Company Name: CECP CEO Investor Forum 5.0
Event: Trend Talk: Our Age of Uncertainty
Date: September 20, 2018

<<Allen White, Vice President & Senior Fellow, Tellus Institute>>

All right, well, it's my pleasure to introduce our next speaker Pierre Le Manh. And he'll speak to the topic of the Age of Uncertainty, if there ever was a time of uncertainty in our world. I think it's now and the consequences of the uncertainty of course none of us can fully grasp, but socially, economically, environmentally and certainly in the markets and uncertainty of balance. So our talk is timely, one might even say urgent.

Pierre is the Global Deputy CEO at Ipsos and CEO of the North American Operation. Ipsos is the third largest market research firm in the world, I believe. Do I have that right?

<<Unidentified Company Representative>>

Yes.

<<Allen White, Vice President & Senior Fellow, Tellus Institute>>

Thank you. And it has staffs of over 17,000 worldwide with about 2,000 in the U.S. It's listed on the Paris Stock Exchange and it has built a very large and thriving business over many years in the areas of media and advertising research to understand customer experience, to support market strategy and sales forecasting and research concerning corporate reputation and it's significant for business and investment. Pierre today will talk about the main drivers behind "a new normal in the world" and why the understanding of this landscape is important for both investment leaders and business leaders. So, Pierre, thank you very much.

<<Pierre Le Manh, CEO, Ipsos North America>>

Thank you. Thank you. Thanks for having me. Thanks Daryl, Mark, all the great people at CECP. As you mentioned, we at Ipsos are engaged in a very wide variety of research topics and we work for a very broad base of clients, governments around the world. But the one thing that unifies everything we do is really to try to understand the why behind people's behavior. As you talked about our skill, we do operate in multiple markets, which give us this vantage point of being able to track the public opinion, not just only over time, but also across different countries and see some patterns.

One thing that we've seen in the last 10 to 15 years in the western world is that the public opinion is increasingly dominated by anxiety and fear and of course this has culminated in a few high profile votes: the Brexit, the election of Donald Trump. But even more broadly, increasingly we have sort of – we feel that it's getting harder to use past behavior to predict the future, right. So that's what we call the age of uncertainty.

Now one of the way this all manifests itself is in the fact that the lines between the worlds of politics, religion, society, entertainment and commerce are increasingly disappearing, right. And that's increasingly disappear we get to these situations where things can get pretty quickly out of control, to get out of control for brands, for companies, for people, for leaders as we have seen in multiple examples. But on the flipside, savvy political entrepreneurs are also able to leverage the public's beliefs, ideals values to influence consumers' behavior.

So of course a number of people would think this is a temporary phenomenon, right. So, right now, we have someone shaking up the system, but in two years from now we're done with the experiment or maybe six years. And so, are we going to return to the regular order to use the Senator McCain, one of his favorite expressions, by the way, he is on funeral were not exactly, a very good example of a return to regular order. And but in a way if you think of the for instance the last elections in Sweden and the far-right did not win; the British are sort of trying to exit from the Brexit without saying it. I'm French, so it's like that's the way I see it.

And here the Democrats have a good shot at winning back the House at the next midterms election and then maybe put a check on The President maybe we'll see that. But no, we don't think this is happening. And the reason why we don't think this is happening is because many of the trends that we're observing, especially the profound deep trends are related to – are very much driven by generation replacement, right. So this is not going to go away. The younger generation do not think, do not act as their predecessors. And, so at Ipsos we think that underlying this age of uncertainty are three broad based long-term social trends.

And, the first of them is this concept of erosion of trust and by erosion of trust, we mean in fact trust that's absolutely everything. So, part of that is interpersonal trust, the trust I have in my neighbors, my, the trust I have in my community, the trust I have in the people I do business with, which by the way makes the business increasingly expensive. All this is going down.

But more importantly to what we're talking about today is the trust in institutions, which is clearly going down. And so little some data here, that if we track the trust that the public has a basket of certain institutions. That's for the U.S. institutions ranging from financial institutions, corporations, labor unions, religious societies, media, TV, press whatever, the Supreme Court, Congress and what you can see over the last four decades. So, it's a long-term trend here.

The trust in these institutions has gone down by about 10 points, which is a very considerable number. And by the way right before the election of Donald Trump we ran one of our global studies. And we asked people what they thought about society. In the U.S. you can see that two thirds of Americans back then were thinking that the society is broken, even more 70% that the economy is rigged, in favor of the rich and powerful, and almost the same number that we needed a strong leader to take us back.

Of course, it was right before the election, so things were little bit exacerbated. But we're seeing the same phenomenon in many other countries especially in the West. So, it is a little bit slow to move. Behind this idea of a Strong Man Syndrome, right? It's a very simple thought process here. If our country is so rich and prosperous and we see this in the press, in data every day, right? Stock markets hitting records every week almost. We're seeing a long streak of growth in this country. So, things seem to be going pretty well.

Unemployment is low at least in the numbers. So, why is it that so many people including myself, not me but I'm putting myself in the shoes of people thinking this way are not doing so well and are struggling so much. Well, the reason for that is because well obviously the system must be rigged, which means that the establishment that is well what we represent in this room.

The establishment no longer cares about people like me, they care about themselves. They care about people who are like them. So, what do we need? We need a strong leader who is going to finally take care of us and the way we identify these leaders that they speak, or he speaks, or she speaks the same language with the same words uses the same symbols and acts in a similar way as I do. So that's the strong man's syndrome.

The second long-term trend that we're seeing is this idea of ideological tribalism. So, people have always assembled in groups right. People who went to similar schools people who live in the same neighborhood. But increasingly, what we're seeing is that these tribes are centered around shared sets of beliefs of values of ideals. Right?

And by the way just something I want to say upfront. There's a misconception especially outside of the U.S. by the way about America being increasingly conservative. This is actually not true. America is getting increasingly socially liberal. There's a question that we use at Ipsos to sort of as a proxy to assess the degree of intolerance in a society. And the question is should a homosexual be allowed to teach in a college or university? Forty years ago a majority of Americans believed that no, we should not let homosexuals teach in a college or university. Today we're close to 90%, actually over 90% for the youngest generation.

So in total the country is getting more and more socially liberal and more tolerant. But what this is hiding is the fact that on the flipside there's an increased polarization in the beliefs of people right? And that polarization for instance translate very well on the question of poor-life poor-choice right.

Who favors abortion? Again until the 80s' that was not a very discriminant question between Democrats and Republicans. You know people thought about the same about that. But over the last 10, 20 years especially last 10 years we're seeing that Bear Divide, right. So, a vast majority of Democrats believe that abortion should be allowed. A significantly lower number, a lower percentage of Republicans do think that abortion

should be allowed. Right? And of course as you could expect independents are in the middle.

So, a pretty huge polarization here but it's not just about the beliefs. It's also about the way people live and their life experience, right. So for instance if you're a democrat, well you have more chances to listen to your NPR podcast after having run some errands at the World Food, buy some organic food and then you watch your Manchester United game on your streaming service. If you're a Republican, you have more chances to drive back to your farm in your pickup truck and watch some baseball or NASCAR. I didn't make this up, this is statistical.

So you see this increased polarization of beliefs and also behaviors of the lifestyles is the bedrock of something called hot cognition. And what is hot cognition? Hot cognition is a simple concept coming from behavioral science. It basically states that people are as lazy as they can when it comes to making decisions or forming an opinion. And so if you can trigger the right cues, you can fairly, easily influence their behavior, especially if the opinion is already very polarized.

So we demonstrated this in a little experiment that we run at in source. We asked people in the U.S. whether they supported the repeal of the 1975 Public Affairs Act. So I don't think that any of you who knows what the 1975 Public Affairs Act, because it doesn't exist, we just made it up, we just made this up. So you would expect people to say, well I don't know I can't say if I repeat it or not because I don’t know what it is.

So what we did is we split the sample to the respondents in five groups. To some of them we said well the repeal is endorsed by Trump, to some of them the repeal is endorsed by Republicans, or by people, or by Democrats, or by Hillary Clinton. And guess what happened, when you ask Republicans are you in favor of repealing the 1975 Public Affairs Act, Trump supports it? No, it's a very bad Act, let’s get rid of it. If you tell them, well Democrats supported it and they are like, it's a great act, we have to keep the 1975 Public Affairs Act.

Interestingly, by the way, if you look at people, Republicans tend to find it a little bit more convincing than Democrats which may be is fruitful thought as well. So that was for the tribalization.

Then the third trend here which in fact exacerbates in way the second one is this end of the white majority? And if you look at the data here it's true that by 2060 the so-called white non-Hispanic ethnicity will represent less than half of the U.S. And you can already see these of course in kindergartens, right across the country. So what happens then? And we've observed that as well commented in many, especially in many western European countries, when this is happening, when expression of identity comes up, then that creates a lot of anxiety and resentment among the people who are struggling.

Interestingly there's nothing that today differentiates more Republican from a Democrat. And two things, the one thing is the trust in the media, okay. The other one is this

question of race and identity, it’s very striking the differences are huge. For instance 72% of Democrats believe that black people do not have the same opportunities – the same as white in this country. Only 24% of Republicans believe that.

Conversely, two thirds of Republicans believe that social policies such as affirmative action discriminate white against – sorry are unfairly discriminating white people, while you only have less than a quarter of Democrats who think that. Those differences are very, very significant, especially when it comes to not behavior but beliefs.

So what are the implications of these three trends? Again lack of trust, or erosion of trust, increased tribalism based on ideologies, and then the third one is this demographic shift which exacerbates the other ones. One of the big implications here is that it's really difficult, increasingly difficult to reach consensus. And that's hard to accept, right, especially for people like us who've been sort of trained to reach consensus as leaders, right. We want people to agree, we want to make sure that everybody is going to be broad, unifying, but it's getting very, very difficult.

And as an example of that to the very the essential question of what is being a real American. What's a real American? Well the country is very divided. For 27% of Republicans someone who does not stand for the national anthem is not a real American. Of course that's because of the increased polarization in the press, the media, trends and everything, but still only 27%. It's crazy. 61% of Democrats on the other hand have no issue with that. Conversely 25% of democrats believe that someone who believes that immigration should be restricted is not a real American. Although, restriction or some restriction seems to be kind of logical thing to do, right at one point. But still only 25% of democrats believe that someone who speaks this way is a real American. And then of course on the flip side 68% of republicans still have a problem with it.

So this big divide and these very – people jumping on their guns. When you talk about some topics creates that situation a very unanticipated reactions. And of course, we talk a little bit about how you can try and avoid that if you want to avoid it. But more importantly you have to get prepared. If this is going to happen, right. So you need to wonder if this is happening to me if things get out of control, how in my organization react quickly enough to counter that, one way or another. Some companies actually play with this now of course as we've seen in recent examples.

But if you play with it then it's not unanticipated and you've to assume that they know what they're doing. Second thing is you have to be very careful these days very, very careful. And by the way this is true for external messages but also internal messages inside your own companies, with your friends, with your communities. Make sure you know where you stick, right. So one thing here is to understand and remember that New York, Chicago, L.A., San Francisco, D.C. where most decisions are made is not exactly representative from the American.

Well, the American public and American general, that's one thing. But also you have to understand is your target red, blue, purple, right. If your message is intend to be red, blue,

purple, if your initiatives, if your advertising same as messages, maybe it's going to be perceived as red, blue or purple, you need to understand that because if you don't then you're really playing with fire.

And I will finish on that. They are – we used to say at Ipsos – we are used to say at Ipsos that the America is a cognitive minefield. So their words, expressions, concepts, symbols, that are going to make you sound like you're on a certain camp. And if you do that you are going to most likely delineate the other side, right. So that's going to happen, for instance, Black Lives Matter, Feminist, Activist, LGBTQ, Never Again, Public Policy Experts, et cetera. Even the Silicon Valley is going to make you sound like you're blue, right.

On the other side, if you speak about patriotic, Ronald Reagan, the Second Amendment obviously. But even Fortune 500 CEOs which is different from a concept standpoint from the Silicon Valley. That is going to make you sound on the other side more republican. So I'm not saying you should not use them but if you do again understand your target, know what you're doing, right.

On the flip side, there are some very unifying concepts still. And the good news by the way is that those concepts are not only more unifying but also more favored in general by the public. So it's not just that they're less divisive. It's also that in general, they are liked concepts right. And they often go back to the roots of the American experiment such as responsibility, entrepreneurs, being self-reliant, being independent, taking care of others, taking care of future generations, all these things; the First Amendment, all the things are very unifying and things that are not going to put you in a bad situation that you can't control.

So that's all I wanted to tell you today. I hope I stimulated a little bit your thinking. I'll be here for the reception with two of my colleagues so we can talk further if you wish so. And well, I wish you the best and hope you can find your own way in this age of uncertainty. Thank you.

<<Allen White, Vice President & Senior Fellow, Tellus Institute>>

Thank you.