

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Relevant Conceptual Basis**

##### **2.1.1 Global Economy**

This paper argues that in the process of capitalist economic development, countries need to exchange products, labor, raw materials, and technology with other countries in order to meet the needs of their own economic development. In this process, the reliance between countries deepens, the connection is closer. In essence, the global economy is a historical category and an inevitable process of the development of productive forces. Specifically, the global economy is the result and embodiment of the development of capitalist economy. From the concept of globalization, globalization has two elements: one is the process, and the other is the content.

From the process point of view, globalization has been built from the capitalist economy, and the global search for labor and product markets began. Through the exploitation of colonies, the two world wars, the opposition between the two poles, and the current global participation, the global economy has deeply affected the world. The economy of each country; from the content point of view, the global economy covers all elements of economic activities, from the initial labor force, raw materials and products to current capital and information.

##### **2.1.2 Pension Industry**

Scholars' research on the pension industry generally starts with the definition of the pension industry, but the definition of the pension industry has been controversial. Domestic and foreign scholars have their own definitions of the old-age industry in their own articles, so there is a certain difference in their understanding of the

profound connotations (Yang, 2017). The National Medium- and Long-Term Plan for the Development of Old Ageing Industry defines the ageing industry as “a collection of products and services specifically targeted at the elderly provided by enterprises, social organizations and individuals according to market demand” (Yang 2013). The concept of the pension industry has not yet formed a unified definition. Based on the views of domestic and foreign scholars, the concept of the old-age industry in this paper refers to the needs of the elderly, to improve and improve the living standards of the elderly, with social power as the main body, around the core of pension, to provide material and Spiritual and cultural needs, providing professional equipment and quality services, thus forming a comprehensive industrial chain that meets the basic needs of food, clothing, housing and transportation, enriches cultural and recreational activities, and solves the problem of medical treatment. As the so-called demand drives consumption, this industry is precisely because of the aging population, the active participation of social forces, and the emerging industries that are driven by the needs of the elderly.

Among them, pension real estate belongs to the real estate category. This is an effective platform for integrating multiple resources. It is an organic combination of the traditional real estate industry and the old-age industry, so that the form of real estate products can be infiltrated into it, so as to give full play to the combined pension function and carry out relevant interactions. The broad-based pension real estate includes the residential functions, service functions; pension insurance and other practical functions and reverse financing functions. Its narrow meaning is to integrate the theme of pension in general real estate development projects, but in terms of function, commercial real estate is a relatively special project. The producers and operators of the project are real estate developers, and the target customers are mainly the elderly.

## **2.2 Theoretical Basis**

### **2.2.1 Theory Of Demand Hierarchy**

American psychologist Maslow divides people's needs into five levels in order

from low to high, followed by physical needs, security needs, social needs, respectful needs, and self-fulfilling needs. Applying these five levels of requirements to the elderly is mainly reflected in the following five areas:

First, physiological needs. That is, the material needs of the elderly for the need to live, such as eating, wearing, living, and traveling. Second, security needs. That is, the need for protection of old-age care and medical care makes the elderly feel more secure. Third, social needs. That is, the needs of the elderly for social activities. Fourth, respect for demand. Love and respect for the elderly is the traditional virtue of the Chinese nation. It is also the code of conduct that people have been pursuing. It should give the elderly more respect and meet the respect of the elderly. Fifth, self-realization needs. When the elderly retire, they often have a strong sense of loss. They feel that they have no value. The self-fulfilling needs of the elderly should also be given a certain degree of attention. The community and public welfare activities of the elderly should be carried out to provide a platform for the elderly to realize their self-worth. . The development of the aged care service industry is to better meet the needs of different levels of the elderly. Therefore, the theory of demand hierarchy is an important theoretical basis for studying the development of the aged care service industry, which is conducive to better guiding the development of the aged care service industry.

### **2.2.2 Market Segmentation Theory**

In the mid-1950s, American marketer Wendell Smith proposed market segmentation theory by summarizing the experience of enterprises in organizing production according to different needs of consumers (Wendell 1956). “Market segmentation refers to the segmentation of the overall market into a number of consumer groups based on the differences in consumer needs, motivations, and purchasing behavior. Each consumer segment is a segment of the market, and each segment is It consists of consumers who need to behave in the same way as the purchase behavior. Generally, the consumer market is divided according to four criteria: geographic environment standard, population factor standard, consumer psychology standard and consumer behavior standard. The pension industry is the

overall market of service industry. The important component of the development is based on the net asset value and the high consumption power of the elderly population, that is, the elderly consumers with higher consumption levels, thus segmenting the pension industry consumers from the overall market of service industries. Come out, provide corresponding service products for the elderly groups with higher income level, consumption ability and enjoyment level.

Currently, China is facing a number of significant demographic, political and economic challenges. Like many nations, China is coping with the problem of population aging (Robt 2015). In China's case, however, the shift in age structure has been and will continue to be dramatic: 9% of its population was over 60 in 2000 and this number is projected to increase to 22% by 2030. According to current projections, by 2025, one quarter of the world's elderly population (age 60+) will be living in China. As a result of population aging, the dependency ratio is also rising. The dependency ratio was 0.03 in 1970, 0.29 in 2001 and is projected to increase to 0.55 by 2030, at which time there will be less than two workers per retiree. The challenges of population aging and rising dependency ratios are in part the result of increased life expectancy, but the major factor has been the rapid decline in fertility, due, in large part, to China's strict one-child policy instituted in the mid 1970s. In the future, many Chinese couples will face the task of caring for four elderly parents as well as some grandparents (Liu 2017). These changes in family structure and the increase in rural-urban migration due to uneven rates of economic growth are two of the factors contributing to a breakdown of the traditional family support system, which remains the major source of old-age support (Wang 2017).