CHAPTER 1
INTRODUCTION

The world's population is currently undergoing a remarkable transition from a state of high birth and death rates to one characterized by low birth and death rates. The current demographic evolution has created a growth in the number and proportion of older persons.

1.1 The Ageing Population

The United Nations (2002) has reported that for every ten persons, one of them is 60 years or above; by 2050, the figure will increase to one in every five persons; and by 2150, out of three persons, one of them will be 60 years or older. The latest statistics by United Nations estimated the number of persons aged 60 years or older at 629 million in 2002 and is projected to grow to almost 2 billion by 2050. China, the largest populated country in the world (1.3 billion population), also has the largest elderly population, numbering nearly 88 million in 2000 (Kinsella & Velkoff, 2001).

Countries across this region are also experiencing the same phenomenon; however, the rate of ageing varies from country to country. According to the definition of aging society established by United Nations, an ageing society is defined as one where seven percent of the country's population consists of senior citizens whose age are 65 years and above (Kimura, 2000). Among Asian countries that have reached the ageing status are Hong Kong, Singapore, Korea and Thailand. Hong Kong has the highest percentage of population aged 65 and above at 11 percent followed by Thailand (9.0 percent), Singapore (8.4 percent) and Korea (7.0 percent) (Phillips, 2002). The improved health and low fertility rates are among the main causes of the demographic change experienced in these countries.
Malaysia is also not spared from the global demographic evolution. The demographic profile of the Malaysian population has shown signs of moving towards an ageing status. At present, senior citizens comprise approximately 4 percent of our total population but are expected to reach seven percent of the country’s projected population of 25 million by 2007 (The Star, February 16, 2003). According to the Population Census 2000, the Department of Statistics has reported that the proportion of population aged 65 years and above has increased slightly as compared to the statistics reported in 1991 of 3.7 percent. The other ageing indication was the increase in the median age of Malaysians from 21.9 years in 1991 to 23.6 years in 2000. Additionally, the dependency ratio for Malaysia declined from 68 in 1991 to 59 in 2000. The dependency ratio represents the ratio of the number of persons below age 15 years and the number of persons aged 65 years and over to the number of persons in the working age group of 15-64 years (Department of Statistics, 2001).

The rising number of senior citizens can be attributed to several factors. Firstly, the improvement in the quality of life has led to longer life expectancy. Life expectancy of Malaysians now stands at around 70.4 years of age for males while the females were reported to have longer life expectancy at 75.3 years of age (Department of Statistics, 2002). The improved knowledge about health and the advancement in medical technology have enabled human beings to live longer these days. With better sanitization, cleaner water supplies and basic medical advances such as immunizations, human beings have escaped many of the illnesses and events that plagued their ancestors, from death during childbirth to tuberculosis. With the improved quality of life, almost half of a person’s adult life will be spent over the age of 50. Silvers (1997) has quoted that "50 is truly a mid-point, not an end-point".

Secondly, the declining fertility rate has shrunk the younger segments of the marketplace (Schewe & Balazs, 1992). The 21st century family of today is getting smaller in size, unlike a 50s family which consisted of 5 to 7 children. The
changing trend in the traditional family structure is creating an inverse pyramid of one child; two parents; four grandparents; and several great-grandparents. In Malaysia, statistics have reported a decline in fertility rate from 3.27 (1996) (extracted from CIA World Factbook 1996, University Libraries at University of Missouri-St Louis, 1998) to 3.18 (2002) (extracted from CIA World Factbook, 2002). Thirdly, the older population itself is ageing. The oldest old (80 years or older) are the fastest growing segment of the older population. They currently make up 12 percent of the 60 plus age group and will grow to 19 percent by 2050 (United Nations, 2002).

1.2 Retirement

When a person grows older, he/she will experience more life changing events occurring in life than during his/her younger age. Some will experience empty nest as their children achieved adulthood and moved out to live on their own while others will go through retirement from careers, loss of spouse and ill health. In this study, the focus will be centered on the retirement phase in an older person’s life. When a person enters retirement, his/her life as a retiree begins. Retirement has been defined by Atchley (1976) as a condition in which an individual is forced or allowed to be and is employed less than full-time and in which his income is derived at least in part from a retirement pension earned through prior years of service as a job holder. Thus, retirement usually marks the end of several decades in the labor force and a loss of structure in daily activities. In Malaysia, the official age of retirement was set at 55 years of age for the private sector while the Government sector adopted the official age of 56 years.

Retirement is an economic role transition occurring in later life. It is also a time of major life-changing events where these older adults reevaluate their priorities, product needs, brand preferences and criteria by which they select products (Silvers, 1997). Generally, and empty nesters in particular, their focus will change from providing for their children to preparing for their own future.
Most of the time, retirees or soon-to-be retired will seek advice to help them get ready for the next stage in life, especially in the financial and estate planning as well as health aspects after their retirement. During the 1980s and 1990s, when a person retires, retirement to him/her means a reduction in income and an increase in time available for leisure. With reduced income and increased leisure time, the retirees’ expenditure patterns will shift toward necessities and time-intensive services and away from luxuries and consumption activities requiring substantial outlays (McConnel and Deljavan, 1983). On the contrary, in this decade of improved socio-economic factors in the country, this generation of retired citizens would be better educated, would have higher incomes and fewer children. They are also involved in more leisure activities than their previous cohorts. This is because when individuals pass through life stages, their habits go with them. This group of retirees may wear more jeans and drink more Coke than their predecessor (Carrigan, 1998). They will also be more conscious of the physical changes occurring in them, thus creating markets for health and supplemental products, cosmeceutical as well as functional food products. For example, marketers have developed anti-aging cosmetic products that enabled retirees to reduce and protect against the signs of skin aging.

Due to misconceptions on the part of marketers, the older consumers’ segment which is considered as a segment with low income is often ignored. They have also been stereotyped as a burden to society. Nevertheless, unknown to marketers, this group of consumers has more time and lower financial obligations (such as paying for a child's college education or mortgage) as compared to the middle aged consumers (West, 2001). With the time and income factor, the retirees are more likely to be involved in an active lifestyle in a move to replace the working life routine which they were used to. They are likely to pursue activities such as golf, tennis, fishing and traveling which will then create the need to purchase related products to support their participation (Szmigin and Carrigan, 2001).
To position effectively, marketers will have to understand the consumption needs of the retired consumers instead of stereotyping them to be of poor health, social isolation and lack of interest in romance and adventure (Moschis, Lee and Mathur, 1997). Failure of marketers to do this may erroneously deter firms from developing ways to increase sales and the bottom line to a sizable and expanding segment (Lambert, 1979) as the mature years are the longest life stage a marketer will have with a consumer (Lipke, 2001). Marketers cannot rely on their knowledge about the experiences of past older consumers as a measure of the behavior of older generations today and in the future (Carrigan, 1998). This generation of retirees do not see themselves as “old” and in Carrigan’s (1998) research, it was proven that this generation of retirees was rejecting products, which were overtly targeted at “old people”. Marketers need to be more sensitive to the needs of older consumers.

In an effort to understand older consumers, more studies will need to be conducted in this area. Presently, majority of the consumer behavior studies in this area were conducted in the United States. In Malaysia, studies that cover the retailing needs and behavior of the elderly consumer are rare. Therefore, a study in this area is necessary.

1.3 Objectives of the Study

The growth of consumers in this segment indicated to marketers that the retired consumers are a segment to be reckoned with. This study intends to fill the information gap on the social activities of the retired consumers. Specifically, the objectives of this study are as follows:

i) To examine the shopping habits of retirees;

ii) To identify retail store and product attributes which retirees seek during their shopping trips;

iii) To compare the retail store and product attributes among age groups, gender and ethnicity; and
iv) To discuss the implications to marketers and retail storeowners.

1.4 Significance of the Study

The understanding of the retail needs and purchasing behaviors of the retired consumers will help marketers in formulating marketing strategies. When marketers understand the retired consumers' needs, they would be able to meet the expectations of this group. Marketers need to realize that the retired consumers are not a homogenous group and that their needs and wants are very different. Lumpkin, et al (1985) suggested that this group of consumer vary in terms of their retail needs depending on their age categorization. Consumers, in general, and older consumers in particular, do not respond in the same way to specific strategies or company offerings.

Findings from this study will be able to assist retailers in identifying and taking steps to improve on the services, ambience and needs of the older segment of the market. The presence of this group cannot be ignored due to its growth and importance. It is important for marketers and retailers to realize that the physical changes that accompany the aging process will have a direct impact on their business (Chain Store Age, 1996). The information obtained would be useful to retail management in its effort to provide better services to the retired consumers.

Lastly, this study would contribute to the literature on retirees in Malaysia. At present, the literatures available in the areas of consumer behavior of retirees in Malaysia are very rare. This study would benefit researchers and marketers interested to further their knowledge about this segment.
1.5 Scope of the Study

This research was conducted in the Klang Valley, covering the urban areas of Kuala Lumpur and Petaling Jaya. Data were collected from retired persons using convenience sampling. Notwithstanding Malaysia’s official retirement age of 56 years, this survey included retired persons especially civil servants who have opted for optional retirement at 45 years of age.

This study will focus on the shopping habits and the preferred store and product attributes when these retired consumers conduct their grocery shopping. The analysis will cover description on shopping habits and their preferred retail and product attributes from the demographics perspectives of age, gender and ethnicity. The results obtained from this study would highlight implications to marketers and retail storeowners interested to explore this segment.

1.6 Limitations of the Study

Similar to other studies, there are limitations prevalent within the context of this research design. It should be noted that the study is basically exploratory in nature. The main limitation confronting this study is the lack of representativeness. This research is limited in terms of sample size (N=157 retirees), sample space (Kuala Lumpur and Petaling Jaya) and time (the data was collected over a period of four weeks). The results of the study cannot represent the entire retired community but only a segment of the retired consumers. The respondents of this study were limited to only the retirees in the urban community. Therefore, the retail needs of the suburban retirees are not covered in this research. There is no denying that the findings may change if a larger sample covering both urban and rural areas were used.
Also, this study is subject to time and cost constraints. Notwithstanding the shortcomings, findings of this study have provided insights into retired consumers' retail behavior.

1.7 Organization of the Study

This research report is divided into five (5) chapters. Chapter 1 presents an introduction on ageing and retirement; objectives of the study; its scope; limitations of the study and organization of the report. Chapter 2 provides an understanding into the theoretical frameworks of social gerontology and the empirical findings on various shopping habits and marketplace needs of the older consumers. Chapter 3 covers the research instrument applied in this study; the sampling design used and the data collection procedure employed. This chapter also provides an overview of the data analysis techniques to be applied. Subsequently in Chapter 4, the findings and results will be reported. Finally, Chapter 5 includes a summary of the research; the conclusion; the research implications and recommendations for future research.