

# Succeeding in India

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**Abstract:** India is a highly complex, competitive, and at the same time immensely attractive market. But there is a substantial difference between products that sell in the developed world and products that will excite customers in India. Based on actual experiences of Indian and foreign businesses on the subcontinent, we have identified five commandments that, when followed, differentiate successful firms from failed initiatives.

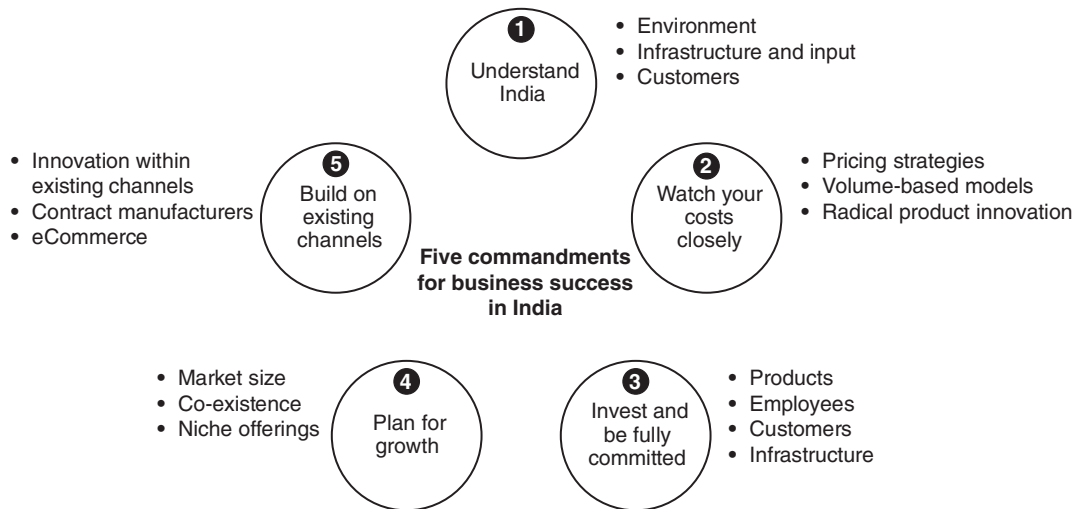
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## INTRODUCTION

The demographics of many Western countries look scary to businesses with a growth agenda. The population is ageing: the median age is 37.9 years in the US, 40.5 years in the UK, and 46.8 years in Germany. Birth rates (US 12.5, UK 12.1, Germany 8.5/1,000) and fertility rates (US 1.87, UK 1.89, Germany 1.44) are low. Contrast this with a young and growing country like India: median age 27.6 years, birth rate 19.3/1,000, and fertility rate 2.45 (CIA 2016). The reality is that the future for many companies with a growth agenda lies far from home. Emerging markets are increasingly driving demand. During the 1980s, emerging and developing economies only accounted for around 36 percent of global GDP (measured in PPP terms) and some 43 percent of global GDP growth (with PPP weights). For the time period 2010–2015, the numbers are up to 56 and 79 percent, respectively (Obstfeld 2016). But addressing the needs in emerging markets like India requires forgetting: “You must let go of what you’ve learned, what you’ve seen, and what has brought you your greatest successes. [. . .] In fact, it’s best to assume that you’ve just landed on Mars” (Govindarajan and Trimble 2012, 14).

Based on actual experiences of businesses that have been successful in the complex and competitive but attractive Indian market, we have formulated five

**Figure 1: Graphical Abstract**



commandments that, when followed, differentiate the successful firms (see Figure 1):

1. Understand India! A relentless focus on understanding the market covering the consumers, the available inputs, and the infrastructure.
2. Watch your costs closely! A ruthless cost focus to win with the extremely value-conscious customers.
3. Invest and be fully committed! The continuous need for investments in educating customers and employees, and in product and infrastructure.
4. Plan for growth! Fine-tuning segmentation to start with niche, and maybe even luxury, segments to experiment, learn, and then grow.
5. Build on existing channels! Leveraging the multiple channels to reach the customers.

**COMMANDMENT #1: UNDERSTAND INDIA**

The first rule for success in India is to “let go of what you’ve learned” (Govindarajan and Trimble 2012, 14) in business school and what has brought you your success in your corporate career in the rich countries of the West . To address the needs of your customers in India and to achieve business success, you need to start learning anew. And because “you’ve just landed on Mars,”

[ditto] this means to start with making careful first steps to understand your environment, the infrastructure with its available inputs, and your potential customers.

**Understanding the Environment**

India is an incredibly big and diverse country with many geographies, religions, climates, languages, and traditions. Being the seventh largest country in the world, India’s land mass is about one-third of the US, half the size of Australia, and roughly comparable with Western Europe. The country is made up of 29 federal states and 7 union territories. Of its 1.266 billion people, 79.8 percent are Hindus, 14.2 percent Muslims, 2.3 percent Christians, 1.7 percent Sikh, and 2 percent belong to other religions (CIA 2016). The tropical climate, with high temperatures and humidity, turn much of India into a steam pot. However, because of the different topography ranging from the Himalayas in the north; deserts in the northwest; tea gardens in the northeast; high plains, coconut groves, and rice fields further down south, regional climates can be very different. Besides 15 officially recognized languages with a wide variety of scripts, there are an additional 1,600 mother tongues and dialects. Hindi is the most

widely spoken language, primary tongue of 41 percent of Indians, and it is often used as the common man's link language. English is the primary language of only 230,000 Indians, but spoken by 86 million people in India as second, and another 39 million as third language. English continues to enjoy the status of a subsidiary official language, and is the de facto link language of the Indian elite (Katju 2012; Messner 2009, 115).

The family is traditionally the basic unit of Indian society (Brodbeck, Chhokar and House 2007, 1032), and it continues to be so today in urban as well as rural environment. The Indian family is the anchor point of the entire life (Messner 2009, 54). Family loyalty is a highly regarded ideal; being a safety net in case of illness or unemployment, networking, and above all creating synergy within the boundaries of the extended family are the tangible outcomes for individuals in their private and business life.

The role of women in society and business depends largely on the social class they hail from. In the lower and lower-middle classes, women generally take care of the household chores and upbringing of the

children. In the upper-middle and upper classes, many women have professional jobs. Grandparents often live within the same household. Supported by maid servants, they take over the upbringing of the children.

India is growing on a variety of levels and this has led to the expansion of India's middle class and brought new demand for entertainment and other nonessentials throughout India's markets. Trends toward Westernization have been mixed with local influences and traditions that ultimately result in a highly complex market setting (ProQuest 2016a). Understanding India is surely not an easy task, but if a firm plans to be successful in India, this process of unlearning and learning is the 101 to start with. Case 1 narrates the story of RuralShores, a nonmainstream business process outsourcing company in the rural areas of India. RuralShores recruits its employees among the rural youths, puts them through a training program to get them ready for the job, and then engages with the socioeconomic environment of its employees to ensure job stability. As it operates in a competitive environment, RuralShores has to ensure client satisfaction through superior value delivery.

### **Case 1: RuralShores Ensures Superior Client Satisfaction**

RuralShores was established in 2008 to create employment opportunities for the rural youth through business process outsourcing (BPO) centers located in the rural districts. Although incorporated as a private company, the promoters have retained the character of a social enterprise. The company's operations at 18 centers are spread across 10 states in India and about 50 percent of their 4,000 employees are women who are traditionally disadvantaged in rural areas. They serve over 40 domestic as well as international clients from a variety of services ranging from telecom, banking, insurance to logistics and retailing.

The promoters have defined its mission as "a countryside, nationwide social initiative focusing on providing Employability Solutions and Employment Opportunities for rural youth". They work toward their mission through a four-pronged approach focusing on the following:

- (a) Enskill—Recruiting rural youth and training them with basic computing skills, office etiquette, communication skills, and BPO process skills over six months before hiring them. A foundation training focusing on computer skills, soft skills, and

communication skills is followed by another three months of process training to equip the recruits to work on specific processes, e.g., data processing, voice support, or insurance claims processing being offered by the center. As it is difficult to find industry-ready and employable candidates in rural areas as compared to urban areas, the company spends the first few months to train all recruits.

- (b) **Employ**—Trained recruits are hired as employees and get an opportunity to work near their rural homes instead of migrating to a city for employment.
- (c) **Empower**—The company empowers the rural youth, especially the girls, by employing them and offering the families an opportunity to improve their financial status. This is especially impactful as most rural families engaged in farming face seasonal uncertainties related to income.
- (d) **Engage**—The sociocultural sensitivities change, so local know-how is very critical and it is a big challenge. Local center partners help the management bridge the gap in their local knowledge and engage with the local ecosystem. They hold meetings with the elders in the local community to understand their concerns and share RuralShores experiences with running centers in other rural areas. Their team would meet parents of female recruits to explain their work environment.

Source: RuralShores (n.d.).

### **Understanding Infrastructure and Input**

Another aspect of India that requires understanding is the country's infrastructure and input markets. In the metropolitan areas, roads are generally well maintained but clogged with heavy traffic jams. In the more rural parts, roads are often in a mess; the monsoon rain time and again washes away the substandard asphalt. While motorized transportation has become the norm even in rural areas, bullock-drawn carts continue to coexist. In urban cities, motor scooters, motorbikes, and rickshaws are abundant; owning an entry-level small car is the aspiration of the rapidly growing middle class.

Despite a lot of modernization, the address system is still quite archaic. For example, some addresses—even in the metropolitan areas—include phrases such as “diagonally opposite the bank” or “above the restaurant.” This lack of structure and standardization makes it particularly difficult for e-commerce providers to deliver packages. The delivery person often has no choice but to call the addressee and ask for directions.

India's power grid is unreliable and underdeveloped. According to the World Bank, the average firm in India experiences a major power outage almost every other day (World Bank; Enterprise Surveys 2014). Shorter outages and voltage fluctuations occur even more frequently. This requires additional investment in the form of backup systems and process innovation in order to maintain operations despite these interruptions.

### **Understanding the Customers**

Income disparity across the social pyramid leads to the development of different, yet closely related and interlinked, markets. Understanding these different markets is imperative for successful market penetration. At a macro level, the rule of thumb is to understand that India is not one, but two distinct markets. The classic Bottom-of-the-pyramid (BOP) concept does not apply to India as a whole. In fact, it is more accurate to give each of these markets their own distinct pyramids with their own unique stratification characterized by diversity

in lifestyles, customer needs, and income levels (Bijoor 2012).

The first market is *Real India*, also called *Bharat* in Hindi. Bharat covers more than 70 percent of the country's total population, and is characterized by the large number of rural villages that are scattered throughout the subcontinent. Within this market, there is a pyramid with distinct levels for upper, middle, and lower class consumers that are in fact larger in population at every layer than their counterparts in the second market. The second market and pyramid is *Virtual India*, or the India found in the megacities, such as Mumbai, Kolkata, the New Delhi capital region, Chennai, Bengaluru, Hyderabad, and upcoming tier-2 cities, such as Mysuru, Bhubaneswara, Pune, and Kochi. Virtual India is characterized by rapid acceptance of modern retail, e-commerce, and modernization of all varieties. Virtual India also has distinct levels for consumers within its market, which are inherently different from those found in Real India. These levels include highly affluent consumers with thousands of high-end international brands readily available to them, less wealthy consumers who are just about making ends meet, and people suffering a marginalized life in the many slums and slum-like quarters. Customers in Virtual India are experiencing a retail revolution with large shopping malls being constructed in every corner of their city. These new malls coexist with the numerous owner-run mom-and-pop stores that sell a variety of goods for daily use.

Interestingly, niche/luxury markets and mass markets coexist in both Real and Virtual India, but the inherent differences of the markets themselves require differentiated entry and market strategies. Colonial marketing simply does not work in India. Something that works abroad has little chance of working in India's distinct landscape, and if one go-to market strategy works in Virtual India, it most likely will not work in Real India given consumers' different needs, aspirations, habits, and spending power. If a company wishes to successfully enter India, it must first gain in-depth knowledge of the two India's, and be able to articulate the differences between these markets and their home market. Then the innovation for India really starts. It's easy to water down a Western product from 100 to 90 to 80 to 70 percent performance and 70 percent price point. However, this product will still not be affordable for most of India, and it won't excite anyone. The key is to design a totally new product with 50 percent functionality at 10 percent of the price. To get onto this price-performance curve, companies have to reimagine their products and start anew from the very beginning.

Case 2 highlights how Gillette took a customer-centric approach to product innovation, and came out with an entirely new razor specifically designed for rural India. However, if companies choose the easy path to simply transplant their products into the Indian market, they are far more likely to fail. And, indeed, Gillette did learn this the hard way.

### **Case 2: How Gillette Developed a New Razor for Real India**

In October 2010, Procter & Gamble's (P&G) Gillette brand launched a new razor to meet the demand for a quality shaving experience at the bottom of the pyramid in rural India. A few years prior P&G had tried to enter the same market with a product test on Indian students at MIT, and these students endorsed the products, in fact, they loved the new razor. It worked well for them, and remember Indians have a bit of more body hair than most white Americans. Gillette then took this product to market in India's villages, and to



their surprise, it failed miserably. The Indian villagers just hated it. Initially, P&G didn't understand why—till they figured out that the bathroom infrastructure for an Indian MIT student in the US was totally different from bathrooms in rural India. They differ in running hot water vs. cold water in buckets, indoor vs. outdoor, and shaving foam vs. simple soap usage. Determined to be successful in this underserved market, Gillette reproached this issue by going to the source of their demand. P&G researchers spent thousands of hours in the market to understand what truly differentiates their consumers' wants, needs, and desires. Using trained ethnographers, P&G gathered data through a variety of means, such as:

- In-depth interviews with rural Indian men
- Shop-alongs as men would purchase products
- Home visits in rural India to understand the shaving environment
- Observation of actual shaving habits
- Tests with new possible razors.

This data showed P&G that they had misunderstood the needs of the rural Indian consumer entirely during their first attempt at entering the market. The differences uncovered make for inherently distinctive shaving experiences that need to be incorporated in the innovations. In order to satisfy the needs of these consumers, P&G needed to innovate from the bottom up and create a product that can provide a practical yet enjoyable experience. Most companies innovating for bottom of the pyramid markets simply take away product functionality to reduce cost without keeping the customer as the main focus. P&G in this case created a customer-centric product offering that was both affordable and functional. When this new product was combined with appropriate manufacturing, distribution, and promotion tactics, the Gillette brand successfully penetrated the rural Indian market.

Sources: Anthony (2010), Brown and Anthony (2011) and Govindarajan (2012).

## COMMANDMENT #2: WATCH YOUR COSTS CLOSELY

Once firms have a solid understanding of India's markets, infrastructure, and consumers, they must go beyond the obvious differences and master more detailed aspects of Indian business. One such important key for success in India is to choose the right pricing strategy. When shopping, Indian consumers are constantly looking out for the option that provides the biggest bang for their buck (Dé 2008, 191). The colloquial Hindi expression *paisa vasool* is often used to categorize a purchase or service that is fully satisfying, both in terms of

high quality as well as great value (Bhatt 2013, 329; Silverstein et al. 2012a). *Paisa vasool* describes “the perfect mix of features and affordability” (Silverstein et al. 2012b, 250). Indian consumers are quick to discredit sellers who sell poor quality products or misrepresent value. However, when a company sells a product that is a complete package of quality and value, it can earn the highest consumer praise of *paisa vasool*. Indian children are raised from a young age to be unashamed of offering lower prices for products in negotiations, and to never offer more than what they believe a product is worth. This creates an environment

in which the price of a good greatly impacts consumer perception of the company and the good itself (Silverstein et al. 2012a). Thus, the cost of a firm's offering often plays a critical role in the success of the firm in India as a whole. This affects companies in three distinct ways. First, companies wishing to succeed in India need to create products that excite the customer by providing superior value. Second, firms need to communicate this value effectively to Indian consumers. Third, firms need to keep the price point ultralow.

And so many successful companies in India utilize volume-based business models that produce low margins in order to create quality products while simultaneously capitalizing on India's large population that often cannot afford expensive products. Companies must understand that cheap products do not necessarily equate to inferior products. The price point of a successful product designed for virtual India is probably only 10 percent of a comparable product designed for the Western market; and it should only cost 1 percent in rural India!

Successful companies in India emphasize innovation of low-cost yet high-quality products.

But instead of stripping features from products to lower costs and simply selling the result as a new low-cost market solution, companies should examine each and every product feature and compare it against perceived importance to their customers. This process aims to show companies which features matter most to consumers and how many of them they can add while remaining affordable in a given market. A feature valuation matrix is a possible tool to support this process (Gudlavalleti, Gupta and Narayanan 2013).

Radical product innovation entails the development of products through nontraditional means that typically disrupt the market or create entirely new markets. A customer-centric approach combined with cost reduction and standardization is key to success in the model. Case 3 shows how, through radical new product design, Tata Motors created the most affordable car in the world that is also better than other means of transportation.

### **Case 3: Tata Motors Creates the Most Affordable Car in the World**

Tata Motors launched the Tata Nano in March of 2009, and the world was excited to see the future of what would be the cheapest car in the world. While the overall launch of the Tata Nano did not live up to expectations due to product positioning and production issues, the Tata Nano still represents an astounding feat of product investment and innovation that is worth emulating. The Tata Nano sought to target India's two-wheeled vehicle owners by offering them a safer and aspirational alternative with an affordable price of 1 lakh (INR 100,000). At this price, consumers were skeptical of the value they would be receiving from such a car, and the design team at Tata quickly realized that they would need to put consumer desires at the forefront of the design process. Tata Motors decided to construct an entirely new two-cylinder engine from scratch for the Nano, and focused on drivability, fuel efficiency, and other customer-centric concerns. The design team even opted to place the engine in the rear of the vehicle to increase the passenger space in the car. The process of designing this engine was costly and time consuming, but their effort resulted in India's cheapest available engine that even surpassed the next alternative in terms of fuel efficiency and set the benchmark for emissions in India.

In addition to its entirely new engine, the Tata Nano was unique in the way it approached relationships with suppliers. When developing the Nano, the design team

sought suppliers that were excited by the idea of the world's cheapest car. In an effort to stimulate radical innovation, Tata simply gave the specifications of the car to suppliers and asked for entirely new components that could meet these specifications while still being affordable. These suppliers, such as the Bosch Automotive Group, met the challenge of the Nano with energy and efficiency. By reducing the sophistication of many vehicle components that did not hamper the drivability or safety of the car, the engineers at these companies were able to meet the parameters set by Tata within the cost range. Everything about the Nano from the door handles to the steering column was simple and efficient.

Regardless of the success or failure of the Nano launch, Tata Motors created a new segment of vehicle around the globe, and it would not have been able to do so without heavily investing in its product. Tata Motors understood the environment it was operating in and knew it wanted to solve the problem of affordable transportation. By utilizing radical innovation techniques, companies can capture first-mover advantages and find success in unexpected markets. This requires commitment to invest in products as well as to support them with appropriate marketing and stable production.

Sources: Cappelli et al. (2010b), Eyring (2011) and Sinha and Sen (2014).

Another interesting aspect of *paisa vasool* is that Indian consumers do not necessarily choose the cheapest product; they will pay for quality when they see quality being offered. If priced correctly, these low-income consumers will make purchases that satisfy their needs and demands, especially when no other quality alternative is available to them. These purchases could be for cheap yet good-quality necessities or affordable services that have been standardized. By

offering these low-cost quality alternatives to their customers, companies open themselves to markets of incredible size, and if the products or services offered are of high importance or are seen as aspirational to these consumers, firms can experience incredible business success. Renault, the French automobile manufacturer, proved a point with the very successful market introduction of its compact SUV, Duster, in India (see Case 4).

#### Case 4: Renault Duster—A Value-for-Money SUV for India

The French automotive company Renault first entered the Indian market through a joint venture with Mahindra & Mahindra, the Indian multinational automobile manufacturing corporation. With the Logan, a mid-sized sedan, the first joint product was introduced in 2007. However, it failed miserably. The Logan's antiquated looks coupled with a high price point just did not appeal to the Indian consumers. Eventually this also meant the end of the joint venture with Mahindra & Mahindra in 2010.

Renault desperately needed to shake off the Logan fiasco, and reinvigorate its image in India. This time it decided to take on the subcontinent alone, set up a factory in Chennai, and started rolling out the premium sedan Fluence and the premium SUV Koleos as image drivers in 2011, followed by the premium compact car Pulse in 2012. But sales of these premium cars remained at low volume, they did not provide enough *paisa vasool* to win over the Indian customer. To become successful, Renault needed a volume driver and found an untapped market segment: an international value-for-money SUV positioned between less expensive Indian-made SUVs and highly expensive international premium SUVs.



And so Renault decided on bringing the Duster, a compact SUV developed by its daughter company Dacia in Romania, into the Indian market. Reminded by the Logan's failure to capture the Indian customer base, Renault decided to truly understand the Indian automobile consumer by spending time in the market. This resulted in 41 suggested modifications to the European version in the following three areas. (1) Appearance: Indians prefer more chrome on the outside and a dual-tone interior. (2) Usage: As many Indian cars are chauffeur-driven, the backseat becomes more important: inclined seats and rear-seat air-conditioning. (3) Environment: Tougher Indian roads and substandard fuel required modifications to the suspension, door brackets, and tuning of the engine.

Renault realized that they had to bring the car to the market fast (within 12 months), on a tight budget (98 percent of the suppliers are located in India, and 60 percent close to the Renault factory in Chennai), and with no compromise on quality. When the Duster hit the market in 2012, it was an immediate success. 20,000 deliveries were made within the first six months. It came to a point that Renault had to stop its advertising campaign because it could not meet market demand. The Duster contributed to more than 80 percent of Renault's total sales in India.

And while the Duster successfully repositioned Renault's image in India, the competition did not sleep. Ford's compact SUV, the EcoSport, was introduced in August 2013, and immediately started eating into the Duster's market share. Chevrolet followed with a similarly positioned SUV, the Enjoy. Also, Renault knew that it could not sustain in India only on one popular car. Their next success story should become the Kwid, on the outside an unremarkable small car. But it was the first time a European car manufacturer launched a new car, which was not only manufactured in India but where the entire design and engineering was done out of India as well. In developing the Kwid, Renault started once more from scratch. They looked into what Indian consumers value in small cars: large interiors to accommodate large families, powerful air conditioning to beat a hot climate coupled with extreme air pollution, and some fancy add-ons like an integrated media system. And while some automotive analysts were projecting the Kwid to struggle against the established competition of Maruti Suzuki and Hyundai, the Kwid has become such a runaway success that, within 10 months of the car's launch, Renault's market share in India jumped from 1.5 (in 2015, before launch of the Kwid) to 4.5 percent (June 2016). Across the country, Renault increased its dealerships and service stations to a total of 270 by the end of 2016. And for 2018, Renault now plans to manufacture and sell the Duster in Pakistan.

Sources: Bapna (2015), Chauhan (2016), Crabtree (2015a, 2015b), Madhavan (2013), Mohapatra and Roy (2015), PTI (2016) and Rana (2016).

The standardization of aspiration is one of the most important concepts for success at the BOP. Through standardization companies are able to reduce costs and pursue volume-based business models that allow them to rely on the millions of individuals at the bottom of the economic pyramid. At the same time, by basing this standardization on

the aspirational goals of this group of people, the company is able to achieve *paisa vasool* for the offering and develop a brand image that facilitates trial and adoption from would-be consumers. Case 5 shows how My Dentist, a company offering standardized dentistry services to the BOP, was able to find success through economies of scale.

### Case 5: MyDentist Offers Standardized Dentistry Services

MyDentist is a two-year-old company with a growing presence in low-cost dental treatment throughout India. MyDentist is based out of Mumbai and Pune, two of India's mega cities that also have huge numbers of the urban poor. As of 2016, the company has plans to double its operations from 75 locations to 150 within a year. They are able to sustain such growth rates by applying efficiency principles from traditional retail businesses to dental services. MyDentist offers efficient and standardized dental services at clear rates that open the company up to an entirely new market further down the pyramid in urban India. The majority of their customers are domestic workers, day laborers, and others who call the slums their home. Ultimately, MyDentist attracts over 15,000 patients a month with its offering. They are drawn simultaneously by the aspiration to have good teeth, and reducing the pain that comes with poor dental hygiene most have practiced their whole lives. At MyDentist, these patrons are able to receive root canal treatments for only 2,500 rupees (\$40 USD) and braces that can be paid for in 14 installments of 1,500 rupees (\$24). Most would not imagine that firms in traditionally high-cost service industries like dentistry could provide services for such low rates, but by standardizing these services to minimize costs, firms can turn these traditionally high-margin services into volume-based business models that yield large economies of scale. The fascinating part of this business model is that the dentists that perform these standardized services are often better than their Western counterparts due to the sheer volume of surgeries they perform daily. The BOP in urban India has never had access to these services before, and by managing their costs effectively MyDentist has successfully penetrated a market with almost no current competition.

Sources: Khan (2017), Sengupta (2014) and Sabka Dentist (n.d.).

Case 6 provides a B-2-B perspective. Bühler, a leading player in the food processing industry, adapted its developed-market

high-end business model for improving customer service to the mid-level market segment in India.

### Case 6: Bühler Adapts and Innovates to Lead the Food Processing Industry in India

Bühler is the leading player in the rapidly growing food processing industry in India. It is positioned as the global specialist and a technology partner in the supply of plant and service for the food and grain processing industry. The company has built a global reputation by supplying machines and setting up plants for the chocolate, flour milling, and pasta industries. The company started its operations in India in 1992 in partnership with a leading engineering firm. However, it experienced limited success by focusing on the top segment of the grain processing market that could afford Bühler's expensive, high-quality equipment. When the company decided to enter the larger mid-level segment, it faced several challenges. Procuring readymade machinery from Bühler's headquarters in Uzwil, Switzerland, added to the cost in the price-sensitive mid-level market. So Bühler started manufacturing in India after transferring technology and designs from Switzerland. Branding Bühler was another challenge for making an entry into a fragmented and largely unaware market. Entry in mid-level market was also constrained by capacity. The mid-level market segment consisted of machines with capacity of 2.5 tons

that was lower than Bühler's smallest machine. Cost was a key concern for the target customers and Buhler machines were much more expensive than offerings by competitors including several local players. As a result, convincing the mill owners to pay this differential for Buhler's machines was a big challenge for the sales team.

Bühler decided to opt for an intensive market expansion by targeting the smaller mills segment by providing them a one-stop-shop solution. They offered an interesting proposition of using a single machine for whitening of grains, with multiple passes instead of three machines that were used in conventional mills. Free trials and demonstrations were conducted at rice processing centers and slowly the mill owners started to see the benefits of Bühler's whitening machines. The base-level quality was also much higher, thus helping the mill owners realize marginally higher prices in their competitive end markets. Positive word-of-mouth and referrals from satisfied millers helped the company reach out to new customers. Bühler then offered a second machine to its existing customers. Eventually, a few mills started buying entire plant sections from Bühler as the company provided additional value by adopting a complementary approach, which included educating mill owners about handling the machines, maintenance and servicing, and handling machinery breakdowns. In parallel, the company was also constantly trying to reduce prices and overheads, and increase volumes, so that it could provide its customers the best at a reasonable, competitive price.

The go-to-market strategy of Bühler was based on high precision. In the beginning, engineers would fly in from Switzerland for the initial installation. This strategy was feasible in the top-level market with the few top-end customers who were making very high capital investments. Engineering centers, located in the key markets across the globe, handled the setting up of plants at customer sites. Engineers with drawings and designs for plant layouts travelled to customer locations and managed the complete engineering for setting up a complete "plug and play mills" as turnkey solutions. As the costs, time, and quality have always been the crucial criteria for success in India, Bühler adapted its traditional business model for improving customer service to the mid-level market segment. The company used its trained employees working in their milling and other centers for setting up plants while local engineers and electricians completed the job enabling Bühler to commission the equipment and plants faster and at a lower cost. This model helped Bühler to gain market share in the mid-level market while maintaining the differentiation with competitors.

Bühler's research team undertook several projects to design new, modified and re-designed products to penetrate the market by offering a wide range of machineries to the smaller mill owners. Bühler's Atta PesaMill™ is a recent innovation developed for the Indian market for the production of whole wheat Atta flour whose taste and texture are identical to wheat flour produced on traditional "Chakki" stone mills. A fully integrated milling system, a PesaMill™ replaces up to 20 traditional stone mills. The PesaMill can produce different Atta flour qualities on the same milling system for different end products. Savings on labor costs, lower energy consumption, and increased yield ensures that the payback period for the mill owner ranges from 3 to 4 years.

These adaptations and innovations have helped the company emerge as the leading systems and equipment provider for the rice and wheat processing industry in India.

Sources: Bühler (n.d.) and Shainesh (2016).

In addition to the desire for quality alternatives among the Indian BOP is the idea of symbolic pricing. In India there is a notion that anyone can afford something priced at 10 INR (the equivalent of around 0.15 USD). This is the loose cash that everyone in India generally carries around. On the surface this appears to be negligible in terms of most companies' pricing strategies. However, if a company innovates to offer a product or service within this price range they open themselves up to a huge new market. A purchase of 10 INR alone will not create success, but fortunes can be made if a company can

incentivize millions of such purchases. For example, Godrej hair dye sells for 7 INR for a 3-gram sachet. Godrej has been able to expand to 1.1 million retail outlets for 65 percent share of the hair dye market by utilizing symbolic pricing (Silverstein et al. 2012a). This gives companies the opportunity to leverage economies of scale if they create a sustainable business model. Case 7 shows how Eram Scientific Solutions successfully provides quality, clean, and symbolically priced public restrooms to the BOP in a country where more people have access to cell phones than to toilets (United Nations University 2010).

### Case 7: Eram Scientific Solutions Utilizes Symbolic Pricing for Public Restrooms

Eram Scientific Solutions is a company backed by the Bill & Melinda Gates Foundation that set out on a mission to change the current status of India's sanitation. As much as 60.4 percent of India's population has no access to toilets, that is about 765,000 people (PTI 2015). And the consequences are huge, ranging from infections due to polluted water all the way to the risk (and sad reality) of women being attacked and raped (Chatterjee 2016). Eram Scientific Solutions created a sustainable electronic public toilet, the *e-toilet*, to combat these issues. The e-toilet flushes automatically when people enter and when they leave. It also flushes every two hours to keep the area clean. At the same time the e-toilet has low energy consumption rates with motion sensor lights and fans. Most importantly, the toilet is low cost manufacture and affordable to use by all. The basic model only costs less than USD 3,000 to buy and set up; it can be maintained with minimal operating expenditure. A symbolic pricing of the e-toilet usage shows consumers that anyone can afford to use it, and by offering this quality hygienic alternative to the bottom of the pyramid, Eram Scientific Solutions could make a large difference in the future sanitation of many cities throughout India. After inserting a coin to open the door of the eToilet, a light is automatically switched on and the person is directed with audio commands how to use the toilet.

The business model for Eram Scientific Solutions as well as other companies utilizing symbolic pricing in India is relatively straightforward. It begins with a customer-centric approach where a need is identified that is not being met to the point the company believes necessary. Then the company must be able to deliver *paisa vasool* in their offering that satisfies this need. This will incentivize trial and adoption of the offering instead of continued use of inferior alternatives. Next the company must manage costs through streamlining its supply chain and production methods while stripping costly product features that do not add value to the customer. Lastly, the company must ensure that their offering has sufficient reach and the necessary promotion to increase visibility among consumers (Silverstein et al. 2012a). In the case of Eram Scientific Solutions, the company manages to keep its business model sustainable simultaneously through the low-cost, volume-based model described above, supplemented through selling advertising space on the interiors of the e-toilets. As of early 2017, more than 1,900 of these public restrooms have been installed across 19 states of India.

Sources: Eram (2017) and Pareek (2014).

### COMMANDMENT #3: INVEST AND BE FULLY COMMITTED

Success in India does not come to anyone who is not fully committed to the country. The Indian market is incredibly diverse with consumers, particularly of rural or lower economic standing, that are often not loyal to brands (WARC 2016). For this reason it is imperative that companies new to the Indian market make appropriate investments that work toward the success of their offering. On a more detailed level, there are four key areas that companies should focus on when making investments in India:

- Products
- Employees
- Customers
- Infrastructure.

All of these areas together play a major role in having business success in India. If even one area underperforms, in a spiraling way, it often results in decreased revenues and ultimately failure of the Indian business.

### Invest in Your Products

Commandment #2 taught us that Indian consumers seek *paisa vasool* when making purchases. Their search for value in the products they buy and services they use makes them meticulous shoppers whose loyalty is not easily won. This puts extra pressure on companies to offer products and services with good value relative to the price they charge. Investing in the quality of a product or service while maintaining its affordability can greatly increase the adoption rate for the offering among Indian consumers. In addition to quality, a company's offering must be tailored to the Indian market. Commandment #1 applies when companies are making investments into their products. Investment must be grounded in a strong understanding of the market characteristics and the needs, desires, and habits of the local consumer. For example, the emerging markets strategy of GE Healthcare is centered on the needs of its Indian customers (see Case 8).

#### Case 8: GE Healthcare Drives a Customer-Oriented Strategy

When GE Healthcare first entered the Indian market in the 1960s, they pursued a strategy of reducing costs by removing features from its products. They set up manufacturing plants in India in 1990 after they formed a joint venture with the Wipro Group, and began selling their still highly priced CT, magnetic resonance imaging, X-ray, ultrasound, and patient monitoring systems to Indian consumers. Today, GE Healthcare has discovered a new strategy for succeeding in the Indian marketplace that centers on product innovation for the Indian consumer. President and CEO of GE Healthcare South Asia, V. Raja, stated that GE's biggest mistake in India was "selling what they were making rather than making what the customers here needed." They corrected this error by switching to a strategy of *reverse innovation* wherein innovation takes place in the largest markets such as India and China—instead of the rich countries, from where innovation originally originated. The incredible volume of potential customers is thought to justify the investments made in innovating these new products. In committing to this line of action, GE Healthcare also made structural changes to the organization. In 2009, India was made a stand-alone geographic division within GE Healthcare whereas in the past it was simply a part of Asia Growth Markets division that reported to the Europe division. The actions of GE Healthcare in India show a real commitment to developing products that are inherently unique and meet the specialized needs of the Indian customers. GE realized that if they want to be really successful in powerful developing markets such as India, they need to



invest in their products and future innovation at the local level. Over the past two years GE has followed this strategy leading to investment in a new 50,000 square foot research center in Bangalore that now houses all their teams of engineers and scientists in India. This facility is one of the largest integrated multidisciplinary research and development centers in GE's entire network. They have also increased their force of engineers to 1,100, making India their second largest research team for the healthcare division throughout world. This team has now began developing unique products for the Indian market, and within three years GE Healthcare predicts 25 percent of this research force will be working solely on products for Indian consumers. Two years ago GE Healthcare's first product designed for the Indian market was released, an ultra-portable electrocardiogram (ECG) machine called the MAC 400. This device was designed, sourced, and manufactured to satisfy Indian consumers. It is priced at one-third of the similar devices in other markets, it is battery operated to deal with frequent power outages in India, and it is lightweight and easily serviceable to provide mobility to reach more patients, particularly in rural areas. Over 2,000 MAC 400 units have been sold in India, and over 5,000 have been sold outside of the market it was designed for. Innovating within India can really bring success in other markets as well.

Source: Wharton (2010).

### Invest in Your Employees

Without products or services to offer to consumers a company cannot operate, but without qualified and efficient employees a company is equally as doomed for failure. Successful Indian companies understand this and owe much of their success to the employee-centered environments that they build internally. In the best cases, a unifying strategy that empowers employees is utilized that ultimately creates a company culture that drives success. Investment in employee, training, particularly of local talent, is a characteristic shared by all successful Indian companies. In Western companies limited training for advancement is generally provided to younger employees at the lower levels of the company due to high turnover ratios in the millennial generation. Within Indian companies, the need to train employees is much higher for a variety of reasons. Given the type and degree of education received by the average Indian employee, additional training is typically needed for the employee to be job-ready when joining the company. In addition, a stronger family orientation in Indian company culture will often lead to increased investment in employees.

A survey of India's largest companies—including HCL, Infosys, and Tata—shows a drastically different working environment than most companies in other parts of the world have in place; a pattern of employee investment becomes apparent (Cappelli et al. 2010a). That is to say, they often put the employees first and the consumer second. All of these companies claim that the source of their competitive advantage does not come from their strategies or products, but directly from their employees. Indian companies invest in their people in a variety of ways. One key area of investment is into company culture. Most of India's large corporations take a long-term stance on community and company mission. This develops a strong sense of normative control in which employees act in the best interest of the company because it is the company culture to do so. Often this involves corporate social responsibility being integrated into the strategies of these companies as a means of mission-building within the organization.

In addition, there is a similar theme of investment into employee training. Statistics show that over a quarter of

new hires in the US do not receive any management training within the first two years of their employment. This is not the case in Indian corporations where three times as many companies measure and track their skill-development efforts compared to their American counterparts. In an interview, Vineet Nayar, CEO, HCL, highlighted that training is imperative to the success of his company (Cappelli et al. 2010a). In his opinion a company's organizational structure should be inverted, where the top is accountable to the bottom. These companies believe that solutions of problems need to be determined at the point where the problem is encountered, that is at the frontline employees' level. In order to combat problems with turnover, these companies mostly invest in local talent. Skilled workers and managers are not easily available within the Indian labor market and thus they need to be created. India's Genpact, a spinoff of GE Capital, has commented on how an eager and ambitious local talent pool played a major role in the initial success of the company (Bhasin 2011). Ultimately, there is a notable difference in the ways Indian companies approach employee investment. In order to compete with these companies and attract talented employees themselves, new entrants to the Indian market must reconsider and customize their global approach of investing into the future workforce.

### Invest in Your Customers

In addition to investing in products/services and employees, companies entering the Indian market must also invest in their customers. Shoppers that are inherently non-loyal to brands often must be enticed by companies into trial. In addition, there is often a trust barrier that exists between Indian consumers and large corporations, particularly new entrants into the market space. This further pressures companies to invest in communications with consumers in order to break down barriers to trial and incentivize purchase of new products. At the same time, the late opening of India to foreign investment only in 1991 means that the Indian market is still relatively new. Doing business in India to any sizeable extent is just 25 years young. Thus, it is not uncommon for BOP customers to be unfamiliar with a particular product or service, and what purpose it really serves. Investing in the education of consumers with regard to a company's offering is necessary in order to effectively communicate value and generate a sense of *paisa vasool* in the consumer's mind. Case 9 illustrates how Amazon India effectively taught consumers how to adapt their lifestyles to their e-commerce platform while simultaneously developing trust between the companies and consumers through traditional channels that many companies would not take the time to pursue.

#### Case 9: Amazon India Invests in Customer Education and Goodwill

Amazon, America's largest e-commerce giant, entered the Indian market in 2013. And right at the beginning of its campaign in the country, the company learned that it would have to invest in its customers if it were to succeed. Only about 35 percent of India's population was connected to the internet at that time and cash-based transactions were the norm in most Indian purchases. As a third-party seller of Indian products, Amazon India's main customers are the sellers they represent. When Amazon India first started operations, few retailers sold items online because of the perceived complexities of e-commerce and their reliance on cash-based transactions. To combat this issue, Amazon created a program called Amazon Chai Cart, a program where mobile tea carts would navigate the city streets offering refreshments to small-business owners and educating them on how e-commerce could be adapted to their businesses. This team traveled more than 9,400 miles and visited over 10,000 different sellers to build a trusting and educated

seller base (Govindarajan 2016). In September of 2016, Amazon also opened up 24 “seller cafes” in different cities across India to help small businesses operate on its platform in time for the year’s festive Diwali season. Through this initiative Amazon was able to add an additional 20,000 new sellers to its site in only six weeks (*Economic Times* 2016).

In addition, Amazon India has partnered with the Indian Postal department to deliver packages ordered online to rural areas throughout India. Most of rural India does not have access to reliable private delivery services, and thanks to the boom in e-commerce, the India Post has taken the opportunity to fulfill this role. Amazon has extended its delivery reach to almost 90 percent of the entire country by partnering with the India Post (Nair 2015). India Post has been unprofitable for several years, but its number of deliveries has increased by a factor of 15 in the past 2 years. Ravi Shankar Prasad, Indian Minister of Communication and Information Technology, has even stated that through partnering with firms like Amazon, the Indian Post has the potential to become the world’s leading e-commerce delivery platform (AFP 2016). Such an achievement would benefit both the India Post and Amazon as it grows its presence in India.

Amazon India is currently one of the three largest e-commerce companies in all of India, and has received an additional USD 3 billion investment from its parent company. At its current rate of growth, some believe it could take the number one spot in the industry by 2020. The success of the company is due in no small part to its ability to persuade new businesses to accept an e-commerce business model to expand their operations. By educating sellers and gaining their trust, Amazon has rapidly gained share in an industry with incredible potential.

### **Invest in the Infrastructure**

A final area that often requires company investment into India is infrastructure. Often the infrastructure needed to operate efficiently does not exist or is not conveniently available within India. This could be hard infrastructure such as transportation and electricity or soft infrastructure such as institutions that facilitate interactions between businesses in related sectors. In these cases, setting up your own infrastructure can yield long-term returns to a company’s ability to operate successfully within India. Doing so often results in the creation of first mover advantages for the investing company.

### **COMMANDMENT #4: PLAN FOR GROWTH**

One characteristic about India that leads so many companies to pursue investment is the sheer size of its markets. India is a country of over 1.2 billion people, and if approached correctly there is likely a

customer segment for any product. This leads to the fourth commandment for successful business in India: Approach the Indian market and the large amounts of competition without hesitation as there is plenty of room for new growth. The markets in India are so large and diverse that even companies with very similar product offerings can successfully operate alongside one another. This can be seen in the growing number of online grocery retailers, such as Bigbasket.com, that simultaneously operate under the same business model. Simply put, opportunities for success in India can be found even in markets where competition is already intense; there are always customers for one more company. Case 10 shows how Kwalita Ltd. has become one of the fastest growing companies in India by competing in the country’s saturated dairy segment where market share rarely exceeds 4 percent.

### Case 10: Kwality Succeeds in the Saturated Dairy Segment

The dairy segment in India is so crowded with competition that as of 2015 the largest market share holder has only 5 percent of the market. Despite the fierce competition, Kwality Ltd. has been able to grow its sales eightfold since 2009 with 2015 revenue of INR 45.81 billion. With a three-year CAGR of over 41 percent, it is likely that Kwality Ltd. will continue to grow well past its current market share of around 1 percent.

A major issue for companies in this segment is procurement of dairy from farmers. Since most source are uncoordinated and of differing quality, it is challenging for companies to procure large quantities to meet scale economies with high-quality products. Kwality Ltd. gets the majority of its inputs from aggregators, but is beginning to pursue investing in direct procurement from dairy farmers. Sanjay Dhingra, Chairman and Managing Director of Kwality Ltd., believes that there is enormous space for companies to grow in this segment if they are organized and invest in technology and a good procurement network.

Another factor in Kwality Ltd.'s success is their unique business model. Instead of pursuing a retail client base, Kwality Ltd. focuses its attention on selling bulk milk products to fast moving consumer goods companies like Hindustan Unilever (Modal 2015). In this business model, Kwality Ltd. does not have to worry about retail negotiations over price or capital-intensive investments into brick-and-mortar stores to sell its products. By utilizing a unique business-to-business model in combination with focused investment in its procurement network, Kwality Ltd. has achieved consistent sales, incurred fewer costs, and succeeded in one of India's most competitive segments.

Sources: Kwality (n.d.) and Modal (2015).

Another aspect of India's large market size is that it allows for the success of niche product offerings. Even if a product is only suited for 1 in 10,000 Indians, that would still be a target segment of 120,000 potential customers. Business models based on niche markets, particularly luxury goods, have proven to be successful in India and it is likely that this will continue to be the case.

Companies wishing to enter the market should understand that if they position and market their offering correctly they can find success in India's numerous sub-markets. Case 11 shows how Royal Enfield Motorcycles has become one of India's fastest growing companies with only 3 percent of total market share through achieving notably high margins in a niche market.

### Case 11: Royal Enfield Motorcycles Occupies a Niche Market

Eicher Motors is the manufacturer of the Royal Enfield Motorcycle in India and has quickly become one of the fastest growing companies in India with revenues of INR 34.45 billion and 61.29 percent three year CAGR (as of 2015; Bhattacharyya 2015). The company has achieved this while targeting the affluent niche market for luxury motorcycles in India. In a market the size of India it is often challenging to appeal to a large percentage of the total consumers with a single offering. Eicher Motors realizes this and aims to please a small percentage of the market—and please them very well indeed. The Royal Enfield Motorcycle has only 3 percent of the total market share for the motorcycles in India, but it completely dominates the segment that it operates in. By understanding the segment in which it operates, Eicher Motors has seen operating profit margins of 28 percent and net profit margin of

over 18 percent (as of 2014/15; Bhattacharyya 2015). Undaunted by their small market share, they realized that a company can be successful in India if it relates to its customers the value the company brings in its offering. In its Indian operations, Eicher Motors reimaged the Royal Enfield brand to focus on adventure and leisure in order to appeal to more affluent consumers. Most of the consumers purchasing these motorcycles already own cars and view motorcycles as aspirational and as a means of releasing stress. Eicher Motors has been able to convey this value effectively to consumers and as a result continues to succeed in this niche Indian market.

Source: Eicher (n.d.).

### COMMANDMENT #5: BUILD ON EXISTING CHANNELS

Sometimes the best strategies for success in India involve innovating within or utilizing existing channels. This is why it is so important to understand the Indian environment and its unique characteristics (see commandment #1). Building on existing channels allows companies to find successful business models while saving time and money in the process. Even Amazon India (see Case 6) uses the existing channels of Mom-and-Pop stores to expand its business across the country where major distributors

are not available. At the same time, it is often easier and more efficient to utilize the current environment in new ways than it is to bring an entire consumer base to adapting to a new environment. Thus, utilizing current technology and business norms to solve problems in innovative ways is a viable business model for companies wishing to succeed in India. Case 12 shows how Innoz Technology, a Bengaluru-based software company, is successful by utilizing the old technology of SMS texting to give people without smartphones access to the Internet in a radically different way.

### Case 12: Innoz Technology Creates an SMS-Based Offline Internet

Innoz Technology is an Indian company that is revolutionizing the way people connect to the Internet. While India has a large number of smartphone users in its larger cities that allow people to connect to the Internet, in India's tier-2 cities and villages a great number of people continue to use feature-phones that do not offer this service. The founders of Innoz set out on a mission to bring this group of people online with the tagline "making dumb phones smart." Innoz developed an innovative new operating system called Innoz OS that facilitates Internet searches through SMS texting. The operating system even gives the user access to social media through apps supported by thousands of developers partnered with the company. Phone manufacturers such as Nokia and Micromax preinstall this software on feature-phones and sell them at a fraction of the cost of traditional smartphones. By building on an existing channel of communications like feature-phones, Innoz has been able to innovate and create an *Offline Internet* that is capable of bringing to millions of people technology access they would never have otherwise. The company launched its operating system in 2013 and as of December 2016 has processed more than 1.3 billion queries and has over 120 million active users. The company's consumers are mostly in India, but the service is growing to countries with similar environments such as the Middle East and parts of Africa. Companies wishing to enter India can learn from Innoz in that success can be found by using the current environment with new and innovative approaches.

Sources: *Economic Times* (2012) and Innoz (2013).



India is no stranger to foreign companies wishing to enter its markets. In fact, the Indian government has encouraged companies to do so for many years. Prime Minister Narendra Modi and his government have sought to encourage companies from around the world to *Make in India*. As a result, India now has a growing environment of third-party contract manufacturing organizations (CMO) who create consumer goods in India for both domestic and foreign companies. This allows companies to expand their presence in the region heavily without having to invest vast sums of capital to create their own manufacturing facilities. Companies who opt for this entry strategy can choose from a wide array of CMOs who are able to manufacture to global standards at low costs with local inputs (Govindarajan and Bagla 2016). By utilizing local inputs, companies can save large investments as they will avoid import duties on all but essential inputs that must be sourced elsewhere. Taking advantage of the existing CMO network allows companies entering India to set up low-cost manufacturing that can increase the profitability of the company's foreign operations by reducing product costs and increasing volume growth. This model also facilitates scale and cost efficiencies that come with heavy production and could also provide companies with a hub from which they can export their products into surrounding nations. Numerous large multinational corporations have committed to using India's existing third-party manufacturing network.

Another existing channel that has heavily developed in recent years is e-commerce. India's e-commerce companies such as Flipkart, Snapdeal, and Amazon have expanded their presence in India and are becoming standard channels for retail purchasing among many Indian consumers. This trend is predicted to expand exponentially in the near future, and the platforms continue to adapt to the Indian market. Companies wishing to invest in India can enter through these channels

and sell their product to Indian consumers at lower risk and investment than they would incur should they develop a physical presence in India (Govindarajan and Bagla 2016). This also would allow companies to sell to all of the different states within India who all have their own unique tax codes, which often prevent businesses from selling throughout the country. As consumers become wealthier around India, their purchasing aspirations will likely grow beyond what is stocked at their local shops. Foreign companies selling on e-commerce platforms can fill this niche demand in ways that were not possible in the past (Govindarajan and Bagla 2016). In addition, as smartphone and social media usage continue to grow throughout India, companies will be able to utilize e-commerce-based strategies in combination with Western marketing tactics.

Understanding the options available is imperative for companies aiming for success in India. It is not always necessary to develop new channels for production or distribution. When risk is a factor and capital is limited, overlooking an existing channel in a unique market such as India could be a major setback for companies new to the country. This can be avoided through proper research and innovative problem-solving.

## CONCLUSION

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The central purpose of this article is to incite you to learn about India, to think about doing business in India, and to take action for building a successful business on the subcontinent. The purpose of this article, however, is not to minimize risks and difficulties that firms will undoubtedly face when entering the Indian market. You need to have a healthy respect for the many risks inherent with doing business in India, and the hurdles you will need to overcome. Nonetheless, the Indian market is a market worth tapping into. And this journey often starts when your firm hits a growth ceiling in your home market in

the developed world. Emerging markets like India today account for the majority of world GDP growth. But there is a substantial difference between products that work in the developed world and products that will excite customers in India. Most developed-market products cannot just be exported to India, they have to be adjusted, redesigned, or even radically innovated from scratch.

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