FIND INSIDE

"Indovation" - How to innovate for India

Many Austrian companies today are facing stagnant sales in their home market(s) that are not only developed but also saturated. Furthermore, the unsolved on going European debt crises has added considerable uncertainty to the business environment such as causing delays in investment or slowing down the consumption. Similar to many international business houses it has also become an imperative for the proactive Austrian entrepreneur to look out for new growth potential in emerging economies like India.

The booming Indian market and the middle class society with rising disposable income offers infinite opportunities for the Austrian companies. In addition, huge investments which are being made in India towards building a better infrastructure and for the development of the industrial sector is attracting a large number of global suppliers, manufacturers, engineers and consultants to offer their technology, products and services. However, most of them face unexpected difficulties to compete in the Indian market.

Why companies fail in India: poor product-market fit and fierce competition

In the last few years India has seen a huge shift of its business environment. India is not only a dynamic market driven by domestic consumption across all levels of its society, but it has also developed a vibrant local ecosystem of innovative companies offering a huge range of competitive products and services serving literally each and every niche of the Indian society today. Nowadays, Indian companies are not only offering quality brands and hi-tech products but they have also penetrated the entire market towards the so-called "*base of the pyramid*", offering high-value and low-cost products to a huge mass market. Today manufacturing is catching up, companies are innovating, product quality is rising, value chains and distribution channels are getting established, the retail sector is booming and marketing is omnipresent across all media channels. In a nutshell, the Indian economy that is built mainly by the Indian entrepreneurs has finally established itself.

In the last few years the Indian market has become quite crowded and it is becoming more and more difficult for the international players to enter with their existing product portfolio. Unless, one is in the business of luxury and branded products (valid for consumer business) or owns a world-class and unique technology (for B2B) India has become an extremely competitive market to penetrate and to succeed in. The following two reasons explain why?

▟ No Indovation: Most companies want to export to India. But European companies rarely develop *India-centric* products. Hence, they lack products specific for the Indian market and fail with their existing premium offerings from the West. The Indian customer is not only extremely price sensitive but is also very demanding. If innovation is considered equivalent to both invention plus market success then *Indovation* means successful marketing of India-specific products and services.

▟ Reverse Innovation: India is becoming a global innovation hub that develops not only valuable products for South Asia but has also started to do the same in the West. Nowadays, India is much less dependent on the Western technology.

Companies in India do have the know-how and human resources to not only innovate, market, distribute and monetise in India but also to enter the developed economies in the world.

Indovation process

Despite the immense chances India offers today, it was probably never more difficult to exploit these market opportunities. There is definitely a shift of power and influence – through innovation – from the developed markets to the developing nations. So understanding the rules of Indian innovation and taking advantage of its attributes, requires the junking of our dominant European logic of over-designing products. The Indian market requires flexibility, adaptability, value-for-money and quality. The amazing diversity, consciousness of substance over form and pricing needs to be well understood. In order to innovate for India it is best to follow the three prong approach:

/ **Darshan**: Acquire deep market intelligence

/ **Maya**: Development of India-centric product

/ **Pragati**: Market entry and scaling

> " The Indian market requires flexibility, adaptability, value-for-money and quality. The amazing diversity, consciousness of substance over form and pricing needs to be well understood.

Darshan: Acquiring Market Intelligence

Darshan is a Sanskrit word meaning "sight", used to refer to the meeting of a devotee of Hinduism with a holy person or god. Since the customer is also a god, I would like to call the phase when to meet and understand the Indian customer as *Darshan*.

In order to innovate for India, an Austrian entrepreneur needs to acquire a deep understanding of the local culture, hence the customer behaviour. Most European companies lack substantial market intelligence and are biased with pre-formed assumptions about the Indian consumers and their problems, needs and wants. If a company has been able to export to Russia, Middle East, China or Brazil, it is not necessary that it will sell in India as well.

In order to understand the Indian market it is not only enough to visit India for a week in a year but also to spend a longer period of time to observe and learn. In India arrogance is inappropriate even for a world market leader. Even international giants like Coca Cola or Volkswagen had to learn the hard way. In India everybody is a beginner again and therefore should be modest and curious.

What to do during this phase:

/ Spend as much time as possible in India and explore the country outside the board-room.

/ Observe and interact with your potential customers. Listen carefully to them and accept their feedback.

/ Connect with the local marketers, engineers, distributors and investors to get their views.

/ Study your direct and especially indirect competition.

/ Hire a knowledgeable person whom you trust to guide you through the Indian market.

/ Do not try to find definite answers. Take your time, accept contradictions and do not make fast conclusions!

/ Involve the highest executives to perform operations in India.

Maya: Development of India-centric product

Maya means illusion and magic in Sanskrit but also creative energy and therefore describes what is required to develop innovations for India.

After the necessary understanding of the Indian market and the strong commitment towards it, it becomes imperative to translate one's insight into an India-centric product. Sheer customising ("*glocalisation*") of your existing offer is not sufficient. The Indian market is not as homogeneous as the western markets, each region is different from the other and to be able to be successful it is extremely essential to understand the needs, desires and wants of the market. It is not only essential to keep in touch with the dynamic behavioural changes of the customer but also to have a continual grasp on the consumer pulse.

The consumer in India is extremely value conscious; they are now well travelled, informed and sophisticated and therefore are aware of what is available in the western world. They want the latest and modern technology without having to pay a heavy price for it. Besides pricing, the customers also expect different product performance embedded in a different infrastructure with different cultural preferences and use cases. Therefore, an India-centric product should be a "value product", instead of a low-cost, generic, copy-cat version of the developed market. Your product must create MORE value, FOR LESS money, FOR MORE people! To achieve this, solutions specifically targeting the Indian consumers and users must be developed.

> **The consumer in India is extremely value conscious; they are now well travelled, informed and sophisticated and therefore are aware of what is available in the western world.**

Technology is a key factor because it is not possible to solve India's problem of today with European solutions from yesterday. First and foremost, you must ask yourself how and where your technology can create value for your Indian customers and who is really willing to pay how much for your offering. The problems you have to solve in India will differ drastically from other markets. So be prepared to use your technology for very different and challenging applications.

A point to note: Most industries do not develop in the same way as they have developed in the West. In other words, merely waiting for your target market to grow into your product portfolio is not enough.

Follow these principles for your product development:

/ Let Indian engineers and marketers lead the innovation process, and support them with your technology and resources.

/ Design products that match the customers behaviour, preferences and taste.

/ Think about Indovations not only in terms of the product, but also in terms of process and business models.

/ Be flexible and develop hybrid and modular solutions to fill the gaps, rather than sell fully integrated and automated plants.

/ Position your products and services as a status symbol.

/ Functionality is more important than design.

/ Service is key. Your customer expects installation, maintenance, training and service to be a part of your offer.

/ Focus on simplicity, usability, durability, robustness and scalability.

/ Apply Pareto principle and *Jugaad* as design paradigms: Pareto proofed that one can reach 80 percent mature products with 20 percent of the inputs

"Jugaad" *which literally was described as jalopies driven by India's rural poor. However, this very concept is now a fast spreading global phenomenon. In today's context it is relevant because in the West we are beginning to see two important changes that are related to extreme resource scarcity and a shift in the demographics and technology. In a changing environment one must develop a different approach to innovating. The innovation must not come merely by investing billions of dollars but it must also be frugal and flexible. In fact, it should be all inclusive. The approach of Jugaad is all about that. It's a way of innovating faster, better and cheaper.*

Pragati: Market entry

Pragati means development and progress and here describes the phase of "*go to market*".

After various iterations and the proof of concept, it is time to develop a marketing strategy for India. Advertising and distribution can be more expensive than in the West, therefore the product has to be the key element (see Maya).

Apart from the product and pricing consider the following marketing advise:

/ Source locally and manufacture in India.

/ Customer delight will lead to word of mouth marketing, which works very well in India.

/ Develop a popular brand. Trust and status are inherent values of the Indian society, hence branding is important.

/ Consider digital advertising and use the outreach of 750+ million mobile phone users, for most people the only device to consume information and connect to the world.

/ Use capable channel partners for your distribution, instead of building your own.

/ Appoint experienced and trusted sales representatives who have a know-how of the trade tricks and can deal with local challenges as well.

/ Use a "multiple nucleus" strategy to develop the market. Indian market is wide-spread and extremely heterogeneous. Create hubs in the metros of different regions to spread further.

> **Use a "multiple nucleus" strategy to develop the market. Indian market is wide-spread and extremely heterogeneous. Create hubs in the metros of different regions to spread further.**

Some of the world's leading companies such as GE, Intel or Hyundai have fully realised the market potential of India and are therefore following a "*India first*" strategy. They launch some of their products in India before they are introduced in the US or South Korea. Along with their sales strategy, they are also shifting their R&D activities to India. Not because of it being cost effective but because they trust in the innovative results they can achieve in India.

/ About the Author of this Publication

Wolfgang Bergthaler is an author, consultant and an entrepreneur. Since 2004 he is associated with India. He specialises in marketing and innovation for India, with a focus on information technology, high-tech products and services. He blogs regularly on www.indische-wirtschaft.at where you can also find more information about his book "Indovation: Produkte für den indischen Markt erfolgreich entwickeln und verkaufen" that was recently released in the press.

www.indische-wirtschaft.at
Das Medium zum Wachstumsmarkt
www.mayaindia.at
Indo-European Business Development

/ The Indian Embassy Commercial Wing

The website of the Embassy of India, Vienna, offers a wide variety of business related information carefully selected to meet India-Austria's business demands. In our online portal, companies not only have the opportunity to find relevant information on India-related trade matters, but can also interact with the commercial wing of the Embassy by submitting their trade inquiries online.

Additionally, the Embassy compiles a quarterly economic and commercial report on Austria, which is targeted at Indian business readers and trade corporates. The same can be downloaded directly from our Website or received via email by registering on our website.

Besides the online presence, the Embassy also has a Business Centre Facility, located on the first floor of the Main Chancery building. TBusinesspeople and parties interested in requesting, exchanging or providing information on India-related business matters are cordially invited to visit us. You can either schedule an appointment with a representative of our commercial wing at the contacts given below or simply visit us during our opening hours Mondays to Fridays from 11AM to 1PM.

The Commercial Wing/Business Centre
Kärntner Ring 2 (1st Floor), 1010 Vienna
Tel : +43 1 505 8666 31
Email: marketingofficer@indianembassy.at
Email: marketingassistant@indianembassy.at