Global Trends

The Fight to Control the Interface

December 2011: Information and communications technologies are reshaping all aspects of our work and lives. The implications for providers of commercial goods and services are enormous, from how they manage their increasingly tech-literate workforce to how they interact with consumers and customers. With the data deluge increasing organizations are competing not only within their industry but across all industries and forms of information to gain – and keep – the attention of their consumers and customers. It can't be done alone. Organizations need to manage a growing array of channels and intermediaries through which their information is filtered, aggregated and relayed to target audiences, including search engines, social networks, news sources, mobile communications providers and purchasing portals such as apps stores.

The big question is who controls the interfaces between these organizations and their target markets or constituencies – and what does this mean for those organizations that own, use and depend on these interfaces, as well as the consumers that rely upon them. There is an increasing battle between a diverse range of intermediaries for control of these key interfaces, from the "Gang of Four" (a term from Eric Schmidt of Google), which includes Facebook, Google, Apple and Amazon, to others from Twitter to Cisco, Microsoft, Yandex and RenRen. Control of the interface is power – and potentially profit.

As we work on our forthcoming report exploring how the intermediaries controlling the interfaces are creating a revolution for consumers and businesses, in this briefing we highlight the three key drivers of change in the interface landscape: The unavoidable mobile web, the shift in consumer demand to "made by me" and the rise of social business.   Local, social, photo and mobile or LoSoPhMo is driving much of the conversation about online opportunities and behavior. A world of ever increasing choices leaves consumers with more power than ever to get what they want, when they want it. Mass consumption belongs to the past and uniqueness is the new must. In a world of austerity and green awareness, consumption patterns are changing, leaving businesses no choice than to follow this new behavior or, even better, get ahead and shape new behaviors. Traditional business patterns are being disrupted by the digital interface as businesses increasingly feel the pressure to be where their customers are.

How the interface will change will depend on many things, particularly technologies and behaviors whose shape is only emerging. But don't wait too long to start thinking about how things may change – the playing fields are being redefined and if you don't help reshape your world, someone else will! Look out for our report in the New Year!

The Unavoidable Mobile Web

Personal computers are still the most common way to access the internet but mobile devices are consuming our attention in an unprecedented way. New devices like the tablet and the smartphone, along with the mobile web are heralding the post-PC era with new interfaces and consumer behaviors. In the near future mobile devices will become the dominant ways consumers access the internet even though personal computers are expected to be around for some time.
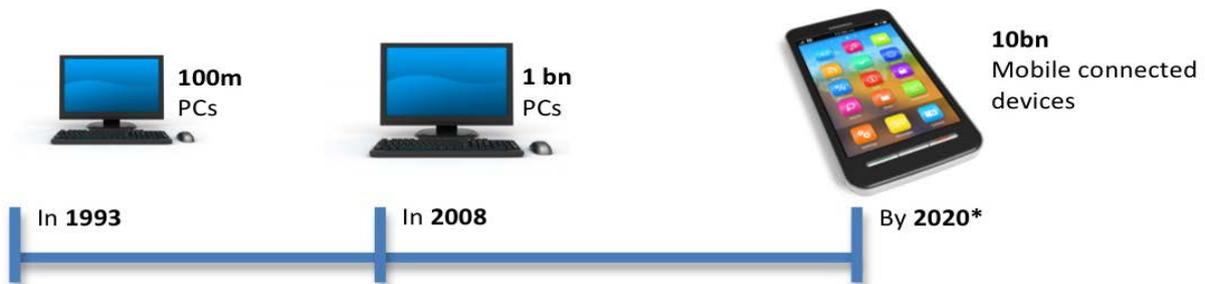
Source: The Economist – Beyond PC
*Forecast

In recent years social networks have changed the way consumers use the internet which has become a much more social medium rather than a "traditional" source of information and search engine. With the rise of the mobile net, consumers are not only social but also always on, everywhere. The mobile web offers the possibility to reach out to every corner of the Earth, giving the un-accessed access, creating a new generation of consumers while providing exciting opportunities for businesses. According to IDC the world is going mobile, a phenomenon that will make the Internet a very different place. IDC has estimated that the total number of Internet users will grow from around 2 billion in 2010 to 2.7 billion in 2015, which mean about 40% of the world's population will be online by 2015 – although based on the 2011 ITU figures which put internet penetration at 35% or 2.3 billion people globally in 2011, the number could well be higher. As internet penetration picks up, it will happen more on mobile devices than via traditional PCs.

In Action!

From stationary to mobile: Wireless mobile handset sales have already far surpassed PC sales around the world and computing is shifting from being stationary to mobile, from arms-length to intimate, from formal to casual, but it doesn't mean the PC is dead. Worldwide PC shipments in 2011 will be roughly 364 million, which is up 3.8% from 2010, and iare expected to grow 10.9% to 404 million in 2012 (Source: PCWorld). However the introduction of tablets has changed the dynamics of the personal computer market. Juniper Research forecasts that tablet shipments will reach 253 million units by 2016, nearly a five-fold increase from the 55.2 million tablets the company expects to reach the market in 2011, while the number of expected global smartphone shipments will reach one billion per annum in 2016, up from 302 million in 2010.

Everything M: It's a brave new world, and businesses that embrace the emerging mobile interface will be positioned to realize the many opportunities that emerge along with the mobile net. From M-commerce to M-research, more and more businesses and advertisers are starting to look at how they best reach consumers with messages that can be tailored to their preferences, context and location. Juniper Research forecasts that value of mobile retail marketing will reach US$15 billion globally by 2012, up 50% over 2011, as digital ad spend moves to mobile and mobile coupons gain acceptance. They also predict that the total value of mobile payments for digital and physical goods, money transfers and NFC (near field communication) transactions will reach US$670bn by 2015, up from US$240bn in 2011. The top three regions for mobile payments (Far East & China, Western Europe and North America) will represent 75% of the gross global mobile payment transaction value by 2015.

The App economy: Today there are 500,000+ apps in Apple's online store, 250,000+ in Google's Android Market, 160,000+ in GetJar and 158,000+ in MobiHand, which are the four biggest app stores at the moment (Source: The Economist, Apple). Mobile apps and HTML5 are two of the hottest technologies right now. HTML5 is starting to challenge native apps (apps that run in one operating system/platform or device) allowing developers to create applications that run within the browser without tailoring apps for specific hardware, software or online stores. It is picking up steam because it is a "write one, run many" solution. HTML5 could potentially threaten to cut Apple's estimated operating profit growth by 30% over the next four years (Source: International Business Times). Amazon's Kindle ebooks on Apple devices, Google's Gmail Offline and the Financial Times app are all examples of HTML5 technology. The full potential of HTML5 is yet to be seen, as is whether it can replace native apps in the near future.

The "mobile only" generation: Along with the mobile web, though still in its infancy, a whole new generation of "mobile only" consumers are emerging. Technological advances, lower costs, more network and off-the grid options have made it possible to reach out to every corner of the Earth via mobile web connections. Now new users are experiencing what many who have grown up with the internet experienced with the desktop –access to news, information, communication and retail services. Now, for the first time digital marketers have the ability to market to this new group of mobile surfers: Businesses and brands should start creating exciting ways to get this audience by interacting and transacting directly on their mobile devices (Source: Mobithinking). According to Cisco, the total number of mobile-only Internet users will grow 25-fold between 2010 and 2015, from 14 million in 2010 to 788 million in 2015, with Asia Pacific accounting for over half of all mobile-only Internet users.

From Mass Consumption to "Made by Me"

Starting as babies, we grab things, yelling "mine!" Ownership is deeply rooted in human nature and has almost unquestionably been accepted as a part of our modern day culture. Belongings have for years been used as a tangible measure of personal success and status. But in recent years we have seen changing attitudes toward ownership and the notion of value. People no longer aspire to own as much as before. Today things are increasingly being rented, borrowed, shared, swapped, bartered or simply left on the shelf. Moreover, people want personalized experiences, customization and they want more for less – all of which is possible in an increasingly connected and networked society. The digital interface helps us to achieve these aspirations by connecting us in real time and to sources of information in a world where we often feel time poor. It is natural to turn to peers and extended social networks for advice and knowledge, or in the search for values, identity and meaning. The "influenced" are becoming shapers & influencers in their own right. Consumers are exercising their choice and power by demanding more involvement in and customization of experiences and products, changing the way commerce is being done – moving us from an era of mass consumption towards mass customization and ultimately "made by me," although possibly not "owned by me."

In Action!

Real-time living: As our lives become an increasing race against time, many people are realizing the urge for immediate gratification and feedback, as well as constantly seeking out what is new, by spending an ever-increasing amount of time on the internet. Worldwide 3 billion videos are watched every day on YouTube (an increase of 50% in 12 months), more than 140 million+ Tweets are sent per day, 178 million+ blogs are identified on the internet and in May 2011 Americans spent 53.5 billion minutes on Facebook. Social networks and blogs account for nearly a quarter (22.5%) of the time Americans spend online, more than double the time spent playing video games (9.8%) (Source: Twitter, BlogPulse, TechCrunch, Nielsen). The power of the sharing information on the internet is staggering and according to Dr. Almes, a leader and pioneer in the development of the Internet from Texas A&M University "There are three kinds of death in this world. There's heart death, there's brain death, and there's being off the network."

Personalize me: The world recession has left many consumers worldwide with less financial power, driving changes in behavior. Unbridled consumption is being replaced with a more sustainable and self-sufficient

lifestyle. But the desire for customized and personalized experiences and services is still top-of-mind and a digital, connected world makes it easier for the consumer. An ever-increasing number of websites designed to provide us with a unique and personalized experiences or service are popping up on the internet. EightPointNine is a UK company that lets consumers create their own custom coffee blends and have them shipped each week directly to the door. Velveteen is creating personalized stories from your individual life story. Dibsie is an online "evolving shopping catalog" that is designed to make you more personalized deals, the more you use the website.

Look Out For...

The role of gaming: Games have long been used as an educational tool, for kids as well as adults. Now, an ever-increasing number of games are hitting the market, not only for social gaming. As a tool to engage and motivate as well as to achieve better results, game producers are aspiring to make their products an essential part of daily life, especially for the N(e)xt Generations. It seems like almost anything can now be turned into a virtual game or an online tool containing some kind of gaming element. For instance, I'mOK makes checking in with parents a game by earning points which can be exchanged for real-world rewards such as movie tickets, extra time on their computers, or other parent-approved treats. Finnish Deal Machine is using game mechanics to motivate and reward salespeople for every step they take towards their goals. The site provides analytics for management while also letting players know who is winning via a real-time leader board. And while we are at it - why not use virtual gaming for recruiting! With as many as 50,000 jobs to fill worldwide by the end of 2012, Marriott is using social media gaming to help generate interest in hospitality careers. At My Marriott Hotel on Facebook, gamers will first manage a "virtual" hotel restaurant kitchen before moving on to other areas of hotel operations. The game can be played in English, Spanish, French, Arabic and Mandarin.

The age of no privacy: Face recognition and location-based technologies are hot topics right now. As consumer information is collected, stored, used and shared online, the rise of the mobile net and mobile devices is leaving a vast electronic trail of where you are and what you are doing, both physically and virtually. The result: Privacy is a top and growing consumer concern – and it should be! For instance Microsoft has recently been sued for tracking mobile users' locations without permission (Source: The Guardian). What about the Suggested Tags feature for Facebook? It is turned on by default and requires that the user first learn that it is in use, and then opt out. Even then, Facebook still has the information they have acquired for associating your face with your name. They are just not using it for the time being! With more than 90 billion photos uploaded and a member base of 800m+, Facebook will with time have a huge information database about the world's population! The German Hamburg Data Protection Authority (DPA) is the first country organization to start preliminary procedures to bring legal action against Facebook over the facial recognition feature (Source: PCWorld). Privacy is at stake here and some people and companies might be tempted to misuse it. Are we entering the age of no privacy?

From Traditional to Social Business

In the "old days" communication between business and consumer was one-way and consumers were generally targeted via broadcast messages on radio, television and through print advertising. Today communication is interactive and two-way. Consumers actively search for products and services via social media, search engines and referrals. More businesses and consumers than ever connect online today, with consumers having significant control over what information they want to receive and how they receive it. It gives businesses less control in terms of marketing but on the other hand the digital landscape has open up a whole new array of marketing, sales and information channels (e.g. crowd sourcing, open innovation). If not already, people and businesses will one day realize that being "digitally social" is a part of how we talk, interact and collaborate. It brings people and knowledge together in new ways – and could well be the start of the end of business as usual!

In Action!

The rise of social commerce: Booz & Co estimates that the social commerce market size will grow by 56% worldwide from US$5billion to US$30billion between 2010 and 2015. As more and more people engage in

social networking it becomes increasing important, particularly for consumer-oriented businesses, to build a presence where the people are. Not doing so could easily mean huge losses in terms of getting disconnected from the new generations of very technology savvy customers. According to the 2011 Social Media Marketing Industry Report the most common social media tools used by marketers are Facebook (92%), Twitter (84%), LinkedIn (71%), blogs (68%) and YouTube (56%). However, according to a just released study from the University of Massachusetts Dartmouth about Fortune 500 companies' use of social media, the adoption of blogs, Twitter and Facebook in the 2011 seems to have leveled off within the past year. These companies are the giants of American business and it is will be interesting to keep track of whether this means that we may be seeing a slowdown in business adoption of social media while moving toward the use of other internet marketing channels.

The portfolio approach: In order to provide the full consumer experience, businesses are increasingly looking outside for other businesses/industries to partner with, knowing that collaborating to deliver the right mix of skills, products, services and experiences is the key to success. A great example is Mercedes' partnership with fashion watchmaker Swatch to develop and produce the Smart car. Created by Vodafone and launched in Kenya in 2007, M-Pesa is a mobile money transfer system that enables people to exchange funds without a bank account and is one of the biggest business success stories on the African continent. In 2010 Nedbank teamed up Vodacom to bring M-Pesa to South Africa. Several years ago Nike launched the fitness device Nike+iPod in collaboration with tech giant Apple. Today, Nike no longer relies on Apple's branding. Instead, it has teamed up with car-navigation company TomTom for the new training gadget Nike+ SportWatch GPS (Fast Company).

Look Out For...

More open innovation: The next step beyond collaboration is open innovation and throughout the years many great products like Lego's MindStorms, P&G's Olay Regenerist, Swiffer Dusters, the Crest SpinBrush, and the Mr. Clean Magic Eraser have come to life via open innovation. Businesses are increasingly turning to open source and collaborative networks using consumer and expert networks to find, create and leverage knowledge and expertise, faster and at lower cost than in old "closed loop" models controlled within a company. Open innovation, crowdsourcing and co-creation is one manifestation of our increasing ability to tap into the global brain via the virtual platform – and one that changes the power balance between consumers and businesses. As 2011 turns into 2012 crowdsourcing will, according to Forbes, become top of mind for many companies. But crowdsourcing and open innovation are no longer just "must use" processes for businesses but emerging "industries" in their own right, with key players including Innocentive, Kickstarter, 99designs, and crowdSPRING. As open innovation gains traction, competition for crowdworkers might be the next big thing.

The location-based deal economy: A very powerful way to personalize coupons and deals is increasingly possible by using a customer's location. Location-based services (LBS) are rolling into their second wave: Better deals integration, social recommendation engines and specialty services are making it easier for advertisers and businesses to target their audience. AT&T has announced ShopAlerts, featuring ads and coupons from major retailers sent directly to subscribers' mobile phones. It is a unique service because alerts are only sent to users' devices when they are *near* a participating store or brand and there is no need to launch an app or to take any action in order to receive the coupons. (Source: ReadWriteWeb). SK Telecom is testing a Smart Cart service in China that synchronizes tablet-equipped shopping carts with consumers' smartphones offering relevant information in real-time. Smart Cart goes a step further than other RFID-based cart services by providing a wide variety of shopping tips, product information and coupons in real-time based on the consumer's position in the store. Ultimately, the company wants to integrate consumers' shopping history into the service for personalized product recommendations and individualized target marketing (Source: Springwise**).**

In January: Look out for the best of 2012 Trends!

Happy Holidays and New Year from the GT Team!