

EMERGING MARKETS: FERTILE GROUND FOR INNOVATION



Managing Business For Christ Breakfast Meeting
August 28, 2010. Sheraton Hotel. Toronto

Outline

- Opening Case 5mins
- Starting Point- The Cases 5mins
- Case Debrief- 10mins
- The foundation 10mins
- Practical Tips 15mins
- Q & A 15mins

Opening Case

What it is

1. Learning Management System
 - E-Learning
 - LMS & Technology
 - KPO
2. Frozen food & Lifestyle
 - Ready to eat delicacies
 - Role outsourcing
3. Immigration Support
 - Tapping into government programs
 - Meeting needs: Kids & Schools

What it is not



Starting Point: The Cases

Cases

1. Emerging Markets: Fertile Ground for Innovation- what does it mean?
2. Practical ways to tap into the “innovation” opportunities in Emerging Markets
3. Emerging Markets “Innovation” killers and the solutions
4. 4 Examples of simple Emerging Market Innovations that can be implemented with a capital of C\$5,000.00

Debrief

Case1/Debrief

1. Emerging Markets: Fertile Ground for Innovation- what does it mean?

Case 2/ Debrief

2. Practical ways to tap into the “innovation” opportunities in Emerging Markets

Case3/ Debrief

3. Emerging Markets “Innovation” killers and the solutions

Case 4/ Debrief

4. Examples of simple Emerging Market Innovations that can be implemented with a capital of C\$5,000.00

The Foundation

OUTLINE

- Emerging Markets: Definition & Examples
- Innovations, Opportunities & Threats in Emerging Markets
- Africa
- Closing
 - Some thoughts
 - Quote
- References

EMERGING MARKETS

- Countries having gross national income (GNI) of \$11,456 or less per capita.
- Emerging Economies are those that are achieving unprecedented economic growth using
 - new energy
 - telecommunications
 - and information technology.

SELECT GNI PER CAPITA 2008 (WORLD BANK)

Country	Amount (US\$)	Country	Amount (US\$)
Algeria	4,190	Argentina	7,190
Angola	3,340	Brazil	7,300
Benin	700	India	1,040
Botswana	6,640	Canada	43,640
Cameroon	1,150	China	2,940
Cote D'Ivoire	980	Egypt	1,800
Kenya	730	Ethiopia	280
Malawi	280	Gabon	7,320
Nigeria	1,170	Gambia	400
South Africa	5,820	Ghana	630
Egypt	1,800	USA	47,930

INNOVATION IN EMERGING MARKETS

- \$3,000 cars, \$300 computers and \$30 mobile phones that provides nationwide service for just 2 cents per minute.
- 21,500 Multinationals based in emerging world (UN World Investment Report)
 - India's Bharat Forge in forging
 - China's BYD in batteries
 - Brazil's Embraer in jet aircraft
- No of companies from emerging markets in Financial Times 500 list quadrupled in 2006- 2008 from 15 – 62.

INNOVATION IN EMERGING MARKETS

- MNC's expect 70% of world's growth over the next few years to come from emerging markets with 40% from China and India.
- China and to a lesser extent have been pouring resources into education over the past 3 decades: China produces 75,000 people with higher degrees in engineering or computer science and India 60,000 every year.
- Emerging Market companies are acquiring assets and companies in advanced economies:
 - India's ArcelorMittal in Steel
 - Mexico's Cemex in Cement
 - Infosys

INNOVATIONS IN EMERGING MARKETS

- Global supply chain reversal: Embraer now buying components in the West with assembly parts in Brazil.
- OECD Data shows that corporate funding of R & D within the Chinese economy is reaching the levels found in the west.
- Emerging market's competitive advantage based on costs is changing to also include innovation. This is an inflection point. Competitive leadership through creativity, design and delivery.

OPPORTUNITIES

- Research and Development of MNC shifting to EM:
 - Companies in Fortune 500 list have 98 R&D facilities in China & 63 in India
 - GE's health-care arm spent more than \$50million to build R&D centre in Bangalore, India
 - Cisco spent \$1billion on second global headquarters in Bangalore, the biggest anywhere globally.
 - 25% of Accenture's workforce is in India

CHALLENGES / OPPORTUNITIES

○ Challenges:

- Challenging distribution systems
- Unpredictable Income Streams
- Pollution
- Government interference- meddling, infuriating and sometimes failing to provide basic services
- Pirating squeezing profit margins
- High level of poverty

○ Opportunities:

- Bigger and fast growing populations
 - Asia 5%, Africa 1.5%, Europe 0.7% & NA 0.3% by 2030

OPPORTUNITIES

- 100 of millions will enter the middle class in the coming decades in India and China and other emerging markets.
- Economies are set to grow faster EM 6% forecast GDP growth vs. Advance economies of 2%.
- Cheap and relatively available brainpower- over 5million people graduate every year in China and 3million people in India. About 4 times the numbers about a decade ago.

KEY SECTORS

- Petroleum & Energy
- Electricity
- Minerals & Mining
- Telecommunications
- Internet
- Transport
- Agriculture
- Manufacturing
- Banking
- Tourism
- Education

INNOVATION & AFRICA

- Low-cost business models reshaping industry e.g. The Tata Nano \$2000 car.
 - Clone, plug and play model e.g. Geely. Lifan
 - Competition and open source innovation e.g. Tata, Mahindra
- Health Care Innovation- new approaches to delivery of health care
- Solutions that are simpler, cheaper and offer value to the less profitable- those successful at the Bottom of the Pyramid (BoP). High volume low margin markets

B O P INNOVATION

- 7-inch eeePC inspired by concept of \$100 laptop for developing world (Children's computer)
- Lunch of Rupees 100,000 Nano by Tata (\$2,123)
- Tata's Swatch Eco-Friendly potable water supply system at half the price of nearest competitor (Unilever) in India in the low cost water filter market
 - Sold on existing channels
 - Easy purchase of replacement parts
- Kenya's Safaricom mPesa- mobile based payment systems that works on Mobile Phones

Practical Tips

Practical Tips

1. Keep it simple
2. Dimension and manage the risks
3. Take the first step
4. Cost structure
5. Don't be shy to ask
6. Invest in your ideas
7. Manage the success

Keep it simple

- Good things in life
- Ambiguity & complexity
- 7 year old principle



Dimension and Manage the risks



- Eyes-opened
- Risk and reward
- Not an excuse



Take the first step

- The journey of a thousand miles
- Low hanging fruits
- Fear & Intimidation



Cost Structure



- Bull and bear principle
- Business model
- Contribution philosophy



Don't be shy to ask

- Introduction
- Network, family & friends
- Cold calls

ask!



Invest in your Ideas



- Learning, books and literature
- Conferences
- Research



Manage the Success

- Stick to the vision
- Continuous commitment
- Raise the bar



Question & Answers



SOME THOUGHTS

- Important innovation will consists of incremental improvement to products and processes aimed at the middle or the bottom of the income pyramid e.g. Tata Nano cars.
 - Mobile Money- using mobile phones to make payments e.g. Safaricom in Kenya
- Smarter ways of designing products and organizing processes to reach billions of consumers who are just entering the global markets.

THE OPPORTUNITY FOR AFRICA

- 53 countries of which 15 is landlocked.
Largest- Sudan, Algeria and DR of Congo.
- Population- 900 million 13% of world total.
Speaks more than 1000 languages
- Resources- 9.5% of world's oil, 8.2% of its natural gas, 11% - 45% of world's strategic minerals
- Economy- 13.8% real GDP growth in 2007. Per Capital GDP in 2007 was \$1,300

CLOSING REMARKS

- Requirements for Successful Innovation
 - Strong leadership
 - Educated, ambitious and bright people
 - Independence and self-confidence to push opinions and take responsibility for projects
 - Entrepreneurial in management and delivery of projects.
- What Africa require:
 - Innovation in Education
 - Job creations and scaling up small businesses
 - Vocational training and financial advise for SMEs
 - Private sector involvement in poverty reduction
 - Enabling environment, regulation and less corruption.

CLOSING QUOTE: WINSTON CHURCHILL

“see opportunities in every difficult situation rather than difficulty in every opportunity.”

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THANK YOU

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