



# International Opportunities in India's Consumer Business

A Webinar For Sales, Marketing, Engineering, Sourcing professionals

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A recorded version will available for a limited time at [www.amritt.com/cpgwebinar](http://www.amritt.com/cpgwebinar)

# California-Grown Pistachios Take India by Storm

- Paramount Farms entered India
- Amritt client expands overall market and displaces Iran product
- Now sold in more than 12,000 outlets all over India



# Why India, Why Now?

- Political alignment
  - President Obama headed to India again this month
  - Secretary Kerry was there on Sunday, Commerce Secretary Pritzker went in August
  - \$500 billion bilateral trade target, up from current \$100 billion
- GDP Growth at 5-8%
  - Consumer Goods Market growing at 13-20%
  - By 2025, India will be the 5th largest consumer market in the world
  - World Bank says India's economy now exceeds Japan in PPP terms
- American companies are winning today
- Your decisions in 2015 are key
  - Smart companies will build a winning lead
  - Smart executives will assure career success



# Amritt: The India Experts

- Experts in Globalization
  - Advisors/management consultants
- Our Clients are Global 2000 companies
  - Also selected emerging companies
- Market Access
  - market evaluation, distribution planning, partner identification selection, sales calls, hiring
- Sourcing of Services and Manufactured Products
  - R&D, Engineering Services, Technology Scouting
- Teach seminars on Doing Business in India
- Cross-Border M&A
- Current Focus Area on Consumer Packaged Goods



# Agenda

- 1 Overview
- 2 The 4Ps of Marketing Applied to India
- 3 R&D Collaboration with India
- 4 Sourcing from India



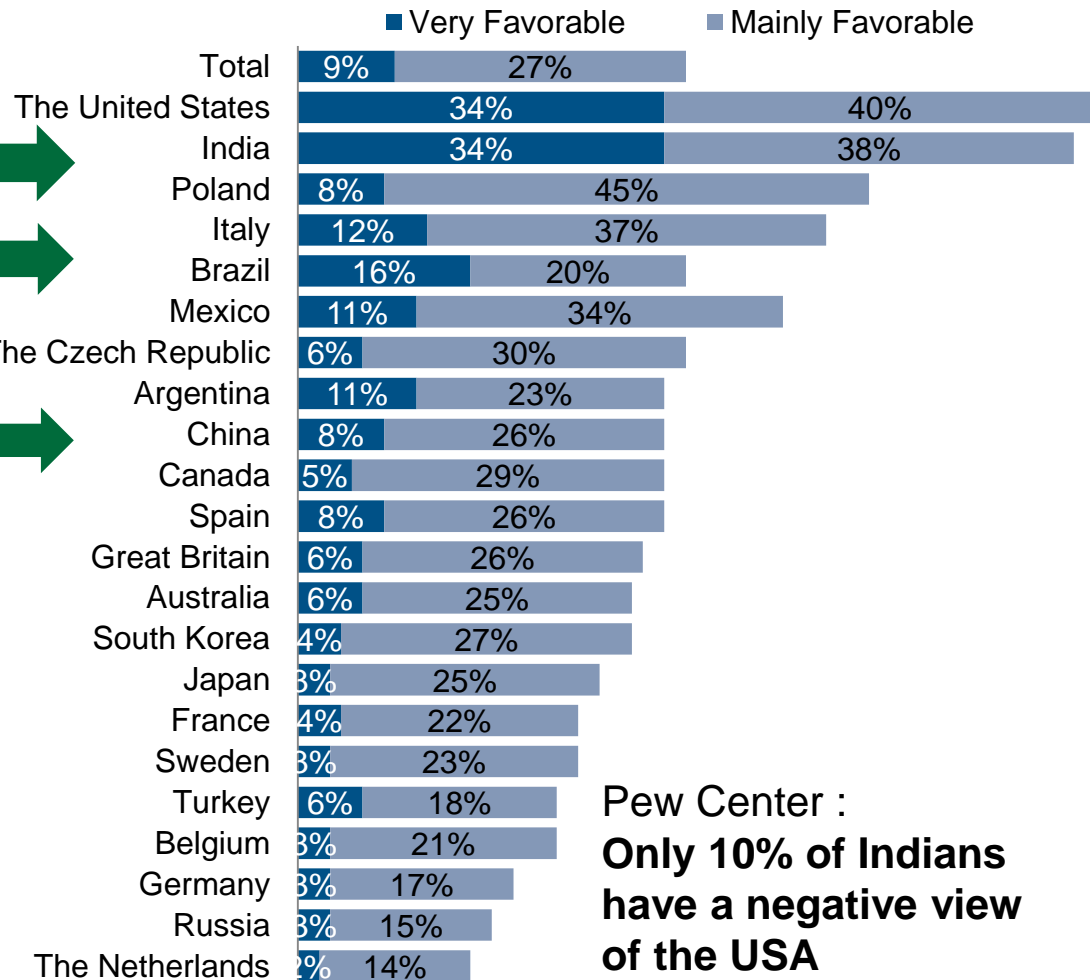
# Indians love the U.S.A.



Mumbai welcomes Joe Biden (in Indian English)

## Favorability towards the United States

(source: Ipsos 2008)



Pew Center :  
**Only 10% of Indians have a negative view of the USA**

# India Consumer Market Has Compelling Demographics

72% rural; The urban population is huge – 286 Million

- **Most of India is under 25 years old**
- 23 official languages with over 200 dialects
- Business is run in English (Indian English)
- 6 top urban areas account for 60 Million people
  - Mumbai: contributes 25% to national GDP, 35% to income taxes
  - Delhi: National Capital Region – fastest growth in infrastructure
  - 3 Southern Metros –
    - Chennai, Bangalore and Hyderabad lead in I.T and the Automotive Sector
  - Kolkata in East is a major center as well



# CPG Ecosystem: EU, India, USA

CPG Company (partial list)	Revenue	
Hindustan Unilever India	\$4.3 Billion	Leaders are EU-based companies with long legacies, have “Indianized”
Nestle India	\$1.5 Billion	
ITC (Consumer only)	\$1 Billion	
Britannia (cookies)	\$954 Million	Home-grown companies are rising to create a threat
Dabur (“traditional” products)	\$800 Million	
Marico (hair oil)	\$600 Million	
Colgate Palmolive India	\$540 Million	
Nirma (detergent)	\$400 Million	
Tata Global Beverages	\$400 Million	
Godrej Consumer Products	\$608 Million	

Revenues are Amritt estimates derived from public information

# Four Multipliers Fuel India's CPG Market Today

1. Per capita income is rising rapidly
  - This promotes the ability to spend beyond food
2. Rapid Urbanization brings new consumers
  - Over 200 million people moving to cities in 5 years
  - Increasing product segmentation driving new product SKUs
3. India's median age is just 25 years
  - Young consumers are eager to adopt new, modern brands
4. "Bollywood" and Glamor
  - Rising media consumption drives aspirations
  - Indian movies dominate,
  - Western media growing



# American Success: Colgate-Palmolive

- **Well Established In India**

- Was the market leader in the toothpaste segment until competitive pressures built up in recent years

- Responded to consumer trends toward specialized products for “well-being”

- Launched Colgate Sensitive Pro-Relief Toothpaste

- Quickly became the number one player in the sensitivity segment

- with a 15% Market Share



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- CPG client hired us to “fix” tepid sales,
  - which were 72% below projections at end of Year 2
- Pricing and Promotion was fine
- Distribution was limited,
  - But sales projections had factored this already
- Key inhibitor of repeat buys was the product
  - Just one feature created considerable consumer distaste in India
  - Amritt evaluation was validated by focus group study in multiple cities
- Removing feature saved 6% in cost, and spiked sales





Kitchen Spice Box offers freshness via airtight seal, compared to traditional steel containers

Compartmentalized lunch carrier suitable for North Indian Diets



# Takeaway: Make your Products India-ready

## Selling to diverse segments

- By quality, by size, etc.
- Frito-Lay offers many spicy alternatives
  - *Kurkure* brand
- Levers wins with herbal soap,
  - *Hamaam Bar Soap*

## Modify to Indian preferences

- Fragrances: Jasmine, other herbals
- Packaging in re-usable containers



Veggie Sandwich at  
Dunkin' Donuts &  
More Delhi



with Sandal

The new Vatika soap variant has natural ingredients like Sandal and Saffron that go deep into your skin to make it glow.

English /Hindi Mix in print ad

Available in 100gms

ऐसा *Glow*, सोच में डाल दे जो.

Vatika

15

This appeared in  
a family-oriented  
print magazine.

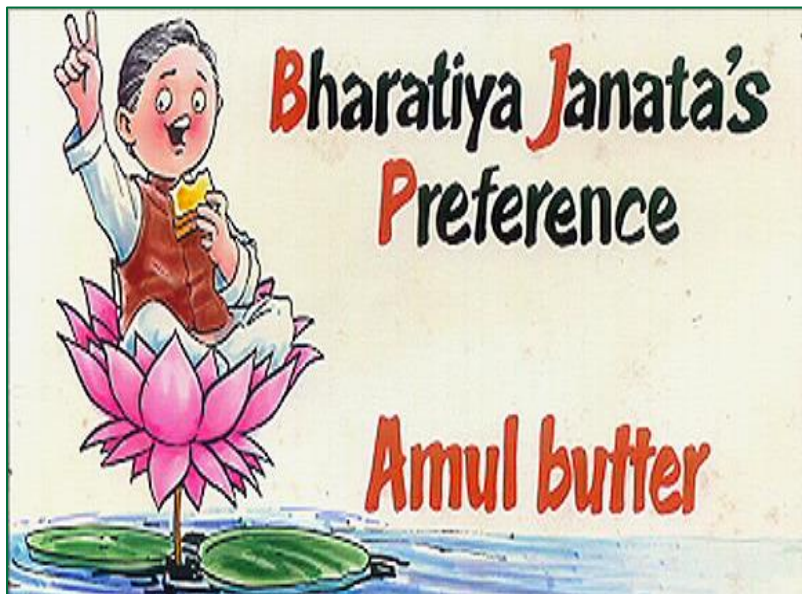
*India is not always  
conservative*



# Takeaway: Promotion

Promo

- World-class advertising agencies
- All media is growing in India!
  - Newspapers, magazines, TV, radio, internet
- Different advertising standards compared to U.S. practice
  - Politics, religion, risqué content, current topics, celebrity endorsements



*Amul* billboards include politics, news



Movie Star *Dia Mirza* endorsed “White Beauty” Cream

Modern retail



Traditional retail



90% of sales happen in traditional single-location retail stores.  
“Modern Trade” is growing fast, but success requires looking at both

- Direct distribution by Pepsi drink distributors into all towns of population over 5,000
- Sells in disposable bottles/cans, tetra-packs for juices, and returnable glass bottles
  - Collection mechanism for returnable bottles



- Entered India market in 1995
- Offers over 140 products
  - Personal care, Home care, Commercial products,
  - Concluded that mail-order would not work!
- Now has 4 regional warehouses, 64 city warehouses
  - And 5,500 logistic partner locations
- 2014: ~\$450 million revenue from India
- \$100 million factory expansion in Chennai
- Targets \$1 billion sales from India
  - Making India a regional hub for export to Asia



# Place: All manner of vehicles

Place



- Multi-layer distribution
  - Thousands of distributors
  - Agents, “stockists”, etc.
    - Six million retail outlets, ~95% are single location
  - By truck, cart or camel
    - Need robust packaging!
  - Home delivery expected
    - in many cases
  - Emerging direct sales
    - Amway, Avon



## Operates in eight product categories

- Fabric care, Hair Care, Baby Care, Oral Care, Gillette are primary
- Plans to expand categories and target \$20 per capita spend, similar to Mexico (current level is under \$1)
- A.G. Lafley confirmed \$1b investment plan



## P&G prices its products for India

- 6 cent “sachet” packs of shampoo
  - Pantene
  - Head & Shoulders
- *Ariel/Tide* price
  - reduced by 20-40% after initial entry
- *Oral-B* toothpaste
  - \$1 and \$1.60 per tube
- *Gillette Guard*
  - Designed for India
  - 30 cent razor, 10 cent blade
  - Case study on hbr.org



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# Alternatives for harnessing R&D resources

- Captive Engineering/R&D Center  
An offshore R&D location staffed by your employees  
(Including expats, local hires, or third country transplants)
- Joint Venture  
Typically with a local company in-market
- Outsource partner  
External service provider, with staff in China/India
- Collaboration
- Supplier contract
- From current supplier (“free” R&D)
- Amritt evaluates trade-offs among these.

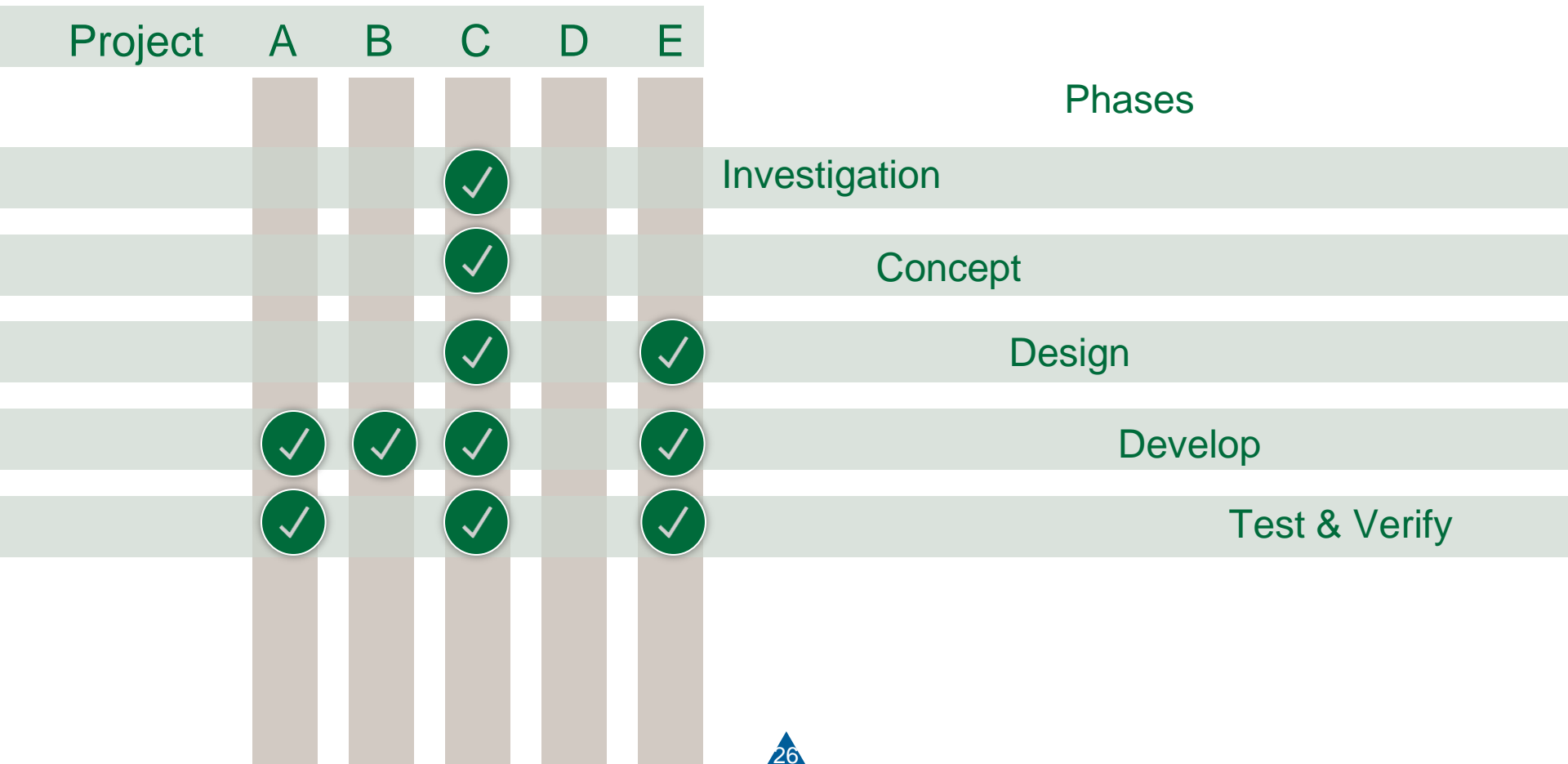


# Selecting the portion of the development lifecycle you can offshore or outsource

Many companies start with offshoring or outsourcing of design verification or analytical testing to India/China.

Over time they move upstream in the product development process lifecycle.

In Amritt experience you can start with any phase of the development cycle, if you plan right



# Frugal Innovation Improves Sales

Profit margins spike due to specific tweaking of product packaging and configuration



## Problem

Premium brand client was concerned about losing share to private Label and store brands.



## Process

Amritt investigated “frugal” products and business models from Asia



## Findings

Presented 11 ideas that could be adapted from India to company’s legacy market

## Final Actions

- Two of the ideas approved by corporate tech team and by business unit and implemented in West
- One idea handed over to emerging markets team, considered too radical for USA/Canada

## Company B Case Study

# Category Leader Seeks IP in Asia

Major home care brand finds promising information on product patents



## Drivers

- Competitive differentiation
- Desire to find natural, herbal solutions
- Belief that Asian climates may result in greater need for this category



## Geographies considered

- India
- China
- Sri Lanka



## Potential sources in India

- Companies in same mkt as client
- National Labs in India
- Individual Inventors



## Findings

- 26 distinct Indian patents
- Numerous other unpatented products and technologies



## Next Steps

- Contract discussions with ~6 IP/patent holders
- Sourcing discussion with one candidate

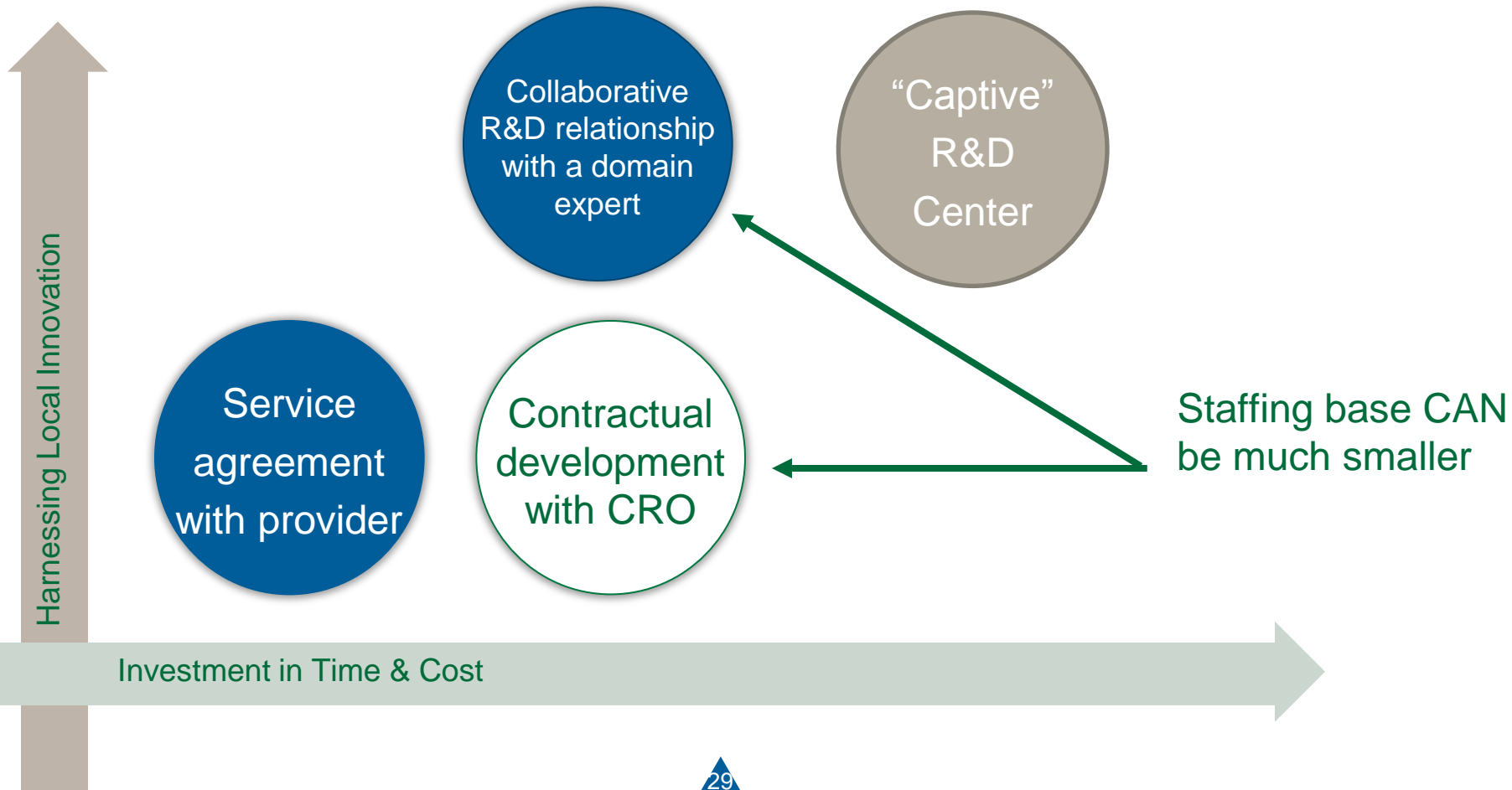
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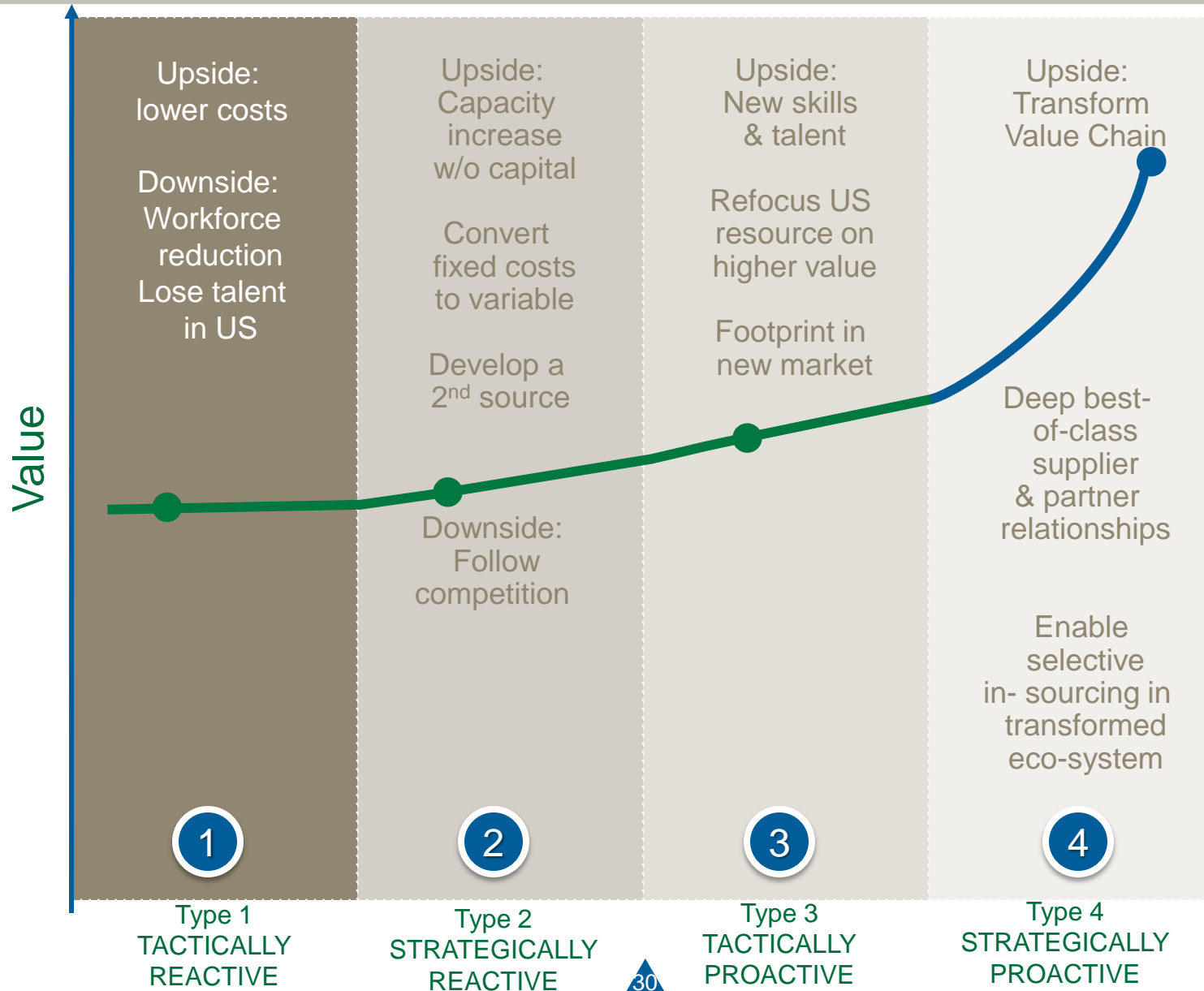
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# Balancing the India R&D Center:

## Size and Access to Local Innovation



# Proactive Globalization Amritt **PRNDL** model



# India: A Source of Innovation?

- “Frugal innovation” driven by local needs
  - Use models (pay per use, shared, 24x7 operation)
  - Re-usable rather than disposable
  - The “sachet” revolution
- “Natural” and “Herbal” legacy
  - Now backed by science
- In these cases patents/IP are owned by Indian companies



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# India: A Source of Ingredients/Products?

## Many CPG companies worry about China

- Intellectual Property issues
- Safety esp. concerning food supply, children's products
- Rising Costs in coastal China, Rising Currency

## Worthwhile Supply Chain Investigations

- Where India mfg. base can supply Asia, Africa etc.
- Packaging, printing, dispensing mechanisms
- Locally grown ingredients e.g. psyllium for *MetaMucil*
- Many others



# Next Steps to Success in India

**Ask for our Report on Making a Splash in India's CPG Market (\$195 value)**

*Contact us further for*

- Customized Market Assessment/execution guidance distribution
- Hiring
- Customer segmentation
- Pricing recommendations
- Product Registration and Regulatory Issues
- Advertising
- Expansion strategy
- Competitive analysis technology scouting
- Sourcing of
  - Ingredients
  - Partners
  - Products
  - R&D partnerships
- Setup of captive tech centers
- Outsourced service providers

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