How to Get Gold from Silver

Tapping the Mature Consumer Requires Marketing, Not Alchemy

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By Kim Walker

Every business should be excited and frightened in equal measure by the demographic revolution underway in China. Its population is ageing rapidly. The number of citizens over 50 is already far greater than the entire population of the US and will grow by 142 million (36.8 per cent) over the coming ten years. At the same time, the under 50 population will shrink by 117 million.

This presents both an opportunity and a threat. Why? As the only growing demographic segment, the 50+ population has money to spend and is the least contested of all consumer groups. The requirements of this market have until now not been met by business, remaining virtually ignored. Putting prejudice aside and recognising the business opportunities that abound are the smart ways forward.

Demographic Breakdown of the Chinese Population

In Thousands

	2008	2018	Growth
Pre Teens (0-14)	226,442	178,283	-21.30%
Young Adults (15-34)	383,509	368,467	-3.90%
Older Adults (35-49)	344,461	290,275	-15.70%
Senior (50+)	388,766	531,748	36.80%
Total	1,343,178	1,368,773	

Source: Global Demographics

Lack of Attention

The natural argument is that while numerous, the mature consumers do not have the disposable income of their younger cohorts. That is true to an extent but certainly not to the point where they should be ignored. Based on information from research firm Global Demographics, households with persons aged 50-64 (i.e. still economically active) are important. Even though they earn marginally less on average than younger households, they have a lower average household size. As such, their per capita income is actually 30 per cent greater than that of younger households. Add to that the fact that most own their homes and have already acquired most essentials, it is plausible that their discretionary expenditure per household (and per capita) is significantly higher.

Discretionary spending of these households is estimated to stand today at USD 700 per year, increasing to USD 1,340 by 2019. This means their total market value (number of households multiplied by average discretionary spend per household) is projected to increase from USD 83 billion in 2009 to USD 177 billion in 2019. That is a 100 per cent leap in just one decade.

So why does business continue to turn a blind eye to the mature consumer market in favour of a shrinking youth

market? There are several theories for this, but perhaps the most compelling is that there has simply never been a precedent in the history of mankind. There is no prior learning to go by. Certainly since the inception of modern marketing there has been the assumption that there will be a plentiful supply of younger consumers to use the products and services and to crave branded goods and services. Consume and crave they will continue to do but now there is another opportunity for business: how to remain relevant to an older consumer.

Not a Homogenous Silver Blur

There are unique generational issues at play in China. Citizens aged 50+ years have lived through very different times than today's society and are possibly affected by this. Mature Chinese consumers are more likely to compare prices before deciding where to buy (72 per cent) than their younger counterparts and less likely to look at the brand name first (52 percent mature vs. 56 percent younger).

However, one must realise that the over 50 segment is not homogenous. For one, when discussing the ageing consumer, people tend to think only in the extremes, the "old" old. But today's 50+ consumer is very different to previous generations. Certainly in Western countries, the baby boomer generation of 50+ consumers is rewriting the rules of ageing.

An online poll conducted among 50+ consumers across the Asia Pacific region in January this year revealed that 59 per cent of Chinese respondents claimed they felt five or more years younger than their actual age. 22 per cent of them were also annoyed at being perceived by others as older than their age. Furthermore, an impressive 59 per cent said the best years of their life are now (between 50 and 70). They are indeed older, but not "old".

The same lack of homogeneity also applies to various lifestyles of the older market. One hypothesis is that psychographic/lifestyle segmentation will remain a crucial determinant of behaviour in older consumers just as it does with the young. For example, an adventurous and energetic 40 year-old will probably remain so until very late years and the same is true of conservative people – consider your own family members.

People do not suddenly homogenise their thinking once they hit 50; they carry their attitudes, beliefs, and opinions into old age. So in marketing terms, ageing is partly generational but mainly physiological, and consumers still need to be segmented into attitudinal groups.

The first table on the next page illustrates the social segmentations and differences between younger and older consumers in China.

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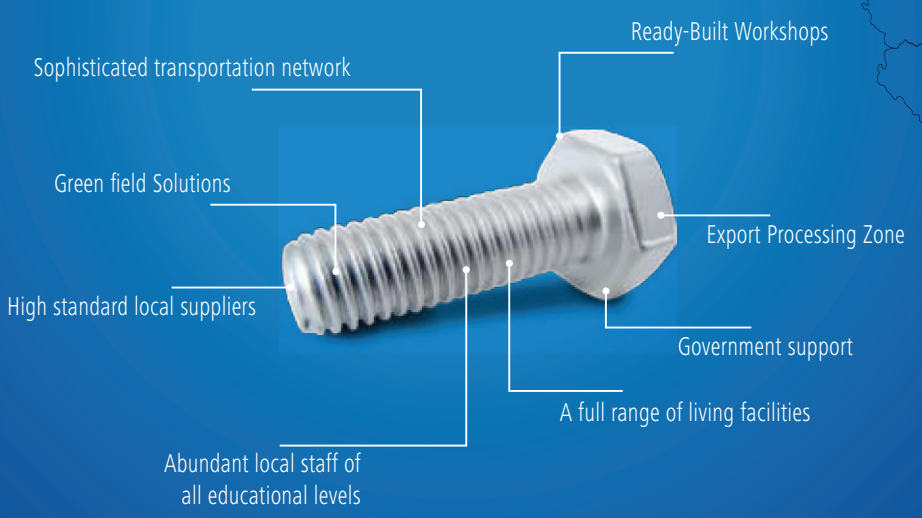

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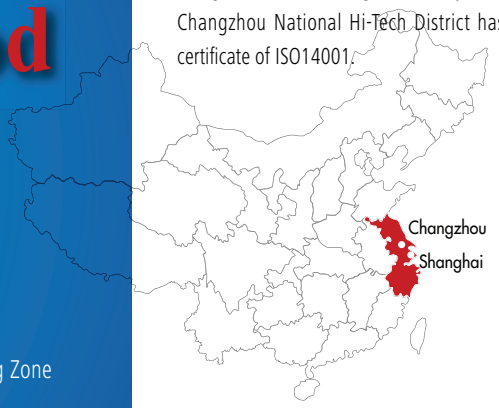
Changzhou National Hi-Tech District (CND) is the State-level high-tech industrial development zone established in August 1992 subject to approval of the State Council. It is located in northern part of Changzhou and bordering the Yangtze River on the north. CND is now ranking among the most dynamic zones, which receive the foreign investment in highest density in mainland china. Changzhou National Hi-Tech District has obtained the certificate of ISO14001.



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Personality and Social Segmentation of Chinese Consumers, in %

	Age 44 and below	Age 45 and above
Anxious striver	11.20	8.20
Conventional homemakers	16.50	29.10
Satisfied optimists	14.00	13.30
Insecure introverts	13.40	11.30
Impatient achievers	18.30	16.30
Pragmatic providers	12.40	12.90
New generation progressives	14.20	8.90

Source: Silver3D - China

Ownership of Electronic Appliances, in %

Electrical appliances	Age 44 and below	Age 45 and above
Mobile phone	92.3	83.0
Digital camera	20.8	13.5
Juice extractor/mixer	21.1	17.1
DVD player	52.0	47.1
Hi-Fi	36.1	33.0
Pressure cooker	54.1	56.7
Electric clothes dryer	53.6	57.5
MP3 player	29.9	24.2
Radio set	30.6	35.5
Sewing machine	12.3	15.8
Computer	42.7	35.6
Fixed line telephone	78.7	85.0
Air conditioner	77.0	81.5
Microwave oven	68.4	73.9

Source: Silver3D - China

Not Just Shopping for Healthcare

Healthcare, insurance, cultural centres for seniors, geriatric studies, and care giving will all likely see a significant growth in the coming years. Companies like Puzhongtong Biotechnology that target older consumers as a demographic are beginning to pop up on the retail landscape.

In China's highly fragmented retail pharmacy sector, Nepstar has recognised the opportunity in the "silver market", knowing there will be an increasing demand for prescription drugs, over-the-counter drugs, and nutritional supplements. At the end of 2008, Nepstar had grown to 2,700 stores in 76 cities, making it the largest drug store in China.

Beijing Sunshine Care House, opened in January 2008, will triple the number of beds to 700 this year, probably filling them all. The retirement home is seeking to attract the city's elderly with a tropical conservatory, billiard room, and calligraphy studio. This year alone, Beijing will see 15,100 new beds in nursing homes, a 47 per cent increase over last year.

However, the consumption powers of the 50+ population are not limited to such geriatric needs. The chart below illustrates everyday household items. While older consumers may be less inclined to own a cell phone, computer or other gadgets, their ownership of other large household appliances equals or surpasses younger demographics.

Although slow to start, it is predicted that the 50+ online community will soon constitute 20 per cent of the entire online population in China. Leading web firm Baidu realised this trend and this year introduced 123 Baidu, a service specifically for older web users.

It is also necessary to think beyond the obvious when marketing to the 50+ segment. According to one survey, the most annoying factor of ageing (by far) was their diminishing eyesight, exacerbated by the need to wear glasses and difficulty in reading product labels. Think of the business opportunities and the business consequences of this. In-store lighting, type sizes on products and labelling; the list is endless.

Are You Age-Ready?

The new generation of 50+ consumers is rewriting the rules of ageing. Companies that respond to these consumers stand to tap the fastest growing, most lucrative demographic segment in China. The market is there, and its consumers' needs reach beyond the expected products. When selling to them, it is then also important to think beyond the stereotypes and take into account the *new* Chinese 50+ consumer. ■

Profile

SILVER is a strategic business and marketing consultancy leveraging business opportunities in the powerful and rising population of 50+ consumers throughout Asia Pacific. SILVER can INFORM with unique research, data and insight reports into the senior market, ADVISE companies how to tap the market through an audit of age-readiness and strategic workshops, CONNECT business to the senior market through refined brand positioning plus relevant and targeted communications strategies and media. SILVER is represented in the major economies of Asia Pacific and supported by a top-level Advisory Board bringing a broad perspective of the latest global thinking and practise in this area. Kim Walker is the CEO of SILVER. In his 30+ years of work experience in marketing communications, he has held local and regional top-management positions in Singapore, Hong Kong, New York, and Tokyo. He is Australian.

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