

2020 Vision

by Paul Hudson

Is your organisation prepared for the highly demanding, mobile, hyper-local consumer of the future?

Open Ideas profiles future consumer

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The digital revolution has resulted in dramatic changes in consumer behaviour and unless businesses fully understand the scope and significance of those changes, they will be unprepared to engage with the consumer of the future.

Mahatma Gandhi said: "The future depends on what you do today." His words have resonance for business leaders in the 21st Century who must act now to devise strategies for engaging with a new breed of consumer.

To succeed, they require a greater understanding of current behaviour and of the forces that have effected remarkable change in today's adult consumers and which are driving more radical change in the next generation.

Our 'Open Ideas' event drew on our extensive research into multi-generational consumer behaviour and the impact of technological change to deliver unique insights into the multi-faceted nature of future consumers.

The future consumer is highly demanding, constantly connected, ever-mobile, and hyper-local in their behaviour. The forces that have shaped this new breed are the all-pervasive and constant presence of the internet; the rapid adoption of mobile devices, especially smartphones; and explosive growth in social networking.

The rise of the 'connected consumer' affords an opportunity for constant brand engagement but there is a risk of alienation if your engagement methods and content are not relevant and delivered in a format which suits the consumer's evolving needs.

Being 'connected' has afforded consumers both greater choice and control, via product browsing and price comparison, while Facebook and Twitter have given them a powerful voice to praise, criticise and rate business in a highly public manner. Google's search facility was like turning on a light - consumers could

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Consumers want smartphones to run their lives



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Open Ideas opens delegates' minds



suddenly see what they were looking for and now social networking sites provide a megaphone to shout to the world.

This has shifted the balance of power from an adult/child dependent relationship between business and consumers to a more challenging grown-up relationship and businesses must recognise and adapt to this new dynamic.

While connected consumers like having control over their personal data, they are conflicted over how much control to cede for the sake of convenience in the form of more personalised service and offers. The price of convenience is leaving a trace of personal preferences, a contentious issue for many consumers. In the future, the businesses which tackle this issue transparently and in a way which clearly demonstrates benefits for consumers will emerge as winners.

Mobile devices have wrought some of the biggest changes in behaviour - for digital natives, the internet just *is* mobile. Having no mobile engagement strategy is like saying you don't open for business on a Thursday.

Yet, business is still playing catch-up in the mobile sphere and there are illogical gaps in strategy as a result. For example, mobile ads are 80% more memorable, with consumers still able to recall them after 15 days - yet, 79% of major advertisers do not have a mobile-enabled website.

The numbers on mobiles are compelling - there are now 7 billion mobiles in the world and in the UK smartphone penetration has passed 50%. For under-18s especially, mobiles represent the key to their lives, 75% said they could not live without them. Under-18s have the boldest vision of how all-important mobiles will be in future, envisaging a world in which their mobile controls a range of other devices.

Mobile, or M-commerce, is not the same as E-commerce; it is less about transaction and more about browsing and gathering intelligence, although this will evolve with the arrival of mobile wallets using Near Field Communications technology.

We know that 70% of UK consumers access the internet via mobile and that figure is growing, so services distributed or marketed via the internet need to be optimised for that channel. Overall, mobile is the most important trend of the digital age - businesses simply cannot afford not to have a mobile strategy.

A major trend affecting the future consumer is the convergence of social, locational and mobile - known as SOLOMO. This has spawned the 'hyper-local' consumer and some of the smartest investors on the planet, including legendary fund manager Warren Buffet, are investing in services which serve a local need.

While the internet is universal, everyday life is local and people really want to know about their local community. Brands which tap into that desire and market relevant local offerings will have a competitive advantage.

We know that 84% of smartphone users want recommendations for what to do in a new place and value the opinion of other consumers more than brands. Consequently, to influence opinion, brands need to develop 'brand advocates' who will win over new converts.

The 'hyper-local' trend is still emerging and is hampered by limited location optimisation technology and lack of universal network coverage. However, as it develops it has the potential to enable more businesses to proactively market location-specific deals designed to transform a browsing visitor into a paying customer.

The pace of change is accelerating - we are doubling the rate of technological change every decade. Business survival necessitates a rapid and flexible response which means stepping out of the comfort zone, even if your business enjoys a seemingly entrenched dominant position today. The average lifespan of a company was 65 years in 1920, today it is 15 and even once-mighty giants like Kodak have foundered by reacting too slowly to technological change.

Companies most at danger of obsolescence in this new reality are those which delegate responsibility for change, have rigid legacy operating environments and make conservative management decisions. Other danger signs are businesses with hierarchical structures which mean senior management are remote from the consumer as well as those paralysed by capital constraints.

As businesses hurtle towards this somewhat daunting future, these are the five key trends they must address:

1. Locally-empowered consumers will transform business

The show-rooming trend is the tip of the iceberg - mobile browsing and price comparison will continue to increase. Locally targeted offers will become the norm.

2. Consumers will become ever more demanding

Constant connectivity has fostered the 'now culture' which means instant gratification is expected. Businesses which struggle with impatient and well-informed customers will fail.

3. Consumers will expect seamless service across channels and screens

Brands must deliver a universally good service regardless of channel or device. They need to consider device connectivity and focus on the overall quality of customer experience.

4. The communications boom is here

Multi-channel consumers demand more communication, not less. Under-25s communicate with businesses 7% more than over-25s and use all channels, digital and traditional (phone and email). The future is channel proliferation not channel substitution.

5. The Future Generation are on their way

Under-18s are the most prolific and skilled multi-channel communicators we have ever seen, especially via social networking. They dictate terms on channel choice and personal data disclosure which makes them harder to reach and control. Devising a strategy which recognises this is essential.

Smarter than the average phone

Globally more people have mobile phones than toothbrushes and consumers want them to control all aspects of their domestic lives

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More people in the world now own a mobile phone than a toothbrush and almost 75% of us in the UK log on to the internet while on the move every day. This new breed of mobile consumers is ever more demanding and increasingly sees the smartphone as a remote control for their lives.

M-consumers don't simply want to make calls and send texts. Typing emails to the boss on the train no longer seems extraordinary. Uploading a picture to a social networking site is now a 10-second task and browsing fashion apps for the latest must-have shoes passes a few hours at home when the television is rubbish.

From its humble beginnings as a glorified email reader for busy executives, the smartphone has evolved into an everyman device that has changed the behaviour patterns of large swathes of the world's population.

This mini industrial revolution has all happened in the five years since Apple launched the iPhone and is gathering pace. It would seem the next stage of evolution, from a technology standpoint, is to bring all the various mobile devices together in one super smartphone that can make calls, surf the web and take care of a myriad other daily chores.

For developers and corporations this idea of convergence holds out enticing possibilities of huge efficiency savings from working to one global standard and being able to scrap many peripheral technologies and more traditional means of communication, such as the humble telephone.

A beguiling dream, perhaps, but it is not going to happen. Intersperience has been tracking the behaviour of mobile consumers since they first emerged and there is strong evidence in our latest research, revealed at Open Ideas in May, that convergence remains an elusive aspiration of software developers. If anything, people are using more devices, rather than fewer.

There has been a 20% rise in the number of people using mobile internet in the

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last three years and people are as likely to click on a smartphone as they are a laptop or PC for the most popular online tasks – email, social networking, website searching, games, headlines and sports scores.

Some 8% have a smartphone and a tablet, while 63% of those with both have used a tablet to connect to the internet when they could have used a TV. There is nothing to suggest convergence in that.

When the iPad was launched in April, 2010 Intersperience said it marked a defining moment in the evolution of the internet. We predicted then, and are seeing it happen clearly now, that the very nature of the internet would change as it comes to be seen as the “electricity” that powers a vast online world, rather than an end in itself.

It is not the desktop PC or even the laptop, but the multi-functional smartphone that is emerging as the fulcrum of this new reality. Here are two very small nuggets that prove the point: 42% of under-18s want to use smartphones to “control other things” in the future and three times as many under-18s would choose a mobile over a PC for downloading photos.

In our qualitative studies we have found enthusiasm for the following as additional services offered on mobile phones: universal remotes for controlling home entertainment and appliances; games console controllers; traffic monitors to avoid congestion; keys for cars, homes and businesses; augmented reality platforms to provide maps with routes embedded and project images of friends.

If this all sounds a bit sci-fi – or hormonal teenager’s bedroom – the fact is that the growing number of mobile consumers want greater access to the online world and are happy to use any device that delivers it.

Whether the smartphone is the catch-all device is a moot point. However, it does have the advantage of being small, lightweight and offers charging structures – monthly tariffs and micro payments for apps – that most people are familiar with. It is the most personal of devices, the one we keep with us all of the time (some even sleep with it close by).

While it might be the device of the moment, companies seeking to engage m-consumers should not consider it a catch-all, nor should they ignore other communication channels. For example, by 2015 there will have been seven million iPads sold. Even now, email and phone remain the most popular methods of communicating with corporations with consumers.

When it comes to cloud computing, the great British public has not yet worked out what it is most comfortable with. Only 10% of those questioned consider themselves technology experts and 57% see themselves as “beginners”. At the same time, 61% see technology as “necessary” to their everyday lives.

M-commerce has been a much-hyped channel for five years but we at Intersperience always predicted that adoption would be slow and that the impact would not be felt in direct sales, but rather in the seamless way mobile devices interact with other sales and marketing channels, as price comparison tools and providers of accessible consumer information.

Bombarded with choice and delivery mechanisms, the attention of today’s m-consumer is divided. Our evidence shows those companies offering technologies and products that are easy to grasp and deliver identifiable benefits to individual lives are poised to be the long-term winners.

Communication explosion

Organisations are oblivious and unprepared for the tough communication challenge looming on the horizon

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Q1 Are predictions of a communications explosion over-hyped?

The reality is that there seems little danger of the situation being over-hyped. If anything, we need to shout louder about this because few organisations are sufficiently well-informed at a senior management level about the seismic changes taking place in how people communicate, especially younger ones who are the consumers of the future. That means they have little idea about the impact this will have on their operations and relationship with customers.

We have carried out several special research projects on mobile internet use and the consumer of the future, as well as into behavioural trends and attitudes among under-18s and we have overlaid these findings to create a highly detailed picture of how people will communicate in the next five to 10 years. The unequivocal conclusion is that the sheer volume of communication will increase exponentially, driven by a number of factors, including a proliferation in contact channels.

The key factors influencing this are an acceleration in mobile data traffic growth (it is forecast to rise 18-fold within five years as the number of mobile devices exceeds the number of people on the planet). In particular, growth in adoption of smartphones and tablets is fuelling increased communication, while the spread of social networking is also an important contributor, predominantly in the personal sphere, but increasingly in the corporate sphere also.

Contact Overload – Research Update

There are more generations than ever embracing social networking as a habitual form of communication but the most prolific of all are young teenagers who use social networking sites and also instant messenger twice as much as 18-25 year olds, who are already active users.

Q2 If teenagers are mostly fixated on digital communications won't we see a reduction in contact via more traditional channels in future?

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That is the prevailing received wisdom - but it is not an accurate understanding either of what is happening today or what will happen in future. What we're seeing is a desire and need for continuous communication in the teen group not just via digital channels but across all contact channels.

Today's teenagers are sophisticated communicators who juggle simultaneous communication across different channels with ease - they are frequently on Facebook, texting and speaking in person to friends, all at the same time.

Connected Generation – E-Journal

You might surmise that as they already use social media and instant messenger more than any other demographic; they are likely to give up on text, email or phone calls - but our research shows that is not happening. Texts are popular for personal contact but phone calls also remain popular. Email is rarely a top choice for personal contact among teens but is one of the most popular choices (along with phone calls) for contacting organisations. What this clearly tells us is that the future of consumer contact is not about channel substitution, it is in fact about proliferation of contact via every channel.

Q3 Are organisations prepared to respond to the communications explosion?

Speaking bluntly - no, they are not. A critical thing that is often overlooked in the customer communication debate is that there are often deep internal conflicts within organisations when it comes to customer contact strategy.

Opposing Tensions – E-Journal

For example, marketing success is frequently measured in terms of increased engagement which fosters increased contact via multiple channels, offering customers as many opportunities as possible to engage with a brand.

Contrast this with customer service operations where senior management are frequently incentivised to reduce contact in order to strip out the cost of service. There is also a common trend for service operations to attempt to drive channel migration to the cheapest channel rather than offering channel choice to customers.

Conflicting drivers within separate parts of an organisation complicate the picture, often obscuring the board's overarching view of how customers actually want to make contact - which ultimately hampers their ability to plan for the future.

In simple terms, there is limited awareness of the fact that teenagers are communicating significantly more and that channel substitution is simply not happening. Organisations need to recognise that myth and tackle the contradictions within their own businesses on optimal customer contact strategies. That is a hard circle to square.

Fact or Fiction

Brand executives deliver their verdict at Open Ideas on future scenarios which will shape consumer behaviour

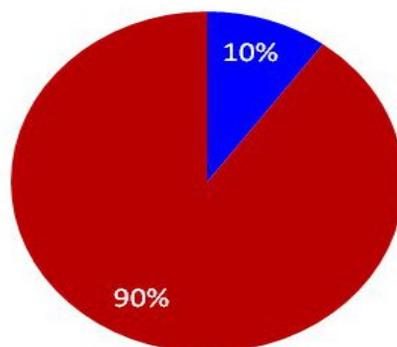
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We polled senior figures from leading consumer brands at our Open Ideas event on a number of critical issues impacting on consumer behaviour. We asked them to consider how these issues will play out in an increasingly digital future. The polling results followed a short open debate on each motion after which delegates were asked to declare whether they considered the motion to be 'fact' or 'fiction.'

The results of the vote on the first motion highlights the extent to which the awareness of 'show-rooming' (where consumers merely look at goods in stores and then buy elsewhere, predominantly online) is not yet prevalent in the UK although it is already a hot topic in United States and there is some evidence of this trend growing in the UK.

Shops will become non-transactional spaces

■ Fact ■ Fiction



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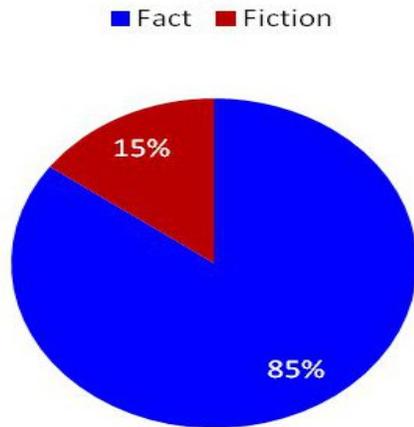


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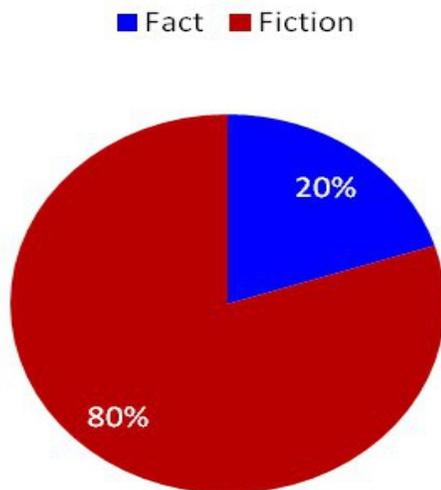
Personal data proved an emotive issue, with several delegates expressing a view that not only will it become a powerful currency in future, but that this has already happened.

Personal data will become a new 'currency' in future



Meanwhile, despite the fact that consumers are rapidly adopting mobile devices such as tablets and smartphones and using them for an increasing number of tasks, delegates do not believe this will lead consumers to being ahead of technology in future.

Consumers will be ahead of technology in future



Finally, the rise of multi-channel contact, particularly an explosion in social media traffic led delegates to conclude that companies are not geared up to respond to the communications boom that is on the very near horizon.

The communications boom will leave companies wrong-footed

■ Fact ■ Fiction

