outside the United States. The UK government's introduction of G-Cloud, in 2013, allowed small companies to compete with the larger traditional players for government contracts to supply cloud IT services. The smaller players have been winning about half the government's spending on cloud services, compared with just 10% of other government business. These digital platforms in turn create a new form of competitive advantage: strong communities of users and developers who reinforce the attraction of the platform.

OVER THE PAST 30 YEARS, MANY EXECUTIVES in large Western corporations have been focusing internally.

The pooling of small players that the new platforms enable represents an existential threat in some industries. Airbnb, for example, which allows individuals to make money from spare rooms and properties, has emerged as a challenger to traditional hotels. The $340 billion in fixed commercial assets such as hotels owned by the U.S. hospitality industry is dwarfed by the more than $17 trillion of residential assets in the hands of private owners that now have the potential to be rented out, thanks to the platform. Other tech firms are applying a similar principle to assets such as cars, bicycles, textbooks, and toys.

THE OUTLOOK

We foresee no letup in the reshaping of industries by technology and globalization. We also foresee no shortage of opportunities for companies. Consumption in emerging markets will continue its rapid growth. From 1990 to 2010 some 1.2 billion people entered the consumer class. By 2025 another 1.8 billion are projected to join, and global consumption is expected nearly to double, to $64 trillion.

We estimate that global revenue could increase by more than 40%, to $185 trillion, over the next 10 years. More than half that growth will come from emerging markets, and nearly two-thirds of that will be fueled by capital-intensive sectors. While this increase would be slightly less than in the past decade—consistent with various projections for slower growth in China, for instance—it will still be a remarkable opportunity for corporations.

But whereas the outlook for revenue growth is good, the profits picture looks less promising. Consumers could be the big winners, as could some workers—especially those in emerging markets and those with digital and engineering skills, which are in short supply. As we've seen, many companies' profit margins are being squeezed. Hospitality, transport, and health care have all experienced price declines in recent years because of the emergence of new platforms and tech-driven competitors. Similar effects could soon play out on a larger scale and expand to sectors such as insurance and utilities. Nobody is immune, but companies particularly at risk include those that rely on large physical investments to provide services or that act as intermediaries in a services value chain. Large emerging-market firms in less traded capital-intensive industries such as extraction, telecom, and transportation have been relatively protected so far, but that is changing, in part because of greater deregulation. Profits are not only shrinking but also becoming more uncertain. Since 2000 the return on invested capital has been about 60% more volatile than it was from 1965 to 1980. (See the exhibit "The Hidden Peril of Volatility.")

While they will most likely continue to grow in absolute terms, corporate profits could shrink from 9.8% of global GDP and 5.6% of revenue to 7.9% and 4.7%, respectively. (See the exhibit "A Leaner Outlook for Profits.") Several factors could play into this slowdown. As emerging markets and their local competitors—Chinese firms, especially—account for a greater proportion of the corporate universe, they could lower overall profitability, reducing corporate profits by $800 billion to $900 billion over the next decade. The impact of technology disruption and the resulting consumer surplus could reduce profits by an additional $600 billion to $700 billion. Moreover, our analysis suggests that rising labor costs could reduce profits by a further $800 billion.

We project that all told the after-tax profit pool could reach $8.6 trillion in 2025. And the impact of the above factors could be intensified if, following a slowdown in China, firms in capital-intensive sectors see slower revenue growth than they did over the past decade and are therefore unable to