



FOLLOWING THE NEEDS OF THE SILVER GENERATION

Emerging Perspectives

December 2015



Remarriage on the Rise, Driven by Older Adults

Share of adults marrying two or more times is highest in Arkansas, lowest in New Jersey

The Wall Street Journal – March, 2015

Who is buying Apple products? Old men.

Senior gents spent \$976 online on average per person on iGadgets in 2014

Wmur – October, 2015

Almost 20 percent of people near retirement age have not saved for it

The Washington Post – August, 2014

Real estate today: Older buyers, more bathrooms

CNN – October, 2015

Seniors, Not Millennials, Are Creating New Households

The Wall-Street Journal – August, 2015

'Grandad' takes on tough patrol

Oldham Chronicle – November, 2015

Older workers could provide £100bn economic boost, says PwC

The accounting giant says that encouraging older workers to stay in employment could boost economic growth

The Telegraph – June, 2015

Older people 'to contribute almost £25bn to NI economy'

BBC News – October, 2014

Financial abuse costs elderly billions

As boomers age, scammers find targets ripe for taking

NBC News – March, 2011

Older workers face being left behind in today's job market

Dallas News – August, 2013

Oldies are killing the world's economy

The Telegraph – October, 2014

Elderly people are more dangerous drivers, Nottingham Trent University study shows

Older people have vision that is three times slower than younger people when required to cope with distractions, research suggests

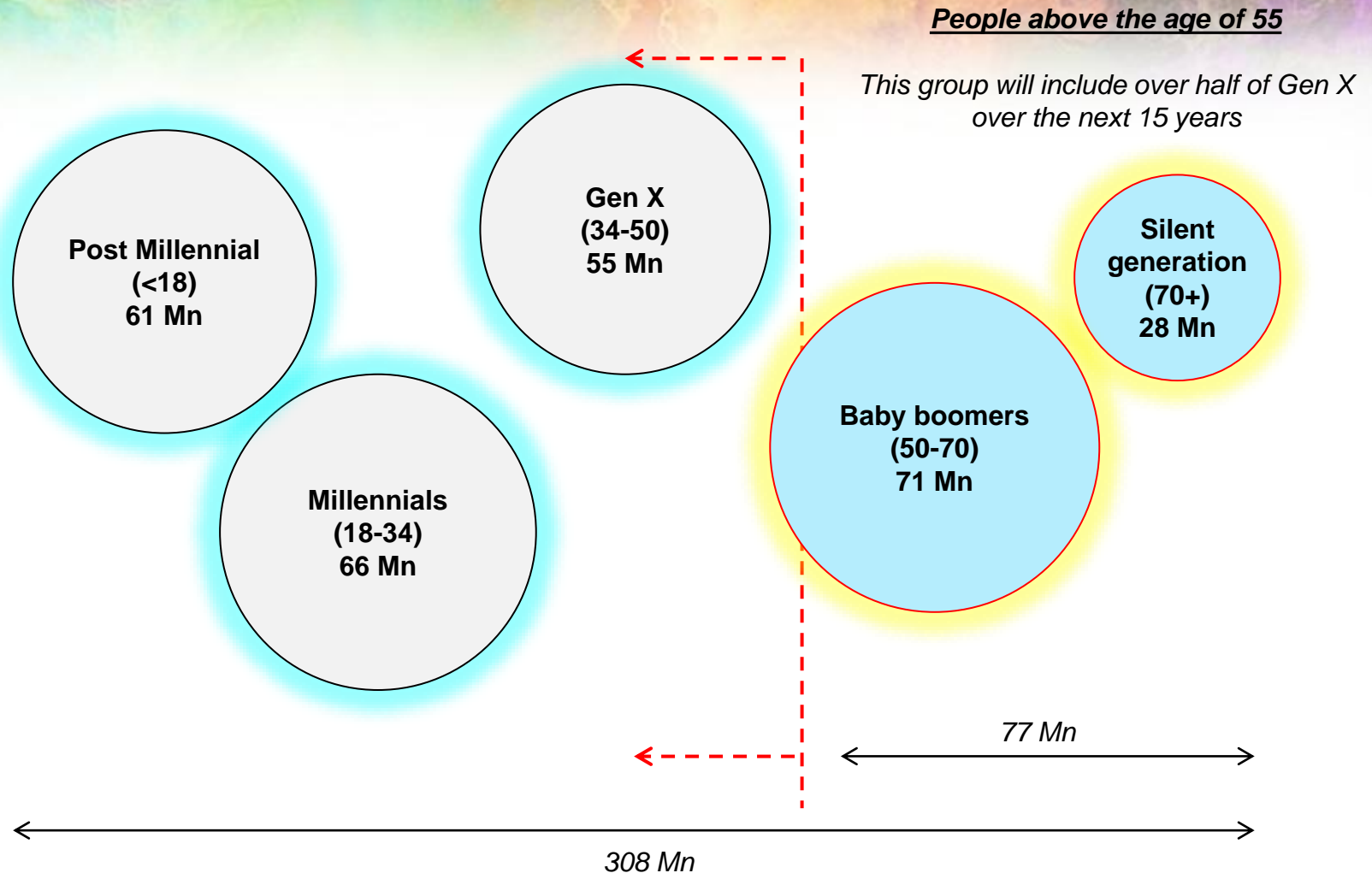
The Telegraph – October, 2015

DO YOU HAVE A GAME PLAN FOR THE FASTEST GROWING DEMOGRAPHIC IN THE WORLD?

It's the baby boomers once again – except that they are now sexagenarians. And right behind them are coming Generation X. In the evolving social context of the next 20 years, people are going to be living longer and healthier lives. More people continue to work and live independently; though perhaps in close proximity to their children. They represent a large, but often overlooked consumer class. In the UK, for instance, seniors constitute about a third of the travel and motorcycling economy. Unfortunately, for many organisations, this demographic represents a blind spot in their thinking.

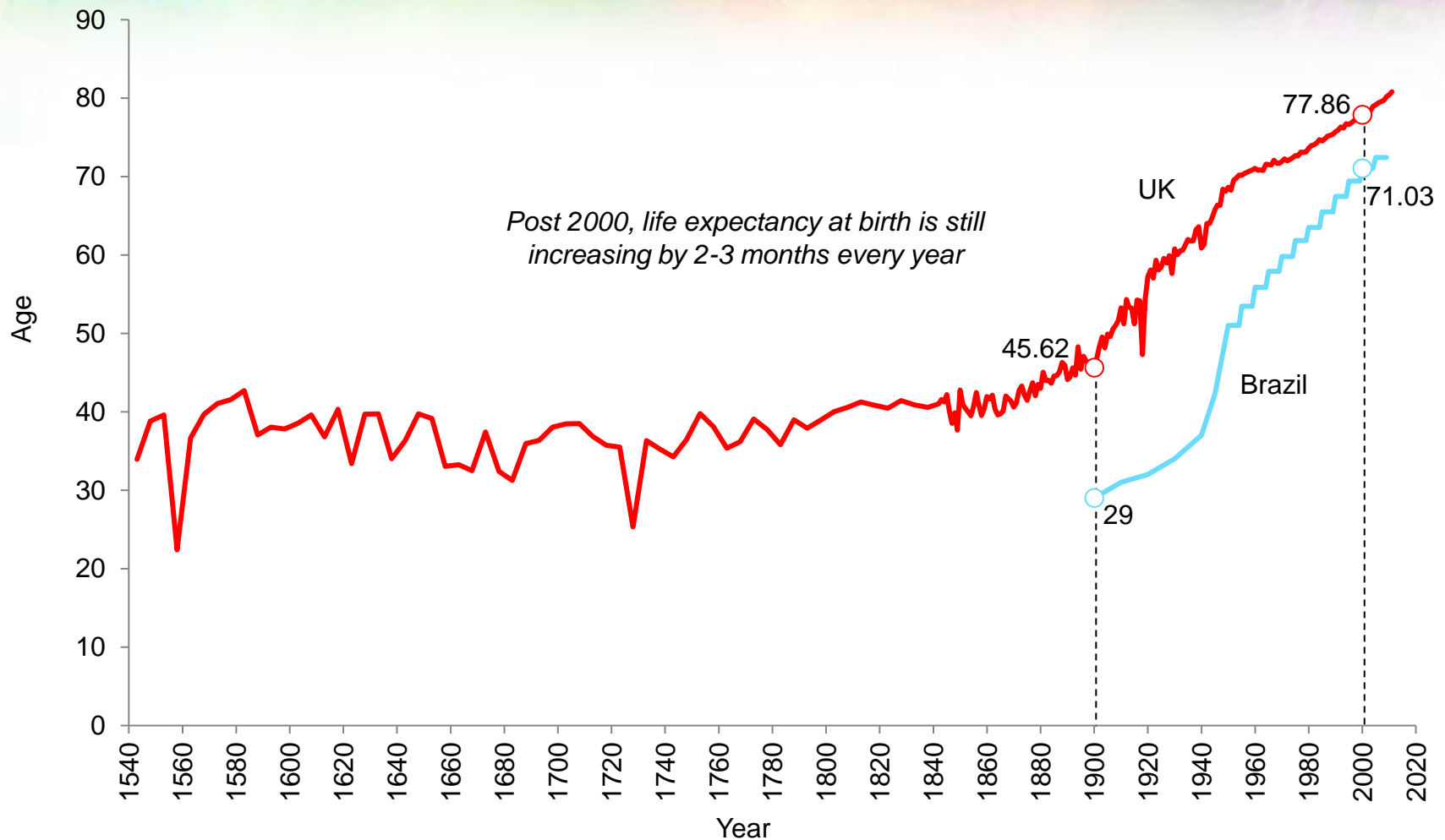
In the quest for growth and innovation, many organisations tend to focus on “what’s new” and the tastes of the young. A contrarian approach may be bigger and more profitable.

WITH THE GREYING OF THE BABY BOOMERS, MORE THAN A QUARTER OF THE US POPULATION IS NOW ABOVE THE AGE OF 55

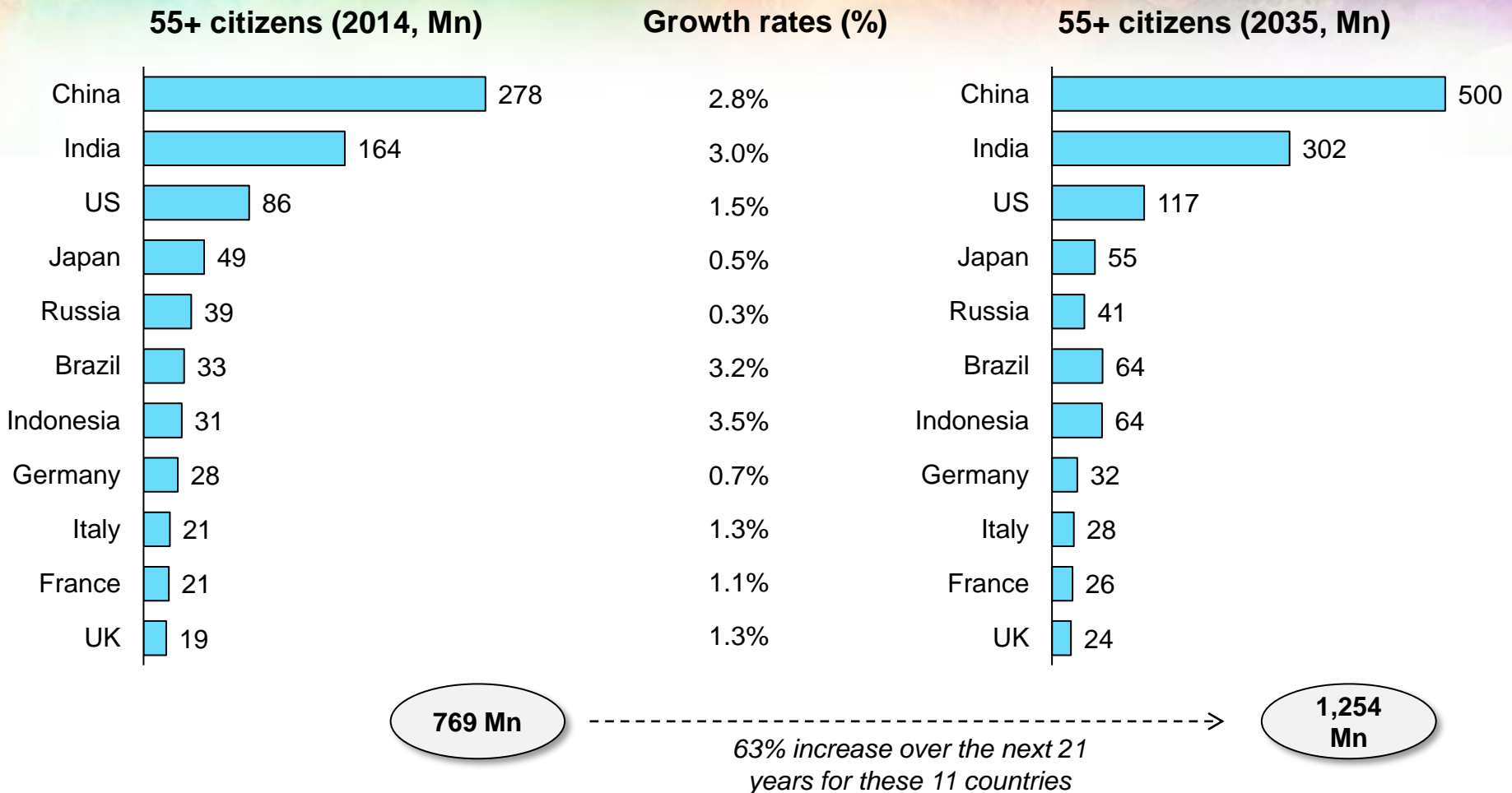


EVEN AFTER A CENTURY OF DRAMATIC INCREASES, LIFE EXPECTANCY LEVELS ARE STILL RISING ACROSS THE WORLD

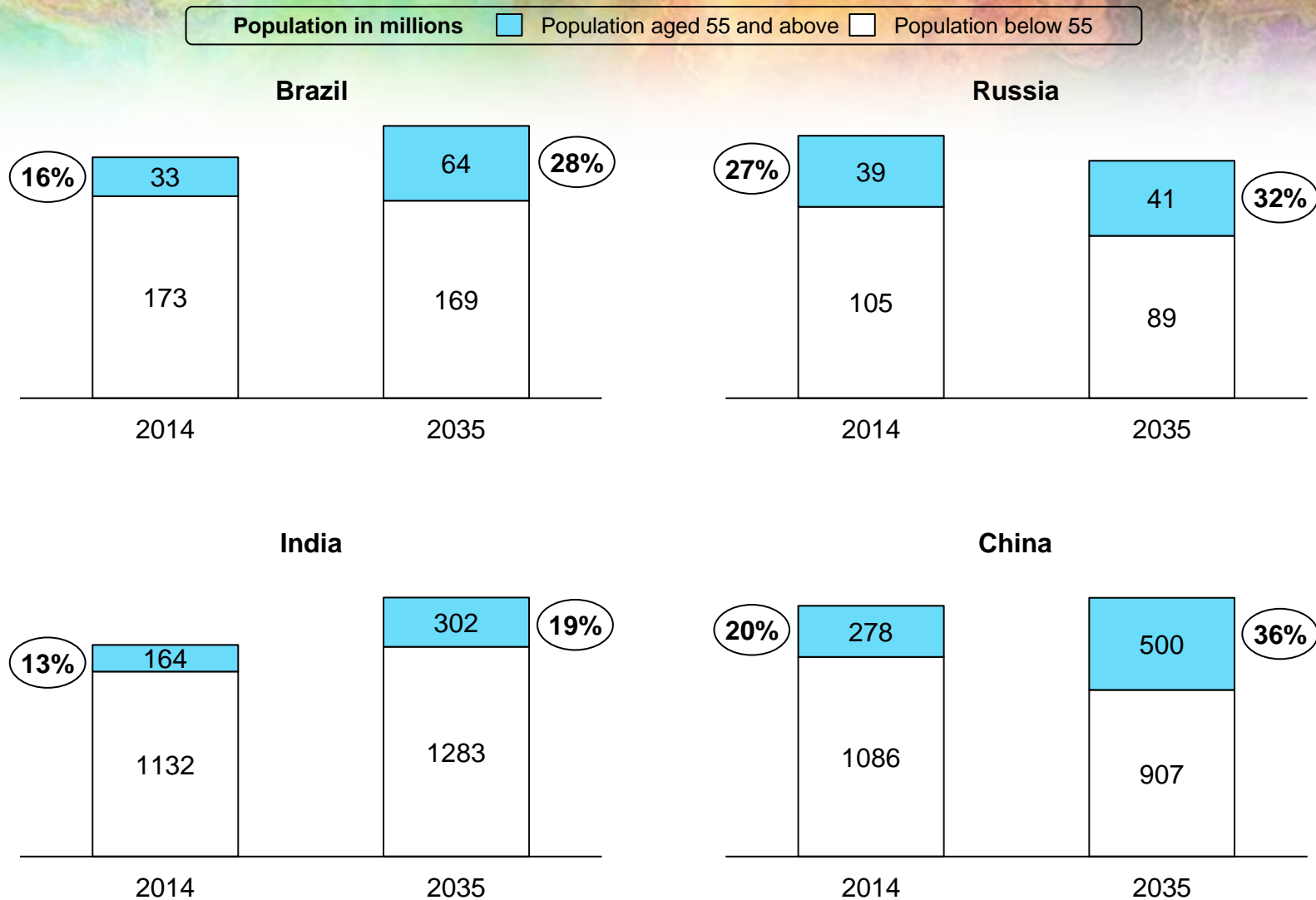
Life expectancy at Birth (years)



Globally, Elders are the Fastest Growing Demographic



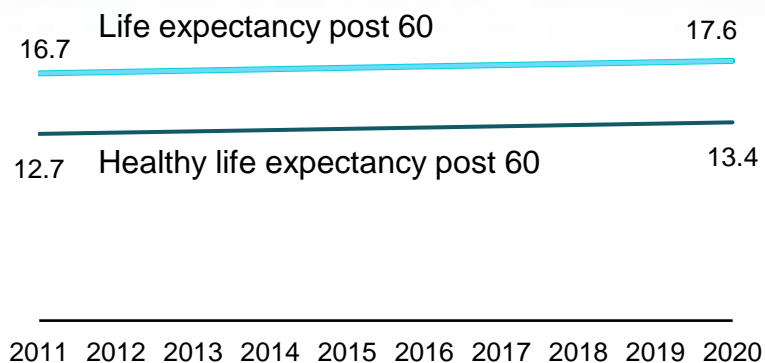
SENIORS WILL MAKE UP 27% OF THE POPULATION OF BRIC NATIONS BY 2035 (UP FROM 17% IN 2014)



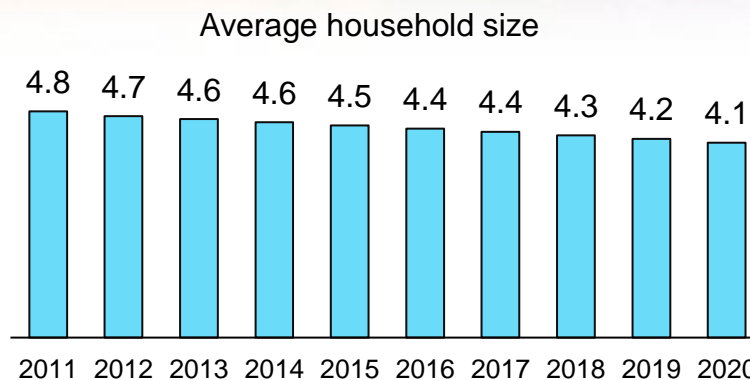
THE SOCIAL CONTEXT IS CHANGING

Example: India

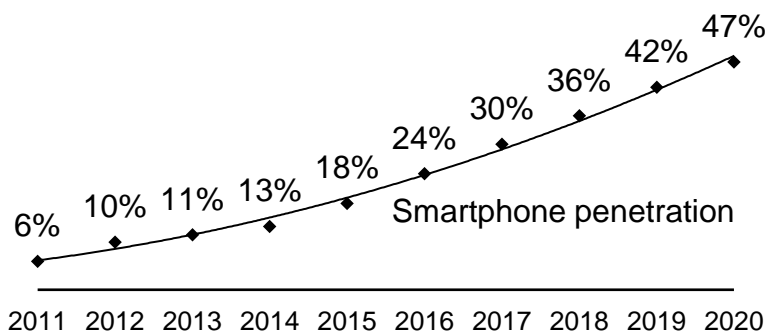
People are living longer and healthier lives



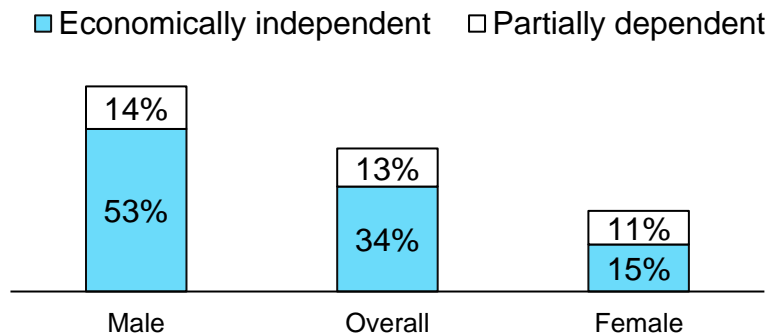
Families are becoming more nuclear



Technology adoption is increasing



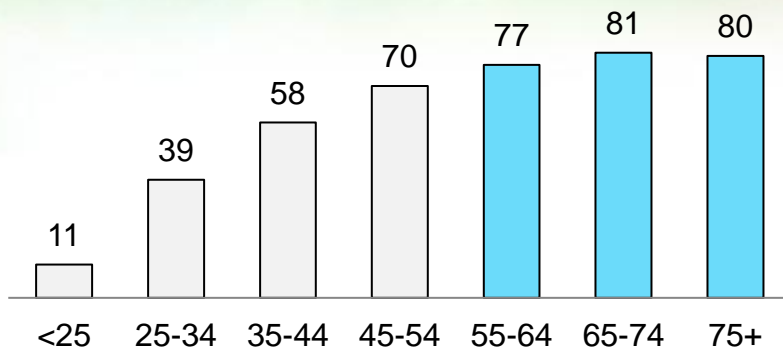
Seniors are becoming more independent



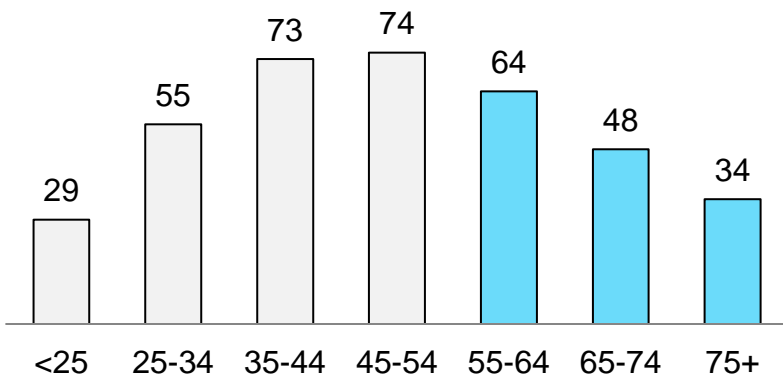
SENIORS CAN BE A VERY ATTRACTIVE SEGMENT

Example: USA

Home ownership (%)



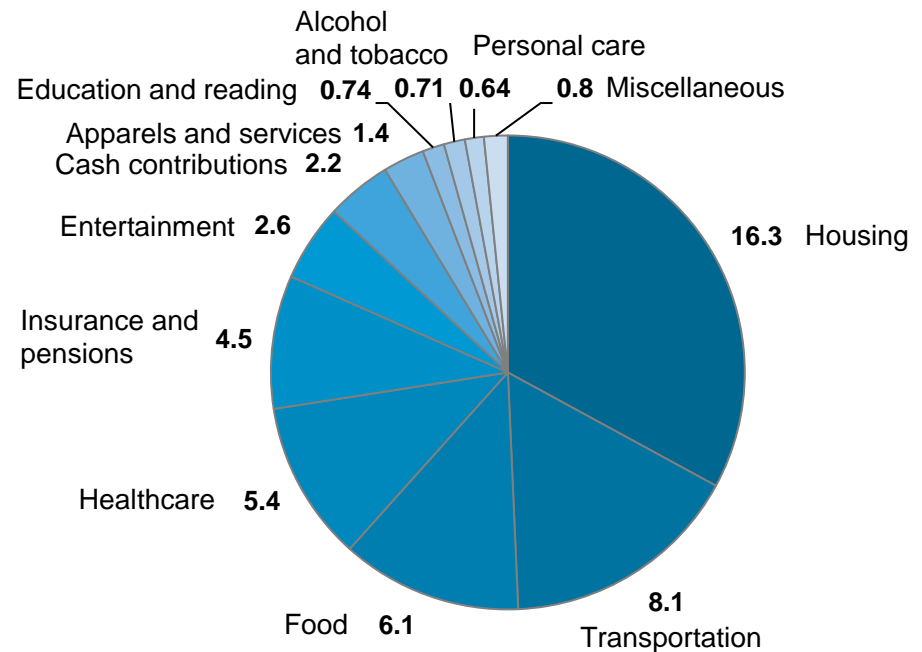
Income after tax (\$ '000 p.a.)



Spending distribution for the 55+ (\$ '000 p.a.)

Total : \$50k

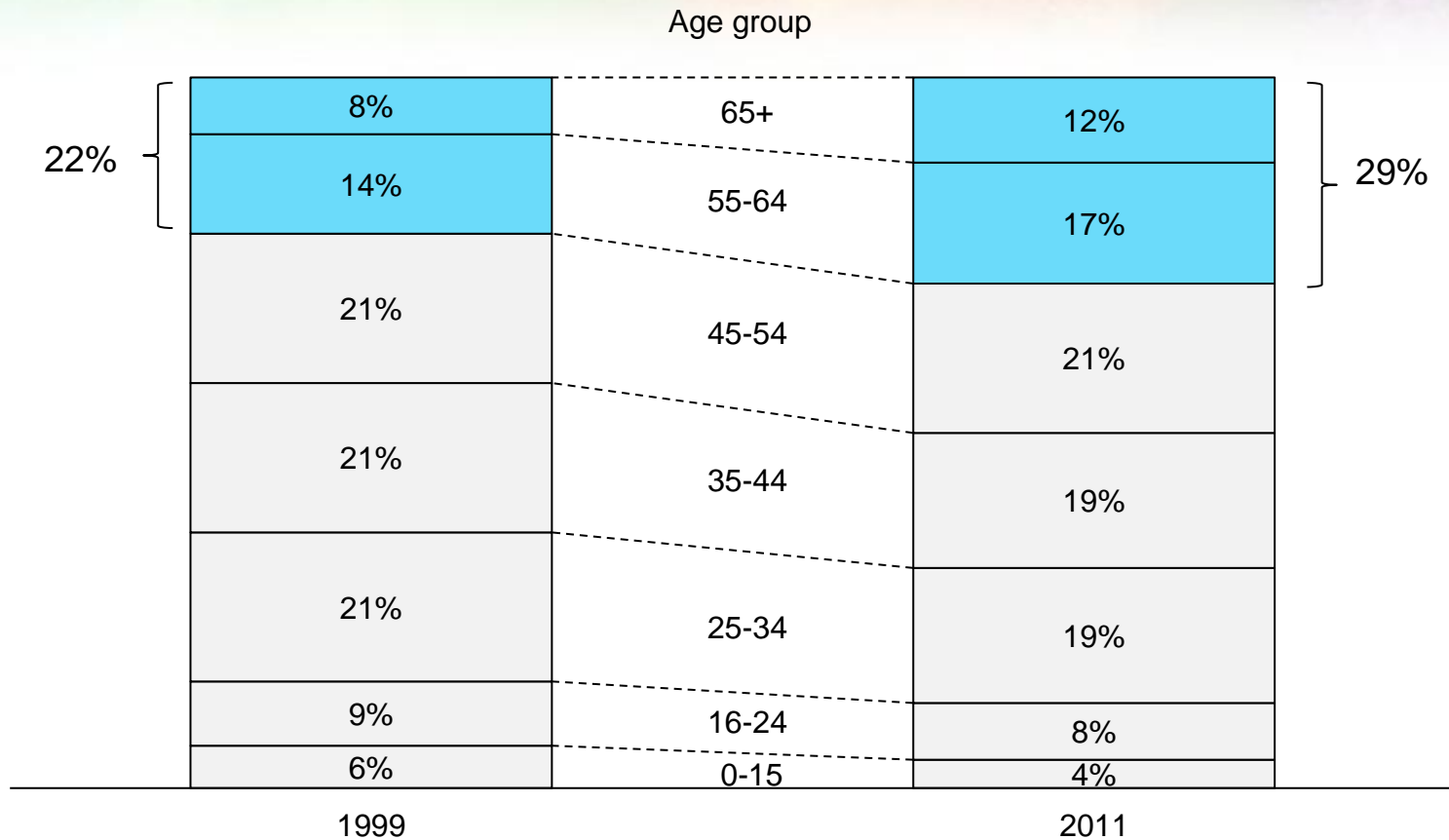
Discretionary spend (as a percentage of total spend) is highest among people aged 65-74 years because of higher home ownership and lower repayment of debt



TRAVEL SPENDING IS SHIFTING TOWARDS THE ELDERLY

Example: UK

UK travel expenditure by age group

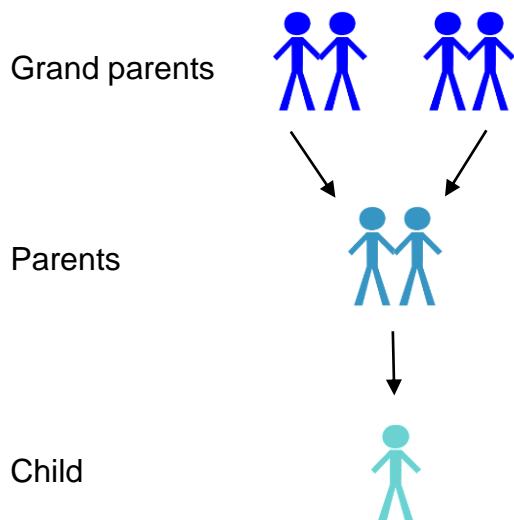


SENIOR CARE AND HOUSING IS ALREADY A LARGE MARKET

Example: China - 200 Mn Seniors, 50% Are Empty Nesters

The 4-2-1 phenomenon arising from the one-child policy

Chinese family structure



A need for care and housing

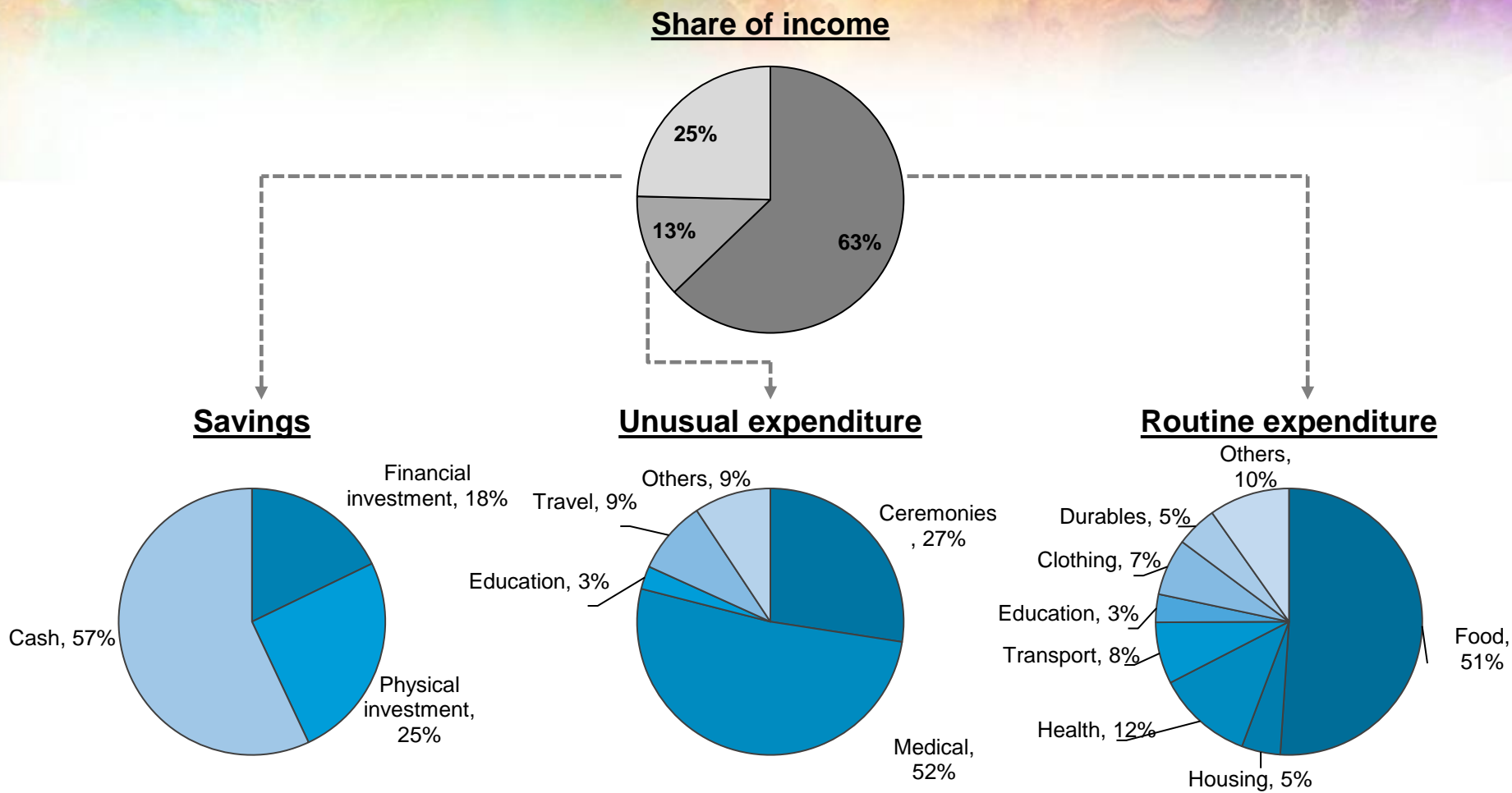
- Healthy life expectancy of 66 with overall life expectancy of 75
- 50% of the 80+ seniors require assistance in living
- However, the 4-2-1 phenomenon and changing family structures have resulted in several seniors living on their own
- For 86% of citizens, the ability to live independently in their old age is an important factor
- By 2020, there will be 22 Mn people who can afford high-end senior housing and care in China

Emerging business models

- **High end elderly homes:** Group living, basic medical care and services
- **Comprehensive senior communities:** Residential apartments with an inclusive community and comprehensive infrastructure
- **Affiliated senior apartments:** Elderly friends apartments that enable seniors to live closer to their children
- **Destination resort senior sanatoriums:** Destination living with limited medical care
- **High-end nursing homes:** Assisted living with internal hospitals

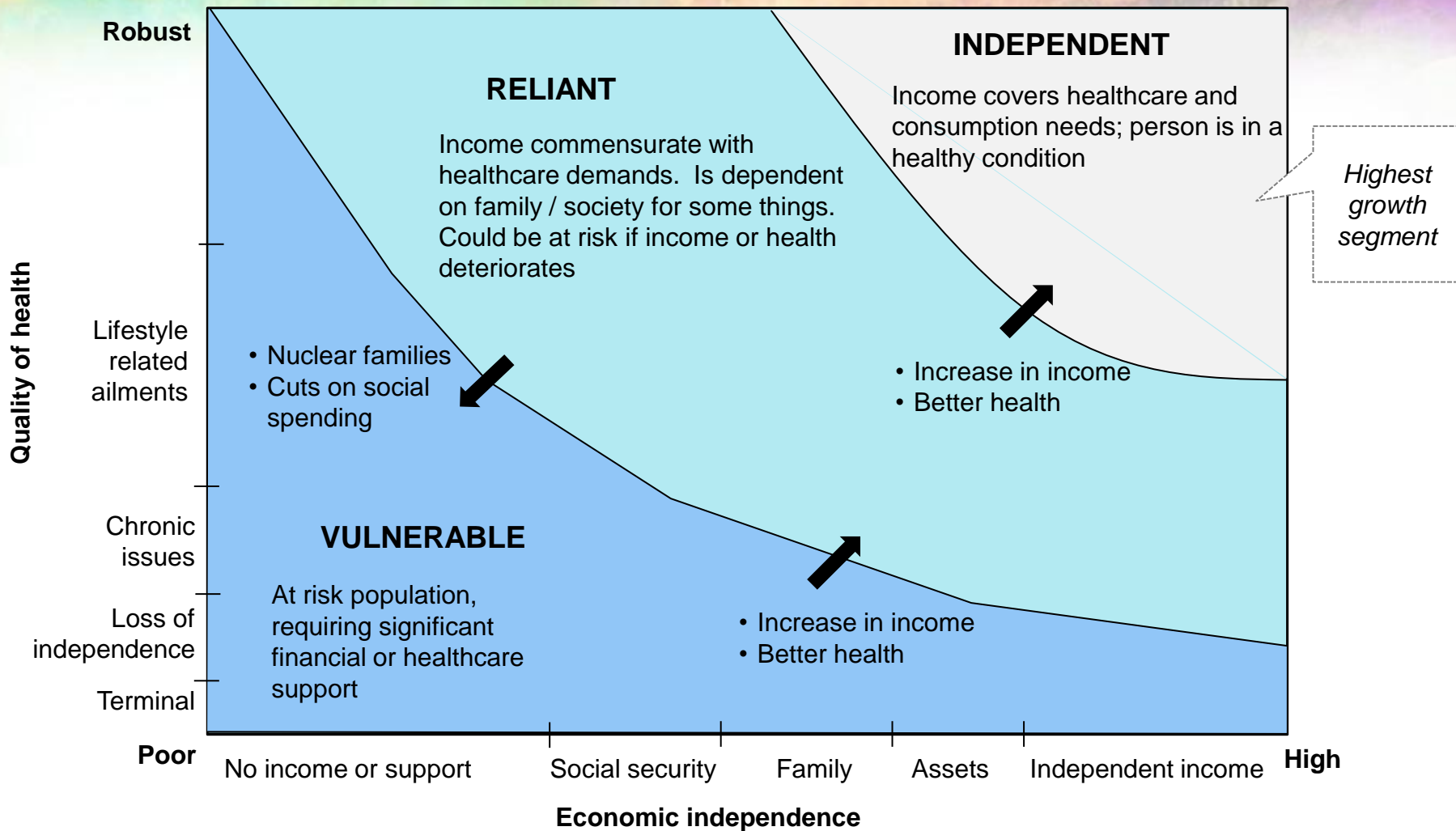
THE ELDERLY HAVE A MULTITUDE OF REQUIREMENTS

Example: India



THERE ARE THREE BROAD SEGMENTS

ILLUSTRATIVE



REQUIREMENTS VARY BY CATEGORY AND LIFE STAGE

ILLUSTRATIVE

Customer segment	Age Group		
	55 - 64	65-74	75+
Vulnerable	<ul style="list-style-type: none"> • Jobs/ employment • Healthcare • Shelter • Palliative care • Implants 		
Independent	<ul style="list-style-type: none"> • Pre-retirement financial planning • Deployment of savings upon retirement • Home and car purchases • Weddings of the children • Family ceremonies / gifting • Travel • Reskilling and training • Legal services 	<ul style="list-style-type: none"> • Travel • Relocation • Healthcare • Sports • Group activities • Technology training • Concierge services • Durables • Social networking • Gardening 	<ul style="list-style-type: none"> • Travel • Healthcare • Assisted living • Wearables • Foods • Community / group activities • Remote monitoring

A large population falls in this category; especially in developing nations

Given advances in healthcare and development, many countries now have a large population of seniors in this category – a strong consumer segment in their own right

DESPITE THE OPPORTUNITY, VERY FEW COMPANIES HAVE A FOCUS ON THIS SEGMENT

“I’m a customer, and have very specific needs”

- The requirements and the expectations of the users in this segment differ from the general consumer; few companies invest the effort into researching and developing a segment specific solution. Others fall in the trap of assuming that all solutions must be “care oriented”

“But how can one really make money from the segment”

- The customer and payer may be different
- The payer could be the customer, a family, an NGO or an institution

“Just because I am over 60, nobody wants to sell to me”

- The messaging is often patronising and built around stereotypes
- Marketing budgets are often rationed and more weighted towards the younger

“It’s a lot of work, really”

- Cost of serving this segment is perceived to be higher than usual, and requiring dedicated resources.

“Do I want to be perceived as a senior’s brand?”

- Most companies and brand managers have a natural inclination towards younger demographics
- A fear of being perceived as “uncool” as a brand

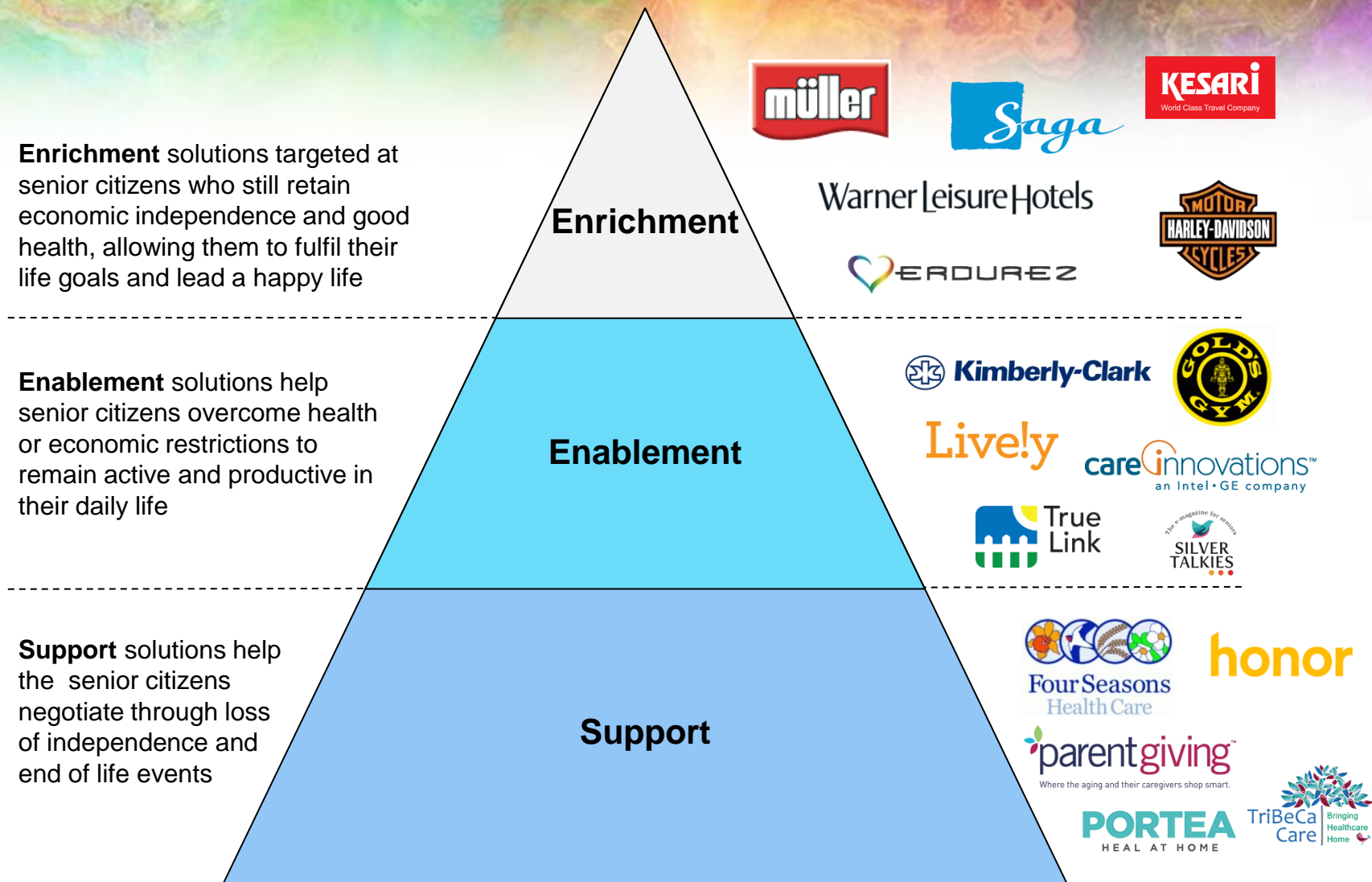
THE \$64,000 DOLLAR QUESTION FOR MARKETERS

Should one focus all one's energies in a bruising **FIGHT** for market share among the youth?

Or

Should one look to **CREATE** an uncontested market among the sexagenarians?

SUCCESSFUL COMPANIES BUILD AROUND ONE OF THREE POSITIONING PLATFORMS



Case Study

KIMBERLY-CLARK HAS REINVENTED ADULT DIAPERS TO DOMINATE THE SEGMENT



- The adult diaper market is large (\$ 1.5 Bn) and growing rapidly
- Kimberly-Clark's brand, Depend, had been present in the market for more than 30 years and needed revitalisation
- Market research revealed that many of the potential customers were not using any products
 - Users wanted the convenience of an underwear and the functionality of a diaper
 - There was some stigma attached with the product, and people were hesitant in purchasing it from the store



- Launched new product which looked and felt like real underwear. Gender-specific versions introduced ("Silhouette" for Women and "Real Fit" for Men)
- Packaging modified to look like that of cloth underwear
 - Referred to the product as underwear
 - Clear, see-through packaging aligned with typical underwear presentation, allowing consumers to see the product and realize how underwear-like it is
- Pack visuals featured people wearing tight dresses and jeans
- In stores, the packs were hung, not stacked like diapers
- TV ads featured younger looking, active models. Moved away from elderly actors golfing, gardening or fawning over grandchildren
 - Images of tight jeans and a red cocktail dress suggested that the user would have the confidence to wear anything.
- "Underwareness" campaign launched, featuring celebrities

Depend's market share increased by 9-10% and that of Kimberley Clark increased by 3-4% (some of the sales cannibalised other K-C products) to reach 57% of the overall adult incontinence category in the U.S.

Case Study

A TIGHT FOCUS ON THE 50+ SEGMENT HAS RESULTED IN 90% OCCUPANCY LEVELS FOR WARNER LEISURE



Company background and strategy

- A regional chain of hotels in the UK with thirteen properties and 2730 hotel rooms
- Started in 1932 with the objective of providing holidays by the sea
- In 1994, the company shifted its positioning to short term UK adult only breaks; focus on the over 50s
 - Baby boomers account for ~50% of household spending in the UK
- Ensures a value for money, all-inclusive experience
- Current revenues stand at \$200Mn growing at 5% p.a.
- Occupancy levels claimed at 87-93% with low volatility; investing in new hotels and refurbishing existing ones



Product

- Historical and heritage buildings; often a stately home on a large estate. Seaside locations are preferred
- For a new hotel, company looks for at least 20 acres of garden and a dining area for 500 people
- No children allowed at the hotels
- In-hotel entertainment and leisure activities are a core part of offering (often musicians are from the 70s)



Marketing

- Focus on TV advertising and driving customers to digital channels
- Media plan focuses on films and documentaries compared to entertainment and fewer channels
- Strong digital marketing and cross-sell capabilities
- High levels of loyalty with 65-75% repeat bookings. Offer a loyalty program 'The Concierge Club'

Case Study

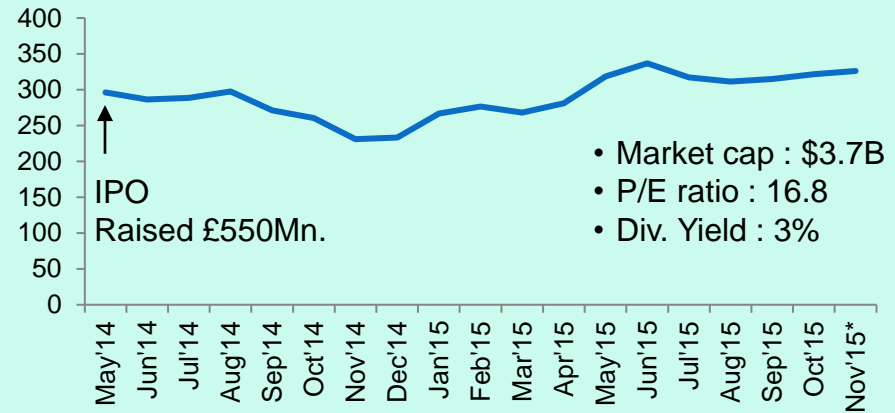
SAGA HAS BUILT A \$1.9 BN. TRAVEL AND FINANCIAL SERVICES BUSINESS AROUND 'SAGANAUTS'



Company background

- Founded in 1959; current revenues of \$ 1.9 Bn. and net income of \$170 Mn
- Provides travel and financial services with a focus on the 50+ age group
- Led to the creation of the term "Saganauts" – elderly middle class people with a predilection for educational travel
- Increasingly positioned as a financial services company
- 10.6Mn customer database with about 2.6Mn. active customers

Stock performance (USD)



Travel

- Started cruise lines in 1975
- Cruises are designed on themes like cookery demonstrations, horticulture etc.
- Only customers aged 50+ allowed on cruises (or their 40+ aged partners)
- Personalized service with a staff to guest ratio of 2:3
- High levels of digital engagement with customers
- Segment accounts for 42% of the revenues and 11% of operating profits

Financial and legal services

- Used the positioning in travel to build a financial services business
- Offers a comprehensive suite of insurance, money management and legal products for soon to retire and retired people
- Motor insurance accounts for half the company's operating profits
- Acquired motorcycle insurance company Bennetts in 2015 (43% of customer base aged 50+)

Case Study

IoT ADVANCEMENTS ARE ENABLING SEVERAL APPLICATIONS FOR SENIORS

- Among older adults in the US, fall related injuries are among the most expensive medical conditions
- 30% of adults over 65 fall every year
- 2.5 lakh patients (above 65) are hospitalized every year with a hip fracture
- Total cost of fall related injuries estimated at \$30Bn. p.a.
- Falls are the leading cause of unintentional injury deaths and non-fatal injuries in the 65+ age group in the US
- Targeted intervention can reduce the incidence of falls by 30-40%

- Care Innovations is the result of a JV between GE and Intel to focus on tele-health and independent living through their product QTUG (Quantitative Timed Up and Go)
- QTUG is a mobile medical device that manages the risk of falling by analyzing the walk patterns and benchmarking it from a reference population



BUILDING AN ELDER-FOCUSSED ENTERPRISE REQUIRES WORK ON NINE INTER-LINKED ASPECTS

Invent, rather than extend <i>A 60 year old in a gym has different fitness goals than a 30 year old</i>	Challenge the stereotypes <i>Not every senior is in need of “care”; they are among the largest biking segment in the UK</i>	Build the right experience <i>Products should enrich and enhance, but should not patronize or lead to stigmas</i>
Understand who the payer is <i>The buyer of the offering may often be different from the user</i>	Have an unashamed, clear positioning <i>A brand for seniors is as distinct as a brand for kids. It does not have to appeal to all people</i>	Group-ism and exclusion are good <i>Build a community and leverage group behaviour – but don’t allow everyone into the club</i>
Be genuine, don’t be seen as a cheat <i>Honesty about prices, face to face contact and rapid troubleshooting</i>	Have a strong loyalty programme <i>Repeat usage percentages are among the highest across consumer segments</i>	Identify and build adjacencies <i>There are several unfilled needs, just waiting to be addressed</i>


FOUR QUESTIONS TO ASK ONESELF

1. Does your organisation have a point of view on the size and importance of the 55+ age demographic, as a stakeholder or consumer of your services?
2. Can one articulate what the company's positioning platform is, with regards to this continuously increasing demographic? Is your firm obsessive about making the brand younger, while assuming that "the old want to be perceived as young"
3. When is the last time there was a serious initiative to conduct micro-segmentation among the elderly? Did we research the segment or go by intuition?
4. Have we been able to drive cult like behaviour, or build a supremely powerful offering – enabling sexagenarians to directly identify and align with the brand?

The need and opportunity are large – are you doing something about it?

ABOUT MXV CONSULTING

- Founded in 2007, MXV Consulting (www.mxv.in) is a strategy and management consulting firm based out of Bangalore in India. Our focus is on building sustainable competitive advantage for our clients and helping them become industry leaders
- We have the experience of working across multiple industries and functional areas - enabling us to bring in fresh ideas and a strategic perspective to every engagement. Our insights are backed up by a rigorous process of analysis and solution development. This ensures that our recommendations are well researched, practical and tailored to an organisation's requirements. In many instances, we also take on the role of implementation managers
- Our clientele includes leaders across various industries. We believe in long term relationships with our clients, and have worked on multiple engagements with most of them
- MXV has worked on more than a 150 assignments till date. Our clients are global in nature – including India, the US, Middle East, Europe and Asia Pacific
- In 2014, MXV Consulting was listed among the most promising business consultants in India



Authors of this report

Amit Garg
Dhritiman Borkakoti
Sanchit Garg
Karthik Swaminathan
Kim Bingham

For a further discussion, please contact

Amit Garg
Bangalore
amit_garg@mxv.in

Kim Bingham
New York
kim_bingham@mxv.in

Shalabh Agrawal
New Delhi
shalabh_agrawal@mxv.in