



Trending Forward

Investing Insights from the Sustainable Equity Team

GENERATIONAL SHIFTS AND CHANGING CONSUMER PREFERENCES



Soliane Varlet
Portfolio Manager, Mirova
Sustainable Equity



Cindy Huang
Equity Analyst, Mirova US
Sustainable Equity

In Brief

- Younger generations, such as Millennials and Generation Z, are reshaping consumer preferences, prioritizing health and wellness, seeking value in their purchases, and favoring e-commerce.
- The growing middle class in emerging markets, the massive generational transfer of wealth, and the ongoing digitization of commerce present significant growth opportunities for businesses.
- To appeal to the growing younger consumer base, companies must understand the trends and preferences of these rising consumers and develop strategies to access new markets around the world.

Demographics

Generational Shifts & Rising Middle Class



We invest in companies with meaningful exposure to economic tailwinds from long-term transitions that are affecting the global economy: demographics, environmental, technological, and governance. The demographics transition includes rising middle class in emerging markets, aging populations, increasing urbanization and shifting lifestyles, all of which are expected to impact healthcare, consumer products, and financials, among others, in the coming decades.

Major parts of the global economy are undergoing significant changes as generational transitions lead to shifting consumer preferences. Technological advancements and evolving values are transforming consumer preferences and the ways consumers engage with products and services. Demographic shifts such as the emergence of a rising middle class, particularly in developing economies, and generational shifts, such as the substantial transfer of wealth, are further impacting consumer preferences and spending habits. Understanding these dynamics is essential for businesses looking to adapt and thrive in a rapidly changing economic landscape.

Over \$84 trillion in assets is expected to be inherited by Millennials and Generation Z by 2045, marking the largest wealth transfer in history¹.

By 2030, the global middle class is projected to reach 4.8 billion people, a surge of 1.3 billion with increased purchasing power².

1. Cerulli Associates. 2. European Commission. "Growing Consumerism." Knowledge4Policy. Oct. 2023.

The information provided reflects MIROVA's opinion / the situation as of the date of this document and is subject to change without notice.

These demographic shifts are not just about wealth; consumer preferences are shifting as well, driven by the changing priorities of younger generations, particularly Millennials (born 1980-1995) and Generation Z (born 1996-2012). Younger consumers are prioritizing health and wellness, seeking value in their purchases, and favoring e-commerce.

The future of consumption by these generations is further shaped by advancements in technology and the rise of social media and digital platforms, giving younger generations powerful influence on trends. As each generation steps into the consumer role, businesses must adapt to meet the evolving demands. Understanding these major shifts in consumer preferences is essential for companies to remain competitive in an ever-evolving economic environment.

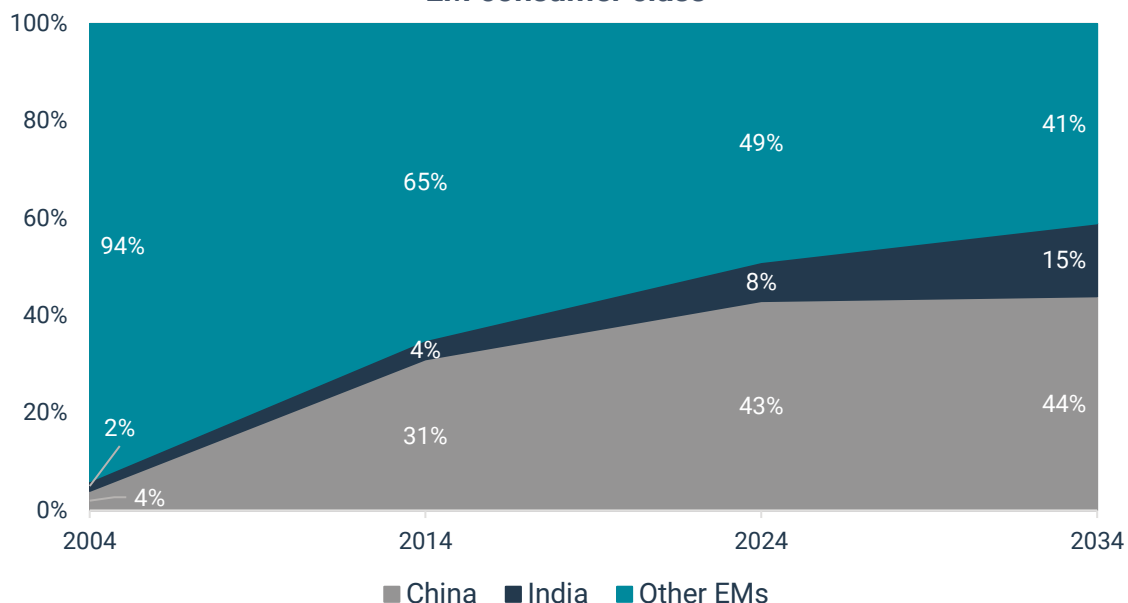
Investment Opportunities

Approximately two-thirds of the global population resides in emerging markets, where the middle class is projected to double over the next decade³. The number of middle-class households is projected to increase from 354 million in 2024 to 687 million by 2034, resulting in a substantial rise in consumer purchasing power³. Emerging markets are driving significant growth for consumer products companies, representing a key source of future expansion. Two key markets are India and China, which are expected to be the largest contributors to the global middle class. Companies that offer products and services in these newer markets and meet local needs are more likely to capture the growth opportunities associated with these expanding markets.

The massive generational wealth transfer occurring over the next decade will also enhance consumer purchasing power for Millennials and Generation Z as they gain access to new wealth, influencing not only the amount they consume, but what they consume and how.

To appeal to the new, younger consumer, companies must understand their trends and preferences. Social media is an increasingly important tool in reaching younger generations. For example, campaigns prioritizing social media influencers and short-form videos that are more interactive and entertaining feel less promotional and perform better with younger generations.

Figure 1: China's and India's market share in EM consumer class



Source: Oxford Economics

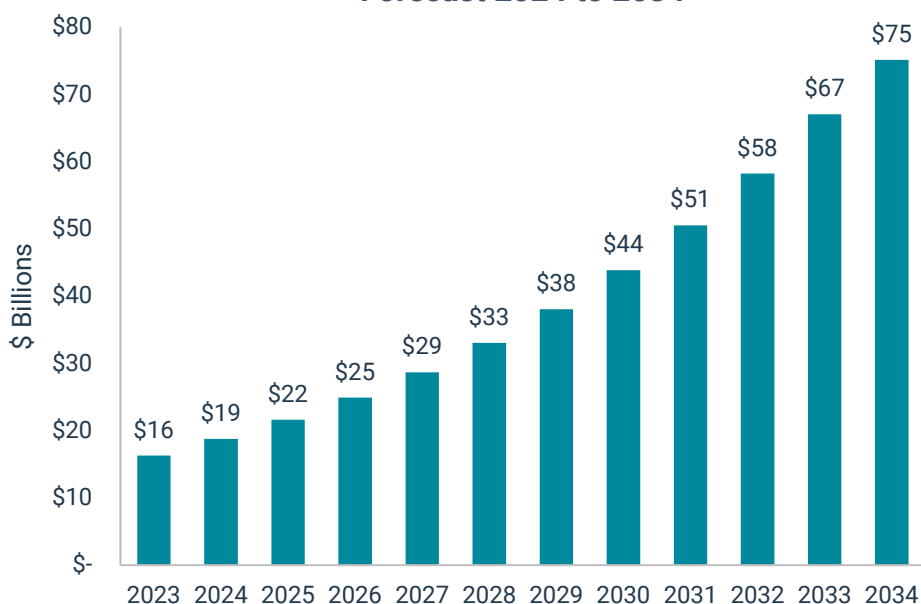
The information provided reflects MIROVA's opinion / the situation as of the date of this document and is subject to change without notice.

3. Oxford Economics. "The Future of the Middle Class in Emerging Markets." October 2024.

Investment Opportunities

There is also a growing focus on health and wellness as consumers around the world prioritize healthier lifestyles. A shift to a more athletic lifestyle is driving trends like casualization and athleisure in apparel. The \$400bn Global Sportswear sector has been one of the fastest-growing consumer sectors in the past decade and is expected to remain so over the next decade, growing at a 4% CAGR (compound annual growth rate) through 2035⁴. Notably, spending on health and wellness in emerging markets is outpacing that of advanced markets⁵.

Figure 2: E-commerce Market Size and Forecast 2024 to 2034



Source: Precedence Research

The ongoing digitization of commerce is also driving the rise of e-commerce, which is especially important for companies as internet access and usage continues to expand globally. The emergence of digital marketplaces has transformed how consumers interact with brands, offering enhanced access and convenience. As internet access, smartphone usage, and digital payment services proliferate in emerging and developing countries, these regions are increasingly attractive and penetrable for companies looking to expand their global presence. The rising middle class is a key driver of the growth of e-commerce worldwide.

The information provided reflects MIROVA's opinion / the situation as of the date of this document and is subject to change without notice.

4. Bernstein Research 5. McKinsey & Company. "State of the Consumer 2024." June 2024.



E-COMMERCE: With the expansion of global internet usage, e-commerce is rapidly growing, especially among younger consumers who value convenience and digital engagement.

CONSUMER STAPLES: With a growing consumer base and rising purchasing power in emerging markets, companies must effectively reach a diverse range of consumers by offering products at various price points in markets around the world.

HEALTH & WELLNESS: Younger generations are more health-conscious and are drawn to brands that emphasize health and wellness, as well as sustainability. This shift has moved concepts like clean eating and responsible consumption from niche to mainstream acceptance, fostering brand loyalty and creating opportunities for investment in health-oriented companies.

Key Enablers

eBay is one of the largest global e-commerce marketplaces, connecting buyers and sellers worldwide and operating in more than 190 markets, with approximately 50% of sales outside the U.S. As a consumer-to-consumer platform, eBay promotes the re-use of products and therefore a more sustainable way of consumption.

Shopify holds 12% of U.S. e-commerce market share (second only to Amazon) and continues to grow rapidly in Europe and Japan. As a multi-channel commerce platform, it equips merchants with easy-to-use tools to start digital-native businesses and sell globally. Shop Pay, Shopify's digital payment app, particularly appeals to Generation Z and Millennial customers and its adoption rate continues to rise.

Colgate generates roughly half of its sales from emerging markets. Its diversified product portfolio provides different price points to reach all consumers, with programs in place to increase accessibility of their products in emerging markets.

Unilever is a leading multinational corporation that offers a diverse range of products in personal care, home care, food, and beverages, with 60% of its sales from emerging markets. Unilever has invested in e-commerce to improve its reach, and its strong commitment to sustainability appeals to environmentally conscious shoppers, further strengthening its market presence.

L'Oréal is the global leader in cosmetics with a 15% market share, offering a diverse range of products, from mass-market to luxury brands, allowing it to appeal to a range of consumers across various price points and demographics. L'Oréal is well positioned to capitalize on the growing demand for beauty products in fast growing markets like China and India.

Symrise is a leading global supplier of fragrance and flavoring ingredients for food and beverages, perfumes, cosmetics, and pharmaceuticals. Sourcing about 90% of its raw materials naturally—well above the industry average of 60%—it meets rising consumer demand for health-conscious and sustainable products. Its integrated supply chain, with significant in-house production, enhances quality control and traceability.

EssilorLuxottica is the global leader in the eyewear and eyecare industry, focused on raising awareness of vision correction and driving innovation. With rising disposable incomes, more consumers can invest in eye health. The company's vertically integrated model enables it to meet global demand across all market segments. Strategic investments and innovative acquisitions position the company to meet the evolving needs of a diverse, health-conscious consumer base.

The securities mentioned above are shown for illustrative purpose only and should not be considered as a recommendation or a solicitation to buy or sell. The information provided reflects MIROVA's opinion / the situation as of the date of this document and is subject to change without notice.



Risk Management & Responsible Practices

With the rise of social media, brands face heightened scrutiny and must manage their reputations carefully to resonate with their conscientious consumers. Consumer boycotts have emerged as a tool for holding companies accountable for their advertising and/or manufacturing practices. A nuanced understanding of the consumer base is more crucial to the success of companies than ever before.

Younger consumers are increasingly favoring sustainable products and responsible consumption making it essential for companies to adopt and promote responsible practices. Sustainable practices are also essential for companies to mitigate risks and controversies in their value chains and supporting long-term financial value creation. Increasing the use of recycled and sustainable materials in packaging and

products, addressing water usage and pollution, and ensuring fair trade conditions are practices that can help companies benefit from a 'sustainable' premium. Consumers are willing to spend an average of 9.7% more on sustainably produced or sourced goods, even as cost-of-living and inflationary concerns weigh on the consumer⁶.

To meet rising demand, companies must secure long-term access to resources. For example, e-commerce companies, which require a consistent power and water supply for data centers, may be more vulnerable in high water-stress regions. Similarly, consumer goods companies must carefully source raw materials like cotton and palm oil to avoid reputational, operational, and financial challenges.

6. PwC. (2024). PwC 2024 Voice of the Consumer Survey.

The information provided reflects MIROVA's opinion / the situation as of the date of this document and is subject to change without notice.



LEGAL NOTICE

This information is intended for non-professional and professional clients as defined by MiFID. If it is not the case and you receive this document and/or any attachment by mistake, please destroy it and indicate this breach to Mirova immediately.

This document is a non-contractual document for information purposes only.

This document does not constitute or form part of any offer, or solicitation, or recommendation to subscribe for, or buy, or concede any shares issued or to be issued by the funds managed by Mirova investment management company. The presented services do not take into account any investment objective, financial situation or specific need of a particular recipient. Mirova shall not be held liable for any financial loss or for any decision taken on the basis of the information contained in this document, and shall not provide any consulting service, notably in the area of investment services.

The information contained in this document is based on present circumstances, intentions and guidelines, and may require subsequent modifications. Although Mirova has taken all reasonable precautions to verify that the information contained in this document comes from reliable sources, a significant amount of this information comes from publicly available sources and/or has been provided or prepared by third parties. Mirova bears no responsibility for the descriptions and summaries contained in this document. No reliance may be placed for any purpose whatsoever on the validity, accuracy, durability or completeness of the information or opinion contained in this document, or any other information provided in relation to the fund. Recipients should also note that this document contains forward-looking information, issued on the date of this presentation. Mirova makes no commitment to update or revise any forward-looking information, whether due to new information, future events or any other reason. Mirova reserves the right to modify or remove this information at any time without notice.

The information contained in this document is the property of Mirova. The distribution, possession or delivery of this document in some jurisdictions may be limited or prohibited by law. Persons receiving this document are asked to learn about the existence of such limitations or prohibitions and to comply with them.

Mirova voting and engagement policy as well as transparency code are available on its website : www.mirova.com.

Non-contractual document, issued in April 2025

ESG INVESTING RISK & METHODOLOGICAL LIMITS

By using ESG criteria in the investment policy, the relevant Mirova strategies' objective would in particular be to better manage sustainability risk and generate sustainable, long-term returns. ESG criteria may be generated using Mirova's proprietary models, third party models and data or a combination of both. The assessment criteria may change over time or vary depending on the sector or industry in which the relevant issuer operates. Applying ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, irrespective of market opportunities available. ESG data received from third parties may be incomplete, inaccurate or unavailable from time to time. As a result, there is a risk that Mirova may incorrectly assess a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in the portfolio of a Fund. For more information on our methodologies, please refer to our Mirova website: www.mirova.com/en/sustainability



ABOUT MIROVA

Mirova is a global asset management company dedicated to sustainable investing and an affiliate of Natixis Investment Managers. At the forefront of sustainable finance for over a decade, Mirova has been developing innovative investment solutions across all asset classes, aiming to combine long term value creation with positive environmental and social impact. Headquartered in Paris, Mirova offers a broad range of equity, fixed income, multi-asset, energy transition infrastructure, natural capital and private equity solutions designed for institutional investors, distribution platforms and retail investors in Europe, North America, and Asia-Pacific. Mirova and its affiliates had \$33.1 billion in assets under management as of December 31, 2024. Mirova is a mission-driven company, labeled B Corp*.

**B-Corp Certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials. Certified since 2020, Mirova reapplies for the B Corp Certification every three years. The annual fee for maintaining the certification is €30,000 as well as a €250 for a submission fee. To find the complete B Corp certification methodology, please visit the B Corp website here: <https://www.bcorporation.net/en-us/certification>*

MIROVA

Portfolio Management Company - French public limited liability RCS Paris No.394 648 216 AMF accreditation no. GP 02-014 59, Avenue Pierre Mendes France 75013 Paris Mirova is an affiliate of Natixis Investment Managers.

[Website](#) – [LinkedIn](#)

NATIXIS INVESTMENT MANAGERS

French Public Limited liability company
RCS Paris n°453 952 681

Registered Office: 59, avenue Pierre Mendès-France 75013 Paris

Natixis Investment Managers is a subsidiary of Natixis.

MIROVA US

888 Boylston Street, Boston, MA 02199; Tel: 857-305-6333 Mirova US LLC (Mirova US) is a U.S.-based investment advisor that is wholly owned by Mirova. Mirova is operating in the U.S. through Mirova US. Mirova US and Mirova entered into an agreement whereby Mirova provides Mirova US investment and research expertise, which Mirova US then combines with its own expertise, and services when providing advice to clients.

MIROVA UK LIMITED

UK Private limited company

Registered office: Quality House by Agora, 5-9 Quality Court, London, WC2A 1HP

The services of Mirova UK Limited are only available to professional clients and eligible counterparties. They are not available to retail clients. Mirova UK Limited is wholly owned by Mirova.

MIROVA KENYA LIMITED

A company incorporated with limited liability in the Republic of Kenya KOFISI,

c/o Sunbird Support Service Kenya Limited,
Riverside Square, 10th Floor, Riverside Drive,
P.O. Box 856-00600

Nairobi, Kenya

Mirova Kenya Limited is licensed as an Investment Advisor by the Capital Markets Authority (CMA) under the provisions of the Capital Markets Act (Cap 485A of the Laws of Kenya).

Mirova Kenya Limited is a subsidiary of Mirova Africa Inc.