

The Changing Geography of Life

The Changing Geography of Life concept is a reflection on the dynamic forces that shape the world around us, with a particular focus on the global mobility of people, consumption and production.

Considering a 100-200 year time horizon, what we term a 'Macro' context, the trends of rapid urbanization and the economic growth of emerging markets are well under way and are driving a shift in global wealth and consumption patterns.

Recently the percentage of city-dwellers in the world's population exceeded 50%, in other words the majority of people in the world now live in cities. Urbanization statistics are startling¹: by 2050 75% of the Chinese population will live in cities, and by 2030 there will be 41 'megacities' with over 10 million inhabitants in each. The process of urbanization and economic development work in tandem. As more and more people are attracted to cities for economic opportunities or lifestyle choices, the economies of scale available in the provision of goods and services in those cities increase rapidly; thus accelerating economic development. By 2025, 65% of global GDP will be produced by just 600 cities, including the 50% that will be produced by 440 currently emerging cities.

The change to global consumption and production patterns brought about by the process of urbanization and economic development has far-reaching consequences for businesses in the medium term - what we refer to as the 'Mezzo' context. For example China was once considered an attractive location for outsourcing production facilities due to an abundance of cheap labor. However rapid economic development has been matched by a rapid increase in labor costs, the result of which is a changing calculus that now pushes 'low cost labor' outsourcing to new locations such as

¹ Source: McKinsey Global Institute "Urban world: cities and the rise of the consuming class" June 2012, Richard Dobbs, Jaana Remes, James Manyika, Charles Roxburgh, Sven Smit and Fabian Schaer

Vietnam and Bangladesh. After a period of time it is inevitable that wages in these locations will rise too. Furthermore, significant advances in production technologies, such as 3D printing, have the potential to reintroduce the historical practice of local production for local consumption. Businesses should, for example, plan ahead for the resultant adjustments to global supply chains and human resource constraints. The agility and foresight of public policy makers will play a decisive role in the speed of these changes. For example consider the role that low corporate taxes and other incentives have played in attracting the world's top technology companies to Dublin, Ireland.

Changes are also underway from the perspective of individual global mobility, what we term the 'Micro' context. The pursuit of economic opportunities and certain lifestyle choices, combined with access to information and inexpensive travel, have created an increasingly mobile society. For example the lure of cities like Singapore and Dubai for finance and other professionals is strong, and these pressures make it more challenging for firms to ensure that they have the right talent, in the right place at the right time. Lifestyle choices attract people not only to cities, but also to locations such as Portugal's Algarve region for example. The Algarve region is a naturally attractive retirement location, made even more so by generous tax breaks available to retirees from other parts of Europe. More than ever before, a person will be born, work and retire in completely different locations.

All long-term and strategic business decisions should be analyzed with a blend of Marco, Mezzo and Micro factors. For example executives should consider the following questions: How do rising income levels in 'low cost labor' countries impact your plant location decision? Which geographical markets are you targeting now and in the future, considering global shifts in consumption patterns? Which local production technological advances have the potential to disrupt your production processes? Will you have access to the right labor force where and when you need it? The answers to these questions reflect the increasing importance of The Changing Geography of Life concept, and the implications are profound.