

Consumer Packaged Goods Practice

State of the Consumer 2024: What's now and what's next

Amid massive shifts in the consumer landscape, companies can't afford to rely on yesterday's consumer insights. Here are nine trends that merit close attention.

by Christina Adams, Kari Alldredge, and Sajal Kohli



If you think you know consumer behavior, think again. Middle-income consumers are feeling the squeeze and worrying about inflation but aren't holding back on splurges. Rather than sticking to tight budgets in retirement, aging consumers are splurging too. Speaking of older shoppers, it turns out that the brand loyalty they've long been known for is a thing of the past. And young consumers in Asia and the Middle East are more likely than those in Western markets to switch to higher-priced brands.

These are just some of the large-scale shifts taking place in the global consumer landscape. Consumers have continued to defy expectations and behave in atypical ways, keeping consumer goods manufacturers and retailers on their toes. More than ever, companies that cultivate a detailed, up-to-date understanding of today's and tomorrow's consumers—who they are, what they want, and where and how they shop—will be best positioned to succeed.

In this article, we draw on our ConsumerWise research to delve into nine trends shaping the global consumer sector and four imperatives to help consumer businesses move from “now” to “next.”

Nine trends defining the global consumer market

To forecast where the global consumer landscape is heading, we surveyed more than 15,000 consumers in 18 markets that together make up 90 percent of global GDP. Their answers revealed surprising nuances about demographic groups, seemingly contradictory consumer behaviors, and categories poised for growth.

Who is the future consumer?

Consumers no longer fit into traditional archetypes. Some of the most influential consumers of tomorrow are currently underserved.

1. Young people in emerging markets. By 2030, 75 percent of consumers in emerging markets will be between the ages of 15 and 34. Our data

indicates these consumers may be optimistic about the economy and willing to spend.

Among this group, young consumers aged 18 to 24 in Asian and Middle Eastern nations, such as India and Saudi Arabia, will be particularly important to consumer businesses, given their pent-up demand and willingness to spend. These consumers indicate a strong desire to spend on premium products, so much so that they are up to two times more likely to trade up—meaning opt for higher-priced brands and retailers—than young consumers in advanced economies. They are also up to three times more optimistic about their respective economies (Exhibit 1). This optimism could translate into higher levels of future consumption. It's worth noting that young consumers in Latin America are actually less likely to trade up than young consumers in other emerging economies.

2. Retired and ready to spend. Longer life expectancies and declining birth rates, particularly in advanced economies, are pushing the global population of people older than 65 to increase at a quicker rate than the population of people younger than that age.¹ Yet for all the data relating to aging populations, older consumers are often misunderstood.

Despite the financial constraints that may accompany retirement, aging consumers across all income levels are willing to spend on discretionary items. In experiential categories such as travel, older consumers' intent to splurge is even higher than that of millennials, who have historically been big travel spenders. High-income baby boomer and Silent Generation consumers (those whose household incomes exceed \$100,000) are a sizable cohort in the United States, making up 30 percent of the market—and they're more likely to spend on discretionary purchases, such as home improvement and gardening, compared with lower-income consumers their age.

In emerging markets, it's not just younger consumers who are ready to spend but their parents, too. Wealthy aging consumers in emerging markets are more optimistic, expect to spend more on discretionary items, and plan on treating

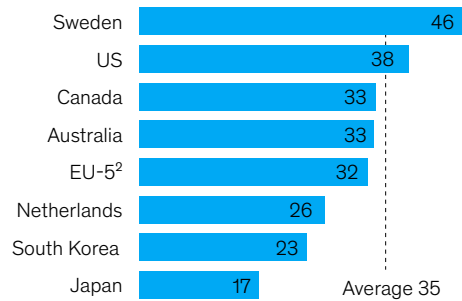
¹ “Ageing,” United Nations, accessed May 29, 2024.

Exhibit 1

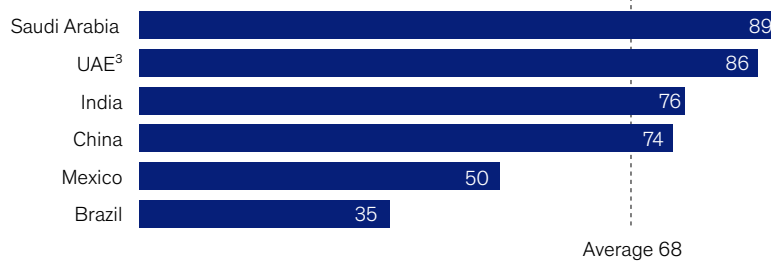
Younger consumers in emerging markets are nearly two times more optimistic, on average, than those in advanced economies.

Consumer confidence, by country, aged 18–24,¹ % who believe the economy will rebound

Advanced economies



Emerging markets



¹Question: Do you think the economy will rebound in 2–3 months, and that the economy will grow at the same rate or faster?

²Includes France, Germany, Italy, Spain, and the UK.

³United Arab Emirates.

Source: McKinsey ConsumerWise Global Sentiment Data, Jan 2024, n = 4,005

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themselves more than wealthy aging consumers in advanced markets. In one of the starkest examples, 42 percent of wealthy aging consumers in emerging markets² said they expect to spend more on entertainment, compared with 7 percent of comparable consumers in Europe³ and 11 percent in the United States. We see a similar willingness to spend in categories such as home improvement, airline flights, and hotel stays. Consumer businesses that market exclusively to younger consumers are thus missing out; they ignore wealthy aging consumers at their own risk.

3. The squeezed-but-splurging middle. We expect that cost-of-living increases in advanced

economies will continue to put pressure on middle-income consumers. While conventional wisdom would suggest that these consumers will clamp down on discretionary spending as a result, our data reveals something different: instead, middle-income consumers in Europe and the United States say they plan to splurge on discretionary items at a rate that is comparable with that of high-income consumers.

This intent to splurge appears across various categories, including experience-based categories such as travel and dining out, as well as groceries and discretionary goods. Middle-income consumers might typically be expected to delay purchases during economically challenging times,

²Forty-two percent of consumers in Brazil, China, India, Mexico, and Saudi Arabia.

³Throughout this article, we will refer to "Europe" to indicate France, Germany, Italy, Spain, and the United Kingdom.

but our research shows that they're only slightly more inclined to delay purchases than wealthier consumers. They're also not much more likely to trade down than higher-income consumers.

What will consumers want?

What consumers want is changing too. Weakened brand loyalty, affordability over sustainability, and heightened interest in wellness products and services reflect the preferences and priorities of consumers across ages and geographies.

4. Brand exploration. When they couldn't find exactly what they needed because of pandemic-era supply chain disruptions, roughly half of consumers switched products or brands. That behavioral change has proved quite sticky: consumers continue to be open to exploring alternatives, and brand loyalty is fading across demographic groups.

In advanced markets, over a third of consumers have tried different brands, and approximately 40 percent have switched retailers in search of

better prices and discounts (Exhibit 2). Inflation and economic uncertainty are almost certainly inducing this behavior.

This weakening of brand loyalty is not limited to a specific age group. In the past, older consumers remained consistently loyal to their preferred brands, but today, they're just as likely to embrace new brands and retailers. In Europe and the United States, Gen Zers and millennials are only slightly more likely than older consumers to trade down to lower-priced brands and retailers.

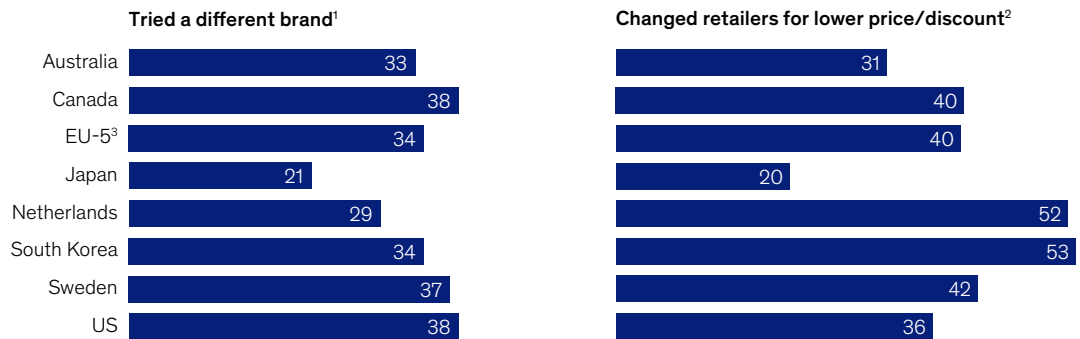
One beneficiary of this rampant downtrading is private labels. Thirty-six percent of consumers plan to purchase private-label products more frequently, and 60 percent believe private brands offer equal or better quality.

5. Sustainability: Value upstages values. In recent years, young consumers in our survey data said they prioritized sustainability considerations when making purchases. It wasn't all talk: in the United

Exhibit 2

Shopper loyalty is in flux as consumers look to new brands and retailers for better value.

Consumer loyalty changes in advanced economies, past 3 months, % of respondents



¹ Respondents who answered "tried a different brand" when asked: Over the past 3 months, have you done any of the following?

² Within the past 3 months, have you done any of the following when purchasing a product (asked across multiple categories)? Responses include percent of respondents selecting 1 of the following options: shopped from a lower-priced retailer; shopped from lower-price brand; bought private label; bought a brand for which you had a coupon; used buy now, pay later; delayed a purchase; bought a larger-size pack for a lower price; bought smaller size or quantity; made more shopping trips in search of discounts.

³ Includes France, Germany, Italy, Spain, and the UK.

Source: McKinsey ConsumerWise Global Sentiment Data, Q1 2024, n = 15,352

States, sales of products with sustainability-related claims outpaced sales of products without such claims.

While young consumers still say they care about sustainability, they are now making clear trade-offs in the face of economic uncertainty and inflation. In Europe and the United States, fewer Gen Zers and millennials ranked sustainability claims as an important purchasing factor at the beginning of 2024 than in 2023 (Exhibit 3).

Younger consumers aren't just deprioritizing sustainability in their purchase decisions; they've

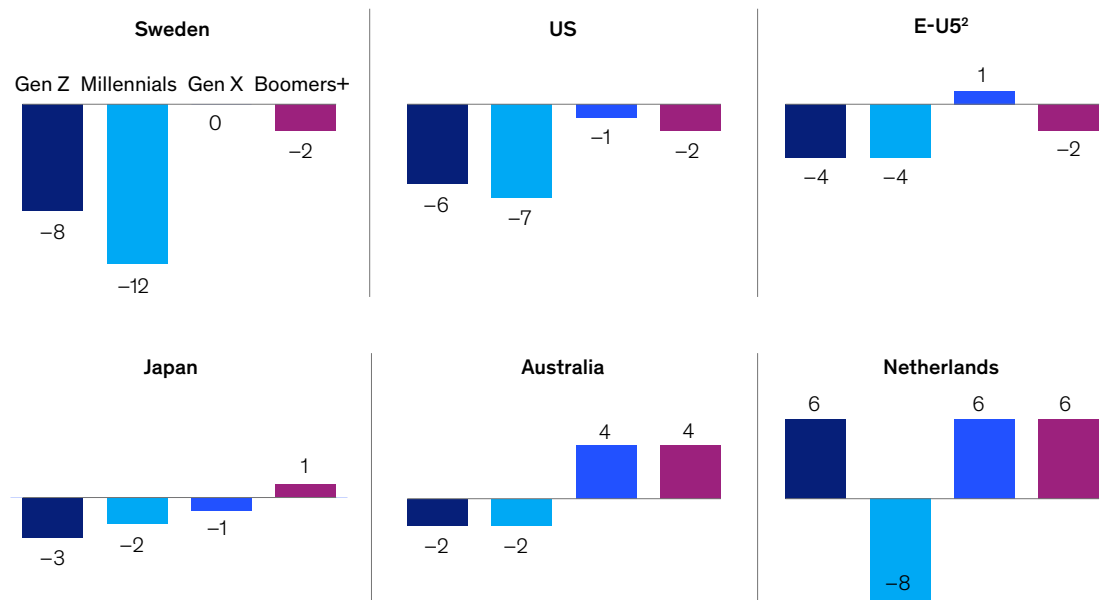
also become less willing to pay a premium for sustainable products. In Europe and the United States, the percentage of young consumers willing to pay a premium for products with sustainability claims declined by up to four percentage points across product categories. Among these consumers, only a very small percentage were willing to pay a premium for personal care and apparel products with sustainability claims.

6. The worldwide wellness wave. We estimate the global wellness market to be worth more than \$1.8 trillion, growing 5 to 10 percent annually.⁴ In advanced economies, health and wellness products

Exhibit 3

Weighing the value of a product versus their own values, young consumers are de-emphasizing the importance of sustainability in their purchases.

Importance of environmental, social, and governance (ESG) in purchase decisions,¹ percentage-point shift since Q2 2023 for advanced economies



¹ Respondents who indicated "very important" for at least 1 of 18 ESG statements.
² Includes France, Germany, Italy, Spain, and the UK.
 Source: McKinsey ConsumerWise Global Sentiment Data, Q1 2024, n = 15,352

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⁴ "The trends defining the \$1.8 trillion global wellness market in 2024," McKinsey, January 16, 2024.

and services have been in high demand over the past several years. Today, these categories are also growing quickly in emerging markets, and in some cases, growth in intent to spend on health and wellness products in emerging markets is outpacing growth in advanced markets.

In emerging markets such as China, India, and the Middle East, the percentage of consumers who intend to increase their spending on wellness products and services is two to three times higher

than in advanced markets such as Canada and the United States (Exhibit 4).

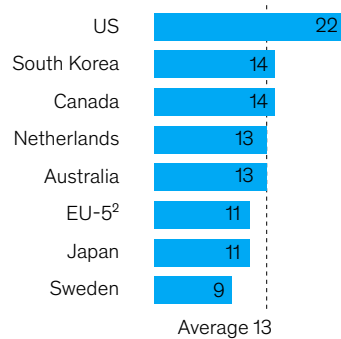
It's not only Gen Zers and millennials who are propelling growth in this space, but also Gen Xers and baby boomers. To be sure, regional variations appear. According to our research, for example, 63 percent of baby boomers in China intend to spend more on fitness in the near future, while only 4 percent of the same cohort in India plan to do so.

Exhibit 4

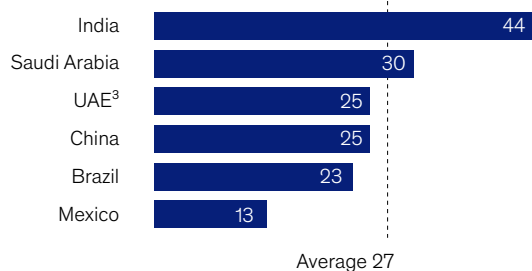
Consumers in emerging markets are increasingly interested in spending on fitness and wellness.

Intent to spend more on fitness and wellness,¹
% of respondents

Advanced economies

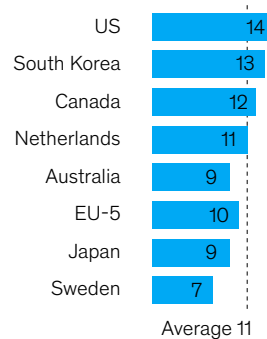


Emerging markets

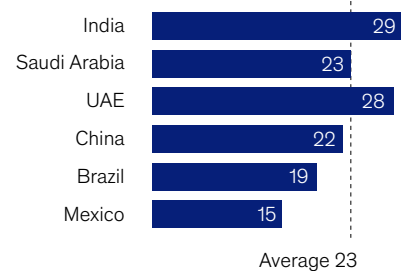


Intent to spend more on vitamins, supplements, and over-the-counter items,¹
% of respondents

Advanced economies



Emerging markets



¹Question: Over the next 3 months, do you expect to spend more, the same, or less on the following categories?

²Includes France, Germany, Italy, Spain, and the UK.

³United Arab Emirates.

Source: McKinsey ConsumerWise Global Sentiment Data, Q1 2024, n = 4,005

Weight management products and services, in particular, could help induce growth in the wellness sector over the next several years.

By 2035, just over half of the world's population is projected to be overweight or obese. At the same time, the availability of weight management drugs is expected to grow as more health plans approve coverage, doctors are able to prescribe them for more uses, and doses are made available in pill form. Adoption of these drugs, compared with other weight management solutions (such as dieting or exercise), will depend on cultural norms and beliefs, too. Less than 30 percent of Chinese and UK consumers consider weight loss drugs to be very effective.⁵

7. Wellness for women. Investments in women's wellness are also growing. Consumers in both advanced and emerging markets are indicating a greater interest in spending on women's wellness products and services, as well as on adjacent personal-care categories. We estimate that closing the women's health gap could be worth \$1 trillion annually by 2040.⁶

A higher percentage of women in emerging markets (48 percent), in fact, indicate an intent to splurge on beauty and personal-care products and fitness, compared with women in advanced markets (27 percent). And young women are especially interested in wellness: Gen Z women across both emerging and advanced markets said they expect to spend more on personal-care goods and services, compared with Gen Xers and baby boomers. As innovation in women's health continues to push the sector forward, we expect spending to increase as well.

Where will consumers shop?

Knowing what consumers want means little if businesses do not meet consumers where they are. Global migration patterns—both to and from major urban hubs—are changing where consumers spend their time and money in the physical world,

while growth in social commerce accounts for new movement in the digital world.

8. The new urban hot spots. In both advanced and emerging markets, people are moving to seek out new opportunities and a better quality of life. In advanced markets like the United States, consumers are moving away from larger cities in the Pacific Northwest and the Northeast to “secondary cities,” or those with populations between 50,000 and 500,000 people. Two-thirds of the fastest-growing US cities are in the South and West. In these cities, the cost of living is lower than in larger cities, and remote work opportunities are plentiful. Millennials, Gen Xers, and boomers are propelling this trend.

Just because US consumers are moving to scaled-down versions of metropolises does not mean they are curtailing their spending; just as many consumers in secondary cities say they plan to splurge as do consumers in the largest American cities. Meanwhile, 1.3 times more consumers in secondary cities say they plan to splurge, compared with US consumers in rural areas.

Emerging markets will continue to see urban-population growth in both megacities and secondary cities as consumers move in search of better economic opportunities and improved well-being. By 2035, for example, 43 percent of the Indian population may reside in urban areas, up from 35 percent in 2018. In China, the percentage of middle-class households is expected to increase in both tier-one and tier-two cities as well as in tier-three and tier-four cities by 2030. And by 2040, there will be 537 million people in African urban centers, making the African urban population the largest in the world.

9. Social commerce takes flight. For several years, China has led the world in the adoption of social commerce, in which consumers browse and buy directly through social media and content creation platforms. Today, social-commerce markets in both China and India continue to mature, while those in

⁵ Ibid.

⁶ Kweilin Ellingrud, Lucy Pérez, Anouk Petersen, and Valentina Sartori, *Closing the women's health gap: A \$1 trillion opportunity to improve lives and economies*, McKinsey Health Institute, January 17, 2024.

other emerging-market countries—such as Brazil, Saudi Arabia, and the United Arab Emirates—are close behind (Exhibit 5). Consumers in these countries consistently spend more on purchases made through social media platforms, compared with consumers in Europe and the United States.

Attempts to grow the social-commerce market in the West have had limited success. Companies simply may have been too early to embrace this opportunity. We expect social commerce in the United States to expand to \$145 billion by 2027, up from \$67 billion today.⁷ Gen Zers and millennials are propelling this growth: they make purchases on social media four times more often than older

generations do. More than a third of Gen Z and millennial survey respondents said they had made a purchase on social media in the prior three months.

Four imperatives to win the consumer of the future

In light of these nine forward-looking themes, what should consumer companies do? The most successful ones will be those that act on four imperatives:

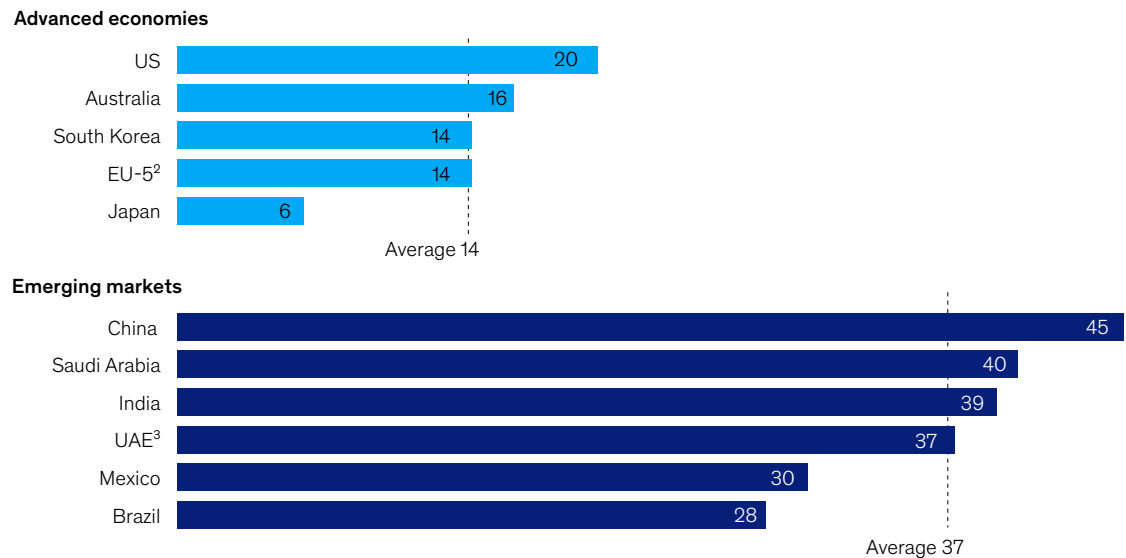
Build microtargeting capabilities

Rather than putting consumers in predefined—and often outdated—boxes, companies should focus

Exhibit 5

While China has led the shift toward social commerce, other emerging markets are increasingly using social media to shop.

Consumers using social media to purchase online, past 3 months,¹ % of respondents



¹Question: You mentioned you have purchased [category] online over the past 3 months. Where specifically have you purchased [category]? Please think about purchases made from any website or mobile app (including social media).

²Includes France, Germany, Italy, Spain, and the UK.

³United Arab Emirates.

Source: McKinsey ConsumerWise Global Sentiment Data, Q1 2024, n = 4,005

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⁷ "Social commerce: The future of how consumers interact with brands," McKinsey, October 19, 2022.

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on microtargeting to build a richer understanding of consumer preferences. This involves taking a “smart reach” approach, whereby consumer businesses use their consumer data to target specific microsegments of consumers who may demonstrate particular shopping behaviors or preferences. Generative AI can help consumer businesses reach these microsegments at scale by increasing creative output and automating marketing outreach. Through microtargeting, companies can engage high-potential consumer groups—for example, younger people in emerging markets or wealthy aging individuals—and provide personalized experiences that build brand love and loyalty and propel future purchases.

Invest in wellness

A rise in both consumer interest and purchasing power presents tremendous opportunities in the \$1.8 trillion global-consumer-wellness space. Consumer goods leaders have a chance to reevaluate their product development road maps and consider whether they have more opportunities to introduce personalized-wellness products to priority consumer groups. Consumers across the globe want data- and science-backed health and wellness solutions. Best-in-class companies should evaluate opportunities to lean into these offerings and other wellness growth areas (such as women’s health and healthy aging).

Propel the social–digital experience

Companies should take steps to engage with consumers on social media and other digital platforms. This involves identifying the right channels and platforms, creating attractive content, and tailoring strategies to meet evolving consumer needs. This is especially important as industry lines blur (for example, as consumer companies enter the

healthcare space and vice versa) and as ecosystems (networks or partnerships that cut across different industries) become more important.

We see innovative, international companies testing new approaches to social commerce to connect with consumers on a local level. Some are mobilizing local key opinion leaders to precisely target consumers and create viral digital campaigns that resonate with them. Social media and private chats through platforms such as WeChat help to continually engage consumers.

Offer premium products where they matter

Offering premium products in relevant categories can help improve brand loyalty. Consumer brands should identify which categories are ripe for this, such as experiential travel—where splurge activity is common even across middle-income and aging consumers. Conversely, some categories are more suitable for value plays based on trade-down behavior or frequent brand exploration. Integrating loyalty and pricing strategies, instituting pricing tiers, and tailoring product assortments at the local and channel levels are ways that consumer businesses can provide value to consumers, while also managing economic pressures.

In this consumer landscape—one in which standards, complexity, and stakes are all higher—leaders should understand the new nuances that define who the “next” shoppers are, what they care about, and how they shop. These insights, which should then inform strategic category and channel investments, can lead to long-term, profitable growth and sustained competitive advantage.

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