



CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT

# LET'S TALK BUSINESS

IDEAS FOR COMMUNITY DEVELOPMENT PROFESSIONALS WORKING TO EXPAND LOCAL BUSINESS ACTIVITY

September 1997

No. 13

## Demographic Trends are Shaping Retail

Mary Edwards, Bill Ryan and Bill Pinkovitz\*

As the demographic characteristics of our communities change, new challenges will face our retailers. Changes in population, the composition of households, age, income, and ethnicity must be understood in relation to changes in shopping behavior and expenditures. The following are examples of some of the more significant trends that will continue to have implications for retailers in years to come.

### Changing Households

Currently, almost 60% of families have at least two wage earners, implying a decrease in the combined personal time of all family members. Interestingly, the number of married adults is currently 62%, down from 74% in 1970. Single parent households have increased to 30% of all households, up from 13% in 1970.

The percentage of married woman with children working outside the home increased from 40% in 1970 to 68% in 1995. By the year 2001, there will be fewer white males working, while woman will account for almost half of the total labor force. By the 21<sup>st</sup> century, 80% of all woman aged 25-54 will be in the labor force.

Larger households with five or more people have declined from 21% in 1970 to 10% in 1995. The number of single person households have

doubled during that time period and now account for 25% of all households.

### Considerations for Retailers

- As households become smaller and number of wage earners increase, the percentage of income used for housing and transportation will continue to limit the amount available for non-automotive retail (the current U.S. household spends half of its income on housing and transportation).
- Many households are spending less time shopping. Accordingly, time-saving, convenience goods and services present opportunities to retailers. When they do shop, they want to know that the store is open and that they have what they want.
- As households have fewer children, they are less likely to shop at the family department store that was once found downtown.
- An estimated 80% of all shopping is done by woman. This suggests that retailers should examine the mix of products and services that will attract woman shoppers.

### Changing Income

Households with middle incomes of \$25,000-\$50,000 (inflation adjusted) declined from 39% in 1970 to 32% in 1995. Middle-class incomes have not risen significantly since the 1970's

\* Edwards, Ryan and Pinkovitz are with the UW-Extension Center for Community Economic Development. Data drawn from: Downtown Revitalization: A Retail Perspective, Community Dividend, Federal Reserve Bank of Minneapolis, Third quarter, 1994  
Gruen, Nina. 1995. *Revolutionary Changes in Retailing*. Economic Development Review: Spring.  
Gruen, Nina. 1992. *America, Circa 2001*. Journal of Property Management. January/February.  
Gruen, Nina. 1993. *The Reinvention of Retailing*. Journal of Property Management. January/February.  
Lazer, William. 1994. *Handbook of Demographics for Marketing and Advertising: New Trends in the American Marketplace*. NY: Lexington Books.

when discounted for inflation. The median real family income in 1990 was \$35,353, about \$2,000 more than in 1970. The slight increase in inflation-adjusted income would not have occurred without the increased participation by woman in the workforce. Further, a larger portion of the income that is generated by households is spent on house and car purchases.

#### Considerations for Retailers

- Higher income households will continue to be a primary target for many retailers. These consumers spend 63% more than the average household on food and account for more than half of all spending on products such as men's apparel and household maintenance supplies and equipment.
- Perceived retail opportunities will be focused on the outskirts of our cities. However, this ignores the market of poorer, but more dense city neighborhoods.
- The pressure to develop retail closer to higher income suburban households will continue to require people to "shop with their wheels." Today's consumer wants to "park by the door and see the open sign."
- Given historic trends, both the lower-income and upper-income segments of the population will provide greater market opportunities than the traditional middle-income segment of the population.

#### **Aging Population**

America is an aging society. Its population bulged with the baby-boomer generation, the oldest of whom have now reached their 50's. In 1980, the median age was 30. By the year 2000, this will grow to 40 years. Over the past 25 years, the number of people aged 35-44 increased by 84% while those over 75 increased 96%. Furthermore, the number of 18-34-year-olds, historically the most active consumers of personal and household goods, will decrease from 28% to 23% of the population by 2000.

Most of the nation's wealth is in the hands of those over 50. This group is expected to increase by about 12 million during the 1990's.

#### Considerations for Retailers

- The boomers represent a vast, relatively affluent and expanding market. However, retailers should recognize that they have reached an age when they have less to spend on retail goods and more on housing, education and health.
- Older Americans are a good segment as they are now the biggest spenders, even though they spend a lower proportion of their income on retail goods and services. People between 65-74 spend more per capita than those aged 25-34 on most categories of goods and services. Older shoppers tend to be more knowledgeable, are less likely to shop on impulse.
- Buying behaviors of different age segments are changing. Just because a 40-year-old today will be 50 in ten years doesn't mean that he or she will be buying like today's 50-year-olds. Consider the increasing proportion of infant and child products that are now being purchased by grandparents.

#### **Changing Ethnicity**

Increasing cultural diversity will also influence shopping patterns. In 1990, the share of foreign-born Americans rose to 8.6%, up from 4.7% in 1960. Approximately 40% of the U.S. population growth in the next two decades is forecasted to originate from Hispanic births and immigration. By the year 2030, non-Hispanic Caucasians will be a minority in the U.S.

#### Considerations for Retailers

- Ethnic markets should be considered when exploring expansion opportunities.
- To serve the growing Hispanic population in many communities, retailers must recognize the importance of communicating in their common language--Spanish.

While national demographic trends will continue to shape retail on a broad level, local demographic shifts are more important to the community retailer. Access to good local data can help your retailers study and respond to changes in their particular market area.

CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT, UNIVERSITY OF WISCONSIN-EXTENSION  
1327 UNIVERSITY AVE, MADISON, WI 53715

PH: (608) 265-8136; FAX: (608) 263-4999; <http://www.uwex.edu/ces/cced/index.html>

An EEO/Affirmative Action employer, UW-Extension provides equal opportunities in employment and programming, including Title IX and ADA requirements.