

How to Prepare for the Indian Market

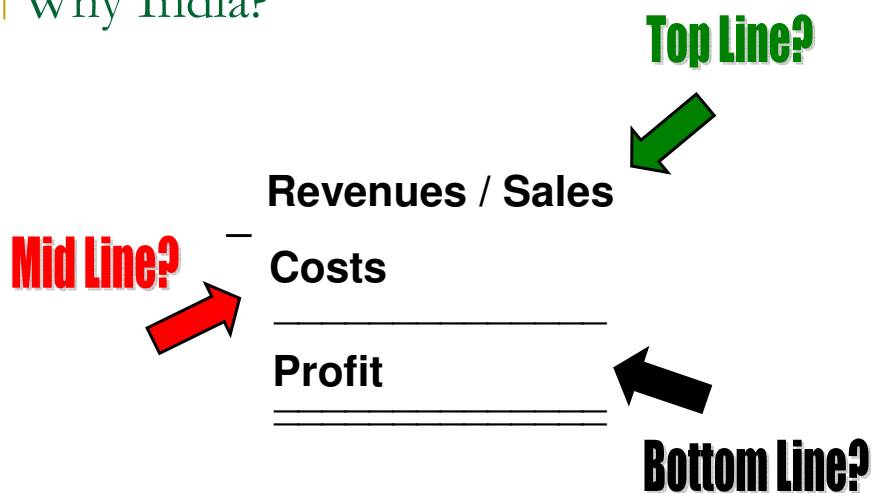
WTC Montreal Seminar

Marvin Hough
Telfer School of Management
University of Ottawa

William Polushin
Desautels Faculty of Management
McGill University

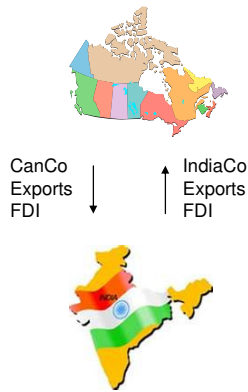
January 19, 2010

Why India?

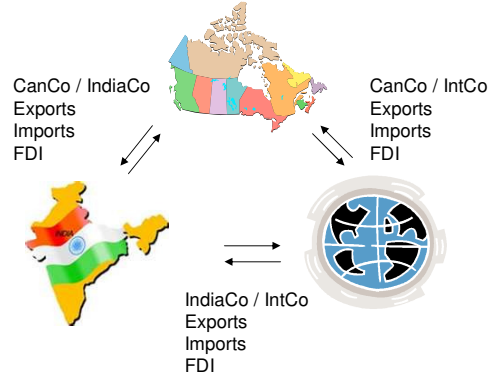


And how do you make India work for you?

Traditional Trade Model

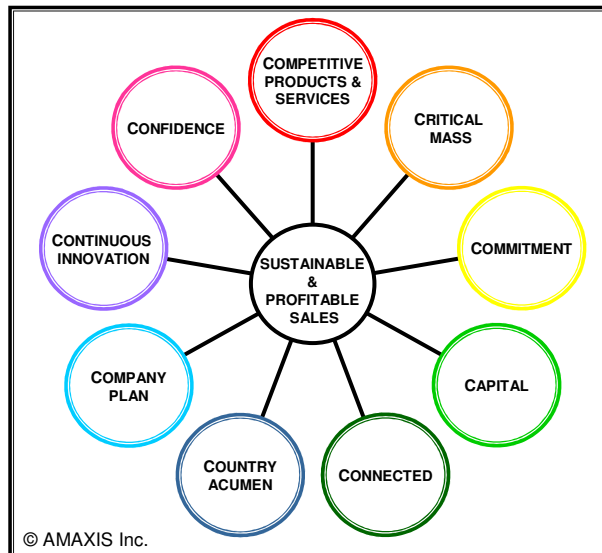


Competitive Trade Model



Source: AMAXIS

The 9 Cs of International Business[©]



© AMAXIS Inc.

Do you need to be big to tackle India?



"India is a developed country as far as intellectual capital is concerned"

JACK WELCH, GE



"We are expanding our presence in India to take advantage of the ample R&D talent available"

JOHN CHAMBERS, CISCO

"India can be a major part of Dell's operations and we are looking to capitalize on India's human capital"



MICHAEL DELL, DELL

"India is handling the most sophisticated projects in the world. I am impressed with the quality of work"



BILL GATES, MICROSOFT



Canada's Engagement with India

- As a partner in the global knowledge economy
 - ⇒ Indian objective to obtain access to proprietary S&T
- As a collaborator in infrastructure development
 - ⇒ Indian objective to invest heavily in domestic infrastructure investment over the next 10 years
- As a market for Canadian commodities & value added products and services
 - ⇒ Indian objective to obtain long-term access to natural resources and energy security
- As an investor and receiver of investment
- As an outsourcing centre and link to global supply chains



Indo-Canadian Commerce

- Indo-Canadian trade is still very modest with bilateral trade in 2008 totaling C \$ 4.6 billion but growing at a good pace. Bilateral trade agenda is recuperating from the 'freeze' which followed Canada's protest of India's nuclear testing in 2000.
- Canada's merchandise exports to India increased by more than 400 % over the last decade (compared to 36% for Canada's overall exports) reaching \$ 2.4 billion in 2008. Newsprint, metals, agricultural products still dominate Canadian exports but aerospace and telecom gaining fast
- Over the same period, Canada's merchandise imports from India increased by about 116 %, reaching \$ 2.2 billion in 2008.
- Canadian service exports to India were \$ 363 million in 2006, while service imports were \$403 million the same year.
- Both direct investment in Canada from India and Canada's direct investment in India increased sharply over their level five years ago, amounting to \$1.0 billion and \$ 801 million respectively by year end 2008.
- Trade and investment stats don't tell the full story

Overall Issues for Canadian Firms

- Lack of exposure and experience beyond NAFTA market
- An immense, distant and diverse market
- Capacity of Canadian firms to adjust their business plans and absorb the costs of business development
- Canada is a small player in India
- Competition already active with an increasing presence
- Lack of knowledge of Canadian capabilities
- Lack of a clearly identifiable Canadian " brand "
- Canadian trade promotion often lacks coordination and focus.
- High level Government to Government interaction not yet in full gear – although PM Harper's and Premier Charest's visits will help
- Lack of familiarity with the business culture in India.

The Indian Market Place

ATKEARNEY

Characteristics of the Indian business environment

India portrays a landscape of diverse consumer base



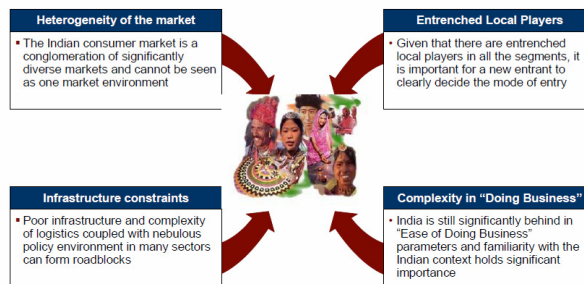
Dimensions of Diversity

- Language and cultural diversity:**
 - There are 28 States and 22 national languages. Other than these 22 languages, there are hundreds of dialects that add to the multilingual nature of the country
- Young India Vs Conservative India**
 - While the young liberal India may be clamoring for change and reform, there is a large section which is still fears any further reform in policy
- Highly educated Vs illiterate:**
 - On one side, there are established institutes of higher learning, and on the other 28% of the population is still illiterate
- Rich Vs Poor:**
 - While the benefits of economic development are percolating downwards, 26.1% of the entire population is still below poverty line

India – What are the major challenges?

Indian markets pose a host of significant challenges

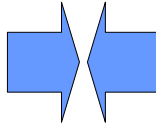
Overview Of Key Challenges In India



Indian Business Environment

Accelerators

- English language
- Liberalization and market reforms
- Strong private sector
- Intellectual Power and Innovation
- Cost-competitiveness of labor for services
- Cost of operations
- Common law legal system
- Developed banking sector & capital markets
- Offshore outsourcing center
- Increasingly attractive foreign investment destination
- Increased integration into the global economy



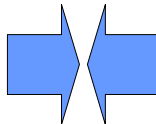
Decelerators

- Inadequate Infrastructure
- Distance to market
- Knowledge barriers
- Price sensitivity – buyer's market
- Up-front cost to develop relationships
- Red tape (India ranks 122 out of 181 countries in ease of doing business)
- Onerous labour regulation
- Bureaucracy and corruption in public sector
- High tariffs, non-tariff barriers, custom processing delays
- Tax rates and regulations
- Security Issues

Cultural Comparators



Time as rigid and exact
 Focused, concentration on Task
 Sequence talking, turn taking
 Achieved Status
 Earned Accomplishment
 Shared Authority
 Consultation and Teamwork
 Tradition is interesting



Time as soft and elastic
 Subject to distractions, interruptions
 Overlap talk
 Ascribed Status
 Special privilege
 Clear Authority figures
 Direction and Relationships
 Tradition is critical and valued

Engaging with Indian Firms Going Global

Aditya Birla Group



ICICI Bank Group



Power Finance Corp.



Reliance Communication



Reliance Industries



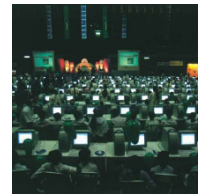
The Tata Group



Outsourcing

Technology – IT, BPO, KPO

- Indian IT and BPO firms are becoming the world's leading players in offshore services.
- Western IT firms are making India their home
- Technology has brought India "next door"
- TCS Ltd, Infosys, Satyam, Wipro
- Moving up the value chain into R&D, Engineering, Sciences, Biotechnology, Accounting, Legal, Medicine



What Works and What Doesn't in India

- Important to be mindful of local sensitivities: (e.g. religion, caste, and Indian pride - Indians do not like to be spoken down to by the West)
- Partnership has its Payoffs: Build a network of contacts across the Indian private and public sectors
- Choose an Appropriate Entry Strategy: The type of goods and services you want to sell will determine how you choose to conduct your business in the Indian market.
- Seek Professional Advice: Having good India-based lawyers and accountants was a crucial first step to better understand the intricacies of the Indian regulatory environment.
- Quality Field Presence is Crucial: If India is going to be part of your firm's growth strategy, it will be important to establish and nurture a quality field presence.
- View India as a Hub: Many of the service based companies interviewed saw India as a hub that could be used for regional growth strategies.

What Works and What Doesn't in India

- Costs Matter: If your firm is thinking about using India as a cost centre you had better do your homework as costs vary significantly from one location to another
- Expect competition to be Fierce: While India is still a low income country, we were surprised by the quality of its management, its business culture and the degree of competition that exists in various sectors. **It is necessary to seize opportunities in a timely fashion when they arise.**
- Innovation is Valued by Indian Partners: The primary reason for partnering was the technology the Canadian firms can bring to the partnership.
- Power/Infrastructure bottlenecks: Pay special attention to ensuring that you have reliable sources of power and back-up plans
- Follow – Through: Partnerships that worked needed commitment, trust and follow-through by Canadian companies at the highest levels.
- Give it Time: Canadian firms interviewed recognized the importance of longer term planning horizons to nurture the Indian market.

The Fundamental Question of Business[©]

Why Me?

© AMAXIS Inc.



India's Imports

(Millions USD; Source: Government of India)

Country	2007-2008	Rank	2008-2009 (Apr-Dec)	Rank
China	27,115.6	1	24,169.3	1
USA	21,029.6	2	13,894.3	4
Saudi Arabia	19,410.6	3	17,029.0	2
UAE	13,477.1	4	15,460.0	3
Iran	10,920.7	5	10,101.5	6
Germany	9,874.5	6	8,295.5	7
Switzerland	9,833.5	7	10,796.0	5
Singapore	8,121.6	8	5,823.4	14
Australia	7,840.8	9	7,582.5	10
Japan	6,326.3	13	5,968.3	12
France	6,256.2	14	2,347.4	22
Canada	1,973.2	29	1,780.7	27
Netherlands	1,970.6	30	1,383.9	33
TOTAL	251,562.3		235,338.4	



Canada's Merchandise Imports

(Millions CAD, Customs Basis; Source: DFAT)

Country	2007	2008	% Share	Rank
USA	220,512.2	227,273.7	52.4	1
China	38,305.5	42,621.5	9.8	2
Mexico	17,176.5	17,916.3	4.1	3
Japan	15,457.7	15,287.6	3.5	4
Germany	11,532.8	12,711.1	2.9	5
UK	11,469.0	12,597.1	2.9	6
Algeria	5,070.9	7,698.6	1.8	7
Norway	5,336.5	6,216.5	1.4	8
South Korea	5,364.3	6,007.6	1.4	9
France	5,092.5	5,937.7	1.4	10
Italy	5,052.1	5,120.0	1.2	11
India	1,980.0	2,202.0	0.5	22
Netherlands	1,764.8	2,277.0	0.5	23
TOTAL				

Canada: CDIA and FDI

(2008, Stocks, Millions CAD; Source: DFAT)

Country	CDIA	Rank	FDI	Rank
USA	310,708	1	293,608	1
UK	53,974	2	54,423	2
Barbados	44,985	3	394	26
Bermuda	22,265	4	2,094	15
Ireland	20,455	5	689	24
Cayman Islands	19,171	6	-	-
France	18,735	7	18,540	4
Hungary	10,769	8	-	-
Germany	10,509	9	9,373	8
Brazil	9,193	10	11,920	7
Switzerland	9,125	11	15,333	5
India	801	40	1,022	20
British Virgin Is.	764	41	265	30
TOTAL	637,281		504,864	

The Telfer - Desautels Focus India Program

Effectively preparing for the Indian market

A comprehensive and ongoing “doing business in India” executive learning program designed to assist Canadian firms in tackling the challenging Indian market.

The program involves : a 2 ½ day intensive program including key “doing business in India” modules, a business plan preparation phase and report out for each participating company.

The undertaking is a multi-year joint initiative of Telfer and Desautels and their sponsors and partners with mentoring and advice provided to participants as they proceed through the program.



The Telfer - Desautels Focus India Program

- Understanding the options for engaging with India in today's competitive global environment
- Undertaking market research and understanding your target market
- Building a network of advisors/supporters in Canada and in India
- Sensitizing yourself and your staff to the Indian business culture
- Making a commitment in terms of resources
- Preparing for market visits and selecting an agent or partner
- Understanding the logistics and regulations of exporting, importing and investing
- Becoming familiar with the Indian legal environment and legal issues
- Preparing for the negotiation and contracting process
- Establishing financing and risk management mechanisms
- Completing an India Business Plan



The Telfer - Desautels Focus India Program

March 3, 4 and 18

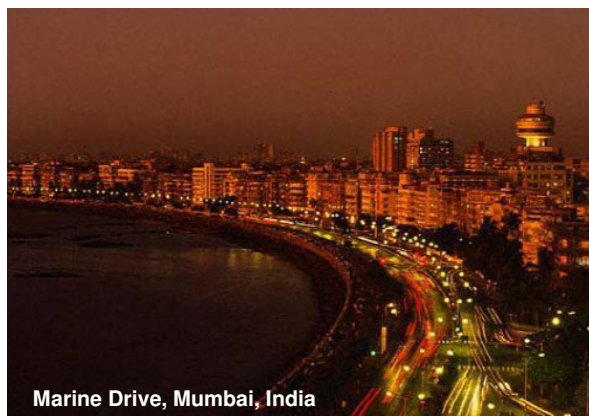
Registration and further details

- Firms with an interest should leave their contact details at the desk at the end of today's seminar.
- Course Leaders
Marvin Hough – hough@telfer.uottawa.ca, (613) 562-5800, ext 8823
William Polushin – william.polushin@mcgill.ca, (514) 865-1976
- Registration
Linda Foster – linda.foster@mcgill.ca, (514) 398-4063

**Effectively prepare for the Indian market in order
to realize success**



Why India? Why you? Are you ready?



Marine Drive, Mumbai, India

