

# Key trends shaping the future of consumption

Giant digital companies are increasingly competing in the physical world by personalising their offerings, and offering products that create a 'better me' or a better world. But some retailers are fighting back by creating real world experiences that cannot be rivalled online



Understanding the consumer of the future is critical to success in a fast-changing world where the old rules no longer apply. Brands need to react to the evolving needs of consumers who are prepared to change their behaviour frequently in ways unprecedented in the past. And they face competition from companies harnessing new technologies to tailor their offerings and provide more personalised offerings.

The Copenhagen Institute for Futures Studies (CIFS) is an independent, not-for-profit think-tank which advises customers and member organisations on trends and developments that shape the future. Its aim is to reduce complexity and help decision-makers make the best choices in the present, to create their own future. This article is based on research for an forthcoming members' report on the future of consumption.

'Technology has always been a driver for changing consumption patterns,' says Claus Kjeldsen, CIFS Chief Executive. 'In the last decade we have seen the rise of digital giants in a winner-takes-all economy characterised by companies and services which dominate their markets with little or no competition – companies such as Google, Amazon, Facebook and Apple. Today we are seeing some of these digital giants entering the physical world, setting in motion a growing horizontalisation which creates competition across markets that were previously insulated from each other.

'Companies like Amazon and Alibaba can play to the strengths of digital – personalisation and prediction – while using their size and reach to upset whichever markets they choose to enter. For example, when Amazon decided to buy Whole Foods in 2017, it was seen as game-changing for the traditional supermarket business. As a consequence, the pre-IPO price of stocks in Blue Apron, a meal-kit delivery start-up, dropped by around 40 per cent.

'On an individual level, horizontalisation creates a strong bond between consumers and brands. When Amazon offers Prime members a 10 per cent discount on groceries in their physical stores, they are simultaneously nudging Spotify customers towards the Amazon Music Unlimited service included in their Prime subscriptions – creating competition across market boundaries. Amazon's latest announcement that it will acquire the online pharmacy PillPack is sure to cause disruption as well.'

As the industry silos of the past are brought down one by one, meeting the needs and wishes of consumers becomes both increasingly easy and increasingly difficult. Greater amounts of data and new AI developments allow more targeted ways to appeal directly to each consumer's individual preferences across platforms and markets. At the same time, this makes consumers expect more from brands, wanting more personalised choices that instantly meet their needs and wishes. Google reports

that there has been 60 per cent growth in mobile searches 'for me' and 80 per cent growth in mobile searches for 'should I' in the past two years. Consumers expect more personalisation, but many brands struggle to keep up as they still offer one-size-fits-all solutions.

The cross-platform giants will strive continuously to learn everything there is to know about their customers and develop ever more convenient services based on this data. With this in mind, the consumers of the future will ask which choices do they want to make themselves and which will they leave to services that can anticipate their needs and relieve them of the burden of choice. Most will probably want AI to take care of the simple things: toilet paper, detergent, socks and other basic products they always need. But it would be a mistake to assume that they will want all their shopping automated by convenient services.

'Increasingly, the playing field will narrow in on two offerings, the first being meaningful transformational consumption. We are moving away from a world dominated by relational consumption, where we buy from the brand we know and trust. Instead, consumers expect brands to offer them a new kind of luxury, either in the form of products that create a better me or that help the consumer create a better world.'

What constitutes a better me or a better world is entirely subjective and based on the varying (and sometimes shifting) values of each

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individual. Some consumers care deeply about sustainability or where and how a product is produced; others want to feel like the product or service they are buying is improving their health or cultural capital. And our priorities may change from one day to the next, which makes the ability to clearly define the values of a brand – and to act accordingly – an increasingly important part of how companies relate to their customers.

The second way for retailers to carve out a niche will be in creating exciting real-world experiences for consumers which cannot be rivalled online. The cosmetics company Aēsop, for example, offers products that can easily be purchased online once consumers have decided which is right for them. But by commissioning a different interior design for each store, Aēsop creates a novel and unique experience which makes consumers want to enter their physical world instead of buying online.

Similarly, the concept stores of South Korea’s Gentle Monster glasses brand play with space, texture, light and sound, creating an experience that feels more like a modern art museum than a bricks-and-mortar store. Another avenue for innovation in physical retail is to combine the best of both worlds: in the not-too-distant future, technologies like facial recognition and biometric data will allow retailers to anticipate customers’ needs based on mood, posture, heart-rate and even brain waves. Combined with the ability to offer instant gratification, the physical retail world can develop ever more tailored real-time recommendations which digital-only competitors cannot rival.

Another change that brands need to understand is the liquid consumer. In the industrial society of the 20th century, an identity was something you got through your education, job, sex and social status – if you stepped out of your box, you

might face social repercussions. This in turn made it easier for companies to understand their consumers’ needs and wishes through segmentation based on these kinds of characteristics. When we take a broad look at our behavioural patterns as they relate to consumption, it is becoming evident that this traditional segmentation is becoming increasingly irrelevant.

In the era of the liquid consumer, ideas are now so readily available and markets so efficient that the risk and cost of trying new things is very low, whatever your age, sex or civil status, or where you live. Consumers increasingly defy categorisation because they are comfortable with frequently changing their identity based on context, social setting or even the day of the week. We are no longer behaving as we ‘should’ according to traditional consumer segmentation – and companies have started noticing.

A recent report by Forrester estimates that only a third of companies which use consumer segmentation in their marketing believe that these methods are helping. Instead of trying to invent new boxes to define the consumer, the goal for forward-thinking companies will be to be to produce offerings that communicate why they are relevant and how and when they can be of benefit.

‘Consumers want to engage with brands that help them lead the lives they desire and to consume products in their own way – to be treated like a person instead of a number. The key to success in the future will lie in providing liquid consumers with convenient and seamless ways of engaging in transformational consumption with products that help them improve themselves or the world around them.’●

