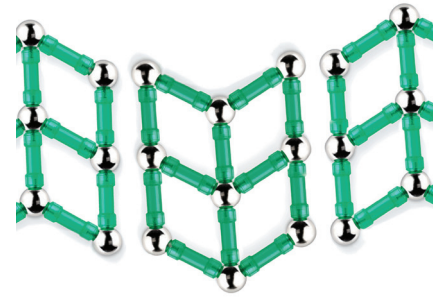


The smartphone generation gap: over-55? there's no app for that



Deloitte predicts that in 2014, the over-55s will be the age group experiencing the fastest year-on-year rises in smartphone penetration across developed markets. Ownership should rise to between 45 to 50 percent by year-end, lower than the 70 percent penetration rate for 18-54 year olds, but a 25 percent increase from 2013 (see Figure 7 for smartphone penetration as of May-June 2013)^{227 228}. Over the coming years, the gap should steadily narrow and become negligible by 2020.

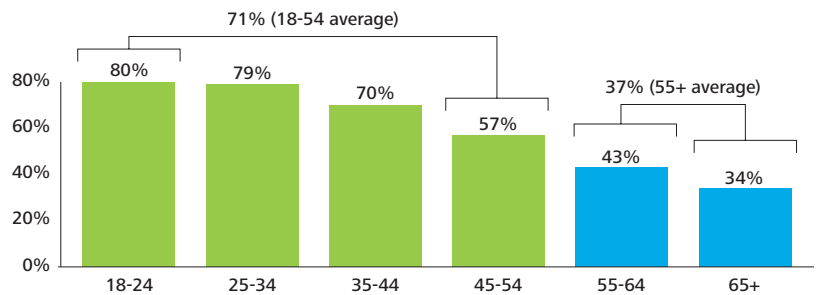
The closure of the gap is inevitable: it is becoming almost impossible to buy a feature phone. But while the difference in smartphone penetration by age may disappear, in 2014 there will likely be substantial differences in how individual age groups use them. Although over-55s are increasingly buying smartphones, some use them as feature phones. Getting them to exploit the data functions is a key opportunity for network operators.

Older generations have been slower in adopting PCs and using the Internet²²⁹. However once the 55+ group overcame their initial lack of confidence, they became and remain enthusiastic users.

The situation with smartphones is more nuanced: while less powerful than most PCs, smartphones have a wide array of features and functions, from GPS navigation to Internet radio to HD video cameras. Some of this functionality is not straightforward to use, so while features such as navigation may be appealing to seniors, accessing them can be overwhelming.

An additional challenge with exploiting smartphones' full potential requires interacting with the broader ecosystem – such as apps stores – which delivers much of their utility. Deloitte's research found that among 11 developed countries at least one in four smartphone owners aged 55+ had never downloaded an app to their device (see Figure 8)²³⁰. One of the reasons for this may be the scale of the marketplace: two million apps are daunting, particularly when there is no filter by the user's demographic²³¹. In 2014, we expect a quarter of 55+ smartphone owners may not download a single app.

Figure 7: Smartphone penetration in developed countries as of May-June 2013

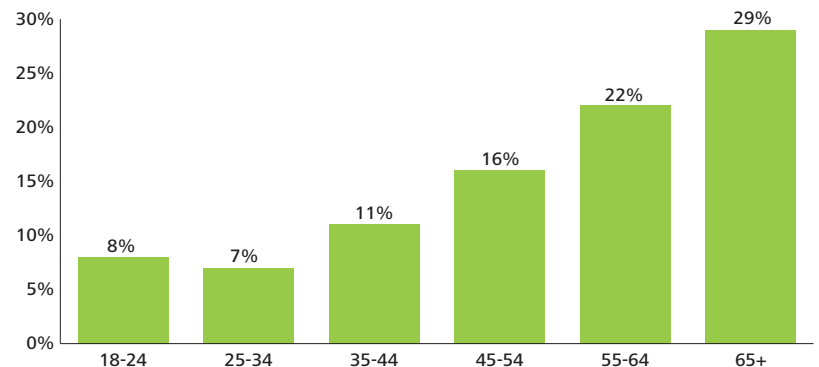


Source: Deloitte Global Mobile Consumer Survey, Developed countries, May-July 2013

Weighted base: (Respondents from all age groups) Belgium (2,000), Finland (1,000), France (2,000), Germany (2,000), Japan (2,000), Netherlands (2,009), Singapore (2,000), South Korea (2,011), Spain (2,000), UK (4,020), US (2,000)

Note: The averages have been calculated by using actual numbers

Figure 8: Smartphone owners that have never downloaded an app by age groups (Developed countries)



Source: Deloitte Global Mobile Consumer Survey, Developed countries, May-July 2013

Weighted base: Smartphone owners (main phone): Belgium (690), Finland (467), France (969), Germany (997), Japan (603), Netherlands (1,136), Singapore (1,632), South Korea (1,587), Spain (1,242), UK (2,392), US (999)

²²⁷ The figures are extracted from Deloitte's Global Mobile Consumer Survey, a 20-country (11 developed markets and nine developing markets) survey of mobile phone users around the world. The information used in this Prediction refers to developed markets only. Fieldwork took place between May to July 2013. For more details, see: 2013 Global Mobile Survey, Divergence Deepens, Deloitte Touche Tohmatsu Limited, November 2013: www.deloitte.com/globalmobile2013

²²⁸ While in developed markets the penetration growth will be the highest across over-55s, in developing markets smartphone adoption rates are set to experience high growth rates across all the age groups albeit from lower bases.

²²⁹ For a view of internet usage in US by age group, see: Older adults and internet use, Pew Internet, 6 June 2012: http://www.pewinternet.org/~media/Files/Reports/2012/PIP_Older_adults_and_internet_use.pdf

²³⁰ The figures are extracted from Deloitte's Global Mobile Consumer Survey conducted across 11 developed markets and nine developing markets. The information used in this Prediction refers to developed markets only. For more details see: 2013 Global Mobile Survey, Divergence Deepens, Deloitte Touche Tohmatsu Limited, November 2013: www.deloitte.com/globalmobile2013

²³¹ There are more than two million apps available across the two major app stores. See: Apple announces 1 million apps in the App Store, more than 1 billion songs played on iTunes radio, The Verge, 22 October 2013: <http://www.theverge.com/2013/10/22/4866302/apple-announces-1-million-apps-in-the-app-store>; Google Play Hits 1 Million Apps, Mashable, 24 July 2013: <http://mashable.com/2013/07/24/google-play-1-million/>

A reluctance to download apps may have an impact on many other dimensions of smartphone usage. For example, we expect that over two thirds of smartphone owners aged 55+ will not use mobile instant messaging (MIM) in 2014. Across the entire base of smartphone users, MIM is one of the most widely used app-based services for smartphones: 56 percent of 18-24 year old smartphone owners use MIM on a weekly basis (see Figure 9).

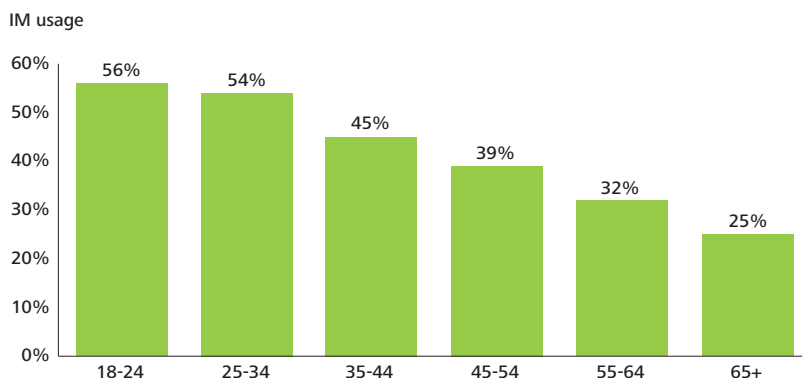
Similarly, more than two-thirds of over-55s do not use their smartphone for social networking while 75 percent of 18-24 year olds do (see Figure 10). Yet on PCs, as of May 2013, 60 percent of 50-64 year olds and 43 percent of 65+ year olds in the US were using social networking sites²³².

There are a number of factors that inhibit smartphone adoption by seniors. For example, consumers of all ages are confused by metered data plans; this confusion may be particularly acute among older consumers. Indeed, a quarter of over-55 smartphone owners do not know how large their data allowance is, compared to a sixth for 18-54 year olds. Moreover, many over 55s may be put off by press articles about bill shocks caused by exceeding data allowances²³³.

A second challenge is the user interface. Though smartphones have ever-larger screens, few apps and services cater for consumers with less acute vision. One smartphone vendor, however, offers an 'Easy Mode' with fewer home screens, apps with bigger icons and a home screen dedicated to calling, all which are meant to aid the transition to a smartphone for first-time buyers²³⁴.

Then there are the apps themselves, which are arguably designed by younger people, for younger people. Among the more than two million smartphone apps, few have been designed for older generations. Apps developed for older consumers tend to focus on health and wellness; some remind these individuals of their diminishing faculties²³⁵. There is no obvious reason why older consumers should not enjoy the same breadth and depth of services as other generations – they should just be customized to be easier to use, or at least more intuitive for older generations with application and functionalities brought to their fingertips.

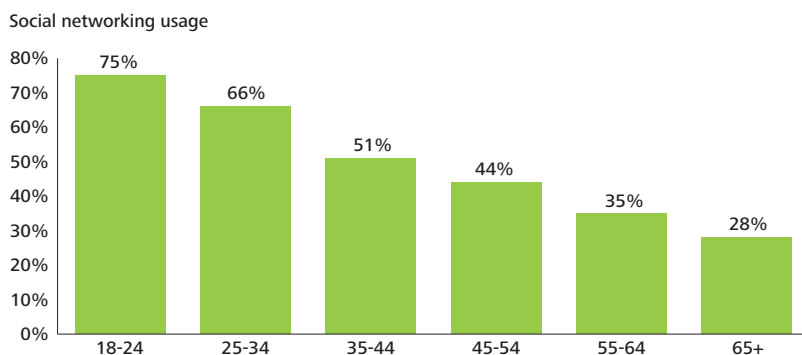
Figure 9: Weekly IM usage on smartphones by age groups (Developed countries)



Source: Deloitte Global Mobile Consumer Survey, Developed countries, May-July 2013

Weighted base: Smartphone owners (main phone): Belgium (690), Finland (467), France (969), Germany (997), Japan (603), Netherlands (1,136), Singapore (1,632), South Korea (1,587), Spain (1,242), UK (2,392), US (999)

Figure 10: Weekly social networking usage on smartphones by age groups (Developed countries)



Source: Deloitte Global Mobile Consumer Survey, Developed countries, May-July 2013

Weighted base: Smartphone owners (main phone): Belgium (690), Finland (467), France (969), Germany (997), Japan (603), Netherlands (1,136), Singapore (1,632), South Korea (1,587), Spain (1,242), UK (2,392), US (999)

232 Seniors Are Fastest Social Media Adopters in U.S., Mashable, 8 August 2013: <http://mashable.com/2013/08/08/senior-citizens-social-media/>

233 Couple's £163,000 mobile phone bill shock, BBC News, 22 May 2013: <http://www.bbc.co.uk/news/business-22624823>

234 For more information, see: For the beginner: How to set the Galaxy S 4 to Easy Mode, Talk Android, 24 April 2013: <http://www.talkandroid.com/guides/samsung-galaxy-s-4-guides/for-the-beginner-how-to-set-the-galaxy-s-4-to-easy-mode/>

235 For examples of apps that allow caregivers and family members to monitor and assist seniors, see: New Smartphone Apps That Help Seniors and Caregivers, Home Care Assistance, 2013: <http://homecareassistance.com/smartphone-apps-seniors-caregivers/>

Bottom line

Over a quarter of adults in developed countries will be 55 or older²³⁶. The attractiveness of the 55+ group has long been recognized: with longer life expectancy²³⁷, older consumers are likely to continue working, accumulate an ever-greater share of global wealth and be increasingly interested in technology²³⁸. This age group – which is likely to continue growing in absolute numbers and share of adults over the medium term²³⁹ – is likely to control a large proportion of disposable income in their countries²⁴⁰. They are not just an untapped market; they are a lucrative untapped market.

For wireless carriers, targeting the over-55s could be particularly effective. Carriers should ensure that all aspects of service, from the structure and explanation of tariff plans, to customer service are appropriate for this group. They could also offer all-you-can-app tariffs, which would provide unlimited access to customers' preferred services for a fixed fee²⁴¹. Network operators may wish to offer multi-generation family tariffs, which would, for example, allow older generations to gift air time and data bundles to relatives.

Carriers should create dedicated customer service programs labelled as 'for first-time' users, but with seniors likely to be key users and beneficiaries of such a service. The service should include online, telephone based and in-store assistance with app downloads, browsing, GPS based navigation, video calling and mobile instant messaging²⁴². A dedicated customer service plan could become a key differentiator in a market in which self-service is being increasingly pushed by operators. Mobile carriers may consider setting aside dedicated retail space for first time smartphone users within their stores to grow revenues not just from older consumers but also from tentative smartphone users of all age groups.

Discoverability remains a key inhibitor to app downloads. App store providers may need to consider adding filtering options based on demographic relevance. Moreover, as some consumers in this age group may delegate the app discovery and download process to friends or family, app developers may need to consider adding a functionality that allows approved users to take control of devices remotely.

- 236 As of 1 January 2013, in EU27, 30 percent of all people are 55+. See: Eurostat, European Commission: <http://ec.europa.eu/eurostat/ec.europa.eu/portal/page/portal/population/data/database>
- 237 The life expectancy in more than 30 countries is over 70 years. See: Healthy life expectancy, World Life Expectancy 2013 : <http://www.worldlifeexpectancy.com/healthy-life-expectancy-by-gender>
- 238 Number of over-65s still in work triples in 15 years, Guardian, 24 August 2013: <http://www.theguardian.com/society/2013/aug/24/over-65s-work>
- 239 In 1950, there were 205 million persons aged 60 years or over in the world. By 2012, the number of older persons increased to almost 810 million. The figure is projected to reach one billion in less than 10 years and double by 2050, reaching two billion. See: Ageing in the Twenty-First Century: A Celebration and A Challenge, United Nations Population Fund (UNFPA), 2012: <http://www.unfpa.org/webdav/site/global/shared/documents/publications/2012/UNFPA-Exec-Summary.pdf>
- 240 Seniors control 70 percent of US disposable income. See: Young at Heart: Accurate Leads Releases New Senior Citizens Mailing Lists File, PRWeb, 11 April 2013: <http://www.prweb.com/releases/senior/citizens/prweb10621370.htm>
- 241 Deloitte TMT Predictions – All you can app, Deloitte TMT Predictions, Deloitte Touche Tohmatsu Limited, January 2013: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Technology-Media-Telecommunications/dtll_TMT_Predictions2013_AllYouCanApp.pdf
- 242 For a discussion on smartphone users that do not explore the full breadth of smartphone capabilities, see: Deloitte TMT Predictions – Smartphones ship a billion but usage becomes simpler, Deloitte TMT Predictions, Deloitte Touche Tohmatsu Limited, January 2013: http://www.deloitte.com/assets/Dcom-Shared%20Assets/Documents/TMT%20Predictions%202013%20PDFs/dtll_TMT_Predictions2013_SmartphonesShipBillion.pdf

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries.

With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2014. For more information, contact Deloitte Touche Tohmatsu Limited.

Designed and produced by The Creative Studio at Deloitte, London. 31916A