

The background features the LIUC logo, which consists of the letters 'LIUC' in a large, dark blue, serif font. Above the letters are four gold stars arranged in a slightly curved pattern. A white diagonal banner with red text is overlaid on the right side of the logo.

Students' version

International Marketing

13th of December, 2019

Università



Issues in Emerging Markets

Prof. Antonio González Ph.D.

13th of December, 2019 - Session 18

Contents

- Carolina Guerini on NMDSO: a different distribution model (90')
- Breaking News for Global Marketers!
- Fundamentals of Emerging Markets
- Marketing BoP and how to succeed



What are the news that are impacting heavily international business today?

What are the news that are impacting heavily international business today?

Conservatives Win Commanding Majority in U.K. Vote

Results Pave the Way for Brexit, in Vindication for Boris Johnson

Mr. Johnson, the prime minister, now has a chance to put his personal stamp on Britain, beginning with leaving the European Union.

The vote pointed to a radical reconfiguration of the country's political map.

6m ago 476 comments

Jeremy Corbyn said he would not lead the Labour Party in another election. Here's the latest.

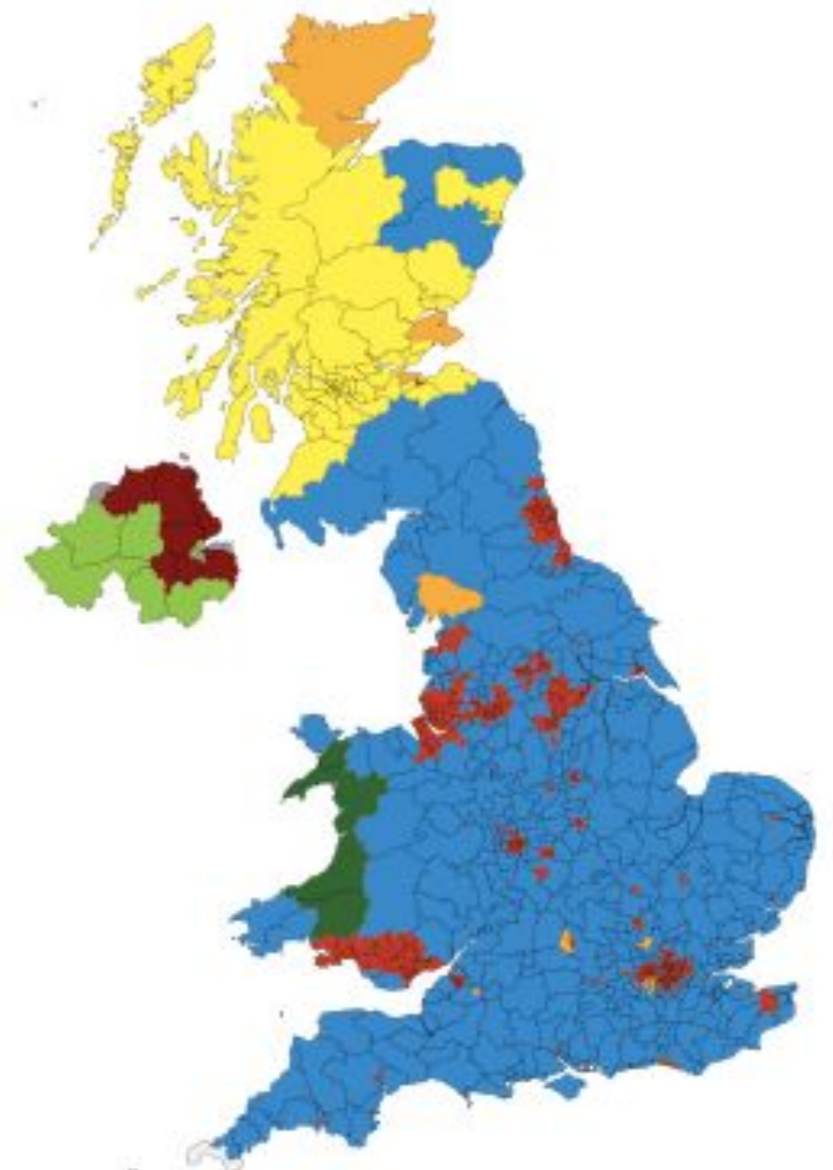
15m ago

U.K. Election Results

649 of 650 constituencies reported.

PARTY	SEATS
Conservative	364
Labour	203
SNP	48
Lib Dem	11

[Full election results >](#)



Prof. Antonio González Ph.D. for LIUC Dec, 2019

What are the news that are impacting heavily international business today?

Prof. Antonio González Ph.D. for LIUC Dec, 2019

[Business](#) | [Market Data](#) | [Global Trade](#) | [Companies](#) | [Entrepreneurship](#) | [Technology of Bus](#)

Trump 'signs off' on deal to pause US-China trade war

🕒 3 hours ago

[f](#) [📧](#) [🐦](#) [✉️](#) [Share](#)



AFP/GETTY IMAGES

Asian stock markets rose on Friday as the US and China moved toward striking a trade deal to avert a new round of tariffs.

The deal could be announced later in the day, after US President Donald Trump reportedly signed off on the terms.

What are the news that are impacting heavily international business today?

Prof. Antonio González Ph.D. for LIUC Dec, 2019

CHINA

Trump Agrees to Limited Trade Deal With China

Plan would prevent new tariffs planned for Sunday and roll back some existing tariff rates



China Woos Foreign Companies While Serving Its Own Agenda

Beijing is giving Washington a concession in the trade talks: regulations that would level the playing field for foreign companies in China. But there are doubts about Beijing's true commitment to opening its market. Photo: Johannes Eisele/Agence France-Presse/Getty Images

1. Reasons for Emerging Markets

1. Reasons for Emerging Markets

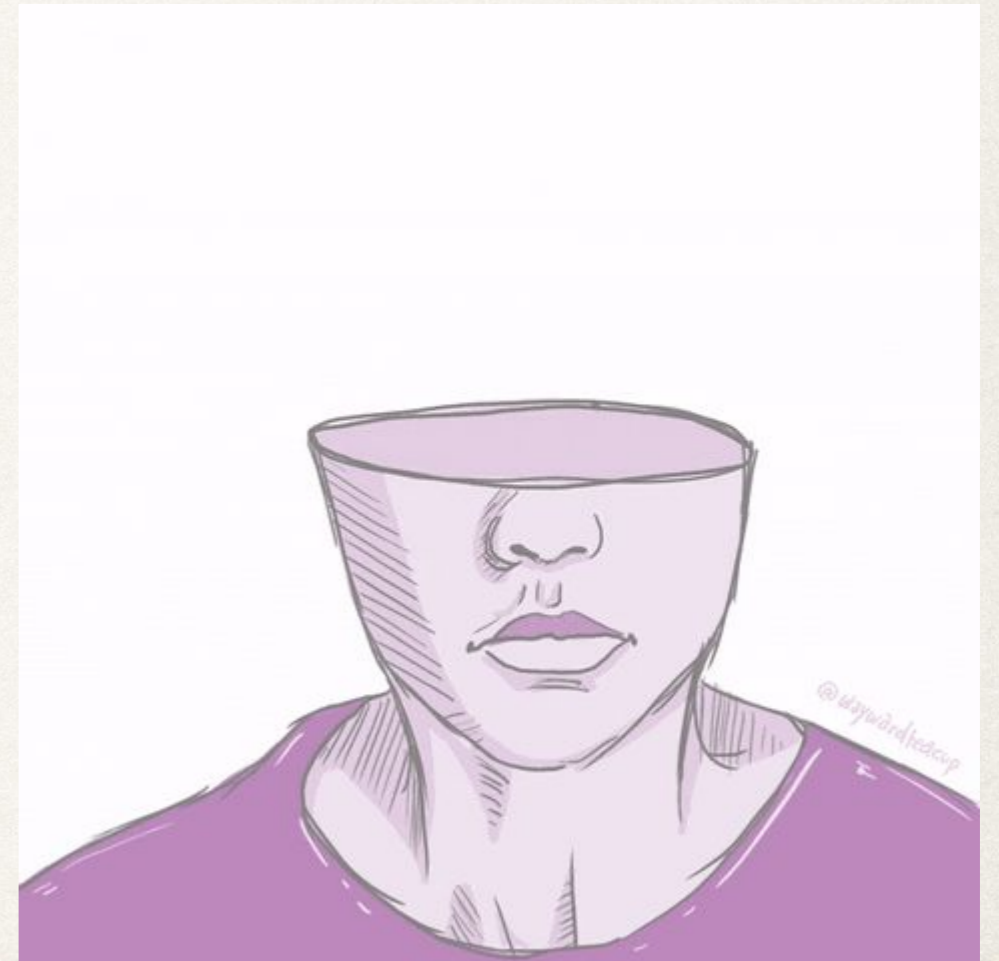
- Liberalization
- Economic growth
- And globalization

Have created tremendous interest and opportunities!

2. What's an Emerging Market (EM)?

2. What is an “Emerging Market”?

Your ideas
please!



2. What is an “Emerging Market”?

Emerging Market has different meanings regarding our perspective:

- For **households**, source of cheap goods
- For **frustrated computer users**, location of outsourced technical support

2. What is an “Emerging Market”?

- International executives, growth drivers in times of stagnation and economic crisis
- Businesspeople, home of new powerful competitors
- For entrepreneurs, testing grounds
- For established companies, incubators of innovation

2. What is an “Emerging Market”?

- For politicians and bankers, savings in EM's are sources of money to buy national debt
- For new university graduates, new job opportunities and recalibrated career aspirations

Takeaway:

If we change the way
we look at things,
things change



3. Criteria for defining EM's

3. Criteria for defining EM's:

Category	Criteria
Poverty	Low or middle income country Low average living standards Not industrialized
Capital Markets	Low market capitalization regarding GDP Low stock market and few listed stocks Low rate of sovereign debt (S&P, Moody's, Fitch)
Growth Potential	Economic liberalization Open to foreign investment Recent economic growth

4. On EM's worldwide: BRIC's example



4. On EM's worldwide: BRIC's example

- BRIC's (term coined by Jim O'Neil from Goldman Sachs in 2001) were defined as Emerging Markets due to their fast growth
 - BRIC's got fast growth thanks to their opening to global financial markets, technology and talent in the previous decades
- But things change very fast!

4. On EM's worldwide: BRIC's example

- BRIC indexes have been moving in different ways and this block analysis approach doesn't work anymore (Ezrati, 2019)
- Chinese firms, moving abroad (Vietnam, Cambodia, etc) due to rising labour costs and to avoid US sanctions to Chinese products

5. EM's nowadays

5. Emerging Markets nowadays

Top 10 EM in 2019:

China (GDP: \$14,092.514 billion)

India (GDP: \$2,848.231 billion)

Brazil (GDP: \$2,138.918 billion)

Russia (GDP: \$1,719.900 billion)

Mexico (GDP: \$1,212.831 billion)

Indonesia (GDP: \$1,074.966 billion)

Turkey (GDP: \$909.885 billion)

Thailand (GDP: \$483.739 billion)

South Africa (GDP: \$370.887 billion)

Malaysia (GDP: \$364.919 billion)

Sources: ig.com and IMF

5. Emerging Markets nowadays (vs.

2002)

“Asian Dragons” or “*Asian Tigers*” were tagged this way because tigers are important asian symbol



Tiger represents ferocity, courage, protection and dignity

5. Emerging Markets nowadays (vs.

2002)

“*Asian tigers*” are countries high huge growth in South-East Asia, particularly from the 1950’s to 1990’s but they still on top in 2019



6. Factors Impacting Emerging Markets



6. Factors Impacting Emerging Markets

Factors impacting EM in 2019:

1. USA-China trade war
2. Strong US Economy
3. Lack of foreign investment
4. Low commodity prices
5. Strong dollar
6. China growth rate: “only” 6,2% expected for 2019

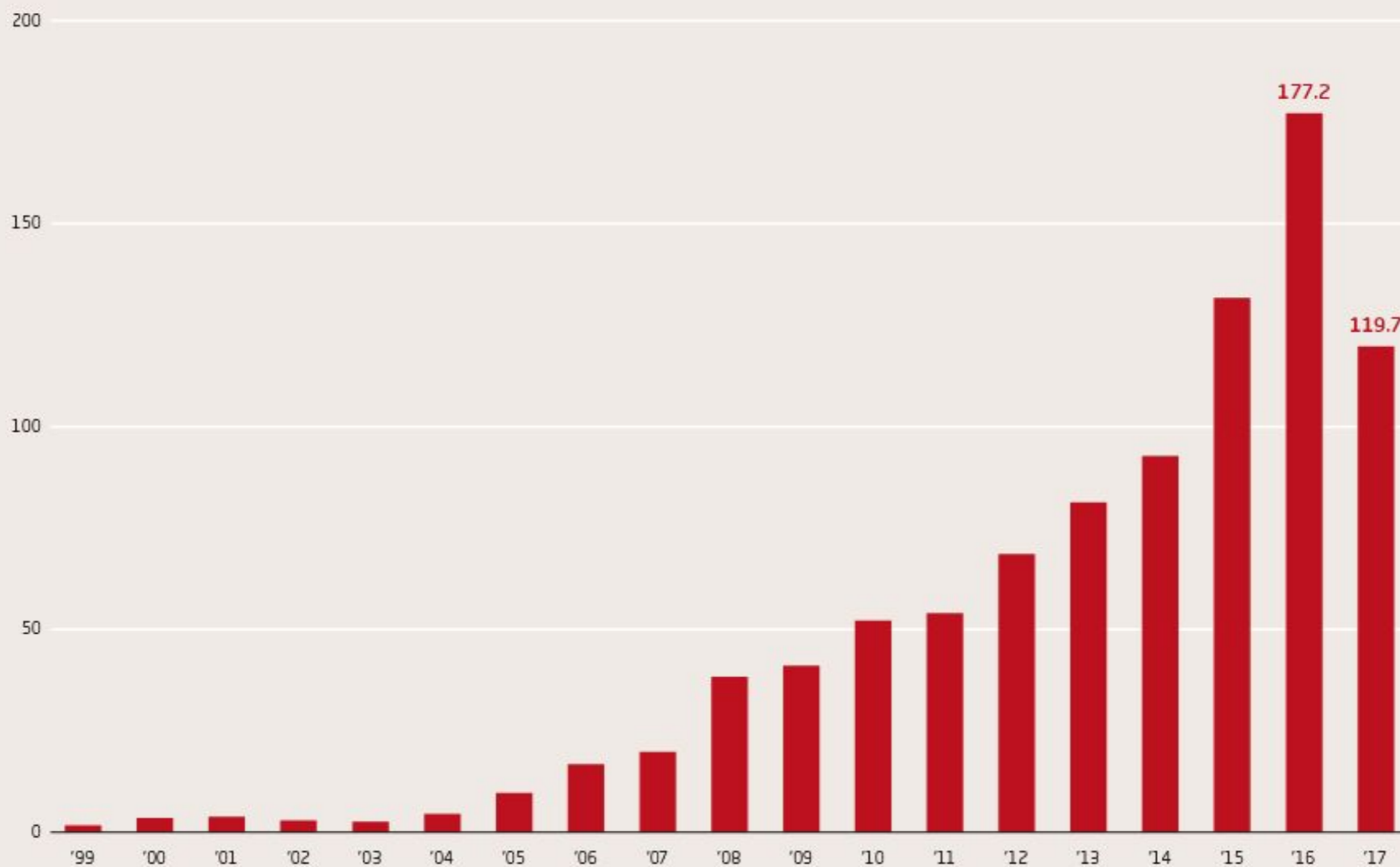
7. Emerging Markets taking a stake worldwide



7. Emerging Markets taking a stake worldwide

China multiplied its FDI 30 times (2000 vs. 2016)

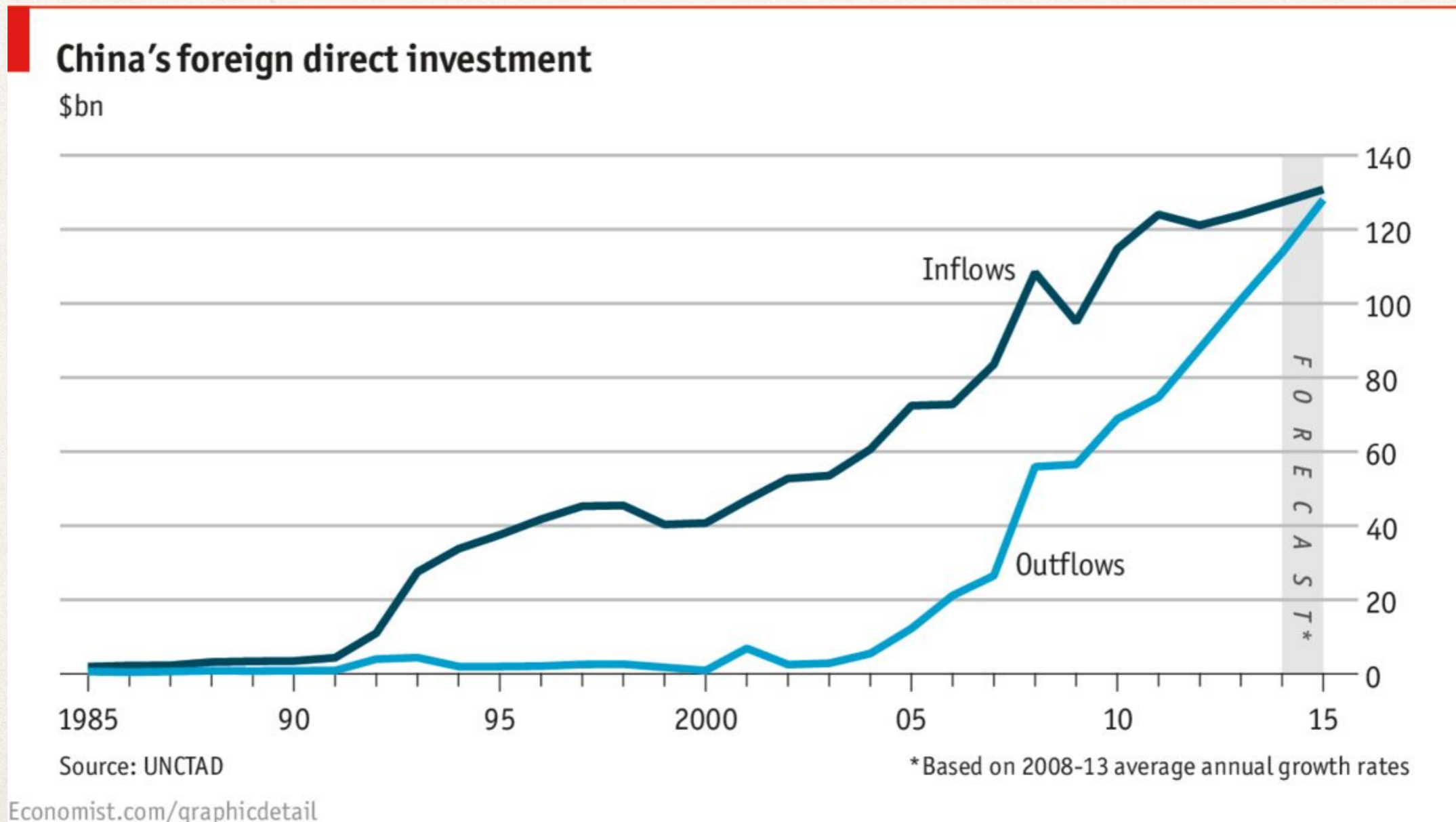
China's global outward FDI dropped in 2017 for the first time in a decade
Annual Chinese outward FDI flows, EUR billion



Source: PRC Ministry of Commerce (MOFCOM). 2017 data points are estimates by the authors based on available data on non-financial OFDI

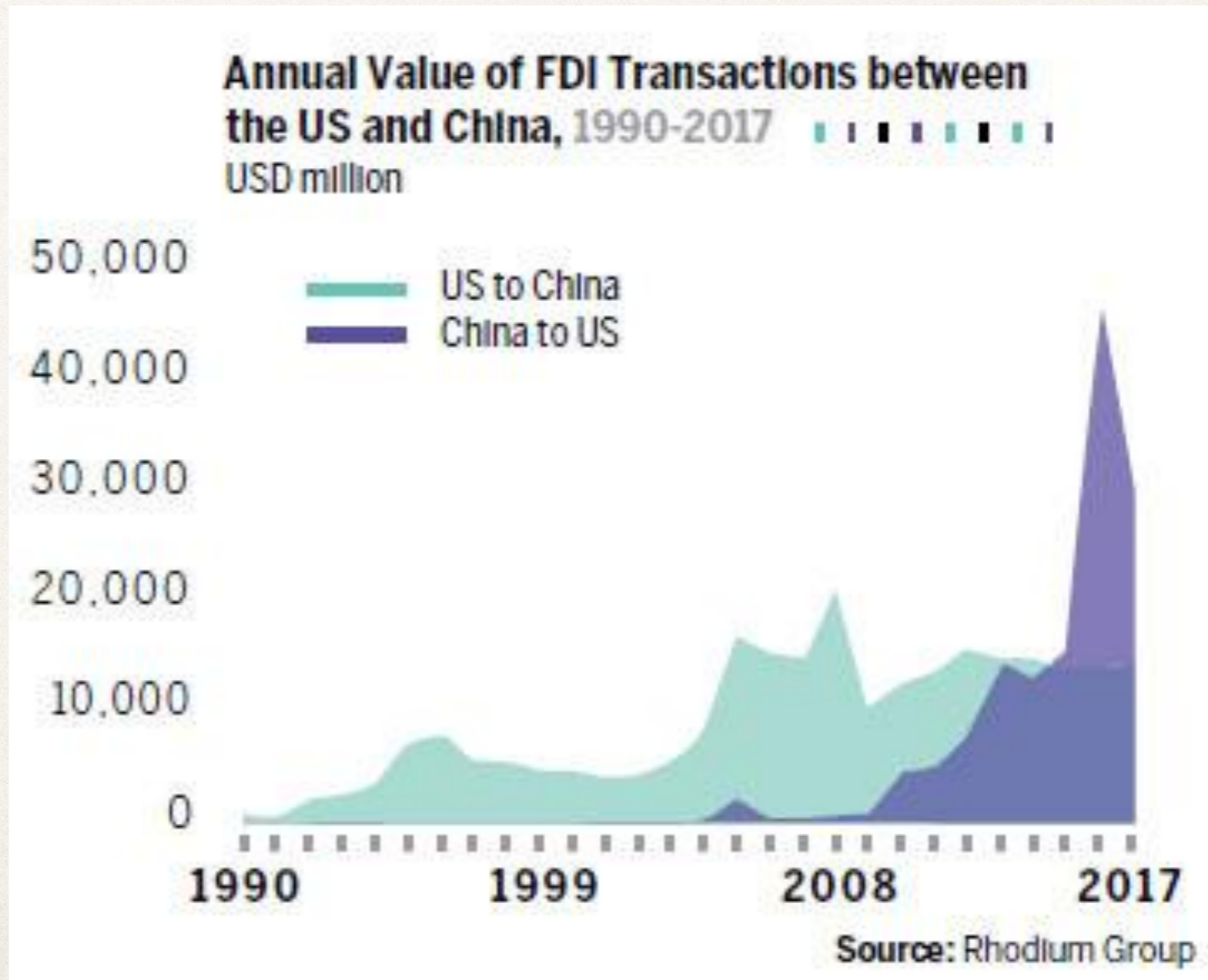
7. Emerging Markets taking a stake worldwide

China multiplied its FDI 30 times (2000 vs. 2016)



7. Emerging Markets taking a stake worldwide

China multiplied its FDI 30 times (2000 vs. 2016)

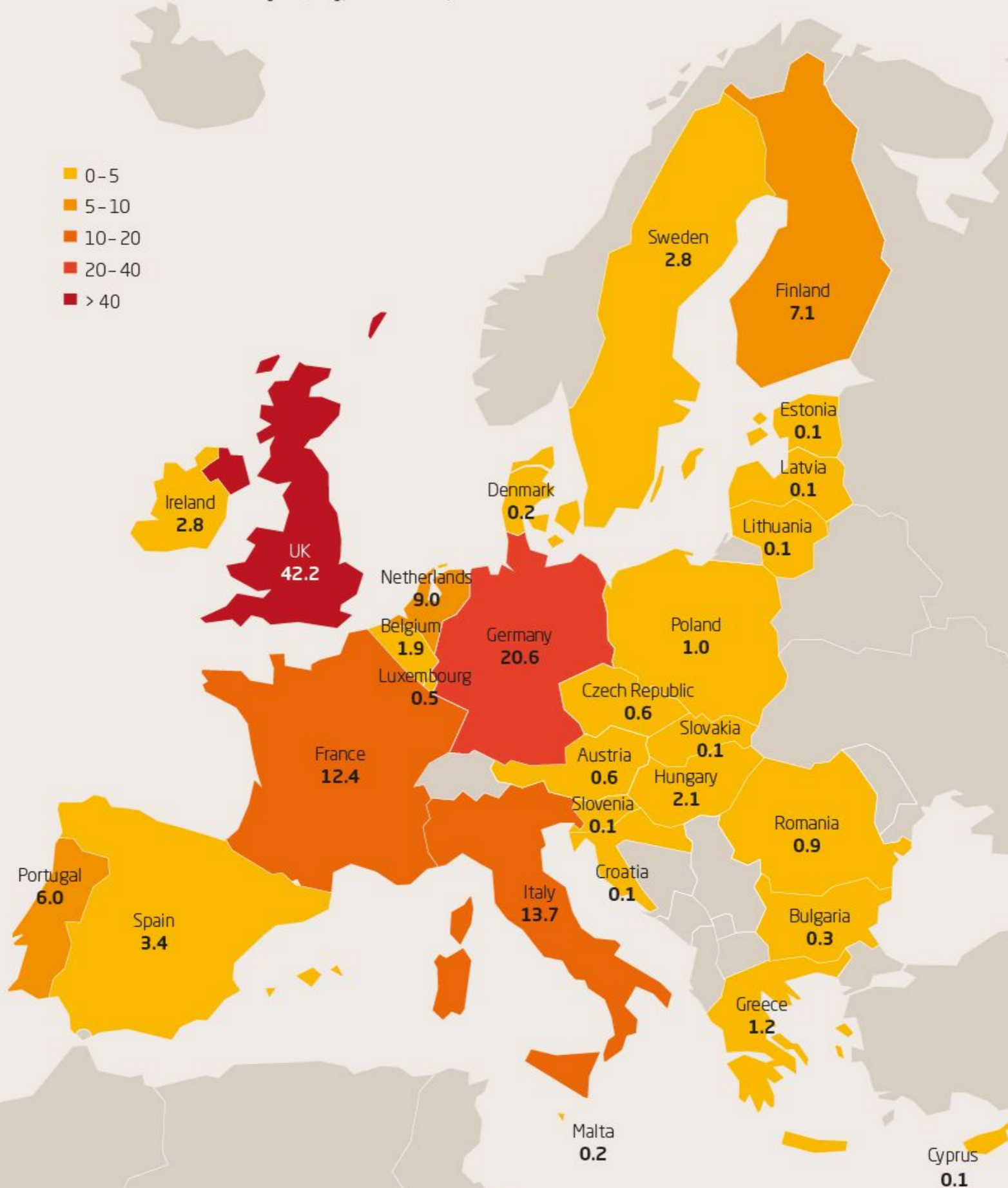


Chinese FDI is distributed widely across Europe

Chinese FDI transactions in the EU by country, 2000-2017, EUR billion



- 0-5
- 5-10
- 10-20
- 20-40
- > 40



Source: Rhodium Group.

© MERICS

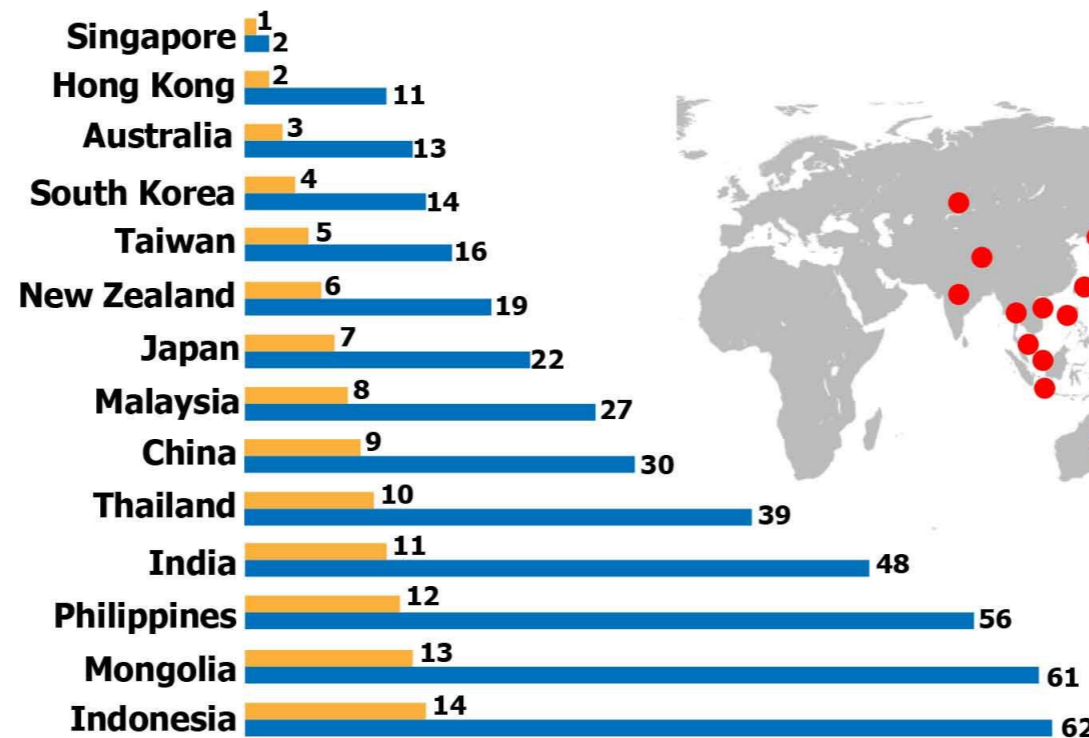
Prof. Antonio González Ph.D. for LIUC Dec, 2019

7. Emerging Markets taking a stake worldwide

Asia is leading development in digital economy (blockchain, e-commerce and cloud services)

Singapore Most Competitive Digital Economy in Asia

Singapore ranked top in Asia slips one notch in global ranking in digital competitiveness while as Hong Kong ranked second in Asia slips 3 places down in global ranking, according to the IMD World Digital Competitiveness Ranking , 2018

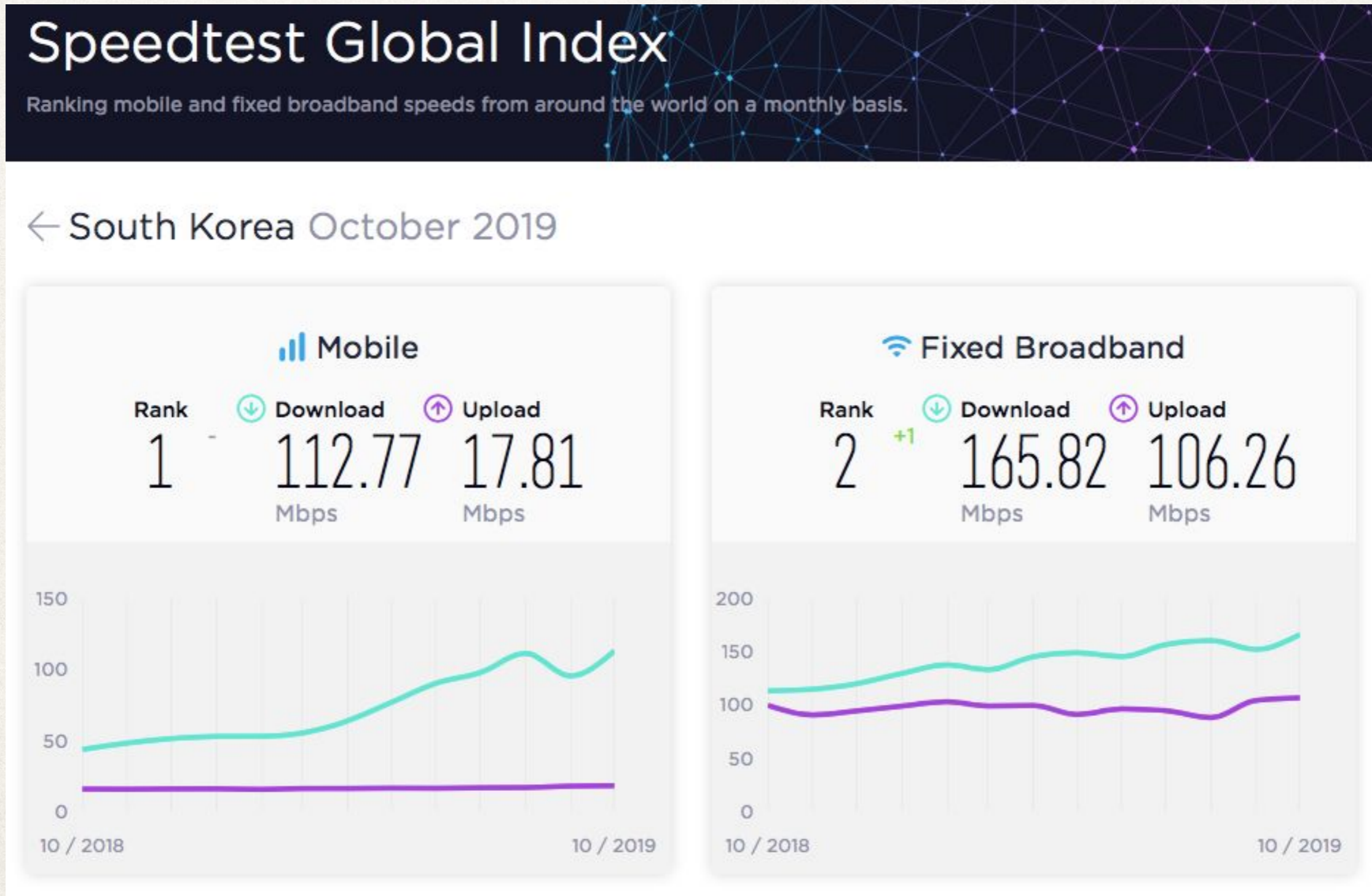


Compiled by ANN/DataLEADS

Source: IMD World Digital Competitiveness Centre, 2018

Global Rank Asian Rank

7. Emerging Markets taking a stake worldwide



7. Emerging Markets taking a stake worldwide

Prof. Antonio González Ph.D. for LIUC Dec, 2019



7. Emerging Markets taking a stake worldwide

Latin America is a melting pot nowadays: Mexico and Caribbean countries are their best but as region the GDP will be only +0,7% in 2019 (BBVA, 2019)



7. Emerging Markets taking a stake worldwide

Latin America is a melting pot nowadays: Mexico and Caribbean countries are their best but...

Mexican Economy Barely Grew in Third Quarter

GDP rose 0.1% from second quarter, with industrial output shrinking 0.1% and services unchanged



Industrial production shrank 0.1%. Auto production in Celava, in the central Mexican state of Guanajuato. PHOTO: EDUARDO

7. Emerging Markets taking a stake worldwide

Difficult times for latin American countries

VENEZUELA'S FOOD CRISIS REACHES BREAKING POINT

By **Stephania Taladrid** February 22, 2019



7. Emerging Markets taking a stake worldwide

Difficult times for latin American countries Video Foro de Sao Paulo

Maduro declara la guerra al continente y Piñera le responde

Los presidentes de la región pueden invocar el TIAR y de forma legítima sacar a Maduro de Miraflores



Por Emmanuel Rincón — El Oct 21, 2019

OPINIÓN CHILE VENEZUELA



El presidente de Chile se vio en la obligación de anunciar un toque de queda tras los destrozos en la capital.
(Fotomontaje PanAm Post)

7. Emerging Markets taking a stake worldwide

Difficult times for latin American countries: Chile



7. Emerging Markets taking a stake worldwide

Difficult times for latin American countries



Manifestazioni a La Paz, Bolivia - Foto: Paulo Fabre (via Wikimedia Commons)

DIRITTI CIVILI | DIRITTI UMANI

Bolivia: dall'addio del presidente Morales già 27 i morti per le strade

Diritti umani violati in Bolivia, dove lo strapotere di militari e polizia ha portato ad abusi, feriti e morti. Lo denunciano Amnesty International e Human Rights Watch. Ma anche l'Alta commissaria per i Diritti Umani dell'Onu e la Corte interamericana per i diritti umani

7. Emerging Markets taking a stake worldwide

Infrastructure and connectivity rising in Africa

How mega infrastructure projects in Africa, Asia and Latin America are reshaping development

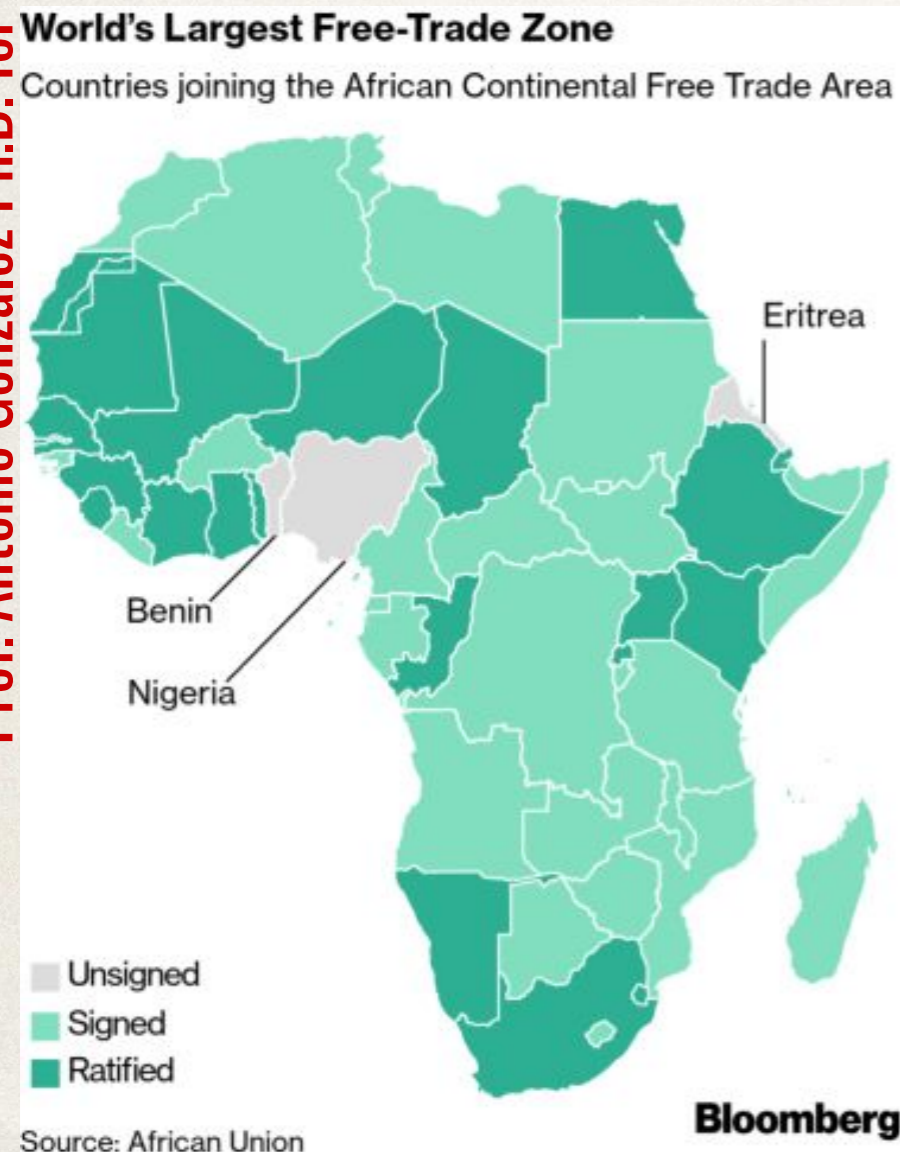
31 octobre 2019 13:06 CET



Construction underway of a new port at Lamu, Kenya. Michael Edward Walsh/flickr, CC BY-NC-ND

7. Emerging Markets taking a stake worldwide

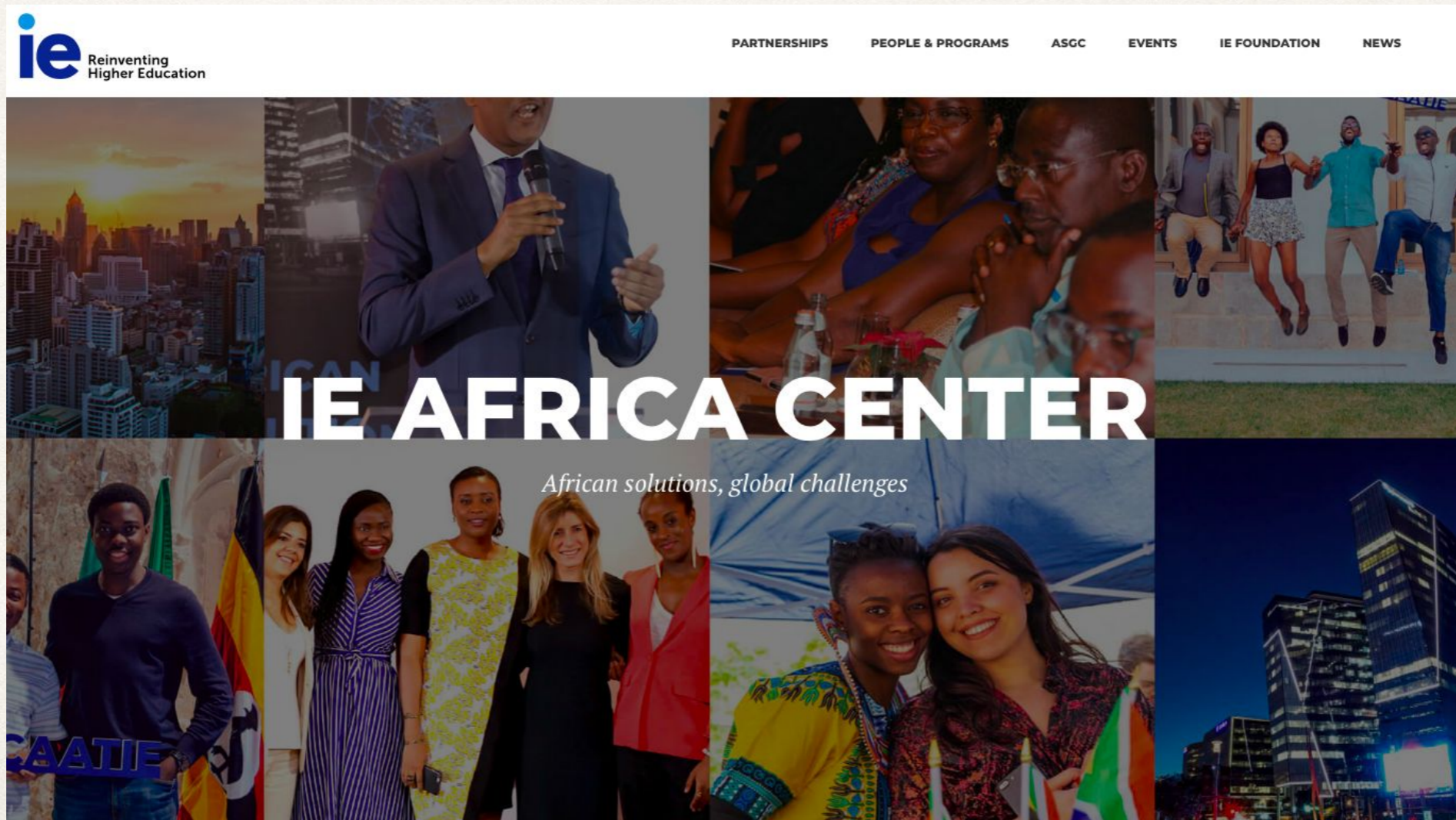
CFTA (Continental Free Trade Africa) in 2018 by 49 countries to move forward



Prof. Antonio González Ph.D. for LIUC Dec, 2019

7. Emerging Markets taking a stake worldwide

International support for Africa's development is growing gradually:



7. Emerging Markets taking a stake worldwide

Despite progress and international effort there's still many problems:

1. Poor governance
2. Corruption
3. Unemployment
4. Population growth
5. Insecurity
6. Famine

7. Emerging Markets taking a stake worldwide

Despite progress and international effort there's still many problems

Cape Town almost ran out of water. Here's how it averted the crisis



South African dams are now over 80% full.

Image: REUTERS/Euroluftbild.de

8. Marketing at the Bottom of the Pyramid (BoP)



8. Marketing at the Bottom of the Pyramid

Marketing BoP

Meaning that marketing focuses on groups of consumers known as “Base of the Pyramid”, population that normally lives in developing economies and occupy the lowest rungs for the global economic pyramid

- V. K. Rangan, 2010

8. Marketing at the Bottom of the Pyramid

Prof. Antonio González Ph.D. for LIUC Dec, 2019



8. Marketing at the Bottom of the Pyramid

Prof. Antonio González Ph.D. for LIUC Dec, 2019



8. Marketing at the Bottom of the Pyramid

3 drivers for alternatives when designing strategies and Marketing at BoP:

- Ad-hoc STP
- Changing consumers' behavior and customer education
- Adapt your Marketing-mix tactics and modify products' supply chain

8. Marketing at the Bottom of the Pyramid

9 steps to succeed when Marketing BoP (Simanis & Duke, 2014)



8. Marketing at the Bottom of the Pyramid



NEW PRODUCT DEVELOPMENT

KEY SUCCESS FACTOR

A brand platform that allows the offering to be tailored to each socioeconomic segment

NEW BUSINESS-MODEL DEVELOPMENT

KEY SUCCESS FACTOR

Business models that include strategies for changing consumers' behavior

NEW MARKET CREATION

KEY SUCCESS FACTOR

High-contribution revenue models (high gross margin plus high price point)

PRODUCT REDESIGN

KEY SUCCESS FACTOR

Rapid prototyping with consumers who aren't used to testing new products

NEW CHANNEL CREATION

KEY SUCCESS FACTOR

Business models that involve low working capital and foster the expansion of small businesses

GREENFIELD-MARKET EXPANSION

KEY SUCCESS FACTOR

Flexible capital-asset models that make it easy to adapt a business model to a new cultural context

TARGETED MARKETING

KEY SUCCESS FACTOR

Messaging strategies for illiterate, skeptical consumers

DISTRIBUTION EXTENSION

KEY SUCCESS FACTOR

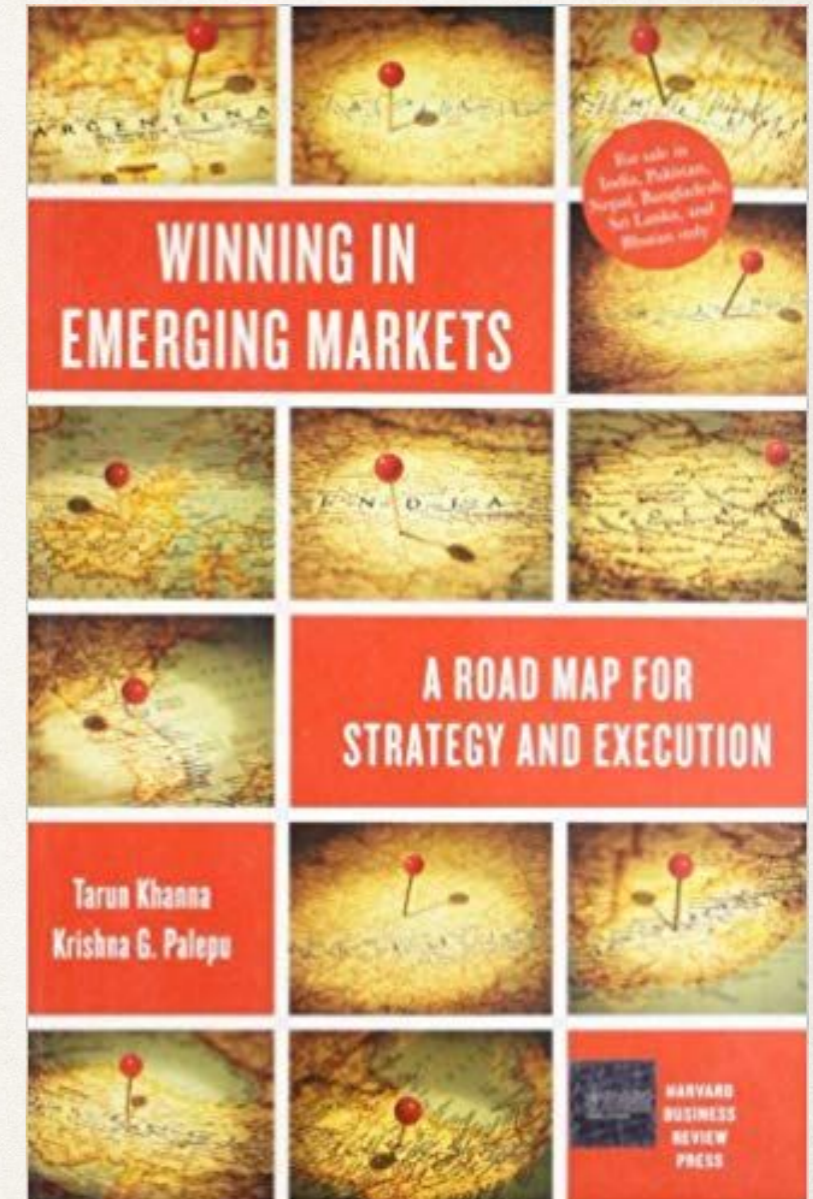
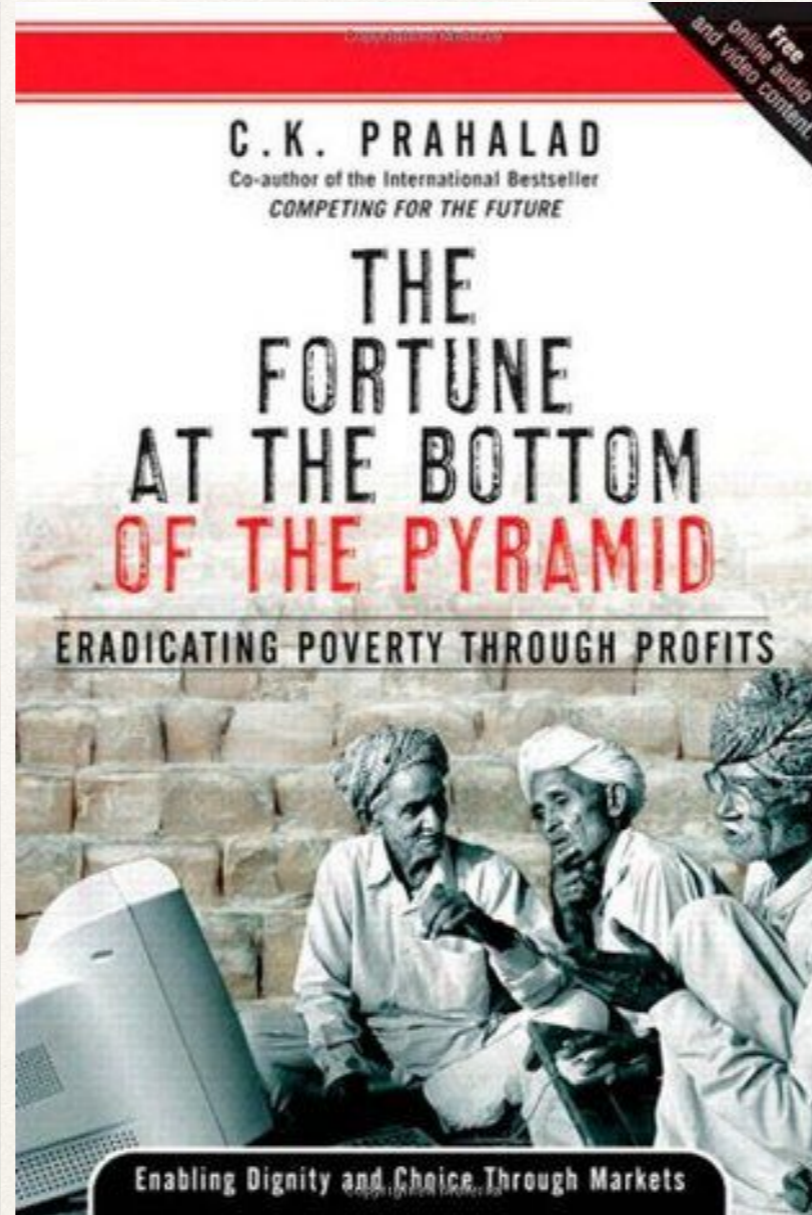
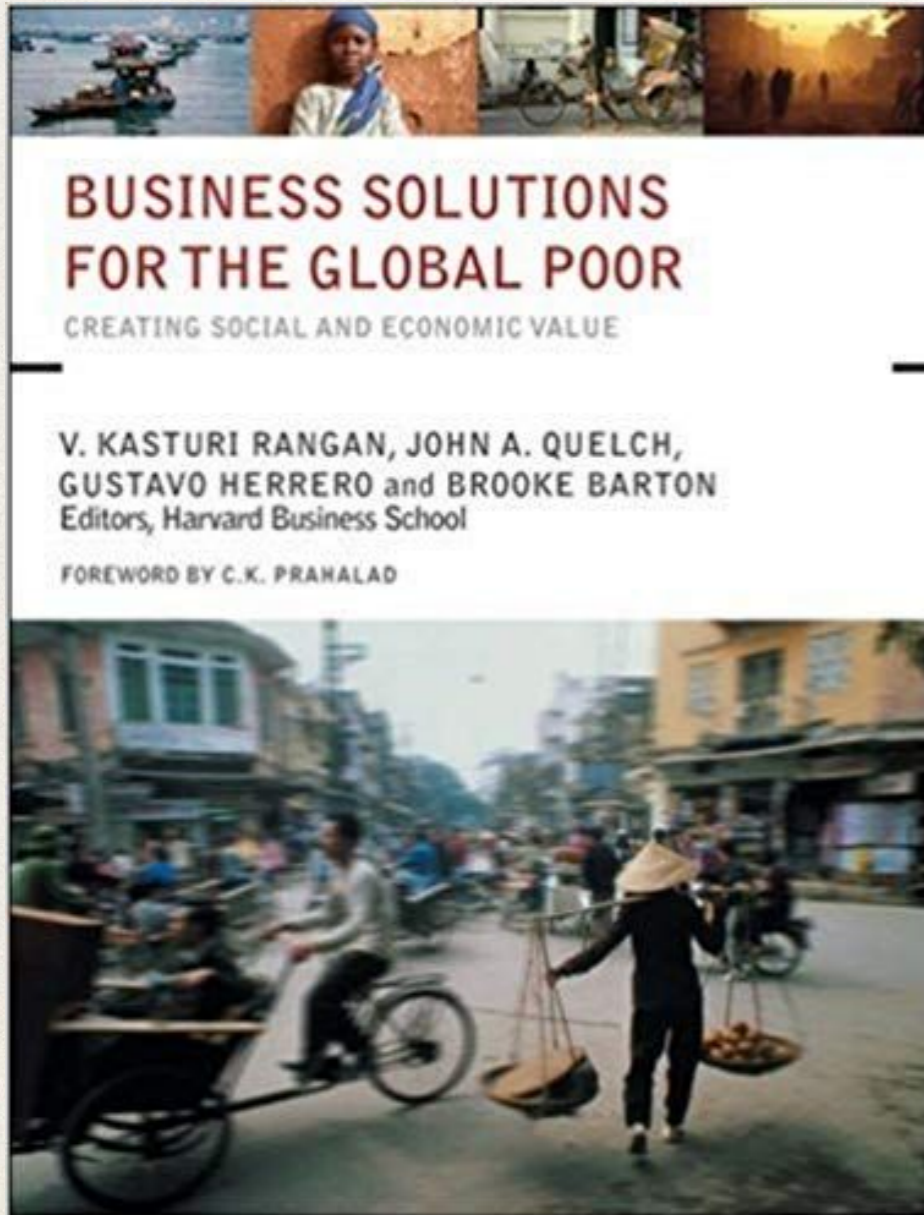
Partnerships with nontraditional partners

CONQUEST OF COMPETITORS' MARKET

KEY SUCCESS FACTOR

Codification of core capabilities and business processes to transfer competencies to new markets

Interesting readings on Emerging Markets and Marketing at The Bottom of the Pyramid (just as suggestion and no mandatory)



Remember:
We r selling

24/7!

**Thanks for
your attention**

