



FOOTE, CONE & BELDING

Thought Leadership



THE ROAD AHEAD

MACRO TRENDS SHAPING 2015 & BEYOND



“When the wind of change rises, some people build walls. Others build windmills.”

Chinese Proverb

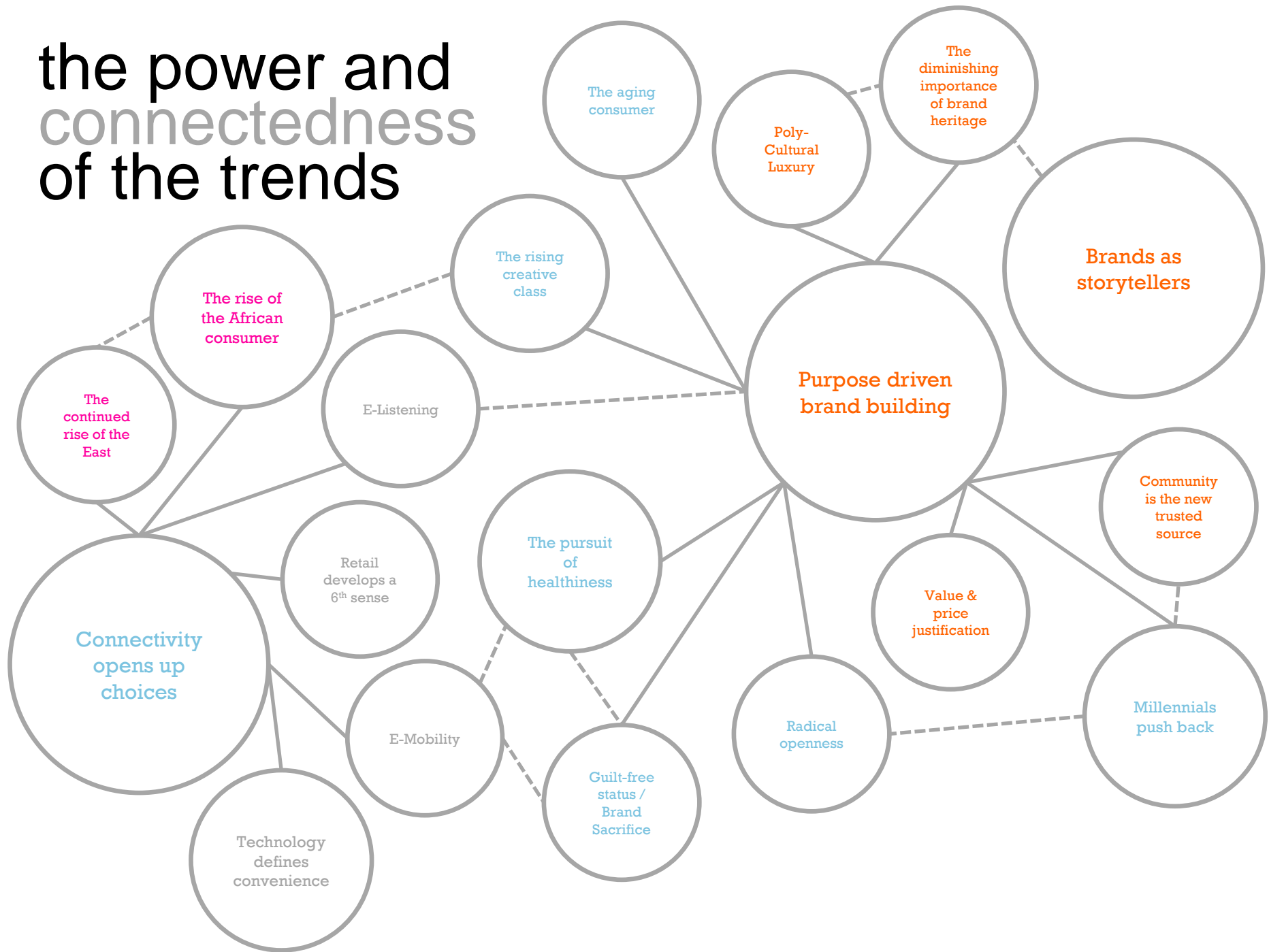
twenty key trends 2015+



here
they
are

1. SOCIAL: Connectivity Opens Up Choices
2. ECONOMIC: The Rise of the African Consumer
3. ECONOMIC: The Continued Rise of the East
4. TECH: Technology Continues to Define Convenience
5. SOCIAL: Guilt-Free Status / Brand Sacrifice
6. MARKETING: Community is Increasingly the New Trusted Source
7. SOCIAL: The Rising Creative Class
8. TECH: E-Mobility
9. SOCIAL: The Pursuit of Healthiness
10. MARKETING: The Diminishing Importance of Brand Heritage
11. SOCIAL: Radical Openness
12. MARKETING: Brands as Engaging Storytellers, Qualifiers and Curators
13. MARKETING: Value & Price Justification
14. SOCIAL: The Aging Consumer
15. TECH: E-Listening
16. TECH: Retail Develops a Sixth Sense
17. SOCIAL: Millennials Push Pack
18. MARKETING: Purpose Driven Brand Building
19. MARKETING: Poly-Cultural Luxury
20. MARKETING: Neuromarketing Comes of Age

the power and connectedness of the trends



1.

Connectivity Opens Up Choices

Globalization has resulted in previously heterogeneous groupings becoming less dissimilar through trade, immigration, and the exchange of information and ideas. It has created the ability to purchase life changing goods for consumers and provided the flexibility of having many consumption alternatives at reasonable prices.

Impact on Brands

One result of the abundance of options available to consumers, thanks to globalisation, is that consumers appear to automatically conduct more research on products generally looking for the best deal. Consistent with this notion is the result that when it comes to certain products, brand name is not always the primary determinant for consumer choice.

2.

The Rise of the African Consumer

Africa's consumer facing industries are expected to grow by more than \$400 billion by 2020. That would account for more than half the total revenue increase that all business' are expected to generate by the end of the present decade. The world has caught onto the potential of this burgeoning consumer market. Africans are more optimistic, connected, discerning and brand conscious.

Impact on Brands

Quality and brand matter to the African consumer but they must be delivered at the right price point. Price and promotion sensitivity are high given lower income levels.

Digital usage is growing fast. In a 2012 study, 50% of Africans said they had accessed the internet in the past 4-weeks; a percentage on par with rural China & Brazil. This number is likely to have increased to well over 60% now.

WoM is a critical source of information.



some
interesting
facts
[trend 2]

Africans are exceptionally optimistic about their economic future; 84% say they will be better off in two years.

Private consumption in Africa is higher than in India or Russia.



key strategic implications [trend 2]



For brands expanding into Africa, the following strategies need to be considered:

Focus where it matters:

53 Countries, 2 000 dialects and over a billion people. Brands that view the continent as a single market are exceptionally foolish. Most marketers focus their efforts in the megacities of Johannesburg, Cairo and Lagos but the “middleweight” cities of Abidjan, Khartoum and Rabat allow for faster growth with less competition.

Get the timing right:

Brand's should focus on “hot zones” where disposable income is on the rise and demand accelerates between three to five times. Avoid the “chill zones” where incomes have peaked and market saturation has occurred.

Build locally relevant, quality products:

This does not imply launching entirely new brands but rather understanding local nuances. For example, LG removed the “frost free” functioning from its refrigerators in Nigeria as frosting is seen as an indication of proper functioning.

Create strong value propositions at the right price points:

Affordability remains critical. Brands should strive to reach optimal price points within their respective categories through a combination of price engineering, smaller pack sizes and lower cost operating models.

3.

The Continued Rise of the East

Albeit at a slower pace, India and China will continue to grow in economic terms. A rural middle class has begun developing - fuelling consumer appetites on the fringes of an increasingly urbanised planet. Rural consumers' growing prosperity and optimism suggests opportunity for companies inclined to invest the time and money required to attract them.

Impact on Brands

Brands should abstain from designing goods for the urban markets and simply pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilising local media to reach them in their own language and in larger numbers.

4.

Technology Continues to Redefine Convenience

Technology continues to simplify the way we live, work, transact and socialise. It is particularly at a transactional level that technology will continue to strip out complexity in our daily lives. Transactional costs fall in an 'everywhere-commerce' world, and so do knowledge and information costs. It is the flattening costs of knowledge and information that will make the biggest difference to the shopper.

Impact on Brands

Despite some emerging markets' relatively low internet penetration, online retail is set for steady growth in 2015 and beyond. Brands and brand owners need to ensure that their supply chains are geared towards accommodating ecommerce platforms. Within the next 2 - 5 years, this will be a prerequisite for transacting with consumers.



5.

Guilt-free Status / Brand Sacrifice

There is a growing awareness amongst consumers about their consumption patterns' impact on the planet, societies and themselves. And there is a growing tension between consumers' love of shopping and their desire for responsible consumption. Consumers are looking for brands to make sacrifices for them so that they don't have to.

Impact on Brands

If a product or service is not recognised as being guilt-free, or visibility guilt-free, the brand owner will need to develop a story that it can tell. Additionally, brands need to look carefully at their full value chain. A move towards local sourcing of product components (as an example,) reduces input costs (including transport) and the associated damage to the environment.

6.

Community is Increasingly the New Trusted Source

Consumers will increasingly look to communities for references and trends instead of brands or manufacturers.

Consumers are migrating to peer-based communities and new sources of trusted, relevant and credible content and conversation.

Impact on Brands

While some brands do a terrific job of truly educating their prospective consumers, others are guilty of producing self-serving, promotional content that leaves a bad taste in the mouths of the target audience.

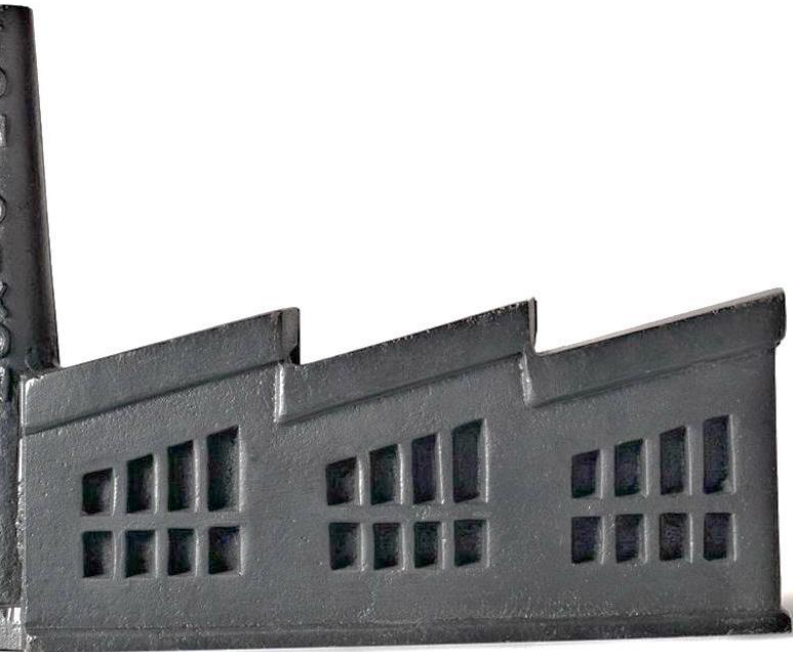
According to a Nielsen study commissioned by inPowered, when measured against branded content, *earned media* is significantly more effective across all three phases of the buying process.



some interesting facts [trend 5]

60% of the Earth's ecosystem services have been degraded in the past 50 years.

The supply of energy and material resources needed for industrial growth is expected to rise to 170% of the Earth's bio-capacity by 2040.



key strategic implications [trend 5]

For brands wanting to boost their “green” credentials, the following strategies can be applied:

Marketing & Advertising:

Sustainable marketing approaches have included:

- Single-issue focus in corporate and brand campaigns (e.g., “carbon neutral” or product carbon labels),
- Screening and optimisation of entire portfolios (e.g., reducing unhealthy food ingredients such as salt or sugar, and increasing healthy ingredients),
- ‘Green line’ of products to gain mindshare (e.g., hybrid cars and some cosmetic products based on natural ingredients),
- Social cause products and campaigns (e.g., innovations addressing social challenges), responsible marketing communications (e.g., encouraging responsible use of the product).

Marketing has a vital role to play in decoupling material consumption from consumer value. It has the ability to facilitate both innovation and choice influencing for sustainable consumption, because it allows products and information to flow between producers and consumers. It can help consumers to find, choose and use sustainable products and services, by providing information, ensuring availability and affordability, and setting the appropriate tone through marketing communications.



some interesting facts [trend 6]

85 percent of consumers regularly or occasionally seek trusted expert content - credible, third-party articles and reviews - when considering a purchase.

67 percent of consumers agree that an endorsement from an unbiased expert makes them more likely to consider purchasing a product.



7.

The Rising Creative Class

The creative class is the key driving force for economic development. It's the class of workers who engage in problem finding and problem solving at various levels of our society. This creative class could be from any background - scientists, engineers, university professors, poets and architects. It includes people whose economic function is to create new ideas, new technology and creative content.

Impact on Brands

The impact of this trend on brands is both direct and indirect. Brands with serious street cred can leverage the Creative Class to assist in problem solving and innovation. This grouping is also highly influential and can be approached by brands to perpetuate brand messaging. The caveat to this is that these are high-achieving individuals – a responsible, cohesive group interested in the common good. Brands that do not focus on the triple bottom line will fail to convince them.

8.

E-Mobility

Admittedly, this is more of a long term mega-trend but an important one nonetheless. Over 40 million electric 2 wheelers and 4 wheelers will be sold annually around the globe in 2020. As societal demand for sustainable energy solutions gathers momentum, alternatives to existing modes of transport will gain in popularity. This will however need to be supported by a dramatic decrease in the cost of e-mobility.

Impact on Brands

Brands and companies need to start investing for the future and begin generating alternative revenue streams. Traditional fuel retailers can begin augmenting existing infrastructure with charging stations. They could also begin stocking and selling batteries and providing services such as battery leasing models, refurbishing and recycling.

9.

The Pursuit of Healthiness

There is a growing trend towards self-responsibility for health and the self-care health market has become one of the fastest growing segments of the global economy. Firms which provide self-care goods and services are, on the whole doing extremely well, while products that have fallen victim to the new health consciousness are being forced to adapt and evolve.

Impact on Brands

Similar to trend 5, brands need to assist consumers in making the correct choices. Brands that market products perceived to be relatively unhealthy need to identify and implement reduced harm solutions.

Additionally, brands that acknowledge that their products aren't always safe and then aid in balancing consumption with a healthy action or alternative, could fair better in the longer term.

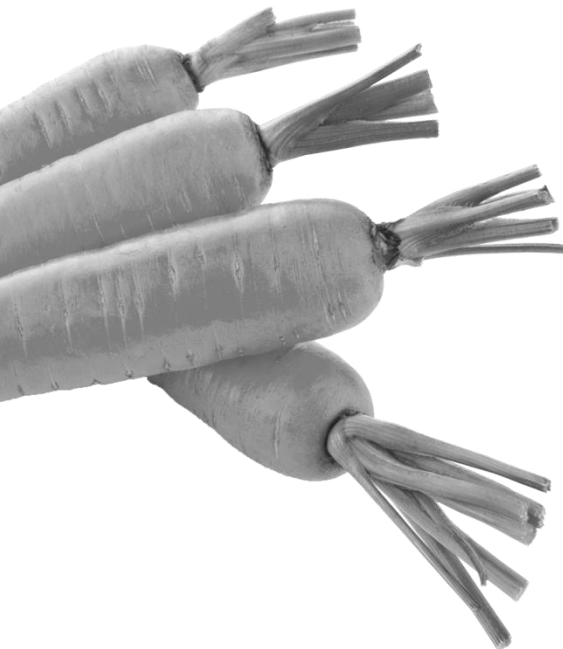
10.

Diminishing Importance of Brand Origin

For many brands, heritage is a sacred cow not to be messed with. National heritage has been a reliable export for many established brands. As national borders increasingly become simple lines on a map, consumers will increasingly lavish attention on brands that forego decades of brand history in favour of an infusion of new culture.

Impact on Brands

International brands need to experiment more by including local influences or preferences across the marketing mix. This could extend to incorporating a local flavour in beverages or food products or the selection of local celebrities as brand endorsers.



11.

Radical Openness

Movements for freedom of information are exploding – affecting everything in society from how we do business to how we select brands. A good online reputation is your most valuable currency. Smart organisations and brands. build bridges rather than walls by embracing values of openness and collaboration.

Impact on Brands

Brand owners are entitled to their trade secrets and intellectual property. That said brands that are perceived to be cagey about the basics will diminish established or future trust relationships. How hard should it be for instance to divulge whether a product is gluten free or not, or whether it's suitable for vegans? Brands also need to be open about where product components originate from and what their manufacturing process entails.

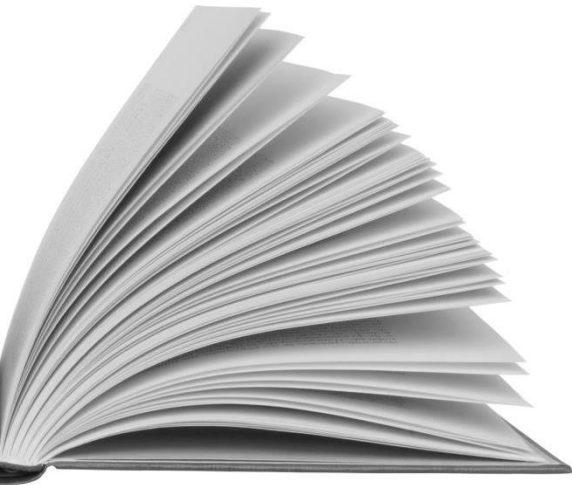
12.

Brands as Engaging Storytellers

In the future, consumers will be heavily influenced by brands' whose ideas and messaging are told through stories.

Impact on Brands

By evolving into concept curators and qualifiers, not only talking about the brand itself but also leveraging in consumers trust – brands can create platforms that gather new ideas from various sources. Storytelling and corporate social responsibility will stop being labelled as buzzwords and will become business imperatives as consumers connect with the brands who do it well and who do it consistently.



13.

Value & Price Justification

Crudely put – this trend speaks to innovation and premiumisation – and it's nothing new. During tough economic times and difficult trading conditions, increasing perceived value is more important than ever. Although the economic outlook for most emerging economies remains positive, and increases in PDI can be expected, brands that offer compelling value will be best positioned.

Impact on Brands

Passing off the cost of product improvement or premiumisation to consumers is no longer an option. Brands must gear themselves towards achieving greater brand affinity and higher volumes at the expense of profit taking. Innovation can no longer be an organisational buzz word and true innovation must hold real tangible value. Oh, and fire any employee still thinks that imitation is the sincerest form of flattery. Innovate – don't copy.

14.

The Aging Consumer

Brands tend to forget the economics of our times. Adult consumers 50+ benefitted from the boom years of the late 80's up until the GFC. On balance they have high spending power and unmet needs. Paradoxically, Millennials have borne the brunt of the GFC and it's prolonged hangover. More young adults are still living at home, struggle to find gainful employment and have less disposable income.

Impact on Brands

Brands cautious of alienating a younger cohort need not develop products and services specifically for older adults. But where they can win is in integrating functionality into product design that seniors will easily identify as an unmet need and that a younger target market will view as new or interesting.



15.

E-Listening

E listening is often not understood and seldom practiced by brand owners. By getting to know what consumers are saying about the brand and about themselves online, brand owners will be able to diminish the need for time-consuming and expensive focus groups. In addition, e-listening can be done from anywhere in the world which is important for international brands.

Impact on Brands

There are many tools available to e-listen (social mention is one such free tool). But there are many more and in fact much better paid tools available (Mention, Simply Measured, Radian 6, Sysomos etc. are some examples of paid tools).



16.

Retail Develops a Sixth Sense

Smart brands have a sixth sense for using consumer data. Smart technology means it's possible to gather and analyse information about consumers – their location, preferences, purchasing histories and much more – in real-time as never before. Consumers in physical spaces will increasingly expect the use of real-time data to shape and enhance the service they receive.

Impact on Brands

Facial and body recognition technology can capture and record how consumers experience a product or service. Sensors can capture a consumer's age, gender and product choice. Technology is making it easier to understand and predict consumer behaviour whilst engaging with brands in physical spaces. This can be used to influence future behaviour or immediate purchase decisions. The possibilities are - in fact - quite endless.

17.

Millennials Push Back

Millennials are increasingly becoming a difficult cohort to convince. Cynicism and scepticism of Millennials towards brands' marketing efforts can be explained by the constant feeling of financial insecurity that has become their way of life over the past few years. However, the majority of Millennials believe that brands have the potential to be a force for good.

Impact on Brands

Marketers should know three defining themes about Millennials:

- 1) Adaptability. The ability to adapt to economic uncertainty is their life skill. So brands should show empathy for their circumstances.
- 2) Creativity: They expect brands to be brave, succeed, don't settle and give back.
- 3) Collaboration: They thrive on collaboration and brands are expected to give to them fully and authentically.

18.

Purpose Driven Brand Building

A Brand is no longer just a trademark to distinguish one manufacturer from another.

Brand purpose is a bigger reason for being. Brand purpose is what matters to consumers. It fuels a deeper connection between the consumer and the brand.

This trend is closely linked to trends 5, 7, 9 and 17. Because of this, it is possibly the most important trend.

Impact on Brands

Evidently, Brands that positively affect humanity (people & the environment) outperform the stock market by 120%. So whether it's CSR, sustainability, community giving, employee volunteering, cause marketing, or foundation alignment, the more good works your values support, the more favourable the brand.



some interesting facts [trend 17]

The global research “*Debunking the Millennial Myth*” was conducted amongst 10,000 respondents (25-34 years old) from 19 different markets.

The study found that:

- 72% suffered significant personal setbacks in the recession
- 36% have had their income reduced
- 65% are employed full-time
- 28% have experienced job loss
- 69% have already significantly changed their career path or are planning to do so
- 47% are happy with their current job

Modern Millennials are delaying the customary rites of adulthood.

- 59% worry about not having enough money to retire
- 32% are single
- 59% don't have children
- 35% are still living at home with their parents
- 52% don't have enough money to cover their everyday living costs

some strategic implications [trends 17 & 18]

According to the IPG Media Lab, "Millennials look to rework - not reject - the rules and status quo in order to put their mark on the world." Giving them the power to co-create with brands and products, in their own way, builds ongoing trusting relationships.



Millennials have surpassed simply wanting to help in supporting causes and are starting to demand that others, especially companies, do their part.

Millennials are prepared to reward socially responsible companies; they are more likely to trust these companies and buy or recommend their products to others.

According to the 'Cone Millennial Cause' study, after learning that a company is socially and/or environmentally responsible:

- 83% are likely to trust the company more
- 79% are likely to purchase that company's products
- 74% are more likely to pay attention to that company's message

19.

Poly-Cultural Luxury

There will be an increase designers from emerging markets in leading roles within established brands and the emergence of home-grown luxury brands within emerging markets. This will provide a new creative outlook on luxury design due to the cultural differences, and will also provide greater local identity to consumers within emerging markets. Closely linked to trend 10.

Impact on Brands

A lack of local identity leaves many consumers feeling that they are buying into a culture that is not theirs, creating a distance between them and the brand product. Many consumers prefer to have a cultural or social connection, especially if they are required to spend a large amount of money on it.



20.

Neuromarketing Comes of Age

Neuromarketing techniques are based on scientific principles about how humans really think and decide, which involves brain processes that our conscious minds aren't aware of. When combined with sound experimental designs and procedures, these new techniques provide insights into consumer decisions and actions that are invisible to traditional market research methodologies.

Impact on Brands

Brands are ideas in the mind that draw strength from the connections they make. Neuromarketing provides powerful techniques for measuring brand associations. Much advertising impacts us through unconscious means, even though we don't think it does. Neuromarketing explains how. Neuromarketing shows how store environments directly influence how shoppers decide and buy, and it's not a logical process



THINK ABOUT IT

endnotes

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