

The importance of generational marketing in market segmentation

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ABSTRACT: *Marketers strive to reach their target group of consumers. For this purpose, they use different segmentation criteria, which will allow to profile their target consumer most accurately. The article examines one of the most frequently applied criteria in practice, namely the demographic criteria of age. This criteria is presented through the prism of three interrelated factors that must be taken into account when applying it. The first is related to the age of the consumer or the cohort that people born in one year form. The second factor is the generation to which persons born in a given time interval belong. The third is the binding of the phase of the human life cycle in which each generation finds itself.*

KEY WORD: *generations, age, lifecycle, segmentation, target group*

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I. INTRODUCTION

Market segmentation is one of the most important concepts in marketing theory. Its application in practice helps managers in choosing a suitable target market, which in turn is a guarantee for the successful formulation and implementation of the marketing strategy to ensure company growth.

Market segmentation means breaking the heterogeneous product market into relatively homogeneous groups of consumers called market segments. Market segmentation opportunities arise when there are differences in consumer preferences for a product and its attributes. The purpose of market segmentation is to define characteristic consumer groups, the members of which share common needs, wants and priorities.

This way a company can offer a specific marketing mix for each individual market segment, thus adapting to the specific consumer needs, desires and priorities in a more efficient and financially appropriate way. This in turn leads to a clearer definition of competitive advantage, increased sales, loyalty and customer engagement.

Even when a company sells the same product to different consumer segments, it can develop specific marketing strategies for each market segment, as well as offer of additional goods and services that best meet the needs of the different consumers.

In practice, four main types of market segmentation are applied:

- Demographic segmentation;
- Geographic segmentation;
- Psychographic segmentation;
- Behavioural segmentation.

One of the most commonly used criteria for market segmentation in practice is the demographic criteria age. This arises from circumstances such as:

- ❖ People born in a given time interval witness the same historical events that influence them;
- ❖ People born in a certain period of time are influenced by social movements and trends in society, as well as fashion trends that shape their taste for a certain period
- ❖ People in the same stage of life have similarities in terms of priorities, preferences, habits, desires and behaviour;
- ❖ People pass through different phases of their life cycle over time, changing their priorities, preferences, habits, desires and behaviour;

The application of this criteria must be linked to three factors:

- Cohort;
- Belonging to a generation;
- Stage of life.

1.2 Research Objectives and Methodology

The objective of the research is to present three interrelated factors that are directly connected with the application of the demographic criteria age when segmenting the market. In order to observe the factors that affect the application of the criteria age in market segmentation, the paper is going to discuss them in the following order:

Section 1.3. is related to the age of the consumer or the cohort that people born in one year form.

In Section 1.4. the second factor, which is the generation to which persons born in a given time interval belong, is discussed.

Section 1.5. is related to the binding of the phase of the human life cycle in which each generation finds itself.

1.3 Cohort

Cambridge dictionary's definition for cohort is "a group of people who share a characteristic, usually age". In marketing, it is very common to conduct surveys of the opinion of respondents who are of a certain age, e.g. students aged 18 or young people aged 20-25. This is also one of the fundamental functions of marketing activity. However, the aim is not always to study an entire generation. For this reason, what is essential when profiling respondents or a target group of users is their age or cohort to which they belong.

Some key aspects related to the importance of cohort from a marketing point of view are:

- ❖ People of the same age have common wants, needs, preferences, habits and behavior;
- ❖ They are influenced by fashion trends in clothing, cinema, music, which have an impact on their taste;
- ❖ The representatives of a cohort experience historical events common to the society, which have an impact on them;
- ❖ People of the same age will respond in a similar way to advertising messages and simeotic elements.

This reaction will be different from people representing another cohort.

All people born in a defined time interval form a given generation.

1.4. The different generations

According to Cambridge Dictionary the generation is "all the people of about the same age within a society or within a particular family".

The shift of one generation to another should be considered in the marketing strategy. Otherwise, it would mean that we equate a person A who reached the age of 15 in 1995 with person B who reached the same age in 2024. And these are completely different users, representatives of different generations, with different preferences. Therefore, the differentiation of the particular cohort must be tied to a given generation. Otherwise, our marketing messages won't account for the differences between the 15-year-old person in 1995 and the 15-year-old in 2024. The presumption that they are both young and 15 years old is extremely insufficient. The message we have developed to reach consumer A will no longer be relevant to consumer B, regardless of the same age.

Each generation is different from the others. This is directly related to the era and the historical events and social movements running through it. Generations are shaped to a great extent by the conditions of life offered by the time they are living in. In building them as individuals, generations are influenced by various interrelated factors:

- ❖ Culture
- ❖ Social
- ❖ Economically
- ❖ Politically
- ❖ Technological development directly affecting economic development.

Marketers must know what is characteristic and distinctive about each generation in order to know how to reach them. Seven generations coexist in Bulgaria, as can be seen in Table 1. Each of them fulfils a different social role in society.

Table 1. The different generations

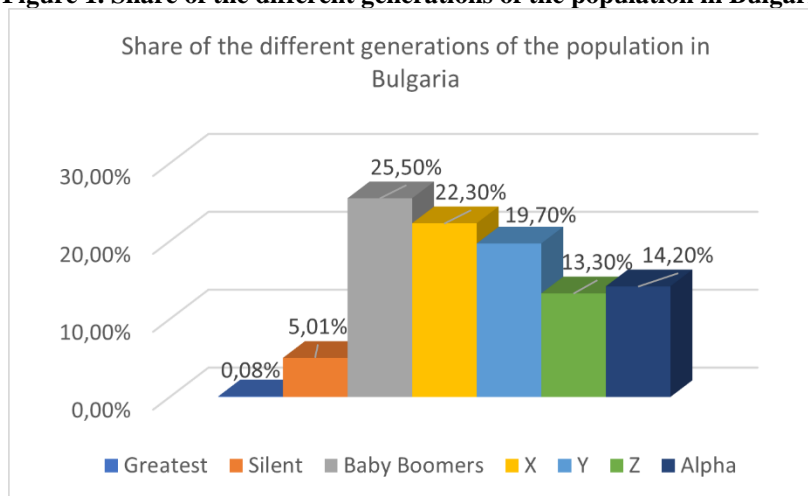
Generation	Born between (year)	Age in 2024	Social role
Greatest	1901-1927	97-123	Pensioner
Silent	1928-1946	78-96	Pensioner
Baby Boomers	1947-1964	60-77	Adult working or unemployed Pensioner
X	1965-1980	44-59	Adult working or unemployed
Y	1981-1996	28-43	Adult working or unemployed
Z	1997-2009	15-27	School student, University student, Adult working or unemployed

Alpha	2010-2025	1-14	Child in nursery or kindergarten, School student
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Source: Own interpretation

Figure 1 shows the distribution in percent of each generation according to the National Statistical Institute of Bulgaria (NSI). One of the most serious problems in Bulgaria is the aging population and the negative natural growth, which for 2022 is -9.6%. As of December 2022, the population of Bulgaria is 6,447,710 people. According to NSI forecasts, by 2090 the population of Bulgaria will decrease to 4,915,423, or below 5 million. This is shown by data from the first scenario of the National Statistical Institute, which is defined as realistic and is in line with the normative requirements of the European Union for the demographic and socio-economic development of the member countries, according to a reference in NSI. The other two scenarios were developed under the hypotheses that the demographic development will take place during favorable and, respectively, unfavorable socio-economic processes in the country. In the first case, the population of Bulgaria by 2090 will be 5,100,943 people, and in the second case 4,790,139 people.

Figure 1. Share of the different generations of the population in Bulgaria

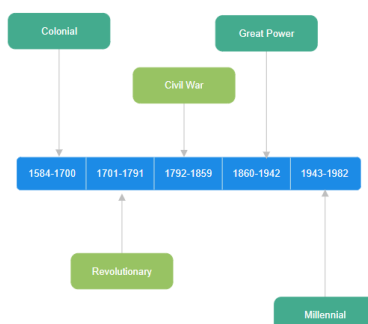


Data Source: <https://nsi.bg/bg>

1.4.1. Cycle of generations

Strauss and Howe (1991) create an extraordinary historical reading of the cycles of the generations in America, beginning in 1584 to those born in 1982. Tying each generation to the historical events and social movements, which are characteristic of the era in which their representatives grew up, they distinguish five cycles, illustrated in Figure 2.

Figure 2. Cycles of generations in America 1584-1982



Data Source: Strauss, W. & Howe, N. (1991)

As can be seen in Figure 2 for the research period the scientists distinguish 5 cycles:

- ❖ Colonial - 1584-1700
- ❖ Revolutionary – 1701-1791
- ❖ Civil War - 1792-1859
- ❖ Great Power – 1860-1942

❖ Millennial – 1943-to those born in 1982.

According to Strauss and Howe (1991), each cycle consists of 3-4 generations. Their in-depth study covering a significant period in history found many relations in the development of cycles and generations. According to the theory, historical events are associated with recurring generational personas (archetypes). Each generational persona unleashes a new era (called a turning) lasting around 20–25 years, in which a new social, political, and economic climate (mood) exists. The theory states that a crisis recurs in American history after every large cycle, which is followed by a recovery (high).

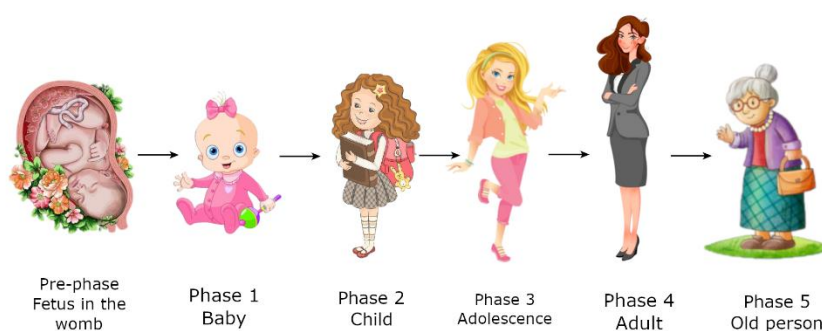
The continuation of this type of research would significantly contribute to a deeper study of the characteristics of each generation and its relation to a given cycle. Discovering patterns in cyclicity directly related to the characteristics of generational archetypes will help make predictive analytics that will contribute to develop more effective marketing strategies.

Cyclicity exists not only in relation to generations, but also in the very lives of their representatives.

1.5. The lifecycle of human life

Human life goes through different phases. It originates in the mother, who carries the baby for 9 months until the moment of its birth. From this moment the first phase of life begins. Human existence goes through five phases, as can be seen in Figure 3.

Figure 3. The lifecycle of human life



Source: Own interpretation

Before the first phase of human life begins, there is a Pre-phase, in which the fetus is growing in the mother's womb for 9 months.

The first phase of human life begins from the moment the baby is born and continues until reaching the age of 1 year.

The second phase - childhood covers the period from 1 to 12 years. This period of development is characterized by numerous and significant changes that occur in children's development.

The third phase, adolescence, lasts from 13 to 18 years. This is a turbulent period of development, which, like the second phase, is characterized by many and significant changes that occur in the development of children.

As Stamatov (2000) states the first three phases are directly related to children's cognitive development in the period from 1 to 18 years, and therefore we cannot ignore a theory that, after appearing in the 1950s, became the main and most influential theory of cognitive development. To this day, it is the basis of most of the modern works on cognitive development, namely the Theory of Jean Piaget.

According to the noted scientist, in the period of their development, children use different reasoning mechanisms so that they can learn more, adapt to the changing environment and successfully move to the next stages of development. Bond (2004) discusses the Jean Piaget's theory as consisting of 4 stages of development: sensorimotor, preoperational, stage of specific operations and stage of formal operations.

Sensorimotor stage: This stage describes the development of newborn to about 2 years of age. It is so named because it is during this time that children learn to coordinate visual and tactile information with their motor skills.

Preoperational stage: It begins in the period from about the 2nd year and extends to the 6th year of development. Children of this age have serious difficulties in seeing the world from a point of view other than

their own (egocentrism). At this stage, children find it difficult to understand and realize the other person's point of view. They understand the world as they see it through their own eyes and do not realize that others see things differently and have other thoughts and ideas.

Stage of concrete operations: Between the ages of 7 and 12, children's thinking becomes significantly more flexible. They manage to reason more skillfully and gradually part with their egocentrism, use logic well and know how to compare their private experience with the general, but still encounter difficulties in using deductive thinking (from the general to the particular).

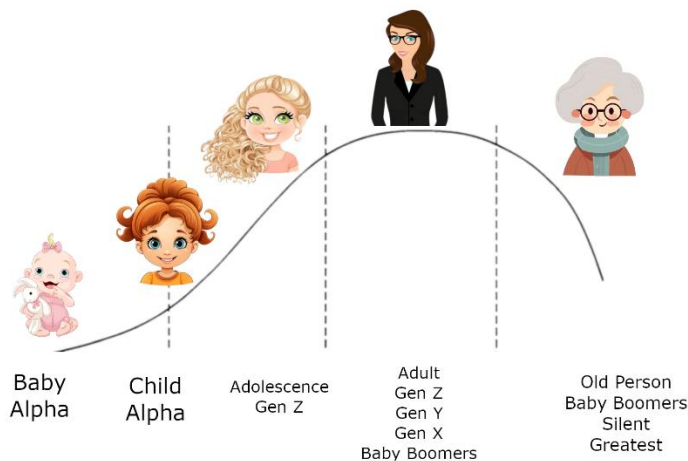
Formal operations stage: This period begins after about 12 years of age and is the last of Piaget's theory. It is characterized by the emergence and development of abstract thinking, planning and deductive thinking. Children are no longer relying only on their experiences, but are able to use more abstract ideas that are important for problem solving and learning.

The fourth phase is adult. This is the longest period in human life. In it, a person becomes an independent individual who builds a career, earns his own living. Another main moment characteristic of this phase is the creation of a family and taking care in raising and educating children.

The fifth and final phase is that of maturity, starting at age 65. A person's focus during this stage is on health and care and shared time with loved ones.

If we position each generation in which stage of the life cycle is in 2024, it would look like this, illustrated in Figure 4.

Figure 4. Place of the generations in human lifecycle in 2024



Data Source: Own interpretation

Unfortunately, not all people make it through all phases. Life expectancy is different for the different people. Unfortunately, not all babies are born alive at birth. According to the National Center for Public Health and Analysis for 2023, there were 17,863 abortions in the country, of which 5,446 were spontaneous and 12,407 were therapeutic. Of the therapeutic ones, 9,887 are voluntary, and 2,520 for medical reasons

According to NSI the expected average life expectancy for the entire population of Bulgaria, calculated for the period 2020 - 2022, is 71.9 years. For men it is 68.3 years, while for women it is 7.5 years higher - 75.8 years.

It is important for marketers that people at different stages of their life cycle have different behaviours, priorities and product preferences. On the other hand, moving into a new stage of one's life cycle, behavior, needs, preferences change. Therefore, tracking these changes, which are directly related to the three factors discussed in the article, are so important to study and analyze.

1.6. Conclusion

Applying generational marketing to market segmentation is key. Each generation has a specific attitude towards the world, formed on the basis of the historical events and social movements that it witnesses while growing up. This affects the behavior, preferences and needs of its representatives. To be successful, any organization should adapt its marketing efforts and strategies to the respective generations to achieve better results.

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