

Influence vs. Affluence: The Changing Menu of Food Choices

As consumers embrace free-from segments, fresher food, and greater transparency, the old-market structure of affluence, advertising, and scale is giving way to the principles of trust, influence, and personalization.



24 hours and 43,000 signatures after her petition went online, Vani Hari, aka the “Food Babe,” has convinced Anheuser-Busch to publicly reveal the list of ingredients for its beers.

—Salon (June 2014)

In one day, the power of social media accomplished what the Center for Science in the Public Interest had been lobbying the government to do for three decades. The amplification of social networking makes every consumer a potential broadcaster and puts every company in their crosshairs. For years, consumer packaged goods companies and retailers succeeded on three key principles: focus on where affluence is, invest in advertising to seduce customers, and build scale to deliver profitability. This has changed. Success in tomorrow’s marketplace will require fundamentally new principles: create trust in the age of information and transparency, understand who has the influence, and deliver personalization enabled by data to evolve customer engagement and experiences.

While the older generations may have affluence, the younger generations have influence and are not shy about using social media to reward and punish. To probe this new reality, and to better understand consumers’ relationships with brands and retailers, A.T. Kearney conducted the Global Future Consumer Study.

Social networking makes every consumer a potential broadcaster, with every company in their crosshairs.

The A.T. Kearney Global Future Consumer Study examined demographic, economic, and technological trends and surveyed more than 7,000 consumers across seven countries to project trends over the next decade. This consumer engagement had a specific objective: go beyond simply examining current consumption statistics to better understand consumers’ behavior, personal values, and influences as drivers of consumption.

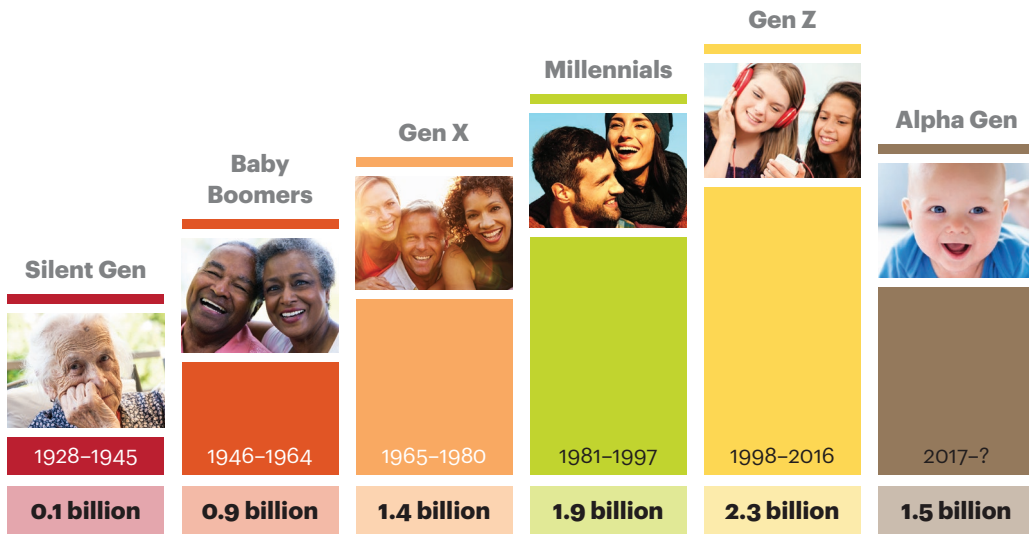
This report identifies the shift from affluence to influence, arising from unstoppable forces of demographics, changing values, and hyper-connectivity that is remaking the global rules of consumption patterns. As a result, the mass market of the future must appeal to tomorrow’s consumers by taking advantage of new technology-enabled ways to influence and sell.

Meet the Consumers of Tomorrow

By 2027, for the first time, there will be six generations of consumers (see figure 1 on page 2). Two of these generations—the Silent Generation (1928–1945) and what marketers refer to as the Alpha Generation (2017–?)—are projected to have limited purchasing impact as the youngest Silent will be 82 while the oldest Alpha will only be 10. That leaves four high-commercial-impact generations: Baby Boomers (1946–1964), Gen X (1965–1980), Millennials (1981–1997), and Gen Z (1998–2016).

Figure 1

By 2027, there will be six generations of consumers in the market



Source: A.T. Kearney analysis

Much has been written about the purchasing habits of Baby Boomers and Millennials; however, one of the most significant demographic developments over the next decade will be Gen Z coming of age. In 2027, 30 percent of the world’s population will be Gen Z, including 1.5 billion adults.

Gen Z consumers are true digital natives, are technology savvy, embrace tolerance and responsibility, rely on unfettered access to information, idolize founders of disruptive businesses, and value socially conscious entrepreneurship (see figure 2).

It is essential for brands and retailers to understand these values, because Gen Z will be the spearhead of change. In general, younger generations’ ways of buying usually sway older generations’ behaviors. Gen Z consumers also take advantage of hyper-connectivity to influence more widely and easily than ever before.

Figure 2

Gen Z has a unique set of shared values

Value	Interpretation
Digital natives	They share content, though often in small, closed communities
Tolerance	Post-race, post-gender: “Unique is the new cool”
Responsible	The global recession means they work
(Self) educated	With access to information, they gain education and transparency
Entrepreneurial	They idolize founders of disruptive businesses
Socially conscious	They value courage and social entrepreneurship

Source: A.T. Kearney analysis

When everyone is always connected to others, conditions are ripe for the rise of the influence model, where markets can be moved through the amplified power of an individual voice. When this hyper-connectivity combines with the demographic shifts and changing values, the future consumer landscape becomes dramatically altered. As a result, business models must become dynamic and multifaceted, more personalized, and targeted to finding an individual consumer at the right place and time.

The Forces Reshaping Mass Markets

Consumers are passionate about the food they eat, and their appetites are creating shifts in the marketplace. Viewpoints and products that were once outliers have gone mainstream. Consumers now view food—particularly food with benefits—as key to good health. They are embracing free-from segments, fresher food, and greater transparency from food brands and retailers. The old-market structure of affluence, advertising, and scale is giving way to the principles of trust, influence, and personalization.

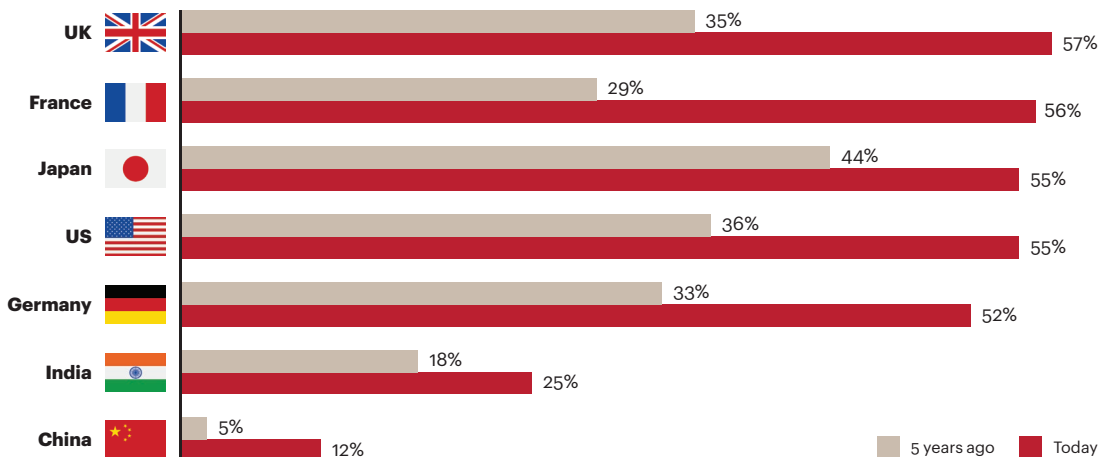
A brand is simply trust

A brand, as Steve Jobs said, is simply trust. As Gen Z and Millennials press big brands for more information and accountability about food sourcing, production, and labeling, levels of trust have shifted. In the past five years, trust has waned in large food corporations and brands, especially in the West (see figure 3). In the Western markets surveyed, more than 50 percent of consumers had little or no confidence in large corporations and brands. Big brands fared better in India and China, largely due to quality and “cool” factors, but all levels declined. This loss of confidence will be a principle challenge for brands in the future. Erosion of trust is not inevitable; yet, building and maintaining trust becomes of paramount importance for brands and retailers.

Figure 3

Trust in brands is declining

% of respondents with very little/no confidence in large corporations/brands



Source: A.T. Kearney analysis

On one hand, CPG companies and retailers have leveraged “free-from” brands to build trust. Free-from food, or food made with the goal of transparency, has grown significantly in recent years. Gluten-free has gained traction with increased diagnoses of celiac disease and people removing gluten from their diet for lifestyle reasons. Transparency around ingredients (both included and excluded in food products) inspires trust in customers for food brands.

On the other hand, food safety concerns reported in the media are amplified through social media and erode trust in big companies—and entire industries. In 2012, public outrage was ignited by “pink slime,” a lean, finely textured beef found in most ground beef products. When McDonald’s and many major grocery chains bowed to pressure and vowed to stop using it, sales plummeted, and the supply industry collapsed. Likewise, social media reaction to the recent Fipronil egg contamination in Europe in 2017 spread concern and skepticism, damaging the image of eggs as a healthy food product and affecting egg producers throughout the region.

Nearly 50 percent of Gen Z and Millennials value retailers that do good for the world. So when the animal rights movement succeeded in making cage-free eggs a mainstream issue, 100 grocery chains, 60 restaurant chains, and dozens of major food businesses promised to switch to cage-free in the next decade. Gen Z and Millennials are rewarding small and medium-sized companies that align with their values. Hence, small independents are growing: farmers’ markets, microbreweries, food-tech start-ups, and local restaurants and bars.

The Internet is the true catalyst of influence

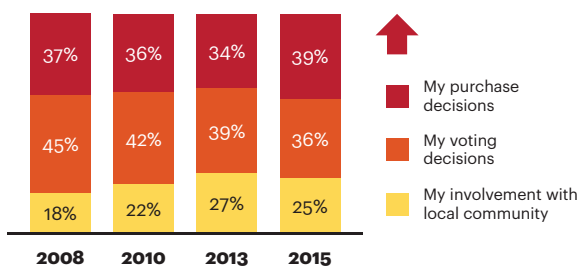
Just as some consumers have more affluence than others, some have more influence. Jeff Bezos, the founder and CEO of Amazon, once said: “If you make customers unhappy in the physical world, they might each tell six friends. If you make customers unhappy on the Internet, they can each tell 6,000.” The Internet, especially social media and its 1000x influence factor, is a true catalyst of influence.

Younger consumers believe that their purchase decisions have a greater impact on society than their voting decisions or their involvement in their local community (see figure 4).

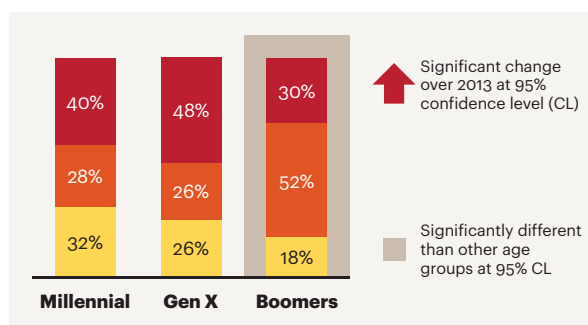
Figure 4

Consumers now believe their purchasing decisions have a greater impact on society than their voting decisions

Which has the greatest impact on society?



Which has the greatest impact on society? 2015 by generation



Base: All consumers, 2013 (n=1,841); 2015 (n=1,779); Core (n=243); Inner Mid-level (n=552); Outer Mid-level (n=490); Periphery (n=262); Millennial (n=480); Gen X (n=401); Boomers (n=898).

Source: A.T. Kearney analysis

As a result, these consumers have strong feelings about the impact of their purchase decisions and are open to the opinions garnered through social media. The food industry is already shifting toward “open source” influencer relationships. With no commonly agreed-upon experts, everyone, or anyone with a platform, can be perceived as an expert on any given issue.

Gwyneth Paltrow, founder of influential lifestyle blog *goop*, recently invested in Daily Harvest (a New York City-based frozen smoothie and soups delivery company) and promotes it through reviews and pictures on her blog. Ella Woodward is a UK-based social media influencer-turned-author and restaurateur focused on food, clean recipes, and healthy living. Vani Hari, aka the “Food Babe,” has 1.1 million Facebook followers and uses the power of social media amplification to make companies more accountable to their consumers for their products.

Such micro-influencers may have more impact than macro-influencers because they engage more actively and authentically with their followers and so more effectively build trust. Micro-influencers are increasingly influential with Gen Z and Millennials.

The food industry is already shifting toward “open source” influencer relationships. With no commonly agreed-upon experts, everyone, or anyone with a platform, can be perceived as an expert on any given issue.

Personalization creates consumer engagement

Big data allows marketers to pinpoint attitudes, opinions, and other implicit, personality-based interests, lifestyles, and values. Although big data can be valuable in understanding influence, it has even more value in unlocking personalization. Personalization means designing or producing something to meet someone’s individual requirements. To enable a truly personalized customer experience, mastering big data will play a central role for companies around the world.

There is an overwhelming amount of data on any individual. Gen Z and Millennials are twice as likely as Boomers to track at least one aspect of their lives, and they are also more likely to embrace the notion of the quantified self, pursuing self-improvement through data. Between 30 and 45 percent of these consumers are willing to share that data if they can get something in return. That something may be product recommendations for food or recipes that fit their dietary needs or products based on their past purchase behavior. Data becomes a new form of currency to improve customer engagement and experience. For example, consumers offer their data to leverage app capabilities and improve their health through personalized food plans, weight loss solutions, and food and exercise coaching. Personalization is not just product personalization—it’s experience personalization including content optimization online and in apps. Brands need to think of personalization broadly to communicate with individual consumers, rather than merely a method to derive scale advantage as in the past.

Marketing in a Hyper-Connected Digital World

Consumers will no longer be defined by what they own, but by what they do. Their consumption will reflect their personal values more than the value inherent in the product or service they are consuming (see figure 5).

Figure 5

In the influence model, consumption is driven largely by personal values

	Affluence model	Influence model
Consumers	"I am what I own"	"I am what I do"
Consumption drivers	Value	Values
Relationship	Transaction-based	Trust-based
Business models	Static	Dynamic
Marketing	Segmented	Personalized
Need to understand	"The big trends"	"The signals"

Source: A.T. Kearney analysis

Gen Z and Millennials trust their friends more than ads. They mistrust big agriculture and big food. Their food behaviors show that they explore foods through grazing and snacking, actively seek information about healthy foods, but do not want to forego indulgent foods. They are hyper-connected and are ready to be influenced by more personalized and targeted media. They move fluidly in and out of cohorts based on their needs of the moment and are happy to share data for the promise of personalized results. Brands and retailers can learn to celebrate and cater to these new values.

- **Invest in big customer intimacy.** Quaker Oats has been ranked the top digital food brand in 2017 by L2 (on its Digital IQ index). All of the company's email marketing campaigns feature original creative, and Quaker uploads new recipes every week on YouTube (gaining them an eightfold increase in subscribers). Getting close to the customer to build trust, essentially going direct-to-consumer, will become an imperative.
- **Adapt consumer segmentation models as complex cohorts emerge.** Amazon redefined its consumer segmentation model when it purchased Whole Foods in August 2017, adding brick-and-mortar stores to its digital footprint and giving the company a completely new dimension within the food industry. Companies need to redefine how they think about cohorts: away from categories of similar external characteristics, and toward a deeper understanding of what individual consumers value and how they make decisions.
- **Deliver customized solutions in pockets of scale.** In China, Alibaba capitalized on consumer preferences for e-commerce: its Alibaba Singles Day sales were more than five times greater than all Black Friday sales in the US. Offer personalization in a scalable way by grouping similar consumers into cohorts for which you can identify appealing products or services. Move to membership models and event-driven marketing.

- **Engage micro-influencers to build communities.** Naturally, the influence model makes collaboration with influencers paramount. Micro-influencers can be valuable ambassadors who can co-create authentic passion for a brand. Look for quality influencers with high social network engagement levels and stronger alignment between goals and values. Build long-term communities that enhance authentic passion for the brand.

Brands and retailers must adjust to the realities of this new hyper-connected, digital world. They need to go beyond adjusting marketing budgets, adding new ways to measure marketing efficiency, or just understanding consumer or product needs. They must bridge the gap between the affluence-based profitability and the influence-based model by building trust with sharper value propositions, engaging the influencers with transparency and authenticity, and learning to leverage big data to personalize customer engagements and experiences. Welcome to the world of influence: where products have purpose and stores share stories.

Author



Dave Donnan, partner, Chicago
dave.donnan@atkearney.com

The author wishes to thank Natalie Shield, Imran Dassu, and Mirko Warschun for their valuable contributions to this paper.



A.T. Kearney is a leading global management consulting firm with offices in more than 40 countries. Since 1926, we have been trusted advisors to the world's foremost organizations. A.T. Kearney is a partner-owned firm, committed to helping clients achieve immediate impact and growing advantage on their most mission-critical issues. For more information, visit www.atkearney.com.

Americas	Atlanta Bogotá Boston Calgary Chicago	Dallas Detroit Houston Mexico City New York	San Francisco São Paulo Toronto Washington, D.C.
Asia Pacific	Bangkok Beijing Brisbane Hong Kong Jakarta	Kuala Lumpur Melbourne Mumbai New Delhi Perth	Seoul Shanghai Singapore Sydney Tokyo
Europe	Amsterdam Berlin Brussels Bucharest Copenhagen Düsseldorf Istanbul Lisbon	Ljubljana London Madrid Milan Moscow Munich Oslo Paris	Prague Rome Stockholm Vienna Warsaw Zurich
Middle East and Africa	Abu Dhabi Doha	Dubai Johannesburg	Riyadh

For more information, permission to reprint or translate this work, and all other correspondence, please email: insight@atkearney.com.

The signature of our namesake and founder, Andrew Thomas Kearney, on the cover of this document represents our pledge to live the values he instilled in our firm and uphold his commitment to ensuring “essential rightness” in all that we do.

A.T. Kearney Korea LLC is a separate and independent legal entity operating under the A.T. Kearney name in Korea.

A.T. Kearney operates in India as A.T. Kearney Limited (Branch Office), a branch office of A.T. Kearney Limited, a company organized under the laws of England and Wales.

© 2018, A.T. Kearney, Inc. All rights reserved.