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FUTURE PERSPECTIVE

SOCIAL
INNOVATION



*Future Perspectives
are thought pieces
with concise,
focused insights
into important
issues of interest
to marketing and
business strategists.*

SOCIAL INNOVATION



Economists are divided over whether the rate of productivity growth in developed economies is down for good or is soon to pick up again. This debate is important because it bears on economic potential. It's hard to resolve this debate, though. There are good models for understanding the emergence of new technology systems and platforms, but timing, direction and impact are very difficult to anticipate.

Physicist Mark Buchanan believes there is a bigger problem with this debate. He maintains that economists are not asking

the right questions about innovation and productivity. In a *Bloomberg View* column (Is Innovation Over? December 11, 2014), Buchanan argued that innovation is now occurring in ways that economists don't measure and thus can't see, much less study or forecast. That's because, nowadays, **innovation is social**.

Social innovation is everywhere, but it escapes the notice of economists because they are using traditional economic yardsticks to study the productive potential of the economy. As Buchanan put it, "Most of our



technology ... has come from influencing and controlling how atoms, molecules or cells interact." So that gets measured. In the future, though, "[a]n entire realm of possibilities may lie elsewhere, especially in the social world, in learning to manage and expand human interactions."

Buchanan foresees a big upside in social innovation. "It's hard to imagine," he suggested as an example, "that we've done anything more than scratch the surface of possible kinds of business organization."

Of course, innovative ways of organizing employees is nothing new. Frederick Taylor's system of scientific management arose in the late 19th century as a means of improving the workflow efficiency and labor productivity of manufacturing assembly lines. Procter & Gamble introduced brand management in the early 20th century to better focus and empower marketing and advertising talent. More recently, whole literatures have arisen on topics like flatter organizations, distributed

organizations, the doughnut principle, the abundant organization, holacracy, Teal principles, and tactics in the war for talent, to mention just a few efforts at social innovation in the workplace. But despite this long history of corporate social engineering, **much of the potential of social innovation has gone unrealized.**

Google was featured in a 2016 *New York Times Magazine* cover story about its internal research begun in 2012, called Project Aristotle, to create the "perfect team." What Google learned was that the most productive teams are those whose members have a strong sense of "psychological safety" that allows them to open up to other team members and to feel safe in taking risks. It turns out that this insight was known already from existing and extensive academic work, but the fact that Google had to rediscover it confirms Buchanan's observation that we have only scratched the surface of what social innovation has to offer.

LinkedIn launched the Economic Graph Challenge in 2014 to solicit proposals from researchers external to the company about how to use LinkedIn data, or its economic graph, to make a positive impact on the global economy. LinkedIn believes that its social data can open up a flurry of valuable innovation that has not been possible before because the data required never existed until now.

In these and other ways, companies are responding to the drop in productivity growth with closer study and experimentation of the social structures within which employees work together. The hope is to unlock innovation, thus reigniting productivity growth.

But companies need to do more. It's not just about internal social innovation to create more innovative ways of "controlling how atoms, molecules or cells interact." Social innovation is not just a way of working; it should also be about rethinking the ways in which products and services interact with consumers. People are not passive recipients of what companies deliver. People are actively engaged, and this means that social dynamics are always in the picture. **Social innovation should also be the benefit that companies deliver to consumers.** Just as social innovation makes employees more productive, products and services that help consumers "manage and expand human interactions" will make people more satisfied.

Social innovation as a benefit for consumers puts relationships between people front and center. As discussed in *The Third Age of Consumption*, a future defined by capacity will see value located in experiences, relationships and algorithms. This puts social innovation at the heart of what it will take to succeed in the future.

Putting relationships first means more than connecting consumers with brands. Rather, it means facilitating and fostering the ability of people to connect with other people in more satisfying and beneficial ways. Social innovation should not be limited to the ways in which companies come up with new services and benefits. Social innovation should itself be the service and benefit delivered to consumers.

Just as companies are reconfiguring internal working relationships, so, too, should they offer services that enhance the social relationships of their customers. This is also an area of social innovation in which companies have only begun to scratch the surface. Three opportunities are immediately available: currency, matching and context.



SOCIAL CURRENCY

The old joke about Facebook still rings true. People set up their page, pick a profile picture with their BFF, reconnect with long-lost high school friends, post pictures of their dog, and then have nothing else to say. This joke rings true because people are always open to help in making meaningful connections with others.

One of the few certainties in social psychology is that the strongest, most consistent predictor of happiness is relationships with other people. Social connections matter most, so **social currency that can spent to deepen and amplify relationships is valuable to people.**

FIGURE 1
Social Currency Wheel

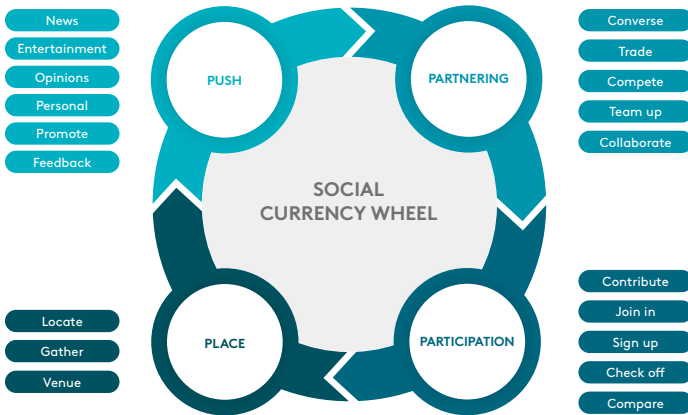


Figure 1 shows Kantar Futures Social Currency Wheel, which identifies the primary forms of social currency that brands can give consumers to spend. By and large, these forms of social currency don't relate to the functionality of the brand. None are about a brand per se. Instead, they identify ways in which brands can deliver the benefit of relationships.

In a marketplace that is increasingly characterized by competitive parity at a high level of quality and performance,





higher-order benefits like relationships will tip the balance to one brand over another. But even absent parity, consumers are increasingly interested in ways to enrich time spent with others. Brands can deliver this kind of social innovation as a service or benefit alongside high-quality functionality.

Four P's are at the heart of the Social Currency Wheel

- **Push** is simply something to say to others. It's not about interaction or conversation. It's about pushing something out to others that registers on their radar. This could be a promotion that a consumer can redeem only by sharing on social media, or it could be a joke or picture to post or pass along.
- **Partnering** is interaction. Oftentimes, this is a conversation, but interaction can be any form of back-and-forth like collaborating or competing or trading. This could be content to add to an existing thread or an activity that invites, or depends on, reactions from others.

It's worth adding that discussions of social sharing often blur the distinction between Push and Partnering. Social content doesn't always have to provoke a response to deliver the benefit of relationships. It just has to connect.

- **Participation** is another form of connection by which people can have a relationship with a social group, not just another individual. It's social connection without the necessity of a two-way exchange. When people use groups as a reference point to measure or gauge themselves, they have participated in a social connection. This could also be making a contribution or signing a petition or joining a special, closed group.
- **Place**, finally, is a location where people can gather and connect with other people. These could be physical, like green spaces or farmer's markets, or virtual, like hubs or networks.

Every one of these four P's represents a form of social currency that people can spend on other people. Brands should make currency of these types available to consumers, not to engage them with brands but to enhance the standing of brands as allies that give them what they want most—the ability to deepen and strengthen relationships with other people.

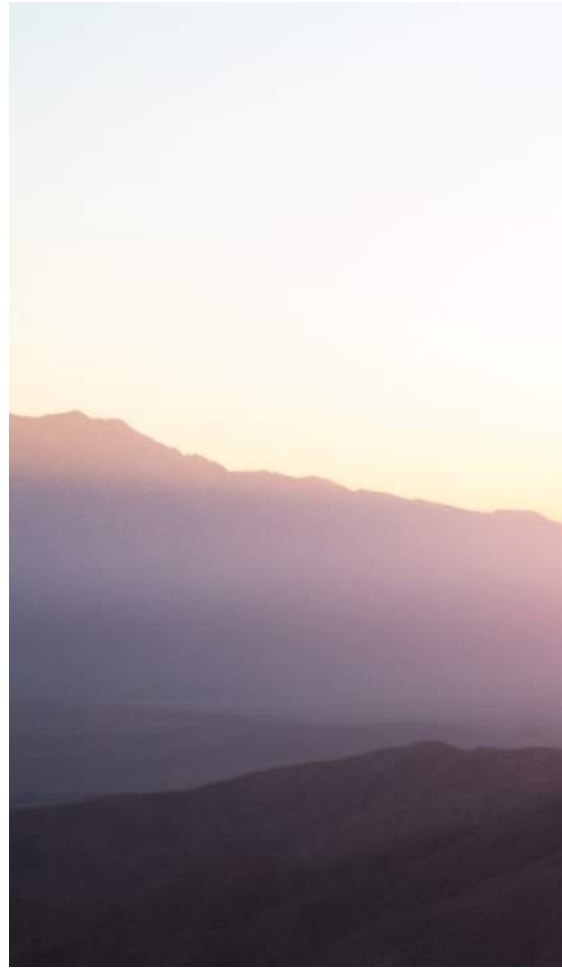
SOCIAL MATCHING

Oscar Meyer's Sizzl app will connect you with people who like the same kind of bacon as you. The Hater app will connect you with people who hate the same things as you. The Wander app will connect you with people of similar interests and lifestyles who are traveling to the same vacation spot as you.

There are tens of thousands of apps like these. George Mason University economist Tyler Cowen refers to what these apps do as matching. These apps employ algorithms to optimize the match of people with experiences, products or other people. In his most recent book, *The Complacent Class* (2017), Cowen argues that matching has generated significant improvements in quality of life that are not easily measured and thus are not reflected in economic metrics like GDP.

Cowen worries about the complacency into which developed economies have fallen. But one thing he points to with potential for the future is matching. He likens it to the grand projects of prior American generations—the Manhattan Project, the interstate highway system, the Apollo moon program, even the Cold War and WW2.

At first blush, it sounds preposterous that something like Sizzl could be the next Manhattan Project. But Cowen argues that



these admittedly trivial uses of information and technology are based upon an under-appreciated and as yet under-leveraged platform for innovation. People waste time, money and energy on mismatches. Anything that eliminates these kinds of inefficiencies will generate substantial improvements in quality of life and economic productivity. For example, Cowen points to unnecessary economic losses incurred during downturns because employers and job seekers lack the information and technology to match up.



Personalization is a form of matching, too. Products and services customized to match the individual needs and tastes of particular consumers enhance the value people get from brands. Social matching is the next opportunity for personalization.

Brands should match people to communities of others who can help them use and consume products in better ways, like recipes or household tips or shopping advice or self-help remedies. Brands should match

people to others who share similar passions about the category. Brands should match people to others whose shared interest in a common brand will expose them to new ideas and opportunities in other areas of their lives. Brands should match people in unusual ways that provide serendipity and surprise, exposing people to new things through new relationships with new people.

SOCIAL CONTEXT

Products and services are rarely bought and used in isolation. There is always a social context, and therefore a social element to the situations in which people are engaged with brands. Indeed, at its heart, the whole idea of a brand is social because it involves the creation of a value proposition that connects diverse consumers through a common consumption experience.

In the digital world, the social idea that constitutes a brand takes on new importance. Nowadays, critics fret about over-sharing, not under-sharing. The water cooler conversations of old flare up these days as Twitterstorms of outrage and social shaming. People's social selves frame many aspects of their private lives. Even the President of the United States vents his thoughts in the social context of Twitter.

Yet brands continue to give too little due to social context. This is most evident in market research and media planning. In research, the unit of analysis remains the individual consumer. This embodies a hidden assumption that the best way to anticipate how people will act is to understand them as individuals. There may be social factors that influence consumers, but a target market is a collection of independent individuals.

However, conversations are increasingly responsible for marketplace outcomes. Individuals are channeled by conversations. It is the network that decides, not individuals. If this sounds opaque, it's because we don't yet have the vocabulary needed to describe it.

In his book, *Everything Is Obvious: Once You Know the Answer* (2011), Duncan Watts, principal researcher at Microsoft Research, noted that old theories of social influence that put primary emphasis on influential people in critical nodes, such as those made famous by Malcolm Gladwell in *The Tipping Point* (2000), relied on datasets and analytics that couldn't properly account for network effects. With a fresh look and better data, Watts has found that viral effects can be triggered by anyone in a network, not just so-called influentials, as long as a network is ready to go viral. Equally, influentials cannot themselves spark viral effects in networks that are not ready to go viral.

Marketers lack good tools for studying networks, and networks are rarely the unit of analysis. Researchers can readily interview individuals. Interrogating networks is harder, and even when interviewing individuals, most of the information collected is about individual characteristics rather than the networks within which individuals are embedded.

Similarly, in media planning, individuals are targeted, even though conversations may be in control of decisions being made in the marketplace. It's hard to locate conversations and it's harder to figure out how to influence conversations. The irony is that this individual focus has grown with technology, even though the main impact of technology has been to deepen the power and influence of social context.

The arc of the internet has been about social

connection. It was never just an information superhighway. Every major development in the history of the internet, including those about information, has been about putting people in touch with other people—the Well, bulletin boards, news groups, dating sites, online communities, product reviews, wiki sites, multi-player online games, blogs, virtual worlds, social networks, the sharing economy and more.

In fact, it goes further than this. The history of every big technology platform since the Industrial Revolution, whether rail or electricity or the telephone, has been to construct new types of social connection. The internet is just the same, only more so.

Bob Taylor helped bring the internet into being, first as director of ARPANET and then as head of the Computer Systems Laboratory at the Palo Alto Research Center of Xerox. In 1999, during the height of the dot-com boom, Taylor was interviewed by *The New York Times* and asked what had surprised him most during development of the internet. Taylor answered that ARPANET was originally conceived as a way for scientists to share datasets. But it turned out they couldn't do

so without explaining them, so email was added. From the first email exchange, Taylor said, relationships flourished, and that sort of social connection was the emergent property of the internet that he didn't expect.

Gaming is particularly illustrative of the social power of technology. What makes gaming so engaging is not merely the game itself but the community of gamers that provides the social context so vital to the appeal of the experience. Multi-player games are fundamentally a social activity, and they create other social relationships as a result, which can be seen in the booming interest of games as a live spectator sport. In the near future, technologies like virtual reality and augmented reality will add to the value and impact of social context.

Brands should get smarter about the social context of consumption, and then innovate around ways to make that social experience better, not just ways to make the product itself better. Technology should play a big role. The focus should be on social innovation to enhance social context and thus the experience of consumers.





DELIVERING SOCIAL INNOVATION AS A BENEFIT

Social innovation is the open opportunity for out-of-the-box breakthroughs in the marketplace. **The imperative is to deliver social innovation as a benefit.** This can come from currency, matching or context. It will be part and parcel of the digital disruption ushering in the emerging Third Age of Consumption.

Brands should explore three key questions.

- **What are the social dynamics that enfold my brand?** Much attention is paid to social influencers, but less to the social mesh that fixes a brand within people's lifestyles. **The objective is to improve these social dynamics to enhance the value of a brand** in people's lifestyles, not merely to leverage these social dynamics to boost sales. This puts a higher priority on social innovation than on social marketing. Brands must focus on improving lifestyle experiences in addition to category experiences.
- **How do social dynamics channel consumers through the decision journey?** Current models of the consumer decision journey put individuals in the center, with social influences as one of many factors along the way. In the digital social marketplace, this sort of framework is upside-down. **Social dynamics, not individuals, should be at the center.** And again, this is not just about social influencers. It is about the conversations and situations that define the socially mediated journey that consumers take when they engage with the marketplace.
- **What will improve the connections and relationships people have with other people?** In the past, primary emphasis was put on getting consumers to engage more closely with brands. Consumers liked this, and still enjoy it. But going forward, consumers are not looking for more brand-to-consumer engagement. Instead, they want more and better relationships with other people. **It's about people-to-people relationships.** The brands that will resonate most powerfully will be those that facilitate and foster the ability of people to connect with other people, not brands that continue to bother consumers about more engagement with their marketing and promotions.



Returning to Figure 1, there are a number of ways to think differently about social innovation as a benefit that improves the connections and relationships of people with other people. Push is about virality. The best and fastest push elements are an image, video or image that catches a moment and gets shared. Some of the fastest growing platforms like Instagram and Snapchat are built on this idea. Brands find it hard to do well because success requires a touch that is lighter and defter than traditional marketing. But there are other forms of push, such as information related to a brand or its sponsorship activities. HSBC's sponsorship support of Rugby Sevens is a case in point.

The most success with Partnering social strategies occurs when brands work as intermediaries around a deep, complex and continuing human need. In the U.K., for example, Mumsnet connects parents, particularly women, around the everyday issues of children and home. Provided that brands do these sorts of things in honest and authentic ways, they can earn permission to do more in this sort of space.

Participation is often about shared passions. Think Spotify, as explored in another Future Perspective entitled, *Music Lessons: Four Things Brands Can Learn from the Digital Disruption of the Music Industry*. Brands that can engage best here are often known for a strong point of view, such as Patagonia.

Successful Places are those where people can go to get something done without the hovering presence of a brand. A few years ago, Lowe's offered a Facebook app where people could get feedback on their home improvement ideas from other people, without the intrusion of salespeople. IKEA's acquisition of Task Rabbit can be seen as a way to connect its brand idea about home to a place where there are people with the skills to help other people bring that into being in their own lives.

To echo Buchanan, brands have only scratched the surface of social innovation. This is the next frontier of value and growth, one tied to the critical elements of experiences, relationships and algorithms in the future of consumption.

KANTAR FUTURES

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