

Tracing the Future of Consumption

The Fragmentation of Societies and its Implications for
Business Strategies



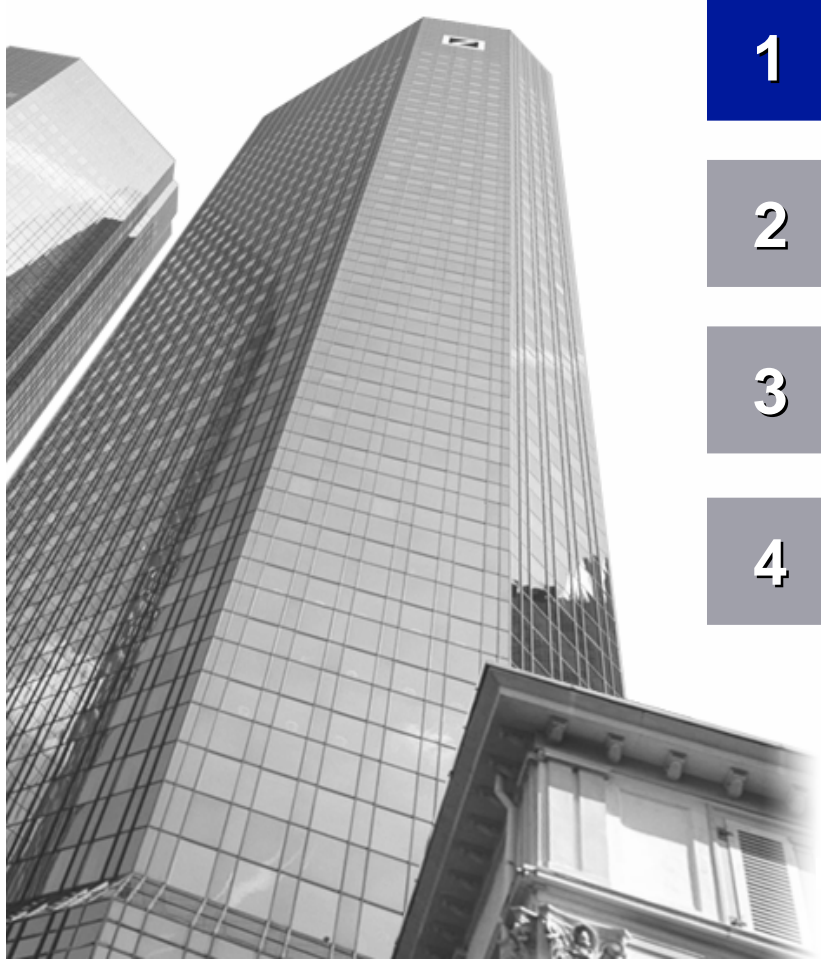
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Deutsche Bank Research



Agenda



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Foresight at Deutsche Bank Research

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DB Research's Trend Map

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Trendcluster: Fragmentation in Societies

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Fragmentation: Strategic Implications




Foresight at DBR

Strategic Foresight in Banking: a Must

- The major role of a financial institution is to assess, transform, trade and take on **risk**.
- Structural changes in the socio-economic environment make these tasks even more demanding.



Banks need systematic global analyses of possible and likely futures
for both  successful day-to-day business
and the development of sustainable long-term strategies.

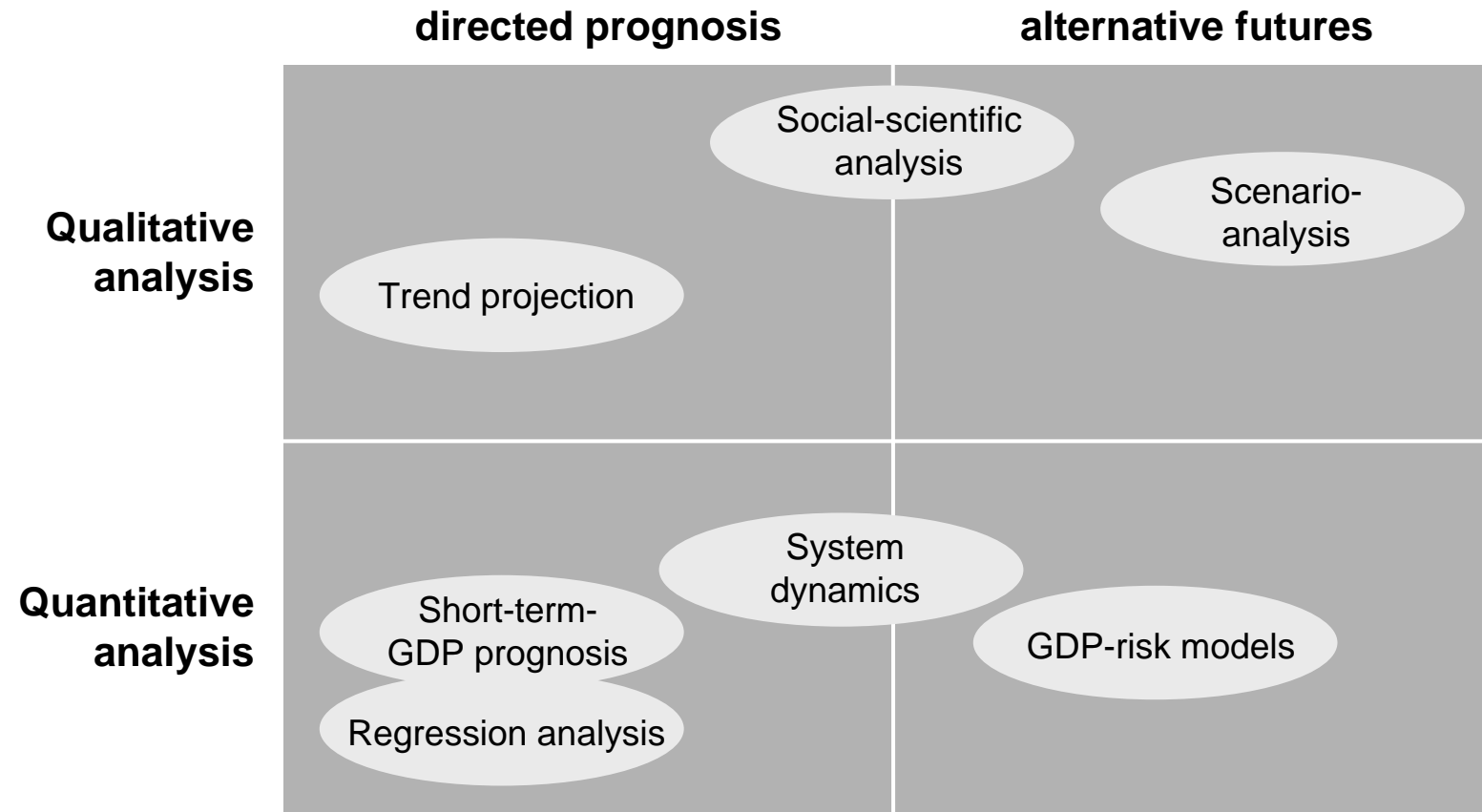


DB Research's Mission: Think ahead for Deutsche Bank !

Deutsche Bank Research

- analyses the economic, societal, political and technological environment of the group...
- ... with a long-term perspective and interdisciplinary scope,
- contributes knowledge about the future to the strategy and decision-making processes of the Board, Executive Committees and business units of Deutsche Bank,
- intensely communicates with peers, plays an active role in public debate, and strengthens DB's brand.

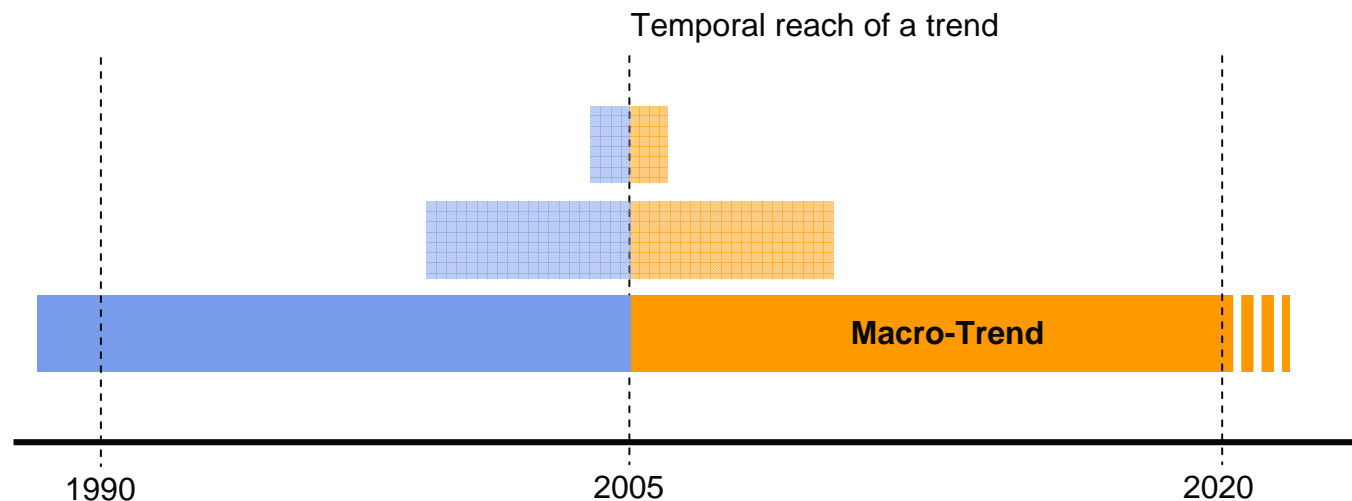
Research with a broad spectrum of methods



Trend research at DBR

Analysing and Mapping Macro-Trends

- Trends depict long-term, directed changes in different environments
in nature, societies, economies, technologies
- Trends are differentiated with respect to temporal reach
Macro-Trends reach back in the past and extend 15 years into the future
- Trends are selected with respect to their stability and their potential impact on economic growth



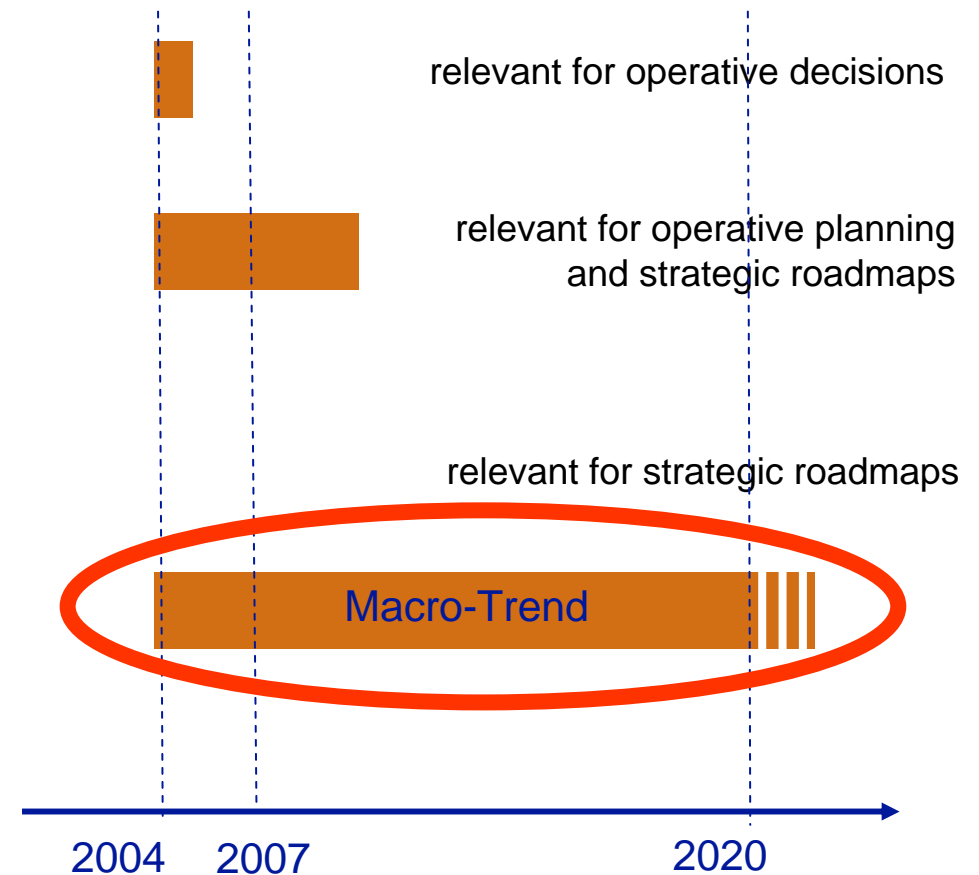
Trend research at DBR

Characteristics of Macro-Trends

- describe long-term, generic, societal and economic developments,
- are sources of multiple dynamics,
- are developments that unfold over a long time scale,
- have long-term as well as short-term impacts.

An analysis of Macro-Trends always en-compasses a **definition** of the trend, its **drivers** and its **implications**

Time scale of trends



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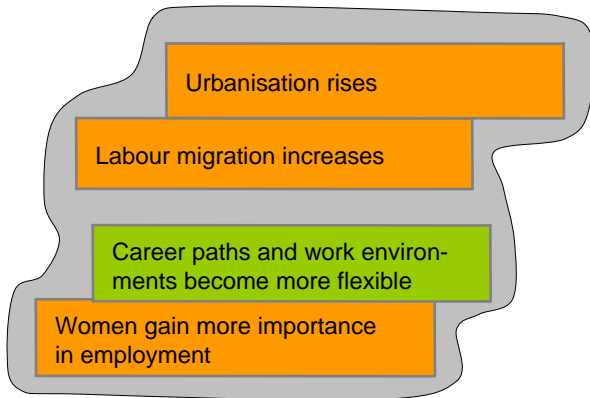
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Trendcluster: Fragmentation in Societies

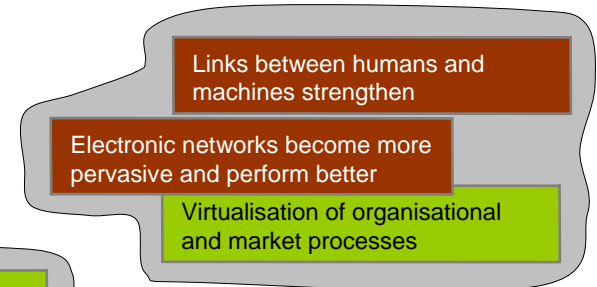
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Fragmentation: Strategic Implications

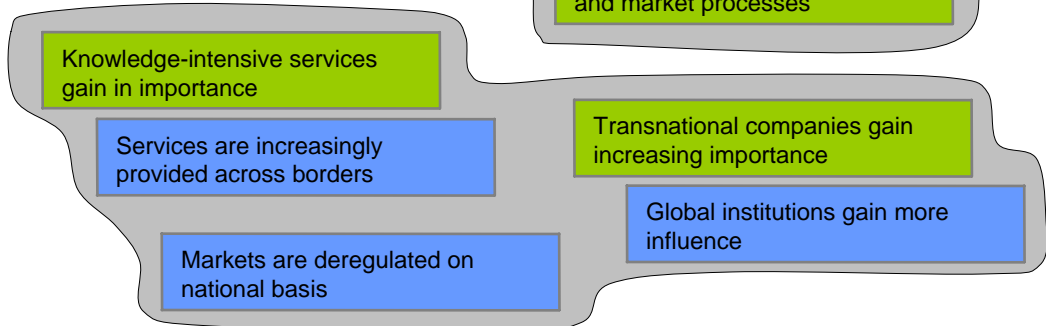




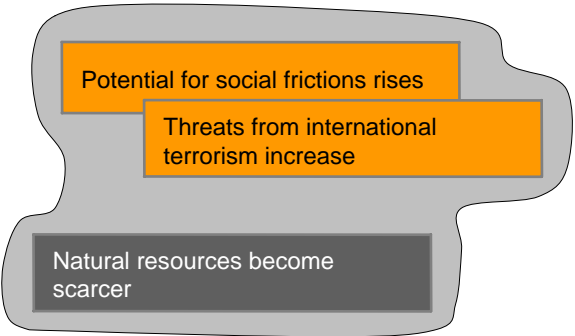
Process virtualisation in networks



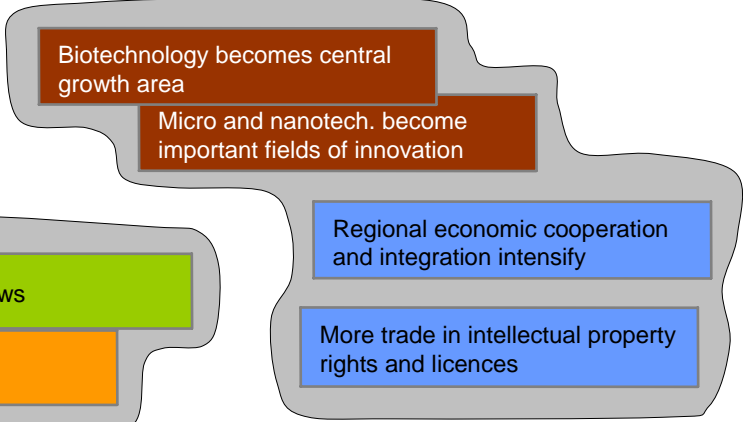
Global networking in business and politics



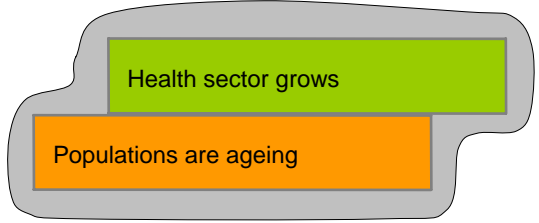
Restriction of growth



Conquest of smallest structures



Enlarging scope of life



**DB Research
Macro-Trend Map**

The trends that will shape the global economy in the next two decades

Why we map trends

The Trend Map is used for

- Exploiting historical information in combination with current trends,
- Providing a framework for the interpretation and analysis of new information,
- Defining the cornerstones of corporate strategy,
- Making consumer insights an advantage for the entire organisation.

Lessons learnt by mapping trends

The graphic mapping of trends (trend map) has the following advantages:

- Speeding up foresight communication and diffusion
- Visualisation of trends' interdependencies: Encouraging **systemic** thinking
- Facilitating direct client interaction
- Increasing clients' foresight autonomy
- Easing process integration and synchronisation
- Encouraging **creative** thinking and working

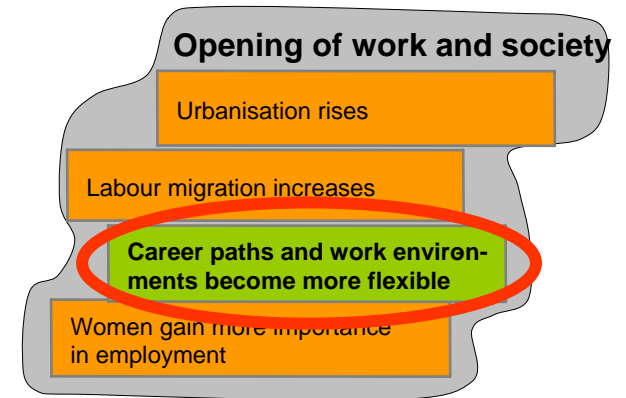


Mapping Trends - An Example

Career paths and work environments become more flexible

Definition of Trend:

- More frequent changes of jobs
- Blurring of boundaries between work and leisure
- New patterns in employment biographies (Yoyo biographies)
- People accumulate more human capital: Life-long-learning and training
- Growth of entrepreneurship, small business ownership and self-employment

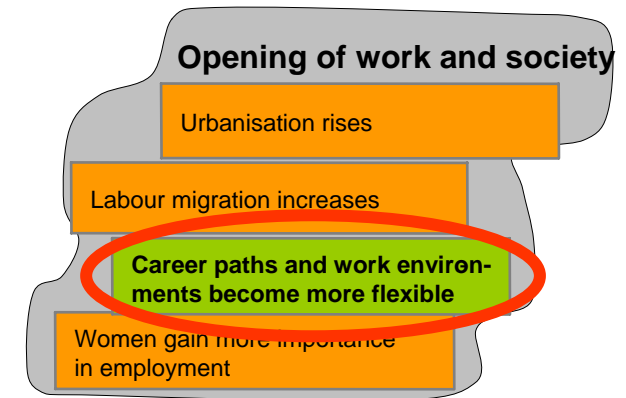


Mapping Trends - An Example

Career paths and work environments become more flexible

Drivers of Trend:

- More fierce competition in labour markets
- More pressure to take up jobs when unemployed
- Disappearance of life-long employment
- Strive for job satisfaction and employability
- New job profiles and forms of value creation
- More focus on individual rate of return on education
- More women in jobs with higher status
- Higher age-dependency ratio, longer working life
- Decreasing bonding in families, less kids



Deducing Opportunities with the Trend Map

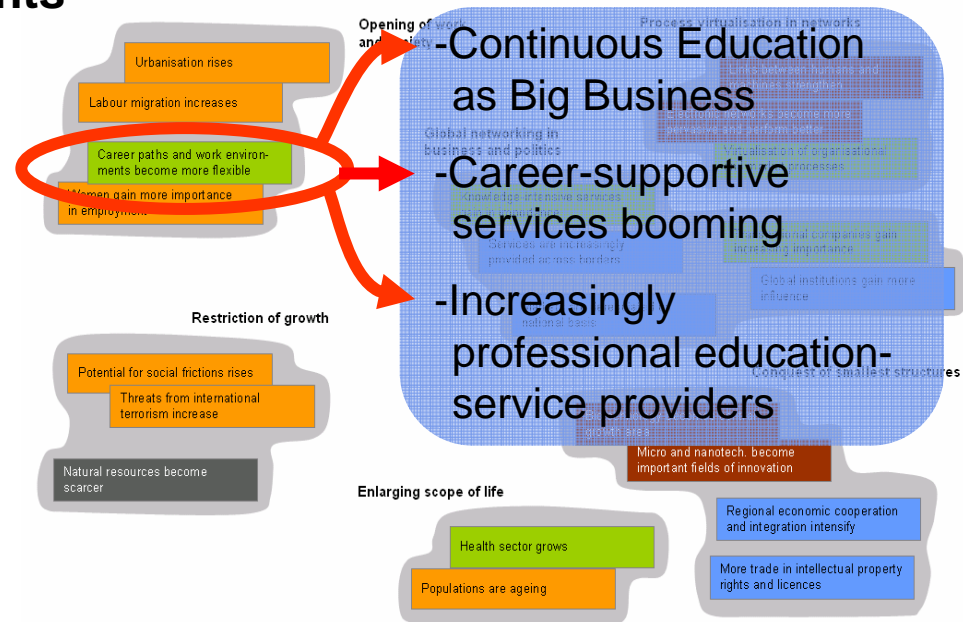
Career paths and work environments become more flexible

Implications of Trend:

- Continuous education as big business, education as investments
- Career-supportive services booming (e.g. career-coaching, relocation-Management)
- Increasingly professional education-service providers

Implications for the Bank

- Redesigning service provision, new financial products and increasingly flexible financial planning



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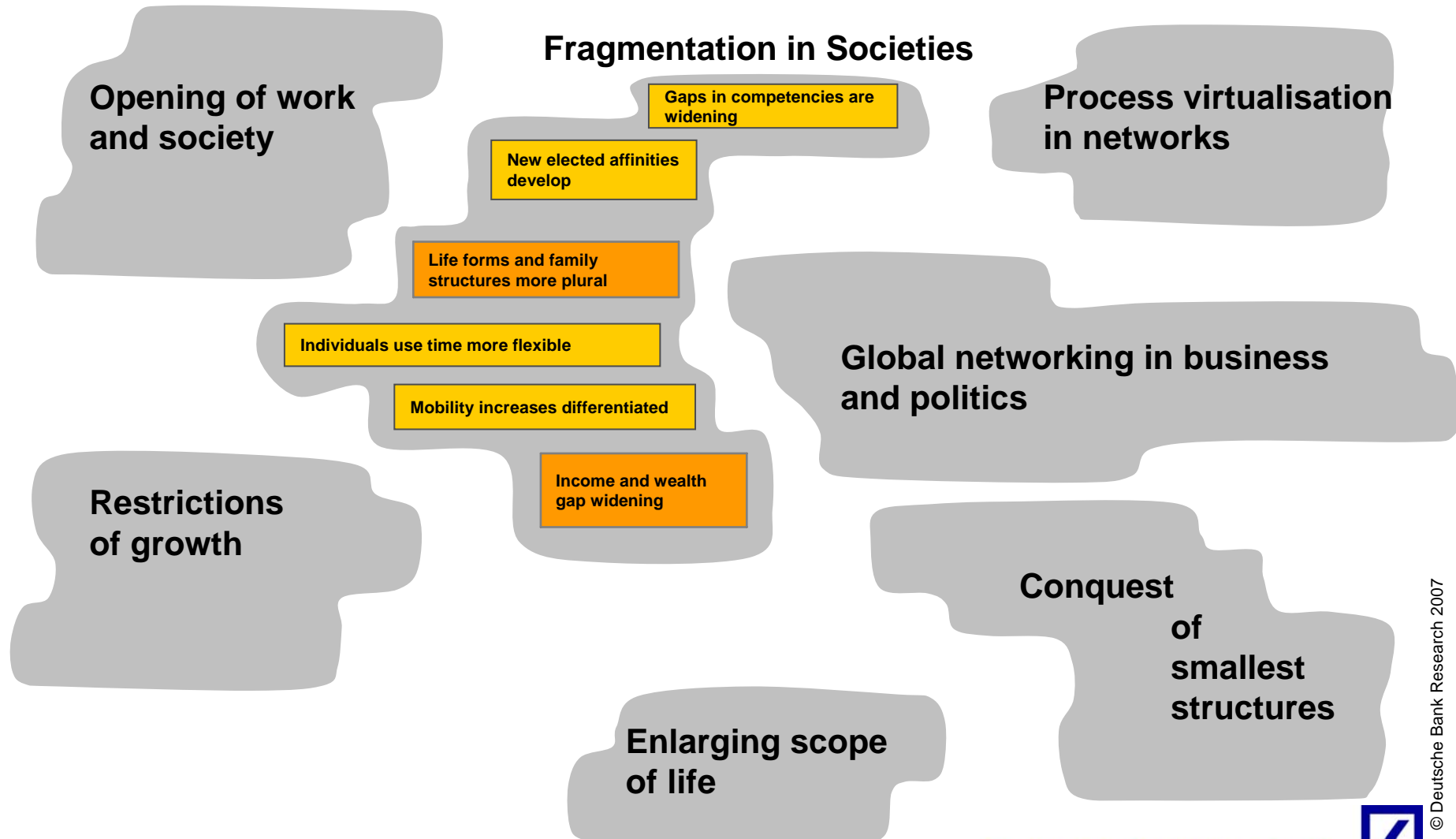
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Fragmentation: Strategic Implications



Broadening the scope of mapping trends: Society



Trend: Gaps in competencies are widening

Trend Definition

Digital division

The digital divide with respect to the availability and use of media, information hardware and information devices and bandwidth is increasing

Cognitive crevices

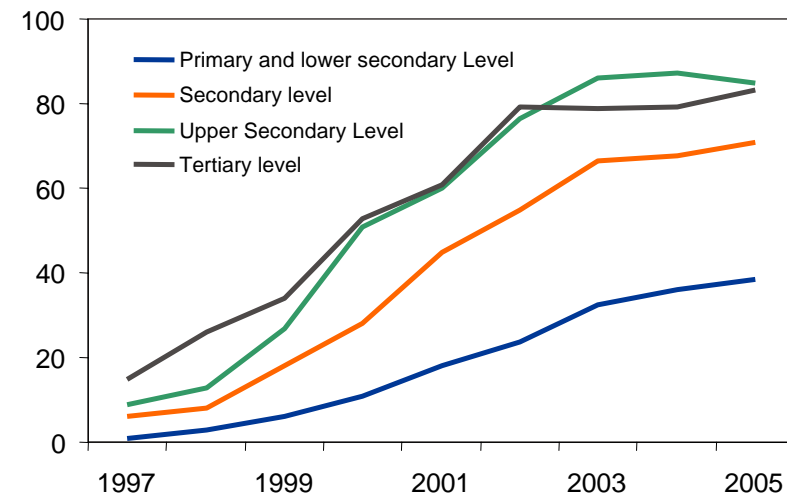
Levels of literacy, knowledge and competencies of individuals differ more, in Germany levels of literacy (numeracy, media & information literacy) are becoming more differentiated concerning age, income and location

“Winners” and “laggards” in the “literacy game”

More literate users (youngsters and well-educated users) are able to profit more from fast technological progress; others falling short

Gap in Media and Literacy Competencies in Germany

Access to the internet as regards to education levels in % of graduates



Source: ARD/ZDF-Onlinestudie 1997-2005



Trend: Gaps in competencies are widening

Trend Drivers

- **Differentiated availability of information and knowledge**
Access to new sophisticated information-processing capacities and information repositories (scientific databases) is not granted due to costs, building up knowledge from information requires investments
- **Increasing information supply**
Availability of information leads to phenomenon of information overload. Differentiated information literacy and information processing capacities become apparent: Who is able to process information efficiently and fast, is able to profit above average from information
- **Knowledge and knowledge production get more sophisticated**
Increasing specialisation and sophistication in science, emergence of expert cultures and expert vocabulary
- **Increasing complexity of daily life**
Fast technological progress and increasingly complicated governance structures in politics are setting high hurdles regarding competencies for being an integral part of developments

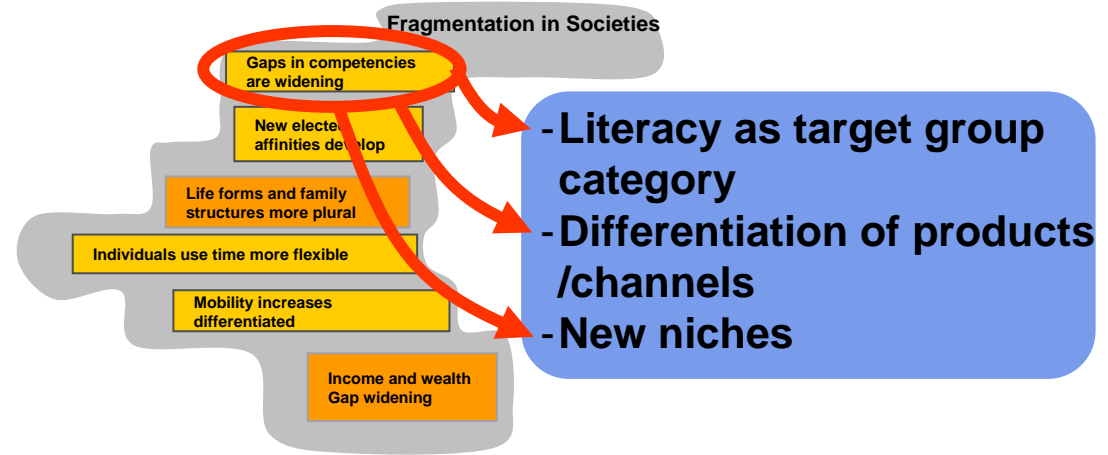


Trend: Gaps in competencies are widening

Implications

- Literacy as category of target groups

Customers are different concerning their ability to process/make sense of information, different information levels; especially literate consumers expect more information on products



- Literacy as target group category
- Differentiation of products /channels
- New niches

- Product design/distribution channels should be differentiated

Differentiation of sales approach/vocabulary, product complexity, distribution channel according to literacy levels,

- “New niches”

Specified information environments, scenes and experiences lead to further differentiating niches, “information packaging” for customers seems to be fruitful

Trend: New elected affinities develop

Trend Definition

Social networking a must

New elected affinities and communities soar

Number of communities of practice increases

More and more employees and individuals form communities based on their special occupational and private interests

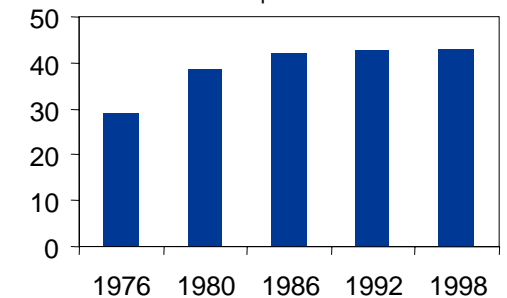
More community-based activities in leisure time

Individuals join clubs and get involved in local community activities to spend their leisure time (sports, culture)

Virtual elected affinities become more important

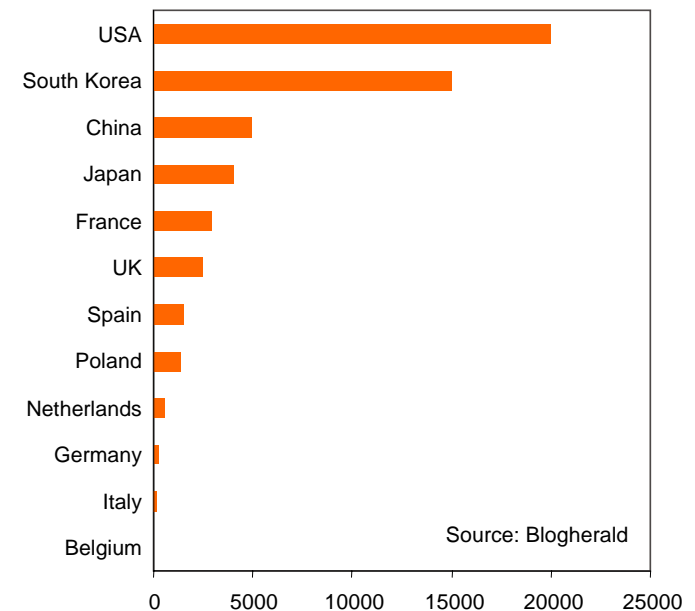
Dislocation of social contacts in virtual realms (emergence of communities also of geographically distributed individuals)

Members of Clubs
in % of German Population



Source: Statistisches Bundesamt

Blogs as form of community-based activity
Number of Blogs in July 2005, in thousand



Source: Blogherald



Trend: New elected affinities develop

Trend Drivers

- **Sophisticated information infrastructures and increasing connectedness**
Finding like-minded individuals more easily with the help of internet and mobile, smart devices
- **Availability of smarter social software**
Social software = Technologies, which support the virtual interaction of individuals (fora, chat, web conferencing, newsgroups, team rooms, weblogs, wikis and other virtual platforms)
- **Need to balance occupationally induced stress and isolation**
Individualisation, identity problems (also with job) increase the need to balance with sports and socialising as well as for security in communities
- **Increasing specialisation of interests**
„Birds of a feather flock together“: Scenes and special-interest communities flourish, expert cultures and tribes emerge



Trend: New elected affinities develop

Implications

- Transparency of markets increasing

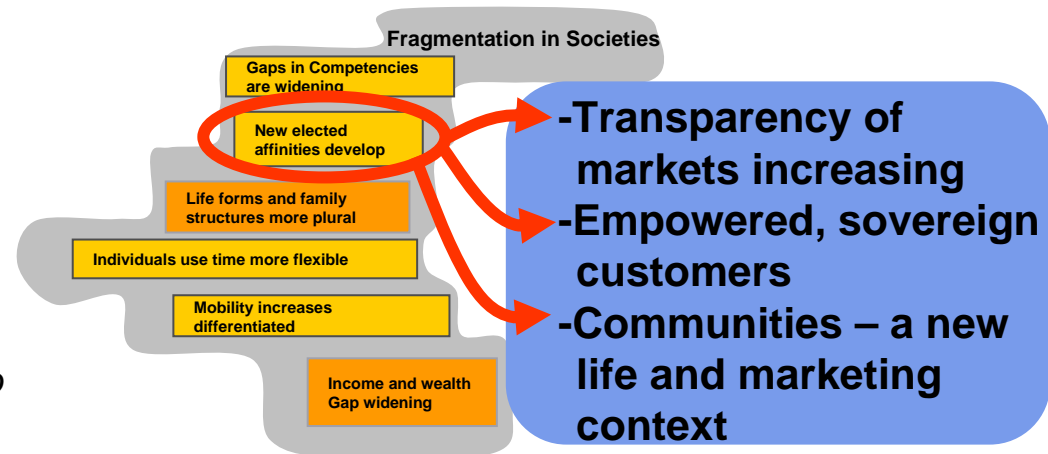
Due to new forms of information exchange for and among customers (product ratings) – “honesty” in providing selling propositions is key to success

- Empowered, sovereign customers

Customers are better informed due to access to pseudo-experts in communities – customer protection and customer education is key to success given the emergence of political consumers (boycotts); spontaneous, issue-centered campaigning and marketing is more common (guerilla-marketing)

- Communities – a new life and marketing context

Consumers design their own social information environments and niches (“Sims”, “Second life”)– new forms of community- and reputation-oriented marketing in new social contexts (like game-ads), information-acceleration-based campaigns as a viable alternative



Trend: Life forms and family structures more plural

Trend Definition

Of Singles, patchwork families and post-marital cohabitations

Life forms become more differentiated and plural, classical family structures change

Family-formation delayed

New „standard-life-course“: Attitudes on lifestyle, family values and life plans change, later marriage and bearing children for the sake of financial consolidation („First things first“- principle“, especially among well-educated individuals and couples)

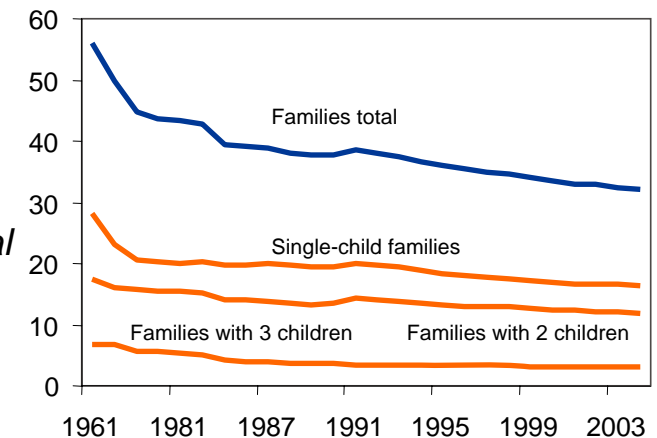
Marriages and families more instable

*Marriages decreasing, increasing divorce rates since 1950.
Lifestyle-shopping and change of life forms more frequent*

New forms of cohabitation in families

Greater spacial separation of family members (due to occupational reasons like sabbaticals)

Number of families in Germany
in % of all households



Trend: Life forms and family structures more plural

Trend Drivers

- Different values and pictures of life-courses

Pattern of “unmarried-married-two children-widowed” is getting supplemented by phases of illegitimate, pre- and post-marital cohabitation; increasing expectations of relationships, disposition to relationships changing – promiscuous behaviour, modified family laws (divorces)

- Angst regarding the future

Declining income opportunities in certain fields and precarious jobs as well as the public discourse fuel angst of not being able to handle financial constraints on families

- Requirements of global, more flexible labour markets

Requirements as regards flexibility conflicting with family plans

- Modifications in family-, social- and labour market policies

Deregulation impedes the stabilisation of jobs, which adds to insecurity

- Increased pursuit of self-realisation

Self-realisation, especially career goals are getting more relevant especially for working women and mothers; labour participation of women makes them more independent financially, increasing opportunity costs of career renouncement of women with good education; childless – sometimes bohemian lifestyles more common



Trend: Life forms and family structures more plural

Implications

- High demand for support services

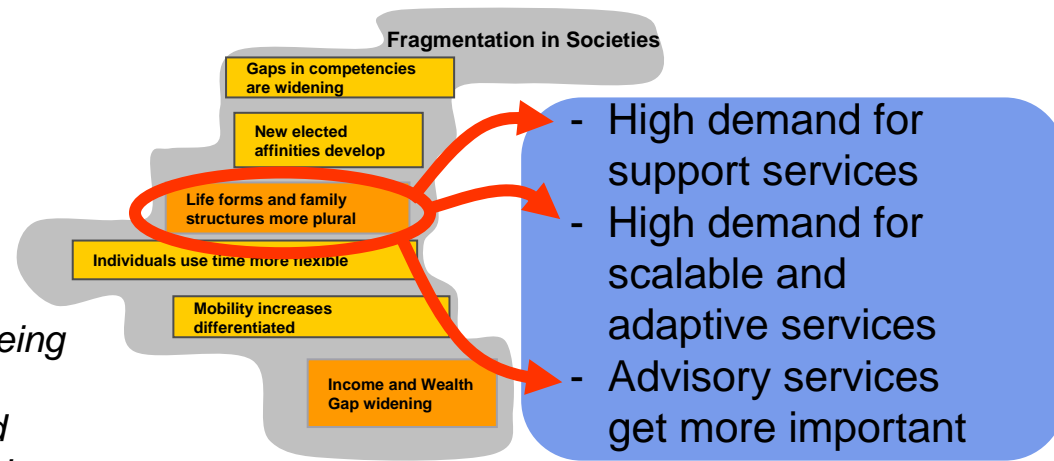
Due to biographical breaches and lifestyle/family-management issues; being fit for the support economy for service providers means that they have to find right balance between self-service and support in service provision

- High demand for scalable and adaptive services

Services (especially financial services) should be scalable and adaptive to change in lifestyles adaptive that take into account a change in lifestyle

- Advisory services become more important

Orientation in lifestyle-shopping and an overview of different life opportunities is attractive for certain customers



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Changing business environments and customer needs

“Robust” Implications

- New niche markets
- Empowered, sovereign consumers

Customers better informed due to access to pseudo-experts in communities – taking your customer seriously;

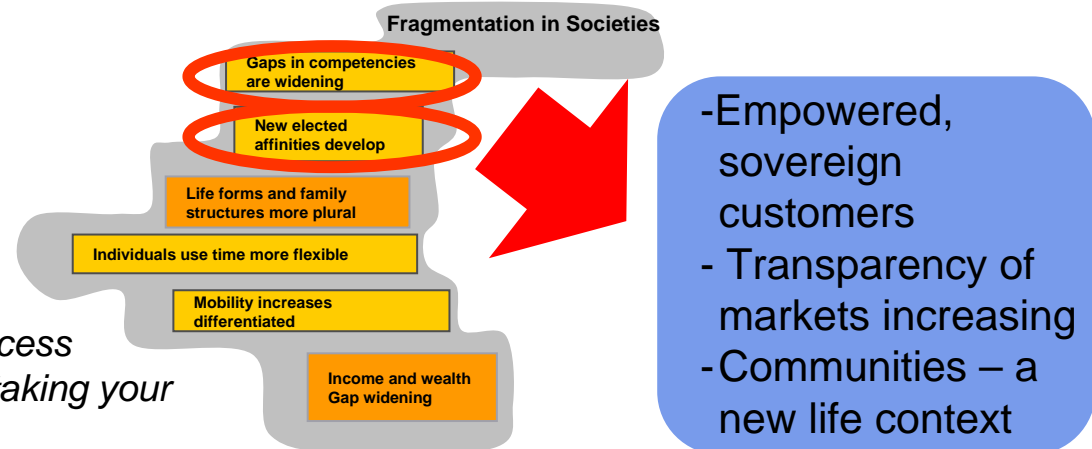
Customer protection and customer education key to success given the emergence of political consumers; spontaneous, issue-centred campaigning and marketing is more common (guerilla-marketing)

- Transparency of markets increasing

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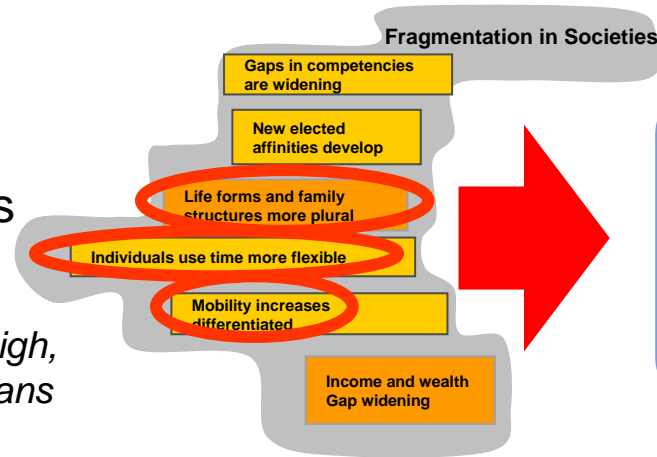
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Changing business environments and customer needs

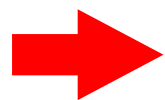
“Robust” Implications

- Advent of supportive services
Demand for support due to biographical breaches and lifestyle/family-management issues high, being fit for the support economy means finding right balance between self-service and support in service provision



-Temporal sensitivity of products as service quality
-More plural point-of-sales and customer contact

- Temporal sensitivity of products as aspect of service quality
Time management practices become more important – taking into account customers’ time practices is key to design service dimensions increases willingness to pay (“money for time”)
- Status Mobile
Customers are becoming more mobile in more differentiated forms – providing more contact points and point-of-sales (“mobile advice”) is key to satisfying demands



“Supportive servicing”

Supporting your customer on the basis of knowledge about lifestyle challenges more important



Thank you!

Questions?

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