

Demographic Transformation Worldwide – A Guide to Harnessing Population Statistics and Analysis

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1.0 Global population in transition

As the global population approaches 7 billion, and for the first time more than half of the world's people reside in urban areas, the juggernaut of global population growth is beginning to slow. One of the major drags on growth is the phenomenon of the ageing population.

- In 2010, 8% of the world's population was aged over 65, and between 2010 and 2030 the population of seniors will grow at a pace 4 times that of the total population;
- The UN predicts that by 2070 the global fertility rate will fall below replacement level – the level at which the population will replace itself;
- In 1980, almost two-thirds of the global population was aged less than 30. By 2030 this proportion will fall to less than half.

Such global shifts in demographics are affecting economies and labour and consumer markets, and will continue to do so.

1.1 Who should use demographic data?

Demographic data have applications across a multitude of industries and job functions. For example, our client base includes universities, government, trade bodies, food and drink manufacturers, retailers, banks, automotive manufacturers, leisure operators and many more. Specific users within these organizations include researchers, sales analysts, insurance executives, bankers, finance directors, strategic planners, HR managers, marketers, product managers and chief executives.

1.2 Gain competitive advantage

The following white paper provides valuable insights on the opportunities and challenges that demographic trends present to marketers and strategists. It uncovers key demographic trends transforming the world, examines their significance and explains what these trends really mean to the business community.

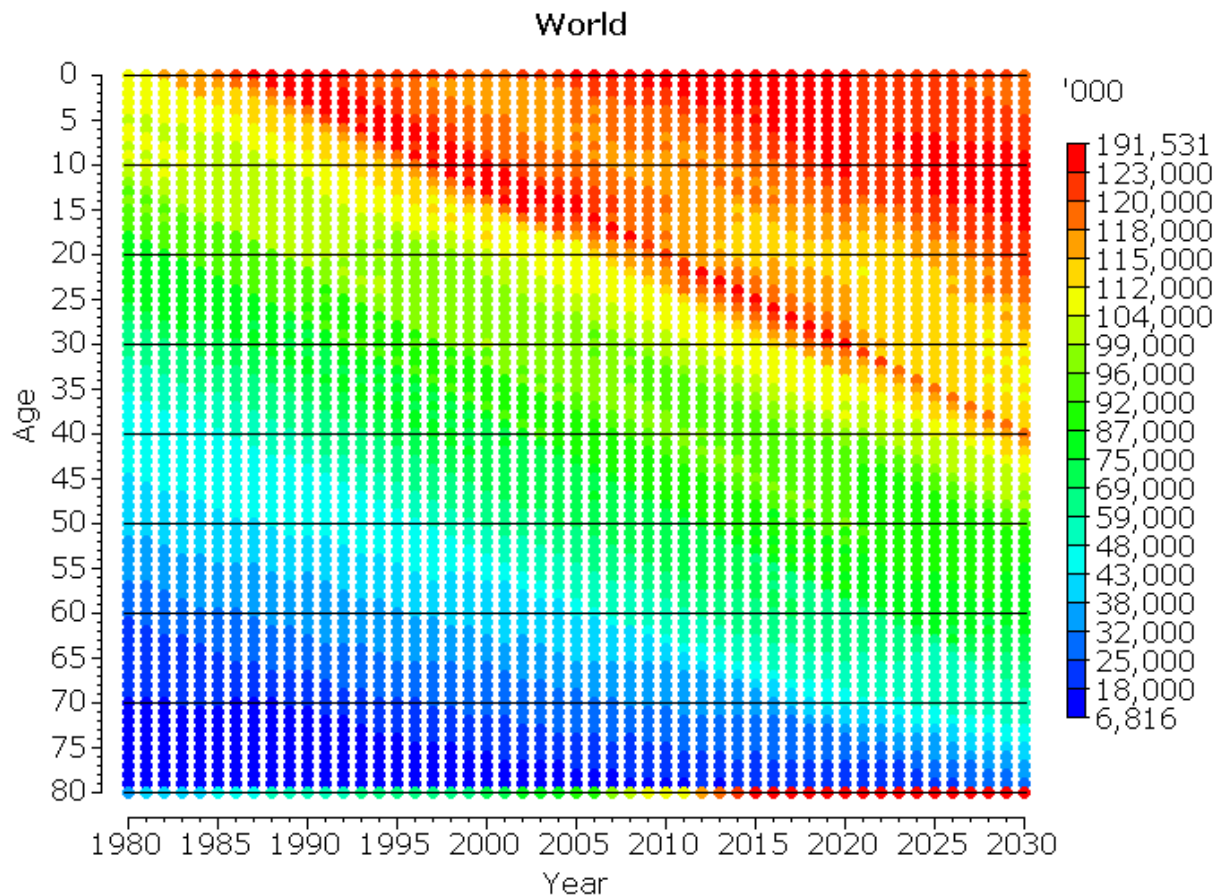
Case studies provide real-life examples of how businesses have benefitted from examining demographic trends and are applying them to their marketing strategies and product positioning; thus gaining competitive advantage in tough economic times.

2.0 The world in flux, business as usual?

2.1 The world at a crossroads

The world is at a significant crossroads with the juxtaposition of many major demographic trends: shifting age structures, decelerating population growth, a demographic divide between rich and poor, changing household profiles, migration and countries emerging into or out of demographic dividend.

Chart 1: Global Population 1980-2030
Each dot represents a single-year age group



Source: Euromonitor International from national statistics/UN

Reading the chart: This “heat chart” depicts changes in the age structure of the population over time. Each dot represents the number of people in a specific (single year) age group in a given year. Accordingly, a dark red dot shows the largest concentration of people, by age, in a particular year while deep blue dots refer to the lowest concentrations. The areas of red therefore represent a large potential market in demographic terms.

2.2 Target the right people in the right place at the right time

Understanding and harnessing these trends will enable marketers and strategic planners to maximize their profitability by targeting the right people in the right place at the right time. This paper will help you to learn how to answer such questions as:

- Where do my target consumers live? Where will they live?
- Which age segment offers most opportunities?
- What are the opportunities and challenges that lie ahead?
- Is my target audience growing and will it continue to do so?
- Is it geographically dispersed or concentrated?
- How will demographics impact my recruitment policies?
- What will my typical employee look like in the future?

3.0 Why do demographic trends matter?

3.1 Changing demographics have a far-reaching impact

Demographic trends affect the nature and supply of labour (i.e. the workforce), and also the nature and demands of consumers and the wider economy. Demographic trends have a social, economic and political impact, which is far-reaching.

Changing demographics affect companies operating in every sphere. If companies can harness these trends they can maximize profitability, avoid pitfalls and gain competitive advantage – particularly important in a tough economic climate.

Each and every subsequent generation has defining characteristics. Cultural sensitivity is increasingly important and will continue to be so.

3.2 Challenges and opportunities

Demographic trends offer both challenges and opportunities for business, for example:

- A greying population, or a more ethnically diverse one, brings new consumers with new demands to consumer markets;
- Urbanisation aids consumer goods companies by making consumers easier to reach, possibly more open to new ideas and often, but not always, wealthier;
- Declining birth rates change the consumption of child-related products – although not necessarily shrinking the market if parents are spending more per child;
- A large proportion of baby boomers and empty nesters in the population may bring bigger discretionary incomes to the market;
- Conversely, a large proportion of retirees can lessen discretionary incomes and increase the importance placed on necessities and value for money;
- Greater diversity in the workforce can pose a challenge across all industries when lifestyle demands, work ethics and values vary from generation to generation;
- Greater cultural awareness and workers with the skills to communicate across religious and ethnic boundaries are needed to serve an ethnically diverse consumer market.

4.0 How does Euromonitor add value?

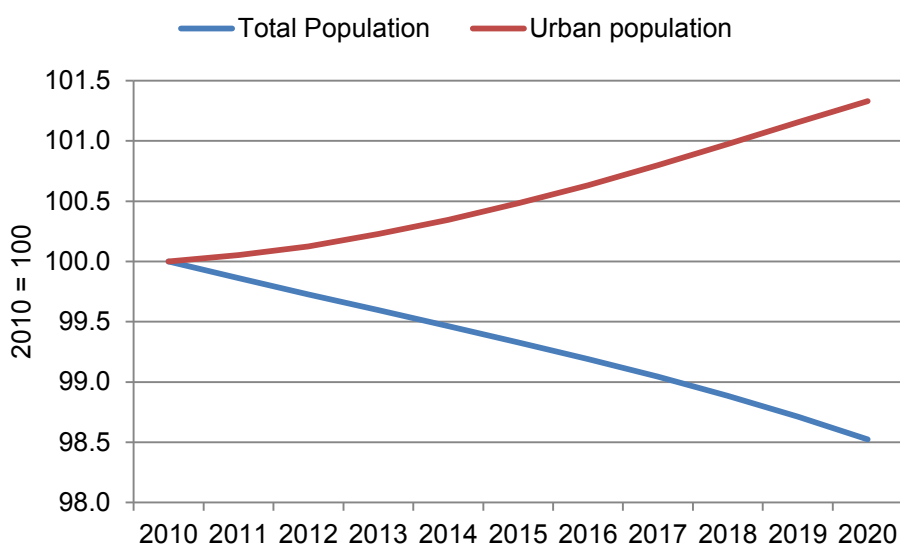
Demographic data are widely available from national and international sources such as the UN and national statistics offices. Euromonitor International's analysts, for example, combine this with data from other private organisations and add estimates and forecasts from our own analysts to create comparable figures across countries unavailable elsewhere.

Careful thought needs to be applied when selecting data and analysing trends. A few examples of the pitfalls are illustrated here.

4.1 Look beyond the surface

Top level figures can be misleading – total population could be declining, and at the same time urban population, or specific age segments within the population could be increasing (see Chart 2).

Chart 2: Total and Urban Population Growth in Eastern Europe 2010-2020
2010 = 100



Source: Euromonitor International from national statistics/UN

4.2 Demographics are not an island

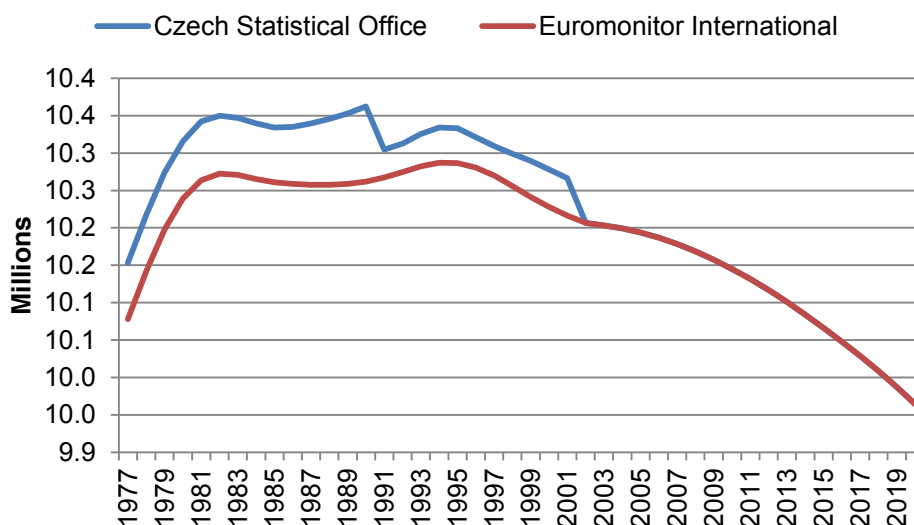
Demographic trends should not be looked at in isolation. Income patterns, economic growth, changing consumer tastes and desires all impact product, service and labour markets. For example, demographic trends in China are generally unfavourable. China is experiencing low birth rates which are a major driver of the ageing of the population – China is ageing before it gets rich, with a median age of 39 years in 2010, compared to one of 25 years in India. In addition, there is a sharp gender imbalance. In 2020, there will be 41.4 million more men than women, which could have consequences for social stability and security. On the positive side, urbanization, which is occurring at a fast pace, brings increasing numbers of consumers within easier reach. However, with its strong economic, income and spending growth, China remains a popular destination for investment. All the same, its long-term demographic problems should be borne in mind.

4.3 Beware: inadequate data ahead

Those national statistics offices which rely on census data produced every 10 years run the risk of producing drastically incorrect projections and forecasts should there be a sea of change in the demographic landscape. This is a possibility due to unforeseen changes in patterns of

migration, economic booms and busts and changes in attitudes to and/or government policy around childbirth. In addition, once new “real” figures are released, national statistics offices do not always revise their previous estimates, thus leading to a break in the series. This makes meaningful analysis of trends over time impossible. For example, Chart 6 shows data researched from the Czech Statistical Office, compared to Euromonitor International’s population data. Breaks in the time series of the national statistics are seen as a result of improved methodology that takes into account migration. However, while the methodology improved, recalculations were not made for previous years. Analysts at Euromonitor International did however undertake this back-trending to produce a smoother, more accurate trend.

Chart 3: Total Population in the Czech Republic: 1977-2020
Millions



Source: Euromonitor International and Czech Statistical Office

5.0 Demographic data and strategic planning

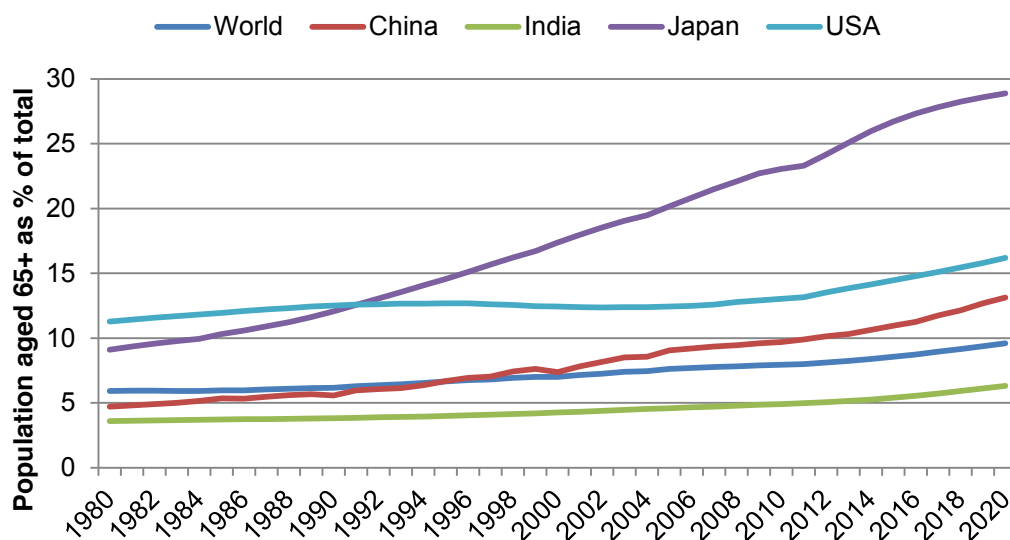
5.1 Which questions should I be asking?

The type of demographic data is dependent upon the problem or process in case. You may wish to paint a broad demographic landscape or produce a more targeted, narrow and focused analysis.

There is a wealth of different means to interrogate demographic data. Some examples:

- Ageing: is the population getting older as measured, for example, by the median age of the population, the ratio of those aged 65+ to the population aged 0-14 or as a percentage of the total population;

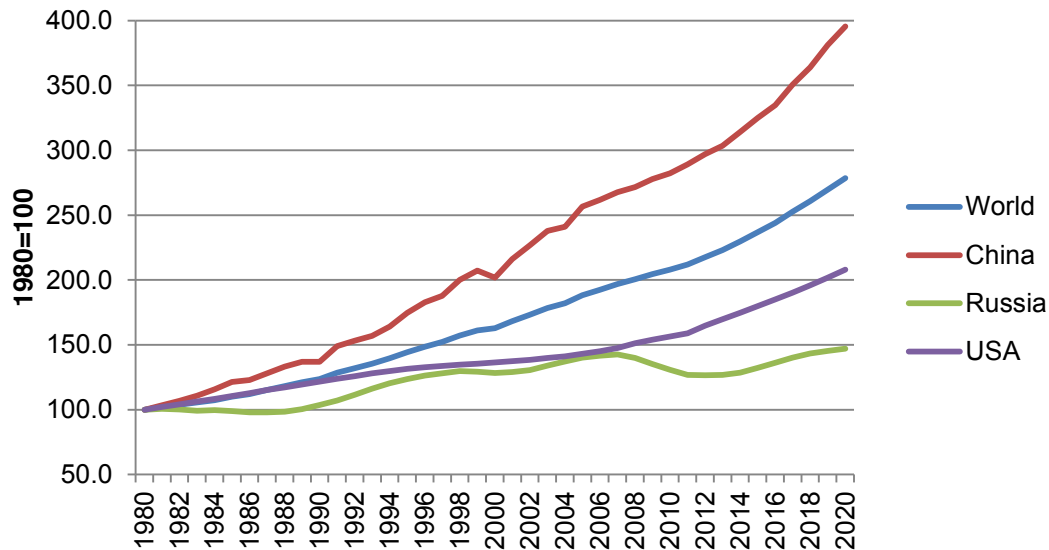
Chart 4: Ageing populations in selected countries 1980 – 2020
Population aged 65+ as a percent of total population



Source: Euromonitor International from national statistics/UN

- Rate of growth: is the population growing or shrinking? Is growth accelerating or decelerating?
- Natural growth: is population growth driven by natural changes – i.e. births minus deaths - or by positive net migration – i.e. more people arriving in the country than leaving each year;
- Migration: is the country primarily a country of immigration or emigration? As measured by net migration;
- Foreign citizens: are foreign citizens a sizeable proportion of the population? Are they growing at a faster rate than the total population? Which countries of origin are most common;
- Working age population: how sizeable is the population aged 15-64? How fast is this segment growing? Is it growing faster than the overall population?

Chart 5: Growth Index of working age in selected countries 1980-2020
1980=100



Source: Euromonitor International from national statistics/UN

Note: Population of working age refers to population aged 15-64.

- Urbanisation: is the country predominantly urban or rural? Which are the major cities and how fast are they growing? Is there one major urban centre or several?

Case Study 1: What will Europe look like?

A fast-moving consumer goods (FMCG) manufacturer wanted a portrait of the European consumer landscape in 2020. They wanted to further understand who their consumers of the future would be and where they would be located.

A statistical portrait of Europe in 2020

- There will be 17 births per minute and...
- 18 deaths per minute.
- The population will be growing at half of 2010's rate
- The average European will be 41 years old.
- Germany will have the oldest population (with a median age of 48) and Turkey the youngest (with a median age of 33).
- Europeans will be living longer and in smaller households, with a life expectancy at birth of 79 years and an average of 2.5 members per household

- There will be an average of 1.7 children per female
- Urbanites will dominate, with three-quarters of Europeans living in towns and cities
- One-in-ten urbanites will reside in Europe's 10 largest cities.

Trend analysis

The manufacturer analysed the data to identify which key trends were of relevance to their business. The slowdown in the rate of growth of the population was a major concern – offset to some extent by strong growth in certain age segments. Changes in urban demographics were also of significant interest – population growth in eight of the 10 largest European cities would be faster between 2010 and 2020 than it was between 2000 and 2010.

Outcome

The study confirmed that the central aspect of the manufacturer's future growth strategy was valid. However, now that the manufacturer had the numbers to support its plan there was more confidence from the board to increase investment. Several new and important factors, such as the primacy of Europe's ten largest cities, three of which will be in Turkey, had also come to light which warranted further investigation.

6.0 How to apply demographic trends to your business

6.1 What do demographics tell you?

Many of the most important decisions that planners must make should be shaped by the demographic realities on the ground. Robust data should provide the backbone to these decisions.

Demographics provide the backdrop for all consumer markets and enable you to understand how your market fits into the demographic landscape.

6.2 How can you best use demographics?

Demographics can be fed into many areas. They can help:

- Deliver more effective services/products
- Provide information to make better-informed decisions
- Build consensus faster
- Allocate resources more wisely
- Enter new markets
- Select the most appropriate sites
- Improve recruitment policies

- Improve market analysis
- Benchmark performance
- Formulate improved forecasts

In turn these applications can help to improve a company's performance, enable you to exploit opportunities and build market share. In short, demographics allow you to develop a much more targeted vision of where you want to take your business in the future.

Case Study 2: The Impact of an Ageing Population on Consumption

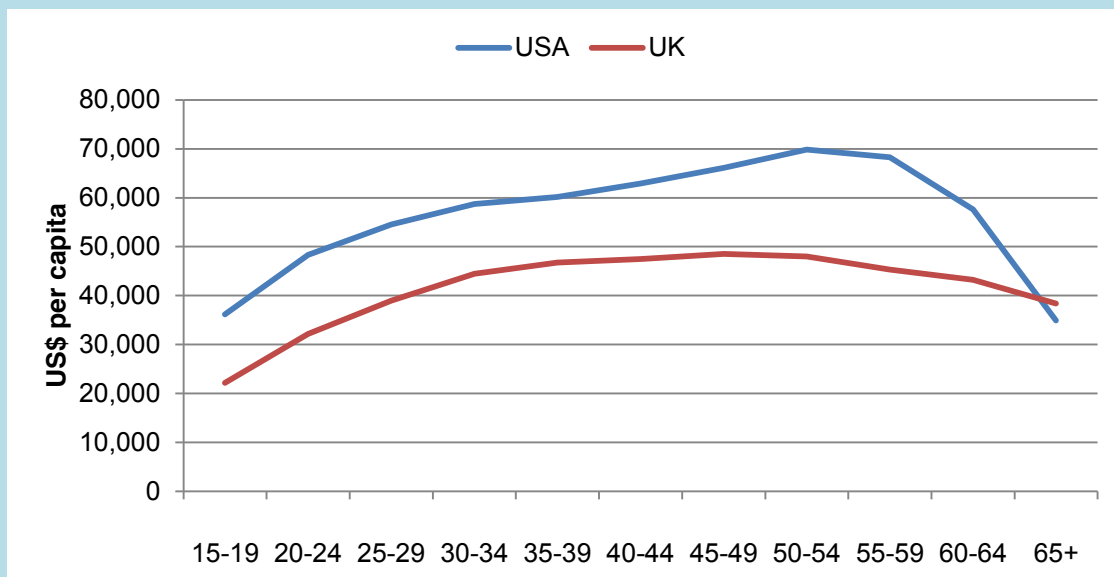
A major retailer wanted to understand how an ageing population in two of its chief markets would impact its sales. These markets were the UK and the USA.

Importance of demographic trends

The lifecycle hypothesis dictates that consumers smooth out their consumption patterns across their lifetime. Income increases strongly during working life and then contracts during retirement. Incomes and consumer expenditure in a particular country are therefore highly dependent on the age structure of the population. A high proportion of working age adults should lead to a sizeable consumer market; a large number of retirees could lead to lower expenditure at the country level. Other factors also need to be taken into account of course, including cultural norms, attitudes to credit and changes in the economic climate.

Chart 6: Gross Income by Age in the UK and USA 2010

US\$ per capita



Source: Euromonitor International from national statistics

Key demographic trends in the UK and USA

- In 2030, the median age in these countries is expected to increase to 41 and 39 years respectively;
- 20% and 15% of the population will be aged 65+, respectively. This age segment will expand three times faster than the total population in the UK and seven times faster in the USA between 2010 and 2030;
- The number of 80-year-olds is expected to increase by 52% and 79% in the UK and USA respectively from 2010 to 2030.

These demographic trends will have flow-on effects in other areas. For example, a larger proportion of those aged 65+ in the population will lead to a greater number of smaller households. A country's cultural norms and attitudes are also likely to change as the population ages.

Other factors impacting on consumption

We also took into account other factors which impact on consumption trends:

- Economic situation
- The level of unemployment
- Access to credit
- Cultural issues

Outcome

The retailer implemented several changes to its long-term strategy planning. Chief amongst them was a strategy to target older consumers to tap into their huge growth potential. Despite the proportion of older consumers being smaller in the USA and the median age of the population being younger than that of the UK, this segment in the USA has an even more striking growth rate. Understanding this, the retailer was particularly keen to roll out its new strategy in the USA – whereas previously Europe and Japan had been viewed as the key ground for reaching older consumers. It was also able to take advantage of its deeper understanding of the implications of demographic trends by instigating strategies for the scenario of a future with lower spending growth with increased emphasis on necessities.

7.0 Summary

To sum up, global shifts in demographics affect and will continue to impact economies, labour and consumer markets. Demographic data have applications across industries and job functions and allow companies to target the right people in the right place at the right time.

It's important to note that demographic trends offer both challenges and opportunities for business. Understanding demographic realities, whether they are positive or negative for your business can help you to gain competitive advantage.

Many of the most important decisions that planners must make should be shaped by the demographic realities on the ground. Robust data should provide the backbone to these decisions and can help you to envisage the future shape and direction of your market.

Careful thought should be applied when analysing demographic trends. Consider how sub-groups are changing as well as the total population; include other indicators in your analysis – economic growth, changing income patterns and consumer tastes and desires all impact on product, service and labour markets.

Demographic data are widely available from international sources, such as the UN and national sources, such as national statistics offices. More detailed data, including long term forecasts are available from private organizations such as Euromonitor International.

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