

RISE OF MEGACITIES CREATES \$2 TRILLION ANNUAL MARKET OPPORTUNITY FOR SOCIAL INNOVATION

Social Innovation crucial to economic success and improved quality of life in the age of 'mega cities'

- Research reveals that by 2020 56% of the world's population will live in urban areas and more than 35 cities globally will grow to become mega cities by 2025
- There will be 26 smart cities globally by 2025 and the market for smart cities will reach a phenomenal value of \$1.57 trillion by 2020

London, UK, October 17th 2014 – New research from Frost & Sullivan, in partnership with Hitachi Europe Ltd., has identified a \$2 trillion Social Innovation market opportunity in 2020 for business, industry, investors and governments looking to address the key issues driving human development in the 21st century.

The research defines Social Innovation as the deployment of technology and new business models to bring about positive change to the lives of individuals and societies, creating shared value and improved social infrastructure to address global megatrends. The objective is to achieve a sustainable society in which environmental and economic needs are addressed in a balanced way. The report looks at what needs to be done to capitalise on the Social Innovation market opportunity and makes recommendations on how it can be measured in terms of impact on the comfort, happiness, convenience and choice to citizens while diminishing stress and increasing safety in society.

By 2020 56% of the world's population will live in urban areas and more than 35 cities globally will grow to become 'mega cities' by 2025. The global imperative to innovate and address the implications of this trend is driving the concept of Social Innovation; and, while much has been made of it little has been done to define it or to quantify its potential impact on the global economy and quality of life

"Business can help achieve a sustainable society, balancing environmental, societal and economic needs," said Dieter Rennert, Chief Executive for Europe, Hitachi Ltd. "However, it is important that Social Innovation Business strategies are rooted in quantifiable metrics that measure the impact on society."

The research also identifies the five mega-trends and opportunities where Social Innovation can address the future challenges of global society:

- **Urbanisation:** More than 35 cities globally will grow to become Mega Cities by 2025 as mass migration transforms cities into enormous economic hubs. Mega cities emerge as core city centres merge with suburbs to form mega-regions, mega-corridors and even mega-slums. Cities of the future will also have multiple downtowns and witness transit-oriented development but will also witness a re-distribution of wealth which will create significant economic divides within cities.

- **Smart is the New Green:** Green products and services will be increasingly enhanced or even replaced by smart products and services with the internet of things connecting over 80 billion devices globally. Digital intelligence will be the key driver of efficiency and sustainability. Smart and sustainable cities will be built from scratch, using the latest intelligent and green initiatives to reduce energy consumption and improve efficiencies in all facets of human life. Twenty-six such smart cities will exist by 2025, while the market for smart cities will reach \$1.57 trillion by 2020.
- **Future of Energy:** Urbanisation and the pursuit of energy security are currently driving the future of energy debate, but the global energy future will not be entirely dominated by fuel choices. Rising energy costs and a focus on environmental performance has triggered innovations to manage energy efficiently through technologies such as smart grids, offering more control and visibility, which results in cleaner, reliable and smarter energy.
- **Future of Mobility:** Connectivity and urbanisation will have a profound impact on personal and freight mobility, and companies that look at cities as customers and position themselves as partners and solution providers will benefit from business and investment opportunities. By 2020, it is expected that nearly 1 million parking spaces will deliver real-time parking information with the help of sensors, there will be 26.2 million car sharing members and 450,000 car sharing vehicles. In the period 2010 - 2020, over \$500 billion will be spent globally on high speed rail projects with over 70,000 km of high speed rail track in use. High speed rail will connect not only cities and countries but also continents. In 2035, one will be able to travel from London to Beijing using the global high speed rail network.
- **Health, Wellness and Wellbeing:** A shift from treatment to prevention with emphasis on predictive diagnostics and constant wellness will see global healthcare spend on treatment reduce from 70% in 2007 to 56% by 2020. With smarter drugs, virtual hospitals, and cyber documents, the healthcare industry is poised for a radical change. Key to this paradigm shift will be innovation targeted toward individual power patients. While patients in the developed world grow increasingly impatient with slow moving regulatory and healthcare provision environments, the developing regions will drive new business models tailored to meeting specific patient needs in novel and cost-effective ways.

“Business and industry has woken up to the reality that innovation is no longer just a simple strategic option for financial gain but an opportunity to address human challenges,” said John Raspin of Frost & Sullivan. “By the time it reaches the individual, Social Innovation has a tremendous impact in terms of bringing a better quality of life to the end-user, not to mention the wider implications for the environment. This is what will really tip the scales in favour of Social Innovation – when innovation truly answers individual citizen’s deep felt problems.”

The concept of Social Innovation as innovation that addresses the challenges of the modern world is not new but the concept has been interpreted and delivered in different ways. Some companies take a partnership-driven approach working with NGOs and civil society through independent programmes, whereas others leverage innovation for community development. Regardless of the definition, the research identifies one common theme – convergence. That

means convergence of technologies, industries, products and business models. Sectors that were seen as separated in the past are converging into new products and services to provide innovations that will help provide breakthrough changes for society.

“We hope that this research helps business and stakeholders start to unify behind a common definition of Social Innovation,” said Dieter Rennert, Chief Executive for Europe, Hitachi Ltd. “Hitachi’s global business development is centred on Social Innovation, providing market-leading infrastructure solutions underpinned by highly reliable and highly efficient IT technology. In the future, profitable growth will come for those companies that can innovate to maximise the welfare of society with the right balance of information, infrastructure, technology and new business models. If people truly see the improvements to their lives, environment and society, they will see the value of investing in it.”

###

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, works in collaboration with clients to leverage visionary innovation that addresses the global challenges and related growth opportunities that will make or break today's market participants. For more than 50 years, we have been developing growth strategies for the global 1000, emerging businesses, the public sector and the investment community. Is your organization prepared for the next profound wave of industry convergence, disruptive technologies, increasing competitive intensity, Mega Trends, breakthrough best practices, changing customer dynamics and emerging economies? [Contact us: Start the discussion](#)

Contact:

Chiara Carella
Corporate Communications, Frost & Sullivan
P: +44 (0) 20 7343 8314
E: chiara.carella@frost.com

Kelly Smith
PR Manager, Hitachi Europe Ltd.
P: +44 (0)1628 585379
E: kelly.smith@hitachi-eu.com