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Buying into better™

**The six forces shaping the future of the
consumer industry**



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A changing world

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Change is a staple of humanity. Nowhere is the velocity of change more evident than in the consumer industry, which has seen 20 years of dramatic transformation.

Yet today, the industry stands on the precipice of an even more momentous paradigm shift and faces a once-in-a-century economic, social, and technological transition.

Over an 18-month period, working with Deloitte's Office for the Future, we convened an unparalleled audience, drawing on the insights of more than 800 professionals, industry experts, clients, and consumer industry insiders. But we didn't stop there. We also looked outside the industry, to luminaries—economists, sociologists, policymakers, authors, academics, and Wall Street analysts. And we sought input directly from the consumer through Deloitte's State of the Consumer Tracker, where we analyze consumers across 20 countries every month. The group was global, cross-industry, cross-functional, highly diverse, multigenerational. Our goal was to be broad, inclusive, and thorough, with the assumption that the more perspectives and inputs, the better the foundation for a truer understanding of the forces shaping the future.

Why did we take on this extensive research to think about the next decade of the consumer industry? We found that the number and pace of questions coming from our clients was increasing and the degree of uncertainty growing. Moreover, the questions we were hearing from our clients were the same questions perplexing us.

It was this insight—that the questions facing our clients were ones faced by every consumer company and every consumer—which led us to explore a profound and seemingly unanswerable question: What are the forces that will shape the next decade of the consumer industry?

We took on this challenge on behalf of not only our clients but also the firm and ourselves. In doing so, we embarked on the start of a voyage that continues with Deloitte's Future for the Consumer Industry team. We invite you to join us.

Six forces shaping the consumer industry

Through extensive research, we have identified six forces that will play a fundamental role in shaping the consumer industry over the next decade:

The changing consumer

becoming more diverse and transforming across multiple dimensions



An evolving society and culture

with consumers breaking free of traditional anchors

Exponential xTech

with advancements in infotech and a broad set of technologies, including biotech and material science, that will make progress of the past decade pale by comparison.



Radical industry upheaval

with the dynamics shaping the industry increasing in pace and intensity



Extreme climate change

and its economic impact that will put pressure on the consumer industry to transform itself



Shifting economics, policy, and power

that are taking a hard pivot, becoming increasingly uncertain, and requiring a more flexible approach to management



These six forces will drive and determine those who will thrive versus those who may struggle. Complicating matters further, executives will be forced to do more than thrive—at least in the traditional sense of the word. Executives of the next decade must expand from a shareholder-value mindset to include new dimensions of people, planet, and prosperity. Consumer industry executives need to recognize how these six forces will fundamentally change their customers, industry, economy, society, and environment—and how to boldly lead their companies through this profound paradigm shift. Charting a successful course will take vision and courage: the vision to see what others do not, and the courage to journey forth when others turn back.

The icons representing the six forces were created using text prompts and generative AI imagining the output.

A changing world

The world has never been certain or stable, but rarely has it ever been as uncertain and complex as it is today.

Change is a staple of humanity. Indeed, you may feel—just as we first did—that humankind has been experiencing dramatic change for quite some time now. But what may not be clear to you—just as it was not immediately clear to us when we first embarked on our multiyear journey and exploration into the phenomena and forces that underlie the changing consumer industry—is the speed and magnitude of the shifts underway that are driving changes and setting the stage for a vastly different decade. Among them are the dramatic impact of widening inequality,¹ surging polarization² and populism,³ climate change,⁴ declining trust in institutions,⁵ and the fundamental restructuring of the geopolitical order.⁶

As a result of our exploration, we discovered **fundamental challenges and novel opportunities are unfolding in the marketplace**. The design and structure of industries, organizations, and work are undergoing a transformative change.

One-time disrupters are finding themselves disrupted, with technology and innovation creating new methods of value creation, new industry constructs, and capabilities, strategic opportunities, and surging competitive threats.

Not only is the scope of change across these dimensions extraordinary, but the velocity is even more so. In the past year alone, artificial intelligence (AI) models automated and commoditized many cognitive endeavors such as content creation,⁷ the United States passed the single largest infrastructure and renewable energy investment act,⁸ and biotechnology advancements have saved millions of lives in multiple disease areas through record-setting development and commercialization.⁹

“I will go anywhere, provided it be forward.”

David Livingstone
Explorer



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However, nowhere is the velocity more profoundly evident than in the consumer industry, which has seen 20 years of dramatic change. Yet today, the industry stands on the precipice of an even more momentous paradigm shift that is only now coming into focus. The industry is facing a once-in-a-century economic, social, and technological transition. Nonetheless, executives facing the constant “tyranny of the now” may find themselves preoccupied with pressing issues such as: **How do we grow? How do we protect margins? What about this quarter’s earnings?**

Through extensive research, we have identified six forces that will play a fundamental role in shaping the consumer industry over the next decade:

- **The changing consumer,**
- **An evolving society and culture,**
- **Exponential xTech,**
- **Radical industry upheaval,**
- **Extreme climate change change, and**
- **Shifting economics, policy, and power.**

These six forces will drive and determine those who will thrive versus those who may struggle to survive. The movement of these forces, like colliding tectonic plates, will create a new competitive landscape in which new businesses will rise and others will fall. Charting a successful course will take vision and courage: the vision to see what others do not, and the courage to journey forth when others turn back.

For some, uncertainty and complexity represent risk and fear, but for explorers, possibility, opportunity, and promise call.

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Knowing where you are

The discovery and exploration of North America can be attributed to two fundamental desires: the first was to find a place of pure beauty and delight where humanity's dreams could be realized; the second was to find a route across the oceans to the Indies. Similarly, the objectives of every economy—from the earliest barter exchange to the sophisticated global economy of today—can be reduced to two basic impulses: satisfying basic human needs and enabling human beings to think and dream beyond their immediate condition.

Today's consumer industry fulfills that role on a scale that not long ago would have been inconceivable. But just as the intrepid explorer and practical dreamer John Cabot, who discovered North America when he landed in Newfoundland in 1497,¹⁰ was aided by the insights of Pythagoras, who taught that the world was a sphere, and the maps of Roman geographer Ptolemy, **those practical dreamers seeking to navigate the consumer industry would do well to look back on paths taken and advances achieved to grasp how and why we have gotten to where we are today.**

"You can't really know where you are going until you know where you have been."

—Maya Angelou



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Knowing where you are

For most of humanity's 200,000-year existence,¹¹ our species lived in a world of scarcity and privation in hunter-gatherer tribes. Only 10,000 years ago, we created and harnessed our first transformative economic innovation—agriculture and the domestication of animals.¹² This discovery had a profound impact on civilization, enabling the establishment of settlements and cities and creating the first forms of personal property, trade, and culture.¹³

It took until the mid-18th century for the first and second Industrial Revolutions to catapult humanity into a new age of manufacturing—bringing with it the use of steam, waterpower, and mechanized systems, and shifting production from handcrafted to machine-made goods.¹⁴ Only 50 years later, accelerated by World War II, we reached another inflection point: the age of consumerism,¹⁵ characterized by assembly-line mass production, integrated supply chains, mass distribution, and media-based mass marketing.

The “mass” model worked in postwar America, supported by economies of scale, a rapidly growing middle class,¹⁶ a largely homogenous consumer—the white middle-class family¹⁷ consisting of a husband, wife, and two or three children.

The mass model worked in postwar America, supported by economies of scale, a rapidly growing middle class, and a largely homogenous consumer.

Just 30 years later though, in the early 1980s, the US economy witnessed a sea change: the advent of the information age, an era of mass information driven by digital computing and information technology.¹⁸ The near-universal adoption of personal computers, emergence of online service providers, and commoditized information distribution gave birth to a nascent e-commerce. Within just 20 years, the early 2000s, the dot-com and big tech eras delivered the current era of widespread high-speed internet and exponential data, globalization, cloud computing, mobile applications, and social media.



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Looking back, one thing stands out in strong relief: **The consumer industry is young and still maturing.** What appears at first to be the story of an old, mature industry is really the story of a young one, taking shape over the past 80 years. From the start, the consumer industry has been in constant motion—surging from one cycle to the next. And with each cycle, the speed and power of each progressive change has increased: first 50 years, next 30 years, then 20 years—each cycle getting progressively shorter. More importantly, each cycle has been prefigured by a set of unique forces to the time that came together to catapult the industry in a new direction and unleash dramatic change.

The next decade will be shaped by six forces notable for not only their power but also their speed.

As we chart a new course for the future, it is important to recognize that the next decade will be shaped by six forces notable for not only their power but also their speed. These forces will hurtle the consumer industry into a new era. In this new era, the foundational requirements of the postwar consumer industry—the mass market, the homogeneous consumer—will not be the same requirements of the future. The new requirements—a healthy consumer, industry, and planet, and restored trust—will be not just incrementally different; they will be unimaginably so. **With a good ship under them—and some good fortune—today's explorers will find the boundaries of the world and the consumer industry, along with its vast interior, infinitely enlarged.**

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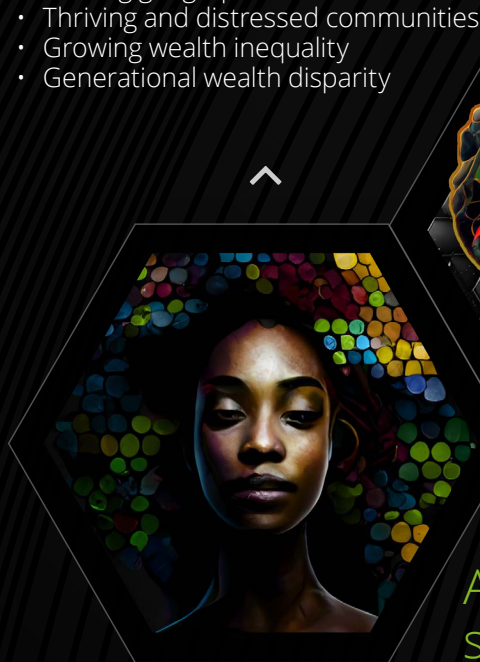
What discoveries will you make?



Our 18-month journey of discovery established a baseline of more than 100 identifiable drivers of change (see the following page). While not all of them are equal or represent the same level of risk and opportunity, they provide a lens for looking into the future of the consumer industry. The forces, however, do not exist in a vacuum; they act like the wind and currents—or to use a non-maritime analogy, the forces behave like tectonic plates under the earth's surface: colliding, intersecting, and creating the conditions for changes to society, the marketplace, and industry.

The changing consumer

- Increased racial and ethnic diversity
- Changing sexuality and gender identity
- Aging and longevity
- Shifting geographies
- Thriving and distressed communities
- Growing wealth inequality
- Generational wealth disparity



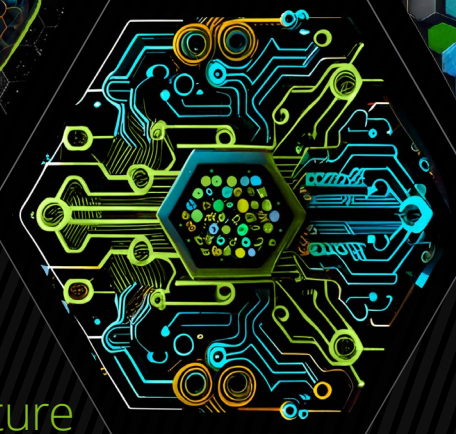
Exponential xTech

- Drones
- Artificial intelligence
- Autonomous aircraft
- Self driving vehicles
- Generative AI
- Augmented and virtual reality
- Predictive analytics
- Web3
- Blockchain
- Natural language processing
- CRISPR
- Space
- Quantum
- 5G/6G
- Bio/tech integration



An evolving society and culture

- Delayed and declining marriage
- Delayed homeownership
- Declining birthrates
- Opioid crisis
- Social isolation
- Gap in male societal engagement
- Educational achievement gap
- Declining religion
- Mental health crisis
- Decline in trust
- Rise of purpose
- Shifting employment relationship
- Increased screen time
- Cities reimagined
- Declining ROI of higher education
- Urbanization
- Changing role of women in the US
- Declining workforce participation rate



Radical industry upheaval

- Declining financial health
- Everything as a service
- Declining barriers to entry
- Gig economy
- Delivery
- Robotics
- Legalization of marijuana
- Customer experience
- Shift to services
- Consumerization of health
- Growth of digital goods and services
- Talent gap
- Digital twins
- Industry convergence
- Reshoring



Shifting economics, policy, and power

- Reverting to nationalism
- Shifting global power
- IP theft
- Rising interest rates
- Political extremism
- Representation gap
- Rising national debts
- Immigration
- Corporate responsibility
- Decentralization
- Cybercrime
- Rising inflation



Extreme climate change

- Global warming
- Rising sea levels
- Deforestation
- Natural disasters
- Viruses
- Plant based protein
- Consumer waste
- Desalination
- Stakeholder capitalism
- Renewable energy
- Growing battery capabilities
- Shifting away from a carbon economy
- Advances in material science





Force 1: The changing consumer

The consumer base in the United States is undergoing unprecedented change, moving from homogeneity to an inclusive, multifaceted, and diverse populace. Diversity—already a factor in the market—is poised for even greater proliferation—to a degree that may seem atomized. This diversity shows up along multiple dimensions and is poised to create a complex mosaic of needs, wants, and desires.

- For example, the racial makeup of the baby boomer generation was roughly 75% white; in contrast, Generation Z is 52% white, with 25% identifying as Hispanic.¹⁹
- By 2044, most of the US population will be non-white, while those identifying as multiracial will nearly double.²⁰
- Meanwhile, in 2022, US adults identifying as lesbian, gay, or bisexual (LGB), or something other than heterosexual, has risen to 7.1%, doubling from 2012.
- This shift is especially pronounced in Gen Z, with 21% identifying as LGB and 52% identifying as heterosexual.²¹
- Gender is becoming more fluid: 25% of all Gen Zers expect to change their gender identity at least once in their lifetime.²²

The consumer of the future is also older. By 2020, the average age in the United States was 38, up from 27 in 1970. By 2034, Americans age 65 or older will outnumber those under 18.²³ And the ratio could skew even further as breakthroughs in biotech and health care impact longevity. The spending priorities and patterns of older consumers are vastly different from those of the traditional consumer, presenting risk but also opportunity.²⁴

A study found that an increase in life expectancy by just one year is worth an additional \$38 trillion in global GDP annually.²⁵

Twenty-five percent of all Gen Zers expect to change their gender identity at least once in their lifetime.

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Force 1: The changing consumer

But changes to the consumer are not limited to demographics alone. They are showing up in geography, too, as consumers migrate to the West and South, with younger people moving to Utah, Colorado, and Arizona in disproportionate numbers.²⁶ Meanwhile, older people are moving to the Sunbelt: The fastest-growing metro in the United States in the 2020 census was The Villages, a massive retirement community in central Florida.²⁷

Geographically, a different and more sobering diversity of economically distressed communities is emerging—cities, towns, and neighborhoods that reveal an alternate American reality—where 25% of the population lives in poverty, a significant portion of the prime working-age adult population is jobless, and more than 20% lack a high school diploma. By comparison, almost half of all adults in prosperous ZIP codes hold at least a bachelor's degree, versus 15.9% in distressed ZIP codes.²⁸

This geographic picture of disparity is related to rising wealth inequality. In 2022, the top 10% of families owned 69% of the total wealth; by comparison, the lowest 50% of the population controlled just 2.8%.²⁹ The wealth of the middle class, once the engine of the consumer economy, has declined to its smallest share in more than three decades.³⁰

The middle class today holds a smaller share of US wealth than the top 1%.³¹

But wealth disparity isn't happening between the top and bottom only. It is intergenerational, too. Between 1989 and 2019, the median household wealth of families headed by 65- to 75-year-olds rose 54%, from \$174,000 to \$269,000; meanwhile, the household wealth of those families headed by 25- to 35-year-olds declined by 11%, from \$27,000 to \$24,000.³² The net worth of the average 40-year-old millennial today is less than the wealth of a baby boomer when at the same age.³³

Fast forward these trends, and the consumers of the next decade can be seen rapidly emerging—and they will be vastly different from the consumers of the past. They represent the rise of much more granular segments, subsegments, and micro segments—and will demand consumer organizations become much more targeted in offerings aimed at satisfying their unique needs, wants, desires, and priorities. Consequently, most organizations—built as they were for mass production, mass distribution, and mass marketing—will need to evolve operations to address this fundamental shift.

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Force 2: An evolving society and culture

Humans, by definition, are social creatures with behaviors that are driven, influenced, and reinforced by shifts in the surrounding culture and society. It is here that you find the pillars that define us—how we relate to each other, how we learn cultural norms, and how we establish acceptable social behavior. These same structures define the consumer: They establish purchasing behaviors tied to societal milestones and define what it means to be part of a group. But these fundamental structures of society are crumbling at warp speed.

What we found in our exploration of the societal force is the social fabric that once defined life—religion, school, community, work, civic organizations—is rapidly undergoing massive change, decoupling the consumer from many of the rites, rituals, life stages, and purchasing patterns that are attached to life passages. These traditional institutions also served a role in defining and establishing relationships.

Former life cycle triggers of human and consumer activity—education, marriage, procreation, home ownership—have exploded into an array of unique behaviors, needs, and journeys, with young people increasingly making the decisions to not marry, not have children, and not own autos and to delay home ownership. Some 35% of the US population aged 25 to 50 have never married, compared to 9% in 1970.³⁴ The birthrate in the United States and elsewhere has fallen below the replacement level, with global fertility dropping by more than 50% in the past 70 years—all of which have the potential to profoundly affect economic growth.³⁵

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For the young, the “American Dream” is increasingly unattainable, burdened as they are by massive debt and rising home prices that leave homeownership out of reach. Many have seen the disparity in educational outcomes amplified along racial and socioeconomic dividing lines.³⁷ Given a society that may no longer appear to hold out promise and opportunity, it’s not surprising that new generations are rejecting many foundational structures and institutions.

Commonly held cultural values are shifting, too. Religion is in decline: For the first time, fewer than half of all Americans belong to a house of worship, and 26% define themselves as agnostic, up from 17% in the past decade.³⁸ Values that at one time were largely anchored in religious faith and ethics now require a different kind of ballast. Meanwhile, for younger people, notions of purpose and transparency have gained traction. Sense of purpose is another rising value, with three-fourths of Gen Z saying that it’s important to work at a job that gives them a sense of purpose.³⁹

Fewer than half of all Americans belong to a house of worship.⁴⁰

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Force 2: An evolving society and culture

Meanwhile, people are seeking novel approaches to community building. The idea of “community” is no longer constrained by geography. Today, people are breaking free of geographic boundaries and using technology to find like-minded people, building communities, acceptance, and social bonds. At the same time, many new methods of forming communities are amplifying extremism.

Trust in governments and media has declined.⁴¹ Given the deterioration of trust and growing vacuum, consumers have turned to their own agency demanding transparency. And they’re looking for much more than just transparency by choosing to “vote with their dollars” and placing value on socially responsible actions. Indeed, 73% of Gen Z consumers say they are willing to pay more for sustainable products.⁴²

Contrasted against this emphasis on values is a growing sense of hopelessness: In 2022, 31% of Gen Z characterized their mental health as “bad” while two in five have been diagnosed with a mental health disorder.⁴³

Meanwhile, the number of teens who say they see their friends in person on a regular basis has nearly halved since the 1970s.⁴⁴

This is set against the backdrop of a pandemic, mass shootings, rising suicide, climate change, racial tensions, and sexual harassment.⁴⁵

In some ways, however, the upheaval we see around us is not dissimilar to disruptions that laid the groundwork for an age of exploration and discovery—when too much was changing in the world. That is, religious beliefs were shifting; scientific inquiry was expanding; the medieval mind was giving way to intellectual thought.

Consumer companies need to recognize that consumers are breaking free from traditional anchors. New anchors are emerging that are definitive of who people are, what their priorities are, and how consumers choose to spend their time and money. Navigating to position against these new pillars of society will be incumbent on the winners of tomorrow.

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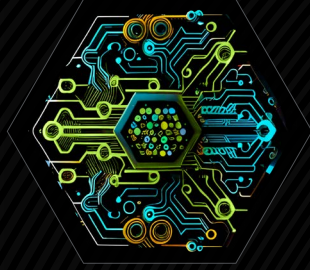
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Force 3: Exponential xTech

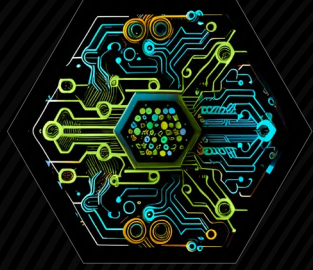
During the past decade, digital technologies drove momentous change across our society and economy. To be sure, the advance has not been a straight line; at times, it's been the result of trial and error, just as the ships that English and French explorers had at their disposal were the result of centuries of trial and error. But that is where the comparison between the explorers of yesteryear and today's explorers ends. In our case, the development and deployment of a new set of technologies will be so compressed that it will make the progress of the previous decade pale in comparison.

The explosion of data and AI techniques has put humanity on the precipice of a second scientific revolution that will fundamentally change the way humans engage in the process of discovery. The computational power of AI is doubling every three months, outpacing Moore's law, according to Stanford University findings.⁴⁶ The positive feedback loop of data and advanced machine learning (ML) is decoupling human correlation and causation from discovery, eclipsing the codified approach in place since the 16th century, and making humans no longer dependent upon hypothesis and experimentation for understanding.

Both the empirical methods of discovery and the novel application of insights are set to undergo radical transformation that will have far-reaching implications.

The computational power of AI is doubling every three months, outpacing Moore's law.⁴⁷

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Force 3: Exponential xTech

Early signs of a Cambrian explosion of innovation are already underway. In 2022 alone, breakthroughs in transformer-based large language models, such as GPT-3, DALL-E 2, and Stable Diffusion, have powered huge breakthroughs in high cognitive and creative fields and removed the constraints to creating automated original content at scale.⁴⁸ The pump is now primed for massive expansion in the bounds of what is possible, thereby revolutionizing how organizations create and deliver value to consumers.

Beyond infotech, radical progress of science and technology is turbocharging the convergence of digital technology, biotechnology, synthetic biology, and nanotechnology; upending our notions of physical limits; and questioning what it means to be human. New material science, bioscience, and additive manufacturing will augment biology, creating new consumer markets in the process.

Radical advances in science and technology are expanding our traditional understanding of what it means to be human.

Several technologies will change how products and services are designed and delivered. 3D scanning and generative computer-aided design (CAD) will accelerate the design, prototyping, ongoing analysis, modification and refinement, and real-time optimization of new offerings. Sensors and connected devices and machines will detect, record, and respond to changes in the environment, sharing data and providing updates to connected digital twins. The use of AI and ML will drive both automated and predictive and prescriptive insights, which will be securely recorded and protected by zero trust models and blockchain architecture.

The coming decade will see technology blur boundaries and transcend historical models of the past moving from siloed forms based on industry and channel to “multi-moment,” “as-needed,” “on-demand,” and “instantaneous.” Physical, digital, and hybrid forms of goods and services will be seamlessly accessed across global, digitally Balkanized, national, regional, or individual audiences.

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Force 4: Radical industry upheaval

The consumer industry has undergone enormous transformation over the past decade, driven by two primary forces: globalization⁴⁹ and technology.⁵⁰ Globalization has had a deflationary effect on many consumer goods categories,⁵¹ while simultaneously opening new markets.⁵² Similarly, technology has proved disruptive in driving efficiency and access, reducing the cost of consumer goods, digitizing physical processes and capabilities, creating new economies of scale, creating new business models, and tearing down barriers to market entry driving both consolidation and fragmentation. Thanks to technology, the consumer industry—once protected by high barriers of capital investments needed for property, plant, and equipment—is now easier to enter for even the smallest of competitors.

New categories are increasingly vying for a share of the consumer wallet.

The consumer market is further evolving, with new categories increasingly vying for the share of wallet.⁵³ The economy has seen a 40-year structural shift from goods to services⁵⁴ that was interrupted by the pandemic but is picking up pace again.⁵⁵ The consumerization of health care and spending on technology, digital goods and services have emerged as larger and larger shares of the consumer wallet, shifting household spending from more traditional categories.

As a result, in pursuit of growth, traditional organizations have been forced to invest in new brands, channels, formats, and service models to compete with expanded choice in the market. However, often these changes added operational complexity, and required capital and capacity, but failed to deliver the traditional growth or return hurdle rates. And rising labor, supply chain, and customer acquisition costs have pressured margins even further.

Deloitte estimates that 2.9% of the consumer wallet is now spent on digital goods and services, a category that is growing at significant rates.⁵⁶ For example, the video game market is a \$198 billion global market projected to grow at 8.5% CAGR through 2027;⁵⁷ video streaming is a \$59 billion market poised to grow at 21% CAGR through 2030;⁵⁸ and app economy is growing at 21% CAGR.⁵⁹ This percentage of spend is also much higher for the younger consumer, reaching as high as 3.2%, or roughly \$170 a month, for Gen Z.⁶⁰

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Force 4: Radical industry upheaval

Through our analysis, we find that between 2012 and 2021, return on capital (ROC) for traditional consumer industry companies declined by more than half, while ROC for companies in the broader S&P nearly doubled.

One consequence of this disruption has been a disconnect between healthy growth in consumer spending and a set of incumbents that find themselves challenged to create growth and profitability. Between 2013 and 2019, consumer spending in the United States grew at a healthy 3.6% CAGR;⁶¹ yet, our analysis shows that many traditional consumer industry companies have struggled to meet that same growth rate.

Between 2013 and 2019, consumer spending in the United States grew at a healthy 3.6% CAGR;⁶² yet, many traditional consumer industry companies have struggled to meet that same growth rate.

The next decade will see the dynamics shaping the industry increase in pace, and organizations struggling with the need for speed and agility will face challenges of an order never seen before. New players and new categories will raise the risk of shifting profit pools and shifting consumer spending, as convergence between consumers, health care, media, and technology threatens the distribution of the consumer's wallet. AI, automation, XaaS (Everything as a Service), robotics, and drone delivery will continue to reduce barriers to entry, evolve fundamental organizing principles, put downward pressure on prices, and accelerate the speed of innovation.

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Force 5: Extreme climate change

From time immemorial, human beings have affected the environment, but never to the extent we are doing today⁶³—to a degree that the current trajectory of our planet’s health is becoming more precarious and unsustainable. Moreover, the role played by the consumer industry is clear: An estimated 60% of all greenhouse gases are produced by consumers and the consumer industry.⁶⁴ Plastic bottle production alone has nearly doubled since 2004.⁶⁵

Increasing greenhouse gas emissions, soaring atmospheric temperatures, rising sea levels, and mounting natural disasters have put our species on a dangerous path. Scientific evidence and weather events are demonstrating the alarming and potentially existential threat that climate change poses, with direct and resulting implications upon the broader marketplace and consumer industry.

An estimated 60% of all greenhouse gases are produced by consumers and the consumer industry.⁶⁶

Time is no longer running out to do something about climate change. Time is *up*. We—the planet, our species—stand at the crossroads.⁶⁷ The sooner we act, the greater our chances are for adapting to, mitigating, and repairing the environmental impacts. A shift from global supply chains—which place manufacturing far from demand to flexible forms of advanced, distributed, and local manufacturing through additive manufacturing and new chemical and biological sciences—can deliver sustainable production.

Additionally, public-private partnerships and investment in infrastructure, renewable energy, and electrification along with carbon sequestration technologies will help move society and the marketplace forward into a “post-fossil fuel”-based economic system and put the global economy on track for a carbon-neutral existence. Indeed, we’ve already crossed a critical turning point, with clean energy now cheaper per kilowatt hour than coal-based energy—and dropping.⁶⁸

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Force 5: Extreme climate change

The growing visibility of climate change and its economic impact, together with increasing climate-driven regulations, will put pressure on the consumer industry to act. And, given its size and reach, the industry and each individual company have a meaningful role to play in this economic transition to a safe, stable, and healthy environment and sustainable existence. While many executives often skeptically ask, “Are consumers willing to pay for sustainability?” that’s the wrong question. **Consumers are already paying. The cost of externalities is currently being borne by all of us.**

Companies that act as first-movers to make new markets, and who develop and build a circular economy-based future—moving from a linear and wasteful production to a new and transformative sustainable consumption model—will be better positioned for the future.

If average temperatures rise by 3°C by the end of the century, the costs to the global economy will be US\$178 trillion in net present value terms from 2021–2070 alone.⁶⁹

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Force 6: Shifting economics, policy, and power

For the consumer industry, there are broader, external forces that affect the economics, structure, and direction of the industry. These forces take many different forms. Between 2008 and 2020, for example, the United States found itself in a low-inflation, low-interest-rate environment,⁷⁰ which fueled asset purchases, CapEx investment, growth in housing, stock appreciation, and wealth creation, but also served to add to inequality.⁷¹

Now, however, we find ourselves in a high-inflation environment with tightened monetary policy. At the same time, we have significantly increased public debt, exceeding 100% of GDP each year since 2014.⁷²

These new macroeconomic forces create a vastly different consumer industry landscape that sets up the next decade.

Today's consumers find themselves in an inflationary environment with tightened monetary policy.

New legislative policies, such as the Inflation Reduction Act, have created tax incentives for investments in solar, wind turbines, batteries, and other renewable technologies.⁷³ These incentives are already beginning to fuel a move toward reshoring of manufacturing and investments in renewable energy infrastructure.⁷⁴

Growing geopolitical tensions are also likely to reshape the coming decade. East–West relations have grown more tense,⁷⁵ spurring a notable about-face on the previous 30 years of globalization.⁷⁶ China is projected by some to become the world's largest economy by 2030,⁷⁷ a move that may further disrupt the world economic order, as countries and developing economies begin to hedge their bets over who to throw their lot with—the West or the East. The coming decade is potentially shaped by a move away from globalization, rise of a multipolar order, with continued tension between the Western countries and Russia, and a growing influence of Saudi Arabia, India, and Africa. Corporations operating on the global stage are faced with complexity regulations, political uncertainty, and the threat of political retribution based on perceived, or real, economic alignment.

Uncertainty makes markets more difficult to navigate, limiting expansion opportunities, while supply chain constraints force alternative approaches to sourcing. Meanwhile risks and threats, such as cybercrime, are on the rise.⁷⁸

Policy uncertainty and protectionist trends add additional complexity. At the same time, such obstacles also tend to bring out the most enterprising aspects of nations and people. Management during times of uncertainty requires a much more flexible, scenario-based, probabilistic approach to management and investment decisions. All the while, expectations of corporations are rapidly expanding from a focus on shareholders to a broader focus on all stakeholders. Companies need to re-orient their management approach to a changing economic and political environment.

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Within the six forces exist both promise and peril—and **an explorer today must be able to confront the hardships of the sea with stoicism, patience, and endurance**. The consumer industry faces fundamental issues of equity, health of the consumer, declining growth and profitability, a worsening planet, and declining trust. These challenges represent externalities that in a “maximize shareholder value” mindset are overlooked. However, the six forces have the potential to accelerate these challenges. Additionally, the cost of externalities is increasingly coming into focus for consumers, communities, regulators, and capital markets. At the same time, these challenges represent profound opportunities—the ability to escape from current constraints, think differently, cooperate and collaborate, and approach and solve problems in new ways that have the potential to reward positive outcomes for society, business, and the planet.

“If you do not change direction, you may end up where you are heading.”

—Lao Tzu, Chinese philosopher, sixth century B.C.

As we begin to chart the course forward, these challenges are fundamental risks to our industry. Organizations must look for opportunity for competitive positioning, while also looking to address the fundamental issues of the industry.



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A ship doesn't belong in the harbor

Consumer industry CEOs need to recognize how these six forces will fundamentally change their industry, customers, economy, society, and environment—and how to lead their company through this epic paradigm shift. Understanding how the forces will shape businesses and the sector going forward will allow CEOs to anticipate and seize the opportunities and challenges that await while avoiding the trappings and pitfalls that will line the road to success.

The good news is that we are not powerless—we have agency.

We human beings are not merely passive recipients of the future but actively create the world and future through our actions.

And executives have learned seamanship in the school of experience: They have acquired it the hard way, the best way, and can make sail, let go, and weigh anchors in setting the course of their organizations.

Consumer industry executives are fortunate to have a robust set of tools to navigate this inflection point. The future isn't preordained; it's constructed choice by choice. We have incredible influence, agency, and power to choose where we are going to activate our platform to shape the future for the better. What future do we want—but also what future do we have the courage to forge?

Businesses have played a central role in driving human and social progress across the planet over the past century—and will continue to do so. But challenges evolve, and a new set is profoundly threatening the health of the economy and society. It is impossible to have a healthy marketplace without having a healthy society and planet. The role of business is not simply “to monetize” but to productively solve real problems and meet human needs in a profitable manner. Profitable business growth opportunities exist but identifying and pursuing these requires a reintegration of short-term shareholder value maximization and long-term growth and responsibility.



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In a world filled with exponential change, unprecedented disruption, and increasing uncertainty, it is imperative for us to collectively activate our agency and shape a better future. We all play a role—as consumers, executives, and citizens. Simply put, consumers, companies, governments, communities, and society must buy into better. Buying into better will require us to make aspirational choices at the intersection of prosperity and purpose and think differently about value.

Like explorers of the past, faced with profound risk and uncertainty, we must forge ahead recognizing the immense opportunity. This requires new discipline though, and the bravery to see what others do not and manage risk in ways others cannot, and to surface the decisions that will not only shape organizations but impact our broader shared future.

It is important that executives:

- Recognize the six forces that are shaping our future
- Understand the implications of the forces across [three](#) key dimensions:
 - **Markets**—what is being sold, who it is being sold to, and what products or services create value
 - **Models**—how businesses organize and configure, how materials and capabilities are sourced, and the emergence of new business models for value creation
 - **Mechanics**—how businesses execute along the value chain, employ labor, partner and build ecosystems, and make strategic and operational decisions
- Continually monitor, assess, and scenario plan against the changing landscape

The future of the consumer industry requires that we all chart this path of buying into better.

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