

Unlocking a lifetime of buying power

By Kim Walker, Chief Executive, Silver Group Founder, and a speaker at the 2016 Tourism Summit Aotearoa in Wellington, 9 November.

The trends have been clear for a long time that the population is aging. Do you think businesses are responding to the demographic change? Why/why not?

Less than 15% of firms have developed a business strategy focused on the elderly according to the Boston Consulting Group, while the Economist Intelligence Unit found that only 31% of firms take into account increased longevity when making plans for sales and marketing. This despite the fact that the over-60s currently spend some \$4 trillion a year and that number will only grow.

I believe much of this apathy can be attributed to the absence of 'pain' or 'gain' stimuli. The trigger for businesses to act will come from clear signals that their business is suffering due to inattention to the ageing consumer, or evidence of growth attributable to the sector. Both are difficult to prove or quantify. But in a world of so much uncertainty, there is one thing that we can be absolutely sure of: that we are now experiencing a growth of ageing populations at a rate unprecedented in the history of humanity – a sure bet for business.

Contrary to conventional wisdom, we believe there is not one but three distinct market opportunities presented by the ageing population;

1) Age-Silo – meeting the needs of the old, old.

This is the most obvious opportunity and commonly accepted area where businesses have led the response to the ageing society. Think retirement living, assistive services and devices.

Critically important and lucrative though this category is and will continue to become, these 'age-silo' opportunities tend to limit the view of many other companies who can stand to gain from the changing demographic structure. For companies whose response is that 'our products and services are not suited for the older consumer, consider that regardless of age, people need to eat, dress, maintain their health and beauty. They want to travel, to learn and to be entertained.

With this in mind, there are two more categories that offer even greater rewards if approached correctly;

2) Age Adapted – adapted to meet the needs of older (50+) people
These are often everyday products and services which can be adapted, repackaged or remarketed for the older consumer segment. 50+ cruises, or special privileges for older hotel guests would be an example of this. Many older customers do not want to be identified by their age so great care must be taken

with age-adapted approaches.

3) Age-neutral

This is probably the least understood and yet the greatest opportunity presented by the ageing population. Age-neutral, as the name implies, are products and services used by everyone but that may fail, through their design, retail environment, communications or other marketing aspect, to include the older consumer. Brands that get this right have the power to win with consumers young and old. In an age of demographic upheaval, that's a smarter business strategy.

There are many reasons why are companies have been slow to address the ageing consumer. Part has to do with the relative youth of many executives who find it either difficult to relate to the needs of older consumers or simply find it 'uncool'. They prefer to remain within their comfort zone and let industry inertia drive their pursuit of a relatively smaller, youthful dollar.

We have observed a number of scenarios that cause ageing initiatives to get side-lined. Do any of these sound familiar to you?

- A senior manager 'gets ageing' and initiates a lot of activity that ends as soon as they move job or lose interest.
- Something more important turns up. It is always possible to put off doing anything about ageing until tomorrow. Of course tomorrow never comes and what was a short delay becomes permanent.
- It is more complicated than they thought. What could be simpler than having a large group of older consumers with lots of money that are bound to purchase whatever we produce? Of course it is never that simple and as soon as the difficulties start then management focus moves to the next 'big thing'.
- Middle management have too much to do. A senior manager sees the light and fires off a string of activities for their middle management to achieve. These people already are working at the limit and the new ageing activity is slowly (sometimes quickly) buried.
- Conflict between senior and middle management. The engine room of the marketing group are instructed to get into the ageing business. This takes them well outside their comfort zone so one way or another they make the venture fail.

Do you have examples of companies (especially tourism companies) that have made changes to accommodate the aging population?

We have conducted audits for a lot with hotels to help them adapt to the evolving needs of older guests. This extends to recommended major structural

modifications through to simpler 'quick fixes' like signage and service issues. We have also audited the customer journey of tourist organisations.

There are an ever-growing number of examples of age-silo, age-adapted and age-neutral initiatives in airlines, destinations, hotels and attractions.

Unfortunately, many of them fail due to lack of understanding of the attitudes and more critically, the physiology of older travellers.

I will discuss some cases in my presentation at the 2016 TIA Tourism Summit Aotearoa.

Are older people looking for different experiences or levels of service to the younger population?

Just as with any consumer segment, it is dangerous to consider this group as homogeneous. Like all travellers, their personal interests, travel experience and physical condition will dictate their requirements in travel. It is likely however, that older travellers will be more experienced travellers and hence in a better position to make comparisons with past travels. We can also suppose that they may have already 'ticked the boxes' on many destinations and therefore may be more interested in pursuing *unique experiences*.

With the exception of major life-stage events, we have found that attitudes don't change much with age. However, the sad reality for all of us is that physical condition suffers an inevitable decline beginning from around the age of 50 years.

This is the main difference between older and younger travellers. We have codified 25 physical changes that need to be considered when designing customer experiences for older travellers. Understanding these physical changes and their impact, is crucial for an age-inclusive experience.

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