



## 10 Key Trends to Watch for 2014 (Trends 1 to 5)



### November 2013:

When Moore's Law was published, its model of exponential rates of change seemed unbelievable. Today it still guides the semiconductor sector. The accelerating global pace of change today is analogous to Moore's law. Since the turn of the century, emerging markets have moved center stage, the digital revolution has arrived, social networks have become ubiquitous, a sharing economy has been born, scientific advances such as mapping the human genome have changed our lives, and the voice of the people has reinvented markets and overturned governments.

For organizations and individuals the opportunities and challenges that a Moore's Law of change offers are vast. Look for continued radical changes in retail and social networks and value chains being reconfigured as connectivity and technology redistribute industry. "Hubonomics" will shift how and where we operate and consume. The latest scientific advances will make the impossible, possible. Perhaps the biggest issue looking forward will be to understand and manage the contradictions these changes entail.

The challenge for leaders, however, is not accurately predicting the future. Rather it is about first having a broad and open understanding of the trends reshaping the world, second an informed point of view on the future and what it means for your organization and third, and most importantly, taking actions today to begin to prepare. Leaders who continue to act as if the old rules apply will find their organizations left behind, as Kodak and Nokia demonstrate. How long does it take to build new capabilities or business models? To change mindsets about consumers and building relationships with them? To change organizational culture? In a world of accelerating change, the biggest risk for leaders is not being wrong in their point of view about the future, but beginning to take action too late.

So where should leaders look today? In our forthcoming Global Trends Report 2014, The Fieldbook, we highlight 10 trends that business leaders need to focus on today. These will be the subject of our next two briefings. In this briefing we focus on the first five trends and December's will focus on the next five trends to watch.

## 1. From social everything to being smart socially

Social technologies are everywhere, but these vast repositories of digital “stuff” bury the exceptional among the unimportant. It’s time to get socially smart. Users are moving to niche networks to bring back the community feel and intelligence to social interactions. Businesses need to get smarter about extracting and delivering value from big data including challenging business models. For social networks, mobile is the great leveler. Competition for attention with other apps will intensify the battle to own key assets from identity to news sharing, demanding radical reinvention.

### *In Action!*

**The rise of niche networking:** The world of social networking may be crowded but it does not deter new entrants. With significant interest in networks such as [Google+](#) and [Pinterest](#) it became obvious that the consumers wanted something different, more specific, and focused from social networks – and plenty of new players are trying to provide it. One is [SumZero](#), the world’s largest community of investment professionals from hedge funds, mutual funds, and private equity funds. Here more than 9,000 pre-screened professionals collaborate on a fully transparent platform. Another is [Potluck](#), also known as “house party on the Internet,” designed for people wanting to “talk about cool things your friends find on the internet and hang out with people they know”. Other emerging niche networks include [Quora](#), [Quibb](#), [Path](#), [Best of All Worlds](#), [Doximity](#) and [GovLoop](#). (Source: [Fast Company](#))

**Are companies being socially smart?** Social networks are not just the place to connect for individuals. They are increasingly places for businesses to interact with customers. 87% of Fortune 100 companies now have a presence on at least one social media website, with Twitter the most popular, while over 80% of SMEs planned to increase their use of social media in 2013. Despite this business social presence, not all are listening. Firms respond, on average, to only 30% of feedback from social media websites; 56% of customer tweets are ignored; 39% of companies don’t track social response at all; and less than 20% of U.S companies have integrated social media with their customer service, sales or product development processes. How socially smart is your company? (Source: [All Twitter](#))

### *Look Out For...*

**What’s next after Facebook:** 1+ billion users and counting. [Facebook](#) is still growing but warned earlier this year that it might be losing “*younger users*” to “*other products and services similar to, or as a substitute for, Facebook.*” Speculation is that if [Facebook](#) doesn’t reinvent itself, like other tech leaders such as [Apple](#), [Google](#) and [Yahoo](#), the heydays could be over sooner rather than later. Takeovers of [Instagram](#) and [Onava](#) suggest that Facebook may use acquisitions to “force back” users’ attention but it is an expensive and difficult strategy. [Snapchat](#), the photo-messaging app, now boasts 350 million photo uploads daily, the same number as Facebook. [WhatsApp](#), the messaging service with 300 million users, has been able to collect paid download and annual subscription revenue. In the tech industry “no change – no customer” is the rule. Will Facebook be able to keep up with startups like [Snapchat](#) and [WhatsApp](#)? (Source: [BuzzFeed FWD](#), [The Guardian](#), [Business Insider](#))

**Embracing big data:** The big data buzz has been around for a while but many organizations still don't know how to tap into the tremendous amount of useful data that they collect. A [survey](#) sponsored by [SAP](#) indicates that 43% of organizations have some type of formal "big data" initiative going on, with most 1000+ employee firms engaged in "big data" initiatives. One is [GE](#) who has used big data to make smarter turbines. Another example is [Wichita State University's](#) (WSU) which uses it (as do many U.S. educational institutions) to optimize offerings and steer help to students who need it. Cities worldwide are also using big data to control traffic, parking opportunities, and energy consumption. (Source: [Gigaom](#), [Fast Company](#), [Mashable](#)). As everything and everyone gets more connected expect to see more big data projects coming your way – as a recent [Bain study](#) shows, those early adopters that have found the potential of big data are outperforming competitors by a wide margin.

## 2. Information security: The genie is out of the bottle

Thought your information was safe? Think again. The information security genie is out of the bottle as cyber-surveillance and data mining by public and private organizations increases – and don't forget criminal networks and whistleblowers. It will be increasingly hard to tell friend from foe in cyberspace as networks build artificial intelligence to decipher your emotions and smart cities track your every move. Big brother is here: Protecting identity, information and societies will be a priority for all.

### *In Action!*

**Whistleblowing 2.0:** Whistleblowing is no longer just for highly educated elites at the top of the information food chain. Today bombshell revelations are also coming from lower-level workers. Bradley Manning, an American soldier, was sentenced to 35 years in prison for leaking 750,000 pages of classified documents, most published by Wikileaks which specializes in making public secret information. Edward Snowden, a former CIA employee, and NSA contractor disclosed classified details of several top-secret United States mass surveillance programs to the press. According to former NSA and CIA director, Michael Hayden, Snowden will likely be most damaging leaker in American history. (Source: [CNN](#))

**New cyber regulations:** Faced with exploding cyber crime, the EU and the U.S. are trying to develop new security policies and precautions. Barack Obama has asked national security and intelligence officials to draw up a list of potential overseas targets for U.S. cyber attacks. The European Commission wants member countries to introduce laws compelling major firms in industries such as transport, telecoms, finance and online infrastructure to disclose details of any cyber attack to national authorities. However, the EU's Cybersecurity Strategy received a lukewarm reception with worries that the proposals are too vague and open-ended and lacked protection for personal data. There is some way to go before we can feel safe at our computer screens. (Sources: [New York Times](#), [HNGN](#), [The Economist](#), [The Guardian](#), [Naked Security](#))

**Policing the web:** The Chinese government is no stranger to online control, constantly tracking the movements of its citizens to avoid political or social unrest that could challenge its grip on power. What may be surprising is the scale of the "web police": An army of two million people monitors tens of millions of messages being posted daily on popular social media and microblogging sites. If "slandorous" information is viewed more than 5,000 times or forwarded more than 500 times the internet user could face three years in jail. (Source: [Rappler](#))

### Look Out For...

**First was facial recognition, now it's time for understanding:** Facial recognition technology has been a sensitive issue for tech companies. [Facebook](#), in particular, has taken a legal beating for its "Tag suggest" feature that uses facial recognition technology to speed up the process of labeling or "tagging" friends. Now tech companies are pursuing deep learning/artificial intelligence, technologies that will process data using simulated neural networks aiming to grasp the deeper meaning of users actions and emotions on social networks. [Facebook](#) has recently started but [Google \(Google Brain project\)](#), [Microsoft](#) and Chinese [Baidu](#) have already been working on the technology for a while. (Source: [Singularity Hub](#), [Digital Trends](#))

**Smart cities are watching you:** In 2010, without public objection, the city of Chongqing in China installed 500,000 video cameras to watch the city of over than 6 million people. The [Brookings Institution](#) has calculated that today it would cost US\$300 million to store a year's worth of footage from Chongqing's cameras, but by 2020 this could fall to just US\$3 million per year. It warns *"For the first time ever it will become technologically and financially feasible for authoritarian governments to record nearly everything that is said or done within their borders — every phone conversation, electronic message, social media interaction, the movements of nearly every person and vehicle, and video from every street corner."* Nonetheless, smart cities being built around the world are incorporating similar technologies to protect and manage the city. However, this level of mass surveillance may be unacceptable to residents – and could put them at risk, if the stockpiles of personal data are hacked. (Source: [Salon](#))

**Shouldn't you EARN my trust and data?** An angry beehive of outrage greeted revelations about the extent of data collected by the NSA on what ordinary people do on the internet. If that's a worry, take a look at what some of the big tech companies are working on. [Microsoft](#) is the latest company to announce that it is replacing cookies with an unspecified detailed tracking system built into devices while [Google](#) reportedly has a similar system called Add. Opting out of tracking is going to be even more difficult in future as such systems will aggressively follow users. Large corporations are also improving their ability to gather private data into big concentrated advertising databases. The issue is that apparently the NSA can help themselves to private data in companies' databases, so who knows who else has? The bottom line: It's increasingly difficult to protect yourself and your personal data online. (Source: [Wired](#) )

### 3. Who needs shops anyway?

Retailers are facing a digitally driven perfect storm. Connectivity, rising consumer influence, time scarcity, mobile payments, and the internet of things, are changing where, when and how we shop – if smart machines have not already done the job. Add the sharing economy, driven by younger generations where experience and sustainable consumption are more important than ownership, and traditional retail models break down. The future of shops will be increasingly defined by experiential spaces offering personalized service, integrated online and offline value propositions, and pop-up stores to satisfy demands for immediacy and surprise.

#### **In Action!**

**The end of bricks-and-mortar?** Every minute of the day US\$272,000 is spent by consumers online, a figure that is growing daily as more and more consumers make purchases and

purchase decisions, not in a physical stores, but online. SoLoMo (social/local/mobile) technology gives consumers access to information, choices and value for money 24/7. 92% of shoppers have more confidence in information found online than any other source. When shopping online, 66% of consumers prefer to purchase from a retailer's online site versus its app. And these behaviors are going mobile: By 2017 global mobile commerce transactions will exceed US\$3.2 trillion, up from US\$1.5 trillion in 2013. (Source: [Juniper Research](#), [Mediabistro](#))

**The emerging sharing economy:** [The Altimeter Group](#) in their June 2013 report [The Collaborative Economy](#) took the temperature of 200 collaborative economy start-ups. 37% have received venture capital funding with the average funding per start-up at US\$29 million and US\$2 billion the total funding of the 200 start-ups. 63% offer peer-to-peer sharing like [Airbnb](#) or [99dresses](#) while 35% offer business/brand driven sharing like co-working or [BMW DriveNow](#). 67% charge per use (pro rata), 21% have membership/one time fees, 10% are free and 6% are based on exchange. Of the top 30 start-ups, 73% have social networking features, e.g. social profiles and reputation systems and 53% integrate Facebook Connect.

**It's a pop-up world:** Here today, gone tomorrow is going mainstream. Why? According to [Spire Research](#) brand owners value the pop-up store for reasons including: Creating an instant buzz, allowing non-committal exposure through short-term leases, offering opportunities for brands to experiment in informal, cost-effective ways for new products and concepts. Many brands are now using the pop-up concept, e.g. [Nike](#), [Kate Spade](#), [Gucci](#), [Louis Vuitton](#) and [Gap](#). Start-up [Republic Spaces](#) is building on the trend with a boutique marketplace for pop-up stores that connects emerging designers, brands, artisans, and DIYers with appropriate retail space for short-term retail initiatives. Meanwhile [miLES](#) aims to transform empty space in the Lower East Side of Manhattan, offering storefront for short-term uses such as pop-up shops, events, classes, co-working space, and anything else you can imagine. (Source: [Mashable](#).)

### **Look Out For...**

**Fighting regulations:** The sharing economy is suffering some setbacks due to legal issues. [Airbnb](#) announced in a [blog post](#) on October 6, 2013 that they are fighting an “unreasonably broad” demand from the Attorney General in New York: [Airbnb](#) recently made commitments to clarify short-term rental laws, work with city leaders to ensure that the [Airbnb](#) hosts pay applicable taxes, and weed out the few “bad actors” among their community. The ride-sharing services [Lyft](#), [Uber](#) and [Sidecar](#) have also been fighting several lawsuits, e.g. allegedly ripping off drivers, unfair competition and labor violations. As for copyright on 3D printing, the sharing economy legal boundaries are not straightforward, so it is likely that lawsuits will define what is and is not possible. Could these lawsuits be game-changers for the sharing economy companies? Will new business models be needed?

**The innovative retail experience:** A 2000 square foot store located in Manhattan's burgeoning retail corridor of 10th avenue, [STORY](#) is a retail space that has the point of view of a magazine, changes like a gallery and sells things like a store. Every four to eight weeks, STORY changes all its merchandise, design and fixtures, reinventing the store around a new theme. Each of these is sponsored by at least one company, e.g. [GE](#) sponsored the [Making Things STORY](#), [HP](#) and [Quirky](#) the Holiday STORY, [Nerve.com](#) the Love STORY. Is this the future of targeting the growing number of consumers with a short attention span and need for constant change?

#### 4. Redistributing the industrial revolution

Complex, global value chains are being redistributed by new technologies, labor market shifts and connectivity. Small-scale manufacturing, including 3D and soon 4D printing, and shifting production economics are moving production closer to markets and enabling mass customization – not just by companies but by the tech-enabled maker movement which is going mainstream. Rising labour costs in developing markets, high unemployment in developed markets, global access to online talent and knowledge, plus advances in robotics mean reshoring of production to developed markets will increase. Mobility, flexibility and networks will define the future industrial landscape.

##### *In Action!*

**The next industrial revolution will be at home:** More and more American companies are moving production home from China. China's wage inflation is around 15-20% a year and is the most commonly cited reason for doing so. In August 2013, 54% of U.S.-based manufacturing executives at companies with sales over \$1 billion were planning to bring back production to the U.S. from China or were actively considering it, a 17% increase from February 2012. France has unveiled a €3.5 billion plan to create jobs replacing many lost in the past 10 years. President François Hollande said, *"Quality is not only German, technology is not only Japanese, innovation is not only American and competitiveness is not only Chinese. The third industrial revolution will also happen in France."* (Source: [EurActiv](#), [The Boston Consulting Group](#)).

**Will the maker movement go mainstream?** DIY (do-it-yourself) is rapidly transforming from the traditional "how to decorate or change a tire" towards making or designing something for yourself and others. A growing number of people are getting involved, from individuals to large corporations such as [GE Garage](#) and [Radioshack](#), who want to take advantage of the "maker" culture. 3D printers are still pricey but will become more affordable for many people in the next few years fuelling the growth of the Maker Movement. Chris Anderson, CEO of autonomous aircraft and open source drone maker [3D Robotics](#) believes *"The next generation of industrial designers are going to be the kids that get 3D printers for Christmas this year."* ([ZDNet](#))

##### *Look Out For...*

**Crowdfunding innovation:** Crowdfunding is lowering entry costs and breaking down barriers for individuals wanting to start a business. Today, and most likely in the future, crowdfunding is for individuals with no funding but a good idea; it's becoming global and growing fast. In 2012 308 global crowdfunding platforms raised US\$2.7 billion, an 81% increase over 2011. In 2013 the crowdsourcing research firm [Massolution](#) expects 600 global crowdfunding platforms to raise US\$5.1 billion in funds. According to [Entrepreneur](#) crowdfunding is still in its infancy but it sees three trends emerging: 1. More groups using crowdfunding to support innovation to solve complex, social problems; 2. Increased popularity of local, crowdfunding communities; 3. Women entrepreneurs raising more investment. Can crowdfunding fuel an innovative future?

**Mobility of talent and knowledge:** As skills shortages increases global mobility of talent and knowledge is critical to drive growth and innovation. Technology plays a key role in accessing the talent pool worldwide, but despite such virtual access people will still need to be employed "on the ground" in near future. That being said, virtual working arrangements are increasing dramatically. In 2012 the overall market for online work was more than US\$1 billion and the top

companies in the space ([oDesk](#), [Elance](#) and [Freelancer.com](#)) are growing at 60-100% per year. [Staff.com](#) suggests that we will see more flexible, cloud-based hiring in future with workers attending interviews and [working virtually](#) from around the world. For the companies the benefits are substantial, not just in accessing talent, but also in significant cost savings, 24/7 operation of their business and greater flexibility of their workforce.

## 5. Hubonomics: The new face of globalization

As production and consumption become more distributed, hubs will characterize the next wave of “globalization.” They will specialize to support the needs of growing regional trade, emerging city states, on-line communities of choice, and the next generation of flexible workers and entrepreneurs. Underpinning these hubs will be global knowledge networks and new business and governance models based on hubonomics™, that leverage global assets and hub strengths to deliver local value.

### *In Action!*

**Towards more regional trade hubs:** Some commentators are suggesting that the global trade to GDP growth relationship is seeing a structural change from the 2:1 ratio that has held in the last 30 years towards a lower multiplier. Others attribute the last two years’ “anomalies,” where trade grew at close to or less than economic output, to the effects of the global recession, which also drove up trade barriers to protect national interests and domestic industries. However, trends suggest that a structural shift towards more regional trade patterns may be under way including those redistributing the industrial value chain noted above, e.g. reshoring, production close to markets. In addition, intra-regional investment flows and trade between high growth markets have been increasing, reflecting the shift in economic power from West to East and North to South. New regional trading blocs are being proposed such as the U.S.-Asia [Trans-Pacific Partnership](#). Removal of barriers to regional cross-border trade can also help address issues such as food security in Africa. For example, Mozambique’s policy of freely allowing imports and exports of maize has helped stabilized prices in the capital Maputo versus other capital cities in the region. Expect trade to move towards more regional hubs in future. (Sources: [Financial Times](#), [World Bank](#) and [White House](#)).

**Innovation hubs:** Want to boost innovation? Then it’s probably a good idea, according Professor Michael Mol, [Warwick Business School](#), and Associate Professor Olivier Bertrand, [SKEMA Business School](#), to learn from [IBM](#) who built research labs throughout the world, e.g. Switzerland, Japan, Israel, UK, China and India, from which R&D is outsourced to research institutes. Their research shows that while outsourcing at home is fine to fill short-term gaps, it is much better to outsource abroad if companies really want to innovate since knowledge innovation suppliers in the company’s home country often are too similar. (Source: [WBS](#))

**Co-working spaces:** From Feb 1, 2012 to Feb 1 2013, 4.5 new co-working spaces were opened up each workday. The use of co-working spaces, such as [RocketSpace](#) in San Francisco, is a hot trend in an era where work is being redefined by technology, eliminating the need to work in a set place at a set time. According to [deskmag](#) over 110,000 people currently work in one of the nearly 2,500 co-working spaces available globally, which have been growing 83% annually, serving 117% more members. Compared to traditional office spaces co-working typically offers a collaborative, inspiring and stimulating environment that fosters innovation. In recent

research, 71% of people using them felt more creative, 62% believed their work improved significantly, 90% felt more confident when co-working and 70% said that they feel healthier than in a traditional office setting. (Source: [Forbes](#)). Is the traditional office environment being pushed out by the more inspiring melting pot of co-working spaces?

### **Look Out For...**

**Cities as wealth generators:** Rapid urbanization across the globe is making cities increasingly important global generators of growth – and it is the emerging market cities that will win the race. McKinsey Quarterly’s City 600 index suggests that developed market cities will create 17% of global GDP growth in 2025, down from 36% in 2010 while emerging market cities will create 47%, up from 18% in 2010. Overall, cities could inject up to US\$ 30 trillion into the global economy by 2025. Despite these forecasts, few companies focus on the growth potential of cities. According to a recent survey from McKinsey Quarterly fewer than one in five executives makes location decisions at a city level rather than a country level (Source: [McKinsey Quarterly](#)). If your company is still focusing on a country level strategy it may be time to explore the potential of cities.

**Urban knowledge hubs:** The world is urbanizing and so is knowledge. Science parks in suburban areas have, since the 1970s and 1980s, been the most visible symbols of the “knowledge economy.” A global concept, today there are 123 university-based science parks in the US, 46 in the UK and more than 200 in Asia. Now knowledge hubs are developing inside cities, often in the guise of science or technology parks, creative and design districts, etc. Oftentimes worn-out industrial sites and districts are being regenerated through such hubs or “creative factories.” Some well-known examples of urban knowledge hubs include the [Cambridge Science Park](#), [Barcelona’s @22 district](#) or [Helsinki’s Arabianranta](#) area. How can your company help boost and tap into urban knowledge hubs? (Source: [The Urbane Tribune: Urban Hotspots 2.0](#))

### **In our December briefing, look out for the next 5 trends to watch for 2014:**

- 6. Sci-Fi is here: Making the impossible, possible**
- 7. Growing pains: Transforming markets and generations**
- 8. Panic versus denial: The resource gap grows, the global risks rise – but who is listening?**
- 9. Fighting unemployability and unemployability**
- 10. Surviving in a bipolar world: From expecting consistency to embracing ambiguity**

**Are you and your business ready to take advantage of these trends to watch?**



Want to know more? All 10 trends to watch will be covered in more depth, along with practical tools to move from trends to action, game-changing trends, and multiple case studies in *The Global Trends Report 2014: The Fieldbook*, due in January 2014.

This will be a companion volume to *The Global Trends Report 2013*, available at [www.globaltrends.com](http://www.globaltrends.com) or through Amazon.



## THE GLOBAL TRENDS REPORT 2013

Towards a distributed future

