Seriously Cool

Marketing and communicating with diverse generations

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A Laying the groundwork – an introduction

An understanding of our times and the ever-changing trends are essential for today's marketers and business leaders. It is no longer enough to rely on technical skills and industry knowledge. In a disparate world of fragmented markets and diversity it is critical to understand the people and not just the processes.

A quick survey of our times shows that people in the twenty-first century are very different to those in times past. An excellent tool which can be used to better understand, engage with and market to the various cohorts within our society is that of generational analysis.

Rarely a week goes by without media interest in 'Generation Y', and people use the terms 'Boomer' and 'Xer' with great familiarity. Superficially, generational cohorts and the labels applied to them seem to be accepted without question – they are permanently embedded in the modern lexicon.

Yet separating the generational hype and conjecture from the serious, usable research and analysis is a challenge. At McCrindle Research we see an increasing number of organisations identifying generation gaps as the cause of failed communication, ineffective marketing and even workplace conflict. Yet some commentators are beginning to question the practical applicability of generational segments.

This research is not about giving neat answers – it is about raising challenging questions and providing enlightening insights.

In response, we set out to research the generational segments and to explore a number of unresolved questions.

1. How does **generational segmentation** fit into more traditional market segmentation models?

2. How can marketers **apply generational analysis without including sweeping generalisations** that could render their marketing communications invalid and ineffective?

3. What are the **emerging drivers of consumer behaviour** amongst generational segments?

4. What trends can be observed in the **media and communication consumption habits** of the diverse generations?

5. What **communication styles** are most applicable to the diverse generations?

As with all social sciences, marketing research does not rely on mathematical proof but behavioural analysis. It requires empirical evidence along with social observation, so this paper is based on both quantitative data and qualitative findings.

This white paper provides a big-picture analysis of our changing times and generational shifts, and points to some of the drivers of the generational debate. In the process it delivers insights into both marketing strategy and the marketing and communication tactics that will result in deeper engagement with the diverse generations.

B Surveying the social terrain

The field of generational analysis is relatively new. Traditionally a generation was defined biologically as the 'average interval of time between the birth of parents and the birth of their offspring'.[1]

Also, prior to the Baby Boomers, the practice of labelling a generation did not exist. Labels, where they did exist, were limited to a particular span of age, such as 'this generation of young people'. However, because of the clear demographic impacts of the post-World War II generation, the term 'baby boom' entered the vernacular. Sixty years on, this label remains the default term describing the cohort born in the birth-boom years of 1946–64.

With the emergence of the 'Boomer' label we saw the beginnings of a generational nomenclature. It was inevitable, therefore, that commentators would look for terms to describe subsequent generations, and in 1991 Douglas Coupland, then just exiting his twenties, published his book Generation X.[2] In this fictional work, Coupland explored his generation and — intentionally or otherwise — created a label that stuck.

Marketing requires effective communicating: it's not about transmitting the message, it's about translating the message.

Although the alphabetised theme has continued with Generations Y and Z, it took a while for these generational labels to reach widespread acceptance. In his 1997 work Generations,[3] eminent Australian social researcher Hugh Mackay labelled Generation X as the 'Options Generation' and, in the years just after 2000, they were regularly referred to as 'Millennials'. However, consensus has now been reached by most researchers regarding the labels, definitions and the broad characteristics pertaining to today's generations.

Now, after several decades of generational analysis, enough time has lapsed to assess the validity and reliability of such a methodology. For example, a decade after Mackay's descriptions of the 'rising generation of teenagers', Generation X are now in their late twenties and thirties, providing researchers with opportunities to either validate or challenge the labels (and their descriptors) as useful tools in the management of both people and marketing activities.

And the results? As shown throughout this study, the broad descriptors have proved largely robust. One key question remains, however: do the generational labels adequately describe our ages and life stages (which change) or the characteristics of our lifestyles and identities (which are less transient)?

● ● ●   MARKETING INSIGHT

So is it life stage or lifestyle?

Before setting out to analyse the generational segments, here are a few foundational points:

- **Think unity, not just diversity**: As humans, let alone Australians, we have more in common than that which differentiates us.
- **Think segmentation, not just generation**: There are numerous segmentation models and generational analysis is just one of them.
- **Think descriptive, not prescriptive**: To posit that several million people who just happen to be born within the same decade can all be neatly 'pigeonholed' is naïve. Generational descriptors are indicative and were never intended to be definitive.
- **Think life stage, not just label**: Today's twentysomething Generation Ys will one day be sixtysomething — and it's safe to say they'll look and act a little differently then, even though they'll still be called Generation Y. So don't confuse the current age or life stage (which will change) with the label (which won't).
- **Think resembling, not creating**: It is a fallacy that a generation creates their times — it is more that they resemble, and sometimes react to, their times. For example, Generation Y haven't created the new employment paradigm of flexible work schedules, work/life balance and portfolio careers — they have just responded to the new world that the previous generations have ushered in.

C Defining the generations

Foundational facts

As mentioned above, the traditional (and biological) definition of a generation is 'the average interval of time between the birth of parents and the birth of their offspring'.[4] Historically, this places a generation at 20–25 years in span, which matches the generations up to and including the baby boomers. While in the past this has served sociologists well in analysing generations, it is irrelevant today.

First, the time between birth of parents and birth of offspring has stretched out from two decades to more than three. In 1976 the median age of a woman having her first baby was 24, while today it is almost 31.[5]

Second, because cohorts are changing so quickly in response to new technologies, changing career and study options, and because of shifting societal values, two decades is far too broad a time span to contain all the people born within it, let alone three decades.

A generation iis a group of people who share the same life stage, live through the same times and were shaped by the same social markers.

So, today, a generation refers to a cohort of people born and shaped by a particular span of time — and that span of time has contracted significantly.

As shown in Figure 1, below, a generation is a demographical, historical and sociological reality.

Our definition of a generation includes three factors — it is a group of people who:

- share the same life stage
- live through the same economic, educational and technological times
- were shaped by the same social markers and events.

However, when it comes to defining and labelling generations, we must avoid subjective observations or marketing spin.

In fact, the generations demonstrated in Figure 1, below, are both widely referenced, and demographically and sociologically valid. Figure 1 shows the current Australian population based on their year of birth from 1925 to 2005. We have marked the widely accepted generational divisions and noted the age range and their percentage of the Australian population. The figure shows the clear 'booms' in the birth rate, notably the post-World War II boom and the 'spike' in births amongst the Generation X years.

Builders

Referred to as the 'Lucky Generation' by social researcher Hugh Mackay, the Builders were born in the period 1920 to 1945 and are largely the parents of the Baby Boomers. The dominant life-shapers for this cohort were the Great Depression and World War II, events which they lived through and, more particularly, were shaped by through the experiences and stories of their parents. These tough early experiences and the years of austerity they brought influenced an entire culture — and forged a generation. Their label gives

MARKETING INSIGHT

Longevity, lifetime value – and loyalty

The concept of *lifetime value of customer* (LTV) views the customer as a revenue-producing asset for the period (or life) that the customer has been retained by the firm.[6] Therefore the younger generations have a far higher lifetime value than the older generations for two reasons: they will live longer, and the bulk of their purchasing lies ahead of them. However, despite their higher LTV, the emerging generations are more fickle consumers who are less likely to exhibit brand loyalty. Therefore, without effective customer engagement, any potential lifetime value may well remain unrealised.

insight into their response to their times: they became builders of the infrastructure, the economy, the institutions and the organisations of their society. Core values and a strong work ethic were fundamental to them. Financial conservatism and delayed gratification were normative. Respect for authority figures and commitment to a boss, industry or brand were the societal values which dominated. The results of their labour – summed up by Tom Brokaw's labelling of them as 'the greatest generation'[7] led to the shift from an agrarian economy to a modern, industrialised one, and created the national wealth and social capital that the rest of us have been building on ever since.

Keep in mind that while many of the Builders are now 'seniors', this is not how they necessarily perceive themselves. They are living longer, and often are physically younger than their chronological years might suggest. Yes, these Builders pride themselves on their ability to deal with hardship; they are generally more politically and socially conservative, patriotic, and have a strong work ethic. Yet their self-image is one of youthfulness and vibrancy.

Baby boomers

A key social marker in the western world of the twentieth century was the end of World War II. Rarely in history is there an event that so shapes a culture. The years after

Australia's population is indeed ageing. However it is not just a demographic reality – it is also an economic reality. As new generations emerge it is important to deal with not just staff succession planning – but also customer succession planning.

the war were the mirror opposite of the war years: the Depression and war period were replaced by economic growth and full employment. Austerity was overtaken by technological advancement and increasing freedom. Even more significantly, in the years after the war there was an unparalleled baby boom and immigration program. This 19-year population boom literally birthed a generation.

The Australian Bureau of Statistics defines the baby boomers as 'those who were born in Australia or overseas during the years 1946 to 1964'.[8] In fact the fertility rate began its rapid rise in 1946 and peaked in 1961. By 1965 it had dropped just below the 1946 level. Therefore the Baby Boomer demographic is clearly defined.

Generation X

Generation X is also clearly demographically defined as those born from 1965 to 1979 inclusive. In 1965 the number of births began to increase from the post-Boomer low, hitting a peak in the early 1970s before dropping back to another low in 1979. Just to show how solid this definition of Generation X is in Australia, in 1965 there were 223,000 births; after a rise and fall there were also 223,000 births in 1979.[10] The peak year was 1972 when there were

268,711 births – the highest number of births ever in Australia and a record that will stand for decades to come. By comparison, in 2006, there were only 254,790 births even though the population was 64 per cent larger than it was in 1972.[11]

Generation Y

Culture is the collective attempt to provide contemporary coherent answers to the timeless existential questions faced by us all

Generation Y are those born from 1980 to 1994 inclusive. Again, the definition is demographically reliable. They have been labelled the 'Echo Boom' as they are the children of the Baby Boomers and so their numbers reflect the movement of the Boomers into their fertility years. In 1980 the number of births again began to increase gradually, hitting a peak of 264,000 births in 1992 – the highest number of births since 1972.[12] The births then dropped away through the rest of the 1990s before beginning a recovery in 2002, signalling the start of Generation Z

Generation Z

As the birth rate at the end of Generation Y picked up in 1995, the beginnings of Generation Z became evident. Marketers are tempted to begin a generation at a key year, such as 2000, but there is no demographic or sociological justification for such choices. It is the birth rates, and the social changes and trends, that give a solid basis to generational definitions. The Generation Z demographics show the full results of the decline in Australia's fertility rates over the last few decades. However, the total fertility rate may have bottomed out at 1.77 (children per woman) as there were more births recorded in 2006 than for any year in the past decade, and the fertility rate has now increased to 1.81 nationally. Indeed the fertility rates in some states, like Tasmania, have risen to once again reach replacement rates (2.10 children per woman).[13]

Figure 1 – Generational segments
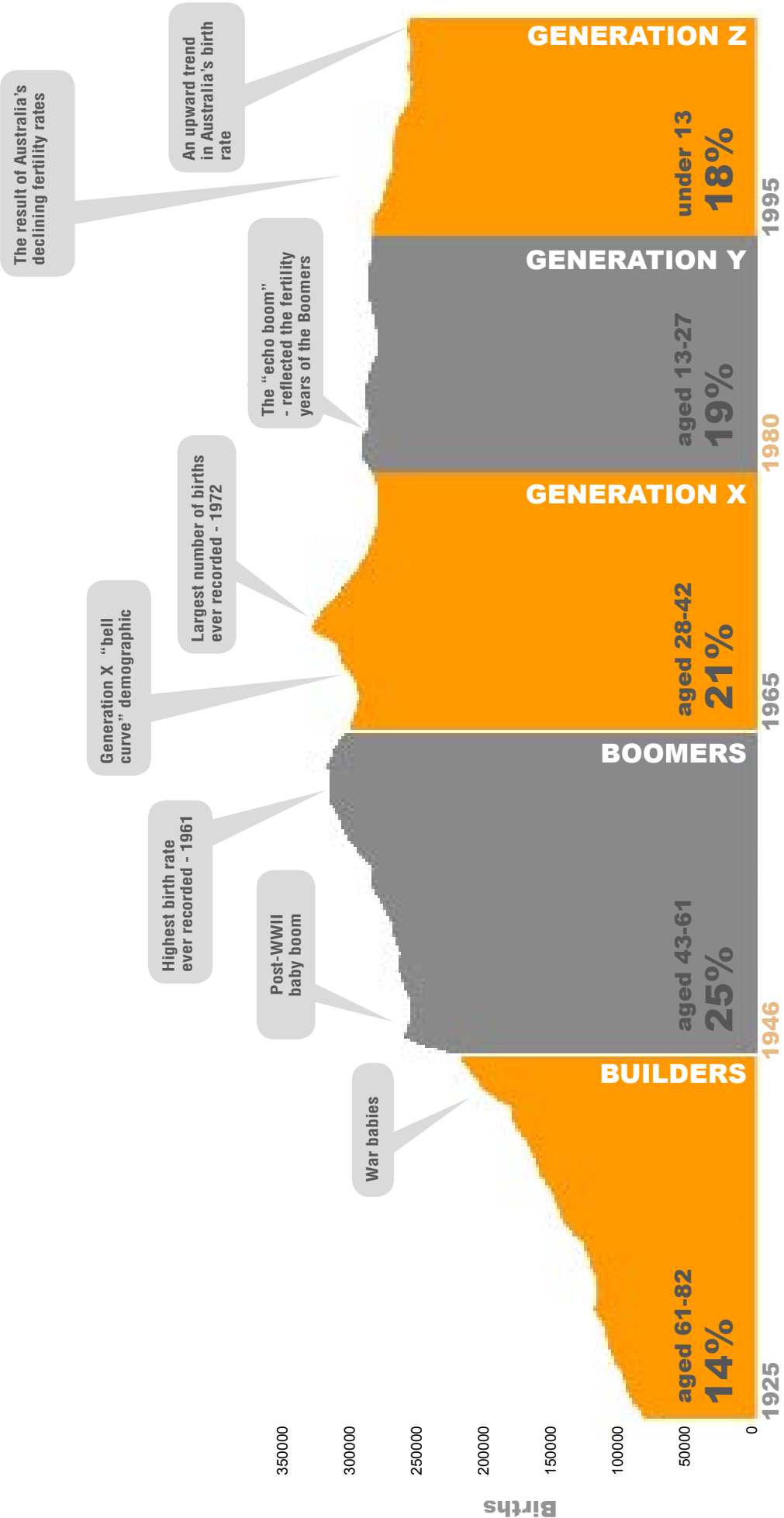
GENERATION Z
under 13
18%

GENERATION Y
aged 13-27
19%

GENERATION X
aged 28-42
21%

BOOMERS
aged 43-61
25%

BUILDERS
aged 61-82
14%

The result of Australia's declining fertility rates

An upward trend in Australia's birth rate

The "echo boom" – reflected the fertility years of the Boomers

Largest number of births ever recorded - 1972

Generation X "bell curve" demographic

Highest birth rate ever recorded - 1961

Post-WWII baby boom

War babies

1995
1980
1965
1946
1925

350000
300000
250000
200000
150000
100000
50000
0

Births

D Marketing in the 21st Century

Has marketing changed ... or is it the generations which have changed?

It is evident that unless we can understand and meet the needs of each new cohort of customers, we will edge towards irrelevancy. The desire of consumers to have their needs satisfied has changed little over the centuries – needs and desires are timeless. In marketing there are no new principles, only old principles happening to new people.

The principles

In marketing there are no new principles, only old principles happening to new people

The central premise of marketing – that firms are more likely to be successful if they orient their resources and capabilities to the present and future needs of customers – is arguably the most common way firms manage the marketing process. This has changed little over the past 60 years.

Even a cursory look at the historical development of marketing will show that the marketing concept, and the theories it embodies – market segmentation, the marketing mix (the '4 Ps'), relationship management and customer orientation – are not new. Rather, they can be observed to have been in practice back in the late 1800s, and eventually were given formalised definitions by academia during the 1950s.

The purpose

The purpose of marketing is not simply to satisfy customers; it is also to deliver value to the owners of the firm. In other words, shareholder value is derived from increased sales, profit and market share – and it is the marketer's job to deliver these results while simultaneously meeting and/or exceeding the needs and expectations of customers.

Figure 2 – Marketing processes
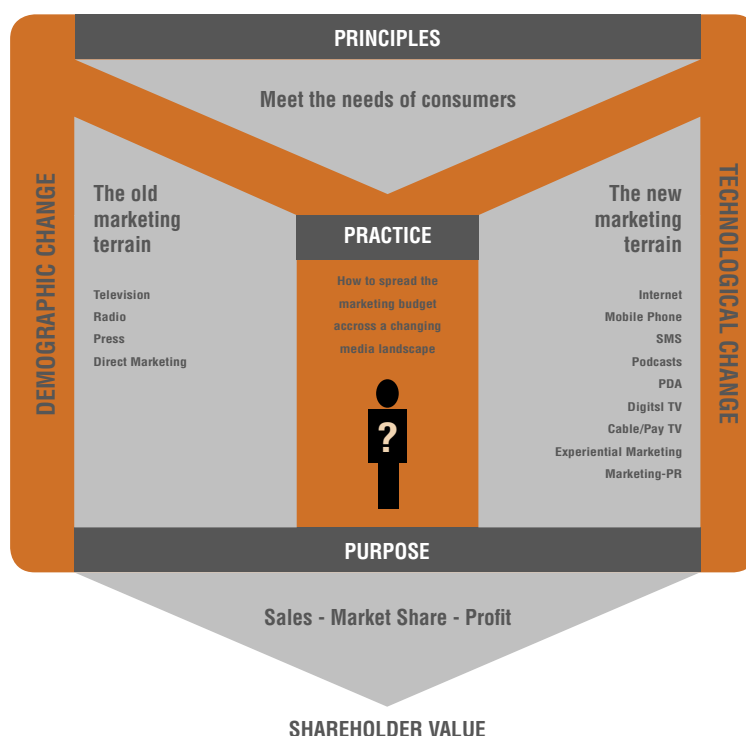
The practice

So, armed with the principles and the purpose above, what practical tools does the marketer need, and how does this relate to demographic (generational) change?

The practical tools are the marketing mix elements (the 4 Ps – product, price, promotion and place). These have changed significantly over the centuries in two key dimensions:

It is self evident that growing up in the 1960's was different to growing up in the 1980's – and that was different to growing up today. People resemble their times often more than they resemble their parents.

1. **Demographic change**: The people walking through the marketing terrain have changed. The demographic upheavals caused by such social markers as the post-World War II baby boom cannot be denied. It is imperative that marketers respond to demographic change by altering marketing mixes to suit the morphing expectations of consumers.

2. **Technological change**: Clearly, emergence of new communications and marketing technology impacts on the way we deliver satisfaction to today's generations of consumers. How consumers were managed a century is far different from the situation today. The 1900s homemaker's desire for good quality food, warmth and a safe, comfortable home is no different to the needs of the modern day householder, yet how marketers respond to and deliver satisfaction of these needs is clearly different.

MARKETING INSIGHT

Marketing has changed – what does Plato say?

Yes, it is true that marketing has changed, but only in a tactical sense. Yes, media, communication and distribution channels have changed significantly over the post-World War II period, but these are constituent (tactical) elements of strategic marketing, which itself remains relatively unchanged. So when someone in the media points out that marketing has changed, what they may in fact mean is that advertising, media and promotions have changed, not the core function of marketing – needs satisfaction.
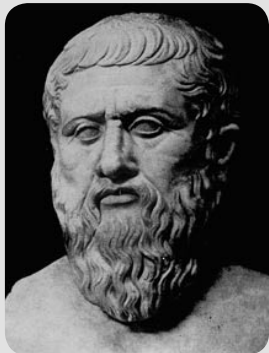
It is also true that the media landscape has changed. Information technology has given us deeper insights and more sophisticated customer relationship management systems, but has the strategic premise of marketing changed all that much?

Consider how the ancient philosopher Plato established the ground rules of modern marketing theory.

Plato (427–347 BC)
- *Because people are not self-sufficient, societies evolve to satisfy human need.*
- *Since people have different skills, their comparative advantage leads to division of labour.*
- *Thus producers and consumers emerge.*
- *Thus market exchange (buying and selling) are necessary.*
- *Exchange takes time and opportunity cost, so marketing intermediaries are necessary who rent profits from exchange.*[14]

Plato could not have envisioned wireless computing, 3G networks and virtual communities, but his observations on trade (as marketing was then known) are directly translatable to the twenty-first century. Marketing is based on the timeless principle that satisfying the expectations of those in need will result in increasing shareholder returns. While the principles and purpose of marketing haven't changed, the marketing terrain and the people wandering through it have changed.

E Generational segmentation

What is segmentation?

Market segmentation is the process of dividing mass markets into groups of consumers that exhibit common or homogenous buying behaviours. Segments are then offered arrays of products and services according to their identifiable needs. Firms targeting identifiable segments can theoretically provide consumers with more precise satisfaction of their varying wants.[15]

In the business-to-consumer market, several variables can be used to define groups of consumers, including demographics, psychographics, geography, behavioural aspects and profitability. These provide a basis upon which to create segment profiles that can be targeted with customised value propositions (i.e. a marketing mix).

Are generational segments too generalised?

The generational labels are their own worst enemies. They make convenient 'sound bites' and perhaps – like daily horoscopes – they are general enough to be partially accurate for most people and are thus given greater currency. Yet common sense tells use that we live in a diverse society – how can one label accurately describe an entire generation?

Thus, the more they are hyped, the more suspicious we become of how generational labels can be practically applied in organisational and marketing settings.

The key point is that generational segments are too generalised to be the sole means by which a firm segments a market. The reason is that they were never meant to offer firms a simple one-size-fits-all option. Marketing theory taught from high school business studies and beyond does not

Clever marketers use generational labels but know their limitations. Labels are helpful indicators not total identifiers.

espouse that generational cohorts and market segmentation are interchangeable concepts. Rather, the generations (demographic segmentation) can be seen as one possible first step in segmenting consumer markets.

Not everyone within a generation acts, thinks and spends in the same way. That the media perhaps indivertibly propagates the idea that generations are homogenous belies the fact that clever marketers use generational labels but know their limitations.

Why some generalisation is necessary

As Hughes and O'Rand state, 'We all fall into talking about the baby boom as if it were a homogeneous group, but it's a very heterogeneous group ... and it's not just a semantic issue. If we are worried about the future as the Boomers age, we need to be prepared for a very, very heterogeneous group of people.'[16]

It is not that generational segments are the endgame in the segmentation process; rather, they are a logical first step. First, we generalise about a cohort, and then – as Hughes and O'Rand suggest – prepare for heterogeneity (variety) with a group.

If marketers were unable to generalise about a population, they would need to customise products based on the whims of individual consumers. For all but the most generic products that have mass appeal, 'slicing' the generational segments is not only common practice, it is common sense. Efficient and sustainable manufacturing demands some generalisation and uniformity.

Figure 3 – Generational segments as a first stage in segmenting consumer mass markets

TARGET
MARKET

PSYCHOGRAPHICS

Values - Attitudes - Lifestyles - Personality

SOCIOGRAPHICS

Eductation - Economics - Employment - Expectations

DEMOGRAPHICS

Generational Segments
(Builders - Boomers - Gen X - Gen Y - Gen Z)
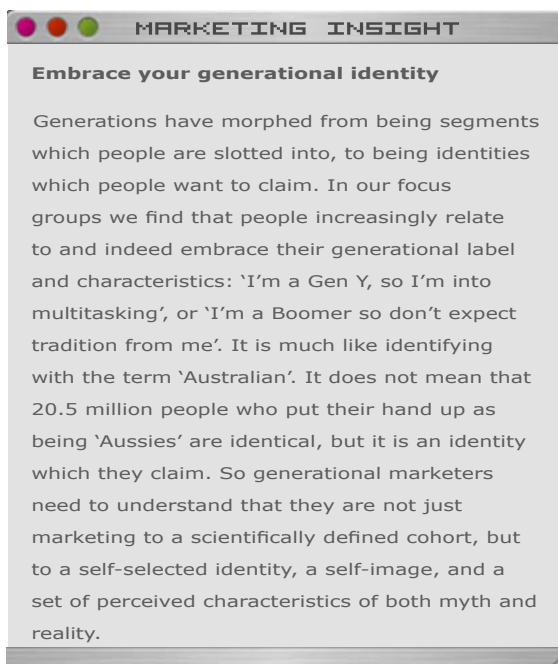
MASS MARKET

The entire population

'Slicing' the generational segments is not only common practice, it is common sense

Being customer (or market) oriented does not mean you build everything individual consumers demand. Rather, you generalise by segmenting consumers into groups with identifiable tastes or characteristics. Beginning, say, with Baby Boomers as a demographic macro-segment, you are then able to focus on and target various subsets within this group. Segmenting the Baby Boomer market, for example, begins with what they largely have in common (i.e. age and life stage), and is followed by 'slicing' into income, occupation, lifestyle and location characteristics.

Regarding generational segmentation, either you concede that a firm must generalise by supplying a limited range of products (based on its manufacturing constraints) to groups of like minded consumers, or you must treat an entire population as separate, unique individuals.

CRM (customer relationship management) technology, despite its promise of utopian personalised customer relationships between buyers and sellers, has not yet reached the point where individuals are 'wired in' and their every whim catered for.

Generalisation is an a priori concept – it is self-evident. We all accept that if we choose to buy a particular brand of car we must choose from a limited palette of colours. It is reasonable to assume that the car manufacturer must generalise about our colour tastes – they have no choice but to group us. A modern society groups people every day and in every way: from the provision of a bus targeting a geographic group, to a school class targeting a group of learners based on their age or subject choice. We are all individuals but we are all constantly moving in and out of groupings,

Embrace your generational identity

Generations have morphed from being segments which people are slotted into, to being identities which people want to claim. In our focus groups we find that people increasingly relate to and indeed embrace their generational label and characteristics: 'I'm a Gen Y, so I'm into multitasking', or 'I'm a Boomer so don't expect tradition from me'. It is much like identifying with the term 'Australian'. It does not mean that 20.5 million people who put their hand up as being 'Aussies' are identical, but it is an identity which they claim. So generational marketers need to understand that they are not just marketing to a scientifically defined cohort, but to a self-selected identity, a self-image, and a set of perceived characteristics of both myth and reality.

Identifying as a "Gen Y" is like putting your hand up as an "Australian". Its not a scientifically defined cohort, but a self-selected identity. A self-image of both myth and reality.

whether they be called cohorts, segments or target markets.

Do you begin with generational segments?

Effective marketing strategies are not based on the popularist view that markets are segmented solely by generations. Rather, demographic data is usually the foundation upon which more complex pictures of target markets are developed.

While there is no single way you should segment consumer markets, doing so based on demographics (incorporating the generational segments) is perhaps the most common starting point. The main reason is that demographics, unlike psychographics (i.e. values, attitudes, personalities and lifestyles), are easy to measure. As we have demonstrated (see Figure 1), the numbers don't lie – the generations are a demographic reality, and are the most self-evident divisions in our society. But in a marketing sense this is only part of the story.

In order to attract customers, each competing firm must develop a distinctive competitive position. This can only be achieved by identifying (and thus grouping) consumers who have unfulfilled needs. Market segmentation is both a creative and an individual process – if it was not, all firms

using the same segmentation strategy would be unable to differentiate their products. Generational segments might be an endless fascinating sociological topic, but they should not be a firm's default segmentation strategy.

By way of illustration, take the market for urban transportation. First, consider an urban population and its subsequent generational divisions. Then, as we have done here, focus on one segment, such as Generation X.

Through our research we have identified and labelled the following four segments that exist within the urban and suburban Generation X population. Yes, that's right, there is variety within Generation X – they are not all the same!

Urban-Suburban Gen X Segments

1. **Creative Class**: This segment is largely made up of tertiary-educated, higher income, semi-professional/professional people. They are mainly singles and couples living in the inner-city urban centres in the major capital cities. They often own their residence but may rent for lifestyle and investment purposes, and choose to live in the city/urban environment for café/cultural/lifestyle reasons.

2. **Thrifty City**: These are high-school educated, lower income, unskilled/semi-skilled people, and include singles, couples and some with children. They reside in lower cost

Want to be the consumer's friend? Start acting like one!

At the core of consumer-oriented marketing is the premise of *relationship*. If we assume that your firm has a relationship with a customer, would that consumer regard you as a friend? Are you tolerant of their friendships with other brands? Is your relationship with your customers based on mutual benevolence?

The *Oxford Dictionary* defines a friend as 'one joined to another in mutual benevolence and intimacy'.[17] In addition, Michael Argyle and Monika Henderson at Oxford University defined several basic universal rules of friendship. Among these rules are that friends must provide emotional support, respect privacy, preserve confidences and be tolerant of other friendships.[18]

Fournier, Dobscha and Mick put it best when they write 'Let's put our relationship motives on the table: no fluff, no faked sincerity, no obtuse language, no promises we don't keep – just honesty about commercial intent'.[19] Regardless of which generational segment you target, enduring relationships between consumers and business must not be one-sided. They must be based on consumer orientation, rather than on the needs of the firm alone. Importantly, it is not just Generations X and Y which are particularly suspicious of faked sincerity. After a lifetime of consumption, Builders and Baby Boomers have also become less tolerant.

Your future marketing success needs to be based not just on the changing media technology but on the changing generational sociology and the changing consumer psychology.

rental or supported accommodation, and live in the cities' medium/high-density housing areas for affordability reasons.

3. **Suburban Style**: This segment includes higher educated, higher income, semi-professional, professional and often business-owning/entrepreneurial Generation Xers. They mainly include couples and families living in the suburbs in the major capital cities. They live in 'aspirational housing' in larger homes, and have chosen the suburbs for the lifestyle provisions: shopping, schools, children's needs and so on.

4. **Generation Tradition**: These are secondary-educated, lower income, unskilled or semi-skilled people, mainly in couples and families, who live in the outer and mortgage belt suburbs in the major capital cities. They have chosen their suburbs for affordability reasons, and for the family benefits, such as housing with a backyard.
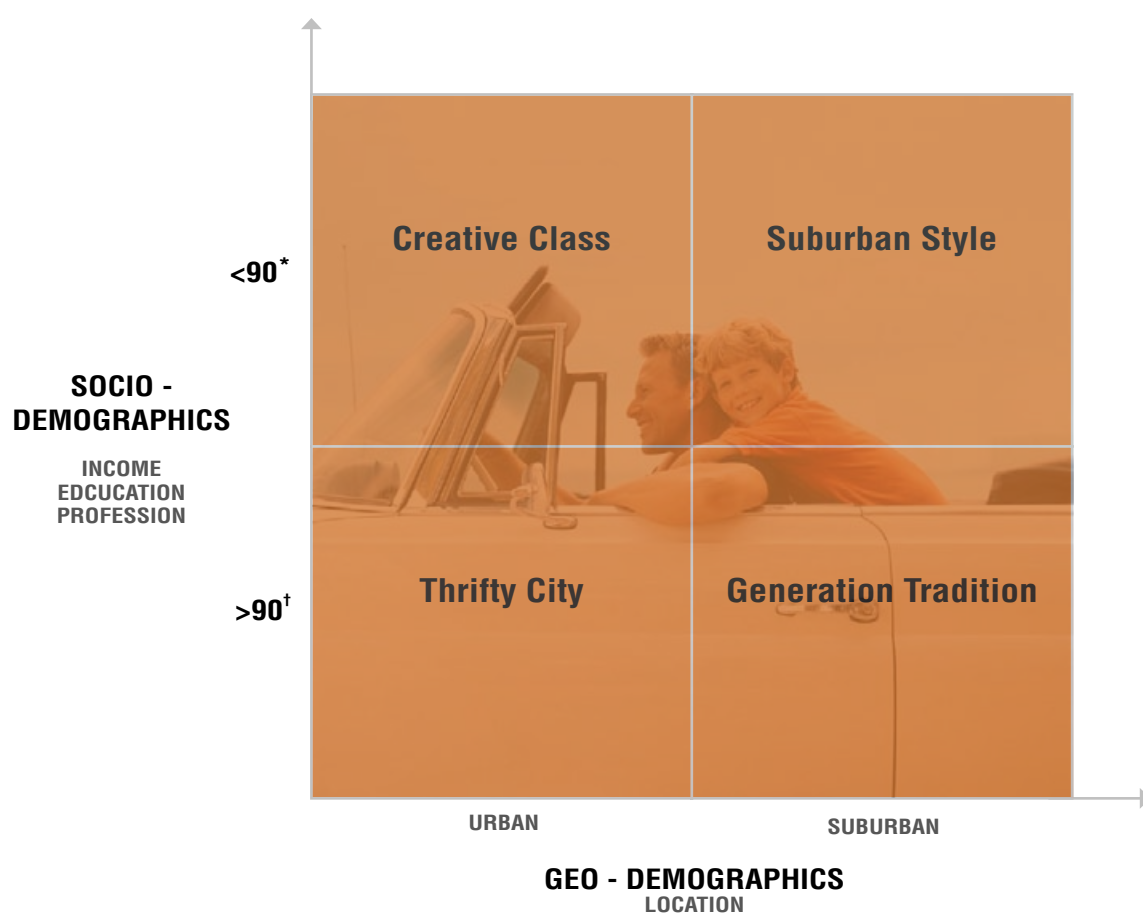
Generation X were examined in this case study because they, more than the younger generations, can be observed to be living outside the parental home. Their geographic location and migration patterns can be readily observed in ABS, housing and mortgage consumption data.

Each of these segments can be further segmented – say, by their behaviour in relation to transportation preferences. As is highlighted in the following model, we have suggested that the Generation X Suburban Stylers might exhibit a propensity to favour mid-sized four-wheel drive vehicles.

This segment can then be assigned a more detailed profile relative to a specific value proposition. The target market based on this segmentation strategy could be defined as:

Full-nest, female, Generation X Suburban Stylers seeking an attractive, versatile yet smooth-riding mid-sized 4x4.

Figure 4 – Generation X urban-suburban segments

	Creative Class	Suburban Style

SOCIO -
DEMOGRAPHICS

INCOME
EDCUCATION
PROFESSION

<90*

>90†

Thrifty City   Generation Tradition

URBAN   SUBURBAN

GEO - DEMOGRAPHICS
LOCATION

Effective generational marketing has not been tried and found wanting – it's been found complex and so left untried.

Note: The figures <90 and >90 refer to the scores derived from calculating the socioeconomic quintiles. The quintiles are calculated by assigning scores to an individual's income and education levels and occupation. Individuals with scores over 128 are considered to belong to the AB demographic.[20]

Figure 5 – Generational segmentation model

Mass target market	**Population**				

Generational segment Demographics	Builders	Boomers	Gen X	Gen Y	Gen Z

Homogenous subsets Psychographics	Creative Class	Suburban Style	Generation Tradition	Thrifty City

Product preferences Behavioural	Scooter	Mid-Size 4x4	6 Cylinder Sedan/Wagon	Public Transport

Target market profile	*Full-nest, female, generation X suburban-stylers seeking an attractive, versatile, yet smooth riding mid size 4x4.*

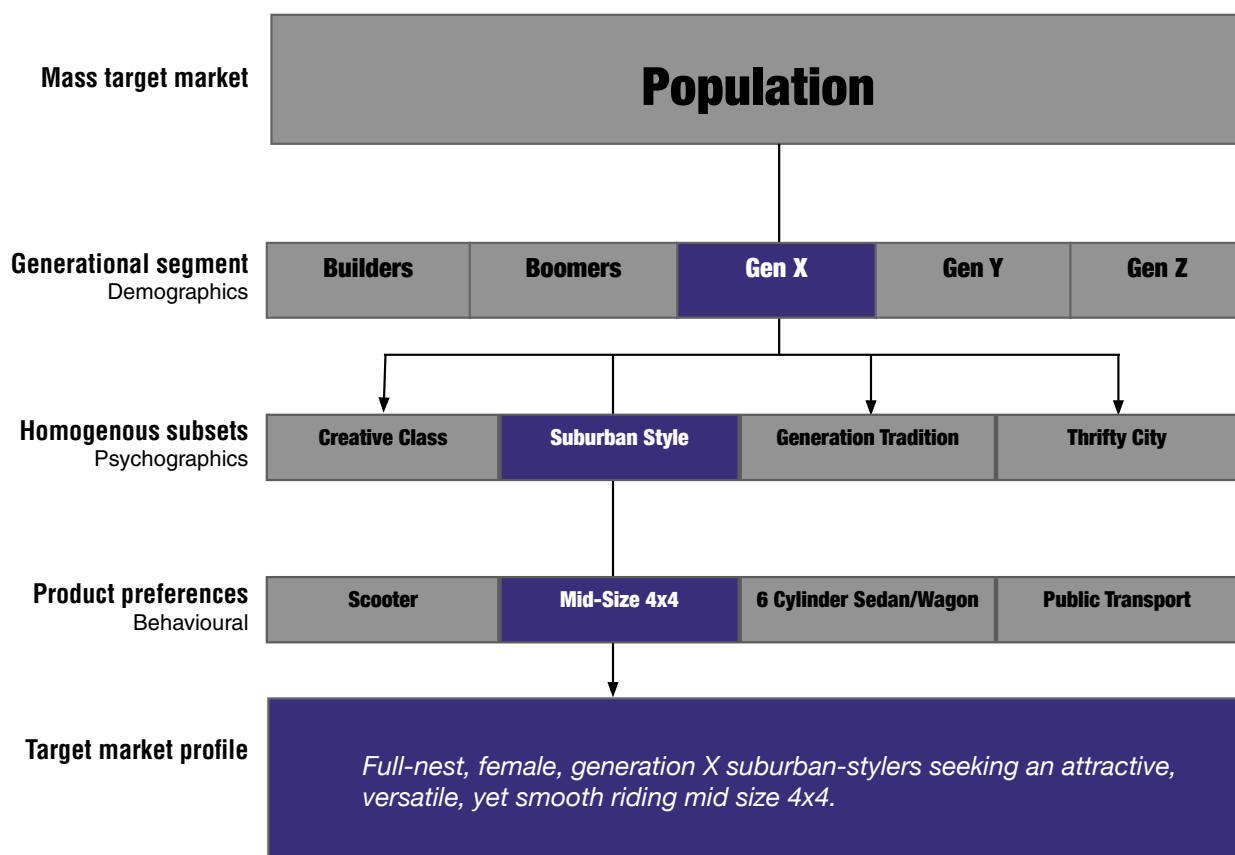*Computers in the future may have only 1,000 vacuum tubes and weigh only 1.5 tons." Popular Mechanics March 1949 The point is obvious: don't extrapolate the future based on today's world rather prepare for the future based on tomorrow's generations.*

MARKETING INSIGHT

Don't predict the future – research it.

Forward forecasts can be dubious if not well founded. Take this brave prediction from Popular Mechanics March 1949 "Computers in the future may have only 1,000 vacuum tubes and weigh only 1.5 tons." [21]

It is self evident that the future of each business depends on effectively engaging with each new generation of customers and effectively managing each new generation of staff members. The good news is that we don't need to hypothesise or predict what they are like. They exist today. Through proper research of the emerging generations, and insightful analysis of the technology, society, and economy that is shaping them we can be well placed to understand them- and their times.

F Generational marketing

There are three key differentiators of generations that unite the members of each cohort, and separate them from previous and subsequent generations:

1. Age and Life stage

Age is the most obvious of the generational delineators. A generation includes people sharing an age range (and therefore life stage) and separates them from older or younger generations. However it is a mistake to turn generational marketing into age-group marketing because a generation is more than just an age grouping. Age is important yet is merely one of the three generational factors. If age and life stage alone defined a generation and you were targeting today's teenagers, you could just as easily pull out the marketing that was used on Generation X in the 1980s or the Boomers in the 1960s because they also shared the teen space in these eras. But clearly the marketing needs to change even if the target age group doesn't — because the times, the technologies and the trends have changed.

It is a mistake to turn generational marketing into age-group marketing because a generation is more than just an age grouping. Age is important yet is merely one of the three generational factors.

MARKETING INSIGHT

X and Y: enormous, educated and employed

While there are increasing numbers of older people as a percentage of the population, it must be remembered that Generations X and Y are still enormous generations, comprising more than 2 in 5 Australians. Yes, the population pyramid is beginning to look more rectangular, but now and for decades to come there are a massive 8.6 million members of Generations X and Y in Australia.

From an economic perspective, Generation X is growing in importance as they move into employment and their wealth accumulation years. As customers, even now they punch above their economic weight because – beyond spending their own money – they influence government spending, corporate spending and even many of their parents' purchasing decisions.

MARKETING INSIGHT

50 is the new 40

The median age of the population in 1976 was 29. This increased to 36 in 2002 and by 2021 it is forecast to be 40. So while as a population we are older than ever, as individuals we are younger longer. Take motherhood as an example. The median age of a first-time mother has been rapidly increasing. Indeed today the highest birth rates in Australia are of women aged 30–34. In 1985 the median age of mothers was just over 27, while today it is almost 31.[22]

So, women in their late 30s and 40s today who are having children will be raising teenagers in their 50s. A generation ago, it was fortysomethings raising teenagers and, the generation before that, thirtysomethings were raising teens. Thus a 50-year-old today is, in many respects, like a 40-year-old of the past. Physically they resemble 30–40 year olds of the past, yet they have the wisdom, experience and discretionary income denied to their Builder parents.

2. Events and experiences

Experiences that occur during the formative childhood and teenage years also create and define differences between the generations. These social markers create the paradigms through which the world is viewed and decisions are made. The Builders were shaped by the Great Depression, World War II and the subsequent post-war economic boom. Baby Boomers were influenced by the advent of television, rock 'n' roll, the Cold War, the Vietnam War, the threat of nuclear war and the decimal currency.

Generation X saw in the personal computer, AIDS, single-parent families, the growth in multiculturalism and the downsizing of companies. Generation Y have lived through the age of the internet, cable television, the 2001 terrorist attacks, globalisation and environmentalism. Such shared experiences during one's youth unite and shape a generation.

Figure 6 – Events and experiences shaping the generations
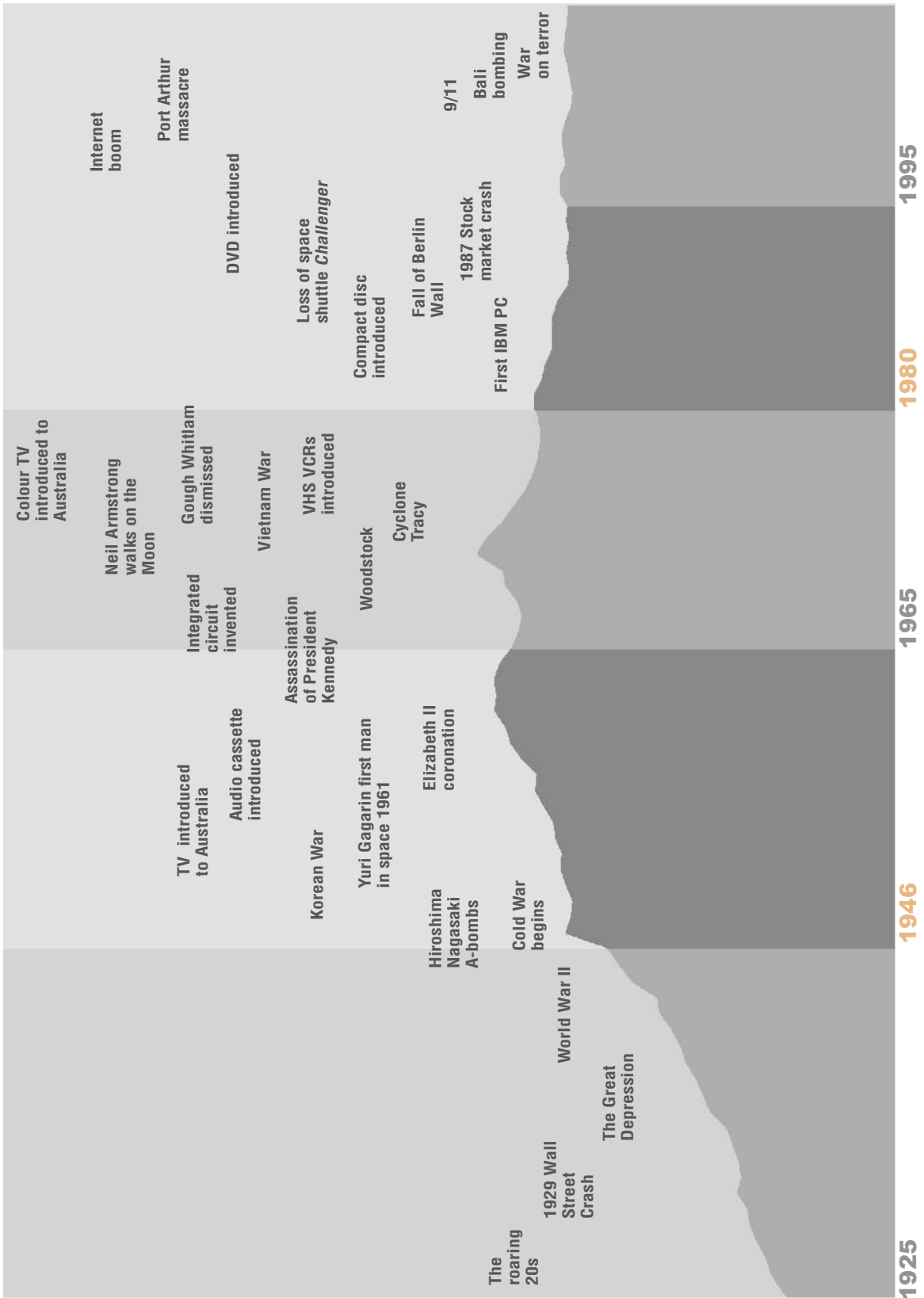
3. Technology and trends

From digital aliens to digital natives

Writer Marc Prensky, in his much referenced paper 'Digital Natives, Digital Immigrants',[23] points out that while anyone can send a text message or access a podcast, Generation Y has been immersed in these new options almost from birth – thus the digital language and technology is almost their first language. In our research we have built on Prensky's findings and analysed each generation's response to the digital world. So Generations Y and Z are technological 'natives', compared to, say, the Baby Boomer 'digital immigrants' who have migrated to the latest technology later in life.

Generation X, on the other hand, remembers their formative years with the emergence, rather than the omnipresence, of digital technology. We can refer to them as 'digital adaptives', as they took on board the technological changes that they could see taking place around the home, the school and the university and the workplace.

For much of the Builder generation the world of digital technology seems alien and perhaps irrelevant. How many of us could say that our Builder parents or grandparents are comfortable with the Internet, ATM machines, wireless networks, telephone banking, podcasts and the like?

Many are still struggling to program the old VCR. Yes the timer on many of these devices is still flashing 12 o'clock!

While we can all use the latest technlogy, the age we were first exposed to it determines how embedded it becomes in our life. Today's youngsters don't "dial a phone number" or "re-wind a video". Meet the Digital Natives

Digital Aliens	Digital Immigrants	Digital Adaptives	Digital Natives
The Builders were latecomers to technology. The internet, podcasts, SMS, online gaming and wireless networks are largely alien concepts to them	The Baby Boomers are digital immigrants who reached adulthood without digital technology. While many embrace new technologies, some do so reluctantly.	Digital technologies began to emerge (in a mass sense) largely during the teen years of Generation X – the 1980s. Generation X willingly embraces the technologies they saw evolve into consumer durables.	The newer generations have lived their entire lives immersed in digital technologies. For example, on a recent trip to a local primary school, this Generation Xer (with a Generation Z preschooler) witnessed six-year-olds learning Excel spreadsheets in computing class!

40 is the new 30. 30 the new 20. While no one is claiming 20 to be the new 10, the point is clear! The concept of downaging is a societal reality and a marketing opportunity.

MARKETING INSIGHT

SKIS – Spending the Kids' Inheritance

In 1909, the Australian Government introduced the age pension, and set the pension age for a male at 65. So, upon reaching 65 years of age, a male citizen would be funded from the public purse. It is interesting to note that in 1909 life expectancy was just 58. Not much of a promise – hardly anyone made it to pension age! Today the pension age still sits at 65 for a male yet most Australians will live 20 years beyond this. This is an important reminder to observe the changing times and so effectively respond to them.

So, what do the Builder and Baby Boomer generations do with the additional 25+ years? Spend the kids' inheritance, of course. Freed of mortgages and kids, the older generations are turning to indulgent purchases in a quest to fulfil long-delayed dreams. They buy luxury or sports cars, take local and overseas holidays and buy mobile homes; they downsize their empty nest family home and seek coastal retirement real estate; they seek continuing education, pilates classes, health care services; and they indulge their grandchildren.

Age is not the only demographic

The study of demography also includes several other variables in addition to age. Both social and consumer behaviour researchers consider sex, household size, family life cycle, income, occupation and nationality as key elements of demography.

Gender divide is the demographic variable that next most demonstrates 'sameness' within a generation, given any generation can be divided by sex into two roughly equal divisions. Yet clearly the genders traverse the generations and this is why, in developing segment profiles, combining *age* and *sex* is useful.

Combined with age, the other variables which members within a generation have most in common are family life cycle and household size. Of the Builder generation, most would be empty-nesters (a family life cycle stage) while many Boomers are more likely to be full-nesters with Generation Y children. Generation X is largely comprised of the children of the Builders, many of whom are full-nester parents of Generation Z.

The variables of income, occupation and nationality are less likely to illustrate demographic sameness within a generation. For example, while it is true that Baby Boomers hold the majority of total private wealth, they are not all rich. Despite media stereotypes, there are poor Boomers who do not own million-dollar metropolitan real estate and cannot up-trade for the luxurious 'sea change'.

Landscape or portrait?

A recent anecdote appearing in 'Column 8' of the Sydney Morning Herald emphasises the profound nature of the digital immigrant–digital native paradigm:

'During breakfast the other day,' writes Paul Massey, of Northbridge, 'our six-year-old son Lachlan, decided to make himself some toast. Grabbing a piece of bread, and on the point of placing it in the toaster, he said to his mother, "Mum, how do I put the bread in – landscape or portrait?"'[24]

G What we buy and why

For the twenty-first century generations, the educational and technological developments have had psychological impacts. When comparing Generations Y and Z with previous generations, it is clear that how decisions are made and how consumers are engaged have indeed changed. We are dealing with consumers today who need to be engaged more on the emotive scale than the cognitive scale. They have been influenced not just by the scientific method but also by virtual reality. For them it is a world of experience – not just evidence. These shifts are evidenced in various fields of study. In leadership we read about the shift in focus from IQ (intellectual intelligence) to EQ (emotional intelligence). In educational psychology we read not just about engaging students' left brain hemisphere (logical, analytical thinking) but also their right brain (creative, unstructured thinking). In the same way marketers need to be not just engineers but also artists; they need to be social observers, not the process managers.

Figure 7 – Convergence model of generational decision-making

We are dealing with consumers today who need to be engaged more on the emotive scale than the cognitive scale. They have been influenced not just by the scientific method but also by virtual reality. For them it is a world of experience – not just evidence

Generation Y

Generation X

Boomers

Builders

Emotional
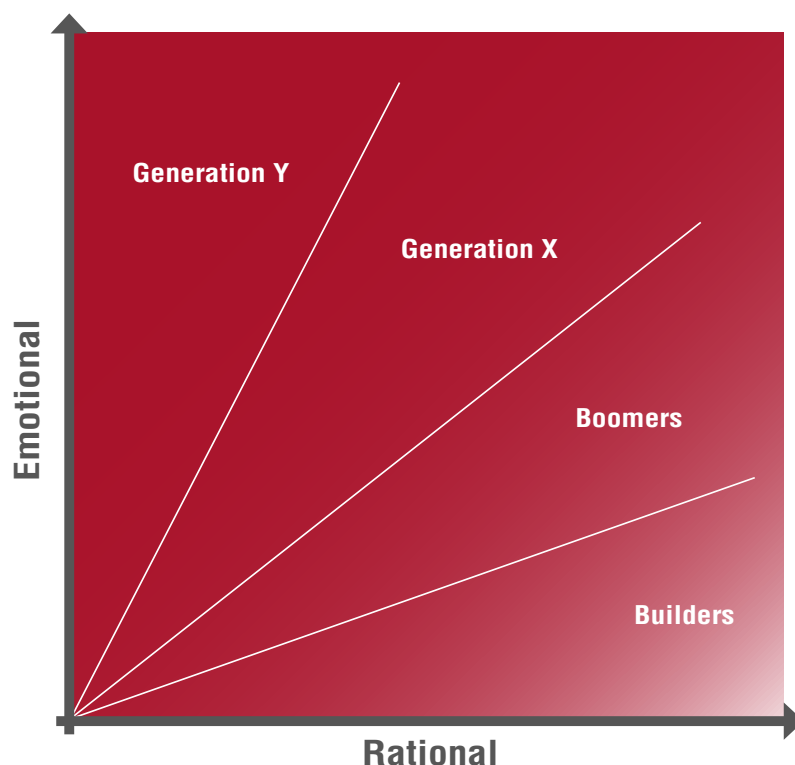
Rational

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Sea change with sea gain

That Baby Boomers exhibit rational–emotional convergence in their decision-making is best illustrated by their embrace of the 'sea change' and 'tree change' phenomena. While they long after the freedom to explore unrequited dreams through beautiful, idyllic coastal or rural surrounds, the said retreat must have capital gain and taxation advantages. They are haunted by oft-stated urban myth: 'You'll never buy back into the Sydney property market if you move up the coast!' For them the sea change must have sea gain (capital gain).

Rational - Emotional Decision Making

Connecting with twenty-first century consumers requires an appreciation of the relationship between emotive and rational approaches to decision-making. Our dynamic model of emotive marketing shows consumer behaviour as a linear transition that toggles between the emotional and the rational, resulting in a converged purchase decision, resulting in action. We find that while this model applies in part to all generational segments, it is realised more in younger generations. As mentioned earlier, the decisions of the Builder and Boomer generations are largely tempered by rationalism, while the younger generations have been shaped by emotionalism. While decision-making has never been a matter purely of the head, as this model makes clear it is increasingly a process that must engage the heart, connect with the head but then re-engage the heart. Let's look at the stages in more detail:

Vision

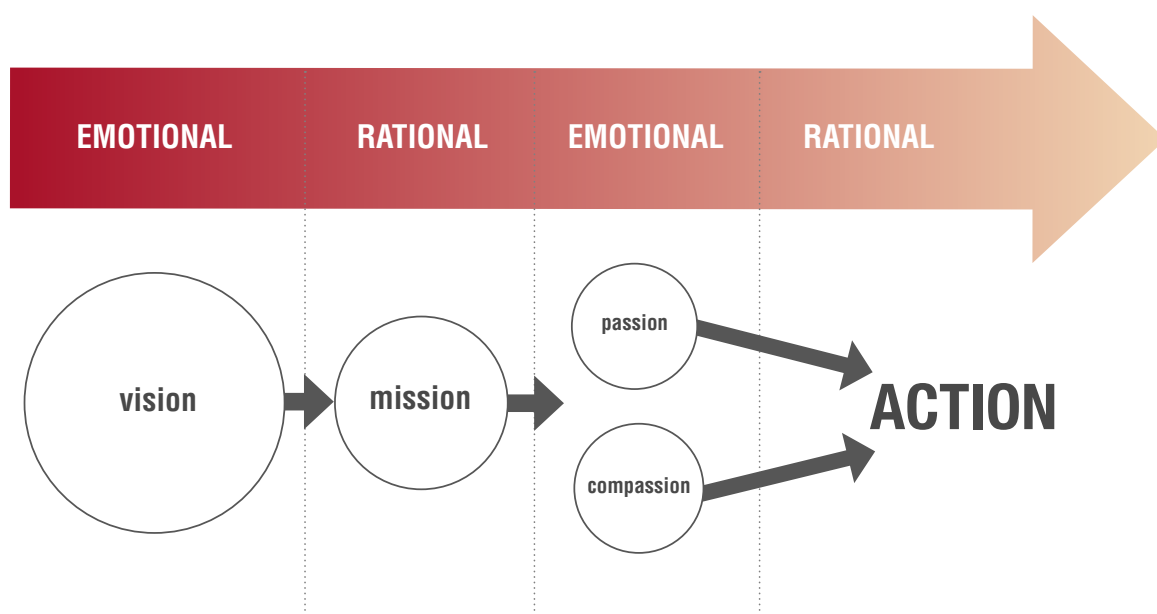This is where consumers want to go based on who they see themselves as – and how they see their needs ideally being met. This involves not an objective self-assessment but an emotive self-projection. An iconic example of this was the Nike adverstisement which appeared in the May 1996 issue of Rolling Stone magazine. Under the image of an athlete was the copy 'I am not a target market. I am an athlete'. And the tag line: 'We don't sell dreams. We sell shoes. We sell shoes to athletes'. And so many thousands of shoes were sold to non-athletes who envisioned themselves, in an idealised way, as athletes.

Another example was the very effective Sprite campaign of the same era: 'Image is nothing – thirst is everything'. So, if you are cool and confident enough to see yourself as anti-image, you'll prove that by buying a Sprite. It is counterlogical, it is postmodern, and it is irrational and entirely emotional. We're talking heart stuff, not head stuff.

Mission

This is how (practically) the consumer is going to get their vision. To get what they want they have to move from hype to hope to help. They move from fantasy to strategy in an effort to move to reality. This is not the what or the why but the how. It requires rational processing of emotional visioning. When the heart is engaged it is only a

Youth marketing in the 21st Century is a post-modern process: it is often counterlogical, irrational, entirely emotional and it works. We're talking heart stuff, not head stuff.

Figure 8 – The dynamic model of emotive marketing – five facets to connect with emotionally driven twenty-first century consumer

matter of time before the head gets involved again to add some rational application or justification to the decision-making. This is true even for the most radical, postmodern Generation Yer – they still have a brain which is wired for structural tasks and process thinking.

Passion and compassion

These are the emotional turbo boosts to drive action. More than ever we have a society – and an emerging generation – which is encouraged to consider the impacts beyond the bottom line. Whether it is called the 'triple bottom line' or 'corporate social responsibility', we now have a corporate culture which espouses and often enacts social and environmental sustainability and practices. Marketers too, have observed the trends and moved with these times. In the words of the Body Shop (sold to multinational L'Oreal for A$1.57 billion in March 2006) in their activism newsletter Full Voice, 'There is a growing sense of outrage among people of all ages. People are angry and they are showing it ... tap into your passion and work to create change'.[25] In twenty-first century society – for right or wrong – the crossroads of a cause of passion and compassion intersect with commerce. Many Australians give to charities through the programs organised in their workplaces. Many companies are more diligent in their environmental programs than their workers are at home. Many causes are viable only through corporate support.

Much to the angst of many activists, there is no ground left on which to get active. The advertisers also own the anti-advertising space. Even referencing anti-advertising activist Naomi Klein in this marketing paper is further proof of this blurring.

As a career-focused, self-absorbed generation, the Ys have not taken up the protest placards of their Boomer parents, who in their teens drove social change through civil action. Moreover, the protest movement has been hijacked by marketing and media who have left little for young people to protest about – even if they had the inclination. In short, the protest movement has been corporatised.

Naomi Klein's take on the issue is more blunt but still well-stated: 'the politics which they have associated themselves with – which has made them rich – feminism, ecology, inner-city empowerment – were not just random pieces of effective copy their brand manager found lying around but are measured pieces of marketing which have ultimately been very effective'.[26] Much to the angst of many activists, there is no ground left on which to get active. The advertisers also own the anti-advertising space. Even referencing anti-advertising activist Naomi Klein in this marketing paper is further proof of this blurring.

Action

This is where the emotions and the rationale merge, and the decision is consummated.

MARKETING INSIGHT

From the teenage repellent comes the teenage ringtone

In a case of teenage payback, the younger generations have grabbed a technology that was being used against them and turned it into a bonus. A few years ago, Welsh inventor Howard Stapleton designed a device called The Mosquito, a little black electronic box which emits a high pitched sound only audible to the ears of those aged under 30. It was marketed as a teenage repellent and designed to be installed at bus terminals and shopping malls to disperse groups of youths.

However, today's streetwise youngsters have now recorded the sound and it is available online to download as a mobile phone ringtone. This has enabled young people to monitor their mobile phone calls and messages in classrooms, oblivious to the ears of their teachers. Ironically one education leader recently interviewed stated that 'it is not a problem in Australian schools'. The generation gap is obvious here: that the mosquito ringtones are indeed going off in Australian classrooms – it's just that not everyone can hear them![27]

H The top five drivers of 21st Century consumers

Our studies of the emerging generations of consumers are focused on finding the factors which most influence their decisions. Here is a summary, in priority order, of the top five drivers of these twenty-first century consumers.

1. Socially connected

While the Builders' generation is most influenced by authority figures, and Boomers make decisions based on data and facts, postmodern youth are more likely to make a decision based on the influence of their own peers. Researcher George Barna's latest study on youth shows that 'peers' or 'friends' were the biggest influence in the lives of 51 per cent of Generation Y, and rated twice as highly as music (25 per cent), and way above TV (13 per cent), political leaders (6 per cent) and the internet (5 per cent).[28] Decision-making based on the views of peers has a certain rationale, but it is not rational.

Despite the individualistic world in which we live, humans have a timeless desire for social connection. We are driven — as psychologist Abraham Maslow has shown — by physiological needs which are followed closely by social motivations.

The fact that public institutions traditionally responsible for maintaining a sense of community (service clubs, local organisations, governments, and so on) are less popular than in the past does not mean we no longer seek community. It only means that we seek it from modern-day alternatives.

If organisations can provide community — as MySpace has done, for example — then they can win. Consumers are desperate for community. They rent rather than own their own homes. The have higher levels of job transience and job uncertainty. Traditional communal roots are being replaced with communities created expressly or indirectly by marketers. Urban sociologist Ray Oldenburg wrote about the importance of informal public gathering places, arguing that that bars, cafés, general stores and other 'third places' (that is, additional to the 'first' and 'second' places of home and work) are central to 'local democracy and community vitality'.[29]

Examples include many large multinational coffee shop chains which aim to create virtual communities, camaraderie and connection in their outlets. Reality TV also plays to the detachment from community that many television viewers experience.

The need for community and connection is a timeless emotional driver being met in trendy new ways. Community is no longer geographically defined, but technologically driven. Today commercial organisations not just community organisations are facilitating much of it.

2. Fun and entertaining

Martin Lindstrom provides insight into the younger generation's desire for life to be fun and entertaining when he writes: 'Becoming rich, famous and popular is the goal for a substantial number of today's tweens who want to be discovered and thus saved from a world of boredom'.[30]

Experiential marketing techniques, such as viral marketing, offer evidence that – despite being the most educated generation in history, with a plethora of entertainment options at their disposal – Generation Y are hard to engage. They have heard all the spiel. They know all the marketing messages and to a large degree they see through them. They may not have the wisdom of hindsight, but they are circumspect and suspect. They are aware and suspicious. This is why marketing strategists must not only 'keep it real' but they must "keep it fun".

3. Cool and socially desirable

Cool is a personal thing. One Generation Yer might say that Justin Timberlake is cool, while another might say that the band Simple Plan is cool. Cool is an attitude – trying to be cool is uncool. Cool brands swagger with intense, rebellious attitude. They are authentic and notoriously difficult to construct. Cool brands fuse originality

They have heard all the spiel. They know all the marketing messages and to a large degree they see through them. This is why marketing strategists must not only 'keep it real' but they must "keep it fun".

MARKETING INSIGHT

Boomers can be cool too

Cool is also relative, meaning that what is cool for Generations X or Y may not be cool for Boomers – and vice versa. To say that the younger generations have a mortgage on cool – to place absolutes on cool – is, as Fenton Bailey suggests, to attempt to colonise it through definition. Who is to say that the brands, experiences, values and lifestyle choices of Baby Boomers are not cool? If it's cool for them, then that's cool.

and vision – the magic of coolness is that it is indefinable. Why then do marketing executives attempt to create cool? Simple – youth markets are desperate to be seen as cool. Music, clothing, entertainment and lifestyle choices of teenagers affect their perceived coolness, and thus peer acceptance.[31]

Writing for 'cool' New York-based Paper magazine, Fenton Bailey presents the following view of cool:

> [Cool] belongs neither to the marketers who would peddle it, nor to the academics who try to colonize it through definition. Cool, like quicksilver or moonshine, slips through the fingers of all who try to capture and possess it.[32]

In short, don't be a tryhard. When Boomer and Generation X managers try to impose what they think is cool on Generation Y, the young folk are repelled. Keep in mind Louis Armstrong's alleged response when someone asked him what jazz was: 'If you have to ask, you'll never know'.

However, understand that it matters little whether an individual personally believes a brand is cool – if the individual knows that his or her peer group holds that view, then the outcome will be the same. This is because young people rank highest on social desirability scales. Even if they have not internalised a view, practice or belief, they will edge towards it if they know that their group or generation has determined that it is socially desirable.

● ● ● MARKETING INSIGHT

Inspiring and motivating the 'whatever' generation

Generation Y wants to be perceived as tolerant, caring, and socially and environmentally sustainable, when actually they are very pragmatic. Their lives and choices are increasingly complex and so they may abandon environmental or social sustainability if an economic or peer direct offering is more compelling.

Therefore socially and environmentally sustainable marketing must clearly show 'what's in it for me'. Since Generation Y rate high on the social desirability index (SDI), firms should make sustainable marketing practices 'cool'. It is possible that as they age Generation Y will engage in values-based pursuits for altruistic reasons. But for now keep in mind that they are Generation "why".

4. Life-enhancing

In a recent series of focus groups, it became obvious to us that many members of Generation Y hold an unrealistic expectation of their financial futures. Indeed, aspirationalism was shown to be morphing into materialism. After one in-depth discussion, I wrote in summary: 'They expect to start their economic life in the manner in which they've seen their parents finish their economic life'. Not surprisingly, perhaps, their upbringing of growing choice and consumerism has not brought satisfaction but actually led many on a search for an alternative. We have been tracking a yearning in this cohort for more meaning, deeper connections and lasting contributions. In the words of one young blogger, 'We're looking for a creed to believe and a song to sing'.

This search for life enhancement is manifested in the search for community, for spiritual truth, for personal empowerment, and for rediscovered meaning. Research by advertising agency Clemenger in September 2005 shows an increase in spirituality amongst Australia's young people when compared to that of their parents generation at the same age. In 1978

just 26% of twentysomethings surveyed agreed that religion was important in their lives while the latest study showed 40% agreed with the proposition. [33]

Also through their technologies there is increasing evidence of consumers winning back power lost to marketers. The combination of Internet commerce, freedom of information, price transparency and online blogs appears to have provided a return to the neo-classical economic principle of perfect competition.

Online consumer forums, such as www.notgoodenough.org, are examples of organisations and their products and services being subjected to uncensored criticism by consumers. Today, consumers have become vigilantes. They know their rights and are not afraid to express them. Competition in most markets has reached 'hyper' levels where differentiated offerings are increasingly difficult to achieve, so delivering services which are particular to informed (and online) consumers is critical.

5. New and innovative

That young people of all eras have been seduced by innovation is not in dispute — it's just that Generations X and Y appear to have an insatiable desire to consume ever more complex technology. In response, as Gerry Katz puts it, firms are 'looking for the next ... grand slam of a new product that addresses a need that people didn't even know they had'.[34]

Despite this, most consumers (Generations X and Y included) are not able to articulate what innovative products will meet their needs, and many marketing experts focus on the larger trends rather than specific
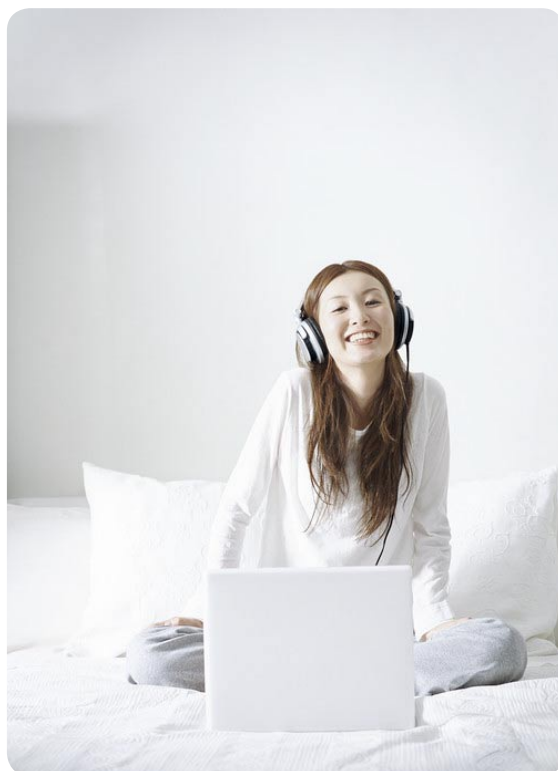
Generations X and Y appear to have an insatiable desire to consume ever more complex technology

products. How should firms innovate in relation to the generations?

Don't be disappointed if your R&D process doesn't deliver breakthroughs, 'iPod-style'. The reason: the iPod case illustrates that Apple created unprecedented market disruption through the innovative diffusion of technology, not simply breakthroughs in the technology itself. Meaning, they diffused (spread) breakthrough technology that was poorly marketed by others. With the iPod, Apple were at least fourth to market portable MP3 players, with other

MARKETING INSIGHT

Socially conscious or selfish and materialistic?

A commonly held perception is that Generation Y are far more socially conscious than generations that preceded them. Supporting this view is John Burnett, professor of marketing at the University of Denver's Daniels College of Business, who suggests 'they are far more socially conscious than any generation since World War II ... they believe in giving, participation in nonprofits, and in donations of time and resources'.[31]

Yet there is evidence to the contrary. After several years of researching Generation Y we believe that the case for this socially enlightened generation is questionable. Despite the fact that they are the most educated generation in history, Generation Y are also the most entertained and materially endowed generation ever. Sure, some teens consider third-world labour standards when they buy that latest cool brand of clothing, and others may consider the impact unbridled consumption has on resource depletion and climate change. However, don't expect the career-focused, overly busy Generation Y to pick up the protest placards of their Boomer parents any time soon.

For example, at the 2006 Live 8 charity concerts arranged by Bob Geldof, concertgoers and supporters were asked to SMS their agreement to ending third world poverty. Compassion without action? Perhaps. It felt good to SMS the petition and to wear a 'Make Poverty History' wristband for the less fortunate, but for Generation Y perhaps the world's problems seem too complex and overwhelming. Put it in the too hard basket and get back to career advancement, wealth generation and conspicuous consumption.

brands appearing on the market three years prior to the iPod's 2001 release. Apple's advantages over earlier competitive attempts were design chic, a breakthrough music distribution model, synergy with iTunes (and its Windows compatibility) and an innovative approach to the licensing of sound copyrights.

Confirming this strategy, Gerry Katz describes innovative incrementalism as the 'sometimes small, gradual product improvements'[36] made to products that might in fact offer more growth potential than breakthrough innovations.

I Communication styles – bridging the generation gaps

Seniors' market – don't be complacent

To the Generation X marketing manager, the seniors market might not seem cutting edge. All the focus seems to be on the younger generations – it's seems far more creative to focus on Generations Y and Z. Yet this belies the fact that Boomers and Builders are the largest group of consumers, with the greatest wealth and high levels of discretionary income.

In addition, demographic segments used by the media are naturally biased to the young and disguise the fact that most of the purchasing power comes from the older segments.

The typical media demographic segments are: 18–24, 25–39, 40–54 and 55+.

Even the 'holy grail' of consumer marketing, the 25–54 AB consumer, does not include the largest and wealthiest group of consumers – the older Boomers and Builders.

New puritans

Generation Y do not want contrived experiences – they have grown bored of them. The novelty of reality TV is fading. They know it's not 'real', they know it is contrived and they don't want the prepackaged spiel.

Marketers need to go beyond grungy fonts. Firms might do well to include Generation Y in the research and design of products targeted at them. Generation Y knows that engineers and middle managers in corporations are outside of their youth culture. Do not assume you know what Generation Y thinks is cool – go find out.

Brand relationships must be built on genuinely mutual respect. Any whiff of contrivance and young folk will ignore you. Keep it real, but let them decide what real is.

Let your passion shine – the future belongs to the artists and the engineers

Generation Y have been raised in a world of compromise and contextualisation. They are suspicious of absolutes and apply a critical eye to contrived messages.

Not only do they want passionate leaders and experiences, they want products that are fresh and real – products and services that are created by passionate people. Firms that display zealous dedication to innovation (Apple, B&O, Honda, Google) and not simply dedication to contrived 'concern' for the market, are very appealing to Generation Y. The animation studio Pixar is a prime example. They are the first film studio in history to have no commercial failures. They are wound up and passionate about their craft – not the market.

So, a marketing bias towards only the current needs of consumers is misguided. To focus solely on what consumers need today ignores the fact that consumers do not necessarily know what they need tomorrow. Collectively, consumers do not possess the vision nor imagination that is possessed by individual artists, musicians or product designers. These 'creatives' try to imagine what is possible tomorrow, not what exists today. Consider Google, a firm that embraces creativity and innovation by allowing its employees one day per week just to invent new product ideas. This is not a response to consumers asking for new things they can't image, rather it is creative people inventing new ideas and experiences they believe consumers might want tomorrow. The innovative and hugely successful GoogleEarth is one such example that has engaged the new generations.

Generation Y responds to pathos and marketers, to their detriment, have been nervous of anything spiritual and emotional. New generations are now responding to the pathos in the message.

Don't design it foe them and market it at them - design it with them and market it through them

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MARKETING INSIGHT

Why viral marketing appeals to Generations X and Y – It's PRACtrical

In recent years the explosion in both the volume and variety of media directed at consumers has resulted in a marked decline in the effectiveness of many approaches to promotion. There is simply too much media cluttering up people's lives and message impact is declining. Also there is little point in reeling off numerous detail in advertising as the short-term memory has a capacity to recall just five to nine items (as pointed out by psychologist George Miller in 1956). Therefore, in communication remember the **Primacy Effect** (points made in the first minute will be best remembered) and the **Recency Effect** (the last or most recent things heard will be the second best remembered). When engaging them, incorporate the **Activity Effect** – most people today are kinaesthetic learners (or a combination of kinaesthetic/visual learners), meaning that they learn best through doing, experiencing or being involved.

Finally to get cut through in a noisy and message-saturated marketplace keep in mind the **Creativity Effect**. Think different, be innovative, incorporate experiential elements. This is why experiential tactics – stunt, guerrilla, viral and ambient marketing – are popular means of attempting to engage X and Y consumers.

While marketers have for many decades recognised the value of word-of-mouth communication, where consumers spread good reports about products and services they enjoy, experiential marketing goes a step beyond this. Effective experiential marketing is authentic, not preachy, and seamless embedded into the lives of consumers. The key is to market *with* them – not *at* them.

Generations Y & Z: A metaphor- not just a Reality

When it comes to understanding the emerging generations keep in mind that while they are a demographic fact and a sociological reality- in many ways they are a metaphor. A metaphor of the 21st Century consumer. They are the personification of their times. They are walking, talking examples of the new social trends. So don't get caught up in worrying about the exact dates of the definition, or that not everyone fits in the box. Consider the discussions of these new generations as emblematic of the new – and future consumer. After all we're all living in the 21st Century and we've all been shaped by the changing times. The Ys and Zs might be a more pure example of the post-modern consumer but in many ways they just represent the shifts that are taking place in us all.

Research case study – YouTryhard

The research

The consensus among media and marketing commentators is that Generation Y are both more savvy about being marketed to and are suspicious of any messages that might be either condescending or lacking in respect. Viral marketing has become a popular means of connecting with younger consumers through grassroots campaigns that take advantage of the social networks both in a virtual (electronic) sense and interpersonally.

Despite the popularity of viral marketing, particularly in the online environment, there is at this stage little empirical evidence to confirm its effectiveness in either building awareness or driving sales. Like many marketing tools, if enough people say that it works, the more people say that it works.

However the effectiveness of online viral marketing is still in question as illustrated by our brief quantitative study of a viral advertisement placed on the highly trafficked video-sharing website, YouTube.com.

The advertisement for a major car manufacturer was featured on the opening page of YouTube.com, and although marked as advertising it was viral in nature. The advertisement was produced in an 'edgy' style and was clearly designed to be seen as 'cool' by the users of YouTube, principally Generation Y.

Attached to the advert (in a message board) were 170 comments posted by people who had watched the advert.

We read each comment, categorised them and derived percentages for each. We have also directly quoted some of the posted comments to demonstrate prevailing opinions of the advertisement.

The statistics

Positive	32	19%
Negative/Sarcastic	73	43%
Indifferent	65	38%

The chat room comments

'this is stupid. they are trying to make it look all "you-tubey" but it reeks [of] script, and arrogance'

'this video had such potential as a good marketing campaign ... too bad it obviously looks [like] an ad, and therefore ... i feel tricked'

'Stupidest ad campaign I've ever seen. Completely annoying and has really turned me off'

'get this (rubbish) off youtube! ... funny ad though'

'now that youtube was sold for 1.6 billion i guess i will be seeing these big corporate adds on a daily basis'

The marketing terrain has changed. The structures have morphed. The divides between consumer-driven and corporate-led have blurred.

'Just a piece of viral marketing ... Kick out the corporates. YouTube is for the people.'

'I love when big companies try to be hip. They inevitably fail, as this video demonstrates so well.'

'It's like movie companies starting up stupid groups on myspace ... no one cares.'

'Stupid Advertisement. Trying to make it look like a cool little YouTube experiment. This is a commercial on TV for all of you who don't know.'

'the whole campaign stinks of some pseudo Gen-X guy, "Oh gee isn't he quirky?!"'

'I would've accepted this if I saw this on TV, but seriously ... this can get off my youtube'

Lessons learned

- Remember that people love to complain – especially anonymously in the online environment.

- The car may have sold really well despite the overwhelming dislike for the advertisement among those who added comments.

- Many commented on the corporatisation of what the users feel is supposed to be non-commercial.

- There appears to be a relatively high level of 'marketing' comprehension among those who posted comments.

- There's viral and there's viral – the more we use viral adverts, the more clever and cool they need to be. The goal of viral 'coolness' is illusive, even more so when younger generations become immune.

- If the viral advertisement is not naturally engaging or newsworthy, as was the popular Dove commercial featured on YouTube recently, then Generation Y sees straight through it. They are media-savvy, highly educated and don't suffer marketing fools. Be wary if you are perceived as being a 'tryhard'.

- Interestingly, many people care enough to complain.

- Although there were significantly more unfavourable/sarcastic comments, there were some who expressed positive thoughts.

- Chatroom and blog qualitative research, as we have briefly presented here, is useful in delivering indicators, not ironclad truths.

- Do your own research. Visit chatrooms and blogs where people may be discussing you or your products – you might be surprised by what you learn.

(J) The ever-changing consumer

Safety-net syndrome

Younger generations expect there to be a safety net to catch them. Consider oft-cited anecdotal reports of twentysomethings refusing to leave the comfort and financial security of the family nest.

They want to buy where it is convenient. They want the ability to return products/ services and they want low-risk transactions. They want their options open. Consider that one-third of all university students who start a course don't finish it. This massive churn is only natural for an empowered generation who have more post-schooling pathways than ever before. They expect that they will be able to transfer credit points between courses and tertiary institutions.

Morphing living

We live in a post-linear society where career paths and life choices made by younger people do not follow the sequential milestones of past generations. Marriage, morgage, children and career do not necessarily define today's adult milestones. Generations X and Y view multiple career paths and lifestyle choices as not only possible, but preferential to the 'job-for-life' mentality of past generations.

The lives of the younger generations are converged and transient. Indeed much of the recent work of McCrindle Research has been in assisting organisations dealing with the challenges faced when employing younger people. Our research shows they seek above all else work-life balance, broad job descriptions and collaborative inspirational leaders.[37]

Making moral judgements of an entire generation's attitudes is not only unscientific– it's unhelpful. The new generations after all, are just playing to the new rules of the game.

New rule to the game

While derided as fickle, self-focused and transient, the reality is that the new generations just reflect their times. Economic cycles come and go, jobs aren't guaranteed and this generation is presented with a vast array of life options, products, services and experiences to consume. So it is not that they have an inherent selfishness – they are simply responding to the environment that has been created for them by older generations.

From youthful idealism to growing scepticism

Young people have grown up with their leaders stating one thing but living another. Generations X and Y have witnessed the demise of global companies, due in part to character flaws in their management. They have also lived through long-running political sagas. According to Hugh Mackay, this has resulted in a generation of moral boundary riders: 'This is probably the first generation of young Australians to grow up without having a moral framework clearly espoused and unambiguously articulated by their parents. The Boomers themselves are still searching for a more satisfying code than the feel-good ethic of the 1960s so it is not surprising that their offspring have been left to develop their own moral codes and to establish their own set of values'.[38] The mentors, brands and experiences they are looking for need to be authentic – your brand needs to walk the talk.

Trying not planning

Appealing to the experiential nature of younger generations, brands such as Nintendo, Wikipedia, YouTube, Google and MySpace increasingly engage customers in the design process.

Generations X and Y are generations of experimenters. Consider the slow uptake of third-generation video phones. Youth mobile users want to be able to move their SIM cards to new phones, not be restricted to phones that can only be used on a particular network that their friends may not have,

Understand that they want to try before they buy. Include them in the design process, as one large Japanese car manufacturer did, which gave them 'real' rather than contrived insights into the needs of a new generation of car-buyers.

Accelerated message life cycle

Soon anyone with a computer will have the entire written record of history – every book ever written – a mouse click away. Google and others are presently digitising entire libraries of books. As the content of the Information Age grows the half-life of the knowledge declines. Leonard Sweet[39] has calculated that the half-life of an applied science degree today is just six years. Within six years of graduation half of what was taught will have been superseded by new findings. Indeed he posits that there are 100,000 different research journals published worldwide every month – all filled with new research. This is as true in marketing as it is in science. Although it is too disheartening to even contemplate what the half-life of many marketing messages are.

Converged segments

It is a post-structured world. The old delineations don't hold as true today. Classifications of white collar and blue collar seem forced in a world of morphing careers and job diversity. It is harder than ever to categorise labour into workers and managers in a business world of flatter structures. Similarly the lines between producers and consumers have blurred in a user-generated, You Tube environment.

Where the Generation X war cry of 'I am not a target market' exemplified their disengagement with marketing and media messages, Generation Y neither knows nor cares what a target market is.

This is not to say that categories don't (and shouldn't) exist; the point is that younger generations don't recognise the categories. From their perspective, experiences, products, services and messages converge into a rich tapestry that is their daily life. Marketing messages themselves have become the experience. The prevalence of product placement in films, music, music videos and video games is testament to this. The segmentation models created for them need to cater for their present and future needs incorporating engaging, experiential dimensions.

As the content of the Information Age grows the half-life of the knowledge declines. Although it is too disheartening to even contemplate what the half-life of many marketing messages is.

Research case study – product service convergence

In the past there have been significant differences in the approaches to branding products versus offering services. Yet today we find that the majority of firms might be termed hybrids, offering value propositions that are a blend of product, service and experience – or, as we call them, converged value propositions.

Younger generations are convergence natives

Motivated by a desire to differentiate through intangibility rather than utility, product managers traditionally attempt to transform their inanimate, 'ugly duckling' products into beautiful swans full of promise, purpose, philosophy and vision. These inherently 'human' traits, while omnipresent in services, are arguably recent additions to the world of products. Conversely, service managers have looked to the 7 Ps and the inclusion of people, process and physical evidence[40] in order to create more tangibility for consumers. Ironically, while services are seeking greater tangibility, products (principally through branding) are seeking the opposite. How does this impact branding strategies and the generational segments?

Younger generations are convergence natives. They live in a world of converging technology, blended families and morphing social structures and institutions. Thus the idea of 'brand experiences', experiential marketing and the breaking down of the historic product/service dichotomy is both a logical and identifiable trend in the marketing environment.

Take the mobile phone, for example. It is not just a telephone, but is also a video phone, a camera, an internet connection, a fashion accessory, an MP3 player, a status symbol and a video game player. Yes, the phone is a physical product, but it is also a service and an experience.

Is Dell a computer manufacturer or a computer delivery service? Does the Apple Corporation sell computer hardware and software, or is it a media organisation? Does Starbucks sell coffee, or a comforting 'third place'?

Experiences, products, services and messages converge into a rich tapestry that is their daily life.

The following model demonstrates that while the historical product/service dichotomy may efficiently delineate between pure services and pure products, it does not account for increasing divergence. In the 'grey zone' are firms offering value propositions that are blends of products and services – that is, converged value propositions.

In the post-linear, post-structural future, it the blended firms that are more likely to capture the imagination of consumers, with blended experiences rather than plain old products or services.

Figure 9 – Product/service convergence

Source: Beard, M. 2005, *Converged Value Propositions – An Alternative View on Separate Service Branding Models Proposed by de Chernatony & Segal-Horn.*

MARKETING INSIGHT

Virtual communities – MySpace

Within the MySpace environment we see a perfect example of teens redefining their communities, based on their own terms, within their native environment – the digital world.

This combination of technology and their timeless desire for community has rocketed MySpace to the top of US web site traffic, accounting for 4.46 per cent of all US internet visits for the week ending 8 July 2006.[41] This pushed it past Yahoo Mail for the first time, and it quickly outpaced the home pages for Yahoo, Google and Microsoft's MSN Hotmail. MySpace, which dominates social networking on the internet, also been gaining share from other sites that aim to create virtual communities online for sharing music, photos or other interests. Gayle Troberman, Microsoft's director of branded entertainment and experiences, explains MySpace's appeal: 'This medium's incredibly personal. Experience is nonlinear and participatory. If you want an emotional connection, there's no better way to do that than by letting the consumer actually shape or be part of that experience. The powerful thing we've seen is the idea of community. There's me and my friends and my peer group'.[42]

Brand communities

Brand communities are non-geographically bound communities, based on a structured set of social relationships among admirers of a brand. They exhibit three traditional markers of community: shared consciousness, rituals and traditions, and a sense of moral responsibility.[43]

There are many notable examples often cited, including Harley Davidson, Saab, Star Wars, Star Trek, Apple, Oracle, Virgin, Jeep (Chrysler), MySpace and blogs in general. Such examples share in part the experience of successful brands which are able to create fierce brand loyalty amongst their fans.

The evolution of brand from a simple marker of quality to what Kevin Roberts describes as a 'lovemark – or brands that inspire loyalty beyond reason' means that we are increasingly seeing firms with charismatic, passionate leaders such as Steve Jobs (Apple), Larry Ellison (Oracle) and Richard Branson (Virgin) who create shared consciousness, rituals and traditions, and committed customers in the process.

The 21ˢᵗ Century consumer has more products of higher quality across more categories than any consumer in history. In spite of this – or probably because of it, they seek redefined community, regained power, and rediscovered meaning.

K Marketing messages – what works best today

Generational appeals

Builders – the 'telling it' generation

One of the most the most potent shared values of the Builder generation is loyalty. As Hugh Mackay writes, 'they are proud of the loyalty which, generally speaking, kept their own marriages and families intact, and which characterises their relationships with employers, shopkeepers, churches and neighbourhood friends'.[44]

Illustrating the manifestation of this loyalty from a branding perspective, Clurman and Walker-Smith point out that 'Matures (Builders) were content to let brands control … the good life of the American Dream was tied to big brand names'.[45]

It is commonly believed that Builders are 'rusted onto' a narrow collection of brands that make up their consideration set. Accordingly the DDB/Accenture Lifestyle Study (Figure 10) demonstrates that in 1975, 93 per cent of Americans in their seventies, and 86 per cent in their sixties, said they 'tried to stick to well-known brand names'. In comparison, 66 per cent of those in their twenties stuck to well-known brands.[46]

Boomers – the 'selling it' generation

The Boomer generation was raised on a diet of passive media (television) advertising, with messages that largely presented factual, rational arguments. Appealing to their preference for formal, monologue-style learning, advertisements often used product comparison and demonstration, with brand names used as markers of trust.

While their loyalist parents were largely trusting of brand names, a key sociological marker of Boomers was their collective questioning of authority and tradition – naturally this extends to their relationship with brands. This is clearly evident when examining the age groups 50–59 and 60–69 and their relationships to brand loyalty. (See Figure 11.)
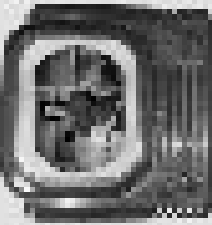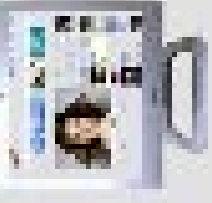
For Boomers facts, features, benefits and product specifications closed the sale. But what are their preferences today? How should marketers approach the over-fifties?

Our research shows that the following appeals best resonate with Boomers today.

- Ensure you have credibility.
- Offer quality – with age comes wisdom, and Boomers know the benefits of quality and are willing to trade up to products with a higher quality or price if they can afford to.
- Offer personalised service.
- Remember that Boomers place a high value on personal recommendations (word of mouth).
- Boomers were raised in an era of financial conservatism – they love a good deal.
- Emphasise choice.
- Be sensitive to their declining physical capacities – particularly sight and hearing – when designing creative.
- Use spokespeople and opinion leaders 7–10 years younger than the specific age segment you are targeting.
- Use clear and concise messages.
- Emphasise the health care dimensions of the offering.
- Don't be ageist – think 'seniors' and 'mature', not 'old' or 'elderly'.
- Remember that Boomers might have grown up with the 'hard sell', but they now they are in the power seat.

It's the psychological age- not the chronological one that influences decisions. Forget "old" and "elderly". Age is just a number!

Figure 10 – Marketing communications and the generations

	Telling it	Selling it	Questioning it	Protesting it
How they learn	Passive	Formal Monologue	Programmed Dialogue	Interactive Multi-modal
What appeals to them	Authoritarian Sense of duty & loyalty Argumentative - Apologistic	Rational - Factual Technical data Evidence	Rebellious postering	Spontaneous Multi-sensory Participatory
How messages were/are executed	Naive images and copy blending emotive and rational appeals	Product comparison Demonstration	Anti-ads Visual examples Pop culture references	Experiential marketing: viral, ambient, stunt Web communities with user-generated content. (i.e. YouTube, MySpace etc).
Media used to reach them	Retail Promotion Print Radio	Television Print Direct sales	Television Print	Internet SMS
How they relate to technology	Digital Aliens	Digital Immigrants	Digital Adaptives	Digital Natives
How they view brands	Then & Now: A product identifier and a marker of trust	Then - a marker of trust Now - diminishing loyalty	A philosophy	A community
Slogans of their times	Ford: "Freedom for the woman who owns a Ford"	Volkswagon: "A Volkswagon is never changed to make it look different, only to make it work better"	Nike: "Don't insult our intelligence. Tell us what it is, tell us what it does, and don't play the national anthem while you do it."	YouTube: "Broadcast Yourself"

Generation overlay: **BUILDERS** · **BOOMERS** · **GENERATION X** · **GENERATION Y** · **GENERATION Z**

Generation X – the 'questioning it' generation

Like the Boomers, Generation X were shaped by passive mass media and advertising, and only came to interactive media in their adulthood. While for the most part they have absorbed new media into their lives, they are not true Digital Natives.

Generation Y and Z – the 'protesting it' generation

Generations Y and Z are the first media consumers in history to emerge with interactive media as the predominant means by which they 'consume' messages.
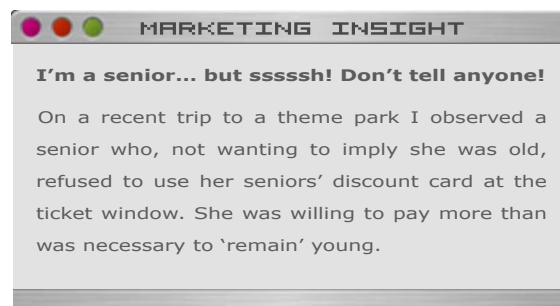
The necessity for television broadcasters to become 'interactive' can be most acutely observed in the reality TV genre. Broadcasters have attempted to engage the younger generations with Australian Idol and Big Brother, for example, through SMS voting for contestants. This has allowed them to (at least temporarily) combat the rising popularity of new media (e.g. internet) among Generations X and Y.

Try not to generalise about the generations

Marketers should resist the temptation to base promotional campaigns solely on the assumption that a generational segment is a homogenous group. As we have discussed, even though each generational segment exhibits some homogenous traits, significant heterogeneity exists within each one.

Marketers should treat the generations as the demographic foundation of segmentation strategy. As discussed earlier, more detailed market profiles based on the demographic, psychographic, geographic and behavioural strata which are ever-present within each generational segment can then be developed.

Media-created target audience profiles should not be used as default market segments

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MARKETING INSIGHT

I'm a senior… but sssssh! Don't tell anyone!

On a recent trip to a theme park I observed a senior who, not wanting to imply she was old, refused to use her seniors' discount card at the ticket window. She was willing to pay more than was necessary to 'remain' young.

Wagging the dog – marketing strategy versus media strategy

Crucial to the issue of generational segmentation is the relationship marketing strategy and media strategy. Marketers are often seduced by print and broadcast media vehicles into believing that target audience profiles and market segments are the same thing, when they are not. The terms are not interchangeable.

Segmentation is not just a quantitative process, its also creative process. By it firms select target markets to enter and offer value propositions to identifiable groups with identifiable needs. Media-created target audience profiles should not be used as default market segments for a firm's products or services. True, a proportion of the target audience of, say, a glossy magazine may happen to belong to the market segment you are targeting, but the audience is not the market.

Segmentation is an element of marketing strategy; target audience profiles are a resource used in promotional planning. To define a firm's marketing strategy based solely on apparently deliverable target audiences is like the tail wagging the dog.

What line?

Above the line, below the line, on the line, through the line – and now, for Generation Y at least – forget the line!

Generation Y consumers neither know nor care that an arbitrary 'line' exists between factions in the media and advertising landscape. What they do care about is

interactivity. If the media they are offered has little or no interactivity, then — regardless of where that media sits in relation to a 'line' — it is unlikely to engage them.

Generation Y demand technologies that allow them to consume media at times, at places and on devices of their own choosing, and non-traditional broadcasters are responding. Generation Y are not willing to sit through traditional advertising 'spots' when, increasingly, they have technology such as video podcasts, TiVo and Foxtel iQ that can bypass the adverts.

Forget the hard sell

The hard sell of the past is no longer an effective marketing communications tool. Lindstrum points out that advertisers should present messages rather than enforce them when he writes that advertiser should say: 'Here is our message — but it's up to you'.[47]

Consumer sovereignty is still the reality in the marketplace. Today's empowered consumers are not afraid to push back on heavy marketers with a reminder of who is king

Options are important but so are outcomes. Consumers today are increasingly pragmatic and time poor. Too many choices can be as bad as too few.

Figure 11 – Changing patterns of brand loyalty

In response to the question of brand loyalty – 'I try to stick with well-known names' – respondents in the long-running DDB/Accenture Lifestyle Study shows that while older generations tend to have great brand loyalty, over time brand loyalty among all groups shows marked decline.
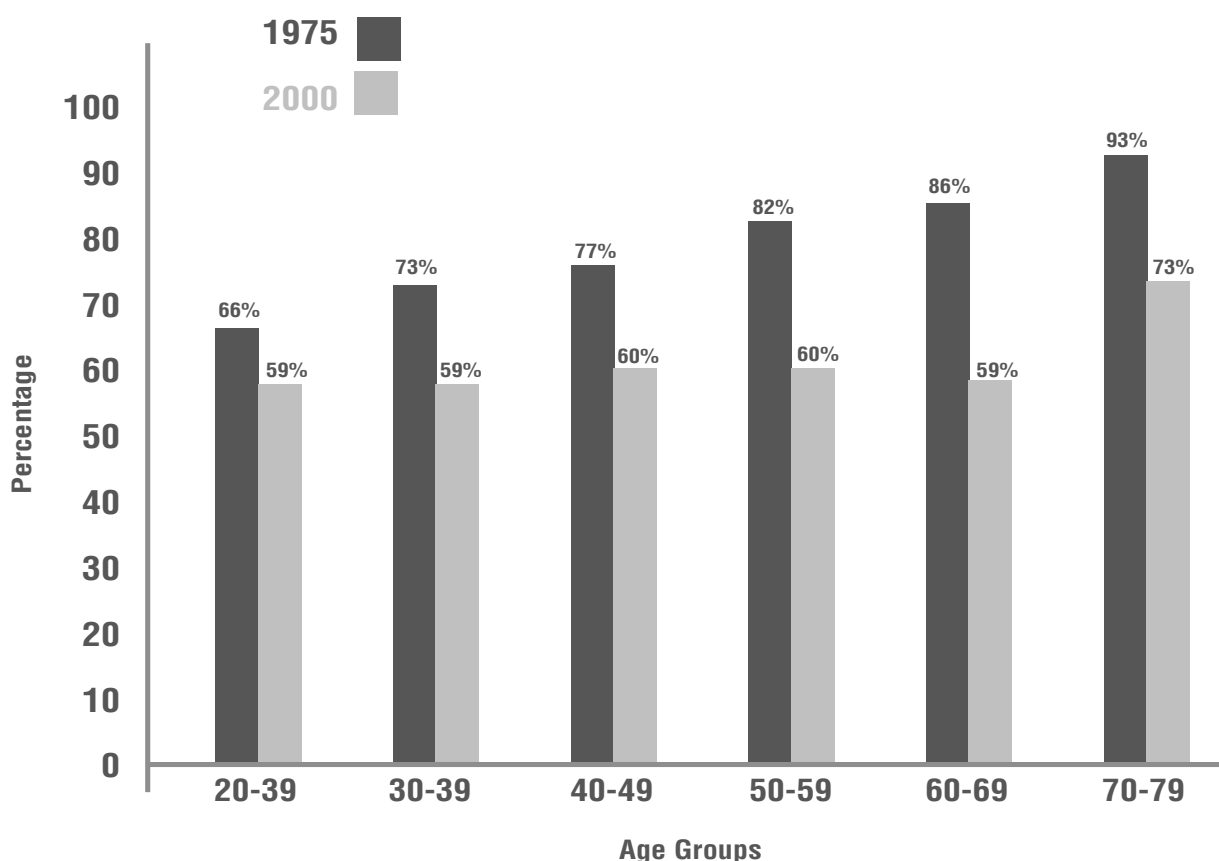
L A final word

A communication strategy is exactly that – a strategy which needs to rely on solid evidence, valid research and current insights. In these postmodern times it must be sophisticated enough to deal with the increasing complexity of the ever-changing customer. And in a disparate marketplace it must deliver its message with relevance to each segment. Clearly generational marketing is an essential tool in today's times. However, as outlined here, it has to go beyond the neat labels and stereotyped groupings.

While the generations are the most obvious segments, they are not the only segments. More detailed market profiles should be developed based on the demographic, psychographic, geographic and behavioural strata ever-present within each generation.

But for the final word on generational marketing, we can do no better than share some marketing delivered by a Generation Y girl to her parents by way of a letter. It stands as a piece of communication excellence because it understands the target audience, reframes the issues, and influences effectively.

Clearly generational marketing is an essential tool in today's times. However, it has to go beyond the neat labels and stereotyped groupings.

Dear Mum and Dad,

It has now been three months since I left for uni. I'm going to bring you up to date with everything, but before I do, please sit down!

Well then, I'm going OK now. The head injury I got when I jumped out of my window when my room caught fire has nearly healed, although I do get regular migraines.

Fortunately the fire, and my jump, were witnessed by a worker over the road. He called the ambulance, and he visited me in hospital. And since I had nowhere else to live because of my burned-out room he was kind enough to invite me to move in with him. Anyway we've fallen deeply in love and we're planning to get married. We haven't set the exact date yet but we'll make sure we do before my pregnancy begins to show.

Yes, Mum and Dad, I'm pregnant. So I've decided to quit uni, and I've quit my part-time job, I've sold of all that furniture that you lent me (I needed the cash), and I'm just going to hang out with this guy. He's not educated or ambitious at all, but I'm sure you'll accept him just as I have ...

Now that I've brought you up to date I just want to tell you that there was no fire in my room and I haven't been to hospital or hurt myself. Also I haven't quit uni or my job, nor sold any of your stuff, oh, and by the way, I'm not pregnant, nor engaged – in fact there's no man in my life at all!

However, it is true that I failed Chemistry, and I'm doing badly in Statistics, and I wanted you to see those marks in the proper perspective!

Your loving daughter.

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Mark McCrindle was trained as a Psychologist and his research into the different generations is recognised internationally. Mark is a Qualified Practising Market Researcher (QPMR), and so has his finger on the pulse of today's generations. Organisations commission Mark to conduct research and then speak or consult with them to help them better understand and engage with the ever-changing market and employment segments.

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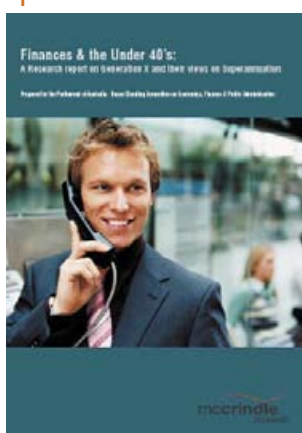
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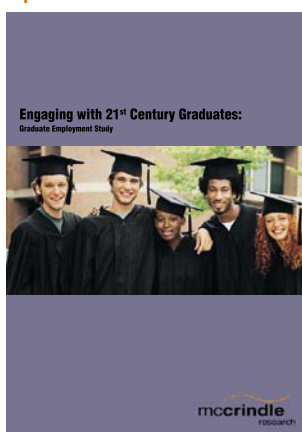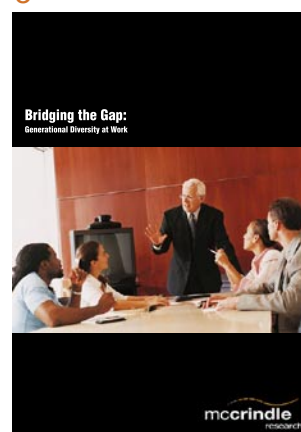
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Attracting, Recruiting, Retraining & Training Generation Y

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From Builders & Boomers to Xers and Y's:
A Social Report on Generations X & Y

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