

Identification and Evaluation of a Market Opportunity of Elderly Caring Service

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ABSTRACT

This paper identifies a market opportunity for elderly caring service in China, and illustrates the entrepreneurial idea from the aspects of value proposition, customer segment, key resources and profit model using Timmons model of entrepreneurship. Then this paper evaluates the feasibility of this startup idea through the data gathered from the potential customers, and compares this project with other similar services to identify the advantages and competitiveness using blue ocean strategy model. It is found out that it is a huge market opportunity in this new form of elderly caring service.

Keywords: *Entrepreneurship, New Venture Creation, Startup, Elderly care.*

1. INTRODUCTION

With the increase in average life expectancy and rapid growth of the elderly population worldwide, the aging problem has been one of the most concerned problems in the past few years. People are paying more attention to the caring problems of the elderly people than ever.

According to the elderly health service market survey in China, by the year of 2016, the population of empty-nest elderly are over 100 million, and the population of elderly people who live alone is over 20 million. Many elderly people purchase elderly services not only to make their life more convenient, but also to ease the feeling of loneliness.

At the same time, elderly people are actually facing with many unmet needs. However, compared to the increasing population and needs of the elderly people, current caring services for elderly people are still very insufficient. In consideration of the current market situation and the socio-economic environment in China, an idea of creating a new kind of special elderly caring service comes up. This elderly caring service can be ordered through the online platform, and aims at providing short-term and instant help by matching professional workers with customers' specific and personalized requirements when the elderly people are in need.

In order to make sure the startup idea does meet the customers' demand, and does have the ability to generate profit to stay alive in the cruel and competitive market, this paper first illustrates the startup idea as comprehensive as possible using the Business Model Canvas. Then, this paper evaluates the feasibility of this startup idea by analyzing the secondary data. Next, this paper analyzes the competitiveness of this startup idea using Blue Ocean Strategy. Ultimately, this paper discusses the limitations of this market opportunity and what might be a problem when actually implementing the project.

2. ILLUSTRATION OF THE STARTUP IDEA

2.1 Identifying the Market Opportunity

According to Timmons model of entrepreneurship, the entrepreneur process does not start with business plan, capitals, business strategy, networks or team. The Timmons model firmly believes that entrepreneurship actually starts from opportunity [1]. Market opportunity is one of the three critical factors in entrepreneurship, and the idea will directly determine the potential and the outcome of a startup. So, it is of great importance to identify the market opportunity wisely.

When identifying a certain market opportunity, the macro industrial environment and the socio-economic environment are two main aspects. The following section will analyze the current social condition of elderly care in China, and the insufficient resources of the elderly care industry.

In China, there are two types of elderly care. One is from the family, the other is from the society, which contains caring from communities and organizations.

Families in China are experiencing structural transformation. With the implement of the One-Child Policy, the family structure in China becomes flatter, and the scale of the family becomes smaller. One kind of typical family structure nowadays is the 4-2-1 structure [2]. It means that the husband and the wife are both the only child of their parents, and they also have 1 child, so the couple has to take care of their parents together, which are 4 elderly people. Therefore, the caring function for elderly people of the traditional family is becoming weaker and weaker compared to the previous big family. Elderly people need to be taken care of, but the burden cannot be averagely divided to more family members, younger generation finds it difficult to provide enough care for their elderly parents.

Under the condition that the family caring is gradually weakening, the social caring should share more of the responsibility of elderly care. However, research shows that the social elderly care services are also in severe shortage. According to the official data of the National Bureau of Statistics of China, at the end of 2016, the number of beds of the Chinese elderly care services is 6,800,000, which means every 100 elderly people have to share 3 beds. However, in the developed countries, every 100 elderly people share 5-7 beds. It can be clearly observed that the social elderly care services are still insufficient.

In conclusion, a gap between demand and supply of elderly care services gradually appears, providing opportunities for our elderly care service project.

In consideration of the growing elderly population and the fact that many elderly people do need caring services, an idea of creating an online platform to help those elderly people who need instant help came up.

Different from the organizational elderly care such as gerocomium or nursing home, which provides long-term and all-round caring services, our service aims at providing short-term and instant

help when the elderly people are in need. Orders can be placed on the online platform, and the platform will directly match professional workers with the customers and provide one-on-one services according to their personalized needs. The services of this elderly care project include indoor services such as cleaning, doing laundry, taking care of pets and so on. The project also includes outdoor services such as travel accompany, shopping accompany, hospital accompany, pickup and delivery and so on. The price of the services can be charged by hour or day, according to the type of service. The services are also based on the special needs of the customer, and have high flexibility.

2.2 Value Proposition

The value proposition of the product is basically to help elderly people who need help get around more easily and quickly. By providing many kinds of personalized services, the project aims to provide safety and convenience to customers, and also lower the risk of elderly people acting alone. The privacy of the customers will be ensured to the maximum extent. The consumption experience of the customer will be highly valued. This elderly care services will not only play an important role in improving the quality of life of the elderly people, but also promote social stability.

2.3 Customer Segments

According to the official data of the National Bureau of Statistics of China, by the end of 2019, the population of people who are over 60 years old in China is about 253 million, which occupies 18.1% of the total population. The process of aging is the decrease of the body function, which is inevitable for everyone. So theoretically speaking, every senior citizen needs to be taken care of, therefore every senior citizen could be our potential customer. According to China Longitudinal Aging Social Survey (CLASS), a nationwide large-scale survey conducted by Renmin University of China, in a total sample of 11,511 elderly people, when they are asked where is the ideal place for them to stay when they are old, 68% of them choose to live by their own in their own home, 26% of them choose to live with their children, and only 6% of them choose to live in organizations such as nursing home [3]. When the caring function of the family is decreasing, those elderly people who prefer to stay at home become potential customers of the project.

To further narrow the range of the customer segmentation, research also shows that those elderly people who are willing to purchase caring services are those who have higher level of education and upper-middle income, and those who live in urban areas [4]. These features also provide a more specific customer portrait for the project.

Also, due to the limited social resources of the elderly care, there might be a great chance to cooperate with the local government and share some responsibility of the social caring services, easing the burden of the community and social workers. Mutual benefits and progress can be made through selling the services to the government and create B2G transactions.

2.4 Key Resources

Key resources of the project are human resources, financial capital, technological support, and advertising resources.

Human resources are one of the most crucial resources for the new startup. Human resources contain not only the management team, but also employees. According to Timmons model, a good management team can facilitate the development of a startup, while a badly-formed team can waste great ideas. So, the size and the background of the team should be taken into serious account. Also, as a platform offering help to elderly people, there must be enough workers to provide services. Due to the particularity of the elderly caring services, workers must be trained professionally to ensure the quality and security of the services.

For any newly-established firm, initial investment is obviously the key to start and gradually expand the business. According to Timmons model of entrepreneurship, the entrepreneur should have control of the financial capital resources, and use the minimal possible amount of resource strategically to minimize financial risks [5]. For the elderly caring service project, financial capitals will be invested in employee training, platform maintenance, product promotion and other aspects. Instead of scaling rapidly at earlier stage, capitals should be used to improve customer experience to achieve good reputation. It will help the startup grow steadily.

Besides, technological support is very important for the product because the orders come from the online platform. And the online platform needs to be maintained and updated constantly to optimize the customer experience. The platform will also

need to do some improvement to be more convenient for elderly people to use.

Furthermore, advertising resource is also an important part of the key resources. At the beginning of the business, the problem of how to make potential customers know and have the desire to try the product is concerned by many entrepreneurs. For this elderly caring service project, the target population is elderly people, so offline advertising methods are necessary. Television advertisement, newspaper advertisement, door-to-door selling, telemarketing and other offline promotion methods should be planned. Another effective and relatively low-cost way of publicizing the product is by the word-of-mouth advertising. It is the most ideal way of advertising because customers' real experience is the most persuasive promotion, and turning customers into the salesperson to expand the popularity among their own networks can help the startup save great amount of advertising budget.

2.5 Profit Model

For a startup which aims at making profit, it is vital to seek the balance between the cost and benefit [5].

The few important aspects of cost in the cost structure of this elderly caring services are believed to be the cost of employee payloads, platform maintenance, marketing expenses and other aspects.

The income of this elderly caring service is expected to be consist mainly of service charge form personal purchases. However, there still is a great chance to cooperate with government, community and other organizations such as gerocomium to develop some outsourcing business.

3. FEASIBILITY ANALYSIS

3.1 Purchase Intention of Customers

According to a research based on the support older people want and the services they need in the UK, elderly people have many kinds of needs. The research held conversations with seven groups of older people, involving 79 members, to discover the various needs of the elderly people. There are needs around house and garden(such as doing laundry, clearing snow, garden maintenance, minor household tasks, handy person activities), in staying in and going out(such as needing companion, meeting new friends, participating public activities),

in managing personal affairs (such as interpreting correspondence, seeking advice, taking care of pets), in shopping (such as collecting prescriptions, hairdressing, help selecting and trying on clothes, getting nutritional information and advice), and in transport (such as accessibility problem, driver performances, fit with planned destinations) and so on [6].

Aging is perceived to decrease of the quality of life. And some of these needs are difficult for elderly people to achieve independently, especially for those who live alone and those who with disabilities or have chronic diseases [7]. And most of the interviewees in the research indicated that they wish somebody could come in to their home and do things for them, or somebody could accompany them when they go out to save some troubles they would get into when they are by themselves. It shows great intention of purchasing this kind of elderly caring services. The elderly caring services we are planning to provide include many kinds of errands, which almost cover every aspect of the elderly life.

3.2 Feasibility of the Online Platform

According to the research data, by the year of 2018, the total amount of cellphone netizens in China is over 819 million. And netizens who are over 60 years old take up 6.6% of the whole population, which means there are about 54 million elderly people using smartphones or other smart devices to get on the Internet [8]. It takes up 1/5 of the total population of the elderly people. There are so many elderly people are using the Internet, which provide great opportunity for our online platform. But we also have to realize that, although the elderly people tend to accept and integrate to the informatization, due to some objective reasons, such as the limited educational level and/or economic level, there are still 4/5 of the elderly people find it very difficult to fit in to the information era. Elderly people cannot get access to the online platform and make any orders if they cannot get on the Internet, so there are still many potential customers waiting to be incorporated.

The data confirmed that the feasibility of the online platform is not very high, and urge us to make two kinds of improvement in order to support the online platform. The first one is to put more emphasis on the offline advertising. Advertising boards can be placed in the community or residential areas, making it easy for elderly people to recognize the service. Also, sales personnel can

go door to door to publicize. Television advertisement and telephone advertisement can also help get more attention from the elderly people.

The other improvement is to make some optimizations to make the online platform easier and more convenient for elderly people to use. The web page can be made in a more elderly-friendly way, which will help simplify the process of making an order.

4. COMPETITIVENESS ANALYSIS

In order to survive from the competitive market, a startup must clearly be aware of its competitive power.

According to the Blue Ocean Strategy Model, a market universe is divided into two parts: red oceans and blue oceans [9]. Red oceans represent the existing industries or the known market space. Blue oceans represent the non-existing industry or the unknown market space. In the red oceans, because the industry boundaries are clear and the competitive rules are known, entrepreneurs must struggle to fight over the limited demand in the crowded market space [10]. However, in the blue oceans, innovation is highly appreciated. Creating new market opportunities and new value for both sellers and buyers is more important than competing bloodily with other homogeneous products.

There are some similar errand services in the market already, such as Meituan Paotui (or Meituan Errand). Meituan Errand is city-wide services which can help customers buy things and deliver the appointed goods straightly to their house within one hour. Established in 2017, Meituan Errand has already covered 40 cities in China.

Inspired by the Blue Ocean Strategy, the innovative point of this elderly caring service is to move the errand services to a new market, targeting elderly people, who are the customers with a large amount of population but can be easily ignored by the current market. And this new elderly caring service also brings new technology such as internet technology to build online platform, and intelligence algorithm to better match our workers to customers' needs. These efforts are believed to be effective to promote customer experience and efficiency.

The blue ocean strategy canvas is used to help people identify the competitiveness of this elderly caring service. However, compared to other

products, this product focuses mainly on providing caring services for elderly people, and the product is better at keeping customers' privacy and lower the risk. Also, because the product aims at providing services for elderly people, this product is more professional and personalized. Compared to Meituan Errand, which only provides buying and delivery services, and some housekeeping services which only provide housekeeping services, this product has a wider range of services. This project

also want to build long-term and steady relationship with the customer, so it will focus on providing better customer services. Also, because our combination of offline platform and online platform, it will be easier for elderly people to have access to our product. What has been mentioned above can be clearly seen in the chart below, and these advantages would be the competitive power. (as shown in "Figure 1")

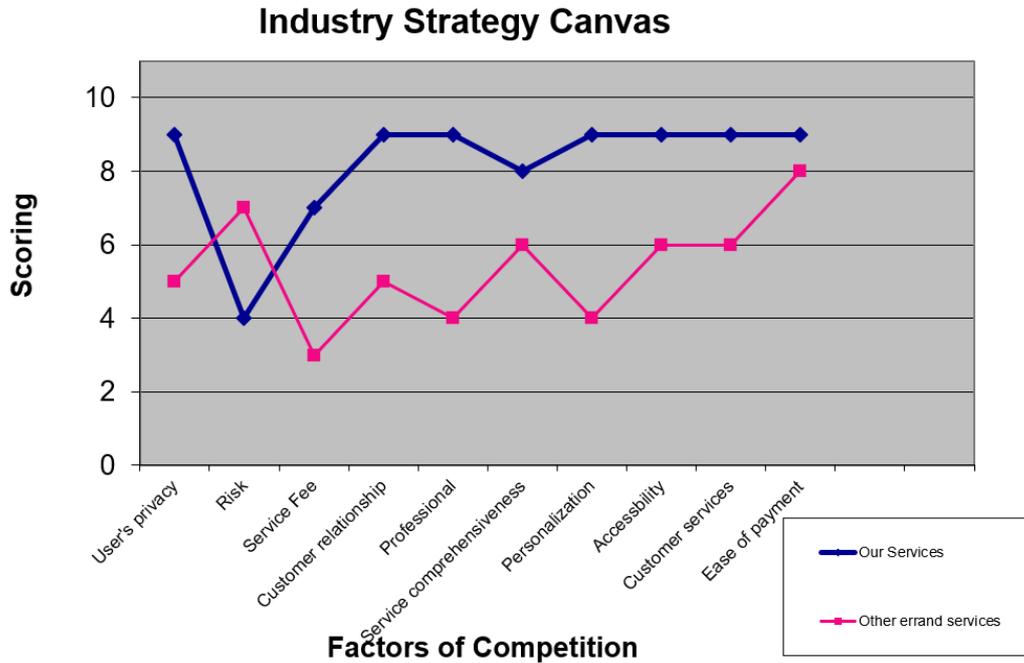


Figure 1 Industry Strategy Canvas.

5. IMPLICATIONS AND LIMITATIONS

The four sections mentioned above are all based on theoretical and data analysis, the real market situation will be more complicated and flexible. So, there are clearly some inevitable limitations when actually implement the entrepreneurial idea.

The first problem is to clarify the criteria of the service. Because the needs of each customer are different, the services are hard to be categorized precisely. If a relatively elaborate service category could not be made, the price of each service will not be transparent, which will increase the risk of the business.

The second problem is about employee enrollment. There are two kind of choices. One is to organize our own worker team, the other is to outsource it to some companies providing housekeeping services. By organizing our own

team, professionalism and security of the whole service process can be easily ensured, which will definitely provide greater customer experience for customers. However, creating our own team will increase the cost of training employees and managing the team by a large margin. Outsourcing can lower the cost notably, but at the cost of sacrificing partial customer experience. Wise choice should be made based on more detailed market research and cost accounting when implementing the idea.

Last but not least, regulations of the government [11], changing of the relevant policy and other uncertainties should also be taken into account.

6. CONCLUSION

By discovering a new market opportunity and analyzing the feasibility through some secondary data and research, it is obvious that there are huge market opportunities in elderly caring service due

to the increasing population of the elderly people. The imbalance between limited resources of the elderly care industry and the unmet needs of the elderly people provides favorable terms for the elderly caring services. However, apart from the conventional factors of value proposition, customer segment, key resources and cost-profit analysis, entrepreneurs must also attach importance to the innovation and competitiveness of the business idea and clearly be aware of its feasibility and risks.

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