

THE FUTURE CONSUMERS

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INTRODUCTION

One thing is for sure: future consumers will be significantly different from past or even present consumers; they will be more demanding, more time driven, more information intensive, and highly individualistic. Therefore, it will be difficult to stereotype them into a single image. Some of them will be happy with the plain old telephone service (POTS). But more of them will seek information products and services that liberate them from becoming time and place hostages. For example, cordless phones and answering machines today but personal communication and voice mail services tomorrow.

Instant access to information in multimedia (voice, video, facsimile), at anytime of

the day or night (on a twenty-four hour basis), at anyplace (home, office, public places and in vehicles), for all purposes (communication, transaction, entertainment and information), will become as much a necessity in the future as telephones, automobiles, television, childcare, insurance, and ready-to-serve foods have become in the past and at present. Remember that all of these products and services were considered discretionary, luxury and frivolous at the turn of the century.

CHANGING DEMOGRAPHICS

What is the basis for this change and what can an industry do to prepare itself on a proactive basis to serve emerging consumer needs and wants? Seven major demographic trends are responsible for this change. Many of these trends began developing in the late 1970s. The interaction between these trends, the rapid pace of technological advancements, and other marketplace changes will add impetus to the evolution of the future consumer. As these seven demographic trends continue to develop, their impact on consumer's needs, concerns, and values will be massive. Together, they will shape future consumers, who will have very little resemblance to consumers only two generations ago.

Aging but Affluent Population. The U.S. population has been aging over the past two decades, and forecasts indicate

continued aging in the next two decades. The median age in the U. S. population in 1980 was 30 years, and it is expected to be at least 38 years by the year 2000. Declining birth rate, but more importantly, increasing life expectancy are the underlying reasons for this phenomenon.

A good indicator of the aging population is the sharp growth in the older population group in direct contrast to the baby boom of the early forties. In 1950, we had only 2,500 people who lived to be 100 years or older. This population segment grew tenfold by 1986 to 25,000 people; and it is expected to grow to 168,000 by the year 2000! Similarly, the fastest growing segment of the population is 80 years or older.

Although the population is aging, it is also an affluent population. In short, we will have a mature, affluent nation by the year 2000, which is more driven by the empty-nest stage of the life cycle and by nonwork activities. It is also important to note that the biggest buying power group in the 1960s used to be a household between the ages of 18 and 35; today it is 35 to 50; beyond the year 2000, it will be the 45 to 60 year old household.

Working Women Households. A second major change, of probably more significance than aging, is the changing roles of homemakers and breadwinners in a family. Today, more than 56 percent of all women are in the workforce; this percentage is

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forecasted to increase to at least 65 percent by the year 2000. This provides a sharp contrast to the early nineteen fifties, when women stopped working to raise the family. Today and in the future, it is almost a necessity for both spouses to work and earn income in order to support family expenses, especially if they have children.

Living Alone by Choice. A significant number of people today are choosing or forced to live alone. For example, 26 percent of all U.S. households are single-person households, and this is likely to increase further as our population ages, the divorce rate stays high, and people delay marriage.

Decline of the Middle Class.

The last two decades have witnessed significant income redistribution. The middle class, as a percentage of all households, has been declining, and proportionately, households are being redistributed into extreme income classes, namely the affluent and the poor.

The income redistribution will result in flatter (rectangular) distribution of household income. An increase in the economic diversity of the nation and a decline of the mass consumption society will inevitably ensue.

Increasing Ethnic Mix. The majority of the U.S. population is characterized as the WASP (White Anglo-Saxon Protestant) population, which

is estimated to be at least 70 percent of the total population. The non-WASP population, however, is growing at a faster rate and is expected to account for at least 45 percent of the U.S. population by the year 2000. The single largest ethnic minority will be the Hispanic population, which will increase to 15 percent of the total population by the year 2020. The Hispanic population will surpass the Black population, as the latter plateaus at about 12 percent of the total population. In addition, the increasing Asian population will surpass many white European ethnic groups, including Italians, Jews, Poles, Greeks, and other East European immigrants.

There are two significant dimensions to the increasing ethnic mix. First, the ethnic groups are representative of the world and not just Europe as was the case in the late eighteen hundreds and early nineteen hundreds. Second, ethnic groups are more likely to be regionally concentrated.

BY 2000, NON-WASP POPULATION IS EXPECTED TO ACCOUNT FOR AT LEAST 45% OF U.S. POPULATION.

This will result in regional diversity of the nation and the existence of nine nations of America. For example, both Texas and California will have a non-white majority by the year 2000. Linguistic, cultural, and economic differences will be as strong.

Move to the Sunbelt. The U.S. population has redistributed geographically over the last two decades, from the

Northeast and the Midwest to the Southeast and the Southwest regions of the country. In the process, the population concentration east of the Mississippi is declining and will continue to decline. For example, California is now the most populous state, recently surpassing New York, and Los Angeles surpassed Chicago to become the second largest city. The fastest growing states are Florida, Texas, Arizona and California, all in the Sunbelt regions of the nation.

Small Town Industrialization. A seventh major demographic change is the relocation of industrial capacity to the nation's small towns. Economic incentives, land prices, government regulations, and quality of life issues have encouraged employers to relocate or start business operations away from congested big cities and into surrounding suburbs. This has resulted in the emergence of small industrial towns as the new industrial centers of America.

IMPACT OF CHANGING DEMOGRAPHICS

A number of fundamental shifts are likely to occur as a consequence of changing demographics.

Services Driven Economy. The older affluent population's needs and concerns are health, wealth, safety and recreation. These are all service sectors. Similarly, the career-oriented family necessitates the use of commercial services, such as housekeeping, cooking and

child care. These are all services industries. Finally, the single-person households tend to patronize services otherwise performed by family members.

Time Scarcity. Several of these changing demographics lead to the conclusion that people will have more activities to perform in less time. Time will become the scarce resource of the nation. As activities compete for time, time-consuming activities will be relegated and time-shift technologies will be encouraged.

Decline of Mass Consumption Society. Population diversity in age, geography, income, household characteristics, and ethnic mix all point toward the emergence of segmented, niche markets. The U.S. became a mass consumption society right after WWII; now it is moving toward a niche consumption society. This has tremendous implications for market share, offshore competition and entrepreneurship.

Individualistic Life Styles. As people live alone, they begin to manifest autonomy of behavior. Similarly, in a career oriented family, it becomes difficult to share products, activities and space, which results in highly individualistic lifestyles and behaviors even in a family.

Regional Difference. As the nation's population shifts geographically to the Sunbelt and to smaller towns and communities strong regional differences will develop, partly due to climate differences and

partly due to occupation differences. We are apt to more closely resemble the Europeans, where regions vary significantly in terms of economic growth, employment, consumption, language and values.

Rich-Poor Dichotomy. Although we still have a large middle class, the nation will manifest a sharp dichotomy between the rich and the poor. On the one hand, we will have a large percentage of the population who will be affluent; and on the other hand, we will also have a significant group of people below official poverty levels. The latter will be unable to afford such basic necessities as housing and insurance.

Stressful Living. Blurring of traditional family roles (breadwinners and homemakers), autonomous living, older age, and trying to cope with time scarcity, all point toward a society which will have higher levels of stress both at home and at work. This will result in productivity problems, resources issues, and a higher degree of coping behaviors, such as drug and alcohol abuse.

Privacy Concerns. People will become more concerned about their privacy and the rights of individuals. As the social norms of a homogeneous society decline with pluralistic and diverse values, it becomes

necessary to emphasize the legal rights of individuals, in order to insure amiable co-existence and equitable distribution of public resources.

Safety and Security Concerns. There will be a sharp rise in concern for personal and public safety, partly due to the aging population, and partly due to income redistribution. Additionally, as more people live by themselves, they will be more vulnerable.

Law enforcement will remain a major social issue.

Personal Entrepreneurship. Market opportunities created by the decline of mass markets will encourage personal entrepreneurship.

Therefore, small business will continue as the dominant component of society, in terms of employment, political power and personal wealth.

IMPLICATIONS FOR INFORMATION INDUSTRY

This shift from a middle class, mass consumption society to a diverse, rich-poor, and highly individualistic society with time poverty and high stress has enormous implications for the information industry.

First, it will be essential to segment the consumer market, and develop specific products and services and offer them on a targeted basis. In other words, industry must abandon

A LARGE PERCENTAGE OF THE POPULATION WILL BE AFFLUENT AND A SIGNIFICANT GROUP WILL BE BELOW OFFICIAL POVERTY LEVELS.



the shotgun approach in favor of the rifle approach to serving the consumer markets.

Furthermore, many neglected segments of the past (ethnic groups, work at home, etc.) will become significant market opportunities of the future.

Second, a demand for instant access to the world from anywhere and at all times will require faster deployment of the next generation of technologies (such as digital switches, fiber to the home, intelligent network, smart terminals, personal communication networks) to consumer markets.

Third, the future consumers will not only demand reliable products and services which work but will insist on quality support services which are hassle free, time friendly and easy to do business with. The twin processes of customer satisfaction (product quality and consumer service) will become key in the future.

Finally, as the industry is forced to customize its product and service offerings to smaller and smaller targeted segments, it will have to manage its cost structure. This will require mass customization through customer participation in the provisioning of services.

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