

# FAST-EXPANDING MARKETS:

Dr Mark Esposito Dr Terence Tse

@MIT Sloan, 9<sup>th</sup> December 2013

### 1) WHO ARE WE?





#### 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?

The Ethical Business Cultures in BRIC Making Corporat **European Business** Flexibility to Im Review March - April 2013 Fast Expanding Market: Where New Growth can be Found



Today's Multi-Generational Workforce \\ Can They Work Together? The Owen Perspective \\ View from the Top Fast Expanding Markets \\ Looking at Global Markets

FORUM

FINANCIAL TIMES

Dr Peter Lorange

Speed, Action: Results! Fast-Expanding Markets: Seizing New Business **Opportunities** 12th June 2013

a Constant of Harvard Business Review

"Fast-Expanding Markets and its untapped potentials are the key to a new lens of economic intelligence of the 21st century!"









or FEMI was presented

**N**SIM

#### **Harvard Business Review** TALIA Settembre 2013 n. 9

The Emergence of Virtual St

in South Korea

PAST EXPANDING MARKETS

#### I FEM, ovvero la nuova geografia dei mercati in crescita

Il modo tradizionale di definire i mercati più dinamici è limitato, poco esplicativo e induce in confusione. Per comprendere la realtà che si sta rapidamente sviluppando in aree diverse del mondo, e per coglierne le opportunità, occorre invece pensare in modo nuovo ai "mercati in rapida espansione", di Mark Esposito e Terence Tse

#### 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?

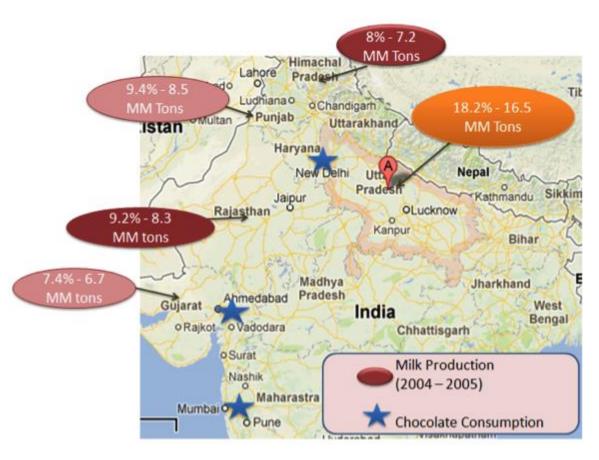
- A. FEM are fast-growing business entities previously 15% profit growth per year but we were wrong
- **B.** FEM are "hidden champions" little known if not unknown to many
- C. FEM can exist at all levels business, whether it is an industry, region, cluster, firm or even product there is currently no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

2008 - 2012

2008: Second Growth Spike (of 27% p.a.) was due to a combination of factors :

1) Advertising showed increased effect

2) Increase in raw material prices (especially sugar) which made traditional sweets slightly more expensive

2006 - 2007

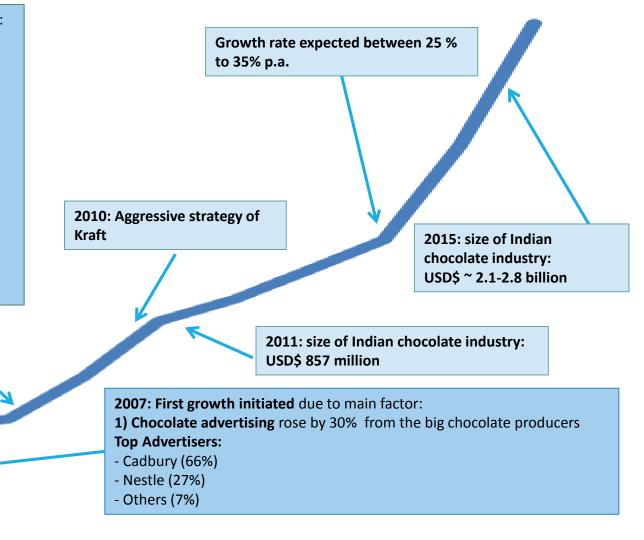
3) Shift away from traditional sweets to chocolate:

- Preferences
- Rising income
- Seen as healthier choice
- Seen as a part of a "Western Lifestyle"
- Ease of use

Size of Indian chocolate industry : USD\$ 418 million

**1948: Cadbury** starts operations in India 1 year after independence

Importing
Gradual manufacturing due to high tariffs
(30-45%)



2013 - 2016

20

200

180

160

140

120

100

80

60

40

000 Tons

Consumption

1948 - 2005

# 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 billons JPY (approx. 2 bl USD)

is estimated for factory shipping based revenue with <u>5%</u> of average annual growth rate since 2007.

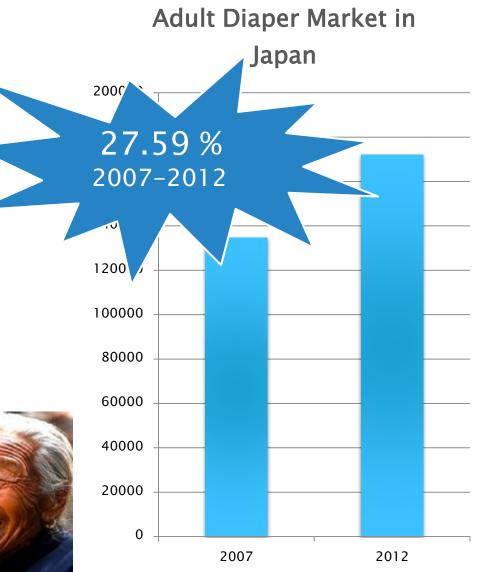
(by Yano Research Institute YRI)

#### **Remarkable Phenomena**

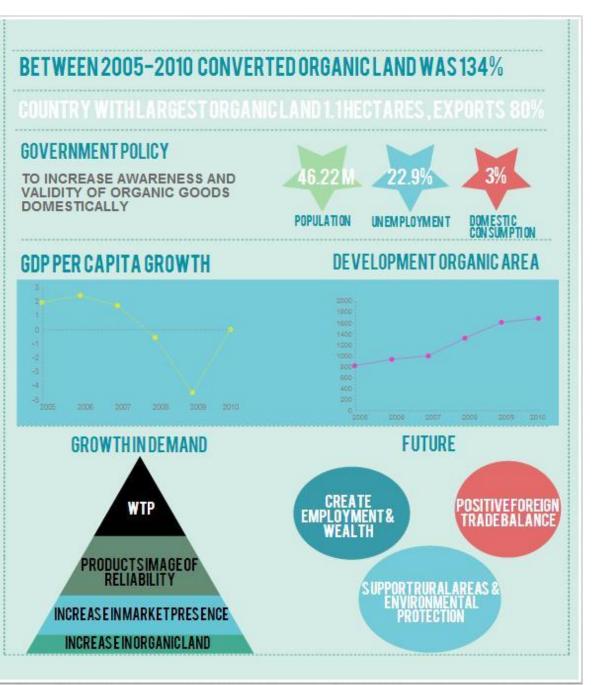
Adult Diaper Market **exceeded** Baby Diaper market for the first of the history in 2012. (by YRI)











### 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

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- Thank you very much for listening
- Questions and (hopefully) Answers
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