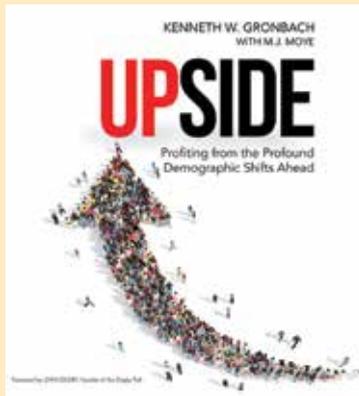


Demographics: Powering the Upside of Business



Title: Upside: Profiting from the Profound Demographic Shifts Ahead

Authors: Kenneth Gronbach and M.J. Moyer

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Early in his book *Upside: Profiting from the Profound Demographic Shifts Ahead*, demographer Kenneth Gronbach tells a story from his advertising days – he is now an independent consultant – in which his firm lost one of its biggest and most profitable accounts ever: America Honda Motorcycles.

In the 1970s and early 1980s, Japanese motorcycles had enjoyed booming U.S. sales, and there seemed no end in sight. Yet, suddenly and for no discernible reason, Gronbach writes, the bottom fell out of the Japanese motorcycle market. “We ran the television, radio, billboard and newspaper ads for about 180 dealers from the tip of Maine to Pittsburgh to Washington, D.C.,” he writes, “and then waited for the usual tidal wave of customers. It never arrived.” By 1992, the era of the Japanese motorcycle was over.

What happened? It was not until 1996 that Gronbach understood the reason

for the Japanese motorcycle market’s mysterious disappearing act: It was all about generations.

During the 1970s and early 1980s, baby boomers – those born between 1945 and 1964 – were in the key 16- to 24-year-old motorcycle-buying age. By the mid-80s, boomers had aged out of the market and were replaced by 16- to 24-year-old Generation Xers. And here was the problem, Gronbach writes, a problem that strikes to the core of the theme of *Upside*: There were much fewer Gen Xers than boomers.

Gronbach explains: “The diminutive Generation X that followed the Boomers simply did not have the critical mass of 16- to 24-year-old men to satisfy the needs of the market left behind by the Boomers.”

Business is a question of supply and demand, and for Gronbach, many businesses are not paying attention to one of the fundamental components of supply: the number of people buying. In the first part of the book, Gronbach lays out the numbers, dedicating a chapter each to the six generations in the U.S. market today, from the G.I. Generation, born between 1905 and 1924, to Generation Z, born (or will be born) between 2005 and 2024.

Gronbach offers some interesting perspectives on the generations. For example, the Silent Generation, the generation born

1925–1944, is smaller and less well known than the G.I. Generation (also known as the “Greatest Generation”), which came before it. However, the Silents are leading the way in terms of living long, healthy and active lives deep into their 80s and even 90s. The unexpected slowness of the “graying” of America reveals the challenge of businesses anticipating generational changes.

Demographics is partly about births, how many people are born into each generation, but it is also partly about immigration and migration. For example, there are nearly 83 million Gen Xers (born 1965–1984) living in the U.S., compared to 78 million boomers (1945–1964). A key reason for the Gen X population boom is immigration, which will continue to have a significant impact on the demographics of the U.S. as well as Canada and European countries.

Within the U.S., migration can have a direct impact on the economy of specific regions. Population numbers in the Northeast are stagnating for a number of reasons, including the loss of manufacturing jobs and the number of people retiring to warmer Southern states. The Midwest is also stagnating, although Gronbach notes that there are pockets of population growth, while the South and the West are benefitting economically from increasing population growth.

In the second section of the book, Gronbach offers a snapshot of some key industries impacted by demographics, from funeral homes and health care — both about to be impacted in ways never before seen by the boomers — to housing and retailing, where millennials will be making the biggest impact.

Gronbach finishes with a cursory view of the rest of the world, but it is in the detailed chapters on the generations that this passionate ode to the power of demographics is strongest. ■

Shifting demographics explain why the bottom fell out of the US market for Japanese motorcycles in the late 1980s and early 1990s

