



Turning Silver to Gold

by Peter Miller and E. Roger Williams

It does not take a trade mission to zero in on one of the fastest growing sectors in North America. It is the retirement industry and all it takes to exploit the many opportunities this metamorphosis presents is attention and research. The baby boomers are finally aging and this trend brings with it opportunities and risks to all communities across Canada.

It is a sector which will expand over the next 30 years regardless of free trade or the G.S.T. While some of the needs of Canada's aging population may not be met in the present period of recession they will accumulate and create major demands over time.

As the baby boomers passed through their economic life stages, entire industries prospered in providing a response to their needs. Everything from diapers to housing has been elevated by this demographic wave.

Over the years Canada's growth and development has been influenced by many social, political and technological changes. Underlying all these changes is the age related composition of our society which has been constant. This hitherto constant factor is changing and no community, no segment of society will remain untouched by the changes being brought about by the increased life expectancy of Canadians and the baby boom.

The Growing Importance Of The Seniors

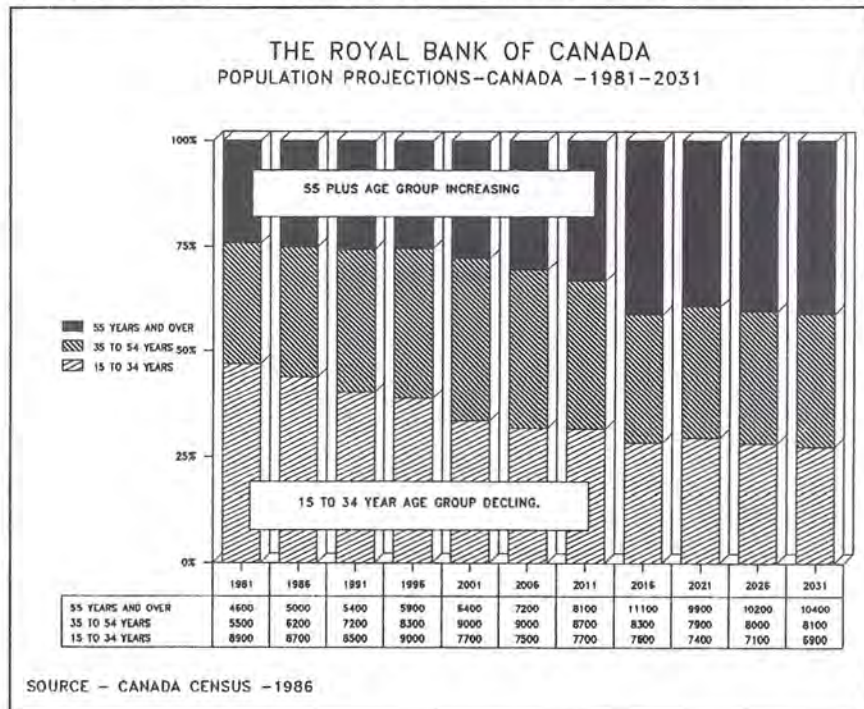
Many businesses have been operating on the premise that their main market was based on the free spending youth of the nation. This market is declining in relative importance due to the decline in the birthrate as we move from the baby boom to the birth dearth.

Never before in history have seniors been looked upon as being such an impor-

tant component of Canada's economic well being. As Canadians age, the largest and most influential group will shift from 18 to 34 year olds to 35 to 40 year olds. By

the next millennium the age range of this demographic bulge will have moved even higher. Industries and communities can succeed or fail depending on how well they respond to this change.

If current trends continue senior citizens will gradually dominate most markets over the next 30 years in Canada. The post-war baby boom generation - currently between 25 and 45 years of age, which captures the attention of marketers every-



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where, will become the 55 to 75 year old market of the 2020's. Meeting the needs of the elderly will gradually become a pre-occupation of the nation.

The 1990's, therefore, provide a unique warm-up opportunity for entrepreneurs to discover and test new ways of dealing with this group's unique needs and characteristics.

By the year 2001 the number of relatively new seniors in Canada - those from 65 to 69 will exceed 1 million persons. As a group, those over 65 will total 3.8 million persons, which is equal to the current population of the Toronto Census Metropolitan Area extending from Pickering in the East to Oakville in the West and almost to Barrie in the North.

A Most Powerful Buying Block

Researchers tell us that the 50 plus age group have about 55 per cent of all the discretionary dollars in Canada to spend on travel, luxury cars, gourmet foods, interior decorators, home appliances and home entertainment.

Within a decade, the baby boomers will make the over 50 group the most powerful buying block of our time. They have made a complete about face from the traditional work ethic of those now aged 70 years. They have learned to spend their money fast, to borrow rather than to save and they more readily use their cheque books than their savings pass books.

The 50 to 64 age group has 7 billion dollars in RRSP's and, according to Kubas Consultants of Toronto, the over 50's control around 80 per cent of all household financial holdings, stocks, bonds, liquid assets and personal wealth. According to Woods Gordon Co. (Ernst and Young - Toronto) the over 50's are increasing their spending faster than the average Canadian on healthcare, entertainment, recreation, gifts and contributions to charity. Many have accumulated net worth from a house bought for \$20,000 forty years ago which is now worth at over \$250,000.

The implications of this change in wealth distribution will be obvious to Economic Developers and to some businesses that have already begun to capitalize on the changing requirements of this

lucrative market. The potential lies in maintaining and further developing it to support new business opportunities.

Never before have seniors been considered as such an important component of Canada's economic well being. For the first time in history, older people are being looked to for their substantial contribution to Canada's economic future.

Changing Lifestyles And Desires

Lifestyle changes begin at about the time people pass the half century mark. This portion of their life becomes increasingly active since their children have left home, mortgages are paid off and other debts are minimal. This is the time in life when more are beginning to question the need for a large home with the incumbent maintenance burden.

The 50 plus segment of the market is growing quickly and will be an important asset to those companies and communities that intentionally and systematically capture this market. The local value of their purchasing power is only one component. They are a tremendous human resource and can provide valuable assistance to existing business enterprises as a source of part-time help or consulting. They bring with them a good work ethic and a wealth of expertise that is hard to match. As an example, Royal Bank's Grey Panther program which draws on retired bankers to promote banking services to seniors has been hugely successful for our clients and the Bank and rewarding for the retired bankers.

The growth of our economy is no longer driven by the desire of consumers to accumulate goods, but rather a consumer's quest for meaningful experiences. As they age, men and women tend to seek security in two ways: through products and services that directly protect them from harm and those that simply make them feel more secure. Hundreds of new businesses will develop to meet the needs and wishes of this age group. With age, the concerns for comfort, satisfying purchasing experiences and a minimum of hassles translate directly into a greater need for convenience.

Older boomers have arrived at a point in their lives where price is often less

important than personal attention. That is one reason why many of them still stand in line for a warm friendly bank teller rather than use automated teller machines. There is a great craving for "old fashioned" customer-seller friendliness and price advantages achieved at the expense of warm, friendly service comprise the perceived value of goods and services for many older consumers.

Travel And Hotels

"The Economist" says that the world's biggest civilian industry appears to be travel and tourism and the over 55's buy 80 per cent of the luxury travel. It also says younger travellers are motivated to escape, to get away from the hectic life they lead in the towns and cities while older people, by contrast, show a strong interest in the learning and personal growth opportunities that travel can provide.

Hotels are getting into the seniors market not only by offering special discounts, but by offering special accommodation features in room design for the less physically able traveller. The British Airways Privileged Traveller programme is based on the slogan "Simplicity and Choice delivered to Older Consumers Again".

Housing And Care Facilities

Between 1991 and 2001 the number of households headed by persons over 65 years of age in Canada will increase by more than 25 per cent. By comparison, households headed by persons under 65 will increase by less than 15 per cent. Of the 1.7 million new households expected between 1991 and 2001, almost 500,000 will be headed by seniors and this is only the beginning of the trend.

The provision of adequate and appropriate housing for seniors is pivotal. This is an area where charitable associations have traditionally taken the lead.

The middle 1980's saw a tremendous rush by traditional real estate developers, healthcare providers and insurance companies into the field of "seniors" housing. There were many failures and a host of mediocre performers. These have been attributed to the lack of knowledge, experience and perhaps most important, the

lack of foresight on the part of the developers. They failed to anticipate the increasing amount of care people would need and the costs of that care.

The design of the traditional retirement village and retirement homes is already becoming obsolete. They will be very different in the future as we move into what is becoming known as assisted-living communities in which people are provided with assistance in their daily living activities and where less emphasis is placed on the more intense kind of care provided in many retirement communities or homes.

In recent years older Canadians, when buying retirement accommodation, have shown a broader view of the issues of dignity and self determination. They are looking for specifically designed accommodation which will provide diverse opportunities for each person to be all that they can be. Naturally, they want to avoid nursing homes or any other highly dependent living environment as long as possible.

A Grass Roots Approach: The Community Corporation

Governments who once assumed responsibilities in the provision of housing and care facilities for older Canadians are looking more and more to regional governments, municipalities and communities to find solutions to their own problems and to meet their own needs.

In the past, developers and the providers of residential care have built what they thought would meet a market demand and give them a profit. Today developers are realizing the consumer must be consulted to determine what they want.

Communities are now developing a grass roots approach by establishing their own organizations to provide what is needed and there is an increasing need for charitable organizations, financial institutions and developers to work together.

There is often planning conflict between the developers and the municipal councils and this may make financial

institutions reluctant to finance projects if they lack community support.

Community groups, municipalities, employers of labour and regional governments need a vehicle which will enable them to co-operate more effectively in the development of new forms of co-operative action in the search for solutions to their housing problems and to the provision of accommodation designed to meet the needs of special groups.

We are now witnessing the first stages in the development of a concept for the establishment of the "Community Corporation", a vehicle to put all business and community groups on the same side and empower local forces to work together to facilitate productive and positive change.

Working with the Retirement Resource Group, Royal Bank has been a catalyst in bringing together appropriate parties to discuss community needs. It is too early to assess the success in this field, but Royal Bank sees a multitude of opportunities based on the grass roots community approach.

Two years ago one of the prize winners in a competition sponsored by Canada Mortgage and Housing Corporation was a factory in the Province of Quebec which had been converted into a large retirement centre.

Many large buildings, a number of them furniture factories, have been torn down instead of being converted. With a creative community approach to their conversion and use some might have been in their second childhood today.

Congregate Living Facilities

In order to expand the market for elderly housing, it is necessary to reduce both development and operating costs. However, it is also necessary to maintain needed services. Otherwise, projects for the elderly residents will be no different from other apartments, with no unique market advantages or attractiveness.

Most modern retirement homes in Canada provide meals, housekeeping and maid services, social/recreational services and much more. For this reason retirement homes are costly to build and operate. A major question faced by devel-

opers, owners and managers of such facilities is whether they can be built and operated at less cost.

It is difficult to find any such accommodation in Canada for less than \$25,000 per year. If a widow sells a house for \$150,000 and uses this to meet the costs of living in a retirement home, even with the old age pension, her financial resources could be depleted within 7 to 8 years.

A new approach is being developed in Ontario which will significantly reduce these costs. It is based on the Abbeyfield Concept and has become to be known as "Model 10". It calls for 10 components of factory built fully equipped housing units specially designed for seniors and including a lounge, library and dining room for the use of all residents. It will be community sponsored and managed by a housekeeper. Community volunteers will be used for social programs, resident services and clerical duties.

The Economic Development Professional

Regional and Municipal Councils should be looking to their departments of Economic Development for advice and direction on how this industry can be developed over the next 30 years. Some have tended to think that this was an area of responsibility for the Housing Department or Social Affairs Department but the Economic Development Professional should be pointing out the economic opportunities and should be acting as the coordinator bringing together all interested parties in this field.