

The ageing marketplace: how some companies are successfully addressing the needs of the older consumer, whilst others are struggling to access this expanding market.

An *ActiveAge* Discussion Paper written in collaboration with Newcastle University's *Changing Age for Business* Programme.

Executive Summary

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We must all be aware, to some degree, of the dramatic impact of an ageing population on society. It is hard to turn on the television or look at a newspaper without seeing some reference to older people - the funding of their care, older drivers, the ageing workforce or developments in assistive technologies, to name a few of the issues commonly highlighted.

Less well-publicised are the opportunities for businesses to develop products and services for the older population who are *'responsible for 40% of the consumer demand'* in the UK *'spending £200 billion per year'*.

The aim of this *ActiveAge* paper is to demonstrate some of the opportunities that exist for businesses by highlighting the sectors most likely to benefit and those companies able to help consumers maintain more independent lifestyles.

The paper also gives examples of where companies, large and small, are already taking advantage of the opportunities that exist. Some of the larger companies discussed within the report include Intel, Danone and Philips.

A number of barriers that exist for companies who want to enter the ageing market place are also included within this report, such as a lack of marketing spend on older age group(s) and the uncertainty around how to communicate with older people.

The paper also contains examples of companies, such as Marks and Spencer and Dove, that have been successful in overcoming these barriers.

This paper is a result of a collaboration between Newcastle University's *Changing Age for Business* programme¹, which aims to help businesses to grow in the emerging market created by an ageing society, and *ActiveAge*, the BusinessLab-led collaborative research programme looking at the impact of an ageing demographic on various aspects of society and the role of technology therein.

Intended as a business information document, the paper has been informed by a variety of sources including businesses themselves via a series of *ActiveAge* workshops held in Newcastle during 2011, some of which formed part of a programme called *AdvantageNewcastle* - designed to grasp the economic and business opportunities for the North East of an ageing population.

Other research included herein is the work carried out by the N8 Research Partnership of northern universities, and in particular their report, '*The impacts of demographic change in the functional economies of the North of England*'. The Economist Intelligence Unit and AgeUK research papers were also studied and used to inform the thinking behind this document.

This paper is designed to inform small business leaders and entrepreneurs looking for opportunities within a rapidly growing marketplace about where some of the opportunities exist within the ageing market.

In particular, for those small to medium sized businesses located in the North East of England, this paper points to organisations that can support ideas through research and development, and help in taking them to market.

Finally, we highlight some of the pitfalls companies face when entering this market and provide examples of how companies are overcoming these, hopefully providing you with the confidence to innovate and work alongside like minded organisations in Newcastle to achieve a competitive advantage, for individual businesses and the region as a whole.

Introduction

Demographic change, and specifically the world's ageing population, is a long-term change, a lasting trend that is occurring in both developed and developing countries.

This change is not just about the current older population and the 'baby boomers', where much focus lies at the moment, but includes tomorrow's ageing population. In fact '*most babies born since 2000 in France, Germany, Italy, The UK, The USA, Canada, Japan and other countries with long life expectations will celebrate their 100th birthdays*'.²

Over the past 200 years life expectancy has increased by 5 hours a day and from as far back as the 1970's researchers in the US identified the fact that the older market had become bigger than the younger market³. The objective of this paper is to help understand where there are barriers for companies wishing to take advantage of opportunities presented by this demographic.

A recent AgeUK report on '*The Golden Economy*' identified a connection between companies not addressing the ageing market and a reduction in quality of life for people as they age. "*Many of the barriers that people in later life face are, at worst, indicative of market failure. At best they are evidence that the needs of older consumers are not often well met*"⁴. Not only would it appear that companies are missing out on opportunities for new products and services, but also older people are suffering from the lack of a vibrant private consumer market.

This paper looks at the ageing marketplace and considers examples of companies from around the world focusing in this area. It will make specific reference to Newcastle and the North East of England where *ActiveAge* has witnessed a pronounced awareness within the public sector of its role to work with and support the private and third sectors.

This paper will also describe a number of collaborative initiatives and programmes in the North East that have been designed to help companies develop new and innovative products and services to meet the needs of the ageing consumer including Newcastle University's *Changing Age* Programme.

The market opportunity

Globally, the number of those aged 65 and over is growing at around twice the rate of the overall population. This age cohort is now the fastest-growing primary segment of the world's population and its growth rate is outstripped only by that of an even older subgroup – those aged 80 plus.⁵

In the UK today, '*the majority of the UK's personal wealth is now held by the over-55's ... Unmortgaged home equity owned by older generations was estimated to be worth £1 trillion in 2006*'⁶. The older consumer market is large and it is growing. When we compare this to the younger segment of the market, we see that the 18-59 year old group is only forecast to grow by 7% in comparison to the older market, which is forecast to grow by 81% from 2005 to 2030.

² *Ageing populations: the challenges ahead, The Lancet, Vol. 374, Issue 9696, 3rd October 2009*

³ R. Eugene Klippel (1974) '*Marketing Research and the Aged Consumer: The Need for a New Perspective*', *Journal of the Academy of Marketing Science*, 2, 1 (December): 242–8.

⁴ AgeUK, *The Golden Economy; The Consumer Marketplace in an Ageing Society*, Oct 2010

⁵ *Economist Intelligence Unit, A Silver Opportunity? Rising longevity and its implications for business, A report from the Economist Intelligence Unit Sponsored by AXA, 2011*

⁶ *McKinsey & Company, From Austerity to Prosperity: seven priorities for the long term, Nov 2010*

By 2030 the over 65s will account for 25% of the total consumer market (people over 16 years old)⁷.

Today's over 50's already hold 60% of the UK's savings ... and are responsible for 40% of the consumer demand in the country, spending £200 billion per year.⁸

This reflects a significant opportunity for those companies willing to address the needs of people in later life. Opportunities not only exist for companies developing products and services for older consumers, but for those able to capitalize on the knowledge and skills of an ageing workforce. These are the two key areas that have been identified as being important for business by the Economist Intelligence Unit in their report '*A Silver Opportunity*'.

The North East of England

The following few paragraphs will look specifically at opportunities for businesses in the North East of England before going on to later examine some of the initiatives that exist within the region to support businesses that want to break into the ageing marketplace.

"The profile of the North Eastern population has been ageing faster than the UK, posing many challenges in education, employment and public services"⁹

Although this phenomenon could be seen as a threat, *ActiveAge* consortium members such as Newcastle University's Changing Age Programme believe that this is a significant opportunity for businesses within the region.

According to a recent report by the N8 research partnership, which includes the 8 research intensive universities in the North of England, between 2011 and 2036 the Northern population of England is forecast to age with a 72% increase in people over 75, and a 197% increase in people aged 90 and over¹⁰.

Currently "*older people who comprise just over 25% of the North's population are estimated to account for around 60% of the total personal wealth (including property)*"¹¹.

The N8 report also highlighted that there are 4 million people aged 50-74 with an aggregate annual discretionary purchasing power of over £1.5 billion with the younger (50-64) age group accounting for over 70% of that spend.

It follows that if companies in the North can develop the appropriate products and services, they have a growing market on their own doorstep. And the process of successfully engaging with that market could place them at the forefront of meeting the demands of the wider, global ageing market.

*"There may also be opportunities for entrepreneurship and business growth among SME's in the provision of new ICT-based telecare and telehealth services, as well as more conventional personal homecare, either complimenting or substituting for public sector provision"*¹²

⁷ David Sinclair, Head of Policy and Research – ILC UK, *The Golden Economy: the consumer marketplace in an ageing society*

⁸ *The New Old Age: perspectives on innovating our way to the good life for all*, Nesta, 2009

⁹ Industry Research Unity, *Regional Profiles, North East Regional Labour Market Information for Recruiters*

¹⁰ R. Hudson, N8 Research Partnership, *The impacts of demographic change in the functional economies of the North of England*

¹¹ N8 Research Partnership

¹² N8 Research Partnership

Having recognised this opportunity for small and medium sized enterprises in the North East, a number of leading public sector organisations have established support mechanisms for businesses who want to break into this new and growing segment of the market. These will be discussed in more detail below.

Key sectors likely to benefit

It is clear from our research that older people want good products and services in the same way anyone else does. The following section of this paper identifies some of the key sectors most likely to benefit from the ageing population.

Generally, there is more information on the opportunities for business in sectors such as health, ICT, nutrition and finance, which are commonly seen as the critical areas for business growth in the ageing market.

One of three 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 key sectors that have been identified as likely to benefit from the ageing demographic are those in which *“companies are able to help consumers achieve more independent lifestyles”*¹³. And more specifically, *“healthcare and pharmaceuticals, leisure and tourism and financial services”*¹⁴ have been singled out as being particularly attractive to older consumers alongside *“consumer goods, food and beverages, retail and technology”*¹⁵.

The independent living market, which focuses on products and services designed to enhance the quality of life, health, wellbeing and independence of older people, straddles several sectors identified as likely to benefit from the ageing marketplace.

The independent living market is expected to grow by 19-21% between 2008 and 2015¹⁶ - with the UK set for the highest growth.

A recent estimate by the American Association of Retired Persons (AARP) suggests the unpaid value of care provided to family members by children or siblings is \$450 billion annually¹⁷. In the UK, the ‘sandwich generation’ has become a common term used to refer to the generation of adults struggling to care for children, grandchildren and ailing parents and hold down a job at the same time¹⁸. In 2007 it was estimated that *“more than six million people give up more than 33 hours each month – almost equivalent to a full time working week – at an annual cost of £3,336.”*¹⁹ These people are likely to be making decisions for those they care for and so the market extends beyond older people themselves to the younger generation of adults who care for them.

But what about those older people who have distant friends and family unable to pop in to visit or help with daily chores?

¹³ Economist Intelligence Unit, *A Silver Opportunity? Rising longevity and its implications for business, A report from the Economist Intelligence Unit Sponsored by AXA, 2011*

¹⁴ Economist Intelligence Unit, *A Silver Opportunity*

¹⁵ Economist Intelligence Unit, *A Silver Opportunity*

¹⁶ A. Singh, *Assisted Living, Drivers, Challenges and models for the assisted living solutions market, presented 26.11.2009, National Space Centre Leicester*

¹⁷ *Greying consumers are gold mine for VCs, gigaom.com, 9.12.11, accessed 12.12.11*

¹⁸ *The Telegraph, 2007. The ‘sandwich generation’ who fill caring gaps*

¹⁹ *idib*

The redstar.com live stream web ‘salon’ event²⁰ in December 2011, *The Rise of the Grey Market*, brought together a panel of experts to discuss “an unprecedented, multi-billion-dollar opportunity to offer new products and services — the aging demographics of the U.S. population. And not much is happening around it.”

There are numerous products and services being developed by businesses, large and small, within the independent living sector. There are various examples of robotic solutions, which aim to augment human presence in the care sector and act as companions with the potential to prevent loneliness. (GORE). For example, Professor Hiroshi Ishiguro at the Intelligent Robotics and Communications Laboratories (IRC) in Kyoto has been developing what he calls ‘*Geminoid Androids*’ - person-based android robots, modelled on human beings.

For several years companies have been developing more simple solutions for the home, such as wireless sensor networks with related response teams - or more personal services tailored to the individual such as companionship, walks, and weekly grocery shopping.

‘Assisted living’ has traditionally been a labour intensive, provider-led industry, in which manufacturers, suppliers and providers sell into the public sector as the intermediary to the end-user. It has been recognised by all stakeholders that, for economic, social and market reasons, the current model will have to adapt if it is to survive.

*“We have to introduce remote care systems over the next five years if we are not to see the NHS go over the falls – the equivalent to Niagara Falls – with or without a barrel”.*²¹

Other drivers for assisted living solutions include the urgent economic and cost drivers, urgent health and quality drivers, the growth in the number of people with long term conditions, user needs and expectations and strong policy drivers, especially in the UK²².

A particular driver for the assisted living market is the increased awareness of the public about the potential of remote monitoring as a means of helping to care for an older relative and of the older, increasingly discerning consumer, as a means of allowing him or her to perhaps stay at home for longer.

Companies are recognising the opportunities

According to a recent report by The Economist Intelligence Unit, which looked at the risks and opportunities faced by businesses as they start to grapple with changing demographics, companies are seeing this as a new market area with opportunities for them. “Executives overwhelmingly view increased longevity as an opportunity, rather than a risk: 71% see it as an opportunity, compared with 43% who consider it a risk”²³.

The report also highlighted that a growing number of companies are conducting research and development into the ageing market group. Intel, General Electric, Danone and Philips are just some of the firms that have established dedicated research efforts to better understand older consumers, from nutritional needs to retirement plans.

²⁰ <http://www.bizjournals.com/boston/blog/startups/2011/12/the-huge-venture-opportunity-thats.html>

²¹ Mike Bainbridge, HNS CjH 23/6/2008 eHealth Insider

²² *The Market for Assisted Living Solutions*, Mike Clark, Department of Health

²³ Economist Intelligence Unit, *A Silver Opportunity*

Smaller businesses, with an annual revenue of US\$500m or less, seem more responsive than their larger peers, those with an annual revenue of US\$1bn or more, in terms of creating wholly new products and services²⁴. However, bigger companies, who will inevitably have greater resources, are better able to market to specific niches, and train their sales teams appropriately.

In the North East of England several institutions offer resources, research and knowledge, to assist SME's attempting to diversify or attract older consumers to their existing products and services.

Of particular relevance to companies wishing to develop products for the independent living market is Newcastle University's SIDE (Social Inclusion through the Digital Economy) Project. This includes initiatives such as the *Ambient Kitchen* at Newcastle University's Culture Lab. The kitchen provides a platform for explaining and exploring the application of pervasive technology in a domestic setting. This could help small businesses that want to develop sensors for the home or other assisted living solutions to assist people to live independently for longer.

The *Ambient Kitchen* project is committed to developing a research base to underpin the commercialisation of viable products and services that bring real benefits to a rapidly ageing population. Other examples of support within the region will be discussed below.

Examples of businesses adapting to the older marketplace

One does not have far to look for examples of companies evolving their product to suit the needs of the ageing consumer market. Coca-Cola, for example, entered the coffee, tea, wine and orange juice markets during the 1980's, partly to attract older consumers who were less interested in Coke brands. In 2009 the company also bought a stake in Innocent, the maker of fruit 'smoothies', juices and veg pots.

Intel Corporation, in a joint venture with General Electric, formed Care Innovations, a \$250million enterprise devoted to serving the needs of older people with health challenges. The explicit aim of Care Innovations is to tap into new market opportunities, such as tele-health and home monitoring. Eric Dishman, Intel's Director of Health Policy and Innovation, says the driver for this is the huge societal need and a huge business opportunity. Intel have clearly recognised something that many technology companies still can't see - seniors can learn new technologies to take care of their own health.

But Intel is not alone among big technology companies recognising this opportunity. Some of the biggest names in the US, Asia and Europe are also working in this market²⁵.

Nintendo *Wii* provides an example of a product with broad appeal. Dick Stroud, MD of specialist marketing agency 20plus30 said of the *Wii*, "*This is an example of extending a product line into a completely new market successfully. Usually the response from companies is that if you target one group you exclude another, but Nintendo has done it very smartly.*"²⁶

Harley Davidson, the iconic US-based motorcycle manufacturer, at the same time as working hard to attract younger buyers, hopes to grab the attention of older consumers by releasing, a three-wheeled motorcycle across Europe.

²⁴ *Economist Intelligence Unit, A Silver Opportunity*

²⁵ *The Economist Intelligence Unit, Healthcare Strategies for an ageing society, commissioned by Philips (2009)*

²⁶ *MarketingWeek, Get your share of the century old consumer, April 2010*

The *Tri Glide*, launched in the USA in 2009 with a \$30,000 price ticket, is designed to appeal to the 70 year-old-rider because the bike is more secure and comfortable.

Although the stereotype of this brand is the middle aged male, Harley Davidson has broad appeal and aims to transcend age groups appealing to people with similar values - rather than similar ages. This approach to crossing age boundaries - and making age irrelevant to the product's appeal - is similar to Nintendo's strategy with *Wii*.

In contrast to both Nintendo and Harley Davidson is Kimberley Clark. The very nature of their *Depend* brand of 'adult diapers', involves targeting older people. 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*"²⁷.

By 2020 Kimberly-Clark expects 45 million boomers will need incontinence products, up from 38 million at the moment. That is why they have spent two years overhauling their *Depend* brand.

According to *Depend* brand manager, "*past generations were more accepting that they have a condition...The Boomers don't have that attitude. They demand and expect more.*"²⁸

The company also recognises that there is less difference in aesthetic tastes between young people and boomers today than there was between boomers and their elders in the past. As such, Kimberley Clark's *Kleenex* product has recently been changed.

The packaging was redesigned to have fewer floral bouquets and more contemporary design, photos and the latest hues.

The UK functional yoghurt drink sector has an annual retail sales value of £0.5 billion a year. Muller *Vitality* is the no 2 functional yoghurt drink brand, generating annual sales of £47.2 million²⁹.

In April 2011, Muller enlisted the nation's favourite 'top positive celebrity role model', Joanna Lumley³⁰, to front its advertising campaign for *Vitality*, the pro-biotic yoghurt brand. She was chosen to appeal to the brand's 'holding back the years group', which is aged 55 to 70 - after extensive market research revealed the brand's strongest appeal was to mature consumers. The campaign focuses on maintaining good health through balanced meals.

With the 50-64 age group saying finances are their biggest concern, it is hardly surprising that the financial sector is starting to respond to the market opportunities these concerns represent.

SAGA, an established UK company, offers insurance and financial services as well as holidays for the over 50's market. SAGA provides very low premium insurance for drivers who have crossed 50 because they have less chance of having an accident.

²⁷ *The Wall Street Journal*, 5.2.11, *From Diapers to 'Depends': Marketers Discreetly Retool for Aging Boomers*, accessed 7th December 2011, <http://online.wsj.com/article/SB10001424052748704013604576104394209062996.html>

²⁸ *The Wall Street Journal*

²⁹ *Talking Retail*, *Joanna Lumley Fronts Muller TV advertising*, 6 April 2010, accessed 7.12.11, <http://www.talkingretail.com/products/product-news/joanna-lumley-fronts-muller-tv-advertising>

³⁰ *Milward Brown study*

And it's not just insurance and financial services that SAGA offers. They recently announced the release of 'Woteva', a teen slang translation application on the iTunes App Store. The app offers a free to download 'Teenglish' dictionary, designed to help parents and grandparents understand teen slang, with a database of 500 words and phrases.

To make sure *Woteva* is always up to date, users can also submit their own words, phrases and definitions to Saga. They can also share their favourites with friends via text and email, and Twitter and Facebook directly from the application.

These case studies demonstrate that it is not necessarily a matter of encouraging companies to completely change their products or services for older people, or even develop new products and service lines, but to help them understand how to better market, adapt and improve existing offerings so they are attractive to older consumers.

An example of this comes from the Futurist Dr Patrick Dixon.

*"In many European cities one of the main groups eating out in restaurants are those over 50, yet very few 50-year olds are able to read a menu by candlelight without their reading glasses. That is because menus are usually designed by young people... and not for senior citizens. What a crazy situation: the people who the restaurants want to market to cannot read their sales literature."*³¹

Despite these examples of brands adapting to older consumers, many companies are not so well prepared. According to Mike Morgan, the Business Development Manager for Changing Age for Business at Newcastle University, there are still big opportunities being missed, *'that could allow organisations to build sustainable businesses whilst delivering products and services which improve people's quality of life'*.

Barriers to market

Some of the barriers businesses face in entering the ageing marketplace are discussed below. These were identified through *ActiveAge* research and feedback from businesses during a series of workshops called *'AdvantageNewcastle'*³². These have been reinforced by the views of Newcastle University's *Changing Age for Business* programme.

1. Not enough marketing is directed towards older people

One criticism made of businesses that have products and services suitable for older people is the lack of focused marketing relevant for this section of the population.

Writer, journalist, academic and feminist, Germaine Greer, summed this up when she said, *"just because I am over 60, nobody wants to sell to me"*. This is despite the fact the over 50's hold 80% of the UK's wealth and are responsible for as much as 40% (£260 billion) of total UK annual consumer spending they currently receive in the region of 10% of marketing focus.

TV advertising, in particular, is failing to make an impact on the over 50's. A recent study by research business fast.MAP, in association with mature market specialist consultancy Involve Millennium, reveals 63% of 50-64 year olds claim they don't relate to advertising they see on the television.

³¹ Patrick Dixon, 2008, 'Marketing to Older Consumers', interview with *Marketeer*, October (accessed December 2012)

³² *AdvantageNewcastle* Programme, www.advantagenewcastle.co.uk

The figure rises to 68% of 65 to 74 year olds and contrasts with 49% of 35 to 49 year olds.³³ Marketers across all product sectors are failing to connect with the over 50's age group.

*“Marketers are missing the point with their campaigns... The over 50's are the audience with the money and yet this audience doesn't relate to the advertising that marketers are producing.”*³⁴

Fast.MAP Managing Director, David Cole, identifies the average age of marketers as part of the problem. *“They tend to be younger than their counterparts in other businesses”*³⁵. He also suggests in MarketingWeek that many of the people employed by marketing companies make advertising for their own age group and not for an older audience. They don't therefore empathise with the older audience or think about what might appeal to them.

This may be part of the reason why *“half of over 65's believe that advertising does focus on younger people and more than two thirds don't relate to advertising they see on TV”*³⁶.

Recommendations made by AgeUK to businesses who want to attract ageing consumers include realising the older population is not a homogeneous group and there is great diversity in interests and needs of the older consumer market³⁷.

AgeUK also advises companies to ensure all age groups are included in their consumer research and that segmentation of older consumers should be more nuanced than in the past.³⁸

If we are to believe what recent research tells us it seems this advice is being heeded. 31% of companies polled by The Economist Intelligence Unit said they take increased longevity into account in terms of their sales and marketing.

Four in ten companies said they expect to market an increasing proportion of their products and services to the older population in the next 5 years. Yet despite this apparent progress, the report still supports the statistic in paragraph one above by concluding that just 10% of the companies surveyed regard themselves as highly effective at marketing to the older consumer.

2. Companies are uncertain how to communicate with older people

*“It's not just about packaging and servicing, it's also about communication and how older people should be targeted and addressed.”*³⁹

Understanding the best communication channels for targeting older people is another issue companies will face when entering the older market. The channel(s) companies use to market and sell to older people will often need to be different to those used to reach a younger generation of consumer.

Part of the difficulty in identifying the right communication channel is due to the fact older people do not use the Internet to the same extent as younger generations and are less likely than other ages to shop around or keep an eye out for better deals.⁴⁰

³³ MarketingWeek, *Tv spots paint false image of material girls*, July 2011

³⁴ David Cole, *fast.MAP*, as quoted in MarketingWeek, *Tv Spots paint false image of material girls*, July 2011

³⁵ David Cole, *fast.MAP*, as quoted in MarketingWeek

³⁶ *fast.MAP* research, as quoted in MarketingWeek

³⁷ AgeUK, *The Golden Economy* (2010)

³⁸ *ibid*

³⁹ Mark Gettinby, AgeUK General Manager of group product development

⁴⁰ *ibid*

AgeUK, using EFS data to identify whether people used the Internet to order 16 categories of goods/services in the past 3-12 months, found that Internet shopping decreases with age.

Once other factors had been taken into account, 65-69 year olds were said to be around half as likely to have made an Internet purchase in the past 12 months compared with 45-49 year olds. 45-49 year olds were more than five times more likely to have made an Internet purchase in the past 12 months compared to those aged 80+. Only 2% of those 80+ had purchased goods or services on the Internet within the last 12 months⁴¹.

Engaging with older consumers was an issue raised during the BusinessLab-conceived *AdvantageNewcastle* workshops held in Newcastle upon Tyne in 2011, designed to focus on the business opportunities of the ageing demographic⁴². Finding the right communication methods and developing the correct packaging and service models for older consumers were common topics during the workshops. Many companies felt they didn't know how best to communicate with an older client base.

Many brands use direct mail to talk with older consumers. *“Those who have grown up with letters value direct mail much more than anyone under the age of about 30.”*⁴³ However, focusing on this method alone may miss places where potential older consumers spend time.

Although Internet usage seems to decrease with age, social networking sites such as Facebook have an increasing ageing population. Data from the Pew Research Centre indicates use of Facebook, although slowing down for the 18-29 and 30-49 age group, has taken off for those aged 50-64 and 65 plus.

*“47% of Internet users ages 50-64 and 26% of users aged 65 plus now use social networking sites”*⁴⁴. As a result social networking could be a means of marketing to older consumers.

However, when it comes to purchasing it seems the Internet might not be the best channel to focus on for older consumers.

A recent AgeUK report highlights that although online shopping may be a valuable alternative for shoppers seeking easy access and convenience to products and services, Internet shopping decreases with age.

A challenge related to older consumers is the fact they are less likely to switch brands. For example, research by Ofcom suggests that older people are less likely to switch mobile phone supplier and more likely to believe that making cost comparisons is difficult compared to other age groups.⁴⁵

A similar picture seems to exist in terms of shopping around for energy suppliers, with pensioners being less likely to use the Internet to switch energy supplier – ‘only 16% shop around online, compared to almost 4 in 10 of those aged 25-54’⁴⁶.

⁴¹ AgeUk, 2010. *The Golden Economy*

⁴² www.advantagenewcastle.co.uk

⁴³ *MarketingWeek*, *Get your share of the century old consumer*, 22.4.10, quoted Matthew Hunt, *Head of Planning at DDB Health*, story accessed 23.12.11

⁴⁴ <http://www.allfacebook.com/facebook-older-people-2010-09>

⁴⁵ Ofcom, 2009. *TheConsumerExperience2009:Telecoms,InternetandDigitalBroadcasting*, p.118.

Available at: <http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/research09.pdf>

⁴⁶ *RelianceonSwitchingLeavesPensionersPayingaPremiumforEnergy*, AgeConcern Press release, 7November2008.

However, this is not a problem if older people are already part of your customer base because they are more loyal and appear to be less likely to complain.

Despite the fact older people seem to be more loyal to brands, fast.MAP research found they are more receptive to marketing messages than their younger counterparts. This is said to be partly because they have more time to absorb them.

Therefore, it seems vital for companies to be aware of the different methods of communicating with older audiences. Social networking sites are just one of these methods. For example, *Tetley* has started sponsoring 'communi-tea' days at Bupa care homes and food brand *Knorr* sponsors 'virtual cruises' in the homes.

Flexible communication methods will become increasingly important as the 100 year-old consumer of tomorrow begins to emerge with even greater demands and expectations.

What seems apparent from the above is that the older consumer presents a real opportunity for any company that can address their needs. And while older people are receptive to the marketing messages they get, there is a real challenge around knowing how to communicate with this age group in an appropriate, positive and engaging way.

3. Societal factors such as ageism

Ageism is another issue companies have identified as a barrier to overcome when they start targeting an older consumer population.

*"Ageism...exists in many areas of life and not only causes personal hardship and injustice but also harms the economy"*⁴⁷

The opinion younger people have of older people, as well as how older people perceive and talk about themselves, has a direct impact on the way older people are portrayed on television, in the media, film and advertising.

The Pew Research Centre highlighted some interesting disparities among the perceptions of young and middle aged adults and those actually experiencing old age themselves. These disparities came into sharpest focus when survey respondents were asked about a series of negative benchmarks often associated with aging, such as illness, memory loss, an inability to drive, an end to sexual activity, a struggle with loneliness and depression, and difficulty paying bills. *"In every instance, older adults report experiencing them at lower levels (often far lower) than younger adults report expecting to encounter them when they grow old"*⁴⁸

These sorts of perceptions have a lasting influence on the public's view of ageing and older people. Negative portrayals of older people and ageing can perpetuate ageist attitudes.

The UK government has gone some way to addressing the issue of ageism, particularly within the workplace. In October 2011, the default retirement age of 65 was removed thereby removing the 'best before' date of older workers. Not only has this been designed to remove the ageist attitudes endemic in many workplaces but also to benefit businesses.

⁴⁷ AgeUK website, <http://www.ageuk.org.uk/work-and-learning/discrimination-and-rights/what-is-ageism/>

⁴⁸ Pew Research Centre, 2009. *Social and Demographic Trends, Growing Old in America: Expectations v's Reality*

By forcing businesses to properly manage older workers this will help them to recognize how the skills and knowledge of older workers can benefit their businesses. However, ageism within media and marketing is still a prevalent issue:

*“It is clear that the media’s obsession with youth often comes at the expense of older Americans. In the quest to target youth, media and marketing have ignored the purchasing power and preferences of millions of baby boomers and seniors across the country.”*⁴⁹

A recent article in The Guardian newspaper highlighted some examples of ageism. One of these was from the paper’s motoring column: *“Close your eyes for a moment and think of Volvo. What’s the first image that floats into your mind? ...Can you see the driver? He’s probably a grey-haired pensioner heading to the golf club for an 11 o’clock sherry.”*⁵⁰ The other was from a restaurant review, which stated, “There is an awful lot of cashmere in this room”.

In fact, it has been found that media and marketing *“are the most pervasive, systematic and identifiable sources of images that are detrimental to older audiences”*⁵¹.

The above perceptions of older people depicted by the media inevitably affect the general public’s impression of what it is to be ‘old’ and, in turn, this makes it more difficult for companies to market and sell to this age group. It is difficult for companies to successfully present themselves as being able to embrace all ages without seeming patronising and belittling to the very age group they are trying to target.

4. The stigma of companies being associated with older people

During the *AdvantageNewcastle* workshop series various business leaders identified fear of stigmatisation as a barrier to entering the ageing marketplace. This fear was partly born out of the fact they perceived there are no obvious or well-publicised companies who act as role models in the ageing sector.

A strong and consistent theme in SME feedback on the ability to capitalise on the ageing market is the need for role models i.e. successful businesses that sell and market to older consumers.

Small businesses want to understand how companies like Harley Davidson and Nintendo successfully market and sell to older people without putting off their existing, younger clientele. Many smaller companies involved in the *AdvantageNewcastle* programme feared they would lose their younger customers by focusing too much on their older clientele.

Removing the barriers and risk for companies

This section will include examples of companies who have overcome the 4 barriers above. At a practical level, it will also highlight a number of initiatives and organisations in Newcastle upon Tyne that are working together to provide support for businesses that want to break into the ageing market.

Some businesses would appear to understand older consumers and how they would like to see themselves represented in marketing and the media. And

⁴⁹ Senator John Breaux, chairman, 2002 Special Senate Committee Hearing on Aging

⁵⁰ The Guardian, The readers’ editor on... ageism in the media

⁵¹ <http://www.globalaging.org/elderrights/us/ageism.htm>

they have used this knowledge to create new and successful products and marketing campaigns. Two companies who have been very successful in this endeavour are Marks and Spencer and *Dove*, a Unilever brand.

In 2006 the UK retailer and anchor store, Marks and Spencer, used 'Twiggy', the fashion icon of the 1960's, to feature in an advert with Erin O'Conner and Lizzie Jagger. The advertising campaign is a good example of creating an appeal for women of all ages. The campaign was part of Marks and Spencer's fight-back from the recession. The result of this has been an increase in the clothing market share of 50 points to 11.7%⁵².

The recent *Dove* campaigns, featuring women of all ages and sizes, have challenged the fashion industry's idea of beauty as the perfect '5ft 10", stick thin, 20 year old model'. In 2007 the company launched its *pro.age*⁵³ product range to challenge the negative views of ageing. The campaign - and the product - has been very successful.

Although there seems to be some blame placed on marketing companies for not openly promoting the potential gains of successful campaigns targeting the older age group, there are some specialist marketing businesses that are doing this.

20plus30, mentioned earlier, is a marketing consultancy specializing in advising companies about all aspects of the 50 plus age group. This company provides different types of advice including general tips on success when marketing to older consumers. One of their publications gives some handy tips to stop companies making disastrous blunders. These include considering the fact that the 50 plus are increasingly part of the decision making process for products and services where they are not the customer, but the primary source of funding.

Springtide Marketing, based in Lancaster, is another example of a marketing company who specialise in the over 50's market, helping businesses to promote their products to the more mature consumer.

Secondly, companies should not segment the market in terms of age but rather focus on lifestyle preferences. Thirdly, focus on developing the skill of age neutral marketing, targeting a wide range of customer ages. Fourthly, the UK's older market has the highest response rate to direct mail of any consumer group.

In addressing the remaining 3 barriers identified above this paper will look at various initiatives in Newcastle upon Tyne and the North East of England, which, over the last five years, has been a major focus of BusinessLab's *ActiveAge* collaborative research programme.

By focusing on this city-region the aim is to highlight possible solutions that could be adopted in other cities or regions that want to capitalise on the opportunities presented by the ageing demographic.

Here, a number of organisations - public, private and third sector - provide support for business to help them better understand and overcome the issues they face in breaking into the ageing marketplace.

The universities represent a key resource for the region. Newcastle University, for example, has one of the largest numbers of academics working on aspects of ageing in Europe. Many of these are clustered around

⁵² BBC Business, Marks and Spencer Profits up 12.9% after 'good' year, 24.5.11, accessed 23.12.11

⁵³ <http://www.dove.co.uk/cfrb/articles/study-too-young-to-be-old.html>

a purpose-built campus, operated in partnership between the University and the Newcastle upon Tyne NHS Hospitals Foundation Trust.

The *Campus for Ageing and Vitality* has brought together academia, health care, the voluntary sector and business to generate innovative products and services for the support of healthy ageing and independence through-life. The campus consists of 4 quarters:

- Academic Quarter
- Healthcare Quarter
- Retail Quarter
- Business & Engagement Quarter

It is a world-leader and is attracting international businesses. By bringing the right mix of people together in one place, the University is providing access to all the right information and assistance required to make the most of the ageing market opportunities.

The University's *Changing Age* programme comprises several elements and provides a response to the societal changes caused by ageing. The campaign includes research into ageing through the University's Institute for Ageing and Health.

The *Changing Age for Business* initiative, another element of the programme, aims to help businesses grow in the emerging market. This includes an engagement team and facilities located at *The Campus for Ageing and Vitality*.

The Newcastle *Charter for Changing Age*⁵⁴, another element of *Changing Age*, calls upon support, to create a society in which people of all ages can live their lives to their fullest potential. The Charter is tackling barriers and encouraging people to think differently about old age

By focusing on changing attitudes towards age, the Charter is helping businesses in the North East by removing the stigma around marketing to an older client group.

Another resource forming part of the University's *Changing Age* programme is *VOICENorth*⁵⁵, which consists of a large representative group of over 1,000 people. The group increasingly reflects the age structure and socio-economic make up of the North East and is a means to engage with a wide range of people, to consult with them on key issues around ageing and demographic change.

This group provides an asset for businesses wishing to develop products and services, or marketing strategies, for older consumers. The group's knowledge of what it's like to be older can be utilized for feedback and advice on products and services before they enter the market.

Linked to the University, and contributing to the unique ecosystem in Newcastle, is the additional support available from *Newcastle Science City*, the *Health Innovation and Education Cluster (HIEC) North East* and *NHS Innovations North*. These three organisations work closely with the university to offer a holistic package of support for businesses.

⁵⁴ Newcastle University, *Charter for Changing Age*, <http://www.ncl.ac.uk/about/values/societal/changingage/charter.htm>

⁵⁵ Newcastle University, *VOICENorth*, <http://www.ncl.ac.uk/iah/ageing/volunteer/voicenorth.htm>

HIEC was created to help identify the innovation needs of the health service in the North East and is working with both multinational corporations and SMEs at a local level to showcase solutions.

NHS Innovations support businesses with finding commercial opportunities in healthcare and ageing providing a mechanism for NHS organisations to identify, protect and exploit their own IP, which is a result of research and occupational experience. They form part of a network of NHS organisations in the UK.

Newcastle Science City's role in respect of business is to support the creation of innovative businesses and assist existing businesses to innovate and grow. The types of support offered include: direct advice and mentoring on business development, access to experts in specialist areas, expert training and workshops and access to networks.

All of the above organisations assist businesses wishing to look seriously into the potential opportunities available to them. This involves working on existing products and services to making them applicable to an ageing population or to developing totally new services.

Conclusion

The ageing population presents a significant opportunity for companies who can innovate, enhance existing products and services or develop new product lines suitable for the older consumer.

A significant amount of research has been done to identify the business sectors most likely to benefit from older consumers such as those involved with health and wellbeing, leisure, tourism and financial services. And much has been written about the opportunities for those who can help individuals achieve more independent lifestyles in old age. But much more work is required to better segment the ageing markets and ascertain their size in other areas.

For many companies already focused on the ageing market their strategy has been to adapt their existing offering to make it more attractive and applicable to older consumers.

In the case of Harley Davidson and Muller, products have been adapted to suit the older market, offering something slightly different to the mainstream offerings to the younger market. This strategy would appear to have successfully avoided any stigmatisation these companies could face in targeting the older consumer.

For them, the strategy of continuing to market and sell to other segments of the population and not being seen as focusing solely on older people, who are increasingly buying at the top end, is lucrative – and less risky.

SAGA, however, is a good example of one of the few companies that have been set up uniquely to develop products for this market. Increasingly their profile and their offerings appear to be becoming more mainstream where the quality of the product or service is more important than the age group for who they are targeted.

Marketing is indeed crucial. Examples in this paper suggest that an ‘age-neutral/design-for-all’ approach is being adopted by the most market-savvy organisations. The companies that have been successful with their marketing campaigns have targeted all ages, not just older people. Good examples of this ‘age-neutral/design-for-all’ approach are seen at *Marks and Spencer* and *Dove*.

Another barrier companies face is in identifying the right communication channels for marketing and selling to older people. This seems to be a more complex issue, given the fact that older people are not a homogeneous group.

For example, some older people are tech savvy, whilst others don’t use the Internet at all preferring the more traditional media, radio, television and the press. Older people are also a popular target for tele-sales and direct mail campaigns. This is an area where more research is required in order to help businesses identify the channels to market.

The reasons why more companies are not engaging with the ageing marketplace and/or developing products directly for this demographic, are not immediately clear.

What is clear is that, in addition to the challenges identified above, in many places help is simply not available for businesses wishing to break into this market. Companies are not sure where they can get help and are left to take risks alone or engage marketing companies and consultants who themselves are not familiar and experienced in these emerging markets.

As can be seen from this paper, however, in Newcastle and the North East there is an ecosystem of support for small and medium sized businesses that decide to grasp the opportunities of the ageing marketplace.

A large amount of expertise exists within the region – in places such as Newcastle University, within Newcastle Science City and the HIEC - to assist companies or individuals who want to break into this market segment.

This support, when linked to the presence of large-scale, public sector enterprises such as Newcastle City Council and the Newcastle upon Tyne NHS Hospitals Foundation Trust – both forward-thinking players in the regional economy, embracing radically new approaches to service delivery - creates a uniquely rich milieu in which innovation can develop.

The need for a research cluster where companies can go to get accurate and reliable information about the market opportunities has been identified through the *AdvantageNewcastle* workshops.

The basis of this already exists in Newcastle in the form of the *Changing Age for Business* programme and is being enhanced by the development of the *Campus for Ageing and Vitality*.

In conclusion, many in business, government and academia are taking active steps to respond to the challenges and opportunities of an ageing population.

There are significant barriers to overcome: ageism, stereotyping, inflexibility and uncertainty. Those who are able to effectively address these challenges at a city, regional and national level, will be well-placed to take advantage of the economic opportunities presented by the ageing demographic.

In Newcastle and the North East of England it would appear that, for the large business-facing public sector organisations, the ‘penny has dropped’. They are mobilising their knowledge, expertise and networks to make sure that local and regional businesses, as well as regionally-based international businesses, get the help they need to grasp the opportunities - and that older people, and the economically challenged public sector who support them, will benefit as a consequence of their needs being met with innovative services and products.

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