FUNG GLOBAL RETAIL & TECHNOLOGY

THE SILVER WAVE

Understanding The Aging Consumer

THE SILVER WAVE: UNDERSTANDING THE AGING CONSUMER

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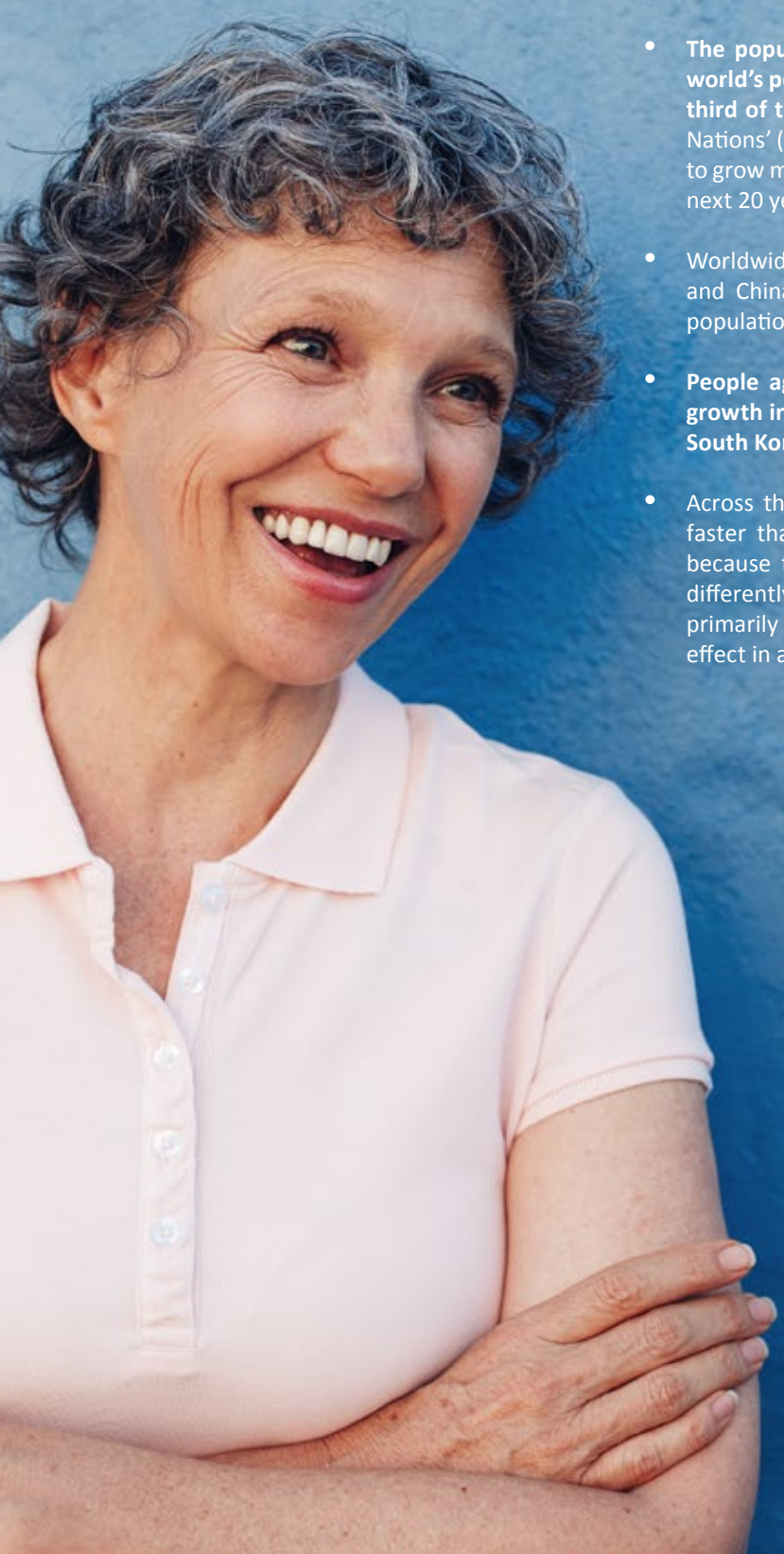


EXECUTIVE SUMMARY

- **The population of silvers aged 65 and over will grow from 8% of the world's population in 2015 to 13% in 2035, and will account for over one-third of total population growth through 2035**, according to the United Nations' (UN's) Population Division. Globally, this demographic is projected to grow more than 4.5 times faster than the nonsenior population over the next 20 years.

- Worldwide, by 2035, Japan, South Korea, Western Europe, North America and China will see silvers account for the highest share of their total populations, with seniors comprising more than 20% of the total.

- **People aged 60 and older will drive more than 45% of consumption growth in North America and nearly 60% in Western Europe, Japan and South Korea over the next 15 years**, according to McKinsey & Company.

- Across the coming two decades, the 85-and-older age group will grow faster than the 65–84 age group, the UN forecasts. This is significant because those at the younger end of the silver spectrum spend quite differently than their older counterparts do. This distinction is driven primarily by deterioration in health as people age, which creates a ripple effect in a number of areas.

Characteristics and Spending

- Silver households tend to share five notable characteristics:
  - They have fewer occupants than average.
  - They enjoy greater (and increasing) net wealth than younger households.
  - More working households, as more seniors are continuing in the workforce past age 65.
  - In Western markets, a majority of them are now online.
  - They continue to lag the general population in terms of smartphone ownership, but they are catching up.
- Per household, silvers spend less than the average. But this is skewed by their smaller average household sizes. **In major Western economies, seniors tend to outspend the average consumer on a per-person basis.**
- Consumers aged 65–74 allocate a similar proportion of their overall spending to items such as clothing, transportation and dining out as the age group directly below them does. In other words, they are still spending about as much on discretionary goods and services as those in employment do.
- Among consumers aged 75 and older, spending patterns are radically different: they spend proportionately more on basics such as housing and eating at home, and proportionately less on services such as dining out and transportation, as well as on discretionary categories such as apparel.

Impact on Industries

- **In the retail industry, we see silvers' demand for convenience and their need for assistance contributing to a remolding of the retail landscape:** we will see more smaller-format and local shops along with greater demand for home delivery via e-commerce.
- Silvers tend to spend less on leisure services than other age groups do, except for travel, where 65–74-year-olds outspend average consumers. Moreover, baby boomers are already enthusiastic travelers, and they will carry their demand for vacations into retirement in the coming years.
- In healthcare, we estimate that silvers accounted for around 17%, or $1.3 trillion, of global category spending in 2015 and that this figure will rise to around 26%, or $5.4 trillion, of global health spending in 2035. The cost pressures that healthcare places on governments and insurers mean that technology will play a major part in boosting productivity and, thus, keeping down costs. We see solutions emerging in health technology products, wearable tech and Internet-connected service providers.
- **Alongside healthcare, seniors' need for assistance with everyday living presents another potential burden on public and domestic budgets worldwide.** Innovation will be needed here, too, to care for seniors more cost effectively. Marketplaces that operate like Uber and Airbnb, matching silver clients with service providers, can drive up productivity in home care and assisted living for older consumers.

THE SILVER OPPORTUNITY HAS ARRIVED

The era of the silver generation has arrived. Silvers, or people aged 65 and above, are driving a hugely disproportionate share of consumer-spending growth in many key regions globally. In some markets, they are driving nearly all such growth. This trend will continue for the next 20 years, and it is being fueled by two related forces. The first is demographics, as the silver population is growing considerably faster than other age groups are. The second is economics, as silvers hold a disproportionate share of wealth globally.

Silvers, or people aged 65 and above, are driving a hugely disproportionate share of consumer-spending growth in many key regions globally.

This is not a homogeneous group, however. The characteristics that typify 65–74-year-olds look very different from those of the 85-and-older group. These days, people in the younger silver set behave much like their younger selves. They are fairly healthy, many are still working and their attitudes have not changed yet. But by the time silvers turn 85, their health typically has deteriorated significantly, and their attitudes and spending habits reflect that change. Those in the middle, the 75–84-year-olds, tend to fall into one or the other of these two groups; the shift usually occurs when their health begins to deteriorate noticeably.

The size and growth rate of silver populations—and of the subgroups within them—vary considerably across key regions. Japan, South Korea and Western Europe have much older populations than many other areas have, and growth of the 75–84-year-old group will be modest in these regions, while growth of the over-85 segment will begin to accelerate. India, Southeast Asia and South America still have young populations, and the growth of the silver demographic relative to the rest of the population in these areas will be lower.

The best opportunities for businesses targeting these consumers will occur in North America and China, which are both in the early stages of the graying of their populations.

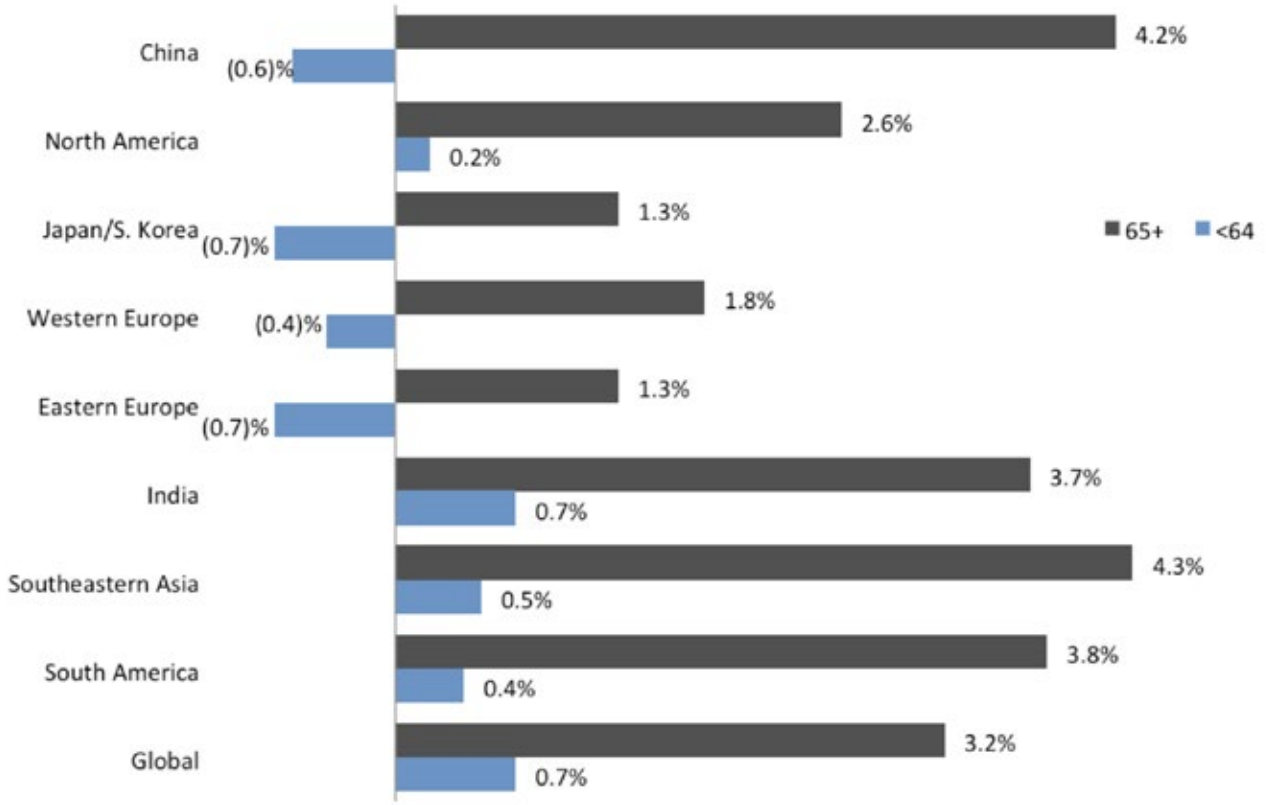
In this report, we outline the demographic changes ahead, consider silvers' characteristics and spending patterns, and examine how the aging population will impact four major industries, two of which—retail and leisure services—are at least partly discretionary and two of which—healthcare and assisted living—are essential.

I. DEMOGRAPHICS

According to the UN's Population Division, seniors aged 65 and over will grow from 8% of the world's population in 2015 to 13% in 2035, and account for over one-third of total population growth through 2035. The global population of those aged 65 and older is projected to grow more than 4.5 times faster than the nonsenior population over the next 20 years.

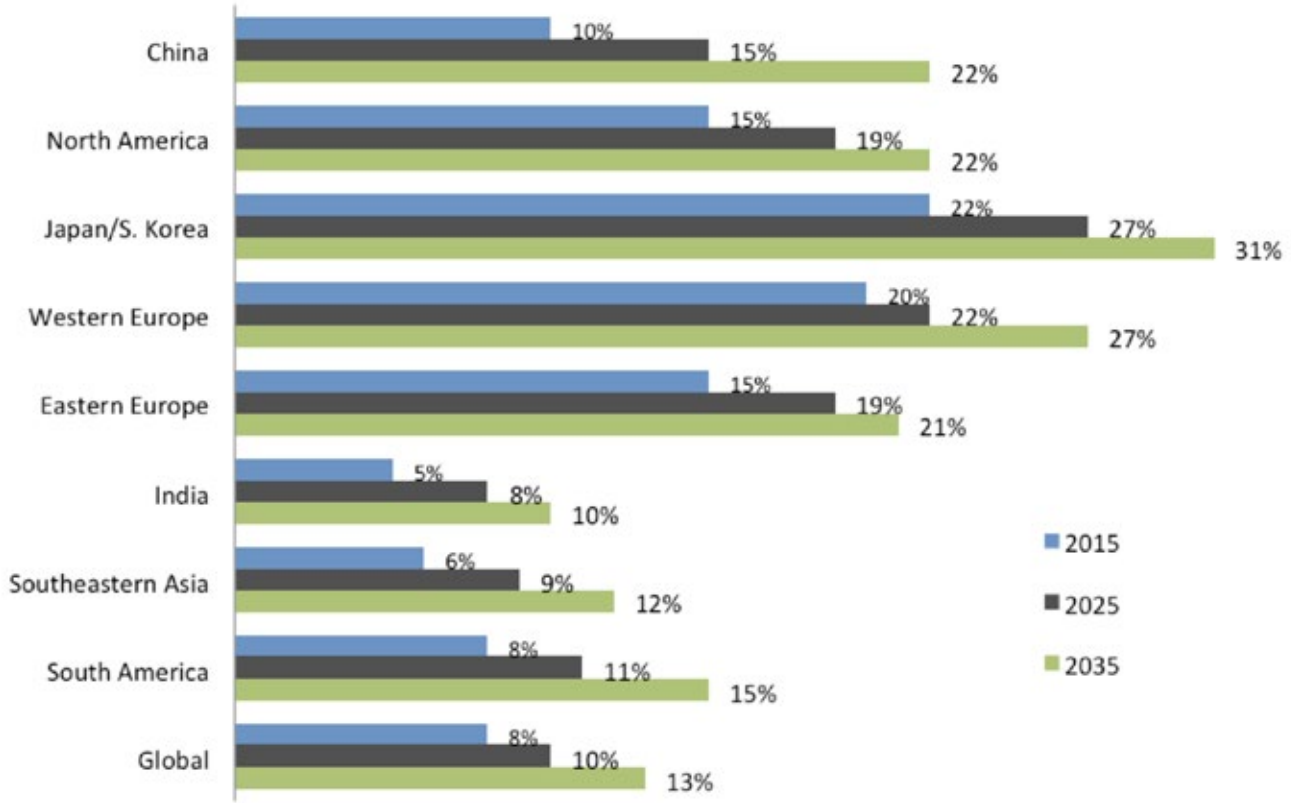
There are currently more than 500 million silvers globally; that number is expected to grow to nearly 750 million in 2025 and to over 1 billion in 2035. There is a clear demographic division, however, between more developed and less developed nations—growth rates are higher in less developed nations, but from lower base figures, whereas the proportion of seniors is higher in more developed nations. Falling global birth and death rates have driven this aging trend; since the 1950s, both measures have fallen consistently.

Figure 1. Compound Annual Growth in Population, 2015–2035E



Source: UN, Department of Economic and Social Affairs, Population Division/Fung Global Retail & Technology

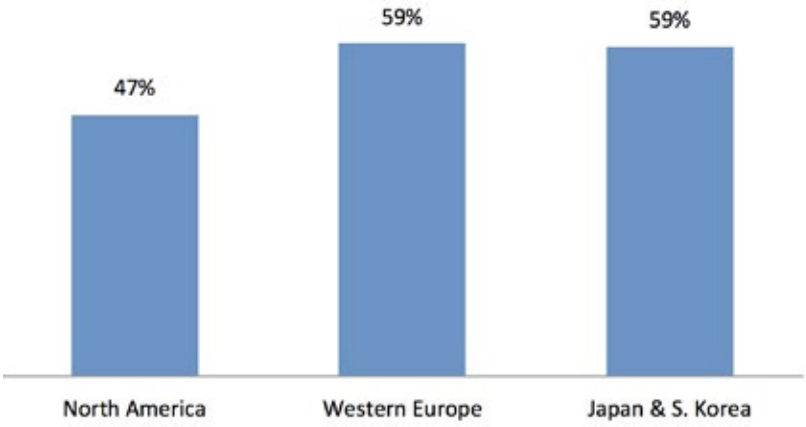
Figure 2. 65-and-Older Population as % of Total Population: 2015, 2025E and 2035E



Source: UN, Department of Economic and Social Affairs, Population Division/Fung Global Retail & Technology

Disproportionate growth in the silver demographic will drive disproportionate spending growth among age groups. According to McKinsey & Company, seniors aged 60 and older will drive more than 45% of consumption growth in North America and nearly 60% in Western Europe, Japan and South Korea over the next 15 years.

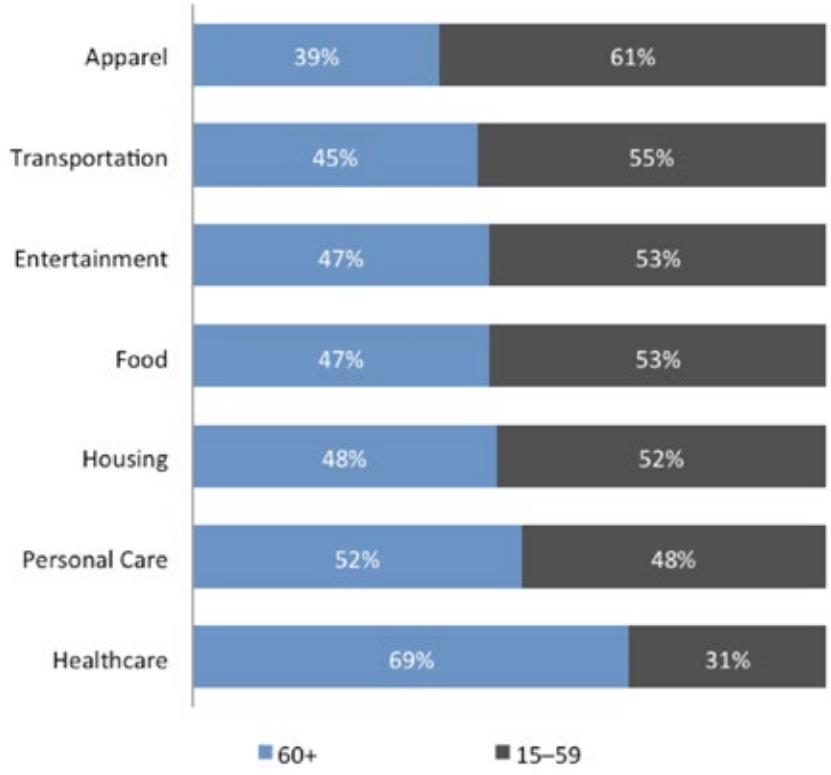
Figure 3. Projected Share of Consumption Growth Attributed to Seniors Aged 60 and Older (%), 2015–2030



Source: McKinsey & Company

McKinsey also projects that, in the US, people aged 60 and older will drive 45%–50% or more of consumer household spending growth from 2015–2030 in a wide range of consumer categories, including personal care products and services, housing, food, entertainment, and transportation. Even in apparel, they are expected to drive 39% of growth, despite comprising only 18% of the population, on average, over this time period. What is probably less surprising is McKinsey's projection that silvers will generate 69% of growth in healthcare spending.

Figure 4. US: Projected Aggregate Household Consumption Growth (% of Total), 2015–2030



Source: McKinsey & Company

The 85-and-older age group is expected to grow faster than the 65–84 age group across the coming two decades.

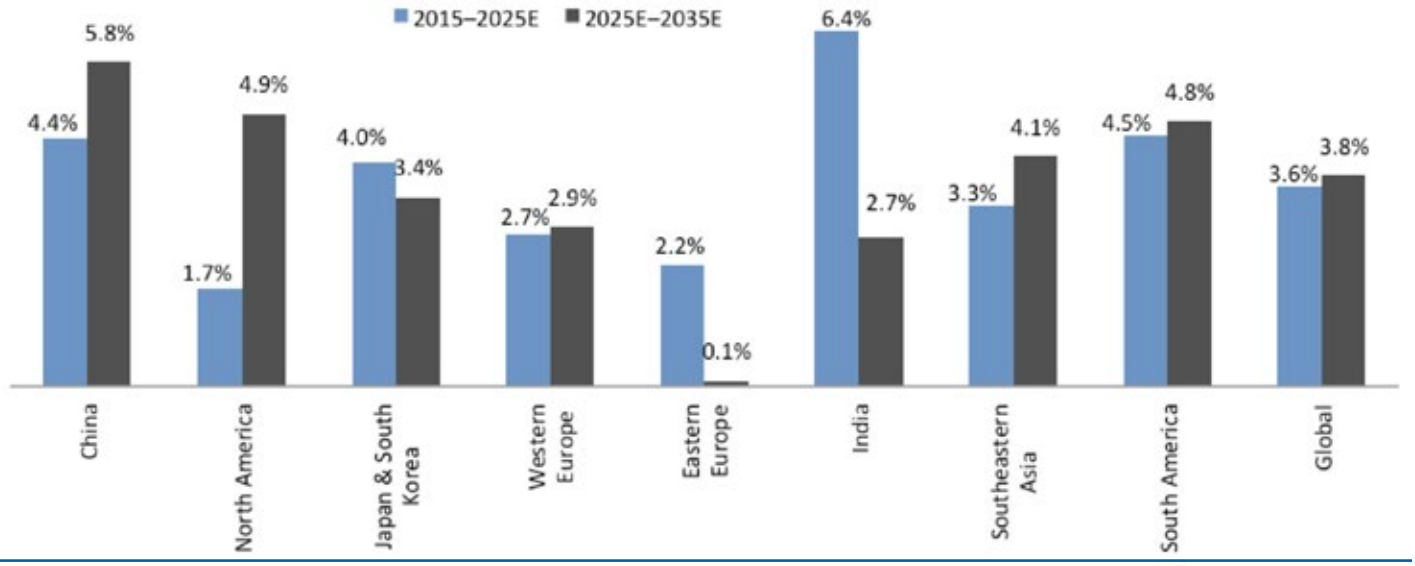
The Oldest Segment Will Grow The Fastest

Across the coming two decades, the 85-and-older age group is expected to grow faster than the 65–84 age group.

According to the UN, the number of seniors aged 85 and older will more than double over the next 20 years, to about 111 million people, but from a relatively small base. This represents nearly 4% compound annual growth, which is higher than the 3% projected growth rate of 65–84-year-old group.

The 85-and-older segment will grow from 0.7% to 1.3% of the global population between 2015 and 2035. While these numbers are small, they are greater as a proportion of total population in developed markets, and that is where the major opportunities with silvers reside

Figure 5. Projected 10-Year CAGR for 85-and-Older Population, 2015–2035

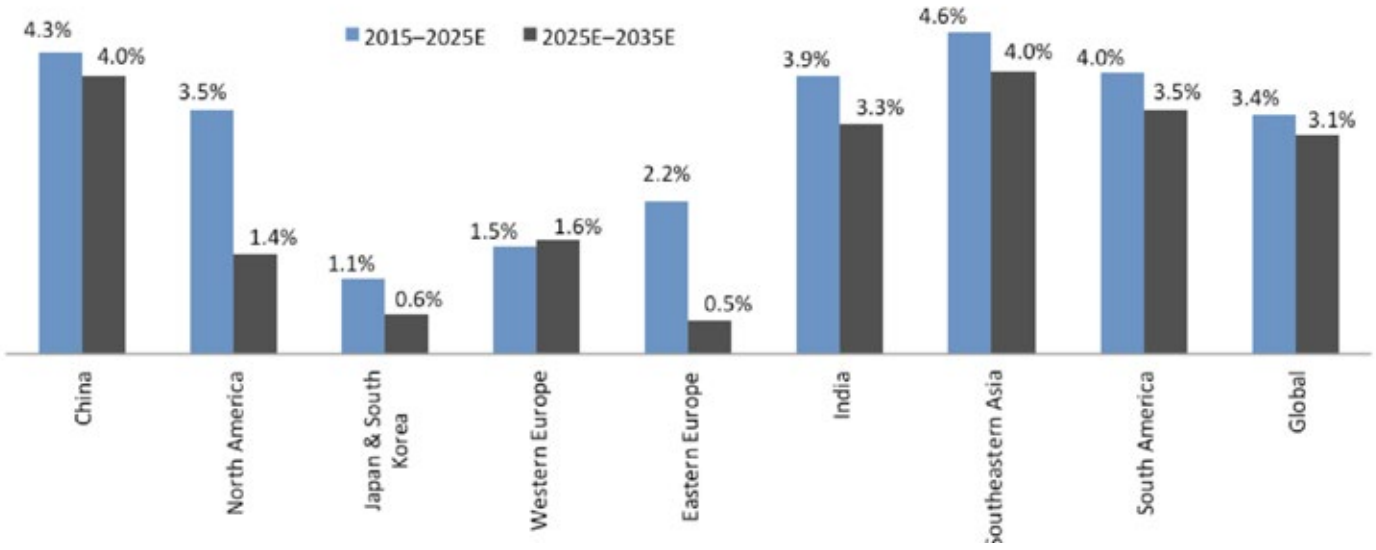


Source: UN, Department of Economic and Social Affairs, Population Division/Fung Global Retail & Technology

The number of seniors aged 65–84 is also expected to double over the next 20 years, adding more than half a billion people globally to the demographic. This represents over 3% compound annual growth, which is slightly slower than the over-85 segment's projected 4% growth but higher than the 1% projected growth for the under-65 group.

As a result, the 65–84 segment will grow from 8% to 13% of the global population between 2015 and 2035. The highest growth rates will be seen in developing regions, including China, India, Southeast Asia and South America.

Figure 6. Projected 10-Year CAGR for 65–84-Year-Old Population



Source: UN, Department of Economic and Social Affairs, Population Division/Fung Global Retail & Technology

Younger Versus Older Silvers

From ages 65–74, seniors look a lot like their pre-senior selves. Sure, they are Does the difference in population growth between younger silvers and their older counterparts matter? We think so—because of the attitudinal and behavioral differences between younger and older silvers. As we explore in this section, those at the younger end of the silver spectrum, the 65–74-year-olds, typically behave and spend quite differently than older silvers do.

By the time silvers reach age 85, their attitudes and spending have changed dramatically. This shift is driven primarily by deterioration in their health, which creates a ripple effect in a number of areas.

From ages 65–74, seniors look a lot like their pre-senior selves. Sure, they are likely to have retired or transitioned to a new career or job that provides them more leisure time, but most other aspects of their lives are very similar to those of their earlier years. First off, because they are staying put.

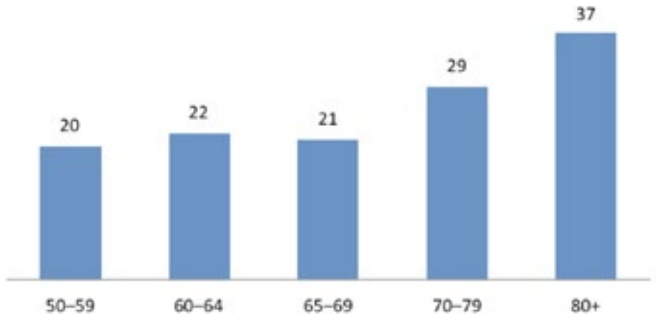
In fact, the downward migration trend in the US that begins in the post-college years, when moving rates peak, continues all the way into people's mid-70s. While some US seniors do move to warmer climates, only around 5% of the group moves each year, and this includes local moves to smaller residences. Seniors also tend to remain in fairly good health from ages 50–69, with their need for prescription drugs staying fairly stable during those years.

By the time silvers reach age 85, though, their attitudes and spending will have changed dramatically. This shift is driven primarily by deterioration in their health, which creates a ripple effect in a number of areas. Health deterioration is more common as individuals reach their mid-70s. The World Health Organization estimates that the number of years per capita lost to disability and disease nearly doubles for seniors over 70 compared to those in their 60s. Deteriorating health among the oldest silvers impacts spending on items such as food and entertainment, which falls considerably due to a combination of increased health expenses (in some countries) and decreased desire and ability to shop and enjoy other recreational activities. Per capita, US consumers aged 80 and older receive 70% more prescriptions than those in their 60s do.

Older silvers are much more likely to move, either to a senior facility or closer to their children: in the US, nearly 10% of seniors over age 75 move annually.

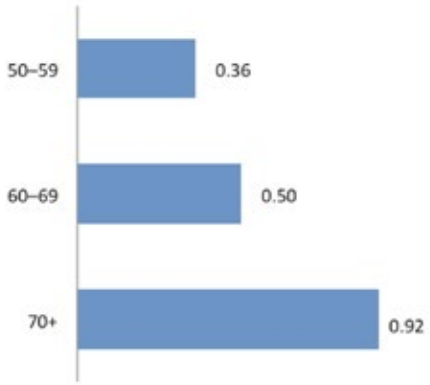
These data underline the distinctions that need to be made when considering silvers as a target consumer group. The "negative" story is that older silvers are much less likely to be in good health, and so are less likely to be consumers of discretionary goods and services. The "positive" story is that younger silvers differ relatively little in health terms from those in the age group beneath them (i.e., those in their 50s and early 60s). In reaching the more valuable 65–74 segment, marketers must avoid characterizing silvers as being less able, less mobile or afflicted with health conditions.

Figure 7. US: Per-Capita Annual Medical Prescriptions, by Age, 2011



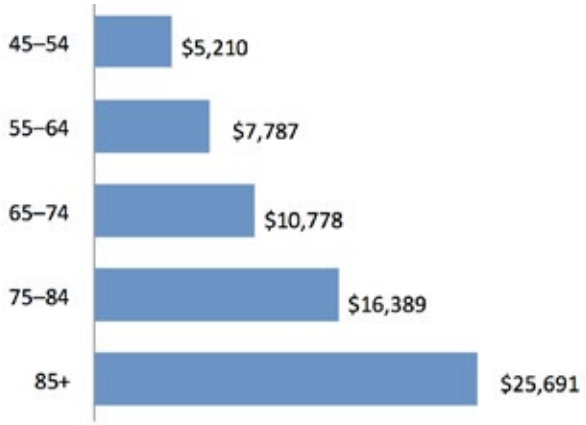
Source: IMS Health/US Census Bureau

Figure 8. High-Income Countries' per-Capita Disability-Adjusted Life Years, by Age, 2012



Source: World Health Organization

Figure 9. US: Personal Healthcare Expenditure per Capita, by Age, 2004



Source: Centers for Medicare & Medicaid Services

FIVE NOTABLE CHARACTERISTICS OF SILVER HOUSEHOLDS

Silver households worldwide tend to share a number of common characteristics. These impact silvers' demand for goods and services, their spending power, and the way they shop.

While recognizing the distinctions between younger and older silvers, we think silver households worldwide in more developed markets tend to share a number of common characteristics. These characteristics impact silvers' demand for goods and services, their spending power, and the way they shop. The five notable features of older households are:

1. They have **fewer occupants than younger households have.**
2. They enjoy **greater net wealth than younger households** do and, more importantly, their share of wealth has been increasing in a number of countries.
3. More of them are **continuing to work past age 65.**
4. **In Western markets, a clear majority of them are online,** with younger silvers more likely to be online than older silvers.
5. They **continue to lag the overall population severely in terms of smartphone ownership,** but are catching up, with younger silvers lead the charge.

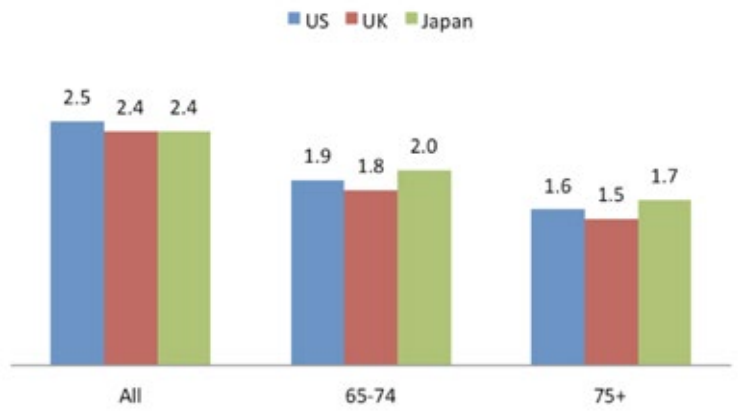
1. Smaller Households

The absence of children and higher mortality rates inevitably mean older-person households are typically smaller than average. Yet single-person households do not predominate, even in the 75-and-older age bracket, as the average figures below show.

Silvers' smaller average household size impacts not only how much they spend, but also where they shop—and it shapes the nature of senior consumers' demands in retail. For example, in the grocery category, silvers typically have smaller basket sizes and show less demand for big, out-of-town superstores that offer near-endless choice and are set up to cater to big-basket shoppers.

The tipping of the wealth balance from young to old has been fueled by changes such as the degradation of job security and opportunities, and the erosion of compensation and benefits for younger workers.

Figure 10. US, UK and Japan: Average Number of People per Household, by Age of Household Reference Person, 2014



Source: US Bureau of Labor Statistics/Office for National Statistics (ONS)/Statistics Japan

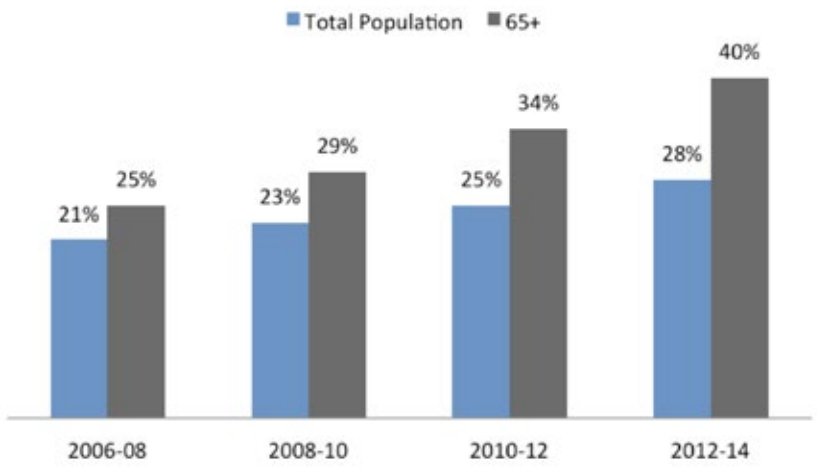
2. Senior Households Are Gaining Share of Wealth

Older households tend to be wealthier, when measured by total assets—which is understandable and inevitable, given that most people accumulate assets over their lifetime.

What is more interesting is the disproportionate growth in the wealth of senior households seen in some countries. This tipping of the wealth balance from young to old has been fueled by changes such as the degradation of job security and opportunities, and the erosion of compensation and benefits for younger workers. The impact of the economic downturn, whether through government austerity or private-sector cutbacks, appears only to have amplified this disparity.

In the UK, for instance, there has been a striking shift of affluence to silvers. In part, this has been due to protection from government austerity measures that have hit other age groups. However, a bigger factor has been rising UK residential property prices, which have resulted in a shift of property wealth to older age groups. The figure below illustrates the widening gap between the total wealth of seniors and the overall population in the UK.

Figure 11. UK: Proportion of Individuals Living in Households with Total Wealth of £500,000 or More, Total Population vs. 65-and-Older Population



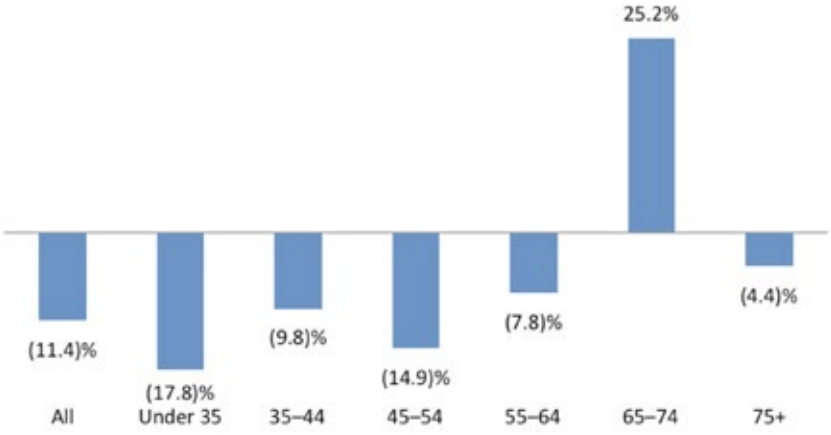
The periods covered are two-year periods, beginning July and ending June.
Source: ONS/Fung Global Retail & Technology

Those in the 65–74 age group in the US saw a boom in their real median net income between 2001 and 2013, while consumers overall saw theirs fall.

Seniors in the US have seen a similar insulation from the worst declines in income: data from the US Federal Reserve suggest that those in the 65–74 age group saw a boom in their real median net income between 2001 and 2013, while US consumers overall saw theirs fall.

We include the 55–64 age group in the graph below because that demographic is now entering retirement. The real income of this age group, and that of the oldest age group, has fallen. However, the declines those two groups have seen have been less severe than those experienced by US consumers on average—and much less severe than those experienced by people under 35 and those aged 45–54.

Figure 12. US: Percentage Change in Real Median Net Income, by Selected Age Ranges, 2001–2013



Source: US Federal Reserve/Fung Global Retail & Technology

In the US, the number of people in the workforce aged 65 and older increased by 1.1 million from 2005 through 2015.

Across countries, spending power has become increasingly weighted toward older age groups. Seniors who are employed have tended to enjoy greater job security and more in-work benefits (such as enrollment in final-salary pension programs) than younger age groups have. In retirement, many seniors have benefited from asset growth that has been fueled by low interest rates—although these low rates have hit people with savings—while, in many countries, their state-funded benefits have been ring-fenced to protect them from austerity measures.

3. More Silvers Are Remaining in the Workforce

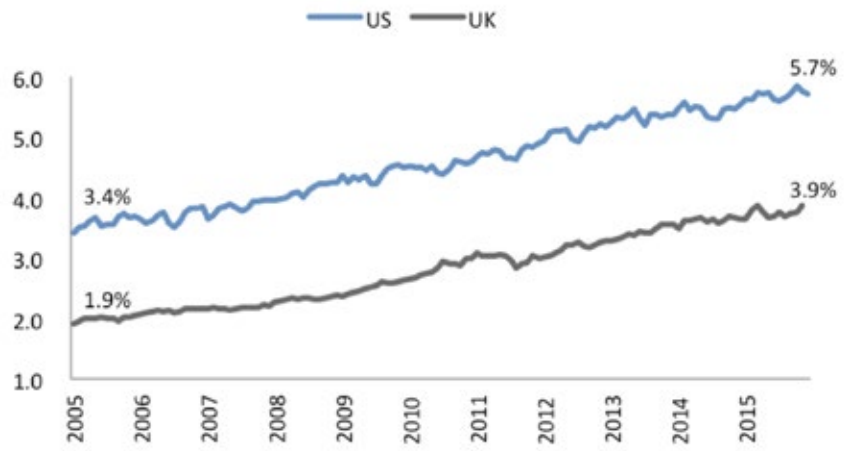
Silvers' incomes are also being boosted by increasing numbers of them staying in the workforce past the traditional retirement age. People aged 65 and older now lead healthier, more active lives than previous generations did at their age, and they face the increased financial pressures that come with the prospect of a longer retirement. Both factors have contributed to a steady increase in the number of seniors remaining in the workforce in countries such as the US and the UK.

In absolute terms, the number of people aged 65 and older in employment in the UK more than doubled between the start of 2005 and the end of 2015. In the US, the number of workers aged 65 and older increased by 1.1 million over the same period.

Western governments have tended to use various measures to encourage workers to retire later, helping to grow the number of silvers remaining in the workforce:

- Americans cannot receive full Social Security benefits until age 66, and if they wait until age 70 to retire, they can receive monthly payments that are up to 30% higher.
- n the UK, the default retirement age was removed in 2011, meaning companies could no longer automatically force employees to retire. Also in the UK, the age at which people can claim a state pension is set to rise from 65 to 66 in 2020, and then to 67 between 2026 and 2028.
- Similar changes are being implemented elsewhere, such as in Germany, where the retirement age is gradually being increased to 67.
- With barriers to work continuing to come down and governments encouraging consumers to work longer, we anticipate that the trend of silvers remaining in the workforce longer will continue.

Figure 13. US and UK: Employed Workers Aged 65 and Older as % of Total Adult Employed Workers



Source: US Bureau of Labor Statistics/ONS/Fung Global Retail & Technology

4. Silvers Are Online

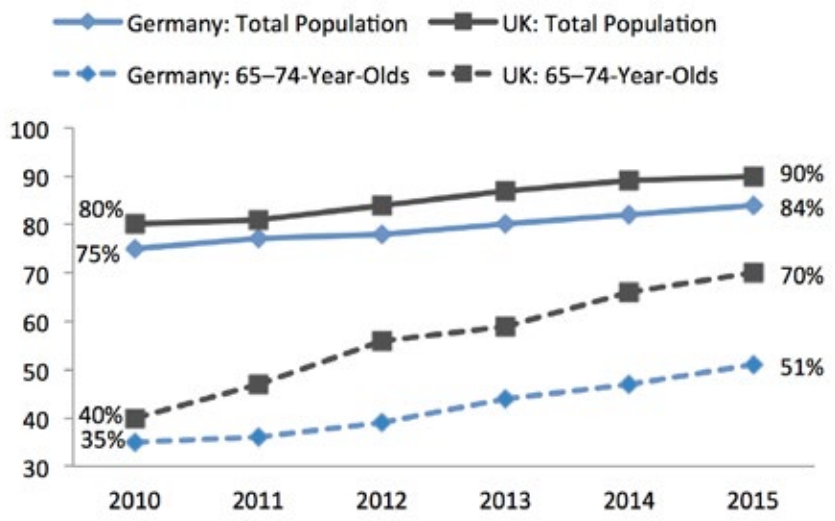
The gap between connectivity levels for the total population and silvers has narrowed significantly.

Internet usage and online shopping participation rates are, naturally, lower among older age groups, as seniors did not grow up with the technology. The oldest age groups may not even have encountered it in the workplace. So, while one's first reaction to the graphs below might be to compare seniors' Internet use unfavorably with that of the general population, we think the data tell a more positive story:

- In developed economies, a clear majority of seniors are now online. In countries such as the UK and Germany, online penetration rates for seniors are now close to average penetration rates a few years ago.
- The gap between connectivity levels between silvers and the total population has narrowed significantly: in the UK, it narrowed from 40% versus 80% in 2010 to 70% versus 90% in 2015.
- Our European connectivity data covers those aged 65–74 only, while our US data refer to those aged 65 and older in total. The data indicate that the connectivity gap has narrowed more rapidly in Europe than it has in the US, providing further evidence that it is younger silvers who are driving the change.

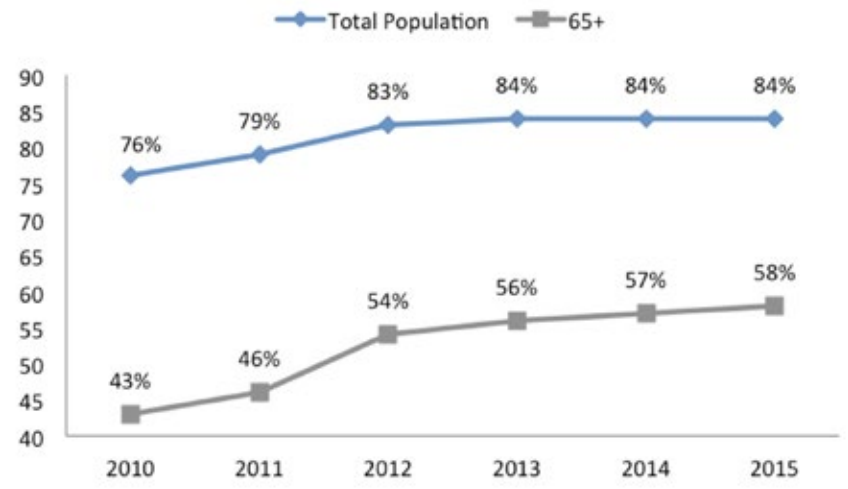
In the major European markets, and notably in the UK, we have seen a similar closing of the e-commerce participation gap between 65–74-year-olds and the total population. In the UK, these younger retirees have been closing this gap by an average of three percentage points per year. If adoption continues at that pace, e-commerce participation rates between younger silvers and the UK average will equalize around 2021.

Figure 14. Germany and the UK: Internet Usage at Least Once a Week, Total Population vs. 65–74-Year-Olds (%)



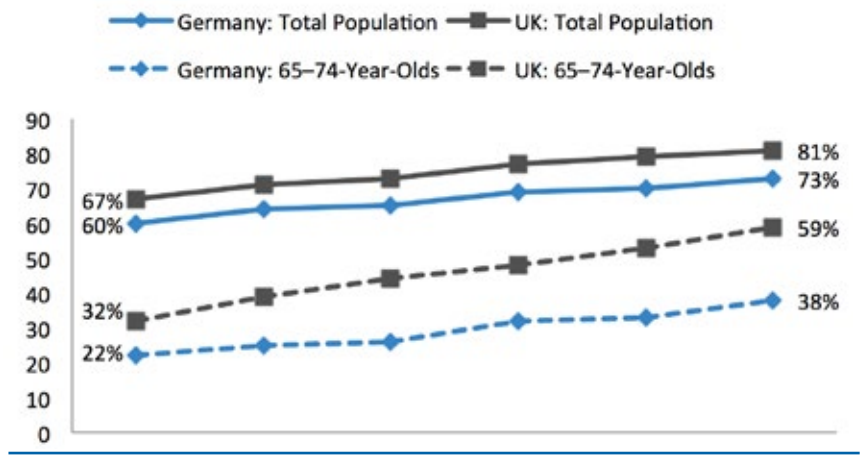
65–74 is the maximum age band for Eurostat's data on Internet use.
Source: Eurostat

Figure 15. US: % of Population that Uses the Internet, Total vs. Those Aged 65 and Older



Source: Pew Research Center

Figure 16. Germany and the UK: Individuals Who Have Purchased Goods or Services Online in the Past 12 Months, Total Population vs. 65–74-Year-Olds (%)



% of all individuals (i.e., not just % of Internet users).
Source: Eurostat

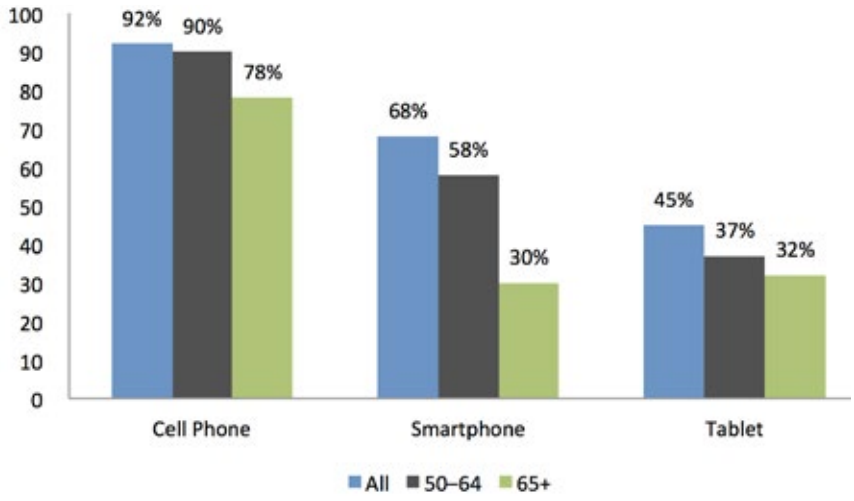
5. Silvers Still Lag in Smartphone Ownership

Seniors continue to lag substantially in terms of smartphone ownership.

While seniors are starting to catch up with the general population in terms of Internet use and e-commerce, they continue to lag more substantially in terms of smartphone ownership—likely because the Internet has been around much longer than smartphones have been. In the US, just three in 10 seniors owned a smartphone in 2015, according to a Pew Research Center survey. However, we expect this gap in device ownership to narrow considerably in the coming years, for a number of reasons:

- A large majority of US seniors own a cell phone of some kind (78% in 2015), so this demographic definitely sees the value in mobile devices.
- The next generation of silvers (those who are currently aged 50–64) show close-to-average levels of device ownership.
- The gap between seniors and the total population is much lower in tablets (in the US), suggesting that many seniors also see the value in mobile Internet connectivity.
- In the recent past, the Internet connectivity gap between seniors and the overall population has narrowed in many countries, suggesting that we will see the same trend in smartphone ownership in the coming years.

Figure 17. US: Mobile Device Ownership—Total Population, 50–64-Year-Old Population and 65-and-Older Population, 2015

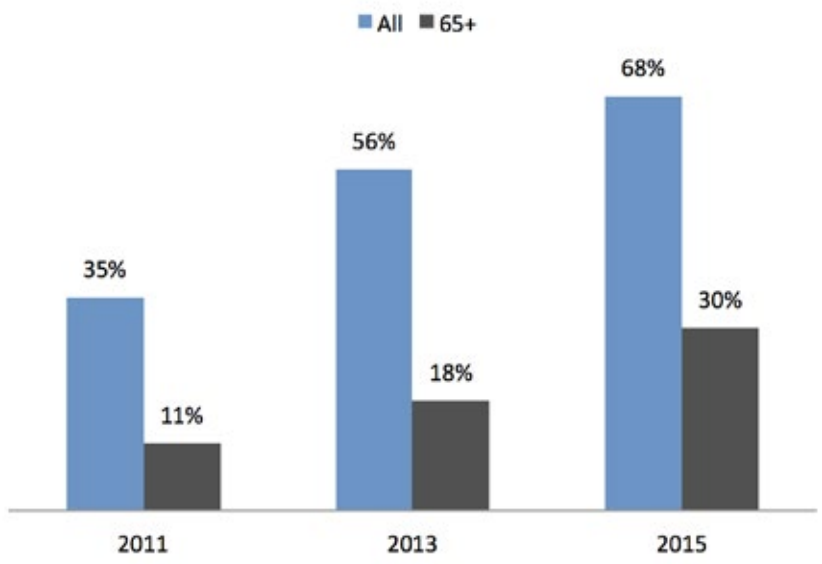


Smartphone data are based on a survey conducted June 10–July 12, 2015; all other data are from a March 17–April 12, 2015, survey.
Source: Pew Research Center

The ratio of the average mobile device ownership rate to the silver ownership rate has narrowed from around 3:1 in 2011 to around 2:1 in 2015.

Trend data from the Pew Research Center confirm that the gap is closing: the ratio of the average mobile device ownership rate to the silver ownership rate has narrowed from around 3:1 in 2011 to around 2:1 in 2015.

Figure 18. US: Mobile Device Ownership, Total Population vs. 65-and-Older Population

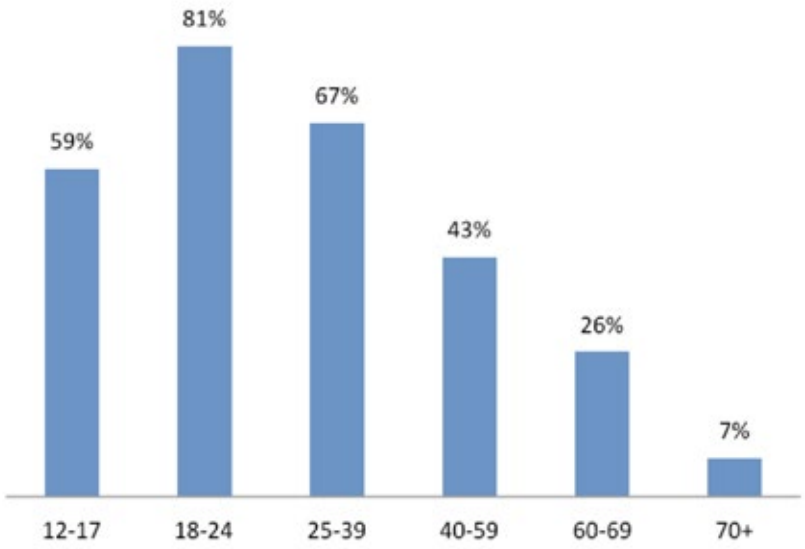


Source: Pew Research Center

Younger silvers show a greater propensity to use technology.

A final point worth noting is that the smartphone ownership rate of consumers aged 65 and older shown above is almost certainly being pulled down by older silvers: as we have already noted, younger silvers (those ages 65–74) show a greater propensity to use technology. Supporting this are data for France, which show a rapid tailing off of smartphone ownership level among the oldest age group.

Figure 19. France: Smartphone Ownership, by Age Group, 2014



Base: 2,200 respondents aged 12 years and older
Source: CRÉDOC

II. SPENDING BY SILVERS

We have already established that senior households typically hold a disproportionate share of wealth. But assets do not necessarily translate into disposable income, and disposable income does not necessarily translate into spending.

In the US, households headed by consumers aged 65–74 spend just 91 cents for every dollar that the average household spends.

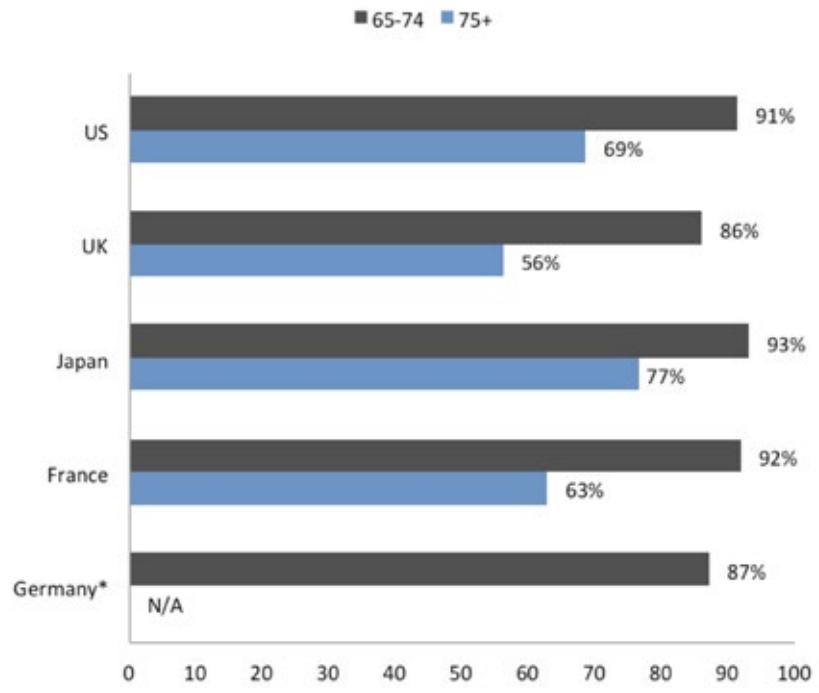
We have examined data on household spending, split by demographics, for five major economies, the US, the UK, Japan, France and Germany. Per household, the message is consistent: households headed by those aged 65 and over spend less than the average household, and households headed by those aged 75 and over spend much less.

In the US, for example, for every dollar that the average household spends, households headed by 65–74-year-olds spend just 91 cents, and households headed by those aged 75 and older spend just 69 cents.

A major factor in this spending shortfall is the typically smaller size of senior households. Once we adjust for the number of people per household, younger silvers (those aged 65–74) overindex on spending relative to the average, while those aged 75 or older continue to underindex.

Once we adjust for the number of people per household, younger silvers (those aged 65–74) overindex on spending relative to the average, while those aged 75 or older continue to underindex.

Figure 20. Average Household Expenditure by Senior Households as % of National Household Average, 2014



By age of "household reference person," i.e., the head of the household
**Data for Germany are for all retired consumers.*
Source: US Bureau of Labor Statistics/ONS/Statistics Japan/INSEE/Statistisches Bundesamt/Fung Global Retail & Technology

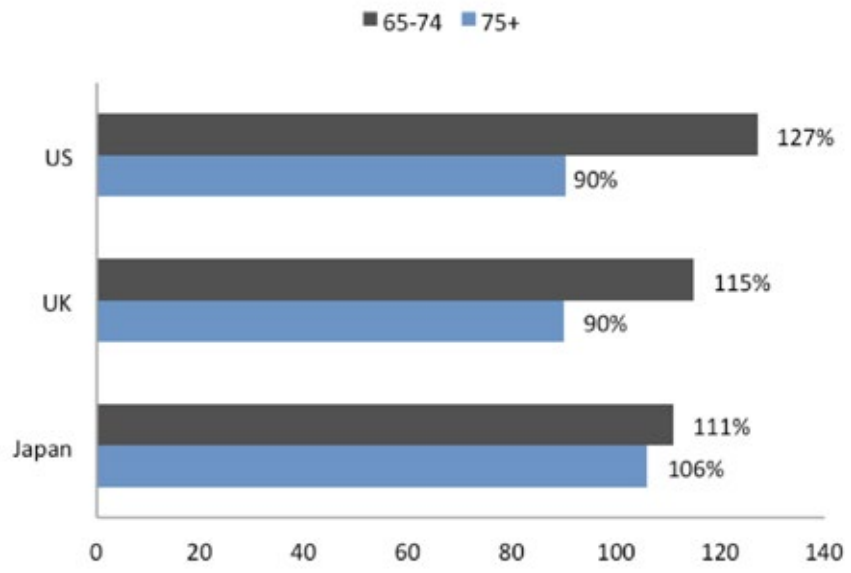
A significant caveat is that the average number of people per household for younger age groups includes children, who may each be expected to account for less spending than an adult. We have not adjusted for children in our calculations, given that there is no strong data available on the ratio of per-capita spending for a child versus an adult.

Below, we show data for the US, the UK and Japan, countries where the average number of persons per household is published in the spending breakdowns.

So, do silvers spend more or less than their younger counterparts? The answer is not clear-cut, largely due to the fact that most senior households do not include children. But our conclusion is that silvers' spending holds up strongly against younger groups' spending, especially when we consider two characteristics that typify seniors' financial circumstances:

- Seniors' incomes are typically lower than those of working-age consumers, meaning there is less for them to potentially spend.
- Many seniors are likely to be free of a major element of many consumers' expenditure—mortgage payments—which should depress their total spending relative to mortgage holders.

Figure 21. Estimated Average Expenditure per Person by Senior Households as % of National Average, 2014



Source: US Bureau of Labor Statistics/ONS/Statistics Japan/Fung Global Retail & Technology

How Much Do Silvers Spend?

Our analysis of data for the US and the UK shows that average household spending falls off significantly among the oldest age groups, and that spending on discretionary categories slumps among consumers aged 75 and older.

The graphs below show annual household spending in the US and the UK, and the share of that total that goes toward nondiscretionary categories.

We define discretionary spending as the residual that is left after stripping out expenditure on in-home food and nonalcoholic beverages, housing and utilities, health, transportation, and education.

In the US, the average household headed by a 65–74-year-old spent just under $49,000 dollars in 2014; some $18,000, or 37% of the total, was spent on discretionary categories.

The data once again highlight the divergence between younger and older silvers. In the US and the UK, those households led by people aged 65–74 dedicate a similar share of their spending to nondiscretionary categories as the average household does.

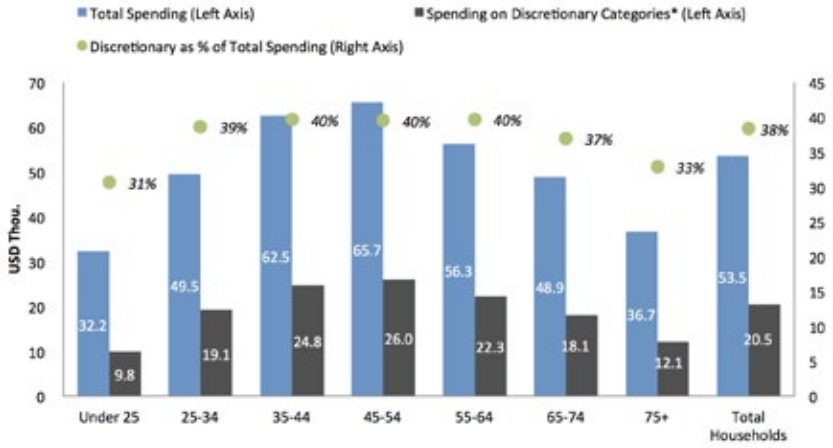
In the US, the average household headed by a 65–74-year-old spent just under $49,000 dollars in 2014; some $18,000, or 37% of the total, was spent on discretionary categories. Among those aged 75 or older, total household spending was one-quarter lower than for the 65–74 group, and discretionary spending was one-third lower. (It is important to bear in mind the caveat that older households tend to have fewer people per household than the average, and that the number of people per household declines with age.)

In the UK, the average household headed by a 65–74-year-old spent just under £24,000 in 2014; some £12,500, or fully 52% of the total, was directed toward discretionary categories. Among the oldest age group in the UK, total spending was 35% lower than the 65–74 group's and spending on discretionary categories was 39% lower.

These figures further underline the relative affluence of 65–74-year-olds in some markets, and not only because of the relatively high proportion of spending that goes to discretionary categories. The absolute spending per household for 65–74-year-olds compares favorably with the average: the average UK household spending of 65–74-year-olds was only 14% below the national average in 2014, while in the US, it was just 9% below the national average.

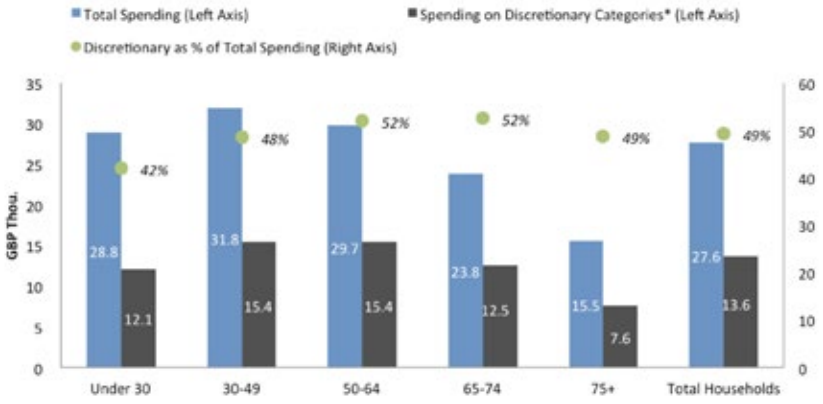
In the UK, the average household headed by a 65–74-year-old spent just under £24,000 in 2014; some £12,500, or fully 52% of the total, was directed toward discretionary categories.

Figure 22. US: Average Annual Spending per Household—Total, Discretionary and Discretionary as % of Total, by Age of Household Reference Person, 2014



**Total spending minus spending on in-home food and nonalcoholic beverages, shelter and utilities, health, transportation, and education.*
Source: US Bureau of Labor Statistics/Fung Global Retail & Technology

Figure 23. UK: Average Annual Spending per Household—Total, Discretionary and Discretionary as % of Total, by Age of Household Reference Person, 2014



Average annual spending extrapolated from average weekly spending figures reported by the ONS for 2014.
**Total spending minus spending on in-home food and nonalcoholic beverages, housing rents and utilities, health, transportation, education, and mortgage interest payments/council tax.*
Source: ONS/Fung Global Retail & Technology

Spending by Category

Here, we dig deeper into the spending data to explore how silvers spend, and see how younger and older silvers' spending differs.

Silvers aged 75 and older have radically different spending patterns than 65–74-year-olds. As a group, they spend proportionately more on basics such as housing and eating at home and proportionately less on services.

In countries such as the US, 65–74-year-olds allocate a similar proportion of their overall spending to items such as clothing, transportation and dining out as the age group below them does. In other words, they still spend on discretionary goods and services. But consumers aged 75 and older have radically different spending patterns: they spend proportionately more on basics such as housing and eating at home and proportionately less on services such as dining out and transportation, as well as on discretionary categories such as apparel.

It is noteworthy that in several categories and across multiple countries, the differences in spending patterns between consumers aged 55–64 and those aged 65–74 are often less substantial than the differences between those aged 65–74 and those aged 75 and older.

Figure 24. US: Breakdown of Annual Household Spending, by Selected Age Group, 2014 (%)

Category	All	55–64	65–74	75+
In-home food	7.4	7.3	7.6	8.0
Alcoholic beverages	0.9	0.8	0.9	0.6
Food away from home	5.2	4.8	5.3	3.8
Apparel and footwear	3.3	3.2	2.9	1.9
Housing and utilities	33.3	32.0	32.4	36.5
Transportation	17.0	16.6	17.1	13.9
Healthcare	8.0	8.8	12.2	15.6
Entertainment	5.1	5.1	6.1	4.4
Personal care products and services	1.2	1.2	1.4	1.4
Education	2.3	1.9	0.7	0.3
Other	16.3	18.4	13.5	13.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

By age of "household reference person," i.e., the head of the household
Source: US Bureau of Labor Statistics/Fung Global Retail & Technology

In countries with publicly funded healthcare systems, such as the UK, healthcare accounts for a far smaller proportion of all consumers' annual spending than it does in countries without such a system. Despite this, we still see a falloff in demand for discretionary categories among the oldest age group in these countries. This underlines the fact that it is not so much the squeeze from healthcare costs that hits categories such as apparel and dining out; it is other factors, such as the restrictions imposed by weakening health and mobility.

Figure 25. UK: Breakdown of Annual Household Spending, by Selected Age Group, 2014 (%)

Category	All	50–64	65–74	75+
In-home food	11.1	11.2	12.4	14.8
Alcoholic beverages and tobacco	2.3	2.7	2.6	2.4
Apparel and footwear	4.5	4.5	3.5	2.7
Housing and utilities	13.7	10.8	11.9	16.3
Household goods and services	6.7	6.8	7.1	7.4
Health	1.3	1.4	2.4	3.0
Transport	14.1	15.5	13.7	9.8
Communication	2.9	3.0	2.5	3.2
Recreation and culture	12.9	14.3	17.9	12.9
Education	1.8	1.6	0.5	0.4
Restaurants and hotels	8.0	8.0	7.8	6.3
Miscellaneous goods and services	7.5	7.1	6.6	8.2
- Incl. personal care	*2.2*	*2.2*	*2.1*	*2.4*
Other	13.2	13.0	11.0	12.6
Total	**100.0**	**100.0**	**100.0**	**100.0**

By age of "household reference person," i.e., the head of the household
Source: ONS/Fung Global Retail & Technology

Since it is well ahead of most other countries in terms of the aging of its population, Japan may offer a glimpse of what awaits other countries. The trend forecast in Japan is for more gradual changes in spending patterns as consumers age: the country is likely to see a more modest decline in spending on categories such as apparel. This could reflect a greater disparity in affluence between the (poorer) young and the (richer) old in the country or other factors such as greater health and mobility through old age.

Figure 26. Japan: Breakdown of Annual Household Spending, by Selected Age Group, 2013 (%)

Category	All	55–59	60–64	65–69	70–74	75+
In-home food	21.8	20.8	23.2	24.4	25.3	25.6
Alcoholic beverages	1.3	1.4	1.5	1.6	1.3	1.1
Food away from home	5.3	5.2	4.8	4.5	4.1	3.5
Apparel and footwear	4.8	5.3	5.0	4.5	4.2	4.0
Housing and utilities	16.4	14.1	15.8	15.2	15.8	19.4
Furniture and household goods	3.9	3.8	4.4	4.5	4.4	4.5
Medical care	4.9	4.3	5.4	6.3	5.8	7.1
Transportation and communication	16.6	19.6	17.2	15.4	14.2	11.2
Education	4.0	4.7	1.2	0.4	0.3	0.3
Recreation	12.0	11.0	11.9	13.7	14.7	12.8
Other	9.0	9.7	9.6	9.6	9.8	10.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

By age of "household reference person," i.e., the head of the household
Source: Statistics Japan/Fung Global Retail & Technology

In summary, these data suggest that, for those businesses targeting silvers with discretionary goods and services, the younger segment presents much greater potential opportunity. The gradual changes in spending as consumers age also underscore that younger silvers should be viewed as sharing similar traits to those in pre-retirement years.

III. THE IMPACT OF SILVERS ON INDUSTRIES

In this section, we assess the impact of older consumers on four major sectors, the first two of which—retail and leisure services—are skewed toward discretionary spending and the second two of which—healthcare and assisted living—are predicated on offering essential services.

- In **retail**, we see the demand for convenience and the need for assistance contributing to a remolding of the landscape. Changes will include more smaller-format and local shops and greater demand for home delivery.
- Seniors tend to spend less on **leisure services**, but the big exception is travel. Baby boomers are especially enthusiastic travelers, and they will carry their demand for vacations into retirement in the coming years.
- The cost of seniors' **healthcare** is among the biggest challenges faced by governments worldwide. Technology looks likely to play a major part in boosting productivity and, thus, helping to keep the cost down.
- Along with healthcare, **homecare and assisted living** present another potential burden on public and domestic purses worldwide. Innovation will be needed here, too, in order to care for older seniors more cost-effectively.

Below, we examine not only the fundamental economic impact of an aging society, but also the impact of older consumers' differing needs and desires. These are most notable in the discretionary and part-discretionary sectors of retail and leisure services.

RETAIL: SILVERS' NEEDS AND DESIRES WILL RESHAPE THE LANDSCAPE

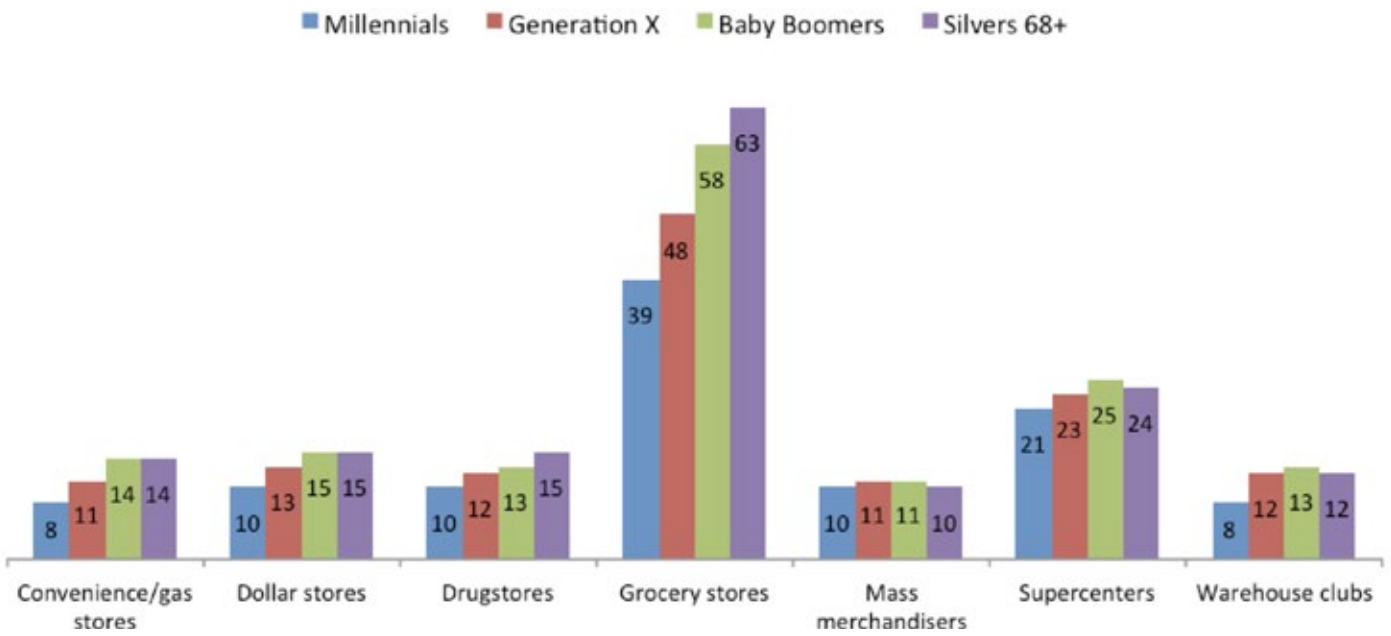
Silver shoppers have the potential to change the retail landscape. In particular, we see their need for assistance and demand for convenience driving two structural changes: they will do more shopping closer to home, typically at smaller stores, and they will increasingly demand e-commerce home delivery.

Proximity Shopping

In grocery, convenience stores and local grocery stores cater well to the smaller-basket shopping of older consumers. Since they typically have smaller households and smaller appetites, silvers often have less need to travel farther to shop at large grocery superstores. The relative accessibility of local stores and navigability of smaller stores further increases their appeal to shoppers who are less physically able than the general population.

According to 2014 data from Nielsen, baby boomers and silvers aged 68 and over make more visits to small-format stores, such as convenience stores and dollar stores, than younger age groups do. They also tend to visit midsized stores (such as grocery stores) more frequently.

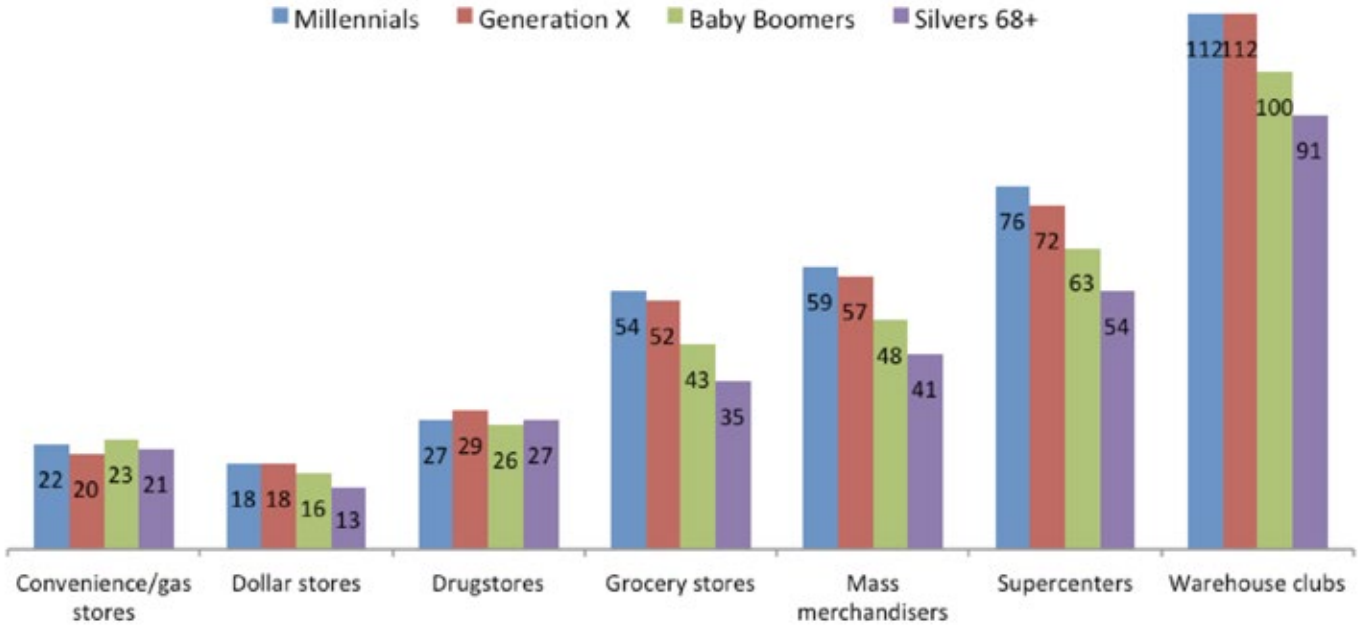
Figure 27. US: Number of Shopping Trips Made, by Store Type and Generation, 2014



According to Nielsen, in 2014, millennials were aged 21–36, Generation Xers were aged 37–48 and baby boomers were aged 49–67.
Source: Nielsen/Fung Global Retail & Technology

Nielsen's data confirm that senior shoppers tend to be smaller-basket shoppers; they may make more visits to a number of smaller-format stores, but they tend to spend less per trip. Nielsen found that convenience stores are the only store type where the spending per basket by baby boomer households exceeds that of millennial and Generation X households.

Figure 28. US: Purchase Total per Trip, by Store Type and Generation, 2014 (USD)



According to Nielsen, in 2014, millennials were aged 21–36, Generation Xers were aged 37–48 and baby boomers were aged 49–67.
Source: Nielsen/Fung Global Retail & Technology

CASE STUDY: CONVENIENCE STORES IN JAPAN

It is no coincidence that Japan, which is well ahead of most countries in terms of the aging of its population, has a major convenience store sector. Convenience stores were introduced to the Japanese market in the 1970s, with a specific focus on easing shopping for consumers in their 20s and 30s. But as the Japanese population started to age, convenience store operators began to recognize that they needed to shift their focus to an older demographic.

Lawson, one of the top five convenience store operators in Japan, has been a leader in this transformation. In the mid-2000s, the company began to transform its stores in areas with high concentrations of silvers; it widened aisles, lowered shelves, and emphasized products and food offerings that would appeal to older shoppers. More recently, Lawson has added nursing-care consultation desks in stores, with managers and advisors available during all hours the stores are open.

Food has been an area that many convenience store operators have focused on to provide customers with more senior-friendly offerings. Quality, higher-end and safe food lineups have replaced some of the filling bento meals preferred by younger shoppers in stores located in areas with significant senior populations. **7-Eleven** has offered meal delivery service targeted at seniors and **FamilyMart** even purchased a meal delivery service company, Senior Life Create, in 2012, in order to provide the same service. FamilyMart has also been working with pharmacies Drug Ace and Higuchi Yakkyoku to develop outlets that combine elements of both convenience stores and drugstores.

Demand for local convenience is likely to extend beyond the grocery sector. We expect growth in the silver population to boost demand for proximity shopping in health and beauty categories, and possibly filter through to other nonfood sectors such as household goods and apparel, too. So, we expect to see a rise in proximity retailing that specifically targets senior consumers, particularly in neighborhoods that are largely populated by seniors or that include senior housing communities.

Demand for E-Commerce

We expect seniors to become a more important consumer segment for e-commerce that is based on home delivery. Online shopping is currently perceived as skewing toward younger consumers, but the convenience it provides through home delivery makes it well suited to the demands of retirees. In addition:

- E-commerce can help bridge the mobility gap—the difference in ease of traveling to a store and walking in general between younger consumers and older consumers—that could otherwise prevent silvers from shopping.
- Retirees are much less likely than the working-age population to find waiting for a delivery a barrier to online shopping.
- Many baby boomers who are retiring now or who will be in the coming years will carry into retirement a familiarity with technology from their years in the workforce, which means they will be more comfortable with shopping online generally than older groups will be.

In the UK, more than one in 10 consumers aged 65–74 are already buying food or groceries online, and one-third are shopping online for clothes and household goods.

We expect seniors to become a more important consumer segment for e-commerce.

Home delivery looks to offer particular benefits for seniors when they are grocery shopping—which is a routine chore that can prove burdensome for those who are less physically able. The challenge for retailers is to square silvers' smaller grocery basket sizes with the higher cost base of grocery home delivery; retailers will likely find it more worthwhile to encourage occasional, large online shops of store cupboard items rather than cater to smaller, more frequent online purchases.

Figure 29. UK: Percentage of Individuals Who Purchased Goods or Services Online in the Past 12 Months, Total vs. Older Age Groups, 2015

Source: Eurostat

The challenge for retailers is to square silvers' smaller grocery basket sizes with the higher cost base of grocery home delivery.

And More Minor Changes, Too

Alongside these structural changes to the retail landscape, retailers will need to make smaller-scale adjustments to cater to aging customer bases. Among the key adaptions that we will increasingly see are:

- **Minor adaptations to store layouts/organized layouts:** One of the difficulties many silvers face is trying to get products off very high or very low shelves—in many instances, they find that store staff are unavailable to assist them. They also find large stores harder to navigate. A 2012 Retail Week focus group with UK shoppers aged 60 and older found that many of the participants thought the Westfield Stratford City mall was well organized, while most other malls were deemed "too overwhelming." In terms of grocery shopping, seniors seem to prefer smaller stores and those that are closer to their home.

- **Simplicity in packaging and labels:** Many seniors find product packaging hard to open, and that labels and prices are hard to read, even with glasses or contact lenses. More than 52% of the consumers aged 60 and older in a 2013 A.T. Kearney focus group said that they had found that product labels are hard to read.

- **They seek quality and are brand loyal:** Some 43% of senior shoppers are keener to buy products that are on special if they are convinced that the quality is as high as it is with their usual purchases, according to A.T. Kearney.

- **More choices for younger consumers, but not enough for mature consumers:** Senior consumers feel they have limited choices, especially when it comes to fashion. Many shoppers in this group feel they have evolved with the times, but that clothes made for them are frumpy, boring or outdated.

- **Many like to stop for coffee/hot food when shopping:** On British retailer Debenhams' recent analyst call, CEO Michael Sharp noted that it is mainly older customers who prefer the hot food offerings and concessions the company provides in its stores. He also noted that revenues from food concessions were substantially higher than those from women's clothing alone.

CASE STUDY: THE KAISER AND ADEG SUPERMARKET CHAINS

In order to cater to senior consumers, the **Kaiser** and **Adeg** grocery chains (based in Germany and Austria, respectively) have made adaptations to their store designs and product labels. These include:

- Wider aisles to help shoppers on mobility scooters navigate through stores.
- Improved lighting.
- Nonskid flooring.
- Customized shopping carts.
- Additional seating areas.
- Locating emergency call buttons at various points in stores.
- Easy-to-read price labels and magnifying glasses to make packaging labels easier to read.

These changes may not be very apparent to most shoppers, but are noticed and appreciated by those they are designed to help. In the coming years, we are likely to see many other retailers make similar incremental changes to their stores in order to better serve the silver segment.

LEISURE SERVICES: YOUNGER SILVERS ARE ENTHUSIASTIC FOR TRAVEL

For providers of leisure services, silvers are not the easiest demographic to target. Despite retirees having a surfeit of spare time, they tend to spend less than younger groups do on services such as dining out and going to the movies. And as their mobility and health dwindle as they get older, seniors tend to spend less and less on discretionary services.

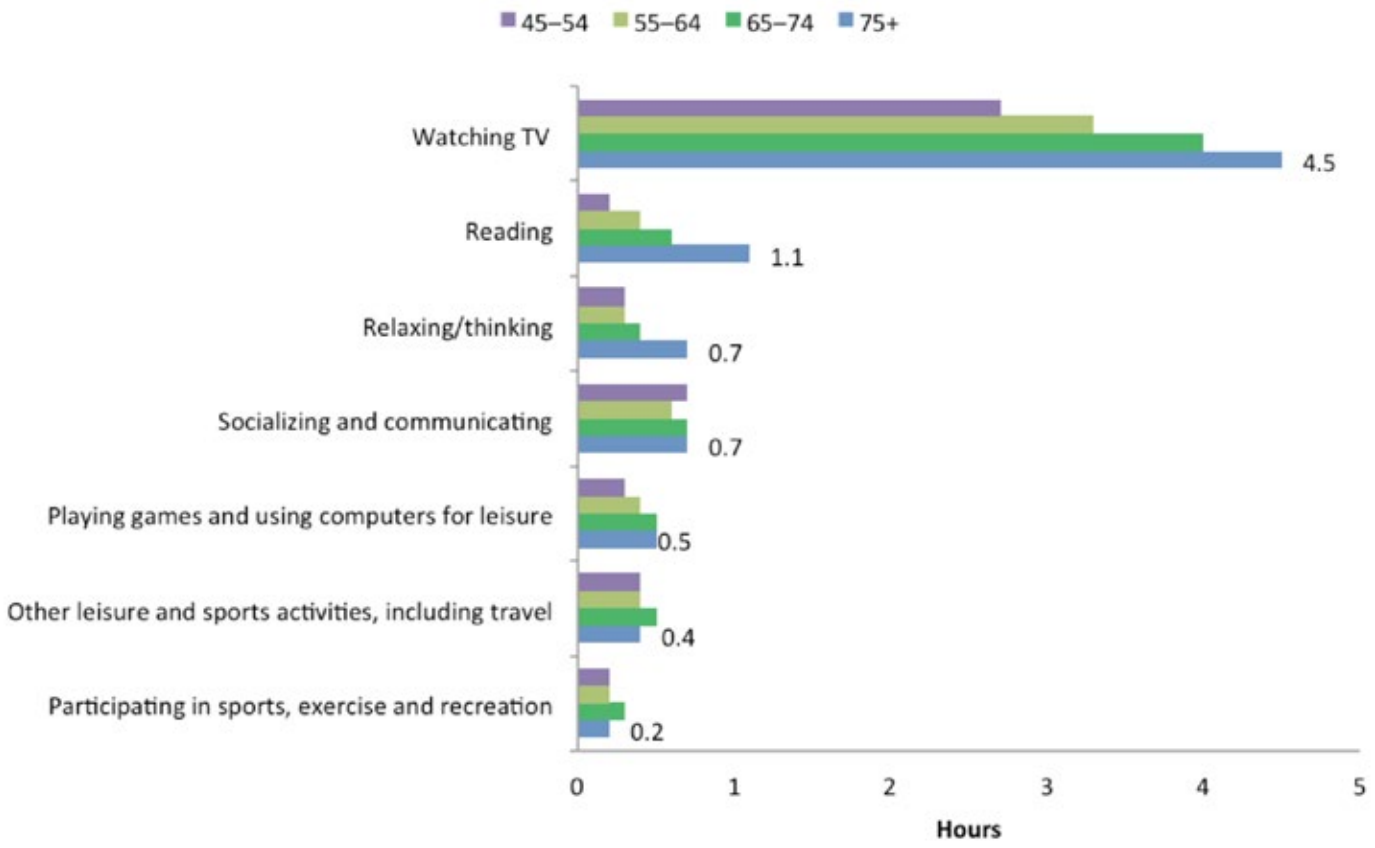
The picture is not uniformly negative, though, for at least two reasons. First, given their greater mobility, younger silvers are more likely than their older counterparts to spend on leisure services. Second, as baby boomers retire, they are sure to carry with them their heightened demand for services, notably travel services.

As baby boomers retire, they are sure to carry with them their heightened demand for services, notably travel services.

How Silvers Spend Their Time

Data from the US Bureau of Labor Statistics confirm that seniors, on average, use their extra leisure time predominantly for no-cost or low-cost options such as watching television, reading, and relaxing or thinking. There are some differences between the 65–74 and 75-and-older age groups. For example, the former spends more time on leisure activities such as travel, sports and exercise than the latter group does—an inevitable result of the loss of mobility among many of the oldest consumers.

Figure 30. US: Annual Average Hours per Day Spent on Leisure and Sports Activities, 2014



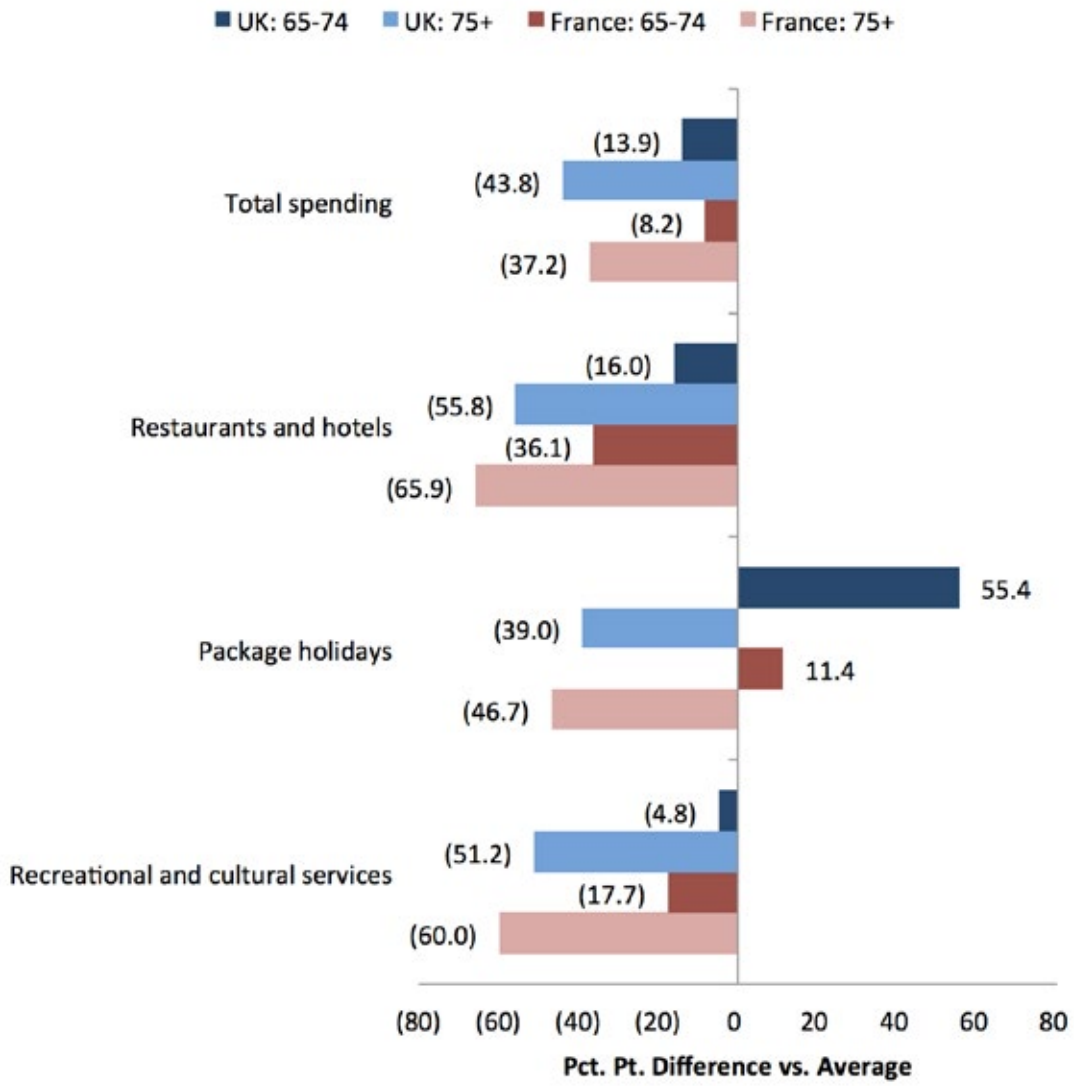
Source: US Bureau of Labor Statistics

Travel is the standout, with consumers in the 65–74 age bracket spending significantly more than the average household.

Seniors Are Willing to Spend on Travel

Among paid-for leisure services, travel stands apart as a category where 65–74-year-olds are willing to spend. Below, we show the extent to which seniors' household spending under- or overindexes relative to the average household's spending in the UK and France. Across the selected major service categories, travel is the standout, with consumers in the 65–74 age bracket spending significantly more than the average household.

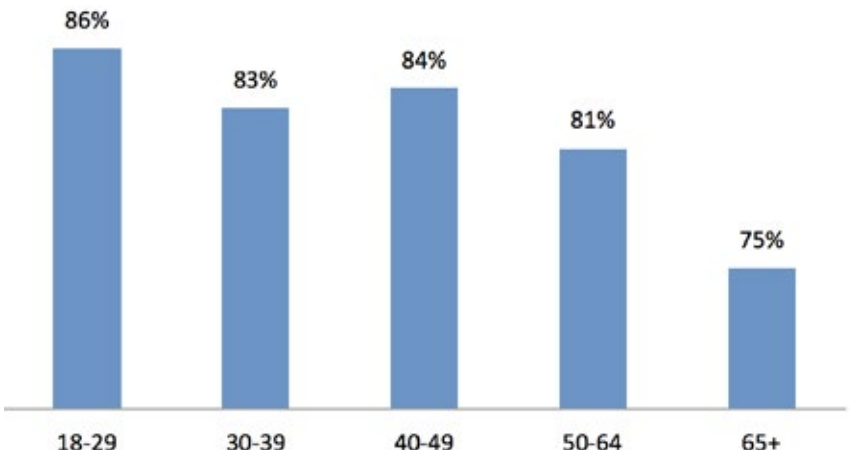
Figure 31. UK and France: Silver Households' Spending on Selected Categories, Percentage-Point Difference from Average Households' Spending, 2014



Source: ONS/INSEE/Fung Global Retail & Technology

In the US, fully three-quarters of consumers aged 65 and older say vacations and leisure travel are important to them, according to a GfK survey. That figure is lower than for other age groups, but not by much. The next generation of silvers (i.e., those who are currently aged 50–64) appears to be even more enthusiastic about travel, and we expect boomers to carry this enthusiasm into their retirement.

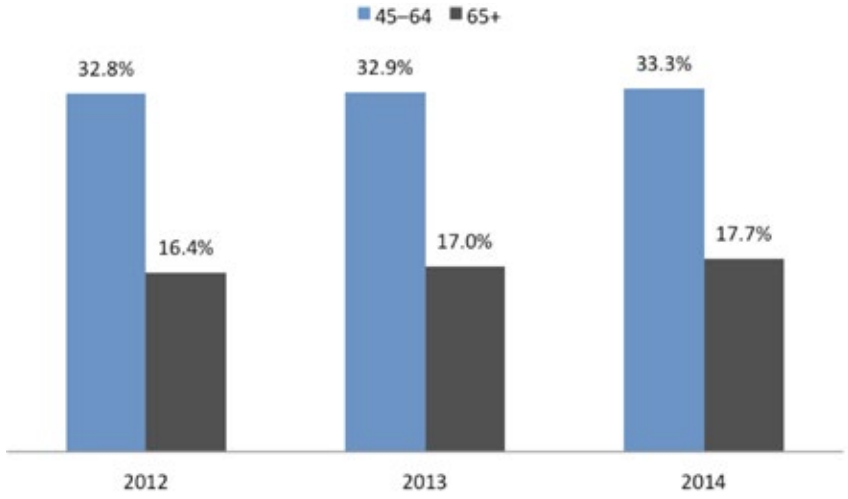
Figure 32. US: Survey Respondents Rating Vacations and Leisure Travel as Important (%), April 2015



Source: GfK

And in Europe, Eurostat data show that older age groups have been gaining share of the continent's total number of tourists.

Figure 33. EU-28: Selected Age Groups' Share of the Total Participants in Tourism Trips



Includes domestic and international tourism trips of one night or more by residents of the 28 EU countries.
Source: Eurostat/Fung Global Retail & Technology

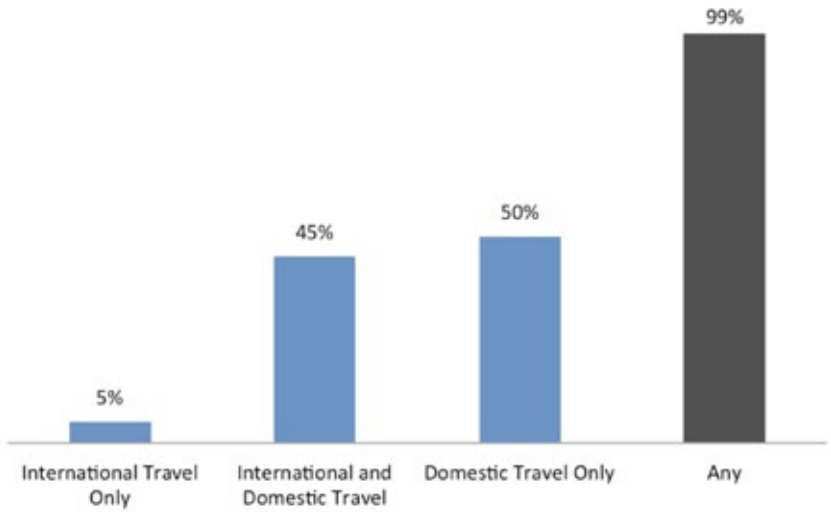
Baby Boomers Will Boost the Senior Travel Market in the Coming Years

Research on older consumers' travel plans for 2016 confirms that they are enthusiastic vacationers. A survey of US consumers aged 50 and older undertaken by consumer group AARP found that fully 99% of those polled expect to travel either domestically or internationally in 2016.

The demand for travel among older consumers suggests that we will see strengthened demand for travel among retirees in the coming years. We think baby boomers, who are accustomed to traveling frequently for leisure, are not likely give up that luxury once they have even more free time on their hands in retirement.

Consumers aged 50 and older were much more likely to say that health issues could prevent them from traveling

Figure 34. US: Consumers Aged 50 and Older, Travel Plans for 2016

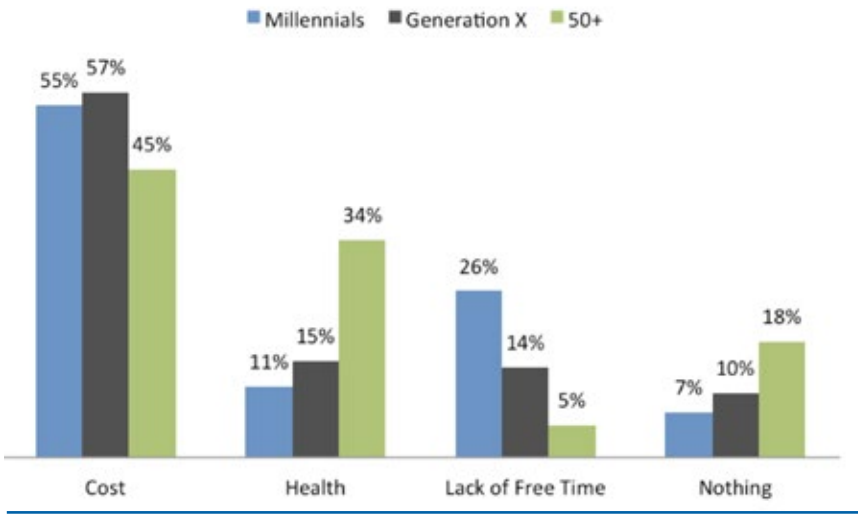


Base: 888 US respondents aged 50 or older
Source: AARP

Moreover, AARP research found that consumers aged 50 and over were much less likely than other age groups to perceive cost as a barrier to travel and were much more likely to say that nothing would be a barrier to travel in 2016. So, the next generation of retirees is likely to bolster the market for senior-positioned travel options.

However, one big drawback for this age group is the effect that weakening health can have on travel plans: consumers aged 50 and older were much more likely to say that health issues could prevent them from traveling this year. Health and mobility are the big barriers for the senior travel market, as they are for other leisure services. Yet, with retirees enjoying more years of healthy, active living, these are less of a problem for the silver market than they used to be.

Figure 35. US: Perceived Barriers to Undertaking Travel in 2016, Selected Statements



Source: AARP

CASE STUDY: SERVING THE SILVER TRAVELER

Saga is a UK-based company well known for providing services tailored to customers aged 50 and over. Through its travel segment, the company delivers package tours and holiday products. Citing the popularity of solo travel among its customers, Saga is expanding its solo holiday offerings. The company says more than one-fifth of its customers travel solo already. In April 2016, Saga launched solo holidays for groups of up to 20 people in destinations such as South Africa, the Caribbean and Sri Lanka, and it introduced solo river cruises on the Rhine in Germany.

Happy Age is an Italian tour operator specializing in tourism for seniors. According to the company's president, Massimiliano Monti, the senior tourism industry in Europe can count on a large pool of potential customers, as Europe is the continent with the oldest demographics, home to about 140 million seniors, of which about 40% are in good health, financially well off and willing to travel for leisure.
The company actively promotes initiatives designed to boost senior tourism during the low/mid-season. Seniors have more leisure time than people of working age, and the hospitality industry can benefit by targeting them with travel offerings outside peak periods. SENTour Connect Project is the most important of these initiatives. Started by Happy Age, the project has been fostered by the European Commission and other tourism organizations. It aims to create innovative and sustainable transnational tourism packages for seniors and to facilitate tourism in the low season within the European domestic market.

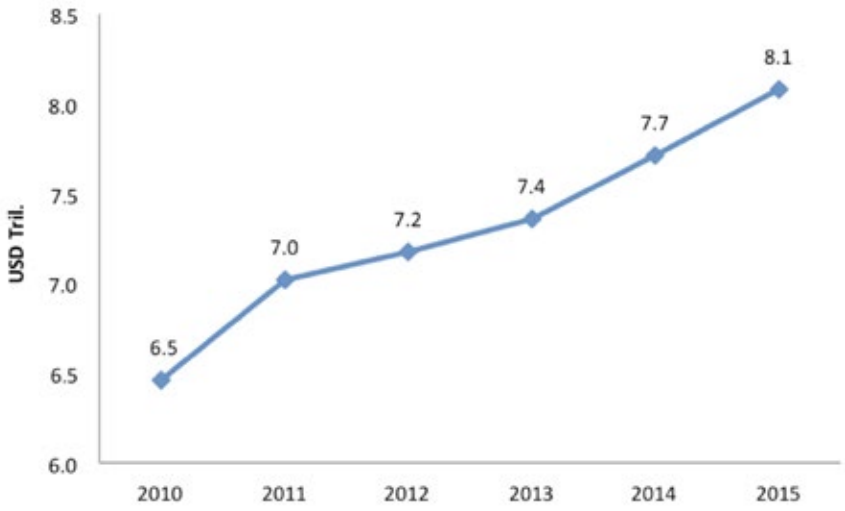
Happy Age also markets Italy as a tourist destination for the growing senior populations in Brazil, China and the US, which the company says show high demand for travel in Italy. To reach these customers, the company has invested in its digital channel, Happyageshop.com, and established partnerships with tour operators in these markets.

HEALTHCARE: SILVERS DRIVE RISE IN GLOBAL SPENDING

The single biggest problem arising from the aging of society is the cost of healthcare. The aging trend, together with the development of healthcare in emerging economies, is driving solid growth in global healthcare expenditures. Between 2009 and 2013, global healthcare spending grew at an average annual rate of 4.8%, bringing the 2013 total to $7.4 trillion, we estimate, based on World Bank data. Given this growth, we further estimate that total global healthcare spending rose to about $8.1 trillion in 2015.

Between 2009 and 2013, global healthcare spending grew at an average annual rate of 4.8%.

Figure 36. Estimated Worldwide Spending on Healthcare (USD Tril.)



Source: World Bank/Fung Global Retail & Technology

Based on the ratio of population share to healthcare spending share for seniors in the US, the UK and Japan, we estimate that seniors' spending on healthcare is approximately double the average.

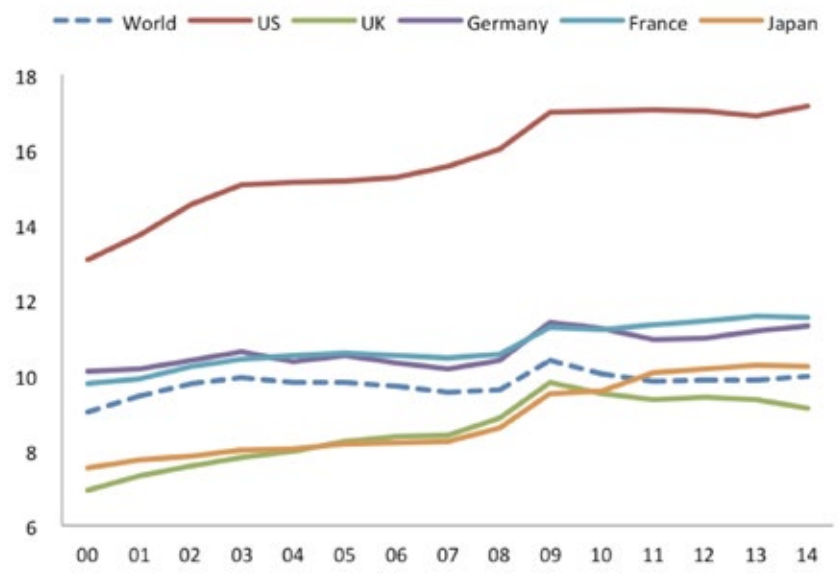
In turn, based on projected share of global population and projected global healthcare spending, we estimate that silvers accounted for around 17%, or $1.3 trillion, of global healthcare spending in 2015. Extrapolating from this, we forecast that those 65 and older will account for around 21%, or $2.7 trillion, of healthcare spending in 2025 and around 26%, or $5.4 trillion, of healthcare spending in 2035.

America's Healthcare Problem

We estimate that silvers accounted for around 17%, or $1.3 trillion, of global healthcare spending in 2015.

Relative to GDP, the rise in healthcare costs for most countries has been steady rather than dramatic. But for the US, which already has the most expensive healthcare system in the world, the increase in cost has been substantial. Spending on the category in 2014 was eating up fully 4.1% more of the country's total economic output than it was in 2000, and this was off a base that was already high enough to dwarf the closest competitors.

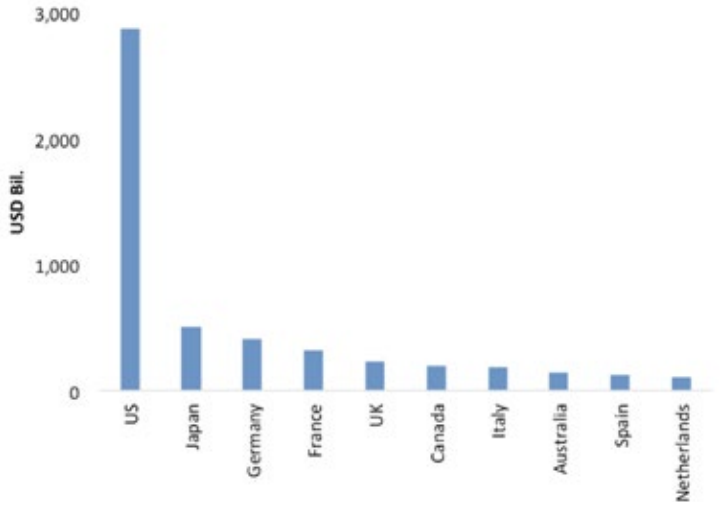
Figure 37. Healthcare Costs as % of GDP, Selected Countries



Source: World Bank

The cost problems facing the US in particular are illustrated by its absolute spending, which dwarfs that of other major economies. In 2013, the latest year for which comparable data are available from the World Bank, Americans spent $2.9 trillion on healthcare.

Figure 38. 10 Biggest Healthcare Spenders, by Country, 2013

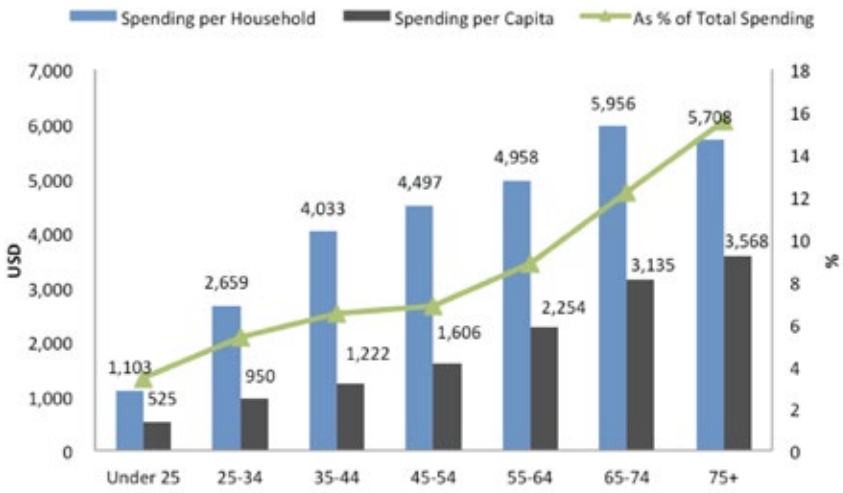


Source: World Bank

The graph below helps illustrate the problem facing most developed economies, but especially the US. It shows spending per household on healthcare in 2014; from average household sizes, we also estimate spending per capita on healthcare.

While the trend is not unexpected, these data indicate the scale of the costs associated with aging. For instance, the annual cost of healthcare for each 65–74-year-old is roughly double that for each 45–54-year-old. Multiply these annual costs by the 8 million extra seniors the US will have by 2020, or the 18 million more it will have by 2025, and it is easy to see that there will be major cost issues.

Figure 39. US: Average Annual Healthcare Spending per Household and per Capita (Left Axis) and Healthcare Spending as % of Total Annual Average Household Spending (Right Axis), 2014



Data are for personal consumption expenditures
Source: US Bureau of Labor Statistics/Fung Global Retail & Technology

Tech-Driven Solutions

In the health market, the prospect of a booming senior segment is one that sets alarm bells ringing across governments and insurers. With necessity being the mother of invention, the growing cost pressures have spurred a wave of tech-driven solutions that aim to deliver healthcare in new ways. Just as tech-focused solutions have driven down the cost of everything from taxis to books, there are real opportunities for them to bring much-needed efficiency to healthcare, driving up productivity and helping cap the costs that governments and insurers face.

Just as tech-focused solutions have driven down the cost of everything from taxis to books, there are real opportunities for them to bring much-needed efficiency to healthcare.

We are seeing solutions emerge in three main sectors:

- Health technology products
- Wearable technology (which sometimes overlaps with health technology)
- New, tech-enabled service providers.

Health Technology

The World Health Organization describes health technology as "the application of organized knowledge and skills in the form of devices, medicines, vaccines, procedures and systems developed to solve a health problem and improve quality of lives." Health tech has been immensely helpful in improving, and lengthening, people's lives.

Within the industry, technology has been developed to cater to silvers' specific medical and health needs. BCC Research valued the global market for senior-care technology at $3.7 billion in 2014, and the firm expects it to grow to $10.3 billion by 2020, at a compound annual growth rate of 18.8%.

Technology has increasingly helped the healthcare industry progress in terms of provision of care, diagnosis, noninvasive surgery and more. The silver demographic has unique needs as a result of the natural aging process and age-specific ailments. Below, we examine some of the applications of health tech for seniors.

CASE STUDY: HEALTH TECH DEVICES AND SYSTEMS FOR SILVERS

Novartis's portfolio of smart inhalers for treating chronic obstructive pulmonary disease (COPD): Pharmaceutical giant Novartis collaborated with Qualcomm to develop smart inhalers for patients diagnosed with COPD, a disease that mostly affects people in their later years. The inhalers detect and record real-time data about their usage, including the time used and other information relevant to patients and physicians. The information is transmitted to a patient's smartphone and to the Novartis app, through which healthcare providers can access it.

MocaHeart by MocaCare: This device tracks the user's heart rate and cardiovascular health. The user places his or her thumb on a sensor on the device, which measures blood flow velocity. The device then uses the velocity to calculate heart rate, blood oxygen levels and cardiovascular health. The information is displayed on the user's smartphone.

VitalSnap: This app, developed by Validic, enables users to record health data and transmit it to care providers or a patient portal. The user takes a picture of the information from a personal health-monitoring device (such as a blood glucose meter or blood pressure monitor) via his or her smartphone camera, then uploads it to the VitalSnap app, which can deliver the information to healthcare providers.

GrandCare Systems: Health-monitoring systems from GrandCare allow caregivers to view readings and reports remotely, and administer to patients remotely. Through simple questions on the screen, the interactive systems ask patients about their health and if they have taken their prescribed medicines. Alerts can be sent to caregivers if patients miss any scheduled dose.

Such systems can also be connected to sensors throughout a house to help with tending to patients with Alzheimer's disease. If the patient leaves the house, the sensors quietly send an alert to an assigned person, who can then track the patient's whereabouts.

Wearable Technology

Wearable technology is currently dominated by lifestyle products such as Fitbit fitness bands and Apple Watches, but we are seeing the emergence of wearables that address the particular needs of seniors and help consumers manage chronic conditions. There are a number of wearable wellness trackers for seniors on the market now, including the Tempo wristband, which tracks and "learns" the wearer's sleep, meal, activity and other habits. Once it does, it checks for each activity at the stipulated time, and if the wearer misses a meal or has not woken up at the usual time, the smartphone app linked to the tracker notifies the caregiver.

Connected Services

New service companies are driving the "Uberization" of healthcare.

New service companies are driving the "Uberization" of healthcare, with a number of tech startups making healthcare more accessible and convenient for patients by putting them directly in touch with healthcare providers via the Internet. In some cases, this means offering virtual and face-to-face doctor's appointments booked via the web or via apps. In other cases, it includes offering video consultation services. Investors are attracted by the model's profit potential, while large healthcare companies, hospitals and practices see it as a way to provide remote care that is cost-effective and convenient.

CASE STUDY: HEALTH WEARABLES FOR SILVERS

UnaliWear's Kanega voice-controlled wristband looks like a watch and comes with many functions not available on the typical fitness tracker. For example, it provides medication reminders, including how each dose should be taken. If wearers wander off and lose their way, it tells them how to get home, and if they need help or emergency assistance, the wristband communicates with an operator who will arrange for help.

The **BodyGuardian Remote Monitoring System** uses a small wireless sensor that is fixed to a patient's chest with a medical-grade adhesive gel. It records real-time readings of the wearer's average heart rate, breaths per minute, activity level and other vital signs to perform an electrocardiogram. The sensor can be linked to a patient's smartphone and to the manufacturer's PatientCare platform, enabling caregivers to monitor the patient's health more closely.

CASE STUDY: HEALTH TECH SERVICES

Doctor On Demand offers physician consultations via video chat at a fixed $40 price. Its platform enables patients to video chat with physicians regarding various minor medical conditions, and the company also provides telemedicine solutions to businesses to help them reduce their employer healthcare costs. **Pager** and **MedZed** offer the possibility of booking an in-person appointment with a doctor who will make a house call. These three companies work through apps that enable a patient to call a physician for an appointment by simply clicking an icon on their smartphone's screen, just as they would to schedule a ride through Uber.

In the US, the assisted-living industry was worth nearly $51 billion in 2012.

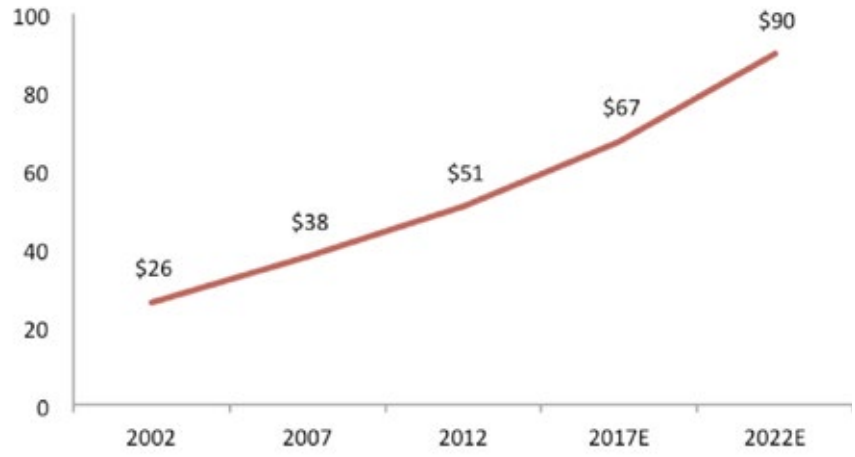
ASSISTED LIVING: A FURTHER MAJOR COST BURDEN

The need to provide seniors with assistance with everyday living is a second major cost burden arising from the aging of society. This everyday help can be split into two forms: homecare and assisted living. Homecare is the provision of supportive care to carry out everyday tasks, and is provided by professional caregivers in the home of the person needing care. Assisted-living facilities are communal residences and centers such as nursing homes that employ skilled caregivers to care for residents.

A $50 Billion+ Industry in the US Alone

In the US, the assisted-living industry was worth nearly $51 billion in 2012, the latest year for which data are available from the US Census Bureau. Assuming the industry continues to grow at its historical compound annual growth rate of 5.9%, we expect it to be worth approximately $67 billion in 2017 and $90 billion in 2022.

Figure 40. US: Retirement Community and Assisted-Living Facility Revenues, 2002–2020E (vUSD)



Source: US Census Bureau/Fung Global Retail & Technology

The demand for senior-care services translates into a major employment sector. As of May 2015, there were 820,630 people employed as health aide workers in the US, according to the US Bureau of Labor Statistics. Of these, 11% worked in continuing-care retirement communities and assisted-living facilities for the seniors. The remaining 89% were employed in other home and residential nursing, physical and mental healthcare capacities or in individual or family services. The Bureau of Labor Statistics projects that the number of jobs in the industry will grow by 38% between 2014 and 2024, a rate that is much faster than the projected average employment growth rate in the US.

Technology's Role in Transforming Senior Care

Just as technology can help restrain the growing healthcare costs associated with an aging population, so, too, can it help tackle the rising cost of helping less able older consumers live everyday lives. Several marketplaces have emerged that operate like Uber and Airbnb; these match senior clients with service providers who can help them maintain their quality of life.

CASE STUDY: MATCHING SILVERS WITH SERVICES

Honor: Honor was founded by Seth Sternberg in August 2014, with the motto "We're building Honor for our own parents, and we're building it for you, too." Honor helps families find caregivers online after an initial in-person assessment with a care specialist to identify a client's care needs and formulate a care plan.

After the assessment, families and individuals can schedule appointments with caregivers either online or through a mobile app. Families and/or the care specialists communicate with caregivers through the app to let them know what activities they would like the senior client to be assisted with. Caregivers help with a range of tasks, such as preparing meals, shopping for groceries and taking the client to doctor's appointments.

HomeHero: This company's model is similar to Honor's. It lets families find, hire and manage in-home care for seniors. Families and individuals look for caregivers online and can watch videos of caregivers before they hire them. Families can access their account through HomeHero's app and use it to communicate with the caregiver. HomeHero also provides a home security camera that allows families to check in on their loved ones to make sure they are doing fine. HomeHero has been partnering with hospitals since March 2016 to help families and seniors find caregivers.

Hometeam and **CareFamily** are two other companies that are disrupting the homecare industry using an online marketplace model. Meanwhile, **Envoy** provides shopping and concierge services for seniors, reducing their burden in terms of going to the store and performing other errands, thereby allowing them to remain independent longer. **A Place for Mom** is an online referral service for senior-living facilities. **Caremerge** is a care coordination network serving patients in senior-living facilities; it helps keep care teams, families and patients informed and on the same page.

THE SILVER WAVE: KEY TAKEAWAYS

- Silvers are not a homogeneous group, and older silvers' spending patterns differ significantly from those of their younger counterparts.
- Younger silvers (those aged 65–74) continue to spend significantly on discretionary categories such as travel, and they are catching up to the general population in terms of e-commerce adoption and smartphone ownership. As baby boomers retire in the coming years, we expect these trends to only strengthen.
- Industries such as retail and travel will be reshaped by the demands and needs of senior consumers as the global population continues to grow older.
- We expect technology to play a key role as governments tackle the cost challenges in essential services for the senior market, such as healthcare and homecare and assisted living.

The silver wave is fast approaching. The question that governments, industries and companies must ask themselves is: are we ready?

Industries such as retail and travel will be reshaped by the demands and needs of senior consumers as the global population continues to grow older.

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