



WGSN Future Consumer 2021

By Andrea Bell, Director of WGSN Insight

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BY ASCENTIAL

The future is brighter than you think

There are challenges coming our way. But don't despair. Amid the gloom, the consumer sentiments WGSN sees emerging are uplifting and positive

Looking at the macro trends for 2021, I feel both affection and empathy – along with a hefty dose of admiration – for the future consumers. They face challenging forces shaping how they will feel and behave.

One constant for everyone, regardless of age, is a sense of overwhelming pressure. Whether it's work productivity or social media likes, there's a relentless expectation on people to be, and do, better.

Added to this is an epidemic of hate bonding, with people forming quick and close bonds over shared dislikes. Social media accounts fan the flames, with the toxic end results of a rise in online bullying and hate crimes.

Here's where my admiration comes in. Despite these powerful forces of negativity, the consumer sentiments that shine through for 2021, are a force for good. Individuals are proving themselves to be better than the world around them.

In this white paper, we outline three emerging consumer sentiments, and show how brands can align and engage with these customers. The most striking one for me is a Deep Kindness that's developing as a backlash against the hate culture. Surrounded by a swirl of negativity, one cohort of future consumers – the Kindness Keepers – is seeking a counterbalance. Brands that display authenticity and humility will resonate.

A business that can admit its faults and show a long-term commitment to corporate social responsibility will have impact.

There's a similar spirit of progressive change coming from the Market Makers. Found in the rising youth populations of Africa, India and Southeast Asia, this cohort is feeling emboldened. These young people are experiencing a wave of optimism that will result in social and political change – and it's infectious.

The brands that will win with them are the ones that open up new and novel paths to purchase. Encouraging peer-to-peer trading and exploring retail opportunities in new and exciting 'third spaces' will be key.

The third sentiment in this white paper may not be as obviously positive as the first two, but for me, it charts an optimistic way forward for brands. Feeling the weight of pressure and an overabundance of choice, The Compressionists are seeking to declutter and simplify their lifestyles. For brands, this is an incentive to streamline the product offering, clean up the digital experience and utilise artificial intelligence and machine learning to great effect.

For more information on how WGSN can help your business, please visit lp.wgsn.com/insight



A handwritten signature in black ink that reads "Carla".

Carla Buzasi
Managing Director,
WGSN

2021

People and planet under pressure

Income polarisation, the confidence of China and the planet at breaking point will define the consumers of the future. Only by understanding the challenges will brands navigate and survive

As we approach 2021, we know that the path to purchase is continually shifting and becoming hyper-fragmented. Even the direct-to-consumer markets, which have seen phenomenal annual growth, are seeking opportunities to future-proof themselves against shifting consumer priorities. More so than ever, that's the shift that matters – it's no longer a path to purchase, it's a path to people.

WGSN's annual Future Consumer white paper analyses macroeconomic and societal drivers to understand how consumer desires and spending powers will evolve. This research is layered with the emotional sentiments that are set to have the greatest impacts on consumer mindsets.

Our proprietary blend of demographic analysis (who your buyer is) and psychographic research (why are they buying) is distilled

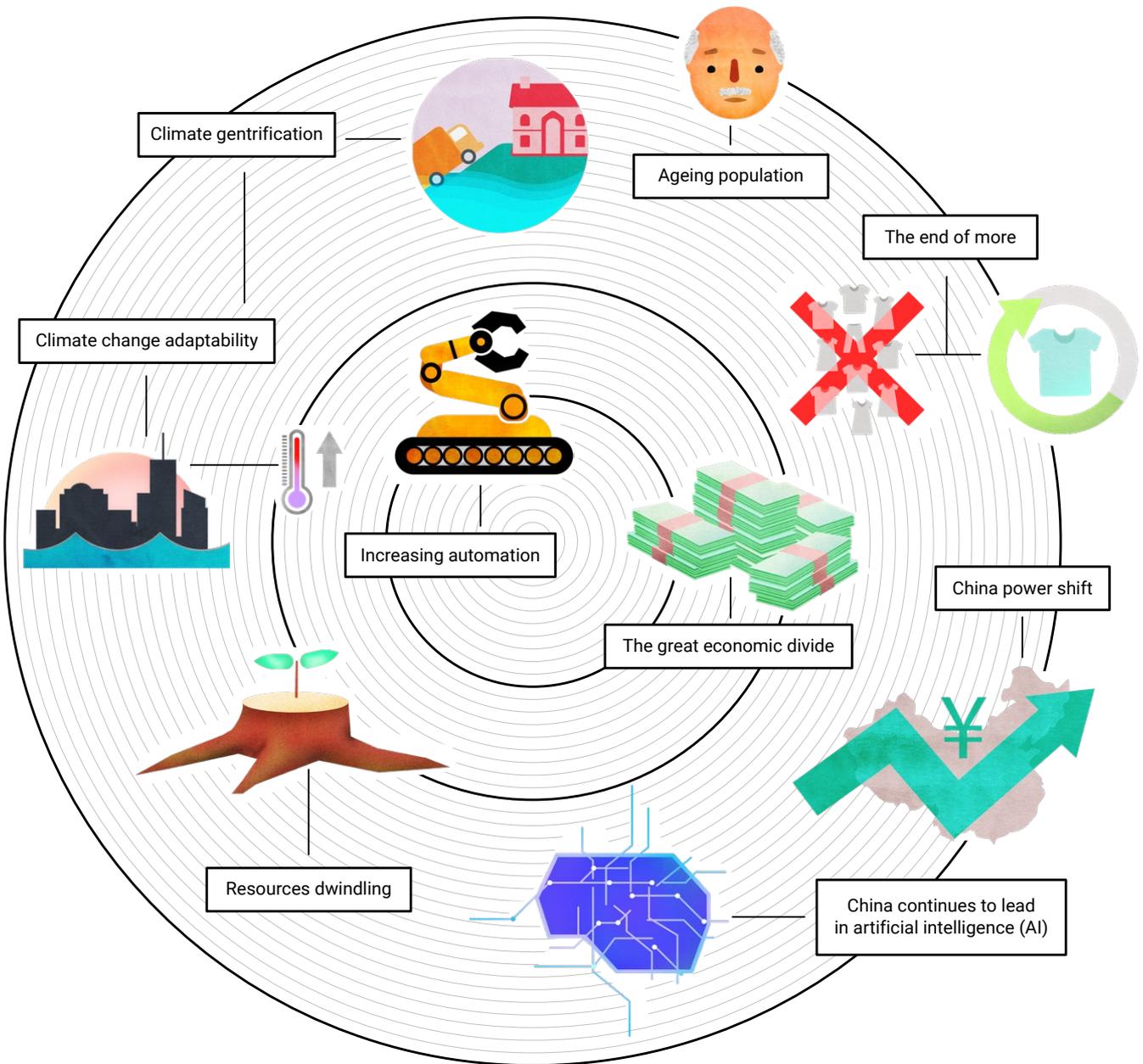
into three consumer groups that will drive sales and engagement in 2021. Aligning with these mindsets will be the difference between growth and stagnation.

The future drivers

Before we introduce the key consumer groups for 2021, we need to understand what's shaping their daily lives. What are their challenges and opportunities and how can companies create products and services that will react to these diverse needs?

WGSN's global research teams have segmented the drivers into People and Planet. Taking a considered approach to these overarching shifts will inform how business leaders innovate to remain relevant, in what is likely to be an increasingly challenging environment.

2021 Macro drivers



Driver One:

A planet at breaking point

The end of more

As low-impact consumerism becomes mainstream and interest in sustainable processes and products rises, attention will shift to reducing the amount of new raw materials being introduced into the supply chain.

With global material resource use expected to more than double by 2050, and high-income countries currently consuming 10-times more per person than low-income countries, we will need the equivalent of 1.7 Earths to maintain our current levels of consumption.

This presents an opportunity for brands to not only evolve this critical consumer-led relationship, but also generate estimated cost savings of €600bn by 2030 in Europe alone.

The circular economy has been valued as a trillion-dollar opportunity, and brands that start planning, researching and innovating now will gain a market edge with a new breed

of consumer more likely to challenge how a purchase impacts the planet. The EU's Circular Economy Mission to India in September 2018 found that the reducing resource depletion could "unlock \$0.5tn for India by 2030".

Climate change adaptability

As businesses adapt to a more conscious consumer, they will also have to adapt to how climate change will impact supply chain, availability, real estate and changes in market demographics due to migration.

As shifting climatic boundaries and extreme weather events reshape urban areas and communities, opportunities will emerge to engage these markets with new goods and services, and for brands to take a lead in creating design-led solutions. Sectors with raw materials already under pressure from climate change, such as coffee and beer, are acting to ensure they can adapt.



Starbucks has a ten-year \$500m investment fund for research into climate-resilient beans, open-sourcing what it learns to spread best practice faster and supporting adaptation training for farmers via eight centres across three continents. Similar responses to drought and threats to barley crops can be seen in the brewing industry.

Climate gentrification is an increasing concern. In real estate, flooding and intense heat is beginning to reshape climate-challenged cities. In Miami, signs of gentrification are appearing in poorer, elevated areas. Neighbourhoods located four metres above sea level are experiencing above-average house price rises.

In the US, Flagstaff, Arizona, is seeing an influx of climate refugees from Phoenix and Tucson, confirming a 2018 World Bank report which forecasts how internal climate migration will reshape nation states.

On a human level, climate change is beginning to have as measurable an impact on consumer well-being as economic and political uncertainty has in the last few years. Psychologists and mental health professionals are referencing climate anxiety as a growing stress factor.

Driver Two

People power shifts

The great economic divide

There will be increased polarisation around income, with spending power among the middle class in developed economies continuing to weaken. Income inequality is growing, and the gap between the wealthiest and the poorest widening.

In developed regions such as the US, Western Europe, Japan and urban China, middle-income groups are under pressure. Ageing populations and increasing automation will continue to restrict spending power and limit confidence. The response will be the elimination of the middle market, with reinvention and disruption in the value sector.

More diverse value propositions, which are agile enough to respond to specific and volatile spending priorities, will win in this environment. Beyond issues of social justice, income disparity matters because it restricts economic growth for countries with higher median income levels.

The Organisation for Economic Cooperation and Development (OECD) estimates that rising income inequality between 1990- 2000 took nearly nine points off GDP growth in the UK, and between six and seven points in the United States, Italy and Sweden.

Demographic polarisation

In many parts of the world, the population is living longer at a time of falling birth rates. This scenario is starting to cause intergenerational friction as younger people are faced with picking up the increased tax bill for the cost of long-term elderly care.

Insurers Fidelity estimates that healthcare fees during retirement would cost a US couple now aged 65 an average of \$280,000. In the UK, two-fifths of the National Health Service budget is spent on care for over-65s. In China, a study published in January 2018 estimated that long-term care costs for the elderly will have doubled by 2030. Keeping fit and healthy for as long as possible will be a long-term aim for individuals and the state.

In the meantime, generational inequality continues to widen. Following the 2008 global financial crisis, European youth was at greater risk of falling into poverty than the elderly. In Europe, the median wealth of those aged 16 to 34 is now just 10% of that of 65-year-olds. In April 2018, UK think tank Resolution Foundation recommended that every Brit turning 25 should receive a £10,000 grant to close the gap. In the US, the median net worth of households headed by a 35-year-old was \$11,000 in 2016, compared to \$224,000 for one headed up by a 65 to 74-year-old.



China power shift

China's confidence as a leader in technology and brand creation will continue to grow, resulting in a shift in the impact of its influence in the world. That confidence will bolster Chinese businesses to create better targeted domestic brands for local consumers.

As the Chinese consumer becomes more satisfied with local choices, international brands will need to rethink their market approach, putting speed and innovation at a local level at the heart of any business's market proposition.

China continues to lead from the front in artificial intelligence (AI). In 2017, it submitted four-times as many AI-related patents and three-times as many blockchain and crypto-related patents as in 2016.

China currently owns the largest share of global supercomputers, essential for analysing the huge amounts of data that enables advanced AI. China's human resources in this area are also likely to put it ahead of the rest of the world – the number of STEM graduates leaving university every year in China currently outnumbers the USA by eight to one, according to the World Economic Forum.

The Compressionalists

In a heavily divided society, pressure is one unifier bridging all socioeconomic gaps. From burnt-out Millennials to time-poor Boomers, everyone is suffering. The Compressionalists are exhausted and under pressure. This is a group that needs brands to help make their lives better



*Scared of failure · Pressured · Burnt out · Exhausted
Perfectionists · Anxious · Superhuman Syndrome
Always-on · Distracted · Procrastinators · Time-poor*

Three ways to engage

To help this high-pressure, low-time cohort, declutter the digital experience and streamline the shopper journey



1

Clean up and curate e-commerce

A visually overloaded website hurts conversion, as confused and frustrated shoppers won't buy. Investing in a decluttered UX is as critical to the bottom line as search optimisation.

2

AI assistance

From Amazon filing patents to transform public buses into mobile delivery stations, to Starbucks partnering with Uber Eats to deliver hot beverages in less than 30 minutes, AI is transforming speed-to-delivery. In 2021, the next frontier will focus on leveraging data to anticipate and respond with stress-free shopping solutions – a key priority for The Compressionists.

3

Adopt a D2C mindset

The 'more products equals more sales' strategy is driving away shoppers overwhelmed by choice, both in stores and online. There is simply too much product which means people will abandon the shopping cart. Direct-to-consumer brands embrace a less-is-more mentality, releasing a controlled number of SKUs (stock keeping units) that feed demand while maintaining exclusivity within its community.

Kindness Keepers

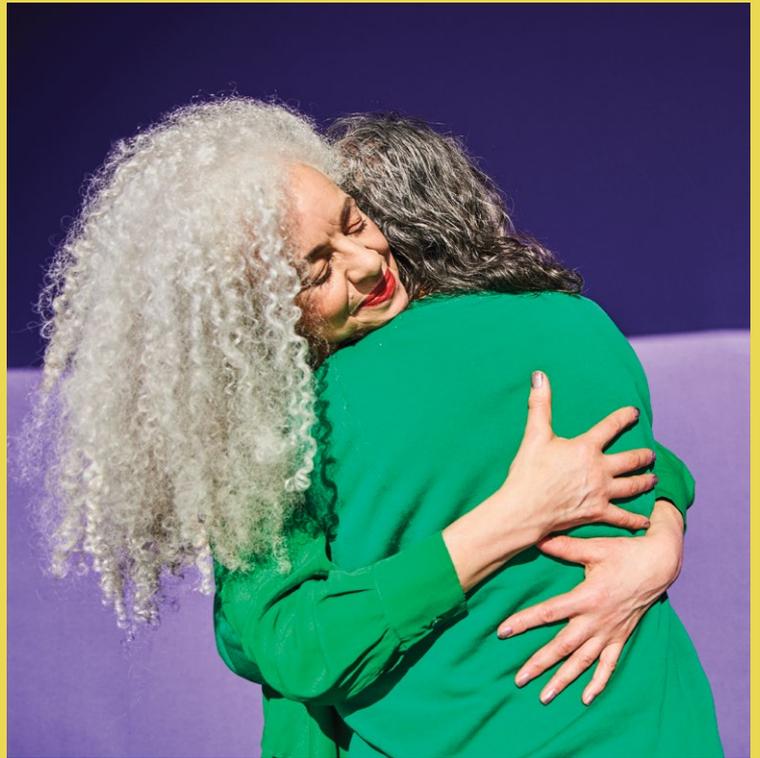
In an era of Twitter wars and internet trolls, hate spreads at the swipe of a smartphone. However, a growing tide of kindness is pushing back. Kindness Keepers aim to build bridges through low-key acts of power, equitable community developments and by bursting their own filter bubbles



*Kind · Quiet achievers · Ethical · Moral
Environmental · Forgiving · Inclusive
Accountable · Listeners · Leaders · Empathetic*

Three ways to engage

How do companies prepare for a cohort that expects routine acts of kindness from brands? Measure kindness as a KPI and put people over profits



1

Implement intellectual humility

Brands that admit their faults will resonate with Kindness Keepers. A 2018 study by Accenture found that 48% of US consumers who are disappointed by a brand's words or actions on a social issue complain about it. People are more forgiving of companies when an apology and transparent recovery plan is provided. Remember, not addressing the problem is no longer a viable solution.

2

Kindness as a KPI

As mass mattering overtakes mass marketing, companies need to invest in long-term commitments, not a one-time donation. This means communication to consumers about partnerships, and transparency with funds and resources. A 2018 Brand Purpose study by Accenture showed that 42% of consumers walk away from a brand if they are disappointed by its actions. One in five never come back.

3

People over profits

A controversial strategy that is resonating with Kindness Keepers is when companies take a stand, despite a possible impact on their bottom line. It's not without risk but it does have the potential to embed deep brand loyalty with customers who align with the brand values.

Market Makers

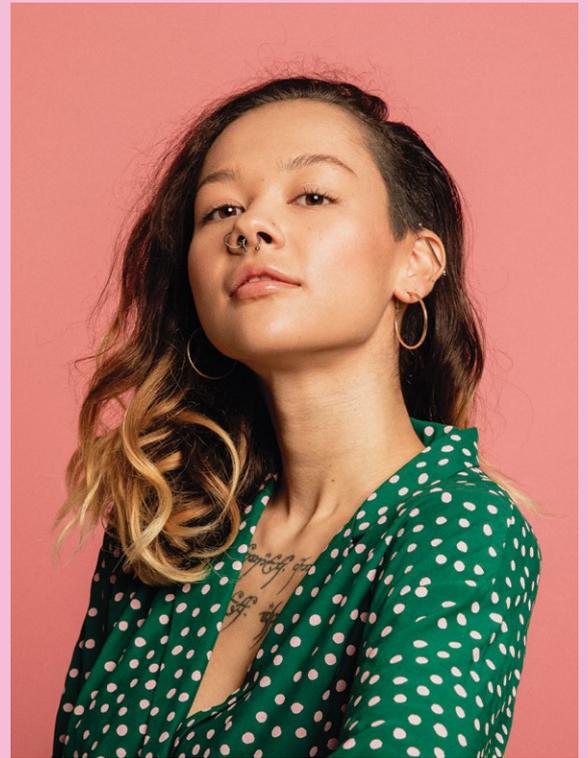
Western consumers may feel fragile, but in India, Africa and Southeast Asia they are experiencing a wave of optimism that will result in social and political change. Entrepreneurial and go-getting, Market Makers are energised and creating their own opportunities



*Self-confident · Energetic · Emboldened · Youthful
Patriotic · Self-starters · Individuals · Disruptors
Anti-establishment · Localists · Entrepreneurs*

Three ways to engage

As peer-power advocates, Market Makers are companies' largest disruptors. Brands should look to third spaces and peer-to-peer selling to engage them



1

D2C goes P2P

From fashion re-commerce brand Depop opening stores throughout the US, to Brandless testing physical spaces, direct-to-consumer (D2C) brands are working with shoppers to create peer-to-peer (P2P) marketplaces.

2

Third-space markets

"Adults keep asking why us [teens] don't go to the mall anymore? We do. You're just not coming to our malls," a 16-year-old female focus group attendee told WGSN. The malls in question are third spaces – online worlds where teens and children willingly spend time between home and work, or home and school. For younger generations, the line between physical and virtual is non-existent and these third spaces are ripe for engagement.

3

Reverse supply chain grows and simplifies

As re-commerce/resale continues to take market share from traditional retailers, even Amazon is getting into the re-commerce mix. The company is selling returned merchandise to liquidators such as Liquidation.com, which auctions palettes of items to consumers, who are then flipping the items on re-commerce platforms.

Six ways to win in 2021

1

Clean up visual language

Just as a messy store is a consumer turn-off, visually overloaded websites hurt conversions, as confused shoppers won't buy. Investing in a decluttered UX is as critical to the bottom line as search optimisation.

2

Focus on hero products

Embrace a less-is-more mentality and release a controlled number of SKUs that feed demand while maintaining exclusivity. This not only reduces cost but, if messaged correctly, also highlights a sustainable company approach.

3

Prioritise corporate care

From a demand for impact investing, to equitable housing and retail developments, consumer loyalty will continue to be driven by shared values. Invest in a long-term cause commitment and avoid one-off charity donations.

4

Go direct-to-consumer

These market disruptors are testing physical locations and are working with shoppers to create growing peer-to-peer marketplaces. Companies need to continue to invest in strategic partnerships with these digitally native vertical brands or implement D2C business strategies for long-term growth.

5

Embrace re-commerce

These marketplaces are simplifying with little start-up time, allowing people to sell, flip, and/or rent in as little as three swipes of a smartphone. Continue to invest in aftercare market strategies, rent-to-own collections and buy-back incentives.

6

Innovate livestreaming

Think less video selling of products, and more video selling to mindsets. Look to align livestreams with core consumer groups to ensure higher sales and engagement.

Research matrix



2016 UK Department of Education:
Longitudinal Study of Young People in England
and Cohort 2: Health and Wellbeing at Wave 2

2017 Gartner AI Job Creation by 2020

2017 Global Wellness Institute Wellness Tourism

2017 LinkedIn's Emerging Jobs Report

2017 New Frontier Data:
The Cannabis Industry Annual Report

2017 World Economic Forum:
Collaboration in Cities From Sharing to 'Sharing
Economy'

**2018 FMC Travel Solutions Digi Smart Indian
Business Traveller Report**

2018 World Economic Forum:
Internet of Things Guidelines for Sustainability
White Paper

Accenture 2016:
Is Ownership Obsolete?

APA Perfectionism Is Increasing Over Time:
A Meta-Analysis of Birth Cohort Differences From
1989 to 2016

Deloitte 2018 Banking Industry Outlook

European Commission:
White Paper on the Future of Europe by 2025

**Evry The New Wave of Artificial Intelligence
White Paper**

Gender Equality Index 2017:
Measuring Gender Equality in the European Union
2005-2015 Report

**IBM Learning to Trust Artificial Intelligence
Systems White Paper**

National Alliance on Mental Illness:
Mental Health by the Numbers

**OECD Brazil Economic Forecast Summary
(November 2017)**

UBS 2017 Cryptocurrencies:
Beneath the Bubble White Paper

About WGSN

WGSN is the world's leading trend authority. Every day, we work with the world's top retailers, businesses and brands across industries, to predict how their customers will evolve, the products they'll want to buy and the experiences they'll seek out.

Our subscription services provide daily access to the latest consumer, marketing, retail and innovation trends, while our consultants help implement future-proof strategies to prepare you for the consumer of tomorrow.

About WGSN Insight

WGSN Insight helps the world's most creative thinkers stay ahead. With unparalleled coverage and analysis into the world of consumers, WGSN Insight features original and thought-provoking content on consumer, marketing, retail and innovation trends.

About WGSN Mindset

WGSN Mindset is the client advisory service from the world's leading trend authority. Through the delivery of trend forecasts targeted to specific needs, WGSN Mindset helps businesses create hyper-targeted products which are better for their consumers and their bottom line.

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