

# THE NEXT 25 YEARS

Population projections calculated exclusively for *American Demographics* for the next quarter century forecast a larger, older and more diverse nation, one with many opportunities—and challenges—for businesses.

BY ALISON STEIN WELLNER

In 2025, the oldest Baby Boomers will celebrate their 79th birthday. The youngest members of Gen Y will mark their 31st birthday, and the oldest Gen Xers will be two years away from being eligible for Social Security benefits—assuming they still exist.

It's always difficult to predict the future, and crystal balls are particularly cloudy when it comes to speculation about what this country will be like politically, socially and culturally a quarter century from now. In statistician-speak, too many variables are interacting in unpredictable ways for a steady hand to paint a detailed picture of tomorrow. But there is an exception: demographics. The demographic book on 2025 is already written, as most of the people who will be alive in 22 years in this country are alive today.

So what are the fundamental demographic trends that will shape the consumer market over the next 25 years? To help answer that question, *American Demographics* teamed up with MapInfo, a Troy, N.Y.-based market research firm, to create population projections to 2025. We found that the trends likely to influence business agendas of tomorrow are already gaining momentum today—and the smartest companies have started developing strategies to suit the three largest and most likely demographic trends that will shape the marketplace of tomorrow. Even in a down economy, these companies are aware that they'll need to meet the needs of a population that's growing at a feverish pace. They're tweaking marketing plans to suit a nation that will increasingly be dominated by people over age 65. They're working to understand emerging ethnic groups now, instead of waiting another 10 years, realizing that the majority white population is on its way to becoming a minority.

But even demographic projections are fallible: Consumers have the ability to throw them off course. By def-

inition, projections make assumptions based on past behavior, and future behavior may or may not follow the same patterns. To create projections such as these, demographers analyze birth rates, death rates and immigration, and project forward three different numbers—one that indicates the highest possible number, one that indicates the lowest and one that's in between, a number known as "the middle series." The projections that follow mostly rely on the middle series—which means they assume people will continue to have children at about the same rate, deaths will continue at about the same rate and immigration will fall between the current rate and its highest number. To the extent that demographics are destiny, here's what's in the cards.

## America the Crowded

On the business agenda:

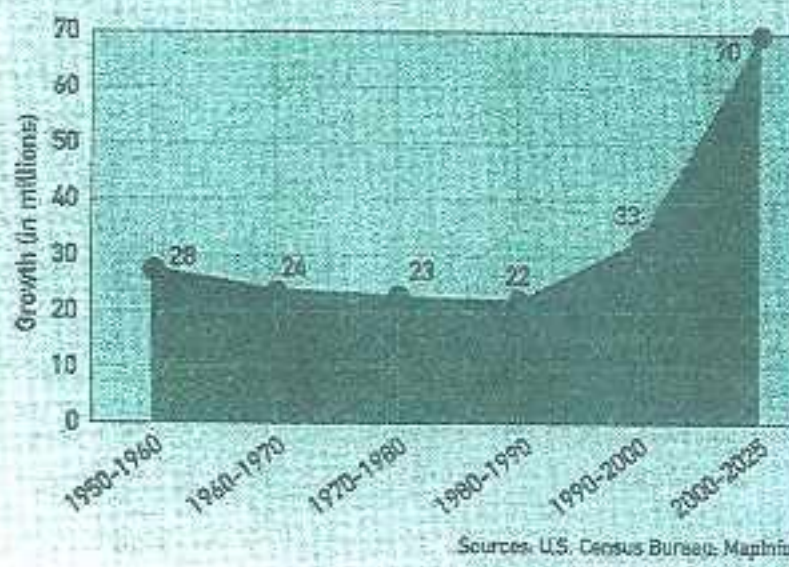
- More opportunity, more niche markets
- Environmental concerns moving front and center

If your idea of America conjures up visions of unlimited wide, open spaces, or of houses on acres and acres of land, you may be in for quite a shock during the next two decades. By 2025, the U.S. population is expected to exceed 350 million people—an increase of about 70 million and a boost of 25 percent, according to projections by MapInfo.

This puts the nation on a growth trajectory that's similar to the one experienced just after World War II, when the GIs came home and helped create the Baby Boom in the 1950s and 1960s. Population growth slowed during the 1970s and 1980s but experienced a surge during the

### growth industry: people

The country's population growth over the next 25 years is expected to far exceed its growth over the past 20 years.



1990s. Expect record-shattering growth to continue, as Americans live longer, birth rates hold steady and immigration continues apace. This wide expanse of growing humanity means that nearly every market segment will expand in numbers over the next 25 years, because more people means more pocketbooks.

However, this massive market does not herald a return to the mass market. "This [population] growth will combine with increasing diversity to create an ever-growing list of market segments," says Josh Calder, chief editor of the Global Lifestyles project, a research venture of Social Technologies, an Arlington, Va.-based consultancy. "I saw a professionally made bumper sticker the other day that said, 'Proud to be Sikh and American.' Such niches driven by ethnicity, attitudes and interest will proliferate," he adds.

As the population increases, niche markets may become unwieldy for businesses to target with a single marketing strategy. For example, many companies have one marketing strategy to reach Hispanic consumers. But by 2025, the Hispanic market will double, to 70 million consumers. As a result, the niche market of today will become a mass market in its own right, segmented not only by nationality (i.e., Mexican, Guatemalan) but also by spending behavior and other psychographic characteristics. Vickie Abrahamson, cofounder and executive vice president of Minneapolis-based Iconoculture, a trends consulting firm, dubs this movement "beehiving." Says Abrahamson, "Beehiving is the growth of tight-knit, alternative communities sharing common values and passions. Marketers must tap in to beehive rituals, customs and language to build trust and patronage."

Of course, population growth can present some challenges. "Don't you ever wonder how we'll have all the resources to take care of everyone on this planet? It's stunning to think about," says Richard Laermer, market-

ing expert and author of *TrendSpotting* (Perigee, 2002). A larger U.S. population will require more water and more land to provide food; it also means that more pollution will be created, according to a 2001 report by Lori Hunter, an analyst at the Santa Monica, Calif.-based think tank RAND. Indeed, population growth means that natural resources will be stretched in the coming years, says Dan McGinn, president of the McGinn Group, a marketing communications firm in Arlington, Va. "More people means more demand for resources, which means shortages of resources. Land, water, power—there will be less to go around," he adds. Expect to see escalating conflicts at the local level over land use, in which the benefits of population growth will be pitted against the cost to the environment. Also expect products and services to be scrutinized more closely for their environmental impact.

### the graying future

Those over the age of 60 will likely dominate by 2025.

|               | 2000        | 2025        | DIFFERENCE | PERCENT DIFFERENCE |
|---------------|-------------|-------------|------------|--------------------|
| Total         | 281,421,906 | 351,070,000 | 69,648,094 | 24.7%              |
| Under 5 years | 19,175,798  | 23,183,000  | 4,007,202  | 20.9%              |
| 5-9           | 20,549,505  | 22,845,000  | 2,295,495  | 11.2%              |
| 10-14         | 20,528,072  | 23,166,000  | 2,637,928  | 12.9%              |
| 15-19         | 20,219,890  | 23,449,000  | 3,229,110  | 16.0%              |
| 20-24         | 18,964,001  | 22,481,000  | 3,516,999  | 18.5%              |
| 25-29         | 19,381,336  | 21,257,000  | 1,875,664  | 9.7%               |
| 30-34         | 20,510,388  | 21,615,000  | 1,104,612  | 5.4%               |
| 35-39         | 22,706,664  | 22,728,000  | 21,336     | 0.1%               |
| 40-44         | 22,441,863  | 22,374,000  | -67,863    | -0.3%              |
| 45-49         | 20,092,404  | 21,031,000  | 938,596    | 4.7%               |
| 50-54         | 17,585,548  | 19,318,000  | 1,732,452  | 9.9%               |
| 55-59         | 13,469,237  | 18,452,000  | 4,982,763  | 37.0%              |
| 60-64         | 10,805,447  | 18,853,000  | 8,047,553  | 74.5%              |
| 65-69         | 9,533,545   | 19,844,000  | 10,310,455 | 108.1%             |
| 70-74         | 8,857,441   | 17,678,000  | 9,020,559  | 101.8%             |
| 75-79         | 7,415,813   | 14,029,000  | 6,613,187  | 89.2%              |
| 80-84         | 4,945,367   | 9,638,000   | 4,692,633  | 94.9%              |
| 85+           | 4,239,587   | 8,930,000   | 4,690,413  | 110.6%             |

Source: MapInfo and American Demographics

### The Mighty Mature Market

On the business agenda:

- The senior market gaining new allure
- Creating ageless multigenerational brands

## the mixed society

By 2025, white non-Hispanics will hold a mere 60 percent majority.

|                             | WHITE,<br>NON-HISPANIC | BLACK,<br>NON-HISPANIC | ASIAN/PACIFIC ISLANDER,<br>NON-HISPANIC | NATIVE AMERICAN,<br>NON-HISPANIC | HISPANIC   |
|-----------------------------|------------------------|------------------------|---|----------------------------------|------------|
| Population, all ages        | 210,984                | 45,567                 | 23,564                                  | 2,787                            | 68,168     |
| Percent of total population | 60.1%                  | 13.0%                  | 6.7%                                    | 0.8%                             | 19.4%      |
| Population, under 5 years   | 11,872                 | 3,103                  | 1,642                                   | 196                              | 6,370      |
| 5-9                         | 12,034                 | 3,065                  | 1,583                                   | 199                              | 5,964      |
| 10-14                       | 12,319                 | 3,180                  | 1,677                                   | 221                              | 5,769      |
| 15-19                       | 12,495                 | 3,359                  | 1,652                                   | 224                              | 5,719      |
| 20-24                       | 11,985                 | 3,170                  | 1,641                                   | 213                              | 5,472      |
| 25-29                       | 11,418                 | 2,907                  | 1,703                                   | 201                              | 5,028      |
| 30-34                       | 11,993                 | 2,865                  | 1,780                                   | 187                              | 4,790      |
| 35-39                       | 12,938                 | 3,198                  | 1,771                                   | 190                              | 4,631      |
| 40-44                       | 13,311                 | 3,176                  | 1,634                                   | 202                              | 4,051      |
| 45-49                       | 12,834                 | 2,836                  | 1,524                                   | 180                              | 3,667      |
| 50-54                       | 11,888                 | 2,596                  | 1,356                                   | 148                              | 3,330      |
| 55-59                       | 11,664                 | 2,419                  | 1,263                                   | 130                              | 2,976      |
| 60-64                       | 12,502                 | 2,343                  | 1,141                                   | 114                              | 2,753      |
| 65-69                       | 13,838                 | 2,413                  | 978                                     | 107                              | 2,508      |
| 70-74                       | 13,071                 | 1,978                  | 800                                     | 93                               | 1,936      |
| 75-79                       | 10,531                 | 1,429                  | 606                                     | 72                               | 1,391      |
| 80-84                       | 7,471                  | 816                    | 400                                     | 49                               | 902        |
| 85-89                       | 3,950                  | 385                    | 217                                     | 29                               | 496        |
| 90-94                       | 1,859                  | 199                    | 118                                     | 17                               | 264        |
| 95-99                       | 745                    | 90                     | 54                                      | 10                               | 116        |
| 100+                        | 267                    | 41                     | 22                                      | 6                                | 45         |
| Median age                  | 43.2 years             | 36.9 years             | 35.3 years                              | 33.8 years                       | 29.8 years |

NOTE: Population numbers in thousands

Source: MapInfo

The biggest growth market, by far, will be the 65 and older set. In 2000, this group included 35 million people, about 12 percent of the population. By 2025, as Baby Boomers age and life expectancy continues to increase, the number of seniors will double, to more than 70 million people. To put this in perspective, the U.S. will have twice as many seniors in 2025 as it has African Americans today.

The graying of America means that companies will have to do more than pay lip service to the idea of marketing to older people. "The era of youth domination in business and marketing will be over," contends Maddy Dychtwald, the author of *Cycles: How We Will Live, Work, and Buy* (Free Press, 2003). "We've always been very youth focused because the percentage of young people

has always overwhelmed the percentage of older adults. Since this domination will be balancing out, we will see more industries and companies begin to seek customers outside of the 18-to-34 demographic," she says. Dychtwald cites a recent Pepsi commercial as an indication of things to come. The ad features a teenage boy in the middle of a mosh pit at a rock concert. He turns around to discover his father rocking out nearby. "The Pepsi Generation is not just about youth anymore," she says. "In fact, it's becoming multigenerational, which is good news for business. It increases their potential target market dramatically."

Still, businesses are not going to suddenly lose all interest in the 18-to-34 demographic. "America loves

## magnet markets

Metros with a high diversity quotient, or that have a large senior population are expected to grow the fastest over the next 25 years; areas with a low diversity quotient are more likely to shrink.

| METROPOLITAN AREA              | 2000      | 2005      | 2010      | 2015      | 2020      | 2025      | CHANGE    | PERCENT CHANGE |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|
| Laredo, TX                     | 194,636   | 227,570   | 261,073   | 295,656   | 331,176   | 367,815   | 173,179   | 89.0%          |
| Punta Gorda, FL                | 142,297   | 166,531   | 190,665   | 215,186   | 240,104   | 265,542   | 123,245   | 86.6%          |
| Las Vegas, NV-AZ               | 1,581,525 | 1,836,721 | 2,093,204 | 2,355,460 | 2,622,811 | 2,897,008 | 1,315,483 | 83.2%          |
| Austin-San Marcos, TX          | 1,259,929 | 1,452,492 | 1,645,797 | 1,843,311 | 2,044,712 | 2,251,148 | 991,219   | 78.7%          |
| Provo-Orem, UT                 | 370,532   | 423,693   | 476,961   | 531,378   | 586,832   | 643,683   | 273,151   | 73.7%          |
| Phoenix-Mesa, AZ               | 3,276,401 | 3,689,337 | 4,105,093 | 4,531,884 | 4,968,122 | 5,416,621 | 2,140,220 | 65.3%          |
| Naples, FL                     | 253,806   | 285,648   | 317,698   | 350,581   | 384,177   | 418,739   | 164,933   | 65.0%          |
| Medford-Ashland, OR            | 181,824   | 203,962   | 226,198   | 248,931   | 272,152   | 295,966   | 114,142   | 62.8%          |
| West Palm Beach-Boca Raton, FL | 1,137,775 | 1,275,564 | 1,412,373 | 1,551,564 | 1,692,865 | 1,837,430 | 699,675   | 61.5%          |
| Wilmington, NC                 | 234,816   | 262,761   | 290,765   | 319,409   | 348,657   | 378,676   | 143,860   | 61.3%          |
| Orlando, FL                    | 1,654,675 | 1,847,142 | 2,042,204 | 2,243,626 | 2,450,435 | 2,663,763 | 1,009,099 | 61.0%          |
| Huntington-Ashland WV-KY-OH    | 315,379   | 315,296   | 315,753   | 317,042   | 319,011   | 321,537   | 6,158     | 2.0%           |
| Toledo, OH                     | 618,056   | 617,729   | 618,309   | 620,615   | 623,998   | 628,522   | 10,466    | 1.7%           |
| Pittsburgh, PA                 | 2,356,378 | 2,354,353 | 2,355,811 | 2,363,989 | 2,376,583 | 2,393,744 | 37,366    | 1.6%           |
| Buffalo-Niagara Falls, NY      | 1,168,948 | 1,167,651 | 1,168,075 | 1,171,903 | 1,177,887 | 1,186,172 | 17,224    | 1.5%           |
| Jamestown, NY                  | 139,663   | 139,488   | 139,511   | 139,933   | 140,634   | 141,593   | 1,930     | 1.4%           |
| Lawton, OK                     | 114,886   | 114,695   | 114,692   | 115,022   | 115,523   | 116,298   | 1,412     | 1.2%           |
| Muncie, IN                     | 118,722   | 118,689   | 118,752   | 119,037   | 119,485   | 120,099   | 1,377     | 1.2%           |
| Parkersburg-Marietta, WV-OH    | 151,138   | 150,877   | 150,821   | 151,185   | 151,848   | 152,807   | 1,669     | 1.1%           |
| Youngstown-Warren, OH          | 594,416   | 593,378   | 593,165   | 594,563   | 597,065   | 600,601   | 6,185     | 1.0%           |
| Sharon, PA                     | 120,219   | 119,972   | 119,890   | 120,154   | 120,620   | 121,271   | 1,052     | 0.9%           |
| Binghamton, NY                 | 251,897   | 250,751   | 249,948   | 249,860   | 250,236   | 251,055   | -842      | -0.3%          |

Source: Woods & Poole Economics; MapInfo 2003

youth—and all things associated with it,” points out Ann A. Fishman, president of Generational Target Marketing Corp., in New Orleans. Adds Rob Duboff, senior vice president of Bowne Decision Quest, based in Waltham, Mass., “Even if there is no increase in the 18-and-under age segment, many marketers will continue to target it as these people start to establish their adult buying habits.”

Instead, companies will have to learn to establish brands that attract older consumers without alienating younger ones, says Dychtwald. “It’s becoming clear that people aren’t over the hill at 50 anymore. Smart marketers will capitalize on this knowledge and create the image of an ageless society where people define themselves more by the activities they’re involved in than by their age.” Although grandparents can be age 45, 65 or 85, what they have in common is that they all want to buy gifts for their grandchildren, she reports. “You could have college

students ages 20, 30 and 60. It’s all part of a more cyclic life, where people cycle in and out of different life-stage events based on their interests rather than their age,” explains Dychtwald.

### The Consumer Kaleidoscope

On the business agenda:

- Devising marketing campaigns that appeal to many demographic segments
- Figuring out how to address the shrinking white majority

By 2025, the term “minority,” as it’s currently used, will be virtually obsolete. Non-Hispanic whites will still

be the majority race in America—but just barely. According to MapInfo's projections, the share of non-Hispanic whites will fall to 60 percent by 2025, from 70 percent today. And the Hispanic population will almost double, to more than 68 million, from 35 million today, growing to 19 percent of the population from 12 percent. The number of Asians in the U.S. will also double, reaching 24 million, or 7 percent of the population, from its current 4 percent.

Companies that have not yet developed a multicultural marketing strategy will have to "wake up and smell the Thai tacos," quips Abrahamson. "If a company today is concentrating solely on a white audience, then it is living in another galaxy, far, far away," she says. Indeed, as the multicultural market becomes a multibillion-dollar market, companies that are already focusing on nonwhite consumers will find themselves at a distinct advantage, says Mark Seferian, director of business development at EchoboomX, a marketing firm based in Denver. "The companies that are currently working to understand emerging ethnic groups will have a huge advantage over the companies that wait another 10 years," he says. (This will be particularly true in fast-growing metro areas, which will tend to be more diverse. See chart, "The Mixed Society.")

Many businesses will not be able to adapt to the realities of the new marketplace, argues McGinn. "Diversity will be much more than a buzzword—diversity will be the key to economic survival," he says. Ethnic newspapers, magazines, television and radio will see phenomenal growth over the coming decades, McGinn believes, and the mainstream media will have to join forces with these ethnic specialists to stay in business. "Companies will not be able to keep swimming in the mainstream, because there is no mainstream. Instead, it's a series of parallel creeks, some constantly filling, some drying up a little," he says.

One of those "drying" creeks will be the declining majority—the white consumer market, which will experience slow growth over the next 25 years. Companies that market to white America will have to rethink their strategies, according to Rob Frankel, a branding expert based in Los Angeles. "The more cynical side of me suspects a subtle 'white market' will define itself, probably premium-

positioned, probably leveraging white angst at lost population dominance," he says. If the current gap in wealth and income between white and nonwhite consumers holds for the next 25 years, businesses will find ample reason to target the nation's 210 million non-Hispanic white consumers.

Will tomorrow's multicultural marketing strategies continue to be segmented by race, with one strategy for "mainstream," one for African American consumers, another for Asians, another for Hispanics? Or will an increasingly multicultural population prefer inclusive, "fusion" strategies that attempt to encompass many different nationalities or racial identities in one campaign, such as those pioneered by clothing retailers Benetton and The Gap? The answer will depend on how Americans come to view their racial identity over the next two and a half decades. For instance, the increasing number of multiracial consumers may not necessarily lead to a consumer culture that blends racial identities, because there's growing evidence that multiracial consumers will think of themselves as a distinct racial group. Former Census Bureau director Kenneth Prewitt points to a growing number of organizations on college campuses aimed at helping multiracial students assert their group identity.

It will become a major challenge for businesses to grasp such subtle matters of cultural identity. To do this, companies will have to rely more heavily on in-depth market research techniques, such as ethnographic research, or new qualitative methods that rely on cognitive science, which promise to give markets an understanding of their consumer's culture, says Seferian. Ethnography enables marketers to understand a culture other than their own through direct observation, absorbing subtle differences in communication styles, behavior patterns and lifestyle. (For more on ethnography, see "Watch Me Now," *American Demographics*, July/August 2002, and "The New Science of Focus Groups," in the March 2003 issue.)

In a nation no longer dominated by one group, most businesses will be marketing to a consumer base that will include a patchwork of racial and ethnic identities. Understanding the differences in consumers' cultural identities will make the difference between failure and success.