

THE CONSUMER BEHAVIOUR AND THE LIFESTYLE OF THE AGE GROUP 55+

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Abstract

The population in the Czech Republic is ageing, similarly as in global scale. The age of population and life expectancy is increasing. The most significant part of the Czech Republic population was born in the 50s and the 60s. An important segment which can be a business opportunity is being created. However, there is still "the young adoration" in the society and the age group of 55+ is perceived as "old" by younger generation. Is they that? The paper aims to clarify the specifics and the characteristics of the lifestyle and the consumer behaviour of the generation aged 55+ in the Czech Republic and to show a marketing potential in this target group. The stereotypes about Czech seniors embedded in the society or by business companies are evaluated on the basis of research secondary data and an analysis using the data by Market & Media & Lifestyle company (MML-TGI).

Key words: ageing, marketing, consumer behaviour, lifestyle

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Introduction

In demographically developed countries gradual ageing of the society can be observed. Its pace is mainly defined by birth and death rate of previous years. The first World UN Assembly concentrating on the ageing population phenomenon took place in Vienna in 1982, during this convention the Vienna International Plan of Action on Ageing was adopted. The first action plan considered the ageing population to be a concern of developed countries only. Twenty years later the new International Plan of Action on Ageing was formulated in Madrid, realizing what once may have been thought to be a stand-alone issue, today it must be viewed as a global phenomenon of the demographic revolution which belatedly (and with even bigger significance) occurs in less developed countries (United Nations Information Centre in Prague, 2002). Active ageing is now established as the leading global policy strategy in response to population ageing (Walker, 2012), (Foster, Walker, 2013). Demographic changes

and the attitudes of the elderly in the future could bring forth a more wide-ranging discussion on active ageing (Perek, Ruzlk and Vidovicova, 2006).

One of the consequences of population ageing is a growth of the “silver-age“ consumer group. So far this has been a neglected market segment, in which significant market potential can be presumed. Howerer, the advertising industry presents older people in negative stereotypes (Szmigin, Carrigan, 2000).

1 Population ageing in the Czech Republic

1.1 Terms

The term "senior" has always been fluctuating; its use depends on point of view of a particular scientific discipline (sociology, economy, law), on the research purpose and on the successive use of acquired information (marketing, health and social policy...). We can observe age levels being set in order to define the term in theory. The inner structure of this prolonging stage of the human life gives us some clues on its meaning as well. The limit is constantly rising towards the higher age (Vidovičová, 2009). Thenceforward the senior stage of life is being divided into shorter intervals, based on many factors such as physical and financial independence, activity measure or even an interest in current affairs and a use of technology. All of these views can be efficiently exploited across many fields of marketing in practice, e.g. product development, marketing communications or market segmentation.

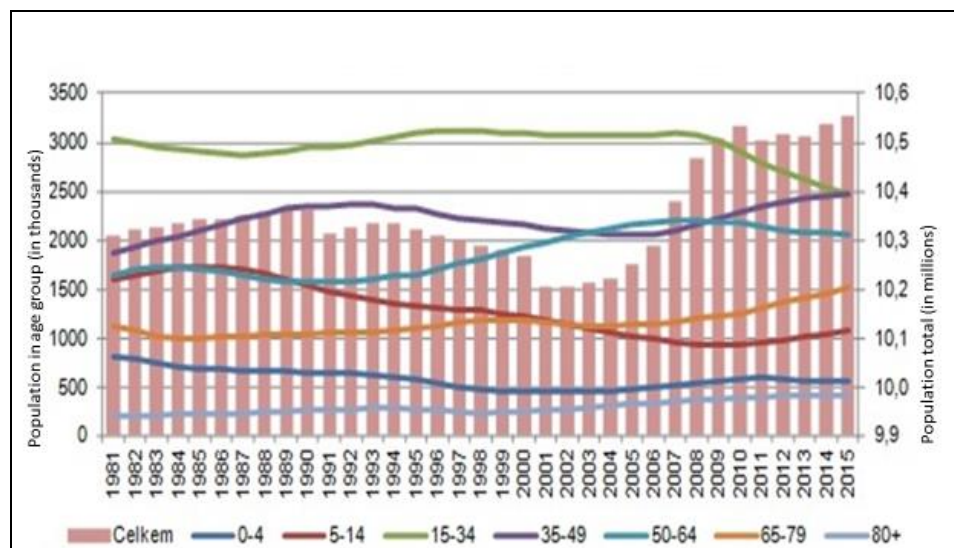
1.2 Population ageing in the Czech Republic

Population ageing changes age structure of the society - the number of people in post productive age rises while the child segment decreases. In the Czech Republic, we can observe a noticeable decrease of death rate within the middle-aged and elderly part of the society, as well as increased maternal age, reaching to the age of 30. The age of new mothers has already exceeded the age of 28 years. The overall fertility rate has not gotten close to 2.1 (the necessary amount for maintaining population growth) over the last decades.

The life expectancy and the average age has only been increasing - the senior population aged 60 and above is rising up towards 15-25% in all developed countries. The increasing number of people in the age of 80 years and more is a good indicator of prolonging lifespan and quality of life (to an extent). At the beginning of the 21st century, the senior sector represented only 4% of the population in most of the developed countries. Within the

Czech Republic, the number of people above the age of 80 is two times bigger than the number of children in the age up to 1 year.

Fig. 1: Demographic structure development according to age in the Czech Republic



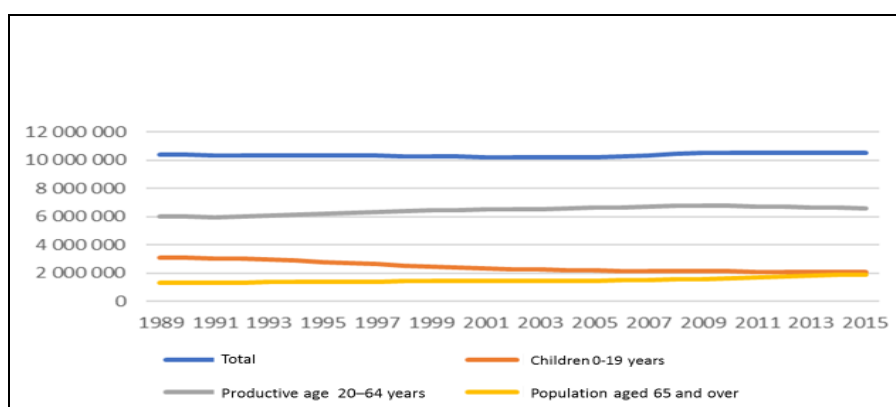
Source: CZSO (2016a)

The ageing index (= amount of people aged over 65+ / amount of people in the 0-14 interval of age, measured in %) crossed the value of 100 in the year 2006 and has been continuously increasing ever since. On the other hand, the proportion of the child population has gone through a significant decrease, reaching down to the value of 15-20% in the developed countries. The number of the child population is currently less than 15% in the Czech Republic.

To this day there are almost four million people aged above 50 (two million are in the age of 65+). In 2006, the average citizen age was 40 years, for women this was an average age back in 1999. The children from the years of low birth rate (born during the turn of 20th and 21st century) have begun to rise into the productive age. The children from the years of high birth rate (born during the first half of 20th century) have already gotten to the age of 65 and more. The decrease of citizens between the age of 15 and 64 years started in 2015.

Life expectancy is 75,8 years within men and 81,54 within women. Population growth and mentionable part of the productive population of the Czech Republic are provided by immigration of the 20-34 aged segment.

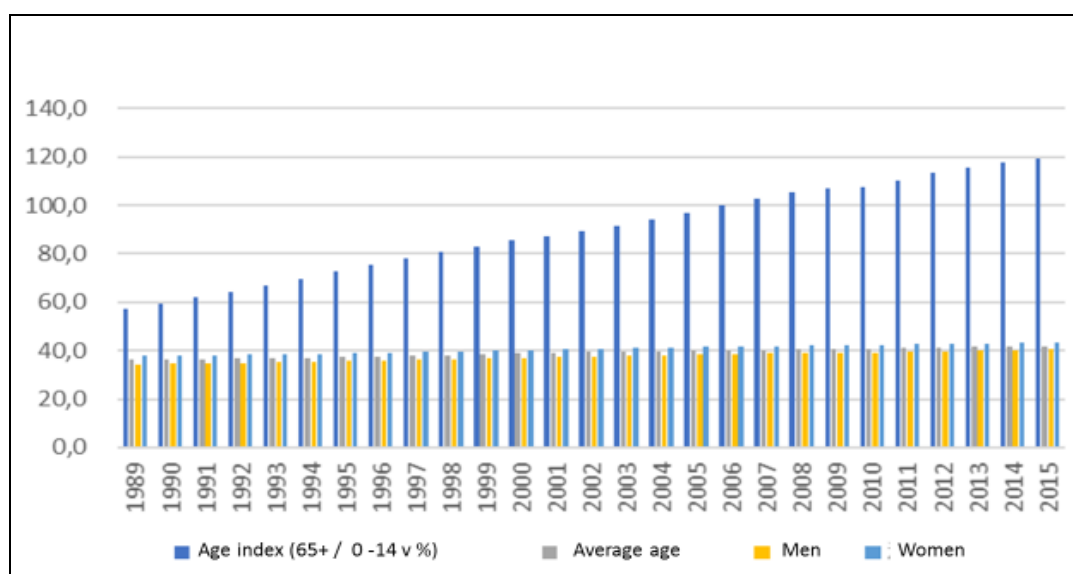
Fig. 2: Demographic structure according to the components in the years 1989 – 2015



Source: CZSO (2016a)

The connection between the immigration rate and the number of births is evident, the ageing of the population is being slowed down due to these two factors. The highest increases of inhabitants are concentrated in the 65+ segment of the population (Tab. 1).

Fig. 3: Average age and ageing index development within the Czech population



Source: CZSO (2016b)

However, the still working part of the 55+ generation is a significant consumer group with a large financial potential yet, this group has been underrated in most of the Central and Eastern European countries as well as in the Czech Republic.

Tab. 1: Household income according to the age of the head of household – average income per person in CZK in one year

| | Households with the head of household in the age of | | |
|---|---|---------------|-------------------|
| | 50 - 59 years | 60 - 69 years | 70 and more years |
| Gross income in total | 205 451 | 205 234 | 152 511 |
| Net income in total | 174 426 | 187 859 | 150 606 |
| Employment income | 126 205 | 66 994 | 9 040 |
| Business income | 18 419 | 9 936 | 1 563 |
| Social income | 17 283 | 102 724 | 136 382 |
| Pensions | 11 019 | 99 332 | 134 519 |
| Sickness insurance benefits and salary compensation | | | |
| Incapacity benefits | 1 950 | 1 674 | 34 |
| Unemployment benefits | 401 | 495 | 0 |
| State social support benefits | 1 351 | 476 | 273 |
| Of which: Child benefits | 223 | 21 | 0 |
| Parental allowance | 279 | 0 | 0 |
| Other social income | 2 563 | 748 | 1 556 |
| Other income | 12 519 | 8 204 | 3 621 |
| Of which cash transfers from outside the household | 3 647 | 2 043 | 1 141 |

Source: CZSO (2016c)

Generally, a typical Czech senior has lower income and purchasing power than a senior from most of the developed countries in Europe. The potential of purchasing power within this population segment is visibly increasing over time.

2 Methodology

The aim of this contribution is to find out whether the target group 55+ offers any market potential and whether the deep-rooted stereotypical ideas about seniors' lifestyle and consumer behavior are true. Our observations are based on our own Market & Media & Lifestyle (MML-TGI) data analysis.

MML-TGI is an extensive study based on the collection of data from 15,000 respondents in the Czech Republic; this study is part of a European project. It is used by a number of companies and media and communication agencies to investigate the consumption behavior of target groups and to plan communication campaigns. It contains data on the consumption of products and brands, which are linked with data on media consumption and lifestyle.

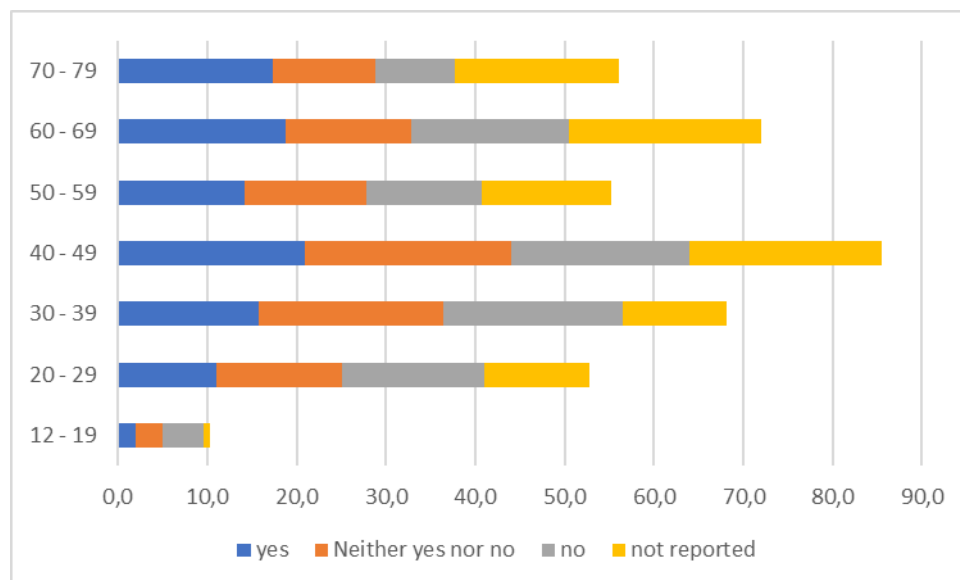
From the database of this project, we focused on certain statements that deal with shopping and lifestyle. For the purpose of this contribution, we have selected statements about standard consumer behavior – brand loyalty: "If I find a brand that suits me, I do not change it", and about attitudes to discounts: "I buy things as cheaply as possible, I take advantage of discounts." Actually, these two statements may be seen as the opposites of the same phenomenon. For both of them, we conducted a general analysis by age group.

In the analysis, we considered the data for 2014; in this process, we used the Data Analyzer, an analytical tool used in the MML-TGI study to evaluate the market research results. Our results are shown in graphs using Excel. The analysis has its limitations as it works with respondents' declared statements that do not have to respond to reality.

3 Results and discussion

The study of MML - TGI data analysis haven't proved the assumption of the 55+ group to be boldly discount shopping-oriented correct. If we look at the age differences, we can recognize different segments within this group. People in the age of 50-59 years are less susceptible to price, while the segment in the age of 60-69 years is more likely to be hunting for discounts.

Fig. 4: Cheap and discount shopping



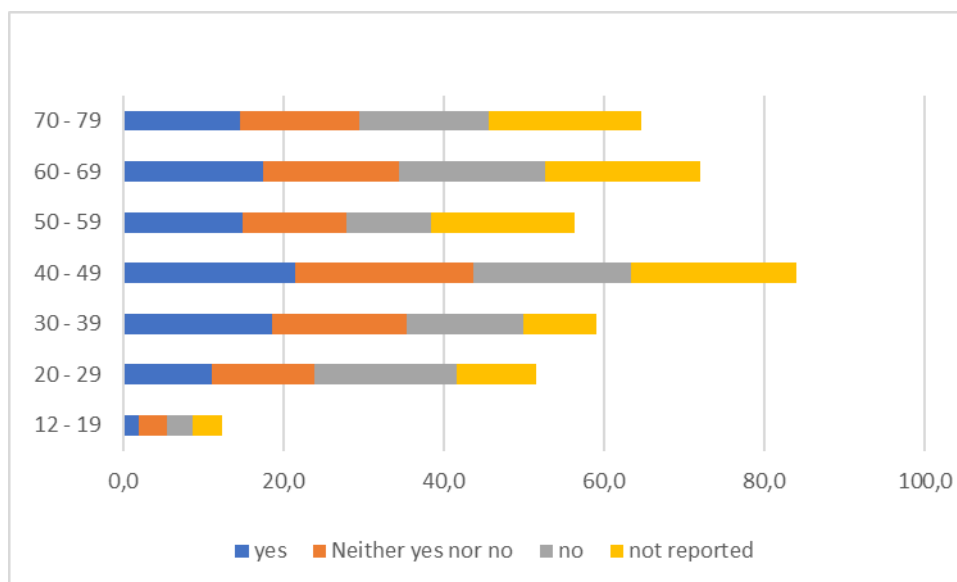
Source: Market & Media & Lifestyle-TGI (2014), the analysis of authors

To get a better idea, we ought to look into consumer behaviour of the whole population and compare the price sensitivity across varying age segments. From this point of view, the segment in the age of 30-39 years stands out more than the others - the agreement

within the survey's predicate is the clearest in this group. The explanation can be found when looking at different stages of the family life cycle, people in the age of 50-59 years are no longer taking care of children and they are financially secure enough to focus on their hobbies and enjoyment of their life. People of this segment have constant income and they are not afraid of their future.

When compared to the overall population, there has been no significant impact on the consumer behavior of the 55+ generation. The price, as a marketing tool affects mainly seniors over 69 years of age. However, it would be inappropriate to orient the pricing strategy on these customers, as the company would only get temporary customers from older senior groups whose consumption volume might not be high enough to be imprinted in company revenue.

Fig. 5: If I find a mark that suits me, I do not change it



Source: Market & Media & Lifestyle-TGI (2014), the analysis of authors

The answers to the question "If I find a brand that suits me, I do not change it" show that a greater consensus rather than disagreement with the statement is apparent in age groups 30-39, 50-59, and approximately the same proportion of "yes" and "no" in age groups 40-49 and 60-69. In both groups, roughly the same percentage of respondents answered, "neither yes nor no". In age group 70-79, there is a more pronounced tendency to disagree with the statement, which is even more remarkable in age group 20-29.

The conducted analyses did not show clear results. Seniors as a target group do not behave in the same way: their reactions vary according to age as well as other characteristics. In conclusion, seniors' stereotypical attitudes to consumption behavior have not been unequivocally proved. Seniors are not a homogeneous target group; they differ in a number of characteristics, of which age is, of course, the obvious one. This finding is in accordance with the results of a number of other agency studies.

Many research projects in our state pursued the topic of lifestyle and consumer behavior of the elderly generation, such as A.Generation agency Factum Invenio, OMD Czech UFO 50+, Opinion Window, GfK Prague survey and most recently STEM/ MARK. The methods varied and so did the time in which the projects took place, however, the results turned out to be very similar. The 55+ population is not homogenous and so significant differences can be observed. Most of the differences are based on life attitudes; active or passive attitude to life, aspiration, social actions, desire for knowledge or personal relation to things. Each one of these segments (made out of the differences) varies in its attractiveness for business, as it points out different income levels and marketing incentives. Another big difference occurs in the attitude to innovations and willingness to accept new things. The names of the segments talk for themselves, e. g. "Tired senior", "Vigorous Senior", "Laidback Senior", "Practical Senior", "Active Senior" (the segmentation used by the GfK Praha agency).

A significant role in acquiring the 55+ consumer group is the satisfaction with the product. The product should be respectful to the activity limitations caused by age, and show its added value in this respect. The personal communication, direct marketing in particular, still applies well to seniors. Establishing a personal contact with a customer of senior age has its rules: seniors must consider a person to be trustworthy.

Conclusion

In summary, we found out that the consumer group 55+ is potentially interesting and worthy of being a target of marketing activities. Also, the group of this age is not homogenous, the age of 69 is considered to be an important milestone, changing the way of life and behavior of the consumer. A further division of the segment can be done, mostly based on financial income and active/ passive way of living. When focusing on seniors, the following must be respected. The quality and the reasonable price are considered to be very significant attributes for the entire 55+ generation. The brand and design are important for purchasing decisions of

a consumer in the age up to 60 years. To suit their requirements, it is also important (apart from the good product) to offer a reliable service, friendly negotiation, and customization of the sales area.

In conclusion, it is important not to forget that consumer behavior can not be predicted. One of the possible drawbacks can be noticed in the current trend: the consumer is waiting for a time when the product will be in rebate again. Nonetheless, this behavior applies to all age groups in general.

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