

Consumer 2020 Reading the signs



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Reading the signs

Introduction

We live in times characterized by change and volatility, yet as businesses we need to make investment decisions that will equip us to serve markets and consumers as they will be in 10 years time and beyond. This report is ambitious. By drawing together insights into economic and demographic trends, considerations of finite resources and sustainability, and the ever more dramatic impact of technology on our daily lives, it sets out to make some predictions about how our attitudes and patterns of consumption will change over the next decade.

Of one thing we can be certain, consumer values, needs and behaviors will continue to evolve. The effects of the global recession of 2008-09 that rattled consumer confidence around the world will continue to be felt in years to come. Significant as it is, however, the recession is but one of several developments that will have long-lasting impact on consumers. A new middle class is being born in emerging economies with huge implications for demands on a range of essential and finite resources.

The resulting shift in food consumption, to cite but one consequence of this, will fuel a growing sense of crisis around the security of our global food supply. Climate change and sustainability, once the concern of only a few, will increasingly become issues for consumers everywhere, made very real for people by increasingly obvious changes in our physical environment. And developments in media and technology will accelerate the proliferation of information and further empower consumers – redefining how they interact with one another as well as the companies from which they buy products and services.

Each of these forces on its own would have a large impact on consumers. It is their convergence, however, that will make the next 10 years turbulent, uncertain and complex, dramatically changing what consumers talk about, how they communicate with one another and with businesses, and, of course, how businesses talk to them.

This report examines how these trends will most likely shape consumer spending patterns and the world of consumers more broadly. What will consumers in different geographic and demographic segments value? What will they need and want? Given what they have faced in recent years, how will their attitudes and behaviors continue to change in the coming decade? To set the stage for this discussion, the report begins with a broad look at how changes in the global economy are likely to affect consumer spending as we slowly emerge from recession. In so far as one can ever predict the future, it then looks at longer-term economic, demographic, and technological trends and some of the resulting changes in consumer attitudes and behaviors that are likely to take place over the next 10 years.

A number of people provided their time and expertise into developing this report and I would like to extend my thanks to them, in particular, authors Ira Kalish of Deloitte Research in the United States (Deloitte Services LP) and Bryna Lee (Deloitte Touche Tohmatsu Limited); as well as senior retail advisors from the U.S. member firm, Stacy Janiak and Alison Paul (both Deloitte LLP).

I hope you find this report useful and that it sheds some light on the path ahead.



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The global economy recovers

Setting the stage

How will the evolution of the global economy influence consumer spending patterns in the next decade?

The answer can be gleaned from looking at what happened in the past decade, and how that pattern is no longer sustainable.

In the decade prior to the recent economic crisis, there was very strong consumer spending growth in the United States as well as in smaller equally leveraged economies such as the United Kingdom, Spain, and Ireland. Such consumer spending growth was funded, in part, by borrowing against the increasing value of homes, itself the result of a flood of liquidity from surplus countries such as China. This excessive consumer spending growth was not only the principal source of economic growth in these countries, it also fuelled export driven growth in surplus countries such as China, Japan, and Germany. In fact, the symbiosis between these “consuming” and “producing” groups of countries was the hallmark of the global economy in the first decade of the twenty-first century.

All that has now changed. The global economic crisis of 2008-09 exposed the fault lines of the imbalanced global economy. When the inflated values of property-based assets peaked and then collapsed, global financial institutions suffered huge losses. The resulting loss of confidence caused a near shut-down in global credit markets as investors fled to the safety of short term government securities. Moreover, indebted consumers were forced to dramatically shift gears. They increased savings, paid off debts, and ceased to spend with abandon.

In the coming decade, the countries that borrowed heavily to finance excessive consumer spending will necessarily experience slower consumer spending growth as households struggle to de-leverage, repair tattered balance sheets, and focus on accumulating wealth for future retirement and other needs. More of the economic growth of these countries will likely be driven by exports to countries like China and Brazil, local business investment, and government spending.

Conversely, those countries whose growth was fuelled by exporting to borrowing countries will no longer be able to depend on such markets. The U.S. consumer will not be able to sustain China’s export sector as it did in the past. Consequently, countries such as China will shift away from export- oriented growth toward growth driven by domestic consumer spending. The degree to which this adjustment takes place, and takes place smoothly, will depend on the policies put in place by various governments. Nevertheless, an adjustment of some sort will definitely take place. It should be kept in mind, of course, that if China fails to make this adjustment, it will not be able to sustain the rapid growth to which it has become accustomed.

Rebalancing

The economist Herbert Stein once wrote that “if something cannot go on forever, it will stop.” In some ways, that describes the imbalance in the global economy. It may not stop, but at least for the near future, it won’t get bigger and likely will get smaller. What is uncertain, however, is the manner in which the imbalance will be corrected. There are a number of things that could happen.

Reducing the imbalance means that the United States and other debtor countries like the United Kingdom must save more, import less, and export more than would otherwise be the case. The path to this usually includes currency depreciation (already under way) which would change the relative prices of traded goods, thereby stimulating exports and suppressing imports. For countries like China, India, and Brazil, adjustment means undertaking measures to stimulate consumer spending. This could include liberalizing consumer finance, improving the social safety net so as to discourage saving, and allowing the currency to appreciate in value.

China

If we look at China there are some indications that it intends to move in this direction, but there are obstacles as well. First, China's government appears to be of two minds on the currency. On the one hand, it wants to encourage domestic demand so that it need not accumulate more foreign currency reserves. On the other hand, it complains about the potential capital loss on its existing reserves should the dollar fall further. During the economic crisis, China stopped allowing the currency to appreciate lest it harm its export competitiveness. However, once global recovery is fully extant, China is likely to allow further revaluation. The question is how much.

Second, China's response to the crisis was to massively stimulate investment in infrastructure and state-owned companies. The result is an economy distorted by excessive investment and insufficient consumer demand. If the consumer is to play a bigger role in the economy going forward, China will have to adjust its policy accordingly. The degree to which this will take place remains uncertain.

How will U.S. adjustment take place?

It is not sufficient to predict that American consumers will simply decide to spend less in the future. Something will compel them to do this, and there are several factors that will likely contribute to a significant shift in U.S. consumer behavior. First, the destruction of wealth that has transpired over the past two years will not be reversed quickly unless both the equity and property markets experience unusually rapid price increases. Thus, consumers will feel the necessity to rebuild wealth by saving, a process that has already begun.

Second, given the destruction of housing wealth, most consumers will no longer be in a position to borrow against increased property values. Thus, consumer spending will be constrained by income.

Third, while financial markets are showing signs of recovery, history suggests that banks will remain cautious in their lending behavior for some time to come. Thus, consumer credit will not be as readily available as in the recent past. Changes to the regulatory environment are also likely to exacerbate this. As banks are forced to hold more capital, and as the market for securitization remains a shadow of its former self, there will likely be less credit available for consumers.

Fourth, other areas of government policy may play a role in restricting consumer spending. Increased taxes on upper income households will have a negative impact on spending. Healthcare mandates could affect wage and employment growth. In addition, efforts to restrict emissions of carbon gases are likely to increase the price of energy, thus shifting consumer spending away from other goods and services.

Finally, there is the elusive psychological factor. That is, the length and depth of the recent recession, the worst of the post-war era, may have a lasting impact on the willingness of consumers to engage in risky behavior. This may compel a permanent shift toward more frugal spending – fewer big ticket purchases, more discount and comparative shopping, investments in quality products, and a resurgence of “built to last” values.



What will the consumer world look like?

In the next few years, a fundamental change in the structure of the global economy will likely shift the manner in which retailers and brands obtain growth. The U.S. and Western European consumer will be financially constrained. As such, gross consumption and spending in these countries will increase more slowly than in the past. Consumers will be more value conscious, seeking low prices and avoiding some discretionary spending. Thus, brands will obtain growth through market share gains rather than by simply latching onto a growing market. Achieving this will require good brand management, improved customer experience, and differentiation from competitors aimed at avoiding ruinous price competition.

During the economic crisis, there were several changes in consumer behavior, many of which will persist even when the economy recovers. These include a shift toward discount retail venues, a shift toward discounted private label products, a shift away from eating out and toward eating at home, a decline in the share of income spent on large discretionary items for the home; and greater price sensitivity in general. If these trends endure even partly, they will change the requirements for success on the part of retailers and brands.

The role of China

Meanwhile in China, retail sales have weathered the economic crisis well. The shock to the Chinese economy from the global crisis was concentrated on China's export sector. The drop in exports led to the loss of roughly 20 million jobs at coastal factories. Yet despite this significant rise in joblessness, Chinese consumer spending continued to grow rapidly. Indeed, inflation adjusted retail spending grew at a double digit rate throughout 2009 and well into 2010.

There are several reasons. First, the newly jobless factory workers were low paid and did not contribute significantly to overall retail spending. Rather, middle class service workers in rich cities like Shanghai play a far larger role in generating retail sales. Moreover, these people did not lose their jobs. Second, China's government provided a massive stimulus to the economy, providing a positive impact on consumer income.

During the economic crisis, there were several changes in consumer behavior, many of which will persist even when the economy recovers.

This, combined with easier credit conditions, fuelled consumer purchases of homes and cars. Indeed Chinese light vehicle sales in 2009, at 13.6 million, actually exceeded those of the United States which were 10.4 million. On the other hand, as of this writing the Chinese government is attempting to rein in a property price bubble and reduce speculative activity in the housing market.

When the global economy is fully recovered, it is likely that Chinese consumer spending will remain on a high growth path. As this happens, the number of middle class consumers will continue to rise rapidly, especially in the big coastal cities. That means rising discretionary spending, increased spending on home-related products, expanded awareness of global brands (yet pride in high quality local brands), and increased willingness to eat outside of the home. The latter will be especially important as there will be a sizable increase in the number of two-income, middle class households who are highly time constrained. Also, the recent labor unrest among factory workers in China and the consequent substantial increases in wages, suggests an even faster growth of the middle class.

Still, China will remain a relatively poor country – as will the other big, fast growing emerging markets such as India, Mexico, Russia, Brazil, Indonesia, Turkey, and Vietnam. That means serving these “middle class” shoppers requires an understanding of their perception of value. It will most likely translate into relatively small shopping baskets, a high degree of price sensitivity, and a big market for discount shopping.

What about other emerging markets?

The major emerging markets are expected to continue growing rapidly in the next decade, thereby creating a much larger market of middle class consumers. To put it another way, a disproportionate share of global growth of consumer spending will take place in emerging markets, not only China. Naturally, this will have important implications for global consumer oriented companies.

Consider eight important emerging markets: the four BRICs (Brazil, Russia, India, and China), plus Indonesia, Mexico, Turkey, and Vietnam. These eight are important for their economic size and growth as well as their considerable potential. Together they have 3.2 billion people (roughly half the world's population), and a combined GDP in excess of the U.S. when measured using a purchasing power parity (PPP) exchange rate. Per capita GDP, however, is still only about one tenth that of the U.S.

Yet the middle class in these countries is large and growing. The top 20 percent of the population is over 600 million people, many of whom have purchasing power similar to the average citizen of developed countries. In Brazil, for example, the top 20 percent is roughly 40 million people who account for over 60 percent of total income and have an average purchasing power not far below that of Western Europe. As Brazil grows in the next decade, the number of people with such purchasing power will rise very rapidly.

Even the next 20 percent are relatively affluent by the standards of emerging markets, although they are relatively poor by the standards of developed markets. Yet what distinguishes these people from the poor is that they generally have some discretionary income. That is, they are not living hand to mouth. Moreover, as these economies grow, the number of people that shift from poverty into the discretionary-spending middle class tends to grow faster than the overall economy. This market will be of critical importance to global consumer oriented companies in the next decade.

Already, the rise of this early middle class is having a significant impact on global consumer markets. For example, the proliferation of mobile technology to relatively low income consumers in emerging countries has made these markets of greater importance to mobile phone manufacturers than the developed markets. Other factors are also making these markets critical. Consider the following:

- As countries become more developed, the opportunity for women to become educated increases, thus leading to increased female labor participation. This is taking place now in India, for example. The rise in the number of two-income households then leads to increased demand for the convenience of modern retailing. This also leads to increased demand for products and services that save time, many of which can be sold easily in modern retail stores. Demand increases for processed foods, prepared foods, and meals outside of the home.
- As the middle class rises, there is often an increase in the availability of consumer credit. In some emerging markets, such as Mexico, banks and retailers have already recognized the profitability of lending small amounts to large numbers of low income consumers. As this takes place, it leads to increased purchases of big ticket items such as electronics, furniture, and automobiles.
- As the number of automobiles increases rapidly in major emerging markets, lifestyles can change dramatically. Automobile ownership allows greater freedom in choosing where to shop or be entertained. It enables spending larger amounts on each shopping trip, and thus allows for less frequent shopping farther from home. Finally, it allows for a greater emphasis on entertainment and leisure. As such, it can significantly increase the demand for travel and leisure services.
- Middle-class consumers, with discretionary spending power, have the ability to set aside some of their income for future needs such as retirement, healthcare, or children's education. An increased ability to save leads to increased demand for financial services.

What about Europe and Japan?

Much of the discussion so far has involved the U.S. on the one hand and China and other key emerging markets on the other. Yet what about Europe and Japan? After all, these are two of the world's biggest consumer markets. The answer is that, although Europe and Japan are hugely important markets, they did not play a significant role in the huge imbalance in the global economy over the past decade. The big story of the next decade is the reversal of that huge imbalance, one that principally involved the United States and China.

Still, as economic recovery takes hold in Europe and Japan, the consumer markets of these countries will remain critically important to the world's leading retailers and their suppliers. What can we expect?

Although Europe has begun to recover from the global crisis, it continues to face a crisis of its own. The troubles that began with questions about Greek sovereign debt in 2010 ultimately resulted in a massive financial backstop for the high deficit countries of southern Europe. While this successfully prevented default, it did not address the remaining imbalance in Europe. Specifically, over the past decade the southern European countries experienced rising unit labor costs and increased borrowing from abroad. Germany, on the other hand, experienced declining unit labor costs as productivity increased. Moreover, German consumers saved prodigiously. Unless this imbalance is reversed, Europe will slide from one crisis to another. If there were no Eurozone, the solution would partly rest with currency depreciation in southern Europe. This cannot happen now that there is a common currency. What must happen instead is for Germany to consume more and the southern European countries to consume less.

Like the United States, Europe's borrowers will now face a protracted period of slower consumer spending growth. Europe's exporting giants, such as Germany, will either have to find new export markets (such as China and India) or will have to shift gears and stimulate domestic demand. That means consumer spending.

Undertaking such a transition will, at the least, take time. Thus, consumer spending in Europe can reasonably be expected to experience modest growth in the coming decade – especially at a time of slow to no population growth. The source of this growth could shift away from southern Europe and the United Kingdom toward Germany and other northern European countries. Yet that depends heavily on the kind of policy regime that exists in each country.

As for Japan, it faces some of the same challenges as Germany. For years, the Japanese economy was heavily export focused. In the recent deep recession, Japan was seriously harmed by the U.S. recession, especially as Japan has lost some of its market share to other Asian economies such as China. In the process, Japan has moved up-market toward higher value-added products. The result is that the demand for Japan's exports is more sensitive to economic vicissitudes than was the case in the past.

Going forward, the solution for Japan is to shift to selling goods to China (a process already under way) as well as shifting toward consumer demand. There is a general consensus that the latter is the best way to ensure adequate economic growth, yet is not necessarily likely to happen. Stronger consumer spending growth within Japan will require less saving, which, in turn, will require the Japanese to obtain better returns on their assets. Yet due to excessively tight monetary policy, equity returns have been poor. Low inflation has meant that interest rates have been very low. Stronger consumer spending will also require liberalization of Japan's inefficient consumer distribution system. It is not clear as to whether there is sufficient political support for this to take place.

Hence, a reasonable expectation is that Japan's consumer market will grow slowly, especially as the population is not growing larger and is growing older.

Birth, youth, and age

The changes in consumer demographics

The 2008-09 global economic downturn and the current explosion of a new middle class in emerging markets will have significant implications for changing consumer demographics. In developed markets, the downturn eroded consumer confidence about the future, causing some to not only hold off on unnecessary consumption but also from starting families. In emerging markets, the change in consumer demographics and resulting changes in consumption mirror that of developed markets.

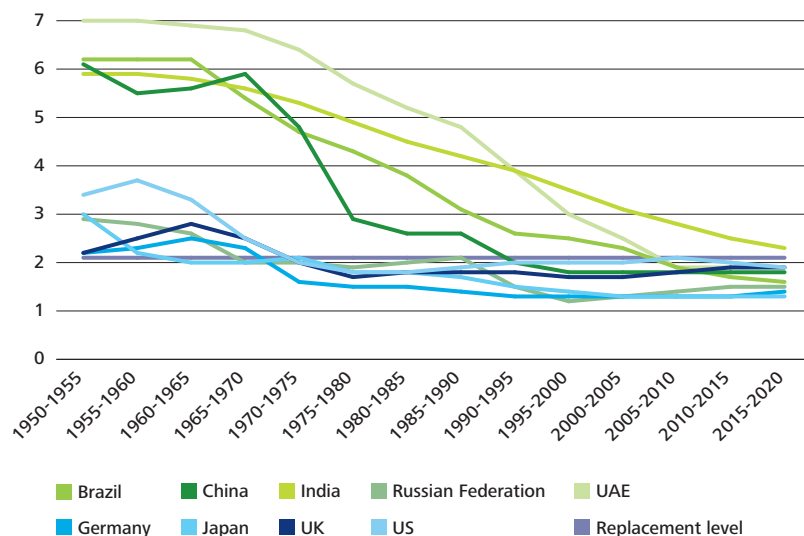
Declining births, aging populations

As countries become more developed, there are a variety of factors that cause people to have fewer children. As a population shrinks, the labor force and national consumption power will shrink accordingly, weakening the growth potential of the country's economic output. The problems are only multiplied by rapidly improving life expectancy, resulting in an imbalance of age distribution.

The falling birthrate

A perk of development is that it offers more opportunities for women to become educated and participate in the labor force. But as more women work, they tend to marry later, have children later, and have fewer children. Also, as a country's economy becomes more sophisticated, "the skills needed of a worker become more developed and varied," requiring a higher level of education. (Kato, 2010) As the cost of education rises, as well as other costs of living, which is typical of development, parents are discouraged from having children or more children. Having fewer children and having them later in life means accumulating more disposable income to spend on products and services for oneself, such as eating out, home decorating, traveling, and entertainment, as well as for each child. However, a decline in fertility rates – the average number of children born to each woman in her lifetime – also means fewer children requiring products and services (i.e., less spending overall on child- and teen-related products such as clothing, toys, and games), and therefore, fewer consumers over a lifetime.

Chart 1. Total fertility rate for select countries 1950 – 2020



Source: UN World Population Prospects: The 2008 Revision, total fertility, medium variant

In many industrialized nations, the fertility rate has fallen below the replacement rate of 2.1 children per woman – the average number of children that a couple needs to have to replace themselves in a population. (See chart 1: total fertility rate for select countries.) (In countries with high infant and child mortality rates, the average number of births needs to be much higher.) In many European countries, births are far below replacement level – between 1.3 and 1.4 in countries such as Germany, Italy or Spain – the level at which these countries would remain stable. As a whole, Europe is expected to lose more than 60 million people over the next five decades. (Hartwich, 2010)

An average South Korean couple used to give birth to 2.1 babies in 1984, but last year it was only 1.15 (Jin-seo, 2010), the lowest among 193 countries and below the OECD average of 1.73. (Sun-ah, 2010) Japan's total fertility rate fell to 1.57 in 1989 and reached an all-time low of 1.26 in 2005. (Kato, 2010) Despite slight increases in recent years, it was still at only 1.37 in 2008 and is projected to still be around 1.3 by 2020.

The concern is that a low birthrate will reduce the working-age population, leading to a decline in production and economic growth, making Japan less competitive in the global economy. (Kato, 2010) Moreover, a declining birthrate combined with higher life expectancy puts financial pressure on the working generation that must support the retired population.

In response, Japan and South Korea are offering subsidies and other incentives to families for having more children. (Nikkei, 2010) (Jin-seo, 2010) Unfortunately, there is no quick method to reverse the decline in birthrates. For the present, parents need more child care options, medical services for children, and an environment where women can work and raise children. In Korea, the female employment rate drops sharply for women in their 30s due to the difficulties in balancing work and child care. As a result, the country has implemented a new work arrangement to boost the nation's low birthrate by enabling female employees to work at home or at a work center equipped with child care facilities. (Asia Pulse Pty Limited, 2010) Japan is testing government regulations that allow mothers to take longer leaves to care for younger children.

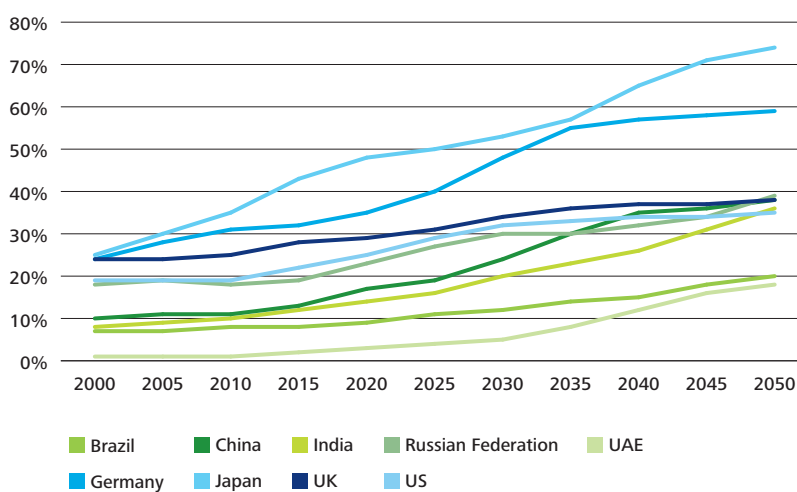
The age imbalance

A shrinking population would be a challenge in and of itself since the labor force and national consumption power will shrink accordingly, weakening the growth potential of the country's economic output. However, the problems are multiplied by rapidly improving life expectancy, resulting in an imbalance of age distribution, and therefore, an aging population and the old-age dependency ratio – the number of people over the age of 64 dependent on working age people (those aged 15 to 64). Although today's older generations are generally healthier and more active than previous generations, it is nevertheless true that an older population means relatively fewer people to pay taxes and more receiving pensions and health care. Therefore, the higher the ratio, the more people not of working age, the fewer who are working and paying taxes, the higher the number of people who need looking after, and the greater the burden. (Tan, 2010)

As shown in chart 2 below, the old-age dependency ratio is increasing in most developed countries. For example, the U.S. aged dependency ratio is projected to rapidly increase from 19 percent in 2010 to 25 percent in 2020 to 32 percent in 2030 since this is the time when baby boomers are moving into the 65 and older age category. Though the ratio will rise more slowly after 2030, it is still projected to be 35 percent in 2050. (United Nations)

In Europe, the ratio of older people to total population is higher than on any other continent, a phenomenon that will continue well into this century. (Deutsche Welle, 2009) This growing population of retirees will create additional economic pressures – an increased need for spending on healthcare and pensions – for European countries where debt levels are already high. The European Union is therefore encouraging people to work longer and proposing that countries raise their retirement age. (Dow Jones & Company, Inc., 2010) France recently raised its retirement age and most developed countries outside of the EU are considering doing the same if they haven't already. (Keaten, 2010)

Chart 2. Old-Age dependency ratio for select countries 2000 – 2050



Source: UN World Population Prospects: The 2008 Revision, population by age, medium variant

China's demographic challenge

Given China's one child policy, birthrates have been declining in the past few decades and researchers estimate that by 2030, the number of people age 65 and older in China will reach 167 million, roughly half of the entire U.S. population. (Lawrence, 2010) In addition, the growth of China's middle class has produced millions of time-limited, dual-income families willing to move around the country or abroad, away from their families, for work. (Lawrence, 2010) As a result, China's elderly can no longer depend on their children, grandchildren, and in-laws to care for them. Also, one child taking care of two parents and four grandparents (which researchers have dubbed the "1-2-4 problem") is too much to bear. The demand for elder care centers has exceeded supply and the government is looking to open more of these centers. China's government is also carefully reassessing its one child policy and cautiously making exceptions. (The Independent, 2010) For example, in most of urban China, where fertility rates are lower, an only child marrying an only child is allowed to have two children. (Hesketh, 2010)

China faces an additional demographic dilemma. The imbalance between the number of male and female babies born across China has been steadily increasing since the 1980s due to the one child policy and a cultural preference for sons. By 2020, there will be 24 million more men of marriageable age (roughly 19 to 45) than women. In other words, 24 million Chinese men could find themselves without spouses in 2020 or importing spouses from lower wage countries such as North Korea and Myanmar. (Rabinovitch, 2010) China's widening gender gap threatens to cause "irreversible damage to the traditional family unit and lead to an increase of incidences of women being abducted, trafficked or sold into marriage, prostitution, and pornography." (Na, 2010) Depression and mental illness is also more common with unmarried men than married. Gender disparity is also an issue in Taiwan, Vietnam, and South Korea.

The challenges of these demographic changes have the potential to be enormous. There will be fewer taxpayers to shoulder an unprecedented increase in healthcare facilities and expenses. As working-age populations shrink, qualified labor will be in short supply.

This in turn will push up wages and prices, and result in a need to import more immigrants to make up the numbers. In addition, with declining growth of young consumers to fuel domestic spending, businesses will need to look internationally for growth opportunities. Therefore, in the next decade and beyond, the declining fertility rate and aging population will be critical issues closely monitored by governments and companies looking to sufficiently serve changing consumer demographics.

Young markets, stressed resources

While a rapidly aging China and Europe face the burden of supporting an older population, "India is disproportionately young; roughly half the population is younger than 25. This is one reason some economists predict that it could surpass China in economic growth rates within five years. India will have a young, vast workforce," and therefore, a future of many consumers with rising disposable income. (Inquirer Interactive, Inc., 2010) India is forecasted to become the world's fifth largest consumer market by 2025 and to have 50 million outbound tourists by 2020, providing significant opportunities for consumer businesses. (Deloitte LLP, 2010)

Africa, similarly, has experienced a surge of young people – it has the fastest-growing population in the world – bringing to the marketplace a huge workforce. Sub-Saharan Africa has the world's most youthful population and "is projected to stay that way for decades." By 2050, the continent of Africa is expected to have 349 million people aged 15 to 24, or 29 percent of the world's total. (Johannesburg, 2009) Africa also experienced the fastest economic growth in 2009 outside China and India, leading many to see an opportunity to follow billion-strong China and India in pursuing economic growth. Africans born today are likely to live in a "mega-city" rather than in a village, since the continent's rate of urbanization is the fastest the world has yet seen. Africans are buying mobile phones at a world record rate; subscription in Africa has grown faster than any other region in the world. (Nyondo, 2009) The internet has empowered civil society to hold governments accountable as never before. Renewable energy technologies, including wind and solar power, rainwater tanks and bio-fuel cookers, promise to transform lives in rural areas. (Johannesburg, 2009)

However, the population in both areas is swelling beyond sustainable levels. India will surpass China to become the world's most populous country by 2030, and it is so far unable to meet its Millennium Development Goals for reducing its birth rate by 2015. (Overdorf, 2010) The continuing swell places tremendous pressure on resources and the environment and presents enormous challenges for an already inefficient government to expand schooling and other services. Much of its population will therefore remain quite poor, threatening to turn its demography from a prized asset into a crippling burden. (Inquirer Interactive, Inc., 2010) (Overdorf, 2010) Moreover, the country's ever-more-frequent droughts and long-standing water management problems have led to predictions that the country could run dry by mid-century. (Veeralapalam & Lubana Teku, 2009)

There are similar concerns for Africa. It reached a population of one billion in 2009 and is projected to almost double to 1.9 billion by 2050, which is expected to "put an unbearable burden on food, jobs, schools, housing, and healthcare." (Johannesburg, 2009) Citizens are vulnerable to droughts, floods, and desertification caused by climate change. By 2020, up to 250 million people on the continent could be exposed to water stress. Agricultural yields are projected to be halved in some countries and 15 million children may be malnourished. The quality of healthcare and education remains poor for the majority of Africans and is one of the greatest impediments to growth. Increased population could put more pressure on scarce resources and further hinder development.

What to expect of consumers in the next decade

In those countries with insufficient pension systems, the older population will have to continue to work and retire later in life. Demand for leisure services, such as cruises, typically associated with the older population, will be replaced with saving and a demand for financial planning as well as healthcare to enable an aging body to continue working. Working age consumers not confident that government and employment pension systems will be sufficient to support them after retirement will be inclined, as well as encouraged, to save for their own retirement rather than enjoy all of their disposable income.

However, in some countries, the aging population can mean new opportunities in terms of consumer markets. These opportunities for innovation are significant as older consumers value their time more and seek solutions to help them maintain a good quality of life, especially when managing what are often multiple, chronic disease states and ailments (for example, brain deterioration, musculoskeletal problems, hormone imbalances, nutrition, and stress). Older consumers also typically spend considerably more on their grandchildren and on services such as healthcare, leisure, and utilities such as heating and air conditioning than on goods such as house wares and apparel. There are also new demands for things as simple as more readable packaging fonts (Newman, 2010) and drinkable medications for those who have difficulty swallowing pills and/or associate pills with aging. (The New York Times, 2010)

Chasing youthfulness

The older part of the U.S. Baby Boomer generation – those born over an 18 year period between 1946 and 1964 as defined by the U.S. Census Bureau – is only just reaching retirement age (the latter part of the group retires around 2024) and their gradual transition into retirement will open new opportunities catering for a relatively affluent and time-rich generation. By 2015, U.S. Baby Boomers are forecast to own 60 percent of the nation's wealth and account for 40 percent of spending. The key to attracting boomers is appealing to their "forever young" attitude. For example, affluent baby boomers' intent on offsetting the ravages of time are leading a wave of anti-aging product sales; the global market for such products is already worth US\$160 billion a year and is expected to rise to US\$275 billion in 2013. (Walters, 2010) Some include edible beauty products such as collagen-infused coffee and anti-aging water to improve the skin, undergarments with anti-wrinkle properties that help hydrate the skin, anti-aging grooming products for men as well as women, and brain games offered on mobile devices and the web to help boomers stay mentally fit and boost productivity well into old age.

In addition, travel is a high priority for boomers during retirement. They are more experienced and confident travelers than their parents and are in search of experiential travel such as "voluntourism" and hobby-based or educational travel, as well as off-the-beaten-path, "authentic," and adventurous experiences. (Deloitte LLP, 2010)

Consumers' changing menu

One of the most dramatic changes in consumer behavior over the next several years is likely to be the change in the consumption of food. This change is fueled by the growing affluence of the middle classes in emerging markets and the changing demographics of consumers.

The growing and shifting demand for food

In the next 10 years, with the world's population projected to increase 11 percent, there will not just be 766 million more mouths to feed (United Nations), there will also be a change in what those mouths will be eating. At least 70 million new consumers are expected to enter the global middle class each year, 800 million by 2020, mainly due to the growth in large emerging markets such as China. As incomes rise, people typically shift from grain-based diets to diets dominated by "high-value" foods such as meat, fish, dairy products, fruits, and vegetables. (World Economic Forum and Deloitte Touche Tohmatsu, 2009)

The resulting growth in waistline

Unfortunately, the more varied diet typically also includes a higher proportion of fats, saturated fats, and sugars. At the same time, development and urbanization also means less physically demanding work and activity due to the increased use of technology, automated transportation, and more passive leisure pursuits such as television watching. These changes in consumer behavior can lead to a greater chance of obesity.

Globally, there are more than 1 billion overweight adults and at least 300 million of them are obese, according to the World Health Organization. (WHO, 2010) The obesity epidemic has already been well documented in developed economies such as the United States and the United Kingdom. However, it is quickly becoming a major issue in emerging markets due to the rapid growth of their middle classes.

Ironically, while these countries have high rates of starvation and malnutrition, their new middle classes, especially in urban areas, are also showing a growing tendency toward obesity – and the rise is often faster than in the developed world.

For example, 100 to 120 million Chinese are obese and about half of them are children. Despite the recession, China's economy has grown 9 percent to 10 percent a year. The resulting rapidly rising wages have encouraged the movement of more and more Chinese to urban areas, with many taking on more sedentary white-collar jobs. This has allowed for more spending on food – including Western-style fatty and sugary fast foods, drinks, prepared meals, and packaged goods – especially for children, for whom weight is often a traditional indicator of health and future prosperity. (French & Crabbe, 2010) China's rapid rate of increased obesity, 30 to 50 percent annually – six million to 10 million more each year – has alarmed health officials. (PBS, 2010)

Obesity is a major contributor to the global burden of chronic disease, such as diabetes, and disability. Government intervention will become more pervasive as the cost of obesity-related health problems takes its toll on public funds and healthcare providers. As consumers become more aware and educated about the need to combat obesity, aging and disease, they will change their food consumption and lifestyle to be healthier. Therefore, the trend of healthier eating and rising demand for functional foods in wealthy countries will likely result in a similar shift in consumption patterns in developing markets towards fresh foods with less consumption of meat.

Rising food prices and their impact

The varied, high-value foods that people are expected to consume in the next decade are also more resource-intensive. For example, far more grain is needed to feed animals and produce one kilogram of meat than one kilogram of bread or pasta. (Deloitte Touche Tohmatsu, 2008) The large grain requirement for meat production has led to a disproportionate increase in the demand for grain.

With more than 800 million new middle class consumers expected to enter the global markets by 2020, the significant pressure on crop yields and meat production globally will continue to keep food prices high. Food prices will rise further due to the limited availability of suitable land and water, as well as the reduction of global grain stocks due to a number of climate-influenced poor harvests in different parts of the world and new demands for bio-fuel production. For example, bio-fuels are essentially responsible for a 105 percent increase in corn prices from January 2002 to February 2008. (Case, 2008) In addition, rising energy prices push up the cost of producing and transporting food, increasing its retail price.

Higher food prices will redefine consumer values. In order to make ends meet, many consumers, in both developed and emerging economies, will have to be more cautious and selective in what they buy, if they aren't already. Consumers will not be able to spend as large a share of their total food budget on food services such as restaurants, and they might have to simply purchase ingredients for meal preparation. Many will be incentivized to buy cheaper local products and seasonal produce rather than high-priced imported foods, specialty foods, organic foods, and store-prepared meals. The higher prices will make food a larger share of total consumer expenditure, leaving less disposable income to spend on non-food items.

As the food supply chain becomes increasingly global to meet growing demand around the world, the risk of contamination along the supply chain rises. Due to the number of high-profile global food recalls, increasing numbers of consumers are demanding greater transparency of the origin and contents of the goods they buy, examining food labels more carefully, and becoming more selective in their purchases.

As awareness and education regarding food prices, security, and safety issues increase in Western Europe and the United States, fewer consumers will tolerate wasteful behavior and irresponsible practices. Larger numbers of North American and European consumers will likely seek a return to a more modest shopping experience such as purchasing just the right amount of food and resisting waste as a result of over-buying as well as being more selective about the value, functionality, and origin of the food they consume. These changes can only help restrain food consumption in the fight against obesity.

The impact of the food crisis will be felt well beyond consumers and businesses, and in many countries may involve government. As consumers in various parts of the world face the potential reality of empty retail shelves, they are likely to pressure their leaders to collectively find a global solution. In severe cases, this will lead to political instability, price inflation and, in some cases, food riots of the sort seen in Haiti, Morocco, Pakistan, and other countries in 2008. (Doyle, 2008) Such instances make it painfully clear that the additional demands of the new middle class for food will require much better management of land, water supplies, waste, and farming practices.



Mainstreaming sustainable consumption

In the next decade, there will be a need not only for more sustainable patterns of production and food consumption but for all products and services. By 2030, almost two billion new consumers will have joined the global middle class. (World Economic Forum and Deloitte Touche Tohmatsu, 2009) With more purchasing power, this population will expect to enjoy the middle-class lifestyle, including car and air travel, and air-conditioned homes with major appliances and consumer electronics. However, greater consumption leads to a greater strain on resources.

According to the OECD, under a business-as-usual scenario, by 2030, 3.9 billion of the world's population will live in areas of high-water stress, as opposed to 2.8 billion today. (World Economic Forum and Deloitte Touche Tohmatsu, 2009) If everyone were to adopt the historic consumption patterns and lifestyles of the average UK citizen, three planet earths would be required – five planets, if they were to live like the average North American. (World Economic Forum and Deloitte Touche Tohmatsu, 2009) Without sustainable consumption it will become increasingly difficult to meet the collective expectations and aspirations of the world's new consumers.

The sustainable reality

While the pace and degree of sustainable behavior will differ by region, today's consumers are increasingly aware of the broad sustainability challenges facing the world. Consumer values regarding sustainability remained remarkably constant through the recession, and more of them are becoming active participants in the creation of a more sustainable economy. In one survey, 95 percent of American consumers recently said they would be willing to "buy green"; 44 percent said their "green" buying habits have not changed; and more than one-third reported that they were more likely to buy sustainable products. (Grocery Manufacturers Association and Deloitte Development LLC, 2009) These hopeful signs, however, are balanced by a competing reality. While consumers in the developed world are becoming increasingly sensitive to concepts of environmental harm and sustainability, consumption levels in these countries are already high, and behavior is still principally dictated by price, quality, and convenience rather than by origin of products and sustainable content. The issue remains niche, and the disconnect between awareness and action is stark.

The developing world presents a paradox in that it is certainly good news that more people will be moving from poverty into the middle class. At the same time, however, such newfound purchasing power often leads to more conspicuous consumption with little consciousness of the impact this has on the environment. That said, a rising educated middle class is likely to demand from governments what its counterparts are demanding in developed markets: more transparency regarding food products (from farm to store shelf); some kind of quantification of corporate efforts to be environmentally responsible; and validation that safe labor practices were used during manufacturing. There will also be growing consumer interest in the sourcing of food, with greater weight placed on natural and wholesome products, local provenance, animal welfare, environmental impact, and ethical practices. Moreover, concerns about the environment are often just as strong among people in the developing world as in the developed world, and in some areas stronger as these countries are often more directly affected by issues such as water pollution. Much will depend on how fast a majority of the emerging middle class moves to sustainable consumption patterns and away from a "disposable society" mentality. In this sense, the developing world presents both the greatest opportunity for a growing consumer market and the greatest challenge for achieving wider prosperity without entering a phase of high-input/high-output consumption that characterizes the developed world.

In addition, with the increased flow of information and greater transparency brought about by information technologies, it is likely that the rising middle class will be less tolerant of societal failures. They will likely rebel against environmental pollution, be more attentive to the health and safety of the products they purchase, and be more focused on issues of public health and societal well-being in general. Thus, a process of globalization that does not engage emerging markets consumers on these issues may put businesses in jeopardy. (World Economic Forum and Deloitte Touche Tohmatsu, 2009)

Sustainable consumption: Ready or not

Whatever level of awareness they have now, it is highly likely that consumers in the next decade will live more sustainably whether they want to or not. A variety of factors will play a role in this:

- **Resourcing costs:** The impact of true resourcing costs (for example, the way higher gasoline prices affect transportation costs of raw materials and finished products) will be reflected in the price of products and services, making unsustainable products and services less attractive to consumers.
- **Awareness and education:** Education can play a significant role in influencing socially acceptable behavior and thus speed up adoption. Typically, once consumers become “carbon footprint-educated,” they change consumption habits across several categories including choices in food, energy, recycling, transportation, clothes, makeup, and electronics. As they adopt more sustainable habits they will, through example or otherwise, pressure friends and family to do the same.
- **Self-interest:** Most consumers will still think of themselves before society and the environment, implicitly asking, “what’s in it for me or my family?” However, they are quite likely to change their behavior if they realize that certain sustainable products, services, or practices benefit them personally in terms of better value, lower price, or health, or that the purchase makes a statement about their identity, portraying an image for which they want to be known. For example, consumers might start looking for value in long-term savings like energy efficiency, “built-to-last,” and re-sale value, especially in categories such as consumer electronics, apparel with hand-me-down articles, household white goods, and luxury products, whose high-quality craftsmanship can be considered worthy investments. Moreover, a GMA study revealed that U.S. consumers are far more likely to associate value with “green” consumable products over any other product category today. (Grocery Manufacturers Association and Deloitte Development LLC, 2009)

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- **Sense of citizenship:** Consumers are not only influenced by messages from companies, governments and social influencers, but also by their membership in a broader social community. Despite self-interest, they identify themselves as citizens of their societies. Therefore, connecting individual choices on sustainability with wider outcomes and making sustainability a social norm can be powerful strategies for engaging consumers as citizens.
- **Positive and negative incentives:** External influence in the form of incentives can come in the form of rebates, reduced energy bills, and other savings on the purchase of hybrid vehicles and energy-efficient appliances. On the other hand, incentives may also be negative in the sense that local or federal legislation can compel people to recycle by levying fines if they fail to do so.
- **Habit:** Once consumers have incorporated sustainability into their lifestyle (e.g., recycling, shopping at local farmers’ markets), it consciously or unconsciously just becomes part of their routine.
- **Lack of other options:** Many consumers will simply adapt sustainable behaviors as the world around them changes. For example, UK building codes have banned products that use formaldehyde in adhesives. One company has launched a new compostable bag for its snacks that will decompose in weeks in compost. In cases such as these, consumers have no choice but to make “sustainable” purchases.



The critical role of business

Consumers are becoming more active participants in the creation of a more sustainable economy and increasingly aware of the broad sustainability challenge facing the world. Over the next 10 years, more consumers will have incorporated sustainable behavior into their lives, whether that means routinely recycling or looking for sustainable products. An increasing number of them will be advocates for sustainability and demand it in products and practices.

However, there are still some major barriers to overcome with consumers. Research by Unilever has shown that while consumers want to buy sustainable products and live more sustainably, they feel powerless to make a difference: the scale of the challenge is too great and their individual actions are too small (Unilever, 2009). Moreover, most consumers are skeptical or confused about claims made about the environmental pedigree of different products and services and many are doubtful about whether they can individually make a useful contribution to changing the global economy. There is also no clearly articulated, consistent, and practical definition of what sustainable consumption means, let alone what it looks like.

So, despite the profound importance of the issue and the efforts of scientists, regulators, Non-governmental organizations (NGOs), and others, consumer adoption of more sustainable lifestyles is so far rather limited. It is highly likely, therefore, that sustainable consumption over the next 10 years will not primarily be driven by consumers themselves. Rather, it will be up to the consumer industries to take the lead in engaging consumers to change their consumption patterns and innovating to meet tomorrow's demands.

This will require a fundamental shift in the way industries think and operate, in that companies will need to use sustainability as a lens for innovation in developing new products and services and communicating with consumers. Externally, businesses can play a critical role in engaging governments and regulators to help influence consumer behaviors. It will not be enough to react to consumers' needs and demands – vanguard companies will look to engage consumers sooner rather than later to help accelerate a shift toward more sustainable behaviors.

Communicating, connecting, and socializing

Engaging consumers, whether to adopt more sustainable behaviors or just purchase more products and services, will no longer just be about marketing and communicating to them but will be about connecting and socializing with them. In the last two decades, the Internet and technologies such as mobile devices have truly revolutionized the consumer-focused industries. With e-commerce, companies began selling and marketing directly to consumers. And consumers now have the power of information at their fingertips, literally, enabling them to comparison shop and purchase anytime, anywhere, as well as the tools to filter and block unwanted messages.

Social revolution and consumers

However, the true revolution has been the utilization of “the Internet to reach out and connect *with one another* in new, and endlessly increasing, ways.” (Kozinets, 2010) Social media technologies and tools such as Facebook, Twitter, and blogs, have provided consumers with a massive platform for not just communicating information with one another but for interacting and socializing.

It is estimated that if Facebook were a country, “it would be the third largest in the world.” Fifty percent of the mobile Internet traffic in the United Kingdom is for Facebook, with YouTube the second-largest search engine in the world. (Qualman) However, this revolution isn’t about the technology, it’s about people being human, and humans are naturally social: they have an “innate drive to live in groups, to work together for common goals, to compromise, to extend favors, to value fair treatment, to care what others think about us, and to bond with others more often around common beliefs or goals than around common genes.” (Moran & Gossieaux, 2010) Technology is simply facilitating social connection, enabling people to act socially on a much larger scale and at a faster pace. No longer are they socializing only with who they know but with just about anyone around the world who they can reach. And they can do so almost instantaneously. As a result, technology and the social revolution have forever transformed consumers’ demands and expectations.

Instant knowledge

Consumers will continue to increasingly expect anytime, anywhere information. In this regard, mobile communication is likely to be an even larger transformative technology in the future, as it provides independent access to information and is efficient for on-the-go information collection (Coca-Cola Retailing Research Council Europe, 2009). Consumers will always be “on” and increasingly expect instant gratification. They will have ever-increasing access to information about companies, products, services, pricing, and availability and will also be instantly aware of problems, recalls, and scandals. They will increasingly expect sales associates’ knowledge to match or exceed theirs – a level that may well exceed the ability of many retailers to educate their staff.

Trust

Given the various scandals around the world that resulted in the collapse of housing markets and financial institutions, recalls in the food and automotive industries, and environmental disasters from energy companies’ mishaps, we can expect that trust will continue to be an important theme to consumers in the next decade. They will continue to trust peer recommendations over company information and will be likelier to sense when companies are not being genuine or authentic. With higher education and better Internet connectivity due to growing affluence, more consumers will scrutinize products, services and companies. They will expect and demand transparency in product and service quality, pricing, and company policies and procedures.

Loyalty

Consumer businesses will not be able to depend on older, more loyal consumers for long. The next generation of younger consumers’ loyalty is more distractible, short-term, and influenced by networks of “friends” – including not just who they personally know but the dozens, hundreds, and even thousands of people around the world with whom they are connected – than by official company campaigns. Therefore, companies risk losing loyalty and brand equity overnight if they misstep.



Creators

Consumers will not simply be passive recipients of information. In increasing numbers, they are actively updating and creating content as well, such as taking and uploading photos and video, writing blogs and posting comments, and creating communities. While older consumers use media to view and update content and stay in touch with friends, extending their world as they become less mobile, younger consumers are more likely to create content about products, brands, and service experiences, given that they have more time and are more tech savvy. "[Twenty-five percent] of search results for the world's top 20 largest brands are links to user-generated content. [Thirty-four percent] of bloggers post opinions about products [and] brands." (Qualman) In addition, consumers will not simply be brand advocates or critics but will increasingly expect to have input into the development of new products and services, particularly with companies to which they feel loyal.

Communities

Because social networking tools are open to anyone with an Internet connection and are for the most part free, consumers can easily cultivate personal connections and form communities around shared values and interests. Thus, the most important consumer conversations may more frequently occur between people in such networks, not between the company and the consumer.

Listening

The idea of companies engaging in one-way "push" communications with consumers already seems quaint. It will seem more so as a new generation of technology-enabled consumers arises. These consumers will demand that companies shift from broadcasting and selling to listening, servicing, and collaborating with them. The standard rules of etiquette will still apply – whether consumers' suggestions, ideas and questions are via phone, e-mail, or social media, consumers want a response, even if it does not fit the company's goals.

Conclusion

Engaging the 2020 consumer

The convergence of economic, demographic, and technological forces discussed in this report will bring about unprecedented changes in consumer behavior. While there is no crystal ball to help predict exactly how this will play out, it is fairly clear that businesses will need to take a much more active role in shaping the conversation with consumers. Those that do so will in all likelihood be best positioned to seize opportunities in the future. But to accomplish this they will need to engage consumers on several key issues.

Align value with values

Consumers of 2020 will shape their buying decisions and consumption based on values and beliefs founded at a time when the world recognized there were limits: limits to how much debt one can have, how much water they can use, and how much energy and food can be produced. In developed markets hit by the economic downturn, companies will need to obtain growth through market share gains rather than simply latching onto a growing market. Consumers will continue to hunt for better value, but they will also expect their values to be embedded in what they buy – whether this is around healthier food and products, sustainability, or any number of personal interests. Achieving this will require good brand management, improved customer experience, and differentiation from competitors aimed at avoiding ruinous price competition.

Many consumer businesses will shift development priorities overseas to take advantage of the rapid and significant growth of the emerging market middle class. Those businesses will therefore need to adapt and develop new products and services to fit the lifestyles, preferences, and definitions of value in emerging markets. The sheer impact of almost 2 billion new middle class consumers by 2030 will mean a reshaping of product portfolios globally to fill this requirement across emerging and established markets.

Consumers in emerging markets will therefore drive changes in global consumption and product innovation.

Drive sustainable consumption

Consumer businesses have a crucial and central role to play in pro-actively influencing consumers to lead more sustainable lifestyles and choose sustainable products and services over others in spite of price. The good news is that no one is better at engaging with consumers across different channels to get their message across, before, during, and after the point of purchase. Companies are extremely well placed to engage consumers and help them understand how brand choices and small actions, when added to those of others, can make a difference.

Consumers need to be assisted in making sustainable choices. Not always aware of social and environmental benefits, consumers need reinforcing information at the point of purchase such as clear and simple product labeling. For example, Procter & Gamble is expanding its education program, called Future Friendly, which shows consumers how to use P&G products to benefit the environment. The effort will go to more than 15,000 retail locations, where shoppers will see Future Friendly labels on products such as Tide Coldwater. (Greenbiz.com, 2010)



Convenience is also key for consumer adoption of sustainable practices. Even committed consumers will think twice if the recycling process or purchase of green products isn't made as easy as possible. Some cities, for example, provide bins for recyclables that are placed next to garbage cans, which makes recycling a simple routine that people can accomplish while taking out their trash.

There also remains the consumer perception of pricing. Green products need not cost more. Reducing packaging to cover costs of greener products makes consumer adoption easier. Today's developed markets pride themselves on the abundance of sizes, formats, flavors, and colors of products. However, there are pressures to bring down carbon footprints through SKU rationalization, less packaging, and elimination of super-sizes since the excess just goes to waste. Smaller product size also works when addressing emerging markets, especially China and India. This shift in Western food shopping patterns involves more frequent or perhaps daily food shopping to limit waste and buy fresher products and allows for consumer-appropriate consumption instead of over-consumption.

Businesses will also need to "walk the talk." For example, according to the United Nations Environment Program (UNEP), almost 50 percent of the world's edible crop harvest does not make it to households for consumption. (United Nations, 2009) Wasteful and harmful practices will no longer be tolerated. Consumer and regulatory pressures will require companies to reduce waste and put in place new manufacturing and production practices. Companies will need to look to new sources of materials – waste from one manufacturer may be the treasure for another – and to more integrated supply chains, as well as to new business models. To address this new reality, businesses must view sustainability as the lens for innovation, brand relevance, growth, and value creation.

However, businesses alone cannot drive sustainable consumption. They will need to work with governments, which are showing increasing concern with consumer health and with the dangerous stress on the world's limited resources. Through their ability to set national and international regulatory frameworks, governments can provide direction and incentives to accelerate the emergence of a more sustainable economy and make sustainable behavior and consumption the "social norm". For example, advertising, labeling, and restrictions on certain ingredients and materials can help shape new social norms and value sets, positively influencing consumer choice before and during the moment of purchase, as well as usage afterwards.

Go everywhere your consumers go

Prior to the Internet and e-commerce, consumers went to the store to look at, compare, select, and buy products and services. Today, a consumer may see a product in a magazine; take a photo of it using a smartphone; use an app to recognize the product from the photo and pull up product information; Google it for more information; read user blogs and postings for product reviews; use another app to pull up availability at store locations; go to the nearest store to try out the product; take a photo of herself with the product and send the photo out to a network of friends to vote whether she should purchase it; review votes and comments and compare prices online from her laptop; go to a retailer's Facebook page to sign up for promotions; receive a discount code via e-mail; purchase it from the retailer's website; complete a third-party survey about her shopping experience, as well as tweet about the purchase and product experience.

The experience can go well – or sour – at any point during the consumer's shopping journey. It is critical for organizations to follow their customers through these series of interactions. It does not matter whether it is old or new media, or where customers are. Companies need to be present everywhere their customers go and ensure they have a positive experience at every point.

Take care of your people

The easiest way for companies to engage consumers (as well as to lose them) is through their employees. Employees not only communicate and interact directly with customers as part of their jobs, they connect and socialize with other employees and consumers outside of work – talking about the company and its products, services, policies, people, and more, via e-mail, on Facebook, and around water coolers – virtual or otherwise. If the employees' actions and words are not consistent with the company's, then how can one expect consumers to trust the company? Consumer businesses need to view their employees as brand ambassadors and empower them to positively engage consumers.

There is no question that the challenges over the next ten years will be immense. Consumers are not only changing, but changing rapidly. However, companies that make themselves part of the change process, that remain agile and attentive to all their stakeholders, are more likely to remain relevant and interesting to consumers – and positively differentiated in the marketplace.

Companies need to be present everywhere their customers go and ensure they have a positive experience at every point.

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