Navigating the New Consumer Realities

CONSUMER SENTIMENT 2011

THE BOSTON CONSULTING GROUP
The Boston Consulting Group (BCG) is a global management consulting firm and the world’s leading advisor on business strategy. We partner with clients in all sectors and regions to identify their highest-value opportunities, address their most critical challenges, and transform their businesses. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 74 offices in 42 countries. For more information, please visit www.bcg.com.
## Contents

**Executive Summary**  
5

**New Directions in Spending**  
7

**New Markets: The Great Rebalancing**  
10  
Redrawing the Global Map of Consumption  
10  
The Emerging Middle Class in Developing Markets  
12  
Implications for Companies: Catching the Consumption Wave  
12

**New Demographics: Older, Female, and Urban**  
15  
The Silver Segment  
15  
Women: From Influencers to Decision Makers  
16  
A Shift to Urban Centers  
19  
Implications for Companies: Know Your Customers  
19

**New Shopping Channels: The Digital Revolution**  
20  
Technologies Driving Behavior Changes  
20  
The Power of Advocacy  
22  
Implications for Companies: The Multichannel Imperative  
24

**New Values: From Conspicuous to “Conscientious” Consumption**  
25  
Trading Up for the Right Reasons  
25  
New Sources of Trust and Comfort  
27  
Trading Down and Staying Down  
27  
Implications for Companies: Dare to Change  
29

**Appendix: Methodology and Product Categories Covered in the BCG Consumer Sentiment Survey**  
30

**For Further Reading**  
32

**Note to the Reader**  
33
Despite assurances by many governments that an economic recovery is under way, most consumers continue to feel apprehensive about the future—more so than they did before the downturn. The slight uptick in confidence over the past two years has leveled off and in some cases retreated, as a string of global crises—the massive earthquake and tsunami in Japan and unfolding unrest in the Middle East—drown out news of modest economic progress. Consumers have come to accept instability as normal, and this attitude is affecting their feelings about spending across most markets. Yet natural disasters and political turbulence aren’t the only factors bringing about change in consumers’ spending habits. The emergence of a middle class in developing markets and advances in digital technology are introducing new shopping behaviors that have significant implications for both retailers and their suppliers.

Over the past three to five years, The Boston Consulting Group has been tracking four of the most important developments in the consumer industry: the increasing relevance of new markets, changing shopper demographics, the rise of new shopping channels—especially the Internet—and, finally, trading up and down and the shift from conspicuous to “conscientious” consumption. This report brings hard data on these new realities and their impact across markets and categories. We also discuss how consumer companies can anticipate changes to their business and so secure an advantage from understanding new patterns of trading up and down and serving new kinds of consumers.

Despite signs of economic recovery, more consumers are feeling the impact of the downturn in 2011.

- In the U.S., 57 percent of survey participants said they have been personally affected by the downturn, where-as only 49 percent of respondents made that claim in 2010.
- In Europe, we found a 6 percentage point increase in the number of respondents saying they were affected by the downturn.

Anxiety is also on the rise in many countries.

- Almost 70 percent of Italians claim to feel anxious about the future, up dramatically from 43 percent just a year ago. Consumers are also feeling more anxious in India and China.
- The only country with a significant decline in consumer anxiety is Germany—from 50 percent in 2010 to 34 percent in 2011.

Plans to contain spending continue to hold sway as consumers fear that the worst may be yet to come.

- Approximately 90 percent of survey respondents in developed countries said that they plan to reduce or at best maintain their spending in the next 12 months.
- A notable exception is the emerging markets. This is especially true of China, where only 64 percent of re-}

1. The latest edition of our annual consumer survey, taken in March and April 2011, was based on original research to capture spending trends in 21 countries around the world. As in previous years, we tracked consumer behavior in Brazil, China, India, Mexico, and Russia, as well as in Canada, Japan, the U.S., and several European countries (France, Germany, Italy, Spain, Switzerland, and the U.K.). New to the survey this year are the markets of Australia, Denmark, Finland, Greece, Norway, Sweden, and Turkey. After adjusting our data to exclude the bottom quartile of income, we surveyed approximately 24,000 consumers.
The respondents to our survey said they plan to reduce or maintain spending.

The importance of getting value for one’s money remains a top priority—even in luxury purchases in the U.S. and much of Europe.

- Consumers are looking for good deals before making a purchase, and they are continuing to spend on private-label products.

- Consumers are trading down not just out of necessity but because finding a good deal gives them an emotional boost.

Four powerful trends in addition to the recession (and, in some cases, accelerated by it) are ushering in new spending behaviors.

- New Markets. Much of the global growth in consumption will come from emerging markets over the near term. These developing economies are showing strong growth and positive consumer sentiment. But companies need to be wary of significant differences across and even within consumer segments in these countries.

- New Demographics. As more and more women control the family budget, as the world’s population of active consumers over the age of 55 increases, and as the number of urban dwellers grows, the entire value chain, from product and service innovation to marketing and sales, is being transformed.

- New Shopping Channels. In most developed countries, more and more consumers are accessing the Internet on their phones. More than 50 percent of U.S. consumers use the Internet to get information on travel services, computers, and financial services. And social media are changing how consumers select, purchase, and even use products.

- New Values. “Conscientious” as opposed to conspicuous consumption is on the rise, with a marked and continuing shift away from luxury and status and toward financial prudence and stability. Consumers are also looking for products that have health, safety, and environmental benefits. And they are seeking information on products from friends and family, rather than from manufacturers and retailers, which they’ve come to distrust.
Last year, in our 2010 worldwide survey on consumer sentiment, we found reason for cautious optimism. Job losses had begun to stabilize in many key markets and GDP growth had improved from the previous year. Plans to cut spending and defer major purchases were down in the U.S. and in many European countries, and the intention to trade down had fallen from peak levels.

It may have seemed reasonable to expect a continuing, if gradual, recovery of confidence in 2011. But the past 12 months have told a different story. In many countries, anxiety about the future is approaching or surpassing levels seen only in 2009, at the height of the downturn. The economy may indeed be coming back to life in many affected markets, but it doesn’t feel that way to many consumers in Europe, India, and China, where anxiety has risen. In Italy, almost 70 percent of respondents to our survey said they feel anxious about the future—up dramatically from 43 percent just a year ago. (See Exhibit 1.) The only significant decline in anxiety was found in Germany—from 50 percent in 2010 to 34 percent in 2011.

Exhibit 1. Consumer Anxiety Is Still Rising in Many Countries

Respondents who agree or strongly agree with the statement, “I am anxious about the future” (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>40</td>
<td>50</td>
<td>54</td>
<td>52</td>
<td>50</td>
</tr>
<tr>
<td>U.K.</td>
<td>42</td>
<td>47</td>
<td>54</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>Spain</td>
<td>47</td>
<td>44</td>
<td>39</td>
<td>33</td>
<td>39</td>
</tr>
<tr>
<td>Italy</td>
<td>42</td>
<td>43</td>
<td>43</td>
<td>42</td>
<td>43</td>
</tr>
<tr>
<td>India</td>
<td>62</td>
<td>58</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>China</td>
<td>36</td>
<td>26</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: The bottom income quartile was excluded and the sample reweighted to represent real income distribution in each country.
No doubt the crisis in Japan, economic turmoil in Ireland and Greece, and unrest in the Middle East have taken a toll on consumers’ peace of mind. When we asked consumers around the world whether they thought that Japan’s nuclear disaster would affect their country’s economy, more than 85 percent of respondents in Europe, the U.S., and Australia said they thought it would have at least a minimal, if not a significant, impact.

Taking a macroeconomic perspective, industrial output and global GDP are up compared with 2010 in many parts of the world, but it is hard to claim a genuine recovery in most developed countries. In some regions, unemployment remains stubbornly high, real estate markets are expected to fall further, and many of the factors that contributed to the financial crisis of 2008 are still very much in place. As a result, in the U.S., for example, the proportion of survey participants who said they have been personally affected by the downturn increased 8 percentage points (from 49 percent in 2010 to 57 percent this year). In Europe, we found a 6 percentage point increase in the number of respondents who feel affected by the downturn (from 41 percent in 2010 to 47 percent in 2011), as more and more European governments announce austerity plans for near-term spending.

These impressions are taking a toll on the intention to spend. In the U.K., 53 percent of respondents believe that the economy will worsen over the next year, which is making them reluctant to commit themselves to spending more. We had similar results in most developed countries, where approximately 90 percent of respondents (in most countries, an increase) said they will maintain or even reduce their level of spending over the next 12 months, especially for nonessentials. (See Exhibit 2.) But it is a different story in emerging markets, where many consumers plan to spend more this year: 36 percent of Chinese respondents and 19 percent of Indians said that they plan to increase their spending. This reflects an increasingly wide gap between the developed and emerging economies.

In this year’s survey, we looked more closely at four growing trends in consumer markets, several of which we’ve been tracking for the past ten years. These forces, which are likely to shape spending behavior in powerful ways in the near term, are the backdrop against which the new

Exhibit 2. The Intention to Maintain or Reduce Spending Is Widespread

Respondents’ discretionary-spending plans over the next 12 months

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase spending (%)</th>
<th>Maintain spending (%)</th>
<th>Reduce spending (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>14</td>
<td>51</td>
<td>35</td>
</tr>
<tr>
<td>Canada</td>
<td>38</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Australia</td>
<td>19</td>
<td>39</td>
<td>42</td>
</tr>
<tr>
<td>Japan</td>
<td>4</td>
<td>42</td>
<td>55</td>
</tr>
<tr>
<td>Germany</td>
<td>9</td>
<td>41</td>
<td>56</td>
</tr>
<tr>
<td>U.K.</td>
<td>9</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Spain</td>
<td>7</td>
<td>45</td>
<td>51</td>
</tr>
<tr>
<td>Italy</td>
<td>7</td>
<td>48</td>
<td>44</td>
</tr>
<tr>
<td>France</td>
<td>8</td>
<td>47</td>
<td>42</td>
</tr>
<tr>
<td>Switzerland</td>
<td>8</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>Denmark</td>
<td>9</td>
<td>48</td>
<td>33</td>
</tr>
<tr>
<td>Norway</td>
<td>13</td>
<td>59</td>
<td>27</td>
</tr>
<tr>
<td>Finland</td>
<td>12</td>
<td>53</td>
<td>33</td>
</tr>
<tr>
<td>Sweden</td>
<td>13</td>
<td>43</td>
<td>33</td>
</tr>
<tr>
<td>Greece</td>
<td>15</td>
<td>36</td>
<td>44</td>
</tr>
<tr>
<td>Turkey</td>
<td>4</td>
<td>39</td>
<td>42</td>
</tr>
<tr>
<td>China</td>
<td>14</td>
<td>19</td>
<td>66</td>
</tr>
<tr>
<td>India</td>
<td>15</td>
<td>19</td>
<td>45</td>
</tr>
<tr>
<td>Russia</td>
<td>19</td>
<td>19</td>
<td>42</td>
</tr>
<tr>
<td>Mexico</td>
<td>14</td>
<td>19</td>
<td>42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Increase spending (%)</th>
<th>Maintain spending (%)</th>
<th>Reduce spending (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries, non-European</td>
<td>14</td>
<td>51</td>
<td>35</td>
</tr>
<tr>
<td>Europe, Big 5</td>
<td>38</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Europe, other</td>
<td>19</td>
<td>39</td>
<td>42</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>14</td>
<td>19</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: The bottom income quartile was excluded and the sample reweighted to represent real income distribution in each country. Some totals do not add up to 100 because of rounding.
realities of the consumer market are emerging. They include the following:

◊ **New Markets.** Middle-class spenders are emerging in developing countries.

◊ **New Demographics.** Tomorrow’s consumers are increasingly older, female, and urban.

◊ **New Channels.** The digital revolution is transforming shopping behavior.

◊ **New Values.** Consumers continue to favor a more conscientious, rather than a conspicuous, style of consumption.

By focusing their business strategies on these shifting dynamics, retailers and consumer product makers can equip themselves to navigate the uncertain seas of consumer spending in the months ahead.
One of the most significant effects of the recent economic crisis has been the reduced role of Western consumers as drivers of growth in global consumption. Today, U.S. consumption makes up 17 percent of global GDP, and since 2000, consumers have accounted for 74 percent, or $3.5 trillion, of U.S. GDP growth. By 2020, U.S. consumers are expected to account for 35 percent of global discretionary spending, compared with 40 percent today, and China will account for 22 percent, up from just 9 percent today. The economic downturn hurt both the willingness and the ability of many consumers in the developed economies to spend. This stands in strong contrast to the emerging markets, where attitudes toward spending are much more buoyant, reflecting consumers’ outlook on the economy.

Developed markets will continue to play a significant role in the world economy because of their absolute size. But over the next few years, growth in consumption will primarily occur in the emerging markets, such as China and India, where it is expected to exceed 50 percent in five years. (See Exhibit 3.)

Redrawing the Global Map of Consumption

Developed-market economies may be performing a bit better than they were in 2009, but the economic hangover continues to linger, and shoppers are behaving accordingly. Without easy access to credit and with depressed property values bringing a diminished sense of wealth, consumers in the U.S., Spain, and the U.K. are reluctant to spend as they once did. Fully 44 percent of consumers in the U.S. said that they plan to reduce their spending over the coming year. That’s down only slightly from the 46 percent of consumers who made the same claim back in 2010.

Many economists anticipate that, because of the recession, household debt levels will retreat from the precipitous brink that they reached in some countries. U.S. households have indeed been slowly decreasing their debt, with levels now at “only” 146 percent of disposable income, down from a peak of 162 percent in 2007. And credit growth has likewise slowed in the U.K. and in some European countries. Still, household deleveraging has yet to happen in many developed regions, such as Canada, Australia, and the Nordic countries, where debt levels remain at all-time highs. A decrease in net new debt over the next few years could put further downward pressure on consumer spending.

As the engine of spending growth in the developed world decelerates, the developing world (especially China and India) is taking up an increasing portion of the slack. China is already the world’s largest market for automobiles, and it is poised to rapidly take a leading position in many other categories. Thirty-six percent of Chinese survey participants said they expect to spend more or much more on discretionary items in the next 12 months, compared with only 8 percent in the EU and 11 percent in the U.S.

Consumer spending in other emerging markets has also remained comparatively robust throughout the downturn and is expected to continue growing more rapidly than in the developed world. These developing economies, showing strong growth and positive consumer sentiment, are ripe to lead the growth in global consumption over the near term. (See Exhibit 4.) However, many of them are
Exhibit 3. More Than Half of Projected Consumption Growth Will Occur in Developing Economies

Source: BCG GeoAnalytics.
Note: Where absolute consumption change is zero, the country is not represented.
1Based on Economist Intelligence Unit estimates; for countries outside the EIU’s data set, growth was modeled using a combination of World Bank data, IMF data, and data from the CIA’s World Factbook.
2International Monetary Fund, World Economic Outlook, April 2011.

Exhibit 4. Consumers in China, Russia, and India Are the Most Optimistic

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: The bottom income quartile was excluded and the sample reweighted to represent real income distribution in each country.
1EU 5 = France, Germany, Italy, Spain, and the U.K.
also grappling with inflation, which is eroding consumers’ spending power and may somewhat distort the picture of real spending growth.

Whether consumers are trading up, trading down, or looking to find a compromise in the middle, the recovery is clearly taking different paths and occurring at different speeds—determined, in part, by differing starting points in consumer sentiment around the world—thus underscoring the importance of de-averaging consumer segments. For a more detailed discussion of the multispeed recovery as it affects specific markets, see Consumer Dynamics in Flux Around the World on bcgperspectives.com, a supplement to this report that looks at the 21 markets we surveyed in terms of four distinct groups, described as follows:

◊ **Getting Brighter.** In these countries, which include Brazil, China, and India, growth rates are relatively high and consumer sentiment is buoyant.

◊ **Modest Growth.** In Australia, Canada, Russia, and most of the countries of Europe, expectations of growth are lower, though consumer sentiment is rebounding.

◊ **Question Marks.** Here, economic and consumer signals are mixed, and there are significant questions about future growth trajectories; these countries include Italy, Japan, Mexico, and the U.S.

◊ **Still Struggling.** In Greece and Spain, no return to growth or consumer optimism can be detected so far.

### The Emerging Middle Class in Developing Markets

Approximately 125 million households in emerging-market cities will enter the middle class between 2010 and 2015, an increase of more than 70 percent. However, companies should not assume that these new consumers will spend in the same ways or have the same aspirations as middle-class shoppers in the developed world. Their starting points in terms of disposable income, constraints on their daily lives, and spending priorities are often very different. Consumers in China, for example, are more likely to trade up in general and significantly more likely to trade up in specific categories, such as consumer electronics, than middle-class shoppers in developed economies. (See Exhibit 5.) And in India, middle-class consumers are twice as likely as consumers in the U.S. and the EU to say that they increasingly value education and see it as an area for disproportional spending. Addressing these differences will require insight into the values and needs of specific segments of consumers.

Although the emerging middle class is often viewed as homogeneous, it can differ considerably across markets. And even within countries, there are very diverse subsegments. Middle-class consumers in China’s smaller cities, for instance, tend to be more optimistic than their counterparts in large cities. And because the cost of living is lower in small cities, consumers there have greater purchasing power and are willing to spend more than consumers in larger cities, where a higher cost of living and the greater impact of the downturn have meant less enthusiasm for spending.

Yet there are also some commonalities among emerging-market consumers. As the middle class becomes more affluent, success is increasingly valued. Consumers in China, India, and Brazil are more than twice as likely as consumers in the U.S. and Germany to say that professional success and status are more and more important to them. By understanding the emotional drivers of consumers’ attitudes across these markets, companies can identify and leverage commonalities where they exist. (See the sidebar “Retail in India” on page 14.)

### Implications for Companies: Catching the Consumption Wave

The heterogeneity of emerging middle-class markets and the rapid changes they are undergoing pose significant

---

2. Emerging markets here refer to Brazil, China, Indonesia, Mexico, Russia, South Africa, and Turkey. Middle-class households are those with an annual income of more than five thousand dollars in all countries except India and Indonesia, where a middle-class income is more than ten thousand dollars per year. See Winning in Emerging-Market Cities: A Guide to the World’s Largest Growth Opportunity, BCG report, September 2010; Economist Intelligence Unit; IBGE; INEGI; BCG China population and income forecast database, 2010; and Rajesh Shukla, S.K. Dwivedi, and Asha Sharma, “The Great Indian Middle Class,” National Council of Applied Economic Research, 2004.
challenges to multinational companies, especially at a
time of anxiety about inflation. Although the emerging
markets represent a large and growing customer base, it
is critical that companies entering them develop a keen
understanding of how consumption trends will play out
in their categories, as well as of the differences among
consumers across regions and demographic segments.

Four tactics are particularly critical in winning over the
emerging-market middle class:

- **Carefully pick your spots.** Know the markets, segments,
  and cities you want to target. Allocate resources ap-
  propriately and “refresh” them frequently to stay
  ahead of trends. Choose a clear methodology for pri-
  oritizing expansion across markets, including integrat-
  ing markets into clusters to create greater economies
  of scale.

- **Understand how the “take up” curves play out in your cat-
  egories.** Consumption won’t take off at the same time
  in all categories. Consumer electronics, for example,
  will start early, while premium yogurts and niche hair-
  care products may come later. Make sure to develop
  scenarios of economic growth and consumption rates
  for different markets, and know the trigger points and
  thresholds in your category.

- **Walk in consumers’ shoes.** Get to know consumers’
  unique constraints, such as unstable incomes, small liv-
  ing spaces, and unreliable access to utilities, as well as
  the priorities of specific segments—for example, mid-
  dle-income and affluent consumers in cities of differ-
  ent types and size. Then adapt and customize your of-
  fering, products, and brand experience to the speci-
  fic market. Consider, for example, offering fewer SKUs
  and a limited mix of middle- to high-end products in

---

**Exhibit 5. Plans to Trade Up and the Top Trading-Up Categories Differ Across Markets**

% of consumers saying they trade up across categories

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: Middle class includes those who self-identify as lower-middle class, middle class, and upper-middle class.

EU 5\(^1\) Brazil Russia India China

- Travel and vacations
- Home or apartment
- Kids’ clothing
- Shoes
- Large home appliances
- Consumer electronics
- Luxury products

Top four trading-up categories for middle-class consumers by country

\(^1\)EU 5 = France, Germany, Italy, Spain, and the U.K.
How would you describe the retail sector in India today?

Indian retail is characterized by two types of participants. On the one hand, we have the mom-and-pop stores (also known as “traditional trade” or the unorganized sector), which make up 90 to 95 percent of sales. That shows you how nascent the market is. On the other hand, we have a number of large Indian business houses (“modern trade” or the organized sector). Most of them have tie-ups with large international retailers such as Tesco and Wal-Mart. They represent the direction that the industry will most certainly head toward. We have about eight of these national players and also a handful of regional players that are looking to become more national.

What are the growth prospects for the market?

The Indian retail market is very interesting for both Indian and international retailers to enter, primarily because of growth opportunities but also because of the absolute size of the market: approaching $400 billion and growing at double digits. Organized retail is actually growing at 20 percent, and market share is shifting away from unorganized to organized retail. International retailers find this very attractive and want to get into the market for that reason.

How easy is it for international entrants?

There are some very strong regulatory restrictions for international retailers—for instance, they are not allowed to open their own multibrand stores. They can enter the market through cash-and-carry shops or through franchising. Single-brand retailers, such as Gucci or adidas, are allowed to have a 51 percent stake in a joint venture with an Indian partner.

What opportunities do you see for the retail food category?

The retail food sector—which is the largest category in the overall retail market and accounts for approximately two-thirds of the total retail market—poses some interesting challenges. About five years ago, organized retailers placed a large bet on the assumption that Indian consumers were deeply unhappy with the store experience and service levels in mom-and-pop stores and that they would flock to their organized retail stores. But that hasn’t happened as rapidly as they expected. This is partly because they underestimated consumers’ loyalty to the mom-and-pop stores, which have very close relationships with the customers who live near them. And because there are so many mom-and-pops, any consumer can find one around the corner. They also provide free services, such as delivery and credit, that organized retail cannot match in a cost-efficient way. Unorganized retailers, however, can’t match the product assortment and selection or the shopping experience that organized retailers can offer. Organized retailers in India are also rising to a scale where they can more effectively negotiate with suppliers and get better terms. This will increase their pricing power over unorganized retailers and thus increase their appeal to Indian consumers.

Smaller cities, and offering a full selection and more choices in larger cities. Find innovative ways to educate consumers about products, such as on-site sales service and grassroots campaigns, especially in smaller cities.

◊ **Strike the right balance between global and local efforts.** Determine when you should leverage the existing global product portfolio and when you should adapt products to meet local needs. Explore opportunities to use emerging-market R&D facilities to encourage local adaptation. Drive “boomerang” innovation by leveraging emerging markets as a hotbed for innovation on a global scale.
For the past several decades, the needs and shopping habits of the baby boom generation (people born between 1946 and 1964) have driven the evolution of products, services, and shopping channels. As the baby boomers enter their fifties and sixties, they continue to be a powerful force in the market. But other demographic groups are also making a mark. The increasing dominance of women in purchase decisions, especially high-ticket ones, and the trend toward urbanization are creating a new profile of the “average” consumer.

The Silver Segment

By 2050, the share of the world’s population over the age of 55 will have nearly doubled, from 15 percent to 28 percent. In the U.S. alone, there are expected to be 2.2 million more people over 55 every year between 2010 and 2020. And in China, the population over 55 will grow from 18 percent to 38 percent during that period. The aging of the population is driving a massive change in consumer markets. In the developed world, the “silver segment” is expected to contribute 50 to 80 percent of the growth in total spending over the next 20 years.

Yet the recent downturn has put pressure on the retirement savings of older consumers by eroding property values and investment portfolios. As the population pyramid becomes increasingly “age heavy,” some countries have been forced to raise the retirement age or weaken the social safety net. And in China, the one-child policy is placing a significant burden on only children and their elderly parents. Despite this, seniors are increasingly confident. In the U.S., only 38 percent of respondents over the age of 55 said they feel anxious about the future (compared with 52 of all respondents), down from 53 percent two years ago. Older consumers are a diverse group, varying across markets, ages, income levels, and lifestyles. Marketers need to understand these differences and revisit their assumptions as the consumer market evolves. For example, today’s retiring baby boomers in developed economies will be much more open to technological innovation than their parents were. Indeed, in the U.S., more than 80 percent of consumers over the age of 50 say that they use the Internet. Today’s seniors are also healthier and more active than previous generations. They are particularly eager to travel, in search of new experiences and adventures. (See the sidebar “Targeting Seniors.”)

Still, many companies have been slow to recognize the needs of this increasingly important segment. Our survey identified five specific themes that have particular resonance for these consumers.

- **Aging Gracefully.** Even as they grow older, baby boomers aren’t about to give up their focus on an active and youthful lifestyle. Seventy percent of female respondents in the U.S. cited “aging gracefully” as an important challenge. Undoubtedly, these consumers will welcome products that help them meet this goal.

- **Shopping Smart.** The silver segment will be particularly focused on value, given uncertain retirement savings in a volatile stock market. Indeed, 56 percent of pre-retirement respondents in the U.S. said they are worried about financing their retirement. In addition, because this segment has had a lifetime of shopping experience, they know value when they see it. Smoke-and-mirrors features or glib advertising won’t work with this crowd.
Seniors value products that are ergonomically designed, easy to use, safe, and healthy. The telecommunications industry has been exceptionally innovative in developing products specifically for seniors—who, unlike their grandchildren, are mainly interested in using mobile phones as actual phones and who appreciate features such as larger buttons. Telecommunications companies are also marketing these products in new channels, such as at travel agencies and on bus tours that focus on seniors. A number of companies now offer mobile phones and services with features such as these:

- Large, easy-to-see, and easy-to-operate buttons
- A familiar dial tone
- Hearing-aid functions and volume controls
- Padded ear pieces for external-sound reduction
- Large display screens and voice-activated commands
- Text- and e-mail-reading functions
- One-touch Internet access to topics of interest to seniors
- In-store classes on using mobile and Internet networks
- Limited-use service plans suited to seniors’ needs
- Live, 24-hour operators who will help with calls

A Sense of Community. Many consumers over 55 place a significant premium on personal relationships. In France, friends and family were cited by 87 percent of respondents as a source of happiness. Products and services that help maintain strong social networks will be particularly in demand.

Tailored Travel. Consumers over 55 who have the time and money are hitting the road in search of adventure, and they are willing to trade up for travel and vacations a little more often than younger travelers. Many of them have already seen the major tourist sights of the world, so now they seek trips that put them in new environments, call on new skills (such as a foreign language or sailing), and provide ways to pursue their hobbies and interests.

Ease of Use. Many older consumers will pay a premium for products that are easier to use and more convenient. Oxo, the maker of Good Grips cooking utensils, office products, and gardening tools, among other products, is one company that is successfully responding to this need. From can openers to hedge trimmers to snow shovels, these products—with their ergonomic handles, good balance, and light weight—are attracting seniors (as well as younger consumers).

Women: From Influencers to Decision Makers

Women have always had a big role in managing household expenses. As they joined the workforce, they gained economic power and became the primary decision maker regarding the family’s budget. Women now control about $12 trillion in global spending and 70 percent of household spending, on average, in developed countries. Although their influence is greatest in the developed markets, where women’s participation in the workforce tends to be greater, the rise of a middle class in emerging markets will turn even more women into wage earners and decision makers in household spending. Worldwide, working women are expected to increase global income by more than $1 trillion per year. (See Michael J. Silver-

Most women who enter the workforce aren’t able to fully offload their family responsibilities, and that has made them increasingly time-pressured multitaskers. Of course, this is especially true of women with children, who claim to spend almost four hours a day on household tasks. Women are also more prone than men to say that they feel responsible for stretching the household budget, and they are less likely to spend on themselves before meeting the needs of their family. More than half of the U.S. women who responded to our survey said that they never have enough time, 44 percent said they feel stressed, and 28 percent said they aren’t appreciated enough at home. Not only do women actively look for ways to save time, they also appreciate affordable products and services that offer a respite from stress—a way to give themselves a treat within their limited schedule and budget. (See the sidebar “The Female Consumer.”)

Other factors, in addition to their growing spending power and influence over the household purse strings, make women an attractive segment. They are, on average, more willing than men to trade up in some high-involvement categories, such as shoes, if they have a compelling reason to do so, and they are active participants in the luxury segment. In fact, more than half of the French women in our survey claimed to have purchased a luxury product in the past three years. Yet despite women’s clear attractiveness as a consumer group, many in our U.S. survey said they feel underserved in a number of key areas—especially financial services. (See Exhibit 6.) (This confirms a trend that we identified back in 2009 and was discussed in Women Want More.)

Women in the U.S. also trade down more actively than men, especially in categories that lack a compelling value proposition or involve minimal emotional involvement. (See Exhibit 7.) Women in our survey told us that they derive a sense of purpose and power from spending money wisely for their families, and this has made them especially discriminating shoppers. In the recent downturn, “treasure hunting” became the norm. Women have become expert at meeting their family’s needs on a limited budget. In our U.S. survey, they gave as their primary reasons for trading down the enjoyment of saving money (74 percent) and saving in order to spend elsewhere (67 percent).

---

**The Female Consumer**

**Judith’s story**

“My partner and I are both 33 years old and live in Germany with our three-month-old son. I’m a dentist and will be opening my own practice this summer.”

**Earning her own money “gives her permission” to spend on luxury**

- “We keep our incomes separate.”
- “I enjoy shopping more when I can reward myself for working hard.”

**A cautious spender, but family and health are reasons to trade up**

- “I’m a more conscientious spender because I have a child and a business, not because of the crisis.”
- “We buy fruit at the farmer’s market, not at a discount store.”

---

**Not enough time**

- “When I have my own practice, I’ll work at least four full days a week and also care for my son. Unfortunately, I’ll have little time for friends.”
- “Our biggest challenge is to be happy and have time for each other.”

**Conflicts and tensions**

- “Men’s lives remain much the same when their wives join the workforce. But women must be responsible for both the children and their job.”
- “Our relationship might not last forever. I don’t want to end up without my dream job and worrying about finances.”

---

Navigating the New Consumer Realities
Exhibit 6. Women in the U.S. Want More, Especially in Financial Services

Which categories should focus more on understanding and meeting the needs of your gender?

<table>
<thead>
<tr>
<th>Category</th>
<th>% of respondents</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car insurance</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physicians</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit cards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work clothes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: Full data set weighted to represent real income distribution in the U.S. This graph shows the 10 worst-ranked categories (out of 58) among female respondents, with the corresponding rankings by male respondents.

Exhibit 7. Women in the U.S. Are Consistently More Open Than Men to Trading Down

Top categories in which consumers trade down

<table>
<thead>
<tr>
<th>Category</th>
<th>Average % of respondents</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper products</td>
<td>71</td>
<td>55</td>
<td>53</td>
</tr>
<tr>
<td>Toys and games</td>
<td>70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jewelry and accessories</td>
<td>69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile-phones contracts and services</td>
<td>69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household cleaners</td>
<td>68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury products</td>
<td>67</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Fast-service restaurants</td>
<td>67</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Personal clothing</td>
<td>66</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Consumer electronics</td>
<td>66</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Hair care services</td>
<td>65</td>
<td>53</td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: Full data set weighted to represent real income distribution in the U.S.
A Shift to Urban Centers

In 1980, approximately 40 percent of the world’s population lived in cities. That number is expected to rise to more than 60 percent by 2030. Almost 180,000 people move to cities daily, which means there are more than 60 million new urbanites each year. Overwhelmingly, tomorrow’s consumers will be city dwellers.

More than one-third of the world’s population—2.6 billion people—live in emerging-market cities. Up to 717 of those cities have populations of 500,000 or more, yet most are unknown to consumer companies. Their growth rates are even more impressive: by 2030, there will be an additional 1.3 billion urban dwellers in emerging markets, and a total of 1,088 cities with populations exceeding 500,000. The growth of urban centers is increasing both the number of middle-class spenders and their spending power.

Understanding the metropolitan mindset has become increasingly important for marketers in recent years. Life for consumers in major cities tends to be fast paced, with a constant barrage of information on numerous product options. The urban consumers in our survey were more likely than rural consumers to say that they increasingly value change.

Large cities, with their diversity of cultures and lifestyles, expose consumers to a broad range of choices and opinions. Categories such as fashion, media, and entertainment are strongly influenced by local trendsetters, and urban dwellers greatly value being in the know. Many are also fiercely proud of their city—a theme that Chrysler effectively tapped into in its much-talked-about Super Bowl commercial, “Imported from Detroit,” featuring singer Eminem playing on Detroiter’s city pride.

The trend toward urbanization is a boon for marketers. For instance, our research shows that the importance of “wellness” has grown 25 percent more among urban consumers than among rural consumers. In addition, 10 to 50 percent more urban than rural respondents to our survey said that they like to pamper themselves. And they are 20 percent more likely to value luxury products—indeed, the value of luxury for consumers in rural areas has been declining. Urban dwellers typically have greater access to networks that can develop their interest in new products and services, and their high-density neighborhoods can make distribution easier. But the urbanizing trend also poses challenges: greater competition for the attention of consumers, space and privacy constraints, pollution, and the difficulty of knowing which cities to target. Determining how products and services can improve the lives of tomorrow’s city dwellers, and how to reach them, will be critical to thriving in the next decade.

Implications for Companies: Know Your Customers

There are three critical steps to understanding how the demographics of your targeted consumer segments are changing and how to serve their needs:

- De-average your consumers. Pay special attention to the growing silver segment, adapting your marketing messages (promise health rather than youth) and product features and services (such as accessibility, safety, and personal assistance) to serve them better than your competitors are doing.

- Refresh your understanding of the female economy. Explore how relevant subsegments have changed in the past few years. Identify new dissatisfactions and unmet needs. Find ways to help women meet their need for more time, money, convenience, variety, ease of use, and product information.

- Develop a thorough understanding of the urban consumer. Upgrade your insights to take into account the unique needs of these consumers. Tap into emotional benefits—such as security, privacy, and city pride. And most important, do not underestimate consumers’ willingness to spend on offerings that address these needs.
Mobile technology is dramatically changing the way consumers shop and gather information on products and services. The implications for marketers are profound, as consumers increasingly research products, compare prices, tap into the opinions of other users, and solicit advice from friends at all points in the shopping process (sometimes even while shopping at a brick-and-mortar store). New sources of trusted information are emerging as more and more user-generated content makes its way onto the Web, and the conversations among consumers and companies are shifting from one-way to multidirectional, including direct exchanges among consumers. The pace of change is overwhelming, especially for established businesses. Many companies are struggling to respond.

**Technologies Driving Behavior Changes**

An array of accessible technologies is dramatically changing the daily lives of consumers around the world. With mobile phones becoming both ubiquitous (76 percent of the world’s population uses one) and smarter (smartphones are expected to account for 70 percent of mobile penetration within the next five years), the Internet has become available and affordable to just about anyone, anywhere, anytime. This has led to an explosion in mobile commerce, which allows transactions to be conducted using a smartphone or other mobile device.

Our 2011 survey showed that mobile phones and smartphones are almost as common as computers. This phenomenon is even more pronounced in the developing world: in many emerging markets, more people have access to a mobile phone than to a computer. (See Exhibit 8.) In China, more than 40 percent of the population is accessing the Internet with a mobile phone or a smartphone. In India, where more than 90 percent of the population has access to a mobile phone but less than 20 percent has access to a computer, mobile phones are well positioned to be the technology of choice for accessing the Internet.

Empowered “netizens” are becoming increasingly widespread. Nearly everyone has searched for information on Google or another search engine, and nearly half the world’s population has searched for product reviews online. Although the number of store shoppers who claim to have used their mobile phones to compare prices (16 percent in the U.S.) or to access product information (12 percent in the U.S.) is still small, these practices are expected to grow quickly. Indeed, it won’t be long before consumers are on average better informed about a retailer’s products than the retailer’s staff. (See the sidebar “Foursquare’s Location-Based Mobile Platform.”)

Of course, spending behavior and product usage vary significantly across product categories, price points, and countries. Our survey indicated that more than half of U.S. respondents use the Internet to search for information on travel, computers, and financial services, whereas considerably fewer people do so for groceries and household products. (See Exhibit 9.) And while 27 percent of Germans told us that they use their mobile phone to check prices while shopping, only 6 percent of Danish respondents made that claim. There are, however, some commonalities across countries and categories. For example, consumers everywhere are seeking new ways to employ the Internet to help them make purchases: 28 percent of those consumers in the BRIC countries (Brazil,
Foursquare’s Location-Based Mobile Platform

Foursquare is a tool for consumers who love to explore cities. By “checking in” with their smartphones, users can tell their friends where they are while collecting points and virtual badges according to where, when, and how often they check in. They can see how many points they rack up in any given month and keep track of their stats at Foursquare.com. And they can bookmark information about the places that they want to visit and collect suggestions about nearby venues they might want to try. Merchants and brands leverage the Foursquare platform with a large set of tools to obtain, engage, and retain customers and audiences. For example, in a recent promotion at Pizza Hut, the Foursquare network offered the designated “mayor” of each store (the person who has visited most often by way of Foursquare) a free order of breadsticks. Foursquare also enables developers to build applications that interact with the Foursquare platform.

Foursquare was launched in March 2009 and grew rapidly

- 9 million users today and more than 3 million check-ins each day
- 30,000 new users every day
- More than 250,000 businesses using the merchant platform

The platform serves as a new marketing channel for businesses

- Many tools to engage and retain customers
- “Specials” include mobile coupons, prizes, and discounts
- Consumers directed to other businesses in the neighborhood
Russia, India, and China) who are not already doing so say that they’re interested in using their mobile phone to check prices, and 28 percent and 22 percent, respectively, of consumers in the EU and the U.S. agree.

The Power of Advocacy

Social media, too, are affecting how consumers select, purchase, and even use products. Social-networking sites such as Facebook, whose growth has exploded from 12 million users in 2006 to 500 million in 2010, are convening communities of consumer advocates and replacing traditional information sources. Despite the growth of social media, however, our research shows that consumers are more likely to trust recommendations from people they know than from strangers online. Seventy-three percent of U.S. consumers and 67 percent of EU consumers said that they trust recommendations from people they know, whereas only 32 percent and 29 percent, respectively, said that they trust reviews from unknown people on social-networking sites. Nevertheless, as consumers gain the ability to share increasing amounts of information with each other and with manufacturers, they are beginning to question the value of retailers’ advice and often to bypass it altogether.

The penetration of the Internet and of social media creates huge opportunities for consumer companies, but it also creates risks that need to be actively managed. Companies can’t control “consumer advocacy,” but they can use recommendations from shoppers to develop relationships that give them a long-lasting competitive advantage. Cultivating advocates through blogs, forums, and mobile applications has become a critical way for companies to deepen their relationships with customers. (See the sidebar “What Gets People Talking? An Interview with Steve Knox on Advocacy Marketing.”) And in addition to promoting products, an advocacy marketing program can generate ongoing exchanges between companies and customers that can result in ideas for new products.

Companies should be aware, however, of what we call the “reciprocity dilemma”: since far more consumers read online product and service reviews than post them, the opinions of the average customer are underrepresented in reviews. For example, whereas half of U.S. respondents...
Steve Knox is a senior advisor with The Boston Consulting Group and the former CEO of Tremor, Procter & Gamble’s word-of-mouth marketing capability.

What is advocacy marketing?

It’s a form of marketing that harnesses the power of recommendations from third-party individuals who are not affiliated with the brand. It taps into trusted social networks to disseminate and amplify messages that are relevant to consumers. When done right, it also allows consumers to participate in the development of products and services and to provide feedback on new products and marketing campaigns.

How do you create messages that will get advocates talking?

Advocacy marketing is actually grounded in cognitive science. The core concept is called a schema disruption. In simple terms, schemas are mental models of how the world works. They allow us to process information using a set of unconscious assumptions or expectations. Advocacy results when we encounter a variance from these expectations, and our brains naturally want to talk about the experience: on blogs, around the coffee machine, at dinner with friends. Significant disruption calls for significant conversation—and that’s the secret of advocacy marketing.

Why is advocacy marketing particularly critical for consumer businesses now?

The erosion of consumer trust in brands and marketing has been a big factor in the recent surge in the power of advocates. Another equally powerful driver has been the rapid spread of digital media, which serve as a booster shot for the viral transmission of messages. Thanks to digital connectivity, scale is now possible in the use of advocacy marketing.

What kind of impact can advocacy marketing have?

Our research shows that it has the potential to double the revenues for new products over traditional marketing alone. It can also help companies lower their marketing budgets.

How can a company succeed in advocacy marketing?

Advocacy strategy should align closely with the business’s strategic goals and should complement, rather than replace, the current marketing program. But it also requires new ways of thinking—away from traditional reach-based marketing models to a new relationship-based model. And what makes this such a rich approach is that there are so many sources of advocacy. (See the exhibit below.) Companies that are implementing advocacy marketing are winning in today’s marketplace.

**Sources of Advocacy**

- **Consumers**
  - **Apostles**
    - Provide information and advice based on personal experience with product
  - **Friends/family**
    - Provide advice based on relationship of trust
  - **Goods and services providers**
    - Provide information on complementary products and services
  - **Blogs and forums**
    - Provide information and expertise
  - **Influential personalities**
    - Provide information and affiliation
  - **Professionals**
    - Provide advice and functional support
  - **Organizations and networks**
    - Provide credible information

Source: BCG analysis.
have checked reviews online, less than one-third have ever posted one of their own. Furthermore, reviews are often written by people who are habitual review posters but whose judgments don’t necessarily reflect the experience of most customers. Companies can’t control online reviews, but they can try to get to know and influence the opinions of these so-called power users, while also remembering that they need to look beyond blogs and online reviews to understand their main customer base.

Implications for Companies: The Multichannel Imperative

By actively participating in the digital revolution in shopping, consumer companies can both manage the risks and leverage the opportunities associated with mobile technology and mobile commerce. Here are some guidelines:

◊ **Be where your customers are.** Understand the roles that the new communication channels play in your categories today. Leverage mobile applications, social networks, and location-based marketing to communicate with customers in real time while you increase your reach and effectiveness.

◊ **Stimulate two-way conversations.** Make it easy for satisfied customers to post reviews online and, if possible, try to engage habitual reviewers in a dialogue that might give them more reliable information about your products.

◊ **Remember the reciprocity dilemma.** While many consumers make use of user-generated content, such as product reviews, far fewer actually contribute to it. Therefore, this content may not represent the opinions of your target consumers.

◊ **Leverage the power of advocacy.** Find the right people and get them talking about the right things in the right places. This requires insight into whom your customers trust most and an advertising message that offers something unexpected.

◊ **Choose the right metrics to assess your success in digital media.** New media have brought with them a wealth of new ways to measure success (for example, the number of “tweets” or Facebook “likes” that a product gets), but it is essential to make sure that the link between these measures and the real business result is clear. Some companies have determined what 100,000 likes are worth by measuring how many turn into an actual purchase.
The recent economic downturn catalyzed (and, in some cases, accelerated) a shift in what matters most to consumers. These changes are continuing to have an effect on how consumers think about spending and saving. Despite increasing economic stability in some key markets over the past year, the world is experiencing heightened levels of uncertainty stemming from a torrent of political unrest, natural disasters, corporate scandals, and product scares. (See the sidebar “Shifting Priorities.”)

Below, we examine three important shifts in consumer values and how they will affect markets in the years to come.

Trading Up for the Right Reasons

Especially in today’s economy, perceived value lies not only in the ability of a product or service to deliver on an advertised promise but also in the worth of that benefit. Is it emotionally meaningful? Will it offer a sense of shelter or a respite from stress, if only temporarily? Will it be good for the environment, for the family, and for the community? When so much of the world is going without, consumers need to feel justified in spending the money that they have. Companies that connect their value propositions with these feelings will fare much better in the marketplace than those that do not.

Even in a tough economic climate, many consumers remain keen to trade up, especially in emerging markets like China and India. With the global economy showing signs of improvement in 2010, luxury sales got a strong boost, with sector leaders such as LVMH and Hermès posting healthy earnings increases—more than 20 percent over the results for 2009.3

However, the results of our longitudinal survey on trading up, which goes back to 2002, suggest that the reasons today’s consumers trade up are different from the reasons they had in the past. Only 10 percent of consumers in Germany gave “visibility of the brand name” as their primary reason for purchasing a luxury product; many more cited the importance of authenticity, product heritage, and quality or craftsmanship. Consumers are becoming less attracted to brands as status symbols and more interested in getting value for their money in the form of affordable emotional or functional benefits.

Consumers in emerging markets are even more open to trading up than they were in the past. Indeed, China is expected to become the world’s largest luxury market in the next five to seven years. (See The New World of Luxury: Caught Between Growing Momentum and Lasting Change, BCG White Paper, December 2010.) Although categories such as clothing, shoes, and consumer electronics remain important categories for trading up, we’ve seen a growing interest in trading up for dairy products, juices, and fresh foods, as consumers in emerging markets become more aware of the connection between the sources of foods and their quality. Interestingly, these consumers are also much more likely than their developed-market peers to cite brand name as their reason for trading up (especially in China and India) or to give “I deserve it” as a key reason (especially in Brazil). (See Exhibit 10.)

---

3. LVMH’s total revenue went from €17,053 million to €20,320 million, and Hermès’s sales were up 25.4 percent (18.9 percent at constant exchange rates). See LVMH, 2010 Annual Report, and http://finance.hermes.com/en/2011/2010-Results.
Shifting Priorities
Ioanna’s story

“I’m a middle-class mother in Greece with three children and a husband. I also work full time in the public sector.”

Impact of the crisis
- “My salary has been reduced, and it has affected me emotionally—I feel insecure.”
- “With the recession, we have had to become much more conscientious about spending.”

Family is the first priority
- “My dream is a bigger house for my family. But my first priority is to see that my children grow up healthy.”
- “We want to give our kids everything they need—including a good school. We don’t cut back when it comes to our kids.”

Spending priorities are family and health
- “I think I’m a rational spender: despite the crisis, we trade up for fresh organic food, but only for basics.”
- “I believe in quality over luxury; I dislike fancy things, but I won’t buy something on sale if I don’t know the brand.”

Lasting changes in spending behavior
- “It’s not just a question of having less money—cautious spending has become a habit. We’ve become accustomed to thinking twice before buying anything.”

Exhibit 10. When Trading Up, Consumers in China and India Value Brand Name More Than Consumers Elsewhere

<table>
<thead>
<tr>
<th>Reasons for trading up (% of respondents)</th>
<th>U.S.</th>
<th>EU S1</th>
<th>Japan</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Give better results</td>
<td>63</td>
<td>51</td>
<td>41</td>
<td>71</td>
<td>66</td>
<td>55</td>
<td>65</td>
</tr>
<tr>
<td>Meaningful technical differences</td>
<td>52</td>
<td>45</td>
<td>38</td>
<td>66</td>
<td>70</td>
<td>60</td>
<td>61</td>
</tr>
<tr>
<td>Healthier</td>
<td>49</td>
<td>38</td>
<td>32</td>
<td>73</td>
<td>68</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>Category more important to me</td>
<td>44</td>
<td>34</td>
<td>52</td>
<td>76</td>
<td>63</td>
<td>57</td>
<td>53</td>
</tr>
<tr>
<td>Can afford to</td>
<td>34</td>
<td>30</td>
<td>27</td>
<td>63</td>
<td>44</td>
<td>58</td>
<td>51</td>
</tr>
<tr>
<td>Enjoy the feeling of using</td>
<td>32</td>
<td>34</td>
<td>17</td>
<td>69</td>
<td>59</td>
<td>62</td>
<td>54</td>
</tr>
<tr>
<td>Brand name</td>
<td>30</td>
<td>19</td>
<td>24</td>
<td>60</td>
<td>26</td>
<td>64</td>
<td>70</td>
</tr>
<tr>
<td>Enjoy the feeling of buying</td>
<td>26</td>
<td>27</td>
<td>14</td>
<td>68</td>
<td>54</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td>I deserve it</td>
<td>26</td>
<td>26</td>
<td>22</td>
<td>77</td>
<td>59</td>
<td>60</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: The bottom income quartile was excluded and the sample reweighted to represent real income distribution in each country.

1 EU S = France, Germany, Italy, Spain, and the U.K.
New Sources of Trust and Comfort

In the face of turbulence, consumers in the developed world in particular are paying more attention to traditional values, seeking advice they can trust before making a purchase and living more conscientiously within their means.

◊ Home as a Shelter from the Storm. Longing for a safe harbor in uncertain times, consumers are turning to their homes and communities. Forty-five percent of EU consumers in our survey said they spend time with their families when under stress and 33 percent said they stay home when under stress or feeling anxious. This year, 62 percent agreed with the statement, “My home is my castle,” up from 57 percent last year. We’ve seen this “cocooning” trend in past crises, but this time it has been strengthened by the disaster in Japan. Products that consumers can enjoy in their homes, such as games and music, as well as items that make the home more comfortable, are selling well.

◊ Word of Mouth. Spectacular corporate failures, insolvent countries, and the mishandling of crises by governments have made consumers more skeptical than they’ve ever been—especially when it comes to a company’s selling techniques. Less than one-third of U.K. respondents said that they trust advertising and only slightly more said that they trust advice from salespeople. Instead, consumers are increasingly relying on their own or other people’s experiences when they make purchase decisions. This year, 24 percent of respondents in the U.K. said that they use social media frequently for product recommendations, although offline word of mouth is the most trusted source of information for 72 percent.4

◊ Living Within Limits. The desire to spend less and preserve one’s financial stability, a strong factor in last year’s survey, is still strong in 2011, with 60 percent of respondents in the U.S. agreeing with the statement, “Basic and simple products that do the job are all I need.” (See Exhibit 11.) Consumers everywhere are increasingly concerned with living within limits—the limits of their own budgets, as well as the limits of the natural environment. Green products survived the downturn remarkably well and continue to be in demand, as natural disasters demonstrate just how fragile our environment is. In fact, 76 percent of Japanese respondents told us that they are currently buying environmentally friendly products. And in Europe, organic foods experienced one of the biggest increases in trading up in this year’s survey. However, consumers remain sensitive to the price of green offerings—they need to be convinced of these products’ direct personal benefits (such as healthfulness and freshness) before they are willing to pay more.

Trading Down and Staying Down

Trading down, and especially treasure hunting, was a growing trend in developed markets even before the downturn, and it has continued to gain traction. As the economy worsened during the crisis, consumers altered their shopping habits and became more frugal. They also became more open to trying private labels, shopping for value brands in value channels, and buying only on promotion. Lower-income consumers, in particular, have become very active in trading down, with 70 percent of respondents in that category saying that they do so, compared with 39 percent of upper-income consumers. Today, despite a more stable economy, many consumers in developed markets are sticking to these new behaviors. (See Exhibit 12.)

However, consumers seeking value—including those in the lower income brackets—aren’t necessarily doing so for financial reasons alone, at least in developed markets. Sometimes they are simply thrilled to find a good deal. Indeed, 62 percent of survey participants in Germany said that they try to spend less or the bare minimum in some categories because they enjoy saving a little money, whereas only 30 percent said that they can’t afford to buy more expensive products. As the necessity for trading down diminishes, some consumers will continue to find fun in frugality. In Spain, for example, 40 percent of respondents said that spending less on certain products

4. “Using social media” includes visiting a company’s Facebook page, visiting blogs or consumer review sites to find the opinions of other product users, and asking for or checking recommendations on a social-networking site. “Frequently” includes both consumers who do this frequently and consumers who do it for all or almost all of their purchases.
Exhibit 11. The Values of Financial Prudence and Stability Are Overshadowing Luxury and Status Among U.S. Consumers

Change in the importance of values

Less important than two years ago (%) More important than two years ago (%)

Luxury
Status
Professional success
Conviviality
Excitement
Convenience
Educational
Environment
Spirituality
Local communities
Authenticity
Craftsmanship
Friends
Ethics
Serenity
Family
Wellness
Stability
Savings
Value for money
Naturalness
Change
Wealth
Tradition
Authenticity
Religion
Local communities
Tradition
Craftsmanship
Friends
Ethics
Serenity
Family
Wellness
Stability
Savings
Value for money
Naturalness
Change
Wealth
Tradition
Authenticity
Religion

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: The bottom income quartile was excluded and the sample reweighted to represent real income distribution in the U.S.

Exhibit 12. Half of Respondents in Developed Markets Are Still Trading Down

Tendency to trade up and down by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade up (%)</th>
<th>Trade neither up nor down (%)</th>
<th>Trade down (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>19</td>
<td>31</td>
<td>50</td>
</tr>
<tr>
<td>EU 5^1</td>
<td>18</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>China</td>
<td>40</td>
<td>28</td>
<td>32</td>
</tr>
<tr>
<td>Russia</td>
<td>24</td>
<td>46</td>
<td>30</td>
</tr>
</tbody>
</table>

Change from Q1 2010 (percentage points)

Source: BCG Consumer Sentiment Barometer, Spring 2011.
Note: The bottom income quartile was excluded and the sample reweighted to represent real income distribution in each country. Respondents were asked about an average of 22 nonfood categories.

^1 EU 5 = France, Germany, Italy, Spain, and the U.K.
makes them feel happy and 47 percent said that spending less makes them feel better about themselves, whereas only about 10 percent said that it makes them feel cheap or envious. Smart marketers will leverage this opportunity to attract consumers by appealing to their love of a good deal. Increasingly, retailers are also improving the quality and differentiation of their brands, reinforcing consumers’ trust that they will get value for their money.

Consumers in emerging markets, too, are intent on trading down in some categories. Middle-class consumers in the BRIC countries have disposable incomes significantly lower than those of their U.S. counterparts, so they stretch their budgets in certain categories in order to spend more in others. Sixty-two percent of respondents in these markets said that they save and cut back in order to have enough money for products on which they like to splurge, compared with only 52 percent in the EU and 43 percent in Japan.

Whether value is sought out of sheer financial necessity, for the thrill of the deal, or in order to have more money to spend elsewhere, the pursuit of value is here to stay—in both developed and emerging markets.

**Implications for Companies: Dare to Change**

As the global economy recovers from the downturn, what seemed a few years ago to be short-term adaptations to hard times have turned out to be more lasting. Companies that are looking for a better way to attract consumers as the economy slowly recovers will do well to pay attention to these transitions. We offer two guidelines for serving the new consumer:

- *Meet consumers’ continuing (and likely to increase) need to trade down.* Focus on the emotional benefits of trading down, such as the thrill of getting a good deal, as well as the functional benefits consumers might be seeking in your categories. Leverage the trading-down trend by removing features your customers are willing to do without. Cover all price points, including the “value premium” end of the market, by creating basic versions of key brands and products.

- *Support the resurgence of trading up.* Don’t assume that trading up is dead. Instead, provide meaningful reasons to spend on the premium alternative. That includes product lines that target specific consumer values, such as the environment, safety, local sourcing, and health. Make sure that the difference between brand and private label is well communicated and that it justifies a price premium.

Our research this year adds growing evidence in support of the hypothesis that the spending habits of consumers the world over are undergoing a powerful and enduring change. The segments of consumers that companies will be targeting tomorrow already look and act very differently from how they looked and acted as recently as five years ago. Your customers are likely to come from different countries, to be older and female, and to shop very differently, using channels that didn’t even exist back then. And it is likely that many of them will have different goals when they shop. Companies can no longer rely on the old assumptions about what their customers want, nor can they trust that marketing messages that worked in the past will continue to do so today. This is a time to be inventive, because consumers themselves are trying new things and remain open to spending more on offerings that appeal to the right emotional and functional needs. Their sense of adventure and greater conscientiousness in spending will shape the competitive arena for years to come.
Appendix

Methodology and Product Categories Covered in the 
BCG Consumer Sentiment Survey

The BCG Consumer Sentiment Survey that underpins this report took place in March and April of 2011. The countries surveyed were Australia, Brazil, Canada, China, India, Japan, Mexico, Russia, the U.S., and twelve European countries—Denmark, Finland, France, Germany, Greece, Italy, Norway, Spain, Sweden, Switzerland, Turkey, and the U.K. Survey results for Europe’s Big Five markets (France, Germany, Italy, Spain, and the U.K.), weighted by population, served as a summary for Europe, and survey results for the BRIC markets (Brazil, Russia, India, and China), weighted by population, served as a summary for the developing markets. In all, more than 24,000 consumers were surveyed in the main survey and more than 9,000 in the industry-specific survey.

To capture the distribution of real income and to reflect the population of potential consumers in each market, income was adjusted to exclude the bottom quartile of respondents and the sample was reweighted. For the individual markets, the adjusted sample size was as follows: Australia = 1,181; Brazil = 650; Canada = 1,134; China = 1,671; Denmark = 1,207; Finland = 1,226; France = 1,203; Germany = 1,214; Greece = 650; India = 2,232; Italy = 1,121; Japan = 1,247; Mexico = 1,007; Norway = 1,070; Russia = 837; Spain = 1,151; Sweden = 1,228; Switzerland = 1,150; Turkey = 639; the U.K. = 1,243; and the U.S. = 1,248.

Respondents were allowed multiple selections on some survey questions.

In the industry-specific survey, the sample size included all income quartiles. Sample sizes were as follows: Australia = 1,000; France = 1,000; Germany = 1,000; Italy = 1,000; Japan = 1,014; Spain = 1,000; Switzerland = 1,000; the U.K. = 1,016; and the U.S. = 1,027.

The main survey consisted of 11 sections:

- General profile
- General sentiment and spending plans
- Perception of the economy, impact, and coping mechanisms
- Sentiment toward environmentally friendly products
- Sentiment toward luxury products
- Private labels (developed countries only)
- Trading up and trading down
- Women want more
- European grocery shopper (Western European countries only)
- Digital/mobile/multichannel
- Sociodemographics

The industry-specific survey addressed the following industries:

- Financial services
- Automotive
- Health care
- Public sector
Consumers were asked about a total of 18 product groups covering 100 product categories (49 in the “trading up and trading down” section, 58 in the “women want more” section, and 37 in the “digital/mobile/multichannel” section). (See the table below.) Not all categories were covered in all countries. For an itemized list of categories included in a specific country’s survey, please contact one of the authors.

<table>
<thead>
<tr>
<th>Product Groups Addressed in BCG’s Consumer Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apparel and footwear</strong></td>
</tr>
<tr>
<td>Accessories</td>
</tr>
<tr>
<td>Athletic shoes</td>
</tr>
<tr>
<td>Dress clothes</td>
</tr>
<tr>
<td>Jewelry</td>
</tr>
<tr>
<td>Kids’ clothing</td>
</tr>
<tr>
<td>Lingerie/underwear</td>
</tr>
<tr>
<td>Luxury products</td>
</tr>
<tr>
<td>Personal clothing</td>
</tr>
<tr>
<td>Shoes</td>
</tr>
<tr>
<td>Work clothes</td>
</tr>
<tr>
<td><strong>Automotive vehicles</strong></td>
</tr>
<tr>
<td>Car rental</td>
</tr>
<tr>
<td>Cars</td>
</tr>
<tr>
<td><strong>Beverages</strong></td>
</tr>
<tr>
<td>Beer</td>
</tr>
<tr>
<td>Bottled water</td>
</tr>
<tr>
<td>Coffee</td>
</tr>
<tr>
<td>Energy and sports drinks</td>
</tr>
<tr>
<td>Juices</td>
</tr>
<tr>
<td>Soft drinks</td>
</tr>
<tr>
<td>Spirits</td>
</tr>
<tr>
<td>Tea</td>
</tr>
<tr>
<td>Wine</td>
</tr>
<tr>
<td><strong>Communication services</strong></td>
</tr>
<tr>
<td>Internet service providers</td>
</tr>
<tr>
<td>Mobile-phone contracts and services</td>
</tr>
<tr>
<td>Pay TV (e.g., cable and satellite)</td>
</tr>
<tr>
<td><strong>Consumer electronics</strong></td>
</tr>
<tr>
<td>E-readers (e.g., Kindle, Nook, and Sony e-reader)</td>
</tr>
<tr>
<td>Home entertainment products (e.g., TVs, stereos, and DVD players)</td>
</tr>
<tr>
<td>Mobile phones (e.g., basic and smartphones)</td>
</tr>
<tr>
<td>Personal computers</td>
</tr>
<tr>
<td>Portable media devices (e.g., MP3 players and iPods)</td>
</tr>
<tr>
<td>Smartphones (e.g., Android, Blackberry, and iPhone)</td>
</tr>
<tr>
<td>Tablets (e.g., iPad and Samsung Galaxy)</td>
</tr>
<tr>
<td>Other consumer electronics</td>
</tr>
<tr>
<td><strong>Financial products and services</strong></td>
</tr>
<tr>
<td>Banking</td>
</tr>
<tr>
<td>Car insurance</td>
</tr>
<tr>
<td>Credit cards</td>
</tr>
<tr>
<td>Investments</td>
</tr>
<tr>
<td>Life insurance</td>
</tr>
<tr>
<td><strong>Fresh and organic food</strong></td>
</tr>
<tr>
<td>Dairy products</td>
</tr>
<tr>
<td>Eggs</td>
</tr>
<tr>
<td>Fresh fish and seafood</td>
</tr>
<tr>
<td>Fresh fruits and vegetables</td>
</tr>
<tr>
<td>Fresh meat</td>
</tr>
<tr>
<td>Organic food</td>
</tr>
<tr>
<td><strong>Health and beauty services</strong></td>
</tr>
<tr>
<td>Cosmetic surgery/procedures (e.g., dermabrasion, Botox, and hair replacement)</td>
</tr>
<tr>
<td>Hair care services</td>
</tr>
<tr>
<td>Health clubs/personal trainers</td>
</tr>
<tr>
<td>Optional medical care and services (e.g., nutritionists and dietitians)</td>
</tr>
<tr>
<td>Oral care services</td>
</tr>
<tr>
<td>Teeth straightening and whitening</td>
</tr>
<tr>
<td><strong>Health care and nutritional products</strong></td>
</tr>
<tr>
<td>Drugs and medicine</td>
</tr>
<tr>
<td>Over-the-counter health remedies</td>
</tr>
<tr>
<td>Vitamins and supplements</td>
</tr>
<tr>
<td><strong>Health care services</strong></td>
</tr>
<tr>
<td>Dentists</td>
</tr>
<tr>
<td>Hospitals</td>
</tr>
<tr>
<td>Physicians</td>
</tr>
<tr>
<td><strong>Home appliances</strong></td>
</tr>
<tr>
<td>Energy-efficient appliances</td>
</tr>
<tr>
<td>Large home appliances</td>
</tr>
<tr>
<td>Small home appliances</td>
</tr>
<tr>
<td>Washers and dryers</td>
</tr>
<tr>
<td><strong>Home-related products and services</strong></td>
</tr>
<tr>
<td>Bath linens</td>
</tr>
<tr>
<td>Bedding (e.g., mattresses, linens, and pillows)</td>
</tr>
<tr>
<td>Furniture</td>
</tr>
<tr>
<td>Home cleaning services</td>
</tr>
<tr>
<td>Home decor and remodeling</td>
</tr>
<tr>
<td>Home or apartment itself</td>
</tr>
<tr>
<td>Home or apartment search (sale or rental)</td>
</tr>
<tr>
<td>Home repair and renovation</td>
</tr>
<tr>
<td>Housewares (e.g., kitchen utensils)</td>
</tr>
<tr>
<td><strong>Household products</strong></td>
</tr>
<tr>
<td>Environment-friendly home-cleaning products</td>
</tr>
<tr>
<td>Household cleaners</td>
</tr>
<tr>
<td>Laundry detergents</td>
</tr>
<tr>
<td>Paper products</td>
</tr>
<tr>
<td><strong>Other products</strong></td>
</tr>
<tr>
<td>Books, newspapers, and magazines</td>
</tr>
<tr>
<td>Exercise equipment</td>
</tr>
<tr>
<td>Media (e.g., music, movies, video games, and ringtones)</td>
</tr>
<tr>
<td>Pet food and pet care products</td>
</tr>
<tr>
<td>Sporting goods</td>
</tr>
<tr>
<td>Toys and games</td>
</tr>
<tr>
<td><strong>Out-of-home entertainment</strong></td>
</tr>
<tr>
<td>Entertainment (e.g., movies and sporting events)</td>
</tr>
<tr>
<td>Fast-food restaurants</td>
</tr>
<tr>
<td>Lotteries and gambling</td>
</tr>
<tr>
<td>Sit-down restaurants</td>
</tr>
<tr>
<td><strong>Processed and frozen food</strong></td>
</tr>
<tr>
<td>Baby and children’s food</td>
</tr>
<tr>
<td>Baked goods and pastry products</td>
</tr>
<tr>
<td>Breakfast cereals</td>
</tr>
<tr>
<td>Chilled products</td>
</tr>
<tr>
<td>Chocolate</td>
</tr>
<tr>
<td>Dry and canned foods</td>
</tr>
<tr>
<td>Food seasonings, ketchup, and sauces</td>
</tr>
<tr>
<td>Frozen foods</td>
</tr>
<tr>
<td>Prepared meals</td>
</tr>
<tr>
<td>Snack foods (e.g., crackers and nuts)</td>
</tr>
<tr>
<td>Sugar confectionery</td>
</tr>
<tr>
<td><strong>Travel and vacation</strong></td>
</tr>
<tr>
<td>Air travel (e.g., for vacations and holidays)</td>
</tr>
<tr>
<td>Lodging (e.g., hotels)</td>
</tr>
</tbody>
</table>
For Further Reading

The Boston Consulting Group publishes other reports and articles on the topic of consumer insight that may be of interest to senior executives. Recent examples include:

Harnessing the Power of Advocacy Marketing  
A Focus by The Boston Consulting Group, March 2011

New Realities for Consumer Goods and Retail in 2011  
An article by The Boston Consulting Group, March 2011

Taking Off: Travel and Tourism in China and Beyond  
A report by The Boston Consulting Group, March 2011

The New World of Luxury: Caught Between Growing Momentum and Lasting Change  
A Focus by The Boston Consulting Group, December 2010

Big Prizes in Small Places: China’s Rapidly Multiplying Pockets of Growth  
A report by The Boston Consulting Group, November 2010

Finding the Sweet Spot: Value Creation for Consumer Companies in a Low-Growth Economy  
A report by The Boston Consulting Group, October 2010

No Shortcuts: The Road Map to Smarter Marketing  
A report by The Boston Consulting Group, September 2010

Business Model Adaptation in Retail: A Growing Need  
A White Paper by The Boston Consulting Group, July 2010

A New World Order of Consumption: Consumers in a Turbulent Recovery  
A report by The Boston Consulting Group, July 2010

Collateral Damage: In the Eye of the Storm—Ignore Short-Term Indicators, Focus on the Long Haul  
A White Paper by The Boston Consulting Group, May 2010

Megatrends: Tailwinds for Growth in a Low-Growth Environment  
A Focus by The Boston Consulting Group, March 2010

Keys to the Kingdom: Unlocking China’s Consumer Power  
A report by The Boston Consulting Group, March 2010

Collateral Damage, Part 8: Preparing for a Two-Speed World—Accelerating Out of the Great Recession  
A White Paper by The Boston Consulting Group, January 2010

China’s Luxury Market in a Post-Land-Rush Era  
A White Paper by The Boston Consulting Group, September 2009

Crisis Pricing for the Downturn and After  
A White Paper by The Boston Consulting Group, September 2009

Trading Up and Down Around the World  
A report by The Boston Consulting Group, September 2008

Trading Up, Updated  
Opportunities for Action in Consumer Markets, March 2008

What Women Want (in Financial Services)  
Opportunities for Action in Financial Services, November 2006

Cheap Is Good (Geiz Ist Geil)  
Opportunities for Action in Consumer Markets, May 2006

Treasure Hunt  
BCG Perspectives, May 2006

The Three Faces of Eve: Women Seeking Harmony, Value, and Connection  
Opportunities for Action in Consumer Markets, April 2006

Trading Down: Living Large on $150 a Day  
Opportunities for Action in Consumer Markets, May 2005

Trading Up: An Open Space in Financial Services  
Opportunities for Action in Financial Services, December 2003

Books by Michael J. Silverstein

Women Want More: How to Capture Your Share of the World’s Largest, Fastest-Growing Market  
Kate Sayre, coauthor  

Treasure Hunt: Inside the Mind of the New Consumer  
(New York: Portfolio, 2006)

Trading Up: Why Consumers Want New Luxury Goods—and How Companies Create Them  
Neil Fiske, coauthor  
Note to the Reader

This report was sponsored by BCG’s Consumer practice and is a product of its Center for Consumer Insight (CCI), which provides world-class consumer-insight capabilities to the firm’s clients. Established by the Consumer practice and the Marketing and Sales practice, the CCI leads BCG’s proprietary research for publications on consumer trends and purchasing patterns.

As an advisor to companies in many industries, BCG has long recognized the fundamental value of identifying and leveraging insights into consumer behavior, both for strategy development and as a key source of sustainable competitive advantage.

About the Authors
Catherine Roche is a partner and managing director in the Toronto office of The Boston Consulting Group; she can be reached at roche.catherine@bcg.com.
Patrick Ducasse is a senior partner and managing director in the firm’s Paris office; he can be reached at ducasse.patrick@bcg.com.
Carol Liao is a partner and managing director in BCG’s Hong Kong office; she can be reached at liao.carol@bcg.com.

Acknowledgments
The authors wish to acknowledge the contributions of their colleagues:

Marco Airoldi, senior partner and managing director in BCG’s Milan office and a core member of the Consumer practice
Francois Aubry, partner and managing director in the firm’s Paris office and a core member of the Consumer practice
Lamberto Biscarini, partner and managing director in BCG’s Milan office and a core member of the Consumer practice
Charmian Caines, senior partner and managing director in the firm’s London office and a core member of the Consumer practice
Carlos Costa, senior partner and managing director in BCG’s Barcelona office and a core member of the Consumer practice
Olavo Cunha, partner and managing director in the firm’s São Paulo office and a core member of the Consumer practice
Camille Egloff, partner and managing director in BCG’s Athens office
James Goth, partner and managing director in the firm’s Sydney office and a senior member of the Consumer Services practice
Cliff Grevler, partner and managing director in BCG’s Toronto office and a core member of the Consumer practice
Emmanuel Huet, principal with the firm’s Center for Consumer Insight

Steve Knox, senior advisor in BCG’s Chicago office and a core member of the Consumer practice
Sharon Marcil, senior partner and managing director in the firm’s Washington office and a core member of the Consumer practice
Jochen Messelink, partner and managing director in BCG’s Zurich office and a core member of the Consumer practice
Kentaro Mori, partner and managing director in BCG’s Tokyo office and a core member of the Consumer practice
Joel Muniz, partner and managing director in BCG’s Mexico City office and a core member of the Consumer practice
Anand Raghuraman, partner and managing director in BCG’s New York office and a core member of the Consumer practice
Stefan Rasch, senior partner and managing director in BCG’s Munich office and a core member of the Consumer practice
Kate Sayre, partner and managing director in the firm’s New York office and a core member of the Consumer practice
Bettina Schönenberger, the Consumer practice’s global practice area manager in BCG’s Munich office
Michael J. Silverstein, senior partner and managing director in the firm’s Chicago office and a core member of the Consumer practice

Abheek Singhi, partner and managing director in BCG’s Mumbai office and a core member of the Consumer practice

Oyvind Torpp, partner and managing director in the firm’s Oslo office and a core member of the Consumer practice

Riccardo Trentini, partner and managing director in BCG’s Milan office and an active member of the Consumer Goods & Retail practice

Miki Tsusaka, senior partner and managing director in the firm’s Tokyo office and the global leader of the Marketing and Sales practice

The authors also thank the many other colleagues who worked on this year’s consumer-sentiment research and on the report:

The central team: Muhammad Abbas Amarshi, Tim Bercio, Yekaterina Doljenkova, Delano D’Souza, Alix Durance, Maria Eulate, Amélie Foz-Couture, Erin MacKenzie, Maria Morita, Robin Ridesic, Shaheer Rizvi, Tommi Roine, and Andrew Wylie

Local country resources: Shiva Agarwal, Patricio Amador, Jane Danziger, Christos Dimas, Kristoffer Gjestad, Berk Hizir, Hajime Honda, Nimisha Jain, Shusuke Kabeya, Youchi Kuo, Tomoharu Kure, Rachel Lin, Rodolfo Meschgraw, Margaret Mitchell, Amita Parekh, Mario Romero, Toshifumi Sashihara, Joan Shao, Deran Taskiran, and Monica Wegner

Knowledge team, experts from other practices, and other BCG project supporters: Beatrix Apsel, Elif Arslan, Tomoko Dobashi, Joachim Espen, Rose Marie Gregg, Masako Hasegawa, Arsen Lazursky, Sharon Lockareff, Gillian Moore, Rose Moore, Christina Østerby, David Potere, Isabel Saint-Supery, Ingrid Sealey, Dot Smith, Lena Sprenger, Susan Surry, Mary Tabion, Malin Tessell, Ayano Uehara, Bill Urda, Henri Valkonen, and Marie-Thérèse Zambon

Finally, the authors would like to acknowledge Sally Seymour for helping to write this report and Gary Callahan, Kim Friedman, Abby Garland, Gina Goldstein, and Janice Willett for contributions to its editing, design, and production.

For Further Contact
For inquiries about this report, please contact one of the authors.

For information on BCG’s research on consumer sentiment in other industries, please contact one of the following experts: Michael Book (automotive) at book.michael@bcg.com; Brent Beardsley (financial institutions) at beardsley.brent@bcg.com; Jürgen Lücke (health care) at juergen.luecke@bcg.com; Jean-Christophe Gard (insurance) at gard.jean-christophe@bcg.com; Miguel Carrasco (public sector) at carrasco.miguel@bcg.com; and Alan Wise (travel and tourism) at wise.alan@bcg.com.
For a complete list of BCG publications and information about how to obtain copies, please visit our website at www.bcg.com/publications.

To receive future publications in electronic form about this topic or others, please visit our subscription website at www.bcg.com/subscribe.