CONSUMER 2020

CREATING A NEW
GENERATION OF RETAIL
AND EXPERIENCE
STRATEGIES

psfk + CISCO™

WELCOME TO 2020.

Although trends and innovation reports have forecasted the growing power of the consumer since the emergence of digital media, it is astonishing to consider how far this trend has continued to evolve. In more and more verticals we are seeing a significant shift, where the consumer takes control by acting as, or even replacing, the brands that have traditionally provided products, services and experiences.

This monumental shift is driven by two key digital advancements: the exponential growth of mobile capabilities and the emergence of unified data networks that combine consumer information, secure communications and automated intelligence to create platforms for personalization. Brands are transitioning from their roles as suppliers to become collaborators within a larger consumer vision. As today's economic landscape is increasingly defined by commoditization and accelerated competition, brand leaders are providing consumers with the tools to craft relevant experiences across retail, hospitality, and sports & entertainment.

However, these consumers are unlike anything our market has ever seen before. They increasingly consist of a wide range of individuals—Gen Z, Millennials, Baby Boomers—with a wide range of interests, shopping styles and methods of engagement. This consumer may be continuously partially distracted by other digital inputs (such as a smartphone); or they may be uncomfortable with being required to use a technology to buy (such as at a restaurant). Based on a better understanding of the consumer from collected data, companies can personalize each response to provide exactly the right service.

To meet these varying requirements, it's important to understand this change and fortify our digital systems to empower, rather than stifle, consumer ability. This paper, developed as a partnership between Cisco and innovation consultancy PSFK, provides a challenging but fresh perspective on consumer trends in the near future and offers key strategies and resources to help brands in the retail, hospitality, and sports & entertainment industries better connect with consumers in 2020 and beyond.

Download the paper and presentation at:
psfk.com/report/cisco-2020

WELCOME TO CISCO DNA.

It's a time of constant change in consumer industries. Research shows that 4 out of 10 companies will fail over the next decade if they cannot transform their business to meet today's digital demands. This research supports what we see in today's marketplace: a repositioning of malls and hotel chains, mergers and acquisitions and closures, disruptive and surprising technical capabilities—major shakeups across the board.

In the midst of all this change, businesses are pushed to continue driving revenues and lowering operating expenses. The essential strategy to survive in such an environment is to invest in a technology foundation that is supple enough to adapt to each change as it comes along, from reorganizations to new business practices. In other words, companies require a digital network architecture (DNA) to adapt and succeed.

Built on such a flexible foundation, retailers, hoteliers, and venue operators are ready for anything. A digital network architecture supports traditional consumers who still prefer face-to-face transactions, while shifting over to meet the needs of digital users. It provides the data needed to enable excellent customer service, gamification, and data sharing as well as new emerging capabilities such as AR, VR, and wearables. Further, it accomplishes all this in a secure, convenient environment.

As we prepare to serve the consumers of 2020, we must be able to give them the power to achieve the experiences they want, from outstanding shopping, ordering, and booking to conducting research, asking questions, and solving problems—over their preferred device or in the store. By building upon a Cisco Digital Network Architecture, businesses are ready to meet these demands both now and into the future.

Brian McDonald
Global Consumer Industries
Marketing Lead, Cisco

UNDERSTANDING THE FUTURE CONSUMER

Armed with a pocketful of sophisticated digital capabilities and access to on-demand data, consumers are trending to be more informed and have greater leverage than brands, who, until now, have controlled engagements and experiences.

Consumers will lose their digital threshold.

Americans devote more than **10 hours** a day to screen time—a rate that is growing.

The Total Audience Report: Q1 2016. Nielsen

60% of travelers around the world say they would be unwilling to go on vacation without a mobile device.

Expedia/Egencia Mobile Index. Expedia, 2016

89%+ of fans use mobile capabilities at a stadium to take photos and post to social media.

Connected Sports Fans 2016.
Spider Marketing for Avaya, 2016

They will redistribute power from brands to peers.

Consumers would not care if **74%** of the brands they use vanished.
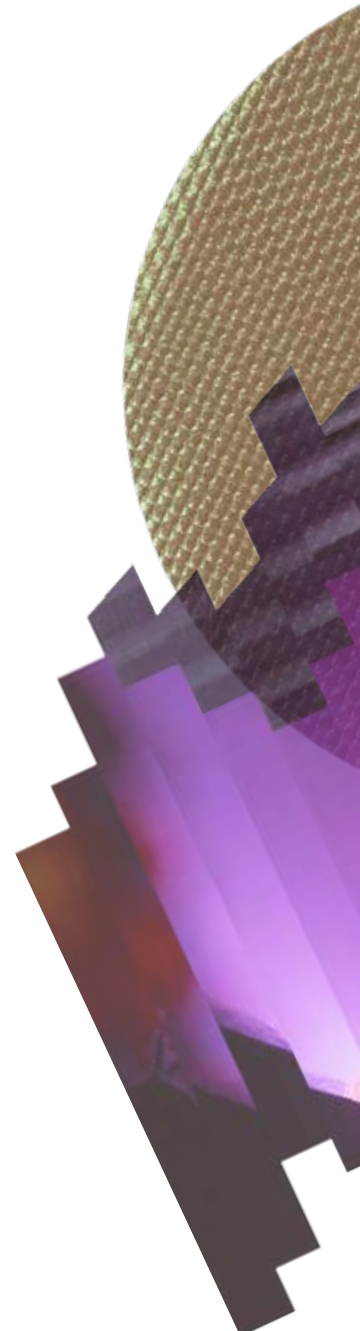
Meaningful Brands Report. Havas, 2017

Only **1** out of **10** of top Gen Z influencers are traditional celebrities. They favor Snapchat and YouTube stars and other people who look like them.

Anna Fieler. EVP of Marketing, Popsugar

"User generated content **will far exceed** branded content. Brands need to embrace this and accept they aren't in complete control of their own brand."

Chris Brandt. CMO, Taco Bell Corp.

They fully expect to influence every brand.

Brands will be forced to shift to an **audience-centric approach**. We need to know our target audiences intimately and have a direct connection to them.

Linda Boff. CMO, GE

One third of U.S. social media users ages 16-34, or 25.5 million people, are social influencers. 1.61 million have already partnered with a brand online.

Yahoo Deep Focus. Shareablee and Ipsos, 2016

"This new level of connectivity and seamless integration of digital and analogue [will provide] the opportunity to be **closer to the consumer than ever**" in 2020.

Eric Liedtke. Executive Board Member, Adidas

CONSUMERS TAKE ON BRAND ROLES

Until now, a consumer has been defined by his or her ability to access media, products and experiences from brands. Leading into 2020, our definition of consumers is changing: technology-driven shifts empower them to assume a greater, if not complete, role in designing and directing their own products and experiences. The consumer no longer simply interacts with a store, hotel, stadium or media channel; he or she possesses the tools and skillset to embody those roles independently.

In order to build a successful relationship with the consumers of 2020, brands must acknowledge the growing role of the individual and incorporate technological innovations that match consumer capabilities and deliver on their evolving expectations.

The Consumer 2020 Playbook deep dives into the technology-enabled inflection points where each consumer will become his or her own:

Platform

Studio

Store

Media Channel

CEO
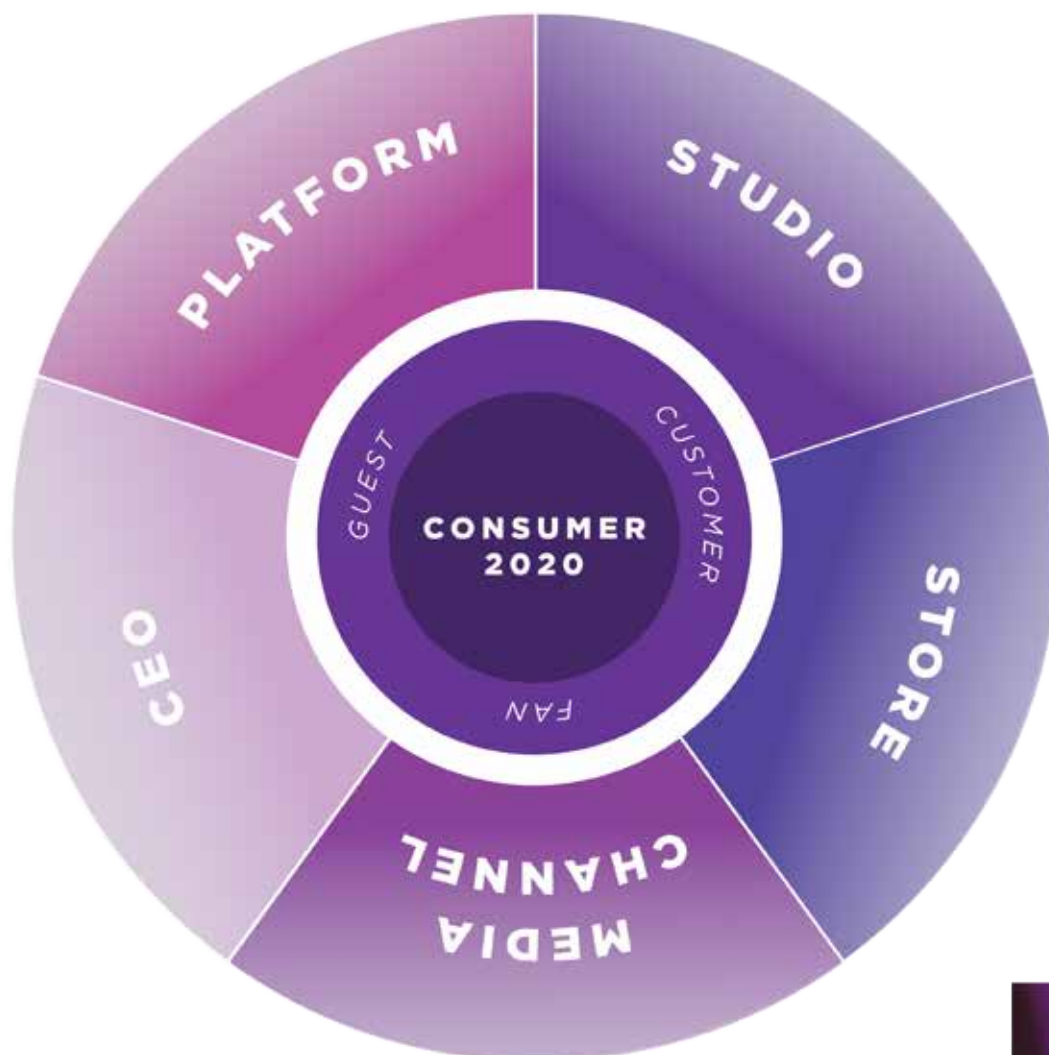
CONSUMER AS A PLATFORM

Today's consumer sits atop a personalized network of data that helps them make informed decisions and control their experiences. By encouraging and rewarding audiences to opt in and share their data, brands can build upon each consumer's platform of personal information to offer hyper-relevant, flexible interactions tailored to in-the-moment needs and behaviors.

53%

of consumers surveyed wanted a totally personalized experience in exchange for sharing their data.

How Mobile, Retail and Consumer-Generated Content Drive Sales. Bazaarvoice, 2016

Farfetch

In-Store Behavior Determines Personalized Product Suggestions

Luxury retailer Farfetch's Store of the Future collects ongoing data from store visitors to customize their experiences in real time and provide learnings for the brand. Customers are recognized as they enter the store via a universal login, and RFID-enabled clothing racks track product browsing to autopopulate a wishlist. Digital mirrors in the dressing room summon items from the wishlist in preferred sizes and colors. In-store shopper tracking and adjustments provide a bespoke customer experience while culling data for the retailer and participating brands.

bit.ly/store-of-the-future

PartyBOT

Audience Facial Expressions Inform DJ Music Selection

The PartyBOT crowd-interacting app uses artificial intelligence, machine learning and facial recognition technology to provide DJs with pertinent, real-time information to gauge how audiences are enjoying music sets and the general mood—helping DJs make informed decisions about their sets and ensure that the experience is enjoyable for audience members. Cameras around the club can capture individual reactions to song selections and provide an analysis of the party vibes to the DJ, while also recording snapshots of crowd enjoyment.

bit.ly/partyBOT

Technologies Enabling This Role Reversal

Wearable sensors & devices

Real-time data collection & interpretation

AI assistants

Contextually-responsive systems

CONSUMER AS A STUDIO
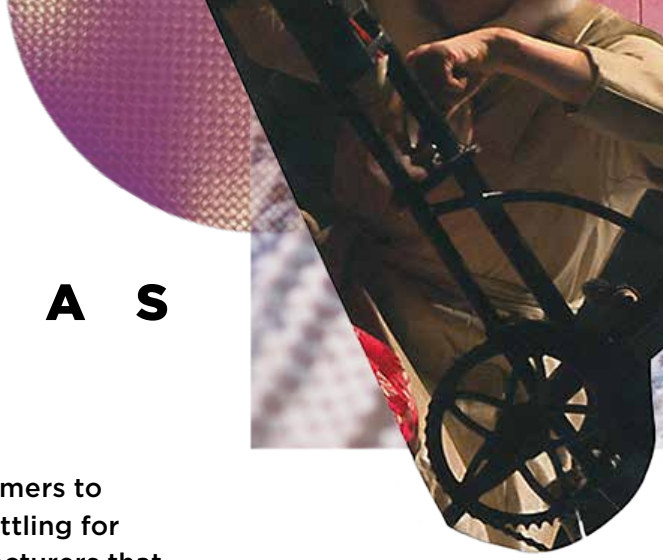
Rapid supply chain and delivery networks allow customers to be co-creators of products and services, instead of settling for standardized or generic offerings. Brands and manufacturers that provide a platform to create or customize products are able to adapt to individuals' changing goals or preferences and assure fast delivery by the means most convenient to the consumer.

"Customers who had customized a product online engaged more with the company. They visited its website more frequently, stayed on the page longer and were more loyal to the brand."

Elizabeth Spaulding and Christopher Perry. Bain Insights, Bain & Company
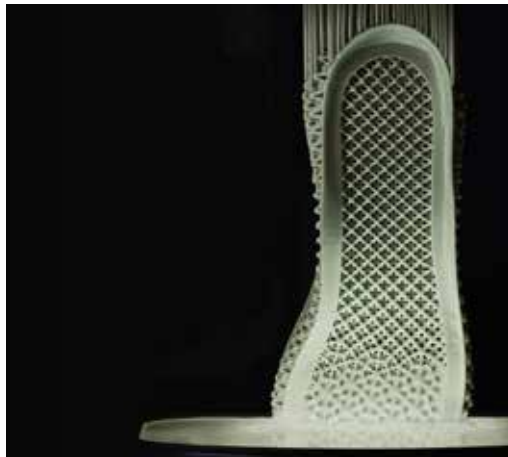
Technologies Enabling This Role Reversal

Data collection & application

Interactive design technologies

IoT networks

Robotics & automation

Rapid prototyping & manufacturing systems

Adidas

Sneaker Insoles Printed To Match Athlete's Needs And Physical Specifications

Adidas's Futurecraft 4D is the sportswear brand's first mass-scale sneaker line that offers customized designs and midsoles for each consumer. Developed in partnership with 3D printer Carbon, the Futurecraft 4D line will offer shoppers the ability to personalize colors and designs and adjust their soles to match their gait, weight and type of sport. While other sports brands have offered 3D printed shoes as prototypes or custom products for sponsored athletes, Adidas plans to roll out Futurecraft 4D to its full audience, selling 5,000 pairs this year and 100,000 next year, as Carbon's printers cut sole manufacturing time from 90 to 20 minutes.

adidas.com/us/futurecraft

Function of Beauty

Shoppers Design Hair Care Products To Match Styling Goals

Developed by MIT-trained engineers, Function of Beauty is a flexible suite of hair care products that consumers can customize to fit their precise hair needs, goals and preferences. The online tools allows shoppers to input their hair type, styling objective, preferred product color and scent. Proprietary mixing technologies leverage these preferences into a product formula that serves each buyer's personal hair care goals. Products are purchased online and shipped directly to consumers.

functionofbeauty.com
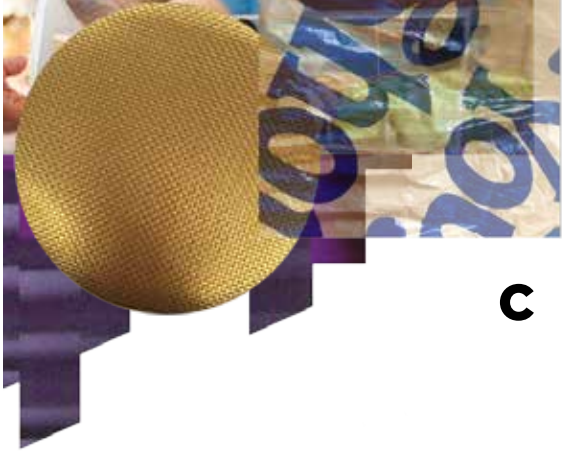
CONSUMER AS A STORE

With direct access to retail channels via mobile and wearables, consumers can curate, sell and purchase products and services anywhere and anytime. These unrestricted, flexible purchasing channels help to establish consumer trust and brand credibility by reducing friction that may arise through purchasing limitations.

Jaguar Land Rover + Shell

Gas Refills Purchased In-Vehicle

Automobile manufacturer Jaguar Land Rover's in-car payment system allows drivers to pay for gas at Shell service stations without leaving their vehicles, transforming the car's center console into the driver's point of sale. The system uses geolocation to automatically detect when drivers are at a Shell gas station and prompts them to access Paypal or Apple Pay from within their car's touchscreen and select the amount of gas they would like to purchase. After purchase, drivers fill up their tanks and are billed automatically—helping consumers avoid queues, stay with passengers near the car and simplify the path to purchase.

bit.ly/jaguar_in-car_payments

U.S. Bank Stadium

In-Seat Food Ordering, Delivery Or Express Pick Up

In partnership with Cisco and app platform Venuenext, the U.S. Bank Stadium has been redesigned to center all functions and transactions within the stadium around fans' mobile devices. In addition to using their phones to check into the venue, guests will be able to order food, drinks and souvenirs from their seat and have purchases brought to them or picked up at the nearest kiosk. The U.S. Bank Stadium app also allows fans to get directions to the stadium, remember their parking spot, locate their seats and find lavatories with the shortest lines.

usbankstadium.com

Contactless payments will surpass $1 trillion by 2019, accounting for over

80%

of payments.

Juniper Research, 2017

Technologies Enabling This Role Reversal

Omnipresent connectivity

Mobile payment networks

Peer-to-peer platforms

Cybersecurity

CONSUMER AS A MEDIA CHANNEL

User-generated content is the most powerful form of entertainment, and the consumer is his or her own media channel. By giving consumers the ability to appropriate content or have access to creation tools and aggregating those inputs in real time, content creators can expand and differentiate their media offerings, while encouraging active user participation.

13-24 year-olds consume

20.9

hours of social or streaming content weekly, compared to 8.2 hours of cable or satellite television.

How Mobile, Retail and Consumer-Generated Content Drive Sales. Bazaarvoice, 2016

Technologies Enabling This Role Reversal

Omnipresent connectivity

Live streaming technologies

Responsive content

WeChat

Drones Live Stream User Content Directly To Chat Profiles

Tencent, the parent company of messaging app WeChat, offers small, foldable personal Ying drones that WeChat users can sync to their profiles to stream live content to friends and followers. Developed in partnership with Qualcomm and drone maker Zerotech and released in beta, the lightweight drone captures 4K video with its in-unit storage or live streams in a WeChat conversation in 720p, while remaining small enough to travel in a user's bag or backpack.

bit.ly/wechat_drone

Sydney Cricket & Sports Ground Trust

Fan Photos Shared On Stadium Displays And Social Channels

The Sydney Cricket & Sports Ground Trust (SCGT) manages two of Australia's most iconic sports stadiums - Allianz Stadium and Sydney Cricket Ground. They have digitally transformed the fan experience to integrate fan-generated content into stadium displays. Using the mobile Fan Cam feature, fans can share gameday photos with exclusive overlays, which are shared throughout the stadium and social channels at key points during a match. With assistance from Cisco, the SCGT is delivering a unique and integrated fan experience for its members and visitors that is raising the bars for others across the sports & entertainment world.

bit.ly/sydneycricket

CONSUMER AS A CEO

Digital communication channels allow consumers' ideas and feedback to affect companies in real time. These feedback platforms allow brands to refine strategies in the development, improvement and activation of products and help consumers feel that their opinion is valued. By replacing legacy systems with adaptive technology and advanced analytics capabilities, brands can fully connect and implement consumer evaluations, placing the consumer at the center of company decision-making.

Volition

Consumers Paired With Chemists To Realize Product Ideas

Beauty company Volition expanded its product design process by allowing consumers to submit ideas for beauty products on their website, which are voted on and produced. If a consumer submits an idea and it is approved by a Volition panel of editors, then the consumer is paired with chemists and formulators to bring the idea to fruition. By working closely with consumers, Volition is able to create products that address unmet needs.

volitionbeauty.com

Orin

Audience Opinion Determines Products' Materials, Fit And Selling Strategy

Direct-to-consumer athleisure brand Orin polls its audience of shoppers to determine its product development, manufacturing and marketing strategies. Over 420,000 potential shoppers complete an online survey to vote on the color of Orin's clothing, the countries and factories in which they are manufactured, and the race and body type of models in its advertisements. Voters can also track the estimated costs of products based on their selections. The voting system was inspired by shoppers' greater demand for transparency from retailers.

orinlife.com

"The real bosses are the consumers. … They determine what should be produced and in what quantity and quality. Their attitudes result either in profit or in loss for the enterpriser."

Ludwig von Mises. Economist

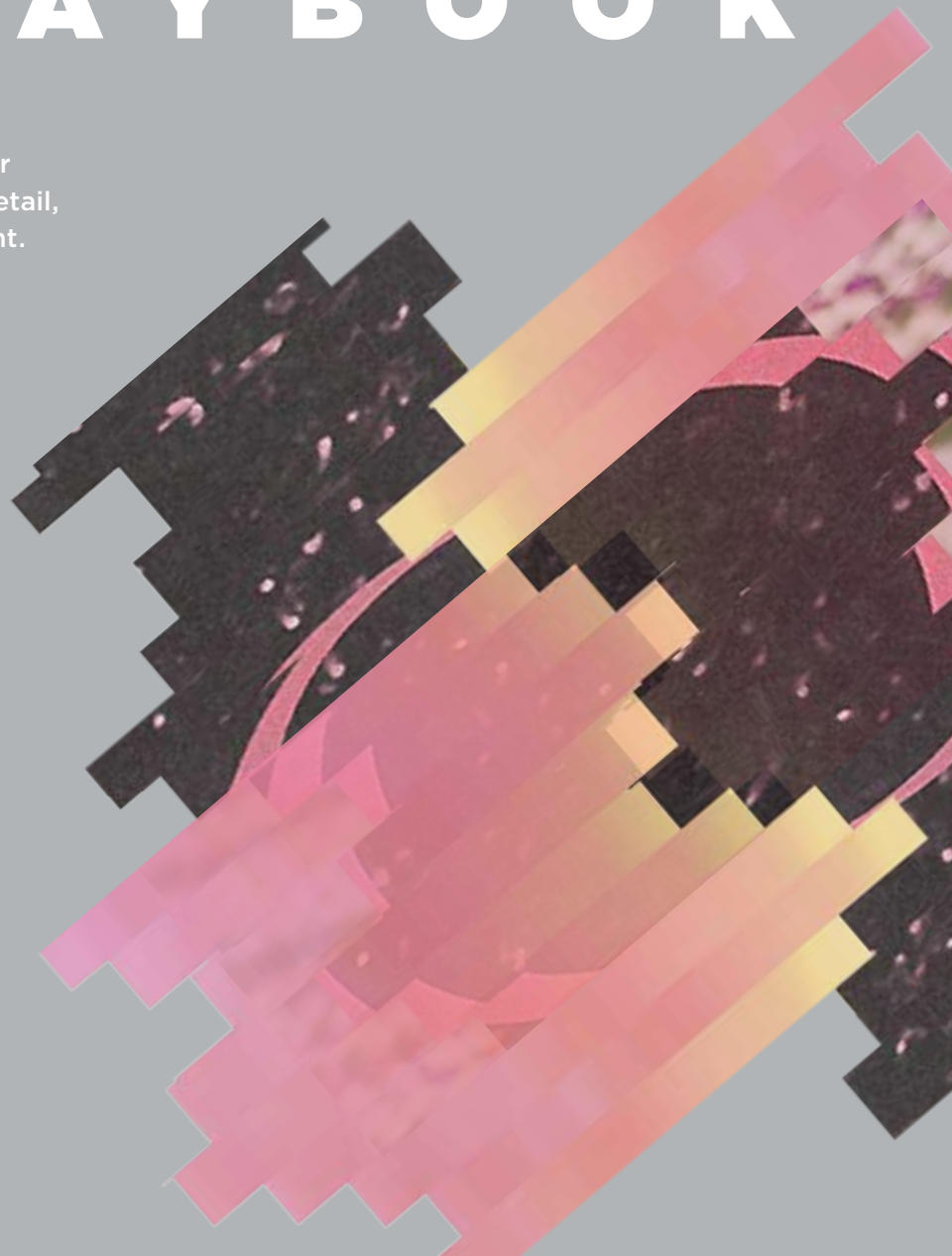### Technologies Enabling This Role Reversal

Crowdsourced feedback

Sentiment analysis

Targeted communication

THE CONSUMER 2020 PLAYBOOK

Applying lessons about new consumer behavior to create new strategies in retail, hospitality, and sports & entertainment.

RECOGNIZING KEY SHIFTS IN THE MARKETPLACE

In response to changing consumer behavior, industries across the consumer marketplace must replace current technology and knowledge infrastructures, which focus on one-time interactions and fixed products, with networked systems for ongoing, evolving interaction and support.

FROM **PRODUCTS** TO **PLATFORMS** TO **ECOSYSTEMS**

Products and services are no longer experienced in silos; connectivity means that a greater number of brands can work together to deliver quality engagements, building upon each other's digital platforms to ensure uniformity and interoperability. As experience platforms build around user lifestyles, they evolve into networked ecosystems where brands work together to deliver the most efficient or captivating customer immersion.

FROM **REACTIVE** TO **RESPONSIVE** TO **PREDICTIVE**

Consumers have come to expect that brands will engage them by reacting to their feedback, as communicated through digital and social channels. As the brand-consumer relationship evolves closer to a one-to-one relationship, brands can tailor their communications or offerings to respond to consumer wants or needs in real time, building towards a sophisticated level of understanding that preemptively adjusts for anticipated behavior.

FROM **BRAND TRANSACTION** TO **MEMBERSHIP** TO **OWNERSHIP**

Until recently, the act of purchasing a product or experience served as the key interaction between a consumer and brand. Now, data collection tools allow consumers to synchronize brand touchpoints and act as members of a larger brand offering or ecosystem. As mobile tools drive the expediency of communication channels, consumers will have real-time feedback and decision making within their brand relationship, creating a greater sense of ownership over their engagement.

FROM **INPUT** TO **INTELLIGENCE** TO **AMBIENCE**

The first generation of data-collecting technologies required customers to input their information or explicitly communicate their needs, creating an extra step in the user experience and limiting the preemptive support that brands could offer. Artificial intelligence builds from consumer communication to learn regular behaviors and offload the responsibility of communication. Brands can evolve these intelligence platforms to always monitor users in the background, build profiles and engage passively.

CISCO

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PREPARING FOR RETAIL 2020

WHAT CHALLENGES WILL RETAIL BRANDS FACE?

- Translating data into actionable insights that can be leveraged by all levels of the organization to make more informed decisions and create new opportunities to interact with the customer in real time.

- Assuring the security of cardholder and business data.

- Supporting a variety of delivery options for customized products to every customer, while enabling flexibility and 24-hour fulfillment to help close the deal.

- Creating an internal structure that enables the organization to respond more nimbly to changes in the marketplace.

- Overcoming information silos to streamline sharing throughout the organization and with key partners.

- Providing scalable technology solutions to improve the store experience for both consumers and employees.

WHAT ARE KEY DIGITAL STRATEGIES FOR SUCCESS?

- Use status and meaningful rewards to recognize customers for their contributions and build long-term brand investment; personalize the retail experience to every customer by allowing shoppers to log into the store when they visit.

- Leverage real-time customer insights to inform R&D, supply chain and production cycles, ensuring a more nimble response to shifts in the marketplace.

- Encourage customers to share their feedback and expertise as part of the product development process.

- Allow audiences, particularly influencers, to promote curated ecosystems of products that help others understand the full brand experience.

- Identify areas where it is appropriate to invite consumers into the creation process and provide them with the necessary tools to personalize their products on a 1:1 level.

- Consider how personal data and biometric feedback can evolve what it means to personalize a product.

PREPARING FOR HOSPITALITY 2020

WHAT CHALLENGES WILL HOSPITALITY BRANDS FACE?

- Implementing technology at strategic touchpoints to optimize the guest and employee experience.

- Integrating new technologies alongside existing legacy systems.

- Analyzing data at a macro level to improve decision-making and develop impactful solutions for guests (and employees).

- Utilizing data to understand the guest at an individual level and leveraging that effectively at all touchpoints.

- Creating a premium guest experience at all stages of stay.

- Moving from management of the room and property to development of a total guest experience.

WHAT ARE KEY DIGITAL STRATEGIES FOR SUCCESS?

- Empower guests with the tools and distribution channels to share their best travel moments and experiences with the broader audience.

- Give guests the flexibility to control more aspects of their travel experience— check-in/check-out times, meal availability etc.—to match their personal needs.

- Develop an IoT ecosystem in every room, enabling guests to automatically login with a phone or room key to personalize comfort settings—temperature, lighting, entertainment etc.—to their individual preferences.

- Leverage an understanding of individual guest health and wellness goals to deliver recommendations on dining and activities during their stay and/or personalize the honor bar.

- Commit to bringing some percentage of food sourcing onto the property to create a hyperlocal experience for guests.

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PREPARING FOR SPORTS & ENTERTAINMENT 2020

WHAT **CHALLENGES** WILL SPORTS & ENTERTAINMENT BRANDS FACE?

- Integrating the best aspects of digital across the fan journey to further differentiate the live experience, including emerging technologies such as virtual reality, augmented reality, and other next-generation immersive experiences.

- Maintaining engagement with fans pre, during and post-event to amplify the brand and event experience and maximize impact.

- Applying intelligent use of data and analytics to personalize key aspects of the experience, addressing the unique needs and expectations of fans.

- Streamlining the experience for fans, particularly around key pain points and transactions, including transportation, parking, ticketing, concessions and merchandise.

- Harnessing the anytime, anywhere power of a global fan community and enabling fans to manage brand interactions on their terms.

WHAT ARE KEY DIGITAL **STRATEGIES** FOR SUCCESS?

- Provide fans with engagement platform(s) to amplify their team support through all relevant digital channels, including web, mobile apps, social and all stadium displays.

- Personalize the fan experience with behavioral insights gathered from all digital platforms and IoT-enabled aspects of the event: the stadium, athletes, fan communities and others.

- Leverage mobile as a catalyst for dynamic and personalized experiences throughout the stadium and beyond.

- Synchronize mobile assistants to deliver a frictionless event day fan experience at all touchpoints, from transport and parking, to transactions and social sharing.

- Lean on real-time sentiment analysis to understand shifts in priorities and opinions as they relate to the fan experience in stadium and across the globe.

- Think beyond social to elevate – and incentivize – "super" fans as micro-influencers within the community. Provide them with the tools and advice to build an audience and monetize their expertise.

- Create sensor-enabled team apparel that helps fans get closer to the players and game experience and literally feel the action in near real-time.

- Empower global fan community to create and share brand interactions at anytime and from anywhere—ensuring the brand is dynamic and remains relevant.

![Cisco logo]

NETWORKING DNA TO SUPPORT EVERY CONNECTION

Underlying all these emerging capabilities is the Cisco Digital Network Architecture (DNA), which creates a foundation for the digital transformation of corporate offices, stores, hotels, and sports & entertainment venues. Supporting comprehensive automation, assurance, and security, Cisco DNA lets you manage your operation while protecting customer and business data, reducing TCO, and providing deeper business insights.

Using Cisco DNA, your business can build a digital roadmap to help you:

- Deliver a differentiated customer experience across all channels
- Drive operational excellence and associate productivity
- Accelerate development and scale of new products and services
- Respond to market demands with speed and flexibility
- Improve capabilities across the retail supply chain
- Protect and enhance brand value

Your IT department gets:

Simplicity Through Automation & Assurance:

Deploy a single, unified commerce platform speeds to simplify network management and upgrades. With virtualized services, IT has the freedom of choice to run services and applications on any platform.

Faster Innovation Through Insights & Experiences:

Utilize an infrastructure that supports upcoming consumer trends, line-of-business imperatives, and growth initiatives. Drive better customer experiences. Gain granular insights across users, devices, apps, and threats.

Lower Risk Through Security & Compliance:

Continually detect and contain threats faster with embedded security network-wide across switching, routing, wireless, the cloud and devices. With Cisco, 99.2% of threats are detected, with faster detection from 200 days to 17.5 hours.
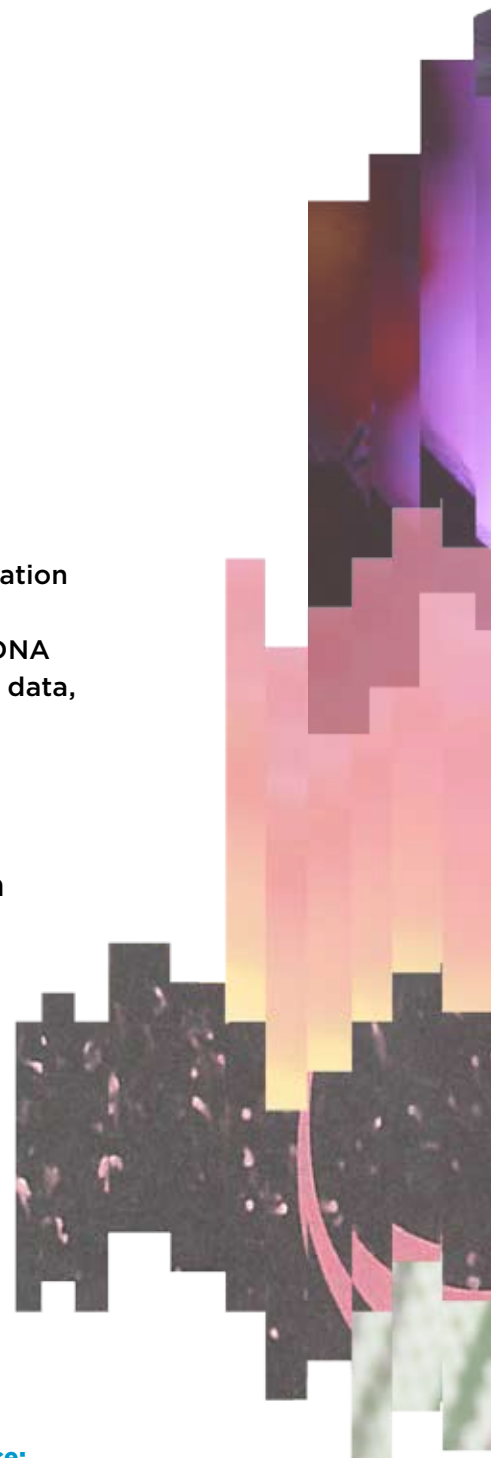
ABOUT CISCO

Cisco is the world's leading provider of networking capabilities for consumer-based companies in retail, hospitality, and sports & entertainment.

Our innovative networking supports customer and associate experiences, mobility, the cloud, security, contact centers, and interactive displays. We also advise and design systems customized for personalization industries. By connecting these powerful capabilities, consumers enjoy a unique combination of interactions based on real-time data gathered from mobile devices, data centers, and the cloud.

Cisco Offerings:

•   Powerful networking technologies

•   Industry-specific solutions to drive revenues

•   Assessment and roadmapping

•   Design and architecting services

•   Managed services

•   Security and support services

ABOUT PSFK

PSFK is a leading innovation-consulting firm that drives change at some of the world's most forward thinking organizations including Google, Intel, Red Bull and Samsung.

At the center of our work is a robust trends research methodology that leverages grounded theory analysis and expert opinion. By having a deep understanding of trends at the core of a project, we can start the process of making recommendations about products, marketing, services and retail. This process also includes global scouting, competitive review, stakeholder engagement, workshopping and other practices.

In addition to our bespoke work, the consultants on the team oversee the direction of the content produced on our daily intelligence platform at PSFK.com, and publish reports on key topics including the Future of Retail and Future of Advertising.

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PSFK Labs Services:

•   Commissioned deep-dive research and innovation consulting

•   User-case scenario planning

•   Product and service concepting

•   Workshops

•   Benchmarking