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# **Silver Tech:** Emerging Opportunities in The Third Age Economy



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By 2060, the population of over-65s is forecast to hit 98.2 million in the US, more than double the level in 2014. Worldwide, the over-65 population will double to 1.6 billion by 2050.

While dialogue around changing demographics focuses on the growing burden on health services and innovation in elderly care, we are now seeing rapid expansion of a generation of people with more energy, desire for life and spending power than ever before.

Contrary to popular belief, this is also a demographic that is comfortable using technology. No wonder then that more than a quarter of the members of Match.com are aged between 53 and 72, and that this group is growing faster than any other.

At Mangrove, we find a dearth of companies serving this exploding sector. This report will explore misconceptions around an often overlooked or misunderstood demographic and examine the considerable opportunities emerging from an ageing population.

## Changing demographics

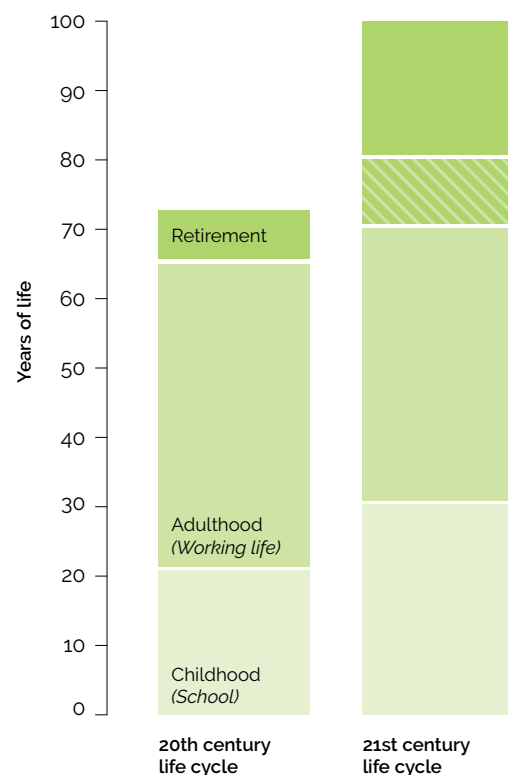
The number of elderly (those aged over 65) is set to rise sharply over the next 30 years. In the OECD member countries, which reflect most of the European countries, the US and some developed economies globally, there will be an extra 146 million elderly by 2045 – an increase of 70% on today's population. By 2045, for the first time in history, the elderly will be the largest age group. And according to International Longevity Centre UK, the number of people 65 or over in Britain will rise by an average of 278,000 per year until 2037 – compared with only 29,000 per annum for the 15–64 age group. No wonder then that some of Silicon Valley's best known technology investors, including Andreessen

Horowitz, have backed companies innovating the care industry.

But reaching the age of 65 no longer means rapid decline. At age 65, men in England can expect to live on average another 10.6 years in good health while women can expect to live 11.5 years in good health. For both sexes, this constitutes just under 60% of their expected remaining life span<sup>1</sup>.

Particularly for those living in more affluent areas or countries, a completely new stage of life has emerged – a prolonged period between our 'working life' and our 'dependent life'. Far from losing interest in the world or being dependent on care, this is group of people eager to live a healthy and fulfilling existence.

### The 100-year lifespan and the changing cycle of life



#### Extended retirement

Even as people work into their mid-70s, the expected period spent in retirement is likely to be between 20 – 30 years. This will encompass a more active period of spending and travel, but also an extended period of declining health for many.

#### Longer working life

In the future, working life is likely to be extended until workers are 75 – 80 years old. Workers may need to confront multiple career changes and exiting the workforce is likely to be a more gradual transition.

1. Office of National Statistics

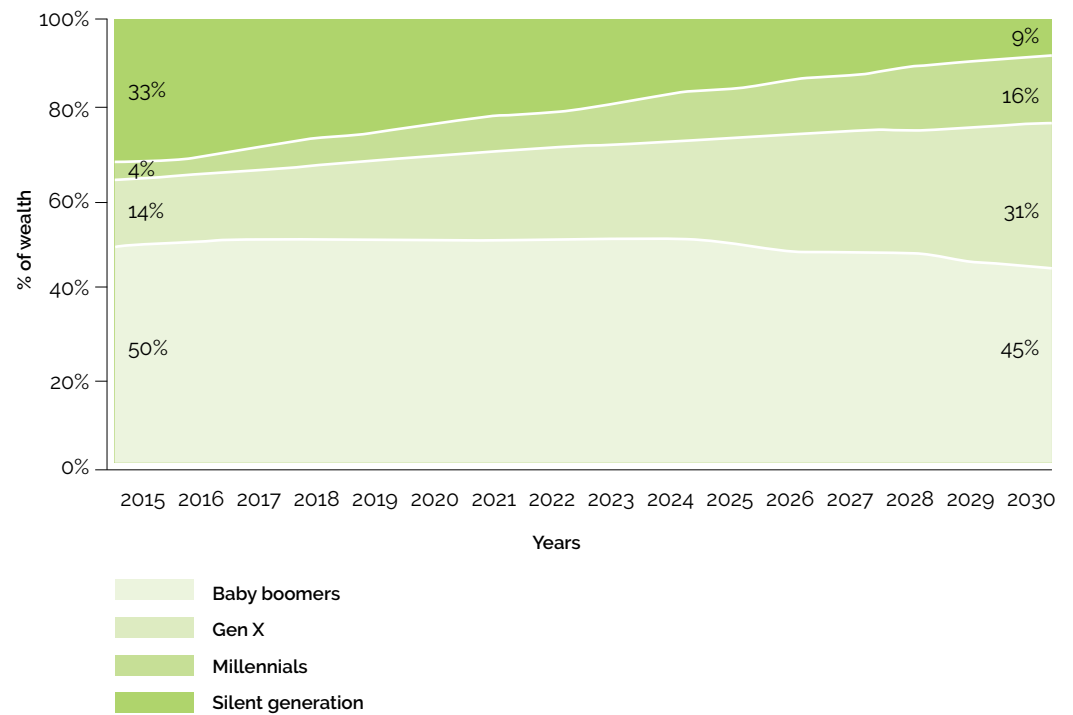
## Spending Power

Importantly, this is not a market struggling to pay for the heating in their homes. In fact it is rapidly becoming the most important driver of consumption. Those over 50 in the U.S. will by 2020 have purchasing power thought to be responsible for around \$7.1 trillion in economic activity. Indeed if 50+ Americans were their own country,

it would rank third in economic activity in the world after China and the United States<sup>2</sup>.

Britain's over-50s spent £320 billion in 2015 – around 47% of all UK consumer spending, up from 41% in 2003. Furthermore, over-50s now hold 69.7% of all household wealth in the UK, equivalent to £6.2 trillion<sup>3</sup>.

U.S. Generational share of net household wealth (%)



2. AARP  
3. Saga and the Centre for Economics and Business Research

Source: Deloitte

## Pervasiveness of Smartphones

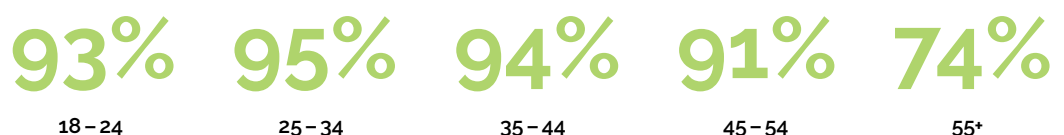
One of the most common misconceptions of the elderly is that they are technology illiterate. According to Longevity Network, this buying power comes with “an often-overlooked willingness to try new technologies, especially innovations that place an emphasis on living rather than ageing”. Partly thanks to the increasingly intuitive nature and improved design of technology products and interfaces (we have companies like Apple and Skype to thank for this), and partly due to the growing requirement to be tech literate in an increasingly digital world, technology usage among seniors has grown dramatically. They may still need the occasional help resetting their answerphone message or printing their boarding pass, but they are increasingly ordering products online and posting pictures from their trips on Instagram.

According to new research commissioned by Mangrove Capital

Partners, almost three quarters (74%) of those aged over 55 in the UK now own a smartphone. Furthermore, over a third use messaging apps such as Whatsapp and nearly half (43%) use social media services such as Facebook and Instagram to keep in touch with friends and family<sup>4</sup>. Clearly this is not a demographic stuck in the dark ages – it is a generation of people with considerable time and spending power that have the internet at their fingertips and are embracing new technologies.

It is a demographic that is fast becoming the single most important market for major consumer technology companies – Apple is no doubt investing more heavily in assisted hearing technology than hoverboards. But this exciting new market has been largely overlooked by startups.

### Smartphone ownership by age



### Keeping in touch: channels used by age

	18 – 24	25 – 34	35 – 44	45 – 54	55*
Phone calls	60%	58%	69%	76%	84%
Text messages (i.e. SMS)	67%	66%	77%	75%	70%
Email	25%	30%	44%	54%	72%
Video calling (e.g. Skype, FaceTime, etc.)	40%	28%	20%	22%	24%
Messaging apps (e.g. Viber, WhatsApp, Google Hangouts, etc.)	72%	80%	65%	50%	39%
Social media (e.g. Facebook, Instagram, Snapchat, etc.)	74%	68%	61%	54%	43%

4. The survey of 2,000 UK adults was carried out by YouGov

## Underserved and misunderstood

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Facebook's founder Mark Zuckerberg famously once said he would hesitate to hire anyone in their 30s. Presumably now he has reached his thirties he is a little more open minded but his comments speak volumes about the attitudes of young startup founders. Indeed the technology industry and much of the business world has long considered engagement among teens to be critical to future success – the logic being that people make brand decisions in their twenties.

As a result, older demographics are feeling underserved. Insurer SunLife found 59% of people aged 50+ believe brands aren't interested in them and feel ignored in favour of younger consumers. When asked which brands they feel

ignore them the most, more than a third said the fashion industry is the worst culprit while a quarter said it is the technology sector.

The marketing industry has also failed older consumers. After all, with the average age of an ad agency account executive being 28, the industry is unable to think like a 50-year-old. More importantly, 'young silvers' do not consider themselves to be old and respond badly to ads or marketing specifically targeted at older people. Much to the surprise of young product designers and marketers, 65 year olds do not want to wear large red panic devices around their necks or strap injury-prevention cushions to their belts.

## Opportunity in the 'third age' economy

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As a firm we believe these key trends are driving an enormous and largely untapped market opportunity for startups. We are committing significant funds to the third age economy and are particularly interested in older entrepreneurs that are closer to, and bring an understanding of, this

demographic. Rather than looking at companies tackling elderly care, we are more interested in businesses that are catering to the healthy elderly – those focused on living (and spending) rather than ageing. We are broadly looking at three areas in this 'third age economy' – leisure; work; and longevity.

## Young silvers at leisure

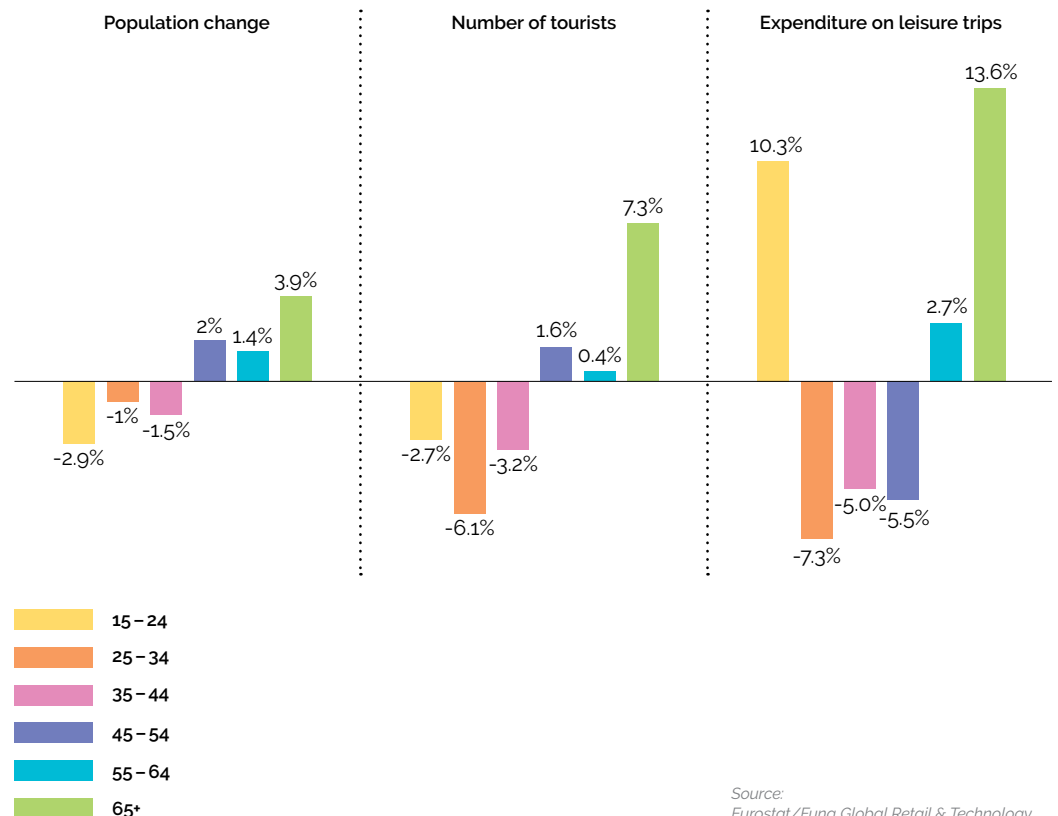
Over 65s are time-rich as well as cash-rich. Much of this time is taken up with travel, driving a booming market in holidays for older consumers. Over-50s households in the UK spent £25 billion on travel and tourism in 2012, up from £14 billion in 2002<sup>5</sup>. In terms of the UK total travel and tourism expenditure, the over-50s are now the dominant group.

Carnival, the global cruise company, already employs 120,000 people and expects another 20 new ships to enter service by 2022. But it is not just cruise companies that are set to prosper. With the majority of older internet users going online daily, an enormous opportunity is emerging in e-commerce. New

travel booking sites are now offering additional tools specifically for anyone coordinating group bookings – likely to be of interest to grandparents planning a family holiday.

With over-65s putting more time into their favourite hobbies and sports, there may also be opportunities for e-commerce companies focused on particular themes as well as online communities built around specific interests such as fishing or walking. Strava, the cycling app, is an example of a community which has grown rapidly by focusing on a particular interest and now boasts tens of millions of users.

Change in population and tourism indicators by age: % change, 2012 – 2014



## Young silvers at work

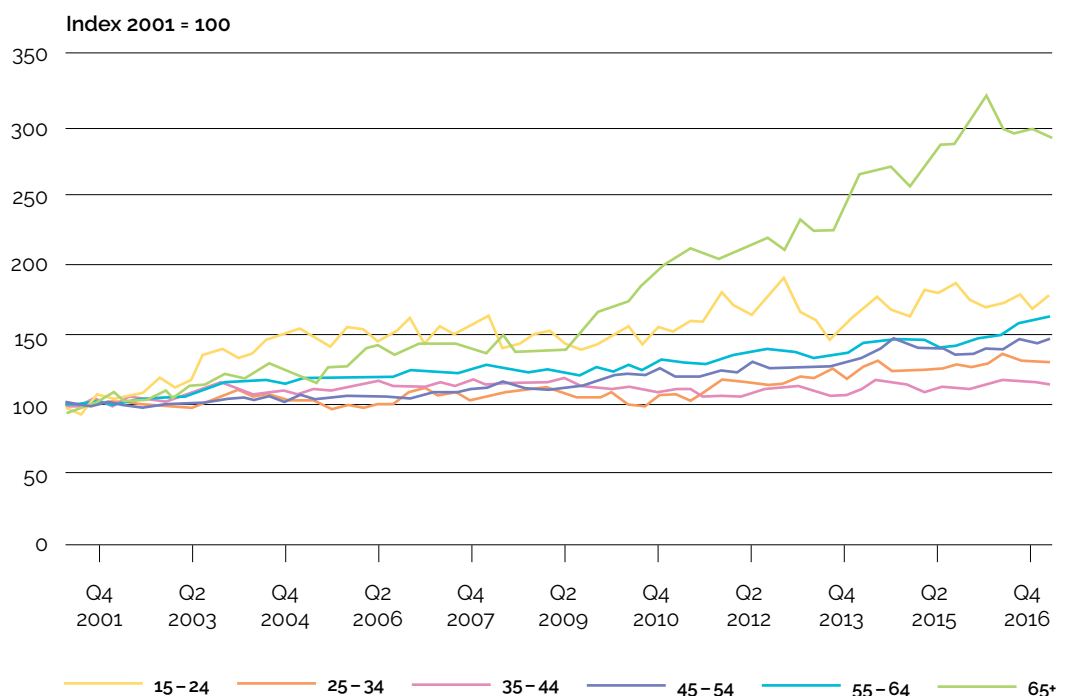
Many companies are focused on hiring millennials but older workers offer considerable potential. They understand how businesses operate, have well developed people skills and come with a wealth of contacts. The UK Government is calling for businesses to take on more older workers and the Co-op Group, Walgreens Boots Alliance and Barclays have already signed up to a pledge to hire 12% more older workers by 2022.

While discussions around the gig economy often centre on Deliveroo riders and Uber drivers, older workers may also soon become the single biggest driver of this new model of working. Already, nearly one in four workers aged 50 and over are self-employed – twice the rate of younger people. And according to Transamerica Centre for Retirement Studies, 65% of baby boomer workers plan to work past 65 or do not plan to retire – as they

seek to put their experience to good use, find fulfillment and fund their retirement. Indeed it is also surprisingly good for one's health, as participating in "purposeful activity" in the ageing process can slow cognitive decline by 30%.

Older workers, who are in effect seeking a phased retirement, particularly value flexibility as they seek to take greater control over their work and fit it around their changing lifestyles. Digital platforms are making it much easier for older workers to offer up their skills and experience. They are also much less likely to encounter the kind of age discrimination that might come with applying for traditional jobs. Tengia is an early stage startup founded in Los Angeles that connects "seasoned professionals" with companies requiring their skills and services, although similar offerings are yet to emerge in Europe.

**The increase in self-employment by age**  
Quarter 1 (Jan – Mar) 2001 to Quarter 4 (Oct – Dec) 2016



Source: Office of National Statistics



## Young silvers younger for longer

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When the NHS was founded in 1948, 48% of the population died before they reached 65; that is now down to 14%. With this comes a rise in the incidence of diseases – 80% of the population over 65 years suffer from one chronic disease and 68% from two chronic diseases.

Diabetes is one of the most common "lifestyle diseases" and is particularly prevalent among the elderly. Depression is another key risk factor, affecting around 22% of men and 28% of women aged 65 years and over<sup>6</sup>. Social isolation, the loss of a partner, or management of an illness are common causes of depression. More worrying is that 85% of older people with depression receive no help at all from the NHS and those who identify as lonely have a 59% greater risk of health decline<sup>7</sup>.

Young silvers are increasingly aware of lifestyle related health issues and are taking action. A recent survey by Sport England found that 3.4 million over-55s now take part in sport on a weekly basis, up 28% since 2006, while Nuffield Health discovered that it is not millennials but the over 65s which are the UK's most frequent gym users. The market size for wellness and fitness in the UK alone will reach £22.8 billion by 2020<sup>8</sup>.

Sugar substitutes are nothing new but a number of startups have secured funding to develop new ways to reduce or eliminate sugar intake. These include SmartSweets, which is turning gummy bears into healthy snacks.

With smartphone and wearable usage among the elderly growing rapidly, there is also a tremendous opportunity for technology to help solve these problems. For example, Weill Cornell Medical College in New York found that playing certain computer games can reduce symptoms of depression among the elderly as effectively as antidepressants. Mobile app Happify is already busy turning the latest discoveries in the science of happiness into activities and games that help improve their emotional well-being.

Of course technology can also play an important role in preventing loneliness and many over-65s are already using social networks and dating sites. Israeli company Intuition Robotics is taking a different approach, creating a robot called ElliQ which talks and tries to keep her human companion active and engaged.

6. Health and Social Care Information Centre

7. University of California San Francisco

8. Statista

## Conclusion

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The rise of the third age economy and the growth of smartphone usage among active retirees are challenging perceived wisdoms in business. Instead of continuing its obsession with engagement among teens, the technology sector would be wise to wake up to the rise of the young silvers. But beware: the young silvers have their own particular needs and are sophisticated consumers. Indeed those best placed to create value from this exciting new demographic may be young silvers themselves, or those closest to them.

Written by Michael Jackson and Toby Walsh

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**Michael Jackson** is a partner at Mangrove Capital Partners and was previously COO at Skype, where he was responsible for rapidly growing an idea into a well-managed, high margin, multi-hundred million dollar business. Before joining Skype, Michael launched 9 mobile operations and 2 ISPs across Europe with Tele2. Michael is also on the board of Blockchain and is contributor to the Blockchain Policy Initiative. He graduated with honours from University College London with a degree in Communications Engineering and is a guest lecturer in their MBA program: The Business of Telecoms.

**Toby Walsh** is a communications advisor specialising in startups and venture capital. He has worked with some of Europe's fastest growing software companies as well as the investors behind major exits such as Betfair, LoveFilm, Skype, Shazam, Wix.com and Zoopla. He previously led teams at global communications agencies Sparkpr and Waggener Edstrom. He graduated from Newcastle University with a degree in Psychology.

## About Mangrove Capital Partners

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Mangrove Capital Partners ([www.mangrove.vc](http://www.mangrove.vc)) is Europe's leading early stage venture capital firm. It works with top entrepreneurial talent at the earliest stages of innovation, with the aim of being the first institutional investor: the firm has

co- created projects and regularly injects funds prior to product launch, often in unproven, unusual or unfavoured technologies. Mangrove manages more than \$1 billion in assets and is headquartered in Luxembourg with offices in Berlin and Tel Aviv.



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