Generational marketing: Baby boomers, Generation X and the net generation

Jane Ronnfeldt

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GENERATIONAL MARKETING:
BABY BOOMERS, GENERATION X AND THE NET GENERATION

A Project
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Business Administration

by
Jane Ronnfeldt
September 2001
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BABY BOOMERS, GENERATION X AND THE NET GENERATION

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September 2001

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Date: Aug 15, 2001
ABSTRACT

The purpose of this project is to gain a better understanding of the different market opportunities available to credit unions. The project differentiates the markets by age: Net Generation 2 to 22, Generation X 23 to 34 and the Baby Boomers 35 to 53. Each of these groups are important to the ongoing health of credit unions.

Baby Boomers and Generation X typically are underrepresented at credit unions but both groups are important to credit unions' financial health; seniors for their deposits; young adults for their future business.

Competition is fierce for Baby Boomers deposit dollars. High-yielding mutual funds, annuities, and other investments are the chief culprits. Credit unions can attract Baby Boomers by providing financial education and clearly written information and marketing materials.

If credit unions do not attract young members now, they will have to buy market share later with lower interest rates on loans. Although 36% of all adults belong to credit unions, only 23% of adults age 18 to 23 are members despite the fact Generation X are most likely to say that they are eligible for membership.

The project looks closely at the financial needs of each group and makes a number of specific recommendations.
for attracting and retaining market share. The major conclusion of this project is understanding generational differences is essential to Arrowhead Credit Unions success in the future.
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CHAPTER ONE
INTRODUCTION

In the 2000 U.S. Census, 281.4 million people were counted and, barring some unexpected calamity, we can predict how many people will be in alive in 30 years or even 50 years. Between 1990 to 2000, the population increased 32.7 million, the largest increase in American history. The previous record was held by the Baby Boomers. The Boomers were able to fuel a population explosion of 28.0 million people between 1950 and 1960 (see Figure 1).  

Figure 1.
Old to Outnumber the Young by 2030

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Declining birthrates and longer life expectancies have aged the population. Suddenly, everyone from car makers, soft-drink manufacturers, TV producers, political pollsters, pundits and candidates has become aware of the country's changing age profile, and they are working fast to target their messages to distinct age groups. A simple flip through the TV channels confirms that age targeting has arrived. Whether it is "Sesame Street," "Felicity," "Now and Again" or "Touched by an Angel," there is a program for every generation flashing before the eyes of Americans on a daily basis. Age targeting is just as evident in the public sector. From city hall to the county courthouse, the local school board to the floor of congress, different age groups and their advocates wield their clout to influence the taxing, spending and regulatory decisions made by governing entities.

Although much attention is focused on the competition between the ages - young versus the old - the real strain in the future may be in relations between the middle-aged or working-aged population and the dependent segments.
Table 1.
Generations at a Glance

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<th>Age</th>
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<th>Traits</th>
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<tr>
<td>Net Generation</td>
<td>0 to 22</td>
<td>Fall of the Berlin Wall</td>
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<td>Expansion of technology</td>
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<td>Generation X</td>
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<td>Sesame Street, MTV</td>
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<td>End of Cold War</td>
<td>Diverse</td>
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<td>Rise of personal computing</td>
<td>Independent</td>
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<td>AIDS, crack cocaine</td>
<td>Entrepreneurial</td>
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<td>Missing children on milk cartons and missing</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>parents</td>
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<td>Baby Boomers</td>
<td>35 to 53</td>
<td>Booming birthrate</td>
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<td></td>
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<td>Economic prosperity</td>
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<td></td>
<td></td>
<td>Expansion of suburbia</td>
<td>Question authority</td>
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<td></td>
<td></td>
<td>Vietnám, Watergate</td>
<td>&quot;Me&quot; generation</td>
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<tr>
<td></td>
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<td>Human rights movement</td>
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<td>Sex, drug, rock'n roll</td>
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Understanding what the population will look like in the future is important to Arrowhead Credit Union (ACU). The US Census Bureau predicts that by 2010, California will have the largest number of residents 65 or older in the nation. California grew 13.8% between 1990 to 2000
from 29,760,021 to 33,871,648 people. California, with 33.9 million people, is the most populous state, accounting for 12% for the nation's population\(^3\). Currently, Florida ranks fourth in population with 15,982,378 people and the largest percentage of the 65+ crowd with 20%, up from 18% in 1990. Of Florida's population, 3% will be 85 or older by 2010, in contrast to 2% nationally\(^4\). According to the 2000 U.S. Census Bureau, the median age of the population in California is 33 and Florida is 37+ (See Figure 2).

Figure 2.

Demographic Breakdown of U.S. Population (1998)

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Understanding the population shifts and changes is critically important to businesses that plan to serve or fulfill the financial needs of a constantly changing market.

Arrowhead Credit Unions goal is to “help members build wealth.” In order to do this, understanding the needs of the membership is essential. Dividing the membership into segments helps to provide a clear picture of each generation. In this chapter, a brief description was given of the segments that are of most interest to ACU: the Net Generation, Generation X and the Baby Boomers. A complete description of each segment is provided in the following chapters beginning with the Baby Boomers.
CHAPTER TWO
BABY BOOMERS - 35 TO 53

Welcome to the most egocentric generation in the history of mankind. Boomers grew up the most affluent generation ever, protected in suburbs and small towns, enjoying greater health and expecting longer, fuller lives than any of their predecessors.

Boomers have lived through the longest and greatest period of national prosperity, the nation's first loss of a war, and its most culturally eccentric period—only to end up gazing at the world they inherited with a sense of longing, unfulfilled promise, and self-doubt. From infancy, the fertile fields of opportunity lay beneath their feet, offering all their growing wonders, asking that they use them to the fullest. Hoping to create a generation free from the fear and deprivation they suffered, parents of boomers pampered and protected their children. In doing so, they inadvertently gave birth to two separate waves of self-absorbed activists: one leftist, the other rightist that has produced a continuing series of cultural revolutions and
counterrevolutions, the ultimate consequences of which boomers may not live to see.

Soon the Boomers will run all the country's institutions, make lots more money, experience an unprecedented amount of leisure, redefine retirement and old age and perhaps inventing another new age category—only to face the possibility of people under thirty shaking their fists at them, throwing down the generational gauntlet, challenging the Boomers to rise to their golden promise.

Victory in Europe (VE) Day came in May 1945. Victory in Japan (VJ) Day followed in August after Hiroshima and Nagasaki. Sixteen million GIs came home and a short time later—BOOM. Nineteen years later when the birthing boom subsided, there were 76 million more natural born Americans.

During the first year of the boom, 3.4 million babies arrived. In 1947, the number increased over 1945 by one million. From 1954 on, over four million little boomers appeared on the scene each year, peaking at 4.3 million per year in 1957 and finally exhausting it in 1965 when

5 Jack Ferreri, Marketing Baby Boomers (Dubuque, Iowa: Kendall/Hunt, 2000), 11.
births fell below four million per year which is where they have stayed.

Boomers Affect Wall Street and Life

Why is the stock market booming? And why is it expected to triple and quadruple in value over the next ten years? Why did the real estate market collapse? The Answer: Baby Boomers.

Demographers have used the image of a pig slowly passing through the body of a python to describe the massive displacement created by the Baby Boomers as they passed through different stages of life. The image captures an important fact: The Boomer generation is huge compared to both the preceding generation and the following generation. That has had enormous implications for every market that the Baby Boomers have touched. Whenever the Baby Boomers reach a new stage of life, demand for related products soar. The result is a long boom. When the Baby Boomers move on and no longer buy a


product, demand slumps. The result is a bust. Companies need to pay close attention to the age of their customers and to be aware of the movement of the pig as it moves through the python. In the book Boomernomics by Sterling and Waite, they describe the effect of the boom in terms of products is described: “The first boom, not surprisingly, was in baby products. After the GIs came home from WWII, they immediately and enthusiastically started making babies in record numbers. One of the first firms to feel the impact of the boom was Gerber, which saw its sales double between 1948 and 1950. Then came the birth control pill and Gerber was forced into life insurance and child care.”

This pattern is repeated over and over. Think about America’s school system swamped in the 1950’s with a shortage of teachers. In the 1960s, the sexual revolution resulted from the Baby Boomers’ surging hormones. The ‘70s saw double-digit interest rates, which were caused by the surge in demand for mortgages and consumer loans coming from the young Baby Boomers.

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Boomers are known to look inward and evaluate their achievements in terms of personal fulfillment. This is a generation that spawned both hippies and yuppies and does not just want to kick back on holidays. They are worried that they will not be able to own the American dream.  

Boomers grew up with a strong sense of entitlement and an enormous expectation about the potential of life. Their rearing encouraged their focus on self. In traditional households across America under the watchful eyes of doting mothers guided by Dr. Benjamin Spock, Baby Boomers grew up spoiled and pampered. Spock helped create the most permissive parents in history, and the result their children, the Boomers, grew up thinking they were privileged and that they were destined for a special life.  

Robert Aliber, Professor, University of Chicago, Graduate School of Business in Sterling and Waites book, Boomeronomics, predicted in 1982 that many middle-class Americans would, by the time they are in their late 1940s or early 1950’s, suddenly and unexpectedly find themselves in a position of financial ease. He went on to say, “as the Baby Boomers move into their peak years of earning and productivity, it is logical to expect a boom in household

9 Cork, 99.
savings. The mortgage would be reduced, the children are through or nearly through college, and sudden a new problem would arise – what to do with the extra money?"

The Power Group

Rebecca Piirto, in her book, Beyond Mind Games, "The Marketing Power of Psychographics" separates the Baby Boomers into four distinct cliques. These cliques, also known as the "power groups," are the:

1. **Satisfied Selves** - optimistic, experiential achievement-oriented. They are well-educated, well-paid professionals and managers with very positive self-images. They are keenly optimistic about life and themselves. They are innovative and they take risks and travel frequently, both for business and pleasure. They are leaders of change and excellent targets for new ideas and technology.

2. **Contented Traditionalists** - home-oriented, very socially conservative. They are self-assured,
but personally and socially conservative. Because of their strong traditional values, they are most resistant to change and wish "women's liberation" had never started. They strongly endorse "Buy American" because it is familiar to them.

3. **Worried Traditionalists** - anticipate disaster, traditional values. View the world as a terrifying place. If there is any cause for worry about keeping their jobs, being mugged, or having satisfactory relationships with their spouses, they are more likely than any other group to show concern. They have a poorly defined self-image and tend to use brands as a way of communicating who they are and to achieve status. They are emulators of change. They do not lead but, once they perceive a fashion trend, they are quick to copy.

4. **1960s in the 1980s** are aimless, unfulfilled, with no direction in life. They are the flower children that never left the 1960s. They never
seem to find the job they want and have no apparent goals\textsuperscript{12}. Marketers who understand the attitudinal differences within the power group can avoid painful pitfalls and mistakes in their advertising.

Boomers Glimpse Their Future

Boomers are beginning to get a glimpse of their futures. When asked in a survey by Yankelovich Monitor Research, a Norwalk, Connecticut marketing research company, "if they feel the need to reduce their credit card debt level," 79\% of Baby Boomer respondents said they did. Even more, 86\% said they needed to plan for retirement\textsuperscript{13}.

These needs can translate into some real opportunities. Baby Boomers learned early how to spend, but they never developed the attitudes, discipline and skills required for financial hard times. Boomer savings rates have been quite low compared to previous

\textsuperscript{12} Ibid.

generations\textsuperscript{14}. They will increasingly delegate to experts and rely on those experts for advice and guidance. There is a tremendous marketing opportunity for financial instruments designed to encourage Baby Boomers to save. But Baby Boomers cannot simply be scared into saving. It will take an approach that leverages their desire to spend and one that establishes equality between the need to save and the need to spend.

Baby Boomers will create a new marketplace, and businesses that assume they will take on the characteristics of generations that preceded them are in for trouble. Economic optimism freed Baby Boomers from worry about basic survival. They could live for today because they did not have to worry about tomorrow. They could spend what they had because there was plenty more. They could, share with everybody because there was lots to go around. They could, if they wanted, sign it all away or give it all away with a kind of casual indifference, only possible for those who had not grown up under the constant threat of impending want and deprivation.

Baby Boomers have always spent all their money and even gone happily into debt, because they were confident

\textsuperscript{14} Ibid, 68.
that there was plenty more where that came from. Confronted with economic collapse and uncertainty, the previous generation learned to save. Baby Boomers never faced that; therefore they learned to spend and to spend for instant Gratification.15

Marketing Challenges

What does the age wave mean to financial institutions? First, Baby Boomers need to save more than their parents did because their Social Security and Medicare benefits are likely to be far less generous than the benefits for their parents. Second, unlike their parents who saved, as an investment Baby Boomers may not be as good. Third, there is no assurance that the stock market will continue to provide the high rate of return they have become accustomed to in recent years, the current financial markets.

The most important thing for marketers to remember about Baby Boomers is that they are rule breakers. Individuality over conformity is a consistent Boomer pattern. They always have done it differently than the way it was done before, and, as they get older, they will

15 Ibid, 48.
continue to demand products that fit their individuality. They are the original nonconformists.

Nostalgia is a strong Baby Boomer hook; they believe that their best moments were yesterday. They miss the carefree world they grew up in, a time where life was simpler, more straightforward. They are concerned about their families and want to spend as much time as possible with them. Retail markets that are affected by these changes include restaurants (e.g., special settings that are calm and quiet), home building (e.g., family friendly kitchens), realtors (e.g., front porches are a top priority)\textsuperscript{16}.

As Baby Boomers move into their peak years of earning and productivity, it is logical to expect a boom in household savings. Despite delayed marriages and a high divorce rate, Boomers are typically part of a married couple family. Two out of three are married\textsuperscript{17}. While most young people struggle to make ends meet and typically pile on debt to buy their first homes and first cars, middle-aged Baby Boomers tend to be wealthier. This is based partly on their accumulated savings and, in some

\begin{itemize}
  \item \textsuperscript{16} Ibid, 60,61,89.
  \item \textsuperscript{17} Cork, 121.
\end{itemize}
cases, on inheritances from their parents, which usually come in middle age.

Money is going to be a problem for Baby Boomers, so perhaps the biggest growth opportunity is in providing financial services. This is a generation about to face serious money problems. They were great yuppies with all the skills it took to spend, spend, and spend. Financial instruments and products that helped them spend went gangbusters. Home equity, credit cards and mortgage refinancing thrived. Now things are going to change.

A good financial product for Baby Boomers would be one that gives something back even as it socks something away. Baby Boomers like immediate rewards and they want the inside track on good deals. Say those things to them and give them those kinds of products, and your business will come out a winner. Baby Boomers will not be forced into doing anything that they do not want to do. We need to show them how putting their money in your product will allow them to keep spending even when they are retired. Or show them how your plan grows their capital while also paying back a dividend they can use to splurge on themselves.

Yes, Baby Boomers are an interesting generational group, but how do they compare to the generation that
followed, commonly referred to as Generation X. The next chapter explores the generation that was brought up by television, became latchkey kids and the effects that early independence had on their lifestyle choices and buying habits.
CHAPTER THREE
GENERATION X - 23 TO 34

Enter the generation of the Twentysomethings, Baby Busters, Grunge Kids or Slackers. There may be disagreement about just how to label them, but one thing is indisputable: the generation of young adults born between 1967 and 1978, most popularly known as Generation X, are finally emerging from the shadow of their predecessors, the Baby Boomers.

They are the first generation to grow up with television as a babysitter. While Boomers gathered around the television (TV) set with their families to watch "Ed Sullivan" or "Walt Disney," X'ers spent much of their time in front of the tube alone or with young friends. They seldom watched with families because families had fragmented, and because millions of American households had more than one TV. Consider this: by the age of five, a Generation X’er has already tuned in to over 5,000 hours of television and the average 14-year old watches three hours of TV and does one hour of homework18. It can be

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18 Mark Arnold, Marketing Gen X (Dubuque, Iowa: Kendall/Hunt, 2000), 49.
argued that Generation X’ers did not just grown up with television, they were practically raised by it.

Generation X’ers watched their parents divorce or separate and grew up with TV shows that had families without both biological parents: “Brady Bunch,” “Eight is Enough,” “Full House,” “Different Strokes,” “My Two Dads,” “Charles in Charge,” and “Kate and Allie” and the list goes on and on. But there were also “traditional” TV families, like the Keatons in “Family Ties,” the Seavers in “Growing Pains,” and who could forget the Cosby Show. Each show provided the viewer with an opportunity to learn something about family interaction and communications.

This generation of 23 to 34 year olds watched the debut of MTV (Music Television) and Michael Jackson’s moonwalk, musicians singing “We are the World,” Ryan White educating them on AIDS, and an attempted assassination of President Reagan. Television has had a large impact on Generation X. It came into their lives and wasted hours of precious time, but it also filled them with knowledge of the world\(^19\).

\(^{19}\) Ibid, 81.
Demographers call this period the Baby Bust, largely because there were 15% fewer babies born in the 10 years following the end of the boom. As the Baby Boomers reached the age of majority between 1963 and 1982, the total number of families with children at home fell from 57% to 51%, and on average there were fewer children per family. For a decade, there seemed to be a lack of young people.

Generation X, now adults between the ages of 23 and 34, are aggressive communicators who are extremely media-centered. They are the oldest segment of the population whose computer and Internet habits resemble those of the Net Generation (ages 2 to 22) also called N-Geners and provide the closest adult experience from which we can begin to predict how the Net Generation might react in the future. Like Net Generation, Generation X views radio, TV, film and the Internet as a non-specialist media, available for everyone’s use to package information and to forward their perspectives. From 1970 until today, roughly the time that Generation X has been alive, America’s Gross Domestic Product (GDP) has grown by 82% in

real terms\textsuperscript{21}. This is considered to have been a period of alarmingly slow growth, and even so, the Generation X members entering the work force today join an economy almost twice the size of the one Boomers were joining a generation ago.

Generation X, also knowed as GenX'ers with 41 million members, is 45\% smaller than the Baby Boom generation. This is important because, barring a massive surge in immigration, the number of first-time homebuyers — generally those from 25 to 34 — peaked in the late 1980s. A modest surge in first-time buyers can be expected in the middle of the next decade when N-Geners begins to reach their late 20's. This will coincide with an even larger increase in the number of Baby Boomers reaching their late 50's, a time of life when many will want to sell their homes and either downsize or move some place warm\textsuperscript{22}.

This generation shares in an expanded global network of connections and influences. They borrow freely from the cutting edge, influences of ethnic and cultural minorities in language, fashion and music. The pace of life for Generation X is faster. They seem to live in a whirling

\begin{footnotesize}
\begin{enumerate}
\item \cite{Ibid, 20.}
\item \cite{Sterling and Waite, 86.}
\end{enumerate}
\end{footnotesize}
vortex of diverse images, messages and chance opportunities\textsuperscript{23}.

Demographically this is the most diverse generation to date, with a mix of 69% Caucasian, 13% African American, 13% Hispanic, 3% Asian American and 1% Native American. Boomers, by comparison, are 75% Caucasian\textsuperscript{24}.

What really distinguishes Generation X from others is computer literacy and their facility and comfort with all forms of high technology. Technology defines their vocabulary. It ties together their finances, communications, calendars, and entertainment. It creates bonds and connections with their communities and families particularly cell phones, beepers and voice mail. Technology permeates every nook and cranny. They have never driven a car without an onboard computer or had a job without a personal computer (PC) on their desks, and they have always had microwaves, automated teller machine (ATM) and touch-tone phones.

Trying to please this group and successfully persuading or motivating them may be two entirely different matters. The experience of many marketers has

\textsuperscript{23} Arnold, 63.
\textsuperscript{24} Smith and Clurman, 89.
been that Generation X is a group that loves to be entertained. They feel quite at home playing the role of audience, whether it is for a commercial pitch, artistic event, athletic contest or an informational activity.

But getting this group to act on the desires of the marketer is another story altogether. Gen X’ers admit to this, indicating a strong distaste for and an acute awareness of being manipulated. Even more important is the recognition by a majority of these adults that they are skeptics. The most effective way of reaching this group is visual. This is the true “TV generation.” Generation X is less likely to read or look at a newspaper than other generations.

Marketing Challenges

Marketers need to move quickly to succeed in attracting this group to their products. Research by Teenage Research Unlimited says that 79% of Generation X


26 Smith and Clurman, 110.
likes to do things on the spur of the moment\textsuperscript{27}. The marketing directed at them needs to be fun and about “now.” They are content with letting the future take care of itself. They are a diverse group. They bring this diversity to the marketplace, and they are a “live and let live” group. They believe there is more than one right way to live and that no one way is inherently good or bad.

Generation X’ers have $125 billion in discretionary income, and they spend a total of $200 billion annually. This figure is important because in terms of discretionary income, they are second only to seniors. As a group, they spend annually over $30 billion on eating out and $13 billion on apparel\textsuperscript{28}.

Raised on television, they are the most media savvy consumers ever, and are totally turned off by what worked on the Baby Boomers. What interests this group? Generation X is concerned with value. These are “latch key” kids who were on their own while mom and dad were at work so they learned to make purchasing decisions. You cannot dazzle them with designer labels or slick commercials. They know

\textsuperscript{27} Barna, 52.
\textsuperscript{28} Arnold, 87.
what they want, and what they want is value and designer labels.

Generation X will shop in specialty stores like the GAP but not department stores like Macy's. They like bargain shopping in discount stores so much they spend 18% of their clothing dollars in stores like Wal-Mart and Target.\textsuperscript{29}

This group is not value conscious because they want to be. They are value conscious because they have to be. They faced high unemployment rates and have had a tough time finding jobs and beginning careers.

In 1992 the unemployment rate for 20 to 24 years old was 11.8% compared to 7.4% for the entire working population.\textsuperscript{30} When they did find work, they had to settle for low-paying, dead-end positions often within the service industry.

Generation X has been forced to make compromises to improve their cash flow and deal with being under-employed by living with their parents longer. Today, more young adults are living with their parents than at any other

\textsuperscript{29} Barna, 70.
\textsuperscript{30} Ibid, 115.
time since the Great Depression. Another way they improve their cash flow is by using credit cards, utilizing the buy now pay later plan.

The irony is that future Americans are going to be richer than current Americans. Among the living generations, Generation X members will have a higher standard of living over the course of their lives than the Baby Boomers, just as the Boomers will do better than the pre-war generation. That is just the way it goes, each generation makes more than the last, but it is still not enough.

Generation X is driven by life stages just like all generations. They are getting their first job, getting married and starting families. Their buying habits reflect these stages. They are also setting the fashion trends and they look for value when they buy. Generation X consumers purchase 30% of all car stereo tape players, 38% of all car stereo speakers, and 40% of all Car CD players. Perhaps they cannot afford new cars, but they can afford to listen to a good stereo in a used car. Pagers are

31 Sterling and Waite, 201.
32 Arnold, 67.
33 Barna, 156.
important to Generation X'ers, 38% have a pager.\(^{34}\)

Electronics are important to them.\(^{35}\)

Marketers are faced with a multifaceted challenge when attempting to reach Generation X. Along with Generation X’s diversity of opinion is an unprecedented sophistication about advertising that comes from a lifetime spent watching more of it than any other generation.\(^{36}\) They demand that marketers do the following:

- **Avoid slotting Generation X** - they do not like being classified
- **Facilitate eclecticism** - the opportunity to pursue the diversity that defines their generation
- **Learn to surf** - all choices are valid, so it is ok to put together any combination of building blocks - learn to “hyperlink”
- **Abandon the hard sell** - because they have seen so much, they think they have seen it all
- **Get some attitude** - smart, sassy, pithy

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34 Sterling and Waite, 269.
36 Smith and Clurman, 90.
• **Have some fun**

• **Emphasize pragmatism** - bottom line is survival not ideology or mission - holding a little back; having a backup plan: betting like a short seller

• **Provide prophylaxis** - X’ers are the prophylaxis general. “Protect thyself” is their special commandment. Concerned with not having or expecting to have social security.

• **Think in terms of enclaves** - X’ers are the most peer-focused generation, overwhelming reliance on friends

Cooperative Branding

Cooperative branding is important to Generation X. This is more than just co-branding, which simply links two brands together. Cooperative branding means helping brands other than your own succeed because doing so is what consumers need. Examples of cooperative branding might be a credit card brand recommending retail outlets or vacation resorts or mall anchor stores helping customers by sending them to other stores in the mall or beverage brands and salty snack brands working together. Variety packs of related products are a good example. They put
together everything needed for a meal or a football game get-together in a single package. Consumers pay for it all at once.

Generations X'ers as they get ready for their first job, getting married, and starting families need advice from someone they can trust. Their financial services provider can help them find the answers they need. Sound financial advice from a trusted financial advisor will help them effectively prepare for retirement, purchase their first home, and manage credit\textsuperscript{37}.

In summary, Generation X makes up 20\% of the population, representing 55 million people which are numbers that Credit Unions simply cannot ignore\textsuperscript{38}. Gen X'ers are a current market for loans and a future market for savings and financial services products. In contrast, the Net Generation, the topic of the next chapter is a racially and ethnically diverse population, coming from families with fewer children than previous generations and who might live with single parents or two working parents who thrusts more responsibility on them earlier.

\textsuperscript{37} Barna, 89.
\textsuperscript{38} Thau and Heflin, 145.
Chapter Four focuses on the third group, the Net Generation (2 to 22). Children of the Baby Boomers, they are being raised much differently than their parents in a much different time: working mothers, small families, electronics, technology and digital media. The world of the Net Generation, all eighty million of them, will challenge financial service providers attempting to maintain and even gain market share and their need for technological and electronic services.
The Net Generation has arrived. The baby boom has an echo and it is even louder than the original. Eighty million strong, the youngest of these kids are still in diapers and the elders are in their early 20's. The real explosion occurred during 1989 to 1994 when births in the United States totaled more than 4 million annually for the first time since 1960.

Why the Net Generation? The name is based on the fact that this group is growing up during the dawn of a completely new interactive medium of communications. Just as the limited medium of television influenced the values and culture of the Baby Boomers, a new force is helping shape the N-Gener wave. This group is spending their formative years in a context and environment fundamentally different from their parents.

Why did this population explosion occur? It is simple. A large number of Baby Boomers put off having children until they were in their 30's and 40's.

39 Smith and Clurman, 186.
40 Tapscott, 15.
Relatively few Baby Boomers became parents in their early 20's, which had been considered the typical time to get married and have children. Delayed parenting usually occurs during periods of economic depression, war and famine, but the Baby Boomers changed history. They delayed parenthood and prolonged youth. For Baby Boomers, planning for a family and a career was the last thing on their minds. Now that the Baby Boomers have children, they have influenced these children in a multitude of ways (See Figure 3).

Figure 3.
The Second Booming


What Makes N-Geners Different

What makes this generation different from all others before it? N-Geners live in smaller families than did boomer teens. One reason is the two-parent family is still the dominant American model, but between one-quarter and
one-third of the children who arrived during the years of 1989-94 were born to unmarried women (2/3 of these single moms were over 20)\textsuperscript{41}. Mixed with a divorce rate considerably higher than that faced by boomer kids, N-Geners are growing up with a mom who looks like June Cleaver, but there is no Ward Cleaver in the home. Another difference between the "booms" is about 70\% of children under 18 have working mothers, compared to just 35\% in 1965\textsuperscript{42}.

The Net Generation is the first to grow up surrounded by digital media. Computers can be found in the home, school, factory, and office and digital technologies, such as cameras, video games, DVD's and CD-ROMs are common. For the first time in history, children are more comfortable, knowledgeable, and literate than their parents about an innovation central to society (See Figure 4). Boomers stand back. Already these kids are learning, playing, communicating, working and creating communities very


\textsuperscript{42} Ibid, 4/20/01.
different from those of their parents. They are a force for social transformation.

Figure 4.
Projected US Household Computer Penetration vs. Computer Penetration in US Household with Children

Moms and Dads are reeling from the challenges of raising confident, plugged-in, and digital-savvy children who know more about technology than they do\textsuperscript{43}. Everyone from large corporations to governments are wondering what to do with this group of plugged-in children. Marketers are shaking their heads because they cannot figure out how this wave will shop and influence purchases of goods and services.

The Net Generation has several important attributes that are different from the previous generations. They are

\textsuperscript{43} Tapscott, 2.
more compassionate; they are concerned about war and the environment. Tolerance is important to members of the Net Generation; they appreciate individualism, have a practical worldview and are optimistic about the future.\(^\text{44}\)

WWW and the Net Generation

With the advent of the Web, millions of children around the world are routinely gathering online to chat, sometimes to discuss a common interest, such as sports, but often with no specific purpose to the conversation other than to be with and interact with children their own age.

Instead of hanging out at the playground, variety store, or going home to watch TV, more and more kids are logging on to the computer and chatting with their buddies from as far as the other side of the world and as close as next door.

According to the 1997 Online Kids Report from Jupiter Communications, only 10% of kids aged 2 to 17 used the Net from home in 1996. In the same report, Jupiter predicted

\[^{44}\text{Karen Bankston, Market Across the Generations: Ages 0-19 (Dubuque, Iowa: Kendall/Hunt, 2000), 9-15.}\]
that about half of America’s 13 to 17 year olds will be Net users in 2002.\(^5\)

Table 2.

Online Statistics

<table>
<thead>
<tr>
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<th>Value</th>
</tr>
</thead>
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<tr>
<td>Number of Americans</td>
<td>100 million</td>
</tr>
<tr>
<td>Male</td>
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</tr>
<tr>
<td>Female</td>
<td>50%</td>
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<tr>
<td>Typical age (years)</td>
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<td>Average household income</td>
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<tr>
<td>Married</td>
<td>78%</td>
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<tr>
<td>Have children at home</td>
<td>51%</td>
</tr>
<tr>
<td>Ever made purchase</td>
<td>84%</td>
</tr>
<tr>
<td>Researched automobiles</td>
<td>53%</td>
</tr>
<tr>
<td>Average hours/week online from home</td>
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</tr>
<tr>
<td>Member household penetration</td>
<td>41%</td>
</tr>
<tr>
<td>Nonmember household penetration</td>
<td>20%</td>
</tr>
<tr>
<td>Member households banking online</td>
<td>9%</td>
</tr>
<tr>
<td>Nonmember households baking online</td>
<td>5%</td>
</tr>
<tr>
<td>Member households considering banking online</td>
<td>12%</td>
</tr>
<tr>
<td>Nonmember households considering banking online</td>
<td>7%</td>
</tr>
</tbody>
</table>

Sources: NetSmartAmerica’s NetSmart V: What Makes America Click and CUNA & PSI Global’s 2000 Credit Union Members Today and Tomorrow Report, n.d.

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Marketing Challenges

What makes N-Geners especially challenging for marketers are their fast-changing tastes and attitudes. Companies interested in capturing the business of the Net Generation must pay close attention to changing likes and dislikes.

Growing up as "latch key" kids, they have taken part in the running of a household and understand the power of money. It is reported that one in nine high school students has a credit card and many will take on extensive debt in order to finance their college educations\(^46\). Because they are so pragmatic, they start thinking about careers and homeownership early. By 18, they have five-year plans and are considering how they will balance career and family in the future. The top concerns of this group of teens include: the economy, joblessness, and education\(^47\).

They are the generation of the Internet and multimedia. The Internet is their favorite past time with 10% of them on-line\(^48\). The net is permeating U.S.

\(^{46}\) Piirto, 98.
\(^{47}\) Bankston, 43.
\(^{48}\) Tapscott, 121.
households almost as fast as television did in the 1950's. Over 80% of households will be connected by 2005. They use it to communicate with friends, follow music groups, and assist with schoolwork and as entertainment. N-Geners (also know as N-Gen) claim the computer as a birthright. Businesses know that N-Geners use the Internet, and if they want to get noticed, they need to design their Internet sites with the N-Gen in mind. The Net Generation knows more about the use of technology than their parents or grandparents and hopefully will use this knowledge to develop and improve the world in which they live.

Internet technology is formidable for marketers and others attempting to get the attention of this group. It has changed the way we communicate. In the past, adults were in control of the mechanisms that passed along information (e.g., TV, radio, and print). With electronic media, tens of millions of N-Geners all around the world are taking over the steering wheel. They know exactly what to do with this new media that is interactive, malleable and relatively neutral. Technology is at the heart of this new generation. One very positive aspect of the Net is that it forces people to search for, rather than simply
look at information. It forces the user to develop thinking and investigative skills and become a critic.\textsuperscript{49}

The Net Generation appears to be jaded when it comes to advertising because they have grown up in a media-saturated, brand-conscious world. The challenge for marketers is to break through the advertising clutter and get noticed by this group. Figuring out what will get noticed is key to reaching this group. They appear to respond to music, humor, irony and the truth.\textsuperscript{50} Ads for the Gap or Volkswagen, which are funny, unpretentious and sometimes confusing to Baby Boomers, are perfect for this market. To capture N-Geners' attention, messages need to be placed where this group gathers - clubs, parks, skateboarding areas and, of course, the mall. Cable TV and the Internet must be worked into the mix, as well as posters, coupons, T-shirts, ball games and information that can be provided at school.\textsuperscript{51}

We know that reaching N-Geners needs to be done electronically. In 1983, only 7% of households owned

\textsuperscript{49} Bankston, 91.
\textsuperscript{50} Piirto, 110.
\textsuperscript{51} Tapscott, 22.
computers and by 1997 the number had grown to 44%. Of the 44% of households with computers, 60% had children.\textsuperscript{52}

The percentage of digital media has always been greatest among households with children and it is not difficult to understand why. According to one family-school research firm, close to 80% of parents say they believe computers help children perform better in school. Increasingly, parents need computers and the Internet at home for work. This wave of youth using the Internet coincides with the digital revolution that is transforming all facets of our society. Together, these two factors are producing a generation that is not just a demographic bulge, but also a wave of social change.

Imagine the impact of millions of fresh-thinking, energized youth, armed with the most powerful tools in history, hitting the workforce. This wave has just begun. The N-Gen will transform the nature of how wealth is created. As consumers, N-Geners already have greater disposable income than previous generations of youth. More important, they influence family purchasing like never before.

\textsuperscript{52} Ibid, 22.
They have greater power in households because of their command of the new media, and they typically have better access to comparative product information on the Net. As they enter the workforce as a massive wave, the largest ever, they will affect consumption, marketing, and corporate strategy even more profoundly than their boomer parents did. Consequently, their importance as consumers is soaring. They will have $100 billion-plus in annual buying power, a fact that has not been lost on marketers.

The real explosion of the N-Geners will be detonated by the kids who were born during 1989 to 1994, when births in the United States totaled more than four million annually for the first time since 1960. They are the first "real" cyber generation with complete access to the Internet. They are fragmented and much less unified than their Baby Boomer predecessors. "They have been given much more choice," says Don Tapscott, the author of "Growing Up Digital." He went on to say, "Choice is like oxygen to

them. They are used to customizing everything. And, they expect feedback to be instantaneous."  

N-Geners want to try everything out free, meaning that companies will have to give products and services away and find new models for retrieving revenue. They will also want to purchase any commodity, such as grocery staples, online. The new formula will N-Gen + the Net = Electronic Commerce. The Net is becoming a new medium for sales, support, and service of virtually anything, as tens of millions of Net-savvy purchasers come of age.

N-Geners' financial needs revolve around their need for financial education. The Net Generation may not be saving as much as they should, may be learning their poor savings habits from their Baby Boomer parents. Credit unions can play an important role in providing the financial education needed for their success in the future.

So now we know that the Boomers are in their pre-golden years and need almost all the financial products offered today. Generation X needs loans, savings

55 Tapscott, 22.
56 Bankston, 79.
opportunities and financial advice. And, finally, the Net Generation is lacking in financial education. The big question for marketers is: How to sell products and services to meet the needs of individual generations effectively, the topic of the next chapter.

CHAPTER FIVE
LIFESTYLE AND INFLUENCES

Selling to the Boomers, Generation X and the Net Generation

The descriptions provided in the previous chapters helps us understand who the Baby Boomers, Generation Xers and N-Geners are, but not why they do the things they do. An example of the differences would be: two Baby Boomers living next door to each other may have very different buying habits. One may drive a new Lexus and the other a ten-year-old Toyota. Two people the same age, living in the same neighborhood and making the same amount of money, why would they make different buying decisions? Looking at lifestyle and personality characteristics provide a more accurate understanding of consumer behavior helping to explain the why.

In the book Beyond Mind Games - The Marketing Power of Psychographics, Rebecca Piirto says, “It’s all in the message. A business trying to sell products in America today is faced with an increasingly difficult task.

58 Piirto, 25.
The marketplace is fragmenting rapidly. Selecting a target audience and delivering a message that appeals specifically to that audience have become not only an art form, but the critical difference between success and failure\textsuperscript{59}."

Piirto's book explains how today's most savvy market researchers look beyond the demographics of a target audience in an effort to discover what goes on in consumers' minds. She believes that "it's a strategic mistake to try to sell widgets with the same appeal to Boomers and Gen X'ers, or try to influence buyers in Seattle with what works in Omaha." What is important to understand is why a person would buy a widget in the first place.

It is All a Matter of Style

Any one person's or family's purchase and use of consumer goods are not disorderly or chaotic; they are patterned. People do not take a random walk through the marketplace; they shop and buy deliberately.

Of course, much of what we do and much of what we buy and use is routine or habitual, like toothpaste and soap.

\textsuperscript{59} Ibid, 29.
But even then, there is usually a set of strategies and tactics that go into building the routine in the first place. The consumer's life is not usually tightly regimented and rigid, but it is fairly well-integrated and consistent. While there is room for acting on the spur-of-the-moment, for indulging in an impulse purchase from time-to-time, the general rule is to stick pretty close to the basic plan.

A consumer's lifestyle includes all the patterned behavior the person exhibits in daily life, at work and at play, in the home and outside, alone or with family or friends, day or night, during weekdays or weekends. Our lifestyle includes what we eat and drink, where we live, what we have in our homes, what we wear, how we take care of ourselves, and even such things as our religious preferences or sexual practices.

Lifestyle Versus Demographics

Demographic variables, such as age, sex, education, occupation, income, or daily life cycle, explain people's choices in the marketplace. It is pretty easy to

61 Ibid, p. 293.
understand why a member of Net Generation buys baggy pants at the local Miller's Outlet and the Boomers buy Levi's or designer jeans. On the other hand, demographic status does not explain everything. It will not explain why some of N-Gen are wearing baggy pants and some are not. Or why some of them always buy one brand while others strongly prefer another. Often such differences result from different lifestyle patterns.

There is often a tendency for consumers in certain demographic categories to adopt, and especially reject a certain kind of lifestyle. One would not find many Boomers pursuing a Generation X lifestyle. On the other hand, there is no one-to-one correspondence between a given lifestyle pattern and a particular demographic segment. Some demographic categories include several different lifestyles, and some lifestyle patterns cut across a broad range of demographic categories.

Lifestyle analysis is important to marketers because it tells us not only about a consumer group's characteristics, but also about their activities, their interests, and their opinions. When all the information is

put together, it paints a vivid picture of consumers of a certain type.

Lifestyle analysis lets you have a look into the head of the consumer. Lifestyle research studies the activities, interests, and opinions of the individuals who make up a market. These characteristics help describe a market based on lifestyle issues. Psychographics attempt to provide a quantitative analysis of self-concept. This helps us see the market as a person to be addressed, with character traits and human strengths and failings.

Giving consumers a set of statements with which to agree or disagree usually collects data. Lifestyle research can tell you about the consumer by evaluating their agreement or disagreement on questions like:

“I do not like to take chances.”

“I like to pay cash for everything I buy.”

If the consumers agree with each of these statements, you would know that you have a conservative and loyal following. The tone of the advertisements or promotions would be affected by this information.

Geodemographic Analysis

Psychographics research includes geodemographic analysis. Geodemographic analysis allows marketers to
identify the demographic characteristics of zip code areas suggesting that address matters when attempting to get to know a specific market area. Research companies, such as Claritas PRIZM, have grouped together zip code areas making the assumption that you can tell a lot about people by where that person lives\textsuperscript{63}.

Jonathan Robin founded the PRIZM segmentation system in 1974. Mr. Robbin created a new way of looking at the United States, not as fifty states but rather forty neighborhood types, each with distinctive boundaries, values, and consuming habits. In a nation that prides itself on being classless and egalitarian, cluster systems reflect the marketing reality of how different consumers live.

A geodemographic system like PRIZM (Potential Rating Index for Zip Marketers) is not psychographics research, but is demographically driven. Geodemographic clustering systems are based on demographic information derived from the U.S. Census. Psychographics insights come from surveys.

that include questions on demographics, attitudes, leisure activities, opinions, purchase behavior, and media use.

Geodemographic, or neighborhood lifestyle segmentation systems work, because the old adage "birds of a feather flock together" still rings true in America today. People with similar cultural backgrounds, needs and perspectives naturally gravitate toward one another. They choose to live in neighborhoods offering affordable advantages and compatible lifestyles. These neighborhoods can be grouped into "clusters" that exhibit demographic and behavioral characteristics which can be used to identify and locate marketing opportunities.

Geodemographic systems work because characteristics that define a neighborhood change slowly. The United States' highly mobile population has created the common misconception that neighborhoods are in a constant state flux. On the contrary, a neighborhood's physical characteristics, housing, location, transportation, schools, and shopping, give it stability. The correct picture of mobility is one of people moving from one neighborhood to another in search of an infrastructure.

that supports their lifestyle. The characteristics that first attracted people to their neighborhood will likely attract the same types when the original residents move on.

Cluster Analysis

The objective of the following analysis provided by CUNA Mutual Insurance Group (CMIG), Madison, Wisconsin is to provide geodemographic profiles that include breakdowns by distinct lifestyle types and various products and services. CMIG used the Claritas PRIZM system to identify the lifestyle clusters described in this paper. Claritas is a premier provider of target marketing solutions that help businesses make key decisions. The analysis provides Arrowhead Credit Union with information to improve the target marketing efforts to Baby Boomers, Generation X and the Net Generation.

According to the CMIG analysis using actual ACU member data reports, the average age of an ACU adult member is 42. A large segment of ACU members reside in

65 CUNA Mutual Insurance Group; internal Documents; unpublished; no date.
suburban neighborhoods with an average household income between $36,000 and $48,000.

The top three social groups represented within Arrowhead Credit Unions membership are:

- **S1 Elite Suburbs 18%** - as a group, S1 clusters share high income, education, investment and spending levels. Clusters that make up this social group are Blue Blood Estates, Winner’s Circle, Executives Suites, Pools & Patios and Kids & Cul-de-Sacs. The neighborhood group assigned to this cluster is suburban and represents the suburbs of major metro areas. This is the nation’s most affluent social group, concentrated in major metro areas, sharing high incomes, educations, investments and spending levels.

- **S2 Affluentials 13%** - represent the upper-middle income suburbs of major metros, sharing above average incomes and rentals, an eclectic mix of homes, condos and apartments. S2 is the fifth most affluent Group. Young Influential, New Empty Nests, Boomers & Babies, Suburban Sprawl and Blue-Chip Blues clusters make up this social group. The neighborhood group that describes
this cluster is suburban. This group represents the upper-middle income suburbs of major metros, sharing above-average incomes and rentals, an eclectic mix of homes, condos and apartments.

• **U2 Urban Mid-scale Families Social Group 13%** - middle income, urban-fringe neighborhoods of America’s major metros, dense populations, ethnic diversity and public transportation. This social group is highly concentrated and averages below the mean in income. The Clusters that make up this group are Urban Achievers, Big City Blend, Old Yankee Rows, Mid-City Mix and Latino America. This cluster is made up of urban populations within major metro areas with high population densities. This group collects the middle income, urban-fringe neighborhoods of America’s major metros, sharing high population densities, ethnic diversity and public transportation.

Table 3 compares Arrowhead Credit Union to credit unions nationally. The index number is a comparison of the percent of ACU members to the total credit union members.
nationally. The index is tabulated by dividing the percent of all credit union members by the percent of total credit unions nationally. To illustrate what an index code represents (with 100 being average), an index of 120 indicates that ACU has 20% more members than credit unions nationally or an index of 80 indicates the membership is 20% below the total of credit unions nationally.

Table 3.

Clusters

<table>
<thead>
<tr>
<th>Cluster</th>
<th>CU Population Nat.</th>
<th>CU % of CU Mem.</th>
<th># ACU</th>
<th>% of ACU</th>
<th>Index *</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1 - Elite Suburbs</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Blue Blood Estates</td>
<td>145,008</td>
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<td>Winner’s Circle</td>
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<td>Executive Suites</td>
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<td>1.43</td>
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<td>Pools &amp; Patios</td>
<td>714,591</td>
<td>1.83</td>
<td>883</td>
<td>1.21</td>
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<td>Kids &amp; Cul-de-Sacs</td>
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<td>4.13</td>
<td>9448</td>
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67 Weinstein, 96.

68 CUNA Mutual Insurance Group.
Based on the information presented ACU has a higher than average number of members representing the following clusters: Winner’s Circle, Kids & Cul-de-Sacs, New Empty Nesters, Boomers and Babies, Suburban Sprawl, Urban Achievers, Big City Blend, and Latino America. Each cluster has specific needs and by identifying these needs, products and services can be matched to the cluster. A description of the Cluster, Market Area and Zip code of the Cluster are shown in Table 4.

The PRIZM system described in detail in the previous paragraphs helps marketers to understand markets more clearly. This system integrates geodemographic data with neighborhood lifestyle information helps the marketer segments markets; understand product preferences, and even their propensity to buy specific products. Using demographic and socioeconomic groups to bring order to the population being studied will help when deciding what and where to market products.69

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69 Piirto, 181.
Table 4.
Cluster Analysis

<table>
<thead>
<tr>
<th>Cluster: Latino America</th>
<th>Market Area: Montclair, Colton, Fontana, San Bernardino</th>
<th>Zip Code: 91763, 92324, 92335, 92408, 92407, 92405, 92404</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Have a Visa Card, a savings account, own a Toyota truck</td>
<td></td>
</tr>
<tr>
<td>Cluster: Kids &amp; Cul-de-Sacs</td>
<td>Market Area:</td>
<td>Zip Code: 91709, 92373, 92374,</td>
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<tr>
<td></td>
<td></td>
<td>- Do home remodeling, have a first mortgage loan, an American Express Card and own a BMW.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Travel first class on foreign trips, use stock rating service, have home equity loan and owns a Cadillac</td>
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<tr>
<td>Cluster: Boomers &amp; Babies</td>
<td>Market Area: Grand Terrace</td>
<td>Zip Code: 92313, 91761, 92337, 92336</td>
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<tr>
<td></td>
<td></td>
<td>- Join health club/gym, have non-interest checking account, use an ATM card and own a Volvo</td>
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<td>Cluster: Winner’s Circle</td>
<td>Market Area: Redlands</td>
<td>Zip Code: 92373, 91784</td>
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<td></td>
<td></td>
<td>- Belong to a country club, own stock valued $10,000+, have a home equity loan</td>
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<td>Cluster: Urban Achievers</td>
<td>Market Area:</td>
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<td></td>
<td></td>
<td>- Contribute to PBS, Have &lt;$10,000 mutual funds, own a certificate of deposit 6 months or less, own an Acura</td>
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<tr>
<td>Cluster: Big City Blend</td>
<td>Market Area: Upland, Rialto</td>
<td>Zip Code: 91786, 92376</td>
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<tr>
<td></td>
<td></td>
<td>- Do home remodeling themselves, have first mortgage loan, whole life insurance, own a Mitsubishi</td>
</tr>
</tbody>
</table>

CUNA Mutual Insurance Group, unpublished research data 4/21/99

Selecting the appropriate market segments to go with specific products is essential in getting the most bang for the Credit Union’s marketing bucks.
The last chapter focuses on research used to gather basic information on financial habits of Baby Boomers, Generation X and the Net Generation. Adding fact to what we already know based on the cluster analysis will complete the picture of what the generations being studied want and need from a financial services provider.
CHAPTER SIX
RECOMMENDATIONS AND CONCLUSION

Recommendations

After an exhaustive literature review, in this chapter I am making the recommendations on products and services that Arrowhead Credit Union needs to consider. The recommendations if used will help the Credit Union maintain and gain market share from the Baby Boomers, Generation X and the Net Generation (See Appendix C).

The 50-Plus group which includes Baby Boomers mixed with the matures (54+) are America's biggest, most affluent secret. These groups represent less than a third of the general population, but controls 70 percent of the net worth of U.S. households. According to Packaged Facts, their aggregate after-tax income in 1998 was $994 billion\(^70\). And those numbers are likely to grow as more Baby Boomers enter their golden years, in part, because experts say boomers stand to inherit $10 trillion from their savings-oriented parents. That inheritance, combined with the wealth of the most well educated generation in

American history, is likely to balloon the spending power of what is currently America's wealthiest age bracket. How does Arrowhead Credit Union acquire the business of these people?

We need to remember that not all Baby Boomers are created equal. That is why marketers should not lump all 76 million of them together. Each Baby Boomer has unique financial service needs depending on age, life stage, income and other factors. Baby Boomers are credit unions' bread and butter and this includes Arrowhead, with a membership that includes 44 thousand Baby Boomers who have in excess of $158 million in deposit at ACU. Baby Boomers, aged 35 to 53, now in their peak income-earning years, will soon move from empty nesters to retirees. They will alter the face of retirement just as they have changed every previous life stage. According to the American Association of Retired Persons (AARP), one-third of Baby Boomers will continue working due to sheer interest and enjoyment, 23 percent will do so for the money, and 17 percent will branch out and start their own businesses. 

71 Arrowhead Credit Union.
72 Ferreri, p.35.
As they head into retirement, the Milken Institute of Santa Monica, California says that Baby Boomer consumption will switch from expensive home furnishings and yuppie toys to travel, financial services, health care, and smaller homes (Appendix D). Some Baby Boomers will move to more desirable locations, and new downsized housing construction will follow. Western states will see large increases in their elderly populations. While aging Baby Boomers will require new housing, they will not require new vehicles - at least not as frequently as in the past, because they will not be driving as much and so their cars will last longer.

It is predicted that aging Baby Boomers will get less retirement income from defined pensions and Social Security and more from their own investment portfolios. The Baby Boomers believe the following statistics:

- forty percent think that investments will be their primary financial support when they retire.
- sixty-four percent plan to keep on working in some capacity after they retire. Eighty-two percent of this group plans to work part-time
and 11 percent plan to start a new, full-time career.

- thirty-six percent who expect to continue working think they will have a home-based business.
- eighty percent said they would need computer-related services.
- seventy three percent said recreation-focused businesses would be important to them.
- thirty three percent expect to need mental health services74.

Younger Baby Boomers (35 to 44) are moving into their prime career and earning stages. They will be looking to upgrade their housing, will become empty nesters, and will have more mobility, which suggests that they will be in the market for motor homes, luxury vehicles, and expensive home furnishings.75

ACU currently offers a wide variety of products and services (Appendix E). What products and services does

73 Ferreri, p.29.
74 Ferreri, p. 90-91.
75 Ferreri, p.66-70.
Arrowhead Credit Union need to have in order to maintain its relationships with the Baby Boomers? The following are the author's opinion and recommendations for tapping into this very important market.

- Conduct a demographic analysis to assess the impact of an aging population on Arrowhead Credit Union membership. Identify and plan for the senior explosion.

- Review product/service offerings to ensure that Arrowhead is positioned to serve the aging baby-boom population.

- Focus on savings and investment products, as well as, trust and asset management services.

- Recognize Baby Boomers' effect on politics. The sheer size of the baby boom generation means it will continue to exert political influence. Enlist them to support credit union and consumer-friendly legislation. Why would they help? In chapter two, I described them as "absorbed activists." Arrowhead needs to get this group involved by appealing to desire to support causes.

- Review first mortgage and home equity loan portfolios and product lines for potential
refinancing opportunities in mind. The Baby Boomers will begin to thinking about moving to a "retirement location" or perhaps to a smaller home.

Generation X, these informal, self-reliant, global thinkers, are making their mark on history, just like the Baby Boomers did before them. "Generation X is starting out on a higher trajectory rate for home ownership than even the Baby Boomers did in the 1960's," says Eric Belsky, executive director of the Joint Center for Housing Studies (JCHS) at Harvard University, Cambridge, Massachusetts76.

In fact, the home ownership rate in 1998 among unmarried Generation X households was 23 percent, compared with Baby Boomers that never are higher than 21 percent at the same age77. A steady rise in income, coupled with parents who provide funding through transfers of wealth, has resulted in a greater share of Generation X making the move from renters to owners. As a result, they will be trading up into bigger, upscale housing sooner than expected.

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76 Arnold, p.52.
77 Arnold, p.46.
Generation X is saving, but not at credit unions or banks. Arrowhead Credit Union has 26 thousand Generation X members with deposit balances of 42 million. They are reported to be the most serious generation since the Great Depression when it comes to saving money. The bad news for Arrowhead Credit Union is many are avoiding depository institutions in favor of mutual funds and the stock market.

What do we know about the current financial habits of Generation X?

- Fifty five percent are currently putting away money for retirement, 53 percent of which participate in a 401(k) plan, 40 percent in mutual funds, and 39 percent in the stock market.
- Only 8 percent had share certificates, 6 percent sought financial advice, and 4 percent had

78 Arrowhead Credit Union.
retirement accounts or mutual funds at their primary depository institutions.

- Forty seven percent said they were unlikely to purchase their next financial product at a traditional financial institution. 43% percent of respondents said they would give their primary depository institution more business if they were treated better.

By 2010, the teen and young adult population will reach an estimated 35 million in the United States. Media savvy, and wealthier than any previous generation, the teens will influence consumer markets for years to come. Companies will continue to build relationships now in the hopes of security loyal customers when the group reaches adulthood. What does Arrowhead Credit Union need to build stronger relationships as this group enters their peak earning years? Following are suggestions:

- Look for ways to provide services to Generation X. Financial institutions, insurance companies, and credit card providers would do well to overcome their long-standing mistrust of applicants without credit ratings. Arrowhead needs to look at Generation Xs good work history, high aspirations, and consumer savvy
that will ultimately make them good customers for Arrowhead Credit Union.

- Provide education (e.g. seminars, workshops, direct mail and flyers) to Generation X about wise credit card use. This is a generation that is struggling with credit card over usage. They are graduating with a diploma in one hand and a credit card in the other.

- When you combine credit card debt with student loan debt, members of this generation often are tens of thousands of dollars in debt. That affects all future financial decisions: when they can buy a home, when they get married, and when they have kids.

- Cut through the marketing hype and get to the real message. Attracting Generation X can be difficult because they are not inclined to open accounts where their parents did. Younger people want accessibility and that means ATMs. They are also looking for good affordable services. They know how to comparison-shop - they were raised in malls. So, why not provide ATM's in the places they hangout like malls?
Design useful products with no frills. If you want Generation X to adopt your product, it must be perceived as a useful - not one to be purchased for reasons of status or to make a statement. But one that fulfills a genuine needs. Never mind that young people and others tend to get their wants and needs mixed up. We are talking about perceptions.

The Net Generation is a quiet little group that is about to change everything. Bred on the Web, members of the Net Generation are shaping up to be extremely intelligent and experienced shopper, because they are more likely to comparison shop than adults. According to the Bureau of Labor Statistics, more than half of the Net Generation aged 14 to 22 have a job of some kind. Not only do they spend their own money, but also they exert a huge influence on household spending. Credit unions need the Net Generation to grow their businesses in the coming years. Currently ACU has 20 thousand Net Generation members with 21 million on

80 Bankston, p.42.
81 Cork, p.79.
deposit. How does the credit union get more wallet share for this group of affluent young people?

- Design marketing pieces that appeal to their sense of humor, irony and the unvarnished truth (e.g., GAP Volkswagen Jetta, or Old Navy television commercials.)

- Use their diversity in marketing pieces to attract their attention. They form a less homogenous market than their parents. One factor is their racial and ethnic diversity. TV drives homogeneity - the Internet drives diversity.

- Train people to understand the need for speed and flexibility when working with the Net Generation. Teens differ from their parents in experience - all they have ever known is a healthy economy. They expect unflagging customer service, speed of light E-commerce, just-in-time delivery, generous return policies and deep discounts. They are the toughest, most demanding, and most fickle customers in the world.

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82 Arrowhead Credit Union.
• Present marketing images that represent their experiences. Recognize that traditional family structures are in most cases no longer the norm.

• Use their political potential to help influence credit union legislation. Arrowhead needs to pay attention to the Net Generation as they become more involved in politics and voting.

• Look for ways to integrate new technologies into products designed specifically for the Net Generation. An example would be allowing wireless devices to communicate with ACU's Internet banking application.

• Sell checking account, debit card and PC banking to Net Generation. Most people select their financial institution by the age of 25 and stick with it for at least 15 years.

• Work with local schools to provide financial education to all grades K-12 such as, the importance of saving, balancing a checkbook or how to build a credit rating.

• Build save-at-school programs integrated with financial education.
• Provide financial seminars to Net Generation on the importance of saving, how to budget and the how to use of credit wisely.

Arrowhead Credit Union needs to consider the following recommendations that will benefit the entire membership including Baby Boomers, Generation X and the Net Generation.

• Consider e-mail or permission marketing. Permission marketing consists of e-mail messages sent to existing members or even potential members who have consented to receive information about products and service offerings.

• Change marketing methods and designs to fit each generation. Marketers may need to vary product design, distribution, cost and promotion, depending on the part of the prospect group they wish to conquer or to preserve.

• Integrate permission e-mail database with other Arrowhead member databases containing deposit, loan, and other financial transaction activities in order to develop one-to-one marketing capabilities.
• Build reputation as a trusted financial advisor in order to strengthen ties with current members and to attract new members.

• Position Arrowhead Credit Union as a trustworthy source of financial advice. Use this position to increase mortgage lending portfolios and off-balance sheet deposits.

• Inform and educate members about the availability and benefits of using PC banking and bill payment services.

• Make loan applications and approvals available online, and ultimately integrate online applications with automated loan processing system.

• Identify members' investment service needs and find ways to match needs with products and services offered by Arrowhead Investment Center and Arrowhead Capital Management.

• Position Arrowhead as members' electronic bill payment portal in order to secure member use of services for the long haul.

• Market ATMs, 24 Hour Call Center, PC banking and kiosks to all age groups because of peoples need to instant gratification and speed.
In the early 1900s, humorist Will Rogers declared, “Even if you're on the right track, you will get run over if you just sit there.” How right he was, and now more so than ever, Arrowhead Credit Union needs to reevaluate the way business is done in order to capture and keep its share of the Generational markets.

The last chapter summarizes my thoughts on the various topics covered in the paper including the Baby Boomers, Generation X and the Net Generation.

Conclusion

Generational marketing, the subject of this paper, is a way of marketing that focuses on the experiences of different generations of Americans. Detailed in chapters two, three and four are descriptions of three generations important to the success of Arrowhead Credit Union: Baby Boomers, Generation X and the Net Generation. The paper went on to explain Lifestyle marketing and the benefit of cluster analysis when selling products and service.

As a marketer, the discussion of the different generations is important because an individual’s membership in a particular generation marks that person for life. The major events that each generation has experienced as it grew up and matured stay with it forever.
(e.g., pop culture, economic conditions, world events, natural disasters, heroes, villains, politics, and technology.) Those of us who grew up during the threat of the "cold war" have much different memories than the generation that matured during Vietnam. It is also important to remember that the older people of one era are not like the older people of the next era; one period's young people differ significantly from the previous period's young people.

Is all this really necessary?

I think that it is not only necessary, but also essential to the success of Arrowhead Credit Union. Marketing is becoming an increasingly difficult activity. Brands have multiplied and products have been improved until we are faced with a bewildering array available to solve every problem with precision. As consumers, this "information glut" is overwhelming. The advertising explosion that has followed the product explosion is deafening. Consumers survive by ruling out most of the messages around them, and that means that advertising, to succeed, has to break through our walls of resistance. As an advertiser, once you have expended the energy and money to get the attention of the advertiser, do you want to waste it by sending it or placing it in front of the wrong
market segment? I do not think so. Instead, it is important to use everything that we know about people to select appropriate products and services to offer to people with the greatest propensity to buy.

Now more than ever with increasing competition, Arrowhead Credit Union needs to reevaluate the way it does business in order to capture, keep and to build market share in the future.

This project started as a way to meet the requirements for graduation. Through my research and reading about the Baby Boomers, Generation X and the Net Generation, I became interested in how I could use this knowledge to benefit Arrowhead Credit Union. Generational marketing is a tool with powerful applications. Today, with multiple generations populating the marketplace — generations with very different values, motivations, and life experiences — smart marketers see the Four P’s (product, promotion, placement and price) alone are no longer all you need to be successful. Understanding generational values and motivations today has become essential because each generation is driven by unique ideas about the lifestyle to which it aspires. And it is these aspirations that determine the ways consumers spend and save their money. Understanding these facts will help
Arrowhead Credit Union find their ways through the marketplace maze.

There is an ancient proverb: "Men resemble the times more than they do their fathers." Within the wisdom of those words, lie the seeds of generational marketing. Marketers who use the principles of generational marketing to understand the factors that influence the values and buying motivations of consumers stand a much better chance of spotting trends way ahead of the competition.
APPENDIX A

GENERATIONS - WHAT WE KNOW
GENERATIONS – WHAT WE KNOW

Net Generation — what we know

- One in four lives in a single parent household.
- Three out of four have a working mother.
- They are compassionate, concerned about war and environment.
- Tolerance is important.
- Optimistic about the future.
- Fast changing tastes and attitudes.
- Understand the power of money.
- One in nine high school students has a credit card.
- Have five-year plans.
- Top concerns are the economy, joblessness, and education.
- Internet is at the heart of this generation.
- Respond to music, humor, irony and truth.
- Passive viewers of TV.

Generation X – what we know

- $125 billion in discretionary income (spend $30 billion on eating out and $13 billion on apparel).
- Concerned with value – learned early to make purchasing decisions.
- Live with parents longer in order to deal with under employment and cash flow problems.
- Aggressive communicators.
- Computer habits resemble Gen Y.
- Do things on the spur of the moment.
- Advertising needs to be fun in order to get their attention.
- They are a “live and let live” group.
- Fast pace lifestyle.
- Bottom line is survival.
- Reliance on friends.
- Smart, sassy and pithy works for them.
- Strong distaste for being manipulated.
- Like cooperative branding (credit card brand recommending retail outlets or vacation resorts).
Baby Boomers – what we know

- They are rule breakers.
- Individuality is important.
- The original nonconformists.
- Believe their best moments were yesterday.
- Money will be a problem in later years.
- Like immediate rewards.
- Need to see what a product will do for them before they buy.
- Spend all their money and happily go into debt.
- Need instant gratification.
APPENDIX B

AREAS OF PERCEIVED NEED FOR
PROFESSIONAL FINANCIAL ADVICE

(BY MEMBERSHIP STATUS)
Areas of Perceived Need for Professional Financial Advice (by membership status)

- Retirement Planning
- Estate Planning
- Comprehensive Financial Planning
- Tax Planning
- Educational Funding
- Debt Consolidation
- Insurance Planning
- Other

Source: Arrowhead Credit Union Internal Documents, n.d.
APPENDIX C

ARROWHEAD CREDIT UNION

PRODUCTS
<table>
<thead>
<tr>
<th>Arrowhead Credit Union Products</th>
<th>Baby Boomers</th>
<th>Generation X</th>
<th>Net Generation</th>
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<td>Dividend Checking</td>
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<td>Web Personal Branch</td>
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<td>ET - Interactive Touch Teller</td>
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Source: Arrowhead Credit Union, Internal Documents, n.d.
APPENDIX D

GLOSSARY OF TERMS
Glossary of Terms

**Associative analysis** — investigates if and how two variables are related.

**Baby Boomers** — Name associated with persons born between 1946 and 1964. Name refers to surge in the birth rate during time period after World War II.

**Cluster analysis** — A set of related objects or variables are analyzed, and through grouping techniques, segments are formed that have similarities in the overall statistics measure, and are therefore likely to exhibit similar purchasing behavior.

**Cross-tabulation** — Examining two or more response categories at the same time.

**Debit cards** — A plastic card that performs transactions similar to a credit card, however, the funds are withdrawn from an individual’s checking account.

**Demographics** — The study of population patterns and growth over time. Uses age, income, family size and employment status.

**Dow Jones Industries Index** — A popular measure of the stock market that is based on an average value of thirty large U.S. stocks.

**401K** — A popular retirement savings plan that allows individuals to contribute a percentage of their salary to a savings plan on a tax-free basis.

**Individual Retirement Account** — A popular account that allows individuals to save in a tax-friendly manner.

**E-mail** — A system of worldwide electronic communication in which a computer user can compose a message at one terminal that is generated at the recipient’s terminal.

**Generation X** — The born between 1965 and 1980
**Generational Marketing** - The practice of basing marketing efforts on the values, buying motivations, and life experiences that uniquely characterize a given generation group.

**Geodemographic analysis** - Demographic data analyzed by geographic area, generally based on census data.

**Gross Domestic Product (GDP)** - The total value of goods and services produced in the United States.

**Internet** - Worldwide network of computers that use the TCP/IP protocols to facilitate data transmission and exchange.

**Latchkey kids** - Another name for Generation X. Mothers who worked outside the home raised many in this generation. When the children returned home from school, they used their own "keys" to get into the house because both parents were working.

**Lifestyle** - An individual's mode of living as identifies by his or her activities, interests, and opinions.

**Member** - A person who belongs to a group or association.

**Multiple category closed-ended questions** - A question with more that two options for the response.

**Mutual Fund** - A popular way for investors to get exposure to a wide range of financial assets such as stocks, bonds, real estate, and precious metals.

**Net Generation** - Name for persons born between 1977 to 1994; for the most part, these young people are the children of the Baby Boomers.

**On-Line access** - Allowing members to check account balances, obtain account histories, download statements, transfer funds between accounts, and perform other transactions via the Internet; also known as online branch.

**Population** - is defined as the entire group under study as specified by the objectives of the research project.
Primary research — information collected for a specific purpose/project.

PRIZM — Potential Rating Index for Zip Markets

Sample — a subset of the population that should represent that entire group. The sample unit pertains to the basic level of investigation.

Secondary research — is information relating to data that was previously gathered for a purpose other than the project you are working on.

Segmenting — Process of dividing a credit union’s membership into various groups to selectively target marketing efforts.

Psychographics — The use of psychological, sociological, and anthropological factors, self-concept, and lifestyle to determine how the market is segmented by the propensity of groups within the market and their ability to make a particular decision about a product, person or ideology.

Web page — A block of data available on the World Wide Web, written in HTML code.

World Wide Web — A collection of Internet sites that offer text, graphics, sound, and animation resources through the hypertext transfer protocol.

Yankelovich Monitor — an annual survey of more that 50 social trends relevant to consumer marketing.
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