



The Business Opportunity of Longevity

Filippo Garini

Sigma Experience China Resident Partner, and Xian Jiaotong Liverpool University (Suzhou, China)

Introduction

The global economy is in a state of relative turmoil. In most of the developed economies growth is anemic and the ability of governments to manage both their finances and their debts is being called into question. Companies – especially in the developed markets – are wondering how best to cope with all the uncertainty (European Central Bank, International Monetary Fund). Amid these challenges, there is a tendency to reduce the importance of a phenomenon: the ageing of our societies. Global aging will put significant pressure not only on national pension, health care and welfare programs, but also on corporate growth, as well as overall economic stability.

Companies, governments and individuals will therefore have to deal in a structural way with the new reality caused by a global population that is becoming increasingly skewed toward retirees and senior citizens (Boston Consulting Group – BCG). Different countries and regions, however, are at varying stages of this demographic transition. In most advanced countries, the aging process is already well under way, and a number of developing countries in east and south east Asia and central and eastern

Europe are also experiencing significant aging phenomena. In other countries, however, the demographic transition is less advanced, and working-age populations will increase in the coming decades.

In addition to population aging, demographic projections point to a rapid aging of the European workforce. Not only will there be a sharp increase in the old-age dependency ratio, but also a shift in the composition of the workforce from relatively young to relatively old workers, a phenomenon that we will refer to as “workforce aging” (IMF, Dobbs, Manyka, Woetzel). Moody’s, the rating agency, predicts that between 2015 and 2030, the world’s working-age demographic will grow at only half the rate it did between 2001 and 2015 (O’ Connor, Financial Times). The graying of the workforce will be felt most acutely in advanced economies and in China, where the share of older workers will increase to 27 and 31 percent of workforce, respectively (Dobbs). Tables 1 and 2 show UN World Population Prospects and a breakdown of percentage distribution of the population in selected age groups.

Table 1. UN World Population Prospects.

**POPULATION OF THE WORLD AND MAJOR AREAS, 2015, 2030, 2050 AND 2100
ACCORDING TO THE MEDIUM-VARIANT PROJECTION**

	Years	Populations (millions)			
		<u>2015</u>	<u>2030</u>	<u>2050</u>	<u>2100</u>
Major areas:					
World		7349	8501	9725	11213
Africa		1186	1679	2478	4387
Asia		4393	4923	5267	4889
Europe		738	734	707	646
Latin America and Caribbean		634	721	784	721
Northern America		358	396	433	500
Oceania		39	47	57	71

Source: United Nations, Department of Economic and Social Affairs, Population Division (2015).
World Population Prospects: The 2015 Revision. New York: United Nations

Table 2. Breakdown of percentage distribution of the population in selected age groups.

PERCENTAGE DISTRIBUTION OF THE POPULATION IN SELECTED AGE GROUPS BY MAJOR COUNTRIES, 2015, 2050 AND 2100 (MEDIUM VARIANT)

Age groups	Years				2015				2050				2100			
	0-14	15-59	60+	80+	0-14	15-59	60+	80+	0-14	15-59	60+	80+	0-14	15-59	60+	80+
Country or area																
World	26.1	61.7	12.3	1.7	21.3	57.2	21.5	4.5	17.7	54.0	28.3	8.4				
BRICs:																
Brasil	23.0	65.2	11.7	1.5	15.0	55.7	29.3	6.7	13.8	47.4	38.8	15.1				
Russian Federation	16.8	63.2	20.0	3.1	17.7	53.5	28.8	5.1	17.0	55.5	27.5	7.5				
India	28.8	62.3	8.9	0.9	19.1	61.5	19.4	2.8	14.7	51.2	34.1	10.3				
China	17.2	67.6	15.2	1.6	13.5	50.0	36.5	8.9	13.4	46.9	39.6	16.5				
G 7:																
USA	19.0	60.4	20.7	3.8	17.5	54.7	27.9	8.3	16.3	51.1	32.6	11.5				
Japan	12.9	54.1	33.1	7.8	12.4	45.1	42.5	15.1	13.4	45.6	40.9	18.5				
Germany	12.9	59.5	27.6	5.7	12.4	48.3	39.3	14.4	13.4	46.9	39.7	16.2				
France	18.5	56.3	25.2	6.1	16.8	51.4	31.8	11.1	15.5	48.6	35.9	14.7				
UK	17.8	59.2	23.0	4.7	16.6	52.7	30.7	9.7	15.2	49.7	35.1	13.7				
Italy	13.7	57.7	28.6	6.8	13.0	46.3	40.7	15.6	13.7	46.4	39.9	17.9				
Canada	16.0	61.7	22.3	4.2	14.9	52.6	32.4	10.6	14.8	49.2	36.0	14.4				

Source: United Nations Department of Economic and Social Affairs/Population Division
World Population Prospects: The 2015 Revision, Key Findings and Advance Tables

A key question: does global ageing represent just a risk or also an opportunity?

In this paper the authors propose to confirm how ageing is affecting corporate strategies and, according to their experiences in the field and their analysis, to illustrate which could be the steps that companies should take to adapt to the new climate to proactively prepare for the demographic changes being able to meet the challenges and get the opportunities.

The key concept of what means “old” is no longer static but dynamic. In the coming years many people in their sixties and seventies may be perceived as still in their prime years, continuing to pursue their education, career, and maintaining an overall activity level not previously associated with those age groups. Companies need to consider this when targeting older consumers and to realize that the silver segment of tomorrow will be different from the silver segment of today (Manyka).

Ageing Marketing and the Engagement of the Marketers Community

Despite global trends unequivocally show the importance of aging, according to the analysis conducted on the marketing strategies implemented by worldwide corporates not significant attention has been paid by the marketing community on such a large group of individuals (Stroud, Walker). The dissonances between the ANAs (Abilities, Necessities, Aspirations) of the ageing consumer and the marketers for ageing are frequent. Researches conducted revealed that much of the thinking of marketing comes from an era when the youth population was growing more and more. In fact, from the study emerged the following key findings:

- Expanding the customer base was number 1 priority and focusing on young rather than old.
- Explicit advertising to the old alienates the young
- Marketing communications are optimized to appeal to young people
- Most corporate cultures are resistant to change pressure to satisfy shareholders each quarter.
- Most of marketers are young: would not be interested to appeal to old consumers generations

In terms of branding, thought-provoking is the position of an influential British expert of corporate identity and branding consulting: Wally Olins: “Young marketers have been slow to change a conservative culture in which they work. At some stage the behaviour of marketers will have to catch up with reality and reflect the importance of the older consumer’s spending power”.

There is a real need to create a whole new generation of products and services related to housing, health care, leisure activities, consumer devices, etc. (Fig. 1) which will help the companies, paired with a coherent set of marketing strategies and communication, to answer to the global aging’s risks in

opportunities. Many companies still either do not perceive the magnitude of global aging or are too consumed by shorter-term imperatives to act (Mc Grath).

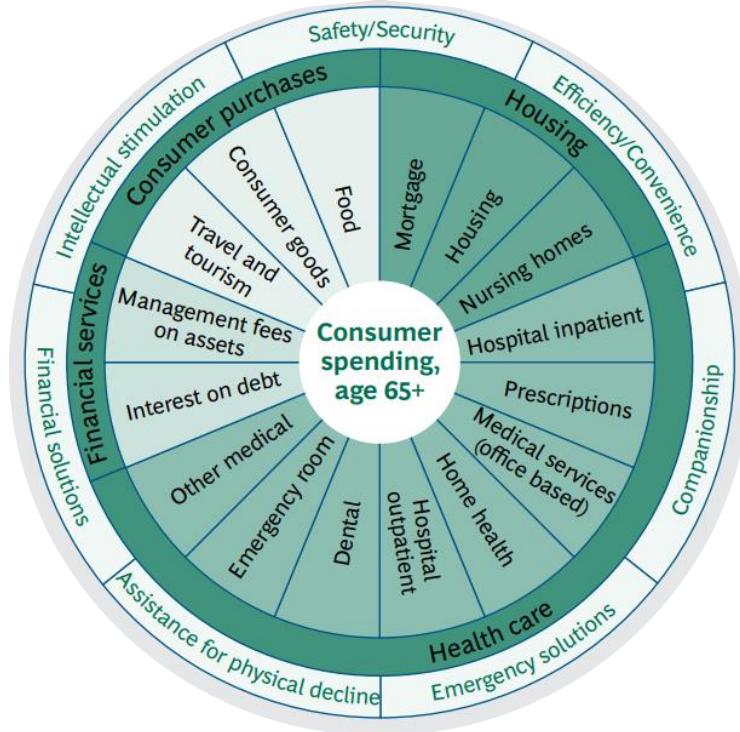


Fig. 1. Needs and related spending, BCG analysis

As new generations enter this fast-growing segment, it will be important to keep attuned to their needs. This is especially true for countries like China. Given current demographic trends, China will add 125 million elderly consumers between today and 2020. Their spending patterns will likely differ from those of the current retired generation. In fact, a Mc Kinsey survey showed the modification in the spending patterns of today's compared to the foreseen one of 2020. Companies will need to rethink what older Chinese consumers want (Atsmon, Magni).

Addressing Consumer Needs. Analysis of Ageing Marketing Policies Implemented by Companies Involved in Delivering Services or Products

Although many companies have not yet taken steps to adapt their portfolios of products and services to the needs of the silver segment, some companies have undertaken meaningful initiatives. One of key drivers for global consumption, closely associated with the ageing demographic, is Health and Wellness. People want to live healthier for longer. Healthy living, and positive healthy lifestyle choices, are inextricably linked.

The theme of frequent dissonances between ANAs of ageing consumers and marketers for ageing can be also analysed through the researches by The MIT of Boston (USA) and the University of Cambridge (UK) to understand how there are recognizable barriers that prevent many elderly people to access to places of extreme necessity to meet basic needs, such as making purchases in a supermarket, or on the practical use of everyday products. They have shown that very often there are products or services for which companies do not include in their marketing strategies an ageing friendly sustainable offer. The two academies have substantially demonstrated the difficulties encountered by the oldest consumers introducing dedicated programs, tools and tangible proposals as AGNES (Age Gain Now Empathy System).

We review some interesting practices implemented by companies that operate in several sectors, both in the production of goods and in the provision of services, to dwell on those case studies that may represent a motivation for those companies who have not embarked yet on a journey towards the ageing friendly society.

In particular, we focused our attention on eight business sectors within which have been originated ageing friendly applications from companies that have launched on the market products and services (See Fig. 2).

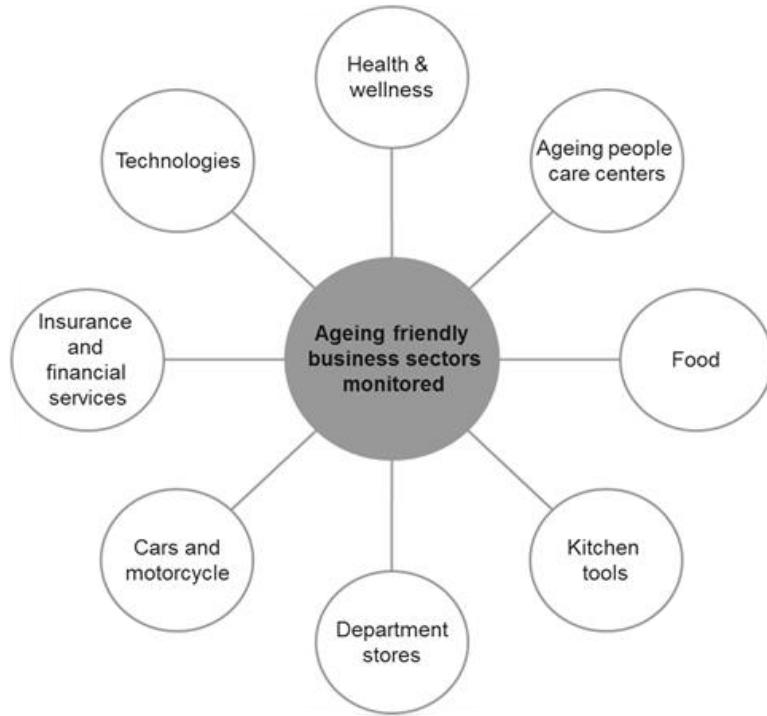


Fig. 2. Ageing friendly business sectors monitored

Within some of these business sectors we have extrapolated 14 companies that have proposed products/services for seniors. The selection of these firms led to evaluate the reason why they can be

considered as ageing friendly companies or the motives for which the products and services offered can be considered ageing friendly. The following charts introduce some active companies that promote ageing friendly products/services or companies that have a good potential to be included in the eligible list of elderly users friendly. One of the areas that is proactive in proposing solutions users friendly are the companies that produce technology and related services. The health & wellness products and care organizations are business categories increasingly attracting elderly seniors, searching for a better life (Table 3).

Table 3. Ageing friendly technologies.

Business sectors	Company	Country	Products or services	Why can be considered ageing friendly?
Technologies	It's never 2 late	USA	Integration of hardware, software, media and various components	Dedicated to helping older adults realize the full benefits of adaptive technology. iN2L integrates hardware, software, media, ergonomic, and adaptive components necessary to allow anyone to use products engagingly and with minimal frustration. Elders with a wide range of physical and cognitive abilities, most of whom have never used a computer, are now enjoying technology using systems adapted especially for them
Technologies	Brandi	Italy	Easy phones devices	Mobile phone for seniors has all the essential features that users need forward with age. Their use is very simple, and its small size make it an object to be carried in a pocket. The weight is carefully balanced and tested. The audio and ringtone can be very high. The menus are clear, and they can be readable, thanks to big and bright screens; in most models the keyboard is backlit which makes it easier to type also in

				low light situations or visual impairments. With SOS button and alarm
Technologies & services	Intel corporation	USA	Care innovations - remote patient management	Care Innovations is transforming the way that healthcare is delivered at home with progressive solutions that solve real problems. The company offers turnkey remote patient management solutions that help to lower costs, improve outcomes, and bring health home. Care innovations Health Harmony simplifies planning and deploying remote patient management by providing intuitive and easy-to-use technology and a device agnostic platform for the clinician, patient, and family caregiver
Technologies & services	Amazon	USA	Amazon Dash Button	Amazon Dash Button is a Wi-Fi connected device that reorders your favorite product with the press of a button. Each Dash Button is paired with a product of your choice, which is selected during the set-up process. When you're running low, simply press Dash Button—ensuring you never run out of your essentials again. Simple to set up and use is a device that still need to be tested over a sufficient time in order to appreciate that is finally an ageing friendly device. We foresee interesting potentialities Anyway
Health care & wellness	Unilever	UK	Dove Pro-Age	A complete product line for the care of skin, hair, body, nourishing, specifically

				designed for ageing consumers
Health care & wellness	Kimberly-Clark corporation	USA	Depend — adult diapers	Kimberley Clark conscious of the fact that Baby Boomers, in particular, do not want to be associated with products that suggest they are 'getting old' have carefully crafted the television adverts for Depend - with the strapline "Looks and fits like underwear, Protects like nothing else". By 2020 Kimberly-Clark expects 45 million boomers will need incontinence products
Ageing people care	RiverWoods	USA	RiverWoods is a continuing Care retirement community	The RiverWoods is a community organized in 3 campuses that offer to the elderly guests: <ul style="list-style-type: none"> · The life care concept · Independent living · Health and wellness · Assisted living · Social services Hospitals and treatments
Ageing people care	Council for third age, C3A	Singapore	Agency that promotes active ageing	The council for third age, C3A, set up in May 2007, is an agency which promotes active ageing in Singapore through public education, outreach and partnerships. As an umbrella body in the active ageing landscape, with its focus on lifelong learning, senior volunteerism, and positive ageing, C3A works with and through partners to help third agers age well. Through various initiatives and platforms, third agers can self-discover and enhance their different dimensions of wellness in their journey of positive ageing. C3A

				aims to create a vibrant pro-age Singapore where seniors can participate as integral members of society
--	--	--	--	---

Food consumptions, living the kitchen environment and the “in-store experience”, are elements that have received the attention of companies that have spent researches, inclusive products development, in order to match with a growing demand coming from seniors (see Table 5).

Table 5. Case studies in food, inclusive products development area and age-friendly shopping experience (source: our processing).

Business sectors	Company	Country	Products or services	Why can be considered ageing friendly?
Food	Danone	France	Densia	<p>Densia helps you maintain healthy bones. Provides 50% of recommended daily calcium allowance* and up to 100% of recommended daily vitamin D allowance* (per pot). Danone, a company that has investigated with researches on the benefits of functional foods for ageing people:</p> <ul style="list-style-type: none"> · Correcting nutritional deficiencies · Improving health · Preventing and managing · Chronic disease
Food	Crown Orbit	USA	Food packaging	The Orbit closure is an award-winning, revolutionary metal closure designed to be universally easy to open and enhance convenience for consumers of all ages
Kitchen tools	Oxo	USA	Inclusive kitchen tools products	OXO was founded on the philosophy of Universal Design, which means the design of products usable by as many people as possible. Oxo products are easy to be utilized by elderly people

Kitchen tools	Factory design	UK	Inclusive saucepan design	According to the leading arthritis charity, Arthritis Care, around ten million people of all ages in the UK are affected by arthritis and every one of them needs to eat. Visually impaired cooks have a different set of issues, which relate more to safety and hygiene. Factory Design's challenge was to create a saucepan that would transform the pain of their cooking experience to one where pleasure is uppermost and where safety and hygiene are assured
Department stores	Tesco	UK	Supermarket	Kaiser supermarkets in Berlin and Tesco in Newcastle have experience pensioner friendly supermarkets creating an age-friendly shopping experience: <ul style="list-style-type: none"> · Trolleys are lighter and easier to move · Signs are clear and well illuminated · Shelves and trolleys feature magnifying glasses · The aisles are extra wide and the floors have a nonslip treatment · Larger signs and labels make them easier to read · There are emergency call buttons in case of accident
Department stores	Kaiser	Germany		

Physiological Ageing as Factor to Improve Business Performances

When marketers study older consumers they normally try to understand how ageing changes people's wants, attitudes and behavior. What determines older people behavior depends also on nationality, gender, health, education and employment status. This makes difficult to isolate the emotional and behavioral changes.

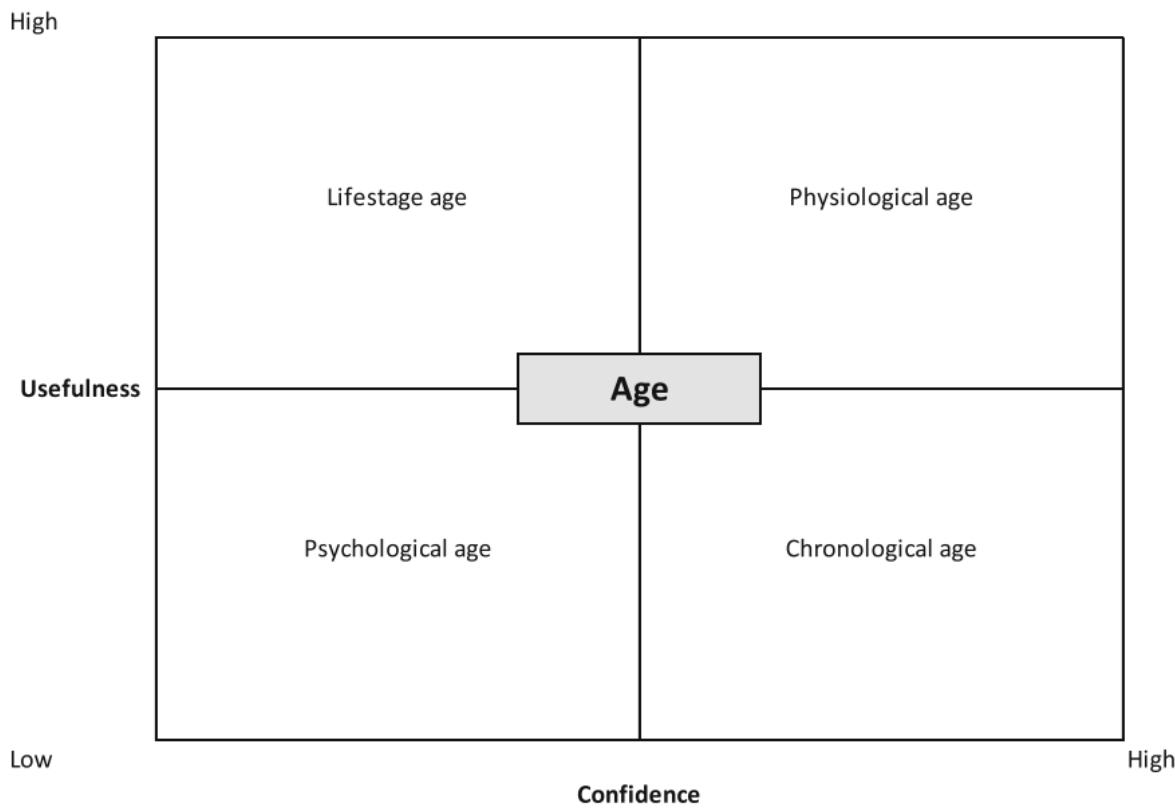
From a business perspective, the three types of aging (Table 6), that are most commonly used to determine marketing actions, are:

- Chronological age
- Life stage age
- Psychological age

According to the past studies of the gerontologist Bernard Strehler, the American professors and ageing marketing consultants Stroud and Walker re-elaborated Strehler's empirical analysis and proposed a new theory of Physiological aging.

Physiological ageing – the systemic change of the body's ability to function caused by age related changes to body, senses and mind – has been indicated as an increasing factor that can be studied to improve business performance following the growing relevance of promoting marketing strategies and business models where consumer-centered systems will be committed to understand the challenges and opportunities of longevity and emerging generational lifestyles to promote innovation.

Table 6. Matrix of the level of usefulness and confidence of four types of aging



The key factors of physiological aging can be divided in three groups. Within these 3 groups there are 24 age related physical changes of the body can have impact on business.

Sensory – describes the changes to the capabilities of our senses that affect customer touch points (i.e. reading packaging, using products and talking to sales staff in the POS). They are eyesight, hearing, touch, smell, taste, oral.

Cognitive – relates to the changes in how we respond and process information (i.e. using a website, getting promotional material and understanding product instructions).

Physical – describes remaining physical changes that occur during aging (i.e. ability to open packaging and skeletal changes that affect how we move). In particular, physical ageing refers to: dexterity, flexibility, muscle strength, weight and body size, digestion, hair, skin, menopause, nutrition, urinary incontinence, sexuality.

Physiological needs are the foundation for satisfying the consumer's psychological requirements. Ageing effects create demand for existing products and new product opportunities. The latter will be "Age Silo" products, i.e. designed for older consumers. It is therefore intuitive that constructing marketing campaigns are worthless if customer cannot read and hear the ADV, use the products and buy in the POS for example. It is central that unless a company is satisfying consumers' physiological needs it does not have the foundation for fulfilling psychological needs.

Developing an Age-Friendly Marketing Strategy as a Precondition to Get a Competitive Advantage

The evidences provided in this paper aimed to show that the purpose of an ageing-friendly marketing strategy is to achieve a sustainable competitive advantage. Chances are the strategies that worked well for a company even a few years ago no longer deliver the results you need now and in the future. Dramatic changes in business have unhearted a major gap between traditional approaches to strategy and the real world works now. Many leaders are using frameworks that were designed for a different era of business and based on a single dominant idea (McGrath).

The world, the data tell us it is different. The rise of emerging markets, the fast-tracking impact of technology on the natural forces of market competition, an ageing world population, and the flows of trade, capital, and people are simultaneously exercising a radical and transformative impact on businesses and economies around the world. What we are now seeing is no ordinary disruption but rather the new facts of business life (Woetzel).

Population ageing will equal sustainability as a global trend corporate world must analyse and devise strategies & actions to exploit. Sceptics who doubts the need to consider and adapt their business to the ageing population should reflect on the speed with which environmental issues went on the top of corporates agenda. Leaders who had the foresight to anticipate the importance of sustainability were able to achieve competitive advantage. They managed to implement progressive changes to their organization (Dobbs)

The changes in the demographic profile of the world's industrialized nations compel businesses to become age-friendly regardless their strategic intent to include or exclude targeting older consumers. But it is essential to make a distinction between age-friendly as a tactic and age-friendly as a strategy. A tactic is a short term, opportunistic maneuver whereas a strategy is gaining a position of advantage over adversaries or best exploiting emerging possibilities. The decision to adopt age-friendly business practices is most definitely a strategic issue and is necessary the active support of the top management. Without this support this strategic initiative, as any other, will fail.

Furthermore, the choice to implement an age friendly strategy must be a board level initiative, with a continuous engagement. Is not sufficient to make an age-friendly as a marketing or CSR project only. But marketing and CSR functions are crucial for a concrete implementation of the strategy, agreed at top management level (Fig. 3).



Fig. 3. Top management, marketing and CSR work in tandem

The tipping point for embracing the changes demanded by ageing consumers is upon us. Companies have a unique window of opportunity to take the lead and adopt an age-friendly marketing strategy.

The strategies that companies adopt can be summarized with the following three options (Table 7).

Table 7. The three strategic options for responding to the ageing consumer, Strout, Walker.

	Passive	Age-friendly	Age-active
Option	Do nothing	Create an age-friendly customer experience	Develop new products for older consumers
Outcome	Risk from competition and missed market opportunity	Future proof the business	Exploit growth in consumers numbers

Translating the strategic intent of achieving age-friendliness requires a precise action plan implementation. The logic sequence strategic decisions and consequently actions work together (Table 8).

Table 8. Translating strategies into action

	Strategic Intent	Operational Actions
Communications	Develop advertising that uses creative techniques that are tested with old customers	Awareness - appoint a board level executive to drive the initiative
	Ensure that all MKT collateral is physically suitable and understandable for old people	Scoping - have a clear action plan to measure age-friendliness across all disciplines
Online	Include the needs and behavior of older people in the social networking strategy	Prioritization - devise a way to correlate the age-friendliness assessment with customer opinion and with corporate/brand values
	Regularly test websites and apps to ensure they provide a consistent online experience for all ages	Training - recognize that team members will need to be trained to understand the need of ageing customers
Retail	Ensure the retail store, placement, ambience and sales staff address the needs of customers	Testing - implement a process ensures any major capital expenditure & development project is vetted for age-friendliness at earliest stage

Support	Design products/services that include the particular needs of old people	Monitoring - regularly evaluate the quality of the touchpoints to measure progress. Also consider competitors performance
	Ensure sales & support call centers and staff are designed to respond to the needs, concerns and frustrations of old people	

In conclusion we reckon that the future of the business opportunity of longevity will be affected by scenarios that are almost certain, some can be forecasted by actual trends and some cannot be foreseen at all. Nevertheless, age-friendliness is a macro trend and it will follow the footsteps of eco-sustainability: overwhelming and current, must be included in firms' agenda as a priority.