

BUSINESS POTENTIAL IN SENIOR SERVICES

Johanna NUMMELIN

*Building Service Systems, VTT Building and Transport, P.O. Box 1803, FI-02044 VTT, Kivimiehentie 4, Finland
E-mail: johanna.nummelin@vtt.fi*

Received 30 March 2005; accepted 16 May 2005

ABSTRACT. Europe and generally the western societies are aging rapidly. Public sector in many countries is facing difficulties to keep up the same level of social and health care services as before. The size of younger generations diminishes and the amount of people that need to be supported will increase in relation to working population. Still the challenges that aging society bring are not fully recognized. Beside negative challenges, aging society raises new kinds of opportunities, new business potential. The change will be so rapid that new construction cannot fulfil the need for specialised housing. Moreover, specialized senior housing may not even be what aged consumers want.

The biggest market potential can be seen in existing building stock, which needs to be renovated to meet changing needs. Existing building stock has been built for healthy working age generations. Besides renovation, the new needs can be met by new type of services and service concepts. These services are called here senior services. This paper consists of an analysis of different factors that affect demand and supply of senior services. Financing is discussed briefly together with wealth issues. Ideas of new business opportunities have been described following the actor groups and senior service classification.

KEYWORDS: Senior housing; Business potential; Senior services

1. INTRODUCTION

Europe is aging and this fact points out new challenges for housing issues of the aged. Also the ageing process has changed - people are expected to live longer and it is likely that the process is slower than for previous generations. People are healthier, more energetic and wealthier (Dychtwald, 1997). Ageing process has changed also mentally during last 20 years. When people are retiring they do not consider themselves old. In many cases persons have 15-20 healthy years after retirement. They are active and they have more individual opportunities. Helping the children in everyday life, for example, taking care of grandchildren and other activities, like travelling fill aged person's days.

Also the economic situation of elderly has changed. It is common to belong to different kinds of pension systems, statutory or volun-

tary, during working career. Other thing that differentiates today's elderly from previous generations is the growth of equity. But in many cases the equity has bound mainly to one source – the house or apartment where the person lives him or her self. In general the ageing population is not willing to move away from their homes as they age (Rönkä and Kallio, 2001). This is the case even if the environment does not fit in aged person's needs and the person him or her self recognises this. Adaptation to existing circumstances is common but the demand of products and services might need just a small push to actualise.

Over 50-years-old consumers will have, for example, a great impact on consuming food, entertainment and travelling. Not just directly as a users but also financing the consuming of others, children and grandchildren (Leventhal, 1997). Still issues like advertising are directed

to young people. This does not mean using only young people in advertisements but the images advertisements create. Most important is that seniors are not a homogeneous group and products and services need to be segmented. For example, active seniors would be one of the most interesting consumer groups.

The development varies across Europe and solutions are different. Aging related issues are bound to welfare and public sector has an important role there. Employment is another big issue for public sector and in many countries these two are linked at the expense of the well-being of an individual. Most of the elderly citizens live at their own home (Eurostat, 1999). The prime source for help is usually requested and received from spouses relatives or friends (Gottschalk, 2004). The help from public sector comes after that. This is common in many countries but still there is variation of the role of public sector. The difference comes clear when we look at the issue, for example, through relative's eyes. Not in the eyes of aged themselves. In some cultures the responsibility to take care of near relative has moved more to public sector.

Enhancing independent living is seen as a starting point when developing senior services. Research shows that even when there is a need for regular and very intensive services provided to customer's home, bringing the services to homes is more economical than move aged persons to institutions. Independent living has been a widely used concept and developed solutions bring benefits to many stakeholders (Siekkinen, 2002):

1. **Elderly** themselves want to live in their own homes and familiar environments as long as possible.

2. **Public sector** benefits when institutionalisation costs are lower.

3. **Real estate and construction sector** gain new business opportunities through increasing needs in renovation.

4. **Service providers** gain new business opportunities and are able to reduce costs through more efficient processes.

This is not necessarily a comprehensive list and many other benefits can be found to reassert the solutions for independent living but it is not always the right solution. Lonely aged person might feel afraid at home, in some cases the home is almost like a prison, when the capability to go outside independently has fallen. The location of person's home affects how efficiently the services can be provided. Sometimes the renovation of an apartment to meet changed needs is not possible or it is extremely expensive. Solution for these problems could be so called sheltered housing units, which are considered as a step before institutional housing units (Siekkinen and Nummelin, 2004). Senior houses in Finland are one example of that. Besides the facts mentioned earlier independent living is also very strong political aim (Stakes, 2003). Still the supply and demand do not necessarily meet even if there are needs and capability to pay on the individual level.

Existing sheltered housing units and construction will not fulfil the housing need of elderly in future. Other solutions between ordinary homes and institutions need to be developed (Nissinen and Santalo, 2001). For example, the influence of sheltered housing units could be stretched to surroundings either renovating individual apartments or whole apartment buildings. Existing services could be provided to seniors living near the 'main' unit. Services could be offered either to homes or in the 'main' unit. A couple of experiments like this have been followed through in Finland. Realising sheltered housing units fits well in urban areas but probably one of the biggest problems there is the lack of unbuilt land. Thorough renovation of existing buildings might become relevant and efficient.

Senior services are not an established concept. Here it has been divided to two parts: technology and services. Technology consists of mechanical auxiliaries (e.g. eyeglasses and walking stick), health and safety technologies. Services consist of support services for technologies, housing services (like senior houses), social and health care, and tailored services.

Technology and services are becoming more and more related to each other and often the exploitation of technologies includes the technological device itself, reception of information, and service (for example answering to the alert). (TSA, 2005) Social and health care services include home nursing, outpatient primary health care, outpatient specialised health care, home-help services (home help and support services) and support for informal care (Stakes, 2003). Tailored services include, for example, culture, educational and 'treating' services. Services that keep person's mind lively.

Most of the residential building stock in Europe is on the hands of private persons. Many countries have supported private ownership as the most favourable way of housing. For many, the house or an apartment is the only property they have. Buildings are considered safe way to invest assets from everyday consumption. Still not many of us think our own home as an investment. The amount of elderly population is increasing and public sector's share to support older generations is growing bigger. Yet these generations have properties, which sometimes are empty because the occupant is in institu-

tional care. The institutional care could sometimes be replaced with intensive care at home, more economically.

2. ELDERLY POPULATIONS AS CONSUMERS

About 21% of the consumers in, so called old EU member countries are over 59 years old. Generally this figure will increase in the following years even if the population in new member countries is younger, on average (Eurostat, 2001). Aged people are a recognisable consumer group and compared to earlier generations they are also more willing to spend money. And not just for basic issues but also to raise the quality level of their life, and their closest relatives and friends.

The group of aged consumers is not homogenous. The needs vary a lot and segmentation is important when offering services to senior citizens. Elderly consumers vary for example by health, age, gender, wealth and family relations. Some common characteristics of European elderly consumers can be defined as follow (Eurostat, 2000):

Table 1. The shares of occupancy types in different European countries 1980-2000 (Sunia, 2005)

	1980			1990			2000		
	Rental %	Ownership %	Other %	Rental %	Ownership %	Other %	Rental %	Ownership %	Other %
Austria	43	52	5	41	55	4	41	56	3
Belgium	38	59	3	33	67	0	23	74	3
Denmark	41	52	8	42	52	6	45	51	4
Finland	29	61	10	25	67	8	30	60	10
France	41	47	12	39	54	7	41	53	6
Germany (East)	69	31	0	76	24	0	69	31	0
Germany (West)	55	43	2	no value	no value	no value	57	43	0
Greece	25	75	0	20	76	4	22	74	4
Ireland	24	76	0	18	79	3	16	78	6
Italy	36	59	5	25	68	6	20	72	8
Luxemburg	39	60	1	30	64	6	26	70	4
Netherlands	58	42	0	55	45	0	47	53	0
Portugal	39	52	5	28	67	5	28	66	6
Spain	21	73	6	15	78	7	11	82	7
Switzerland	42	42	16	44	39	17	no value	59	no value
United Kingdom	44	56	0	35	65	0	32	68	0

- Elderly households consume less than younger generations.
- One elderly woman households consume less than one elderly men households.
- Owner-occupiers consume more than tenants.

The most common type of live in Europe is to own an apartment or house. Table 1 shows 15 different European countries (Germany has been divided to East and West). When looking the pattern of owning and renting, former East-ern Germany makes the biggest exception. The development has been favourable to own one's own home. The role of ownership has strengthened in many European countries when looking the cross-sections from 1980, 1990 and 2000.

Institutionalisation costs a lot to society. In many cases it is more economical to offer high amount of supporting services to homes rather than move the person to institution. In Finland the volume of institutional caring units is one of the highest in Europe. Yet the most Finnish seniors (87%) lived in 2000 at their own homes independently without any services from public and private sector. Following Table 2 shows that additional 7% of seniors lived independently with assistance from public sector. Other forms of living, as sheltered houses and institutional forms of living (in hospitals and old peoples' homes), were more rare.

Institutional care has many different forms and the interface between institutionalisation and sheltered housing is not always clear. For example in Finland the amount of elderly will increase very rapidly between the years 2010 and 2020. The yearly amount of new housing should be 30 000 units, which includes 7 000

special senior housing units (VTT, 2005). This volume is not likely to exist for example because of the lack of appropriate building land. It is inevitable that people will continue to live in their former homes but new forms of senior housing are yet desirable.

Housing services for those seniors, who are not able to live independently anymore, are produced in day centres, sheltered houses (ordinary or 24-hours assisted) and in residential homes. Seniors that need much help visit day centres in daytime but they spent the nights at home. Sheltered housing includes both accessible apartments and necessary services. The inhabitants pay for the apartment and services they need themselves. When sheltered housing is no longer an option, seniors move to residential homes. Residential home is a fully serviced form of institutionalised living. In Finland the fees are in proportion to the incomes of the residents and they cover everything necessary. At home person pays every service individually and this has made institutionalisation to be more preferable solution when the need for services is high. Another form of institutionalised living is living in hospitals or inpatient primary health care (Stakes, 2003).

On average, ageing people live in older buildings than younger generations. This has effects on the level of basic amenities like bath or shower, indoor flushing toilet, and hot running water. 83% of over 65 years old persons live alone or together with a partner. Elderly couples seem to have generally good housing conditions compared to other population (Eurostat, 1999). Some European countries have a tradition or they have succeeded to

Table 2. People aged over 65 by form of living in 2000 (Nissinen and Santalo, 2001)

	Number of	%
Lives at home, no services	665 000	86,7
Lives at home with regular domestic aid	51 000	6,7
Sheltered home, daytime services	11 000	1,5
Sheltered home or old-age home, 24-h services	27 000	3,5
Health centre, long term care	11 000	1,5
Other institutions, long term care	1 200	0,2

launch other forms of housing, for example communities and cooperatives. These are often related to inhabitants' way of living or age and they are culturally and historically bound. EU's housing stock consists 52% of one-family houses (Siekkinen, 2002). In some countries the share of flats is larger but for example Ireland almost all aged persons live in houses (Eurostat, 1999). Over half of the housing stock has been built after World War II and one third of that before the year 1970 (Siekkinen, 2002).

Generally there are only three final consumer group: individuals, non-profit institution serving private households and government. Other consumer group act as an intermediate when offering a product or service to the final customer (Eurostat, 2001). There is a big potential among elderly consumers. They do not necessarily consume for themselves but they buy things for their children and grandchildren. Still there can be seen a need for senior services to support independent living. Aged person is a final customer but in the market the paying customer can be somebody else like relative or public sector.

Today's elderly are not used to consume but on necessities. After 5-10 years there is a new generation of elderly people who are used to buy products and services that improve their quality of life. They are also more familiar with computer and other technical devices. Their children have got a good education. There is no need to save large amount of money to the next generations but there is a need to manage your own life when everyday routines do not go as well as before.

3. SERVICE PROVIDERS

Family members and friends are the biggest 'service provider' for elderly and it is important to remember that often the decisions related to senior services are made by relatives on the behalf of aged person (Gottschalk, 2004). Non-profit and volunteer organisations do a lot of work in social sector. For example in Italy 20% of volunteer workers are retired

people (Grumbach *et al.*, 2002). Need for public sector services arise often when there is a long distance to relatives and a lack of means.

In Finland 80% of the social and health care services are provided by public sector. Public sector also order 80% of remaining 20% (Siekkinen and Nummelin, 2004). Market place for senior services has not arisen. The public sector can have two kinds of roles. First of all, it can only be the producer, developer and coordinator of the services. Additionally it can also deliver the services and have an organisation for that. Municipalities, who generally have the responsibility to arrange the services, can conduct services themselves or together with other municipalities, or buy services from private and non-profit companies.

In countries, where the role of public sector has traditionally been smaller, the private markets are better developed considering senior services. There are larger companies or networks that can produce a wide range of services usually in institutionalised senior housing units. In some senior villages the younger generations are not wanted even as visitors.

Besides family members and friends there are many individuals that produce senior services, often without a proper education or employment benefits. The wage is composed of housing benefit, food and a small amount of cash. These kinds of care-givers do everyday household routines and are available most of the time. Besides routines care-giver will keep elderly company to a lonely elderly. The social and security aspects are strongly in favour of individual care-givers.

4. FINANCING SENIOR HOUSING SERVICES

Traditionally in Europe different generations have been living under the same roof and different generations have helped each other. There has been a fast development of public services during last decades when relatives are not living anymore close to each other. Families are not that big anymore and the amount

of close relatives has decreased. Senior services for elderly living independently have been provided by public social and healthcare system. The social and healthcare services are arranged and financed basically in three ways:

1. Public sector arranges and mainly delivers the services (taxes, small fees maximum cost price, income related fee).

2. Public sector arranges but private sector and non-profit organisations deliver the services (taxes, small fees maximum cost price, income related fee).

3. Responsibility is on private persons, private sector and non-profit organisations deliver the services (insurance, direct payments from customers).

These groups are only as a basis of different financing models. They have variation concerning the payer, deliverer, organiser etc. Nordic countries are examples of the first category. Even among these countries the variation is high. The reason, why public sector also produces the services, has been that there are also direct effects on employment. The situation has aggravated the development of private service market. For example in Finland around 80% of services are delivered by public sector.

Many other European countries belong principally into second category. In many countries the role of private arrangements is high. One example of this category is Italy. Public sector organises the services but the service providers are private and non-profit companies. Third category includes specially the Anglo-Saxon countries, for example United Kingdom, where private persons or employers arrange services directly with private service providers or through insurance mechanisms.

According to Finnish legislation the municipalities are responsible for arrange social and health care services for elderly. The way this responsibility should be carried out is not regulated but the municipalities usually carry out these services by themselves. They can also do co-operation with other municipalities or they may outsource these services to private firms, non-profit organisations or to other

municipalities (Nissinen and Santalo, 2001.) This is the situation in many countries but the role of different players varies. Public sector finances the services mainly with taxes and sometimes with small fees.

The quantitative service needs of the 51 000 seniors living independently in Finland with public assistance varied considerably. In some of these senior households the public sector service providers visit just few times a month. At the other end of the spectrum the need for assistance is daily (see Figure 1). Statistics show that about every fifth senior obtained public services over 40 times per month in 2000 (Stakes, 2003). Nissinen and Santalo (2001) have been estimated that when the need for assistance is daily, independent living is no more the most cost-effective form of living from the public sector's point of view. As the costs rise with increasing need for assistance, it will be necessary to consider new more cost effective ways to care for the independently living seniors with most intensive needs.

Future seniors will be wealthier than generations before. But at the same time the gap between rich and poor will grow. Voluntary pension and other old-age insurances have become more common because they have also offered a good way of invest. Well functioning private market brings the flexibility needed in senior service. Seniors will be more willing to improve their quality of life when there are options available. In the future seniors want to spend 'quality time' with their descendant without a burden they might think they are for them.

Different types of volunteer and non-profit organisations play important role when producing services. Their activities have been financed by charity. New business opportunities rise from the interface of direct sell to customers but besides that from the interface with other organisations. Sometimes there might be a collision between the objectives, for example, between a profit seeking of the private company and non-profit targets of public sector.

Problem is that the welfare does not spread out evenly. People who have money have op-

Clients of visiting nurses by frequency of visits and age of the client (visits/month)

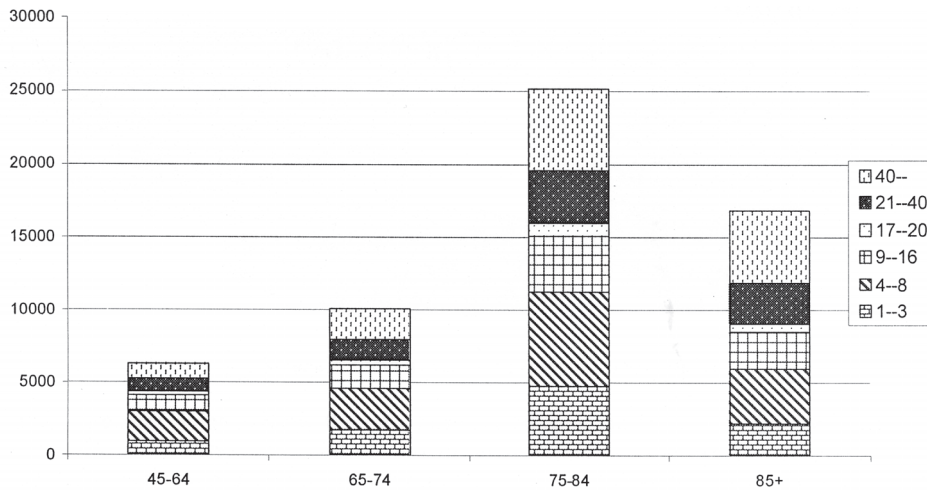


Figure 1. Home nursing clients by the number of visits per month and by age (Stakes, 2003)

tions but experience has shown that prices have risen so that fewer people have the opportunity to pay. In these cases the non-profit and volunteer organisations have taken the role of public sector. Especially persons that have been out of working life, for some reason, might face difficulties in living arrangements.

5. NEW BUSINESS POTENTIAL

The new business potential in senior services can be seen in many interfaces. The end customer is always the senior and his or her welfare but the customer against service provider varies. In addition to elderly person, the customer can be another private person, a relative, a friend or personal care-giver, someone who chooses the service. The customer can be a more professional actor; public sector, private company or non-profit organisation.

More effective solutions can be found to deliver services for using technology (Nykänen *et al.*, 2004). Even if in customer side the only technology used would be telephone, it does not mean that the logistics cannot be improved. Following Figure 2 presents a field of senior service and different actors. Private sector is

looking new potential, whereas public sector's goal is to offer services more efficiently.

From end customers point of view the new business concepts include everything needed to fill a specific level of satisfaction. It is easy to add and remove different senior services whenever needed. Different service concepts are easily compared and there is a third party that looks after the quality of services. New business potential can be seen in organising the existing services in a more segmented way. Technology can hardly ever be sold without accompanied service, especially for individual persons. On the other hand new kinds of networks can be created where actors having technology and others working with services can combine their forces.

6. CONCLUSIONS

Many western societies will face a big problem in the near future: the growing costs of public social and health care. The amount of the people needing help will increase compared to the working population. The public sector is forced to look very carefully what services they provide and to whom. The actors, including private sector, is not fully developed to work

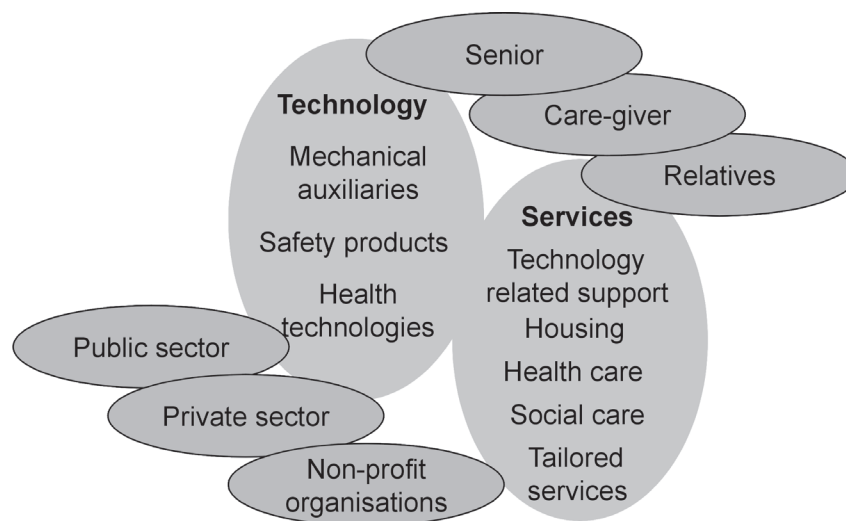


Figure 2. Field of senior services (ed. TSA, 2005)

together. The attitudes and the level of welfare are changing and the opportunities the change brings have not necessarily been seen. In the future the public sector will focus to assure just the basic need for their indigent inhabitants. There will be increasing demand for different kind of services, not just the ones filling the basic needs. Services need to be segmented and the challenge is to get different stakeholders to act for common goal when the financial and social issues and ethics are different, sometimes reversed.

If the existing housing stock could be used more effectively and new sheltered homes could be created to existing building stock the need to build new sheltered homes would still increase. This is an important notion, which points out that other opportunities are expected to rise. The problems concerning construction and buildings are various. There is not enough building land in places (like inner-city areas), where people want to live. Demand changes rapidly. Living in a special senior house is not always the wanted option. For recent generations it has been shameful to live in an old-aged home. That has meant that there is no one that could take care of the person. And

also other way round - people has felt shamed if they need to put some of their older relatives in such a place.

It has taken time for attitudes to change. Senior houses have been built in high level materials and they offer a wide range of services but even now the moving to senior house is a big step looked from aspects mentioned above. This means that a person has to admit him or herself that he or she is getting older and cannot cope independently. Present society still prefers the youth in many situations. Specially designed buildings for one group might not meet the housing needs in the future. This has enhanced the idea to increase sheltered housing potential through existing housing stock.

One interesting aspect in the future would be to look what kinds of challenges a different community and condominium structures emerge. As we know even different part of Europe has various building and building land stocks. For example in Finland the distances can be very long in some parts of the country and the efficiency needs to be considered from various viewpoints. When looking for new business models the most important starting point

is to find answers to following questions:

- What are the needs?
- Who is the customer?
- Who pays?
- Who delivers?

The needs are segmented but the markets in different segments are international. There are new opportunities especially between business partner and a customer or business to business area. Financier can be the public sector, insurance company, or relative. Different objectives need to fit to each other.

The competition in the market is already hard despite the indistinct market situation. Different types of full service concepts are needed. The concepts need to include the basic social and health care, but also the additional services that raise the quality of life. For example, the existing basic services can definitely be delivered better by respecting the independency and privacy of individual. One of the biggest problems, the loneliness, can be dealt with in new and innovative ways. Wide range of services can be provided for example by coordinating different stakeholders as a network.

REFERENCES

- Dychtwald, M. (1997) Marketplace 2000: riding the wave of population change. *Journal of Consumer Marketing*, 14(4), p. 271–275.
- Eurostat (1999). *Housing conditions of the elderly in the EU*. Statistics in focus. Eurostat publication SiF 14/99.
- Eurostat (2000). *Consumption of the elderly in the EU*. Statistics in focus.
- Eurostat (2001). *Consumers in Europe. Facts and figures*. Data 1996-2000.
- Gottschalk, G. (2004) The Prerequisites of the Elderly People for Living at Home – Criteria for Services. Conference paper, ENHR International Housing Conference, WG6: Housing and Living Conditions of Ageing Populations, Cambridge, England 2-6 July 2004.
- Grumbach, C., Heikelä, M., Skilton, T., Okkonen, A., Huisman, R. ja Haukipuro, K. (2003) *Independent living market in Germany, UK, Italy, Belgium and Netherlands*. Tekes, Technology Review 133/2002.
- Leventhal, R. (1997) Ageing Consumers and their Effects on the Market Place. *Journal of Consumer Marketing*, 14(4), p. 27–281.
- Nissinen, K. and Santalo, M. (2001) *Asukas- ja kiinteistöpalvelujärjestelmä vanhusväestön kotiasumisen tukena*. VTT Building and Transport. (In Finnish)
- Nykänen, E., Sarvaranta, L. and Nummelin, J. (2004) *Home Service Concept. From User Needs to Services*. VTT Research Notes 2252.
- Rönkä, K. and Kallio, R. (2001) *Hissi meidän taloon? The Finnish Environment* 555. (In Finnish).
- Siekkinen, H. (2002) *Ageing - a new potential for European construction sector*. Tampere, VTT Building and Transport.
- Siekkinen, H. and Nummelin, J. (2004) Increasing sheltered housing potential through existing housing stock in Finland. Conference paper, ENHR International Housing Conference, WG6: Housing and Living Conditions of Ageing Populations, Cambridge, England 2-6 July 2004.
- Stakes (2003). *Care and Services for Older People 2002*. National Research and Development Centre for Welfare and Health (STAKES). Serie: Sosiaaliturva 2003:1.
- Sunia (2005). *La condizione abitativa. Sindacato Unitario Nazionale Inquilini ed Assegnatari*. http://www.sunia.it/files/studi_ricerche/patrimonio.htm (28.2.2005)
- TSA (2005). *Final report of Future Senior Housing - project*. Unpublished.
- VTT (2005). *New business models for senior housing*. Closed seminar at VTT 15.3.2005.

SANTRAUKA**PASLAUGŲ PAGYVENUSIEMS ASMENIMS VERSLO POTENCIALAS****Johanna NUMMELIN**

Europos ir apskritai Vakarų visuomenė sparčiai senėja. Viešasis sektorius daugelyje šalių susiduria su sunkumais, kai reikia išlaikyti tą patį socialinių ir sveikatos paslaugų lygį kaip anksčiau. Jaunesnės kartos žmonių mažėja, o žmonių, kuriems reikia paramos, daugėja, palyginti su dirbančių gyventojų skaičiumi. Tačiau iššūkiai, kuriuos kelia senėjanti visuomenė, dar nėra galutinai suprasti. Be neigiamų pasekmių, senėjanti visuomenė sukuria naujas galimybių rūšis, naują verslo potencialą. Pokyčiai bus tokie spartūs, kad naujos statybos negalės patenkinti specializuoto būsto poreikio. Be to, specializuotas būstas pagyvenusiems asmenims gali būti visai ne tai, ko nori pagyvenę vartotojai.

Didžiausias rinkos potencialas gali būti matomas dabartiniame būsto fonde, kurį reikia renovuoti kintamiems poreikiams patenkinti. Egzistuojantis būsto fondas buvo pastatytas sveikoms darbingo amžiaus kartoms. Be renovacijos, naujuosius poreikius galima patenkinti, teikiant naujo pobūdžio paslaugas bei taikant naujas paslaugų sąvokas. Tokios paslaugos šiame straipsnyje vadinamos paslaugomis pagyvenusiems asmenims. Straipsnyje analizuojami įvairūs veiksniai, darantys įtaką paslaugų pagyvenusiems asmenims paklausai ir pasiūlai. Finansavimas trumpai aptariamas kartu su gerovės temomis. Naujų verslo galimybių idėjos aptariamos apibūdinus šioje srityje veikiančias grupes bei pateikus paslaugų pagyvenusiems asmenims klasifikacijas.