Strictly Financial

Is the current generation of marketeers too dumb to follow the money – or just ageist?

More people are living longer and are wealthier than ever before – so why do so few mainstream companies focus on the needs of older consumers?

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Our insights and observations

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Is the current generation of marketeers too dumb to follow the money – or just ageist?

The profile of the pensioner population is dramatically different to that of just 30 years ago – there will be more pensioners, and those individuals will have experienced very different economic, policy, technical and medical environments than previous generations. They will be wealthier and fitter than ever before – so why do so few companies take the needs and expectations of this demographic seriously?

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Today's 'later life' population is wealthier, wiser, living longer, more active and living 'wilder' than any previous generation – yet is largely ignored by many companies

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Over a third of the UK population are aged 50 or over[1]. By 2040, nearly a quarter will be aged 65 or over[2]. Life expectancy at age 65 has also increased – in 2011, one in six people were 65 or over, an 80% increase over the last six decades - and it is predicted to continue to rise[3]. The EU estimates that between 2005 and 2030, the size of the senior citizens population will grow by 81% - the 18-59 market only by 7%.

The older consumer presents a socially and economically active market – one which knows its mind and has the resources to spend on things that they want and need.

But recognising our older population seems to be socially uncomfortable and challenging. For example, a recent survey of best picture nominations in Hollywood found that only 12% of speaking or named characters were aged 60 or over, and most of them were portrayed as impaired - discrimination and stereotyping on the basis of age is everywhere, but it is so ingrained that often we don't even realise it.

A short history of retirement

Rising to the challenge of demographic change is one of the key issues facing us and driving a need for new and different products and services to meet the needs of our ageing population. So how and why has this come about?

The first organised pension scheme was established in the 1670s and was for Royal Navy Officers – life expectancy at that time was 48. But it took until 1909 before the state introduced a general old age pension – payable from age 70 and both means and character tested - mainly to avert poverty at older ages and reduce the burden on the workhouse.

[1] Mid-2015 Population Estimates UK Office for National Statistics
[2] National population projections for the UK, 2014-based, Office for National Statistics, 2015
[3] www.fca.org.uk/news/dp16-01-ageing-population

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At that time only one in four people reached the age of 70, a woman was expected to live for a further 9.3 years, and men for 8.4 years, meaning that pensions needed to last, on average, around 9 years[4].

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A hundred years ago people who reached 70 were only expected to live another 9 years. Now it is not uncommon for retirement to last two or three decades.

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In contrast, men and women at age 65 in 2011 were expected to live for approximately 20 more years. During the first half of the twentieth century, increasing life expectancy was probably due to health improvements in the young population (childhood immunisation and fewer infant deaths), but in the second half of the century it was driven by health improvements in the older population.

Whilst a gap between men and women's life expectancy remains, men are catching women up as a result of the shift to service (rather than manufacturing) industries, better working conditions and a reduction in the proportion of men who smoke.

Living longer and healthier

Whilst the older population is more likely to suffer with health conditions, the overall trend is for people to age more healthily overall because of general improvements in social and environmental conditions and in medical care.

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People today live ten healthy years more than their parents or great-grandparents – an extra ten years of productivity as consumers, workers and citizens[5].

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The expected average time 'in retirement' has doubled over the last 100 years, and around 60% of this remaining life span is 'healthy'[6]. And these trends in ageing are projected to continue.

In 2014, there were 310.4 people of pensionable age per thousand people of working age, and, even taking account of the rising State Pension Age, this is predicted to

[4] http://visual.ons.gov.uk/how-has-life-expectancy-changed-over-time
[5] https://www.ageofnoretirement.org/about-us/what-we-do
[6] Health expectancy at birth and at age 65 in the United Kingdom, 2009-11, Statistical Bulletin, Office for National Statistics, 2014

increase to 369.6 by 2039 (representing 16.5m). This is due to a combination of the baby boom that followed WW2 and lasted until the mid 1960s, and increased longevity, both meaning that more people are living longer – there is a predicted six-fold increase in the number of centenarians over the next 25 years[7].

People retiring today are fitter, more skilled and better off financially than any previous generation, and can look forward to many years of active life ahead - traditional views of a 'pipe and slippers' retirement are outdated.

The longer we live, the more different we become

These consumers represent a growing proportion of the UK population, and it is important to understand how markets work for them. However, many traditional age-based consumer segmentation models fail to reflect the demographic changes in society, or tend to regard 'old people' as a single homogenous group – but how much commonality is there between a 65 and a 95 year old?

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There is a tendency to think of anyone over 60 as the same age - old! But they can span four decades – this is the same as thinking someone who is 20 is the same as someone who is 60 – dumb!

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Older consumers are diverse, and the 'one size fits all' model no longer applies (if it ever did!). Age is no longer a proxy for behaviour. These consumers have a range of beliefs, behaviours and needs which affect the way they interact with the products and services that they consume, from basics through to luxuries - and including money and financial services.

Lengthening working lives

There has been a trend of people leaving the workforce (presumably for retirement) later – in 1992 roughly 8% of people over the state retirement age were in work, and by 2012 this had risen to around 12%[8]. For men, the average age of retirement increased from 63.8 in 2004 to 64.6 years in 2010. For women it increased from 61.2 years to 62.3 years. In 2015 PwC estimated that a fifth of people aged 65+ were still in employment[9].

[7]http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2015-10-29

[8] http://webarchive.nationalarchives.gov.uk/20160106035332/http://www.ons.gov.uk/ons/rel/pensions/pension-trends/chapter-4--the-labour-market-and-retirement--2013-edition/art-pt2013ch4.html#tab-The-older-workforce

[9] http://www.pwc.co.uk/services/economics-policy/insights/golden-age-index.html

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The traditional career arc is also changing – people are choosing semi-retirement or taking lower paying 'bridge' jobs before entering full retirement[10].

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This may be due to tougher general increasing life expectancy, anti-discrimination laws, less generous employer pensions/ early retirement options as well as to pension reforms – automatic enrolment into workplace pensions, speeding up the move to a single tier state pension system, and changes to the State Pension Age (equalisation of women's state pension age by 2018, followed by proposed increases in the pension age to 68 over the next 20 years).

The effect of a rising state pension age means that our workforce is set to continue to age. Both men and women will remain in paid work for longer, which will drive an increase in earned income levels for those aged 65-74. These are projected to grow by an average of 8% per year between 2010/11 and 2022/23[11].

Increasing spending power

The older population is an increasingly important demographic and economic contributor to our society, and there is a strong relationship between wealth and all types of lifestyle behaviour[12].

Older people have both time and money. Older households (65+) contributed £61 billion a year to the UK economy in the 2013/4 tax year – this includes informal caring, child care and volunteering[13].

Despite the fact that improved life expectancy means that pension pots will have to finance 20 or 30 years of retirement (before any additional expenditure such as intergenerational transfers is considered), all the figures show that this generation of retirees are wealthier than ever before, and also wealthier than their younger peers.

The total spending by households headed by someone aged 65+ was £145bn in 2013, and is increasing[14]. The average net income for single pensioners in the UK was £204 per week after housing costs, and £444 for couples[15]. The proportion of pensioners living in low-income households has fallen sharply since the late 1990s - 29% of pensioners in 1998/9 vs. 14%16 in 2015/16 were on low-incomes[17].

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[10] https://www.retirementline.co.uk/news/how-retirement-trends-have-changed-over-the-last-10-years/
[11] http://www.ifs.org.uk/uploads/publications/comms/r95.pdf
[12] http://www.elsa-project.ac.uk/uploads/elsa/docs_w6/ELSA%20Wave%206%20report.pdf
[13] http://www.ageuk.org.uk/latest-press/archive/61-billion-the-economiccontribution-of-people-aged-65-plus/
[14] Family Spending 2011 – 2014, ONS, 2014
[15] Pensioners' Incomes 2014/15, Table 2.1, DWP 2016
[16] http://www.ageuk.org.uk/professional-resources-home/policy/money-matters/poverty-and-inequality/
[17] http://www.poverty.org.uk/64/index.shtml

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Pensioners are now less likely to be living in low-income households than non-pensioners – and they outspend their younger peers in almost every category.

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Unsurprisingly, better off 'older' households are more socially and culturally active – buying more goods, traveling more, and being physically more active. According to a survey conducted by Investec Wealth and Management, 69% of respondents say they intend to spend money on holidays and travel in the first 10 years of their retirement, while 36% have some of their fund earmarked for home improvements. A similar amount plan to eat out more, 32% have budgeted for a new car, and 5% plan to buy a second home[18]. They may have more time, but clearly value that time highly – they are living very full lives.

Challenging traditional assumptions and blurring boundaries

The make-up of the older household is changing. 36% of those over 65 live alone, and nearly 70% of these are women[19]. There are increasing numbers of people in their 40s, 50s and 60s who are newly single, having recently come to the end of a long term relationship[20]. The view of this cohort as 'empty nesters' may no longer hold true – they may be developing new relationships, acquiring second families - and as a result as they move into later life, they will have unique and complex family structures.

We are also seeing an increasing desire by older consumers to help to support their family financially. A recent report found 69% of over 65 year olds supporting in-life need based gifting rather than leaving an inheritance[21]. Social pressures on younger people (university fees, spiralling house prices, family breakdowns and debt) are encouraging inter-generational financial support - so even whilst they personally are out of a specific life stage, they may well still be considering it for someone else.

There is also an assumption that older people don't engage with modern technology – but this is not necessarily true. Internet usage among older age groups has increased substantially over the last five years. The proportion of people aged 65-74 who have used the internet in the last three months is 74%, and 39% for those aged 75+[22] - and those in higher socio-economic groups (with more wealth!) are more likely to use the internet.

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[18] http://moneyfacts.co.uk/news/retirement/retirees-are-shunning-excessive-lifestyles/
[19] Labour Force Survey, ONS, 2015
[20] http://www. hpa.org.uk/webc/HPAwebfile/HPAweb_C/1206003520175
[21] http://www.smf.co.uk/press-release-longer-lives-changing-attitudes-toward-inheritance-and-intergenerational-support-new-report-reveals/
[22] Internet Users in the UK 2016, ONS

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The number of people aged 65 or more accessing their computer on a daily basis rose from 9% in 2003 to 42% in 2014[23], and they are increasingly engaged with social media**.**

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In summary, the older population's spending power and influence is growing and they are gradually adopting technology to help research and access products and services (although there is still some way to go). Their influence extends beyond their own needs. Increasingly they are involved in purchasing decisions where they may not be the direct customer but may be the primary source of funding – children's first home or parents' care home – the decision-making boundaries are blurring.

Older people feel excluded

Numerous, wealthy and diverse, older people do not 'feel old' – instead they appear to be enjoying a second 'middle age', largely free of family commitments and with increased spending power. However, despite their importance, evidence suggests that companies are not considering or catering to their needs.

Just over half of older people agree that those who plan services do not pay enough attention to the needs of older people[24], and 39% also believe that businesses have little interest in the consumer needs of older people[25]. They feel ignored or patronised – 73% of 50-69 year olds claim that they don't pay attention to ads because they don't seem relevant[26].

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"This group is too large to be ignored, too complex to be stereotyped and too diverse to be second guessed – yet that is exactly what some businesses are doing" (Mark Beasley, Chairman of the Mature Marketing Association).

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The current approach of using age and generation as a means of targeting is simply not working. Companies need to wake up to the fact that across the board consumption growth will be driven by the over 60s over the next 20+ years. Effectively targeting this lucrative audience could mean the difference between success and failure – ignore them at your peril!

[23] Internet Access – Households and Individuals 2014 – National Statistics
[24] One Voice: Shaping our ageing society, Age Concern and Help the Aged, 2009
[25] 2011 ICM Research Agenda for Life Survey for Age UK (November 2010)
[26] JWT survey, 2015

Marketeers are ignoring the older consumer

The UK's ageing population should be on the agenda of every company - and yet, looking around the market, there are relatively few organisations that seem to be taking the profile, needs and behaviours of this segment, and designing products and services that will appeal.

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The over 50s account for 35% of the population, 43% of total household spending on consumption, and a disproportionately high amount of wealth

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There are some notable exceptions (M&S, Dove), but in general the opposite seems to be happening – increased premiums for insurance, increased use of (potentially alienating) technology to deliver services, 'family' orientated packages and discounts, single room supplements for holidays.

This can extend to quite small things – in many cities the main groups eating out in restaurants are those over 50, yet very few are able to read the menus (often in poor lighting) without their reading glasses. Banking services for wealthy people are often delivered by relationship managers young enough to be their grandchildren – and this may not sit comfortably with the customer.

The problem is considered serious enough that in September 2017 the Financial Conduct Authority warned that older people face product and advice gaps in the financial services sector. It is openly critical of the industry, identifying product and service design, customer support and a lack of strategic evolution as the main issues[27]. A survey carried out earlier in 2017 showed that UK financial services firms (asset and wealth managers) currently offer a limited range of strategies to older customers, and only around a quarter has reviewed the needs of older clients – the majority have no plans to tailor services, train staff or develop age-appropriate products[28].

Arguably these criticisms could be levelled at almost any sector – there is little evidence that older consumers are considered when products and services are being designed, and few companies consider how to best support the needs of an ageing population, focusing more on their own corporate need.

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[27] https://www.fca.org.uk/publications/occasional-papers/ageing-population-financial-services

[28] https://www.fundstrategy.co.uk/survey-financial-firms-no-plans-meet-older-clients-needs-fca-warns-potential-harm/?cmpid=em~newsletter~fs_latest~n~n&utm_medium=em&utm_source=newsletter&utm_campaign=fs_latest&adg=3CD13349-C338-4538-A216-5385B00F2DC7

Why ageism in marketing exists

Whilst there is a need for some specialist products designed to cater for the specific needs of older people, by far the larger market involves categories of products that span the age spectrum – entertainment, cars, technology, financial services. Older people make up a huge proportion of purchasers of these products, yet all too often marketing materials are designed for, and aimed at, younger buyers.

There are several factors that could be contributing to this:

- Business culture tends to reward youthfulness – creativity and innovation are often seen as qualities associated with younger people, as is the ability to adopt and adapt to new technologies. This is a stereotype that, as has been demonstrated above, does not stand up to scrutiny
- Marketers tend to be younger and therefore are 'distant' from this cohort. 50% of staff in advertising, media and marketing communications agencies are aged below 30 – only 5% are aged above 50[29]. And this is reflected in the age profile of marketing departments. This means that the people who are developing marketing and communications approaches are often decades younger than the people they are trying to understand – and inevitably these marketers will have a (probably unconscious) age bias in their thinking.
- There may also be a 'them' and 'us' culture - younger marketers don't want to engage with a 'boring' older audience or are fearful of them (and of growing old themselves), and so could be reluctant to recognise the opportunity presented by these customers. Hardly surprising then that 82% of retirees feel that businesses and brands do not understand their lifestyle, and 69% feel that advertising aimed at the elderly is patronising[30]. However, by adopting this attitude we are simply discriminating against our future selves.
- Marketing itself is obsessed with youth - the desire by companies to catch customers young and try and create lifelong loyalty means that targeting the latest cohort as they become economically active is cool. But as we can see from the life expectancy figures above, a 65 year old customer could have a 20 year+ relationship with a provider – hardly short term! And we know that whilst older people are less impressed by fashion and want to make considered purchases, they are also very loyal – they can become real brand advocates.
- Marketing ROI is often measured in the short term – long term marketing planning which identifies and responds to demographic change requires investment with (potentially) few immediate benefits, and is thus a difficult 'sell' to the board.

[29] IPA 2016 Agency Census

[30] https://www.ft.com/content/0bdf4bb6-6676-11e4-8bf6-00144feabdc0#axzz3IZ2i2jqH

Celebrating longer life – moving forward

There are some signs that the ‘old age’ siloed approach to marketing is changing. Now, it is more about ageless marketing – showing situations where individuals are active and involved, and reflect the values and stage of life of the population. Some companies are adopting age neutral marketing which focuses on inclusivity, and appealing to a wide range of ages rather than necessarily targeting older customers specifically.

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Longevity is a hallmark of human progress and should be celebrated as such. Successfully appealing to this group of experienced consumers represents a vast potential market for brands.

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However, change is slow – the embedded ageism in our society is preventing full recognition and appreciation of the richness of this life stage and the potential that it offers.

For the company that invests in fully understanding the needs and desires of this (relatively) wealthy and active segment of our population the rewards will be great.