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## WHY BUSINESSES MUST PREPARE FOR THE CHANGING FACE OF CONSUMER DEMAND

Changing demographics and consumer behaviours will present new opportunities to agile businesses in the coming decades whilst posing threats to some established marketing strategies, according to a new report from HSBC Commercial Banking.

With economic growth set to propel more than 90% of the world's population into the so-called consumer class by 2020, meaning they have some disposable income left after paying for essentials, the report suggests companies should start preparing today to meet the wants and needs of tomorrow's customer.

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

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



**Advances in digital technology**

Rapid growth in the number of people who are online, especially those with the mobile devices, means shoppers are enjoying greater choice, wider networks and the ability to be more discerning than ever before. By 2020 some 6.1 billion people<sup>1</sup> will use a smartphone. Members of Generation Z, born between the mid-1990s and the mid-2000s, have grown up as ‘native’ users of digital technologies and their expectations for simplicity and accessibility have been shaped accordingly.

**Ahmed Yeganeh, Head of Commercial Banking for HSBC Egypt** said: “Mobile and internet penetration are increasing every year in Egypt and around the world. We are staying ahead of the curve by investing in our technology to ensure we bring HSBC to our customers in the best way possible.”

According to a study by the Ministry of Communication and IT of Egypt, the Internet usage jumped from 20 million users in 2009 to nearly 30 million users in 2013<sup>2</sup>. This is a growing trend which is further manifested by the government of Egypt providing e-services as well as various businesses branching out to the digital domain. “In the banking world, we launched Corporate Internet Banking “*HSBCnet*” in 2005; a secure and efficient platform that allows customers to effortlessly execute their banking needs online.” added **Yeganeh**

**The rise of the middle income consumer**

Middle income consumers, defined as those earning USD10-20 per day- currently account for one in seven of the global population. By 2020 this is forecast to grow to 3.2bn, rising to 4.9bn a decade later<sup>3</sup>. In these numbers their discretionary spending power will have a significant impact on company strategies, in particular for Asia where

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<sup>1</sup> Ericsson Mobility Report 2015  
<sup>2</sup> Measuring the Digital Society in Egypt: Internet at a Glance, Statistical Profile,2015 (Ministry of Communication and Information Technology – Arab Republic of Egypt)  
<sup>3</sup> As above



the majority will live. Businesses shifting emphasis to these consumers will need to consider the influence that cultural differences make on their buying preferences.

### **Female consumption power**

The economic power of women is increasing significantly around the world, with their earnings set to rise around 50% to USD18trn by 2018 from USD12trn in 2010<sup>4</sup>. Businesses wanting to target this segment need to adopt an approach that reflects women's increasingly work-oriented lifestyles. Surveys show men and women demonstrate similar attitudes and values - they want to buy from trusted and reliable brands (70% vs 68%) and they put equal importance (91%) on leisure<sup>5</sup>. Moreover, over two thirds (67%)<sup>6</sup> of both genders are interested in consuming ethically, indicating that sustainable practices will increasingly influence purchasing choices.

### **Generational consumption**

The report also explores the economic importance of different generations, from Pre War and Baby Boomers (born at the beginning to the late middle half of the 20<sup>th</sup> century) to Generation Z, also called Millennials, (born between the mid-1990s and the mid-2000s). It finds that the purchasing power of the over-60s will keep rising, and that by 2020 this age group will outnumber the under-5s for the first time in human history<sup>7</sup>. Millennials may be less satisfied with their financial situation, but they are now approaching their prime working years and demonstrate relatively distinctive behaviours such as the prioritisation of experiences over possessions.

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<sup>4</sup> Ernst & Young: 'Women – the next emerging market' (2013)

<sup>5</sup> Trajectory Global Foresight Survey

<sup>6</sup> As above

<sup>7</sup> United States Census Bureau – An Aging World: 2015 International Population Reports



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**Notes to editors:**

**HSBC Bank Egypt S A E**

HSBC Bank Egypt S.A.E. was established in 1982 as Hongkong Egyptian Bank S.A.E. and adopted its present name in April 2001 following an increase in shareholding by the HSBC Group from 40% to 94.5%.

HSBC Bank Egypt S.A.E. is one of the largest multinational banks operating in Egypt, providing a comprehensive range of banking and related financial services through a network of more than 65 branches and outlets in prominent cities in Egypt.

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News Release