

A man and a woman are shopping in a clothing store. The man, with grey hair, is smiling and looking at the camera. The woman, with short brown hair, is pointing her finger and looking towards the camera. They are both holding shopping bags. The background is filled with blue clothing items hanging on racks.

Deloitte.

Wealth with Wisdom:

Serving the Needs of Aging Consumers

A Deloitte Research Study

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Executive Summary

Due to dramatic demographic changes around the globe and the aging of the baby boomer market, by 2008, companies in a range of sectors – including the consumer packaged goods, retail, financial service, healthcare, automotive, real estate and hotel and lodging businesses — will have to focus with ever greater savvy on serving the needs of a very different type of consumer: one that is age 50+ or older with shifting biological, psychological, social, and economic characteristics, needs, and expectations.

Global consumer product and service companies that start now to assess, adjust, and update their product offerings to best serve this evolving and increasingly influential age 50+ market will be far more likely to grow their consumer base and to reap great rewards. Those that ignore this massive demographic shift and its global impact are likely to miss a significant opportunity.



It's 2008: Are You Ready to Serve Age 50+ Consumers?

When 80-year-old Martha Smith wants to boil a cup of water in her microwave, she turns the dial to the popcorn setting and hits start. Unable to easily adjust the digital timer on the device, she repeats this three times before it is warm enough for a cup of tea. In a similar fashion, Martha has become a master of various microwave recipes all measured in terms of how many “popcorns” it takes to cook the food.¹ At 80 years of age, Martha is part of the fastest growing sub-segment of the age 50+ population and illustrative of how some aging consumers adapt to new products that have not been designed with their needs or preferences in mind. This report provides a framework to better understand emerging age 50+ consumer markets. It identifies new principles to better serve Martha, her peers and the various, age 50+, 60+, 70+ and 80+ consumers.

Today the global population is aging and living longer due to improvements in health care and nutrition. Age 50+ consumers are a growing economic force that will transform multiple industries unlike any prior demographic shift in recent history. From healthcare to retail, from travel to financial services, and from entertainment to electronics, aging consumers are beginning to demand products and services tailored to their specific needs. Yet most companies continue to design for and advertise to the young. To capture value from the age 50+ market, managers will have to master new skills and lead the transformation of products and strategy to adapt to a changing marketplace.

With increasing longevity there are already over half a billion age 50+ people in the world. The age 80+ subset of this population is the most rapidly growing segment. Already the United States has more than 9.2 million age 80+ citizens. More than half of the world's oldest elderly (80+ years) live in six countries: China, United States, India, Japan, Germany, and Russia. As Figure 1 illustrates, there is a dramatic global demographic shift underway. Indeed, increased longevity will also see significant growth in centenarians. In Japan and Sweden, the odds for women to live one hundred years were 1 in 50 at the end of the 20th century compared with 1 in 20 million at the end of the 19th.^{2, 3}

Longevity creates socioeconomic challenges and opportunities. The Centre for Aging in London estimates that by 2020, there will be nearly 700 million elderly (age 65+) individuals in the world. Seventy percent of this population will be in developing countries in Africa, Asia, Latin America, the Caribbean, and Oceania. Challenges in delivering health care, drugs, transportation, food, and other supplies to aging populations are expected to severely stress the political economies of many developing countries. Developed regions also face challenges. Pension and health care programs in many countries are already stressed. In the U.S., increasing longevity is making the Social Security and Medicare programs more expensive to fund, and many are concerned about whether these programs will remain solvent when they retire. Retiring baby boomers (those born between 1946 and 1964), and a sustained period of low birth rates below the replacement rate in many developed economies are also beginning to create labor shortages⁴. The impacts of these challenges on the rate of innovation, technological advances, capital arrangements, and the rate of economic growth remain uncertain.⁵

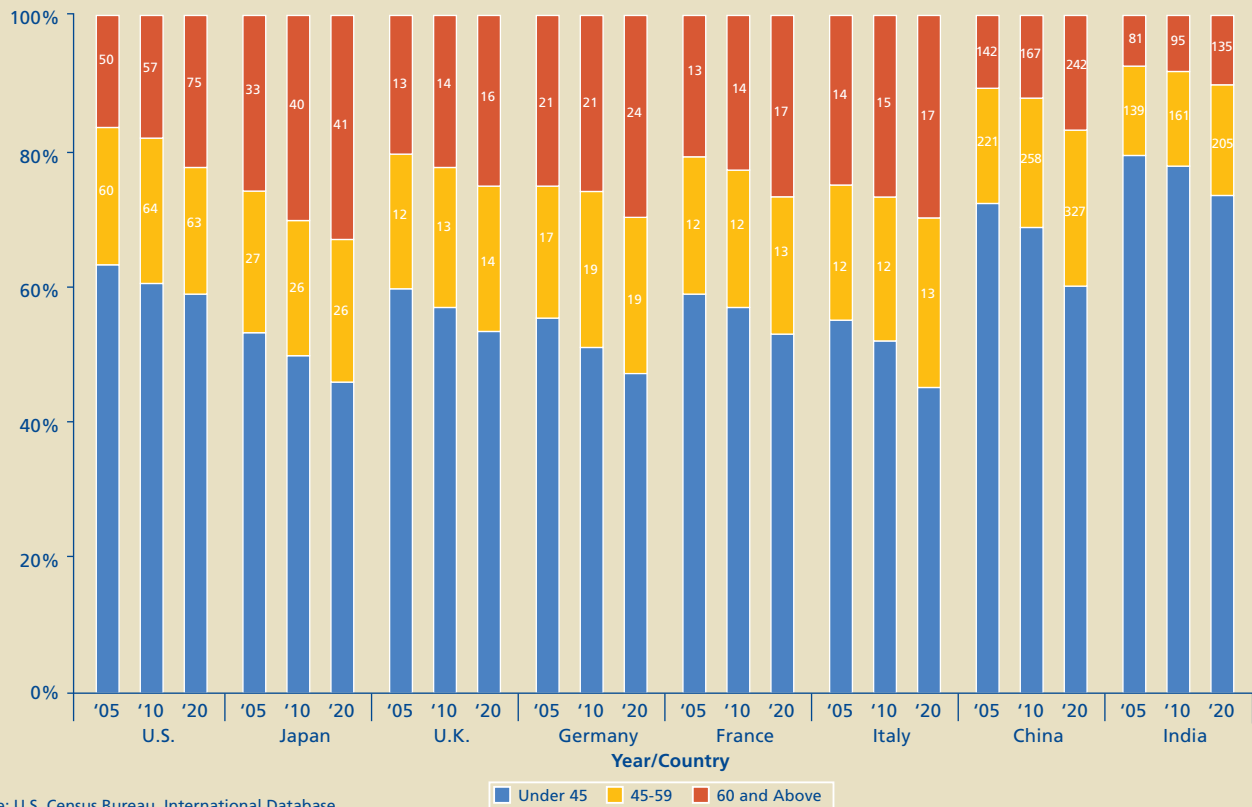
Figure 1. Global Population Trends by Age Groups and by Sex
(Populations in 100 millions)



Despite long term macroeconomic and social challenges, in the near term increasing longevity creates new economic opportunities. In the U.S., age 65+ consumers are the most affluent of any age segment with many having multiple income sources⁶. Furthermore, many have accumulated assets such as homes during their lifetimes⁷. In addition, the economic power of the age 50+ population is already driving major shifts in product and services consumption across industries: Consumers over 50 account for almost half the total consumer spending in the United States.⁸ Americans aged 50+ also account for nearly half of the market share in (a) personal insurance and pensions; (b) transportation; (c) health; (d) housing; and (e) food. With 80 million baby boomers and 75 million so-called “traditionalist” consumers (those born between 1900-1945) in America, the changing needs and priorities for these aging consumers are already driving major shifts in product and service consumption across industries.

While the numbers are impressive, tapping effectively into the opportunities of emerging, age 50+ markets will not be easy. Like many other markets, senior markets can vary by country or region, age, income, and lifestyle. Additionally, age 50+ consumers can be more complex in their preferences than their younger counterparts. Furthermore, the past is not always a prelude to the future, for the behavior of future seniors can depart dramatically from those of today. For example, the widespread use of technology by retiring baby boomers makes it likely that they will exhibit dramatically different technology use and consumption patterns when they turn 80 than do Martha and her current peers. Clearly, aging boomers represent a significant market growth opportunity for today's age-savvy, technology providers. Similarly, Generation X (consumers born 1965-1980) differ from boomers and Generation Y (consumers born 1981-2000), making it difficult to predict the consumption preferences of future age 50+ individuals. Navigating these subtle differences to tap into the potential of emerging senior markets requires a deeper understanding of aging and its impacts on consumers.

Figure 2. Aging Population Trends by Age Groups for Selected Countries
(Populations in millions)



Source: U.S. Census Bureau, International Database

The Changing Demographics of Aging

Today there are more than half a billion people in the world who are 60+ years old, reflecting a tripling in numbers since 1950.⁹ As life expectancies rise with the increasing quality of health care and disease prevention, human beings will continue to enjoy longer and more productive lives. In the next 45 years this will grow to about 2 billion people at or over the age of 60 years. Currently one in ten people are age 60+ years, and by 2050 one in five will be over the age of 60. The number of centenarians (age 100+ years), are also growing, especially in countries like Japan and Sweden.¹⁰

The balance between young and old people is also shifting. The proportion of younger persons is shrinking bringing to focus some serious issues around labor, caregiving, family,

Table 1. Increasing numbers of people age 60+ years

	1950	2000	2050
# of persons worldwide 60+ years	205M	606M	2B
# countries with > 10 million people 60+ years	3	12	33
# countries with > 20 million people 60+ years	1	5	n/a
# countries with > 50 million people 60+ years	0	2	5

Source: Taken from Population Division, DESA, United Nations (2002)

Table 2. Percentage of population that are age 60+ years

	1950	2000	2050
World	8.3%	10%	20%
Europe	n/a	20%	37%
Africa	n/a	5%	10%

Source: Taken from Population Division, DESA, United Nations (2002)

and culture. For the first time in history the share of persons aged 60+ is likely to match that of persons younger than 15, while the proportion of persons between 15-59 years is likely to decrease only slightly.¹¹ The current consumer market has seen a wave of campaigns focused on youth, with little attention paid to the aging buyer. Older adults throughout the world have bemoaned the negative imagery associated with aging in the media and government. But as age 50+ numbers continue to grow, their influence in shaping markets will grow and transform media, manufacturing and retail alike.

Table 3. Young-old balance worldwide

	1950	2000	2050
Proportion of children (0-14yrs)	34%	30%	21%
Proportion of persons age 60+	8.3%	10%	20%
Proportion of persons 15-59	n/a	60%	58%

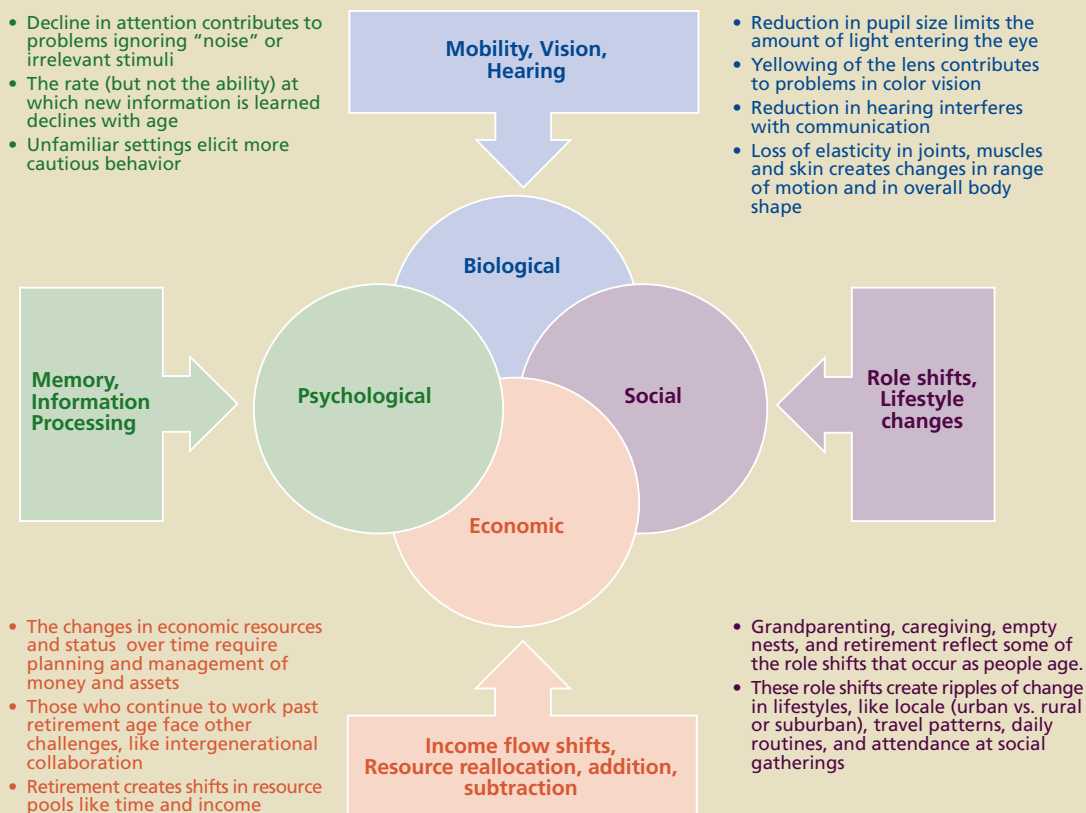
Source: Taken from Population Division, DESA, United Nations (2002)

Understanding Emerging Age 50+ Markets: A Framework for Analysis

While the consumption preferences of age 50+ markets are difficult to characterize, aging consumers face specific patterns of change along several dimensions. This Deloitte Research report presents a framework for thinking about the changes confronting senior consumers. The general framework builds on the biological, psychological, economic and social changes confronting age 50+ consumers.

Understanding changes along these dimensions can help to inform product and service design and delivery decisions. The framework and analysis is illustrated in Figure 3 and described below. While the level of change can vary for 50+, 60+, 70+ and 80+ consumers, the framework can be used to create scenarios and focus responses to changes in age 50+ consumers.

Figure 3. Aging Processes Can Transform Consumers



Source: Deloitte Research

Changing Biology

Age 50+ consumers confront numerous biological changes as they age. These changes in mobility, flexibility, elasticity, strength, vision and hearing can have a major impact on how seniors interact with businesses and their products and services.

For example, with aging the strength and elasticity of the spine, joints and muscles deteriorate. This narrows the range of motion and overall mobility of senior consumers. Changes in strength and mobility can have a major impact on consumers inside and outside the home. Walking, reaching, and gripping are a few of the tasks in daily life that often challenge the older segments in the age 50+ population of consumers.

Vision and hearing are also inevitably affected over time. For example normal aging can lead to less light entering the eye, delays in adapting to the dark, and problems with color vision or “floaters” in the visual field. Common aging diseases of the eye and ear (e.g., glaucoma, macular degeneration, ear infection, or nerve damage) can further diminish these senses.

For businesses, these changes can undermine traditional approaches to promotion and the process of informing customers about product and service offers, and it can even affect how consumers interact safely with products or services. Certain vision and hearing challenges can often be remedied with better and more strategically placed lighting and larger signage or with relatively common technologies such as speaking kiosks, white noise dampeners, or multimedia advertising. However, more complex biological changes associated with aging will require more complex adaptations of communications to customers.

Finally, the elasticity and external appearance of the skin of age 50+ individuals can change with time, resulting in the appearance of lines, wrinkles and spots that connote age and a less than youthful appearance. While hundreds if not thousands of products already exist to address this consumer concern, the market for such products and related services is expected to continue to grow in the years ahead. The techniques and strategies used to market these products will need to be cognizant of the preferences and tendencies of the emerging age 50+ consumers, which may vary from those we see today.

Products to Help Your Grip, Grasp and Reach

Don't quite have the strength or agility to easily grip open that food container, grasp those gardening shears or load and empty that hard-to-reach, washer/dryer? Some savvy makers of household appliances and tools are carefully adjusting the design of their products to better suit aging consumers. In some instances, they are finding that redesigned products for this demographic can actually attract a transgenerational following that greatly appreciates the more thoughtful design.

Among the early participants in this trend was Oxo International, a division of Helen of Troy Ltd., and maker of the Good Grips line of kitchen tools. The firm's original collection of easy-to-grip gadgets was initiated by Sam Farber, a retired CEO whose wife Betsey suffered from arthritis in her hands.

Farber's goal back in 1990 when Oxo was first launched was to develop a line of kitchen gadgets in collaboration with Smart Design, a New York-based industrial design firm, that would be easier to grip, twist, push and squeeze and yet stylish and visually appealing. Original designs were based on discussions with aging consumers, chefs and arthritis-sufferers. Currently, Oxo produces over 350 products that utilize rubber grips to prevent slippage and elliptically shaped handles – akin to those found in the design of hammers and axes – to ensure a more secure grasp.

Today, Good Grips tools boast a wide and diversified base of customers, many design awards and can be found in the Design Collection of the Museum of Modern Art in New York.

Other household products have been redesigned to better serve an aging or agility challenged demographic while

attracting a broader base of customers. These include products from Snapware Corp., Fiskars Corp. and Whirlpool Corp.

Snapware, makers of airtight, clear and shatterproof canisters and containers to keep food fresh, designs jars and containers with built-in grips and patented lid designs that a finger can open and close with a snap. The company's Snap 'N Save line of storage products can endure freezer and microwave temperatures and appeal in particular to people who have difficulty opening various types of containers.

Fiskars is a manufacturer of a variety of cutting tools for offices, schools and home gardening and hobby use. It has developed a gear system for its gardening pruners and other products to amplify the power available for cutting. This technology is useful not only for older customers whose strength may be reduced, but also for all customers who appreciate the greater ease-of-use afforded by enhanced design.

Similarly, Whirlpool, a leading home appliance maker, specifically designed its Duet front-loading washer and dryer on a raised pedestal to reduce back strain and fatigue from unnecessary bending, stretching and reaching when loading or removing clothing from this home appliance.

All these firms appear to be proponents of what is known as “universal design” or the practice of designing products that convey a modern and stylish appearance and attract a broad range of customers even though they specifically address some issues related to the physical limitations of the aging consumer.

Out Damn Spot, Wrinkle and Flab!

Older consumers' growing enthusiasm for products that can help to reduce the signs of age has been a boon to innovative cosmetic companies such as Avon. Over the last few years, the global cosmetics firm has introduced several skin care products to address aging concerns including Anew Line and Wrinkle Corrector, a cream that an Avon brand manager has described as a product that "lifts, firms, plumps and de-ages skin with near surgical precision." Users are told that after a week's use of Anew, they can expect to have far more elastic skin. Similarly, Avon has also introduced Cellu-Sculpt Body Treatment, a skin care product designed to help maintain slimmer, smoother and firmer body skin and prevent further buildup of cellulite. It is important to note that both Anew and the Cellu-Sculpt Body Treatment are not categorized as cosmetics per se but as cosmeceuticals – topical skincare and body enhancement products far stronger than cosmetics with functional ingredients that affect the biological functioning of the skin. As the percentage of aging consumers continues to grow on a global basis, the market for cosmeceuticals is also expected to see healthy growth. The anti-aging product market shot up 13% in 2003, more than double the previous two years' 4% to 5% growth, according to retail research firm NPD Group, and trade publication Chain Store Review estimates that the U.S. market value of cosmeceutical products will approach no less than \$5 billion in the next three years.

Psychological Changes

Aging can trigger psychological changes in several areas, including cognitive capability or function, attitude formation and change, and even mood and emotion. Two salient aspects of cognitive capability that can change are memory and information processing capabilities. These changes can affect the customer's cognitive processes underlying brand awareness, attitude formation, information searches, comparison of alternatives, point of purchase behavior, and post-purchase satisfaction.

For example, an information processing challenge faced by age 50+ consumers is a noticeable decline in one's ability to ignore "noise," or irrelevant stimuli, whether it is visual, aural, tactile, or language-related. Thus noisy advertising that may be effective at gaining the attention of younger customers may be increasingly ineffective with age 50+ customers. The rate at which new information is learned also declines with age, although the older consumers still have the *ability* to learn new information. Spotts and Schewe (1989) found that learning deficiency attributed to aging did not occur when the individual was allowed to self-pace the information.¹² To adapt to these changes, managers need to critically assess how they inform customers through advertising and promotions, as well as how they design products and services that adjust to different styles and slower rates of consumer learning.

Economic Changes

As individuals and families age, they are also likely to change their patterns of saving, consumption, and investment. As the economics Nobel Laureate Franco Modigliani proposed in his life cycle hypothesis of consumption: People save in early years to have stable consumption opportunities in later life. Although the empirical evidence for this is mixed, especially in the United States, individuals naturally tend to earn less and spend more from their savings as they grow older. The accumulated wealth of age 50+ consumers in the United States provides them with more spending power than any other age group.

The Surging Power of the Age 50+ Consumer

According to a U.S. Consumer Expenditure Survey, consumers age 50+ have accumulated more wealth and have more spending power than any other age group in history.

In addition, they spend more than \$1.7 trillion on goods and services each year; control 50% of all discretionary income; are responsible for 75% of all prescription and drug spending; own 65% of the net worth of all U.S. households; and are responsible for 60% of all health care spending.

Other analysts say that the numbers for this particular consumer category will only grow exponentially in the years ahead.

Source: "No Age Limit: Advertisers craft pitches to appeal to over-50 boomers," The Dallas Morning News, Oct. 31, 2004.

Hey Big Spender, Age 55+!

According to the U.S. Bureau of Labor Statistics, in 2002, consumers between the ages of 55 and 64 spent more per capita on women's apparel than any other age group, or an average of \$788 annually. They were followed by individuals between the ages of 45 to 54, who spent \$732 annually, on average.

The Bureau also notes that consumer spending at these levels translates into increases of 34 and 25 percent respectively over the average of \$587 expended on women's apparel in 2002.

Source: "Taking Stock of Baby Boomers," *Women's Wear Daily*, Nov. 3, 2004.

Older Americans control more than half of the consumer economy, but individually they face a variety of obstacles as shoppers or personal financial managers. In a 2004 study the American Association of Retired Persons (AARP) noted:

- 1) Age 45+ consumers often lack knowledge of basic financial and investment terms
- 2) Only 52 percent of respondents reported knowing that diversification of investments reduces risk
- 3) Individuals age 65+ are less likely to have checked their credit card reports than all adults
- 4) Older persons cite experience, family and friends as key information sources for financial information and money management

Other findings from the AARP study note that 30 percent of baby boomers cite "lack of time" as a shortcoming to their financial management capabilities; 11 percent report a lack of information; and 10 percent cite confusion about advice they had received. In addition, approximately 4.4 million households age 50+ try to manage their money without a checking account; many older consumers keep an ongoing balance on their credit cards; and the level of debt and number of bankruptcies among older households rose sharply between 1991 and 2001.¹³

Despite the economic power of the aging consumer, studies show that many are not effective at managing their wealth. This has motivated the AARP to work with the financial services industry to improve services to the elderly. These include increasing financial literacy, improving the provision of customer information, increasing consumer choices, and financial service options, and providing higher-quality advice to older consumers. Changes in economic and work conditions can also trigger migration and other changes that shift the location of homes and transform the professional and social networks of senior consumers.

Trekking with the Age 50+ Set

In a recent New York Times article, one age 74+ traveler admitted that her experiences over the past several years have entailed climbing the 19,300 foot Uhuru Peak on Mount Kilimanjaro and pitching a tent in a sandstorm in the Gobi Desert. She has also traveled to Mongolia, Madagascar and Peru in recent years and is planning trips to the Andes and Ethiopia.

Apparently, this age 74+ adventure enthusiast is not alone. Travel industry experts note that a growing number of older travelers are seeking out more active and adventurous travel and that unlike previous generations of the elderly, tend to be more fitness oriented, active oriented and far more receptive to adventure travel.

At least that's the finding of some of the new travel firms that now specialize in serving the age 55+ market. Among the service providers targeting this group are: Elder Treks which offers trips to over 90 countries; 50plus Expeditions which offers Arctic adventure cruises to bike trips through Venezuela and Overseas Adventure Travel, which touts its "Ultimate Africa Tour," featuring numerous game drives and boat trips.

Source: "For Some, Adventuring Never Gets Old," *The New York Times*, Feb. 27, 2005.

Changing Social and Kinship Roles

As individuals mature, their social, professional, and kinship roles and networks change.

These changes can have profound impacts on the purchase of homes, vacations, gifts, dining, entertainment, retirement, long-term health care, and other purchases. As consumers are not islands of preferences, it is important to understand how they are mutually connected and influence the purchases of others.

Consider a family of four living in the Northeast United States: a husband, wife, and two children in college. These family members have certain consumption priorities, both individually and as a group, which will naturally change over time, as the children mature or move to other places. When the layer of connections is extended to include a few relatives, some near, and some far away: grandparents, aunts, uncles, nieces, nephews, and cousins the consumption preferences can change as individuals and as a group. The aging of group members and the extended social network can change the consumption of the original family. For example, as grandparents age and choose to live in warmer climates, key seasonal family events such as a Christmas holiday family dinner may change venue from a location in the Northeast to a location that is warmer in winter and more accommodating to aging members of the family.

Personal Relevance

While there are many product and advertising attributes that influence consumer behavior, personal relevance is one attribute that has not been given enough attention regarding the aging consumer. Personal relevance of an issue helps determine the route to persuasion that an individual is likely to follow.¹⁴ Consumer research has also shown that personal relevance moderates the effect of consumers' emotional reactions on behavioral intention.¹⁵ All individuals will experience certain shifts in their biology, cognition, social and economic roles as they age. However, not all people will experience or respond to these changes in the same way. Differences in culture, socioeconomic status, religion, and even geography can have profound influences on when and how people recognize age-related needs and seek information, products, or services that will meet those needs. Companies must keep these differences in mind as they develop their products and services, even more so when designing packaging and advertising. Influencing these consumers with the right message depends on "speaking their language" –to communicate in a personally relevant way.

Baby boomers in the United States have long battled advertising and cultural stereotypes of aging that depict older Americans as frail, burdensome or disagreeable. U.S. baby boomers are said to be focused on products, services, and information that speak to their search for healthy lifestyles, diet, exercise, comfort and image. We have seen peaks in sales on bottled water, non-fat foods, diet books, non-stick frying pans, spa services, and cosmetics in recent years. Anti-aging is the mantra of many older Americans and serves as a personally relevant handle in packaging and advertising for these consumers. One approach to responding to this group is to reconnect them to their experiences as young people – from music to shared events that shaped their generation.

In Japan, many working women leave their jobs to give care to their elderly parents-in-law. According to a 2001 survey, care-giving women often refrained from using welfare or other private sector services out of a sense of decency or because their husbands didn't agree with the idea of using outside help.¹⁶ Family honor is highly relevant to the personal choices these women make regarding the care of their elderly parents-in-law.

By understanding and applying the issue of personal relevance to contexts and cultures, businesses can improve their understanding of age 50+ customers and significantly influence the purchase behavior of aging consumers, and quite often their families and friends.

Similarly, the extended network can influence the consumption of products and services targeted to another generation. For example the purchase of gifts by grandparents for grandchildren can drive demand for certain toys, clothing and other products. Alternatively, the purchase of goods or the consumption advice offered by adult children to their aging parents can impact consumption behaviors in a variety of industries ranging from travel and leisure, to health care, education, work benefits programs, life insurance, financial services, and real estate.

Like familial networks, other social and professional networks also influence consumptions. As people age, their networks become increasingly complex and overlap as individuals take on multiple roles. These changes in social and professional roles and networks either alone or together, yield complex and interrelated needs and consumption behaviors in age 50+ markets. Thus consumption is not always a simple individual action but can become a collective action of the consumer, their families or of other network participants.

These changes make for a complex age 50+ marketplace. While some of the above changes can be modeled, for other changes, there is much we do not know. For example, can personal relevance contribute considerably to how, what and where consumers buy? Personal relevance refers to how much a specific issue concerns the customer (see sidebar). It can be influenced by the customer's relationships, prior beliefs and a variety of other factors.

Aligning Offerings to Aging Consumer Markets

Despite the challenges of modeling complex dimensions of customer intent and behaviors, a number of companies are already beginning to align their products and offerings to changing characteristics of the age 50+ markets. Consider the examples below:

When Ford Motor Company discovered driver fatality rates were higher for drivers past the age of 50, it decided to research and develop ways to increase occupant safety for these drivers, including crash avoidance, crashworthiness, and post-crash assistance.¹⁷ However, there was a challenge: How could engineers and designers become aware of and experience the physical limitations that accompany old age? To address this challenge, Ford engineers created the Third Age Suit which looks like a cross between a beekeeper's protective gear and an astronaut suit. Wearing the suit enables engineers to simulate mobility, strength, and some of the vision limitations of someone nearly 30 years older. The suit adds bulk and restricts movement in key areas of the body such as the knees, elbows, stomach, and back. Gloves that lessen the sense of touch and goggles that simulate cataracts also reduce capabilities. Developed in 1994, the Third Age Suit has been used in the design of many Ford vehicles, allowing Ford designers to introduce enhanced design for aging consumers, including ease of entry and exit from vehicles.

The suit continues to be used in the ergonomics training of program teams at Ford, and it is now making its way to other firms trying to simulate and design products and services for the senior market. For example, architects from Capita Symonds are using the suit to help them redesign the Derby City General Hospital in the UK.¹⁸

Boston-based, Fidelity Investments is one of the world's largest mutual fund and investment companies. A key way in which the company interacts with its customers is through its website. To improve the interaction, Fidelity Investments' usability lab has been researching how older users navigate its websites. Both through unobtrusive observation and through a series of "talk-through" sessions, Fidelity has uncovered invaluable insights into the click patterns, mouse-overs, information processing, and task achievement of aging consumers online.¹⁹ Some of the lessons learned about aging consumers include the following:

Older participants tend to read most of the text on a page; tend to be more cautious in everything they do on the web, including clicking on links. They prefer larger text; are more likely to click objects that look "clickable" including bullets and headings, and they have difficulty clicking small text links. Numerous experiential differences contribute to older users' overall level of confidence and anxiety in using the web and they often do not understand the terms that younger users consider common knowledge. These insights are being incorporated into an improved website design to facilitate easier navigation and task accomplishment by aging users.

The Home Depot, the home improvement retail chain with upwards of 1,880 stores in the North America is one company that has taken careful note of the changing preferences of aging baby boomers. The firm has observed that many boomers are extremely pressed for time and at this stage of life, are willing to pay someone else to do home improvement work for them. Similarly, affluent age 65+ consumers as a demographic group tend to spend a fair amount on their homes and are willing to outsource home improvement work to others as well. As a result, the company that for years heartily endorsed the "do-it-yourself" approach to sprucing up the home has now diversified to embrace the "do-it-for-you" service mode as well.

In line with this strategy, The Home Depot has opened in-store service desks that offer installation home improvement services in more than 20-25 different product areas including roofing, boilers and other heating devices, air conditioning, decking, heating and air-conditioning services, fencing and garage doors, windows, siding, floor covering, and kitchens. Consumers can order the services through the store directly or through a free phone number.

Acquisitions are allowing the company to quickly gain in-house expertise. These acquisitions include that of RMA, an installer of replacement windows and external wall coverings, and IPUSA, a national roofing installation group.

Real Estate for the Age 55+ Market

Real estate developers who track population trends say they are getting ready for a boom in demand for retirement homes or what some real estate developers now call "active adult" communities.

These are often age-restricted developments for the age 55+ set that offer easier-to-maintain homes with less square footage than family-sized residences and that are more suitable for one or two aging individuals.

Such properties are often located very close to neighborhood shopping and offer easy access to a senior center, dining and shopping opportunities, community centers, swimming pools and other recreation facilities.

Some of the "active adult" communities also feature their own clubhouse with fitness centers, activity offices, meeting rooms and library facilities.

These age 55+ communities are also touting a maintenance-free lifestyle, with lawn mowing, landscaping, snow removal and gutter cleaning all provided by the community.

Source: "Denver-Area Builders Predict Increase in Age-Restricted Developments," Knight Ridder Tribune Business News, Jan. 26, 2003; "Convenience, fitness boom to boomers," The Washington Times, Nov. 5, 2004.

Expect to see many other firms improve their offerings to baby boomers and age 50+ consumers in a similar, acquisition-mode manner. For now, Home Depot's new strategy appears to be working as the company reports that it does approximately 11,000 installation projects per day and reported revenues from installation services of \$2.8 billion in 2003, growing at a rate of 25% year-on-year.

In 2003, The Walt Disney Company rolled out "Magical Gatherings," an offering largely aimed at people over the age of 50 who are organizing outings with friends, grandchildren and former schoolmates. Among other things, the company allows customers to use a website to plan the trip and simplified the creation of a common itinerary. "Magical Gatherings" are highly appealing to grandparents wanting to travel with their grandchildren, and The Walt Disney Company's theme parks continue to be a popular venue for multigenerational family visits.²⁰ The magic of this offering is that it cleverly taps into the social and kinship networks of aging consumers. Not only does it offer an attractive experience for them and their loved ones, but it creates a social landscape that includes everyone in the group. From rides, shows and entertainment options to dining and recreational recommendations, the company recommends experiences that can be enjoyed together, without having to separate or split up across generations.²¹ Like The Walt Disney Company, service industries that discover opportunities to tap into the networks of senior consumers have the options of creating new offerings and tapping new revenues.

Another company tapping into age 50+ markets is The Saga Group based in the United Kingdom. Saga is dedicated to serving customers age 50+. Evolving from a direct marketer of vacations to senior consumers, Saga now offers a set of services ranging from a lifestyle magazine to financial services (investments and insurance), vacation travel, health products and advice, and radio channels targeted to the tastes of those of age 50+. Saga also enables its clientele to better manage and tap into their social networks. Saga.co.uk, its online portal to services for the age 50+ markets, also has “community” features that allow users to search for old school friends, colleagues who have served previously in the army, etc., and allows for connections among those with common interests.

Like the companies discussed above, many companies are beginning to tap into the opportunities and changes that drive consumer choices in the age 50+ markets. There are tremendous opportunities and economic imperatives to better serve this market. To profitably seize the opportunities, managers must understand how senior markets evolve and adapt products and service offerings along multiple dimensions to meet the needs of senior consumers.

Cell Phone Services for the Age 65+ Set

While 90 percent of consumers age 19 to 65 own mobile phones, only 39 percent of consumers age 65+ and older are cell phone users, according to the Yankee Group, a U.S.-based research firm. In addition, the Yankee Group reports that currently, older individuals who do use cell phones tend to spend less money for fewer minutes each month than American under the age of 65.

All that could change over time as savvy cell phone providers start to offer services that specifically target the needs of the burgeoning senior market.

One service that could attract a larger swath of senior dollars is already in place in South Korea where LG Electronics, Inc. sells cell phone handsets with built in biosensors that can help individuals with medical conditions such as diabetes – a disease that strikes many aging adults. The handsets are specially configured to monitor the owner’s blood sugar levels.

Users prick their fingers to get a blood sample that can then be applied to a strip. The cell phone subscriber then inserts the strip into the phone which reads it and sends the data to a doctor or relative. In South Korea, the new biosensor-equipped handsets retail for about \$400.

Source: “Soon, Cellphones to Monitor Vital Signs,” The Wall Street Journal, Dec. 15, 2004.

Lessons for Managers

To date, we find too few companies have paid attention to and thoughtfully adapted their products and offerings to age 50+ markets. Building on our framework and the examples of companies adapting to aging markets, we suggest three steps that managers can take to tap into this market. These are to:

- Walk a mile in the customer’s shoes
- Analyze and fix the easy things first
- Research and redesign products and services

“Walk a mile in the customer’s shoes.”

As the examples of Ford and Fidelity illustrate, it is important to understand the various changes age 50+ customers undergo as they get older. Our framework illustrated in Figure 2 provides some guidance on these changes, but to really understand these customers there is nothing more valuable than a first-hand experience to test new product and service ideas. One way to simulate the experience is to wear an age suit as they have done at Ford and try to pick up your product at a supermarket or retail store and try to open it. Is access to the product convenient? Is the packaging easy to open and is the product easy to use? Is it likely to meet the needs of an age 50+ customer? If it is a fashion product, will it wear as well on an age 50+ customer as it does on a 22-year-old model? Take a walk through your store with a group of age 50+, 60+, 70+ and 80+ customers and let them tell you what is going through their minds as they browse and pick up items. Unless managers immerse themselves in the world of aging consumers, observing and conversing with them, they are unlikely to understand the customers and recognize their true needs. The same is true of employees and customer service representatives. They will need to be trained to respond to the unique needs of aging consumers. Indeed companies will also have to extend options for and tap into the age 50+ workforce as retirements cut into the available talent and skill base (See Deloitte Research Report: It’s 2008: Do you know where your talent is?).

“Analyze and Fix the Easy Things First.”

Based on a better understanding of customers, managers will need to modify their offerings to age 50+ markets. Some of the modifications will be simple and straight-forward often focusing on the shopping environment, while others, focusing on product and service attributes, will require greater study and change. Based on our analysis, we have identified numerous responses to make products and service offering more age friendly. Some of the general responses are illustrated in Figure 4.

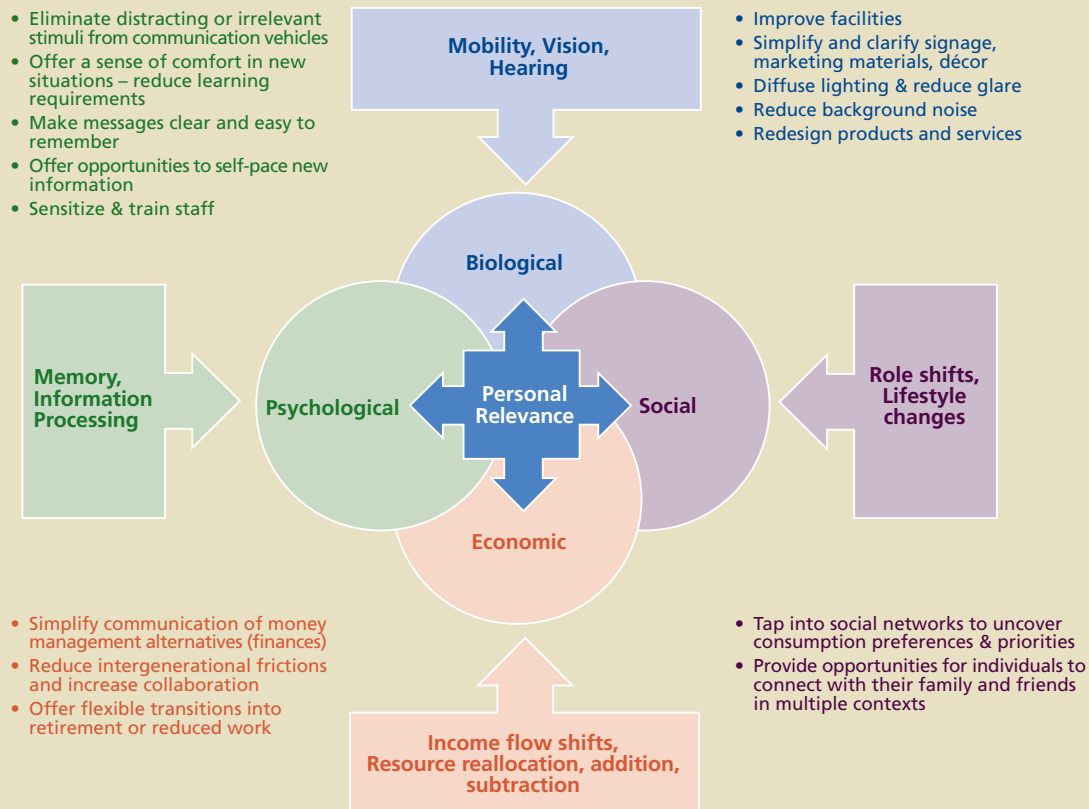
Let us illustrate the application of this framework with a visit to a Boston area shopping mall which illustrates some of the failures to accommodate an age 50+ consumer. A midafternoon visit to the mall revealed crowded and narrow walkways, floors with granite-like hardness, kiosks poking all sorts of props into the aisles at head level, and a very, very long stretch of walking area with a few wooden benches sparsely sprinkled squarely in the middle of foot traffic. Most shops had no seating as they stuffed the aisles with more merchandise and similarly, cafes and snack shops had very little or no seating. A large food court surrounded by multiple vendors, was both noisy and crowded; noise pollution from multiple sources, light glare from mall signs, and a cluttered visual field from multiple kiosks created a distracting environment. Clearly, this is not the most welcome environment for an older consumer.

Managers of the mall can make a number of simple adjustments to enhance the shopping experience for age 50+ customers. Better floor dressing (e.g., use of carpet tiles to reduce noise), adjustments in kiosk placement and displays, larger signage, nonglare lighting, increased sitting areas with cafes can offer an infinitely more enjoyable experience while accommodating a broader spectrum of shoppers and visitors. Indeed, we noticed that a few anchor department stores are now adding seating in multiple locations within their stores to accommodate consumers who need a short rest while shopping. Simple changes based on an understanding of the biological and cognitive changes confronting age 50+ customers can greatly enhance shopping environments.

“Research and Redesign”

While some changes to the shopping environment can be undertaken easily, others, especially changes to product and service attributes and connections to social and other networks that influence purchase are likely to require careful research and redesign. Every aspect of the product and shopping experience can merit critical review. As the Ford Motor Company example illustrates, there is a significant benefit to careful research of the challenges of age 50+ consumers, careful adaptation of products to their needs and pretests of them with a representative sample before release. In addition to the product itself, it also makes sense to evaluate the design and to pre-test the packaging and

Figure 4. Align with Aging on Multiple Dimensions



Source: Deloitte Research

communications campaign for such products across different channels both online and offline. The most effective research for design will include direct observations of customers in their contexts for product or service consumption and conversations with them to elicit their preferences. Of course, good design of products for age 50+ customers can also appeal to many customers in younger age groups.

It is also important to research and consider the cognitive capabilities of target customers during the product redesign. Do product generation shifts create too many cognitive demands on customers? Remember Martha Smith. While a modern microwave has a number of digital options, Martha is probably most familiar with two knobs: one to set the timing and another to set the power. This is a simple analog solution that is rarely available on a microwave interface today. As a result, she has developed her own unique solution to managing the interface. Product design should be cognizant of the cognitive preferences and limits of older users and reflect the fact that sometimes keeping the option of an older and familiar interface may be remarkably valuable. Brands have been one means of reducing the customer's information processing requirements. As the age 50+ market emerges, it is vital to construct brand messages that are age neutral and inclusive of the age 50+ market. Brands that appeal over a lifetime to consumers of all life stages, like Coca Cola, are likely to become more valuable in the future.

Another area requiring research and thoughtful investment is that of the social and related networks that influence purchase decisions. If, like Saga, one is to create or facilitate community interactions, what communities should be selected? What will be the rules of participation in the community? What are risks versus the potential benefits of the community interaction? Should your product or service be advertised or affiliated with communities developed by others? These are emerging challenges for marketing to both seniors and other segments as consumers increasingly participate in virtual communities.

Aside from understanding the communities, cognition, and economic and biological profiles of age 50+ consumers, perhaps the most challenging purchase influence factors to determine will be the personal relevance of products, services and communications. Will specific buyer values drive the purchase of a Hummer or a Prius? Some of this may be inferred from the set of networks in which the customer participates, and other inferences about buyer identity and shopping motivations may be arrived at through careful conversations and observations of customers. What are the experiences, and cultural icons of most importance to customer? How are they likely to shape the preferences of the customer? One approach to addressing this uncertainty is to develop scenarios based on observations and interviews of prospective and current customers to understand likely factors that will impact their purchases. Companies can then develop strategies for alternative drivers of personal relevance and select and scale responses as further information becomes available.

Finally, a fourth area meriting research and redesign is customer service. Sales people require better training in recognizing the unique needs of senior consumers and protocols to communicate with them and solve their problems. Few companies incorporate this explicitly into their training programs.

Conclusions

The major demographic trend toward increased longevity and larger age 50+ populations creates new opportunities across multiple industries. This paper sketches out a framework for systematically thinking through four key dimensions of change and also considers the fifth dimension of personal relevance which may be partially shaped by the other factors. Understanding the unique impacts of aging on various customer dimensions is the first step to reshaping businesses and tapping profitably into the opportunities of emerging age 50+ markets.

Endnotes

- ¹ This example is adapted with permission from a presentation by Dr. William Gribbons, Director of Bentley College's Human Factors and Design Programs.
- ² US Census Bureau, 2000
- ³ Vaupel, JW and B. Jeune (1995), "The Emergence and Proliferation of Centenarians," in B. Jeune and JW Vaupel (eds.), *Exceptional Longevity: from Prehistory to the Present – Monographs on Population Aging*, 2, Odense: Odense University Press.
- ⁴ See Robin Athey (2005), "Its 2008: Do you know where your Talent Is?" A Deloitte Research Report, (www.deloitte.com/research).
- ⁵ Taken from 2003 testimony of Alan Greenspan, before the Special Committee on Aging, US Senate
- ⁶ A 2001 Social Security Administration study found for the elderly over 65: 90% receive social security, 62% received income from other assets, 43% received income from public and private pensions, and 22% continued to earn wages and other income.
- ⁷ In 2000 the Census Bureau found eighty percent of elderly Americans (over 65) owned their homes, and seventy six percent of elderly home owners owned their homes free and clear of any debt. This was well above any other age group.
- ⁸ Consumer Expenditure Survey, US Department of Labor, Bureau of Labor Statistics. The AARP performed an extensive analysis of the US Department of Labor's consumer spending data and found that the increases in market share (52% in 2001, up from 47% in 1984) were not limited to the Boomers – the market share of consumers age 75 and older also increased during the same period.
- ⁹ Magnitude and Speed of Aging; UN Population Division (2000); "World Population Ageing 1950-2050," Population Division, DESA, United Nations (2002)
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- ¹⁷ "Ford research benefits senior drivers" *Automotive Engineering International*, Tech Briefs Jan 2001
- ¹⁸ "The suit that makes you feel old" *BBC News*, August 2004
- ¹⁹ "Web usability and age: How design changes can improve performance." Ann Chadwick-Dias, Michelle McNulty, and Tom Tullis, Fidelity Investments. Fidelity Center for Applied Technology, Human Interface Design. Presented at Aging by Design Conference (2004) at Bentley College in Waltham, MA.
- ²⁰ "Multigenerational gatherings at theme parks" *Smarter Travel*, June 2004
- ²¹ <http://disneyworld.disney.go.com/>

About this Report

This is the second report in a series on changing workforces and consumer demographics. The first report – *Its 2008: Do you know where your talent is?* - was focused on innovative practices for talent management.

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