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The Silver Economy: Baby boomers power new age of spending

By Scheherazade Daneshkhu, Consumer Industries Editor



When *I'm 64*, "we shall scrimp and save" in the words of The Beatles – a song which suggested that hitting the age of 64 meant becoming unlovable and quite probably poor.

Today many 64-year-olds – at least in developed economies – are considered neither old nor poor. They are living on average a decade longer than in the 1960s when Paul McCartney sang those lyrics and have enormous power as consumers.

"Baby-boomers are different from the 70-plus generation," says Sophie Schmitt, co-founder of Seniosphère, a Paris-based consultancy specialising in the senior market. "They consider ageing well as a lifestyle. That is different from the past when people regarded ageing as a fate."

Healthy longevity has resulted in a generation that is willing to spend. Euromonitor forecasts that the global spending power of those aged 60 and above will reach \$15tn by 2020.

This is good news for consumer companies. As Jean-Paul Agon, chief executive of France's L'Oréal cosmetics group, says: "It's the first time since the beginning of mankind that there will be a large number of people aged 65-plus. The consumption time span of these consumers is getting longer so they are effectively a new and additional category of population."

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Yet the fast-moving consumer goods industry has been surprisingly slow to respond to the demands of the older consumer, believes Alison Sander, director of the Boston Consulting Group's Center for Sensing and Mining the Future.

"This is probably one of the most predictable and visible trends," she says. "But consumer companies don't seem clear on how to respond."

Many products for older people have been developed under the broad rubric of disability and poor health – dentures, adult diapers, colour for greying hair. There has been relatively little to appeal to those who are fit and healthy.

"We are still waiting for fundamentally new products to meet the desires of this older consumer group," says Ms Sander.

She contrasts this with the automobile industry which has been working on developing cars that drive themselves. "They realised it's not enough to change the age of the people in the ads; they need to change the car," said Ms Sander.

Consumer goods companies face two big difficulties in targeting the older customer. The first is that this is a vast demographic with myriad different tastes and interests, so hitting on universal big ideas is difficult.

But one obvious area is packaging. When he donned an ageing suit to mimic inhabiting an older body, Pierre-André Têrisse, finance

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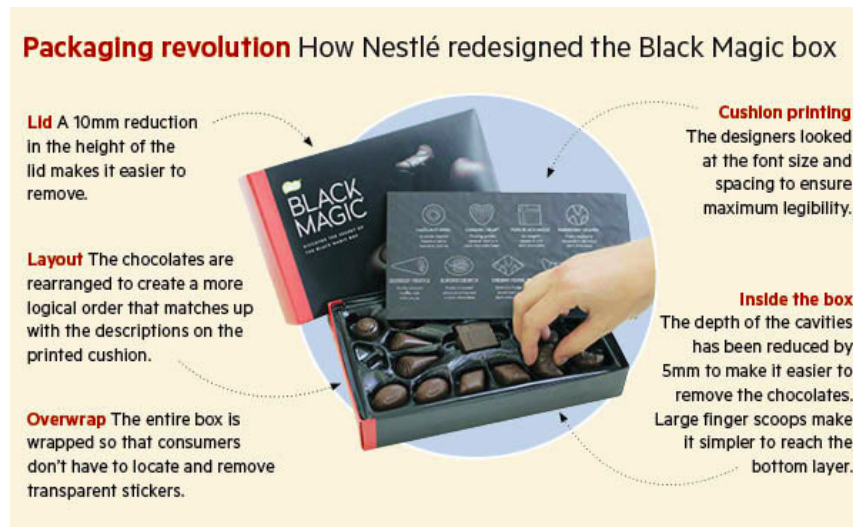


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director at Danone, found out how difficult it was to pick up heavy bottles of the group's Evian water or to distinguish between a raspberry or cherry Actimel yoghurt.

"The general lesson is that we need to test for this whenever we make changes to our products, otherwise there is a risk that older people will be put off from buying if they find it too difficult," said the 48-year-old Mr T  r  sse.



Swiss food group Nestl   had arthritic hands in mind when it redesigned the jar for its Nescafe Gold instant coffee in Australia, giving it a "waist" to make it easier to hold and an easy peel foil cover. In the UK, the group reworked its Black Magic chocolate box – which has been around since the 1930s – by increasing the font size on the cover, reorganising the chocolates so they align with the pictures on the lid and widening the finger scoops.

Food companies have also expanded into medical nutrition. Danone has developed Souvenaid – aimed at early Alzheimer's sufferers – while Nestl   last year launched its Yiyang milk in China for baby boomers concerned about cardiovascular health.

Asahi Group, the Tokyo-based food and drinks conglomerate, has developed single-serve soft stews aimed at capitalising on Japan's rapidly ageing population.

"The elderly, their teeth are much weaker; they don't have the biting strength," said Naoki Izumiya, chief executive. "So we adapted the baby food technology for the elderly."

The second challenge for consumer companies is how to market to the older customer . Baby boomers do not regard themselves as old. They see themselves as 10-15 years younger than their actual age, says Ms Sander. Moreover, products overtly marketed to older people risk putting off younger ones.

Masahiko Uotani, chief executive of Shiseido, the Japanese cosmetics company, uses himself as an example. "I am 60 years old but I don't like it if a product aimed at me is advertised as being for senior people. But if the message is that the product is for someone experienced and discerning who has the capability to judge when something is good – then I am more likely to buy it," he laughs.

Ms Schmitt of Seniosph  re says there are subtle ways to market to older people by using references – such as music or an icon from the childhood of that generation – that resonates but is not explicit.

"A young person won't really notice the reference, so it won't put them off but the older person will pick up on it. This way you can target an audience without saying that this is specifically for you," she says.

Even if baby boomers do not like being labelled as old, they have helped break taboos, she notes.

When Ms Schmitt, who has a background in consumer goods companies, helped launch a face cream at L'Or  al in the early 1990s for menopausal women. "We could not mention the word – it was not acceptable to that generation. So we used a 32-year-old model instead of one aged 18 and talked about 'mature' skin. Now, you can talk about the menopause openly – baby boomers look at ageing completely differently."

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