
Acting Your Age: Demographic Change and the Consumer Marketplace

**A Presentation to
Great-West Life's *Congress***

By

**Richard Loreto, Ph.D.
President, R.A.L. Consulting Limited
St. John's, Newfoundland and Labrador
October 2, 2009**

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London Life's *Summit***

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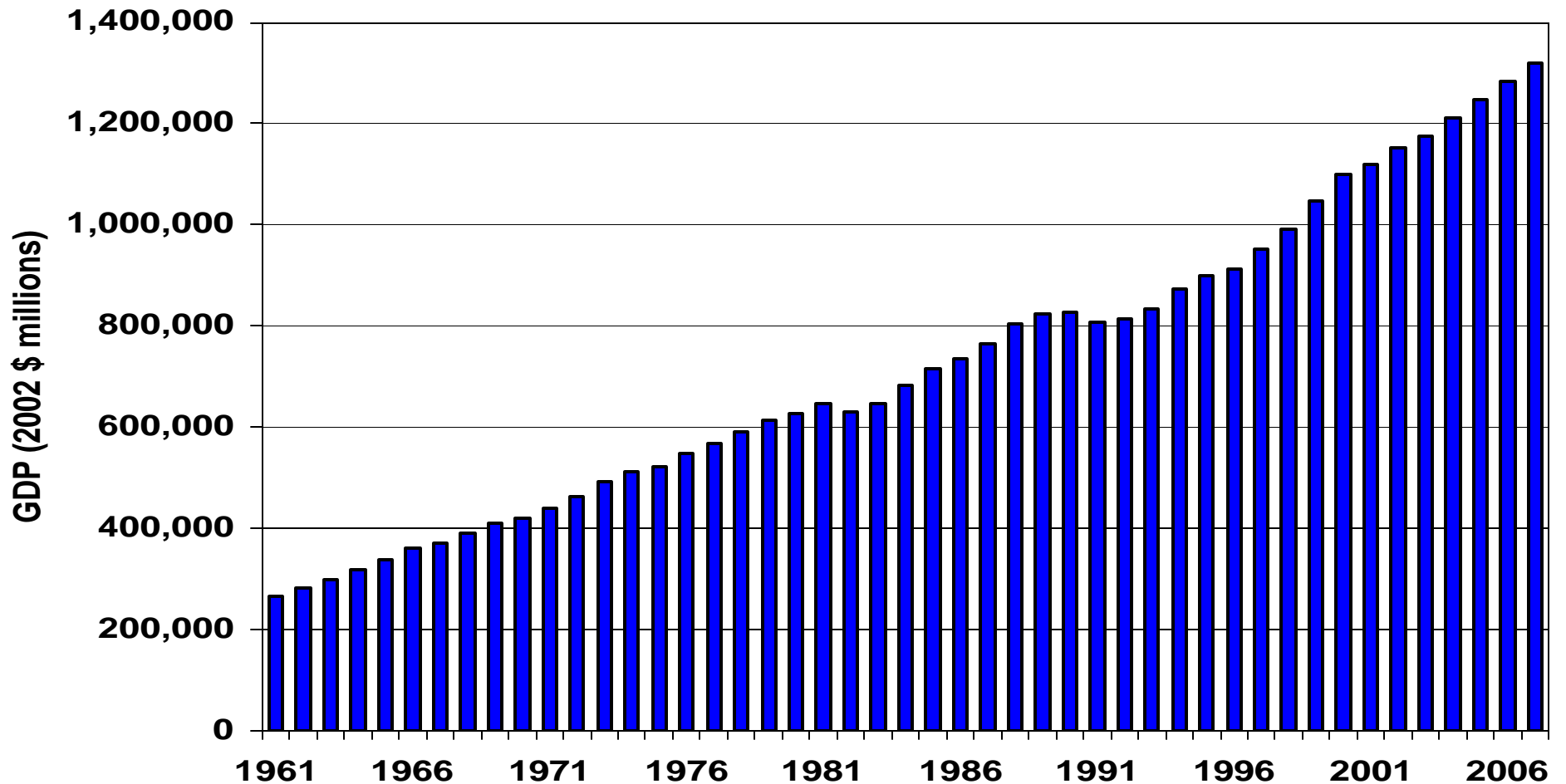
Demographic Analysis

Overview

***Given the current economic crisis,
does demography matter?***

Gross Domestic Product (2002 \$ millions)

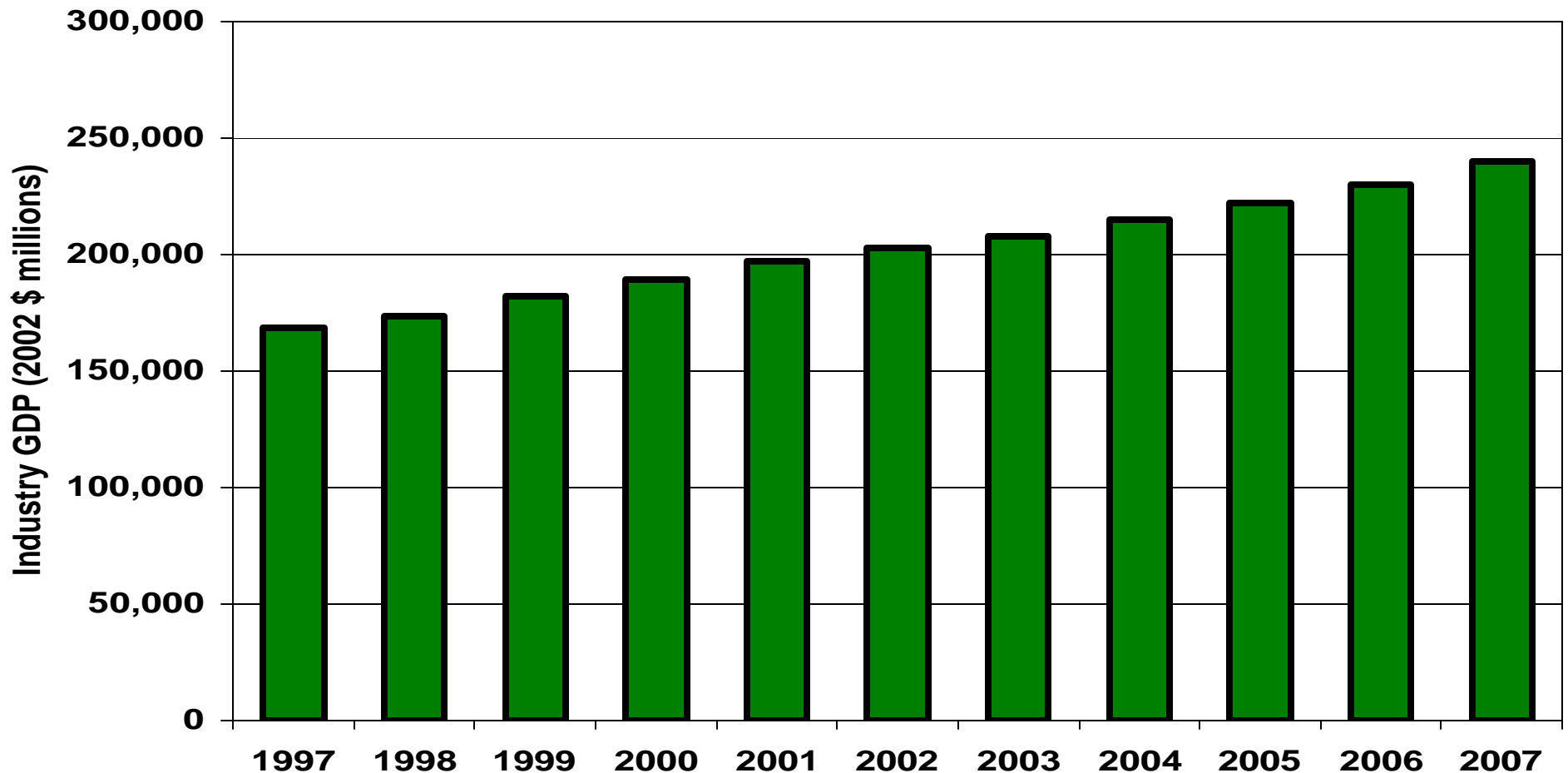
Canada, 1961 to 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Gross Domestic Product (2002 \$ millions)

Canada: Finance, Insurance, and Real Estate, 1997 to 2007



Source: Statistics Canada and R.A.L. Consulting Limited

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

or

***Someday you will be like your
parents***

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.)

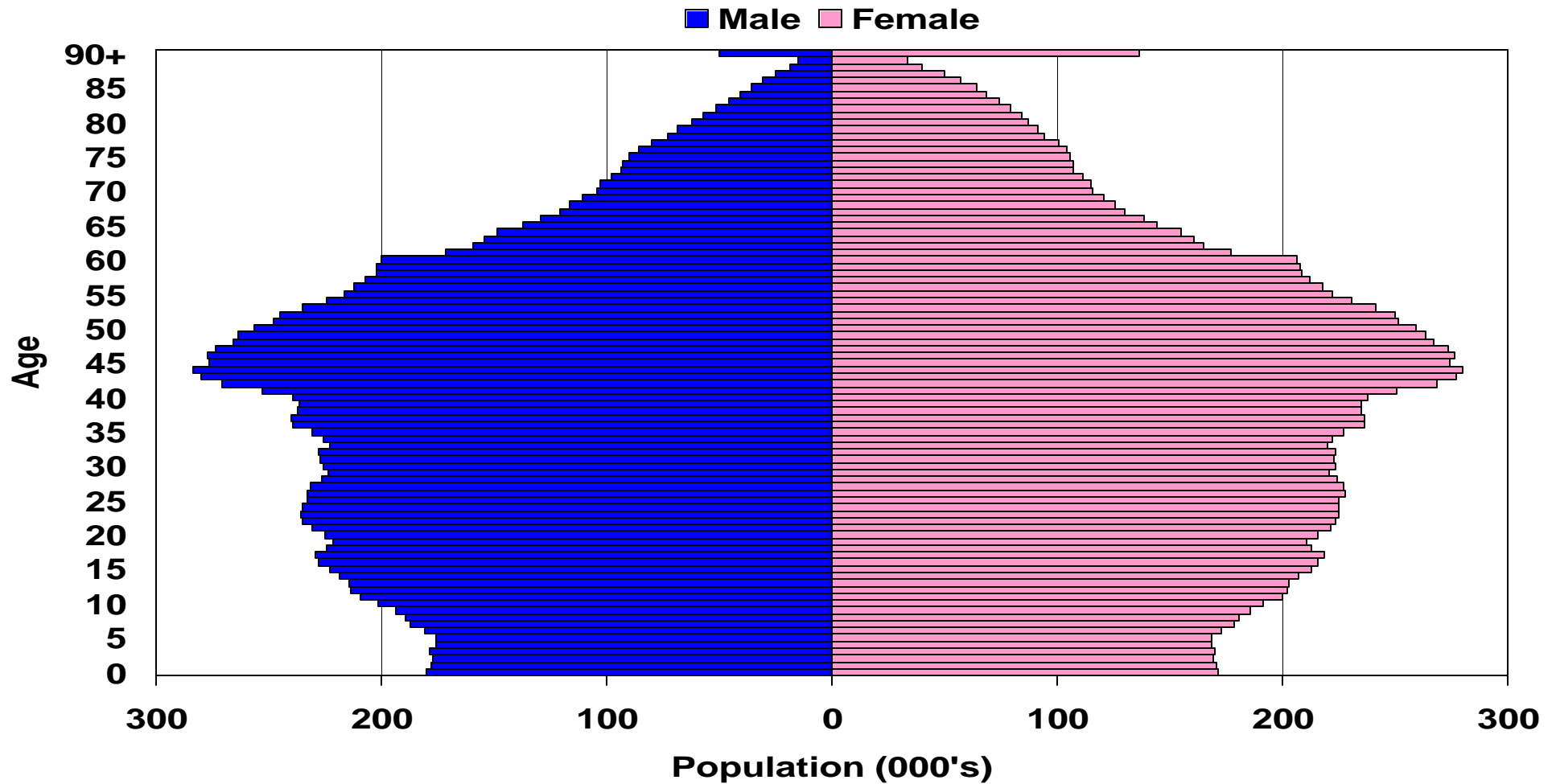
Demographic Analysis

Cohorts

- **Boom:** 1947-1966
 - » 43-62 in 2009
 - » 29 percent of Canada's population
- **Bust:** 1967-1979
 - » 30-42 in 2009
 - » 18 percent of Canada's population
- **Echo:** 1980-1995
 - » 14-29 in 2009
 - » 22 percent of Canada's population

Canada

Population Pyramid, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Demographic Analysis

Today's Presentation

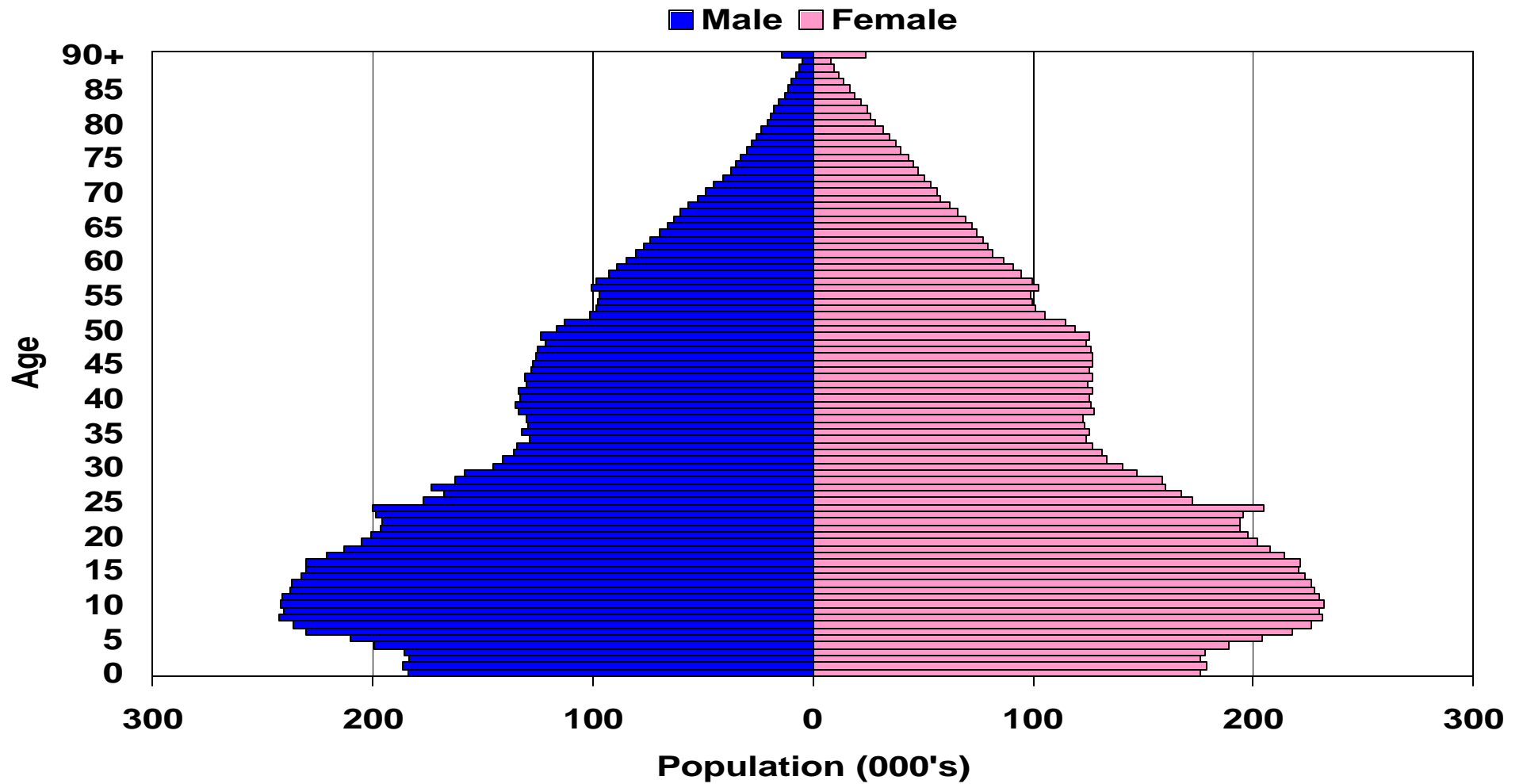
- Major demographic trends in Canada
- Life cycle analysis of household spending on selected products that are important to the life insurance/financial services industry
- Projected demographic “pressure” on selected areas of household spending
- Marketing to the different cohorts
- Workplace attitudes and values – a case study

Demographic Trends - Canada

Population Aging

Canada

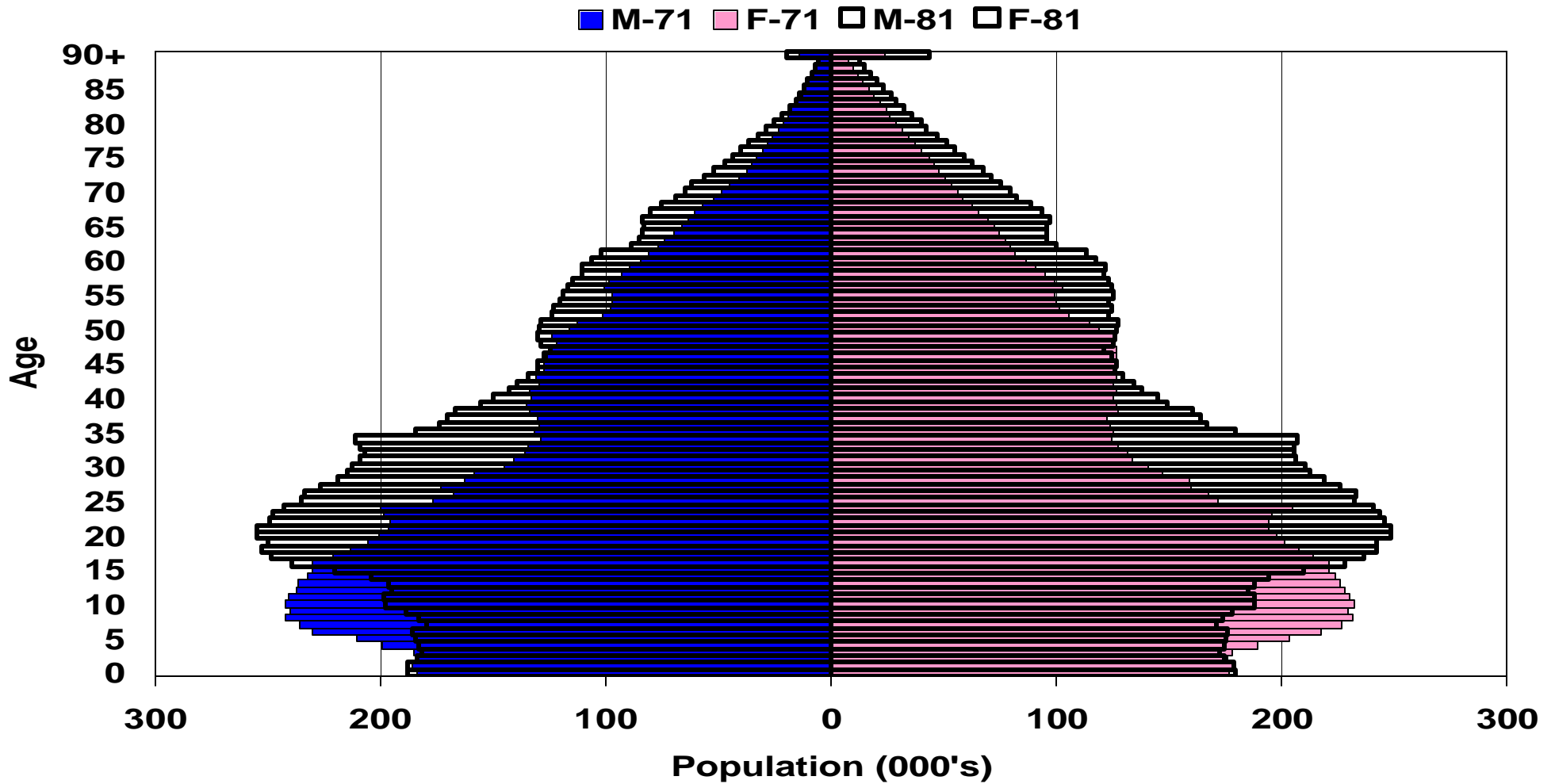
Population Pyramid, 1971



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

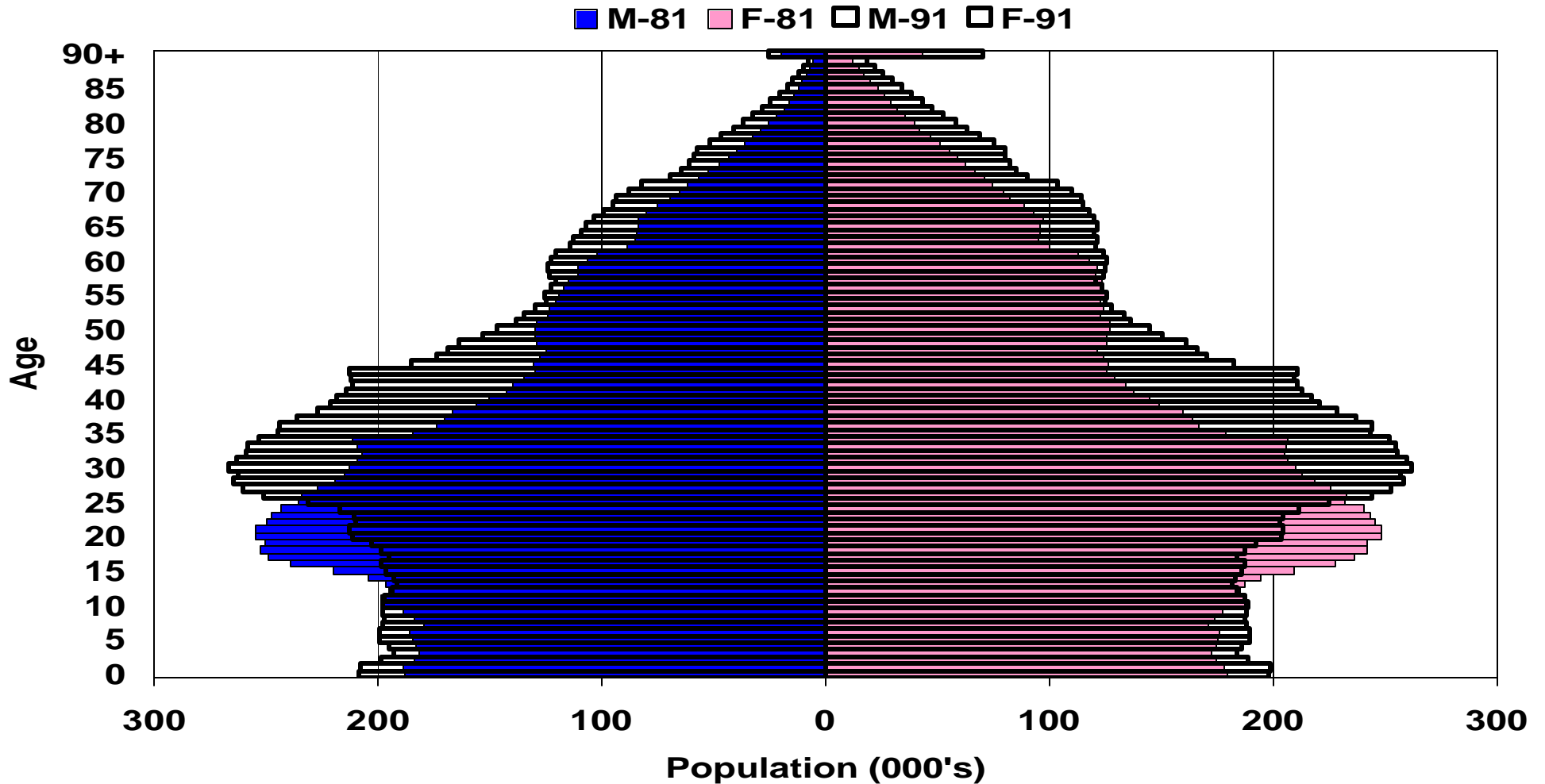
Population Pyramid, 1971 (colour) versus 1981 (outline)



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

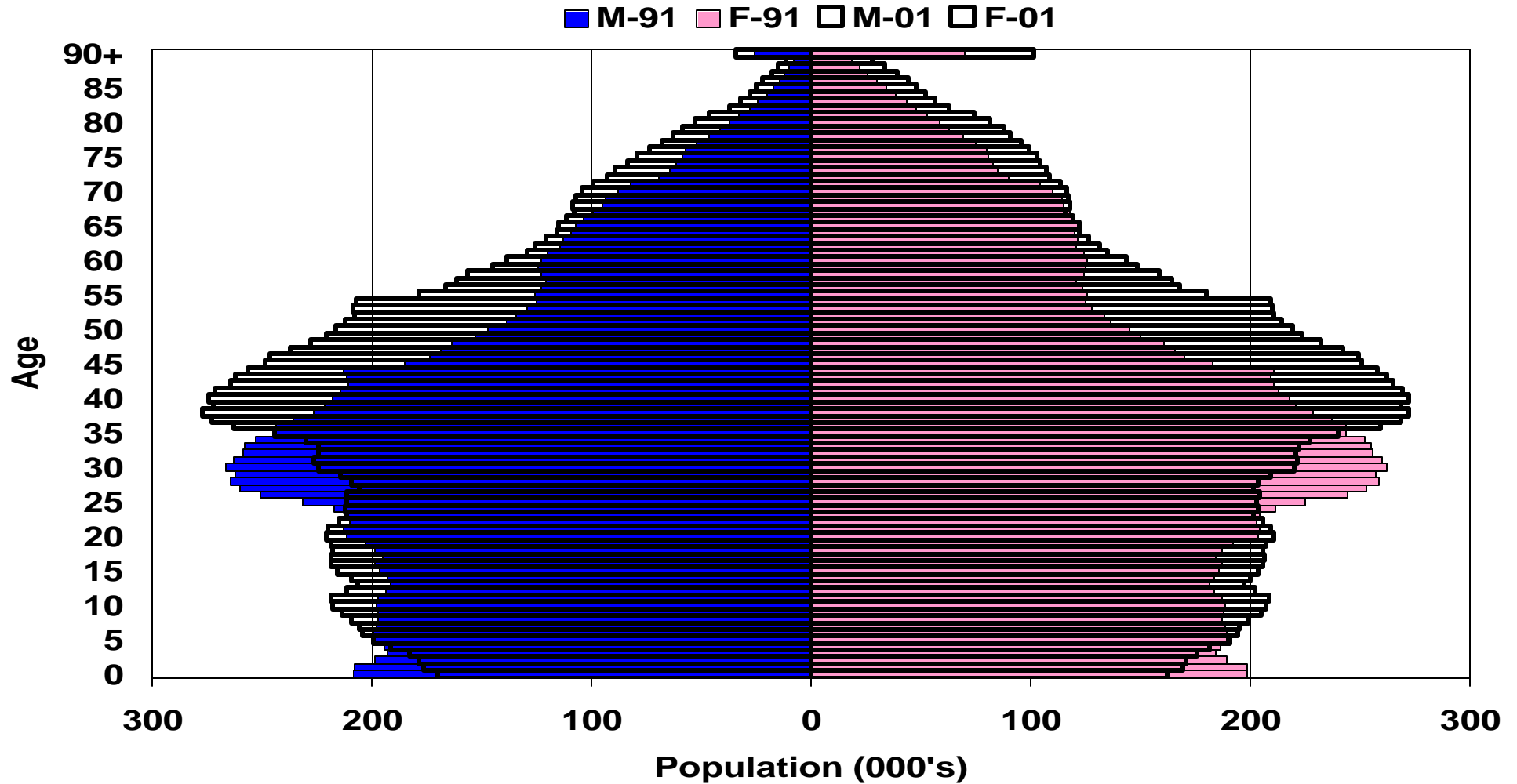
Population Pyramid, 1981 (colour) versus 1991 (outline)



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

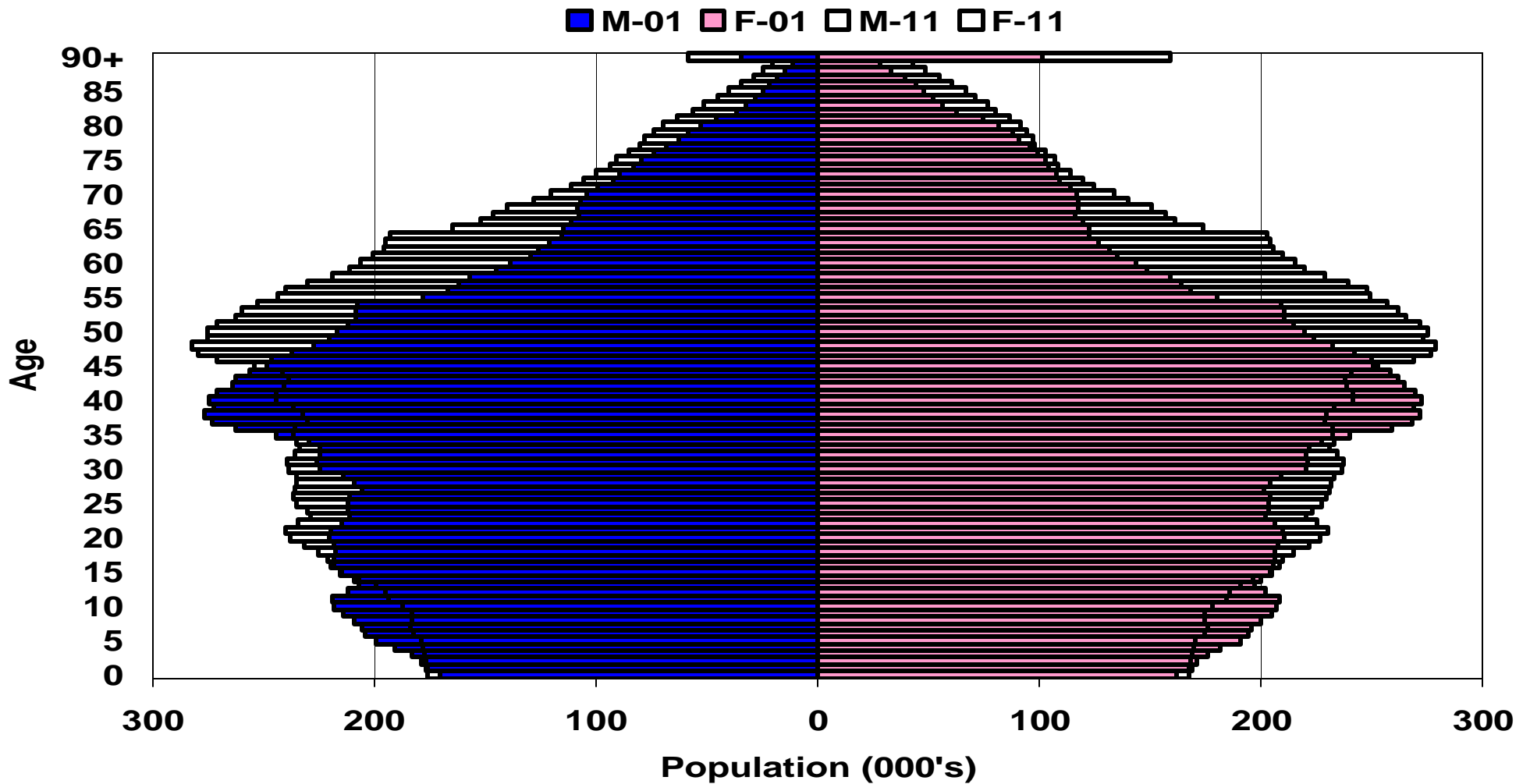
Population Pyramid, 1991 (colour) versus 2001 (outline)



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

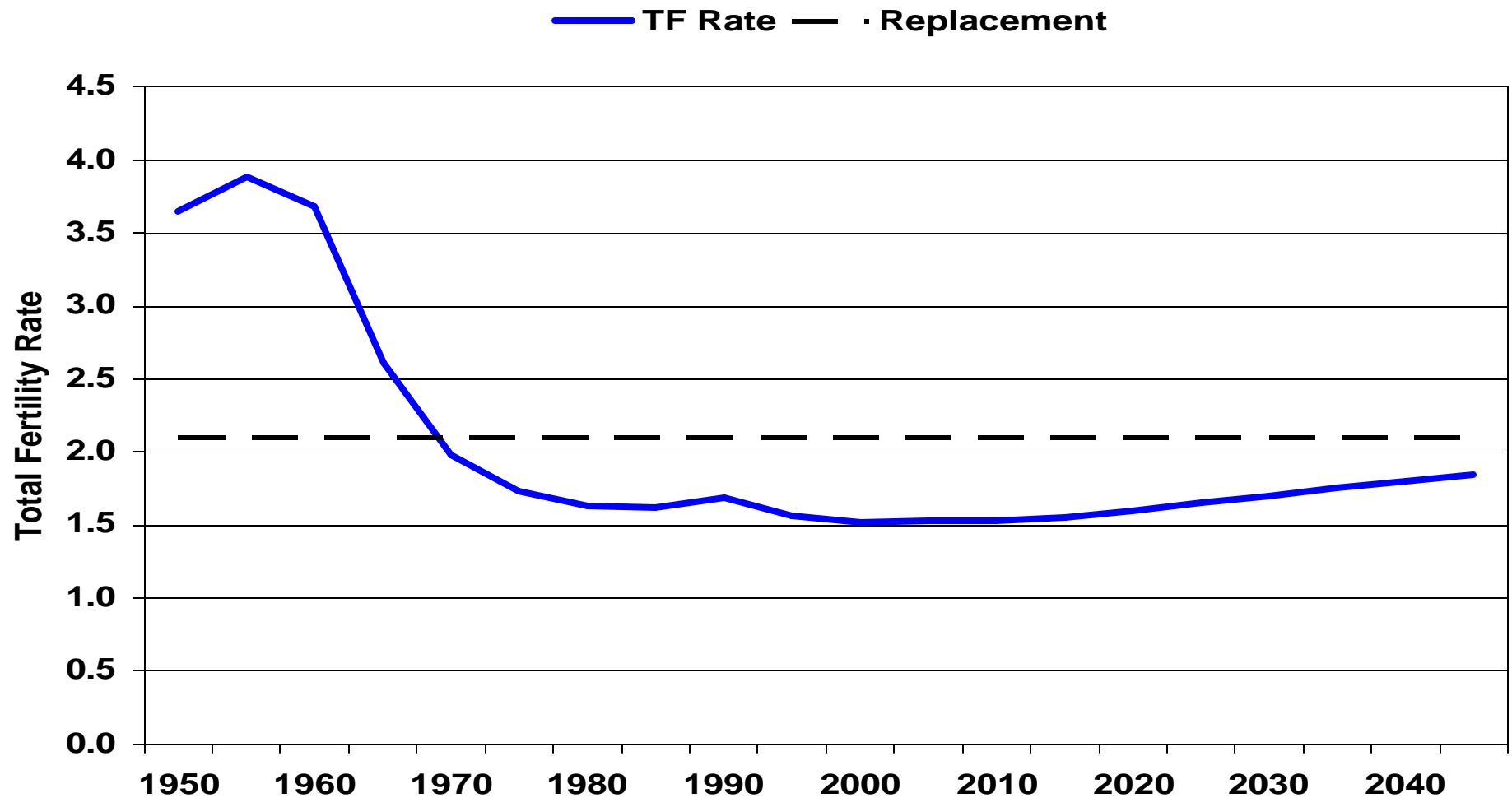
Population Pyramid, 2001 (colour) versus 2011 (outline)



Source: Statistics Canada and R.A.L. Consulting Limited

Total Fertility Rate

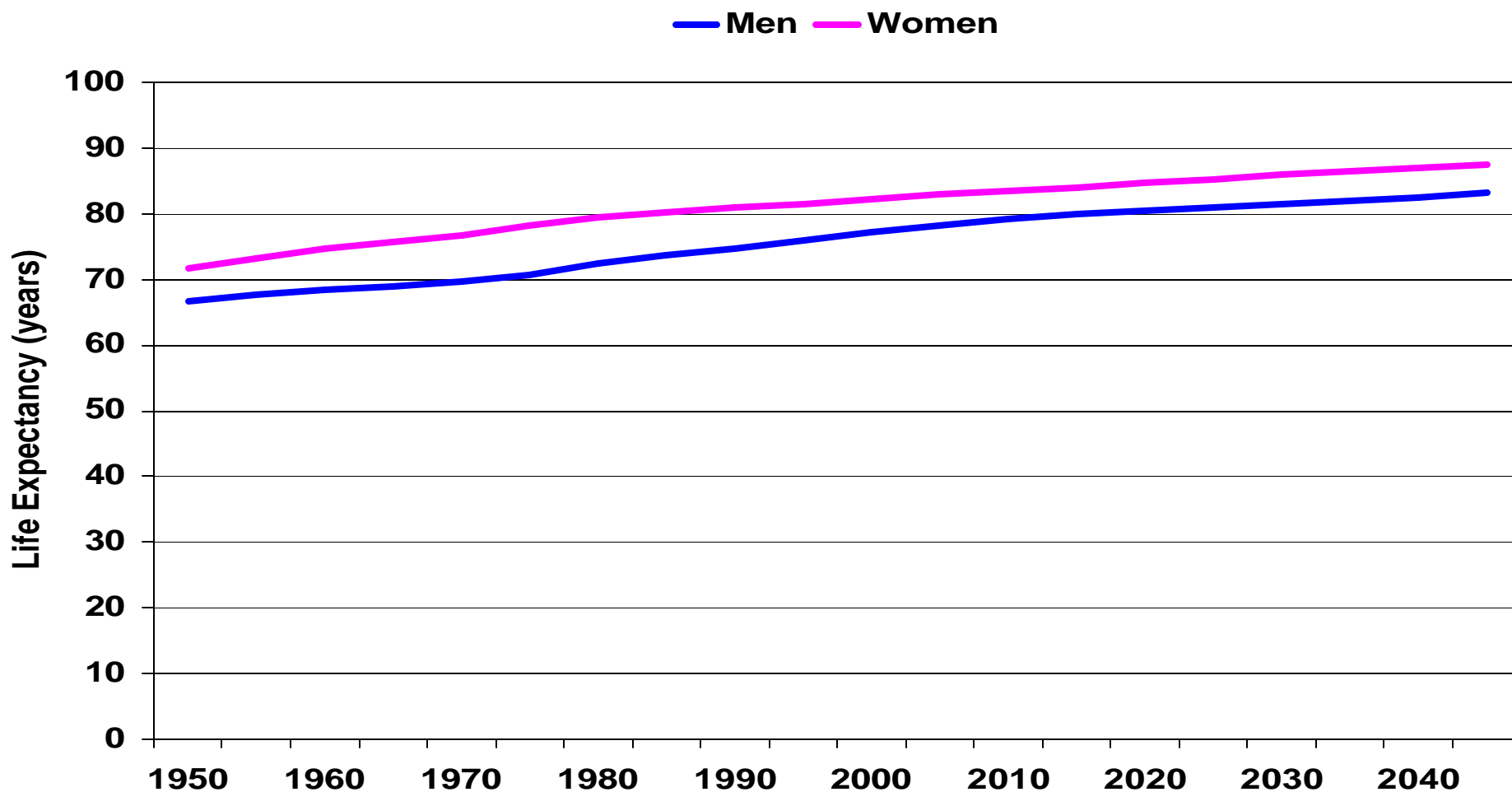
Canada, 1950 to 2050 (historical and projected)



Source: United Nations Population Division

Life Expectancy at Birth by Sex

Canada, 1950 to 2050 (historical and projected)

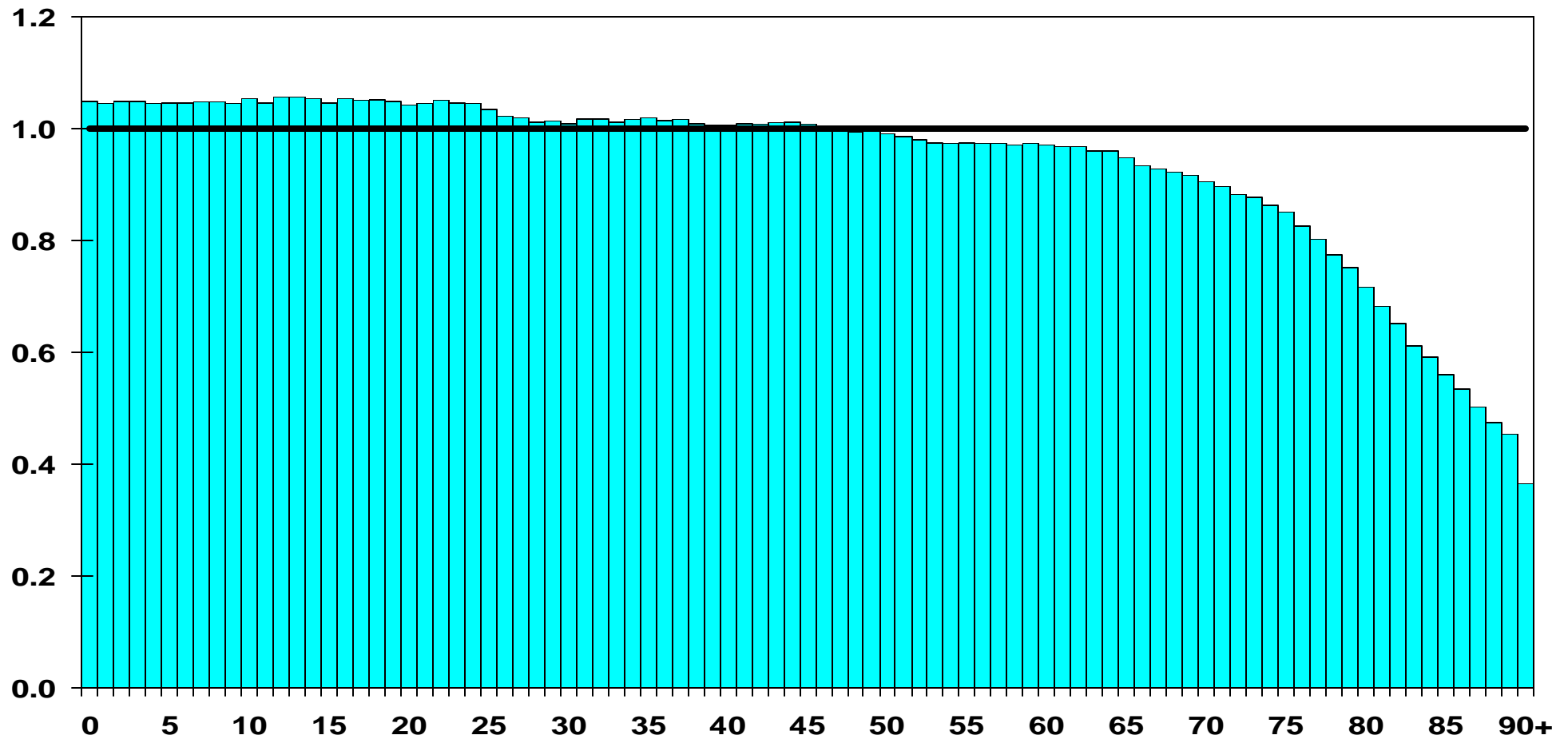


Source: United Nations Population Division

Male:Female Ratio by Age

Canada, 2007

Ratio M/F — Equality



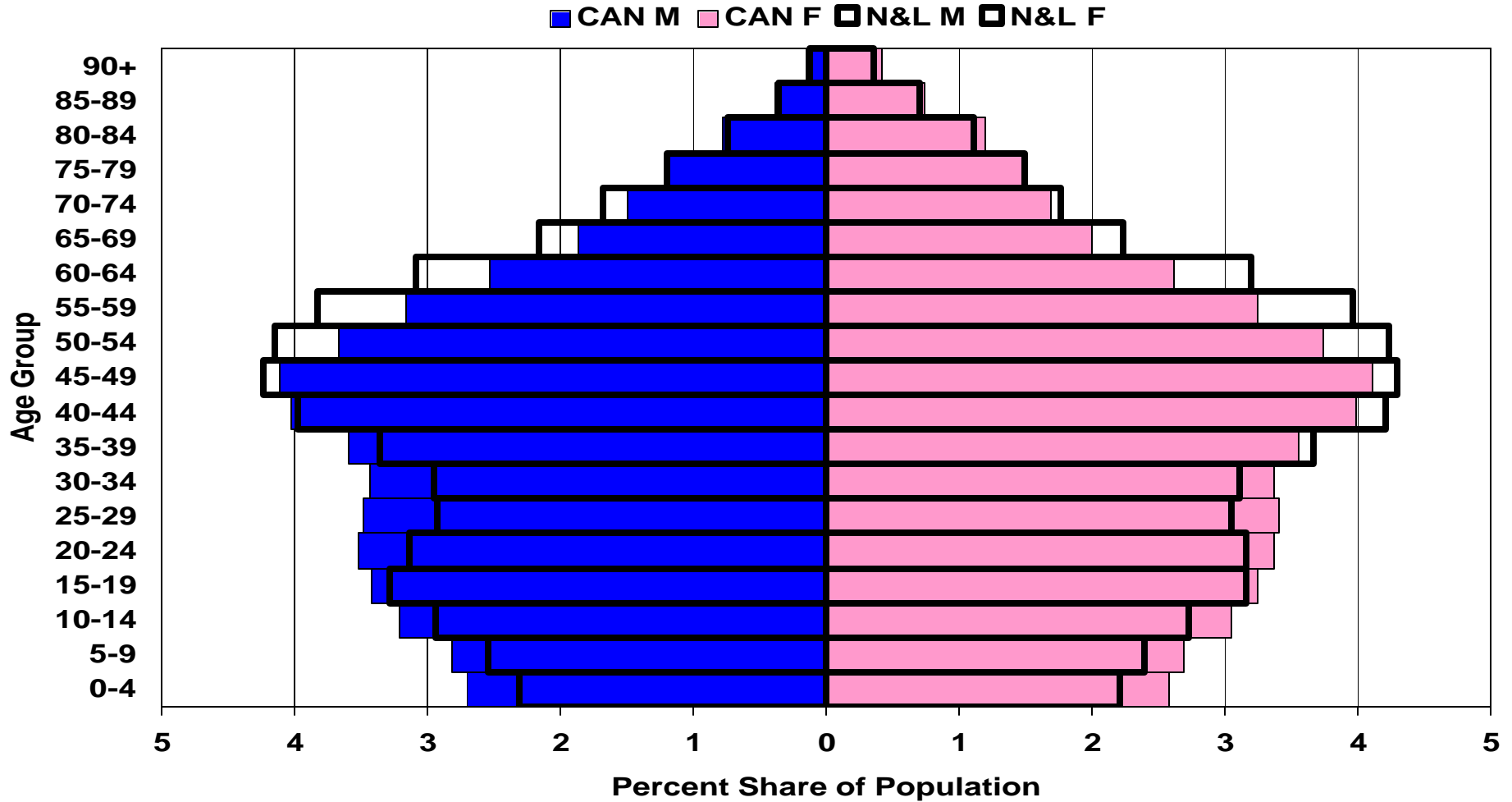
Source: Statistics Canada and R.A.L. Consulting Limited

Demographic Trends - Provinces

Population Aging

Population Pyramid

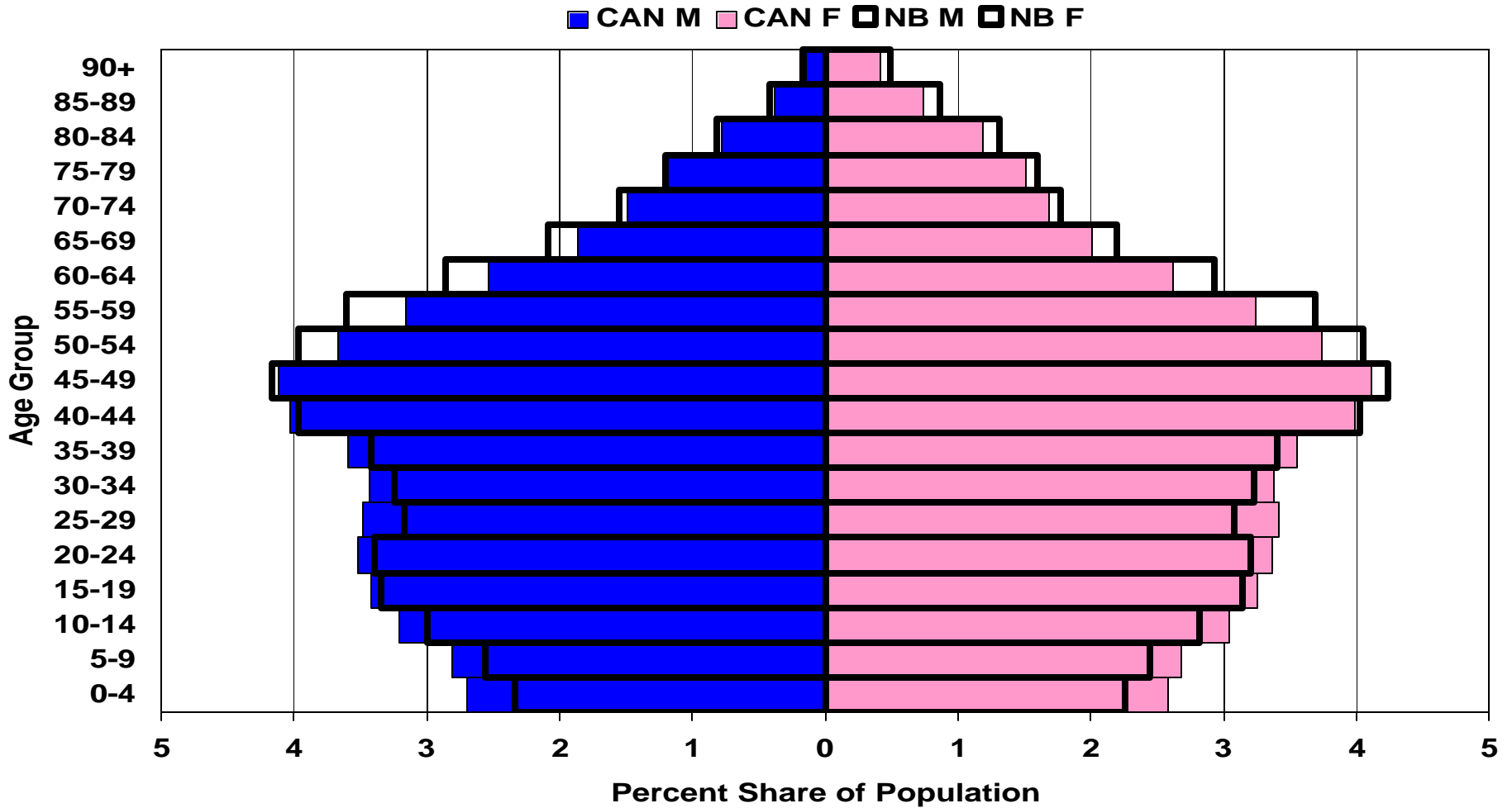
Newfoundland & Labrador versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

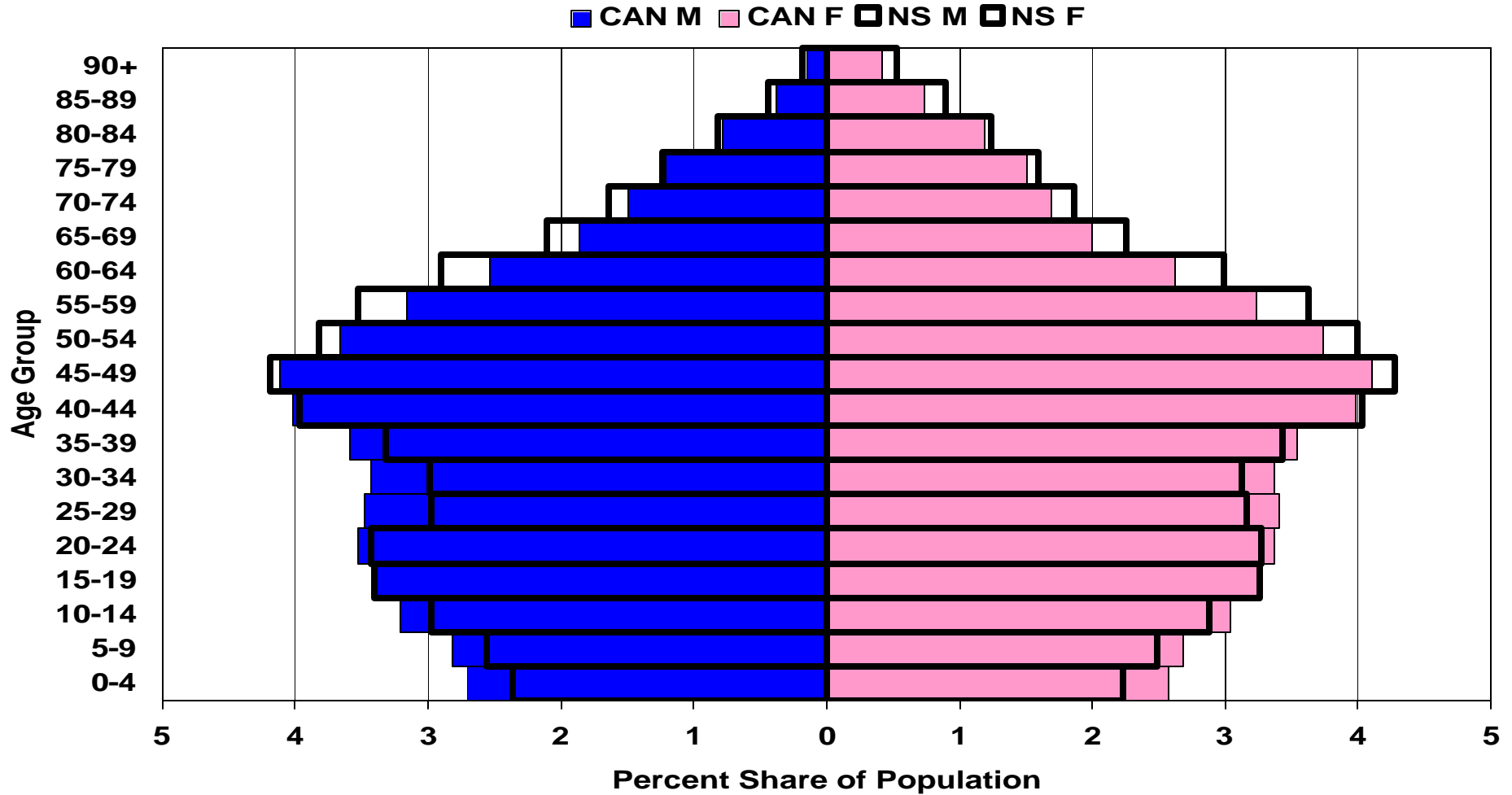
New Brunswick versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

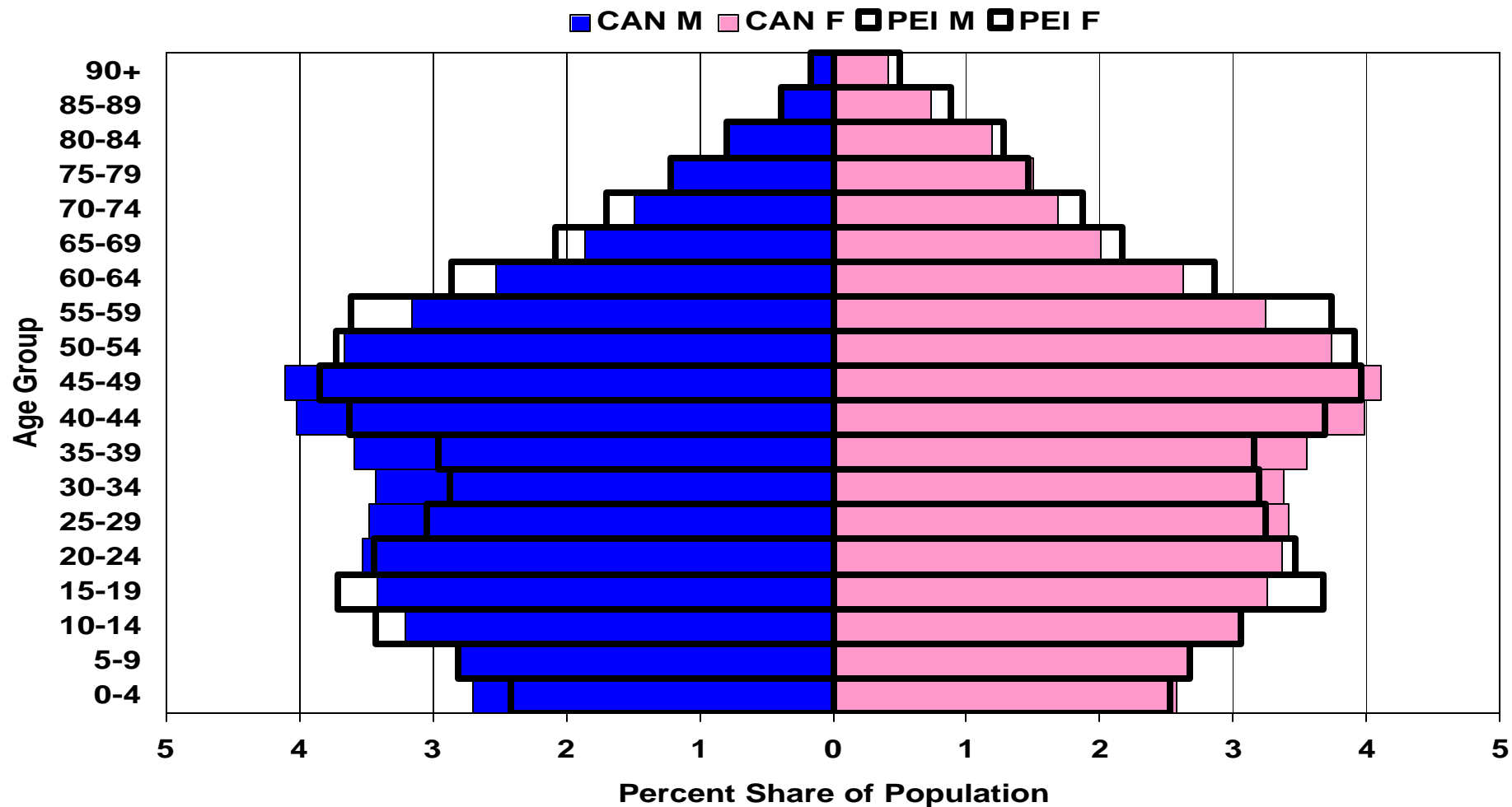
Nova Scotia versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

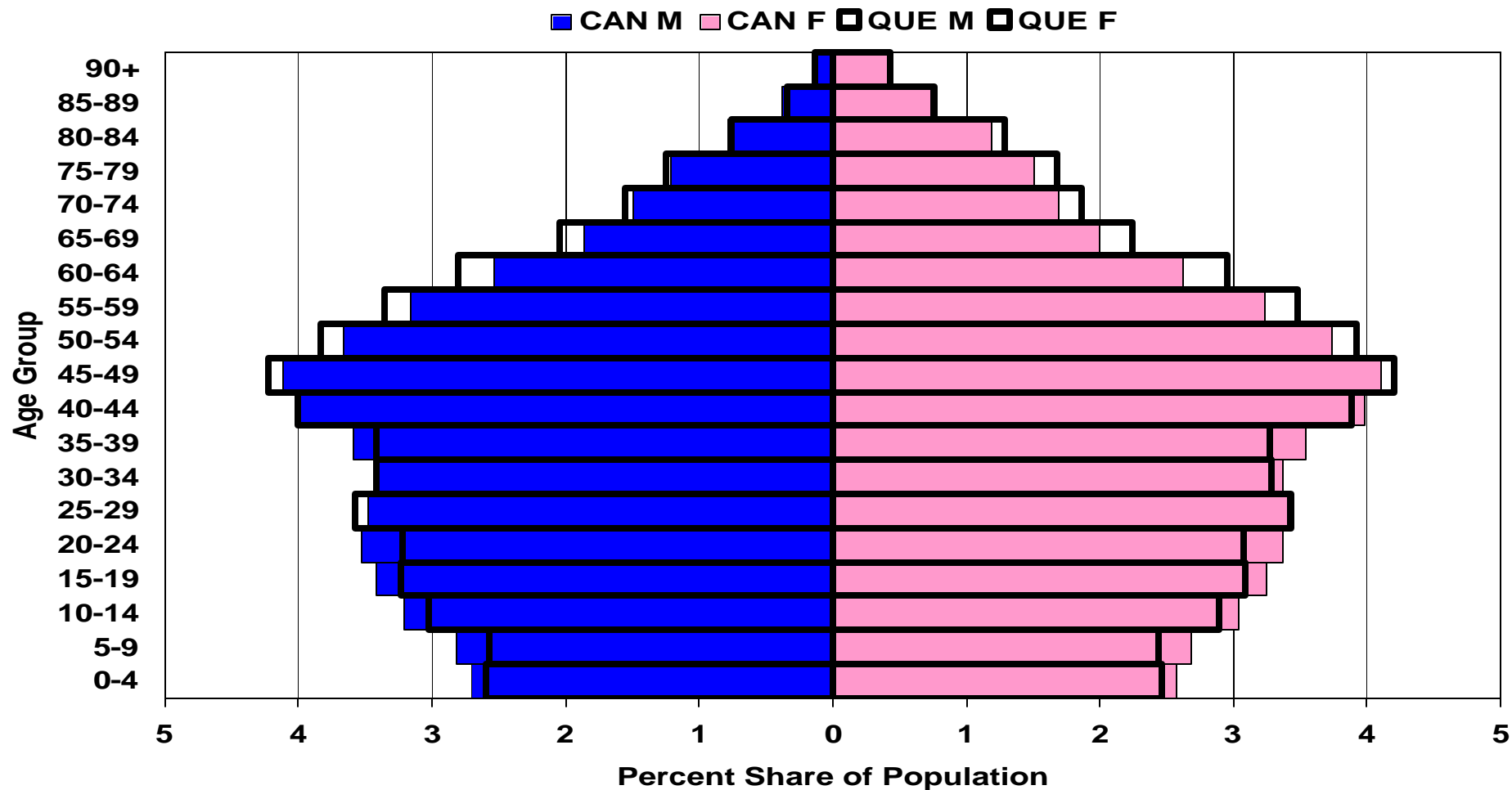
Prince Edward Island versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

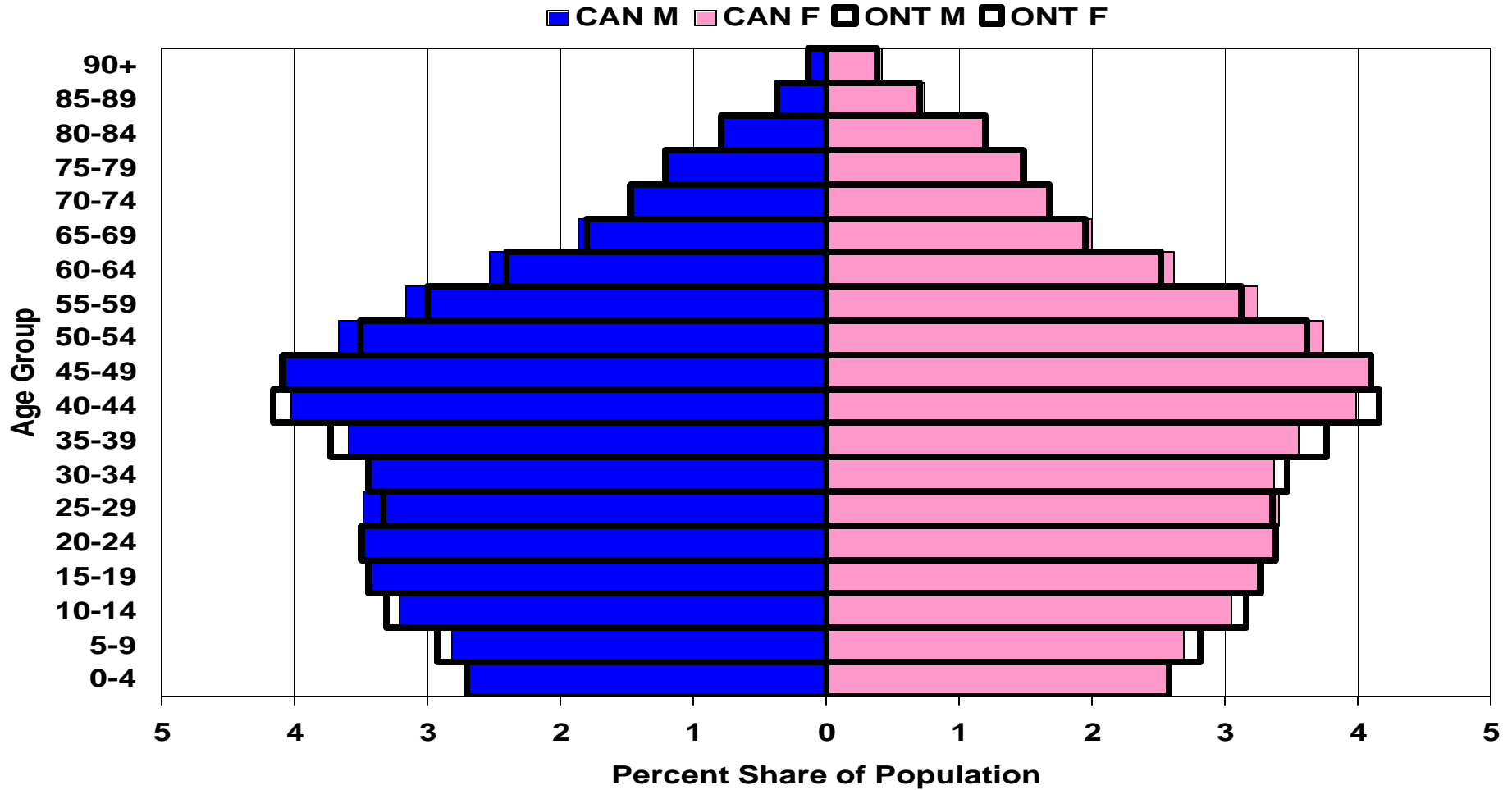
Québec versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

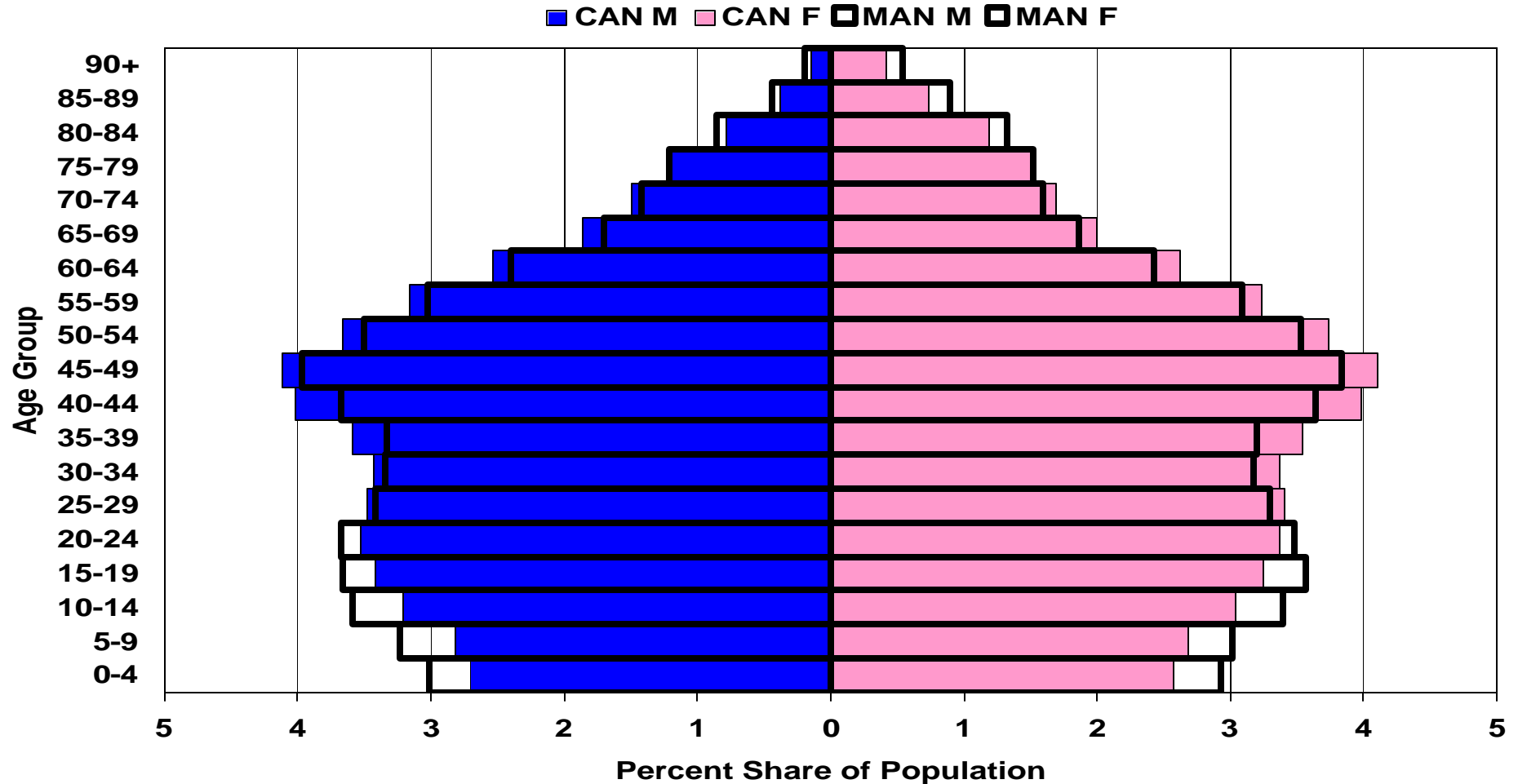
Ontario versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

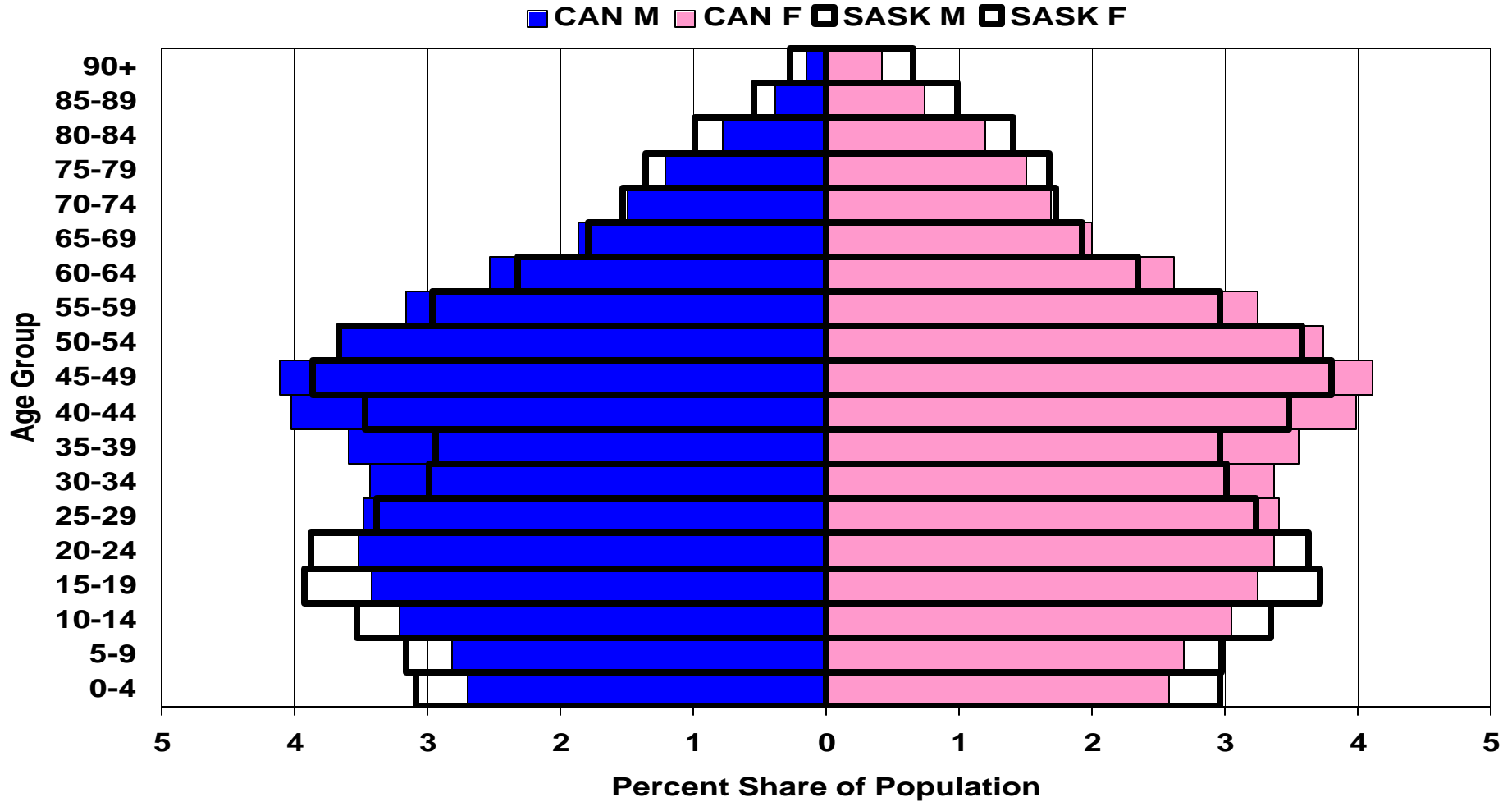
Manitoba versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

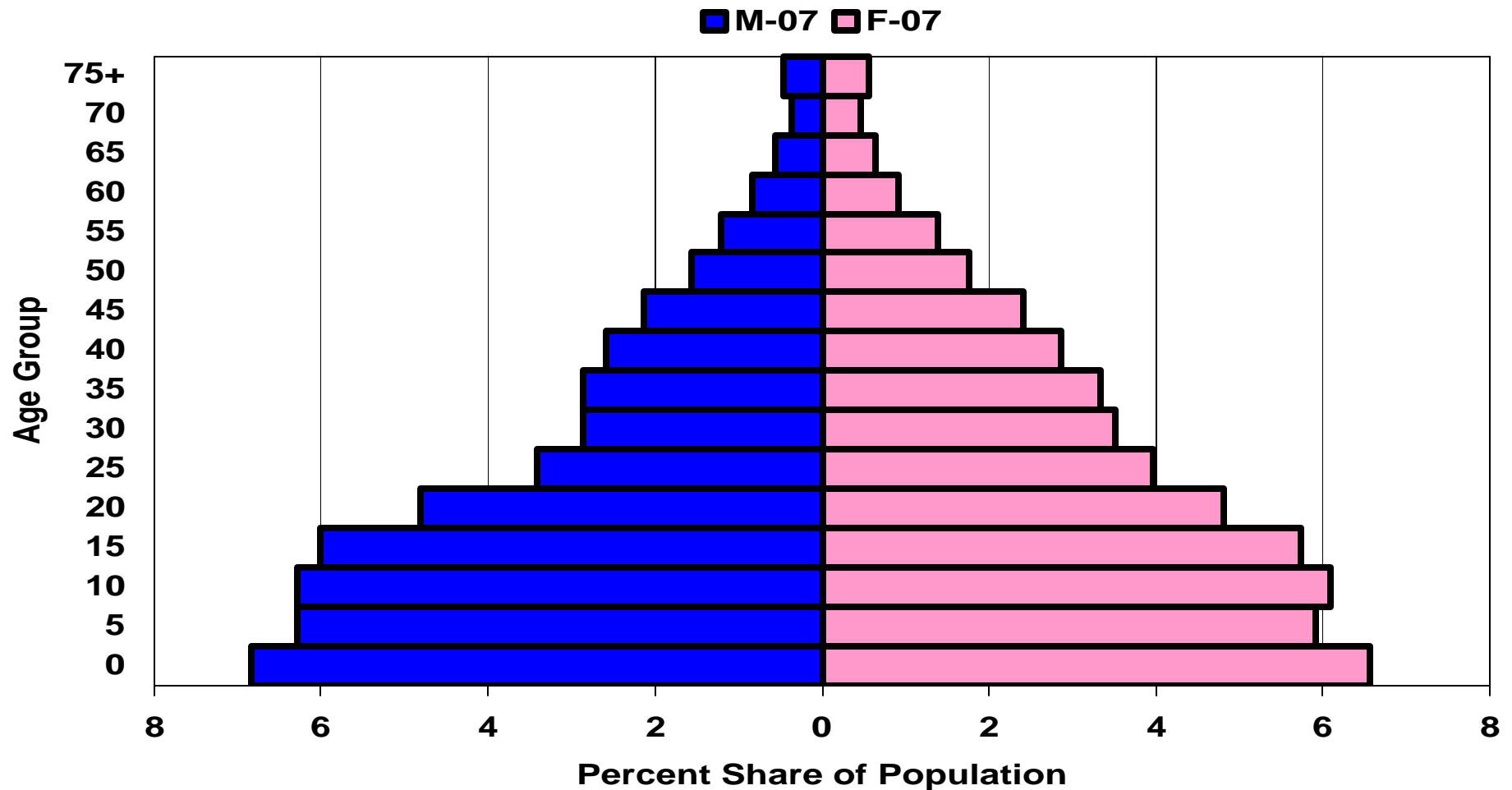
Saskatchewan versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

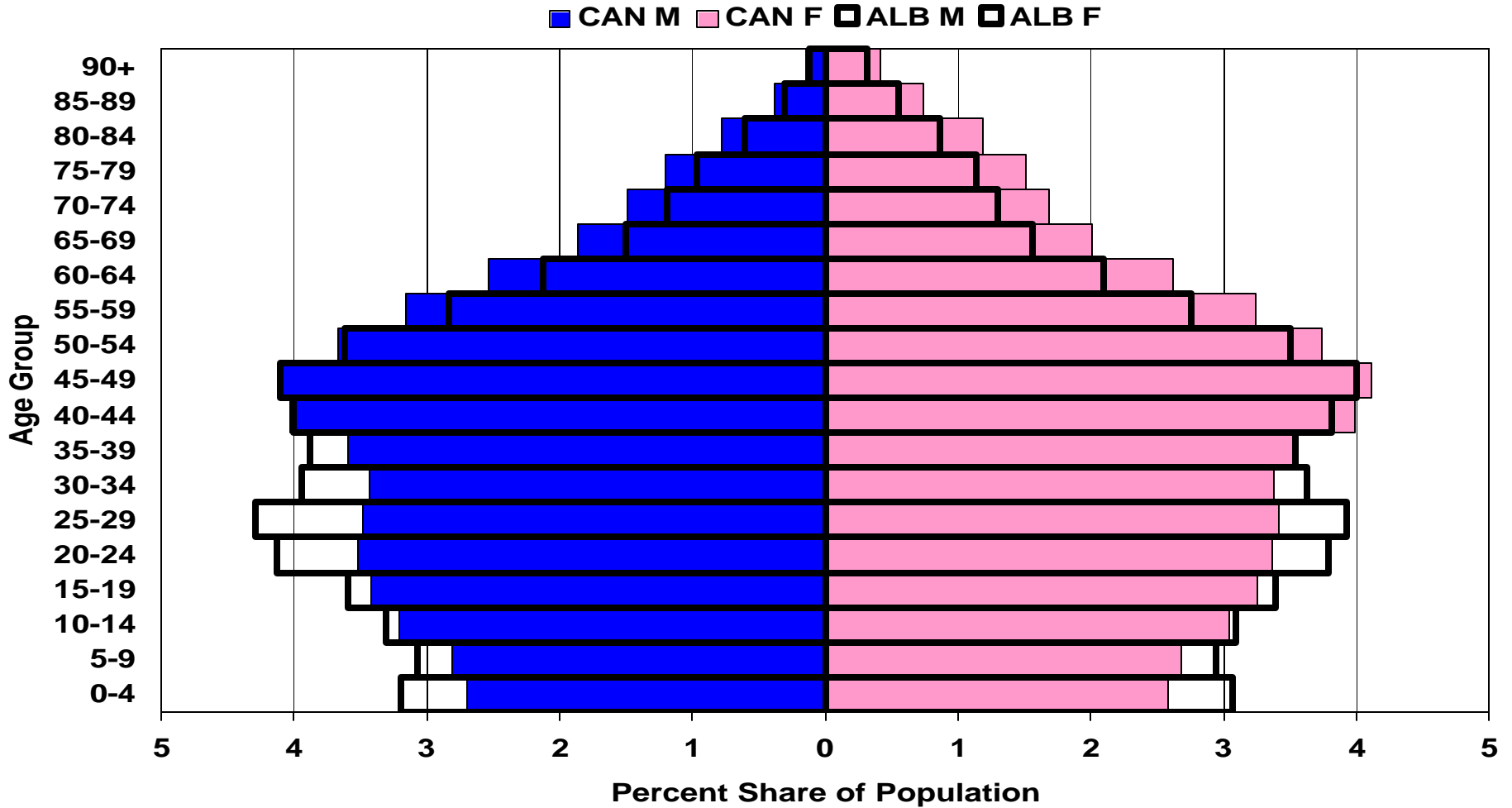
Saskatchewan Aboriginal Population, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

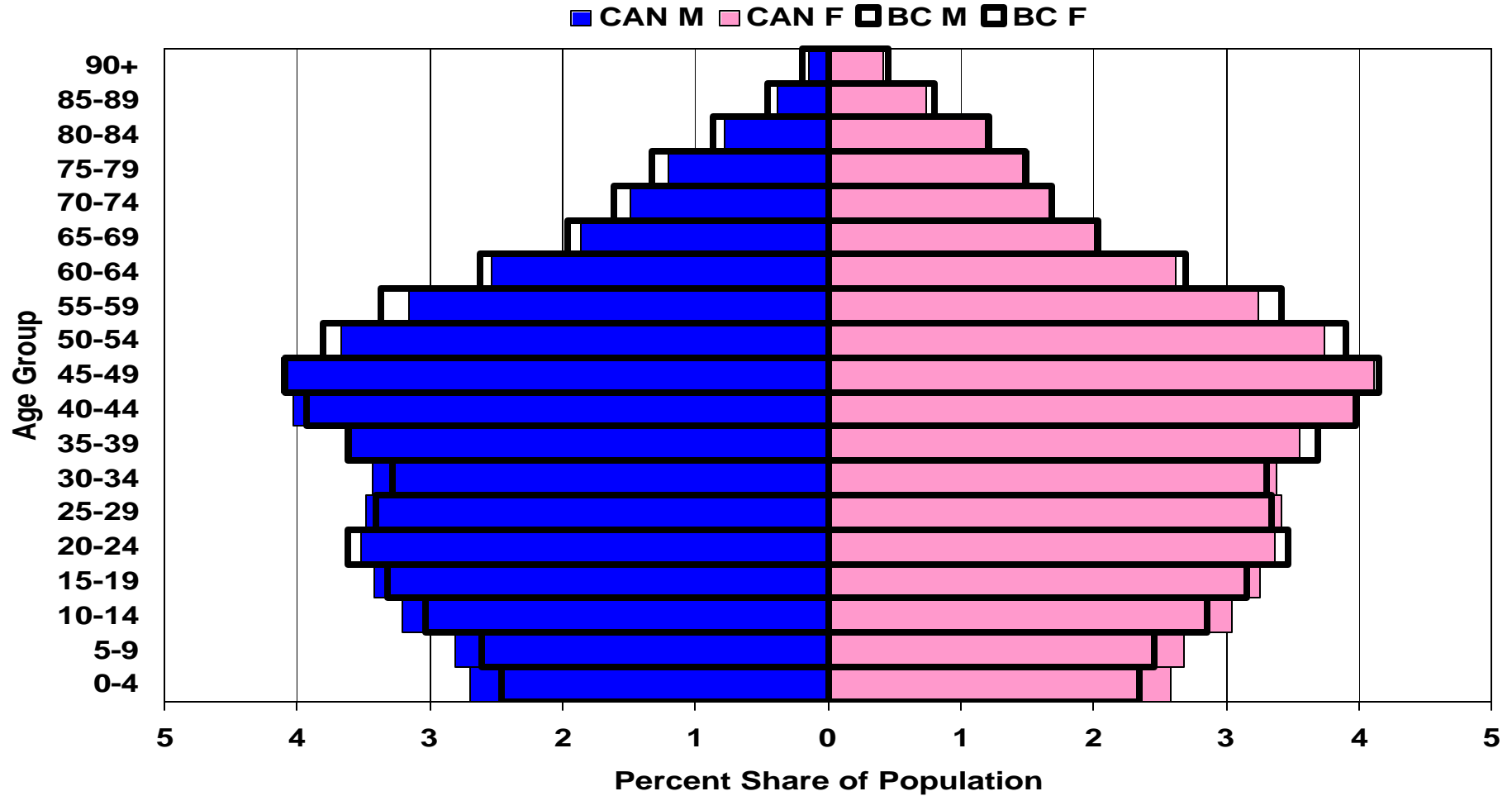
Alberta versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

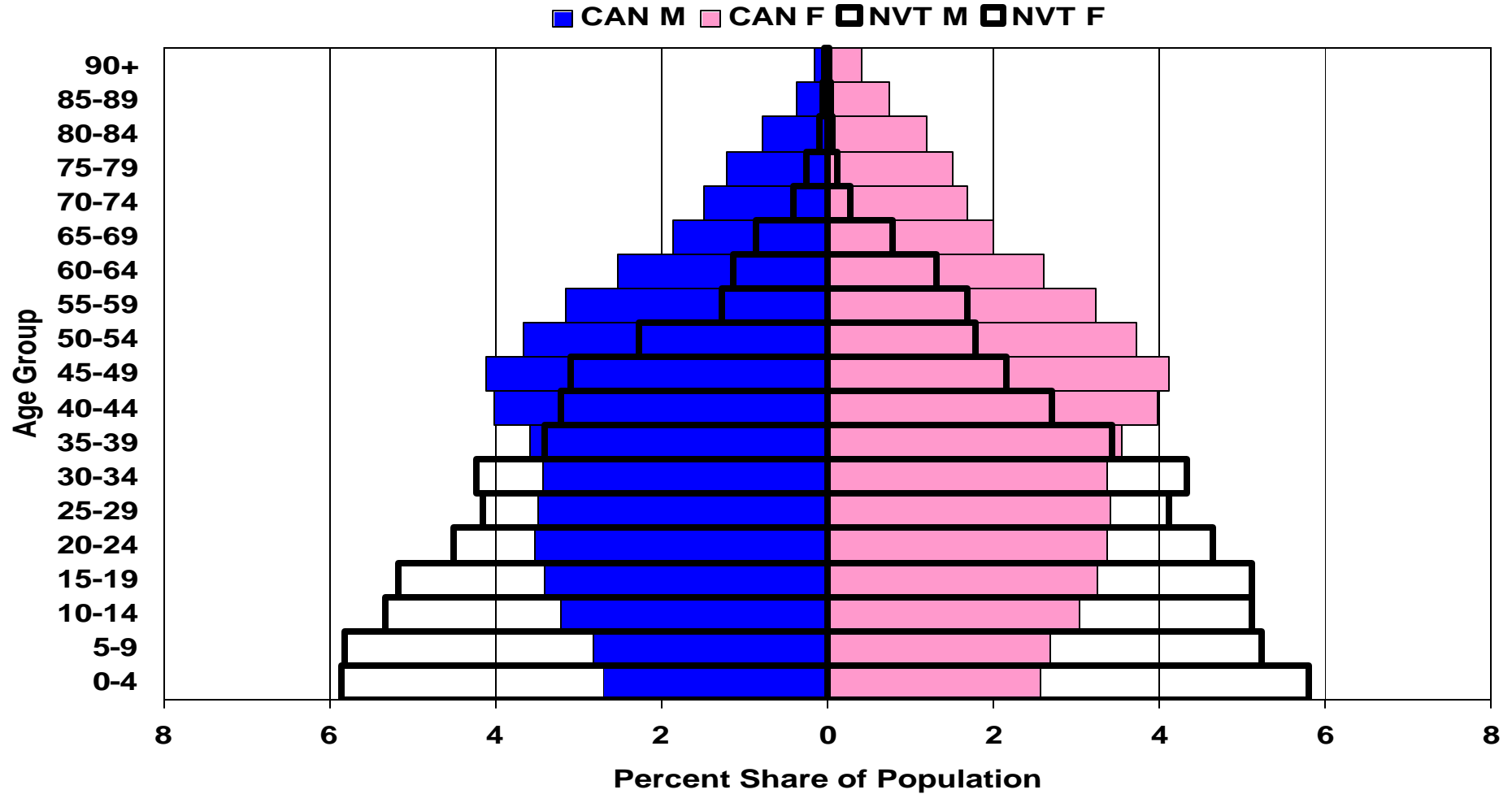
British Columbia versus Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Population Pyramid

Nunavut versus Canada, 2007



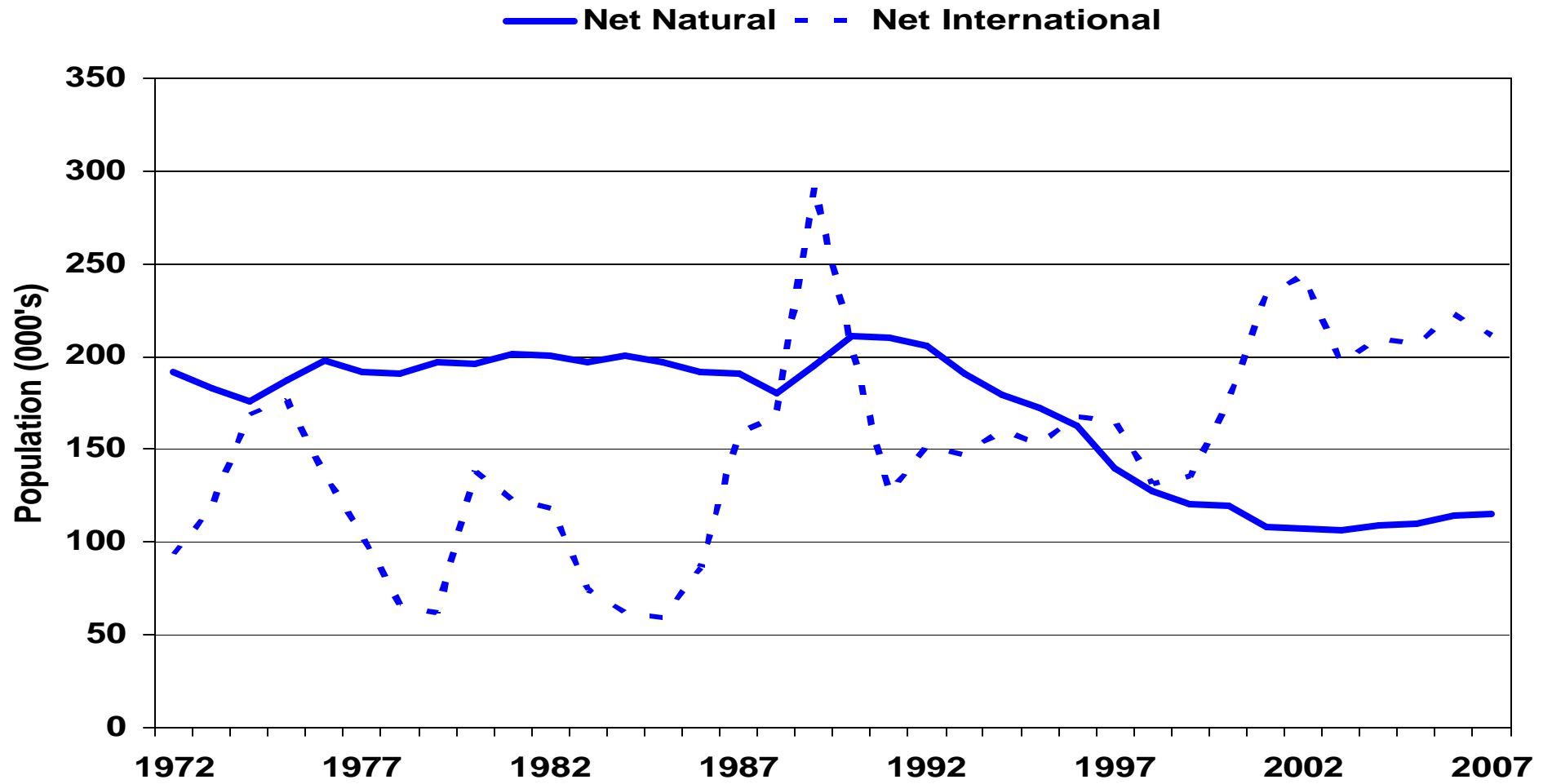
Source: Statistics Canada and R.A.L. Consulting Limited

Demographic Trends - Canada

Population Change and Diversity

Canada

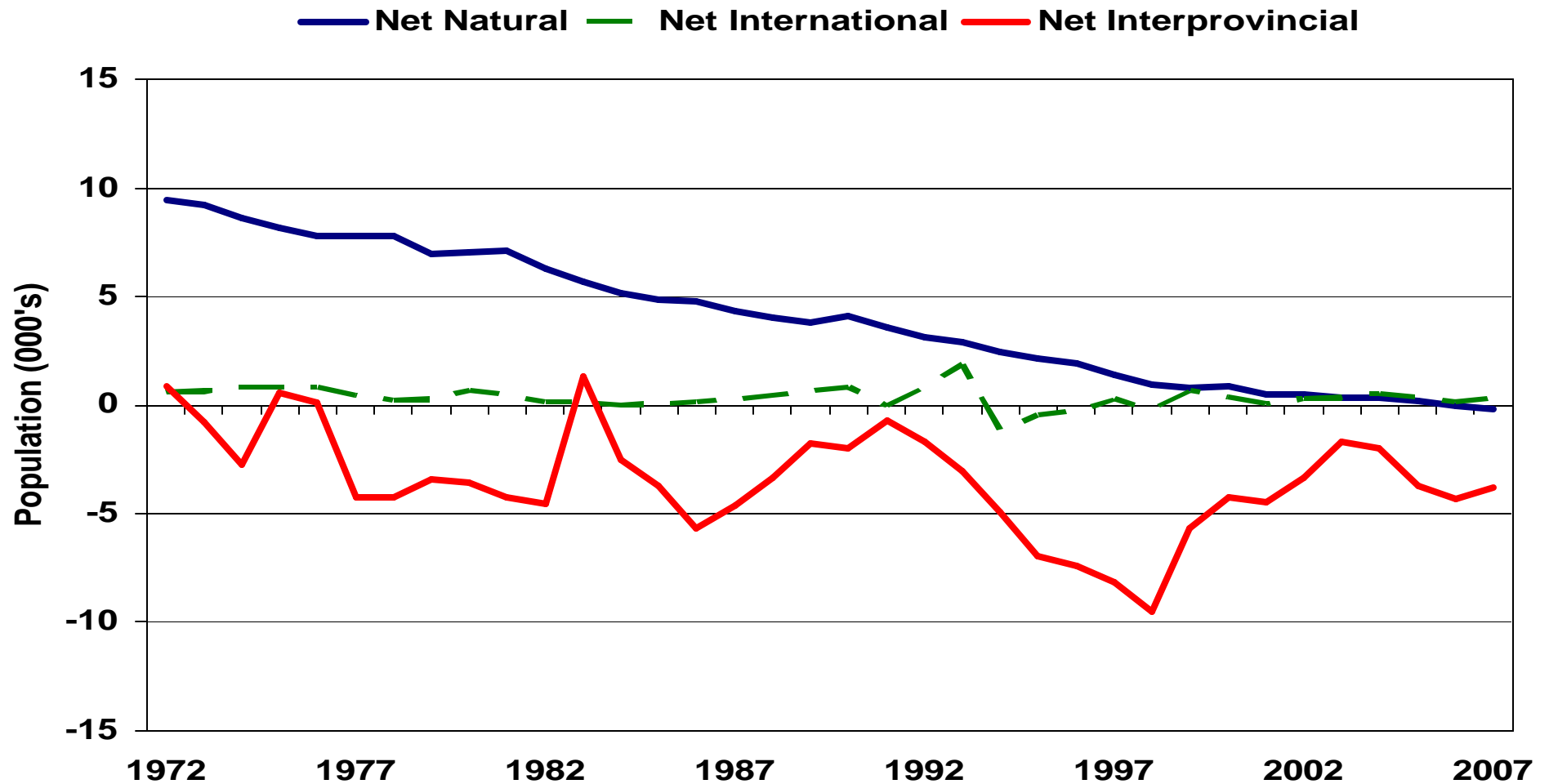
Population Change by Source, 1972-2007



Source: Statistics Canada and R.A.L. Consulting Limited

Newfoundland & Labrador

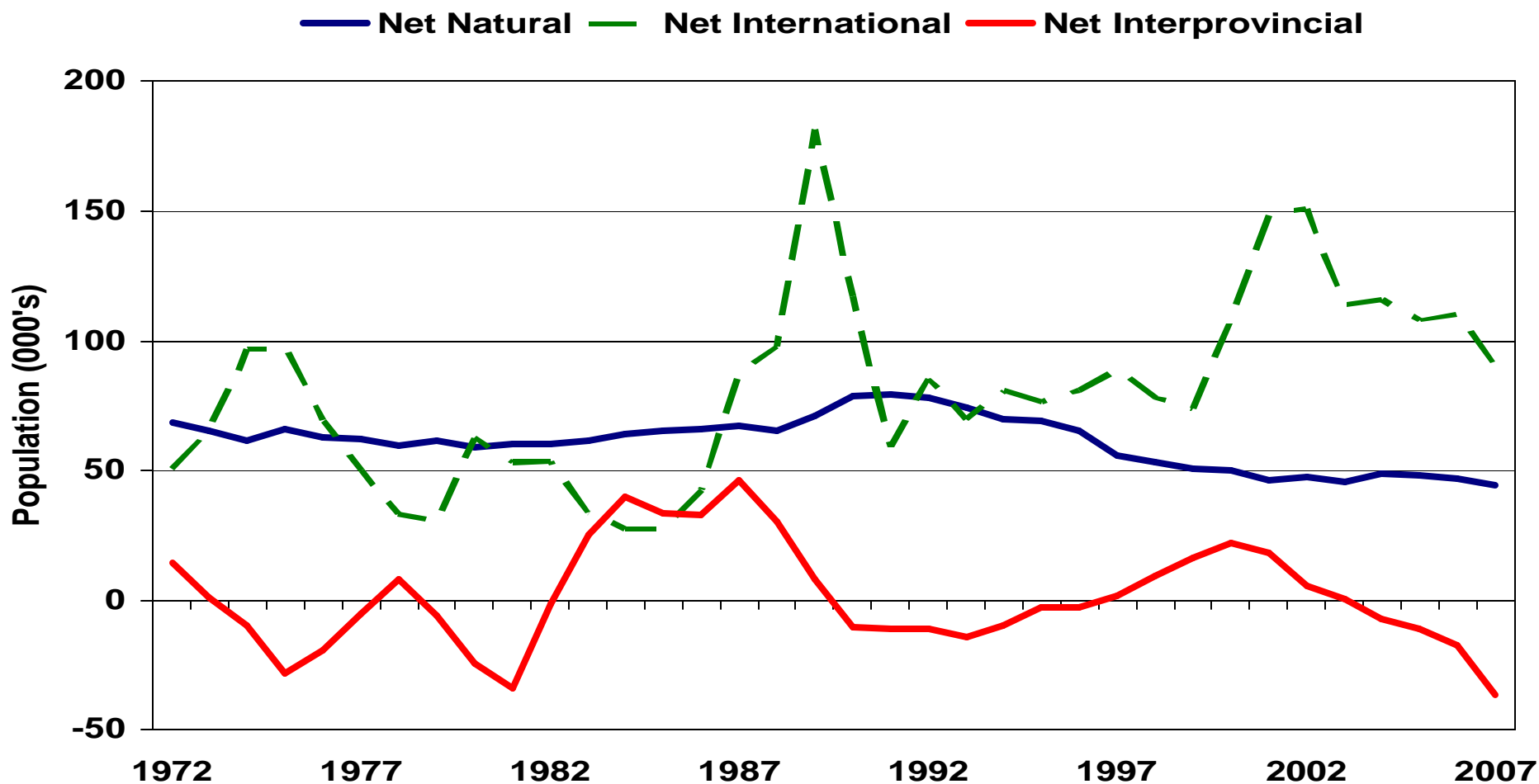
Population Change by Source, 1972-2007



Source: Statistics Canada and R.A.L. Consulting Limited

Ontario

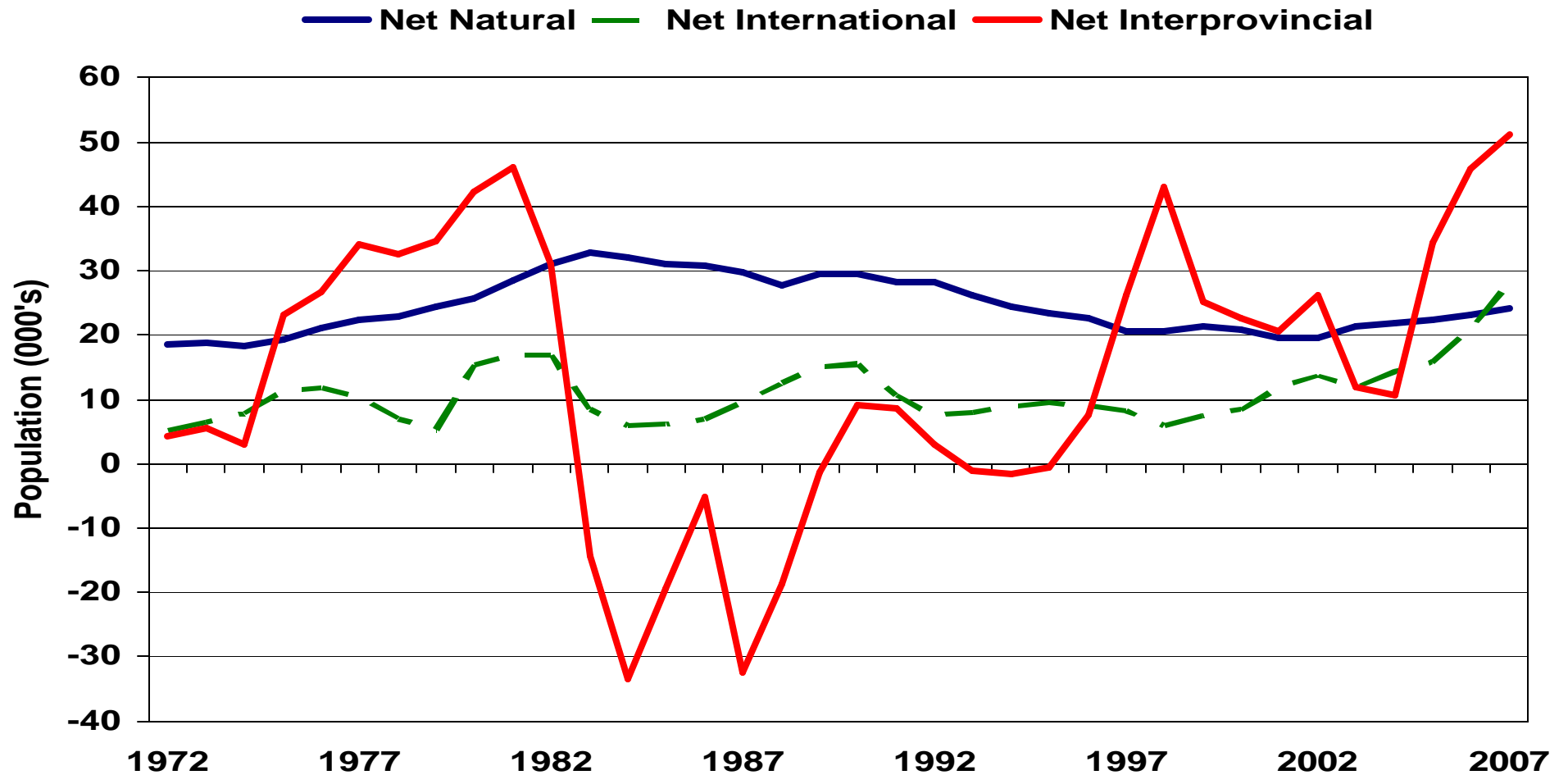
Population Change by Source, 1972-2007



Source: Statistics Canada and R.A.L. Consulting Limited

Alberta

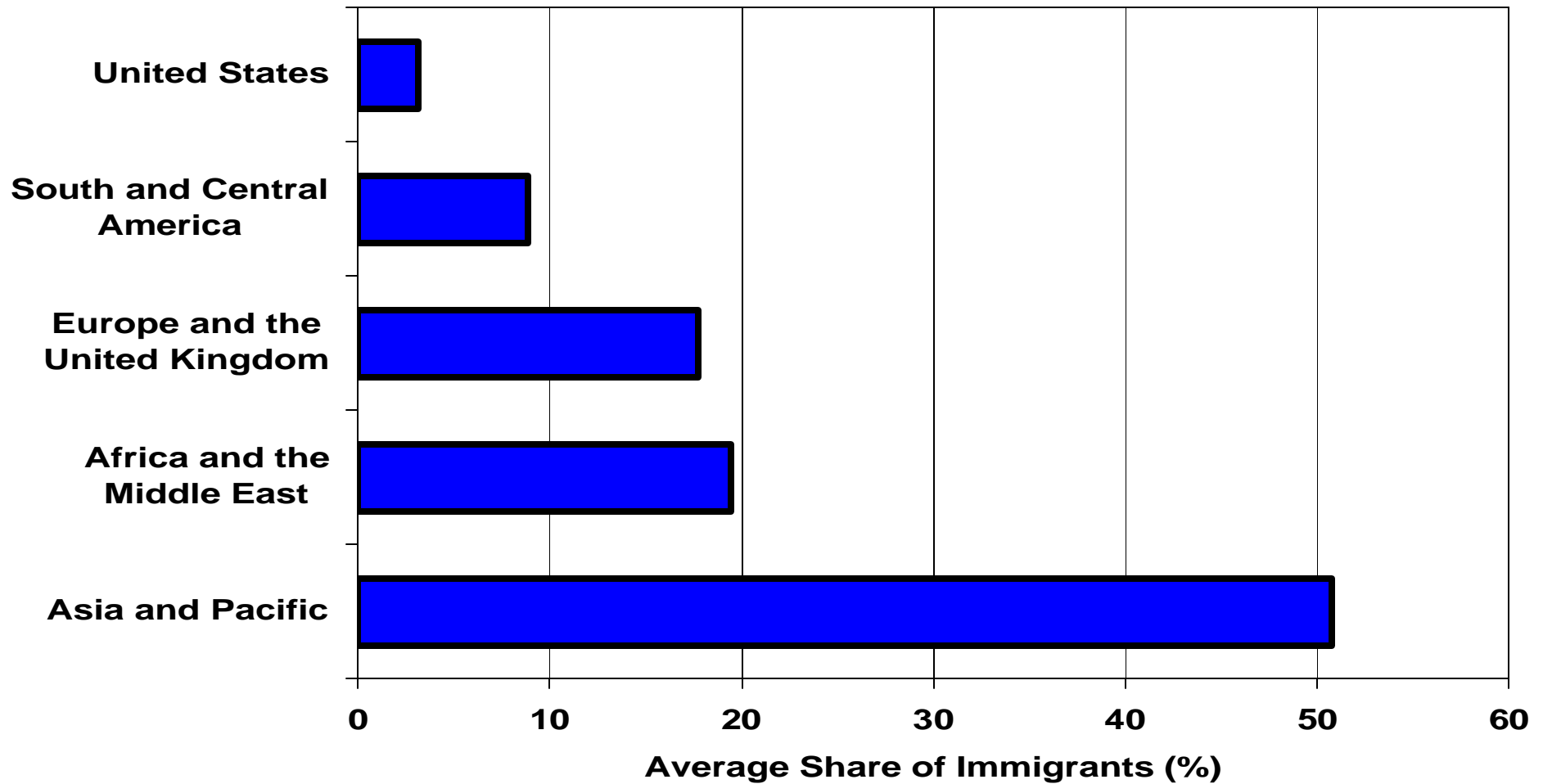
Population Change by Source, 1972-2007



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

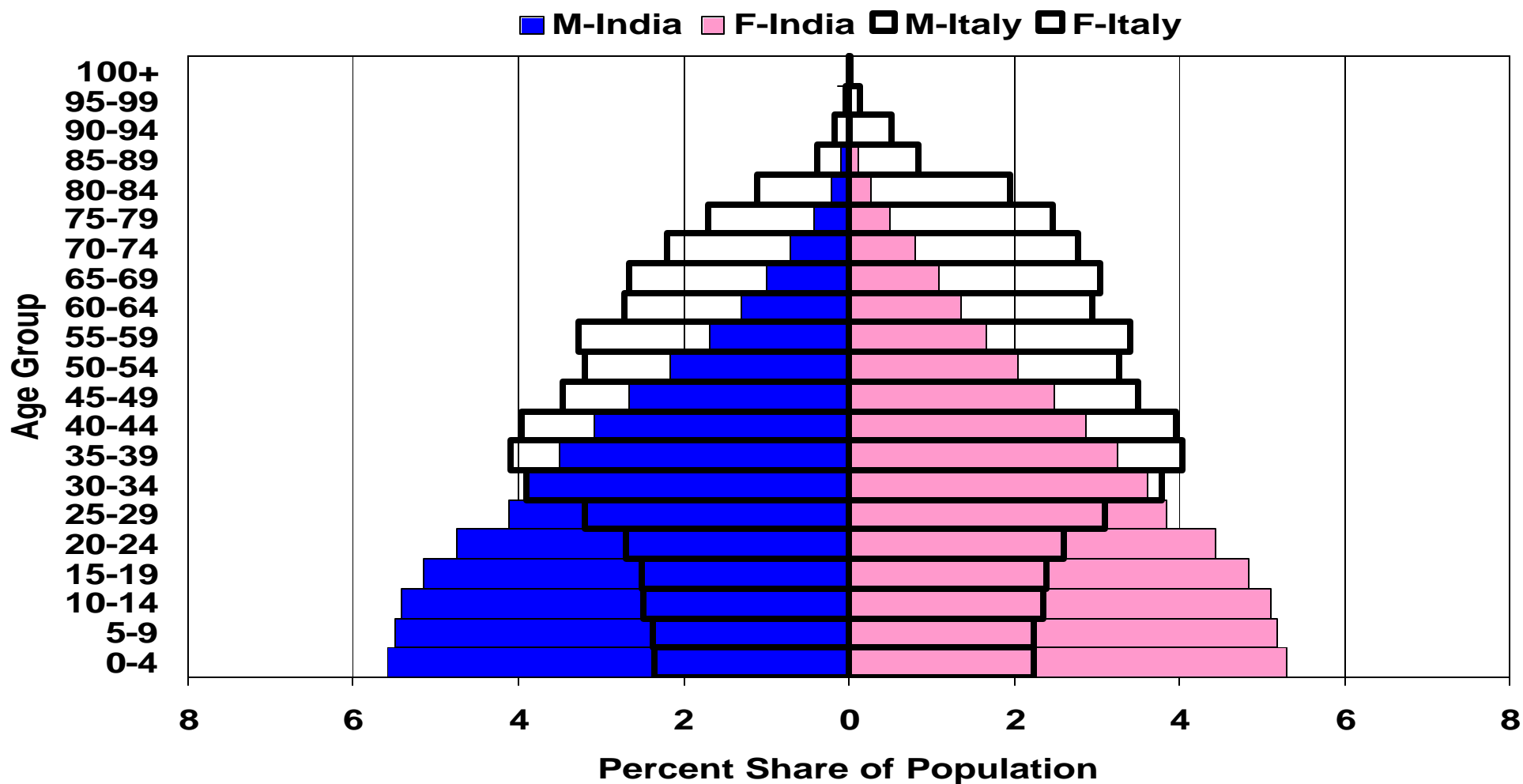
Average Share of Immigrants by Source Region, 1998-2007



Source: Citizenship and Immigration Canada and R.A.L. Consulting Limited

Population Pyramid

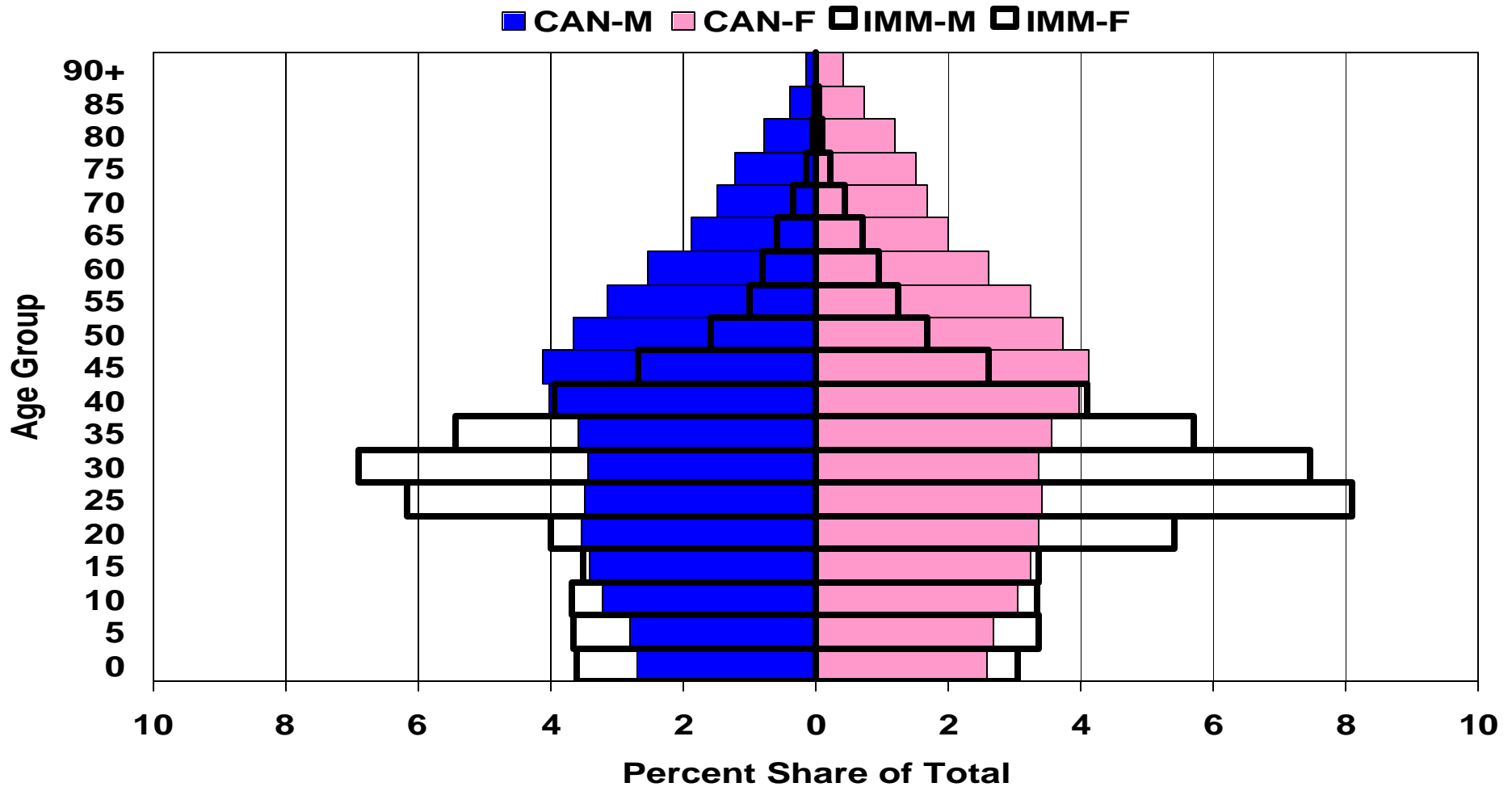
Italy (outline) versus India (colour), 2005



Source: United Nations and R.A.L. Consulting Limited

Demographic Footprint: Population

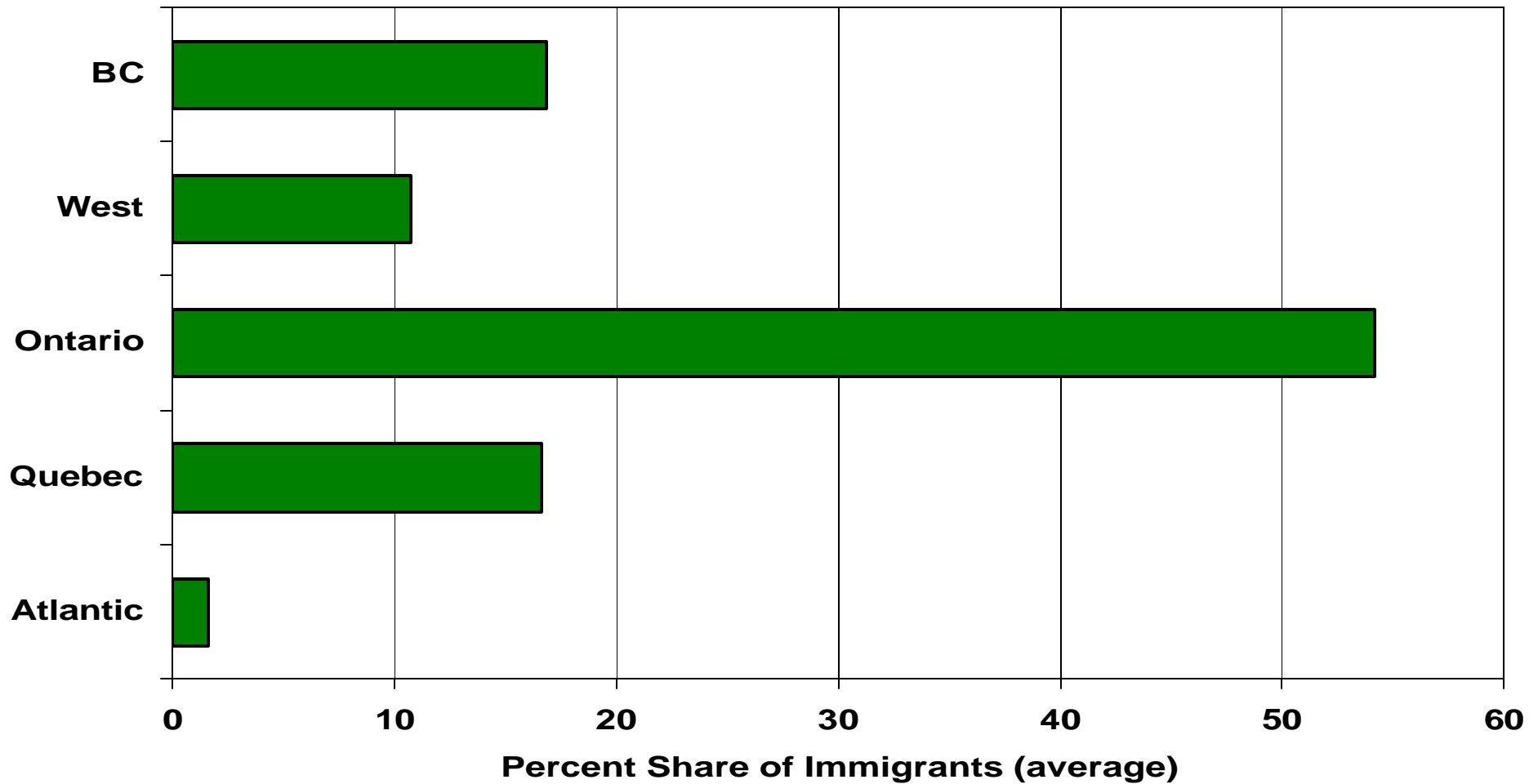
Immigrants to Canada (outline) versus Canada (colour), 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

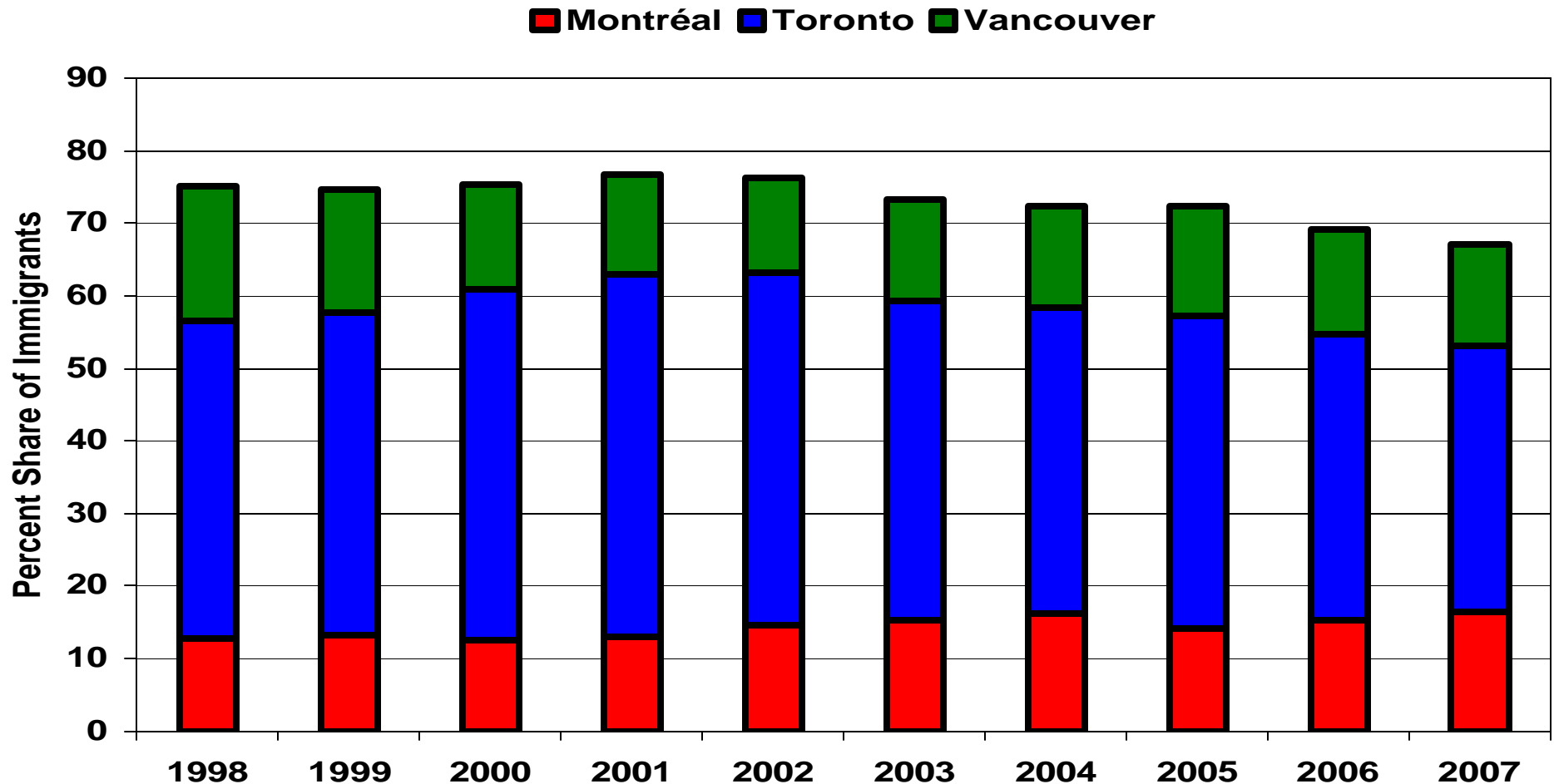
Average Share of Immigrants by Destination, 1998-2007



Source: Citizenship and Immigration Canada and R.A.L. Consulting Limited

Canada

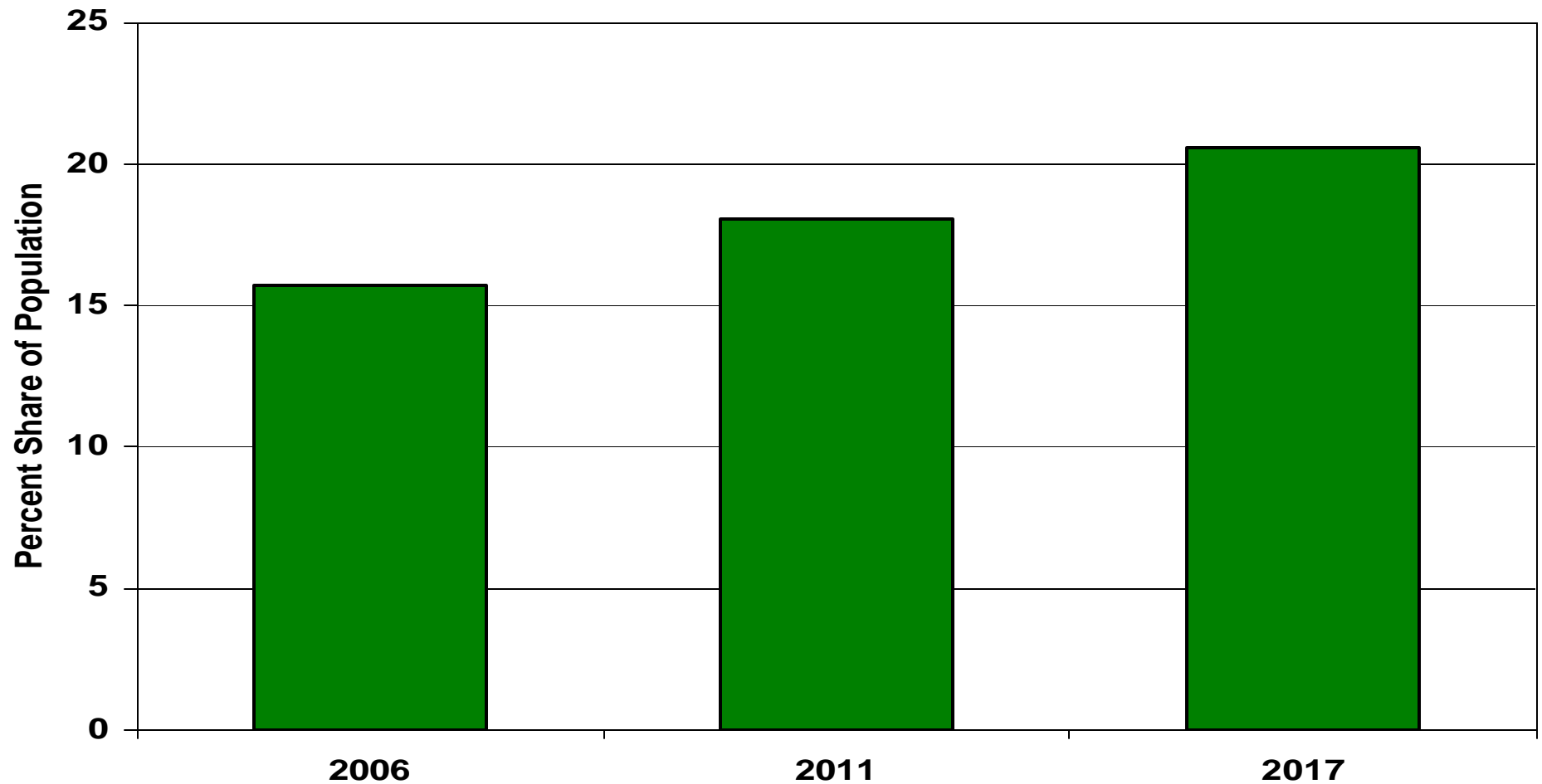
Average Share of Immigrants by Census Metropolitan Area, 1998-2007



Source: Citizenship and Immigration Canada and R.A.L. Consulting Limited

Canada

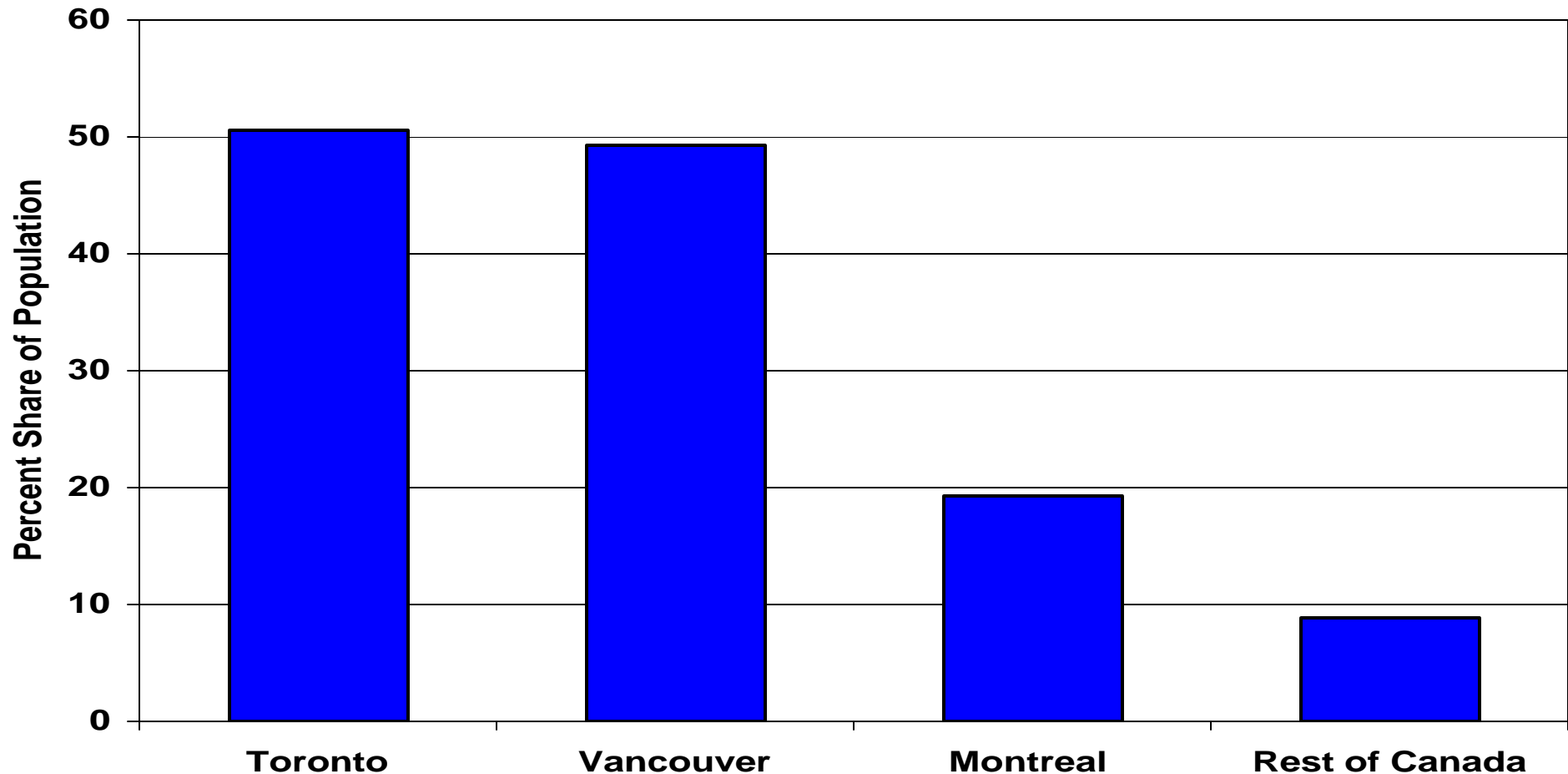
Visible Minority Population Share, 2006-2017



Source: Statistics Canada and R.A.L. Consulting Limited

Visible Minorities

Projected Population Share by Selected CMA, 2017

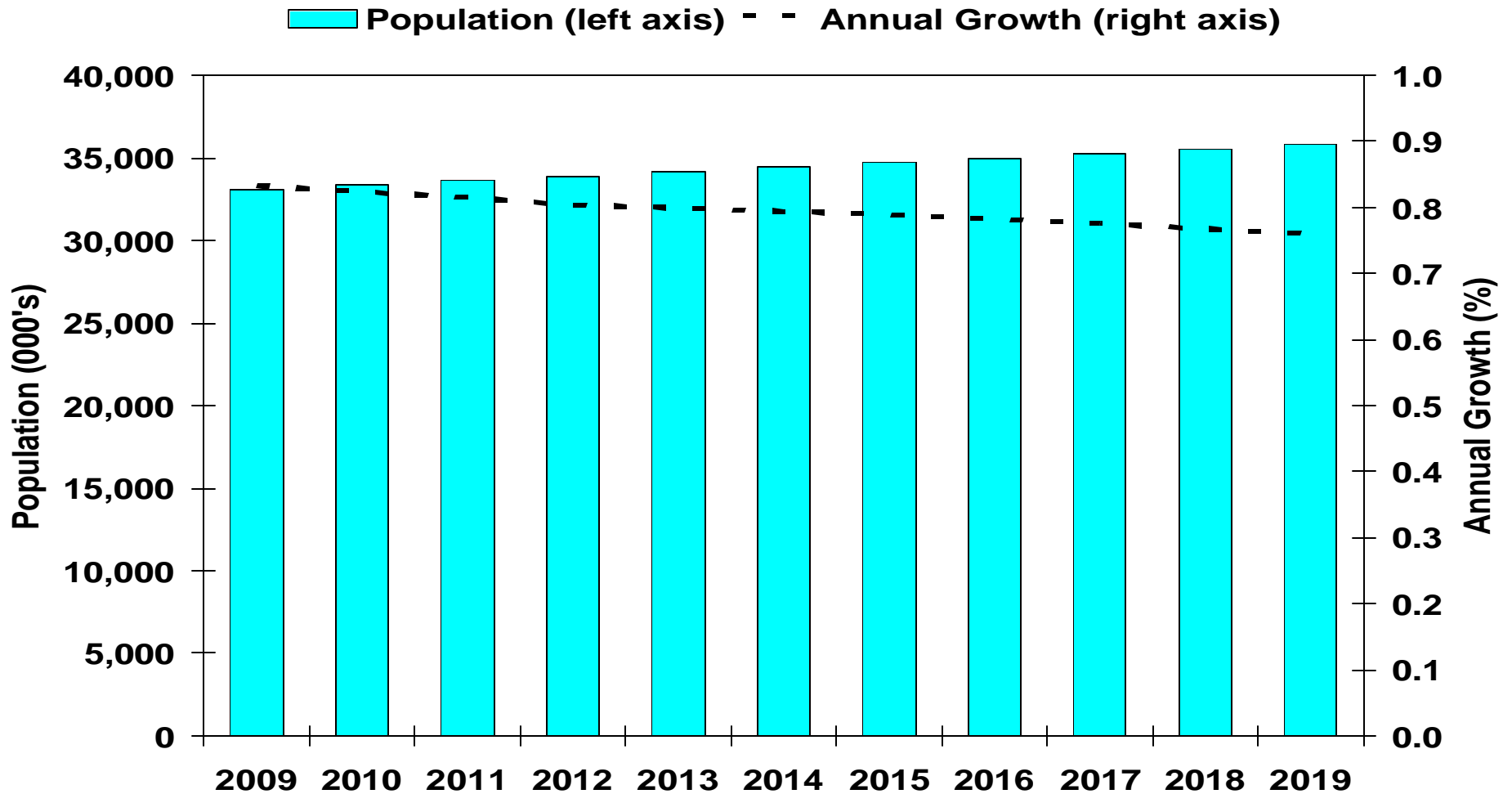


Demographic Forecasting

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

Canada

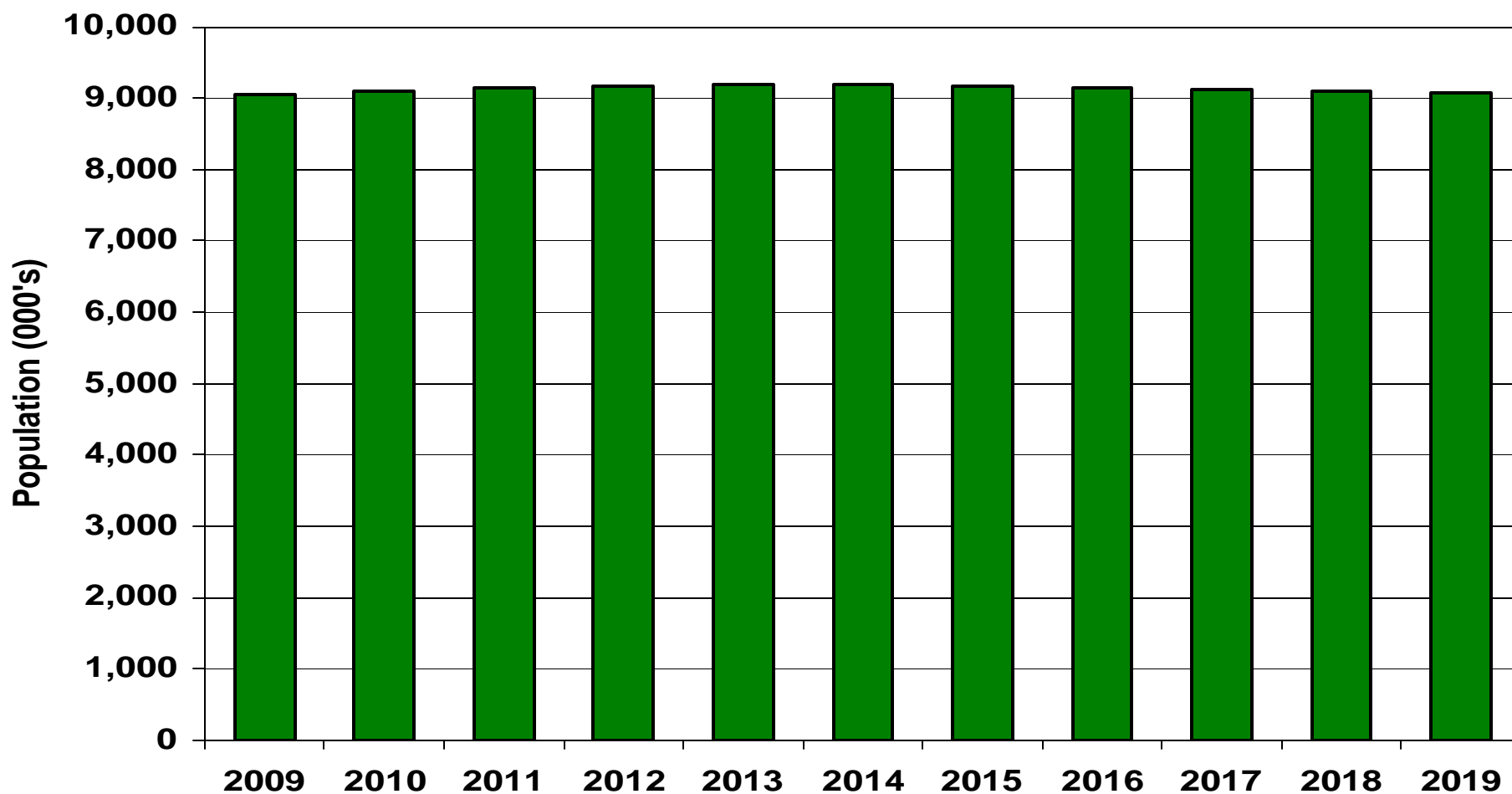
Projected Population and Annual Growth Rate, 2009 to 2019



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

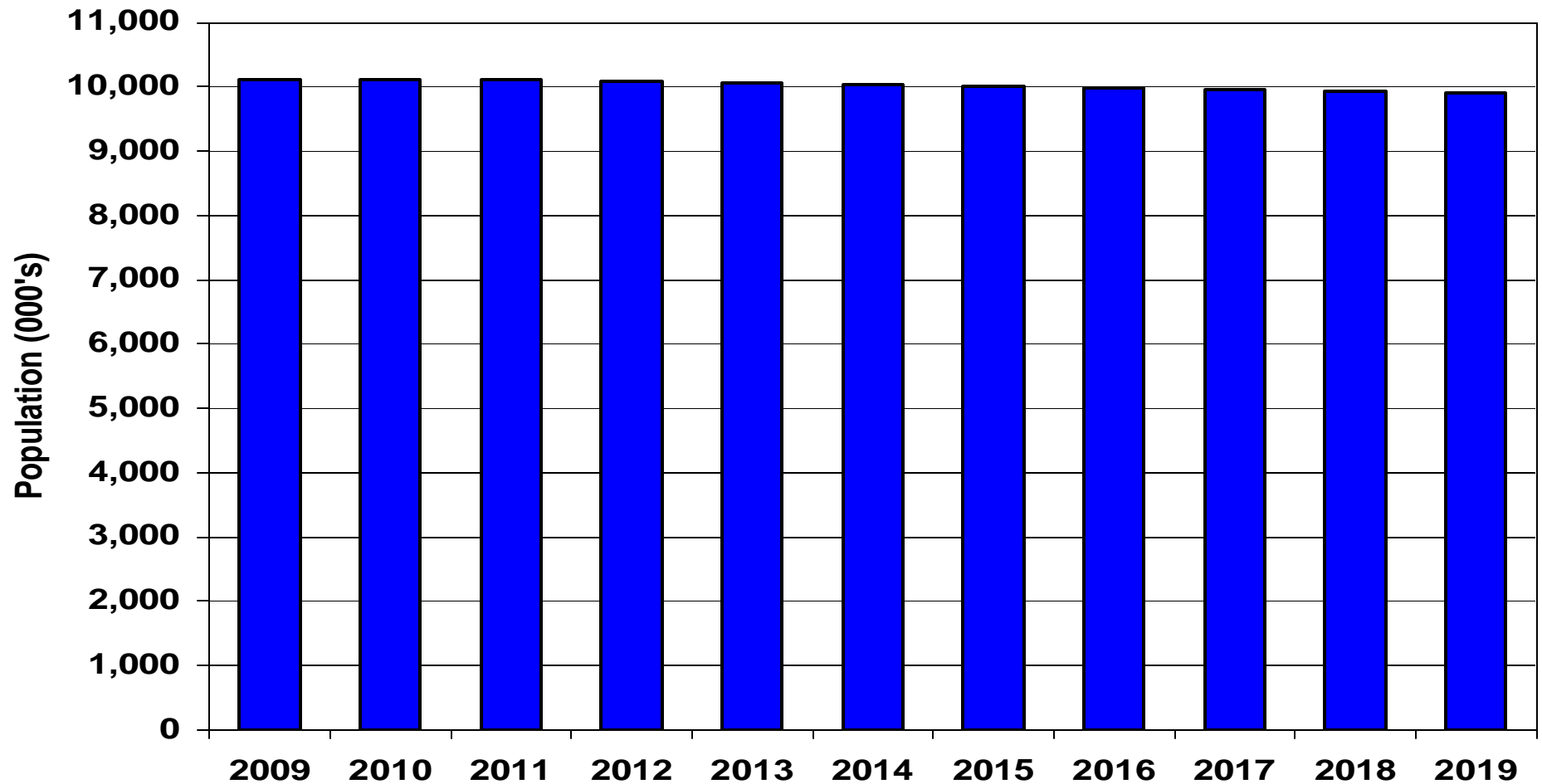
Population 15-34, 2009 to 2019



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

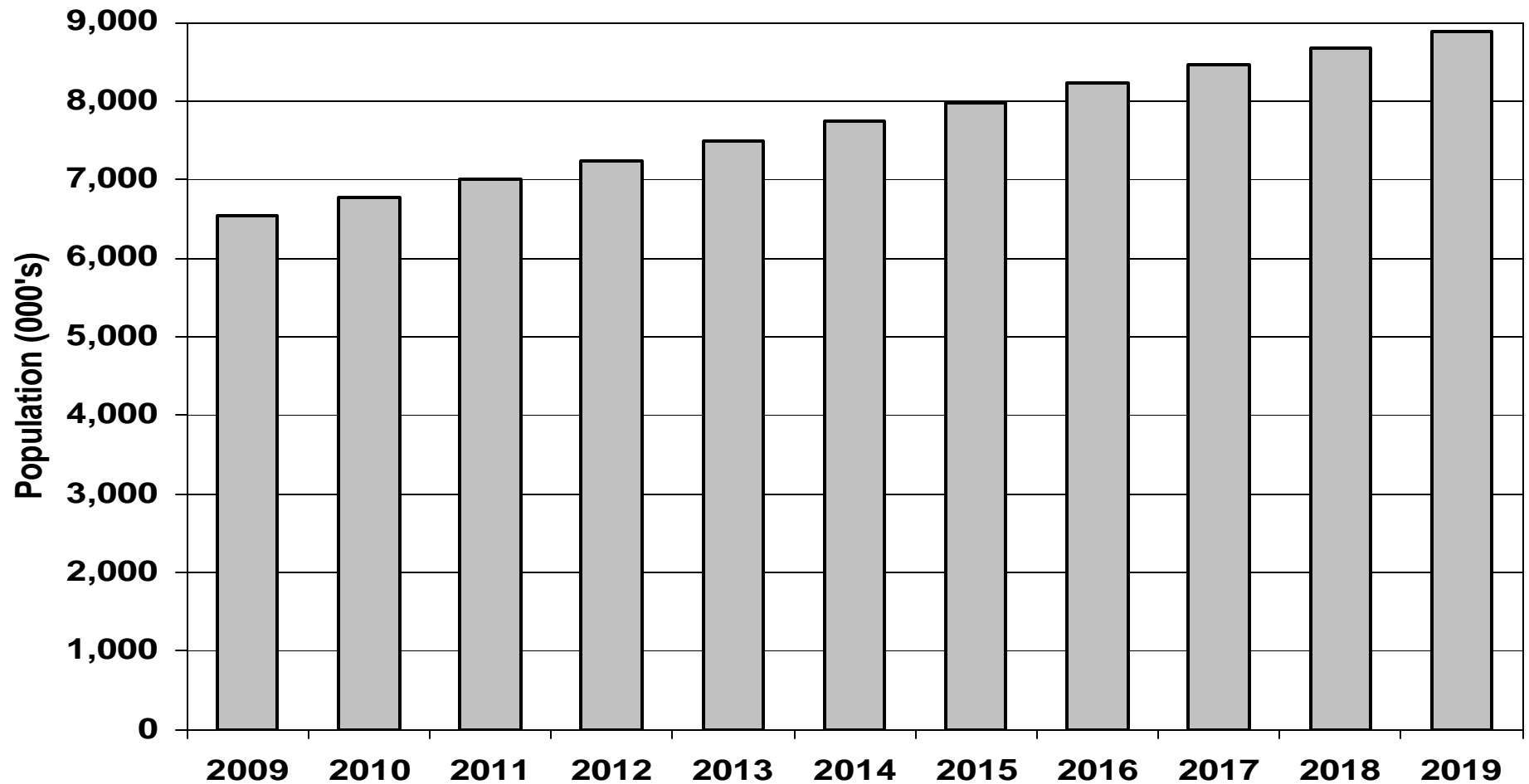
Population 35-54, 2009 and 2019



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

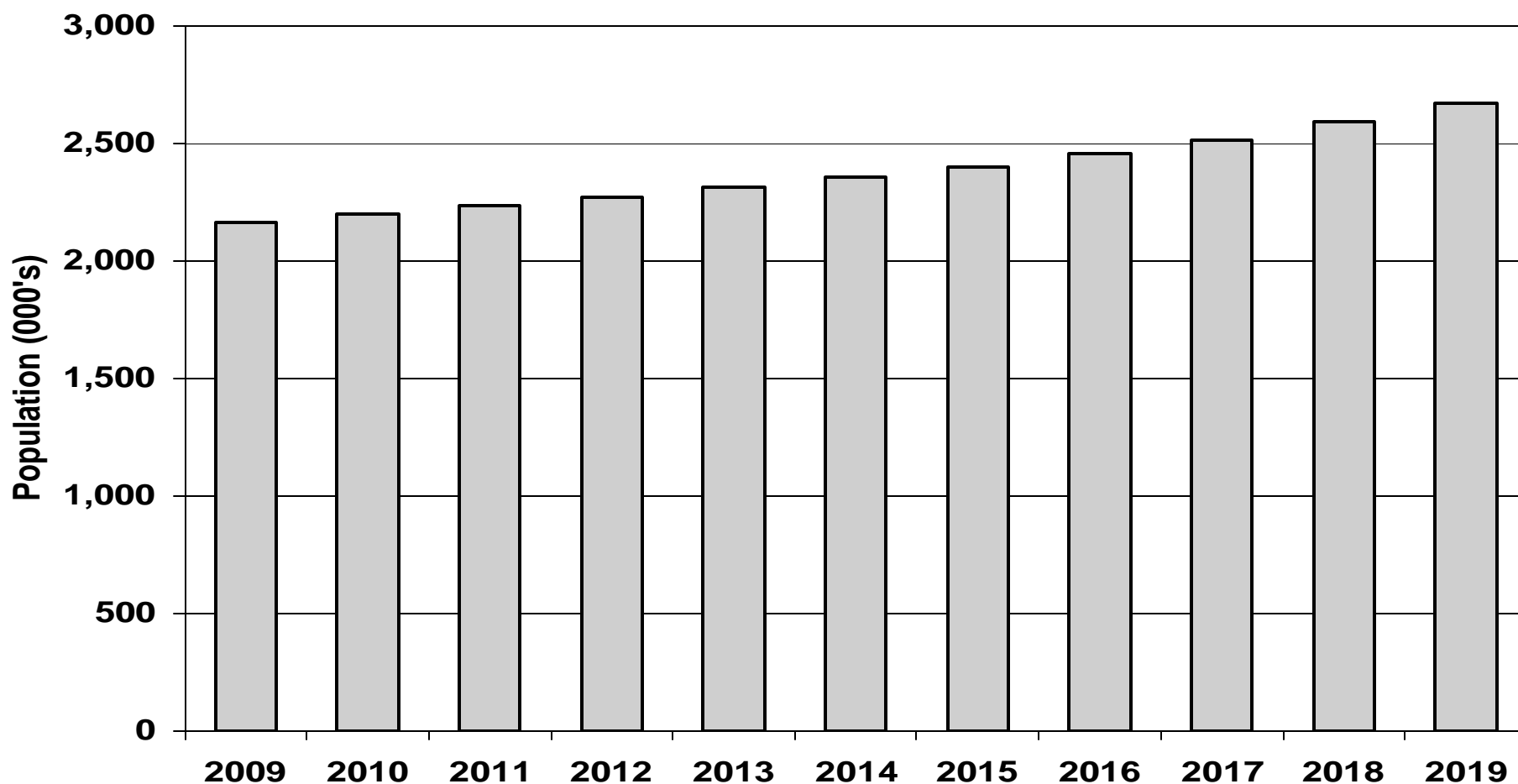
Population 55-74, 2009 to 2019



Source: Statistics Canada and R.A.L. Consulting Limited

Canada

Population 75-plus, 2009 to 2019



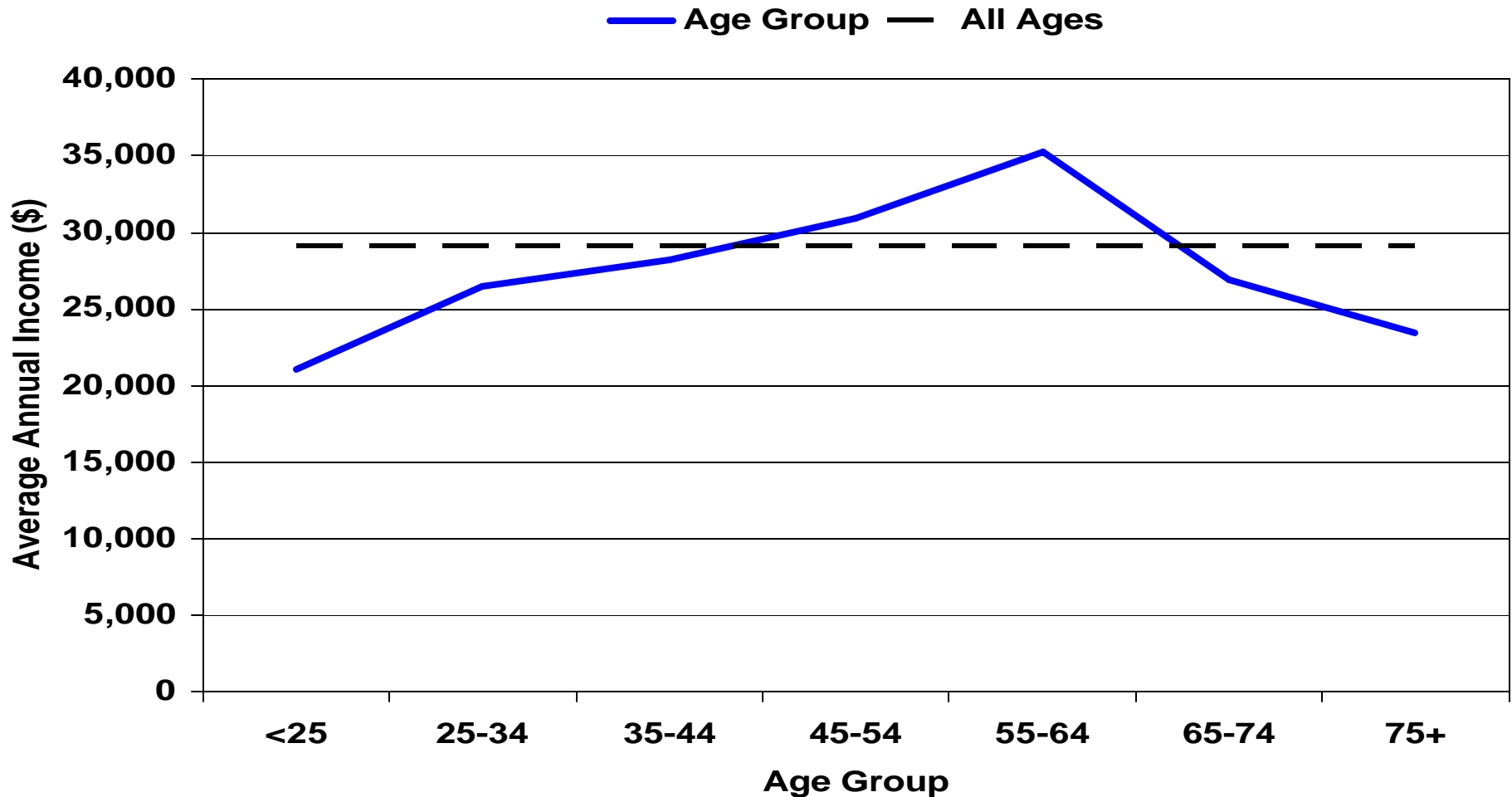
Source: Statistics Canada and R.A.L. Consulting Limited

Demographic Forecasting

To construct a demographic forecast, you also need to know how consumers spend their money over the life cycle.

Income Before Taxes

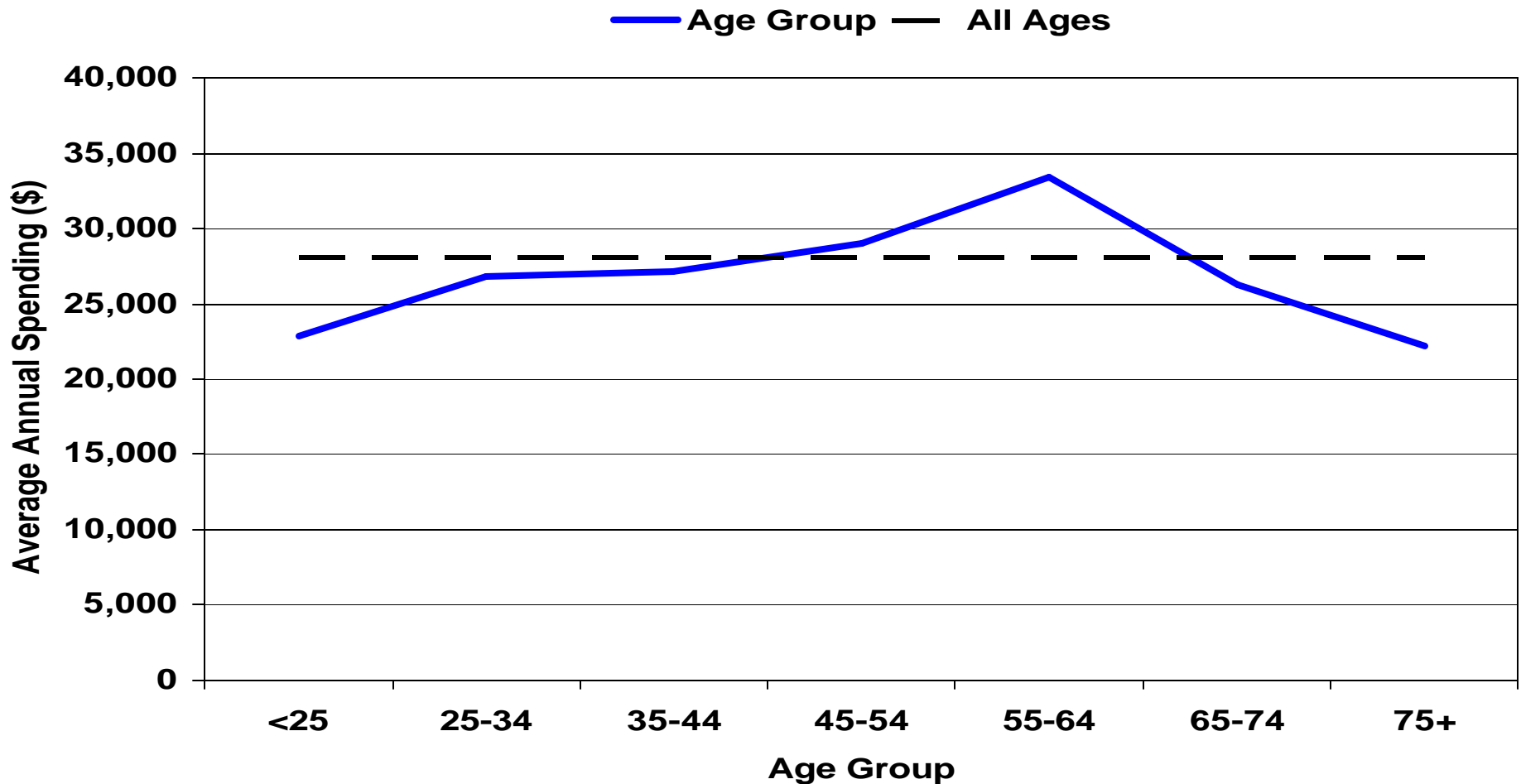
Household Income per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Total Expenditure

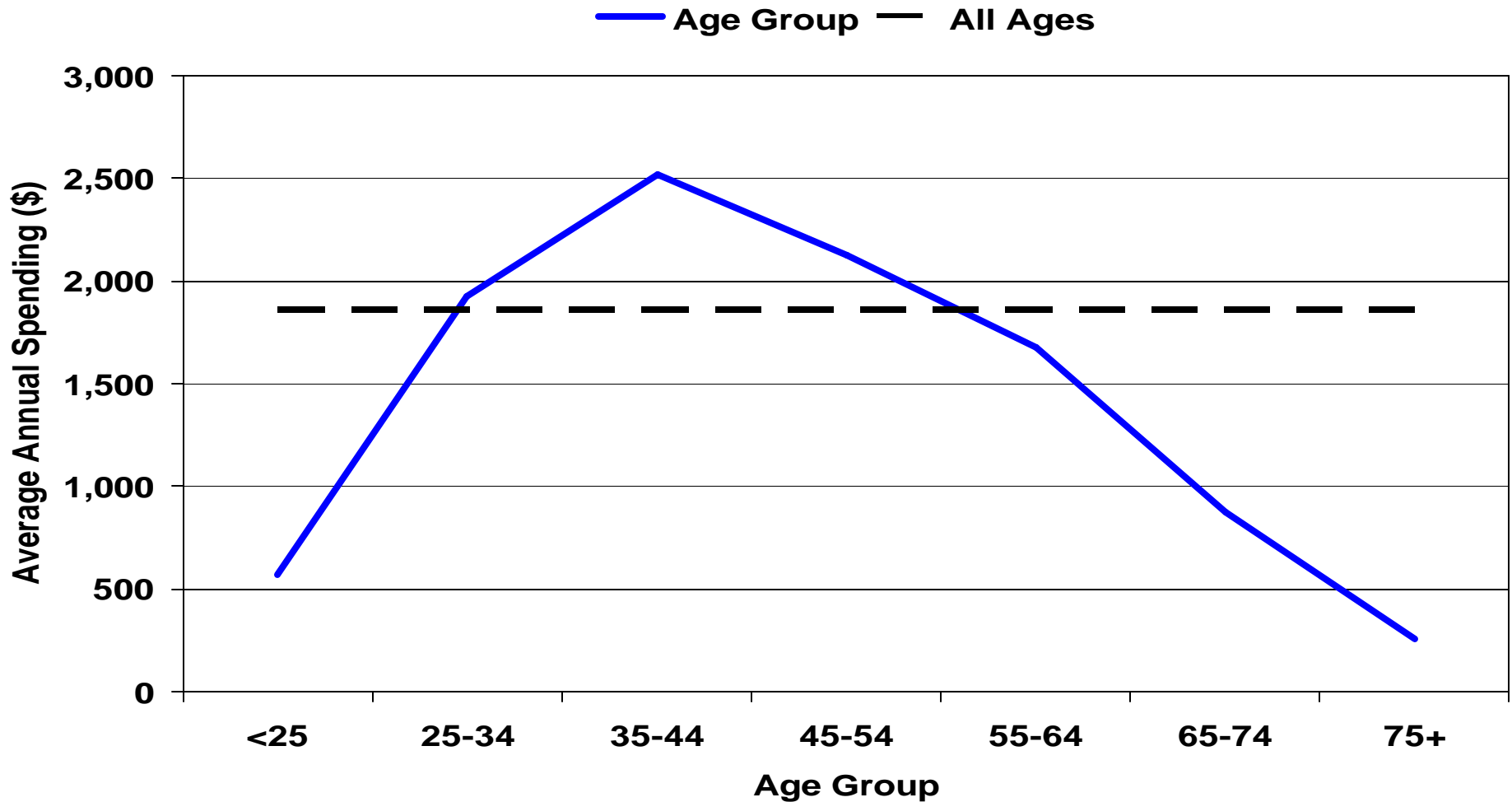
Household Expenditure per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Mortgage Payments on Principle Residence

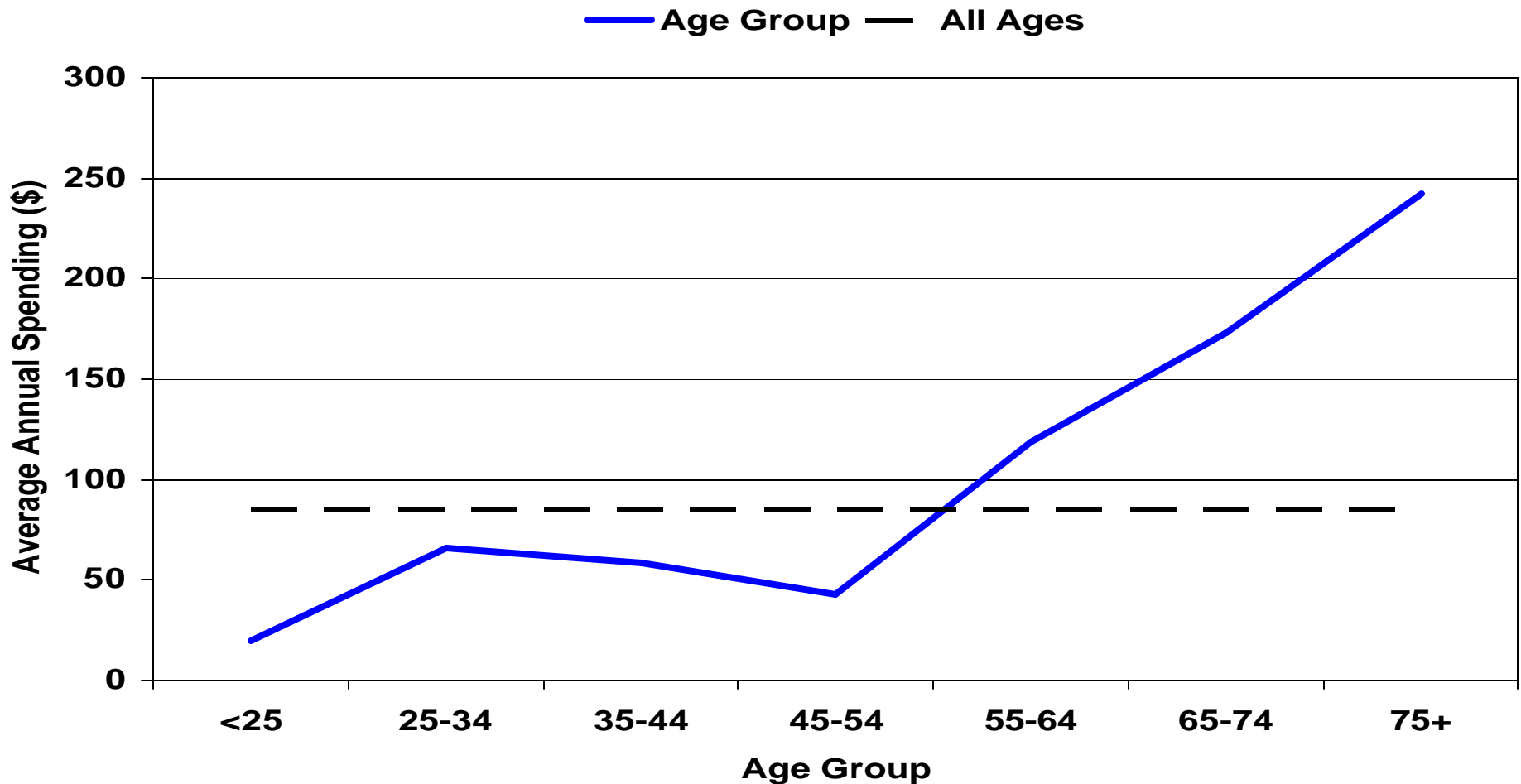
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Condominium Charges

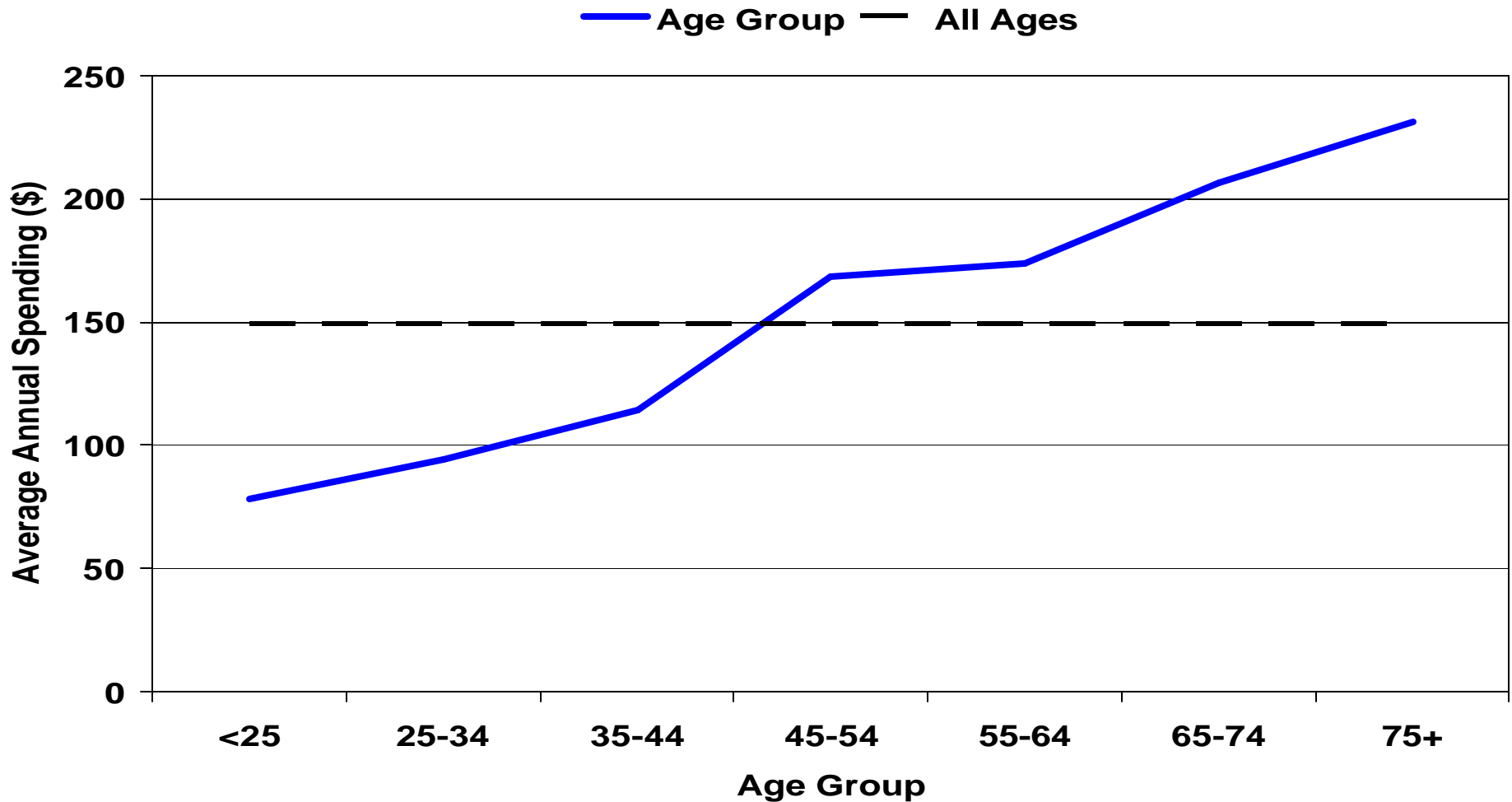
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Dental Services

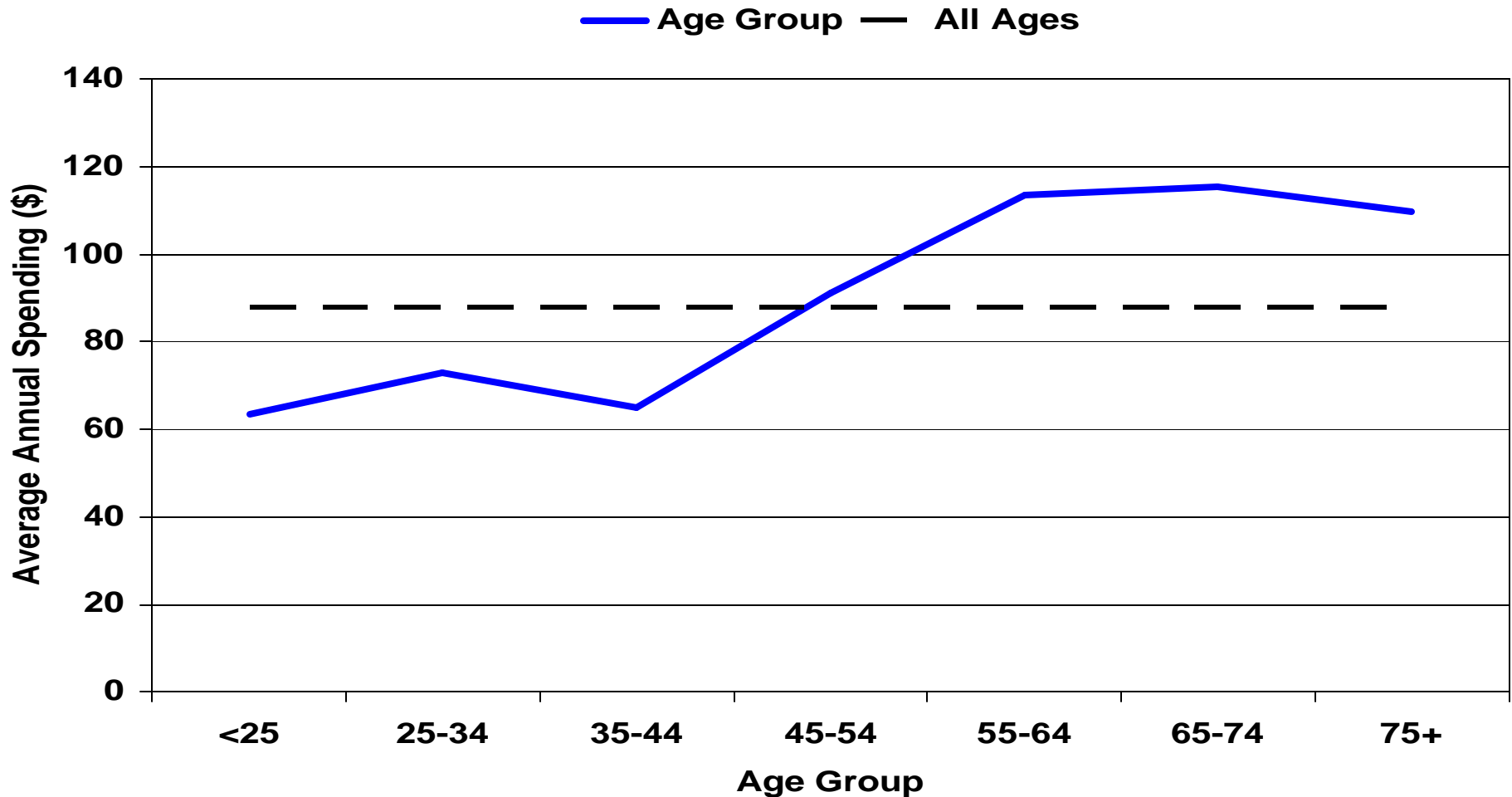
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Eye-Care Goods and Services

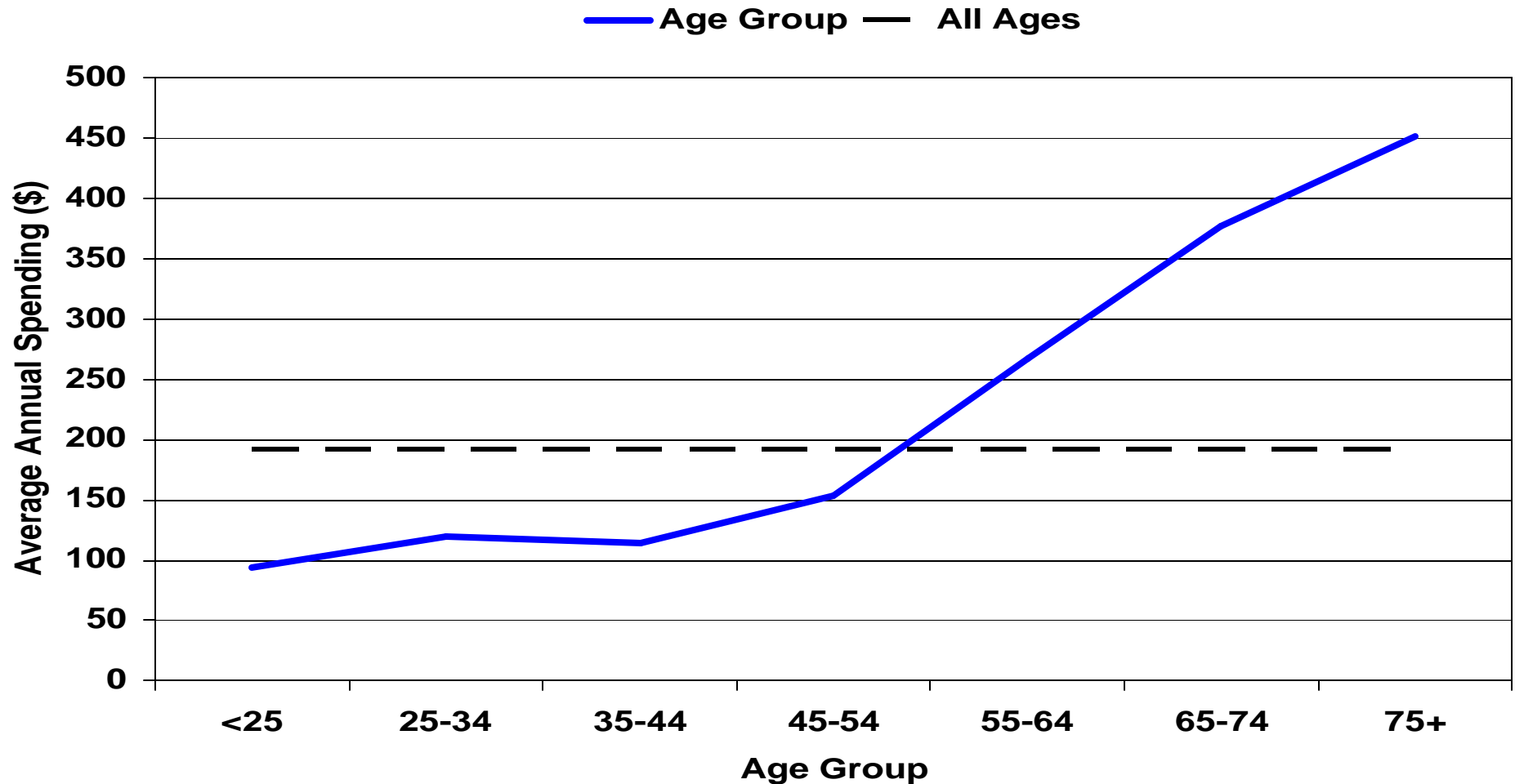
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Medicinal and Pharmaceutical Products

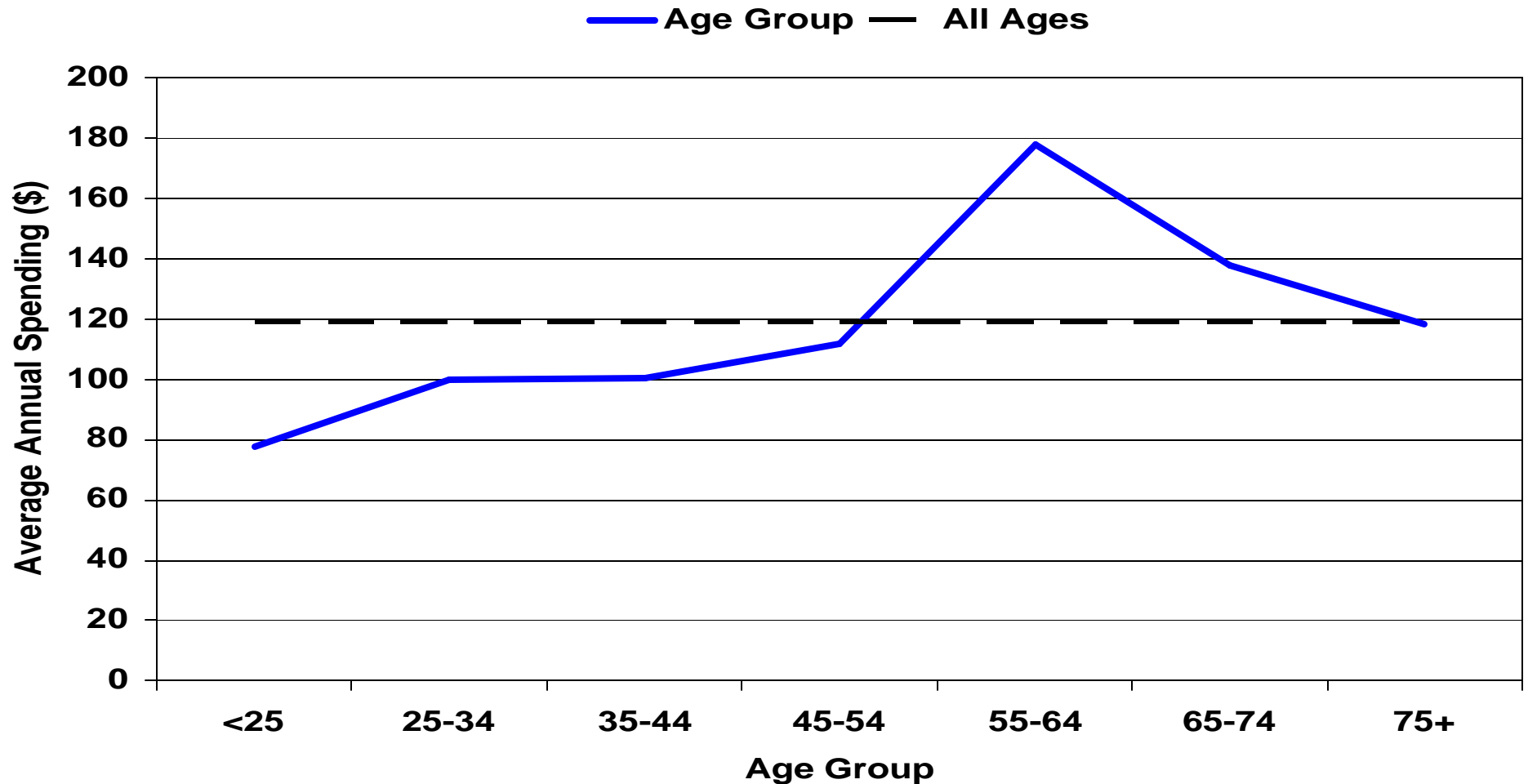
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Private Health Care Plans

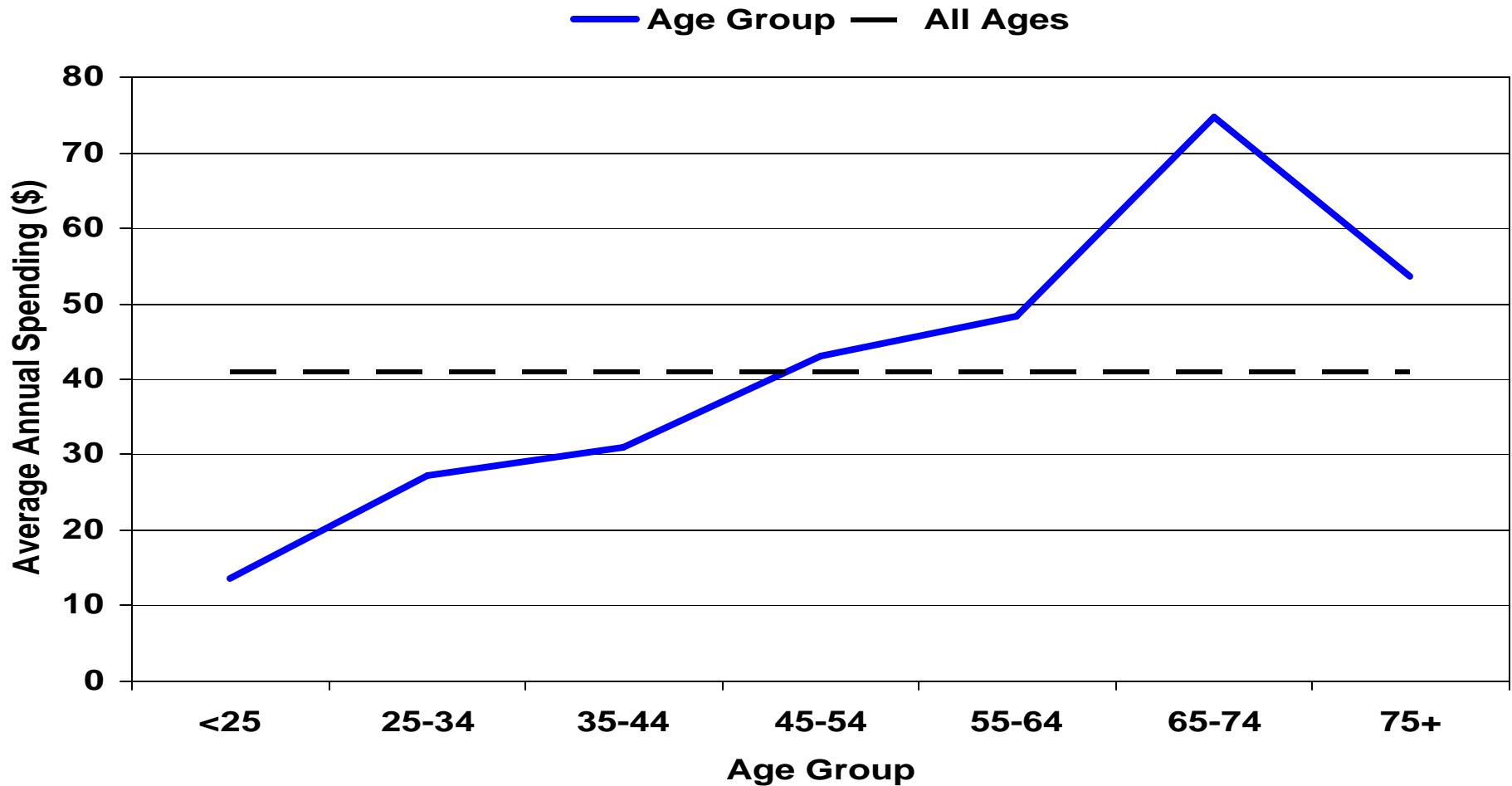
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Health Care Practitioners

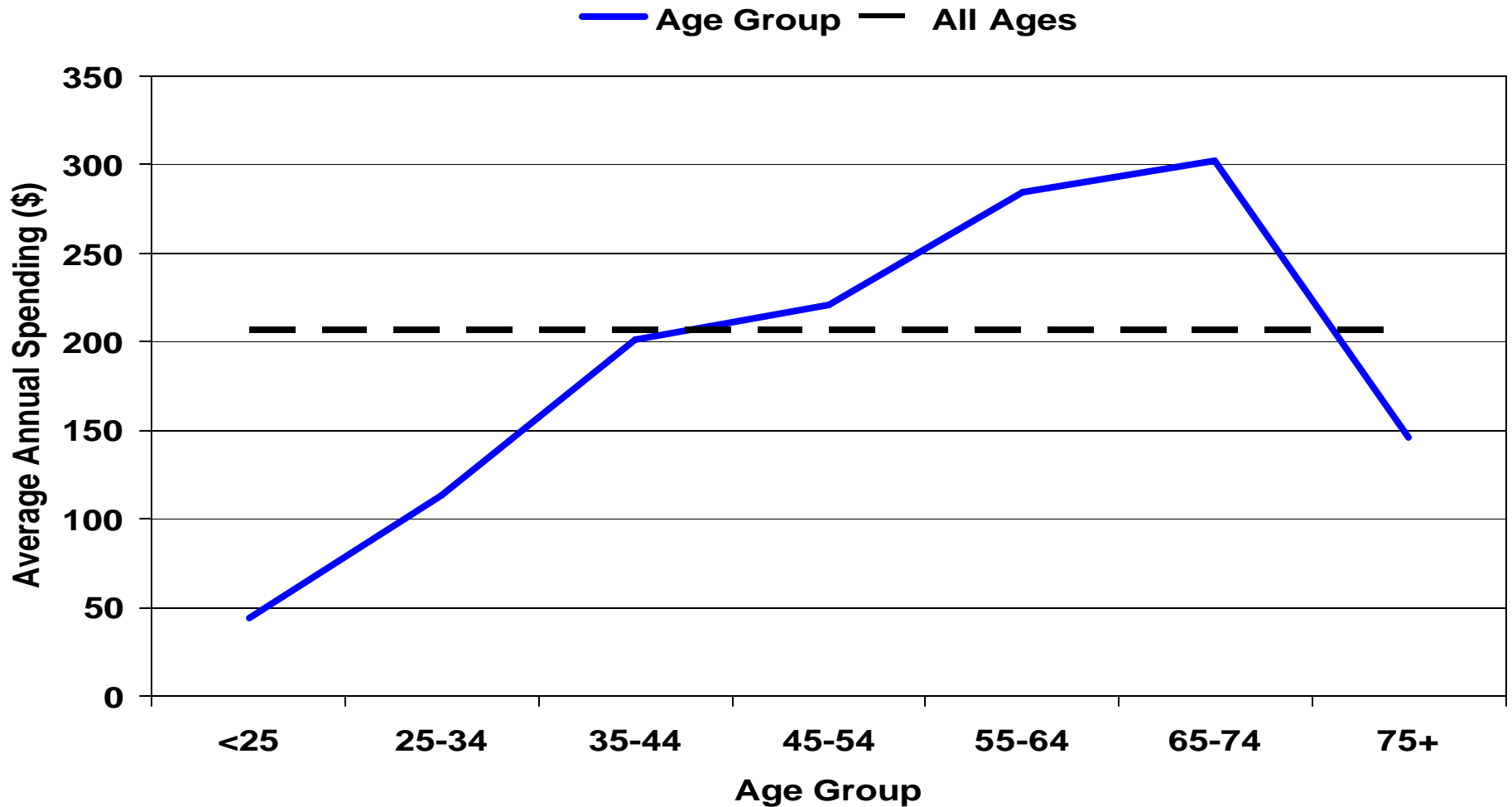
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Life Insurance Premiums

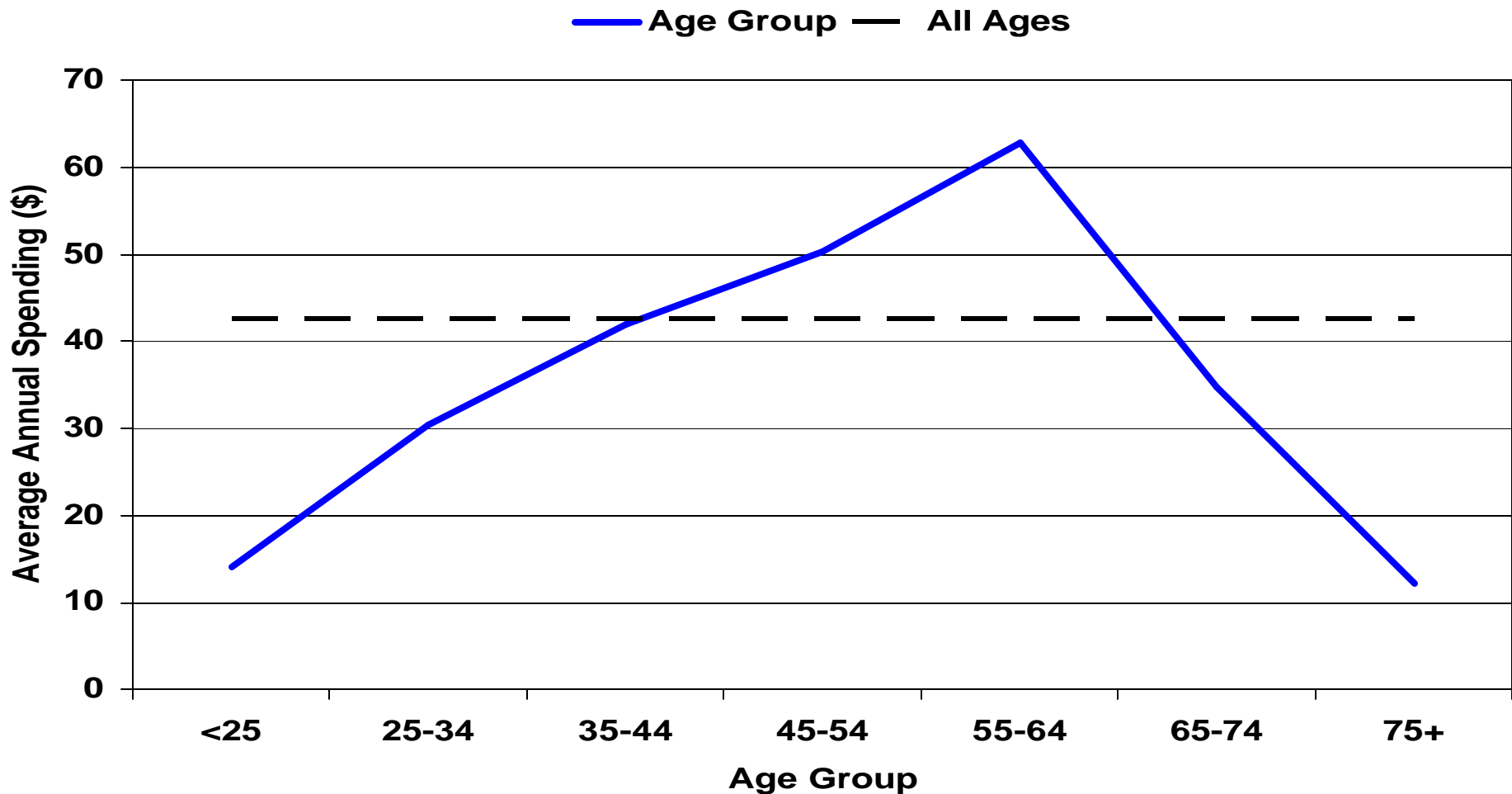
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Accident and Disability Insurance

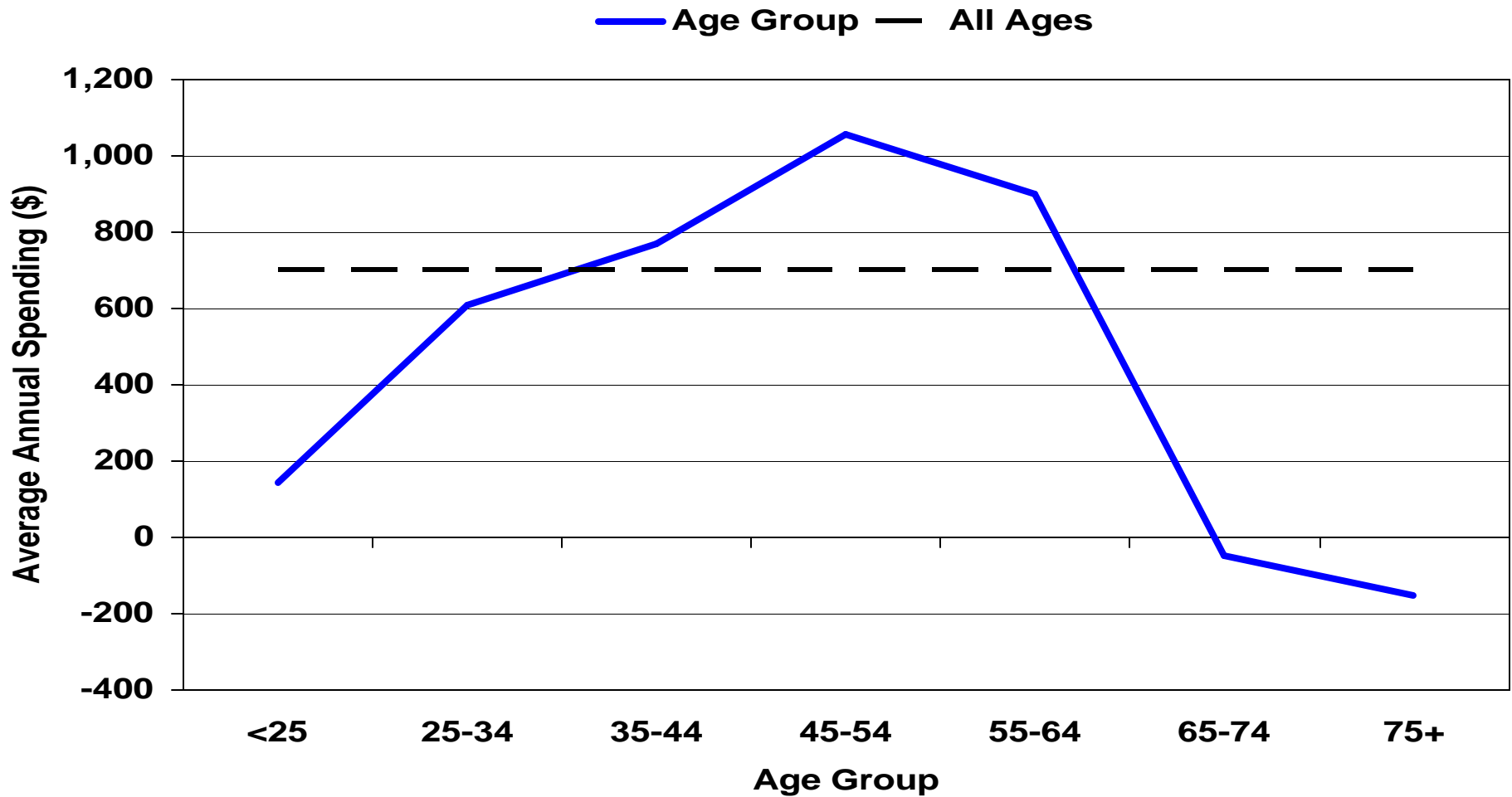
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

RRSP Contributions

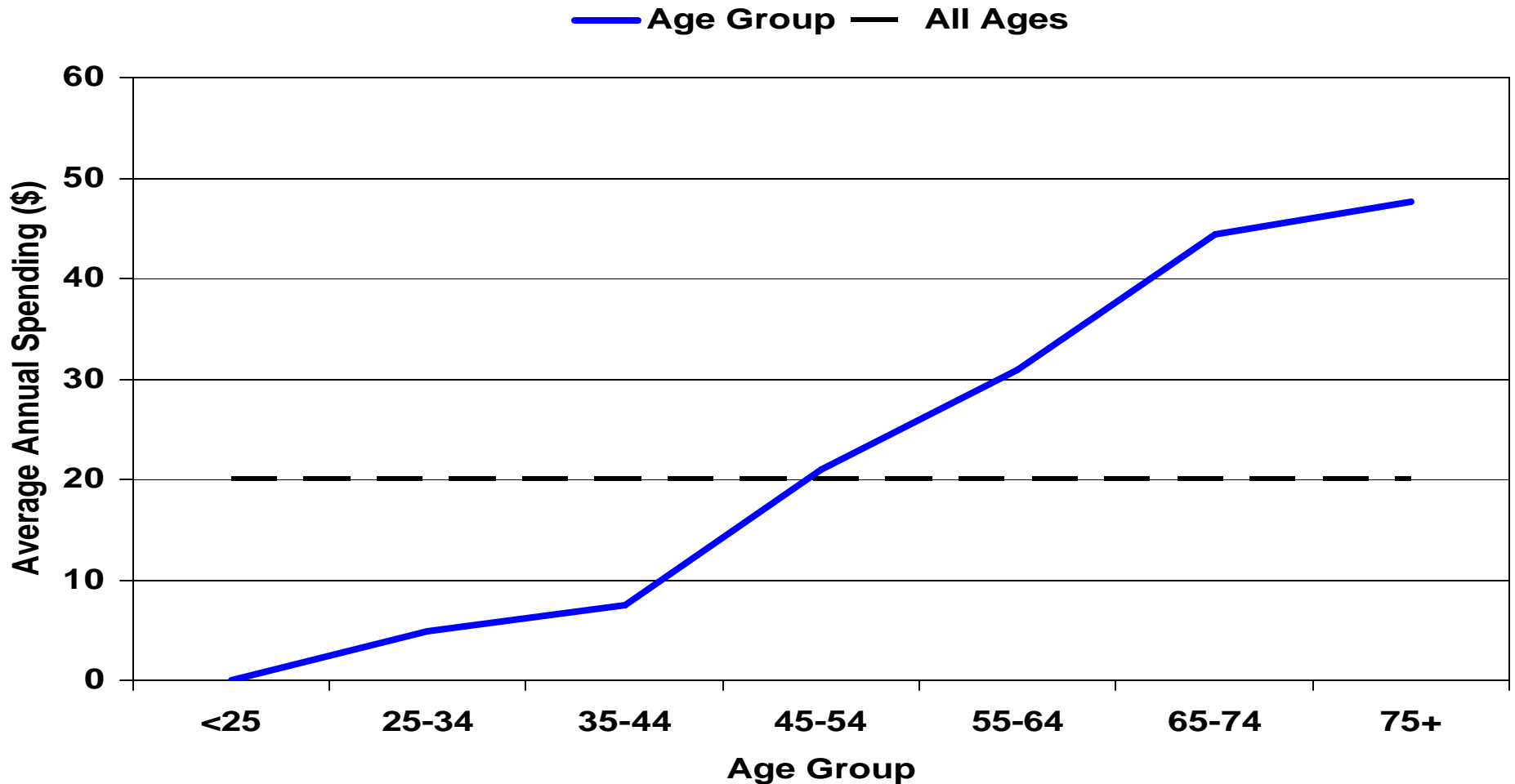
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Stock and Bond Commissions

Household Spending per Person by Age, Canada, 2007



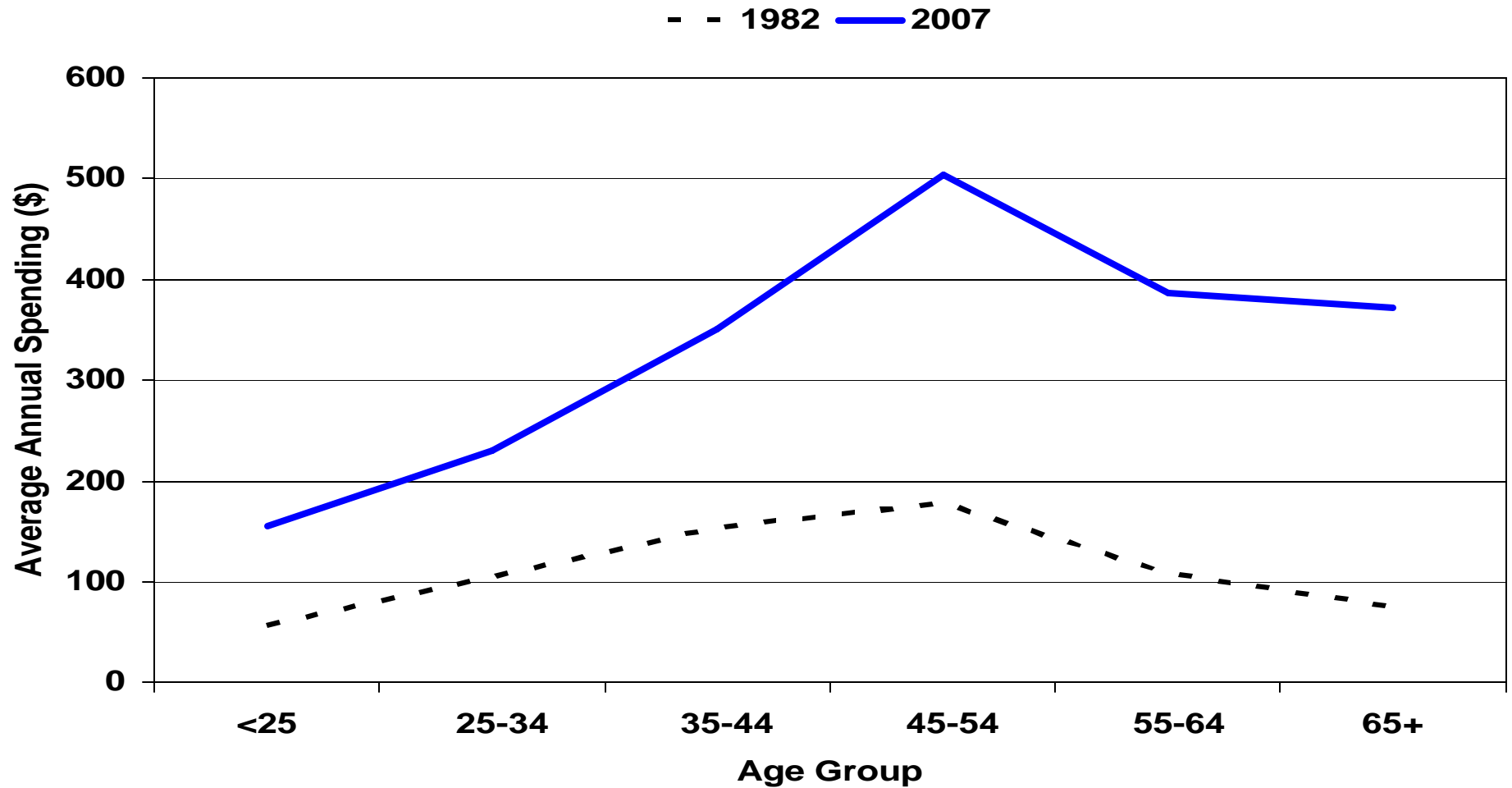
Source: Statistics Canada and R.A.L. Consulting Limited

Demographic Forecasting

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

Dental Services

Household Spending by Age, Canada, 1982 and 2007 (current \$)



Source: Statistics Canada and R.A.L. Consulting Limited

Demographic Forecasting

A demographic forecast marries data on the projected population with data on consumer spending by age. Let's take a look at a few areas that are important to the life insurance industry.

Relative Growth Index (RGI)

- An RGI compares the growth of household spending on a specific item with the growth of household spending on all items. An RGI value greater than 100 indicates that the growth rate for the selected item will be higher than that for all items. For example, an RGI value of 137 for *life insurance premiums* indicates that spending on this item will increase 37 percent faster than spending on all items during the 2009-2014 period. RGI values less than 100 indicate that the spending item will grow more slowly than all items. For example, an RGI value of 85 for *mortgage insurance premiums* indicates that spending on this service will grow 15 percent less quickly than spending on all consumer items. Negative RGI values indicate that spending on an item will decline over the projection period.

Relative Growth Index (RGI)

Household Spending Item	2009-2014	2014-2019	2009
	RGI	RGI	45+%
Stock and bond commissions	192	218	88
Condominium charges	179	220	71
Medicinal and pharmaceutical products	164	190	72
Health care practitioners	147	163	68
Life insurance premiums	137	150	67
Dental plans	128	133	63
Dental services	127	138	66
Private health care plans (e.g., supplementary coverage, extended benefit packages, drug plans)	124	130	60
Eye-care goods and services	123	129	61
Accident and disability insurance	108	106	61
Mortgage insurance premiums	85	90	52
Mortgage payments	71	72	47
Registered retirement savings plans	56	33	55

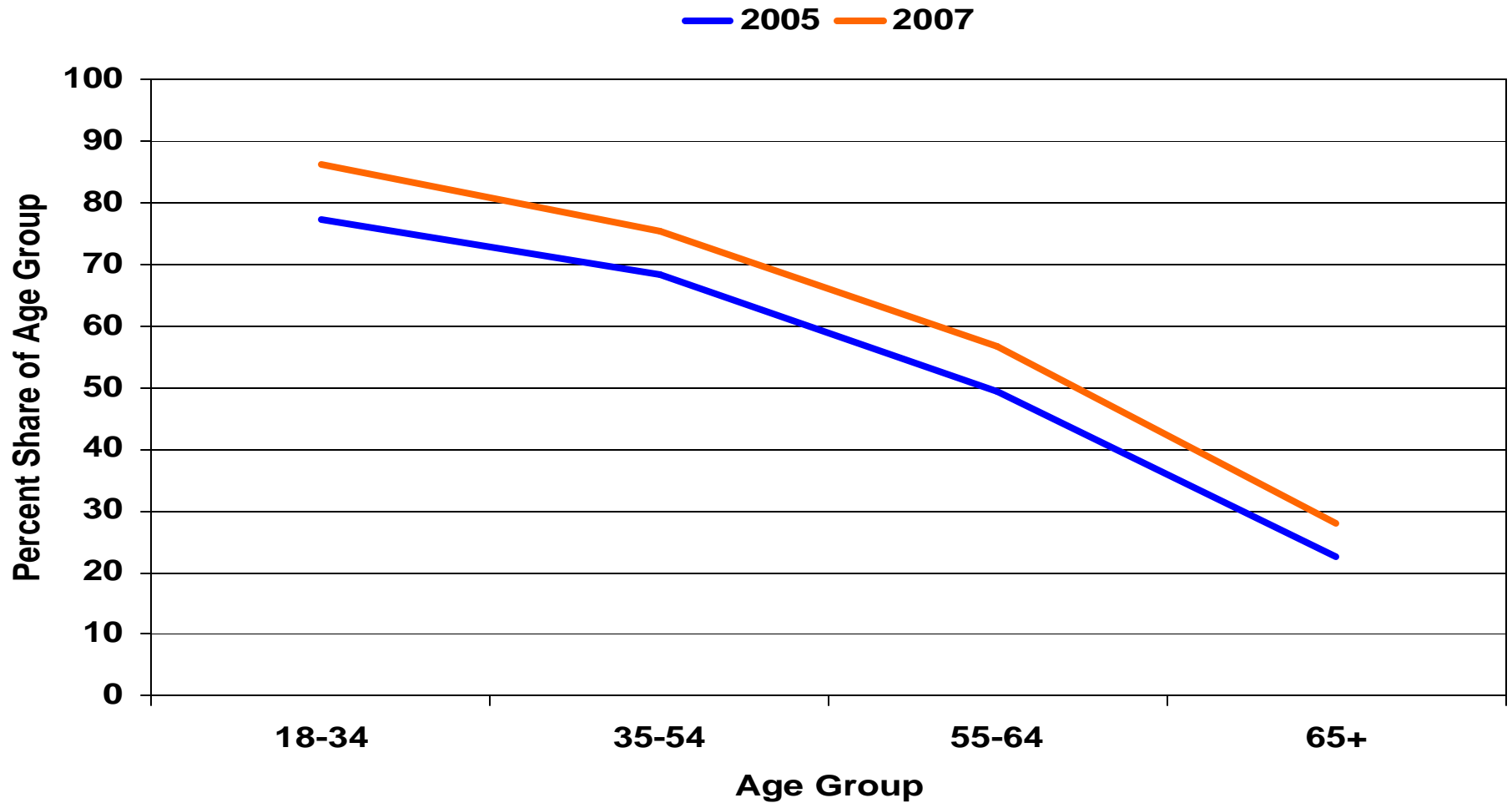
Source: Statistics Canada and R.A.L. Consulting Limited

Demographic Trends - Canada

Marketing to Clients

Home Internet Users by Age (percent)

Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

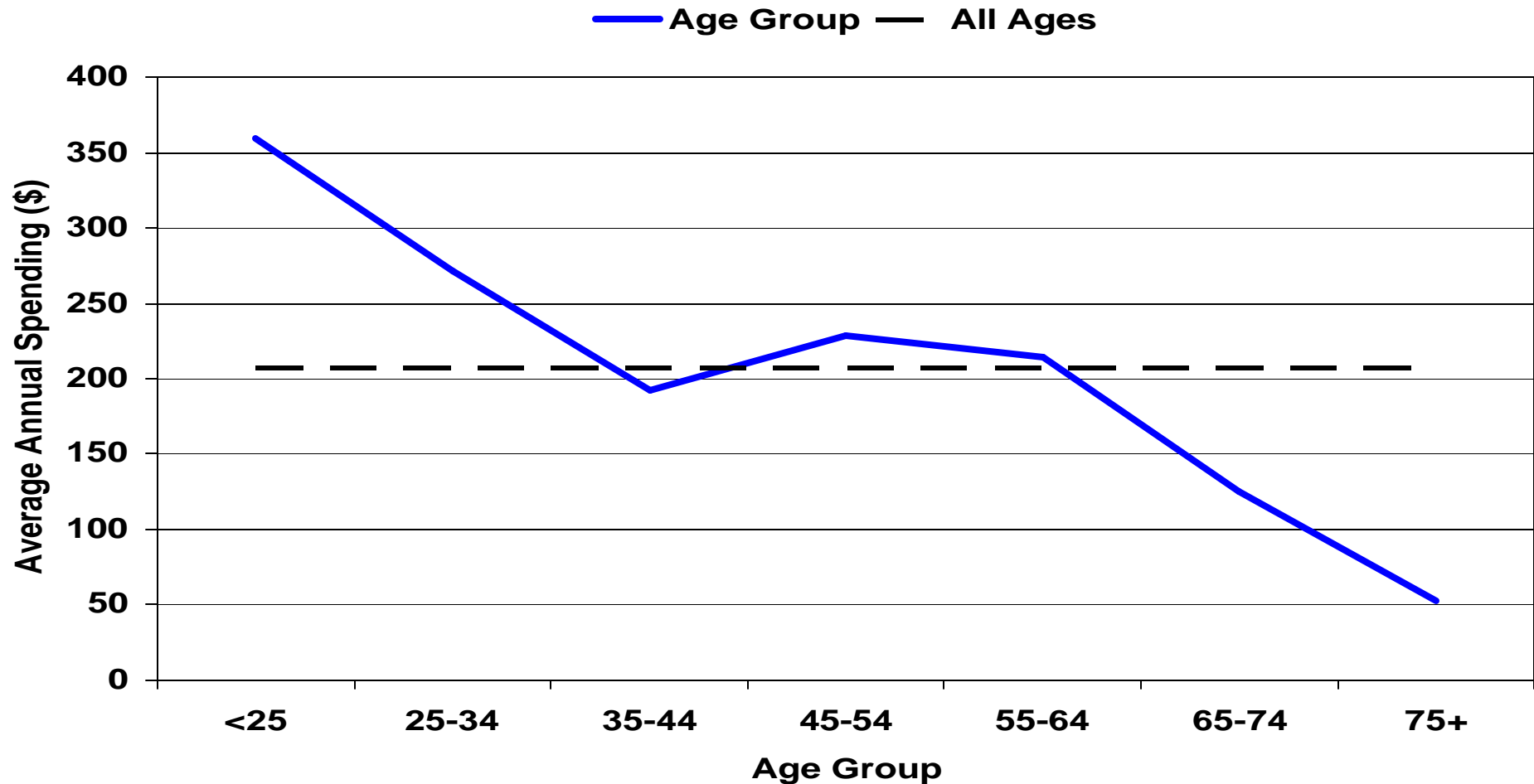
Home Internet Activities by Age (percent)

Canada, 2007

Activity	16-34	35-54	55-64	65+
Communication				
Email	95.3	89.5	90.2	89.8
Using an instant messenger	72.9	37.1	30.5	25.6
Communicating with Canadian government	22.0	29.1	28.0	19.7
Contribute content (blogging, discussion groups, photos)	33.6	13.2	9.1	3.7E
Make telephone calls over the Internet	10.1	8.7	6.1	5.0E
Local information				
Obtaining weather reports or road conditions	72.0	71.8	62.2	56.1
Viewing the news or sports	69.8	62.1	55.1	51.8
Researching community events	46.1	47.1	36.9	27.5
Other information				
Travel information or making travel arrangements	65.2	68.4	65.0	58.8
Searching for medical or health-related information	56.9	61.0	59.0	52.4
Searching for Canadian government information	50.2	55.5	49.9	34.7
Leisure				
General browsing for fun or leisure (surfing)	86.2	72.7	64.8	53.8
Obtaining or saving music	67.9	33.7	19.3	15.1
Playing games	50.8	30.7	27.1	35.7
Listening to radio over the Internet	35.4	26.1	18.7	13.4
Downloading or watching television or movies	32.9	13.8	8.2	5.8E
E - use with caution				

Source: Statistics Canada and R.A.L. Consulting Limited

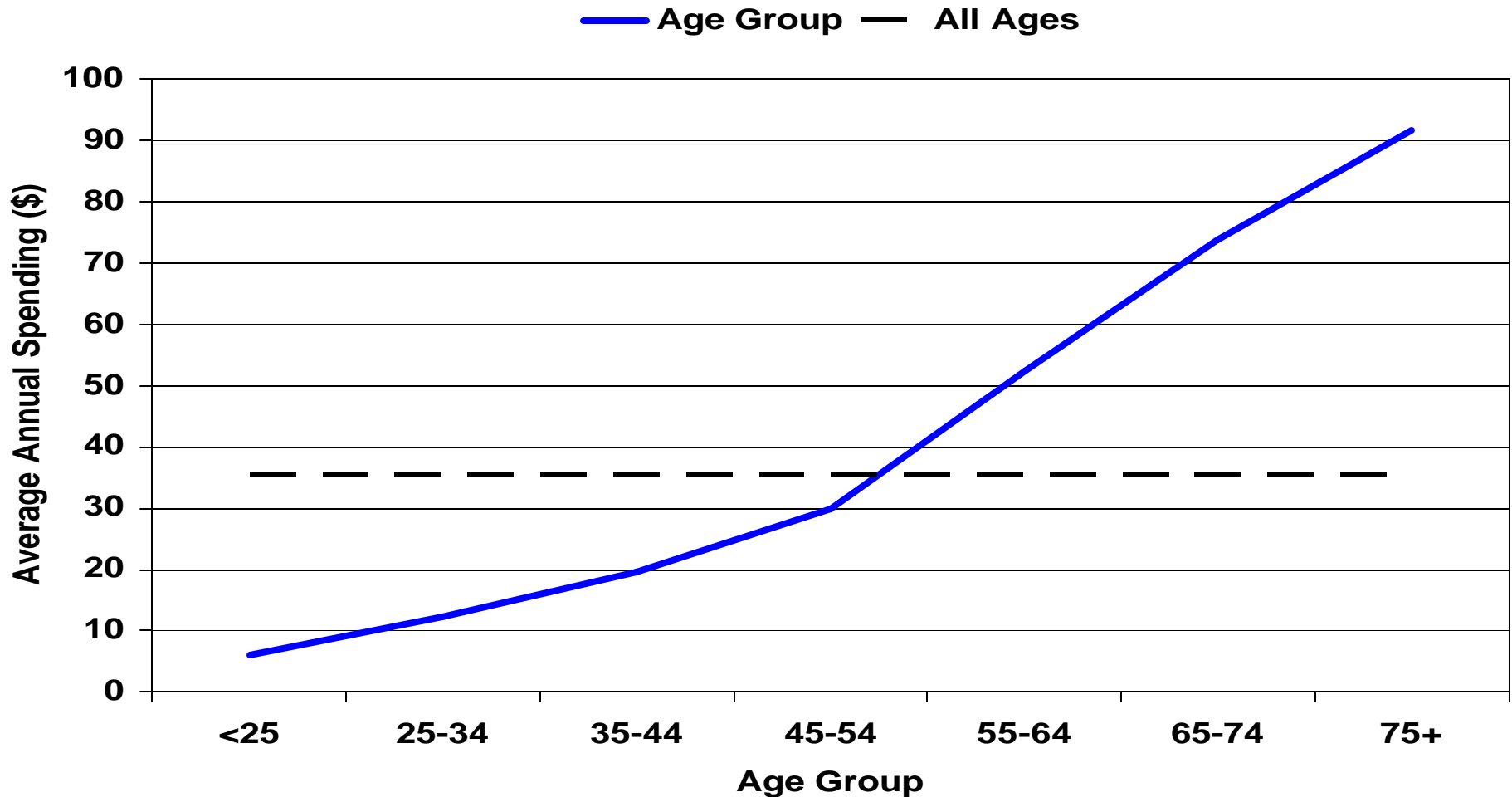
Cell Phone, Pager, and Text Messaging Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Newspapers

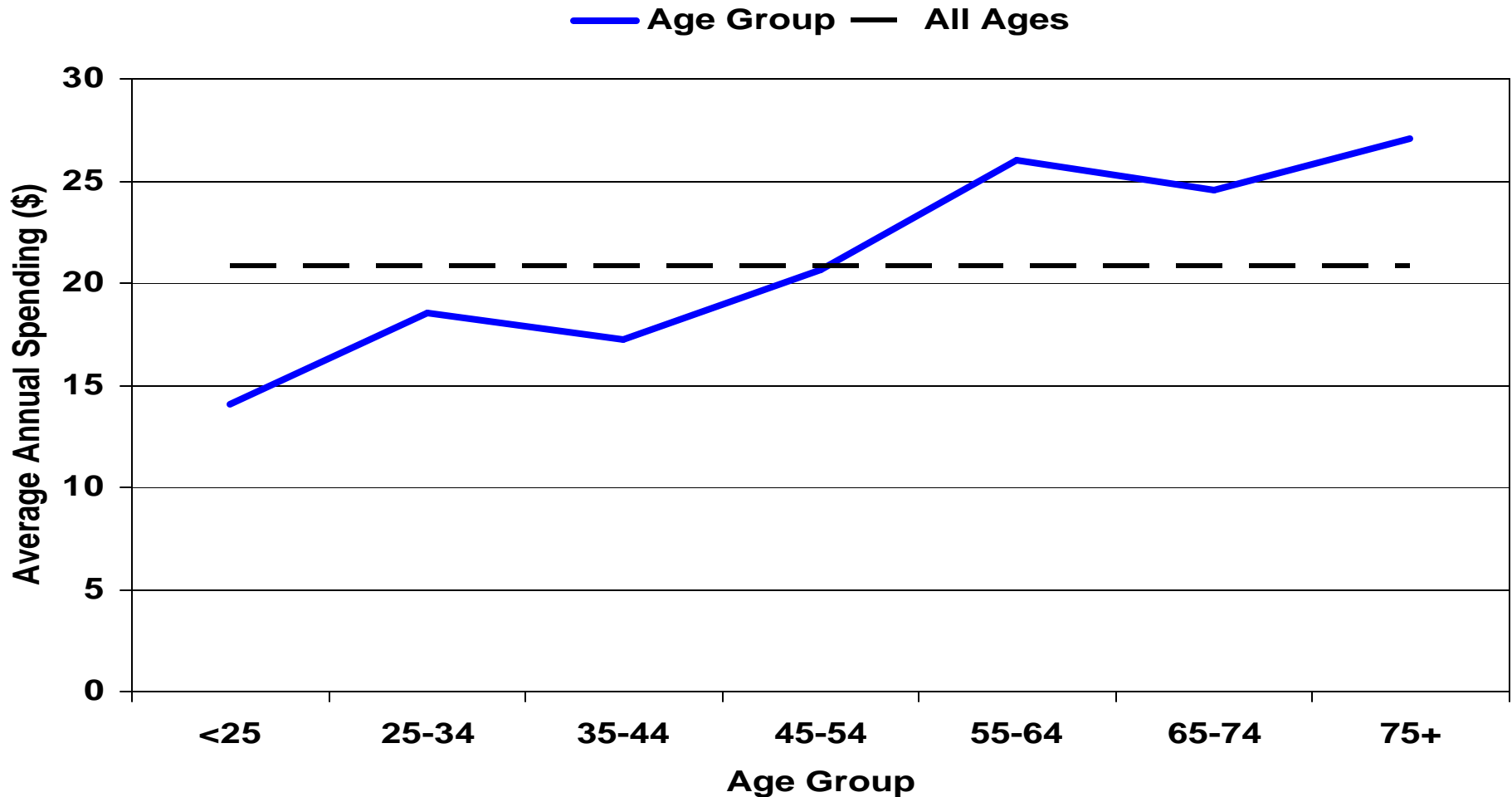
Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Magazines and Periodicals

Household Spending per Person by Age, Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

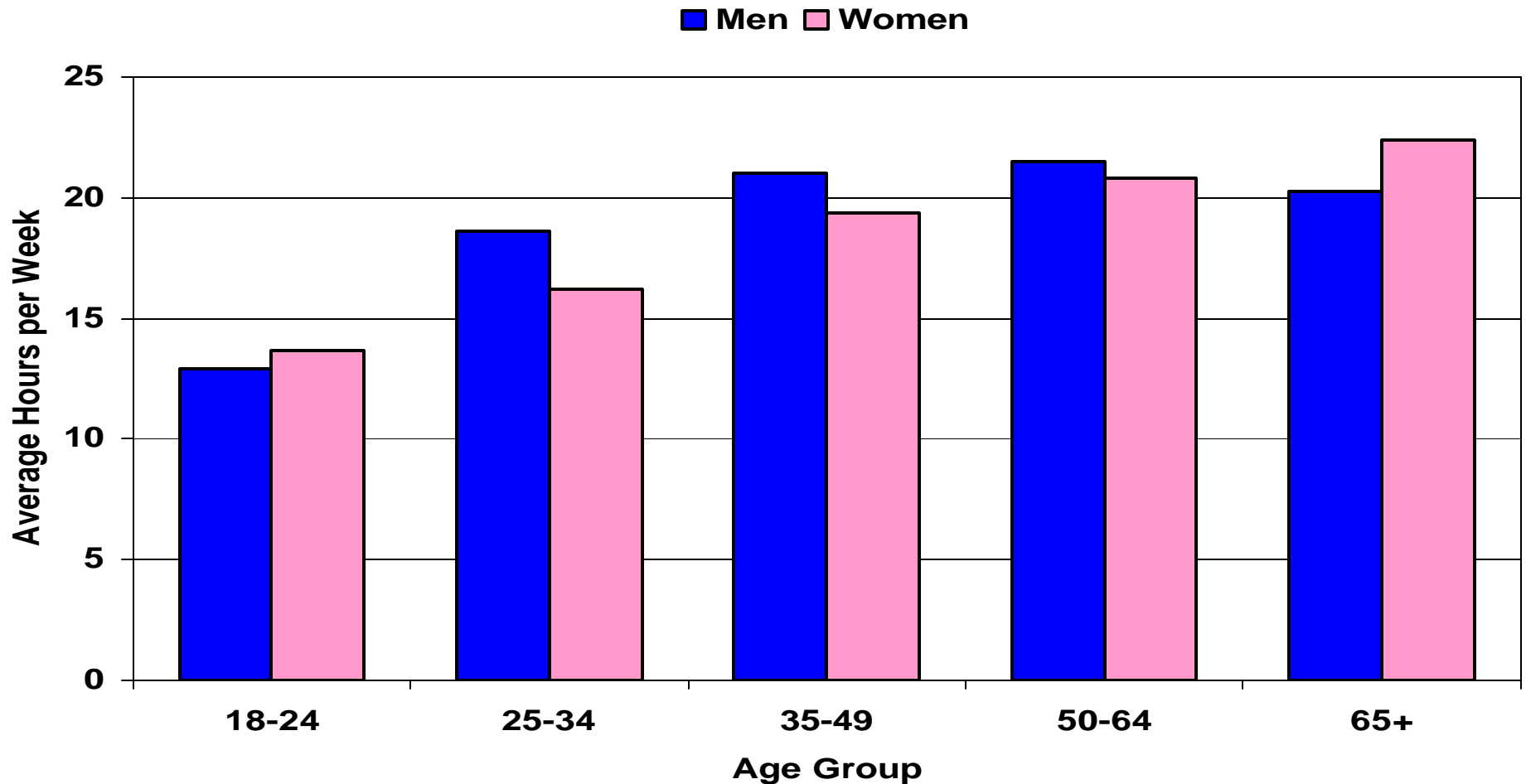
Relative Growth Index (RGI)

Household Spending Item	2009-2014	2014-2019	2009
	RGI	RGI	45+%
Newspapers	182	214	81
Magazines and periodicals	119	127	59
Internet access services	90	81	48
Cell phone, pager and handheld text messaging services	66	42	40

Source: Statistics Canada and R.A.L. Consulting Limited

Radio Listening (average hours per week)

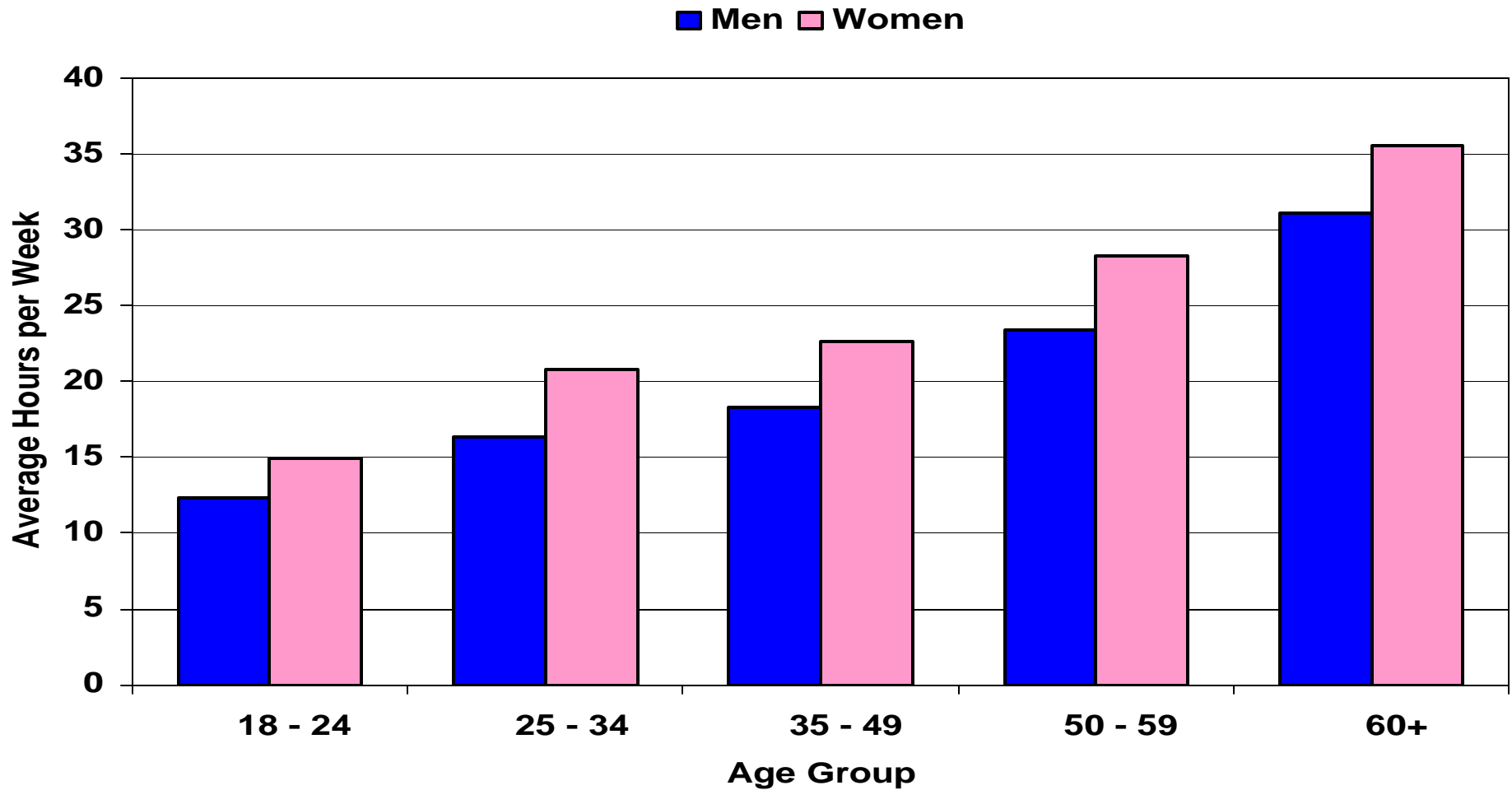
Canada, 2007



Source: Statistics Canada and R.A.L. Consulting Limited

Television Viewing (average hours per week)

Canada, 2004



Source: Statistics Canada and R.A.L. Consulting Limited

Survey Research

Cohorts in the Workplace: Are Their Views Similar or Different?

Recruitment (percent share of respondents)

When hired into your first industry job, how did you learn about the job opening?			
Recruitment Factor	Boom	Bust	Echo
Directly recruited by employer	13	9	11
Family/friend in industry referred you	37	44	48
On-campus recruitment	3	5	13
Recruitment agency (headhunter)	9	8	4
Classified advertisement	18	15	8
Canada Employment Centre/other government agency	4	1	1
News story about the industry or company	0	0	0
Job fair	1	2	3
Personal initiative	17	13	11
Internet	2	8	15

Source: Insurance Institute of Canada and R.A.L. Consulting Limited

Ideal Job (percent share of respondents)

What are the most important aspects of your ideal job?			
Aspects	Boom	Bust	Echo
Flexible work arrangements	52	61	55
A short commute	34	35	36
Good healthcare and other benefits	62	59	59
Good pension benefits	61	44	37
Competitive salary	77	86	85
Adequate paid time off (e.g. vacation)	49	51	52
Full-time, permanent employment	49	55	62
Opportunity for part-time work	10	7	8
Opportunity for promotion	22	44	61
Access to training/education	20	26	39
Challenging work	43	43	50
Job autonomy	20	17	15
Collegial and respectful work environment	38	36	41
Corporate culture that support your values	23	25	21
Diverse workplace in ethnic and racial terms	7	9	11
Corporate social responsibility of the organization	14	14	15

Source: Insurance Institute of Canada and R.A.L. Consulting Limited

Key Points

- Canadian demographic trends:
 - » The **boomers** are all over the age of 40
 - » Population aging reflects:
 - Below replacement fertility
 - Increased life expectancy
 - » Notwithstanding the increasing importance of immigration as a population source, the population aging trend will continue over the next ten years with substantial increases in the 55-plus age groups

Key Points

- Canadian demographic trends (continued):
 - » Aging pattern varies by province/region
 - » Atlantic Canada and Québec have older populations than other provinces/regions (negative migration flows)
 - » Ethnic/racial diversity of population is increasing, especially, in large urban centres, as a result of immigration

Key Points

- Demographic trends and the life insurance/financial services industry:
 - » “It’s yours to lose” → Demographic pressure on most insurance and related investment products will be substantial BUT high demographic pressure does not equal brand choice
 - » “Everybody is not on the Net” → a “hybrid” approach to marketing works best
 - » “Show me the money” → in the workplace, the most important concerns of younger workers are much like those of their parents at the same career point

Disclaimer

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