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Opinion Piece

The digitally excluded consumer — Options for marketers

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Received (in revised form): 16th May 2012

Abstract

The drive by government and business to migrate to digital channels ignores a significant group of people who are not connected to the internet. On average, companies spend a third of their marketing budget on digital channels,¹ yet a fifth of consumers, over the age of 25, are not online.² Over 8.7 million people in the United Kingdom have no internet connection. Government is anxious to persuade people to use digital chels to access local and central government services, but to date it has failed to convince large sections of the population to change their behaviour and use digital.³ While digital channels provide cost and functionality advantages, they will need to be supplemented by traditional analogue systems for as long as there is a sizeable group of people wzho refuse to, or cannot, access the internet. This paper provides marketers with an analysis of the numbers, types and motivations of the 'digitally excluded' and suggests strategies for how organizations can respond to this group. *Journal of Direct, Data and Digital Marketing Practice* (2012) **14**, 5–17. doi:10.1057/dddmp.2012.14

Keywords: dotcom, government services, digitally excluded, online marketing

The fundamentals that marketers need to understand

Before marketers formulate their plans for working with the digitally excluded, there are four important issues they need to understand.^{1–3}

1. There are no easy fixes

One of the most successful marketers of the dotcom era, Martha Lane Fox, co-founder of Lastminute.com, was appointed as the government's 'digital champion'. She launched a campaign — Race Online 2012 — to get, by 2012, an extra 4 million people using the internet.

However, even the marketing capabilities of Ms. Lane Fox, allied to unprecedented levels of government and company support, have made little impact on increasing the number of new internet users.

Between the first and third quarters of 2011, the percentage of 65–74-year-olds who have ever used the internet increased by less than 40,000 people. Even this low number overstates the improvement in digital literacy, since some of the increase occurs as people in the 55–64 year age category move into the older age group.⁴

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Table 1: Opinions of companies and agencies about the distribution of marketing spend in 2011

	Increase (%)	Decrease (%)	Remain the same (%)
<i>Offline marketing budget</i>			
Companies	26	26	48
Agency	9	58	33
<i>Online marketing budget</i>			
Companies	72	4	24
Agency	76	3	20

Source: Marketing Budgets 2011 — Econsultancy in association with SAS.

Achieving an all-digital communications environment is not going to be possible in the near future.

2. Agencies expect a faster move to digital than their clients

The 2011 analysis of marketing budgets, by SAS and Econsultancy, found that both clients and agencies expect that approximately a third of marketing spend will be on digital channels.

Clients and their agencies have differing views about the speed of migration from offline to online marketing. Agencies expect offline budgets to decrease twice as fast as those of their clients. There is less disagreement about the increase in online budgets (see Table 1).

It must be difficult for agency staff, with an average age of 34 years, to conceive a world that is not totally digital.⁵

Even respected journals such as the *McKinsey Quarterly* publishes articles with titles like ‘Are your customers becoming digital junkies?’ ignoring the sizeable group of people who are not connected.⁶

It is too easy for marketers to forget that millions of consumers have an internet-free existence.

3. There is a disconnect in thinking between the ruled and the rulers

Fujitsu published a report in early 2011 that contrasted the attitudes of local government councillors and older people to the migration of public services onto the web.⁷

The results showed a wide gulf in views. Less than 8 per cent of older people thought they might use the internet to pay their council tax. Even fewer thought they were likely to apply for pension credits online.

Over 70 per cent of older people say that even if more services were provided on the internet, they would still phone or visit their local council to receive services.

This lack of interest in using the web was very different to the views of local government councillors. Over half believed accessing services using the internet was easy and 90 per cent said that they were actively encouraging rate payers to use the local council website as a source of information and a platform for transactions.

Government policies continually ignore the population’s lack of digital skills and their desire to retain traditional channels. Recent examples illustrate this fact.

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Government policies continually ignore the population’s lack of digital skills and their desire to retain traditional channels

- In July 2011, the government was forced to abandon its plans to phase out the use of paper-based payments by 2018⁸ in the face of public pressure.
- Recently, the Energy Secretary issued a statement saying that consumers were partly to blame for the high costs of energy in the United Kingdom because of their 'unwillingness to compare and switch suppliers'. This is a task that is only practical using the web.
- The government's e-petitions campaign that was portrayed as a key factor in increasing citizen involvement in changing legislation could only be accessed via the web.

4. Digital exclusion is not just a UK issue

The United Kingdom is not the only country to have high numbers of people who are not connected to the internet.

The most recent research from Pew internet⁹ showed that 60 per cent of over-60s in the United States and a quarter of Americans aged 50–64 years are not online. Even in the age group 30–49, there are over 10 per cent who are not connected to the internet.

Research by the European Commission¹⁰ revealed that between 26 and 35 per cent of the adult populations of member countries were digitally excluded.

Who are the digitally excluded?

The three factors that determine the likelihood of a person using the internet are their age, gender and socio-economic class.

Age

A fifth of the UK adult population (ie 25+ years old) does not use the internet. The majority of these people are over the age of 55 years (7.3 million). There are 1.5 million people below this age who are not online.

Research by Ofcom and the ONS shows a similar pattern (Figure 1). Ofcom data represent the percentage of individuals who do not have home internet access. The ONS data represent individuals who claim to have never used the internet

The reason for the rapid decline in online use by the oldest age groups is the absence of a PC in the workplace during their working life. For somebody aged 75+ years to use the internet requires them to acquire PC and internet skills post their retirement.

Most people below the age of 60 years will have experienced PC technology during their time at work.

Digital exclusion resulting from age will slowly diminish as the oldest cohort of people without digital skills dies.

Gender

There is little difference in the gender of younger people who are not online.

60 per cent of over-60s in the United States and a quarter of Americans aged 50–64 years are not online

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Figure 1: The percentage of people in the United Kingdom, by age group, who use the internet
Source: ONS UK, 2011, Q1. The percentage of individuals without home internet access; The Data Communications Report 2011

Figure 2: The percentage of people by age and gender who are not using the internet
Source: ONS internet non-users, by age and sex, UK, 2011 Q1

With increasing age, women are less likely to use the internet than men. By the age of 75+, there is a 15 per cent difference between the genders.

There is no generally accepted reason why this division occurs. The most likely explanation is that median age of women, in the 75+ years age group, is higher than for men due to women's longer life expectancy (Figure 2).

Socio-economic group

Figure 3 illustrates the connection between socio-economic group and internet access. These data are reinforced by research from the ONS¹¹ that shows that almost all people earning more than £50K/year are using the internet, in contrast to 10 per cent of adults on salaries of less than £15K/year.

Figure 3: Household access to the internet by socio-economic group
Source: Ofcom technology tracker, Q1 2011

A person's geographic location is also a good indicator of internet connection.

A person's geographic location is also a good indicator of internet connection. This results from a combination of the primary factors of age and socio-economic status.

For instance, in Northern Ireland, there is a nearly 30 per cent level of digital exclusion, while in Berkshire, Buckinghamshire and Oxfordshire the figure is 10 per cent.¹² Similarly, the value of the index for digital exclusion in Wales and Scotland is double that of Greater London.¹³

There have been several attempts to combine the factors of age, lifestyle and gender into a single segmentation model to assist marketers to better understand the composition of the offline audience.

The model that is the easiest to apply was created for Race Online 2012 and is shown in Figure 4. Each of these segments is defined using a combination of Experian Mosaic segmentation categories.

'Traditionalists' is the most affluent segment and is made up of six Mosaic categories that include 'Innate Conservatives', 'Country loving Elders' and 'Beachcombers'.

Not surprisingly, the poorest groups, Young and Excluded and Sheltered Seniors, are at the extreme end of the age spectrum. The three remaining segments account for 6.4 million people, of which over 3 million are classified as ABC1s, with over 5 million owning all of the equity in their homes.

The TGI analysis of the offline audience defines 3.7 million of the offline audience are ABC1s and 'affluent'. The large majority of these people are aged 55+ years.

The analysis of internet use by the consumer's primary choice of supermarket illustrates the difficulty in pigeonholing the digitally excluded. The urban location of Tesco Metro/Express, with the resulting younger catchment area, and the affluence of Waitrose customers explain their high levels of online customers. The older age of Marks & Spencer customers and the attraction of Iceland for

Figure 4: A segmentation model of the digitally excluded
Source: Building the Networked Nation — The last leap to get the UK Online — February 2011¹⁴

Table 2: Consumers who have not used the internet in the past 12 months by the type of food store they use

	Not used in past 12 months (%)
Tesco Metro/Express	7
Waitrose	11
Sainsbury's	13
Tesco/Tesco Extra	14
Sainsbury's Local	15
Asda	16
Marks & Spencer Simply Food	16
Costcutter	17
Aldi	17
Spar/Vivo	17
Londis	18
Lidl	18
The Co-operative/Somerfield	18
Morrisons	21
Iceland	21
Marks & Spencer	22

Source: TGI 2011.

lower-income groups results in them having customers with low levels of internet use (Table 2).

It is very easy for marketers to view the digitally excluded as a homogenous group of old, poor people. The reality is very different.

Why are they excluded?

The generally accepted term for people not using the internet is the ‘digitally excluded’, which suggests that they are victims of a social or economic problem. For some this is true, as their exclusion results from a lack of money and education.

However, the majority are not digitally excluded, but rather digitally indifferent or even digitally disinterested.

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Table 3: The UK results from a EU social trends survey

Reason for not being online (%)		
Material factors	Cost of access	14
	Cost of equipment	12
Non-material factors	Lack of interest	55
	Lack of knowledge	2

Source: 2010 EU Social Trends Survey.

The 2010 Ofcom UK Adult Media Literacy Survey found that 64 per cent of people who were not connected to the internet stated that ‘lack of interest’ was the main reason. The reason of ‘cost’ was quoted by 23 per cent of the survey. Concern about security, which is often considered a reason for not being online, was stated by just 2 per cent of respondents.

Table 3 shows the results of the 2010 EU Social Trends Survey that supports the Ofcom findings.

Undoubtedly, there are some people who give the reason of a ‘lack of interest’ as a proxy for their apprehension about entering the digital world.

A reason that is often quoted as to why people do not have internet access at home is the widespread availability of online facilities at libraries and community centres. The ONS Households and Individuals study 2011 disproves this theory, showing that less than 8 per cent of people give this as their reason for not being connected.¹⁵

An issue that the Ofcom, EU and ONS studies fail to consider is that for many of the older members of the digitally excluded the activities of shopping and meeting friends is extremely important, since these might be the only opportunities they have for social interaction.

Most marketers are dependent on digital communications to conduct their professional and social life, and thus it must be extremely difficult for them to understand that there are a large number of consumers who, for rational reasons, have decided to remain offline.

What other channels do they use?

If people do not access the internet, what communications channels do they use?

This discussion of channel use will focus on the over-45-year-olds since they represent 80 per cent of the digitally excluded and almost all of the most affluent.

Little research has been done to understand exactly how people compensate for being offline, by increasing the use of other communications channels. However, media consumption habits by age group are well researched. Figure 5 shows the popularity of the media habits of people aged 45–64 years.

This age group significantly over-indexes in the consumption of newspapers and radio, especially among the older cohort. The relatively low score for direct mail is surprising and probably results from the respondents not classifying it as ‘media consumption’.

There are a large number of consumers who, for rational reasons, have decided to remain offline

Figure 5: Media consumption of people aged 45–64 years. Top media quintiles (index: 100=average)
Source: TG1 Q2 2010

Figure 6: Number of direct mail items received on average per week (index)
Source: TG1 Q2 2010

During the last quarter of 2010, over half of mailings in the United Kingdom were to people aged over 64 years.¹⁶

The large volumes of direct mail that older people receive is illustrated in Figure 6, which shows the numbers of items received by consumers aged over 45 years.

The highest volume of items is received by the over-65s, which is also the group most likely to be offline. The reason for this volume of mail is the intentional targeting of this group and also their high propensity to respond to mail-related marketing.

The likelihood of a person opening corporate direct mail and expressing a welcoming attitude to the mailer increases with age.¹⁷

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The trends influencing digital exclusion

The reason for digital exclusion that is related to the cohort of older people who did not have access to PCs during their working life will diminish over time as this group of people die.

The number of people who are digitally excluded as a result of economic and educational factors (mostly young people) is unlikely to fall, even as the costs and complexity of internet connection decrease.

This situation is well expressed in a policy document produced by the LSE.¹⁸ The following is a quote from the document.

Exclusion of these most vulnerable groups has become entrenched

Exclusion of these most vulnerable groups has become entrenched.

Gaps based on education and employment persist independent of age or other characteristics. They therefore represent a problem that is unlikely to go away even with better infrastructure or as younger generations grow up.

These individuals are those that rely most on the government services that are now becoming 'digital by default' and will continue to do so.

Those who need access to services most, from where the biggest cost savings through the digitisation of services are supposed to come, are the least likely to take these up even when access is available.

The future profile of those not connected to the internet is likely to be based solely on the person's socio-economic status

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A new form of digital exclusion is just beginning. This relates to the type of device and where the internet is accessed. In the United Kingdom, 50 per cent of people under the age of 44 years access the internet from their mobile phone. Less than 10 per cent of over-65s use mobile internet.¹⁹

Gartner, the digital analysts, believe that by 2015, companies will generate 50 per cent of web sales via their social networking-related activities and mobile applications. This focus on mobile internet will result in a new generation of context-aware, mobile-based applications that can only be accessed via a mobile browser or an app.²⁰

For a consumer to take advantage of the internet, it will no longer be sufficient to have a fixed line connection. The new generation of digitally excluded will be those without mobile internet access.

The final trend is the merging of online with traditional communications channels, something that will amplify the disadvantages of people who are not online. The following are some of the ways this channel dependency manifests itself:

- Telephone support increasingly refers the caller to web support services.
- Advertising is beginning to use QR codes and Facebook URLs to extend the messages and value of the printed version.
- Radio advertising and radio programming often expect listeners to use Twitter and SMS
- Direct mail is making increasing use of voucher codes that can only be redeemed online.

The nature of digital exclusion is changing, as are the people who it affects.

As the cohort of wealthier older people die, digital exclusion will become another deprivation factor experienced by the poorly educated members of society.

The ways that marketers respond to offline consumers

Before deciding the best way to respond to the 8.7 million digitally disconnected consumers, marketers should consider the following:

1. The relevance to their business of the various groups of digitally excluded consumers. While the 1.2 million socially deprived young people may have little commercial potential, marketers need good reasons to ignore the 3.7 million who are ABC1s.
2. The dependence of the organization's support functions on digital channels. Digital exclusion does not just apply to sales and marketing, but to all consumer touchpoints. There is the danger that focusing resources on the latest digital support channels could result in a degradation of service provided to the offline channels.
3. The reliance of marketing strategy on mobile digital channels (eg apps and mobile web). The greater the dependence on these applications, the larger the group of consumers who will be disadvantaged.
4. The organization's reliance on direct mail. The largest group of offline consumers is already receiving high levels of mailing.
5. Much of the forecasted growth in consumer spending during the next two decades will result from the older demographic. For instance, in France, Germany, the United Kingdom and the United States, consumers aged 55+ years will account for at least 50 per cent of additional consumer consumption during this period.²¹

These issues, combined with the already discussed trends and data, suggest that there are four approaches that marketers can adopt when targeting those consumers who are offline.

1. Ignore and do nothing

This is the default option and results in no marketing activity being taken to understand and engage with this group.

There may be very good reasons why organizations decide to ignore the digitally excluded, but this should be a positive action and not result from ignoring the group's existence.

As the scope of exclusion increases, with the adoption of more mobile channels, organizations should at least ensure they understand the scale of their customers who are being excluded and the financial implications.

At the bare minimum, marketers should be able to quantify the number and importance of their offline consumers and understand the implications their decisions have on this group.

Digital exclusion does not just apply to sales and marketing, but to all consumer touchpoints

Much of the forecasted growth in consumer spending during the next two decades will result from the older demographic

As the scope and range of digital marketing techniques expand, it may become impossible for companies to retain effective offline as well as digital marketing and customer support channels.

There is the risk that as companies shift their priorities towards the latest digital technique, for example Twitter and Facebook, they will diminish the quality of service they provide to their old sales and support channels. This could result in an important group of customers not only being excluded from a company's new channels, but receiving a diminished quality of service through the old offline channels.

2. Become part of the solution

For the last decade, the age charities Age Concern, Help the Aged and now Age UK have conducted campaigns to help older people to get online assisted by the government-funded UK Online Centres.

In mid-2010, the profile of digital literacy greatly increased with the appointment of the internet entrepreneur Martha Lane Fox as the UK's 'Digital Champion'. Her role was to encourage as many people as possible to go online, in particular the socially deprived.

A key element of her campaign, Race Online 2012, was to encourage companies to commit time and resources to assisting people to become connected. There are now many hundreds of organizations providing over 100,000 volunteers to help impart their digital skills. Some of the UK's best-known brands are listed as being partners (eg Google, McDonalds, Skype, M&S and Sky).

Digital Unite is an organization focused on the older age segment of the digitally excluded. For the past decade, it has been providing training and advice to help older people take their first steps to getting online. The organization is best known for its Silver Surfer's Day, which has been used to run thousands of events. The organization has received some government support but is heavily reliant on corporate sponsorship. Companies that have been involved include Virgin Media, Wiltshire Farm Foods, EMI, Skype and McCarthy & Stone.

The mechanisms are in place to enable companies to become part of the solution to digital illiteracy.

Before committing resources, companies need to decide whether the assistance they are providing is part of their corporate social responsibilities activities, or whether it is being provided for marketing reasons. The type and focus of their involvement will be very different depending on this decision.

3. Target a specific segment

Because of the government's attention to the digitally excluded, we know more about this group than ever before. Most importantly, we understand how the group is segmented and in particular the number of high-net wealth consumers. We know their demographics, shopping habits, geographic distribution and attitudes, and the consumption patterns of offline communications channels.

The mechanisms are in place to enable companies to become part of the solution to digital illiteracy

We understand how the group is segmented and in particular the number of high-net wealth consumers

All of these ingredients provide the knowledge to support targeted marketing campaigns to a group of nearly 4 million ABC1s.

The fact that these people are not using the internet is immaterial; it is their spending power that should be the focus of marketers' attention.

4. Make all digital touchpoints accessible

The core tenet of this final strategy is to ensure that all new digital developments are implemented and that they are accessible by the maximum number of online consumers.

Companies have an opportunity with their new generation of digital applications, particularly apps and mobile web, to ensure that accessibility is part of the original design specification.

While it is impossible to engage with people who have no internet connection, it should be possible to ensure that no further exclusion occurs because of the poor design of digital applications.

Websites and apps should be designed to take account of the physiological changes that take place in older people. There are tools available that enable companies to measure the age-friendliness of all of their customer touchpoints, including those on their digital channels.²²

There is mounting evidence²³ to suggest that the touchscreen apps are inherently age-friendly and could provide a means of getting previously offline consumers connected. This becomes increasingly likely as the price of 3G connectivity and tablet computers falls.

There is no reason to expect that the trend for marketing to become increasingly 'digital' is going to slow down. The pressure will be to ignore those consumers who cannot, or will not, join the digital world. Whatever decisions marketers make should be supported by the considerable base of information that now exists about this group.

Touchscreen apps are inherently age-friendly and could provide a means of getting previously offline consumers connected

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