

Bloomberg

Aging Boomers Befuddle Marketers Aching for \$15 Trillion Prize

By Matthew Boyle - Sep 17, 2013

Six years ago, the University of Cincinnati unveiled what it called an “unusual consortium” between its students, faculty and corporations, including [Procter & Gamble Co.](#), the consumer-product giant headquartered nearby. The group’s goal: to research and develop product ideas for consumers age 50 and over.

[“The world has never before seen such a powerful market,”](#) with about \$3 trillion to [spend](#) in the U.S. alone, the school said then. The segment’s needs were “underserved,” requiring a shake-up of models to find the “sweet spot” between those needs and what was feasible to produce.

They’re still searching.

“This consumer segment is one of the more difficult ones to open up in terms of needs and wants,” said Matthew Doyle, 57, a 30-year P&G veteran who led the teams that invented Crest Whitestrips and now serves as vice president of the innovation lab, dubbed the [Live Well Collaborative](#). “No one was designing products just for them.”

P&G and a dozen corporate partners like [Boeing Co. \(BA\)](#) and Oreo cookie maker [Mondelez International Inc. \(MDLZ\)](#) have completed 37 projects, involving more than 50 university faculty and expert advisers, about 80 senior citizens who provide feedback, and over 500 students of design, architecture, engineering, business and nursing.

Unmet Needs

They’ve discovered that seniors treat their pets more like grandchildren than children, and spoil them accordingly. They’ve created biomechanical models of the human hand to understand how hard it is for arthritic consumers to open bottles of P&G’s Tide. And they’ve thought long and hard about how to ease Grandma’s journey through the airport.

- [Germans Export Grandma to Poland as Costs, Care Converge](#)
- [Nonagenarian Valley Produces Next Big Thing for Elders](#)
- [Why \\$100,000 Salary May Yield Retirement Flipping Burgers](#)
- [Death Dinners at Baby Boomers' Tables Take on Dying Taboo](#)
- **Special Report:** [The Future of Retirement](#)

What Live Well hasn't done is commercialize a single product. They are all still looking for those sweet spots -- the unmet and often unarticulated needs of [older consumers](#), who for decades have been largely ignored by youth-obsessed brand managers, marketers and product designers.

That's not to say there aren't products targeted at the senior circuit -- Depend undergarments, Fixodent denture cream, MedicAlert bracelets, even Swarovski crystal-studded walking canes. And who can forget LifeCall, made famous by late-night TV ads featuring the poor old woman who has "fallen and can't get up"?

'Silver Shoppers'

The problem with those products -- beyond the crummy ads -- was that they highlighted and reinforced the debilitating effects of aging. They're palliative in nature, tools to make the long goodbye a bit less painful. "Use them, feel old" could be their slogan.

Sure, they rack up sales -- Depend generates about \$600 million a year, according to [Ali Dibadj](#), a Sanford C. Bernstein & Co. analyst -- and all sorts of everyday items, from aspirin bottles to car seats, have been tweaked to appeal to aging consumers. Companies are generating more revenue from older people, as well: The global adult incontinence market has grown 47 percent to \$4.7 billion over the past five years, according to data tracker Euromonitor.

That's just the tip of this demographic iceberg, however. What existing products haven't yet done is create a lasting emotional connection with older consumers, which is the true litmus test of a brand. Nobody aspires to own adult diapers. Boomers don't want to just spend money on the things they need; they have the dollars and the desire to splurge on the things they truly want.

Spending Power

That's where companies so far have failed. And that failure will cost them: In 2017, approaching [half](#) of the U.S. adult population will be 50 and older and they will control a full 70 percent of the disposable income, according to data tracker Nielsen. By 2050, there will be 161 million 50-plus consumers, a 63 percent increase over 2010.

Demographic trends abroad are even more pronounced: The number of Chinese people 60 or over is set to double by 2053. Globally, the spending power of consumers age 60 and older will hit \$15 trillion by the end of this decade, up from \$8 trillion in 2010, according to research from Euromonitor. No surprise, then, that P&G's Live Well project has opened a Singapore outpost.

Tipping Point

"What I see going on now is a tipping point -- it's all busting open," said Ken Dychtwald, a gerontologist and author who runs a consultancy called Age Wave and has been studying seniors for 40 years. "Think of it as popcorn in the microwave. All of a sudden it starts to pop, and then things really

start popping.”

Baby boomers, 8,000 of whom turn 65 each day in America, have reinvented each stage of life they've entered, from young adulthood to careers to parenting. And whether they're working or retired, wealthy or on a fixed income, living alone or with other seniors, they aim to redefine what it means to be old.

Take Rolling Stones front man [Mick Jagger](#), still shimmying his hips around sold-out arenas at age 70. Witness Diana Nyad, the 64-year-old endurance swimmer who became the first person to swim to [Florida](#) from Cuba without a shark cage this month. Then there's Gladys Burrill, who at age 92 became the oldest woman to finish a marathon. Younger, but no less impressive, is Minnesota native Mitch Seavey, who won the Iditarod sled dog race this year at age 54.

Working Past 65

The AARP, whose former moniker -- the [American Association](#) of Retired Persons -- is now a misnomer given the 67 percent jump in Americans working past age 65 in the past decade, has even started an over-50 model search. So-called old folks read blogs with names like Generation Fabulous, and sail across the Atlantic to raise money for charities.

“They're saying, 'Hell, no, we won't go down to Florida,’” said Mary Furlong, [author](#) of “Turning Silver into Gold: How to Profit in the New Boomer Marketplace.”

Boomers watch 174 hours of television a month, 63 percent more than Millennials, the 18-to-34 year-old generation. More than half of them are on Facebook. In 2011, the peak age of vehicle buyers shifted upward to 55-to-64 from 35-to-44, according to the University of Michigan Transportation Research Institute, and that trend is here to stay.

'Revolution Coming'

[Amazon.com Inc. \(AMZN\)](#) noticed: In April, the world's largest e-commerce company introduced a [website](#) dedicated to customers over 50, featuring hundreds of thousands of items from vitamins and blood-pressure monitors to skin-care products and books on traveling the world.

“You'd have to be an idiot to turn your back on this humongous growth market,” said Jody Holtzman, head of the AARP's [Thought Leadership](#) unit.

If that is the case, an idiot wind is blowing across the private sector, to paraphrase the poet laureate of the boomers, [Bob Dylan](#).

Alison Sander, who runs the Boston Consulting Group's Center for Sensing & Mining the Future, a [think tank](#), said only about 5 percent of her corporate clients really understand the nuances of the senior market -- it's still a gray area for business. That helps explain why only about 15 percent of advertising dollars are spent on this demographic, despite accounting for almost half of consumer

packaged-goods sales, according to Nielsen data.

Under Radar

“I have been in meetings where I ask Fortune 500 CEOs what they would do about this market, and often their minds jump to assisted-living devices for dementia or grab bars for showers,” Dychtwald said. “They don’t think of Lexus convertibles. They don’t think of Amazon. They should.”

By and large, investors don’t get it, either.

“It’s not on the radar screen for the venture community,” said Clayton Lewis, a partner at Maveron, a venture-capital firm co-founded by [Starbucks Corp. \(SBUX\)](#) founder [Howard Schultz](#) that invests in consumer-focused startups.

When it comes to aging, myths abound. Here’s one: Older consumers buy the same brands they’ve always bought, so why bother catering to them?

“If that theory was true, I would drive a Chevy Impala and wear English Leather,” said Dychtwald, 63.

Seniors today are looking for new experiences, and two-thirds of them plan to spend more time on hobbies and interests than they do today. In marketing-speak, they’re “winnable.”

‘Ageless Explorers’

Myth number two: They’re one big group. Lumping a 54-year-old Iditarod champ with a 95-year-old nursing home resident makes no sense. Nor does simply dividing them into age brackets. Dychtwald separates the 50-plus market into four segments, based on their relative levels of activity and happiness: “Ageless Explorers” are youthful optimists, while “Sick and Tireds” are unfulfilled worrywarts.

Myth number three: They’re cheap. A [survey](#) of 3,000 consumers over 60 by consulting firm [A.T. Kearney](#) found that they’re not particularly price-sensitive, even if their incomes are below average. Although earlier generations of seniors were frugal, there are signs that boomers, a group steeped in consumer culture like none before it, will continue to spend as they age. Even though many boomers have saved far too little for retirement, the sheer size of the wave gives it buying power never before seen in an emerging group of elderly.

More than 40 percent of Apple Inc. products are bought by boomers, Nielsen has found. Through Live Well, P&G learned that seniors are willing to splurge on expensive pet food. These are the children of Mad Men, not the Depression.

Stereotype Risk

“A big risk here is we jump from one stereotype to another -- from the incapacitated people sitting in care homes to a picture of impossibly happy boomers on bikes,” said [Halima Khan](#), director of the Innovation Lab at Nesta, a U.K. charity that researches and invests in social programs, including ones to improve seniors’ lives. “Neither of those does justice to the reality of older people’s lives.”

One company that understands that reality is Oxo, the New York-based maker of kitchen tools. A semi-retired man named Sam Farber [founded](#) the company in 1990 after watching his wife, who had arthritis, struggle to peel an apple. Farber saw an opportunity to introduce kitchen gadgets that were both functional and easy-to-use, and the “Good Grips” range he developed has since won countless design awards and sells in 78 countries.

In 2004, a company called Helen of Troy, which also owns PUR water filters, acquired Oxo for about \$275 million. Farber died in June at age 88.

Oxo’s Success

Seniors are among Oxo’s best customers.

“Your products impact people’s lives,” Gary Hawkins, a Californian whose divorce after 30 years of marriage forced him to cook for the first time, gushed in a letter to the company last year. Oxo’s salad spinner -- featuring a pump handle, inspired by toy tops, that’s a vast improvement over pull-string or crank-style models -- made washing greens much easier, allowing Hawkins to eat healthier.

Oxo’s products are icons of what’s known as “universal design,” which holds that the best products appeal to people of all walks of life equally.

[Apple’s \(AAPL\)](#) iPads fall into this category, as does Nintendo Co.’s Wii game console, whose wand-like, motion-sensing controller was an unexpected hit with seniors when it debuted in 2006. In [Japan](#), where 40 percent of the population will be over 65 by 2060 -- compared with 22 percent in the U.S. -- universal design is revered and companies like Nintendo and [Kao Corp. \(4452\)](#), a Tokyo-based maker of beauty and home products, have embedded it into their R&D processes.

Fueled by its success, Oxo has expanded into baby products, office supplies and medical devices like syringes. What it won’t ever do, said President Alex Lee, is position a line of products for older consumers. Explicitly pitching seniors would be folly, said Lee, as seniors don’t like being singled out and reminded that they’re old. Lee tells a story of Farber, Oxo’s founder, who had trouble walking last year but “would not be seen with a cane -- even a nicely made one.”

Aging Consumer Paradox

So there you have it: The company that does such a great job of making products for seniors takes great pains not to make products for seniors. That’s the paradox of the aging consumer, and it helps explain

why P&G's Live Well initiative hasn't notched a dollar of sales yet.

Mike Sanders knows this all too well. The ponytailed, 30-year-old Cincinnati native has taken part in more Live Well projects than just about anyone, first as a University of Cincinnati undergrad, then as a graduate instructor, and now on the corporate side, as a P&G design manager.

One thing he's learned along the way: Seniors, he said, "have a hard time imagining what they need." Maybe that's because they're still figuring it out. The reinvention of aging won't happen overnight.

To contact the reporter on this story: Matthew Boyle in London at mboyle20@bloomberg.net

To contact the editor responsible for this story: John Brecher at jbrecher4@bloomberg.net

©2014 BLOOMBERG L.P. ALL RIGHTS RESERVED.