

Chapter 10

Business Demography

Abstract The earliest major application of demography to real world problems occurred in the business arena. Business professionals realized early on that demographics had implications for virtually every commercial endeavor—from market research to product development to consumer decision-making. Business professionals readily adopted demographic methods and data for their own use, and many of the early applied demographers made their contribution within the world of commerce.

10.1 Introduction

Business demography is defined as the application of the concepts, methods and data of demography to business challenges and opportunities. Business demography is grounded in the application of the demographic perspective to business issues. Applied to the world of commerce, the demographic perspective involves an understanding of how demographic factors affect business conditions. Business planners use demography to help decision makers make better choices with respect to commerce-related strategies and the implementation of those strategies.

The use of demographic data and methods in business planning has a relatively long history, and the early acceptance of demographic input on the part of business professionals contributed to the development of applied demography as a distinct discipline. In fact, the application of demographic resources in the business arena predates its application in most other contexts. As business strategy in general, and marketing in particular, began to move away from a mass market approach to a more targeted strategy focusing on market segments during the 1960s, demographic data became increasingly important.

The growth of business demography was given impetus through: (1) an appreciation on the part of the business community of the role that demographics could play; (2) the increasing interest in business demography on the part of professional demographers; and (3) the increasing ease of access to demographic data useful to businesses. Given the emphasis on advancing the society's economic development

and the interest of individual businesses, it is not surprising that this was the realm in which demographics was first intensively applied. Although demographic analysis began in business as a technical function that supported other operational activities, demographics eventually came to be a driver for most business decision making. Once relegated to the backroom, demographic input was eventually promoted to the boardroom with few corporate decisions made today without considering “the demographics.”

The earliest application of demographics to the solution of real-world problems occurred within the business arena as corporations realized they needed to understand the characteristics of the emerging consumer market.

Demographers were quick to recognize the potential applications of demography to business challenges. Many of the demographers who entered the private sector were attracted by the potential contribution of demography to business decision-making. Corporations large and small recognized the potential contribution of demography, and many demographers have contributed to the success of corporations as they have strived to adapt to a changing environment.

Perhaps the essence of business demography has best been captured by Smith and Morrison (2003). As they note, business demography encompasses the application of demographic concepts, data, and techniques to the practical concerns of business decision makers. This loosely organized field includes—but is not limited to—site selection, sales forecasting, financial planning, market assessment, consumer profiles, target marketing, litigation support, and labor force analysis. Specific applications have evolved over time, reflecting changes in data sources, computer technology, statistical techniques, and the business environment itself. Exhibit 10.1 describes the emergence of the consumer as a driving factor in the development of business demography.

Businesses have based decisions on demographic data and techniques since as far back as the late nineteenth century (Pol & Thomas, 1997), although the emergence of business demography as a distinct field is quite recent. As the field matured, it became routine for businesses to base decisions on the advice of consultants and employees skilled in collecting, analyzing, and interpreting demographic data (Smith & Morrison, 2003). Responding to these developments, the Population Association of America formed a Committee on Business Demography in 1982, which together with the Committee on State and Local Demography launched the *Applied Demography* newsletter in 1985.

Business demographers fall into three distinct groups: those employed by private companies, whose work pertains specifically to those companies and their business activities (e.g., market analyses, customer profiles, site selection); those employed by firms that create demographic databases (e.g., population estimates, consumer spending, lifestyle clusters); and individual consultants who undertake specific projects for particular clients.

Not all practicing “demographers” have formal training in demography. Indeed, the diversity in training, educational background, and current occupation reflects the eclectic nature of business demography as a field. They may have backgrounds in economics, geography, marketing, statistics, survey research, or other disciplines. Many people with business backgrounds have acquired skills in demographic analysis out of professional necessity. Even those with formal demographic training have acquired many job skills principally through work experience rather than academic training. Few academic programs extend their demographic focus to business fields, and few business schools offer training in demographic applications.

Exhibit 10.1: The Emergence of a Consumer Economy and the Ascendancy of the Consumer

Up until World War II the U.S. economy was considered to be a “production economy” driven by manufacturing and other sectors that emphasized the production of (mostly) industrial goods. This production orientation assumed that producers already knew what consumers needed. Products were made to the manufacturer’s specification, and then customers were sought. Prior to the war it was a sellers’ market with producers offering standardized products in an environment that reflected a here-is-our-product-take-it-or-leave-it attitude. After WWII the situation changed radically as post-war prosperity resulted in unprecedented discretionary income in the hands of Americans who had been hardened by the austerity created by the Depression and World War II.

Post-war prosperity led to the emergence of the “consumer” and the ascendancy of a “consumption economy”. For the first time consumers began to make demands on producers, and the sellers’ market turned into a buyers’ market. The term “marketing” which had been around since 1910 took on new meaning as producers now had to compete for the burgeoning consumer market. The postwar period was marked by a growing emphasis on consumption and acquisition, and the frugality of the Depression era gave way to a degree of materialism that shocked older generations. The availability of consumer credit and a mind-set that emphasized “keeping up with the Joneses” generated demand for a growing range of goods and services. This period witnessed the birth of the first generation of citizens with a consumer mentality. The new consumer had added “wants” to the shopping list along with traditional “needs.”

A wide variety of new products and services emerged during the postwar period, particularly in consumer goods industries. Newly empowered consumers demanded a growing array of consumer goods and services. This development contributed to the emergence of marketing for three primary reasons. First, consumers had to be introduced to and educated about these new goods and services. Second, the entry of new producers into the market gave rise to a level of competition unknown in the prewar period. Mechanisms had to be developed to make the public aware of a new product

and to distinguish that product (in the eyes of potential customers) from that offered by competitors. Consumers had to be made aware of purchase opportunities and then persuaded to buy a certain brand. Third, the standardization of existing products during this period further contributed to the need to convince newly empowered consumers to choose one good or service over another. Where few differences existed between the products in a market, the role of marketing became crucial. Marketers were enlisted to highlight and, if necessary, create differences between similar products.

The original response of business in the face of the emerging consumer market was mass marketing. This one-size-fits-all model represented a holdover from the production economy when producers “knew” what their customers needed. It was eventually realized that the market for consumer goods was highly differentiated and that marketing all things to all people was not effective in the new economic environment. This realization led to the abandonment of the mass marketing model for a target marketing approach. The differentiation that led to this new model was primarily along demographic dimensions. Not only did demographic differentiation determine who bought what products but even influenced what brands of a particular product consumers in different segments preferred. Even a “standardized” product—e.g., Campbell’s soup—was offered in different version (often unknown to the customer) in response to regional preferences. It came to be the conventional wisdom that, if one could determine the demographic profile of a target population, the consumer behavior of this population could be predicted.

This model was even extended by some business demographers from target marketing to micro-marketing. With micro-marketing very narrow segments of the consumer population and even individual households could be identified based on their demographic characteristics. This model allowed for the emergence of customized marketing focusing on specifically defined sets of consumers. The direct mail and telemarketing industries emerged as a result of this capability. Thus, a marketer seeking to target households with senior residents with a certain household income likely to be living alone for a home health service could access data on households that met these criteria and more efficiently focus the marketing effort.

The demographic perspective highlights the connection between demographic characteristics and processes and business-related behavior. Unlike in some other areas of demographic endeavor, the end-point in business demography is typically a decision. Whether the project involves consumer research, new product development, site selection or any number of other business-related activities, the end point is—a decision that usually answers some question related to a concrete problem. For example, what segment of the consumer market should be targeted? What

products are needed by the senior market? Where should the next retail outlet be located?

Business decisions frequently have a locational component. Business research often involves the identification and profiling of a defined geographic area. This could be a county, ZIP code, census tract or some grouping of these units. The targeted area could represent the population covered within a radius of a point or a population defined in terms of drive time from a specific site. In every case, no one is better prepared than demographers to provide the analysis necessary to support locational decisions.

Business demography represents the intersection of demographic variables, demographic processes and business activities. The demographic attributes of a population have important implications for the business environment and ultimately the overall economy. In the contemporary U.S. economy much of the economic activity is driven by consumer spending. This assumes that consumers have discretionary income that can be circulated to drive economic activity. Prior to WWII consumers had little discretion in their spending with virtually all resources devoted to basic needs—thus, a limited consumer market. With post-WWII prosperity consumers had unprecedented disposable income at their command.

The relationship between demography and business is a two-way street, with a population's characteristics influencing the nature of the economic system and the operation of the economic system affecting the population's demographic processes.

At the same time, the economic conditions that exist at a point in time have significant implications for the demographic attributes of society. In times of austerity the fertility rate is typically suppressed as in the case of the Great Depression and WWII when births dropped dramatically. With the prosperity and optimism following the end of the war, fertility soared resulting in the baby boom and unprecedented demand for a diverse range of products—from home furnishings for first-time home buyers to obstetrical and pediatric services to baby clothes and toys. In times of prosperity the U.S. is attractive to immigrants who are seeking economic activity. Thus, during the positive economic environment of the 1990s and early 2000s millions of immigrants (legal and illegal) entered the U.S. seeking employment. Then, with the recession that occurred around 2008 the flow of immigration was reversed as economic opportunities in the U.S. diminished.

Numerous other examples of this intersection can be identified. The changing nature of the U.S. economy over the past 100 years has transformed the U.S. from an agrarian society to an urban society and dramatically affected the nature of the American household. The nature of the economy determines the types of occupations that individuals choose and the type of educational skills they seek. As we learned during the 2016 presidential election the economy can play an important role in voter decisions.

The changing demographics of the U.S. population have had a major impact on business activity. The fastest growing group of consumers today is seniors, a segment often ignored by marketers in the past since it was assumed they had completed their purchasing activities. (Indeed, the historical “hump” in household expenditures in the U.S. was around age 50 [Martins, Yusuf & Swanson, 2012]). Now seniors are perceived as a desirable market. A generation ago unless a business was strictly geared to a specific racial or ethnic group (e.g., African-American hair products), the minority market was essentially ignored. Today, with various racial and ethnic groups experiencing substantial growth and the relative size of the traditional native-born white market diminishing, most businesses must address the needs of growing racial and ethnic populations. Exhibit 10.2 describes life-cycle analysis as a technique that can be used to segment the population for business purposes.

Exhibit 10.2: Life-Cycle Analysis

For decades marketers have viewed the consumer life-cycle as a framework for guiding the development of marketing plans. The life-cycle is a demographically based model that depicts the path that individuals follow as consumers transition from birth to death. This model contends that individuals experience fairly standardized stages of life as they age, with each stage predictably transitioning to the next stage. Thus, babies are born and spend a certain amount of time in infancy. Infants become toddlers and then preschoolers. Children experience a period of schooling and in the process become teenagers. Teenagers grow into young adults who then become college students or enter the workforce.

In this model, young adults get married and establish families at a certain point, setting off a series of stages that include families with young children, families with older children and eventually empty-nest families. Simultaneously, the bread-winner(s) is going through a professional life-cycle that involves a progression of employment situations culminating in retirement at the end of working life. This is followed by a period of old-age and, presumably, declining activity and health status. These phases are defined for all practical purposes in terms of demographics and, it could be argued, that the observed patterns are a product of demographic forces.

The traditional model assumes that each phase in the life-cycle is characterized by certain consumer behaviors and the demand for certain goods and services. Thus, babies and infants have certain needs, and these needs change as they mature into school-children. Teenagers develop distinct consumer preferences and these extend into young adulthood often influenced by popular culture. In this model, virtually everyone goes through a period of family formation that includes establishing a household, perhaps buying a home and certainly acquiring the home furnishings required by new householders. As consumers age—and presumably generate more income—their

needs and wants change. As their children age their purchase practices change until the last children leave the home. At this point, these aging consumers look to vacation homes, leisure activities and other forms of consumer expenditure to occupy their “golden years.” Savvy marketers will be able to determine the consumer needs at each step of the way and promote the goods and service demanded at that point in the life-cycle.

This approach served marketers well through much of the post-war period but, because of demographic developments, has become increasingly difficult to justify today. The model assumes a fairly standard set of phases that virtually everyone goes through in a predictable fashion. However, there is very little that is predictable about the demographic forces affecting contemporary U.S. society. Beginning with infancy there today’s situation is quite different from any past conditions faced by society. For starters, nearly half of babies are born to unwed mothers. This means that a large portion of the population is not involved in family formation in the traditional sense. These young families often do not establish their own homes and may remain with their parents or move in with other family members. Even children born in wedlock may end up in a blended family or be raised by a family member other than a parent. The model assumes that people will get married and stay married yet it is clear that is less and less the typical pattern. In fact, people may experience a series of marriages resulting in various combinations of blended, mixed and extended families. Add to this the fact that a large portion of Millennials are neither working nor in school, and significant numbers of adult children continue to live with their parents. And then there is the growing number of same-sex marriages. All this, of course, has implications for household formation and the purchase of consumer goods.

A similar pattern is seen with regard to career paths. It was not unusual in the past for a worker (typically the male breadwinner) to take a job as a youth and continue to work for that company until retirement. This is a rare event today, and there are many different career paths that individuals (both male and female) may pursue. Many workers follow unconventional paths with regard to employment, particularly in an economy that encourages entrepreneurship and self-employment. Even among those who follow a more traditional path, many may change occupations and employment statuses many times during their working years. It is not unusual for workers to experience two, three or more different careers.

These changing demographic patterns have wreaked havoc with the life-cycle model of consumer behavior. Very little is predictable in today’s environment, complicating the challenge for marketers seeking to identify target markets. When all young families were very similar the job of the marketer was relatively easy. Most members of young families had the same wants and needs. But if the totality of young families includes traditional twenty-something parents and two children, 15-year-old unwed mothers,

stepchildren adopted by their new “parents” and same-sex couples adopting Chinese orphans, the marketing process is much more complicated. Just as demographic forces served to create the original life-cycle, they now serve to complicate the process to the point that life-cycle analysis has become of limited use to today’s marketers.

Because of the developments that have occurred in the economy and the emergence of a consumer market, the American business environment has changed dramatically. Businesses have become increasingly market oriented and attuned to the changing demographic attributes of their target markets and the overall consumer market. As businesses have become more consumer driven the demand for demographic data and demographer input has grown. Few business decisions are made today without considering “the demographics,” and demographers or their surrogates are increasingly found around the boardroom conference table.

The tools of business demography parallel those that demographers use generally (Smith & Morrison, 2003). Data are drawn from a variety of sources and standard demographic concepts, measures, and techniques are applied. What sets business demographics apart is the purposes for which the data are used. Business demography aims to clarify and inform business decisions rather than to advance knowledge. For example, geodemographic segmentation systems can classify neighborhoods with similar demographic characteristics and consumer preferences into lifestyle clusters (Weiss, 1988). Given business demography’s emphasis on decision making, techniques that update recent census data and project future values play a particularly important role. Demographers introduce fresh perspectives to the business world because they can envision business problems differently than business people ordinarily do (for example, distinguishing among age, period, and cohort effects that reshape a market). They inform and advise, broaden perspectives, and even serve as catalysts for organizational change. By exposing business minds to new perspectives, demographers can elevate management thinking from an operational to a strategic level (Siegel, 2002).

10.2 Spheres of Activity

Demographic analysis is applied to a wide range of social problems and every sector of society exhibits issues that can benefit from the application of demographic concepts, techniques and data. This is particularly the case for business demography, and there are few commercial activities that are not in some way tied to demographics. The sections below highlight some of the more common applications of demographics in the business world.

10.2.1 *Consumer Research*

Most business activity today begins with consumer research. There is no longer an assumption that the producer knows best; there have been too many product failures. Consumer research may involve an overall approach to the market and identify growth trends, population distribution patterns, consumer spending activities and a variety of other factors that characterize the economy. As the research becomes more targeted the questions that are asked include: Who buys what products? Where to they buy the products? What are the brand preferences of different groups? What are they willing to pay for them? What attracts them to that product?

The examples of divergent consumer buying patterns are unlimited. Who buys discount clothes versus designer fashions? Who buys Ford pick-up trucks versus BMWs versus Priuses? Who buys Kentucky Fried Chicken versus Church's Fried Chicken? Who buys lottery tickets versus savings bonds, Budweiser versus chardonnay, mobile homes versus condos?

Most business activity begins with consumer research since demographic attributes are a major determinant of consumer decision-making.

The relevant point here is that these differences reflect the demographic attributes of the population. Like most behavior discussed in this book consumer decisions are driven to a great extent by the demographics of the consumers in question. Teenagers buy different products than seniors, women buy different products than men, African-Americans buy different products than whites or Hispanics. Consumer decision making is driven by income levels, educational attainment, household structure, employment status and a number of other demographic factors. Today, the consumer market is being affected by the radically different perspective of Millennials when it comes to consumption. Exhibit 10.3 describes key demographic correlates to consumer behavior.

Extensive databases have been established to track the consumer behavior of various demographic segments. Virtually every time a purchase is made at a grocery store or other major retailer or a credit or debit card is used for a purchase, data are transmitted to some database. This information can then be used by marketers (as described below) to efficiently target specific consumer segments. Further, various consumer research companies conduct on-going surveys of consumer behavior and this information—typically segmented in terms of demographic subgroups—is incorporated into the consumer database.

Exhibit 10.3: Demographic Correlates of Consumer Behavior

Much of the research that takes place on consumers focuses on their behavior—in particular their consumption patterns. This research reveals clear-cut differences in the purchasing patterns of different demographic segments in U.S. society. The section below summarizes the key differences and provides examples of some of the behaviors associated with specific demographic categories.

Age. One of the most well-established maxims in consumer research is that members of different age groups exhibit different patterns of consumer behavior. Not surprisingly, infants and young children have different consumer needs than teenagers and young adults. Teenagers are highly influenced by popular culture, and young adults are investing in goods and services associated with adulthood. Seniors, on the other hand, have long completed most of their major purchases and are now “investing” primarily in services. Even within the same product lines, however, differences exist in terms of preferences. With automobiles, for example, young adults are likely to favor sporty vehicles while young families are looking for practicality and seniors are looking for comfort when considering automobile purchases.

Sex. Males and females clearly display different consumption patterns. Not only are there products that are engineered for use by males or females, but there are clear gender-based preferences exhibited in purchase patterns. Some obvious differences include a female focus on the purchase of clothes compared to a male emphasis on the purchase of sporting goods (although demographers must be careful not to overgeneralize). Females have different attitudes toward “shopping” than males (e.g., “shop to you drop”) and respond to different marketing appeals.

Race and Ethnicity. There are clear differences in consumer behavior among members of different racial and ethnic groups in the U.S. Beyond the basic goods that all people require the manner in which purchases occur differs widely among whites, African-Americans and Asian-Americans and among ethnic groups such as Hispanics and subgroups of Southeast Asians and Middle Easterners. Lifestyle differences between various racial and ethnic groups account for much of the difference in consumer patterns with cultural preferences playing a strong role. Just comparing the consumer preferences of whites and African-Americans we find clear-cut brand preferences (e.g., for cleaners 409 vs. Awesome, for fried chicken Kentucky Fried Chicken vs Churches Fried Chicken). Major markets have developed today around various racial and ethnic groups who were likely to be ignored by marketers in the past.

Marital Status and Household Structure. Marketers of consumer products have long recognized the differences in consumer patterns that characterize those in different family and household situations. Obviously, married people

—especially those with children—have different consumption priorities than the unmarried. Families in the early stages of formation have extensive requirements for the various goods required to establish a household. As children come along, a whole range of other goods and services are required. People living in non-family households typically have fewer household-related consumption requirements especially if they are young and mobile. The married are likely to apply their disposable income to practical household needs, while the single are able to devote more of their disposable income to popular culture products and goods and services that support their lifestyles.

Income. Not surprisingly consumer behavior varies dramatically between various income groups in U.S. society. Obviously, the higher the income the more disposable income is available, and more of disposable income is devoted to discretionary spending. Variations in disposable income aside, different income groups exhibit clear preferences for different products. Much of this is related to lifestyle and to modes of living that each income group is accustomed to. Even for routine consumer items such as food there are clear differences with downscale populations more likely to patronize fast-food restaurants and discount retailers. “Designer” clothes are more likely to be purchased by the more affluent while “knock-off” replicas are popular with more style-conscious down-scale consumers. At the lower end of the economic scale there is a higher rate of consumption of beer while wine consumption is more common at the upper end. (Consumption patterns associated with educational levels exhibit similar differences as those based on income although there are some important differences.)

These examples do not exhaust the range of demographic factors that influence consumer behavior, with differences found in consumption patterns among residents of different regions of the country, different types of communities (e.g., rural, suburban, urban), different occupations and even different religions. Much of consumer marketing today is driven by the fact that consumer behavior differs substantially based on demographic attributes, and business demographers will play an important role in business decision-making for the foreseeable future.

10.2.2 Product Development

In a consumer market such as that characterizing the U.S. new products are always being developed and offered to the consuming public. Further, existing products are constantly re-assessed to determine the extent they resonant with a changing market. Indeed, one of the most common phrased used by marketers is “new and

improved.” Whether a new product is being developed or an existing product is being modified, the demographics of the consuming public are a major consideration. In either case product developers must understand the needs and preferences of consumers, with these needs and preferences invariably falling along demographics dimensions.

In considering new product development there are a couple of different approaches that characterize industry today. On the one hand, a producer may have a product ready to introduce to the public and needs to determine what groups within the market should be targeted. Marketers must determine who to target with their promotional efforts, and the consumer research described above comes into play here. On the other hand, a producer may focus on a particular segment of the market and be interested in what new products that market may support. Thus, if the segment that a producer focuses on is babies or teenagers or seniors, the emphasis will be on the type of product that appeals to that segment of the market.

10.2.3 Product Sales/Marketing

Demographic information and analysis have become essential to identifying, locating, and understanding the diverse consumer groups that form markets for goods and services. In many ways the application of demographics to sales and marketing represents the most intensive application of demographics in the business arena. Long ago, it became a maxim among advertisers that half of their advertising dollars were being wasted, they just didn’t know which half. Partly in response to the inefficiency of mass marketing a distinct industry has developed devoted to understanding the demographic segmentation of the consumer market.

As an extension of the consumer research described above, marketers have identified market segments along various demographic dimensions. This has allowed for the development of a target marketing approach to product promotion and, in some cases, to even a micro-marketing approach. This information can be utilized in a variety of ways, the first one typically determining who (and who not) to market to. Enter target marketing and the ability to segment a market into groupings that can be assessed in terms of their business potential. Target marketing has become a precise science, and this approach depends heavily upon an understanding of market demographics.

The recognition of the relationship between demographic attributes and consumer behavior was a major factor in the development of the target marketing approach to product promotion.

In addition to identifying targets for a marketing campaign, information on market demographics is used to determine the approach to marketing to be utilized, the type of message likely to resonate with the target market, the form of media best suited for the target audience, and even the time of day or week at which various groups should be contacted. An obvious example would be the promotion of products geared to both men and women. Men and women respond to different “pitches,” and this has to be considered in developing marketing plans. For example, it was realized at some point that females buy more automobiles than males, yet marketing was heavily weighted toward males. Similarly, it was realized that females not only consume more health services than males but also make most of the decisions with regard to the consumption of health services. The healthcare industry underwent a major conversion as it adjusted to accommodate the needs of its primary customer.

Until recently, almost all marketing was geared to younger consumers, and the models used in advertisements were all younger than the average consumer (even if the product was geared toward seniors). It was finally realized that the bulk of the consumer market had shifted toward older age groups, and older models began to appear in the advertisements.

Different demographic segments respond to different media. There was a time when newspapers were the go-to medium for reaching much of the market. Today, a minority of Americans actually read newspapers, and those who do are limited to certain demographic categories. However, if your market is senior citizens, newspapers may be an effective route to follow, since this segment is the last holdout when it comes to newspaper readership. Other common venues for reaching target audiences such as radio, network television and magazines have diminished in importance as the demographics of the market have changed. Younger consumers focus on social media and are much more likely to be reached via the Internet than through the traditional media channels. If the target audience is Millennials, the marketing strategy will be much different than if the target audience is aging baby boomers.

Case Study 10.1: Developing a Marketing Campaign

A business demographer has been tasked with helping to develop a marketing campaign for a new fitness center. Thanks to consumer research carried out during the feasibility study, there is a significant amount of information available on the demographics of the population within the area served by the center. The job of the demographer is to refine the profile of the target population and assist marketers in developing a marketing campaign.

The first step is to identify and profile the population within the service area that is most likely to patronize a state-of-the-art fitness center. While a wide range of people are likely to use such a center there is a core group of customers that needs to be cultivated to make the fitness center successful. Based on previous consumer research and information from other sites it is

anticipated that the core customers for this facility will be in the 25-34 age range, predominantly female, relatively well educated and moderately affluent. Many of those in the target audience are single or married without children. Thus, families with children will not be intensively targeted nor will seniors.

In developing the marketing campaign consideration must be given to the message that is conveyed, and this message should be one that resonates with the target audience. Thus, the content of any marketing materials should emphasize the types of features that appeal to educated, financially comfortable young adults without children. These features include: reasonable cost, flexible hours, “cool” exercise classes, trendy exercise equipment, and a comfortable social environment. Marketing content should avoid information that conveys images of traditional gyms that are likely to be unappealing to the target audience.

With the content decided upon, the next step is to determine the channels to be used in distributing the promotional material. Previous research has indicated that the population targeted by this facility is well “plugged in” when it comes to social media. Information about the new facility should be disseminated through various social media channels with the hope that some “noise” might be generated within the social networks in which members of the target audience participate. Beyond this, the target population might be reached through contemporary music radio stations. Advertisements (and, better yet, articles) in local alternative newspapers and “throwaway” publications that focus on health or lifestyles may be effective. Traditional advertising venues like newspapers and network television are not likely to reach much of this audience. Ultimately, word of mouth is likely to be a factor in recruitment so any steps that can be taken to establish a “virtual” social network in the community should help to generate the “buzz” that is desired.

One final approach to consider with this population is direct mail. Admittedly, there is a negative connotation associated with “junk mail” and the response rate for most such campaigns is seriously low. However, given that the target population may already be thinking of joining a fitness center direct mail may not be a bad idea in this case. With the availability of consumer databases it is possible for a small amount of money to obtain the addresses for those who fit the profile of the target population for the area that will be served by the center.

At each step of this process an understanding of the demographic attributes of the target population is necessary. Here, as in other business contexts, the business demographer has a lot to offer in support of the marketing campaign.

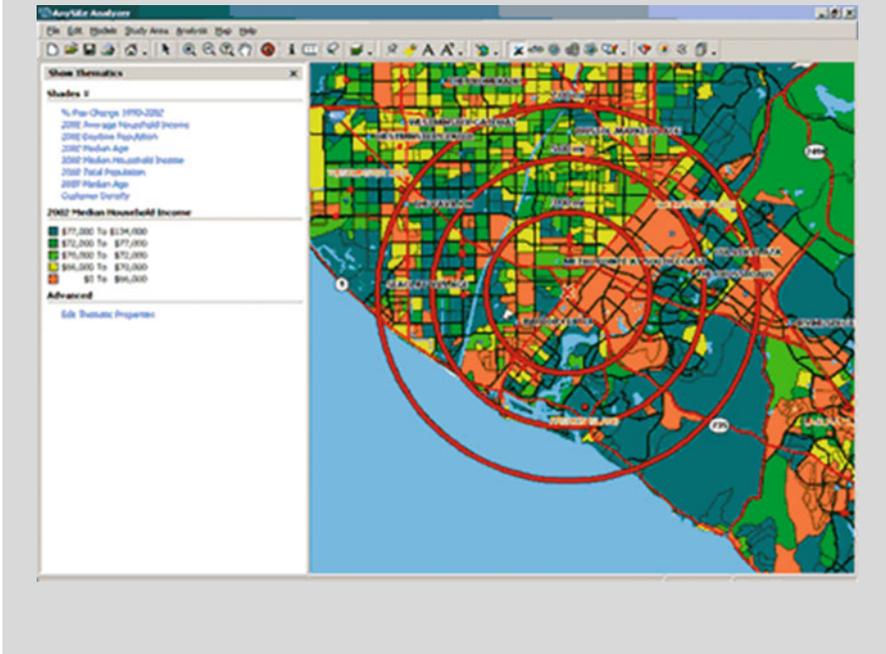
10.2.4 Site Selection

Geographic proximity to consumer markets is highly important since most retail transactions are made at specific locations. Productive retail sites are generally located in the midst of dense consumer populations or are readily accessible to the potential users of a firm's goods and services. Because almost all demographic data have a geographical dimension, demographers are well positioned to provide input into the site selection process. Evaluating a proposed site—or weighing the comparative merits of several competing sites—is another way in which demographers can support business decision making.

The site selection process typically begins with a blank slate in terms of geographical preferences (although there may be cases where a general area or even a specific site has been identified for some reasons). Assuming that there are no preconceived notions with regard to the nature of the target population for the product that is being marketed, a general profile of the overall service area is generally carried out. Thus, the area is profiled in terms of salient demographic attributes and, depending on the product being promoted, some attributes may be more important than others.

Typically, the description of a community or market is followed by the identification of distinct patterns or noteworthy attributes related to the target community or organization. These phenomena may involve unserved or underserved populations, a service niche that is not being addressed, a lack of access to certain goods or services, or a variety of other conditions. Identifying patterns and attributes takes description a step further and extracts from the numerous possibilities within the typical market the meaningful options (and threats) within that context.

An important step in the processing of data collected during research is the comparison of findings to relevant benchmarks. Depending on the plan, this may involve comparing one population to another, or tracking the attributes of a population over time. Similarly, an analysis of the data collected on a service area may involve comparisons to different sites in terms of their relevant attributes. Exhibit [10.4](#) illustrates the defining of a service area around a potential site in terms of distance based on radii.

Exhibit 10.4: A Radius-Based Market Area

Ultimately, the analyst must determine if a situation is “good” or “bad” as profiles for various potential sites are developed. Depending on the criteria utilized different sites can be ranked in terms of their potential with some sites considered appropriate for further analysis and other sites discarded out of hand.

Geographic information systems (GIS) have been developed that can assist demographers in the performance of spatial analyses. GIS software can be used to describe and analyze the geographic distribution, for example, of potential customers or competitor sites. It can be used to target population segments and select sites for commercial outlets or facilities. The software allows the data to be visualized and facilitates analyses of geographic and longitudinal variation.

Spatial analysis can be utilized to generate a variety of maps. The choice depends on the issues under study and the type of analysis being performed. The software typically has the ability to link two or more mapped variables and perform statistical analysis. Indeed, accessibility analyses on available health services, made possible by GIS software, have become a standard technique in planning studies. GIS software includes the ability to “geocode” data to a specific latitude and longitude. This means that, for displaying phenomena on maps, the exact location can be plotted.

Case Study 10.2: Selecting a Site for an Urgent Care Center

Over the past couple of decades “urgent care centers” have emerged as an alternative to physicians’ offices and hospital emergency departments. There was a felt need for a service that was convenient and quicker than a physician’s appointment and both faster and less expensive than the hospital emergency room. The urgent care center concept was developed to handle minor health conditions that could be routinely managed and did not require the level of staffing and equipment found in the typical doctor’s office and certainly not the level of resources offered by an emergency department.

While the notion of quick, convenient and inexpensive healthcare is attractive, this is not a concept that appeals to everyone. Many patients have well-established relationships with their physicians, and others may be used to using the emergency department as a matter of course even for non-emergent conditions. Some patients may not have insurance and are deterred by the out-of-pocket costs levied by an urgent care center and others may have insurance that directs them to certain alternative services.

In this case, like most cases involving consumer choice, demographics play an important role. Not everyone is a candidate for urgent care use and the likelihood of choosing this form of care is associated with demographic attributes. Experience indicates that the primary users of urgent care centers are in the 20–45 age range, with males and females equally likely to utilize such a facility. There appears to be little difference in use rates among blacks and whites, while Hispanics are under-represented among urgent care users.

Important differences are found in usage patterns based on income and education. Those in the highest income groups and lowest income groups are less likely to utilize urgent care centers than those in the middle-income groups. A similar pattern is seen with regard to education, with those with moderate levels of education (e.g., some college) are more likely to use urgent care centers than those with very high or very low educational achievement. Household structure appears to be an important factor, with those living alone (typically never married or divorced) or married couples without children being better candidates than family households that include children. Dual-income couples are relatively heavy users of this type of facility. Finally, those residents exhibiting short tenure in the community (i.e., newcomers) who have not established physician relationships are also good candidates.

In this case a demographer was asked to evaluate three different potential sites in communities with similar population sizes for placement of a new urgent care center. The first step involved acquiring the requisite data on the populations of the three proposed service areas. Informed by information on the profile of the “typical” urgent care customer, the analyst acquired data on age, race/ethnicity, marital status and household structure, income, education and housing tenure. Since the total population for each of the sites was similar, the analysis focused on the demographic attributes that would

distinguish one site from another. Of the three sites, one had a high proportion of younger, working-age residents with few Hispanics and socioeconomic characteristics that reflected moderate education levels and low-middle to middle-class incomes. That site also was characterized by a relatively transient population suggesting little in the way of established physician relationships.

In this case, the demographer's recommendation was fairly clear cut. One site clearly demonstrated more potential for the operation of a successful urgent care center than the other two. Of course, there are other considerations beyond the basic demographics of the service area population to be considered—e.g., traffic volumes, site visibility, competing facilities—but the demographer does have the information needed to further investigate the potential of the site with the most favorable attributes.

10.3 Data Sources

Data sources for business demography are generally the same ones used for other applied projects (Smith and Morrison, 2003). They include publicly available censuses, surveys, and consumer databases, proprietary surveys (e.g., of new or repeat purchasers); and firm-specific records. The availability and reliability of such data vary considerably across levels of geography and among states. Typically, the smaller the area, the more difficult it is to obtain useful data. Since business decisions often pertain to local markets, there is a premium on assembling reliable data for small areas.

Exponential increases in computing power and data storage capacity have greatly expanded the possibilities for organizing, integrating, and analyzing data. Computer networks enable analysts to share information and transfer data globally through the Internet. Powerful software packages have largely automated statistical analysis and reporting. Advances in geocoding and displaying spatial information through geographic information systems (GIS) have been especially influential, as many analyses call for data grouped into customer service areas, market analysis zones, and other uniquely defined geographic areas. The ability to use these computing tools effectively is crucial for many business demographers.

The concepts and measures of business demography focus primarily on dimensions relevant to commerce and enterprise: population composition (e.g., age, sex, race, income), consumer units (e.g., individuals, families, households), demographic events (e.g., births, deaths, marriage, migration), and the distribution of demographic characteristics and events across geographic areas (e.g., counties, census tracts, ZIP code areas).

It is an eclectic and continually evolving field, responsive to the opportunities that expanding data sources, statistical techniques, demographic methods, and information technology offer. Although its focus has been primarily on small areas, new applications and trends toward globalization call for the application of business demography to issues with national and international implication (Martins et al. 2012). Future opportunities in business demography promise to be plentiful and diverse.

Exercise 10.1: Site Selection for an Urgent Care Center

Based on the information provided in Case Study 10.1 students are to assess the following three sites in terms of their potential for supporting an urgent care center. After reviewing the data below, students should rank the three sites in terms of their suitability for the establishment of such a facility.

	Site A	Site B	Site C
<i>Adult population</i>			
20–44 years	10,000	20,000	15,000
45–59 years	25,000	20,000	15,000
60+ years	15,000	10,000	20,000
<i>Marital status</i>			
Never married	35%	50%	40%
Married	55%	30%	45%
Widowed/divorced	10%	20%	15%
<i>Household structure</i>			
Living alone	10%	20%	15%
Couple without children	40%	45%	50%
Couple with children	40%	15%	20%
<i>Income level</i>			
High	35%	10%	25%
Moderate	45%	60%	35%
Low	20%	30%	40%
<i>Educational level</i>			
High	30%	20%	25%
Moderate	50%	65%	55%
Low	20%	15%	20%
<i>Residential tenure</i>			
Less than 2 years	15%	25%	20%
More than 2 years	85%	75%	80%

Questions:

1. Which factors appear to be the most salient when it comes to evaluating the potential for the establishment of an urgent care center?

2. Are there any statistics that appear to stand out when it comes to assessing the potential for an urgent care site?
3. Which site appears to have the most potential?
4. Why is this site considered more desirable than the other two?

Exercise 10.2: Marketing Automobiles to Diverse Markets

You are in charge of marketing for an automobile dealership that handles a full range of vehicles (e.g., sedans, convertibles, SUVs, trucks, etc.). You have something to sell to just about everyone, as long as you can match the vehicle with the customer and figure out what will make them buy a vehicle from you.

Review the characteristics of the target population described in terms of its demographic and lifestyle characteristics below and answer the following questions:

- What type of transportation needs does this population have?
- What type of vehicle seems like a good fit?
- What salient demographic characteristics are considerations in marketing to this group?
- What should the marketing strategy be?
- What should the marketing message be?
- What marketing channel(s) should be used (e.g., TV, radio, newspaper, Internet, billboards, etc.)?

Group B: Flourishing Families

Affluent, middle-aged families and couples earning prosperous incomes and living very comfortable, active lifestyles

Overview

Typically found in communities located a short drive from malls and giant warehouse clubs, the four segments in Flourishing Families contain prosperous parents and children of all ages living life in suburban comfort. Most of the adults are married, in their 30s and 40s, college-educated and predominantly white with a large presence of Asians. Nearly two-thirds of households consist of married couples with children, whose ages range from pre-school to post-graduate. With high incomes and diversified assets, many parents have attained a level of financial stability that allows them to kick back and enjoy their quiet residential neighborhoods. Nearly one in five households contains a young adult, while some are still coping with the challenges, and high costs, of childrearing.

Scattered across the country in the bedroom suburbs of large cities from New York, N.Y., to San Francisco, Calif., Flourishing Families tend to live in spacious homes where they've built up significant equity. Many of the homes, which were built between 1970 and 2000, are starting to show some age. They're still valued at more than \$300,000 thanks to their well-groomed yards, coveted locations and spacious interiors that can accommodate the young adults still living at home.

In Flourishing Families, most of the adults have turned their college educations into lucrative positions in management, law, education, public administration or scientific professions, and most households contain dual earners, resulting in a healthy six-figure income. The money supports a car-dependent culture where commuting to city jobs is a fact of life. For these family households, their vehicles of choice for cruising from the office to ball fields to grocery stores are SUVs and minivans from Japanese automakers who are known for their well-designed and reliable vehicles.

With kids of all ages in this group, their leisure activities revolve around family-friendly fun. These households are big on sports of all sorts. Some are outdoor sport enthusiasts and like cycling, skiing, ice skating, mountain biking and backpacking. Others focus on a round of golf or playing a match of tennis. They like to take their families on warm-weather vacations to Hawaii and the Bahamas. To keep their youngsters occupied on weekends, they head to museums, zoos and aquariums. The parents get some me-time while dining out, going to movies and enjoying cultural offerings like plays and classical concerts. Fitness buffs, they like weight training, aerobics and yoga classes.

There's money in Flourishing Families, and these households are willing to spend it on their children. This is the prime market for toys, sporting goods and digital games; they regard shopping at Sports Authority, GameStop, Michaels and A.C. Moore as entertainment. While the members of this group have the income to spend, many of the parents are also looking for bargains at Kohl's, Costco and T.J. Maxx. Many prefer the ease and convenience of shopping through catalogs and websites.

Group G: Young City Solos

Younger and middle-aged singles living active and energetic lifestyles in metropolitan areas

Overview

The two segments in Young City Solos contain younger and middle-aged singles living in city neighborhoods. More than 90% are unmarried. Most are in their 30s and 40s, white and childless, part of a demographic trend of delaying marriage while living alone or cohabitating with a partner. While

economic insecurity is one reason some singles avoid marriage and having children, these young professionals report above-average incomes topping \$75,000 a year, and they seem to be thoroughly enjoying their unattached status.

Young City Solos are concentrated in the nation's largest cities, in housing that caters to the increasing proportion of one-person households of homeowners or renters. Many live in well-appointed condos or apartments built during the last century. The homes, whether Victorian or postmodern in style, fetch above-average prices thanks to their in-town locations. Young City Solos boast above-average educations, with most having at least some college or a bachelor's degree. They work at a mix of professional, technical, sales and service-sector jobs, typically working for the government, a university, hospital or a large company. In these progressive segments, there's equality between the sexes at home and on the job. Even among cohabitating couples, their dual incomes support upper middle-class lifestyles.

Young City Solos lead fast-paced and active lifestyles. These unmarried folks devote a lot of their discretionary cash to nightlife activities, often going to bars, nightclubs, plays, dance performances, concerts and rock shows. They keep their healthy lifestyles by staying fit and joining a health club to make use of the cardio machines, weights and yoga classes. They like to jog, play tennis, bike, hike and swim. They dine out often at white-tablecloth restaurants, where they like gourmet food and dishes presented like art. Although they travel as much as the average, many have gone abroad in the last three years to visit Europe, Asia and the Caribbean. They like visiting places that allow them to meet new people and experience different cultures.

As a result of their typically small homes and even smaller closets, Young City Solos would hardly qualify as shopaholics. They're infrequent consumers who prefer local boutiques to national chains, though they will go to discount retailers. Despite their youth, they're financially experienced and have started building a retirement nest egg filled with a variety of stocks, preferred stocks and mutual funds. With many commuting to work by public transit, they're a relatively weak market for cars, especially large American vehicles. However, these earlyadopters make up for it in their passion for new electronics: They own smartphones and MP3 players, the better to indulge their passion for music.

Multitasking Young City Solos don't have much time for traditional media. They rarely subscribe to newspapers. They're often too busy to sit down to watch TV. They don't often listen to the radio, though they do like tuning into stations that offer news, talk, hot adult contemporary music, classic hits and contemporary hits. Though they're not big on print media, they will subscribe to certain magazines. They prefer the Internet for entertainment and they note that they're spending less time with other media because of it.

Group S: Struggling Societies

Economically challenged mix of singles, divorced and widowed individuals in smaller cities and urban areas looking to make ends meet

Overview

The four segments in Struggling Societies reflect the nation's least affluent group. These households contain economically-challenged singles and divorced and widowed individuals living in isolated towns and cities. With modest educations and lower-echelon jobs, many struggle to make ends meet. As a group, the households are ethnically mixed, without children and transient. Half have lived at the same address for fewer than five years. Many of these unmarried and unattached singles have moved into these rundown communities with few resources other than a hope of starting over. Struggling Societies are scattered across the U.S., but are found especially in small city markets in the South and Midwest. Even though home values are low, about two-thirds of the national average, only 40% own houses. Roughly half rent their residences, a mix of older ranchhouses and crowded apartment buildings. One in ten lives in mobile homes. In their mixed-use neighborhoods, homes are often surrounded by commercial businesses and buildings. Struggling Societies are not well-educated. Nearly half failed to finish high school. Almost 40% are unemployed. The majority work in mostly low-paying, entry-level jobs in health care, social services and the wholesale and retail trades. With household incomes 60% below the national average, these Americans can only afford to lead unpretentious lifestyles.

Their small-city locations afford members of Struggling Societies some low-cost entertainment options. They go to local establishments, nightclubs, billiards halls and the occasional play or concert. However, most activities are home-based, whether it's listening to music, watching TV, doing needlework or reading gaming magazines. These older adults pursue few athletic activities other than rooting for home-town teams playing basketball, football or baseball.

Even at the bottom of the socioeconomic ladder, Struggling Societies have a need for status recognition. Many of these households like to make a statement with their fashion, and they try to keep up with the latest styles—admittedly, sometimes spending more than they can afford. Most are price-sensitive shoppers who patronize discount department stores like Walmart, Kmart, Burlington Coat Factory and Payless Shoe Source. These consumers, however, regularly splurge for lingerie at Victoria's Secret and pricier outfits at Talbots.

Self-described TV addicts, many keep their TV sets on most of the day to watch sitcoms, movies, reality programs and game shows. They enjoy a variety of cable networks, including Soapnet, Lifetime, Oxygen, AMC, BET

and Cinemax. This is a group filled with music fans, and they tune their radios to stations that play soul, gospel, rhythm and blues and salsa. While many of these households pick up a newspaper, they typically only read the classifieds, food and news sections. Group members say that most magazines are worth the money. A high number concede that they like advertisements, especially those they see on TV, at movie theaters and on buses and subways. They're particularly fond of entertaining ads and they say that they remember ads when shopping and find them helpful.

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Additional Resources

- Experian Business Services (2017). *Mosaic U.S. consumer lifestyle segmentation*. Downloaded from URL: <http://www.experian.com/marketing-services/consumer-segmentation.html>.
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