The Future Of Consumption

Contributed by GfK
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The 59th GfK conference in Nuremberg focused on the outlook with regard to consumption for manufacturers, retailers and consumers up to 2020.

No one can say exactly what the future holds, but it is possible to gain an idea of future behavioral patterns by taking into account current behavior and incipient developments.

On the occasion of GfKâ€™s 75th anniversary, experts at this yearâ€™s GfK conference examined the future of markets and consumption.

The conference took place on June 26, 2009 and was attended by around 550 marketing experts from Germany and abroad.

What will our society look like in 2020? What will peopleâ€™s consumption habits be in 10 to 15 years? What changes will occur? What adjustments will retailers need to make?

Five speakers tackled these questions from a range of different standpoints.

The demographic future of Europe
In his talk, Dr. Reiner Klingholz, Director of the Berlin Institute for Population and Development, outlined the future demographic development of Europe.

Birth rates in Europe have been declining significantly since the mid-1970s, and forecasters predict that there will be around 50 million fewer Europeans by the middle of the century.

Since immigration will continue on approximately the same scale, the total population will be more or less the same size; however, it will be significantly older.

Europe will therefore be the first continent to leave behind a long period of growth, and this will have a considerable effect on economic life.

It is essential to find social and economic models which allow prosperity to exist without growth in future. National economies are facing completely new challenges and questions to which, as yet, no answers have been found.

Demographic change varies greatly depending on the country and, in particular, the region in question.

While economically successful areas such as the Scandinavian capital city regions, the Netherlands, Switzerland and the South of France can expect population growth, very sharp decreases are likely in the peripheral regions of Central and Eastern Europe â€“ including Eastern Germany.

This is driven by two major factors: firstly, differing birth rates, and secondly, migration within Europe, which predominantly occurs in an East to West direction.

These developments will greatly affect private consumption, which will be determined less by the number of people alone and far more by their sociodemographic characteristics and attitudes.

In general, older people have different consumption habits to younger ones.

One broad field of market research examines what generation-specific characteristics and consumption expectations are currently displayed and will be displayed in future by the "silver generationâ€•.

Considerably less research is carried out into the living and consumption habits of migrants who live in immigration zones on a long-term basis, and who become more and more important to the local area as consumers.

Europeâ€™s purchasing power in 2020
Dr. Eberhard Stegner, Managing Director of GfK GeoMarketing, focused in his talk on the purchasing power of the future generation of consumers.

For companies which market their products through the retail sector, one issue is of prime importance: how much money do consumers have in different countries and regions? GfK Purchasing Power answers this question.

It is no accident that this was the first service offered by GfK: a 75-year-old product which is reinvented every year.

In a recent survey, GfK GeoMarketing investigated the development of regional economic general conditions in Germany, Italy, Sweden and Poland.

On the basis of this analysis, it produced an assessment of the future prospects of the individual countries and regions. The result is a purchasing power forecast for these regions in 2020.

In 2008, regions with a high level of purchasing power were located in Scandinavia, Southern Ireland, Southern Germany, Northern Italy, the ÃŽle de France metropolitan area and Switzerland.

However, the high price level in Northern Europe considerably reduces the prosperity of people living there, while in Eastern Europe, the low prices somewhat balance out the fact that incomes are still far below those in the West.

German citizens also enjoy comparatively low prices, with the result that they can afford more overall than many of their European neighbors whose purchasing power is actually stronger.

Out of the three western countries, Sweden is best positioned overall.

The countryâ€™s growth regions are situated in the South and particularly in the South West. Conversely, growth in Italy will largely stagnate, although the coastal regions in the South will slightly decrease the extent to which they lag behind the North.

The European East-West divide will also narrow a little, and Poland will make further gains. The countryâ€™s growing population will bring about major growth in concentrated purchasing power, especially in the region around Krakow.

The prospects for an increase in purchasing power per capita are the most favorable in Western Poland, in the Lebus region.

However, a few meters away, on the other side of the border in Eastern Germany, the outlook is considerably less positive.

Weak income growth and population decreases will trigger declining purchasing power density over a large area in the "newâ€• German states.

Germany will show positive growth overall, driven by the "oldâ€• German states. In future, purchasing power will be greater primarily in the South.

Keeping up and navigating in a fast-moving environment
Friedrich Fleischmann, Head of International Retail Services within GfK Retail and Technology, demonstrated how quickly and fundamentally products on the market for traditional, technical consumer durables have changed over the past ten years, what differences have arisen in our shopping habits and last but not least, how the retail market and retail products have adjusted in response to these changes.

The Internet has become part of everyday life for 1.6 billion people, and enables rapid exchange of information.

Consumers have never been better informed about products, prices, quality and unmet quality guarantees.

In this respect, retailers are confronted with a variety of new challenges: fast-changing product lines, short product life cycles, better informed customers, a higher level of price transparency, and the constant availability of the online purchase option.

Consumers buying technical durable goods now spend one in ten euros online.

Products such as LCD TVs, digital cameras, mobile phones and MP3/MP4 players symbolize the triumphant success of digitalization, and far outperform their analog predecessors in terms of sales figures.

Easy networking capability opens up completely new dimensions of multimedia usage to consumers.

Although analog cameras achieved record sales in 2000, with 71 million cameras sold worldwide, the 140 million digital cameras sold last year demonstrate the enormous sales potential offered by new technology.

In order to keep up with this continuous change, take the right steps and make the right decisions in sufficient time, manufacturers and retailers require well-founded, fact-based and detailed market information.

To ensure that this is obtained, investigations must be launched on a continuous and standardized basis. With a network covering more than 80 countries, GfK Retail and Technology is able to provide these navigational aids for over 300 product groups.

Five scenarios for the retail market
In his presentation, Franz Tessun of Future Thinking & Training used five scenarios to show how the retail market could develop in the coming years.

Looking back over 20 years, it is clear that the world has changed a great deal, and none of the developments that have taken place could have been predicted with certainty by forecasting.

However, scenarios allow future changes to be described in qualitative terms.

Mr Tessun divided the range of scenarios into the four areas of retail, retail environment, the consumer, and society, the economy and politics.

In addition, he referred to 18 key factors, such as "local supplyâ€• from the area of retail, or "sociodemographyâ€• from the area of society, the economy and politics.

He then projected each of these key factors into four conceivable future trends. The combination of the areas and the key factors produces five scenarios, which provide an excellent overview of what could happen in the future, and describe the various developments which could take place.

Scenarios are not forecasts, and do not describe the "only possible futureâ€•; rather, they represent different variations of what the future could hold.

Using these scenarios, researchers can identify opportunities and dangers and deduce what actions may be taken to best support the opportunities and minimize or prevent the dangers.

The following five scenarios give ideas as to how the retail market could develop over the next few years:

- Retail market in a divided society: low growth levels split society and lead to price-oriented discount shopping.
- Retail market awakening: solid growth and conservative structures lead to regional competition for additional services in the retail market.
- Retail market as an innovative leader: growth of new markets and the dominance of the young generation promote competition for modern, additional services in the retail market.
- Retail market as a trendsetter: growth and modern structures lead to regional but mobile competition for additional services in the retail market.
- Retail market as a virtual manufacturer: declining prosperity makes price-oriented consumers direct purchase consumers.

Three cultures of futurology
Professor Holger Rust, economic sociologist at the University of Hanover, dealt with the various approaches to futurology in his talk.

First, he introduced the "culture of ratiosâ€•, also known as the "first cultureâ€•. This adopts mainly anglicisms, and produces theories in a relatively short period of time using previously established results.

Research that does not follow these specifications is rejected as too complex.

This approach predominantly cultivates models of reality, but does not apply the traditional scientific modus operandi of critical rationalism. Best practice dominates, along with adaptation in line with customer requirements.

A second, highly critical culture is developing as an alternative to this first approach. It deals with the socio-political consequences and wrong turns of economic policy and favors a qualitative, integrated research tradition.

There are also forces that purport to have information about actual reality, and to have acquired this on a scientific basis. They have their own language and nurture the illusion of having overcome the negativity of academic research.

This research fragments scientific insights with the aim of creating opportune visions of the future.

Finally, Professor Rust described the requirements that serious research should fulfill. These include sociological sensitivity, impartial questioning and controlled methods.

It is research based on economic practice and offers honest answers, which can be used to determine the basis of future developments, independently of wishful thinking. It overcomes the illusion of trends and mega-trends in favor of individual monitoring of companies.

According to this approach, exclusive questions from the perspective of the company in question and confidence in independent, non-opportunistic research represent the only possibility of dealing with the future â€“ which must be done on an individual basis.

This "thirdâ€• and genuine research culture confronts the future in the knowledge that it cannot be predicted, but that through the maximum possible use of hard and soft factors in every conceivable form, it can be negotiated successfully.

The conclusions that can be drawn from this research culture are as follows: research must encourage observation of reality. It must reveal the deeper layers of the culture upon which the markets are based. And it must stimulate internal company communications.

One of Professor Rustâ€™s more general insights is that ultimately, innovation is usually nothing more than an attempt to keep everything the same, using the most revolutionary methods possible.

The GfK Association
The GfK Association was established in 1934 for the promotion of market research. Its membership consists of approximately 600 companies and individuals.

The purpose of the Association is to carry out basic research, to promote the training and further education of market researchers and to regularly produce studies to be made available to the membership.

With a 58% stake, the Association is the majority shareholder of GfK Aktiengesellschaft. Further information: www.gfk-verein.com .

The GfK Group
The GfK Group is the no. 4 market research organization worldwide. Its activities cover the three business sectors of Custom Research, Retail and Technology and Media.

The Group has a total of 150 companies operating in more than 100 countries. Of the Groupâ€™s 10,267 employees (as at March 31, 2009), over 80% are based outside Germany. For further information, visit our website: www.gfk.com .

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