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## Tourism Market and Demographic Changes

### Summary

*This paper identifies the major demographic trends and their implications for consumer market. It is important to know how will demographic change influence the tourism market in particular and how can the tourist industry adapt to these. The advancing ageing of society will result in far reaching changes, particularly on the demand side. To profitably seize the opportunities, managers must understand how senior markets evolve and adapt products and service offerings along multiple dimensions to meet the needs of senior consumers.*

### Introduction

Demographic realities are substantially determined by economic and social circumstances and institutions. But they also influence those circumstances and institutions through a variety of potential channels. The microeconomic links between various demographic indicators and economic outcomes have been extensively studied. By contrast, the links that run from demographics to economics and that operate at the level of national economies are far less certain.

Demographic change is one of the important drivers for new trends in consumer behaviour in most European countries. Compared to other trends, demographic trends seem quite easy to identify and predict – estimated future development based on these developments therefore appears to be rather reliable.

The use of demographics in marketing studies has a relatively long history. Given the proliferation of demographic data and some of the concern over the shortcomings of demographic contributions to marketing, it is appropriate to assess the use of demographics in the marketing literature.

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While demographic change occurs slowly, marketers can begin to see indicators of potential change by identifying small trends that may suggest a larger shift over time. By paying close attention to these trends organizations can prepare their long-term marketing strategy to be ready when the shift becomes more apparent.

## 1. Demographic Trends

The major demographic trends are the slowing of population and household growth, the aging of the population, and an increasing fragmentation of consumer markets. The major implication of these changes is that its emphasis must shift from production to market research and advertising targeted at smaller more diverse populations, as well as to more regional and local marketing.

Other important demographic trends are: rising educational level, a more colourful society due to migration, a changing role of women in society.

Demographic changes have implications for many facets of economic life, including work force structure, savings and investment, retirement incomes, health expenditures, and consumption of goods and services. The changes are even likely to have implications for the quantity of food consumed, the types of food consumed, and the ways in which food is consumed.

Due to dramatic demographic changes around the globe and the aging of the baby boomer market, companies in a range of sectors – including the consumer packaged goods, retail, financial service, healthcare, automotive, real estate and hotel and lodging businesses – will have to focus with ever greater savvy on serving the needs of a very different type of consumer: one that is age 50+ or older with shifting biological, psychological, social, and economic characteristics, needs, and expectations.

Global consumer product and service companies that start now to assess, adjust, and update their product offerings to best serve this evolving and increasingly influential age 50+ market will be far more likely to grow their consumer base and to reap great rewards. Those that ignore this massive demographic shift and its global impact are likely to miss a significant opportunity. Today the global population is aging and living longer due to improvements in health care and nutrition. Age 50+ consumers are a growing economic force that will transform multiple industries unlike any prior demographic shift in recent history. From healthcare to retail, from travel to financial services, and from entertainment to electronics, aging consumers are beginning to demand products and services tailored to their specific needs. Yet most companies continue to design for and advertise to the young. To capture value from the age 50+ market, managers will have to master new skills and lead the transformation of products and strategy to adapt to a changing marketplace. With increasing longevity there are already over half a billion age 50+ people in the world. The age 80+ subset of this population is the most rapidly growing segment.

The current consumer market has seen a wave of campaigns focused on youth, with little attention paid to the aging buyer. Older adults throughout the world have bemoaned the negative imagery associated with aging in the media and government. But as age 50+ numbers continue to grow, their influence in shaping markets will grow and transform

media, manufacturing and retail alike. While the consumption preferences of age 50+ markets are difficult to characterize, aging consumers face specific patterns of change along several dimensions.

Aging is the most cross cutting challenge and opportunity facing society. Business has a profound role to play in developing innovative products and services that will support the longevity revolution. Clearly the boomers are driving the agenda that ultimately will serve every maturing generation.

The practice offers research, training, program assessments, creative strategy and insider intelligence on how to effectively reach, connect with and motivate the men and women of the boomer generation.

For young, affluent shoppers, that retailer may be on the World Wide Web; for seniors, it may be the corner store that offers free delivery.

Each generational group is influenced by the values and deep-rooted ideals that shape their demographic "type class." Understanding the motivational drivers of each of these groups provides manufacturers and retailers with the necessary clues and insight into what these consumers buy and where they shop. Consumer information not only facilitates an educated targeted marketing strategy, but also provides the competitive edge necessary to ensure optimal product potential. As we move into the next century, more shoppers will expect a shopping environment constructed to meet their individual needs. Having a more focused knowledge of the shopping public is one sure way for manufacturers and retailers to demonstrate that they care about their clientele – an effort that will undoubtedly be rewarded.

Since a majority of women are now in the labor force, much household buying is done by children and preteens, who also will create a large market for videogames, cosmetics, and microwave foods. The number of people who have time to shop will decline, so that much marketing may be done by telephone and microcomputer. Moreover, the fragmentation of purchasing behavior means that it will no longer be possible to reach an entire household with a single advertising message. Advertisers will have to study the demographic data carefully and base advertising strategies on what has come to be called "data base marketing", if they are to reach this highly fragmented consumer population.

In some countries the overall birthrate is declining while the average age of the population is growing. For a company targeting the youth market with sporting products this trend may suggest that in coming years they will see shrinkage in demand for their products within the youth market as the population of this market declines. On the other hand demographic data may signal to the company that another market, which they may not have previously targeted, may hold potential for new products. If it is predicted that the shift will occur over several years the marketer can slowly move into the new market by offering products geared toward older adults.

## 2. The implications of demographics change for tourism market

The growing number of senior citizens in the European Union, and other industrialized countries such as the USA and Japan, looks to become one of the major challenges for the tourism industry to grapple with in the new millennium. The present

number of seniors (one third of the adult population in many European countries, USA, Canada, Japan is aged 60- plus) and the growing of this proportion offers considerable economic incentive for tourism marketers to sharpen their focus older persons.

The population of Europe is becoming more middle-aged and this will inevitably change consumption patterns – attractions need to provide more facilities for older people as well as the traditional white – knuckles rides. As this largest segment of the population often has the most leisure time and disposable income, the customer group '50 years and up' is the segment that operators cannot afford to ignore. There is growing disparity in the distribution of time and money. As a result, a clear structural change is emerging in the long term: growing polarization of the population into two groups, people with high incomes or wealth and little leisure time on the one hand, people with little money and a relatively large amount of leisure time on the other hand.

Developments like these will have less effect on the volume of travel than its nature (frequency of travel, timing, destinations, combined business and private travel). Operators able to offer personalized and modular concepts, which target increasingly specific customer needs and offer convenience and time savings could benefit from this trend. This creates positive prospects for organized travel, despite the many predictions of its demise.

Taking into account that this age group prefers domestic destinations, the shift in the demand structure caused by demographic aging will open new markets in particular for the regionally oriented smaller tourism companies as long as they meet the higher requirements of this age group concerning service quality and accessibility.

Older persons are attractive as consumers because they have: the financial means, time, a better education than in the past. They belong to a generation which has traveled and they are relatively healthy and know that activities like tourism and recreation contribute to a healthy life style.

Senior tourists differ in many ways: in age, health, economic status, tourism experience, cultural background but also have things in common. Research has shown that people do not change their travel behaviour just because they turn 60 or 65, or because they retire. In most cases they stick to the holiday patterns acquired till the middle of their life. This fact allows for predictions of the tourist behaviour of future senior generations.

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There is also a trend towards a two-segment split in the senior market – tourists who want to enjoy new experiences and who spend a lot on tourism, and tourists who have a relatively small budget but who still want to travel. The tourist industry will accordingly have to develop target group specific packages for both groups, to a greater extent than it now does. The economy group in particular is a target group whose size means that it cannot be neglected. In future, marketing must increasingly be tailored to match the needs and desires of older people. In order to address the very heterogeneous target group of senior citizens successfully, thorough knowledge of their much differentiated motivations and lifestyles is needed, and this still needs to be gathered.

The new senior in five or fifteen years time will be different from the present senior when it comes to travel behaviour. While senior travelers today are already relatively active, the new senior generations to come are more than likely to surpass them. The effects of demographic change (more and bigger share of older people) and consumer behaviour patterns (stick to once learned travel patterns) will show up as: more senior trips with different preferences.

The ageing population and an increasing concern for health are likely to drive a growth in demand for health tourism products and spa services. There should also be growing interest in cultural tourism and specially designed programs for the older traveler. The increasingly ageing population requires the transport sector to reflect its specific needs.

It is generally true that estimating the future development of senior tourism is subject to great uncertainty. While the number and relative weight of senior citizens in the population structure can be predicted with relative certainty for the next few decades, it is not clear if and how the travel habits (frequency and destinations) of the older population will change in concrete terms. Another point which is still unclear is the medium term change in population. Motivations, attitudes and behaviour of future generations of senior citizens are still largely unknown territory, as is the assessment of their material situation.

The proportion of people over 60 will visibly rise not only in absolute numbers but also relatives to the total population. As a result of socio demographic development and the fact that the baby boomers from the post war period will become senior citizens within the next decades, growth in the senior tourism market segment can be easily predicted on a quantity basis at least. Thus, the tourism industry will have to adjust a declining and aging guest potential. Older people will continue to be healthier and benefit from early retirement schemes and well financed pensions. However, the longer term there is likely to be a decline in the value of pensions and a rise in retirement ages as governments struggle to fund earlier generous pension arrangements.

Identifiable potential in senior tourism would continue to gain importance if the growth in life expectancy outstrips the increase in lifetime working hours, so that the period for retirement is at least not decreased. Improvements in the state of health of older persons or greater technological and organizational convenience in travel may help activate the potential for tourism which can be expected from the demographics by 2050. One particular reason for believing that senior citizens will remain the principal source of growth for tourism in the foreseeable future is the fact that much of this market segment is still currently financially secure, so that there are substantial purchasing power resources available for tourism. After retirement, the time available also increases substantially.

Senior citizens appreciate travel as a way to keep physically and mentally fit and participate in social life. It is likely that senior citizens in particular will invest in future in maintaining their accustomed lifestyle. This could be associated with rising intensity of travel, which is presently still below average. Tourism operators have to start adjusting to the situation now and respond accordingly with their product design. Tourist product design and marketing must adapt to the fact that its customers are ageing. Together with the expected increase in frequency of travel by this age group, this should have a positive effect on senior tourism.

The development towards an older society with fewer children combined with a growing individualisation and new patterns of living together (or apart) may lead the tourism destinations and industry to wonder if there is a need to look for new segments to replace the old-fashioned family trip. Demographic change, such as the middle-ageing of the population together with new family and social structures (such as later marriages), is shaping consumption patterns, for example increasingly more home comforts' are demanded in camping and mobile home accommodation.

Social and demographic change also creates a challenge to workforce. In much of Europe, we have been witnessing a birth reduction during the last three decades. This is causing a reduction of young people, traditionally the main labour source for the hospitality and catering sector, as well as increased competition from other industries for the same people. If consumers are likely to be more diverse in the future then the industry itself will need to prepare for more diversity in its workforce at all levels.

Labour and competency shortages, together with new values and cultures, means the European tourism sector needs to rethink its approach to human resources and develop a new business model and to think in terms of human capital.

## Conclusion

In view of coming changes, namely that there will be a demand for more customized and individualized products, particularly among the mature traveling public of Europe, the competence level will become a barrier. The reduction of young people as well as competition from other sectors is causing a diminishing labour pool. It is getting difficult to attract enough staff of the right quality.

Demographic trends will have important impacts on the future development in the new millennium. The fact the people are living longer, the fall in the number of young people, the increase in one parent households, more couples choosing not to have children or to delay having children all point to the fact the type of travel and tourism products and services will change radically.

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## Rynek usług turystycznych a zmiany demograficzne

### Streszczenie

W artykule omówione zostały główne trendy demograficzne i ich wpływ na zmiany zachodzące na rynku dóbr konsumpcyjnych. Analiza taka jest istotna do oceny wpływu zmian demograficznych na kształtowanie się sytuacji na rynku usług turystycznych oraz ustalenia, w jaki sposób przemysł turystyczny przystosowuje się do nich. Postępujące starzenie się społeczeństw doprowadza do znacznych zmian na rynku, szczególnie po stronie popytu. Aby wykorzystać jak najbardziej dochodowe możliwości, zarządzający usługami turystycznymi powinni dokonywać przeprofilowania ofert tak, aby były one dostosowane do oczekiwań i potrzeb coraz starszych klientów.