



A BOOMING OPPORTUNITY PROFITING FROM A GRAYING AMERICA

- Aging Baby Boomers will be a dominant consumer growth market for the next 20 years
- Research suggests that Boomers will remain healthy spenders as they age – and they will increasingly do their shopping online
- We see huge growth potential for beauty/skin care, entertainment, fitness and health-food markets
- House-proud Boomers will also drive gains in home furnishings and home-improvement sales



FUNG BUSINESS INTELLIGENCE CENTRE
GLOBAL RETAIL & TECHNOLOGY

DEBORAH WEINSWIG
EXECUTIVE DIRECTOR-HEAD GLOBAL RETAIL AND RESEARCH
FUNG BUSINESS INTELLIGENCE CENTRE
DEBORAHWEINSWIG@FUNG1937.COM NEW YORK: 646.839.7017

A BOOMING OPPORTUNITY: PROFITING FROM A GRAYING AMERICA

Accounting for nearly \$3 trillion in annual spending, Americans aged 50 and older are a huge, rapidly growing—and yet vastly underserved—consumer majority. Blame a youth-obsessed culture and outmoded attitudes about aging. Capitalizing on this burgeoning growth opportunity will require a shakeup of mindsets and marketing models.

The US is on the verge of a massive demographic shift—and it's coming at breathtaking speed. Over the next 15 years, the number of Americans aged 50 and older is projected to grow by 21%, to 134 million (Figure 1), representing more than one-third of the US adult population. By 2050, this age group will reach an estimated 161 million, accounting for more than half (52%) of all adults.

At the epicenter of this “agequake” is the Baby Boomer generation (people born between 1946 and 1964). The youngest among them just turned 50 and the oldest is just under 70. Coming up fast behind them are the Generation Xers (born between 1965 and 1976), the first of whom will turn 50 next year.

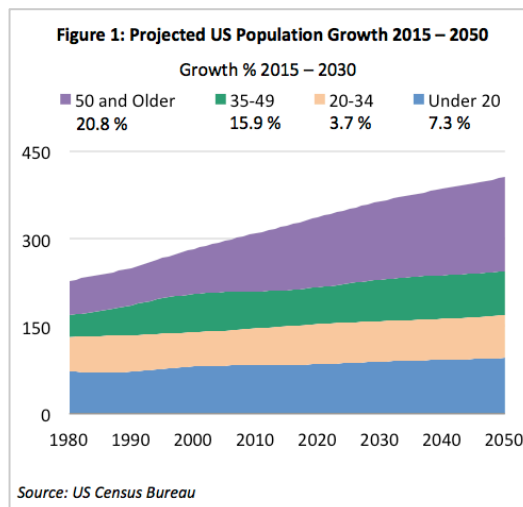
Just as they have at every other stage of their lives, Boomers are now redefining what it means to be old. On the whole, they are healthier, richer and more active than previous generations of older Americans. Younger Boomers (ages 55 to 64) earn and spend more than the average US consumer and significantly more than the avidly courted Millennials. Research suggests that this demographic will remain healthy spenders as they age. As this demographic shift unfolds, we see an unprecedented competitive and profit-growth opportunity for companies that can provide the products, services and shopping experiences that meet this cohort's changing life-stage needs.

Companies Need to Catch the Age Wave

Merchants, marketers and makers of consumer goods that catch the 50-plus demographic wave today stand to reap enormous long-term rewards. Yet, for the most part, consumer-centric companies have been slow to respond to the demands of this powerful new consumer force.

Though Boomers dominate 119 of 123 consumer packaged-goods (CPG) categories and account for close to half of CPG spending, less than 5% of advertising dollars are targeted to adults 35-64, according to a 2012 study by Nielsen and advertising firm BoomAgers.

In a 2013 report, AARP reported that 10% of US marketing dollars specifically target the 50-plus demographic. Polls consistently show that older Americans feel invisible to most marketers. Much of this neglect stems from the assumption that older consumers will spend less than other age groups, and that they resist trying new products, much as their parents and grandparents did. But marketers specializing in this demographic believe that the Boomer generation will turn that conventional wisdom on its head.



>12,500	The number of Americans turning 50 each day—that's one every seven seconds (US Census)
35%	The percentage of the US population represented by people over age 50 in 2015 (AARP)
8,000	The number of Boomers turning 65 every day in America (US Census)
40%	Growth in the number of people aged 60 and older over the next 15 years

Nonetheless, there are two main challenges facing companies seeking to tap this growth opportunity: First, this is not one, big homogeneous group. The 50-plusers' life situations span everything from having school-age children to empty-nest syndrome to grandparenthood. Their tastes, aspirations and priorities vary widely, and are more likely to be dictated by health, personal finances and lifestyles than by chronological age. A one-size-fits-all approach won't work with this crowd. What may appeal to the physically fit 60-year-old won't necessarily work with the less active person of the same age.

Second, capturing this demographics' spending power will also require jettisoning the stereotypes and preconceived notions about how, where and why these consumers shop and what they like to spend their money on. Though older people have age-specific needs, they don't want to be approached in ways that remind them of their age or of the hardships of getting older. Products that are overtly marketed to older Boomers risk alienating younger ones.

Boomers: Where the Wealth Is

For decades, the cult of youth has driven marketing and advertising strategies and much of our popular culture. Even today, consumer-centric companies everywhere are hitching their future growth to the Millennial generation (the 70 million children of the Baby Boomers) as these young adults build careers, buy homes and start families. But this fixation on youth overlooks one important fact: When it comes to wealth, income and spending power, the 50-plusers are where the action is.

People age 55 and older control more than three-fourths of America's household net wealth of \$81.5 trillion, based on data from the US Federal Reserve's 2013 Survey of Consumer Finances. All US households suffered considerable hits to their net worth in the wake of 2007 housing bust and resulting financial crisis. Even so, the median net worth of households headed by 55-64 year olds (at \$165,700) was still more than three times that of households headed by 35-44 year olds in 2013 (\$50,100), according to data from the Survey of Consumer Finances. The average net worth for Millennials (ages 20-28) was \$11,000, reflecting the effects of the recession on asset values and soaring debt.

Like most Americans, the majority of the 50-and-older group's net wealth comes from home ownership. Nearly 80% of the 50-plusers are homeowners, versus 40% of Millennials and 64% of Americans generally. While nearly 43% of mortgages among people under 40 are upside down, older Americans have maintained high home equity stakes. This older age group also own 69% of US financial assets and are 50% more likely to own investments than 18 to 49 year olds. In addition, about 70% of people 65 and older have paid off their mortgages, according to the Consumer Financial Protection Bureau.

An analysis by the Center for Economic and Policy Research found that much of the gains in wealth accumulation among Boomer-age households went to those in the top quintiles, as these families tended to benefit most from the recoveries in the housing and equity markets. The bottom 20% of households run by someone ages 55 to 64 has negative net worth (Figure 2).

"Boomers are looking for the deeper meaning, the second act, or just trying to enjoy the journey."

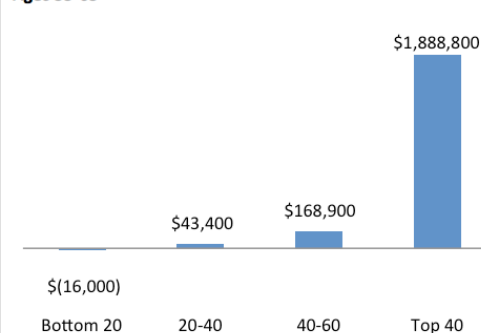
Gordon Plutsky, Chief Marketing Officer at King Fish Media

A Marketing Catch-22: Don't Call Them Old!

Experts who specialize in marketing to the 50-plus age group insist that the best way to gain any credibility with them is to avoid explicitly talking about their age. Rather, they say, companies should create products and services that highlight the pleasurable benefits they offer—for example, being able to speak more often to grandchildren via a device rather than being able to see the buttons more clearly on it. Messages about safety, practicality and "small pleasures" work better than talking about extravagance, big-ticket items and luxury. Provide solutions to issues facing the older consumer, without emphasizing the challenges of getting older.

Matthew Thornhill, co-author of *Boomer Consumer* and founder of the Boomer Project, a market research and consulting company targeting this demographic, advises marketers to use emotionally meaningful concepts, words, and images in messages aimed at this consumer, and to be positive, provide relevant product information and, by all means, underscore these customers' life stages, not their age. Research shows that most people in their 50s and 60s feel much younger than they are. *Sixty is the new 40!*

Figure 2: US Household Net Worth by Quintiles Ages 55-65



As of December 31, 2013

In 2013 dollars

Source: Federal Reserve Survey of Consumer Finances, Center for Economic and Policy Research calculations

Though many younger Boomers have saved far too little for retirement (only one in three adults in their 50s have has created a retirement plan, according to investment industry data), the sheer population size and surging growth of this demographic gives it more purchasing power than we've ever seen before in any emerging group of American seniors.

Boomers: Where the Buying Power Is, Too

Much of the buying power of the 50-and-older demographic comes from younger Boomers (ages 55 to 64) in their prime earning years. In 2013, their average disposable income was 16% higher than that of the typical Millennial, and 9% higher than that of the average consumer. Despite the lower incomes of 65-plus group, combined disposable income for 55 to 74 year-olds averaged \$57,312 in 2013, roughly 8% higher than for Millennials and 2% greater than for US consumers generally (Figure 3).

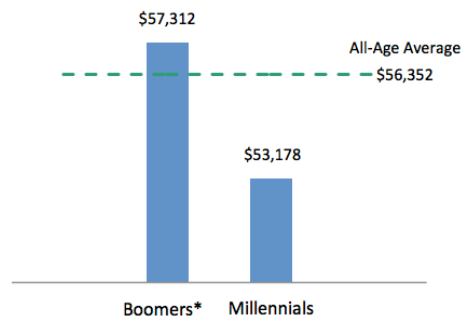
Powerful social and economic changes are also at play:

- **Americans are working longer.** Following a prolonged period during which the proportion of people older than 55 in the workforce declined, that pattern has reversed and is now rising sharply. People turning 60 today cannot receive their full Social Security benefits until age 66, and they can significantly increase their monthly payments (up to an additional 30%) if they wait to collect at age 70. With the near demise of the corporate-sponsored pension plan, Americans are increasingly responsible for their retirement savings. Postponing retirement gives them more time to build their nest eggs.

In the US, civilian labor force participation rates among people aged 55 or older fell steadily for the ten years through November 1991 (to a low of 29.4%), but it has since risen by more than 11 percentage points, to a high of 40.7% in October 2014. Today, the fastest-growing group in the US workforce is people age 65 and older; their numbers are expected to continue to grow rapidly through 2016 (Figure 4). Boomers also now represent the largest demographic starting new businesses. People ages 55 to 64 accounted for 21% of US start-ups in 2013, up from 14% in 1996, according to the Kauffman Foundation.

- **Americans are also living healthy longer.** An American reaching age 60 today can expect to live another 19 more years in full health, according to the World Health Organization. And this "healthy life" expectancy at 60 has been improving rapidly: it has been increasing by about 1.4 years every five years.

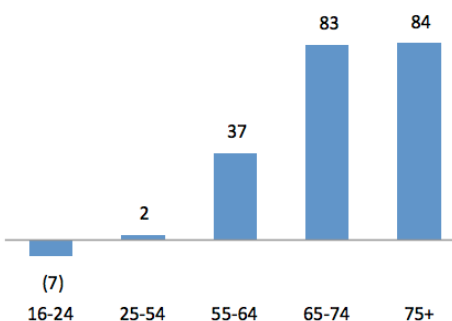
Figure 3: Average Disposable Income



As of December 31, 2013

*Weighted average of mean disposable incomes for the 55-64 and the 65-74 age groups, as categorized by the US Bureau of Labor
Source: US Bureau of Labor, Consumer Expenditure Survey, April 2014

Figure 4: Projected % Increase in US Labor Force by Age (2006-2016)



Source: US Bureau of Labor Statistics, A.T. Kearney analysis

Boomers to Stay Healthy Spenders as They Age

One of the biggest myths about older consumers is that they are tight with money. The truth is that, on average, younger Boomers (55-64) outspend Millennials (by nearly \$8,000 in 2013) and the typical consumer (by nearly \$5,000 in 2013). Even when we factor in the lower average expenditures of the older Boomers (65-to-74), the combined spending for this cohort was still roughly 2% higher than that of the average consumer (Figure 5).

In a 2013 survey of 3,000 people over 60, consulting firm A.T. Kearney found that these consumers overwhelmingly seek quality products, are loyal to brands and are not particularly price-sensitive, even if their incomes were below average. This survey and other research we found suggest that today's seniors won't be as frugal as their predecessors. Having been immersed in the consumer culture like no other generation before it, Boomers seem likely to continue to spend as they age.

Boomers don't want to just spend money on the things they need; they have the dollars and the desire to splurge on the things they truly want. People are healthy well into their 70s and 80s, as well as increasingly active and energetic. They want to look good and feel good, and they will choose products and shopping environments that reinforce their self-expression. They may buy fewer items but tend to spend more per item, according to the 2011 A.T. Kearney survey of mature consumers.

What Boomers Spend It On

Americans age 55 and older outspend the Millennials across most categories. For example, despite accounting for a third of all adults, Boomers were responsible for nearly half of all new vehicle sales in 2012, according to JD Power, the automobile marketing firm. One out of every two Boomers buys tech products, including smartphones, digital cameras, computers, tablets and e-readers. In fall 2012, research firm MRI reported that this age group spent more than other generations on foreign vacations (\$8 billion more than Millennials and \$10 billion more than Gen Xers). The more affluent segment of the Boomer cohort (those in the upper quintiles of wealth and income) are also expected to continue to spend more on luxury products than Millennials, according to the marketing research and consulting firm Shullman Research Center.

A closer look at US spending patterns in 2013 across age groups revealed the following spending trends:

- **Healthcare**, including health insurance, medical services, drugs and medical supplies, is by far the biggest expenditure category among 55-to-74 year olds. Not only does this spending significantly exceed that of all age groups (older adults spent, on average, \$1,000 on average more than the typical consumer in 2013), it also represented a far bigger share of their disposable income that year (8.5% vs. 4%-6%, respectively).
- For nearly **all other categories**, the average 55-plus age group spending as a percent of disposable income was roughly the same as that of younger adults (Figure 6).

Figure 5: Average Annual Expenditures (2013)

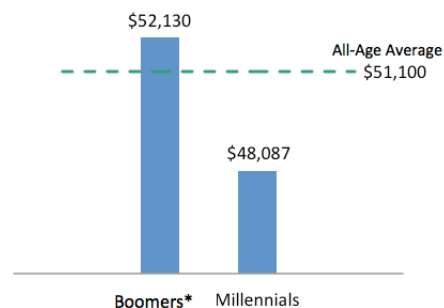


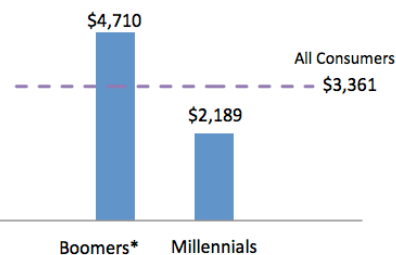
Figure 6: Percent of Disposable Income by Age Group

	25-34	35-44	45-54	55-74
Housing	32.4%	29.8%	27.9%	28.3%
Transportation	17.3%	15.2%	15.8%	15.6%
Healthcare	4.1%	4.6%	5.6%	8.5%
Food at Home	6.7%	6.7%	6.9%	7.1%
Entertainment	4.2%	4.3%	4.3%	4.6%
Food Away from Home	5.0%	4.7%	4.7%	4.3%
Household Furnishings	2.6%	2.5%	2.6%	3.1%
Clothing	3.4%	2.8%	2.7%	2.5%
Telephone Services	2.3%	2.2%	2.3%	1.7%
Education	1.9%	1.3%	2.9%	1.4%
Pet Supplies & Accessories	1.0%	0.9%	1.1%	1.2%
Personal Care Products	1.0%	1.0%	1.1%	1.1%

As of December 31, 2013

Source: US Bureau of Labor Statistics, Consumer Expenditure Survey, April 2014

Spending on Healthcare



As of December 31, 2013

*Weighted averages of expenditures by the 55-64 and 65-74 age groups, as categorized by the US Bureau of Labor Statistics
Source: US Bureau of Labor Statistics, Consumer Expenditure Survey, April 2014

- On average, Americans aged 55 to 74 also spent around \$1,500 more in 2013 than the average Millennial on food at home, entertainment, household furnishings, pet supplies and personal care, and roughly \$460 more than the average for all consumers.

Healthy Aging Is the Goal

Though Boomers have a widely divergent set of life situations and lifestyles, they share an interest in maintaining physical vitality. This focus encompasses health, wellness and looking good. Thus, we see robust growth ahead for everything related to health and healthcare—from products that enhance physical appearance to better-living-through-chemistry, to elective surgeries, to new healthcare-centric community developments.

In the US, consumers 55 and older account for 62% of prescriptions filled annually. However, they aren't just buying prescription drugs and other typical healthcare products. Like all consumers, and especially the youngest among them, Boomers are investing in healthier living today to minimize healthcare spending longer term. As a result of this universally popular theme, "healthier for you" messages have gained prominence across the consumer-products aisles.

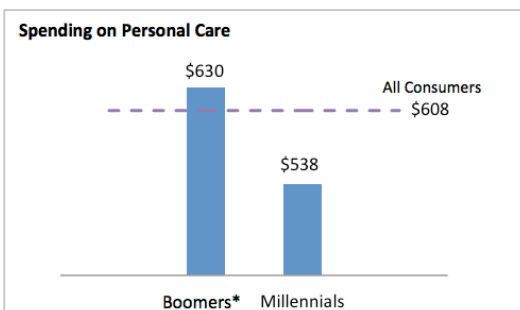
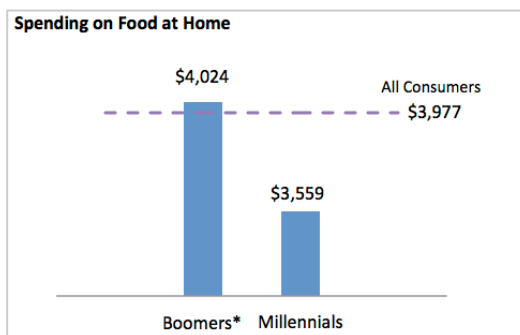
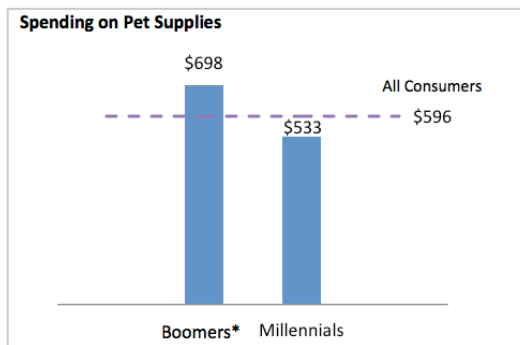
In particular, older consumers are embracing the concept of proactive self-care. Older consumers are investing disproportionately in a wide range of preventive care and simple healthcare solutions. Sales of products, such as gastrointestinal liquid, home healthcare/kits, vitamins and internal analgesics, are showing exceptional growth among mature consumers. The US anti-aging skin care market reached \$2.1 billion in 2013, according to Mintel, a market intelligence firm.

Likewise, NPD Group estimated that Boomers will control more than half of the dollars spent on US grocery foods this year. Given their preoccupation with health and wellness, older Americans are particularly responsive to food and beverage products that pack a nutritious punch. They also tend to gravitate to brands and organizations that offer medical and wellness mentorship and guidance on products, particularly if offered along with social engagement.

The healthy aging theme is reflected in the following statistics:

- Fitness programs for older adults ranked No. 3 in the Top 20 Worldwide Fitness Trends in 2012 (Immersive Active)
- Americans 55-and-older are fastest-growing age group among gym members, up more than 266% since 1987 (IBIS World)
- The brain-training market surpassed \$1 billion in 2012 (Immersive Active)
- Of Americans 50 and older who use the Internet, 82% also research health and wellness information online (Pew Internet and American Life Project)

A new generation of startups has risen up to mine this golden opportunity. RockHealth, a seed-stage accelerator for health startups, has received backing from such heavyweights as Harvard University, the Mayo Clinic and Bay Area venture capital firms. It reports that funding for digital health-related companies exceeded \$1.9 billion in



As of December 31, 2013

*Weighted averages of expenditures by the 55-64 and 65-74 age groups, as categorized by the US Bureau of Labor Statistics

Source: US Bureau of Labor Statistics, Consumer Expenditure Survey, April 2014

2013, double 2011 levels. Investment hub AngelList, which follows emerging trends in seed-stage startups, features 4,281 companies in its health care category (with an average funding value of \$4.2 million, or 11% higher than the site's all-market average of \$3.8 million). Nutrition and personal health are other boomer-friendly categories (with respective average funding values of \$4.6 million and \$4.2 million).

Boomers Love to Spend on Their Homes

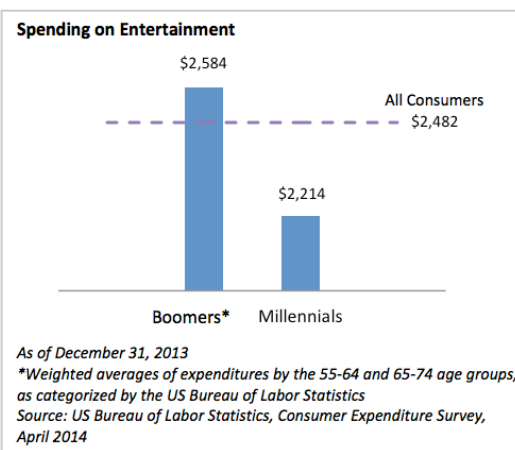
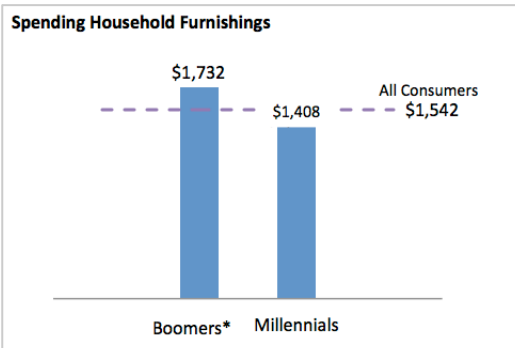
On average, the typical Boomer consumer also spent 23% more than their Millennial counterparts on home furnishings and related equipment in 2013, a category that includes textiles, furniture, floor coverings, major appliances and housewares. They spent 12% more than the average consumer.

- **Aging in Place.** One of the chief engines of growth in the home-related goods and services segment is the "aging-in-place" movement, driven by the desire among older Boomers to live out their lives in their own homes. It has given rise to new industry categories. Subdivision builders report a spike in demand for wired "grandmother" apartments and other auxiliary-dwelling units. General Electric, Intel and others are launching technology-based services to seamlessly connect Boomers to caregivers, parents, adult children and geriatric specialists from distant locations. The National Association of Homebuilders estimates that the aging-in-place remodeling market to be \$20-\$25 billion. That represents about 10% of the \$214 billion home-improvement industry.
- **Downsizing.** More than one-third of Boomers say that they plan to move to a new home within five years of becoming empty nesters, according to a SymphonyIRI survey. Many more are expected to adapt their homes to better accommodate diminishing mobility, which means redecorating and new home furnishings.
- **Gardening Buffs.** Roughly 27% of people ages 55 to 64 have had landscaping done in 2012, and they are 21% more likely than all American adults to have spent \$10,000 or more on home improvement in the past year, according to Nielsen research.

Boomers Want New Experiences

Many older consumers are keen to travel and to explore new possibilities. A startling 71% of global Boomers see retirement as a time to explore other cultures and places, according to a survey by consultancy NMI. Education is another popular pursuit. Market-research firm Stylus expects Boomers to become active participants in massive open online courses (MOOCs) and sees more retirement communities crafting their programs for residents around a shared interest, from motorcycles to the arts.

Boomers are major travel bugs. The number of travelers ages 55 and over has increased by nearly a quarter since 2011, according to a 2013 ITB World Travel Trends report. This same report highlighted the growing importance of accessible tourism, a subsector of the industry that caters to people with limited mobility, including providing travel companions. Indian travel company Kesari is responding to this demand by offering a series of Second Innings tours, which are tailored to the needs of active older travelers looking to "relive their college years."



The tours provide slower-paced itineraries, ramp access and routes that require less walking. Separately, the Pew Internet and American Life Project found that US adults 50 and older account for 80% of all luxury travel spending.

They Are Also Big Gift-Givers

MetLife estimates that there will be an estimated 80 million grandparents in 2020, up from 65 million in 2010. Three-fourths of people aged 65 and older are grandparents, and more than two-thirds of them report that they provided financial support or monetary gifts to their loved ones over the past five years. Build-a-Bear Workshop owes a good measure of its success to the legions of Boomers taking their grandkids to its stores.

What Boomers Spend Less On

For transportation, clothing (including footwear), eating out and telephone services, people aged 50 and older spent roughly \$1,300 less than Millennials in 2013 and \$1,100 less than the average US consumer.

Surveys and other research suggest that older women, especially those in professional jobs, are limiting their apparel purchases because they are frustrated with the current styles and selections available, which seem to them as either too dated or too youthful. They say they would spend more on clothing if they could find items better suited to their tastes and lifestyle needs. Achieving the right balance for this consumer is a tricky proposition, but we view this as a major opportunity for innovators in the industry.

The Boomer E-Commerce Opportunity: From Silver Surfers to Silver Shoppers

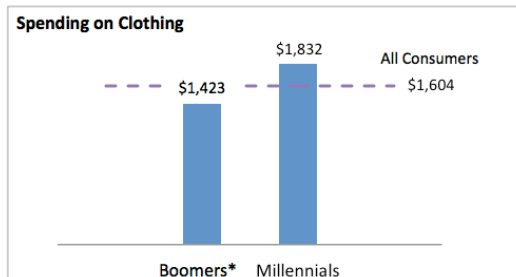
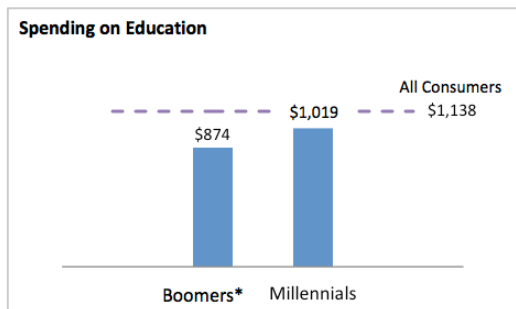
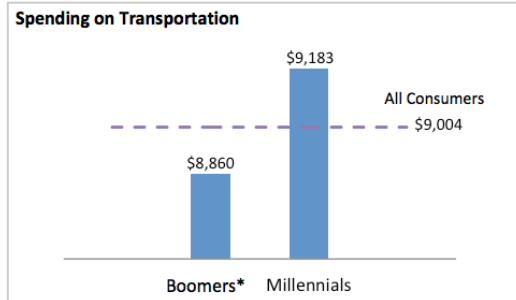
A persistent myth about older adults is that they are baffled by high-tech devices and shun the digital world. But boomers have been enthusiastic users and creators of technology for their entire lives, however much the pace of innovation may have accelerated. The director of MIT's AgeLab, Joseph Coughlin, argues that tech adoption is more influenced by experience, expectations, and perceived value than age alone. As he put it earlier this year, "This notion that older adults don't love technology – that's not on older adults, that's bad technology."

So, are older consumers stuck on the wrong side of the digital divide? Not anymore. According to the Census Bureau's 2013 report "Computer and Internet Use in the United States", 86.8% of householders 45-64 years old own computers and 78.7% of them regularly use the Internet. Among adults 65 years or older, 65.1% own computers and 58.3% use the Internet. Moreover, 66.9% of 45- to 64-year-olds report owning a "handheld computer" (that is, a smart phone or tablet).

In a recent report, the Pew Research Center found that roughly six in 10 Americans (or 59%) ages 65 or older now go online. That's a six-percentage-point increase from the year before, and a considerable uptick from Pew's first survey in 2000, when only 13% of older adults reported online activity. And once seniors are introduced to the digital world, they tend to linger: Among those who use the Internet, 71% go

"[Boomers] have never acted like the generation before them, and they will not do so as they go into the next stage of life."

Matthew Thornhill, co-author of *Boomer Consumer* and founder of the Boomer Project



As of December 31, 2013

*Weighted averages of expenditures by the 55-64 and 65-74 age groups,

as categorized by the US Bureau of Labor Statistics

Source: US Bureau of Labor Statistics, Consumer Expenditure Survey, April 2014

online almost every day. In addition, 54% of online users ages 65-69 use social networking sites (though only 6% of online seniors use Twitter versus 19% of all adult Internet users). This older group does lag the somewhat younger boomers in mobile adoption, however: While 77% own cell phones, only about 18% have smartphones or tablets. (Note that about 77% of the respondents aged 65 or more said they would need help learning how to use a new digital device.)

It's also becoming apparent that these Boomer surfers are starting to turn into enthusiastic online shoppers. Nielsen's most recent Global Survey of E-Commerce report found that 12% of respondents who intend to make an online purchase in the next six months were in the 50+ age range. According to a March 2013 survey conducted for UnitedHealthcare by GfK Roper Consulting, 79% of US Internet users ages 60-65 cited shopping as among their main online activities. And the Local Search Association's 2014 "Local Mobile Trends Study" conducted by Thrive Analytics reported that 69% of respondents aged 54-and-older said they used their smartphones occasionally in stores.

The research suggests that boomers may use the Internet more for research and price comparisons than younger consumers. According to a February 2014 report by Market Strategies International, boomers were more likely than Millennials to use consumer websites for product research (Millennials rely more on social networks). At the moment, seniors may be slightly less enthusiastic online shoppers, at least for staples. A January 2014 poll by Deloitte, for example, found that 45% of 21- to 29-year-olds agreed with the statement "Online purchases are displacing purchases I used to make at my preferred brick-and-mortars retailer for stock-up purchases" versus only 18% of 60- to 70-year-olds.

All of this seems to suggest a lucrative opportunity for savvy ecommerce players. Not surprisingly, one of the first out of the box has been Amazon, which launched its highly successful "50+ Active and Healthy Living Store" in 2013. (Not only does this allow Amazon to leverage its subscription-based ordering system, but it makes clever use of online coupons.)

On a broader scale, tech companies and the startup community are starting to wake up to this growing market, creating a plethora of new Boomer-friendly products (partly through developing smart tech that helps seniors stay in their homes). For the past several years, Living in Digital Times has hosted a "Silver Summit" at the International Consumer Electronics Show (CES) that highlights innovations—from haptic technology to smart home control—aimed at aging Boomers. (The CES 2015 version was titled "Lifelong Tech".) Transparency Market Research has suggested that the senior healthcare and home monitoring tech market alone could reach \$23.4 billion by 2020.

Still, tech manufacturers looking to gain a foothold with these new 50-and-older consumers may want to take heed of this comment by MIT's Joseph Coughlin: "I do not want a device that says 'old man walking'. What I want is fun."

CONCLUSION: GET WITH THE PROGRAM

Given its sheer size and economic clout, the 50-and-older demographic will remain the dominant and most influential consumer group for years to come. As they align their lifestyles with their needs, Boomer consumers will continue to reshape the marketplace, opening up fresh opportunities for imaginative product development, tailored customer services and innovative marketing strategies. Forward-minded companies are rethinking the tired presumptions about older customers and finding new and lucrative ways to reach them.

Deborah Weinswig, CPA

Executive Director – Head Global Retail & Technology
Fung Business Intelligence Centre
New York: 917.655.6790
Hong Kong: +852 6119 1779
deborahweinswig@fung1937.com

Marie Driscoll, CFA
mariedriscoll@fung1937.com

Christine Haggerty
christinehaggerty@fung1937.com

John Harmon, CFA
johnharmon@fung1937.com

Amy Hedrick
amyhedrick@fung1937.com

Aragorn Ho
AragornHo@Fung1937.com

John Mercer
johnmercer@fung1937.com

Stephanie Reilly
stephaniereilly@fung1937.com

Lan Rosengard
lanrosengard@fung1937.com

Jing Wang
jingwang@fung1937.com
