



Early indications of change provide the competitive edge



In today's morass of information overload, it can be difficult to spot what's really happening in the world.

More importantly, when planning for the future, your perspective needs to be more lateral. There are many competing and complementary services within an ever-changing environment that are difficult to track, and it's even more of a challenge to understand their impact on your customers and the effects on your industry.



So **Recom Research in Communications** has joined together with The Williams Inference Service, the oldest and most respected name in inferential intelligence.

This unique approach to information focuses attention on those areas of the outside world where change impacts the business environment. The starting point is the search for anomalies: irregularities, surprises and the unusual.



Our **Trends** newsletters provide pointers to these **early indications of change** that could otherwise go unnoticed.



This issue provides just a taster of what is available in four subject areas that we monitor closely, as we believe that changes in these sectors can have a significant impact on our client's businesses:

- Communications
- *Technology*
- *Youth*
- *Rich / Poor*



For more information on our social and economic tracking service, please contact:

Dan Philips dan.philips@recomresearch.com

direct line + 44 (0)20 8326 5880



COMMUNICATION

Phoney finance



Life is easier for Andile Mbatha, who owns a hair salon in Soweto. Gone are his days of trekking to his bank, which could take two hours by minibus, to send money to relatives. Last year, he opened a bank account with Wizzit, an innovative provider of financial services. He now sends money to his sister in Cape Town whenever he wants, from wherever he wants, using a simple menu on his mobile phone.

Half his customers no longer pay cash for their haircuts. They use their phones to move money from their accounts to his, in a few seconds.



About half a million South Africans now use their mobile phones as a bank. Besides sending money to relatives and paying for goods, they can check balances, buy mobile airtime and settle utility bills.

Traditional banks offer mobile banking as an added service to existing customers, most of whom are quite well off. But Wizzit is chasing another market: the 16m South Africans, over half of the adult population, with no bank account.



Significantly, 30% of these people do have mobile phones. Wizzit hired and trained over 2,000 unemployed people, known as Wizzkids, to drum up business. It worked: eight out of ten Wizzit customers previously had no bank account and had never used an ATM.

With economies buoyant, growth around the five per cent mark and per capita income rising, Africa is the fastest growing mobile phone market in the world. Subscribers have increased from just 8,000 users seven years ago to 80 million now. Yet only one in seven of the total African population possesses a mobile phone, so there is plenty of room for expansion. (*The Economist*)



Mobile phones are fuelling economic growth

For many years, anecdotes have abounded about the ways in which mobile phones promote more efficient markets and encourage economic activity. One particularly popular tale is that of the fisherman who is able to call several nearby markets from his boat to establish where his catch will fetch the highest price.



Over the past ten years, there has been an opportunity to verify such stories. Starting in 1997, mobile phones were introduced in Kerala, a region in the south of India. Since coverage spread gradually, this provided an ideal way to gauge the effect of mobile phones on fishermen's behaviour, the price of fish and the amount of waste.

Robert Jensen, a development economist at Harvard University, surveyed the price of sardines at 15 beach markets along Kerala's coast, to show precisely how mobile phones support economic growth.

As phone coverage spread between 1997 and 2000, fishermen started to buy phones and use them to call coastal markets while still at sea. Instead of selling fish at beach auctions, the fishermen would call around to find the best price.



Mr Jensen found that the proportion of fishermen who ventured beyond their home markets to sell their catches jumped from zero to around 35% as soon as coverage became available in each region. At that point, no fish were wasted and the variation in prices fell dramatically.



By the end of the study coverage was available in all three regions. Waste had been eliminated and the "law of one price" - the idea that in an efficient market identical goods should cost the same - had come into effect, in the form of a single rate for sardines along the coast.



This more efficient market benefited everyone. Fishermen's profits rose by 8% on average and consumer prices fell by 4% on average. Higher profits meant the phones typically paid for themselves within two months.

All of this, says Mr Jensen, shows the importance of the free flow of information to ensure that markets work efficiently. "Information makes markets work, and markets improve welfare," he concludes. (*The Economist*)



TECHONOLOGY

US is no longer technology king

The US has lost its position as the world's primary engine of technology innovation. The US is now ranked seventh in the World Economic Forum league table measuring the impact of technology on the development of nations.



Countries were judged on technological advancements in general business, the infrastructure available and the extent to which government policy creates a framework necessary for economic development and increased competitiveness.

Denmark is now regarded as the world leader in technological innovation and application, with its Nordic neighbours Sweden, Finland and Norway claiming second, fourth and 10th place respectively. (*World Economic Forum*)



Experts debate whether technology addiction, and especially Internet addiction, is a real mental disorder

At its annual conference in June, members of the American Medical Association considered a proposal to label excessive video and online game playing as an addiction.

While occasional use of video games is harmless and may even help with some disorders like autism, some doctors say in extreme cases it can interfere with day-to-day necessities like working, showering and even eating.



"Working with this problem is no different than working with alcoholic patients," says Thomas Allen of the Osler Medical Center in Maryland, US. "The same denial, the same rationalization, the same inability to give it up."

A doctor writing in *The New England Journal of Medicine* in June reported the first case of "Wii-itis" - intense physical pain resulting from playing the Wii video game system. Physicians are already familiar with Nintendinitis.



Over the past decade, a cottage industry has grown of therapists treating technology addiction.

There are clinics for the treatment of Internet addiction in China and in Korea. One clinic director has estimated as many as 2.5 million Chinese suffer from the condition. (cnn.com/technology)



YOUTH

What happened to shyness?



In a world of constant surveillance and easily traceable 'digital footprints', young people today just don't get embarrassed as easily as their parents do. They know that the intimate details of their lives are just a few mouse clicks away for anyone who is interested enough to look.

As such, they've come to the conclusion that privacy is an "illusion" and have learned from celebrities and politicians to generate their own publicity before someone else does it for them — the proverbial childhood diary has shed the easily broken locks and has gone online for the world to see, and comment upon.



Whereas their parents sat and watched TV, listened to radio and learned to use the web, the "net generation" (born between 1977 and 1996) grew up as "digital natives". As a society, we are no longer passive recipients of messages pushed out by advertisers, but instead actively participate in the collaborative development of content exchanges (i.e. social networks, blogs, P2P, etc).



At two billion strong, the net generation is bigger and more influential than the baby-boomers who helped shape the fading social norms and attitudes of the Rock'n'Roll era. The net generation is already beginning to change the way that we interact with each other and, consequently, is forcing us to rethink the way we communicate with our customers. As a result, we've all become more discerning consumers and we're beginning to demand more of a collaborative experience in return for our loyalty.

(The Strategist / Wall Street Journal)



RICH / POOR

The super-rich are doing us a favour

According to a new line of thinking among academics, the superrich spend so much more of their mountains of money they may provide a public service, by smoothing out the little dents and valleys in the global economy.



As scads of Russians, Chinese and South Americans have joined the billionaires club due to the rise of emerging markets' industrial might, worldwide recessions have become much fewer in number and far slighter in severity than in past decades.

According to research by Ajay Kapur, an analyst at Citigroup, the wealthiest one million people in the world account for as much spending as 60 million other households. This is leading to a new world "plutonomy," where economic growth is powered by, and largely consumed, by the wealthy few.



Today, more than 40 percent of total income is going to the wealthiest 10 percent.

The swift rise in the value of natural gas, as well as nickel, aluminium and titanium, has helped create at least two dozen Russian billionaires and thousands more multimillionaires. China is now home to 500,000 millionaires.

In the USA, the share of total income going to the richest one per cent of Americans rose to a record 17.4% in 2005. Meanwhile, the average worker's take-home pay, adjusted for inflation, has advanced just 0.3% since 2001 while the economy has swelled by 16%. *(MSN Money)*



Poor shun the luxury of marriage

American married couples with children now occupy fewer than one in four households - a share that has halved since 1960.

As marriage with children becomes an exception rather than the norm, social scientists say it is also becoming the province of the university-educated and the affluent. The working class and the poor increasingly steer away from marriage, while living together and bearing children.

"The culture is shifting, and marriage has almost become a luxury item, one that only the well educated and well paid are interested in," said Isabel Sawhill, a senior fellow at the Brookings Institution, a social science research centre.

In recent years, the marrying kind have been empowered by university degrees and bankrolled by dual incomes. They are also older and choosier.

As cohabitation and out-of-wedlock births increase among the broader population, social scientists predict that marriage with children will continue its decades-long retreat into relatively high-income exclusivity. (*Washington Post*)

Fat cat salary rises may be affecting business efficiency

The gap between the rich and the poor has recently been widening at an alarming rate. Steven Pressman, professor of economics at Monmouth University in Long Branch, N.J., has identified a psychological effect that may lower productivity and reduce efficiency.

Professor Pressman relates the results of his studies to economic behaviour in corporate America. "If a CEO's salary is going through the roof and workers are getting pay cuts, what will happen?" he said.

"Workers can't reject this situation outright - they need to work - but they can reject it by working less hard and not caring about the quality of what they are producing. Then the whole efficiency of the firm is affected." (*New York Times*)

AND FINALLY ...

More choice is making life more difficult

The conventional wisdom is that choice is what enables all of us to live exactly the kind of lives we want to and think we should. But this assertion is suspect for two reasons. First, most people do not think that freedom is about exercising more and more choice. And second, even for those who do equate freedom with choice, having more choice does not seem to make them feel freer. Instead, people seem to be increasingly bewildered - not liberated - by the sheer volume of choices they must make in a day.

In a study at Stanford University, students were asked to pick "three adjectives that best capture what the word 'choice' means to you." A higher percentage of those who had parents with a college education said "freedom," "action" and "control." But more of those whose parents had only a high-school education said "fear," "doubt" and "difficulty."

The researchers concluded that Americans are increasingly overwhelmed by all these choices. They feel less free now than when they had fewer choices, and it shows in their behaviour. American society has given the educated elites what they have asked for, and an increase in stress, anxiety and dissatisfaction has been a widespread result.

(*New York Times*)

