



The X Factor by John F. Dini

How Baby Boomers Changed the Face of Small Business in America (Part 6)

There are two sides to every business transaction, a buyer and a seller. For most of the last 50 years in America, the [Baby Boomers](#) have been the [biggest buyers](#) in history. They bought homes and cars to spur the economy after World War II. They bought franchises to provide services for each other as busy parents. They bought SUVs and McMansions when they became the affluent middle-aged.

Squeezed out of a corporate America that didn't have room for them, and couldn't offer the clear path to success they had been raised to expect, the Boomers formed new businesses in numbers unmatched before or since.

In 1975, when the first Boomers turned 30 years old, there were 300,000 new business formations in the United States. By 1986 when those same Boomers were 41, we saw almost 750,000 new businesses open, a number *250% larger* than just 10 years before.

Just as importantly, by 1990 the rate of new business openings had dropped back to 600,000. It has remained at roughly 600,000 ever since, despite that fact that the national population has grown by almost 65,000,000 people since then (from 249 million in 1990 to over 313 million in 2010).

Boomers didn't just open a lot of businesses because of their sheer numbers, although that was part of it. They opened them because they had been raised with greater expectations than previous generations. Their values focused on material [evidence of success](#), combined with a powerful attachment to a workplace persona. Subsequent generations have not embraced business ownership like the Boomers did.

But in 2010 the first Boomers began turning 65, and a generation that has driven the American economy by buying feverishly is about to turn into sellers. It won't happen all at once. Improved health care, technology, their value on work roles and a fairly dismal record of saving will all combine to keep the Boomers in the workplace longer than their parents. But sell they will, and soon they will be bringing a massive wave of small businesses to market.

The buyers are Generation X, the youngest of whom were just turning 25 years old as the first Boomers hit 65. Generation X as a term has been used in various ways as early as 1964 to describe disaffected adolescents, to describe all 20-somethings, and to specifically cover those born between 1960 and 1965 (note that several of these uses are actually about Boomers). My preferred definition is the tenth generation since 1776 born as citizens of the United States (Roman Numeral X).

This generation, beginning with the babies of 1965 and continuing through 1984, is a big problem for Boomers who are preparing to sell their businesses. The issues are three-fold: *numbers, values and choices*.

We will first discuss the numbers, since they are the most powerful argument for what is to come. We cannot change the birthrates of 40, 50 or 60 years ago. All the people who were born between 1945 and 1964 are born. There will not be any less of them. Those born between 1965 and 1984 are the same, there won't be any more.

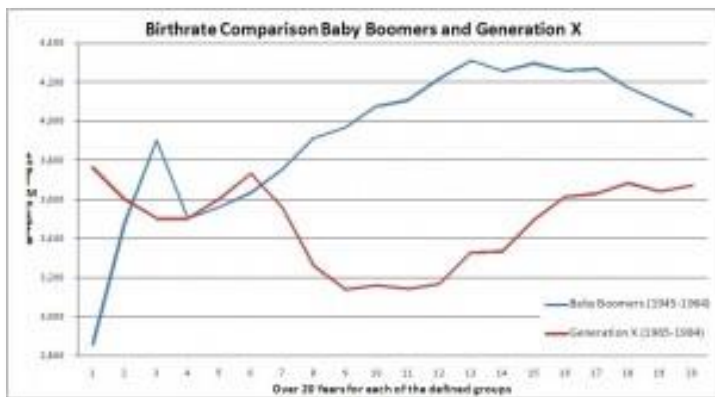
This is a deep dive into the statistics. It may be a bit tedious for some folks, but it is critical to understanding the scope and impact of the problem.

Numbers

Even on the face of it, the numbers aren't favorable for the Boomers who will be selling their companies. The X'ers number about 69 million in total, around 9 million, or 11%, fewer than the Boomers. That may not sound like a lot, but think about how profitable your business would be with 11% fewer sales.

Eleven percent of any market is a chunk. If your market is the entire United States of today, taking 11% off the table would mean removing Indiana, Massachusetts, Michigan, Wyoming and Virginia. Those aren't minor markets. (Well, maybe Wyoming, but I needed to make the numbers come out.)

Most markets aren't the entire country, however. Starting with the Boomers as children, Marketers have increasingly segmented and targeted age groups for their products. Shrinking a target market by 11% means fewer prospects to sell to, and small businesses for sale will simply have fewer prospective buyers.

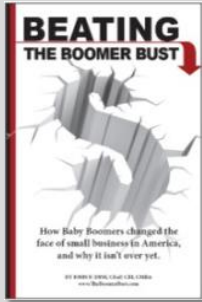


The impact is even more dramatic when the curve of births is examined. Boomer births peaked in 1957 at 4.3 million. Gen X births declined steadily from 1965 through 1973, when only 3.1 million, babies, 28% fewer than in the peak Boomer year, were born. For the period from 1953 through 1957 almost 21 million Boomers were born. For 1973 through 1977 there were just under 16 million new X'ers.

That means from 2018 through 2022, when those babies hit 65 years old, *almost 5 million fewer people (23%)* will be turning 45, and entering their prime business buying years. What would your market look like with 23% fewer buyers? What happens to pricing and competition when you start with 3 buyers for every 4 sellers?

We are rapidly approaching the worst imbalance between small business sellers and buyers in history, and it will continue for the next 20 years.

If the problem was limited to the numbers alone it would still be dramatic. In addition, there are other factors that make the numerical shortfall even more pronounced. The profile of the buyers, the *values* and the *choices* of Generation X, will exponentially increase the gap between Boomer sellers and the people to whom they expect to sell their businesses.



[“Beating the Boomer Bust,”](#) is a collection of articles focused on the unique challenges facing the business community due to the large population of retiring Baby Boomer business owners. It is the product of a year of research, and of fifteen years helping business owners prepare to leave their companies. Small business owners in America are ignoring a tidal wave of change that will leave a few small businesses untouched while wiping many others from the face of the planet.



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