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Formulas for Winning

Forging Innovation in China's Banking Sector



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Forging Innovation in China's Banking Sector

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AT A GLANCE

China's banking industry is swiftly evolving, driven by digitization, more relaxed government policy, and changing consumer needs. For both traditional players and new challengers from other industries, innovation will be crucial—especially in the areas of digital finance, community banking, and consumer lending.

DIGITAL FINANCE

The constraints of traditional banking have inspired innovation, which is being spurred by more relaxed regulation, open policy views, and consumers who are enthusiastically embracing new online offerings.

COMMUNITY BANKING

Consumers still appreciate the specialization and differentiation that community banks provide. Proximity, however, is no longer a leading advantage. Community banks must innovate to develop a more distinct value proposition for customers.

CONSUMER LENDING

Some consumers are open to consumer lending, while others remain conservative. Banks that learn how demographics and life stages influence consumers' decisions will have an edge.

CHINA'S BANKING INDUSTRY HAS evolved by leaps and bounds over the past decade as banks have overhauled their ownership structures and become professional institutions. Nevertheless, banks face new challenges and fiercer competition than ever before. For both current stakeholders and new challengers, the key to success in the years ahead will be innovation.

Banks used to focus first on transformation and then on segmentation. To transform, they set up internal systems to regulate their operations, sought to create a better full-service experience across retail banking channels, and optimized their network footprints. Then, to segment their customers, they classified clients by asset size and created differentiated services for each type. Until recently, this approach was enough to compete; certainly, it equipped banks with the modern skills and capabilities that any company needs. But the landscape is changing.

China is going digital, opening up innovative online channels for conducting monetary transactions, such as e-shopping platforms. (See “The Chinese Digital Consumer in a Multichannel World,” BCG article, April 2014.) These, in turn, have changed the infrastructure and consumption scenarios as well as the marketing channels for financial services. Businesses in more conventional areas, such as community banking and consumer finance, are also beginning to innovate.

At the same time, the government in China has been figuring out ways to foster innovation. High-level officials have met with bank representatives several times during the past year to study innovative digital-finance models, and they have visited several prominent Internet companies. The government is also relaxing its policies, allowing more private entities to enter the financial-services field, for example. Needless to say, the sector is undergoing swift and unprecedented change.

The emergence of many new channels has prompted a shift in consumer behavior as well. We found that males living in tier 1 cities and well-educated people, for example, are receptive to using consumer finance products on emerging e-commerce platforms. As consumers continue to embrace novel means of marketing and carrying out transactions—and even come to expect such creativity in companies’ offerings—it is clear that innovation has become the name of the game. Traditional institutions will have to develop sharp customer insights and innovate their businesses to stay competitive.

With these developments in mind, BCG’s Center for Consumer and Customer Insight conducted a survey to shed more light on customer needs, preferences, and behaviors. We interviewed 1,800 banking and insurance customers of varying income lev-

Innovation has become the name of the game.

els (middle class, emerging-affluent class, and affluent) in 14 Chinese cities, ranging from tier 1 to tier 3.¹ The insights we gained illustrate how companies can differentiate, innovate, and become the future leaders of China's banking sector.

Three areas in particular—digital finance, community banking, and consumer lending—are experiencing a great deal of innovation and are becoming cross-boundary battlefields for both traditional banks and challengers from other sectors. By learning how consumers are behaving and what their needs and preferences are in these areas, traditional financial institutions and challengers from other sectors can determine how to differentiate themselves in these highly competitive fields.

Digital Finance

From 2007 to 2012, Internet penetration rates in China grew from 16 percent to 42 percent, and the nation is projected to have more than 730 million Internet users by 2016—up from 460 million in 2010. Adoption rates for new online technologies are expected to continue to increase and usage is likely to spread steadily into even the lowest-tier cities. As Chinese consumers grow more digitally adept and become more online savvy, they are setting their sights—with rising expectations—on digital finance. This sector will provide tremendous opportunities in the years ahead, but it will also be an extremely competitive battleground. Competitors, including challengers from nonfinancial sectors, have already begun innovating. Winning in this space will require still more creativity and differentiation.

We have identified three trends driving this competition. They are rooted in the constraints of traditional finance business models, consumers' changing financial habits, and relaxed regulations.

The constraints of traditional finance business models have set the stage for cross-industry competition. The business model for China's traditional banks carries high operating costs: the top five commercial banks have approximately 65,600 branches across the country (excluding self-services outlets). What's more, traditional banks do not allocate credit resources efficiently, and their products and services are typically homogeneous.

The Internet has removed many of those constraints and offers advantages that make digital finance competitive. For example, access to the Internet is cheap, allowing banks to reach lower-tier customers they could not afford to serve before.

The Internet is also well suited for addressing the unique requirements of the country's many individual investors. There is a rapidly growing long-tail segment in the financial market, comprising consumers who are becoming increasingly mature in their investment thinking and who, collectively, represent enormous opportunity for both traditional and nontraditional channels. At present, traditional banks with asset-intensive business models are having trouble adequately meeting these clients' needs for service efficiency and experience. Those companies are looking for a low-cost business model with wide coverage that offers customers a user-centric and holistic experience. Digital finance can help traditional banks reach new clients and find new ways of doing business.

Chinese consumers
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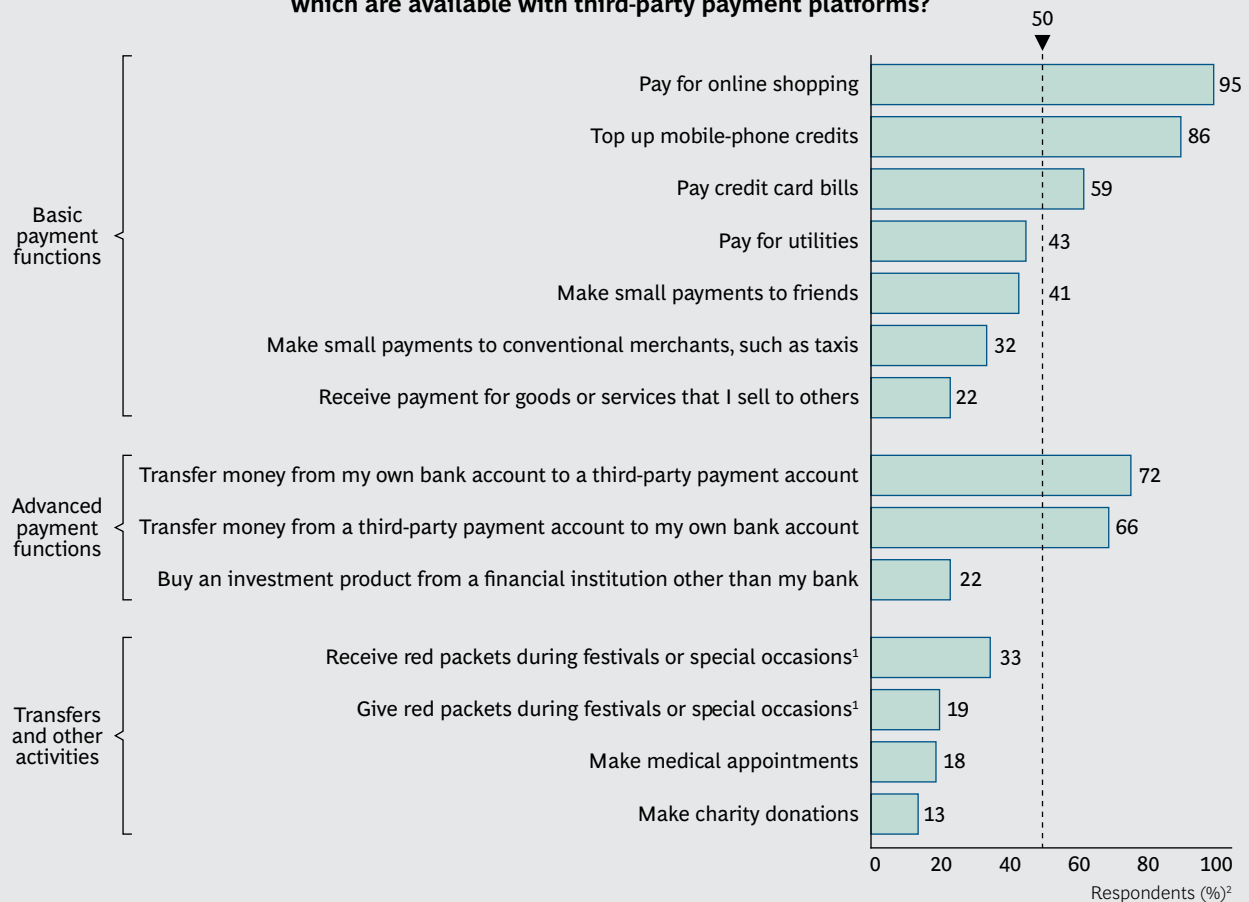
Other players, sometimes from different industries, are also eyeing this opportunity with great interest. They have already begun offering new services and adopting innovative business models, and they excel at customer service.

The Internet is changing consumers' financial habits. As digital finance evolves and opportunities for using it increase, Chinese consumers are embracing the new offerings at great speed. And as digital penetration spreads, the rate at which consumers adapt to the new methods is picking up, too.

One marked change we see is that consumers are using more and more online applications, including transaction payments and more advanced services. Our survey found that the majority of consumers interviewed had used advanced payment functions on third-party payment platforms. The most common basic payment functions were paying for items bought online (95 percent of respondents) and topping up mobile-phone credits (86 percent of respondents). (See Exhibit 1.)

EXHIBIT 1 | Consumers Are Becoming Open to Emerging Applications

Have you ever tried any of the following functions, which are available with third-party payment platforms?



Sources: BCG's Center for Consumer and Customer Insight Banking Consumer Survey (March 2014, N = 932); BCG analysis.

¹In China, people give red packets containing money to friends and family members to celebrate festivals and special occasions.

²Includes only respondents who have used third-party platforms; N = 498.

Consumers have also grown more sophisticated. For example, in our 2012 survey, we found that nearly 40 percent of people used online wealth management. Even online financing, a relatively new concept in China, had usage rates of more than 15 percent at the time.

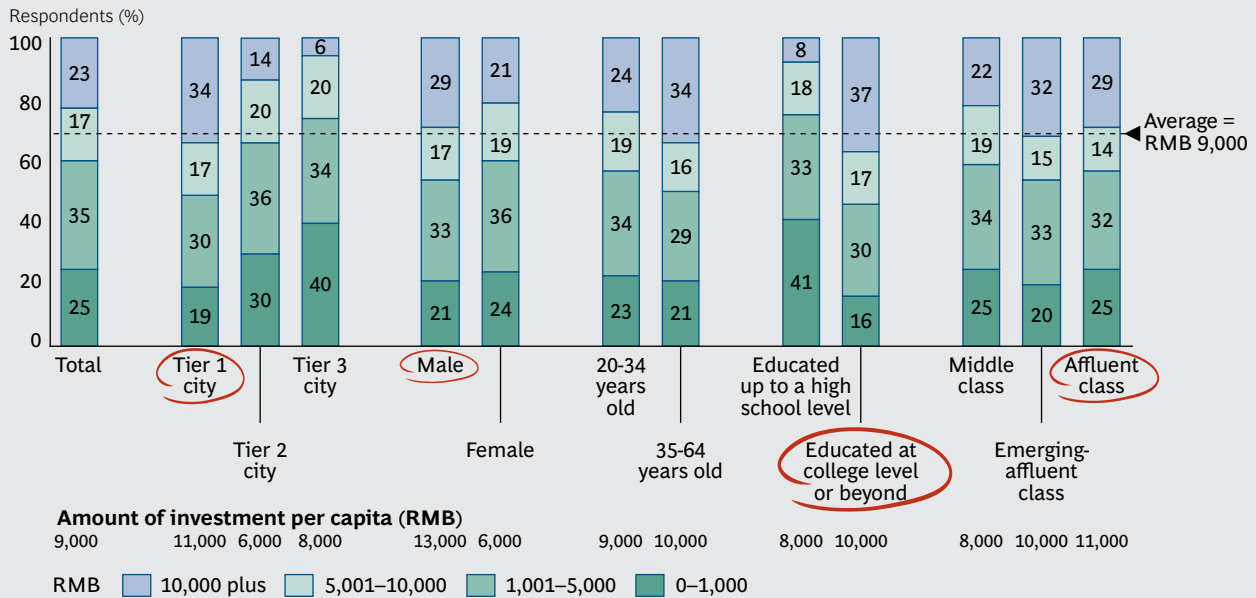
A second change is that consumers are rapidly adopting entirely new offerings on those platforms. For instance, 32 percent of respondents had used such platforms to make small payments to conventional merchants, such as taxis. WeChat—a mobile text, talk, and social-media platform owned by Tencent—provides another example. A traditional way to celebrate festivals and special occasions in China is to exchange greetings and to give red packets containing money to friends and family members. People have used WeChat to exchange Chinese New Year greetings for several years. But for the holiday this year, Tencent launched a wildly successful innovation.

The company found a way to allow users to link their bank accounts to the app and send money to friends and family through virtual red packets. In our survey, 19 percent of respondents had sent money through WeChat’s virtual red packets. The function effectively converts social-media users into digital-finance users and paves the way for them to conduct other transactions through the app. The social element also encourages people to join in because all their friends are doing it, and users feel safe linking financial data to the platform because of its popularity.

Of course, not all consumers behave the same way. We found that certain consumer groups are more willing to use the Internet for financial purposes, and are more ca-

EXHIBIT 2 | Certain Groups Are More Willing, and Better Able, to Use Internet Finance

How much money do you currently invest with third-party platforms?



Sources: BCG’s Center for Consumer and Customer Insight Banking Consumer Survey (March 2014, N = 932); BCG analysis.

Note: Includes only respondents who have used third-party platforms; excludes those with account numbers who have not yet used relevant functions; N = 480.

pable of doing so, than others. (See Exhibit 2.) For example, males living in tier 1 cities, as well as those who are better educated and those who are affluent, have an average investment amount of above RMB 10,000 in third-party platforms—at least RMB 1,000 more than the general average.

Yet despite growing enthusiasm for digital finance, online channels cannot fully replace conventional channels. For example, 25 percent of our respondents were hesitant to purchase wealth-management offerings online, citing a lack of real-time, face-to-face human support as the main reason. Dedicated bank staff excel at meeting customers' individual needs in a personalized way. In business areas where in-depth interaction between bank staff and customers is valued, physical branches remain irreplaceable.

What's more, many people still have not embraced digital finance. Their concerns suggest that online finance should complement traditional forms of finance, rather than merely copy them. For example, we asked such consumers to indicate their top reasons for not using third-party payment platforms: 35 percent said it seems troublesome to transfer funds to or from their bank accounts, 24 percent cited surcharges for transferring funds to and from bank accounts, and 21 percent said that they didn't know what to do in the event of an error with the transfer payment. Companies that alleviate these pain points with effective innovations in online third-party payment tools could capture a host of new customers.

Regulations for the industry are being relaxed. Currently, few regulations govern digital finance—especially with regard to entirely new activities. Regulators are studying the sector now, but all signs suggest that the government will take an open and liberal view, allowing the proliferation of many different growth models.

The Chinese government has paid a great deal of attention to digital finance over the past year. Last April, the State Council approved a People's Bank of China committee to guide digital-finance management. The bank drafted advice on improving the healthy development of digital finance and will issue guidelines to define the structure of supervision and the approach for each type of digital-finance business later this year. Local governments are also proactive; for example, the Shanghai government held a workshop with digital-finance companies in July 2014 to encourage development of the sector.

What this means for the relevant firms and stakeholders is that the industry will become less risky and offer greater opportunity for robust growth. Many companies, including Alibaba and China Minsheng Bank, have been adapting their business models to meet customer needs in noteworthy ways. Some use digital channels to successfully generate traffic and acquire target customers, others use digital channels to create an ecosystem for their core customers, and still others integrate digital elements into their product design.

Digital finance thus gives companies broader reach and affords consumers greater convenience, but the field is also subject to much more complex competition. For many traditional banks, developing digital finance requires a new skill set. Banks must innovate to avoid losing tomorrow's customers.

The industry will become less risky and offer greater opportunity for robust growth.

Community Banking

Traditional small and midsize banks have been facing more challenges over recent years. Interest rates are liberalizing, which means that banks can no longer rely upon corporate banking and the spread between deposits and loans to draw profit but must instead overhaul their retail businesses. The rapid emergence of Internet finance is challenging the legacy advantage of traditional bank branches. What's more, many small and midsize banks do not have massive networks of branches, as the Big Four do, and thus will have to expand quickly to capture more retail customers.

In light of all this, community banking has emerged rapidly in China as a solution well positioned to offer the specialization and differentiation that customers want. Joint-stock banks, such as China Citic Bank, and community commercial banks, such as China Resources Bank of Zhuhai, offer traditional institutions a foothold to access mass customers, dive deeply into community and micro businesses, and compete with Internet entities at low cost.

Community banks, however, are currently hindered by a number of weaknesses. In accordance with international best practices, a true community bank should provide personalized financial service, for example. But internal systems are not set up to support customer segmentation, which means that it is difficult for banks to offer services tailored to different communities and customer categories. In addition, business formats do not differ by location, and products and services are essentially the same as those offered by conventional bank branches. Marketing and branding efforts are undifferentiated as well and have no distinct value proposition.

What's more, most community banks are currently focusing on rapidly scaling up, though they have no specific profit and operation models and lack sufficient in-house capabilities. And proximity, once a leading advantage, is no longer enough to differentiate businesses. Approximately half our respondents indicated that they are willing to walk to a bank farther away from their closest branch to avoid crowds. Until now, banks have operated with the traditional mind-set that rapid scale and network coverage were enough to win. Yet most of our respondents agreed that the main benefit of community banks is fast and convenient service—not proximity. (See Exhibit 3.) Community banks should think beyond proximity, then, and develop a more profound and distinct value proposition for customers.

All of these deficiencies represent opportunities for innovation. But what kind of services are consumers looking for? We found that they desire simple but frequently used services. Eighty-two to 89 percent of respondents said that being able to make deposits and withdrawals and to pay utility fees would cause them to switch to a community bank. They also cited the need for paperwork-intensive services, such as reporting lost bank books or credit cards (cited by 76 percent of respondents), and printing bank books with updated balance information (cited by 75 percent).

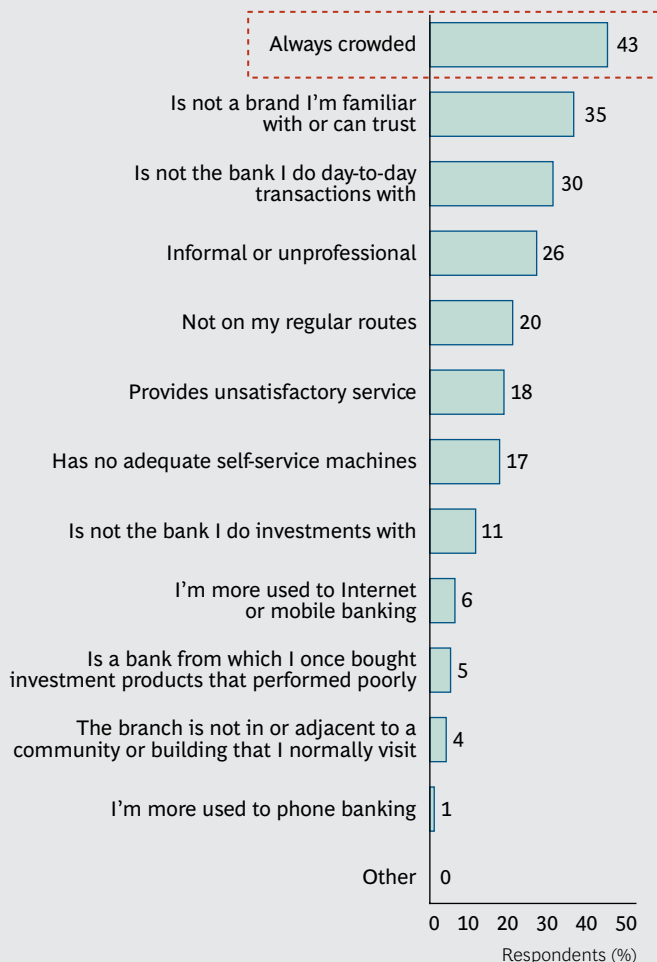
We also found that the presence of staff and in-person services is critical for most consumers. Eighty percent of respondents agreed that a self-service format would decrease their interest in using a community bank. This aversion was most pro-

The main benefit of community banking is fast and convenient service—not proximity.

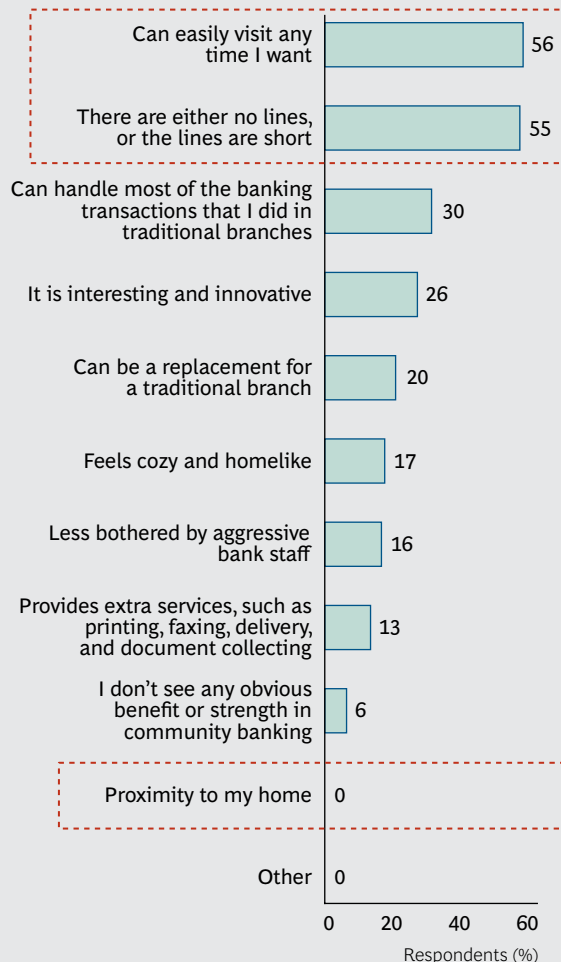
EXHIBIT 3 | Proximity Is No Longer a Differentiating Advantage for Community Banks

Respondents value convenience and speed in community banking

Which of the following considerations would keep you from going to a bank branch, even if it's close to your home or office?



What are the most important benefits of community banking for you? Please select the top three benefits



Sources: BCG's Center for Consumer and Customer Insight Banking Consumer Survey (March 2014, N = 932); BCG analysis.

nounced for middle-class consumers from tier 3 cities: 51 percent said that a self-service format would make them less interested in community banking. Affluent consumers, however, were more receptive to self-service.

Consumer Lending

The consumer finance market is poised for explosive growth. Last year, China's consumer-lending balance stood at approximately RMB 13 trillion. Of that amount, RMB 0.4 trillion consisted of home mortgages, auto loans, credit card installments, and other consumer finance loans. By 2017, China's consumer-lending balance is expected to reach RMB 30 trillion to 40 trillion, including RMB 3 trillion to 4 trillion in consumer finance loans.

Growth in the consumer finance market will be driven by the following factors:

- The relatively small base of consumers in this underpenetrated market
- Consumers’ growing purchasing power
- Consumers’ increasing receptivity to consumer lending
- Government support and deregulation of the industry

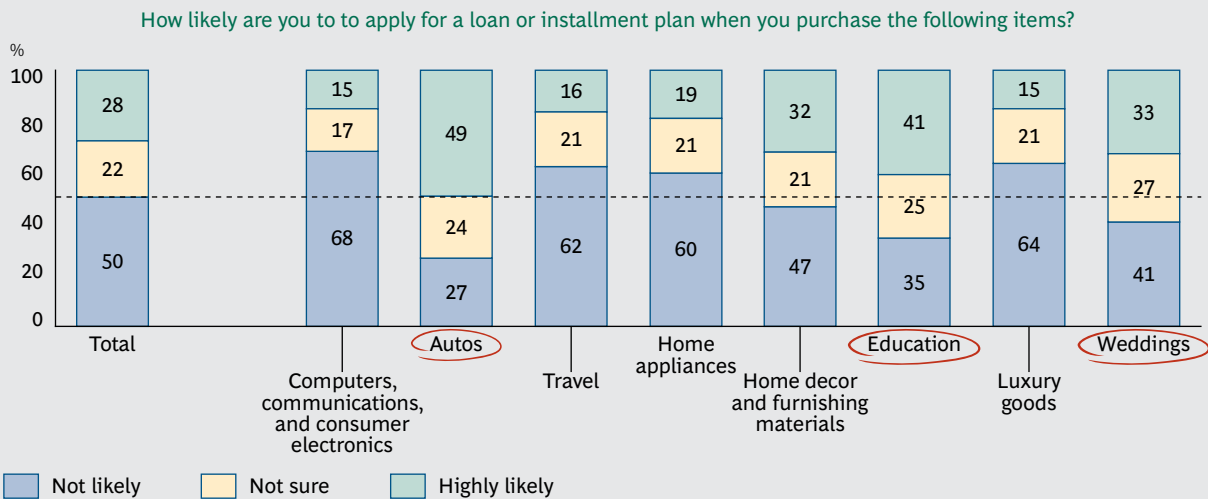
With regard to the last point, the Chinese government has released several papers and other guiding policies over the past year aimed at encouraging growth of the industry, bolstering pilot programs, and eventually creating a nationwide social-credit system.

Since this area is still emerging, banks have the opportunity to build consumer credit businesses on the basis of customer insights from the start. Bearing in mind the following points will increase the chances for success.

Consumers lack knowledge. Because consumer finance is relatively new in China, consumers tend to take a conservative view toward it and require more education about the market than do consumers in other markets. Once Chinese consumers gain some type of credit experience, however, they are willing to use credit again, though they remain conservative in certain categories, including computers, communications, and consumer electronics (3C); travel; home appliances; and luxury goods. (See Exhibit 4 and Exhibit 5.)

EXHIBIT 4 | Consumers with No Experience in Consumer Finance Remain Conservative About Lending

Consumers with no experience in consumer lending are more willing to take out loans for automobiles, education, and weddings



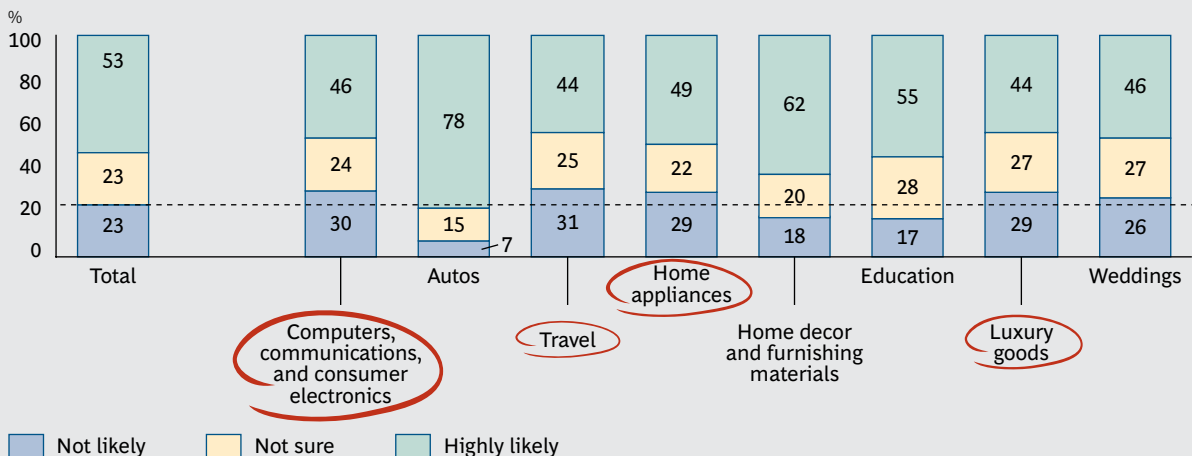
Sources: BCG’s Center for Consumer and Customer Insight Banking Consumer Survey (March 2014, N = 932); BCG analysis.

Note: Because of rounding, not all percentages add up to 100.

EXHIBIT 5 | Consumers with Prior Experience in Consumer Finance Are Not Entirely Open to All Forms of Lending

Consumers with prior experience in consumer lending remain conservative about loans for computers, communications, and consumer electronics; travel; home appliances; and luxury goods

How likely are you to apply for a loan or installment plan when you purchase the following items?



Sources: BCG's Center for Consumer and Customer Insight Banking Consumer Survey (March 2014, N = 932); BCG analysis.

Note: Because of rounding, not all percentages add up to 100.

The greatest concern of consumers with no experience in consumer credit is that interest rates are too high. This is followed first by the perception that the application process is too complex and then by an unwillingness to use products that their friends and peers seldom use. Nonetheless, we did find that such consumers would be inclined to turn to consumer finance for certain categories, including automobiles, education, and weddings.

Consumers in different demographic segments have different preferences. People in different demographic segments and in different stages of life have different lending needs. We found, for example, that 41 percent of younger people prefer credit cards with installment payment plans, while only 27 percent of middle-aged and older people expressed such a preference.² What's more, 43 percent of consumers in the younger age bracket—as opposed to 25 percent of people in the older bracket—use consumer loans to buy 3C digital products.

Older consumers, however, tend to use their consumer loans to purchase automobiles (23 percent, as opposed to 13 percent of younger people) and home decor and furnishing materials (21 percent, versus 12 percent of younger people).

Affluent consumers use installment-plan credit cards more frequently than other consumers do, for better wealth management and liquidity. Forty-three percent of affluent consumers use such products, for example, compared with 37 percent of middle-class consumers and 33 percent of consumers in the emerging-affluent class. Consumers in the emerging-affluent class constitute an especially active segment: they were the earliest adopters of consumer loans for such diversified categories as 3C digital products, home appliances, and luxury goods.

As more options enter the field, consumers will turn to a diverse mix of channels.

As for gender, 40 percent of male consumers are generally willing to consider some form of consumer lending, usually installment-plan credit cards, and 40 percent of male consumers use such cards largely to purchase 3C products. Female consumers tend to focus more on quality of life and on their homes and families. Twenty-one percent of female consumers chose some form of consumer lending to pay for travel, and 20 percent did so to pay for furniture.

Finally, consumers in tier 1 cities are relatively open to consumer finance for categories such as 3C, home appliances, and furniture. In tier 2 cities, where consumers have more buying power and are focused on better quality of life, 26 percent are open to using consumer finance for travel. In tier 3 cities, consumers are willing to use some form of consumer lending for home appliances only.

Life stage affects credit needs. In general, more affluent and middle-aged or older consumers have a greater need for credit than middle-class and younger people do. On average, affluent and middle-aged or older consumers borrow RMB 52,000, while emerging-affluent and middle-aged or older consumers borrow RMB 36,000. Younger people, who are interested in trying new things, prefer consumer-lending offerings with low to midrange credit amounts.

Consumers still prefer banks—but they won't for long. Nearly 90 percent of respondents had applied for their consumer-lending products directly from a bank. As a greater number of online and traditional options enter the field, however, consumers will turn to a more diverse mix of channels. One harbinger of that trend: 11 percent of younger consumers applied for consumer lending on e-commerce platforms when it was offered during checkout. Middle-aged and older consumers, who are more averse to risk and less used to online shopping, prefer more traditional channels when applying for consumer lending. Overall, only 8 percent of consumers said that they will definitely purchase consumer finance products either online or via mobile devices. The main concerns cited by those who said that they are not inclined to do so are the security of assets and personal information, followed by the lack of interpersonal interaction.

Consumers like revolving credit and other innovations. We asked consumers about their interest in revolving credit as a proxy for their interest in innovative new offerings. Fifty-three percent of younger people expressed interest in revolving credit. Affluent consumers, too, are open to revolving credit because of their interest in better fund management: 53 percent said that they would like to try it.

The Key Formulas for Winning China's Retail-Banking-Innovation Battle

As we have seen, the banking industry in China is undergoing significant transformation. The country is digitizing, government regulations are loosening, and consumer attitudes toward various bank offerings are changing in different ways according to their disparate needs. The sector is becoming extremely competitive, however, and retail banks and cross-industry challengers will need to innovate to address consumers' needs and the challenges of the field. Banks looking to come out ahead in this battle should act on the following key formulas.

Develop sharp customer insights. You have to know what consumers need before you can create an innovative business model to meet those needs. You should listen to clients, set up your organization in ways that enable access to customer information, develop capabilities to segment customers and differentiate customer experience, brand products and offerings well, and alleviate consumers' concerns, such as about the security of their information.

Accurate insights into consumers are all the more important in this era of big data, when companies are striving to become more customer-centric. Such data serves as a powerful lever for financial institutions to identify target segments, conduct marketing, and manage risks.

Easy by RHB, developed by RHB Banking Group in Malaysia, is one example of a successful innovation based on consumer insights. The bank, which used to sit in the middle of the pack in a relatively concentrated banking market, noticed that the mass segment was being underserved by traditional banks. What's more, mass clients were actually being discouraged by barriers such as minimum-balance fees.

RHB conducted a deep dive of this segment's needs and innovated to provide what they wanted: simple products and fast, convenient service. Through Easy by RHB, the bank now offers straightforward packaged products—such as personal loans, savings accounts, and debit cards—that are transparently priced and easy to understand. Service is automated, and customers can open accounts and get loans approved without filling out a great deal of paperwork.

Hong Leong Bank also successfully innovated with its Mach brand, which has effectively captured the country's much coveted, but poorly served, generation Y. Mach provides stylish, easy, and efficient services tailored to young people—such as paperless service, automated approvals, a user-friendly website, and customized products, including financial-planning advice and special discounts. It has offset consumers' negative perceptions of existing bank options by emphasizing fast, friendly service that feels tailored to the customer.

Find role models outside the banking industry. Banks pioneering innovation can emulate standard practices from the worlds of e-commerce, social networks, and mobile apps. Examples include instant distribution and order fulfillment as well as robust smart-search functions. Companies worth emulating pay attention to the virtual shopping experience, allowing customers to share images and interact with marketing and customer service efforts. They also cultivate “stickiness”—getting users to stay on their sites longer—through games and similar functionalities.

Poland's first online retail bank, mBank, was launched in 2000 and has done well by emulating outside role models. When the bank began to fall behind its international and more digitally capable competitors in recent years, it studied the best practices of top online retailers, such as Amazon and Zappos, and social-media-app developers, such as Foursquare. The bank performed a gap analysis of various functionalities—including navigation and presentation, research and advice, and checkout—and then overhauled itself accordingly.

Banks pioneering innovation can emulate others' standard practices.

For example, mBank found that its site navigation and presentation were text heavy and highly tabular, much like those of traditional banks, so the company renovated its user interface to resemble that of a modern virtual store, using more pictures and offering more interactivity. The bank also built better-integrated money-management and advice tools, developed video banking, applied game-design thinking to some aspects of its site, introduced a search tool similar to Google so customers could find information more quickly than they could with the old search function, and more.

Make the first move. Historically, traditional financial institutions have been weak in emerging business sectors. However, first movers have the advantage when it comes to capturing market share, becoming the market leader, and setting the standards by which the entire field will play. New business sectors are also much less fragmented than traditional battlefields. In China, one need look no further than payment service provider Alipay to see the benefits of being a first mover: the company holds half the Internet payment market in the nation.

Continuously pilot, innovate, and adapt, while allowing ideas to sink or swim. Successful financial institutions should be proactive about conducting trials to demonstrate the value of innovative models. They should inspire positive feedback in the market, win internal advocacy, and strive for resources to fuel new businesses and models. To ensure sustainable success, as mBank has done, they should also be proactive about revisiting their business models and continuously adapt to the changing marketplace.

Build infrastructure capabilities. Robust infrastructure capabilities form the foundation of a solid and innovative business. In particular, companies need to take the following actions:

- Automate and streamline their process and risk-control practices
- Instill advanced technologies and highly responsive systems that meet the requirements of an innovative business, such as customer resource management to enable personalized service
- Create an efficient organization structure to enable a low-cost and highly agile service model

Easy by RHB is a model worth emulating. The bank has done a good job of thinking through its processes and technology to advance its operations. Customers benefit from simple electronic applications, paperless processing, and functionalities such as electronic signatures and biometric verification. These innovations also reduce costs for branches. The bank uses technology to define explicit processes across all channels and has customized its risk-management system to provide easy, convenient service for the mass customer segment. In addition, the bank effectively meets IT requirements, selects vendors, and mobilizes test teams. As a result, RHB has achieved breakthrough growth in its retail-banking business.

Alibaba also stays healthy through continuous organization carve-outs and by enabling innovative offerings in a sustainable manner.

Banks should become first movers in emerging business sectors.

A Checklist for Winners

Until now, banks' attempts at business model innovation in China have been incomplete and unsystematic. There is a great deal of room to improve—potentially by leaps and bounds. BCG has assisted a number of leading local banks and cross-industry challengers in developing innovative business models based on deep customer insights. For instance, we helped one leading joint-stock bank design and implement flagship branches, and we designed and executed the first digital direct-banking strategy in China for another.

Through our extensive work with clients, we have pinpointed a number of questions that retail banks and financial institutions must answer in order to achieve breakthrough innovation:

- Do you have comprehensive and deep consumer insights in place? Do you truly listen to your customers?
- Do you have systems in place for fast decision making and effective levers and resolutions? Can you gain an early-mover advantage within a short time frame?
- Does your organization tolerate fault well and support exploration? Do you encourage piloting to quickly demonstrate the value of innovative business models?
- Do you have robust technology and a strong support system as well as a streamlined, agile organizational structure to enable efficient operations processes and effective risk control?

Banks and challengers that can say yes in response to these questions will find themselves well positioned to make the most of the challenging, dynamic growth potential that lies ahead for China's financial-services sector.

NOTES

1. We classify consumers according to annual household income as follows: RMB 85,000–140,000 = middle class; RMB 140,001–250,000 = emerging-affluent class; and more than RMB 250,000 = affluent class.

2. Younger people are defined as those aged 20 to 34, while middle-aged and older people are defined as those aged 35 to 64.

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