unnamed 1969).

Another Government-influenced area that contributed to the growing affluence of the senior market was the GI Bill in 1944. Officially known as the Servicemen’s Readjustment Act, the Bill provided subsidies for the education of veterans; home, farm and businesses loans; and unemployment compensation. By 1947, one-half of college students were veterans (Dychtwald 1999). GI Bill-sponsored educational achievements augmented the earning capacity of veterans, creating increased wealth as they aged (Skocpol 1996). The GI Bill also subsidized one-fifth of postwar mortgages through the Veterans Administration (Dychtwald 1999). From the immediate post-war period forward, therefore, homeowners took advantage of appreciation, increasing their wealth and financial independence as they aged. The average market value of owner-occupied mortgaged houses grew from $4,403 in 1940 to $13,379 in 1956 alone. (Statistical Abstracts 1960, 771).

In response to the growing numbers and affluence of the senior population and an increasing awareness of the importance of addressing needs of the elderly—both via government and ultimately via business activity—the first White House Conference on Aging was held in 1951 (Greenberg 1995). The intent of the Conference was to “assess the challenges emerging from these changing demographics.” (Greenberg 1995). The existence of this conference speaks to two important perceptions at the time. The first is that senior citizens were seen as a demographic group important enough to warrant a White House-sponsored conference. The second is that the group was seen as needing special attention or having unique issues, such as financial support and health care. Those same unique issues, translated into specific consumption requirements, ultimately inspired firms to differentiate products and services for the senior market.

The growing focus on senior citizens culminated with the passage of the Medicare Act of 1965. The law stemmed from the realization that the elderly had unique needs for healthcare and insurance. Although first envisioned in 1935, at the time of the passage of the Social Security Act, opposition from a variety of powerful groups, including the American Medical Association (AMA) prevented a national healthcare plan from being adopted. However, by 1965, the 2.5-million member National Council of Senior Citizens overcame heavy AMA lobbying to gain passage (Klippe 1974, Unnamed 1969). This key law was a clear manifestation of the political power of the elderly, who had taken on one of the strongest lobbies in the U.S. and won. Combined with the Social Security Act and subsequent legislation, including the GI Bill, seniors were entitled to a certain level of financial, housing, and now medical security. By the late 1960s, all these factors had combined with the growth of the senior population to present marketers with a market segment with the identity, accessibility, responsiveness, and significance (Emnis 1977) to make for a profitable business relationship.

Historical Drivers

In examining the historical background that comprises this second phase of the history of the senior market, five historic drivers emerge that drove the growth of the senior market segment. The first driver was the 1944 passage of the GI and VA bills, which increased the education and home ownership levels of a generation, thereby ensuring increased senior affluence by the late 1950s. Second, the expansion of private pension plans, encouraged by governmental policy, also contributed to the affluence of the senior market. The third driver, the White House Conference on Aging in 1951 acknowledged the importance of seniors as a demographic group with unique needs and focused national attention—including marketer attention-on this demographic group. The founding of the AARP in 1958, an organization that would rise to prominence later in the 20th century ensured that seniors were taking care of their own service needs. And the passage of the Medicare Care of 1965, which provides the culmination of the Growing Affluence Phase of the history of the senior market, provided the phase’s capstone historical driver.

Buyer Activities

As a result of the financial independence provided by the Social Security Act, private corporate pensions, and the GI bill, seniors began to exert more consumer muscle. With their newly-attained financial independence, seniors now searched for places to live and ways to enjoy their
retirement. Beginning in the 1950s, as older veterans no longer needed the large homes they had purchased via the VA Loan and GI Bill, seniors began to realize they needed a different kind of housing offering for their retirement. As a result of the financial appreciation they had gained from their housing investments and their Social Security payments and private pensions funds, they had the money to retire in comfort. However, they also wanted to live among other seniors in communities where practical needs—such as landscaping and social activities—were taken care of, and where winter and its associated snow shoveling was no longer necessary.

Before the Medicare Act in 1965, seniors also were faced with great difficulty in finding affordable healthcare. Scientific progress enabled longer and healthier lifespans. But insuring health was a significant expense for the elderly.

**Seller Activities**

The Social Security Act finally provided the elderly with some financial security. Society next asked what should be done with these people who no longer needed to work. Marketers, naturally, were incorporated into suggestions. Just after 1940, one author claimed that an "aging industry" was established (Cole 1992). Its purpose was twofold: (1) to exclude the elderly from the mainstream of life; and (2) to sell the elderly on being relegated to this position via a series of product and service offerings. Echoing this need for product/service offerings, a 1943 book states that old people needed schools, recreation centers, arts and crafts centers, sheltered work shops, adult playgrounds, marriage brokers, and social clubs (Lawton 1943). Sellers saw a large and profitable opportunity to provide housing options to the retiring senior population. However, in the area of healthcare, marketers did not provide the kinds of services that adequately met buyer needs.

**Product/Service Offerings**

To provide a means of ensuring adequate healthcare to seniors, Ethel Percy Andrus, a 72 year old retired teacher and frustrated consumer took it upon herself in 1958 to found the National Retired Teacher’s Association (NRTA), later renamed the American Association of Retired Persons, today known simply as AARP, one of the most powerful interest groups in America. Andrus teamed with a visionary seller, New York insurance broker Leonard Davis, who provided $50,000 to start her organization in exchange for exclusive rights to sell insurance products to its members. By 1963, membership in the AARP had reached 750,000 and Davis formed his own insurance company, Colonial Penn Insurance (Dychtwald 1999). Related to health insurance were the prescription drug and medical care industries (Reinecke 1964). Late in the 1960s, it was estimated that senior citizens spent $500 per year each on medications and that 80% suffered from a chronic ailment. (Unnamed 1969).

In response to the need for retirement housing developments to meet seniors' needs, builder Del Webb opened Sun City near Phoenix, Arizona, in 1960. This planned community, targeted at the senior market, offered the amenities, services, and floor plans demanded by seniors. In less than one year, Webb sold 1,300 houses and 350 garden apartment units using the tagline “an adult community for active retirement living” (Mason 1982). Other entrepreneurs also created developments targeting the senior market. Ross Cortese built Rossmore Leisureworld near Laguna Hills and Walnut Creek, both in California. By the mid-1960s, there were adult leisure communities in Florida, Texas, North Carolina, South Carolina, Illinois, New York, New Jersey, and Connecticut (Mason 1982).

**Phase Three: The Maturity Phase - 1965 – present**

**Phase Historical Background**

During the third phase, designated the Maturity Phase and covering the period from 1965 to the present day, the senior market matured and seniors developed market and political power equal to or surpassing many other American market segments.

Longevity brought about via medical advances resulted in continued growth of the senior population. By 2000, life expectancy had grown to an estimated 77.1 years (Statistical Abstract 2000, 84). When coupled with general population growth in the U.S., seniors over the age of 65 grew from only 4% of the population in 1900 (Historical Statistics, 15) to 12% in 2000, ultimately accounting for an estimated 34,835,000 inhabitants. It is estimated that number will grow to over 70 million, or 20% of the U.S. population by 2030, as the late baby boomers retire (Statistical Abstract 2000, 15). This period also saw a dramatic decline in poverty rates among senior citizens. Between the 1960s and 2000, poverty rates among seniors declined from 35% to 10.5% (Delaker and Naifeh 1998).

Following the period just before and after the passage of the Medicare Act of 1965, the ingredients were all present for a relatively wealthy and large market segment. Yet article titles at the time included The 'Older Market' – Fact or Fiction? (cf. Reinecke 1964) and The Forgotten Generation (cf. Unnamed 1969). Titles like these indicated a questioning of why senior buyers were failing to receive more attention from sellers. One school of thought was that young baby boomers were such a tempting target market, that seniors simply were not worth the investment (Reinecke 1964) because "youth are better 'packaged' than seniors" (Unnamed 1969, 24); another was simply that America was obsessed with youth (Unnamed 1971).

It was also recognized that women 65 and older spent more on cosmetics than younger women. Yet cosmetic firms were spending more advertising to young women. A
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Sales vice president at cosmetic giant Revlon stated that “We have no special products in the geriatric field” (Unnamed 1969, 22). When confronted with Chesebrough-Pond’s statement that “Arden and Rubenstein specialize in creams for older women”, an Elizabeth Arden spokesperson countered that, “We don’t want to be connected only with older women” (Unnamed 1969, 22). Referring to elderly women and the fashion product category, the president of Garfinckel and Company, a Washington, D.C.-based department stores chain lamented that “They’re the forgotten generation,” and that “fashion houses do not design for elderly women.” (Unnamed 1969, 22). A fashion house representative from a division of Jonathan Logan countered “I don’t believe the volume is there” (Unnamed 1969, 22), stating that older women kept the clothes they had rather than buying new outfits.

It was also theorized that with age, medical expenditures rose and clothing expenses fell. Otherwise, the elderly had the same product/service needs as lower income younger people (Reinecke 1964), having few unique product needs (Unnamed 1969).

Income was a key rationale given for lack of marketer interest. Reinecke in his 1964 article responded that, although 6.2 million older families had annual incomes over the minimal subsistence level of $3,000 determined by the U.S. Bureau of Labor Statistics, the limitations of Social Security income would forever prevent seniors from becoming an affluent market. Another author estimated the 65-plus market at $40 billion, and countered that the idea that seniors lived in poverty was a myth (Unnamed 1969). By the early 1970s, even though the senior market was estimated at $60 billion, one author summed up the popular notion that marketers and society in general simply did not know what to do with the elderly (Unnamed 1971).

A few years later, corporations were being asked to contribute to the improved image of seniors in the market as part of the 1970s stress on inclusivity in marketing to a variety of groups including the elderly, minorities and women (Gelb 1982). And by the end of the 1970s, the senior market was declared to meet all classic criteria of a key market segment (Gelb 1978).

Historical Drivers

Five historical drivers can be derived from the historical background that summarizes this phase in the development of the U.S. senior market. First is the societal and market trend toward the inclusion of a variety of minority groups in marketing programs. This inclusivity extended to seniors as well as ethnic and lifestyle minority markets. Second was the increased political and economic power wielded by senior citizens as demonstrated by groups such as the AARP. The third historical driver was the growing affluence of seniors as a group, making them increasingly attractive to marketers. Fourth was the resultant market focus on seniors. Finally, marketer focus manifested itself as an explosion in media attention and the depiction of seniors in a variety of marketing campaigns.

Buyer Activities

Although the 1970s saw articles continuing to bemoan the dearth of marketing literature on the senior market and the absence of seller focus on developing target products or services (Klippe 1974), it also found elderly consumers “seething, angry and ready for action” (Unnamed 1971, 53) to demand recognition by marketers.

In this third phase of the senior market segment, buyers continued to search for and demand housing and leisure products and services targeted to their needs. In addition, they looked for senior images in a variety of product advertising messages for goods such as food and liquor. However, accompanying this desire to see themselves in advertising and marketing images was a conflicting sensitivity about images that focused uniquely on seniors, thereby linking a product or service to old people. The focus on youth and fear of age that was so apparent early in the development of the market segment had certainly not disappeared despite the dramatic gains in seniors’ economic and political power.

Seller Activities

Aware of the market segment’s ambivalence toward explicitly targeted marketing programs and messaging, sellers went after the senior market in a variety of areas, but often used images and messaging that included seniors along with younger consumers. An advertisement might combine images of seniors with images of young people in the same advertisement, or avoid explicit mention of old age in marketing messages. That said, sellers targeted seniors with an increasing numbers of products.

Product/Service Offerings

H.J. Heinz Company was a pioneer in offering an entire line of prepared foods targeted at seniors. Their research had indicated that seniors were buying and eating baby food owing to its ease of digestion. In the late 1960s and early 1970s, they packaged Senior Foods, which were baby food meals re-packaged in larger containers for seniors (Unnamed 1971). The product line did not succeed, however. Heinz learned that seniors did not want to be seen buying products that were associated with the aged. They continued to buy and consume baby food, thereby giving other shoppers and their peers the impression that they were actually buying food for their grandchildren.

Related to Heinz’s failure, in the late 1960s and early 1970s, sellers were wary of marketing to seniors with products targeted only to seniors. They attempted to utilize “trans-generational” or “fence-sitting” strategies (Unnamed 1971, 56). By using such a strategy, Greyhound, 35% of
whose market consisted of seniors, launched an advertising campaign that showed both seniors and young people traveling together on Greyhound buses. Likewise, Brown-Forman Distillers Corporation conducted a similar strategy with its promotional campaigns (Unnamed 1971, 56). It is important to note that sellers were now making pro-active decisions in a variety of industries they believed were most effective in targeting the senior market. Whether a direct strategy or a stealth strategy, they were differentiating their products for seniors, but marketing to them indirectly, avoiding any reference to them as old.

It is interesting to contrast Brown-Forman Distillers Corporation fence-sitting approach in the 1970s to Anheuser Busch’s, E.J. Gallo Winery’s, or Diageo PLC, distiller of Gordon’s London Dry Gin’s approach in the 1990s. As a result of the power and pride of senior citizens, liquor companies were targeting the senior market head on. Given that “people over 50 represent a ‘growth opportunity’” (O’Connell 1998, B1), according to an Anheuser Busch executive, the firm was advertising its Catalina Blonde character, targeted specifically at seniors, in Modern Maturity magazine. Diageo was using a Humphrey Bogart-like character on a collector’s edition of its gin to appeal to the nostalgic side of the senior market. Gallo targeted its Livingston Cellars brand at the senior market as well (O’Connell 1998).

With their affluence, improved healthcare and leisure time, seniors comprised a prime target for the travel industry. The travel industry has responded. Today, most airlines offer special senior programs, such as American Airlines’ Senior TrAAve ler Discount and Senior TrAAve ler Coupon booklet, targeted at passengers over 62. Senior travelers to Orlando, Florida, can receive promotional discounts at 52 area establishments (Scott 2000, F3).

Between 1980 and today, there has been an explosion of products and services targeted at the senior market. Driven by buyers’ search for increased financial security, quality leisure time and on-going education, sellers provide many differentiated products and services. Firms vie for the attention of the senior market.

By 1997, the AARP collected $139 million in annual membership dues; $107 million in commissions from members for insurance via AARP Health Care Options (AHCO); and $77 million from credit card/mail-order pharmacy ventures and exclusive deals with auto, home and life insurance providers. Its publication Modern Maturity charges the highest page rate to advertisers of any publication in the U.S. (Dychtwald 1999).

In looking to the future of the market, one author foresees a variety of new products and service opportunities for marketers. Some areas in the healthcare arena include tissue and body part cloning, adult daycare and homecare services, and ultimately robotic home care services; in anti-aging categories, anti-aging food, drinks, cosmetics, and brain enhancing drugs; in the technology arena, smart clothes, acoustics attuned to senior needs, senior exercise gear; and in the financial industry, long term care insurance financing, bill-paying services, and reverse mortgages (Dychtwald 1999, 71). Clearly, the senior market segment presents sellers with strong, growing, and profitable opportunities as it provides senior consumers with the ability to buy products and services targeted to their unique requirements.

**FRAMEWORK FINDINGS**

The intent of this paper was to assess and to augment a framework (Branchik 2002) to guide the study of market segment histories. Applying the original framework indicates that all existing components of the framework are appropriate for an age-based market segment. However, an examination of the U.S. senior market segment has revealed the need to enhance the framework to explicitly account for gradual demographic shifts when the historical record permits.

The fit of each section of the framework, including the addition developed for this study, is summarized below.

1. **Historic Phases**

   In this model, a review of the history of senior citizens in the U.S. led to a periodization of the senior market segment into three phases described above. These phases were clearly indicated by historic or societal events as summarized above. The process of this categorization of the market segment history into phases and their associated drivers was similar to the categorization of the three phases of the gay market in the paper for which the original framework was developed (Branchik 2002).

2. **Ongoing Evolutionary Demographic Changes**

   In an augmentation to the original framework, this study required accommodation of ongoing, evolutionary demographic changes as a factor affecting the growth of the segment. In the case of the senior market, the demographic changes included two aspects. The first aspect was the growth of the senior population in proportion to the overall U.S. population, resulting from advances in healthcare, medicine and hygiene. Second, the increasing affluence of senior citizens stemmed from a variety of U.S. Government programs such as Social Security and Medicare, as well as from the growth of private pension funds offered by American businesses.

   These demographic shifts were quite clear, given the easy availability of U.S. government population data. While this sort of gradual growth probably occurred in the gay market which inspired the development of the framework assessed in this paper, a lack of readily available demographic data made drawing such a conclusion impossible.
It is important to note that the inclusion of these gradual demographic shifts does not supplant the key role played by historic or societal events or eras and their role in propelling the market segment forward in significant growth spurts. While the gradual, ongoing growth of the population of seniors relative to the overall population would have eventually increased the buying power of the senior market segment as a whole, without the affluence provided by such shocks as the Social Security Act, Medicare, GI Bill, or federal legislation encouraging businesses to fund employee pensions, the importance of seniors to marketers would have been much slower in its development. Further, the market segment may have been more confined to a narrow segment of healthy, wealthy seniors. But it was ultimately the historic events that created the market segment as an attractive entity to marketers in the time frame discussed.

(3) Historical Drivers – Revolutionary Changes

As with the process leading to the initial framework (Branchik 2002), historical drivers facilitated the periodization of the market segment history into phases. In a further similarity, these historical drivers acted as shocks to the market segment's growth, propelling the segment forward in sudden revolutionary spurts, rather than a gradual evolution. As described in the initial study and summarized above, this process is similar to Eldredge and Gould's 1972 concept of punctuated equilibria.

(4) Buyer and (5) Seller Activities

As with the gay market segment, the senior market segment developed as a result not only of marketers differentiating their products and services to meet the needs of seniors, but also of senior buyers grouping together to demand unique product and service attributes. For example, the desire for buyers to 'cure' old age in the first Independence Phase of the market segment led a variety of entrepreneurs, writers and philosophers to offer books, magazines and patent medicines to respond to this need.

The buyer and seller activity components of this framework confirm the works of Smith (1956), Alderson (1957), and Kotler and Levy (1973) that both buyers and sellers are required to make a market.

(6) Products and Services

As with the previous study, this paper has presented a variety of products and services targeted in this case at senior citizens that resulted from the framework items summarized above. These products and services demonstrate sellers' responses to the unique needs of a given market segment with differentiated products and services (Smith 1956, Alderson 1957). In the case of the U.S. senior market segment, these products and services illustrate the importance of increasing numbers and the growing affluence, which create demand and result in greater supply.

This study of the U.S. senior market segment has demonstrated the appropriateness and generalizability of the Branchik (2002) framework for the study of different market segments. This study has further augmented this basic framework to explicitly encompass gradual demographic changes such as population growth.

CONCLUSIONS

This paper was concerned with assessing the appropriateness and generalizability of the Branchik (2002) framework for the study of market segments. This study of the senior market segment has demonstrated that with the enhancement accounting for gradual demographic changes, this framework originally developed to study a lifestyle market segment—the gay market segment—is indeed useful in the study of an age-based market segment. The addition of a step in the framework to account for gradual demographic changes has strengthened the framework and enhanced its generalizability.

Future utilization of the framework to analyze the histories of other types of market segments could further confirm its generalizability. For example, historic studies of ethnic market segments, such as U.S. Hispanic or Asian market segments could assess its applicability to segments based on ethnicity. Perhaps the framework would require enhancing to include sub-segment developments, such as Cantonese-speaking Chinese versus Filipino sub-segments and their historical contribution to the history of the broader Asian-American market segment development.

Additional lifestyle segments, such as young urban professionals (Yuppies) or dual-income-no-kids (DINKs) lifestyle segments could be studied. Other market segment types might include social class or role segments, product category-specific segments, or a variety of business or governmental market segments. With each additional segment history study, the appropriateness of the framework can be further confirmed.

Another potential area of study relates to the dynamic nature of market segments. As illustrated in this study, a market segment grows and changes over time. One time period's "hot" market segment, featured in popular business press and researched in the academic literature, is likely to become passé in a subsequent time period. One example might be the Yuppie market, which has been somewhat overtaken by the DINK market segment. A vanished market segment might be the Yiddish-speaking ethnic market. Changes in these market segments conceptually parallel the changes a product goes through in its product life cycle (PLC). Just as the PLC traces a product's life during its introduction, growth, maturity and decline, market segments undoubtedly go through similar periods. A study could overlay the phases and associated definitions of
product life cycle phases upon the lifespan of a given market segment – perhaps one that has disappeared. A segment life cycle study could add to the area of marketing history by analyzing the entire lifespan of a market segment, as this study has analyzed the development of a current market segment. In addition, it could identify where a given market segment is in its lifespan and what traits that segment manifests.

A limitation of this framework is that assessment is based on studying only two market segments to-date: the U.S. senior market segment in this analysis and the U.S. gay market segment in the paper that originated the framework. Its use with other market segments would further enhance its generalizability.

This framework, as augmented, should provide a useful tool to academics and practitioners. Given the fundamental nature of the market segment to both marketing thought and practice, such a framework can be utilized by both groups not only to learn how current market segments developed and where they are headed, but also to provide guidance as to what new market segments may develop in the future.

REFERENCES


