Competing for New Global Growth Opportunities

DR. JAGDISH N. SHETH

Charles H. Kellstadt Professor of Marketing
Emory University
jag@jagsheth.com
Forces Driving the Shift in Global Growth

- Affordable Innovations
- Aging of Affluent Nations
- Geoeconomic Realignment of the World
- Rise of the New Brand Conscious Middle Class
The new measure is Purchasing Power Parity (PPP).

<table>
<thead>
<tr>
<th>2008</th>
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<tbody>
<tr>
<td>1. U.S.</td>
<td>$14 trillion</td>
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<tr>
<td>2. China</td>
<td>$13 trillion</td>
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<tr>
<td>3. India</td>
<td>$5.2 trillion</td>
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<tr>
<td>4. Japan</td>
<td>$4.5 trillion</td>
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<tr>
<td>5. Germany</td>
<td>$2.8 trillion</td>
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<td>6. U.K.</td>
<td>$2.4 trillion</td>
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<td>7. France</td>
<td>$2.1 trillion</td>
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<tr>
<td>8. Russia</td>
<td>$2.1 trillion</td>
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<tr>
<td>9. Brazil</td>
<td>$2.1 trillion</td>
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<tr>
<td>10. Italy</td>
<td>$1.9 trillion</td>
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Source: International Monetary Fund (IMF)
• China is the second largest economy based on PPP index and just surpassed Germany in GDP. It will be the largest single economy by the year 2020.

• India is the third largest PPP economy, and it is likely to surpass Germany and Japan in GDP by 2020.
Impact on Markets

- Fusion of markets & cultures
- R&D shifts to Chindia
- Rise of Chindia’s global enterprises (Mittal, LeNovo)
- Emergence of largest consumption driven markets
- Affordability becomes focus of innovation
- Rising tides lift all boats
Impact on Resources

- Shortage driven breakthrough innovations (Ethanol)
- Rising upstream profits
- Global megamergers (oil, steel, copper, gas)
- Resource driven global expansion (IBM in India)
- Emergence of strange bedfellows (China & Africa)
Impact on Geopolitics

1. CHINDIA in world bodies
2. G-8 becomes G-20
3. CURRENCY WARS more strategic than TRADE WARS
4. RISE OF MULTILATERAL POLITICS
5. EASTERNIZATION OF THE WORLD
How to Succeed in the Future

1. Embrace global standards
2. Earn quality reputation
3. Invest in design & research
4. Create globally admired brands
5. Enhance productivity through automation & processes
6. Scale up through global acquisitions
7. Obtain low cost capital
8. Transform talent capital
1. Embrace Global Standards
   - R&D
   - Operations
   - Human capital
   - Processes

2. Earn Quality Reputation
   - Quality obsession
   - Compete for global awards
   - German engineering
   - Indian software

3. Invest in Design and Research
   - Design is key
   - IPR through research
   - Global centers of excellence
   - Licensing
4. Create Globally Admired Brands
   - Nano car
   - Samsung
   - LeNovo
   - Slumdog Millionaire

5. Enhance Productivity Through Automation & Processes
   - ERP, SCM, CRM and e-Business
   - Process focus
   - Lean operations
6. Scale Up Through Acquisitions
   – Haier
   – LeNovo
   – Mittal Steel
   – InBev

7. Obtain Low Cost Capital
   – Foreign stock exchange
   – Private equity
   – Debt capital
   – Sovereign funds

8. Transform Talent Capital
   – Invest in employee education
   – Move up the knowledge ladder
   – Transnational leadership
Conclusion

• There are enormous new global growth opportunities.

• Global growth opportunities are driven by the rise of the new brand conscious middle class of emerging economies and by aging of affluent nations.

• They are also driven by affordable innovations and new geoeconomic realignment of the world.
Conclusion

• To successfully compete in these global growth opportunities will require a new mindset.

• It will require embracing global standards; earn quality reputation; invest in design & research; create globally admired brands; enhance productivity through processes; obtain low cost capital; and transform human capital.