

IB 395 (05415)
EMERGING MARKETS
SPRING 2017

Class Time: M/W 3:30-5:00
Place: GSB 3.130
Professor: Dr. Kate Gillespie

Office Hours: M/W 5:00-6:00 and by appointment
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COURSE OBJECTIVES

This course is designed to give students an understanding of the traditional challenges to global marketing in emerging markets, including those in Africa, Asia, Latin America, the Middle East, and the former East Bloc. It will examine commonalities of different regions and countries while highlighting cultural and economic differences.

This course provides frameworks for

- understanding the economic and financial challenges of emerging markets
- exploring common cultural differences between emerging markets and the United States
- managing economic, regulatory and political risk
- evaluating both local and global competition in emerging markets
- adapting marketing research in emerging markets
- assessing the desirability of entering specific markets
- determining the best mode of entry for an emerging market
- managing brands in emerging markets
- adapting the marketing mix (product, price, distribution and promotion) to an emerging market

In addition, students will learn how to use sources to create a market assessment and will develop a marketing plan for taking a specific business into a specific emerging market.

Required text/readings

1. ***Gillespie and Hennessey, Global Marketing 4th Edition (Routledge)***. Note: You will not be tested on book material, but information and some cases from the book are required for class discussion. Also, your group project will be expected to show clear understanding of the material from assigned chapters.

Copies including used are at the UT Coop and online. It is also available online in e-book format.

Also, four copies of this textbook are on 2-hour reserve at the Perry-Castaneda Library (PCL).

2. **Case Packet—an asterisk (*) following a case designates this package. This package will be available at University Duplicating GSB 3.136.**

Class Website

Web-based, password-protected class sites are available for students enrolled in accredited courses taught at the University. Go to <http://canvas.utexas.edu/>. Syllabi, handouts, assignments and other resources are types of information that may be available on these sites. Class e-mail rosters will be a component of these sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. *For information on FERPA related issues see <http://registrar.utexas.edu/students/records/ferpa/>*

GRADING

Individual assignment 1: 13%

Individual assignment 2: 13%

Individual assignment 3: 13%

Class participation: 18%

Country Market Report Preliminary Bibliography: 5%

Country Market Report Presentation: 8%

Country Market Report: 30%

GRADE COMPUTATION

100 ≥ A ≥ 92

77 > C ≥ 73

92 > A- ≥ 90

73 > C- ≥ 70

90 > B+ ≥ 87

70 > D+ ≥ 67

87 > B ≥ 83

67 > D ≥ 63

83 > B- ≥ 80

63 > D- ≥ 60

80 > C+ ≥ 77

F < 60

Class Participation/attendance

Good attendance and in-class participation are expected. ***Students should be prepared to discuss readings and/or case for the date assigned.*** Discussion questions should be addressed. Daily participation grades will be given. Students are expected to participate daily (unless there is a really good reason). If not prepared, please let me know at the beginning of class so I (hopefully) don't keep calling on you!

Students wishing to receive participation credit on case days when they are absent or not prepared must submit a 500 word case write-up addressing the discussion questions for the case. However, write-ups should be the exception and are limited to one per student and must be turned in within a week of the missed class.

Suggestions for How to Get an “A” in Case Discussions:

- *Prepare well.*
 - Read and analyze the case.
 - Take notes.
 - Differentiate fact from opinion.
 - Identify contradictions and issues that need to be resolved.
 - Determine the *why* behind the *what*.
 - Use the discussion questions as a guide but also identify other questions that you think are important.
 - Look at the exhibits at the end of the case and identify the value-added they supply.
 - Be ready not only to analyze the situation but to offer thoughtful solutions to the problem or problems posed in the case.
 - Identify different options and weigh the pros and cons of each. Be ready to say for each case what you would do and why.
 - Integrate concepts developed in the course into your analysis.
- *Be an active and courteous participant.* Be prepared to volunteer. Be prepared to be called upon. *Listen to what other students say* and be ready to respond to their comments.
- Pop quizzes may be employed as part of the assessment of class participation. Questions will be simple-to-remember factual ones relating to the assigned reading and/or case of the day.

Individual Assignments

There are three individual research/analysis assignments that help all group members prepare for their final group project. Descriptions of each assignment are found in the course outline under the day each is due. Hard copies of the assignments should be turned in at the beginning of class.

Country Market Report

Students will each be assigned to a (usually 4-person) group. Directions for applying for specific projects will be given in class. Each group will be expected to turn in a preliminary update and a final report and to present your findings and conclusions to the class:

- CMR Final Report
 - The CMR should be 24-30 pages—exclusive of references and exhibits—double spaced in font 12 with normal margins.
 - An organizational outline for this report is posted on your class Canvas site under Assignments. Your report should follow this outline. Please remember, however, that this is not a scavenger hunt in which you simply look for information to fill in the blanks. Some information will be easier to find than other information. Some information will be incomplete or contradictory. You should acknowledge this as you build a balanced, well-researched argument for your final action decisions. This is predominately an analytical exercise. But creativity is necessary as well.
 - The report may have up to 5 exhibits. Each exhibit should clearly state its sources and be referred to in the text of the report. Also, the relevance of each exhibit and the conclusions to be drawn from it should also be clearly stated in the text of the report.
 - Follow the instructions for sources and referencing found in the CMR Outline.
- Preliminary Bibliography

This assignment allows me to give advice about sources and possible research strengths and weaknesses before the final report is delivered. The bibliography should follow the final format designated in the CMR Organizational Outline ***and must be divided by chapter***. *Be particularly careful to look for sources to support your marketing mix sections at the end. This may take more effort and creativity. After each entry, provide a one-sentence description of how the source was/will be used.* IN THE PAST “A” PAPERS HAVE UTILIZED ON AVERAGE 40 OR MORE DIFFERENT SOURCES.

- Presentation
 - Each group will be assigned a date for a 20-minute presentation of their CMR.
 - The grade for this will be for presentation style. Present nice slides and pace yourself well. Emphasize key points and provide detail as appropriate. It is not required that all members of the group present, but it is nice if they do. Don't worry if some members are less talented at public speaking. I am pretty generous in this regard as long as a good faith effort is apparent.
 - Dress should be business casual.
 - I will email groups comments about content after the presentation in order to assist with the final CMR Report.

IMPORTANT NOTIFICATIONS

Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>.

Religious Holy Days

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Policy on Scholastic Dishonesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this

class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Campus Safety

Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas MBA classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students are fully prepared for each class.** Much of the learning in the Texas MBA program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Laptops are closed and put away.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of laptops in class. Faculty will let you know when it is appropriate to use them. In such cases, professional behavior is exhibited when misuse does not take place.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

IB 395

Emerging Markets Course -Spring 2017 (Subject to Moderate Change)

Session 1, January 18
Class Introduction

Session 2, January 23
Culture and Cultural Change
Reading:
1. Chapter 3

Session 3, January 25 **STUDENT INFO SHEETS DUE**
Culture

*Prepare Case: Where Have You Been?**

Session 4, January 30
Culture and Cultural Change

Individual Assignment 1 Due: Search the Internet for articles/websites on doing business in the emerging market of your CMR. **Try searching with the key words such as “business culture” and “business etiquette.”** Be sure you get articles/websites on culture *not national regulations*. Consult at least three sources.

- Identify your country in the title of your essay.
- Explain how some of researched insights might be explained by the country’s Hofstede scores.
- Also identify cultural paradoxes (at least one). For example, what advice appears to contradict the country’s Hofstede scores?
- What other cultural insights relating to business appear to relate to concepts identified in Chapter 3? Identify at least two and explain their possible impact on business.
- Double-space and use font size 12. The assignment is limited to 625 words (about 2.5 pages). List your sources (including full identification of websites and not just web addresses) at the end of your paper. Sources do not count towards your word limit.

Session 5, February 1

Culture and Cultural Change

Prepare Classic Case: Sealed Air Taiwan (A)*

Case Questions:

1. Compare the Hofstede scores of Taiwan and the United States (see Chapter 3 or Google them). What insights do these scores provide?
2. What factors discourage an easy transfer of Sealed Air's sales model to Taiwan?
3. Is Sealed Air too ethnocentric?
4. Was Paul Huang the right choice for the sales manager position?

Session 6, February 6

Market Liberalization and Economic Challenges in Emerging Markets

Reading:

1. Chapter 2
2. Read Case 2.1 (Trouble in Mercosur), p. 46

Session 7, February 8

Economic Challenges (continued)

Prepare Case 2.2: Textile Trauma, p. 49

Session 8, February 13

Foreign Exchange Review

Reading: Review Chapter 2, pp. 27-35. Prepare the section of foreign exchange in your CMR outline for class discussion. *Students may work together on this homework.*

Assignment: Each member of each group should be prepared to discuss the history of their market's currency, predictions for the future of that currency, and the reasons behind those predictions. In addition, they should be ready to explain how a devaluation or revaluation of that currency against their business's home currency or a major competitor's currency could affect their business plan.

Session 9, February 15

Political Risk and Regulatory Environment

Reading:

1. Chapter 4

Discussion Questions:

1. What is the difference between managing political risk and managing regulatory change?
2. Based on your country economic analysis below, what economic risks are tied to political risks? What economic risks are tied to potential regulatory change?

Individual Assignment 2 Due:

- Go to Business Monitor (BMI) accessed through our library site at www.lib.utexas.edu. Then click on *Find Articles Using Databases*. See what this source has available on your country?
 - Section 1 *General Economic Environment*. What are the current opportunities and challenges in your country's economic environment?
 - Section 2 *Industry-Specific Insights*: Does Business Monitor have a special report on your industry (or a related industry) in your country? If so, read these and incorporate insights into your essay. In any case, provide thoughtful analysis of how the general economic environment would affect the business model of your CMR project.
- Double-space and use font size 12. The assignment is limited to 625 words (about 3 pages). List your sources (including full identification of websites not just web addresses) at the end of your paper. Sources do not count towards your word limit.

Session 10, February 20

Managing Political Risk

Prepare Classic Case: White Nights and Polar Lights: Investing in the Russian Oil Industry*

Case questions:

1. How important is the acquisition of Russian oil to a Western oil firm?
2. Evaluate the strategies of Phibro, Mobil, and Conoco. Which is the wisest? Why?
3. How might Western companies protect their investments in the Russian oil sector?

Session 11, February 22

Choosing Markets

Reading:

1. Finish Chapter 5
2. Chapter 8

Prepare case: Genicon: A Surgical Strike into Emerging Markets*

Case Questions:

1. Evaluate Genicon's internationalization and choice of markets to date. What do Exhibits 2 & 3 suggest?
2. What do the Hofstede scores of the four proposed markets suggest? (See Chapter 3.) Should culture be a concern to Genicon? Why or why not?
3. Go to www.doingbusiness.org/rankings and compare and contrast the four proposed market. Do any of these rankings help your decision? Are some factors more important than others, and if so which?
4. Go to www.transparency.org and compare and contrast the four proposed markets? What additional data on corruption would be useful?
5. What additional information would you ideally like to have to help Genicon rank the BRIC markets for entry attractiveness?

Session 12, February 27

Corruption in Emerging Markets

Prepare Case: Lenhage AG: Ethical Dilemma*

Case Questions:

1. What are the possible legal implications of Weinhardt making the requested payment?
2. Identify at least four stakeholders who could be affected by Weinhardt's decision. What does each want and what is in their best interests?
3. Identify persons or organizations that Weinhardt should consult before making his decision.
4. Are there alternatives to making the payment or simply resolving to lose the contract?
5. What would you do and why?

Session 13, March 1

Corruption and Other Questionable Payments

Reading:

1. Chapter 5, pp. 151-60

Individual Assignment 3 Due:

- Section 1 *Political Risks*. Go to Business Monitor (BMI). What are the possible macro political risks for your CMR country? Are there any possible micro risks for your industry or company? Explain briefly.
- Section 2 *Regulatory Challenges*:
 - Go to www.doingbusiness.org/rankings . Which factors are salient to your business model? Explain briefly. How does your country fare on these factors?
 - Review your findings concerning regulations from the Country Commercial Guide and supplement these with insights from Business Monitor. What are the specific regulatory challenges *for your business model*?
- Section 3 *Corruption*: Go to www.transparency.org and explain the possible corruption issues for your country? Which are most salient to your business model?
- Double-space and use font size 12. The assignment is limited to 750 words (about 3 pages). List your sources (including full identification of websites not just web addresses) at the end of your paper. Sources do not count towards your word limit.

MARCH 6-17: GLOBAL TRIPS AND SPRING BREAK

Session 14, March 20

Competition in Emerging Markets

Reading:

1. Chapter 6

Discussion Questions:

1. Who are your global and regional competitors? Are they in your target country? Are they thinking about entering?
2. Who are your local competitors? What are their strengths and weaknesses?

Prepare Case 6.3: The New Cola Wars, p.192

Session 16, March 22

Local Company v. MNC

Prepare Classic Case: SADAFCO*

Case Questions:

1. What are the strengths and weaknesses of SADAFCO?
2. At what stage of development is the Saudi Arabian ice cream market?
How will the entry of the multinationals influence the development of the market?
3. What should be SADAFCO's response to the intensified competition in the ice cream market? Can it survive?

Session 17, March 27

Modes of Entry

Reading:

1. Chapter 9

Discussion questions:

1. Come prepared to discuss which factors relating to mode of entry you think are most important to the success of your business model in your

- country—flexibility, speed, control, local knowledge, cost containment, etc.? List these factors in descending order of importance.
2. What are the pros and cons of the different modes of entry appropriate to your project's business model?
 3. What research questions remain concerning mode of entry into your market? What might be good sources to answer these questions?

Session 18, March 29

After the Acquisition

Prepare Classic Case: Grupo Financiero Inverlat*

Case questions:

1. What are the cultural conflict points between CBNS and Inverlat? What are the cultural differences underlying these conflicts?
 - a. Check the Hofstede scores for the two countries. How do these scores help you understand the clashes?
 - b. What cultural issues in the case lie outside the Hofstede measures?
2. Are the cultural clashes nation-level or firm-level? Does it matter?
3. What grade would you give CBNS for managing the cultural variable?
4. What advice would you give the Canadian managers? What advice would you give the Mexican managers?
5. ***What do you consider the case takeaways concerning acquisitions in emerging markets?***

Session 19, April 3

Demographics, Psychographics and Target Markets

Reading:

1. Read Chapter 5 pp. 136-151

Prepare Case 8.3: The Global Baby Bust, p. 270

Additional case question:

1. Go to the US census site and look up the population pyramids for your CMR country for 2000, 2025 and 2050. It is best to just Google “US census population pyramids”. What are future population projections? Could these possible trends affect your business model in the future?

Communicate with your group prior to class and decide what your brand message to consumers will be? Will you emphasize facts, emotional attachments—or something else? Remember you are communicating to your target markets(s)!

Note: At the end of class, time permitting, there will be a group breakout session to brainstorm on how to define and measure your target markets.

Session 20, April 5

Products and Pricing in Emerging Markets

Reading:

1. Chapters 10, 11 (the section on marketing services globally, pp. 342-347), and 12

Assignment:

1. What *mandatory adaptations and discretionary adaptations* might affect your business model in your target country?
2. After reading Chapter 12, rank the probable importance of each contributing factor to pricing identified in the chapter in determining your pricing—specific types of costs, inflation, competition, etc. *Note that you have about 15 issues to consider.* Be prepared to explain your ideas.
3. Could parallel markets affect your business model in your target country?

Session 21, April 10

Brands in Emerging Markets

Reading:

1. Chapter 11 (the sections on branding and counterfeits, pp. 347-360) and Chapters 14 and 15

Assignment:

1. Visit a corporate website of Proctor & Gamble in an emerging country of your choice. Be prepared to discuss its Corporate Responsibility/Sustainability section.
2. Think of one way in which you might create good buzz for your business.
3. Communicate with your group and decide on the remaining promotion questions you must address. Be prepared to share them in class.

Session 22, April 12

Distribution in Emerging Markets

Reading:

1. Chapter 13

Assignment:

1. Could smuggling affect your business model in your target country?
2. Communicate with your group and decide on the distribution questions you must address. Be prepared to share them in class.

Session 23, April 17

Group Time

Class will not meet. Students should meet with their groups to prepare their upcoming class presentations.

Session 24, April 19

Group Presentations

PRELIMINARY BIBLIOGRAPHIES DUE FRIDAY, APRIL 21 AT 1:00 PM.
Please email a copy to the professor and don't forget to put the group name at the top.

Session 25, April 24

Group Presentations

Session 26, April 26

Group Presentations

Session 27, May 1

Diasporas and Emerging Markets

Session 28, May 3

Emerging Markets: To Stay or to Go?

Prepare Case: Larson Inc. in Nigeria*

Case questions:

1. Should Larson stay in Nigeria? Why or why not?
2. What would be a good subtitle to the Ridley Report?
3. How would you improve the presentation of the report? What information is missing and where could you find it.
4. Should Ridley be recalled from Nigeria? If so, what do you do with him and who should replace him if Larson stays in Nigeria?
5. Would you like the job? Why or why not?

COUNTRY MARKET REPORTS DUE FRIDAY, MAY 5 AT 1:00 P.M. *Please email a copy to the professor and deliver a hard copy to CBA 7.202.*