Institute for Real Growth

Megatrends to watch

March, 2021

Trend 1
Regulations to drive stakeholder capitalism

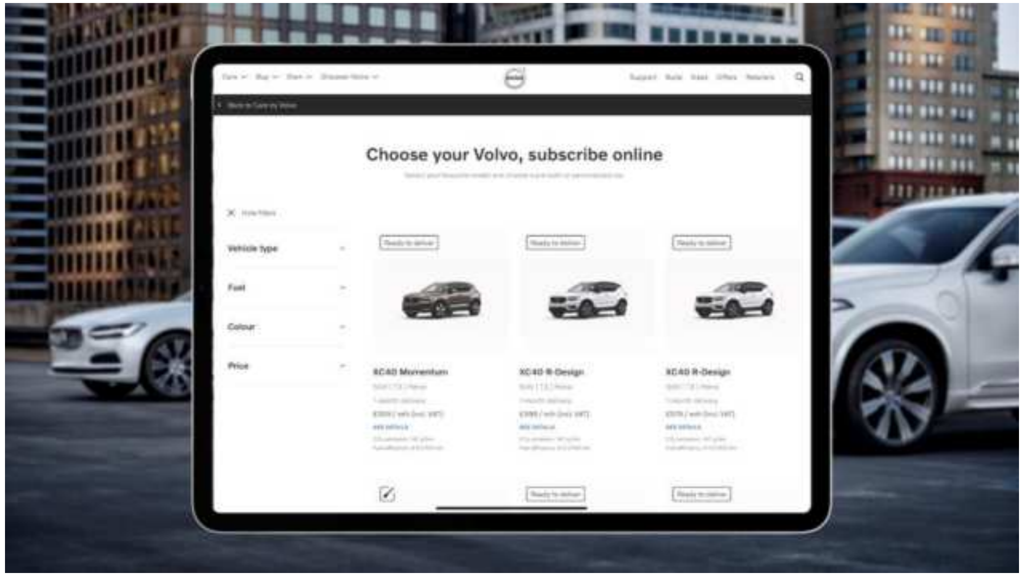
- Recent speech by Allison Lee, acting chair of US Securities and Exchange Commission, laid out a sweeping agenda to make ESG issues central to the SEC's mission and potentially part of every financial transaction.

  "That supposed distinction—between what's 'good' and what's profitable, between what's sustainable environmentally and what's sustainable economically, between acting in pursuit of the public interest and acting to maximize the bottom line—is increasingly diminished," Lee told the audience at the liberal think tank Center for American Progress. "[There's] no historical precedent for the magnitude of the shift in investor focus that we've witnessed over the last decade."

Trend 1
Regulations to drive stakeholder capitalism

- Other countries seeing similar legislation as a potential competitive advantage
- UK reportedly refusing to align with upcoming EU legislation and its intention to become a global leader in 'green finance'
- China will reportedly lead the world in these types of disclosures in the early 2020's

Trend 2
Subscriptions



- Attempts to ensure regular revenue streams and monetize businesses that until now have depended on venture capital funds for survival (this has antecedents in XaaS)

- Twitter, the least successful social media platform from a monetization point of view, recently announced it was examining subscription options

- Motor companies have been talking about this for a while, but this is now very much a reality with offerings such as Audi Select and Care by Volvo

Trend 2
Subscriptions - Rundles

- Another subset of this is what Prof Scott Galloway calls 'rundles' (recurring revenue bundles)

- The opportunity here is for brands such as Apple to offer a subscription bundle that, for a basic monthly fee, gets you - Apple Music (instead of Spotify) Apple TV+ (instead of Netflix), Apple cloud storage (instead of Google/Amazon cloud), Apple Pay (instead of credit card) Apple care on devices, iphone upgrades on regular basis, AirPod upgrades etc.

- Amazon Prime an originator in this area.

Trend 2
Subscriptions – Other examples

- Also, subscription clothing brands such as Rent the Runway (not that new but seems to be gaining momentum)
- And subscription niche journalism such as Substack which allows well-known thinkers/writers/journalists to monetize their content without being dependent on a larger publication to publish their work

Trend 3
Break up of large tech companies

- With the largest tech companies now making up over 20% of the entire value of the S&P 500; calls for the break-up of these organizations are growing

- The movement has broad support amongst American voters and the EU has already taken the lead in cracking down on the behavior of these companies

- The potential impact of these break ups is unclear – some suggest that it will unlock greater value for the separate components of the large players, while others see this as stifling innovation.

Trend 4
Rise of the Circular Economy

As defined by the Ellen Mac Arthur Foundation -

Looking beyond the current take-make-waste extractive industrial model, a circular economy aims to redefine growth, focusing on positive society-wide benefits. It entails gradually decoupling economic activity from the consumption of finite resources and designing waste out of the system. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural, and social capital based on three principles:

- Design out waste and pollution
- Keep products and materials in use
- Regenerate natural systems

ELLEN MACARTHUR FOUNDATION

Trend 4
Rise of the Circular Economy

- Offshoots of this broader approach include increasing pressure on manufacturers to ensure that their products/devices are repairable

- And louder and louder conversations by leading economists such as Mariana Mazzucato about the validity of using GDP as a measure of growth

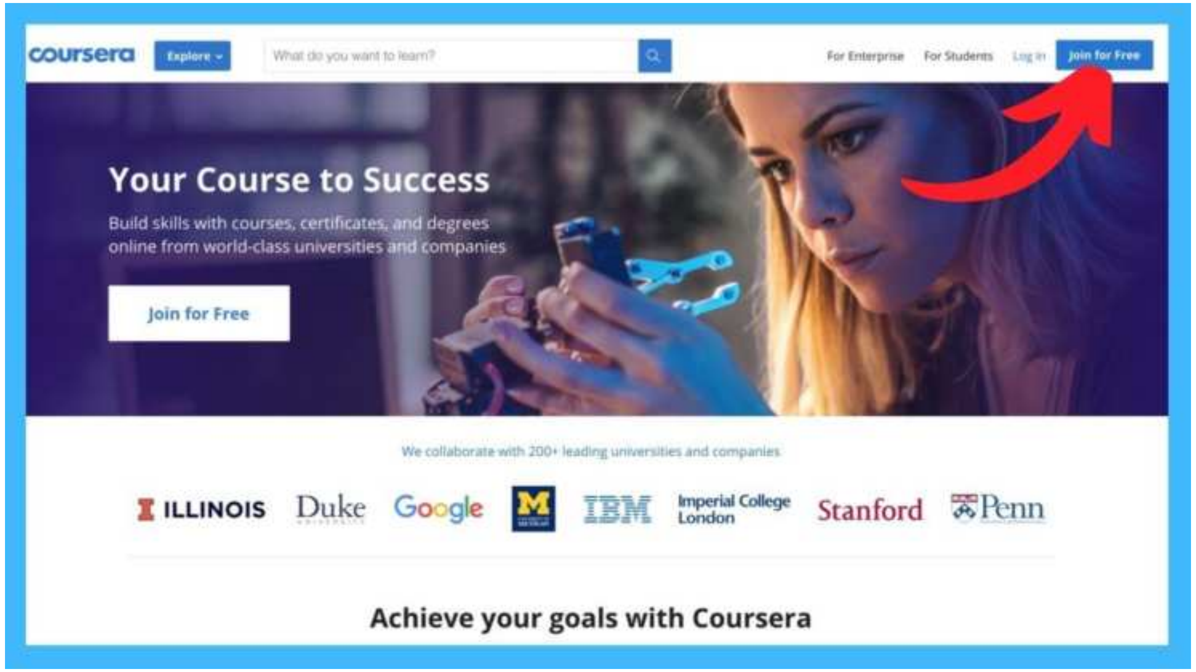
Trend 5
Disintermediation in Healthcare and Education

- Massively accelerated by COVID, we are increasingly seeing intermediaries frozen out of traditional business to consumer relationships

- Telemedicine a key example here - the difficulty of visiting GP's/hospitals during the pandemic has changed medical practice

- We saw similar trends in schooling during the pandemic. This combined with the current high costs of higher education (particularly US), mean these trends seem likely to continue

Trend 5 Disintermediation in Healthcare and Education



- The big platforms are already getting involved in this area e.g. certificated courses offered by Google
- Leading player in this area Coursera, is about to go public which will help drive expansion