

FAST-EXPANDING MARKETS:

AKA... THE REVOLUTION OF THE REAL ECONOMY

Dr Mark Esposito
Dr Terence Tse

@MIT Sloan, 9th December 2013

1) WHO ARE WE?

The Good



The Bad



The Ugly



1) WHAT ARE WE GOING TO TALK ABOUT? FAST-EXPANDING MARKETS (FEM)

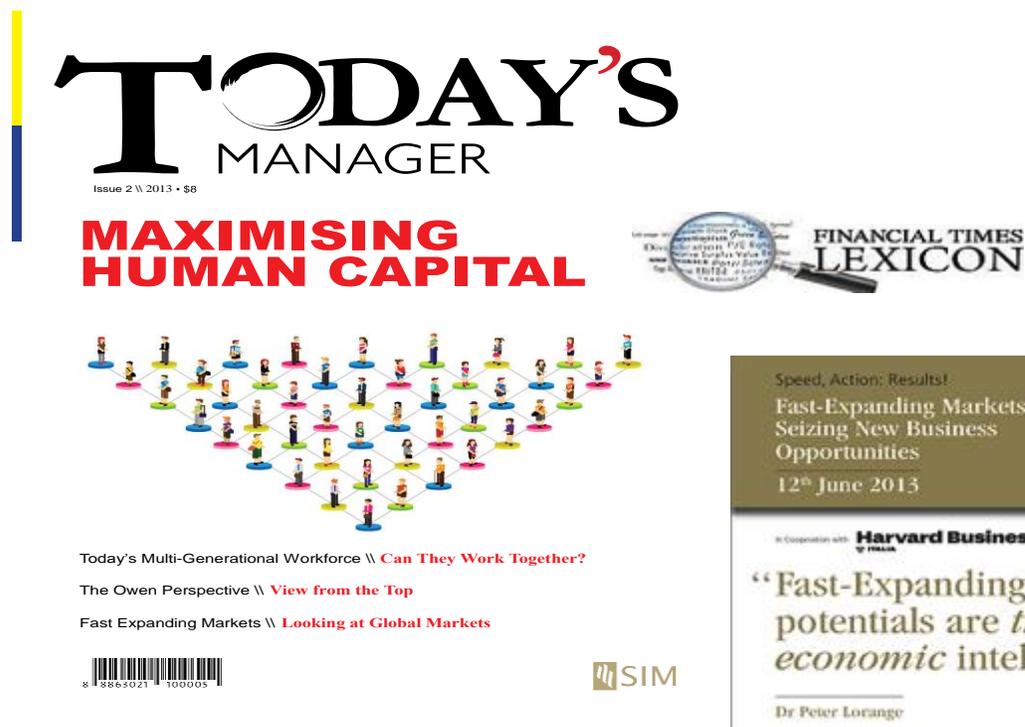
What is it?

- To sum up in one sentence: Business entities that are growing at exceptional speed
- They bring benefits to themselves as well as the immediate environments and societies

Why should we care?

- They are where the next business opportunities are
- The problem is that we have lots of problems finding them

1) WHAT WE HAVE DONE SO FAR?



2) WHAT KIND OF PROBLEMS ARE WE FACING WHEN LOOKING FOR NEW OPPORTUNITIES?

- A. Traditional financial modelling – driven mostly by macroeconomics
- B. The relevance and importance of BRICs are diminishing – fast
- C. Just because you don't see-them, it does not mean they don't exist



3) SO, WHAT ARE FEM REALLY? WHAT ARE THEIR CHARACTERISTICS?

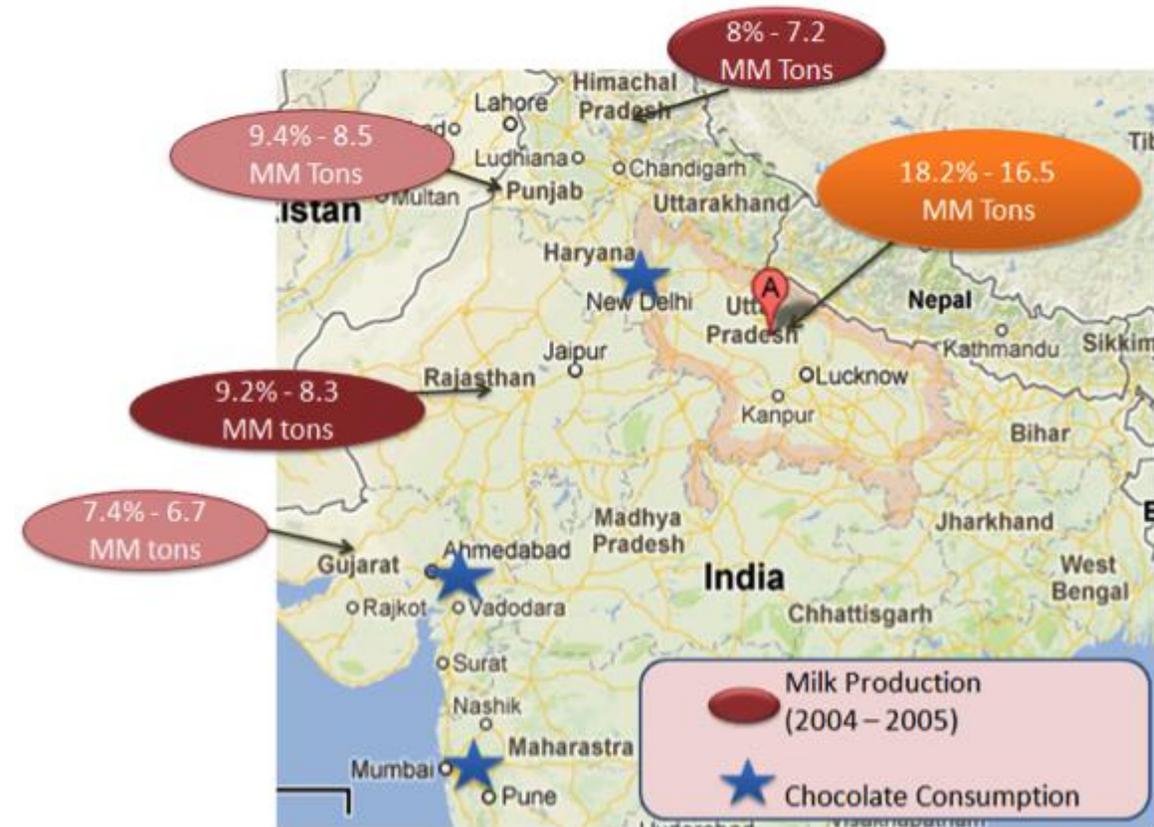
- A. FEM are fast-growing business entities – previously 15% profit growth per year but we were wrong
- B. FEM are “hidden champions” – little known if not unknown to many
- C. FEM can exist at all levels business, whether it is an industry, region, cluster, firm or even product – there is currently no term in existence that can be so encompassing



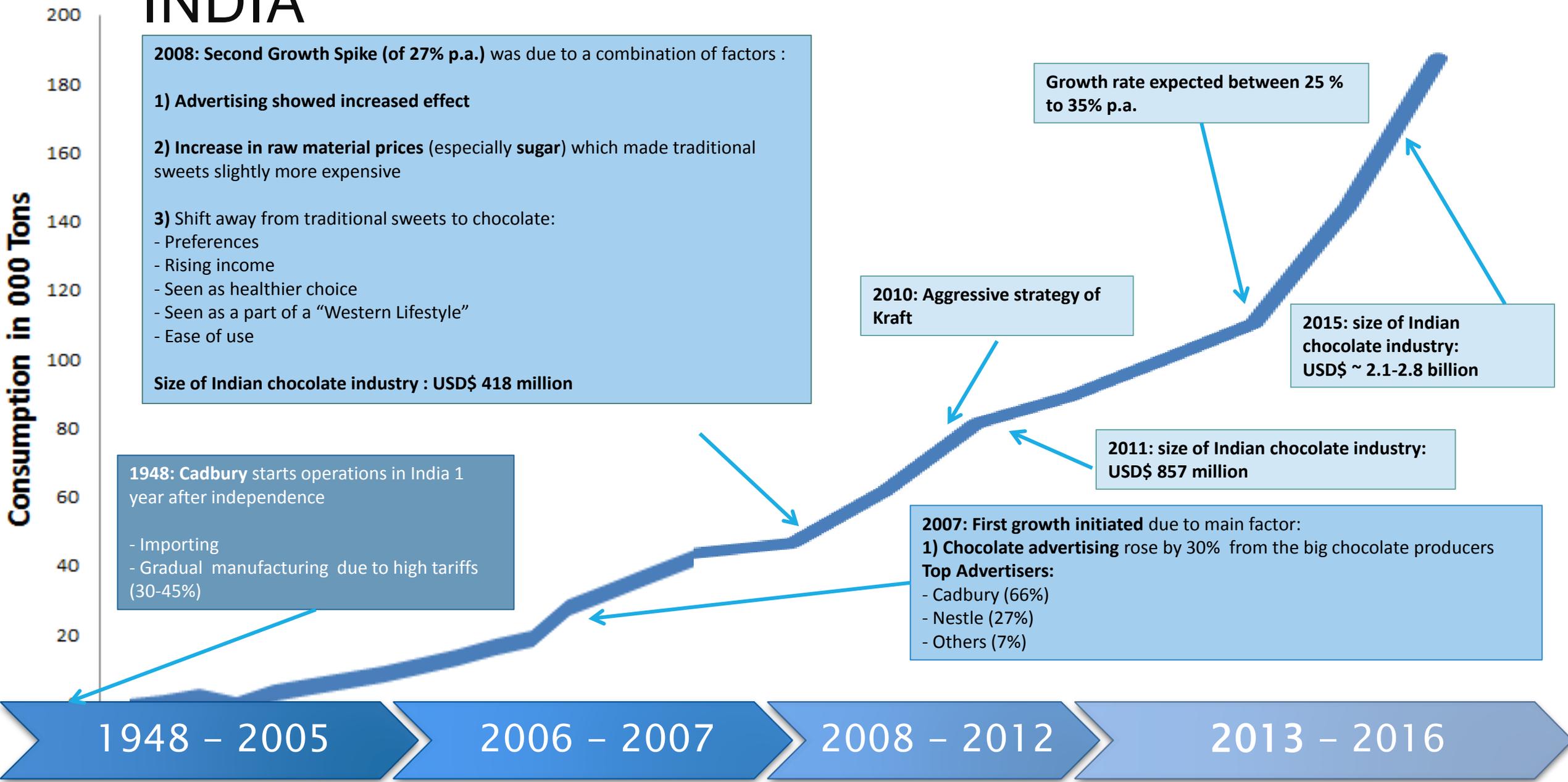
“FEM, you gonna forever. You gonna learn how to fly, HIGH!”

4) EXAMPLE 1: CHOCOLATE PRODUCTION IN INDIA

- India has a favorable climate for Cocoa production (hot and humid)
- The country accounts for less than 2% of the world production of Cocoa (South of India)
- Import tariffs (30-45%) therefore production in country is a possibility
- Factory around populated areas: Mumbai, Goa, Bangalore, Delhi , Ahmedabad
- Potential Cluster: Mumbai
- Production, manufacturing, packaging, logistic & retailer, Chocolate Academy
- **Do you want to see a graph of it?**



4) EXAMPLE 1: CHOCOLATE PRODUCTION IN INDIA



4) EXAMPLE 2: IVOCLAR VIVADENT



- Turnover of CHF 633 million in 2011, supplying ceramic teeth to 120 countries
- 2,500 employees worldwide
- Developed integrated clusters by partnering with renowned institutions and universities to develop integrated concepts, resulting in innovative solutions
- Double digit growth in nearly all global markets: Europe up 10%, North America up 19%, Asia up 19%

4) EXAMPLE 3: SBOING



- High-tech firm from Greece – no oxymoron
- Collaborative route information collection that leads to enhancement in drivers' decisions
- Subscription-based that work on Androids and iOS
- Other companies in Greece using high-tech include Taxibeat and Incrediblue



4) ADULT DIAPERS

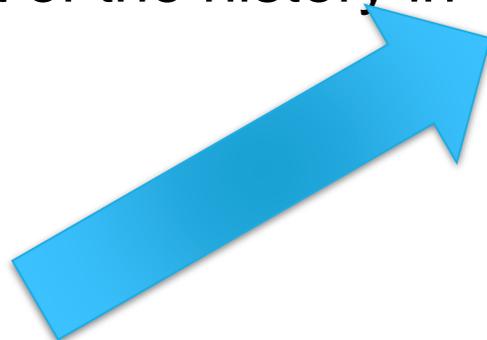
172 billions JPY (approx. 2 bl USD)

is estimated for factory shipping based revenue with **5%** of average annual growth rate since 2007.

(by Yano Research Institute YRI)

Remarkable Phenomena

Adult Diaper Market **exceeded** Baby Diaper market for the first of the history in 2012. *(by YRI)*



Adult Diaper Market in Japan



GROWTH OF ORGANIC PRODUCTION SPAIN

FAST EXPANDING MARKET



INCREASE IN VALUE OF ORGANIC PRODUCTION

442%

BETWEEN 2005-2010 CONVERTED ORGANIC LAND WAS 134%

COUNTRY WITH LARGEST ORGANIC LAND 1.1 HECTARES, EXPORTS 80%

GOVERNMENT POLICY

TO INCREASE AWARENESS AND VALIDITY OF ORGANIC GOODS DOMESTICALLY



POPULATION



UNEMPLOYMENT

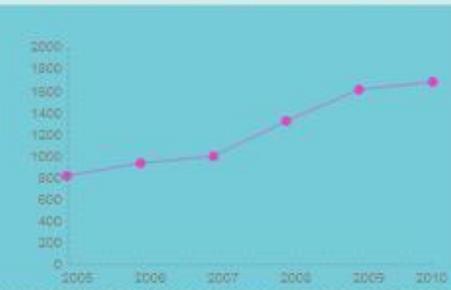


DOMESTIC CONSUMPTION

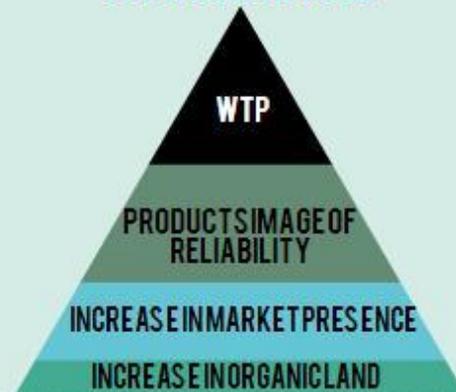
GDP PER CAPITA GROWTH



DEVELOPMENT ORGANIC AREA



GROWTH IN DEMAND



FUTURE



4) ARE THERE ANY OTHER EXAMPLES? OH YES

- i. Light-Emitting Diodes (LEDs) in Japan
- ii. Aerospace manufacturing in Mexico
- iii. Mango growing in Mali
- iv. Cattle-ranching in Paraguay
- v. Green roofs in US
- vi. Biostoves in Kenya
- vii. Vitamin D test market in Italy
- viii. Cosplay and manga from Japan
- ix. Zambeef in Zambia, Ghana and Nigeria
- x. Paper manufacturing cluster in Lucca, Italy
- xi. Carbon-fibre chassis for racing cars manufacturing near Palma, Italy

5) THE IMPORTANCE AND IMPLICATIONS OF FEM

- FEM represent new opportunities for investors
- FEM show new ways for finding out why a business entity succeed
- FEM are sources of growth and innovation, the two real drivers of competitiveness
- FEM are crucial in solving the Eurozone crisis
- FEM demonstrate that there is no such thing as “economic recession” but only “individual recession”

6) IDENTIFYING THE NEXT FEM

- Identifying the next FEM is not necessarily hard work but can be time consuming
- Cannot rely on macroeconomic and therefore quantitative data
- Dedicated person to search for FEM and analyse the reasons for the rise (and success)

LET'S TALK

- Sponsored by *KPMG/ESCP Europe Chair Governance, Strategy, Risks, and Performance*
- Thank you very much for listening
- Questions and (hopefully) Answers

- www.mark-esposito.com @Exp_Mark
- www.terencetse.com @ Terencecmtse