

(Beta)

**The Year Ahead
What to expect in 2011**

Here we are, already a decade into the millennium. Looking back over the first ten years, we've experienced remarkable changes, some incredibly positive for humanity, others leaving us anxious about the future. A wise woman once told me that the only thing that's sure in life is change. The thing with trends is that they don't pop up instantaneously. They start from nuggets, they grow and build and then they morph into other trends.

A passion for trend predictions is borne out of pure fascination for the human condition and an insatiable desire to look for patterns. Typically I try to do this by examining the present and looking ahead. But one can't help being influenced by a backward glance, although I try not to look too hard, other than to remind myself of patterns that came before so as to see when they re-emerge.

Recently I've been reading a lot of materials from the 50s, 60s and 70s, a time when the world as we know it was fearful, locked in senseless wars and in some ways, not dissimilar to the sentiments we see today. Again we live in fearful times; we have a number of global crises and inequities that trouble our collective consciousness. Looking ahead there is much uncertainty but also hope.

The decline of the West and the rise of the Rest, as the developing world economies are sometimes called nowadays, is new territory for many of us. The reality is that life must change radically if the Earth is to accommodate 9 billion people in 2050. But unlike the latter half of last century, which belonged firmly to America, we don't have a Franklin D Roosevelt, we don't have a Marshall Plan and China in 2011 is a lot harder for Western culture to understand than America was in 1945.

This report is focused on six overarching trends we're looking to as the major influencers of life and commerce in 2011. We've steered clear in the main report of the multiple micro-trends that many competent sources will no doubt report on and which we touch on briefly to illustrate our points. Rather, we're interested in the macro view, looking at root causes of for example, what's influencing the return to 70s fashion, why we'll buy certain products and how we're changing the mental models we use to buy and consume.

Because we're (Beta), we will no doubt take great pleasure in adding to this report as the year progresses. Especially where we find populist evidence of our predictions emerging in realtime!

Feel free to get in touch with your views, experiences or to ask for a tailored presentation.

A handwritten signature in black ink, appearing to read 'Sharon J.', with a stylized flourish at the end.

Sharon Johnson
Strategy Partner

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Power To The People

How tribal activism will fuel bottom-up culture in politics and commerce

The excesses of the early 'Noughties', followed by the widening of financial and cultural fault-lines in the past two years made for a pretty insecure 2010. Now the growing numbers of men, women and young people who feel trapped, frustrated and threatened by perceived failure of the institutions (government, education, health, to name a few) they used to trust feel let down and angry. Really angry. It's only a matter of time before the 'chin-up' understatement of British attitudinal culture turns openly vocal and the floodgates of social, commercial and political activism become de rigeur.



It's no coincidence that the big prints, bright colours and clean, long lines of the 70s are reappearing in SS11 fashion collections. Greying baby-boomers may be more concerned with health care, inheritance tax and the impossibility of retirement, but their kids and grandkids will pick up the mantle, harking back to 1970's style protest. They're angry about the legacy of greed that's left them footing the bill, unable to achieve the standards of living they expected. Now, tired of being in the background, they see the institutions set up to look after the greater good simply can't do so.

This generation has better technology and tools to respond in greater numbers and more quickly to perceived injustices served up by government or corporations. Indeed, the power of like-minded groups can and will be leveraged to for positive activism as well, actively building support for those commercial and social offerings that facilitate lower prices, better quality or greater empowerment.

The Big Society agenda, relying on small government and heavy private sector and community involvement will not prove the social panacea promised by the UK's stuttering coalition government. It will probably soon prove lacking in a clear vision to respond to society's growing problems at home, leaving anger and disappointment in its wake, as austerity measures leave communities underserved. Whilst the UK is not alone in this dilemma, our ailing private sector - itself in need of invigoration - will be unable to foot the bill, squeezing communities, education and local services further. At the first sign of tumbleweed blowing down high streets and through community centres, expect the angry to take matters into their own hands.

Since WWII the UK has been a powerful voice in support of global democracy and social justice in the wider world. Increasingly we expect public support for development efforts elsewhere will wane, whilst the problems – and financial impacts of them – multiply at home.

Rising anger makes for interesting media. In the twittersphere a frenzied deluge fuels ever greater anger, overflowing into the blogosphere and mainstream media. In fact, angry folks are so much more interesting than their coolheaded counterparts that they often get elected.

The measured intellect of David Cameron, or the erudite common sense of Nick Clegg may have felt like the antidote to the panic of 2008-2009, but expect more vocal politics to gather a groundswell of support in 2011. And expect these louder, brasher voices to foster division along cultural and social lines too, affecting not only local and national institutions, but how we identify ourselves through consumption choices.

In short, expect declining faith in institutions to be replaced with people placing their trust in civic and political groups, or indeed with their connectivity groups on and offline, where there is perceived safety in numbers. We expect communities of interest to increasingly affect how media is consumed, how we choose the products and services we consume, even where we buy them. The 'birds of a feather' rule rapidly popularised by Groupon, LivingSocial and a multitude of daily news services is fuelling this new movement already. Brand marketers will have to re-think their methods across the board. Media advertising can no longer be relied upon to appeal to individuals on a rational/emotional paradigm based on the assumption that individual choices are governed by self-interest alone. CRM will require recognition of the individual grounded in his/her existing relationship with the brand, but also on a keen ability to connect with the associations and wider philosophical beliefs of consumer groups.

The Groupon phenomenon is proof positive that brands truly are what people's friends say they are. Originally The Point, a social activism and fundraising site, Groupon has in two years changed how people socialise and pay for social activities. Everything on Groupon is inherently social.

"You want to do it with friends. There's an incentive to share," says its founder, Andrew Mason. Who'd have thought it possible to grow from a standing start to a US\$500 million valuation in two years? With businesses in 35 countries and over 300 markets, Groupon has achieved just that.

In the digital expression of this trend, expect the heavy engineering of websites suited to research and commerce through a single branded environment to be replaced by the distributed media of the API. Already sustainable advantage is challenging and costly to achieve in search and pay-per-click to drive site traffic. Marketers, multi-channel retailers and e-tailers will need to substantially change their outlook as destination-based strategies become outmoded. It's time to think in terms of distributed media, creating relevant and engaging API's that let brands 'fish where the fish are' on the web, with the added complication of platform neutrality. Even news sources will need to be always-on, constantly updated and ever-present in different places on the web, through IPTV and the mobile web. And, lest we forget the über-trend of the decade, it will all need to be consumable in hyperlocal variations.

2

Spending For Social Impacts

Social conscience is the new status symbol;
social impact is its currency

The impact of the global financial meltdown has led to visible and emerging changes. As shoppers see empty stores with idle assistants up and down the high streets and shopping malls, it fuels the certainty that there's no turning back to pre-crash levels of consumerism. We've seen the resurgence of value for money (the mantra for 2010) crossing socio-economic and generational divides.

In every category, ranging from luxury goods to eating out, balance is gradually being re-defined. The days of pile-them-high-sell-them-cheap may not be completely over, but there is a re-imagining of a powerful sense of value that includes awareness of the consequences of consumption. This is no surprise, given the Great Recession is proving stubbornly slow to move on. People simply aren't buying ridiculous volumes of disposably cheap clothing, nor are they willing to stake their mortgage to stock up on couture. Even the rich are looking for more from luxury goods brands than the marque alone.



The Henley Centre refers to this new mental model as “Goldilocks Consumers”, people who want their purchases “just right”. The right car is one that's neither bigger nor more powerful than needed. Eating out is neither too refined, nor is ‘fast’ a replacement for flavour, quality of ingredients and variety. We will certainly not see mindless excess in 2011. In fact, it's now uber-cool to buy less. Trade-offs are trendy, trading up is less important. A move away from wastefulness is making consumers more circumspect and so, marketers will have to respond accordingly.

We expect value to be re-defined even further in 2011, as consumers recognise their expenditure decisions as being of consequence. Worries about the ‘externalities’ previously un-related to consumption are coming to the fore. Issues such as declining living standards, fuel shortages, housing price rises and debt are causing consumers to add new factors to their decision trees. Before we buy, we evaluate a complex web of information that technologies enable us to access. This web of information will increasingly include the dimension of responsibility. We see the consequence of purchasing becoming a much more prevalent factor in mass-market consumer choice in 2011, filtering down from the high end. This is where consumers question not only what they're getting for their money, but how their purchase impacts on producers, the environment and so on. Ordinary people are increasingly conscious of the ripple effect their purchases trigger.

For example, Miuccia Prada's capsule “Made In” collections are based on partnerships with artisanal manufacturers, using traditional methods in different parts of the world, such as Scottish tartan weaves, Peruvian knits, Indian basketry pumps and so on. The buyer of high priced shoes is assured not only of the limited number of similar designs, but also that her expenditure is creating wealth halfway across the world. By buying the shoe, the fashion-conscious shopper feels liked she's received value and contributed to economic and social development.

Whilst the fashion world may be an obvious leader for a trend where personal image associations count, industries like food and beverages should take heed. Food and beverages consumed by Britain account for about 20% of all carbon emissions and around 30% of total environmental impacts. Systemic change is required, but as Tim Lang, Professor of Food Policy at London's City University says, "The Food system has lots of clubs and associations, but lacks systems-wide mechanisms and whole food chain oversight." It's not just a matter of climate change. Foods are basic products, less likely to be traded off, but they use land and water and are dependent on oil. People see that food is at the core of the challenge. In the absence of binding governance changes, consumers are looking to brands and retailers to demonstrate leadership, both meeting consumer demand, but also fuelling it.

The effects of social impact spending apply also to our social participation online and offline. For example, Pepsi's Refresh app on Facebook has had almost 12 million voters. This Easternisation of Western culture will continue, as every interaction becomes content through a combination of location services, 'likes' and voluntarily shared information. When it comes to commerce, we are heavily influenced by our own social currency and are therefore more likely to behave similarly to people like us than by celebrity. We may admire Madonna as style-icon, but we're more likely to buy a book because of the influence of our extended peer group than because Madonna is reading it.

Even for the rich, hard-earned cash will need to create, not just disappear into a black hole once spent. The fragility of our economic system has made us acutely aware that Western economics lacks sustainability. Whilst most people feel inadequately equipped to face of the scale of our collective problems, we're increasingly encouraged by our communities to 'do our bit' through our daily activities.

Make no mistake, people will still seek value on good old-fashioned price, product delivery and service criteria. Yet as we increasingly ask ourselves how badly we need the products we're contemplating, brand marketers must recognise the new framework they're competing in. Brands of one type aren't competing solely with similar products any longer. They're all competing for a share of the same wallet in a backlash against the culture of plastic that pervaded the past two decades. Those that succeed for the long term, those with a sustainable future, will be those that recognise that value for money includes the need for individuals to create value through their purchasing.

3

Home Is Where The Heart Is

Back to basics is home-spun, with a technological twist

Almost 20 years ago, Faith Popcorn named the trend 'cocooning'. That was a fearful time, where the world experienced much financial and political upheaval. After the Berlin Wall came down we no longer had the tension the Cold War provided to keep the balance in check. We 'cocooned' for a while. Then we all got richer, the internet opened our minds to new ideas and influences, travel became significantly cheaper and we popped out into the world again. Well, we're headed back inside, probably for a while this time.

Bars are emptier than ever, local eateries are more popular (albeit at a lower spend per head) than their more expensive city-centre counterparts and sales are fast becoming a permanent retail feature. The vast majority of British households anticipate reducing expenditure on holidays, clothing, treats and almost all discretionary items. We're powering up our laptops, TVs, games consoles and blu-rays to hunker down. We're down on the floor playing with the kids instead of fast-forwarding our schedules for the weekend.



The only category where consumers expect to spend the same amount in 2011 is food. This is not surprising since we're at home – and as a consequence, cooking for ourselves and the family. However, rising food prices and the January 2011 VAT increase may reduce the basket size, or consumers may shop around more, making it harder for retailers to accurately project ahead and adding fuel to price wars on staples, as we saw with milk in 2010.

Generally when we're at home more, we snack more. Although people can theoretically snack anywhere and anytime, around three quarters of snackers do so at home, according to YouGov. And whilst they're snacking they're on the PC, Mac or iPad with at least one or two other media being consumed in the household at the same time. We're multi-tasking as a form of entertainment.

Those who can afford it are on the DIY drive, enhancing their home and surroundings. In fact, Brits are likely to continue to outspend their European counterparts on home improvements as the family stays in the primary home for longer. Since baby boomers are less likely to move into full time retirement, their children are staying at home longer and their parents are living for longer, the primary (and secondary) residence is likely to remain the focus of financial attention in the foreseeable future. Coupled with the soft property market and lack of cost-efficient mortgage plans in the market, it simply makes more sense to stay put and make the best of home.

Being at home doesn't mean the macramé set is coming out, though. We're investing in equipment to turn home into 'fun central'. Whether that's accessories for the avid gardener, more screens for the allure of gaming online and offline, or simply better appliances. The British may buy fewer high ticket items, but there will be an opportunity for hardware

platforms that enable entertainment. Furthermore the provision of broadband, TV and IPTV services is likely to see a new max on penetration in this year, so expect another wave of price wars to encourage service switching.

As the rise and rise of digital Britain continues unabated, expect a widening of platforms through ease of mobile and iPad access. Already we're topping our European equivalents in online shopping and this will continue as daily deals and couponing initiatives merge with location services and even blogs to become the new aggregators of product and service deals. In the same way that Google pioneered search to empower our ability to get the information we want fast, then these new forms of price and product comparison are fast becoming the search equivalent of online purchasing.

Affiliate and advertising revenues will continue to drive attractive commercial returns to the digital properties that can attract sufficient users. Sites that behave like blogs, facilitating user-generated content, seamlessly integrating products from high street and e-tail brands are bound to grow and grow in the coming year. Some may die, but those with the right balance will build their audiences by enabling fast comparison and price benefits. Examples include mydeco.com in the homewares space, giving slow and single-brand sites like Ikea a tough time. Fashiolista, a bloggers' blog, came from nowhere in 2010 to gain a sizeable following, re-inventing the content-meets-consumption model pioneered by net-a-porter and ASOS. Watch this space.

4

Fun, Fun, Fun

How 'gaming' will form a layer on top of the world

If Facebook created the social layer across the internet as we know it, the gaming layer is still under construction. Yes, we perform a lot of connected activities through Amazon, Spotify, eBay and other successful ventures, as we've already discussed in the previous three trends. But nothing brings all of our news, commerce and connectivity together like Facebook. Mark Zuckerberg's empire may not always be first with new functionality or ideas, but they're quick to incorporate any and every interest their users want to share or participate in. Since half a billion of us are on Facebook, it's a logical place for us to integrate our activity in exchange for fast gains in our highly valued social currency.



Next to come is the gaming layer. 2011 is likely to see 3 million people playing a single online game concurrently, topping 2010's record of 2.2 million concurrent players. Whether it's Rovio's Angry Birds app or Zynga's social game phenomenon Farmville (which now has more players than Twitter has participants), the games that have impacted most on popular culture have not as yet been fully monetised. Pay to play has fuelled micro-payments from users in millions of transactions, adding up to hundreds of millions in hard cash. Yet this is but a scratch on the surface of the commercial potential for gaming. The game creators are yet to integrate product placements, or to maximise affiliate revenue potential. We're betting the farm this will emerge in 2011, as API's become increasingly versatile and a wider band of developers find ways to integrate commerce into fun.

This is a trend with two discrete, but related sides. By 'the flip-side' we mean that game-inspired dynamics can and will become integrated into commercial marketing and even transactions. A few years ago the social economics of Nudge theory was the subject of multiple blogs, publications and marketing industry forums. Yet it's only in 2011 that we'll be practising Nudge theory in its fullest form. There's a good reason for that. We needed a fully fledged, multi-functional social layer to facilitate marketing as a game, or marketing with game-like characteristics. Now with a robust social context, let the fun begin. Early plays in the right direction include ideas like Jimmy Choo's trainer hunt, inspired to market the brand's first range of trainers last year. Using check-ins, the user stood a chance to win a pair of the high-priced trainers by following a treasure hunt app.

See Saw, Hulu, YouTube and Google are all playing – or thinking about it – in the broadcast space. Today's internet users expect entertainment as a part of the perceived social contract they have with brands. Early players in web-based programming, such as Katalyst Productions in the US, have sold proprietary web programming to broadcasters already in 2010. Expect more seamless production values between web-based entertainment and broadcast equivalents. Think MPU meets game show. In the 80s and 90s we saw first a divergence of telecommunications tools, followed by subsequent convergence as single platforms served multiple purposes. (Remember fax machines? The PABX?) Now as web-based platforms and hardware converge and the cloud becomes our filing cabinet, individuals will not only expect to be entertained, they'll be determining their own channel content. With a multiplicity of access routes, a huge bank of content from all genres and personal determination of what constitutes leisure time, Sky Channel will become My Channel.

5

100 Is The New 80

Why age will defy nature and the ageing will stay active

People in Britain are living longer. Fact. Fewer of these people can afford to retire. Another fact. This has been a subject of white papers for over five years. So is ageing an emerging trend? The trend is not about ageing for its own sake – this is one of the developed world's biggest collective problems. The trend is really about Baby Boomers ageing. In previous years we talked about the Boomers reaching retirement age. Now they actually are. And funnily enough, they don't resemble our much-loved Grandmas. This is the first generation of middle-aged folks not to reach their use-by date in their fifties, not even in their sixties. They may have become a little more conservative and a lot more worried about medical care, but they're cool, relevant, setting trends and most definitely planning to remain economically active.



According to the Office of National Statistics, employment rates for older people are on the rise, with the majority of women and men aged 50-64 still working. In fact employment rates for men and women over 65 increased almost a percentage point in 2010. Economic factors have surely precipitated this change. This is the 'squeeze generation'. People over 50, over 60, even over 70 just don't feel old, or they don't have time to. They're too busy supporting their own parents - who are living longer - and their children, who are staying home longer too, eking out the deposit to pay for a first home of their own, whilst wrestling with student debt. And the over-extension and debt accumulation of the 90s and beyond means the Bank of Mum and Dad simply has to stay cashed up.

So what do you do when there's no quiet retirement in the offing? You re-invent. That's what this generation of middle aged and older people is all about. They've seen it all, they can't be shocked. These experienced consumers want more honest conversations; they demand authenticity and expect brands to push the boundaries, especially when it comes to engagement and service levels. These are not followers, they're trend drivers. They're a demanding bunch, so expect to have to mirror their mindset.

Another sub-trend we should expect to grow for this maturing audience is higher expectations of corporate transparency. These consumers are online and active, they're opening up to each other, old flames and distant relatives in online environments and they expect corporations to do the same. This demand for transparency and for brands to show a human face is fundamentally redefining trust. Trust is not something a brand can command by confidence alone any more. Trust is borne out of performing as promised, it's earned through authenticity. This is one of the most critical cultural shifts of our generation and one that many producer-consumer relationships still fail to acknowledge. The mature consumer expects unedited, non-sanitised brand experiences and interactions. In other words, they want everything to be as no-nonsense and candid as they are. Speak to this audience in their language, because they'll surely ignore you if you don't.

The mantra for the (healthy) older audience is a combination of reinvention and experience, all embraced with gusto. Reinvention requires doing new things. Learning is a trend that will likely take off – but this is not a matter of sewing classes on Saturday morning. It can mean taking a gruelling eight week university course on top of a ten hour working day, studying Greek philosophers, or taking up piano. Experiences must be authentic. If they can't afford as many holidays (and the ash-cloud disaster is still in the memory bank), then at least they can get some adventure close to home. The leisurely Sunday drive into the country may well be for the purposes of a hot air balloon flight.

The reinvented, mature audience is forgiving too. They've sinned, repented and are ready to roll again. This bodes well for the Labour Party, Tiger Woods and possibly even BP. With the right message, appropriately contrite behaviour, plus enough money for a good reputation campaign, almost any corporate or celebrity offender can find forgiveness. Staying angry is not in their nature.

6

Corporate Activism

A not-so-new trend, rapidly growing

We used to call it greenwash, when it was. In the transparent 24/7 cash-strapped world, the commercial world is waking to the realities of industrialisation and realising they have to change to meet the challenges of a forever-changed economic future. Some are slower than others, but everyone will have to rise to survive. Board rooms across Britain are engaged in debate around strategies for sustainability. Sustainability equals survival. It should be said that most corporate leadership fundamentally operates on the belief that they're in business to serve their stakeholders. What they've failed to do in the past is fully recognise who all their stakeholder groups are. Now they're seeing stakeholders as consumers and shareholders, but also as a much, much wider audience. This is the year when the top-down will have to meet the bottom-up revolution.



One of the ways we're seeing the manifestation of corporate activism is through the products and services we're offered. Increasingly supermarkets reflect reduced packaging, encouraging fewer plastic bags and promote online shopping for its environmental benefits. But there are much more radical changes afoot. PUMA, the global sports brand has launched its 'clever little bag', sending the shoe-box to reside only in memory, thereby reducing its water usage, transport impacts and waste. Pampers offers a vaccine to a developing world baby for every pack of nappies purchased.

In the absence of binding global governance agreements, expect to see the brands creating revenue streams out of good business practises. The propositional space opened up by brands who offer better choices for consumers can only be a good thing for people and planet. Let's hope the efforts are far-reaching and urgent enough. To end on a positive, this quote from Ray Anderson, CEO of Interface, a US-based carpet manufacturer, "We're doing well by doing good and doing good by doing well". We say long live Corporate Social Opportunity.