

Are you ready for emerging markets?

Is India the new laboratory to challenge or improve your products, culture or skills?

Why, How?

India presents several characteristics that makes it a unique market among Emerging Markets, bearing in mind that due to its diversity and multi millennia culture:

« Every truism about India and its opposite can be both true »

Nevertheless there are several key challenges that can't be ignored before entering:

Geography and demography

India is: 1 220 000 000 habitants, 240 million of Households, 71% is rural spread over 600 000 villages on the other side: 2 huge metropolis with more than 20 Million Habitants (New Delhi and Mumbai). Moreover it is a Federal parliamentary constitutional Republic of 28 states with at least as languages as states, English being only a second or third language permitting parts of the population to communicate with each other. 85% of the population Households live with less than 6 000 USD per year. Meaning most of the population lives on a day-to-day basis.

Education conundrum

Government school is very poor, “not preparing child for the future”, it being understood a large youth population is not skilled accordingly they tend to join the informal sector (340 millions people). There are still attempts to foresee or

ascertain what companies need in term of skills in order to train the young people but still only the private schools meet for the moment the level required for a developing country as India.

On the other hand, Elite private schools are very efficient, being very selective make them as renowned as the greatest American universities.

Infrastructure

In their strategy to exploit Indian resources the English developed during 200 years a large railroad network enabling to connect remote area, nevertheless population and activity are growing so fast that government is always catching up and project are out of capacity right after they are built while Public Private Partnership have been attempted with some successes.

On the other hand, there is an efficient network of 6 million retailers in India supplied by wholesaler supplied by distributor or stocker.

Diversity, Culture, Society

Cast system remains in some part of India and is unfortunately still a good way to justify discrimination to the benefit of the wealthy people. However duties in India apply especially to family meaning close relatives, unlike in Africa where it is enlarged to community.

Religion is separate from the state but instead of secularism, there is a kind of American way of celebrating and

respecting any form of religion, making India a very diversify and spiritual Society. Freedom of press is very important as well, they are the one who fights corruption and expose it. Nevertheless level of corruption is relatively high in Government, very correlated to its ability to organize and raise taxes before redistributing them. Still freedom of the press is largely contributing to alleviating the problem

India is a huge market but a specific one, despite some similarity with Brazil and to some extent with other Asian or African countries; Indian people are very functional oriented customers, not so much about brand.

On the other side some Indians still like to show off, bearing in mind that as a lot of marriage are still arranged by the fathers, entrepreneurs and every man in general wants to look as wealthy as possible in order to make a good marriage, so brand can matter but if Indian Consumer finds a cheaper product with same functionalities or feature he will switch without any doubts accordingly loyalty is to the people or the dealer rather than to a brand image.

Health Care

It is still an issue but large progress have been made as medicines are very cheap while India became the source for a lot of emerging markets, Health care Industry is very developed but Society still lacks

thousands of doctors especially in rural areas.

Social security is not organized at the State level but by Corporations, meaning the SME and the whole informal sector have limited access to medical care. Kids malnutrition is worse than in sub-Saharan Africa or Bangladesh.

Banking System

Nationalized banks have most of the market, Indian central Bank has not a bad reputation, (it is clearly not a dirty floater) for the moment full convertibility for foreign investment have been implemented, on the other hand Indian resident have constraints regarding currency outflows

Only 30% of the rural population has access to banking and only 50% in the urban area accordingly Gold is still the instrument of hoarding wealth for most of the Indian Households. Rapid expansion of mobile shall help bringing banking to a larger portion of the population.

Indian Diaspora

25 Million Indians are currently living and working out of India. 3 million in USA representing a very well educated population (70 % of bachelors, 40 % having Master degrees or PHD), sending 70 billion of remittances to their families every year.

Note that more and more expatriated Indians are coming back to India.

Final Conclusions

The Factors for Indian growth are here:

A young and aspirational population with English skills, a successful diaspora in US, presence of infrastructure (even although some critical bottlenecks remain) furthermore they developed good Comparative Advantages in IT services, Pharmaceuticals & Biotech, Aerospace.

But there are still some drawbacks to mitigate:

70 % of economy is services, small businesses are only in services or in retail, as well as in other countries government economic policies have been concentrated on large companies and only in some specific activities accordingly India lacks of competitive Small & Mid Size Businesses especially in building and public works as well as in semi-conductors for example.

India is still Rural with small and poor farmers nevertheless it is self-sufficient despite a poor cold chain and a low productivity that could really be improved and turn the whole Farming Sector into an Agricultural and Food-Processing Industry.

Despite an informal Economy representing 50% of the GDP, by year 2020 middle class shall represent 583 million people.

Accordingly India is a fantastic laboratory to test your skills:

- From a corporate culture & practices point of view: Open-mindedness, culture of argumentation cohabiting

with diversity and traditions, humility, flexibility, patience

- As well as on your products features or marketing strategy: Price-Performance Ratio, Robust Products (e.g. transport, dust, heat, shelf life), Capital Efficiency, Labor Intensity, New Alliances, Volumes, Logistics, Packaging, Sustainability

Succeeding in India might open all emerging markets for a Multinational Company in India, once challenges has been accepted by:

- Exploring new business models
- Innovating to differentiate; even with frugal innovation, Indians have a special term for that type of innovation: "Jugaad" which is the Indian system for being "debrouillard": creative or innovative idea providing a quick, alternative way of solving or fixing a problem. Jugaad literally means an improvised arrangement or work-around, which has to be used because of lack of resources.
- Pricing it Right: as the focus in India shall be affordability

Start small but plan for big, networking implementation strategy can fit perfectly into the Indian environment as Agility and Flexibility are the two pillars to succeed in India .

Accordingly you can be very ambitious in India but you will also need to be very humble and patient.