

Consumer Packaged Goods Practice

McKinsey 2020 Global Consumer Sentiment Survey: A tale of two segments

The findings of our latest consumer survey suggest that although life is good for many, the middle class may be struggling.

by Anne Grimmelt, Max Magni, and Alex Rodriguez



© Monkeybusinessimages/Getty Images

More and more people feel good both about their current financial situation and about the future, especially in fast-growing economies. At the same time, a growing minority of middle- and lower-income households is struggling to make ends meet. The latest wave of McKinsey's global consumer sentiment surveys, conducted in September 2019 in 19 countries, explores the impact of these developments on shopper behavior in a wide range of categories, including food, beverages, personal care, and household products. The sample includes more than 22,000 people, and the research is part of an effort that has gauged sentiment annually since 2015. (For more on our methodology, see sidebar, "Survey cornerstones.") For the first time, the survey also takes stock of the emerging purchase relevance of sustainability concerns, especially among millennials, and of the types of companies value-driven consumers trust the most.

Life is good for a growing number of consumers

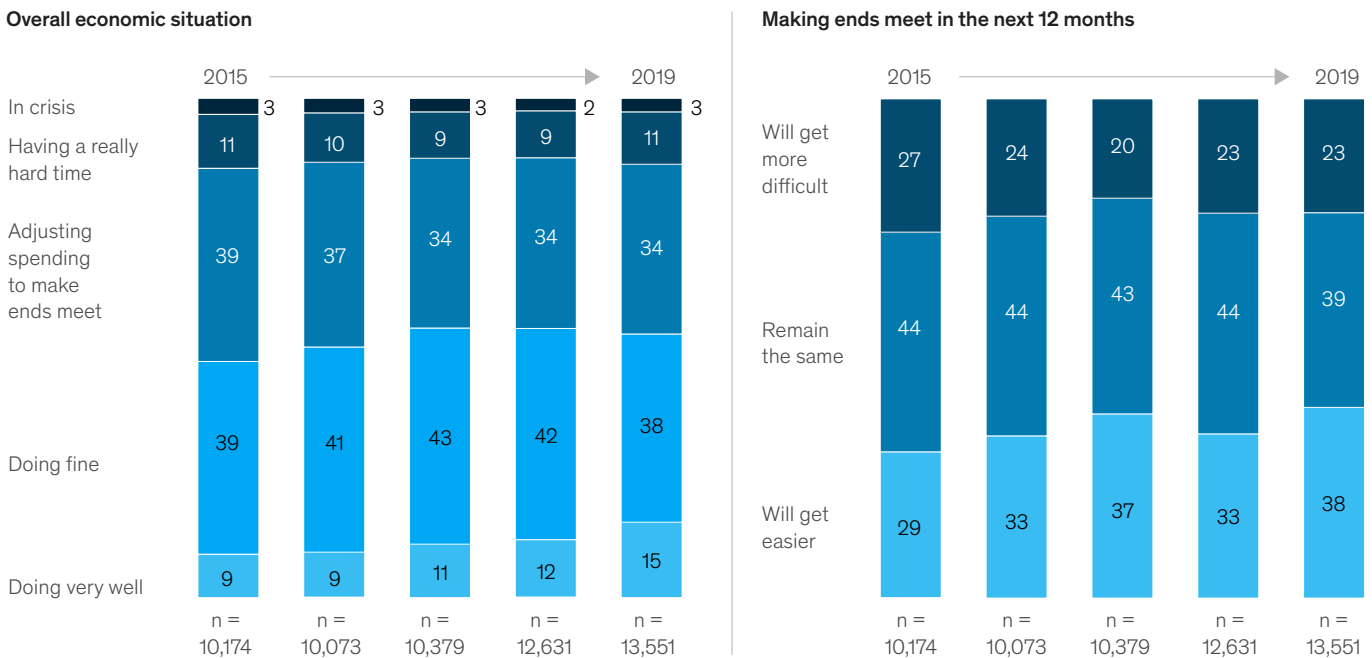
A growing number of consumers feel good about their economic situation, and they expect further improvements for their national economies and for themselves in the next twelve months (Exhibit 1). Fifty-three percent of respondents say they are "doing fine" or "doing very well" (up from 47 percent in 2015). Thirty-eight percent expect that it "will get easier" to make ends meet in the next 12 months (up from 29 percent in 2015), while only 23 percent of respondents expect that their economic situation will "get more difficult" (down from 27 percent in 2015).

Consumers are not only satisfied with the status quo; they are also confident that the future is bright. Thirty-six percent of respondents are optimistic about their country's economy (up from 25 percent

Exhibit 1

Consumers feel better about their economic situation today than five years ago and expect further improvements next year.

Consumers' perspectives on their economic situation, global top 10 countries, Sept 2015–19, %¹



¹ Global top 10 countries: Brazil, China, France, Germany, India, Japan, Mexico, Russia, United Kingdom, and United States; figures may not sum to 100%, because of rounding.

Source: McKinsey 2016–20 Global Sentiment Survey

in 2015), and they are even more optimistic about their household's economy (37 percent, up from 32 percent in 2015). Consumers in India are the most optimistic in our sample (55 percent), while China reports the biggest year-on-year improvement (36 percent, up from 27 percent in 2018).

Thanks to this positive outlook, consumers readily splurge on the things they care about (Exhibit 2). They are trading up, that is, switching to better brands, chiefly in categories associated with the good life, such as cosmetics (16 percent net trade-off rate¹), wine (15 percent), and beer (14 percent). The highest net trade-off rates are reported by consumers in China (19 percent) and India (18 percent), compared to a global average of 6 percent. Across countries, millennials are trading up twice as much (20 percent trade-up rate) as baby boomers (11 percent) or Generation X consumers (10 percent).² If consumers are economizing at all, it's typically

in categories where consumers are seeing less differentiation such as rice (11 percent trade down rate), cleaning products (11), and bottled water (11).

For the first time in five years, there is an uplift in the share of consumers who say they were "likely" or "very likely" to spend more on dining out if they earned more money (48 percent, up from 41 percent in 2015–18). The same is true for entertainment (47 percent, up from an average of 43 percent 2015–18)—further evidence that consumers are determined to have a good time.

The middle class struggles to make ends meet

Despite widespread economic optimism, more consumers report that they were struggling financially in 2019, especially in the middle- and low-income tiers.³ Twenty-eight percent of consumers

Survey cornerstones

- Fielded in September 2015, 2016, 2017, 2018, and 2019.
- The sample includes the top ten countries in terms of GDP per capita of the consuming class (Brazil, China, France, Germany, India, Japan, Mexico, Russia, United Kingdom, United States). An additional nine countries took part in the September 2019 wave.
- The survey was conducted online, resulting in a skew. This is because internet users are younger, more urban, and more affluent than the average of the population in most countries. To amend for the online skew, the sample was weighted on a country basis, using census data for age and panel data for income/social-economic status.
- Category insights were weighted by purchase incidence.
- Regional and country weighting was conducted in line with standards defined by the McKinsey Global Institute (MGI).¹
- Sentiment questions weighted by size of the consuming class.
- Behavioral questions weighted by size of the consuming class and per capita consumption of the consuming class.
- Results are based on consumer statements and reports, not on observations of actual behavior. In some areas, actual behavior may deviate from stated intentions and/or reported behavior.

¹ McKinsey Global Institute, McKinsey.com.

¹ Percentage of consumers trading up minus the percentage of consumers trading down.

² Baby boomers: born 1946–64, Generation X: born 1965–80, Millennials: Born 1981–96.

³ Income tiers are defined based on household income or social-economic class and split the consuming class in three relatively equal parts per country. In the United States, this plays out as follows: low tier <\$50,000 annual household income, mid-tier \$50,000–\$100,000, high tier >\$100,000. The consuming class represents households earning at least \$10 per day.

Exhibit 2

Consumers splurge in categories that matter to them, including cosmetics, wine, and beer.

Net trade-off rates in a standard shopping basket in 2019

Trade up minus trade down among those who changed buying behavior in the past 12 months, %



Note: In global top 10 countries: Brazil, China, France, Germany, India, Japan, Mexico, Russia, United Kingdom, and United States.

Source: McKinsey 2016–20 Global Sentiment Survey

say they find it harder to make ends meet now than twelve months ago (up from 25 percent in 2018). Twenty-seven percent say that they are living from paycheck to paycheck (up from 22 percent in 2018). Thirty-three percent of households in the middle-income tier say they had a hard time paying their bills in 2019, compared to only 21 percent in 2018.

In response to this hardship, consumers pursue a number of different strategies to save money. Twenty-four percent of consumers say that they stick to their preferred brands, but that they buy them in lower quantities. Twenty-four percent say that they switch to cheaper stores to get their preferred brands at lower prices, and

Despite widespread economic optimism, more consumers report that they were struggling financially in 2019, especially in the middle- and low-income tiers.

22 percent say that they buy their preferred brands only when these brands are on sale, or when they have a discount coupon. That said, the global net trade-off rate is still positive in the middle class (5 percent, compared to an average of 6 percent). Only consumers in the low-income tier exhibit a negative net trade-off rate (–5 percent), that is, they trade down more often than they trade up. This is also true for Brazil, Japan, Mexico, Russia, and the United Kingdom, all of which report a negative net trade-off rate overall (that is, across all income tiers). Globally, 43 percent of all consumers report a positive experience after trading down, and 65 percent say they are unlikely to trade back up—a challenge for upmarket retailers and manufacturers of high-end brands.

Shoppers care about health and sustainability

Health orientation increasingly drives reported shopping habits, especially among affluent consumers. Shoppers who say they trade up cite “better quality ingredients” as the most important reason (64 percent). The trend toward healthy eating is especially pronounced in the high-income bracket. Thirty-seven percent of these respondents say that they eat more healthy food now than they did in the past (up from 35 percent in 2015).

Twenty-five percent of them say that they read more nutrition labels in stores (up from 21 percent in 2015), and 24 percent say they buy more natural or organic products (up from 15 percent in 2015)—a trend that was already apparent in 2018, but that has since become more prevalent, at least among consumers in the middle- and high-income brackets.

But consumers care not only about their own wellbeing; they also care about the planet. Specifically, they aspire to reduce the negative impact of their shopping behavior on the environment. Seventy-nine percent of all consumers say that they include sustainable packaging in their purchasing decisions—always, usually, or at least sometimes (Exhibit 3). This figure is even higher among millennials (83 percent).

Millennials are also prepared to pay more for products that have the least negative impact on the environment and to get products from companies that share their values.⁴

Across countries, consumers believe that large companies are slightly more likely (72 percent) than small companies (64 percent)⁵ to put profit before consumer concerns such as health and sustainability (Exhibit 4). Consumers in the US report the greatest perceived trust gap between

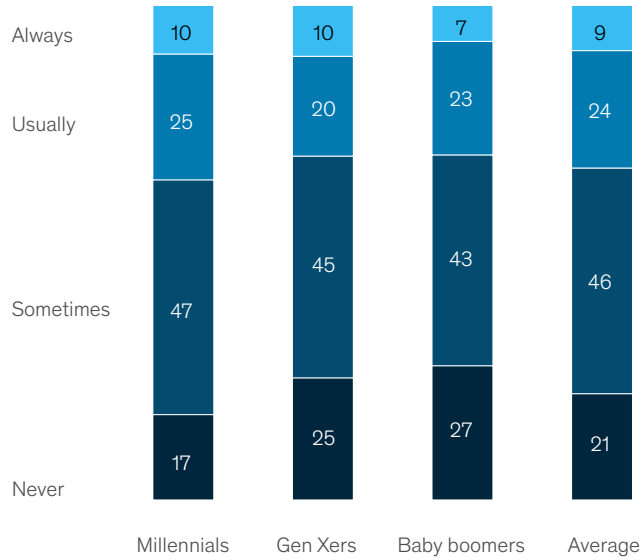
⁴ Note that actual behavior might deviate from stated intentions.

⁵ Note that the global average was weighted by size of the consuming class per country.

Exhibit 3

Sustainable packaging influences purchasing decisions, especially for millennials.

How often do you include sustainable packaging in your purchasing decision? Global top 10 countries in 2019, %¹



¹Global top 10 countries: Brazil, China, France, Germany, India, Japan, Mexico, Russia, United Kingdom, and United States; figures may not sum to 100%, because of rounding.

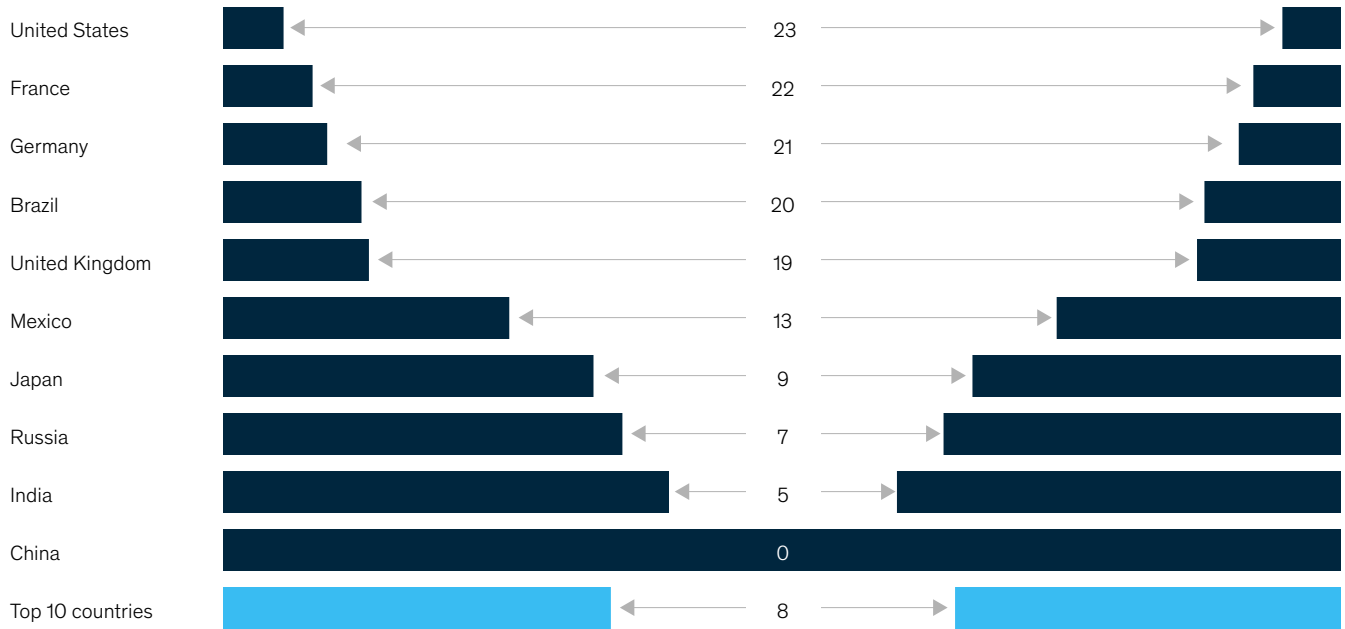
Source: McKinsey 2016–20 Global Sentiment Survey

Health orientation increasingly drives reported shopping habits, especially among affluent consumers.

Exhibit 4

Across countries, consumers have more trust in small companies than in large companies.

Perceived trust gap between behavior of large and small companies, Sept 2019, percentage points¹



¹Trust gap measured by respondents agreeing with statement "company places its financial interest ahead of my interest"; global top 10 countries: Brazil, China, France, Germany, India, Japan, Mexico, Russia, United Kingdom, and United States.

Source: McKinsey 2016–20 Global Sentiment Survey

large and small companies (a gap of 23 percentage points (pp)), followed by France (22 pp), Germany (21 pp), Brazil (20 pp), and the United Kingdom (19 pp). This perception, sometimes referred to as

the Goliath effect,⁶ or a fear of giants, presents an opportunity for small companies, and a challenge for big companies.

⁶ See Gary Alan Fine, "The Goliath effect: Corporate dominance and mercantile legends," *Journal of American Folklore*, Vol. 98, Number 387, Jan–Mar, 1985, pp. 63–84.

For more highlights from the global survey, as well as country-specific findings, see our forthcoming articles on McKinsey.com.

Anne Grimmelt is a senior knowledge expert in McKinsey's Stamford office, **Max Magni** is a senior partner in the New Jersey office, and **Alex Rodriguez** is a partner in the Miami office.

The authors wish to thank Viviana Aguilar and Karina Huerta for their contributions to this article through their work on the global survey.

Designed by Global Editorial Services
Copyright © 2020 McKinsey & Company. All rights reserved.