

JUNE 2010

McKinsey Quarterly

RETAIL PRACTICE

Older, smarter, poorer: The French consumer transformation

Long-term trends reshaping the consumer landscape in France have implications for other developed countries too.

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Over the next 20 years, powerful demographic, societal, and economic trends promise to reshape consumer behavior substantially in many of the world's wealthier nations. The implications for business will be significant. To better understand how these trends will play out, McKinsey's Consumer and Shopper Insights Center, with the support of the McKinsey Global Institute, examined the prospects of France and found that there, as in many of its European neighbors, the average household in 2030 will be older, better educated, and less wealthy than the average household today.

We found three long-term trends reaching a tipping point that will fundamentally transform the country: an aging population, societal shifts altering what households look like, and economic factors slowing the expansion of wealth. As these trends sweep across France and, to varying degrees, the rest of Europe, they will impose pressure on consumption growth and dramatically change the consumer landscape.

A transforming nation

France's population is getting older as longevity rises, fertility rates fall, and the large baby boom generation ages. These trends have profound economic implications, pressuring per capita GDP growth, purchasing power, and consumption. We expect that by 2030, for example, more than half of all French households will be headed by someone aged 55 or older. Across Europe, just two workers will support each retiree by 2050, compared with four today, unless the retirement age changes.

A range of societal shifts are reshaping the average French household (Exhibit 1). These include rising educational attainment, more women participating in the labor market, and smaller households as fewer couples form them and the birth rate declines. We forecast that the number of French households with couples who live together will fall to 58 percent in 2030, from 75 percent in 1980, while households will have an average of 2.5 members, down from 3.3 in 1980.

The final transformational factor is economic. Since World War II, an expanding European economy has allowed successive generations to earn more and accumulate greater net worth than previous generations had. This trend will continue, but at a slower pace as economic and consumption growth slow dramatically because of the aging population (which will cut overall workforce participation), weaker productivity gains, and the rising cost of limited resources, notably oil. In the absence of government reforms and major policy changes, we expect annual GDP growth in France to be 1.5 percent from 2008 to 2030, down from 2.1 percent from 1980 to 2008.

What it means

As a result of these factors, we believe that the annual growth of consumption in France (after housing and utilities) will fall to 1.4 percent in the next two decades, compared with 2 percent between 1980 and 2007. As an aggregate market, the mature-consumer segment—those aged 55 or older—will dominate by virtue of sheer numbers, accounting for around two-thirds of all additional consumption in the period to 2030. People aged 65 or older will account for almost half of that. These older households, however, will individually be less wealthy than those of the rest of the population and will continue to seek value.

Exhibit 1

The characteristics and spending patterns of the average French household in 2030 will look very different from current trends.

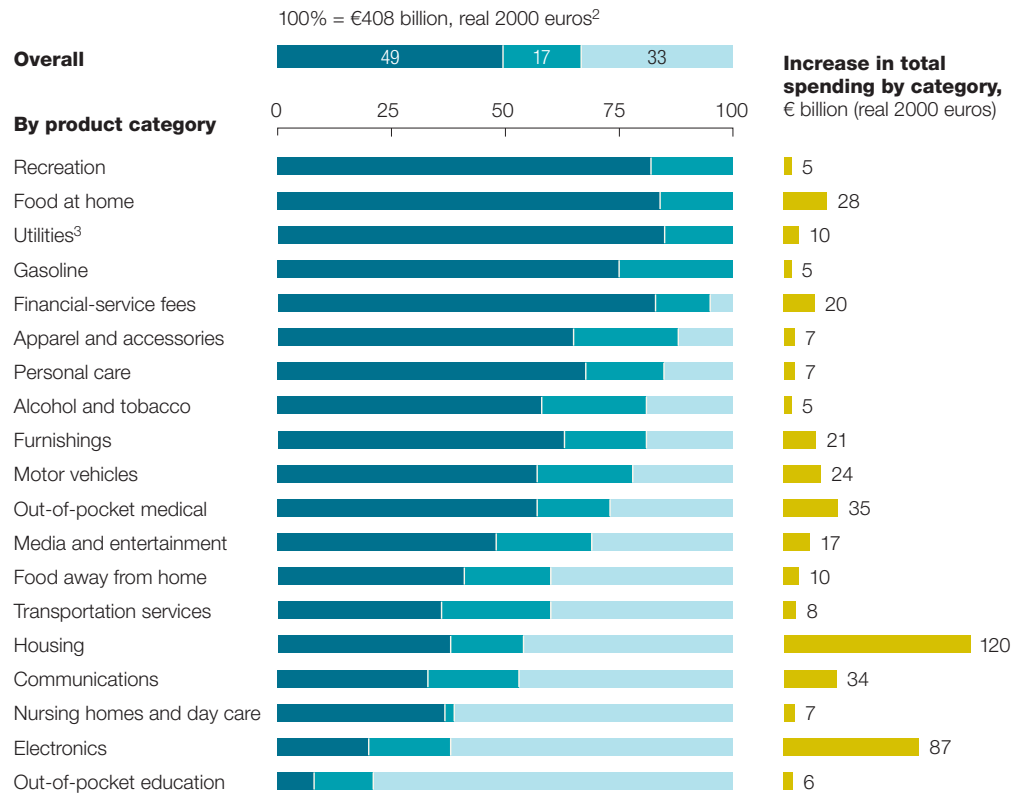
	1980	2007	2030
Demographic change			
# of households	19 million	27 million	33 million
Average age of individuals	36 years	40 years	43 years
Societal change (ages 15 to 54 years)			
Individuals who attained tertiary degree (out of 10 individuals)	1	2	4
Individuals who are coupled (out of 10 households)	7	6	6
Households have on average . . .	3.3 members 1.1 children	2.6 members 0.8 children	2.5 members 0.8 children
Economic change (real 2000 euros)			
Households' average earning and spending	€33,300 earned €27,300 spent	€41,200 earned €34,700 spent	€48,300 earned €40,900 spent
Out-of-pocket medical	€440	€1,290	€2,140
Electronics	€130	€1,700	€4,080
Gasoline	€1,300	€1,060	€1,040

For business, the dynamics of product growth will vary widely from category to category—and there will be winners and losers (Exhibit 2). Categories with above-average growth per household will be electronics, out-of-pocket medical expenses, communications, and housing. Those with stable growth include media and entertainment, energy, and personal care. Spending on the maintenance and repair of dwellings will decline. Combined with changing consumer aspirations, this growth pattern will yield very different attitudes toward consumption.

Exhibit 2

Mature French consumers will account for a majority of total spending increases over the coming decades.

Increase in total spending by French household age group, 2007–30,¹ %



¹ Projected; mature households aged 55 and over account for >100% of additional spending in recreation, food at home, utilities, and gasoline, since they compensate for lower consumption by younger age groups.

² Figures do not sum to 100%, because of rounding.

³ Electricity, heating materials (eg, coal, wood), natural gas, and water.

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To address changes in consumer behavior successfully, companies must innovate, including a focus on value and an increased interest in health and wellness. Companies also should note the impact of rising digital connectivity—many French consumers, even as they age, will retain their attachments to communities and social networks. Indeed, we expect consumers aged 55 or older to account for 33 percent of the electronics market and 43 percent of the communications market in 2030, compared with 23 percent and 34 percent, respectively, in 2007.



Only a deep understanding of how category dynamics and consumer needs are changing will allow companies to weather the difficult market conditions in France and, more broadly, in Western Europe. Companies will need to adopt a granular approach that helps them target pockets of growth in a generally lackluster environment and anticipate changing consumer needs and behavior by adjusting their strategies and offerings. ○

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