Universität St.Gallen

Cross-Industry Convergence
A new Concept of Retirement: "Third Quest"

White Paper

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1. Background – Drivers for Convergence

Industry convergence is the "blurring of boundaries between industries by converging value propositions, technologies and markets" (Choi, 2001). Why is convergence ripe for discussion now? The ubiquity of technology is one trigger for today's unprecedented and imminent opportunities for industry convergence. The 'Perfect Storm' of smartphones, cloud computing, big data, social media and the internet of everything has a huge impact on the future of most existing industries.

This digital technology phenomenon is often referred to as 'digitization,' i.e., the networking of people and things and the convergence of the real and virtual worlds that is enabled through the mass adoption of information and communication technology (ICT). Digitization is expected to be a powerful driver for innovation and economic growth, transforming industries such as energy, mobility, healthcare, and manufacturing *(Kagermann, 2015).* The same is true for the global fields of tourism and hospitality.

The second trigger for industry convergence is a result of the aging population - a worldwide Megatrend. By 2020, the world will see 13 "super-aged" nations where more than 20% of the population is older than 65. This trend is advancing quickly; in 2014, only three nations (Japan, Germany, and Italy) were qualified as "super-aged" *(Moody's cited in Financial Times, 2014).* At the same time, a bi-polar trend exists in the emergence of very young populations in countries such as India and Pakistan.

These two triggers—digitization and the aging megatrend—provide both challenges and opportunities for convergence in many industries, but particularly in healthcare. In the case of

aging populations, the efficient management of healthcare resources and costs for chronic diseases, such as diabetes, will be critical, both at the individual and societal level. To be successful, horizontal innovation is now required in healthcare: Previously "siloed" industries such as nutrition, pharmaceuticals, diagnostics, telecom, insurance, and hospitals must be considered holistically, as each bring substantial capabilities to healthcare innovation. In healthcare, disciplinary capabilities need to be made interconnected to facilitate horizontal thinking.

In today's healthcare landscape, vertical or functional silos are counterproductive, especially as new, aggressive, and disruptive players are not constrained by such structural limitations. For example, several nutritional companies are entering the healthcare industry. Similarly, many IT and Telecom industries, including major players such as, Intel, Google, SAP, Facebook, and Vodafone are expanding into healthcare markets. Even the automotive industry is now converging with healthcare as they pursue autonomous driving innovations. These disrupters are entering formerly well-shielded industry sectors very quickly and aggressively without many of the regulatory or even cultural limitations traditional players are faced with. Not all companies can be so agile, which begs the question: How do large organizations from existing industries want to and how can they respond to these challenges, (and) respectively participate in these opportunities?

The "Third Quest"

The users of the services discussed here will be close to retirement or have entered retirement already. Therefore, they can look back on having conquered two quests already: They have successfully managed their forming adolescent years as well as their life as a responsible adult. Now the user of these services will ask: How do I conquer this 'Third Quest'? The life beyond retirement depends on his/her individual levels of interests, capacities, preferences, needs and inclinations.

2. **Options to be considered**:

The 'digital Aging Process' as elaborated by a study from the GDI Research Institute (Samochowiec et al , 2015) in Switzerland defines 4 arch-typical scenarios:

- Conservative Agers - "classical" seniors focusing on preservation of assets without application of new technologies;
- Predictive Agers - seniors with priority on preservation and applying new technologies as tools to support their retentive ambitions;
- Rebel Agers - people not satisfied with aging, who are keeping their focus on growth, but only using new technologies to explore their preferential interests.
- Ageless Agers - this type applies new technologies to support and meet growth objectives with the aim to slow or even stop the aging process

Why not extending these profound analytical premises beyond healthcare to the whole set of residential and life-style requirements of the aging baby-boomers, who come to this "third stage of life" with a totally different set of requirements, demands, expectations and preferences than our parents or grand-parents used to have only thirty or fifty years ago?

The fundamental principle about aging (and over-aging) lies in the necessity to learn how to "shape the aging process" pro-actively, which includes solidarity between generations (Bachmaier, 2009). Bachmaier expressed the conviction that both human dignity and individual freedom have to be in the focus of any meaningful aging policy, instead of limited fiscal or profit-oriented considerations. Therefore, it is important to realize, that aging people need a lot of free space to remain actively involved in society, to find new challenges, keep learning continuously, build new relationships and interact in a socially open and care-free environment. Bachmaier further distinguished between three clearly different stages of aging: the *autonomous*, the *fragile* and the *curative* phases - each of them requiring a specifically modeled "Aging Culture", which requires an optimal adaptation to the related circumstances within the entire aging process.

The "rebels" and the "ageless" are of particular interest in conjunction with innovative new senior life-style concepts. These two groups are challenging the status quo in the retirement industry.

3. A Solution: Cross-industry convergence as a driver for scalable new business models

The challenge: "Finding a better approach to accommodate the life-style of the baby-boomer generation *with highly flexible, optimally adaptable new solutions in all essential aspects for mature human beings beyond currently available options".*

The long-term perspective should be the ambition to become a pioneer in advancing senior residential services, individualized assistance and care for mature people to a higher level not yet available on a comprehensive and large scale, but proposed and suggested by numerous experts in the field of *Geriatric Research*.

The major novelty (USP) of the projected concept ideas lies in the proposition to take retirees *intentionally* out of a single 'siloed' residence and by dispersing them throughout residential homes within a larger development. At the same time, the planned welfare organization, providing all basic, advanced and optional services expected in a full-service facility of the traditional kind, would act as nearly invisible 'Cocoon' for the participating retired guests. It is an unobtrusive safety net below a wide open and unrestricted continuation of an active life-style as enjoyed before retirement and most probably still equally enjoyable past the threshold of leaving active work.

From a practical point of view, this could work perfectly in the form of a 'Senior Care Membership' on a Club-style level as often promoted by chains of Fitness Clubs and similar leisure-related service providers. A subscribing member would sign up for a convenient residence in a modern residential complex with all sorts of existing and already available services - from swimming pools to fitness rooms to on-site shops or integrated F&B outlets, laundry service and so on. Also, the member gets privileged access to special senior-care services to be established on-site and especially provided through global health care specialist through the virtues of telemedicine.

The membership card is therefore the key to the physical access to services on location, but also the key to the 'invisible Cocoon' of services available globally – a virtual assisted living proposition. This innovative new approach reflects the drastically changed retirement expectations of large portions of the baby-boomer seniors, namely the 'rebel" and the 'ageless' agers by providing a comprehensive lifestyle concept for mature people facing their 'third quest' in the 21st Century.

4. **Key Elements of the envisioned "Cocoon"**

- *Beyond "Real Estate"* (Location matters)*:*

A pleasant climate & a healthy environment – in contrast to cold weather and pollution. Need to emotionally bridge physical distance to home – through digitization/connectivity

- *Beyond "Health Care/Hospital":*

Access to superb health care is critical. Tele-medicine/'Wearables' allow for preventive monitoring as well as remote access to trusted physicians in "home" location

- *Beyond "Wellness/Spa":*

Access to fitness and beauty applications to promote ageless aging ("Fountain of Youth")

- *Beyond "living at home alone":*

Club Care Membership providing access to fitness opportunities, Pool, laundry service, transportation, social & cultural events, learning/knowledge, leisure activities etc.

- *Beyond "Old People Home":*

Being located in the midst of a pulsating environment rather than in isolated old people home at the fringes of society – interactive and inter-generational ("integrational")

- *Beyond "Financial Reach":*

Locations according to financial ability (affordability), in an environment where cost of living and expenses for health care/support are significantly lower than in home country

5. **Options for the proposed Retirement Lifestyle Concept**

- **For Retirees** ("end user")**:**

- Concierge Service in a lively, climate-wise pleasant location, embedded in an activity-filled environment (household, shopping, transport, expert advice etc.)
- Age-related medical and social care services implemented within an interactive resort-style ambiance – on-site and through digital technologies
- Optional social, cultural, knowledge, hobby & leisure programs/activities

- **For Investors:**

- Scalable investment opportunity around a core umbrella concept (e.g. Best Western,)
- Franchisability and potential to participate in an IPO down the road (5 to 8 years horizon)

- **For Partners:**

- Real Estate/Hospitality: Differentiated offers to include service components
- Global Hospital partners – expansion of patient base through tele-medicine or operation of on-site health-care facilities/services
- "Digital health monitoring" – global application of 'wearables' (tracking potential)

6. Conclusion – The Call to Action

Cross-industry convergence: This paper outlines the opportunities to offer valuable services in view of the megatrend 'aging population'. Not all retirees are the same. What can be done for 'rebel agers' and 'ageless agers'? - These are individuals, still fairly healthy, grown up as part of the baby boomer generation globally, used to challenging conventional thinking, using smart phone devices. *What can be done to help them in their 'Third Quest'?*

The solutions go way beyond the conventional 'old people home'. In fact, a number of industries converge here: - Retirement Homes
- Pharmaceuticals/Life Sciences
- Hospitals
- Insurance
- Real Estate
- Tourism & Hospitality
- Sports & Leisure
- Wearables
- Tele-medicine
- Predictive Algorithms

At this stage, it is unclear who will take the lead ("pivotal players"). In any case, key players from various industries will have to collaborate. The engineering of these collaborations across industries will matter. This is indeed a global opportunity rather than a national one. Where can these new opportunities be tested? What about Estonia, Morocco or Thailand for starters? The snowball always melts from the outside. Locations for genuine innovation are usually at the fringes of global attention. - *Why should it be different in the case of the "Third Quest"…*

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EXECUTIVE SUMMARY

- **Digitalization** in a globalized economy and the **Mega-Trend** of an aging population have changed the established order we used to know and even market leaders in their specialized fields of expertise are no longer secure with regard to their long-term future and survival unless they are ready to face new realities.

- In this new environment, it is no longer sufficient to focus exclusively on the optimal **exploitation of core markets**, but it is of vital importance to change to a two-track approach and also explore innovative opportunities to create **new markets**.

- For the **retiring baby-boomers**, who are still quite healthy, active and demanding with a strong purchasing power, traditional forms of **senior citizen residences** and similar assisted care facilities for the elderly are no longer sufficient or not suitable.

- In order to get a grip on the growing problem of **over-aging**, it is essential to start thinking "out of the box" and create new concepts on an **interdisciplinary** level with other industries sitting in the same boat in need of starting to act **pro-actively**.

- The scientific tandem of Mayer/Renz have published a pioneering White Paper titled: **Convergence**: Addressing the opportunities, avoiding the pitfalls. Their novel approach provides an effective set of tools to **engineer** new and creative **solutions**.

- The focus in this concept proposal is primarily on the baby-boomer generation and beyond, since their altered demands, needs and expectations call for a **different approach** in order to provide an **optimal environment** after leaving work behind.

- The **"Third Age"** as the last phase of every human life can either be very stressful or rather boring and there is an obvious **need to create a more inspiring environment** for future "old-timers" who prefer to **stay involved** and still pursue many **activities**.

- For the specialized field of **accommodating, servicing and caring for** the rapidly growing numbers of **aging people**, it is of vital importance to adopt the techniques of Convergence Engineering and start **cooperating** with other industries sharing many common interests who are willing to **participate** through a **horizontal expansion**.

- The digital **Aging Process** as defined by a study from the GDI Research Institute in Switzerland defines 4 arch-typical scenarios: Conservative Agers, the **Rebel Agers**, the predictive Agers and the **Ageless Agers**. The "rebels" and the "ageless" are of particular interest in conjunction with **innovative new senior life-style concepts**.

- There is an obvious demand for a **new "Aging Culture"** on three different levels: The autonomous, the fragile and the curative phases. While the last one may require a different solution, the first two fit well into the proposed new **Senior Care Concept**.

- The major **novelty** of the proposed concept is the intentional breakdown of walls and barriers while providing an **invisible "Cocoon"** of **age-related services** within an active environment allowing seniors to interact **horizontally, vertically and virtually**.

- Provided that a senior citizen can count on a **safety net** on the same level and with a comparable set of age-related **services, assistance and support** as traditional care facilities, then it's a MUST **to adopt the more creative new approach** as presented.

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