

Roland Berger Trend Compendium 2030

Megatrend 2
Globalization &
future markets



About the Roland Berger Trend Compendium 2030

What is it?

- > The Roland Berger Trend Compendium 2030 is a global trend study compiled by Roland Berger Institute (RBI), the think tank of Roland Berger
- > It describes the most important megatrends that will shape the world between now and 2030
- > The megatrends have a broad impact on the environment of companies, strongly influencing challenges and opportunities of their business

Our approach

- > We first screened relevant trend, scenario and future studies worldwide
- > Then we verified, analyzed and consolidated the results, using them to define the megatrends
- > Next, we broke down the megatrends into subtrends, looking at each from a global perspective and the viewpoints of industrialized and developing countries
- > Finally, we identified corporate actions that companies worldwide should consider taking today

Use it!

- > For your own presentations, for discussions with clients and business partners or as springboards for acquisition approaches
- > Following the description of the subtrends and the recommended corporate actions, you will find the most important sources to help you keep track of the changes in the world, as well as dig deeper into the trends presented

The Roland Berger Trend Compendium 2030 focuses on stable long term developments

- > The Roland Berger Trend Compendium covers megatrends – long-term developments with major impact (usually global) on companies, economies and the natural world
 - > The forecasts are based on estimates reflecting the "normal" case, i.e. a stable development of the global economy with no unexpected events ("black swans"). Major political or financial crises, large-scale natural disasters or similar far-reaching events are not integral to our assumptions
 - > To incorporate today's volatile, uncertain, complex and ambiguous (VUCA) environment into strategic planning we recommend to combine the megatrends of the Roland Berger Trend Compendium with the Roland Berger scenario planning approach
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Methodology

It covers seven megatrends that shape the future development of our world



Demographic dynamics

Globalization & future markets

Scarcity of resources

Climate change & ecosystem at risk

Dynamic technology & innovation

Global knowledge society

Sustainability & global responsibility

Megatrends

Globalization and the emergence of new markets will challenge countries, societies and economies – There are 3 key subtrends

Subtrends of megatrend "Globalization & future markets"



Facets of globalization – Parameters are changing

Economic integration – Exports and FDIs are growing

BRICS and beyond – Future pathways are diverging

Globalization is a multifaceted process not limited to economic effects – Political and social aspects run in parallel

Three main facets of globalization

Economy



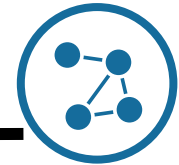
- > Globalization is especially evident in the development of **cross-border trade flows** connecting international markets
- > Key measures are **exports** of goods and services as well as flows of **foreign direct investments**
- > Economic aspects of globalization can be clearly **quantified**
- > With strong growth in developing economies, ongoing globalization brings along a **shift in distribution of GDP and exports**

Politics



- > Political globalization alludes to a strengthening of **international links of governments**
- > More recently, politics appear to be a reflection of an **increasing reciprocity** between all three facets of globalization
- > Currently, the political landscape is confronted with trends of **protectionism**, a more nationalist world view and issues relating to migration
- > Future developments are very **difficult to forecast**, but also equally **impactful**

Society



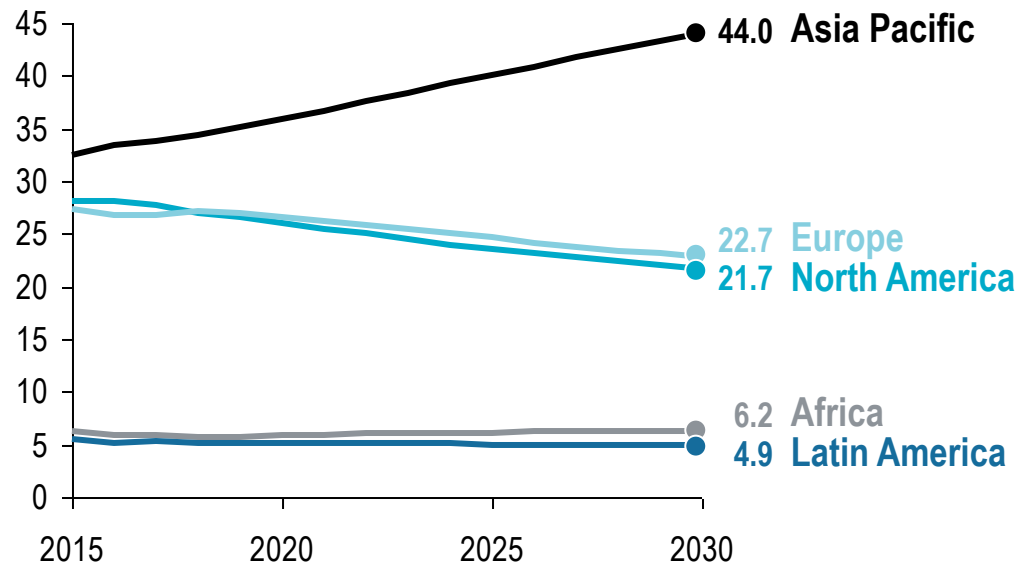
- > Society plays a key role in **evaluating economic and political aspects** of globalization
- > It especially sets the course for **political discussion and activism**, which tend to take place on an increasingly international level
- > Besides, society is affected by the recent **progress of digitalization and digital innovation** bringing the world closer together
- > Multiple aspects will shape an **increasingly globalized and connected society**

Developing countries, particularly in Asia Pacific, will be able to bring their economies to the fore

Share of global GDP¹⁾ [% based on nominal values (USD)]



Distribution of global GDP



- > The **distribution of world income** will **gradually change** until 2030. **Shares in GDP will shift** from North America and Europe primarily to **Asia Pacific**
- > **Today Asia Pacific** accounts for **32% of global GDP** while Europe and North America account for 27% and 28% respectively. **In 2030 Asia Pacific will account for 44%** of global GDP while Europe's and North America's share is falling to 23% and 22% respectively
- > In absolute numbers **Europe's nominal GDP** will **not even double** from 2015 to 2030 (+85% increase), while nominal GDP in **Asia Pacific** is expected to **triple**

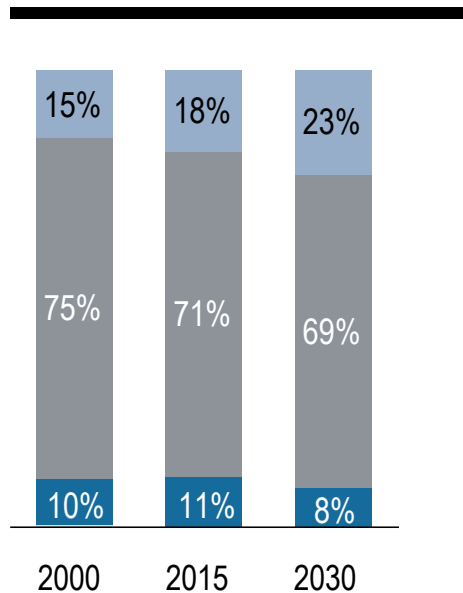
1) Gross Domestic Product

While household income is overall growing to 2030 and inequalities between developed and developing countries are shrinking ...

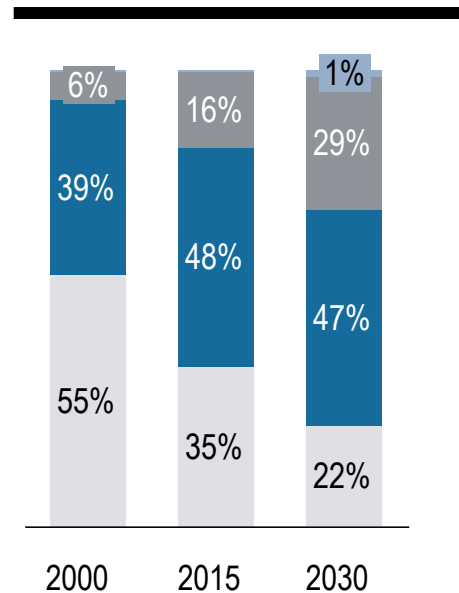
Globalization and income – Development of household income groups¹⁾ [%]



Developed²⁾



Developing²⁾



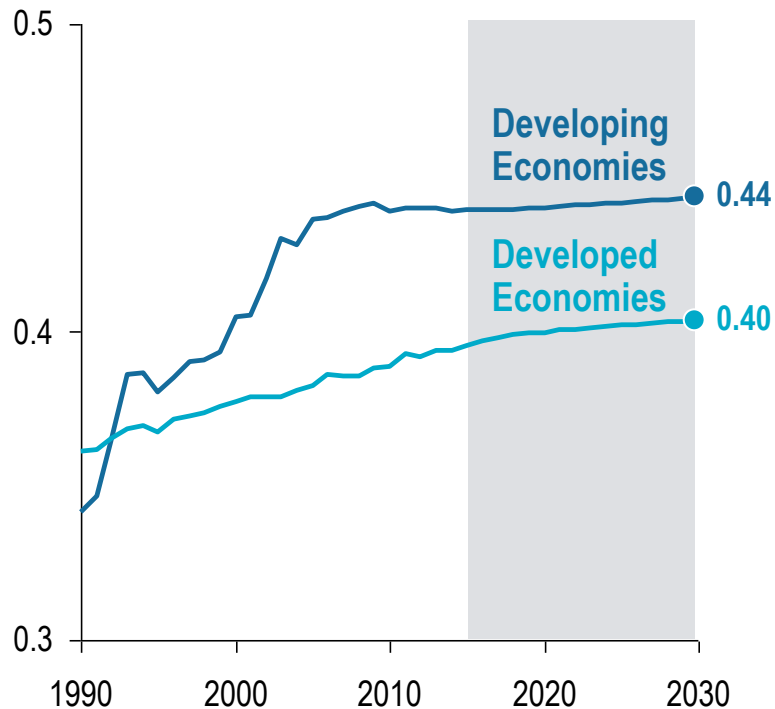
- > **Developing countries will increase their income per household**, resulting in an upward shift of income groups
- > In **developed economies**, the household **group with the highest income will increase** its share by 2030 to nearly one quarter of all households
- > As **income increases for developing countries are stronger than for developed countries**, comparative income inequalities are reduced
- > However, in **2030 92%** of all households in developed countries will have an **annual income above 20,000 USD** compared to **only 30% in the developing countries**

1st group: <5,000 2nd group: 5,000–19,999 3rd group: 20,000–99,999 4th group: ≥100,000 household income (in USD at fixed 2012 prices)

1) Household income groups are based on country-specific household income distribution 2) Throughout this document, the definition and use of the terms developed and developing economies follows the categorization published by the IMF

... nevertheless, income inequality within countries will slightly increase

Income inequality within countries¹⁾ [Gini coefficient]



- > Between 2015 and 2030 **income inequalities will increase stronger in developed countries than in the developing countries** as the Gini coefficient shows (+2.1% vs. +0.9%)
- > In the time period from 1990 to 2030, the five countries facing **largest increases in Gini coefficients are Azerbaijan, Pakistan, Vietnam, Russia and Turkmenistan** (+45% to 60%)
- > The Kuznets curve by economist Simon Kuznets assumes that **rising inequality is typical for developing economies** as those with modest funds profit from large growth rates, whereas people in absolute poverty do not move forward. For **developed countries inequality decreases** after a certain **turning point**, as income per capita increases
- > However, **economist Thomas Piketty** argues that **wealth inequality also increases for developed countries in the future** as the rate of capital return is persistently greater than the rate of economic growth, shifting income to capital owners

1) Based on population-weighted Gini coefficients. Higher values indicate more inequality. If the Gini coefficient value is less than 0.2, the income distribution is said to be highly equal, between 0.2 and 0.3 it is relatively mean, between 0.3 and 0.4 moderately reasonable and values above 0.4 indicate large income inequality

Globalization triggers advocacy as well as opposing views – This can be seen in both political and socio-economic settings

Proponent and opponent views of globalization



Proponent

- > Proponents of globalization promote advocacy of **free trade to fuel the economy** underpinned by free trade agreements
- > The general **neo-liberal idea of free markets** clearly **favours the course of a globalizing world**
- > **Europe benefits** from events such as France electing a president with a **pro-European agenda and global perspective**
- > As embodied by e.g. the World Bank, globalization should provide **developing countries** with the opportunity to **attract foreign capital** and prosper
- > **Increased competition** through larger markets will lead to more **transparency** and hence **efficiency**
- > As a side effect, **free labor markets** allow a more **efficient distribution of talent**

Opponent

- > **Donald Trump**, the President of the United States, promotes a **protectionist approach**. He sees globalization as a **zero-sum game** and is **openly highly critical of the WTO**
- > Events like **BREXIT**, initiated in June 2016, might pose new **challenges to the economic and political relevance of the EU**
- > Besides, the political landscape of some European countries is faced with **significant right-wing surges** arguing for a more nationalist focus
- > French economist Thomas Piketty, a prominent opponent of the current form of globalization characterized by e.g. a lack of political intervention, criticizes the **rising degree of income inequality**

The future direction and understanding of globalization is strongly influenced by incumbent political leaders and global influencers

Statements of proponent and opponent views of globalization



Proponent

"Many of the **problems** troubling the world are **not caused by economic globalization.**"

Xi Jinping, 2017

"**Make our planet great again.**"

Emmanuel Macron, June 2017

"**If trade stops, war starts.**"

Jack Ma¹⁾, February 2017

Opponent

"**America first.**"

Donald J. Trump, 2016

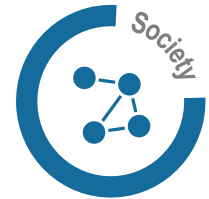
"Our leaders chose **globalization**, which they wanted to be a happy thing. It turned out to be a **horrible thing.**"

Marine Le Pen, February 2017

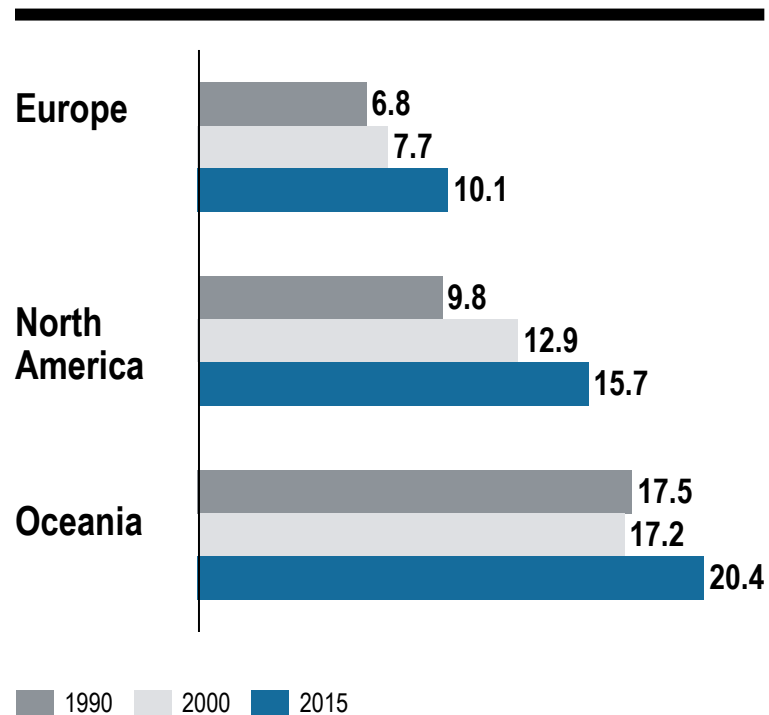
1) Founder and executive chairman of Alibaba Group

Increasing international migration constitutes one major aspect of globalization with a strong impact on society and political debate

Migration in a globalized world – Share of international migrants in selected regions [% of regional population]



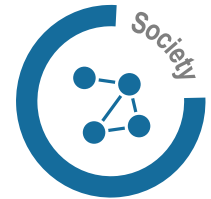
Share of international migrants



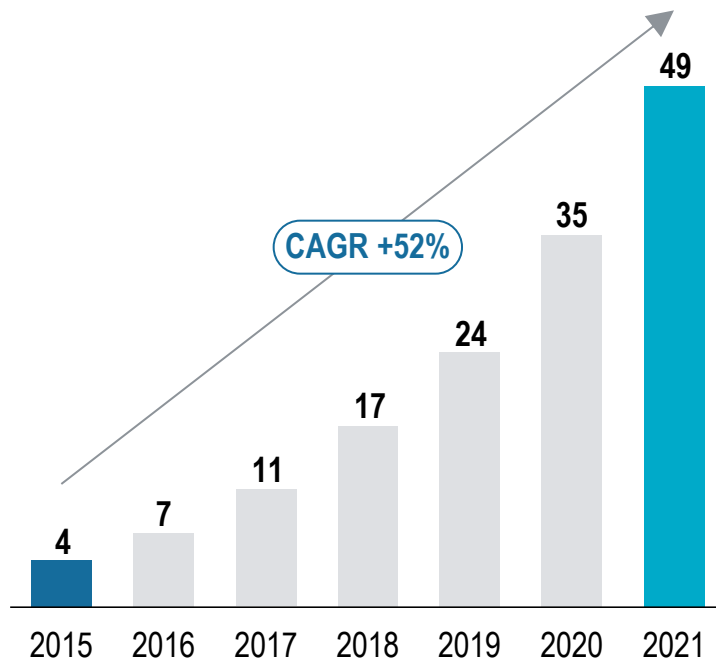
- > **Globalization** goes hand in hand with increasing international **migration**. In **2015** about every **10th person in Europe** was a migrant, **every 6th in North America** and **every 5th person in Oceania**
- > Migration will remain a key topic, especially for developed regions such as Europe. Migration is **not a one-sided benefit**. It is a necessary process to preserve Europe's economic power. Between 1990 and 2015 the share of international migrants increased by over 50% in Europe and North America
- > Leveraging the full potential of migration requires fundamental political and socio-economic **measures for successful integration** and education as opposed to an increasing protectionist backlash
- > The number of **asylum seekers quadrupled** in the EU in the last five years – leading to controversy and political **debate**

Finally, digitalization and growing global data flows have the potential to change key parameters of globalization

Digitalization – Changing markets and mobile data traffic [exabytes per month]



Global mobile data traffic



Changing markets and societies

- > Data flows will become a central measure of globalization forming the basis for economic and social interaction
- > Potentially, globalization will be **less based on** the development of **trade flows** than on digital interconnection between countries
- > In 2021, **Asia Pacific** will take over nearly half (47%) of **global data traffic**, whereas Western Europe will account for only 9%
- > The **share of internet users from developed economies** decreased from 48% in 2008 to 29% in 2016. By contrast, the share of internet users from developing countries increased to 71%
- > The average share of **individuals owning smartphones** in developing countries will **increase** from 40% in 2015 to 82% by 2030 – **almost on a par** with developed economies (83%)
- > **Digitalization removes borders** bringing societies closer together

Economic aspects of globalization and their further components will be analyzed in the upcoming two subtrends

Important economic components of globalization

Economy and globalization

Imports and exports

- > Capturing the **exchange of goods and services** between different countries, trade flows form the basis of a globalizing world and **will continue to grow**

Trade agreements

- > **Agreements between governments** to foster free trade strengthen a globalizing world. Trade agreements will **remain an important political measure** that needs to be upheld

Cross-border investments

- > Investments, in particular **FDI**, lead to **international economic networks**. Through continued growth they **keep integrating** economies around the world

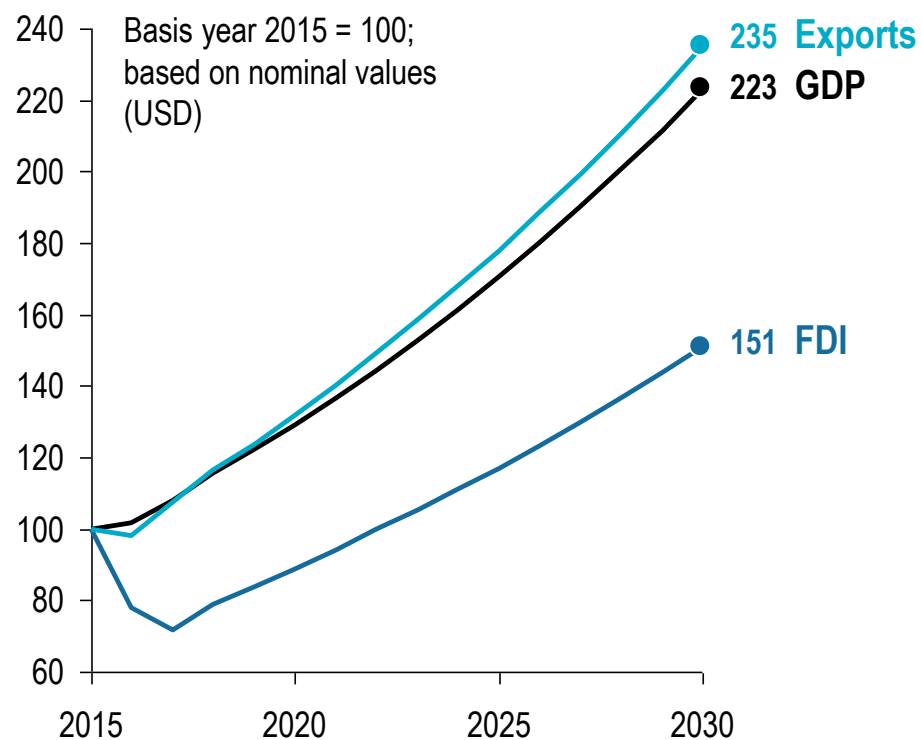
Growth potential¹⁾

- > Significant growth potential for developing countries – their involvement in future growth prospects is leveraged due to **enforced division of labor** and **opening up of new markets**

1) Extensively discussed in subtrend 3

Despite the controversy over globalization, GDP, exports and FDI flows are expected to grow – Albeit at different rates

Ongoing international integration – Global development of GDP, exports of goods and services, and FDI¹⁾ outward flows [index]



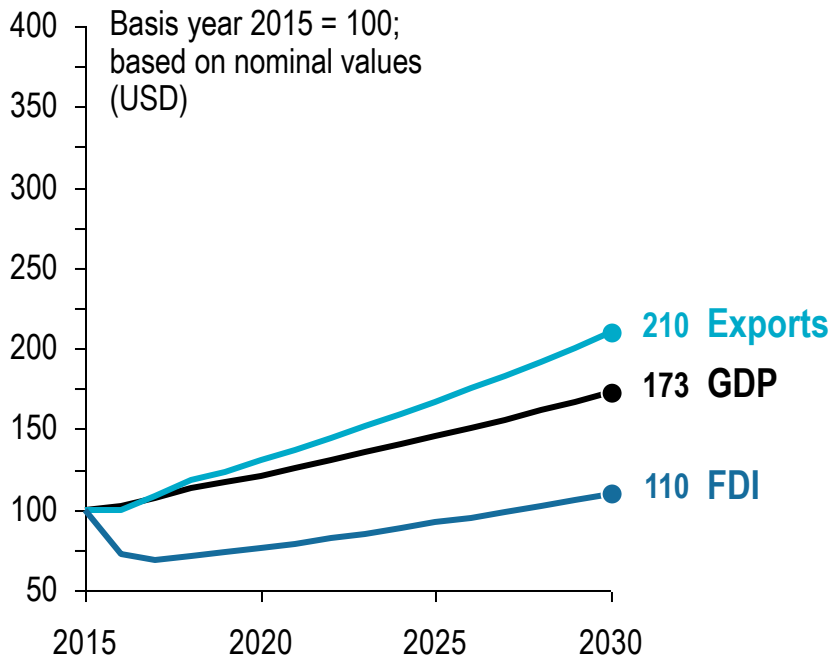
- > Forecasts see an **ongoing international orientation** in economic terms as mirrored in exports and FDI growth
- > **Globalization will continue** throughout the next years, with **worldwide exports growing faster than worldwide GDP**. While CAGR of nominal GDP is 5.5%, CAGR of exports between 2015 and 2030 is 5.9%. By **2030, worldwide exports will have more than doubled**
- > A slightly **different trend** is visible for FDI outward flows, growing less at a **CAGR of 2.8%**. The **weak performance until 2017** can be attributed to relatively weak global economic growth. Still, in coming years, FDI flows are expected to grow again

1) FDI = Foreign direct investment; according to OECD, FDI flows are important for developing economies, as they lead to technology spillovers and international trade integration

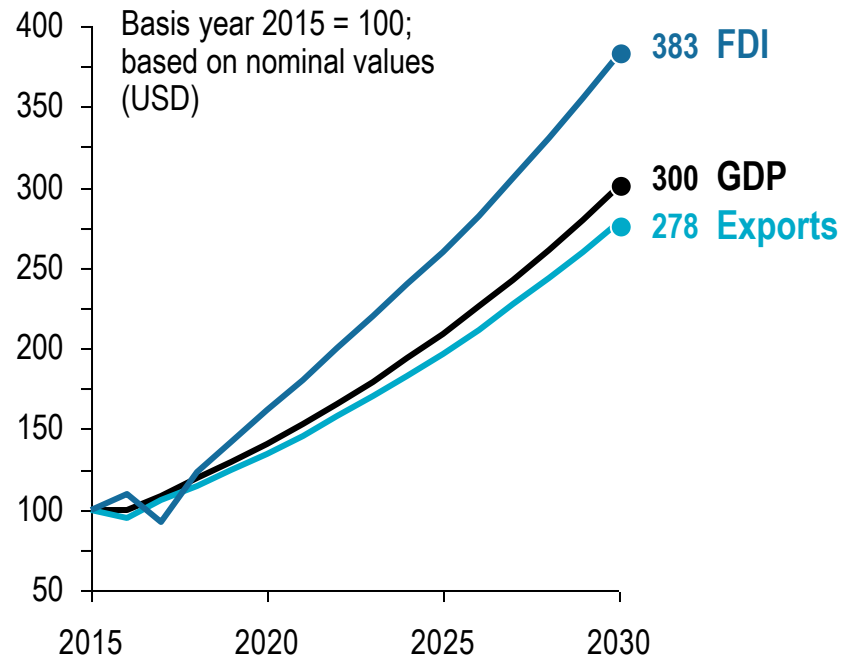
While in developed economies export growth exceeds GDP growth but not FDI growth, the reverse is true for developing economies ...

Development of GDP, exports of goods and services, and FDI outward flows in developed and developing economies [index]

Developed



Developing



... as growth potential primarily lies in developing markets –
However these economies start from a much smaller basis

Comparison of GDP, exports and outward FDI in developed and developing countries

Developed

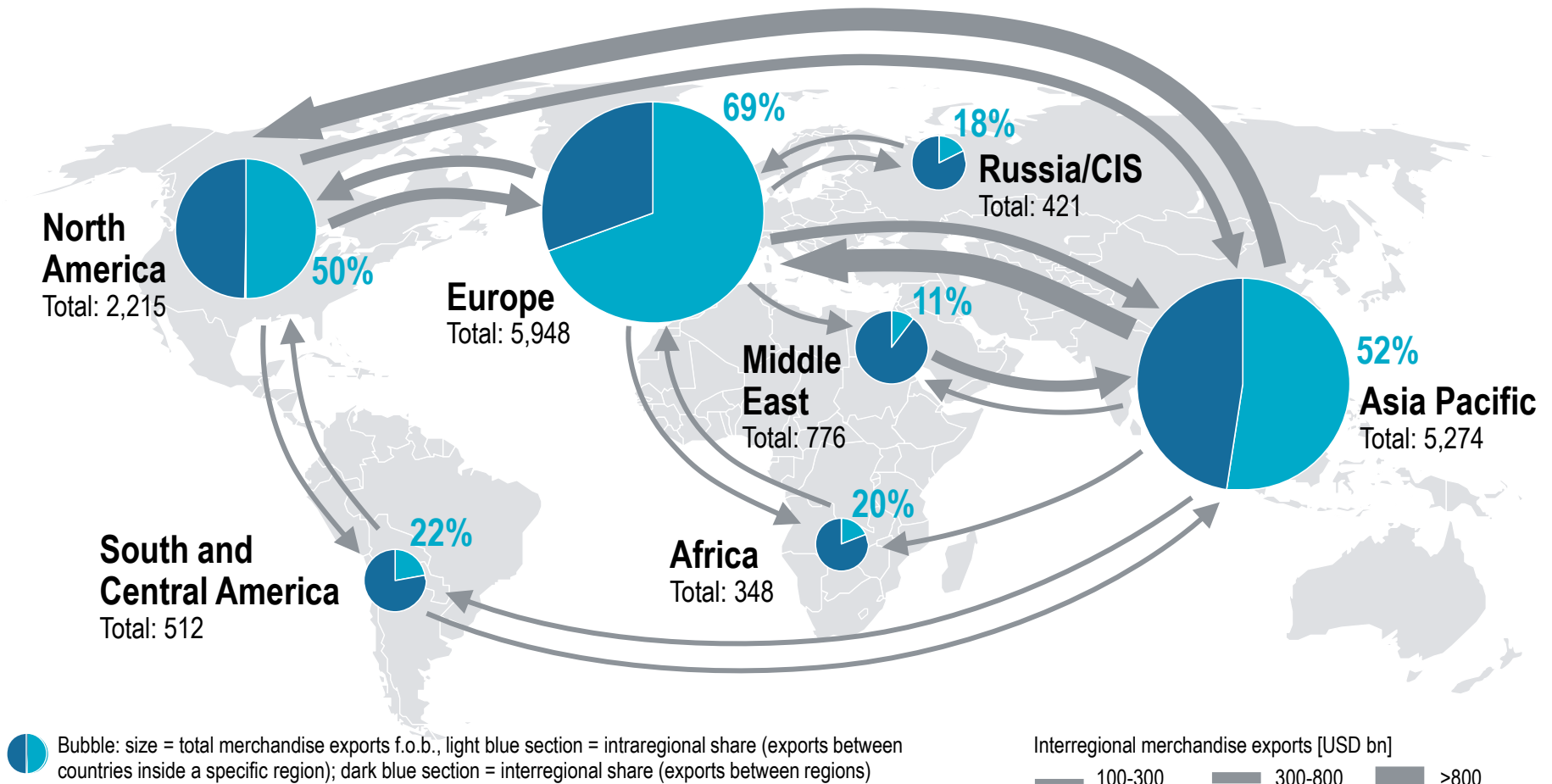
- > As the **growth potential** in domestic markets is **already widely tapped into** in many developed economies, these achieve **additional growth through increasing exports**
- > With a CAGR of 5.1% from 2015 to 2030, **nominal exports will grow much faster than nominal GDP** in developed economies. Nominal exports will have **more than doubled** by 2030
- > By contrast, **nominal outward FDI growth** will be much lower than **nominal GDP growth** during that period. The compound annual growth rate of outward FDI flows between 2015 and 2030 will only amount to approx. 0.6%
- > This is rooted in an initial decline in FDI outward flows until 2017, which corresponds to a weaker growth in trade and the global economy, above all showing a **negative impact on investment projects in manufacturing**

Developing

- > In the case of developing markets and on all of the three measures, a **smaller basis** explains **larger growth rates**
- > GDP is expected to grow faster than exports. This is due to the fact that developing economies still have **huge growth potentials in domestic markets** with a flourishing middle class
- > However, with an annual growth rate of 7.1%, **exports** from developing economies will have **almost tripled by 2030**
- > FDI outward flows will **grow significantly**, by 9.4% p.a. to 2030, showing an increasing level of **global interconnection**. With FDI flows **almost quadrupling** in the given time horizon, this is a clear signal of a stronger global engagement from developing markets

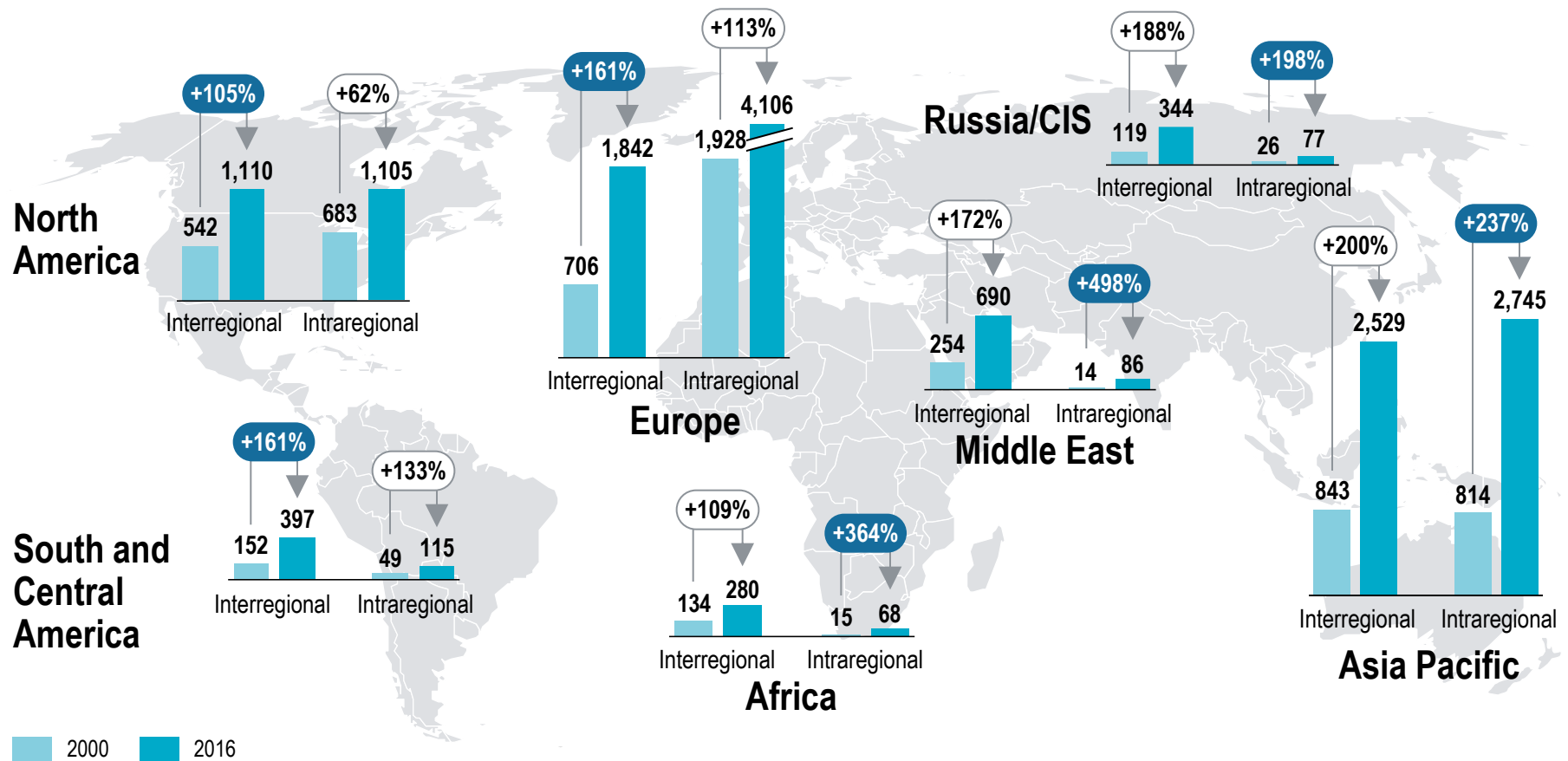
Global flows show strong trade relationships between regions – Intraregional integration also plays a major role

Interregional and intraregional merchandise exports, 2016 [bn USD, %]



Stronger interregional trade growth for developed regions since 2000 – Developing countries trade growth has intraregional focus

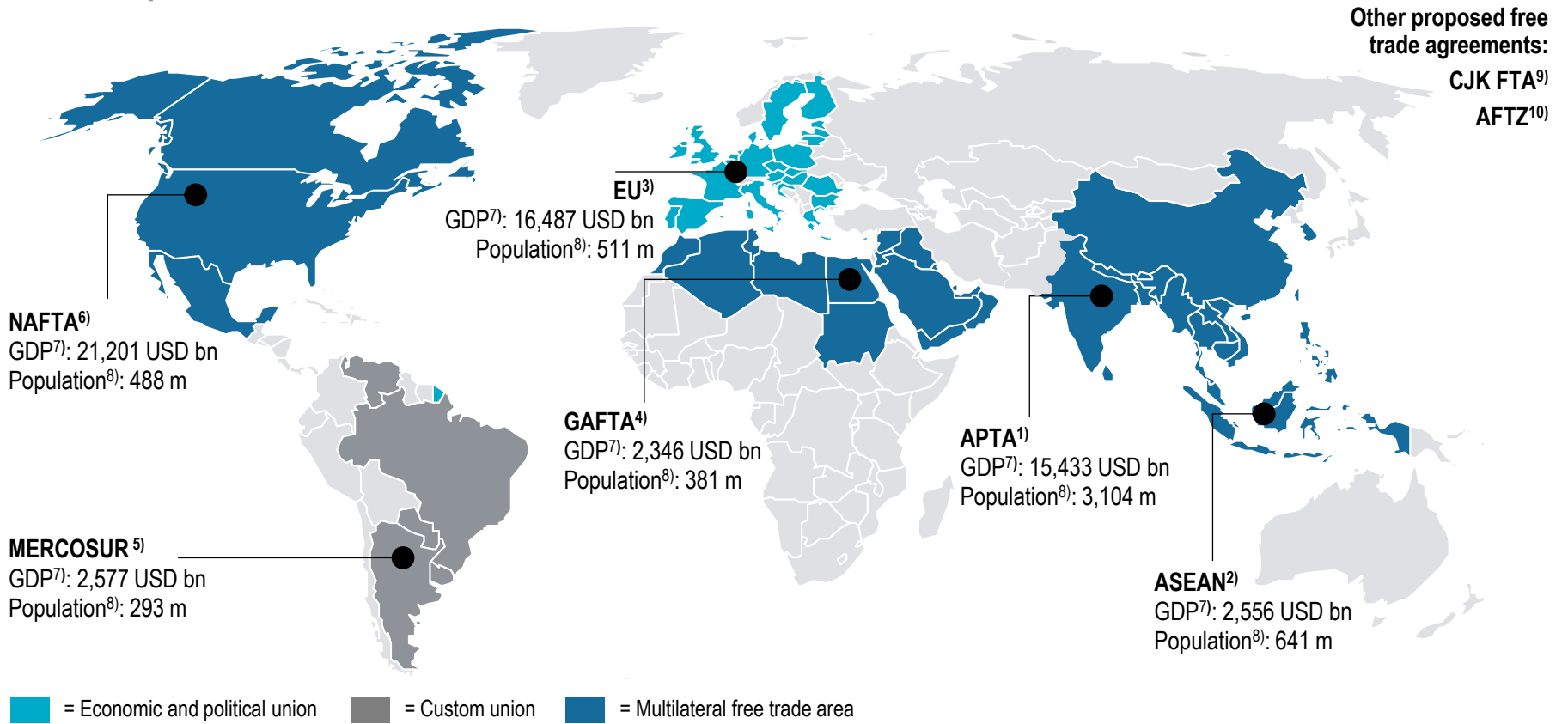
Inter- and intraregional¹⁾ nominal merchandise exports growth, 2000-2016 [bn USD, %]



1) Interregional exports are exports between countries of different regions, while intraregional exports are exports between countries inside a specific region

Free trade agreements are essential for an effective and smooth exchange of goods and services ...

Most important free trade areas worldwide

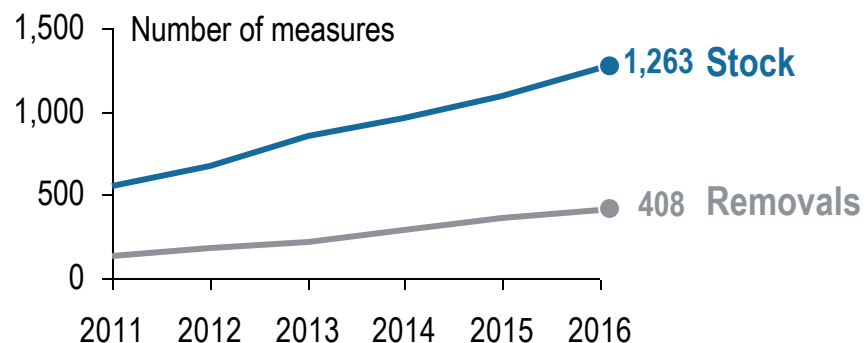


1) Asia-Pacific Trade Agreement: Bangladesh, China, India, South Korea, Laos, Nepal, Sri Lanka, Philippines; 2) Association of Southeast Asian Nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam; 3) European Union: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom; 4) Greater Arab Free Trade Area: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen; 5) Mercado Común del Sur: Argentina, Brazil, Paraguay, Uruguay, Venezuela; 6) North American Free Trade Agreement: Canada, Mexico, United States; 7) GDP = Nominal GDP 2016; 8) Population = Population 2016; 9) China-Japan-South Korea Free Trade Agreement; 10) African Free Trade Zone

... yet future developments are not self-evident as free trade agreements currently face several serious challenges

Increasing barriers to trade and challenges of free trade agreements

Trade-restrictive measures



- > In 2016, the WTO analyzed¹⁾ **global barriers to trade**. Compared to the previous period, the stock of trade-restrictive measures **increased by 5.6%** to 1,263
- > However, **this assessment of trade openness** only captures the total number of **measures** and **not their impact**. Moreover, the underlying definitions leave room for interpretation

Challenges of free trade agreements

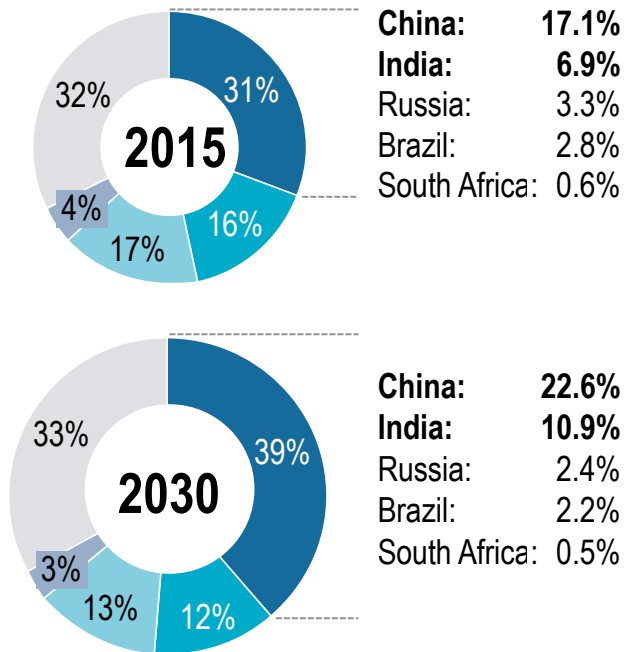
- > The development of free trade agreements is influenced by the **current political and social environment**
- > As an **economic union**, the **EU used to be a role model** for other integrative multi-country alliances but lately finds itself **under pressure**
- > As **TTIP** shows, progress on agreements is heavily **dependent** on the accordance of **country leaders**
- > North America is influenced by **Trump's plans for foreign policy**, withdrawing the United States from **TPP** and **threatening NAFTA , TTIP and the WTO**
- > **MERCOSUR** was negatively affected by a **suspension of Venezuela** in December 2016
- > Nevertheless, **weakened relationships** in one region can lead to **strengthening cooperation** in another, as seen in the example of China

1) Report on G20 Trade Measures

The economic power and future development of the BRICS cluster is driven by China and India

Real GDP PPP¹⁾ growth and global share of selected countries from 2015 to 2030

Share of global real GDP PPP

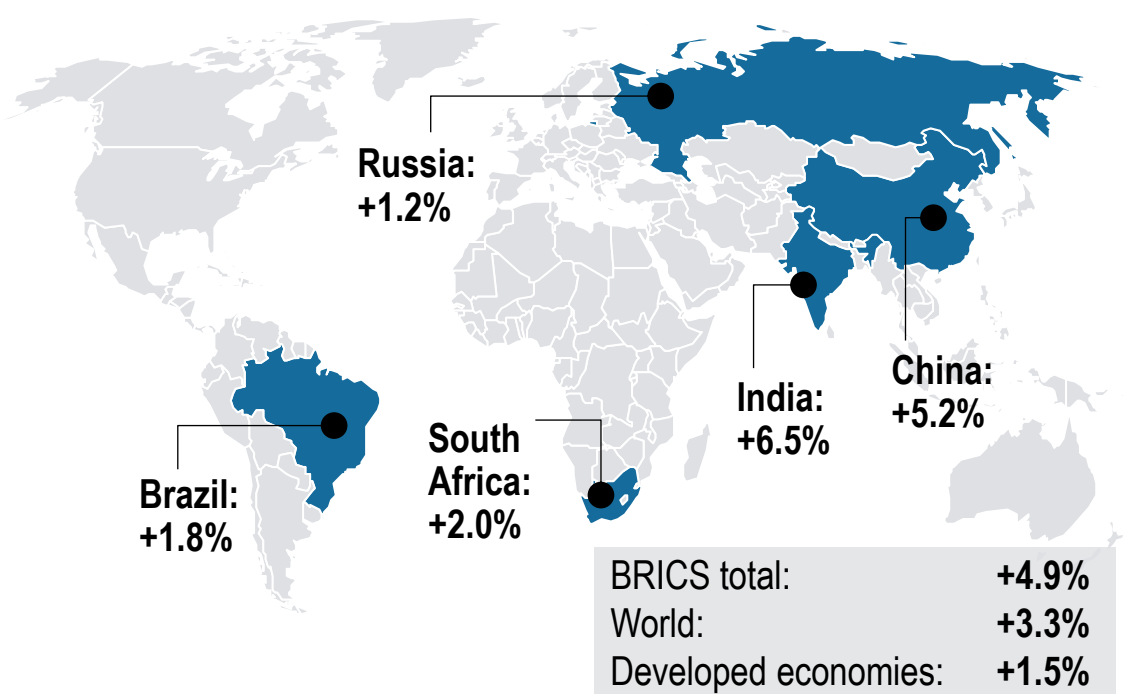


China: 17.1%
India: 6.9%
 Russia: 3.3%
 Brazil: 2.8%
 South Africa: 0.6%

China: 22.6%
India: 10.9%
 Russia: 2.4%
 Brazil: 2.2%
 South Africa: 0.5%

■ BRICS ■ USA ■ EU ■ Japan ■ Rest

Annual real GDP PPP growth



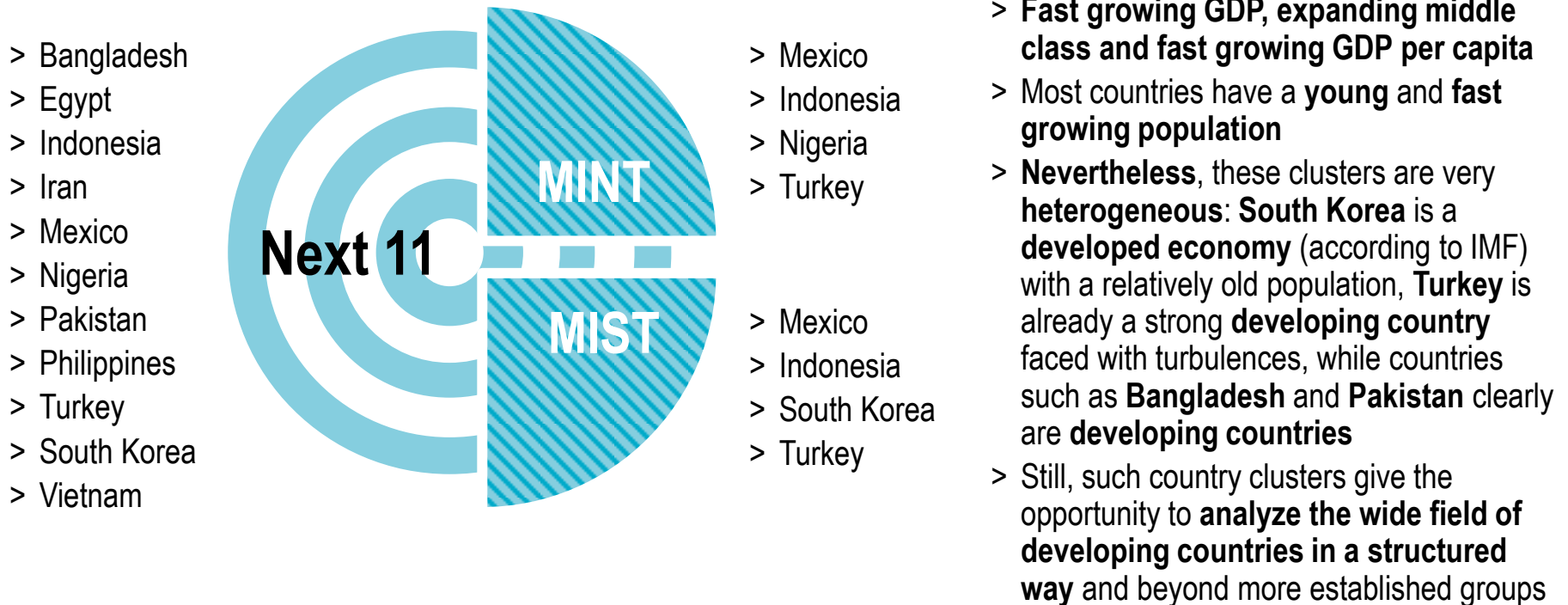
1) Real GDP figures in USD PPP (purchasing power parity) are taken into consideration to create comparability across countries, prices are based on the year 2010

Such diverging growth prospects are mirrored in the different characteristics of BRICS countries

- > Although **BRICS** countries are **clustered under one umbrella**, their **economic impact, sectoral industry structure and political situation is significantly different** from each other, requiring distinct actions and analysis
- > Brazil's economy is highly **dependent on commodity prices**. Moreover, it faces issues of shrinking industrial production as well as weak productivity and infrastructure. **Political reforms are necessary**, especially to make the labor market more flexible. As such Brazil is expected to grow by less than one third of India's growth prospects (1.8% vs. 6.5% p.a.)
- > **Russia** is affected by its **weakened currency**, having an impact on domestic consumption. Moreover, its **high reliance on commodity prices** exerts pressure on economic development. Political turbulences negatively affect investments
- > Beyond its strong IT services segment constituting **India's** fastest growing sector, India is set to profit from a **booming retail sector** due to a **growing middle class**. Still, a large proportion of India's economy remains agricultural. To attract new capital, the Indian government relaxed its **FDI restrictions**. This combination of strong, positive aspects and largely unexploited potential forms the basis for **India's growth to be the fastest** among all BRICS countries
- > Whilst the **Chinese service sector is steadily gaining momentum**, this trend is not mirrored in industry. It remains to be seen whether China will be able to gradually move towards growth generation by means of innovative and sustainable business models. Compared to previous years, China's growth rates are still strong but have flattened. China's future focus will be on **rebalancing growth to a sustainable level**. In this respect environmental and distributional factors are being considered relating to China's current account, consumption, credit, income and energy
- > The **South African** economy has experienced **tremendous progress over the past two decades, boosting living standards** and lifting millions out of poverty nationwide. Further **reforms, a deeper regional integration and a boost to entrepreneurship** are necessary to revive economic growth. South Africa's real economy in PPP is expected to grow by 2.0% annually to 2030 – comparable to Brazil's growth

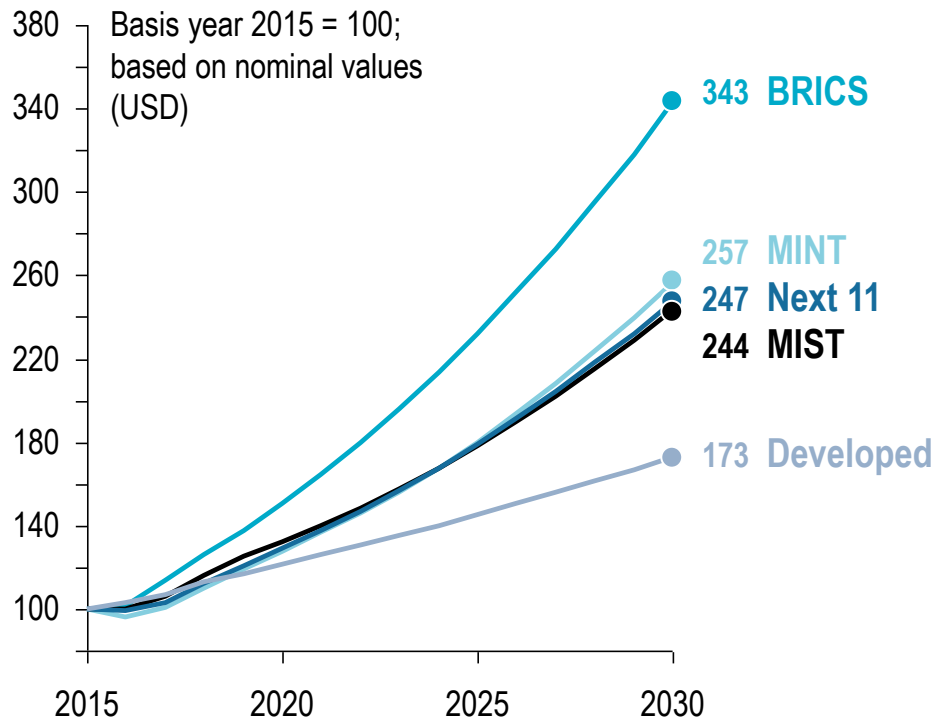
However, beyond BRICS (driven by China and India), other fast growing country clusters shape the landscape of emerging markets

Country clusters of developing countries beyond BRICS – Next 11, MINT, MIST



Among developing – and developed – country clusters, BRICS clearly lead the way in GDP growth to 2030

Nominal GDP growth of selected country groups¹⁾ [index; %]



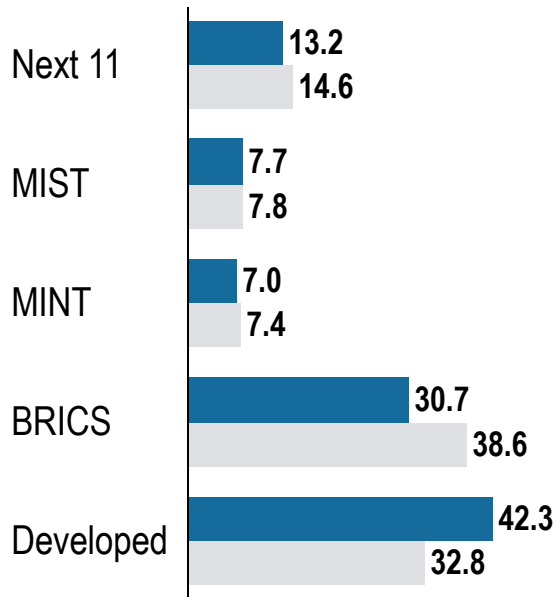
- > Between 2015 and 2030, the **nominal GDP of BRICS, MINT, Next 11 and MIST** will grow between 6.1% and 8.6% annually. Consequently, these country clusters **clearly surpass** the growth level of **developed countries** (+ 3.7% p.a.)
- > Nominal GDP growth of **MIST, Next 11 and MINT** is **lower than nominal GDP growth of BRICS**. This illustrates that focusing on MIST, Next 11 or MINT should be an **additional strategy – not replace the focus on BRICS countries**
- > BRICS countries will **more than triple** their nominal GDP until 2030

1) BRICS: Brazil, Russia, India, China, South Africa MINT: Mexico, Indonesia, Nigeria, Turkey Next11: Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea and Vietnam MIST: Mexico, Indonesia, South Korea, Turkey

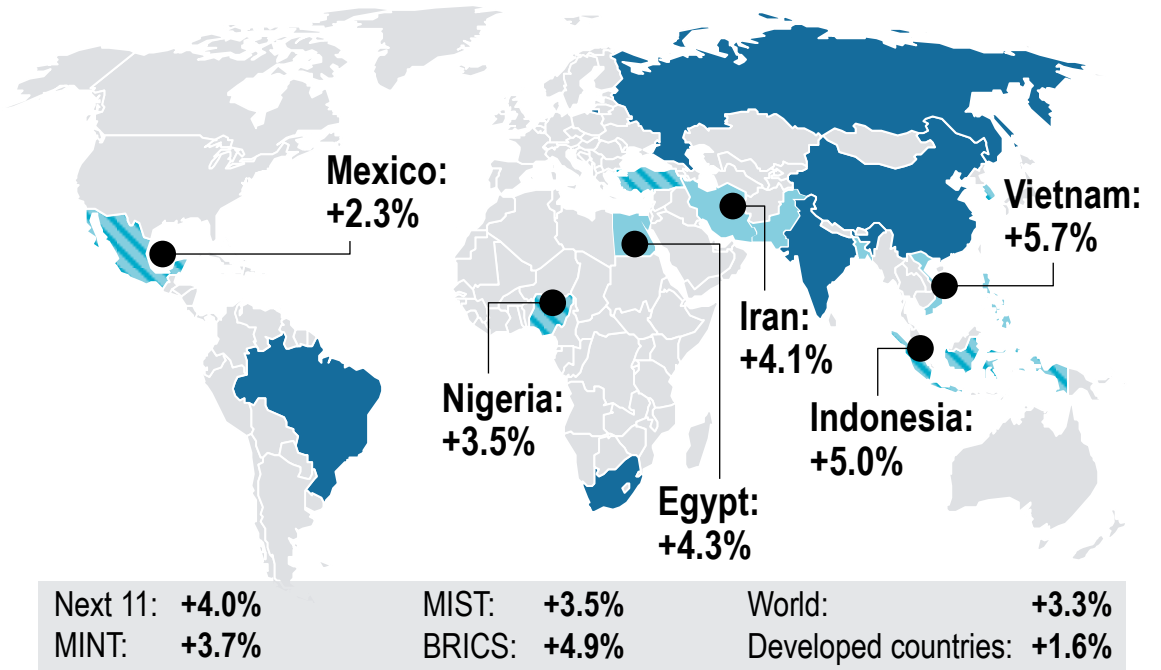
Also in absolute terms BRICS cluster will be an economic heavyweight in 2030, while Next 11, MIST and MINT lag behind ...

Real GDP PPP¹⁾ growth and global share of selected clusters from 2015 to 2030 [%]

Share of global real GDP PPP



Annual real GDP PPP growth



■ 2015 ■ 2030

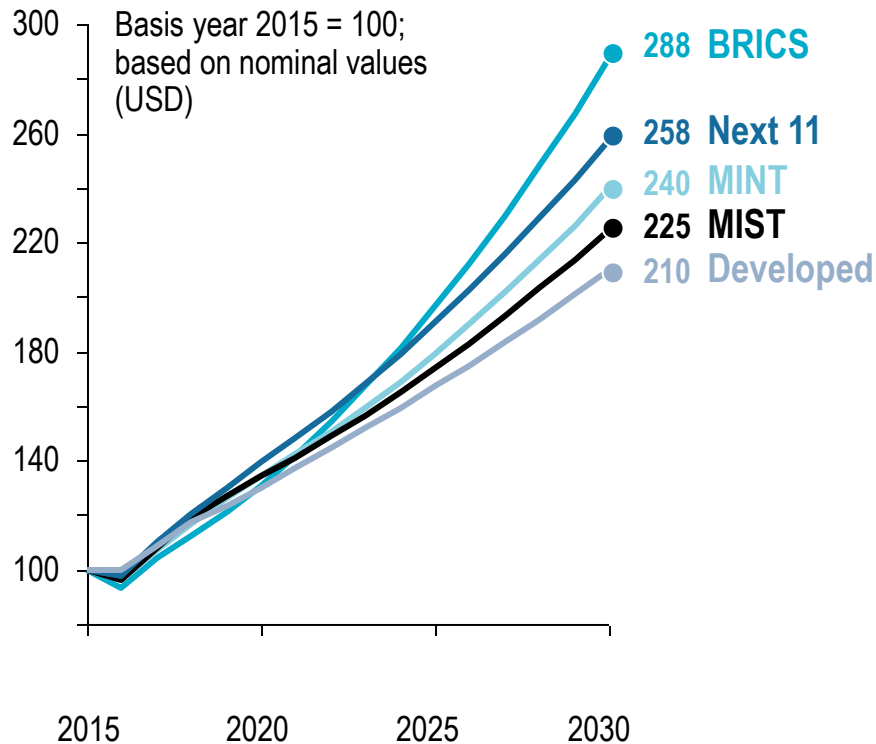
■ BRICS ■ Next 11 ■ MINT | MIST & Next 11

1) Real GDP figures in USD PPP (purchasing power parity) are taken into consideration to create comparability across countries, prices are based on the year 2010

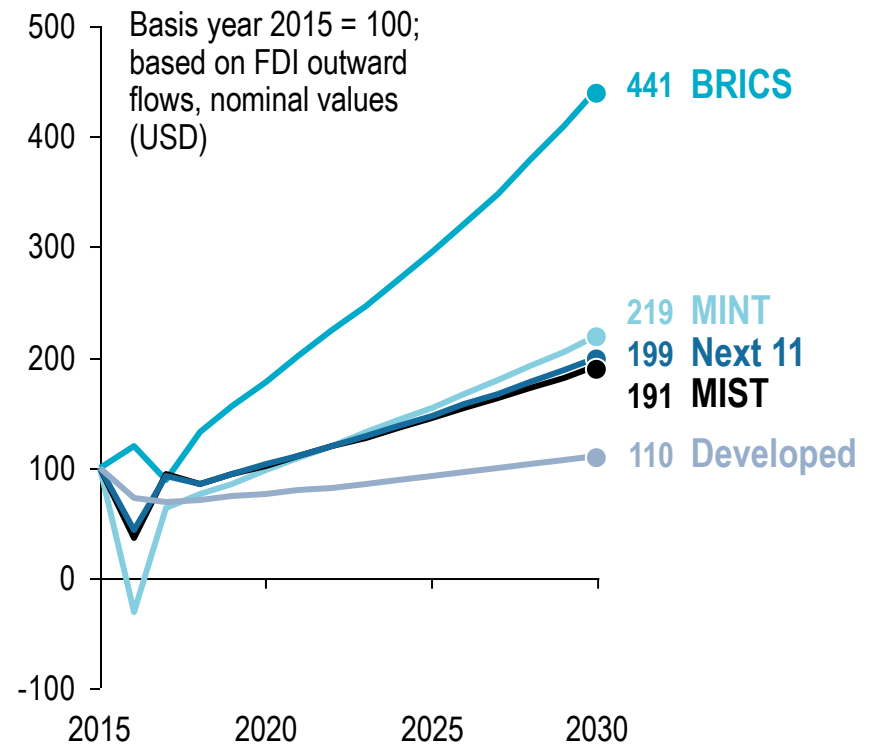
... and even regarding exports and FDI flows BRICS cluster will outperform other developing country groups

Development of exports and FDI outward flows of selected country clusters [index]

Exports



FDI outward flows

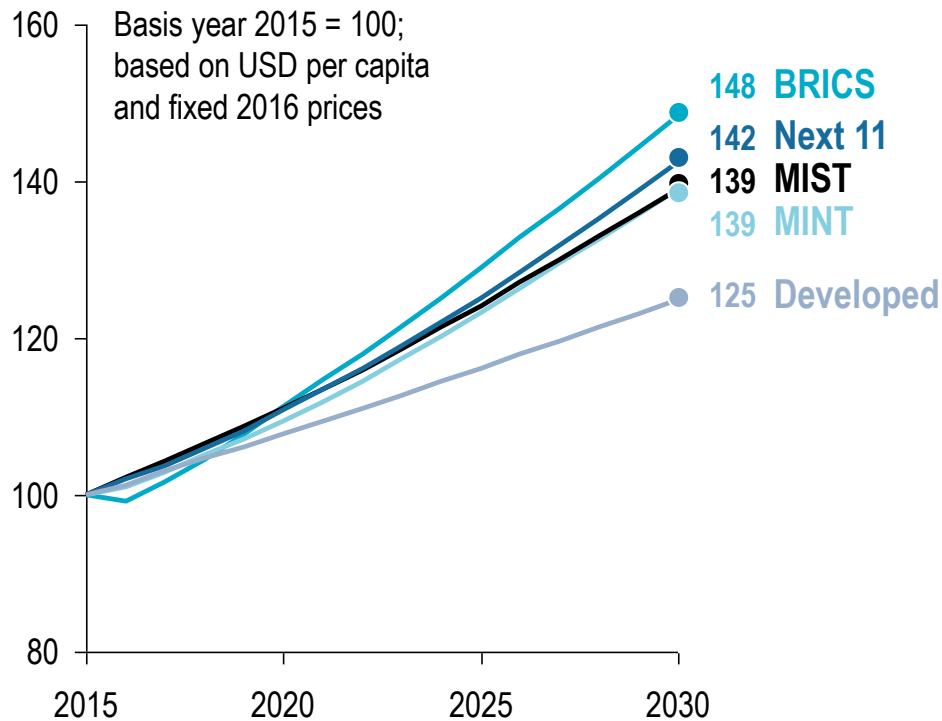


Performance of BRICS, MINT, MIST and Next 11 countries shows: Developing economies have tremendous potential

- > BRICS and other country clusters are commonly used for **analyzing prospects of emerging countries**. Nevertheless, they also **should be used with caution** as countries differ regarding their current economic and political situation as well as their business model
- > For some time now, the **BRICS** cluster has already been referred to as the **powerhouse of developing countries** and still today these countries show the **largest growth potential** in the coming 15 years compared to other country clusters. This is mainly **driven by India and China**, which are more than quadrupling or close to quadrupling their GDP's respectively. As it stands, BRICS' real GDP in PPP will grow at a rate of 4.9% each year
- > **India, Bangladesh and Indonesia** are the three fastest growing economies among the clusters analyzed. In **real terms** in PPP these economies will grow at rates of **6.5%, 6.3% and 5.0%** respectively
- > Also when it comes to growth of **exports and FDI outward flows, BRICS clearly outperform** all other country clusters. Their combined exports will increase at a rate of 7.4% each year. FDI outward flows will rise by 10.4% annually in case of BRICS countries, with India and China being the main drivers
- > Exports and FDI outward flows of **MIST** countries will only grow at a **CAGR of 5.5% and 4.4% respectively**. Above all, this should be evaluated against the backdrop of South Korea already being rather more advanced with smaller growth rates and Turkey currently facing social and political turbulences
- > **The disparity** of countries within single clusters demands **careful use and interpretation of data**. Nevertheless such clusters are a useful tool for structuring analyses of developing economies

Following economic growth, rising annual disposable income will gradually help to establish a middle class in developing countries

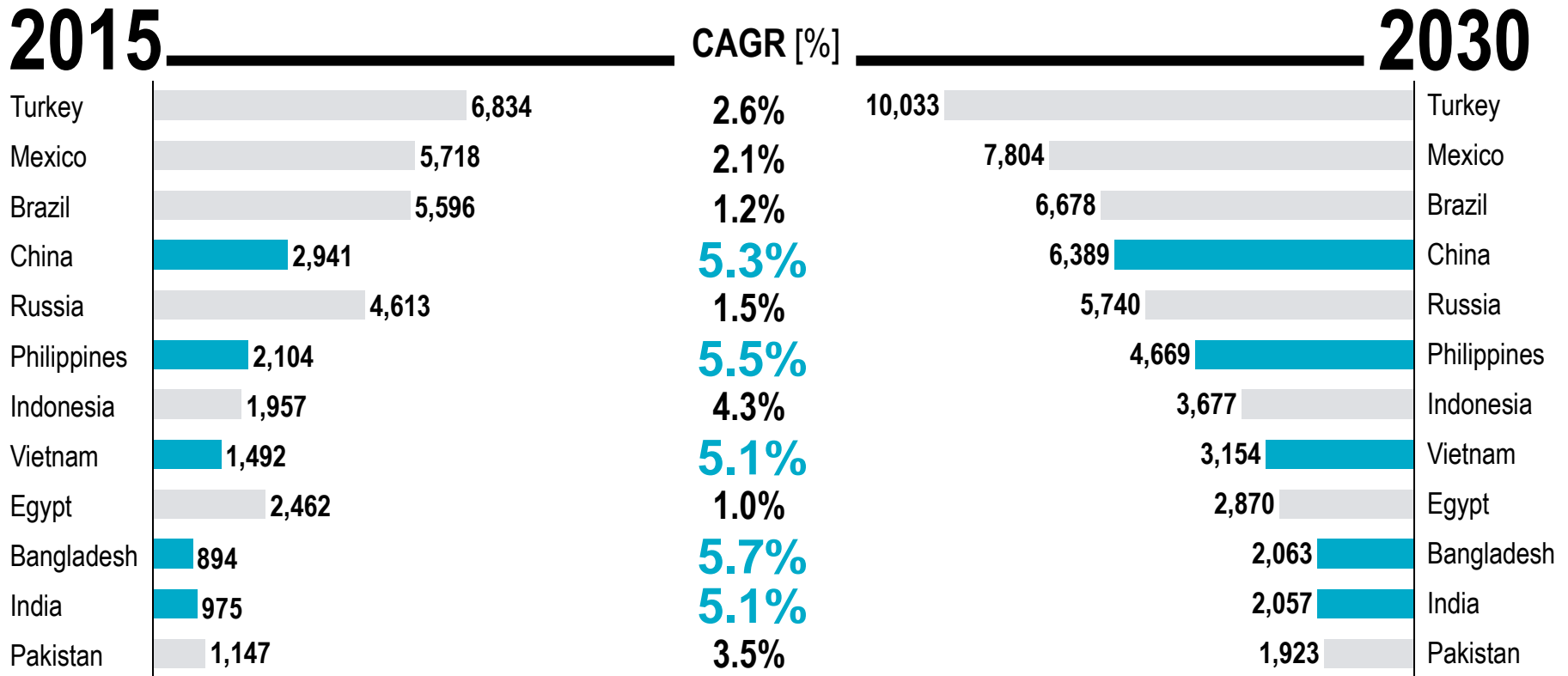
Development of annual disposable income of selected country groups [index]



- > The middle class is often called the engine of economic growth and consumption. Over the next two decades, **China and India** in particular will be the drivers of middle-class consumerism over the next two decades representing a **significant share of the global middle class**
- > By 2030, annual disposable income will have **increased by half in BRICS countries**, whereas the income level in India will increase the strongest i.e. more than double by 2030
- > Nevertheless, these growth rates **relate to substantially different bases**. BRICS countries will increase their annual disposable income per capita from USD 3,399 to USD 6,502. By contrast, the average annual disposable income per capita in developed economies grows from USD 28,808 to USD 35,524

Real consumer expenditure and their annual growth rates differ significantly between individual emerging countries

Real consumer expenditure and their annual growth rate in selected BRICS, MINT, MIST and Next 11 constituent countries [USD per capita constant 2016 prices]¹⁾



1) Fixed 2016 exchange rates

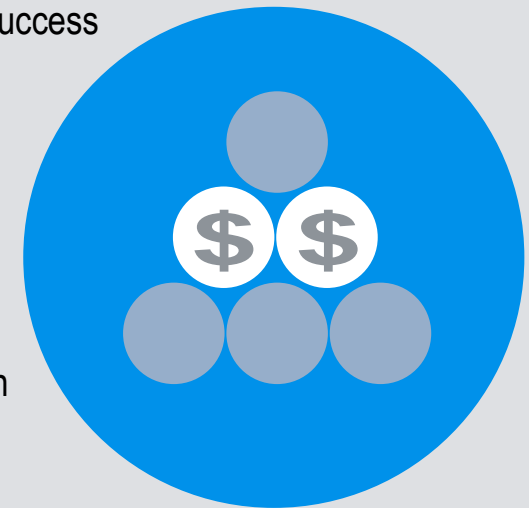
Focus on foreign markets – But with the right strategy

- > Due to strong economic growth in many developing countries, their **demand for international brands and products adapted to new markets** is rising fast. Companies should take advantage of this by **targeting such markets** via **exports** or by reassessing their **global footprint**. Nevertheless, the resulting tougher competition from these regions should not be underestimated. These countries are attractive manufacturing locations due to lower unit labor cost compared to the developed world. But investors have to keep in mind that **labor costs are expected to increase** significantly in countries like China and India over the next years
- > Seize the opportunities of **structural transformation**. These countries are becoming **lucrative sales and investment markets** (e.g. in marketing & sales, R&D and human capital) **for high value added offerings**. Financial market size, investment volume and liquidity indicators are all on the rise, especially in large emerging markets such as China and India
- > A **balanced country portfolio** is required in order to benefit from new emerging markets. It is crucial to find the right balance between established markets, growing markets and countries with an uncertain but promising future, e.g. Vietnam, Indonesia, Iran or Nigeria
- > Their auspicious economic prospects aside, these countries also entail certain **risks, such as political instability**. Some countries mentioned rank very low on the World Bank's 'Ease of Doing Business' index: out of 190 countries, India ranks 100th, Iran 124th, Egypt 128th, and Bangladesh 177th. Companies therefore need to consider, analyze and evaluate political, social and cultural aspects in addition to external economic developments and constraints to ensure they enter the right markets



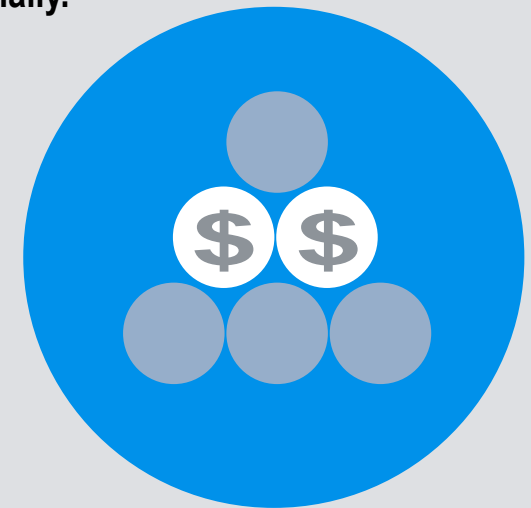
Seize the market potential of the emerging middle class

- > Significant **differences in consumer behavior of the emerging middle class** will persist both between rural and urban areas and between cities of different sizes. Companies need tools to derive **detailed consumer profiles** and identify brand preferences. They should also be aware that ethical and religious values in emerging countries will favor more socially oriented, ecological consumerism. One option to tap into the emerging middle class is to sell **frugal products**. Frugal products are simple products that meet basic needs, designed for low-end to midmarket segments
- > The **marketing strategy and branding message** have to speak to **local consumer needs**. Here, again, companies must strike a **balance between rural and urban customer** preferences. Plain, straightforward marketing strategies can be effective. Urban, middle-class consumers prefer **online shopping and use social media** such as Facebook, so targeted mobile marketing strategies can often lead to success
- > Companies face a wide range of challenges when it comes to designing **distribution strategies** that adequately reflect local conditions. Especially at the market entry stage, it is often simply too expensive to supply remote regions directly. Companies need **strong partnerships** with regional distributors or subcontractors. **Import and tax regulations** must be clarified. Firms should remember that bureaucracy can slow processes down considerably. In some cases, a **strategic alliance** with competitors can create an opportunity for product distribution in new regions or cities. For the emerging urban middle class, whose purchasing behavior is more aligned with consumers in industrialized markets, innovative technology-intensive strategies may prove to be the most effective



Use scenario planning to think beyond the status quo in an uncertain world

- > Use **scenario planning** to identify and seize opportunities, to minimize plausible risks and to create flexible structures to match volatilities and uncertainties. This becomes increasingly important as it is evident that **political, social and economic turbulences** also occur in developed – and normally perceived as more stable – countries
- > Sophisticated **scenario planning** facilitates the **inclusion of a variety of factors** and thus grants an opportunity to **reflect the various facets of globalization** in your analysis. Also, combine scenario planning with the set-up of a balanced footprint, which allows for dynamic actions and reinforced internal, firm-wide stability
- > **Companies that factor in appropriate scenario recommendations** are at an **advantage** over competitors lacking in scenario planning since it enables the former to **react quickly, objectively and rationally**. In the fast-moving **VUCA** (volatile, uncertain, complex, ambiguous) world companies operate today this is becoming increasingly important. Scenarios for market entry or expansion can be planned and measured according to different criteria such as GDP growth, FDI etc.
- > Besides identifying opportunities, **scenario techniques** help to **minimize risks**. As regional events quickly attain international relevance in a globalized world, it becomes increasingly difficult to predict economic downturns. As most will be affected e.g. by an international crisis, it is a question of **who is well prepared** and who recovers best. **Taking the right action in a speedy and informed manner is critical**. Early indicators for each scenario therefore need to be defined and analyzed to help identify and cope with a variety of plausible futures as quickly as possible



Key sources and further reading (1/2)

Most important data sources



- > Oxford Economics. Global Data Services
<http://www.oxfordeconomics.com/>
- > Euromonitor
<http://www.euromonitor.com/>
- > WTO. Report on G20 Trade Measures
<https://www.wto.org/>
- > Cisco. Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update
<https://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/mobile-white-paper-c11-520862.html>
- > UN DESA. United Nations, Department of Economic and Social Affairs (2017). International migrant stock: The 2017 revision
<http://www.un.org/en/development/desa/population/migration/data/estimates2/estimates17.shtml>
- > Eurostat. Migration and migrant population statistics
[http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration and migrant population statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration_and_migrant_population_statistics)

Key sources and further reading (2/2)

Further reading



- > WEF. The Global Enabling Trade Report 2016
http://reports.weforum.org/global-enabling-trade-report-2016/?doing_wp_cron=1511863115.0790159702301025390625
- > UN. International Migration Report 2017
http://www.un.org/en/development/desa/population/migration/publications/migrationreport/docs/MigrationReport2017_Highlights.pdf
- > UNCTAD. Development and Globalization: Facts and Figures 2016
<http://stats.unctad.org/Dgff2016/DGFF2016.pdf>
- > UNCTAD. Key Statistics and Trends in International Trade 2016
http://unctad.org/en/PublicationsLibrary/ditctab2016d3_en.pdf
- > Friedrich-Ebert-Stiftung, Global Future and International Organization for Migration. Tomorrow's World of Migration and Mobility
<http://library.fes.de/pdf-files/bueros/genf/13904.pdf>
- > EPRS. European Parliament Research Service. Global Trends to 2035. Geo-politics and international power
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2017\)603263](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2017)603263)

Please contact us if you have any questions or comments –
Six more megatrend insights await on our website



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Trend Compendium

<https://www.rolandberger.com/en/Dossiers/Trend-Compendium.html>

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