

CHINA'S CONSUMER MARKETS FOR THE ELDERLY GROWING

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SUMMARY

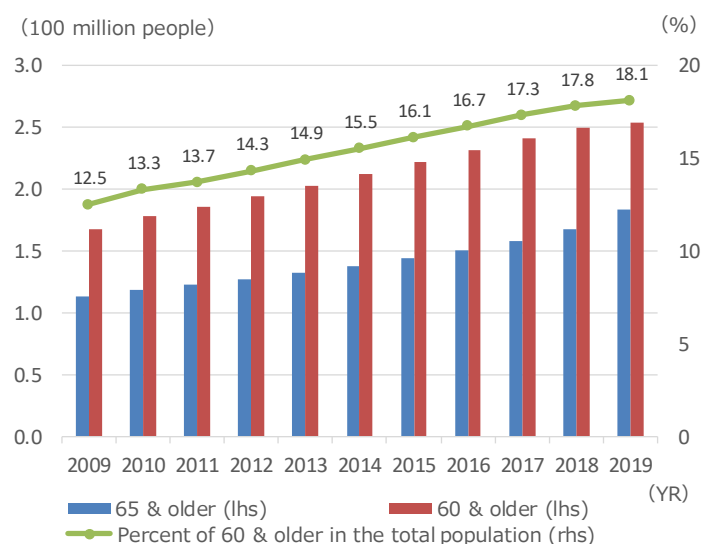
- As of the end of 2019, the elderly population in China had increased to 254 million, and aging societies trend is especially noticeable in the major metropolitan areas. The average annual per-capita pension income for the urban elderly in China is about RMB38,000, while consumption expenditure per urban resident is about RMB26,000 year, indicating considerable latent spending power. The active seniors age 60 to 69 are viewed as the main source of this potential consumption.
- There are four notable consumption trends among those elderly: (1) tourism spending growth, (2) demand increase for elderly universities, (3) growing health consciousness, and (4) more active use of the internet.
- Looking forward, growth in Chinese consumption is anticipated for: (1) products and services for the elderly that have been developed in Japan and for which the domestic markets have matured, and (2) services focusing on the “filial piety markets”.

1. GROWTH OF CHINA'S ELDERLY POPULATION

1-1 Elderly population and income situation

As of the end of 2019, China's population of elderly people (age 60 and older) had increased to 254 million, and accounted for 18.1% of the total population (Figure 1). In terms of the proportion of the elderly in the overall population, Shanghai has the highest percentage, with just over 30%, while the percentage is around 20% in Beijing, Tianjin, Chongqing, and Guangzhou. The statistics show a conspicuous trend toward aging societies in the large cities.

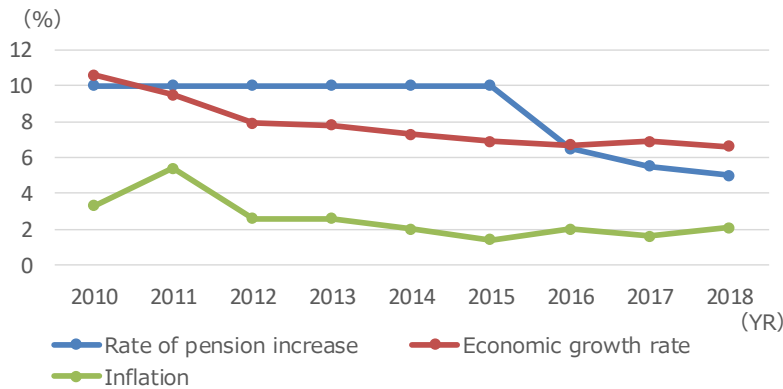
Figure 1: Population trends for China's elderly



Source: Compiled by MGSSI based on data of the National Bureau of Statistics of China

Pension income¹ represents the main form of income for the elderly in these urban areas.² In 2018, the average annual per-capita pension income of Chinese citizens was approximately RMB38,000 (about USD 5,377), nearly equivalent to the average annual per-capita disposable income of Chinese urban residents of RMB39,000. In the same year, annual consumption expenditure per urban inhabitant averaged approximately RMB26,000, suggesting that seniors were able to cover their living costs with the pensions they received and still had an annual average of approximately RMB10,000 (about USD 1,415) remaining.³ Although the rate of increase for pension payments has been curtailed since 2016 to maintain pension finances, pension benefits have been increasing every year by a rate exceeding the rate of inflation (Figure 2).

Figure 2: Growth rate trends for pensions in China



Source: Compiled by MGSSI based on materials from China's National Bureau of Statistics and the Ministry of Human Resources and Social Security

According to news reports by Xinhua and other media, dramatic changes in lifestyles are being seen for China's elderly, particularly for those living in urban areas. Seniors born before 1950 are referred to as the "old elderly" while those born after that are called the "new elderly." In contrast to the old elderly, who are characterized as "being economical with spending, having the tendency to stay at home, and often dedicated to caring for grandchildren," the new elderly are described as "having time and money, and the willingness to spend as active consumers." By trying to "look 10 years younger than their actual age, dress 20 years younger, and embrace a mindset of a person 30 years younger," the new elderly are focusing on their own lifestyles and shifting to a way of living that will let them fully enjoy their golden years.

With the number of these "new elderly" seniors expected to increase in the future, aggregate annual pension income is estimated to reach RMB7 trillion (about USD 990.5 billion) in 2020, and top RMB22 trillion (about 3.1 trillion) in 2030. It is therefore expected that the elderly consumer markets scale, fueled by the spending by these seniors, will also grow considerably.

1-2 Consumption driven by the "active seniors"

The elderly population in China is concentrated between the ages of 60 and 69, whose age bracket accounting for about 60% of the senior population. According to the World Health Organization's World Health Statistics 2018, China has a healthy life expectancy of 68.7 years, implying that elderly people age 60 to 69 are generally considered to be self-reliant and healthy seniors. They are called "active seniors" and their population is estimated to be about 150 million. Of the elderly population in China, about 60% live in urban areas, and it is estimated that the active seniors in urban areas is roughly 90 million. These self-sustaining, healthy, and

¹ In China, pensions are exempt from income tax, and if workers in urban areas satisfy the required enrollment period for health insurance, after retirement they will be eligible for health insurance without having to pay insurance premiums.

² The difference between incomes in urban and rural areas is more than three times, but for the elderly, the source of income is mainly pension income in urban areas and self-employment income in rural areas.

³ In addition, about half of urban elderly people have savings, the aggregate balance of which was RMB17 trillion (approximately USD 2.4 trillion) as of 2016 (according to the latest results of a survey conducted by the Ministry of Civil Affairs' China National Committee on Ageing).

energetic active seniors who live in urban areas are flush with spending power and their consumption activities are diverse. In particular, compared to the working generation, they have a much greater degree of free time as well as emotional leeway, and that is giving rise to strong demand for services that contribute to their happiness in retirement, such as tourism and education. The following is a description of the consumption trends of this healthy elderly population, residing primarily in China’s urban areas.

2. KEY WORDS FOR ACTIVE SENIORS CONSUMPTION

2-1 Growth in tourism demand for the active seniors

According to the fourth and most recent lifestyle survey of China’s elderly population, in 2015, 14.3% of respondents said they had taken a sightseeing trip during the previous one year, which was an increase of more than 10 times the number of people who replied as such (2.5%) in 2000. In 2018, the number of elderly tourists accounted for about 20% of tourists in China overall (Figure 3), indicating that many elderly people went on sightseeing trips that year.

Figure 3: Characteristics of tourism by China’s elderly

(1) Expansion in scale. In 2018, the number of elderly tourists in China grew to approximately 1 billion, accounting for 20% of total tourists.
(2) Preference for high-quality services. China’s elderly tourists tend to choose higher-class hotels and premium tours that highlight relaxed itineraries. The average per-capita spending by tourists in China is approximately RMB3,000 (about JPY50,000), but per-capita spending by elderly tourists in Shanghai and other large cities is nearly double that at approximately RMB5,000 (about JPY80,000).
(3) Emphasis on individuality. Although convenient, safe, and secure group travel remains as main choice, also growing popular are customized tours, group vacations designed exclusively for family and friends, thematic courses, and cruise trips, among others.

Source: Compiled by MGSSI based on a report on tourism consumption by China’s elderly in 2018 (released by major Chinese travel agency Trip.com)

In addition, according to the 2019 Chinese Outbound Travel Consumption Report released by the major Chinese travel agency Trip.com in late November 2019, the number of the elder who traveled abroad in 2018 increased by about 40% from 2016. Popular overseas travel destinations are concentrated in Asian countries, such as Thailand, Japan, Singapore, and Malaysia, due to their proximity to China, similarity to Chinese cuisine, and other factors.

It is interesting to note that elderly Chinese tourists cited the Wi-Fi connectivity, in addition to hotel comfort and a leisurely itinerary, as important factors for their travels. As described later, elderly people are now actively using the internet, and it is thought that there is an increase in the number of seniors who want to share their photos and travel experience with family and friends as soon as possible when traveling. Moreover, in choosing a travel destination, approximately 70% of the elderly respondents said they consider the recommendations of “influencers” who have detailed knowledge about tourism. It can be said that such influencers’ information is already having an impact on the consumption behavior of the elderly. Furthermore, the number of children who sign up for tour packages together with their elderly parents is also increasing, with statistics showing that spending for parent-child travel is 20% higher than for unaccompanied travel.⁴ This consumption trend is attributable to the feelings of filial piety of children which is pushing up tourism demand from seniors and should not be overlooked.

⁴ According to the major Chinese online travel platform Fliggy, in 2018, the number of applications received for its filial piety-themed tours from the generation of children of the elderly reached nine times the year-earlier level. In addition, Trip.com has also seen an increase in the number of applications for its parent-child sightseeing tours by an annual rate of 24% since 2016, and per-person spending has risen to approximately RMB6,500 (about USD 920), which is 20% more than spending on tours unaccompanied by an elderly parent.

2-2 Expansion of educational services for the elderly

Elderly urban residents in good health and with ample free time are also increasingly seeking learning opportunities, and educational services for seniors are expected to expand. Universities for the elderly, which are mostly operated by the government or a public institution, are a good example. These educational institutions offer courses for lifelong learning, including cultural and hobby-oriented classes, for elderly people who want to “learn and enjoy” (lead a comfortable and enjoyable life after retirement by taking part in lifelong learning). Moreover, in recent years, private companies have begun to enter the market in response to increasing demand for such courses from seniors. By 2050, the value of this consumer market is forecast to more than double from its current size to exceed RMB100 billion (slightly more than USD 14.1 billion).

China has been promoting universities for the elderly since the 1980s, initially for the retired executives of the bureaucracy, but enrollment has expanded since then to include the elderly from the general population. The government is reinforcing its promotion of universities for the elderly as part of its social welfare policy, and announced a set of related guidelines in 2016 that included the goal to attract at least 20% of China’s total population of seniors for enrollment in such courses by 2020. In addition, in April 2019, a medium- to long-term implementation plan was announced⁵ for promoting online learning, welcoming the participation of private capital to the market, and supporting schools in their development of human resources, among other initiatives.

The number of universities for the elderly in China has doubled from 10 years ago to around 76,000 in total, and the number of students, including those studying online via e-learning, has reached about 13 million, more than triple the number 10 years ago. However, this still represents no more than approximately 5% of China’s elderly population, which is significantly below the government’s target of 20% by 2020. This fact is thought to be one of the reasons behind the Chinese government’s promotion of the elderly universities.

Meanwhile, many private universities for the elderly (Figure 4) have expanded the scope of their business, not only with respect to their course offerings, but also to include the planning of sightseeing programs themed on academic topics, and the sale of related merchandise. In other words, by expanding course lineups to strengthen enrollment, and offering other services, such as study tours and merchandise sales, to increase revenues, some educational institutions are developing services of “universities for the elderly + (plus).” This will likely become the revenue model for them in the future.

Figure 4: Major privately operated universities for the elderly in China

Program	Location	Business model
Kuai Le 50 (Happy 50)	Beijing	In addition to offering courses, handles merchandise sales and tour planning
Mei Hao Sheng Nian (good years)	Guangzhou	In addition to offering courses, plans contests and tours, handles merchandise sales
Kuai Le Lao Ren Daxue (Happy Seniors University)	Changsha	In addition to offering courses, handles tour planning and merchandise sales
Jia You Xue Yuan (Jiayou College)	Hangzhou	In addition to offering courses, plans contests and tours, handles merchandise sales
Yang Lao Guan Jia (steward for seniors)	Shenzhen	In addition to offering courses, handles tour planning
Nian Lun Xue Tang (Tree Rings of Growth school)	Shanghai	Primarily offers online courses
Yin Ling Xue Yuan (Silverbell College)	Beijing	Primarily offers online courses
Mo Chi (Inkwell)	Shanghai	Primarily offers online courses

Source: Prepared by MGSSI based on reports by Sohu, Baidu

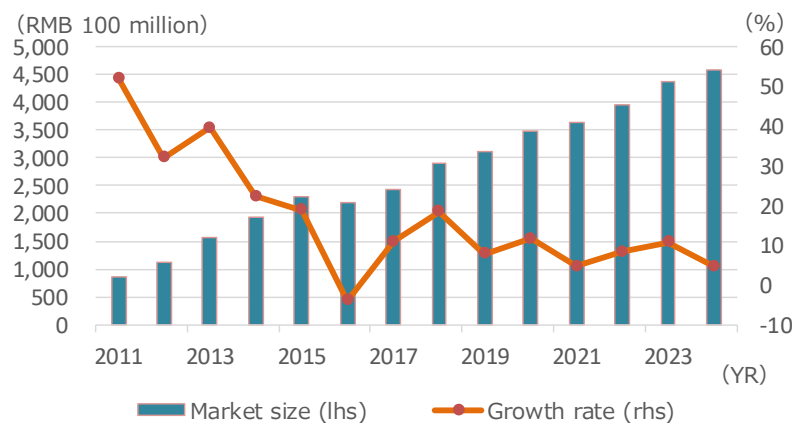
⁵ The issue of promoting universities for the elderly is included in both the government’s opinion report on the promotion of services for the elderly, announced in April 2019, and China’s first Medium and Long-term Plan for Responding Proactively to Population Aging (a guideline of strategies for addressing the aging society with targets set for 2022, 2035, and 2050), released in November 2019.

An educational institute for senior citizens serves not only as a place of learning, but also as a contact point for the elderly with society, and a place for communication. For this reason, community-oriented programs that are designed with the local population of seniors in mind are especially popular. These types of universities for the elderly tend to have strong reputations, and are known for such qualities as “ease of participation” and “ease of blending in because many acquaintances are also enrolled.” In 2019, a university for the elderly in Chengdu opened its program to accept 2,000 students, but was flooded with 20,000 applications, or 10 times the capacity. In addition, it is said that such programs in Shanghai and Beijing saw a deluge of applications, and that people lined up the night before the opening date of registrations. All of these are community-based universities for the elderly. To capture demand associated with these needs, the major Chinese developer Greentown China Holdings has developed senior housing combined with a university for the elderly near Shanghai, and the facility has become quite popular.

2-3 Heightening health consciousness among the elderly

Elderly urban residents who have sufficient pension income also have strong health awareness. This is evidenced by their increasing consumption of health foods. According to Qianzhan Industry Research Institute, a leading industrial research institute in China, the health food market in China has been marking double-digit growth in recent years, and grew to almost RMB300 billion (about USD 42.4 billion) in 2018. The market is expected to continue growing in the future (Figure 5), and about half of that demand is expected to account for consumption by the elderly.

Figure 5: Growth of China's health food market



Note: Figures for 2018-2024 are based on estimates
 Source: Compiled by MGSSI based on reports by Qianzhan Industry Research Institute

According to a ranking of popular health foods released by Chinese e-commerce major JD.com, the health foods popular with the elderly are primarily those intended for improving the immune system and physical constitution,⁶ which reflects the attitude of the seniors wanting to stay healthy. However, in addition to online sales, and retail sales in supermarkets, convenience stores, pharmacies, and other brick-and-mortar stores, many Chinese health foods are also sold door to door. Elderly people living alone may purchase them as a way to distract themselves from their loneliness, and the increasing number of reports of seniors being deceived by fraudulent products is turning into a social problem.

In order to solve problems like this, elderly people need to obtain more information about health foods and have more opportunities to experience them directly. According to Tencent's health industry data insights report for 2019, released in August 2019, the channels through which the elderly collect health information is shifting from the conventional newspapers and television to the internet. Because the elderly obtain health-related information primarily through interaction with friends using WeChat's app, or by using news apps and internet

⁶ These include protein powders, nutritional drinks containing peptides and amino acids, and selenium and propolis supplements.

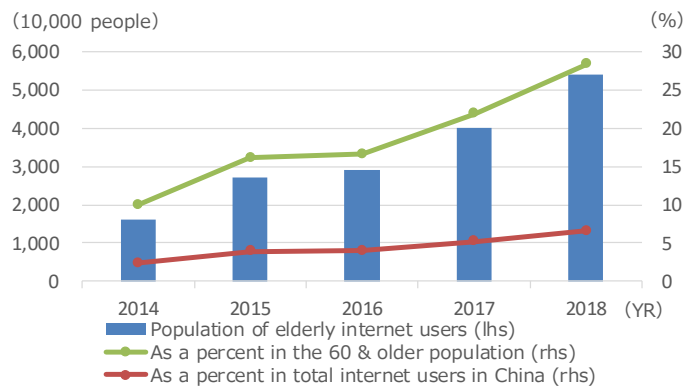
search engines, an expansion of web-based information services targeting the elderly is needed to help resolve problems like that mentioned above.

Health is an important topic of concern for the elderly. There is considerable untapped demand for services that use “health” as a keyword, such as for providing health information and education to the elderly, and providing forums where they can acquire a more in-depth understanding of health foods and products.

2-4 Increasing number of elderly internet users and growth in related consumption

In 2018, the population of elderly internet users in China reached about 54 million (21.7% of the elderly population) (Figure 6). In recent years, a rapid increase in such population has been observed, and it is assumed that the active seniors are mainly driving this growth.

Figure 6: Growth of China's population of elderly internet users

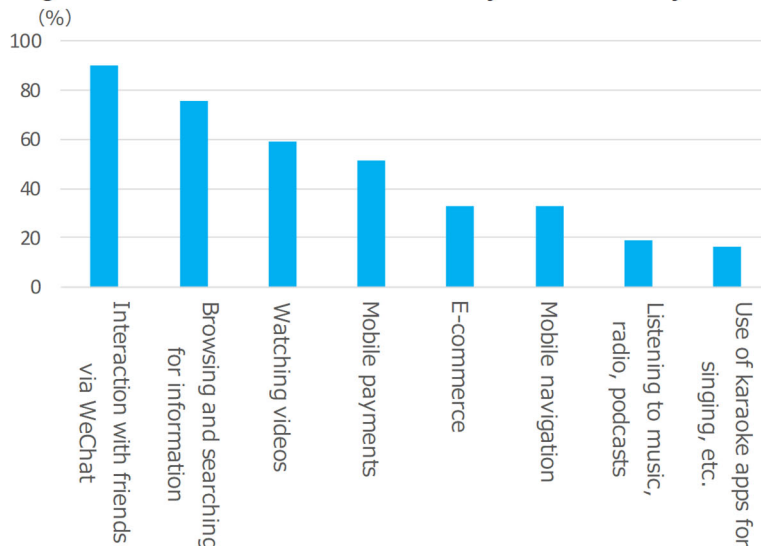


Source: Compiled by MGSSI based on the Statistical Report on Internet Development in China, released by the China Internet Network Information Center (CNNIC)

(1) Diversified use of the internet by the elderly

According to the Research Report on Internet Life in Middle-aged and Aged Chinese, jointly published by the Chinese Academy of Social Sciences (CASS) and Tencent in March 2018, China’s elderly mainly access the internet through mobile devices and they use their online connectivity for a wide range of activities, such as interacting with friends through WeChat, browsing and searching the Web to obtain information, online shopping, mobile payments, watching videos, and singing karaoke (Figure 7).

Figure 7: Main internet services used by China's elderly



Source: Prepared by MGSSI based on the Research Report on Internet Life in Middle-aged and Aged Chinese, release jointly by Tencent and the Chinese Academy of Social Sciences

In particular, the elderly are active users of WeChat's wide selection of mini-programs, which are so-called sub-applications that can be accessed from within WeChat. Popular mini-programs include those in the categories for e-commerce, video and music, tools and community, and information search (Figure 8).

Figure 8: Popular WeChat mini programs with China's elderly

	Mini Program	Service content
e-commerce	Nũ wang xinkuan (Queen Nana)	Apparel & fashion goods
	Weipaitang	Antiques auction
	Ai fengshang (iFUN)	Square dancing shoes sale
Tools & Community	Tangdou (Sugar beans)	Information on square dancing, lifestyles, and entertainment
	Meipian (beauty)	Photo production and sharing
	Xiaoniangao	Production and sharing of photo albums and videos
	Piaoquantv	Watching videos, creating and sharing videos
Information & Learning	Beijing Dama Show	Videos on health-related topics, etc.
	Pandeng nian lun xuetang (school for higher learning)	Hobbies, learning
	Yuelinghui	Health, entertainment, senior events
	Mei ci keji(every technology)	Matchmaking platform for seniors

Source: Compiled by MGSSI based on reports by Sohu, Baidu

(2) Growing use of e-commerce (EC) by the elderly

As the population of elderly internet users grows, deserving close attention in particular will be their use of e-commerce. According to a report released at the end of December 2017 by the China International Electronic Commerce Center (CIECC),⁷ a subordinate of the Ministry of Commerce of China, the value of e-commerce consumption by the elderly grew by more than 70% year-on-year in 2017, and according to a report released jointly by JD.com and other e-commerce majors in June 2019, not only did e-commerce consumption by elderly people increase 65% year-on-year in 2018, but per-capita e-commerce consumption by the elderly was higher than that by other generations. Elderly consumers are more likely to access e-commerce sites from mobile devices (Figure 9), and the number of mobile payment users is also increasing rapidly. As such, this consumer group appears to have strong potential as new customers in China's e-commerce market.

Figure 9: Characteristics of internet use by China's elderly

(1) Growth of the population of elderly e-commerce shoppers in the inland cities stands out more than in coastal cities.
(2) Of China's internet users, 90% prefer to connect to the websites via mobile phones/smartphones.
(3) Users prefer to use cashless payments, such as mobile payment systems.

Source: Compiled by MGSSI based on a report on e-commerce consumption in China (June 2019)

The products they buy are varied, ranging from health foods to cosmetics and mobile phones. The popularity of sportswear and speakers to play music for dancing in open spaces indicates that elderly people are focusing on their appearance and sports, and many are quite active in social activities.

Purchases of baby goods and children's books for grandchildren are also conspicuous. This spending on grandchildren is also one of the driving forces behind the growth in EC use by the elderly. In 2018, Alibaba-owned e-commerce site Taobao launched a service called "Family Account" for linking parents with their children. In addition to allowing parents (including seniors) and their children to exchange shopping information within the account, parents can also have their children pay for shopping and children can shop for their parents to fulfill their sense of filial piety. Moreover, this account could further serve to stimulate consumption by the

⁷ Report on e-commerce consumption by China's elderly, released by the China International Electronic Commerce Center (CIECC) in December 2017.

elderly for their grandchildren. Services like this that encourage intergenerational communication are contributing to increasing interest in EC among the elderly.

The use of EC is attractive to elderly people as it can bring much convenience and enjoyment to their lives through not only the convenience of home delivery, but also greater opportunities to buy items at a discount than in physical stores, and the communication that it encourages with their children as EC itself becomes a topic of conversation. In addition, purchases of smartphones by the elderly are also increasing, and that may further boost their use of EC.

3. FUTURE GROWTH POTENTIAL OF THE CONSUMER MARKETS TARGETING HEALTHY ELDERLY PEOPLE IN URBAN CHINA

In this way, in urban regions of China, the growing population of healthy elderly people is creating new consumer needs. While consumption by the elderly is expected to increase going forward, two points from the perspective of growth potential are highlighted in the following.

(1) Goods and services for the elderly developed in Japan and where the markets have matured

In addition to nursing care products, China's elderly care products include a wide range of goods, such as daily necessities for healthy seniors (reading glasses, hearing aids, canes, cosmetics, etc.), clothing and shoes (clothing that is easy to put on and made of material that makes it easy to move, non-slip shoes to reduce chances of falling, etc.), and safe, secure, and convenient home appliances for the elderly. However, according to China's Older People's Associations, there are only about 2,000 types of products for the elderly in China, while there are approximately 40,000 types of such products in Japan, which is considered one of the most advanced elderly markets. As Japanese products have many outstanding features, including functionality and ease of use, entry to the Chinese markets may be a great business opportunity for Japanese companies. In addition to these daily necessities and items for the elderly, other products and services expected to see increasing popularity in China include health foods (sales of which are still expanding in Japan), and fitness clubs for the elderly, as well as other products that have been developed in advanced countries like Japan and for which the markets have matured.

(2) Expansion of services focusing on the "filial piety markets"

The philosophy that filial piety is the basis of all other human virtues is deeply instilled throughout Chinese society. As this sense of duty to one's parents is particularly strong in China, the generation of the children of the elderly should not be overlooked. It should be kept in mind that the elderly consumer markets in China are also being supported by these "filial piety markets." As Japan is especially a popular overseas travel destination for Chinese elderly tourists, offerings of Japanese tourism services for them will likely continue to grow. The activities included in those tours may not be limited to sightseeing, dining, and shopping, but could also, for example, travel combined with medical services, which is already on the rise.

China's elderly population is projected to reach approximately 350 million by 2035, and approximately 460 million by 2050. There is no doubt that the number of urban-based active seniors, who have considerable spending power, will particularly increase, even more with the extension of their healthy life expectancy. Many of the consumption characteristics of these healthy elderly people are similar to those of healthy elderly Japanese people. As such, demand for the products and services available to seniors in Japan, one of the most advanced aging societies, is expected to increase in China as well.