Companies that survive the next decade will not have seen the future, but will have had time to understand the trends By Charlie Nelson

Is it possible to read the future with any degree of reliability?

Not according to William Sherden, author of The Fortune Sellers, who reviewed 16 types of forecasters and concluded that the future is fundamentally unpredictable - that chaos reigns.

Peter Drucker (Peter Drucker on the Profession of Management) agrees that it is pointless trying to make long-term predictions, but it is possible to note significant happenings that will have an effect in the next decade or two.

In relation to things we cannot predict, Peter Schwartz in The Art of the Long View shows the importance of making strategic decisions that will be sound for all plausible outcomes.

However, there is one consistent aspect to life: demographic trends. Drucker believes that the dominant factor for business in the next two decades will not be economics or technology - it will be demographics. This is the future that has already happened. Everybody who will be 11 or older in 2010 has already been born. Birth and death rates are predictable with reasonable accuracy over a 10-year period.

My forecast for births is a decline until at least 2010. At that stage, the net reproduction rate will be 1.6, well below the replacement level of 2.1. The number of births will, at 227,000, be lower than for any extended period since the late 1950s. This is bad news for the makers of baby food and disposable nappies, and for retailers of toys and childrens clothing.

These figures mask an important change in the overall age of mothers.

By next year, 50% of newborn babies will have a mother aged over 30 (compared with 20% in 1975) and the figure will be 60% in 2010. Also, the number of 10 year olds with a mother aged over 40 will jump from 40% now to 50% (compared with 20% in 1985). The marketing implications are obvious. Product development and communications for buyers of childrens products should focus on parents aged 30 to 49 rather than 18 to 39. Do not portray people in their 20s as parents - it is now the exception.

Australia is not the only society with a fertility rate significantly below replacement level. Others include Canada, France, Greece, Hong Kong, Italy, Japan, South Korea, Singapore and Britain. If Australia decides to boost immigration numbers, it may face stiff competition for young,
well-educated migrants.

Lower birth rates and longer life spans mean that the average age of the population is increasing rapidly. The proportion of people aged over 45 is 46%, and this will increase to 52% by 2010. The proportion of people over 55 will increase from 28% to 33%.

That the majority of adults will be over 45 (and one-third will be over 55) has profound political, social and marketing implications.

Australian Bureau of Statistics data shows that health is the most important social issue for people aged over 45, followed by concern over crime. ACNielsen data shows that most people over 45 believe strongly that the law should be tougher on crime. Furthermore, 55 is the age at which, on average, there is a crossover from being in debt to having investments (see chart, page 38). Future elections are not likely to be won or lost in the mortgage belt. There will be more votes in the issues of health, crime rates, and high - rather than low - interest rates.

One of the few people to predict the boom in the United States economy during the 1990s was Harry Dent, whose 1993 book The Great Boom Ahead predicted a surge in consumer spending during the 1990s, with low inflation and low interest rates. His predictions were largely based on the fact that the large baby-boom generation was about to reach the age of maximum consumption spending: the late 40s.

The same phenomenon has been partly responsible for the boom in consumption spending in Australia.

Dents latest book, The Roaring 2000s, predicts that during the next decade, the US economy will experience the greatest boom in history. I believe that Australia will share that boom.

It is important to note that the age group showing the most rapid growth over the next five years will be the 55-59 group, which will increase 5%

a year. This is the group in which the crossover from debt to assets occurs. As a result, a lot of people (early baby boomers) are going to have a lot more discretionary income.

This is good news for several industries, including financial services, automotive, travel and sports equipment. As baby boomers approach retirement, the household saving ratio will recover to levels not seen since the 1970s, which means less reliance on overseas capital.

There is, however, increasing evidence that not all Australians are sharing the benefits of todays economic strength. A recent National Institute of Economic and Industry Research report found that the benefits of sustained economic growth have been highly uneven, with most of the gains going to the 22% of Australians living in affluent city areas. A study by the Australian Housing and Urban Research Institute at RMIT University shows that increasing numbers of Australians defaulted on their mortgages and lost their homes in the 1990s, despite seven years of low interest rates.
Ian Macfarlane, the governor of the Reserve Bank, in a recent briefing to the House of Representatives economics committee, said that he was not alarmed by the rapid growth in household debt, because assets had grown more than debt. Although there is no problem in aggregate, the debt is concentrated in some households and the assets are concentrated in other households. People who own their house and have investments have benefited greatly from the recent surge in house and share prices. People who rent and have no investments have nothing to celebrate. People who have recently taken out a home loan to buy a house at boom prices and who have no investments have much to fear.

Just under 50% of adults report that they struggle to make ends meet and that there is no money left over for extras. This figure shows no significant trend over the past three years, despite the surge in wealth.

The importance of health as a social issue increases with age. So too, does the interest that is taken in healthy foods. The chart on page 38 shows that most over-45s try to avoid foods considered to be unhealthy, and that two-thirds of over-45s try to buy household products that are not linked to pollution of the environment.

The twin concern about healthy food and environmental issues has led to a growing interest in "food virtues" - is the food good for me and good for the planet? We already have dolphin-friendly tuna and barn-laid eggs. Other emerging virtuous foods include:

* Slow food, the antithesis of fast food.

This movement celebrates diversity in food, particularly where it protects indigenous species or traditional food-making techniques.

* Food with "reduced miles", which reduces greenhouse gases by using more locally grown produce.

* Coffee grown in the shade of a rainforest rather than in the ashes of a former rainforest. In theory, there is less need for insecticides because natural predators are preserved along with the forest.

The reaction against genetically modified foods is a perfect example of the potential power of food virtues. The manufacturers of genetically modified organisms have suffered a financial setback because they did not anticipate the strength of the consumer reaction. They made a product that offered no perceived advantage to consumers and that had potentially serious risks associated with it.

A recent ACNielsen survey of 980 consumers across Australia found polarised opinions about genetically modified (GM) foods. The survey was conducted during the weekend of August 14-15, three weeks after some foods were "outed" by the Sydney Morning Herald and the Age in Melbourne as containing GM ingredients.
Based on levels of agreement with seven statements about GM foods, three distinct groups of consumers emerge. The largest segment is sceptical of the benefits of GM foods and unlikely to eat them if given the choice. The next largest segment believes in the claimed benefits and is likely to eat GM foods, although people still want labelling.

A smaller segment has unformed opinions on the issue, other than recognising the need for labelling and more information.

Scepticism about the benefits of GM foods tends to increase with age, and most over-45s are sceptics.

The progress of the food-virtues trend can be tracked by monitoring the success of the British frozen-food chain Iceland. It was the first supermarket to take GM food out of its house-brand products. Now it is leading the food retailing industry with its initiatives on environmentally friendly refrigerators, home deliveries and reduction of food additives.

These trends in food concerns are being paralleled in other commodities: witness consumer concerns over exploitation of sweatshop labour in clothing manufacture.

The implications for companies that market to consumers are clear: establish and communicate the values your company stands for, or you will be used pragmatically by increasing numbers of consumers.

Australians are fast adopters of new technology. The market penetration of mobile phones, for example, is high by world standards. But is the rate at which we adopt new technology slowing?

Television, launched in 1956, achieved household penetration of 90% within nine years. Mobile phones have been available for about 12 years and 47% of people over 14 have one. Personal computers have been available for nearly 20 years and only 55% of homes have one. Pay-television penetration is only 20% after three years. The Internet is more pervasive, but only 34% of people aged over 14 have used it in the past month. These figures are much lower for older age groups.

Predictions about technological convergence and the networked world abound, but the evidence suggests that not everyone will participate. Al Ries and Jack Trout in Rethinking the Future caution against betting on technology convergence. They say that industries divide rather than converge.

There are mixed feelings about new technology - one person's utopia can be another person's 1984. As individuals, many of us want to take advantage of what new technology has to offer, and we are concerned that as a country we should not be left behind. On the other hand, many fear that we are ceding control of our lives to technological companies and that our privacy is being compromised.
Four types of consumer can be recognised, based on involvement with new technology: those who cannot afford it, or are inept; those who do not want it; those who adopt it with alacrity; and those who use new technology but only when it suits them and when there are clear perceived benefits.

The most significant implication of this market segmentation is that there will be profitable opportunities to provide services through established retail and media channels for a considerable time yet.

We can be fairly certain that Australia will have a slowly growing population, with an increasing average age and a strong domestic economy. I have constructed two scenarios for consumer behavior over the next 10 years. These are possible futures, with no probability assigned to them, because the objective is to ensure that strategic decisions made now are adaptable.

The "divided society" scenario envisages consumers polarised on two dimensions: wealth and the use of new technology. The elite will be financially and technologically rich; the battlers will be poor in both dimensions. There will also be a cash-poor, information-rich segment and a cash-rich segment that avoids technology.

The two deprived segments, particularly the battlers, will become increasingly angry with governments for not delivering on the promised trickle-down effect, resulting in frequent changes of the party in power. Retailers aiming at the "average" consumer will find their market shrinking. Increasingly, they will need to focus on just one segment.

In the second scenario - "save our planet" - consumers become impatient with government inaction on the greenhouse effect. They are not likely to abandon their cars, but they will use their spending power in ways that might mitigate the greenhouse effect. This will mean more fuel-efficient cars, solar power, energy-saving devices, more local produce, and working from home to minimise transport.

Imports are perceived to generate more greenhouse gases than local produce, and this adds considerable value at home to the "made in Australia from Australian materials" campaign. But consumers in other countries have a similar point of view about their own produce, and this works against Australias export campaigns.

The future corporate graveyard will be occupied by companies that could not adapt, and by companies that had ideas but failed to communicate the benefits to consumers. Understanding the needs of future consumers is essential to survival.

Gary Hamel, in Rethinking the Future, says there is no proprietary data about the future. The market data held by the Australian Bureau of Statistics and market research companies, along with analysis of that data, is available to all. The most successful consumer marketing companies in 2010 will be those that devote the most effort during the next few years to gain an understanding of the future.