

Demographics will dictate the future of business

If one could predict the future numbers of a population with some accuracy, that projected data would be most valuable, especially to businesses.

Baby food producers, for example, could look for new markets with an increase in the birth rates. Record producers and clothing manufacturers would like to know if the teenage population is going to grow. Realtors would find it useful to have numbers on the 25 to 40 year age group, for this population segment represents potential first-time home buyers. Travel agencies and bus companies would like to have data on the elderly population because their businesses are largely affected by the numbers of elderly.

Predicting the future growth of the young population is most difficult because attitudes toward birth, economic conditions, methods to control births, legal constraints such as abortion, number of marriages, age at which couples get married, age of mother at birth, religious views and other factors can change. And they play a role in determining the birth rate.

An example of the difficulty of predicting births is illustrated in the recently released figures on the number of births in the country. The 4,021,000 babies born in 1989 was three percent higher than that of 1988; an increase that was not forecast. The last time that the four million mark was attained was in 1964, the last year of the 19 year period called the baby boom.

Drooping to a low of 3.1 million births per year in the early 1970s, this low birth number was followed by the "Echo Baby Boom," which appeared in the 1980s and which was supposed to top off at 3.8 million in 1988.

The predicted drop in births afterwards that was a result of the "Baby Bust" era population reaching the baby producing stage and, with fewer potential mothers, the number of births was projected to drop. Women having babies at older ages is something the demographic forecasters did not anticipate. Such are the problems

of predicting the future population.

These problems of forecasting future populations are easier for populations that are already here. For example, we know that the small number of births during the Depression Era of the 1930s resulted in the smallest 10-year population growth that the Census Bureau ever recorded in the history of the nation.

Now between the ages of 50 and 60 years, this Depression age cohort will enter the elderly age category in another five years. And when they do, the numbers of "young elderly" will get smaller and, as this group continues moving up the age ladder, the numbers of elderly may experience a decrease for a short period of time. And as we follow this age cohort, it is possible to follow other age groups, such as the Baby Boomers.

The oldest boomer is now 44 years old, and during the 1990s will reach the age of 50. Right now, approximately one in four Americans is 50 or over, but in just 30 years, all boomers will be 50 or older and one in three Americans will be in this age group.

This movement of the boomers into the age cohort of 50 and older gives rise to the awesome prediction that over the next 30 years, this age group will grow by 74 percent while the age cohort less than 50 will increase by one percent.

But one must remember that there will be changes in age groups before the end of that 30-year period. For example, the 50s age cohort will increase by approximately 40 percent during the 1990s because of boomers entering this stage while the 60s age group will likely decline because this will be the period when the Depression Era age cohort will be in their 60s and starting to retire. As a businessperson, what influence will this population restructuring have on you and where you put your investments in terms of future markets? Will you direct your products to the affluent 50 or 60 year age group? The group is normally at its peak earning years, has paid off the mortgage, no longer has children in the house, often has two incomes, is better educated than any

other age group before it, and is still in good enough health to enjoy a variety of life experiences.

Or will you look to the presently fastest growing, in percent, segment of the population, the age cohort of over 85, and place money in goods and services aimed at that market?

The American Association of Retired Persons has been quick to capitalize on this age-segmented market. Dropping the age limitation to 50 and older for membership rather than the previous 55, its bimonthly *Modern Maturity* magazine, with a circulation of 22 million, has now jumped ahead of *Reader's Digest* and *TV Guide*.

By the end of this century there will likely be a great increase in retirement-related businesses on hand and, with the first wave of boomers reaching the age of 60 in the year 2006, there will be an ever greater surge in such activities. And what will these new services and products be?

Personal comfort, characteristically becomes a greater priority as people age. Older persons, who tend to be less concerned with personal appearance and what others may think, want to feel good and want to have their comforts. This aspect of an elderly market means that clothes are designed for comfort with velcro closures, for example. Automobile and furniture companies will structure their advertisements differently. Security will be a major concern of the elderly because of their vulnerability. Electronic security systems, security guards, emergency aid systems and a host of similar products and services will be directed to reducing fear of crime and will be available to ensure safety and security.

Successful businesses will be those that are aware of the new demographics that address the older population. There is little doubt that in the future, from a business perspective, will be with the old.

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