
Superstore or Boutique: How Demographics is Changing Marketing and Customer Service

A Presentation to

Canada East Equipment Dealers' Association
Annual Convention 2007

By

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Demographic Analysis

Overview

- Study of human populations
- Key factors of analysis:
 - » Sex
 - » Ethnicity/race
 - » Marital status and family structure
 - » Births and deaths
 - » Migration
 - » **AGE**

Demographic Analysis

Overview

To become an amateur demographer
you must understand:

- Two assumptions
- Template of “cohorts”

Demographic Analysis

Assumptions

Assumption #1

Every year you get a year older

Demographic Analysis

Assumptions

Assumption #2

You tend to act your age

Demographic Analysis

Assumptions

- *Acting your age:*

- » “Two-thirds of everything” (David K. Foot, *Boom, Bust & Echo 2000*)
- » Life cycle analysis of **economic behaviour**: how you spend your time and money
- » **Strategic and long-term** (10-20 years)
- » **Baseline analysis** (don't forget the survey research, economic forecasting, policy analysis, etc.)

Demographic Analysis

Cohorts

- **Boom:** 1947-1966
 - » 41-60 in 2007
 - » 30 percent of Canada's population
- **Bust:** 1967-1979
 - » 28-40 in 2007
 - » 18 percent of Canada's population
- **Echo:** 1980-1995
 - » 12-27 in 2007
 - » 22 percent of Canada's population

Today's Presentation

- Major demographic trends in Canada, with emphasis on Ontario:
 - Historical
 - Projected
- What the trends mean for your industry:
 - Projected “demographic pressure” on product demand
 - Labour market
 - Marketing approaches

Today's Presentation

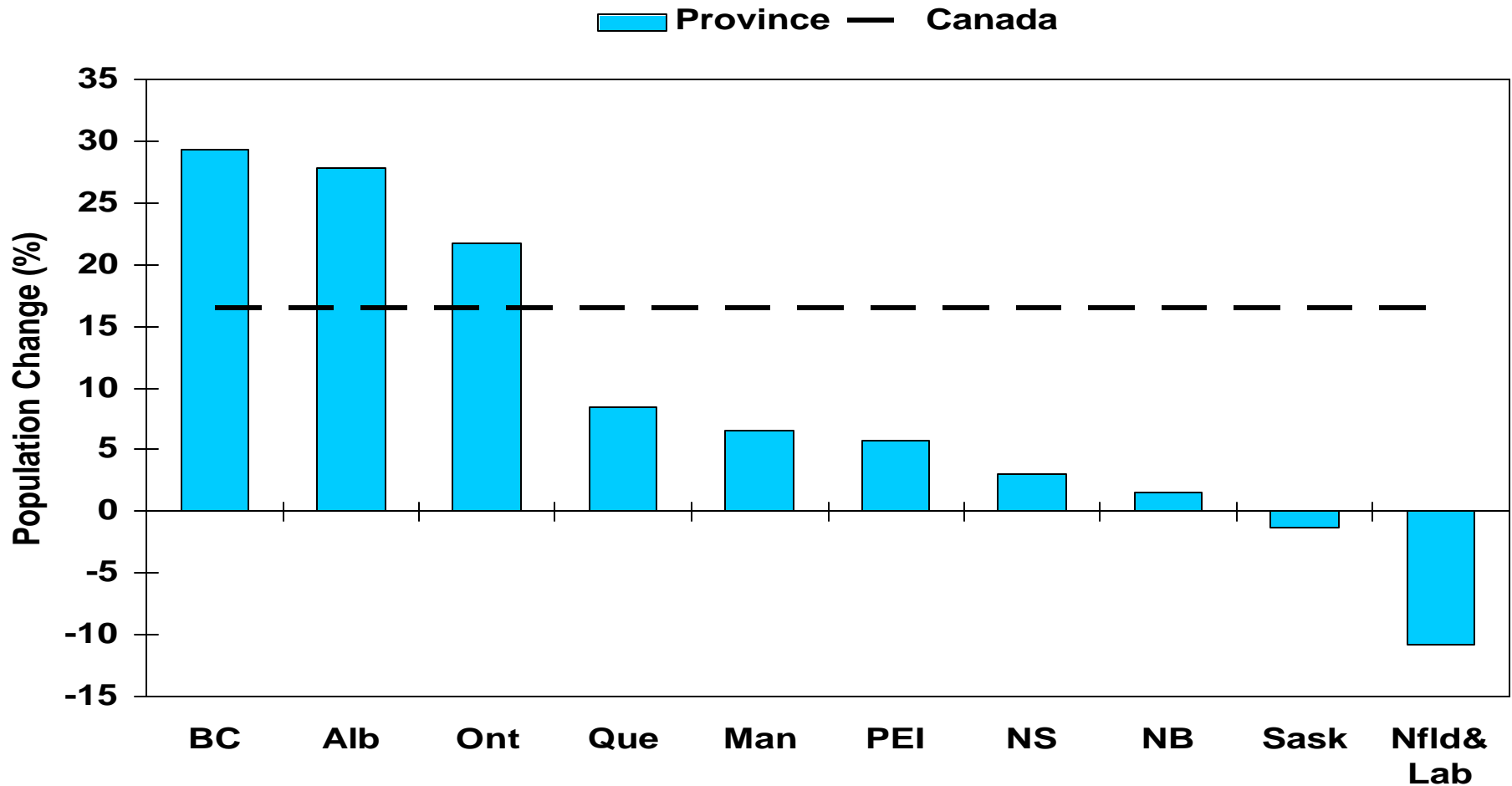
- Assumption: **Farmers are the industry's main customers**
- What do we know about Ontario's farmers (2001 Census):
 - » Average family size is 3.4 persons
 - » Median age is 50
 - » 1.6 percent of provincial population
 - » Number of operators decreased by 12.3 percent between 1996 and 2001

Demographic Trends - Canada

Between 1990 and 2005, Ontario's population increased by 22 percent. Along with British Columbia and Alberta, Ontario grew well above the national average of 16.5 percent. Saskatchewan and Newfoundland & Labrador experienced population decline.

Canada's Provinces

Population Change, 1990-2005 (percent)

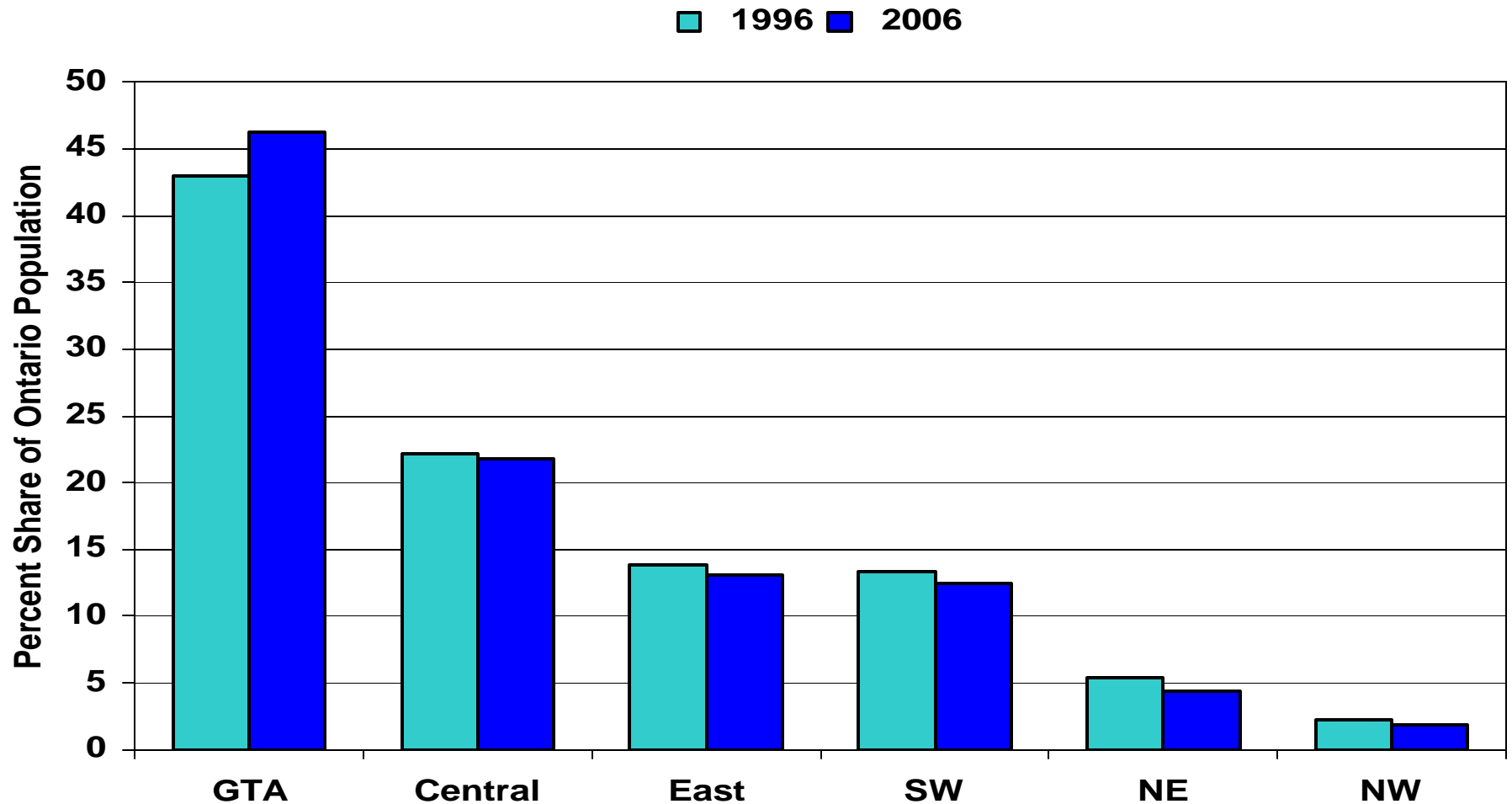


Demographic Trends - Ontario

Ontario's population is skewed regionally. Roughly one-half of the population lives in the GTA; two-thirds, in the GTA and Central Ontario. Only the GTA increased its share between 1996 and 2006.

Ontario

Population Distribution by Region, 1996 versus 2006

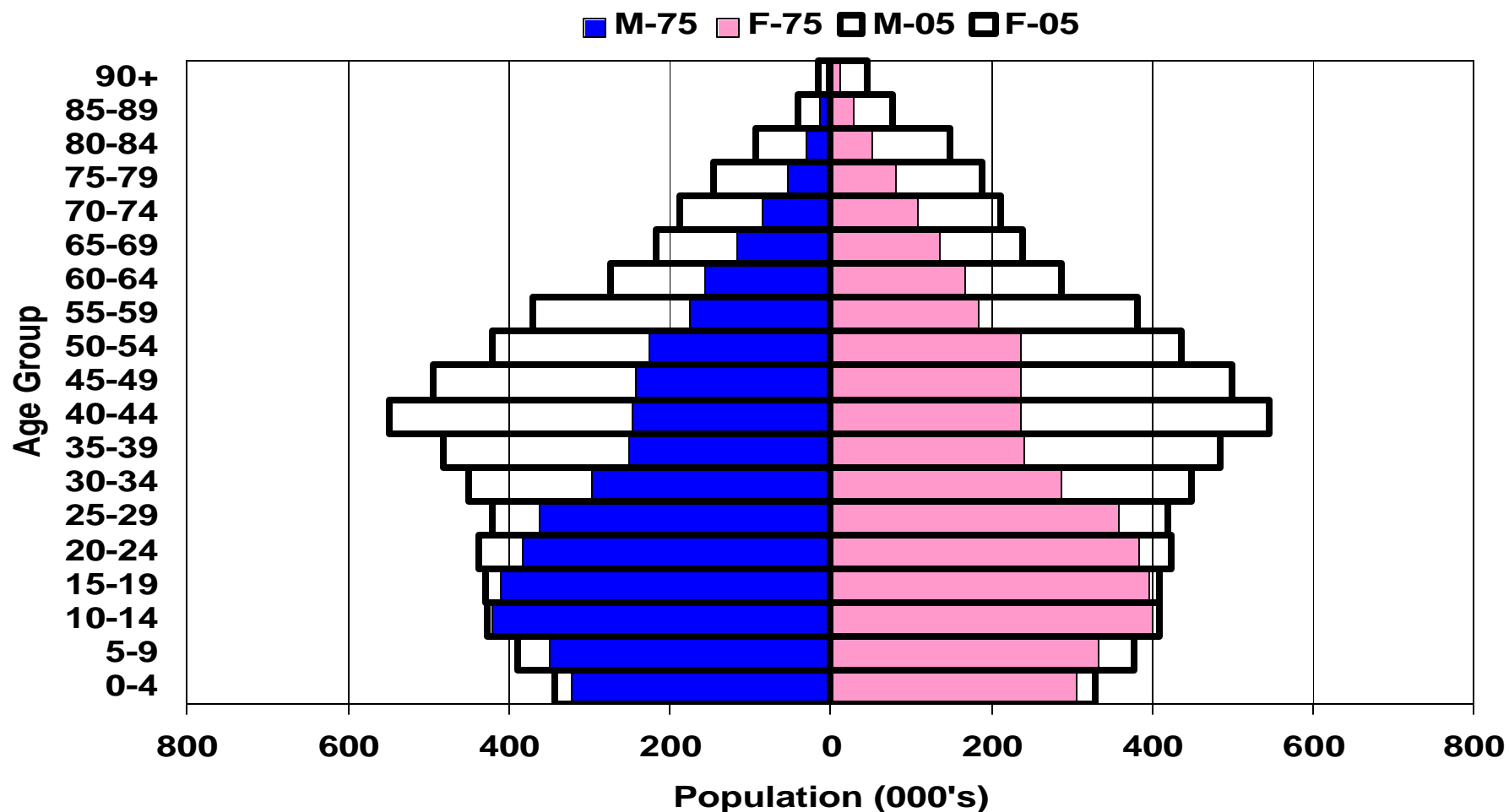


Demographic Trends - Ontario

Since 1975, Ontario's population has increased by one-half. It has also been aging. In 1975, 28 percent of Ontario's residents were 45-plus; by 2005, 38 percent.

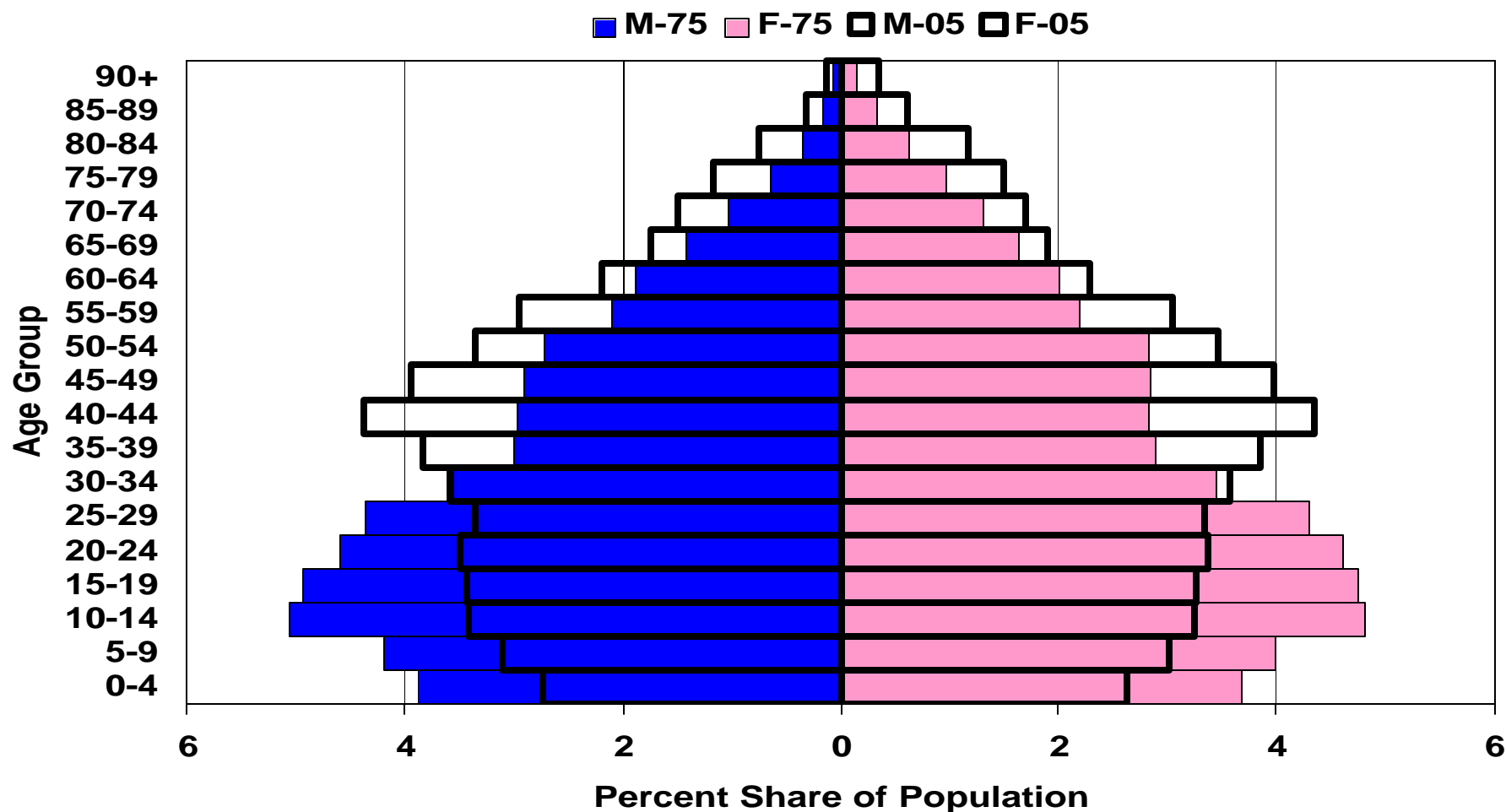
Ontario

Population Pyramid, 1975 (colour) versus 2005 (outline)



Ontario

Population Pyramid, 1975 (colour) versus 2005 (outline)

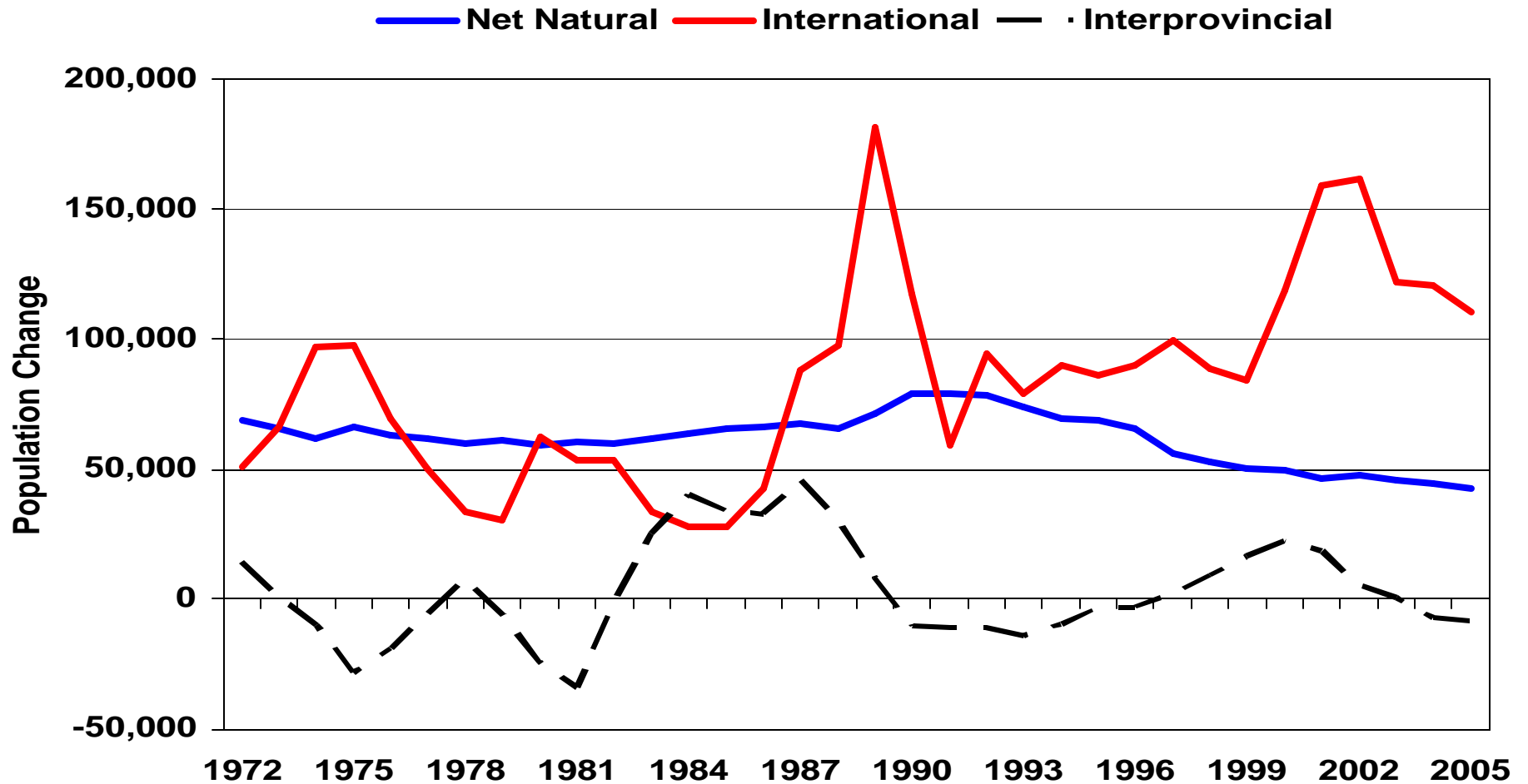


Demographic Trends - Ontario

**Between 1990 and 2005,
international migration
increasingly drove the growth
and ethnic/racial diversification
of Ontario's population.**

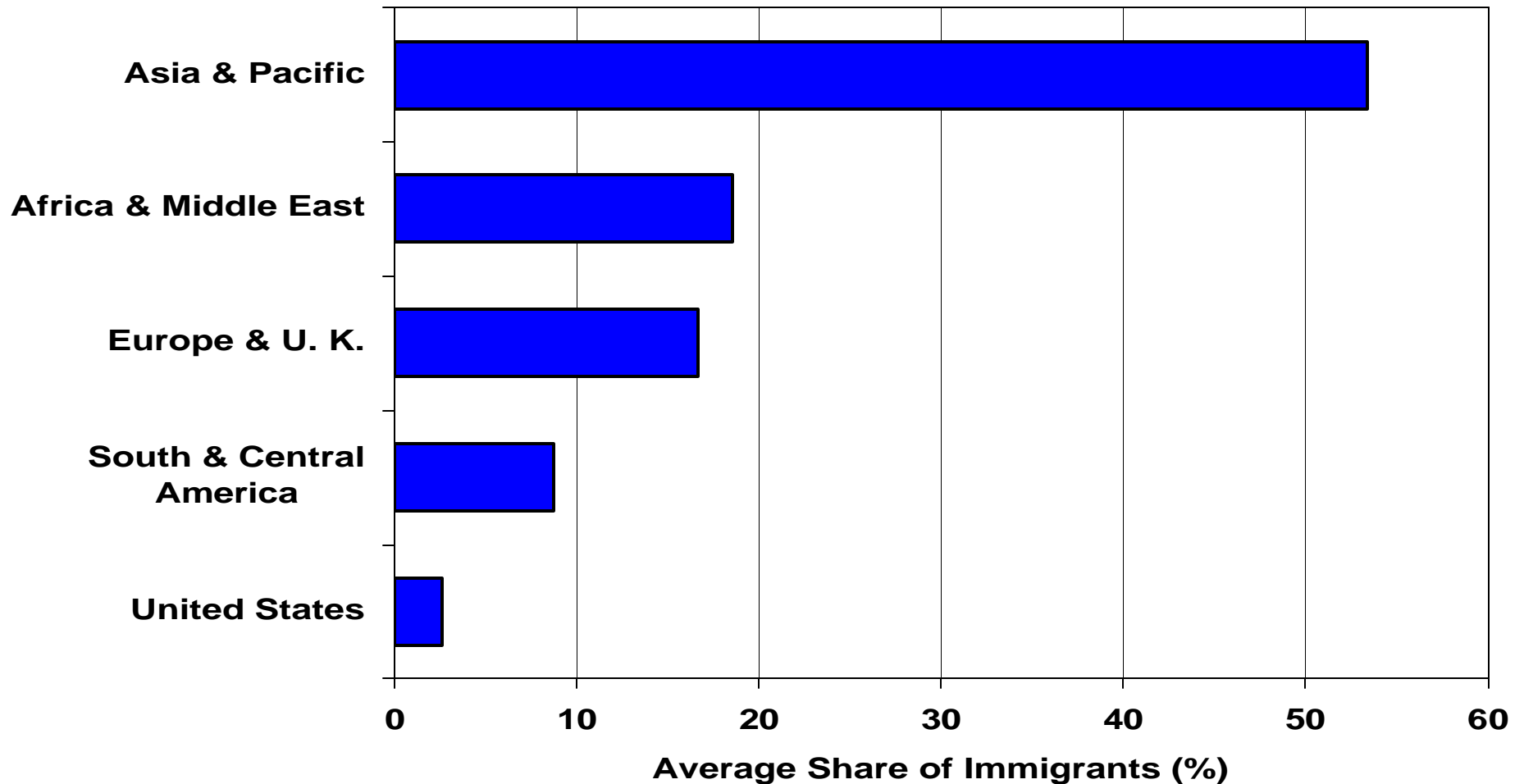
Ontario

Population Change by Source, 1972-2005



Ontario

Average Share of Immigrants by Source Region, 1996-2005

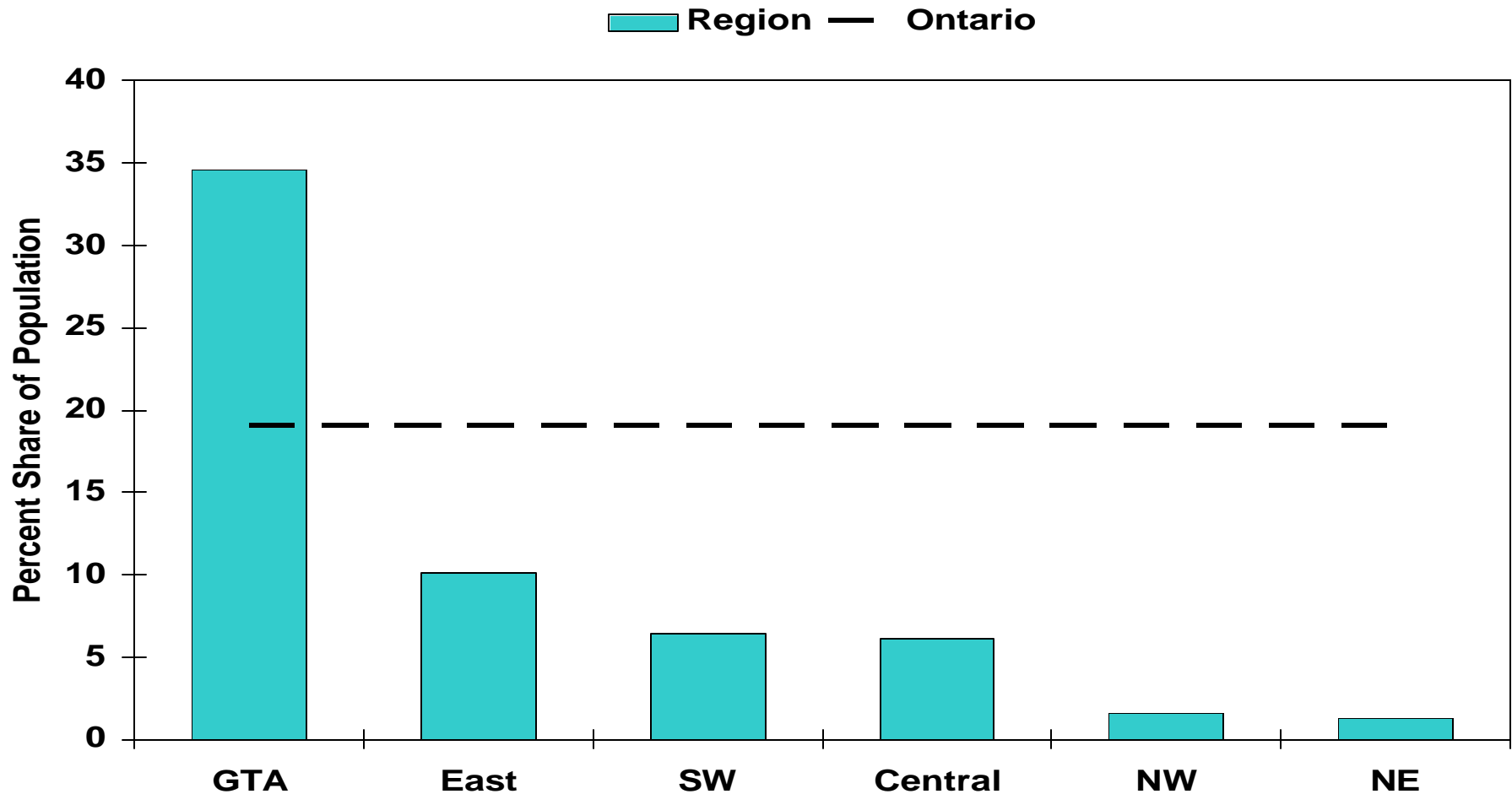


Demographic Trends - Ontario

The ethnic/racial diversification of Ontario's population varies dramatically by region.

Ontario

Visible Minority Population Share by Region, 2001

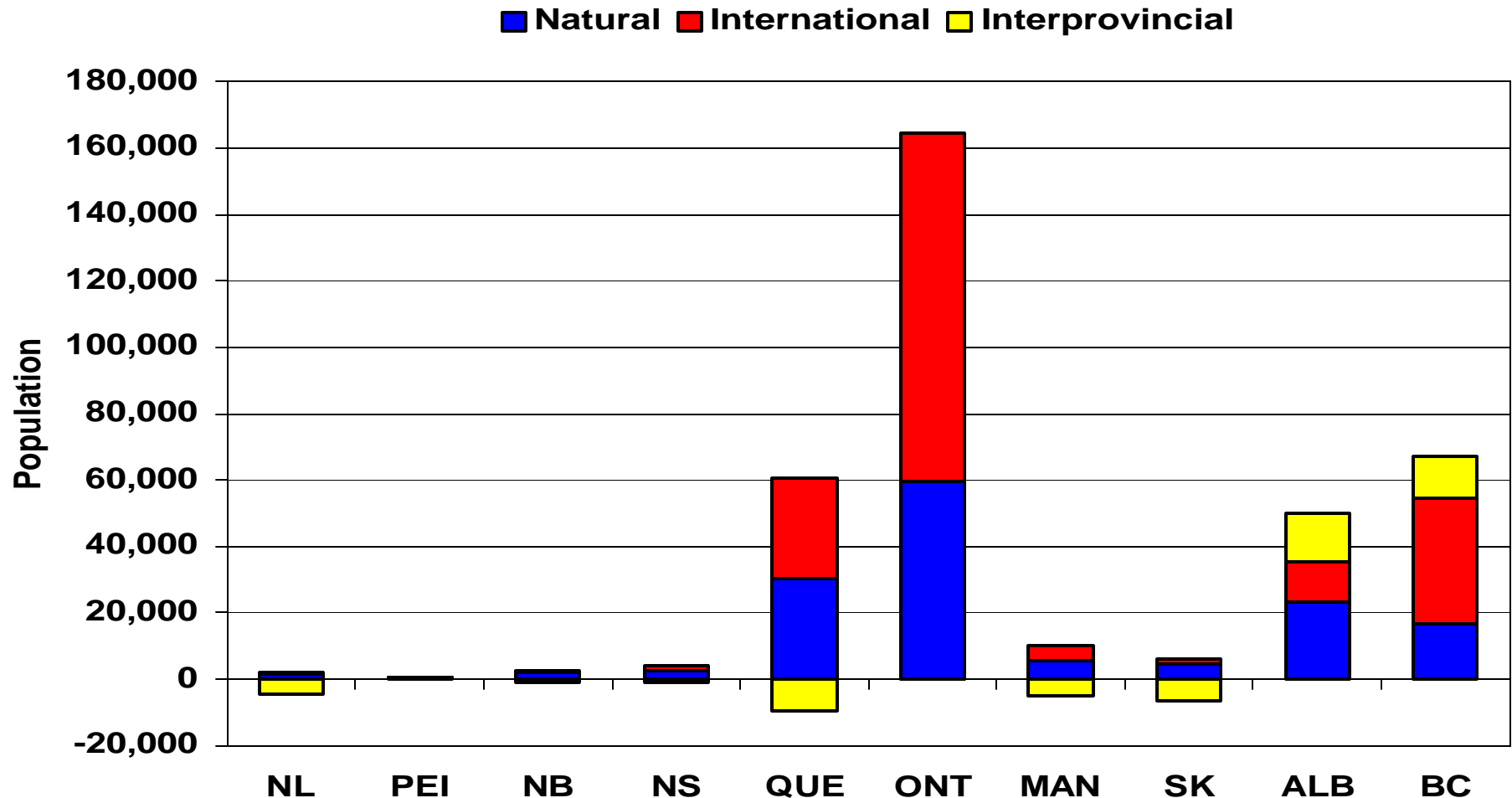


Demographic Trends - Canada

Migration has increased the population of some provinces more than others.

Canada's Provinces

Population Change by Source, 1990-2005 (annual average)



Demographic Projections

2006-2016

Demographic Projections - Ontario

Ministry of Finance projections for Ontario's population in 2016:

- » **Low = 13,605,000**
- » **Reference = 14,270,500**
- » **High = 14,736,200**
- » **The reference projection envisions a 12.4 percent increase in Ontario's population over the next ten years.**

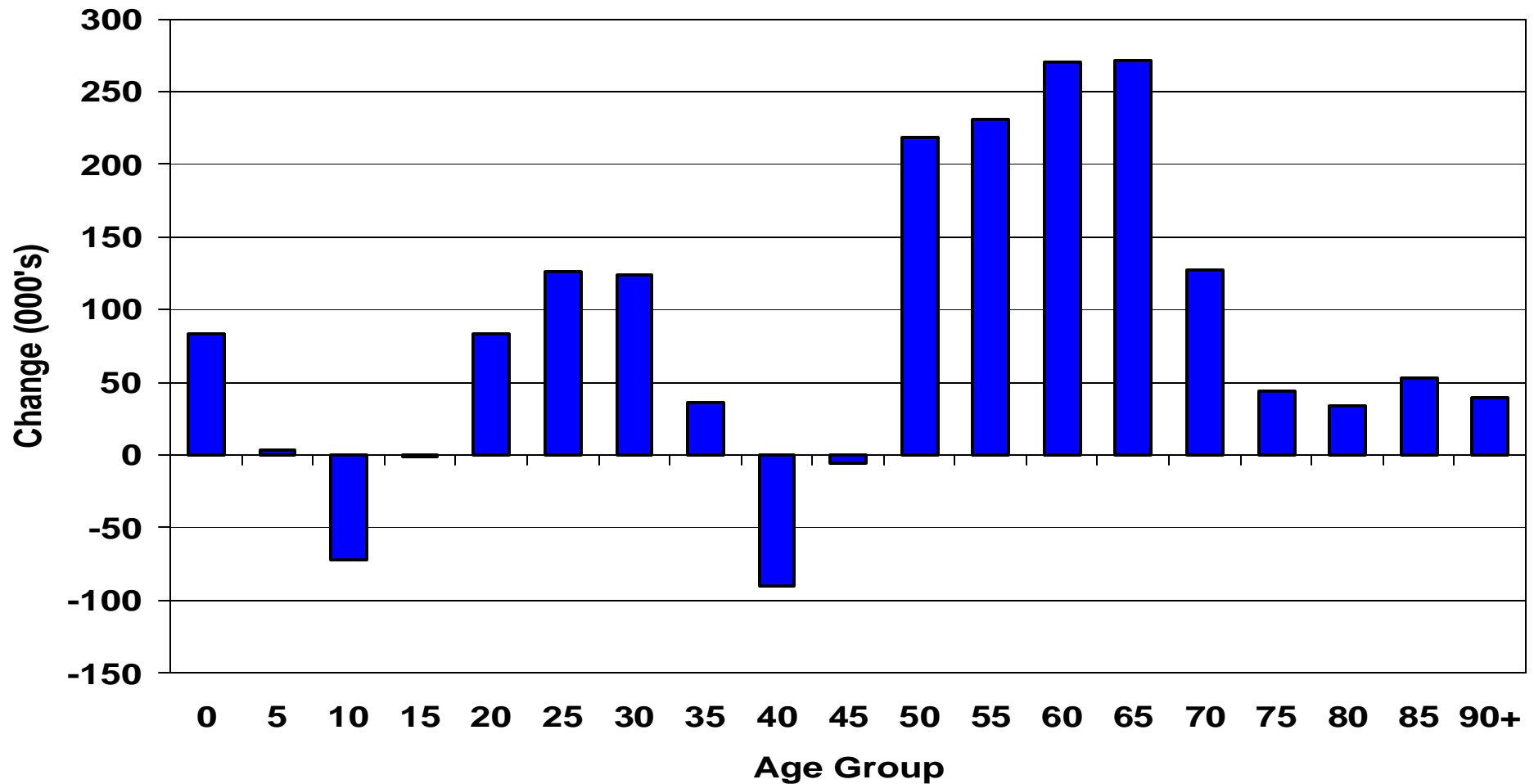
Demographic Projections - Ontario

Over the next 10 years, Ontario's population will continue to age:

- » The youth share (<25 years) will increase 2.4 percent;***
- » The labour force share (25-54) will increase 7.2 percent; and***
- » The "retiree" share (55+) will increase 35.6 percent.***

Ontario Population

Projected Change by Age Group, 2006-16 (thousands)



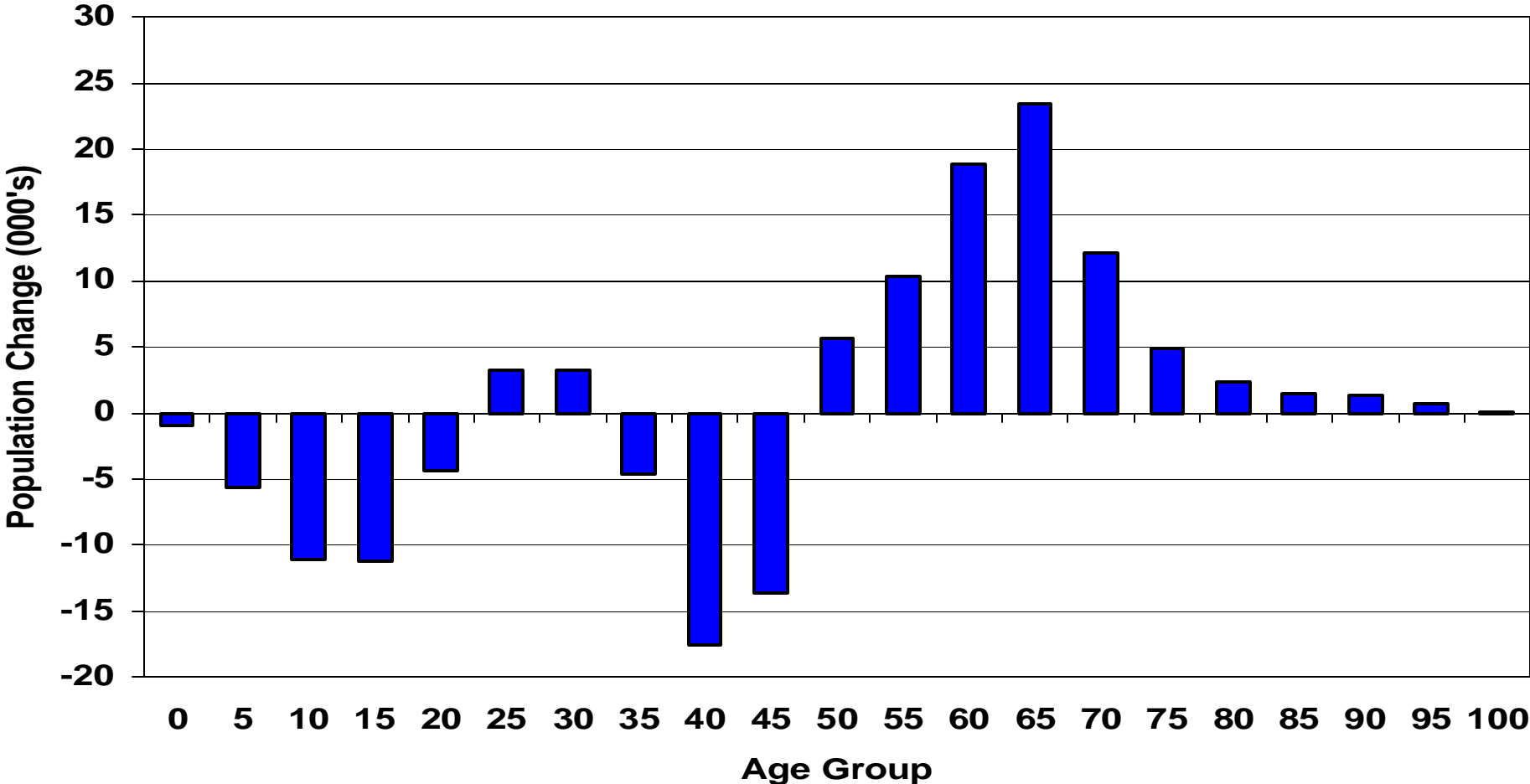
Demographic Projections – Nova Scotia

Over the next 10 years, Nova Scotia's population will continue to age:

- » The youth share (<25 years) will decrease 12.0 percent;***
- » The labour force share (25-54) will decrease 5.8 percent; and***
- » The “retiree” share (55+) will increase 29.6 percent.***

Nova Scotia Population

Projected Change by Age Group, 2006-16 (thousands)

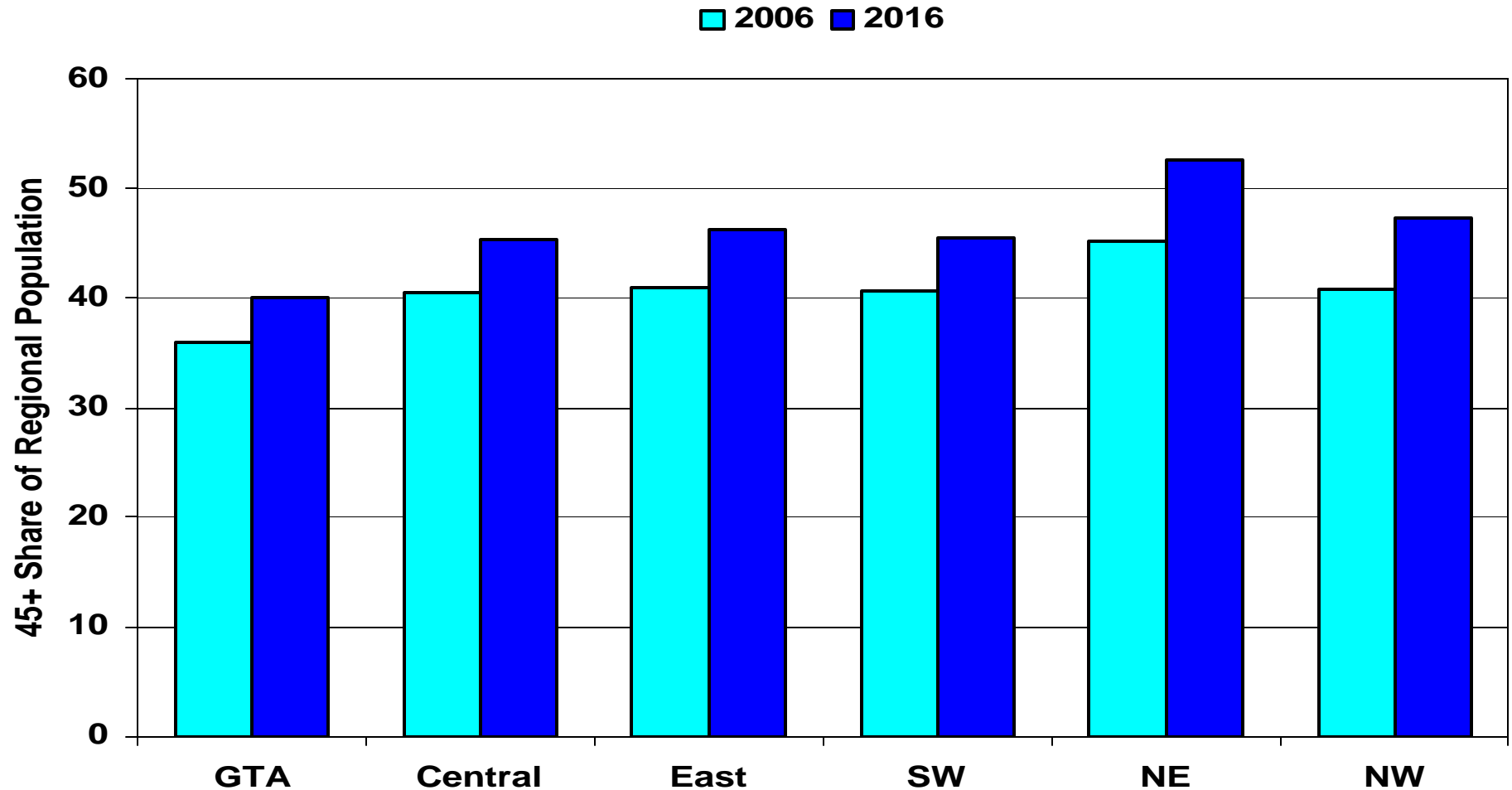


Demographic Projections - Ontario

Ontario's population is projected to age at different rates at the regional level.

Ontario Population

Projected 45+ Age Group Share by Region, 2006 versus 2016

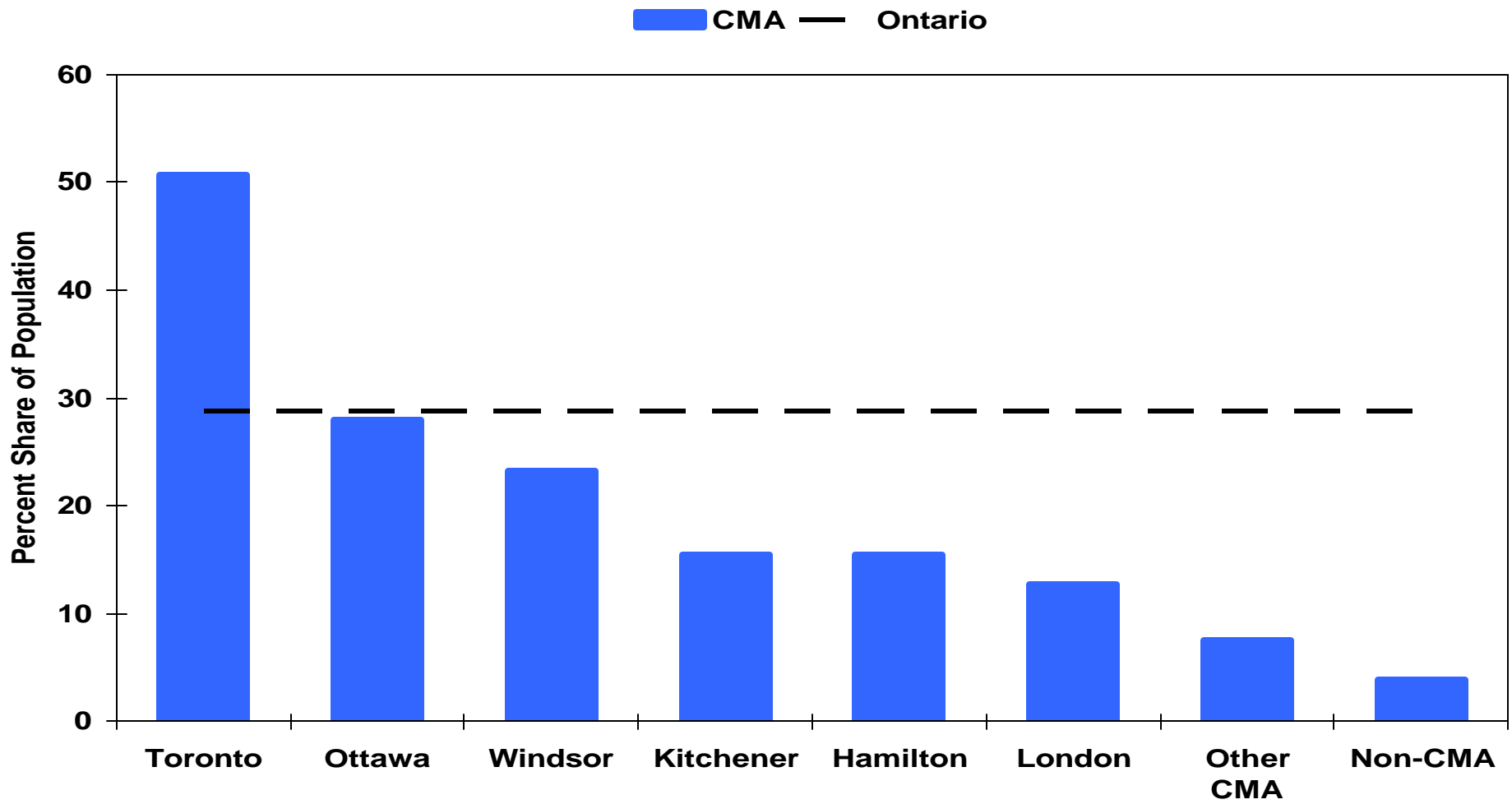


Demographic Projections - Ontario

Currently, two in ten Ontario residents are a visible minority. By 2017, Statistics Canada projects that three in ten will be visible minorities. The diversity of the province's population will continue to be skewed regionally.

Ontario Population

Projected Visible Minority Population Share by CMA, 2017 (percent)



Demographic Forecasting

To construct a demographic forecast, you need to know the size of your market, both in total and by strategic age groups.

Demographic Trends - Canada

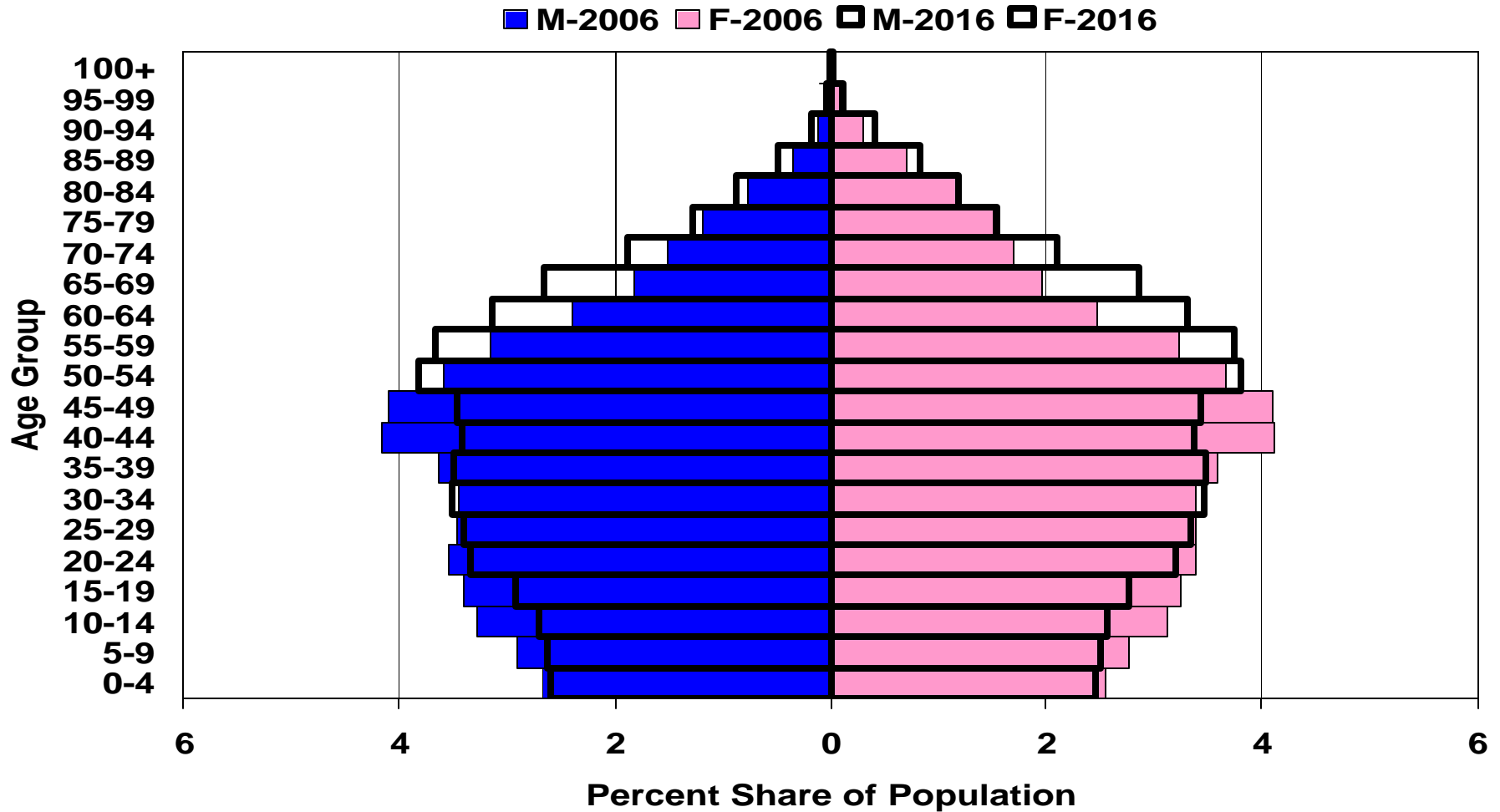
Between 2006 and 2016, 2.72 million people will be added to the population of Canada, an increase of 8.4 percent.

Demographic Trends - Canada

Between 2006 and 2016, about 2.8 million people 45 and older will be added to Canada's population. The under 45 age group will decrease by 86,000. Boomers will account for 60 percent of the 45-plus population in 2016.

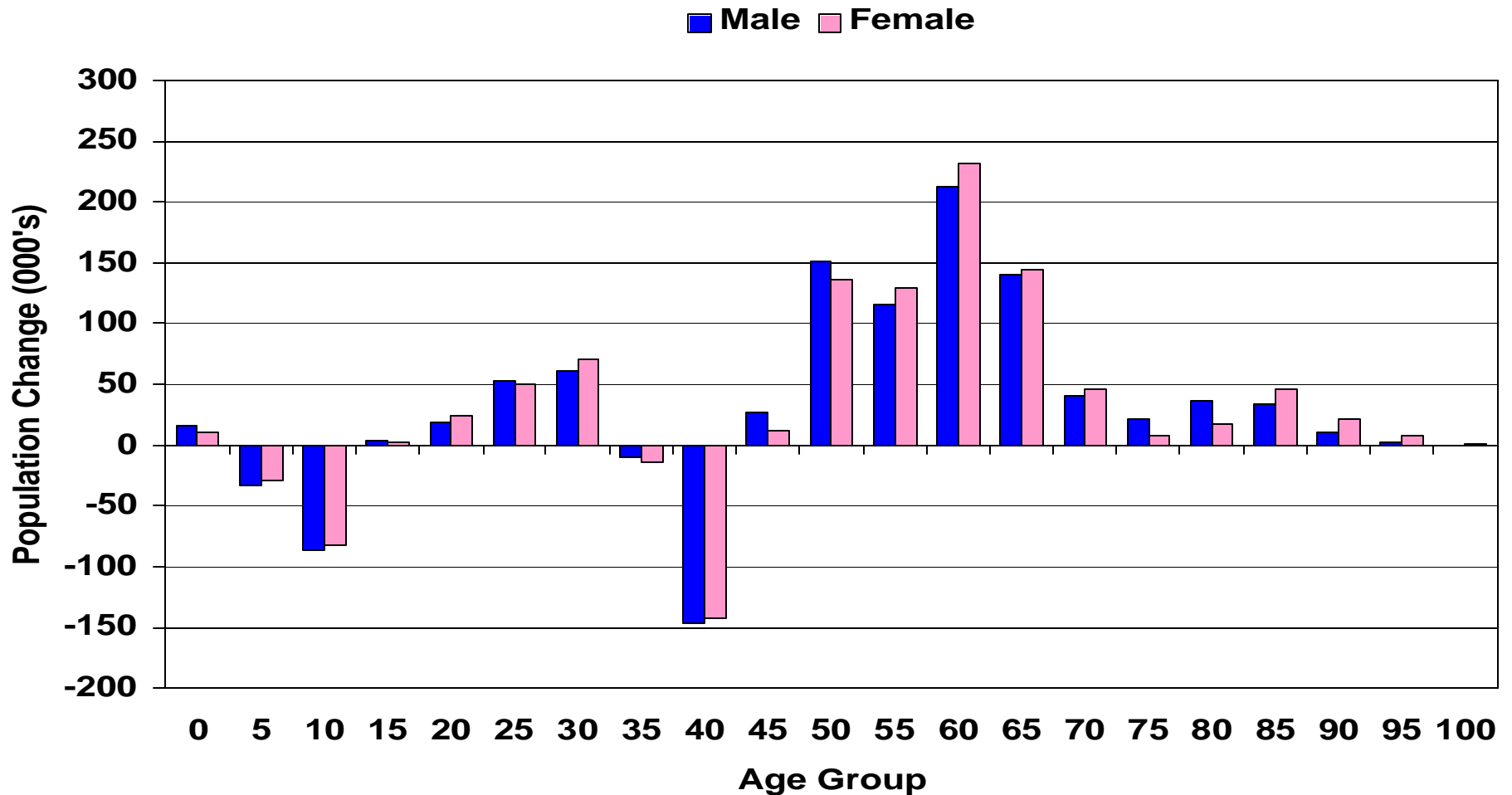
Canada

Population Pyramid, 2006 (colour) versus 2016 (outline)



Population Change by Age and Sex

Canada, 2006-2016 (thousands)

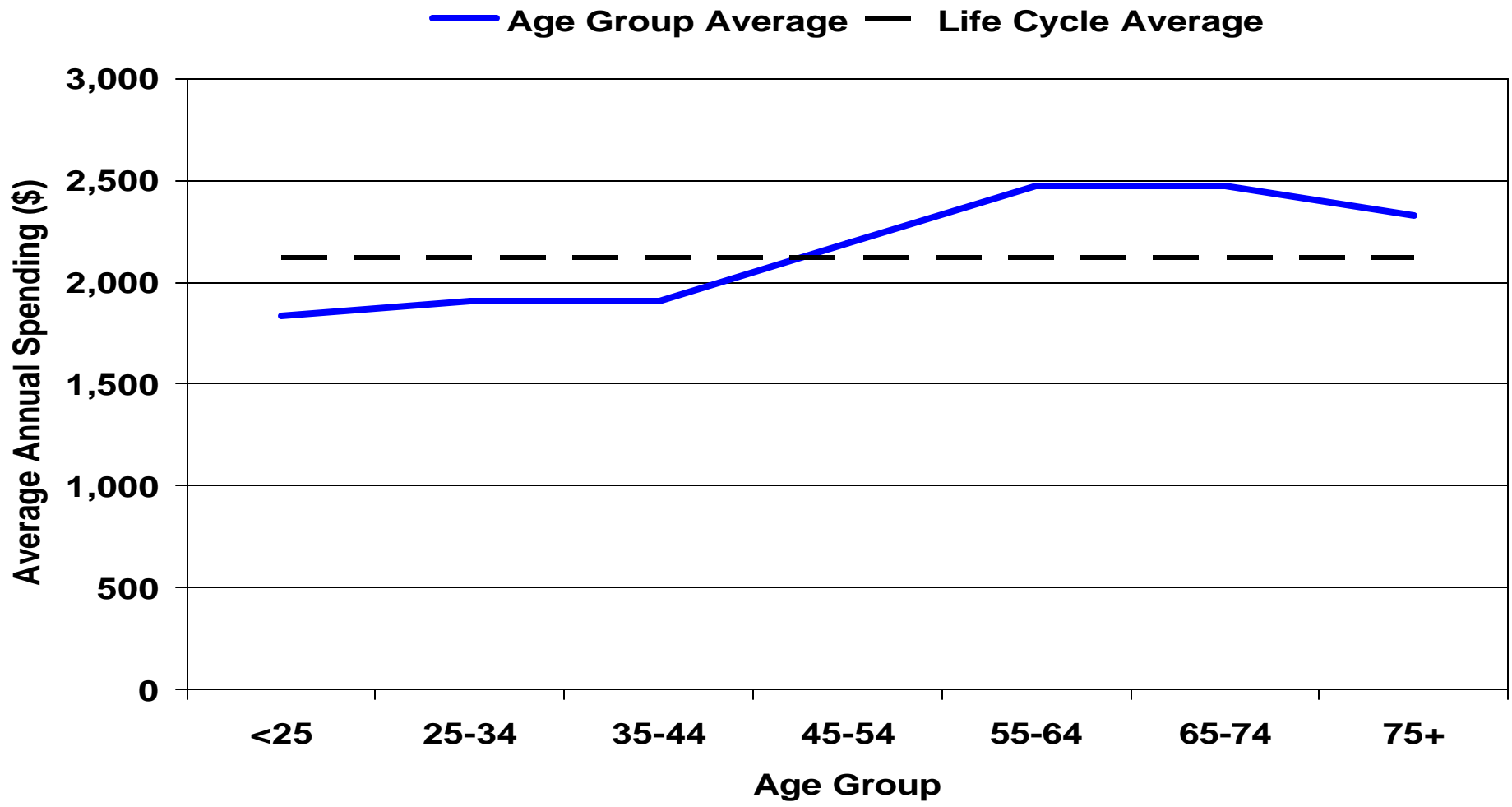


Demographic Forecasting

To construct a demographic forecast, you also need to know how consumers spend their money (or time) differently over the life cycle. Let's take a look at a few products that are important to your industry.

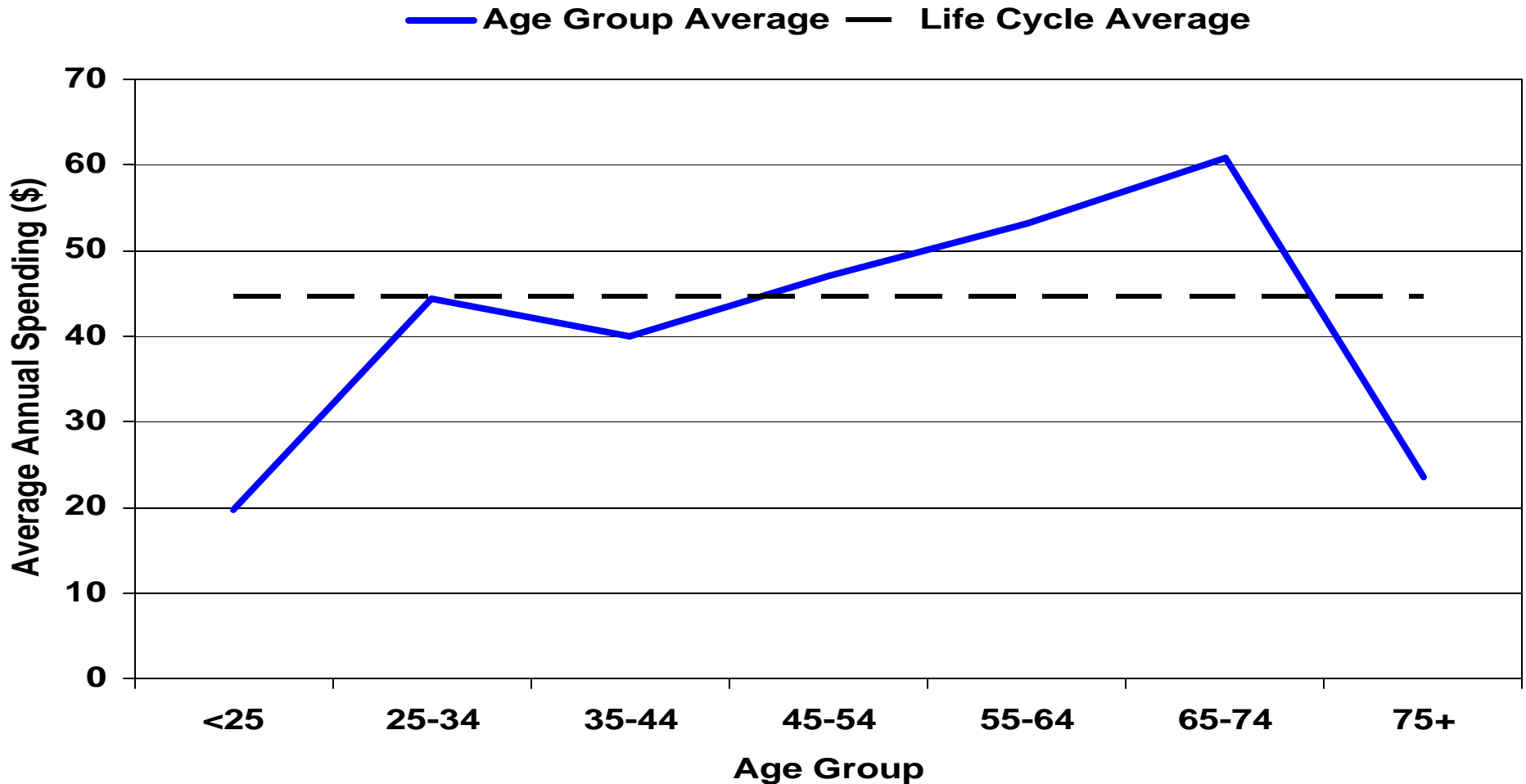
Household Spending - Canada

Food Purchased from Stores, 2004 (\$ per person)



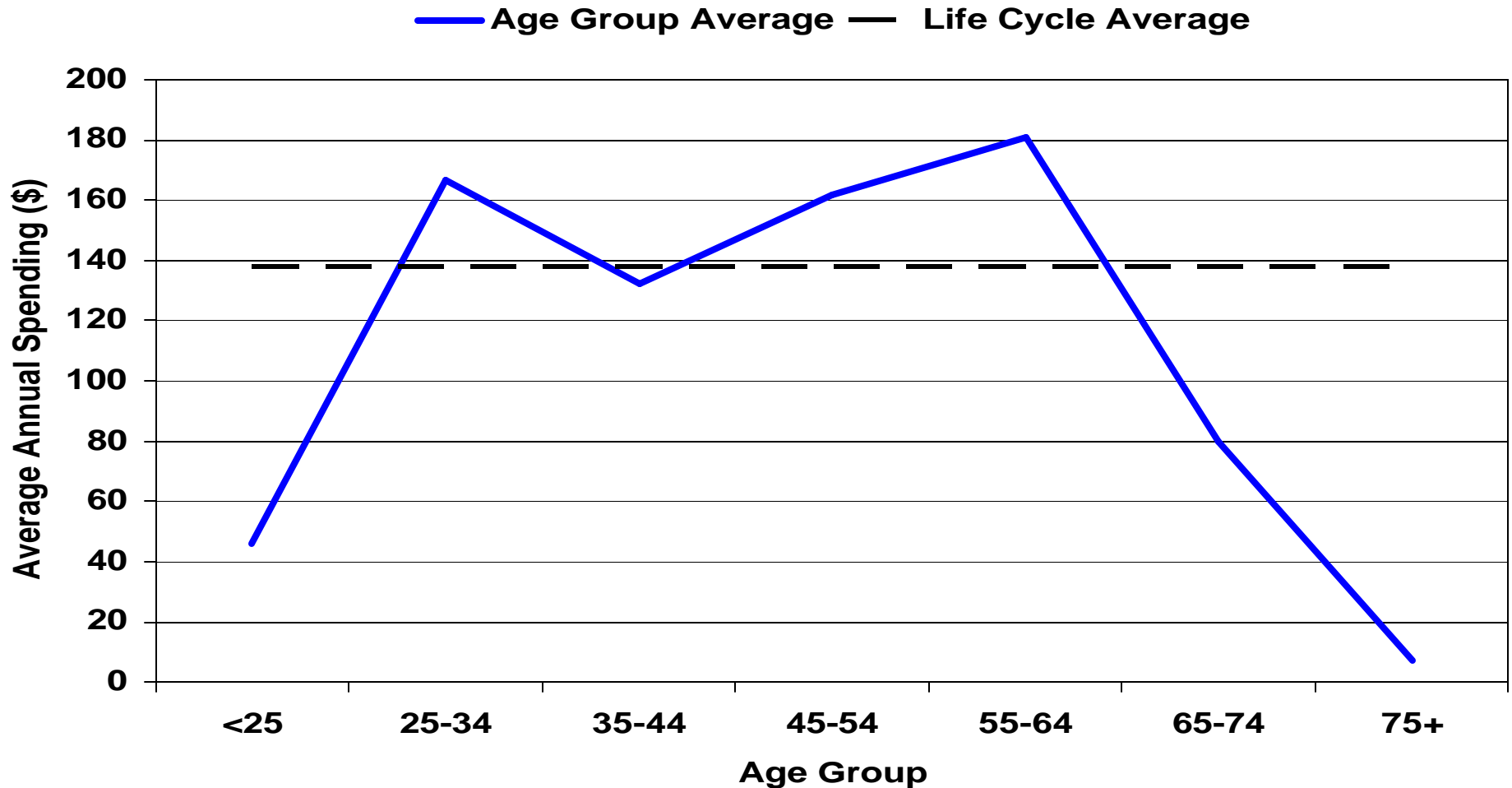
Household Spending - Canada

Lawn, Garden, & Snow Removal Equipment, 2004 (\$ per person)



Household Spending - Canada

Purchase of Recreational Vehicles, 2004 (\$ per person)

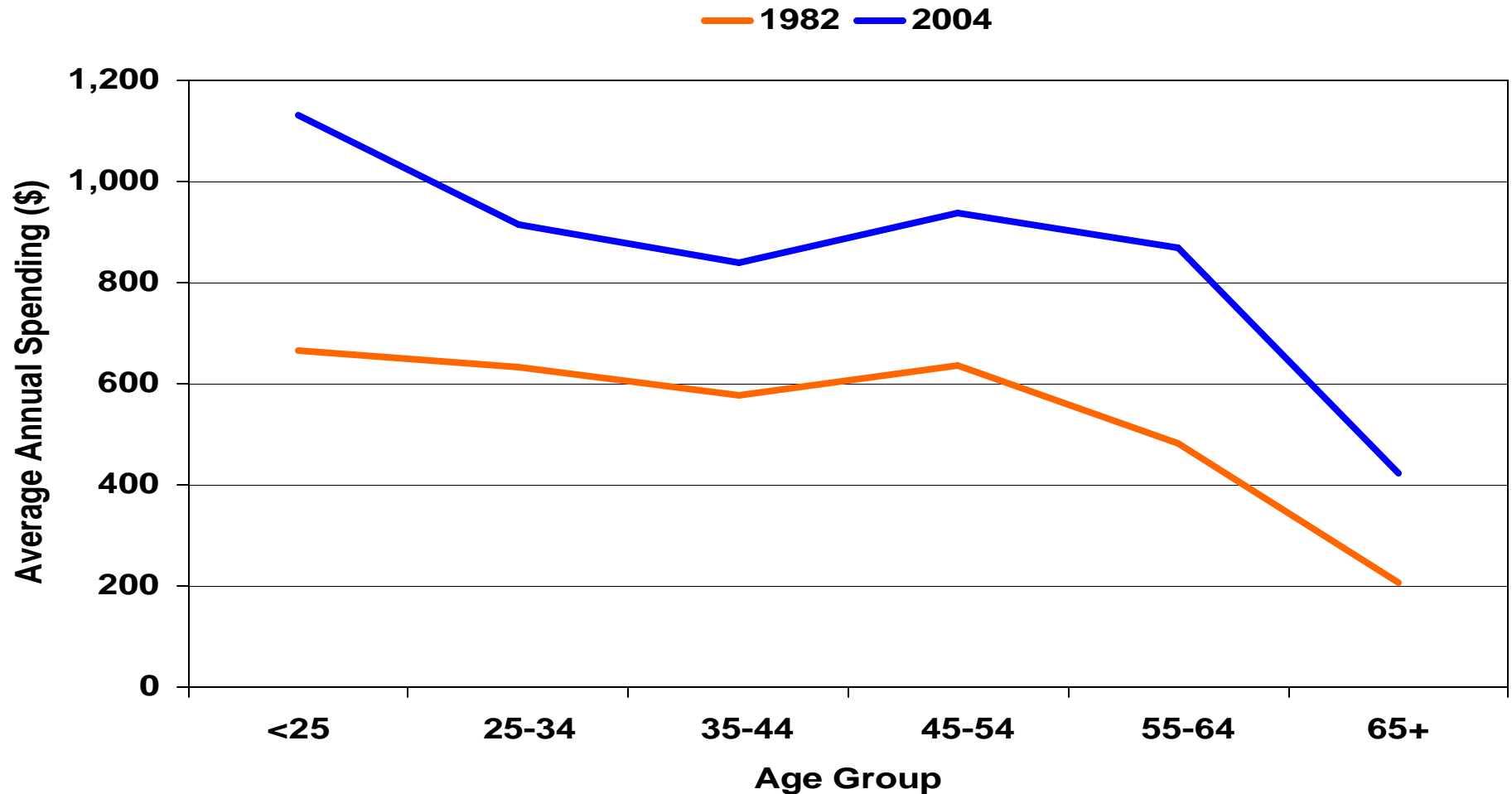


Demographic Forecasting

Finally, a demographic forecast assumes that life cycle spending patterns are fairly durable.

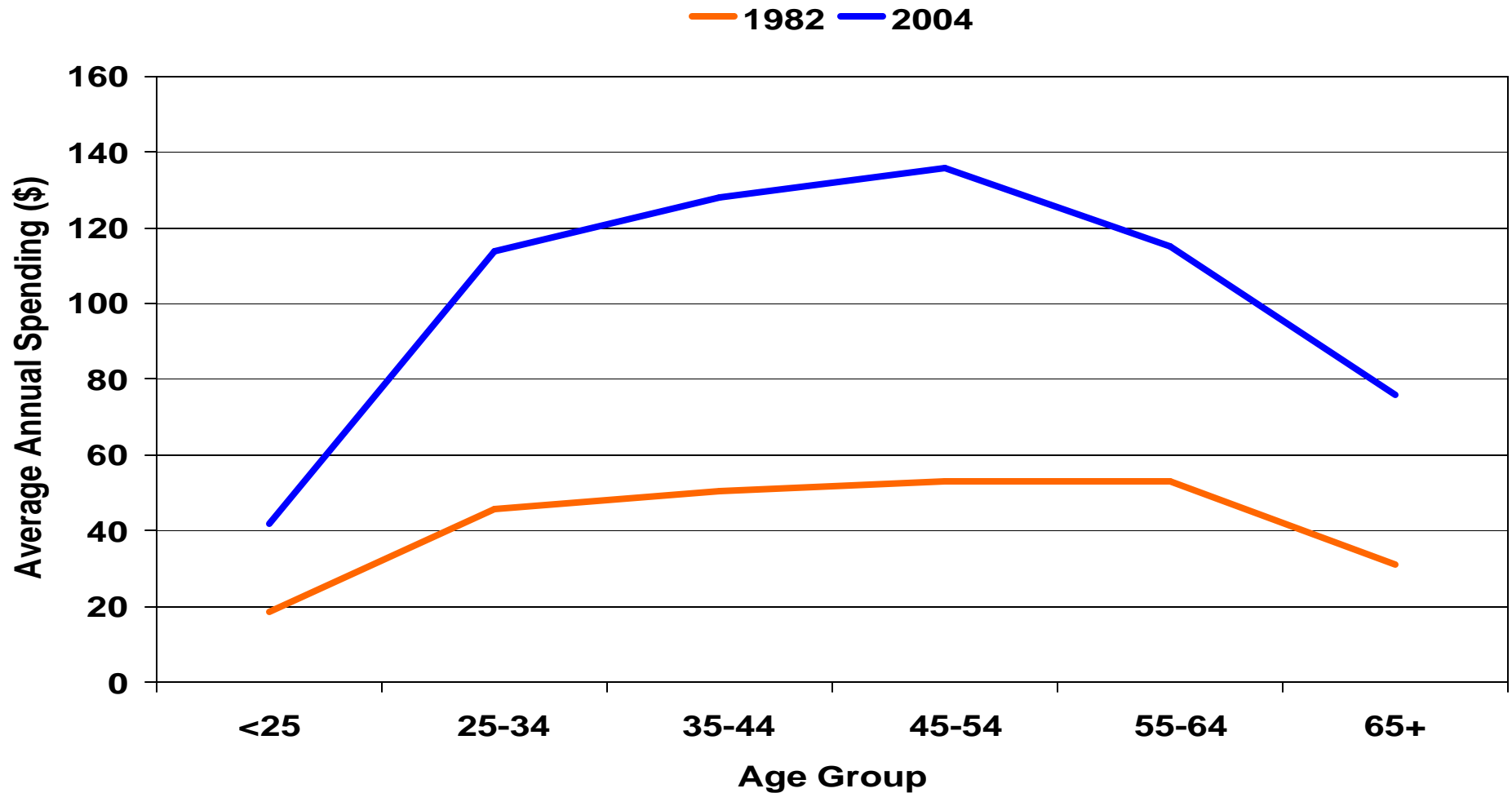
Alcoholic Beverages

Canada, 1982 versus 2004 (current \$ per household)



Lawn, Garden & Snow Removal Equipment

Canada, 1982 versus 2004 (current \$ per household)



Demographic Forecasting

A demographic forecast marries data on the projected population with data on consumer spending by age.

Household Spending Growth

Canada, Relative Growth Index, 2006-16 (average = 100)

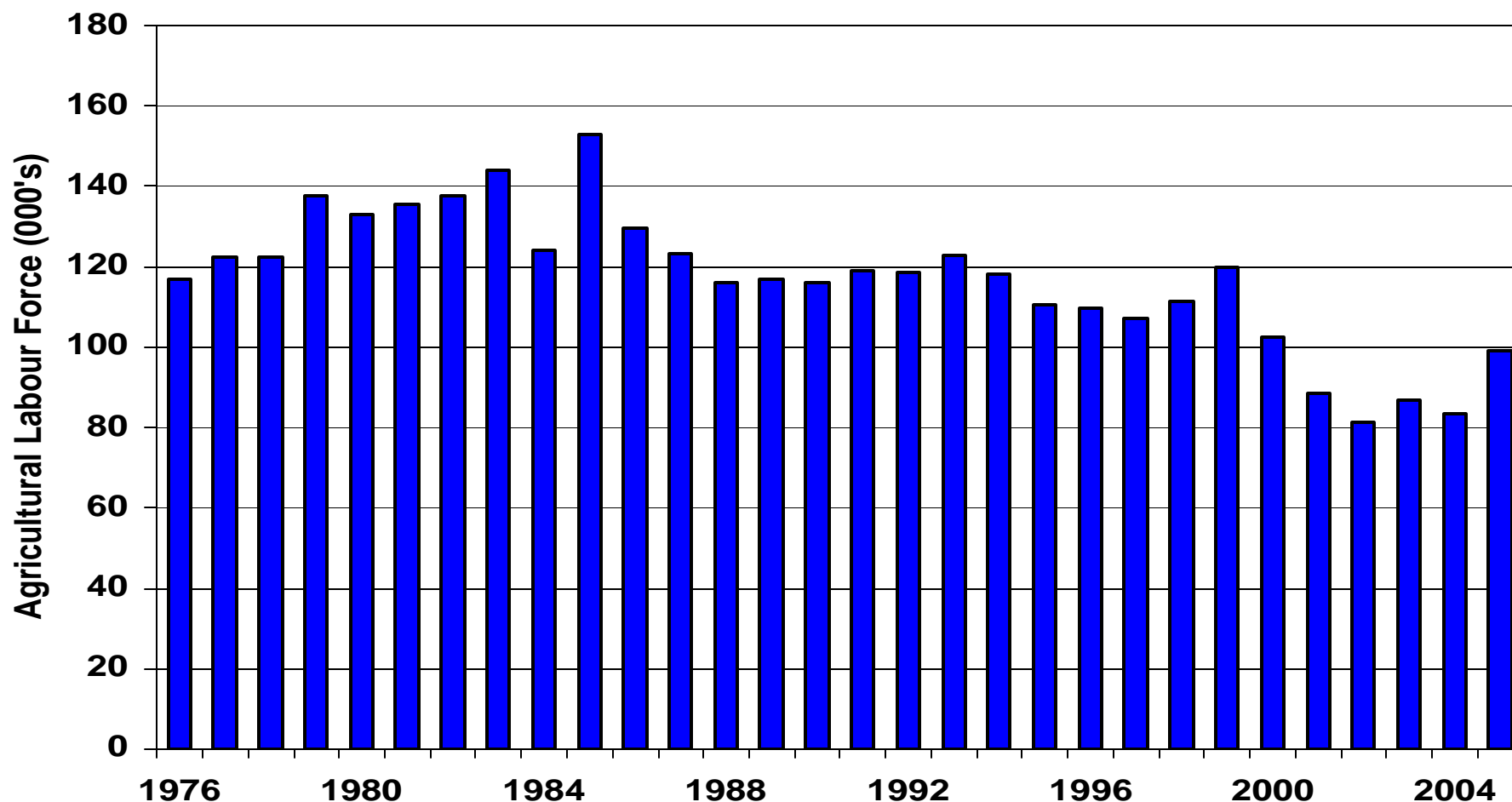
	RGI: 2006- 2011	RGI: 2011- 2016	45+ Share
Camping, picnic equipment and accessories	49	10	25.4
Computer equipment and supplies	79	50	39.8
Power tools and equipment	87	84	47.0
Food purchased from restaurants	96	92	47.9
Purchase of recreation vehicles	99	90	51.0
Food purchased from stores	103	113	53.7
Lawn, garden and snow-removal tools and equipment	111	129	56.0
Operation of recreational vehicles	110	101	57.3
Garden supplies and services	137	159	69.3
Owned vacation home	165	172	85.6

Demographics and the Labour Market

The agriculture sector has been challenged by the issue of an aging work force for the last 30 years. The issue is now affecting other industries in Canada.

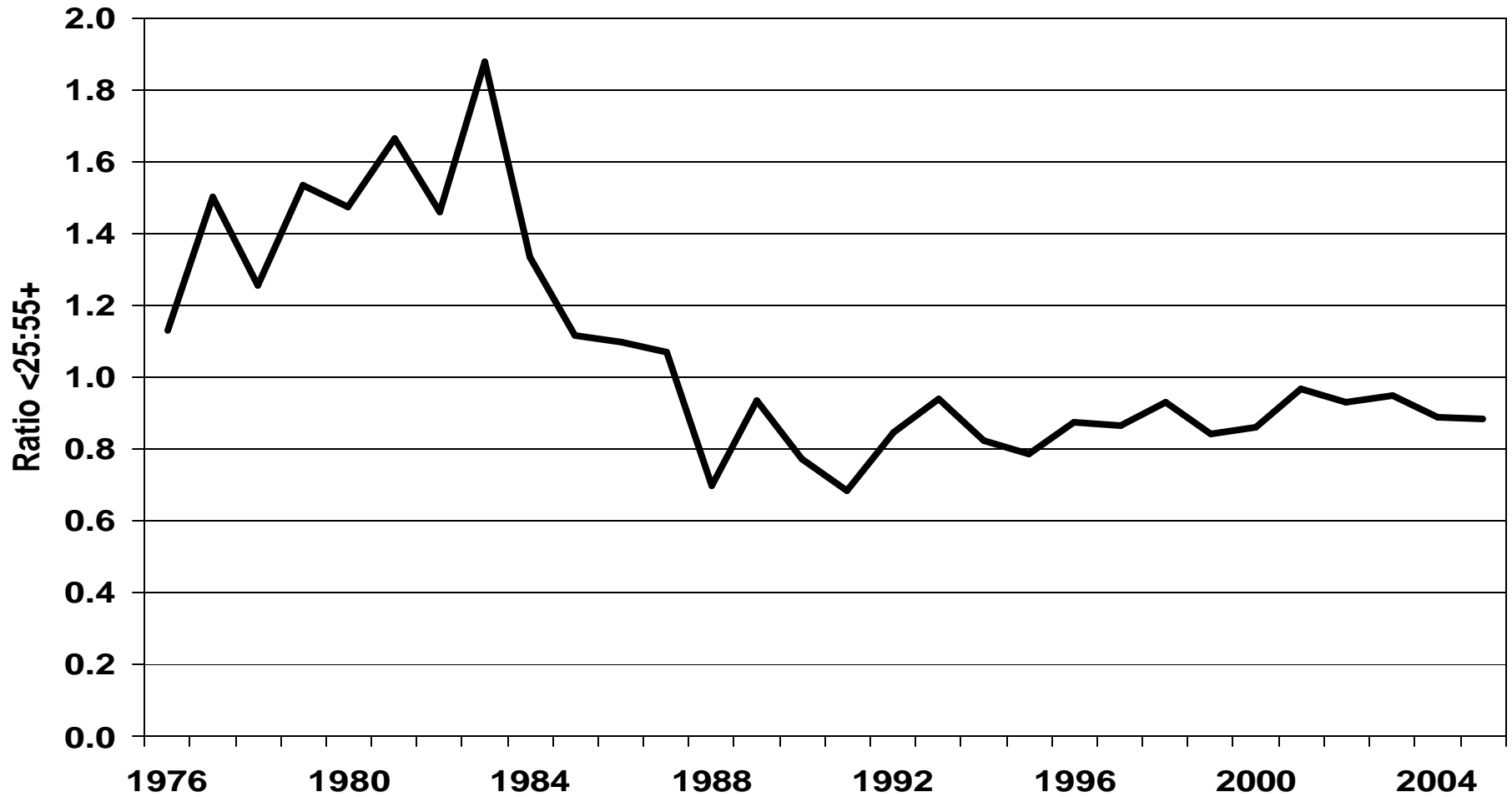
Ontario Labour Force

Agriculture, 1976-2005 (000's)



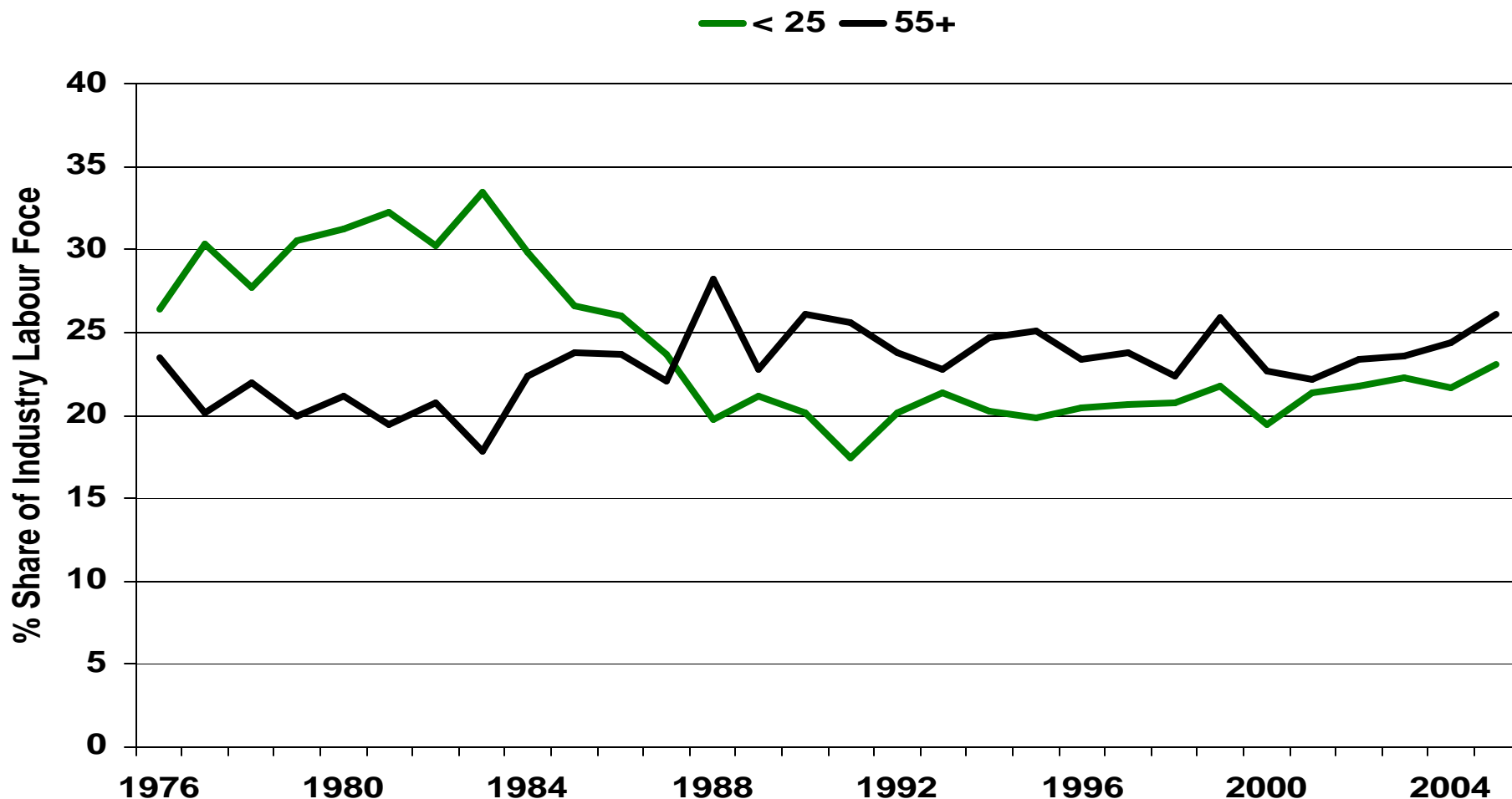
Ontario Labour Force

Entry/Exit Ratio (<25:55+), Agriculture, 1976-2005



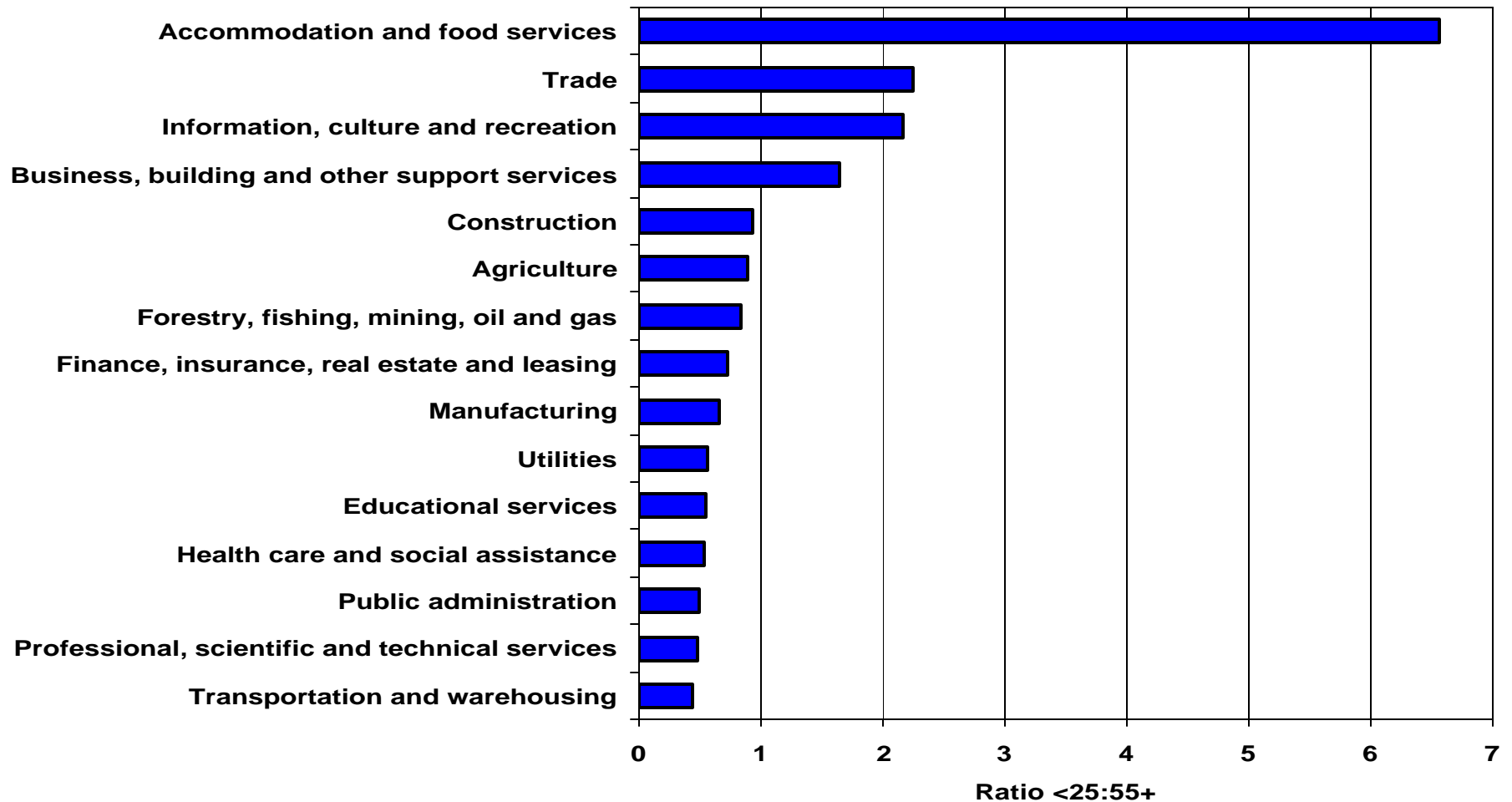
Ontario Labour Force

Entry/Exit Shares (<25:55+), Agriculture, 1976-2005 (percent)



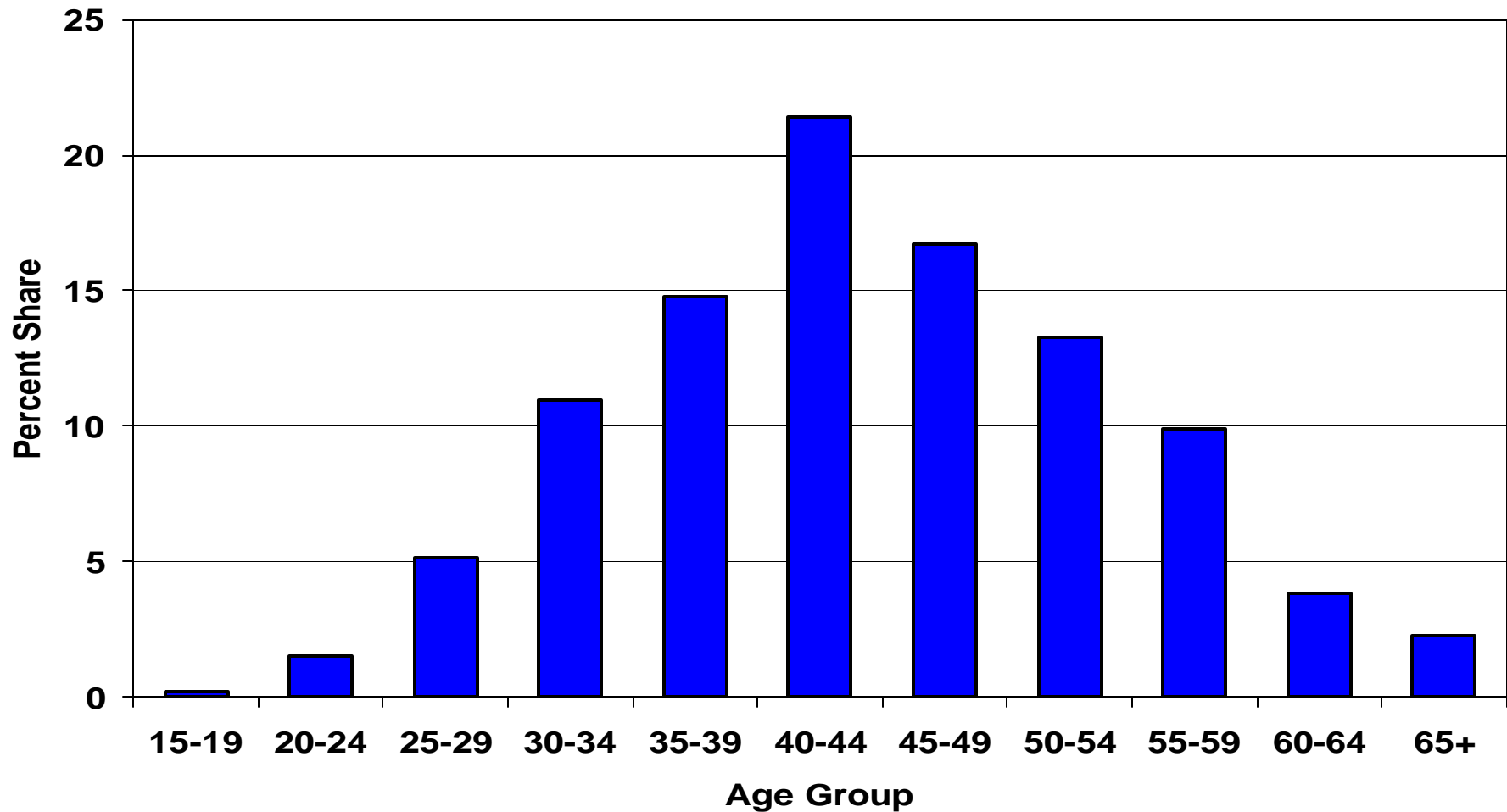
Ontario Labour Force

Entry/exit Ratios by Industry, 2005 (<25:55+ ratio)



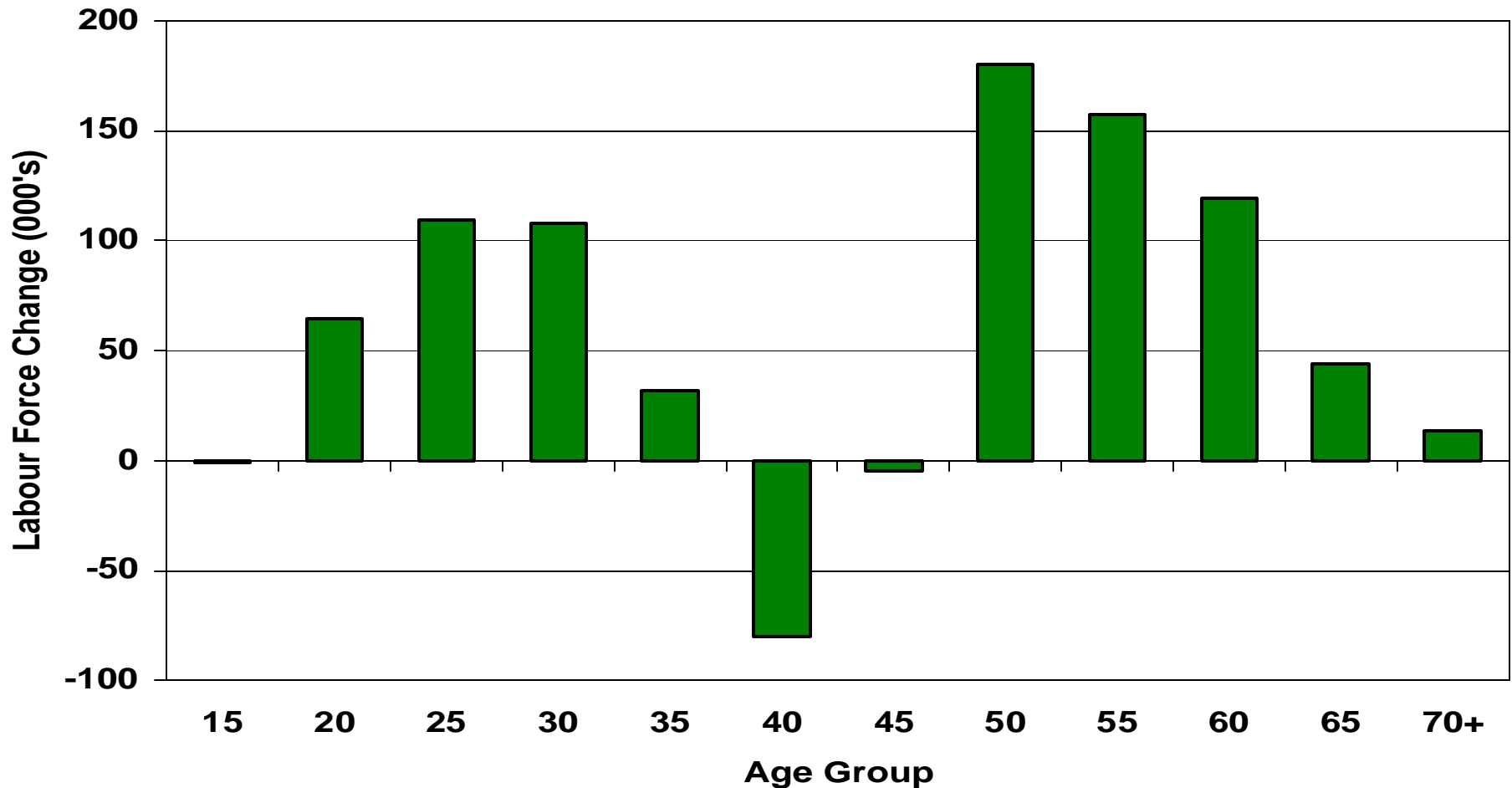
Ontario Labour Force

Change, 1976-2005 (percent share of total)



Ontario Labour Force

Projected Change by Age Group, 2006-2016 (000's)

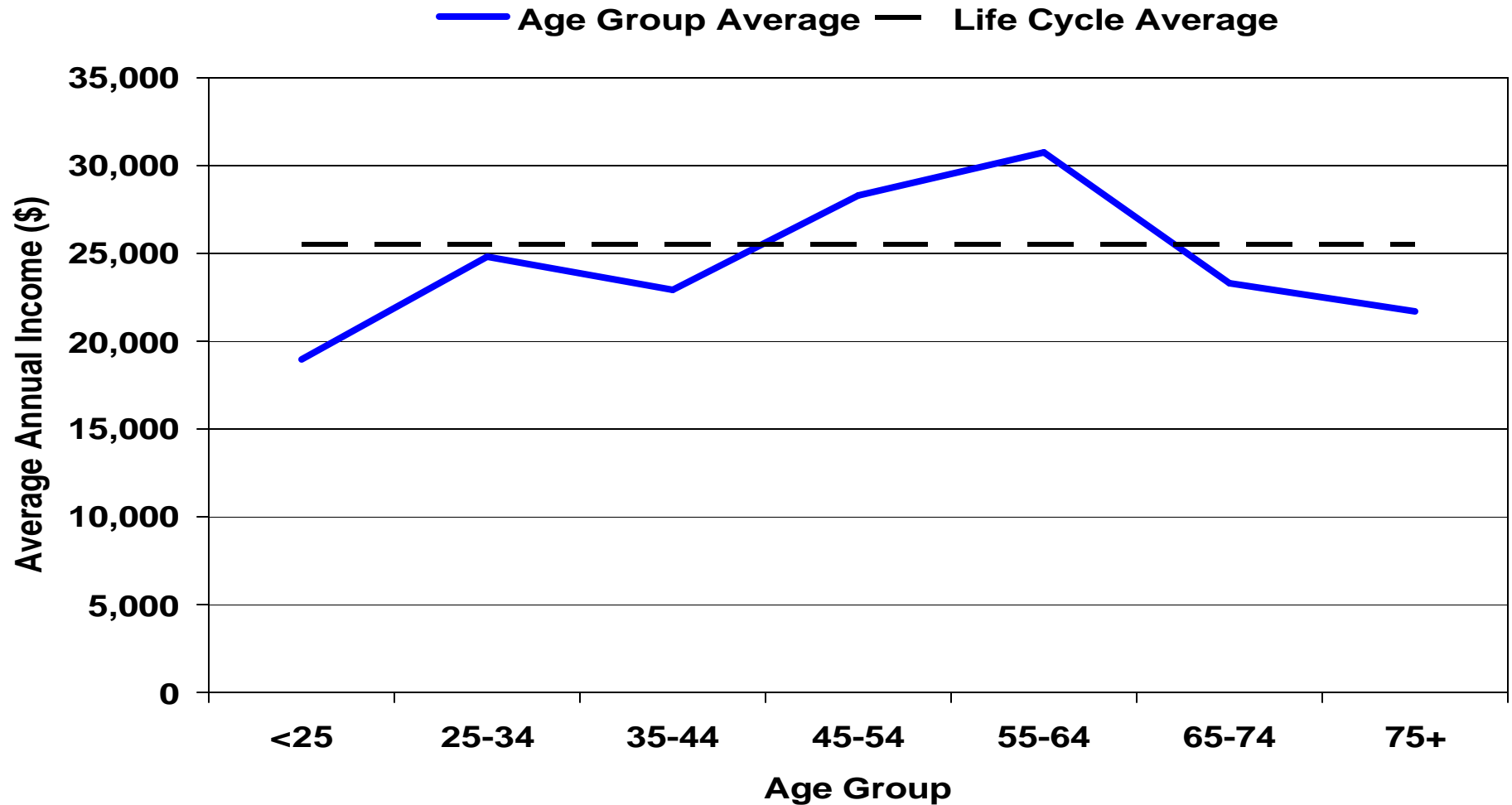


Demographics and Marketing

“Everybody is not on the Net”. In 2005, 68 percent of 18-plus Canadians used the Internet from any location. Only 3.4 percent of Internet users purchased food, condiments, or beverages. Traditional marketing tools remain effective options for reaching the 45-plus consumer. The Internet works well with younger (under 45) consumers and a niche market of wealthy, university educated, 45-plus consumers.

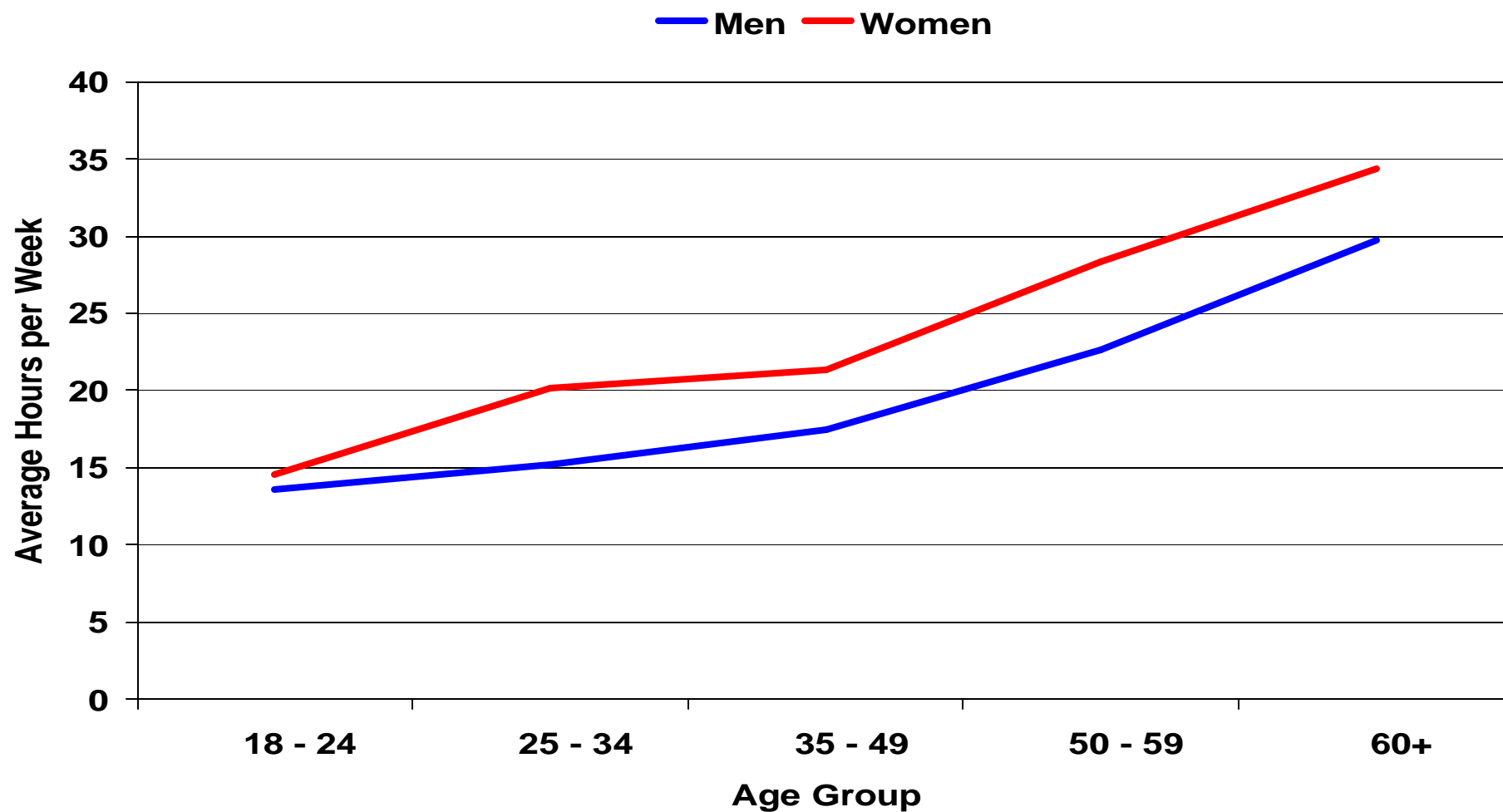
Household Income Before Taxes

Canada, 2004 (income per person)



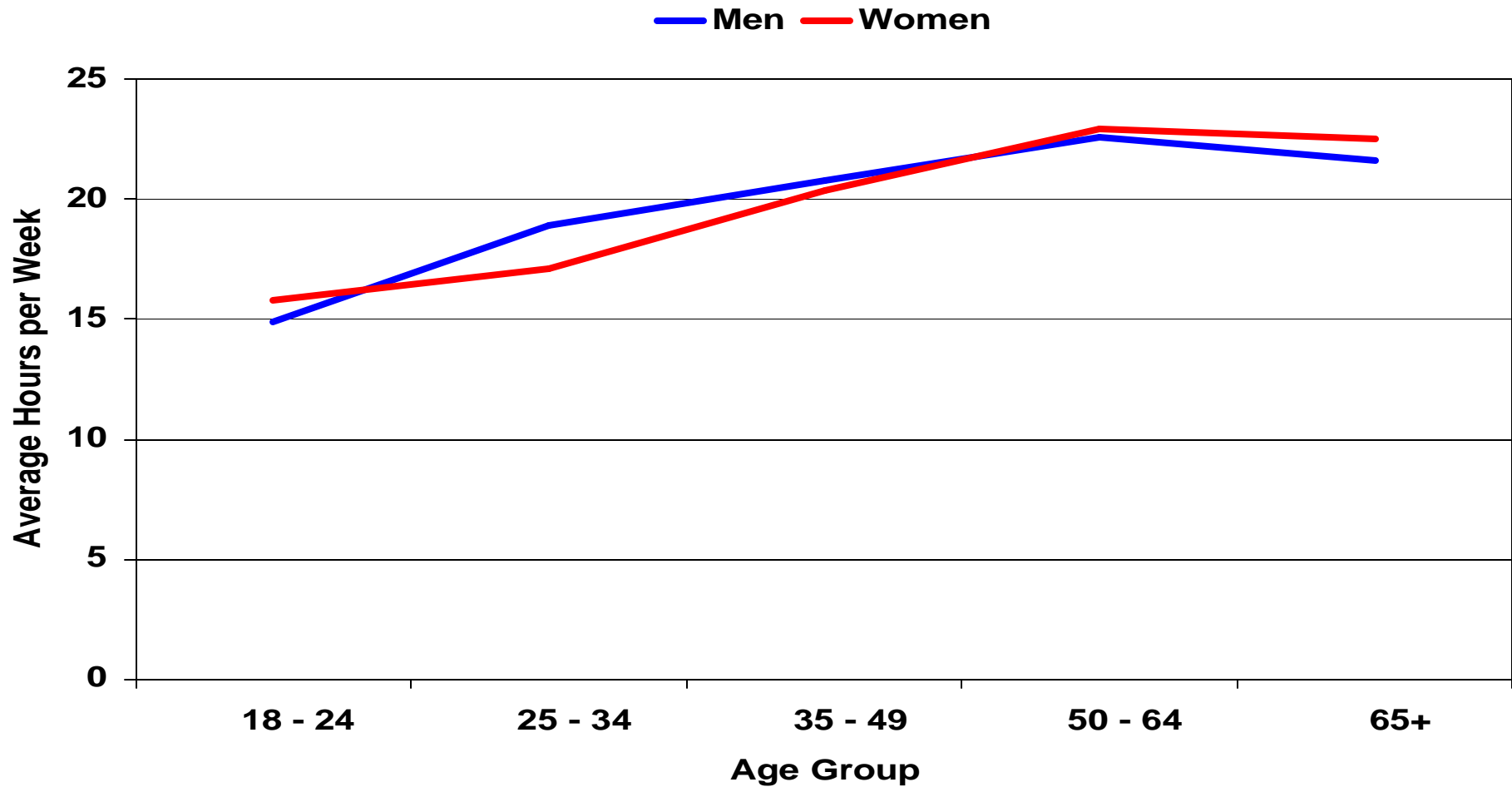
Television Viewing

Ontario, 2004 (hours per week)



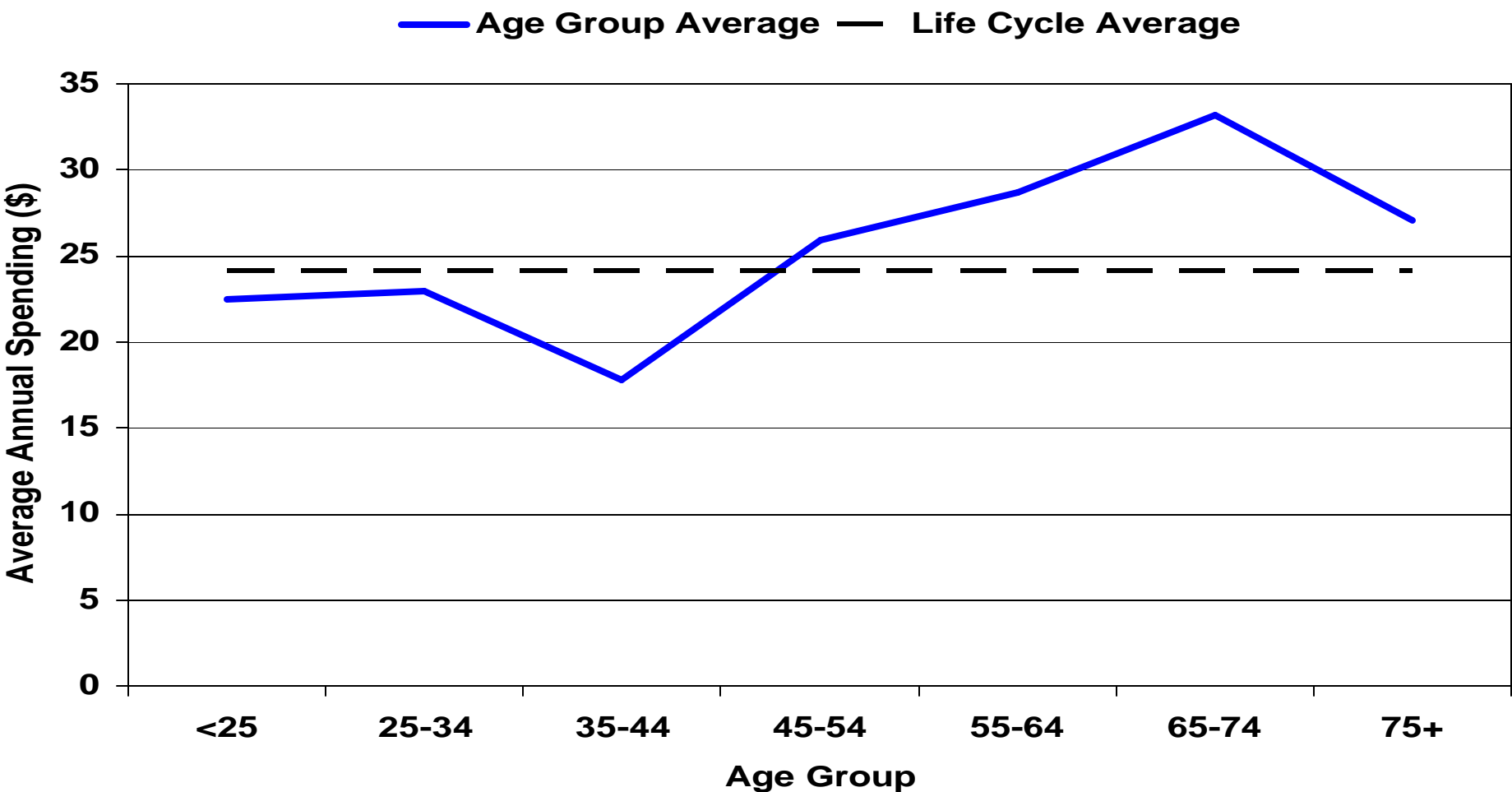
Radio Listening

Ontario, 2005 (hours per week)



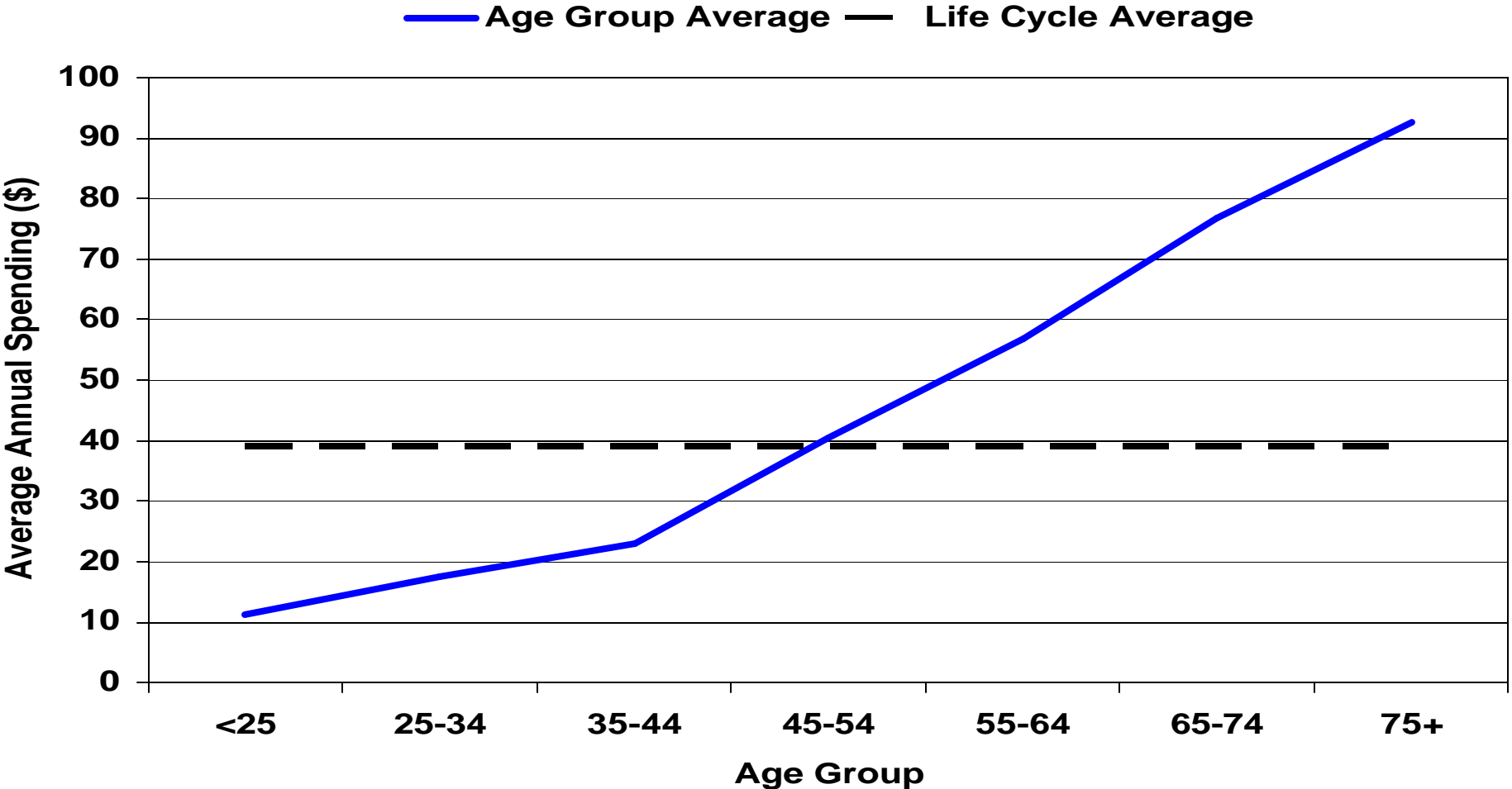
Household Spending - Canada

Magazines, 2004 (\$ per person)



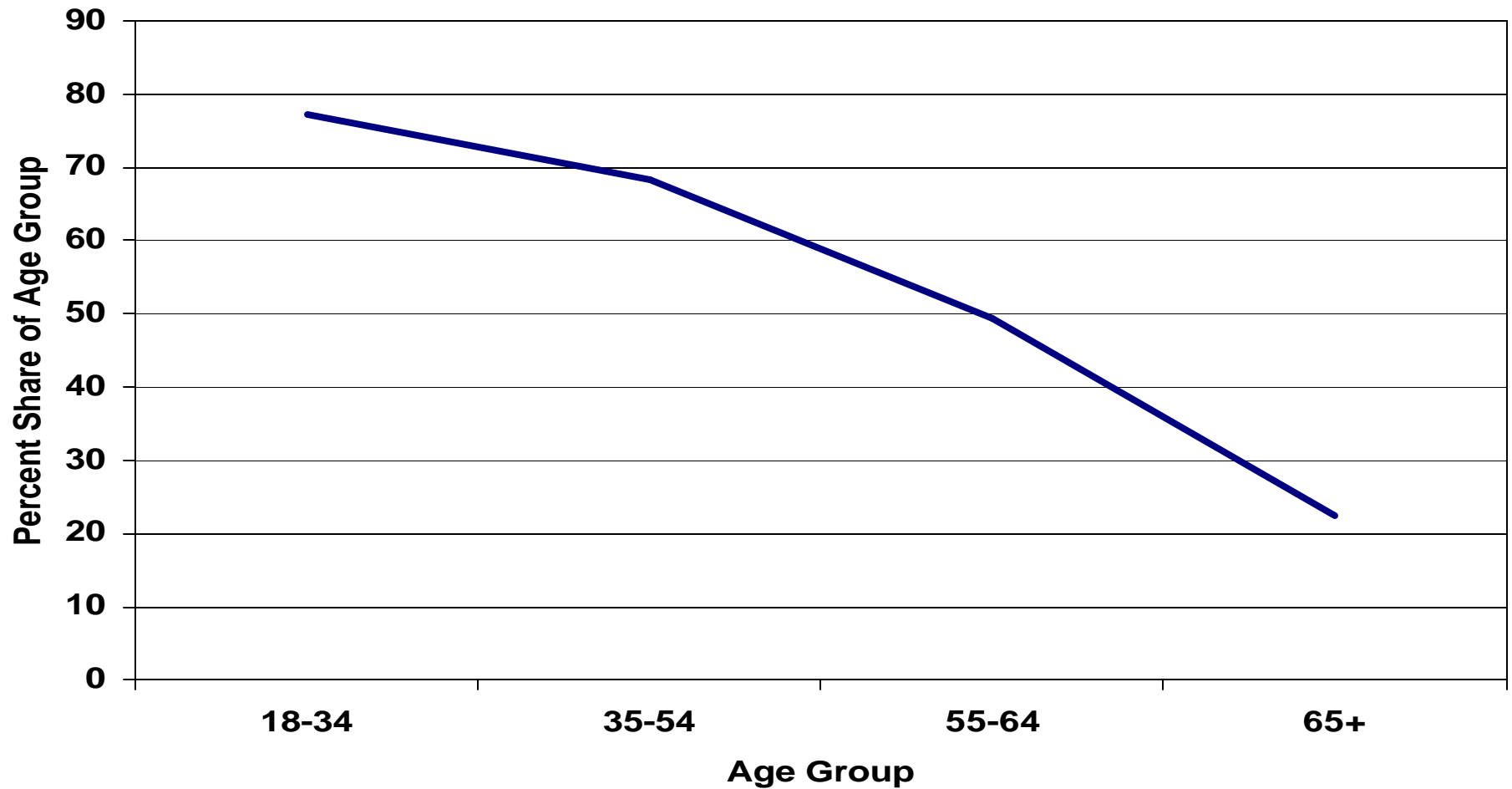
Household Spending - Canada

Newspapers, 2004 (\$ per person)



Home Internet Users

Canada, 2005 (percent)



Applying Demographics to Business Strategy

What should you remember about this presentation?

1. Demographics as the foundation of strategy:
 - Life cycle analysis - “Acting your age”
 - Durability of consumer behaviour by age
2. Methodology:
 - In-depth comparative and historical analysis
 - Segmentation by age, ethnicity, and geography
3. Be challenged not intimidated by the implications of demographic trends:
 - Magnitude and direction of demographic pressure
 - Creativity

Applying Demographics to Business Strategy

What should you remember about this presentation?

4. Increasing importance of the 45-plus consumer:
 - Favoured products
 - Income
 - Quality and service
5. Labour market opportunities and challenges:
 - Immigration
 - Technology
6. Marketing:
 - Multi-media, targeted approach

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