The Aged Segment of the Market, 1950 and 1960*

SIDNEY GOLDSTEIN

DURING the first two-thirds of the twentieth century, major changes have taken place in the social and demographic structure of the American population. One of the more significant is the sharp increase in the number of persons 65 years old and over, from just over 3 million at the turn of the century to 18.5 million in 1966. Equally striking is the increase in the proportion of older persons in the population, from only 4% of the total in 1900 to 9.4% in 1966. Although population projections suggest that the proportion of old persons will remain relatively constant for the next quarter century, about 10% of the total, their absolute numbers will increase still further to about 27 million in 1990.¹

The rapid growth in the numbers of older persons and the unique position which a very significant proportion of the aged occupy with respect to such factors as income, family status, and health demands continuous reexamination of their position within the total social and economic structure of the American population and of their impact on the general economy, particularly on the marketing aspects. This article focuses on two questions: 1) What constitutes the aged population's share of aggregate expenditures for various categories of goods and services? 2) How has this share of the market changed as the proportion of aged in the population and their income level have increased between 1950 and 1960?

Sources of Data

The availability of data in the mid-1950s from the Bureau of Labor Statistics Survey of Consumer Expenditures in 1950 provided the basis for an extensive examination both of the consumer behavior of urban families headed by older persons and of the ways in which their behavior differed from that of younger segments of the population.² Yet, such cross-sectional data, measured at a single point in time, do not provide the best means for measuring changes over time; it may be erroneous to infer that the differences between old and young units in 1950 also reflect differences in consumer behavior between the old in 1950 and the same units 25 to 40 years

*This investigation was supported by U.S. Public Health Service Grant No. HD-01550 from the National Institute of Child Health and Human Development.

¹ U.S. Bureau of the Census, Current Population Reports, Population Estimates, Series P-25, No. 352 (November 18, 1966), Table 1; also No. 359 (February 20, 1967), Table 4.
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^ Sidney Goldstein, "Changing Income and Consumption

Ten years for the aged, as for other groups, expendi-

tionally lower in 1960-61 than in 1950,*


On the other hand, the relative size of expenditures

household furnishings, transportation, clothing,

personal care, and recreation were lower among the

aged compared to the groups under 65.4

Both the 1950 and the 1960-61 consumer surveys

show that the income of older consumer units was

below that of all younger units in the population.

The income levels for all age groups increased be-

tween 1950 and 1960-61, but the greatest changes

were for those groups which already had the highest

average income levels in 1950. As a result, in 1960-

61 the average income of the aged continued below

that of all other age groups and was, in fact, pro-

portionally lower in 1960-61 than in 1950.5

Reflecting the rising income levels during these

ten years for the aged, as for other groups, expendi-

tures in all major categories of family purchases

were higher in 1960-61 than in 1950. Some im-

portant shifts occurred, however, in the proportion

of the total expenditures devoted for particular pur-

poses. The relative importance of expenditures for

food declined. In 1950 this amounted to almost one-

third of the older units' budgets; in 1960-61 food

expenditures were closer to one-quarter of the aged

units' budgets. Also following a general trend, the

expenditures for clothing were lower in 1960-61 than

in 1950. On the other hand, older units reported

spending more for housing in 1960 as well as con-

siderably more for medical care and personal care.

Most other categories showed either little or irregu-

lar changes between the two surveys.

As judged by income and expenditures, therefore,

the aged in the United States continue to occupy a

unique position in the economic structure. Although

the absolute amounts available to them have in-

creased and expenditures have correspondingly in-

creased, there have been, relative to the rest of the

population, only minimal changes in the overall in-

come and consumption patterns of age differentials.

What impact do these patterns of age differentials

have on the market and how have the changing in-

come level and age distribution of the urban popula-

tion affected the aggregate purchases of consumer

goods and services?

Age Differentials in Aggregate Expenditures

Among the 31.5 million urban families represented

in the 1950 Consumer Expenditures Survey, 14.4% were

headed by persons 65 years of age and over.

As such, the aged constituted a small segment of the

total number of urban families. On this basis alone,

the value of goods and services purchased by aged

units could be expected to represent a small share

of the aggregate of purchases. The data for 1950

confirm such an expectation.6 Even more, they in-

dicate that the expenditures of the aged for each

category of goods and services were below what one

would expect on the basis of their proportion of the

total number of urban family units. In large mea-

sure this reflects the low income position of the aged

segment of the population and the restrictions which

low income imposes on consumer purchases.

In contrast to the 14.4% of the total number of

6 Sidney Goldstein, Consumption Patterns of the Aged


262-267.

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TION PATTERNS OF THE AGED. This article is part of a

larger study of "Changing Consumption Patterns of the Aged,

1950-60," supported by the Public Health Service.

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3 Bureau of Labor Statistics, Consumer Expenditures

and Income, Urban United States, 1960-61, Report


4 Sidney Goldstein, "Changing Income and Consumption

Patterns of the Aged, 1950-1960," Journal of Geront-


5 Sidney Goldstein, "The Effect of Income Level on the

Consumer Behavior of the Aged," in Proceedings of the

Seventh International Congress of Gerontology,

Vol. 7 (Vienna: International Association of Geron-

family units which the aged units represented, their share of the aggregate urban money income after taxes in 1950 amounted to only 9.3% (upper panel of Table 1). This discrepancy in the aged units' share of aggregate income in turn accounts for the lower than average contribution which older units made to the aggregate expenditures for current consumption goods and services, about 9.2%. On the other hand, for all age groups under 65, both aggregate income and current consumption expenditures either approximately equalled or somewhat exceeded what the numbers of these units in the population would lead one to expect. Therefore, the consumer market as a whole had an extremely broad base, with families in all age groups, except the very oldest, being important spenders.

The aged families' share of aggregate expenditures for each of the major categories of consumer goods and services varied somewhat among categories, but these differences generally conform to the patterns of age differentials in the distribution of consumer expenditures. Yet, for no major category of goods and services did the percentage of aggregate expenditures accounted for by the aged exceed the relative size of the aged group in the total popula-
The Aged Segment of the Market, 1950 and 1960

Table 2
DISTRIBUTION OF FAMILIES, INCOME, AND EXPENDITURES BY AGE, 1950 AND 1960; RATIO OF 1960 TO 1950 PERCENTAGE DISTRIBUTIONS

<table>
<thead>
<tr>
<th>Age of Head of Household</th>
<th>Percent Distribution of Families, Income, and Expenditures by Age, 1950 and 1960</th>
<th>Ratio of 1960 to 1950 Percentages</th>
<th>Ratio of Income and Expenditures to Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Percent</td>
<td>100.0 100.0</td>
<td>100.0 100.0</td>
<td>100.0 100.0</td>
</tr>
<tr>
<td>Under 35 Years</td>
<td>25.7 24.9</td>
<td>24.7 23.5</td>
<td>25.4 24.8</td>
</tr>
<tr>
<td>35-44 Years</td>
<td>23.1 22.1</td>
<td>26.4 26.5</td>
<td>26.4 27.0</td>
</tr>
<tr>
<td>45-54 Years</td>
<td>20.4 19.6</td>
<td>23.5 23.8</td>
<td>23.3 23.2</td>
</tr>
<tr>
<td>55-64 Years</td>
<td>16.4 15.5</td>
<td>16.1 15.2</td>
<td>15.7 14.3</td>
</tr>
<tr>
<td>65 Years and Over</td>
<td>14.4 17.8</td>
<td>9.3 11.0</td>
<td>9.2 10.7</td>
</tr>
</tbody>
</table>

Although they represented almost 15% of all family units, the outlays of the aged for alcoholic beverages, house furnishings, clothing, personal care, recreation, transportation, and tobacco amounted only to between 6% and 8% of aggregate expenditures for each of these categories of consumption. The relatively greater share of the market represented by older units' expenditures for food, housing, and medical care reflects the more essential character of these consumption categories and the corresponding fact that older units expend proportionally more of their total current consumption expenditures for such purposes than do the units under 65. Despite this, the aged families' contribution to aggregate expenditures for these particular categories of goods and services remains below the standard provided by their relative numbers in the population.

Between the 1950 and the 1960-61 Surveys, family units headed by an aged person increased from 14.4% of all urban household units to 17.8% (lower panel of Table 1). During this same interval their share of the aggregate urban money income increased from 9.3% to 11.0%, and the aggregate share of expenditures for current consumption rose from 9.2% to 10.7%. The increase in relative numbers of aged was, therefore, not fully matched by a corresponding increase in their share of aggregate income and expenditures in 1960-61 compared to 1950. This differential pattern of change results from the smaller rise in average income of the aged units than that of the younger age segments of the population.

Perhaps more significant for evaluation of the age differentials and the changes between 1950 and 1960 is a comparison of the aggregate income and the aggregate expenditures of a specific age group with the percent of total units in that age group. For this purpose an index of 100.0 indicates that the group's share of aggregate expenditures equals its relative size. An index above 100 indicates that the group's expenditures and income exceed the amount expected on the basis of its relative size; and an index under 100 shows that the group's expenditures are below the amount their numbers would warrant. In both 1950 and 1960, the aged constitute the only group for which the index for aggregate income and for aggregate expenditures is markedly below the 100 level (Table 2). In 1950, the index for the aggregate income of the aged was only 65. This contrasted to an index of almost 100 for those under 35 and those 55-64 and indices of 114 and 115 for those in the middle-age range. In 1960, the overall pattern was
TABLE 3

RATIO OF PERCENT OF AGGREGATE EXPENDITURES ACCOUNTED FOR BY THE URBAN AGED TO PERCENT OF TOTAL FAMILIES IN THE URBAN AGED GROUP, 1950 AND 1960 AND RATIO OF 1960 TO 1950 PERCENTAGES

<table>
<thead>
<tr>
<th>Number of Families</th>
<th>1950</th>
<th>1960</th>
<th>Ratio of Percentage for Specific Category to Percent of Families</th>
<th>1950</th>
<th>1960</th>
<th>Ratio of 1960 to 1950 Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged as Percent of Aggregate</td>
<td></td>
<td></td>
<td>Ratios of Percentage for Specific Category to Percent of Families</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Income After Taxes</td>
<td>14.4</td>
<td>17.8</td>
<td>100.0</td>
<td>64.6</td>
<td>61.8</td>
<td>118.3</td>
</tr>
<tr>
<td>Expenditures for Current Consumption</td>
<td>9.2</td>
<td>10.7</td>
<td>63.9</td>
<td>60.1</td>
<td>106.3</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>9.7</td>
<td>11.4</td>
<td>67.4</td>
<td>64.0</td>
<td>117.5</td>
<td></td>
</tr>
<tr>
<td>Alcoholic Beverages</td>
<td>7.6</td>
<td>8.1</td>
<td>52.8</td>
<td>45.5</td>
<td>106.6</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>10.9</td>
<td>12.8</td>
<td>75.7</td>
<td>71.9</td>
<td>117.4</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>13.9</td>
<td>14.8</td>
<td>96.5</td>
<td>83.1</td>
<td>116.5</td>
<td></td>
</tr>
<tr>
<td>Household Operations</td>
<td>11.3</td>
<td>12.6</td>
<td>78.5</td>
<td>70.8</td>
<td>111.5</td>
<td></td>
</tr>
<tr>
<td>House Furnishings</td>
<td>6.7</td>
<td>7.8</td>
<td>46.5</td>
<td>43.8</td>
<td>109.2</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>6.9</td>
<td>7.6</td>
<td>47.9</td>
<td>42.7</td>
<td>110.1</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>7.8</td>
<td>8.4</td>
<td>54.2</td>
<td>47.2</td>
<td>117.7</td>
<td></td>
</tr>
<tr>
<td>Medical Care</td>
<td>12.3</td>
<td>13.8</td>
<td>85.4</td>
<td>91.6</td>
<td>112.5</td>
<td></td>
</tr>
<tr>
<td>Personal Care</td>
<td>8.3</td>
<td>10.2</td>
<td>57.6</td>
<td>57.3</td>
<td>122.9</td>
<td></td>
</tr>
<tr>
<td>Recreation</td>
<td>6.1</td>
<td>6.5</td>
<td>42.4</td>
<td>36.5</td>
<td>116.6</td>
<td></td>
</tr>
<tr>
<td>Reading Material</td>
<td>10.7</td>
<td>12.9</td>
<td>74.3</td>
<td>72.5</td>
<td>102.6</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>3.0</td>
<td>3.6</td>
<td>20.8</td>
<td>20.2</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td>7.1</td>
<td>7.7</td>
<td>49.3</td>
<td>43.2</td>
<td>108.4</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>10.6</td>
<td>11.9</td>
<td>73.6</td>
<td>66.8</td>
<td>112.3</td>
<td></td>
</tr>
</tbody>
</table>

quite similar, but the indices for the aged and for the very youngest group were below those of 1950, whereas the indices for the middle-age range, 35-54, were above the 1950 levels, indicating that the share of aggregate income concentrated in these groups was even greater than in 1950.

Since the level of expenditures is closely related to the level of income, the changes between 1950 and 1960 with respect to aggregate expenditures in relation to numbers of family units closely parallel the patterns already noted for aggregate income. In 1950 the index for aggregate expenditures of aged units was only 63.9, far below the indices for all other age groups. In 1960 the same overall pattern of differentials existed, but the index for the aged group had declined slightly to 60.1. Again, therefore, these comparisons show that between 1950 and 1960 the aged proportion of the population increased as did their share of aggregate income and their contribution to aggregate expenditures; but the latter two changes were below the level called for by their increase in numbers. In 1960 as in 1950 and despite their increasing numbers, the aged units' share of purchasing power in the market was far below what their numbers in the population would warrant.

In relating percent of aggregate expenditures to the percent of aged family units, the spending unit may not constitute the best standard against which to judge the level of expenditures. Units categorized by age differ in both average size and composition. Compared to younger units, aged units contain on the average fewer members, and proportionally more of these members are adults. If measured by the number of individuals in the spending units headed by an older person, the aged constitute a smaller proportion of the population, 11% for the United States as a whole, than they do if measured by spending units, 18%. Using individuals, therefore, would result in higher indices, many of which will exceed 100. As before, however, these indices merely serve to indicate the extent to which the aged account for more or less of aggregate expenditures than their numbers would lead one to expect. From the marketing point of view, it is the absolute amounts of aggregate expenditures which are most meaningful, and these remain relatively small.

As analysis of the distribution of consumer expenditures of the aged among the various categories of goods and services indicated in 1960, as in 1950, this distribution was by no means uniform, but tended to be concentrated among the more essential consumer items. Of all the major categories of expenditure, the aged in 1960 accounted for a greater proportion of the aggregate costs of medical care than they did of any other category of expenditures. Yet, even here, their proportion of dollar outlays was below their proportion in the total population.

Earlier comparisons showed that the aged population's share of aggregate income and expenditures...
increased less rapidly than did their relative numbers in the population. To what extent does this conclusion also hold for the specific categories of goods and services? The indices presented in Table 3 represent the ratio between the 1960 and the 1950 percentages of aggregate expenditures accounted for by the aged.

Several points stand out: 1) The proportion of aggregate expenditures accounted for by the aged in 1960-61 was greater than in 1950 and for all categories of goods and services, suggesting that their greater number contributes to an increasing share of the market for all goods and services. 2) The index values for specific categories of goods and services encompass a considerable range, from 106.6 to 132.5, indicating that factors other than sheer increase in numbers affect the aged group's share of the market. These factors include changes in income, in style of life among the aged and the general population, in the cost of the various goods and services, and in their relative importance to aged persons. 3) Selected categories including home furnishings, shelter, food, education, reading, and personal care increased at a rate in excess of the overall change in level of aggregate expenditures from 9.2% to 10.7%, and medical care increased at a rate even in excess of the change in the outlays for the more basic needs such as food, shelter, and health maintenance. Inclusion of reading and education in this grouping probably reflects the higher rates of labor force withdrawal by the aged, resulting in more expenditures for leisure time activities. Overall, therefore, the greatest changes in the aged population's contribution to aggregate expenditures stem from their greater numbers coupled with decreased income, resulting in proportionally more of aggregate outlays being assigned to essential needs. This development would seem to have particular relevance for marketers who have looked to the increasing number of aged persons as a source of significant demand for consumer items.

Summary and Discussion

In general, the data on the contribution of the various age segments of the population to the aggregate expenditures for consumer goods and services suggest several points about the relationship between age of consumers and the consumer market. There appears to be no such thing as an "age of acquisition," that is, an age group which dominates the consumer market with its intensive purchase of a wide variety of consumer goods. On the basis of total expenditures for current consumption, not one of the five family age groups under consideration here was responsible for more than 26.4% of all expenditures in 1950 or more than 26.5% in 1960-61. In fact, if the aged group is combined with the 55-64 age group, the four resulting family age groups (under 35, 35-44, 45-54, and 55 and over) were almost equally responsible for the total amount spent for current consumption. Such age divisions mask, of course, the lower than average contribution of the aged to aggregate expenditures in both periods.

While these data point to the broad age base of the consumer market, they also indicate that the relative contribution to aggregate expenditures does vary by age of head of household, being greatest for those in the age group 35-44 and very low for the aged. Although the differences correlate with the relative size of the various age groups, the relation is by no means perfect and is obviously affected more closely by the aggregate income available to the members of the respective age cohorts.

The increase between 1950 and 1960 in the relative numbers of aged units has resulted in some increase in the aged population's proportionate share of aggregate income and expenditures. However, the income gains of aged family units were more than matched by the gains made by family units in younger groups, so that the increase in their share of the market, judged by both income and expenditures, was not commensurate with their increased numbers. Individual categories of consumption showed various patterns of change between 1950 and 1960. The aged accounted for proportionally more of the expenditures in each category in 1950 than in 1960, but the greatest changes were for those categories to which the aged allocated their limited resources because of their essential character from the point of view of survival (food, housing, and medical care) and or because of the special living patterns associated with old age resulting from increased leisure time (reading and education) and changed health and family status (medical care and housing).

While the absolute number of aged units will increase in the foreseeable future, their relative number in the population is not likely to differ drastically from its present level of approximately 10%. Changes in number alone might not alter significantly the aged group's share of aggregate expenditures. A much more important factor in possibly affecting the aged's share of the market is changing income level. The big spenders for all categories of consumption are the above average income families in every age group. This is true of the aged. Differences in average expenditures are frequently much greater for the different income levels of the aged group than they are for the different age segments of the same income level. Any development which alters the income position of any large number of aged units is therefore likely to affect significantly both the economic position of the aged group as a whole and their share of the total market.

In the future an increasing number of older people will probably receive larger incomes through a widen-
ing participation in pension plans, social security, and other benefits. As a result, they may be able to remain important consumers longer than has been heretofore possible and at a level which is above a mere subsistence standard. Whether such changes will affect the relative economic position of the aged group and the share of the market which is accounted for by their purchases will depend, however, on what changes occur in the economic position of the other age segments of the population. If the average income of these units also continues to increase at the same or at a higher rate than that of the older units, as it did between 1950 and 1960, then the aged may continue as a relatively unimportant segment of the consumer market, except for those specific items of goods and services which may be unique to the needs of older persons. It will also depend in part on whether the increased income they receive is negated by corresponding increases in the cost of goods and services which are to be purchased, particularly those in the more basic categories of consumption. In general, therefore, any significant change either in the impact of the aged on the consumer market or in the level of consumption of the aged units themselves can come about only through quite sharp increases in the income which these units receive. Until such drastic changes in income for the aged occur, it seems reasonable to expect that both their position in the market and their overall low level of living will remain relatively unchanged.


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**MARKETING MEMO**

*Does Creativity Have Other Mothers Than Necessity?*

...new products can sometimes—but rarely—be developed by working backwards from the needs of the market. Right now, for instance, American soldiers in Vietnam desperately need some kind of device to detect the presence of Viet Cong troops. It has been pointed out by scientists working on life systems in space capsule design that over 400 different chemicals are produced almost continuously by normal human metabolic processes, ranging alphabetically from acetaldehyde through para-hydroxyphenylacetic acid to ordinary zinc. The problem is to develop instrumentation to detect these chemicals, and twenty of them offer promise. In this case, the use of known tools to attack a known problem may produce a solution.

More often, however, there is a question whether a firm can really work back from a given need to the development of a product. A Bob Hope gag writer once described the gag-writing process: "We sit down in a room and start laughing. Then we work back to the gag that produces the laughter." Creativity is required both to perceive needs and to invent imaginative solutions to them. And creativity requires creative persons.
