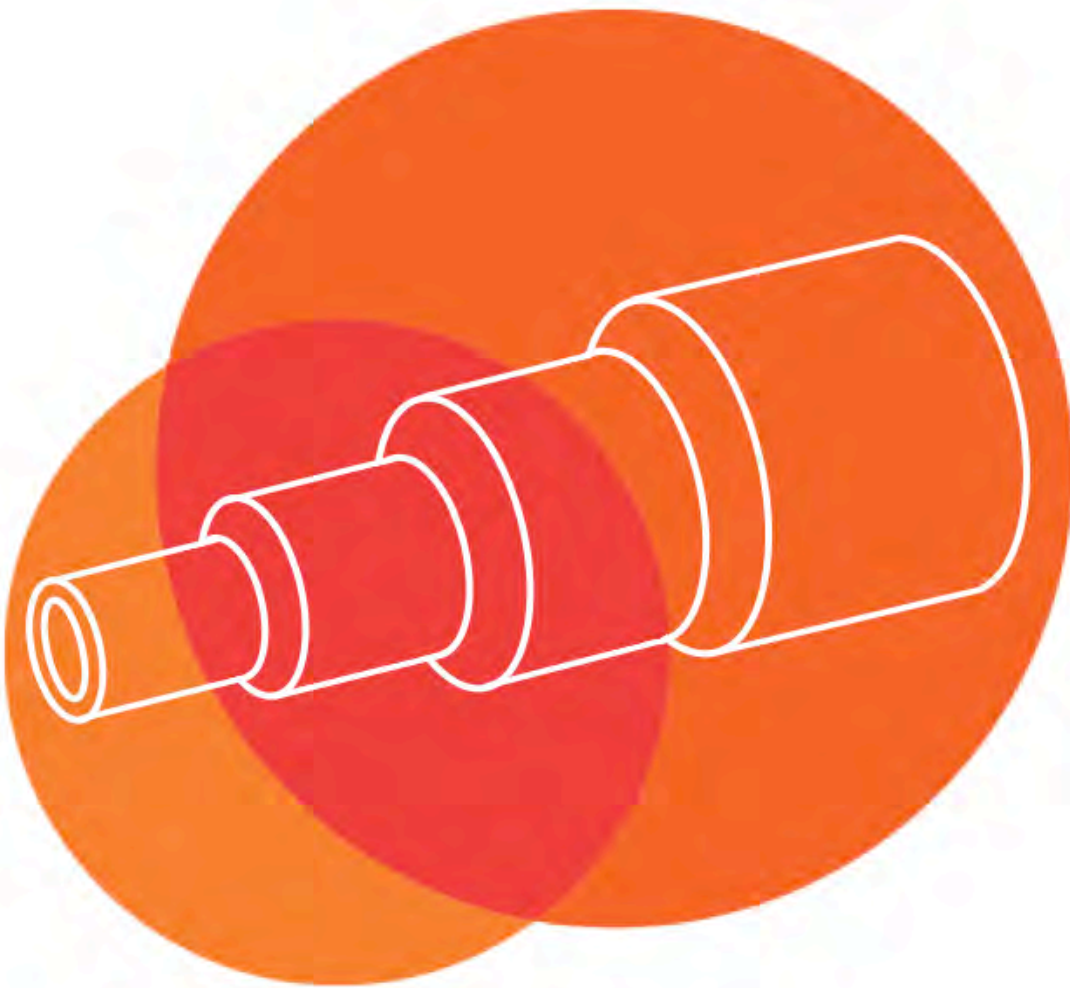


Design Foresight

the top trends that will impact marketers



Shikatani Lacroix is a leading branding and design firm located in Toronto, Canada. The company commissions assignments from all around the world, across CPG, retail and service industries, helping clients achieve success within their operating markets. It does this by enabling its clients' brands to better connect with their consumers through a variety of core services including corporate identity and communication, brand experience design, packaging, naming and product design.



About the Author

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Jean-Pierre (JP) Lacroix provides leadership and direction to his firm, which was founded in 1990. He has spent the last 30 years helping organizations better connect their brands with consumers in ways that impact the overall performance of their business. Mr. Lacroix was the first to coin and trademark the statement “The Blink Factor” in 1990; which today is a cornerstone principle to how brands succeed in the marketplace. JP has authored several papers, has been quoted in numerous branding and design articles and, in 2001, co-authored the book “The Business of Graphic Design” which has sold over 10,000 copies. JP can be reached at jplacroix@sld.com and you can follow his blog at: www.belongingexperiences.com & www.belongingexperiences.wordpress.com.

Other Articles and Books

The Belonging Experience

Not all Moments of Truth are Equal

Business of Graphic Design

The ability to see into the future as a means to anticipate success has always been a deep human desire.

History has demonstrated that creating a clear vision of the full business potential is predicated by an organizations ability to convert market insights into truly powerful foresights. Foresight, the ability of predicting what will happen or be needed in the future based on market insights leverages the relationships between trends, market dynamics and consumer needs. The intersection of these three dimensions defines what we have coined the “triangulation of truth”, credible facts that are supported by consistent information derived from different. We have outlined key trends that are being shaped by the market dynamic we believe will have a significant impact on businesses in the years to come. We will also share with you our views on potential design implications that will impact go to market strategies.

The following trends will be reviewed in this document:

1. Simplification of Complexity
2. Rise of Digital Socialism
3. The Growth of Predictability
4. Redefinition of Engagement
5. The New Consumerisms
6. Mass Personalization
7. Back to Building Trust
8. The Rise of Free

Simplification of Complexity

Today's consumers hunger for simplicity in the marketplace, and it's easy to understand why. The current supermarket offers more than 40,000 products (up from 18,000 just five years ago) and is well on its way to offering 60,000 products. There are now 240 million websites on the Internet, which are growing at the rate of 2 million sites per month. The average TV network now offers over 200 channels, and with organizations fighting for market share, more and more choices are entering the market daily.

There are more choices to how you want to communicate: from smart phones, web portals and conventional telephony, to an on-going growth to shopping choices, from online, phone, boutique to super centers that are constantly getting larger. Adding to the complexity and confusion has been the convergence of retail formats with drugstores entering the convenience food category

Top Social Media Sites

(Ranked by unique worldwide visitors November, 2008; ComScore)

1. Blogger (222 million)
2. Facebook (200 million)
3. MySpace (126 million)
4. Word press (114 million)
5. Live Spaces (87 million)
6. Yahoo Geocities (69 million)
7. Flickr (64 million)
8. hi5 (58 million)
9. Orkut (46 million)
10. Six Apart (46 million)
11. Baidu Space (40 million)
12. Friendster (31 million)
13. 56.com (29 million)
14. Webs.com (24 million)
15. Bebo (24 million)
16. Scribd (23 million)
17. Lycos Tripod (23 million)
18. Tagged (22 million)
19. imeem (22 million)
20. Netlog (21 million)

and grocery stores now selling hard lines typically found in department stores.

The need for simplifying their lives has been accelerated by the recent recession where consumers have exceeded their needs for physical gratifications. A key underlining factor driving simplification is the need to get the real facts, cutting through what is marketing jargon and needed factual information. Google clearly grasped this opportunity by offering consumers a much simpler way to search the internet and based on their success, they clearly hit a hidden need for simplification that other, much larger organizations such as Yahoo and Microsoft.

A second factor driving the need for simplicity is a move away from the throw away culture. Consumers today want products to last much longer and are changing their mindset of replacing products just because they tire of its look. But what does simplification really mean for marketers?

Consumers are looking for organizations to help them make their product or service decisions easier by focusing on the key information they need to support these decisions versus extraneous material that adds to the confusion and clutter. If you are a packaged goods organization, it maybe a better way to shop the category by developing packaging that clearly reflects the purchase decision tree of the category versus what is relevant to the organization's marketing flavor of the year. It means that the product should be designed to last for decades, not years and only include features that are relevant to consumers needs.

Marketers will need to shift from quantity of message and offering to providing targeted focused communication and information relevant to only that particular target group. Less is more is now the new consumer chant wanting marketers and manufacturers to clearly understand what is relevant to them and to build simple and easy to use and understand products that meet their exact needs.

The Rise of Digital Socialism

Digital technology is shifting the very basic fabric of what defines society, culture and citizenship, shifting the power from organizations to the masses. Social media and technology have changed how we communicate and entertain. The new digital generation is challenging the core beliefs of our social structure and approach to governance and the definition of citizen will continue to evolve from a physical based state, to one that is defined by shared values and needs.

The shift of real power from governments to corporations is best described by the movie “The Corporation”, the film based on the book **The Corporation: The Pathological Pursuit of Profit and Power** by Joel Bakan, .the new digital era will see a shift from both of these to new emerging societies that have transformed governance back into the hands of its citizens.

Socialism, defined by a social organization that advocates that the means of production, distribution, and exchange should be owned or regulated by the community as a whole is being redefined by new

Twitter grew a massive **1,928 percent** in the US from 2008 to 2009.

social medias such as Twitter, Facebook, Flickr and LinkedIn are beacons of the new cultural movement represented by a global collectivists society that started with sharing to progressing to co-operation, collaborating and finally collectivism.

In a recent article in Wired Magazine (July 09 issue), Kevin Kelly explores how this new emerging trend is driven by the need for people to share, the mildest form of socialism. He notes that this needs evolves to higher needs such as structured collaboration best exemplified by the Linux system, Wikipedia and other challenges to the status QUO. The article goes on to support that the more we benefit from collaboration, the more open we become to socialist institutions in government.

New pier-to-pier relationships are also changing the foundation of business, offering everything from lending (Kiva) to health (PatientsLikeMe) to the increasing growth of sharing what you think (Twitter) to music, the web has become the social glue that is changing our definition of structure and governance.

Based on the growth of these online communities with six billion videos served on YouTube each month, three billion photos on Flickr to the billions of consumers who have a Facebook site, this new digital socialism is just starting to gain momentum. According to the AC Nielsen, Twitter grew a massive 1,928 percent in the US from June '08 to June '09, now reaching a total of 21 million monthly unique visitors. Facebook, which Nielsen recently reported sucks up more time than any other website, leads all social networking sites with 87.3 million unique visitors in June.

For marketers, the real challenge is how will they transfer some of their power to consumers without loosing control, and how they will evolve their value proposition with a new customer base that is accustomed in getting everything for free. How organizations develop products and go to market will be significantly changed as more and more consumers become entrenched in digital socialism.

The Growth of Predictability

As markets become more fragmented and the advances of digital media more accelerated, marketers will have a larger arsenal of communication tools that can effectively target given consumer segments. These tools will include a new way at looking at these segments in order to predict, with greater accuracy consumer purchase behavior.

The advent of GPS, web-tracking tools delivered by seemingly inoffensive cookies to debit and credit card data, marketers today have a strong grasp of individual consumer purchase behaviors. However, the real challenge for marketers is how to leverage this overwhelming depth of information into a strong understanding of future purchase behavior.

The challenge for marketer today is how do we accurately profile consumer segments to effectively predict purchase behaviors, as consumer behaviors are changing so drastically due to the proliferation of new technologies, products and services. For decades, marketers used industry standards for cluster the various consumer segments against social and demographic axis.

For any level of accuracy on how these consumers would react to a given product, most marketers, predictability is derived from the

Marketers are beginning to understand that **irrationality** is the real invisible force that drives human decision-making.

effective implementation of small market test or consumer quantitative research. The challenge using these types of predictability models is that they are flawed and can only forecast with a wide a large degree of error.

In his book, *Spent*, Geoffrey Miller identifies the underlining premise that while marketing is central to modern culture, the consumerist mind-set is central to marketing. Miller identifies six major dimensions of variation that can predict with greater accuracy human behavior, key individual differences that distinguish human minds.

These human mental traits can be measured with good reliability and validity, that are genetically heritable and stable across the life span, work, leisure, consumption, and family life, and that seem to be universal across cultures. If you know how someone scores on each of these central six traits, marketers can infer a lot about their character, capabilities, virtues and vices. The “Central Six” consist of the following:

1. General Intelligence: general cognitive ability or IQ
2. Openness to Experience: curiosity, novelty seeking, broadmindedness, interest in culture, ideas and aesthetics
3. Conscientiousness: self-control, willpower, reliability, consistency, dependability, trustworthiness and the ability to delay gratification.
4. Agreeableness: warmth, kindness, sympathy, empathy, trust, compliance, modesty, benevolence, peacefulness.
5. Stability: adaptability, equanimity, maturity, stress resistance.
6. Extraversion: how friendly, gregarious, talkative, funny, expressive, assertive, active, excitement seeking and socially self-confident.

“The processing of visual impulses in our brains, is made subconsciously with no interference from the conscious mind”

David Scheffer, Researcher of implicit personality and motivation at the University of Hamburg

The basic five dimensions were first empirically identified in 1954-1961 by two U.S. Air Force researchers by analyzing personality data from eight large samples of people. Their results were replicated by Warren Norman in 1963 in another large sample and in 1981, four leading personality researchers reached a consensus that the traits were a reliable way to summarize the empirical personality traits that can predict behavior.

Marketers will evolve their segmentation approaches to better reflect the Central Six as a more effective means to help predict behavior.

In the August 2009 Harvard Business Review issue, Dan Ariely, the James B. Duke Professor of Behavioral Economics at Duke University notes the end of rational economics, the belief that people, employees and managers, make logical decisions. Behavioral economics, Mr. Ariely notes, is founded on the premise that human beings are fundamentally irrational and motivated by unconscious cognitive biases.

This emerging discipline offers radically different view about the way people and organizations really operate. The most recent market crash has demonstrated that human beings make rational decisions and that the markets serve as guardrails to ensure corrective actions are taken.

Supporting new approaches to defining behavior, marketers will have access to many new tools that will help validate new predictive models.

One of the fundamentals of predicting future behavior is gaining a strong understanding of current behaviors and the reasons behind them. The web, mobile technology and digital signage will further enhance the current data mining ability of companies to track their customers through their individual purchases.

It is one thing to understand what consumers buy but a whole different issue to understand how and why they purchased. Its in the why and how that marketers will gain a much more personalized understanding of their customers.

Organizations will offer consumers free products and enticing incentives in order for them to allow marketers to track their purchase behaviors. Eye tracking technology, currently available on the market can identify how long consumers watch a given digital sign, what age, sex and ethnicity in addition to the length of viewing.

GPS enabled phones, which are the norm now, provide marketers a clear understanding of how consumers behave in city and retail environments. Google's new phone allows users to opt-in to being able to have their friends and the community at large track their every movement. The advent of more sophisticated computing will also lead to more robust predictive models that identify all of the variances to how consumers shop and buy.

The ultimate challenge in the future will be the ability for marketers to predict the behavior of their customers without making them feel manipulated or controlled.

Redefining Engagement

Marketers, today are not only challenged with the sky rocketing cost to reach their target group, they are facing their messages not being seen or noticed due to new media technology where the control is shifting to consumers.

This has lead to a need by marketers to redefine how their brands connect with consumers in order to build strong brand loyalty. No longer are companies relying on advertising messaging or conventional mediums alone to capture the attention and commitment of their customers. This emerging need is best defined by brand engagement, the ability to connect with consumes on a deep emotional level at each brand's moments of truth in order to gain stronger brand loyalty.

In my book, *The Belonging Experience*, I identified a new model for how companies can effectively engage consumers and gain a commitment from them. The model leverages typical transaction processes as a foundation to gain permission to have consumers start engaging with the brand at a much higher emotive level, ultimately leading to consumers who are advocates for the brand. Marketers have started to redefine their go-to-market strategies to better reflect this belonging experience model.

A key fundamental factor in engaging customers is to clearly understand their cognitive and emotive needs and to build a consumer experience that leverages this key points, from the time they are considering purchasing a product to the entire shopping experience and after-sales relationship building initiatives. Marketers are also realizing that to engage consumers today, they need to provide them with approaches that are distinctive and unique, tailored to the customer's distinctive needs.

The market is seeing a growth in the use of social media tools such as Facebook, Twitter, YouTube and a whole range of blogs and personal websites to start a two-way dialogue with customers. Marketers are also realizing today that avoiding hearing the online

In the run-up to the 2008 presidential elections, players of an Xbox Live racing game noticed as they sped around a billboard featuring a picture of Barack Obama with an invitation to go to vote forchange.com

rants of customers or not allowing them the opportunity to share their positive and negative experiences with a brand is very short sighted and does not leave to an open and honest engaged experience.

Taking into consideration the Dunbar number, the theoretical cognitive limit to the number of people with whom one can maintain stable social relationships. These are relationships in which an individual knows who each person is, and how each person relates to every other person. No precise value has been proposed for Dunbar's number, but a commonly cited approximation is 150. But social viral networks have changed the rule of engagement. For example, the average number of friends for MySpace members is around 180, and many go into the thousands.

Engagement will continue to change as new social media tools emerge and the hunger for recognition by customers continue to grow. Organizations will evolve their approaches by hiring a new breed of engagement experts who understand that the best way of building customer intimacy is one customer at a time and not through the current shotgun approach of today's media network.

The New Consumerism

The recent market downturn has accelerated a growing trend towards a shift in consumerism, away from the exuberance and towards being thrift and fickle. Consumers today are redefining value and needs on their terms.

Thrift was historically defined by those that had to use their resources carefully and not wastefully but in recent years has emerged as a consumer trend driven by both the rich and poor. Several years ago we were retained by one of the markets leading thrift dollar store retailers. Research conducted by our firm clearly identified that the appeal resonated not only with consumers found in the lower income bracket but also included the affluent. Insights revealed that being thrifty had different meanings for each of these groups.

For the less affluent, thrift meant spreading their dollars to meet family needs while for the other segments, it meant being smart, spending your money on those products that had a significant social status (on an expensive bottle of wine while being thrift on kids party items).

Trends in inequality helped to drive this new consumerism. Since the 1970s, the distribution of income and wealth has shifted decisively in the direction of the top 20 percent. Based on a U.S. census, the share of after-tax family income going to the top 20 percent rose from 41.4 percent in 1979 to 46.8 percent in 1996.

Although the recent downturn in the economy has had a serious impact on the top income quartile, according to the Commerce Department, personal consumption rebounded by 2.2% between January and March, after plummeting 3.8% in the third quarter of 2008 and 4.3% in the fourth -- the worst six-month spending squeeze since World War II.

Separately, the Conference Board reported last week that its consumer-confidence index jumped to 54.9 in May from 40.8 in April, the biggest increase in six years.

Most economists don't yet see the change in attitudes or behavior: Collectively they expect spending to decline by 0.6% this year, a forecast that could prove too gloomy. McDonald's (ticker: MCD) gets it. Having ruled the recession with its dollar menu, the fast-food

The percentage of Americans who tried **scrimping on prescription medications** spiked to 25% in 2008 from 12% in 2007.

giant is adding a premium \$4 Angus burger to its menu to satisfy those who crave meatier fare.

Surveys conducted by WSL Strategic Retail, a New York consulting firm, trace the arc of the nation's latest experience with thrift, which began long before Lehman Brothers' September collapse. The percentage of Americans who tried scrimping on prescription medications spiked to 25% in 2008 from 12% in 2007, before returning to 12% in WSL's latest "How America Shops" survey. The percentage cutting back on cereal purchases fell to 20% in April from 41% a year ago, while those stinting on frozen foods fell to 34% from 58% last year.

Uncollectible credit-card debt rose to 8.82 percent in February, the most in the 20 years that Moody's Investors Service Inc. has kept records, about 43% of American families spend more than they earn each year, average households carry some \$8,000 in credit card debt, and personal bankruptcies have doubled in the past decade.

Another impact on the new consumerism is the decline of sales of fair-trade products, locally sourced produce or staple products that often are more expensive compared with traditional items. Typical growth rates of 20% to 30% for organic food sales in the U.S. eased in the second half of 2008 as middle- and upper-income families felt the strain of layoffs and declining investment portfolios," said Tom Pirovano, director of industry insights at market research firm, The Nielsen Co.

For marketers, the challenge is to redefine value in a way that will convince consumers of purchasing their products. The industry predicts that the pent-up demand typically followed by a recession will not occur as consumers continue to shift from buying to saving. Both the size of their personal debt and the poor state of financial institutions in the U.S. will help fuel this new conservative consumerism.

In the backdrop of the financial crisis is a driving need for consumers to have customized products and services that reflect their unique needs and desires.

A key element that will require constant re-evaluation is the key value proposition that supports any given product or service offering. Marketers will need to pay a higher level of scrutiny to how consumers perceive the value of their products and the level of quality and durability. The ability for manufacturers to convince consumers to replace products for more effective, better quality items will be challenged if the result is a perception by customers that the original product was never made properly in the first place.

Finally, it will be important for marketers to constantly monitor consumer's attitudes and perceptions of their products and services since the economy and the new age of consumerism has created higher thresholds for purchase intent.

Mass Customization

"Mass Customization" is the emerging frontier in business competition for both manufacturing and service industries. At its core is a tremendous increase in variety and customization without a corresponding increase in costs. At its limit, it is the mass production of individually customized goods and services. At its best, it provides strategic advantage and economic value.

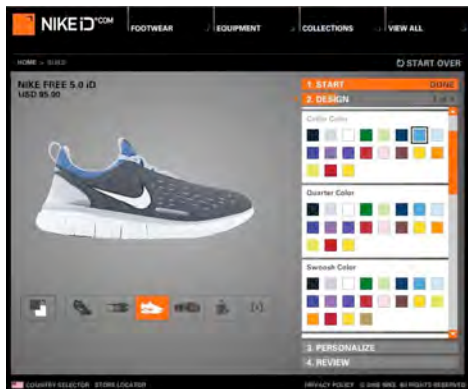
The advance in CAD computer aided design technology and its link to manufacturing equipment has lead to significant advancements in just-in-time manufacturing. As this process allowed companies to garnish better market share and margin through more effective manufacturing logistics and processes, the game is starting to shift to a new level.

Mass Customization is a new paradigm based on creating variety and customization through flexibility and quick responsiveness in both how consumers select brands and how manufacturers develop products to meet these demands. For marketers, the good news is it moves the focus from buying on price (because all goods and services appear to be much the same), to one of buying on satisfied

needs and wants that are not currently being offered in the marketplace, at a competitive and affordable price.

A company engaged in Mass Customization actually seeks to gain market share through asymmetrical innovation, providing a service that its competitors cannot while disrupting a relating industry.

The rise of mass customization has been driven by two major industry factors. The first is the willingness of companies to listen to their customers and provide products that meet these needs. The use of social media as one of these feedback loops in addition to web enabled tools has allowed marketers to remain close to their customers in order to anticipate their needs in a way that the competition cannot.



Nike has really done something truly unique to this customization process by allowing consumers to design their shoe as part of an interactive website. They have given Nike fans a place to express themselves, and in doing so, created a distinctive customization experience. By allowing customers to interact with the product and make it their own, they are creating a relationship between not only the product and the consumer, but the brand and the consumer as well.

In 56 original Levi's stores across the United States and Canada, Levi Strauss & Co. is using mass customization with its Personal Pair women's custom fitted jeans program, and will begin providing men's custom jeans in the near future, as well. Fig. 4 shows the process of making customized jeans. In the store, a trained sales person takes four initial measurements of the waist, hip, inseam, and rise. These measurements are entered into the computer system, which suggests a prototype-test garment.

The consumer tries the prototype on and fit modifications are made in any of four areas of the garment, based on the consumer's preferences (such as a tighter fit, looser fit, shorter, and longer). Two or three prototypes are usually required to find the perfect fit for the

customer. Having specified these processes, the order is sent via modem to Levi Strauss in Mountain City, TN.

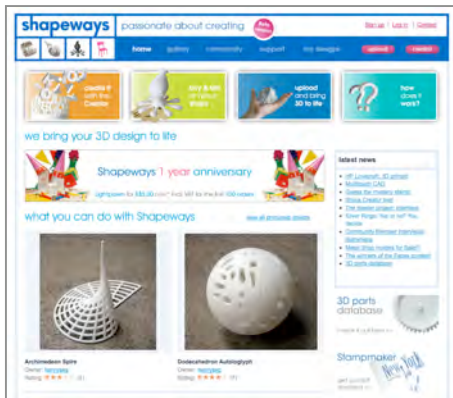
The cost of this process comes out to about \$65 a pair (around \$15 more than buying directly off-the self), with about three weeks needed for production and delivery.

In the technology industry, computer manufacturer Dell has built its business model by offering to provide customers with custom built computers, to their exact requirements. This business model approach was quickly copied by all computer manufacturers as they identified a segment of the market that were willing to wait and pay more for something that was designed for their exact needs.

No longer were you competing on price, but more importantly, the ability to customize the product to the customer's exact requirements. The industry has also evolved to provide custom graphics for the computer outer shell based on graphics templates offered by the manufacturer.

However, not all mass customization projects have been a success. Reflect.com, which lets women create and order custom personal-care products such as cosmetics, fragrances, and shampoos closed for business on June 13, 2005. As a subsidiary of Proctor & Gamble (P&G), the Company has decided it is not currently in its long term strategic goals to continue the Reflect business and brand. With these words one of the most promising ventures in the mass customization world announced that it would close its doors. The experiment in selling customized cosmetics online started in September 1999 as a premier example of a large company investing in and potentially profiting from mass customization.

Another technology that will further accelerate mass customization is the advent of rapid prototyping technologies that allow 3D printing based on a customer's specific needs. The technology developed by Ponoko and Shapeways that allows the creation of three-dimensional objects that works with paper, fabric, leather,



acrylics and even metal. The technology also allows consumers to create structures that would otherwise be impossible to manufacturer.

Customers need for customized products will continue to grow as the need to stand-out and be unique drives existing business models, but companies will struggle to cost-effectively deliver them. Marketing has a strong play on how this new trend will emerge since listening to the customer and understanding their needs is at the crux of this industry. Marketers can help improve communication and coordination between operations and sales and is one critical path to profitable customization.

Also understanding which segment of your market truly wants customization and understanding the reasons why will help better structure the offerings and resources to meet market requirements. In addition, reviewing the organization's web strategy and social media approaches will help identify the degree to the level of sophistication and customization required to remain competitive.

Since capital expenditures take several years to impact the business, its important for companies to evaluate their customization strategy as part of a five year plan, being able to anticipate and respond to customer needs while allowing the manufacturing procurement process to work efficiently.

Back to Building Trust

The recent economic downturn did not only identify that consumers have over taxed their credit, but that corporations have lost their credibility and level of trust with consumers. The challenge for corporations will be on how to rebuild their level of trust with consumers in a way that is meaningful and sustainable. The involvement of government in businesses has only exasperated the issue, as consumers trust governments far less than corporations.

Corporate transparency will evolve, driven by the collapse of the financial infrastructure and bringing into focus corporate governance. The markets attention on how organizations are governed started several years ago with the collapse of Enron and WorldCom in addition to the astronomical debt being created by governments trying to re-energize the market and bring stability to the financial and manufacturing industries.

Consumers have been awakened to the miss management, overcompensation of executives that are not accountable to

The Edelman Trust Barometer found that 62% of adults in 20 countries trusted corporations less in December 2008 than they had a year earlier, a drop of 20%

performance. How an organization is transparent, provides candor to its shareholders and investors at large and is committed to its community and employees will play a much larger role in brand preference. No longer is the purchase decision predicated on product features and price.

The customer of today will evaluate the brands they purchase through a unique new lens that takes into consideration the past miss-deeds of its management, how it responds to consumer and industry criticism and more importantly, how it treats its employees.

Transparency is also being driven by social media, making it harder for executives and corporations to hide issues or trade secrets. Both the media and the public at large have a new force to ensure organizations are honest and transparent, with heavy penalties for those companies who continue to believe the “old way is still the best way”. Marketers have a strong understanding of the value of trust, the foundation of any brand, a promise of performance. To ensure a high level of trust that leads to brand loyalty, marketers will need to be proactive.

In the August issue of Harvard Business Review, Eric Beinhocker, a senior fellow at the McKinsey Global Institute identified that regaining trust also means dispensing with the view that the only objective of management is to increase shareholder value. Broadening the list of key stakeholders to include employees, customers, suppliers, communities, the press, unions, government, and civil society will help companies rebuild credibility.

A key strategy that will stimulate the need to regain trust will be the refocusing of employee value propositions and engagement processes. Organizations are realizing that their best asset to bring change in the perception of trust for their brands is harnessing the power of its employees. Companies will continue to spend a larger disproportionate percentage of their marketing and HR budgets in better aligning their front line staff and employees in every facet of the company to clearly live the brand promise and reinforce its

values at each of the brand's moments of truth. Only through the consistent and visible affirmation of the brand's beliefs will consumer regain trust with the organization as a whole and brands in particular.

The Rise of Free

Joseph Bertrand, a French mathematician in 1883 defined the competitiveness of business around a single thought, that in a competitive market, price falls to the marginal cost. This premise has been the cornerstone of the free industrial world, as manufacturing and pricing live in a symbiotic relationship that is driven by the need for market share. However, today, the definition of marginal cost has been reduced to the total sum of “zero”.

The cost to access so many things today is free. From free software that allows you to do pretty much everything more expensive programs offer to free email services and on-line books and magazines, the business model is being put on its head. However

Products that are offered for **free** give consumers a strong emotional benefit that is perceived to be **immensely more valuable than it really is.**

free is not anything new to the marketing company, from buy-one and get-one free promotional activities to give away the printer below manufacturing cost in order to make money on the print cartridges, the concept of free is well established.

However, the definition of what constitutes being free is truly changing and its meaning is the sum of “Zero”, offering products and services with no hidden cost, no switch and bait tactics, no hidden clause or five year contracts (best known for the wireless industries marketing tactics).

In his book “Free. The future of a radical price”, author Chris Anderson, best known as the author of the New York Times bestseller “The Long Tail” outlines with strong supporting facts that the premise developed by Bertrand is at the core of the “Zero” cost price, a major trend that currently represents over \$300 billion Free economy.

Mr. Anderson notes that the cost associated with growing an online economy are trending toward zero at an incredible rate. He identifies in his book four different types of “free”, namely:

Direct cross-subsidies: any product that entices you to pay for something else. For example, the sales of confectionary items at the theatre offset the high cost of featuring the movie.

The three-party market: advertiser pay for you to gain access to the content, the programming and more. This form of “free” has been around since the era of radio, allowing the community at large to access the content for free.

Freemium: is the most common web business model. You receive the program for free but need to pay more for the added services. On-line file sharing, blogging and research tools all fall within this practice.

Non-monetary markets: Anything people choose to give away with no expectations of payment. Think Wikipedia with the millions of free secondhand goods offered in Freecycle.

The trend supports the underlining business proposition that economies flow toward abundance. Products that can become commoditized and cheap tend to do so, and value shifts to adjacent levels. It is important to note that only thirty-two of the top 100 companies today make things you can hold, while the other sixty-eight sell mostly ideas such as services in health care and intellectual properties (drugs, medicine), not resource processing. Today, the globalization rendered manufacturing a commodity, forcing prices to fall and a new emergence of the knowledge worker in place of yesterday's factory worker.

The definition of free is also changing pre-conceived ideas of quality. Historically, free meant an inferior product, something of low value, hence being given away. Today, however, consumers do not equate free with low quality goods or services. Free today means that the organization has redefined its business model to better serve its customers. Google, Facebook and other internet driven companies have significant value and a high share price since they generate profits by finding ways to subsidize the "free" browser service and email with online search advertising that better links the profile of the viewer with the products of the seller. Both the seller and the consumer win in this relationship.

For marketers, the opportunity is to clearly understand what element of their business could be provided for free as a vehicle to gain market share and customer loyalty and what adjacent business could deliver the incremental revenues lost as part of the free offering. As new competitors enter the market and try to define their core value proposition, it will be important for the existing market to understand the power of "Free" and how to best leverage this trend to their benefit.

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