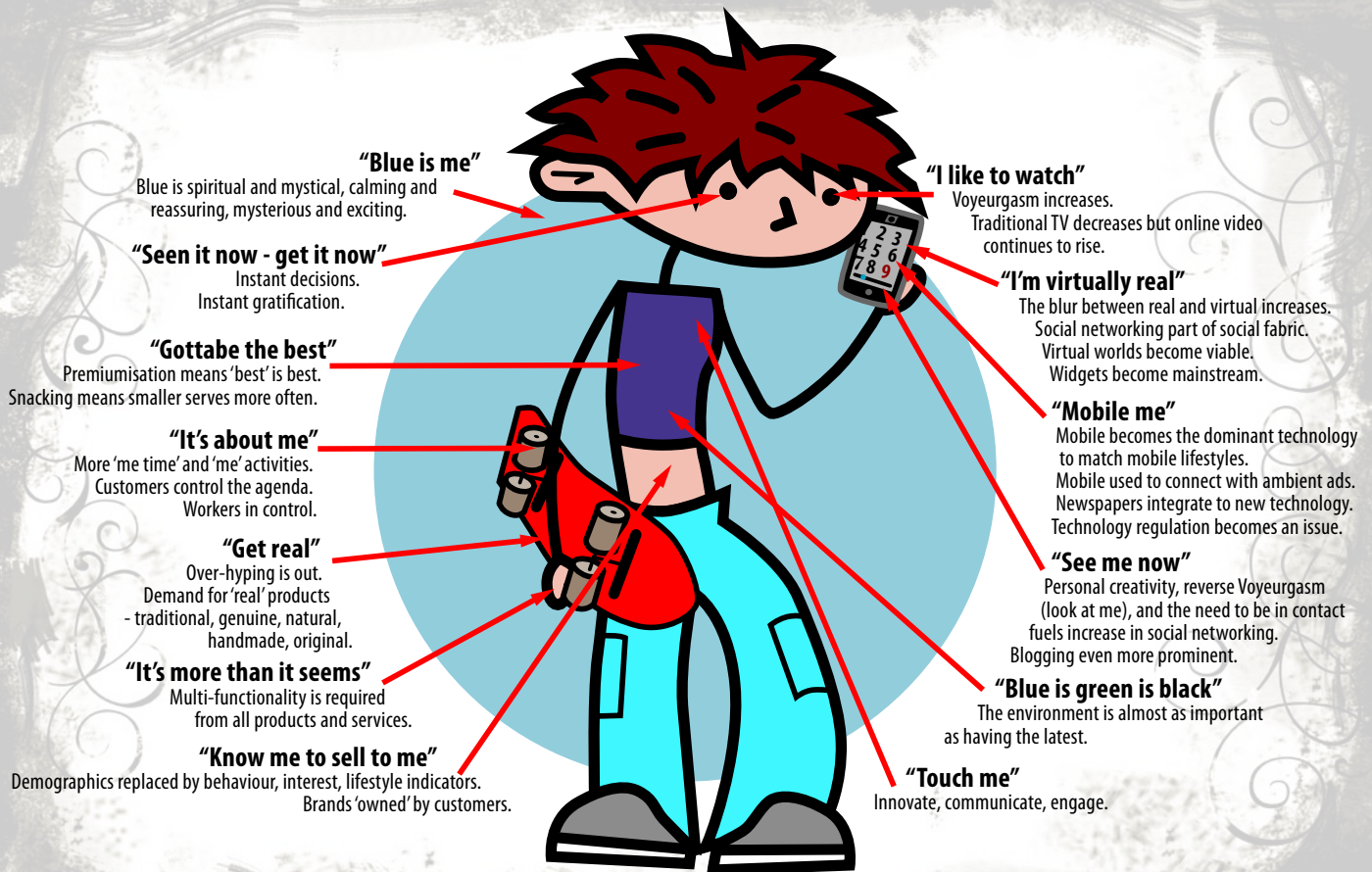


MEET TOMORROW'S CUSTOMER:



... TOMORROW'S CUSTOMER IS REALLY BLUE ...

THE REALLY BLUE CUSTOMER OF TOMORROW

The report is in six sections:

Summary

How will customers change?

How will this change impact products and services?

How will communicating with customers change?

How might marketers start to leverage these changes?

Bibliography

Summary

Tomorrow's customer is really blue because their expectations revolve around being real and their desires can best be personified by the colour blue, or more specifically PANTONE® 'Blue Iris'.

This is the headline result from an insight paper compiled by two leading marketing services companies, researcher **Axiom Consulting Australia** and marketing communications consultancy **Cubic Innovations**. The companies have joined forces to create the insight into how customers are changing, the products and services they will want, how best to communicate with them, and suggestions of how marketers can leverage the changes.

'Blue Iris' (PANTONE 18-3943) has been identified to represent the customer's approach to modern life by addressing their desires for the spiritual and mystical while being calming and reassuring (with a flavour of mystery and excitement). These elements will manifest themselves in customers in many ways including:

more 'me' time
Virtual perceived to be real
Snacking
Instant gratification
Mobility
Personal creativity
Social networking



As well as representing their mind state, blue will be the new representation for being green (which was the new black), as customers further strive to be environmentally conscious without impairing their consumptious desires for the latest fashions, gadgets and technology. Blue also sets them apart from the perceived negatives of the radically green.

The 'real' aspect comes about by examining the trends for products and services for tomorrow's customer. In examining customer expectations, the insight paper describes attributes around ease and authenticity as the key drivers, represented through:

Originality
Multifunction
Environment
Convenience
Truth

EXPECTATION



The third section of the paper considers the future communication with customers, predicting that:

Mobile will become the dominant medium
TV will become less relevant
Radio will evolve from music to personality
Newspapers will more fully embrace technology
Widgets will become mainstream
Strategy will become central

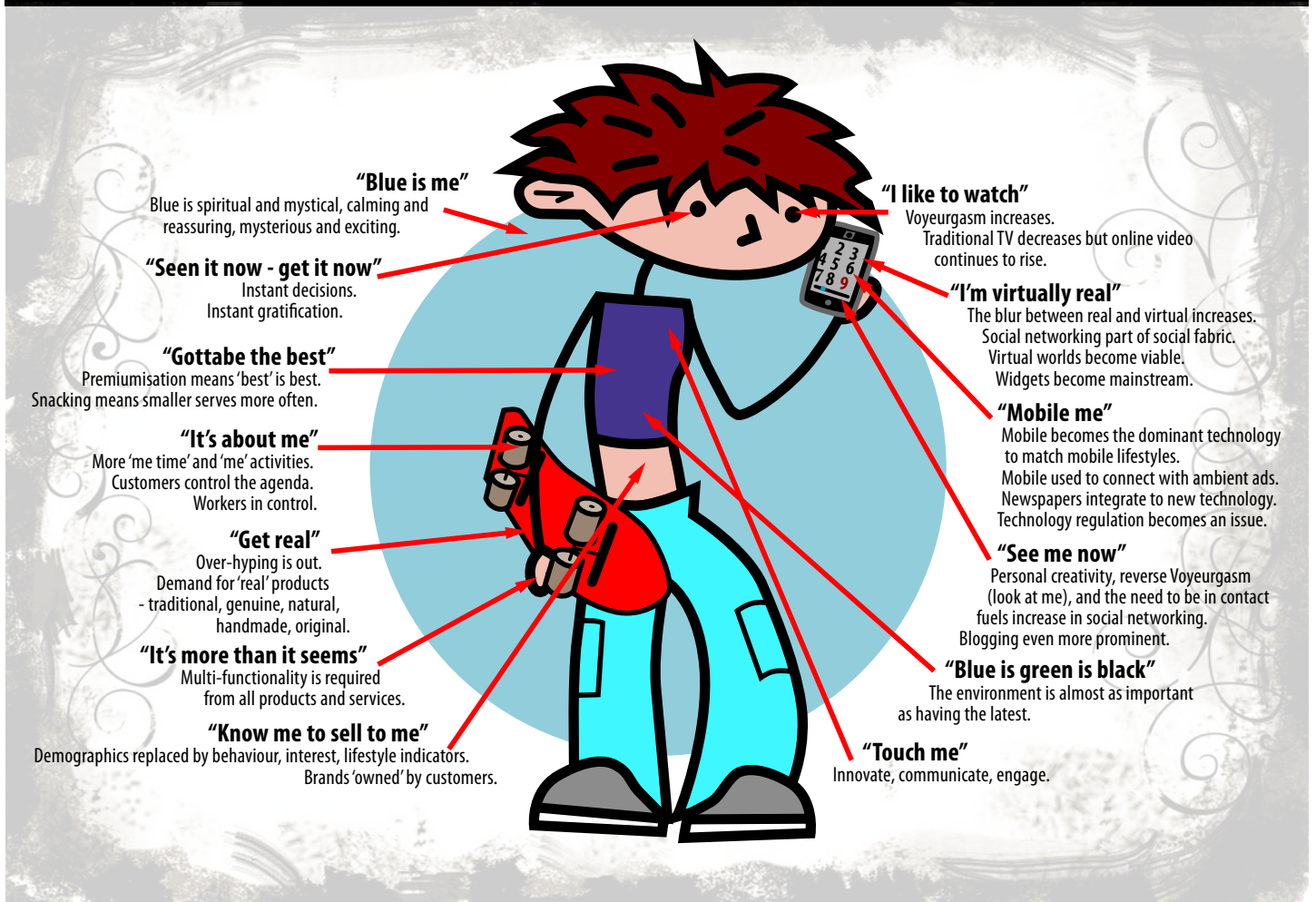
COMMUNICATION



Axiom Consulting Australia delivers the customer insights that drive innovative strategy. www.consultaxiom.com

Cubic Innovations thinks outside the cube to plan, then create and implement communication that sells. www.cubicinnovations.com.au

THE REALLY BLUE CUSTOMER OF TOMORROW



1. How will customers change?

CUSTOMER MOOD

Blue Iris is the 'now' colour¹

- The colour experts, Pantone, have nominated Blue Iris as the colour that represents now.
- This is based on the underpinning customer mood being complex but more integrated than in previous years.
- Blue Iris is supposed to address all customers' issues by bringing together their desires for the spiritual and the mystical, with calming and reassuring influences and just a flavour of mystery and excitement.



CUSTOMER NEEDS

More me time²

- Pushing back against the many influences on their increasingly pressured and complex lives, some customers will undertake 'sea-changes', while others will simply demand more 'me time'.
- Customers will attempt to gain more time to spend on themselves through all forms of efficiency - most of which depends on new technology.

THE REALLY BLUE CUSTOMER OF TOMORROW

CUSTOMER DESIRES

Premiumisation³

- Customers seek new experiences, increased status and/or convenience by having a premium option for every product and service.
- Over time, the premium option will become the 'norm' and the average will become the less desirable or 'budget' option.

Voyeurgasm⁴

- Rooted in the age-old customer desire of "I like to watch", Voyeurgasm can be seen manifested in the plethora of reality TV shows, a genre which seems to show no signs of slowing. The popularity of YouTube is rooted in Voyeurgasm, as we watch real people make real videos about themselves or other real people. MySpace and all of the other variations of social networking allow us to view into the very core of our friends' (and many others) lives.
- It is estimated that 50% of Americans are now afflicted with 'celebrity-worship syndrome' a syndrome first identified by the respected journal New Scientist.⁵

Instant gratification⁶

- As they seek more time for themselves, customers are less prepared to wait and more prepared to pay to reduce waiting time for products and services.
- One manifestation of this trend is the reduction in research time for new products and services, i.e. "See it now – Get it now".

Handheld⁷

- The wide variety of products now providing remote control facilities are leading customers to expect this functionality in virtually every category.
- The ability to consolidate and synergise the remote control devices will be even important as will the usability and practical functionality of the technology.

Mobile connection⁸

- Virtually everyone has a mobile phone and, increasingly, they will become customers' 24/7 access to all things on the web.
- The desire for premiumisation and the associated quality expectations also mean that customers will expect broadband performance from their phone connection.

Snacking⁹

- Customers are increasingly seeking to optimize their time and money by taking their experiences and products in bite sized pieces that they can have anytime and anywhere.
- The related trends for instant gratification and mobility potentiate the impact of snacking into whole new desires and behaviours.

CUSTOMER BEHAVIOUR

Control freaks

- In seeking more 'me time', and supported by their increasing marketing sophistication, customers' demand for control will continue to increase.
- But marketers will need to be very wary of how they try to harness this control, as seen by Facebook's very negative experience with their Beacon advertising engine that tracked a Facebook member's online shopping to serve ads to their friends.¹⁰

Personal mobility¹¹

- With increasing physical movement, e.g. travel and commuting, but also social movement and cultural mobility, customers are no longer tied to their origins and will actively seek new experiences and inputs.
- This trend has incredibly broad impact in everything from media consumption to category trial.

Personal creativity¹²

- It's becoming mainstream to make 'stuff' and display it; most obviously on YouTube, but expected to extend into other spheres as well.
- Like all trends involving art, this trend has very broad social implications in terms of setting the standard of what is socially acceptable, but also in driving the development of new forms of artistic expression.

THE REALLY BLUE CUSTOMER OF TOMORROW

SOCIAL ISSUES

Baby Boomers vs. Gen-Y¹³

- From family businesses to corporates, there is increasing tension between baby boomers who “live to work”, and Gen-Y who “work to live” (and don’t want to work that hard).
- Also, Gen-Y wants the workplace populated with the latest gadgets and technology; a desire that Baby Boomers view as indulgent and extravagant.

Workers’ control¹⁴

- Skill shortages in most Western countries are giving workers the power, and they have become addicted to it demanding better conditions, pay and more flexibility (in part to give them more ‘me time’).

2. How will these changes impact products and services?

CUSTOMER EXPECTATIONS

Everyone’s environmental¹⁵

- Being green is now part of everyday life and expected from every company and institution.
- The best green products and services are now transitioning from clunky to chic.
- While green was previously the new black, blue may be the new green, as people look for a new mnemonic so as to dissociate themselves from any negatives associated with the radically green.¹⁶

Virtual/real¹⁷

- The distinction between virtual and real experiences blurs and becomes less important.
- Customers seek to interchange virtual and real to their advantage, e.g. time saving, but also simply to facilitate for new experiences.

Multifunction everything¹⁸

- All manner of products and services are expected to do more than just their main purpose, e.g. the new cheese has to be ‘tasty’ and ‘healthy’.
- While specific groupings of benefits are becoming established in customer expectations, customers are particularly delighted when new offerings combine previously ungrouped benefits and thus provide fresh experiences.

Authenticity¹⁹

- Reacting to over-hyping and over-marketing, authenticity is becoming increasingly important.
- There will be a rising interest in all things traditional, handmade, original and genuine, including organic, natural and unprocessed products and foods, but extending to everything from home furnishings to wine.
- Directly related to a desire for truth in everything from advertising to government statements.

Premiumisation²⁰

- Pervasive across all categories, it may be based on the whole product/service or just some key elements.
- Usage of the premium option/brand may gradually replace the standard option/brand over time, e.g. many young men now will only drink imported beers even though they are more expensive than local beers and mean that they consume less.

CONVENIENCE

Online is in-store²¹

- Instead of just using the net to research and purchase hard to find products, customers are increasingly making their core purchases over the net.
- Instant gratification and desire for more time play a part in this trend, but customers are also driven by authenticity, e.g. it may be the only way to purchase the brand they want.

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Home hubs²²

- Increasingly, customers will 'feather their nests' with consolidations of gadgets and technology.
- There will be less need to leave the home, and a greater demand for in-home services and delivery.
- This trend is related to the remote control trend, but also to the desire for more 'me' time.

Vending²³

- Vending machines are becoming accepted as a means of delivering virtually any product or service 24/7.
- This trend is accelerated by the trends to snacking and instant gratification.
- While the trend to premiumisation means that customers will expect high standards from the vending technology, the trend to authenticity means that customers will also want the technology to deliver 'real' products, e.g. not cheap substitute brands.

BRAND MOVEMENT

New brand services²⁴

- From Wrangler jeans offering laundry services at rock festivals to banks providing secure lockers at the beach, brands are extending with new services.

Brand extensions²⁵

- Successful brands are moving into new unrelated categories, and customers are going with them.
- This trend is accelerated by the trends to mobility, e.g. "Why not try that?" and authenticity, e.g. "I'll try that because it's from my trusted brand".

Brands belong to customers

- Customers now control the brand agenda, and marketers must learn to play under the new rules.²⁶

3. How will communicating with customers change?

TV/VIDEO

TV viewing changed forever

- TV will be under increased threat of lack of relevance, expedited by the US writers strike.²⁷
- The concept of what a TV does will change with Tivo, the American Digital Video Recorder, announcing that Tivo subscribers will soon be able to watch online video on their TV.²⁸
- Also, Google has announced a partnership with Panasonic to produce a TV to display online video and picture content.²⁹

TV business changed forever

- YouTube and the online video phenomenon will continue to increase and further challenge established business models, the latest in the firing line being porn with user generated porn videos seriously affecting porn businesses.³⁰
- While TV channel brands have been studiously promoted over the last decade, their relevance is diminishing (however, programme brands remain strong).

Bye bye video store

- Driven by increased broadband penetration, customers will increasingly look online to source their movie needs.
- Recognising this, Apple has announced their entry into full movie 'rental' market, with distribution deals with two major studios.³¹

THE REALLY BLUE CUSTOMER OF TOMORROW

NEWSPAPER

Online forcing newspaper innovation³²

- Already, some newspapers have more readers offline than online. And non newspaper sites such as Digg, and the explosion of blogging, mean more people get their news online.
- Newspapers will continue to innovate, through content style and content delivery, with developments in epaper and reading devices such as the RADIUS.³³

RADIO

Severely challenged

- MP3 players, podcasts, and portable internet radio players will alter the fundamentals of the traditional radio model.
- Digital radio, higher quality radio with some vision features,³⁴ will be launched on 1 January 2009 but may not have the impact the industry is hoping for.
- As in all other mediums, content will become the key. Rather than just music which is now universally available, local personality-driven radio will be the key.

AMBIENT

Out of home is not out of mind³⁵

- In the US, ambient (out of home) advertising grew faster in 2007 than all other media except internet.
- This growth will continue, as technology integration between mobile and ambient increases, meaning customers can have a personalised marketing message from an outdoor sign.³⁶

ONLINE

Social networking into social fabric³⁷

- Far from being a fad, social networking will continue to become part of our social fabric.
- While the main sites such as MySpace and Facebook will consolidate, their size (MySpace now has over 180 million registered users) will impact their relevance. New, niche sites that address particular interests or issues will start to gain real momentum. Examples include 'asmallworld.net' for the super rich, 'snooth.com' for wine connoisseurs, and 'divorce360.com' for those going through divorce.³⁸
- More large organisations, including government, will play with social networking as a communication and marketing tool.³⁹
- But customers have already sensed this and will be increasingly suspicious and cynical of these attempts.

Virtually real

- Virtual worlds will gain more credence, largely driven by younger audiences. The popularity and success of sites like Club Penguin (which attracts seven times the traffic of Second Life, despite the US\$5.95 monthly subscription) and World of Warcraft (nine million current subscribers who pay for the software upfront, then pay a monthly fee) will see better targeted and more relevant worlds appear.⁴⁰

Widgets become mainstream⁴¹

- The use of widgets, the small, contained piece of content that can live on a blog, a social networking page, a personalised homepage or even a mobile phone, will increase as marketers start to understand their value (and how to properly utilise them).

Email on the way out?

- While email will remain the mainstay of communication, there will increasingly be demand for a viable replacement, given that almost 90% of enterprise email traffic is taken up by SPAM.⁴²
- As it is, many younger demographics use little if any email, preferring text, IM, or social networking communication.⁴³

Regulating⁴⁴

- With a Labour Government in Australia, and the Democrats favoured to win in the US, regulation could become a hot topic.
- One area for regulation being bounced around in the States is that Google, should be declared a public utility and regulated accordingly.

THE REALLY BLUE CUSTOMER OF TOMORROW

- Along similar lines, some of the hot areas of marketing such as behavioural targeting where advertising is targeted according to online behaviour, could be under threat due to increasing calls in the US for a 'do not track' register, a similar service as the 'do not call register'.
- And if regulation won't do it, customers will themselves, with individuals and groups in David and Goliath actions against online giants who customers feel are breaching their rights.
- This combination of regulation and customer militancy, combined with the Voyeurgasm syndrome, will see a new level of transparency not just on the web but across all customer dealings.

Bloggers rule

- Blogging will take up even more of the online space.
- While many will continue to struggle to come to terms of its relevance as a mass marketing tool, those who use it effectively and realistically will reap the benefits.
- However, there could be some disquiet that the content of the web is increasingly taken up with opinion rather than fact.

More for less

- Driven by the increased use of online video, demand for better broadband services will increase, as will pressure on Australian telcos to justify their world-high prices.⁴⁵

The games people play⁴⁶

- Gaming will continue its steady growth, and while Wii will continue to create some interest among new gamer demographics, the gaming take-over of the world's entertainment is as far away as ever. However, there will be increased opportunities for in-game marketing.

MOBILE

Mobile to the forefront⁴⁷

- Mobile will continue its slow and steady invasion of all things digital.
- In Australia this will be accelerated by the introduction of the iPhone, while Google's Android platform will have the biggest impact.⁴⁸

'Online' trends go mobile

- Most of the trends outlined in section about Online above will apply to Mobile, as it becomes the dominant platform.
- For instance, a Deloitte survey in the US found that 36% of customers use the mobile phone as an entertainment device, and 20% of customers said they are viewing video content on their cell phones daily or almost daily.⁴⁹
- And pressure will increase for a more cost effective and efficient mobile broadband offering.
- However, marketers will still be perplexed as to how to best capitalise on this burgeoning sector.⁵⁰

STRATEGY

The best way to reach your customers

- Demographics are dead. Well, at least, they are not as healthy as they once were, as marketers increasingly turn to targeting through behavioural, interest-based, lifestyle-based and other varying criteria rather than customer demographics.⁵¹
- This move will put extra pressure on traditional media such as TV which concentrates on demographics.
- And finally, as the world becomes even more fragmented, the importance of strategy will increase.⁵²

THE REALLY BLUE CUSTOMER OF TOMORROW

4. How might marketers leverage these changes?

BRANDING

- Hand your brand over to your customers. They won't break it, but rather will help you build it in a way relevant to them.
- Ensure the brand delivers the best it possibly can.
- Refresh your brand offering with brand extensions that are surprising, yet customer-relevant.
- Be blue (the new green) and embrace CSR (Corporate Social Responsibility).

PRODUCT/SERVICE R&D

- Integrate your customers directly into your product/service development process
- Disaggregate and market the key elements of your products and services as individual experiences
- Actively design special ranges of your products/services around short run cycles to enhance their exclusivity and uniqueness

TRADITIONAL MARKETING MEDIA

TV/Radio

- Fit your brand to specific TV/Radio programmes and not to timeslots/demographics.
- Now, more than ever, the 'big idea' is a must.

Ambient

- Go snack sized with innovative outdoor opportunities, particularly ones that respond to customer's desire to integrate with mobile technology.

Press/Print

- Utilise the unique combined capabilities of newspaper headlines and web-depth so customers can exercise control over how much of the campaign they want to experience.



PR

- Be honest (it's a genuinely original PR strategy).

MERCHANDISING

- Seamlessly integrate your POS and on-line capabilities
- Launch short term retail outlets that quickly evolve and disappear creating intrigue and interest

ONLINE

- Offer ways the customer can be central to the brand experience.
- Go to where the customer is; don't expect them to come to you.
- Actively extend the depth of your website by linking to everywhere that customers may want to go (not just where you want to direct them).

MOBILE

- Change your thinking. This is not an advertising medium, it is an engagement medium.
- You are in the customer's pocket, near their vital organs. Touch them.

THE REALLY BLUE CUSTOMER OF TOMORROW

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