The Consumers of the Future: Influence vs. Affluence

The mass market of the future will thrive on three principles: trust, influence, and personalization.
The New Reality for Retailers and CPG Companies

You probably saw footage of a United Airlines traveler forcibly removed from an overbooked flight. It was all over cable news, online destinations, and especially social media. Watching the video, you may have experienced shock at the brutal and bizarre incident, at the speed of its viral engagement, at management’s tone-deaf reaction, or at the apparent huge drop, later recovered, in the airline’s market value. You may have also pondered the vast and immediate influence a single person’s video can have on a reputable and long-established brand. Organizations may take various lessons from this incident, but we believe one of the most important ones is learning to use the influence model for advantage.

With the amplification of social networking, every consumer is a potential broadcaster. That change exemplifies the new generation gap: older generations have affluence; younger ones also have influence. To probe this shift, and to better understand future consumers and their relationships with brands and retailers, A.T. Kearney conducted the Global Future Consumer Study.

The shift from affluence to influence is changing the global rules of consumption patterns.

For the study, we examined demographic, economic, and technological trends, and surveyed more than 7,000 consumers across seven countries. Our consumer engagement had a specific objective: go beyond simply examining current consumption statistics to better understand consumers’ behaviors, personal values, and influences as drivers of consumption. Importantly, where the majority of “trend” studies look at most five years into the future, we projected 10 years ahead.

This report explains the lessons we learned and the implications for organizations. In summary, they are:

- The shift from affluence to influence—arising from unstoppable forces of demographics, changing values, and hyper-connectivity—is changing the global rules of consumption patterns.
- As a result, the mass market of the future will thrive on three fundamentally different principles: trust, influence, and personalization.
- Consumer brands and retailers can appeal to future consumers and take advantage of new technology-enabled ways to influence and sell. Indeed, their ability to engage consumers in the digital world will become more critical than ever.

From Affluence to Influence: Three Pressure Points

For most of the past century, mass markets have been based on first finding pockets of affluence, then seducing those consumers (usually by investing in advertising), and then building scale to reduce costs and increase profits.
The characteristics of future consumers will challenge those assumptions.

Younger generations have a different set of values; they are no longer defined by what they own, but by what they do. Their consumption is driven more by their personal values than by the value inherent in the product or service they are consuming. They increasingly seek relationships based on trust rather than individual transactions. As a result, the business models used to attract these consumers can no longer be linear and static—focused on a product's value and a transaction's efficiency—but must become dynamic and multi-faceted. Where marketing was once focused on television aimed at the masses (and especially certain affluent segments of those masses), it must become much more personalized, to find an individual consumer at the right time and place. Thus, rather than watching big trends from the homogeneous masses, brands and retailers need to understand how to detect and react to smaller signals from micro-pockets of consumers.

Why this change in consumer behavior? Our study revealed three trends that will rise over the next 10 years.

1. Demographic shifts: major generational and economic trends

In 2027, there will be six generations of consumers in the market (see figure 2 on page 3). Two of these generations—the Silent Generation (1928–1945) and what marketers refer to as the Alpha Generation (2017 onwards)—will have limited purchasing impact in 2027, because the youngest Silent will be 82 years old while the oldest Alpha will be only 10. So four generations will have high commercial impact: Baby Boomers (1946–1964), Gen X (1965–1980), Millennials (1981–1997), and Gen Z (1998–2016).

One of the most significant demographic developments over the next decade will be Gen Z coming of age. In 2027, 30 percent of the world’s population will be Gen Z, including 1.5 billion adults. However, Gen Z will face varying economic and cultural environments around the world. For example, countries such as Germany and Japan have aging, shrinking populations, which provide Gen Z with additional responsibilities for healthcare and social welfare. Conversely, countries such as India and China have large proportions of Gen Z compared to the overall population. Meanwhile, countries such as the United States are becoming more racially diverse,
with growth driven primarily by minorities. The United States and Europe are also becoming less traditional, especially in terms of household structure. All seven countries in our study are becoming more urbanized. All except Japan are encountering increased income inequality.

2. Changing values: what matters to future consumers

Each of these defined generations is unique, shaped by different regional or global events during their lifetimes. For example, developing technology is affecting Gen Z—and it’s doing so regardless of geography. Across countries and societies, Gen Z consumers have grown up surrounded by digital technologies. The way Gen Z consumers use and are shaped by these pervasive technologies means that in many important ways they have more in common with other global Gen Z consumers than to other consumers in their own country.

Our study found a unique set of shared Gen Z values, expressed and amplified by those digital technology platforms (see figure 3 on page 4). Although Millennials still remember a world prior to personal technology and digital platforms, Gen Z are true digital natives, with the oldest born in the same year Google was established. Gen Z are more private than Millennials in sharing content, preferring small, closed communities or direct messaging, such as Snapchat, whereas Millennials share more broadly on social media.

Likewise, Gen Z are members of the first post-race, post-gender generation, living in an age of marriage equality and gender-neutral bathrooms. This tolerance means that compared to Millennials, who followed major trends of “cool,” the Gen Z motto is “Unique is the new cool.” Furthermore, Gen Z consumers use products as tools to express that cool—to express their individuality and unique sense of identity.

In some markets, Gen Z consumers grew up during a recession, and perhaps witnessed their parents lose jobs, so they have a greater sense of responsibility than previous generations.

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**Figure 2**

*By 2027, there will be six generations of consumers in the market*

<table>
<thead>
<tr>
<th>Generation</th>
<th>Years</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silent Gen</td>
<td>1928–1945</td>
<td>0.1 billion</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>1946–1964</td>
<td>0.9 billion</td>
</tr>
<tr>
<td>Gen X</td>
<td>1965–1980</td>
<td>1.4 billion</td>
</tr>
<tr>
<td>Millennials</td>
<td>1981–1997</td>
<td>1.9 billion</td>
</tr>
<tr>
<td>Gen Z</td>
<td>1998–2016</td>
<td>2.3 billion</td>
</tr>
<tr>
<td>Alpha Gen</td>
<td>2017–?</td>
<td>1.5 billion</td>
</tr>
</tbody>
</table>

Source: A.T. Kearney analysis
might have. For example, in our study, 60 percent of Gen Z indicated they work part-time while attending school. And they think about education differently: with access to so much information for free, the world is a classroom to them. They are also more inclined to consider self-employment; indeed, while other generations looked up to sports or music icons, Gen Z consumers idolize founders of disruptive businesses such as Facebook, Twitter, or Snapchat. For them, entrepreneurship has a vital social component: a great Gen Z role model is Malala Yousafzai, the 20-year-old Pakistani education campaigner and Nobel Prize recipient, who combines courage and social responsibility.

It’s essential for brands and retailers to understand these values, because Gen Z will be the spearhead of change. In general, younger generations’ ways of buying usually sway older generations’ behaviors. In particular, Gen Z consumers can also take advantage of hyper-connectivity to influence more widely and easily than ever before.

### 3. Hyper-connectivity: the rise of the influence model

Our study found an increase in hyper-connectivity: the ability for one person to be connected to many, at all times, and on multiple devices. For example, 44 percent of survey respondents actively participate in social media, with higher numbers in China and India than elsewhere. Continuous connectivity has broad and sometimes inconsistent global effects, as discussed in the A.T. Kearney study *Connected Consumers Are Not Created Equal: A Global Perspective*.

Not surprisingly, our study found that younger generations are more likely to have constant, rather than sporadic, connectivity. They are much more likely to have access to a smartphone which gives them mobility: connectivity anytime and anywhere. Indeed, they’re less likely than older consumers to have access to a personal computer, the physical embodiment of sporadic connectivity.

Note that it’s not so much the technology of the smartphone itself that makes the difference—it’s the resulting hyper-connectivity. When everyone is always connected to others, conditions are ripe for the rise of the influence model, where markets can be moved through the amplified power of an individual voice. When this hyper-connectivity combines with the demographic shifts and changing values, the future consumer landscape becomes dramatically altered.
Forces Shaping Mass Markets: Three New Principles

Our study demonstrates how consumers will continue to change, both in their individual characteristics and how they interact with others. However, we also sought to understand how those changes could upend the old market-structuring principles of affluence, advertising, and scale. Indeed, we found that three fundamentally different principles will drive markets of the future.

1. Trust

A brand, as Steve Jobs said, is simply trust. Yet today’s consumers have the power to reach potentially millions of people in a matter of seconds, shifting how trust is controlled. Thus, building and maintaining trust becomes of paramount importance for brands and retailers.

Our study revealed that consumers have already lost trust in large corporations and brands, especially in the West (see figure 4). In the four western markets we surveyed, more than 50 percent of consumers had little or no confidence in large corporations and brands. Big brands fared better in India and China, largely due to quality and “cool” factors, but trust has declined everywhere compared to just five years ago. We expect that trend to continue, and to be a principal challenge for brands in the future.

Erosion of trust is not inevitable. For example, Apple built trust by consistently delivering high performing products and staying true to a strict design philosophy, but also through its 2016
standoffs with the FBI over consumer privacy. In other words, consumer trust going forward will be about more than just product quality and supply chain integrity. As Figure 4 shows, younger generations actively look for environmentally friendly or socially minded brands. Gen Z even claim to have a significant willingness to pay extra for such products.

2. Influence

Just as some consumers have more affluence than others, some have more influence. Although influence can sometimes arise because of a unique property—a person posts compelling video of an overbooked flight—most influencers acquire and keep their status on an ongoing basis because of their knowledge or celebrity. For example, many of today’s top influencers are sports or pop-culture stars with a huge social media following.

Tomorrow’s influencers are likely to be more segmented: for example, a blogger or vlogger (video blogger) with fashion sense, or a local rapper, DJ, or foodie. Such micro-influencers (thousands of followers, strong personal influencers in their communities) may have more impact than macro-influencers (celebrities with millions of followers) because they engage more actively and authentically with their followers and so more effectively build trust.

This trend is already here. Our study shows that, for example, bloggers and vloggers already have growing influence with younger generations (see figure 5). Brands and retailers are already using both micro- and macro-influencers to their advantage. For example, Yves Saint Laurent and adidas are already noted for successful initiatives to identify, collaborate with, and measure the success of influencer partnerships.

Figure 5
Micro-influencers, including bloggers and vloggers, are increasingly influential with younger generations

| % of respondents claiming that bloggers/vloggers have some influence |
|-------------------|-------------------|-------------------|-------------------|
| Gen Z             | 54%               | Millennials       | 51%               |
| Gen X             | 35%               | Others            | 20%               |

Source: A.T. Kearney analysis

In designing an influencer strategy, brands can rely on micro-targeting. Once upon a time, customer targeting simply meant age, occupation, and other explicit qualities. But today, big data allows marketers to pinpoint attitudes, opinions, and other implicit personality-based interests, lifestyles, and values. Such psychographics allow micro-targeting down to much smaller segments, perhaps even to the level of the individual social network. Brands and retailers can identify a segment’s influencers and the speed and characteristics of message flows.
3. Personalization

Although big data can be valuable in understanding influence, it has even more value in unlocking personalization. There’s an overwhelming amount of data on any individual—from shopping and browsing histories (online and offline) to travel to social media activity. Gen Z and Millennials are twice as likely as Boomers to track at least one aspect of their lives (as, say, with a Fitbit). They are also more likely to embrace the notion of the quantified self, pursuing self-improvement through data. They can be willing to share that data if it helps their self-improvement—if they can get something in return (see figure 6).

Figure 6
Across nations, consumers will share data in exchange for value

% of respondents willing to share data if they get something in return

<table>
<thead>
<tr>
<th>Country</th>
<th>% Willing to Share Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>45%</td>
</tr>
<tr>
<td>US</td>
<td>41%</td>
</tr>
<tr>
<td>UK</td>
<td>40%</td>
</tr>
<tr>
<td>India</td>
<td>36%</td>
</tr>
<tr>
<td>Japan</td>
<td>35%</td>
</tr>
<tr>
<td>France</td>
<td>34%</td>
</tr>
<tr>
<td>Germany</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: A.T. Kearney analysis

What do these consumers want in return? Often, product recommendations: for food that fits their dietary needs, for apparel which suits their lifestyle, and for products based on their past purchase behavior. Thus, data becomes a new form of currency to improve customer engagement and experience. Data is the path to personalization.

Note that personalization is much more than product personalization—it’s experience personalization, including content optimization online and in apps or other personalized services. For example, a L’Oréal virtual makeup tool lets users try on makeup virtually, playing with and virtually sampling products for a more immersive interaction. Brands need to think of personalization broadly as a way to communicate with individual consumers, rather than merely a method to derive scale advantage as in the past.

What Will Matter in the Future for Consumer Brands and Retail Companies: Seven Steps to Success

In the past, when the survival of brands and retailers depended on mass marketing and traditional brand theory, fragmentation was anathema. Our study shows that in the future, brands and retailers must learn to celebrate and cater to it.

We see the implications of the study as identifying seven key actions for companies to take.
Step 1: Invest big in customer intimacy

Getting close to the customer—essentially going direct-to-consumer (D2C) for consumer brands—will become an imperative. By building an authentic, intimate digital D2C community, a brand can gather rich insights about each individual consumer. It’s not enough to simply build an app or post on social media; creating a genuine, deep community that offers consumers relevant services and content must be the goal. Yes, there are challenges to be overcome in managing conflicts with retailers and other established distribution partners. However, the goal is data—a prized asset that can be used to tailor product development and marketing to genuine consumer needs.

Step 2: Adapt consumer segmentation models as complex cohorts emerge

The traditional method of customer segmentation based on demographics is obsolete. In the future, consumers will self-select into or out of cohorts. Companies need to redefine how they think about cohorts: away from categories of similar external characteristics, and toward a deeper understanding of what individual consumers value and how they make decisions.

To make that shift, companies must understand changes in consumer behavior at an individual level, then use advanced techniques to get at common needs and desires across emerging sub-groups. In a sense, it’s marketing to the level of one—because data provides the tools to accomplish this goal.

Getting closer to the customer is imperative. By building an authentic, intimate digital direct-to-consumer community, a brand can gather rich insights about each individual consumer.

Step 3: Deliver customized solutions in pockets of scale

Consumers expect ever-increasing levels of personalization, from workout playlists that adjust tempo based on physical exertion to devices that measure emotional responses to certain people. Personalization at scale may sound like an oxymoron: how do you make products and the associated experiences feel individualized and authentic while achieving operational efficiency? We believe the goal is achievable, and the path to get there includes the following actions:

- To offer individualized experiences in a scalable way, group similar consumers into cohorts for which you can identify appealing products or services
- To achieve efficient customization, embed personalization and co-creation into the cohort-specific bundles
- To build a sense of community, move to membership models and event-driven marketing
Step 4: Adjust marketing budgets to reflect social media realities

A hyper-connected world makes many traditional marketing activities irrelevant—so budgets, as well as mindsets, must adjust. Dashboards should incorporate new ways to measure marketing efficiency, such as ROPO index (research online, purchase offline), bounce rate, and number of visits. This transparency will help companies choose the best marketing mix at the consumer cohort level. In addition, brands and retailers should learn to sprint: develop rapid-response capabilities to quickly react to evolving trends and overnight spikes in demand.

Step 5: Engage micro-influencers to build communities

Naturally, the influence model makes collaboration with influencers paramount. As noted above, micro-influencers can be especially valuable ambassadors who can co-create authentic passion for a brand. So brands should systematize their use of influencers:

- Identify relevant influencers and understand the dynamics related to partnering with them
- Look for quality instead of quantity: high social network engagement levels and stronger alignment between goals and values
- Build long-term communities that enhance authentic passion for the brand

Organizations must develop agility and speed to constantly challenge today’s models and re-invent the company every day.

Step 6: Build trust with sharper value propositions

Getting close to consumers is about more than understanding their product needs—you need to understand their values and ethical concerns. Then you need to mirror those concerns: demonstrate your stance on issues, and allow customers to track behind the scenes to validate and monitor your performance against their values. (Social media is great for this.) Transparency builds trust, and for Gen Z especially, trust can create opportunities for more favorable pricing—up to 8 percent extra for good corporate behavior.

Step 7: Bridge the business model gap

It’s not easy for established brands to bridge the gap between today’s affluence-based profitability and the coming influence model, balancing resources and effort between current and potential sources of revenue. Organizations must develop agility and speed to constantly challenge today’s models and re-invent the company every day.

It’s not easy, but it’s possible. Established brands must focus on portfolio innovation—organically and through divestiture and acquisition. Consider how Victoria’s Secret catered to younger demographics with its Pink brand alongside its main brand. And how Burberry unified its confusing Prorsum, London, and Brit lines under Burberry to better serve its customers’ behaviors. Or how well-established global beauty brands have been on a recent buying spree, purchasing “indie brands”—such as Hourglass (purchased by Unilever in 2017), Too Faced and
BECCA (bought by Estée Lauder Companies in 2016), and IT Cosmetics (acquired by L’Oréal in 2016 in its largest acquisition in eight years)—that appeal to younger consumers. Furthermore, bridging this gap is essential. Consider how Blockbuster failed to adjust its revenue models to changing consumer needs, and ended up losing to Netflix. Or how Amazon, even at age 20, lives under the mantra that every day is Day 1.

Whether you’re investing in a new stand-alone brand or challenging your current brand to gain the elasticity to stretch across new business models or consumer segments, the challenge is real—but the reward is sustainability in meeting the needs of consumers far into the future.

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Appendix: About the Study

The Global Future Consumer Study was conducted in May 2017 and covered seven countries with more than 7,000 evenly distributed respondents. We chose these countries to have a global representation across three major regions of consumers (Americas, Europe, Asia), including nations with booming younger generations (India, China), nations struggling with aging economies (Japan, Germany), and western nations with strong consumer bases as representation of general demographic and economic shifts (United States, United Kingdom, France). The survey comprised 40 questions, including five that were customized to market-specific household incomes, education systems, popular social networks, and shopping websites.

The responses were census-representative in every country (see figure). Our age distribution focused on younger demographics, including 20 percent from Generation Z (18-19 years old). We achieved an almost even split between men and women and have a census-appropriate representation of income groups in each market.

Figure
About the survey respondents

Note: Numbers may not resolve due to rounding
Source: A.T. Kearney analysis
A.T. Kearney is a leading global management consulting firm with offices in more than 40 countries. Since 1926, we have been trusted advisors to the world’s foremost organizations. A.T. Kearney is a partner-owned firm, committed to helping clients achieve immediate impact and growing advantage on their most mission-critical issues. For more information, visit www.atkearney.com.

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