

Columbia Business School  
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## **Catching Growth Waves in Emerging Markets (B8658)**

### **Instructors**

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### **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. Mid term assignment	20%
4. Final Project	40%
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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)

Session, date and Topic	Readings (R) and Cases (C)
<p><b>1. Country development waves (Jan 23<sup>rd</sup>)</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): How do countries develop? What triggers and disrupts economic growth?</li> <li>- Explain HW and final project</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Learning by the case method</a> (R)</li> <li>- <a href="#">Why 2017 Was the Best Year in Human History</a> (R)</li> <li>Economist articles: (R) <ul style="list-style-type: none"> <li><a href="#">China's future: What China Wants (2017)</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> </li> </ul>
<p><b>2. Economic takeoff and basic needs (Jan 30<sup>th</sup>)</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): Will Africa really develop?</li> <li>- MasterCard: Driving financial inclusion(RK)</li> </ul>	<ul style="list-style-type: none"> <li>- The Economist special report: <a href="#">Aspiring Africa (March 2013)</a> (R)</li> <li>- <a href="#">Fortune at the bottom of the pyramid</a> (R)</li> <li>- <a href="#">MasterCard: Driving financial inclusion</a> (C)</li> </ul>
<p><b>3. The industrialization of agriculture (Feb 6<sup>th</sup>)</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): Why does Brazil feed the world while India barely survives? What does fuel have to do with this?</li> <li>- Bunge case (AM)</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Swine in China: Empire of the Pig</a> (R)</li> <li>- <a href="#">Bunge: food, fuel and world markets</a> (C)</li> </ul>
<p><b>4. Consumption waves: from rural poor to urban middle class (Feb 13<sup>th</sup>)</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>- Strategy &amp; Business: <a href="#">The Flatbread Factor</a> (R)</li> <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>5. Cities as drivers of growth (Feb 20<sup>th</sup>)</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</a> (R)</li> <li>- <a href="#">Dharavi: developing Asia's largest slum</a> (C)</li> </ul>
<p><b>6. Consumption waves: global platform by development stage (Feb 27<sup>th</sup>)</b></p> <ul style="list-style-type: none"> <li>- Lecture (AM): The ubiquitous flatbread story – who wants bread and how?</li> <li>- Selected mid term assignment presentations</li> </ul>	

Session, date and Topic	Readings (R) and Cases (C)
<p><b>7. Innovation: Igniting New Development Waves (Mar 20<sup>th</sup>)</b></p> <ul style="list-style-type: none"> <li>- Lecture (RK): Innovation in emerging markets</li> <li>- Case: Uber in China</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Uber in China (C)</a></li> </ul>
<p><b>8. Consolidation waves: from mom and pops to global retailers (Mar 27<sup>th</sup>)</b></p> <ul style="list-style-type: none"> <li>- Case: Amazon: taking on India (RK)</li> <li>- Guest: Marco Viola</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">Amazon: taking on India (C)</a></li> </ul>
<p><b>9. Consolidation waves: from national champions to emerging multinationals (Apr 3<sup>rd</sup>)</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>- <a href="#">How Emerging Markets Giants Can Take On The World</a> (Dec. 2013)</li> <li>- <a href="#">Carlsberg in emerging markets (C)</a></li> </ul>
<p><b>10. Looking forward (Apr 10<sup>th</sup>)</b></p> <ul style="list-style-type: none"> <li>- Will peace change Colombia?</li> <li>- Is India the next world power?</li> <li>- Emerging Market prospects in your lifetime...</li> <li>- How will that affect your career and opportunities?</li> </ul>	<ul style="list-style-type: none"> <li>- <a href="#">The Economist Special Report: Colombia: Halfway to Success (Oct. 2015)</a></li> <li>- <a href="#">The Elephant in the Room: India's Missing Middle Class (Jan. 2018)</a></li> </ul>
<p><b>11. and 12. Student project presentations (Apr 17<sup>th</sup> and Apr 24<sup>th</sup>)</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> </ul>

## **Mid term Assignment and Final Project**

To be done in a group of 4 to 5 students (the same groups for the mid term assignment and the final project).

### **Proposal:**

**Due: Sunday Feb. 4 by 11:59 pm**

One page proposal defining:

- The industry, or product/service category, your group proposes to analyze for your mid-term assignment. The proposal should also identify the key players you might analyze as examples.
- The specific business opportunity your group proposes to analyze for the final project, including the product/ service, the potential country or countries, and the player you would like to represent (an MNC, a leading local or an entrepreneur)

Ideally, the final project should examine the same industry analyzed for the mid-term assignment. However, you are free to choose a different industry. In either case, the instructors will provide feedback and approve or request changes to the group proposals.

Each group will be assigned to one of the instructors as guides. 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.*

### **Mid term assignment**

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

**Objective: Understand how a specific industry product or service category evolves with development and how winning players “catch the growth waves”**

- Select a specific 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 assignment.
- Identify key products/ services and target segments. What drives consumption of the product/service? What are the necessary conditions for consumption to grow or continue growing?
- Use data (e.g., from Euromonitor) to describe/characterize the consumption curve across a global sample of countries at different levels of development.
- Identify examples of two or three key players that have built leading positions and are growing in the category. How did they do it?
- Describe how the product/ service offering and the overall strategy of leading players evolves with development.

- Define where you see the next wave of opportunities in the chosen category and identify the players best positioned to capture the opportunities (these could be certain MNCs, leading local players or entrepreneurs).

**Deliverable:** A 15 to 20 minute PowerPoint presentation addressing the preceding questions, which you should be prepared to present in class

### **Final Project**

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

A project should examine in depth a specific opportunity that is a result of growth in an emerging market. 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); (iii) a leading local player seeking to launch a new product/ service or enter a new market, or (iv) an entrepreneur looking for opportunity in the relevant industry and country (the entrepreneur could be one or more of the students in the group).

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 the 1-page project proposal in the third week of the class to the instructors, specifying the industry and country (or countries) of interest, the project perspective (see above), and the project objectives.

In developing your project you should:

- Analyze how the industry is likely to evolve in your target country and segment selecting a country, or countries, where the specific industry has already developed as reference. 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). This can leverage the mid term assignment.
- Estimate the size of opportunity over the next five/ten years in terms of adoption by consumers, revenue and profit and the investment required.
- Define your proposed strategy and business model
- Identify other key factors that may impact the business such as laws and incentives, infrastructure development, political, cultural and economic considerations

- Define key risks and how to mitigate them

**Deliverable:** 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](#))
- 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](#))

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.

- 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 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.