

A close-up photograph of a hand with fingers touching a digital screen. The screen displays various financial charts, including a candlestick chart and a line graph with multiple colored lines (green, red, blue). The background is dark with blue and purple bokeh lights. The overall theme is digital finance and data analysis.

# The Future of Consumer Demand

**HSBC**   

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**Commercial Banking**

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## About the report

HSBC's *Future of Consumer Demand* report examines how the rapidly shifting landscape is changing the nature of international trade and creating opportunities for businesses. It assesses how companies might need to re-think their strategies and evolve their offering to the consumers of the future.

Authored by Trajectory, the report takes insights from in-depth interviews with business thought leaders in addition to surveys of 90,000 consumers conducted between 2011 and 2015.

It draws conclusions about how businesses can best equip themselves for the opportunities that the future of consumer demand presents. It explores the changes in values, attitudes, aspirations and behaviours that are influencing purchasing patterns.

In addition to the quoted sources in this report, we have used a wide range of resources to inform our thinking, including information from respected international companies, consultancies, the media, clients and data banks.

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## Foreword



**Noel Quinn –**  
*Chief Executive of HSBC Commercial Banking*

For more than 150 years HSBC has supported businesses as they strive to meet, and develop, consumer demand for their goods and services. Back in 1865 we started by helping Asian producers of tea and silks deliver their wares to the cities of Europe and America, financing goods such as textiles and cereal crops heading back to Asian ports.

Whilst there's still a thriving international market for these goods and commodities, the highly interconnected world we live in today offers opportunities our forebears could hardly have imagined. Tomorrow's generations will undoubtedly say the same of us too.

Since the mid-nineteenth century our world has gone through three phases of globalisation, which we explored in our recent Trade Winds report. Now we have turned our attention from the traditional forces facilitating global trade such as the physical movement of goods to new emerging industries such as the services sector. The marketplace is less bound by geography with migration, travel and online purchasing and this will shape what businesses sell and how they sell it.

The result is this report on the *Future of Consumer Demand*.

Our purpose in preparing this report is to provoke thought and discussion. We want to inspire companies to consider how they will adapt and flourish as populations increase, as economic power shifts eastwards, as tastes change and as new technologies alter purchasing behaviour.

Changes in consumer demand trends don't just affect retailers, but enterprises at every stage of a supply chain – from the smallest, specialist component manufacturer to the largest diversified conglomerate.

Because HSBC Commercial Banking serves the full spectrum of businesses, from SMEs to multinationals, these trends are relevant to us as much as they are to our two million customers.



**Paul Flatters –**  
*Chief Executive of Trajectory (Report Author)*

This report describes a future that is rich in opportunity for businesses that keep pace with the rapidly evolving nature of consumer demand. The 'consumer class' will grow in number, but it will have ever greater choice about what, how and even 'if' to consume.

This change is being driven by many factors. Advances in technology are providing consumers with new ways to learn about products and services, and in some instances are transforming the very consumption process itself (as is the case with the sharing economy, for example).

We are also seeing an evolution in consumer expectations. These include the ease and convenience of doing business or those relating to transparent, ethical and sustainable business practices.

These technological and value-driven trends are being played out against a backdrop of rapid economic and demographic change that is transforming the size, location and socio-demographic composition of the 'consumer' population. These are the trends creating the consumer growth segments of the future such as the emerging middle class, women (but, as we advise, through a less 'gendered' approach) and a more sophisticated, less stereotyped view of the growing band of older consumers.

In presenting this information we simply ask you to consider whether your business has strategies in tune with these developments and, if it does not, to look at the suggestions here for how you can create them.

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# Executive Summary

Global consumption and consumerism is changing, driven by a rapid increase in the number of people who can afford to choose what they buy and how they buy it. Understanding these changes, and recognising what will influence consumers in the future, will become increasingly important for businesses.

HSBC's *Future of Consumer Demand* report finds three macro trends contributing to significant changes in consumption behaviours around the world and international trade.

## **Growing consumer class**

This report estimates that the number of people considered 'consumers' will exceed 90% of the global population by 2020 as the numbers of those living on subsistence incomes declines<sup>1</sup>. Once a consumer's basic needs are met, they can think about purchasing a wider range of goods and services.

## **Technology and power of data**

Advances in digital technology, increasing smartphone ownership and growth in the number of Internet users have revolutionised the way people access, choose and pay for goods and services. People now have greater choice, and greater access to information, so they can be more discerning. Data is supporting greater levels of business insight into their needs, preferences and loyalties.

## **Transparency of business**

With greater choice and access to information, the digital revolution is also allowing consumers to make choices based on their personal values and to use social media to put business ethics in the spotlight. Trust is also essential to the growing sharing economy – where people choose to exchange goods or pay for temporary access rather than owning something permanently<sup>2</sup>.

The report then considers the changes in values, attitudes, aspirations and behaviours in three demographic groups that are influencing purchasing patterns:

- Middle-income consumers
- Female consumption
- Intergenerational consumption

As a leading international commercial bank, HSBC works with customers of all sizes, from SMEs up to the largest corporations. The business insight this gives us, combined with the consumer insight we gain from banking millions of individuals around the world, means we are well positioned to help ambitious enterprises capitalise on future opportunities, wherever they may be.

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<sup>1</sup> Trajectory estimates based on UN population data

<sup>2</sup> Millennials coming of age – [www.goldmansachs.com/our-thinking/pages/millennials/index.html](http://www.goldmansachs.com/our-thinking/pages/millennials/index.html)

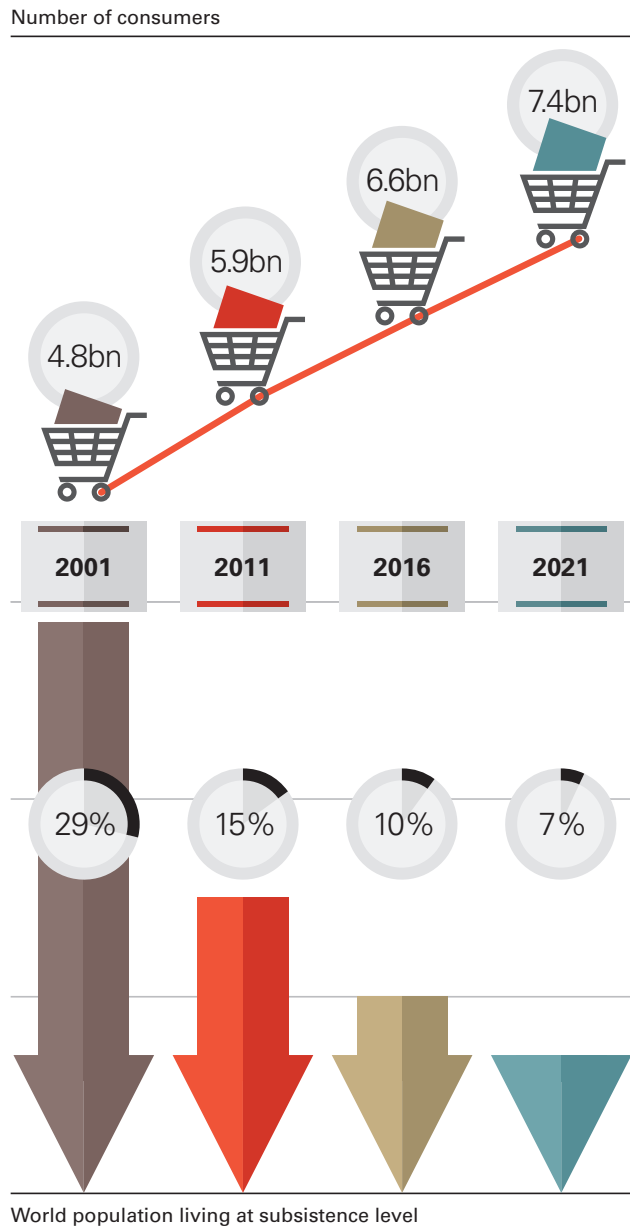
# Growing consumer class

In simple terms, a 'consumer' is a person who purchases goods or services for personal use. The level of income at which someone can afford to buy goods and services is the key metric for assessing when they move from so-called 'subsistence living' to becoming a consumer.

Institutions including The World Bank typically regard an income of \$2 per day as the threshold for this transition.

The number of consumers in the world has been growing rapidly and our estimates, based on UN data, indicate that the number of people in the global consumer class will grow by more than 50% in two decades, to include over 90% of the population<sup>3</sup>.

*The number of consumers in the world has been growing rapidly*



**Figure 1.** Global consumer population set to rise

Source: Trajectory estimates based on UN population data

<sup>3</sup> Trajectory estimates based on UN population data

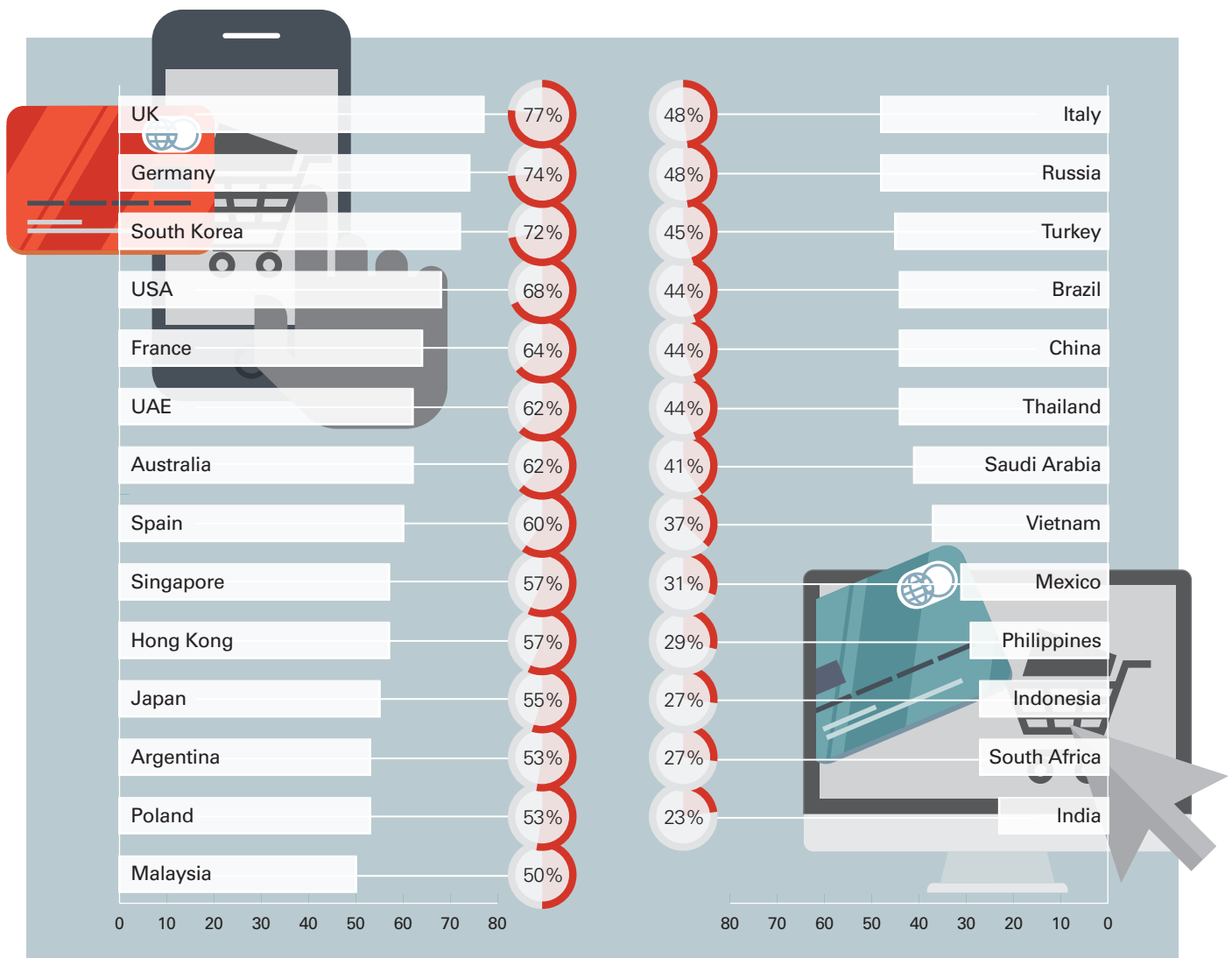


# Technology and the power of data

Advances in digital technology, increasing smartphone ownership and growth in the number of people with Internet access have revolutionised the way consumers identify, select and pay for goods and services.

Alex Stephany is the former CEO of JustPark, an online marketplace for parking with over 750,000 users. *“The biggest factor of all is people coming online,”* he says. *“You are opening up to, literally, billions of consumers who have access to online services, and therefore a huge amount of economic growth.”*

The behavioural shift to buying online, rather than in-store or by traditional means such as mail-order, can be seen in both advanced and emerging markets. In Brazil, China, Thailand and Turkey, for example, more than 40% of consumers buy via the Internet at least once a month as e-shopping becomes a mainstream activity for the middle classes<sup>4</sup>.



**Figure 2.** E-shopping is a global phenomenon  
Percentage of the national population who bought something online in the past month (survey-based)

Source: WeAreSocial – Special Reports- Digital Report 2016

<sup>4</sup> We are Social – Digital in 2016 Report

More widely, studies show members of the so-called Generation Z (those born between the mid-1990s and mid-2000s) multi-task across at least five screens on a regular basis<sup>5</sup>. These can be a combination of an iPad/tablet, smartphone, TV, laptop, and other Internet-enabled devices.

This increased access to marketplaces is empowering for consumers, who now have more choice, wider networks and the ability to be more discerning.

Raffaella Turco, Global Head of Insurance for HSBC Commercial and Private Banking, says: *“With the evolution of online and digital channels, and consumers having access to real-time information about any topic that they want, they are becoming more sophisticated. They know what they can get in the market. This is why businesses need to consider the new level of consumer demand – they will have more power, because they know more about what is available and they can shop around.”*

For some businesses this is understandably disconcerting as rapid technological advances, and the behavioural changes they trigger, threaten to upset established models for manufacturing, marketing and fulfilment. For others, the digital revolution provides more insight than ever before into their customers’ needs and preferences, and new ways to meet their expectations.

Richard Davies, Global Head of Propositions for HSBC Commercial Banking, says: *“There are technology companies in China exporting to the US using ‘agile manufacturing’. They produce small runs of production in very short timescales. This enables companies to live test products with their target customers, so you are not spending a year in design and customer research, you are actually getting something produced and seeing the customer’s reaction.”*

According to a 2016 report by telecommunications company Ericsson, there were 3.2 billion smartphone subscriptions globally in 2015. By 2020, this number could almost double to 6.1 billion<sup>6</sup>. Generation Z will have grown up as ‘digital natives’, or users of digital technologies who were born into a society where the web was already established as a widely-used medium. Their expectations for simplicity and accessibility will be shaped accordingly.

Stuart Nivison, Global Head of Client Network Banking for HSBC says: *“The ease with which you can buy or consume has already become as much of a consideration as the price.”*

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*With the evolution of online and digital channels, and consumers having access to real-time information about any topic that they want, they are becoming more sophisticated.*

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<sup>5</sup> The Drum Network - Generation This, Generation That: Generation Z (2015)

<sup>6</sup> Ericsson Mobility Report (2016)

# Transparency of business

With greater choice and access to information, the digital revolution is also making it easier for consumers to make choices based on their values and to use social media to put business ethics in the spotlight.

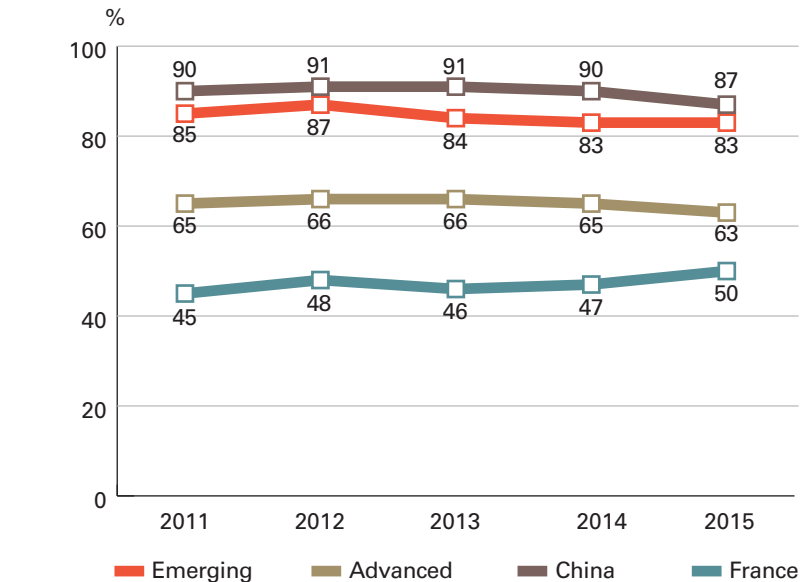
From an analysis of Trajectory's Global Foresight Survey, which considers consumer motivations, aspirations and behaviour, we can see there are still differences in the attitudes and needs of consumers between emerging and advanced markets.

Consumers in emerging markets, for example, appear to place more importance on buying trusted and reliable brands than those in advanced markets. Taking two ends of the spectrum, French consumers place relatively low importance on buying from trusted and reliable brands, whereas those in China feel this is of high importance.

The growth of the sharing economy - whereby physical and intellectual assets are utilised as part of membership of a network or subscription rather than being owned outright - is influencing trust dynamics between businesses and consumers. Greater access to peer opinion through social media is further shaping brand perceptions and reputations.

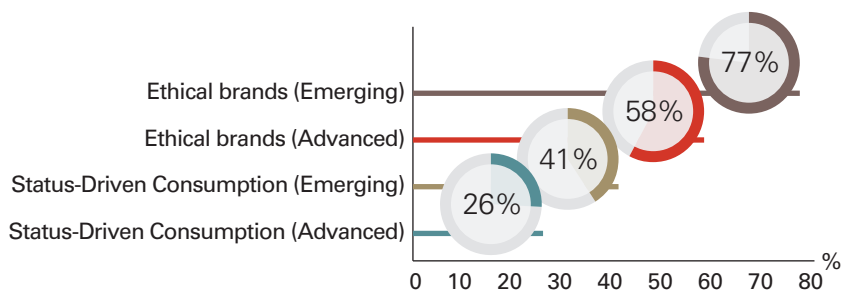
The proportion of consumers who are motivated by status symbols is decreasing, Trajectory's surveys show, as tastes become more sophisticated. Consumer goods brands in particular need to understand this transition.

A counter-trend to the rise of global consumerism though is the appetite to 'buy local' rather than from global brands. This is particularly prevalent in sectors linked to the culture and heritage of the consumer's surroundings, such as food and drink. Support for these industries is often a proxy for endorsing regional and national identities. It also ties to ethical



**Figure 3.** Percentage of respondents who said buying trusted, reliable brands was important to them (average across category, per year)

Source: Trajectory Global Foresight Surveys, categorisation of countries based on FTSE Annual Country Classification Review<sup>7</sup>



**Figure 4.** Brand preferences in Emerging vs. Advanced Markets: Percentage of respondents who said buying the following was important or very important to them

Source: Trajectory Global Foresight Surveys, 2015

motivations and the availability of transport and logistical support. Francis Sullivan, Deputy Head of Global Corporate Sustainability for HSBC, comments: "There is a notable demand for green consumerism in Asia, particularly with wealthier consumers, who are looking to differentiate themselves not just through consumption alone but

through some form of improved consumption. Companies must engage more on ethical issues, which are complex. Good companies engage people in debate and don't just respond to customer questions. Open and honest two-way conversations with consumers are the way to ensure the ethos and reality of how a business behaves is sustainable."

<sup>7</sup> FTSE Country Classification Update



## Profile 1: The middle-income consumer

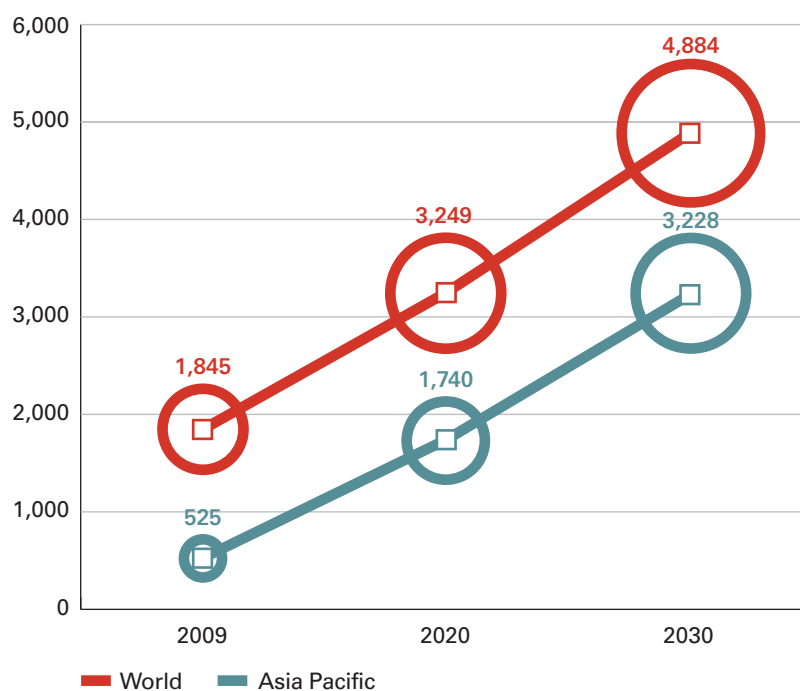
At the lowest levels of income, the goods people buy are likely to be household items such as foods or cleaning products.

An example of how a business has responded to its understanding of consumer needs is P&G, which initiated a programme to reduce costs for lower income consumers, known as the '\$2 Per Day' project<sup>8</sup>. P&G changed its business to cater to low-income consumers in emerging markets and, as a result, a recent survey of China's most influential brands found that P&G owned three of the top five<sup>9</sup>.

At the end of 2015, international furniture retailer Ikea's Head of Sustainability, Steve Howard, suggested that the Western consumer has reached a certain saturation point in regards to ownership and consumption of goods such as furniture and appliances<sup>10</sup>.

However, demand amongst middle-income consumers – those who have an income of \$10-\$20 a day – remains strong. These consumers are powerful spenders, who currently account for one in seven of the global population, and they're set to become even more numerous. The Organisation for Economic Co-operation and Development (OECD) estimates there will be 3.2 billion middle-income consumers in 2020, rising to 4.9 billion in 2030<sup>11</sup>.

Consequently, these consumers have significant collective purchasing power. One McKinsey study, for example, has suggested that middle income consumers account for almost a third of all global consumption<sup>12</sup>. The study estimated that middle class consumer accounted for \$7 trillion of spending in 2010 and forecast an increase to \$20 trillion by 2020.



**Figure 5. Rise of middle-income spenders (in millions of people)**

The New Global Middle Class: A Cross-Over from West to East, by Homi Kharas and Geoffrey Gertz - Wolfensohn Center for Development at Brookings (2010)

The combination of these factors – percentage of population and spending levels – means that middle income consumers will set an immensely powerful course for consumer demand. Other forecasts suggest that that middle-income consumers will account for almost half of total consumer spending in 2020<sup>13</sup>, with notable growth coming from emerging Asian economies<sup>14</sup>.

<sup>8</sup> P&G 2011. <sup>9</sup> Millward Brown: BBC commissioned 20 Most Powerful Foreign Brands in China (2013)

<sup>10</sup> The Guardian - We've hit peak home furnishings, says Ikea boss (2016)

<sup>11</sup> OECD Seminar on 'Shifting Wealth: The New Shape of the World Economy' (2010)

<sup>12</sup> McKinsey – Capturing the world's emerging middle class (2010).

<sup>13</sup> The World Bank; Kharas and Gertz (2010)

<sup>14</sup> The New Global Middle Class: A Cross-Over from West to East, by Homi Kharas and Geoffrey Gertz - Wolfensohn Center for Development at Brookings (2010)

## Profile 2: Female consumption power

In most places around the world, the role and status of women is moving towards greater equality with men, partly due to their increasing role in the workforce<sup>15</sup>.

The World Economic Forum Gender Gap report 2015 found an extra 250 million women have joined the workforce since 2006.

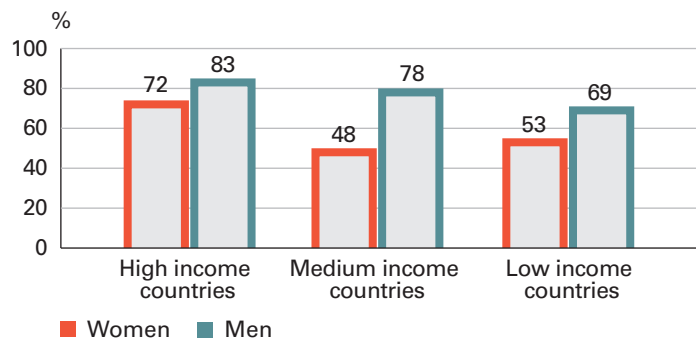
Today around 1.75 billion women have a job,<sup>16</sup> with labour force participation growing across the board in high, medium and low-income countries.

Professor Jonathan Gershuny, Fellow of Nuffield College at Oxford University, says: *“The social construction of work is changing. Women are now taking on less unpaid work and men now do a lot more unpaid work. This means the total amount of work that is being undertaken isn’t altering, but the distribution of work across genders is different. As a consequence this has shifted the capital women possess.”*

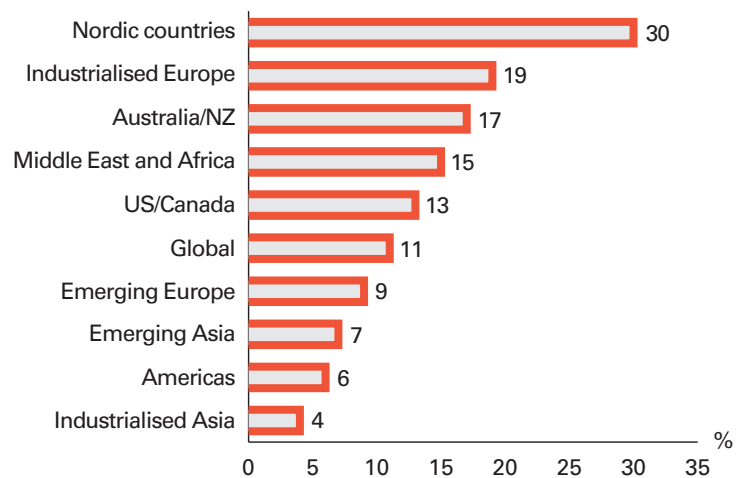
Increased education has been a major factor in boosting female participation in the workforce. A report on gender equality by the Bill & Melinda Gates Foundation shows that girls and boys enrol in primary school at nearly equal rates globally<sup>17</sup>, however women now outnumber men in university attendance and graduation rates<sup>18</sup>. The greatest imbalance is evident in emerging markets, where as many as two thirds of graduates are women. In advanced economies, these trends are embedding at the top levels of business as the number of women holding board positions at S&P 500 companies grows.

Greater workforce participation has led to increased earnings for women, which were \$12 trillion globally in 2010 and are set to rise to \$18 trillion by 2018<sup>19</sup>, according to EY.

The upward trend in female wealth is particularly evident in China, with recent research from market consultancy Mintel identifying that women’s increasing independence in their personal and financial lives has led to the creation of a ‘Women Only’ market<sup>20</sup>. Businesses targeting this market are not only paying more attention to female preferences, they are developing products and services designed specifically to cater to the needs of a growing army of time-poor working women. As just one



**Figure 6.** Women in the workforce (% of population over 15)  
Source: International Labour Organisation estimates



**Figure 7.** Number of women holding board positions (regional percentages)  
Source: ESG Research - Governance Issue Report - 2014 Survey of Women on Boards

example, online florists that deliver fresh flowers weekly to homes in major cities like Beijing and Shanghai are becoming increasingly popular. The customer base for one such enterprise, Huadian Shijian, is 80% female.

In the automotive sector, women are now thought to make approximately 65% of all car purchase decisions globally.<sup>21</sup> Indeed the car manufacturer Nissan estimates that women make or have a big influence on 70% of all global vehicle sales<sup>22</sup>.

15&16 World Economic Forum – The Global Gender Gap Report 2015

17 Clinton Foundation and Bill & Melinda Gates Foundation – The Full Participation Report (2015)

18 International Education Advantage (Inlead) Survey – 2015

19 Ernst & Young: ‘Women – the next emerging market’ (2013)

20 Mintel’s ‘China Consumer Trend Report’ (2016)

21 Ad Week - STUDY: Advertisers Don’t Understand Women (2015)

22 Nissan Motor Corporation Sustainability Report (2014)

Many sectors where male consumers have historically dominated as decision-makers, such as travel, are also seeing a shift. In 2014, online travel booking site Expedia saw a 36% increase in the number of female customers in India, while the percentage of women travellers visiting ibibo Group properties rose from 26% to 38% in just 12 months.<sup>23</sup>

Businesses need to apply greater consideration when developing products and services to meet the needs of female consumers. That is not to say that the demands of women are dramatically different to men, but rather there are nuances.

An analysis of the Global Foresight Surveys demonstrates the tendency of the modern consumer to elude binary gender stereotypes. Instead, the close similarities between the answers given by men and women, including attitudes to brands and the importance of work and leisure, show gender plays little part in attitudes to consumption.

Birgit Neu, Global Head of Diversity & Inclusion at HSBC, says: *“With social media and both the formal and informal gender networks and interest groups that are engaging there, the backlash can now be felt immediately around the world when organisations get it wrong in how they market products by gender e.g. the ‘pinking’ of things. But equally, the Twitterverse has been quick to note when organisations are taking the ‘boy’ and ‘girl’ labels off products and services that should be gender neutral and pitching them in a way that’s appropriate for everyone.”*

Amanda Murphy, Head of Mid-Market Banking for HSBC in the UK, adds: *“Developing gender-based product or services assumes that women are thinking about completely different things to men. But when I meet women in business, they may approach things in a different way, they may operate with a different style but they are concerned about the same things as their male counterparts; how do I get the best value? How do I retain the talented staff? Where are we expanding to? Where are my customers coming from, how do I make them happy? So I question the need for such gender specific products.”*

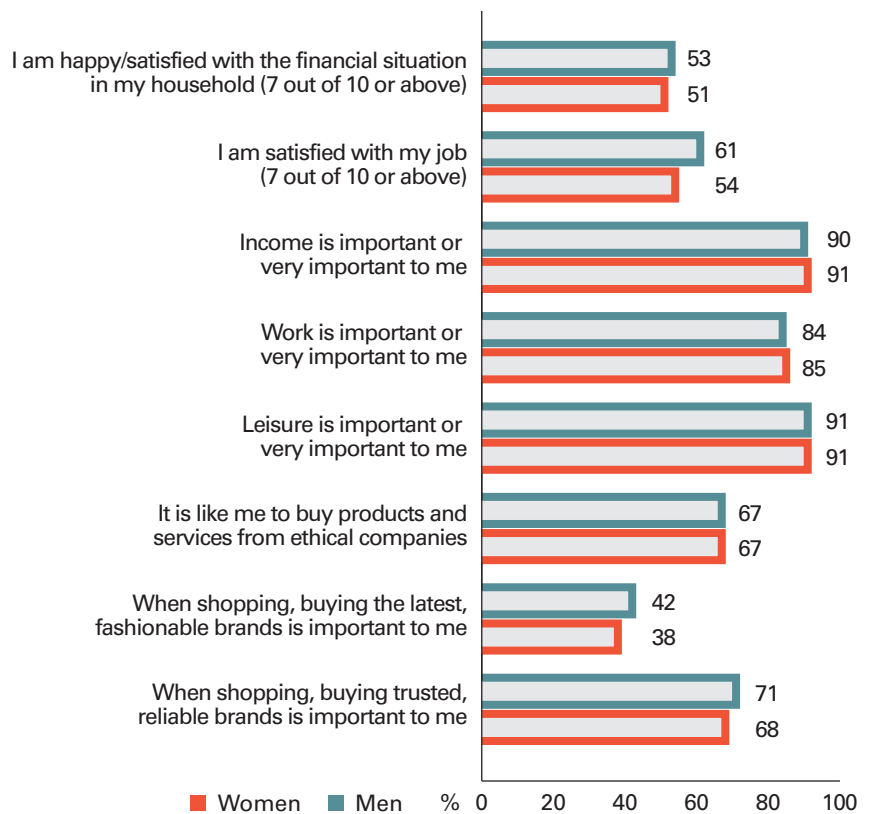


Figure 8. Attitudes to work, leisure, and income, by gender (all countries - 2015 data)

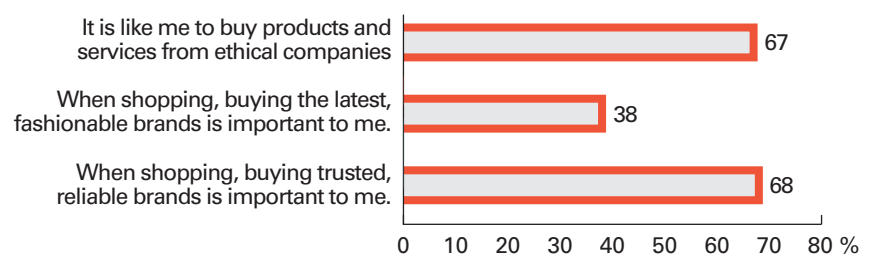


Figure 9. Women’s brand/product preferences (All 2015 markets)

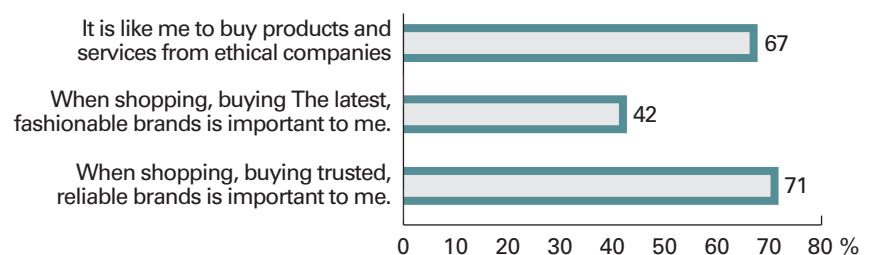


Figure 10. Men’s brand/product preferences (All 2015 markets)

<sup>23</sup> The Times of India 'Working women call shots beyond grocery'

## Profile 3: Intergenerational consumption

If there's one long-term demographic trend that perhaps dominates all others, it's that of the world's ageing population.

Today there are more than 900 million people aged 60 and above in the world, and with ongoing improvements in longevity this figure is due to rise to 2 billion by 2050. Even by 2020, the over-60s will outnumber the under-5s for the first time in human history<sup>24</sup>. As a consequence of this shift, older consumers will be responsible for an increasing proportion of demand, particularly in advanced economies.

The share of wealth these senior consumers command will also increase significantly by 2020<sup>25</sup>.

Although the growth of older consumers' share of income is not the same across all countries, it is generally rising. In France, Germany and Japan, for example, older people will own as much as third of national income by 2020. As a result, businesses should not ignore the concentration of wealth within this age group, but view it as an opportunity to meet the varying needs of these consumers.

Oliver Gregson, HSBC Head of Investment Services and Product Solutions, Global Private Banking, says: "Looking at the demographics, we are going to see the biggest transfer of intergenerational wealth we have ever seen as baby boomers retire in the next 10-15 years. That is a big life event for the Global economy."

The diversity in needs, attitudes and interests across generational sub-categories such as Baby Boomers and Millennials will inevitably be determined by a range of factors such as independent living, state of health and aesthetic preferences<sup>26</sup>.

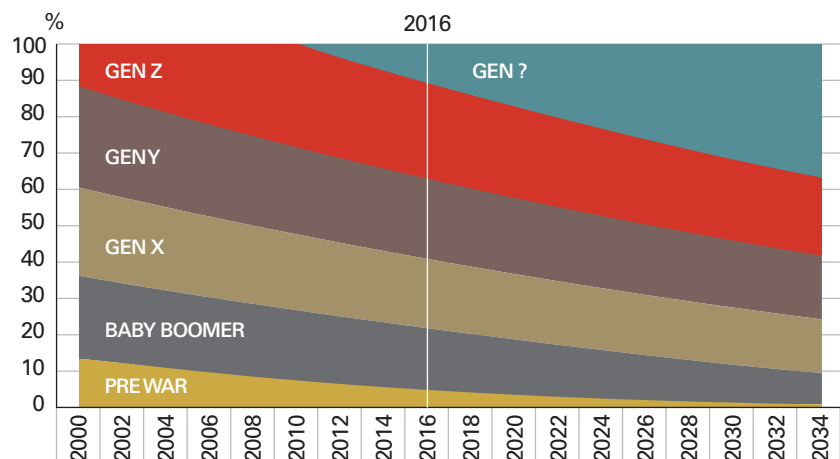
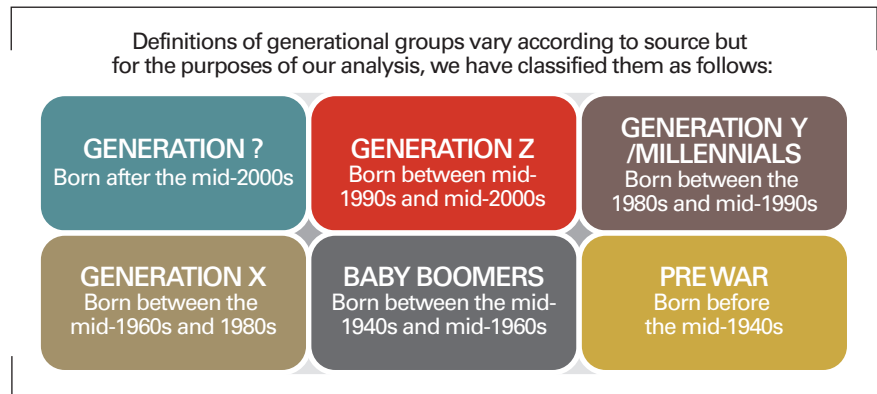


Figure 11. Consumption of generational cohorts as a percentage of global population

A study by Eugene Loos for the Journal of Audience and Reception Studies refers to the concept of 'aged heterogeneity' to explain the increasing plurality within the ageing consumer group. It highlights the need to target these consumers in a way that goes beyond typical depictions of either frail elderly people or their eternally youthful and active counterparts<sup>27</sup>.

Thus, a multi-dimensional approach to the mature market is needed, and one that does not assume that today's 80-year-old is simply an older version of today's 65-year-old. The PEW Research Center, for example, differentiates between 'Younger Boomers' and 'Older Boomers' in their research, highlighting how different their social media and general digital behaviours are.

<sup>24</sup> United States Census Bureau - An Aging World: 2015 International Population Reports <sup>25</sup> A.T. Kearney - Understanding the Needs and Consequences of the Ageing Consumer (2013)

<sup>26</sup> ActiveAge: The ageing marketplace: how some companies are successfully addressing the needs of the older consumer, whilst others are struggling to access this expanding market (2013)

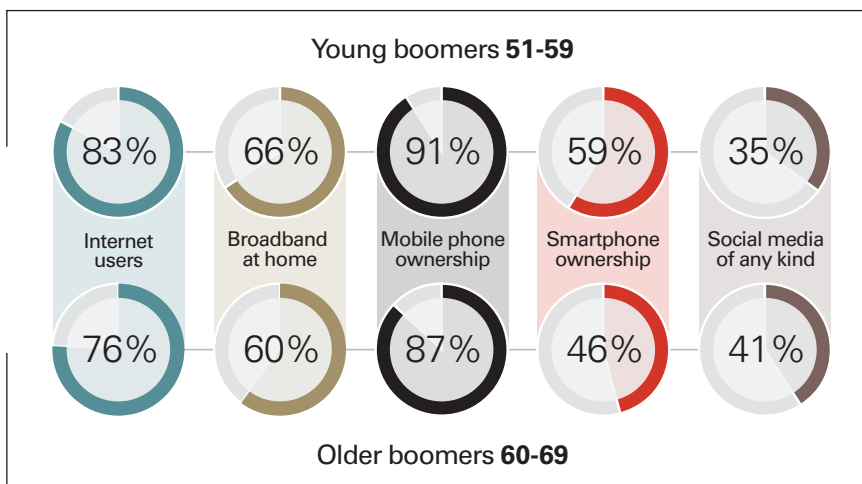
<sup>27</sup> 'Participations' (Journal of Audience and Reception Studies) - Visually representing the generation of older consumers as a diverse audience: Towards a multidimensional market segmentation typology (2014)

### By country (% 2005-2020)

Country	Age 60+ share of income (2005) %	Age 60+ share of income (2020) %
Belgium	26.6	32.3
Brazil	9.7	15.4
Bulgaria	14.8	19.2
China	11.2	17.4
Denmark	18.9	23.5
Finland	23.9	24.1
France	24.8	31.6
Germany	27.1	29.7
India	8.4	10.3
Indonesia	8.6	12.0
Italy	24.0	24.1
Japan	26.2	31.4
Mexico	9.0	13.1
Netherlands	20.9	27.8
Norway	22.2	28.8
Romania	14.4	20.8
Russia	18.4	26.7
South Africa	11.7	16.5
Spain	21.6	24.4
Sweden	30.2	34.3
Turkey	11.6	15.7
United Kingdom	23.4	29.2
United States	15.7	23.6

**Figure 12. Income share of the over-60s**

Source: Euromonitor, US Census Bureau; A.T. Kearney analysis



**Figure 13. Technology use of over-60s**

Source: PEW Center - Technology Adoption by Baby Boomers (and everybody else) - 2016

Generation X was the first generation raised on television and witnessed the rapid increase of mass media<sup>28</sup>. Growing up, their young adulthoods were influenced by increasing globalisation, including trends such as the rapid increase in working mothers.

In a global report on digital marketing, Gen X-ers were significantly less likely than Millennials to be interested in using mobile payment technology, or shopping using their mobile phones in-store. The outlook was the same when analysing behaviours such as streaming online videos, music or TV shows. This can be linked back to the defining moments of Gen X's childhood and young adulthood. Whilst they were the first cohort to use home computers, they did so as adults, having gone through the process of witnessing the 'information revolution' without becoming digital natives.

This doesn't mean Gen X-ers are resistant to technological changes and the use of digital channels. According to the Marketing Research Review, it is rather about Gen X-ers being slower to adopt cutting-edge technology such as 3D printing than Millennials. So, while Gen X-ers are much more likely to own a Smart TV than Boomers, they are less likely to be as receptive to innovations such as Google Glass as Millennials or Gen Z-ers<sup>29</sup>.

Demographic changes mean more Gen-Xers find themselves time pressured by balancing jobs, bringing up children, caring for elderly relatives, household responsibilities and social activities. Therefore there is a clear need for convenience for this generation, and the growth of online retail is evidence for this.

Exposure to the failing health of their parents, and increasing social awareness about the importance of preventive healthcare for children, might also explain this generation's above average interest in receiving information about staying healthy.

Much has been said about the Millennial generation that is currently approaching their prime spending years. They are the first to grow up in

<sup>28</sup> The MetLife (Mature Market Institute) Study of Gen X: The MTV Generation Moves into Mid-Life (2013)

<sup>29</sup> Pete Cape in Marketing Research Review - Engaging Digital Boomers, Gen X and Millennials - Generational Differences Don't Always Match the Stereotypes (2015)



a technology-driven world and have experienced some of the lasting effects of the 2008 global recession, due to high unemployment when many were entering the job market.

The impact of this environment on their outlook cannot be underestimated when it comes to targeting them as consumers. The Boston Consulting Group estimates them to be the largest generation in terms of number, they also account for \$1.3 trillion in spending annually<sup>30</sup>.

Millennials have the largest number of university degrees per capita<sup>31</sup>. They are also one of the most diverse groups of people – less likely to own a home and more likely marry at an older age than earlier generations<sup>32</sup>. These patterns stem from the caution necessary to thrive in an uncertain economic climate.

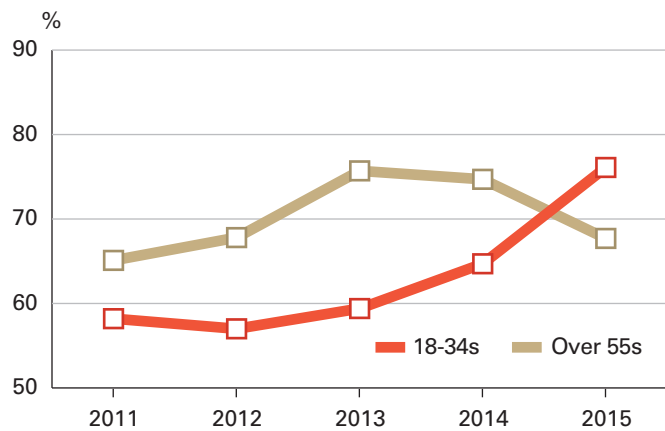
Analysis of Trajectory’s Global Foresight data shows that Millennials are less satisfied with the financial situation of their household compared to over-55s. However, this is slowly improving in a number of countries, particularly in the emerging markets.

India stands out as Millennial consumers are currently more optimistic than their over-55 counterparts, while in Mexico Millennials are almost as satisfied as their over-55 elders. Levels of economic satisfaction will naturally affect their ability and appetite to consume, promoting opportunities for companies targeting this group.

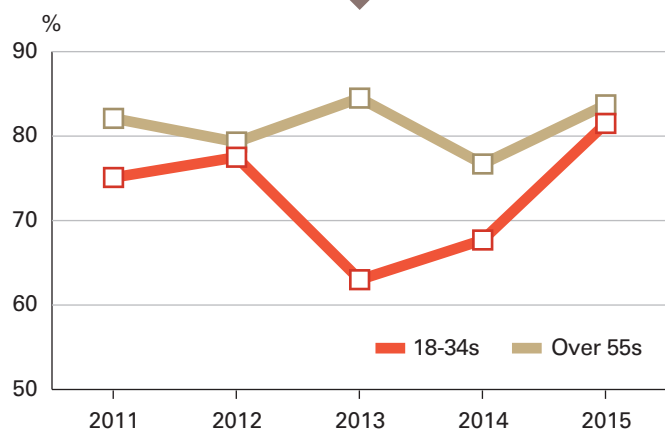
As Amanda Murphy, Head of Mid-Market Banking in the UK for HSBC, observes: *“I think there is an emerging theme around individuality, particularly around those in their 20s and 30s. They don’t want to have the things that everybody else has, they don’t want the same handbag or watch as the next person. They like the idea that they are different, a little bit quirkier and little bit more individualistic. And I think that is a trend that’s changing how the big brands develop products and market them.*

*We also see a difference in buying patterns between the older and younger generations in terms of the way they do business, the structure and fluidity. If you think about the companies starting up today, they are more collaborative, they share ideas, they share resources even sharing offices and ideas. This is very different from the traditional way of doing business. It means they are very connected to the environment around them and that they they have far wider networks.”*

*“The big trend in the sharing economy is disownership – the fact that Millennials don’t want to own things – especially things that are*



India  
Trends in percentages of age groups that felt satisfied with their financial situation  
Mexico



**Figure 14.** Financial situation satisfaction for Millennials

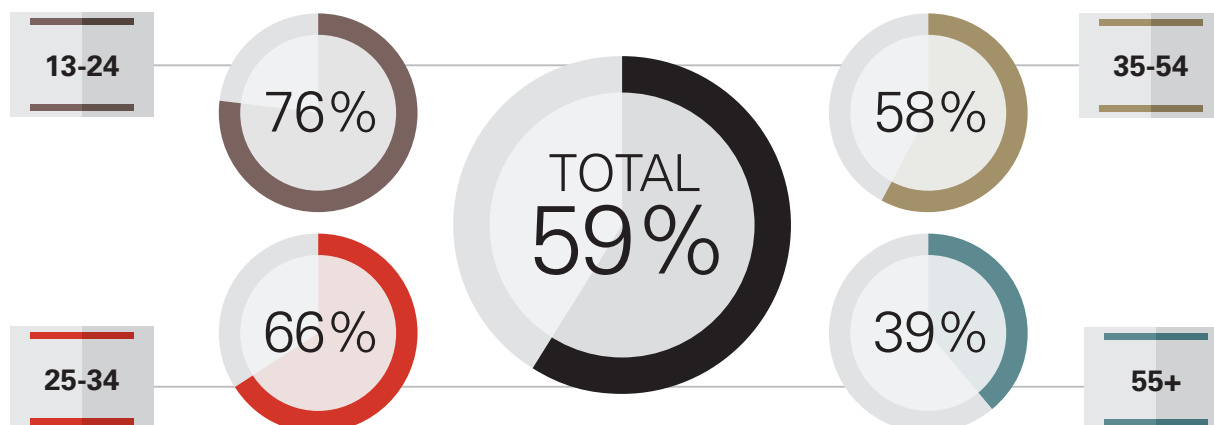
Source: Trajectory Growth Forecast

*“The big trend in the sharing economy is disownership – the fact that Millennials don’t want to own things – especially things that are expensive and perceived as a lot of hassle.”*

30 BCG - How Millennials Are Changing the Face of Marketing Forever (2014)

31 The White House - Council of Economic Advisers - 15 Economic Facts about Millennials (2014)

32 Nielsen Report - Millennials - Breaking the Myths



US internet users who say they are addicted to their digital devices, by age. % of respondents

**Figure 15. Internet usage by generation**

Source: CivicScience as cited in company blog, July 12, 2016.

*expensive and perceived as a lot of hassle,” says Alex Stephany, tech entrepreneur and former CEO of JustPark. “The prestige that comes from owning ‘stuff’ is diminishing. People want access over ownership when it logically makes sense.”*

*“In cities, sharing functions works much better. It’s easier to get goods between people quicker – you can walk and pick up something from your neighbour, but there’s also more of a compulsion to share. If I want a video game machine for example, maybe I want to play games for a couple of months, then I can share or borrow one of the latest on the market. By doing so I pay significantly less than I would personally buying the new item for my sole use.”*

Generation Z, or the post-millennial generation, will be the largest generational co-hort in the UK by the year 2029<sup>33</sup>. They are already outpacing Millennials in their consumption of digital content, according to a US study of teenagers and Gen Z-ers in 2015. The study also found that 9 in 10 watch YouTube daily, and just under a third follow their favourite brands on social media<sup>34</sup>.

The number of Gen Z-ers who claim they are addicted to their devices is also higher than it is with other generations, a CivicScience survey (cited by eMarketer) found<sup>35</sup>.

In addition to having grown up as ‘digital natives’, or users of digital technologies who were born into a climate where the web was already established as a widely used medium, surveys show this cohort is particularly interested in local, national and global social issues. Events such as the election of President Barack Obama and the global financial crisis affected the Millennial

generation before them, but appear to be honing Generation Z’s awareness of social issues like diversity and equality.

Businesses should observe Generation Z’s ethical and global perspective if they are to achieve resonance.

Across Europe, socio-economic status as well as gender still has an impact on whether teens use alcohol and tobacco. But overall, the World Health Organization found that the number of 15-year-old Europeans who reported having a first cigarette at the age of 13 or younger fell from just under a quarter to 17% over the last four years<sup>36</sup>.

Greater awareness of health-related issues will also have effects on the consumer food and nutrition markets. For example, in a global Health and Wellness survey carried out by Nielsen in 2015, 4 in 10 Generation Z respondents said ingredients sourced sustainably were very important in their purchase decisions. They, along with Millennials, were also most likely to be willing to pay a premium for healthy attributes in a particular food item<sup>37</sup>.

33 Trajectory analysis of the national population’s projections

34 The Drum - What Generation Z’s media and technology consumption habits look like (2015)

35 eMarketer - Young Internet Users Say They Are Addicted to Their Devices (2016)

36 The Irish Times - Irish teenagers drink less than most Europeans of same age (2016)

37 Nielsen Global Health and Wellness Report (2015)

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## Conclusion

Shifting patterns of consumption around the world mean that all businesses must anticipate and adapt to changes in consumer demand as they create, market and deliver their products and services.

The global consumer class is growing, but it has more information and more alternative options when making its consumption choices than ever before. An understanding of the concentrations and attitudes of today's purchasers, and how these factors are set to evolve, will help provide a basis for decision-making.

This report has explored the importance of:

- Women as a source of demand for goods and services. Businesses need to consider a nuanced approach when targeting today's female audience, rather than a fully gendered proposition, and one that answers the demands of their lifestyles.

- The growth of middle-income consumers, which is expanding and shifting purchasing power in new parts of the world. Companies wishing to benefit from demand within this group need to understand the differences and similarities between emerging market and advanced market consumption.
- The influence of ageing in both advanced and emerging economies. A key strategy for businesses could be to differentiate between relatively 'youthful' markets and 'older' markets.

Finally, the examples presented in this report suggest that the best strategies and innovations are those that tap into combinations of these trends. These might include products and services that target growing demographic segments such as the older population or women, but which also understand their technological preferences and needs.



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## Questions for Businesses

How often do you consider who your target consumers are and how they may have changed? Here are some questions to help your business update its consumer thinking.

- 1. What is the global scale of the consumer opportunity for your business? Where around the world are there groups of consumers similar to your current target customers? Could your product appeal to their counterparts in other markets with some local tailoring?*
- 2. Does your business have an up to date picture of the factors affecting your target consumers? How are their demographics, finances and social situations shaping their purchasing behaviours?*
- 3. As your customers age, will their spending priorities or the money they have available to spend change? The Millennial generation is set to enter its peak spending years this decade, for example.*
- 4. Will younger consumers present a new market for your business as they join the global workforce or will their tastes threaten your model?*
- 5. Does your product or service help the growing segments of time-pressured consumers live easier lives? If it does, you may have a broader potential customer base.*
- 6. Is technology embedded in your marketing and fulfilment strategies, as younger generations will expect?*
- 7. Could a tailored version of your product or service be relevant to middle-income consumers? This group is set to experience significant growth around the world over the next decade.*
- 8. Does your business offer its customers an experience? If it does then consumers in Western markets, who are increasingly seeking experiences over possessions, could help you to grow your customer base.*
- 9. As women around the world increase their purchasing power by going to work in greater numbers, is your business poised to offer them products and services that help them to manage their busy lives?*
- 10. Surveys show that young, female and emerging market consumers prioritise the ethics of a supplier as part of the buying process. Does your company have a sustainability strategy, and if so is it being communicated to consumers?*

# Methodology and contributors

Increasing consumer demand is the economic challenge of our times. This report aims to help global business respond to the evolving needs of a changing end-user in order to achieve sustainable growth.

Authored by Trajectory, this report takes consumer data and insights from business thought leaders, to draw conclusions about how companies can best equip themselves for this challenge and capitalise upon the opportunities that the future of consumer demand presents.

The Trajectory Global Foresight Surveys have been conducted each year since 2011. In that time over 90,000 consumers have participated in the surveys in 20 countries around the world. The most recent survey (which is quoted in this report) was conducted in November 2015.

The countries examined by the Trajectory Global Foresight were: Australia, Canada, France, Germany, UK, US, Japan, India, China, Singapore, Hong Kong, Malaysia, Mexico, South Korea, Poland, and the UAE.

Quoted sources have been referenced individually throughout the report, but we have also used a wide range of resources that have influenced our thinking including a wealth of information from respected organisations, consultancies, media articles and data banks.

We would also like to extend our thanks to the independent and HSBC experts who gave their time and insights to help us shape the content of this report:

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