



## **Retirement Homes: Growing Market Considerations for an Aging Asia**

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**Abstract:**

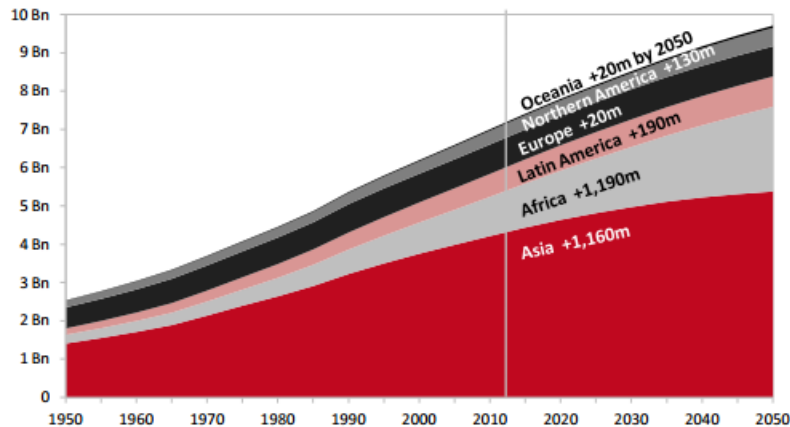
This paper explores the aging population in Asia and the new business opportunity this opens for retirement homes. As market demographics shift, businesses respond accordingly by developing market strategies to address new consumer needs. Moreover, businesses also address the societal implications of market changes. In Asia, the rapid increase in the elderly population, coupled with urbanization and geographical dispersion, are making it harder for children to take care of their aging parents per traditional norms. As a result, there has been a large uptick in the demand for retirement homes. Both foreign and domestic firms have an opportunity to benefit from this up and coming retirement home industry. Foreign companies can bring subject matter expertise in the retirement home model, while domestic companies can utilize their in-depth understanding of the societies in which these businesses will operate. Capturing both levels of expertise will bode well for companies looking to capitalize on retirement home market opportunities in Asia.

This paper will examine (1) the current and projected shifts in the age demographic in Asia, (2) the subsequent rise of retirement homes in response to this trend, and (3) the market considerations and implications for firms entering this space.

## The Rise of the Elderly Population in Asia

The world population is both growing and aging; as of 2013, the world population totaled 7.2 billion. This figure is expected to increase to 8.1 billion by 2025 and 9.6 billion by 2050.<sup>1</sup> Asia currently boasts a population of over 4 billion, or 60 percent of the world population. This number is expected to increase by 1.16 billion by 2050, as illustrated in the figure below.<sup>2</sup>

Figure 1: Total Population Trends



Source: United Nations

In Asia, the elderly population (defined as those age 65 and older<sup>3</sup>) is rapidly increasing. By 2030, approximately 565 million Asians will be age 65 or older, and by 2050 this number will increase to 900 million, or an estimated one in every six Asians.<sup>4</sup> According to the Council on Foreign Relations, countries in East and South East Asia including Singapore, China, Japan, Korea, Thailand, Malaysia, India, and the Philippines, will witness a considerable increase in their elderly population over the next few decades. In Japan alone, a quarter of the population is currently over 65 and is expected to grow to 36.5 percent of Japan's total population by 2050. Additionally, Japan boasts the oldest population in the world.<sup>5</sup> In China, 9 percent of the population (110 million people) is age

<sup>1</sup> UN. World Population Prospects: The 2012 Revision. Volume 1. Available at

[http://esa.un.org/unpd/wpp/Documentation/pdf/WPP2012\\_Volume-I\\_Comprehensive-Tables.pdf](http://esa.un.org/unpd/wpp/Documentation/pdf/WPP2012_Volume-I_Comprehensive-Tables.pdf)

<sup>2</sup> Center of Excellence in Population Aging Research. Asia in the Aging Century. Part I: Population Trends. January 2013. Available at [http://www.cepar.edu.au/media/113761/asia\\_in\\_the\\_ageing\\_century\\_-\\_part\\_i\\_-\\_demography.pdf](http://www.cepar.edu.au/media/113761/asia_in_the_ageing_century_-_part_i_-_demography.pdf)

<sup>3</sup> WHO. Definition of an older or elderly person. Available at <http://www.who.int/healthinfo/survey/ageingdefnolder/en/>

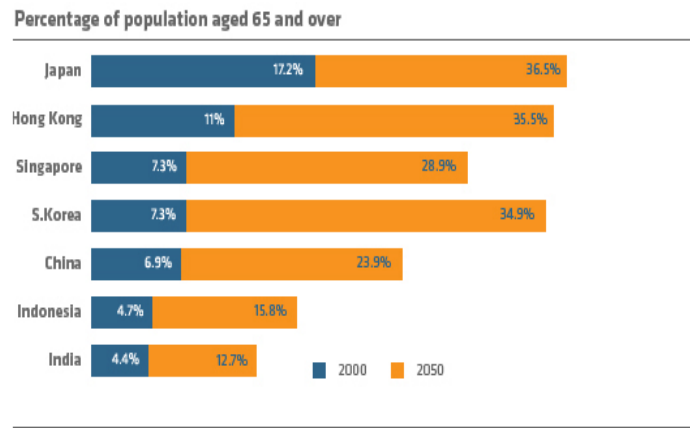
<sup>4</sup> New York Times. Asia's Aging Population will be a Topic at Davos. Available at

[http://www.nytimes.com/2014/01/22/business/international/asias-aging-population-will-be-a-topic-at-davos.html?\\_r=0](http://www.nytimes.com/2014/01/22/business/international/asias-aging-population-will-be-a-topic-at-davos.html?_r=0)

<sup>5</sup> Euromonitor. Special Report: The World's Oldest Populations. 2011. Available at <http://blog.euromonitor.com/2011/09/special-report-the-worlds-oldest-populations.html>

65 and older. Further, this figure is expected to grow to 23.9 percent by 2050.<sup>6</sup> All things considered, Asia is on track to becoming the oldest region in the world.<sup>7</sup>

**Figure 2: Population Percentages of the Elderly**



Source: CNBC. Asia's Aging Population

## Aging Population sparks Growth in Retirement Homes

The rising elderly population is sparking new business opportunities in Asia. This group is expected to have significant purchasing power in the region. New and increasing demand for specific consumer goods alongside resources such as incontinence products, retirement home facilities, and anti-aging beauty products have all created new avenues of exploration for both domestic and foreign corporations. In China alone, it is anticipated that the growth in the elderly population will be coupled with a goods and services market worth \$803 billion by 2050.<sup>8</sup>

The market for retirement homes and communities is becoming more commonplace amongst several countries in Asia, and businesses and consumers alike are capitalizing on this new trend. In China, several companies are taking advantage of the growing demand for retirement facilities. One example can be seen with the partnership between a local Chinese developer and a South Korean hospital specializing in elderly care to develop a medical and residential complex on Lake Taihu near Shanghai. This complex will accommodate up to 5,000 people and is scheduled for completion by 2018.<sup>8</sup> Another

<sup>6</sup> CNBC. Asia's Aging Population. Available at [www.aginginasia.cnbc.com](http://www.aginginasia.cnbc.com)

<sup>7</sup> Asia Development Bank. Population and Aging in Asia: The Growing Elderly Population. Available at <http://www.adb.org/features/asia-s-growing-elderly-population-adb-s-take>

<sup>8</sup> Nikkei Asian Review. China's Elderly Explosion – a Massive Market in the Making. Available at <http://asia.nikkei.com/print/article/26447>

company, Ping An Insurance (Group) Co. of China, which specializes in life insurance, is developing a facility for the elderly that will include advanced health-care and meal services for its elderly residents.<sup>9</sup> In Thailand, Chris Castlewood, CEO of Singapore-based property developer Castlewood Group, has been building retirement villages throughout the region to meet the growing market demands of the aging population.<sup>10</sup> In Hong Kong, Belmont Village Senior Living Managing Director Tony Wang boasts of the profitability his firm has witnessed in light of this new market.<sup>11</sup> Some domestic companies are also running operations throughout the region. An example of this can be seen with The Econ Healthcare Group; they are a Singaporean based business that provides nursing home services in China, Malaysia, and Singapore.<sup>12</sup>

Foreign corporations are also taking advantage of the retirement home market by forming partnerships with domestic companies. Prudential Financial has partnered with a Shanghai-based investment company, Fosun Group, to provide medical services for seniors and manage residential complexes for the elderly.<sup>13</sup> In 2011, Seattle based Cascade Healthcare announced that it was opening a new eldercare facility in Shanghai. Cascade became known as the first U.S. firm to open a senior care facility in China.<sup>14</sup> Waterbrook is another foreign company looking to expand and capitalize on the market for Asian facilities. This company boasts of a luxury-end facility catering towards people who are focused on comfort more than a “traditional retirement village”. The company is looking to expand in the Chinese market specifically.<sup>15</sup>

The retirement home market is laden with cultural influences that firms must be privy to in order to operate successfully. For example, Asian families have traditionally been the caregivers for their own families. Filial piety, or respect for one’s elders, plays a huge role in cultural expectations between children and their aging parents due to its strong roots in Confucian philosophy.<sup>16</sup> Adult children are expected to care for their elderly parents within their same household. However, evolving household dynamics and societal trends have made Asian populations increasingly welcoming towards the influx of retirement homes and assisted living facilities.<sup>17</sup> The acceptance of these facilities has been particularly attributed to the influences of western culture, urbanization of populations, migration to smaller homes in the cities, and the rise in disposable income.<sup>18</sup> These

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<sup>9</sup> Omni Channel Asia. Ping An Insurance Turns Attention to Medical Services. Available at <http://www.omnichannelasia.com/articles/ping-insurance-turns-attention-medical-services>

<sup>10</sup> Castlewood Group. Singapore to Introduce Country’s First HDB Retirement Village. Available at <http://www.castlewoodgroup.com/news-industry.php?news=031234>

<sup>11</sup> Yahoo Finance. Retirement homes are no longer a taboo in Asia. Available at <http://finance.yahoo.com/news/retirement-homes-no-longer-taboo-032439400.html>

<sup>12</sup> Econ Healthcare. Available at <http://www.econhealthcare.com/>

<sup>13</sup> Prudential. Fosun Group and Prudential Financial Expand Strategic Partnership in China. Available at [http://news.prudential.com/article\\_print.cfm?article\\_id=6758](http://news.prudential.com/article_print.cfm?article_id=6758)

<sup>14</sup> BusinessWire. Cascade Healthcare to Become First U.S. Firm to Open Senior Care Facility in China. Available at <http://www.businesswire.com/news/home/20110907006907/en/Cascade-Healthcare-U.S.-Firm-Open-Senior-Care#.VTvTGCFViko>

<sup>15</sup> Aeging Asia Advisory Board. Available at <http://www.ageingasia.com/index.php/about/ageing-asia-advisory-board>

<sup>16</sup> Encyclopedia Britannica. Xiao Confucianism. Available at <http://www.britannica.com/EBchecked/topic/273807/xiao>

<sup>17</sup> New York Times. As Parents Age, Asian-Americans Struggle to Obey a Cultural Code. Available at

[http://www.nytimes.com/2014/01/15/us/as-asian-americans-age-their-children-face-cultural-hurdles.html?\\_r=0](http://www.nytimes.com/2014/01/15/us/as-asian-americans-age-their-children-face-cultural-hurdles.html?_r=0)

<sup>18</sup> CNBC. Retirement Homes are No Longer Taboo in Asia. Aging in Asia: A CNBC Special Report. Available at <http://www.cnbc.com/id/101046362>

factors place adult children in situations where they are unable to take care of their aging parents as once was expected, thus sparking the need for retirement facilities.

## **Challenges and Considerations for Aging Market Competition**

There are several key market challenges and considerations that companies entering the Asian market for retirement homes should consider.

One major challenge that foreign companies will face is the adaptation of their services to a different culture. Foreign companies will have to demonstrate a significant level of understanding of the particular needs of the Asian market. They should take caution against entering the space with an exact replica of their existing model, as a retirement home strategy that brought success in the U.S. may not work as well in China. A second challenge is a lack of in-depth understanding of the societal norms and nuances within specific countries. Companies will need to understand factors that go beyond conducting market research in order to develop key methods of marketing, designing, and pricing retirement home services. Such questions they should ask include what kind of activities should be offered to the elderly (e.g. yoga, board games, etc.), how should the complexes be designed and what kind of amenities should be included. A third issue foreign companies face is being a new and unfamiliar market entrant. A new firm will need to make their brand known and familiar to the elderly consumers, and establish customer loyalty in order to foster growth and continuation of their business.

To resolve these issues, foreign companies should consider forming partnerships with local companies prior to entering the market space. Pairing with domestic companies would allow foreign firms to better understand the community, understand country-specific market values, and learn how to incorporate some of these values into the design of their retirement home communities. These partnerships will help companies establish customer loyalty among consumers, and potentially spark growth through referrals. Several facilities have already engaged in joint-venture partnerships with Asian companies to help appropriately customize and tailor their retirement home models; this can be seen with the partnership between Prudential Financial and Fuson Group.<sup>19</sup> Domestic companies looking to enter this space will need to be equally as resourceful and strategic in their market approach. These companies will need to conduct extensive research in order to understand some of the challenges they may face, as well as the opportunities provided through participating in this market. Both foreign and domestic companies will benefit from conducting a full analysis of the market barriers and opportunities, in order to design a sustainable strategy to help meet the demands of the aging Asian market. With a proper market strategy, businesses can adapt and allow this demographic shift to be one that is economically sustainable for Asia over the long run.

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<sup>19</sup> AsiaTimes. China's Elderly Offer Opening for West's Healthcare Companies. Available at [http://www.atimes.com/atimes/China\\_Business/MI14Cb01.html](http://www.atimes.com/atimes/China_Business/MI14Cb01.html)

## Summary

The population growth rate is continuing to increase, particularly within the Asia region. Communities are forced to deal with the realities of this aging population, while domestic and foreign businesses are taking interest in new business opportunities attributed to this demographic shift. Societal changes are having a major impact on the rise of retirement homes, as well as the acceptance of these facilities as suitable for the elderly. Partnerships between foreign and domestic companies will greatly benefit both parties. Companies can combine subject matter expertise in business operations and local market expertise to obtain success in the Asian retirement home space.