Boomer Values Realignment Study

October 2011

CONTENTS

INTRODUCTION

Civano Living, a resort real estate advisory firm, has worked with many smart companies that have feverishly sought to control operating costs, manage cash flow and hold profit margins against reduced gross revenue as the Mass Affluent buyer, whose optimism and purchase power was once fueled by an expanding economy and rising equity in his/her primary residence, has receded from the marketplace. All are asking the same question, "In light of a smaller consumer footprint where are the business opportunities to grow market share?" We believe there is an emerging consumer niche that is being driven by the Baby Boomers(1) that will match up well with certain values-driven companies.

The hotel industry has increased occupancies and rates off the 2009 lows, but discretionary spending per guest and occupancy levels are still lagging behind the 2006 highs.(2) And, there is excess resort real estate inventory with sales remaining sluggish. Those who have survived this down cycle did so through innovative cost cutting and operating efficiencies. The next step will be to strategically adapt to the new market and speak to consumers in terms that resonate with them.

The Boomer Values Realignment Study was conducted in an effort to measure the long-term psychological impact the economic downturn has had on people between ages 45 and 65 and how recent events affect their attitudes and spending habits, particularly in the resort and travel areas. This study does not attempt to forecast a recovery but measure the attitudes and values among this consumer segment in order to define a *New Normal* and identify those business areas that could provide the greatest growth opportunities. We sought to answer four core questions:

1. **Has the Boomer been jolted enough by recent economic events that it has impacted their world view, values, attitudes and lifestyle?;**
2. **If so, are these long lasting modifications that will impact consumer spending habits after an economic rebound?;**
3. **How will these spending patterns affect the resort real estate and hotel industries?;**
4. **If there is a New Normal, what is it and where are the business opportunities within these realigned values and emerging market niches?**

Civano Living collaborated with Ypartnership and American LIVES, thought-leaders in their respective fields of travel and leisure and housing, to conduct a comprehensive, statistically valid, national study.

Civano Living – As the former president of Canyon Ranch and through Civano Development, LLC, the first master-plan sustainable developer in the Unites States, Kevin Kelly, founder of Civano, has practical operational knowledge and is a leader in identifying consumer lifestyle trends for the last 20 years. Today, Civano Living provides strategic planning and advisory services to hospitality and real estate companies.

Ypartnership – A leading marketing, advertising, research and public relations agency specializing in serving travel, hospitality, lifestyle, gaming and leisure industry clients. Ypartnership researches and provides insight on emerging consumer travel trends and is the coauthor with Harrison Group of the *Portrait of American Travelers*SM and through co-authorship with the U.S. Travel Association, Ypartnership quarterly does forward-thinking projections of travel and intentions of the American public via ***travelhorizons***™.

American LIVES – A nationally established psychographic research company that specializes in identifying sociological patterns within consumer groups in order to evaluate how such patterns influence buying choices in the housing and community development industries. American LIVES identified in 1990 the consumer world view known as the Cultural Creatives and has conducted hundreds of studies and published dozens of papers on the subject of consumer choice.

METHODOLOGY – During the second week of September 2011 we launched a nationwide study to a random sample of Baby Boomers, between the ages of 45 to 65 with a minimum household income of $75,000. The sample was constructed by Survey Sampling International (SSI). Invitations were sent by SSI to log onto a website where the survey was taken. The survey took an average of 25 minutes and involved more than 350 items including lifestyle, attitudes and values questions; retirement, health and wellness, housing and leisure preferences; and, historical choices and travel patterns. There were 1,204 respondents, falling within the defined age and income parameters, who completed the survey. The demographic breakdown is as follows:

ANNUAL HOUSEHOLD INCOME		AGE		SEX	
$75,000 - $100,000	44%	45-54	46%	Male	49%
$100,001 - $150,000	41%	55-65	54%	Female	51%
> $150,000	15%				

While there are additional statistical breakdowns and lifestyle nuances within the various age, income and gender segments, this Executive Report summarizes our findings and reflects the larger, more sweeping values positions that remained consistent throughout the survey population.

I) A PESSIMISTIC CLOUD OVER AMERICA

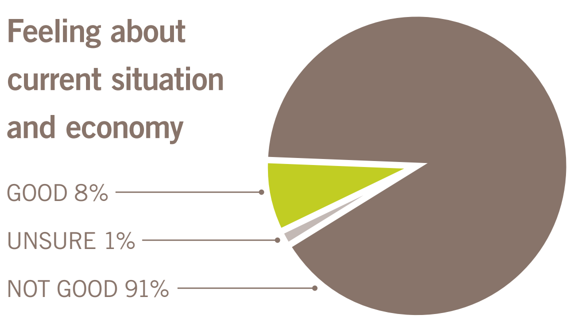
Among Baby Boomers between the ages of 45-65 there are profound and complicated layers of distress and concern over the state of affairs in America and with the economy. This current economic and social environment is impacting the vast majority of Boomers in the U.S.

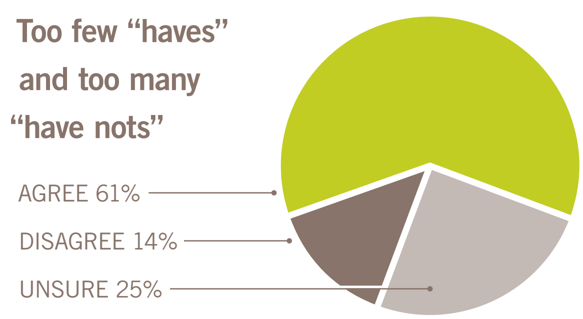
- **91% agree they are experiencing "not such good times."**
- **97% describe the state of the nation's economy as "poor" to "not so good."**

These responses are understandable, if not predictable, in this historic economic downturn. But, the concern extends beyond the current state of the economy and indicates a pessimistic mood throughout the country.

- **70% are concerned that the U.S. is slipping in its global position.**
- **66% are concerned for their children's future more than their own.**
- **61% believe it is "very" hard to be confident about the future with all the media talk about the economy.**
- **86% believe obesity and sedentary lifestyles are a big problem in the United States.**
- **83% believe companies need to focus more on long-term growth rather than short-term profits.**
- **61% agree there are too few "haves" and too many "have nots."**

It will take a monumental effort to dislodge the level of pessimism among Boomers that has occurred due to the economy and overall skepticism about the state of the nation.





II) A BIG SHIFT FROM CONSUMERISM TO RELATIONSHIPS

A majority of people are spending money more cautiously, and 71% are trying to be smarter shoppers and are bargain hunting. Clearly an affordable lifestyle is on their minds. While budgetary matters remain at the forefront, this group is shifting attention away from consumerism, materialism and conspicuous consumption (as a form of consumer status) and toward personal, more meaningful relationship building. In every major area we tested, the respondents either "felt strongly or were leaning toward" value positions around personal relationships. When combining these two data scales, the results reflect a strong pattern in people's desire to connect with family and friends.

- **87% believe "caring for others is an important ingredient to make a purposeful life."**
- **89% feel it's important to "be there for family and friends."**

This attitude transcended the conceptual level and was also seen in practical questions such as community designs and vacations.

- **90% want their home to be an enticing gathering place for family and friends.**
- **86% desire a vacation connecting them with family and friends.**

Furthermore, when the respondents were asked to reply to various programs and services that would enhance their wellbeing, the highest rated answer was not fitness, medical or massages but "events and social gatherings where I laugh and engage with friends."

The recession and related global events are putting many through a process of realignment in how they socialize, work, spend money and prioritize their lives. People are spending cautiously and feel external pressures in their lives. Based on previous psychographic research conducted by American LIVES, when people experience hard times they often reflect on what is important in their lives. Therefore, this age group has turned more inward and is focused on personal relationships as an overarching theme about where their priorities rest. Simply put, *Consumerism* is being replaced with *Relationship Building*.

III) THE BOOMERS COME OF AGE(ING)

As Boomers navigate their immediate budgetary challenges they are also aging. Therefore, questions about leisure time, retirement planning and health become relevant topics. An equal number of Boomers are seeking a new type of purposeful career in what Marc Freedman refers to in *Encore* as "beginning a new chapter" as they are looking forward to the more leisure aspects of retirement. Boomers know who they are, are satisfied with their personal relationships and spirituality and wish to have purposeful lives. They are self-directed and looking for forums, places and platforms that function as catalysts for them to take charge of their relationship building. As in the Latin word *educare*, to draw out or pull from within, Boomers want to manage their relationship building versus be instructed or participate in formal events. This implies that businesses should focus on subtle design elements or informal, *soft* programming for promoting socialization. Again, when combining the scales the following retirement picture emerges.

- **93% want to put more intention into their "health and wellbeing."**
- **88% describe a positive aspect of retirement is the ability to "spend time with family and friends."**
- **71% see retirement as a time to explore other cultures and travel.**
- **62% feel they have to work longer due to the economy.**
- **86% view retirement as beginning a new chapter to actively pursue interests and set new goals.**
- **82% are satisfied with their own physical health.**
- **90% believe retirement will give them more time to pursue their interests and hobbies.**

Balance is the desired goal for Boomers in their next stage; now including a second career at a reasonable pace, along with time for family and friends and pursuit of hobbies. Whether this is achievable is the question. Retirement is bringing a new age of personal exploration and socialization. This emerging niche will bring new business opportunities.

IV) DICHOTOMY – NATIONAL MOOD AND PERSONAL OPTIMISM

Even though only 30% of the survey respondents characterized their current stage of life as exciting or satisfying – with 70% feeling their life is manageable, challenging or not so good – the generation that has been front and center for most of its life, still shows signs of innate optimism and a belief they can solve their problems and reach their personal goals.

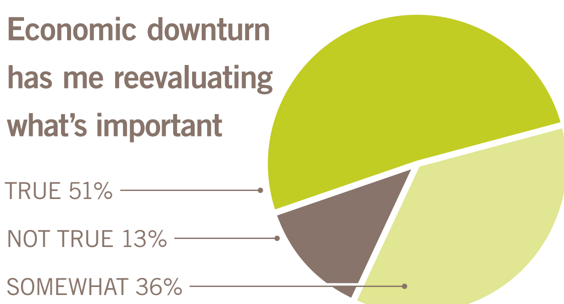
- **93% are satisfied with their personal relationships and spiritual life.**
- **82% believe they can get the things in life that are important to them.[3]**
- **89% agree there are many ways around any problem.[3]**

Boomers have not lost their belief that the individual has a responsibility to the larger society.

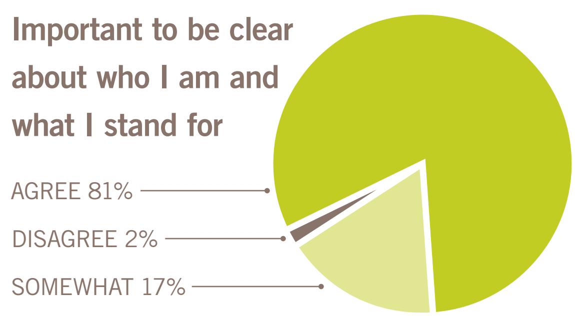
- **84% believe "each generation has a duty to make the world a better place for the next generations."**
- **56% would like to "contribute to society and make a difference."**
- **76% believe "there is a lot we can learn from other cultures."**

The generation that challenged convention in their youth now brings a seasoned perspective and represents some untapped optimism and social awareness that shouldn't be ignored.

Economic downturn has me reevaluating what's important



Important to be clear about who I am and what I stand for



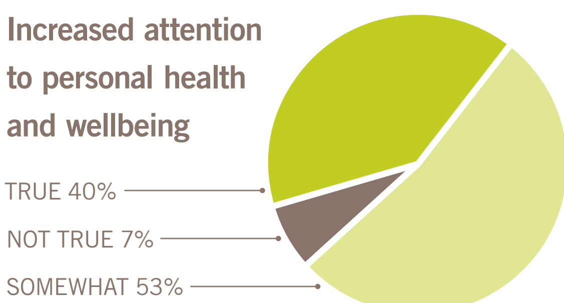
V) WELLNESS AND SUSTAINABILITY ARE GROWING RAPIDLY

Personal wellbeing has been pursued, at various levels, by approximately 30% to 40% of this target group for decades. However, we are now seeing a larger segment that falls within the "somewhat or very interested" scales which more than doubles the potential of the wellness market segment.

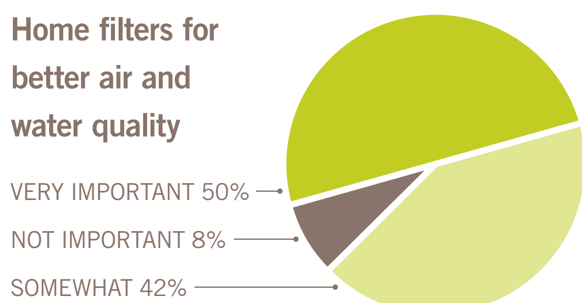
- **84% are "somewhat to very interested" in "health and fitness programs designed for them."**
- **81% are interested in access to medical professionals for targeted health programs.**
- **70% are candidates for massages and other body treatments.**
- **63% are interested in gourmet healthy dining.**
- **80% believe it is important to feel vital and physically active.**
- **41% desire to use a resort amenity spa while on vacation; as opposed to 22% expressing a desire to play golf.**

Interest in wellness is growing. It is a transcendent, broad consumer category that touches many businesses – food, hospitality, fitness and medical to name a few. As an example of the complexity of this category, the two most favorable wellness definitions from the study were either a functional or an emotional benefit. While not mutually exclusive, people defined wellness as either "living free of illness or chronic pain" or "feeling hopeful, joyful and energized."

Increased attention to personal health and wellbeing



Home filters for better air and water quality



Personal wellbeing is firmly rooted and expanding, as is the interest in planetary wellbeing. The connection between individual and environmental health is not lost on this population.

- **73% of the respondents agree "our society needs to live in better harmony with the earth."**
- **66% express concern about the air and water quality and processed foods to which their family is exposed.**
- **92% prefer less toxic construction and maintenance materials.**
- **97% want or are leaning toward high energy-efficient heating and cooling systems for their home.**
- **80% think it is "somewhat or very important" to have alternative energy sources to generate electric power.**
- **89% feel strongly that "it is in our self interest to improve our energy independence."**

We asked whether people were willing to pay more for green, sustainable practices, and a majority of respondents indicated they would spend a little more for a healthier green home, with the average willing to spend about 7% more in the purchase price. But, 35% were either noncommittal or not willing to spend any additional funds. In assessing the value for businesses, 87% of the Boomers looked favorably on a hotel company that had a green design and implemented sustainable practices with one-half willing to pay up to 5% more to stay at such a place. However, an equal number of respondents weren't willing to pay any more per night to stay at a sustainable resort. Therefore, healthier greener design is a strong market differentiator for a business and can solicit a small premium provided the price point stays within a competitive market range.

Individual wellbeing, environmental health, cost savings from energy-efficient design and mechanical equipment, safer air, water and food, and reducing our geopolitical exposure to external energy sources are overlapping issues. Businesses would be wise to understand the interconnectivity of these topics and lead by reflecting the emerging values of the consumer. After all, a company that offers wellness programs, provides healthier food, promotes alternative renewable energy or has better air and water filters for its customers can ingratiate itself with the consumer and differentiate its business in the marketplace without being drawn into a polarizing debate.

VI) HEALTHIER COMMUNITIES AND SOCIALIZING SPACES

If there are signs of shifting values and new priorities within the consumer's buying habits they likely can be seen in one of the most values-loaded purchases – a new home. Once again, the need to manage a budget is paramount. But home spaces and community designs that foster social gatherings are considered a premium.

- **92% have "an affordable place so I can manage my finances" as a factor in their decision to purchase.**
- **90% have interest in a home that is an enticing gathering place for family and friends.**
- **85% want or consider a community that has public gathering places to meet and socialize.**
- **92% think it is "somewhat to very important" to have a home design with a "useable exterior living space," such as a courtyard, patio or three-season room. (It is no longer just the kitchen island that people want for gathering at the end of a party or dinner.)**

When combining the "somewhat important" and "very important" scales, sustainable issues, energy efficiency and technology emerged as desirable elements for the home.

- **96% prefer a home with insulation that "exceeds building code."**
- **94% are interested in a home designed with porches, courtyards and overhangs to help naturally heat and cool spaces.**
- **85% are interested in a home with a smaller carbon footprint and less operating costs.**
- **78% lean toward a community design that treads lighter on the land.**
- **A majority prefer a technologically *smart-house*, a community with outdoor walking trails and in warmer weather locations.**

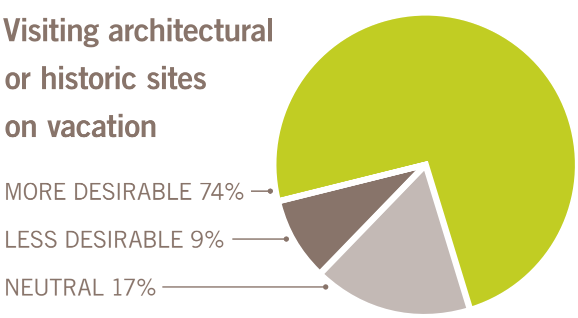
VII) CONNECTIVE VACATIONS AND CULTURAL EXPERIENCES

There were three dominant vacation experiences that surfaced in the survey – relationship building, beach environments and culture. While people still want a vacation to unwind, connecting with family and friends is in the top tier of all three vacation sections. Aside from a beach vacation, that is rated second or third in all three survey areas, cultural experiences surpassed activities like golf, fishing, skiing, tennis, water sports, gaming and hiking. Cultural experiences range from visiting architectural and historic sites, to museums, nightlife, and exotic foods and places. Some vacation experiences include the following:

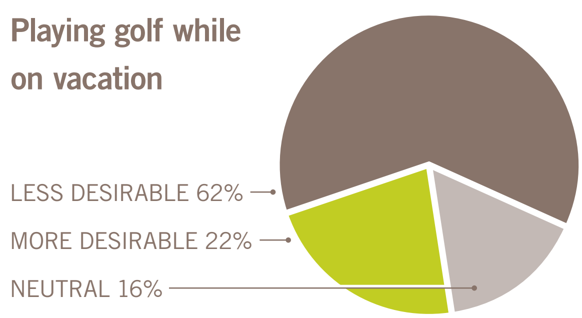
- **76% want the experience of reconnecting with family and friends.**
- **53% select "developing a deeper understanding of people close to me."**
- **82% want time to unwind and to forget about the daily grind.**
- **80% want to come away feeling more balanced and healthy.**
- **65% consider experiencing other cultures and exotic places.**
- **65% express interest in an all-inclusive vacation package.**
- **71% want a larger hotel room or more privacy and space.**
- **76% want the ability to customize their vacation experience.**

While cultural pursuits and personal interaction with friends and family score higher than the physical activities associated with many vacation experiences, they are not mutually exclusive. After all, one does not get closer to people by simply sitting in a room but by having *shared experiences* – over dinner, on the golf course, playing in the water or traveling to an exotic place.

Visiting architectural or historic sites on vacation



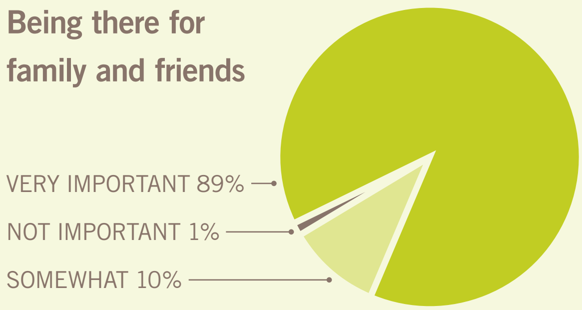
Playing golf while on vacation



With some adjustments to the income of the target groups, our respondents' travel patterns track with those found in other Ypartnership studies.[4] There is a variety of vacation experiences with travelers taking an average of 3.4 leisure trips during the last year, with weekend getaways and traveling with spouse or other adults (no children) being the most popular. Hotels continue to garner the bulk of overnight accommodations, but there is a growing interest in alternative lodging with 20% staying at a vacation rental home and 30% staying at a condominium resort during one of their outings. The interest in resort estate concepts is rising to about 50%, but outlining a closing strategy and achieving sales conversions off that percentage will require further product refining and study. Two drivers for the interest in larger rental/fractional product did emerge from the study: 1) a desire to have additional space and privacy, and 2) access to resort amenities.

Whether we looked at personal priorities and areas of satisfaction, community designs, retirement plans or vacation experiences the Boomers overwhelmingly sought to connect or reconnect with people in their lives in a meaningful way. No response better illustrates this point than a question in the Values section of the survey that asked Boomers what was important to them:

Being there for family and friends



VIII) THE NEW NORMAL

Today, people are managing their lives versus feeling excited and hopeful about their nation's future. The impact from the financial crisis will not leave them quickly as they learn to plan, spend and live a little differently. Baby Boomers are still somewhat personally optimistic and desire purposeful lives. They are not shutting down but *opening up* as they enter the next life stage. With their careers matured or the economy limiting their financial choices, Boomers are reprioritizing and more focused on relationship building. They are intellectually and culturally curious and self-directed. No longer limited to the LOHAS(5) market segment, many Boomers (within all income groups surveyed) are showing an increased interest in values-related consumer categories such as wellbeing and sustainability. They are reaching a tipping point in their lives. This shift has occurred due to the combined effect of an aging Baby Boomer population, impact of an emerging global economy and historic financial crisis at home and abroad. Our target group's movement toward life purpose, reprioritization and values beyond careers is emerging anyway but has been accelerated or exacerbated due to the recession and global events.

Even in a down economy there are business opportunities when the psychographic elements within a large consumer group shifts. As Boomers continue their relationship building and emphasis on social values it is conceivable they will gravitate toward companies, goods and services that reflect the values and lifestyles to which they aspire. This study indicates a growing percentage of Boomers will use similar values measurements when making consumer choices, and therein lies an opening for authentic, values-driven companies. Businesses that genuinely have products or practices that embrace these social values can differentiate themselves and engender greater consumer loyalty in an ever-fickle marketplace.

The Boomer's values have shifted and they will adjust their consumer choices. Of course it is easy to select "likes and dislikes" in a survey versus manifest those choices through a consumer purchase. Businesses may question whether to invest and reposition their company for this emerging market. It is the right question. The answer is values shifts are not cyclical events. They do not occur easily or dissipate quickly. We believe the values and issues described in this report will be here for the foreseeable future.

In the near term, two drivers will impact vacation and housing choices: 1) the economic value proposition, and 2) the ability to experience and enhance personal wellbeing and relationships. The latter driver will continue on well beyond the economic recovery. In the near term, businesses that operate and compete in challenging markets, grapple with excess housing or hotel inventory would do well to reposition themselves to respond to an emerging value system and the consumer desires associated with them.

VALUES SHIFT

Values can change when there is an *Emotional Event* that affects a series of personal or cultural *Attitudes*. And a series of modified *Attitudes* will change *Values*. With a different set of *Values* or world view there is an impact on personal or cultural *Behavior* which affects *Consumer Choices*. A *Values Shift* is a more permanent or longer-term occurrence that remains after the *Emotional Event* has receded.

FOOTNOTES

(1) Post War U.S. Baby Boomers were born between 1946 and 1964. However, this study includes a full 20-year stretch up to 1966.

(2) 2011 Smith Travel Research, Inc.

(3) The *mean* score of the respondents for the section that utilized the Snyder Adult Hope Scale (AHS) was above the *norm*. The *mean* and *norm* are derived from calculations and not simply raw percentages from a given question, as reported on this page.

(4) *2011 Portrait of American Travelers*, Ypartnership/Harrison Group.

(5) Acronym for Lifestyles of Health and Sustainability.

Civano Living
620 N. 7th Avenue
Tucson, AZ 85705
Telephone: 520.749.1000
Contact: Kevin Kelly, *President*
kevin@civanoliving.com
civanoliving.com

American LIVES
P.O. Box 4686
Medford, OR 97501
Telephone: 415.601.3642
Contact: Brooke Warrick, *President*
brooke@americanlives.com
americanlives.com

Ypartnership
423 S. Keller Road
Suite 100
Orlando, FL 32810
Telephone: 407.875.1111
Contact: Greg Dunn
EVP/Consumer Insights & Brand Strategy
greg.dunn@Ypartnership.com
and Jia Li, *Research Project Manager*
jia.li@ypartnership.com
www.ypartnership.com

100% | MOHAWK windpower

This report is printed on Mohawk Via 100% recycled, postconsumer waste and manufactured with renewable, wind-generated electricity.

Special thanks to Brian Kelly.