Introduction

Marketers often use segmentation in advertising in order to target a specific audience. Research shows that this practice was being analyzed as early as the 1970s. Segmentation variables are identification factors that determine the difference in sections of a market; an example is age based segmentation. Much of the research focused on identifying consumer buying correlates looked at age cohorts as specific segmentation variables to be used in marketing. “An age cohort consists of people of similar ages who have similar experiences” (Solomon, 2010). Some examples of age cohorts are Baby Boomers, Generation X, and Generation Y. Baby Boomers are people who were born between 1946 and 1964. People born between 1965 and 1985 are considered Generation X, while people born between 1986 and 2002 are considered members of Generation Y (Solomon, 2010).

Rationale behind this particular topic involves understanding advertising and understanding what type of advertisements appeal to different consumers. Determining the feelings and beliefs that different generations of consumers associate with schemas, gives marketers some sense of consumer behavior. Schemas are the set of beliefs assigned to a specific stimulus. Every consumer can react to the same stimuli differently and often feelings can be associated with schemas that were not anticipated by the marketers. Consumers can also misinterpret advertisements, meaning the advertisement did not demonstrate the feelings that marketers meant to be identified.
Age Correlates

Members of Generation X are numbered at seventeen million, while Baby Boomers tally in at seventy-two million and Generation Y at sixty million. The title Generation Y, was first used in 1993 by Advertising Age, and has become the most commonly used name for consumers born in that era. Other names given to consumers of Generation Y are Echo Boomers, the Millennium Generation, Generation Next, the Net Generation, and Generation Why? Generation X got its name from the book titled Generation X: Tales for an Accelerated Culture, which was written in 1991 by Douglas Copland. Members of Generation X also have a variety of other nicknames such as Baby Busters, YIFFIES, the Brash Pack, FLYERS, the NIKES, the indifferent generation, and the invisible generation. The Baby Boomer generation received their name from post-World War II society where males returning from the war had children all around the same time, resulting in a dramatic increase in birth rates. Baby Boomers are most commonly referred to as the Me Generation (Iyer and Reisenwitz, 2009).

One of the main reasons for understanding age cohorts in market segmentation is being able to use different target strategies and segmentation strategies. Having knowledge of the different types of segmentation variables aides in choosing the most effective and appropriate strategy for advertising to consumers (Solomon, 2010).

Research on segmentation variables, specifically market segmentation with age cohorts, has mainly focused on differences between consumer generations and the feelings, beliefs, and ideas that are most important to different consumer age groups. Other research done in regards to age cohorts and segmentation variables include research specific to an industry or a certain product. For example, different generations’ usage of internet banking tends to vary.

Understanding segmentation variables is important in the study of consumer behavior, because marketers need to be able to communicate and appeal to specific target audiences. Consumers have similar interests and experiences that they share with their specific generation, these interests influence their consumer behavior and
buying patterns. Understanding different age groups makes advertising to them more effective, because marketers can determine what will appeal to the majority of these consumers, and narrow down the target audience drastically.

Marketing management in any company needs to agree on the target audience they would like to market their products or services to. Management should be aware of the different segmentation variables; most importantly age cohorts, in order to accurately and specifically appeal to the correct target audience. Without the understanding of market segmentation, especially in the management of a marketing department, an organization will lose a competitive advantage in the study and development of consumer behavior. Marketing managers need this knowledge to determine a specific target audience and also to delegate tasks and market research projects to their marketing team; they need to be able to communicate to the team what the management is looking for in the advertising and promotional campaigns (Solomon, 2010).

In the Journal of Marketing Management, market segmentation is discussed as a “logical extension of the marketing concept itself” and a mere managerial activity that helps categorize consumers by their similar interests and desires. It is stated that market segments are not created by the marketer, but the consumer who defines it (Tonks, 2009).

**Research on Age Cohorts**
Existing literature on the topic of market segmentation, and more specifically age cohorts, has shown a variety of articles on the topic and the history of market segmentation beginning from the 1970s. The beginning of this research dates back to 1974, where the Journal of Marketing, published a section on selecting the best segmentation correlate. This article conducted a study on the significance of certain segmentation variables in consumer behavior, regarding weak associations with the actual marketed product or service.

A conclusion discovered in this study showed that a segmentation correlate used in one market may not be effective in another. The findings indicated that in order to achieve the most
significant segmentation correlate for a product or service, various variables must be tested in each individual market in order to determine the most successful correlate for the product or service. It was also discovered that in determining the most effective market correlate, frequency of use is an important factor (Hirsch and Peters, 1974).

In 1987 research, the marketer was encouraged to choose a market segmentation variable and adapt the product or service in order to fit the criteria of that specific market correlate, rather than adapting a segmentation correlate to the product or service- the current method of choosing segmentation variables. This illustrates a difference in market segmentation theories that have developed since the 1980s. In the 1980s, four factors were discussed that were considered helpful in evaluating the desirability of a segmentation variable; these factors include measurability, accessibility, substantiality, and action-ability. Furthermore, consideration was also needed to determine the specific type of segment categories desired, identified as geographic, demographic, psychological, and behavioral variables. Overall the theory behind this marketing segmentation concept stated that “once a segment has been identified which fulfils the requirements of measurability, accessibility, substantiality and action-ability it is possible to develop a product or service to meet the needs of the segment” (Drayton and Tynan, 1987). This research provided an understanding of market segmentation that has development over time and helped to contribute to modern segmentation concepts and theories.

Continuing on the timeline of segmentation concepts, research from the new millennium showed signs of development into what marketing segmentation is today. In a 2000 study, it was found that individual product or service needs of consumers are all different, but that rather than a heterogeneous market segmentation approach as used in the past, a homogeneous approach is needed to satisfy more consumers and develop better marketing strategies (Blois and Dibb, 2000).

In 2004, Schewe and Meredith were more focused on the topic of market segmentation by generational cohorts, and determined that generational cohorts were a new concept in marketing segmentation at
this point in history. The authors discussed the values and beliefs that motivate different age groups, such as consumers from Generation X and the Baby Boomer Generation. This research took into consideration the experiences, values, beliefs, attitudes and preferences of specific generational cohorts. It expressed that consumers of the same generation go through the same external factors and events, and that these factors helped to shape their attitudes toward spending. The authors noted the presence of more ‘tech-savvy’ consumers than ever before, creating a need for more personal and well-guided advertising towards ideal consumers of the product or service (2004).

Targeting a specific generation by researching the celebrities, movie stars, and athletes that are considered to be heroes of their childhood, gives marketers an effective use of nostalgia. Appealing to nostalgic feelings and memories gives consumers the feeling that the product is being specifically directed towards them, and allowing them to connect to the product or service on a personal level. Market segmentation by generational cohort is a more personal and well adapted method of connecting to individual consumer’s attitudes and values. Understanding different generations of consumers gives marketers a way of researching buying habits and will aid in forecasting future product trends that may apply to future promotional strategies (Schewe and Meredith, 2004).

In another example of research on age cohorts, Bennett, Dees and Sagas review the differences between Generation X and Generation Y consumers. This work describes the difference in media preferences of action sports consumers, like attending traditional sports games versus watching action sports on television or playing sport video games. The authors describe the difficulty in appealing effectively to youth markets over marketing history (2006). As the current youth consumers are Generation Y, marketers work harder and more effectively to appeal to these consumers, because achieving brand loyalty earlier in a consumer’s life will create a future of loyal customers.

Appealing to Generation Y earlier will also be beneficial because this generation is three times larger than its predecessor,
Generation X. Characteristics researched on Generation Y shows that they are more brand conscious than previous generations and have been exposed to a wider range of media and advertising. For example television, movies, video games, magazines, and the internet are more exposed to this generation than Generation X consumers, due to the rapid technological advances established during the childhood of Generation Y (Bennett et al., 2006).

Research has lead to the conclusion that Generation Y consumers are less inclined to watch or attend traditional sporting events like NBA basketball and MLB baseball, than that of Generation X. Generation Y prefers watching action sports or playing action sport video games, like skateboarding and BMX (Bennett et al., 2006).

Further research highlights the differences in people born in Generation X and those born in Generation Y, in terms of characteristics that are present in the workplace. Generation Y are believed to be more optimistic and entrepreneurial than that of Generation X, who appear to be more pessimistic and mistrustful people. One of the most evident characteristics that apply to Generation Y in the workplace, is that they are the most rewarded and recognized of any generation in terms of childhood accomplishments (Galagan, 2006).

This characteristic leads them to feel more entitled when they enter the workforce for the first time. Curbing this sense of self-entitlement in Generation Y employees is the most difficult challenge for managers of a different generation, who believe they must work hard for what they earn (Galagan, 2006). Characteristics of Generation X and Generation Y in the workplace can also transfer over into consumption habits of each group.

Research has also been conducted on the tendency that marketers have to divide baby boomers into two segments: older baby boomers born between 1946 and 1955, and younger baby boomers born between 1956 and 1965. The results of this work showed that even though the whole group is large in number, there are more similarities than differences between the younger and older baby boomers; therefore marketers should use caution in dividing age cohorts into
further segments. More conclusions state that generational segmentation is a good starting point, but marketers should consider other demographic and/or psychographic methods in segmenting markets for the most effective results (Iyer and Reisenwitz, 2007).

A Specific Example of Age Cohort Characteristics
In specific industry research, another study was conducted to look at the different ways of targeting Baby Boomers, Generation X, and Generation Y consumers in a restaurant setting. Baby Boomers prefer full-service restaurants and comfort foods. Generation X-ers prefer family-friendly restaurants, while Generation Y-ers look for places where they and their friends can hang out. Baby Boomers are the most demanding restaurant guests and they spend more money per meal than any other generation of consumers; however they tend to eat out less than consumers of Generation X or Y.

Generation X consumers look for restaurants that have kid-friendly menus and are more casual than formal in nature. They appreciate restaurants that are more contemporary, airy, and have light music to add to the environment. They can deal with change in scenery and menu items, as long as it stays contemporary and casual.

Generation Y consumers are more spontaneous in their eating habits, and more likely to ‘drop-in’ for a snack or a light meal. They treat restaurants as their kitchen, because they like to just ‘hang-out’ and often they are the major audience for a ‘fourth-meal!’ Generation Y-ers are the most likely to choose places that serve food all day. Also they are most likely, out of any other generation of consumer, to order samplers and appetizers. They prefer an environment that is tech-savvy, such as restaurants with large flat-screen televisions, game consoles, and touch-screen menus. Chain restaurants, especially limited-service restaurants, are preferred. They dine out on impulse, are the most willing to spend money on eating out, and look for places that are casual and have quick service. All of these characteristics of the different consumer generations are taken into consideration when evaluating the type of restaurant, the environment and menu choices desired (Rowe, 2008).
Other Correlates and Their Relation to Age

Another area researched as a consumer correlate is differences in income and spending habits of both Generation X and Generation Y. This type of research is more recent and therefore more relevant to current marketing than that discussed previously. Conclusions made from this research are that Generation X-ers are continuing to develop their careers and therefore their disposable incomes are increasing, as opposed to Generation Y-ers whose careers are just beginning and their discretionary income is seeing only slight increases. Even though the global economy is presently in a recession, Generation Y-ers have shown no effects on their spending habits, which suggests that they are consistent buyers for the long-term.

One study has suggested that in measuring a range of factors, such as work experiences, satisfaction, organization, stress, empowerment and trust, no differences were discovered in any of the three generational cohorts: Baby Boomers, Generation X, or Generation Y. Mostly this study examined specific aspects of Generation X and Generation Y consumers that may impact marketing decisions regarding advertising; those aspects include: Internet satisfaction, volunteerism, brand loyalty, work orientation, and risk aversion (Iyer and Reisenwitz, 2009).

Other factors also influencing consumer spending that may be felt independently of age cohort correlates are dependent on how consumers relate to each other. Conspicuous consumption is the act of spending on products for the mere fact of showing off personal wealth. Comparative consumption is the act of spending on products that are of higher-quality or more-expensive than that of other consumers; basically consumers tend to spend money so they can have the ‘best’ products among their peers (Solomon, 2010).

The Impact of Recession

How the recession has impacted different age cohorts is of interest to marketers. Some of this research has focused on the recession and its impact on the nation’s wealthiest generation in history, the Baby
Boom ers. Companies are suffering at the hands of the Baby Boomers, who have long sustained the economy.

The rebound of the economy that is hoped-for may not have any significant contribution from the Baby Boomers, as most consumers of the age group are retiring and consequently spending less on goods and services. Most companies have relied on Boomers as their ideal target markets and have not developed a back-up plan for when they retire and live more frugally, possibly one reason why companies have taken such big hits during this recession.

The recession’s impact on companies has forced them to quickly switch promotional focus toward Generation X and Y consumers. Though, arguably, targeting these generations is not yet advisable, considering that Generation X has not yet reached sustainable income and Generation Y is only beginning their careers or not yet employed. Some researchers have suggested continuing to market to Baby Boomers, but promoting better value products, not high-end products for their consumption (Kiley and Welch, 2009).

**Why Age Cohorts are a Reliable Segmentation Target**

Segmenting a market by age cohorts is very effective and helps to narrow down the most ideal target market for a product or service. The external factors and events that were experienced by consumers in a specific generation, impact the interests and consumption habits of those specific members of the generation. Understanding the differences in consumption between members of Generation X, Generation Y, and the Baby Boomer Generation allow for advertisers to effectively advertise products to those generations.

The three generations focused on in the research are completely different in terms of how members of each generation consume, behave, and spend. The range of differences found in each generation, shows the need for different marketing and advertising strategies specific to each generation. Schewe and Meredith stated that “when such similarities exist, marketers can offer the same (or very similar) products, distribution and/or communications programs to a
large number of potential customers who are more likely to respond in
the way desired. Efficiency in marketing is realized and marketers and
consumers benefit” (2004).

The main benefit of generational cohort segmentation is the
potential for specifically-tailored advertising and overall effective
promotion toward the ideal target market. Furthermore, Schewe and
Meredith state that events and experiences within a specific generation’s
history transform the values, beliefs, and attitudes of its members. These
values, beliefs, and attitudes shape the consumption habits and patterns
of each generation of consumer.

The development of consumer’s interests, attitudes, values, and
beliefs does not fully occur until the consumer generation is in young
adulthood. Marketers who understand generational cohorts can appeal
to the defining moments or events that are of importance to certain
generations. Appealing to defining events in a consumer’s life can
influence emotional feelings such as nostalgia, happiness, or
youthfulness. Marketers can take advantage of these feelings because
the consumer would be more likely to buy a product that invokes these
attitudes and emotions.

Modern consumers look for personal connections that appeal to
their emotions, beliefs, values, and attitudes. Also they look for products
that appeal to their lifestyle and help to promote their ideal self. These
relationships that consumers are looking to establish with brands and
products are what marketers try to capture in their advertisements.
Obtaining long-term relationships with consumers will provide
companies with brand loyalty and a strong future.

For example, members of Generation Y tend to be more tech-
savvy, music-oriented, and fashion conscious. Also they tend to spend
more money than any other generation of consumers. Identifying
appropriate products and using techniques such as using members of
the same generation in advertising, and by appealing to this generation’s
sense of fashion and love of music, will make for very appropriate and
effective advertisement.
The Baby Boomer generation is on the verge of retirement age and tends to gravitate toward products that bring a sense of nostalgia and a reminder of their earlier years. Even though this generation is the wealthiest of them all, they are beginning to save money and live frugally. Advertisements that are simple and act as reminders to Baby Boomers that retirement is around the corner, will potentially appeal to this audience.

Generation X consumers are mid-way through their careers and tend to have more family-oriented and casual lifestyles. They look for balance and perspective in their lives and make time for leisure activities (Foley and LeFevre, 2001). Advertisements that appeal to the sense of family, more specifically the ‘ideal family’ lifestyle that members of Generation X value, are more likely to be successful with this cohort. Since they are well-defined within their careers, an established and balanced lifestyle at their current age is very important. Products that are geared towards these beliefs and sell family-values, will appeal most to Generation X.

Market segmentation by generational cohort helps marketers to narrow down potential target audiences and find the consumers who would be genuinely interested in the product or service. Understanding this type of segmentation helps advertisers determine what values and beliefs different consumers associate with their product. Knowing the generation of consumer that is most likely to purchase the product helps companies to effectively advertise. Developing brand loyalty for the company starts with correctly marketing the product or service. Therefore consumers, who find the product worth their while, will develop strong relationships with that company through the future. Generational segmentation is one of the more basic segmentation variables, and has helped to develop reliable target markets today.

**Conclusion**
Research on this topic has confirmed the benefits that this type of market segmentation contributes to determining target markets and
marketing overall. The personal connection between product and consumer is of crucial importance in this age of consumerism. Companies who effectively appeal to ideal consumers will establish brand loyalty and develop trust within their customer base for years to come. In a society of conspicuous and comparative consumption advertisers have a better understanding of which generations tend to spend more or consume more than others.

Marketers have to have thorough knowledge of generational cohort segmentation in order for the concept to work effectively. Research, development, and experimentation are crucial in the early stages of developing a suitable segmentation variable. Generational cohort segmentation may not be the best suited method of segmentation for a specific market. A marketing department needs to be able to determine relevancy and accuracy of the potential segmentation variables to that of the specific market. In order for generational cohort segmentation to be effective, consumers need to feel that the product is ‘meant’ for them and the company understands them as a person. If consumers do not feel a sense of connection to the product through its advertising, the marketers have failed to accurately portray the product or have failed in their cohort analysis (Hirsch and Peters, 1974).

Therefore in order to correctly develop and understand generational segmentation, marketers and advertisers need to understand market segmentation as a whole. Being able to compare and contrast segmentation variables is the first step to accurately portraying an ideal target audience. Further research on market segmentation is also needed in order to develop standard methods and accurate experiments that will help advertisers determine what segmentation variables are suitable, and which ones are not suitable for different types of products and services. If marketers do thorough and efficient research on what type of consumer would be interested in their product, they are destined for a successful marketing campaign that will help define a new age of innovative advertising.

Market segmentation is a key factor in the advertising and promotional process, and determining which type of market
segmentation to choose is crucial. Generational cohort segmentation is only one of many segmentation variables, but it provides many benefits that if researched correctly and applied accurately can be very effective. The study of consumer behavior, which is practiced in the development of market segmentation, is a driving force in the advertising world. Thorough knowledge of consumer behavior will allow for marketers to apply the most effective segmentation variables in a world of complex consumerism.

References


