

# RIETI BBL Seminar Handout

---

October 15, 2012

Speaker: Mr. Pradeep KASHYAP

<http://www.rieti.go.jp/jp/index.html>

# The Emerging Market India



*Business Mind Social Heart*

**Pradeep Kashyap**  
Founder & CEO, MART

Presentation to  
**RIETI, Japan**  
October 15, 2012

A photograph of a man in a white t-shirt and black shorts climbing a dark rock face. He is positioned on the right side of the frame, reaching up with his hands. The background is a bright blue sky with scattered white clouds. The overall image has a white triangular shape cut out from the bottom left corner, where the text is placed.

# **Challenges of Doing Business in India**



# Understanding Diversity ... *A Snapshot*

21 official languages, 432 dialects  
4 major religions  
56 Socio Cultural Regions

**Literacy**

Kerala  
93%

Bihar  
63%

**Per Capita  
Income**  
(USD per annum)

Goa  
3700

Bihar  
470

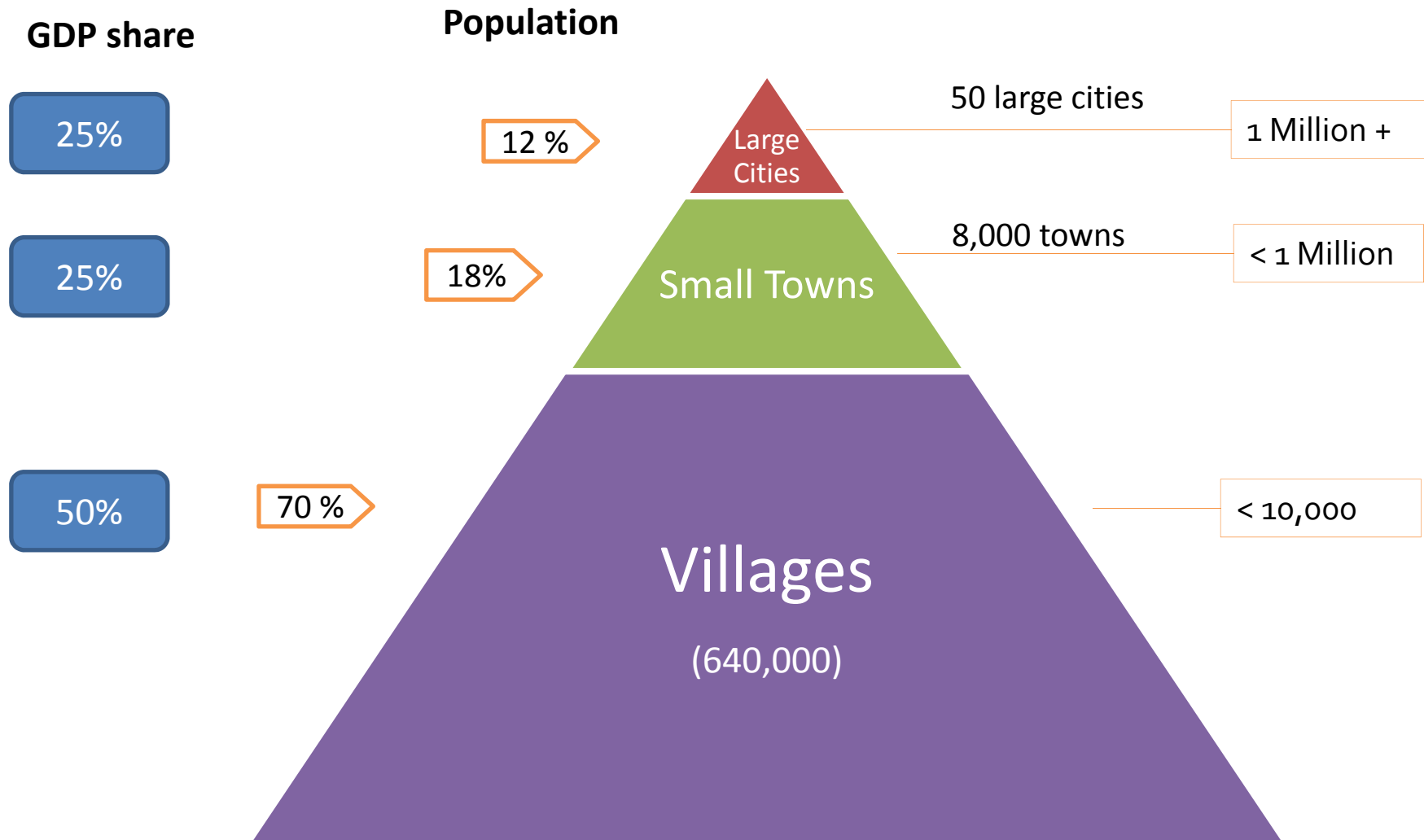
Source : Census of India 2011,, Directorate of Economics & Statistics  
2012 ,MART Knowledge centre

(c)MART





# Where Does India Live



Source : Census of India 2011,, India Urbanization Econometric Model -McKinsey Global Institute ,MART Knowledge centre

# Tale of Three India's...Where to go

INDIA	1	2	3
TV ownership(%)	50	25	12
4 wheeler ownership (%)	4	1.5	0.9
GDP Share (%)	30	34	36
Population (%)	20	30	50

Source : Max NCAER Survey, 2007 and IRS 2011





# Why to Invest in India?

Economy : USD 2 trillion (USD 10 trillion in PPP)  
Last decade GDP growth : 8%

Demographic dividend ...Youngest nation

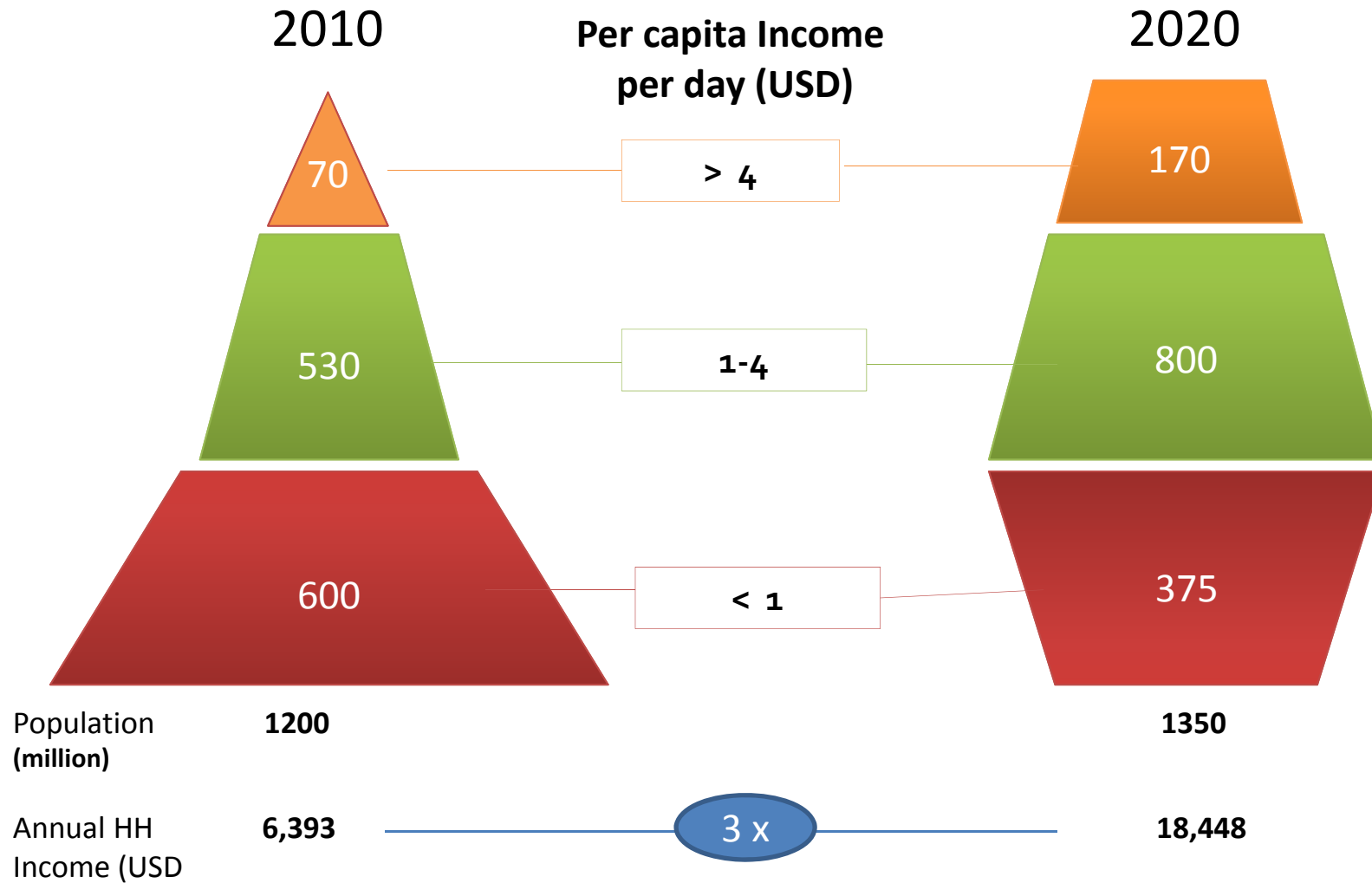
360% Rise in consumer spending in next 10 years

Global Innovation Hub...2<sup>nd</sup> largest technical workforce

	India	US	Japan
Average Age	25	36	43

Source : The Tiger Roars BCG report & MART Knowledge Centre, & 12<sup>th</sup> Five Year Plan, GoI,

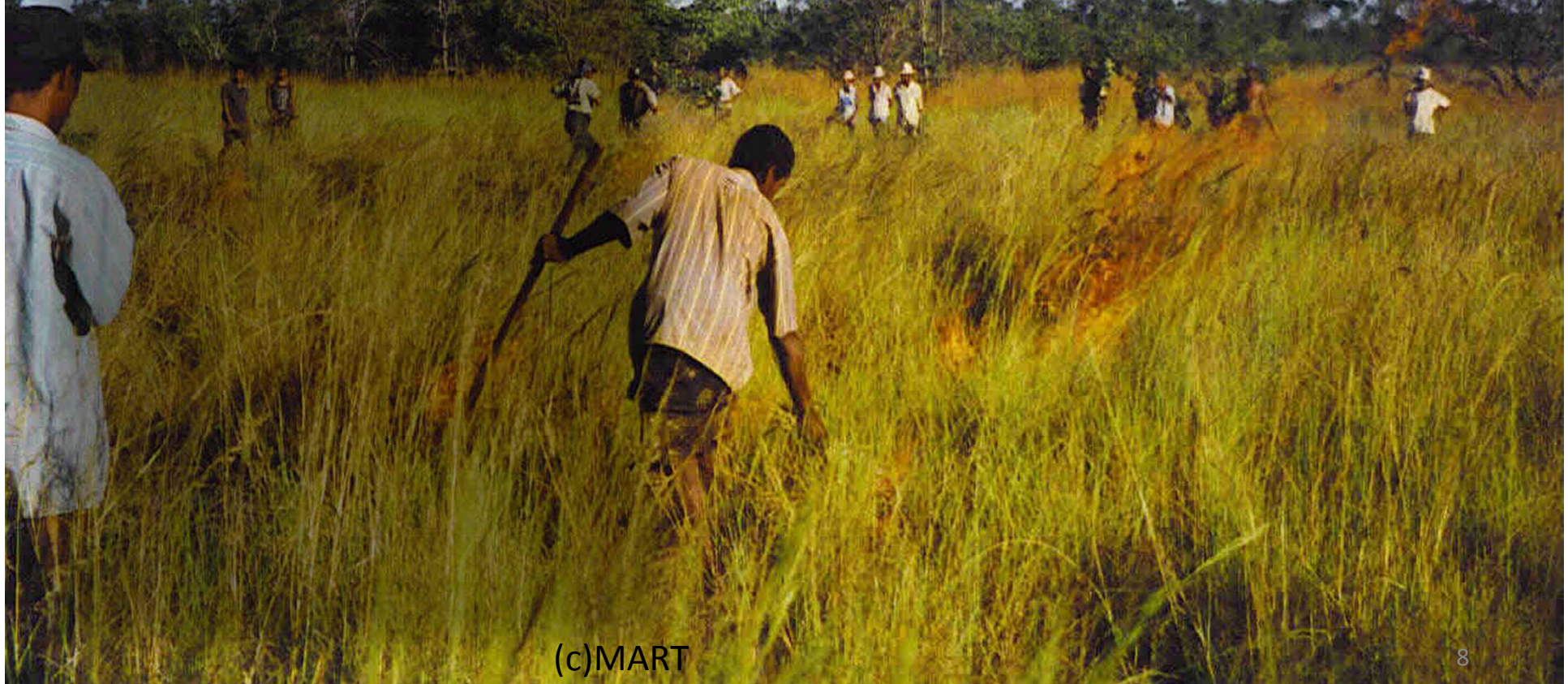
# Income Pyramid Morphing to Diamond



Source : The Tiger Roars BCG report & MART Knowledge Centre



# How to Localize Business



# Success : McDonald's

**Meticulous Planning**      **Reliable supply chain built from Farm to Fork over 6 years**

**Culturally Sensitive**      No-Beef , No- Pork

**Food**      Physical separation of Vegetarian items from farm to customer

**Indianized Menu**      McAloo Burger (Potato), Mc Veggie, McEgg

**Pricing**      Highly affordable, starting 40 cents – PPP basis

**Promotion**      Family dinning for Indian tradition

**Innovative Practice**      Home Delivery .



250 outlets in India...40% share in fast food market ...planning to have 500 outlets in next three years



# Failure : Kellogg's

<b>India Opportunity</b>	<b>250 Middle class completely untapped market</b>
Entry	1994, investment of 65 million\$, Corn Flakes brand
Cultural Barriers	<ul style="list-style-type: none"><li>• Eating breakfast cereals new concept</li><li>• Indians prefer different breakfast types every day</li><li>• Indians have all hot meals, also hot milk for breakfast (Corn flakes remains crisp in cold milk)</li></ul>
Price	International pricing. 3 times of local brand (Too expensive)
Outcome	Very low sale. Kellogg's launched its other products – Choco Puffs, Honey Crunch...No success

Reasons for Failure	
<b>Product</b>	Western product, but local tastes very strong
<b>Price</b>	Too high
<b>Promotion</b>	Advertising hinted Indian breakfast not nutritious, hurt local sentiments

# How to localize Business in India...Learning's

Understand local ecosystem



Hire local talent

Partner local companies



Understand local consumer behavior and  
customize products



Set up R & D facility



Benchmark price and quality against local  
players



*Shakti*

*An H.I.L. Project*

# The Shakti Story

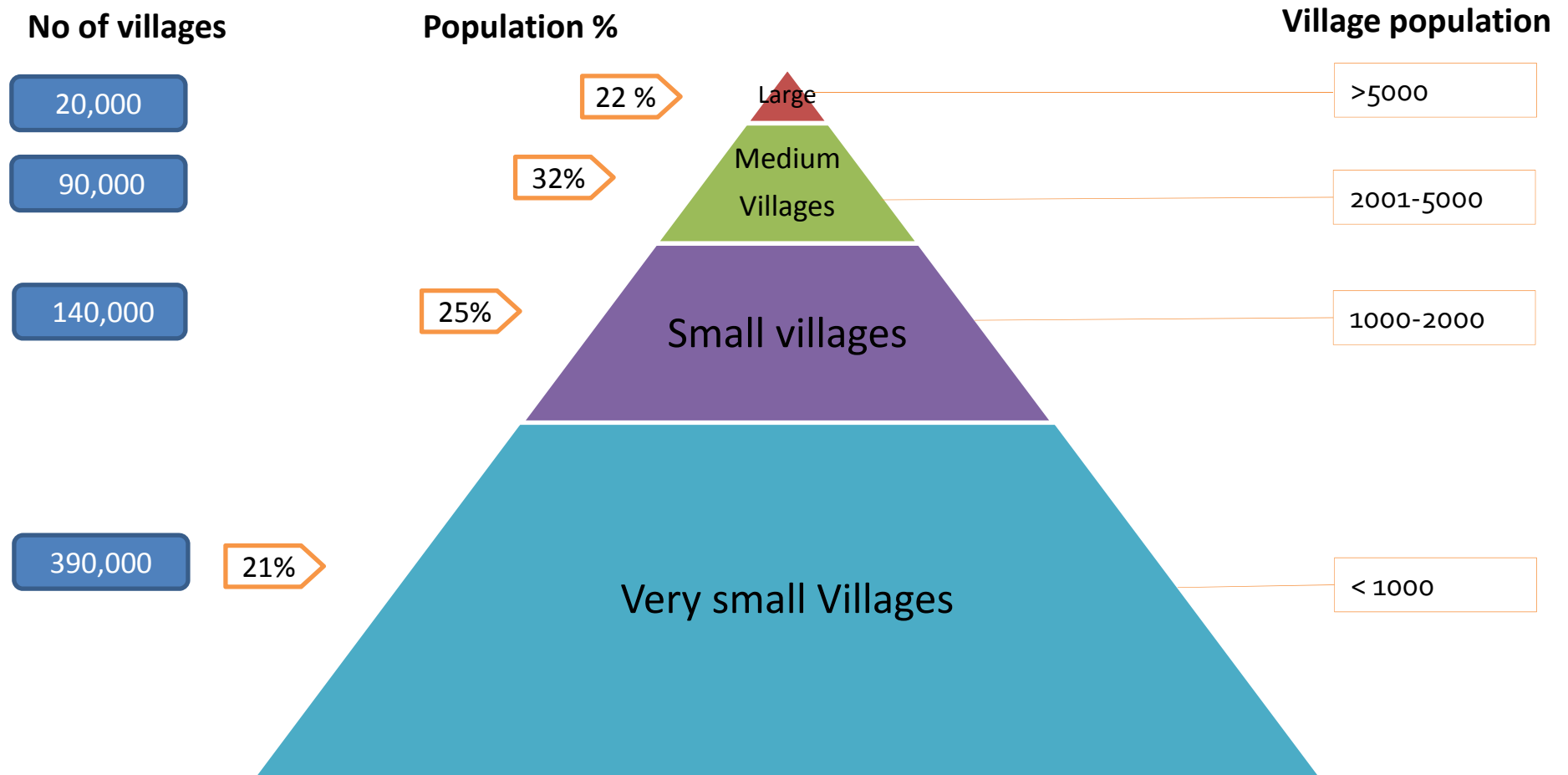
# Project Shakti – Women’s Empowerment

Co-created by Hindustan Unilever & MART  
2000-2005



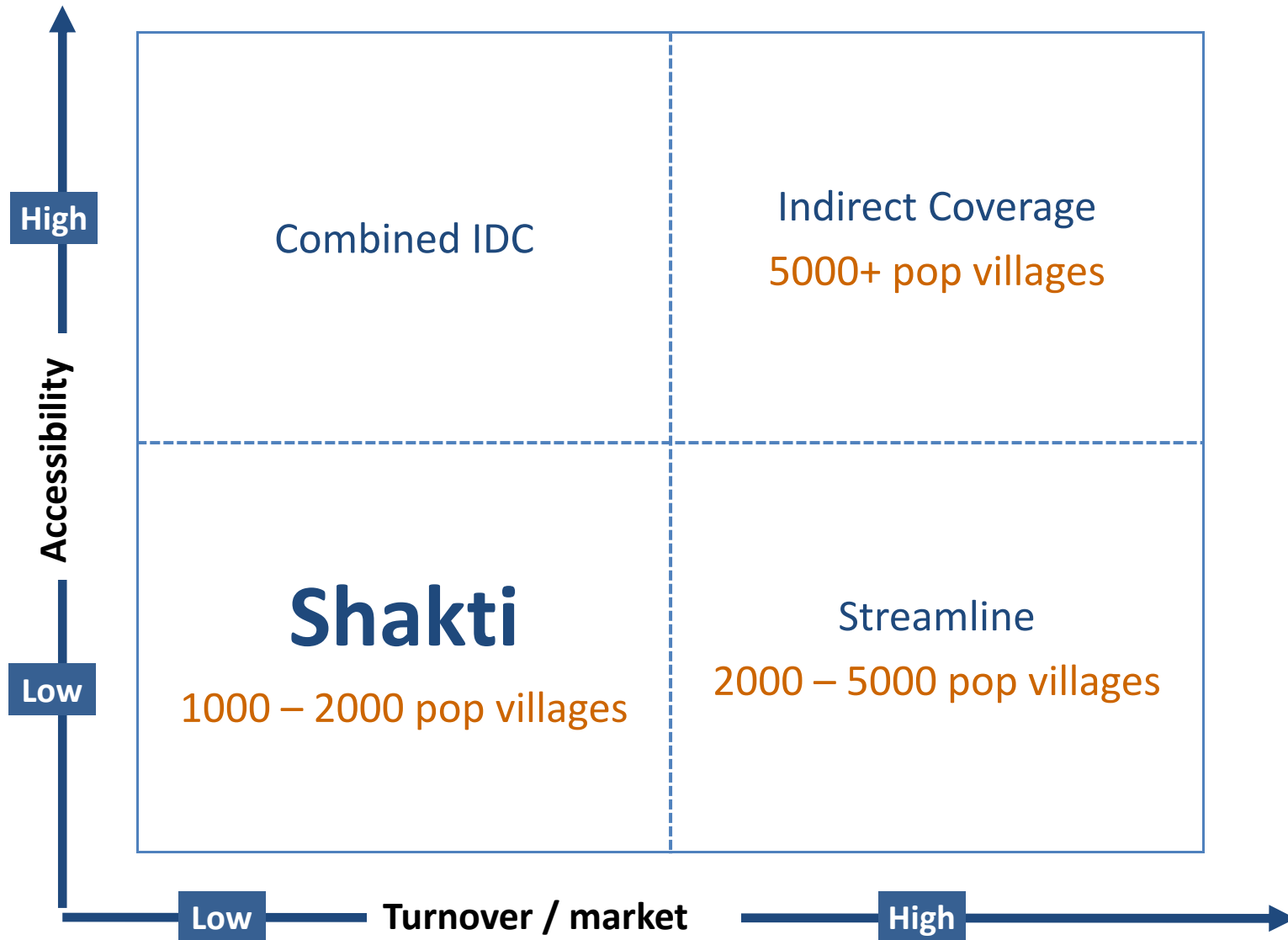


# Where does Rural India Live



Source : Census of India 2001, MART Knowledge centre

# HUL Rural Coverage Strategy



# The Genesis



Need

Penetration  
in <2000  
pop villages



Sustainable  
business  
opportunity

HUL + SHG  
Win – win  
partnership



Business Mind Social Heart



# Shakti Model



**5 million micro finance groups**



**Home shop**



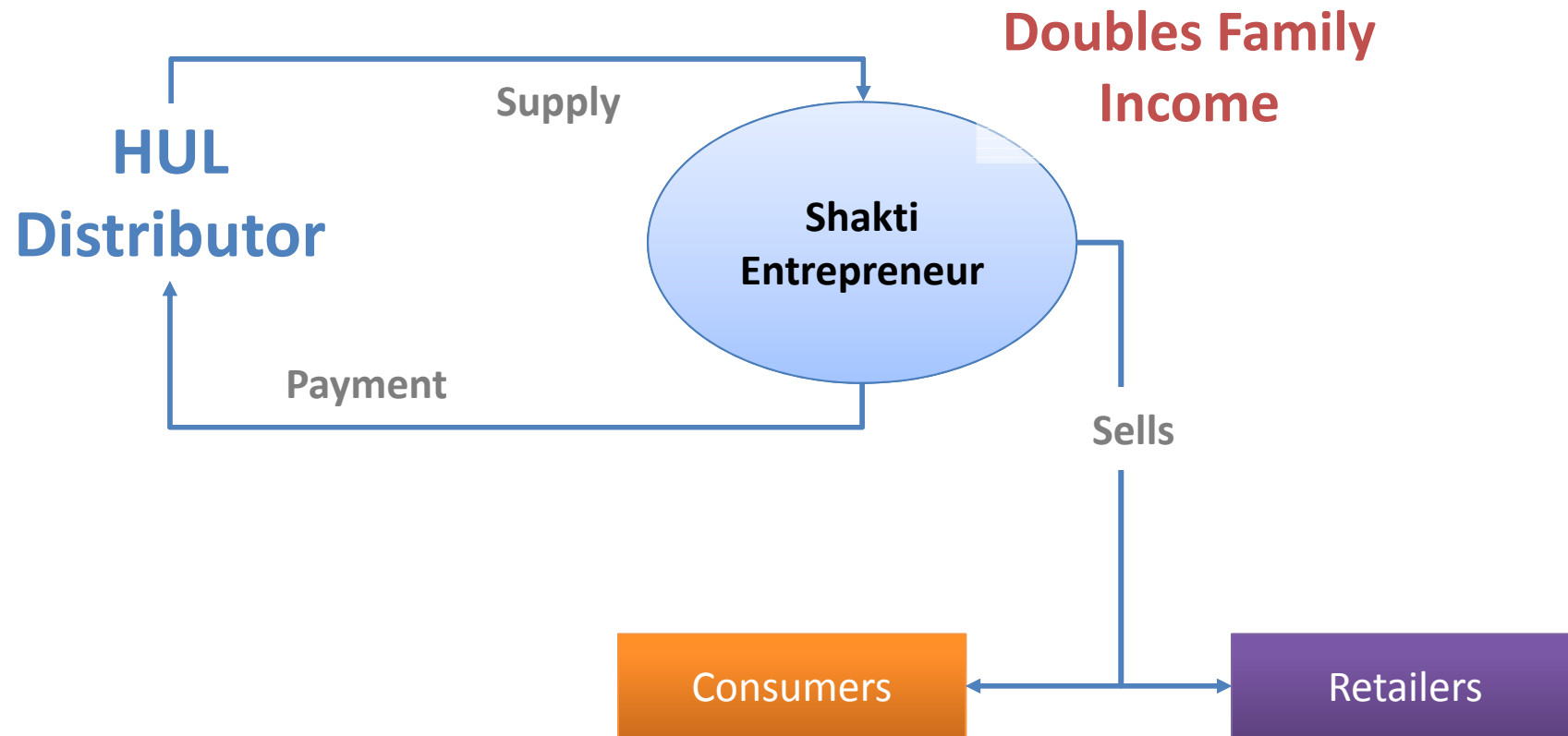
**Leaders identified and trained**



**Door to door selling**



# Shakti - The Model



Monthly Sale	\$ 300 – 500
Net Profit	\$ 25 – 35



# Current Status

## Scalability & Sustainability of Model

- 50,000 Shakti Entrepreneurs appointed across India
- 100,000 villages covered
- 10 million consumers serviced



Business Mind Social Heart

# Win-Win Model for All

**Bank**

- \* Higher loan offtake
- \* Better repayment
- \* Social fulfillment

**Government**

- \* Provide gainful livelihoods to the poor
- \* Non grant sustainable livelihood

**Project Shakti**

- \* Sustainable income opportunity
- \* Learn business Skills
- \* Economic Empowerment
- \* Education / Awareness

**Woman**

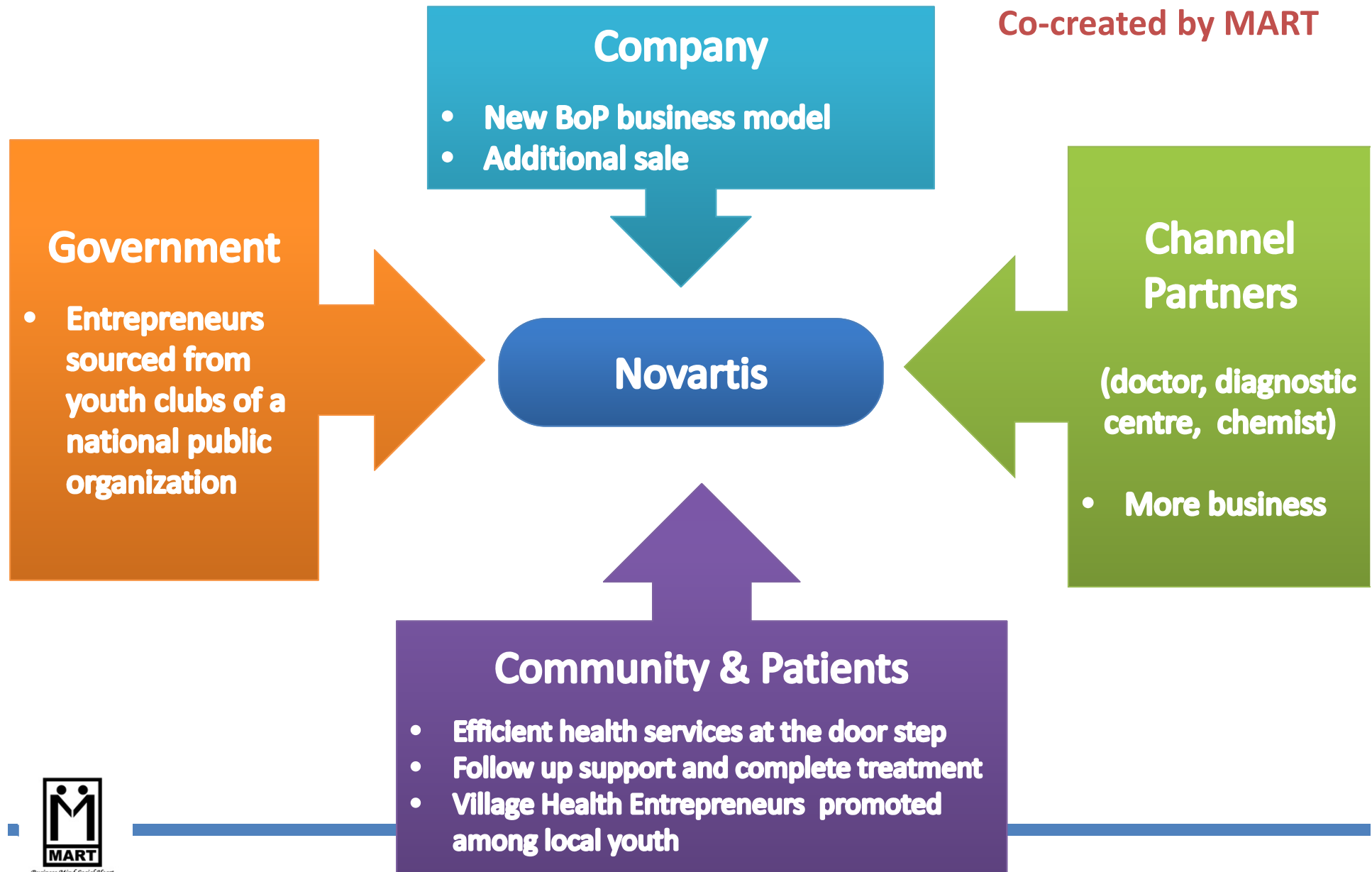
- \* Better product reach
- \* Low cost communication channel
- \* Category penetration
- \* Social fulfillment

**HUL**



# Win-Win BOP Healthcare Model

Co-created by MART



## Lessons Learnt...The Way

- A **Win – Win** for all stakeholders
- Buy in from the top management
- Use of existing social infrastructure
- Need for facilitating organization (MART)
- Developing capacities of local partners

# Future Potential of India





# Future Growth Path

Growth Target 12<sup>th</sup> five year plan  
8.2%

Dominant services sector expanding to  
retail, health, financial services and tourism

5<sup>th</sup> largest economy by 2025 (USD 10  
trillion)

Innovation Hub

25% GDP share from manufacturing  
by 2022 from 16% at  
present...doubling employment

Transport & logistics – USD 114 bn by  
2014 at 10% CAGR

Universalization of secondary  
education by 2017

Health expenditure to reach 2.5 % of GDP  
by 2017... Healthcare to become USD 170  
billion market by 2025

# Role of a foreign company



# Environmental Sustainability : P & G

---

<b>Insight</b>	<b>Consumers want to support top need of Education of poor children</b>
Program	Supported 140 schools in partnership with social organization
Contribution	INR 220 million by employees, stakeholders, celebrities, thought leaders
Employees	Volunteer time and effort
Insight	Consumers want to support top need of Education of poor children

---

# Role of Foreign company

**Support  
Inclusive  
Growth**

**Connect  
with local  
community**

**Develop  
efficient  
solutions**



# Coca Cola India's Engagement With Sustainability Programs: Water

## Improving quality of life

Coca-Cola in India works with local organizations, governments and NGOs to support projects most relevant to community needs.

## Water

<b>Reduce</b>	Water is most important ingredient in beverages. It is also used for rinsing, cleaning, heating and cooling. Coca-Cola in India has improved its water use efficiency by over 25 percent since 2005
<b>Recycle</b>	Wastewater is recycled through a treatment and cleansing process.
<b>Replenish</b>	Coca-Cola works on Water replenishment projects that support communities and nature - rainwater harvesting structures, construction of check dams, restoration of ponds and traditional water bodies. They have installed 400 rainwater harvesting structures across 22 states



Thank You