Identifying the customer of the future could hinge on understanding the dramatic changes occurring in demographic trends, from aging populations to shifting growth patterns.

**Where in the WORLD Will Your CUSTOMERS BE?**

Across the planet, demographic trends are transforming societies, modifying economic patterns, generating new economic and social dependencies, and altering geopolitical balances. The trends also will have significant implications on where products are produced and consumed.

How well business and supply management leaders anticipate and adapt to these challenges will mean the difference between success and failure, opportunity and disappointment. Determining who the consumers of tomorrow will be, where they will be located and what they will be buying are all critical factors in preparing for the future.

Examining this “who, what and where,” we see a few significant characteristics of population change that will affect business practices in the coming decades. The first — and an inescapable one — is that the world population is rising quickly. As of August, it was around 7.3 billion, and that number is expected to increase to more than 8 billion by 2025 and to about 9.8 billion by 2050. Although this rise may seem incredible, it is important to note that the overall rate of global population growth is not increasing at all. Rather, it is decreasing — rapidly.

In the 1960s, when many analysts were concerned about an imminent “population explosion,” the rate of growth across the world had already peaked. Many
were worrying about a global-population explosion at a time when the highest rate of growth had come and gone. The early projections of global-population levels approaching 12 billion or even higher were simply off the mark. Accounting for these trend decreases in rates of growth, the absolute level of global population is likely to level off in the mid-21st century.

**Difference in Population Growth Rates**

The latest population projections are significantly different from many of the assumptions that have driven strategic-planning decisions for decades. The revised projections suggest equally significant changes in the nature and growth of markets across the world. The fact is the population is growing most quickly in areas of the world least capable of supporting such growth, with approximately 97 percent of the most recent surge in population growth occurring in less-developed countries. It is important to note that this growth will largely be determined by the growth of India, Sub-Saharan Africa and the Middle East.

The prospect of booming populations in areas of the world marked by geopolitical instability suggests additional future complications. In particular, the question of how well economies will be able to absorb ever-larger labor segments emerging from their “youth bulges.” While the current working population is at an all-time high in both developed and
developing countries, it is expected to fall in developed countries, declining from its current 608 million estimate to about 530 million in 2050 and 504 million in 2100. For the first time, it is projected the birth rate will be less than the death rate in developed regions by 2025.

The same cannot be said for developing countries, where the youth population is expected to reach 3.7 billion by 2050 and 4.1 billion by 2100. Currently, the working population is around 2.6 billion in less-developed regions. If these economies fail to develop opportunities, youth populations will likely be more vulnerable to social, political and religious radicalization.

These youth bulges can be expected to have a dual economic impact in Latin American, Sub-Saharan Africa and Middle Eastern countries. In many of these regions, large young populations will result in increased unemployment, resource scarcity and enhanced demands for infrastructure, housing, education and basic services. Increases in the relative size of the working population also will attract labor-intensive industries and bolster economic growth.

Many companies have moved to India, China and South America, where reduced labor costs bolster profitability. Such countries as India and China have employed their vast pools of labor to reach higher levels of economic development. But as those countries become increasingly developed, wages rise, forcing companies to seek lower-labor areas. However, if such less-developed countries as Egypt and other Middle Eastern nations are unable to provide jobs for their youth, they will continue to face political instability and unrest for the foreseeable future.

The Immigration Effect

Much of modern-day migration, especially from less-developed to developed nations, is an intrinsic part of globalization. Current immigration is not only a result of globalization, but also reflects global demographic realities. One such reality is world urbanization — within 20 years, almost 70 percent of the world’s population will be located in urban areas. The implications on the supply chain are too significant to ignore.

A century ago, the Industrial Revolution was a catalyst for immigration, while today, an increasingly global economy serves much the same role.

Aging of Certain Populations

Another key demographic force is the graying of developed countries. In many countries, populations are noticeably aging due to falling fertility rates. Increased levels of urbanization and industrialization contribute to these declining fertility rates, as there is less need for families to have multiple offspring.

Not only is our population growing old, but it’s growing old quickly. By 2050, it is expected that 2 billion people will be age 60 or older, representing nearly 25 percent of the world’s population, twice the percentage at the start of the century.

These declining fertility rates are having a remarkable impact on age assumptions, as migration flows often result from short-term and unanticipated changes in economic, social, environmental or political factors.

Regardless, many countries can expect a continued influx of immigrants. In more than 50 countries, legal and illegal immigrants already account for more than 15 percent of the population, and immigration from countries where population growth fuels unemployment will likely increase. Current trends indicate, however, that the absorption rate of immigrants into developed economies will be lower than the population growth rate in developing countries of origin.

This will most likely result in the implementation of stricter immigration laws, more border patrols and an increase in the number of illegal immigrants. Less-developed countries will have to work to keep their best-educated and most productive workers from relocating to other countries. Developed countries must weigh these negatives against the potential benefits of immigration, which can relieve problems created by a disproportionately large elderly population.
distribution in both emerging and developed economies. The traditional population pyramid, where a large percentage of the population is younger and a smaller percentage is elderly, is being turned on its head. In Japan, the ratio of elderly people relative to the working population is already the highest in the world, and the ratio of elderly people is expected to reach one in three people during the next 25 years. Italy faces a similar decline, in both the collapse of its labor force and loss of productivity. Even in the United States, where the aging is tempered by immigration inflows and a higher birth rate, the population over the age 65 already represents one in eight Americans. It’s projected that by 2030, there will be twice as many elderly people in America than there were in 2009.

Lower fertility rates and longer lifespans resulting from improved work conditions, health care and sanitary conditions are contributing to an aging population and a smaller labor force. The net result is that many emerging and developed economies will have a smaller percentage of their populations supporting those who are too young or too old to work.

While some countries that can least afford to support a burgeoning citizenship will find their resources stretched to the limit, some developed countries will battle the problem of a declining birthrate combined with an aging population, resulting in a very lean workforce.

The difference in population growth rates in less developed countries compared to those in the advanced economies, combined with the growth of the middle class in developing nations, will rebalance global trade patterns and impact supply chain dynamics. Increasing levels of urbanization and aging populations are likely to have a dramatic impact on the demand for many products.

**Future Implications**

Over the next 25 years, developed countries as a group will drop in relative size, from an aggregate 20 percent of world population to around 15 percent. Such a significant decline clearly has serious implications for business and economic trends in countries around the world. In many countries, declining and aging populations will mean a greater focus on advancements in health care, medical facilities, retirement facilities and insurance — along with a host of other geriatric-specific services. The burden of Social Security, health-care benefits and retirement costs will likely bring into question retirement age and the need to meet workforce demands.

The aging population trend will have a significant impact on the nature of economic activity; rate of economic growth; growth of markets; demand for goods and services; flows and volumes of capital; availability of labor; consumer tastes and preferences; and use of natural resources and “strategic” resources, including food, water and energy.

Institutions across the board — from the largest governments to the most far-reaching corporations — will need to adapt to aging populations across the planet. How well-prepared is your organization to adapt to aging labor pools, rising fiscal pressures from strained pension systems, rapidly changing consumer preferences aimed at ever-older age segments, and new lifestyles geared to the old — to name just a few of the changes this tectonic force implies?

Also, the prospect for new intergenerational frictions in many societies — especially those with a rapidly diminishing worker-to-retiree ratio — is significant. How will governments confront the difficult choice between sustaining welfare and pensions systems that have been in place for decades and offering younger workers the same kind of lifestyles and social privileges that their parents have? Business could play a significant role in mediating these differences by soaking up labor pools of older workers, deploying new technologies that enable higher productivity at older ages and linking labor groups across countries.

These trends suggest that demographic change will have a significant impact on the broader geopolitical balance. For example, will spending on old age crowd out the capacities of governments, especially in Japan and Europe, to maintain strong capabilities in national defense and foreign policy? For that matter, what role will problematic fiscal decisions have on stifling government investment in research and development? The geopolitical outcome will affect the risk premiums that corporations attach to doing business in less-stable parts of the world. It also could have implications for more systemic scenarios in which instability cuts into global output growth.

Although children have long been regarded as the future of the world, the intermediate reality is that longer lives, declining fertility, shifting social patterns and wider stratifications will all translate into a fundamentally different business environment across the planet. **ISM**

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