

Market Leader

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Growing in a post-trust marketplace of smaller worlds

Looking for growth opportunities? In the aftermath of collapsed trust, disillusionment and shifts in social ties, small is the new big, writes

J. Walker Smith

THE ECONOMY HAS finally cycled back, but not consumers. Consumers have pivoted, not cycled. The predicate of trust, something that had long been eroding, collapsed in the aftermath of the financial crisis. The old sources of trust are no longer available for consumers to cycle back to, so consumers have pivoted in a new direction instead, and that is where brands will find growth opportunities in the future.

The guidance people turn to and rely on in their lifestyles and the marketplace has pivoted to smaller worlds of connection and engagement. There are sharp elbows associated with this, so acrimony is said to be the tenor of the times. Yet the reality is that people have never been more connected than they are today. People are more networked, more engaged and more joined up. People are looking for meaningful ties and relationships like never before. They are finding them in the new preserves of smaller worlds, not in the old bastions of institutional authority.

This is a different kind of marketplace for brands. Growth opportunities are flourishing, but nowadays they 'look small', not big. Brands must keep all avenues open as the marketplace evolves in order to respond with agility and speed to a fast-changing environment in which consumers are recalibrating their expectations.

A PIVOTAL YEAR

In 2016, voters all around the world proved one thing for sure: people will dive head first into uncertainty if they believe that the only alternative is an unchanging trajectory of decline. Voters made it clear that they have lost trust in the ability of established institutions and authorities to ensure a thriving future.

Uncertainty is fearsome. Usually, people prefer to avoid it. That's why the Remain and Clinton campaigns of 2016 emphasised continuity as a selling point versus the dicey, uncertain prospects of Leave and Trump.

The presumption was that voters would turn away from a blind leap into a sea of uncertainty. Not that change was completely overlooked by Remain and Clinton. But those campaigns gambled that voters who were looking for change preferred the continuity of incremental, dispassionate, predictable change. That was a bad bet.

It turned out that what the majority of voters wanted was radical change. People wanted change whatever the uncertainty about the consequences. People pulled the lever for change so sweeping, so transformative and so revolutionary that they could not be certain about where it would take them. What people feared was not change but no change. Broadly speaking, a large swathe of voters in both the UK and the US felt that globalisation had left them behind. For them, continuity meant only more decline. These voters appeared to reason that however bad uncertainty might turn out to be, it couldn't be any worse than the status quo, and maybe it would turn out to be better.

Economic and cultural angst poured out at the ballot box not just as a counterpoint to the diversity and difference fragmenting society but as another variety of difference to be added to the mix. Those on the losing side of both elections were surprised that their worldview was not an emerging consensus. Indeed, the irony is that the celebration of diversity central to this worldview had, by and large, overlooked dissenting opinions about diversity as part of the stew of difference making up the marketplace. Hence, there was a rush afterwards within progressive political circles to rediscover people in rural towns and struggling industrial areas.

Disillusionment with institutions and authorities of all kinds has boiled over since the voting results of 2016, with both sides of the ideological spectrum now convinced that the mainstream political process works against their interests. Over the same period, dozens of entertainment moguls and media figures have been discredited for sexual

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misconduct. And technology and social media have come under mounting attack for purportedly impairing the well-being of users and for unleashing a torrent of ‘fake news’ into social and political discourse.

The message people sent in 2016 was that they no longer trust established institutions and authorities to pilot the ship. Michael Gove, a prominent figure in the Leave campaign, was on to something when, amid much criticism, he asserted during the run-up to the Brexit vote that “people in this country have had enough of experts”. What has happened since 2016 has only intensified and widened the mistrust people feel about institutions and authorities. In turn, this has accelerated the pivot of reference points and modes of engagement to smaller worlds.

POST-TRUST

It is said that an ‘era of post-truth’ has arisen. But it’s more than this. There is no post-truth as long as authority commands respect and trust. Fake news, alternative facts or other instances of post-truth are surface manifestations of a deeper current of mistrust of institutions and authorities.

Facts require authentication. Without a trusted authority, there is nothing to authenticate anything as factual. Scepticism or disbelief is not ignorance. Rather, when authority is mistrusted, facts lose all validity, becoming easy for people to dismiss. Not only do people feel it is natural to ignore what mistrusted institutions and authorities represent as factual; they believe it is smart.

People trust those who clearly and

unambiguously share their interests.

Institutions and authorities are mistrusted nowadays because they are perceived as being motivated by interests that are in conflict with those that people have for themselves. Trust is more than credentials and integrity. It is a matter of aligned interests. Competence and honesty are important but they can be the case even as institutions and authorities act on interests that are out of sync with the interests of people looking to them as reference points for guidance. Perceptions are now widespread that interests are in conflict, and this has created tension and mistrust.

The key to trust is clear evidence that interests are aligned, and the biggest part of ensuring alignment is close proximity. The

closer people feel to the institutions and authorities that they look to as reference points for guidance, the more they feel they can see and understand motivations and interests, and thus the more trust they feel.

Brands face this challenge as much as any other institution and authority. The interests of brands have to be aligned with the interests of consumers, otherwise brands will be mistrusted. It cannot be taken for granted that consumers will presume the interests of brands are aligned with their own. Brands must affirmatively establish that their interests align with the interests of consumers. In particular, brands must inhabit the same space as consumers, and that means doing business in the context of smaller worlds.

SMALLER WORLDS

A marketer in the seventies, eighties or nineties asking themselves what kinds of people – not consumers, but people – they were selling to would have answered ‘people seeking to fully express their individual selves’. Thus, for decades, marketers offered products and services to enable people to be as fully self-expressive as possible. Priorities are different now. Today, a marketer would answer that question by saying that ‘people are seeking to fully express their social selves’. So today, marketers need to focus on products and services that enable people to be socially expressive.

The resurgence of social connectedness is apparent everywhere. Certainly, it’s social media. But it’s more than that. Cities around the world are being reinvented with walkable green spaces and with social amenities and gathering spots. Food carts, cafés, coffee shops, farmers’ markets and festivals are the new face of culture. Buy local is in ascendance. Critics today worry about over-sharing – social to the extreme – not under-sharing.

But none of this is taking shape in the form of communities of old. Classic community is a collection of differences – a broad, diverse, integrated grouping of people who come together as part of a larger shared collective. Because of these differences, civility is a virtue and compromise is a necessity, both done willingly. What holds these differences together is a shared narrative of belief that is embodied and articulated by institutions and authorities that people trust to have interests aligned with their own. In the absence of trust, though, this has fallen apart.

People still want to connect, but instead of engaging across differences, people are doubling down on similarities. Social media echo chambers aptly illustrate this. Shared interests are the way in which people sort themselves in social media, and the insularity

of such engagement further entrenches people in narrow circles of social connection. Through the filter of similarities, people are able to see an alignment of interests that breeds trust. These smaller worlds provide new reference points for a shared narrative of belief.

Sparks fly when smaller worlds collide, but such quarrels are evidence of deeper social connectedness, not greater societal disconnection. People are more connected, not less – just in smaller worlds rather than in classic community.

People are coming together these days because they share things in common that they value and want to keep secure. They often resent those who don’t share their interests or values, even viewing others as a threat. But through these smaller worlds, people are connected and joined up.

Smaller worlds can form around many things, and identities often overlap. Politics is perhaps the most visible way in which people have formed smaller collectives of engagement. But it’s all kinds of culture – food, music, health, humour, video, gender, the internet and more.

Technology abets smaller worlds, not just social media echo chambers, although that’s a big part of it. More important are the ways in which data, apps and algorithmic targeting enable people to divvy up and self-sort themselves into smaller worlds of shared interests, values and desires. In his book *The Complacent Class* (2017), George Mason University economist Tyler Cowen describes this sorting into smaller worlds as matching. He contends that matching is the biggest source of unmeasured gains in quality of life. And he argues that matching will be the ‘grand project’ of the next generation.

At first blush, Cowen’s pronouncement sounds preposterous. But Cowen notes that technology for matching is in the early stages of development. He believes that the underlying technology, while put to many trivial uses today, is a fundamentally transformative platform that will spark a revolution of innovations to eliminate the inefficiencies, waste and dissatisfactions of bad matching. People don’t like losing time and money on things that don’t match their interests. People want to spend time with others who have their interests at heart. That’s not going to be found in a bigger community of differences in which people have lost trust but in smaller worlds of similarities that are perfectly matched to what people want and need. This is how brands will have to operate in order to win – by making intimate connections with consumers that resonate in a marketplace of smaller worlds.

In order to win, brands will have to make intimate connections with consumers that resonate in a marketplace of smaller worlds

The shift to the personal

92% agree

‘Taking the time to nurture one-on-one relationships is important in personal life’

88% agree

‘Making an effort to improve your wider community is important in personal life’

83% agree

‘Finding a community that shares your interests or beliefs is important in personal life’

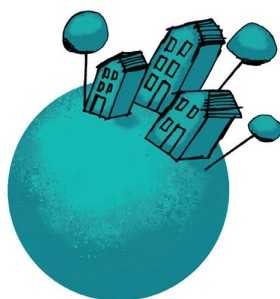
78% agree

‘Seeking products or solutions from individuals rather than companies is important in personal life’

Source: Kantar Consulting Global MONITOR, 2017 (all countries – US, Canada, Mexico, Brazil, Argentina, Colombia, UK, France, Spain, Germany, Italy, Poland, Russia, Turkey, South Africa, Nigeria, China, Thailand, Malaysia, Indonesia, Philippines, India, Japan, South Korea, Australia)

Five brand takeaways for smaller worlds

- **People want smaller circles of connection**, and thus value brands that provide the social currency to do so.
- **Trust is rooted in an alignment of interests**, which is best achieved by an intimate proximity of engagement.
- **Social matching is the technology frontier**, so hi-tech solutions require that brands be social innovators, too.
- **Scaling small niches into big brands is a new business model**, but imperative for a future of personalisation.
- **Smaller brands now dominate growth**, so big brands must learn to act and look small.



SMALL IS THE NEW BIG

Big, established brands are under increasing pressure because they are heavily invested in umbrella offerings to appeal across differences rather than in focused value propositions that zero in on smaller worlds. Much of the growth nowadays is coming from smaller brands and retail formats – local, specialised, start-ups. Growth doesn't 'look big' anymore; it 'looks small'. Smaller brands are outcompeting big brands by more nimbly satisfying narrow niches, and that's where growth is found.

When change is contained and uncomplicated, established companies can evolve and migrate in measured ways that sustain their dominance through the barriers to entry they have erected. But change doesn't look like that anymore. Incumbents find themselves a step behind new lightweight competitors. The advantages of size have been lost to outsourced production, expanded retail options and digital marketing channels. The scale of big companies is giving way to the skill of smaller competitors as the kernel of growth.

Over the five years prior to 2017, the FTSE reported that profits among the top 700-plus multinational companies based in developed markets dropped by 25% while profits for smaller national companies were up 2%. In FMCG categories from 2013 to 2015, Kantar Worldpanel tracked a shift of nearly two points of aggregate share from global brands to local and regional brands. BCG estimates that, from 2011 to 2016, the shift of share from large to small or mid-sized FMCG companies in North America totalled \$22bn in topline sales; Europe experienced a similar shift. Big brands still earn most of the revenue but growth has shifted to smaller competitors.

The fundamental requirement of growth is to identify an available market large enough to scale. Conventional metrics favour a big, cohesive opportunity, so the comfort zone in which most companies operate today is scaling mass markets into big brands. But, going forward, mass markets will not be available.

Mass markets are splintering into a

multiplicity of tastes, preferences, lifestyles and identities. Across race, ethnicity, household types, economic fortunes, political views, social values, ambitions and status symbols, in every market around the world, consumers are more fragmented than ever. No attachment to shared tastes – once defined by an aspirational affinity to the middle-class – holds sway anymore. Smaller worlds are what consumers now share in common.

The standard operating procedure of scaling one product for all is not transferable to a future marketplace that will require customising and personalising products to fit a portfolio of smaller worlds – particularly as personalisation further splinters the marketplace into niches of one. Scale is still needed, but the available market will be an ensemble of small, individualised, granular pieces, not a single, unified base. Brands must learn to customise and scale at the same time. Success will come from scaling small niches into big brands.

Companies that have begun to make this transition are finding that it requires relocating production facilities closer to buyers, digitising supply chains, utilising predictive technologies, adopting faster learning systems to guide production, and employing greater flexibility in procurement and hiring. Production, delivery and marketing must be done for an aggregation of small batches.

It also requires innovative ways of understanding market opportunities. Brands will have to master new approaches such as reverse segmentation, or putting lots of small things together rather than breaking one big thing apart. In the past, mass markets were segmented from the top down into smaller pieces. Going forward, niches of smaller worlds will have to be aggregated from the bottom up into bigger pieces that give companies a sizeable enough platform on which to scale small niches into big brands.

This is why brands must keep all avenues open. The marketplace is being turned on its head. What people used to trust no longer commands loyalty. The marketplace is 'going small', and smaller worlds require new ways of working. Brands must operate flexibly, learning on the go with speed and agility, in order to grow in a post-trust marketplace of smaller worlds.

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This is an updated version of a 2016 WPP Atticus Award 'Highly Commended' entry. ©Kantar Consulting.