

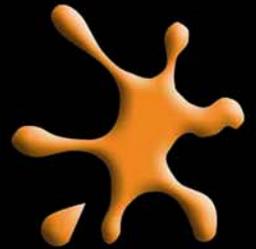
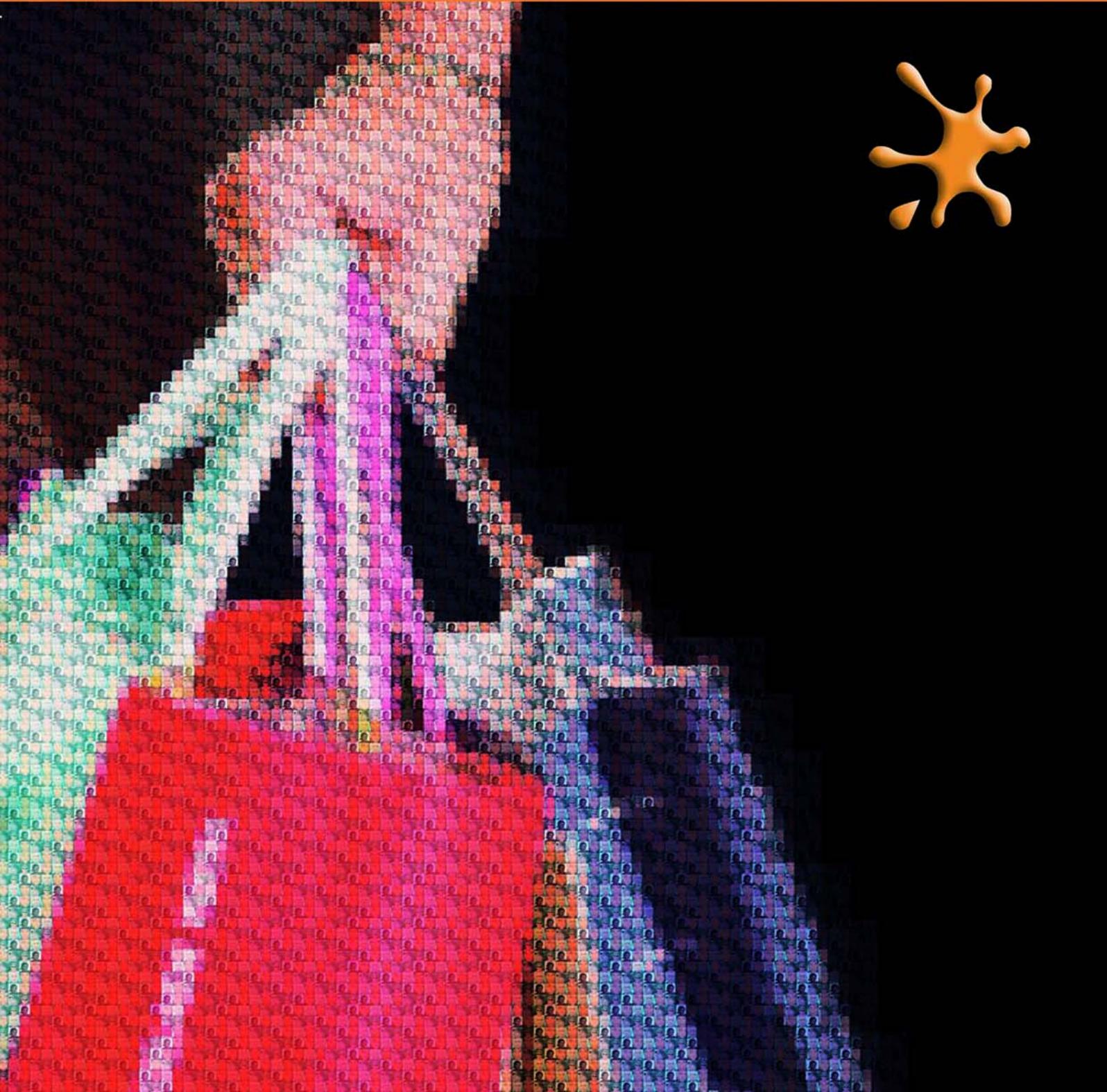


Fundación
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Bankinter

09

NEW CONSUMERS

Aging Population
and Immigration





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Fundación Accenture has worked with Fundación de la Innovación **Bankinter** on the production of this Future Trends Forum (FTF) study and also helps to disseminate the work of this leading independent voice in the field of prediction and innovation. The consultancy firm has placed all its knowledge at FTF's disposition, together with its extensive expertise in turning companies and institutions into high performance organisations.

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Executive summary



Our society is changing at a bewildering rate, in terms of composition, behaviour and consumption patterns. In the more developed countries, **senior citizens** now occupy a significant segment in the population pyramids, as birth rate plummet. In the future, this situation is likely to complicate the sustainability of the current pension system. For their part, **immigrants** have long ago ceased to be an isolated group with limited financial resources and now hold an important place in the workforce. They will most certainly help alleviate the effects of population ageing, even if they do not halt the process altogether. Finally, **single-ton, single-parent and DINKY** (double-income no-kids yet) households are just some of the relatively new concepts faced by marketing executives seeking to discover new consumption patterns and ways of satisfying the needs of all these new consumers.

While more consolidated businesses are currently adapting to the new situation, some more recently hatched firms are already taking advantage of the market niche these new emerging consumption patterns represent, with an increasing demand for variety and quality.

In any case, it is important to realise that today's consumer segments form non-uniform target audiences, in terms of tastes, purchasing power, priorities, beliefs and consumption habits. To reach these new markets it is essential to understand their economic and social context and their priorities and limitations as consumers.

Immigration is growing apace with ageing and although in terms of causes and consequences the two phenomena are entirely separate, the fact that they have developed simultaneously and their relative significance have meant that they are very closely associated.

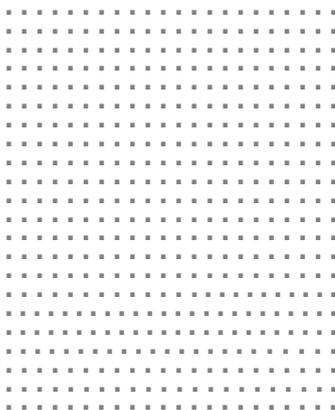
The Olympus of the Baby Boomers

In the 1950s, the world experienced a major upswing in the birth rate, commonly known as the baby boom; The children of this phenomenon are known as the "baby boomers". Nearly six decades later, the same people who popularised the hula-hoop, who grew up on principles of peace and love, and who experienced the technological revolution more directly than any other generation before, are now close to retirement.

Many of these baby boomers may be rubbing their hands in delight at the host of options for spending their new-found leisure time, like travelling, going back to college, spending more time with the family, looking after themselves or forming new relations on the Net, but politicians and academics are tying themselves in knots trying to find ways of making the existing Pay-As-You-Go pensions model (whereby the population currently in work pays for spending on pensions) sustainable in the long term.

Large companies too, faced with the imminent retirement of many of their managers and executives, are incorporating new knowledge management strategies.

Mis notas



Human resources departments are constantly searching for effective and flexible formulae for keeping these executives on the payroll, through tutorials, courses, practise sessions and consultancy. These strategies appear to serve two purposes: As well as keeping the knowledge in the company and helping pass it on to future generations of workers, the idea is to stimulate new members of the organisation and hopefully hang on to their talent.

Twenty five percent of Spain's population is now aged over 65. And if you find that statistic alarming, you'd better not look at official forecasts, which predict a sharp growth in this figure if current birth and death rates continue.

Unconcerned by these dilemmas, the baby boomers themselves are happily planning their leisure and recreation, managing their money and looking for financial resources that will help copper-fasten their purchasing power, and by extension their happiness. Children of the "silent generation", the baby boomers enjoy enviable good health, a quality of life never before known in this age group and a freedom (of movement and speech) which can prove very attractive for many businesses.

Released from the financial burdens and fears their parents suffered in the Great Depression and the aftermath of the Second World War, baby boomers became the ideal generation for the business and economy expansion. To cite just one example, Visa (1958) and Mastercard (1966), which revolutionised traditional forms of payment, first saw the light of day in the youth of the baby boomers.

And let no one be in any doubt: baby boomers are skilful net surfers. They've used the technology at work and they've learned to use it for their own enjoyment. They buy, read, correspond and do their paper work on-line. They buy plasma televisions with Dolby Surround and mobiles with all the latest gadgets. They have a good level of education and an increasingly high opinion of themselves. They spend their money on small luxuries and do not hesitate to experiment with all things new, be it canoeing, flying ultralights, holidaying in Cambodia, getting cosmetic surgery or getting remarried to someone they met on the Net.

At different stages of their lives, the baby boomers rewrote the rules on being a child, teenager and adult and now they're going to tear up the rules on ageing too, exchanging burden ageing for ageing well.

The baby boomers' combination of economic potential and openness to innovation offers huge opportunities for companies that are prepared to meet coming changes. For example, some baby boomers will want to keep working, but within more flexible structures; many will need help with their finances and will demand new, natural, pharmaceuticals; some will want to experiment with new extreme experiences and exotic flavours; others will look for new ways of integrating into the community. For all of these things, they'll hunt for the best prices—and they'll know how to find them.

Companies that know how to satisfy these needs can find major new sources of profit.

Immigration, a new world

According to the latest data from the Spanish statistics institute, the INE, immigrants now make up approximately 10% of the Spanish population. This growth, which has been exponential in recent years, has taken company managers and marketing executives by surprise, and many have proved incapable of coming up with the right answers to this new segment's requirements.

For their part, immigrants have tried to reconcile their consumption patterns in their countries of origin with the offer available in the host country. In contrast to the stereotypes, immigrants are increasingly integrating into the social field and in the workplace; they are increasingly qualified, adapt better to the work culture of Spanish companies and are ascending the employment ladder to take on positions of responsibility and visibility. As a result, their purchasing power has improved considerably, as has their critical capacity to demand products and services of quality.

Some companies have been far-seeing enough to create entire divisions to meet the needs of this new group. The first most important thing to realise is that they are not a homogenous segment in terms of origin, educational level, purchasing power or consumption patterns. What does seem clear, however, is that they are all receptive to products and services tailored to their particular needs, marketed via campaigns with which they can identify.

Companies in fields such as telephony, property, finance, large consumer goods and the media already offer some good examples of how to adapt services to this specific segment.

In any case, companies need to make a colossal effort to define their target audience and profile the products and services they offer, by adapting to the stated needs of each of these segments. Moreover, businesses are increasingly abandoning the idea of selling large amounts to a few in favour of selling small amounts to many customers, with the view to better diversifying their risk.

In all of this context, technology and, specifically, the Internet, is an essential tool for preparing successful and individualised marketing strategies.

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CHAPTER 1

Foreword

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Foreword



Immigration and aging populations: socio-economic impacts and new business opportunities

Immigration and aging of populations are two interconnected trends with far-reaching demographic, and hence social and economic, consequences.

Classical pull-push combination propels immigration: affluent countries of the EU, US, Canada, rich oil states of the Persian Gulf and Australia are the greatest migration magnets, Latin America, sub-Saharan Africa and the Indian subcontinent are the principal regions of emigration. But the process has many variations and diverse participants, precluding any simple conclusions: some countries encourage immigration, others feel beleaguered by illegal migrants; many immigrants are poor and unskilled, others are highly educated; some migrant-host matches are culturally compatible, others present stark social and religious contrasts.

That is why some governments and majorities of populations in some countries believe immigration is a positive factor, while others fear it, resent it and fight it. That is also why immigrants can be seen either as an important group of valuable new consumers to be absorbed (with great economic benefits) into the mainstream of a host society—or as a mounting threat to its integrity and stability.

Aging of populations is an inevitable consequence of declining fertility. Once the fertility falls below the replacement level of 2.1 children per woman (now prevalent in all affluent Western countries) it is not easy to lift it again, and once it falls below 1.5 it appears futile even to try.

Inexorable aging of an entire population sets in but its near-term outcomes will differ. Where birth rates are still above death rates (as is the case in Spain, France or Norway) aging will be somewhat slower than in the countries whose birth and death rates are roughly balanced (Poland, Portugal, Austria); in the worst case death rates surpass the births (as in Russia and Ukraine) and aging is already accompanied by absolute population decline that can be prevented only by immigration.

That is why gradual aging of a population can be seen as a welcome trend resulting in a more stable society with more upscale spending—or as a threat to social stability because of higher dependency ratios and excessive costs of health care for the elderly (including many more people with serious mental problems).

These complex realities present businesses with many new opportunities in catering to new niche markets, with products ranging from specialty foods to many mechanical and electronic aids for unassisted living and with an even wider array of services—but they also bring new concerns ranging from worries

Notes

about social cohesion to drastic changes in housing market and in the valuation of equities.

Consequently, the most important conclusion is to avoid any preconceived ideas about immigration and population aging: their net impacts will be highly country-specific and their eventual consequences cannot be predicted with any certainty on the basis of short-term trends. Immigration and population aging must be thus added to a long array of those complex trends (including such prominent concerns as long-term energy supply and global climate change) where political and business decisions will have to be made under a great deal of uncertainty.

Vaclav Smil

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CHAPTER 2

Introduction

2

Introduction



Society is changing and the result is continuous alterations in the patterns of society, work and consumption. On the one hand, the birth rate is falling sharply in the most developed countries, while continuing to remain steady or rising in developing countries. On the other, migratory movements are beginning to be more than a question of necessity to become an option for self-improvement, an assumable risk or simply, an opportunity for new experiences. Immigrants do not only join the lower segments of the job market; increasingly they are also occupying positions of responsibility in business.

Similarly, the ageing of the world population is forcing us to take a new look at the concept of “the old person” (over 55) and to replace the idea of *burden ageing* with that of *ageing well*. The graphs clearly show that we are set for exponential growth in ageing over the coming years, especially when the baby boomers reach retirement age (1946-1964; in Spain, 1957 to 1977). Old people (or “seniors”) are taking on new roles in society and demanding new products and services tailored to their physical needs, which will keep them integrated in society—of which they are the largest age group.

Baby boomers over 55 are accepting new ways of understanding life, society and the world. They have lived with major hardships, in a time of general economic boom, have seen first-hand the development of new technologies and have grown to maturity in an era of more liberal moral, ethical and religious convictions than their parents. All of this has led to a change in the way society sees its old people.

Finally, younger generations are growing up in secure surroundings (in every sense of the word) and mostly appear to lack a sense of responsibility and deep-rooted commitment: they change jobs frequently, demand improvements in their working conditions for lower productivity; the rate of singletons is rising among Generation X and is even higher in Generation Y; they are finding new leisure and spare time activities, etc.

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The new generations, therefore, tend to be indifferent to work and unengaged with the firm where they work, making them market mercenaries, constantly changing company, with all that involves. These features do not appear to be in any way diluted among the Net generation, who view technological tools as extensions of their own anatomy and see work as a form of leisure, of building social relations and an opportunity for travel and experimentation.

Sensitivity to population ageing, which has featured in the news for somewhat over five years now, has been accompanied by considerable debate on the phenomenon of immigration. The United States has spearheaded all matters related to immigration, implementing policies—for good or ill—that led it to play host to people from all nations, creeds and races. The result is that most European countries, which have experienced an exponential rise in immigration over the

last decade, now look to the US as either a model to be imitated or an example that can be used so as not to repeat the same mistakes.

This influx has been variously seen as a danger, a risk, an opportunity or a challenge for governments of all hues; what nobody can deny is that the influx of immigrants has helped prevent the birth rate plummeting in these host countries. Furthermore, many of these immigrants have found their way to top positions in businesses. As a result, their consumption patterns and their cultural roots have changed dramatically; in order to understand this situation and see the trends that will govern tomorrow's society, it is essential to understand this development among the new arrivals.

The increase in single people among the younger generations, the new seniors, who refuse to accept the same limitations of age as the previous ("silent") generation, immigrants with financial resources and a shortage of young people... all of these factors are creating a new scenario which needs to be analysed if we are to understand what is happening and anticipate the commercial needs these changes will produce over coming years. We need to define the new products, new services, new markets and new patterns in distribution and advertising if we are to turn these changes into business opportunities. Of all these segments, this publication will be looking particularly at the new consumer groups of senior citizens and immigrants, viewing them as a non-uniform target group, whose differences need to be accepted, but who have certain common features that need to be understood.

Population ageing offers some very attractive business opportunities, in that as a segment, older people hold out certain important advantages: they receive an income free of fixed expenses (such as mortgages, childcare, etc.) and they have plenty of spare time. However, it is important to bear in mind that the Pay-As-You-Go¹ pension model, which has become common in developed countries, is no longer sustainable. As a result, we cannot think about how our old people will spend their money and how they can generate greater benefit for society if we have not guaranteed a secure and stable system of payment, both in the domestic area and in terms of impact on national GDP.

Along the same lines, although for decades it was felt that a person ceased to play a useful role in the workplace at 65 or even earlier, companies are now increasingly looking for ways to develop a sustainable employment model that will guarantee productivity of all employees in their tasks and offer them greater opportunities throughout their career. In this sense, we will speak about "knowledge management".

Elderly people now account for 25% of the Spanish population and yet are largely ignored by businesses: firstly, because they represent a heterogeneous target group in terms of income, health and forms of cohabitation, and secondly, because they still spend less than other younger age groups. This is changing, however, at a dramatic rate, due to an increase in "*mileuristas*" (people earning

¹ Defined as the formula whereby people in employment (of working age) pay for expenditure on pensions.

under €1000 a month) in the younger group and early retirement among older people. The latter group will account for most spending on quality goods and services in coming decades.

In terms of immigration, one look at the statistics shows that the birth rate among immigrants is considerably higher than among the local population. Nonetheless, this can only marginally slow down a process which now seems unstoppable: population ageing. Given that immigration is not going to slow down, but will instead continue to provide influxes of (skilled and unskilled) human capital, of great interest to business, it seems incongruous that no global system of social welfare contributions has yet been developed, with a pension system that would guarantee payment after retirement to those who have worked in more than one country. It seems imperative to try to develop a model that will respect any citizen's decision to emigrate to another country for whatever reason.

Immigrants account for approximately 10% of the Spanish population and the trend is for this growth to continue. This segment **has increasing purchasing power** and greater capacity to demand high quality products and services. Companies therefore need to adapt to these changes or better still, anticipate them, in order to gain a competitive advantage.

In order to help readers understand properly the specific circumstances and limitations of the different generations mentioned here, we offer this very relevant and contextualized description offered by José Manuel Casado, partner of Accenture, in his excellent article "Sopa de Letras para la Dirección", in December 2007.

Silent generation: with their sense of resignation and discipline, silently and uncomplainingly repeating the same movements like automatons (hence the name), they were the inspiration behind Charlie Chaplin's *Modern Times* in 1936, which showed the desperate conditions in which the lower classes of the silent generation had to work during the Great Depression. Conditions were very harsh, driven by industrial efficiency and mass production. They suffered in disciplined silence at work, grew up in a period of great economic instability and saw how their parents and elder siblings took up arms in the wars or received help under the Marshall Plan. Perhaps for all of these reasons they tended to stress **stability** and the quest for the yearned-for welfare state.

Baby boomers: this generation comprises several million people born between 1946 and 1960. They are major shoppers and compulsive consumers; liberated parents, the only thing they fear today is any word connected to age. In the US the group they number more than 80 million people; they enjoy excellent health and considerable purchasing power. Mature Americans control around of 50% of all spending in the country. As a rule, they stay in the same company throughout their career. Their **values are material:** money, ownership, etc. In their day they were part of the group that so preoccupied the business world—yuppies; they were educated in the referential model of economic success as an end in itself, savings, total

availability and sacrifice, in the purest Calvinist sense. Their work was essentially manual and technology played a secondary or tangential role. Perhaps for this reason, 50 is considered as the break-off line for major computer illiteracy. These are workers who began typing their reports with two fingers on noisy typewriters, and were accustomed to paper and storage and all that world. Later they came in contact with the tape-drive computers, and then floppy disks, and now they are familiarising themselves with DVDs, pen drives, USB cables, and so on. This generation currently holds most of the top posts and the have values, beliefs and principles that are very different to those of subsequent generations. In any case, their imminent retirement will further aggravate the lack of skilled workers. In the US, for many companies the retirement of the baby-boomer generation will mean the loss of an important number of experienced workers in a very short period of time. The aerospace and oil industries, for example, are set to lose half of their engineers over the next five years. Over the same period, over half of the people in the top positions in the 500 largest companies in the US will leave.

Generation X: comprises those born between 1961 and 1972; media experts; compulsively turned off by ideology; alternative; formerly **rebels and now a major economic force**. They were responsible for the demise of such sayings as "Children should be seen and not heard" and they put an end to the use of the formal *Usted* form when addressing parents or grandparents.

Generation Y: born between 1972 and 1982. They might be considered to be a subset of Generation X, albeit with their own identity. Positive retro style; they dance to swing, rap, big band, live outdoors, indulge in "*botellón*" (outdoor teenage drinking parties), etc. They know that they were born into a falling population and raised in times of economic uncertainty, and this makes them more independent. Their idea of loyalty is different to their parents'; loyalty is to oneself, not the company. The appearance of this generation and the net generation is enough to drive most human resources managers crazy (nearly all of them are themselves still baby boomers. They have been brought up in a time of technological progress and economic prosperity; most have received a very carefully scheduled education from their parents—school, sports, languages, extracurricular activities, etc.)—and they have been lavished with care, convenience and help to reinforce their self-esteem. As workers they have a strong voice of their own and a great deal of self-confidence in the business world, putting all their professional needs and convictions on the table. They are more egocentric than the members of any previous generation; they have a confidence and an optimism which comes from knowing what they need. They are both rebels and realists, and have seen some of the economic uncertainties and working experiences of their parents (the baby boomers): high and lows in prosperity, business restructuring, redundancies, etc. These generations base their principles on more post-material values. They are known as **talents on account of their more creative mentality**; as employees they are more committed to their work and their profession than to the company. They have different values and needs, tend to be better trained and informed, use knowledge as a lever for employability, and seek to improve not only in get more pay and recognition, but also as a form of self-affirmation and personal fulfilment.

Millennium Generation, Net Generation or Screen Generation: born into an entirely globalised world in which online Indian, Iranian and Mexican professionals

form part of the same market. Just as their parents dominated the economic, social and political world, the Net Generation will dominate the future. They are more sure of themselves, oriented towards sharing and teamwork. The millennium generation consists of babies born between 1982 and 2002. They are technological wizards, very highly educated and multicultural. They are constantly bombarded with messages from the media; they have used the Internet as a guidebook for their career and their education, they have purchasing power, they dance to cheerful, lively music and they live virtual lives through a screen. Lovers of wellness and the gym, they tend to wear large headphones, with a laptop under their arms, and frequently use designer glasses; they are often to be found sitting on the ground in a park using their Blackberries to stay in contact with friends who may be anywhere in the world, sending them a photo they've just taken with their digital camera as they listen to all the best music on their iPod. Nonetheless, working with these people does pose some problems, as a result of their privileged childhood: they are unwilling to perform the mechanical or second-rate jobs normally reserved for rookies; perhaps because they have been very spoiled and have had a very programmed upbringing with help, they seem very accustomed to getting their own way; they are very ambitious: the economic euphoria of the 1990s, which they enjoyed as teenagers, and the fact that they grew up in a affluent society, may be the reasons why their wage expectations are very high from the outset. Like their immediate predecessors, they express their dissatisfaction clearly and freely, without fear, because at home they have been brought up in an environment of total freedom of speech. It is they who work the TV remote and choose holiday destinations, where to eat out at the weekend, what school to study in, etc. They are used to being consulted about any family decision and to having their opinions taken into account, and as a result they do not easily accept imposition, and will rebel against it. They have been brought up in a family democracy and know no other system of government; as a result they are not prepared to accept "do this because I say so" type arguments.

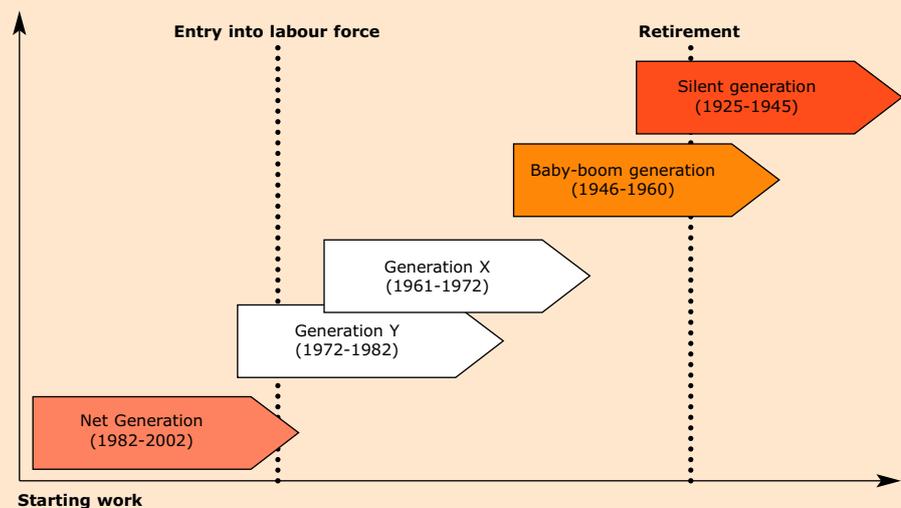


Illustration 1. Workforce generations.

Source: José Manuel Casado, "Sopa de Letras para la Dirección" (article), Accenture, 2007.

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CHAPTER 3

Today's world: an ageing society on the move

3.1. Graphs with an international flavour

Spain is now facing unprecedented demographic change. By 2050 it is forecast to have the oldest population in Europe, with an average age of 55³. Moreover, the political, economic and social changes of the last 30 years have changed the customs, values and consumption patterns of old people.

Spain has one of the world's highest life expectancies at birth. In 2002, the average baby boy could expect to live to 77 while for females the figures is over 83. Six years later, the National Statistics Institute (Instituto Nacional de Estadística or INE) now offers a series of hypotheses (with two scenarios) for life expectancy at birth over the next 20 years.

| Year | Hypothesis 1 | | | Hypothesis 2 | | |
|------|--------------|---------|---------|--------------|---------|---------|
| | Males | Females | Deaths | Males | Females | Deaths |
| 2002 | 76.63 | 83.36 | 364,931 | 76.62 | 83.34 | 364,939 |
| 2005 | 77.43 | 84.03 | 369,192 | 77.38 | 83.90 | 372,517 |
| 2010 | 78.34 | 84.79 | 390,130 | 78.25 | 84.51 | 393,871 |
| 2015 | 79.23 | 85.54 | 413,184 | 79.09 | 85.08 | 418,312 |
| 2020 | 79.84 | 86.04 | 442,386 | 79.65 | 85.44 | 446,113 |
| 2025 | 80.37 | 86.48 | 472,535 | 80.15 | 85.75 | 472,366 |

Table 1. Hypothesis on life expectancy at birth.
Source: INE.

³ Source: United Nations, World Population Ageing 1950-2050. Taken from J.L. Nueno y J. Villanueva: *El mercado de los seniors en España: ¿oportunidad o burbuja de negocio?*, AECOC.

In both hypotheses, by 2025 females would have a life expectancy of around 86 and males of around 80. There are other factors that might impact these rates—for example if some of the scientific discoveries currently under development succeed in extending the human lifespan or in the event of a major global phenomenon—but the scenarios shown here are the most likely ones.

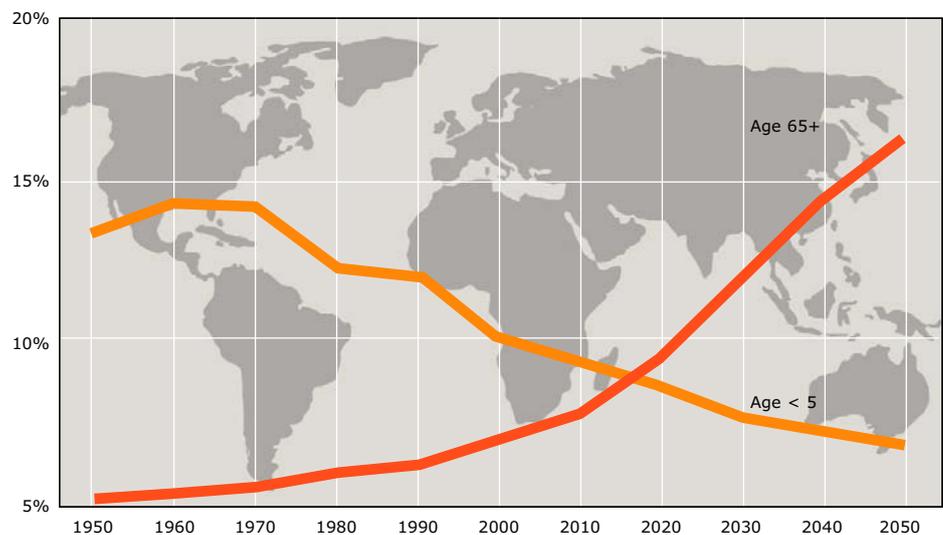


Illustration 2. Proportion of over-65s and under-5s to global population (1950-2050).

Source: United Nations Department of Economic and Social Affairs, Population Division, *World Population Prospects. The 2004 Revision*, New York, United Nations, 2005.

What we can be quite sure of is that the total number of deaths will grow apace with the increase in the level of ageing. Deaths will rise from 365,000 in 2002 to over 472,000 in 2025, i.e. an increase of 108,000.

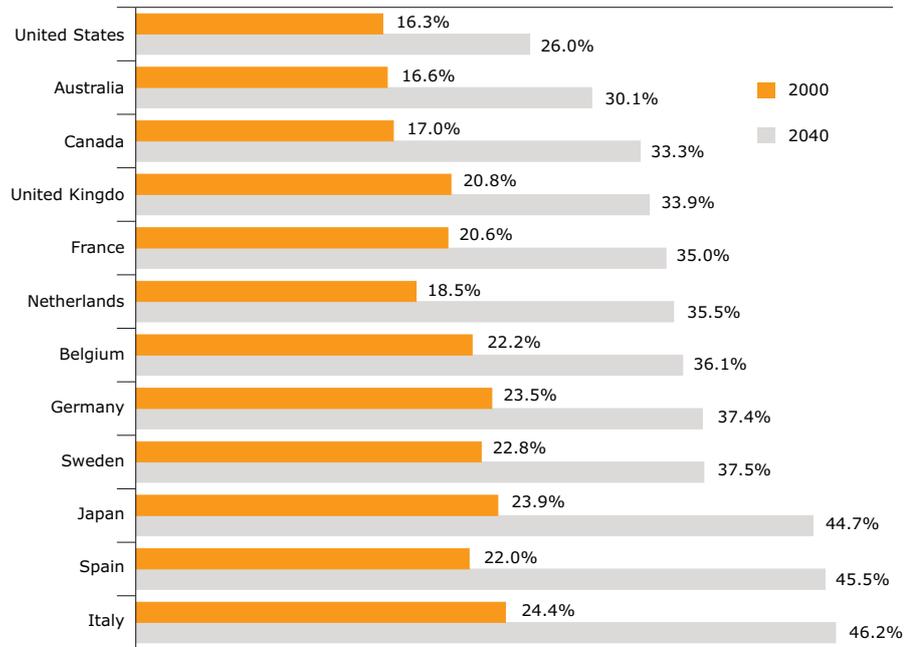


Illustration 3. Growth in population over 60 between 2000 and 2040.

Source: Center for Strategic and International Studies
 (www.csis.org/media/isis/pubs/ageing_index.pdf).

The increase in life expectancy, combined with a steady birth rate (which since the mid-1990s has stood at around 1.3-1.5 children per couple), tends to distort certain tiers of the population pyramid with somewhat alarming economic implications for the country as a whole. The number of people over 65, over 75 and over 80 will increase; the trend will be for the senior population to get even older. According to the INE, whereas in 2002 there were 1.6 million octogenarians (representing 4% of the Spanish population), in 2025 there will be 3.2 million (6.5%).

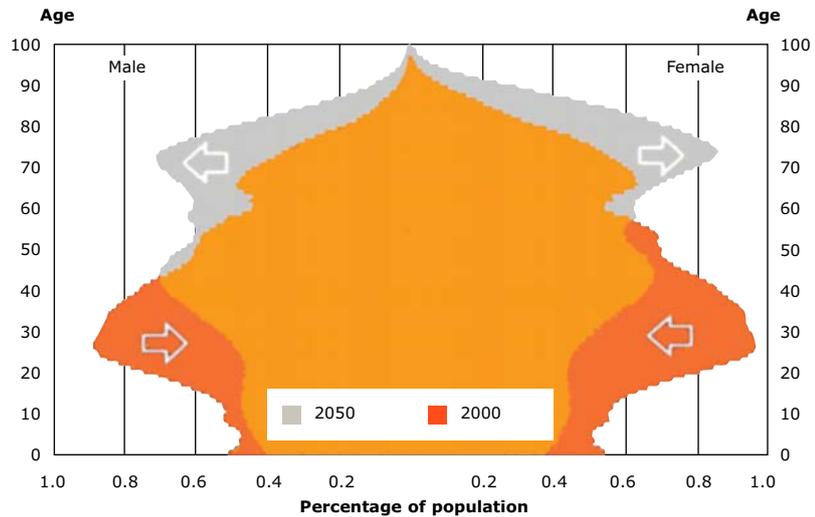


Illustration 4. Population pyramid: demographic trends in Spain in the 21st century.
Source: INE.

The fact that people are living longer and have better living conditions should certainly be considered a positive social achievement. However, the fact that such a large percentage of the population is now living so long is not viewed as a privilege, but as a problem, creating new issues and costs. Ageing is an expensive phenomenon, not only because of spending on pensions, but for other reasons too, including the cost of healthcare.

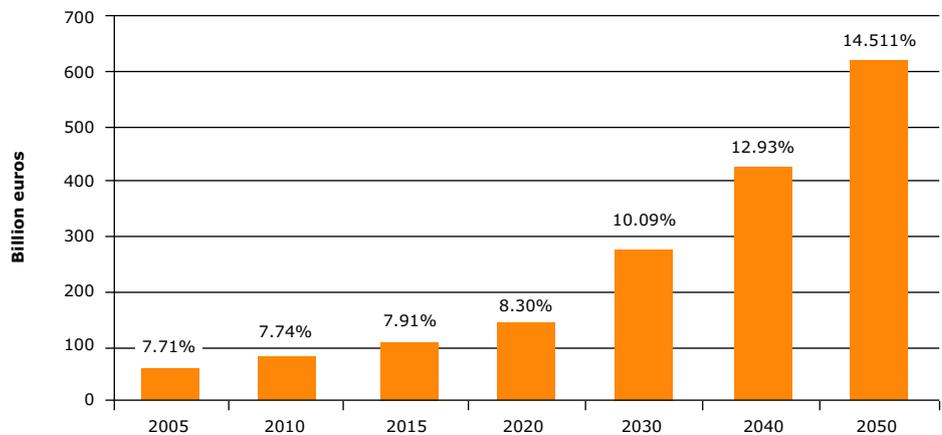


Illustration 5. Proportion of GDP allocated to pensions in Spain.
Source: INE.

The increase in the birth rate (thanks to immigrants, who account for 15% of all births) and immigration itself may offset the effects of ageing, but not prevent it. We need to learn to live with the phenomenon, accept it and adapt to its demands and needs. Further intensification of the phenomenon will require new obligations from the powers that be. Nonetheless, this is not exclusively an economic issue; we need to design imaginative formulae to make several generations socially useful and not to miss out on their knowledge and their talent.

The challenges of the ageing process will impact public finances, economic structure (in terms of investment, savings and consumption) and even household finances. To meet this challenge, policies, economic (and pensions) systems and social and family relations will need to be restructured. This process is not circumstantial; it has already passed the point of no return.

The INE forecasts that the demographic situation will get more complicated as the century develops due to the impact of the low birth rate. The critical point will come in 2059, when according to official predictions, there will be 309,128 births, as against 713,840 deaths, an extremely high number if we compare it to the current figure of 350,000 deaths per year, but consistent with the predicted ageing of the population.

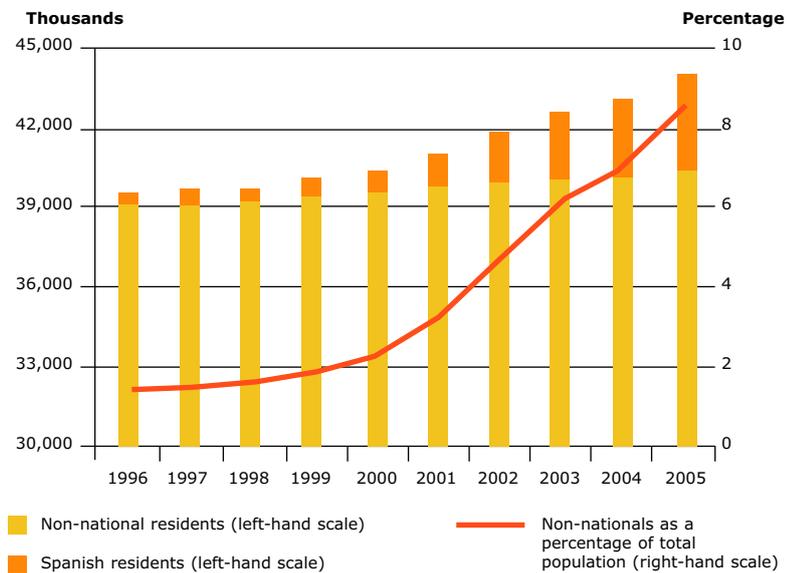
According to Eurostat data, the Spanish population will have a dependency ratio (defined as being the ratio of the population over 65 to the population aged between 16 and 64 years) of 65% in 2050, even higher than the European Union average (55%). The dependency ratio is most certainly the most relevant demographic variable from an economic point of view, since it reflects a population's level of ageing and thus the number of people in working age and of an age to receive public social benefits.

Based on the INE data, there are only two instruments that might change the long-term demographic trend, if population figures are not to fall: an increase in the birth rate or an increase in immigration.

Immigration is growing in parallel with ageing and, although in principle the two phenomena are unrelated in terms of causes and consequences, the fact that they have occurred simultaneously and their relative relevance have meant that they are closely associated.

The non-national population has doubled in four years

Total number of residents in Spain



4 The statistic does not include:

- Non-nationals currently renewing their residency document.
- Non-nationals in Spain with a short-term authorisation to stay (maximum of three months, with the possibility of extending it for a further three-month period).
- Non-nationals who are in Spain with a short-term authorisation for the purposes of taking courses, studies, research or training (where the duration of the permit is equal to that of the course for which they have enrolled or the research work they are conducting).
- Non-nationals who are in Spain only with a work permit (temporary workers on a quota).
- Border workers.
- Asylum seekers and those who have obtained the status of refugees or stateless persons.
- European Union nationals who have not yet applied to be entered in the central registry of non-nationals (compulsory from 2 April 2007), who under the previous regulation were not required to carry a residency card.

Illustration 6. Non-national population in Spain (1996-2005).
Source: INE and La ^aCaixa, *Informe mensual*, February 2006.

On 30 June 2007 there were 4,482,000 registered non-nationals in Spain, accounting for 9.93% of the country's population, 3,536,000 of whom were residents⁴. 4.78% (168,923) of the foreigners had been born in Spain.

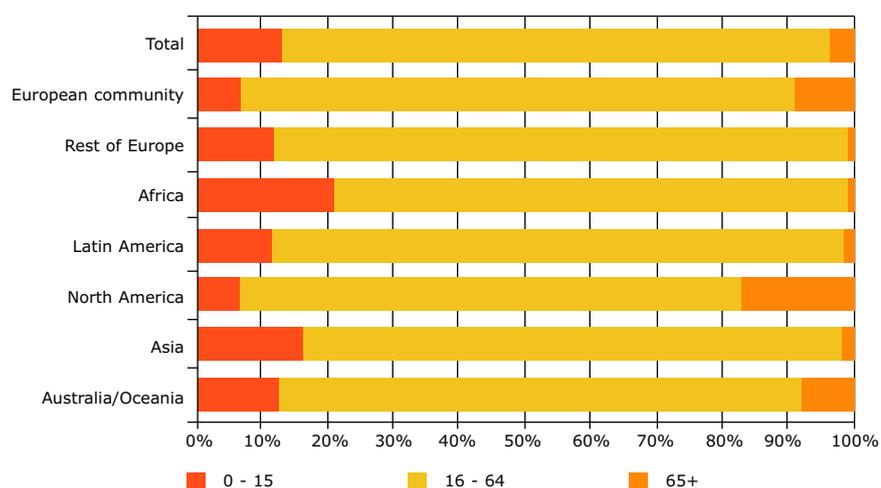


Illustration 8. Non-national residents in Spain, by continent of origin and age group.
Source: INE, June 2007.

Over the next 50 years up to 14.6 million immigrants will enter Spain, according to predictions from the INE, whose latest population forecasts (2007-2059) place the foreign population at the centre of Spanish demographic growth. The study is quite clear: the future of the Spanish population depends on immigration, since the vegetative balance (the ratio between births and deaths) is—and will continue to be—incapable of maintaining the Spanish population at its current levels.

3.2. The *tsunami* of the baby boomers and pensions

The baby boomer generation is now reaching retirement age and has become big business: they have more time and greater purchasing power, they feel fit and they refuse to get old or use products and services for “old people”. And there are more of them all the time... However, this continuous ageing of the population is causing real headaches for politicians, who are tying themselves in knots trying to keep pension systems sustainable under current conditions.

The 'baby-boom' generation in relief

- 450 million baby boomers in the world, born between 1946 and 1964 (MIT AgeLab).
- Over 50s are the fastest-growing age group in the world.
- Each decade, life expectancy rises one year (UN).
- Every seven seconds, an American reaches 50 (U.S. Census Bureau).
- In 2030, there will be more retired people than workers (Eurostat.).
- 80% of the UK's wealth is in the hands of the over-50s (BBC).
- In a few years' time, 50% of the EU population will be over 65 (Eurostat).
- In Spain, 25% of the population is now over 65 (INE).
- In 2050, the Spanish population will have an average age of 55, the oldest in Europe (Eurostat).

A study⁵ conducted by La Caixa studies service into the personal and social consequences of population ageing, shows that most people aged between 50 and 70 are not in favour of working beyond 60.

One of the most striking results of the study relates to work. Most Spaniards in this age group would prefer to take retirement at an early age. Despite government initiatives to delay retirement, the people most directly affected do not share the idea of retiring later than 60. The study showed that only 25% of the workers over 50s would consider retiring after 64.

However, the study also shows that a fifth of Spanish families close to retirement have still not managed to pay of the mortgage on their first home. This situation affects people between 50 and 65 years in particular, of whom between 20% and 27% are still paying their mortgages. Among 65 to 70 year olds, this percentage falls to 7%.

The report also shows that the transition from employment to retirement involves a significant drop in income. The average monthly income of a high-income household fell by 19%, while in the case of people on medium and low incomes, there was a drop of over 26%.

3.2.1. Europe

At the beginning of the twenty-first century, the proportion of over 65s stood at around 15%. The considerable yearly increase in these population segments is the result not only of an improvement in quality of life, but also of a reduction in the birth rate, which has now fallen well below the rate that would be required to ensure population regeneration.

An increase in this percentage would have very serious implications for social spending in EU member states. Although the social system does not function identically in all member states, to some extent or other they all based on recov-

⁵ *La generación de la transición: entre el trabajo y la jubilación*, by Víctor Pérez-Días and Juan Carlos Rodríguez, professor and lecturer in Sociology at the UCM, respectively. Colección de Estudios Económicos (35), Servicio de Estudios, La Caixa.

ering this spending through taxes, which will help meet spending on pensions, social security, unemployment benefit, incapacity benefit, etc. The greatest guarantee for measures of social projection is that related to the payment of benefits to old people and the sick and social security, which accounted for two thirds of spending on social projection in the 25 European Union member states in 2003.

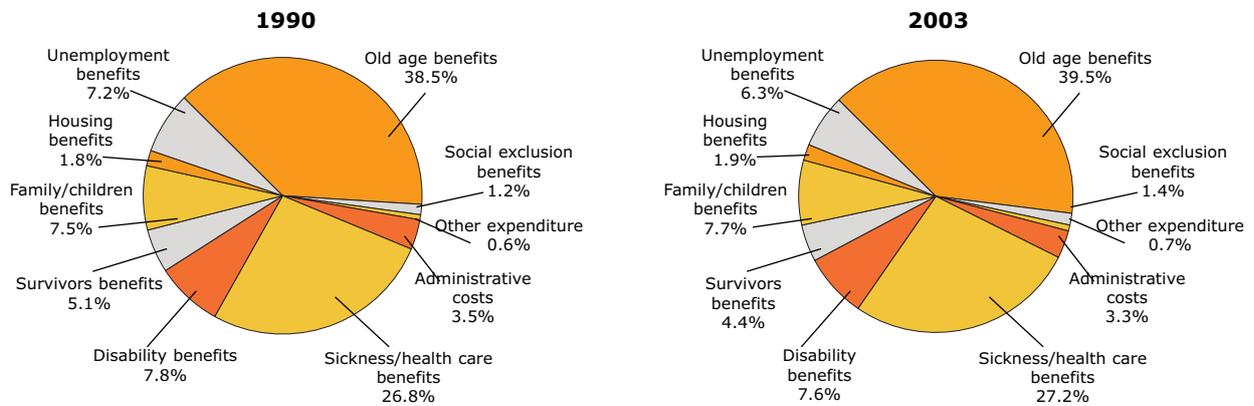


Illustration 9. Distribution of European budgetary expenditure on social protection¹.

¹ EU-15 in 1990; EU-25 in 2003.

Source: Eurostat (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-76-06-276/EN/KS-76-06-276-EN.PDF).

The increase in social expenditure and the trend in its distribution come from part of an ongoing attempt to ensure the sustainability of the pensions system common to most developed states, known as *Pay-As-You-Go* (PAYG). At this time, most social spending in European Union member states goes on pensions.

Expenditure on pensions

Current prices (percentage of GDP)

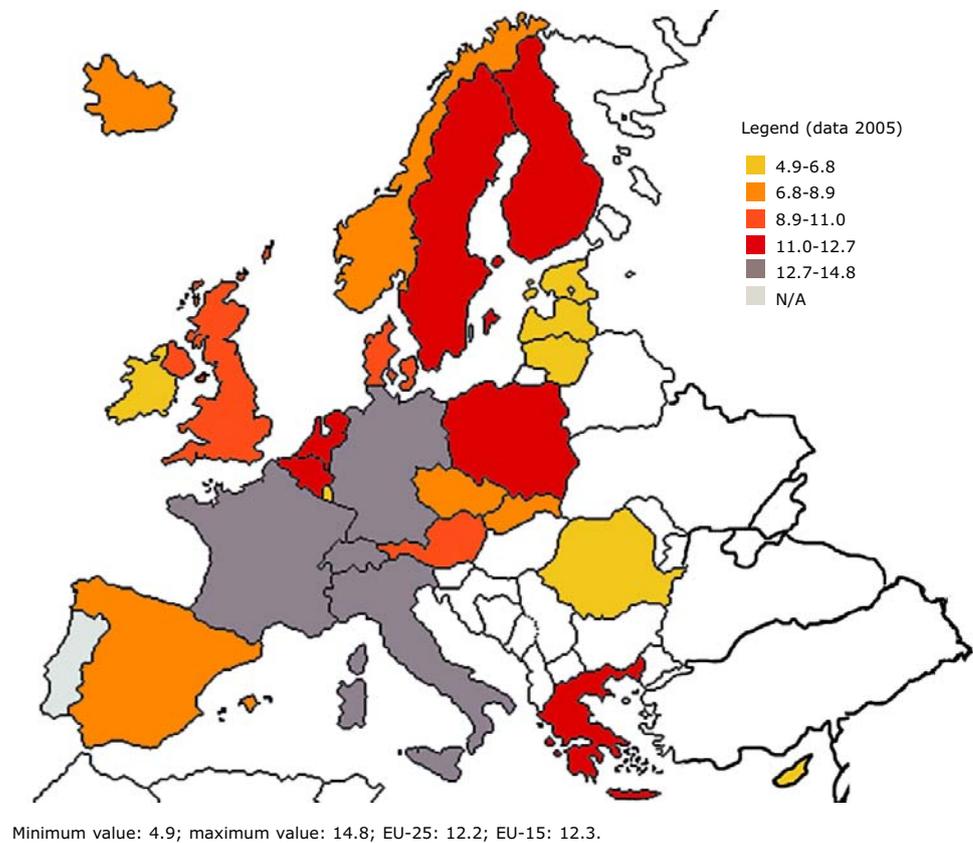


Illustration 10. Percentage of GDP of European Union member states spent on pensions.

Source: Eurostat (http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136184,0_45572595&_dad=portal&_schema=PORTAL).

What do we mean by PAYG? The PAYG pensions system is defined as being the formula whereby people in work (of working age) pay for spending on pensions. Currently, this ratio stands at around 4:1 in EU-15⁶ (including Spain), whereas the forecast for 2050 is close to 2:1. The Spanish case is even more disturbing, since there will be just 1.5 workers per person over 65. With this scarcity of

⁶ Includes only the first 15 members states of the European Union, not the 27 current members.

labour forecast for coming years—very slightly offset by immigration—the crisis in the PAYG system is not far off.

| | Old-Age Support Ratio | |
|----------------|-----------------------|------------|
| | 2000 | 2050 |
| Belgium | 3.8 | 2.2 |
| Denmark | 4.5 | 2.8 |
| Germany | 4.2 | 2.0 |
| Greece | 3.8 | 1.9 |
| Spain | 4.0 | 1.7 |
| France | 4.2 | 2.2 |
| Ireland | 5.9 | 2.5 |
| Italy | 3.7 | 1.6 |
| Luxembourg | 4.8 | 2.6 |
| Netherlands | 5.0 | 2.4 |
| Austria | 4.3 | 1.9 |
| Portugal | 4.3 | 2.2 |
| Finland | 4.5 | 2.3 |
| Sweden | 3.7 | 2.4 |
| United Kingdom | 4.2 | 2.4 |
| EU-15 | 4.2 | 2.4 |

Note: Old age support ratio is number of persons aged 15 to 64 for each person aged 65+.

Table 2. Projected rate of sustainability of PAYG system (2000-2050).
Source: Economic Policy Committee (2001), table 3.4, p. 21, and Annex 7, pp. 109-110.

The PAYG pensions system transfers productivity from the current workforce to those who are now retired. In addition, contributors trust that by paying their taxes, the state will guarantee them a certain level of comfort in their retirement years. However, in a few years time, this central tenet of the welfare state will become unsustainable, since there will not be enough contributors, leading to a crisis in the system.

From a financial point of view, the accumulation of assets (shares and obligations) in the hands of retired people who will want to sell them and a fall in demand for them resulting from the shortage of workers, makes it easy to understand why the value of such assets would fall. As a result, the market will also be

very severely affected and the values of pension funds will fall. In short, pensions will not go as far as contributors had presumed throughout their working life.

Governments will thus be directly involved in "dealing in old people's pensions". The financial sustainability of this system depends on management by governments and the performance of the financial markets.

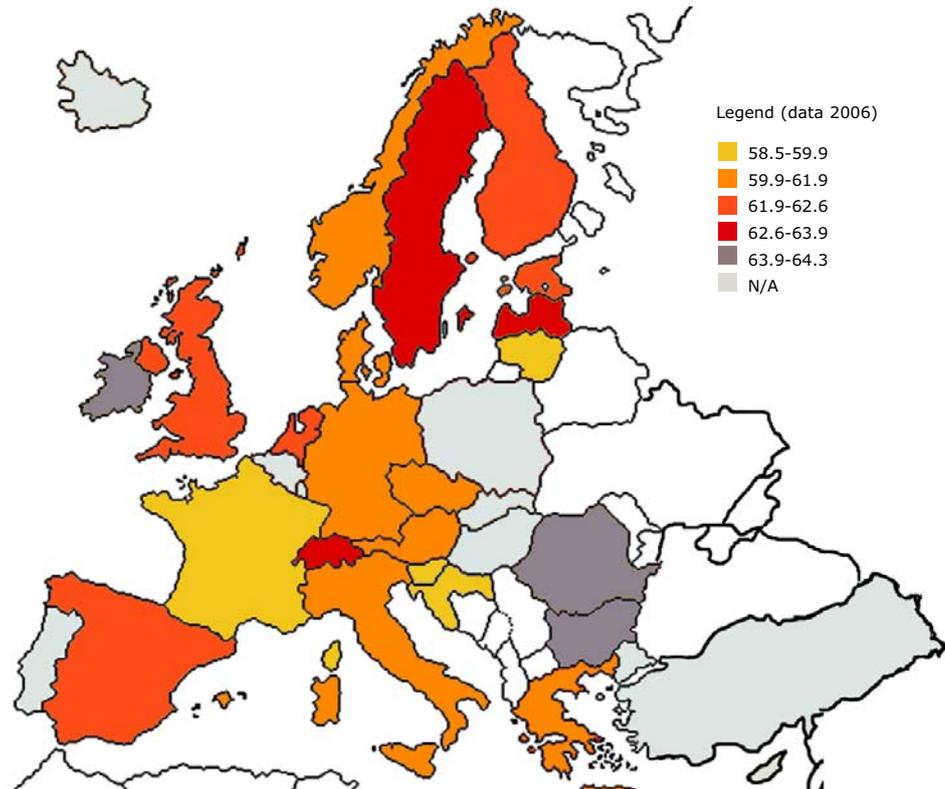
There are just three ways to alleviate or slow down the effects of a crisis in the PAYG pensions system:

- Increase in the workforce, with a constant influx of immigrants and an increase in the number of women on the labour market. However, these variables will not be enough to "make up" the PAYG pensions system.
- Reducing the segments that benefit from these funds, by promoting late retirement (as opposed to early retirement).
- Considering a mixed public and private pensions system.

Nonetheless, it is clear that none of these measures has taken root in the societies of modern Europe, looking forward as they are to early retirement, with better health and greater financial stability.

Average exit age from the labour force - total

Exit age weighted by the probability of withdrawal from the labour market



Minimum value: 58.5; maximum value: 64.3; EU-25: 61.0; EU-15: 61.4.

Illustration 11. Map of average retirement age by country.
Source: Eurostat (Survey. http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,1&_dad=portal&_schema=PORTAL).

Although the number of inhabitants in Europe is barely going to change, there will be a change in the age structure, with a considerable increase in the proportion of people at retirement age. By 2050, there will be 58 million retired people as opposed to 48 million fewer people in working age (15 to 64), due to lower fertility rates, an increase in life expectancy and the retirement of the baby-boom generation. As we have already seen, this will all mean that whereas there are currently four workers per retired person in the EU, by 2050 there will only be two; or to put it in economic terms, the dependency ratio will double, from 24.5% to 51.4%.

As a result of the drop in the population at working age, despite an increase in employment and productivity rates, employment will fall from 2017 on and pro-

ductivity will not increase as much as forecast. This means that potential growth will be lessened and the impact on pensions will be greater.

The European Union predicts a 2.2% increase in the weight of pensions on GDP, with notable differences between countries, ranging from a 12.9% increase in Cyprus and 9.7% in Portugal to rates of increase in countries such as Poland, where the weight will actually be reduced through the current process of privatisation of the pension system. An increase of 7.1% is forecast for Spain, making it one of the countries most affected.

The pension generosity rate (average pension/average salary) will fall progressively in Europe as many pension systems are restructured: there is a move from a system based on a wage index to one based on the consumer price index, which is applied in Spain. The result is that an increase in productivity leads to an increase in salaries, but not in pensions, which rise only in line with inflation. Another factor that will contribute to reducing the generosity rate is the planned introduction of a private system alongside the public one in several countries.

In an attempt to examine the current situation in Europe, the European Commission drew up a very thorough report on the minimum objectives that need to be guaranteed by all member states to ensure the good health of the welfare system with regard to senior citizens.

This document, the *Joint report by the Commission and the Council on Adequate and Sustainable Pensions*⁷, sets out the following objectives which are common to all pension systems in the European Union:

1. Prevention of social exclusion and ensuring that older people are not placed at risk of poverty.
2. Enabling people to maintain living standards and share in the public, social and cultural life of their country.
3. Promoting solidarity within and between generations.
4. Raising employment levels. Where necessary, labour market reforms will be used to increase the workforce.
5. Extending working lives. In order to make the pensions system sustainable, reforms will be introduced and incentives will be proposed to slow down the rate of early retirement. In addition, pensions systems must adapt to facilitate the option of gradual or partial retirement.
6. Making pension systems sustainable in a context of sound public finances.
7. Maintaining a fair balance between the active and the retired by not overburdening the former and by maintaining adequate pensions for the latter.

⁷ Website:
http://ec.europa.eu/employment_social/news/2002/dec/joint_pension_s_report_en.pdf.

8. Ensuring that private pension provision is adequate and financially sound. Ensuring, through appropriate regulatory frameworks that pension schemes can provide pensions with the required efficiency, affordability, portability and security.
9. Adapting to more flexible employment and career patterns.
10. Meeting the aspirations for greater equality of women and men in the pensions system.
11. Working to make pension systems more sustainable, transparent and adaptable to changing circumstances, so that citizens can continue to have their rights as contributors assured after retirement.

In conclusion, it is worth noting the importance of European governments' providing citizens with information in this area and offering alternatives to offset the effects of mass ageing. Here, the clearest method would be to promote measures that delay the retirement age or at least do not encourage early retirement in companies that want to renew their workforce and replace high-salary contracts with the more modest ones characteristic of younger generations.

3.2.2. Spain

On average, Spaniards retire at age 62, in line with the European average. Nonetheless, in recent years there has been a slight trend towards delaying retirement. Among the main factors behind this postponement are a loss of purchasing power and a general improvement in health. This would lead us to presume that in the near future the older population will be more active and will have the same purchasing power for longer.

Population projections by Eurostat for Spain forecast a 1.5% growth rate in total population during the period from 2004 to 2050, together with a 21% reduction in the population at working age (16-64). As a result, the dependency ratio (ratio of population over to the productive population) will increase from 24.6% to 65.6%, placing the country well above the European average (51.4%). The fertility rate, which now stands at 1.3, is expected to increase progressively to 1.4 by 2020, and to remain at this level until 2050. This will be the lowest rate in Europe, together with Italy.

Assumptions on immigration indicate a reduction in net inflow from 508,000 people per year at present to 112,000 in 2010 and a slow reduction after that, to 102,000 in 2050.

An increase in the employment rate is expected, especially among women and over-55s, around 2018. This will partly offset the fall in the population in working age until 2020, but thereafter will be insufficient, and total employment will fall up to the final period in the projection's timescale.

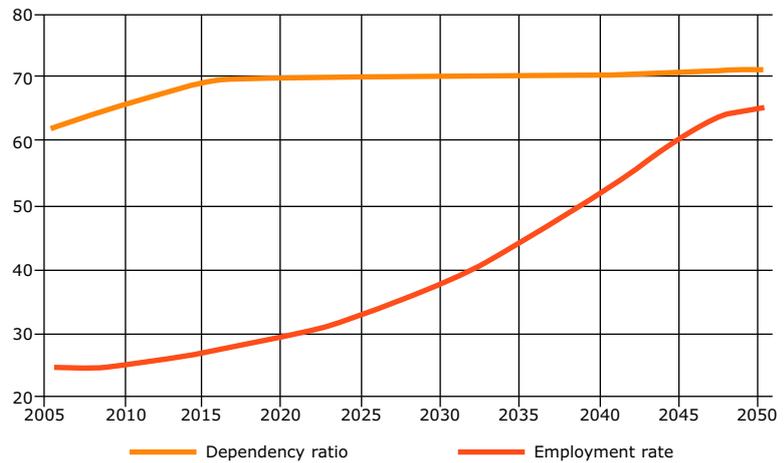


Illustration 12. Projected employment rate and dependency ratio (2005-2050).
Source: Eurostat.

Projections for productivity indicate a slow increase, from the miniscule growth rate at present of just 0.6% per annum to 2.1% in 2018, and a subsequent drop to 1.7% in 2030, a long-term figure which is identical for all EU countries.

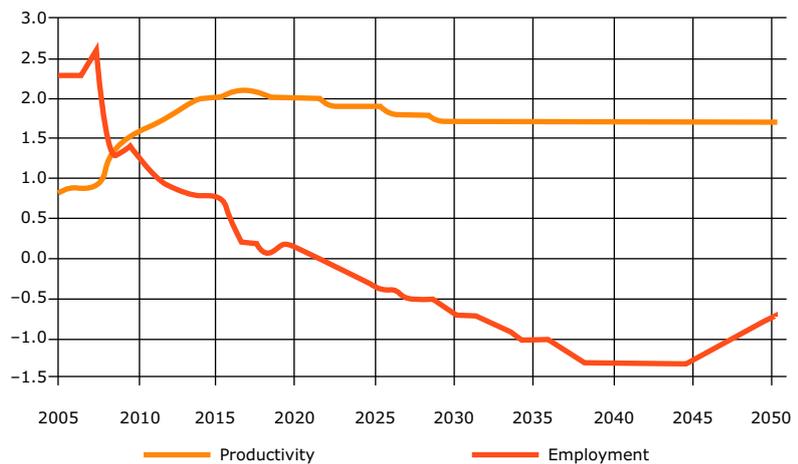


Illustration 13. Projected employment and productivity rates (2005-2050).
Source: Eurostat.

The projections for expenditure on pensions⁸ in Spain, according to the EU's Economic and Financial Affairs Council (ECOFIN)⁹, include all parameters in the present system and feed them with the aforementioned projections on employment, life expectancy and average salary. The result is growing expenditure on pensions as a proportion of GDP: from 8.6% in 2004 to 15.7% in 2050. The most important effect on pensions comes from the increase (more than double) in the dependency ratio, based on demographic projections.

⁸ Economic Policy Committee and European Commission (2006): "The 2005 EPC projections of age related expenditure", Special Report 2006/1.

⁹ ECOFIN, based on Eurostat forecasts. The INE has conducted its own population projections for Spain, with quite different results. The discrepancies with the Eurostat figures come mostly in two areas: firstly, the INE assumes an average fertility rate for the period one tenth higher (1.5 compared to 1.4) and, secondly, it anticipates substantially more immigration than Eurostat. These two differences explain why the INE estimates a growth in the Spanish population of nearly 10 million to 2050 (as opposed to the stagnation predicted by Eurostat) and, even more importantly, why the dependency ratio remains at 55% (ten points lower than that forecast by Eurostat and in line with the European Union average). These ten points are crucial, given that of the four ratios that can be extracted from the spending on pensions as a proportion of GDP, this is the most important.

The important thing is that these increases will not be very significant until 2020, giving a grace period of over a decade to take the necessary measures.

| | 2004 | 2010 | 2020 | 2030 | 2040 | 2050 |
|-----------------|------------|------------|------------|-------------|-------------|-------------|
| Social Security | 7.7 | 8.1 | 8.5 | 11.0 | 14.4 | 15.2 |
| MUFACE | 0.9 | 0.8 | 0.8 | 0.8 | 0.7 | 0.5 |
| total | 8.6 | 8.9 | 9.3 | 11.8 | 15.1 | 15.7 |

Table 3. Projection of spending on pensions (percentage of national GDP).
Source: MUFACE (Mutualidad General de Funcionarios Civiles del Estado).

For all of these reasons, population ageing in Spain poses major problems for the sustainability of public finances in general and for spending on pensions in particular. In the case of Spain, an increase of seven points in GDP is required, which would mean increasing the tax burden by the same amount, from the current level of 38% to 45%. While this is not an excessive figure in an EU context, the general trend is to reduce this burden, making it necessary to seek other alternatives.

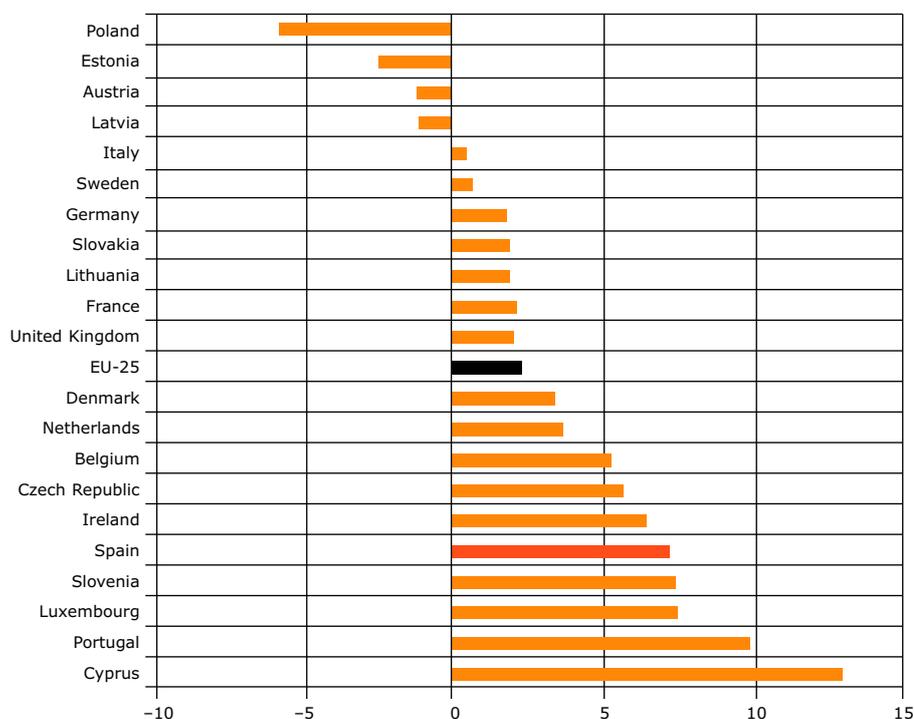


Illustration 14. Projection of pensions ratio in relation to GDP from 2004 to 2050. Source: ECOFIN, based on Eurostat forecasts.

Some of the recommendations from the governments of EU members states include:

- Increasing the effective age of retirement. This can be interpreted in two ways:
 - Increasing the effective age to the legal age (in Spain, for example, the average retirement age is below the 65 year mark set by law).
 - Increasing the legal age. Spain has not yet considered this option, but in other countries agreements of this kind have already been reached. Recent examples include Germany and the UK, both countries in where the forecast impact will be less than in Spain. Germany has announced a freeze on pensions until 2009, a gradual increase in the retirement age (one month per year) to 67, a raft of measures to increase the effective retirement age (which is just over 60 at present) and other measures to increase the employment rate among over 55s (which now stands at 42%). Britain is about to approve a negotiated reform which will raise the retirement age from 65 to 68, although this change will take place gradually from 2024 and will not become fully effective until 2044. They are also re-

forming various aspects to make public pensions more generous (at present they are much lower than in Spain) and foster the private pensions system.

- Working towards greater participation by women and over 55s in order at least to reach the employment rate set out in the projection.
- Productivity must be increased as much as possible, through education, R&D, an increase in the competitiveness of domestic markets and on international ones (reform of the Common Agricultural Policy), etc.
- It is important to integrate immigrants, since part of the short-term solution lies with them. In addition, experience shows that if they do not enjoy real equality of opportunity, the second and subsequent generations will demand it by any means at their disposal.

For all of these reasons, reforms in the pension system must not be studied without considering other issues that have a direct impact: incorporation of women into the workforce with equal opportunities, acceptance of immigrants as a compensatory workforce in the population pyramid, incentives for older workers to work longer and the provision of alternative retirement formulas, such as partial or gradual retirement.

The FTF experts confirm that although immigration will slow global population ageing, they will not be the solution, essentially for three reasons: firstly, in one and a half generations, immigrants take on the fertility rate of the local population; secondly, they generate an increase in general state expenditure; and, finally, the rate of growth in migratory rates in the most developed countries will not remain at the levels of recent years. This will contribute to offsetting the pace of ageing, but it will not stop it. Here, 60% of the experts consider that immigration will not in any way help maintain the PAYG pensions system.

3.3. A new employment scenario

The coming of a new phase of globalisation, characterised by multiple poles of economic power and unprecedented levels of interdependence, means that the business of the future, wherever it is located, will be very different to the present model.

What do we mean by a "multipolar world"?

The emergence of a world characterised by multiple centres of economic power and activity. It can be defined as a new and more profound phase of globalisation.

A study¹⁰ published by Accenture's Centro de Alto Rendimiento [High Performance Centre] (CAR) describes the driving forces behind this multipolar world:

- **The Technology:** the increased power of the information and communications technologies (ICT) allows business functions to be geographically desegregated.
- **Transparency:** levels of economic interdependence are increasing, thanks to government policies, free trade and access by some key emerging economies, such as China.
- **Business strategies:** the range of international business is expanding, which is increasing its presence in emerging countries.

¹⁰ The rise of the multi-polar world. Centro de Alto Rendimiento (CAR) de Accenture.

In the same report, Accenture analyses the five dimensions that shape this multipolar world, and the results are plausible, especially in terms of employment (see Illustration 15).

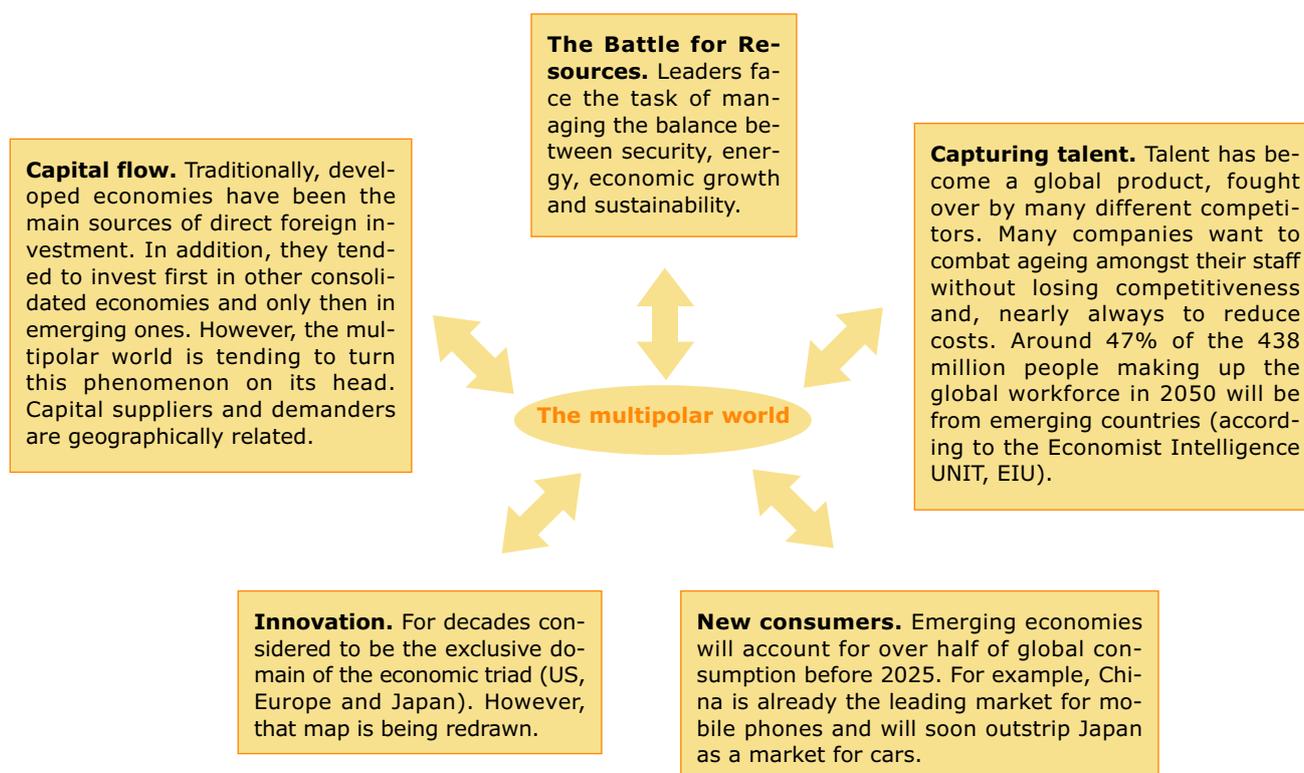


Illustration 15. Features of a multipolar world.
Source: The rise of the multi-polar world, Accenture, Centro de Alto Rendimiento (CAR).

High performance of companies will depend on their capacity to adapt to new markets and constant changes in the location of the sources of competitive advantage. National and regional divisions will become increasingly less important as companies begin to organise themselves around value creation rather than geography.

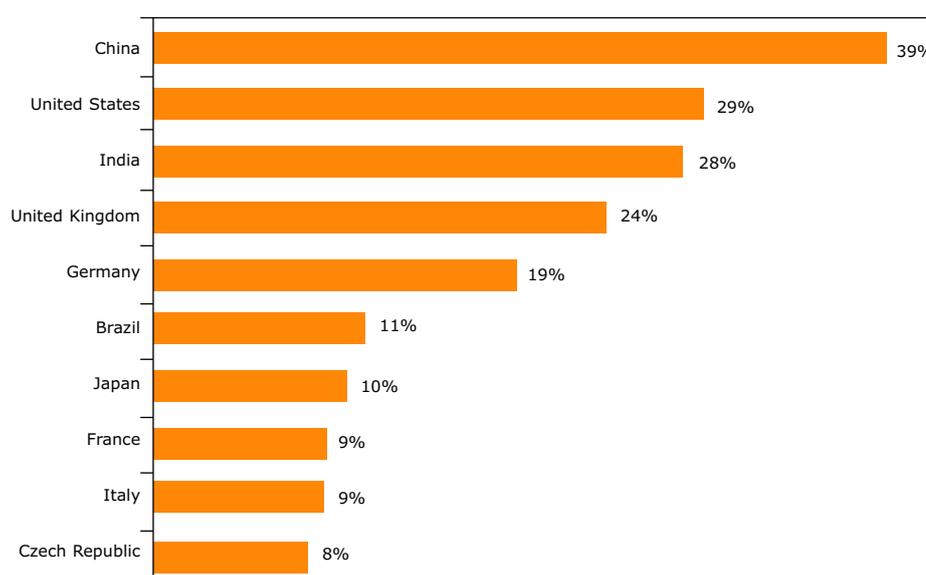


Illustration 16. Leading destinations of R&D investment, 2004-2007.
 Survey of 104 top management staff, who were asked to identify the three most appealing destinations for spending on R&D between 2004 and 2007.
 Source: Economist Intelligence Unit, "Scattering the Seeds of Invention. The Globalization of Research and the Development", 2004, p.3.

One of the handicaps that most conditions the mobility of skilled labour is the issue of contributions and the subsequent impact on pensions or the possible management of unemployment benefits. Here, the FTF members considered the possible creation of an international contributions system, but optimists and sceptics were evenly divided on this point. In any case, it does not appear to be a viable short-term option.

3.3.1. Talent flows and knowledge management

Large companies are trying to promote the idea that employees are their most valued asset and their main source of competitive advantage. However, in reality, most of them continued to be just as unprepared to attract and retain the talent as they were a decade ago. While in the 1980s the greatest concern was controlling costs and, in the 1990s, it was increasing the quality of products and services, in the first decade of the twenty-first century, managing talent and

knowledge are the banner of leading global companies, and CEOs are working hard to develop strategies, improvised or not, to correctly manage their staff's know-how.

Talent and knowledge have become a real headache for business managers, who have reinforced their human resources policies to try to improve the selection and retention processes. In any case, despite the fact that some steps have been taken over the last decade to make progress in this area, these efforts have largely been insufficient or misguided.

The five main obstacles to good talent management (according to a survey of 98 heads of human resources departments from 46 reference companies):

1. Executives do not invest quality time in managing talent: 59%.
2. The company does not encourage collaboration by not sharing resources: 48%.
3. Department heads are not oriented towards developing people's careers and capacities: 45%.
4. Department heads are not oriented towards identifying workers on the basis of *top/average/low* performance: 40%.
5. Delegate and executive directors are not sufficiently involved in defining talent management as a strategic issue: 39%.

Table 4. Main obstacles to good talent management (based on a survey of 98 heads of human resources departments from 46 companies of reference).

Source: interviews; McKinsey Analysis
(http://www.mckinseyquarterly.com/article_page.aspx?ar=2092#top).

Experience shows that HR departments and company management are mostly taken up with day-to-day work and constantly put off the talent management that would guarantee stability and work saving for the future.

The conclusion of the study *The War for Talent*, by McKinsey¹¹, is that many companies continue to see talent management as a tactical issue rather than as a comprehensive problem, closely linked to a long term business strategy. This all requires the direct attention of the company's management and numerous resources of all kinds.

This report indicates that both human resources directors and department heads recognise that they dedicate little time to managing talent and even less to retaining it, for two reasons: on the one hand, because they do not see it as a priority; And on the other, because the different departments share hardly any information and there is no unity in the internal management of talent.

¹¹ The complete study, entitled "The War for Talent", was begun in 1997. The authors subsequently published a book under the same title, which updated the information to 2000. See Ed. Michaels, Helen Handfield-Jones and Beth Axelrod: *The War for Talent*, Boston, Harvard Business School Press, 2001.

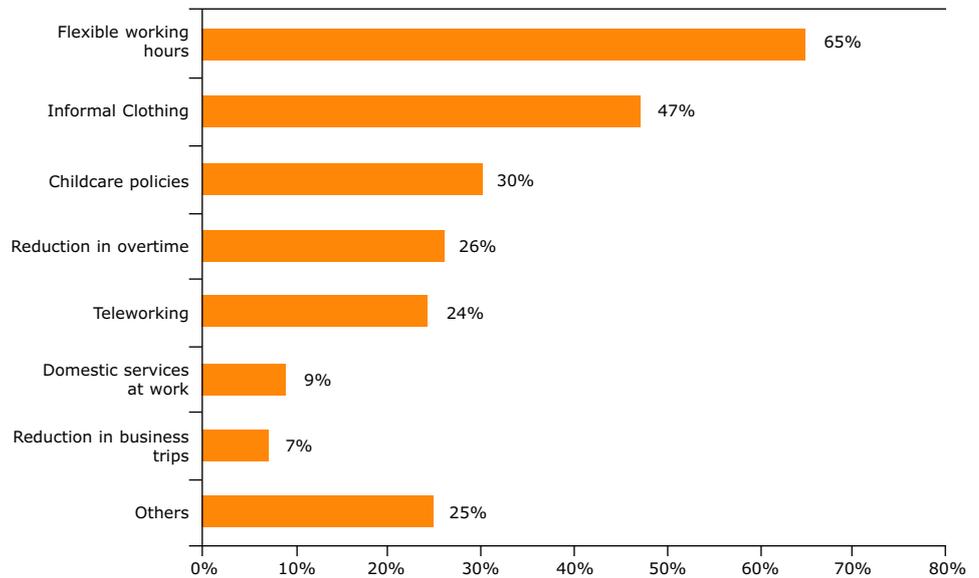


Illustration 17. Actions that companies need to take in order to retain young talent.
Source: Ignasi Buyreu, *Estudio sobre el capital humano*, IBM, 2005.

The directors of the recruitment departments themselves admit that some of the policies they follow in this area are inadequate; that they do not assess the department for its effectiveness in managing talent; and that in general, the department's decisions have little or no influence on the leadership of people.

According to consultants, talent management must be tackled as a comprehensive strategy. Moreover, management must assume that professionals, depending on their nationality, speciality and age, have different motivations for working in the company and, indeed, it is these reasons that will determine their desire to remain in their post or look for opportunities to change.

This precarious situation in talent management is being made all the worse with globalisation and the withdrawal of the baby boomers from the labour market, forcing global companies to hire young professionals from emerging countries, such as India, China and Eastern Europe.

| For every 100 graduates with the corresponding qualifications, what percentage would you employ if you had vacancies for them all? (Based on 83 interviews of human resource executives) | | | |
|--|--------------------|-------------------|----------------|
| | Engineering | Accounting | General |
| Hungary | 50 | 50 | 30 |
| Czech Republic | 50 | 40 | 20 |
| Poland | 50 | 30 | 15 |
| Russia | 10 | 20 | 10 |
| Malaysia | 35 | 25 | 20 |
| India | 25 | 15 | 10 |
| Philippines | 20 | 30 | 25 |
| China | 10 | 15 | 3 |
| Mexico | 20 | 25 | 11 |
| Brazil | 13 | 13 | 8 |

Table 5. Percentage of non-national graduates who the departments of human resources would employ to cover their vacancies.
Source: McKinsey Global Institute Analysis
(http://www.mckinseyquarterly.com/article_page.aspx?ar=2092#top).

According to the report *The rise of the multi-polar world* by Accenture's High Performance Centre, developed economies, such as the US and the UK, have traditionally been seen as producers of top scientists and engineers, and attractive destinations for professionals from other countries. This has contributed significantly to their capacity to innovate. The "brain drain", typical of developing countries, has cut the ranks of talented professionals in emerging economies. However, we are now seeing a turning point in the distribution of skills and talent on three different fronts:

- The return home of young people who have had an opportunity to study abroad. Previously, they tended to stay in the countries where they had spent their university years.
- A greater proportion of graduates with technical and engineering degrees in the most developed countries.
- Lower labour costs for the same qualifications.

All of these factors are helping boost the innovative capacity of emerging markets.

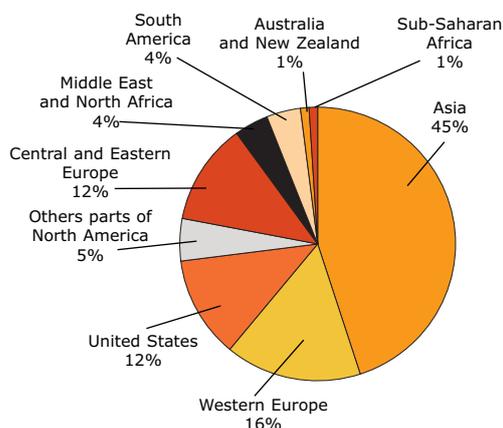


Illustration 18. Geographical origin of science, technology and engineering graduates in 2006.

Source: Centro de Alto Rendimiento (CAR) de Accenture, *Indicadores de Ciencia e Ingeniería*, National Science Foundation, 2006.

In parallel, the new international labour scenario means that the same game of cards is being played with different rules: those of the baby boomers and those of Generation Y. One of the greatest challenges in talent management is how to combine both ways of understanding work under the same umbrella. As this report by Accenture highlights, young professionals have been born into the digital era, what has immersed them in the Internet, technology and blogging.

Generation Y (see glossary) represents over 12% of the labour force in the US, while the retirement of the baby-boom generation means that 500 top companies in the country could lose up to half of their most experienced managers over the next five years. Nonetheless, the industry that will be most affected will be the aerospace industry, which faces the retirement of 40% of its staff over the next five years¹².

In addition, unlike previous generations, the members of Generation Y do not accept the concept of lifelong company loyalty, but instead design their careers as a series of short, intense chapters to climb from one organisation to another, which makes it even more difficult to retain this young talent.

These highly trained young people demand greater flexibility, work that has "meaning" for their lives, freedom, professional independence, high salaries, work-life balance, etc. In short, Generation Y does not want to work long hours in an office, performing monotonous work, always surrounded by the same people; more than a job, what they are looking for is continuous experience.

¹² "Turning boomers into boomerangs", *The Economist*, February 2006.

In short, ten years after it was first identified in the 1990s, talent retention continues to be the great challenge facing companies in addressing young twenty-first century professionals, alongside knowledge management, with the baby boomers rapidly approaching retirement.

Knowledge management is a concept used in organisations involving the transfer of the knowledge and experience of its members in such a way that it can be used as an available resource for other people working in the organisation.

Knowledge management means managing the intellectual capital of an organisation, in order to add value to the products and services it offers on the market and giving them a competitive edge.

Two factors have facilitated the emergence of the concept of knowledge management. On the one hand, technological development, which has enormously facilitated the management of intellectual capital and made it feasible from a financial point of view; and on the other, a growing awareness among the business world (and even in the most economically developed nations) that knowledge is a key resource in societies and organisations in which information is abundant—largely thanks to the Internet.

But what is knowledge? Ikujiro Nonaka¹³, a doctor at the University of Berkeley, draws a distinction between ¹⁴ two types of knowledge:

- Explicit knowledge: knowledge that can be structured, stored and distributed.
- Tacit knowledge: knowledge that forms part of each individual's personal learning experience, and which is therefore extremely complicated, if not impossible, to structure, store in repositories or transmit.

According to this distinction, ICT can only be used to store and distribute explicit knowledge. Nonetheless, it is also important to be aware that ICT has helped extend the range of what might be considered explicit knowledge: some forms of knowledge which were previously considered to be tacit are now seen as explicit thanks to the possibilities offered by communication networks, multimedia files and audiovisual technologies.

Clearly, then, it is both possible and desirable to store explicit knowledge in databases, document bases and intranets/extranets. However, as we have seen, it is not feasible to structure and store tacit knowledge, and therefore the best strategy for managing it would be to encourage the creation of collaboration networks among the people in the organisation (sharing networks), and even with external people, and to prepare a knowledge map accessible to all, setting out the knowledge held by each member of the organisation¹⁵.

In November 2003, the IESE Business Management School and the consultancy service, Capgemini Ernst & Young presented the second edition of their *Study of*

¹³ Ikujiro Nonaka has a PhD in business from the University of Berkeley and has lectured at universities such as the Hitotsubashi University Graduate School of International Corporate Strategy (Japan), Berkeley and the National Defence Academy of Japan. He was the dean of the Graduate School of Knowledge Science at JAIST (Japan Advanced Institute of Science and Technology). He is an expert in knowledge management and has authored some highly relevant reports and articles on the subject. More information at <http://www.dialogonleadership.org/Nonaka-1996cp.html>.

¹⁴ Nonaka, I.: *The knowledge creating company*, Oxford University Press, 1995.

¹⁵ Yasar F. Jarr: "Knowledge management: learning for organisational experience", *Managerial Auditing Journal*, vol. 17, Num. 6, pp. 322-328.



*Knowledge Management and Competitiveness in Spain*¹⁶. According to the study, 67% of Spanish companies are currently developing initiatives related to knowledge management (with a growth of 40% over the last two years). In addition, a further 38% say they plan to set up projects of this type shortly—this percentage has also doubled over the last two years.

According to the study, “people, innovation and economic results are the concepts that Spanish management staff associate with knowledge management”. This means that the aims go beyond the individual and his or her training and centre more on “results”, to a large extent through people’s contribution to the innovation process. Perhaps for this reason, in 30% of the companies analysed it was the general management that headed up initiatives in the area of knowledge management.

For the authors of the study, Rafael Andreu, lecturer at the IESE, and Joan Baiget, director of knowledge themes at Capgemini, knowledge management is “the set of practices that exist in a company which are used to try to develop and get the most out of employees and the organisation”.

The study concludes that the most important initiatives in the world of knowledge are being implemented through technology and particularly the Intranet, a portal to which only the members of the organisation have access, and which can be developed to very different extents. Other tools used to transmit knowledge include manuals, lectures, Internet forums for workers and training courses.

Unión Fenosa offers an example of good practice, managing knowledge through its corporate university. “70% of the university’s activity is run by internal experts”, says José Ángel Fernández-Izard, director of the training centre. The power utility has been investing in knowledge management for the last ten years and has 800 people working in processes of knowledge transfer.

“In addition, the Intranet: means that we have a specific portal on knowledge targeted at employees. That means that a manager in Nicaragua doesn’t have to call us any time he has a query, but can instead check the problem using the portal—explains Fernández-Izard. We don’t want knowledge to be locked away in drawers, but to be easily accessible”. Employees also have a place in the intranet: where they can share their knowledge: a forum known as the “community of practices”.

The FTF experts agree that companies must find suitable formulae so that their most experienced workers will not want to leave their jobs entirely when they reach retirement age and take their knowledge with them. To achieve this, companies must adapt to the new needs of senior employees. Some of the best measures include: flexibility in working hours and workplace location; payment not only in economic terms, but also perquisites in the form of goods and services; and assignment of high-value tasks that do not require physical effort, such as mentoring, guidance, motivation and training, among others.

¹⁶ Study based on surveys and personal interviews of over a hundred medium and large-sized companies.

Some companies have already anticipated this trend, designing formulas to facilitate baby boomers to see retirement not so much as a "yes" or "no" decision, but a "how". The Lincoln National financial group has created a division for its most senior employees. The pharmaceutical firm CVS offers *snowbird* programmes, which allow baby boomers to work in their usual office in the summer and in the winter move to warmer and sunnier locations such as Arizona and Florida. IBM is looking for retired people to work on projects where they are needed to share their knowledge and experience with younger workers. This demonstrates that there are companies that have anticipated the trend and will benefit from their far-sightedness.

Going one step further, some of these pioneers in human resource management for seniors have created complete business lines staffed entirely by baby boomers, integrated in a secure and comfortable environment, which generates trust among the company's customers from the same age group. For example, the financial firm UBS has handed its pension plans and retirement advice divisions over entirely to older staff, because it has been found to be very positive to have seniors offering advice to other seniors, with whom they probably share similar concerns.

The value of knowledge and its management are now beginning to be seen as the keystones to the very management of organisations. It is therefore important to remember that the senior workers in companies have the most experience and the most knowledge. Although some of their functional capacities may be in decline, the way they perform certain types of tasks can improve, especially tasks that require a high degree of skill, experience and decision-making. Companies cannot do without their "experience capital", which must be encouraged by the workers themselves or by creating mechanisms that allow it to be transferred to other younger workers.

3.3.2. Analysis of the role of the immigrant in the Spanish labour market

Immigrants have now become an essential part of the Spanish labour market. Indeed, in 2007 a new high was reached in the hiring of immigrants, who accounted for 14.10%¹⁷ of the entire Spanish workforce, one point up on the previous year and twice the European average. Moreover, in 2006, two out of every three new jobs were occupied by non-nationals.

The very low birth rate means that the workforce is not growing at the same rate as the economy, which also drives Spaniards to be more interested in better jobs. Full employment is a reality in many parts of the country and as a result hiring immigrants is a must.

The FTF identified a number of different immigrant profiles. The initial division among new arrivals is between "skilled" and "unskilled" workers; According to the experts, in social and economic terms, the number of unskilled immigrants will be greater than skilled ones, although the latter will lead the investment and

¹⁷ INE: *Encuesta de la población activa*.

the creation of new companies. Remittances will reduce the wealth generated by part of this segment in Spain; however, these remittances will not contribute definitively to the enrichment of the countries to which they are sent. Some of the categories considered include: skilled workers looking for professional improvement/consolidation, skilled workers in search of new experiences, unskilled workers in search of improvements in quality of life, unskilled emigrants driven by necessity and refugees.

Each year, Adecco¹⁸ brings out a report entitled *Profile of the Immigrant (Perfil del Inmigrante)*. The seventh edition, written in 2007, assesses the results for the previous year. This gives a very reliable snapshot of the real situation of the immigrants in Spain and makes it possible to predict the trends over coming years.

According to the latest of these reports, the situation of near-full employment in Spain is beginning to attract not only unskilled immigrants, but also skilled ones in certain fields, such as IT, healthcare and manual trades. Under these conditions, companies are beginning to bring in this type of skilled worker from other countries. According to Eloy Capellán, Director of Immigration Affairs at Adecco, "the answer to the deficit in skilled workers is to cover these vacancies with skilled labour. Since there are no Spanish candidates for certain positions, they are taken by immigrants, who bring their training and experience to the industry and thus increase their productivity".

Adecco noted an increasing tendency among several companies to hire labour at source. Adecco works actively on hiring immigrants already living in Spain. An analysis shows that the services industry is the sector that hires most immigrants in Spain, accounting for 44.28% of the immigrants hired by Adecco in 2006. Next in line comes heavy industry, followed by the hospitality industry and more residually, agriculture.

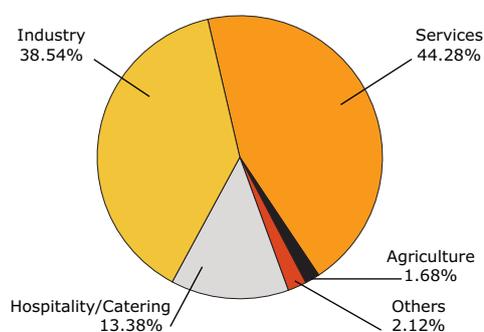


Illustration 19. Proportion of immigrants hired in Spain by industry.
Source: Adecco, séptimo informe *Perfil del Inmigrante*, 2007.

¹⁸ Adecco is a leading human resource management firm.

As for their countries of origin, the principal change is that intra-EU immigration has grown as various new countries have joined the union in recent years. Nonetheless, Latin America workers continue to be the most numerous, accounting for 40.84% of the total. The second largest group is from North Africa, accounting for 18.61%. Sub-Saharan Africans are the third-largest immigrant labour group at 15.05%. EU citizens represent 10.94%. Finally, 9.97% of foreign workers in Spain now come from Eastern Europe.

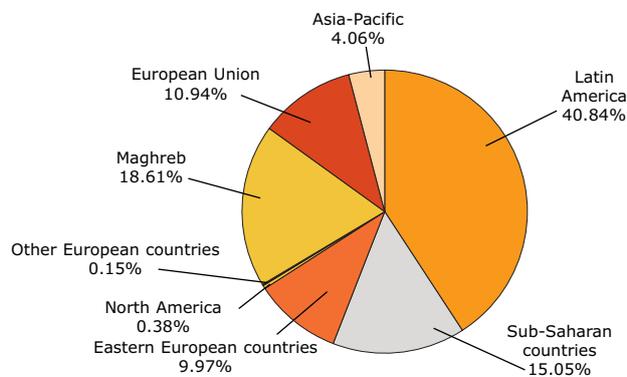


Illustration 20. Proportion of immigrants hired in Spain by origin.
Source: Adecco, seventh report *Perfil del Inmigrante*, 2007.

Nearly half of all immigrants who found employment in this country (48.97%) are aged between 26 and 35, with 16% between 18 and 25. This should be grounds for optimism as to the sustainability of the current model of pensions system.

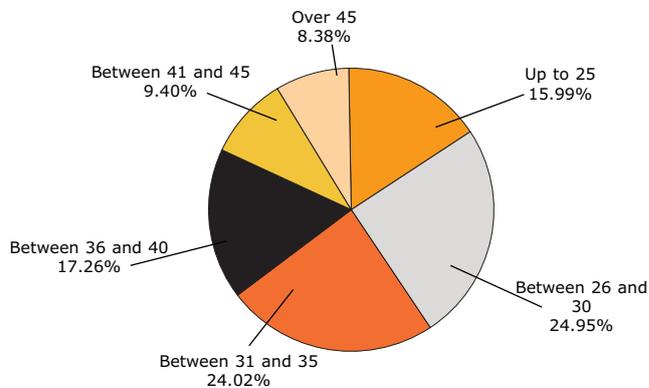


Illustration 21. Proportion of immigrants hired in Spain by age groups.
Source: Adecco, séptimo informe *Perfil del Inmigrante*, 2007.

Turning to regional differences Catalonia and Madrid are the two autonomous communities that employ most non-nationals. In 2006, these two regions alone hired nearly 60% of all immigrant workers recruited by Adecco: Catalonia 31.6% and Madrid 26.5%. Indeed, the number of foreign employees continues to increase in both communities at above the national average.

The FTF's panel of experts looked at the option of hiring at source, concluding that several companies are already using this formula to recruit personnel when necessary, and that it will gradually become more common practise. However, they also felt that the risks and legal and logistical complexities involved prevent recruitment at source if the companies can do it locally.

Moreover, when it comes to considering the need for certain profiles of skilled personnel in developed countries, such as nurses in the United Kingdom and Japan for example, nearly all the experts felt that the option of hiring at source was valid to cover these needs, especially in the area of healthcare and care for the elderly.

The experts set out a series of risks inherent to hiring non-nationals in organisations, offset by the opportunities they create. The risks mentioned included the possibility of discrimination, non-recognition of academic credentials, barriers to communication, lack of cultural identity, generation of more expenses and little knowledge of the business culture of the target country. However, given the opportunities presented by hiring foreigners, many companies see this phenomenon as being highly positive. Among these opportunities are an increase in remuneration and employment conditions, the diversification of knowledge and skills, the creation of synergies and commercial ties with other countries and the input of fresh ideas.

Best practice: VIPS group

The VIPS group has seen truly spectacular growth in recent years, not only in the number of new restaurants opened, but more particularly in the remarkable increase in staff numbers. In 1999, the group proposed a highly ambitious expansion plan: to create 1,000 net jobs a year as long as economic growth allowed. Since then, the targets have been met and the workforce has now grown from 2,800 employees at that time to over 10,000.

The trick to this development has been to hire at source. The company has set an example for others as to how to incorporate foreign workers, using a method that has earned it the plaudits of many associations. The staff of 10,000 people now includes nationals from 87 countries, and not only at the bottom of the professional ladder: 50% of the managerial staff is foreign.

Miguel Ángel García, director of human resources of the VIPS Group, sees himself as an employment salesman. "To assume that growth we needed a workforce which we couldn't find in Spain. So in 1999 we decided to stop whinging

and go out and look for workers abroad. At the time 9% of our staff were immigrants; now the figure is 63%; in some divisions they account for over 70% [...]. Immigration is not a question of 'yes' or 'no', but of 'how'¹⁹.

The first option was the contingency quota, in other words the number of jobs available by industry and province for non-resident foreigners as published by the government. This is the system that the VIPS group has used at some time in Ecuador, the Dominican Republic, Colombia, Morocco, Bulgaria, Rumania, Senegal, Chile and Peru. García says that after an application has been made to the Directorate General for Immigration, they start up the process and the workers are recruited either by the company or through the Employment Ministry.

As well as the contingency quota, the organisation has used another two formulas to recruit workers abroad: the catalogue of "positions of difficult coverage" and the registered contingency quota. In the first case, the Employment Ministry publishes these positions by province, and they are subject to review every three months. "If the positions demanded are in the catalogue—in Madrid there are around 160—you can make the selection in any country in the world and choose the candidate".

As for the registered contingency quota, the company has to have working operations in the country of recruitment; in this case, there is the possibility of bringing workers "nominatively" (on a registered bases) and with a definitive move. Staff turnover rates are very low too; in any case, much lower than other companies in the industry. "Less than 6% of immigrant workers leave during the first year, as compared to a turnover rate of 3.3% per *month* among Spaniards", says García.

Perhaps the secret of this loyalty lies in the reception and integration programmes the company has designed. Amongst the most important of these are the *Brazos Abiertos* (Open Arms) programme and the *Plan de Familiares* (Relatives Plan). In the first case, workers from the company volunteer to facilitate the integration of the new workers in their jobs and also in the country. The Relatives Plan, which began in mid-2006, allows family members of company employees to be hired in their countries of origin. Anyone interested only has to provide the contact information of their family member and when a significant number of applications has accumulated, the company travels to the country to conduct the selection process, by means of personal interviews with the possible candidates. Nine hundred people have been hired under this plan, and in 2007 the VIPS group received more than 40,000 applications for interviews.

¹⁹ Article "Reclutamiento y formación de inmigrantes, una necesidad para el Grupo VIPS", *Expansión y Empleo*, 17 September, 2007.

X-ray of the VIPS group

- The group VIPS opened its first outlet in Madrid in 1969.
- Brands: 16 (VIPS, Ginos, The Wok, Starbucks Coffee, TGI Friday's, Tío Pepe Restaurants, Paparazzi, Lucca, Tattaglia, Rugantino, Iroco, Bice, Teatríz, El Bodegón, Root and Mood).
- Workforce: 10,029 (63% non-Spanish).
- Nationalities: 87.
- 97.5% of staff have open-ended work contracts.
- 50% of management are non-Spanish.

Women immigrants: the link between immigration and ageing

In Spain, population ageing, the reduced capacity to combine work and family life, the absence of a public care network and the globalisation of the labour market have led to an increase in the hiring of domestic employees, who are mostly immigrants and women. The 2005 legalisation process helped increase the number of immigrants hired. The supply now remains steady.

According to the INE, of the 20 million people making up the workforce in Spain, around 400,000 immigrants work in domestic service or caring for elderly people. Domestic employees operate under the Social Security's Special Regime for Home Employees, whereby they cannot pay contributions in order to benefit subsequently from unemployment benefit, or collect temporary sickness benefit in certain situations. According to data from the Labour Ministry²⁰, 67% of the people operating in this Special Regime are foreign.

According to AESCO (América España Solidaridad Cooperación), most of these women are educated, but lack any other work opportunities. However, the home care sector is seen by most foreign women as the first step in their career in Spain.

Here, immigration and ageing meet. The foreign community, especially immigrant women, look after dependent elderly people as a first step on the employment ladder. Elderly people in turn benefit from extra care at a price that is more affordable than that offered by local workers.

²⁰ Social Security contributor figures (June 2006).

15,731 new immigrants by 2008

This year, Spanish employers will be able to hire 15,731 non-community foreign workers at source, under measures approved by the government in December 2007. The figure, which could be amended over the year depending on the needs of the labour market, is 41% lower than the quota of foreign workers established for 2007, which came to 27,034. The regions that will be allowed to hire the largest number of non-resident foreign workers are Catalonia (6,171), Madrid (4,282) and Galicia (1,345), while at the opposite end of the scale stand Extremadura (100), the Balearic Islands (67) and Asturias (34). By industries, catering and hospitality (4,267), commerce (2,570), the metallurgical industry (2,445) and services (2,277) are most affected by the "positions of difficult coverage" and the ones that hire the most workers at source.

Source: *Dossier empresarial*, No. 1, Year III, 14-20 March, 2008.

3.4. The impact of the new social jigsaw

The many studies of demographic trends conducted in recent decades and more specifically, on population ageing in industrialised countries have concentrated particularly on the dysfunctions this situation causes in public pensions managed using the distribution system. However, for some years now, the issue has been posed in much broader terms; At the same time as analysing the conditions required to ensure the functioning of the pensions system, studies also assess the economic and social advantages of keeping older people who are in full use of their physical and intellectual faculties, on the payroll. For the knowledge society, managing human capital (which involves recruiting and retaining people who throughout their professional life have accumulated a unique capital of experience and knowledge) can give a competitive edge which is difficult to achieve by other procedures.

The ageing of the European population is an inevitable consequence of some essentially positive changes: a growth in life expectancy, in many cases good health, and greater ease in deciding whether or not to have children (and when) among women with an increasingly high level of education, who find it easier to



access the labour market. Nonetheless, these profound demographic and socio-economic changes make it necessary to reform existing institutions, for reasons of economic effectiveness and social equality. Current economic policies are not viable in the long term, since they do not address the anticipated reduction in the workforce and the prospect of public finances spiralling out of control.

The source of the problem is not the increase in life expectancy per se, but rather the inability of current policies to adapt to the new demographic situation and the reluctance among companies and citizens to modify their expectations and their behaviour, in particular in the face of the modernisation of the labour market. In short, member states increasingly face a problem of pensions rather than of ageing. There can be no doubt that specific responses to the demographic challenge are above all a matter for individual member states.

Those reforms must also come within a suitable and strongly committed European framework, through the renewed 2005 Lisbon Strategy for growth and employment, the agreement on stability and growth, a strategy of sustainable development, cohesion policies and the open method of coordination on social protection and inclusion.

Similarly, with regard to the economic growth of nations, ageing is leading to a slow-down in the creation of wealth. While the more senior generations are moderating their rate of saving as a result of the new situation in which they find themselves and their new needs, younger generations save a smaller proportion of their income. If measures are not taken, a financial slow-down is forecast that will limit investment and cause the economic growth of nations to stagnate. The only solution that currently seems viable involves increasing the rate of saving, reducing public deficit and increasing the yield on financial assets to encourage investment.

3.4.1. Impact on the job market

When the population was pyramid-shaped, people in the 15-to-64 age group (working age) met production requirements in developed countries. Since they were generally in suitable physical, psychological and intellectual condition for performing the different jobs, the demand from companies centred on them.

| | Total population | | | Up to 15 | | | Working age (14 - 64) | | |
|-------|------------------|------|------------|-------------------|------|------------|------------------------|------|------------|
| | 2004 | 2050 | Percentage | 2004 | 2050 | Percentage | 2004 | 2050 | Percentage |
| Spain | 42,3 | 43 | 1 | 6.2 | 5 | -19 | 29.1 | 22.9 | -21 |
| EU-25 | | | -1 | | | -18 | | | -16 |
| EU-15 | | | 1 | | | -15 | | | -13 |
| Euro | | | 0 | | | -17 | | | -16 |
| EU-10 | | | -12 | | | -30 | | | -27 |
| | Total population | | | Elderly (over 65) | | | Very Elderly (over 80) | | |
| | 2004 | 2050 | Percentage | 2004 | 2050 | Percentage | 2004 | 2050 | Percentage |
| Spain | 42.3 | 43 | 1 | 7.1 | 15 | 111 | 1.8 | 5.3 | 199 |
| EU-25 | | | -1 | | | 77 | | | 174 |
| EU-15 | | | 1 | | | 75 | | | 172 |
| Euro | | | 0 | | | 75 | | | 180 |
| EU-10 | | | -12 | | | 88 | | | 193 |

Table 6. Projected change in population structure in Spain and the European Union
Source: European Commission, 2006, p. 30.

To encourage and justify the withdrawal from the workforce of people close to retirement age, considered to be the least necessary, and in line with the feeling of a majority of workers who wanted to be freed of their obligations, the pensions system ensured that the income of retired people was not reduced too excessively. Quite often, when a company had to downsize its workforce, it used early retirement of workers aged between 50 and 55, for which it established an attractive system of payments. In this way, the habit of leaving work on reaching a certain age has been developed, with the corresponding release from employment obligations and the beginning of a new more attractive type of life.

| Males | In work | Retired | Unem- ployed | Part- time | Situation at age 65 | | |
|--------------|---------|---------|-----------------|---------------|---------------------|---------|-----------------|
| | | | | | In work | Retired | Unem- ployed |
| 59 years old | 66.2 | | 19.5 | 4.6 | 16.2 | 69.7 | 1.5 |
| 60 years old | 56.6 | 16.1 | 10.2 | 4.5 | 18.6 | 70.5 | 1.7 |
| 61 years old | 53.9 | 21.1 | 8.1 | 4.4 | 21.0 | 70.9 | 1.9 |
| 62 years old | 49.1 | 24.7 | 7.4 | 4.0 | 23.5 | 71.6 | 2.1 |
| 63 years old | 45.0 | 28.3 | 7.8 | 3.5 | 26.4 | 69.6 | 2.0 |
| 64 years old | 38.6 | 33.5 | 8.5 | 3.1 | 31.6 | 65.8 | 1.5 |
| 65 years old | 12.8 | 70.7 | 1.7 | 1.7 | | | |
| 66 years old | 37.5 | 46.1 | 1.1 | | | | |
| 67 years old | 30.6 | 56.6 | 1.4 | | | | |
| 68 years old | 25.6 | 65.1 | 1.6 | | | | |
| 69 years old | 21.1 | 72.5 | 1.0 | | | | |
| 70 years old | 13.0 | 81.8 | 1.1 | | | | |

Table 7. Employment situation of workers aged between 59 and 70 in 2004 (percentage of population of that age).
Source: Central bank of Spain, "La situación laboral en las edades próximas a la jubilación", *Boletín Económico*, April 2007, pp. 88 and 90.

Population ageing in most developed countries and an increase in life expectancy in normally healthy conditions calls for new approaches, however. Among others causes, this reduction in the group of working age means that the supply of workers is no longer sufficient to meet the demand required by the economy. It has been necessary to import labour from other less developed countries, but immigration flows are not enough to cover all the new needs caused by ageing. As a result, it is not only the problems of the pensions systems themselves that make changes in the labour supply necessary. In order to increase the population of working age, studies have been made of the labour conditions of 55-to-71 year-olds to see whether, despite their age, they might be capable of making a positive contribution in different industries. This has led instruments to be proposed that would help companies to know how their workforce could gain from an increase in the relative proportion of people of that age.

Analogously—and this is the most complicated part of the process—it is recognised that it is necessary to persuade people in this age group that their contribution to the economy could be very valuable and that a new perspective is needed whereby it is normal to postpone retirement. To do this, it will be necessary to modify payment systems so that people in this age group (55-71) have

incentives to extend their working life, because in the long term, this will increase the pension they receive. It is easy to imagine what a change of this nature would mean. The issue therefore needs to be debated so that it is brought to the attention of the general public, facilitating a change that will take a long time to achieve.

The incorporation of immigrants into the workforce poses certain problems that may discourage employers considering hiring foreign staff. Most FTF experts felt that the difficulties of integration, differences in work cultures and barriers to communication were the main causes for this fear. Legal impediments and lack of qualifications were clearly ranked lower.

3.4.2. Impact on the economy

The world population is going grey and the balance sheets of the world's leading national banks show how the growth to which we had become accustomed in recent years is stagnating. One of the primary reasons is that the population of Japan, the US and Western Europe, which constitute the vast majority of the wealth creators, is getting older. Over the next two decades, the average age in Italy will rise to 51 (from 42 at present) and in Japan to 50 (from 43 at present)²¹. Given that people generally save less after retirement and younger generations are traditionally not great savers, the rate of savings in developed countries is plummeting.

In just twenty years, household wealth in the world's leading economies will have fallen substantially²². The fall in saving rates will impact investments and halt economic growth in these countries. Nowhere will be safe from this phenomenon. For example, in the United States, the population is relatively young, the birth rate is comparatively high, the migratory flow remains stable and positive, and the trend towards ageing is somewhat lower. Even so, the savings rate has been decelerating, starting even before the baby boomers began to retire. To finance this deficit, the US has placed its trust in capital flows from Europe and Japan, but these are also suffering from the ageing phenomenon, and to an even greater extent. What is even more alarming is that not even developing countries, such as China, will generate enough savings to offset these differences.

The solutions are not simple, because we need to look at the roots of the problem and not at its manifestations: delaying retirement age, providing incentives for families to have more children and reducing restrictions on immigration would help lessen the impact. Nonetheless, stimulating economic growth is not a solution in itself, and nor will the imminent production and technological revolution. To bridge the gap between overall savings and financial wealth, households and governments will have to increase their reserves in order to generate more yield on the assets they already have. These changes may involve options that are painful today, but necessary for tomorrow.

²¹ Source: United Nations, *World Population: the 2002 Revision Population Database*.

²² Source: study *The Coming Demographic Deficit: How aging populations will reduce Global Savings*, McKinsey publication.

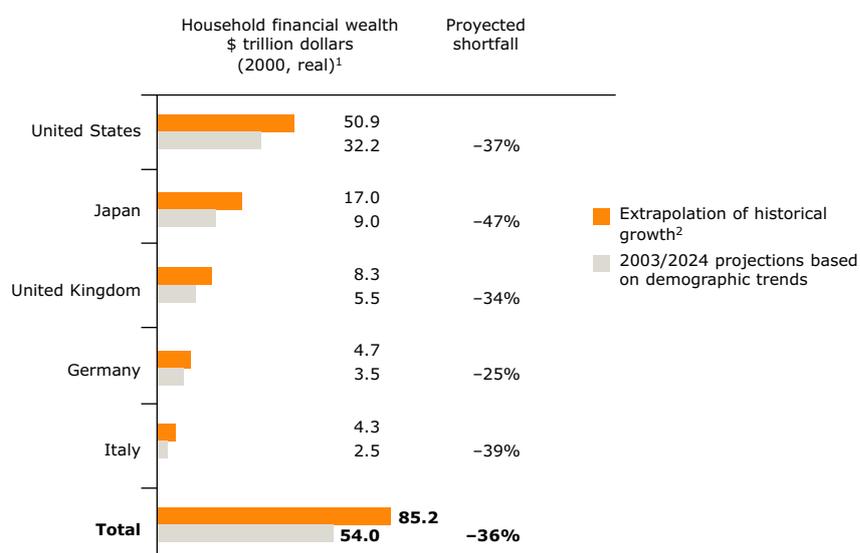


Illustration 22. Projection of savings in the world's leading economies.

¹ Figures do not sum to total, because of rounding.

² For Germany (1991-2003); Italy (1986-2003); Japan (1989-2003); United Kingdom and United States (1973-2003).

Source: Xe.com and McKinsey Global Institute household-financial-wealth model (McKinsey Analysis).

The FTF members agreed that the over-50s must take more active control of their economy, not stashing their savings under the mattress, but investing it to enjoy a stable retirement. The most logical ways of doing this include pension plans and the acquisition of real estate. However, governments will need to stimulate investment by private individuals: the greater the volume of investment, the more stable will be the economy; and the more secure the economy is, the more investment will grow. It is not clear which of the two premises needs to occur first, but it is clear that investment is indispensable for the sustainability of economies.

In just two decades, there will be two and a half times more people aged over 80 than there are today. Following in this line, the proportion of old people rises and savings fall. If most of a nation's savings comes from the population aged between 30 and 50 (the *first savers*), savings will fall. As a result, households not only begin not to save, but they even begin to eat into the assets they have accumulated.

The ratio of first savers has decreased considerably in Japan and Italy in recent years. The Japanese case is paradigmatic, given that it has always been considered an austere and "saving" country; however, the saving rate in the country has fallen from 25% in 1975 to 5% in 2005. This trend is mirrored in countries

such as the US, Germany and the UK, where savings rates are falling or holding steady at a very low level.

Yet to what extent will the reduction in first savers affect the saving rate of developed countries? These countries show a hump-backed curve in the savings life cycle. As a result, an increase in old people will lead to a clear reduction in the country's wealth. Moreover, the situation is made worse by the increasing tendency among young people not to save. This trend is motivated by three convictions²³:

- Trust in inheritance.
- Belief that economic difficulties can always be resolved.
- Availability of consumer loans and mortgages.

Most of the studies and discussions on ageing have centred on the rapid growth in spending on pensions and medical care. However, very little attention has been paid to the repercussion this phenomenon might have on savings, wealth and economic welfare. In countries such as the US, where concern over ageing is not yet so severe, the reduction in the rate of savings is a result of the lower percentage of their incomes young people allocate to saving, either because it is not one of their priorities or because they are on low incomes.

Attempts have been made to apply different policies to offset these effects, such as encouraging immigration, delaying retirement, having more children, stimulating the economy, etc. However, all these measures do is patch over the problem, not solve it. Given that the members of households do not form part of the first savers group until they are well into their maturity, all of these policies are insignificant.

²³ Source: "The demographic deficit: how aging will reduce global wealth", *McKinsey Quarterly*, March 2005.

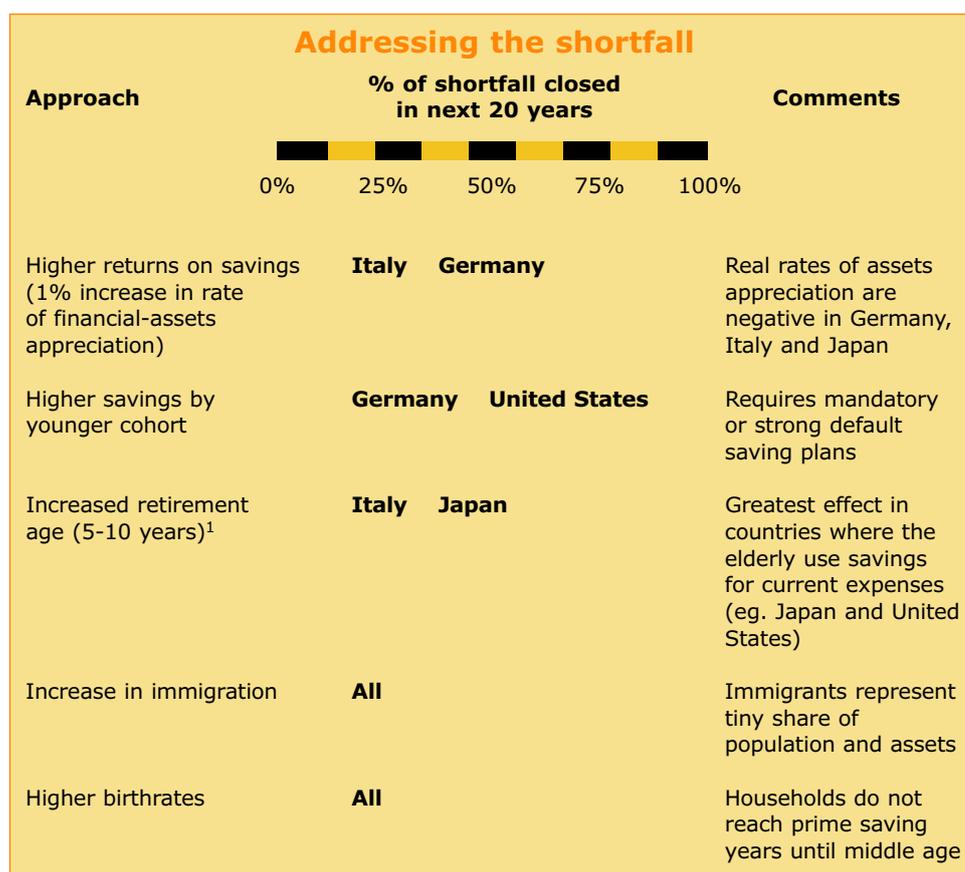


Illustration 23. Effectiveness of measures taken to mitigate the financial effects of the deficit on global wealth.

¹ Estimated by prolonging peak saving years by 5-10 years.

Source: McKinsey Institute household-financial-wealth model (McKinsey Analysis).

Finally, the future of less developed economies may also be in danger. Turning this trend around might require working to increase the efficiency of capital, stimulating savings among the young and reducing government deficit. These measures could be the first steps towards preventing very serious consequences on a global scale.

3.4.3. Impact on social care and public finances

Population ageing in the European Union, resulting from an increase in life expectancy and a low fertility rate, pose important economic and social challenges. In particular, its impact on increasing public spending conditions the long-term sustainability of public finances and pensions systems.

In the EU-25, the greatest increase in spending is on pensions (2.2 percentage points of GDP), followed by healthcare (1.6 percentage points) and dependency care (0.6 percentage points), whereas there was a slight fall in spending on unemployment benefit (-0.3 percentage points) and education (-0.6 percentage points) to give a total impact of a 3.5 point increase in public spending measured against GDP to 2050. As we have already seen, this increase is essentially due to a major forecast fall in the population in working age, which will not be fully offset by the increase in productivity, with a duplication in the dependency ratio in EU-25.

| | Pensions | | | Healthcare spending | | | Dependency | | | Unemployment | | | Education | | | Total | | |
|----------------|------------|---|---|---------------------|---|---|------------|---|---|--------------|---|---|------------|---|---|------------|---|---|
| | 2004 level | Variation 2004-2030 (percentage points) | Variation 2004-2050 (percentage points) | 2004 level | Variation 2004-2030 (percentage points) | Variation 2004-2050 (percentage points) | 2004 level | Variation 2004-2030 (percentage points) | Variation 2004-2050 (percentage points) | 2004 level | Variation 2004-2030 (percentage points) | Variation 2004-2050 (percentage points) | 2004 level | Variation 2004-2030 (percentage points) | Variation 2004-2050 (percentage points) | Level 2004 | Variation 2004-2030 (percentage points) | Variation 2004-2050 (percentage points) |
| Germany | 11.4 | 0.9 | 1.7 | 6.0 | 0.9 | 1.2 | 1.0 | 0.4 | 1.0 | 1.3 | -0.4 | -0.4 | 4.0 | -0.8 | -0.9 | 23.7 | 1.0 | 2.7 |
| Austria | 13.4 | 0.6 | -1.2 | 5.3 | 1.0 | 1.6 | 0.6 | 0.3 | 0.9 | 0.8 | -0.1 | -0.1 | 5.1 | -0.9 | -1.0 | 25.2 | 0.9 | 0.2 |
| Spain | 8.6 | 3.3 | 7.1 | 6.1 | 1.2 | 2.2 | 0.5 | 0.0 | 0.2 | 1.1 | -0.4 | -0.4 | 3.7 | -0.7 | -0.6 | 20.1 | 3.3 | 8.5 |
| France | 12.8 | 1.5 | 2.0 | 7.7 | 1.2 | 1.8 | | | | 1.2 | -0.3 | -0.3 | 5.0 | -0.5 | -0.5 | 26.7 | 1.9 | 2.9 |
| Italy | 14.2 | 0.8 | 0.4 | 5.8 | 0.9 | 1.3 | 1.5 | 0.2 | 0.7 | 0.4 | -0.1 | -0.1 | 4.3 | -0.8 | -0.6 | 26.2 | 1.0 | 1.7 |
| Portugal | 11.1 | 4.9 | 9.7 | 6.7 | -0.1 | 0.5 | | | | 1.0 | -0.1 | -0.1 | 5.1 | -0.6 | -0.4 | 23.8 | 4.1 | 9.7 |
| United Kingdom | 6.6 | 1.3 | 2.0 | 7.0 | 1.1 | 1.9 | 1.0 | 0.3 | 0.8 | 0.4 | 0.0 | 0.0 | 4.6 | -0.5 | -0.6 | 19.6 | 2.2 | 4.0 |
| UE-25 | 10.6 | 1.3 | 2.2 | 6.4 | 1.0 | 1.6 | 0.9 | 0.2 | 0.6 | 0.9 | -0.3 | -0.3 | 4.6 | -0.7 | -0.6 | 23.4 | 1.6 | 3.4 |
| UE-15 | 10.6 | 1.5 | 2.3 | 6.4 | 1.0 | 1.6 | 0.9 | 0.3 | 0.7 | 0.9 | -0.2 | -0.2 | 4.6 | -0.6 | -0.6 | 23.5 | 1.9 | 3.7 |
| Eurozone | 11.5 | 1.6 | 2.6 | 6.3 | 1.0 | 1.5 | 0.7 | 0.2 | 0.5 | 1.0 | -0.3 | -0.3 | 4.4 | -0.7 | -0.6 | 24.0 | 1.9 | 3.7 |
| UE-10 | 10.9 | -1.0 | 0.3 | 4.9 | 0.9 | 1.3 | 0.2 | 0.1 | 0.2 | 0.4 | -0.2 | -0.2 | 4.7 | -1.5 | -1.3 | 21.1 | -1.8 | 0.2 |

TABLE 8. Projected variations in public spending associated with aging between 2004 and 2050 (percentage of GDP).
Source: Informe de Envejecimiento 2006 CPE/Comisión.



In the case of Spain, the projections show an increase in ageing-related public spending of 8.5 percentage points of GDP between 2004 and 2050, the second highest in EU-15 after Portugal, and one of the highest in EU-25. This increase is due mainly to a greater increase in spending on public pensions measured against GDP (7.1% between 2004 and 2050: it will rise from 8.6% of GDP in 2004 to 15.7% in 2050), representing the third largest increase in the EU-15, after Portugal and Luxembourg. Healthcare spending will increase 2.2 percentage points and spending on dependency care will rise by 0.2 percentage points, offset to a limited extent by a fall in spending on unemployment benefit (-0.4%) and education (-0.6%).

Under current policies, ageing will increase spending by between 3 and 4 percentage points of GDP between 2004 and 2050, representing an increase of 10% in public spending²⁴. These upward pressures will be evident from 2010 and will be particularly strong between 2020 and 2040. They will affect pensions, health and the services for the elderly. Overall public finances could become unsustainable in many countries and even jeopardise the future balance of the pensions system and social benefits in general. Allowing ageing-related public expenditure to push the budget deficit up in this way would lead to an unsupportable spiral of debt. Such results would put an end to economic growth potential, jeopardise the workings of the single currency and would subsequently require a dramatic reappraisal of pensions and health benefits, with major negative consequences for the future welfare of retired people and social security contributors.

Postponing reforms to a future date, when there is an increase in public spending related to pensions and health, would mean missing an opportunity to ensure that all generations, including the baby boomers, contribute to the necessary process of adjustment. In general terms, however, the governments of EU countries have not been inactive and recent reforms, specifically in the area of public pensions systems, health, the labour market and education, have begun to yield results, which are particularly evident in employment rates among older workers, which have grown quickly since 2000. Another aim of these reforms is to transfer responsibilities from governments and companies to individuals. As a result, citizens will be encouraged to adopt a much more active role, in terms of saving money for their retirement and in deciding when to retire.

Ageing will also result in a major increase in public spending on health and long-term care, albeit the future improvement in the health of the elderly will play an important role. For this improvement to occur, it will be necessary to adapt the health services better and introduce a preventative approach to chronic illness, which could be based on the use of new technologies. If future increases in life expectancy were combined with a situation of good health and an absence of disability, the forecast increase in public spending on ageing-related health and dependency care would be cut by half.

In most EU member states, public finances cannot be sustained with current policies. A lasting effort of budgetary consolidation is needed. Increasing the

²⁴ Communication from the Commission, *Viabilité à long terme de finances publiques dans l'UE* [COM (2006) 574, 12 October 2006].

rate of participation in employment is an effective measure available to governments to increase revenue and meet the expenses associated with ageing without raising tax rates.

Recent reforms in the pension systems of several countries will considerably reduce the financial imbalance in such systems. Nonetheless, additional changes may be necessary in some countries; in particular, to prevent early departure from the labour market, increase the age of final retirement, offer financial stimuli to older people to remain on the labour market and allow people to back up their retirement pensions with complementary pensions, at the same time guaranteeing greater balance between benefits and individual contributions.

New challenges are emerging related to the development of private saving and capitalisation systems, caused, for example, by the degree of coverage offered by these systems, the level of contributions and the increasingly important role of pension funds, which in turn pose problems of transparency and supervision quality. In this context, promoting effective financial markets and conditions of stability and security that will allow individuals to save and invest is crucially important.

Governments must also encourage the creation of a sufficiently wide and varied range of financial instruments. It is also necessary to facilitate the accumulation of saving and private capital, to allow people greater freedom in determining the volume of income they want to have when they retire. Major communication and financial training will also be required to help people adapt to the new circumstances.

The FTF experts analysed the capacity of the PAYG pensions system to remain sustainable in the medium to long term and concluded that governments must implement major reforms throughout the system: it is essential for the generations that have not yet reached 50 to accept that they cannot retire before 70, and that they must take responsibility for their future pensions, making provisions for a pension fund or other financial assets that will ensure their future stability.

The relationship between ageing and migratory movements is not a theoretically complex one: the labour deficit in developed (i.e. ageing) countries is partially offset by the influx of foreign workers, so that economic growth is not affected by the lack of a sufficient local population of working age. However, everything gets more complicated when we take into account the fact that emigration, as well as having evident benefits for the host country, also generates costs. The demand on public assets, especially those related to social protection, rises. This can lead in either of the following directions:

- An increase in the supply of these goods and thus in taxes.
- An increase in the demand for goods whose supply does not grow. The result would be the expulsion of certain segments of population who cannot access these goods.

In principle, these costs can be seen as a long-term investment which ultimately benefits everyone. The type of relationship the emigrant has with his or her "family unit" then becomes decisive. Immigrant workers can only be a (partial) solution to ageing if they are planning to stay.

3.4.4. Impact on business

As previously analysed, life expectancy is increasing, as the health and purchasing power of older people improves. This means that seniors have now become active consumers for a longer time.

Old people go through different phases within this segment, with the result that their consumption patterns change. The first phase is the "empty nest" stage (55 to 65-70), when children have already left home and for the first time the couple or individual can think selfishly about themselves. The next stage is retirement (over 70), with a more restricted budget.

Lifestyles have changed greatly over recent decades and with them the supply of high-turnover products, principally food. With more people working, the amount of available time has fallen. The incorporation of women into the workforce and the new structure of households (more one-person households and households with fewer children) have filled the shelves of supermarkets with products to "make life easier".

On the contrary, older consumers appear not to have changed so much their consumption patterns during this same period. This is a fundamental observation for predicting the development of brands and studying new lines of products and services, new distribution and labelling patterns, and new commercial strategies.

"The change is radical: people used to stop consuming at a certain age, but old people today enjoy better health, better education and greater purchasing power; As a result, they form a large proportion of the thinking heads in business", explains Jorge Alavedra, vicepresident of the Bassat-Ogilvy advertising agency.

Nonetheless, when it comes to marketing, are "old people" the same as "seniors"? No. Their mortgages are paid off, the kids have left home and there are ever more of them. They have retired and have tons of free time. This is why they've become the new consumption kings and why the multinationals have been falling over themselves to invent products and services for a sector of the population they had almost forgotten about. In the market world, "older people", an age group no-one wants to belong to, comprise people aged over 55, a group which by becoming good consumers, have escaped the epithet of "senior citizens" to instead rise to the more elegant-sounding classification of "seniors".

The president of the cosmetics group L'Oréal in Spain, Luis del Valle, feels this is the third recent revolution in consumption: "First came men; then, *singletons*

(people living alone); and, now, in the western world, we have seen the rise of the seniors, a group with resources who know what they want". This phenomenon has its ambassadors in advertising, such as veteran actress Jane Fonda, who promotes an entire L'Oréal range, and the mature models that the Dove brand has dared to present without their clothes on to promote their creams.

No business has escaped this revolution, not even the financial sector. Never before has there been so much talk of inverse mortgages. "After 60, the mortgage burden falls off and there is greater capacity for saving for new products". People travel and buy luxury products they've never had before. For example, the press chief at Mercedes Spain, Juan Baneres, explains that "although the customer base has dropped in age, the habitual buyer of these vehicles is still someone who has recently retired".

By 2050, Spain will have the oldest population in Europe, with an average age of 55: the number of people aged over 65 will have tripled and the number over 55 will have doubled. José Luis Bueno and Julián Villanueva, lecturers at the IESE business school, analyse these trends and give these figures in their report *El mercado de los seniors en España: ¿oportunidad o burbuja de negocio?* (The seniors market in Spain: business opportunity or bubble?), prepared for AECOC²⁵, which highlights the change in the profile of the new mature consumer. "We will probably see senior consumers being more demanding about what they purchase, more eager to consume contents, culture and entertainment and more interested in travelling – they explain. We will also see retired people going back to college or trying to learn that profession that for one reason or another they were unable to before". In short, they will be doing all the things they couldn't do before. The moment they retire, they normally go on a spending spree—which usually means travel and other indulgences. After that, the euphoria wears off.

²⁵ AECOC: Asociación Española de Codificación Comercial (Spanish Association for Commercial Coding).

4

CHAPTER 4

An horizon of opportunities and commercial trends

4

An horizon of opportunities and commercial trends



Depending on their life experience and preferences as consumers, baby boomers are less concerned with physical belongings as new experiences; they accept others as they come and have a good sense of humour; they are spontaneous, appreciate social relations and demonstrate a relatively high level of solidarity; their ideals are justice and fair play; they are creative and are attracted by new ideas.

In short, any business wanting to win baby boomers over as customers will need to come up with new and different formulas for capturing their attention; they avoid routine like the plague and can afford to spend money on value-added products and services (in the luxury market) or save as much as possible on day-to-day needs, with discount policies, to spend it all on “things and experiences they really like”.

Marketing managers are also turning their sights on resident non-nationals, who now account for 10% of the Spanish population. These new citizens have helped galvanise demand. They need essential goods, such as food and housing, and they do not want to be without cars and means of communication. When they arrive in a new country, they adapt their original consumption patterns to the realities of the host country, and it is therefore particularly important to introduce your brand to the group just when they are starting to define their new preferences.

If companies are to make the most of this opportunity, they need to develop products or services that match their interests, and it is therefore essential to understand this group properly. A simple initial analysis shows that it is a highly diverse group, with different and distant tastes and interests, depending on the person’s place of origin (Eastern Europe, Latin America, North Africa or Sub-Saharan Africa), life experience, level of education, age and capacity for adaptation.

Notes

4.1. New consumers

The FTF experts discussed companies’ capacity to adapt to the new situation, particularly with regard to baby boomers and immigrants. On the one hand, some members felt that business is not adopting the right strategies of adaptation, both in terms of business concept and internal management of human resources. At the same time, some found examples of best practice in leading companies, such as Nestlé, IBM, Nokia and Procter & Gamble.

4.1.1. The commercial impact of the elderly

As we have seen throughout this publication, society is ageing fast and this is bringing important changes. As a result, the market needs to adapt to the trends imposed by the baby boomers, now approaching retirement (or in some cases already there).

What will happen to the generation that didn't trust anyone over 30 now that they are reaching retirement age? What will they invest their free time in? How will they spend the money from their pensions—or their earnings if they choose to keep working? Who will look after them when they start to be dependent? As they get separated, divorced and widowed, what will they do when they start hunting around again? How can we capitalise on the success of the sport of the masses?

These and many other questions need to be asked by new business entrepreneurs wanting to reach out to this segment and by veteran companies wanting to tap into what the experts are calling a whole new market of commercial opportunities.

The most important thing is to remember that the baby boomers are born rule-breakers. Their consumption patterns and lifestyles are guided by individuality rather than conformity; they have always done things differently, pioneering trends that would subsequently be consolidated by later generations. As a result, although they are getting old, they still demand products and services that will reaffirm this individuality.

The first and most essential step is to look at demographic surveys in order to trace the possibilities and market niches, which are still legion. An analysis of the market and the competition, followed up by marketing campaigns focusing on specific target audiences, is a considerable guarantee of success and profit.

During their lifetimes, baby boomers have had their own music, their own cinema, their own cars and their own lifestyle. Although all developed countries have witnessed this demographic take-off and the changes it has brought, the United States must be considered the paradigm of the "boomer movement", reflected to a greater or lesser extent in other countries. In both the US and in other countries, this has been a generation of great contradictions: despite the boom in the environmentalist movement, they led the way in buying more and more powerful cars; in the 1960s they rose up against a war on the other side of the world, but three decades later they defended another one (at least, in principle). It was they who managed to get the age for consuming alcohol lowered to 18; as they got older, though, it was they who insisted on raising it back up to 21.

They have seen the rise of modern cultural icons, such as affordable colour television, stereo, microwaves, cassette players, the compact disc, the cordless phone and the PC, among others.

Released from the financial burdens and fears their parents suffered in the Great Depression and the aftermath of the Second World War, baby boomers became the ideal generation for booming business and economy. Visa (1958) and Mastercard (1966), which revolutionised traditional forms of payment, first saw the light of day in the youth of the baby boomers.

And make no doubt about it. Senior boomers are skilful net surfers; they've used the technology at work and they've learned to use it for their own enjoy-

ment. They buy, read, correspond and do their paper work on-line. They buy plasma televisions with Dolby Surround and mobiles with all the latest gadgets. They have a good level of education and an increasingly high opinion of themselves. They spend their money on small luxuries and do not hesitate to experiment with all things new, be it canoeing, flying ultralights, holidaying in Cambodia, getting cosmetic surgery or getting remarried to someone they met on the Net.

Baby boomers have fought for their freedom at every level and have managed to make separation and divorce be seen not only as something that is not negative, but as a doorway to a host of new possibilities. The statistics corroborate the idea that marriage forever is an increasingly rare phenomenon, even among older people. The data²⁶ are interesting: in 2006, there were 25.15% more divorces and separations among people aged over 60 in Spain than in the previous year. From 2000 to 2006 break-ups have doubled in this age group.

According to Inés Alberdi, professor of sociology at the Complutense University in Madrid (UCM), "the reasons that lead people of that age to break up are the same or very similar to those of other ages. The 2005 amended Divorce Act has led to more divorces in general, since it is now less costly and less complicated. Another important factor is that over 25 years have now passed since the first act and divorce is now more widely accepted among these people and in their circles [...]. People are still getting married for life, but now when problems arise, the spouses are more likely to split up. One aspect that needs to be taken into account is that, with life expectancy increasing, people are willing and able to rebuild their lives".

In less than a decade, all baby boomers will be aged between 50 and 70. The size of this generation and their tendency to break the rules—a feature of the group throughout their lives—has generated a host of business opportunities since boomer children first discovered the hula-hoop, in the 1950s. Now is the time for business to prepare itself for changes in the needs of the senior boomers, who are going to become the largest and wealthiest generation in history, in developed countries at least. In little over five years' time, the baby boomers will make up 40% of the US population, accounting for a disproportionate part of the growth in consumption in a wide range of industries, from electronics and clothing to leisure services, property and health.

At different stages of their lives, baby boomers rewrote the rules on being a child, teenager and adult and now they're going to tear up the rules on ageing too, exchanging burden ageing for ageing well.

The baby boomers' combination of economic potential and openness to innovation offers huge opportunities for companies that are prepared to meet coming changes. For example, some baby boomers will want to keep working, but within more flexible structures; many of them will require help with their finances and their health; there will always be some who want to try new experiences

²⁶ Source: INE, taken from the newspaper *20 Minutos*, p. 12, 3 March 2008.

and tastes, at the best price; others will look for new ways of integrating into the community. Novel companies that know how to satisfy these needs can find major new sources of profit.

In any case, companies wanting to find a niche in the baby boomer market will have to struggle to overcome a powerful dichotomy: on the one hand, this group has enjoyed more opportunities than any other generation before; on the other, they are more aware of the future, making them anxious and frustrated.

Baby boomers will define the characteristics of the new seniors. To start with, retirement is being seen not as a release or a reward after long years of hard work, but as a change in patterns and priorities. Baby boomers who have taken on tasks of responsibility and form an indispensable part of their organisations prefer to continue working than withdraw altogether from the world of work; their working conditions must be flexible, however. This flexibility involves not only the workplace (office) and hours (flexitime), but also such areas as contribution, expertise and value.

Businesses will need to implement these changes. Although they form part of a generation with certain distinctive features, baby boomers, should not be viewed as uniform individuals in terms of tastes, experiences, priorities and needs. They have different motivations for extending their working life: for some, it is a matter of necessity in order to maintain high purchasing power; for others, it is a source of personal satisfaction and mental stimulation; others see it as a way of keeping up social relations.

According to a report published by McKinsey under the title "Serving aging baby boomers"²⁷, most baby boomers are concerned about their finances and their health. However, they are sceptical about financial provisions and traditional healthcare. In the financial area, a large percentage of seniors feel that financial consultants are not objective in their recommendations or think that the products they offer are confusing and do not meet their needs. In the field of health, the report shows that less than 15% of American baby boomers trust healthcare organisations and a similar proportion follow or believe their doctor's advice. More than three quarters of the US boomer population take control of their own health, investigating symptoms on the Internet. Many follow or have followed alternative measures, such as chiropractics (46%), therapeutic massage (39%), homeopathic remedies (37%) and meditation (35%). There can be no doubt that baby boomers offer opportunities for businesses that offer advice to meet their needs and preferences, who know how to interpret their concerns.

This report helps to define three essential approaches for any business wishing to target this segment:

1. **Gift-wrapped retirement.** One way of overcoming the boomers' mistrust of financial and healthcare products is not to bombard them with standard products that fail to meet their needs. They should be offered personalised prod-

²⁷ David Court, Diana Farrell and John E. Forsyth: "Serving aging baby boomers", *The McKinsey Quarterly*, No. 4, 2007, pp. 102-113.

ucts and services, that are flexible and easy to understand. Baby boomers don't want to feel that companies see them as a dollar-shaped target; instead their perception should be just the opposite—that companies are more interested in the individual's benefit than their own.

2. **The welfare of the masses.** The appeal of alternative medicine among baby boomers offers business opportunities for companies that increase their range of healthcare products and services. Pharmaceutical giant Bayer, for example has created various product lines linked to vitamin supplements for sight, heart, head and joints to combating the deficiencies and ailments typical of this age group. Similarly, increasing numbers of companies have begun to recognise that, for baby boomers, health and welfare start with eating well. AgeLab markets a portable device that tells whether a given type of food complies with recommendations on daily food intake. Tropicana, the fruit juice distributor, has introduced a new orange juice with Omega-3, a substance which experts claim is beneficial for preventing coronary disease.
3. **Individualised health care.** As a result of boomers' mistrust in traditional healthcare companies, distributors of hospital and clinical machinery are now turning to small supermarkets. The idea is to market instruments that will allow people to perform simple medical checks at home on an individual basis, without needing a doctor. Novartis' for example, has popularised a blood pressure monitoring programme in the United States, using a small and highly intuitive monitor, with a programme to educate patients on keeping fit.

The perfect combination would combine low prices and quality service. And of course, the Internet offers a host of possibilities for the most creative initiatives. For example, according to the McKinsey report, one of the fastest growing segments among Skype videoconferencing users is precisely seniors, grandparents who want keep in touch with their grandchildren simply and economically. Financial companies could benefit from the Net and the level of customisation it allows, provided the services they offer are designed in accordance. The crux of the matter is not to make old people feel like old people: baby boomers are very sensitive about their age, and any products and services targeted at them should be very careful never to remind them of it.

Finally, another factor companies need to take into account is the concept of "community", which, though always important, will now be decisive, since many baby boomers are likely to suffer from loneliness after devoting an entire life to work and now seeing their marriages broken down and their children living elsewhere. For all of these reasons, it is reasonable to assume that senior baby boomers are going to be the loneliest generation of old people in history. They will therefore be looking for new ways of socialising. For example, there are already communities in existence that combine on-line and off-line forms of community, centring on a hobby or interest, such as cooking, DIY, tourism and politics; This is the case of Boomj.com and Eons.com, which are already enjoying great success.

In the tourist industry, the United States is again the benchmark, with companies such as Elderhostel, a chain of hostels for older people with all types of convenience to meet their needs at an affordable rate. BabyBoomerTrips.com, the first travel portal for baby boomers offers exclusive packages.

In terms of consumption patterns, the senior baby boomer generation is closer to the needs and concerns of teenagers from Generation Y and the Millennium Generation than their parents, the so-called silent generation, FTF experts believe. They explain that, while there are certain consumption patterns associated with age, the differences are getting steadily smaller. The experts outlined certain areas where baby boomers and their grandchildren are very close, such as the extension of social networking over the Internet, large amounts of free time and an income which, though not very high, is unencumbered by fixed expenses.

To conclude, baby boomers are going to be the most influential generation of old people in history, because of their size and their importance at all levels. We should not forget, however, that like all old people, they have to face financial, physical and social challenges. Companies that anticipate these needs will enjoy a competitive edge in coming years, provided they are aware that baby boomers are not old people, but seniors, with certain features, interests, priorities and concerns that are very different to those that characterised old people in previous generations.

Domestic service

Baby boomers use or demand services that their parents could never have afforded. Domestic service, for example, is common among people from this generation, in a range of forms: from the home help who comes round twice a week to tidy up the bathroom and the kitchen to the live-in maid who takes charge of the children and elderly 24 hours a day. This is a service which baby boomers are not prepared to do without, and which is proving increasingly successful. This generation is appealing to business not because of its age, but because of its earnings.

Franchising love

Baby boomers are not lovers of peace and quiet; instead they look for ways to get out of their routine, through travel, activities, learning, social relations, etc. As a generation they have been relatively untrammelled by the moral restraints of the silent generation, and their relationships, though still much more stable and long-lasting than those Generations X and Y, have in many cases ended in separation, divorce and to a lesser extent bereavement; nonetheless, unlike previous generations, baby boomers do not go into mourning (physical or moral) for the rest of their days, but instead look for ways of reinventing themselves.

In many cases, people who have been out of the courtship game for many years return to the field just as eager and just as confused as ever. These baby

boomers aged between 50 and 60 are looking for different things in a new companion and, surprisingly, they don't find the same thing on the street as they did 30 years ago. Times have changed for everyone. To meet this demand, dating and marriage agencies and social networking sites, such as Match and Meetic have sprung up.

In the US there is one outstanding example of success: The Right One, the largest dating service franchise in the country, with over 100,000 members and 100 offices. As its website²⁸ suggests, it is not so much that the company targets baby boomers as that baby boomers have targeted it. According to Paul A. Falzone, CEO and founder of The Right One, "most of our customers are baby boomers; it's them who are behind our constant growth and expansion".

The emergence of senior baby boomers has spawned multiple ideas for successful franchises like The Right One. Whereas the silent generation would have been scandalised by the idea of meeting someone through a dating service, baby boomers jump on the experience.

Travelling as a necessity

For baby boomers, travel is not a luxury, but a need, and most of them have already tried a wide variety of destinations. However, they don't see travel in the same way as in the past, in terms of going somewhere, visiting a few picture postcard monuments and returning, but as an experience in itself: discovering new landscapes, smells and tastes, getting to know people and doing adventure activities. The destinations are becoming more and more exotic: Java, Machu Pichu, China and Vietnam are already common destinations within the reach of baby boomers' budgets.

Adventure holidays have gone from "seeing" to "experiencing" and define themselves as physical and emotional challenges, to which baby boomers are now relatively well-used. They provide an intellectual stimulus and a way of feeling young. As a result, baby boomers do not want to go on a package tour with others because, though many of them are aged between 50 and 60, they're terrified they'll end up with people over 70 (with whom they have little or nothing in common) on the same cruise or tour bus.

A wide variety of niche markets are opening up the tourist industry with products and services that adapt to the need for individualism and convenience that characterises this generation: for example, all tourism parallel sectors, such as suitcases, global medical services, the real estate industry (time sharing is an increasingly common option) and financing abroad, among others, are enjoying large-scale major demand.

One of the latest trends here is to link tourism with social work. Many baby boomers spent their teens and young adulthood vaunting ideals such as peace and love and have therefore developed a considerable sensitivity to inequality in

²⁸ Website:
<http://www.therightone.com/index.htm>.

developing countries. Many are frustrated that they abandoned their ideals for a safe job, and now want to spend their retirement years—or at least their holidays—free from family obligations, fulfilling one of their great aims: helping out.

This formula of voluntary tourism comes in many different options: from collaborating on environmental conservation in the Amazon to building awareness among young mothers in Somalia. It is a way of feeling young, productive and in solidarity, and of discovering sensations and destinations that they could otherwise not know.

In the US, which is the pioneer in all types of businesses targeted at baby boomers, a travel agency²⁹ has been created that specialises in archaeological and historical volunteer work, offering travel to over two hundred destinations around the country where people can work on projects of this kind. Collaborating in digs, working alongside experts, witnessing scientific discoveries in the laboratory... participating in these projects is free of charge; however, travellers are expected to meet all their accommodation expenses.

Who will buy cars when there are no baby boomers left?

The romance and passion that have always linked baby boomers and their cars ensured a long era of splendour and innovation for the motor industry. However, it is not clear how car companies will respond to the new priorities of younger generations. The US saw a boom in car sales in the 1960s, a phenomenon which has been mirrored in other countries, albeit more discreetly.

In 1964, when the Beatles were topping the hit parade with “Can’t Buy Me Love”, Ford brought out its Mustang, selling over 22,000 units the first day. In 1965, they sold over 400,000 and Chevrolet sold more than a million of its popular Impalas. Ten years later, Toyota overtook Volkswagen as the largest imported brand in the country. The zenith of the Japanese motor industry was not far off.

An individual’s status around the neighbourhood was determined by the type and make of car they drove. The same baby boomers who came of age in the 1960s, raising hell in their Mustangs (in Spain, it was the SEAT) are now counting their pensions. Even today, the automobile industry does not seem to have studied how it should address these changes, in other words how to adapt their cars to baby boomers in search of independence, while at the same time managing to position themselves among the priorities of Generation X and Y, as they did with the young baby boomers.

Collagen and retirement

“All I want is to look as young as I feel”. This is the premise that drives the thinking of senior baby boomers. Many of them keep fit by doing exercise and the majority watch what they eat, but cosmetic surgery has now become part of

²⁹ Passport in Time Agency: www.passportintime.com.



everyday care for certain sectors of the generation. These services use to be seen as a luxury or were viewed as a frivolous indulgence in the losing battle against time. However, the use of these techniques is no longer as stigmatised as it was before and they have become more affordable too.

For boomers, cosmetic surgery is a way of making their faces and bodies reflect the way they feel, forever young, rather than their chronological age. Women have gone to cosmetic specialists for face-lifts, breast enhancements and liposuction, but in recent years the operations have moved to other parts of the body, with less aggressive and more long-lasting methods (with fewer side-effects). Men have stopped seeing the issue of appearance as being a women's issue and are now gradually beginning to submit to this type of anti-age operation. The most common operations among men are hair implants, reduction in the bags under the eyes, eyelid surgery and micro-dermoabrasion.

Cosmetic surgery and reparatory or reconstructive surgery all come under the umbrella of plastic surgery. In Spain, this speciality is known as "plastic, reparatory and cosmetic surgery". Cosmetic surgery is performed to improve the normal structures of the body to enhance the patient's appeal and self-esteem. Reconstructive and reparatory surgery is performed on abnormal structures, caused by congenital problems, problems of development or growth, injuries, infections, tumours or diseases. It is primarily performed to improve the damaged function, although it can also be carried out to improve physical appearance. This type of surgery is included in a series of benefits offered on Social Security.

The price of these cosmetic procedures varies, ranging from a few hundred euro for Botox treatment to several thousand for breast reconstruction. Changing one's image is now affordable and has become a fashion. Spain now tops the European charts for this type of operation, with 400,000 cosmetic operations a year, and it ranks fourth in absolute terms in the world. The industry is growing by 15% per year.

Botox is the absolute leader worldwide, and accounts for 13.94% of all procedures carried out in Spain. With the third highest number of botox implants in the EU, consultations about the treatment have risen by 50% in recent months in this country.

Of course, there are baby boomers who prefer to "grow old naturally" and for them there exists a wide range of creams, gels and complete anti-ageing treatments, which are more economic and more natural. Both the lovers of the rejuvenated look and those who want to look good, but look their age, offer a wide variety of business opportunities.

4.1.2. Immigrants, a new world

Following the economic stagnation suffered in Spain in the last decade, there has more recently been a strong renewal of the target group, with three million

new consumers in the last four years. Most relevantly, non-nationals account for 78% of population growth. Spain is the most multi-ethnic country in Europe, with 4.5 million immigrants. As this growth has been exponential so far, it is forecast to hit 8 million by 2025.

And in terms of evolution, the greatest number of immigrants come from Europe (43%), followed by 36% from the Americas, 16% from Africa and 5% from Asia. The typical immigrant is young (aged between 16 and 45), male (rather more than half are men), with an average educational level higher than the Spanish average and 67% of them are in employment.

Clearly, the range of origins creates cultural differences and diverse consumption patterns; nonetheless a number of common features can be traced. TNS Worldpanel has made a detailed study³⁰ of the purchase and consumption habits of the foreign population in Spain.

The report shows that 66% of the foreign population enjoy doing the shopping, as compared to 63% of the total population in Spain, and that 49% spend as little time as possible shopping, as compared to 52% of the total Spanish population. This means that immigrants are more inclined to do this task, in keeping with their somewhat more traditional values and the novelty they find in shopping in a different country.

Forty-six percent of foreigners said they liked trying new products, and were attracted by novelty items, as compared to 33% of the total surveyed. Non-nationals are also more impulsive in their purchases: 43% said they stuck to a shopping list, as compared to 49% of the total surveyed, which shows the important power of communication at the point of sale in attracting this group. This is confirmed by the fact that 10% said they often buy things only because they have seen them on the shop shelves (higher than the Spanish average of 8%). They are also influenced by other forms of advertising outside the shopping centers. 47% often buy food products because they have seen them advertised, as compared to 42% of the total.

The data show that the immigrant population is a galvanising force in mass consumption, which grew by 4.5% last year. Why "galvanising"? Because, despite accounting for only 10% of the total population, they represent a third of the growth in mass consumption markets in Spain. Without them, the growth rate would have been the same as elsewhere in Europe, where the figure is 3.3%. Two industries that have benefited from the migratory phenomenon are cheese and perfumes.

Immigrant households are less keen on fresh produce (different varieties of meat, fish, shellfish, fresh bread, etc.), which are very closely linked to the consumption patterns of each country of origin. On the contrary, they are more inclined to buy products such as dry food, beverages and all types of dairy products, as well as pre-prepared dishes. In order to understand better the make-up

³⁰ TNS *Inmigrantes: consumidores que suman*, TNS Worldpanel.

of their shopping basket, it is of prime importance to know the motivations behind their shopping. TNS Worldpanel has identified three:

1. **Health.** The quest for good health is more normally associated with a more senior segment of the population, a group which is under-represented among the immigrant population and as a result, the typical ingredients of the Mediterranean diet (the paradigm of a healthy diet) are to be found in smaller quantities in their shopping baskets.
2. **Pleasure.** They say they save more in order to be able to buy something special. Like other consumers, they say that like to treat themselves, which in terms of mass consumption means buying something sweet. Their consumption of cakes, whipped cream, nuts and filled biscuits is much higher than the Spanish average.
3. **Price.** Among the immigrant population, the price factor has more influence on purchasing decisions than the Spanish average. 24% of immigrant households considered price to be the most important factor when shopping for a product, as compared to 20% of the total Spanish population. This sensitivity to price helps own brands to position themselves strongly in their shopping baskets, representing 32.4% of the spending of foreign households and 29.5% of all households.

Non-national households fall behind the average in the importance they give to the shop itself. They value the presence of low-price products more highly than the organisation or care of the shop or the level of service they receive. The so-called "dynamic channels" (hypermarkets, supermarkets and discount stores) are their main source of supply, accounting for up to 73% of their spending, according to data from TNS Worldpanel. As might be expected, supermarkets take up most of this spending, but non-nationals are high users of hypermarkets (21%) and discount stores (12%); both figures are above the national average.

Among their favourite outlets are the "hard" discount stores Alcampo, DIA and Lidl, which are the market leaders in the geographical areas with the highest number of non-nationals.

Immigrants have become one of the main driving forces in the growth of the Spanish economy. They provide labour, consume products from the domestic market and create resident families. They are new consumers who have joined the domestic market and offer a host of opportunities to companies who know them well and know how to gear themselves towards them.

In May 2007 the communications group Omnicom held its second "trends meeting", which focused on immigrants as an emerging consumer group. The conclusions are revealing³¹:

³¹ Website:
<http://www.elperiodicomediterraneo.com/noticias/noticia.asp?pkid=296936>.

- Non-nationals are considered to be excellent payers and do not generate bad debts.

- Banks are targeting new products at immigrants, on the grounds of their positive experience with this group.
- It is also estimated that 12.9% of foreigners now own their homes, with the remainder renting. The proportion of owners among Latin American immigrants is considerably greater, at 14%.
- In terms of everyday technologies, 96% of immigrants have a mobile phone; 33% have a computer; and 20% have an Internet connection. Only 33% of Latin American immigrants have a car, as compared to 38% of Africans and 40% of those from other European countries.

Marketing firms are examining proximity strategies, keenly aware that success will require a respectful understanding of these new residents and their needs.

Remittances

Immigrants from Latin America allocate nearly 20% of their earnings to the remittances they send back to their countries of origin. According to a study entitled *Últimos estudios de los hábitos de consumo de los inmigrantes en España (Latest studies of patterns of consumption among immigrants in Spain)*³², Latinos send the most money (around €260, compared to an average of €242), ahead of African immigrants and those from other European countries.

4.2. New business

The age at which companies traditionally tend to abandon consumers is around 35. There is a widespread belief that brand promiscuity is a passing phase and that after 35, there is a definite shift towards brand loyalty. However, this does not appear to be entirely true. The market for the under-35s is shrinking and producers can no longer afford to ignore older groups.

Furthermore, immigrants have always been relegated to second place despite comprising a tenth of the population. The first companies to learn how to ascertain the tastes and consumption patterns of this sector could achieve a major competitive edge over their competitors.

When it comes to analysing which areas will benefit most from the consolidation of the baby boomers and immigrants as new consumers, the experts forecast that the beauty and leisure industries will experience unparalleled growth, provided they know how to seek out the opportunities. Specifically, education, technology and food will be the big winners among the baby boomers, whereas among immigrants, the main ones will be the healthcare industry and education.

³² Nielsen.

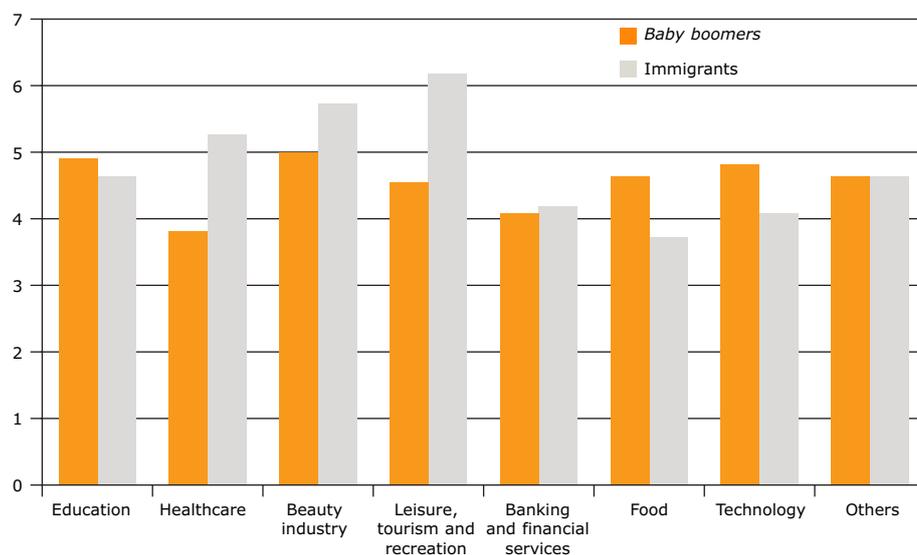


Illustration 24. Sectors benefiting from aging and immigration (on a scale of 1 to 10).
Source: internal.

However, the experts did not agree as to whether there was a clear trend with regard to the industries likely to benefit most. Some suggested the healthcare industry for old people and the financial sector for immigrants, but others proposed leisure and tourism for the former group and education for the latter. What does seem clear is that if properly handled all products and services related to leisure, beauty and education could generate some interesting business opportunities.

4.2.1. Adapted products and services

The FTF experts agree that all new businesses targeting baby boomers and immigrants must know their target audience, starting from the basis that both groups are very internally diverse. The experts were asked to analyse the parameters that will condition the choice of one product or service over another in the two groups. Their conclusions are shown in Illustration 25.

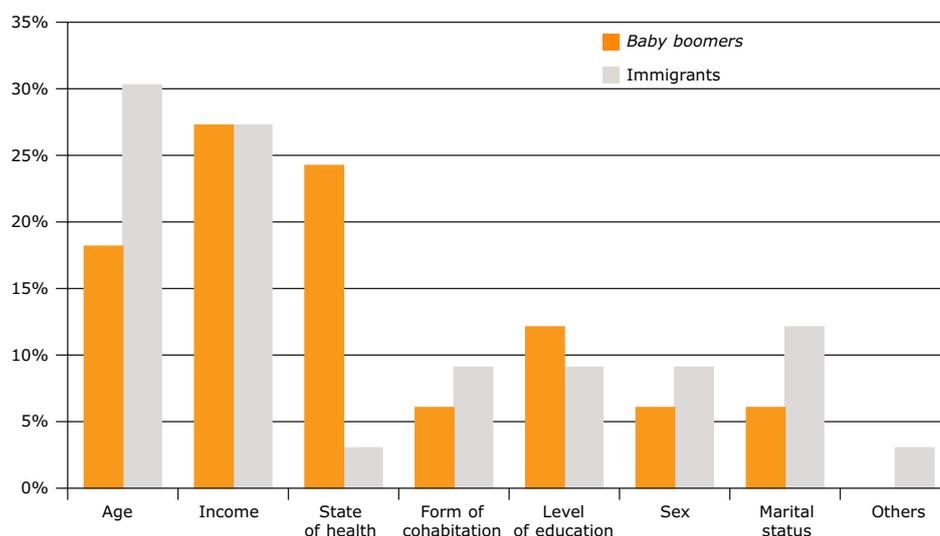


Illustration 25. Factors influencing choice of purchase among baby boomers and immigrants.
Source: internal.

Baby boomers buy like young people things that they enjoy like seniors

The baby boomer generation continues to form the foundation of economic, cultural and purchasing power, but they are still practically invisible to the large firms. Baby boomers are also the generation of change: they are not afraid of new experiences and new products. Indeed, they actively seek it out. They are constant and perspicacious buyers and appreciate products that are ethically sound and aesthetically attractive. They stress quality over novelty appeal. They are particularly open to "rational" sales, but also enjoy shopping with their emotions.

With painstaking analysis and taking these starting points into account, it is possible to conquer the baby boomers' pockets but how should one go about capturing them?³³:

- **Tone.** They are looking for products and messages that are direct and sincere. They're not stupid and they don't want to be treated as such. Advertising must be articulated, refined and intelligent... but always brief and to the point. They want solutions, not lessons on living.
- **Brand architecture.** Baby boomers appreciate brands that are sincere, transparent, ethical, socially aware and honest in their internal and external processes. For them, the gain is a by-product, not an end in itself.
- **Brand strength.** The brand must be characterised by the same simplicity, refinement and singularity that should also accompany the message.

³³ Based on information taken from <http://inexmoda.org.co/actualidad/064.htm>.

- **Brand Legacy.** What is needed is not some gesture at a return to the denim-wearing rebels and errant dreamers of Woodstock; nor do they want references to “getting some satisfaction” or attempts to cash in on some false association with Bruce Springsteen. If the brand wasn’t there and wasn’t part of it they don’t want it trying to muscle in on the act. A dishonest legacy creates an empty brand, and empty brands seldom resist the winds of change.
- **Brands for heroes.** All baby boomers know that heroes have feet of clay. They are born opponents: they question and challenge. Their sympathy is with the underdog, not with the war veteran. There is a hidden desire to do good and to support those who do good in a global context.
- **Power brands.** Baby boomers like brands that inspire, educate, enlighten and promote or facilitate knowledge. They admire brands with creativity and innovation, the ones that surprise them by being simple, obvious and true.
- **Brand poetry.** Unlike Generation X, this is not a cynical generation. They combine pragmatism with spirituality. Consequently, brands must satisfy internal needs just as much as external ones and should not avoid using mysticism as a powerful selling tool.
- **Transgenerational brands.** Baby boomers connect with their children and grandchildren, so that they share brand knowledge with the lower tiers in the family. They move across different cultures and ages, in search of brands and products that reflect their own attitudes. They don’t tolerate brands that directly tell them their age. When addressing baby boomers, it is as well to think “young” rather than “old ” and think more about attitudes than physical states.
- **Consumer power.** Baby boomers tend to be well-informed consumers; in other words, they know exactly what they want and insist on those products satisfying their needs. This generation perfectly reflects the idea that well-informed consumers have a difficult relationship with brands.
- **Time famine.** To imagine that baby boomers are leading a high life with unlimited spare time would be a mistake. Even those who have retired suffer from the modern malaise of “time famine”.

Some industries are now rubbing their hands at the potential of the boomer market. Financial services companies are making great efforts to attract the senior market. Cosmetics firms too have turned their attention to them: the entire cosmetics industry has gone from brightly-coloured products for teenagers to anti-ageing solutions, because the people who represent the bulk of the market and the money want to halt the ageing process, not strut their stuff in the disco. In any case, the greatest bonanza is still to come in the areas of travel and entertainment.

Many industries will undoubtedly benefit from these changes and from the new consumption patterns. In practice, we can gain some good examples from com-

panies that have made the best of the business opportunities the baby boomers offer:

- **Cosmetics.** The growing enthusiasm among older consumers for products that help reduce the signs of ageing has been beneficial for innovative cosmetics companies such as **Avon**. Over recent years, this global company has looked at the concern over aging and has introduced a number of skincare products, such as the Anew line and Wrinkle Corrector, a cream that rejuvenates the skin with almost surgical precision. Avon has also launched Cellu-Sculpt Body Treatment, a product designed to help keep the skin firmer and softer and the body slender, and prevent the formation of cellulite. It is worth noting that Anew, Wrinkle Correct and Cellu-Sculpt Body Treatment are not classified as cosmetics, but rather as “cosmeceutics” (skincare and body care products that are much stronger than cosmetics, with ingredients that affect the biological functioning of the skin). As the percentage of older consumers continues to grow worldwide, an increase in this type of product on the market is also anticipated.
- **The motor industry.** When **Ford** discovered that drivers over 50 had a relatively high death rate, they decided to investigate and develop ways of improving safety, including accident-prevention systems, increased impact resistance and improved post-accident assistance. However, they faced a challenge: how could the engineers and designers know and experiment with the limitations of advanced age? To resolve the problem, Ford engineers created the “senior suit”, a cross between an astronaut’s suit and a bee-keepers outfit. Using it allowed engineers to simulate the mobility, strength and visual limitations some old people face. The suit added volume and restricted movement in key areas of the body, such as the knees, elbows, stomach and back. The gloves reduced the sense of feel and the lenses simulated cataracts, reducing visual capacity. The senior suit, developed in 1994, has been used in many Ford vehicles since and has been instrumental in improving design for elderly consumers, including greater ease in getting in and out of vehicles³⁴.
- **The Home Depot** retail chain, which has nearly 1,880 outlets across the United States, has taken good note of the changes in baby boomers’ preferences. They have seen how many of them are extremely pressed for time, and how at that stage of their lives, they are willing to hire other people to take care of any improvements; for example, in the home. As a result, the company, which in its day was a champion of the “Do-It-Yourself” concept, has diversified to promote a service model based on the idea of “Have it Done”.
- In 2003, **Walt Disney** launched *Magical Gatherings*, targeted mainly at people over 50, which organised trips with friends, grandchildren and generation-fellows. Among other things, the company allows customers to use their website³⁵ for planning the trip and simplifying the process of drawing up a common itinerary. *Magical Gatherings* has proved to be very popular among

³⁴ Ford research benefits senior drivers, Automotive Engineering International, Tech Briefs, Jan 2001.

grandparents wanting to travel with their grandchildren, and the Disney theme parks are a very popular gathering point for multi-generational family visits. The magic of this offer is that it touches skilfully on the social and kinship networks of the consumer groups. Not only does it offer an attractive experience for them and their loved ones, it also creates a social landscape that includes all members of a group. The company offers a range of experiences that can be enjoyed together, ranging from tours, shows and entertainment options to restaurants and entertainment recommendations, without needing to separate or divide up into generations. Like Disney, services industries that identify opportunities related to the networks of older adult consumers will have the option of creating new offers and generating new income.

- Telecommunications. A very novel service for mobile phones has been launched in South Korea³⁶: **LG Electronics** sells mobile phones with biosensors that can help people with diseases such as diabetes—which is more prevalent among the elderly. The phones are especially adapted to monitor blood sugar levels. Users prick their fingers to obtain a blood sample and apply it to a strip. They then insert it into their mobile, which reads off the information and sends it to the doctor or a family member. The devices sell new for nearly four hundred dollars. **Nokia** too has just launched a new conceptual design, a product/service with the functions of a personal assistant, targeted at older people. Among its functions, it can recommend how much of a particular food the person can eat, when they should go to the supermarket to stock up, manage drug dosing schedules, etc. Most of the functions are health-oriented: for example, monitoring medication, doctor's appointments and hygiene. Naturally, the device stores all the information, allowing for complete monitoring. The hardware and interface feature a fantastic design, very suitable for such a specific sales target group. Large icons, touch screen, voice recorder, etc. The creators say they wanted to offer a control system that anyone could understand, with very clear options.
- Property. Real estate visionaries, who monitor population trends closely, say that they are preparing for an increase in the demand for retirement homes or what some call "active adult communities", for over 55s. In Spain, the most significant development are the so-called "senior resorts". These are complexes inhabited exclusively by people over 55, who enjoy all the conveniences a holiday resort can offer: the latest in home automation, sports, cultural and commercial facilities, care and medical services, etc. Senior resorts are an innovative product designed for old people who want to enjoy life in an environment that is tailored to their needs. Judging by current trends, these complexes are set to spread fast: there are now 8 resorts on the Costa del Sol and the Costa Blanca (with 1,380 homes) and another 14 are planned by 2010, and are now at different phases of development.

³⁵ Website:
<http://disneyworld.disney.go.com/>.

³⁶ "Soon, cell phones to monitor vital signs", *The Wall Street Journal*, 15 December, 2004.

The FTF members examined some of the conditioning factors baby boomers experience in establishing their consumption patterns, as compared to the previous generation, the "silent generation", which prized "burden ageing" over the "ageing well" of their children (see Illustration 26).

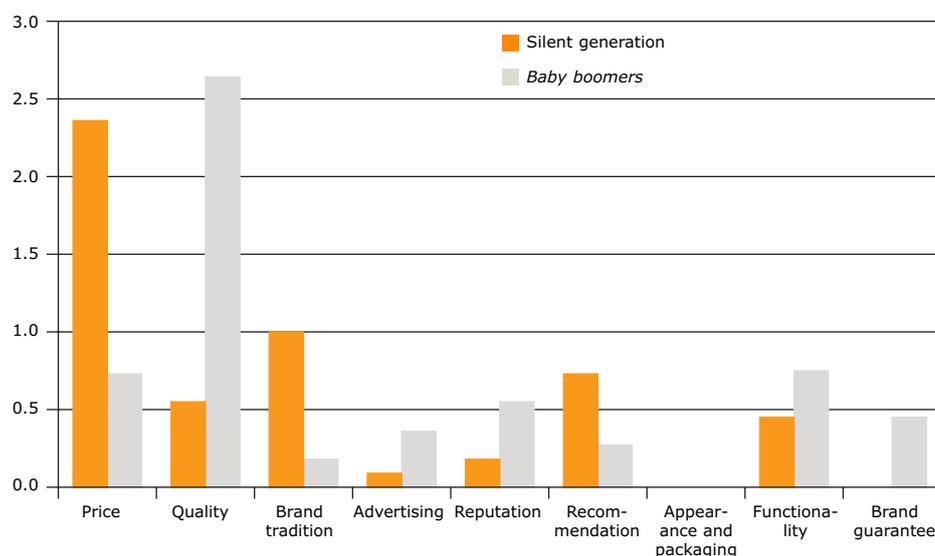


Illustration 26. Factors conditioning consumption habits of baby boomers and silent generation (on a scale of 1 to 10).

Source: internal.

Global service and product companies that start assessing, adjusting and updating their offer now to better meet this growing and influential market of over 50s will have greater opportunities to extend their customer base and to gather in older people and better rewards. Those who ignore this mass demographic change and its global impact will be missing out on a really important opportunity.

Brand migration

Immigrants have been revolutionising the market for several years. They now represent 20% of Vodafone's new customers and also one out of every three newcomers at La Caixa. 30% of the Tecnocasa mortgages go to foreign residents, and 15% of Caja Madrid's. The group accounts for 9% of sales of used cars and in some companies up to 50%, as in Fualsa, which has an important supply of second-hand vans, which are used for family purposes. The figures give just an idea of the consumer potential of the nearly 4.5 million immigrants living in Spain who, according to forecasts from the Instituto Nacional de Estadística, will reach 5.7 million (the 12.6%) by 2010.

Specialist reports and research in this area are still very limited. This is a very recent phenomenon, although two factors may help to explain it: the use of self-exploiting labour—family businesses predominate—and the response by these businesses to a demand among immigrants that is not merely economic. Formal and informal support networks facilitate access to funding and to the demand niche of what some writers call “ethnic enclaves”.

The most common idea is that this new customer niche is relatively untapped, as speaker after speaker insisted at the symposium on cultural marketing organised by the Instituto de Empresa in collaboration with A.C. Nielsen in March 2005. The base of the problem lies in the lack of knowledge of immigrants’ purchasing power. The fact is that 65% of immigrants are forced to make price their first priority when shopping, but they nonetheless also demand quality in products. The experts argue that businesses are afraid of committing themselves to this segment and launching campaigns targeted at them because of the possible negative effects they might have on other customers, due to the social rejection of immigration in some sectors. Most local businesspeople do not consider that this group has sufficient purchasing power yet to buy certain products. To reach the other 35% who might be interested in other issues apart from price, it is necessary to analyse their short medium and long-term needs.

The FTF members looked at the factors that condition the consumption patterns of this group, concluding that price is the keystone when purchasing goods and services.

This enormous surge in new consumers has given wings to old and new businesses alike. Sometimes it is neither the product nor the service that changes, but its presentation: “Latino friend, do you need a car?” reads an ad in a car dealer’s window—even though it is not actually backed any particular offer!

Several companies have adapted skilfully to this trend:

Telecommunications

The first thing an immigrant does on arriving in Spain is to buy a mobile, often at the airport itself. On average, immigrants spend 40% more on pre-paid mobile phone services and 14% more if they have a contract, according to figures from **Vodafone**. Immigrants now account for over 10% of the company’s customer portfolio and over 500,000 users are signed up to its My Country service.

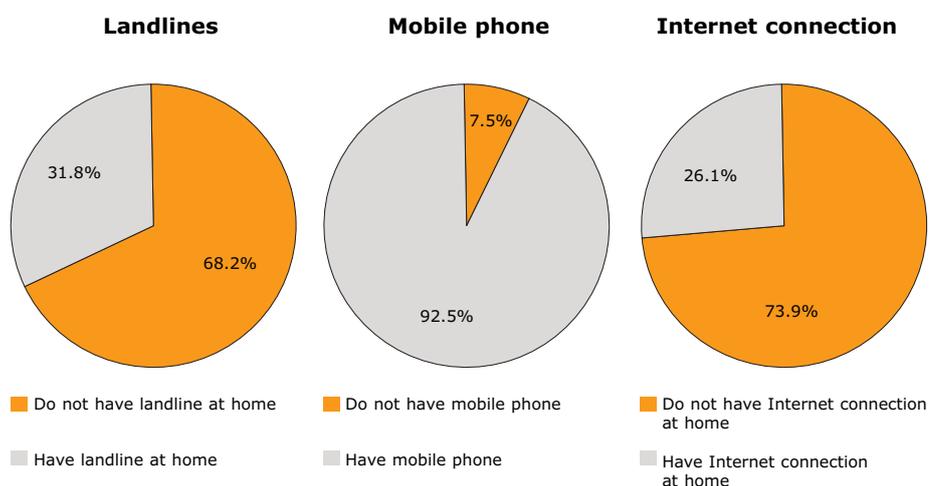


Illustration 27. Penetration of telephony in Spain.
 Source: Asociación para el Conocimiento de la Población Inmigrante,
Estudio de Medios para Inmigrantes. Resumen General EMI 2007.

Estate agencies

Some companies, like **Tecnocasa**, have found it very easy to adapt, located as they are in low and medium-income districts, offering a competitive, near-at-hand service.

In 2007 17.39% of home buyers in Spain were immigrants, 2% more than four years ago; demand among Spaniards fell by 2% in the same period³⁷. The property group highlighted the fact that immigrants have not yet been affected by the slow-down in the industry and are playing an increasingly important part in property sales.

³⁷ According to a study by Expofincas.

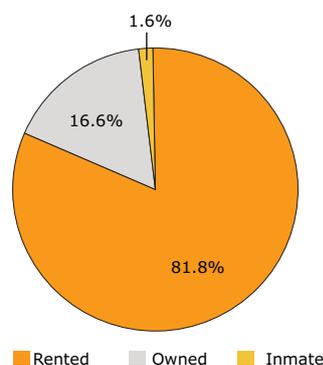


Illustration 28. Property of Residence (2007).
Source: Asociación para el Conocimiento de la Población Inmigrante,
Estudio de Medios para Inmigrantes. Resumen General EMI 2007.

Insurance

The insurance firm **AXA Winterthur** plans to increase its market share among new residents in Spain, a strategic segment for the group, since it accounts for 5% of all its private customers. The company is planning a major sales offensive, based on two major lines: on the one hand, a broad and well-differentiated product range and on the other, the introduction of new specialist offices in cities with the most immigrants (who now number 4.5 million, or 10% of the Spanish population). The new supply of products designed by AXA Winterthur for immigrants comprises four products: motor, life, accident and assistance.

Banking sector

Banks first began to show an interest in immigrants via the remittance business, which at current present rates will come to €6.3 billion this year. Only 20% of remittances are currently sent through banks.

Financial institutions have begun to hire immigrants and to offer them "multi-language" telephone attention to win them over. Repatriation insurance is one example.

In this way, financial capital and the top companies in the property, phone, insurance and mass consumption industries are demonstrating, with their own speculative and business interest, that the phenomenon of immigration is here to stay, and that they are trying to integrate it into their areas of business, in their own way. The reality is indisputable and the banks are sharpening their hooks ahead of the new prize.

Shopping centres

Basically, immigrants tend to adapt to Spanish customs eating habits³⁸, while at the same time preserving, as far as possible, their traditional food; although immigrants like local dishes, they find them somewhat insipid compared to the cuisine of their own countries. As a result, the major food chains are now beginning to market products imported from Latin America.

One example of success is **Carrefour**, which in 2006 launched a website³⁹ targeting this group with traditional services and products from their own countries. They also ran an Internet campaign with different formats of banner inserted on the sites most often frequented by immigrants. These were backed by commercials on the most popular radio stations among these groups. Do these differentiated campaigns pose any danger? The exploitation of ethnic consumer markets, as has happened with the Hispanics in United States, is leading to the construction of restricted and delimited identities, which also exploit their exoticism, in a somewhat caricatured format, on domestic markets.

Mass consumption

The Valencian wine manufacturer **Torre Oria** is looking to adapt their supply to new consumers and has launched a new wine targeted at immigrants from Romania, the most numerous group in the province of Castellón. The plan is to market it throughout Spain during the year. One of the keys to its penetration on this market is its "excellent value". The wine, Tara Mea (which means "My Earth" in Romanian) has been prepared with collaboration from a Romanian oenologist, "who knows first-hand the tastes and trends of these new consumers".

Another positive experience came in September 2007 with the First Hispanic-Moroccan Meat Fair. The symposia brought Spanish meat companies offering products slaughtered in accordance with the *halal* rite⁴⁰ into contact with Moroccan companies to develop commercial ties and ensure food safety.

Also pursuing the Moslem population, the **Central Lechera Asturiana** dairy was awarded Halal Guarantee Certification from the Halal Institute for its full-fat, semi-skimmed and skimmed milk products. The products, which will carry the Halal Guarantee label issued by the Islamic Council and will be sold under the trade name *Halal de Al Andalus*, will be distributed in malls, targeting both Moslem consumers and non-Moslems who for one reason or another want to buy *halal* products. Central Lechera Asturiana is the first company in the dairy industry to gain certification for this type of product, marking a major advance in satisfying the demands of the *halal* market which more and more is demanding safe guaranteed products.

The importance of immigrants as consumers of products is beginning to be such that organisations like the Federation of Consumer Associations and Users of Andalusia (FACUA) are developing training and information campaigns under the ti-

³⁸ According to a study entitled *Eating habits among immigrants in Spain 2007*, conducted by the Ministry of Agriculture, Fishing and Food (MAPA) in collaboration with Nielsen, which surveyed the main immigrant groups from Central and South America, Africa, Asia and Eastern Europe and analysed their eating and shopping habits.

³⁹ Website:
<http://www.carrefour.es/comoencasa/>.

⁴⁰ Suitable for Moslem consumption.



the *Immigrants and their rights as consumers*, in which they distribute a state-of-the-art guide in Spanish, English and French to advise immigrants of their rights and prevent some of the abuse they might suffer due to their lack of knowledge of the language, the products and their rights.

Coca-Cola is launching new products intended to “seduce” new consumers in Spain. The company is already marketing them in the countries of origin of its target audience but now wants to do the same in Spain, taking Madrid and Barcelona as pilot cities. These products include Inka Cola, a well-known drink in Latin American countries, and Sunfill (a flavoured orange juice), drunk in Morocco and in some other African countries.

Tourism

Passenger air traffic between Spain and Latin America grew suddenly by a 25% in 2004. The reason was that many immigrants had not returned to their countries for fear of not being allowed back into Spain, a problem which was resolved for some with the regularisation process. The low-cost airline **EasyJet** has chosen the city of Tangier for its third route between Spain and Morocco (after Marrakech and Casablanca); **Ryanair** recently launched a connection between Girona and Fez (Morocco) and **Iberia** decided to double its direct flights between Madrid and Bucharest (Romania) from the beginning of the 2007-2008 winter season and is offering special prices on its routes to Poland.

Cosmetics and Personal Hygiene

The cosmetics industry is well aware that there is a great difference between the hair of ethnic groups such as Caucasians and Asians and that of others, such as Africans. It is the latter population segment that is demanding most solutions from an industry whose products are based to a scandalously large degree on the “white standard”. Launching a new made-to-measure cosmetic product for hair or skin means investing first in research and development and then in innovation. This is especially important in view of the fact that the experts estimate that in twenty years time, half of the world’s population will be multi-ethnic. Chicago recently witnessed one of the first steps in this direction. At the Ethnic Skin and Hair Congress organised by the French multinational L’Oreal, American and European scientists showed the results of their research—still a long way from being definitive, given the small numbers of people studied. In the United States, Amy S. Paller, president of the Department of Dermatology at the School of Medicine of the Northwestern University in Chicago has just opened an Ethnic Skin Centre; similar centres have followed in Detroit and Miami. Dermatologists say that a knowledge of dark skin means knowing how the skin of a Pakistani, Brazilian or Senegalese patient functions and reacts to certain types of laser and how it is affected by anti-acne and anti-ageing creams.

The franchise as a business opportunity. As immigrants settle in this country, increasing numbers are becoming employers or self-employed, demonstrat-

ing a marked entrepreneurial spirit. More than 1.75 million foreign workers are now registered in the Social Security and of these, 240,000 are listed as self-employed, especially in the catering and retail industries.

By nationality, Chinese and Pakistani immigrants are currently the largest business creators. Businesses run by foreigners have helped commercially revive urban areas such as Lavapiés in Madrid, El Raval in Barcelona and Russafa in Valencia.

As for the type of company they set up, there is an emphasis on ethnically-orientated businesses—providing the immigrant community with products from their own culture that are not available in Spain; and circuit companies, which help immigrants stay in contact with their countries of origin. Another common option is to exploit ethnic exoticism to attract the broader public to their products and, on occasions, their culture, establishing a relationship that favours integration of the group and its business initiative on the market. One example is the travel agency Dominicana Tours, which organises holidays in the Dominican Republic.

The Ecuadorian community, one of the most numerous in Spain, already enjoys direct support from a bank from their own country on Spanish soil. The country's second largest bank, Banco de Guayaquil, has set up a branch office in Madrid precisely to provide incentives for Ecuadorians to create businesses and collaborate in developing trade between the two countries.

According to the Spanish National Federation of Self-Employed Workers, small business has lost 46% of its market share to the large malls. Immigrants' shops are condemned by local shopkeepers as being an essential cause of the decline in the industry, but in fact they help galvanise small business in this country at a time of difficulty.

4.2.2. Design, labelling and delivery

Although it is difficult to determine the preferences of people aged over 50, specific patterns of change can be traced among ageing consumers in a number of areas. A report by Deloitte Research⁴¹ offers a framework of reference for looking at the changes faced by 50+ consumers in the biological, psychological, economic and social area. Understanding these changes can provide information that will help in designing products and making well-informed decisions. Despite the fact that the level of change may vary for consumers aged over 50, 60, 70 and 80, the essential framework can be used to create scenarios and find focused responses for any consumer over 50. Some best practises are listed below:

- Household items. Most seniors remain agile well past 70; however, they gradually begin to lose essential skills: they appear to have less strength or agility to open jars of food and bottles, and greater difficulty in gripping garden

⁴¹ Cabrini Pak and Ajit Pambil: *Riqueza con sabiduría: atendiendo las necesidades de los consumidores de 50 años en adelante*, a study by Deloitte Research.

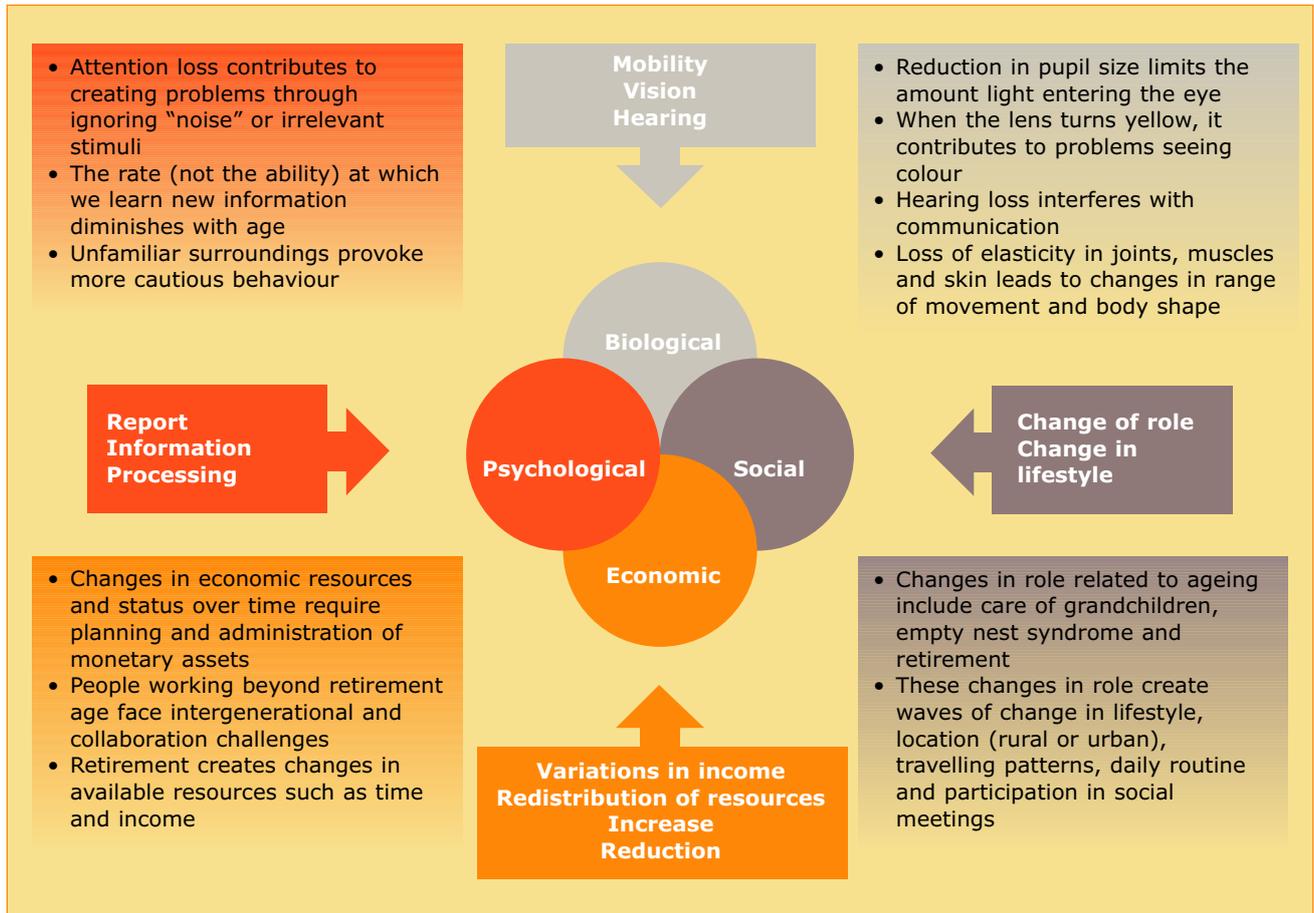


Illustration 29. The ageing process can transform consumers.
Source: Deloitte Research.

secateurs or loading and unloading the washing machine. Some shrewd manufacturers of domestic appliances and tools are carefully adjusting their designs to suit older consumers. And along the way, they are realising that the products redesigned for this demographic group can build cross-generation loyalty among people who appreciate intelligent design. One of the first companies to get involved in this area was Oxo International, manufacturer of the Good Grips line of kitchen utensils. Sam Farber, a retired executive, came up with the original collection of easy-to-grip utensils for his wife who suffered from arthritis in her hands. Farber's aim, back in the 1990s, was to develop an attractive line of kitchen utensils in collaboration with Smart Design in New York, which would combine style with ease of gripping, twisting, pushing and tightening. The first designs were based on sessions with older consumers, chefs and people with movement difficulties. Today, Oxo produces over

350 products with rubber grips to prevent slipping and elliptical handles to ensure safe handling. They now have a broad customer base and have won many prizes for their designs, which are included in the design collection at the Museum of Modern Art in New York.

- Domestic appliances. There are other domestic products that have been re-designed to better suit elderly people and people with reduced mobility, which have also attracted a broader customer base. These include Whirlpool Corp. Snapware, the leader in domestic appliances, which specifically designed its Duet front-loading washer-drier with a high base to reduce the back pain and fatigue caused by stooping and stretching to load or unload clothes. These companies propose what is known as a “universal design”; in other words they design products with a more modern and stylised appearance that appeals to a wider range of customers, even though they specifically address issues related to the physical limitations of elderly customers.
- Telecommunications. The American company Samsung, through its registered brand Great Call, Inc. Samsung⁴², has developed a new model of telephone, called the Jitterbug, especially for baby boomers. The aim has been to simplify the technology and make it more accessible to everyone. The brand’s products and services are based on three premises: simplicity, customisation and ease of use. What’s new about the Jitterbug as compared to other mobile phones is that it is more ergonomic (larger and easier to hold), easier to use (it has very few, larger, numbers-only, back-lit buttons, and the sound is louder and clearer), and extremely user-friendly (the text on the screen is larger). One of the revolutionary features is that users have round-the-clock access to a Jitterbug operator, who can make calls for them, add or edit numbers and names in the directory and assist with other tasks.

For their part, immigrants always love bright colours and family sizes. They like articles that offer large quantities at a good price, especially amongst mass consumption items (food and hygiene). When it comes to mobiles and textiles, they go for the latest models and don’t skimp on this type of article: they wear the latest trainers, watch plasma television and have the most sophisticated mobiles. They are also receptive to sales strategies in retail outlets, with promoters who speak their language and understand their priorities. Mainly of Latin American origin, they enjoy their leisure time and tend to prefer their own venues and shows. They are perfectly capable of making do with one meal a day so that they can pay for a VIP ticket to a night-time show. These new Spaniards come in a range of profiles based on different parameters, such as employment stability, degree of integration and age.

4.2.3. Advertising and marketing

Fully aware of all these factors, advertisers are targeting these groups with exclusive campaigns and agencies are beginning to specialise in what has become known as “ethnic marketing”.

⁴² Registered trademark of Samsung Electronics America, Inc.

Larger advertisers are creating specific divisions for these consumers and do not hesitate to dedicate parallel advertising to them in their major campaigns. Agencies are also springing up that specialise exclusively in this business.

One clear example is Coca-Cola, which, as the retailer in Spain of the Fioravanti and Sunfill sodas, targeted at Ecuadorians and Moroccans, runs the **Minority** agency, which specialises in advertising for immigrants. José Santa María, communications director at the agency, explains that the campaigns have to combine the creative message and the medium. "You have to create a message that touches the particular situation of these groups, their culture and their language, but in particular, you have to use specific communication channels that will make it possible to reach them directly. And that is where people are failing", he says.

Some of the best channels include the free press, weekly and monthly publications targeted at immigrants and certain immigrant-focused radio stations. Nonetheless, their advertising is also to be found on the streets, on hoardings and in cultural and musical events listings.

Another of these agencies is **Ethnical Consultores**, which works exclusively on this business, with slogans that are as simple as they are effective: "Do you want the new Spaniards as your customers?". In the "ethnic caravan" (a promotional concept developed by Ethnical which uses street marketing) the products are offered directly by ethnic promoters to their compatriots at the points of sale. This method has yielded good results, since immigrants identify more with the product and trust the brand more.

For its part, CBS Outdoor⁴³ has announced the launch of a series of outdoor advertising sites targeted specifically at the immigrant population, with which it hopes to reach the new consumers more directly and effectively. To achieve this, the company has analysed the lifestyle of the immigrant community and the geographical areas where they mostly settle, and has selected 300 advertising sites in the areas of Spain where 69% of their target audience are concentrated: Madrid, Community of Valencia, Murcia, Catalonia and Andalusia.

As for the seniors, being a boomer does not make an individual part of a specific group. The baby boom generation is no more than a label dreamt up by demographers. Media outlets have realised this and are already designing programmes targeting seniors who travel, seniors who enjoy the good life, seniors who eat out, seniors who like art and seniors who have grandchildren, rather than concentrating merely on their age. Baby boomers need to be segmented up in just the same way as any other group.

The Second Vocento "Advertising Scan" Meeting, held in October 2007, attracted leading Spanish and international experts from the industry. They included the American advertising guru, Matt Thornhill, founder and president of Boomer Project⁴⁴. Thornhill has rediscovered a target audience which controls 70% of economic power in the United States. In his book *Boomer Consumer*, Thornhill

⁴³ A division of the multimedia group CBS Corporation.

⁴⁴ Website: www.boomerproject.com.



argues in favour of a new form of advertising for consumers aged between 50 and 75. His theories are breaking down all the preconceptions on consumerism in this commercial target group. In the US, there are more baby boomers than members of any other generation, with a high volume of income available to spend on goods and services.

Not only are the consumer target groups changing, the most forward-thinking businesses are also modifying their sales and marketing techniques. The Pareto principle has given way to the discount system, previously restricted to hypermarkets like DIA and Lidl, but now spreading to all industries. In addition, luxury brands are consolidating their position on the market by offering products and services at high prices, which are justified by the experience involved in buying them.

The Pareto principle, also known as the 80-20 rule, is named after Vilfredo Pareto (1848-1923), who first formulated it. Pareto noticed that people in his society were naturally divided between the “few of much” and the “many of few”, forming two groups in proportions of 80:20. The minority group, formed by 20% of the population, held 80% of something while the majority group (the remaining 80% of the population) held 20% of something. One of the best-known applications of the principle is in the analysis of commercial sales. In nearly all companies where sales are analysed by the number of customers, 80% of sales are seen to come from 20% of customers. Using this information it is possible to identify which customers are of strategic importance and which are not. The Pareto principle also tends to hold good in the product range: 80% of sales come from 20% of the product catalogue. In general, the Pareto principle makes it possible to optimise the results obtained and facilitates strategic decision-making working with real data. Clearly, there are exceptions to the rule and we might find that a residual product is the one that ensures the loyalty of an important customer; more analyses are therefore needed if the right decisions are to be made.

The experts confirmed the trend among businesses to seek not large profits from a few, but small profits from many. On this basis, the 80:80 business model is considered to guarantee future success.

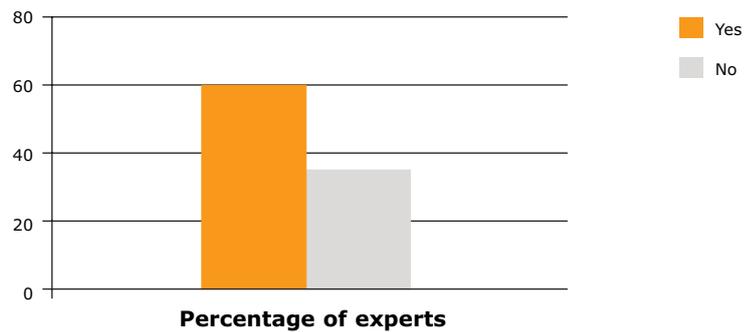


Illustration 30. Percentage of experts who consider that the 80:80 model will work in the future.
Source: internal.

Most marketing professionals and their agencies use age as a filter to decide whether they consider a target group to be "still alive". However, the key is that someone cannot be pigeonholed merely by their age; rather it is necessary to understand their lifestyle in order to design the campaign: parent, grandparent, unmarried, etc. Someone aged 53 years should have children at university and be thinking of retiring, but this is not always the case.

A common mistake among marketing experts is to assume that the over 50s do not respond to the most avant-garde advertising. Most of the baby boomers have been in the advertisers' spotlight since they were five: cereal manufacturers began selling them Corn Flakes and they had no qualms accepting the hula-hoop. They're not so different to a younger audience: just like them, they look to advertising for education, information and to keep abreast of changes.

Similarly, businesses are allying with technology to reduce advertising and distribution costs. Despite the fact that few companies have yet found the right formulas for reaching consumers in the digital age, increasing numbers are jumping on the bandwagon. The experts analysed which resources were most effective for companies wanting to reach the new consumer groups (see Illustration 31).

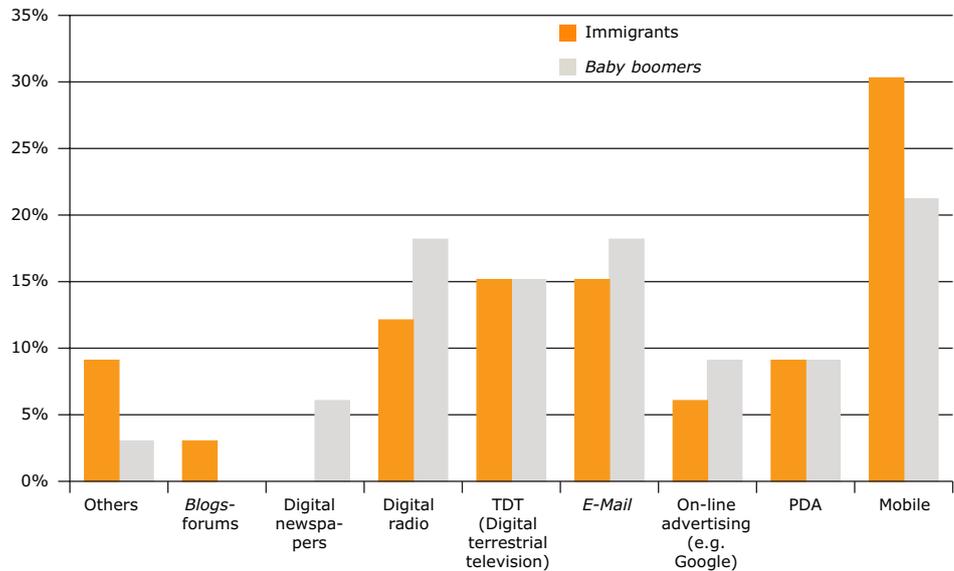


Illustration 31. Communication channels that will create greater ties between companies and new consumers.
Source: internal.

4.3. Media, new scenarios

The media has always been said to be the fourth estate in society; it is an estate that contains many different voices, protagonists, tones, subjects and approaches... The media generates opinion on society and build movements for or against certain characters, political stances, economic decisions and social attitudes.

In Spain, the results of the *Estudio General de Medios (General Study of the Media)*⁴⁵ show the continued hegemony of television, followed closely by radio, outdoor advertising and magazines with daily newspapers trailing the usual distance behind. No form of media, with the exception of the Internet, has seen any great difference in its rate of penetration; in the case of the Internet, penetration has gone from 5.6% in 2000 to 26.2% in 2007.

⁴⁵ November 2007.

Trend (penetration, in percentage)

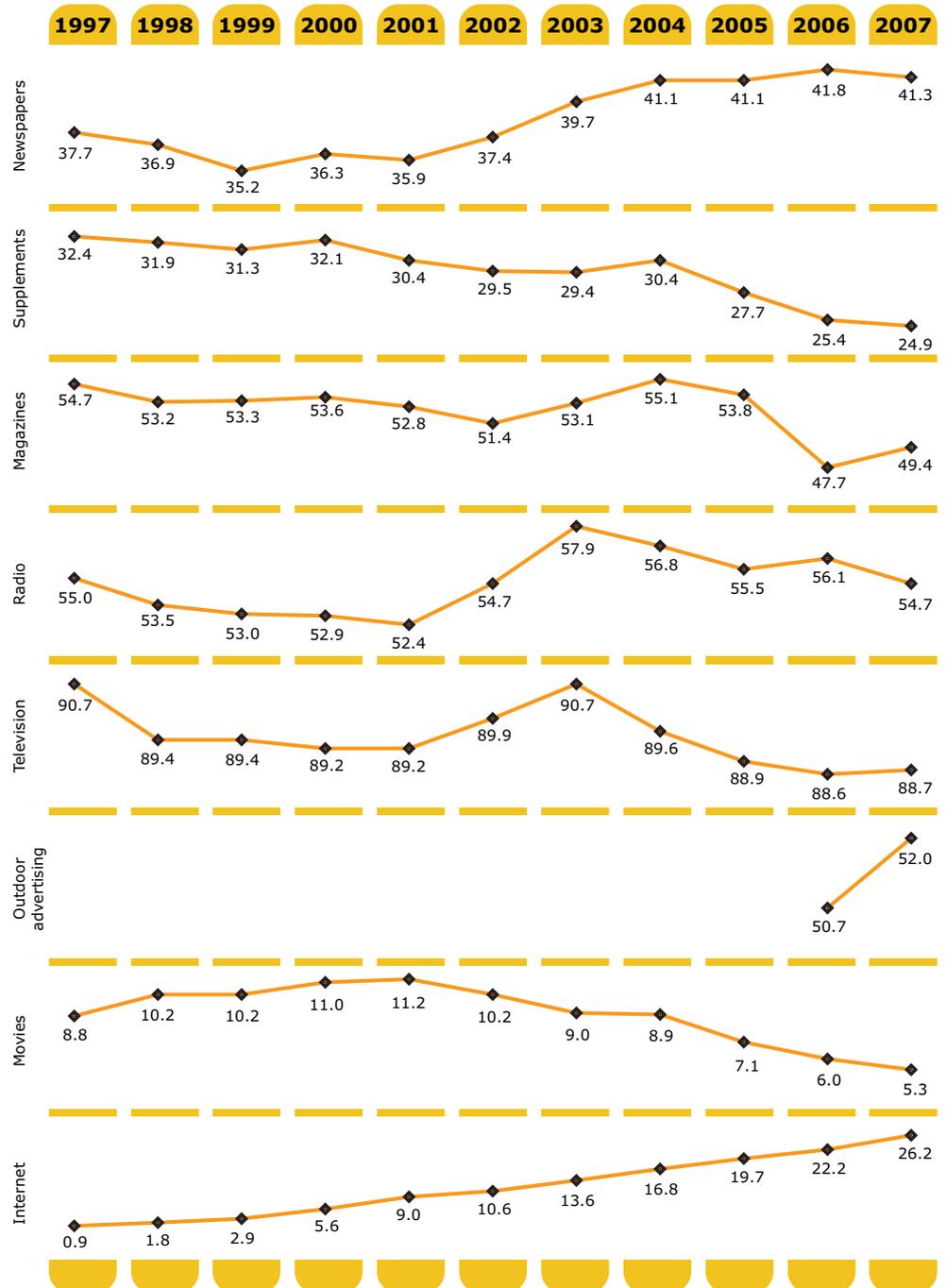


Illustration 32. Trends in general media audience.
Source: EGM.

As for the audience profile, we can clearly see that the medium with the greatest penetration among people over 55 is television (this segment makes up 33.4% of the total audience), followed by supplements (28.1%) and the radio (26.3%). Newspapers and magazines are relegated to fourth (26.3%) and fifth place (21%) respectively. The Internet remains marginal with a 7.2% penetration rate in this sector, but in view of its growth in recent years it is predicted that it will gradually become more prevalent.

The baby boomers are the first truly media-savvy generation of seniors; although they were already adults when they discovered television, they have lived with it for the rest of their lives. According to a study by the CIS⁴⁶, over-65s watch more television than the Spanish average (86% say they watch every day). Television is therefore the ideal channel of communication for this segment, although they assimilate better the messages transmitted by other media, such as the radio and the press.

The press is not as commonly used by old people, but it continues to be the most reliable of all. According to the CIS study, the habit of reading the newspaper begins to fall off from age 45 and only 22% of over-65s still read a paper every day. The most logical explanation is that they have physical problems, such as loss of sight, which prevent them from enjoying reading, and it might therefore be interesting to look into the viability of a newspaper in a more readable format as a business opportunity.

Spain already offers some best practices amongst the specialist media. *Senda* is a magazine especially designed for active elderly people. For over six years it has been reporting on an area that has been largely ignored by the media. The Senda Group's aim was to bring out a monthly magazine that would rigorously and specifically cover the information needs of elderly people. The magazine promotes active and healthy living, encouraging a positive image of aging in society. The publication reviews a wide variety of topical issues, including culture, leisure, travel, health, politics and business, among others. It also has a high-quality website⁴⁷, offering updated contents that tie in closely with the interests of people over 55 living in Spain.

The magazine *Vivir con júbilo*, from the Planeta Group, is the most widely-read specialist publication among old people, according to official figures from the Oficina de Justificación de la Publicación (OJD). With a national monthly distribution of 75,000, the magazine is now also the favourite among advertisers, making it the senior publication with the greatest advertising penetration, well ahead of any other in its area. *Vivir con júbilo* is a general information publication especially oriented towards older people and it also has a very functional website⁴⁸.

Some very interesting sites can be found on the Internet⁴⁹ which act as a model in the industry both in Spain and abroad. Many baby boomers too are skilled net surfers; participating in forums, writing blogs and joining social networks. For

⁴⁶ Centro de Investigaciones Sociológicas: *Estudio 2.396*, July 2000.

⁴⁷ Website: www.sendasenor.com.

⁴⁸ Website: www.jubilo.es.

⁴⁹ See www.infosenior.es and www.losmayores.com in Spain. In America, the pages are aesthetically more attractive, e.g. <http://boomerthemagazine.com/> and <http://www.babyboomer-magazine.com/>.

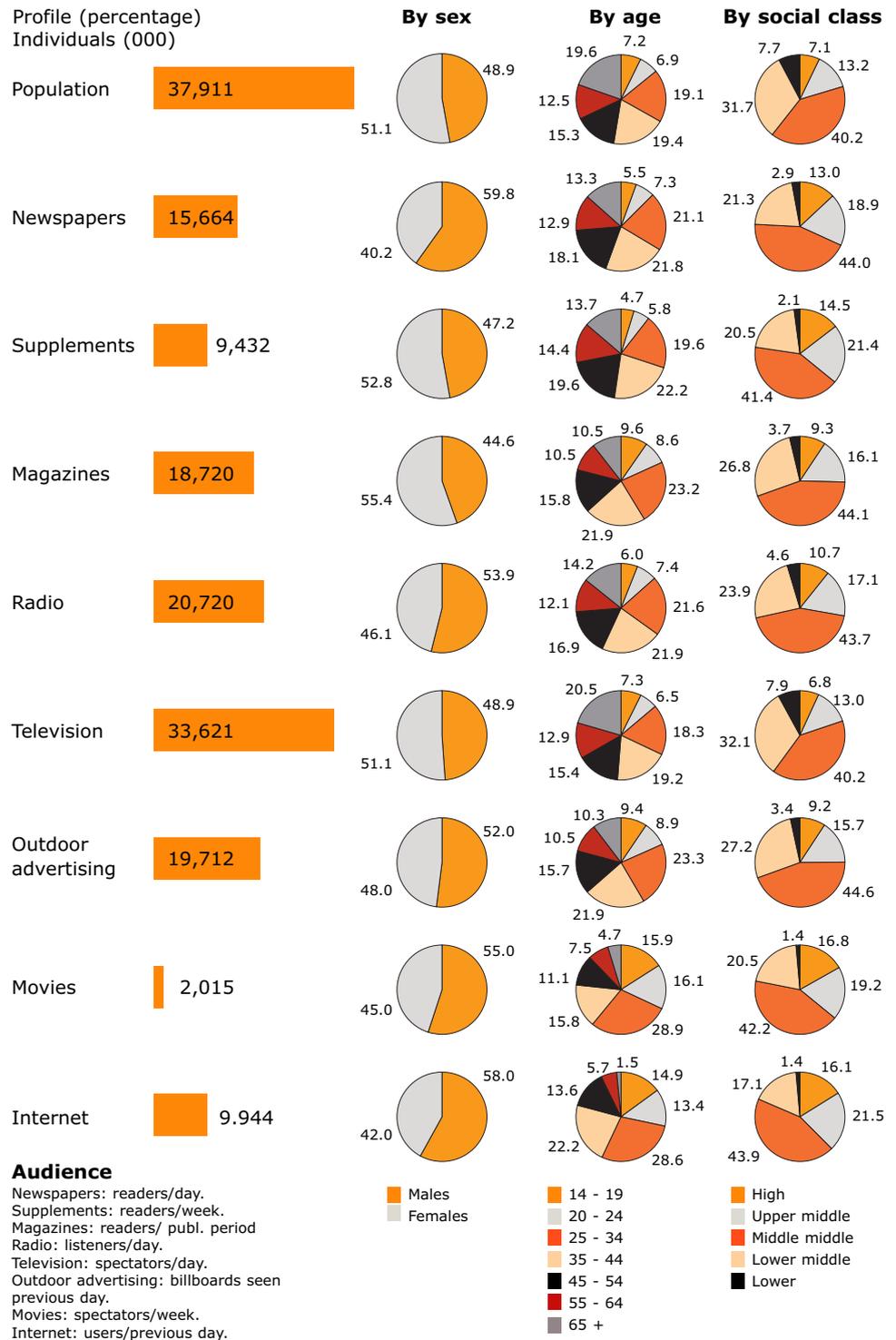


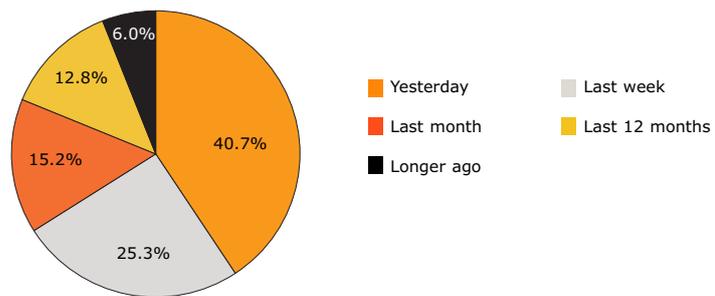
Illustration 33. Audience profile.
Source: EGM.

example, www.savvyboomer.com is a blog targeted at older people that deals with technological novelties and the latest Internet applications.

Immigrants are avid media consumers, with particular interest in anything related to the latest technology. Having an Internet connection or access to e-mail is not something they see as optional, but an absolute necessity in their lives. According to the statistics, they mostly use the Internet to view websites and read e-mail.

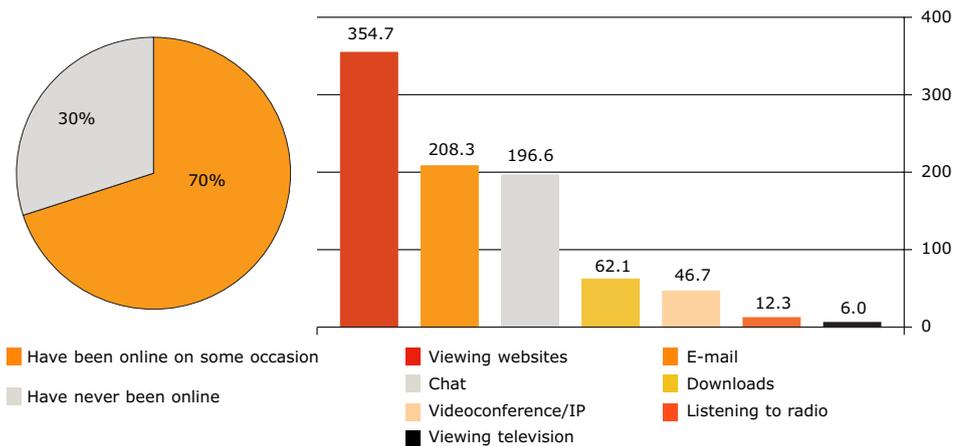
Last time online

Base: immigrants resident in the community of Madrid who have been online on some occasion, 70% (440,900 individuals)



Use of Internet

Base: immigrants resident in the community of Madrid who have been online on some occasion, 70% (440,900 individuals)
Multiple question



⁴⁹ See www.infosenior.es and www.losmayores.com, in Spain. In America, the pages are aesthetically more attractive, e.g. <http://boomerthemagazine.com/> and <http://www.babyboomer-magazine.com/>.

Illustration 34. Online activity among immigrants.
Source: Asociación para el Conocimiento de la Población Inmigrante, *Estudio de Medios para Inmigrantes. Resumen General EMI 2007*.

As for other media, it would be difficult to pick out any type over another, since the immigrant population is very open to newspapers, radio and television. In the first case, immigrants find the information in the weekly papers targeted at them particularly useful (e.g. *Latino*, *Sí se puede* and *Toümai*), which are overwhelmingly successful among the target communities: their pages are full of advertising and over recent months, they have consolidated their position among the readership by backing social causes and sponsoring sports, cultural and musical events and spectacles. Among the daily papers, there is a clear preference for the free press. In both cases, the average readership is very young (14-44).

The radio is a versatile and convenient medium, which can adapt quickly to changes, and offers information and company. The immigrant sector has for many years been particularly receptive to this medium, on account of the programmes especially created for them. This was followed by specially targeted advertising and there is now a wide range of stations with a clear orientation towards the non-national audience. Most of them are Latino stations broadcasting in format radio, but there are also Romanian and Arabic stations, among others. Most stations offer local coverage, but gain great prestige among the communities because, like the seminars for immigrants, they use their presence at leading social events to consolidate their position.

Audience

Weekly for immigrants: readers/week.
 Monthly for immigrants: readers/month.
 Free general-interest: readers/day.
 General-interest and sports daily newspapers: readers/day.

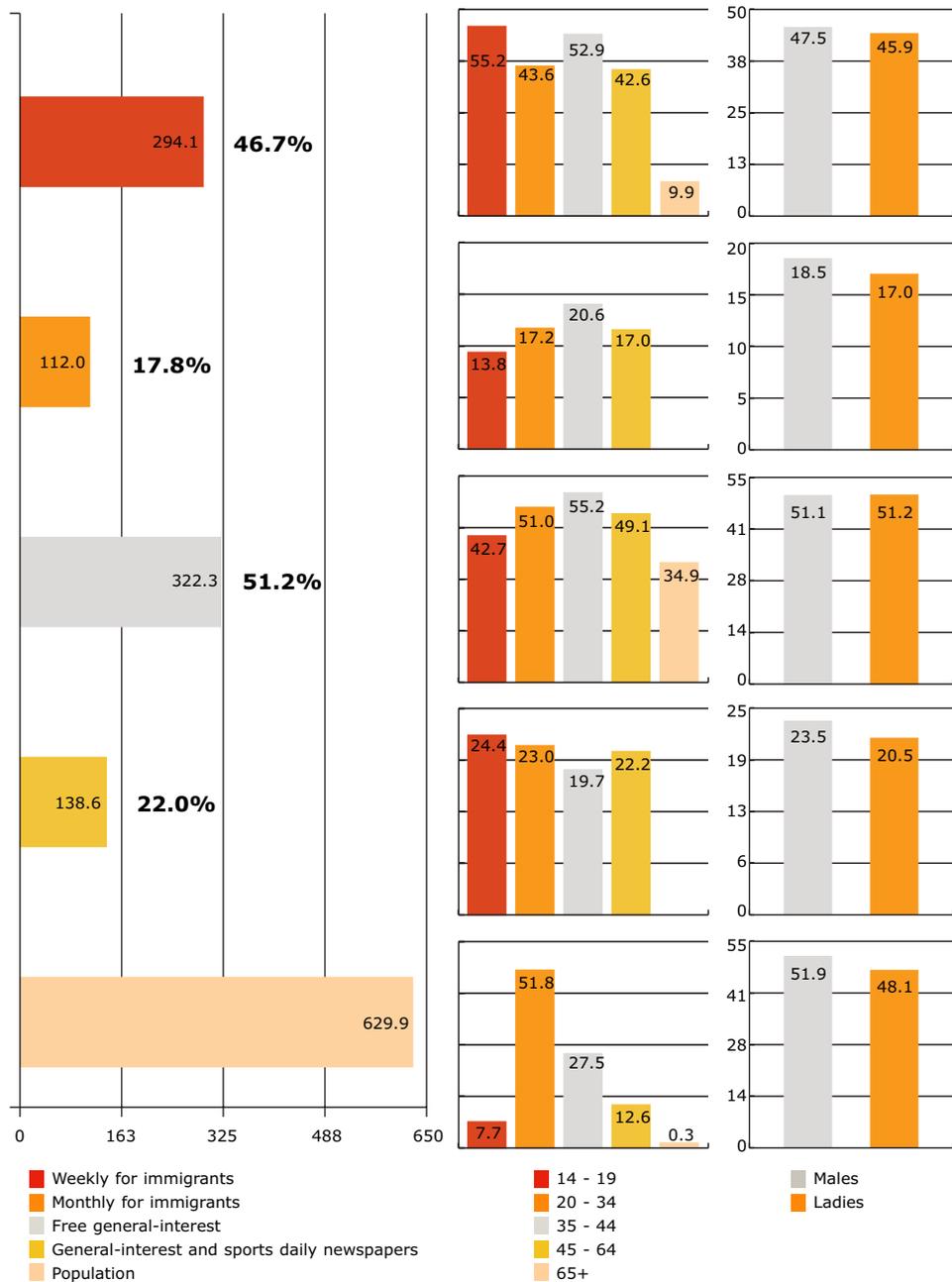


Illustration 35. Penetration of daily newspapers among immigrant population.

Source: Asociación para el Conocimiento de la Población Inmigrante, *Estudio de Medios para Inmigrantes. Resumen General EMI 2007.*

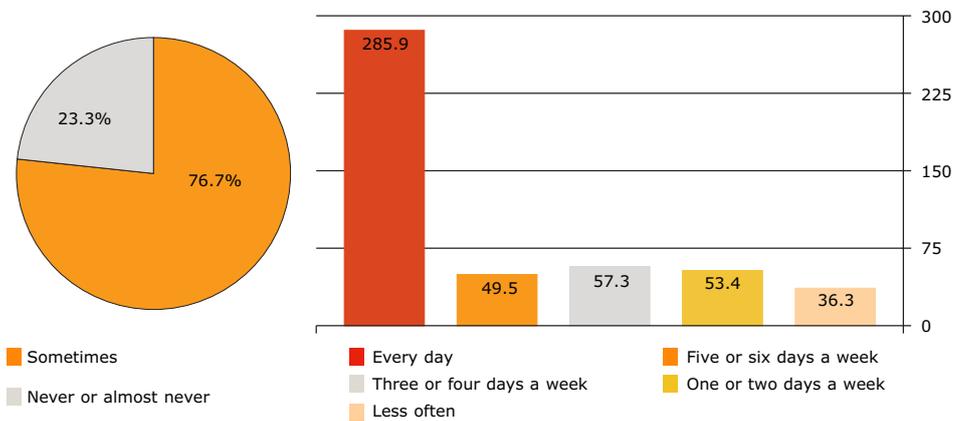


Illustration 36. Frequency of radio listening among immigrant population.

Source: Asociación para el Conocimiento de la Población Inmigrante, *Estudio de Medios para Inmigrantes. Resumen General EMI 2007.*

Television is undoubtedly important in social integration, given that new arrivals absorb part of the local culture through the news, domestic series and Spanish programmes; they learn who are the leading faces and understand the points of view of the host country. Practically 100% of immigrants spend part of their time every day watching television. In recent years there has been an increase in the number of theme channels specialising in Latin music, soap operas, imported programmes, etc.

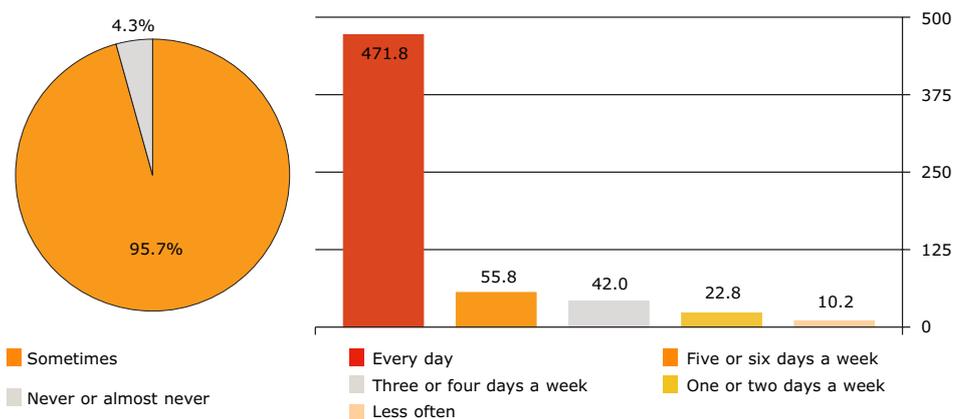


Illustration 37. Frequency of television watching among immigrant population.

Source: Asociación para el Conocimiento de la Población Inmigrante, *Estudio de Medios para Inmigrantes. Resumen General EMI 2007.*

The Latino community has the largest media offer available to them: newspapers, magazines, a host of radio broadcasters and even a television station (Canal Latino TV).

The conclusion is clear: in recent years there has been a proliferation in the media specialising in baby boomers and immigrants. However, the general-interest media are largely ignoring both segments. The FTF experts set out a series of measures that these media could adopt to reach out to these communities and draw them in as readers, listeners and viewers (see Illustration. 38).

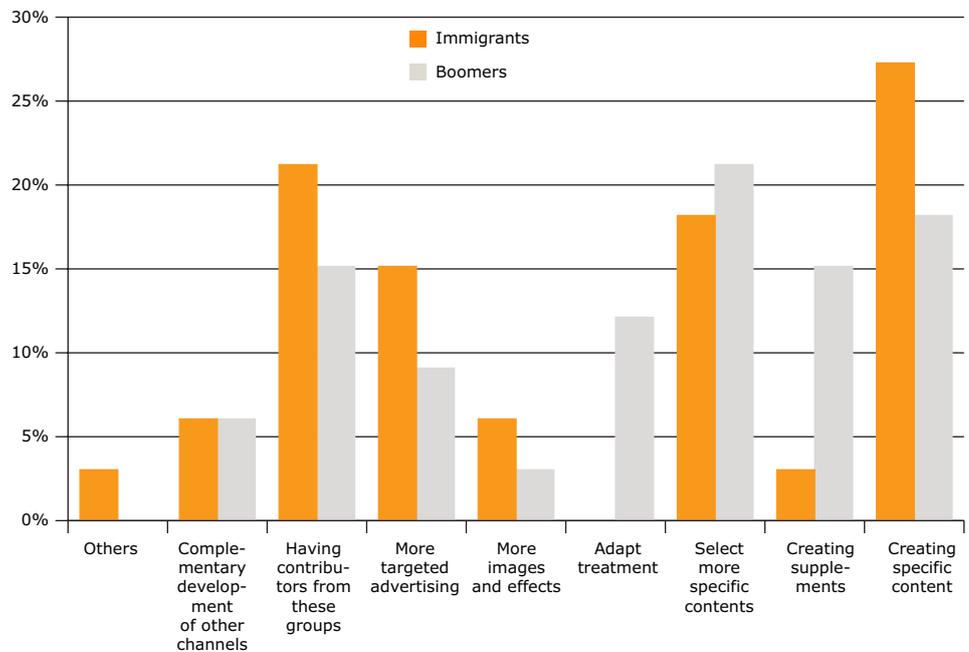


Illustration 38. Actions to consolidate baby boomers and immigrants as consumers of general-interest media.
Source: internal.

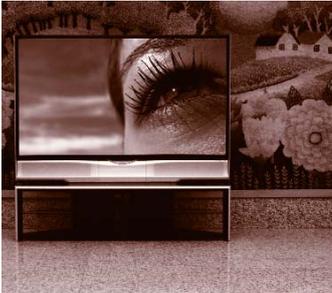
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CHAPTER 5

New technologies: intergenerational tools

5

New technologies: intergenerational tools



If the oldest baby boomers are now the first generation of entirely mediated seniors, the youngest will be the first digital seniors. Many old people are frequent mobile phone users and it is now beginning to be common to find an internet service in old people's homes.

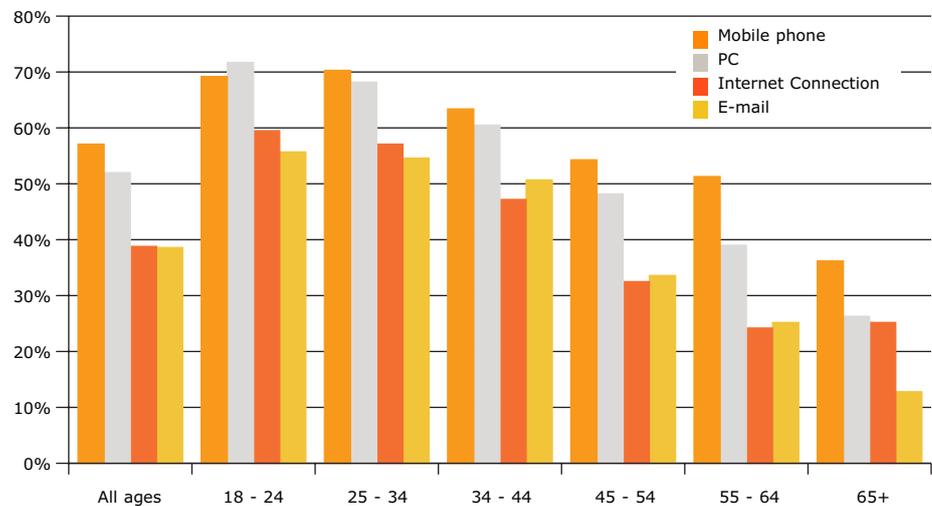


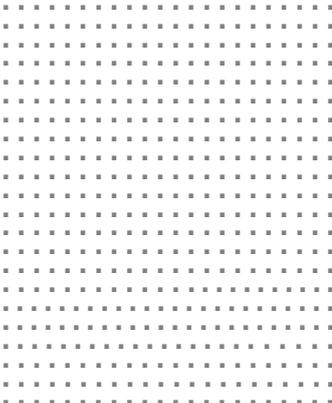
Illustration 39. Need for different technologies in everyday life (2001).
 Source: CIS, Estudio 2429, septiembre de 2001 (from the publication *El mercado de los seniors en España: ¿oportunidad o burbuja de negocio?*, by José Luis Nueno and Julián Villanueva).

The experts at the FTF meeting played a game to try to identify what major trends will result from the presence of these two large new consumer segments, immigrants and baby boomers. Surprisingly, most of the suggestions were related to technology. Furthermore, most of those innovations have already been invented and are developed; the next step is to take all that innovation to the consumer market.

5.1. Home automatics

Large technological companies have clearly seen the writing on the demographic wall and in recent years have steered R&D towards adapting technology for seniors. There are, however, two new fields which are particularly interesting: on the one hand, home automatics and on the other, net tools for *Silver Surfers*, a generation of baby boomers who are skilful web surfers, using the Internet for the same purposes as their teenage grandchildren.

Notes



Home Automatics: Home automatics is a combination of systems capable of automating a home, using different services for managing energy, security, comfort and communication which can be integrated with internal and external wired or wireless communication networks and controlled from inside or outside the home. It could be defined as integrating technology into the intelligent design of a premises.

Home automatics is going to be the great revolution in the home of the near future: interconnected domestic appliances, lights and heating systems that save energy, because they use movement detection to switch on, ecological shutters, security systems activated by sensors and a long list of other developments will cut costs for people living in their homes, reduce consumption and provide greater security.

According to these researchers, the monitored home of the future will incorporate assistance services with wireless communication technologies such as 3G, wi-fi and Bluetooth, as well as intelligent textile sensors integrated into textiles, home and decorations. This will mean that pillows, mattresses, upholstery and even clothes will have electrodes based on carbon nanotubes that will let home-owners know if they've left the cooker on or whether they move about in their sleep.

Some good practice:

- Beo5⁵⁰ is Bang & Olufsen's new remote control which can be entirely customised to the user's requirements. The new Beo5 can be used to control all Bang & Olufsen products and also to draw the curtains and switch lights on and off.
- The infrared movement and sound detector⁵¹ turns on a light in a room when it detects movement and/or sound. The sensitivity of the apparatus and the length of time the light stays on can both be regulated. There is also a switch on the front of the terminal to turn the light on and off manually. The system is particularly easy to fit and has a maximum power of 500 watts.
- Senior Pilot⁵² is an infrared remote control especially designed for older people, with very large light-up buttons and easy-to-see symbols, making it easier to read and use. Another advantage of Senior Pilot is that it can be programmed to perform the principal functions of all the other remotes around the home, essentially replacing them. Senior Pilot can be used to control the television, video or stereo as well as any other home automatic appliances installed, such as motorised blinds, lights, doors, etc.
- In some circumstances, it may not be possible for the user to use buttons or switches to control the environment. In these cases, they can still use their

⁵⁰ Website:
<http://www.bang-olufsen.com/page.asp?id=365&bhcp=1>.

⁵¹ Website:
<http://www.voltimum.es/catalog/fam/NIE-/031/002/NIE-41/fam-P/Detectores-de-movimiento.html?fullsize=yes>.

⁵² Website:
http://www.discapnet.com/Discapnet/Castellano/Accesibilidad/Calidad/Ayudas+tecnicas/Guias+tecnicas/GuiasTecnicas_004.htm#SENIOR%20PILOT.

voice. Sicare offers remote controls using infrared, such as the Sicare Light⁵³, or radiofrequency (the Sicare Pilot), which allow any device or domestic appliance to be controlled by voice. This means that you can turn on lights, start your music system, select a radio station, switch on the television, pick up the phone, call to ask for help, turn up the temperature on the climate control, open and close windows, blinds, curtains and doors and adjust a motorised bed to the required position, just by using your voice. The Sicare Light voice control can be used in care homes or private dwellings.

From January 2007 to June 2010, the European Union is subsidising the Persona Project⁵⁴ (Perceptive Spaces Promoting Independent Ageing)⁵⁵, created to develop a platform for ubiquitous, instant and transparent access for older people to services that will allow them to continue living as long as possible in their own home environment. The consortium is made up of over twenty organisations from Spain, Greece, Denmark, Italy and Germany, and includes Vodafone Italia, the Polytechnic University of Madrid, the ITACA Institute of the Polytechnic University of Valencia and the Vodafone Spain Foundation.

The services and solutions to be developed under the project will increase the quality of life and independence of elderly people. The project will work on five aspects:

1. Scientific: finding solutions that favour, for example, social inclusion, early detection of health risks, personal protection, improved mobility, displacement around the home environment, etc.
2. Technical: development of a technological platform that will enable access to those services.
3. Psychological: creating pleasant, easy-to-use solutions.
4. Economic: sustainability of the solutions.
5. Ethical: non-intrusive technological solutions that respect the end users' privacy.

These systems, known as "AAL services", can detect specific emergency situations and inform doctors, firefighters and security personnel, as well as automatically turning domestic appliances, lights, kitchens and televisions on and off.

⁵³ Website:
http://www.discapnet.com/Discapnet/Castellano/Accesibilidad/Calidad/Ayudas+tecnicas/Guias+tecnicas/GuiasTecnicas_004.htm#SICARE%20LIGHT.

⁵⁴ European Union's Seventh Framework Programme for Research.

⁵⁵ Website:
<http://www.aal-persona.org/>.

AAL (ambient assisted living services) are sustainable and accessible solutions for social inclusion and independent living among older people, which allow them to continue living longer in their place of preference, thanks to an increase in their autonomy and personal confidence and an improvement in safety conditions, while watching over their health and social integration.

5.2. Silver Surfers

Innovation in home installations is not the only revolution for baby boomers; The Internet is rapidly adapting to the new needs and ways of looking at life. As a result, a whole new range of tools and applications are being specially developed for Silver Surfers.

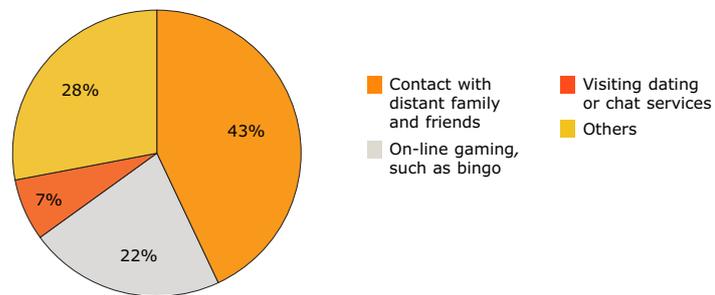


Illustration 40. What do baby boomers use the Internet for?
Source: Telewest Broadband survey 2005.

⁵⁶ The International Organisation for Standardization is a non governmental organisation founded after the Second World War (it was created in 1946). It promotes the development of international standards on manufacture, trade and communication for all branches of industry except electricity and electronics. Its main function is to seek international standardisation among products and safety standards for companies and organisations. ISO is a network of the national standards institutes of 157 countries, one member per country, with a Central Secretariat in Geneva, Switzerland, which coordinates the system. The ISO is made up of government and non-government delegations, subdivided into a series of subcommittees in charge of developing the guidelines that will contribute to environmental improvement. The standards developed by the ISO are voluntary, since it is a non governmental body, independent of any other international organism and therefore has no authority to impose its standards on any country.

Silver Surfer is a term used to describe an elder person (or at least someone over 50) who spends a considerable time surfing the Internet. The original *Silver Surfer* was a silver-coloured comic-book superhero (from *Fantastic Four*) who travelled the world on a surf board. The term is used metaphorically to describe this segment of the baby boomers.

Clearly, websites that want to find a niche for themselves in the senior segment must take their limitations into account. The FTF experts identified three types of challenges for those designing suitable web contents for baby boomers: sensory limitations (loss of sight or hearing); mobility (for example, mouse skills) and cognitive factors (intellectual and communication).

In order to overcome the physical difficulties baby boomers face when using the Internet—which they see as a path to knowledge, leisure and management of their social relations—websites must fulfil two principles, usability and accessibility. These are two different, but ever more closely related characteristics:

- **Usability:** the ISO⁵⁶ defines usability as “the effectiveness, efficiency and satisfaction with which a specified set of users can achieve a specified set of tasks in a particular environment”. Deciding whether a website is usable or not depends not only on the site itself, but also on the user and on the specific context. There are three elements involved in usability. Firstly, learnability, i.e. how fast a novice user can develop effective interaction with the system or product; this factor is closely related to predictability, familiarity, general-

sation of previous knowledge and consistency. The second factor is flexibility, which is the variety of ways in which the user can exchange information with the system; It also covers the possibilities for dialogue, the number of ways of performing the task, similarity with previous tasks and optimisation of the relationship between the user and the system. And, finally, robustness, which is the degree of support provided to users to help them meet their objectives; it is related to the user's capacity for observation, recovery of information and the level to which it can adapt to the user's task.

- **Accessibility:** this is the degree to which a website can be used or visited by anyone, regardless of their technical or physical capability, or factors related to the usage context (technological or environmental). Web accessibility includes aids such as high-contrast or large size type faces, display magnifiers, on-screen readers and checkers, voice recognition programmes, adapted keyboards and other pointer and data input devices. The body in charge of fostering accessibility is the World Wide Website Consortium (W3C). The WAT (Website Accessibility Test) is a tool designed to check certain accessibility-related aspects automatically. It is meant for web designers and developers. The WAT's automatic analysis uses 14 accessibility guidelines, with 65 check points. Depending on the check points a website scores, it will be awarded an accessibility rating of A, AA or AAA (in ascending order of accessibility). The WAT can be run by simply entering the URL of the website to be analysed. It will then generate a report with information on the results.

In IT, usability is very closely related to accessibility, to such an extent that some experts seem then as being part of one another. One of these experts, a guru of website usability, is Jakob Nielsen⁵⁷, who defined usability in 2003 as being "a quality attribute that assesses how easy user interfaces are to use".

In Spain there are various regulatory frameworks intended to help make new technologies more accessible to seniors:

- Plan of Action for the Electronics Administration in Spain (2003).
- Avanza Plan (2006-2010), for the development of the Information Society and Convergence with Europe and between Autonomous Communities and Autonomous Cities (as part of Ingenio 2010). The measures implemented will ensure inclusion of the entire population, facilitating access to useful services of new technologies and disseminating them to improve quality of life, information and citizen participation in the community.
- Moderniza (2006–2010), a raft of measures to improve the public administration.

Elsa Palacios Ramos works for the Economy and Geography Institute of the Higher Scientific Research Board (CSIC) and is a leading researcher in the field of IT as applied to the sector of the elderly. She has written a very revealing paper⁵⁸ analysing some of the main websites for old people in Spain and elsewhere in Europe, entitled "Social inclusion and information: the area of the elderly".

⁵⁷ Jakob Nielsen (born in 1957 in Copenhagen, Denmark) is one of the world's most respected authorities on web usability. Ideas from Nielsen's articles are quoted in many other publications giving guidelines on how to write for the Web and improve usability.

⁵⁸ X Spanish Documentation Symposia (FESABID, Spanish Federation of Societies of Archivists, Librarians, Documentation and Museum Studies), 9, 10 and 11 May 2007. Lemma of the symposia: *E-information: integration and profitability in a digital environment*.

In her conclusions, she highlights the fact that, in terms of usability, Spanish portals for the elderly scored lower than those in English. However, the websites with the best scores included Portal Mayores⁵⁹, Club Estrella (from La Caixa)⁶⁰ and IMSERSO⁶¹. Portals in English are showing a growing interest in accessibility. These include AgeConcern⁶² and the Department for Work and Pensions (UK)⁶³. Among European websites, considerable efforts are generally being made in this direction, as in AGE⁶⁴, Era-Age⁶⁵ and Health-EU⁶⁶. In Spain the greatest moves in the field of accessibility are being made on public websites, such as IMSERSO, Portal Mayores and SID⁶⁷. To a much lesser extent, efforts are also being made in the private sector.

Palacios also offers a simple table to compare compliance with the minimum parameters of usability and accessibility among a number of Spanish, European and American sites commonly used by old people.

| | Accessibility | Usability |
|--------------------------------|---------------|-----------|
| Júbilo (Spain) | X | X |
| Inforesidencias (Spain) | X | ✓ |
| IMSERSO (Spain) | ✓ | ✓ |
| Portal Mayores (Spain) | ✓ | ✓ |
| Health-EU | ✓ | ✓ |
| AgeConcern (UK) | ✓ | ✓ |
| Ministère de la Santé (France) | X | X |
| AgeVillage (France) | X | X |
| NIA (US) | X | X |
| AOA (US) | ✓ | X |

⁵⁹ Website: www.imsersomayores.csic.es/.

⁶⁰ Website: www.clubestrella.com.

⁶¹ Website: www.seg-social.es/imserso/.

⁶² Website: www.ageconcern.org.uk.

⁶³ Website: www.dwp.gov.uk.

⁶⁴ Website: www.age-platform.org/EN/.

⁶⁵ Website: <http://era-age.group.shef.ac.uk>.

⁶⁶ Website: http://ec.europa.eu/health-eu/my_health/elderly/index_es.htm.

⁶⁷ Website: <http://sid.usal.es>.

| | |
|-----------------------------------|---|
| Júbilo | www.jubilo.es |
| Inforesidencias | www.inforesidencias.com |
| IMSERSO | http://www.seg-social.es/imserso/ |
| Portal Mayores | http://www.imsersomayores.csic.es/ |
| Health-EU | http://ec.europa.eu/health-eu/index_en.htm |
| AgeConcern | http://www.ageconcern.org.uk/ |
| Ministère de la Santé | http://www.sante.gouv.fr/ |
| AgeVillage | http://www.agevillage.com/ |
| NIA (National Institute on Aging) | http://www.nia.nih.gov/ |
| AOA (Administration on Aging) | http://www.aoa.gov/ |

TABLE 9. Comparison of level to which certain sites comply with guidelines on usability and accessibility for elderly people.

Source: Elsa Palacios Ramos, paper "Inclusión social e información: el ámbito de las personas mayores", X Jornadas Españolas de Documentación (FESABID), May 2007.

Summing up, we may conclude that thus far, greater attention has been paid to content than to technical aspects when it comes to viewing old people as a target audience for websites, especially in the private area, which is driven fundamentally by commercial factors. Precisely in the private sector, specific sections have been created for elder people on more general pages (such as Saludalia⁶⁸ and Tuotromédico⁶⁹) or even monographic portals for them (Todoancianos⁷⁰ and Mundomayor⁷¹). The trend among these pages suggests that they will not only be suppliers of information, but will also create virtual communities around their contents, facilitating the exchange of ideas and the organisation of meetings among members of these communities.

Baby boomers now approaching retirement offer a host of opportunities for businesses who know how to adapt to their new requirements. Already seniors are searching for a better quality of life, with a critical spirit never known before and with the skills to use the Net. They are familiar with e-commerce and, in most cases, they use it; they socialise and look for communities where they can feel integrated and share common interests and hobbies. They deal with bureaucratic procedures and formalities on-line (whenever possible) and check out possible holiday destinations in specialised forums or sites. The baby boomers surf just like their grandchildren, though they may have different interests and their purchasing power is undoubtedly greater. Web designers would therefore do well to take these needs and restrictions into account, and business owners should make sure their websites meet the basic requirements for this segment. ■

⁶⁸ Website: www.saludalia.com.

⁶⁹ Website:
www.tuotromedico.com.

⁷⁰ Website:
www.todoancianos.com.

⁷¹ Website:
www.mundomayor.com.

Appendices

Glossary

A

AAL (ambient-assisted living) services: sustainable and affordable solutions offering older people social inclusion and independent living by increasing their autonomy and personal confidence in the home and improving their security conditions.

Ageing well: process of ageing with good quality of life.

B

Baby boomer: member of the generation born between 1946 and 1960.

Birth rate: average number of births in a given population over a given period of time.

Burden ageing: ageing as a burden on others.

E

Ethnic marketing: set of tools geared towards immigrant customers, which seek to adapt the product, price, distribution and advertising, based on the priorities of the target immigrant group.

F

Fertility rate: term used in demographics to refer to the number of live births for a given population of women in of child-bearing age over a certain period. The following indices are generally used: fertility rate (number of live births per 1,000 women aged between 15 and 45 in a given year); and total fertility rate, or period total fertility rate (average number of children born to a woman throughout her reproductive cycle in a given society or group).

G

Generation X: generation born between 1961 and 1972.

Generation Y: generation born between 1972 and 1982; it might be considered to be a subset of Generation X, but with an identity of its own.

H

Home automatics: combination of systems capable of automating a home, using services for managing ener-

gy, security, comfort and communication, which can be controlled remotely or from inside the home. Home automatics might be defined as integrating technology into the intelligent design of a building.

I

ICT: information and communication technology. One of the new technologies related to the use of computer resources for storing, processing and transmitting all types of information for different purposes (education, business organisation and management, general decision-making, etc.).

L

Life expectancy: average number of years a given population lives in a given period.

Lifestyle: the way people choose to live their lives.

M

Millennium generation, Net Generation or Screen Generation: generation born between 1982 and 2002. Its components are technology experts, very highly educated and multicultural. They have been born into a fully globalised world. Just as their parents dominated the economic, social and political world, the Net Generation will dominate the future.

Multipolar world: a world characterised by multiple centres of economic power and activity. It might be said to represent a new and more profound phase of globalisation.

O

Old-age dependency ratio: ratio of people aged over 64 to those aged between 15 and 64.

P

Pay-as-you-go (PAYG) pension system: distribution pensions system whereby pensions are paid for with the contributions of the generation in employment.

Pension: retirement plan which seeks to offer people some secure income for life.

Prime saver: person aged between 30 and 50 who is a dedicated saver. Typically, they are the prime targets of banks and financial institutions.

R

Remittance: money an emigrant sends back to his/her home country. The amounts sent are now so large that in some countries they outstrip traditional exports as the leading source of income.

Retirement: administrative act whereby a worker (salaried or self-employed), stops working by reason of old age.

S

Sharing networks: networks of collaboration between the people in an organisation.

Silent generation: generation born between 1925 and 1945.

Silver Surfer: elderly person (or at least one aged over 50) who spends a large amount of time on line.

T

Talent: outstanding skill or set of skills for performing a given task successfully. Talent can be inherited or acquired through learning.

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