

Marketing



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CAFFEINE GIANT HITS BACK

WHY STARBUCKS IS
ON A MISSION

BEYOND SMS:
ARE CONSUMERS READY?

THE GEN Y DEBATE CONTINUES...





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In defence of Gen Y.

In the February and March issues of *Marketing*, Richard Batterley contended that Generation Y is too broad a concept to be of any real use to marketers. Here, **Mark McCrindle** and **Mark Beard** present the other side of the debate.

Rarely a week goes by without media interest in 'Generation Y', and people use the terms 'Boomer' and 'Xer' with great familiarity. Superficially, generational cohorts and the labels applied to them seem to be accepted without question – they are permanently embedded in the modern lexicon.

Yet separating the generational hype and conjecture from the serious, usable research and analysis is a challenge. We see an increasing number of organisations identifying generation gaps as the cause of failed communication, ineffective marketing and even workplace conflict. Yet some commentators are beginning to question the practical applicability of generational segments.

In our recent whitepaper, 'Seriously Cool: Marketing and Communicating with Diverse Generations' we set out to research the generational segments and explore a number of unresolved questions regarding the generational approaches to market segmentation. Two key questions emerged:

1. How does generational segmentation fit into more traditional market segmentation models?
2. How can marketers apply generational analysis without including sweeping generalisations that could render their marketing communications invalid and ineffective?

SOCIAL RESEARCHERS VERSUS SOCIAL COMMENTATORS

Any serious examination of Generation Y rhetoric requires an appreciation of who is actually propagating supposed myths. In our view, there

are two distinct groups whose opinion managers should give varying weight. Firstly there are the social researchers who have a background in psychology, sociology or marketing research and develop their credibility via statistically valid research. Secondly, there are the social commentators who tend to be self-appointed experts, motivational speakers and media personalities who offer opinion-based pop commentary lacking in statistical validity. Naturally we believe firmly that marketing managers should give greater weight to considered empirical research, rather than opinionated social commentary.

Give more weight to:	Give less weight to:
Social researchers	Social commentators
Statistically valid studies	Evidence by case study alone
Empirical	Anecdotal
Research-based	Experience-based
Segmentation analysts	Motivational speakers
Demographers, sociologists, social psychologists	Self-appointed experts
Social-science methodology	Speculation
Research findings	Pop commentary

WHY DO WE GIVE WEIGHT TO POP COMMENTATORS?

Why do the media refer to marketing and advertising as substitute terms when one is a constituent element of the other? Simple. The same reason the media refers to pop commen-

tators as social researchers when they are not. It's just easier that way – and besides in the general populace who cares?

It is not surprising that populist management gurus, motivational speakers and media personalities propagate feelings rather than findings. They are simply building an ever-increasing mountain of untested theories. One pop commentator posits a 'fact', which is then regurgitated by another pop commentator and so on. Like a Chinese whisper the unreferenced 'fact' morphs to become a headline grabber, yet its origins were dubious at best.

Experienced marketers are correct in treating much of the generational debate with scepticism. After all, much of the discussion is developed by the popularists rather than the social researchers who actually conduct primary research to develop original insights.

IS GENERATION Y TOO GENERALISED TO BE USEFUL?

Generational labels make convenient 'sound bites' and perhaps – like daily horoscopes – they are general enough to be partially accurate for most people and are thus given greater currency. Yet in our dealings with both major corporations and SMEs we rarely come across marketing managers who blindly follow the latest ideas untested. In our experience the typical corporate marketing manager is well aware of the limitations of mass marketing to a generation. Not only is it self-evident that variety exists within a generation, in our experience most marketers know and accept that while they are a demographic reality, generations are simply one stage in the broader segmentation process.

The point is that generational segments are too generalised to be the sole means by which a firm segments a market. The reason is that they were never meant to offer firms a simple one-size-fits-all option. Marketing theory taught from high school business studies and beyond does not espouse that generational cohorts and market segmentation are interchangeable concepts. Rather, the generations (demographic segmentation) can be seen as an essential part of the process of segmenting consumer markets.

It is not that generational segments are the endgame in the segmentation process; rather, they are a logical first step. The process requires some initial generalisations, but then we prepare for the inherent heterogeneity (variety) within a group. If marketers were unable to generalise about a population, they would need to customise products based on the whims of individual consumers. For all but the most generic products that have mass appeal, 'slicing' the generational segments is not only common practice, it is common sense. Efficient and sustainable manufacturing demands some generalisation and uniformity.

While there is no single way you should segment consumer markets, doing so based on demographics (incorporating the generational segments) is perhaps the most common starting point. The main reason is that demographics, unlike psychographics (i.e. values, attitudes, personalities and lifestyles), are easy to measure. As we have demonstrated (see Figure 1), the num-



bers don't lie – the generations are a demographic reality, and are the most self-evident divisions in our society. But in a marketing sense this is only part of the story.

In order to attract customers, each competing firm must develop a distinct competitive position. This can only be achieved by identifying (and thus grouping) consumers who have unfulfilled needs. Market segmentation is both

a creative and an individual process – if it was not, all firms using the same segmentation strategy would be unable to differentiate their products. Generational segments might be an endlessly fascinating topic among pop commentators, but they should not be a firm's default segmentation strategy.

DON'T THROW THE GENERATIONS OUT WITH THE BATHWATER

Christensen and Raynor, writing for the *Harvard Business Review*, state: "Beware of work urging revolutionary change of everything. This is the fallacy of jumping directly from description to theory." So it is fallacious to dismiss the longstanding practice of generational segmentation purely because of some illogical generalisations.

To dismiss a generalisation (e.g. 'Generation Y are brand-fickle consumers') with a generalisation ('the Generation Y segment is a myth') is illogical. The very argument collapses on itself.

As Christensen and Raynor go on to state: "The most dangerous generalisations are those which are promulgated without question and are used to build the very foundations of a discipline." The generalisation (mostly espoused by pop commentators) is that the generational segments are homogeneous. Clearly this is not the case. The generations do exhibit some homogeneity, but marketers should not accept

BACK TO THE BASICS

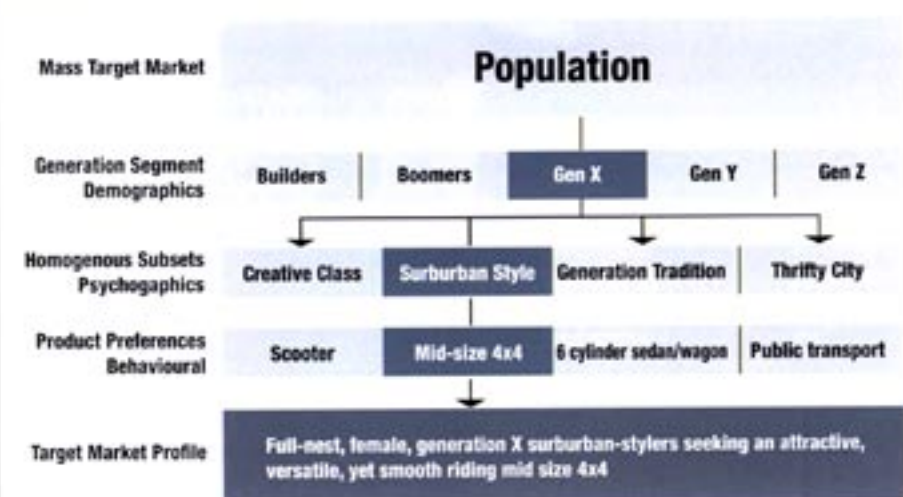
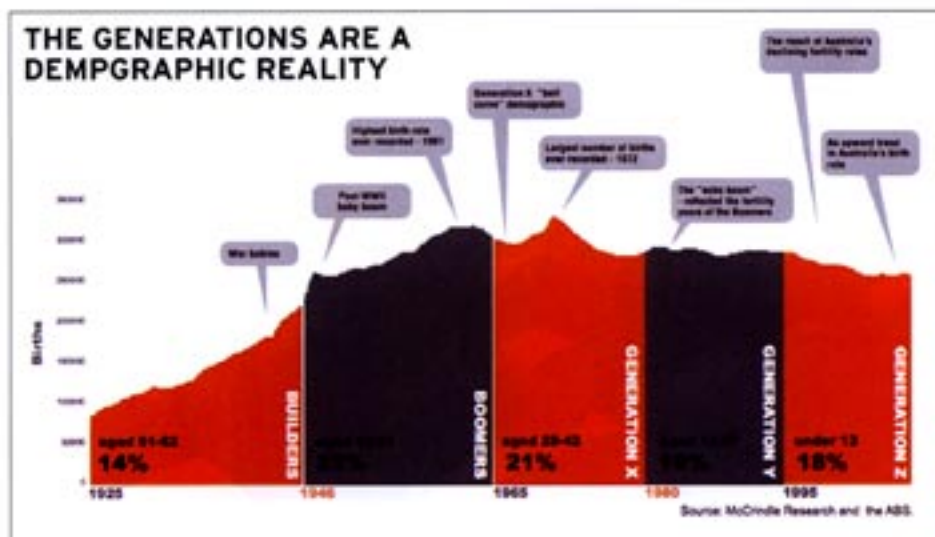


Figure 1: Take the market for urban transportation by way of illustration. Through primary research we have identified and labelled four segments that exist within the urban and suburban Generation X population. As the diagram suggests, generational segments are merely a possible first step in developing narrower market profiles.



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supposed 'truths' by those who have an interest in presenting the population in a certain way.

This is not to say that generational analysis is irrelevant or somehow a myth that can be busted – since there are many self-evident truths and a body of sound research by generations of social researchers and social-psychologists that provide foundation to the generational divisions. The generations are a demographic reality.

BETTER ROI TARGETING FRAGMENTED MARKETS VERSUS MASS MEDIA ADVERTISING

Some firms benefit from fragmented markets and fragmented media – others do not. The fact is that niche marketing is not for everyone. Breaking down mass markets into smaller, more cost-effective segments can only increase ROI for firms with value propositions that suit narrower markets. Niche marketing and niche communications strategies they require deliver less, not greater ROI for firms who satisfactorily target broader mass market segments.

In discussing how McDonald's might move from mass media advertising (to mass markets) to segments that supposedly deliver better ROI,

marketing director Dion Workman states:

“When you are looking at an increasingly fragmented market, how do you go about choosing a medium? We have to look at the cost efficiencies of reaching people through other media.”

Paul Gardner, group chairman, Australia and New Zealand, Grey Global Group, confirms the downtrend in mass media advertising. “When was the last time we saw a ‘roadblock’ ad campaign across all the networks on TV?” he asks. “It doesn't happen anymore.” Yet he alludes to the challenges of maintaining ROI when he further states: “But tailored media will require much more from us.”

The fact is that mass productions supported by mass advertising benefits from greater economies of scale. “It's difficult to generate the case for a frequent flyer program for a six-dollar purchase,” says Workman. “Are consumers going to want a t-shirt if they have bought three burgers?”

GENERATIONAL CONGESTION

Recently, renowned futurist and marketing director at JWT, Marion Salzman, suggested that the future demographic landscape will blur – meaning that the generation gaps will fade

REALITY CHECK

Think unity, not just diversity: As humans, let alone Australians, we have more in common than that which differentiates us.

Think segmentation, not just generation: There are numerous segmentation models and generational analysis is just one of them.

Think descriptive, not prescriptive: To posit that several million people who just happen to be born within the same decade can all be neatly ‘pigeonholed’ is naive. Generational descriptors are indicative and were never intended to be definitive.

Think life stage, not just label: Today's 20-something Generation Ys will one day be 60-something – and it's safe to say they'll look and act a little differently then, even though they'll still be called Generation Y. So don't confuse the current age or life stage (which will change) with the label (which won't).

Think resembling, not creating: It is a fallacy that a generation creates their times – it is more that they resemble, and sometimes react to, their times. For example, Generation Y hasn't created the new employment paradigm of flexible work schedules, work/life balance and portfolio careers – they have just responded to the new world that the previous generations have ushered in.

and divergent generations will merge into amorphous groups. In this future, teenagers and baby boomers will increasingly covet the same brand of jeans, drinks and cars – a future where parents become ‘peerants’. Where music festivals will be filled with parents and children moshing together. Indeed we see elements of this vision today.

So, to the key question – are we to treat markets as loose conglomerates of increasingly disparate fragments, or are we seeing the re-emergence of the mass market? One thing is certain: the answer will likely be found in analysing strategic trends rather than in reacting to the latest fads. The imperative therefore is for marketing managers to not simply seek insights in the musing of pop commentators. It requires sound empirical research, not just great-sounding rhetoric. ■