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# Overview

In a rapidly changing world, American Express has commissioned Future:Poll, the research division of The Future Laboratory, to explore the impact of change on current and future consumer spending trends across six key markets: US, UK, Canada, Australia, Japan and Mexico.

The findings demonstrate how consumers across the world are changing, reassessing a model of capitalism that has driven unparalleled growth in the world's economy over the last 50 years. Consumers are becoming more discriminating, seeking local, authentic, meaningful experiences and using technology in evolutionary new ways to come together to compare, shop and review. These consumers are reshaping the rules of spending, pricing and product access in ways which will revolutionize our way of life and are already affecting local and regional economies.

This report focuses on the US market, where the future of consumer spending and a new era in consumption are explored in depth.

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The process uses a combination of quantitative and qualitative methodology, spanning extensive desk and visual research, online consumer surveys, expert interviews and consumer case studies. Desk research investigates information from global sources, identifying and analyzing examples of consumer typologies, emerging trends and market influences. Visual research analyzes the visual landscape that characterizes consumers, using semiotic analysis of the symbols and signs in everyday culture that reflect a trend. Together, this creates a detailed picture of how cultural, economic, technological and social factors are impacting shoppers, how that in turn creates new trends in shopping behavior.

The survey, conducted in August 2010, polled the opinion of 1,000 respondents aged 18 to 65+ years old in each of the six countries, totaling 6,000 respondents. Unless otherwise stated, all statistics within this report refer to this survey, and should be credited as such thereafter.

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The experts interviewed offer original insights on markets and consumer behaviors. They include:

: *Carol Graham*

Author of *Happiness around the World: The Paradox of Happy Peasants and Miserable Millionaires* (Oxford University Press, 2009)

A behavioral economist at the world renowned Brookings Institute, Graham is well versed in the impact of finance on wellbeing, writing for the Wall Street Journal and the Financial Times.

: *Kirsty Saddler*

Planning Director, BBH Hive

BBH Hive monitors “the new era of responsibility”, providing insights into emerging trends within consumer, corporate and brand behavior.

: *Rob Solomon*

President, Groupon

Ex-VP of Yahoo Shopping, Solomon was instrumental in building one of the largest commerce destinations on the internet and now leads fast-growing site Groupon.

: *Watts Wacker*

Futurist, chief executive, FirstMatter

International best-selling author and consultant to businesses on future consumer trends and behavior.

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# Introduction

American consumers have been hit hard by the global recession, and are reassessing the effects of unfettered capitalism. More than half (58%) of Americans are more cautious as consumers than they were a year ago, with only 10% being more spontaneous. Economic turbulence has driven consumers to the security of real, local, traditional values and encouraged them to gather together for new, innovative, community-based ways of shopping and spending. Consumers are seeking and cultivating simpler ways of living, but are also innovating in the way they shop and consume.

# Consumer Spending Drivers

The global economy faces an unprecedented series of challenges and opportunities over the next decade as it recovers from financial shock. More than eight in 10 (82%) of American consumers believe that we are still in a recession and more than half (54%) believe that the economy will be the same or worse in a year's time, according to an August 2010 poll by Gallup. In order to anticipate developments over the coming years, we must first understand the critical elements shaping consumer behavior today.

## Turbulent Teens

Reminiscent of a skittish adolescent, the next decade will be a tumultuous time for government, brands, and consumers. This will be a time of flux, experimentation and development, of evolution and revolution and the emergence of new economic powers. China is estimated to overtake the US economy by 2020, according to PricewaterhouseCooper's projections (January 2010).

Americans are feeling cautious and understandably more hesitant to spend. They have been wounded by the recession, and currently face historically high unemployment, a fragile economy and long and costly wars. Unemployment in the US has increased from 7.7 million in December 2007 to 14.9 million in August 2010, according to the Bureau of Federal Labor Statistics. Unsurprisingly, some four in 10 US consumers claim that the global economic downturn is having an impact on their shopping habits today and nearly the same proportion (37%) agree that "the recovery of my national economy" is having the same impact, according to survey results outlined in this report. More than a third (36%) of respondents to this survey believe that "the recovery of my national economy" will have an impact on their shopping habits in the future.

Three quarters of Americans describe themselves as cost-conscious consumers, and 58% say they are more cautious now as a consumer. Of factors affecting consumers' spending, 39% of Americans named the rising cost of healthcare today, 48% named rising fuel costs and 37% named the recovery of the national economy.

More than half (52%) of American consumers plan to save or invest money over the next six months, whereas two-thirds of respondents expect to spend less on eating out (66%) and entertainment (62%) according to a September 2010 poll by market research company Harris Interactive. A Bureau of Economic Analysis report from June 2010 found that consumers saved a national average of 6.4% of their after-tax income in June 2010; in November 2007 the rate was 1.9%.

US consumers are shaken, and are therefore more careful, considered and focused on getting the best value and quality in their purchases.

## Top five: How would you describe yourself as a consumer?

- : Cost conscious (75%)
- : Quality-driven (62%)
- : Traditional (35%)
- : Basic (34%)
- : Prudent (32%)

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“Americans in the 21st century devote more technology to staying connected than any society in history, yet somehow the devices fail us.”

*Professors Jacqueline Olds and Richard S. Schwartz, Harvard Medical School and authors, The Lonely American: Drifting Apart in the Twenty-first Century*

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## Digital Planet

The next decade will be a period of unprecedented technological change. Globally, almost four in five people believe that access to the internet is a fundamental right, according to a 2010 poll for the BBC World Service across 26 countries. The US has fairly high broadband and smartphone penetration, with the latter almost doubling from 11% to 20% of all mobile subscribers from April 2009 to April 2010, according to a comScore MobiLens report from June 2010. Worldwide, one out of every four and a half minutes spent online is spent on a social networking site (Nielsen June 2010). Our always-on society, in which we are constantly connected to the web, is fostering new levels of connectivity.

This heightened level of connectivity is in many ways an important development for shopping; helping us browse, research, compare and review; but it also has made Americans crave physical, face-to-face interaction. According to an mtvU Poll survey from October 2010 by the Associated Press and Jed Foundation, nearly four in 10 students say they are connected to 500 or more friends on their social networks, but the majority say they interact little with most of them, with 28% saying the increased use of technology makes those real interactions tougher.

“This increased connectivity has also brought an increased sense of isolation,” write Harvard Medical School professors of psychiatry Jacqueline Olds and Richard S. Schwartz in *The Lonely American: Drifting Apart in the Twenty-first Century* (Beacon Press February 2009). “Americans in the 21st century devote more technology to staying connected than any society in history, yet somehow the devices fail us. Our society is in the midst of a dramatic and progressive slide towards disconnection.”

The rise of mobile internet and geo-location and the blurring of virtual and real worlds are changing how Americans consume and interact: 41% of Americans said the fact that they could access the internet almost anywhere was a significant factor affecting their shopping, and 32% said computer technology was an everyday purchase. A quarter (25%) of Americans already find the use of GPS to have an impact on their shopping habits, a finding that is consistent across all age groups. Smartphones are affecting consumer habits in 32% of those aged 18 to 24, and 29% of those aged 25 to 34.

There is therefore a dichotomy between the convenience of digital and the yearning for real, physical interaction. Some shoppers are seeking more tangible shopping experiences in the real world. As web use and mobile technology continue to grow and become a constant part of our lives, consumers are becoming “in-line” shoppers who blur online and physical retail. Consumers switch seamlessly between online and offline resources, consulting websites and physical retail to compare and review brands and prices, shopping online while on the move and seeking out location-based bargains.

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## Prohibition Culture

Consumers are increasingly willing to sacrifice habits and purchases once considered rights and liberties to take more collective responsibility for ethical and environmental behavior. They are working alongside government and brands and are even amenable to taking on higher taxes and costs to penalize detrimental behaviors.

Carol Graham, senior fellow in the Global Economy and Development and Foreign Policy Programs at the Brookings Institution, cites smoking as an example of this shift in societal norms. The proportion of American consumers who support a total ban on smoking in restaurants has risen from 17% in 1987 to 59% in 2010, support for a total ban on smoking in workplaces has risen from 17% to 44% in the same period and support for a total ban on smoking in hotels and motels has risen from 10% to 36% during this period according to Gallup (August 2010).

“The anti-smoking campaign is one of the most successful, norm-changing campaigns you can imagine,” says Graham. “Part of it was that for kids, smoking became uncool, and for adults it became socially unacceptable; you have to smoke outside now. Those were visible things.” She envisages a future where that might extend to other areas of consumption. “You can imagine separate lines in a cafeteria where one line is for bad food and costs more and one line is for healthier food and costs less.”

This shift from individual freedom to collective responsibility is shown in consumer attitudes to taxation and levies on products. Nearly one in three (31%) Americans believe their lifestyle choices should be reflected in their taxes and, more directly, more than half (56%) of Americans believe the health or environmental friendliness of a product should be reflected in its price. More than a third (34%) anticipate increased taxes will impact their shopping behavior in the coming year, and 15% anticipate the introduction of taxes for behavior that isn't environmentally friendly having an impact on their shopping habits in the coming year.

Government, brands and consumers are working together on unprecedented initiatives to modify and monitor how consumers and brands produce and consume. Nike, Target and Levi's are among 100 apparel brands and retailers adopting the Eco Index, a software tool to monitor the ecological impact of clothes and shoes at all stages. These companies are aiming to display an eco-value on tags or package, like the Energy Star rating used on everyday appliances.

56% of Americans believe the health or environmental friendliness of a product should be reflected in its price.

Other examples include the recent smoking ban in Times Square (as part of a September 2010 expansion of the Smoke-Free Air Act), and growing penalties introduced for unhealthy employee behavior. Three in ten (31%) of US adults overall – and especially those aged 18 to 34 (41%) – support taxes on both soft drinks and fast food in efforts to combat obesity, according to a study conducted by Harris Interactive (June 2010). Almost half (47%) of large US employers either already implement or plan to use financial penalties over the next three to five years for employees who do not participate in particular health improvement programs, according to a March 2010 Hewitt survey.

As consumers and government move to curtail behavior damaging to humans and the environment, people are moving from an individualistic “me” culture to a collaborative “we” culture. Consumers are taking personal responsibility for social problems, including an increased awareness of environmental and ethical issues and the plight of those less fortunate, and are spending in line with these values. What was once a government mandate has filtered down to become personal values practiced by everyday consumers.

### Top ten: What products should cost more to help offset the potential negative effects on people’s health, the environment and society?

- : Cigarettes (62%)
- : Alcohol (41%)
- : Junk food (36%)
- : Non-fuel efficient cars (27%)
- : Home appliances that are inefficient (27%)
- : Imported rather than local goods (26%)
- : Fast food (25%)
- : Heavily packaged products (24%)
- : Non-ethically produced clothing (23%)
- : Bottled water (21%)

# Consumer Spending Trends

This section explores the trends that are shaping consumer attitudes and behaviors today, and how these are evolving, influenced by the drivers set out above.

## Rurbanism

Urbanites are eschewing globalization and are radically shifting their consumption habits towards those of their rural neighbors. They are seeking the local, simple, community and face-to-face interactions emblematic of rural America. But this is not at the expense of technology. Consumers are attracted to the age-old, community-centered main-street store ideal, both physically and digitally. This is far more than an aesthetic shift to plaid shirts and work boots; it's a reassessment of capitalism towards a more communitarian model.

When asked about their priorities in life, three of their top four responses were based on social, human values: spending time with family, friends, and their partner.

"There's been a recalibrating, and the fast-money track looks a little bit less attractive," says Carol Graham of this shift in consumer priorities. "As people move forward and the state of things changes, people focus much more on health, family and leisure."

In adopting a more rural, community outlook, more than half (54%) of Americans said they try to support their local economy, while 38% try to support their national economy. Almost a third (31%) said they buy to be part of their local community and 35% said they were more likely to buy local brands than a year ago.

"There's a sense of feeling that community is not associated with urban areas," says Watts Wacker, futurist and chief executive of FirstMatter, of this yearning for the rural. "People move to cities and that will continue. You always desire that which you don't have. We're always looking for the acquisition of things that aren't a part of our immediate environment."

Rurbanites are opting out of big international brands, and are seven times more likely to look for local over international brands when buying essentials. On a smaller, more niche scale they are swapping goods and services and working as small co-ops of entrepreneurs.

They also expect local, neighborly qualities in brands. They go to stores not just to buy, but to physically interact: 15% of the population said they expect retail spaces to be social, rising to 28% amongst 18–24-year-olds.

Brands are increasingly responding to this social, community spirit in their retail environments. Footwear brand Vans opened an exclusive arts and events space in Brooklyn in October 2010. Along similarly social lines, the temporary Levi's Photo Workshop in New York, which also opened in October 2010, enables consumers to take classes, attend free educational workshops, rent cameras and use the studio space and lighting. Space 15 Twenty, by fashion brand Urban Outfitters, opened in 2009 and is more like a club or place for its customers to simply hang out and spend time, featuring a gallery space, various pop-up concepts and a courtyard which functions as a performance space for local art, music and film producers. Last year, men's clothing store Blackbird in Seattle opened The Field House, a shop also reminiscent of general stores that were once at the heart of rural towns across America. It stocks locally made goods, but also offers a communal space for learning hands-on skills like lawnmower repair.

Consumers are incorporating technology into more face-to-face types of commerce, including sharing and borrowing. Burgeoning sites like Neighborgoods, Snapgoods, and Share Some Sugar are leveraging web connectivity to shift commerce back from anonymous big business and make it peer-to-peer, friend-to-friend and neighbor-to-neighbor. Neighborgoods and Swap Shop facilitate community swapping, while Whipcar is a peer-to-peer car rental service. The peer-to-peer social lending market is projected to grow by 66% to reach \$5bn by the end of 2013 and the consumer peer-to-peer rental market is set to become a \$26bn market sector, according to Rachel Botsman and Roo Rogers, authors of a book published in September 2010 on the subject, *What's Mine Is Yours: The Rise Of Collaborative Culture*.

THE FIELD HOUSE BY BLACKBIRD, SEATTLE



“There’s a sense of feeling that community is not associated with urban areas, of this yearning for the rural. People move to cities and that will continue. You always desire that which you don’t have. We’re always looking for the acquisition of things that aren’t a part of our immediate environment.”

*Watts Wacker, futurist and chief executive of FirstMatter*

But as the Prohibition Culture driver shows, Rurban consumers are more aware of their environmental impact and their responsibility as consumers, and are spending more conscientiously. They are shopping for more sustainable, local products that protect the environment, even going as far as becoming urban farmers and cultivators. Along with a well-documented rise in local food movements, urban farming and rearing chickens in cities, farming co-operatives such as Organic Valley are trying to entice urbanites to become actual farmers. The co-operative of 1,600 farmers launched a drive in October across the US intending to make organic farming the new, hip pastime.

Bigger brands like Wal-Mart are accordingly adopting a corporate conscience, driving this trend into mainstream shopping. The retailer is pledging to double its sale of locally sourced produce by 2015, selling \$1bn in food sourced from a million small and medium farmers in order to fulfil its global commitment to sustainable agriculture and to cater to consumer expectations of sustainable, local products.

In the midst of economic and political turbulence and an increasingly digital commercial environment, Rurbanites will consume on a smaller, more local, sustainable scale. They will prioritize community shops, local vendors and brands and meaningful, ethical products. This will extend into what they expect from retail spaces, which will have to become socially active and community focused, echoing rural attributes.

### Top five: Social and cultural factors impacting shopping habits

- : I try to support my local economy (54%)
- : I try to support my national economy (38%)
- : I have higher taxes therefore I will spend less on the things I want (32%)
- : I want to be part of my local community more so I purchase from more local brands and vendors (31%)
- : The need to be constantly connected to technology (31%)

### Case Study: Rurbanism

*Audrey Ducas*, textile designer aged 29, lives in a loft in northern Brooklyn with her boyfriend. Over the past two years, her spending habits have changed sharply. Today, she considers herself a “low consumer.” She enjoys shopping because when she does shop, it’s a treat.

“I don’t consume much,” Ducas says. “I consume what I need.” The bulk of her purchases are made in local stores and small businesses, where she finds higher quality products and takes pleasure in the personal experience: speaking to a clerk, seeing, touching and testing a product and giving her money to a flesh and blood person. Ducas downloads or borrows books and music from friends or checks them out of the library, as well as sharing new food/cooking discoveries through meals with friends.

Ducas and her boyfriend cook and entertain often. They recently built-out their raw apartment based on the tenets of Slow Design (itself based on the Slow Food movement). Everything was borrowed, repurposed or built by them from scraps salvaged on the street or in their building. “We didn’t buy anything,” she says. “What’s the point of buying from IKEA when, especially in New York, people trash things that are still usable?”

Ducas plans to volunteer at a rooftop farm in Greenpoint, Brooklyn, an idea inspired by the couple’s experience volunteering at the Park Slope Food Co-op in exchange for the right to purchase the local, organic, sustainable and fair trade products sold there. Ducas turned to the co-op for quality, but found a diverse community of people who share the same values. “It’s important for me to be surrounded by people who embrace my convictions and to be with very different types of people. At the co-op you have people who don’t have money, are not well-educated or are highly educated, but our goal is the same: to make the co-op work because we love it.”

“The younger generation coming up now have a stronger sense of responsibility and spend their dollars based on that. [They] have been better educated coming through school and there’s a resurgence in activism, particularly in college. This is Generation We.”

*Kirsty Saddler, strategic director at cause-based advertising agency BBH Hive*

## Give-a-nomics

Consumers are buying less and doing it more carefully, with more than half (54%) saying they are more cautious. But in a type of micro-activism, they are choosing purchases with a secondary purpose: to give back to charity, to preserve the environment or to help their community. A majority (83%) of Americans wish more of the products, services and retailers they use would support worthy causes, according to the Cone Cause Evolution Study 2010. Boston-based consulting firm Cone released the study in September, finding that 81% of Americans would like to have the opportunity to buy a cause-related product, up from 75% just two years ago.

“People do not make economic decisions exclusively to maximize their own wellbeing,” says Wacker. “The concept of virtue and being online as an applied approach has led to the narrative for the next 20 years.”

Thirty-eight per cent of Americans said being good and ethical equated to quality of life, far higher than being rich at a tiny 5%, a proportional difference in attitude that extends across all age groups.

Twenty-six per cent of Americans use ethical as one of their top five descriptors as consumers, and 41% of consumers said they were more conscious of their environmental impact. More than a third (36%) say they expect brands to be ethical and 30% expect them to be environmentally friendly.

As the Prohibition Culture driver shows, consumers are more aware of their personal responsibility, helping fuel ethical and charitable spending. “The younger generation coming up now have a stronger sense of responsibility and spend their dollars based on that,” says Kirsty Saddler, strategic director at cause-based advertising agency BBH Hive. “[They] have been better educated coming through school and there’s a resurgence in activism, particularly in college. This is Generation We.”

This sense of responsibility is reflected in brands incorporating activism into their products. California-based neckwear manufacturer FIGS directly donates school uniforms to an African child for every purchase made on its website. Online wine vendor CellarThief donates 100 days’ worth of clean water for every bottle of wine it sells, and also makes a donation each time a label sells out.

LEVI’S WE ARE ALL WORKERS CAMPAIGN FROM WIEDEN + KENNEDY, PORTLAND INVESTED IN REINVIGORATING COMMUNITY AND COMMERCE IN BRADDOCK COUNTY, PENNSYLVANIA



“Savvy, informed consumers who see charity – the kind of charity that aligns naturally with their lifestyles – as one of their core values and part of their identity are giving back,” says Zach Frechette, editor-in-chief of GOOD magazine in a report by The Future Laboratory. “I think that as people continue to search for authenticity in their lives, finding causes that fit into their picture of themselves in a natural way will be important.”

This is about more than just buying from one brand that gives to charity. Online giving software such as Socialvest and Endorse For A Cause, which launched in August and September this year respectively, layer philanthropy onto online consumption, making it ultra-convenient. Consumers download the software, with a percentage of whatever they buy online after that going to a cause of their choice.

Brands like Levi’s and Pepsi understand this and have embraced philanthropy. The Levi’s summer 2010 We Are All Workers campaign focused on communities coming together to beat the recession. The brand invested in urban regeneration in Braddock, Pennsylvania, rebuilding the community center and local urban farm. Pepsi’s acclaimed Refresh social marketing campaign recently went global, shifting millions in advertising dollars to good causes and entrepreneurial start-ups, as voted for by the public.

“Philanthropic initiatives taken on by brands have to speak to the soul of the company,” says Wacker. “You’ll see initiatives like the incorporation of microfinance, where Hasbro makes a playpump that pumps water from a well in a developing country, but it’s made to be fun. It is those kinds of initiatives that are sustained and long running.”

Consumers are increasingly interested in and engaged with social causes and will show their ethical credentials by how they spend. They will expect philanthropy as part of what brands offer and will seek out brands whose actions resonate with their personal beliefs. Technology, meanwhile, will facilitate micro-activism, seamlessly integrating charitable giving into spending of all types, online and offline.

### Top five: What do you expect from brands?

- : I expect brands to be trustworthy (69%)
- : I expect brands to be responsible (54%)
- : I expect brands to be ethical (36%)
- : I expect brands to be friendly (31%)
- : I expect brands to be environmentally friendly (30%)

## Case Study: Give-a-nomics

*Iana Jones*, at teacher aged 49, lives in northern California’s beautiful Marin County with her husband and their two cats. EMFs? GMOs? Jones knows the acronyms – she is a “canary in the environmental coalmine.” She suffers from Multiple Chemical Sensitivity, and concern for her own and others’ health, as well as the health of the planet, informs every aspect of her consumerism.

Jones describes herself as a conscientious consumer who is both aware and wary of the fact that she is supporting something by purchasing a product. In the past year, she has found that she can be more frugal in her spending habits “and still accomplish what I want with shopping.”

She shops online more often to save gas, energy and time. She patronizes Whole Foods and has been a loyal CREDO customer for 10 years. The CREDO phone service allows customers to round up on bill payments and designate causes to which the margin is given.

“They don’t just throw a percentage towards vague organizations,” she says. “They educate me about issues and let me choose where our money goes.”

That said, Jones feels alienated by give-back brands whose giving is only a marketing ploy or who aren’t transparent about their giving, and she doesn’t want to be solicited through every purchase. She flees ad-heavy websites and switched gas stations when hers installed a TV at every pump. She is wary of claims to sustainability that can’t be substantiated. “It feels as if you have to pay companies to leave toxins and unsustainable stuff out, but I’m willing to pay more, look for an alternative or just not use that product anymore.”

Jones buys in bulk, chooses energy-efficient appliances and biodegradable, humane, pesticide-free products that are not factory-farmed or genetically modified. “The reason I buy organic, sustainable products and am willing to pay more for them,” she explains, “is that in the long run, in terms of health, well-being and quality of life, they’re less expensive.”

## COBs (Co-created Own Brands)

Consumers are co-creating with brands in exchange for rewards and benefits. Though small, a growing group of young co-sumers are increasingly choosing open-source brands in which they are co-creators. Rather than merely customizing, they are designing, completing and then helping to market and sell products with brands, sharing the profits.

Almost a quarter of respondents (23%) said they looked for customizability in luxury purchases, and 26% said they expected brands to be creative, rising to 37% in 18–24-year-olds. Sixteen percent expect their retail environments to be collaborative, rising to 20% in 18–24-year-olds.

Heterarchies, where individuals work together collaboratively, are a reflection of our connected society and the way in which commerce, especially among the young, is changing. “Digital Natives don’t play competitive games, they come together to play collaborative games, and they play together to beat the game,” says Wacker of the cultural shift in behavior. “You’re seeing a real influence of this concept of collaboration and heterarchical social design, rather than hierarchical.”

Brands, in turn, are allowing consumers to play with their identity and products. Clothing and sneaker brands including Keds, Ryz, Threadless and Quirky are taking personalization to the next level.

They ask users to design and create products, and they then share the profits that they generate. Sneaker manufacturer Keds is letting customers design their own shoes, be shopkeeper and sell their designs as part of the Keds Collective. Keds lets consumers use its basic shoe designs as templates, and entrepreneurial designers can wholesale their designs via an online retailing platform called Zazzle, eventually advertising their new wares on their social media profiles.

Similarly, footwear brand Ryz allows consumers to upload their own design for the sole of their shoes. Members of the Threadless online community submit t-shirt designs that are put to a public vote and those that are selected for printing are sold through the online shop; creators of the winning designs receive payment or store credit. Quirky, an online community where consumers pay \$99 to submit a product idea that subsequently enters a competition to receive funding, has been described by founder Ben Kaufman as “social product development.” Members make suggestions on how to improve and market the product and once a certain number have committed to purchasing it, it is produced with the creator and active participants receive a share of revenue.

CONSUMER CUSTOMIZED SHOES FOR THE RYZ COLLECTION, PORTLAND (BELOW) : A SKETCH WALL SHOWING COLLABORATIONS BETWEEN DESIGNERS AND CONSUMERS AT QUIRKY, NEW YORK (RIGHT)



“Digital Natives don’t play competitive games, they come together to play collaborative games, and they play together to beat the game. You’re seeing a real influence of this concept of collaboration and heterarchical social design, rather than hierarchical.”

*Watts Wacker, futurist and chief executive, FirstMatter*

This quid pro quo, open source collaboration between consumers and brands not only benefits both parties, it is feeding unprecedented innovation in consumers and products. “Open Source is doing for mass innovation what the assembly line did for mass production,” says Thomas Goetz, executive editor of *Wired*, in Rachel Botsman and Roo Rogers’ book *What’s Mine Is Yours: The Rise of Collaborative Consumption*.”

Consumers are moving from passive to active, and expect brands not only to be customizable, but also to also financially reward their creative input and the success it confers on the brand. Successful brands will entice consumers by empowering them, letting them participate in a brand’s DNA and harness their social network connectivity to market those products, and share in revenues.



## Case Study: COBs

*Jonah Takagi*, 31, is an industrial designer and the owner of his own small studio. Takagi marches to the beat of his own drum: while the hub of US design is in New York City, he runs his furniture studio out of Washington, D.C. As a young business owner, he doesn’t have a lot of money to throw around, but he enjoys owning things that last and do what they should do well. For Takagi, environmentally friendly means “it’ll be the last one I ever have to buy,” which means liking it forever, too. Today, being able to make a product one’s own, through customization and not just possession, is becoming increasingly important.

Though he doesn’t own a smartphone, Takagi buys most products he personalizes – hardware, equipment or clothing – online, as much as 65% of the time. He buys bags from Seattle’s Filson, choosing zipper placement or straps, tailors his computers to his graphics and 3D modeling needs and is attracted by aesthetic options such as Nike ID’s custom shoe colors.

Takagi enjoys making his belongings personal to express himself and the things that he feels are important. But he doesn’t just want to be able to customize his stuff; he wants the shop to customize (or “curate”) itself, to have a point of view as strong as, and similar to, his own. Unless it’s a car or computer, however, he feels that opportunities to customize are still few and far between. Though he’s cautious about “design by committee,” Takagi would welcome the chance to make suggestions about products if there were a streamlined way to get them in front of the decision-makers. Being listened to engages him. “It makes me feel like the company has an interest in me and not just my money,” Takagi admits. “It’s important that there’s a feedback loop: they’re watching us and we’re watching them.”

## Commsumption

In tough economic times, consumers are commsuming, working on the community principles of social networking to buy and achieve group bargains.

Already 31% of US consumers say they use online vouchers and 30% find department store offers online, while 41% of US consumers say they buy more products online than they did a year ago.

‘What we’re doing is very social,’ says Rob Solomon, chief operating officer of local group voucher site Groupon. Groupon offers deeply discounted daily deals online. Members share the deal with their social network; as more people show their intention to buy, the economy of scale means the product’s price is driven down. Consumers get a knock-down price, while retailers get valuable word-of-mouth marketing. “When you shop on the internet it is pretty anti-social: you go through a database and make a purchase,” says Solomon. “What we’re doing is getting people to create a dialogue about what they like, tell other people, and the tipping point is quickly reached, so we sell lots of product at a local level, which is pretty new. You never could use the internet to drive the physical world before.”

Groupon was valued by Chicago Magazine at \$1.35bn in August. The company recently announced local market deals in 94 US cities, spawning similar sites like TownHog in San Francisco, SwoopOff in Los Angeles, and We Give to Get in Chicago. On a bigger scale, Yelp Deals and Gilt City sprung up in August and September this year to capitalize on the local group bargaining trend.

Gap offered a first-of-its-kind promotion with Groupon in August, selling a staggering 441,000 units. The coupon got users a \$50 credit for \$25 and was timed to the back-to-school season, earning Gap nearly \$11m in sales.

The rise of social networking has filtered through to consumption, hastened by the drive for value. Consumers are increasingly willing to leverage their peers to help them drive deals and bargains and will expect brands and retailers to reward them for doing so.

POPPHYSIQUE OFFER BY Groupon, LOS ANGELES



### Top five Stats: Commsumption

- : I support my local economy (54%)
- : I buy more products online than I did a year ago (41%)
- : I prefer to buy local rather than imported goods (35%)
- : Use online vouchers for essential purchases (31%)
- : Use social media as part of their shopping (15%)

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*Rob Solomon, chief operating officer of local group voucher site Groupon*

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## Case Study: Commsumption

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*Ksenya Samarskaya, 29, lives in a loft in Brooklyn with her long-time boyfriend and designs type for a living. ‘I’m the person in the cartoon that’s standing outside the store reading the paper – painfully bored – while the hypothetical wife shops,’ says Samarskaya. While shopping for non-essentials, she admits that she is usually bored, rushed or preoccupied with something else.*

*This year, on a whim, Samarskaya signed up to get emails from Groupon. They made it easy for her to peruse titles and click on items that she thought she might want or use in the future. The site offered a broad range of services that eliminated the need to research or search physically. All of the sites Samarskaya uses are location-based and tend to be for services.*

*The extended time period in which the coupons must be used makes the purchases feel relatively commitment-free, she says. Products she has purchased this way have included gym and workout trials, dental cleanings and check-ups and restaurant discounts. She shops for items that she doesn’t normally look for deals on, and thus pays sticker price for, so getting them through crowdsuming feels more frugal.*

*Though Samarskaya doesn’t feel drawn into any particular community, it has made her consider who she is sharing her ‘markets’ with: ‘I did wonder what kind of a dental clinic I’d be going to for my cleaning,’ she says, ‘when I noticed that some 1,347 people purchased the same thing just earlier that afternoon.’*

## CiCo (Check In To Check Out)

Loyalty culture is being revolutionized. Consumers are using geo-location on their mobile phones to “check in” to stores and get deals, information and reviews before, after and even during a purchase. Location-based apps like Gowalla, foursquare and Loopt are growing fast, with foursquare founder Dennis Crowley telling the LA Times in September 2010 that 18,000 users were signing up per day. The apps let users check into bars, restaurants and stores, alerting friends to where they are and adding a game layer that rewards users with badges and points.

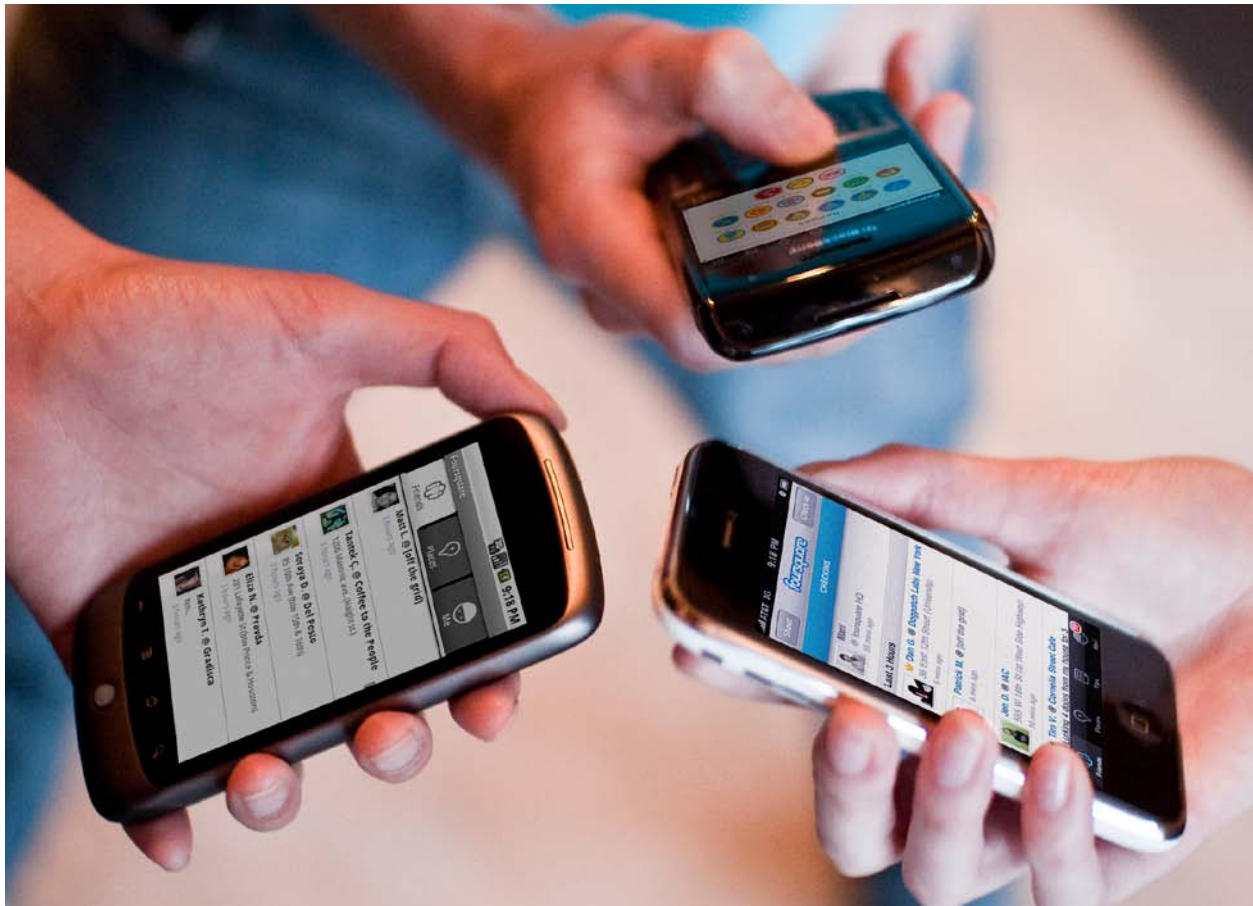
Although CiCo culture is niche, 11% of 18–24-year-olds cite it as affecting their spending. Facebook’s recent introduction of Facebook Places for its 500 million users suggests extraordinary potential. The location-based service allows users to share their location with their social network through their cell phone, broadcasting where they have checked in. The benefit to retailers of this digital loyalty, where consumers revisit stores and check in, is huge: consumers essentially telling their friends where they are shopping at any given time acts as free marketing for them.

Loyalty is also an area consumers are clearly interested in and can be incentivized by: 30% said that the availability of rewards and loyalty schemes affected their shopping, while 39% said they track reward points to monitor their spending, and 30% said they pay for everyday purchases using online vouchers.

Technology is feeding this trend. A quarter of consumers say the use of GPS is a factor that affects their shopping and 23% say the availability of smartphones has a technological impact on their spending.

This is bringing about Loyalty 2.0. Apps like shopkick. Launched last year, shopkick lets users check into physical locations to earn points and discounts products at Best Buy, American Eagle and Macy’s. CardStar and KeyRing let users collect and spend their loyalty points with existing cards through their cell phones. GAP, Starbucks, Domino’s and others are rewarding users for checking in with discounts and one-off deals.

FRIENDS CHECKING IN ON FOURSQUARE, NEW YORK



This has proved lucrative and successful for both consumers and brands. Four Seasons Hotels and Resorts teamed up with location-based mobile and web service Gowalla in September 2010. Guests who check into at least three of Four Seasons' concierge recommendations using Gowalla will receive a \$100 spa or dining credit.

Loopt, a social mapping company, and Sports Authority, a sporting goods retailer, teamed up to offer two rewards through Loopt Star, a rewards app for the iPhone. Loopt Star users receive rewards by checking into any professional sports team stadium to receive a \$10 cash card to use at Sports Authority, or by checking into a Sports Authority store to receive a \$10 discount on any purchase of \$50 or more.

As smartphones, mobile web and geo-location become increasingly commonplace, consumers will expect real-time, localized, personalized messaging from retailers to make the physical shopping experience more interesting and relevant to them.

### Top three: Technological factors impacting spending

- : The fact that I can now access the Internet nearly anywhere (41%)
- : The use of GPS so I can easily find shopping locales (25%)
- : The availability of smartphones (23%)

## Case Study: CiCo

"I use tech all the time to shop," says New Yorker *Katie Welch*, who at 33 considers herself an active, smart consumer. As the vice president of communications at powerhouse spa firm Bliss, she is also a busy professional so it makes sense for her to exploit the efficient communications and time-saving advantages of geo-location and apps on her phone to check into bars, restaurants and stores.

"I don't have a ton of time to shop at traditional bricks-and-mortar stores," she says. "Online outlets are the perfect solution." This means that Welch has been shopping online a lot in order to save time and find the best deals possible, patronizing sites ranging from Amazon, Net-a-porter and Gilt to Fresh Direct and QVC. She will listen out for, read, and research product reviews and cost, or take a picture of the item in question on her phone to send to friends and family.

Depending on the situation, she might ask Twitter or Facebook peers for recommendations. Welch makes purchases using apps such as iPhone/iPad's Shop Style or Gilt Groupe/Rue La La to find fashion as well as the Amazon and Fresh Direct apps, which she praises for being straightforward and easy to use.

Having GPS capability on her phone has become essential for Welch. She uses geo-location daily, less often to expedite shopping (she does check into stores, but doesn't do so regularly) and more often when she's socializing at restaurants or bars in order to let her friends know where she is and vice-versa. If more brands were to offer rewards for checking in, Welch admits, she might have more incentive to check in while shopping.

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# Consumer Spending Futures

This section explores how the trends described above will shape consumer attitudes and behaviors over the next decade.

## Rurbanism

At the heart of Rurbanism is a search from consumers for meaningful shopping interactions in everything from who they buy from, to the local community as whole and a more tangible relationship with products themselves.

Consumers will become more involved with commerce itself, volunteering and working within stores, and being a more meaningful part of their locale. For example, Brooklyn's Park Slope Food Co-op, works on a communitarian model where consumers also work within the store itself to help keep down prices and create the true feeling of a community shop.

Consumers will also look to live more self-sufficient and sustainable lives, with more people choosing to grow their own food within their home and garden and to swap and share produce on a neighborhood level, as well as adopting local currencies like the Brooklyn Torch, where trading and bartering provides Brooklynites with a currency other than cash to support the resident community.

This is more than a niche trend. As consumers look for more ethical, transparent and local shopping, we can expect mass-green, with retailers like Wal-Mart leading the way for widespread adoption of these values.

## Give-a-nomics

As consumers become more switched on, Give-a-nomics will become integral to shopping. Consumers express their values through their spending, and software like Socialvest will make giving as you buy seamless, convenient and second nature.

Consumers will increasingly expect tangible reminders of their efforts. They will not just expect provenance, but instead a real time, live reminder of who or what their purchase benefits. Oxfam already has QR codes for shoppers to find out where products come from. When shopping using augmented reality to look at goods through a phone camera, or scanning a barcode or QR code, live video will pop up, showing the well in an African village you're buying into, or the orphanage you are supporting.

The Good Guide app already provides detailed ethical, environmental information and product provenance through scanned barcodes.

As consumers' spending and values align and micro-activism becomes evident in shopping, successful brands will be those that make giving effortless, flexible, and can tangibly show what consumers' good intentions are achieving.

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## COBs

As more brands ask consumers to participate in creating products, open source will become more prevalent, and consumers will expect to play a bigger part in creating products and goods for brands and to be rewarded for their efforts. These micropreneurs will radically change the traditional retail model of manufacturer, shop, product and consumer.

That will mean a fundamental shift in what a brand is. Shapeways, launched last year, already offers custom 3-D product printing services. Sites like Facebook and Etsy collaborating on My Etsy will simply and quickly turn consumers into vendors, using their network to promote and sell products they create. In April 2010 Etsy reported a staggering 78% growth year-on-year as more consumers become merchants in their own right.

The most successful brands in this environment will be those that let elements of their brand go and let consumers remix, rework and market their goods for them in the most appropriate way for them and their friends.

## Commsumption

Just as social networks like Facebook have moved from desktop to mobile, so too will group online coupon culture, bringing in a new type of experiential, local, exciting in-store shopping that will reimagine discount culture.

Sites like Groupon could use geo-location and microblogging sites such as Twitter to broadcast real-time, localized deals to consumers in-store as they shop. When a critical mass of consumers in a shop declare their intent to buy, the price would go down for a limited time. Uniqlo recently launched an offer through which consumers could tweet a deal on the site to their Twitter followers. The more users spread the deal, the more the price went down. Foursquare has been experimenting with brands and retailers and brands including American Eagle, Gap, Starbucks and Burger King to make location-based deals.

Cost-conscious consumers, looking for local goods, will increasingly use their digital social networks and cell phones to band together for bargains that benefit both retailers and shoppers.

## CiCo

CiCo is only the beginning of how loyalty will change over the coming decade. As of August 2010, there were more than 15,000 venues experimenting with special offers on foursquare, according to the location-based social network. The mobile web will become a key consumer shopping portal, with Gartner projecting in September 2010 that the industry would grow to about 12% of all e-commerce by 2014. This next generation device will carry a profile of your shopping history, habits, and friends through social networks, making shopping ultra-convenient, connected and personalized. Consumers opting into sharing their details can expect their personal data to revolutionize how they shop.

We're already seeing signs of this. In October 2010 in the UK, Starbucks and L'Oréal targeted members of the O2 mobile phone network using a geofence system to direct text messages to customers within proximity of stores.

Loyalty schemes through CiCo will shift from mere discounts to an intimate, personal digital concierge, helping and delighting you at every turn in your shopping needs.