



Market Trends

How To Play: The Upcoming Boomer Boom

Tom Van Riper, 11.02.05, 6:00 AM ET

The first wave of America's 78 million baby boomers is barely 60 days away from hitting the big six-oh.

Beginning on Jan. 1, 2006, a boomer will hit the age of 60 every seven seconds for the following 19 years. And even a generation that's determined to be more youthful and active than the one that preceded it can't fight the aging process forever. Tastes and habits do change, however gradually, challenging many companies to stay ahead of the curve in recognizing new trends in a generation with \$2.5 trillion in spending power. That number is expected to get closer to \$3 trillion by 2007, as more move into their prime earning ages of 45 to 54 years. And as a group never exactly known for its thriftiness, expect them to spend.

Large-cap pharma, hotel-resort chains and home builders have a chance to be among the big winners of the next five years, industry observers say, as boomers spend freely on anti-aging drugs, slower and more laid-back vacations and close-to-home retirement communities.

"This generation is represented by Paul McCartney, the Rolling Stones--people who have already turned 60," said marketing consultant Brent Green, author of *Marketing to Leading-Edge Baby Boomers*. "They know they are getting older, but they are still shaping popular culture."

He says big pharma is primed for a decade or more of growth as boomers age, with as many as 750 age- and disease-fighting drugs set to follow **Pfizer** (nyse: [PFE](#) - news - people) drugs Viagra and Lipitor now in the collective pipeline.

Despite conventional wisdom, which keeps many major advertisers focused on younger consumers, the boomer generation is not set in its ways when it comes to product choices, according to studies by MarketResearch.com. In fact, their studies show boomers are more receptive to advertising than their Gen X and Gen Y counterparts, who tend to reject marketing claims out of hand.

And, said Green, some businesses that remain hell bent on catering to youth culture may have a rude awakening--if they haven't already.

Both athletic-apparel maker **Nike** (nyse: [NKE](#) - news - people) and workout-club operator **Bally Total Fitness** (nyse: [BFT](#) - news - people) were high-flying stocks in the 1990s, when most fitness-oriented boomers had yet to hit 50. Now, half of the baby boomers are at least 50, with one-third of the entire U.S. population scheduled to reach that milestone there by 2010.

Bally has already suffered a fall from its perch--its stock price having dropped to under \$6 per share from \$24 five years ago. A major source of its trouble has been the migration of middle-aged women to **Curves**, a privately held fitness company that has new members practically running in. Curves has opened 9,000 clubs since its debut in 1992, enrolling four million members in the process.

"These [baby boomer] women are intimidated by big coed gyms and young women in spandex," says Curves spokeswoman Becky Frusher. "They want a place for themselves where they can be comfortable."

Business is better at Nike, the top sports-apparel maker, which continues to report solid profits. The company's stock price has doubled over the past five years, even as the S&P 500 has inched down. But analysts say the company's future looks less certain, as the growing 40- to 60-year-old segment turns increasingly toward closely held rival **New Balance** of Boston.

"I don't think Nike is positioned to capture aging baby boomers," said analyst Jamelah Leddy of McAdams, Wright and Ragen in Seattle, even as she maintains a bullish outlook through next year.

"They're geared toward authentic athletes more than active lifestyles for [the] middle-aged and seniors," she said.

The area where boomers are most mellowing, marketers point out, is in their choice of vacation activities. Skiing, rock climbing and hang gliding are quickly being replaced by a desire for learning and culture--what Green calls "edu-tainment."

Wall Street has turned bullish on major hoteliers, such as **Marriott International** (nyse: [MAR](#) - news - people) and **Starwood Hotels & Resorts** (nyse: [HOT](#) - news - people), each of which has built more of its business around resorts that supply "lifestyle" getaways at places like Lake Tahoe, Nev. During their stays, customers over 50 may find little extras, including lessons in gourmet cooking, wellness education and golf.

Starwood's timeshare division, which specializes in resort getaways, now accounts for about one-third of its \$300 million in annual profits.

Right now, much of the travel industry is looking up at not-for-profit **National Geographic**, which has captured the attention of middle-aged customers looking to mix fun and learning while on vacation. The company's "Expeditions" unit, which furnishes trips to exotic locations worldwide, has grown business at a 35% clip over the past year--its third-straight double-digit increase.

"It's a natural extension of our brand, and we've seen strong demand from baby boomers who want to take their children for a family experience," said National Geographic Vice President **Lynn Cutter**, who cited Alaska as a popular destination.

For the particularly well-heeled, the company offers an annual "Around the World on a Private Jet" package to the spots National Geographic commonly covers with its magazine and television channel. For \$45,000, customers travel to the likes of Egypt, China and Morocco on a private jet over a 24-day period, accompanied by tour guides to teach them about local history and culture.

The next trip, scheduled for March 2006, is sold out and has a long waiting list, according to Cutter.

Soon many of those returning from vacation will be heading to new, downsized homes--though they won't be located in the Sun Belt. Over the next five years, as boomers begin to retire in big numbers, more will choose to stay closer to home and family, according to demographic studies.

Downsizing to condos and town houses figures to be the next major wave of the housing boom, Green predicts. There is already evidence to suggest this trend in the number of baby boomers who are already buying units as second homes and investment properties, with the idea of moving in upon retirement. Second homes have accounted for about one-third of all real estate sales since early 2004, according to the National Association of Realtors.

Wall Street favorite **Pulte Homes** (nyse: [PHM](#) - news - people), whose stock has soared 73% since January 2001, figures to have plenty of growth fuel left following this year's lull. The company continues to invest heavily in retirement communities in both the Northeast and middle America through its Del Webb unit.

"Our studies show that 59% of boomers will move when they retire, and half of those will choose to stay near home," said Dave Schreiner, who runs Pulte's baby boomer segment through Del Webb. "If you don't take the product to them, you lose."

The company concentrates its development just outside of major cities, where retirees can have peace and quiet while enjoying quick access to urban amenities. There is already a strong presence in large metro areas, such as New York, Boston, Chicago and Washington, D.C., among others, and Pulte has plans to expand into Minneapolis, Atlanta and parts of North Carolina, Schreiner said.

Del Webb's retirement communities account for one-third of Pulte's \$11.7 billion in annual revenue, up from 5% four years ago.

For more on the changing investment landscape caused by aging baby boomers, see "[Beating The Boomer Effect](#)."

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