Research Article

Marketing Approach to Consumers 50 + In the Czech Republic

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Abstract

The paper deals with segmentation and the marketing potential of the significant target age group 50+, which is currently a strong market power and the motive of a new marketing direction in the Czech Republic, a pensioner marketing. The paper determinates the basic problem areas as well as the definition of segmentation, segmentation criteria, segmentation process and methods and techniques. Further, the Czech population aging issue was identified. The four subsegments of the target group 50 – 60 years were formed, characterized and named on the basis of cluster analysis (data processed in analytical program SPSS). These subsegments have got the same demographic, socio-economic and consumer features inside. And at the same time these subsegments are highly dissimilar in comparison with each other. Suitable marketing programs for created subsegments in this determined target group were proposed.

Keywords: population aging in the Czech Republic, the target group 50+, segmentation, marketing mix "4C"

Introduction

The company success in the market depends on a clear definition of the target group. It may be current or potential users of the product or brand, individuals or people´s groups who decide on a purchase. Their detailed characterization is an essential prerequisite for further progress which represents the clarification of what, how, when and where to offer and communicate. The future marketing orientation of companies should be sought in segments that are currently regarded as marginal and not very profitable. This paper focuses on the segmentation and marketing potential of the specific and significant target group of the population 50+, which could be a goldmine for companies which are planning to target pensioners in the near future. This fact could be also the impulse of the new marketing tendency formation – marketing of „grey markets".

Demographic aging is a fundamental characteristic of the current European population evolution, but the perspective of further population aging is more noticeable

in the Czech Republic. The Czech population at the turn of the 20th and 21st century is the oldest in its entire history. A strong contingent of births in the mid-70th years is likely to remain, in the first three decades of the 21st century, the largest age group of the population.

The main conclusion of the Czech population projection for 2050 is the fact that the population of the Czech Republic is aging significantly. The proportion of people aged over 65 years could approximate to one-third in 2050, which would mean the doubling of the current share. The relatively low birth rate will be a major factor of reduction in population and contribute to the significant population aging. The mortality ratios will be improved, the life expectancy of both men and women will be increased. People in the highest age are going to be the fastest growing group of population. The population older than 85 years should be quintupled by 2050. (Czech statistical office, Population projection in the Czech Republic)

The main defined objective of this paper is the analysis of the significant target group 50+ (this target group can be also called:„Best Ager", „Golden Oldies" or Grey Markets") along with the selected consumers´ typology formation (consumers at the age of 50 – 60 years living in the Czech Republic), and make a proposal of the suitable marketing approach to satisfy their demands. In the book by Bárta et al. (2002), the objective reasons for this paper include global relevance of the topic (the aging population in the country), cohort effect (shift due to aging cohort of consumers to higher ages), and then change the understanding of the psychological dimensions of age, demographic changes (increasing life levels, changes in needs' structure, higher literacy, etc.), Czech population 50+ specific demographic characteristics and consumer behavior in comparison with the world with regard to the political system in the Czech Republic

before 1989. The paper offers an incentive to find a market niche, because the target group 50+ can be defined as a measurable, accessible, operational and profitable segment.

The Essence of Market Segmentation in Marketing

An undifferentiated/mass marketing or total market approach assumes that all customers have similar needs and wants and can be served by a single marketing mix. Nowadays, companies cannot connect with all customers in large, broad, or diverse markets. But they can divide such markets into groups of consumers or segments with distinct needs and wants. A company then needs to identify which market segments it can serve effectively. (Kotler and Keller 2012)

Very few products or services can satisfy all customers in a market. Not all customers want or are prepared to pay for the same things. Therefore, to implement the marketing concept and successfully satisfy customer needs, different product and service offerings must be made to the diverse customer groups that typically comprise a market. The technique that is used by marketers to get to grips with the diverse nature of markets is called market segmentation. (Jobber 2010) *Market segmentation is aggregating prospective buyers into groups that have common needs and will respond similarly to a marketing action. The groups that result from this process are market segments, a relatively homogenous collection of prospective buyers.* (Berkowitz et al. 1989) There are a number of reasons why organizations undertake segmentation, for instance, meeting consumer needs more precisely, increasing profits, segment leadership, retaining customers and focusing marketing communications. (Drummond and Ensor 2005)

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The segmentation process involves establishing criteria by which groups of consumers with similar needs can be identified. These criteria have to identify consumer groups that have some typical characteristics. The consumers in segment must be homogenous and heterogeneous within segment. The segment has to be large enough, accessible and measurable. Effective programs can be formulated for attracting and serving the segments. It means that the segment should be actionable. (Drummond and Ensor 2005; Kotler and Keller 2012)

Segmentation is a creative process and can be conducted using a range of different variables. It is necessary to take into account the type of market when the segmentation variables are selected. In the case of consumer markets, segmentation variables can be divided into three main categories: *profile, behavioral,* and *psychographic variables* (Drummond and Ensor 2005). However, there is not one way or one aspect of segmentation. According to Kotler et al. (2007), the main segmentation variables for individual customers and households include geographic, demographic, psychographic, and behavioral variables. Another approach based on Kotler´s concept (2003) creates a different level of segmentation variables in the form of four categories - general and objective, psychographic and general, specific and objective and the last specific and psychographic. Kumar (2008) generalizes Kotler´s approach into two basic segmentation variables' groups - identification variables (Who are they?) and response variables (What do they want?) Koudelka et al. (2002) describe the segmentation variables as variables of market features (causal and variables for use), descriptive variables (traditional and psychographic) and variables of responses to marketing stimuli. In the book by Schiffman and Kanuk (2004), it is said that sellers usually segment markets by combination of several segmentation variables. Hybrid segmentation allows companies more abundant and more precisely defined consumer segments. This includes in particular psychographic-demographic variables and geodemography.

Řezánková (2007) mentioned that in terms of primary data interpretation cluster analysis is very suitable for the segmentation use. Basic methods of cluster analysis allow either groups (clusters) to identify similar categories of one variable based on the categories of the second variable, or discover the links between the two categories of variables (two-dimensional clustering). In both cases, it is usually hierarchical clustering. The software program SPSS has three different procedures that can be used to cluster data: hierarchical cluster analysis, k-means cluster, and two-step cluster. (Cluster analysis)

Results and Discussions

In terms of the orientation analysis, secondary data were used that are supplementary to the data obtained within primary research. The basic secondary data sources were obtained mainly from the Czech Statistical Office, the Labor Office of the Czech Republic, the domestic and foreign professional literature and available studies (Median - Market Lifestyle Media, OMD Czech - Understanding Fifties and Over, Project Pensioner and Me – Medial pensioners image and research outputs of research agencies as ACNielsen, Factum Invenio, etc.).

Due to the type of requested information and examined topic, the personal interview as the primary research method was chosen. The analysis was based on the number of 438 respondents, most of them from the Moravian-Silesian Region. As a technique of selecting a sample of respondents, a semi-representative technique of choice (non-exhaustive survey) was used which consists of selecting respondents based on the assumption (judgment) that these respondents meet certain requirements.

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Defining the Research Problem and Hypothesis

The main research problem represented the inappropriate respecting of the fundamental demographic trends' development (the population aging) by providers of products and services in the Czech Republic, and the related neglect of the significant market potential of generation 50+ living in this area. The objective of this research was to obtain relevant documents for the description and mapping of consumer preferences of this segment, and then segment typology creating that is not uniform and can offer undeniable potential for manufacturers and service providers.

The working hypothesis was defined for the purpose of marketing research: *Economically active population 50+ cannot be seen as a uniform group of consumers - there is a presumption of heterogeneity and requirement for segment typology creating because of marketing intentions.*

Cluster analysis with the aim of making the segmentation profile of the target group 50 - 60 years was implemented in the program SPSS - a two-stage clustering procedure (two-step clustering). Respondents were divided into four categories (subcategories). Advantages of this approach can be seen in the possibility of a large number of variables processing, the combined use of categorical and continuous variables, predefined number of the resulting clusters (segments).

It was possible to *confirm the working hypothesis* because of the segmentation profile outputs of the target group of 50 - 60 years (economically active population). The segmentation profile of the individual segments describing the demographic, socio-economic and consumer characteristics varies considerably. This is not a uniform group of consumers. This statement is also obvious from the assessment of the segmentation variables' significance of defined segments where the clusters differences based on the critical line can be clearly seen.

Due to outputs of primary marketing research, the respondents have been divided into four final segments (clusters) in SPSS analytical program (See Table 1). Most respondents are included in the second segment (129), followed by a segment No. 4 with 117 respondents, segment No.1 has got 111 respondents, and the third segment contains 80 respondents. One respondent has been excluded from analysis because of inadequate data form (Excluded Cases).

Table 1: The resulting distribution of respondents into four segments (clusters)

Cluster Distribution		N	% of Combined	% of Total
Cluster	1	111	25,4%	25,3%
	2	129	29,5%	29,5%
	3	80	18,3%	18,3%
	4	117	26,8%	26,7%
	Combined	437	100,0%	99,8%
Excluded Cases		1		,2%
Total		438		100,0%

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In order to evaluate the significance of individual variables for the segmentation profile creation (demographic, socio-economic and consumer), the critical value at a significance level of 5 % (95% confidence interval) was determined. This value determines the dissimilarity of clusters from the average in the data analysis process in SPSS. If the absolute value of the variable in the cluster is higher than the critical value, the variable is important for the purposes of differentiation from the other cluster, and then the variable is taken into account during the subsequent description of a particular cluster.

Segmentation profile creation of the target group of 50 - 60 years
The description of a particular segment is divided into two groups - demographic, socio-economic profile, and the consumer profile. The consumer profile is defined according to the concept of marketing mix "4C" or it can be also said from the customer´s point of view.

Description of Segment No. 1 - "traditional"

In terms of the demographic and socio-economic profile, it is a segment with a disproportionately high share of male, dominant married marital status, rather completed secondary education, the gross monthly income mainly in the category of 20 001 to 50 000 CZK, sufficient financial resources, the tendency to long-term financial credit products, living in larger cities, mobile population, high computer literacy, average language literacy. In terms of leisure activities, home activities are preferred, lower frequency of holiday trips, both foreign and domestic holiday destinations, the demand especially for consumer products such as food, medicine, clothing/fashion, cost-insensitive, the point of sale plays an important role, no tendency to spontaneous purchases, Czech brands preference, hypermarket as the form of

distribution channel, easily accessible with communication tools as personal references and discounts, refusing of classic commercial communication media.

Description of Segment No. 2 - "rational"

In terms of the demographic and socio-economic profile, it is a segment with a higher proportion of male, dominant marital status married, rather completed secondary education, the gross monthly income mainly in the category of 20 001 to 50 000 CZK, sufficient financial resources, the tendency to short-term financial products, living in larger cities, mobile population, high computer literacy, very good language literacy. In terms of leisure activities, home activities are preferred, lower frequency of holiday trips, both foreign and domestic holiday destinations, the demand especially for consumer products such as food, clothing/fashion, drugstore goods, tendency to consumption of organic products, cost-sensitive, point of sale plays an important role, no tendency to spontaneous purchases, experimentation shopping - innovators, hypermarket as the form of distribution channel, relatively open to electronic communications, easily accessible with communication tools as personal references, discounts, gifts (3D advertising), the relative openness to classical communication media.

Description of segment No. 3 - "consuming"

In terms of the demographic and socio-economic profile, it is a segment with equal proportion of male and female, dominant marital status married, a large group widower/widow, rather completed lower education, the gross monthly income mainly in the lower income category, poor financial resources, tendency to short-term and long-term credit products, living in small towns, immobile population, low computer literacy, average language literacy. In terms of leisure activities, home activities are preferred, a

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strong dislike for traveling and sports, poor investments in holiday trips, lower frequency of holiday trips, foreign destinations, the demand especially for consumer products such as food, drugstore goods and clothing/fashion, price-sensitive, point of sale plays an important role, no tendency to spontaneous purchases, hypermarket and discount sales as the form of distribution channel, easily accessible with communication tools as discounts, personal references, returning the goods.

Description of segment No. 4 - "conservative"

In terms of demographic and socio-economic profile, it is a segment with disproportionately high percentage of female, the prevailing marital status married, rather completed secondary education, the gross monthly income mainly in the lower income category, poor financial resources, tendency to short-term and long-term credit products, living in small and also in big towns, mobile population, good computer literacy, language literacy is below average. In terms of leisure activities, home activities are preferred, lower frequency of holiday trips, only domestic destination, the demand especially for consumer products as food, drugstore goods and clothing/fashion, price-sensitive, point of sale plays an important role, Czech brands preference, hypermarket and discount sales as the form of distribution channel, easily accessible with communication tools as discounts, personal references, returning goods.

Marketing Approaches to Target Group 50 – 60 Years According to Marketing Mix Concept „4C"
The marketing solutions are proposed in two business areas, namely in the area of leisure activities services with a focus on tourism and in retail services relating to the supply of consumer products.

Customer Value

The analyzed target group of 50 - 60 years is relatively passive and conservative. For all defined segments, it is typical to spend the leisure time at home or in shopping centers. This means that services' providers in this area should implement *undifferentiated targeting strategy.* Cultural life and sports activities are not popular in general. In spite of this fact, the segment No. 2 could present a potential demand for cultural and sport services. The services related to care of appearance are typical for segment No. 4, where the female gender predominates. In this case, the *concentrated targeting strategy* should be chosen. The assumption, that educational services are very much required by the target group of 50 - 60 years, has not been confirmed. Specific attention was paid to tourism during marketing research. There is opportunity for the application of *differentiated targeting strategy*. The segments No. 1, 2 and 4 are suitable for travel services' offer.

The target group 50 - 60 years is relatively homogeneous in demand for food, clothing/ fashion accessories and drugstore goods. This means that it is not appropriate to create different product offerings and marketing programs, and *undifferentiated targeting strategy* should be chosen. Products such as furniture and garden equipment are especially demanded by the segment No. 3 and 4 - a *differentiated targeting strategy*. The medicaments, sportswear and computer products are characterized for segment No. 1 - *concentrated targeting strategy.* Demand for books/professional literature is typical for the segment No. 1, 3, 4 - *differentiated targeting strategy.* Cosmetic products are the domain of segment No. 3; there is a possibility of *concentrated targeting strategy* application. The organic products are not bought and consumed by all segments in general.

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Customer Costs

The strategy of *high prices and unique product characteristics* is typical for the segment No. 1 because it can be characterized as cost-insensitive. There is also opportunity of customized (tailored) products offering for higher individual prices. The members of this segment can be seen as financially secure enough with incomes in higher income categories. The *combined pricing strategy* (high/low prices) is typical for the segment No. 2 because members of this segment can be characterized as price-sensitive, but also financially secured with a gross monthly income in higher income categories. Segment No. 2 tends to ensure the purchase of consumer products thanks to financial short-term credit products. The price tactic as introductory prices can help to better reach the members as customers of this segment.

For the segment No. 3, it is appropriate to implement *a strategy of low prices and a focus on low costs* (cost/penetration pricing), because members of this segment are significantly price-sensitive. This fact corresponds with a low educational level, low gross monthly income and poor financial stability. Since the segment No. 1 can be evaluated rather as insolvent, there is a possibility of financial short-and long-term credit products offering.

Combined pricing strategy with an emphasis on low-prices strategy and low costs is characteristic of segment No. 4, because members of this segment are price-sensitive with lower financial stability and at the same time with lower gross monthly income.

Convenience

There are no significant differences among segments in terms of convenience/availability of the product. The *selective or exclusive distribution strategy* can be suitable for segment No. 1. This segment will probably seek after premium products representing consumer´s image. At the same time, the higher demands on the staff expertise, additional services and appropriate retail environment are also expected by this segment. In the case of segment No. 2 and 4, the *intensive or selective distribution strategy* is suitable because of their lower financial stability. This segment will not require extra sales' services, which is reflected in the final price of products. On the other hand, in addition to standard products that satisfy basic needs, customized products can be also demanded. *Intensive distribution strategy* is especially tailored to segment No. 3, when only standard needs for low prices are satisfied.

In terms of shopping trends and decisions, for all defined segments the same factors are important as the *place of purchase* (physical environment - interior and exterior) and *spontaneous of purchases*. Marketing research shows that people aged 50-60 years are not aimed at spontaneous purchase, but it is usually a pre-planned buying decision. From a marketing point of view, the businessmen should implement merchandising issues into their marketing communication strategies. In relation to the meaning of point of sale, it cannot ignore the increasingly important role POP/POS displays in the in-store communication.

If we consider the distribution channels that best suit and meet the needs of individual segments, it should be noted that preferences are again similar. It reflects the impact of forms of shopping, such as *hypermarkets and supermarkets*. For price-sensitive consumers, *discount sales* are obvious. It is necessary to mention the important role of the Internet as a distribution channel today. It is effective to implement the *Internet* into the distribution strategies, because the segments No. 1, 2, 4 were characterized by good computer literacy.

Communication

The required form of communicating with the identified four segments will have the same features. The most effective way for

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marketing communication is to choose *BTL communications*, when primarily *sales promotion tools* are taken into account. It would be also desirable to incorporate the active forms of *direct marketing* into communication schemes with this segment. Active direct marketing means that the first commercial impulse is acted by the producers or traders and the customer is in the passive role. It is actually communicating with current and potential customers through the media - mail (direct mail, catalogs), telephone (telemarketing). The important part of direct marketing is *personal selling* (contact with customers), because this target group requires a relationship based on trust, and therefore it can be a very effective tool for marketing communication especially in a situation when we want to change conservative consumers´ preferences, stereotypes and practices. Thanks to their immediate personal contact, it is more effectively than conventional advertising and other marketing communication tools to influence the customer and convince him/her of the offer's benefits.

Of course, it cannot be said that *ATL communication* is not justified. According to the research results, it is clear that the popularity of traditional commercial communication media is rather low compared with sales' support tools. The classical commercial media such as TV and print would be relatively effective for the commercial addressing of the segments No. 1 and 4.

As mentioned above, the target group is not particularly supportive of new communication trends and approaches. Still, there is opportunity to use the very topical *viral marketing* (focused on the transfer of personal information in the form of so-called rumor or opinion leadership). According to the marketing research results, the target group is very conservative and the references (personal experience) are the most important impulse for their purchase decisions. Viral marketing is a relatively new concept. The viral process relies on a message being transferred from person to person. Clearly, transmission rates are vastly increased when the word-of-mouth type communication is enhanced by electronic means. (Drummond and Ensor 2005) It would also be appropriate to use in the marketing strategy of communication events (*Event Marketing*), which can be understood as a form of sales' promotion, which the target segment is inclined to. In the book by Karlíček and Král (2011), event marketing represents the activities, when the company provides its current and potential customers' emotional experiences with its brand. These experiences primarily evoke positive feelings and support the brand popularity. Event marketing has usually the form of various street shows, road shows, events at the point of sale, and events for major customers, etc.

Conclusion

Generally, it comes to this; the future pensioners´ generation is going to be very different in comparison with the present pensioners in terms of the Czech Republic. The age group 50+ is the most affluent consumer market. This consumer group has the greatest buying power, interested in new services to enhance lifestyle and is currently the largest consumer segment in more product categories than any other market group. There is a great importance to react to this fact in the sense of a suitable supply and marketing programs. The future pensioners are highly economically dissimilar group with various ranges of incomes. Some of them could be very rich, and contrariwise some of them dispose of small household budget. This fact has got an effect on spending money on activities in their leisure time, different demand for products and services, and so on. These consumers could also have a different sensitiveness to the

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prices and empathy to the marketing communication programs.

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