



How Entrepreneurs can Compete in the International Marketplace

MIT \$50K

Global Startup Workshop 2006

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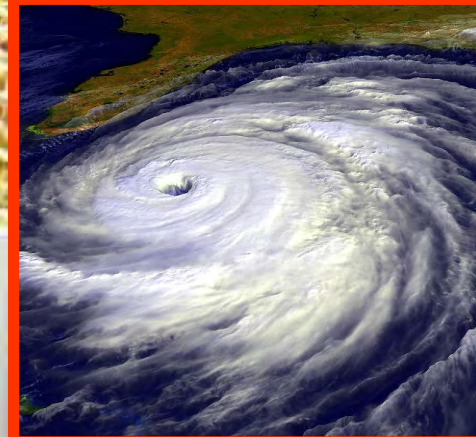
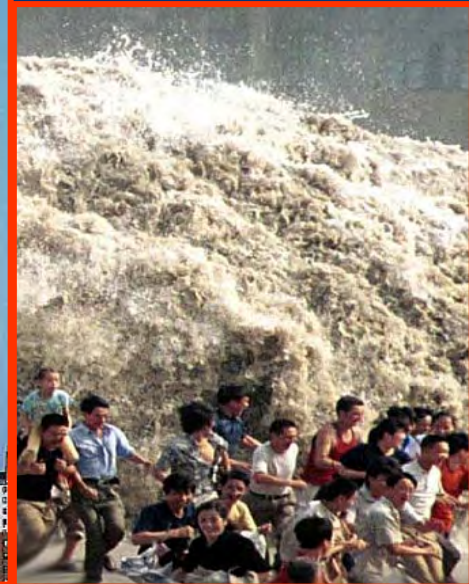
Buenos Aires, Argentina

Session Objectives

- Discuss the new global market reality and the new opportunities it opens to entrepreneurs
- Analyze the role entrepreneurs can and must play in the emerging world / Latin America
- Discuss what will it take for entrepreneurs to win in the “new world”

A Volatile Environment Out There...

- AIDS
- Internet
- 9/11
- China
- Iraq
- Tsunami
- Bird Flu



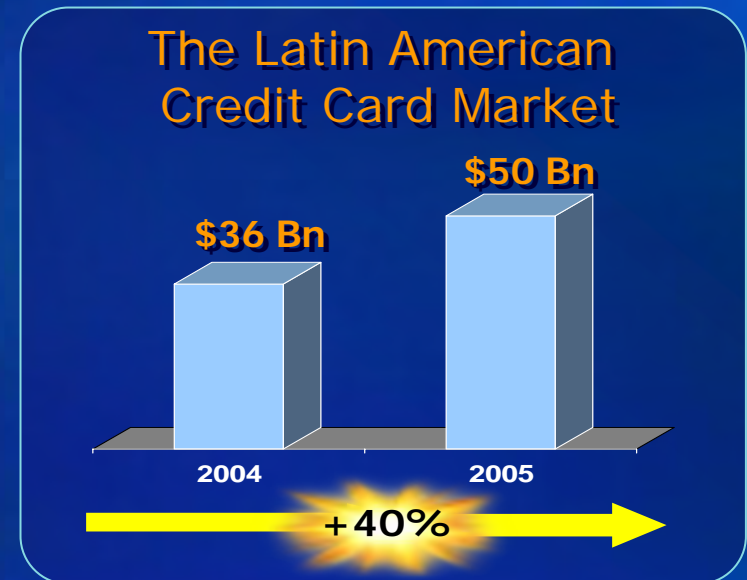
A New Consumer Out There...

- Multi-segmentation



- From products and “hard technologies” to services

- Increased purchasing power and credit... opportunities / challenges



A New Consumer Out There...

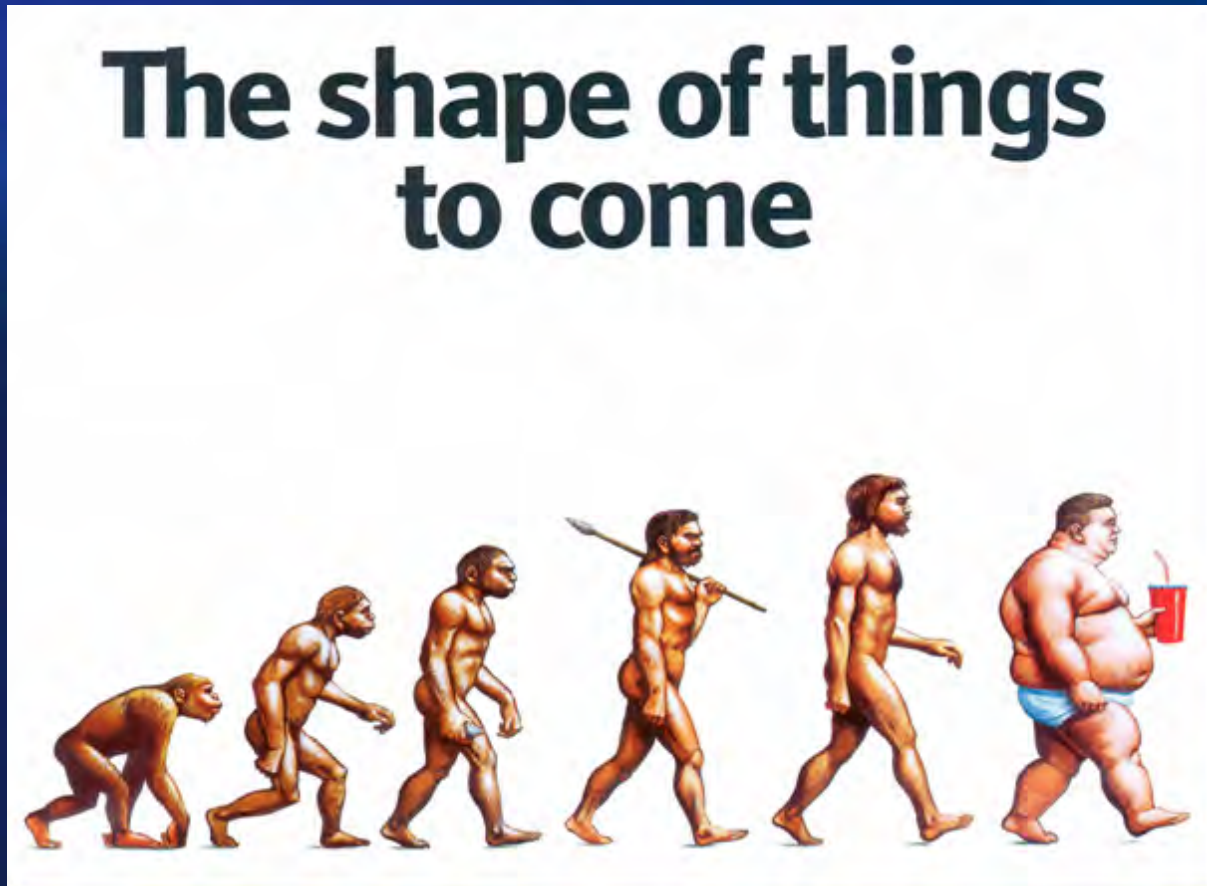
- No more loyalty to brands:
 - Increased product offerings / differentiation / specialization

Number of Worldwide
Food & Beverage annual new products:



A New Consumer Out There...

- A growing concern on Health & Wellness opening new opportunities



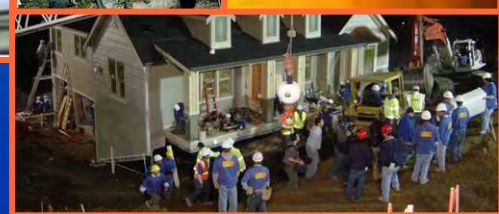
A New Consumer Out There...

From Today...

- A "charity begins at home" mindset

To Tomorrow...

Comprehensive social consciousness.
Marketers competing for "causes" and cause-sumer attention



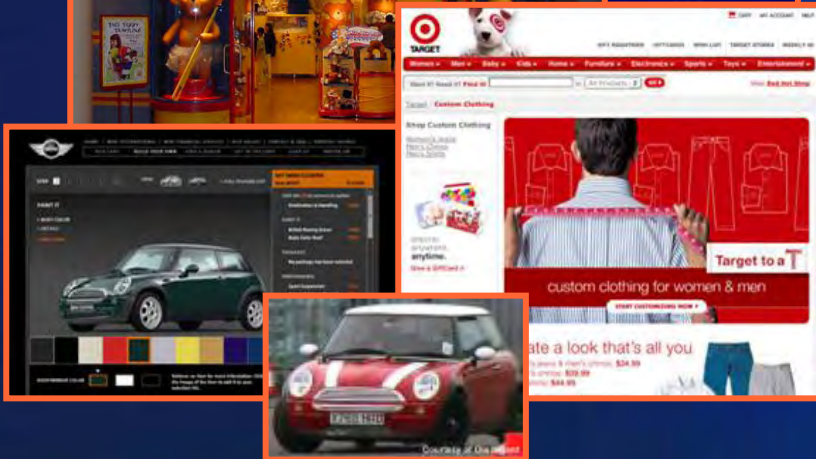
Power to the Consumer...

From Today...

- Consumers having power to choose...

To Tomorrow...

Consumers having power to design and customize



Growth In The Extremes

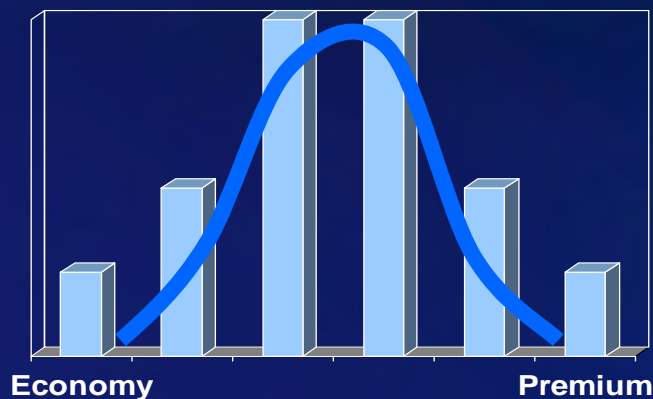
From Today...

- "80/20" rule:
Where majority of volume/profits are in the mainstream middle...

To Tomorrow...

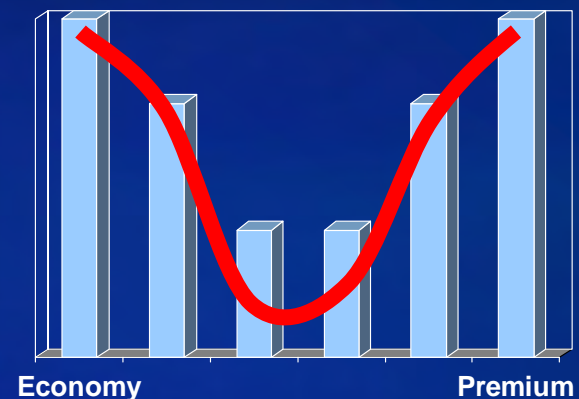
- The "40/20/40" rule
market of extremes:
Value/commodity and premium/luxury

The 80/20 Rule



Majority of growth
in the Mainstream

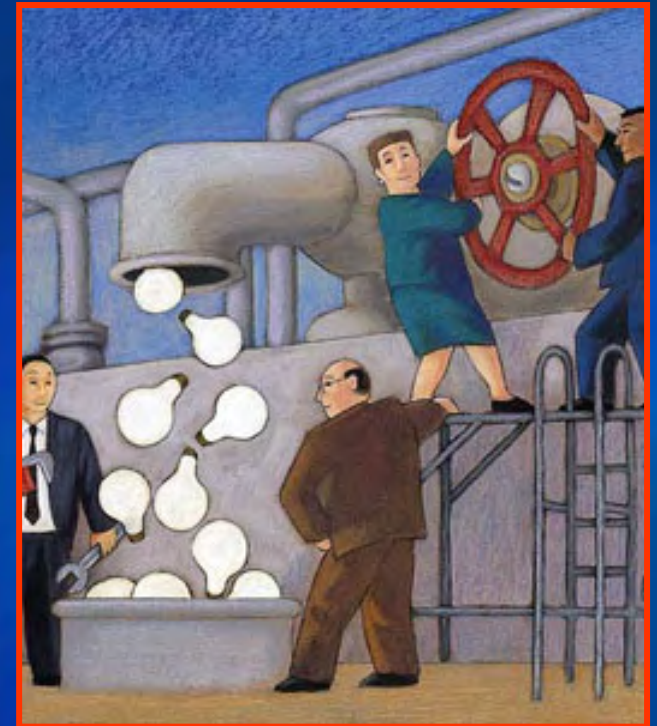
The 40/20/40 Rule



Majority of growth
in Value & Premium

Business Concept-Based Innovation

- The **unit of analysis** is not the product or the service anymore: **it is the Business Concept**
- The **Business Innovation Concept** is the capacity to develop **radically different, strategically differentiated, business concepts**
- The new competition is **not** between products or companies, it is **between business models or concepts**

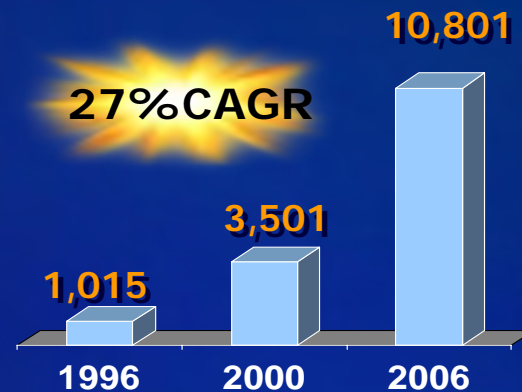


Starbucks

- Market dominated by unimaginative competition: **intellectually bored**
- Created a vision **outside the current paradigm**
- **Created a customer experience**: designed a lifestyle not a product
- Developed a new **business model**; created a **broader demand**



More than 10 times New Stores in 10 years



A New Business Environment Out There...

From Today...

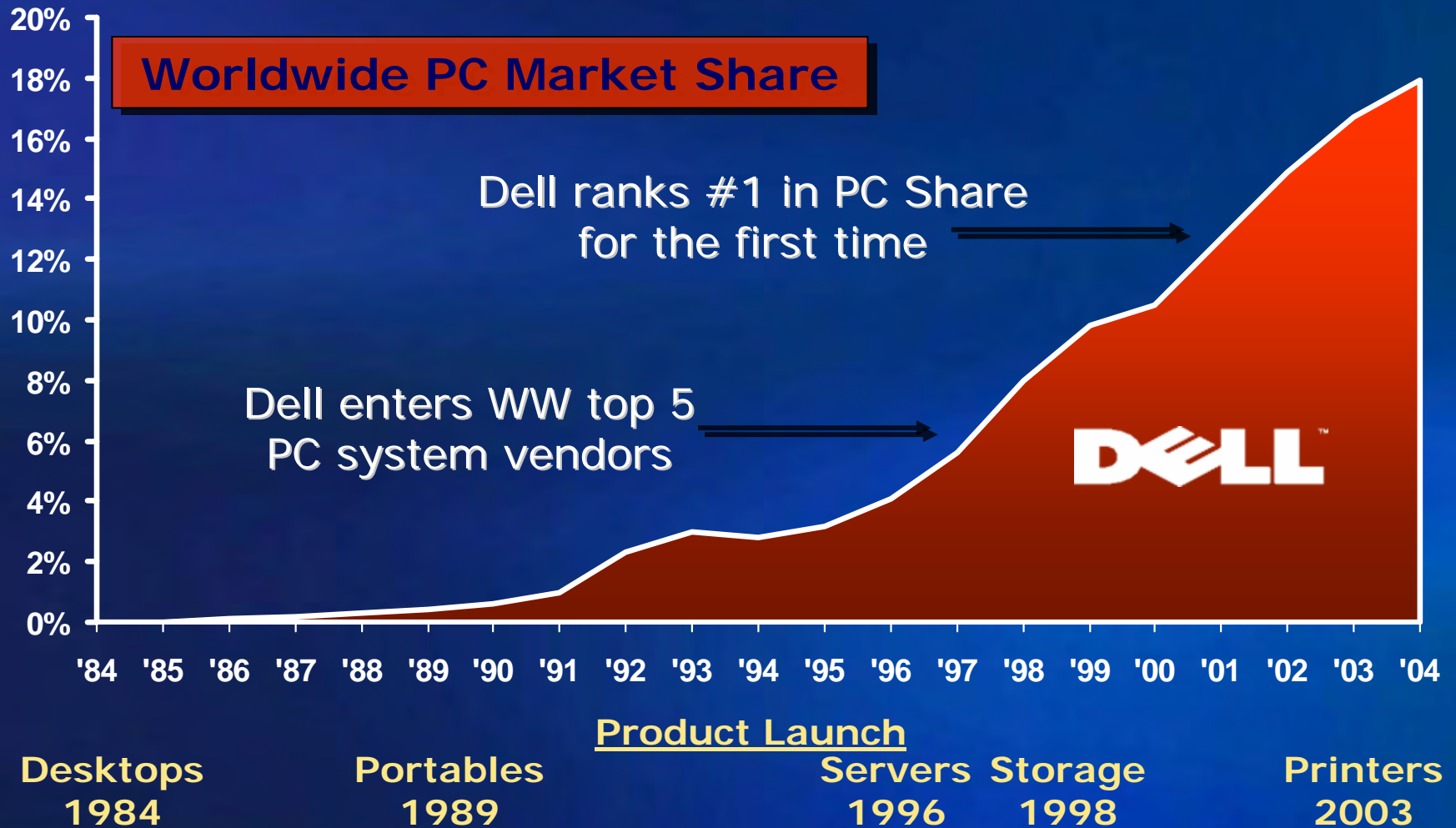
- Traditional vertically-integrated, autonomous organizations...

To Tomorrow...

Organized networks with hybrid organizations that share business operations and investments...



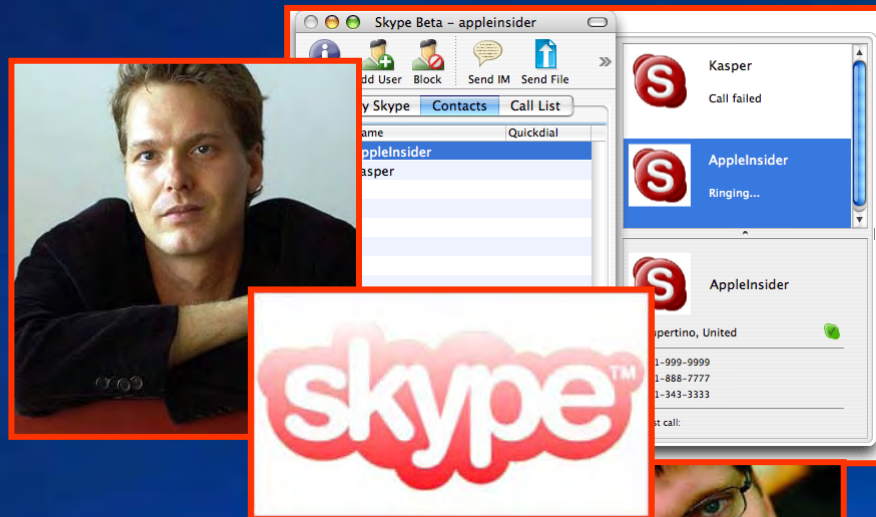
Dell Didn't Exist 20 Years Ago!



Source: Prelim IDC WW Quarterly PC Tracker, Jan 2005. PCs include desktops, portables, and x86 servers
Share position prior to May 02 represents CPQ and HP separate.

The Disruptors: Skype

- Cofounders:
- Janus Friis (29) & Niklas Senntrom (39)



- Launched a batch of notable Net companies: get2net, KaZaA, Skype...
- Raised more than \$20 MM from investors
- Skype, a provider of low-cost PC-to-PC calling, sold to e-Bay in 2005 for **\$2.6 billion**



- **"As long as there's a market to be disrupted, they will be there"**

The Latin America Challenge

- What is our challenge in Latin America as an **Emerging Region?**



Market of 450 million consumers!



The LAR Economy Rollercoaster



- Outside perception: Volatility

Investment Shifting Towards Asia

- Foreign Direct Investment (Bn USD)

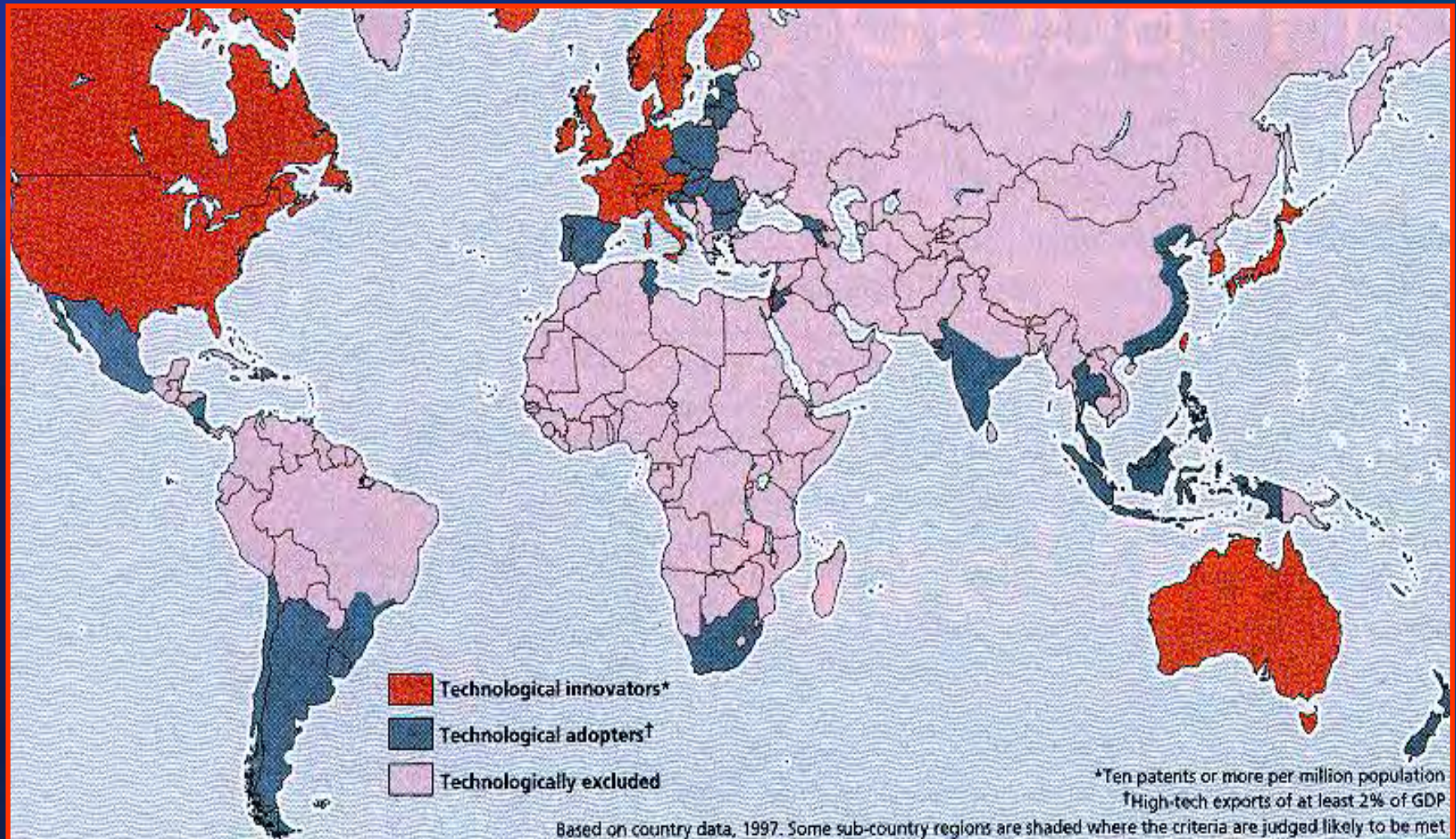
Country	2000	2001	2002	2003	2004	<u>CAGR %</u>
Argentina	10.4	2.2	0.8	0.2	0.4	
Brazil	32.8	22.5	16.6	10.1	18.2	
Chile	3.8	4.2	2.5	4.4	7.6	
Mexico	16.4	27.7	15.3	11.7	16.3	
TOTAL LAR*	63.4	56.6	35.2	26.4	42.5	 -9.5
China	38.4	44.2	49.3	47.1	54.9	 +9.3
Hong Kong	61.9	23.8	9.7	13.6	34.0	

* Latin American Big Four

- Next destination choice: India

New Maps of the World

- The world according to Technological Innovation



Regional Balance of Power... The Future?



LAR Companies: Arcor

- World's leading candy producer
- Argentina based
- Main businesses: candies, cookies, chocolate and foods
- 35 industrial plants in LAR and 17,000 Employees; More than 1.5 MM Kg. of candy are produced daily
- **Exports to 120 countries** all over the world and is the Main Candy Exporter in Argentina, Brazil and Chile
 - 2002 Sales: \$0.6 Bn US
 - 2005 Sales: \$1.2 Bn US



Embraer: Entrepreneurial Action

- **Fourth largest aircraft manufacturer in the world**, behind the two giants Boeing and Airbus, and Canadian competitor Bombardier
- Commercial, military and corporate airplanes production
- Embraer was **Brazil's largest exporter** from 1999 to 2001 and the second largest in 2002, 2003 and 2004



- Revenues 2005: \$2.6 Bn US
- Market Capitalization: \$4.7 Bn US
- 16.5M employees & 3M indirect jobs
- Supplies aircraft to more than 20 Air Forces around the world
- US Air Force contract

América Móvil: Expansion

2000

2005

- 3 countries
- Sales of \$3 Bn US
- Market Capitaliz. \$13 Bn US
- 13MM Subscribers in LAR

- 11 countries
- Sales of \$11 Bn US
- Market Capitaliz. \$24 Bn US
- 49MM Subscribers in LAR



CEMEX: From Cement to Construction Services

- Leading global, **vertically integrated building solutions** company



- With the acquisition of RMC, CEMEX expanded global reach

	1985	1995	2005	CAGR
Sales (US\$B)	\$0.3	\$2.6	\$15.3	22%
EBITDA	\$0.1	\$0.8	\$3.6	21%
Market Cap.	\$0.1		\$20.9	30%
Countries	1		50	

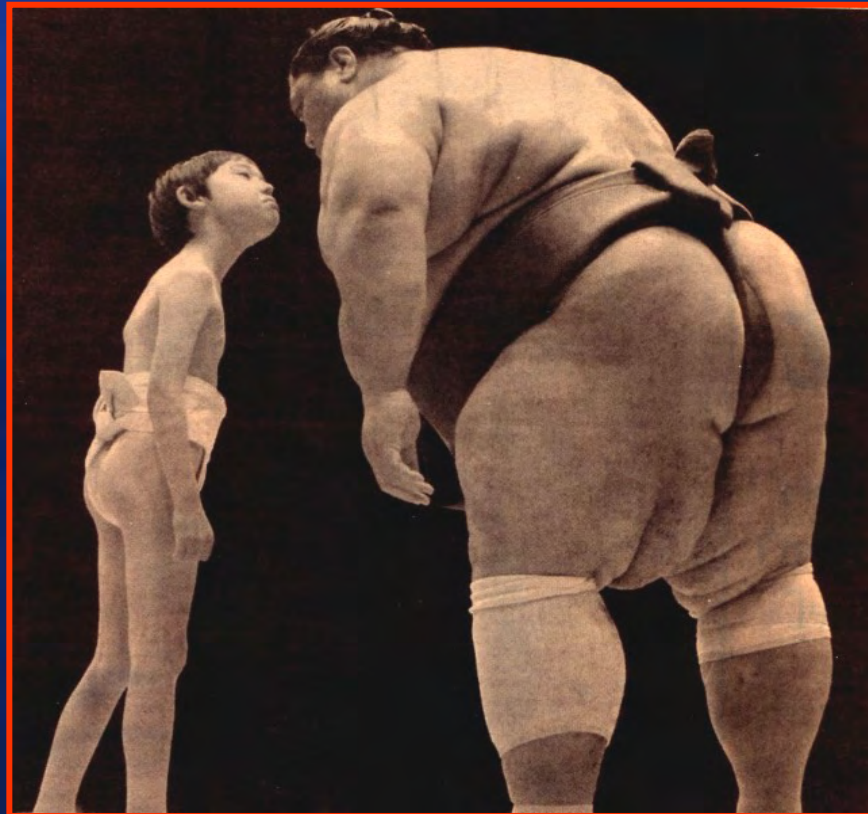
- **1985:** Cement focused, Mexico-centric, and relatively small



- **2005:** Geographically diversified, value chain strategy
- Cement, Concrete & Construction Services

What Will it Take to Win?

- How small companies / entrepreneurs can outmaneuver big companies?



Challengers

How To Be A Successful Entrepreneur...

Understand
the consumer
better

Move faster
and in a
focused way

Bring a new
and fresh
perspective

See the world
your way (fresh)
& the (new)
consumer way

Education &
training...
Non-
negotiable

Stay open
to adapt

The fast &
focused beats
the big one



How To Be A Successful Entrepreneur...

- H&W products
- Functional F&B

1
Harness Emerging Trends / Needs

See the world your way (fresh) & the (new) consumer way

2
Address unarticulated Needs

- IPOD
- Red Bull

Value Based Leadership

3
Challenge the Industry Paradigm / Business Concept

- Starbucks
- Dell / e-Bay
- Zara
- Regional low cost airlines
- Corporate Entrepreneurs

How To Be A Successful Entrepreneur...



See the world
your way (fresh)
& the (new)
consumer way

Value Based Leadership

- Teamwork... leverage human capital of your team
- Follow the right path over the easy one

Dare To Be An Entrepreneur



“Never doubt that a small group of committed people can change the world. Indeed it is the only thing that ever has”

-Margaret Mead

Have a Great and Rewarding Entrepreneur Journey!!!



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