



## **Arun Sarin and Enthusiasm for Untapped Markets**

When University of Miami Provost Thomas LeBlanc took the podium to introduce the speaker at a luncheon during the University's Global Business Forum Jan. 15 - 16, 2009, he ended his remarks with a plea for those present to be considerate. "Ladies and gentlemen," he said, "please hold all your calls on your mobile phones, turn off your e-mail, and join me in welcoming Mr. Arun Sarin."



But Sarin would have none of it. "As far as I'm concerned, please keep them on, talk as much as you like, because frankly, we need revenue," he said with a broad smile, drawing laughter and applause from the audience.

As the former CEO of Vodafone, and someone who still holds more than 30 million shares and share options in the company, getting people to talk on their cell phones is very much Sarin's business. By an important measure — revenue — Britain's Vodafone Group PLC is the largest mobile phone company in the world. With 260 million customers, Vodafone is second only to China Mobile, which has 370 million customers. Much of this growth was achieved after Sarin took over as CEO in 2003 and turned his attention to the developing world. His strategy was to trim operations in the saturated European market and focus on emerging markets where the needs of consumers were underserved. Thus Vodafone began a march east from Europe to Romania, Turkey, India, China and Africa.

The conglomerate hasn't exactly ignored established markets. It owns 45 percent of Verizon, and in 2004 it made a much-publicized bid for AT&T Wireless. The move was opposed by shareholders, and in the end Cingular acquired AT&T. Undaunted, Sarin directed his ambitions elsewhere, acquiring Telsim Mobil in Turkey for \$4.6 billion in 2006. He followed that up with the purchase of Hutchison Essar, India's third-largest carrier, with 44 million customers, for \$10.7 billion in 2007. Sarin stepped down as CEO in July 2008. During his tenure Vodafone doubled its number of customers.

His remarks at the luncheon reflected his enthusiasm for those untapped markets.

“When you think about where wealth is being created today, wealth is being created in China, in India, in Russia,” said Sarin, a native of India but a resident and citizen of the United States. “Emerging markets now produce 80 percent of the incremental GDP being produced in the world. Developed markets only produce 20 percent.”

The global recession, he added, won't change that. “The recession is a speed bump,” Sarin said. “What is happening is something profound that is going to last 10, 20, 30 years.

“The point is,” he continued, “we just need to think of the world, the globe, as our marketplace. Not the 50 states of America, which we did for a while.”

Driving this change is the rapid pace of technological innovation addressing the needs and wants of those emerging markets. And American companies can't afford to be complacent. “We have to innovate in everything,” he said. “Competition is going to come from everywhere.”

He pointed out that 20 to 30 years ago most innovations came from the U.S., Europe and Japan. That's where the scientists, the resources and the universities were. But today, according to Sarin, China is producing 500,000 engineers a year, India is producing 250,000, while the U.S. is producing just 75,000 a year. “Those engineers will need something to do, and necessity is the mother of invention,” he warned.

To be competitive, America needs to embrace the flood of foreigners seeking advanced education here, and see them as a catalyst for its own research and development. “Just make sure you have good IPR [intellectual property rights] protection,” he said. What we should not do is be frightened of that change or see it as a negative; they will only help us understand the interconnected markets of the world better.

In this newly global business environment, he said, it will no longer be acceptable for American companies to develop a product for the domestic market, then release it to developing nations as an afterthought. “Taking a product from here and throwing it across the world just isn't going to cut it anymore,” he asserted. “China is wired very differently. India is wired very differently.” To market competitively abroad, U.S. companies need to understand who they are selling to and what those people need. Often that can be liberating. Developing technologies for older, mature markets means working with legacy systems, he said, and the existing infrastructure and the regulations surrounding them. In emerging markets, where you may be pioneering new ground, you are free to install whatever system you want. This means it's simply easier to innovate, Sarin said.

The mature markets of the developed world are still the bread and butter of any conglomerate. During a question-and-answer period Sarin noted that about 70 percent of Vodafone's revenue came from what he termed “developed markets,” while 30 percent came from “developing

markets.” But, he added, “three to five years ago it was 100-zero.” The world is changing and it’s changing fast.

The most marked characteristic of this new world is how interconnected all economies are. “Ten years ago, when there was an Asian crisis, or a Russian crisis, the world didn’t feel it,” he said. “Now we are so interconnected” that we do indeed share the pain of market fluctuations half a world away.

“Frankly,” Sarin asserted, “one of the best defenses that we have, to make sure that our standard of living and our GDP continue to grow, is to lead this parade, rather than shy away from it.”

*By Tristram Korten*

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