# A TALE OF TWO
## TRANSFORMING CITIES
- DETROIT
- THE BAY AREA

ERICSSON

CASE
STUDIES

# PREFACE

This series of reports on Lifestyle Change provides insights into how consumption patterns will change and respond to some of the major technology-driven trends now reconfiguring the global marketplace.

The methods consist of extensive qualitative analysis including a series of in-depth interviews with 36 academic researchers, experts, authors, entrepreneurs and forerunners; a broad range of literature and articles on the topic; and many blogs and websites on the digital economy and homepages of digital companies.

The report series consists of four parts: "Disruption of the old consumption logic," "The sharing economy," "Emerging consumer values," and "The consumer in the Networked Society." Supporting the whole series is a fifth report – "A tale of two transforming cities" – with contrasting case studies of two rapidly transforming urban areas, Detroit and the Bay Area, which highlight the emerging opportunities of the Networked Society.

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Ericsson Networked Society Lab

The Ericsson Networked Society Lab is focused on delivering unique insights about the emerging opportunities in society enabled by information and communication technology (ICT). Since 2008, we have conducted research into vital aspects of the technology-driven transformation of industries, business, society and everyday life. Our lab community includes a dedicated core team, Ericsson experts, and partners such as university professors and independent thought leaders. By gathering a wide range of perspectives and experiences, the Networked Society Lab aims to provide a deeper understanding of the fundamental changes empowered by ICT.

# A CASE OF POST-INDUSTRIALISM:
# DETROIT



> *"If society collapses tomorrow at least I have the skill set to cultivate my own farm."*
> Ben, 35 year old Detroiter

Detroit is an interesting case of a post-industrial city. Detroit used to be a symbol of industrial America: the home of the American auto industry and the city where Henry Ford, among others, developed the assembly-line technique of mass production. When the city of Detroit was declared bankrupt in 2013, after more than 50 years of decline since the golden days in the 1950s, the city became a symbolic – and literal, considering the many house ruins in Detroit – tomb for the age of industrialization.

By understanding and analyzing the case of Detroit we can glimpse the post-industrial future of the Networked Society. What happens to a society that has been built on industrialism and industrial mass-production when that foundation is dismantled? Detroit is an extreme example, being the largest municipal bankruptcy in the history of the US. However, what has happened in Detroit is happening today, more or less dramatically, in many societies in the Western world.

### Failure of 20th century institutions
Detroit is interesting because it involves the failure of two of capitalism's most important institutions: the big corporation and the government.

The automotive industry was the pillar on which Detroit was built, with huge corporations like Ford, General

Motors and Chrysler as the heart and backbone of the "motor city." Halfway through the 20th century one in six Americans were employed by the automotive industry or related industries, with Detroit's big three car brands as the epicenter.

But between 1948 and 1967, as the automotive industry began rationalizing and automating manufacturing, and decentralizing production to other areas, also outside the US, Detroit lost more than 130,000 manufacturing jobs. The decline of the big three auto brands continued throughout the oil crisis of the 1970s and then throughout the rise of international (primarily Japanese) competition in the 1980s.

For a city so dependent on a few large corporations for its livelihood, the failure of Detroit's automotive industry was monumental. The population in Detroit shrank from a peak of almost 2 million in the 1950s to below 700,000 in 2013. The failure of the automotive industry was fueled by the financial crisis of 2008, when major financial institutions in the US crashed due to the subprime mortgage crisis.

Even though the failure of the automotive industry is the obvious cause of Detroit's decline, the government of Detroit is the other big 20th century institution that has failed the city. When Detroit filed for bankruptcy in 2013 the city had a debt of USD 18.5 billion it could not pay. Not only had the city government of Detroit mismanaged the city's finances over several decades, it had also failed to develop the city to substitute the declining automotive industry with other industries and sectors. Asher Miller at the Post Carbon Institute says:

*"Detroit represents the demise of the American middle class and American manufacturing. It's not just the recession; it's been in decline since the '70s and '80s. It's not a community that innovates and reinvents itself. That is not in the DNA of those [automotive] companies – those are very large companies that, frankly, have not innovated at all, or on a very small scale."*

Trish Hubbell at The Greening of Detroit agrees:

*"Today Detroit is really struggling to diversify from the automotive industry."*

## The social contract is broken

To put it simply, the social contract of 20th century industrialism has been the promise of a government that provides a fruitful climate for big businesses to flourish and provide stable, long-term and rewarding employment for the population, who in their turn provide a productive labor force for the capitalistic system.

Even though they are proud of their city, the residents in the post-industrial society of Detroit feel that this

social contract of the 20th century is now broken. The big businesses have left them and their families unemployed and the government hasn't been able to provide help or an alternative. Pension payments have been cut and people have been forced to leave behind their homes and their investments in real estate to start their life all over again.

The society and system as they knew it in the 20th century can no longer be counted upon and something else must come forward in its place. At this moment in time, this "something else" is the people of Detroit taking matters into their own hands – into self-governance.

## Self-governance

When traditional agenda-setting institutions fail, people resort to their own capacities and understanding of the world. This brings out both the best and the worst in people, which usually means that people are motivated either by hope and reassurance or fear and distrust. This also means that some people become productive in various ways while others resign to passivity or more destructive behavior. In the case of Detroit we've encountered several dimensions of self-governance that guide people in the post-industrial society that they try to cope with.

## Individual sense-making

When traditional institutions like the government and big corporations are no longer around to provide people with a place to be and meaning in everyday life, it becomes an increasingly individual project to make sense of the world and society. This individual sense-making can run in various directions, but for many people in the traditional middle class it means turning inward to take care of themselves, by working as much as possible, by saving for the future and by preparing for disappointing future scenarios. By doing this they shy away from many collective projects and primarily care for their own. They create their own explanation models and their own truths, and they do this in relatively individual bubbles together with like-minded peers. Eventually, this highly individualistic sense-making adds to the fragmentation of the Networked Society.

## Self-catering

One form of self-governance that is growing stronger in Detroit is self-catering, to take back production and consumption to an individual level and initiate nano ecosystems of production and consumption. In many cases people engage in self-catering in certain regards, like farming their own vegetables, raising their own livestock or manufacturing their own apparel, but they also use their produce in barter trade, in order to access products and services they need.

## Survivalism

An extreme form of self-governance that follows in the wake of the post-industrial crash is survivalism. Some people go as far as to plan for disaster scenarios, where life supporting functions like water, energy or food supply fail, or pandemics or anarchistic chaos spread, and cast society into a full-blown national emergency. Survivalism is likely to be accompanied by varied degrees of protectionism and suspicion towards other groups in society.

## Community activism

"We have a lot of neighborhood activism in Detroit. People just don't trust the government and the government can't do everything", says Taylor Kozak who's running Hostel Detroit in the neighborhood of Corktown in central Detroit. Kozak points to the fact that not all people decide to make it entirely on their own when turning to self-governance. They realize that the ability to make it and stay resilient in a society in decline is to collaborate with other people in the same situation, in order to improve things.

Various forms of community activism are bustling in Detroit, with initiatives like The Creative Corridor, Detroit Soup, Bike Detroit, Slow Ride, I Am Young Detroit, The Michigan Urban Farming Initiative, Why Don't We Own This, Mt Elliott Makerspace and The Boggs Center, to name a few. Jim Meyers of Bike Detroit sees biking culture replacing car culture as a symbol for Detroit and creating a stronger sense of community in the city: "The biking culture is progressive, hip and tech savvy – and almost everybody can bike!"

In the community activism of Detroit there are several seeds to what we discuss as organized consumption in this report's forward-oriented analysis. When community activism becomes more organized and starts to provide a platform that enables both consumption and something productive for people to do, it also starts to take on the role formerly held by traditional institutions.

## Social entrepreneurship

Detroit is also seeing a number of cases of social entrepreneurship, where motivated and industrious individuals don't only cater for themselves but also take action to cater for society in some respect. Rebel Nell and Social Sushi are two such examples. Social entrepreneurs add a social agenda to their entrepreneurial ambitions as they see that a new generation of businesses must build-in much more organic responsibility in their operations than the corporations of the 20th century. Amy Kaherl, who runs Detroit Soup, says:

*"Many people here try to create a sense of community. There's less ego and people are driven by passion for fundamental things in society and the opportunity to change things."*

## Consumption as a change agent

The case of Detroit also highlights how the personal consumption of an individual is suddenly perceived as an important change agent in society. It's obvious that people in Detroit believe in the power of their consumption habits and are intent on voting for a different kind of society – through their consumption choices. In Detroit, consumption is taking on a distinctly political dimension.

## Buying local

People realize that buying and consuming local products and services is key to turning things around in Detroit. Local food produce, local markets and "Made in Detroit" slogans are extremely frequent in the city – because it's what Detroiters demand.

## Avoiding big brands

The buy local movement of Detroit also reflects the generally negative attitude towards big corporations and global brands. Detroit now lacks most of the big store chains that are found in other American cities. Even more interesting is that many Detroiters want to keep it that way. They want downtown Detroit to set the example for a new form of commerce based primarily on local and small scale businesses. Margarita Barry, founder of I Am Young Detroit, says:

*"A lot of people here don't want to go to big malls and prefer to buy local, even though it's a challenge. They want to support the local economy and be a part of the change happening in the city. It makes it possible for them to be activists."*

The Creative Corridor initiative is an interesting take on this attitude as it's a collective enterprise that is currently buying up vacant land along Grand River Avenue, one of the main avenues leading into downtown Detroit. The purpose is to save and develop this stretch of land for artistic and independent-entrepreneurial commerce.

The main rationale for avoiding big brands in Detroit is that local commerce benefits the people of the city rather than some distant capitalistic conglomerate. But another aspect is that many people in Detroit have lost faith in big business. They feel that big businesses failed and left them on their own in the wake of the financial crisis.

## Sustainable consumption

A third aspect of using consumption as a change agent is many Detroiters' willingness to consume in a more sustainable manner. Educated and informed people in Detroit, and elsewhere, are starting to realize how the economic system of the 20th century works, what industrial mass-manufacturing can actually result in and how their own choices as consumers play a part.

In realizing this, people begin to make more conscious choices as consumers. This is perhaps more obvious in Detroit than in other contexts, as it is a city where people are living with the dire consequences of industrialization.

## The return of craftsmanship

Detroit is seeing a return of craftsmanship, not to replace big scale industrial production but as an alternative mode of how to re-commercialize the city. Local breweries like Atwater Brewery and Motor City Brewery are good examples. High-end bike and accessory manufacturer Shinola moving its production into the city is another example. Add to this a number of tech startups, hipster cafés and designer boutiques and it's evident that in the ruins of industrialization a different type of commerce aspires to rise.

As we discussed in the chapter on involved consumption, Detroit and other post-industrial societies are bound to see this type of craftsmanship in manufacturing and other types of businesses emerge from people's consumption passions. Mark Reith, owner of Atwater Brewery, believes that a new story about rebirth will emerge in Detroit:

*"There are a lot of good workers in this city, specialists and educated people. They will help to repurpose the city, through urban framing, technology and other things. There are diverse entrepreneurs and diverse people who have the capacity to make new things happen."*
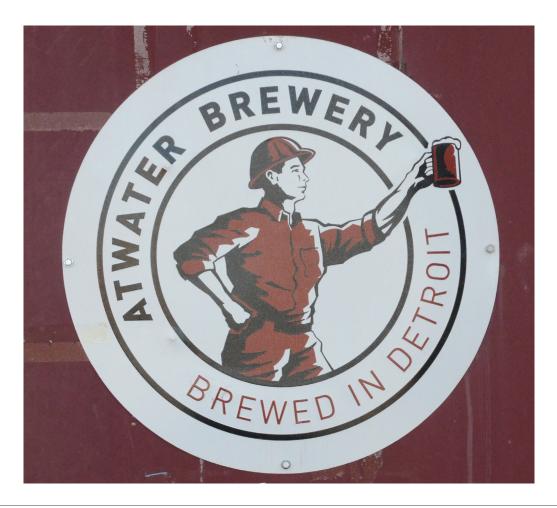
# INSIGHTS FROM THE DETROIT CASE

Several insights on the future of consumption and commerce can be drawn from the case of Detroit:

> The post-industrial Networked Society will be a world where it's much more up to individuals and smaller collectives of organized individuals to manage things on their own and push society ahead.

> Even though there is a social agenda in the efforts of individuals and groups, the Networked Society will to a large extent be a meritocracy, where a person has to engage actively and productively to claim a place in society.

> We're likely to see a strong polarization of how people cope with this meritocratic Networked Society. Some people will have the ability to

accomplish productive things while others will shy away from society and turn inwards into their own truths, scenarios and more or less negative expectations of the future.

> Among those who engage productively in the Networked Society we will see interesting movements rise; for example, collectively organized consumption and a new generation of craftsmanship in anything from manufacturing to software programming.

> People will become increasingly aware that consumption is a political tool at their disposal and that they can affect their own society and standard of living depending on how they choose to consume.

# A CASE OF POST INDUSTRIALISM:
## THE BAY AREA



> "San Francisco is the land of opportunity. I just love living in a beautiful area with cool stuff going on every day that makes you happy."
> Sami, 28 year old San Francisco resident

The Bay Area, with San Francisco, Oakland and the rest of Silicon Valley, is a more obvious case of post-industrial development than Detroit. In the Bay Area, 20th century industrialism has since long been replaced by a technology revolution and digital transformation, and the area is now the center for technological innovation in the world. In many ways the Bay Area represents the logical and expected continuum of the age of industrialization and is a living example of what the Networked Society is envisioned to be.

In analyzing how the Bay Area is developing, we can get insights into what the Networked Society may look like two decades from now. What happens in a society where digital transformation is pushing things forward on a daily basis and where innovations, concepts and new ideas are continuously launched and tested? The Bay Area is setting the example of what the future will be like and working to make that vision become reality for the rest of the world.

### From the age of industrialization to the age of digitalism
The Bay Area and Silicon Valley have left the age of industrialization behind and entered the age of digitalism. People and businesses have transformed their mindset

and now entertain a new perspective on everyday life, on consumption and on the whole economic system.

The culture of digitalism in the Bay Area is characterized by collaboration, sharing, transparency, mobility, lack of boundaries, interactivity, DIYism, instant access, rapid change, free flow of information, minimal transaction costs for distribution and communication, meritocracy and tribal sub-cultures.

Besides these general cultural traits, the digitalism and entrepreneurialism of the Bay Area is introducing several interesting developments regarding consumption and commerce in the Networked Society.

### Extreme user centrism

The companies and business models of 20th century industrialism have, in hindsight, been extremely business centric. Despite claims about "putting the customer in focus," an absolute majority of 20th century companies have focused firstly, secondly and thirdly on their own businesses with relatively little regard for their customers.

Digital transformation is now shifting that focus to the customer (or user). There are two reasons for this:

> Digital transformation makes a multitude of alternatives on the market available and accessible for users to choose from, and users are learning to quickly switch to other brands, products and services if they encounter unwanted friction in their user experiences.

> Digital transformation makes users expect that they will be able to use and consume products and services on extremely individual and personal terms.

This market logic is something that emerging digital companies of the Bay Area (and other areas) truly understand and innovate for. They are thereby empowering customers and users to an extent unimaginable by companies of 20th century industrialism. They are also including users as part of their business models, which means that users are becoming more than just a credit card or wad of cash at the other end of yet another transaction. Customers are increasingly entering the business models of commercial providers in the capacity of productive resources.

This extreme user centrism tilts what used to be a business-controlled market over to the users. This also indicates that the consumers in the Networked Society will play a bigger and more participatory role in future markets than they played in traditional markets.

### Automation of consumption

One major implication of extreme user centrism is the automation of consumption that is today fostered by the typical Bay Area enterprise. The extremely user centric mindset of these companies leads to innovation that aims to eliminate all unwanted friction in the consumption experiences. This in turn leads to products and services that deliver increasingly automated experiences, where the idea is that people shouldn't have to do anything they don't want to do in their consumption.

The first steps of this automation can be spotted everywhere among emerging value propositions in the Bay Area: automated payments when riding with Uber and Lyft; instant on-demand valet parking anywhere in San Francisco with Luxe; home deliveries of food with AmazonFresh and Google Express; frictionless user interfaces for on-demand streaming with Netflix; and the development of self-driving cars by Google and others.

### An access-based economy

Many new digital enterprises, especially in the Bay Area, are beginning to apply an access-based model to their businesses.

Access, rather than ownership and possession, is applied both on the user side and the supplier side. On the user side, access is often applied where people can access a resource – a car, for example – without having to own it.

On the supplier side, access to resources in the network is increasingly used as a model for everything from manufacturing cars (Local Motors) to getting simple everyday business tasks done, such as bookkeeping. This mindset is promoting an access-based economy – including an access model for consumption – as an alternative to a traditional economy based on ownership and possession of productive resources.

### Problem-solving entrepreneurship

The new generation of digital enterprises in the Bay Area often use real life everyday challenges as their starting point. It can be something relatively trivial, such as how to eliminate the daily hassle of grocery shopping (Instacart) to more fundamental challenges – like how to reduce the need for mass-manufacturing (Yerdle, Zazzle) or dependence on fossil fuels (Tesla Motors).

This is a different approach than we are used to from the hyper-capitalism of the late 20th century, where businesses had profit maximization and shareholder value as the starting point. The belief and vision of Bay Area digitalism is that businesses can and should solve critical problems for people and for society, while making a profit at the same time, and that this can be accomplished through the clever use of digital technology.

### The social contract is broken, but innovation is stepping in

Kurt Bollacker, at The Long Now Foundation, says:

*"All the time that I have lived in San Francisco I have always felt that we are about 10 years into the future. So if*

*there is a social problem or technological development or political debate, we will get to it first. Even the legislation – I always feel that government tries to engage in legislative experimentalism; they pass laws that may be well intended but don't seem thought through, just to see what happens."*

In Detroit the broken social contract is highly visible and tangible for the population. This is not so much the case in the Bay Area. There are plenty of jobs, optimism and opportunities. Compared with Detroit, where housing prices have plummeted, prices in San Francisco and Palo Alto are now peaking at levels leaving even New York behind.

In the Bay Area, people observe the world, where it's going and the problems that are arising – and they start to think about how to innovate for this new society and its challenges.

### Technological innovation will provide solutions

The creative elite of the Bay Area believe in the power of technology. Digital technology is perceived as a tool that can be applied to almost anything and make it better. This also goes for social problems and society at large.

Technological innovation and its application is believed in to help accomplish things like the democratization of society, sustainable ecosystems, connecting people with job opportunities, activating and spreading usage of idle resources like homes, cars and clothes, and much more. The underlying hope is that if smart and socially responsible entrepreneurs implement their ideas and concepts then innovation will eventually provide solutions.

### The creative elite will step in

The Bay Area teems with people who can be considered to belong to the creative elite. Many of the most important networks in the world are formed and exist there. Smart and empowered people collaborate with other smart and empowered people. Several of the giant dominating digital companies – Google, Apple, Facebook – reside there and employ the creative elite in tens of thousands. Most up and coming, super innovative startups are either founded there or relocate to the Bay Area as soon as they get traction.

All this brings about an atmosphere that convinces people that this is where it's happening and this is where the future is invented. It's not the politicians in Washington or Europe, or the old time corporations with their ancient views on business and customers, that are running the world anymore. It's the creative elite of the Bay Area. The self-image is that this is a creative elite of smart, driven, socially aware,

responsible and innovative people, who are able to provide the grand new visions for society and for the planet – something that the old institutions have failed to do.

### Peer-to-peer organization is the new system

Where the traditional democratic process is malfunctioning and politics have become more of a spectacle of antagonism than a constructive and progressive force, the attitude is that the creative elite, using digital technology, is able to empower people at a grassroots level and bring back momentum to individuals and local communities. Peer-to-peer organization of collective efforts to manage production, consumption and community building is deemed as more relevant and efficient than distant, large scale politics.

Once the Networked Society is completely in place, this system of empowered communities will be able to take command and create a better, freer, more social and more rewarding society to live in than the social contract of the 20th century ever promised.

### Disrupting the institutions

"All regulation is created for a top-down economy," says Yassi Eskandari-Qajar of the Sustainable Economies Law Center in Oakland. This is a typical statement among the entrepreneurs of the Bay Area. As the Bay Area is rising up to take on the task of leading the world into the future, it's also intent on disrupting the old institutions: traditional businesses and the government.

Big businesses like Google and Facebook take on major challenges like making information available to all, providing a free to use communication platform for the world, inventing a new transportation system (Google's self-driving cars) and providing internet to all (Internet.org). New innovative businesses like Zazzle and Yerdle aim to reduce wasteful manufacturing with local on-demand manufacturing and to decrease new purchases in the US by 25 percent.

The sharing economy and collaborative consumption movements, with organizations like Collaborative Consumption, Shareable, Crowd Companies, BayShare and Peers.org, and startups like Getaround, RelayRides and City CarShare, spread their vision of an access based and shared economy by making it happen for real in the Bay Area.

Grassroots organizations like Bay Bucks, the Sustainable Economies Law Center, Bay Localize and the Post Carbon Institute are pushing for new economic models to create more sustainable, and in many cases more local, forms of consumption and production.

# INSIGHTS FROM THE BAY AREA CASE

Several insights on the future of consumption and commerce can be drawn from the case of the Bay Area:

> Digital technology is empowering the consumer side of the market. Thereby it is providing consumers with more choices, making it easier to make a livelihood as a consumer in the Networked Society, and decreasing people's dependence on traditional types of employment.

> The creative elite are intent on taking the visionary lead, both commercially and socially, in the emerging Networked Society.

> Much trust and expectation is placed on digital technology's ability to conquer the social problems of today.

> As in Detroit, people are become increasingly aware that consumption is a political tool at their disposal and that they can affect their own society and standard of living depending on how they choose to consume.

> Traditional institutions and models will be challenged by innovative projects and organizations that emerge in the Networked Society.