

WARNING

This document contains secret intelligence on the Indian market. It goes beyond the studies, the stats, the graphs and the market reports to expose that most elusive bit of data: ground reality. It is eye-opening, myth-busting, logic-defying and, just occasionally, stomach-churning. Scratch beneath the dusty surface of the world's largest democracy and you will encounter a treacherous market, wily competition and a downright bizarre animal - the Indian consumer. This is your survival guide, your tool kit, your Bible. It may be the difference between success and obliteration for the novice marketer in India.



AN OPTICAL ILLUSION CALLED INDIA

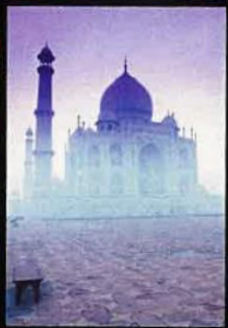
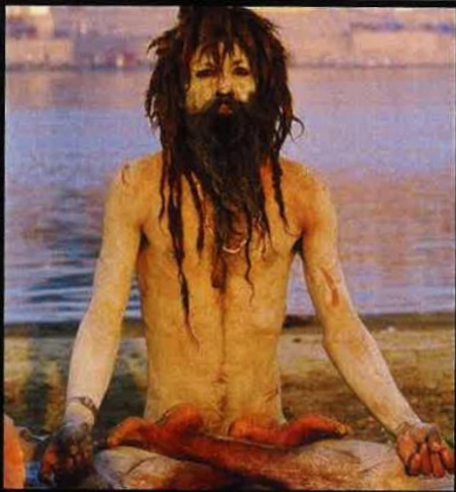
Surviving in the Indian marketplace

India ... part fact, part fiction, part reality, part perception

PERCEPTION

A country caught in a time warp, that hasn't changed since the 1st century.

- Of snake charmers, naked fakirs and mystic mumbo jumbo
- Of extravagant maharajas, ancient palaces and exotic people
- Of poverty, illiteracy, unemployment and destitution



REALITY

A country caught in a time-spin, that is blazing a trail through the 21st century.

Sample the impressive macroeconomic indicators

- Forex reserves at \$137 billion (as of October 31, 2005)
- Exports \$76 billion, imports \$107 billion
- GDP growth rate 8.2 % (3rd quarter, 2005)
- FII inflow \$10 billion

Better still ...

- One of the top five GDP's of the world and the fastest growing with strategic labour, raw material, technology and political advantages.
- Ranked as the tenth largest in the world in terms of currency conversion
- Ranked fourth in the world in terms of purchasing power parity
- Even as you read this, the bellwether BSE sensx is busy romancing 9,500.
- Market capitalisation is a record \$520 billion. Investor wealth grew by nearly 50% from \$373 billion during 2005.

Drool over the consumption indicators

- Highest Consumer Confidence in the world
- Average Credit Spend gone up from \$24 to \$40 in two years
- Retail sector valued at \$330 million and growing at 10%, 450 new malls expected in 2006 in metros alone
- Booming entertainment industry with an additional 250 multiplexes expected this year
- Unprecedented real estate demand in excess of \$4 billion (up to 22 million sq. ft. in India's top nine cities in 2005)
- Over a million cars sold in 2005 and as many expected in 2006. No wonder, Suzuki expects to sell more cars in India than in Japan!
- Domestic air travel up by 30% and expected to touch 24 million in 2006
- Similar exponential growth in other sectors also (between 2000 and 2005). Internet usage grown eight times to 40 million, personal credit has grown three times to \$30 billion, mobile phones by nineteen times to 45 million users

Surprised?

C'mon, even your friendly neighbourhood Asian grocer will know this much!





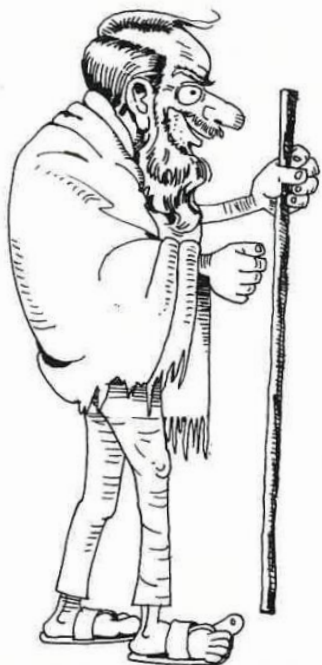
**FEELING ENRICHED? CLUED-IN?
ENCOURAGED, EVEN?
GOOD, THAT WAS THE GENERAL IDEA.**

Now comes the business end.

The market here is deceptive. Perceptions, sometimes, are far more compelling than the market reality in India. Understanding perception means dispelling, often misleading indicators and outdated conventional wisdom. It means making a well-informed and realistic decision on market strategy. It sometimes means the difference between survival and extinction.

So roll up the sleeves, steady the nerves, slap on the mosquito repellent and prepare to venture into that great, puzzling, precarious unknown: Marketing in India.

PERCEPTION



AN ANTIQUE NATION, AN OLD PEOPLE.

REALITY

It's the youngest country in the world, with 500 million Indians (half the population) under 21.

That means, the young are in the hotseat and the key influencers - be it world politics or primetime TV. As far as consumption goes, this means a new value perception, redefined relationships with brands, a greater acceptance of foreign concepts and high levels of experimentation. Also a bend towards the more dynamic, futuristic and with-it.



News Flash
Prudish Indians are actually coming to terms with their sexuality as people become more open and casual with their sex lives. Like Ajay Mafatal (pre-sex-change known as Aparna), heir to one of the oldest and most conservative business families, the Mafatal Group. The censorship board's approval of adult-content movies like Neil n Niki, free MMS access to filmstars' sex-scandals, etc.

Under 35 yr-olds in National Politics
Milind Deora, Sachin Pilot, Rahul Gandhi, Omar Abdullah



Sports Prodigies Take On The Veterans
Youngest International Master Perimarjan Negi - (13 yrs) and A1 Grand Prix of Nations Participant - Armaan Ebrahim (16 yrs) (though officially he can't drive on Indian roads!)

Butter Chicken Country Transformed to Sushi Haven!
A new international restaurant in Delhi, 360 degrees raked in a cool \$250,000 in the first 6 months alone, breaking the 20-year record of Indian cuisine restaurant Bukhara.

Role models for the new India include 'under 40 year-old' celebrities like Preity Zinta, Shahrukh Khan and Sachin Tendulkar.



Congratulations!
Winners - December 2005
Monica & Deepak

You win a **FREE** Holiday Package to a dream destination in India.

shaadi.com

*This what happened its more like a filmi story. Search Command... and then saw some profiles on the screen...Casually Clicked on a profile...in started the matrimonial

Match Made Online
Like Monica & Deepak, 300,000 other Indians have found soulmates online on shaadi.com, the world's largest matrimonial website.

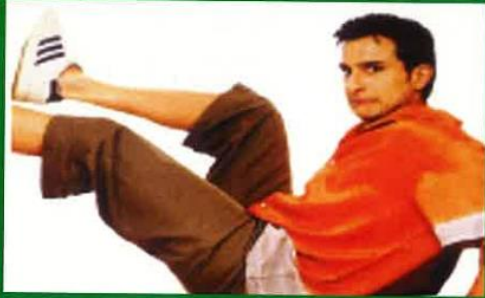
Just By The Way, Indians happen to be the highest novelty seekers across Asia Pacific. 48% admit they 'love to try new things'.



Most preferred career options now include VJ-ing/ Rj-ing/media related professions/sports/ image management/ fashion stylists/ environmentalists and yoga instructors, versus doctors and engineers of the previous generation.



Lust for Latest
Valentine's Day, Food Courts, Multiplexes, Credit Wave, Café Culture



India, young & restless. The youth wave hits the entire nation - the society at large, at home and even at work

MARKETING KUDOS



Goes to Nokia, for doing a great job of continually associating with its leading audiences - the youth. By staying on top of the latest trends; first the text lingo, then the gaming craze, followed by the fashion accessory campaign, Nokia ensures that they remain synonymous with the avant-garde, the new, the leading.

SURVIVAL TIP #1

**Think young.
Act young.
Encourage young.**



PERCEPTION



IT'S BASICALLY A LOW-COST MANUFACTURING ECONOMY WITH NO SERVICE SECTOR TO SPEAK OF.

REALITY

Its service expertise has spawned management case studies taught at Harvard Business School.

Blame the cheap labour for this misconception. India is often written off as a manufacturing country and nothing more. Truth is, besides being a value-for-money service provider, India's expertise especially as a research hub, IT, ITES, medical, hospitality and now even education service provider, are at par, if not better than the rest of the world. Known by various titles - 'Back Office of the World' and 'Software Capital of the World,' being the more popular of the lot.



Service Sector Escalating
The service sector accounted for almost 58% of India's GDP in 2004-05, growing at a healthy 9%.



India is one of the largest players in software and business process outsourcing services, with revenues of US \$17.2 billion in 2004 - 2005.

Service Industry Innovations Like No Other

Corporate housekeeping, domestic service providers, local logistics, celebrity management services and business mentorship are only some of the high potential service innovations you will find in India.

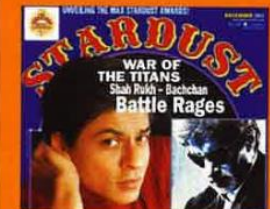


Coo-coo Fact

Indians never carry small change. Always keep some handy at the cash counter.

Unmatched Hospitality

Local brand Taj Hotels commands a 60% share of the 5-star hotel category, despite the plethora of international players like Hyatt, Le Meridien and Marriott in recent years.



Bollywood, India's films industry estimated at \$1730 million, produces the maximum number of films in the world, with a huge market even overseas.



India's medical industry is making headway today, and is the preferred choice for most international patients, especially for cardiac, brain and knee-replacement surgery.



error-proof and customer-friendly distribution system in the world (worth a personal visit by Prince Charles) - the 'dabbawalla' or lunch-carrier system of Mumbai city.

MARKETING KUDOS

Documented by BBC, taught in top US B-schools and even personally experienced by Prince Charles and Richard Branson, the famous story of the Indian lunch-carrier service or 'dabba-wallas' is unmatched.



How the system works: A 5000-strong army of collecting carriers, usually on bicycle, collect lunch-boxes from over 200,000 homes everyday and converge at designated central locations around the city. The *dabbas* are distinguished by colour or symbol (most *dabbawallas* are illiterate) and are sorted accordingly into groups. Next, the grouped boxes are put in trains, with markings to identify the rail station and destination of delivery. At each station, boxes are handed over to a local *dabbawala*, who delivers them. The empty boxes, after lunch, are again collected and sent back to the respective houses.

The chances of this system failing, are only one in six million deliveries. Such precision & consistency of service, at a nominal fee for the priceless joy of good, homemade food. Match that!

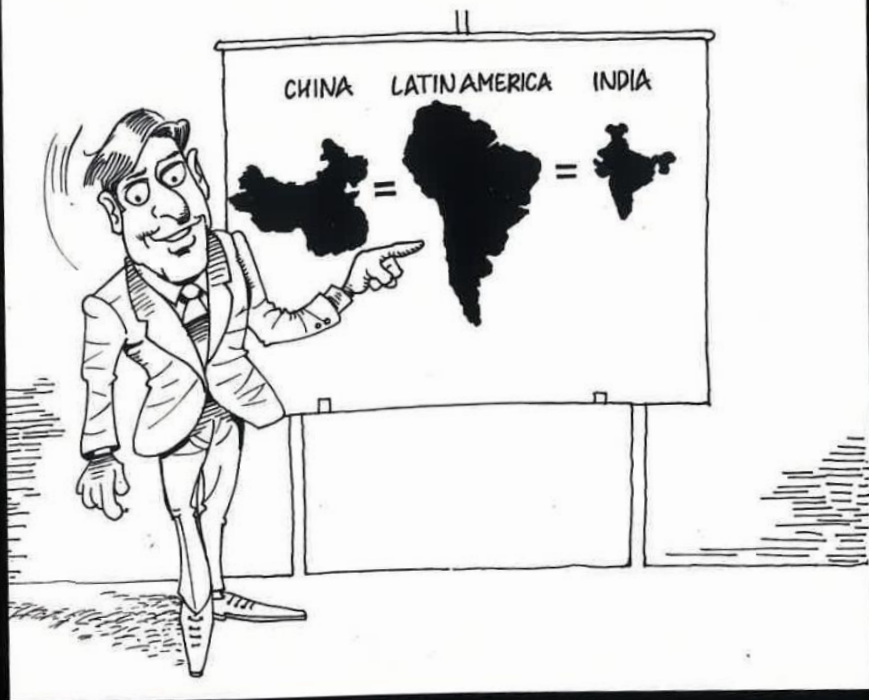
SURVIVAL TIP #2

Don't undermine India's service expertise.

They know a thing or two about keeping customers happy.



PERCEPTION



REALITY

Standardized strategies, western business models and foreign management are about as effective in India, as bikinis are in Iceland.

The Indian marketplace has specific and unique characteristics, for which a one-size-fits-all strategy rarely works. Infrastructural barriers, bureaucracy and local expertise are issues that continue to challenge marketers. Starting from the CEO, down to the supply-chain mechanism, everything needs to be re-engineered to Indian specifics.

Rural Marketing Nightmare

Instead of supermarkets, most sales in rural India happen in periodic, shifting markets and fairs called haats and melas, spread across India.

Haat Statistics

Avg. sale/day: \$ 4900,
No. of outlets/haat: 300+,
Visitors/haat: 4500+,
Villages covered: 20 - 50



Bureaucracy And Red Tape

The Supreme Court has a backlog of over 33,000 lawsuits and 29 million similarly for various subordinate courts.

India's infrastructural requirements are estimated to be in excess of \$150 billion. That should put things in perspective!



Citibank & GSK - the smartest decision they ever made - **hired an Indian CEO.**



Clever marketers - Castrol and Unilever use deep third-party distribution networks that reach second-tier cities and villages, since organised distribution reaches less than 2% of the consumer base.

Adapting Supply Chains

Hyundai buys 90% of its components from cheaper Indian suppliers, rather than importing, versus other global auto makers, who source only about 60-70% locally.

What Media Plan?

National TV reaches only 52% of the population and newspapers fare even worse at 33%.



Bananas Logical

At 0.1 cent/kg, the junk-value of a newspaper in India is more than the margin that the vendor makes per copy. Where's the selling incentive?

Unreachable Consumer

Only 55% households with electricity and 9% with telephones, plus poor road connectivity and minuscule Internet penetration.



SLAP ON THE GLOBAL STRATEGY TEMPLATE AND HALF THE JOB IS DONE.



citibank



Three cheers to Castrol, Citibank, GSK and Unilever - these multinationals have over time become more Indian than some local manufacturers even.

MARKETING KUDOS



This time local manufacturer, Arvind Mills, wins hands down. In order to make denim available to the rural youth, Ruf & Tuf Jeans introduced the ready-to-stitch jeans kit priced at an affordable \$4, against the organized sector price of \$7. The company took the jeans to towns with populations as low as 5000, trained village tailors and equipped them with special sewing machine accessories. Demand crossed one million pieces in the first two months alone.

SURVIVAL TIP #3

**Be prepared
to use innovative,
guerilla tactics.**



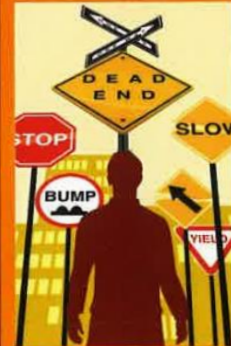
PERCEPTION



REALITY

If you're lucky, your kids might see the greenbacks.

Marketers, often blinded by the sheer size of the market, set rather optimistic and unrealistic short-term goals. Given the transitional stage of the economy, there continues to exist complicated procedures, infrastructural limitations and unclear policymaking. Marketeers need to be flexible and patient in the initial phase of entry. Allow a liberal margin for delay. A McKinsey report claims that thirteen corrective policy measures taken by the Indian Government, alone will lead to a 10% growth in the country's economy.



Jinxed Multinationals
These brands have seen some rough weather in India - Coca Cola, Ford, Lufthansa, KFC and Kellogg's - some floundering, others outright defeated.

Network Problems

For the last three years, Star Network struggles with their Direct-to-Home (DTH) television service. Government approval, lobbying issues from the Cable Operators Association of India, FDI limitations and regulatory complications. Oh, and by the way, the product has not even been launched yet.



Mercedes Underutilised

Between 1995 - when Mercedes Benz launched in India with the E-Class Sedan - and 1998, only 10% of the Mercedes plant's production capacity was being utilized.

Bankers Clever

More condoms are used by weavers as thimbles to embroider intricate designs than for the actual purpose of it.

Black Economy Woes,

estimated to be nearly 40% of the national income, is the biggest cause of failure of economic policy.



Durables Still Struggling

Almost 15 years into the market, consumer electronics companies are still facing tariff, taxes and regulatory problems, crippling them in the global market.

Extinction Laws!

Recently a law against the use of plastic in packaging was unexpectedly passed. Overnight, an entire industry was under threat of shutdown.

WE SHOULD BREAK EVEN IN THE 4TH QUARTER, AND THAT'S A PESSIMISTIC ESTIMATION.

EDIT PAGE

Big Bite

American fast food chain McDonald's has been in India for the past eight years. Yet, the chain's presence in India is minuscule compared to its operations worldwide. Vikram Bakshi, MD, McDonald's North India, speaks to Rama Bhushan about Big Mac's India project:

Despite being in India for eight years now, McDonald's presence is restricted to the north and west India. What is keeping you from spreading across the country?

legally DUMB

Big 500 worth OII
The 500 largest companies in India have spent over Rs 100 crore on legal fees in the last year, according to a survey by the legal firm, Khaitan & Co. The survey also revealed that the legal fees paid by these companies are expected to rise to Rs 150 crore in the next year. The survey also found that the legal fees paid by these companies are expected to rise to Rs 150 crore in the next year.

Indians pay over Rs 21,000 cr as bribe every year: survey

THE NUMBER
The survey also found that the legal fees paid by these companies are expected to rise to Rs 150 crore in the next year. The survey also found that the legal fees paid by these companies are expected to rise to Rs 150 crore in the next year.



Indians pay over Rs 21,000 cr as bribe every year: survey

Roadblocks to watch out for - infrastructural issues, outdated legal system, bureaucracy and red-tape

MARKETING KUDOS



And the winner is Hutch. Ten years after the mobile telephony sector opened up in India, most of the enthusiastic multinationals who had thronged the market have left, unable to cope with the constantly changing regulations. Hutchison Whampoa, however stood its ground and today is one of the top three telecom companies in the country.

SURVIVAL TIP #4

Come prepared for a fairly long gestation period. It helps to have a hobby.



PERCEPTION



THE LAST SHREWD INDIAN BUSINESSMAN
JUST MIGRATED TO SOUTHWALL TO INHERIT A CURRY EMPIRE.

REALITY

It's a jungle out there.

Under the protection of a closed economy, Indian enterprise is often discredited as being regressive, complacent and lacking the competitive streak. Don't be fooled by the complacent façade of a 100-yr-old family-run Indian business house. It's a diversion tactic.

In reality, Indian entrepreneurial spirit is ambitious, aggressive and persistent. With local know-how, cost-effective supply chains, unbeatable distribution, and insightful product innovation, expect cut-throat competition and stubborn resistance.

World's Largest Brands Are Indian

Parle-G biscuits, Lifebuoy soap, Nirma detergent, Baggpiper whiskey and Titan watches



Ingenious Businessmen

Take Ashish Patel for instance. He goes under the pseudonym CD-bazaar, sells VCD's that offer to teach your wife/ girlfriend techniques of draping a saree. The VCD contains 18 styles, including hep, Khajuraho and in-rage. If only you'd thought of it earlier!

Indian Companies on Poaching Spree

Recently, the CEO of Coke India, Sanjiv Gupta, quit to join Indian retailer Pantaloons after rejecting a plump offer from Walmart. Others follow suit, as top-executives dump multinationals.

THE TOP FIVE LIST

Rank	Nov-03	Net worth (\$ in billion)	
		Nov 03*	Aug 03*
1	Mukesh & Anil Ambani	6.7	5.4
2	Azim Premji	6.3	4.2
3	Sunil Mittal	1.6	1.1
4	Shiv Nadar	1.4	0.9
5	Malvinder & Shivender Singh	1.3	1.1

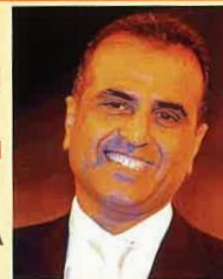
From Rags to Riches

Sunil Bharti Mittal, owner of Bharti Telecom, the largest telecom company in Asia. Son of a bicycle dealer, he single-handedly created a \$1.6 bn empire in less than a decade. Others like him include brothers Mukesh and Anil Ambani (Reliance India Ltd) and Narayan Murthi (Infosys), all leaders in their respective fields.

SUNIL MITTAL

BAGS E&Y ENTREPRENEUR OF THE YEAR AWARD

THE TIMES OF INDIA
2 November 2004



Indians Get The Larger Chunk in categories like pharma (85%), washing machines (51%) and breakfast cereals (52%) over multinationals.



asianpaints

RANBAXY
LABORATORIES LIMITED

Tata Group, ONGC, Aditya Birla Group, United Breweries, Asian Paints & Ranbaxy Laboratories - having conquered the Indian market, these local companies have taken on international challenges.

MARKETING KUDOS



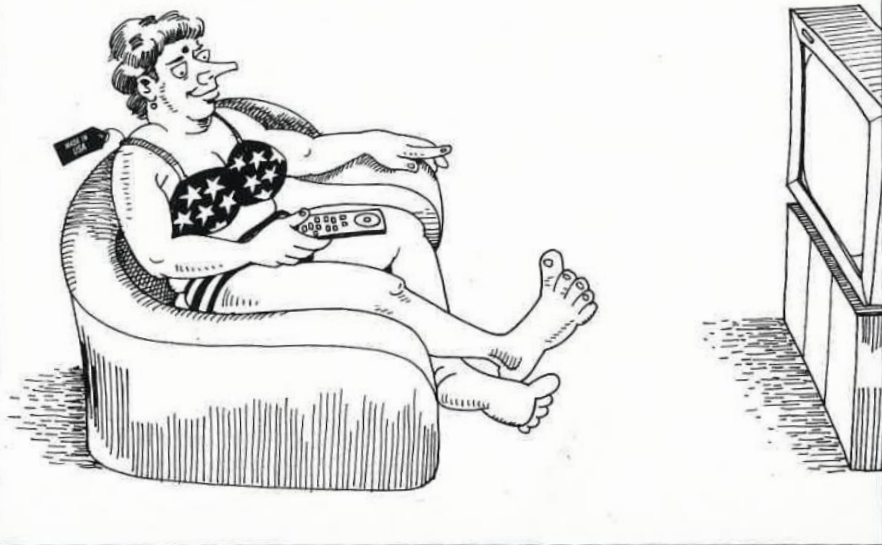
Local manufacturer, United Breweries (UB) and CEO Vijay Mallya - 'The King Of Good Times', continue to rule the spirits and beer market. International labels like Fosters and Teachers, despite their financial might and superior global marketing experience, have been unable to challenge UB. The company owns the top-selling brands in beer and spirits, Kingfisher and Bagpiper, respectively. UB commands 50% and 70% volume share of the beer and spirits markets as of 2003.

SURVIVAL TIP #5

**Not for the faint-hearted.
It's the survival of the fittest.**



PERCEPTION



REALITY

Not unless you speak to me in my language.

Gone are the days when Indians would eagerly await for their NRI relatives to bring them imported gifts. Indians today are proud to be Indian. Pride of origin and years of habit strongly characterize consumption in India. It is unwise to attempt to alienate them from their culture. Alternately, manipulating a product offering into the existing habit can be surprisingly rewarding. Also within the subcontinent, powerful and distinctly different ethnicities exist that influence consumption. And so a sandalwood soap does particularly well down South (where it has auspicious connotations), but is practically non-existent up North.



Indo-American Cravings: McDonald's & Domino's serve up localized toppings such as 'McAloo Tikki Burger,' 'Chettinad Chicken' and 'Peppy Paneer'.

-VJs-		SHOWS	
	VJ Ramona water baby swims down the Nile on MTV world waterquest		MTV KYA BAAT HAI New interactive show on MTV which lets you choose an issue that matter to you
	VJ Sphit sits up close with Bollywood stars on MTV Big Picture		PYAAR VYAAR A Khabro-mocha story about 4 friends living in Goa
	VJ Cyrus Sahukar Gen Z talk you stay on Cy with U		MTV Brandnew is just about everything is fresh on MTV Brand New

MTV Goes Desi
With Indian VJ's and shows like Pyaar Vyaar (meaning Love And Stuff).

WHAZZAT?
Black is the least selling colour-variant in durables because it is inauspicious for Indians.



Did You Know?
Only in India, Samsung washing machines have back-up memory (power cuts, remember?) and a special rinse cycle to detangle 5-yard-long Indian saris.



Powerful Religious Barriers
Beef and pork usage in F&B business, use of contraceptives and sanitary protection, fresh food, etc.



Festive Season, Marketers Delight
Online sales alone record \$250 million during the festive seasons of Diwali and Ramzan this year.

Strong Cultural Identities
28 states, 21 official languages and 1652 mother tongues, 10 practicing faiths, 7 major regional festivals.



Crazy-sensible
The bulk of your media budget should be saved for cricket matches. That's when the entire nation is glued to the tele.



Clockwise (l to r): Otherwise an amiable lot, Indians can draw blood over a cricket match; Indian models proudly strut traditional motifs at international fashion shows; Captain Rahul Dravid – the apple of India's eye.

MARKETING KUDOS



When MTV was launched in India, they simply imported their original American content to the subcontinent - rock, rap and pop music. The company was forced to change their policies, when the consumer refused to respond to some blonde VJ dishing out local American tracks in her heavily accented English. MTV's content today is predominantly Indian bhangra and pop, while the International programming airs only for a few hours at night. Business is good.

SURVIVAL TIP #6

**Localize, localize,
localize.**
(A crash course in Hindi, Marathi
and Tamil comes handy.)



PERCEPTION



LUXURY CONSUMPTION? WHAT? WE'RE TALKING ABOUT INDIA HERE, NOT ITALY.

REALITY

The rich in India just got richer.

Fact is, the world media loves painting a pathetic and devastated picture of India. India is as impoverished as Americans are anorexic. Don't believe me? Fine, let the numbers do the talking. The HNI (high networth individuals) population in India is the fastest growing in the world and it is estimated that there are 53,000 households with an annual income of over \$230,000. The crème-de-la-crème here are living it up!

India's Page Three Culture

Socializing in India is a fulltime job. The 'Page Three Pack' is a tight group of India's Who's Who, where media appearances, party expenses and condo sizes are constantly compared.



The Indian market for luxury products like haute-couture apparel, perfume and luxury cars is estimated at 1.2 million households.



30 new luxury cars coming to India.



Extravagant Indulgences

Pet salons, body treatments, speedboats, personal trainers, horse races, farmhouses, house maids and butlers, branded schools for the kids.

The Billionaire Club

Business Standard Publication



India's most fascinating billionaires

Fast Fact
India's Billionaire Club has 125 members, collectively worth a staggering \$ 26,878 million



Luxury Brands Flood India

Louis Vuitton, Cartier, Mercedes Benz, Piaget, Frank Provost, you name it.



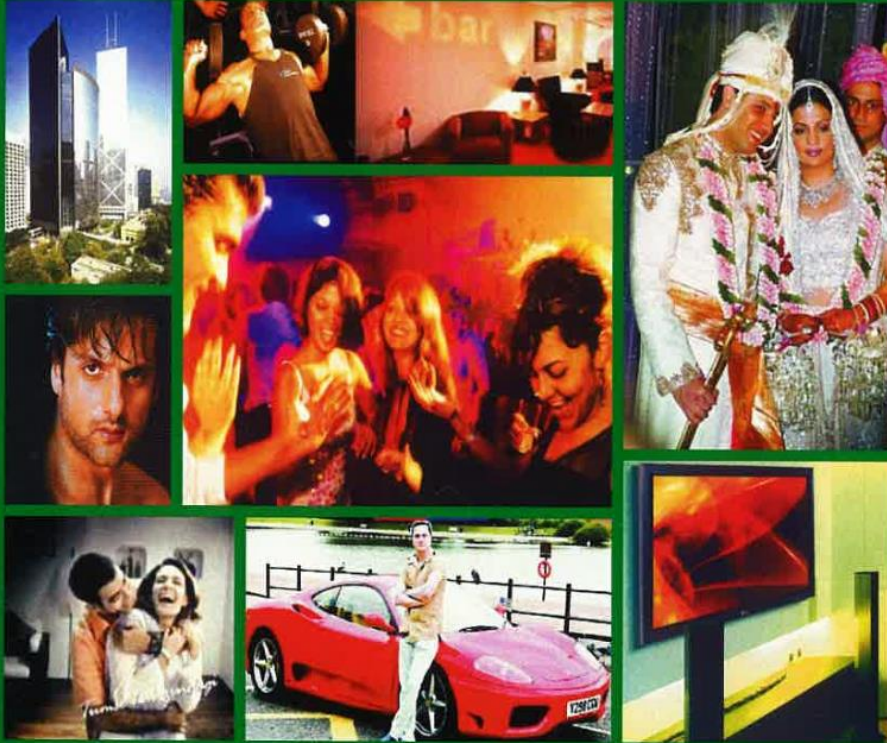
Spoilt Rotten

Sweetmeats or 'mithai' consumed on weddings and special occasions are coated with pure 24-carat sheets of gold foil.



Super Weddings

A recent super-rich wedding costs were a dizzying \$220,000 - 10,500 guests, 27 flight and 500 car pick ups and invitation cards embedded with special security chips.



Lifestyles of the Indian Über-rich: fairytale weddings, lavish homes, fast cars and never-ending parties.

MARKETING KUDOS



Louis Vuitton has had overwhelming success in India since it launched in 2003. LV sold about 200 of its multi-colour monogram bags introduced in the summer within the first three months itself. The company claims that about 87% of its sales come not from NRIs or foreign tourists, but from Indians (average price of a LV bag is about \$1500).

SURVIVAL TIP #7

The Indians are capable of some serious shopping.

So bring on the good stuff !



PERCEPTION



METROS IS WHERE THE MONEY IS.

REALITY

Small towns and rural India is where the Gold Rush is.

Often, marketers assume that India begins and ends with the top six metro cities. While metros remain a high consumption potential, it is the so-called small towns (or rural if you will) where all the action has shifted to. As the urban phenomenon in India decentralizes, one finds that work, wealth and consumption potential are moving from the conventional metro cities to smaller towns and suburban sprawls. Did you know that 50% of all FMCG's and consumer durables are sold in rural India? So much so that more than half of FMCG giant Hindustan Lever's sales of \$2.6 billion comes from the rural market.

Urban Trickledown
Urbanization is spreading outward at the rate of 1-2% as shopping malls, deluxe residential complexes and business districts move from metros to erstwhile boondocks.



Savvy Hinterland
Farmers are using cellphones, credit cards and ATM's and trading online, women are riding mopeds and visiting beauty parlours. And there's a McDonald's just about everywhere.

Small Towners Play Catch-up With The Townies

India's cricket team stars Zaheer Khan and Mohammed Kaif, star stock brokers at the BSE Motilal Oswal and Ramdev Agarwal, sugarcane barons Shakti Group, Miss Universe' Priyanka Chopra and Tanushree Dutta.

Nokia 1100 A phone, made for India.

Nokia 1100 is a robust, reliable, easy-to-use and comprehensive phone suitable for use in rural areas. It features a large keypad, a numeric keypad, and a large screen. It also has a built-in flashlight, anti-slip grip, dust-resistant display, and SMS speed dialing.

THE LEAP YEAR

'B' CITIES And The BIG BUCKS

Mumbai's MGR may be dead, but the city is still the hub of the nation. The nation is being reeled in by the MGR's successor, the MGR's successor, the MGR's successor.

Satellite towns are growing faster than the metros, e.g. Surat overtakes Mumbai, neighbour Faridabad beat Delhi.



B-town Millionaires
Households in tier two cities like Ludhiana, Ahmedabad and Pune have registered a growth of over 800% in overtaking Bombay and Delhi, which at app. 350% have shown relatively modest growth.



Clockwise (l to r): In small towns, you will find intricately painted trucks - the driver's pride and joy; Branded international labels reach small towns even; Nothing comes between Indians and their favourite deity - Lord Ganesha; Bollywood is where the nation pins its dreams; Mall mania trickled down to three - tier towns also.

MARKETING KUDOS



Once again it's Nokia. While also operating in the top end with snazzy handsets, Nokia has introduced a customized version of the 1100 model mobile phone (picture on previous page), especially for villagers and labourers. The new version is equipped with features such as a dust-resistant keypad, an anti-slip grip, and a built-in flashlight (a particular favourite among the country's hundreds of thousands of truck drivers, who use it during stops along India's poorly-lit highways).

SURVIVAL TIP #8

Miss this one, and it will definitely go down in the Marketing Hall of Fame.

(in the Blunders of the Century category, of course!)



PERCEPTION



THE CREAM IS AT THE TOP.

REALITY

It's the little guys who have the big money.

With higher disposable income and ease of media reach, the top end of the socio-economic strata may seem like the obvious choice. That may be shortsighted. In India, companies must reach into the middle or low-end segments or they may end up as niche, high-end players with insignificant revenues and profits. 80% of Indian demand for any industry's products is in the middle or lower segments today.



Millionaire Street Vendors

Name: Muchhad Premshankar Tiwari
Occupation: Owner of (4 X 4 feet corner cigarette stall)
Owns: Two houses, two german shepherd dogs, one website and 'many cars' - A small fortune made by selling Paans (mouth freshener made of betelnut) on the streets of Mumbai.

Reducing Cost-of-Entry For Masses
Sachets, product trials and demos, credit, community ownership.



Mass Muscle

The middle class is credited with the exponential growth in mobile telephony (from 300,000 to over 55 million subscribers in 10 years alone) and similarly for passenger cars.



Marketers Paradise

The burgeoning middle class is 300 mn strong with a 20% growth in disposable income. Do the math.



Quirky-wise Fact

Bottled packaging doubles up as storage containers in Indian kitchens. Extra brownie points for the marketer with the best bottles.

Affordable Luxury

In response to the potential of the growing middle class, five new airlines were launched in 2005 with a low-cost USP. Similarly Motorola, Siemens and Nokia announced low-cost handsets (for under \$22).





Meet Ashok Satnam, street vendor of *vada pav* (the Indian burger). Ashok's father started by selling 150 *vada pavs* a day at a mere 0.01 cent/pc. Today Ashok's business is growing at a healthy 10%, selling almost 2000 pieces at 0.1cent/pc. He operates from a dilapidated stall outside a railway station in downtown Mumbai. Earns \$7000 a month, has 3 flats in the suburbs, owns a Hyundai Accent and has enrolled his children in an english-medium school. He himself has not studied however, and was raised in a suburban 100 sq. ft. space with seven other siblings. He wants to give his family all the material comforts that he never got. He is your consumer.

MARKETING KUDOS



Definitely Hyundai. For how it gave Maruti - the ubiquitous and popular Indian carmaker - a run for the money. Against all odds, that too (research actually indicated that Indian consumers ranked Korea the lowest, even below Malaysia, for its automaking prowess). Their attack strategy was very clear - target the masses with best in class products, customization and VFM.

Hyundai Motors launched with a full range of cars, from a small hatchback to a luxury sedan. The models were identical to the ones sold in Seoul showrooms (unlike other foreign automakers who were selling recycled models). The cars were a huge success with the choice-starved and waiting-to-upgrade Indian middle class. With a focused mass strategy, Hyundai had tickled the belly of the market. Today, Hyundai is India's second largest automaker. In 2004 the company sold app. 150,000 cars; a jump of 40% over the previous year. Rival automakers, Ford, Honda and GM sold approximately 30,000 cars each, in the same period.

SURVIVAL TIP #9

Masses is the way to go.



PERCEPTION



IT'S EASY TO PULL THE WOOL OVER A BUNCH OF NATIVES.

REALITY

The average Indian housewife is frankly, smarter than you.

Firstly, she is far more evolved and exposed as a consumer than you think. Secondly, Indians, by nature, are inertly value-conscious. The market here operates on a tricky value-quality equation; value does not generally sell at the cost of quality. Cheapest is best, is an erroneous assumption. Even in the lower segments, Indians will shell out top note for superior functionality. That aside, freebies and discounts will continue to cause a stampede. Tall order? There's more. Price and quality is a given. The ultimate WOW factor for any Indian is the applicability and relevance of your product to his specific (and sometimes bizaare!) need-state. Hand-me-downs don't work here. We call it Quirky Innovation. Figure out a way to marry Western technological and functional superiority with insightful Indian innovation, and VOILA!

A Nation of Deal Hunters
If there's a cheaper thing out there, trust Indians to find it. Popular retailer Just Brands sells a \$56 GAP shirt for \$16, free overseas phone services like Skype and Google Talk are red-hot, Spice Jet is flying high with its \$22 fare and mobile phone tariffs are the lowest in the world.



'Hard To Please' Indians
Car and durable manufacturers will tell you that their average model lifecycles have dropped from 10-12 years to 6-8 years.

Bananas-logical

Some products like dishwashers will never take off in India. Why on earth will a housewife replace her thorough and cheap maid for a gadget - that doesn't even do a half-perfect job?



Toothpaste is widely used to polish silver and washing machines to churn buttermilk in northern India. Explain that!

Smart Shoppers

Indians are more likely to check product labels than any other people. So don't think you can palm off a shoddy product that doesn't sell anywhere else (Ask Mercedes Benz).

Hot Deals

- **Air Sahara**
Delhi-Ahmedabad@Rs.2192
Hyderabad-Chennai@Rs.2322
- **Indian Airlines**
Mumbai-Goa@Rs.1607
Mum-S'jah-Mum@Rs.6000



This is Mrs. Anita Kulkarni (43 years). Mrs. Kulkarni is the typical Indian housewife. She will meticulously draw up a monthly grocery list, car pool with neighbours to the closest discount store - Big Bazaar and check every label and promotion offer for the best price and quality. At her home you will find a regular TV, a refrigerator and a base level family car. This new consumer group is growing at 10% and is expected to touch 65 million households by 2010.

MARKETING KUDOS

We have a draw here.



LG, for its success with pitching a premium 21-inch flat TV to the value-conscious middle segment, and that too at a 10% hike of the price of a TV with conventional screens.

And Lifebuoy, Unilever's biggest soap brand in India. When sales declined by 10% a month for 18 months in a row through early 2000, Unilever immediately revamped the product and positioning, and raised its price by 20%. The result: 15% annual growth.

SURVIVAL TIP #10

**VFM + superior quality
+ insightful innovation
+ freebies**
(Don't say we didn't warn you!)



REFERENCES

- Businessworld: The Marketing Whitebook 2005
- The Times of India, New Year Special 01/01/2006 - 'Millionaires on the Street', 'The city is dying, long live the burbs', 'B cities and the bog bucks', 'Boom time in Fursatganj', 'Backstreet boys break in', 'Kissing off the MNC's', 'Opportunities unlimited', 'Justice Delayed', 'Big opportunities for the New Year', 'As good as it gets', 'The New Taste of India', 'Smells like teen spirit'
- Businessweek, May 2005
- ACNielsen India 2005 Report
- ACNielsen Retail & Shopper Trends 2004
- Citigroup Global Markets Report on China and India, January 2004
- 'A changing India,' rediff.com, 21/02/2004
- RBI's Annual Report 2004-05
- Branding Brides and Grooms Study
- 'India 'story' a big hit, but problems linger,' Economic Times, 30/12/2005
- Sector by Sector, McKinsey Quarterly 2004 Report
- India, from emerging to surging, McKinsey Quarterly 2004 Report
- Winning the Indian consumer, McKinsey Quarterly Report
- Euromonitor, Alcoholic Drinks in India 2004 Report
- Business Standard 'The Billionaire Club' - December 2005
- 'The depth of opulence,' The Tribune, 02/06/2002
- 'Creamy Players,' Businessline, 18/12/2003
- 'The marketing of luxury brands,' Businessline, 03/03/2004
- Brand Failures by Matt Haig
- Bookless in Baghdad by Shashi Tharoor
- Fortune at the Bottom of the Pyramid by C K Prahlad



THE MARKETER'S CUT-AND-KEEP GUIDE TO SURVIVING INDIA.

- Think young and fresh.
- Don't underestimate their service expertise.
- *Always carry toilet paper with you.*
- One size does NOT fit all.
- Gestation period is longer than in most markets.
- *Indian women are very, very beautiful. So leave your wife back home.*
- Indian companies will fight you to the last point percent market share. So come prepared.
- *Men holding hands in India, is a perfectly heterosexual habit. (So if a handshake lingers, don't get nervous.)*
- Hand-me-downs don't sell in India. You need to localize.
- Indians are a hedonistic lot. Bring on the beluga!
- *Never, never argue with an Indian over cricket or Bollywood.*
- Don't forget to make a detour to the small-towns (you might miss them on the map).
- Start at the bottom of the pyramid. That's where the moolah is.
- The Indian housewife is not a fool. If she can straighten out her mother-in-law, you are child's play.
- *When all of the above fail, drop on you knees and repeat 'Hari Om, Hari Om, Hari Om!'*



Not everything is as it appears to be.

-Swami Anadabhavo

K Subramanian & Radhika Palany

Acknowledgments: Preet Bedi, Ram Sehgal, Saurabh Karandikar,
Sanket Wadvalkar, Marion Rego