

FOUR GLOBAL TRENDS THAT COULD CHANGE HOW YOU DO BUSINESS

Trending Topics represents an executive summary compilation of news, information and perspective on matters affecting businesses and business leaders today. This insight is being provided to keep you up to date on the latest developments and trends influencing these topics. These views do not necessarily represent the views and opinions of PNC. For additional research on these topics, please consult the sources cited in this article.

With change accelerating faster than ever before in human history, four major global disruptions are occurring that will have significant impact on businesses. Although these trends have been well-documented, what is not well-understood is the full extent of their impact or the collective effect of these trends as they collide and merge.

In their book *No Ordinary Disruption*, McKinsey & Company Global Institute researchers Richard Dobbs, James Manyika and Jonathan Woetzel discuss these four global disruptions that are forming a “new normal” world. The authors advocate for business leaders and policy makers to adopt “a clear-eyed perspective on how to negotiate the changing landscape [that] will help us prepare to succeed.”¹ The four global trends are:

- **Urbanization of emerging markets**

City populations around the world are growing by 65 million each year. By 2025, 2.5 billion people will live in Asian cities alone, accounting for half of all urban residents in the world. Emerging economies will grow to one-half of the world economy by 2025, up from 33 percent today.² Small and medium-size cities are becoming economic centers in China, Brazil, India and other emerging economies. It is expected that 440 cities around the world will provide nearly half the global GDP growth between 2010 and 2025,³ giving global companies captive audiences for their products and services.

- **Accelerating technological change**

Technology has become seamlessly embedded into our everyday lives, and people adapt to — and expect — rapid innovation. Today, two-thirds of the world’s population has a mobile phone and one-third communicates via the Internet. Just as the iPhone[®] spurred the explosion in development of applications — growing from 150,000 in 2009 to more than 75 billion in 2014 — technological innovation is poised to grow exponentially.⁴

Experts estimate that the number of devices connected to the Internet, or to one another through the Internet, will grow to between 26 billion and 100 billion by 2020.⁵ Consumers are increasingly dependent on personal devices that make life easier. The take-away for businesses is that nearly everything in the future will be interconnected and innovations will be rapidly absorbed.

- **Aging world population**

Worldwide life expectancy is increasing at the same time that fertility rates are declining. Japan in particular has been facing the challenges of an aging population: 25 percent of its citizens are over age 65, and that number is expected to rise to 36 percent by 2040, as the country struggles with a falling birth rate, rising national debt, social security obligations and a growing shortage of skilled labor. Indeed, lessons learned from Japan may help to guide global policy makers with the economic and social challenges of aging populations.⁶ Companies that focus on the needs of the elderly through technological advancements and other solutions will profit most from this trend.



▪ **Connectivity of people, trade and capital**

The global flow of people, trade, finance and information has increased substantially in the past 25 years. International migration increased to 232 million in 2013 and is expected to continue at a high rate. Trade has shifted from linear flows of goods to complex webs between developed and emerging markets, as well as between different emerging markets. For instance, trade between China and Africa increased from \$9 billion to \$211 billion between 2000 and 2012.⁷ Increased connectivity will introduce new markets and opportunities as well as increased risks and volatility.

As these four forces collide and transform the global business landscape, the McKinsey researchers advocate that business leaders re-evaluate many of the assumptions they have used to develop their strategies and plans, as these may be based on past experience, intuition and beliefs that are no longer valid. Their message: Business leaders must be flexible and responsive in navigating the increased volatility of change while remaining focused on their organizations' long-term business goals.

To discuss these topics in more detail, please contact your PNC Relationship Manager.

¹ "The Four Global Forces Breaking All the Trends," article by Richard Dobbs, James Manyika, and Jonathan Woetzel, McKinsey & Company Global Institute, April, 2015, http://www.mckinsey.com/insights/strategy/the_four_global_forces_breaking_all_the_trends

² Slide deck accompanying the article, "The Four Global Forces Breaking All the Trends," as listed above, page 1.

³ Ibid, page 1.

⁴ "The Four Global Forces Breaking All the Trends," article noted above; and "Smartphone Users Worldwide Will Total 1.75 Billion in 2014," available at: <http://www.emarketer.com/Article/Smartphone-Users-Worldwide-Will-Total-1.75-Billion-2014/1010536>

⁵ "A Simple Explanation of 'The Internet of Things,'" by Jacob Morgan, *Forbes*, May 13, 2014, <http://www.forbes.com/sites/jacobmorgan/2014/05/13/simple-explanation-internet-things-that-anyone-can-understand/print/>

⁶ "Japan: Lessons from A Hyperaging Society," by Misato Adachi, Ryo Ishida and Genki Oka, McKinsey & Company Quarterly, March, 2015, http://www.mckinsey.com/insights/asia-pacific/japan_lessons_from_a_hyperaging_society

⁷ "The Four Global Forces Breaking All the Trends," article noted above and the slide deck accompanying the "Four Global Forces" article page 4.

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