

## THAT MAKES CENTS



Season 3 Episode 13

The growth of digital goods and services  
Future of the Consumer Industry series

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**Guests:** Jen Brace, chief futurist, Ford Motor Company

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**Bobby:** Hi, everyone. I'm Bobby Stephens. Welcome, or welcome back, to That Makes Cents. This is the podcast where we break down consumer industry trends and explore their impact on businesses and on all of us as consumers.

If you're a frequent listener, you'll know that we have kicked off a limited series here on That Makes Cents, all about the future of the consumer industry. Our first stop in the series was an introduction to the six forces that are shaping the industry in the next decade. We also talked about the implications of these forces and how they impact the three

dimensions of businesses, or the three M's as we called them: markets, models, and mechanics.

In today's episode, we're going to take a closer look at the first M, markets, and how the growth of digital goods and services is disrupting the market as we know them today. From streaming platforms to endgame economies, all the way to vehicles with autonomous driving systems, digital goods and services seem to offer a tremendous upside. So how should companies tap into these opportunities, and how are companies striving to reposition themselves as

digital brands to meet their current and future consumers?

Joining us today to chat through this important topic are two amazing guests, Alisa Locricchio, senior manager at Deloitte Consulting, and a repeat guest for our Future of Consumer series. Alisa, welcome back.

**Alisa:** Thanks so much, Bobby.

**Bobby:** Also, warm welcome to Jen Brace, the chief futurist at the Ford Motor Company. Jen, thank you so much for joining our show.

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**Jen:** Hi, thanks for having me.

**Bobby:** So, you have a really interesting role. Could you give our listeners just a little bit more about your background and that current role as the chief futurist for Ford?

**Jen:** Sure. Um, so in terms of background, I have been at the company my entire career (laughs), which has been 19 years. I started off in engineering working on our technology, our CINC systems, and bounced around quite a bit, got to experience some time in marketing. I also worked out in Silicon Valley in our Palo Alto lab for about five years, so I got a lot of time out there working on autonomous vehicles and experiences and things like that.

And then I got the chance to join the trends and futuring team, and in that role, what we really do is we're spending a lot of time as a team looking at things often that are even outside of the automotive industry with this idea of paying attention to the STEEP factor—so social, technological, economic, environmental, and political arenas—and trying to understand what we see happening around the world. And then, of course, as we see those trends starting to develop, we then look for the connections on how is it going to come back and impact our industry? How is it going to impact the teams that we work with here, within the company, and what might we be able to do to help prepare ourselves to be ready for a future that is, really fairly uncertain.

**Bobby:** I love it. Thank you, Jen. It sounds like we've got almost the perfect guest, so I'm excited for today. A quick note to our listeners: If you are yet to catch the first episode of our Future of Consumer series, make sure you go check it out for a bit of background. That's quite helpful for this episode, I must say. And if you've already done that or you just can't wait, we're going to dive in right now.

So, Alisa, I want to start with you. In our last episode, you did introduce the three M's, which, again, are the markets,

models, and mechanics. Can you just dive a bit deeper into a few aspects of those and the role they play in shaping the future of the consumer industry?

**Alisa:** Yeah, absolutely. So, as we think about those three dimensions that you just hit on, right—markets, models, and mechanics—we can really think about markets as value proposition. So, what we're seeing is that there's this big shift in how consumers are interacting with the market, which is really pushing businesses to rethink their go-to-market approach because of a couple of things.

So first is that we've really moved from a mass or homogenous consumer base to this highly diversified and fragmented, or micro, consumer base. Now, second that we're seeing is, there's this dramatic growth of digital goods and services, which we actually call digital and hybrid tsunami, and then the last big factor under markets is this rising importance of corporate responsibility that we've seen where there's this shift from it being a regulatory push to really becoming more of a core piece of an organization's value proposition.

And then when we look at models, we're seeing that there is a lot of changes in terms of how the industry is defined, and that's causing companies to rethink their business model. So factors like industry convergence, there is significant reshaping not only of the physical, but also of the digital supply chain. And then we've also seen that there's this radical reconfiguration of the industry itself in terms of capabilities, technologies, and infrastructure.

And then finally we have what we call mechanics. So that's really the way in which we operate, or the way that we execute, and what's happened there is that there's also been radical change. So if you look at things like how AI and automation—you know, that's already proven to be a seismic disrupter of how things are traditionally done. That then consequently impacts the workforce, and it creates these extremes that are driven

by scarcity of new tech-driven skills on one end of the spectrum, and then there's redundancy of workers who are displaced by AI and automation on the other. And then lastly, we're also seeing, you know, how we measure our industry's financial health, that's actually now skewing toward new centers of financial gravity.

**Bobby:** So, extremely helpful context. We can't go into detail on all three of the M's today, so as we mentioned earlier, we're going to focus on markets, right? How consumers interact with the market, thus influencing businesses to address things differently, and in specific, we're going to talk about one of those implications you mentioned, which is the dramatic growth of digital goods and services.

So, to tee it up, I just want to share an interesting stat from Deloitte's Consumer Tracker. It appears that about 3% of the consumer wallet is now spent on digital goods and services. Right? Just, which, not a huge number yet. It's growing. Didn't exist some small number of years ago in any sort of meaningful way, so, to me, therein lies a huge opportunity to understand the shift as it's on its way up.

So, Jen, how do you specifically see digital goods and services weaving its way into the automotive industry, and even some examples at Ford Motor Company?

**Jen:** Yeah. Thank you for asking. So, when we think about digital goods and services, right, we are, of course, living our lives by clicking on buttons and expecting things to happen off of that. It's no different in the car. People expect that their vehicle is going to be just as high tech as all the other gadgets that they're using in their lives.

So it starts by, of course, enabling some of that in the vehicle. So, enabling those connections, having a vehicle that is connected to the cloud so that we can do things like push software updates digitally to a customer. And by doing things like that, what it also enables us to do is provide new experiences and features to a customer.

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So, it creates a pipeline, when it comes to the way that we can introduce new goods and services to our customers. So, when it comes to thinking about how the vehicles will continue to change and evolve, having those hooks set up from the beginning, of course, enable us to bring in new features as they're developed within the company. So, a lot of our EV vehicles—our electric vehicles—of course, are going to have these higher tech systems within them. This is where we're starting to introduce things like BlueCruise, which is our autonomous vehicle technology, and lets us do some more hands-free driving. It's not full autonomy yet, but it certainly is setting it up and making it easy for us to push those updates to customers as they become ready.

The other thing we do is we look for ways of connecting with our customers, both, of course, with the app—so enabling them to have more information about what's going on with their vehicle—or maybe ways of shopping for vehicles, looking for new kinds of relationships through that digital channel, whether it's with the FordPass app or it's online in the way that we are even connecting and enabling them to identify what vehicle is right for them, or how do they get it, or what features they might want to have.

So, it's really threefold, right? Looking across, like, it's the vehicle itself, it's the way that customers are finding those vehicles, and then it's outside of the vehicle, being able to push those new things into that space and have it still feel fresh.

**Bobby:** It's fascinating. I guess, (laughs) maybe until today, I should have noticed it, but I'd never thought of the vehicle as sort of like an update-able product. Right? Like, just like a mobile app, or you push an update to it, and it could be a small tweak—or you could have a major sort of new feature introduced—within the customer experience inside the car, so I think that's really, really fascinating.

Oh, man, car pun here: Let's shift gears (laughs) a bit to smart technology. We do

hear so much about how cars are getting smarter, and you touched on it a little bit. They're getting smarter by the day, and smart tech is really [revolutionizing] driving and the overall kind of car ownership and car use environment. So, as a parallel, you know, our Future of Consumer study also calls out the advancement of technologies as one of the six major forces shaping the consumer industry. So Jen, back to you. Can you tell us just a bit more about some of these evolving technologies in your industry and how they're playing a key role in meeting consumer expectations?

**Jen:** Absolutely. So, autonomous driving has been kind of the gold standard for years. It's always been just a few years away, and it continues to feel that way. But what we are seeing is that we're getting more hands-free options, and we're seeing lots of different manufacturers enable those now. So, I think that's something that we're starting to get some more tangible results.

Now, getting to that full autonomous, driving situation where you don't have to touch anything for your entire trip, I still think that's really far away. But certainly, the fact that we're able to start to get these technologies on the road, it gives us the opportunity to understand how it's being used, where it's being used, and maybe when the system has to turn off, for example, because it can't get the information it needs to be safe. So, it enables us actually to move the technology along, by being able to have that data coming in and using really AI to help power that. And this is where, right now, a newer venture for Ford has been with Latitude AI.

**Bobby:** Oh, that's really good, Jen. So, I mean (laughs), like almost everyone else, we're starting to hear about AI, across the board, and it's really interesting to see the investments in AI for different purposes, right? For individuals, for companies, for—and different experiences in life. Things as maybe immaterial as writing a quick note, to something as more important and

safety-driven as getting a car from point A to point B effectively. Really interesting.

Alisa, sort of back to you for a second, because want to dive back into the research and the data. I know you've put a ton of time into the study, and there are some interesting items on the topics that Jen was mentioning, as well as some of the things from earlier. So what are we seeing in the research that you'd want to highlight about both the growth of digital goods and services, or I guess the "hybrid tsunami," as we call it in the study?

**Alisa:** Yeah. So, I mean, you're right. Exactly what you said, there is this digital hybrid tsunami that's really emerging, and what that means is that the amount of money our consumers are placing in that area is continuing to rapidly grow. So we've seen that that area in particular is growing, at about a 60% to 20% annual CAGR, depending on the particular segment of digital you're actually looking at. So tremendous growth opportunity, which it already currently makes up about 3% of the consumer's wallet today, so that's just going to continue to grow, which is great.

If you think about that, though, I mean, that's our general Future of Consumer research, but we also, Deloitte conducted a 2023 Global Automotive Consumer study, and in that, we saw things that were really interesting like—well, this one's unsurprising—electronic vehicles are on the rise, right? With that, though, comes some really interesting opportunities, specifically related to digital and hybrid. So, how do you actually use the vehicle as a computer on wheels? How do you get new revenue sources out of the apps that you're providing through there? How are you linking credit cards? How are you creating prepaid subscription plans or other opportunities, right? So a lot of new recurring revenue sources related to digital goods and services that you can provide through the vehicle.

Now, we're also seeing that there is a big and growing interest in connected vehicle features, particularly related to things

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like suggestions on safer routes, vehicle maintenance updated, maintenance cost forecasts based on driving habits. So there's a lot that's out there that consumers are really wanting and really, you know, they need to be happy in the future.

The last thing I think that was interesting that I found in the survey is there are really different consumer expectations globally, and particularly when it comes to the use and integration of our personal data. So, what we found is that, in some countries, consumers are totally comfortable with their personal data being used and shared, etc., right? Where in the US, for example, we as consumers were not so comfortable with this. And so what you do and where you do it is related to consumer insight—and then the associated digital opportunities that you can open up, that's going to have a direct impact on consumers' trust in brands in certain countries that we really need to be mindful of.

**Bobby:** Yeah. That trade-off, right? Between the equation of how much privacy, how much data I'm willing to share versus how much utility I get back out of it is kind of an interesting conflict that will—I don't know if "conflict" is the right word—but an interesting sort of balancing act that will continue to be there. I'm sure consumers will tell us where the line is eventually, and governments get involved from time to time as well.

Let's kind of dig a little even deeper on one of those underlying trends. Of many of those insights and then just generalist sort of consumers in another way increasing their interest in buying more responsibly. Obviously, they want to know that their data is being used well, but they also want to buy more responsibly—both for themselves and [to] understand that they're interacting with brands and companies that are doing that as well and represent their values, to some extent.

So, I recently revisited Deloitte's Vehicle Purchase Intent, or the VPI index. I learn something new every week on the show,

and it was interesting to see that one of the key factors influencing the VPI index, and you mentioned this, Alisa, is the high interest in EVs.

I think this is obviously driven by a nice combination of the ability to lower your fuel costs as a consumer with an electric vehicle, but also the ability to sort of get the intrinsic value of reducing the impact on the environment. So, Jen, let me turn this question back to you, as our automotive expert. How do you think the automotive industry is coping with increasing consumer interest to buy more responsibly, or, as we are calling it here, buying into better?

**Jen:** Yeah. Thank you for bringing this up, and my head immediately went to a trend that we call "Taking a Stand," off of what Alisa was just talking about, in terms of consumers do expect their brands to align with their own personal values. So, every year at Ford, we run a global survey. We publish the results. Anyone can find them. It's [fordtrends.com](https://fordtrends.com). And one of the trends that we have on there is called "Taking a Stand," and we are looking at understanding this relationship that consumers have to brands and, of course, [it's] not a surprise to hear that consumers do expect brands to be taking a stand.

One of the really interesting results we've had there was the question, "Companies should have to pay for any environmental or humanitarian harm that they cause," and 83% of respondents around the world agreed with that. So really, taking it to that next level, right? Where companies should be held responsible for the impact that they're having. So I do think that companies are starting to notice that. Certainly at Ford, it is something that is an element that we take to heart. So, of course, we've got an EV strategy, in terms of promoting our electric vehicles and continuing to expand that lineup and eventually getting to full electric vehicles. But beyond that, we are also looking at what's happening in our plants, how do we have more sustainable plants, how do we have more sustainable manufacturing processes.

One of the things I was really impressed and really proud, as an employee, to see [was] that last year, we became the first automotive company to release a human rights report, and really looking at what is happening within our supply chain and how are our people being treated and are we basically able to offer a secure and safe workplace and work environment for them? So not just tracking, of course, the environmental impact and ways that we can continue to reduce that, which we report out in our sustainability report, but going beyond that and looking at, what does it mean from the humanitarian side as well?

**Bobby:** I love that. I mean, so much good stuff happening there—the [fordtrends.com](https://fordtrends.com)—I definitely want to go check that out. I mean, "Taking a Stand" is almost a, it's a great tee up to my unfortunately final question, because we have reached near the end of the episode. And whenever we wrap these episodes up of That Makes Cents, we have a bit of a tradition, if you can call it that, of asking our guests either a forward-looking question or a personal question. In this case, today we've been talking mostly forward-looking, right? The word "future" has been thrown around a couple of times on this podcast. So, I think we're going to focus a little bit more on a slightly personal question.

And so we spoke a lot about Ford—Ford Motor Company and the automotive industry at large—and how that's pivoting responsibly and helping consumers buy into better with a whole bunch of different actions, including transparency and technology and all of the things that can help there, but, you know, on a more human and personal note, Jen, maybe I start with you. What have you done, or what do you plan to do, to buy into better yourself?

**Jen:** Sure. So I'm going to take the easy answer. Of course, as a Ford Motor Company employee, I have access to our vehicles, and I am the proud owner of a Mustang Mach-E, which is a fully electric vehicle. I've had it for a couple years now, and I have not visited a gas station at all.

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I mean, it doesn't take gas, so that's a pretty easy thing to have to let go of, and I love (laughs) not having to go to the gas station!

So, certainly I've done that. The other thing that we've been looking at in our household is actually taking that to the next step and then looking at, where is our power really coming from? And even looking at adding solar panels. With this recognition that not only is the electric vehicle—obviously there's nothing coming out of the tailpipe, but—recognizing that where the power is coming from matters as well and trying to take that to the next level. So that is my future plan, but my current plan is to continue to enjoy my lovely electric vehicle.

**Bobby:** That's fascinating. I spent a week or two in Norway kind of studying the EV environment there for one of my clients, and there was a lot of that "next step" that you were talking about, is how do we more efficiently now supply electricity to the home, given that the home sort of is powering the car, and/or sometimes vice versa, so another interesting topic for another day.

Alisa, considering all you've learned through the extensive Future of Consumer research and experience, you know, what's really resonating with you on a personal level, and how are you bringing it into your life?

**Alisa:** Yeah. So you know, I mean, number one, everything that Jen said I can completely relate with and love. I've been thinking a little bit more

about my shopping choices and who I specifically consume from, based on all of this research that I've done, right? So I've been trying to be more actively mindful about what companies are actually purpose driven, who has good sustainability practices, who values trust and transparency, those types of things. Who are the companies that actually have values that are aligned with mine, and then trying to more intentionally make that be more of a North Star, in terms of who I choose to purchase from.

And then it's also, for me, about engaging with me kids as well and really teaching them about this and my learnings at a very early age, so that that can help open their minds and hopefully positively impact the consumer companies they choose to be loyal to in the future.

**Bobby:** I love it. Your point about your kids and the next generation, I would say that that's a lot of my movement in this space has come via influence and encouragement from my young children. And how early that they're aware of that and want to act upon, you know, whether it's composting or recycling or re-use of certain things is fascinating, considering when I was a kid, I'm not sure any of those things were top of mind for a seven- or an eight-year-old. So, it's been very impressive. I love that, and frankly, kids are interesting. I think, Jen, earlier you said we're in a world where we click buttons and expect things to happen. I don't think that's a direct quote, but close.

And I can't think of anyone under the age of whatever it is now—that's basically

been their whole life. And so that will only continue to become more and more important that we "click buttons" or we talk to a thing and that thing should happen. So, I think it's really great.

We did cover a lot of ground in this episode. We spoke about the increasing adoption of digital goods and services and how that's growing. We touched on consumers choosing to engage differently with companies, companies that "take a stand" (there's that that phrase again) on environmental and humanitarian causes, and in turn, you know, the consumers are essentially buying into better. So, Jen, thank you for joining us for the first time. Hope you'll come back sometime.

**Jen:** Absolutely. Call me anytime.

**Bobby:** Awesome. And Alisa, again, thanks for joining us. I'm not sure this will be our last one, but if it is, thanks for joining us! (laughs)

**Alisa:** Yeah. It was great, as always.

**Bobby:** Awesome. So, for our listeners, we also really appreciate you tuning in, as always. If you'd like to learn more about Future of Consumer and the study, simply search with keywords "Future of Consumer Deloitte," or you could connect with Jen Brace or Alisa Locricchio on LinkedIn, or go visit [fordtrends.com](http://fordtrends.com) as another option. So, we will be back soon on yet another great episode. Until then, don't forget to subscribe or follow That Makes Cents on your favorite podcatcher. See you all next time.

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