Columbia Business School
Spring 2022, EMBA block week

Catching Growth Waves in Emerging Markets
Room 309 Warren
Instructors
Alonso Martinez (Uris 526) Rajeev Kohli (Uris 506)

am3638@columbia.edu 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 opportunity in an emerging market.
- 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; and (iii) project work.

Readings and Cases

All required readings and cases are available in a course packet.

Grading

Grades will be based on the following areas:

| 1. Class Attendance & Participation | 30% |
| 2. Mid-week assignment | 25% |
| 3. Final assignment | 45% |
| TOTAL | 100% |

Attendance: To be in the class, you must be present, on time, and be fully prepared to discuss the case assigned for a session. 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. Use the discussion questions provided at the end of the syllabus to prepare cases. You are encouraged to work with other students (small groups) when preparing cases, but should keep some time to come to your own final recommendations and views about the case.
- 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)
## Snapshot of sessions

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<td><strong>9:00 – 10:30</strong></td>
<td>Country development waves – 1</td>
<td>Consumption waves - 1</td>
<td>Cities as drivers of growth</td>
<td>Case: Launch of the Indian Premier League</td>
<td>Looking forward</td>
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<td><strong>10:30 – 10:45</strong></td>
<td>Break</td>
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<td><strong>10:45 – 12:00</strong></td>
<td>Country development waves - 2</td>
<td>Consumption waves 2</td>
<td>Case: Dharavi: developing Asia’s largest slum</td>
<td>Innovation</td>
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<td><strong>12:00 – 1:00</strong></td>
<td>Lunch</td>
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<td><strong>1:00 – 2:30</strong></td>
<td>Economic takeoff + Industrialization of agriculture</td>
<td>Case: Impossible Foods</td>
<td>Selected midterm assignment presentations</td>
<td>Case: Amazon: Taking on India</td>
<td>Final project presentations</td>
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<td><strong>2:30 – 2:45</strong></td>
<td>Break</td>
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<td><strong>2:45 – 5:00 or 5:30</strong></td>
<td>Case: Bunge: Food vs. Fuel</td>
<td>Work on midweek assignment</td>
<td>Final project work</td>
<td>Final project work</td>
<td>Final project presentations</td>
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<td>Date and Topic</td>
<td>Readings (R) and Cases (C)</td>
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- The elephant in the room: India’s missing middle class (R) |
| Jan 13 PM: Economic takeoff | - Swine in China: Empire of the Pig (R)  
- Bunge: food, fuel and world markets (C) |
| Jan. 14 AM: Consumption waves: from rural poor to urban middle class | - Fortune at the bottom of the pyramid (R)  
- The Flatbread Factor (R)  
- How emerging markets giants can take on the world (R) |
| Jan. 14 PM: Consumption Waves: technology disruptions | - Impossible Foods: fighting climate change with plant-based meat (C)  
- IPCC special report: Global warming of 1.5°C – summary for policymakers (R) |
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<th>Date and Topic</th>
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<tr>
<td>Jan. 15 AM: Cities as Drivers of Growth</td>
<td>Dharavi: developing Asia’s largest slum (C)</td>
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<td>- Lecture: Cities</td>
<td>China rethinks cities (R)</td>
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<td>Case: Dharavi: Developing Asia’s largest slum</td>
<td>Rising seas will erase more cities by 2050, new research shows (R)</td>
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<td>Jan. 15 PM</td>
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<td>- Selected midterm assignment presentations</td>
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<td>- Work on Final Project</td>
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<td>Jan. 16 AM: Innovation: New Development Waves</td>
<td>Launch of the Indian Premier League (C)</td>
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<td>- Lecture: Innovation in emerging markets</td>
<td>He’s one of the only humans at work — and he loves it (R)</td>
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<td>- Case: Launch of the Indian Premier League</td>
<td>Beijing wants AI to be made in China by 2030 (R)</td>
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<td>AI has far reaching consequences for emerging markets (R)</td>
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<td>Jan. 16 PM: Leapfrogging</td>
<td>Amazon: Taking on India (C)</td>
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<td>- Case: Amazon: Taking on India</td>
<td>The leapfrog model: What technology can do for Africa (R)</td>
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<td>- Work on Final Project</td>
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<td>Jan 17 AM: Looking Forward</td>
<td>Broken limits to life expectancy (R)</td>
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<td>The Wired guide to CRISPR (R)</td>
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<td>VTOLL, Uber Elevate, Hyperloop one</td>
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<td>Why technology favors tyranny (R)</td>
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<td>Jan 17 PM: Final Presentations</td>
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Project

You should work with the same group of 4-5 students for the mid-week and final assignments.

The aim of the project is to identify and analyze a business opportunity in an emerging market (a country or region). The opportunity should be in an industry that has broad consumer appeal. Markets with few customers, and business-to-business projects, are not appropriate for this assignment. The analysis needs to include how this industry is likely to be impacted by some of the major issues of the coming decades:

- an increasingly urban world with aspiring urban poor and a growing middle class
- a bipolar world with growing Chinese (and potentially Indian) influence
- climate change as a growing threat and/or opportunity

The project is divided into two parts. The first part is a mid-week assignment and the second a final assignment. The mid-week assignment focuses on understanding how an industry (selected by your group) evolves with development, the major issues that impact its growth, the key opportunities over the coming decades and the major (emerging) markets in which these opportunities are likely to arise. The second (final) assignment starts by selecting one of the identified opportunities and then developing a business case and a strategy to pursue it.

First (mid-week) assignment

The mid-week assignment is to identify key emerging opportunities in a chosen industry across selected emerging markets.

- Begin by examining how consumption in the selected product category has typically evolved with economic development (data for constructing the consumption curve may be available from Euromonitor Passport, which is accessible online through CLIO). Identify the levels of development at which key products/services in the industry take off and the market segments targeted by each product/service at its take off.
- Examine how innovation has impacted consumption patterns and the new technologies that may impact the industry going forward.
- Analyze key issues that can potentially impact the future of the industry, including the new world order, urbanization and climate change.
• Identify 3 to 5 major opportunities that are likely to arise in the chosen industry, including the specific products/services and the countries and market/segments that seem most attractive.

**Deliverable:** Each group will make a 10 minute class presentation (5-6 PowerPoint slides).

**Second (final) assignment**

Building on the mid-week assignment, you should select one of the opportunities identified in the mid-week assignment. Examine the drivers of the opportunity, estimate its potential size and assess the time frame over which it is likely to be realized (now, in the next five years, or ten years). What capabilities (including new technologies) are likely to be required for a firm to be able to successfully avail of the opportunity. Analyze the opportunity from the perspective of a player you think is best positioned to avail of the opportunity. This could be a startup, a multinational firm or a local firm. Examine how it will affect incumbent players in the industry.

Propose a strategy and an implementation plan for the selected firm.

- The strategy should identify the target market, the value proposition and a business model. It should be realistic, addressing economic and technological feasibility and the constraints imposed by regulations and poor infrastructure in the emerging market of interest.
- The implementation plan should describe how the strategy ought to be rolled out over time (e.g., the sequence of development for products, segments and geographies). Identify the risks and possible mitigation strategies.

**Deliverable:** Each group will make a 30 minute class presentation (15-20 PowerPoint slides).
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.

- Gapminder (Click here)
  https://www.gapminder.org
- Our World in Data (Click here)
  https://ourworldindata.org
- Euromonitor Global Market Database (Click here)
  https://clio.columbia.edu/catalog?q=Euromonitor+Global+Market+Database+
- Economist Intelligence Unit (EIU) Country Data (Click here)
- IMF e-Library (Click here)
  http://www.columbia.edu/cgi-bin/cul/resolve?clio8519395
- UN Data (Click here)
  http://www.columbia.edu/cgi-bin/cul/resolve?ATT2119
- World Bank e-library (Click here)
  https://elibrary.worldbank.org
- World Bank Databank (Click here)
  http://data.worldbank.org/
- CIA World Fact Book (Click here)

Reports and books

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

- 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
Additional recommended books

Discussion Questions for Cases

Case: Bunge: Food, Fuel, and World Markets
Monday we will be discussing the Bunge case. Please read it carefully and then read it again. It is a complex case. The case is set during the time Bunge had to decide how to embrace the biofuels boom. Bunge had not, until then, needed a competence in biofuels. The increase in petroleum prices was generating a lot of interest in biofuels. Agribusiness companies were eager to participate. This represented opportunities and threats for Bunge. The case is set around Christophe Darbord, the newly appointed director of the Energy Product Line of Bunge Global Agribusiness (BGA). He must figure out how to push the company to decide about the strategy they should follow to respond to these recent developments in world energy markets. The company and Darbord have to deal with a situation where energy has a huge impact on food but not the other way around.

You should be prepared to answer and discuss the following questions:

1. Which are the key biofuel markets globally? How relevant are they to the overall energy supply? How do biofuels and food compete? What is the impact of biofuels on food prices?
2. Does supporting biofuels make economic and strategic sense for countries? Which biofuels and which countries seem to be most competitive? How can this change?
3. What are Bunge's key businesses and new business opportunities at the time of the case? How are the linked? Which do you believe they should focus on and why?
4. Which are the key biofuel products and markets globally? How do they impact Bunge's business? Are they a threat or an opportunity?
5. What should Bunge do -- invest in sugar mills in Brazil? Other?

Please read the “Empire of the Pig” article. The article helps to understand Bunge's largest business and market, supplying soy meal animal feed to China.

Securing both food and fuel to a growing and increasingly affluent population in emerging markets will be a critical global issue in the decades to come. This case highlights the strategic impact for one of the world’s major agro-industrial players.
Case: Impossible Foods: Fighting Climate Change with Plant-Based Meat

Patrick Brown launched Impossible Foods in 2011 to fight climate change by making plant-based meat. The company's first product, the Impossible Burger, was launched in 2016 and was available in 17,000 US restaurants, including Burger King by the end of 2019. Brown said his objective was to end the production of meat from animals by 2035 and predicted that his company would take a double-digit portion of the beef market within five years. What strategy should Impossible Foods follow and what capabilities should it build to achieve this goal? How should it develop emerging markets, including China, the biggest consumer of meat in the world?

You should be prepared to answer and discuss the following questions:

1. How serious an issue is climate change for (a) developed and (b) developing countries?
2. What are the methods that can be used for fighting climate change?
3. How much impact can plant-based meat make on climate change?
4. Which countries/regions should Impossible Foods target? Why?
5. What strategies should it follow in each of the countries/regions you identified?
6. In light of your recommended strategies, what capabilities should Impossible Foods develop?
7. What are the most important forces that are likely to oppose Impossible Foods' growth in (a) developed and (b) developing countries? How can/should Brown respond to these forces?
Case: Dharavi: Developing Asia’s Largest Slum (A)
In early 2009, the Maharashtra State Government, which is responsible for managing
urban development, was accepting bids to redevelop Dharavi, an area of Mumbai that
forms the largest slum in Asia. This $4.5 billion project had the potential to provide housing
units worth over $150,000 each to the current slum residents, and to earn the investor
group over $500 million. A public-private partnership for Dharavi could set a new paradigm
in slum redevelopment around the world. Your job is to assess the feasibility of the project
from the perspectives of the Government, the investor and the residents of Dharavi (the
last includes NGOs and concerned citizens).

You should be prepared to answer and discuss the following questions:

1. Is the Dharavi redevelopment project a good idea from the perspective of your
   assigned role? What are the feasible changes would you like to see in it?

2. What should be Warwick Capital’s bid for the project?

3. What is the greatest upside potential, and the greatest risk, for the group you are
   representing (Warwick Capital, Mumbai City, Dharavi Residents)?

4. What are the pros and cons of allowing private sector participation in this
   redevelopment?

5. Consider another slum in another city (possibly outside India) with which you are
   familiar. Would you use the DRP as a prototype for the development of this
   sum? Why?

How to prepare for class discussion of the Dharavi case
The class will be run as a meeting of representatives from four groups: (1) the
Government of Mumbai, (2) Warwick Capital (which is bidding for the project), (3) Dharavi
residents and (4) NGO’s. The purpose of the meeting is to achieve a solution acceptable
to all parties.

Each group has a leader, who will obtain input from members of his or her group. Each of
you has a specific role that can help inform the position of the group. Please focus
especially (but not exclusively) on your role as you prepare the case. Your role is given
below (please let me know asap if I have not assigned you a role).
Groups will sit together in class: Government to the left, residents in the middle, and Warwick Capital to the right (left and right in the direction in which you enter the classroom). Each group will have 15 minutes at the start to gather input from team members. Based on the input, each team leader will make an opening statement (3 minutes each). After that, we will begin negotiations between the groups. The Chief Minister of Mumbai will run the meeting. Your objective is to reach a final decision at the end: whether or not the project should proceed, and the terms and conditions under which it should proceed.
Case: The Launch of the Indian Premier League

In December 2007 Lalit Modi was finalizing his plans to launch a domestic cricket league in India. Modi’s challenge was to build a sustainable business model which would create the proper incentives to motivate players, broadcasters, franchise owners, and the various cricket boards to join his effort. And he had four months before the first tournament was set to begin.

Consider the following questions when developing a business model. Assume a 10% annual discount rate in your calculations.

1. What is the proposed business model for the IPL? What are its strengths and weaknesses?
2. How much should a telecaster bid for the rights to telecast the IPL?
3. How much should a franchise buyer bid for an IPL franchise?
4. How much of the broadcast revenue should the IPL share with the franchises?
5. Should Modi sell the broadcast rights first, or sell franchise rights before negotiating with broadcasters?
6. How likely is it that Modi will obtain the cooperation of the BCCI and the cricket boards of the other countries?
7. Who are the potential winners and losers if the IPL becomes successful?
Case: Amazon: Taking on India

Amazon entered the Indian e-commerce market in 2013. It was the third large player in the country after Flipkart and Snapdeal. Amazon had failed to in China and was determined to win India. To this end, it committed $5 billion to developing its India market and was willing to play the long-term game. By 2017, Amazon had gained market share but had also incurred huge losses, which were likely to mount in the foreseeable future. Flipkart had been a formidable opponent and Alibaba, the world’s largest e-retailer, had investing in Paytm Mall, an online marketplace operated by India’s largest electronic payment firm. Was there a path to profitability for Amazon in India? What strategy should it employ?

You should be prepared to answer and discuss the following questions:

1. Evaluate Amazon’s (a) strategy and (b) performance to date in India.
2. How is an inventory model different from a marketplace model? What are the capabilities required in each case?
3. In light of your answer to the previous question, examine the different revenue streams for Amazon in India. What is the path to profitability for the company?
4. What is the reason for the spending battle between Amazon and Flipkart? Is it justifiable for either company?
5. How serious is the threat from Paytm/Alibaba to Amazon in India?
6. Suppose you had to bet on one of Amazon, Flipkart, Snapdeal or Paytm Mall (Alibaba) in India. Which would you pick? Why?
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.

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.