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About this report
In this publication, references to Deloitte are references to Deloitte LLP, the UK affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited.

Methodology
The research in this report is based on a mix of secondary data from sources including the Office for National Statistics and GfK’s 2019 Personal Values Survey.

Please visit www.deloitte.co.uk/changingconsumer for more information and additional content related to the ‘changing consumer’ and Deloitte’s Consumer industry.
Looking at demographics, values and behaviour highlights a nuanced reality: the consumer is changing, but perhaps not how you think.

Our research has shown that while the UK population is getting older and the average UK consumer is living longer, obesity is on the rise. Consumers are also more educated than ever but this education is coming at a cost in terms of rising debt levels. Unemployment is at historically low levels, yet consumers are not necessarily better off following a decade of low wage growth. At the same time that these demographics are changing, so too are values and behaviour.

In terms of values, or the guiding principles in people’s lives, we have seen divergence both across generations, and also within generations as values shift based on financial situation. Concerns with regard to sustainability and environment have risen in importance, and this is impacting the choices that consumers make. One in five consumers surveyed state that they have avoided a brand or store because they disagree with the company’s business practices or values, this rises to 30 per cent of Millennials or Generation Z and compares to only 13 per cent of Baby boomers. Honesty and authenticity are among the key values for consumers and this is changing the way they regard brands and the way that brands communicate with them.

In terms of behaviour, both spending patterns and the physical locations where people shop have changed. In addition, the ages at which young adults typically achieve key milestones are becoming much more spread out than they were 20 years ago.

The consumer is changing because the environment around them is evolving. If businesses want to cater effectively to changing needs and identify new areas of opportunity, it is imperative for them to understand the demographic, economic and competitive environment that the consumer is facing. Today’s consumer is more diverse than ever along the lines of race, ethnicity, income, education, rural-urban divide and migration. These demographic forces have led to increased fragmentation, with the so-called ‘average consumer’ in the UK now comprising distinct subsets who have increasingly distinct needs.

But this diversity alone does not explain the behavioural changes highlighted in this report. It is important to note that the consumer cannot be viewed in isolation from the increasing choice and competition in the marketplace. Change has been made possible by technology, coupled with reduced barriers to entry, and the emergence of smaller players creating niche markets with more targeted offerings.

We must not confuse choice with change. In many ways the consumer of today is like the consumer of yesterday.

One in five consumers surveyed state that they have avoided a brand or store because they disagree with the company’s business practices or values, this rises to 30% of Millennials or Generation Z and compares to only 13% of Baby boomers.

Executive summary
Shifting sands of the consumer landscape
From automotive, to retail, through leisure and tourism, to luxury goods, consumer businesses need to navigate an increasingly complex consumer landscape. With technology and consumer behaviour rapidly changing, organisations are required to make strategic decisions which could radically transform their business models or risk missing out on the opportunity to meet the needs of the consumer.

**Generation change**
As we enter a new decade, it is illuminating to look back on how much the world has changed since the turn of the millennium. The last 20 years have seen large scale, rapid change across consumer industries. This has taken place against the backdrop of economic and geopolitical instability, increasing regulation and the emergence of climate change as the defining issue for governments, consumers and businesses.

While macroeconomic and geopolitical factors have undoubtedly played their part, there is no doubt that technology has accelerated the changes in consumer behaviour. The smartphone has become a near ubiquitous tool, with 89 per cent of consumers now owning one. The internet has fundamentally changed many aspects of lives: 90 per cent of consumers now have access to broadband connections, and social media plays a key role in communication with friends and family. In fact a ‘digitally native’ generation who has never experienced life without the internet is now entering the workforce and taking on an ever more important role in the economy – and as consumers. As we crossover into a new decade we are likely to see change occurring even more rapidly.

**Reshaping the business landscape**
Technology has heightened consumer expectations of what is possible. New business models have emerged and the basis of competition has shifted from size and scale to speed and agility. We can now stream our music, films and TV, instead of buying CDs or going to the cinema. We can subscribe to recipe boxes instead of going to the supermarket. We can have our favourite dish delivered within minutes rather than go to a restaurant, and there is no need to go to the gym when you can take part in a spinning class in from your own home. In this dynamic marketplace new brands have emerged to challenge the status quo and while some household names have managed to adapt, other established brands have disappeared.

As a result, the balance of power between consumers and businesses has shifted. Technology has given an increasing share of power to the consumer and therefore businesses have had to learn more about their consumers. Companies are placing greater importance on consumer data, using it to inform strategic and tactical decisions at all levels of their businesses. However, consumers are now more aware of the value of their personal data and businesses are having to compete for their data as well as their money.

The effort to understand the changing consumer more is leading many businesses to make assumptions about consumer motivations based on a narrow view of their behaviour, with little insight into why they are acting the way they do. Deciphering trends and making informed business decisions is increasingly difficult as uncertainty persists. Businesses need to sharpen their focus on consumers to understand not only how they are changing, but why.
We are our demographics
Quality of life: Life expectancy vs obesity

Life expectancy has gone up, but is quality of life improving? Obesity has risen at a much faster rate and people are working into their 70s and beyond.

Obesity has risen at a much faster rate and people are working into their 70s and beyond. However, the nature of work is changing with the number of people on zero hour contracts rapidly increasing over the past decade.

The cost of education: Education vs debt

Education levels are increasing and the percentage of people with no qualifications are decreasing, but people are leaving university with more debt than ever.

Life expectancy has gone up, but is quality of life improving? Obesity has risen at a much faster rate and people are working into their 70s and beyond.

The future of work: Employment vs zero hours contracts

Education levels are increasing and the percentage of people with no qualifications are decreasing, but people are leaving university with more debt than ever.

Employment levels are at a record high. However, the nature of work is changing with the number of people on zero hour contracts rapidly increasing over the past decade.

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Understanding the consumer means understanding who they are, what they are doing, and where and when they are doing it. It also means understanding the economic pressures they are under, how they think and the values that are at the heart of their decision-making process.

**Shifting demographics**
We are our demographics but that does not mean that consumers can be reduced to the sum of their individual demographic categories. It means that they’re a creation of the complex interplay of ever-shifting demographic forces that places them in unique situations, exposes them to unique experiences, and creates unique needs and cultural biases. Understanding how demographics influence behaviour is important because they can be tracked over time allowing businesses not only to perceive current consumer behaviour, but to predict future behaviour as well.

To recognise how, where, and why the consumer is changing, one must understand their underlying demographics, which include more than just life span, fertility rate, race and ethnicity. Health, culture, economics and education are all critical dimensions of demographics – as are geography, regionalism and the urban-suburban-rural divide. In the following section we follow the framework established in a Deloitte US report but have adapted it to the UK market.

**Living longer but less healthy lives**
On average the UK consumer is getting older and living longer. Consumers’ life expectancy increased by 6.7 per cent for men and 4.4 per cent for women between 1999 and 2019. However, despite living longer there are major health issues in the population. Obesity, for instance, has grown around 22 per cent CAGR (compound annual growth rate) between 2006-07 and 2016-17 with women’s obesity (24 per cent CAGR) rising faster than men’s (20 per cent CAGR). Obesity tends to increase with age with a third of people in England over the age of 35 obese. Overall, 62 per cent of adults aged 18 and above are overweight or obese in the UK.

The rise in obesity is also pushing health and wellness to the forefront with many brands looking at how they can reformulate products, develop healthier alternatives and promote more active lifestyles. Consumers are looking to brands to help them make healthier choices.

**Better educated but not necessarily better off?**
The UK consumer is also now more educated than ever. Education levels have risen faster since 2004 in the UK compared to other EU countries: in 2018, the UK scored 11th in terms of percentage of the population in tertiary education compared to 16th in 2004. Meanwhile the Social Progress Index ranks the UK number one in the world for access to higher education.

Although there are obvious advantages associated with education, a higher level of education actually comes at a cost for many UK consumers through increasing levels of debt. Many students fund degrees with student loans and take on more debt due to the cost of living, at a time when they are unable to work full time. While the student loan system means that this debt is amortised over a number of years, debt accrued through easily accessible credit such as personal loans and credit cards is carried over from university into consumers’ working lives, impacting their ability to spend and save.
The nature of employment is changing
Unemployment is currently at historically low levels, but consumers are not necessarily better off financially. In the last ten years, incomes have risen by £3,400 – most of which is driven by rises in the state pension (13.1 per cent growth between 2009-2019, equivalent to a CAGR of 1.1 per cent over the same period). The last ten years have been particularly hard for UK workers, with the growth in median household disposable income lagging behind the approximate 23 per cent overall growth in median household disposable income witnessed between 1999-2009 (CAGR of 1.9 per cent over the same period).

The structure of business, and of the economy, is complex. Only around ten per cent of the UK workforce works in ‘big businesses’ – private or quoted businesses employing more than 250 people. Around 90 per cent work in small and medium sized enterprises (SMEs), the public sector or are self-employed. The nature of work has also changed over time. For example, an estimated 3 per cent of the adult workforce were on zero hours contracts as recently as 2017. Meanwhile in 2019, 9.7 per cent (4.7 million) of the adult workforce had worked for an online platform at least once a week and it is estimated that as many as 7.5 million people in the UK have been part of the ‘gig economy’ at least once.

The uncertainty that these jobs create in part explain why during a period of record employment we have seen low levels of household spending growth and fierce competition across the consumer sector. However, it is also worth noting that these types of jobs provide many workers with valuable flexibility.

Growing urban and suburban populations
Domestic and international migration also tells an interesting story. The population of London and the urban area surrounding it has grown significantly, increasing by 1.1 million between 2008 and 2017 to 10 million people. But, over the past decade, about 550,000 more people left London than moved to it. London is now the only region of England where more people are leaving than arriving from other parts of the country – only international arrivals are keeping the population steady. There was an increase in international immigration of 860,000 between 2009 and 2017, with more than half coming from the EU. As a result, by 2017, 3.6 million people living in the city were born overseas.

Where people live has a major influence over consumer businesses. City living in the UK has encouraged the growth of convenience grocery stores as the big grocers have looked to serve consumers unable to access large out of town retail sites. Similarly, living in a city can discourage car use and is a driving force behind the new shared mobility trend.
Demographics and spending
Over time, as well as seeing changes in demographics, we have seen changes in consumers’ spending patterns. For example, the average weekly household expenditure on essential (non-discretionary) items in the UK has increased from £245.30 in 2009 to £311 in 2018 (CAGR: 2.7 per cent). In that time, consumer spending on ‘Communication’, ‘Transport’, ‘Housing, fuel and power’, and ‘Health’ categories increased at a CAGR of 4.8 per cent, 3.7 per cent, 3.2 per cent and 3 per cent respectively. In fact the Deloitte Consumer Tracker shows that over the last nine years there has been a general trend towards consumers favouring spending on essentials at the cost of discretionary categories, with the one area that appears immune being leisure spending.13

In addition, we are witnessing a change in where and how consumers purchase goods and services. In 2007, online shopping accounted for under 5 per cent of retail sales, according to the Office for National Statistics (ONS). Today, it accounts for around 20 per cent, and is expected to continue to take market share with sales rising more than three times faster than the rest of the market. Consumers are spending more of their time and money online and this is having a profound impact on physical retail due to lower footfall and lower sales at a time when costs are rising.14

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Shifting sands | The changing consumer landscape
The impact of demographics on behaviour
**Owning a home: Ownership by age**

- 65 years+ is the only segment of the population increasing home ownership. The gap between young and old owning homes is growing over time.
- Today's young adults are significantly less likely to own a home as compared to those born in 1970s and 1980s.
- Over 30s (30–34) have the highest birth rates with the most pronounced growth amongst 35–39 year olds.
- In 2018, the average age of first-time mothers rose to 30.6 from 28.2 in 1996.
- The cost of raising a child has been increasing in developed countries, largely because of the growing cost of childcare and education.

**Motherhood: Age of mother at birth**

- Over 30s (30–34) have the highest birth rates with the most pronounced growth amongst 35–39 year olds.
- In 2018, the average age of first-time mothers rose to 30.6 from 28.2 in 1996.
- The cost of raising a child has been increasing in developed countries, largely because of the growing cost of childcare and education.
The changing demographics are having a real and visible impact on consumer behaviour.

Still a nation of home owners?
While the UK remains a nation of home owners, increasing house prices particularly in the South of England, combined with low wage growth and increasing levels of unsecured debt, have meant that many first time buyers are struggling to get a foot on the property ladder. The average (mean) age of first time buyers was 33 in 2017-18, up from 31 in 2007-08. Moreover, the percentage of young home owners decreased from 55 per cent in 1996 to 30 per cent in 2015 for 25- to 29-year olds, and from 68 per cent to 46 per cent for 30- to 34-year-olds.

The change in when this particular milestone is reached has an impact on the frequency and penetration of consumers buying home furnishings, household appliances and furniture. Potentially, it also has an impact on consumer confidence more broadly, with the Deloitte Consumer Tracker indicating that home owners have been more confident over the last five years compared to non-home owners.

Other milestones are also being delayed as consumers feel the pressure
House buying is not the only milestone being delayed. UK consumers are getting married and starting their families later, too. According to data from the ONS, while the average age for a couple moving in together has not changed, the average age of a first-time mother has risen by two years, to 29 from 27 in 1999, while the average age of a first marriage has risen by about three years for men and four years for women. Weddings are big business and the economics associated with them are a driving factor in the delay: the average wedding in the UK now costs £30,355. The cost of getting married hit an all-time high in 2018 up by £3,365 – or 12 per cent – from £26,989 the previous year. In 2018, just a quarter of all couples were entirely paying for their own wedding. Three in five couples received financial contributions from their family, which is a significant rise from just over 50 per cent in 2017.

Changing family dynamics impact on consumer values and buying behaviours. Some new parents will now have more purchasing power than before. For example, those who delayed parenthood to further their careers will have more disposable income to spend on their children. The increasing cost of weddings also has an impact on buying behaviour. Many couples will be borrowing money to fund their special day while at the same time saving for a deposit and/or taking on a mortgage. Current house prices and the rising cost of weddings are putting consumers under unprecedented financial pressure.
**Generational similarities and differences**
Understanding consumers has always been important in running a successful business, especially from a marketing perspective. Few businesses are able to target everyone. Instead, targeting specific groups of consumers allows for more effective and efficient allocation of resources (financial, human, and physical). In the past, large segmentations have allowed consumer businesses to understand their consumers. However, recently there has been a trend towards creating a one-to-one relationship with the consumer which technology has facilitated by lowering the costs associated with personalisation and customisation.

Looking at how consumer groups are diversifying over time is important as it helps to identify areas of opportunity. There is real value in thinking ahead to how consumers will continue to change and evolve over time. For example, Millennials have been a hot topic for a number of years now due to the sheer size of the cohort. The desire to try and segment consumers into clearly defined groups has led to businesses focusing on generational differences. But this assumes that Millennials are a homogenous group who feel and think the same way and value the same things. A close analysis of demographics shows that this is not entirely true. Millennials are in fact a large diverse group of people where income and wealth have as much importance as when someone was born. A wealthy 25-year old may have more in common with a wealthy 35-year old than a less affluent 25-year old.

Following the Millennials come Generation Z, the so called ‘digital natives’, a smaller group and one that it just starting to have a sizeable impact on the consumer market. Understanding this group, their behaviours and preferences will be key to consumer businesses’ success in the next ten years. Generation Z have proved to be enthusiastic adopters of digital platforms, for example they are five times more likely (30.8 per cent) to have used a car sharing service such as Uber in the last 30 days than Generation X (6.3 per cent) and almost six in ten have spoken to a digital personal assistant in the last 30 days.
Almost 6 in 10 Millennials agreed that they would choose a brand because it supports a cause they believe in compared to only 1 in 3 Baby boomers.

Millennials are also more engaged in environmental issues with agreeing that they are prepared “to make sacrifices for the good of the planet” compared to 39% of Baby boomers.

In several decades time, millions of older people may be dependent on housing benefit, living in rented accommodation and surviving on state pension, which is currently only £168.60 pw.

In 2014 the Resolution Foundation found that British people born around 1980 earned 13% less than those born in Britain in 1970 at the same stage of life. It also found that the pay squeeze on British people under 30 was 2x bigger than those in their 50s. A bigger divide than in any other country.

The proportion of low-paid work done by young men increased by 45% between 1993 and 2015-16.

In contrast, some Baby boomers, newly retired are living in comparative luxury thanks to rapid house inflation, good pensions and a lifetime of secure employment.
Changing consumers, changing values
While observing how consumers are changing is important, it is also important to understand why they are changing.

To understand the motivating factors driving behavioural differences within groups of consumers, it is necessary to dig deeper into the attitudes and, ultimately, the values that they hold. Exploring the beliefs and values of consumers provides a view on why they make decisions and choices. Understanding the decisions and choices that a consumer makes allows consumer brands to communicate with them more effectively.

According to GfK's consumer lifestyles study the most important values to UK consumers in 2019 were: Honesty, protecting the family, freedom, stable personal relationships and authenticity. The importance consumers place on these top five values have not changed materially over the last ten years. Honesty and protecting the family have been ranked first and second in every year from 2014 and were ranked first and third respectively in 2009. The importance consumers place on honesty and authenticity has major implications for the way that brands talk to them. It is often noted that consumers are becoming more immune to traditional marketing methods. For example, the growing importance of peer-to-peer reviews and the trend towards influencer marketing both have their roots in the consumer’s desire to trust honest and authentic messaging that some brands seem to lack.

Honesty, protecting the family, freedom, stable personal relationships and authenticity are the most important values to the UK consumer.

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<tr>
<th>Generation definitions</th>
<th>We use the following definitions for the major generations of the population:</th>
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<tbody>
<tr>
<td>Pre-boomers</td>
<td>Born before 1946</td>
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<tr>
<td>Baby boomers</td>
<td>Born between 1946 and 1964</td>
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<tr>
<td>Generation X</td>
<td>Born between 1965 and 1979</td>
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<tr>
<td>Millennials</td>
<td>Born between 1980 and 1997</td>
</tr>
<tr>
<td>Generation Z</td>
<td>Born 1998 or later</td>
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Shifting sands | The changing consumer landscape
More conscious consumption
Sustainability is a major concern for consumer businesses. It is also of growing importance to consumers, having jumped ten places in GfK’s consumer values rankings between 2018 and 2019. However, it is still not among the most important values driving consumer behaviour. At the moment, other values such as ‘having fun’, ‘excitement’, and ‘thrift’ are all ranked above ‘preserving the environment’ in the mind of the consumer. This presents an interesting dilemma for both consumers and consumer businesses. Regardless all of the rhetoric there is evidence to suggest that consumers may value (and choose) experience and cost over environmentally friendly products. Businesses need to understand these nuances and how the current lack of information impacts consumers’ ability to make more ethical or sustainable choices. For example, consumers may always prefer to avoid products that are made using unethical manufacturing practices or that has a negative impact on the environment but they don’t often have the necessary information to make that decision.

Consumers face this dilemma on a daily basis. Despite the focus of the media on sustainable and environmental business practices and consumption, we see high emissions, high waste sectors such as fast fashion and low cost flights continue to enjoy success across various cohorts of consumers. This is a dynamic situation and one that consumers can find difficult to navigate due to mixed messaging and a lack of transparency further down the supply chain. However, there is also an opportunity for brands to help consumers make better choices by providing them with more information on how their consumption of products and services impacts the environment.
Sustainability: Proportion of people who consider environment important

Consumer sentiment towards sustainability is growing, making it important for organisations to review their practices in all the stages of product manufacturing and sales.

Protecting the family, freedom, authenticity and learning are highly valued by all the three generations. However, there are key differences in other personal values that different generations hold.

High earning Millennials consider creativity, faith and thriftiness as more important values whilst low earning Millennials value equality, enjoying life and leisure.

Personal values: Generational differences*

*We have taken the top 8 values ranked at a total level and showed where they rank in importance across generational cohorts.

Source: GfK Consumer Life Survey 2019
Detailed analysis of consumer values confirms our belief that generational differences exist. For example, while honesty is top overall and is ranked top for Generation X, Baby boomers and Pre-boomers, it is only ranked 16th among Generation Z. In fact, Generation Z attitudes tend to deviate significantly from the norm. With their whole lives ahead of them Generation Z ranks ‘adventure’ 19 places higher than its overall ranking, ambition 18 places higher and excitement 13 places higher. In turn, Millennials rank ‘having fun’ 13 places lower, ambition 12 places lower and excitement 11 places lower. However, these rankings change drastically when looked at through the lens of income. Taking ‘leisure’ and the emphasis that consumers place on free time as an example, Millennials in the lowest third of household incomes rank it 14th compared to Millennials in the highest third of household incomes ranking it 39th. This stark difference shows how priorities within generational cohorts can change based on personal situations.

Looking at how income changes values in this way reminds us about the importance of price and why it remains a key battleground between competing consumer businesses. Any value or principle associated with a product that incurs a price premium may always be out of reach to a substantial proportion of the population. This is reflected in data which shows that ‘preserving the environment’ is less important to low earning Millennials and Gen-Xers compared to their medium and high earning counterparts.

Navigating these rapid changes is having a profound impact on the consumer industry. Because only when we understand the consumer, can these radical challenges shift from being a challenge, to an opportunity.

Keeping up with the consumer – what next for consumer businesses?

In the next decade we believe that the winners in the consumer market will be those that not only understand how the consumer is changing but also why. By understanding the way that forces such as demographics, economics, purpose and values are changing consumer behaviour means businesses are better able to plan for the future. The changing consumer will mean that businesses need to adapt the products and services that they offer to cater for a greater focus on health and sustainability, for example. Businesses will also need to consider changes to their organisational structure, how they are investing in technology or acquiring new capabilities. Conversely, businesses will also need to consider divesting in areas such as retail property or brands that no-longer resonate with consumers or align with their values.

In the coming years, the sands of the consumer landscape will continue to shift and the key question for businesses is: what will you do differently?
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If you would like to discuss any of the topics in this report, or our services, please contact one of our specialists below.

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Endnotes

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