

Consumer 2.0

Five Rules to Engaging a New Breed of Consumer

By Mr. Youth and RepNation Media

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Introduction

KNOW YOUR CONSUMER

This is a business commandment certain to be deeply engrained at the heart of any successful company. Never, however, has that consumer morphed so quickly or become so elusive. Enabled by an onslaught of new technologies with accelerated adoption rates, consumers have attained a level of control never before seen...and they are just starting to dig in.

CHANGE IS HAPPENING

No marketer would deny the powerful shifts that are occurring, yet likely no one is bold enough to claim they can truly keep up. Despite our agencies' near immersion in youth culture for the past five years, we would make no such claim. Our experience, however, has provided us deep insight into the key drivers of this new empowered consumer. In our analysis, it became apparent that these were not simply shifts but the face of a completely new consumer. A consumer who has grown up with brand new perspectives and redefined the interplay of communications, relationships, brands, technology and media. This is Consumer 2.0.

THE CONSUMER 2.0 RULES

Presented here as a comprehensive guide to marketing to this new breed of consumer. These are not fads or trends, but rather a suggested framework for understanding the mindset and expectations of this newly defined consumer. To some, the rules may appear obvious, while others may resist that these changes have already occurred. These are, however, radical departures in consumer behavior, still overlooked by most marketing plans. Their impact or immediacy should not be underestimated.

THE FIVE RULES

The five rules to engaging a new breed of consumer are summarized below. Each is detailed further with supporting insights concluding with core questions every marketer should be asking themselves. These rules were developed through our close relationships working in partnership with the teen and college demographic in the development and execution of word of mouth, experiential and interactive marketing campaigns for Fortune 500 clients. As new technologies continue to pervade older consumers, these rules will increasingly apply to all...at least until they change again.

- 1 AUTHENTICITY TRUMPS CELEBRITY** - Consumer 2.0 responds to honest, relevant messaging from peers over marketing speak and celebrity endorsements
- 2 NICHE IS THE NEW NORM** - Consumers 2.0 do not form a mass market. They relish in choices and look for products and services that speak to them personally
- 3 BITE-SIZE COMMUNICATIONS DOMINATE** - Consumer 2.0 digests short, personal and highly relevant messaging in bulk while growing increasingly adept at blocking out noise
- 4 PERSONAL UTILITY DRIVES ADOPTION** - Consumer 2.0 chooses to consume what they find useful in their lives over manufactured marketing needs
- 5 CONSUMERS OWN BRANDS** - Consumer 2.0 will speak about, repurpose and associate with your brand as they see fit

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Rule 1 - Authenticity Trumps Celebrity

Consumer 2.0 responds to honest relevant messaging from peers over marketing speak and celebrity endorsements

FUELING INSIGHT #1 – THE DEMISE OF THE GLAMORIZED CELEBRITY

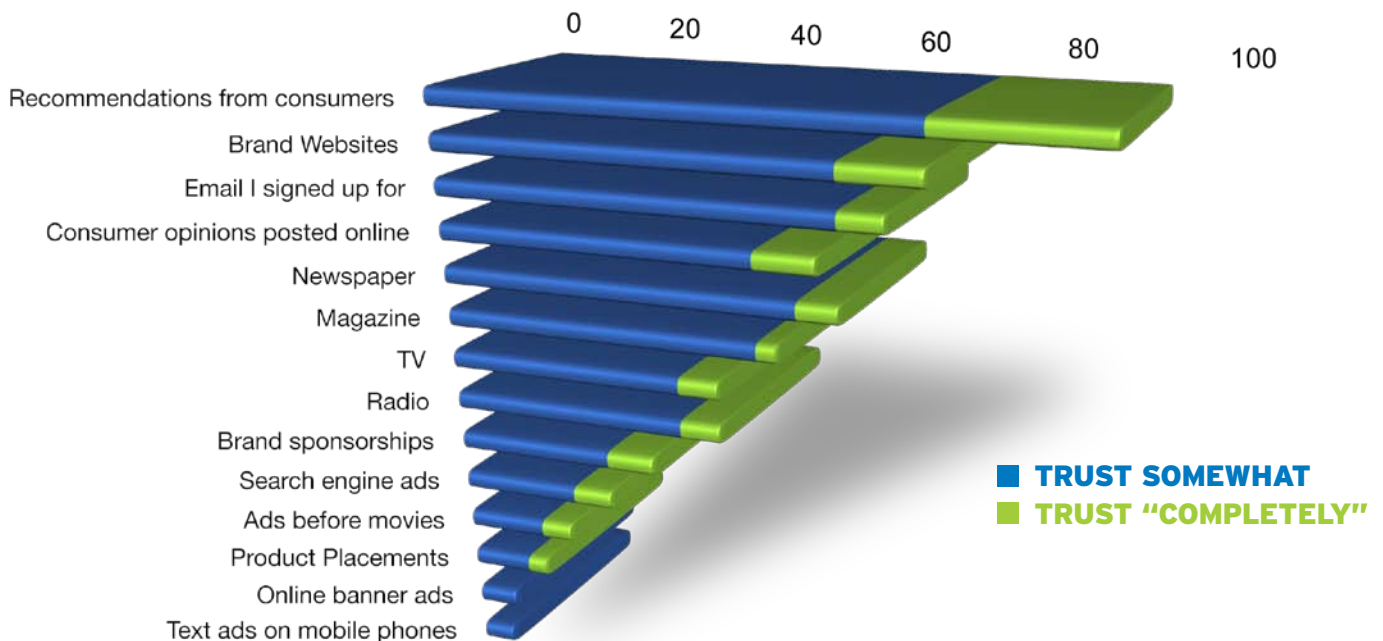
Remember Gatorade’s Be Like Mike campaign? Michael Jordan was an anomaly even in his day, but today, is there any celebrity that a brand can truly bank on their consumers wanting to completely emulate? It wasn’t that long ago that a big investment on a celebrity endorsements yielded huge gains for brands. Today, for every Peyton Manning and Tiger Woods, there is a Michael Vick and O.J. Simpson. Celebrities live in full public view and the media stands ready to reveal minor flaws (Jennifer Love Hewitt’s five pound weight gain) and pounce on major character issues (Lindsay Lohan/Britney Spears/Mel Gibson).

Fascination with celebrities remains high but influence is extremely low. In a recent SurveyU study, only 15% of college students agreed that a celebrity’s endorsement of a product would influence their opinion of that brand.

FUELING INSIGHT #2 – THE DECREASE OF TRUST IN ADVERTISING

Consumer 2.0 is savvy, understands marketing speak, and can see through much of the phoniness. No longer can a brand make bold claims, throw huge marketing budgets behind it and expect to manufacture consumer demand. Not surprisingly, Consumer 2.0 increasingly trusts recommendations from fellow consumers.

A 2006 survey by Forester and Intelliseek shows recommendations from consumers as the clear leader in consumer trust with most traditional media outlets receiving half that vote of confidence.

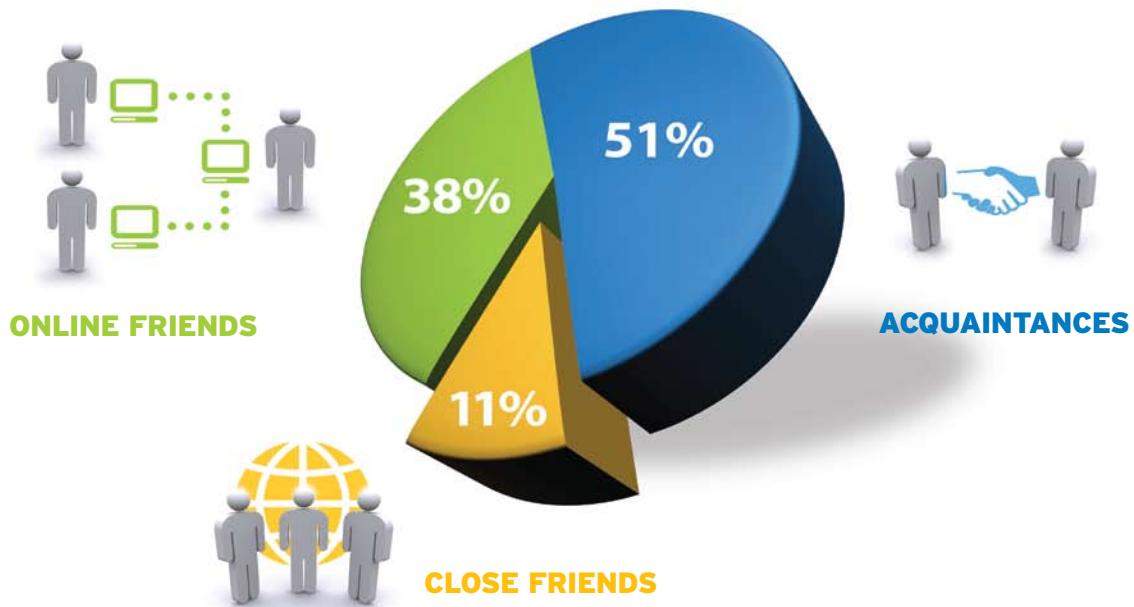


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FUELING INSIGHT #3 – INCREASE IN SOCIAL CONNECTIONS

Consumer recommendations, not surprisingly, are increasing in influence over purchasing decisions, as technology enables consumers many new channels for receiving opinions from friends and fellow shoppers. According to a 2007 Global Study from MTV, Nickelodeon and Microsoft, 14-24 year olds have, on average, 53 people they consider to be online friends, and all are considered real friends despite not having met many in person. A decade ago, this demographic may have only frequently communicated with 5-10 good friends at their school and have infrequent communication with fellow classmates. Now, new technologies like social networks, Xbox Live, twitter and IM make it easier to stay in closer communication with more people, including friends across the country and world made online.



Rule 2 - Niche is the New Norm

Consumers 2.0 do not form a mass market. They relish in choices and look for products and services that speak to them personally

FUELING INSIGHT #1 – LACK OF ONE CLEAR PATH

One third of Gen Y has a tattoo and thirty percent have a piercing somewhere other than their ear. These numbers don't speak to rebellion; however, as in the past. This is a generation that simply doesn't follow a common path. Not all aspire to be doctors, lawyers and business tycoons, nor do they feel that their personal style should preclude them for such positions if they do. This is a generation more committed to following their hearts than a path pre-established for them by their parents, school or community.

Finding themselves takes time. Fifty-eight percent of Gen Y move home after school and thirty-six percent stay at their first job less than a year. Without the same pressure their baby boomer parents had from their parents, Gen Y is comfortable taking some time to explore their options, even (or perhaps especially) if it means living at home free of bills, chores and responsibility.

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FUELING INSIGHT #2 – ONLINE SOCIAL COMMUNITIES FOSTER NICHE INTERESTS

Groups in high school and college used to be confined to those within the school. Fitting in meant joining one of these groups, often conforming in order to be welcomed. With the onset of the internet and in particular, social networks, nearly anyone with any interest can find others like themselves and be welcomed by a community that truly appreciates the common affinity. Making the cheerleading squad or debate team is not nearly as critical to one's social value when they can now go online and speak with thousands of other emo rock fans, Darfur supporters or Star Wars buffs, many of whom they likely discover live a block or town over.

As a result, the term "cool" holds less and less weight with this generation. They are a generation that doesn't feel forced to a universal definition of cool but feels free to pursue their interests. Why force yourself to fit in with a group where you feel like an outsider when people sharing your exact same interests and passions are a mouse click away? As technology continues to bring the world closer together, people will increasingly associate themselves with people and groups that share a common bond. These groups are more valuable for a marketer to crack as the ties and influence are much stronger. Yet, they are also much harder to target with traditional tools aimed at breaking down consumers based on age, sex, location and other common demographics.

FUELING INSIGHT #3 – PROLIFERATION OF OPTIONS

When consumers are more free-thinking and able to seek out groups with true affinity, only naturally then will they want and demand products that more closely meet their needs. And of course, technology has already begun to enable a generation that will soon wonder why there is such a limited selection of products at Walmart. The late nineties Internet boom brought about Amazon.com, Buy.com and sites like oilvinegar.com, that boasts 26 types of olive oil. Selection was no longer limited to what could be stocked in stores, appealed to the masses and could be moved in a timely manner. The 90s Internet helped get existing businesses online, allowing them to expand their inventory, or helped create new, well funded businesses catering to a more specialized consumer.

Now, technology has begun tearing down the barriers to entry, enabling nearly anyone to create, share and market products online. Sites like Snooth.com boasts nearly two-million wine recommendations so wine enthusiasts can sample wines from people who share a similar palate vs. what the local wine store incentives dictate it push that week. Sites like cafepress.com house over 70 million unique products with 45,000 new products added daily from people in their community that utilize their tools to instantly create, produce and sell their own merchandise directly on their site. Lulu.com offers a similar model for the publishing industry. With over ninety-eight thousand books published last year, they nearly equate to the 120,000 books published by all traditional US book publishers. With the ability to find (or create their own) products that meet their exact needs, marketers will increasingly need to not only micro target but micro produce their products.

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Rule 3 - Bite Sized Communications Dominate

Consumer 2.0 digests short, personal and highly relevant messaging in bulk while growing increasingly adept at blocking out noise

FUELING INSIGHT #1 – MICRO-MESSAGING CULTURE

While adults send three emails for every text message, teens almost completely flip the ratio with 2.5 texts for every e-mail. And it wasn't that long ago when people actually spoke to one another. Technologies like IM, Twitter, Facebook feeds and SMS are completely changing the way people communicate. E-mail moved the bulk of communications from the phone to written conversations. IM and SMS enabled shorter, more timely communications. Now technologies like Twitter and social networks are transmitting these communications across groups of people.

Just broke up with your girlfriend? No need to call all your friends and let them know, just change your relationship status on Facebook and your newfound freedom will be broadcast to all your friends. Need a quick restaurant recommendation? Don't bother calling a few friends, send out a message to your group of friends or even a group dedicated to fine dining via twitter and instantly get several recommendations to choose from. As consumers increasingly gravitate to more efficient means of communication, they will expect the same from those trying to communicate with them.

FUELING INSIGHT #2 – ADD EPIDEMIC

College students jam 222 hours of activity into their 122 waking hours per week, multitasking 45% of the time according to a recent SurveyU study. The time where a marketer could capture a consumer's undivided attention in front of a TV or reading a magazine is growing extinct.

Consumer 2.0 has grown up with the Internet and is trained to multi-task: IMing while doing homework, texting while at the movies, listening to their ipod while on the computer, and chatting with Facebook friends while watching TV. They have trained themselves to peek up at key moments of a TV show and completely tune out (or fast forward) commercials. Their iPods and PSPs allow them to tune out the world en route to a destination, and their eyes know not to wander to banner ads when viewing videos on YouTube. This is a consumer that will at best provide divided attention. Communications need to reflect that.

FUELING INSIGHT #3 – DELUGE OF MESSAGING

Consumer 2.0 is savvy. She understands that she is targeted frequently with advertising, and has become an expert at tuning it out. Rather than change with consumers, marketers have instead chosen to increase the number of messages in hopes of maintaining the same results.

In the 1970s, city dwellers were exposed to an average of 500 - 2,000 messages per day. Now, according to a 2006 study in USA Today, that number is 3,000 - 5,000. While a consumer's ability to retain these messages has not increased, the frequency of them has multiplied, leading marketers in a vicious cycle of trying to pump out more messages in hopes of winning this numbers game.

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Rule 4 - Personal Utility Drives Adoption

Consumer 2.0 chooses to consume what they find useful in their lives over manufactured needs

FUELING INSIGHT #1 – DECREASED POWER OF THE BRAND

According to a recent SurveyU study, 78% of college students feel that people place too much emphasis on brands and only 46% find that brands are helpful in making purchasing decisions. A 2006 Energy BBDO survey found that 62% of global teens are apathetic about marketing and advertising. That is, they are not anti-brand, but perhaps more dangerously, they just don't care – don't care about wearing brand logos, don't believe advertising, and feel there is too much advertising in the world.

Certainly, the brand still plays a key role in certain categories. But that will continue to wane as consumers place more importance on products that meet their needs and have many more outlets for finding products from trusted sources.

FUELING INSIGHT #2 – THE FACEBOOK ECONOMY

While Facebook is often overhyped and many larger marketing developments exist, it is a good example of the transfer from a push to pull economy. Facebook's much talked about open application platform has created a lot of interest industry wide. In the first six months of their open platform, about 8,000 applications from thousands of developers were created and installed half a billion times! The applications spread virally as people saw applications being installed by friends and opted to add them to their own profiles.

With their controversial Beacon platform, Facebook has tried to replicate this same viral spread for products and services. Users can now see what movies their friends are putting in their Blockbuster queue or what they purchased on leading retailer sites. While privacy concerns need to be addressed, it is clear that a model similar to this will be a big force in future purchasing decisions. The tools are available, with more being created to hyper-personalize communications and leverage consumers' most trusted source: word of mouth. The tools allow consumers to discover products with friends, rather than be overtly marketed to with standardized messaging.

FUELING INSIGHT #3 – LOWER BARRIERS TO ENTRY FOR ENTREPRENEURS

"Why didn't I think of that" is a phrase and theme constantly explored on The Big Idea with Donny Deutsch as he interviews entrepreneurs who saw a gap in the market and found a way to fill it. From Just a Drop, a solution that masks toilet odors when used prior to going to the bathroom, to Spanx, a now global brand that reinvented hosiery by helping to shape women's bodies without many of the discomforts of panty hose; entrepreneurs (or everyday people) can now turn a personal need into a successful business.

Increasingly, consumers will find products that meet their particular needs or needs they didn't even know they had. Products without strong personal utility will struggle as the barriers to create and get the word out continue to fall. Marketers will need to be closer than ever to their consumers to fully understand their needs, anticipate future needs, and remain current on how their product or service fills them.

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Rule 5 - Consumers Own Brands

Consumer 2.0 will speak about, repurpose and associate with your brand as they see fit

FUELING INSIGHT #1 – THE RISE OF THE CREATIVE CLASS

In his national bestseller, *The Rise of The Creative Class*, Richard Florida categorizes a new class consisting of Creative Professionals - professionals that are classic knowledge-based workers, which includes those working in healthcare, business and finance, the legal sector, education, and the Super-Creative Core - workers that include scientists, engineers, techies, innovators, researchers, as well as artists, designers, writers and musicians.

According to his book, this creative class currently represents 30% or 40 million people in the US workforce. This class is expected to grow by 25% over the next decade and already controls nearly 70% of US buying power. Just as the industrial age and information age changed the general makeup of the country, the rise of the creative class could have similar effects. Empowered by new technologies, Consumer 2.0 will want a larger voice in the brands he champions, helping to create and reinvent products and communications. Consumer 2.0 will increasingly write about products through blogs and product reviews and participate in online discussions.

FUELING INSIGHT #2 – SOCIAL TECHNOLOGY FUELS SHARING

“We are putting advertising back in the hands of the people, so ads are less like ads and more like content and information.” – Chamath Palihapitiya, VP-product marketing and operations for Facebook.

While creating a unique approach, Facebook is one of many technologies that is helping to fuel the sharing of information. Blogs have given everyone a voice, comparison shopping sites like Yelp, Epinions and Amazon allow anyone to review products, while sites like Digg, Flickr and Squidoo allow users to create content and determine popularity and placement.

While consumers previously needed to rely on advertisements to discover new products or determine which to purchase, Consumer 2.0 has a huge array of tools at his fingertips that allows him to make more informed and unbiased decisions. Marketers must focus on reaching and impressing their core vocal consumers in order to substantiate other marketing claims and spread to new consumers.

FUELING INSIGHT #3 – CONSUMERS WILL REPURPOSE BRANDS AS THEY SEE FIT

50% of teens could be considered content creators, according to the 2005 Pew Internet and Life Project. Consumer 2.0 is growing up accustomed to creating, sharing and repurposing content as she sees fit. She sees brands as additional content available to her and will utilize it as she wishes.

As Nick Brien, Worldwide CEO of Universal McCann, so aptly stated in AdAge: “A brand is ultimately a promise...it is something that is not ownable by a corporation anymore. Helping consumers generate their own content is one of the smartest ways to embrace the new marketing model.” Marketers must loosen the chains and allow consumers to embrace their brands in their own ways. Maintaining a strong cohesive singular brand will continue to grow less relevant as the mass market deteriorates further, communication continues to open up, and consumers have increasingly more tools at their disposal.

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Application of the New Rules

Clearly, things have changed, and are continuing to change rapidly. Agencies and marketing groups are not going to change overnight; however, marketers can start asking different questions and will likely begin getting better answers to help them market to Consumer 2.0. Below is a list of questions pertaining to each rule, and if asked, will lead to more effective marketing and business practices.

I. AUTHENTICITY TRUMPS CELEBRITY

1. Is my consumer really motivated by celebrity endorsements?
2. Is there a celebrity out there that can authentically represent my brand? If so, am I confident I have a clear read on their character?
3. Am I utilizing trusted means of communication, like word of mouth, to communicate with consumers?
4. How am I leveraging the increase in peer-to-peer connections that now exist?

II. NICHE IS THE NEW NORM

1. Am I trying to address a mass market that does not exist?
2. Am I trying too hard to be “cool”?
3. Am I tapping into niche communities that could have powerful affinity with my brand?
4. Is my product or service specialized enough to serve niche markets that my consumer is likely a member of? Will more targeted products make them switch?

III. BITE-SIZE COMMUNICATIONS DOMINATE

1. Can my message easily be passed along by short communications?
2. Can my message be heard and digested while my consumer is multi-tasking?
3. Am I continually trying to increase frequency and change location of messaging, but ultimately delivering the same message with the same or lesser results?

IV. PERSONAL UTILITY DRIVES ADOPTION

1. Am I trying too hard to create a brand vs. create and communicate a product or service that my consumer needs?
2. What efforts am I undertaking to move my brand from a push to pull communication?
3. Am I in continual contact with my consumers?
4. Do I know how and why they are using my product and what they are telling others about it?

V. CONSUMERS OWN BRANDS

1. Am I allowing consumers to feel ownership of the brand and embrace it in their own creative way?
2. Am I aware of what consumers are saying about my brand online?
3. How am I leveraging social technology to enable consumers to spread the word about my brand?
4. Am I providing consumers with an outlet and tools that allows them to share my brand in a way that is relevant to them?
5. Am I trying too hard to control the way consumers speak about my brand?

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The Mandate for Change

Shifting ad dollars to “new media” is not enough, and will leave marketers short of their goals. Listening closely to your consumers and engaging them in deeper, two-way relationships is a great start. Paired with an understanding of Consumer 2.0, marketers will be better equipped to navigate their businesses through unprecedented change.

Marketers can easily start to make this change by demanding their marketing teams and agencies answer the right questions and deliver the right results (hint- not impressions). Marketers should begin focusing on the number and depth of engagements they have with consumers and the propensity their consumers have for recommending their product or service to others. Marketers that lead the way will develop a strong advantage over their competitors, those who lag will find themselves pushed away and Consumer 3.0 probably isn't far behind.

About Mr. Youth

Mr. Youth is the fastest growing youth marketing agency in the nation, offering full service solutions to make your brand stand out. We bring an integrated approach to reaching the youth market guaranteed to get results. From flawless event execution and guerilla efforts to retail activation and PR generation, we surround the youth market with memorable brand experiences that move the needle. Whether you want a flashed-out microsite, a breakthrough viral campaign, or an innovative social networking tactic, our on-point interactive design and development team is sure to bring it. We know kids. Period. As leading industry experts in the 12–24 age group, we can develop a comprehensive strategy to suit the needs of any brand. To learn more about Mr. Youth, visit www.mryouth.com.

About RepNation

Born within Mr. Youth, RepNation Media is the leading word of mouth marketing network for the 14-29 demographic. It's built around people who want to be part of the research, marketing and innovation that goes into creating and expanding a brand. The more than 50,000 members of the RepNation network help shape the brands they already love, as well as new ones they are excited to get to know. RepNation works with their clients to help them utilize this network to reach consumers via the personal interactions of peers, in contrast to traditionally impersonal mass media. These clients include some of the biggest and hottest national brands, including MTV, Microsoft, Ford, JetBlue Airways and Macy's. The Company is headquartered in Chelsea Market in New York City. To learn more about RepNation, visit www.repnationmedia.com.

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