



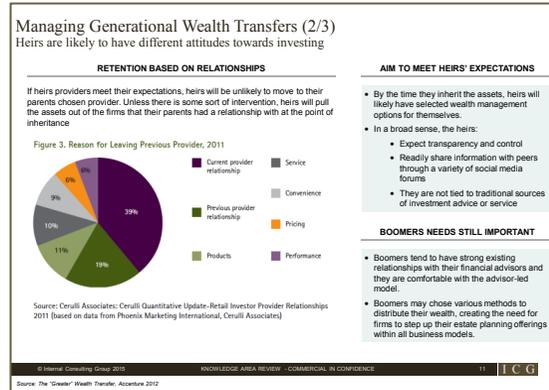
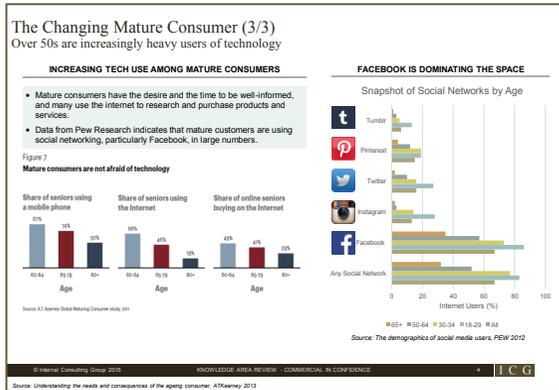
Knowledge Area Review (KAR 021)

Over 50s Solutions: New Business Models – Product Brochure

February 2015

New Opportunities to Meet the Needs of the Over 50s Market

The current demographics of developed economies reveals an unprecedented opportunity to meet the needs of mature consumers, a segment that has traditionally presented a challenge to marketers.



Platform Cases

In the upcoming section we have provided a selection of business platforms, which fall into three categories based on the development of three key features

	Niche Interest Communities	Proprietary Platforms	Fully Fledged Ecosystems
Description	Focal point for user-to-user discussion, and content aggregation for a particular group (e.g. retirees)	Providers of content and products, with user-to-user and user-to-business discussion channels, tailored to a particular group (e.g. retirees)	Fully fledged multisided platforms.
Marketplace Development	No discernable marketplace, although targeted advertising may feature.	Marketplace drives sales of platform owners' goods and services.	Marketplace connects consumers with 3rd party as well as platform owners' products.
Content Services Development	Limited segment related content creation, aggregation, and curation by the service provider.	Extensive related content creation, aggregation, and curation by the platform owner.	Extensive related content creation, aggregation, and curation by the platform owner.
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Cases Examined or Examples Provided	<ul style="list-style-type: none"> http://thirdage.com/ http://seniorlife.com/ http://www.seniorsonline.org/ http://senior.com/ 	<ul style="list-style-type: none"> CharMee EGON Apple 	<ul style="list-style-type: none"> Welltok icertney

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PRODUCT SAMPLE: OVER 50'S SOLUTIONS – NEW BUSINESS MODELS (total of 181 pages)

Commercial research relevant to any organisation seeking to broaden their perspectives and growth their “Over 50sMarket” presence

To purchase this KAR, contact your preferred ICG affiliate or local ICG office.

The mature consumer is not one cohesive unit - there exist many types. Until recently marketers struggled to address this heterogeneous segment with success. Now, for the first time, technology is allowing segmentation down to the level of the individual. The internet has multiplied the number of opportunities for communication, not only *at* the consumers but *with* them. These advances in technology are allowing for business models that were simply not possible only a few years ago.

At this stage, much of the publicly available literature still makes generalizations of a group who are diverse and don't seem to gain significant value from traditional marketing approaches. We have identified a number of trends that are shaping the over fifties market. We also have located market exemplars from industries that are capitalizing on new market opportunities in ways that can be applied to Over 50s. Of particular interest are the trends and success stories surrounding platform-based business models. We explore in depth the nature of platforms, their evolution, and what it takes to make a platform successful.

Over 50s Solutions: New Business Models – Table of Contents

Section	Component	Description
1	Executive Summary	Overview of our research and findings
2	New Business Models for Over 50s	A global review of the current/ soon-to-be-launched new business models or products planned to service the needs of the Over 50s
2a	Background & Context: What is the market and what demographic changes are defining the space?	
2b	Market Themes: What themes have emerged as potential plays in the Over 50s space?	For each different dimension
2c	Evolutionary Drivers: What is driving the evolution of Over 50 business models?	<ul style="list-style-type: none">• The key thinking from consulting firms, journals and academia as to what constitutes best practice• Examples of this best practice across different firms and industries
2d	Horizontal & Vertical Plays: What plays address the various horizontal and vertical markets?	
2e	Platform & Ecosystem Plays: What plays address the various platforms?	
2f	Future-Back Models: How will models evolve in the context of growing needs and longer lives?	
3	Knowledge Sources	Relevant published materials for further reading

The Changing Mature Consumer (2/3)

In the near future, it will be increasingly unusual for 'retirees' not to work

KEY TRENDS

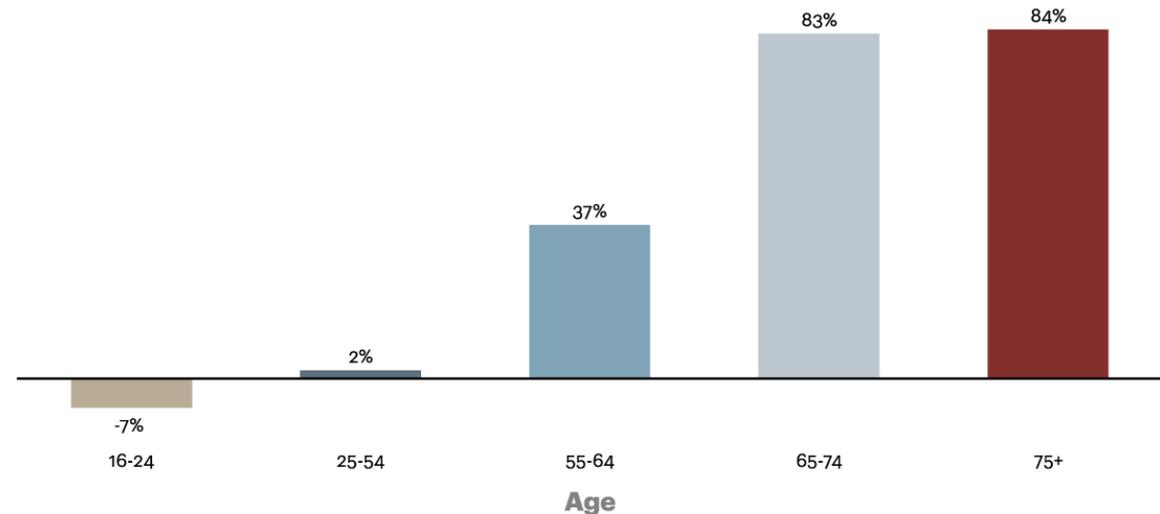
- In the U.S. alone, 40% of people age 55+ are working — a level of engagement in work among this age group not seen since the 1960s.
- In prior decades, workforce growth was driven by the influx of young workers. In the last seven years, however, workers age 55+ accounted for virtually all workforce growth
- Nearly half (47%) of today's retirees say they either have worked or plan to work during their retirement.
- An even greater percentage (72%) of pre-retirees age 50+ say they *want* to keep working after they retire, and in the near future it will become increasingly unusual for retirees *not* to work.

THE RESURGENCE OF OLDER WORKERS

Figure 5

Age 65 and older is the fastest-growing segment of the U.S. workforce

Projected % increase in U.S. labor force, by age
(2006-2016)



Sources: U.S. Bureau of Labor Statistics; A.T. Kearney analysis

The Changing Mature Consumer (3/3)

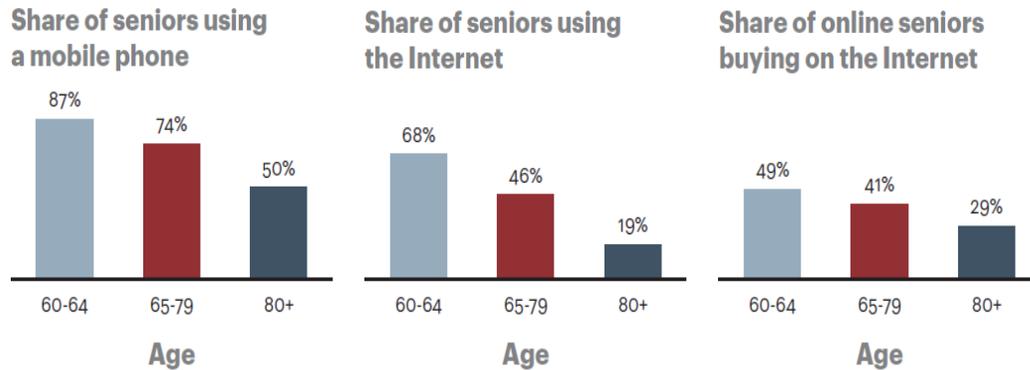
Over 50s are increasingly heavy users of technology

INCREASING TECH USE AMONG MATURE CONSUMERS

- Mature consumers have the desire and the time to be well-informed, and many use the internet to research and purchase products and services.
- Data from Pew Research indicates that mature customers are using social networking, particularly Facebook, in large numbers.

Figure 7

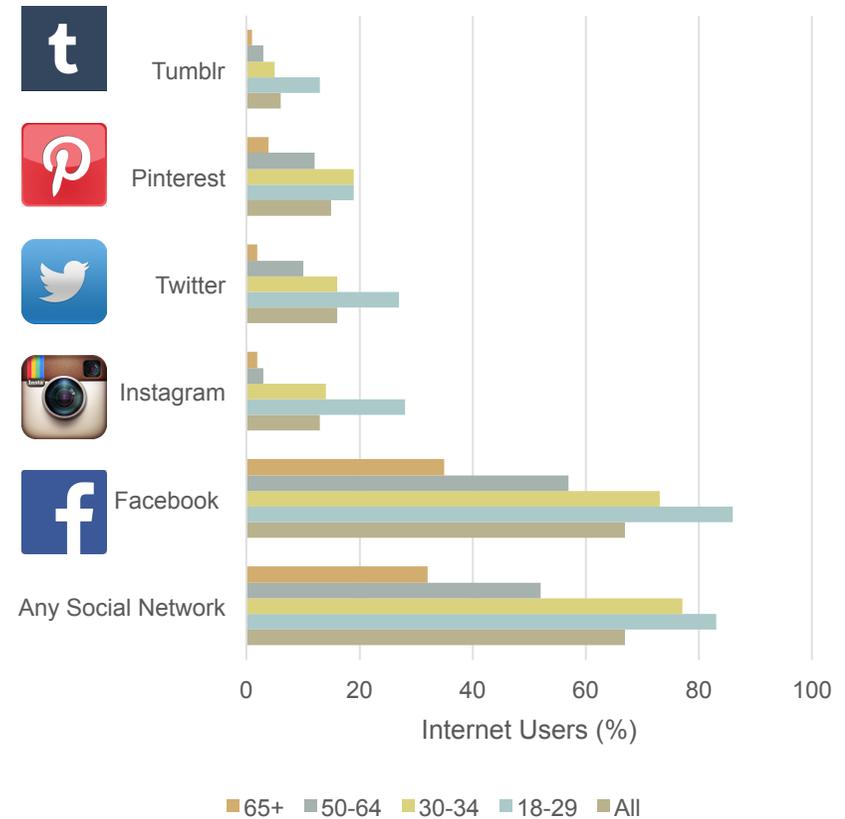
Mature consumers are not afraid of technology



Source: A.T. Kearney Global Maturing Consumer study, 2011

FACEBOOK IS DOMINATING THE SPACE

Snapshot of Social Networks by Age



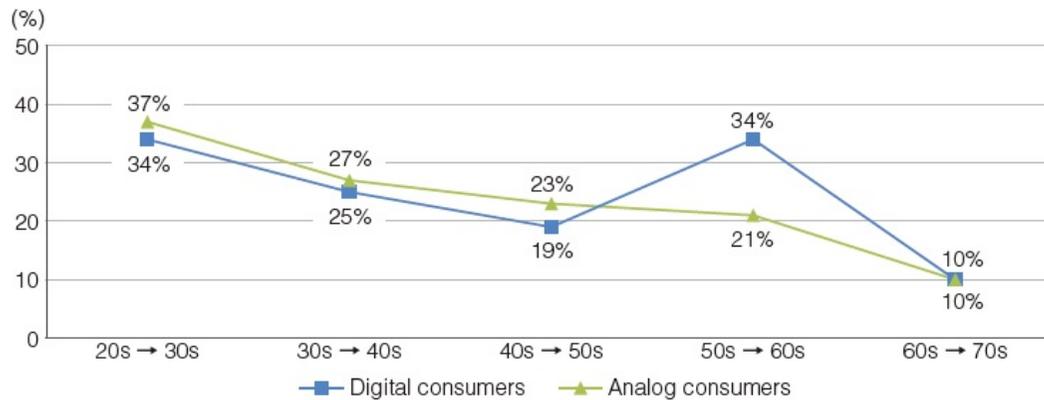
Source: The demographics of social media users, PEW 2012

Retirement a Decision Point for Consumers

Many change FS providers around retirement and are unlikely to switch back if they do

SWITCHING PROVIDERS COMMON BETWEEN 50 AND 60

Exhibit: Main-bank switch rate by age bracket (and by digital vs. analog consumers)



Number of respondents

	20s → 30s	30s → 40s	40s → 50s	50s → 60s	60s → 70s
Digital	1,240	1,094	900	632	261
Analog	1,125	756	406	187	42

Notes: (1) 20s → 30s: Percentage of respondents that use a different main bank in their thirties than they did in their twenties (= main-bank switch rate). Likewise for 30s → 40s and so on.

(2) Digital consumers are consumers who use the Internet via computer on a near-daily basis. Analog consumers are consumers other than digital consumers.

Source: NRI 2011 Questionnaire Survey of 10,000 Consumers (Financial Edition)

KEY INSIGHTS

- Nomura Research Institute (NRI) research indicates that among digital consumers in their 60s, 34 percent switch main banks.
- Two major factors were identified in their study:
 - The branding of the financial institution
 - Comparison of their products and services
- Convenience factors also played a large role; 64 percent of respondents, when asked why they chose their main banks responded, “because it has a branch or sub-branch near my home or workplace.”
- Only 3 percent of customers that switched from a major bank to another financial institution switched back to a major bank in their sixties.

Retirement Stages: The New Landscape (2/4)

The four phases of today's retirement

RETIREMENT PHASES

1

PRE-RETIREMENT

- **Five years before retiring, 37% of pre-retirees who want to work in retirement will have taken some substantial steps to prepare for continued work.**
- Preparing to work in retirement then intensifies in the two years prior – at which point, 54% of pre-retirees who want to work in retirement will significantly prepare to do so.

2

CAREER INTERMISSION

- **Most pre-retirees do not aspire to go directly from preretirement work to retirement work.**
- About half (52%) of working retirees say they took a break from working when they first retired.
- The average Career Intermission is roughly two-and-a-half years (or 29 months).
- **However, risks to the Career Intermission phase:**
 - Retirees say the biggest challenge of reentering the workforce after taking some time off is “skills slippage”.
 - Other top challenges include biases from employers, losing touch with business trends, and lost relationships with key business contacts.
 - Additionally for older workers seeking employment, it can take nearly twice as long to secure a job as younger jobseekers.

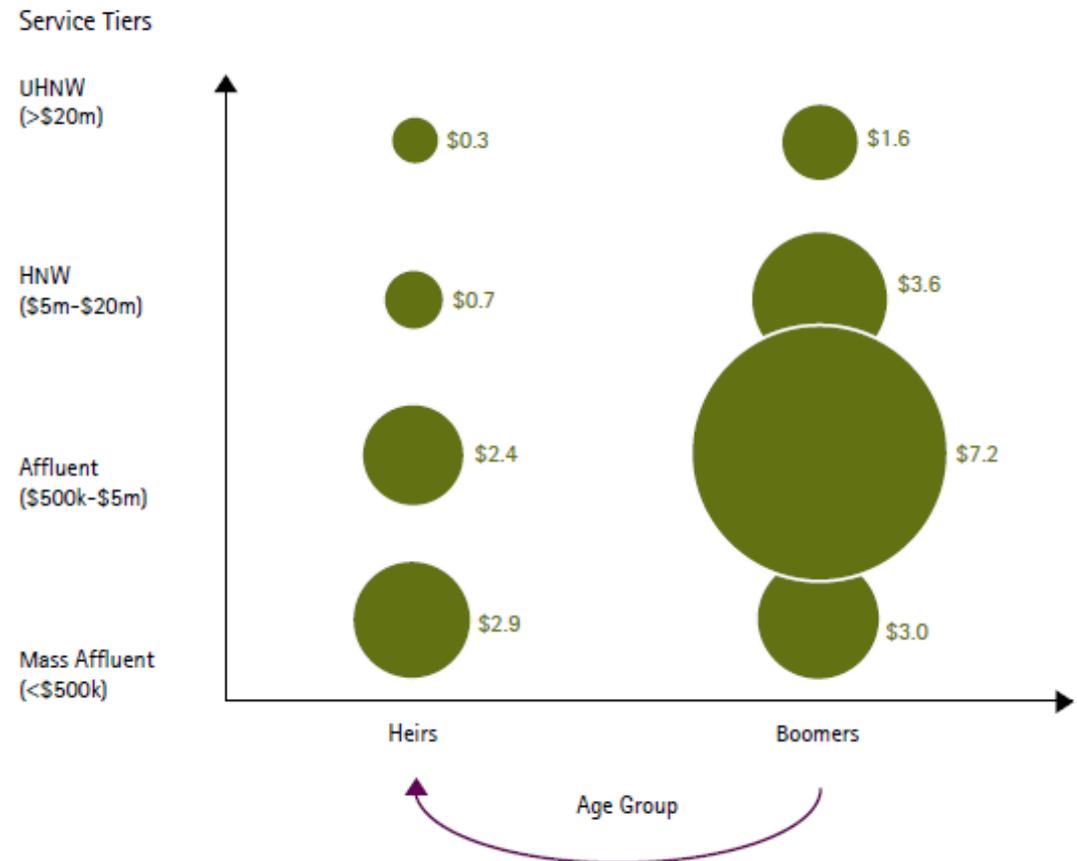
Managing Generational Wealth Transfers (1/3)

Increasing wealth transfers present risk and opportunity

FIRMS NEED TO ADDRESS GENERATIONAL PREFERENCES

- **Wealth management firms face a two-part challenge:**
 1. Retaining the loyalty and the assets of the Boomers
 2. While also developing a value proposition that is relevant to the next generation of heirs.
- Much of the messaging concerning value propositions in wealth management is based on the assumption that different generations will have similar experiences.
- Offerings are still customized by asset tiers, and the assumption still seems to be that clients will “graduate” value propositions as they accumulate wealth.
- **In order to attract and serve specific customer segments, firms and advisors should properly address new and unique preferences.**

Figure 2. US Investable Assets by Service Tier and Age Group (trillions)





Discovery's Vitality: Big Data in Action

Using Big Data to reduce risks while generating customer loyalty

PROGRAM STRUCTURE

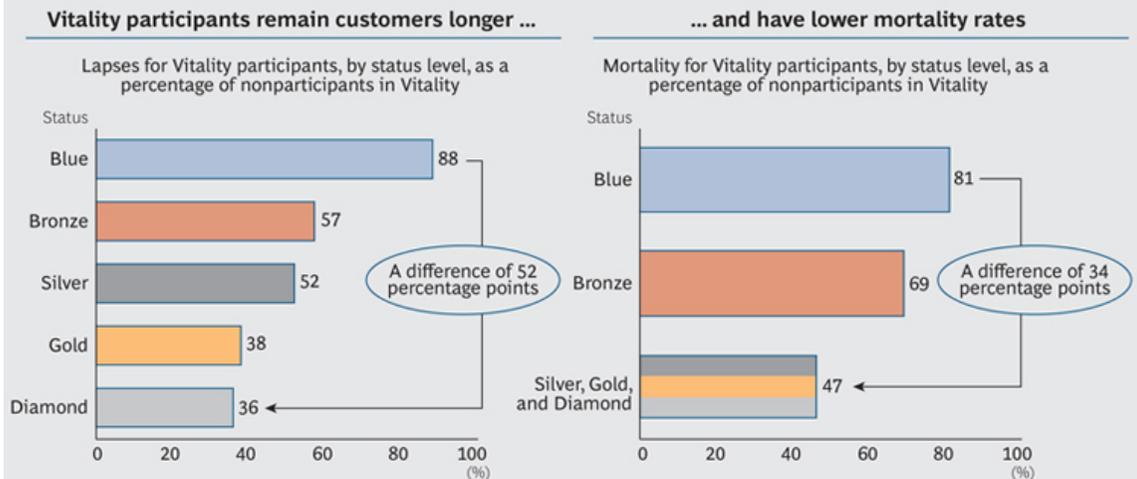
- Vitality is rooted in data collection:** Customers of the program enter information about their lifestyle and health-related behaviors, receive an annual health check, and take other tests to assess exercise, eating habits, and stress levels.
- Customers are incentivized to provide data:** Based on their participation in the program customers receive Vitality points that they can redeem for discounts at a range of health, fitness, shopping, and leisure-activity partners.
- Customers are incentivized to live healthier:** Customers who adopt and maintain healthy habits receive markedly better pricing on the company's insurance products in addition to Vitality points
- Customers loyalty increases:** Customers benefit from discounts, rewards, and a personalized program to improve their health.
- Insurer gains by receiving a great deal more data to better select risks and generate higher retention and loyalty.**

DRIVING STRONG RESULTS

Discovery estimates that from the most active participants it has achieved:

- **A reduction lapsed policies of as much as 52 percentage points**
- **A reduction in mortality of as much as 34 percentage points**
- **An increase operating profits by almost a full percentage point**

EXHIBIT 2 | Discovery's Vitality Program Demonstrates the Rewards of Greater Customer Engagement



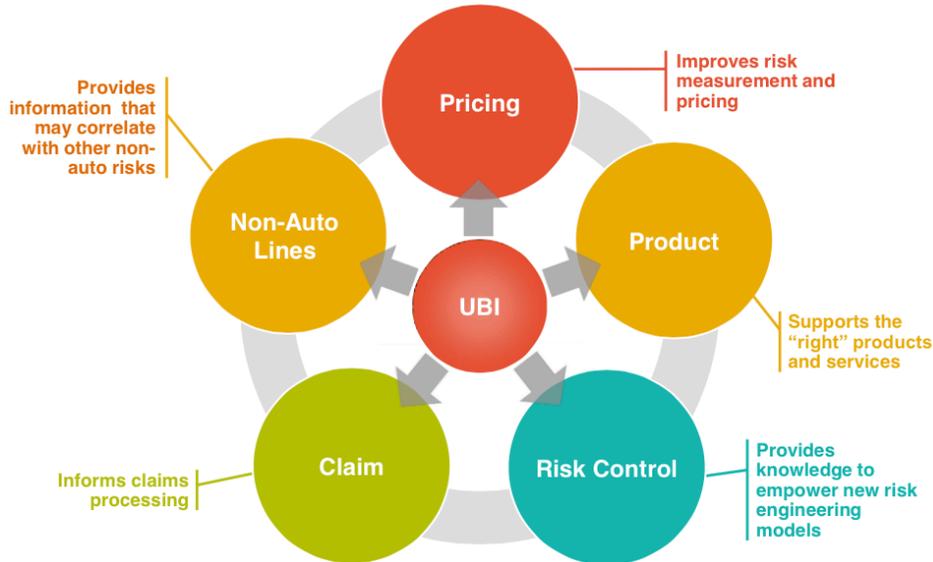
Requirements	Blue status	Bronze status	Silver status	Gold status	Diamond status
	Registration	15,000 points	35,000 points	45,000 points	Gold status for three years or more

Sources: Public presentations by Discovery and interviews with the company's executives.

Usage-Based Insurance (1/4)

Usage-Based Insurance – an opportunity to align and personalize premiums to customer behavior

USAGE BASED INSURANCE PROGRAM



UBI ECOSYSTEM



KEY INSIGHTS

- Telematics technology is mobilizing the data collection process and has enabled innovations in usage-based insurance, particularly in auto, where premium rates are linked to driving behavior
- Usage-based insurance (UBI) is an innovation that uses telematics to more closely align driving behaviors with premium rates

Business Model Cases

In the upcoming section, we have drawn examples from a selection of industries globally, representing case studies across business models

Other				 
Health & Wellness	      			 
Insurance & Financial Services	    	   		  

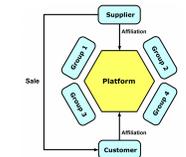
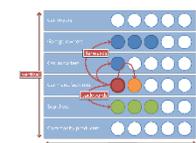
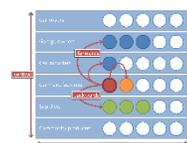
PRODUCT AND SEGMENT

VERTICAL

HORIZONTAL

PLATFORM

Market Play



Taikang Life: Horizontally Covering Retirement

Providing insurance, housing, and healthcare needs in a single product

HORIZONTAL BUSINESS PLAY

- Taikang Life has moved horizontally to create Pension, Assets Management, and Property management companies.
- The combination of these facets allows Taikang to offer holistic retirement solutions .



LEVERAGING EXISTING PLATFORM ECOSYSTEMS



- **Taikang Life has created a one year health insurance protection policy sold through WeChat .**
- Users who purchase through WeChat the policy can share it via the WeChat Friends Circle, which is similar to Facebook's "Timeline."
- For each friend who is lead to purchase a policy as a result of the share, the original purchaser would receive additional coverage up to a cap.
- As of October 2013, WeChat had a user base of 600 million worldwide.

GUARANTEED HOUSING POLICY

- **China's Taikang Life has created an innovative annuity that provides retirees and apartment for life with bolt-on options for healthcare and other features.**
- Consumers pay a large single contribution premium and when they retire, can choose to live in Taikang built retirement villages, paying the fees with their pension insurance benefits.
- The hybrid product combines features of a traditional insurance product with investment in retirement.
- This new product enables Taikang Life to build a new revenue source to compete with banks.
- Taikang sold 2,000 policies were sold within the first six months and expects to sell 50,000 over ten years.



Platform Cases

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Feature Development

- None
- Partial
- Complete

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Cases Examined or Examples Provided	<ul style="list-style-type: none"> http://thirdage.com/ http://seniorsite.com/ http://www.seniornet.org/ http://senior.com/ 		



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