Columbia Business SchoolSpring 2018, Tuesdays 9 am - 12:15 pm, URI 332

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

**Instructors**    
Alonso Martinez (Uris 502) Rajeev Kohli (Uris 506) [*am3638@columbia.edu*](mailto:am3638@columbia.edu) [*rk35@columbia.edu*](mailto:rk35@columbia.edu)203-606-4882 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. Homework 20%

4. Final Project 40%

#### 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.  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)

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| Session, date and Topic | Readings (R) and Cases (C) | |
| **1. Country development waves (Sept. 5th)**  - Lecture (AM): How do countries develop?  What triggers and disrupts economic  growth?  -Explain HW and final project | - [Learning by the case method](https://cb.hbsp.harvard.edu/cbmp/pl/65690174/65690393/85d45f23fc49144a275b030e4e0a70f1) (R)  Economist articles: (R)  [China’s future: What China Wants](http://www.economist.com/news/essays/21609649-china-becomes-again-worlds-largest-economy-it-wants-respect-it-enjoyed-centuries-past-it-does-not) (2017)  [India: A Chance to Fly (Feb 2015)](http://www.economist.com/news/leaders/21644145-india-has-rare-opportunity-become-worlds-most-dynamic-big-economy-chance-fly)  [Brazil: Irredeemable? (Jan 2016)](http://www.economist.com/news/briefing/21684778-former-star-emerging-world-faces-lost-decade-irredeemable)  [EIU Long Term Trends 2050](https://canvas.gsb.columbia.edu/files/110039675/download?download_frd=1) | |
| **2. Economic takeoff and basic needs (Sept. 12)**  - Lecture (AM): Will Africa really develop?  - MasterCard: Driving financial inclusion(RK) | - The Economist special report:  [Aspiring Africa (March 2013) (R)](http://www.economist.com/news/leaders/21572773-pride-africas-achievements-should-be-coupled-determination-make-even-faster)  - [Fortune at the bottom of the pyramid](http://www.strategy-business.com/article/11518?gko=9a4ba) (R)  - MasterCard: Driving financial inclusion (C) | |
| **3. The industrialization of agriculture (Sept. 19th)**  - Lecture (AM): Why does Brazil feed the  world while India barely survives? What does fuel have to do with this?  - Bunge case (AM) | - - [Swine in China: Empire of the Pig](http://www.economist.com/news/christmas-specials/21636507-chinas-insatiable-appetite-pork-symbol-countrys-rise-it-also) (R)  - [Bunge: food, fuel and world markets](https://cb.hbsp.harvard.edu/cbmp/pl/65690174/65690186/2499b0761043fcb2f178df2c2a883429) (C) | |
| **4. Cities as drivers of growth** **(Sept. 26th)**  - Lecture (RK): Why does China want to grow  more cities?  - Dharavi case (RK) | [- China: Building the dream](http://www.economist.com/sites/default/files/20140419_china.pdf) (R)  - [Dharavi: developing Asia´s largest slum](https://cb.hbsp.harvard.edu/cbmp/pl/65690174/65690184/c0f2252fb9c0eaee67daa55348725426) (C) | |
| **5. Consumption waves: from rural poor to urban middle class (Oct. 31st)**  - Lecture (AM): What is their next need/want?  - Tata Ace case (RK) | - [The best years of the auto industry are yet to come](http://www.strategy-business.com/article/09204?gko=0e58d) (R)  - [Tata Ace](https://cb.hbsp.harvard.edu/cbmp/pl/65690174/65690176/5204f0a189c573bd313c06e980d29c2e) (C) | |
| **6. Consumption waves: global platform by development stage (Oct. 10th)**  - Lecture (AM): The ubiquitous flatbread story –  who wants bread and how?  HW 1 due. Selected homework presentations | - Strategy & Business: [The Flatbread Factor](http://www.strategy-business.com/article/07106?gko=f499e) (R) | |
| Session, date and Topic | Readings (R) and Cases (C) |
| **7. Innovation: Igniting New Development** **Waves (Oct. 3rd)**  - Lecture (RK): Innovation in emerging  markets  - Case: Uber in China | - [Uber in China](https://cb.hbsp.harvard.edu/cbmp/pl/65690174/65690226/24951cb15bca7c070af4b6a073e496be) (C) |
| **8. Consolidation waves: from mom and pops to global retailers (Nov. 14th)**  - Case: Flipkart: transitioning to a marketplace model (RK)  - Guest: Marco Viola | - Amazon: taking on India (C) |
| **9. Consolidation waves: from national champions to emerging multinationals (Nov. 21st)**  - Lecture (AM): How did beer and steel  become global?  - Carlsberg case (AM) | - [How emerging markets giants can take on the world](https://cb.hbsp.harvard.edu/cbmp/pl/65690174/65690178/a9e6d335d89437af94ec32b84f24bd44) (Dec. 2013)  [- Carlsberg in emerging markets](https://cb.hbsp.harvard.edu/cbmp/pl/65690174/65690180/5d81d17d51165a126bbfea7815b38e7b) (C) |
| **10. Looking forward (Nov. 28th)**  - Will peace change Colombia?  - Is India the next world power?  - How will the world evolve in the next decades?  - How will that affect your career and opportunities?  - Which are the next waves you can catch? | - [The Economist Special Report: Colombia: Halfway to Success](http://www.economist.com/sites/default/files/20151031_colombia.pdf) (Oct. 2015)  - [The New York Times: The State of Cuba](http://www.nytimes.com/interactive/2015/09/18/world/americas/cuba-state.html?_r=0)  (Sept.2015) |
| **11. and 12. Student project presentations (Dec. 5th and Dec. 12)** | Wrap-up  - What did we learn from the projects?  - Which ones would you choose to invest?  Emerging Market opportunities in your lifetime |

**Homework**

**Due: Sunday Feb.25 by 11:59 pm**

**To be done in a group of 4 to 5 students (the same groups will work on the final project).**

**Objective: Identify the development stage of a selected country and develop hypotheses about the trajectories of industries that are growing, or likely to grow, at the present stage of economic development in the target country.**

1. Select one emerging country (a “target” country) that is growing, or has the potential to grow, over the next decade. Pick a country about which you are passionate.
2. Where is the target country now in terms of key development indicators?
3. What are the necessary conditions for it to grow or continue growing?
4. Use data (e.g., from Euromonitor) to identify the industries that are growing fastest, and slowest, in the target country.
5. Formulate hypotheses about the relation between the stage of economic development and the growth, or lack of growth, of these industries.
6. Choose another country (a “reference” country) that has passed through the same stage of development as the selected country. Use data on the reference country to test the hypotheses you formulated in question 5.
7. Based on your analysis, identify the three most promising growth industries over the next five years in the target industry.

**Deliverables**

1. A 15 to 20 minute PowerPoint presentation addressing the preceding questions, which you should be prepared to present in class
2. A one-page project proposal of your final project identifying:
   1. One attractive growth industry in the target country
   2. A particular business opportunity in the chosen industry
   3. A particular player you wish to represent: multinational, domestic player or entrepreneur

The instructors will review your project proposals and if necessary provide feedback for its revision. Any revisions must be completed by a final version for approval by Oct. 31.

Each group will be assigned one of the instructors as an advisor. Once the proposal is approved you should schedule a meeting with your assigned instructor 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.*  The instructors will guide the groups on both the technical and business dimensions of the work.

**Group Project**

**Due: Sunday April 15 by 11:59pm**

**To be done by the same groups as were formed for the homework.**

You should select a country, or countries, where the specific industry has already developed. If possible, you should also select a specific company, or companies, that can be used as reference for comparison using similar analysis to those used in class (i.e. for flatbread or cars). You should use the concepts and methods discussed in the course to assess an opportunity.

Develop your project proposal by examining the following question:

1. Industry analysis: How did the industry evolve in other comparable countries?
2. Consumption patterns: How does the consumption pattern change with development for this industry?
3. Size of opportunity: How large is the potential opportunity over the next five years in terms of adoption by consumers, revenue and profit?
4. Drivers: What are the key drivers of success for the industry in the target country?
5. Culture: What are the cultural factors that can hasten or slow the development of the industry in the target country?
6. Investment: How much investment is required? What is the payback period?
7. Business model: What business model should the player use?
8. Laws and incentives: Are there specific laws that apply to your business opportunity and any favorable incentives (e.g., tax breaks, exemptions from certain regulations, industrial zones)?
9. Infrastructure: What are the infrastructure requirements, and how will they affect the execution of your business model?
10. Risks: What are the economic, political and other risks?

Submissions

1. A two-page double spaced executive summary addressing the above questions.
2. A 15 to 20 slide PowerPoint deck (with notes as necessary explaining each slide). Each group will present their work to fellow students in one of the last two classes of the semester.

**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](http://clio.cul.columbia.edu:7018/vwebv/holdingsInfo?searchId=3004&recCount=50&recPointer=2&bibId=3016023))
* Economist Intelligence Unit (EIU) Country Data ([Click here](http://countrydata.bvdep.com.ezproxy.cul.columbia.edu/ip))
* IMF e-Library ([Click here](http://www.columbia.edu/cgi-bin/cul/resolve?clio8519395))
* World Bank e-library ([Click here](http://www.columbia.edu/cgi-bin/cul/resolve?clio6939878#http://www.columbia.edu/cgi-bin/cul/resolve?clio6939878))

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

* UN Data ([Click here](http://www.columbia.edu/cgi-bin/cul/resolve?ATT2119))
* World Bank Databank ([Click here](http://data.worldbank.org/))
* Penn World Tables ([Click here](http://pwt.econ.upenn.edu/php_site/pwt61_form.php))
* Gapminder ([Click here](http://www.gapminder.org/data/#http://www.gapminder.org/data/))

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*](http://www2.goldmansachs.com/ideas/brics/index.html)
* 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.
* Khanna, Tarun and Krishna Palepu (2010), *Winning in Emerging Markets,* Boston: Harvard University Press.
* Kissinger, Henry (2011), *On China*, New York: Penguin Press.
* Meredith, Martin (2005), *State of Africa*, Free 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.

**About the instructors**

**Rajeev Kohli** is the Ira Rennert Professor of Business 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 wining 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.