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The Mature Market: Underlying Dimensions and Group Differences of a Potential Market for the Hotel Industry

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Abstract

The mature market, defined as age 55 and up and consisting of approximately 64 million Americans, is expected to increase. Studies show that this group travels more frequently, travels greater distances, and stays longer. The authors seek to determine if underlying dimensions exist for the mature individual with regard to the selection criteria for lodging when traveling for pleasure, and to determine if differences exist between various demographic subsegments of this market with regard to these underlying dimensions.

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The American population is getting older; approximately 64 million individuals are 55 years of age and older in the United States today. This mature market is expected to increase 12 percent by the year 2000 and 27 percent by 2010.[1] This group of individuals has more leisure time and controls three quarters of the country's wealth.[2] Seniors also are projected to have the highest amount of discretionary income for the next 30 years.[3]

According to the U.S. Travel Data Center and the American Association of Retired Persons (AARP), this group accounts for 32 percent of all hotel rooms nights booked. The travel habits of this group are ideal for the hotel industry. Studies show that they travel more frequently, travel greater distances, and stay longer.[4] A 1977 National Travel Survey showed over half of all persons 65 and over took at least one vacation in the previous year. This group tended to have more travel flexibility and could arrange travel plans according to room availability. Older people tended to pay in full with some method of cash (as opposed to credit), ate more meals in the hotel, and spent more money overall.

49

The 1990s will see the mature market as a dominant demographic segment offering a range of opportunities to various industries. The mature individual has both the time and financial means for pleasure travel. In order to market to any demographic segment, it is first necessary to understand what is important to the market as well as the expectations and desires of individuals who make up the market.

This study is designed to determine if underlying dimensions exist for the mature individual with regard to lodging selection characteristics when traveling for pleasure, and to determine if differences exist between various demographic subsegments of the mature market with regard to these dimensions.

Studies Provide Insight into Seniors

Studies exist in travel and tourism literature that examine the mature market segment. Shoemaker and Lieux, Weaver, and McCleary performed cluster analysis on reasons for pleasure travel in an attempt to segment the senior market.[5] Both studies found that the mature market could be best explained by three homogeneous subgroups. Browne identified older adults as a heterogeneous group that should be marketed to as such.[6] Some authors have attempted to look at subsegments of the mature market.

Quality International conducted a study of the 50-plus group through in-depth focus group interviews with its consumers. According to the respondents in Quality's research, the following characteristics were important to this group: service and cleanliness, non-smoking rooms, first floor accommodations, in-room amenities, and knowledge of or access to knowledge concerning the visited area.

Shoemaker identified the following needs and preferences of the older traveler: cleanliness, two beds per room, ground floor rooms, safety, social commons, personal attention, and organized entertainment.[7] It is suggested that this market can best be reached through group organizations, such as the American Association of Retired Persons.

LaForge conducted a survey of 332 persons aged 65 and over, living in the Southeast.[8] The group was broken down into travelers and non-travelers and tested for group differences. To separate the group, respondents were asked to indicate leisure activities they enjoyed on a regular basis. Those who responded that traveling was a leisure activity were placed in the travelers group. The study found that travelers were better educated, had a higher occupational status and a higher self-esteem, and participated in a wide range of leisure activities. Travelers were more likely to develop new interests later in life and, overall, were more satisfied with life. Godbey and Blazey evaluated urban park usage of citizens 55 and older.[9] The results of this study paralleled those found in the travel-related literature, that safety and organized programs are important characteristics for this population.

Pederson identified the needs of the senior market through a qualitative research analysis.[10] In the author's analysis, seniors are health-conscious, active consumers who look for discounts and do not

50

expect to sacrifice comfort. The design of the facility needs to be well lighted and easily accessible.

George Moschis, professor of marketing and director of the Center for Mature Consumer Studies at Georgia State University in Atlanta, categorized the products and services of those in the 50 plus group into two categories: functioning of the person (health and biophysical needs) and social and psychological needs. He classified older consumers into four groups: Healthy Hermits, Ailing Outgoers, Frail Recluses, and Healthy Indulgers. The "Healthy Indulgers" and "Ailing Outgoers" included consumers who travel and enjoy leisure activities. These two groups are potential consumers for hotel operators.

Romsa, Bondy, and Blenman tested satisfaction with retirement life as a function of life cycle forces, socio-environmental influences, and Maslow's hierarchy of needs in the 55 and over group.[11] The degree of fulfillment in recreational-leisure activities was used as the measurement. The methodology incorporated age stratification, activity, and disengagement theories with socio-environmental factors, which are incorporated into Maslow's hierarchy. The major underlying factors for leisure motivation were esteem, esthetics-curiosity, and love.

Days Inn started a program in 1974 targeted at 55-plus consumers,[12] the Days Inn Club, which allowed free membership to this age group, entitling them to a 10 percent discount on food and lodging at 270 Days Inns. By 1977, club members accounted for 15 to 20 percent of Days Inn occupancy. This is a good example of a hotel having great success with the 55 plus market.

An informal survey of marketing directors and general managers at AH&MAS 1980 convention was conducted by Dowling.[13] The following eight points summarize the results of Dowling's research: know your customer; sell the vacation experience, not just the hotel; create an image superior to your competitors; remember leisure travelers are price sensitive; ingredients of the vacation package must reinforce the hotel's position; price ads work best when run simultaneously as an image building campaign; magazines/ TV and radio build image and newspaper and direct mail generate quick responses; and leisure travelers are booking with shorter lead times.

3,000 Seniors Are Surveyed

Three thousand surveys were mailed to a random sample of individuals in the United States 55 or older. The mailing list was purchased from Zueller, Inc. of New York, and compiled to represent all geographic regions of the United States. The surveys were mailed out with a cover letter on university letterhead and a postage paid, return envelope.[14] The survey, developed after senior citizen interviews in spring 1991, was printed with slightly larger than regular type to aid readability for respondents.

The survey was divided into seven parts, as follows: reasons for travel, lodging preferences, characteristics, dining patterns,

51

information sources, employment practices, and demographics. The characteristics section of the survey consisted of 53 items that may be of importance to the mature citizen when selecting lodgings, including room price, convenience of location, 800 reservation number, senior discounts, check-in procedures, cleanliness, and room service. The respondent was asked to rate each with regard to selecting lodging accommodations. The rating scale consisted of a five-point scale, with "1" designated as "very important" and "5" "very unimportant."

Principle component analysis with an orthogonal extraction method was utilized in an attempt to reduce the 53 characteristics and determine any underlying dimensions that the mature market uses in selecting lodgings.[15] Principle component analysis was utilized because the factors are determined based on the total variance and a varimax rotation allows for a clearer separation of the factors.

Multivariate analysis of variance (MANOVA) was employed to determine if differences exist within demographic variables on the characteristics.[16] A 2 x 2 x 3 factorial design was utilized to test for main effects and interaction effects. The independent or grouping variables consisted of the demographic variables, gender, retirement status, and income levels. Although the sample population consisted of more females than males, the authors did not feel this would bias the data due to the large sample size. The dependent variables consisted of 13 surrogate factors selected from the results of the factor analysis. The variable containing the highest loading from each factor was selected as the surrogate variable. (Since there were 13 factors, there were 13 surrogate variables). Surrogate variables are appropriate when the purpose of MANOVA is to assist in further statistical analysis as opposed to creating a new composite variable.[17]

A total of 914 useable surveys were returned for an approximate response rate of 30 percent. This response rate compares favorably with other studies in this area. The average age of the respondents was 62. The majority were white, retired, female, and high school graduates. Seniors travel with a spouse or companion 80 percent of the time. This group travels approximately three times a year and stays an average of nine days. The majority of household incomes fall between $35,001 and $70,000 per year, though 42.7 percent have $35,000 or less.

The data were considered appropriate for principle component analysis because the Kaiser-Meyer-Oklin measure was .90051, which is interpreted as "marvelous."[18] The Bartlett test of sphericity is 13197.204 with .00000 significance. This means that an identity matrix does not exist and thus the variables are correlated. The sample was large enough to utilize factor analysis.

Principle component analysis reduced the 53 characteristics to 13 variables with an Eigenvalue of one or greater (EV $\geq$ 1). The 13

52

extracted factors accounted for 59.8 percent of the variance and determined the underlying dimensions the mature market used in selecting lodging accommodations. These factors have been identified as recreation and entertainment, room convenience, comfortably secure, ambiance, reputation, information aids, physically fit, simplicity, little things, picnic packers, consistency, price yet quality, and non-smoking rooms.

Table 1 lists the 13 factors, variables included in each factor, the Eigenvalues, factor loadings, and means for each surrogate variable. Surrogate variables that represented factors such as comfortably secure, information aids, simplicity, consistency, price yet quality, ambiance, and non-smoking rooms were considered important (Important, $\overline{X} \leq 2.75$), while room conveniences, reputation, physically fit, and picnic packers were dimensions that overall were considered neither important nor unimportant $(2.75 < \overline{X} < 3.25)$. Only two surrogate variables represented factors that were considered unimportant for this market, little things and recreation entertainment (Unimportant, $\overline{X} \geq 3.25$).

Multivariate analysis of variance (MANOVA) was used to test for differences within demographic subsegments. The demographic variables used include gender, retirement status, and income levels for use in the statistical analysis.

The dependent variables consisted of 13 surrogate variables identified from the factor analysis. The variable with the highest loading for each of the factors was selected as the surrogate variable for a particular factor. A 2 x 2 x 3 factorial multivariate analysis of variance with 13 dependent variables (surrogate variables) was employed to test for main and interaction effects.

The data resulted in 12 non-empty cells (2 x 2 x 3 = 12). The Box M test for homogeneity of variance was rejected, implying that the MANOVA assumption of equal variance was not met. However, ANOVA is considered robust with regard to this assumption, particularly when the sample size is adequate. All of the cells except two had a sample size of at least 20. The two instances of a sample size less than 20 were "not retired males making less than $35,000" and "not retired males making more than $70,000" (n = 13 and 14, respectively). Little is known about violations to the assumptions of MANOVA.[19]

Pillai's Trace test was used to determine if a multivariate significant interaction effect or main effect existed (alpha = .05). No significant three-way or two-way interaction effects were found. However, each of the main effects, income, retirement status, and gender, was found significant at the .05 level. Table 2 lists the significance of the univariate F values for each of the dependent variables for income, retirement status, and gender. A perusal of the significance level of the univariate F values for each of the dependent variables found that in all likelihood only a few of the dependent variables were contributing to the significance of the overall multivariate main effects.

Table 1
Factor Results of Hotel Selection Characteristics

Factor	EV*	Attributes	Factor Loading	Mean of Surrogate Variable**
Factor 1 **Recreation** **Entertainment**	11.7	bicycling tennis dancing golf social common area bingo cocktail lounge VCR in-room mini bar pay per view 3-year-old property	.762 .758 .743 .709 .702 .623 .600 .528 .527 .522 .446	3.99
Factor 2 **Room** **Conveniences**	7.7	automated check-out room bill on TV room service personal care items in-room safe	.691 .679 .637 .563 .410	2.78
Factor 3 **Comfortably** **Secure**	4.0	security system parking lot lighting well lighted rooms comfort of rooms main road easy access	.728 .725 .696 .640 .466	1.59
Factor 4 **Ambiance**	3.6	decor of facility landscaping of property design of facility	.828 .797 .766	2.67
Factor 5 **Reputation**	3.4	travel agent referral friends/relatives referral AAA rating advertising slogans frequent traveler programs	.752 .664 .598 .450 .421	2.87
Factor 6 **Information Aids**	3.0	remote control television free morning newspaper HBO/cable desk or worktable in room	.659 .554 .505 .436	2.47

54

Factor	EV*	Attributes	Factor Loading	Mean of Surrogate Variable**
Factor 7 **Physically Fit**	2.6	health spa facility indoor swimming pool outdoor swimming pool	.766 .736 .728	3.23
Factor 8 **Simplicity**	2.5	simple check-in familiarity with geographic location free continental breakfast	.664 .658 .456	
Factor 9 **Little Things**	2.4	handicapped features ground floor rooms two beds per room	.612 .508 .453	3.27
Factor 10 **Picnic Packers**	2.3	refrigerator cooking facilities	.722 .665	3.00
Factor 11 **Consistency**	2.2	past experience in hotel name of hotel convenience of location toll-free RSVP number	.678 .596 .512 .385	1.86
Factor 12 **Price Yet** **Quality**	2.1	room price free local calls senior discounts cleanliness of facility	.772 .488 .422 .407	1.66
Factor 13		non-smoking rooms	.721	2.16

Note: *EV = Eigenvalue **1 = Very Important 5 = Very Unimportant

• **Income:** The dependent variables "Room features" and "Price yet quality" contributed significantly to the multivariate income main effect. An examination of the three income groups ($0 to $35,000, $35,001 to $70,000, and over $70,000) showed that, although price was important for all three income groups, it was more important for the low income group ($\bar{X}$ = 1.4) and least important for the high income group ($\bar{X}$ = 1.9). While respondents in the $0 to $35,000 income bracket found "Room features" to border on the importance side of the scale ($\bar{X}$ = 2.9), those in the $35,001 to $70,000 remained neutral ($\bar{X}$ = 3.3), and those individuals making over $70,000 found it to border on the neutral and unimportant. Table 3 lists the mean values for the significant dependent variables for each of the main effects.

55

Table 2
Probabilities Associated with Univariate
F Lists for Dependent Variables

Income	Sig. of Univariate F
recreation/entertainment (bicycling)	.691
room convenience (automated check-out)	.079
comfortably secure (security system)	.094
ambiance (decor of facility)	.415
reputation (travel agent recommendation)	.707
information aids (remote control television)	.212
physically fit (health spa facility)	.597
simplicity (simple check-in)	.803
room features (handicapped features)	.000**
picnic packers (refrigerator)	.058
consistency (past experience in hotel)	.607
price yet quality (room price)	.000**
non-smoking rooms (non-smoking rooms)	.642

Retirement Status	
recreation/entertainment	.206
room convenience	.101
comfortably secure	.058
ambiance	.732
reputation	.078
information aids	.548
physically fit	.943
simplicity	.545
room features	.603
picnic packers	.481
consistency	.630
price yet quality	.024*
non-smoking rooms	.562

Gender	
recreation/entertainment	.644
room convenience	.430
comfortably secure	.000**
ambiance	.445
reputation	.008**
information aids	.309
physically fit	.052
simplicity	.073
room features	.744
picnic packers	.178
consistency	.903
price yet quality	.793
non-smoking rooms	.932

*Statistically significant at alpha=.05 **Statistically significant at alpha=.01

56

Table 3
Mean Values for Each Significant Dependent Variable

Income	$0 - $35,000	$35,000 - $70,000	over $70,000
price yet quality	1.4	1.6	1.9
little things	2.9	3.3	3.5
Retirement Status	**Retired**	**Non-Retired**	
price yet quality	1.7	1.5	
Gender	**Male**	**Female**	
comfortably secure	1.8	1.5	
reputation	3.1	2.3	

*Note: 1 = Very Important and 5 = Very Unimportant

• **Retirement Status:** When testing for the effects of retirement status (retired or not retired) on the dependent variables, "Price yet quality" showed a significant statistical difference. Retired respondents ($\overline{X}$ = 1.7) were not as price conscious as their non-retired (X = 1.5) counterparts.

• **Gender:** Gender had a significant effect on "Comfortably secure" and "Reputation." Females ($\overline{X}$ = 1.5) deemed security features to be more important as a deciding factor in choosing a hotel accommodation than did their male counterparts ($\overline{X}$ = 1.8). The reputation of a hotel facility as a factor that contributes to lodging accommodation choice was important to females ($\overline{X}$ = 2.3), but their male counterparts ($\overline{X}$ = 3.1) remained neutral with reputation as a decision factor.

The overall findings suggest that underlying dimensions exist for the mature individual when deciding where to stay when traveling for pleasure and that differences do exist between various demographic subsegments with regard to these dimensions. Thirteen dimensions resulted from the factor analysis: recreation entertainment, room conveniences, comfortably secure, ambiance, reputation, information aids, physically fit, simplicity, room features, picnic packers, consistency, price yet quality, and non-smoking rooms. The mature market wants to stay at a facility that offers fair prices without sacrificing a comfortable, secure, ambient environment. The lodging accommodation should offer non-smoking rooms and have such information aids as remote control televisions. Simplicity or familiarity with the geographic location as well as consistency is also important.

57

The mature market is not a homogeneous group. Differences are seen among the three demographic variables used in the factor analysis with regard to the underlying dimensions. The authors are not suggesting that these variables are exhaustive, but have chosen them to demonstrate that differences do exist. The hotel operator could consider other such variables, including reason for travel, educational level, length of stay, etc. Price yet quality, Reputation, Comfortably secure, and Room features are the underlying dimensions that differ within the mature market.

Group differences give the hotel operator the opportunity to target subsegments within the mature market. As would be expected, Price yet quality or Room price is more important to the lower than the higher income market. The Reputation or Travel agent recommendation and Security systems are more important to females than males. The hotel operator can develop marketing strategies that will utilize these differences. Advance purchase discounted room rates are attracting the senior market to hotels. A hotel could engage in first degree price discrimination, third degree price discrimination, or a two-part tariff. These various pricing schemes allow an operator to get what each consumer is willing to pay. Although statistically significant differences exist between the retired and non-retired groups with regard to Price yet quality, the difference is so small that the authors do not feel it is meaningful.

The active hotel marketer who sees this group as truly different and independent will be able to meet the demands, needs, and expectations of the 55 plus market. This is a market that has the time and resources to travel and enjoy life.

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59