

DISSERTATION DEFENSE

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“Product Line Design in Emerging Markets”

Emerging markets such as India and China have a high proportion of consumers with limited ability to pay for consumer goods. My dissertation is focused on how the presence of such consumers influences product line design in emerging markets.

In my first essay, I analyze the competitive implications of high-quality global firms, such as Proctor and Gamble and Unilever, selling everyday products such as shampoo and detergent in significantly smaller package sizes, at more affordable prices in emerging markets. I propose that competing local firms in India, such as Nirma and Cavin Kare, can sell their lower quality detergent and shampoo for relatively *higher* prices in the presence of consumers with limited ability to pay, compared to their prices in the absence of such consumers.

In my second essay, I analyze how the product quality decisions make by a monopolist are influenced by the presence of consumers having limited ability to pay in emerging markets. For example, in an emerging market such as India, Unilever sells a product line of bathing soap: the high-quality Dove brand and the relatively lower-quality Lux brand of soap. Conventional wisdom suggests that in comparison to a developed market, a firm should degrade its product line by lowering the quality and prices of its products in an emerging market. This is because many consumers have limited ability-to-pay in such a market. In contrast, I propose that degrading the product line is not always optimal in an emerging market. Depending on the magnitude of consumers' ability to pay and the relative size of the constrained segment, I show that the firm could, in fact, profit by upgrading its product line (raising product quality and prices) in the emerging market.