



A NEW VALUES HIERARCHY EMERGES: CONSUMERS' BEHAVIOR REVEALS A RESET OF PRIORITIES

*It's not about owning anything. It's about accessing everything.
We're going through a generational shift, from a generation that values ownership
to a generation that values access.*

– Rio Caraeff, CEO, Vevo

America's car culture has inculcated critical values into society, including a focus on Self-Reliance, Control, Expediency and Ownership. The digital culture that is emerging is starting to teach other values, some of which contradict those of the car culture. Specifically, digital culture (combined with economic realities) is teaching Restraint, Simplicity, Connectivity and Experience. Among the expansive implications of this shift in priorities are the following: Experience is becoming more important than assets; connectedness and interactivity are more important than individualism and self-reliance; flexibility is more important than control; and cars are losing personal value.

In One Era and Out the Other

"The romance with the automobile is fading." At least that is how Stephen Klineberg interpreted new evidence he gathered from an extensive survey of Houston residents. In that survey, more than half the citizens of Houston, a city known for expansive development and car-centric urban planning, said that if they had a choice, they would prefer to live in a smaller home within walking distance of workplaces and shops. Also, a majority said that they would like the city government to transfer money from budgets for roads and drainage projects to budgets for mass transit. (*Houston Chronicle*, 4/22/12)

Owning and driving cars created its own culture, and several values became prominent during the period of a car-centric environment.

Some Car-Culture Values:

Self-reliance & Self-Image – Individuals moved about in self-contained boxes with their own entertainment systems, air-controlled environment and personal conversations. Individuals got to choose which style and features they wanted in their car, which quickly became an outward sign of personal tastes, and they assumed responsibility for taking care of their conveyance machines. This taught owners to consider themselves quite self-reliant, even independent. The style, color and features of a car (particularly convertibles) seemed to be manifestations of the owner's personal self-image. Driving a Chevy, Mustang, SUV, BMW or anything else carried identity values that advertisers extolled and individuals accepted.

Control—Driving where one wanted, when one wanted and at a speed one wanted tended to give the driver a feeling of having control over his or her daily activity. With their own personal carrier awaiting their commands in the driveway, car owners could believe that they had an area that the outside world would not penetrate. Some commentators even suggested that the car was a mechanical version of Walden Pond, where an individual, like Thoreau at Walden, could retreat from society's stresses.

Expediency—Drivers did not have to follow the pre-set routes and pre-set schedules of public transportation; rather they could pick the most direct route, anytime they wanted, and go. When shopping, they could buy more and larger items and take them directly home in their vehicles. No wonder shopping malls emerged to meet the new levels of buying that the automobile facilitated. The car experience encouraged materialism, supported abundance, and most forcefully provided and even taught expediency.

Ownership and Assets—Control in an individual's life included owning the things that are needed—houses, cars and all accoutrements attendant on such ownership. Outright possession of so many things also reinforced the culture's belief in self-reliance and certainly contributed to one's self-image and identity.

As the car became assimilated and created its own culture, these values became embedded in society, and they affected the way institutions operated, whether those institutions were businesses, schools or governments. Car culture increasingly became society's culture. In fact, when we first wrote about the spread of Internet capabilities, we compared it to the assimilation of automobility in general (see "'I've Never Seen the Internet': Social Assimilation of Internet Technology," **Special Briefing**, 3/29/05).

Now, digital culture is rising to challenge car culture, not so much in some duel to the death of one or the other, but rather in a contest to become the primary source of values for the overall culture. As with car culture, many values are emerging from digital culture, as it steadily spreads its influence across society. But we have noticed a few that seem to be affecting consumer behavior already.

Some Digital-Culture Values:

Access Expected, Smartness Needed—The information available to individuals at any time and in any place is changing the way consumers shop, employees work and citizens vote. That is, easy access to information changes people's attitudes and behavior in ways the car

culture never envisioned, to the point where having more information before making a decision is becoming embedded as a necessary and smart way of operating. The rise in popularity of the once-abused "geek" is a signal of the change toward a favorable outlook on smartness and information.

As this attitude spreads, it changes personal identities as well, moving from the outward manifestations of the car model and style to the effectiveness of manicuring one's personal online image through specific posts and personal



"This time when they show us their latest acquisition, we'll gush regardless."

pages. Yes, there are differences between Apple and PC people – and which kind of computer you use can project personal style similar to a car choice – but both of those identities are about being smart and clever.

the users' range for both social connections and information resources, making nearly everyone a possible "friend" as well as a source of different or new perspectives and insights.



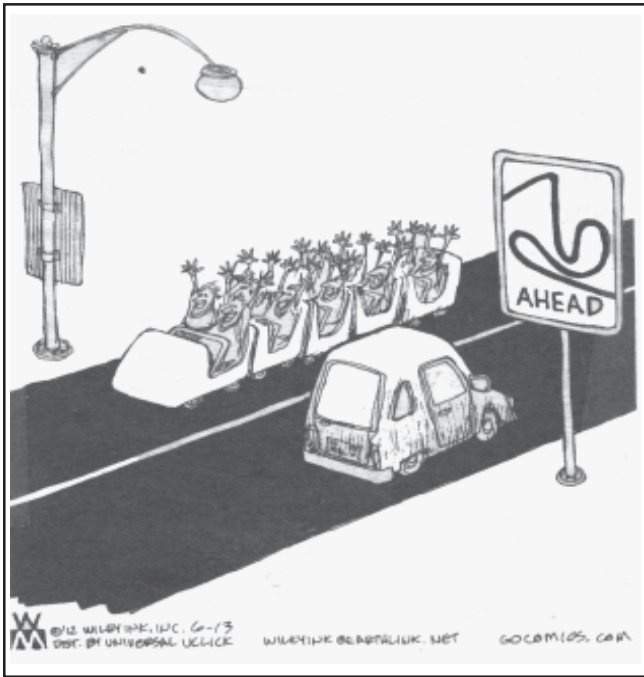
Convenience and Ease – Shopping online and having a product delivered to one's door is much more convenient and easy than getting in the car and driving to the mall, trying to find a parking space, going inside, finding an item, buying it and then transporting it back home. Yes, it might be faster to drive to the mall, but the convenience and ease factor is much worse when shopping via the car. The process of purchasing anything online takes much less **personal time**, a more valued measure of digital culture. The "easy" button used in the media campaign for Staples seeks to appeal to this priority-shifting mindset.

Community and Social Sourcing – While digital capabilities can enable individuals to isolate themselves from others, those same capabilities are also expanding connections and relationships between and among individuals, tending to weaken the car culture's focus on self-reliance. The spatial restrictions attached to the car culture have been eliminated, as digital devices allow communications to all parts of the globe with people known and unknown personally to the user. Moreover, the "community" of digital contacts expands

Engagement – Staying in contact with the outside world, sustaining links to resources and seeking unique or helpful experiences seem to be part of the digital culture's value scheme. Entertainment, participation and interactivity become important, seemingly to the point of replacing the car culture's preference for assets. As one youth explained, "On the Internet, if you're not highly entertaining or extremely useful, you're just taking up room."

Taken together, these examples highlight the differences between the two cultures. The values that emerged from the car culture created a mass culture attuned to personal independence, a feeling of control over personal affairs, an expedient approach to personal activities and business and, finally, a focus on building one's own assets. These values created investment industries with a focus on growth, educational systems that helped inculcate self-reliance, a business culture increasingly focused on productivity and efficiency as primary reasons to be and a resilient belief that the individual can control his or her own destiny or future.

Digital culture is different. A close look at the Hierarchy of Values that the emerging digital culture is nurturing can help clarify the difference.



Values Emerge from the Preferences

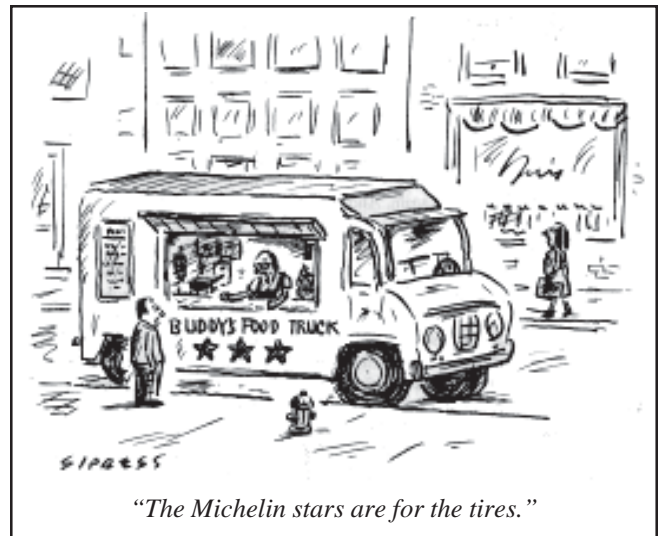
As we examined these emerging preferences in greater detail, we came to infer that they fell into a pattern, something we are calling a Hierarchy of Values. One aspect of any such hierarchy is that each level can “trump” the prior level, and that is the case here. That is, the higher one goes in the hierarchy, the more influence it has on the individual’s perspectives.

We have labeled the levels of the Hierarchy – from most basic through most desired: **Restraint**, which takes advantage of access and smartness; **Simplicity**, which includes the priority given to Convenience and Ease; **Connectivity**, which includes community and social sourcing; and **Experience**, which includes the appeal of engagement.

Restraint – For several years, we have been monitoring what we have called the Reset Consumer, as individuals rethink their preferences and capabilities for spending. In general, many have simply cut back to bring their spending in line with stagnant salaries. For example, mass-transit rides increased 5 percent in the

first three months of this year. In Boston in 2011, mass-transit ridership increased to its largest figure since 1946 (390 million rides). Meanwhile, sales at Tiffany’s flagship store in New York City declined 4 percent in the first quarter of 2012. (*CNNMoney*, 6/4/12; *Boston Globe*, 6/14/12; *Financial Times*, 5/25/12)

Restraint, however, goes beyond merely cutting back and includes adjustments to expectations as well as reprioritizing preferences and finding what is sufficient – thus, the Hierarchy. For instance, consumers have not cut back on the number of their dining-out experiences, but they have changed the locations where they dine, preferring lower-priced establishments. Thus, Experience, higher in the Hierarchy, trumps Restraint, which would call for not dining out at all. As a result, the fast-casual restaurant category (a step down from waiter-centered restaurant service) enjoyed an 8.4 percent increase in business in 2011, measured against 2010. (*Nation’s Restaurant News*, 5/28/12)



“The Michelin stars are for the tires.”

Simplicity – Complexity in work and personal lives nurtures the digital-era values of convenience and ease, which, in turn, encourage simpler transactions, interaction and activity – thus, the appeal of texting, instant messaging and tweeting. But again, these emerging values are spreading across society, not just online, and so simplicity is becoming valued away from the digital world. For instance, 80 percent of customers who ask waiters for recommendations are satisfied with their meals, while just 58 percent of diners who do not ask for suggestions are satisfied with their meal. The direct link between asking for a recommendation and the ensuing

level of satisfaction, first, certainly simplifies the ordering process, and second, runs contrary to the car era's preference for self-reliance. (*Nation's Restaurant News*, 5/28/12)

Commercial real-estate developers have noticed that in many cities rent rates for apartments and office space have risen faster in areas near a rapid-transit stop.

Renters, it seems, are willing to pay more to benefit from accessible and easy transportation methods. In Boston, 30,000 new housing units and 45 million square feet of office space are planned around existing train stations, such as the South Boston Waterfront and Kendall Square, Cambridge. Similar kinds of plans are in place in Houston, Toronto, Vancouver and elsewhere. (*Boston Globe*, 6/14/12; *Globe and Mail* [Toronto], 6/11/12)

Connectivity – Linking with others is a critical component of any online experience, and the advent of social media has only heightened the use and value of that component. The value of staying connected online, however, is spreading beyond the digital world and thereby becoming a social value. For instance, the urban areas of former rust-belt cities, such as Cleveland and Pittsburgh, are actually attracting more and more young people. While their parents might have fled to the suburbs at the height of the car culture, more young people are returning to live in the urban core. "Downtown has a new energy, a new vitality," explained one recent convert to urban Cleveland. The area, he added, now has "things that we really didn't see a few years ago."

Converted urbanites in cities like Cleveland brag about the ease of shopping and getting around town, the accessibility of sports and other entertainment sites, the presence of new restaurants, the reality of lower rents (compared to other cities more advanced in urban development), and the appeal of proximity to so many young people who are also moving into the area. In essence, these youths are looking for the ease and constancy of access in real life that they enjoy in their online experiences. (*National Public Radio*, 6/11/12)

Families are staying more connected as well.

We have noted how many college graduates are moving back home after graduation, but the connections go beyond what might be seen as a financial necessity. In 1986, when the car culture encouraged independence, roughly half of parents surveyed said they had given advice to their grown children in the prior week. Today, as the digital culture takes hold, fully 90 percent of

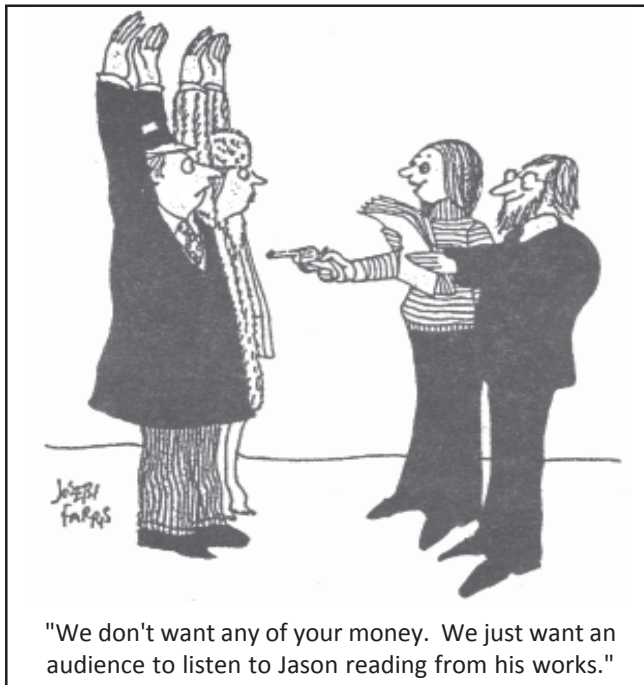
parents say they have given such advice in the past week. (*New York Times*, 5/30/12)

Experience – Whereas the car culture reinforced the value of holding assets and owning things, the top value in the digital culture seems to be Experience – the search for it, the preference for it and the sharing of it. The range of such experiences can be wide. For instance, at one level of experiential interest, theme parks last year enjoyed a 2.9 percent increase in traffic over the year prior, and that figure jumped 4.8 percent worldwide. As a result, ticket prices at Disney World and Universal Studios recently increased 4 percent over last year. One step away from personal experience and toward emotional or entertaining experiences gained by watching, the most popular shows on television are the sports broadcasts of weekly NFL games and NBA playoffs. In a similar vein of viewing experiences, Broadway just completed its most successful year, attracting more than \$1 billion in ticket sales for the first time ever. Experiences online such as YouTube are blending into individuals accessing or participating in a variety of experiences. In another step away from personal experience toward observational experience, the most popular books – by far – are the three books by E. L. James, *Fifty Shades of Grey*, *Fifty Shades Darker* and *Fifty Shades Freed*, which have been the top three best-selling books for weeks on the *Publishers Weekly* Top 10 Overall list. These books focus on highly eroticized interaction between characters, essentially upping the emotional and psychological experience of the readers of these stories. (*Time*, 6/18/12; *Variety*, 6/11/12; *Publishers Weekly*, 6/4/12)

The success of the Website Airbnb illustrates how widespread and diverse interests in experience have become. The site helps individuals locate others who might want to rent out a bedroom (or even a couch) for a night, thereby disintermediating hotels from a whole range of possible customers. What users say is that this can save them money, but just as important, Airbnb provides them with a unique experience, a closer contact with people who live in the area being visited and the chance to experience a place in the city away from the usual hotel location. (*Financial Times*, 6/20/12)

Another focus on experience has reached the restaurant business, where the farm-to-table concept is reaching new heights in popular appeal. The experience

of dining out is now complemented by experiences such as events to get to know the person who grows the restaurant's food, classes to learn about special local-food recipes the chef has created and actually taking trips to visit the farms that supply specific restaurants. Last year, 7,100 farmers' markets attracted crowds of experience-hungry food shoppers, an increase of 20 percent over 2010. Grocery stores focus on upping the experience of shopping by holding special events such as Wegmans Corn Harvest Party or Tomato Harvest Party, and some such stores are even planting hydroponic gardens on their roofs to supply their stores. Moreover, stores such as Fresh Market focus on putting together unusually dynamic, even dramatic, "sets" in displaying food and creating a unique food-search environment. (*Adweek*, 6/25/12; *Fast Company*, 7/12; *Investor's Business Daily*, 7/5/12)



The biggest hits on the Values Hierarchy manage to touch some aspect of all four levels. For instance, the new urban living in cities like Pittsburgh and Cleveland saves renters money because the rents are lower than those in cities like Chicago or New York. Renewed Urban settings offer ease of movement through the local environment because of public transportation and, more important, because of proximity to the desired stores and restaurants. Roughly 200 cities now have rental-bicycle programs, making it simpler, easier and less

expensive to move around neighborhoods. Also, these revived city settings provide connectivity not just online but closeness to friends and fellow urban dwellers, creating a community of people with similar preferences and interests. And finally, the new urbanites enjoy the experiences that surround them, whether they are at entertainment and concert facilities, sports arenas or local clubs. Touching all four values on the hierarchy makes for much more effective marketing possibilities. (*Bloomberg*, 7/15/12)

Changing Values Mean Changing the Ways of Operating

These new values are changing the way people behave. The implications of these different values, as they spread across society, create the largest challenges for companies and marketers most committed to the values of the now fading car culture. Consider how these might affect those kinds of companies:

- ◆ Experience is becoming more important than Assets, as individuals, for instance, forego buying a home so they can afford (literally) to pursue the kinds of experiences they want.

- ◆ Connectedness is becoming more important than Self-Reliance, as individuals recognize that information resources and interdependence offer expedient help.

- ◆ Flexibility is displacing Control as a central value, as individuals recognize that the emerging complex, interdependent and interactive environment makes personal control less possible.

- ◆ As Car Culture becomes less efficient (because of, e.g., higher costs for gas and insurance, traffic jams, accidents), individuals seem to be adjusting their preferences to modes that offer directness, ease, convenience and simplicity (e.g., public transportation, shared ownership, bicycles and tool rentals).

Now that Stephen Klineberg has finished his survey of Houstonians and concluded that "the romance of the automobile is fading," he might want to return to Houston to see what is replacing that fading romance with the automobile. Certainly, the influence of the spreading digital culture continues to increase, and as more and more individuals participate in digital culture,

they will soon start adopting different values. Our observations suggest that the romance with the digital culture is rising and bringing with it a set of values that are

challenging the past values of the car culture. Companies and investors will need to adjust their own preferences and values as this New Values Hierarchy Emerges.

