

The Individual Revolution – Introduction

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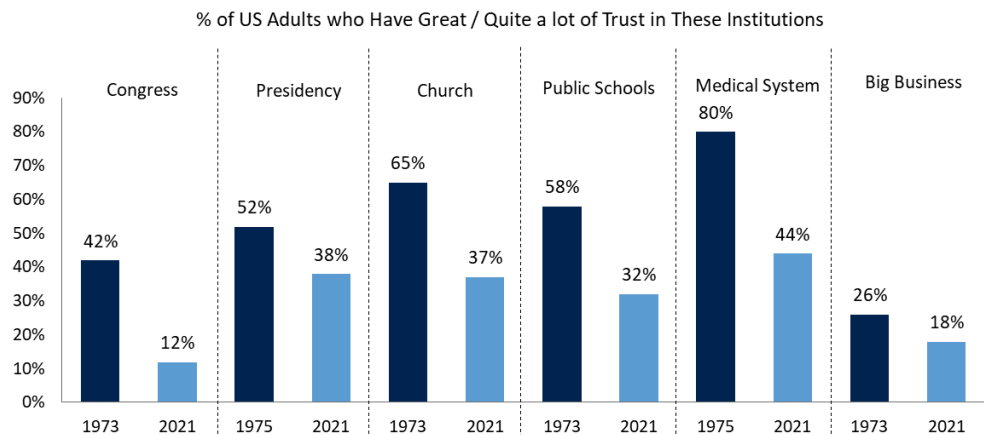
The Individual Revolution: Social media, immense amounts of personal content and consumer-first applications are shifting the balance of power away from traditional institutions and into the hands of individuals. This will create a new world order in every aspect of the global economy and will likely be the single biggest disruptive force to existing centers of power. In addition, it could create new economies such as the monetization of personal data (and the associated parameters around that data ownership). Consequently, as power shifts away from institutions towards individuals, global societies will deal with both the positives and negatives.

What is driving The Individual Revolution

The shifting balance of power from institutions to the individual has been catalyzed by several drivers, including general declines in trust of key institutions, advancements in communications technology that enable individuals to align around a common set of beliefs, as well as advances in science and technology, which allow consumers to collect significant data about themselves and their bodies.

Perhaps the biggest driver of The Individual Revolution is the general decline in trust for the most established institutions (governments, education, healthcare, and even large corporations). As shown below, based on Gallup survey data, the percentage of U.S. adults having “great” or “quite a lot of trust” in major US institutions (i.e., congress, the presidency, the church or organized religion, public schools, the medical system, and big business) has declined significantly since the 1970s for all institutions. Importantly none of these institutions has more than 50% of respondents having “great” or “quite a lot of trust” in them. Trust in traditional institutions is even lower among Gen Z and millennial groups, as shown by a study by Morning Consult. The data is clear and the problem is getting worse – which is motivating consumers to take matters into their own hands.

Exhibit 25 - Trust for major American institutions has declined significantly since the 1970s



Source: Gallup, RBC Capital Markets

In addition to rejection of government, we also see rejection of corporations as a major risk of unrest and instability. From the United States to South Korea, in 2021, waves of labor unrest began rippling globally. Within the span of three months, union workers across three major food companies (Mondelez, PepsiCo, Kellogg’s) engaged in massive workforce strikes; similar strikes happened across industries, with 10,000 workers going on strike at John Deere, 24,000

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healthcare workers at Kaiser Permanente authorizing a strike, and ~80,000 union members in South Korea rallied across over a dozen cities, while half a million walked off jobs as part of a general strike in late October. Major themes across strikes have been a rejection of attempts to impose two-tier classes of workers, demands for better working conditions, and increased and equal pay at a time of gender inequality.

Additionally, advances in science and technology have allowed individuals to collect more data about themselves and their bodies and allowed pharmaceutical companies to make significant progress on personalized therapeutics. Progress in genetic medicine will tackle several genetic diseases in the not too distant future, improving lives for millions of patients worldwide. The mRNA vaccines for COVID-19 are probably the epitome of what genetic medicine can do for both humanity and the companies developing the drug or vaccine.

Advancements in science and technology have also enabled the movement of devices to retail shelves that were once exclusive to hospitals, allowing consumers to track a large amount of data on their bodies. Take for example the finger pulse oximeter, which measures blood oxygen saturation. The technology for this was developed in the 1930s, originally measuring via the ear, with the first finger pulse oximeter not commercialized until the 1970s in Japan, and the 1980s in the U.S. Pulse oximeters have been staples in hospitals for decades. Developed to meet the demand for measuring oxygen during surgery once the use of ventilators during anesthesia became ever more common, they revolutionized the work of anesthesiologists. In certain wearables, features such as pulse ox monitoring are already available, such as in the Apple and Samsung smart watches. With further technological developments, we'd expect current wearable devices to increase the number of health data they can track (e.g., glucose levels) and we'd expect new devices to be introduced increasing the amount of information consumers can obtain on themselves.

How The Individual Revolution is manifesting

Bucking traditional lifestyles, employment

The days of lifetime employment with a single company that provides a pension and retirement health insurance are long gone for most workers, and many will cycle through more than a dozen jobs in their working years, either by desire or necessity. Much of this change in recent decades has been driven by corporate efficiency initiatives, global competition, and changing regulations. However, in the last decade, the shift has also been pushed more aggressively by workers demanding more control over their careers, the work they are doing, when they work, and the environment in which they work.

The onset of the COVID-19 pandemic that drove a mass and sudden shift to working from home has also shocked the labor force. This more recent labor-driven change has spurred growth of the "gig" economy, a labor market that is distinguished by the prevalence of short-term contracts or freelance work rather than permanent jobs. Much of the recent media coverage of the gig economy has focused on the millennial generation and their desire for more work flexibility, and also on the "sharing economy" through digital platforms like Uber, Task Rabbit, and Airbnb. Both are meaningful drivers, and the sharing economy is indeed growing rapidly. However, we believe that a broader definition including temporary workers, on-call workers, contract labor, freelancers, and independent contractors more fully describes the sub-set of alternative or independent workers (i.e., those doing project or task-based work and without a long-term relationship with an employer).

The appeal of a traditional 9-to-5 long-term job with a single employer has diminished. For many, this may be rooted in the disappointment and disillusionment workers experienced during the 2001 and 2008 recessions (and for younger workers, the experience of their parents). Why should an employee stay devoted to one job/one boss if there is no reciprocity?

Another facilitator of the growing trend towards alternative work arrangements is the growth of the sharing economy and in particular digital platforms that act as efficient marketplaces to connect workers with consumers or companies looking to acquire their services. This includes a wide range of businesses like Uber (ride hiring), Upwork (a professional freelancer marketplace), TaskRabbit (a lower-skill freelancer marketplace), and Airbnb (accommodation rentals). These and many other digital marketplaces harness technology and provide an efficient way for independent workers to connect with those needing their services. The McKinsey report “Independent Work: Choice, Necessity, and the Gig Economy” from October 2016, estimates that 15% of independent workers use these digital marketplaces today.

Generalizing broadly, the millennial generation in particular is seen as demanding more flexibility and work–life balance, having more desire to understand the motivations of their employer, and be contributing to an organization that is doing good in addition to just driving profits. However, rising distrust of large organizations appears to be felt across generations, which we believe is leading to the growing desire to “be one’s own boss” and have more control over what work is done, what projects are chosen, and where and when work is performed.

Along with changing preferences in employment, we also see a global shift in attitudes towards marriage, children, and family. Delaying marriage and children are trends seen both in the US and abroad and we see a trend of the milestone of having a child increasingly replaced with pet ownership.

Bucking traditional lifestyles, marriage and children

Along with changing preferences in employment, we also see a global shift in attitudes towards marriage, children, and family. Delaying marriage and children are trends seen both in the U.S. and abroad; we also see a trend of the milestone of having a child increasingly replaced with pet ownership. Both the age of marriage and age of first child are trending higher with more people spending more of their 20s and 30s single; in the mid-90s the share of the unmarried population aged 22–35 surpassed the married population and continued rising to the present. Around 1988, when the U.S. share of pet-owning households was 56%, around 45% of 22–35-year-olds were single; by 2015, the share of the 22–35 population without a spouse was over 65%. Family size is also shrinking, with Americans having fewer children. In 1976, the share of women aged 40–44 who had 3+ children was 65%; in 2014 this had shrunk to 38%.

These are not phenomena limited to the U.S. The mean age of first marriage for all OECD countries has been rising year over year, and the number of marriages per 1,000 people has been declining over time for the vast majority as well. We believe these trends are the natural result of the higher educational attainment and labor force participation of women over time, and has been further exacerbated by recessions and austerity measures that keep young people from moving forward with marriage and parenthood. In China, a country with a more collective vs individual societal structure, marriage rates have also been dropping for at least six years in a row. In 2019, the country’s marriage rate reached its lowest level in 14 years. The marriage rate has continued to fall despite the country lifting its one-child policy. Similar to other countries, in China, women have started outnumbering men in both undergraduate and postgraduate programs.

We also believe some of the motivation behind the rejection of the institution of marriage ties to inequality. Across the globe, women are still expected to carry out more of the child-rearing and household duties – a phenomena that persists even in dual-income households, households where both partners earn the same, and in households where women make more. The Bureau of Labor Statistics’ American Time Use Survey showed that women aged 25–34 spend more than 50% more time on housework than men in the same age ranges; while the gap is smaller for women who work, they still spend almost 25% more time on housework than men. In a Gallup survey of housework, in no combination of questions were men more likely to be doing a greater share of the housework than women (though the difference is less severe in partnerships where the woman is the higher earner).

The data and personalization exchange

The Industrial Revolution of the late 1700s and the introduction of assembly lines and mass production in the 1900s paved the way to the modern economy and society, largely based on standardization of products and services to reach broader audiences and consumers. Henry Ford's famous quote "any customer can have a car painted any color that he wants so long as it is black," when the Ford Model T was introduced in 1909 summarizes this concept. This economic model puts significant power in the hands of institutions and companies, who are the provider of the standardized goods and services, thus, directly and indirectly, influencing individual behaviors and choices. While this economic model will certainly remain the basis of modern societies, we expect the next decade will see the rise of another revolution: The Individual Revolution, which we expect will start to shift the power back towards individuals and their personal choices.

Over the last decade, the rise of social media and several other technological advances (e.g., smartphones, smart devices, wearables, etc.) have led to an enormous amount of data collected on individuals.

At the same time, companies and individuals are now realizing the power and value of this information, and challenging existing sharing agreements.

Over the last decade, the rise of social media and several other technological advances – such as the adoption of smartphones, smart devices, and wearables – has led to an enormous amount of data being collected on individual habits, health, consumption, and preferences. At the same time, companies realized the power of this information as a way to maximize value for each customer by offering targeted products and services. As consumers see more targeted offerings they are starting to demand even more personalized products and services and are willing to pay a premium for them.

In Latin literature, Appius Claudius Caecus uses the sentence "*homo faber suae quisque fortunae*," meaning "every man is the maker of his own destiny." We believe this will be a key way of living for most consumers over the next decade. Consumers will want to bring the decision making back into their own hands and away from mass-influenced decisions and trends. Within Consumer, we believe this will lead to a demand for personalized products that better align with individual's preferences as well as marketing messages concentrated on individual choices rather than mass products and messages. We also see the disruptive technologies such as blockchain and non-fungible tokens (NFTs) as ways to enhance consumer personalization and promote exclusivity. Similarly, in telecommunications, it will lead to even more personalized content from social media to news and entertainment.

In healthcare the influx of capital, combined with some critical scientific breakthroughs, led to advances in genetic medicines and vaccines that are changing the lives of patients worldwide. These breakthroughs combined with the large amount of health data collected with existing wearable devices (as well as patented technologies not yet launched) will lead to personalized therapeutics on a much larger scale over the next decade. We'd also expect more customized services and solutions in financials and insurance, as well as individual demand for open investment platforms where consumers can make transactions of their own choice in a simpler and more cost-effective way.

We see the battle over data, in terms of data protection and data monetization, as a key part of the Individual Revolution, as consumers and governments are increasingly realizing the power of consumer data. Ultimately, we believe data protection regulations will make it harder for companies to access consumer data and we see the evolution of business models centered on data monetization. We also see geopolitical tension rising among sovereign countries over the control of individual data, as demonstrated by the U.S.–China tension over the control of social media site TikTok.