

the *silk* initiative

THE TSI NAVIGATOR™ | JUNE 2022

Compass

China's Silver Economy

Understanding What Matters Most to
Chinese Consumers





Foreword

When you think of Chinese consumers, what image comes to mind?

If you're like most, a vibrant hip urbanite might be the first thing that pops into your head. Or maybe you see a young family. Perhaps it's an up-and-coming female entrepreneur, taking advantage of all the opportunities a new China offers.

I'm going to guess you didn't think of an elderly person. Yet, this is one of China's largest consumer segments. Not only that, but the population of the Silver Economy is growing by leaps and bounds. They're a unique segment with their own drivers and pain points. The question is, how are they different to China's other market segments?

In this edition of the TSI Navigator™ Compass, the team use our in-house data and first-hand consumer interviews to dive deep into this growing segment.

Andrew Kuiler
Founder & CEO

Contributors



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Andrew leads TSI's Insights and Strategy Team and heads the consultancy's healthcare portfolio. From securing accurate data collection to producing strategic stories from the data that's collected, he works with clients to identify the most effective strategies to propel their brands forward. At TSI, he leverages his wide expertise to help clients prosper within the local Chinese and broader Asian markets.



EVELYN HUSSAIN | DIRECTOR/PARTNER

Evelyn heads TSI's Design and Innovation team and heads the consultancy's sustainability projects – focusing on transforming data and human-led insights into tangible executions that are methodological, meaningful, and measurable. Her academic background in Sustainability Design, and an MBA, means she easily straddles the creative and commercial divides.



TIM BINNION | DESIGN LEAD

With a passion for sustainability and circular design, Tim is an integral part of TSI's design and innovation work. He has a diverse background across product design and branding, working to expertly distil user insights into concrete design recommendations that help brands and products connect with customers.



JOHN PABON | MARKETING COMMUNICATIONS

John is one of the world's leading voices on private-sector sustainability. He's had the privilege of working with the United Nations, McKinsey, and A.C. Nielsen. He advises the U.S. Green Chamber of Commerce, is Programme Director for The Conference Board's Asia Sustainability Leader's Council, and author of "Sustainability for the Rest of Us."



LAREINA LIU | CLIENT MANAGER

Bringing a strong combination of creativity and logical thinking, Lareina is TSI's Innovation Lead. She focuses on transforming observations and human-led insights into useful concepts for clients across the entirety of TSI's portfolio. From conducting workshops to leading innovation projects, she is adept at helping clients solve business problems by leveraging trusted innovation frameworks.



EMMA WU | ASSOCIATE CONSULTANT

As a project executive, Emma plays an integral role in TSI's strategic engagements and fieldwork. Her work ensures on-the-ground findings with consumers address our clients' strategic goals. With a background in marketing and advertising, Emma brings a unique skill set to TSI's brand consulting and innovation practices. Her understanding of the Chinese advertising industry, and the mind of the Chinese consumer, are critical components to successful brand strategies for our clients.

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The Silver Economy: Who Are China's Seniors?

The Silver Economy refers to products and services designed to meet the needs of people over 60.

China's ageing population has been a discussion point for nearly a decade. By 2030, those over 65 will account for nearly a quarter of China's population. Going further, by 2050 seniors will make up a third of the country. This demographic shift is one most brands are just starting to grasp. For those that have embraced China's silver economy, this has proven a golden opportunity.

The Silver Economy refers to products and services designed to meet the needs of people over 60. This segment has more time to shop, higher disposable income, and stronger spending power. This is especially pronounced among urban elderly residing in major cities like Shanghai, Beijing, and Guangzhou. According to iiMedia Research, China's senior economy was on track to reach RMB 5.7 trillion (USD 886 billion) by the end of 2021.

Not surprisingly, we're seeing companies in the healthcare space first across the

line. In China, nearly 75% of the elderly residents aged 60 or above suffer from at least one chronic disease. There is also increasing awareness and demand for wellness products and services. TSI's work with major international pharmaceutical companies revealed brain and bone health to be two of the most important drivers among China's elderly. This has been echoed across our nutraceutical work. As with all things in China, the Silver Economy is evolving rapidly. Deciphering what seniors are demanding, and how to successfully position these products for conversion, requires a nuanced understanding of the segment.

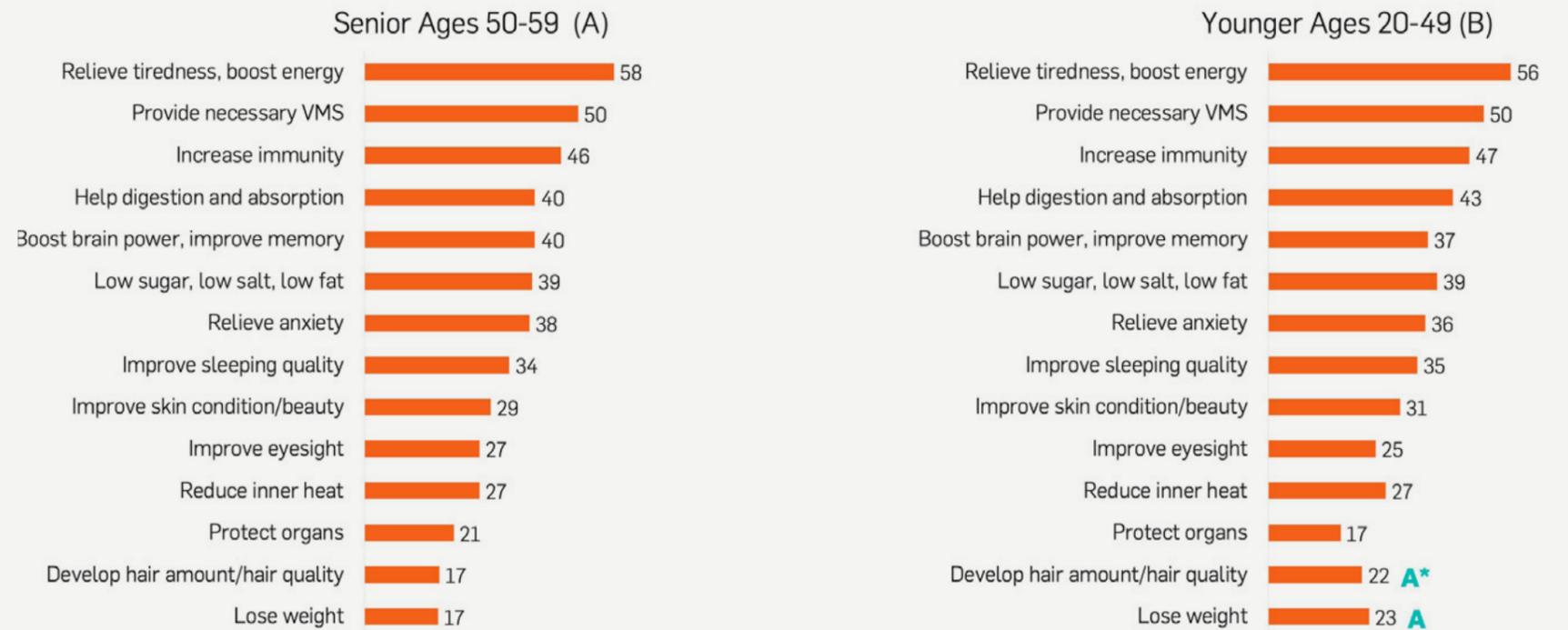
To get there, we explored proprietary data from TSI Navigator™. The TSI team also spoke to consumers and trusted experts on-the-ground across China. In this edition of the TSI Navigator™ Compass, we'll look at unique purchase drivers, pain points, and positioning for China's Silver Economy.

What Are China's Seniors Looking For?

In many respects, China's older population are not too dissimilar from other market segments. For those 20-49 and 50-59, TSI has found there is an equal weight placed on identifying brands that are popular, tasty, and safe. Both consumer segments also prefer all-natural products when possible.

Of course, there are purchase drivers which make the Silver Economy unique.

Functional benefits expected in **Food & Beverage** (%)



Source: TSI Navigator™ data

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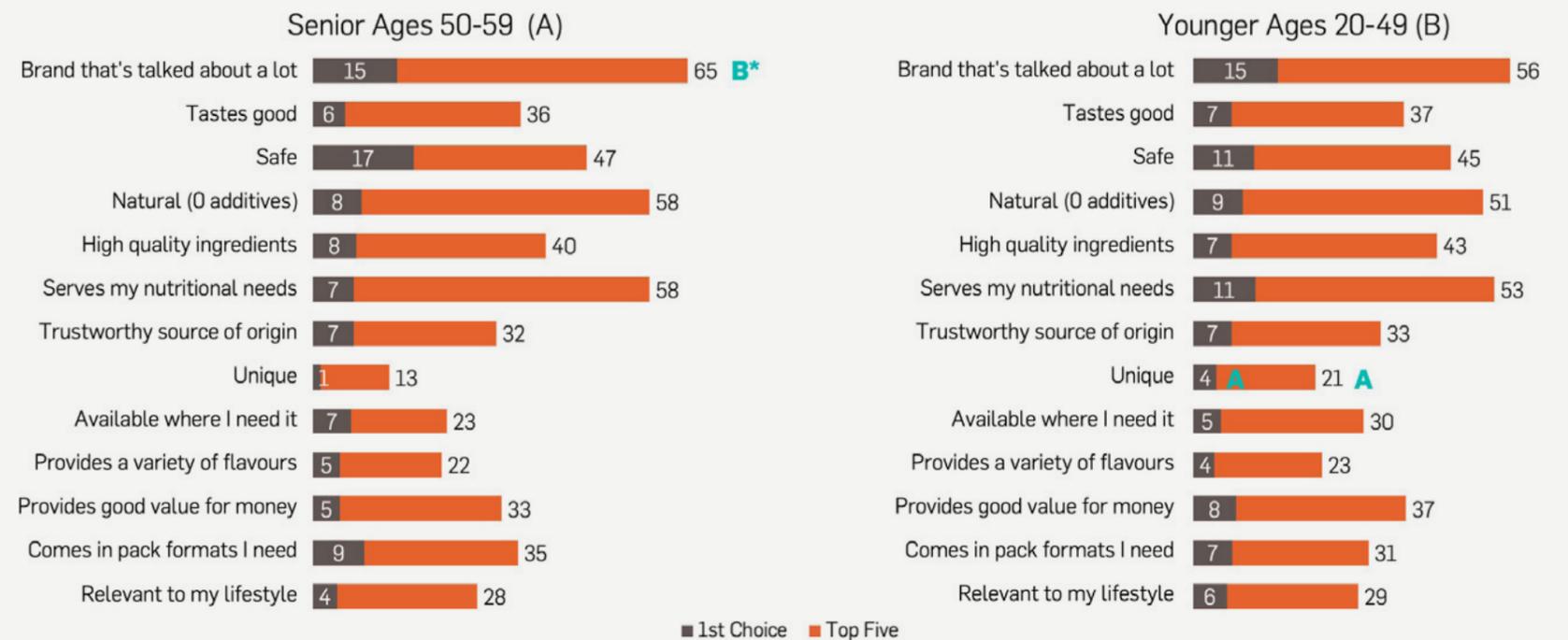


Where a product comes from is key.

Over the past few years, we've seen an increase in domestic consumption of China-made goods. This growth of nationalism is a way for China to boost its economy and rebalance its export market. It seems the country's seniors, though, haven't all gotten the message. That's because source of origin is the most critical purchase driver for this segment. Seniors continue to look outside China for their products.

Much of this comes down to trust and safety. This segment grew up during a time where scandal-plagued food and pharmaceutical producers forced consumers to deeply understand provenance. This mindset still lingers, leading to a preference for trusted names popular overseas.

Drivers of **Health Supplement** Purchase (%)



Source: TSI Navigator™ data

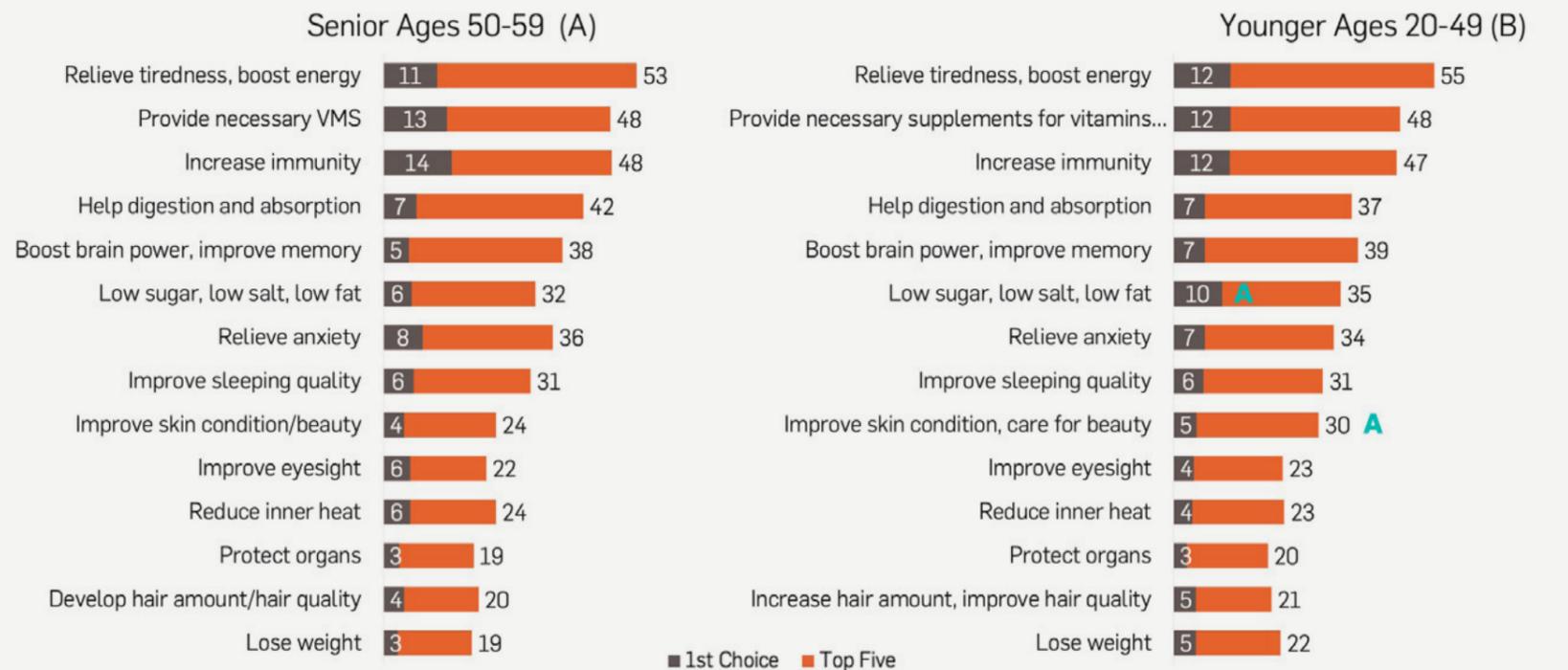


Functional ingredients are important, but not always worth the cost.

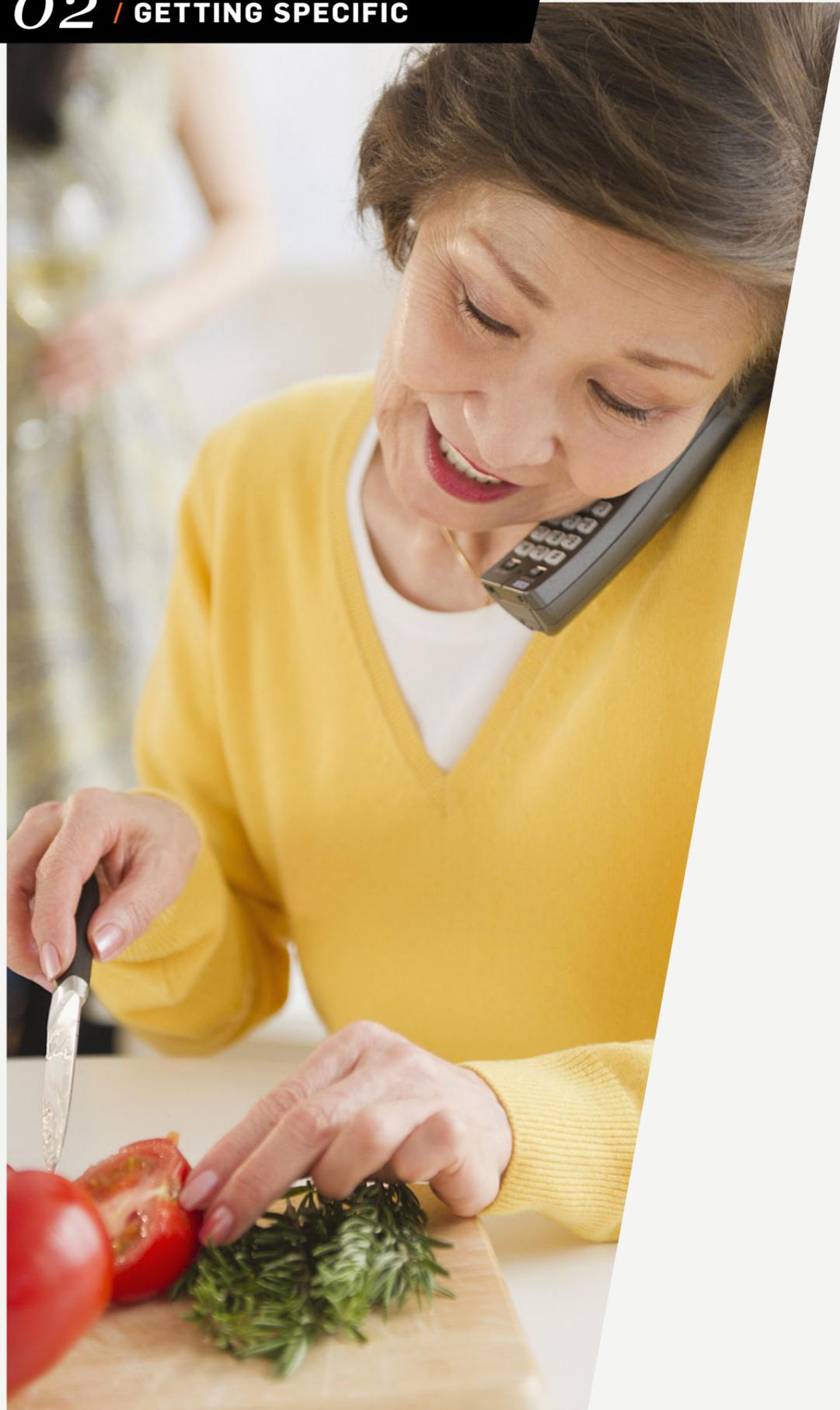
While we might assume older generations are keenly aware of the need for functional ingredients, that doesn't always translate into conversion. In a previous edition of the Compass, we explored the wide world of functional ingredients in China. Many of our findings, such as using ingredients to improve sleep, reduce stress, and boost brain power, relate directly to senior needs. Yet many aren't willing to pay more for what they consider product add-ons.

As an example, weight control and hair loss are often cited by younger consumers as being of particular concern. Seniors, though, don't believe functional ingredients can do much to help one trim down their waist or regrow their hair. Benefits such as these, as well as products low in fat, sugar, or salt, don't warrant a price premium.

Functional benefits in **Food & Beverage** willing to pay more for (%)



Source: TSI Navigator™ data

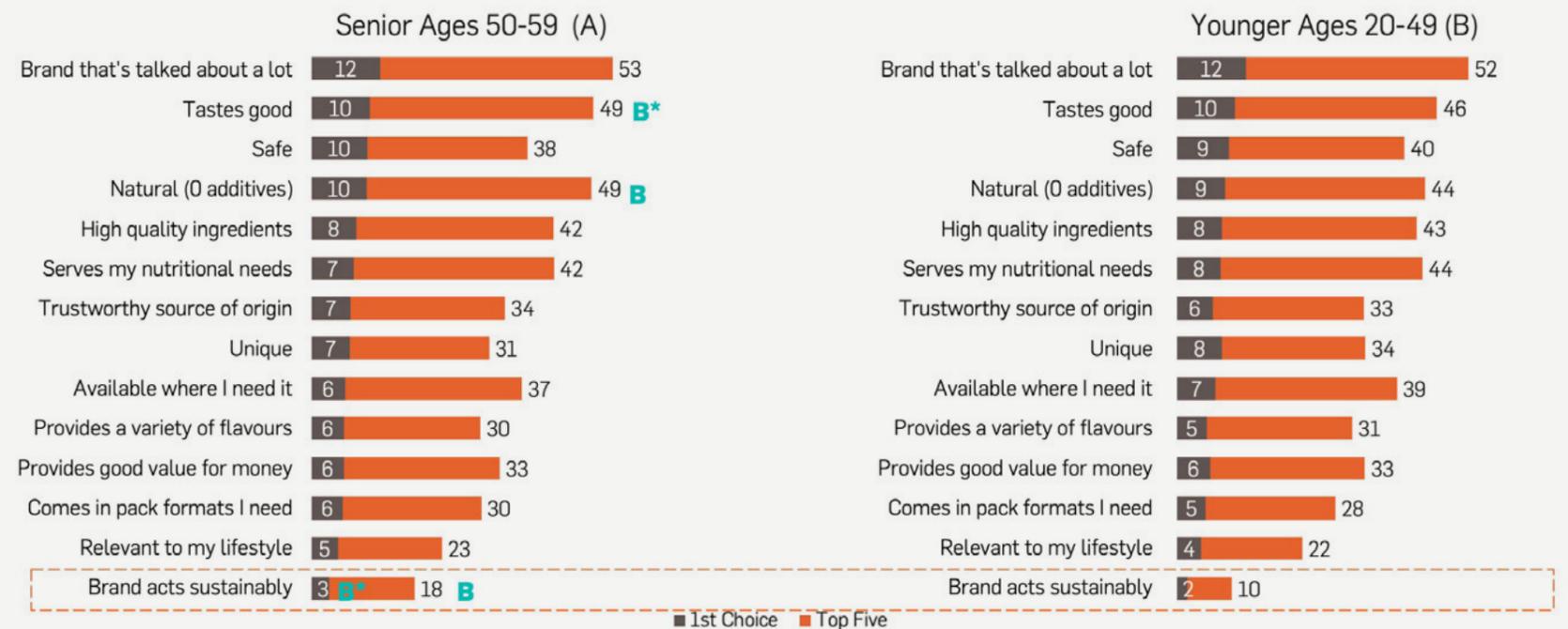


Senior consumers will pay more for sustainable products, but aren't specifically looking for them.

The sustainability performance of a product or brand is very low in the consideration set for this segment. Although this is slightly higher for seniors compared to younger consumers, it hardly registers as a key purchase driver.

What's interesting, though, is seniors are willing to pay more for sustainable products. Although there is a lower general understanding of sustainability concepts, seniors view these products as higher quality. For example, while younger consumers are more likely to eat alternative meat because of its lower impact on the environment, senior purchase is driven by the perceived high quality of alternative meat.

Drivers of **Food & Beverage** Purchase (%)



Source: TSI Navigator™ data

China's elderly population don't just have a unique set of purchase drivers. They also have their own pain points brands should be aware of. TSI has done a considerable amount of work with seniors in China. Through this work, we've discovered three of the biggest pain points, as well as opportunities, for this segment.

Be straightforward

Unlike their younger counterparts, many members of the Silver Economy are not as knowledgeable with ingredients or benefits. Don't try to wow them with fancy jargon or obscure product references. Instead, be ultra-clear on what your product is and why someone should use it.

Don't hide behind euphemisms

In testing a number of different product propositions with Chinese seniors, we've found they don't want to be coddled. Using euphemisms to try and hide that you're targeting the elderly isn't always the best move. For example, one product we tested used the word "white" to reference senior segments. Respondents noted they would much rather have senior spelled out in black and white.

Again, it comes back to being straightforward. Call out who your product is tailor made for, as well as the specific age groups you're targeting.

Fear of ageing is a major barrier

It probably goes without saying, but this segment is fearful of getting older. Interestingly, this is less about slowing down or not feeling as young as they used to. Rather, they are fearful of becoming a burden to their families. Many refuse to admit if they are experiencing senior-age issues like memory loss, discomfort, or incontinence. Because of this, work should be done to normalise more open attitudes to ageing.

"If you're speaking to seniors, you should speak simply and straight forward so we can understand."

– Mrs. Ying (age 57)

"Maybe you can remove the 'white' as it feels too old. 'Senior' is okay because it's quite clear for me. Or you can just add '50+' so it's even more clear."

– Mr. Shi (age 59)

"I don't like to ask my daughter to teach me stuff over and over again. It just makes me feel really sad and useless."

– Mr. Zhou (age 66)

Source: TSI Navigator™ data

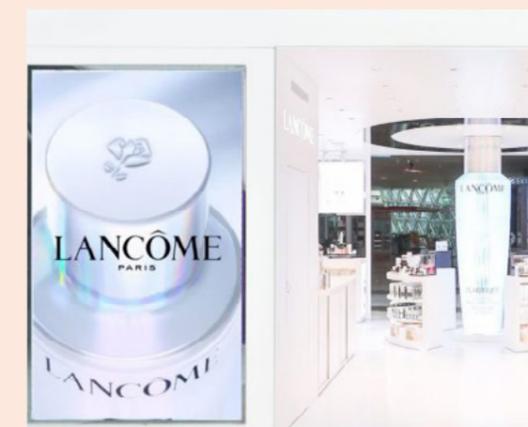
What Are China's Seniors Buying?

We've seen China's seniors identify with brands that are popular, tasty, and safe. They also place an emphasis on provenance and prefer all-natural products when possible. But, where are they shopping and what exactly are they buying?

Let's take a look at beauty products as an example.

Source: Cosmelab

Top-3 Purchase Channels (by age group)



46-55 years old

- Brand store
- Online store
- Department store

Over 55 years old

- Brand store
- Department store
- Daigou

Hair Care



Purchase drivers:
Covering greying hair

Cost point:
Under RMB100

Favourite brands:
Dove, Lux, Shiseido

Oral Care



Purchase drivers:
Whitening and cleaning

Cost point:
Under RMB100

Favourite brands:
Sensodyne

Body Care



Purchase drivers:
Anti-ageing, especially for wrinkles and dry skin

Cost point:
Under RMB100

Favourite brands:
Liushen, Maxam, Safeguard

Skin Care



Purchase drivers:
Cleansing and nourishing the skin

Cost point:
Between RMB100 and RMB 500

Favourite brands:
Olay, Sulwhasoo, Estée Lauder

Makeup



Purchase drivers:
Keeping up appearances, especially in more urban cities

Cost point:
Between RMB100 and RMB 300

Favourite brands:
Lancome, Estée Lauder, Yue Sai

A Visual Look at Senior Brand Positioning

We've seen domestic and international brands launching special products to seize opportunities offered by the Silver Economy.



Mengniu

China's leading bottled water brand, Nongfu Spring, released natural mineral water containing lithium. They claim this helps the elderly absorb more nutrients.

Nestlé

Nestlé China launched its first set of "blue-hat" certified health foods for seniors in 2021. The new glucosamine milk powder focused on joint protection, increasing bone density, and strengthening muscles.

TMall

In January 2021, TMall dedicated a special theme to adult milk powder on its Super Brand Day. Targeting the elderly, adult formula milk powders claim health benefits such as supporting bone health, maintaining blood sugar levels, and improving immunity.

Tech companies

Outside the food and beverage space, China's technology companies have also jumped on the bandwagon by rapidly iterating their products and services to become more elder-friendly.

WeChat, JD.com, Alipay, and Douyin have trialed functionality to provide the elderly with a better user experience. These include a clearer interface, simplified features, enlarged font, and fewer advertisements.

Naobaijin

Naobaijin is a supplement that aims to bolster brain health for seniors through improving sleep.

Hongfuxiang adult diapers market directly to younger consumers with the tagline, "if you care about your elders, choose us."

Tapping into China's growing senior segment is a huge opportunity for brands. This is especially true when it comes to providing benefits around mobility, memory, and brain health. Overall, to harness the power of China's Silver Economy there are three big things brands must keep in mind.

This generation is not yet as sophisticated as their younger counterparts. Brands have to be particularly clear with their messaging. Pay special attention to how you position product benefits, your target segment, and why consumers should be using your product.

Trust is important for this generation. Most of this segment grew up during a time where brands weren't always the most trustworthy. That's why such elements as your source of origin, safety, and the size of your brand in other markets are all compelling points.

You may need to market to more than one segment. Be aware of not only who uses your products, but also who is buying them. Oftentimes, a child or grandchild will be the purchase decision maker as they buy for their family members. While this is changing with tech innovations, traditional marketing is still important.



TSI Navigator™ Compass

TSI strongly believes in the importance of quantitative data when analysing and determining consumer trends. That's why we created TSI Navigator™, the industry's first dynamic data intelligence platform that collects, analyses, and visualises the food and beverage landscape across various Asia-Pacific markets. TSI Navigator™ explores 12 F&B categories across 6 key cities in China, as well as in Indonesia, Japan, and Thailand, to understand drivers and trends in real time. The tool is designed to help companies make smarter decisions in food and beverage across the region, particularly when it comes to innovation.

TSI Navigator™ Compass is based on TSI Navigator™ trend analysis, quantitative analysis, literature reviews, and qualitative interviews with industry leaders. It also draws on TSI's expertise across industry sectors. This research is part of The Silk Initiative's continued examination of consumer trends throughout the region.

This edition was written by John Pabon, with contributions from members of the TSI China team. The authors wish to thank external interviewees and other TSI colleagues who provided feedback. Any errors that remain are those of the authors. Please direct comments or questions to John Pabon at john@thesilkinitiative.com.

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The Silk Initiative

Data in. Assets out. Measurable results.

We are the future-focused insight, strategy, and innovation people.

The Silk Initiative is one of the world's few Asia-based consumer goods brand consultancies sitting at the intersection of foresight, strategy, innovation, and creative development. From our base in Shanghai, we help clients make smarter brand and product decisions.

Combining an in-house Insights and Strategy team along with a Design and Innovation team, TSI's approach of data in and assets out means we can provide end-to-end solutions for our clients' brands.

Want to learn more about China's Silver Economy? Connect with one of TSI's experts today.

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