

The ever-connected consumer: What does the future hold for consumer products in this digital world?

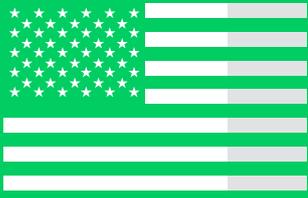
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The digital age is here: smartphone use is common place, with high connectivity and digital awareness across all generations converging in more areas of our lives. Smartphones allow us to do more on-the-go, while The Internet of Things is now a reality as Alexa and Amazon Echo become permanent and reliable fixtures in organising and managing our lives.

 **14bn**

Collectively,
Americans view
their smartphones
14 billion times a day





Research paper
published by Expedia
states that

74%

of Americans prioritise
experience over things

Here at Oakland Innovation our work with clients is demonstrating the need for organisations to better understand this digital space at every touchpoint. What is the hyper-connected, digitalised and data-driven world going to look like—and what does it mean for consumer products?

As the way in which consumers engage with products and brands is changing and new digital products become reality, innovation is required to keep up with this changing landscape. Companies must seize the opportunity existing devices provide, deliver improved and more personalised experience, navigate e-commerce, learn how to exploit the rise in available data, and even launch their own devices.



The consumer gets increased convenience, simplicity, speed and intimacy

Consumers get what they need, how they want it and when they need it, wherever they are. They have constant access to a wealth of information to support and inform purchase decisions, not just to make them. The benefits of being ever-connected outweigh the negatives of being 'always-on'.

“Consumers buy
experiences, not
just products”

By 2021 it is
expected that over

50%

of purchases will be
through mobile devices.

Choice plus data equals consumers demanding and expecting a more personalised experience. New offerings are entering the cosmetics and personal care markets as consumers buy into a more personalised experience. Simple apps use smartphone cameras and selfies offer skin advice, while bespoke devices added to your phone analyse your skin moisture levels and toothbrushes assess your brushing techniques. Consumers no longer just want the best product on the market, they want the best for them.

By 2020 the expected value of the global beauty devices market was at \$54.2billion. There was also a 100x growth of volume in electric beauty devices between 2010 and 2015.¹



92%

of consumers trust
recommendations
from others over
branded content

E-commerce continues to rise, from \$2.3billion in 2017 to a projected \$4.9billion by 2021.² By 2021 it is expected that over 50% of purchases will be through mobile devices. Consumers can make an online connection with a product—and make a decision about it—before they even see it on the shelf. Reviews from trusted sources no longer means product specific magazines and websites, but now includes vloggers, influencers, friends and community websites.³

92% of consumers trust recommendations from others, even people they don't know, over branded content and 70% say that online reviews are their second-most-trusted source.⁴



Fitness trackers growing at **19.6%** a year

Connectivity offers opportunities to engage with consumers throughout their journey

This connectivity opens up a whole new world for consumer products with the ability to deliver a holistic solution for the consumer, addressing needs across the home, and a much wider remit of brand experience. From diagnosis to ongoing engagement and tracking, and on-demand optimised, personal products, digital technology is re-writing how brands operate and engage. It is also opening up exploitable insights on consumer behaviour driving changes in the way new product development is done.



On demand home services (handyman, home maintenance, cleaning, chores) worth

\$600bn

in US and growing at CAGR almost **49%**

In beauty there are opportunities for **diagnosis** both in-home and in-store, to provide a differentiated brand experience. **Personalised solutions** are being created, resulting in improved appearance and healthier skin, teeth and hair. From health **trackers** and wellness **monitors** leading to improvements in diet, to more tailored and personalised exercise regimes, and the tracking of wellness biomarkers, consumer health too is meeting the consumer where they are. And at home we're seeing the rise in **on-demand** cleaning, air quality tracking, and the connected kitchen and bathroom. As a result, consumer product companies need to be considering where they play in this connected world.

Over the last two decades, U.S. online retail sales have grown from

\$US5m
in 1998 to
\$US389m
in 2016 [US Census
Bureau Figures]

Creating new digitally-enabled solutions require skillsets outside traditional mainstream product development. For many of our clients, identifying digital opportunities, and acquiring the skillsets to meet them is an urgent need. Traditional products, optimised for shelf-presence and traditional supply chains, are ill-placed to **embrace the opportunity of e-commerce**. How can brands respond to this connected world? Radical new thinking is required. After all, if you're not the disrupter then you're being disrupted.



50%

of all searches will be voice searches by 2020.

Voice Shopping is estimated to reach

\$40bn

in U.S. by 2022.

Brands are connecting with consumers across multiple platforms, using their reliance on connected devices to create new **touchpoints for engagement**. For example, the Benefit Cosmetics partnership with digital sampling firm Send Me A Sample enables consumers to request samples by simply asking Alexa. Consumers are now engaging with brands without ever stepping up to a product shelf—even a virtual one!⁵

The tools being used to create personalised experiences—both at home and in-store—can also create a wealth of data for the organisation. By leveraging the insights derived from analysis of this data from the range of connected devices being used by—or on—the consumer in turn allows for more tailored and personalised products—and ones with enhanced performance. Brands now have the ability to track and get genuine, **actionable insights at every stage of the consumer journey**. Such data allows you to use this to better and more efficiently target and engage with existing consumers but also with new ones through more bespoke and relevant marketing.

“Leverage insights from big data to succeed”

The data held by large e-commerce players can drive new product development. For example, in late 2018, it was reported that Alibaba was working with Colgate-Palmolive to help shorten the product development process using big data. This collaboration enabled Colgate to launch a new bead-based toothpaste for men in just six months, compared to the 18 months the company ordinarily takes to develop a product. In a similar collaboration with P&G, one of its new products from the Chinese market took only nine months to develop from concept to launch—less than half of the normal product-development cycle—with product design refined at an early stage using consumer insights and feedback, largely reducing market risk. It can truly allow you to fail fast and fail forward.



“Partnerships are critical in providing the flexible capabilities to succeed in this new digital age”

Consumer product companies need to engage with the digital ecosystem

Large corporates have not traditionally had the skill set required to exploit the opportunities this presents, while markets risk disruption from new business models, emerging technologies and start-ups. So how can consumer product companies respond to the opportunities presented, and ensure they are not left behind the wave of innovation in this space?

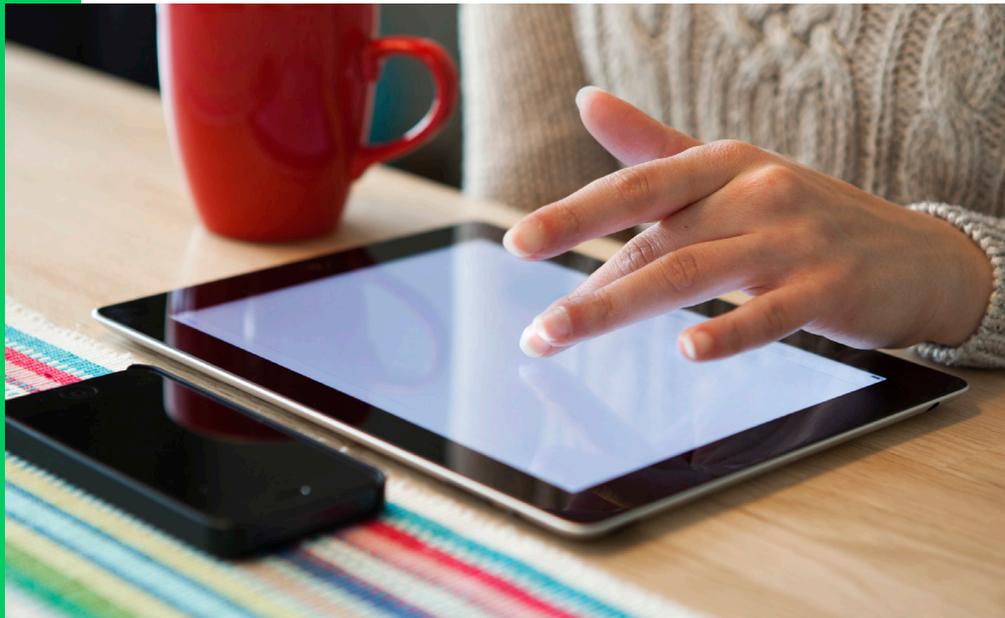


\$5.3bn

amount raised by
wellness startups in
2018, nearly double
2017 levels

One way is to leverage the ecosystem, and we're working closely with clients to map and understand it. For example:

- Who and where are the **start-ups** in your space: do they present a threat or an opportunity? Is this opportunity one for acquisition or investment?
- Who can help me gather data from **social** and e-commerce platforms? How can I combine this data to drive product development or marketing strategy decisions?
- How should I develop my **e-commerce strategy**? What does e-commerce mean for new product development?



"Don't be
blindsided. Be
aware of other
stakeholders
are doing"

- What strategies are **my competitors** using to seek advantage in the digital world?
- How should my R&D **organisation be structured** to be ready for the changes needed? Should I create a new role, such as a CDO (Chief Digital Officer) to lead the transformation this new digital world is creating?

“We work with some of the most recognised CPG brands in the world”

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 Oakland Innovation

Products need to engage the connected consumer, and Oakland can help you do just that

Oakland has helped many clients navigate these unknown waters, identifying start-ups, strategic partners and scoping out opportunities in this fast moving sea of change. We have a range of experience, expertise and capability in this space that are helping our clients to answer key questions.

We can provide a wealth of insight into identifying the next wave of digital technology: whether tools, devices or something else that may not yet be currently identified as a mainstream issue. We help our clients identify where they could—and should—be operating in this space, and who they need to do that with.

In addition, we work alongside our sister company, Sagentia, to extend the benefit to the client by undertaking product scoping looking at the role its offering should play in the consumer journey, (stand-alone, diagnosis, product enhancement etc.), where the opportunities are and what business model is needed to succeed. Oakland and Sagentia working together can also complete a product evaluation looking at the devices already in the market and a review of the competing technologies to enable functional delivery. Together we can truly deliver an end-to-end project for client benefit and competitor advantage.

¹ <https://www.edb.gov.sg/en/news-and-resources/insights/innovation/beauty-and-personal-care-goes-high-tech.html>

² <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales>

³ <https://www.bigcommerce.co.uk/blog/mobile-commerce/#why-does-mobile-commerce-matter>

⁴ <https://blog.realhub.com.au/people-trust-their-friends-family-5-times-more-than-a-brand-message-3db33a9959d9>

⁵ https://www.cosmeticsbusiness.com/news/article_page/Benefit_Cosmetics_tests_waters_of_voice_marketing_with_new_sample_service/152681/cn164022