

The Challenges of Marketing Aged Care

Presentation to *Marketing to the Ages* congress by
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I'm going to talk about the challenges of marketing aged care in four sections: Who we are; Our market; The challenges we face and finally, Looking ahead.

1. Who we are.

Churches of Christ Homes and Community Services Incorporated has been providing accommodation services to older people since 1954, when the organisation commenced with a hostel for women located on a large site in Joondanna.

Today we are becoming better known as Bethanie Care Services; we provide hostel and nursing home accommodation, lifestyle retirement villages, day centres and community services and programs. We cater to over 3000 clients and residents with a staff of 1200 helped by 400 volunteers – we own and manage sites and deliver services through the South West and Great Southern, across the metropolitan area and as far north as Carnarvon, and a controlling interest in Bethesda, a small private hospital in Claremont.

2. Our Market

As an aged care provider, we have three main market cohorts: Seniors, Baby Boomers and Gen XY

Seniors.

These are our current residential and community care clients, they have been described by Hugh McKay as the 'lucky' generation – they use our services and live in the care accommodation we provide.

Born in the 1920s, the 'Lucky Generation' endured, as children, the hardships of the depression which taught them the benefits of frugality and saving, loyalty, and the work

ethic. As they reached working age there came a time of unprecedented economic prosperity. Even with servicemen returning from WW2, there was virtually no unemployment.

One income could easily keep a family fed, clothed and housed, plus indulge in sparkling new acquisitions: TV sets, radiograms, washing machines, electric food mixers, wall to wall carpetsⁱ The Lucky Generation set new records for the rate of early marriageⁱⁱ, and a boom in the birth rateⁱⁱⁱ.

This generation, which benefited from lower taxation when they were raising their families now enjoy the provision of generous aged pensions, The lifetime personal income taxes paid by an average couple from that generation will amount to only a fraction – probably less than half – of the value of the age pension they will receive^{iv}

Baby Boomers

Our second market is the children of the seniors: the subject of many a presentation and article, the Baby Boomers

The children born in the boom (1946 – 1955) grew up experiencing the benefits of their parents' relative ease and security, which gave rise to the expectation that they, too, would have a rosy future.

Boomers, who became famous for their need for instant gratification and the catch-cry of 'do your own thing' and 'look out for number one' have reaped criticism for their 'live for the moment' view on life: they're charged with being the shortest-term thinkers of any generation for over 100 years^v

We're interested in the Boomers from two points of view: Firstly, the Baby Boomers are the targeted demographic for our Bethanie lifestyle villages.

Realistically, the majority of buyers are somewhat older than Baby Boomers, but by gearing our marketing message to this younger audience, we capture those people who don't feel old, and would normally avoid retirement villages because they're "full of old people".

Secondly, as the children of our primary target market, Baby Boomers also have a strong influence—either willingly or unwillingly—upon the decisions made by their parents when choosing an aged care provider.

A recent article, 'The Parent Trap' which appeared in The Bulletin magazine June 2007, warns the trouble Boomers are experiencing in finding suitable accommodation for their parents is only going to get worse – just as they, themselves, are needing such services.

Baby Boomers are not keen on planning: many have saved little for their retirement, assuming their real estate will somehow take care of it^{vi} They are the most independent, self-indulgent, discerning and biggest-spending group of people the world has seen. Boomers just want to have fun... but it is in short supply in the lives of most of them: middle age has been a time of duty, obligation and responsibility...^{vii}

To counter lives which are increasingly busy and complex due to relationship stress, work commitments, homes to manage and maintain, cultural and sports interests, and the drive to organise their children's lives as well, Boomers have invented elastic adolescence, which stretches all the way into middle age. In contrast with their parents' generation, life for Boomers is harder than they expected it to be. The 'peace and love' of the 1960s turned into tension and stress in the 1990s; their beloved freedom has given way to a feeling of

being enclosed by responsibilities, pressures and anxieties.^{viii}

Now, as the first of them are moving into retirement, the greying Boomers have some analysts rubbing their hands in glee, others wringing theirs in despair. The difference is caused by their view of the Boomer's future spending power. Some believe this demographic is cashed-up and ready to retire and start consuming. They forecast fortunes will be made in travel, electronic goods, home appliances and other luxury items. In an AdNews article Jeni Payne wrote, "A high proportion of baby boomers... are high spending consumers with sophisticated appetites for new products and ideas. They're marketing savvy. They're not into depriving themselves; they seek rebellious trends and are not set in their ways."^{ix}

Conversely, others say the Boomers have lived indulgently, spent their money as they have earned it, and have very little in retirement funds. They say the Boomers hope that by downsizing, the capital held in the family home will convert to sufficient liquid or investment funds to see them through the latter years.

However, while this group has received a boost by a locally over-active property market which has pushed up prices, there is a notable lack of smaller properties which have the desired features, location and suitable price for them to down-size into.

Complicating the scenario for many is the level of debt they're carrying. An article in the West Australian newspaper's "Your Money" section last year said, "Past generations owned their own homes outright by the time they retired, but 44 percent of those with a home loan [said] they expected to have a mortgage in their retirement years. ...down-sizers may not have as much left over to live on as they had hoped."^x

This seems to be driving an increased interest in reverse mortgaging, as reported in the May

2006 edition of the Australian Aged Care Housing Weekly, “The use of the home equity-release products allowing asset-rich, cash-poor baby boomers to tap into the value of their houses has escalated rapidly over the past five years.”^{xi}

In the March 2006 edition, The Western Australian Senior newspaper suggested the Baby Boomers are not the cash cow many expect. They suggested two groups: the *Independent*, from a typically middle-income background encapsulating skilled/educated and many of the high-earning traditional ‘blue’ collar workers; and the *Towards Dependant*, traditionally from lower-income backgrounds such as unskilled white collar and blue collar workers.^{xii}

We believe the Western Australian Senior’s delineation may be too simplistic. A preferable model is a four tier demographic:

- *The Dependant* Those who haven’t been in the position to save sufficient funds for their retirement years and who will rely almost entirely upon Government support.
- *The Ants* The frugal middle-income earners who are the main savers and will manage to live independently by continuing a modest life-style^{xiii}
- *The Grasshoppers* The higher income ‘grasshopper’ mentality boomer who has little in super or savings to show for his or her years’ of work and will strip their asset base to survive and, lastly,
- *The Independent* The genuinely affluent whose wealth will be sufficient for their needs.

Many service providers, including residential aged care providers, will be targeting the money. We expect that, while most in the ‘Boomer’ demographic would wish for homes with classy features and the accompanying lifestyle, they will only be able to finance something more modest.

It is highly likely more will opt to stay in the family home until failing health dictates otherwise, managing to remain independent with the assistance of community care services, such as our Bethanie Community Care, which provides assistance with gardening and home maintenance, meals, shopping and doctor’s visits, social outings, domestic services and personal care services such as showering and dressing assistance.

Generations X and Y

Our other market segments are combined as Generations X&Y, our potential employees. Aged care has provided an accessible entry-level job for many people starting out or returning to the workforce. However, as the industry grows, the demand for quality skilled individuals will increase. IT, finance, clinical practitioners, administrators and managers and a host of other support personnel will be sought after. Being able to attract and retain suitable people is very important.

3. The Challenges we face

Some on-going challenges are part and parcel of the aged care industry: we always need to be right on the game in matters of quality, we have to meet high accreditation standards and comply with a raft of regulations knowing that the media is circling, just waiting for one drop of bad news...

We believe there will be an increasing demand for affordable accommodation for retirement living; as an aged care provider, our challenge is how we meet that need and, particularly, as a benevolent aged care provider, how are we going to meet the need of those who cannot afford suitable accommodation or the level of care they need?

Let’s look at some of the things we’re doing to meet the many challenges which face us.

We’re building middle to upper-middle lifestyle villages; we’re doing it well and we’re turning a good profit. That money is being used to sustain affordable aged care

facilities, and cross-subsidise other areas of operation.

We have been actively supporting any Government initiative for the provision of suitable aged care beds which can accommodate many of the older patients who are now in acute care hospital beds. We are a strong proponent for the provision of affordable housing which would allow older, and frequently single, people to move into accommodation more suitable to their needs (and which would free some of their asset capital and also increase the availability of established homes in the current tight housing market).

Currently we're in a bull market. Demand for our type of product and service is outstripping supply. We have many profit making organisations moving into the aged care and retirement sectors in order to make a quid. But one day, the crest of the wave we're currently riding, this bulge in the demographic graph, will ease and then plateau... making a profit from aged care services is going to become competitive.

As a hedge against the time when we're in a competitive market with new players, we need to get runs on the board now, to build awareness and a competitive advantage now.

To build that brand preference, we deliberately target our message to specific market segments. The key is to establish real points of difference between ourselves and other providers.

One of our key points of difference is we're a Christian organisation, with a strong Christian ethos, and there are many other identifiable points of difference, such as our 'Model of Care' which underpins the method and delivery of our care services

I stress a difference must be a 'real' difference; trivial, cosmetic or minor variations will not suffice. Our market is

media savvy and well experienced in the business of consuming.

Typically, they don't think about the aged care sector from one day to the next – until they need it. Then, the amount of investigation and research they do is really staggering. We're not talking washing powders or restaurants or holidays; this is a high risk, high investment, high involvement decision. Appointing an aged care provider is quite truthfully life changing. The decision made will have consequences for years to come. Our consumers expect to be treated as intelligent and sophisticated, there needs to be substance behind the glossy photos of smiling people in communal dining.

It's also a challenge to stay on the cutting edge of service provision. Government funding is attracted to areas where we can demonstrate advances in IT, or innovative ways to deliver care services, or improved economies of scale. And just building bigger is not better.

The challenge is to realise the economies of scale while maintaining personal and intimate environments. No one wants to live in an impersonal institution; but, realistically, an aged care facility will find it difficult to survive in the long term if it has less than 100 beds.

This is big business, each of our site retailss well in excess of \$50million (Baptist Care is redeveloping their Salter Point site at a cost of \$72m), so we need have done our homework before committing to a design, we have to create a facility of an economically rational size, and yet retain a sense of place and individuality for the residents.

Many of the smaller aged care providers will be forced out of the market, absorbed into similar but larger organisations, or bought out by for-profit companies who will use their bed licences as an entry point into the aged care and retirement accommodation market place.

4. Looking ahead.

What does the next one or two decades hold for our industry; what patterns do we need to be aware of in our planning?

4.1 Not all Boomers are going to be cashed-up; many will still need some form of Government funding to survive, this situation will be exasperated by people living longer and being affected by chronic 'lifestyle' illnesses such as diabetes, heart disease and cancers. On the dark side, and considering the advances made by those pushing a radical social agenda, there will be increasing expectation for older people to be euthanized under 'quality of life' and economic rationales^{xiv}.

4.2 There will be more people in their 70s and 80s still looking after or having some responsibility for their parents. This will have repercussions in the level of care this demographic needs as immediate family may not be able to provide any assistance or care.

4.3. Workers will be harder to find. Aged care is labour intensive, and where are all the staff coming from? In the future aged care and particularly community aged care may be more of a user-pays system and those who cannot afford it will need to settle for lower levels of help. (As an aside, it will also affect the flow-down of wealth, if Mum or Dad are still kicking on into their early 100s, it means

you're not going to get any windfalls for your super policy any time soon. Rather than accumulated wealth tricking down to younger generations, it will be expended in the costs of living.)

4.4 There will be a range of new products catering to these needs. Financial products, such as reverse mortgages, will mature. The use of monitoring and automated house systems will increase with many using the internet as the delivery and service platform. A raft of services currently provided out-of-home will, by necessity, be provided in-home.

4.5 Older people will increasingly want to matter to someone. The human need for significance and meaning will become more acute with age, particularly as the consequence of a high divorce rate, fractured or geographically distant families means many have no close relationships. The desire for a sense of community and the expression of spirituality will rise.

4.6 Difficulty in securing development capital. Billions of dollars are required for aged care facilities—particularly nursing homes—and with the Federal Government ruling out accommodation bonds for high care places, different funding arrangements will have to be found.

Thank you for your attention.

ⁱ Hugh Mackay, *Generations: Baby Boomers, their parents and their children*. Pan Macmillian, Australia 1997 p36

ⁱⁱ The percentage of 20 to 24 year old women marrying rose from 31 percent in 1933 to 49 percent in 1947, and then to 59 percent in 1954. For men aged 25 to 29 a similar trend occurred: 44 percent of them were married in 1933, rising to 64 percent in 1954. *Ibid*, p29

ⁱⁱⁱ From a pre-war birth rate of 17 per 1000 of population, the Lucky Generation procreated at an unprecedented rate: in 1946-47, the birth rate rose to 24 per 1000, remained high through the 1950s and only began to fall away in the early 1960s. *Idem*.

^{iv} Alan Tapper, *The Welfare Culture of Confusion* Bert Kelly lecture no 10 (Perth: Centre for Independent Studies, 1993), p3

^v Philip Ruthven, futurologist and Chairman of Ibis Business Information, quoted in Debra Jopson and Greg Lenthén, *Baby Boomers: Who'll Pay When They're Grey?* The Sydney Morning Herald 12 July 1994

^{vi} Susan Oliver, a former director of The Commission for the Future, *op.cit*.

^{vii} Reg Bryson, MD of The Campaign Palace advertising agency, quoted in Neil Shoebridge and Adele Ferguson, *Rise of the Baby Boomer Bosses* Business Review Weekly 10 Jan 1997 pp 29, 34

^{viii} Hugh Mackay, *Generations: Baby Boomers, their parents and their children*. Pan Macmillian, Australia 1997. p83

^{ix} Baby Boomers. Far-flung and having fun. Report by Jeni Payne p37 AdNews 15 July 2005

^x Wise up on costs of downsizing homes. 'Your Money' section, West Australian p35 15 May 06

^{xi} Australian Aged Care Housing Weekly News Friday May 19, 2006.

^{xii} The Western Australian Senior March 2006 p3, “No big bucks here!” The unattributed article stated that, “Unlike their parents, who lived a more frugal existence, relied heavily on the pension and believed in ‘saving for a rainy day’, this is not a generation of ‘savers’. As a group, the Boomers spend their incomes – and any increases in income result in increases in lifestyle.”

^{xiii} As reported in the Department of Finance and Administration Submission to the Senate Select Committee on Superannuation Inquiry into Superannuation and Standards of Living in Retirement July 2002 (section 28 p11), The ABS has found that while personal after-tax contributions are positively related to age and income, the proportion of employees making personal contributions is greatest for those earning between \$60,000 and \$80,000 per year and then drops for those earning \$100,000 or more.

Similarly, Catherine M Wallace, *Selling Ourselves Short*, Brazos Press 2003 p162, reports the findings of Schor [The Overspent American, p76. Jennifer Cheeseman Day and Eric C Newburger, which mirrors the Australian experience, “The Big Payoff: Educational Attainment and Synthetical Estimates of Work-Life Earnings] in her US study, “the more education a person has the less he or she saves. Each additional level of education (going from a high school diploma to some college, for instance, or from a college degree to postgraduate credentials) reduces annual savings by \$1448.” Savings decrease with education despite the fact income increases with education.”

^{xiv} Writing in the Royal Society of Medicine journal *Clinical Ethics*, Len Doyal, an emeritus professor of medical ethics and adviser to the British Medical Association, has firmly backed non-voluntary euthanasia for patients who are too ill to ask for death. Doyal contends that ‘regulated, intentional active killing can have a proper place in good medical practice’, and asks: ‘What would be the moral point in expending [valuable palliative care] resources on severely incompetent patients whose best interests will be served by a quick and painless death?’

British opponents of ‘assisted dying’ are concerned, especially having now observed the consequences of the Dutch legalization of euthanasia. Peter Saunders, campaign director of the anti euthanasia alliance Care Not Killing, said: ‘The clear lesson from the Netherlands, where over 1,000 patients are killed by doctors every year without their consent and where babies with special needs are killed. ... is that when voluntary euthanasia is legalised involuntary euthanasia inevitably follows.’

The Guardian, <www.guardian.co.uk/frontpage/story/0,,1792711,00.html>, 14 June 2006.

BioEdge, <www.australasianbioethics.org/Newsletters/207-200606-13.html>, 14 June 2006.