

Columbia Business School

## **Catching Growth Waves in Emerging Markets (B8658)**

Spring 2017, Tuesdays 9 am - 12:15 pm

### **Instructors**

Alonso Martinez (Uris 502)  
[am3638@columbia.edu](mailto:am3638@columbia.edu)  
203-606-4882

Rajeev Kohli (Uris 506)  
[rk35@columbia.edu](mailto:rk35@columbia.edu)  
212-854-4361

### **Introduction**

The term “emerging markets” encompasses a plethora of countries with more than half the world’s population, an enormous variety of cultures, climates and levels of development, from the BRICs to Sub-Saharan Africa. After decades and even centuries of lackluster economic performance, they are now the fastest growing markets in the world, despite their volatility. Every relevant player in the business world is striving to capture this growth. Defining a strategy for where, when and how to invest is a major challenge in the complex and fast moving world of emerging markets. This course is about improving the odds of placing winning bets in emerging markets by thinking strategically about the waves of opportunities that arise as countries develop.

The underlying theory for this course is that, in spite of the many apparent differences, emerging markets develop following common patterns. As people strive to improve their quality of life, they follow very similar priorities in their needs and wants across the world. As a result, development tends to follow certain predictable paths. Understanding these patterns gives foresight of which opportunities are ready to be fostered, or are likely to emerge, in which markets. The proposed framework to develop growth strategies in emerging markets combines global strategic platforms by stage of development and local adaptations to the specific cultural preferences of each market.

### **Course objectives**

The objective of this class is to develop capabilities to think strategically about capturing growth in emerging markets. The aim is to combine the development of a conceptual

framework with real life examples and assignments of how to define a strategy for a specific opportunity. The conceptual framework lays the ground to:

- Understand the comparative development of the most relevant emerging markets.
- Identify common development patterns as emerging markets undergo similar development stages.
- Understand the evolution of the base of consumers from the rural poor to the urban middle class as they satisfy their needs and wants.
- Discuss commonalities and differences across countries and cultures.
- Analyze the evolution of industry structure and retail channels.
- Understand how growth opportunities evolve in a variety of businesses through increasing stages of development.
- Identify other factors affecting growth opportunities such as the impact of innovation, availability of consumer financing and government policies.
- Learn from cases and examples of relevant players in emerging markets.

In parallel with the development of the conceptual framework, students will be working and applying it in a project to analyze an emerging market opportunity and define a strategy to capture it. This will allow them to:

- Apply the conceptual framework to analyze a specific emerging market opportunity.
- Develop and defend a strategy to capture this opportunity.
- Learn from the presentations and discussions of other groups.
- Be exposed to a variety of emerging market opportunities across industries and geographies.
- Understand how different players value the opportunities, and how they weigh the risks and challenges involved in capturing them.

An additional benefit of this class is to gain some basic consulting skills, including framing and defining the scope of the strategic opportunity to be analyzed; developing hypothesis and defining the analysis to address them; gathering the right data and information; synthesizing information to drive key conclusions; and presenting well structured recommendations and conclusions.

## Class Structure

The class follows a structured sequence around three related types of growth waves in emerging markets: country development waves, consumption waves and consolidation waves (see following table). Class time will be split among (i) lectures to develop a frame of reference on each of these types of waves and the business opportunities they generate; (ii) case discussions; (iii) guest speakers; and (iv) project work. There will be lectures in each of the first ten sessions. The last two sessions will be dedicated to having the groups present their different projects, answering questions, synthesizing what was learned and receiving feedback from the rest of the class.

## Readings and Cases

All required readings and cases are available in a course packet. On occasion, we might add a required reading, which will then be distributed in class or made available on Angel/ Canvass.

## Grading

Grades will be based on the following areas:

1. Class Attendance & Participation	20%
2. Canvass quizzes on readings and cases	20%
3. Investment assignment	20%
4. Final Project	40%
<hr/>	
TOTAL	100%

**Attendance:** To be in the class, you must be present, on time, and arrive prepared. Given that cases, presentation and discussions are central to the learning, missing any of the sessions without a valid reason will lower your grade.

**Participation:** We expect you to contribute to the learning of your classmates, both through class discussion and in collaboration on homework and the finals project. Expect cold calling. Good participation is defined as:

- Active participation in case discussions, based on case preparation
- Adding insights to discussions from course readings and your own knowledge and experience
- Being respectful and prepared with thoughtful questions when other students are presenting, or when a guest speaker comes to class
- Not using devices (phones, laptops)

Session and Topic	Readings (R) and Cases (C)
<p><b>1. Country development waves</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): How do countries develop? What triggers and disrupts economic growth?</li> </ul>	<p>The Economist articles: (R)</p> <ul style="list-style-type: none"> <li>- <a href="#">China: Taking a Tumble (August 2015)</a></li> <li>- <a href="#">India: A Chance to Fly (Feb 2015)</a></li> <li>- <a href="#">Brazil: Irredeemable? (Jan 2016)</a></li> <li>- <a href="#">EIU Long Term Trends 2050</a></li> </ul>
<p><b>2. Economic takeoff and basic needs</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): Will Africa really develop? Who cares and why?</li> <li>- Sanitary protection market (RK).</li> </ul>	<ul style="list-style-type: none"> <li>- The Economist special report: <a href="#">Aspiring Africa (March 2013) (R)</a></li> <li>- <a href="#">Six billion in Africa (R)</a></li> <li>- <a href="#">Banished: why menstruation can mean exile (multimedia)</a></li> </ul>
<p><b>3. The industrialization of agriculture</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): Why does Brazil feed the world while India barely survives?</li> <li>- Bunge case (AM)</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Swine in China: Empire of the Pig (R)</a></li> <li>- <a href="#">Bunge: food, fuel and world markets (C)</a></li> </ul>
<p><b>4. Cities as drivers of growth</b></p> <ul style="list-style-type: none"> <li>- Lecture (RK): Why does China want to grow more cities?</li> <li>- Dharavi case (RK)</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">China: Building the dream (R)</a></li> <li>- <a href="#">World cities report 2016 (R)</a></li> <li>- <a href="#">Dharavi: developing Asia's largest slum (C)</a></li> </ul>
<p><b>5. Innovation: Igniting New Development Waves</b></p> <ul style="list-style-type: none"> <li>- Lecture (RK): Innovation in emerging markets</li> <li>- Bridge international academies: a school in a box (RK)</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Fortune at the bottom of the pyramid</a></li> <li>- <a href="#">Bridge international academies: a school in a box (C)</a></li> </ul>
<p><b>6. Consumption waves: global platforms by development stage</b></p> <p>Selected investment assignment presentations</p> <ul style="list-style-type: none"> <li>- Lecture (AM): The ubiquitous flatbread story – who wants bread and how?</li> <li>- Natura case (AM)</li> </ul>	<ul style="list-style-type: none"> <li>- Strategy &amp; Business: <a href="#">The Flatbread Factor (R)</a></li> <li>- <a href="#">Natura: global beauty made in Brazil (C)</a></li> </ul>

Session and Topic	Readings (R) and Cases (C)
<p><b>7. Consumption waves: from rural poor to urban middle class</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): What is their next need/want?</li> <li>- Tata Ace case (RK)</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">The best years of the auto industry are yet to come</a> (R)</li> <li>- <a href="#">Tata Ace</a> (C)</li> </ul>
<p><b>8. Consolidation waves: from mom and pops to global retailers</b></p> <ul style="list-style-type: none"> <li>- Walmart case (RK)</li> <li>- Guest speaker</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Organized retailing in India: Issues and outlook</a> (R)</li> <li>- <a href="#">Walmart: from China to India</a> (C)</li> </ul>
<p><b>9. Consolidation waves: from national champions to emerging multinationals</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): How did beer and steel become global?</li> <li>- Carlsberg case (AM)</li> </ul>	<ul style="list-style-type: none"> <li>- HBR: <a href="#">how emerging markets giants can take on the world</a> (Dec. 2013)</li> <li>- <a href="#">Carlsberg in emerging markets</a> (C)</li> </ul>
<p><b>10. CIVETS course review</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): Catching the Next Growth Waves outside the BRICs</li> <li>- Course summary (RK)</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">The Economist Special Report: Colombia: Halfway to Success</a> (Oct. 2015)</li> <li>- <a href="#">The New York Times: The State of Cuba</a> (Sept.2015)</li> </ul>
<p><b>11 and 12. Student project presentations</b></p>	<p>Wrap-up</p> <ul style="list-style-type: none"> <li>- What did we learn from the projects?</li> <li>- Which ones would you choose to invest?</li> <li>- Emerging Market opportunities in your lifetime</li> </ul>

## Group Project

All students will work on a group project. The typical group size is 4-5 students. The instructors will guide the teams on both the technical and business dimensions of the work. Each group will deliver a written report to the instructors and give a presentation to their fellow students in one of the last two classes of the semester.

A project should examine in depth a specific opportunity that is a result of growth in an emerging market. All projects must be in an industry that has broad appeal in emerging markets, such as consumer products, retailing, retail banking, mass media or telecommunications. Markets with few customers, and business-to-business projects, are not appropriate for this course.

Each project should consider an emerging-market opportunity from one of the following perspectives: (i) an entrenched firm/organization that is already a player in the relevant industry and country (e.g., Pfizer in China); (ii) a specific, foreign, multinational that is seeking entry into the relevant industry and country (e.g., Wal-Mart in India;) or (iii) an entrepreneur looking for opportunity in the relevant industry and country (the entrepreneur could be one or more of the students in the group).

You should use the concepts and methods discussed in the course to assess an opportunity. You should also consider the relevant (i) social and cultural factors; (ii) laws and regulations; (iii) infrastructure limitations; and (iv) ways in which potential incentives (e.g., tax breaks, exemptions from certain regulations, industrial zones) can be useful for realizing the opportunity.

Your group can decide on the scope and objectives of the project, subject to the approval of the instructors. The first step is to submit a 1-page project proposal of the instructors, specifying the industry and country (or countries) of interest, the project perspective (see above), and the project objectives. This proposal is due in the third class of the semester. Based on feedback from the instructors, a group should, if necessary, revise the proposal and re-submit a final version for approval by the fourth class of the semester. Once the proposal is approved you should schedule a meeting with one of the instructors to receive their feedback and guidance as to how to conduct the project. All students in a group must be present for the meetings with the instructors.

## Data Sources

There are several different sources of data that are useful for this course. Notable among these are the following, all of which are available for free through Columbia University (go to the Columbia University homepage, and then to the libraries; you can then search for each of the following data sources).

- Euromonitor Global Market Database ([Click here](#))
- Economist Intelligence Unit (EIU) Country Data ([Click here](#))
- IMF e-Library ([Click here](#))
- World Bank e-library ([Click here](#))

Data from the following sources can be directly accessed over the web without the need to go through Columbia University.

- UN Data ([Click here](#))
- World Bank Databank ([Click here](#))
- Penn World Tables ([Click here](#))
- Gapminder ([Click here](#))

## Optional readings

There are many reports, articles and books that you can read for more in-depth study of emerging market. We recommend the following:

### Reports

- Goldman Sachs' famous BRIC reports
- CIA's The World Factbook
- Various Euromonitor reports on industry sectors by countries (see link above)
- Economist Intelligence Unit's Country Profiles and Country Reports
- Various special reports in The Economist magazine

### Books

- Bhagwati, Jagdish (2007), In Defense of Globalization, New York: Oxford University Press.

- Freeland, Chrystia (2000), *Sale of the Century: Russia's Wild Ride from Communism to Capitalism*, Crown Business.
- Khanna, Tarun and Krishna Palepu (2010), *Winning in Emerging Markets*, Boston: Harvard University Press.
- Kissinger, Henry (2011), *On China*, New York: Penguin Press.
- Mahajan, Vijay (2009), *Africa Rising: How 900 Million African Consumers Offer More Than You Think*, Upper Saddle, NJ: Pearson Education.
- Meredith, Martin (2005), *State of Africa*, Free Press.
- Panagariya, Arvind (2008), *India: The Emerging Giant*, New York: Oxford University Press.
- Prahalad, C.K. (2010) *Fortune at the Bottom of the Pyramid*, Upper Saddle, NJ: Pearson Education.
- Sachs, J.D. (2008), *Common Wealth*, New York: Penguin Press.
- Openheimer, Andrés (2005), *Cuentos Chinos*, Buenos Aires, Editorial Sudamericana.
- Openheimer, Andrés (2010), *Basta de Historias*, Bogotá, Vintage Español

## About the instructors



**Rajeev Kohli** is the Ira Rennert Professor of Business and Chairman of the Marketing Division at Columbia Business School. He has research and teaching interests in marketing and policy issues in emerging markets, product development, pricing, and models of consumer choice. He has taught MBA and Executive MBA courses at Columbia Business School on *Catching the Growth Wave in Emerging Markets, Innovation and Opportunities in India, New Product Development, Information Technology in Marketing, and Marketing Planning*. He also teaches a PhD course on mathematical models in marketing. Professor Kohli is presently working on research concerning the Indian Government's policy for allowing foreign direct investment into the retailing sector. He serves on the advisory board of New York City's Media Lab.



**Alonso Martinez** is a Senior Lecturer at Columbia Business School. He combines teaching and research with extensive global experience doing strategy consulting, with particular expertise in emerging markets. He gives the *Catching Growth Waves in Emerging Markets* course in both the MBA and EMBA programs and the *Defining and Developing winning Strategic Capabilities* course to the MBAs. He has also given the EMBA immersion course on *Opportunities in India* and led the *Global Immersion Program to Brazil* for several years. From 2008 to 2012 he directed a project at the Wharton School's Lauder Institute on "Consumption Patterns in Emerging Markets: *Catching Growth Waves and Anticipating Transitions*", including field research with a team of students across major countries. He has developed some unique insights into how business opportunities evolve in emerging markets and the capabilities required to capture them, which he leverages in his classes.

Professor Martinez is a former Senior Vice President at Booz, Allen & Hamilton, having joined in Brazil in 1982 and subsequently opened and/or managed the firm's offices in every major Latin American country. He moved to the United States in the year 2000 with global responsibility for major client relationships. Mr. Martinez has worked with many of the world's largest multinationals and leading local groups in the consumer products, media, steel and construction materials industries. His focus has been growth related strategies in emerging markets, including international expansion, mergers and acquisitions and go to market strategies.