



**4<sup>th</sup> ExportUSA Forum: The US Consumer Review**  
US consumer is changing... perhaps not how you think

# Our journey to study the US consumer

We set out to find out if the consumer has, in fact, fundamentally changed. We took a two step approach to our research, exploring both macro population trends and manifested consumer behaviors through a series of demographic lenses.

## 1 The changing consumer in the context of macro population trends

First, we analyzed changing demographic, economic, and geographic trends in the US consumer population for insights into conventional wisdoms.

### MACRO POPULATION TRENDS



Ethnic  
Makeup



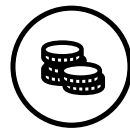
Age  
Demographics



Regional  
Trends



Health &  
Wellbeing



Economic  
Trends

## 2 Consumer behaviors through a series of demographic lenses

We then asked a series of questions about consumer behavior to determine if consumers are changing, and if so, how?

*How do  
consumers spend  
their time?*

*What matters to  
consumers?*

*How do  
consumers  
spend their  
money?*

*Where do  
consumers  
go?*



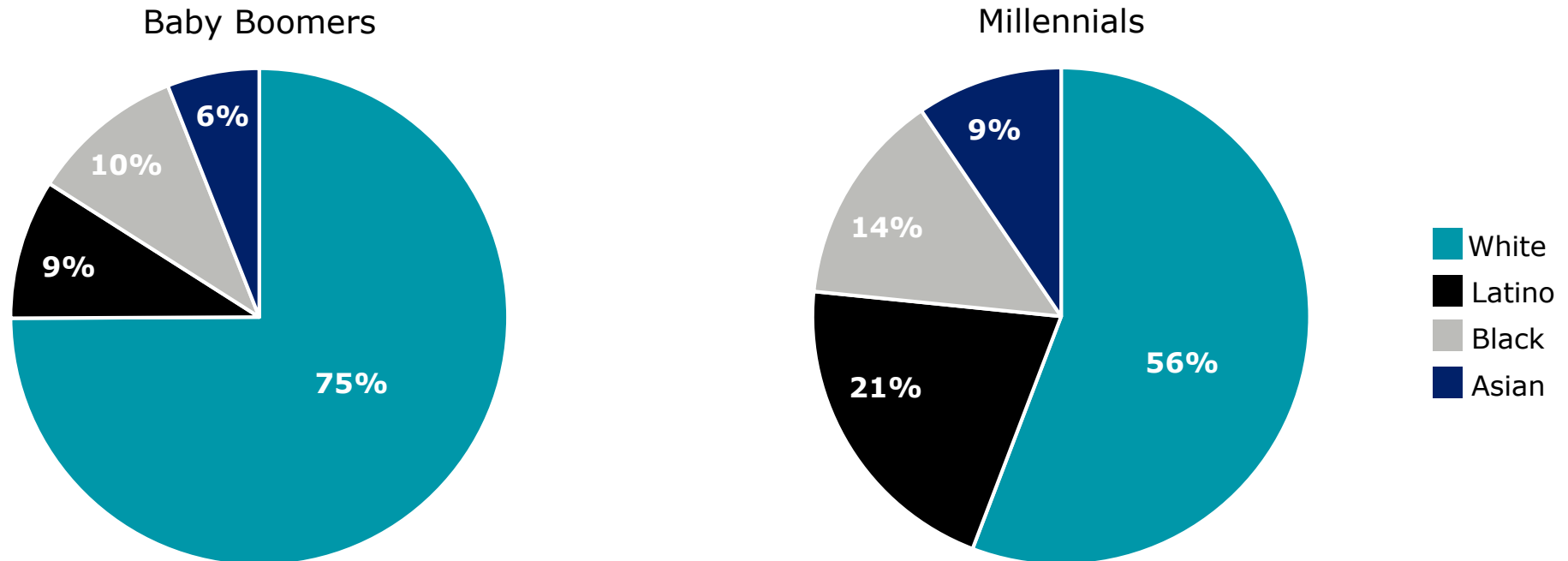
The background features a series of white, wavy, parallel lines that create a sense of depth and movement. These lines are arranged in a way that they appear to flow from the left side towards the right, with some lines curving upwards and others downwards, creating a dynamic, undulating pattern. The lines are closely spaced, creating a mesh-like effect in some areas.

# **US Macro Demographic Trends**

# The US has become more diverse

The ethnic and racial makeup of the US has shifted, with the nation moving away from the relatively uniform baby boomer consumer base towards a much more diverse millennials consumer base.

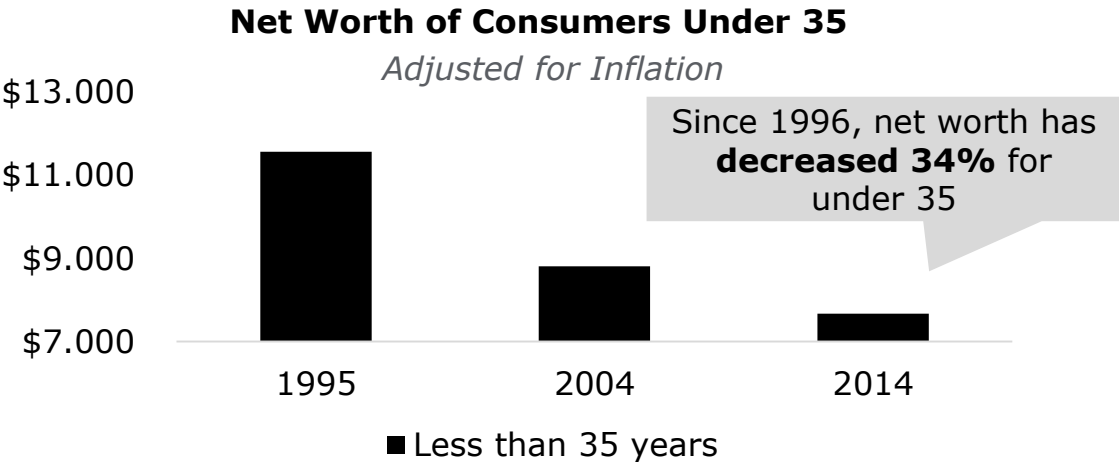
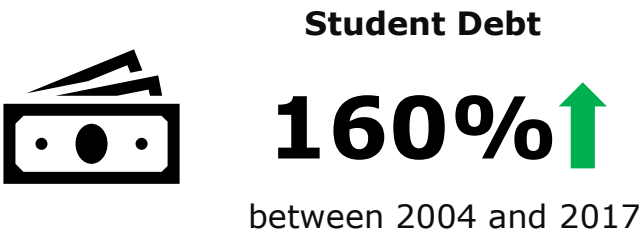
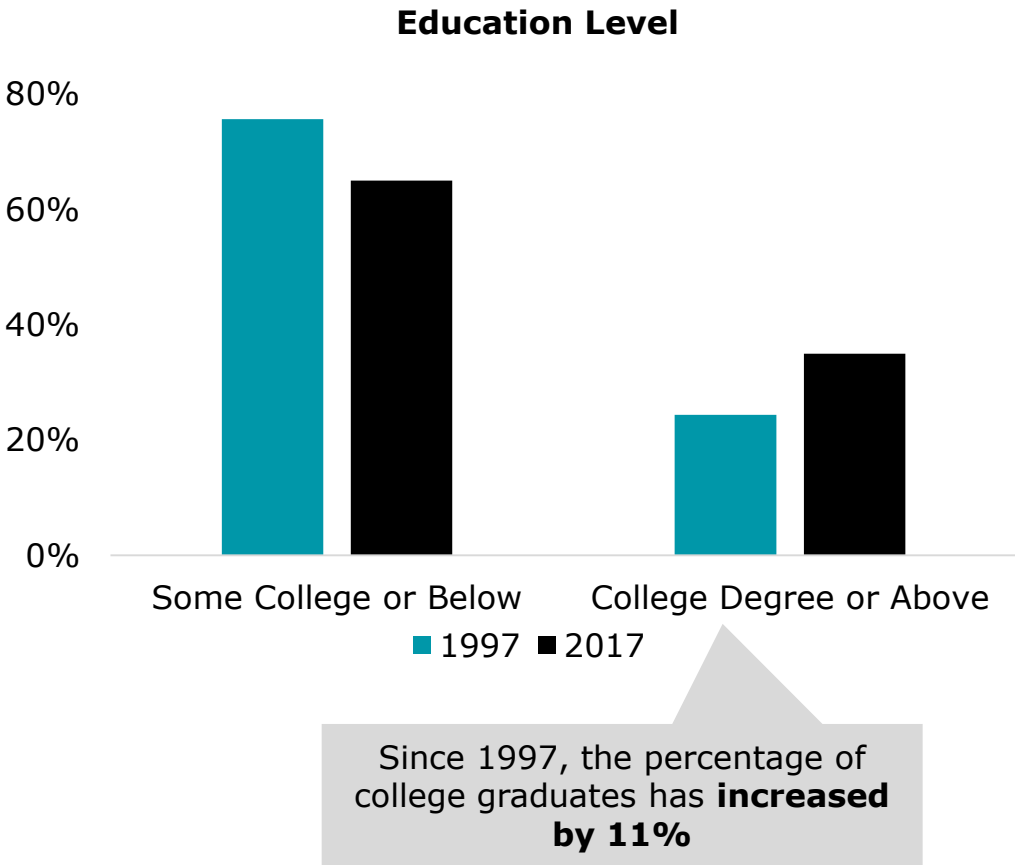
**Population by Race Across Generations**



The relative population percentage of Latinos and Asians have **increased by 45% and 61%**, respectively.

# Consumers are more educated, and that comes with costs

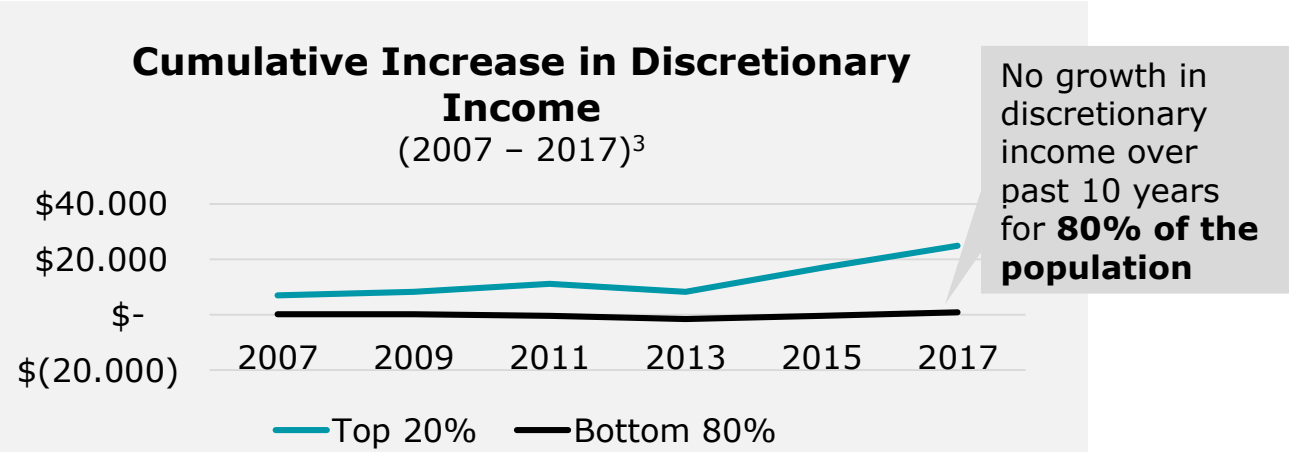
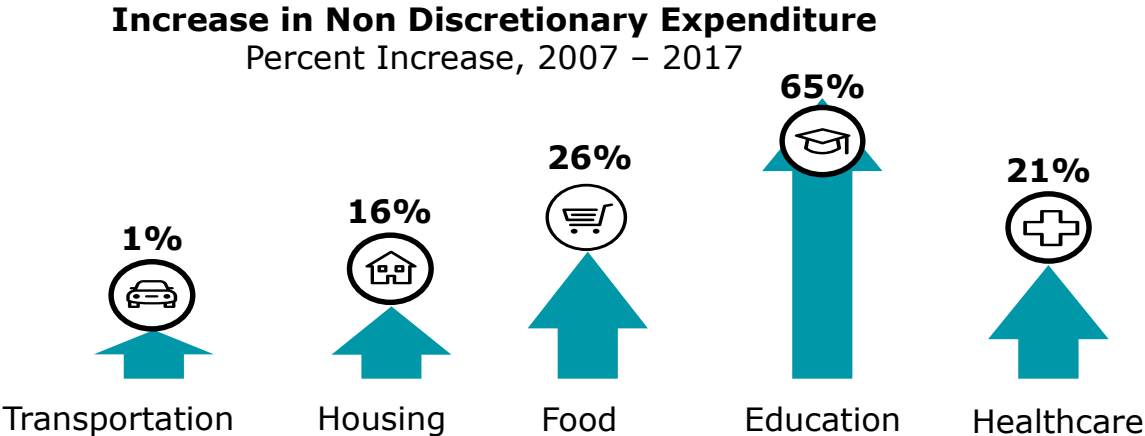
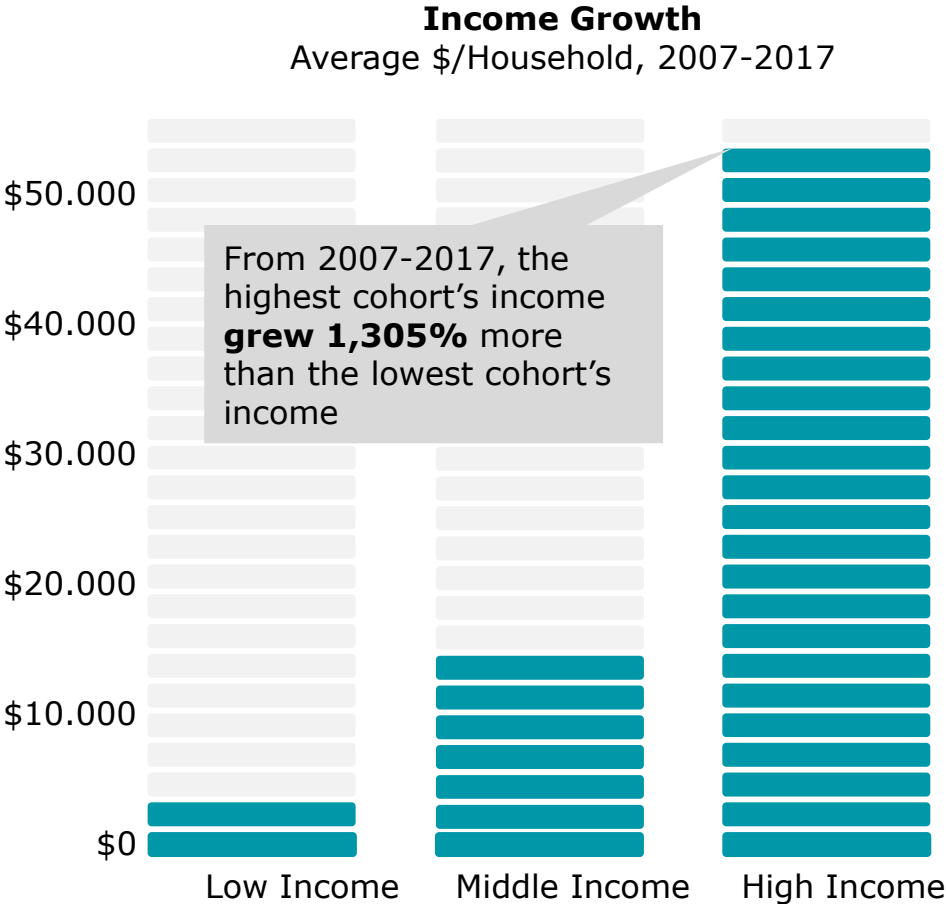
As more and more consumers seek higher education, they face the financial burden of school tuition. With rising student debt and more years out of the workforce, millennials are financially worse off than similarly-aged cohorts of the past.





# And the income gap continues to widen...

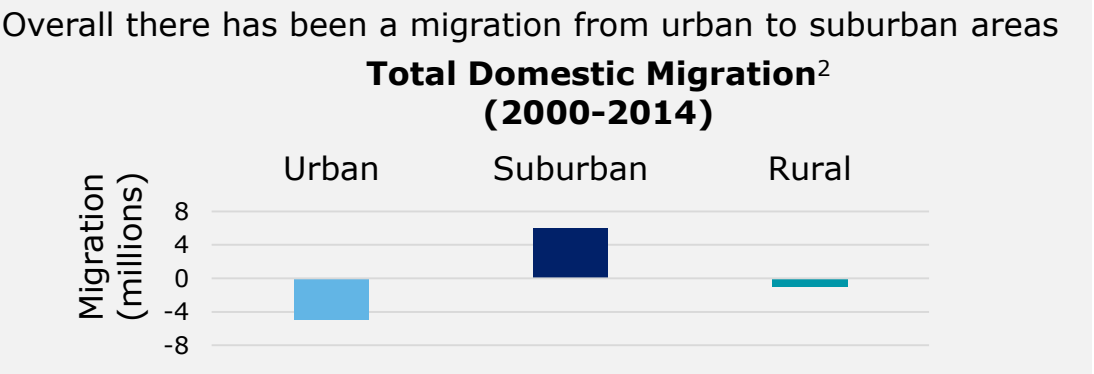
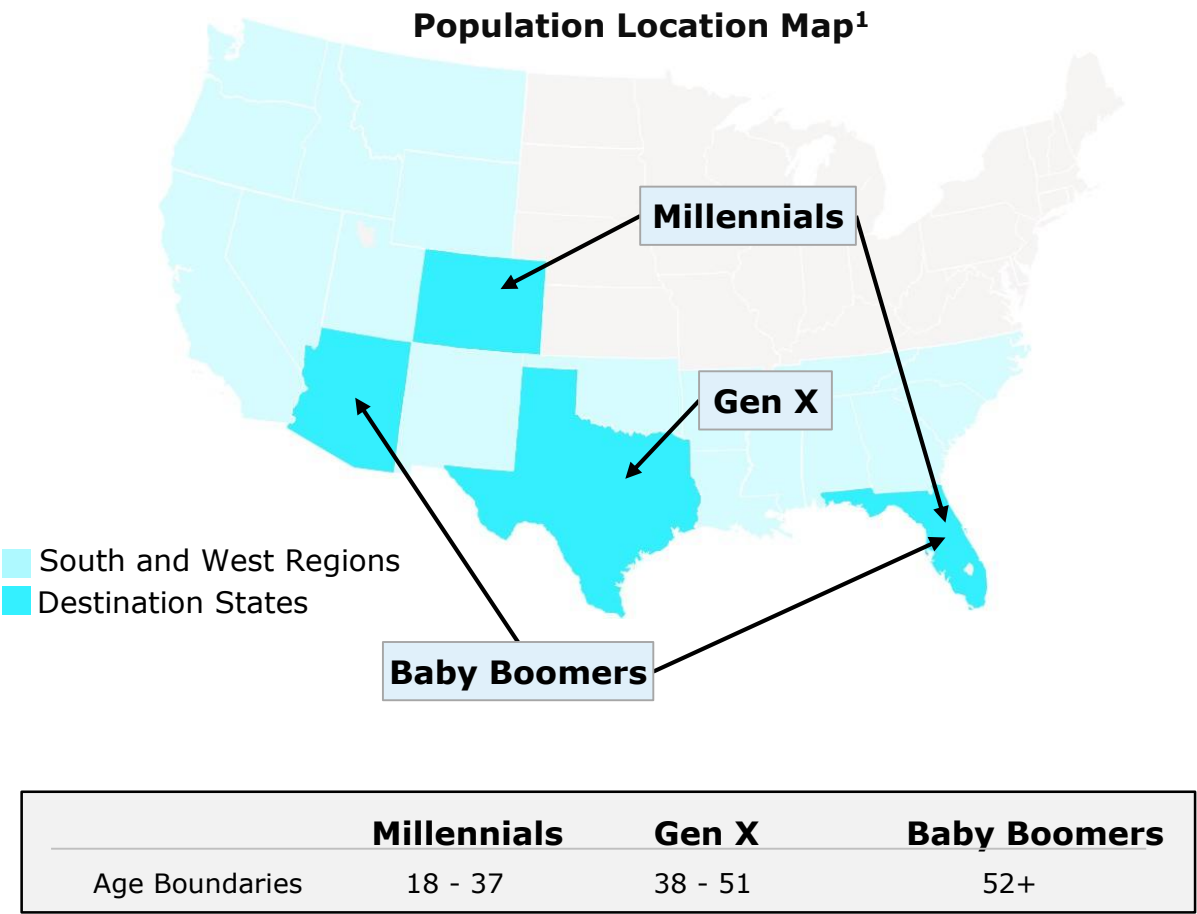
Average household income has increased, primarily for the high income cohort. While the income gaps between different cohort groups continue to widen. As non discretionary expenditures increase, the low income cohort is left with less discretionary income than before.



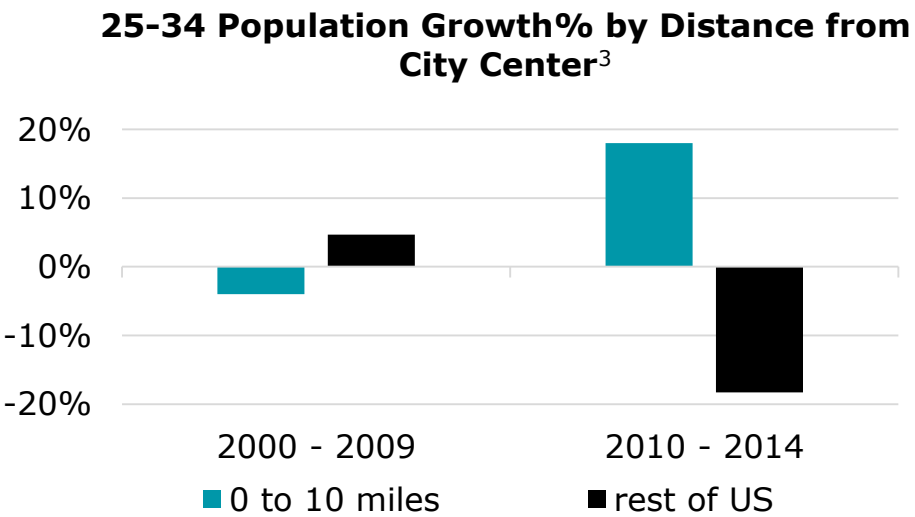
Sources: US Census Bureau; Bureau of Labor Statistics; BLS Consumer Economics

# Geographic migration patterns have changed

Consumer cohorts are moving to different geographies to satisfy their particular needs. Previous generations of young consumers moved away from cities, but today millennials are flocking to cities possibly for employment and lifestyle.



And while younger cohorts initially followed that trend, in recent years they have started to migrate back to urban areas



Sources: 1. Realtor.com; 2.Pew Research Center; 3. CityLab

# Consumers are delaying major life milestones

Consumers are delaying major life milestones such as marriage, home ownership, and having children.

## Home Ownership

The median age of first-time home buyers is increasing as millennials are buying homes later in life.

*between 2007 and 2017*

Percentage of Home Owners<sup>1</sup> **4%↓** From 68% to 64%

Median Age of First-Time Home Buyers<sup>2</sup> **3%↑** From 31 to 32

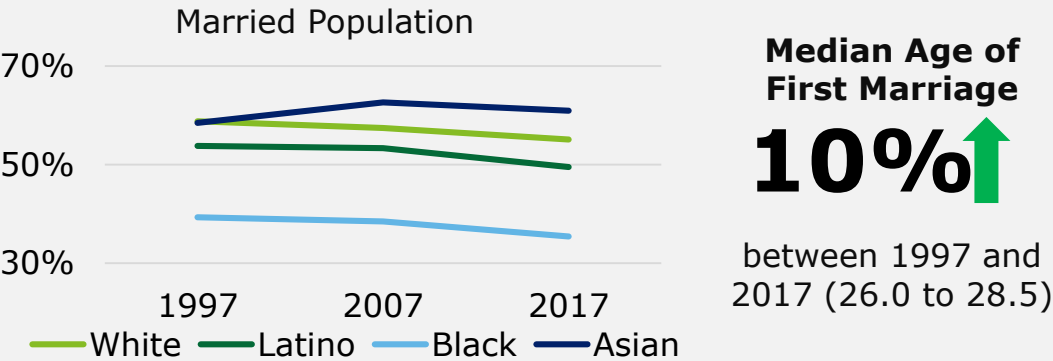
Percentage of Home Owners Below Median Income<sup>3</sup> **1%↓** From 51% to 50%

Percentage of Home Owners Above Median Income<sup>3</sup> **5%↓** From 83% to 78%

**Fewer** higher income consumers are buying houses

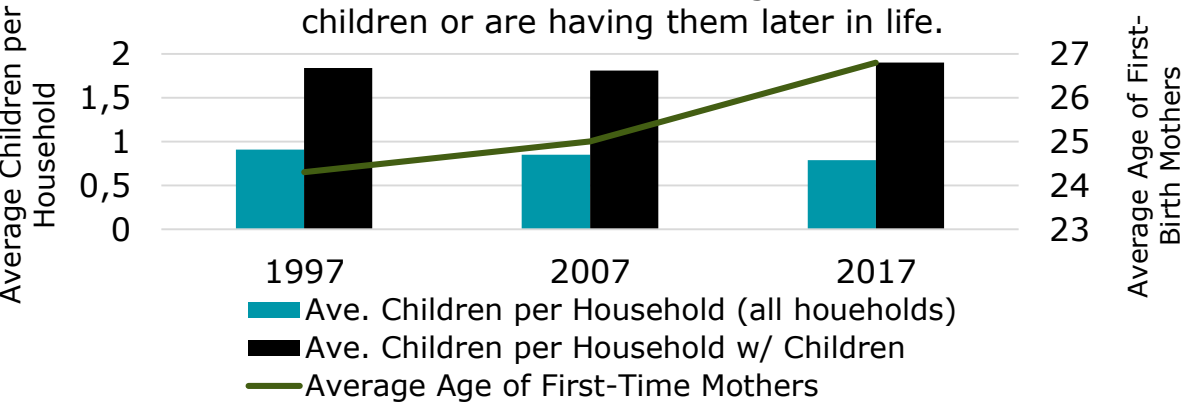
## Marriage<sup>4</sup>

More consumers are forgoing marriage or delaying it to later in life.



## Children<sup>5</sup>

More households are choosing not to have children or are having them later in life.





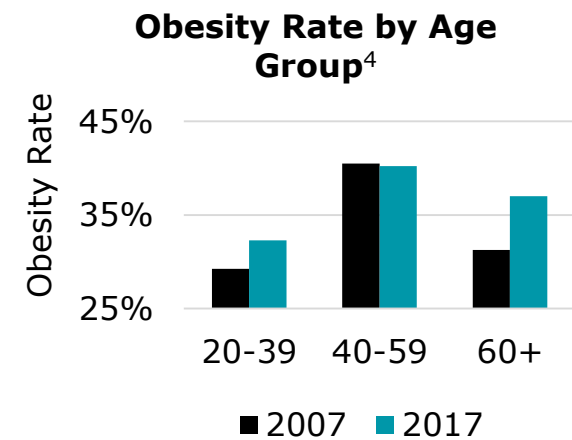
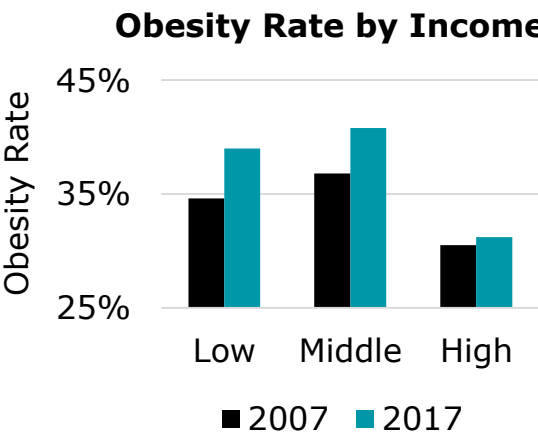
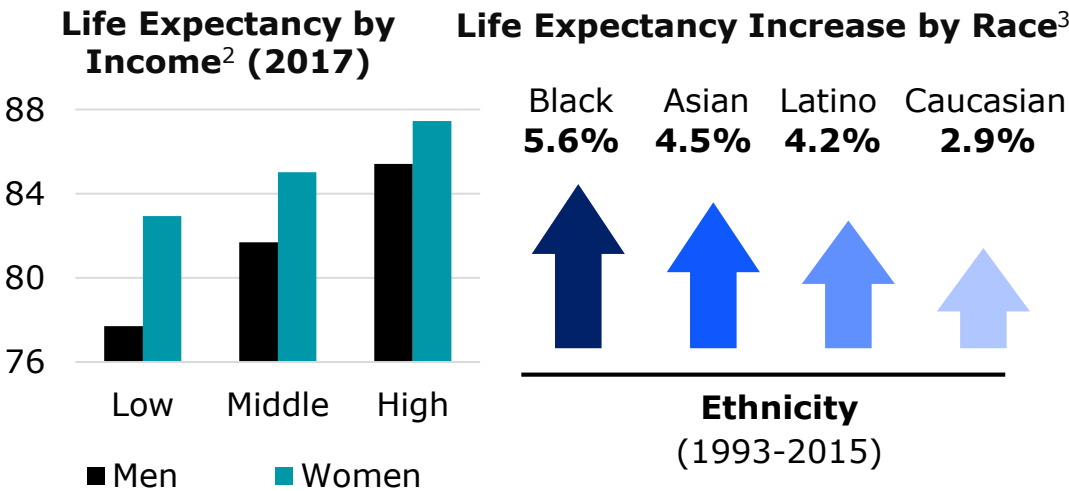
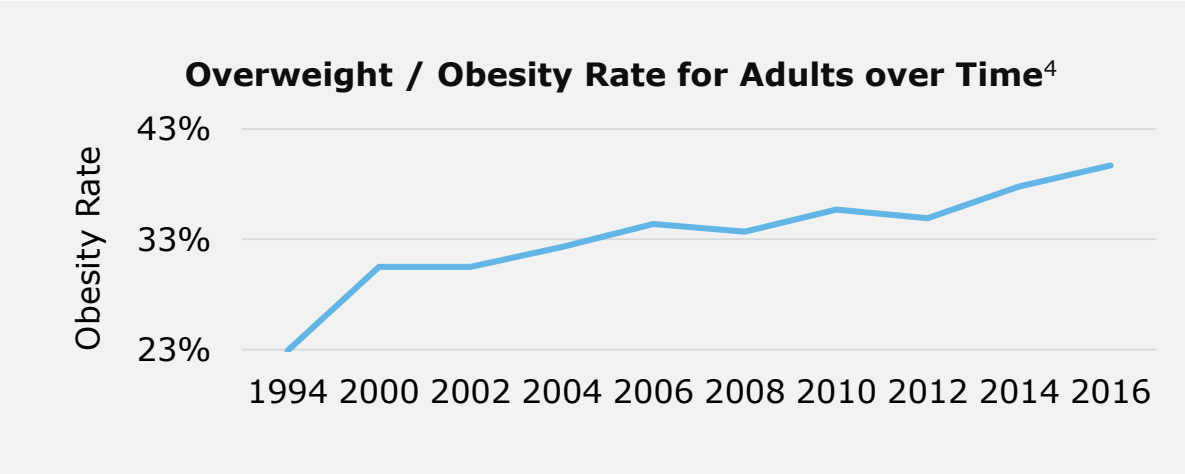
# People are living longer, but are not necessarily healthier

Average life expectancy has risen, but at the same time so has the obesity rate. However, these trends vary across income, age, and race cohorts; high income consumers are living longer and are less likely to be obese.

Average Life Expectancy<sup>1</sup>

**+2.5 years** ↑

between 1997 and 2017 (from 76.1 to 78.6)



# In summary, the US consumer base is:



More **diverse** across many dimensions (racially, economically, etc.)



More **educated**...but facing **increased cost burdens**



Earning **higher incomes**...but more **financially divided**



**Relocating** to satisfy particular needs...but **delaying major life milestones**



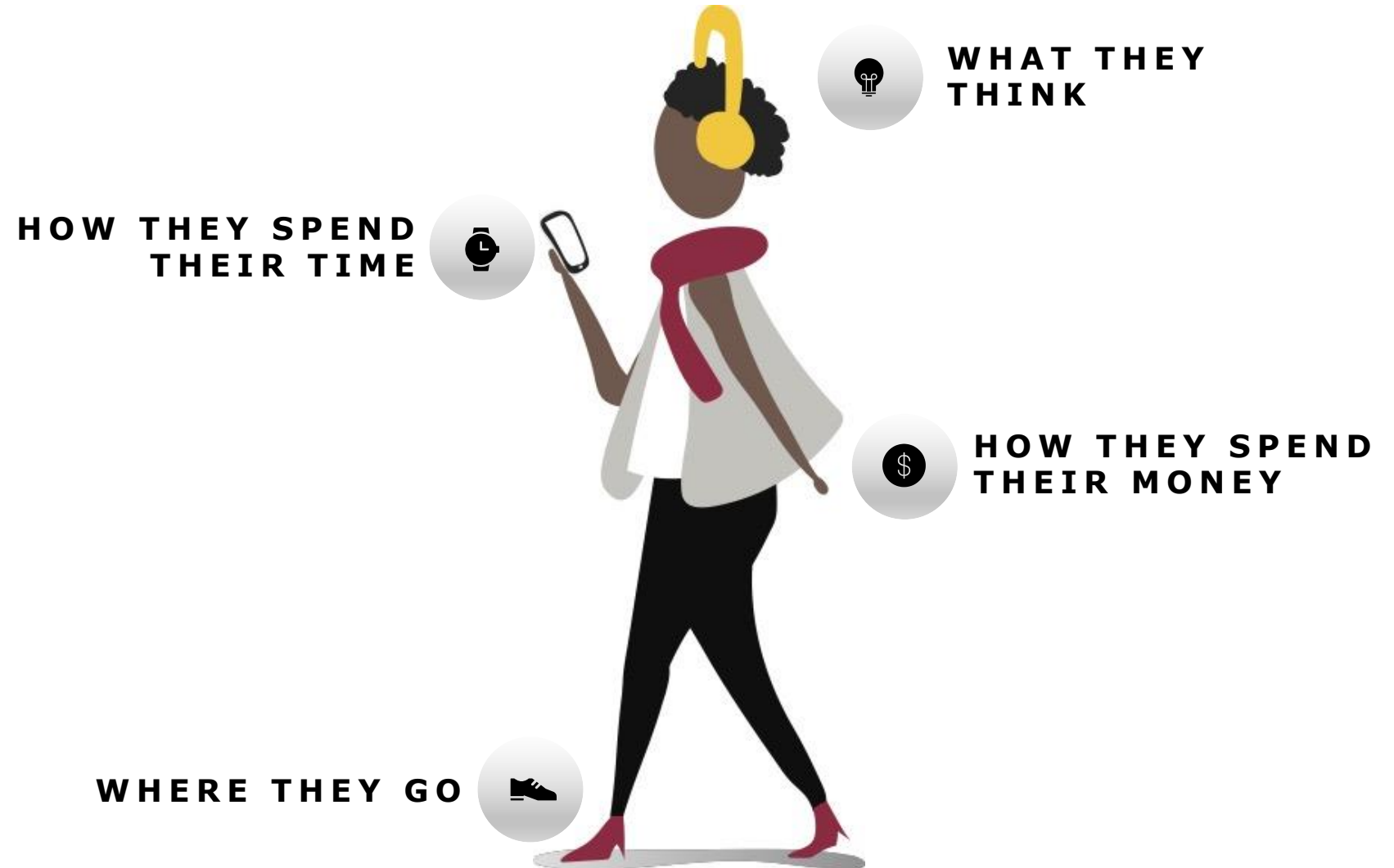
**Living longer**...but becoming **more obese**

The background features a series of white, wavy, overlapping lines that create a sense of depth and movement against a solid black background. These lines form a series of peaks and valleys, resembling a stylized landscape or a series of ripples. The lines are most dense on the left side and become more sparse as they move towards the right.

# **Changing consumer behavior**

# Analyzing consumer behavior

To better understand these macro demographic shifts in the context of the consumer, we analyzed consumer behavior across four dimensions.

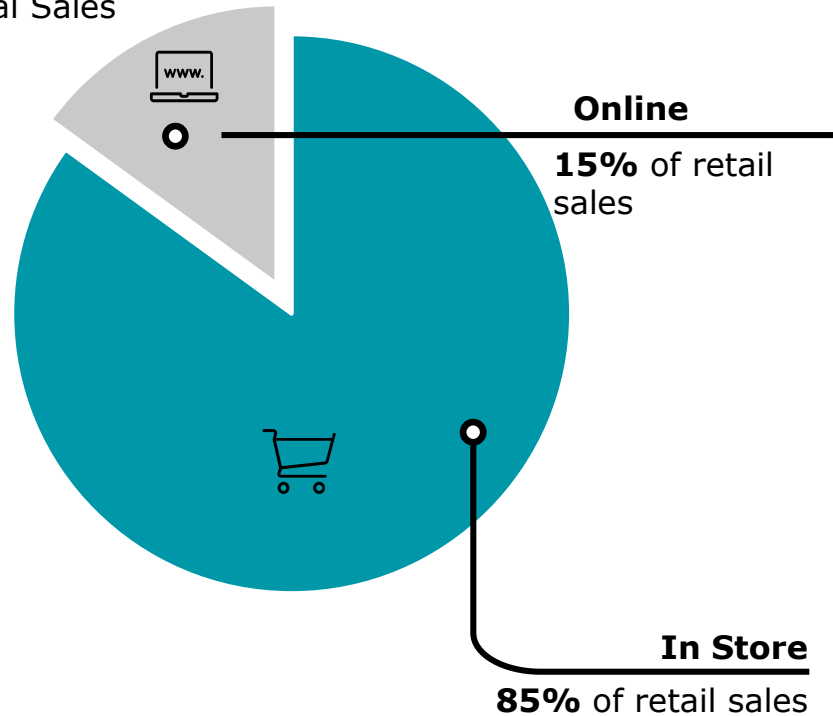


# Retail continues to grow

Total retail spending continues to increase across both online and physical channels. And while online growth is slowing, it is still growing at a double digit rate

While much is written about changing retail channel spend, **consumers still spend a vast majority on brick and mortar retail...**

**Channel Sales<sup>1</sup>**  
2018 Annual Sales



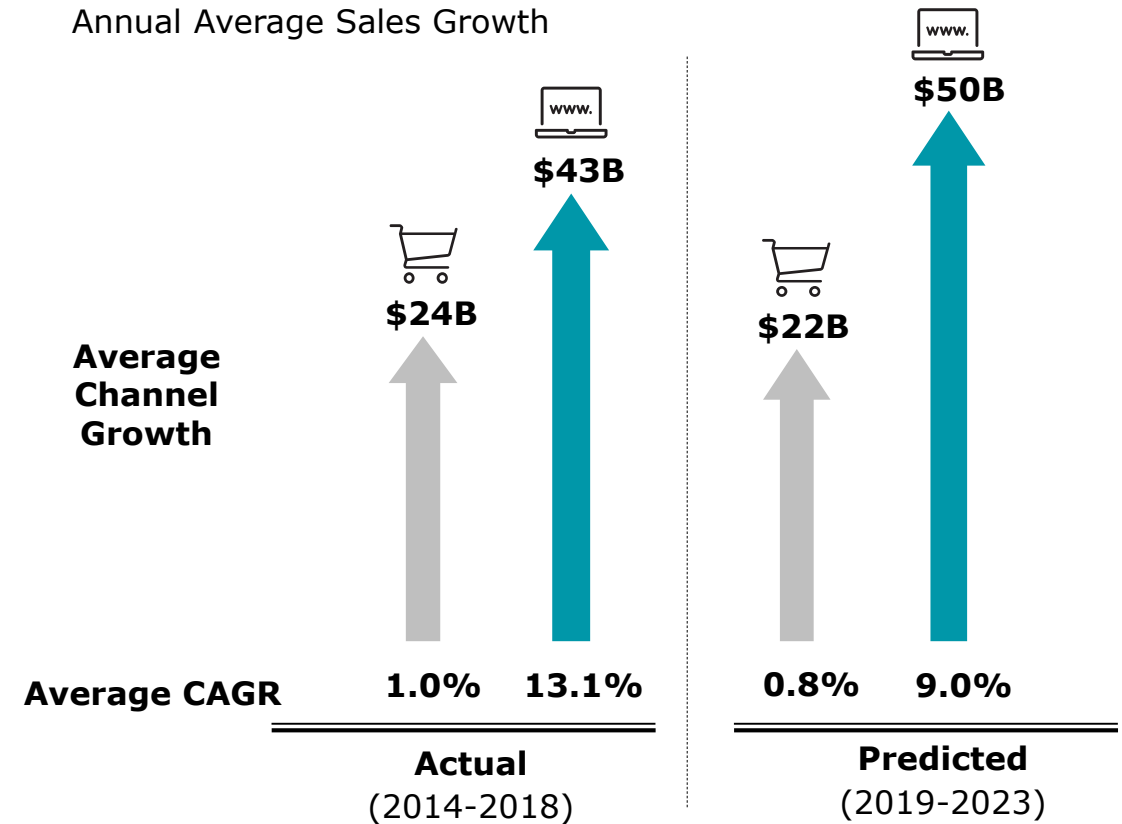
*Note: Figures do not include motor vehicles / auto sales*

Sources: 1. US Census Bureau, 2017 Report; 2. IBIS World, 2017 Report

...with both online and brick and mortar contributing significant absolute dollar growth to overall growth

**Channel Growth<sup>2</sup>**

Annual Average Sales Growth

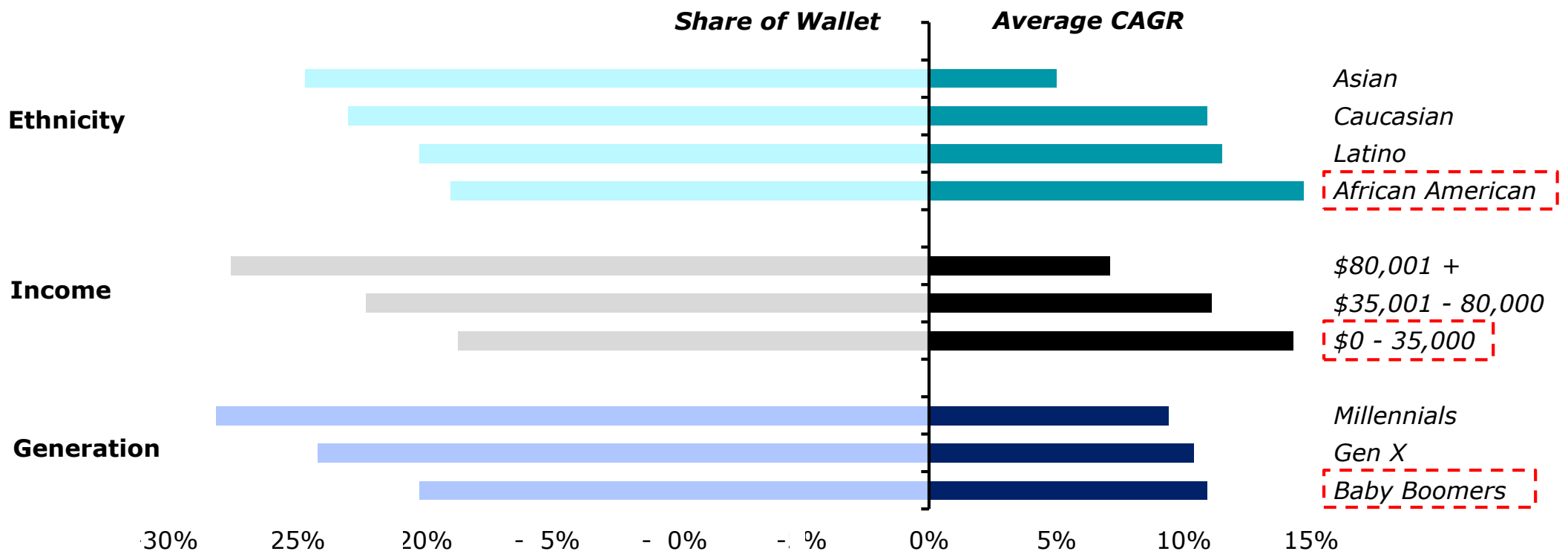


# Ecommerce growth from underpenetrated groups

Online sales continue to grow, driven by spend by underrepresented minorities, low-income consumers, and baby boomers.



Online Spend Share (2016 – 2018)

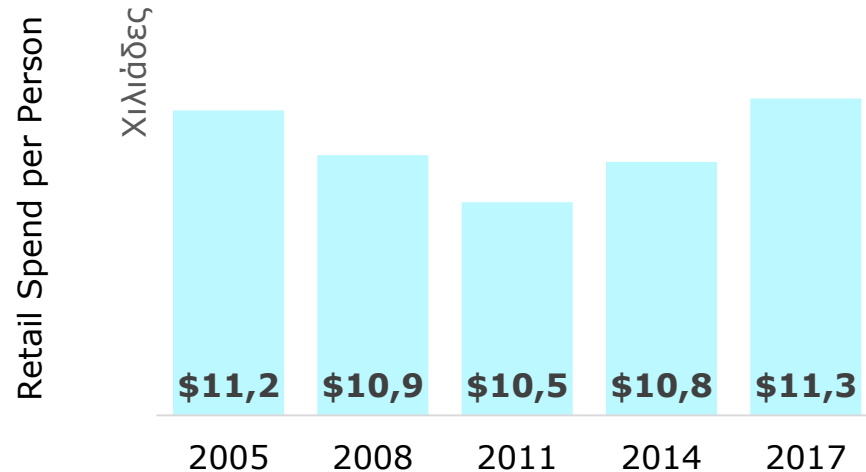




# Consumer spend hasn't changed, but occurs later

Although consumer spend has remained relatively constant, the spend on home ownership and childcare is occurring increasingly later in life due to the delay of major life events.

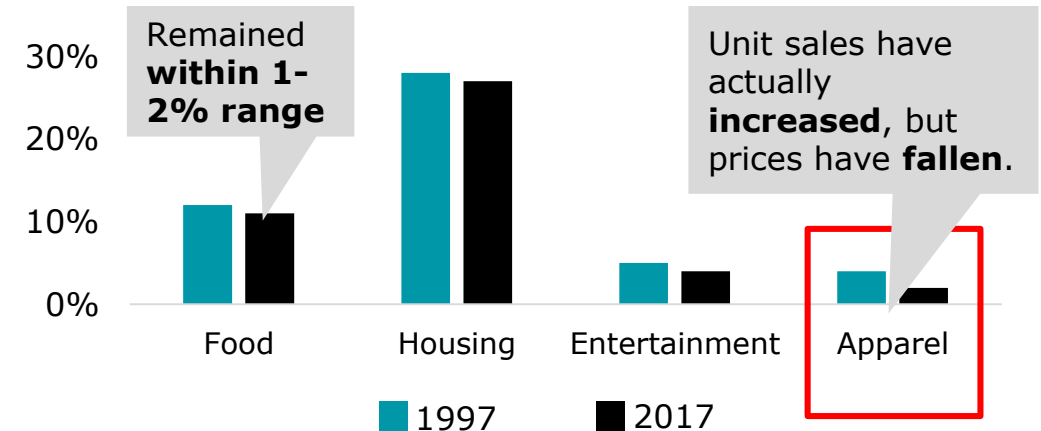
Retail Spend per Person (inflation adjusted)<sup>1</sup>



**Population** 233M 240M 248M 255M 262M

Even though total dollar spend across all major categories has increased over the past 20 years, **the spending pattern was relatively stable when we look at the share of the wallet**, aside from apparel.

Percent of Income Spent on Major Categories<sup>2</sup>



## Over the past 30 years...



Average annual spend related to home ownership has decreased for **25-34 cohort by \$966**, while it has increased for **older cohorts \$1,051**

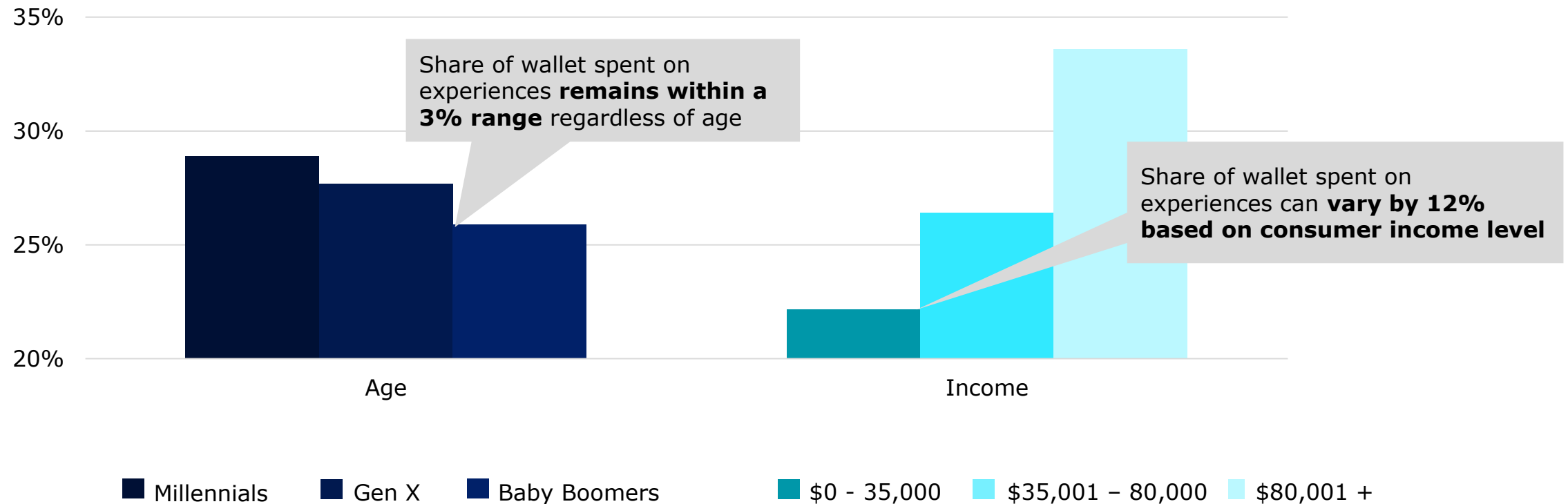


Average annual spend related to childcare has decreased for **25-34 cohort by \$27**, while it has increased for **older cohorts by \$261**

# Shift towards experience spending is driven by income, not age

Experience-related (non-product) spending has been relatively flat, and is strongly correlated with income, not age.

Spend on experience-based categories by income and age (2018)

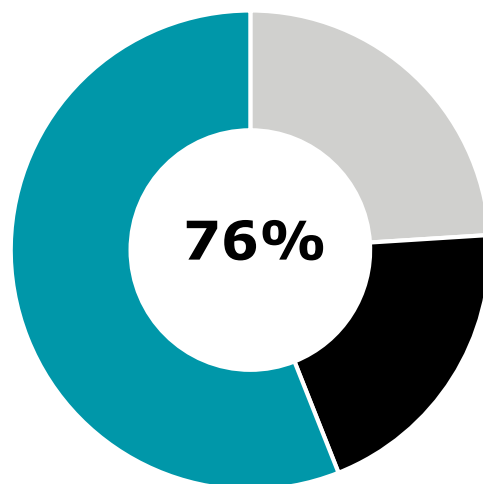


Experience-based categories include travel, hospitality, and entertainment

# People are working fewer hours than before

While most consumers believe they are busier, consumers are actually working less hours on average and have more discretionary time than they had in the past.

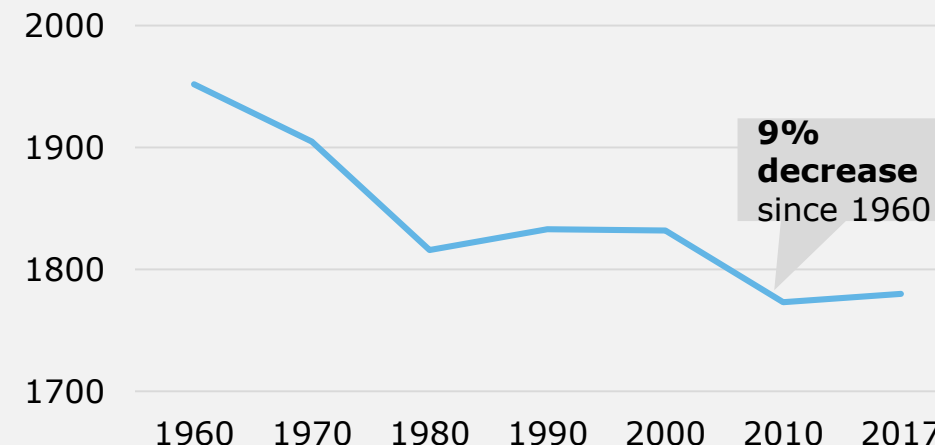
Free Time<sup>1</sup>



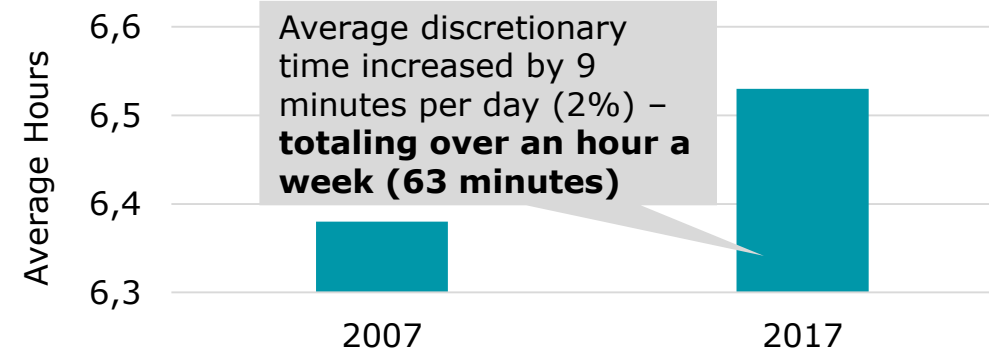
■ More Free Time ■ Less Free Time ■ Same Free Time

The Deloitte CCI survey indicated that **76% of consumers** in 2018 reported **having less or the same amount of free time** as compared with the year before, indicating a perceived decrease in discretionary time among consumers

Hours Worked per Person<sup>2</sup>



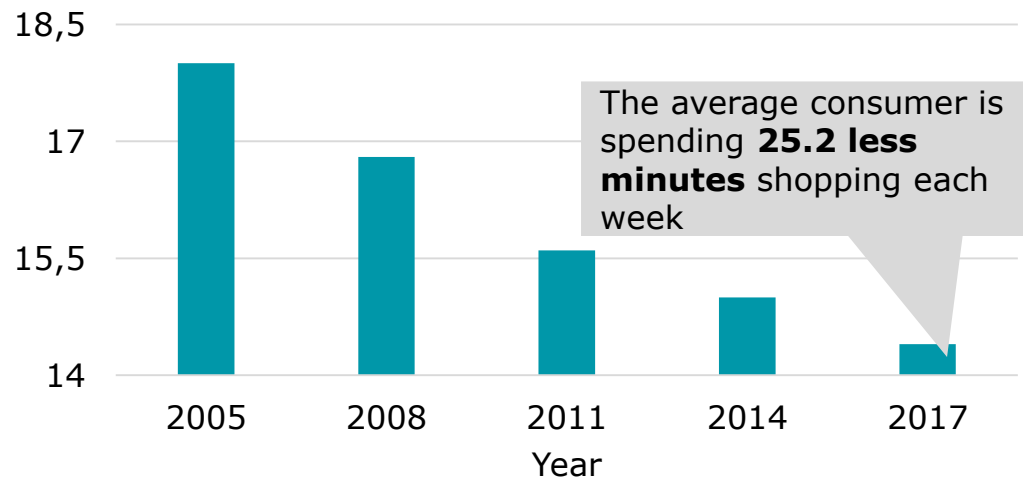
Discretionary Time<sup>3</sup>



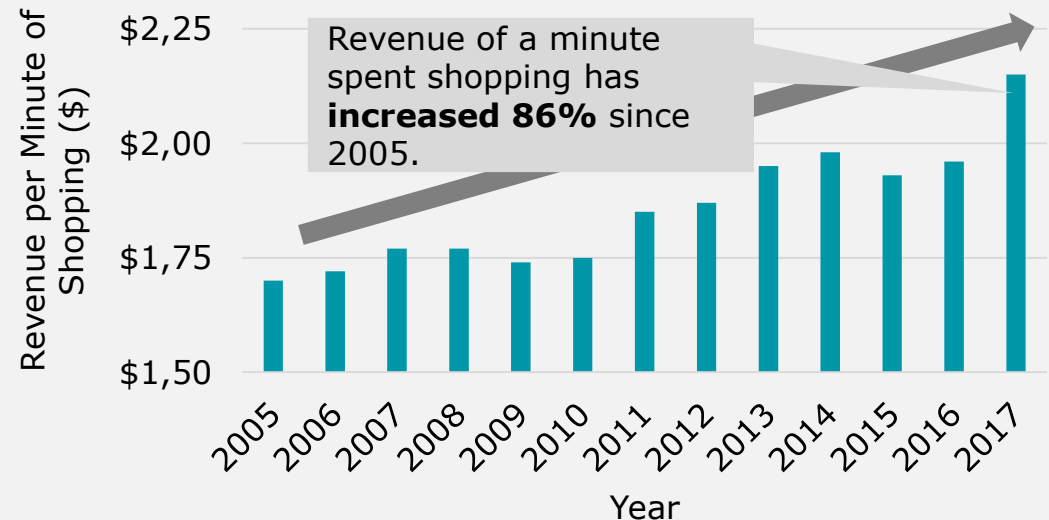
# But, appear to spend less time shopping..

Consumers are spending less of their discretionary time shopping, but they are spending increasingly more money per minute of shopping, likely driven by the rise of convenient options, especially online shopping.

Minutes per Day Spent Shopping per Person<sup>1</sup>



Revenue per Minute Shopping<sup>2</sup>



Activities with the Largest Increase in Time Spent<sup>3</sup>

Non-discretionary  
Personal Care  
Activities

 **13 min** ↑

Non-discretionary  
Household Activities

 **8 min** ↑

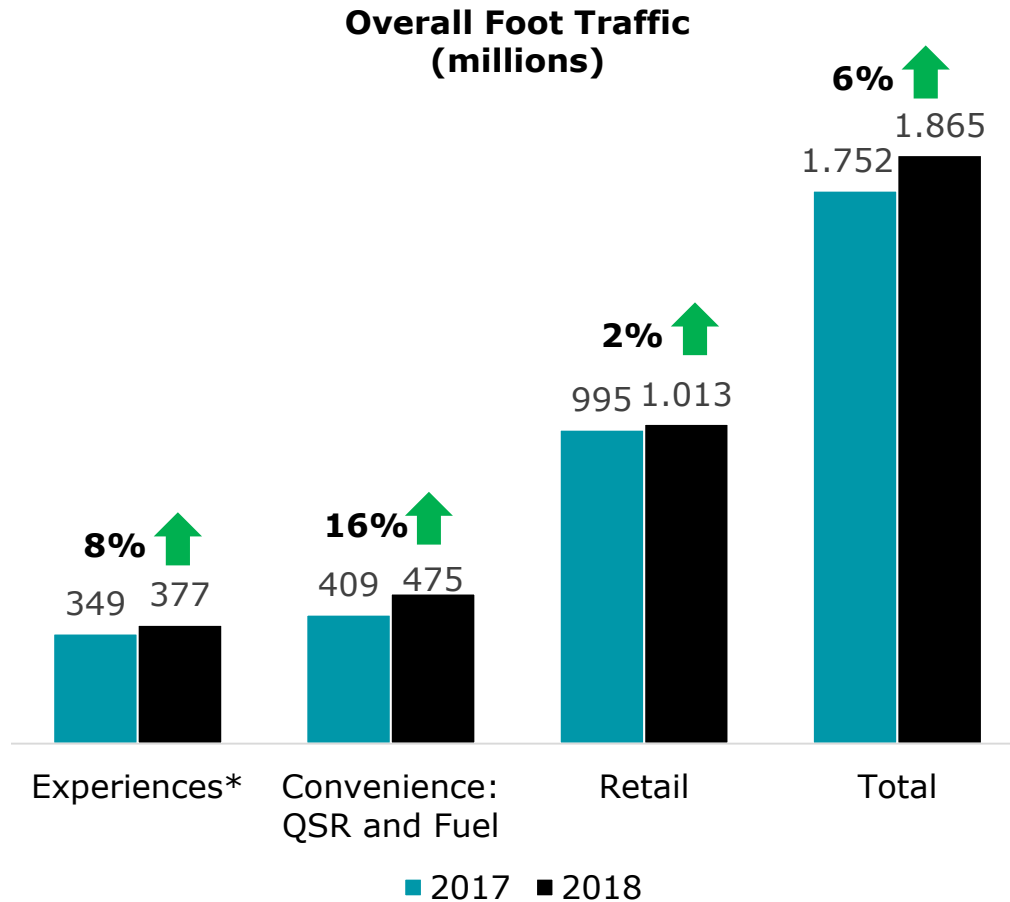
Leisure and Sports

 **14 min** ↑

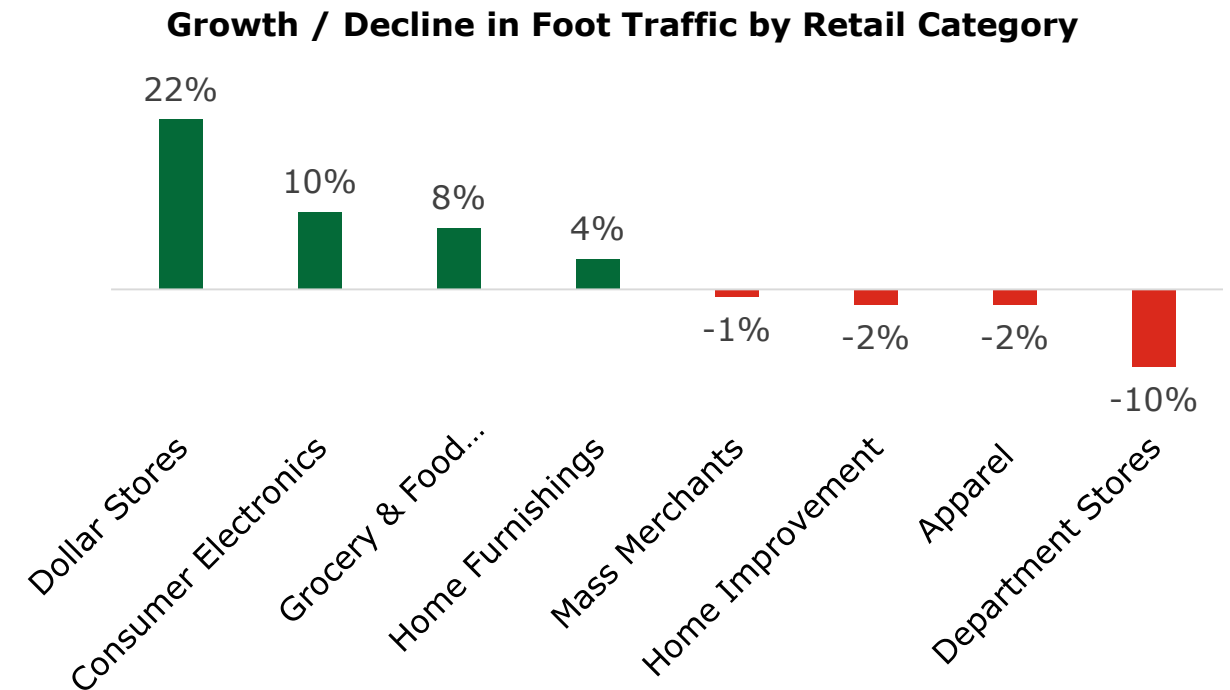
In 2007-2017, leisure and sports saw the greatest increase among all activities (discretionary and not), **increasing 14 minutes per day (5%)**

# Consumers are actually taking more overall trips

Despite the rise of online shopping and the perception that brick and mortar is dying, consumers are making more shopping trips, with a growth in both retail-related trips and experience-related trips.



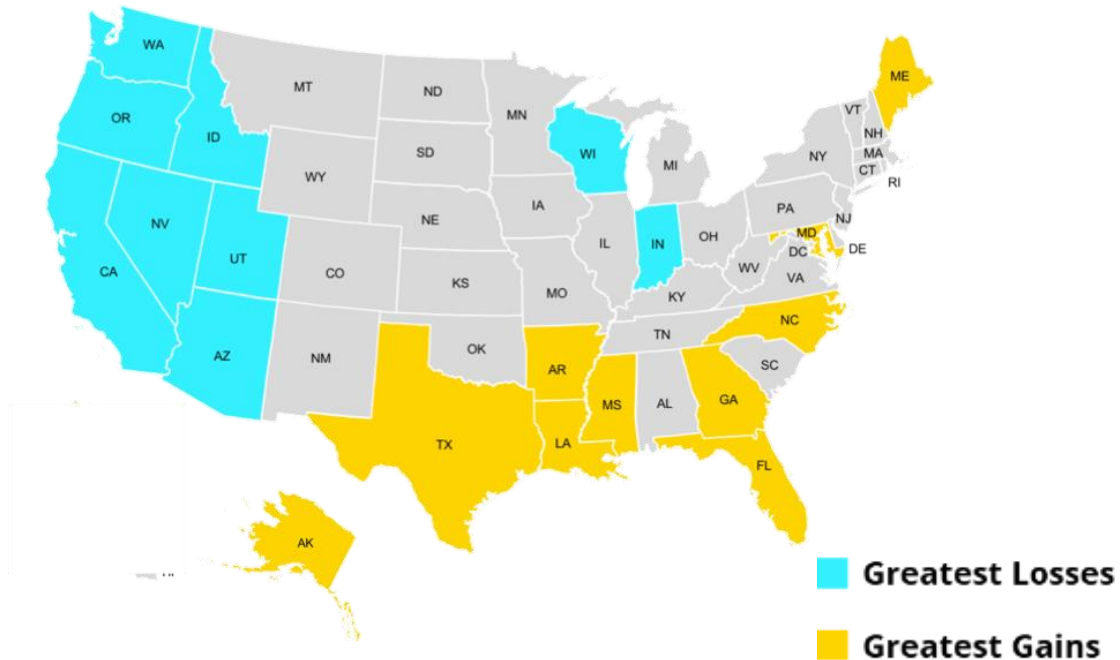
Revenue performance is not uniform across all retail formats. Some are experiencing strong growth, while others are seeing declines.



# ...And foot traffic changes clustering in different regions

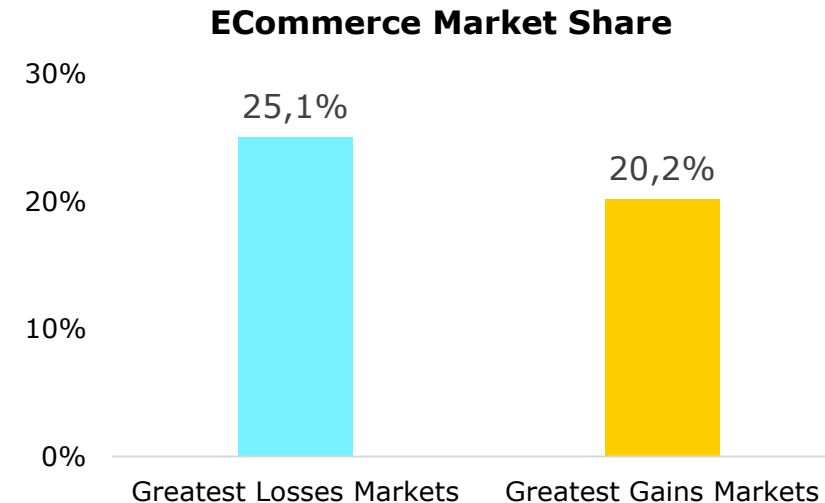
## Retail Foot Traffic Varies by Market

Overall, retail foot traffic is up by 2% nationwide. However, this varies drastically by geographic market. The markets losing the most retail foot traffic tend to be West Coast, with an average loss of foot-traffic of 18%. Markets gaining the most retail foot traffic tend to be Southeast and Texas, with an average growth in foot-traffic of 29%.



## Foot-traffic change correlates with ecommerce market strength

Across all 210 DMA1 regions, foot traffic growth is negatively correlated with e-commerce market share. Correlation coefficient of  $r=-0.17$  with a significance of  $p=0.01$

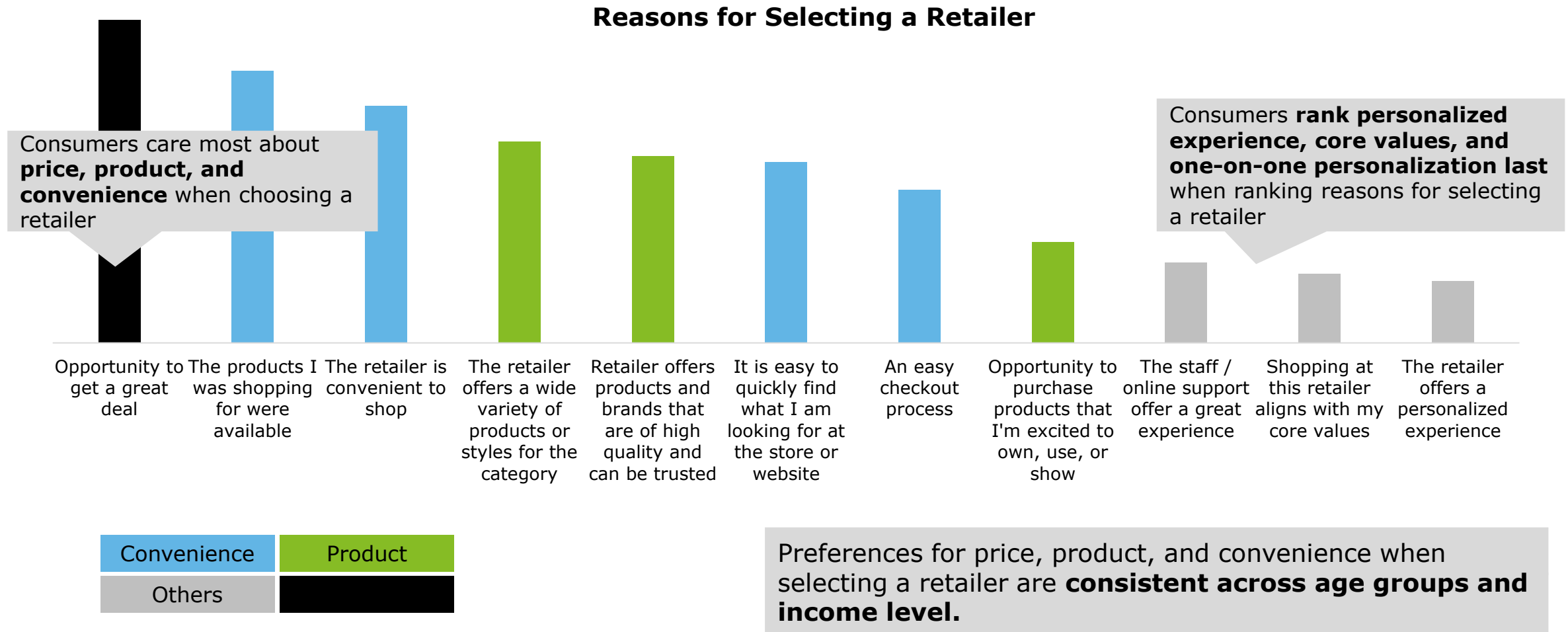


<sup>1</sup> DMA (Designated Market Area) regions, or "Media Market regions", are the geographic areas in the United where the population can receive the same television, radio and broadcast channels. These areas are commonly used in analysis as the standard geographic classifications.



# Consumers value price, product and convenience...

Consumers care most about price, product, and convenience when choosing where to shop. Rather than view personalization as a distinct attribute, retailers make personalization relevant by infusing price, product, and place.



# Summary of consumer behavior



**Income, not age** is a driver of behavior



Consumers are **working less** and have **more discretionary time**.



Consumers are **taking more trips** and the total number of retail trips also increases.



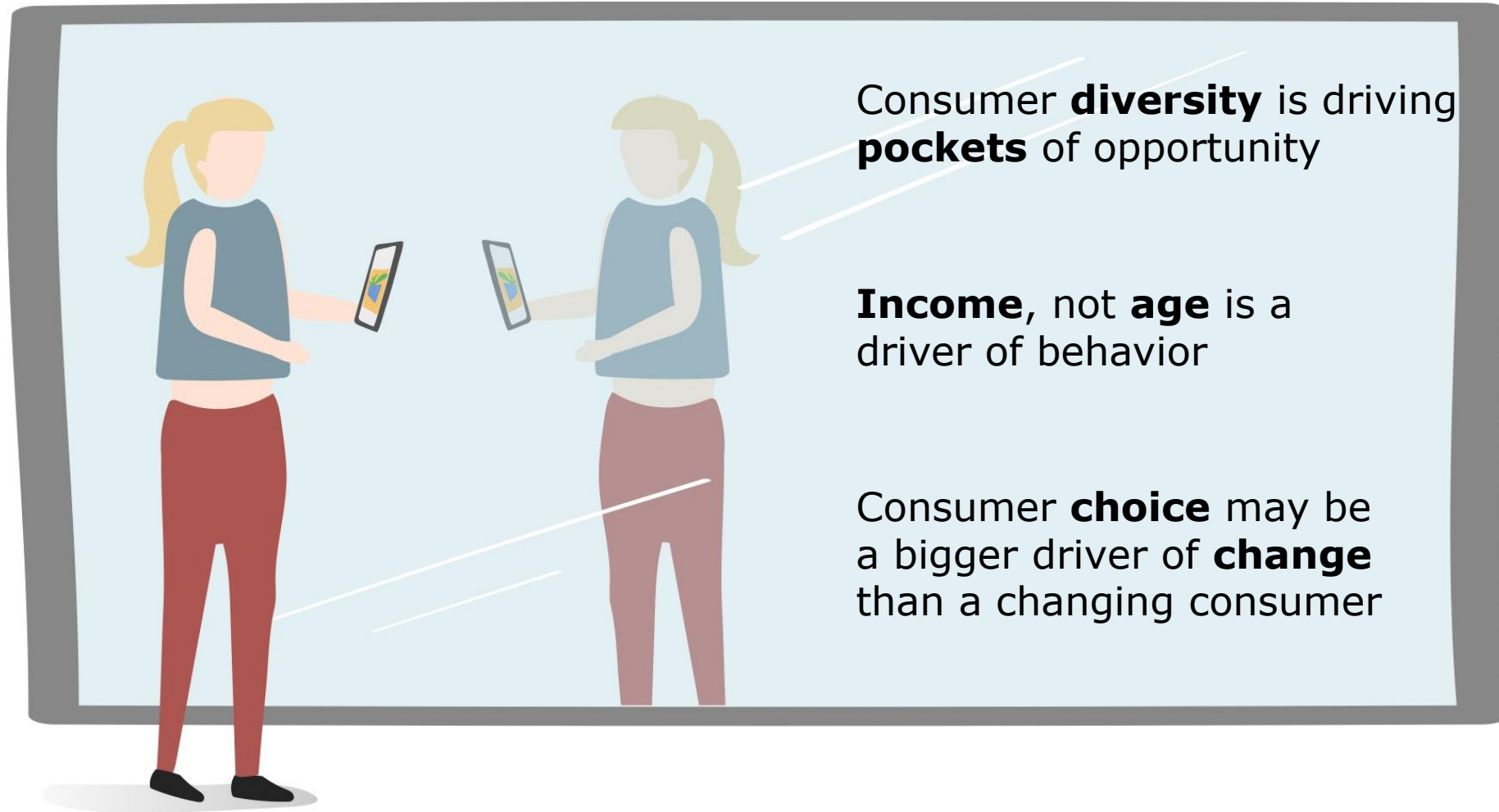
Consumers value **price, product, and convenience** above all else

The background features a series of white, wavy, parallel lines that create a sense of depth and movement. These lines are arranged in a way that they appear to flow from the left side towards the right, with some lines curving upwards and others downwards, creating a dynamic, undulating pattern. The lines are thin and closely spaced, contributing to a textured, almost woven appearance. The overall effect is one of fluidity and modern design.

# **Conclusion**

# The evolving consumer

The modern consumer has not fundamentally changed. While her core priorities have remained the same, her changes in behavior have resulted from the evolving environment in which she thrives.



# The signs of change

When one analyzes the data and trends along demographic and behavioral lines, one finds that the reality is more nuanced: The consumer is changing, but not necessarily in the ways that we usually hear.

## Don't confuse choice with change...

### ....as a result of trends that have been in place for decades

- Demographic trends
- Regional trends

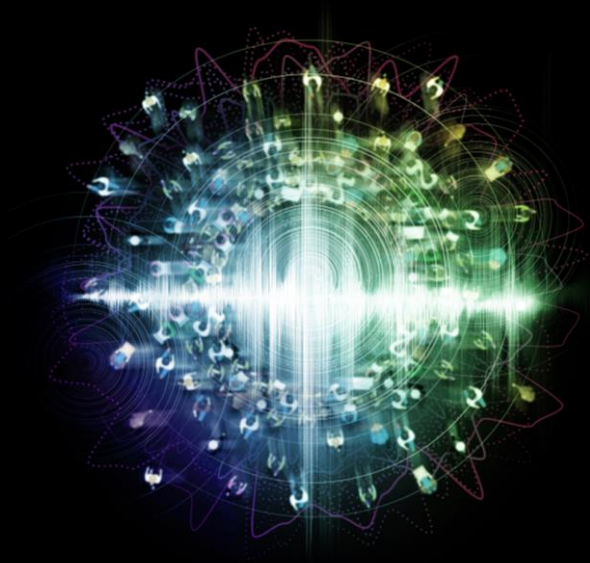
### ...due to economic constraints

- Rise in non-discretionary expenses
- Growing bifurcation between income groups

### ...in reaction the proliferation of competitive options now available

- Increased market fragmentation
- Technology

It is important to understand what they are reacting to, and where new pockets of opportunity will emerge



**Thank you!**