



ERICSSON

THE CONSUMER IN THE NETWORKED SOCIETY

PART 4/4

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.

THE CONSUMER IN THE NETWORKED SOCIETY

The word “consume” is synonymous with words like “exhaust” and “deplete,” indicating the idea of a consumer as a person that uses products and services until they’re exhausted and depleted. In many ways, the word “consumer” is symptomatic of an industrial 20th century understanding of the practice of consumption: namely that businesses produce things and people consume them.

This report series about consumption in the Networked Society broadens the scope of what consumption is and what a consumer will be in the future. With these

updated concepts it’s sometimes clear that the very word “consumer” is limited and doesn’t do a good job of capturing the versatile capacities of all the behavior and acts that we assemble within this concept. But as our language as yet lacks a sharper word for the consumer in the Networked Society, we’re stuck with this 20th century description. This last report in the series rounds off with an examination of what it means to be a consumer in the 21st century and how the life of this “new consumer” departs from the 20th century understanding.



THE VERSATILE CONSUMER

The consumer in the Networked Society is a versatile actor – in everyday life, in society and in the market. The consumer is not only consuming products and services; they are behaving and contributing in many other ways, in relation to the products and services that they are involved with.

THE INDIVIDUAL AS A USER

As digital transformation makes products and services increasingly digital and “datafied,” it becomes less relevant to talk about consumption and more relevant to talk about usage. The individual is a user of products and services rather than a consumer, because what they use is not exhausted in the digital space – it remains for others to use. This digital logic of usage rather than consumption is currently being transferred to physical items through access-based models. Consumer goods like cars, clothes and tools are being used by a number of people, over and over again, rather than bought and used by one individual.

THE INDIVIDUAL AS A CO-CREATOR

The individual consumer is becoming increasingly involved in the creation of their consumption experiences. This doesn't only happen on a cultural level, where the individual makes their own interpretation of the cultural meaning inherent in products, services and brands. Digital transformation and the Networked Society make it possible for the individual to contribute to, participate in, and even take control of, in a very hands-on fashion, the processes of design and production of products and services. This blurs the line between the traditional roles of producer and consumer and it becomes relevant to question who is actually providing the most value to the consumption experience – the commercial provider or the user?

THE INDIVIDUAL AS AN ENNOBLER

Even if individuals are not entering into collaborative processes with commercial providers, they can still add creative value to products and services – and increasingly so in a digital context. When people remix existing products and services or build their own version on top of existing platforms they refine – ennoble – these. Swedish YouTube gaming personality PewDiePie refines computer games into a very different

type of consumption experience; a person making Google searches helps to refine Google's search algorithms and their own search experience at the same time, and people who rate Uber drivers refine the Uber service for other users. This is a capacity of consumption that is still in its infancy and that will become increasingly important.

THE INDIVIDUAL AS AN ENABLER

When service usage and consumption rather than work becomes the main activity of everyday life, consumption also begins to serve as an enabler of everyday life and livelihood. By becoming highly involved in their consumption, the individual will create – enable – opportunities for monetization, work and meaning through their consumption. Ultimately they will enable these opportunities not only for themselves but also for others in their network.

THE INDIVIDUAL AS A PRODUCER

When the individual becomes increasingly involved in their consumption, to a point where their consumption is more of a productive practice than a consumption practice, for themselves and for others, they are starting to take on the role of a producer rather than of a consumer. Specialist consumers and super-consumers, for example, consume in order to produce new value and meaning, which other people can then consume. In many cases the consumer as producer reaches a status where they are actually competing with traditional commercial providers – for example, bloggers, hackers, makers and urban farmers.

THE INDIVIDUAL AS AN ACTIVIST

When consumption becomes the primary activity for the individual, they will also increasingly use consumption as a method or tool to make their voice heard in society; to express political views, to drive change in society, to take a political stance and to engage in political acts like demonstrations, boycotts, strikes and civil disobedience.

THE INDIVIDUAL AS A CONSUMER

The consumer will always be a traditional consumer to some extent. They will eat food, use up toiletries, consume electricity, and wear out clothes.

THE VERSATILE CONSUMER WILL SHAPE SHIFT THROUGHOUT VARIOUS CATEGORIES

The individual will have all the above capacities within their own person. Markets will not be made up of people who are either 100 percent co-creators or 100 hundred percent activists. Instead each individual will take on different roles in different categories, depending on their interests, preferences and lifestyle. The individual consumer might be highly involved in a few categories that they are passionate about – and in these categories they take on the roles of co-creator, ennobler and even producer. In other categories where their interest level is low they will be a traditional consumer.

However, most categories will have their share of passionate and involved consumers, as well as their share of unengaged consumers, something which Doug Stephens, the Retail Prophet, agrees with:

“Consumers will want to go to stores and have a genuine experience, not just pick up commodity products that are normally delivered to their house. When we go to the store we fundamentally want to have a different experience and a different type of product than we buy online. If I can be part of customizing something, it might be worth the effort. We have been passive participants in retail for 100 years, having to put up with average products made for everybody. There will be certain products that we have a more active involvement in customizing – but also mass-customization where I can chose from a set number of things or options.”

This means that businesses in most categories will have to deal and collaborate with users in different roles other than as simply passive consumers.



FROM THE INDUSTRIAL TO THE NETWORKED CONSUMER

It's not only the roles of the individual consumer that are becoming more versatile in the Networked Society. The whole meaning of being a consuming individual is changing.



FROM DEPENDENT TO EMPOWERED

There will be a difference between consumers who are dependent and who are empowered. However, on an overall level, people are becoming more empowered in the Networked Society than they were in the industrial society of the 20th century.

The shift from dependent to empowered means that consumers in the Networked Society will have more power, more control and more maneuverability in the commercial market than they have previously had.

The abundance of alternatives in the market, the transparency of information and the fact that almost everything is made available to everyone through digital platforms puts consumers in command. The industrial consumer was a relatively uninformed market actor, with limited knowledge of options, business models and context, whereas the networked consumer is an informed and much more conscious actor – able to make analyzed choices and to question the reasonableness of the market.

This empowerment means that businesses must become extremely user centric. Businesses must recognize that consumers can actually lead the way and that they will increasingly exercise that opportunity. Market relationships between vendors and consumers that used to be one-sided (to the benefit of the vendor) become two-sided and mutual collaborations. The consumers are not an externality to the business organization; they are very much part of the inner network of the vendor.

FROM CONSUMPTION AS A COMPARTMENTALIZED ACTIVITY TO CONSUMPTION AS A CONTINUOUS FLOW

Consumption in the 20th century has been perceived and exercised as a compartmentalized activity, something that has its own place, process and characteristics. It happens at certain points in time; for example, during events such as a Friday night movie, during grocery shopping on the way home from work, during Saturday shopping in the city, during social gatherings after work or during holiday trips for which you save up to be able to consume.

Increasingly this compartmentalized character has been changed to a more continuous flow of consumption. Digital technology has been a driver in this shift as computers, tablets, smartphones, and apps have created consumption opportunities for places and situations where consumption (or at least varied and rich forms of consumption) wasn't formerly an option.

We can expect that consumption will continue to develop towards a more continuous flow that accompanies the individual throughout their day. As work life and private life merge, private consumption will also be increasingly present during work. Social life and consumption related to social life is and will increasingly be continuously present. Many daily consumption choices will be made when the individual comes to think about them rather than being saved for a specific occasion. For example, people will add items to virtual shopping carts continuously and have these items automatically delivered to their home rather than making lists and trying to remember to buy everything when going grocery shopping.

If the shopping mall is the symbol of industrial consumption then the smartphone is the symbol of consumption in the Networked Society. The shopping mall is a representation of the kind of compartmentalized and demarcated consumption experience that we are used to from the 20th century, while the smartphone symbolizes consumption as an ongoing activity – part of life everywhere people go and no matter what they do.

FROM CONSUMPTION IN THE INNER CIRCLE TO CONSUMPTION IN A COMMUNITY

Much of the consumption of the 20th century occurred within the inner circle of family and friends. The modernistic and nuclear family has, to a large extent, been the focal point of consumption, and the family home has been the primary arena for consumption. Consumption has been aimed at maintaining and refining this private arena. This made sense in a sociocultural context where work and private life was separated.

In the Networked Society consumption is moving beyond the borders of the inner circle. The individual's arena for consumption is widening to include their networks of peers and their community. Communication in social media brings consumption out from its former narrow arena. As users are increasingly included in business models and as more networked models for consumption are invented, consumption moves out from the individual and family cocoons – into the open of the communities that form around these new services; with ratings, comments, reviews, discussions and co-creation taking place around the consumption. Soon, more organized forms of consumption will start to drive increasingly collective consumption and consumption movements, while consumption with political motifs will also happen in the open more than in the inner circle.

FROM ACCUMULATIVE CONSUMPTION TO SMART CONSUMPTION

The future will not be a materialistic race towards the goal of “who has the most items when he dies wins.” Accumulative consumption was sometimes a consequence, sometime a conscious goal, for the consumers of the 20th century. However, in the Networked Society, where possession loses its attraction because people can access most things, materialistic accumulation and excess becomes devoid of cultural meaning. What's the point of owning a thousand CDs when a thousand times more albums are available in music services online? What's the point of having one TV screen in every room when it's more convenient to bring the tablet with you from the living room to the kitchen? What's the point of stacking up on goods at home when you can get instant deliveries with drones? What's the point of having one car for each

family member when car sharing and self-driving cars are available through apps in your smartphone? Rather than accumulative consumption, the consumption of the Networked Society will be characterized by smartness. The individual will make use of smart services and will strive to think about smart consumption possibilities that make their life easy, enable them to do other relevant things and bring them more genuine value and meaning.

FROM AUTHORITY INFLUENCED TO PEER INFLUENCED CONSUMPTION

The consumption of the industrial age has been strongly influenced by various authorities, in markets and in society. Government and other official institutions have played an important part in recommending what to consume – and what not to. Brands have created authority through their marketing and strongly influenced people in their choices. Journalists, editors and celebrities have acted as a kind of “opinion police” in various categories.

When the power balance shifts, when markets are democratized and when consumers are increasingly empowered, the capacity of influence also shifts – to consumers themselves. Rather than institutions, brands and public opinion leaders, peers take over the role as primary influencers. Preferences and behavior are increasingly formed in peer networks. The cultural meaning of consumption is transferred less through authoritative systems, like the fashion industry and the advertising business, and more through individuals in the network who have the cultural and social capital to act as informal opinion leaders.

The collective effort of users and peers also takes precedence over traditional authorities as networked rating and review systems are implemented into more and more services.

Peer influenced consumption decentralizes taste and preferences and thereby contributes to the fragmentation of society and markets into sub-cultural clusters. In these clusters it becomes increasingly difficult for traditional central authorities to influence people's consumption and the choices they make in the market.

CONCLUSION

We end where we started this report series; by concluding that the industrial type of consumer is leaving the stage to a new type of actor. We would like to call this actor something other than a consumer, as being a consumer in the traditional sense will be of less importance in the Networked Society.

The individuals, the customers, the consumers – whatever the name – will, in the Networked Society, be versatile actors – in everyday life, in society and in the market. Businesses, brands and authorities must learn how to interact with this new market player, because they will have an impact and set the agenda. Not only will they become more complex in the different roles described in this report; as users, as co-creators or as activists. They also drive a bigger change in the market.

This change will see a sharing economy and change in values, preferring services and access to function, rather than ownership. And while automation of consumption and the shift from products to services is an ongoing change, there is another important development: involved consumption. This is where

people engage in the creation of products and services and are deeply involved.

For any business in the market that has customers, this becomes a strategic issue. Are you still looking at customers in traditional ways or are you involving them in the value creation process and putting them in the center? Or are they at the end of the value chain where the only interaction you have with them is through an invoice? Are you still developing products in traditional ways or are you opening up to co-creating and user involvement? And how can you move your business from a product business to a service business?

The sharing economy – with its new type of versatile actors – is challenging traditional industries and businesses with new thinking and alternative ways of organizing a business compared with the Industrial Age logic that ruled for a long time. Established players will be constantly challenged by new logics of value creation from competitors they don't know and don't see.

These are some of the important questions that come with the shift to the Networked Society.

Ericsson is a world leader in communications technology and services and the driving force behind the Networked Society. Our long-term relationships with every major telecom operator in the world allow people, businesses and societies to fulfil their potential and create a more sustainable future. Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the telecom industry and other sectors to do better business, increase efficiency, improve the user experience and capture new opportunities. With more than 110,000 professionals and customers in 180 countries, we combine global scale with technology and services leadership. We support networks that connect more than 2.5 billion subscribers. Forty percent of the world’s mobile traffic is carried over Ericsson networks. And our investments in research and development ensure that our solutions – and our customers – stay in front.

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