



Industrial to Digital: How Revolutions Change Business

by Glen Hiemstra
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BUSINESS LIVES IN A WORLD of rapid change in the early 21st Century. We might assume that life has never changed this fast before. But consider the following story.

My paternal grandparents emigrated from the Netherlands to Montana in the first decade of the 20th Century. In the late 1920s the family loaded its belongings into a truck and headed for Oregon. The truck broke down in Idaho, however, and so the family stayed there, eventually leaving farming behind.

Once they settled in Idaho, my guess is that my grandparents, sitting one evening at the kitchen table, looked at each other and said, “You know what? Life is completely different than it was when we were kids, back in the 1890s.” And for them this was true. What changed from 1890 to 1925? Everything. This was the time of the final industrial revolution. The movie camera, X-rays, electricity, radio, the auto and the airplane all came into use. World War I shook the world as the first nearly global event.

They had lived through a “techno-social-economic revolution” involving electromechanical tools. What is a techno-social-economic revolution? In a nutshell, it’s when technologies are invented that are powerful enough in time to change the social economy. When the revolution is over, people’s lives are different.

The parallels between our day and the “electromechanical” revolution of 1890-1925 are obvious. Today we are past the mid-point — about 30 years into — the “digital-biological-nano revolution.” The groundwork has been



laid and new dominant industries have emerged. If this revolution happens in any way like the last one, then the *most fundamental changes are just beginning.*

Understanding this revolution’s nature and the probable course of the next two decades can help establish a context for navigating the immediate years ahead. Along the way we might learn a lesson or two to apply next week in our businesses. When it is over, a few decades down

the road, we will sit at our kitchen tables and say, “You know what? Life is very different than it was when we were young, back when the 21st Century began.”

There are several key forces driving change during the next two decades...

Consumer Trends

The Society of American Florists (SAF) does an excellent job of tracking consumer trends. Three are worth noting and reinforcing because of their future marketing value.

The first is interest in **affordable luxuries**, a trend named by Faith Popcorn some time ago. The lifestyles of the rich and famous dominate pop culture. While few can afford that level of luxury, all can aspire to affordable luxuries. Such luxuries cost a few dollars and are conveniently acquired. This consumer drive explains, in part, the tremendous growth of Starbucks. What makes you feel more upscale than a \$4 specialty coffee drink that, just a few years ago, was reserved for the Jet Set lounging on the Riviera?

Flowers qualify as an affordable luxury, one that makes any space or moment more

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upscale. Thus, we observe that 85 percent of flowers are sold for non-calendar occasions, and, of those, 69 percent are purchased simply for the home or for non-specific reasons. In other words, people are buying affordable luxury. Future growth in your business may couple tightly with this concept.

Another consumer trend, well documented in industry literature, is cocooning, now sometimes called nesting. Cocooning/nesting has to do with our desire to feel safe and encapsulated at home. This trend helps drive growth in outdoor bedding and garden plants. As baby boomers turn 65 starting in 2011, anticipate a **strengthening of nesting** coupled with a nostalgia trend. Flowers that evoke the growing-up years of the 1950s may become best sellers. (SAF Trend Tracker Summer 2004 calls this “Everything Old is New Again.” Available at www.safnow.org.)

Demographic Dynamics

It is generally understood that the population is getting older. But the numbers are dramatic. In most states, about 12 percent of the state population is over 65 in 2004. By 2020 most states’ over-65 population will approach 20-25 percent. In some states, it will be higher. An aging population tidal wave looms. How do you organize society, or sell flowers, when a quarter of the population is over 65? No one knows because it has never been done before.

Digital Natives

Each year from 1996 to 2006 a new record is being set in the United States for the number of **youngsters in K-12 schools**, public and private. By 2007 the number of teens in the population will surpass the baby boom record.

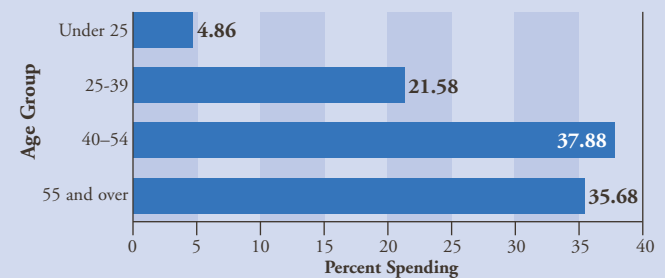
The latest generation of youth and teens may come to be known as the “Digital Natives.” This is the generation born into the age of computers, cell phones and the Internet. This generation already displays some fascinating differences from earlier generations. When seeking new information they are increasingly inclined to go to the Web first. They multitask and stay connected at all times. They are interested in freedom from fixed schedules, wages and career ladders. They will change the world of work.

The Spending Wave

The most powerful dynamic in terms of economic impact is the **spending wave**. The baby boom came in three peaks, with the largest coming between about 1958

and 1964. This final and largest group of baby boomers is moving through their 40s during the next several years.

Spending on Floral Products by Age Group 2001–2003



Ipsos/AFE Consumer Tracking Study

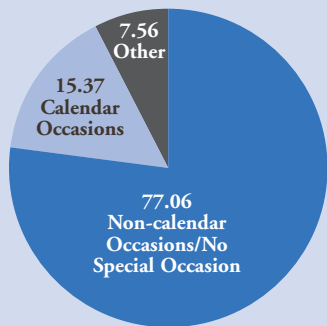
Why is this important? Ask yourself, when in your lifetime do you spend the most money? Historical evidence shows a consistent pattern in which we tend to spend the most is approximately between the ages 42 and 50. At this age, we buy the biggest house, the most expensive furnishings, the most expensive clothes, the biggest television, extra cars and clothes for the teens, and so on. Over the next few years the largest proportion of the biggest population group ever, the boomers, will move through their peak spending years. The proportion of the total population in their peak spending years has been a powerful predictor of economic performance, more powerful than other factors. Should this hold true once again, then the next five to 10 years would see robust economic growth, if there were no other drivers. The negative effect of global dynamics may depress this historic pattern. The safest bet is modest growth.

Commerce on the Net

When the Nasdaq crashed in 2000 there was a general feeling that the “Internet thing,” although fun while it lasted, hadn’t worked out. Ever since that crash, the Internet retail channel has been growing at a pace outstripping any other channel, back-office operations and supply-chain communications are fully computerized and Web-based, Internet flower auctions are the norm. Just over the horizon looms the Digital Native consumer.

In other words, your business must be **increasingly Internet savvy** with each passing year. As Generation X and the Digital Natives become the dominant consumer groups, this may include things like always-on Web cams so that wireless, Web-enabled shoppers (think of your kids and their ubiquitous picture phones) will be able at any moment to survey what is on your shelves.

Floral Buying by Occasion (Percent transactions)



Ipsos/AFE Consumer Tracking Study

Genetic Engineering

The ability to enter directly into the genetic structure of living things and alter that structure marks **an aggressive leap in plant cultivation**. For example, genetically engineered soy beans and corn have been available only since about the mid-1990s, but this year will represent about 75 percent of the soy crop and 35 percent of the corn crop.

On the horizon are genetically altered domestic plants such as “low-mow” slow growing grass, herbicide tolerant decorative plants, flowers with a longer post-cut shelf life and so on. With these developments will be the inevitable backlash from environmental purists who object to such genetic tinkering.

Rapid Airplane Travel

We tend to overlook the incredible power of the jet airplane. Each day millions of people (not to mention tons of flowers) board planes and go elsewhere for business or pleasure. Travel on this scale and at these speeds is transformative. **Everything available everywhere, anytime** is the paradigm for business.

Globalization and the End of the Old World

Globalization is widely discussed, but two factors stand out for small businesses. First, we feel but do not yet fully grasp the importance of new, free global markets. The inexorable move in the late 20th Century toward freer and more integrated worldwide markets, which received a critical boost in the late 1980s with the collapse of the Soviet bloc, is likely to continue. The coming decades will be very much about the **globalization of the workforce**, and with this trend will come dislocation, opportunity and conflict.

Second, it is likely that much of what we see in terms of global terrorism is not what we think it is.

In the end the question will always be not what kind of future will we get, but what kind of future we want.

That is, global Islamic terrorists do not object to our Bill of Rights or hate our freedom as we are frequently told. What they object to is the Western world, and in particular the globalization of culture and values. Since the emergence of global culture seems inexorable, resistance in the form of occasional terrorism seems virtually unavoidable.

But I have noticed in the last two years what I believe is an ultimately **self-defeating obsession with terrorism** among American business people. If random terrorism is indeed a fact of modern life in the 21st Century, our response must be to move quickly, seeing it as part of the external environment and responding to any incident as Israelis and Palestinians have learned to do: prepare your business and your family for the world’s dangers — but don’t let fear paralyze you or keep you from going back to work and life as normal the very next day. Our national challenge will be not to say that “everything has changed” after an attack, but rather that “nothing has changed.” Only in this way will we in both our personal and business lives take back control of our own futures.

Conclusion: Creating Preferred Futures

As they lived through the last techno-social-economic revolution, it is likely that my grandparents loved parts of it and hated others. At times it all made sense and at other times it did not. I am often asked whether humans have the capacity to deal with such rapid change. My response is that we have done it before, and that I actually doubt that we have really tapped our capacity to change. In the end the question will always be not what kind of future will we get, but what kind of future we want. Enhancing our understanding of context is a critical step toward answering that ultimate question.

Glen Hiemstra, the founder of Futurist.com, has been listening professionally and then sharing compelling lessons for the future for two decades. He is a highly respected consultant and speaker and the co-author of Strategic Leadership: Achieving Your Preferred Future. Glen led a discussion on trends and their potential impact on the floral industry at SAF Maui 2004, SAF’s 120th annual convention, held Sept. 29 to Oct. 2.



BY ROBERT D. BARR

Above-Trend Economic Growth On Tap

YOU WOULDN'T HAVE KNOWN IT FROM THE rhetoric of the presidential campaign, but the economy is barreling ahead as 2004 comes to a close. After hitting a soft spot last spring, the economy has gained traction and is now moving forward at a growth rate above the long-term trend. In other words, we're moving along at a faster clip than we have a right to expect.

And this pace is not only healthy, but it's sustainable. Growth is well-balanced, business inventory levels are low, inflation is tame, incomes are rising, and interest rates remain low. All told, the stage is set for a strong year of growth in 2005, even though we can expect some moderation in growth over the next few months in response to September's run-up in oil prices.

The high level of consumer debt is also a bit troubling, but even still, delinquencies are shrinking. And the debt pressure has been relieved by solid income growth of 4%, after accounting for inflation and taxes.

The debt pressure will become a bigger threat if interest rates go sharply higher due to an inflation scare, for example. Consumers will have a harder time servicing their debt, and the delinquency rate would reverse course and start rising. Consumer spending likely will become subdued, and our economic worries will turn into headaches.

But it's much less ominous if interest rates rise due to healthy economic growth, which generates more loan demand and more competing opportunities for investors. Job and income growth will respond favorably (although usually with a lag, especially for jobs), offsetting the impact of higher interest rates on delinquencies.

Meanwhile, the Federal Reserve will continue its "measured" campaign to bring up its target interest rate from the very low levels of earlier this year. "Measured" is their word, and it means that, while they'd like to remove unnecessary economic stimulus before it turns into inflation, they won't be raising rates in the face of weak economic numbers. The moves made so far haven't caused long-term rates to rise. In fact, during the summer, both the Fed's short-term rate and the average rate on 30-year fixed-rate mortgages had changed by a half percentage point. But while the short-term rate rose, mortgage rates headed down.

So the rate hikes you should expect from the Fed during 2005 shouldn't be a problem for economic growth. More likely, with the inflation figures staying low, they'll be a sign that the Fed thinks the economy is on solid ground and expanding nicely.

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Floral Trend Tracker provides authoritative analysis of important economic and statistical data impacting the floral industry.

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