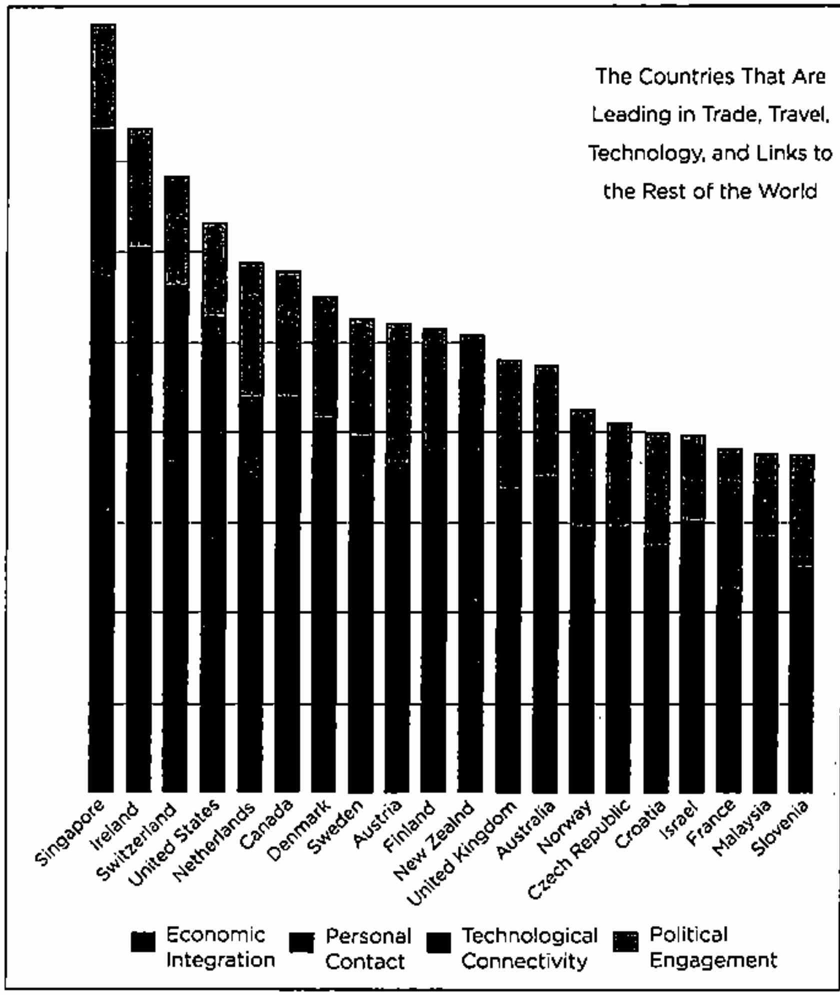
The Global Top 20



Source: AT Kearney Global Top 20, 2005.

bandwidth, and the continuation of the globalization megatrend, Bangalore has effectively become a suburb of Boston.

The 10 "flatteners" that Friedman cites as the major influences for globalization are:

1. *11/9.* On November 9, 1989, the Berlin Wall came down. Perhaps the greatest legacy of Ronald Reagan's presidency

came when he stood outside the Berlin Wall and shouted, "Tear down this wall, Mr. Gorbachev." And, of course, as he did, communism collapsed, and free enterprise and markets became the economic metrics for the world.
2. *Netscape.* It went public on August 9, 1995. And with that, the world became your oyster with the click of a mouse.
3. *Development of workflow software.* This decreased the effect of manufacturing delays. With it, time and geography become irrelevant.
4. *Apache server.* The result was the acceleration of Web site design.
5. *Y2K outsourcing.* This showed the world (through necessity) how India could be used for reliable outsourcing.
6. *Offshoring.* China became the hub for multinational manufacturing and assembly work.
7. *Supply chain.* Wal-Mart is the poster child for dynamically optimizing the process for bringing products to the consumer.
8. *Insourcing.* This is in-house job sharing. UPS leads the way here.
9. *Web search engines.* It is frightening what Google finds at lightning speeds.
10. *Steroids.* Technology such as Voice over Internet Protocol (VoIP) and mobile phones integrate us faster, cheaper, and all the time.

For decades, investors such as Sir John Templeton have shown the importance of thinking globally for investment opportunities. Looking to the future, being a global investor will be a redundant term—*to be an investor you will have to think globally.* As the U.S. economy continues to mature, looking to emerging markets for growth opportunities will be an important part of the growth investor's playbook.

WORLD EXCHANGES

COUNTRY/REGION	MARKET VALUE	PERCENTAGE OF WORLD MARKET VALUE
Mexico	$267 billion	1%
India	$475 billion	1%
Middle East and Africa	$546 billion	1%
Eastern Europe	$593 billion	2%
Hong Kong	$687 billion	2%
China	$772 billion	2%
Australia	$972 billion	2%
Canada	$1 trillion	3%
United Kingdom	$3 trillion	8%
Japan	$5 trillion	13%
Asia	$8 trillion	21%
Western Europe	$11 trillion	28%
United States	$16 trillion	41%
North America	$17 trillion	44%
World	$39 trillion	100%

Source: FactSet.

But what globalization really illustrates from my perspective of identifying the stars of tomorrow is how it helps or hurts a business opportunity. You can't say it doesn't matter because globalization affects essentially everything.

Medicine provides an example of a traditonally localized business that is affected by globalization. Whereas historically if you were injured or sick, you basically had access only to the physician in your community, now X-rays can be e-mailed to the other side of the globe to be examined by an expert there. Sourcing product from the most competitive vendor is another global exercise. Companies outsource noncore functions routinely, making it impossible to compete without embracing the realities of globalization.

Pure plays on globalization are seen in the travel industry, which directly benefits from the increased integration of the planet. In many ways, it's easier to get from San Francisco to Shanghai than from San Francisco to Des Moines. Businesspeople I know don't think twice about going on a two-day trip to Singapore from San Francisco. They *do* think twice about a two-day trip to Birmingham, Alabama. To get to Birmingham, you're likely to have to change planes twice, and by the time you're back home, it feels as if you've been through a war, sometimes without measurable benefit. On the other hand, going to Shanghai requires only one direct flight, and you're able to get a ton of work done undisturbed. Payback from the trip is usually huge (and could only have been gotten by going). In 2003, the world's airlines carried 1.7 billion passengers—equivalent to 25% of the world's population—and 500 million people traveled on international flights.

Despite airlines having been a notoriously horrible industry with the cumulative loss by all U.S. airlines reaching approximately $25 billion since Orville and Wilbur Wright took wings, globalization and the demographic of aging populations retiring and having more time to travel make it impossible not to be bullish on the travel industry.

As English is the global business language, another pure play on globalization is English-language training. China, always looking ahead, has made English classes mandatory starting in the second grade. Berlitz is a company with the theme of English-language training. Pearson and Thomson are two terrific global media companies that have sizable English-language businesses.

Identification technology such as biometrics is an obvious benefactor of a global world. While for now a driver's license is generally sufficient identification in the United States, and a passport is acceptable abroad, in a global world where people are traveling in multiple countries frequently and commerce is conducted without geographic boundaries, physical and virtual security will be enhanced by more infallible identification.

AIRLINES I LIKE

AIRLINE	NET SALES	MARKET VALUE	ESTIMATED LTG
GOL Intelligent Airlines	$7.1 billion	$5.6 billion	36%
JetBlue Airways Corp.	$1.1 billion	$2.5 billion	22%
Southwest Airlines	$1.5 billion	$13.1 billion	19%
Ryanair	$1.9 billion	$8.7 billion	14%
Singapore Airlines	$7.8 billion	$10.4 billion	10%
EOS	Private company		
Virgin Atlantic	Private company		

Industries That Benefit from Globalization

Medicine
Airlines
Language programs
Identification technology
Security companies
Education

Financial services
Consumer brands
Entertainment

Capital and customers are scouring the globe 24 hours a day, 7 days a week for the best return on investment for products and services. Globalization accentuates the need for a company to have a claim to fame and accelerates the exposure of mediocre business models. Company and product branding (a megatrend I will discuss later in this chapter) becomes increasingly relevant with globalization, which is great for great businesses but fatal for ordinary ones.

→ "BIRDS OF A FEATHER FLOCK TOGETHER"

In today's global economy, where access to capital, technology, information, labor markets, and commodities is increasingly available worldwide, the concept of geographic "clusters" may seem a paradox. However, globalization has had the greatest impact in stepping up the pace of global competition, rendering productivity—not access to low-wage workers and inputs—the key to a company's success.

LOCAL GLOBALIZATION

METROPOLITAN REGION OR STATE	INDUSTRY CLUSTERS
Silicon Valley	Infomation and communications technology Biotechnology Venture capital
Los Angeles	Media and entertainment Defense and aerospace Shipping

METROPOLITAN REGION OR STATE	INDUSTRY CLUSTERS
Seattle	Software Aircraft equipment and design Shipbuilding
Las Vegas	Leisure industries and casinos Regional airlines
Dallas	Real estate development
Omaha	Telemarketing Hotel reservations Credit card processing
Colorado	Computer integrated systems Computer programming Engineering services
Nashville	Hospital management Entertainment
Phoenix	Aerospace Optics Analytics instruments
Minneapolis	Publishing and printing Medical devices Transportation and logistics
Detroit	Auto equipment and parts
Boston	Asset management Biotechnology Software and communications equipment Venture capital
New York	Financial services Advertising Publishing Multimedia
Pennsylvania/ New Jersey	Pharmaceuticals
North Carolina	Furniture Synthetic fibers IT research and development
Southern Florida	Health technology Tourism

Source: Institute for Strategy & Competitiveness, Cluster Mapping Project, Harvard Business School.

Clusters (geographic pockets of companies tied together by a common industry, though not necessarily companies within the same industry) enable firms within the cluster to be more specialized, benefiting the growth and competitiveness of the entire cluster. While clusters may be defined by the principal industry, such as information technology and venture capital in Silicon Valley, media and entertainment in Hollywood, asset management in Boston, or even wine in Napa Valley, the breadth of the companies within the cluster will not conform to the standard industry classification.

In effect, while clusters may appear to be comprised of only loosely connected industries, the reality is that clusters are highly specialized in their particular trade or service as it applies to the cluster's principal industry, such as in legal and financial services, manufacturing, marketing, transportation, construction, and educational institutions.

The three principal means in which competitiveness is affected are through (1) increasing the productivity of companies within the cluster by promoting specialization, (2) spurring the pace of industry innovation across the network cluster, and (3) promoting the growth of new companies as a result of the cluster's competitiveness, productivity, and, ultimately, success.

As clusters reach critical mass, benefits become more widespread, allowing individual companies to reap scale economies as a result of the cluster's size, while maintaining the nimbleness and flexibility of a smaller firm. Furthermore, much as outsourcing allows more mature firms to shed noncore aspects of their business as their operations grow, cluster economies enable growing firms to focus on the growth of their strategic assets while relying on specialized firms to manage the growth of nonstrategic operations—the negative side effect of growth and success.

What the growth of industry clusters is increasingly highlighting in today's global marketplace is that competitive advantage is more and more being driven by "local globalization"—the specialization of industry linkages, business relationships, local knowledge, and labor markets—which drives productivity growth in the immediate relationships between companies as opposed to just the productivity within a company.

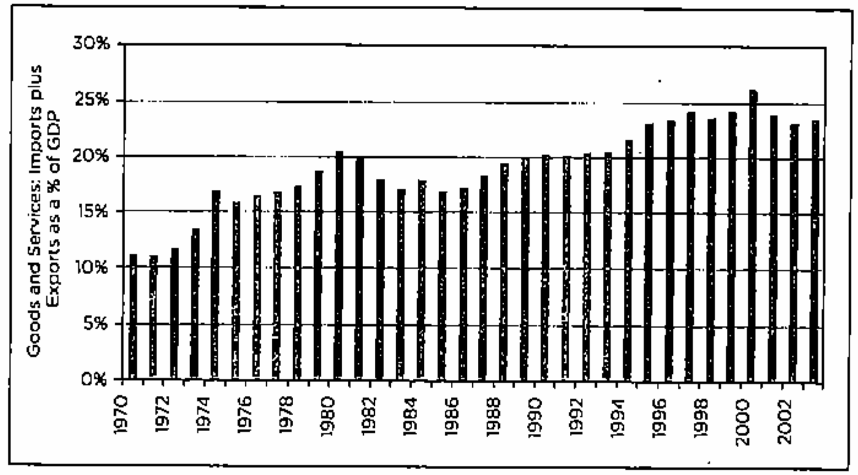
As we are hunting for the stars of tomorrow within defined sectors, scouring the region that is home to the industry cluster can be very fruitful. For example, in trying to find the next big thing in medical devices, one would be wise to troll in the Minneapolis market, home of Medtronic, St. Jude, and Guidant.

Globalization will continue to expand new growth markets for products and services, though even more important, the global marketplace will serve as a means to "economize" through a combination of labor market cost advantages, production efficiencies, and access to global markets as well as coordinating postproduction, sales, and services. The advantage of going and thinking globally will free up valuable resources for growth opportunities.

It is not inconceivable that in the near future, the majority of companies will engage in R&D locally, with product components manufactured in China, then assembled in South America or Eastern Europe, and then redistributed as finished products back into the global marketplace, where local product positioning, sales, and advertising are tailored for the local-global marketplace.

In the aftermarket, customer service will be handled in India, with product issues sent back up through the supply chain. Fixes will be handled

Rising Importance of Global Trade to the U.S. Economy



Source: Bureau of Economic Analysis.

by global product engineers and identified enhancements will be incorporated into the continual R&D process back at the original R&D center.

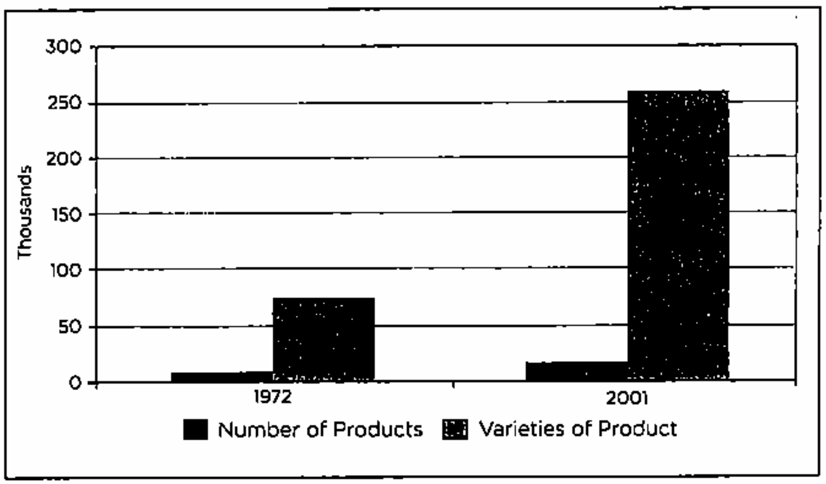
I see globalization as opening up not only new end markets to businesses, but also new markets for essentially every business function that was once performed in-house. The result will be greater capture of global cost advantage and the bringing of market forces to business functions that were once protected inside of organizations.

It is widely appreciated that rising global trade between developed and developing countries has important benefits such as holding down inflation in mature economies and promoting rapid growth in developing economies. What often goes underappreciated is the increase in variety—growth in the types of essentially the same product.

Most think of expanding global trade as a substitution of production and consumption of a domestic product for a foreign product—decline in one and growth of another. The reality is that rising global competition increases variety, giving consumers as well as businesses more choices. In fact, rising competition couldn't occur without an increase in variety.

The traditional view of trade overlooks this and focuses on the potential loss to overseas companies that export "the same" product at a lower price. The more accurate view is actually quite easy to see daily in the rising number of automobile types, shoe styles, wine varietals, and coffee flavors, all due to increasing global trade. Globalization creates dynamic efficiency, which increases the quality of products and decreases the price.

Global Trade's Impact on Product "Variety"



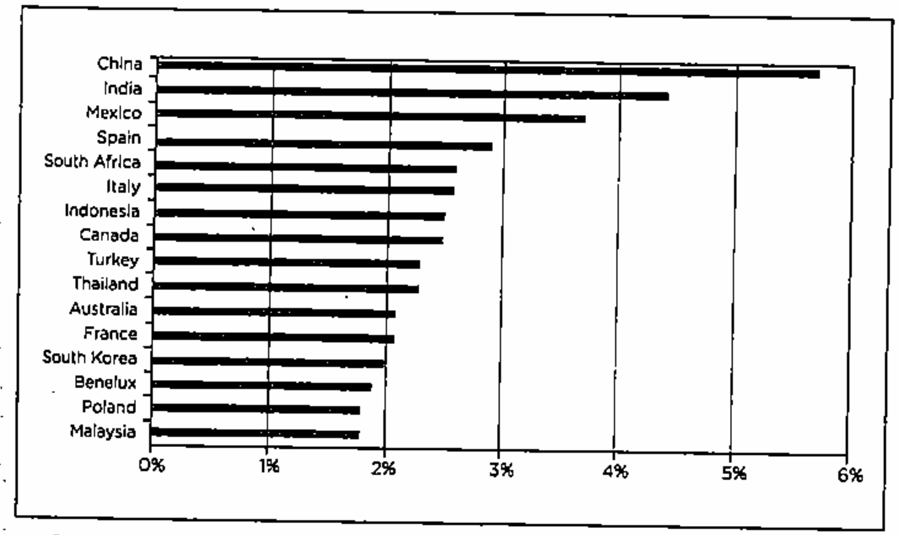
Source: Federal Reserve Bank of New York.

In a recent study of the impact of variety emanating from global trade, it was estimated that the dollar benefit to U.S. consumers amounts to about 3% of GDP, or roughly $300 billion. In the same study, it was found that the number of varieties of products had risen from approximately 75,000 (7,700 products) in 1972 to nearly 260,000 (16,390 products) in 2001—a near doubling in the number of varieties per product.

This increase in variety has implications for not only consumers' standard of living, but the entirety of the retailing industry, where growth thrives from being able to increase product assortment to better match consumers' ever-evolving preferences.

Moreover, with increasing global trade and rising variety, the dynamics of brand equity shift further toward servicing consumers' evolving preferences, with the most adept retailers being those that view their value proposition from the standpoint of being first and foremost a purchaser for their customers, obtaining the most sought-after products at the best possible price, and providing customers with the largest assortments. These companies recognize global markets and global sourcing as a competitive imperative for growth, because their first focus is purchasing for customers.

Contribution to Rising U.S. Import Product Variety, 1990–2001



Source: Federal Reserve Bank of New York.

STAR GAZER

RICHARD DRIEHAUS
chairman of Driehaus Capital Management and architect of the investment philosophy

Driehaus Capital Management, established in 1982, manages $3.7 billion for institutions and high-net-worth individuals. Richard's track record of success has firmly entrenched him among the top echelon of U.S. equity managers. In particular, Richard has distinguished himself by having a nose for identifying emerging trends and growth companies early. He has repeatedly been ranked among the top U.S. equity managers in the world. Richard spoke to me about the importance of studying the global markets. (To read my full interview with Richard Driehaus, visit www.findingthenextstarbucks.com.)

Are we missing all the growth that's out there in the world today? Are we going to miss out in the next 100 years? The answer is, in a great sense, yes. That's the problem. I'm talking about keeping up with real worldwide growth rather than just doing well versus the S&P 500 or the Morgan Stanley composite index. We're looking at America (which is 5% of the world's market), England, and Central Europe—and we're forgetting about 80% of the world population. In other words, we're investing where the billion people are wealthy and not where five billion people are increasing their resources and their positions.

China—The Wild West in the Far East

"If GE's strategy of investing in China is wrong, it represents a loss of a billion dollars; if it is right, it is the future of this company for the next century."

—JACK WELCH

It's become almost a cliché that China is the next big thing. Ambitious young people from around the globe are flocking to Shanghai and Beijing much as they did to San Francisco in the California Gold Rush of 1849 or the Internet frenzy of the 1990s.

I hate being in the camp of conventional wisdom, but I'm a believer. In fact, I think China and the Internet are the two major forces that will shape the world for the next 50 years.

Why am I so bullish? There are at least 1.3 billion reasons—the sheer size of China and its demographics are staggering.

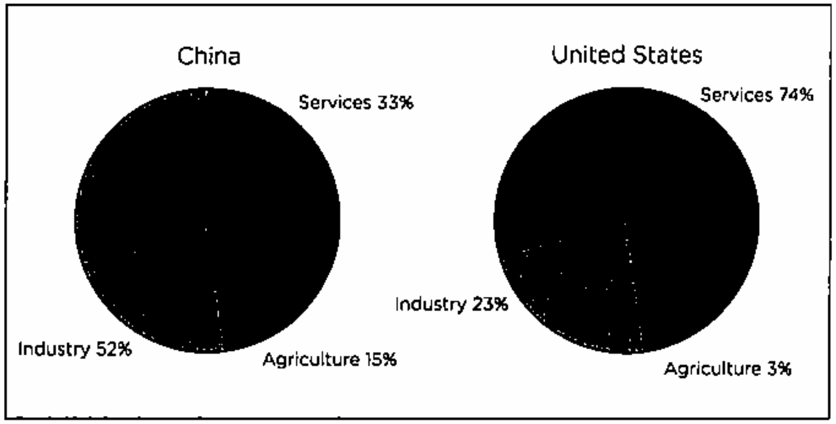
China has created an economic miracle. If you have the chance to fly into Shenzhen, you will be amazed by the thousands of skyscrapers, commercial and residential, under the giant wings of the jumbo jet. Shenzhen, a small, impoverished town in Southeast China with merely 20,000 in population in 1978, has transformed into the fourth-largest city in China today. It has more than 10 million residents and created 342 billion Yuan (or $42 billion), or 2.5% of the nation's GDP in 2004. As an experimental field for capitalism, Shenzhen was handpicked as China's first Special Economic Zone, which marked the beginning of the impressive economic growth in the Middle Kingdom.

In just 27 years, China's GDP grew from 362 billion Yuan (or $44 billion) to 13.7 trillion Yuan (or $1.7 trillion), representing a compound annual growth rate of 15.6% (or 9.7% in real terms). This is even before the country's GDP revision in December 2005—China believes its GDP is at least 10% more than reported mostly due to past underestimates of its service sector output. China is now the seventh-largest economy in the world and the second-largest if measured in purchasing power, behind only the United States. Individuals are getting wealthier too as per capita GDP, over the same period of time, increased from 379 Yuan (or $47) to 10,502 Yuan (or $1,295). Annual GDP growth is expected to be 8% until 2020.

China has 100 cities with one million people or more. The United States has 9!

China is already the number-one market in the world for mobile phones (373 million users), the number-one steelmaker, the number-one coal producer, the number-one investment recipient in developing countries with $500 billion plus, and the number-two market in the world for PCs. In addition, China is expected to be the number-one market in the world for automobiles by 2010.

GDP Distribution in China and the United States, 2004



Source: World Development Indicator, World Bank.

Real GDP is $1,700 per capita versus $41,800 in the United States. An estimated 150 million peasants will move to the city in the next decade, spurring rapidly growing consumer demand. Already, the Chinese have squirreled away $1.7 trillion into money market funds. The Chinese save 47% of their incomes.

Right now, there are more than 50 Chinese stocks traded in the United States and approximately 1,400 listed in the two Chinese exchanges in Shanghai and Shenzhen. It's expected that there will be more than 10,000 Chinese IPOs in the next 20 years.

In order to grow to the next level, which is called "a harmonious society" by the Chinese government, I believe that China has to make significant progress in social security, health care, and education reforms, and strengthen its ailing financial system over the next few years. When and only when the ordinary Chinese see the existence of a safety net do I believe they will be willing to reduce their savings and increase spending. Only in this case could the massive domestic demand be unleashed, driving sustainable economic growth.

Currently Asia (minus Japan) has 9.5% of the world's GDP, 10% of the world's equity capital market, and 60% of its population (nearly four billion people). Contrast this with the United States, which has 30% of the world's GDP, 46% of the equity market, and 5% of the world's population. With the world's highest growth rates, Asian capital markets should at least equal their share of world GDP.

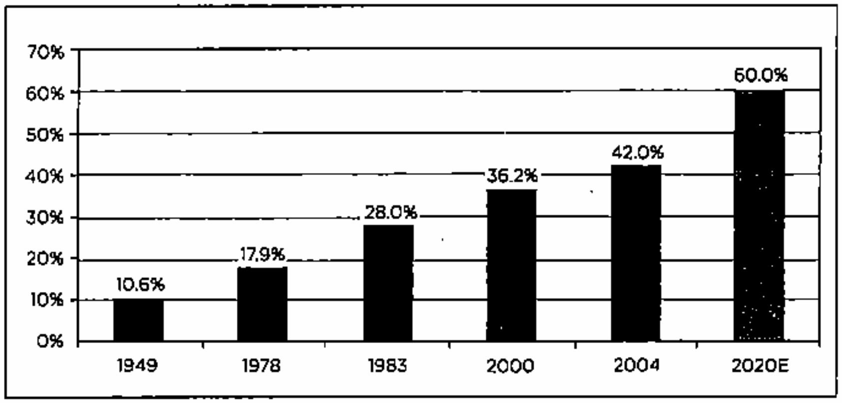
REGION	PERCENTAGE OF GLOBAL GDP	EQUITY CAPITAL MARKET	POPULATION
United States	30%	41%	300 million (5%)
Asia (except Japan)	9.5%	10%	4 billion (60%)

Source: CIA World Factbook, FactSet, ThinkEquity Partners.

Key trends include the growing middle class, urbanization, and growth in inter-Asian trade. These will all result in greater demand for products and services such as television sets, computers, automobiles, and travel.

Looking forward, China is dedicated to quadrupling its 2000 GDP ($1.1 trillion) by 2020, implying an annual growth rate of 8% or more. At this rate, and assuming a 3% annual growth rate for the United States, China will become the largest economy in the world in 50 years (or in just 12 years if GDP is measured in purchasing power)! China, standing where the United States was in the late 1880s and Japan in the early 1950s, has the potential to become one of the greatest growth stories in the decades to come.

Accelerating Urbanization Process in China



Source: National Council Center for Economic Development and Research.

The direct result of accelerating urbanization is that it will release up to 300 million low-cost laborers into the market. This is equivalent to the entire population of the United States, and triple the U.S. labor force. Cheap labor, working with sufficient capital, creates a formula for good returns. For this reason, I believe the manufacturing sector in China will maintain its advantages and momentum for several decades to come.

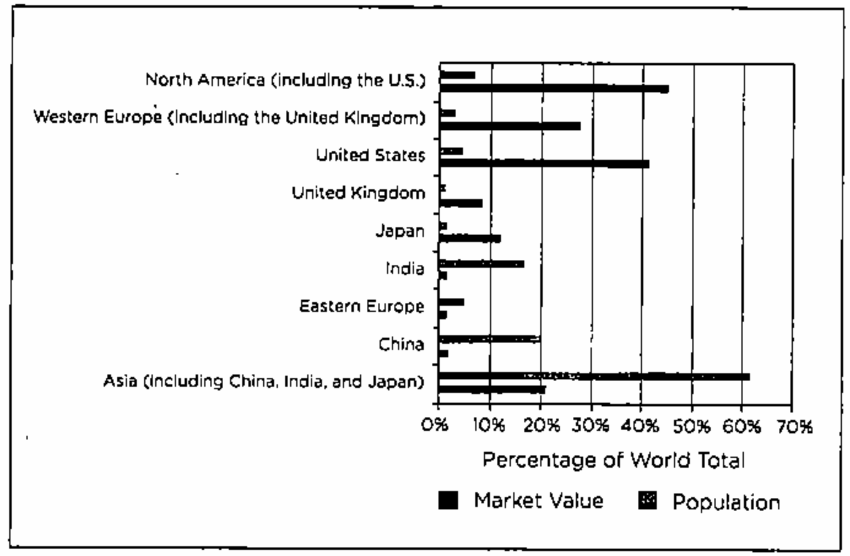
My investment thesis for Chinese companies specifically is that companies will experience rapid earnings growth, price/earnings multiple expansion, and currency reevaluation. The analogy I use to view China in terms of an investment opportunity is post–World War II Japan with 1990s U.S. technology.

A senior official in Beijing once told me, "China is like an old locomotive running at 100 miles per hour. It is a challenge for us to fix the problems in the system while keeping it moving at a high speed; however, stopping it to do the work is not an option." This might be the best description of the situation in China, and it matches my view—a country consists of both dangers and opportunities. To identify promising opportunities and avoid potential pitfalls is not easy, but it is my research goal. As I discussed in chapter 2, compounding earnings growth at a high rate for a long time is a beautiful thing, but it can be all for naught with a down 50, 60, or 70% investment.

Creating enough jobs is still a paramount task for the Chinese government in the years to come. According to a report from the Commission for Development and Growth, the country's central planning body, the labor supply in 2006 will be roughly 25 million but the demand is for only 11 million. The job market for college graduates in China continues to be tough. In 2005, roughly 30% of 3.38 million graduates did not find the jobs they wanted. In 2006, the number of graduates will be 4.13 million. If the historical pattern holds, more than one million college graduates will not be able to find jobs after graduation in July.

Whether it's looking at investing in Chinese companies or analyzing what a company's China strategy is, there is no more important a megatrend than China.

Population Versus Market Value



Source: CIA World Factbook, FactSet, ThinkEquity Partners.

STAR GAZER

BOB GRADY
managing partner at Carlyle Venture Partners

Carlyle is one of the largest and most influential private equity firms in the world, with more than $20 billion in assets under management. Bob Grady serves as managing partner for Carlyle's U.S. venture operation, Carlyle Venture Partners. In addition, Mr. Grady coordinates Carlyle's global venture capital group, which has more than $1.7 billion under management in five funds. Mr. Grady has an incredibly rich history both in finance and in politics, having served as President Bush Senior's speechwriter among other things. (To read my full interview with Bob Grady, visit www.findingthenextstarbucks.com.)

The single most important economic event in our lifetime, by far, is the explosion in China. Nothing else has come close or will come close. The reason that is true is that it is the greatest expansion in living standards for the greatest number of people in the history of mankind. Those in the United States who want to sabre rattle at China and who think that this is a terrible threat are sadly mistaken. This is a tremendous opportunity for the United States to participate in global growth for the next century. It is indeed likely that sometime in the next handful of decades China will, by GDP measures, be the number one economy in the world. That's fine. We'll be number two. If we're both growing at high rates and enjoying productivity growth and rising standards of living, that's a wonderful thing for the United States. It's not the worst thing that another economy is growing even faster than ours. We stand to be a principal beneficiary and we should not lose sight of that.

India—Be Our Guest

"If you want to know what India feels like, take out a champagne bottle and shake it for a half hour and then take the cork off. You don't want to get in the way of that cork." —THOMAS FRIEDMAN

As much as it's tempting to put China and India in the same megatrend bucket, they have as many differences as similarities. But one thing is for sure: the impact China and India will have on global business and the opportunities that are being created are mind-blowing.

First, the common denominators between the two countries are core to my growth opportunity thesis.

Like China, India has a lot of people—one billion of them, in fact. India is expected to surpass China in population by 2030.

As in China, the urbanization of India and a rapidly growing middle class will fuel consumerism. In fact, according to McKinsey & Company, India's market for consumer goods will be a $400 billion market by 2010, making it the fifth largest in the world.

China and India are both producing huge numbers of engineering graduates—about three times the number at U.S. universities, according to some studies. In a global marketplace and knowledge-based economy, this is a huge advantage for both countries.

While China has a communist government, its religion is capitalism, and its language is money. India is the largest democracy in the world with the second-largest English-speaking population. The caste system still permeates Indian government, business, and society, creating a dysfunction that contradicts the principles of democracy and meritocracy.

In China, while decisions are centrally planned, change can occur with mind-blazing speed. In India, the bureaucracy is so embedded that change can be mind-numbingly slow. A modern infrastructure to support growth is woefully behind the need for it. In the racing high tech center of Bangalore, leaders are increasingly militant about the need to upgrade India to the 21st century.

While China is a hotbed for manufacturing and growing consumerism, India's claim to fame is services. IT outsourcing and business process offshoring are, combined, a $300 billion industry growing at 25%.

That said, creative industries are booming. In 2002, India was the top film producer in the world, making 1,200 films. The United States produced 543—less than half the number produced in India.

In India, a recent college engineering graduate working for a company like Google in Bangalore can expect to earn a salary of about $18,000, or $14,000 after taxes. This is enough for a two-bedroom flat, a maid/cook, and a small car. As a point of comparison, a similarly qualified student in Silicon Valley can expect to earn about four times that much, but can barely get by.

In India, a haircut costs about 30 cents, as does a maid for a day. In Silicon Valley, a haircut costs $15 and a maid costs $75. Not surprisingly, this situation creates incentives for more and more Indian graduates to stay home, rather than traveling abroad to work.

The combination of a four-to-one labor arbitrage (cost difference between similarly qualified workers) and abundant supply of educated people will continue to rocket India into the services center of the world.

Microsoft, Intel, and Cisco have committed to investing nearly $5 billion for research and development over the next five years. Legal services, accounting services, customer service, financial analysis, and software programming will continue to migrate to India.

In looking for and evaluating the stars of tomorrow, trolling the Indian waters for opportunities will be crucial, and understanding domestic companies' Indian strategies will be too.

TALE OF THE TAPE

CHARACTERISTIC	CHINA	INDIA	UNITED STATES
Population	1.3 billion	1.1 billion	296 million
Real GDP	$2.2 trillion	$720 billion	$13 trillion
GDP (purchasing power parity)	$8 trillion	$4 trillion	$13 trillion
GDP growth	9%	7%	4%
Real GDP per capita	$1,700	$772	$41,800
GDP per capita (purchasing power parity)	$6,200	$3,300	$41,800
Engineering graduates	644,106*	215,000	222,335
Foreign investment	$60 billion	$6 billion	$106 billion
Size of capital market	$772 billion	$475 billion	$16 trillion
Government	communist	democracy	democracy
Internet users	111 million	51 million	226 million
Cell phone users	269 million	26 million	150 million
TVs per 100 households	46	34	100
Cars per 1,000 people	7	6	600
VC investors	Warburg Pincus, Carlyle, Doll Capital, Redpoint	Draper, Norwest Battery, Mobius, Matrix Partners, Mayfield, Bessemer Venture Partners, Trident, Worldview Technology	everyone
Key public companies	Sina, Baidu, 51 Jobs	Wipro, Cognizant	Microsoft, Exxon, Google

*May include equivalents of auto mechanic.

STAR GAZER

PROMOD HAQUE
managing partner at Norwest Venture Partners

Promod Haque joined Norwest Venture Partners in 1990. He has been ranked as a top dealmaker on the annual Forbes Midas List for the past five years, and in 2004, Forbes named him the number-one venture capitalist based on performance over the past decade. Promod focuses on investments in semiconductors and components, systems, and software and services, and is one of the most active investors in India. (To read my full interview with Promod Haque, visit www.findingthenextstarbucks.com.)

I think there are different opportunities emerging in India. You've got a fairly significant middle-class population that in recent years has acquired a noteworthy amount of purchasing power, fueled by the idea revolution that's taken place in India. Broadband penetration is really starting to take off—it's where China was five years ago. The same is true with wireless penetration. Wireless and mobile penetration are increasing significantly to the tune of about 40 million subscribers a year, and currently are at the level where China was about four years ago. You look at a lot of those drivers and vectors and come to the conclusion that the consumer Internet market is poised for tremendous growth in India.

→ MEGATREND 3: THE INTERNET—INVISIBLE COMPUTING

"The historical records show that humans have never, ever opted for slower."

—Stephen Kern

History has a way of repeating itself.

When a game-changing technology hits the scene, people overestimate how quickly it will overtake the old technology, but underestimate the long-term potential.

The movie goes like this:

Scene 1: Revolutionary discovery is made public and gets everybody excited. *BusinessWeek, Fortune,* and *Newsweek* all write about it the same week.

Scene 2: Thousands of new companies get created in the industry in a nanosecond. Students are dropping out of school so they don't miss the "gold rush." Cocktail conversations among the rich and famous are dominated by this new technology. Zillions of dollars in capital are invested in hundreds of companies—many with half-baked business plans, but with all the right buzzwords.

Scene 3: The mania is in full swing. *BusinessWeek, Fortune, Newsweek,* and *Ladies' Home Journal* have cover stories on the new age's poster boy, calling him or her the new Edison or J. P. Morgan. The market value of the 20 new public companies is greater than the GDP of Great Britain. Companies that are in radically different businesses are tossing their old business plans to reinvent themselves for the new era. Cab drivers in New York City are retiring from the winnings they have made on tips from newly wealthy customers, and shoe shine people give new-era stock advice with the authority of Jim Cramer.

Scene 4: The music stops. At first, few people notice it because they are too busy partying and having a good time. A few of the more prudent participants start looking for a place to sit down.

Then the police come and tell everyone to go home. Some do, but many go looking for another house to go to where the music will go on and