

MEET YOUR NEW CONSUMER: FUTURE TRENDS INFLUENCING CONSUMER BEHAVIOUR INTRODUCTION

1. Purpose of the Presentation

- to understand some of the major trends affecting customer behaviour
- this is a survey of trends and not fads (“trends” come from the bottom up and linger; “fads” are manufactured by sales teams)
- some trends are currently more visible than others

2. Caveats

- i. “People make their own reality”: some of these trends may seem unappealing to us today but later people will adjust themselves to a new reality and so invent new ways of living for themselves
- ii. Only the Third Era: the trends here are the recognizable extrapolations from the current “Third” Industrial Revolution
 - there may be a fourth Industrial Revolution looming: combining digital, physical and biological factors to create “super humans”

<https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/>

 - even without speculating on the Fourth Revolution, the Third Revolution is generating many new startling trends

SOCIAL

3. The Demographic New Frontier”

- i. increased life expectancy
 - ii. increased health expectancy
 - iii. growth in human enhancement technology
- western society is heading for some major challenges which few policymakers are brave enough to address (they are far too focussed on short-term issues)
 - the aging issue is often discussed in economic terms (“can we afford the elderly?”) but it should be seen in a wider social and technological context

4. Increased Life Expectancy: “the Silent Revolution”

- we have gained as much life expectancy in the last century as in the previous 5,000 years: an increase of about 25 years
- from Three Stages of Life to Four: (i) childhood (ii) maturity (iii) well aged [Third Age] with perhaps one third of a life spent in retirement (iv) compression of morbidity
- never before has any society had so many older people: no precedents
- a sign of a “successful” society
- perhaps we are last generation to die or the first to live forever
- the first Australian to live to 120 is already alive and she is probably in her 60s

5. Increased Health Expectancy¹

- growing older does not necessarily mean feeling older (“60 is the new 40”)
- average incapacity-free life expectancy is rising faster than average life expectancy overall: people are not only living longer but they are also living more healthily

¹ A good introduction: Genevieve Reday-Mulvey *Working Beyond 60: Key Policies and Practices in Europe*, London: Palgrave, 2005

- many people are taking better care of their health and so reducing lifestyle risks (such as smoking): “active aging”
- today’s older people are much “younger” than their parents were when their parents were at their age (assuming the parents managed to live that long)

6. Growth in Human Enhancement Technology² (HET)

- human enhancement technology is not completely new, such as the invention of spectacles and hearing aids
- now far more technological progress is underway either (i) restore an impaired function (such as eyesight) or (ii) to raise the function to a level considered to be “beyond the norm” for humans
- examples: use of cognitive enhancing drugs to improve memory and concentration; use of hearing aids and retinal implants to improve sensory perception, use of bionic limbs to restore mobility
- human enhancement technologies will enable older workers to have as much physical capacity as younger workers
- there is a risk that skills become obsolete quicker than ever before and so there is no natural age advantage of being young in the workforce
- mindset over skillset is now more important: global outlook (open to new ideas), high ethics, easy to work with, and resilience (these qualities are not necessarily age-determined)

7. The Retirement of Retirement

- late 19th century invention of “retirement”: 20/40/10 (learn for 20 years, work for 40, rest and play for 10)
- now: people are retiring before they get old
- retirement can be a health hazard (especially for men)
- fears about who will do the caring? Decline of “families”; risk of “granny dumping” in the US
- will depression over finances in old age discourage people from trying to live too long?

TECHNOLOGICAL

8. Growth in Information Technology

- Gordon Moore of Intel: April 19 1965 prediction: power of computers will double every 18 months-2 years; price of computers will halve every 18 months-2 years
- Google driverless cars; Mercedes driverless trucks: for how long will we continue to allow humans to drive vehicles (road crashes kill 1.2million around the world each year); will human drivers be gone in 15 years? Older people will be able to travel for many years yet because they will not need to take periodic driving tests.
- robots are already around us: but they do not look like “robots” (eg washing machines have replaced servants; some cars can now park themselves)
- growth of e-medicine/ e-surgery: overcoming the tyranny of distance, opportunities for the latest advice on health, such as via Watson
- July 27 2016: delivery of goods by a drome:

² A good introduction: *Human Enhancement and the Future of Work*, London The Academy of Medical Science *et al*, November 2012

http://www.kurzweilai.net/flirtey-drone-delivers-reno-7-eleven-slurpies-in-first-commercial-drone-delivery-to-a-residence?utm_source=KurzweilAI+Daily+Newsletter&utm_campaign=d8360bdab3-UA-946742-1&utm_medium=email&utm_term=0_6de721fb33-d8360bdab3-281882269

9. Digital Disruption

- digital disruption and the story of *Encyclopaedia Britannica*³
- in recent decades the publishing company failed to monitor the rise of online reference works and ran into financial problems (English language Wikipedia appeared a year after the Harvard Business School book was published)
- Evans and Wurster identify these lessons for all businesses:
 - (i) “*the most venerable can prove the most vulnerable*” [note the speed of the collapse]
 - (ii) “*a strong corporate culture can blind business leaders to events that do not fit into their collective mental framework*” [just because a company is a vital part of today’s community, there is no guarantee it will still be needed tomorrow]
 - (iii) even if executives do fully grasp the impact of new technologies, they may be at a competitive disadvantage because they are “*saddled with legacy assets*”
- as at 2016 the company no longer prints a hard copy version; there is some online material and the company (using its well-established brand) also publishes other educational material
- how will people be employed in the future? Where will they get their money?
- here is an interview based on the ideas I give my Boston University students:
<http://global-directions.com/blog/latest-articles/post/how-to-prepare-for-the-jobs-of-the-future/>⁴

10. Some Warnings about the Internet

- (i) yes: the Internet is revolutionary – but not utopian; it does disrupt our lives but not necessarily always for the better
- (ii) be aware that the Internet was not designed for all the functions we are now using it for (education, banking, commerce, entertainment etc); it may be vulnerable to disruption (hacking)
- (iii) we have often been blind-sided by change for example newspapers carried stories of IT changes but newspaper boards themselves failed to ask: “What does all this mean for our newspaper business model?” *software eats the world: keep asking “How will the implications of Moore’s Law affect my company?”*
- (iv) for the first time in history we are now losing jobs faster than we can create them (not all the jobs have gone to Asia; some have been taken over by robots); robots work 24/7; never take annual leave or sick leave; have no ego and no

³ Philip Evan and Thomas Wurster *Blown to Bits: How the New Economics of Information Transforms Strategy*, Boston: Harvard Business School Press, 2000, pp 1-7

⁴ I have been criticized for publicizing the “alarmist” Oxford report; but it has recently been criticized for not going far enough: Derek Thompson “A World Without Work”, *The Atlantic*
<http://www.theatlantic.com/magazine/archive/2015/07/world-without-work/395294/>

personality squabbles – but they don't "consume" many goods or services, either: where will the consumer demand come from?

(v) is IT re-wiring our brains? The Baroness Susan Greenfield controversy: the risk of a "click n' flick" workforce: adept at modern IT but lacking depth and substance; young people are confident but careless

(vi) are we educating people for an era of work that will eventually no longer exist?

"Amazon dominates book retailing; Uber decimates taxi services; Pandora displaces radio. Little attention is paid to the resulting destruction of livelihoods and assets because there's no incentive to do so."⁵

ECONOMIC

11. 3D Printing (Additive Manufacturing)

- machines that print one layer at time
- owing to the method of construction, there is no waste: only the material that is needed gets used
- the end of shopping? The 3D printer will manufacture for you at home (recall that servants were replaced by the washing machine and Hoover)

12. Outsourcing Revolution

- "GDP": Gross Domestic Product: measurement of money through the economy (not necessarily a statement on whether life is being "improved")
- outsourced household functions have been one of the main drivers of economic growth in the past three centuries
- clothing, furniture, foodstuffs (farming), meals (restaurants) and education (children have to go to school) are all made by specialists (and so the householder does not have to do that work)
- businesses are now doing outsourcing by reducing what has to be done in-house and so just "sticking to their knitting" (specializing in what they do best)

13. In-Sourcing Revolution

- this entails bringing previously outsourced services back to the household
 - "consumers" become "pro-sumers": produce, consume and share their own goods: they publish their own information (WWW); make their own videos (You Tube); solar-powered buildings make their own energy
 - feed-in tariffs enable a householder to generate electricity from their solar-powered home during the day and sell it into the grid
 - homes may become fully sustainable and so will not need to buy power or water from the national reticulation systems
 - consumers could "print" their own goods at home
- http://www.huffingtonpost.com/kristel-van-der-elst/to-innovate-or-die-the-gl_b_8450748.html

14. Emerging Alternative Economic Models

- "Gig Economy"
- there is plenty of "work" to do but not "jobs"

⁵ Jerry Kaplan *Humans Need Not Apply: A Guide to Wealth and Work in the Age of Artificial Intelligence*, New Haven: Yale University Press, 2015

- “jobs” (invented in 1750 for the Second Revolution) may be replaced by “gigs”
- the world’s largest taxi company (Uber) doesn’t own any cars; the world’s largest hotel chain (Airbnb) doesn’t own any hotels; Airtasker enables consumers to buy services online
- this is self-organized self-employment, working on-demand, with every worker as a “manager” running their own business
- ii. Universal Basic Income (UBI)
 - UBI scheme would mean that all adults would receive a flat sum of money from the government
 - the sum would provide a bare minimum on which to survive; doubtless many people would also continue to work for much more money
 - with the increasing loss of jobs from automation, a UBI scheme would put some money in circulation to stimulate effective consumer demand
 - slogan from the unsuccessful June 2016 Swiss UBI referendum: “what would you do if your income were taken care of?” In other words, in the emerging new economy it is important to give people a financial foundation so that they can then turn their minds to being inventive and entrepreneurial
 - Finland, some parts of Canada and The Netherlands are continuing with their proposed UBI experiments

ENVIRONMENT

15. Big Question for the Current Era: Is the Environment Striking Back?

- four stages of humankind’s relationship with the environment/ nature
 - i. Pre-Modern: humans felt dwarfed by nature, often worshipped it, relied on it for food, with agriculture as the main human economic activity
 - ii. Early Modern: moving away from nature to live in the cities and work in the factories
 - iii. Late Modern: humans now powerful enough to subdue nature by damming rivers, cutting canals, removing the tops off mountains for mining
 - iv. Current Era: is nature now striking back eg extreme weather events?

16. 21st Century: The Century of the Environment

- The Club of Rome: 20th Century: “century of economics”; 21st Century: “century of the environment”: environmental problems will force themselves upon us
- environment issues are mainstream: middle-class, middle-aged and middle of the road (and no longer fringe)
- business will see opportunities in being green and keep the momentum going
- the issue will remain “salient” because of the steady trickle of new angles: eg gradual loss of low-lying islands and creation of “environmental refugees”, melting of the Polar ice caps, loss of biodiversity, flora and fauna, famines

17. Looking for Opportunities: “The Blue Economy”

- The Club of Rome’s Gunter Pauli has championed “The Blue Economy”:
www.blueeconomy.de (English version available on the website), with plenty of business examples
- for example: coffee: 0.2 per cent used; 99.8 is discarded as “waste”; the coffee waste could be used to grow mushrooms (some of which could go to pigs: pigs can’t be fed coffee waste direct because they will get high!)

- each “core” business could in fact generate a lot of “satellite” businesses if workers were challenged: how can we conduct our core business to avoid pollution by making new businesses out of the waste?
- this could be an incentive to local eco—entrepreneurship

POLITICAL

18. The Era of Revolt

- globalization has been a major transforming force in world politics and economics
- but recent developments have shaken that process
- the revolt against globalization is not so much coming from poorer countries as from some people in the rich ones:
 - . politicians with an anti-globalization policy have been elected
 - . governments have tried to slow down the globalization process (such as restrictions on free trade and foreign investment)
 - . the UK has voted to leave the European Union: the British still cannot reconcile a past they cannot forget with a future they cannot avoid
- ironically the people who have gained so much from globalization are now voting against it
- there is an anger among the “left behinds” which some politicians have mobilized for their own political ambitions

19. Poor Communications

- globalization has been poorly communicated to the general public
- some people have not caught the vision of what it is like to live in a globalized society
- globalization requires a new mindset and politicians have been reluctant to explain it: politicians tell people when they want to hear and not necessarily what they need to know
- what they have needed to know is that the world is entering a new era: erosion of the significance of national borders, greater reliance on the market, people should expect less from national politicians

20. The Politics of Anger

- some people despair of politics and so take little interest in it; others remain involved but want different politicians
- the remarkable popularity of Donald Trump, Bernie Sanders, and Jeremy Corbyn (all with very different in political outlooks)
- anger with the existing political establishments
- search for candidates outside the political centre
- post-World War II Idealist sense of international co-operation is now under threat from a new isolationism, xenophobia, economic nationalism, search for scapegoats
- role of social media in fostering (for good or ill) new debates outside of political elites; people can now get the news that matches their viewpoints

CONCLUSION

- you have to see the future to deal with the present
- the intention is to look out for the faint signals of change