National Venture Capital Association (NVCA)

As the voice of the U.S. venture capital community, the National Venture Capital Association (NVCA) empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community’s preeminent trade association, NVCA serves as the definitive resource for venture capital data and unites its 400 plus members through a full range of professional services. Learn more at www.nvca.org.

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What’s Your 50+ Strategy?  
A New Investment Theme

By Jody Holtzman, Senior Vice President, Thought Leadership, AARP

Introduction

In the past few years since AARP started our Innovation@50+ initiative to stimulate innovation in the market that will benefit people over 50 and others, we have:

- Created scholarships at DEMO,
- Sponsored demo/pitch days and established partnerships with health innovation accelerators such as Startup Health, Blueprint Health, Healthbox, and Rock Health, and
- Twice sponsored the annual event of the NVCA.

The initial response to our participation in all of these activities was the same – “What the heck are you doing here?!?”. The question, for the most part, did not get asked a second time. And it definitely wasn’t asked when we put on our first and second Health Innovation@50+ LivePitch events in New Orleans and Las Vegas, which brought together startups, investors, and consumers – 30% of which have received funding.

But this common initial reaction, to AARP participating in events comprised of investors and entrepreneurs, illustrated that the scale and scope of the opportunity to address the needs and wants of over 100 million people with new products and services, and disruptive innovation of existing markets, was not intuitive and obvious with most investors and entrepreneurs alike.
The articles in this journal, in the NVCA newsletter and elsewhere show an investment industry dealing with significant challenges. Returns have not been close to the glory days of the 90s. Big plays in several new verticals, such as Clean Tech, with a few exceptions, have not panned out. In Social, there are just so many Facebooks, Twitters, and LinkedIns. Funds are taking fewer risks and moving from a focus on early stage to growth stage. Everyone is racing to be second. And the industry itself has shrunk and consolidated.

We have a couple of questions for the venture community. Given the above, if we were a Limited Partner in your fund we would want to know the following:

- Why would you leave money on the table by ignoring a market of over 100 million people who spend over $3 trillion per year and is the only humongous growth market that exists? And,
- What’s your 50+ strategy?

The opportunity for the venture community is twofold:

1. Ask those same two questions of your portfolio companies and the startups that come to you seeking investment, and
2. Adopt the “Longevity Economy” as an investment theme, i.e. the opportunities generated by the sum of economic activity related to the needs and wants of people 50+.

For investors, the benefit of understanding the Longevity Economy is that this paradigm provides even greater insight into the potential business and investment opportunities.

As with any national economy, e.g. the United States, China, Germany, or Barbados for that matter, the characteristics of a healthy economy include the following:

- New ideas
- New business models
- Disruptive innovation
- New technologies
- Investment
- New business formation
- Job creation
- Productivity growth
- New markets
- New industries
- New economic value
- Supply chains and multiplier effects
- Demographic growth

- And when all of this is aggregated, a growing measure of total economic activity such as gross domestic product (GDP) – which in the case of the Longevity Economy according to a forthcoming study by Oxford Economics is $7.1 trillion, making it the third largest economy in the world after the US and China.

The Longevity Economy embodies all of the above characteristics of a healthy and growing economy. And the beneficiaries are not limited to people over 50. Whether it is the entrepreneurs, the companies, the investors, those with jobs – and the economic activity of the supply chains that feed and support this economy - the beneficiaries are people of all ages (and the larger U.S. economy).
When looked at this way, it is difficult to draw any other conclusion than that the aging population of the United States is a significant net positive contributor to economic growth and prosperity; a conclusion that challenges the usual argument in Washington where serving the needs of over 100 million people is viewed as an unaffordable cost and financial burden. The private sector, including the venture community, should view this very differently – i.e., that serving the needs and wants of over 100 million people is an opportunity.

For investors, the benefit of understanding the Longevity Economy is that this paradigm provides even greater insight into the potential business and investment opportunities. The scale of products and services and the investment opportunities in the companies that create and offer them is large. But add to this the scale of the supply chains that support these companies and the underlying technologies that are enablers and inputs, in addition to the products and services themselves, and the investment opportunities are huge.

And just as with previous technological advances that later had applications which could not have been envisioned at the time of their discovery, such as the Internet, the technologies being created now and in the future to serve the needs, wants, and challenges of people over 50 will undoubtedly have future applications yet to be created.

Who Are These People And How Many Are There?

In the 20th century, the average lifespan in the United States and most Western countries increased by 30 years. What is important to realize, not just factually but also from a business and investment standpoint, is that these additional 30 years weren’t tagged on to the end of a person’s life, they were inserted into the middle of one’s life – when people are active, vibrant, productive, socially engaged, interested in new experiences and learning new things, and with today’s generations of people 50+ technologically connected.

As recently noted in a report by the Nielsen Company, “If a big market is of interest, a big market that’s getting bigger faster should really be intriguing.” And when it comes to the US population of people over 50, getting bigger faster it is.

In the year 2000, there were a total of 77 million people over 50 years of age - 42 million people ages 50-64, 31 million ages 65-84, and 4 million over 85 years of age.

By 2012 the number of people over 50 grew to 104 million - 61 million people ages 50-64, 37 million ages 65-84, and 6 million over 85 years of age.

By 2020, the number of people over 50 will number 118 million, and by 2030 132 million. So, in just thirty years between 2000 and 2030 the number of people over 50 will grow over 70 percent. And people 65 and older in 2030 will represent 1 in 5 Americans, according to the Census Bureau.

Among the 50+ are the Baby Boomers, the last of which will turn 50 in 2014. This generation has changed markets and the world at every life stage that they went through. They are active. The orientation they have about their current life stage is that it is about living, not aging. They don’t want to be boxed in and categorized and labeled. They see opportunity everywhere, even when facing adversity. They seek ways to enrich their lives themselves. They have a continuing desire to grow, learn and discover, and have a positive view of their future. They embrace change and are open-minded to new experiences. For Boomers, it is all about “what’s next.”

The key takeaway for investors and entrepreneurs is this — this market is too big to ignore.

In survey after survey, by AARP and others, people 50+ want to remain physically and intellectually active, learn new things, feel productive, stay socially engaged, and plan to work past traditional retirement age for both the emotional and intellectual benefits, as well as the financial benefits. And even those who must continue working for financial reasons, also in many cases see this through an opportunity and aspirational lens.
One of the myths about people over 50 that often comes up as a reason to ignore the opportunity in this space is the all too-accepted “common wisdom” that older people don’t use technology, they aren’t online, they aren’t mobile and social. The data suggest otherwise... To paraphrase Vint Cerf (70 years old), Google evangelist and recognized “father of the Internet” — “We aren’t scared of technology. We invented it!”

What might be surprising to the VC community, almost half of all new entrepreneurs are aged 45-64, starting businesses at rates significantly higher than people in their twenties. Entrepreneurs 20-34 years old account for just under 30% of new entrepreneurs, and those 35-44 years old just 22% of new entrepreneurs (Kauffman Foundation). And although most of this business activity by those 50+ is “small business America,” it reflects the continued high and productive level of activity of this generation. And while most of these companies may not represent an investment opportunity for VCs, they are a business and market opportunity for startups that are. But in all of the cases – Boomers and the 50+ overall, grandparents, and 50+ entrepreneurs – it’s only a business and investment opportunity if you know the dynamics and demand character of the market.

And for those of you who have followed the debate between Vinod Khosla and Vivek Wadwa over the “age of creativity” among founders in Silicon Valley, you know that there are plenty of venture-backed entrepreneurs 50+. This is especially true once you look past social media to sectors like life sciences, big data, enterprise software, etc; sectors where being able to identify problems let alone solutions requires experience. And last we looked, experience and age are highly correlated. Again the point is that this generation is active, productive and in this case returning value. And whether as customer or entrepreneur, should not be ignored.

Why Should VCs Care?

Why should the venture community and entrepreneurs be interested in people 50+? Several reasons, starting with the fact that as a group they have a lot of money and they spend it. People over 50 in the United States have the highest net worth of any segment of the population and in 2013 will account for $3.01 trillion in consumer spending. This represents 51% of expenditures in the United States by all consumers over the age of 25. Over the next 20 years, spending by people 50+ is expected to increase by 58% to $4.74 trillion, while spending by Americans aged 25-50 will grow by only 24%, to $3.53 trillion (Oxford Economics).

Baby Boomers spend the most across all product categories, and it is even greater when people 67+ are included. Boomers account for consumer packaged goods sales of almost $230 billion, 49% of total sales (Nielsen). They account for roughly 45% of sales in Apparel, 43% in Personal Care, 43% in Food, 45% in Entertainment, 44% in Transportation, 42% in Housing, and 43% in Healthcare (Bureau of Labor Statistics, 2010). In fact, as Nielsen notes, “Boomers dominate 119 out of 123 CPG categories – that’s a staggering 94%.”

For example, one category dominated by Boomers is car sales. If the car is the next tech platform opportunity, as claimed by CEOs in Detroit, there is a significant opportunity for venture-backed startups to drive this innovation (pun intended). And given that Boomers are the largest car buyer segment, to fully optimize this market opportunity requires that these startups and their investors understand older drivers, just as BMW does when it designs the ergonomics of a 5-Series car for a man in his late 50s.
The dynamic of spending by people 50+ also is inter-generational. According to a 2009 study by Grandparents.com, in 2009 grandparents spent about $52 billion on their grandchildren, roughly 5% of grandparents total consumer spending. Direct and indirect spending by grandparents on their grandchildren included in $16.9 billion on education, $10.2 billion on apparel, $4.0 billion on travel, $5.8 billion on toys, and $2.7 billion on baby-related products (Grandparents.com).

The key takeaway for investors and entrepreneurs is this – this market is too big to ignore.

People 50+ and the Technology Myth

One of the myths about people over 50 that often comes up as a reason to ignore the opportunity in this space is the all too-accepted “common wisdom” that older people don’t use technology, they aren’t online, they aren’t mobile and social. The data suggest otherwise. In addition, this is the generation that grew up when computers were first introduced into the workplace. To paraphrase Vint Cerf (70 years old), Google evangelist and recognized “father of the Internet” – “We aren’t scared of technology. We invented it!”

First, let’s note a very important fact. Although most market research focuses on percentages, remember that when talking about percentages of the population of people 50+, we are talking about a percentage of over 100 million people. This is important, because while percentages are and may be higher for GenX and others, the base is significantly smaller, resulting in some cases in absolute numbers that are pretty comparable.

78 percent of people 50+ are online. This is over 80 million people! Over 65% use broadband at home (Forrester). And this isn’t limited to just Boomers. Just over half of seniors 65+ are online as well (Forrester).

In addition, there is huge growth in mobile. 23 percent of people over 50 years old owned a smartphone in 2012, up from 12% in 2011 (Forrester). They are using them to look things up and buy things. 20 percent have researched products on their phone and 5% have made a purchase on their phone, including digital products, electronic tickets, coupons and reservations, and clothing and food. And they are most likely to pay for apps in anti-virus/security, music, games, and ebooks (Forrester).

33 percent of all tablets are owned by people 50+ including 23% of all iPads and 30% of all Kindle Fires (Forrester). This reflects growth from just 4% of people owning a tablet in 2011 to 11% in 2012, and it continues to grow (Forrester). And like the 18-49 year old segment, the adoption of tablets has resulted in less use of printed books, magazines, and newspapers, less use of computers (desktops and laptops), and less use of traditional mobile phones.

When it comes to participation and having an account on social networks, 50 million people over 50 years old are users: of those online, 89% of them have a Facebook account, 28% have a LinkedIn account, 13% Twitter, 10% Google+, 7% MySpace, and 5% Pinterest (Forrester).

People 50+ also are gamers. Thirty-four percent of people online over 50 play video games on their computers, with 6% playing on a game console – which reflects a significant opportunity to transition these gamers to consoles.

And lastly, Boomers and other 50+ shop online. To quote Nielsen’s recent study “A third of them shop online and the 50+ segments spends almost $7 billion when there. The Internet is their primary source of intelligence when comparison shopping for major purchases.”

Given the above, it is hard to make (let alone sustain) the claim that a lack of technology use and online engagement is a good reason to ignore people 50+ or the startups that target them as a market opportunity.
The Opportunities

The opportunities in the 50+ space are numerous – in technology, social, ecommerce, travel, entertainment, education, transportation, financial services, healthcare, wellness, and yes, anti-aging. In this look below at startup and investment opportunities, we examine opportunities in the consumer, out-of-pocket health and wellness space.

The opportunities in health and wellness, as well as other sectors, fall into two broad categories:

1. Products and services designed specifically for people over 50, and
2. Opportunities to consciously design products and services for all across the age continuum, with the goal of capturing the largest marketshare regardless of the age of the consumer – i.e. Design for All. This is the path to market optimization. Put another way, by designing products and services with the conscious goal of not creating an artificial wall that prevents or diminishes sales to this large market of over 100 million people.

It also should be noted, that products and services designed for the 65+ are also equally relevant to GenX, as well as Boomers, as these are their parents as well. And issues around healthy living, caregiving, aging in place, etc., are by definition multigenerational life-stage issues in which the adult child is often the paying customer.

Healthcare

Healthcare covers many categories including many such as Life Sciences that require regulatory approval from various agencies like the FDA. However, there is a significant and growing market in non-regulated healthcare categories that are paid out-of-pocket by consumers, especially around healthy living.

A combination of trends are driving this opportunity, including:

- Consumer/patient-centric health,
- Consumer engagement,
- Connected living,
- Prevention and wellness,
- The quantified self, and
- The overriding shift in orientation from sick-care to health-care.

And the trend that flows across all of these among people 50+ is the consistent desire of people to remain independent, active, engaged, and live as long as possible in their own homes, i.e. to age in place.

The opportunities reflect both categories – products and services targeting the 50+, and those designed for all.
A recent study by Parks Associates that was sponsored by AARP identified nine healthy living categories that together today comprise a $77 billion market, with a growth opportunity over the next five years of $20 billion in additional revenue and adoption by over 100 million people. Each of these nine market areas are currently unreimbursed and paid out-of-pocket. The forecasts assume that they will continue to be paid out-of-pocket and are drawn from the Parks study. They include:

- **Aging With Vitality** – After age 50 a majority of people experience common age-related conditions, including hearing and vision impairment, arthritis, and memory loss. By 2018 the target market for aging with vitality products is likely to grow to 49 million people. In addition to companies creating specific new breakthrough products, the opportunity also benefits from the introduction of age-mitigation features and underlying technologies that make existing and familiar products easy to use. This market has a cumulative five-year revenue potential up to $1.9 billion.

  This forecast does not include the investment opportunity in those companies producing new innovations in technologies such as High-Definition (HD) Voice, location-based services (LBS), voice recognition, gesture recognition, and text-to-speech functionality which are inputs for the above products.

  Solutions are needed and opportunities exist to address the following: Brain fitness/improving and aiding memory and cognition, improving and aiding hearing, improving and aiding vision, maintaining muscle strength, managing arthritis, boosting daytime energy.

- **Medication Management** – Over 90 million people among the 50+ will be on multiple medications by 2018 and over half of them will require assistance managing their medications. Companies with a hardware-centric strategy are likely to gain a revenue opportunity comparable to a service-centric strategy, but with lower risk due to greater consumer cost-sensitivity toward service pricing. This market has target users growing to 53 million by 2018 and a cumulative five-year revenue potential up to $3.1 billion.

  Solutions are needed and opportunities exist to address the following: Preventing in-home accidents, managing medications, improving and aiding memory.

- **Vital Sign Monitoring** – Proper interpretation of vital sign data followed by an actionable plan is critical to older adults’ ability to self-manage their conditions. While startups and others have created products addressing individual types of monitoring, the market has yet to see an interoperable eco-system of devices that will allow users to monitor multiple vital signs and receive feedback through one central application. This category is a prime example of the current lack of connectivity and interoperability across products. Startups that position their product(s) as a self-help tool rather than a chronic care management device, may benefit from greater consumer uptake due to a more positive framing. This also is an area where payers are likely to be interested in providing their own or white-labeled products, as well as a path to exit. This market has target users growing to 49 million by 2018 and has a cumulative five-year revenue potential up to $4 billion.

  Solutions are needed and opportunities exist to address the following: Improving sleep quality, reducing bad cholesterol, keeping glucose in range, maintaining healthy weight, keeping blood pressure in range, detecting skin problems, maintaining good dental hygiene.
• **Emergency Detection and Response** – Solutions that can detect and initiate a response to emergencies, and in the future can prevent adverse incidents, will see consistent demand. This market segment has many opportunities to improve on the current PERS solutions to create a better user experience and higher adoption rate. This is likely also to help broaden the market beyond the typical user base of people 75+ who have till now been the primary target with a “fear-premised” positioning around falling and an inability to get up. Combining traditional PERS features with other lifestyle features, greater mobility, and more attractive design, may make these products more attractive to people aged 50-75. This market has target users growing to 28 million by 2018 and has a cumulative five-year revenue potential up to $2.4 billion.

Solutions are needed and opportunities exist to address the following: Detecting falls, sending alerts when a person is lost, preventing in-home accidents.

• **Care Navigation** – The healthcare system is extremely complex and consumers have significant difficulty understanding options with regard to access, quality, and cost. Current solutions suffer from a siloed approach to sharing health data with consumers, thus preventing a clear value proposition. Solutions that provide clear and short-term benefits, e.g. medical savings and better health service choices, are likely to experience greater customer uptake. Integration with PHRs and personal insurance coverage will also likely increase both real and perceived value. This market has target users growing to 39 million by 2018 and has a cumulative five-year revenue potential up to $3.3 billion.

Solutions are needed and opportunities exist to address the following: Navigating the healthcare system, identifying relevant providers, evaluating quality of care, managing healthcare costs, planning for end of life care.

• **Social Engagement** – Staying engaged with family, friends, and the community is vital to healthy aging and has multiple physical, behavioral, and emotional benefits. The adoption of social media such as Facebook by people 50+ shows the potential in this space. Applications built on top of Facebook to provide older users with an even easier user experience may lead to faster and broader adoption. The key is for these new products to help people 50+ solve real-world challenges through better social connectivity, and rather than require a change in behavior, fit into current behaviors and lifestyles. This market has target users growing to 70 million by 2018 and a cumulative five-year revenue potential up to $500 million.

Solutions are needed and opportunities exist to address the following: Reduce stress, improve and aid memory and cognition, stay connected socially, remain mobile and active, address isolation.

• **Diet and Nutrition** – Proper diet is fundamental to keeping older adults healthy and independent, as it is with all age groups. And although there are many tools and programs in this market, there is a need for less costly, self-manageable, and personalized solutions. There also is a need to link diet and nutrition solutions together with chronic care management and wellness services. The key challenge in this market is to deliver clear differentiated user experiences with documented results. This market has target users growing to 59 million by 2018 and a cumulative five-year revenue potential up to $1.6 billion.

Solutions are needed and opportunities exist to address the following: Eating healthily, boosting daytime energy, maintaining a healthy weight, preventing dehydration, keeping glucose in range, keeping blood pressure in range, reducing bad cholesterol, addressing calcium deficiencies, maintaining good dental hygiene.
• **Physical Fitness** – A healthy body is essential to an older person's ability to live an independent and satisfying quality of life. Most solutions on the market either fall short on interactive and motivational features, or are designed for younger demographics and ignore people 50+. Design-for-All product design, convenience, and ease of use are essential in this market to attract adoption. There also is large potential demand for more affordable solutions with interactive features that older consumers can easily use and add value to their lives. End-user demand is likely to be strongest among people 50-65, but current products barely cater to users in this age segment. Longer term pairing with vital sign monitoring, dietary tracking with physician input and feedback also present significant opportunities. This 50+ segment could have a potential market of up to 42 million users by 2018. This market has a cumulative five-year revenue potential up to $1.8 billion.

Solutions are needed and opportunities exist to address the following: Engaging in age-appropriate exercise, maintaining muscle strength, improving balance, staying mobile and active, maintaining healthy weight, boosting daytime energy, relieving back pain, staying flexible, reducing stress.

• **Behavioral and Emotional Health** – Aging in a healthy and happy way is essential to physical health, as well as emotional health. Current solutions are inconvenient and expensive. Social connectivity, online and off-line, is key to success and adoption. People need to connect with others with whom they can relate. Solutions that provide groups and therapists that address key sources of adverse emotional health, such as isolation and depression, are clearly needed and represent a market opportunity. This market has target users growing to 29 million by 2018 and a cumulative five-year revenue potential up to $400 million.

Solutions are needed and opportunities exist to address the following: Addressing depression, addressing isolation, providing grief support, providing divorce support, managing life transitions, planning for end-of-life care.

Another key factor driving the opportunity in consumer healthcare that cuts across the larger contextual trend drivers and the individual verticals, and in several cases are equally true for technology-based products generally, is that current solutions are sub-optimal and share a common set of weaknesses, including:

• **Poor design and aesthetics** that limit usability and consumer demand.

• A tendency to focus marketing on the sickest and most frail and elderly with an excessive focus on chronic conditions which creates an unnecessary market stigma and thus limits market reach and acceptance.

• A lack of connectivity and interoperability, which limits the utility of collected data.

• Prioritization of younger demographics by newer technology solutions – ignoring 100+ million people and signaling “this isn’t for you.”

• A fragmented approach to addressing consumers’ health needs when a more holistic solution could drive higher usage.

• Designs that fail to incorporate the role of caregivers and care providers.

• A lack of marketing resulting in low awareness of cutting-edge solutions by many 50+ consumers.

• High cost of many direct-to-consumer solutions pricing many 50+ consumers out of the market.

Entrepreneurs that can develop solutions that overcome these weaknesses will find significant opportunity and competitive differentiation. Investors who identify startups that effectively address these weaknesses are likely to be rewarded.
A New Investment Theme for VCs

Every investment in a startup has to stand on its own with regard to the idea, the business model, ability to scale, the technology and intellectual property, the founders and management team, and the market. But VC firms select investment themes because of larger trends that create an environment with the potential for multiple, large opportunities. We have seen this with the Internet, Social Media, Clean Tech, Enterprise Software, Big Data, Healthcare, Life Sciences, Education, etc.

One powerful trend is the aging of the population. As Steve Jurvetson of Draper, Fisher, Jurvetson is fond of saying, “Demographics is Destiny.” And when you examine the growing population of people 50+ there is no getting away from the fact that this is a huge and growing market, with a breadth of interests and activities, and the ability to spend significant amounts of money in the pursuit of these interests and activities – more than any other segment of the population. And in addition to all the things they purchase that are the same as younger cohorts, they also have evolving needs, wants, and preferences that present the opportunity to break new ground.

Despite Boomer market dominance across all of the various CPG categories, just 5-10% of total advertising dollars are spent on these consumers. The behavior of the venture capital industry, unfortunately, is the mirror image of the “Mad Men” on Madison Avenue. And in both cases, missing a huge opportunity by focusing almost exclusively on the 18-34 year old segment.

Analysis conducted by AARP a few years ago examined VentureSource data to determine the scale of venture investment in companies targeting people over 50. Looking at venture investment in the 2001-2010 time frame, investment in these startups amounted to a total of $2 billion. This compares with total venture capital investment of $250.5 billion in the same time frame (Venture Impact: The Economic Importance of Venture-Backed Companies to the U.S. Economy, NVCA , 2011).

Looking just at venture investment in digital health, between 2010 and 2013 a projected $250 million will be invested in startups focused on people 50+, compared with a total of $5.16 billion overall (Startup Health). Given that in less than a year, AARP alone has had over 200 startups in the healthcare space apply to pitch at our two Health Innovation@50+ LivePitch events, investment opportunities are being missed.

Adopting the “Longevity Economy” as an investment theme is the key to fully realizing this potential. (As noted above, the “Longevity Economy” represents the business and investment opportunities generated by the sum of economic activity related to addressing the needs and wants of people 50+.)

As with the adoption of any investment theme, it will proactively put VCs on the lookout for opportunities in this space – rather than simply react opportunistically to a startup knocking on the door. And it will provide an opportunity to create expertise that differentiates your firm from others in the eyes of entrepreneurs with high-potential products/services/business models. And it will provide an opportunity to drive disruptive innovation in a huge growth market that is currently under-served.

So, where should a venture firm start? Add a single question to your list of diligence questions when a startup comes to you looking for investment: "What's your 50+ strategy?"
And ask this of your existing portfolio companies as well...
As you see your portfolio companies struggle to grow revenue, you'd rather not want to be in a position to ask your CEOs, "Why did you leave money on the table by ignoring the only humongous growth market that exists?!"
So, where should a venture firm start? Add a single question to your list of diligence questions when a startup comes to you looking for investment: “What’s your 50+ strategy?” And ask this of your existing portfolio companies as well.

Our assumption is that when smart people, VCs and entrepreneurs alike, ask questions they will start to explore answers. And this exploration will potentially yield creative and innovative ways to optimize the market opportunity and the VC’s investment. Because there is no getting away from the fact that when products and services are attractive across the age continuum, like an iPad or Facebook, the market is larger and so are the potential rewards - and from AARP’s viewpoint there will be more products and services to better meet the needs and wants of people 50+ and others.

At a minimum, this line of questioning also will provide insight about the management teams of these startups, including existing portfolio companies. Most importantly, you will know if you are investing in a startup that is or is not aware of the opportunity presented by over 100 million people who spend over $3 trillion annually. For those that are not, it also raises the question – what does it say about a CEO and management team that is unaware of the demographics of their market and potential customers?

Another assumption we have is that after making an investment and as you see your portfolio companies struggle to grow revenue, you’d rather not want to be in a position to ask your CEOs, “Why did you leave money on the table by ignoring the only humongous growth market that exists?!”

Building the Eco-System

As we noted at the beginning of this journal article, understanding the rationale for AARP’s participation at events such as DEMO and others was not intuitive for both VCs and entrepreneurs. Fundamentally, it is driven by AARP’s overarching Mission, to enhance the quality of life for all as we age. A key to this is that the needs and wants of people 50+ be better addressed with a proliferation of relevant and/or easy to use and consumer-friendly products and services. That is why we launched the Innovation@50+ initiative.

The mission of AARP’s Innovation@50+ initiative is to identify ways that AARP can directly and indirectly stimulate innovation in the market around breakthrough products, experiences, and business models that will benefit people 50+. In doing this, we seek to partner with the venture community, with entrepreneurs, and others, to build an eco-system that will nurture such innovation. To that end, we are collaborating with the industry in the following areas:

- **Market Outreach**: Raising awareness of the market opportunity, needs, and wants of the 50+. We have done this with original content, such as the Parks Associates report on Health Innovation Frontiers referenced above, with the purpose of identifying unmet needs and opportunity for entrepreneurs and investors. And we have done this with the creation of the Innovation@50+ Scholarship for a select group of startups that apply to pitch at DEMO. And with our initial focus on healthcare, we have partnered with the healthcare accelerator Startup Health to ensure that companies that go through their program have an understanding of the needs and wants of people over 50. We also have a partnership with the Consumer Electronics Association (CEA) to highlight in their market research the buying behavior of consumers over 50, to encourage the industry to include the 50+ in their target market and employ “Design for All” principles in the design of their products so that they are easier to use by everyone, with the incentive of optimizing the market opportunity.

- **Market Development**: Influencing ecosystem development. We have done this internally by creating and piloting new business models for startups to work with AARP in order to make their innovative products and services available to our 37 million members. And we have done this externally by increasing deal flow for the venture community with the circulation of deal books profiling hundreds of startups in the Longevity Economy. We also have sponsored the demo days of Startup Health, Rock Health, Healthbox, and Blueprint Health, as well as DEMO where several of our Innovation@50+ scholarship winners went on to win “DEMOgod” awards.
Innovation Showcase: Creating platforms for showcasing innovative technologies, products and services. We have done this with two of our own Health Innovation@50+ LivePitch events that have attracted some of the top VCs and corporate VCs in the Health space, including Psilos Group Managers, Maveron, Polaris Partners, Cardinal Partners, Interwest Partners, Comcast Ventures, .406 Ventures, and others. These events attracted over 200 startups focused on the opportunity presented by people over 50 years old. Our third annual event will be held in Boston on Mother’s Day weekend in 2014. And we have showcased startups for the 10,000 AARP members who attend our semi-annual Life@50+ Event and Expo.

Member Involvement: Engaging AARP members in providing early feedback on emerging trends and innovation. We have done this through our LivePitch event in which entrepreneurs received real-time market feedback from AARP members in response to a consumer pitch, in addition to getting VC feedback following an investor pitch. And we are tapping the wisdom and input of AARP members to conduct concept testing, market research, and in-home pilots together with select startups.

The Nielsen study title described Boomers as "Marketing’s Most Valuable Generation." Boomers and the 50+ overall have the potential to be the same for the venture community. At a minimum, it is an opportunity too big to ignore.

Let us know what you think.

About the Author

Jody Holtzman has more than two decades of experience helping companies develop and implement competitive strategies and achieve their strategic market goals. At AARP, he leads the Thought Leadership group, where his focus is to stimulate innovation in the market that benefits people over 50. This involves areas such as the future of technology and the 50+, technology design for all, and 50+ entrepreneurship. It also involves developing partnerships with non-traditional players for AARP, such as the venture capital community, and the consumer electronics and technology industries. Previously, Jody led AARP’s Research and Strategic Analysis group.

Before joining AARP, Jody was in senior leadership roles in several strategy consulting firms. He was a Director of Global Strategy and Planning, and led the Market Intelligence Network of PricewaterhouseCoopers. Before that, he was Vice President of Consulting for FutureBrand, where he helped clients develop and implement competitive brand strategies.

Jody is a frequent speaker on the opportunities and challenges presented by the demographic wave. He has led numerous workshops on competitive strategy and organizational performance, and his work has been published in the Journal of Business Strategy, Competitive Intelligence Magazine, The Competitive Intelligence Anthology, and Making Cents Out of Knowledge Management. He has a graduate degree in international political economy from the University of Chicago.

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