

Fast Future's 50 Forecasts for 2010

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Global Challenges

1. Facing up to Ageing - In the developed economies, lifespan estimates are increasing by up to five months every year and there is up to a 90% chance that those under 50 will live to 100. These patterns will be emulated for citizens in the developing economies as their incomes, lifestyles and health outlook improve. At the same time we know our pension systems cannot cope - they were not designed for people lasting 15 years past retirement let alone 35. In addition, with population decline in many developed economies, we know that the ratio of workers to retirees is shrinking - reducing the pool of pension funds available to serve a rising level of demand.

Governments, businesses, the media, society and the pensions industry all have to accept that this is a crisis of our own making - it is not something that's happened overnight. We have had warnings about an impending pensions crisis for over 20 years and have chosen to do little about it. Over the next two years we think the debate will move beyond the current search for blame as people begin to realise that their pension funds won't be able to cope. We will all be forced to think about how we can fund ourselves for a 100 year lifespan. This might mean working well into our 70's, looking at alternative financing and investment models, changing our lifestyles to reduce our spending, ensuring that we will be healthy enough to keep working and keeping our skills and capabilities relevant.

2. Dealing with Debt - The current - potentially temporary - respite in the financial crisis is allowing governments to take stock of the impact of rescue packages on public finances. We know that in 2010 the debt of the richer members of the G20 is expected to rise close to 100% of GDP. Tough choices will be required on how to service the interest payments and bring down the size of the debt burden. Policy options are limited and potentially unpopular. Cuts in public spending, reducing public sector workforces, higher taxes and encouraging inflation are the most likely instruments. These will have a dampening effect on the economy and slow the pace of recovery. It will be interesting to see the choices made by different nations. The impact will be severe on public sector suppliers - consultants, lawyers and other service providers could experience some of the biggest cutbacks. Redundancies in these firms will be an inevitable consequence.

3. Sustainability 2.0 - While we expect a continued focus on environmental sustainability, we also think there will be a lot more debate about the long term sustainability of our governance and business models. What are the right set of processes, voter engagement mechanisms, funding approaches and controls required to manage a country in the 21st century? Is globalisation the right growth model for large corporations, what is an acceptable level of growth to target and what business and financing models should underpin these choices?

Politics Gets Complex

4. New Routes to Change - The range of challenges facing developed and developing economies grows ever more rapidly - as does the outpouring of ideas from every corner on how to fix them. Many governments seem almost clueless as to how to make progress on multiple fronts and how to harness a diverse range of inputs. Despite the scale of the challenges, many are still reluctant to 'think the unthinkable' on issue as diverse as effective governance for the 21st

healthcare funding, banking regulation and environmental protection. Increasingly we will see foundations and independent initiatives funding such 'clean sheet thinking' projects – enabling them to sit outside the political process and consider a wider range of options than most governments would dare to. The results will then be used to facilitate public debate and influence governments from the top down and 'outside in'.

5. Embracing Complexity - The finance crisis has helped us understand that our world is increasingly made up of highly complex interconnected and adaptive systems whose behaviour is difficult to model or predict. Governments and businesses will increasingly start to embrace complexity thinking to help understand and plan for the world we now operate in. The real breakthrough will come when we start to teach our children about complexity and how to make decisions in an uncertain world with imperfect information.

6. New Rules of Engagement – The failure to reach any serious binding global agreements on climate change at the COP-15 Summit in Copenhagen in December 2009 could herald the end of an era on global agreements. Increasing attention will be paid to finding new models for reaching consensus that don't require leaders and administrators to fly around the world desperately seeking to configure a deal which then gets ignored in practice.

7. Public Unity - Private Retrenchment –The G20 members will continue to talk boldly in public about collective global action and open markets. In practice, nationalistic attitudes will abound. This will result in more protectionist trade policy, greater competition to attract inward investment, a bias for awarding of government contracts to local suppliers and a tougher immigration stance.

8. Training gets a Boost – We anticipate a number of publicly funded initiatives to support training and retraining from developed economy governments. The goals will be to try to reduce welfare costs, cut or prevent unemployment and speed the economic recovery. Where elections are due, these may be seen as politically motivated acts.

Economic Power Shifts

9. Joyless Growth – A recovery has begun or will soon start in most economies. However, while the headline figures will be positive, sentiment will be slow to recover as markets remain nervous about the potential for a 'double dip' recession. Redundancies will continue, firms will struggle to cope with persistent lower price expectations from customers, and public spending cuts will bite. Even small items of bad news could see market confidence ebb away and economies head back towards negative growth.

10. Analysts find the Future – Investment analysts are still reeling from the client backlash over them missing the downturn and its impact on the companies, sectors and countries they cover. Many analysts are starting to recognise the need to assess far more than a firm's past performance, order book and product pipeline. Greater emphasis will be placed on assessing the future readiness of a firm or country's leadership, the quality of the foresight work they are doing, the strength of their external networks and open innovation processes, their preparedness for a range of economic scenarios and their resilience in the face of possible decade of turbulence.

Customer and Consumer Trends

11. Spending - The Playing Field Has Changed - The downward shift to lower priced products and less conspicuous consumption is unlikely to see a rapid reversal in 2010. The spike in sales for Christmas 2009 should not automatically be seen as a turning point. High levels of personal debt,

uncertainty over job prospects and general nervousness about the economy could lead to a more permanent 3-5 year downward shift in market behaviour.

12. Savings in Fashion – Despite government exhortations to help spend our economies out of the downturn, many consumers in developed markets will look to reduce personal debt and increase their levels of savings. Economic uncertainty, pensions concerns and healthcare costs will all be contributing factors to this new found thrift mentality. Some may wait for a second downturn before adopting such behaviours.

13. Ethical, Green and Cheap – Consumers will be increasingly willing to buy products with strong ethical or green credentials. However, in the mass market, price will remain a key consideration and it remains unlikely that vendors will be able to charge a premium for such products in the near term.

14. Zero Tolerance – Customers will increasingly vote with their feet or their fingers in the face of poor service or website failure. Whilst they may tell their friends about the poor service experience, they will be less and less inclined to inform the vendor – particularly where the amounts involved are relatively small.

15. Customer Insight gets Neural – A growing number of firms will adopt neuromarketing and related techniques to develop real insight into the neurological basis for customer behaviours. Others will continue to do market research whilst ignoring the wealth of direct customer feedback already available.

Global Business

16. Internationalism Becomes the Norm - In ‘Globalinc. An Atlas of The Multinational Corporation’, Mederd Gabel and Henry Bruner suggest that the number of multinationals has grown from 3,000 in 1990 to over 63,000 today – rising to 820,000 if affiliates are included[i]. This number is expected to accelerate in 2010 as would-be multinationals from China, India and other emerging nations seek a foothold and buy-up troubled businesses in key markets. At the same time, developed economy businesses not already abroad will be looking to enter emerging markets and form foreign partnerships in an attempt to overcome sluggish conditions at home.

17. Africa Bound – In the search for new growth, businesses from developed and developing economies alike will make an aggressive push into markets across Africa. Entrepreneurs from Asia may fare better and see faster results as they are more able to adapt to local business practices to secure opportunities than less fleet-footed global firms.

18. Clipped Wings – The airline industry will continue to experience turmoil as business passengers in particular are slow to return. Casualty rates could be high - airlineupdate.com lists 90 airline failures and 7 mergers for 2008 and a further 31 failures and 6 mergers for 2009. We can expect 30-40 more failures and further mergers by the end of 2010.

Business Strategy

19. Customer Lock-in - Nervousness about the strength of the recovery will drive innovation in sales and pricing strategies. Where possible, suppliers will seek to lock customers in to longer term deals during the early months of the year - with options such as subscription models, long-term discounts and staggered payment arrangements. Equipment suppliers will increasingly have to adopt an approach of providing the product for free and then charging a rental fee or proportion of the savings or increased revenues / profits where these can be attributed.

20. Free or Fantastic – Vendors of both physical and electronic goods and services will have to face up to the fact that hyper-competition and almost unlimited consumer choice are driving prices down to zero. A range of alternative revenue streams are then required to make the endeavour viable. Those that want to generate direct payment will have to demonstrate that their offering is truly fantastic and worth paying for. For example in the UK newspaper industry, the Financial Times has successfully raised its hard copy cover price on a regular basis and charged for its premium content online. In contrast, the London Evening Standard has had to abandon the charging model and move to a free circulation model.

21. Accelerating Innovation - One of the most interesting responses to the downturn has been the rising focus on innovation. This has ranged from a wave of new product launches to radical rethinks of entire business models and operating systems. However, many larger businesses have found their internal processes a barrier when it comes to turning ideas into reality. We think the focus of innovation initiatives will increasingly focus on streamlining decision making to allow more rapid testing of new ideas.

22. Open Innovation – Wave 2 - While there are notable examples of businesses such as P&G and Apple succeeding with open innovation, the reality is that many have struggled to make it work. Internal processes, legal issues and a prevailing mindset of distrust have seen many such initiatives fail. We expect to see three dominant approaches in the next wave of open innovation in 2010. Firstly, some major corporations will bite the bullet and truly embrace the concept. The majority of large firms will follow the route of controlled experimentation to open up particular innovation opportunities around new product development using platforms such as Innocentive. The third will see a growing band of innovators who use open and crowd sourced approaches to conceive, develop and market their products and services.

23. Improving M&A Potential – The downturn has left a number of firms struggling for survival or at least significantly weaker than 18 months ago. The risk of a double dip downturn makes many even more vulnerable. Cash rich corporates, investment funds and even private investors will be more active in seeking out opportunities to acquire and integrate or break up these ‘bargain basement’ businesses.

24. The Quick and the Dead – In most sectors, over the next 12-18 months, we expect to see a wave of new ventures and industry level initiatives taken by entrants and existing players. These are entrepreneurs and firms who took advantage of the downturn to take or accelerate bold moves. The results of their efforts will come as a shock to many in the sector who ‘didn’t see it coming’. A second breed of ‘dead men walking’ will become apparent as traditionally successful businesses struggle to come to terms with a new world order.

Business Operations

25. Leaner and Meaner - Businesses that emerge successfully from the recession should be fitter than before, raising the possibility both of increasingly competitive firms and of a jobless recovery.

26. Sustainability Goes Mainstream - Google’s SmartMeter provides information on your Google home page on how you use electricity and how to be more efficient. The emergence of such applications, and the money they can help save, will appeal in a post recessionary world where sustainable products and services will be increasingly common. The challenge will be to demonstrate that products are truly sustainable in a clear and simple manner.

27. Responsible Investment - As the green credentials of company spending and investment increasingly come under the microscope, the need for a Director of Responsible / Sustainable Investment will manifest itself and become apparent in many organisations.

28. The Listening Organisation - We expect to see more Chief Listening Officers appointed to ensure companies are truly hearing and responding to customer needs, concerns and comments emerging from direct feedback and via the social media such as Twitter.

29. Skills Shortage - Despite unemployment rates of up to 10% in the U.S. and across the E.U., many industries will face continuing shortages in key areas owing to a misalignment of skills required and available qualified talent.

30. Travel Under Scrutiny - Cost pressures and nervousness about a double dip downturn will continue to impact corporate travel budgets. Despite the evidence about the value of face-to-face meetings, travel restrictions will be imposed, and investment will rise in electronic alternatives from teleconferencing to virtual events. This will drive the growth of alternatives to business travel, such as Telepresence and Halo rooms. Increasing political instability in various world regions may also have a restraining effect on travel plans.

31. Telecommuting Grows - Rapidly increasing worldwide broadband connections and real time technology connections now make it feasible to be fully effective from home. Globalised work teams also render the concept of 'going into the office' a pointless exercise if your team is on another continent. At the same time, the desire to reduce office space requirements and overheads, cut CO2 emissions, avoid gridlocked transport systems and retain happy talent will all drive the take up of telecommuting.

32. Rise of E-Learning - The desire to maintain skills and motivation while containing costs and responding faster to business needs will see firms and training providers make greater investments in the use of e-learning. Increasing use will be made of virtual worlds to deliver simulation-based training in fields as diverse as healthcare, auditing and financial services.

33. Growth in Software as a Service (SaaS) / Cloud Computing - A growing number of businesses of all sizes will adopt SaaS / Cloud Computing strategies. This trend to renting applications from third party providers over the internet will grow as businesses look to improve the functionality they can offer, increase flexibility and control costs.

Engagement with Social Media

34. Social Networks Harvested - A number of models will emerge claiming to offer approaches to monetizing individual or corporate networks. While some will be transferable from one business to another, many will not prove to be portable from their originators to other entities.

35. Business Gets Social - As yet there are relatively few examples of big companies that have scaled social initiatives beyond one-off marketing or communications initiatives. One exception is Best Buy's Twelpforce, which leverages hundreds of employees to provide customer support via Twitter. Cost and service pressures will see more firms developing business-wide social media engagement strategies that encompass customers, prospects, suppliers and partners.

36. Internal Social Media Policies Tighten - With user rates booming across the social media platforms, and growing pressures on headcount, we could see growing restrictions on the internal use of the social networks. Even where the company understands the benefits and is making an

investment in social media, strict controls may be adopted on how much time staff can spend visiting such networks in company hours.

Ethics and Environment

37. CSR Backlash – Product advertising is now full of claims about firms’ ethical and green credentials. However, consumers are becoming cynical about exactly what is being done. There will be real pressure for transparency on exactly how much of the item price is actually being donated to build schools, buy books, plant trees or train a teacher. There will also be a real focus on providing evidence of what is being done with the money.

38. Our Friends Electric - There will be a major increase in activity in the electric and hybrid vehicle markets. Existing car manufacturers will announce a number of new vehicles and concept development projects. New entrants to the sector will start to bring products to market and a number of vehicle projects will find investors. Activity levels in China will be particularly high.

Science and Technology

39. Serving the Masses – We will see rapid growth in mainly science and technology based solutions targeted at the needs of the developing world. Inspired by examples such as the Nokia Money mobile money transfer service, big corporations will increasingly develop offerings targeted at the low income mass markets.

40. Loving the Labs – The government stimulus packages announced in 2009 included a major boost for science and technology investment. Notable examples included 10Tn Yuan (1Tn Euros, US\$1.5Tn) in China, 900M Euros in Germany, 731M Euros in France and 685M Euros in Norway. Business and the investment sector will also place a major focus on investment in science and technology ventures as a route to driving new growth opportunities.

Ten emerging areas of science and technology that we expect to hear a lot more about in the next year are listed below:

41. The Rise of Citizen Science – Public participation in scientific research will become increasingly popular. Amateurs will see and seek out greater opportunity to gather data, participate in collaborative studies run by both professionals and amateurs and lend their computers to large scale ‘grid computing’ efforts such as SETI (the Search for Extraterrestrial Intelligence).

42. NBIC-convergence - The convergence of the domains of nanotechnology, biotechnology, information technologies and cognitive science offers the potential for truly transformational scientific breakthroughs in fields as diverse as brain science, energy, environmental protection and food production.

43. Synthetic Biology - Synthetic biology involves designing and building basic biological building blocks that can perform functions as diverse as cleaning up toxic waste, growing electronic circuits, and producing artificial drugs food and fuels.

44. Personalized Medicine - Commercial services such as 23andme.com are already available that can read and map a significant part of an individual’s genome for less than \$500 in 2-4 weeks. Advances could see the price fall to around \$100 to sequence our entire genome in eight hours or less. This would enable medical treatments to be tailored to our unique genetic profile.

45. Novel Energy Sources – As the level of government and private venture capital funding for green technology increases, so the range of candidate technologies will grow. Expect to see regular coverage of ‘breakthrough concepts’ as diverse as energy producing kites, liquid and printable batteries and a variety of initiatives attempting to capture energy from human motion.

46. Food Production Methods – A variety of approaches will be discussed for closing the gap between production and demand. Expect to see Genetic Modification back under the spotlight along with concepts such as vertical farming, salt water farming, precision farming using satellites to optimise seeding and harvesting and artificially reared meat.

47. 3D Printing / Personal Fabricators – Three dimensional printing techniques have been used for some time in manufacturing to create 3D items by bonding particles together layer by layer. As the costs and footprint of 3D printers come down, so the potential emerges for ‘print on demand’ fabricators to be deployed on the high street – enabling stores to offer a far wider range of products while reducing the physical stock holding. The ultimate would be the personal fabricator which sits at home next to the washing machine and which enables us to print items (for example a plate) locally – using ‘recipes’ we have purchased and our own designs.

48. Ambient Intelligence – The expectation is that everyday objects from wallpaper to carpets, furniture and our clothing will all have embedded intelligence and an IP (Internet Protocol) address so that our environments can interact with and adapt to us. For example, picture the scene, we are having a stressful phone conversation, our mobile phone picks this up and responds. It communicates to our clothes to increase the air circulation around our body, requests the wallpaper to display a brighter tone and instructs the photo frame to display a happy or uplifting image. While all of these may sound far fetched, each development is already being worked on in the labs and ambient intelligence is seen as the glue to help link these developments together and shape the environment to the needs of the individual.

49. Self Replicating Artificial Intelligence (AI) – Real world applications of AI surround us – from satellite navigation to aircraft autopilots and washing machine control systems. The next generation of AI programs to emerge from the labs will demonstrate ever greater capacity to learn, adapt to their surroundings and even replicate themselves.

50. The Singularity – The basic concept was popularised by futurist Ray Kurzweil. He argues that we can expect the continued application of Moore’s law – the doubling of computer power every 12-18 months – for many decades. Moore’s law coupled to advances in AI will lead to a point around 30-40 years from now when devices will have so much computing power that machine intelligence will exceed human intelligence. A film on this concept is scheduled for release at the end of 2009 and will lead to widespread debate on the issue.