

## MARKETING DECISION MAKING BY GENERATIONS: PROBLEMS AND SOLUTIONS

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### ABSTRACT

The article is devoted to marketing decision making by different generations. Author have analysed generations, its different formulations in the world and Latvia. Author described generations of Latvian consumers, analysing statistical data and research results of advertising agency DDB Latvia and Gfk. The Development of Generations has significantly influenced the consumption, consumer behavior, buying process. Very special role in the article is devoted to the generations what will help companies and individuals to work more efficiency in distribution of goods and services in the market. Relevant information about the consumer obtained in a timely manner enables an enterprise to plan their work on the market more successfully.

KEYWORDS: *Consumer behavior; Generation, Consumption.*

JEL CODES: M11, M31

### Introduction

Research problem: A consumer purchases goods and services in order to satisfy his or her needs and wishes. More than 2 billion people in the world can be categorized as consumers therefore consumer behaviour is a crucial factor in shaping the supply – demand. If back in the day in the Latvian countryside, three generations lived and cooperated under the same roof, then nowadays the society and organisations are grouped within the framework of one generation. In a long-term, those organisations, which learn to take advantage of the differences between generations, will be more successful. We live in a time, when the differences between generations have become very explicit. It is fostered by development of technologies, speed of information circulation, changes in consumer behaviour, growing mobility of people, among many other factors.

Research purpose is on the basis of generation analysis to develop marketing decision making for needs of entrepreneurship.

Research object is particularities of consumer behaviour driven by generations.

The main goal of research is to analyze consumption by generations and how it influences marketing decision making in entrepreneurship. Very special role in presented research is devoted to analysis of generation in Latvian market.

Research tasks are to analyze different definitions of Generations worldwide; to evaluate generations in local market and analyze them; to establish division of generations and their proportion in Latvia; to develop decision making tools for entrepreneurship.

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Research methods. The author employ well known methods of research – statistical analysis, grouping, evaluation, predicting etc. In the course of the present research by synthesis of theoretical developments and practical experience, the analysis of impact of generation on consumer behavior is done.

## 1. Generations in theory and in practice

Researchers and social scientists, who study the effects of population on society, use the term generation to refer to people born in the same general time span who share key historical or social life experiences. The effects of those key life experiences tend to be relatively stable over the course of their lives. Each generation has its own characteristics, values, and attitudes based on events that shaped their lives (Smola and Sutton, 2002: 363–382).

The concept of generations has been theorized as far back as ancient Greek philosophers (Pilcher, 1994: 481–495); yet, ongoing research on the topic throughout the 20th century has not generated consistency surrounding what defines each generation living today. Very little empirical research exists that contradicts the notion of generational differences; yet, the existence of generations and the basic underlying assumptions for what differentiates them are rarely questioned. Examples of salient sociocultural events include technological advancements, developed economies of scale, “significant changes to family and work patterns,” political events, and socioeconomic transitions such as depressions or the introduction of multinational capitalism and off-shoring (Macky et al., 2008: 858).

While generation theory is built on the three-factor relationship described earlier, the use of generational theory to describe one’s behavior is not without challenge. It is difficult to differentiate between the lifecycle and aging (maturing) process and sociohistorical time influences (Pilcher, 1994: 481–495), given “the cross sectional nature of most generational research” (Macky et al., 2008: 860). A difficult issue to address in research on the behavior of any particular group is the “confounding effects of age, maturation, and life cycle stage on generational cohorts” (Macky et al., 2008: 860).

To depict the differences between generations, usually, the perspective developed by scholars in the Western world is used. They divide all people into three generational groupings: Baby Boomers (born between 1943 and 1964), Generation X (born between 1965 and 1980) and Generation Y (born between 1981 and 2001) (Hole, Zhong, Schwartz, 2010: 86). Each generation may have a number of smaller sub-generations – five generations are distinguished in this classification, the oldest being Silver streakers or as they are also referred to – the traditionalists or the silent generation, the veterans, Baby boomers, Generation X, Generation Y.

Upon analysing the generations, differences can be found between the oldest and youngest generations. About 50 % of an individual’s personality, character and behaviour are believed to be influenced by genetics and family environment. The environment outside the family, predominantly birth cohort, has a major impact on a person’s development. Groups of people born within the same time span are referred to as generational, or birth, cohorts. In each cohort-group, individuals share a group identity with a common social history. The people within these cohorts experience similar events as they grow up and tend to have similar attitudes and traits. In the former Soviet republics, the description of generation differs from that of the Western Europe countries, due to the different values and life style, economic potential, and alternative behaviour.

## 2. Generations in Latvia

In the Western world, these differences in perception of the world and in habits are formulated using such concepts as X generation and Y generation, among others; Latvia also has its own rather clearly pronounced and very distinct generations.

Advertising agency DDB Latvia together with Gfk Custom Research Baltic has published research about Latvian generations and they divide all customers in 5 Generations – Survivors, Collectivists, Bohemians, Children of Change, Digital Children.

Survivors (1937–1956), people over 56 years. They appreciate the good and the natural, they are characterized by responsibility and strict principles, as well as cordiality, love for family, and honesty. In childhood and early youth, these people have survived the war and deportations and have grown up in the post-war environment. From their own experience or from stories told by their relatives, these people know that there used to be a time, when Latvia was independent. The childhood and youth of these people is affected by the first trends of the forbidden rock'n'roll, as well as censorship and control of creative manifestations. They are rather conservative and thrifty.

Collectivists (1957–1966), 46–55 years old. Born and raised in an environment, where freedom and capitalism are remote memories of their parents and grandparents; they are characterized by fear and insecurity, the collective power is superior over personal initiative, and team spirit is not a feature that is typical for this generation. The beginning phase of their lives is characterized by extensive construction accompanied by Soviet propaganda. In their childhood and youth, artificial materials, flowery patterns, and ruffles are in fashion, the afterglow of the hippy era reaches also Latvia, embodied here mostly by artists. These people have grown up in stability; therefore they are afraid of changes.

Bohemians (1967–1976), 36–45 year old. This generation is free and sociable; its outlook on life is positive and optimistic. These people are pragmatic and balanced. The period of their childhood and early youth is linked to the appearance of the first Zhiguli car, the first tape player discos. During adolescence and youth, they feel the first breezes of freedom related to the activities of the Environmental Protection Club. It is stylish to wear imported clothing, which is not always obtained strictly officially.

Children of Changes (1977–1986), 26–35 years old. The childhood and youth of these people is related to the transition to an independent country and market economy. They are characterized with pickiness, cynicism, “more relaxed” attitude towards payment of taxes. Likewise, representatives of this generation are more eager to adopt such decisions as a change of job, place of residence. Perhaps, due to their age, they are more romantically inclined than other generations. Their childhood and early youth is characterized with demonstrations and rallies. They are characterized by curiosity and optimism, though, they cannot be referred to as cordial.

Digital Children (1987–1994), 18–25 year old. The people of this generation wish to stand out, they are sociable, impatient, and eager to compete, and they consider shopping to be an entertainment. Possibly, because of their youth, these people are characterized by enthusiasm, but also by lack of self-control. At the same time, they are also emphasizing emotionality, which was manifested in the emo style. Already in childhood, they have “become acquainted” with the computer, during pre-school, they were playing with a tamagotchi and they watched reality shows besides cartoons. They take commercial television for granted; also downloading music, movies, and games has been a daily occurrence since their childhood and teenage years. Some of them do not even remember photographing with films.

The last five generations, and those which make up most of the current Latvian population, can be seen in Table 1, below. Upon analysing the number of inhabitants in Latvia according to their distribution in generations, it can be concluded that the most numerous of all is the survivor generation constituting 30 % of all inhabitants, 15 % belong to the collectivist generation, 14 % – bohemians and children of changes. The digital generation is the least numerous with only 11 %, while the next generation, which is only growing up now, is showing a positive growth tendency and currently amounts to 17 % of the population.

Table 1. Division of generations and their proportion in Latvia, Lithuania and Estonia, %

Generation	Latvia	Lithuania	Estonia
Survivors (over 56 years)	30	29	30
Collectivists (46–55)	15	15	14
Bohemians (36–45)	14	14	14
Children of Change (26–35)	14	12	14
Digital Children (18–25)	11	11	11
Next generation (0–18)	17	19	17

Source: Statistical data 2012

The same tendency is also observed in Lithuania and Estonia, where the proportion between generations is similar. Taking into account the historic situation in the Baltic States, the characterization and proportion of generations could be the same as they are in Latvia, therefore the results of this study can be used also in the neighbour countries.

### 3. Marketing decision making by Generations

When companies plan their work, as well as when choosing marketing measures, it is necessary to determine the target audience as precisely as possible. Division of consumers in generations can facilitate this process, because, if the consumers' age is known, it is possible to find out more precise characteristics typical for the particular generation, its life style, values, and behaviour in the market.

**Survivors.** Nevertheless, they choose fine quality products that will serve longer. They do not mind buying used goods and overall prefer local goods. They do not regard shopping as entertainment. They keep to the tradition of cooking at home and pay attention to how natural the products are. They choose well-known trademarks. They believe that it is important to recycle, they try to buy products of companies that are environmentally friendly. They are reluctant to borrow, they believe that one should be ashamed of being indebted. Shopping is not an entertainment, and it is important that shopping should take as little time as possible. They try to shop at locations, where loyalty cards are used. In creation of brand advantage, the location and contents of the product can be used. This generation can be shown the ways of how the brand saves or helps others save money, resources, and nerves (DDB, Gfk, 2012).

**Collectivists.** They believe that internet is not more interesting than television. They do not pay attention to brands; they do not choose specific "their own" trademarks. They do not wish to stand out from the crowd. With regard to this generation, it is important to first demonstrate product functionality and only then – the brand experience. In marketing communication, it is important to provide confirmation that the brand, movement, or action is accepted and adopted by masses – everybody does this. They have to be offered a plan of withdrawal and guarantees – a trial period, money-back, service guarantee, etc. (DDB, Gfk, 2012).

**Bohemians.** They regard shopping pragmatically, often choose to purchase products and services in sets. They do not try to keep to well-known brands and prefer imported goods. They try to save funds for unforeseen expenses, yet do not hesitate to borrow and believe that the family has assumed excessive debt liabilities. They gladly choose new products and do not stick to well-known trademarks at any cost; likewise, they do not attribute a critical significance to whether the product originates in Latvia or elsewhere. The product and brand can be supplemented with game elements: included in campaigns, lotteries. The product, packaging, and corporate design keeps in line with European tendencies, is different from local stereotypes. In marketing communication, work with event marketing and sponsoring (DDB, Gfk, 2012).

**Children of Changes.** These people are picky and they do not always look for the cheapest product. The children of changes believe that their taste is better than most people's taste. Borrowing is a daily occurrence; they are not particularly concerned about the fact that they might not have enough money for debt repayment.

If a shop does not have what they want, the people of this generation will not accept it, and next time they will simply go to another shop. They do not pay particular attention to whether the company, the goods of which they are purchasing, is responsible towards the environment or support charity. They do not choose the cheapest product. It is important to choose exclusivity and customization so as to allow being different, being the first, signal good taste. It is important that this generation is rewarded for their loyalty with programs, clubs, special service, symbols of affiliation (DDB, Gfk, 2012).

**Digital Children.** Representatives of this generation are ready to collaborate, are talkative and sociable. The digital children like to buy new and different things; however they gladly keep to usual brands, which, in their opinion, depict their personality. These young people prefer internet over television, they are the most active followers of corporate profiles on social networks, if brands can offer an entertaining content and possibilities to earn awards. They believe themselves to be intellectuals and eager to compete, but also

conservative. Likewise, they do not pay particular attention to the contents of food and how natural it is. Shopping for the digital children is art and entertainment. They like buying new and differing things, but they keep to habitual brands. The brands that they use depict their personality. They like to stand out. Marketing communication must be constant and it must respond to topical events (DDB, Gfk, 2012).

## Conclusions

When companies plan their work, as well as when choosing marketing measures, it is necessary to determine the target audience as precisely as possible. Division of consumers in generations can facilitate this process, because, if the consumers' age is known, it is possible to find out more precise characteristics typical for the particular generation, its life style, values, and behaviour in the market.

Research results confirm that it is valuable to merge tighter different theoretical approaches which have the same background. According to the research results the author concludes that, there are at least 5 different generations described and it is possible to observe also in praxis; for each generation it is possible to allocate different motives, demand and behaving in the market.

The youngest generation or the digital children stand out with their enthusiasm, while those, who were born, for instance, in the 60-ties, try to avoid showing initiative and expect the state to provide solutions to problems. For example, people over the age of 56 are rather diligent as regards payment of taxes, whereas the youngest generation believes that not paying taxes is not a significant violation. Likewise, shopping habits between generations differ considerably: while middle-aged people are not particularly loyal to any particular brand, elderly people keep to recognized brands, but the 20-year-olds and 30-year-olds, for their part, will leave a shop, if they do not find the desirable item there.

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## SKIRTINGŲ KARTŲ RINKODAROS SPRENDINIAI: PROBLEMAS IR SPRENDIMAI

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### Santrauka

Straipsnyje aptariami marketingo sprendimai, susiję su skirtingų kartų poreikiais. Autorė analizavo skirtingų kartų vartotas formuluotes pasaulyje ir Latvijoje, apibūdino Latvijos vartotojų kartas, analizavo statistinius duomenis ir reklamos agentūros „DDB Latvia“ bei GFK tyrimo rezultatus. Skirtingų kartų vartotojų vartojimas ryškiai skiriasi, skiriasi ir jų elgsena bei pirkimo procesas. Tai autorė ir aptaria savo straipsnyje, siekdama padėti bendrovėms ir individams efektyviau paskirstyti prekes bei paslaugas rinkoje. Laiku gauta informacija apie vartotoją leidžia organizacijoms sėkmingiau planuoti savo darbą.

PAGRINDINIAI ŽODŽIAI: *vartotojų elgsena, kartos, vartojimas.*

JEL LASIFIKACIJA: M11, M31