Transforming Retirement Communities for the Next Generation

A MORRISON SENIOR DINING MARKET STUDY
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Executive Summary

In 2006 and early 2007, Morrison Senior Dining embarked on a project to define and document the impact of the Silent Generation – individuals born between 1925 and 1942 – on the Continuing Care Retirement Community (CCRC). Over several months, the team gathered the perspectives of CCRC executives, Directors of Dining Services, and Silents themselves through a series of focus groups, interviews and surveys conducted throughout the United States.

The findings were published in “A Voice to The Silent Generation,” a comprehensive report to the CCRC industry, and were further explored in subsequent interactive workshops of CCRC leaders. The report and workshops served as a clarion call to the CCRC industry to recognize that the needs and expectations of this emerging resident audience were different, sometimes radically so, from preceding generations of senior residents.

The call was answered. After the initial publication of “A Voice to The Silent Generation” more members of the industry began to acknowledge the unique aspects of this generation and announced plans to address the new needs and expectations. Some executives felt a tremendous sense of urgency to move the transformation process along. In the words of one industry executive, “We are on the precipice of change. We will either get on board or go out of business.”

In the months since the initial publication, Morrison Senior Dining has led numerous discussions with CCRC staff and leaders to further explore physical, programmatic and cultural changes that will enable the senior housing industry to successfully engage members of the Silent Generation. The implications are clear: a radical transformation is required to re-position the industry to attract, attain and retain this emerging market. The potential for reform is endless – every aspect of the CCRC from the campus and infrastructure to its programs, services, and outreach to the community hold opportunities to better serve the Silent Generation.

But, where to begin? What changes will have the biggest impact on the industry’s appeal to the Silent Generation? How to orient communities for this new segment without isolating or marginalizing non-Silent residents? What are others in the industry doing and how are they faring? Where are individual communities along the path of change?

Morrison Senior Dining took up these questions in a second phase of Silent Generation research conducted in 2008 that included:

- Fifty-five focus groups of CCRC residents representing both the GI and Silent Generations (those born before 1925 and after 1925 respectively)
- Sixteen one-on-one interviews of CCRC executives
- A forum of marketing directors from eight CCRC communities
- An online survey of directors of dining services in 126 communities across the United States
- A thought leaders forum of executives from ten leading CCRC communities
Added to this incredible wealth of information are the results of brainstorming sessions that accompanied the presentation of the initial Silent Generation findings in 15 workshops across America in 2007.

As the findings took shape, a change model emerged that we call the “Essential Elements of Transformation.” This model provides a construct for discussing the evolution taking place as retirement communities reposition their offerings for the Silent Generation, as well as an instrument for evaluating an individual community’s position along the spectrum of transformation.
According to this model, the successful transformation of a retirement community from a center that addresses the needs of the GI Generation to one which attracts, attains and retains Silent Generation residents will rely on how well the community can perform across six separate but inter-related elements:

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filtered Decisions</td>
<td>Align decision making with the values and expectations of Silent Generation residents.</td>
</tr>
<tr>
<td>Resident Engagement</td>
<td>Involve residents in all aspects of organizational planning, implementation and outreach.</td>
</tr>
<tr>
<td>Lifestyle of Choice</td>
<td>Effectively position the retirement community lifestyle as preferable to aging in place.</td>
</tr>
<tr>
<td>Community Without Walls</td>
<td>Become a vibrant component of the greater community's health, wellness, education and entertainment offerings for seniors.</td>
</tr>
<tr>
<td>Wellness Integration</td>
<td>Infuse all aspects of community life with physical, social, emotional, intellectual, spiritual and vocational wellness.</td>
</tr>
<tr>
<td>Technology Enabled</td>
<td>Leverage technology to enable the organization and its residents to thrive.</td>
</tr>
</tbody>
</table>

Whether your journey of transformation has been underway for some time or you are taking your first steps along the path, we invite you to travel with us as we explore the Essential Elements of Transformation and the journey to transform retirement communities for the next generation.
Methodology

This report presents information gathered from a variety of qualitative and quantitative sources within the retirement community industry as well as residents living in senior communities across North America:

- **Focus Groups** – A total of 55 focus groups were conducted with 508 residents of retirement communities at 28 locations in the Northeast, Southeast, Mid-West and Western United States.
  - Twenty-eight of these focus groups were comprised of residents belonging to the Silent Generation (born between 1925 and 1942).
  - Twenty-seven focus groups were comprised of GI Generation residents born before 1925.
A list of these focus groups by community is included in Appendix A of this report.

- **Interviews** – In-depth one-on-one interviews were held with chief executives of 16 leading communities and systems. Discussions were held on-site and were lead by Eugene Dolloff, Chairman of Morrison Senior Dining. A list of these interviews by community is included in Appendix B of this report.

- **Marketing Forum** – A two-day forum hosted for 13 industry marketing leaders from eight retirement communities. A keynote presentation led by Tim Henderson, Senior Director, Consumer Strategist for Iconoculture, set the stage for a roundtable discussion on ways to address emerging consumer trends. A list of forum attendees is included in Appendix C of this report.

- **Survey** – A quantitative online survey of 126 dining service directors from Morrison Senior Dining clients. Surveys were completed in August 2008.

- **Thought Leaders Forum** – A two-day think-tank session with executives from ten leading retirement communities and systems. A list of forum attendees is included in Appendix D of this report.

- **Silent Generation I Workshops** – Interactive sessions held at 15 senior communities in 2007 to present the findings of “The Voice to the Silent Generation.” Each session concluded with small-group brainstorming on ways to address the needs of Silent Generation residents through physical, programmatic and cultural changes. A list of Silent Generation workshop locations is included in Appendix E of this report.

These findings are presented as a follow-on to our initial report “A Voice to The Silent Generation.” Individuals interested in a more detailed portrait of the Silent Generation may benefit from a review of the earlier report.
Driven by the Desire for Control, the Need for Choice

Morrison Senior Dining invited 13 top marketing directors from eight retirement communities to attend a Silent Generation forum and roundtable. They were joined by Tim Henderson, a consumer strategist with Iconoculture, a cultural trend research company that tracks – among other consumer segments – three senior groups: Matures (63+), Active Matures (63-76) and Older Matures (77+). Here’s what Iconoculture had to say about each of the three groups:

Matures Today: “Today’s Matures are a generation of diverse consumers with varying lifestyle needs. On the younger end, retirees and legacy launchers are defying stereotypes by staying active and connected. Age is slowing these Matures down, but the cohort leading the aging-in-place trend is still part-timing its way throughout communities. Matures aren’t searching for fountain-of-youth fantasies; today is their reality. With an independence mindset, seniors seek control over aging via empowering products and services.”

Active Matures: “How old are Active Matures? Ageless! With an unquenchable thirst to remain connected, independent and in control, this cohort proves age is arbitrary. Active Matures are just the second cohort to live long lives, but expect their needs across categories to be more and more varied compared to Older Matures. Unprecedented control over aging is within the reach of Active Matures. They’re not willing to let it slip away. These consumers not only seek empowering products and services, they favor those companies providing the goods needed to fulfill their dreams for independence, comfort, convenience and self sufficiency.”

Older Matures: “Old age is inescapable. But better healthcare, healthier lifestyles and empowering tech enable many older Matures to stay fairly active, albeit on a smaller scale, while still tending their legacies. And even when failing health interrupts, this 76+ consumer retains an independent, self-sufficient mindset. Health may be of concern, but older Matures aren’t shuffling off the consumer stage. Perhaps more than any other group, this consumer seeks practical products that bring comfort, convenience, safety and self-sufficiency.”

The marketing think-tankers agreed. Their Silent Generation residents are more savvy and sophisticated, more comfortable with – even reliant on – technology, more in tune with the aesthetics around them, and have a greater desire for control than their older Mature counterparts. Their conclusion: “Rethink everything!”

In an online survey of 126 directors of dining services from a variety of retirement communities, the most frequently cited characteristic of Silent Generation residents was their desire for choice. Not only do they seek more choices – in activities, entertainment, residence design and dining venues and menus – they are also “more demanding, more inquisitive, and more involved in decision making.” According to the survey respondents, Silent residents are more physically active, have a more youthful attitude and a sense of adventure that naturally leads to an interest in gathering fresh experiences, from a new fitness class to something new on the dinner menu. They seek involvement: “They come to live in and contribute to the community, rather than coming here to die.” Their high expectations and high degree of involvement leads them to be outspoken and quicker to voice complaints: “One generation is content with the status quo while the other wants to shake up the system.” They are more educated, enjoy (at times) more upscale meals, but at the same time are much more casual in their dress and social interactions.

When asked to describe the greatest difference between residents belonging to the Silent Generation and those from the GI Generation, executives of senior communities interviewed for this report unanimously pointed to the Silents’ basic need for choice and control.
The Changing Face of Older Americans

As a group, older Americans (those age 65 and over) are better educated, more wealthy, more racially diverse than any previous generation and, growing rapidly. (Refer to “A Voice to The Silent Generation” for a detailed demographic profile of this group.)

Although less numerous than the generations they are sandwiched between, nearly 50 million Americans were born to the Silent Generation. By contrast, the GI Generation produced 63 million members, while the Boomers count 79 million among its members.

From the perspective of the senior residential industry, the Silent Generation is just beginning to have significant impact. At the end of 2007, all members of the Silent Generation reached the retirement age of 65 and by the year 2018, 100 percent of Silents will have reached age 75.

Better Educated

Not only are today’s older Americans better educated than previous generations, they continue to pursue education. For example, some 7.3 million people age 66 and over are enrolled in adult education courses, representing 8 percent of total enrollees.¹ In 2005, nearly 70,000 adults age 65 and over were enrolled in high school or college.² According to the American Council on Education, 401,129 students age 50 and older were enrolled full-time or part-time in U.S. colleges and universities.³

¹ Statistical Abstract of the United States, 2008
² Facts for Features, Older Americans Month: May 2008, CB08-FF.06
³ American Council on Education Fact Sheet on Higher Education: Undergraduate Enrollment, by Attendance Status, Age, Race/Ethnicity and Gender: Fall 2004
More Diverse

The older population is growing more diverse, reflecting the demographic changes in the U.S. population as a whole. In 2006, non-Hispanic whites accounted for 81 percent of the population. However, by 2050, this is expected to decline to 61 percent, while the percent of older Americans who are Black, Asian or Hispanic will increase significantly.

CHART 1 — POPULATION PROJECTIONS

Population Age 65 and Over, by Race, 2006 and Projected

<table>
<thead>
<tr>
<th>Race</th>
<th>2006</th>
<th>2050 (Projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White</td>
<td>81%</td>
<td>61%</td>
</tr>
<tr>
<td>Black</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>6%</td>
<td>18%</td>
</tr>
<tr>
<td>Asian</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>All other races</td>
<td>1%</td>
<td>3%</td>
</tr>
</tbody>
</table>

THEN & NOW

1900
There were 3 million Americans age 65 and over.

2006
There were 37 million Americans age 65 and over.

1900
There were 100,000 Americans age 85 and over.

2006
Americans age 85 and over numbered 5.3 million.

1959
35 percent of Americans age 65 and over lived below the poverty threshold.

2006
Americans age 65 and over living below the poverty threshold decreased to 9.4 percent.

1965
24 percent of the older population had graduated from high school, and only 5 percent had at least a bachelor’s degree.

2007
76 percent were high school graduates, and 19 percent had a bachelor’s degree or more.

1974
The median household income for householders age 65 and over was $19,086 (expressed in 2006 dollars).

2006
The median household income for older Americans had increased to $27,798.

1996
2 percent of Americans aged 65 and over went online.

2004
22 percent of older Americans went online.
**Living Arrangements**

In 2006, slightly more than half (53 percent) of all older Americans were married, while 32 percent reported being widowed. In 2006, the ratio of American men to women age 65 and older, was 72:100. For those 85 and older, the ratio dropped to 47:100. The greater proportion of women naturally affects living arrangements: older men are more likely to live with their spouse than are older women. In 2007, 73 percent of older men lived with their spouse, while less than one-half of older women did.

**CHART 2 — LIVING ARRANGEMENTS**

Living Arrangements of the Population Age 65 and Over, by Sex, 2007

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alone</td>
<td>19</td>
<td>39</td>
</tr>
<tr>
<td>With Nonrelatives</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>With Other Relatives</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>With Spouse</td>
<td>73</td>
<td>42</td>
</tr>
</tbody>
</table>


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1 Statistical Abstract of the United States, 2008
2 U.S. Census Bureau Population Estimates
3 Older Americans 2008: Key Indicators of Well-Being
**Total Expenditures**

Americans 65 and over spend less on transportation and more on housing and healthcare than do mature Americans (those age 55 to 64). Americans 75 and over exhibit the greatest changes from the mature group, allocating more than double the amount on healthcare which includes health insurance, medical services, prescription drugs and medical supplies, while spending only a third of the mature’s expenditures on personal insurance and pensions.

**CHART 3 — HOUSEHOLD EXPENDITURE**

<table>
<thead>
<tr>
<th>Category</th>
<th>55-64</th>
<th>65 and Over</th>
<th>65-74</th>
<th>75 and Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>19</td>
<td>20</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Food</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Housing</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Transportation</td>
<td>12</td>
<td>13</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Healthcare</td>
<td>18</td>
<td>16</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Personal Insurance and Pensions</td>
<td>32</td>
<td>34</td>
<td>32</td>
<td>36</td>
</tr>
</tbody>
</table>

Internet and Computer Use

In its report entitled “Older Americans and the Internet,” the Pew Internet Project found that the use of the Internet among older Americans is increasing dramatically, and that older Americans embrace the technology enthusiastically once they become initiated.

The Project found in a February 2004 survey that 22 percent of Americans 65 or older reported having access to the Internet (a 47 percent increase from 2000), compared to 58 percent of Americans age 50-64, 75 percent of 30 to 49 year olds and 77 percent of those age 18 to 29.6

Once older Americans gain access, their rates of usage are comparable to younger age groups. The table below compares Internet activity usage among older Americans to that of the general Internet population7:

<table>
<thead>
<tr>
<th>Internet Activity</th>
<th>Percent of Older Americans</th>
<th>Percent of All Internet Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go online daily</td>
<td>59%</td>
<td>56%</td>
</tr>
<tr>
<td>Using email</td>
<td>94%</td>
<td>91%</td>
</tr>
<tr>
<td>Use search engine</td>
<td>82%</td>
<td>90%</td>
</tr>
<tr>
<td>Use instant messaging</td>
<td>28%</td>
<td>39%</td>
</tr>
<tr>
<td>Use internet to make phone call</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Go online to check news</td>
<td>59%</td>
<td>71%</td>
</tr>
<tr>
<td>Searched government Web sites</td>
<td>60%</td>
<td>66%</td>
</tr>
<tr>
<td>Search for information on a specific medical condition</td>
<td>53%</td>
<td>54%</td>
</tr>
</tbody>
</table>

While these figures are encouraging, the researchers note that older Americans are less likely than their younger counterparts to complete transactions online. For example:

- 47 percent of wired seniors have bought a product online, such as books, music, toys, or clothing, while 66 percent of all Internet users have done so.
- 41 percent of wired seniors have made a reservation for travel or bought tickets online, compared to 57 percent of all users.
- 20 percent of wired seniors have done their banking online, compared to 34 percent of all users.
- 9 percent of wired seniors have participated in an online auction, compared to 24 percent of all users.

Overall, computer usage among older Americans lags significantly behind that of other age groups. According to the Pew research, 29 percent of Americans age 65 and older say they use a computer at their workplace, school, home, or some other location on at least an occasional basis. By contrast, 71 percent of Americans age 50-64 use a computer.9

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6 Older Americans and the Internet, Pew Internet Project
7 Older Americans and the Internet, Pew Internet Project
8 Older Americans and the Internet, Pew Internet Project
9 Older Americans and the Internet, Pew Internet Project