

BE PREPARED

10 trends that are changing our world



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“By failing to prepare, you are preparing to fail.”

- Benjamin Franklin

“To be prepared is half the victory.”

- Miguel de Cerventas

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.”

- William Arthur Ward

Introduction:

Robert Stephenson Smyth Baden-Powell was born on 22 February, 1857 at Paddington in London. He enjoyed a long military career. After his return to London from South Africa after the Second Boer War in 1903 he rewrote his military training manual *Aids to Scouting*. *Scouting for Boys* has since sold more than 100 million copies.



Famously, the Scout motto is '**Be Prepared**'. Of this, Baden-Powell explained the meaning of the phrase, in part to mean:

***Be Prepared:** by having disciplined yourself.....by having thought out beforehand any situation that might occur, so you know the right thing to do at the right moment, and are willing to do it.*



The purpose of this trends report is to highlight some of the disruptive shifts that are shaping our changing world and to identify some of the key trends for the foreseeable future so that business owners, leaders of organisations, parents, teachers and students can best position themselves: so they can **Be Prepared**.

The last five years have been characterised by continued change across all sectors. Disruption in world financial markets, economic and political instability, geo-political, demographic, technological and environmental shifts reminds us that change is the norm.

Because the world is in transition it means that people, companies and organisations have to change to adapt to the new order, they have to change to survive.

Now that's bad news for many people, because most people do not like to change. But it's good news for others though because where there is change there is sure to be opportunity lurking about someplace!

In business and in life, being prepared is an essential ingredient for capitalising on new opportunities and establishing a strategic advantage. Innovation and strategic advantage hinge on your ability to anticipate trends and identify 'the next big thing'. In the government, education and Not-For-Profit sectors it is equally important to be across all of the key trends, being informed and able to respond accordingly.

One's focus should not be on protecting what you already have, but rather on identifying and adapting to the next big thing.

To illustrate this, let's take a quick recap on the experiences of four global brands from the 20th century: Smith-Corona, Kodak, Encyclopaedia and IBM.

Smith Corona

In 1989 the Smith Corona Company proudly advertised themselves as being 'the best typewriter company in the world'. This was a company with a proud history of innovation. 100 years earlier they had invented the first typewriter with upper and lower case. In 1906, they had invented the



first portable typewriter and in 1957, the first portable electric typewriter. More recently, they had invented the first personal word processor. Smith Corona knew how to identify new trends and opportunities. Sales were a record \$500 million dollars and business, it seemed was booming. Smith Corona did not miss the emerging trend of personal computing. In 1990 they even observed that the

industry was "in a period of transition between typewriters and word processors" and in 1991 formed a partnership with the Acer computer company. The partnership was a good strategy and the CEO even remarked of computers: "They are a logical extension of our line".

In 1992, however, the computer partnership was a distraction to their main focus of relocating their typewriter production to a lower cost base in Mexico. Their late entry to the market meant they faced stiff price competition, and the partnership with Acer was ended. A former executive of the

company has since noted that at the time they could not imagine their company going out of business, that it was *"hard to imagine that the typewriter would be annihilated..."*(!)¹.

Kodak

In February 2012 the Kodak Company filed for bankruptcy. Since the turn of the century Kodak's share price had fallen 95 per cent as it was hit hard first by foreign competition and then by the digital revolution. Did Kodak see these changes coming? Did they see the new trends? These are questions worth asking.



It is a largely unknown fact that the first digital camera was invented by Kodak themselves, in 1976. Steve Sasson, a then 26 year-old electrical engineer and the Kodak Apparatus Division Research Laboratory team demonstrated the technology to a number of people within Kodak in 1976 as "Film-less Photography."

Considering Kodak's position as the world's leading producer of photochemical film it is hard to imagine the title of the presentation went over terribly well. After all, what company executive would embrace a technology with the potential to erode all their present revenue streams? Years later it turns out to be prophetic as Kodak has struggled to reinvent itself as a digital company.

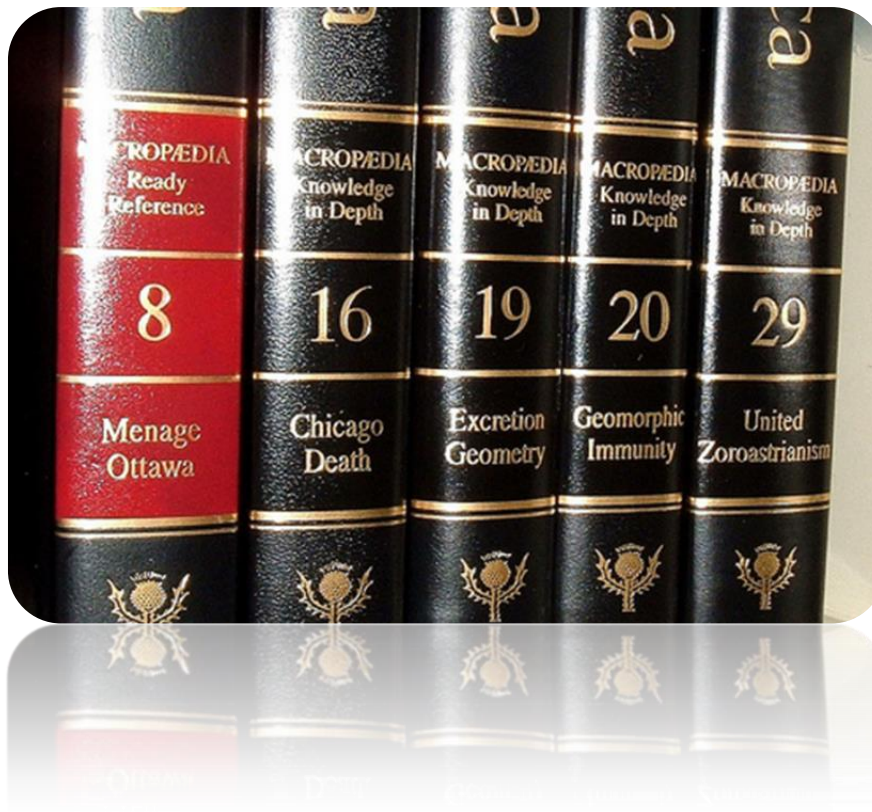
Encyclopaedia Britannica

Writer Tim Carmody told the fabled story of Encyclopaedia Britannica well in a 2012 issue of Wired Magazine, under the headline ‘Wikipedia Didn’t Kill Britannica. Windows Did’.²

Britannica was sold off in 1996 for \$135 million “...long before Wikipedia was a crowdsourced gleam in Jimmy Wales’ open-access eye. In 1990, the company had \$650 million in revenue.

What happened in the six years in-between was Encarta.

As Carmody writes, “An important part of Britannica’s story that is easy to forget now is that Microsoft pitched Britannica on developing a version of Britannica for PC’s in the 1980s, with their first version of Windows.



After Britannica turned them down, Microsoft partnered with Funk & Wagnall’s, rebranding it Encarta and focusing on a lean, computer-specific program that could help sell personal computers beyond productivity applications like Word and Excel.”

Apart from being a source of information, Encyclopaedia Britannica was marketed to many middle-class parents as a household totem. Historian Yoni Appelbaum wrote that

from the beginning, Britannica’s cultural project was as much about the *appearance* of knowledge as knowledge itself. Britannica “sold \$250 worth of books for \$1,500 to middle class parents buying an edge for their kids.”

So their primary reason for existence as a set of printed volumes was easily replaced by the personal computer, first armed with Encarta, then Wikipedia, Google and now “the robust information economy of the entire web.”

The point is this: had EB recognised the likely deleterious changes that were coming, they could have repositioned themselves accordingly.

IBM

An article in The New York Times on November 17, 2012 quoted Economist and Director of the M.I.T. Center for Digital Business, Eric Brynjolfsson as saying:

“Technology is always destroying jobs and always creating jobs, but in recent years the destruction has been happening faster than the creation.”³

The article went on to say that despite this, the digital transition is creating enormous wealth and opportunity, pointing out that four of America’s most valuable companies – Apple, Google, Microsoft and IBM – are “rooted in technology.”



IBM is a good example of a company that has reinvented itself through changing times and a transitioning economy. IBM, of course, is an abbreviation of the company’s February 1924 name change to International Business Machines from CTR – Computer Tabulating Recording Company. The genesis of this company goes way back in the 1880’s, starting off as a company “that manufactured a wide range of products, including employee time-keeping systems, weighing scales, automatic meat slicers, coffee grinders, and most importantly for the development of the computer, punched card equipment.” (Source: The Origin of IBM, Wikipedia,)

The consolidation of a number of companies with varied interests was a deliberate strategy so the company would not be dependent on earnings from a single industry.

What lessons can we learn?

There is perhaps one salutary lesson here for all businesses in the varied experiences of Smith Corona, Kodak, Encyclopaedia Britannica and IBM.

All too often in business it's easy to spend so much time focusing on the challenges of the day-to-day that before you know it you've inadvertently ended up with blinkers on, unconsciously oblivious to the changes happening in your own industry, and importantly too, other industries.

In this report we'll highlight just ten of the trends we're continuing to follow in 2014-15 that we feel you really need to be aware of.

We encourage you to look at what companies in industries other than your own are doing too. There is much to be learned from their experiences, the stressors they are facing and their unique responses.

Ask yourself these questions:

- **What they are doing well?**
- **Is this trend applicable to me?**
- **Is it applicable to our business or organisation?**
- **Will this trend impact our industry?**
- **Is there a change we can make in our business or organisation?**
- **Is it a change we ought to make?**

This 2014-15 Trends Report will help you achieve four things:

- 1. Prepare for change**
- 2. Position for change**
- 3. Adapt to change**
- 4. Profit from change**

In short, it will help you to ***Be Prepared***. I commend it to you.

Jeff Gilling

Sydney

20 August, 2014

Trend 1.

The Ageing Population: Reinventing Markets



Much has been written about the ageing of the population, but no trends report would be complete without an exploration and understanding of the demographic trends, for it is often the changing demographics that are the underlying drivers of other trends shaping our changing world.

Much of what has been written has been about the *challenges* associated with this demographic change. As we said just a moment ago though, where there is change there is sure to be opportunity lurking about someplace. So, what is happening demographically and what might be some of the opportunities presented from this trend?

The impact of the ageing Baby Boomer generation on different markets is one of the trends to continue to watch in 2014-15.

From health and fitness to leisure and lifestyle, from finance and family to retirement and travel, whole markets and industries are being affected by the ageing of the baby boomers.

This demographic is 76 million strong in the US alone and they are making headlines for providing a raft-load of market opportunities.

The first of the Baby Boomer generation (born between 1946 and 1964) started turning 60 in 2006 and 65 in 2011. They number more than 5 million Australians. What this means is not only will there be more 60th and 65th birthdays in 2014 and 2015 (and coming years) than ever before, but there will be more retirement functions than ever before! That's right, many boomers are exiting the stage.

This exodus of the Baby Boomer population from the workforce will result in an overall decrease in workforce participation and increased competition for labour and skills. This reality will be compounded in regional areas across Australia which is already experiencing the loss of young adults from the regions and lower than average Year 12 and tertiary education rates. This is one key reason why improving workplace productivity is so important.

Is this exodus good news for Generation X and Y? Does it mean there will be a lot more management positions opening up? Not necessarily. As they have re-invented every life-stage through which they have passed, the boomers are also re-inventing retirement.

The psychographic profile of a 65 year old today is very different to that of a 65 year old 30 years ago. Today's 65 year old is not 'gearing down' or preparing to shuffle off on a Zimmer frame into a retirement village or nursing home! Instead many are gearing up for this next stage of their life.

So, rather than leaving the workforce completely, many boomers are down-shifting: consulting from home or still coming in to the office a couple of days a week. Still many others are choosing this time to start a new career or start a new business. Their skills and ideas are still in demand. Skills shortages in many sectors of the economy affect productivity or the provision of future services. Tapping into the wealth of experience of the 'grey workforce' will be both an imperative and inevitable in coming years. Not only do older workers bring a wealth of experience to the workplace, but studies consistently show they are reliable with rates of absenteeism significantly less than that of younger, less experienced workers.

Seniorpreneurship - entrepreneurial activity amongst seniors – is the fastest growing area of entrepreneurship. A 2013 report on seniorpreneurship found more people aged 55-64 were considering self-employment as a late career alternative, and the 2011 Global Entrepreneurship Monitor found the rate of entrepreneurial activity among older people in Australia was significantly higher than the average for other innovation-driven economies. (AFR, 10-11 May, 2014)

One change we must see is a change to the traditional notion of retirement. It is worth examining the history of the traditional retirement age of 65. When that is done you discover that the age of 65 was chosen as the age of eligibility for the first publically funded pension scheme – introduced by Chancellor Otto von Bismarck in Germany in the late 19th century. This was then the age adopted by New Zealand and then Australia in 1909. The problem is this. When age 65 was set as the eligibility age for the pension, life expectancy was just 58. In the 105 years since, life expectancy has increased by nearly thirty years yet the eligibility age has remained the same. Now the Government has announced this age will rise to 67 and then 70 people will recognise it for what it is, a purely arbitrary and artificial construct.

We are moving away from the age of entitlement to a world where we must be authors of our own economic outcomes. Governments are facing fiscal pressures caused by an increasingly aged population.

As the ratio of retirees to the working-age population rises in Australia – it's estimated to rise in many parts from 1:4 to 1:2 – the country will require new approaches to housing, transport and home support to enable more people to remain active and engaged members of the community.

As more of our older population become unable to drive, good public transport, community networks and telecommunications will be required to avoid an increase in social isolation and economic hardship.

- Are you on top of this trend?
- What can you do to attract older customers and older workers to your business?
- Is there a new niche product or service that would appeal directly to this demographic or address some of the consequent issues?

The Seniorpreneurs

www.twitter.com/seniorpreneurs

As the population ages, Governments cannot afford to finance ever-growing numbers of retirees. Compounding that, jobs are scarce so baby boomers are showing the way with a new entrepreneurial spirit. They are connected, experienced, savvy and determined. The Seniorpreneurs movement is a new initiative that will provide mentoring, training, networking and access for older entrepreneurs, solopreneurs and business owners.

“A 2013 report on seniorpreneurship found more people aged 55-64 were considering self-employment as a late career alternative, and the 2011 Global Entrepreneurship Monitor found the rate of entrepreneurial activity among older people in Australia was significantly higher than the average for other innovation-driven economies. An ageing population and retrenchments of older, costlier workers from full-time jobs are driving this trend.”

Trend 2.

Big is Beautiful: But what to do with all this data?



Although the underlying demographics is driving many of the trends, in 2014-15 we are seeing a hastening of the shift from a focus on customer demographics – age, sex, postcode – to a focus on exploring customer psychographics: What are their attitudes, beliefs and values.

What is making this possible? Big Data.

In 2011 McKinsey & Co reported that as the amount of data in our world has been exploding, “Analyzing large data sets—so-called big data—will become a key basis of competition, underpinning new waves of productivity growth, innovation, and consumer surplus”⁴ and they are right.

So what is Big Data?

Big Data is the making sense of and the mining of the huge tranches of data we are generating – everything from the cookie placed on our computer to see what websites you are browsing to the uploading and tagging of photos on Facebook, status updates, to the enormous amount of data credit card companies have access to of shopping and transaction habits.

And it is everywhere.

As MIT researchers and authors Andrew McAfee and Erik Brynjolfsson point out, “there’s much wisdom in the saying “You can’t manage what you don’t measure.” This quote, which has been variously attributed to both W. Edwards Deming and Peter Drucker, explains why the recent explosion of digital data is so important. Simply put, because of big data, managers can measure, and hence know, radically more about their businesses, and directly translate that knowledge into improved decision making and performance.”⁵

It is only with the advancement of computational power that these vast troves of data riches have been able to be mined effectively.

This is the year we will see this trend really take hold as the implications of failing to adequately make use of all a company’s information becomes clear.

No longer will the implications of big data be something that is grappled by a few data-oriented managers dotted throughout the organization. Leaders of organizations in all sectors will have to familiarize themselves with the implications – and opportunities – that lie within the vast amounts of stored information.

The increasing volume and detail of information captured by enterprises, the rise of multimedia, social media, and the Internet of Things – the connectivity of devices to the internet and communication between them – will fuel exponential growth in data for the foreseeable future.

All this data gives rise to a number of questions:

- How do you make sense of all the data you have?
- How much effort and resources do you apply to make sure you can use this data effectively?
- How do you take action on the insights you have gathered from the data?

Trend 3.

Bits and Bytes: Everything is Digitising



We know we're living in the digital revolution – it seems everything is digitising. So why is this trend still one to watch in 2014-15?

We know what has happened to Music – we have the MP3 and MP4 players; we know about Photos – we upload to Snapfish or Flickr or Facebook; we know about Video – we've watched viral videos on YouTube; we know about publishing – we've seen the decline in newspaper circulation and the rise of the e-Book.

This is a relevant trend to watch because we need to ask ourselves the question: what's next?

Don't assume that your industry or service will be immune from the move to digital.

It has already started with Money. Electronic Funds Transfer has been around a long time now but we are seeing the widespread take-up of near field communication for small payments which represents another step along the path towards the long promised cashless economy.

At a media conference in November 2012, electronic payment provider PayPal's President David Marcus said that PayPal is seeing an increasing number of consumers buying items with mobile devices, as well as pre-shopping for major purchases on their mobile devices.

PayPal is no longer limited to online purchases anymore. It is available as an in-store payment option at more than 20,000 locations worldwide.

14 years ago The Economist reported:

“In public, no bank boss these days would admit to anything less than whole-hearted enthusiasm for the online adventure. In private, however, some still see it as just another distribution channel, perhaps less important than others, such as the telephone. A few still cling to the dream that it is a fad they have to indulge because their shareholders seem to like it. Even such non-believers, however, are being forced by the market to formulate an online strategy. If they are too slow, or get it wrong, the consequences for their firms could be deadly. And if they still need convincing, they need only look at what has happened in just four years to stockbroking.”⁶

But once again, as we said in the introduction, where there are threats there are sure to be opportunities as well. For banks, it has been the opportunity to cut costs and market their products more efficiently. An online bank account is cheaper to administer.

Bitcoin

Bitcoin is a peer-to-peer payment system and virtual currency, introduced in 2009, that doesn't belong to any nation. Like all currencies though it can be exchanged into conventional currencies.



What's really interesting about Bitcoin is the way it poses a challenge to big banks. It has the potential to become a really cheap global network of transmitting money anywhere, anytime, so some analysts are suggesting it could be as dangerous to traditional banks as Amazon has been to retailing.

Jeremy Bonny, a Product Manager at CoinDesk www.coindesk.com thinks Bitcoin is definitely more interesting as a way of moving money around because it's faster and cheaper than any other kind of network. Still, the abrupt closure in February of the Tokyo-based market place for Bitcoin, Mt Gox, underscored the risks of this virtual currency that had experienced a meteoric rise in value in the previous 12 months and heightened debate as to whether it really is an online revolution in global money or rather a bubble about to be popped.

Digital destruction

Economist and Director of the M.I.T. Center for Digital Business, Eric Brynjolfsson was quoted in The New York Times on November 17, 2012 as saying:

“Technology is always destroying jobs and always creating jobs, but in recent years the destruction has been happening faster than the creation.”⁷

The article went on to say that despite this, the digital transition is creating enormous wealth and opportunity, pointing out that four of America’s most valuable companies – Apple, Google, Microsoft and IBM – are “rooted in technology.”

Author and futurist Anders Sormann-Nilsson, calls this Digital Darwinism, where only the fittest will survive in the new digital world.

Changes are happening in banking services, broader financial services, including accounting and legal. Virtually no industry will be immune from the digitising of data and the digitising of services.

- What are the trends happening in your industry?
- Are you prepared?
- Is your company prepared?

Trend 4.

Because of Social Media, We're All in Media Now



Social media has revolutionized the way we communicate, the way we keep in touch and the way we reconnect.

But there is one place where the usefulness of Social Media has been slow to gain traction: in business.

In 2014-2015 this is changing.

Many executives used to see social media as a 'cute' social tool, regarding such sites as unwelcome distractions for their employees whilst they were 'on company time'. Some businesses restricted or even blocked employees' access to sites like Facebook. Others though – such as chartered accountants Deloitte – recognised the value in accessing their employees networks from, for example, a recruiting or marketing and communications perspective.

In 2014-15 we are seeing businesses begin to turn social conversations into commercial conversations. How effectively they achieve this will be key to future growth.

Whilst executives have viewed social media as a 'cute' social tool, they haven't seen the imperative to incorporate these new technologies into their business strategy. It is flawed thinking

to wait until such stage as you can see a compelling ROI on social media expenditure *before* incorporating such a strategy. By that stage the fickle 21st century consumer may have switched brand loyalty to a competitor who has already started a conversation with them. Social media provides a new low-cost channel by which a business or organisation can engage with existing and prospective customers – a chance to build and nurture a relationship.

This is a key point. It is important to recognise that businesses can use social media as a profile building and relationship building tool – you don't have to make a sale at the first interaction.



Another big change is the increased use of social media as a B2B tool – businesses using social media to connect with other businesses.

In February 2013, Sylvia Jensen, the Director of Europe Middle East and Africa (EMEA) Marketing at Eloqua Marketing conducted a comprehensive survey of social media usage by business. These were her key findings:

Social Media as a Marketing Tool

Only 64% of the UK companies surveyed use social media as a marketing tool, meaning that over a third (36%) do not. Within those companies, the PR/communications department is most often responsible for the social media strategy and output (in 26% of cases).

Interestingly, the next most common arrangement is for social media to be shared across different departments (23%), while only 11% of companies' leave social media management to the web team.

Companies cited three top reasons for using social media: creating brand awareness (83%), encouraging social sharing (56%) and gaining trust and followers (55%). Under one third (32%) said they use it for lead generation, while only 16% use social media to assess market perception of their brand.

The Most Popular Social Networks

B2B marketers clearly favour the 'big three' social networks as marketing tools. Of those who use social media for demand generation; 80% use Facebook, 78% use Twitter and 51% use LinkedIn. LinkedIn, 'professional social network,' trails behind despite figures suggesting that it is almost 300% more effective than Facebook and Twitter for lead generation.

Demand and Lead Generation

Over half of B2B companies are not tapping into social media's potential as a lead generation tool. When asked "Is your company using social media for demand generation?", only 35% of respondents said yes. No was the answer from 53%, while 12% were unsure.

Most companies (43%) admit they have no strategy in place for incorporating social media into demand generation. A third were unclear of the value, while 18% said a lack of tools prevented them from using social media for lead generation.

Is the Future Social for B2B Marketers?

The study indicates that B2B marketers are planning to use social media marketing increasingly. Three quarters of the sample indicated ways their company plans to use it in the future: "to better understand market perception" as the leading goal (17%).

Marketers expect to see benefits from using social media to generate demand, including increased reach and brand awareness (50%), driving inbound leads to increase revenue (35%) and measurable impact on demand or revenue (28%).

Trend 5.

Rethinking Need: The New Age of Austerity



Five years of global economic uncertainty, depressed consumer sentiment and belt-tightening ushered in a new age of austerity, a new era of frugality and created a more selective, value-conscious consumer.

Manufacturers and retailers have nurtured this new psychology by conditioning shoppers to expect great products and services at reasonable prices and in 2014-15 those expectations will remain.

Many premium brands are now offering value options as conspicuous consumption has gone underground. People do not want to be seen to be ostentatious with their wealth - wealth has gone down low and many of the brands that really stood out in the past will find it increasingly difficult to capture the spend of a more discretionary customer. Customers are now asking a primary question: "Do I really need it?"

Bargain Hunting

Although many consumers have always sought out bargains, any purchases have usually been kept low-key and have not been something to shout about. The attitudes of consumers to bargain hunting has changed.

Securing a great deal or bagging a bargain is not only now well and truly accepted; it is now also something that is applauded by friends and fellow consumers.

Websites like Freecycle.org or Gumtree.com.au or TuShare.com have struck a chord with the new environmentally conscious 21st century consumer who sees increased value in a 'worn-out' product.

- Where is your product or service positioned in the market?
- Does your product or service appeal to price-sensitive consumers?

TuShare.com



Founded in 2013 by author, scientist and former panellist from the ABC television series 'New Inventors', Dr James Bradfield Moody, TuShare is a sharing network where friends can give things that they no longer need to one another. Users needing items can add to their wishlist of things they want, and then browse what other people in their social network have to give away.

TuShare allows you to save money, help others and save unwanted goods from going to the landfill. This taps into the environmental consciousness of today's citizenry.

Trend 6.

Unlocking Future Value: Recycle, Reuse, Re-commerce



The goal of a more sustainable lifestyle will continue to be a most important priority for years to come.

A growing 'green' trend in 2014 has been the continuing phenomenon of brands helping consumers to recycle by taking back all old items from customers, and then actually doing something constructive with them.

Consumers are increasingly aware not only of the financial value in their past purchases, but the material and ecological value of 'stuff' as well as the future value.

This uncertainty is shaping a sustained and systemic change to shopping habits.

In October 2013 Apple expanded their successful recycling program to the UK, paying customers who bring in their old iPods, iPhones, iPads, Macs and PCs.

"iPhones hold great value. So, Apple Retail Stores in the UK are launching a new programme to assist customers who wish to bring in their previous-generation iPhone for reuse or recycling. In addition to helping support the environment, customers will be able to receive a credit for their returned phone that they can use toward the purchase of a new iPhone" Apple told The Telegraph in London.⁸

- Can your company or organisation facilitate the transfer of value in end-of-life products to a new owner?

Trend 7.

Sharing is Caring: Collaborative Consumption



“Earth provides enough to satisfy every man’s needs, but not every man’s greed.”

- Mahatma Gandhi

One of the biggest trends we are following is the rise of Collaborative Consumption. Collaborative Consumption describes the rapid explosion in traditional sharing, bartering, lending, trading, renting, gifting, and swapping that has been reinvented through network technologies on a scale and in ways never possible before.

Collaborative consumption gives people the *benefits* of ownership with reduced personal burden and cost and also lower environmental impact—and it’s proving to be a compelling alternative to traditional forms of buying and ownership.

From enormous marketplaces such as [eBay](#) , to emerging sectors such as social lending ([Zopa](#) or [Kickstarter](#) or [IndieGoGo](#)), peer-to-peer travel ([Airbnb](#)) and car sharing ([Zipcar](#) (US), [GoGet](#) or [FlexiCar](#) (Aus) or peer-to-peer [RelayRides](#) (US), or [DriveMyCar](#) (Aus), Collaborative Consumption is disrupting outdated business models and reinventing not just *what* we consume but *how* we consume.

From car sharing services to house-swapping and from crowd-funding to cause supporting, new market places are enabling “peer-to-peer” to become the default way that people exchange — whether it’s unused space, goods, skills, money, services or even ideas.

Other examples include Uber, Airtasker,

[TaskRabbit](#), [ParkatmyHouse](#), [Zimride](#), [Swap.com](#), [Zilok](#), [Bartercard](#) and [thredUP](#) and sites like these are appearing all over the world, every day.

What are the underlying drivers causing the groundswell in collaborative consumption?

There are four key drivers that have converged to create this explosion in collaborative consumption.

They are:

1. The Development of Peer-to-Peer Technologies;
2. The Resurgence of Community;
3. Environmental Concerns;
4. A New Cost Consciousness;

Perhaps the Sunday Times (UK) summed it up best when they wrote: **“Technology is increasingly enabling us to make money from our time, skills and possessions, with the agreeable side effect of strengthening our communities”**.⁹

There are a number of car-share companies operating in Australia now. By all accounts, they work very well and present a much more affordable option for many people than car ownership. You can be certain a trend is set when an existing market participant sets up a new business model so as not to be disrupted by the new businesses: Hertz on Demand has been created to compete with the likes of ZipCar, GoGet etc. <http://www.etravelblackboard.com/article/137572/hertz-brings-global-car-share-to-sydney>



These businesses all come under the umbrella of this trend – the shift to collaborative consumption – members of a community sharing resources for the benefit of all. The car sharing model has already developed with www.CarNextDoor.com.au where the business itself does not own any vehicles but rather facilitates the connection between people who have a spare care with people wanting a car.

In much the same way the car sharing companies are doing with car rental, AirBNB www.AirBNB.com is doing with accommodation, EatWith www.EatWith.com is doing with dining experiences, connecting travellers with an interest in food with hosts in cities around the world. People are becoming more connected than ever before.

Writing in the Harvard Business Review, Sydney-based social innovator and thought leader Rachel Botsman said: **“Collaborative consumption is not a niche trend, and it’s not a reactionary blip to the recession. It’s a socioeconomic groundswell that will transform the way companies think about their value propositions—and the way people fulfil their needs.”**¹⁰

We agree.

- How might consumer’s changed attitudes to product ownership affect your business?



CarNextDoor.com.au is a new way to car share in Sydney and Melbourne. It’s Australia’s first neighbour-to-neighbour (or “peer-to-peer”) car sharing network.

How does neighbour-to-neighbour car sharing work?

“Traditional’ car share companies like GoGet, Flexicar, GreenShareCar and Hertz on Demand own a fleet of cars and park them in dedicated car share bays around the city. Members can book online and hire the cars by the hour or day.

Car Next Door works much like traditional car sharing – you book online, don’t need to meet anyone to exchange keys, and are covered by their \$20 million comprehensive insurance policy if you have an accident.

The difference is that the car share vehicles belong to your neighbours, rather than a car sharing company.

Why car share?

Car sharing is cheaper than owning a car and simpler than car rental. The cars are just around the corner and you don’t have to fill in car rental paperwork each time you want to hire a car for a quick trip.

Trend 8.

The power of a crowd: Crowd-funding and P2P



In 1994, Microsoft founder Bill Gates was quoted as saying: “Banking is necessary. Banks are not.”

Banks and other financial firms are intermediaries, standing between lenders and borrowers, savers and spenders. The decision as to whether to lend funds to an aspiring entrepreneur or business owner depended upon a number of variables – the perceived likelihood of success; did the business owner have a track record in business; did they have collateral to risk as security for the loan; or even simply the whim or caprice of the lending manager.

When traditional credit markets dried up in the wake of the Global Financial Crisis amid tighter lending criteria that restricted access to capital, Peer-to-Peer (P2P) lending and crowdfunding was born.

A proliferation of online platforms are now allowing people with money to spend or money to invest to connect with charitable organisations promoting a cause or new entrepreneurs with great ideas but short of the funds to bring the idea to life.

Crowdfunding allows an entrepreneur to pitch their idea to the world in exchange for the promise of a reward – often to be the first to receive the product once it has been manufactured.

Crowdfunding has turned traditional business theory on its head. It used to be that business did not connect with customers until after the product had been manufactured. Crowdfunding allows an entrepreneur to connect with potential customers much earlier than that – even at the conception and creation stage.

As Wil Schroter wrote in Forbes Magazine, “Prior to crowdfunding campaigns, the idea of pre-ordering a product that had never been produced was virtually unheard of. Big companies with strong reputations could sometimes offer pre-orders of everything from video games to movie tickets, but the idea of a single entrepreneur successfully raising capital for just a prototype was a pipe dream.

The popularity of crowdfunding has encouraged widespread acceptance of requests for capital prior to production. This has led to an explosion of new campaigns allowing entrepreneurs to self-capitalize their ideas.”¹¹

Apart from the ability to raise funds prior to production – what is being called ‘pre-tailing’ as opposed to retailing – this provides the entrepreneur with something very valuable – the ability to gauge market interest in a new product from prospective customers and thus minimise the risks of production, a significant cause of business failure.

In an article about P2P lending in September 2013, the Australian Financial Review reported on the growth of the industry. Quoting research by the Open Data Institute it was reported that if the present pace of growth continues, the United Kingdom P2P market alone will be worth \$1bn within two years.¹²

In Australia growth has been slower but if overseas trends are a reliable predictor of future trends here, then we are poised for massive growth.

The AFR reported that the potential power of P2P lending was recognised by the Australian Centre for Financial Studies in its Funding Australia’s Future report, (July, 2013) which pointed to technological advancement, innovation and regulation as three factors changing the banking industry. The report said: “Arguably we are at a point in history where the interaction of those factors is pointing towards a significantly lessened relative role for financial intermediation.”¹³

Matt Symons, co-founder of Australia’s only active P2P lender, SocietyOne, makes the point that P2P lending offers a very different approach to traditional funding. “The model becomes really powerful when it supports a return to community, grass-roots, real-people lending and away from what the banking institution has become.”¹⁴

As well as being a powerful force for democratisation, as a tool of disintermediation the internet is providing powerful opportunities to disrupt traditional financial markets and provide new opportunities for entrepreneurs.

And it has caught the attention of Government.

On the 24 February 2014 The Federal Minister for Communications, Malcolm Turnbull posted on Facebook an interview with John Medved, the founder of Crowdfunding platform OurCrowd.

Malcolm Turnbull: 24 Feb 2014: “Crowdfunding has become an increasingly popular way of promoting financing for innovative projects, allowing start-ups and rapidly growing companies to access diversified sources of capital. There are already a range of successful crowdfunding platforms in Australia, such as Pozible. This week another online platform,

OurCrowd, announced it would enter the market, offering yet another source of funding. I spoke to its founder, Jon Medved, about the implications for Australian entrepreneurs.”¹⁵

Watch the interview here: <https://www.youtube.com/watch?v=8gf4kJhRETU>

Crowdfunding is opening up new ways of investment and new ways of funding for individuals, entrepreneurs and business. Crowdfunding as an investment model is revolutionising the way lending and borrowing happens. It is proving to be a legitimate and stable investment option that is poised to not only stay in the game, but also dominate and topple antiquated industry models.



SocietyOne is Australia's first fully compliant P2P lending platform. SocietyOne offers investors the opportunity to invest directly into a diversified portfolio of personal loans issued to credit-worthy Australian borrowers. Personal lending is an asset class that has been one of the most profitable parts of the Big 4 Australian retail banks over the last 5 years. SocietyOne is now making this personal lending asset class available to qualifying investors. See <http://www.societyone.com.au/>

By empowering consumers and lowering transaction costs, online marketplaces have transformed a range of traditional industries including consumer retail, travel and entertainment. SocietyOne is a peer-to-peer lending platform that intends to revolutionise the consumer lending market by offering borrowers a better deal for personal loans and providing commensurate returns for investors.

By removing the costs and redundancies in the traditional banking sector we're able to effectively connect borrowers and investors, passing on those savings in the form of a better rate across all our online personal loan offers.

Learn more about SocietyOne here: <https://www.youtube.com/watch?v=lZqxVKgVbaM>

Trend 9.

Getting a Webucation: The Online Learning Revolution



The advent of the internet and the increasing use of technology in the classroom are changing the way we learn. Teachers have never before had such a vast array of teaching methods available to them and students have a wealth of information easily available.

Yet, the method of accreditation remains largely unchanged. Students are learning in a 21st century context of collaboration and cooperation but are still largely examined by a 20th century means of question and – often rehearsed and regurgitated – answer.

While the world has moved on, the education system has not, meaning most students are not being adequately prepared for life after school in the 21st century.

Instead we seem to be stuck in a quagmire of 20th century thinking, sending the message to students that says the surest way to a successful future is to: “go to school, study hard, get good grades, go to university and then you’ll get a good job”.

This worked for students in the industrialised 20th century, but with the world rapidly advancing in technology and thinking, it just doesn’t cut it in today’s new world. With an increasing number of

university graduates finding that their university qualification does not necessarily qualify them for entry into the workplace, it is time these questions were asked:

- Is the knowledge upon which students are measured really relevant in today's workplaces?
- Do diplomas and degrees accurately reflect the acquisition of skills that are necessary in the 21st Century labour market?

Today's educational structure and education institutions were created in an age of information scarcity. As Belgian author and authority on learning processes and innovative organisations, Jef Staes has written: "Knowledge was the privilege of insiders, the rich, the smart, and the powerful. This knowledge reinforced their status within society and within this structure."¹⁶

As the internet has been a democratising force on so many other industries, so it is now to education. We have moved from an era of information scarcity to an era of information abundance and the traditional foundations of education institutions are, as Staes notes, "slowly crumbling."

With information now in abundance and increasingly freely available, we may well see a decline in the perceived value of a traditional university degree.

Massive Open Online Courses (MOOCs), starting with The Khan Academy www.khanacademy.org and followed by websites such as Udemy.com, Udacity.com and Coursera.org are reinventing the delivery of education, posing a very real threat to the business model of traditional universities.

The demand for short online courses is certainly there. In September 2012 Melbourne University announced it would be offering nine subjects online via Coursera. Within one month more than 40,000 people had enrolled in these free courses online – more than the entire number of students already enrolled at the University.

In contest is the ideological idea of making education freely available to the masses, as against the preserve of tradition, reputation and cachet of the established learning institutions.

Of course there are many subjects – Medicine, Engineering, The Sciences – which require a significant practical component and these will be delivered in person, on premises. However, there are many subjects – Law, Economics, Politics and History – that can, and will likely enjoy a significant online delivery component.

We're following this trend closely. What is likely to play out is a blended learning experience where university instructors choose the best of the online resources for students to watch *before* coming to class, allowing class time to be spent diving deeper into the subject matter. Either way, students stand to benefit from a richer education experience.

Trend 10.

Business as a Force for Good: The Rise of the Social Entrepreneur



In 2010, GlobeScan research revealed that confidence in the capitalist free-market system had plummeted during the first decade of the 21st century – from 80% in 2002 to barely 50% in 2010. A majority had lost trust and confidence in business and Government as well.

The present economic system just was not working for the benefit of all society. In response we're seeing a new breed of entrepreneurs seeking to do good by doing business.

The Harvard Business Review reported 12 months ago that the Social Entrepreneurship revolution had its genesis in the elite INSEAD in Paris and Harvard Business Schools in the mid-1990's. The question was asked how Harvard and INSEAD could apply their distinctive competencies to improve management in the social sector.

Up until that point business and entrepreneurship largely pursued one key objective: profit. Since then we've seen wide recognition, appreciation and adoption of the Triple Bottom Line (TBL) philosophy – sometimes called 3BL – a business model developed to encourage social responsibility and sustainability among businesses worldwide. A TBL company will consider People (both their employees and the members of the community in which they conduct business), Planet (environmental impacts of their business), as well as Profit.

Fast forward those twenty years and as Forbes magazine recently reported, social entrepreneurship has come of age.

Accelerating this coming of age has been two social changes – one economic and one demographic.

Economically, we are living in a post-GFC world.

Demographically, many Generation Y's have considered self-employment. Born between 1980 and 1994 this is the most educated, financially-endowed and socially-connected generation in history. What does this mean for their approach to work and business? They have commenced their economic earning years higher up Maslow's hierarchy of needs than any previous generation. For them, the basic necessities of life are already taken care of. Many were still living at home, or had returned home after time away. They are the KIPPERS – Kids in Parent's Pockets, Eroding Retirement Savings.

At the peak of Maslow's hierarchy of needs is self-actualisation and this generation is right up there. Their purchasing decisions and career decisions are not made solely through a financial lens. No, for them other considerations are key. Questions such as: What is the social impact of my purchase? What are the values of the organisation I am working for?

The point is, **this generation has had a very different psychographic profile to generations past and this, combined with the economy of the times, has influenced their approach to entrepreneurship.**

They are eschewing business to make money for money's sake. Rather, as social entrepreneurs they are developing innovative business models that blend traditional capitalism with solutions that address the long-term needs of our planet.

"MBA programs today are minting not just captains of industry, but also crusaders for social good. Any program teaching business skills needs to train their graduates to serve both companies and society. This means equipping would-be entrepreneurs with an understanding of multiple bottom lines and equipping would-be corporate professionals with intrapreneurial vision to connect business interests to social value. Steeped in both social and business principles this new breed of MBAs will be able to navigate complexity and create opportunities to sustain the world we live and work in."¹⁸

- Katie Smith Milway, The Rise of Social Entrepreneurship, Harvard Business Review, 28 Feb 2013

thankyou.
water

A great example is the Thankyou company. www.thankyou.co (not .com). Starting with water, this social enterprise founded by then 19 year old Daniel Flynn in 2009 has now expanded into food and body care lines as well. Once all of the costs of production are taken care of, all profits are directed to life-changing projects in the developing world.

- Are you considering your customer's psychographics as well as their demographics?
- Is there a change you can make to take advantage of the changing psychographics of 21st century consumers?

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About us.

Who we are

We are a strategic research, social media, future trends and communications consultancy.

What we do

We deliver engaging conference presentations, boardroom briefings and facilitated workshops.

We research the emerging trends so your business or organisation can perfectly prepare for change, position for change, adapt to change and profit from change.

We help you to better understand the trends that are shaping our changing world.

We think creatively and strategically to deliver real solutions for business growth.

Who we help

We work with big and small businesses and organisations in the not-for-profit, Government and education sectors.

We have worked with many of Australia's most recognisable brands.



Our Principal, Jeff Gilling is regularly called upon by media to commentate on the demographic and social trends that are shaping our changing world.

Whether it is the latest research affecting your sector, advice on the best social media strategy for your business or organisation, a keynote speech on changing trends, a creative brainstorming session or research to gather insights to better understand and connect with your customers, we can help you. In fact, we'd be delighted to. Talk to us today. We look forward to working with you.

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Prepare for change * Position for change * Adapt to change * Profit from change