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Between Developed and Emerging Markets: Globalization of Large Consumer Good Enterprises

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INTRODUCTION

A few years ago, *The Economist* promulgated that "the only way that companies can prosper in [emerging] markets is to cut costs relentlessly and accept profit margins close to zero" (*The Economist*, 2010). Likewise, according to the World Bank's 2018 Ease of Doing Business Index[1], the least ranked countries (#94 and under out of 190 countries) are solely undeveloped and developing, while the top 20 countries are solely developed economies (*World Bank,* 2018). It has been long held that emerging markets[23] are non-strategic investments for multinational expansion, and that business giants from developed countries[4] should comparatively capture global market share with ease. Logically, then, developed countries' large[5] consumer good[6] enterprises should always have

[1] The Ease of Doing Business Index ranks countries by business friendliness via factors such as taxes, regulations, and so on. Please refer to the supplementary index Exhibit C (2018 Ease of Doing Business Index).

[2] Emerging markets are upcoming developed economies that possess limited liquidity in local debt and stock markets, as well as tangible financial structures such as banks and common currencies (*Investopedia*).

[3] The International Monetary Fund lists 40 countries as emerging economies and 23 countries as developed. Countries from least to most developed are frontier, emerging, and developed economies.

[4] Developed markets possess widespread liquidity in local debt and stock markets, as well as tangible financial structures such as banks and common currencies (*Investopedia*).

[5] A large enterprise typically is globally defined as having over $10 million in assets although this may vary depending on location (Krainara, 2013).

[6] Consumer or final goods are the results of production that are sold as is. Examples include clothing, food, services, and furniture. Contrastingly, raw or basic materials such as wood are used to make consumer goods such as furniture.

unmatching competitive advantage over developing countries' large cap businesses. They have more stable governments, larger economies, greater access to capital, and higher GDP per capita[7].

Companies are globalizing[8] more than ever to remain competitive and capture new markets (Dewhurst, Harris, and Heywood, 2012), which forefronts the question, what makes large consumer good business globalization successful? Should companies adhere to these notions that emerging markets are inherently bad and developed markets inherently good for business via the Ease of Doing Business Index? If so, why do large consumer good companies from developed countries fail in globalization, and why do those from developing countries succeed? To help answer these questions, this research will examine how large consumer good enterprises[9] fail and succeed in globalization. I hypothesize that regardless of home or host country's economic classification, large-scale consumer good businesses can be financially successful due to strategic management[10]. Financial success will be defined as having greater than $15 billion in average annual revenue and being a market leader[11].

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[7] GDP per capita (PPP) compares GDP on a purchasing power parity basis divided by population as of 1 July for the same year (*The World Factbook)*.

[8] Business globalization: Business expansion to other countries (Passaris, 2006)

[9] Consumer good demand depends more on consumer preference, and thus companies' marketing as well as product strategies, more so than raw material demand, which depends more on free trade agreements, government regulations, and other factors outside of management's control. The focus on large consumer good companies, then, better allows for analysis that connect management with globalization effectiveness.

[10] Project thesis

[11] Having higher market share than the respective industry average

PART I: DEVELOPED TO EMERGING AND DEVELOPED

MCDONALD'S: UNITED STATES

In 1955, the first McDonald's opened in Illinois, United States (developed) and by 1965, the company grew to 700 locations in the United States In 1967, the franchise chain globalized to Canada (developed) and Puerto Rico (emerging). As of January 2018, McDonald's[12] had over 36,000 outlets in 101 countries and served 69 million people daily. It owns more stores worldwide (19,700 or 60%) than it does in the United States thus speaking to its exceptional globalization tactics (Rosenberg, 2018). Management has expanded the company to developed and developing countries alike through the following strategies.

i. Successes

McDonald's is globally successful as it adheres to target market culture. Firstly, it buys local ingredients to decrease shipping costs and cash conversion cycles[13]. In this way, management has strategically positioned the brand as supportive of local parties which has increased business success. Farmers confirmed to major media outlets such as *The Ecologist* that they have "descent" relationships with McDonald's, and most raw products are bought from local and independent farmers. This brands McDonald's as "insiders" and supportive of locals while also saving shipping costs and creating flexible raw material supply. In this way, if McDonald's Brazil has a surge in French Fry orders, it can quickly purchase more potatoes from a close by farmer. Fulfilling this

[12] Company management will be referred to as the company for this project. For instance, McDonald's management will be referred to as McDonald's. This is to enhance analysis pithiness.

[13] The Cash Conversion Cycle is the time that it takes for a businesses' financial investment to produce returns (*Investopedia.com*).

order with a farmer in the United States would require more expensive shipping and/or longer cash conversion cycles. Further, McDonald's adapts menus to local tastes. McDonald's Japan offers seaweed shakes, McDonald's Germany shrimp cocktail, McDonald's Italy a burger with Parmigiano-Reggiano cheese[14], McDonald's Australia fries with bacon cheese sauce or guacamole salsa, and McDonald's France a caramel banana shake. In India, vegetarian options are sold and cooks who touch meat are separated from those who prepare these options, and traditional Indian products such as samosas and Vada are sold. Even in its home country of the United States, McDonald's faced profit hits after 2001 due to the emergence of the healthy eating culture. It responsively offered healthier options such as flatbread sandwiches as well as egg white wraps and changed the cooking oil to vegetable oil without hydrogenated fat. It also reduced the amount of salt used in fries by 23%. From 2003 on profits increased in the United States, however overall sales in the country have regularly slowed since the new millennium (Market Line, 2012).

Likewise, McDonald's marketing caters to consumer preferences. In China, high sales are fueled by Westernized offerings, as consumers prefer Western cultures. Chinese stores thereby emphasize beef in advertising even though it is expensive in the Chinese market. They have even done so by claiming that beef is "sexy" as to accommodate the Chinese ideology of Western culture being attractive. The marketing paid off, as McDonald's now has the second highest number of Chinese restaurants and opened hundreds of drive-thru outlets that captured the growing market of fast food (Goldkorn, 2005). This marketing to target market preferences in host countries is a core component of McDonald's globalization strategy.

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[14] Popular cheese in Italy (*Parmesan.com*)

McDonald's was also successful as it adhered to host country regulations and mitigated global currency risk. Due to interest rate changes and foreign currency fluctuations in emerging markets, McDonald's used interest rate swaps and solely operated in the host country's currencies. Likewise, it uses foreign currency debt[15] and derivatives to protect itself from foreign currency risk of outsourcing (i.e. royalties) which reduces the impact of fluctuating foreign currencies on cash flows and stock price. Thereby, it creates "natural hedges" (McDonald's Corporation, 2018) by purchasing supplies with the host country's currencies. Thus, McDonald's decreases its power of suppliers by having only one global provider, Coca-Cola (Salisbury, 2015).

McDonald's was also successful as it maintained a positive public image. Knowing that the United Kingdom values environmental sustainability and healthy food, McDonald's Britain has marketed since the early 2000s that none of its meat consumes genetically modified grain and invested in a 2007 study to reduce carbon emissions caused by cattle. It reduced its carbon emissions by 4.5% between 2007 and 2009. It is also researching how to convert packaging and sustainable products such as vegetable oil into energy. Likewise, McDonald's engages in goodwill via initiatives such as the Ronald McDonald House Charities® programs, 365Black, and HACER® Scholarships (Salisbury, 2015).

ii. Obstacles

However, McDonald's had globalization failures. Firstly, McDonald's did not always anticipate government regulations. It did not substantially enact environmental sustainability in China until 2009 when the government mandated businesses decrease carbon output as well as increase in energy

[15] Firms can issue foreign currency denominated debt to match the currency of their liabilities with the currency of their income, giving rise to a natural hedge of foreign currency denominated income. (Kedia, 1999)

sustainability. McDonald's China then promised to decrease utility costs by 5% by 2010 and exceeded this goal. It decreased the average utility expense per store by 8.73% by the end 2010. McDonald's China also invested in consultants and quality interns to continuously innovate ways of optimizing operations in sustainable ways (Environmental Defense Fund, 2016). McDonald's engaged in sustainability for market competitiveness, and even stated in its 2017 10K the "ongoing relevance of our brand may depend on the success of our sustainability initiatives to support our brand" (McDonald's Corporation, 2017). Although sustainability was not an eminent principle in China for many years, the communist government and burgeoning pollution should have signaled to McDonald's to engage in sustainability efforts beforehand. Had McDonald's done so, it would likely have been praised as being ahead of the curve as well as moral and would have saved millions.

Further, the relevance of fast food in developed countries has faded. In the United States, United Kingdom, and Japan, sales have declined, and stores have closed while emerging markets have produced double digit returns. This is largely due to the increasingly health conscious markets of the industrialized world. However, the affluent middle class of the emerging markets is rapidly growing thus making it favorable for fast food globalization. This supports McDonald's aggressive expansion into China, Malaysia, and South Korea. In fact, *Transparency Market Research* forecasted the fast food market to swell to $600 billion by 2019 at a CAGR of 4.4% (Khaitan, 2017).

The corporation's scandals have also slowed growth. In 2015, McDonald's China was virally criticized when its largest fry supplier was 3.9 million Yuan for water pollution (BBC News, 2015). In 2014, 5 McDonald's Russia was temporarily closed due to water sanitation violations, however it was speculated that the true motive was tense United States-Russia relations over Ukraine. In July 2014, a Shanghai reporter secretly video recorded expired meat being used in McDonald's largest meat supplier, Shanghai Husi Food. The Chinese government banned its business and thus the sales of

Shanghai chicken McNuggets, McFillets, and 20% of the meat used in Japanese restaurants (Trefis, 2014). In July 2014 sales plummeted 2.5% and 7.3% in the Asia Pacific, Middle East, and Asia sector, and the number of Chinese customers drastically declined, the dip still not having been recovered today. In September 2014, global sales were down 3.7% and APMEA 14.5%, thus showing the financial consequences of scandals.

McDonald's lack of market research hurt growth. From 1988-2002, McDonald's failed in Bolivia before abandoning the country due to bankruptcy in Bolivia's portfolio. The failure was due to culture clashing. Bolivians believe that food preparation needs love, care, hygiene standards, and time investment. This is the opposite of how McDonald's makes fast food such as burgers, since United States food companies generally value efficiency and price over love and care. Former president Evo Morales even stated, "[McDonald's is] not interested in the health of human beings, only in earnings and corporate profits" (Morris, 2016). Even though McDonald's placed restaurants in busy and major cities such as La Paz, Cochabamba and Santa Cruz de la Sierra, the lack of marketing research beforehand cost the corporate giant millions over 14 years (Scheider, 2011). This exemplifies how corporations that seem too big to fail overestimate the openness global markets will have to them. In this way, first mover advantage can be lost.

UBER: UNITED STATES

In 2009, Uber began operations in San Francisco, United States (developed) by providing transportation through mobile technology. In 2011, Uber first globalized and to Paris, France (developed). By 2014, was entering a new city each day. In merely 8 years, Uber's has earned an average $1.5 billion and growing yearly revenue, and the company has expanded to over 65 countries and 450 cities (Robles, 2014) in emerging and developed markets.

i. Successes

Uber is globally successful as it caters to host country consumers' preferences. It switched to cash paying options in emerging markets such as India and hires locals as managers who understand the target market culture. It also strategically sets prices, base pay, and commissions so that they are competitive in the local host economy.

Furthermore, the company is globally successful as it was a first mover in most countries and continents that it currently operates in. This is especially true in Latin America, where transportation companies are too punitive in scale and do not have the funds to compete with Uber. It does twice as many trips per month in Latin America than India. This strengthened its network effect and brand perception as a popular and reliable transportation business. Likewise, Uber established partnerships with businesses such as Starbucks, United Airlines, TripAdvisor, and OpenTable. It publicized its contracts with these businesses that forbids them from associating with competitors in any way when using the Uber app[16]. This leveraged its first mover advantage to strengthen barriers to entry and intimidate (potential) competitors (Robles, 2014).

Likewise, the company is successful as it strategically ignored or fought regulations. Its use of non-commercial cars allows drivers to provide rides without insurance and medallions[17] and greatly decreases maintenance expenses in comparison to taxi drivers. Further, its categorization of drivers as independent contractors, not employees, allows Uber to forego having to pay employee overtime as well as benefits (Robles, 2014). This increases net profit for Uber as well as its contractors.

ii. Obstacles

Uber failed as it lacked first mover advantage in China. Ride hailing app company Didi Dache entered the China market in 2012 and acquired approximately 80% of the market, thus earning investments from Tencent and Alibaba. Uber entered China in 2015, however could not compete with Did Dache's first mover advantage. Uber China lost approximately 1 billion per year until it was acquired by Didi in 2016.

Uber faces obstacles in globalization as it ignores or fight regulations. If it becomes public, the SEC will hold the company to a stricter standard. Thus, investors whose private funds will fluctuate depending on investor sentiment as well as financial performance. If the company continue ignoring regulations and engaging in lawsuits, the impact will endanger shareholders' equity under

[16] "You may not use the Uber API in any manner that is competitive to Uber or the Uber Services, including in connection with any application, website, or other product or service that also includes, features, endorses, or otherwise supports in any way a third party that provides services competitive to Uber's products and services, as determined in our sole discretion" (Robles, 2014).
[17] Taxi drivers must legally have insurance and taxi medallions. Taxi medallions are permits that allow taxi drivers to operate (Badger, 2014).

the scrutiny of the SEC and the public. It almost lost its license in London for overworking drivers and not mandating car insurance for its independent contractors, and thus its aggressive strategy may continue as it is a core part of its global rulebook. Uber has also conflicted with officials in Denmark, Spain, France, and Germany. It also was banned from Barcelona and Madrid in 2014 following protests by local transportation companies and drivers. It was forced out of Germany in 2015 as it hired unlicensed and insurance protected drivers. In this way, Uber should have recognized that Europe, Asia, and India have stricter labor laws, safety regulations, and local licensing laws, such that it would have benefited from adhering to them from the beginning.

For instance, a tweet from Elon Musk sank Tesla's stock 8% immediately after its publication, and Deutsche's multiple lawsuits and allegations of misconduct have dragged its stock down 72.5% since the 2008 Recession (Schwab). Both are global companies and have been fined and/or sanctioned by the SEC. Because Uber has copiable technology[18], its economic moat is lesser and price premium is greater due to Uber's reputation as a reliable and successful transportation service provider. If this price premium is depreciated by SEC and shareholder disapproval and sanctions, shareholder equity, total company asset value, and ultimately business can be damaged. This is especially so since customers have low switching costs and imitating competitors can gain market share.

This culture of fecklessness also hindered potential globalization success. In California, Uber began testing self-driving cars without permits. It was only until the cars ran red lights that the company purchased the permits. Albeit this regulation avoidance did save Uber money in testing costs, a self-driving car ran over and killed a pedestrian in Arizona after a safety driver became

[18] Uber patents its technology, albeit slight changes to the technology allows competitors to offer comparable software. Lyft's technology is an example (Ogurchak, 2016).

distracted. This has halted Uber's burgeoning self-driving car progress, and halted studies in the United States as well as Canada. CEO Dara Khosrowshahi remains conflicted on how to proceed with the project, as the mistake may hinder the potentially lucrative project, and Uber overall, from successfully globalizing.

IKEA: SWEDEN

Ikea was founded in 1943 Salman, Switzerland. It sells affordable furniture, decor and food at low to modest prices. It first globalized in 1960 to Denmark and Norway, and followed with rapid expansion throughout Europe and the United States Since 1990, Ikea has also globalized to emerging markets beginning with China and Russia (Chopra, 2009). Ikea earned a staggering $912 million in 2017 net income (Inter Ikea Systems, 2017).

i. Successes

Ikea globalizes successfully due to low expenses that engender low prices. The Ikea Mission Statement is to serve everyday people, and the company does so through its brand recognition and low prices. Its simple designs, vertical integration, and conglomeration of capital operations (i.e. using shirt factory for furniture upholstery production) keep expenses and prices low. It emphasizes function for everyday people, such that embellishments like fancy finishes are excluded as they lack functional value to customers for daily use. Even packaging holds furniture pieces so that customers can assemble them at home, thereby saving inventory space and decreasing expenses. This is more convenient especially in Europe where public transportation is commonly used by the middle class. A middle-class consumer is more likely to buy compact items, since they need to bring packages with them on trains, buses, etc.

Ikea globalized successfully as it adhered to host country culture only when not doing so would damage sales, and largely maintained its brand regardless of country. Ikea scarcely invested in market research as Swedish management instead comprised a unilateral strategy and brand to present globally, or quality and functional furniture that was also affordable. In most countries, it held its Swedish reputation by selling Swedish meatballs and jams in its restaurants as well as maintaining its blue and yellow theme. However, when first globalizing to the United States in 1985, Ikea found that the beds needed to be converted from European measurements, widened to fit the average American, and redesigned to fit American lifestyle. After making these changes, sales for bedroom furniture increased by 35% and kitchen furniture 15% that year. By 1997, 1/3 of Ikea furnishers were customized for the United States market. Likewise, the Ikea catalogue is produced in 17 languages for 28 countries.

ii. Obstacles

In 1998, Ikea globalized to China by complying with local laws through a host country joint venture. It also made furniture smaller to fit Chinese apartments and modified store layouts to reflect these of Chinese apartments. Still, as it expanded in China, revenues grew but profit margins decreased. Ikea China found that its prices were low in Europe and North America but high in China. It thus built factories closer to stores to cut transportation expenses and import taxes. This made quality inspections more efficient as well, which decreased repair costs. It located stores near rails and on the outskirts of heavily populated cities, as public transportation is popular in China. There were also difficulties with Chinese customers sleeping and relaxing in showrooms (Wall, 2013) albeit Ikea's employees have remained polite and tolerant. This has paid off, and by 2012, asset turnover[19] was more than $7.5 billion and in store customer visitors over 15 million. In 2013, it became the largest commercial landowner in China from another country as its 12 stores covered 640,000 square meters. Today, this strategic management earned Ikea 43% of the Chinese houseware market (Laffiteau, 2014) and increased global profit by 20% in 2016 year over year (Murphy, 2016). Likewise, Ikea learned from the initial China failure and became "ferocious about

[19] How fast product moves from shelves

not expanding too rapidly". It carefully planned its expansion to South Korea. In fact, it invested six years of market research and planning to figure out how to design kimchi refrigerators and how big the stores' children sections should be (South Korean children typically had large areas to play in). Mikael Palmquist, regional manager of retail for Asia Pacific, even stated, "the more global, the more complex it gets. We need to get these things right or we will never be taken seriously". Still, Ikea underestimated parking space demand and labeled Korea's eastern sea as the Sea of Japan instead of the Korean preferred reference of East Sea. Still, Ikea South Korea has been financially successful, and the Gwangmyeong store is one of Ikea's top performing outlets since 2015 (Kowitt, 2015).

In 2018, Uber's Asian package labels referred to China as separate from Taiwan thus inciting public outrage due to the populations' pride in being integrated (Shane, 2018). Likewise, Ikea uses Nordic names for its products even in selling in other countries which can translate to humorous words in host countries. For instance, the Ikea United States sold The Jerker Desk and Fartfull Bench as founder Ingvar Kamprad believed that names are better remembered by (potential) customers than product codes. Thus, Ikea's management must better research the appropriateness of translated words and overall references to the target market, including its geography.

PART II: EMERGING TO DEVELOPED AND EMERGING

JOLLIBEE: PHILIPPINES

Jollibee is a Filipino fast food restaurant chain founded in 1978 Philippines and first globalized to Brunei (developing) in 1987. It quickly grew to over 1,200 Jollibee outlets internationally. Jollibee offers Filipino style fast food such as rice, sweet spaghetti, and its pineapple topped Yum burgers. Jollibee has also acquired various restaurant chains to capture foreign markets (Conde, 2005) such as the United States (developed).

i. Successes

Jollibee globalized successfully as it strategically targeted Filipino concentrations in other counties. Of the 31 locations in the United States, all have at least 200,000 Filipinos in or surrounding them, and most are in California, were a staggering 43% of all Filipino Americans live. Its expansion to countries beginning in the 1990's similarly targeted countries with large Filipino populations such as Taiwan, Brunei, and Middle Eastern countries such as Bahrain. Thus, Jollibee sells customer intimacy by targeting Filipino customers and reminding them of their culture, serving as home away from home. It also is thus a childhood staple for their children, much like what McDonald's did for Americans. CEO Caktiong summarized, "Jollibee has grown to be so well loved that every time a new store is opened, especially overseas, Filipinos form long queues to the store without fail. It is not just a place where they feel at home; it is a stronghold of heritage, a monument of Filipino victory."

Jollibee successful globalized as it pairs or acquires other companies to expand market share. CEO Tony Tan Caktiong even said that due to "a shifting competitive environment, we have taken a broader more global view of our business…to cater to more market segments." Jollibee thus created a joint venture with Mexican restaurant Tortas Frontera (Lalley, 2018) in the United States, likely since Mexican and Hispanic foods outsell conventional American food in the United States (Murchison, 2018), thus acquiring a profitable and culturally sought market in the country. It also acquired 30% of Smashburger, which increased overseas sales 10% in 2018 with 2/3 of the sales being from the United States (Venzon, 2018). Its plans to generate 50% of its revenue overseas by 2022 prove that Jollibee is acquiring stakes if not entire companies to expand its portfolio and reach global markets. CEO Tan even stated that "we decided the harder thing to do was marketing the brand, so we buy brands with a following and just have to improve the back end of the operation" (Lichuaco de Leon, 2013).

ii. Obstacles

Jollibee has the greatest fast food market share in the Philippines where sales are double that of McDonald's. In all other countries, its sales are much lesser than major competitor McDonald's[20] likely due to its emphasis of sweet dinner foods and spaghetti as fast food, while Latin America, Europe, and the United States prefer savory and crunchy fast foods (Nielsen, 2016). This can be further proven as McDonald's, Yum Brands, and Restaurant Brands International (Burker King) emphasis on savory and crunchy options as well as adherence to global cultures in flexing the menu earned it 87.61% of global fast food sales in 2017 (Venzon, 2018). Jollibee China failed in beginning in 1998 and closing in 2001. This is likely because China is only 1.8% Filipino and there are racial tensions between the two countries. However, in 2008 Jollibee acquired fast food chain Hong Zhuang Yuan, improved the food taste, redesigned the restaurants, and profited in China. It 2017, it

[20] Jollibee worldwide ranks #5 in fast food sales and is thus still a market leader. Still, it has not yet captured more market share than McDonald's.

acquired a 55% stake in San pin Wang, a Chinese beef noodle chain with 39 stores, which improved Chinese sales by 20% that year (Bartlett, 2017). Tan even stated, “we don't even have to launch a Jollibee store in China--these branches in themselves can be a major business” (Bartlett, 2017). Thus, Jollibee turns its failures in acquiring non-Filipino customers into successes by expanding its diverse portfolio of partner investments.

NATURA COSMÉTICOS: BRAZIL

Natura Cosméticos was founded in 1969 Brazil (emerging) and sells premium makeup to middle and high classes largely through sales consultants. It is one of the world's top 20 beauty companies and boasts net revenues of R$9,852.7 billion in 2017. Its R$1.2 billion ($660 million) in pretax profits or gross margin of 17.67% which supersedes that of competitor Avon. In 1990, the developed world of the United States, Western Europe, and Japan held two-thirds of the cosmetics market, however today emerging markets such as Brazil (third largest cosmetic market), China (fourth), Russia (eighth), and India (fourteenth) comprise the world's largest cosmetics markets (Antonio et al., 2017).

i. Successes

Natura Cosméticos successfully globalized through consumer and employee intimacy. It began selling to community members in Brazil through door-to-door sales, which established costumer intimacy through relationships and helped it survive the extreme inflation of 80's. Likewise, it used realistic looking women in its advertisements among competitors who used women's insecurities by using industry standard models and pioneered not testing on animals in South America. It was the first Brazilin Company to use Global Reporting Initiative's sustainability reporting and released the 2000 Ekos cosmetics line that was solely made from Brazilian rain forest raw materials in sustainable ways. 10 years before Dove's Real Beauty campaign, Natura held a Truly Beautiful campaign including women over the age of 30 exemplifying how beauty is about self-esteem as opposed to age. Customers associated Natura Cosméticos with realness, acceptance, confidence, and thus a high moral that they could buy from without being preyed on in an industry that that so with women's insecurities.

Likewise, in 1999 Natura Cosméticos globalized to Argentina. Then sales director and now CEO Alessandro Carlucci strategically created an Argentine network of sales consultants and customers as well as directed the construction of a distribution center, thus increasing revenues by 30% annually from 1999 to 2001. In 2001, an Argentine recession devalued currency by 40%, and although competitors attempted to protect their margins by raising prices. Natura Cosméticos did not and instead saved $110 million through decreased expenses and integrated operations. Carlucci even stated, "the idea was to create a social pact among suppliers, employees, and customers, showing the Argentine market that we were there for good and we expected profits [only] in the long run." From 2002-2005, revenues increased six times over, and the number of sales consultants almost tripled. Natura Cosméticos globalized to Mexico by direct selling as well as opening stores called Casa Naturas, which emphasized socialization among customers and sales representatives. The hybrid model was significantly cheaper than a retail store business model and Mexico became Natura Cosméticos' largest international market, regardless of how Avon had been in Mexico since 1956 and sold cosmetics along with cooking products, jewelry, and toys (Jones, 2012).

ii. Obstacles

Natura Cosméticos' globalization was hindered because of poor customer perception of the company. Natura Cosméticos invested $100,000 to create Numina, a cosmetic line exported to Florida and Portugal. However, during the late 20th century, Brazil was associated with soccer, deforestation, and hyperinflation, and Paris and New York with cosmetic expertise. The company became insolvent in its Florida and Portugal operations and thus closed ended Numina operations.

Natura Cosméticos did not adhere to host country's cultures. For 10 years, Natura Cosméticos' globalization was unprofitable. For instance, in 1982 Natura Cosméticos overlooked how Chilean customers preferred retail stores over direct to consumer sales, thus contributing to its failure regardless of Natura Cosméticos' adherence to host country regulations. Most of all, Natura Cosméticos lacked direct management which made the relationships with sales managers physically and socially distant, thereby decreasing representative productivity, motivation, and their reporting to Natura Cosméticos local preferences (Jones, 2012). Likewise, Natura Cosméticos' expansion into France remains unprofitable mainly due to customer preference for E-Commerce and retail store cosmetic purchases, such that only 2% of French sales in 2016 were generated by direct to consumer sales (Market Screener, 2016). Likewise, barriers to entry are high in the French cosmetics market due to regulations regarding safety, ingredients, product innovation approval, packaging, and more. Thus, market leaders in France have remained French since the new millennium, and Natura Cosméticos' culture clash along with its barriers to entry have led to its French globalization struggles (Polo, Sutter, and Vasconcellos, 2014).

GRUPO BIMBO: MEXICO

In 1945, Grupo Bimbo was founded in Mexico (emerging), and in 1980, Grupo Bimbo became the first Latin American baking company to globalize by exporting products to the United States (developed). Today, Grupo Bimbo is the number one seller of sliced bread, bagels, and English Muffins in several developed as well as emerging countries through its diversified product and mergers and acquisition portfolios. Grupo Bimbo now operates in Europe (majority developed countries), Latin America (majority developing countries), and the United States (developed country).

i. Successes

Grupo Bimbo globalized successfully as it acquired and joint ventured with host countries' established companies. This diversification has driven growth, such that North America comprises 51% of sales, Mexico 31%, the rest of Latin America 11%, and Europe, Asia, and Africa comprise 7%. Grupo Bimbo has become first in sales for packed bread, buns, and bagels in the United States by acquiring its competition. For instance, it acquired United States market leaders Thomas', Takis, Sara Lee, Entenmann's, and Oroweat (Grupo Bimbo, 2017). Its products are rudimentary as they are replicable and require little if any innovation, however the bread market relies on price premiums largely from brand perception and recognition. This coupled with low to moderate prices generated billions in added revenues to Grupo Bimbo's income statements that far exceeded the added liabilities from these acquisitions (Market Watch, 2017).

Grupo Bimbo is globally successful as it adheres to host country preferences and regulations. CEO Daniel Servitje even stated, "in terms of processes and methods, we have followed the same plan we use in other regions, adapting to the language and ways of communicating. I am referring to the IT systems, enterprise resource planning, reports, and crucial processes of methodology in marketing, operations and administration. We have been adapting while respecting the local standards and laws." Likewise, Grupo Bimbo invests heavily in potential host country trends regarding perceptions and tastes through consumer and market studies. New products thus take minimum 6 months to create, as consumer preferences are thoroughly examined and heavily weighted in product design (Latin Trade, 2016).

Finally, Grupo Bimbo globalized successfully as it simply sells a globally demanded product. Whether in Mexico, the United States, or India, there is a great demand for bread and/or pastries, and these products can be developed to fit the tastes of the target market. From the onset, Grupo Bimbo had a large target market and lineup of potential companies to partner with or acquire.

ii. Obstacles

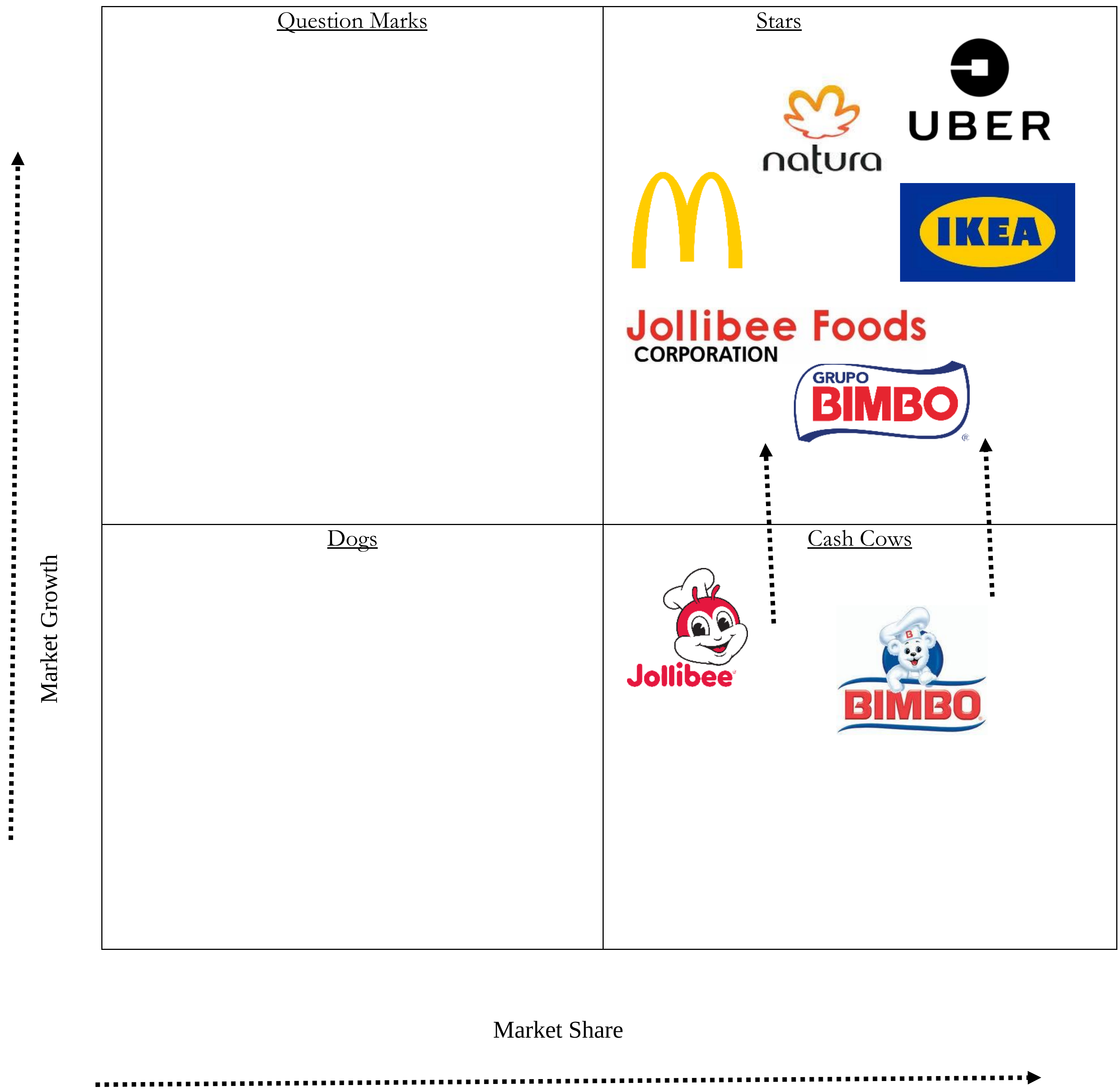
At first, Grupo Bimbo failed to adhere to host country's preferences. It entered Brazil assuming it was like Mexico. However, bread consumption in Brazil (2.5kg per capita) is much less than that in Mexico (7.5 kg per capita). Likewise, European immigrants in South America prefer artisanal bread; however, the European population is much lesser in Mexico. Mexicans also prefer jelly filling while Brazilians prefer cereal bars, cream filling, and pound cakes, all of which Grupo Bimbo specialized in. The crowded market and low demand for bread in Mexico thus sustained the selling price of bread to $1.90 in Mexico but only $1.50 in Brazil. Grupo Bimbo also sold their products in small distribution ships, whereas 70% of sales occurred in supermarkets. However, it learned and reformed its globalization strategy by acquiring Mexican market leaders Artesano, Ricolino, Takis, Tia Rosa, and Dempster's, thus making Mexican revenues comprise 2/3 of all North American sales (Grupo Bimbo, 2017). Grupo Bimbo's globalized to China in 2006 by acquiring Beijing Panrico Food, thus resulting in a $800,000 loss as management failed in price and segmentation strategy as well as cost structure. It acquired Mankattan, China's second largest bakery company as well as its customers. It invested in product development to further accommodate the market in 2018. Although results will not be available until after the year concludes, the acquisition added 2,000 workers, efficient chain operations, and BPR's Chinese customers. Likewise, Grupo Bimbo's acquisition of East Balt Bakeries expanded operations in Europe, and Asia, and the United States The third quarter results of 2018 showed EAA revenues grown a staggering 58.1% over the last quarter.

PART III: CONCLUSIONS

To conclude, these six companies represent some of the largest consumer good companies from emerging and developed markets that globalized to both emerging and developed markets. They ultimately found international success, although some also failures that refined their strategies. From these experiences, consumer good companies can implement key takeaways when considering globalization. Overall, large-scale consumer good businesses' globalization successes were due to strategic management, not the economic status of the home or host country. Management thus used strategy to maximize matrix[21] positions:

[21] Question marks: Low market share and high market growth, Dogs: low market share and low market growth, Cash Cows: high market share and low market growth, Stars: high market share and high market growth (*Investopedia.com*).

Growth Share Matrix



Market Share Analysis

Name Market	Countries Successful[22]	Countries Unsuccessful[23]	Global Market Share (Position)
McDonald's Fast Food Chain	Largest countries: United States, India, China (present), Russia, and Mexico 120 countries total	China (2015) Bolivia (1998-2002), Macedonia, Iceland, Jamaica, Montenegro, Barbados, Ghana,	22% (First)
Ikea Retail	Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Japan, Netherlands, N orway, Poland, Portugal, Russia, Slovakia, S pain, Sweden, Switzerland, United Kingdom and USA 25 countries total	China (1998)	9% (fifth)
Uber Ride Hailing Uber (continued)	United States, Canada, China, India, Mexico, and the United Kingdom, etc. 72 countries total[24]	Bulgaria, Denmark, and Hungary (full ban) Barcelona, Northern Australia, Madrid, Germany, France, Italy, and Turkey (partial ban)	29% (First) Overall ride hailing 79% of private car hailing (i.e. Lyft) Global (First)

[22] Defined in this project as market leadership and $15 billion or more average revenue.

[23] North Korea should be assumed as listed for all companies.

[24] (Uber, 2018)

Ride Hailing		China (could not compete with Chinese rival)[25]	
Jollibee Fast Food Chain	Canada, Philippines, China, United States, U.K., etc. 34 total countries		2.91% (fifth)
Grupo Bimbo Baking Industry	Mexico, Canada, China, Brazil, United Kingdom, etc. 37 total countries	Mexico (1949) Brazil (1995) China (2006)	4% (first) globally 67.6% United States 90% Mexico
Natura Cosméticos Cosmetics	United States, Brazil, Argentina, Bolivia, Chile, Colombia, Peru, United Kingdom (acquisition of Body Shop), etc. 70 total countries	France	12.5% (thirty seventh[26])

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[25] (Uber, 2018)

[26] Natura Cosméticos is a market leader as 12.5% is much greater than the <2% market share average per global cosmetic company.

Major Financial Metric Analysis

Company Market	Country and Year of Origin	Revenue ($ Billion)	Profit ($ Billion)	Profit Margin (%)	Industry Average Profit Margin (%)
McDonald's Fast Food Chain	US 1955	22.82	174.72	20.58	6.7[27]
Ikea Retail	Switzerland 1943	36.3	2.5	49.8[28]	17.62
Uber Ride Hailing	United States 2011	36.1	(4.3)	(11.9%)[29]	32
Jollibee Fast Food Chain	Philippines 1978	18	8.53	19.1%	6.7
Grupo Bimbo Baking Industry	Mexico 1945	59.33	5.712	24.9%	21.62
Natura Cosméticos Cosmetics	Brazil 1969	2.137	.3928	12.93%	11.78

27 (Y Charts, 2018)

28 (Statista, 2018)

29 (The Economist, 2017)

In the United States, McDonald's was a star that began leaning towards a cash cow due to tapering demand for fast food beginning in the new millennium. Due to McDonald's' brand of fried fast food and the plethora of healthy fast food businesses entering the market, McDonald's will continue to slow sales in the United States. Its responsive efforts to offer healthier products halted profit losses in the short term albeit not sales deceleration. However, there are increasing sales in international arms including that of developed and mostly emerging markets It's developed home country status did not guarantee it high profits in the first world, rather its globalization and corresponding strategic management to emerging markets constitute most of its revenues and profits. It was assumed by McDonald's management that the developed company would succeed in emerging Bolivia, which is supported by its lack of research of the target market and prolonged stay in the country that cost the company six years of profits loss.

Uber is a star in emerging and developed markets mainly due to first mover and price advantages. In fact, taxi driver protests about Uber commonly erupt in all continents that it operates in due to its gobbling of transportation market share. Although one may counter that its success was due to its access to the plethora of capital from first world investors, the company was initially successful by not spending money on marketing and instead relying on word of mouth. Of course, the $11.5 billion raised sped Uber's growth; however, it's easy to use app, efficient service, and low expenses quickly attracted customers and drivers, not third-party funding. Likewise, management's strategies such as expanding economic moat via contractual joint ventures and recognizing drivers as independent contractors strengthened market leadership and decreased labilities respectively. Unlike McDonald's, Uber has not adhered to government regulations of host countries. This has led to it being banned in emerging and developed markets and losing their revenue opportunities. Its strong success in emerging markets furtherly prove that it would have had similarly high demand and likely investments if its host country were emerging.

Ikea's principle competitive advantage is offering desired products at affordable prices. Management achieves this by reforming products and prices to fit the needs of target markets without losing Ikea's Swedish flare as well as simple designs. This maintains low expenses and thus prices that earned Ikea its market leader status. In this way, it is the most valuable brand worldwide that solely sells furniture and decor (Statista).

Jollibee is a star in Filipino populated areas. However, management knew that it would not be as widely received by non-Filipino markets and strengthened Jollibee's global position by acquiring and collaborating with Smashburger (a question mark in the United States, has yet to IPO, offers Brussel sprouts/salads/nutritional customizer/etc.) and a 54% stake in the Philippines' BK Titans (Burger King) in 2011, and others. Overall, the company's portfolio is a star as it has acquired substantial market share in developed and emerging markets due to management's mergers and acquisitions as well as population targeting strategies.

Natura Cosméticos is a dog in France due to management's misunderstanding of the French market's desire for the direct sales of cosmetics. However, it is a star in Latin America due to management's pricing, direct sales, and expansion strategy (excluding Chile). It became a question mark in North America when it acquired leading natural cosmetics brand in North America and Europe, The Body Shop, for 880 million pounds. This made Natura a star in the United States, as the Natura Cosméticos brand did not have first mover or home country advantage and competed in a crowded market. However organic natural beauty market grew 7% in 2015 in United States while cosmetics overall grew 2%. North America leads the global organic and natural cosmetics market followed by Europe, which reflects the first world's shift to natural and sustainable products. Thus, management set the company for long-term growth in the United States and potentially France as it catches the increasingly growing market for natural cosmetics.

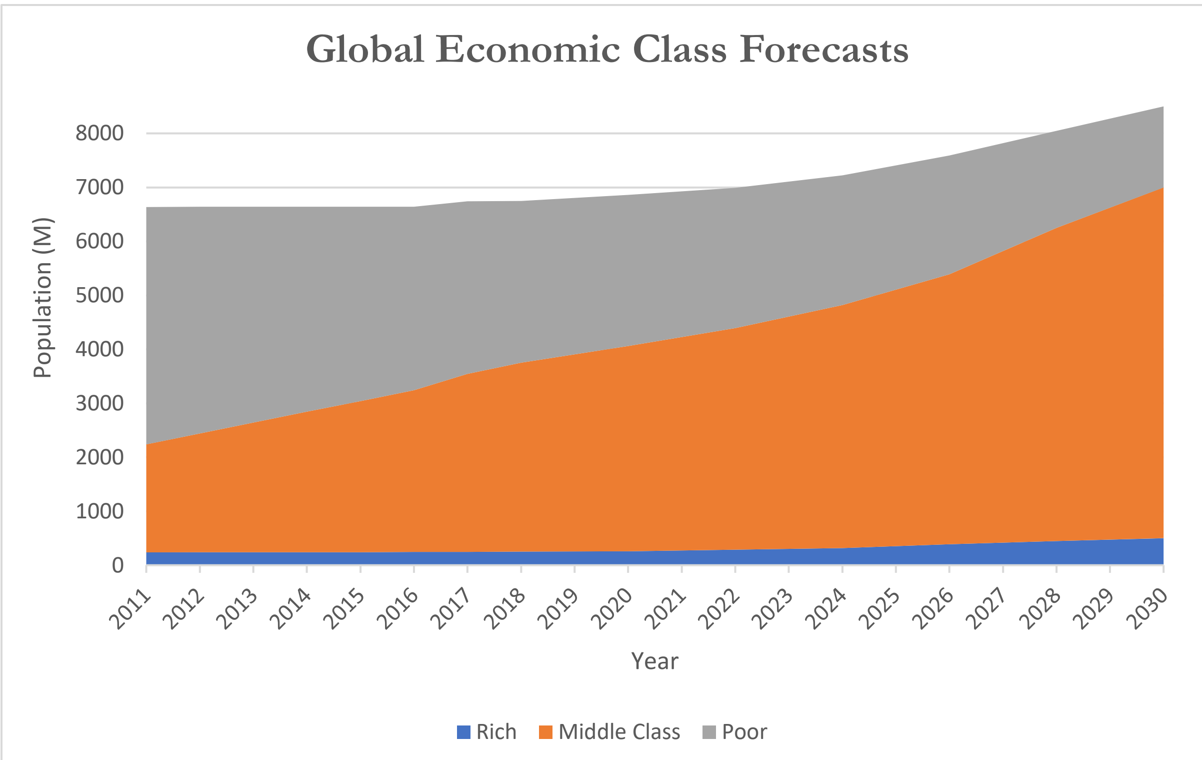
Grupo Bimbo reflects Natura Cosméticos as it is a star in Latin America and became a star in North America and Europe through mergers/acquisitions. Thus, it is number one in sales of bread, English muffins, and bagels in the United States, Europe, and Latin America. It acquired stars in the first world which reflects the M&A of first world businesses that Natura Cosméticos and Jollibee implemented. Mark Foster, global head of management consulting Accenture, explained that emerging market companies do this as they "see M&A as a path to access technology, to access channels and to access brands around the world (Hirschler, 2011)."

All in all, emerging market companies will not inherently fail in developed markets, and developed market companies will not inherently success in developing ones. In the same way, emerging

RECOMMENDATIONS

This project's thesis holds true to its conclusion that **regardless of home or host country economic classification, large-scale consumer good businesses can be financially successful due to strategic management.** Thus, they should view emerging markets as business opportunities. According to the International Monetary Fund, the ten fastest growing economies in the upcoming years will be emerging markets that will consequently produce high growing middle classes that tend to be consumer good company market targets. The McKinsey Global Institute found that 400 midsize emerging market cities will drive will create almost 40% of global growth in the next 15 years. Likewise, 75% of the 8,000 companies with over $1 billion in annual revenues are in developed markets. However, their growth is slowing, and emerging markets' growth is accelerating such that an addition 7,000 companies, over 70% in emerging markets, will join these enterprise giants in the next decade. With rapid technological growth that makes global business more efficient, it is highly likely that venturing into emerging markets will be the competitive edge that large consumer good companies need to compete and reach economies of scale. All companies used in this project, McDonald's, Ikea, Uber, Grupo Bimbo, Natura Cosméticos, and Jollibee, globalized to emerging markets and consequently gained profits, market share, and reached new customers. Thus, notion that consumer good companies from emerging markets cannot successfully globalize to developed ones was disproven.

As of the end of 2017, all of the expansions to other countries was profitable except for Natura Cosméticos' globalization to France. This was not because an emerging market company did not have the expertise, funds, or skills that the developed host country did, but due to federal barriers to entry (i.e. tariffs) and management's lack of research in France. Likewise, although McDonald's was one of the largest in consumer good companies from the wealthiest developed country, the United States, it still failed in Bolivia due to management underestimating the importance of market research and overestimating its potential in the country, thereby prolonging McDonald's Bolivia into six years of profit loss.



Worldbank.org

Global Middle Class Share by Area

	2009	2020	2030
North America	18%	10%	7%
Europe	36%	22%	14%

Central and South America	10%	8%	6%
Asia Pacific	28%	54%	66%
Sub Saharan Africa	2%	2%	2%
North Africa and Middle East	6%	5%	5%
World	100%	100%	100%

Global Middle Class Consumption by Area

	2009	2020	2030
North America	26%	17%	10%
Europe	38%	29%	20%
Central and South America	7%	7%	6%
Asia Pacific	23%	42%	59%
Sub Saharan Africa	1%	1%	1%
North Africa and Middle East	4%	4%	4%
World	100%	100%	100%

Firstly, businesses should consider globalizing to currently overlooked emerging markets as to secure first mover advantage and gain long term sales[30] from the forecasted tripling of middle-class spending driven by emerging markets (Benson-Armer, Noble, and Thiel, 2015). Asia Pacific

[30] Long term marketing: Marketing based on a five or more-year forecast

will proportionately comprise 66% of the middle class by 2030, which will be greatly driven by China's expected addition of one billion people into the middle class (Kharas, 2011). Thus, consumer good businesses should be aware of this share rise especially in this area, as it will lead global middle class consumption by 2020. As this project proved, however, a country's per capita spending or economic classification does not necessarily mean that it is profitable host country for every business. Thus, management must create strategy based on company specific needs, target market forecasts, prof-forma statements, and consumer preferences.

Secondly, do not globalize too fast. All companies experienced substantial home country growth and/or market leadership before globalizing. This market establishment positioned companies that sold country specific goods (i.e. Grupo Bimbo Latin American bread and pastries, Jollibee Filipino fast food) the capital and business experience to globalize through joint ventures, acquisitions, and investments in major competitors in foreign markets. Thus, this project and its supporting data promotes the notion that companies should begin globalizing in the growth stage of their host country business cycles. McDonald's proves that the company's business cycle stage maybe different in different countries, as it has been in the decline business cycle stage in the United States albeit growth stage in emerging markets especially in Asia. Thereby, such globalization may not only grow the company, but also hedge again changing consumer sentiment in the host country.

Likewise, all companies failed in at least one country due to management neglecting due diligence of target country market research. This occurred regardless of home or host country. McDonald's abandonment of Bolivia, Grupo Bimbo's rush into Brazil, Natura Cosméticos failure in Chile, Jollibee's failure in China, Uber's failure in China, and Ikea's price comparison misunderstanding in China were due to management's overestimations of the target host country's demands and a lack of due diligence in understanding the host country market's needs and logistics.

For non-universal consumer good companies, such as Jollibee, most sales remain in their home countries. In 2017, the Philippines comprised 79% of global sales and delivers consistently strong profits annually, even though foreign business grew by; Southeast Asia (excluding the Philippines) 39.1%, China 18.2%, North America 25.6%, and Middle East 26.6%. The company likely did not globalize to Europe until the United Kingdom in 2018 as it has the smallest number of Filipinos that are most dispersed compared to all other continents. Still, the opening in October of 2018 was met with a line that wrapped around several blocks of Filipinos (Pedrasa, 2018). However, all companies except Uber learned from these failures and appropriately reformed their products to fit the target customers' tastes.

Furthermore, companies should organize leadership and streamline management. When globalizing, a company must establish strong regional management as it will be the bridge between corporate and the globalized locations. This is especially important as there are inherent difficulties with communication and unity when parties are in different countries. This is supported by McDonald's' failure in China with management reporting structure and frequency. Factories used expired meat for a prolonged period of time, which affected the regional restaurants' and thus corporates' bottom line profits. Thus, clearly established oversight of management could have prevented this. McKinsey's own research supports this notion and found that "many executives we interviewed are clearly wrestling with the corporate center's role in their increasingly globalized institutions. The feasibility of centralizing three functions in particular—human resources, finance, and marketing (broadly defined to include brand and reputation management)—was a question a number of leaders raised. In fact, our interviews suggest that it may be time for some companies to reimagine what the corporate center does, even to the extent of considering whether a single center is suited to the task of effectively directing and coordinating global operations."

It is also important that regional management understand the needs and culture of the target market. McKinsey also found that "fewer than 40 percent of the 300 senior executives at global companies we interviewed and surveyed believed that their employers were better than local competitors at understanding the operating environment and customers' needs. And barely half of the respondents to our broader survey thought that their companies communicated strategy clearly to the workforce in all markets where they operate (Dewhurst, Harris, and Heywood, 2012).

Additionally, companies should mind that reputational damages can lead to profit losses. For instance, McDonald's' reputation damage was due to negative customer utility or value. According to Harvard Business Review, utility is "an important metric… that represents the amount of satisfaction a consumer receives from a good or service" (Spiliakos, 2018). The purchase of a McDonald's chicken product at the risk of consuming expired meat decreased the benefit compared to the cost. This decrease in utility was also seen with global companies such as Deutsche Bank, whose plethora of scandals, including illicitly misleading customers even after the Recession of 2008, caused negative profits annually after the housing market crash. Other banks merged with other companies and sustained from great numbers of lawsuits, which is why most of the big banks' profits and stock prices recovered after the Recession while Deutsche's did not. In this way, the utility of Deutsche's services is negative as clients fear being misled or engaged in unsavory practices, which is reflected in the company's profits. Other examples include United Airlines' scandal where passenger David Zhap was dragged off a flight in April 2017. However, second quarter profits increased 39% compared to that of the previous year along with improved sales. Economist John Kwoka Jr. explained that this was due to customers valuing ticket price over customer service (Micah, 2017). This same weighting of service and product benefits over costs that include company reputational damage is seen with Uber. Regardless of its reputation for ignoring regulations, it is still a market leader as customers believe that the low cost and time efficiency of Uber outweighs its costs of financial expense and negative reputation. In this way, reputational damages can lead to profit losses if the customer believes that the damages affect their utility or cost-benefit trade off. Knowing whether customers associated the scandal with a decrease in utility was not guaranteed beforehand, making the scandal's impact on profits a tossup. The lesson for future companies, then, is that reputational damage is not guaranteed financial loss, albeit it may result in such due to customer utility, government suspension, lawsuits, decrease brand value, etc.[31]. Thus, management should avoid these risks to protect stakeholders and business.

Likewise, all the companies that successfully globalized financially invested in and marketed with a social effort. McDonald's, Natura Cosméticos, and Grupo Bimbo used environmental sustainability, Uber its community impact initiative, and Ikea as well as Jollibee have their own philanthropies. Although the correlation of philanthropy and successful globalization does not necessarily guarantee causation, showing community values can strengthen company reputation, cut costs (as McDonald's did with it sustainability efforts), and increase sales. According to Research Company Cone Communications and Echo, "87% [of consumers] said they'd purchase a product because that company advocated for an issue they cared about," and this is especially true for mothers and millennials (Cone Communications and Echo, 2017). For businesses operating in or considering globalizing to the United States, and/or with target markets of mothers and/or millennials, then, this should be heeded. Business philanthropy is met with more hesitation in Asia largely due to some countries mandating percentages of funds to be allocated towards goodwill, albeit resulting in businesses creating and donating to their own foundations. Business philanthropy

[31] Global companies that suffered financially due to scandals that directly led to profit losses (i.e. lawsuit that led to insolvency) are not included. The focus in this study is the impact of scandals on consumer decisions.

is also met with lesser enthusiasm in Europe than the United States as Europe has higher taxes, welfare stats, and assumes that the government's role is to help those in need. Likewise, different countries offer widely varying tax deductions, if any, for business philanthropy. However, managers must invest in proper marketing research to find if social responsibility would be a positive attribute to the company, and if so, how much to invest as well as what effort(s) to invest in.

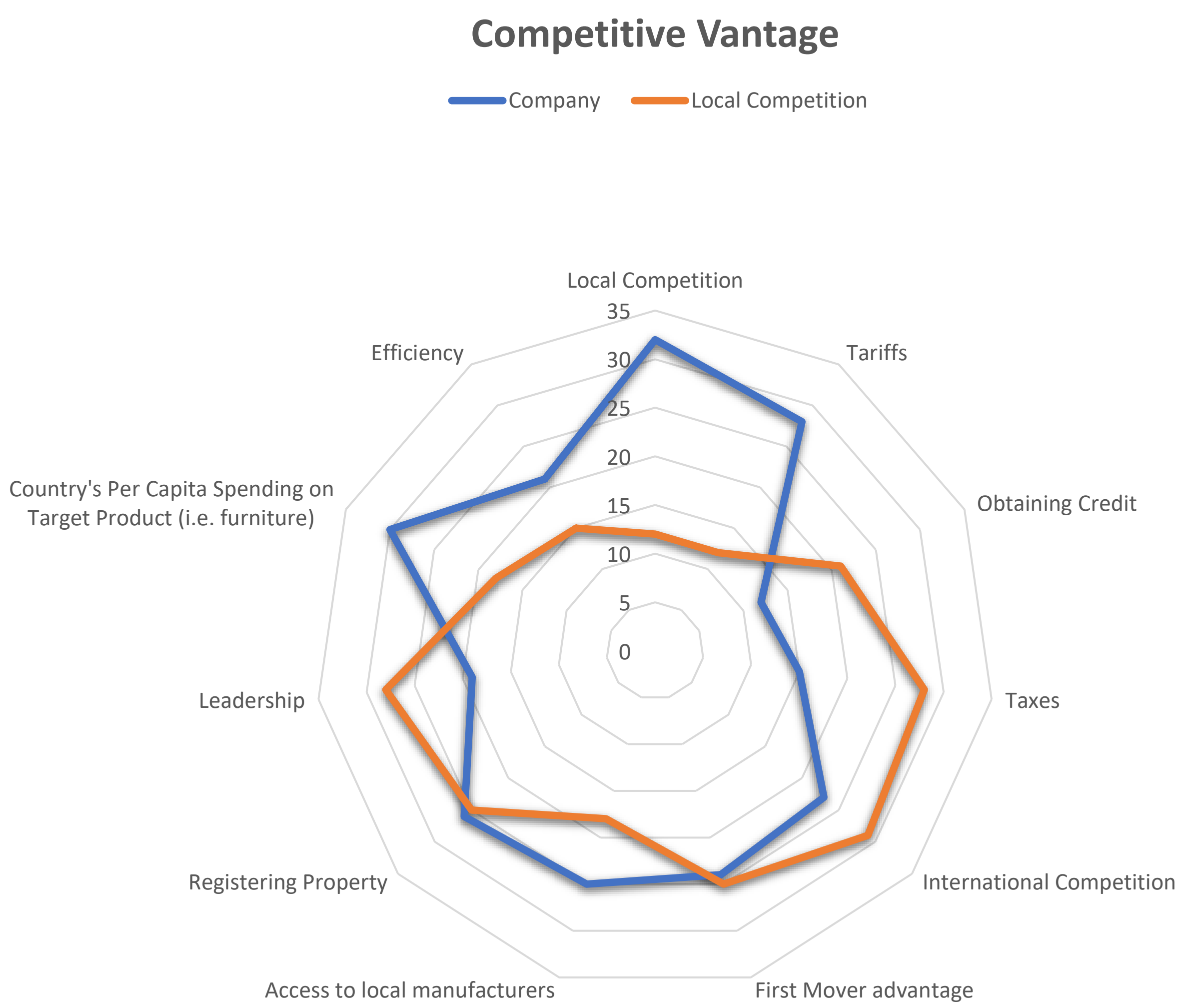
Overall, there is not a single model for successful globalization. According to McKinsey, family/organic companies offer standardized products regardless of country and M&A companies tailored products to each country, however the vast size and numerous levels of management as well as labor lead to solutions and due diligence being lost in strategy creations. McKinsey's frame generally holds true to the companies used in this project, albeit the reform of goods and services occurred in some way to maximize market acquisition. The organic company is symbolized through Ikea and Uber, and the M&A symbolized through Jollibee, Natura Cosméticos, and Grupo Bimbo. There should be a third category for companies that that tailor products without merging or acquiring other companies, such as McDonald's. In this way, all companies used in this project globalized, largely successfully, in these three different ways.

Thereby, companies should create business models based on unique synergies such as business sector, host country, competitive landscape, and product logistics, not host country's overall perception as good or bad for business. Regression analyses, such as the Ease of Doing Business Index by the World Bank[32], provide general overviews of the international globalization environment. However, this cannot be applied to all businesses and thus universally used to gauge risk. In this way, businesses should instead rely on product competitiveness and management

[32] Please refer to Exhibit C

strategy. The index uses economic health measurements and business ease gauges such as regulations, taxes, and employment regulation, all of which should be taken into consideration when globalizing. However, the value of these factors compared to the potential market demand of various sectors and thus companies within them varies greatly. For instance, Natura Cosméticos globalized to France, which has an ease of doing business index of 31, which is much lower than Brazil's 125. However, the ease of doing business for Natura Cosméticos was greatly more hindered in France due to tariffs, cosmetic competition, and the culture of retail as well as ecommerce purchases over direct sales.

Management should use these successes and failures in this analysis to comprise forward-looking business strategy. It is important, then, to use industry specific standards, including the host country's per capita spending on the intended product (i.e. fast food), openness to intended business model, and then gauge regulation as well as competitive vantage risk. An example competitive vantage model is as follows:


Competitive Vantage
Company
Local Competition
Local Competition
35
30
25
20
15
10
5
0
Tariffs
Obtaining Credit
Taxes
International Competition
First Mover advantage
Access to local manufacturers
Registering Property
Leadership
Country's Per Capita Spending on Target Product (i.e. furniture)
Efficiency

SUPPLEMENTARY INDEXES

Exhibit A

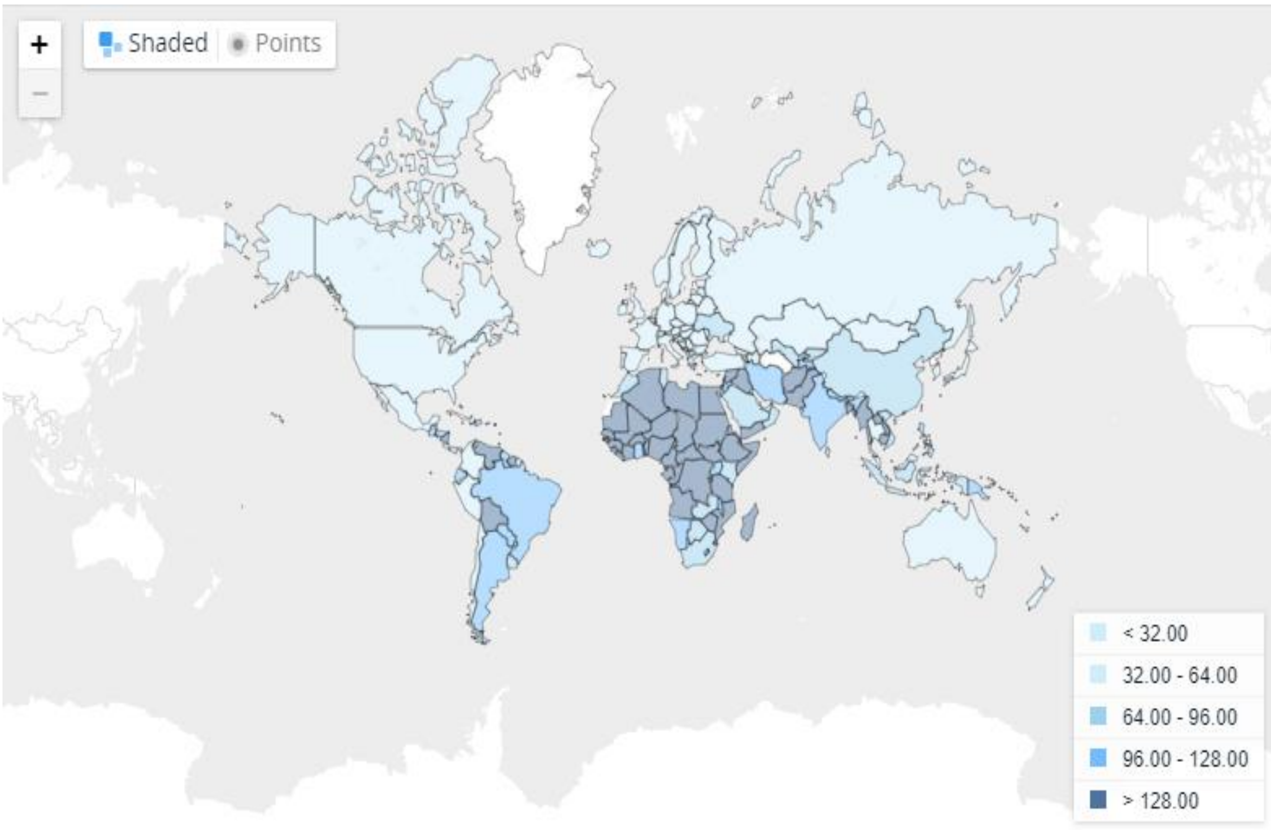
Argentina, Bangladesh, Brazil, Bulgaria, Chile, China, Colombia, Hungary, Indonesia, India, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine, and Venezuela.

Exhibit B

Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Macao, Malta, Netherlands, New Zealand, Norway, Portugal, Puerto Rico, San Marino, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and the United States.

Exhibit C

The Ease of Doing Business Index



Worldbank.org

Exhibit D

The Business Cycle

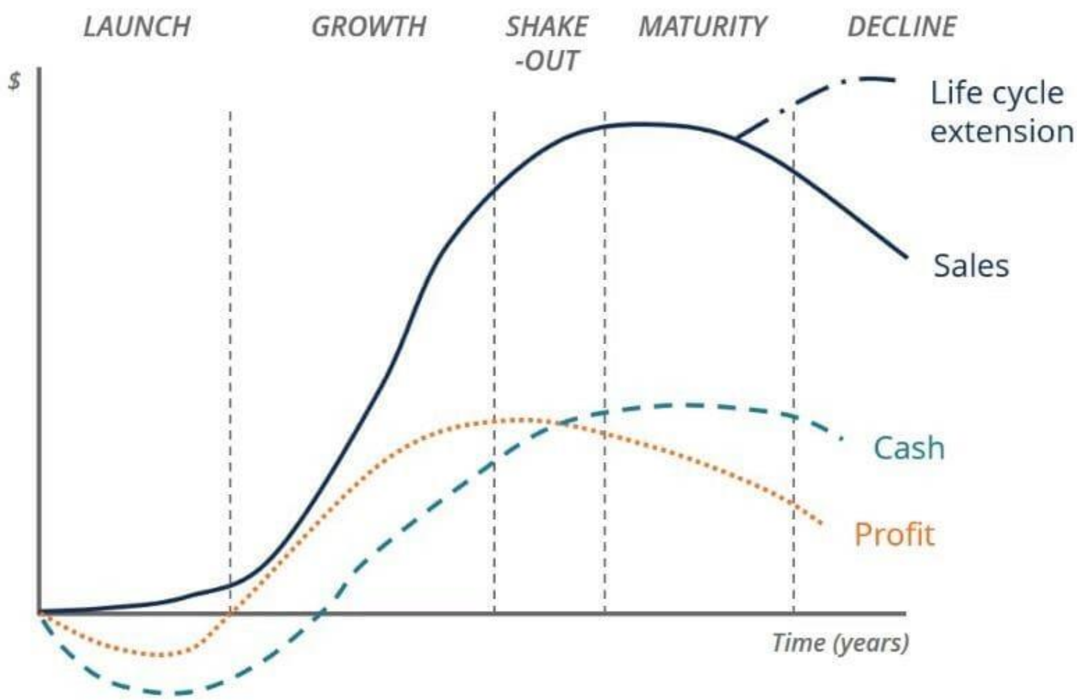
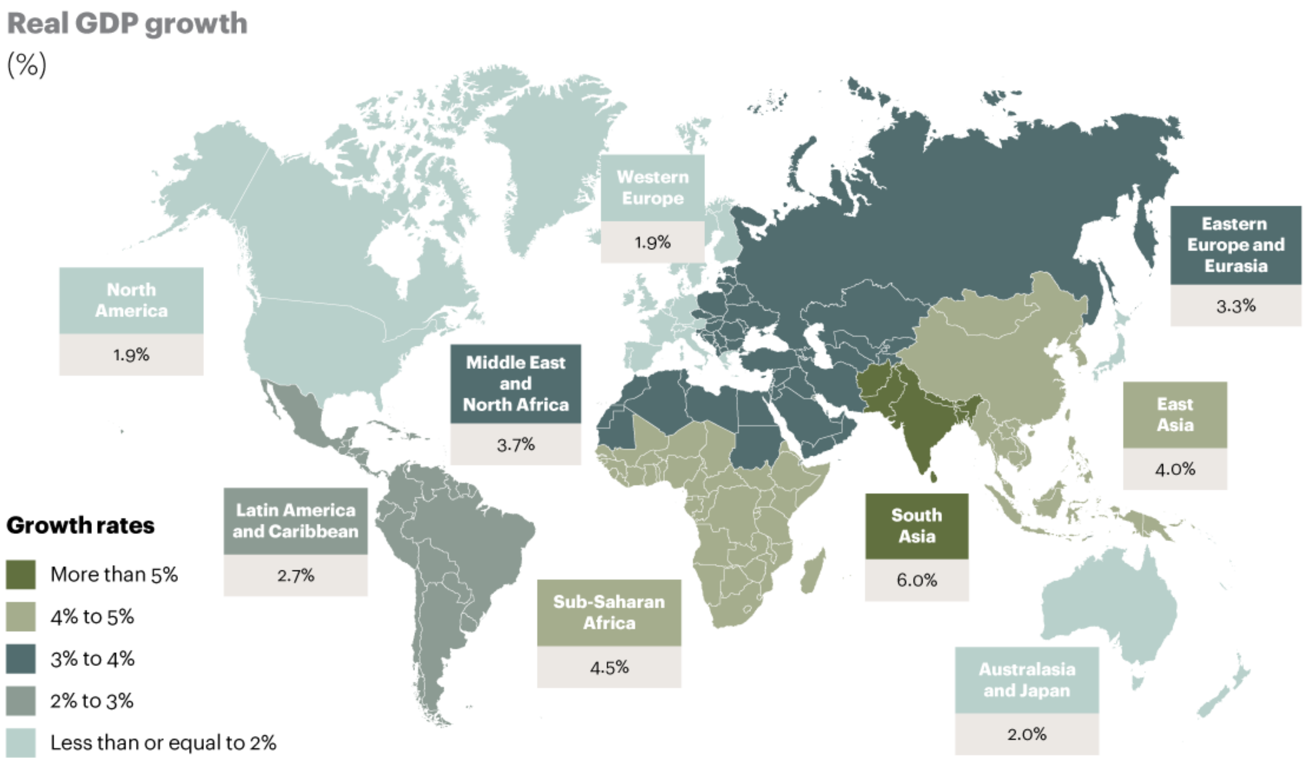


Exhibit E

Projected Greater GDP Growth Percentages of Emerging over Developed Markets

Figure 2

Emerging market regions will continue to outperform developed markets, with South Asia growing the fastest



Notes: GDP growth is measured at constant prices. GDP figures are the 2017–2021 simple average of the annual average growth rates of the economies within each region.

Sources: International Monetary Fund World Economic Outlook October 2016; A.T. Kearney analysis

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