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## Why it is worth considering consumer trends among the new middle classes

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# Why it is worth considering consumer trends among the new middle classes

Bonn, 4 December 2017. Middle-income countries are seeing growth among their middle classes and with it an increase in consumption. This is good news in and of itself, as many people's standards of living are improving and their consumer activities are boosting the local economy. The problem is that our planet's resources are finite. Air pollution, congestion and energy supply shortages are already everyday realities in urban areas especially, for example, in Manila and Lima.

On 23 November, international researchers and practitioners came together at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) for a workshop entitled "Transforming Carbon Consumption Patterns of the New Middle Classes". They discussed the role of consumption trends with regard to these specific issues and ways to promote sustainable consumption. It quickly became clear that there is no single middle class, and that knowledge is still lacking with regard to who actually consumes what, how they do so and why.

## **Black box: the new middle classes**

Who are these new middle classes? This is a question not only of definition, but also of individual goals, aspirations, role models and behaviour. While it is possible to define the middle classes based solely on average income, this would not necessarily tell us very much. Household income fluctuates and the actual budget available depends heavily on individual factors such as the size of the family circle requiring financial support. Consumption, expressed in terms of type and composition of expenditure, provides some more precise indicators. Groups that have achieved a modest level of affluence can typically afford commodities such as mopeds and air-conditioning systems. They mainly live in cities, employed, for example, at start-ups in Mumbai, though they are also found in some rural areas, working, for instance, as cocoa producers in Ghana.

In order to channel consumer behaviour in the direction of sustainable development, we need to understand why people make their purchases. Do sustainability and energy efficiency play any role at all, or is it more about indicating that you belong to a social group? And what other factors are involved?

On the one hand, sociological theory posits that consumer behaviour and middle-class lifestyles converge at global level. Our understanding of what constitutes a good standard of living is becoming globalised, and includes a good education, a car, a smartphone and coffee shop visits. On the other hand, local markets operate quite differently to one another, as product availability and social norms vary. It is not clear which models impact on different groups and therefore indi-

rectly influence their consumer behaviour. Is it, for example, local YouTube stars or bloggers?

There were two points on which the workshop participants all agreed. First, it is easier to introduce the topic of sustainable consumption by referring to specific problems on people's own front door steps, such as road congestion and waste. Bike-sharing is currently seeing very good take-up in Chinese cities, as smog and congestion are issues tangible to the middle classes. Individual consumers find abstract, global challenges such as climate change either irrelevant or not something that they can do anything about. Second, there is also a need for consumer-oriented policy in middle-income countries – not to suppress consumption, but rather to leverage consumer power to tackle existing challenges in urban centres.

## **New consumer policy for new middle classes?**

Consumer policy and sustainable consumption are not easy topics to tackle at political level, also in Germany. In terms of development cooperation, there are likely to be even more moral pitfalls to avoid, as sustainable consumption is quickly interpreted as a call to forego things. The right to development is no laughing matter for any partner country. Participants in the DIE workshop discussed three elements of a consumer policy for the new middle classes:

First, a link to local political priorities and motivations: an efficient transport system is important to mayors and urban planners. It tends to be for reasons of time rather than environmental protection that consumers opt to use the new express bus route instead of their own car.

Second, an ideal combination and sequencing of regulatory, economic and informational instruments with behavioural science approaches: one example would be to give people a psychological "nudge" by showing on their energy bill that all their neighbours use less electricity than them and then increasing the price of electricity 6 to 12 months later.

Third, institutional mainstreaming: demand and consumption can be managed more easily at local and sectoral level, for example, if energy suppliers promote energy efficiency.

These approaches are being examined by DIE's Sustainable Middle Classes in Middle Income Countries: Transforming Carbon Consumption Patterns (SMMICC) project.