



“Understanding Older Consumer Technology Service Adoption”

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We challenge the dominant story that older adults are resistant to new technology. In contrary, there are factors that lead to strong technology and technology-enabled services adoption by older adults. A framework to understand adoption behaviors is presented and elaborated upon using examples drawn from across financial services, insurance, and healthcare. Corsair has invested in and continues to seek investment opportunities that are bolstered by this massive secular theme.

There is an old story about new technology and older adults. A story that is nearly as old as aging itself. Older adults, the story tells us, do not like new technology. In fact, some observers go further to even suggest that older consumers do not like technology at all. While that story permeates the minds of many people, and is reflected in many commercial strategies, it is shortsighted and a missed business opportunity.

Why Worry About Older Consumers?

Older adults are defined as 60 years and older and are the fastest growing population cohort in the United States and around the world. In fact, demographic transition, the trend where older adults outnumber younger people, is occurring in all industrialized nations and many developing economies. In Europe, and selected countries in Asia, there are already more people over age 60 years old than children under 18. That demographic transition will occur over the next 15 years in the United States.¹ The United Nations estimates that by 2047 there will be more adults over 60 than younger people worldwide.

Globally the buying power of these 60-plus consumers is equal to the third largest economy in the world, following the GDPs of the United States and China. In the United States, the 50-plus consumer is estimated to control nearly 60% of the nation's spending power. Moreover, each successive generation of older adults has more formal education. Numbers, buying power, and education are making older adults an entirely new market of great expectations – to live longer and better in older age than any preceding generation.

The next generation of older consumers, the Baby Boomers have experienced rapid technological change throughout their lives – in older age they will expect, and demand, technologies, tech-enabled services, and experiences to improve their quality of life. Older consumers are effectively an emerging market, an entire longevity economy, hiding in plain sight.²

Understanding The Generation

The Generations Defined By Year Born & Age Range		
Generation	Birth Years	Age Range
Gen Z	1997 – 2021*	9-24
Millennials	1981 – 1996	25-40
Gen X	1965 – 1980	41-56
Baby Boomers	1946 – 1964	57-75
Silents	1925 – 1945	76-93

* there is not a consensus on Gen Z definition.

Consumers are typically categorized into five popular generational cohorts according to their year of birth. Five generations are typically referenced from the youngest cohort, referred to as Gen Z, or Zoomer, to the oldest cohort that still has a significant number of people, the Silents.³ While these categories overly generalize, they do provide a means to characterize consumer behavior across the life span at various life stages. The speed of consumer adoption of new technology, and related services correlates with age. That is,

¹ US Census, <https://www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html>

² Coughlin, Joseph (2017) *The Longevity Economy: Unlocking the World's Fastest-Growing, Most Misunderstood Market*. New York: Public Affairs.

³ <https://www.pewresearch.org/fact-tank/2019/01/17/where-millennials-end-and-generation-z-begins/>



selected domains of technology adoption by older people generally lags younger adult adoption patterns.⁴

Pew Research shows that 93% Millennials own a smart phone. A predictable adoption trend appears with each successive older generation. An overwhelming majority of Gen X'ers (90%) have a smartphone, while the percentage of Baby Boomers, that own a smartphone drops to 68%, and only 40% of the Silent generation own a smart phone.⁵

Older consumers may not be lead adopters of many technologies, but they should not be considered technology luddites. In 2000 only 14% of people over the age of 65 years old were connected to the Internet – by 2019 nearly three-quarters of Americans retirement age and older were on the web.

Speed of Technology Adoption Correlates with Age: Mobile Person-to-Person (P2P) Payment Usage (% having used P2P by generation)	
Millennials	75%
Gen X	69%
Baby Boomers	51%

In fact, they are often significant buyers of high-tech, high-style, and high-priced products and services. For example, the average age of luxury vehicle buyers outfitted with the most sophisticated technologies range from their 50s into their 60s. Men 65 years old and older spend more on Apple products than other consumer segments. Even when using mobile payment applications, older consumers may make fewer transactions than younger cohorts, but are more likely to make transactions with higher dollar values.⁶

The relationship between technology adoption and consumer age is more nuanced than it might appear. While younger consumers may be more likely to use technology applications that are judged to be valuable because they are fast, convenient, and efficient, their needs are typically far less complex than those of older consumers.

Developers and investors in financial, insurance, and health-related applications should be aware that older consumers are not necessarily averse to new technology, but instead are far more demanding than younger users. Older users' education, experience, and the scale and complexity of their needs, not their age, are more likely to predict technology acceptance.

For example, older adults are more likely than younger consumers to own a new vehicle and to own their home. They are far more likely to manage multiple health conditions and therefore have more interaction with health providers and insurers. Older adults are also more likely to provide younger adult family members with both advice and financial support while caring for elderly loved ones in poor health. To meet these competing demands, older adults have established trusted strategies to respond to these complex and compounding needs that involve financial and medical advice, insurance purchases, and financial transactions. Novel technologies and related services must deliver sufficiently higher value before these more experienced buyers choose to switch from what has worked to learn, trust, and ultimately, adopt a new technology.

One example of a business that highlights this intersection between technology, healthcare, and advice is a Corsair V portfolio company, Spring Venture Group, an older consumer health insurance distribution platform headquartered in Kansas City focused on Medicare Supplement and Medicare Advantage. In the past, older consumers often had to make complicated, multi-decade decisions about their healthcare after they turned 65 by meeting in-person with agents often working for only one carrier, thereby minimizing choice. Spring leverages a sophisticated digital marketing engine to connect with older adults throughout the US online and over the phone. Using advanced data analytics capabilities, they are able to optimize the comparison shopping experience of customers across the complex landscape of a broad panel of plans and carriers. All of this is in concert with one of their 600 plus licensed telephonic agents, demonstrating the marriage between new technology and traditional advice.

⁴ <https://www.marketwatch.com/story/this-is-how-many-boomers-are-using-apps-like-zelle-venmo-and-paypal-2018-07-11>

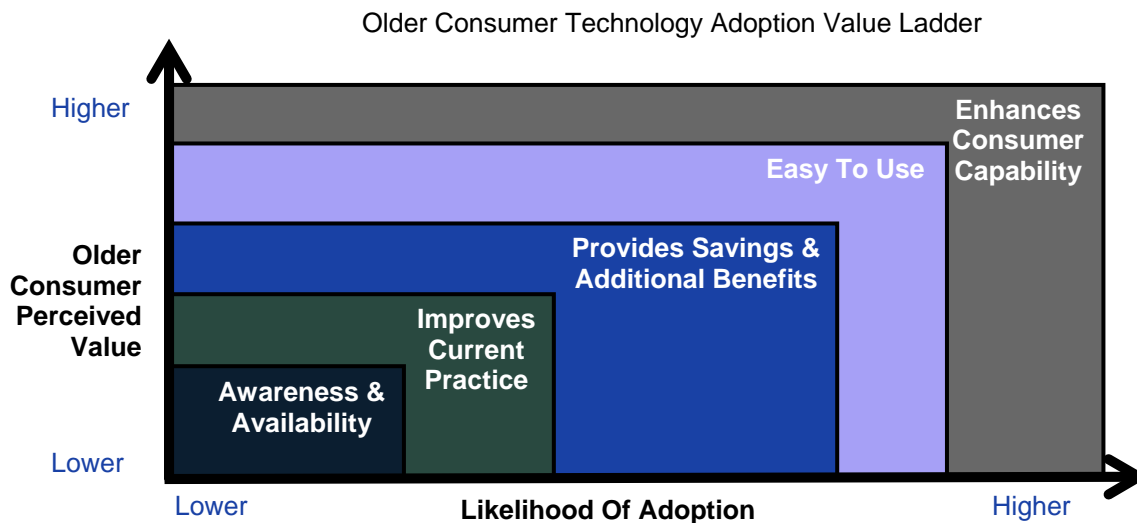
⁵ <https://www.pewresearch.org/fact-tank/2019/09/09/us-generations-technology-use/>

⁶ <https://www.zellepay.com/sites/default/files/2019-04/Zelle%20Digital%20Payments%20Adoption%20Survey%20Report.pdf>

A Value-Based Approach To Older Consumer Technology Adoption

A review of technology adoption research provides insight into the multidimensional nature of this process by older adults.⁷ There is a “ladder” of adoption questions that provide insight into older adult technology value and use. While many of these factors are important to users of all ages, they increase in importance with age and characterize older consumer adoption.

Figure 2. Technology Value ladder



Have You Seen This?

Before there can be adoption, there must be **awareness of availability** of new technology. Even if an application is potentially valuable and easy to use, it is not always clear how a consumer learns that it exists or where to acquire it.

Younger people typically have far more chance collisions with people at school, work, and daily life that share with them knowledge of new devices and applications. As people age, particularly in retirement, they no longer benefit from regular and frequent interactions with others. Adult children that once brought novel applications to the home are likely to have moved away. And, a shrinking social circle that often occurs with age lessens the chance of learning about new technologies.

Nearly 87% of Gen X and 70% of Boomers use mobile banking apps.

Source: 2020 Chase Digital Banking Attitudes Study

However, creative strategies to introduce older consumers to virtual assistants do show promise in increasing their adoption by older adults. For example, Bank of America’s AI assistant Erica, is routinely introduced to clients with a human touch at the bank’s retail locations, by telephone, or to those that use online banking with prompts. While half of the estimated seven million Erica users gained since the

system’s deployment in 2018 are Millennials, nearly 20% are now Baby Boomers and Silents and growing.

Strategies designed to engage younger consumers have also been successful with older clients. Several banks and financial services firms have created retail locations designed to be one part coffee shop, one part community center as well as places to educate prospective customers about online financial applications and financial literacy.

⁷ Lee, C., & Coughlin, J. F. (2015). Older adults’ adoption of technology: an integrated approach to identifying determinants and barriers. *Journal of Product Innovation Management*, 32(5), 747-759.



State Farm's Next Door Café, Capital One Café, and MassMutual's former Society of Grownups are examples of insurers and banks attempting to cultivate Millennials and push them to digital clients. Each of these retail engagement centers are staffed with 'digital lifestyle coaches' to help convert young coffee drinkers into customers by teaching them how to use online applications and services.

However, each firm has been surprised to find that their 'Millennial strategy' also attracted older consumers. In fact, State Farm's Next Door Café in Chicago's Lincoln Park and MassMutual's Society for Grownups in suburban Boston both reported a virtual wave of older people who came to enjoy both the space and to learn about online tools.

Is it really that much better than what I do today?

Does the technology perform the task(s) needed by the user and provide benefits well **beyond convenience** alone? Mobile payment applications, for example, certainly achieve a transactional task, however, Baby Boomers have established patterns and multiple means to pay.

Experian reports that Boomers have an average of five credit cards, compared to Millennials who have less than three, and less than two on average for young Gen Zers.⁸ However, older consumers are likely to use online payment when value, in this case, speed and trusted convenience, outweigh the friction of other forms of payment.

Millennials	75%
Gen X	85%
Baby Boomers	73%
Silents	71%

Paypal provides an example of value at the point of purchase for older online shoppers. The trusted convenience offered by Paypal helped to make the 50-plus consumer the company's fastest growing segment in 2020.⁹ Moreover, Paypal reports that purchases made by older consumers were far greater than younger consumers – helping to make the older segment an important part of future growth. As shown in the figure above, an earlier study reports that the Paypal use by Millennials and Baby Boomers were nearly identical.

Is it more trouble than useful?

The cost of adopting a technology is not only monetary it is often about the friction and frustration of using a system that may not be user-friendly to older adults. Is the application **easy to use** and to understand? Some may see feature-rich applications as a positive attribute, but too many features can become too complex and a barrier to adoption.

One study examining the older adult use of the Medicare Plan Finder, the Centers for Medicare and Medicaid Services (CMS) internet-based decision support tool to guide older adults in choosing Part D plans, found that interfaces and decision trees that included too much information, multiple navigation levels, and perceived complexity were less likely to be understood and used.¹⁰ In fact, display complexity often resulted in older users missing important cost and health information.¹¹ A platform like Spring Venture Group helps guide older consumers through this process in simple language and at their convenience over the phone, while also helping them choose the most suitable plans based on their large databases of historical data.

⁸ <https://www.experian.com/blogs/ask-experian/research/millennials-vs-baby-boomers-who-has-more-credit-cards/>

⁹ <https://www.cnn.com/2020/05/18/paypal-sees-a-rise-in-older-generations-trying-digital-payments.html>

¹⁰ McGarry, B. E., Maestas, N., & Grabowski, D. C. (2018). Simplifying the Medicare plan finder tool could help older adults choose lower-cost part D plans. *Health Affairs*, 37(8), 1290-1297.

¹¹ Wildenbos, G. A., Jaspers, M. W., Schijven, M. P., & Dusseljee-Peute, L. W. (2019). Mobile health for older adult patients: Using an aging barriers framework to classify usability problems. *International journal of medical informatics*, 124, 68-77.



Does it save me money?

Applications that can offer more than transactional efficiency are more attractive to older users. These may refer to **cost savings**, loyalty rewards, member-specific information, etc. provided to the user beyond the primary transactional function of an application. According to a 2020 Oracle study, 79% of Baby Boomers belong to at least one loyalty program.¹² Apple Pay, Samsung Pay, and Google Pay, are garnering more traction with Baby Boomers because they promise the capacity to purchase with ease, without plastic, but also make it easier to use rewards and benefit from loyalty programs.

In a nationwide survey 74% of Baby Boomers indicated they are highly interested in obtaining product coupons in return for using an application

Source: 2019 Kognitiv Internal Benchmark Data

Apple Wallet and Google Pay, for example, host the popular LoopyLoyalty that provides a simple-to-use points-based loyalty program that enables retailers and consumers to engage easily. For many older adults, these digital wallets are a convenient next generation coupon clipping and benefits system.

Does this improve my access to information and advice?

COVID-19 has made face-to-face meetings with financial advisors impossible. However, a MIT study exploring how the advisor-client relationship has evolved during the pandemic has shown that older consumers, including those well into their 80s, have readily accepted and adopted online engagement via Zoom, Teams, etc. In fact, as one advisor interviewed for the study observed, "It took a little doing to show some older clients how to use the online video technology, but now they are not just proficient, they are seeking even more engagement than they did when we used telephone or in-person meetings."¹³

Older Adult Willingness To Use Health Apps & Telemedicine (Amwell/Harris Poll, 2019)

- 25% of people 65+ already use a health app.
- 85% of 65+ would use a video visit to renew a prescription
- 40% of 50-64 year olds use a health insurance app

Likewise, physicians have found telemedicine to be well received by older consumers as COVID-19 made in-person visits problematic. However, even before the pandemic, a 2019 Harris Poll indicated that 61% of Baby Boomers indicated a willingness to try telemedicine with their physician. In fact, more than half of adults over 65-years old indicate they are willing to use telemedicine services if offered – an estimated market of more than 24 million Americans¹⁴

Does the technology make me smarter?

Older consumers, particularly older Gen X and Baby Boomers are the most educated older population in history. Many are researchers and lifelong students. In fact, this generation of older affluent and educated users has greater confidence in themselves than previous generations.¹⁵ Instilled with the belief that given enough information, and the opportunity, they can do most things on their own today's older consumer is looking for tools and experiences that **enhance their own capability** to manage complex health and wealth tasks. Brick and mortar retailers have been among the first to leverage this attitude. From Apple's Genius Bar to solve problems and to teach new skills, to Whole Foods that promises smart food shopping, retailers that win with older buyers engage with education and the promise to leave the consumer -"smarter" Likewise, this cohort views the capacity of a technology platform to inform, empower, and increase confidence as critical to its overall value.

¹² <https://www.oracle.com/a/ocom/docs/dc/how-to-engage-consumers-across-every-generation.pdf>

¹³ NEXT360 Partners, LLC virtual financial professional/advisory study, 2020.

¹⁴ <https://business.amwell.com/resources/moving-past-the-myth-baby-boomers-are-tech-savvy-and-telehealth-ready/>

¹⁵ <https://corporatefinanceinstitute.com/resources/knowledge/other/baby-boomers/>



While stereotypes define younger consumers as digirati, and older consumers as tech-laggards, there are some striking similarities in behaviors between the two cohorts. The insurance purchasing journey, for example, for younger and older buyers often begins with online research to understand the range of choices as well as prices.

LIMRA reports that Millennials, Gen X, and Baby Boomer buyers of life insurance have similar preferences and online behaviors.¹⁶ According to the 2018 LIMRA study, 28% of Millennials, 32% of Gen Xers, and 29% of Baby Boomers prefer to research their insurance options online and then purchase their preferred option online. Interestingly, the study also shows that even the young and high-tech often opt for human touch when making the final purchase. More than half (55%) of Millennials, 43% of Gen Xers, and 38% of Baby Boomers will conduct online research and then purchase their policy from a human agent or advisor.

Summary

Older consumers are a growing and lucrative market to be served by the financial services, insurance, and healthcare industries. While fintech, insurtech, and healthtech, are all being developed to improve operational efficiencies and engagement, these applications should not neglect the needs and expectations of older consumers. Corsair continues to seek investments that deliver unique solutions to older generations, whether it is in differentiated wealth management platforms, technology enabled insurance distribution, innovative financial product providers solving clear older consumer needs, or healthcare services.

Older customers, and patients today are willing to use - technologies if they truly provide value beyond novelty and convenience alone. The scope and complexity of purchasing behaviors and needs of older adults, along with their decades of consumer experience, make them a more difficult customer to satisfy. While older consumer may demand application developers and distributors to reach for a higher bar of usability, functionality, and overall value, their numbers and buying power make them a market that compels attention and innovation.

¹⁶ LIMRA 2018 Insurance Barometer Study