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BUSINESSES URGED TO RESPOND TO THE CHANGING FACE OF CONSUMER DEMAND

*** New report draws on global surveys to explore future consumption trends***
Tastes and expectations to change as consumer class rapidly expands

With economic growth set to propel more than 90% of the world’s population into the so-called consumer class by 2020, a new report from HSBC Commercial Banking suggests companies should start preparing today to meet the wants and needs of tomorrow’s customer.

Changing demographics and consumer behaviours will present new opportunities to agile businesses in the coming decades whilst posing threats to some established marketing strategies, according to HSBC’s *Future of Consumer Demand*.

Compiled by futures consultancy Trajectory, who drew from in-depth interviews with business leaders plus surveys spanning 90,000 consumers, the report discusses four major trends that will shape the way businesses go to market:

- A rapid increase in the number of middle income consumers is being felt around the world, and particularly in emerging markets.
- Advances in digital technology are revolutionising the way people find, choose and pay for goods and services.
- The different generations are displaying increasingly distinctive consumption patterns.
- Female purchasing power is rising as more women join the workforce.

Noel Quinn, Chief Executive of HSBC Global Commercial Banking, said: “Businesses, wherever they are based in the world, need to be aware of how consumer tastes and expectations are changing so they can respond positively. The status quo won’t last, so now is the time for companies to show customers and investors alike that they are alert, innovative and imaginative.”

Institutions including the World Bank typically regard an income of USD2 per day as the tipping point when a person moves from subsistence living to becoming a consumer who can afford to buy goods and services. Based on UN population data, Trajectory estimates the number of consumers globally will exceed 7bn by 2020 from fewer than 5bn in 2001.

The rise of the middle income consumer

Middle income consumers, defined as those earning USD10-20 per dayⁱ- currently account for one in seven of the global population. By 2020 this is forecast to grow to 3.2bn, rising to 4.9bn a decade laterⁱⁱ. In these numbers their discretionary spending power will have a significant impact on company strategies, in particular for Asia where the majority will live. Businesses shifting emphasis to these

consumers will need to consider the influence that cultural differences make on their buying preferences.

Advances in digital technology

Rapid growth in the number of people who are online, especially those with the mobile devices, means shoppers are enjoying greater choice, wider networks and the ability to be more discerning than ever before. By 2020 some 6.1 billion peopleⁱⁱⁱ will use a smartphone. Members of Generation Z, born between the mid-1990s and the mid-2000s, have grown up as ‘native’ users of digital technologies and their expectations for simplicity and accessibility have been shaped accordingly.

Female consumption power

The economic power of women is increasing significantly around the world, with their earnings set to rise to USD18trn by 2018 from USD12trn in 2010^{iv}. Businesses wanting to target this segment need to adopt an approach that reflects women’s increasingly work-oriented lifestyles. Surveys show men and women demonstrate similar attitudes and values - they want to buy from trusted and reliable brands (70% vs 68%) and they put equal importance (91%) on leisure^v. Moreover, over two thirds (67%)^{vi} of both genders are interested in consuming ethically, indicating that sustainable practices will increasingly influence purchasing choices.

Generational consumption

The report also explores the economic importance of different generations, from Pre War and Baby Boomers to Generation Z. It finds that the purchasing power of the over-60s will keep rising, and that by 2020 this age group will outnumber the under-5s for the first time in human history^{vii}. Millennials may be less satisfied with their financial situation, but they are now approaching their prime working years and demonstrate relatively distinctive behaviours such as the prioritisation of experiences over possessions.

Ends/more

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The HSBC Group

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 4,400 offices in 71 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. With assets of US\$2,608bn at 30 June 2016, HSBC is one of the world’s largest banking and financial services organisations.

HSBC Vietnam

HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank’s current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and three full-service branches in Binh Duong, Can Tho, and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, network, product range, staff and customer base.

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- i World Trade Organisation data
 - ii As above
 - iii Ericsson Mobility Report 2015
 - iv Ernst & Young: 'Women – the next emerging market' (2013)
 - v Trajectory Global Foresight Survey
 - vi As above
 - vii United States Census Bureau – An Aging World: 2015 International Population Reports