



# *Tomorrow's Markets: Global Trends Shaping the Future Marketplace*

*A Publication Preview*

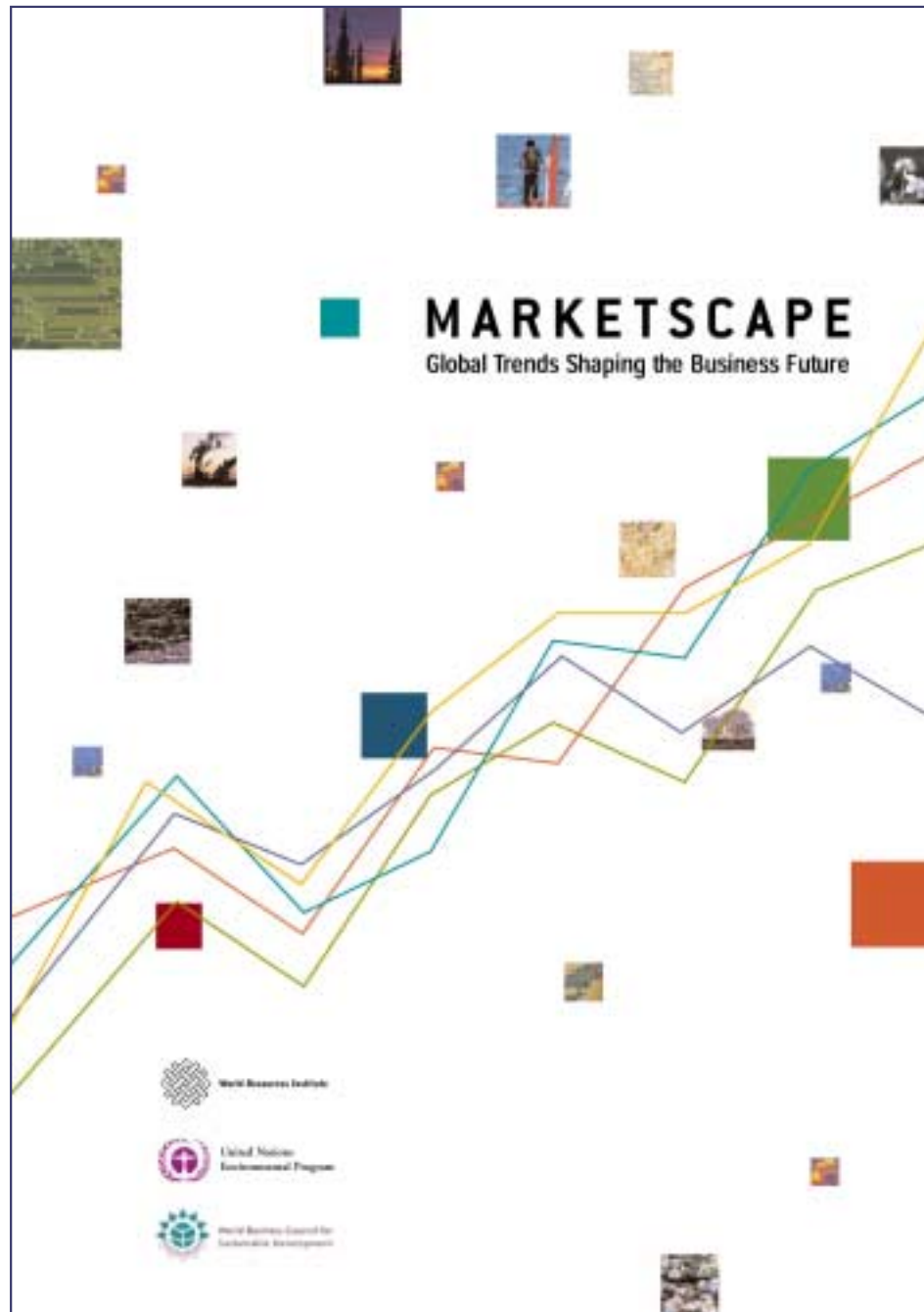
Sustainable Enterprise Summit

December 5<sup>th</sup>, 2001

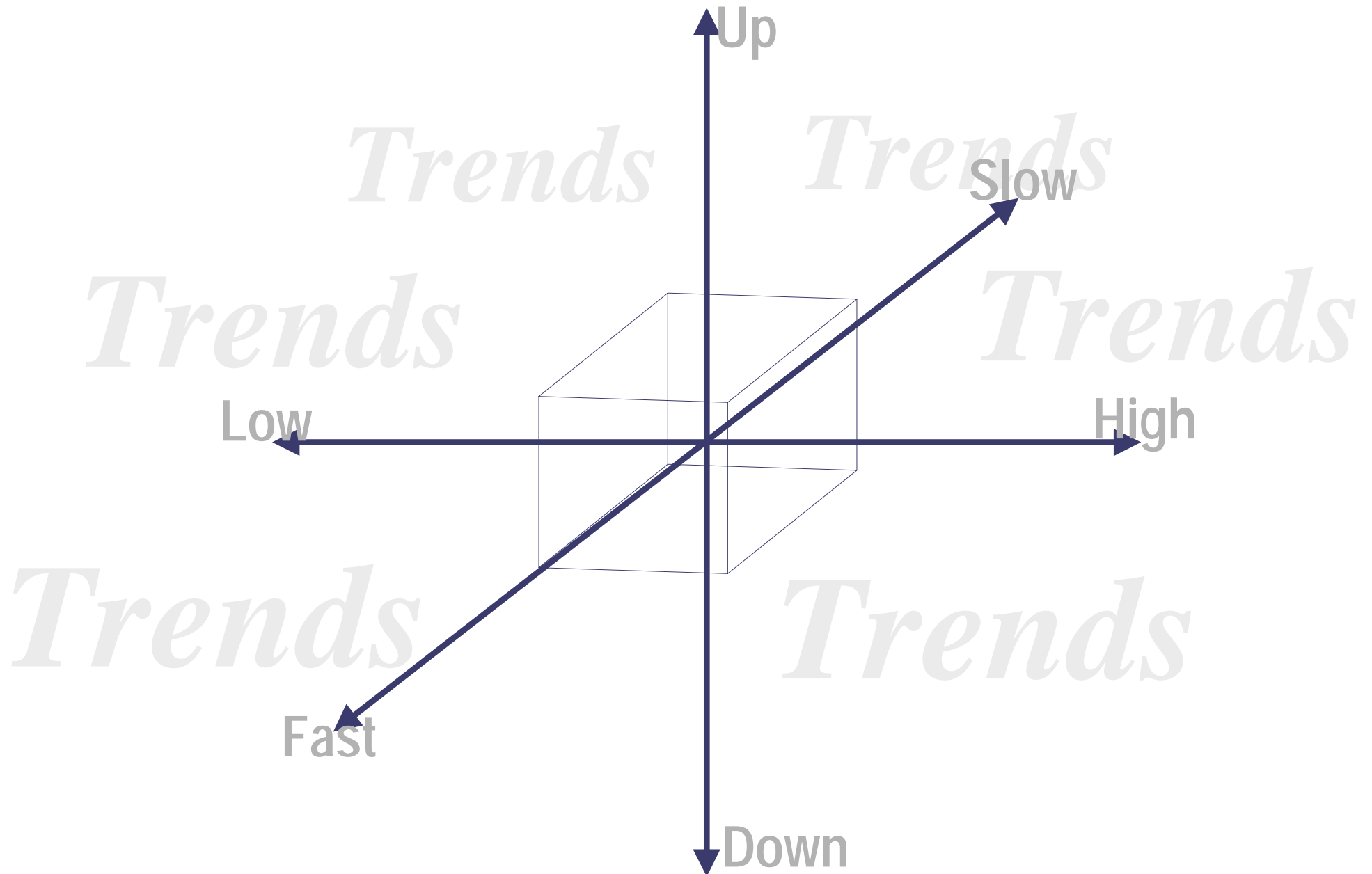


*Unique*  
*Vital*  
*Timely*

*Preface by*  
*Michael Porter*



# Trends Define Future Business Scenarios



*Why?*

*What?*

*Who?*

*Sustainability is a strategic lens to understand the future and to create value*



# Facts & Trends: Making the Link



**People and Tomorrow's Markets:  
Serving Society**



**Innovation for a Sustainable World:  
More Value with Less Impact**



**Natural Capital:  
Protecting the Resource Base**



**Connections:  
Business in a Networked World**



**Roles and Responsibilities:  
Earning License to Operate**

# Facts & Trends: Making the Link



People and Tomorrow's Markets:  
Serving Society



Innovation for a Sustainable World:  
More Value with Less Impact



Natural Capital:  
Protecting the Resource Base



Connections:  
Business in a Networked World



Roles and Responsibilities:  
Earning License to Operate

*Population*

*Global*

*Wealth*

*Nutrition*

*Health*

*Education*

# Facts & Trends: Making the Link



People and Tomorrow's Markets:  
Serving Society

*Lifestyle*



Innovation for a Sustainable World:  
More Value with Less Impact

*Energy*



Natural Capital:  
Protecting the Resource Base

*Waste*



Connections:  
Business in a Networked World

*Efficiency*



Roles and Responsibilities:  
Earning License to Operate

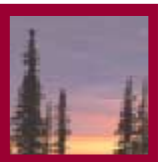
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People and Tomorrow's Markets:  
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Innovation for a Sustainable World:  
More Value with Less Impact



Natural Capital:  
Protecting the Resource Base



Connections:  
Business in a Networked World



Roles and Responsibilities:  
Earning License to Operate

*Ecosystems*  
*Food*  
*Production*  
*Water*

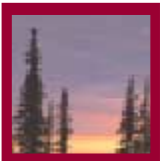
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People and Tomorrow's Markets:  
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Natural Capital:  
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Roles and Responsibilities:  
Earning License to Operate

*Urbanization*

*Human*

*Mobility*

*Digital*

*Networks*

*Skilled Labor*

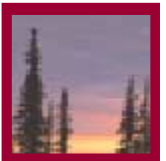
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People and Tomorrow's Markets:  
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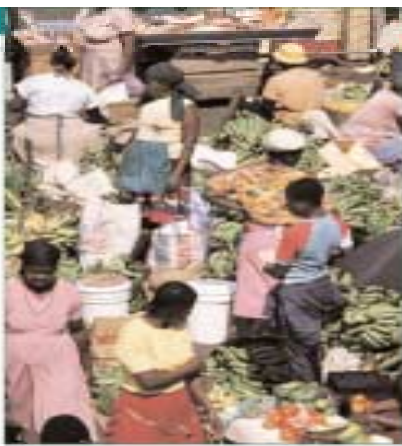


Roles and Responsibilities:  
Earning License to Operate

*Democracy*  
*Transparency*  
*Privatization*

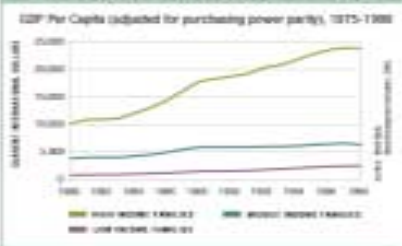
# Knowledge

**T**here is a global trend toward greater wealth, economic development and a rising of quality of life. Despite this overall good news, regional and within-country income disparity is striking and the absolute number of people living in poverty is increasing. The proportion of the global population living in high-income countries has been almost halved since 1950 yet the proportion living in the poorest countries continues to rise.



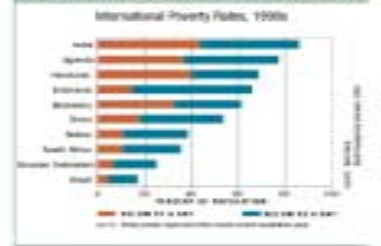
The features of low-income countries are familiar and echo throughout the global trends shaping the future marketplace: high fertility rates, low levels of advanced education, malnutrition and poor health, political instability, restricted freedoms and poor protection of natural resources. Population growth and the markets of tomorrow are concentrated in the low-income countries. Future global economic stability and prosperity depend on ensuring that the people of low-income countries have opportunities to be full participants in the international community and global marketplace and raise their living standards.

### But the gap between rich and poor continues to grow



GDP per capita has been rising in all countries of the world but at different rates. Fair access to opportunity in a global marketplace requires that the income gap between citizens high and low income countries narrow.

### High Levels of Poverty Persist in Many Countries



Amidst global prosperity, poverty continues to afflict hundreds of millions of our fellow human beings. Though the purchasing power of one dollar varies greatly around the globe, \$2 or less per day is existence at the brink of survival.



## Global Wealth is rising but the income gap is widening

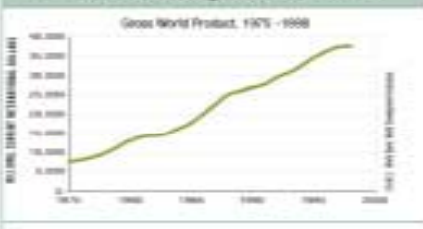
Despite this apparent prosperity, more than xxx million people worldwide live on less than \$1 per day and xxx million more on less than \$2 per day

Lifestyle	76
Education	28
Ecosystems	48

### Facts

- World economic output more than quadrupled in the past quarter century, rising to about 31 trillion U.S. dollars by the late 1990s.
- Since 1975, per capita gross domestic product has increased by about 600% in East Asia, 380% in Latin America and the Caribbean, and 130% in sub-Saharan Africa.
- The number of people living on \$120 US per year or less (a crude measure of poverty) is close to a billion. The number living on more than \$30,000 US per year or more (a crude measure of wealth) is close to x millions.
- Despite this apparent prosperity, more than xxx million people worldwide live on less than \$1 per day and xxx million more on less than \$2 per day.
- The world is 70% poor (avg pop income less than \$3478 annually), 13% middle income, and 11% rich (avg pop income more than \$8000 annually).

### The World is Producing More and is Wealthier



World economic output has grown rapidly in the past 23 years, averaging 6.6% annual growth since 1975. Incomes have been rising in all regions, though much faster in some regions than in others. (Output data are reported in international dollars, which represents equivalent purchasing power in local currency as a U.S. dollar in the United States.) Overall, per capita incomes have also increased and now average \$6400 per year. For most citizens, this is a decent income and families would consider themselves middle class: able to buy food, decent housing, send their children to school, and purchase some special amenities. In Africa the average is approximately \$1600 per person per year; in Latin America \$6500, and in North America about \$12000.

### Disparities Vary: Distribution of Income, Selected Countries



Increases in average income do not tell the whole story. Income is distributed very unequally among and within countries. Extreme inequality hampers economic development and is associated with higher risks of political instability and an adverse business climate. Disparities in income within countries are often as great as among countries. In Denmark, the poorest 20% of the population receive 10% of the national income; the richest 20% about 34%. However, in Brazil the poorest 20% receive only 2% of the income while the richest 20% have access to more than 60%.

### Consumers

Excluding global progress – economic as well as social – can only be achieved in a world that has been freed of the large-scale human misery associated with poverty. A world at peace and free from violence will also be a world without the economic inequality that is a fertile ground for political and ethnic hatred. Very long-term business growth requires bringing millions of people into the global economy while still protecting the resource base and the global environment. The conditions for low markets are threatened by widening income inequalities and economic failures that erode democracies and the rule of law. Expanding markets are in the middle and lower part of the economic pyramid. Developing affordable goods and services for the lower income markets can be a driver of innovation and business growth.

# Graphs and Maps

WORLD WEALTH AND INEQUALITY

There is a global trend toward greater wealth, economic development and a rising quality of life. Despite the fact that most of the world's population is still living in poverty, the overall quality of life is improving. The population of the global population living in high-income countries has been almost double since 1980 and the per capita living in the poorest countries continues to rise.

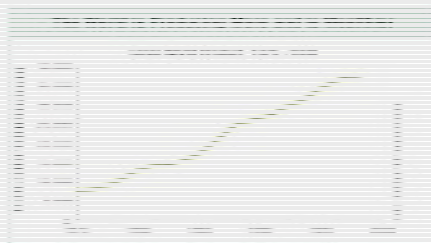
The number of people living in high-income countries has risen from 1.2 billion in 1980 to 2.2 billion in 2000. The number of people living in middle-income countries has risen from 1.2 billion in 1980 to 2.2 billion in 2000. The number of people living in low-income countries has risen from 1.2 billion in 1980 to 2.2 billion in 2000. The number of people living in the poorest countries has risen from 1.2 billion in 1980 to 2.2 billion in 2000.



## Global Wealth is rising but the income gap is widening

### Facts

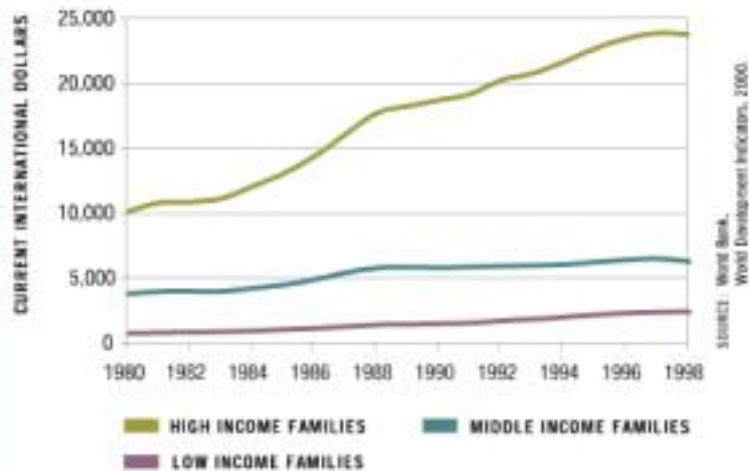
- World economic output has grown rapidly in the past quarter century, rising to about 25 trillion U.S. dollars for the year 2000.
- Since 1975 per capita gross domestic product has increased by about 100% in high-income nations and the low-income and middle-income nations.
- The number of people living on \$100 per year or less has fallen from 1.2 billion in 1980 to 1.2 billion in 2000. The number living on less than \$100 per year or less has fallen from 1.2 billion in 1980 to 1.2 billion in 2000.
- Despite the economic progress, more than one billion people still live on less than \$1 per day and one billion live on less than \$2 per day.
- The world's 100 richest people own more than 50% of the world's net worth. The world's 100 poorest people own less than 0.0001% of the world's net worth.



World economic output has grown rapidly in the past quarter century, rising to about 25 trillion U.S. dollars for the year 2000. Despite the economic progress, more than one billion people still live on less than \$1 per day and one billion live on less than \$2 per day. The world's 100 richest people own more than 50% of the world's net worth. The world's 100 poorest people own less than 0.0001% of the world's net worth.

## But the gap between rich and poor continues to grow

GDP Per Capita (adjusted for purchasing power parity), 1975-1998



GDP per capita has been rising in all countries of the world but at different rates. Fair access to opportunity in a global marketplace requires that the income gap between citizens high and low income countries narrow.

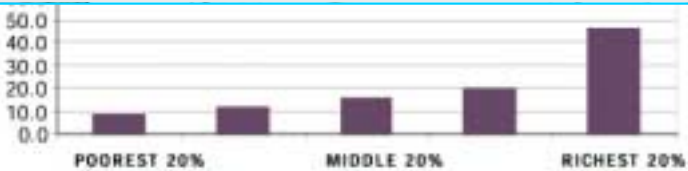
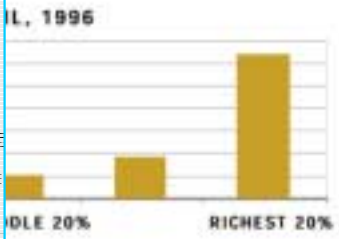
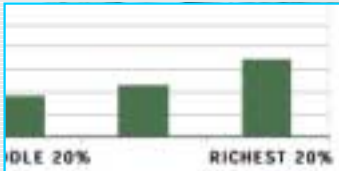
# Strategic Message

Global Wealth Inequality

There is a global trend toward greater wealth, economic development and a rising quality of life. Despite this rise in global wealth, however, a billion people remain without electricity and the absolute number of people living in poverty is increasing. The population of the global population living in high-income countries has been almost double since 1980 and the poor continue living in the poorest countries continues to rise.

The number of people without electricity has doubled since 1980. Although the global trend is toward the better, a billion people still live in poverty, the result of educational, nutritional, and other global issues. Political instability, economic downturns and the proliferation of natural resources. Population growth and the number of children per woman in the world has increased since 1980. Public health systems, education and economic growth are all areas of concern. The global trend is toward the better, but the poor continue to live in the poorest countries. The number of people living in poverty is increasing and the global trend is toward the better, but the poor continue to live in the poorest countries.

## Global Wealth Inequality



## Consumers

Enduring global progress – economic as well as social – can only be achieved in a world that has been freed of the large-scale human misery associated with poverty. A world at peace and free from violence will also be a world without the economic inequality that is a fertile ground for political and ethnic hatred. Very long-term business growth requires bringing millions of people into the global economy while still protecting the resource base and the global environment. The conditions for free markets are threatened by widening income inequalities and economic failures that erode democracies and the rule of law. Expanding markets are in the middle and lower part of the economic pyramid. Developing affordable goods and services for the lower income markets can be a driver of innovation and business growth.

...t tell the whole story. Income among and within countries, economic development and is associated with instability and an adverse environment within countries are often a benchmark, the poorest 20% of national income: the richest 20% receive only 45% of national income: the poorest 20% receive only 10% of national income: the richest 20% have access to more

*Not only can corporate and social needs be integrated, but the success of the developing world in improving prosperity is of fundamental strategic importance to almost every company.*

*- Michael Porter  
Publication Preface*

# Knowledge

**G**lobal society is becoming increasingly mobile within and across national boundaries. Human movements are intentional migrations as well as the refugee flows spawned by armed conflict, famine, poverty and disease.

The speed and extent of human movement creates a large demand for energy and infrastructure and increases cultural diversity in the workplace and marketplace. The global flux of people also fosters formal and informal channels for the movement of goods, services and capital and expands networks for the exchange of knowledge and information. The speed and ease of movement of people, goods, and information makes small and large enterprises and international businesses able to transact commerce 24 hours a day and 7 days a week. Images, products and people flow around the globe like the explorers of old for quality lives and for jobs and commerce that acts a single, high global standard.



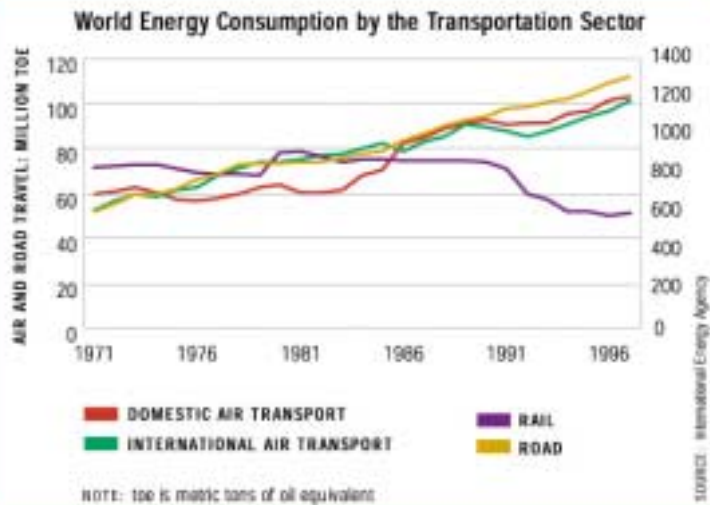
### Travel by road is increasing worldwide



# Trends

Global energy consumption continues to rise, and energy demand continues to grow. Global energy consumption is expected to increase by 50% to 100% by 2025, according to the International Energy Agency.

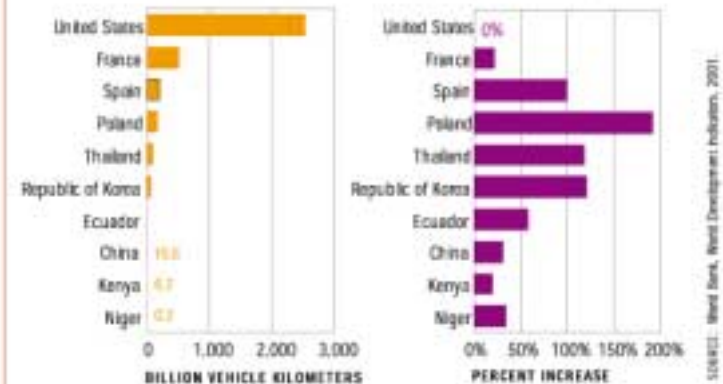
## Transport is One of Society's Biggest Energy Consumers



One indication of a world-on-the-move is the 70%-100% increase in the energy spent on air and road travel in a period when the energy efficiency of travel has also greatly increased. The most energy efficient mode of transportation, rail, decreased over the same time period.

## Travel by road is increasing worldwide

### Road travel Increasing Worldwide



Road travel dominates global use of energy for transportation. Global energy use for road transportation increased from about 600 to almost 1300 million toe from 1971 to 1996. Most of this increase has occurred in the emerging economies of Eastern Europe, China and Southeast Asia.

By 2025, global energy demand is projected to increase by 50% to 100%. This increase will be driven by the growing economies of Eastern Europe, China and Southeast Asia. The resulting increase in energy demand will be a major challenge for the energy industry.

Energy efficiency improvements in transportation can help reduce energy demand. This can be achieved by promoting public transit, carpooling, and using more fuel-efficient vehicles. These measures can help reduce the energy demand of a growing economy.

*Innovative corporate practices in the area of the environment, then, will often enhance internal competitiveness. Products that address environmental scarcities will also have enormous market potential.*

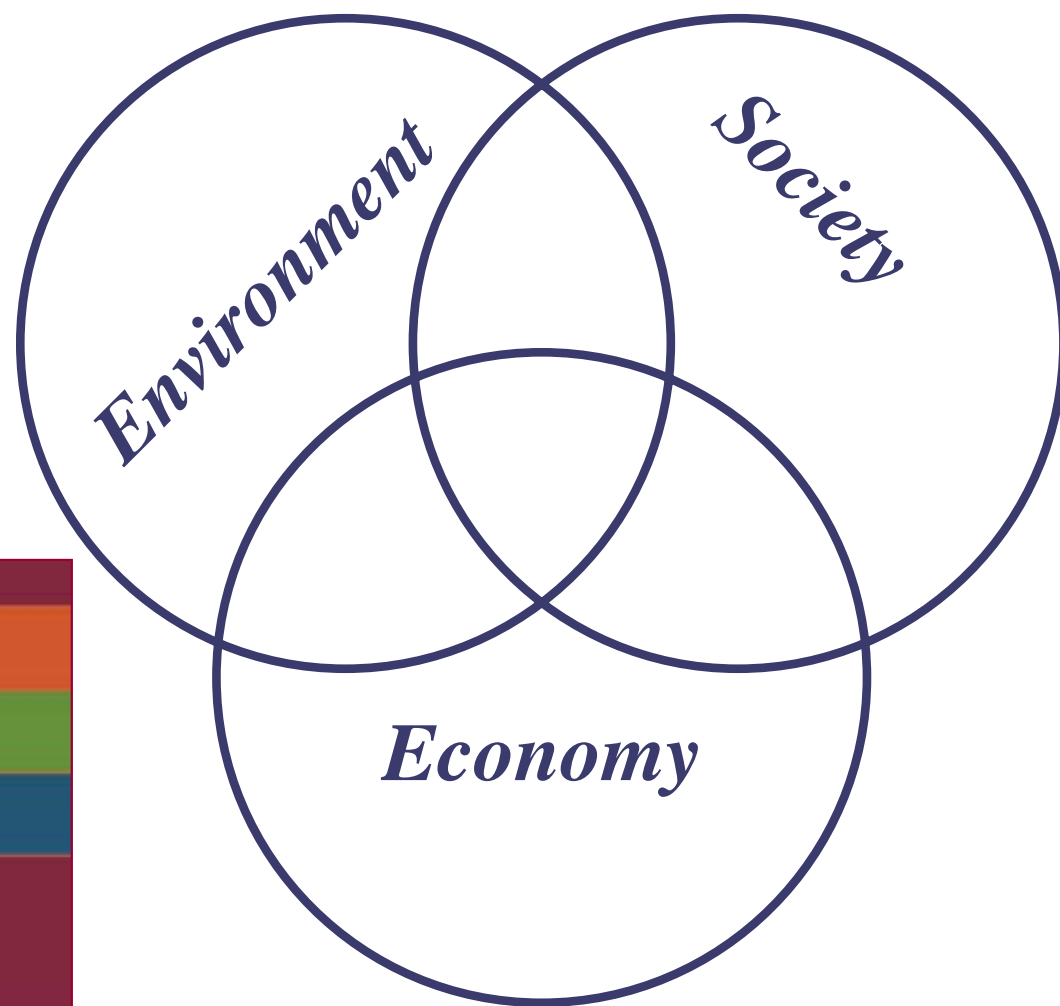
*- Michael Porter  
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# Making the Link

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e. \$2 or less per day is existence

llion	Lifestyle	06	
	Education	25	
	Ecosystems	47	

	Population Growth	06	
	Global Wealth	22	
	Connectivity	46	



# Seeing the Whole

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	Connectivity	46	



# Team Effort

## ■ WRI

- Janet Ranganathan, Liz Moss, Christian Layke, Dan Tunstall, Wendy Vanasselt, Carmen Revenga, Amy Cassara, Marissa Irwin & Norbert Henniger



World Resources Institute



World Business Council for Sustainable Development



United Nations Environment Programme

## ■ WBCSD

- George Carpenter (P&G), Bill Wallace (CH2MHill) & Claude Fussler (WBCSD)

## ■ UNEP DTIE, Paris

- Daniel Puig, Jacqueline Aloisi de Larderel & Cornis van der Lugt

*Proctor & Gamble*

*International Herald Tribune*

*Unique*  
*Vital*  
*Timely*

*February 2002*

