SEGMENTING THE ELDERLY MARKET: AN EMPIRICAL ANALYSIS OF IDENTIFIABLE GROUPINGS

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The elderly market is becoming increasingly important to marketers as this population group increases in size. This market in the past has been viewed as a relatively homogeneous one that has not had defined market segments. This paper reports results of research in the area that empirically derives several behavioral segments of the elderly population. The segments developed are based on the activity levels of the elderly and on their degree of social integration derived from previous research in the area. These segments can be used to guide and structure marketing programs that are aimed at this increasingly important consumer market.

INTRODUCTION

The elderly market is becoming increasingly important to marketers as a large and affluent group of buyers. This market is growing in absolute terms and as a percentage of the population in total. By the year 2030 the elderly will account for 18% percent of the population, representing over 55 million people (U.S. Department of Commerce). Despite the fact that this market possesses a tremendous amount of discretionary purchasing power (Lazer 1986) and is becoming an increasingly larger percentage of the total population, there have been relatively few attempts at segmenting the elderly market in a manner that describes their attitudes and behavior in a way that can be utilized by marketers.

This paper reports the results of research that empirically derives behavioral segments of the elderly population based on the seminal work of Neugarten (Neugarten, Havighurst, and Tobin 1968; Havighurst, Neugarten, and Tobin 1968; Neugarten and Havighurst 1969; Neugarten 1974). The present research is based on a survey consisting of 1060 personal interviews of elderly individuals. The survey instrument covered aspects of the respondent's daily life, including health status and behavioral dimensions that are significant to a market segmentation framework. Market segmentation is one of the cornerstone concepts in modern marketing (Smith 1956) and has been well accepted in almost all recent marketing efforts. Despite the generally universal application of market segmentation, further investigation resulting in the determination of logical market segments for the elderly market is required. Developing a viable segmentation scheme for the elderly is becoming necessary (Cooper and Marshall 1984) as the size and wealth of this market is becoming increasingly recognized.

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REVIEW OF THE LITERATURE

The identification of the behavioral characteristics of the elderly market involves research that has taken place over several decades. Only recently, however, has this research focused on marketing applications that could take place based on a logical and empirically based segmentation framework. The literature on the elderly market and its possible market segments follows two relatively disparate paths. The first area of the literature revolves around descriptive work that defines or develops frameworks for segmenting the elderly population. The second area of the literature addresses specific marketplace issues, oftentimes identifying characteristics of the elderly in comparison to other, younger market segments. The third primary area of the literature is the identification of behavioral subsets of the elderly population. This third area is the oldest and richest area of the literature, and forms the basis of the present research.

There have been several previous efforts at segmenting the elderly market in a descriptive manner, some of which date to when the growth of this market was not of immediate concern to marketers (Morse 1964). This research includes examinations of expenditure patterns (Goldstein 1968) and income distribution (Reinecke 1964). More recently the elderly market has been identified and segmented demographically by age (Bartos 1980; Lazer 1986) and by other profiles (Neugarten 1974; Berhardt and Kinnear 1975). Efforts have also outlined theoretical frameworks for segmenting the elderly (Cooper 1984a; Cooper 1984b; Cooper and Miaoulis 1988); however, further empirical work is required to support these possible frameworks.

Within the literature on segmenting the elderly, clearly the work of Neugarten is seminal (Neugarten, Havighurst, and Tobin 1968; Havighurst, Neugarten, and Tobin 1968; Neugarten and Havighurst 1969; Neugarten 1974). Neugarten, Havighurst, and Tobin (1968) developed eight patterns of behavior based on measures of *personality type*, *role activity* and *life style satisfaction* which form the basis of the present research. These groups are seen in Table 1. The personality type measures of the Neugarten study were based on an ego-psychology model in which individuals were rated on 45 different personality variables reflecting both cognitive and affective personality attributes. Role activity was measured on extent and intensity in eleven different social roles. The life-satisfaction measure was based on five different measures that had been tested previously (Neugarten 1968). The sample was based on 257 individuals that were studied over a six year period (Havighurst, Neugarten, and Tobin (1968). Personality types determined by Neugarten were developed by a factor analysis procedure (Neugarten 1968).

In an exploratory study King, Dunlap, and Bagley (1982) were unable to verify these segments. The King, Dunlap, and Bagley study was based on a convenience sample of senior citizens and the meaning of the dimensions obtained were not obvious and did not appear related to the Neugarten subsegments. They did find differences between males and females, as well as across income groups. These differences can be seen to relate to activity levels, which was one of Neugarten's basic constructs, and which includes greater mobility, activity, and a heightened sense of good health. The present research extends the Neugarten framework in time, as there may now be different characteristics of the elderly population cohort now present, and through a much larger sample than was used by Neugarten. The present research also extends the work of King, Dunlap, and Bagley which attempted to verify the Neugarten segments, but through a convenience sample.

Elderly segments have previously been identified as activity, exchange, and disengaged groups (Cooper and Marshall 1984). In this examination market segments were based on a review of theories in social gerontology and not on empirical data. Crawford (1981) suggested that the elderly market could be divided into three types of behavior—disengagement, re-engagement, and realignment—which were similar to categories developed by Neugarten and Havighurst (1969). *Disengagement* refers to an elderly person withdrawing from their pre-retirement activities. *Re-engagement* refers to using the period of retirement to re-enter into previous activity or interest. This might include a previous hobby or interest in one's family. *Realignment* refers to establishing a new set of interests or activities during the retirement period.

LaForge, French, and Crask (1981) examined personality types and adjustment levels based on Neugarten's (1968) work. They had as their objective to 1) identify and describe existing patterns of adjustment among the elderly, and 2) test the model's ability to explain variation in elderly consumer behavior (coupon usage, store brands, national brands, new brands, sale brands, cheapest brand, same brand as last time). The results were examined in the context of adjustment patterns using life satisfaction scores and leisure patterns. They found that the largest grouping of the elderly were "reorganizers", who were able to substitute activities prior to retirement with new ones that they have developed. The second largest grouping was "succorance seekers" who, although relatively active and happy, have strong dependency needs. These groupings were followed with elderly individuals who attempted to maintain their pre-retirement activities and those who were limited by their personal means. The study was based on a convenience sample and were composed of elderly who were not "substantially restricted in marketplace functioning " (LaForge, French, and Crask 1981).

The issue of perceived control of individuals over events in their lives is a central notion within the literature. It is widely believed that the elderly feel that they have less control over their lives than do younger people, i.e. they encounter *disengagement* from pre-retirement activities (Cumming and Henry 1961) and become *constricted in their life space* (Phillips and Sternthal 1977). In an examination of elderly lifestyles, Sorce, Tyler, and Loomis (1989) found a range of lifestyle patterns ranging from the elderly that were very self-reliant to those that were introverted. It is also held that a person's basic personality and lifestyle pattern will continue with the aging process (Pardmore

1968). This notion is similar to the work of French and Fox (1985) who examined the relative size of markets based on the type of "adjustment" that the retired person has made in retirement.

RESEARCH OBJECTIVES AND METHODOLOGY

There were two objectives of the present research. Inasmuch as previous empirical work, as noted earlier, had been conducted using convenience samples, the primary objective was to investigate whether segments could be identified in a large scale random sample, using the Neugarten *et al* (1968) model as a framework for the research. Thus, results from this study can be compared to the seminal Neugarten work and hopefully provide a theoretically based *and* empirically verified market segmentation framework.

The second objective of the research was contingent upon the outcome of the first objective. If behavioral segments could be identified, how might that result impact the development of future marketing strategies for the elderly? As seen from the literature review, the *use* of market segmentation of the elderly appears almost nonexistent. Thus, the results of this study could also be of considerable value to marketers in targeting specific groups of older consumers for their products and services.

The research reported in this paper is based on a statewide survey of the elderly of the state of Alabama, conducted by the Commission on Aging and the state's major urban University Center for Aging. The sample selection was based on a random multicluster sampling procedure. The 1980 census provided the basis for the multicluster sampling and the determination of the sample proportion randomly selected from each strata (county, census track, and block). Respondents were persons 55 years of age or older. The assumption was made that older people represent a relatively nontransient population, and thus the number, percentage contribution, and distribution of the elderly had changed little since the 1980 census.

Personal interviews of approximately 90 minutes each were conducted by trained interviewers in the respondent's home with a total of 1060 questionnaires completed, producing a response rate of 93.8% of age-eligible households (a household where at least one member was 55 years or older). Up to two call-backs were made if the person was not initially at home. The questionnaire covered virtually every aspect of the individual's daily life, with the major emphasis on health status and behavioral dimensions. The interviewers asked the questions contained on the questionnaire and recorded the responses. The interviewing process was primarily unstructured with the interviewer recording either verbatim responses or placing

TABLE 1
PERSONALITY PATTERNS[1]

Pattern	Personality Type	Role Activity	Life Satisfaction
Reorganizers	Integrated	High	High
Focused	Integrated	Medium	High
Disengaged	Integrated	Low	High
Holding on	Armored	High	High
Constricted	Armored	Medium	Medium
Succorance Seeking	Dependent	Medium	Medium
Apathetic	Dependent	Low	Low-Medium
Disorganized	Unintegrated	Low	Low

[1]Adapted from Neugarten, Havighurst, and Tobin (1968)

the response in an appropriate category. The questionnaire was pretested before being administered. The demographic characteristics of the respondents are shown in Table 2. The characteristics of the sample compared very favorably with that for the state in total, which has 15.6% of its population over 55 years of age (*Statewide Survey of Alabama'a Elderly*) as compared to the sample with 15.4%.

Given the primary objective of the study, variables were utilized on the questionnaire that would allow for a comparison between the segments found in this study and the Neugarten *et al* model (1968). The variables covered three broad areas: mental and physical health, life satisfaction, and role activity. Mental health was measured using the Center for Epidemiological Studies Depression Scale (Radloff and Terri 1986). Physical health was measured using six statements related to role activity and life satisfaction: 1) rating of current health; 2) health compared to three years ago; 3) extent to which health has interfered with normal social activities; 4) satisfaction with physical ability to do what he or she wants; 5) health compared to most people his or her age; and 6) whether he or she worries about health. Each of the six statements was a self-reporting rating scale. For example, the rating of overall health was: excellent, good, fair, or poor.

The second area concerned activities for which the respondents were asked to rate how frequently they participated and whether they required help with those activities. Activities covered those in the home, out of the home, and those involving social support, as listed in Table 3. The variables correspond to those used in the Neugarten study which also measured personality variables, life satisfaction, and role activity (Neugarten *et al* 1968), as discussed in the literature review.

TABLE 2
DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Characteristic	Category	Percentage
1. Sex:	Male	32.5%
	Female	67.5%
2. Race:	White	73.0%
	Black	27.0%
3. Age:	55-64	34.0%
	65-74	37.0%
	75-84	23.9%
	over 85	5.1%
4. Marital Status:	Married	51.3%
	Spouse Deceased	37.9%
	Separated/Divorced	6.8%
	Never Married	4.0%
5. Education Level:	1-4 years	6.3%
	5-8 years	22.7%
	9-12	43.4%
	Jr. College	8.6%
	College	14.1%
	Graduate School	4.9%
6. Income:	Less than $3000	7.3%
	$ 3,000 - $5,999	25.9%
	$ 6,000 - $11,999	21.4%
	$12,000 - $14,999	10.0%
	$15,000 or more	35.4%

TABLE 3
IDENTIFIED ELDERLY SEGMENTS

Group	Variable	Factor Loading
I	Need help with nutrition	.748
Succorance	Need help with housing	.746
Seeking	Need help with health care	.705
	Need help with shopping	.694
	Need help with emotional problems	.662
	Need help with personal care	.655
	Need help with transportation	.654
	Need help with income	.606
	Need help with neighborhood safety	.546
II	Satisfaction with physical abilities	.802
Reorganizers	Overall health at present	.742
	Extent health has interfered with normal social activities in past month	.728
	Health compared to others your age	.697
	Worry about health	-.598
	Health compared to three years ago	.572
	CES-Depression Scale	.568
III	In past year, gone to movies, theater, concert, lectures	.628
Disengaged	In past year, gone out-of-town for vacation	.616
	In past year, eaten at restaurant with friends/relatives	.572
	In past year, arranged to meet friend away from home	.562
	Income not enough to make ends meet	.528
	In past year, gone to club or organization meeting	.522
	In past year, gone to a sporting event	.521
	In past year, played cards, bingo, other games	.475
	In past year, participated in fishing, hunting, boating	.451
	In past year, painted pictures or played musical instrument	.385
	Frequency of seat belt usage	-.385
	Frequency of exercise	-.321
IV	In past year, visited friends/relatives	.636
Focused	In past year, gone visiting	.609
	In past year, talked on phone or written letters to friends/relatives	.511
	In past year, taken care of house plants	.510
	In past year, gone shopping	.460
	In past year, had friends/relatives visit you	.456
	In past year, worked on a hobby or handwork like sewing or woodworking	.440
	In past year, gone to a senior center	.340

Eigenvalues:	Factor 1	8.37	Total Variance:	39.7%
	Factor 2	2.85		
	Factor 3	2.12		
	Factor 4	1.73		

Factor analysis was chosen as the data analysis technique. Factor analysis is an appropriate method when the "analyst is interested in the whole set of interdependent relationships among the variables characterizing the objects" (Green and Tull 1975). Factor analysis is appropriate for testing hypotheses about the structuring of variables in terms of the expected number of factors and factor loadings (Kim 1975). The SPSS-X computer package was utilized, with a principal components extraction and varimax rotation, which is the most common method utilized (Kim 1975). After the initial factor run, a plot was made of the total variance associated with each factor (i.e. eigenvalues). Using the scree test (Cattell 1966) four factors were deemed appropriate for the analysis. The four factors combined to explain 39.7% of the total variation, and cannot be compared to either the King, Dunlap, and Bagley (1982) or LaForge, French, and Crask (1981) studies as that information was not reported.

RESULTS AND FINDINGS

The results of the four-group factor solution are shown in Table 3. Variables with a factor loading of less than 0.3 were not included. The first group (I) has a heavy dependency need. They have basic needs for help with food, shelter, and income. Their health needs are both physical and emotional, as they need help with health care and emotional problems. The need for help extends to Group I's daily living, requiring assistance for personal care, transportation, and shopping. Such needs may be based on physical or financial limitations.

Group II is much the opposite of Group I. Their overall health is rated as excellent and they are satisfied with their abilities to do what they wish. Health has not interfered with their normal social activities. Group II, in fact, believes that they have better health than others their age, and that their health is at least as good as three years ago. The emotional health of this group is high, as they worry little about their health and score low on the CES - Depression scale.

Respondents in Group III lie between Groups I and II, exhibiting some characteristics of each group. Group III believes they do not have enough income to make ends meet. They are less active than Group II, but do not exhibit the dependency needs of Group I. While they still engage in some activities, the frequency of those activities is low. They rarely go out, either for social or recreational activities. Group III has less contact with friends and relatives. They have a more sedentary lifestyle , as they exercise little. In short, this group is more withdrawn, and could be classified as "home-bodies."

Group IV is more socially and hobby oriented than Group III. Unlike Group III, Group IV has maintained ties with friends and relatives. They go out more, both visiting and shopping, and are more mobile than Group I. They enjoy people their own age, typically having gone to a senior center in the past year. Generally, they enjoy the company of others.

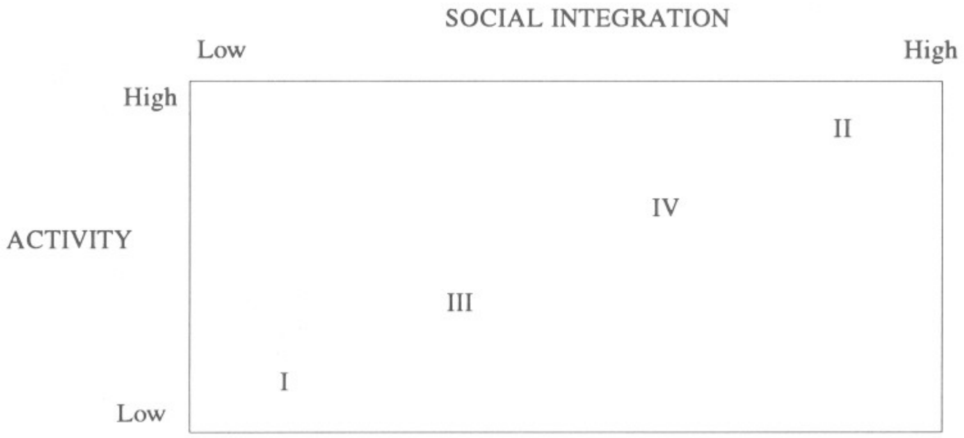
In making a comparison between Neugarten *et al.*'s work summarized earlier in Table 1 and the results of this study summarized in Table 3, several similarities appear. The four groups identified in this research bear distinct similarities to four groups from the Neugarten *et al* study (1968). Group I corresponds to the "Succorance Seeking" group in Table 1. Both groups have strong dependency needs and engage in medium role activity. Group II is very similar to Neugarten's "Reorganizers." This group is socially integrated and high in activity and life satisfaction. Group III corresponds to the "Disengaged" group in Table 3. Of the four groups, this group has the lowest role activity. Group IV relates to Neugarten's "Focused" group. They have a medium level of activity, concentrating much of that activity on relationships with friends and family.

Another way of looking at the similarity between Neugarten *et al* and the results of this study is that of *social integration* and *activity*. On such a scale the groups in this article would be ranked I, III, IV, II, with Group I having the greatest dependency and lower life satisfaction, and Group II being well integrated and high in role activity and life satisfaction. Group III is closer to Group I, with Group IV being closer to Group II. This idea of ranking (or possibly a continuum) parallels that of Neugarten *et al* shown in Table 1 and is shown graphically in Figure 1. The variables used by Neugarten here move from lesser to greater integration for personality type, low to high role activity, and low to high life satisfaction, also indicating a ranking scheme.

DISCUSSION

The results of this research support that of Neugarten *et al* (1968) in that the elderly are not a homogeneous market segment. Instead, they can be segmented into groups based on their behavioral and psychographic profiles. For marketers hoping to reach older consumers, the implications are clear. Different segments require different product/service assortments, and the sellers of those products/services must clearly identify

FIGURE 1
RELATIONSHIP BETWEEN IDENTIFIED ELDERLY MARKET SEGMENTS



which segment or segments they are trying to attract. To simply assume that all people over 55 are the same with regard to their wants and needs is not valid, and would result in an inefficient marketing effort.

The findings of the present research have implications for marketers in the product, distribution, price, and promotional strategy areas, as suggested by the activity and mobility variables. Products or services that address the dependency needs of the elderly should be targeted at Group I. In the health care field, home nursing care, other in-home programs, and retirement facilities with in-room/apartment care are possibilities. Social service agencies would need to address the wants and needs of this group. Programs could be developed by financial institutions to help in financial planning. Promotion would be mainly by mass media. This group, having less income, would be more concerned about price of the services rendered, bringing the variable "ability to pay" into the decision.

Group II is less likely to be confined at home or to live in a retirement community. In health care, services for them might include such services as cholesterol counts and blood pressure checks in malls, or cancer screening programs as an outpatient. They would be excellent targets for the travel industry, as well as the out-of-home entertainment business. Their primary information source would be most likely be word-of-mouth, and they would very probably have the ability to pay for services they desire.

Positioned between Group I and II, Group III does not have the dependency need, but does have concerns about income. As they have less contact with others, mass media (television) could be a primary means of promotion. Staying at home, this group represents an opportunity for home shopping networks and marketers of affordable in-home entertainment products. Health care products could consist of in-home services and physician referral services by telephone. As mentioned, this group is also price sensitive.

Group IV is more mobile and more socially oriented. They are active and go to senior centers. Because of their interaction with others, word-of-mouth is a more important source of information for them. They are not as price conscious as Groups I and III. This group could be targeted by marketers of products for more active seniors, such as the hobby and crafts industry. Being more family/friend oriented, they would be viable targets for products that help them "keep in touch" or interact with others, such as communications equipment and services, camcorders, video cassette recorders, and tape recorders. For health care related services, programs or presentations such as wellness seminars, blood pressure screening programs, and dietary issues could be presented at senior centers. Such presentations could stimulate acceptance of other products or services of the sponsoring organization by the center attendees.

SUMMARY AND DIRECTIONS FOR FUTURE RESEARCH

The results of this study indicate that the seminal work of Neugarten *et al* is useful to marketers in defining segments of the elderly market. The research reported in this paper supports the Neugarten framework, however, further inquiry is warranted. Future studies of the elderly market should move beyond the behavioral scope of this research, and combine psychological, psychographic, demographic, geographic, and product/service usage data to get a richer picture of possible segmentation variables. Such research would enable marketers to better satisfy the wants and needs of this increasingly important group of consumers. Market potential may also be determined by looking at the size of these segments.

Models of buyer behavior can also be developed for *elderly* consumer behavior. Studies such as this may also serve as input into the development of decision models which can be used to predict elderly consumer choice of products or services as varied as choice of health care alternatives, or offerings on home shopping networks. By developing and utilizing models of this type, more effective marketing programs can be developed, resulting in greater benefit to both the elderly consumer and the organizations that serve them.

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