

MADE FOR INDIA



Many multinational companies have realised that they need to tailor their products to local conditions to be successful in India. **Bhakti Chuganee** reports on their experiences.

When the American cereal manufacturer, Kellogg's, entered the Indian market in 1994 and launched its breakfast cereal here, it presumed that the Indian market would be a cakewalk. And why not? Kellogg's was a well known global brand needing no introduction. However, Kellogg's initial euphoria was short lived. It hadn't taken into account the breakfast habits of Indians. The breakfast menu varies from region to region and even between towns and villages. The market for cornflakes was just not big enough, as Kellogg's learnt to its dismay.

This summer, while the cereal maker is globally riding piggyback on the Star Wars theme, to coincide with the release of Star Wars-III, in India, Kellogg's has decided to come closer to Indian tastes. It has latched on to the subcontinent's favourite summer fruit by introducing mango-flavoured cornflakes. Apart from Kellogg's, many multinationals like fast food chain McDonald's, US auto major Ford, Finnish cell phone manufacturer Nokia, Dutch consumer electronics company Philips and the Korean chaebol LG Electronics have successfully tried to understand both, the Indian market and its consumer.

McDonald's in India is a joint-venture

company managed by Indians. Amit Jatia and Vikram Bakshi are the local partners responsible for running McDonald's in India. While Amit Jatia's company, Hardcastle Restaurants Pvt. Ltd. owns and manages McDonald's restaurants in western India, Vikram Bakshi's Connaught Plaza Restaurants Pvt. Ltd. does a ditto with McDonald's restaurants in northern India.

In India, which has a very strong vegetarian culture — and where eating beef and pork is proscribed by the Hindu

and Islam faiths — Ronald McDonald has developed a menu with vegetarian selections in accordance with local tastes and culinary preferences. "McDonald's does not offer any beef and pork items in India and has re-engineered its operations to address the special requirements of a vegetarian menu. The separation of vegetarian and non-vegetarian food products is maintained throughout the various stages of procurement, cooking and serving," says Amit Jatia.

Additions to the menu are a regular

feature. The product development team works on innovations in products, which are based on consumer insights and feedback obtained through extensive research. To date, McDonald's India has introduced 14 products to suit the Indian palate. "Currently, nearly 60 per cent of our products are totally vegetarian," says Jatia.

Ford India's \$380 million plant is situated at Maraimalai Nagar, about 45 km from Chennai in south India, and manufactures up to 50,000 vehicles a year. In a

PRODUCTS MADE FOR INDIA, CLOCKWISE FROM LEFT: The Nokia 1100, a special vegetarian McDonald's burger and the Ford Ikon



A GLOBAL MAJOR GOES LOCAL TO WIN CUSTOM: McDonald's Amit Jatia

crowded market with almost all the major marquee brands present, Ford India was the first subsidiary of a multinational car manufacturer to launch a car designed specifically for the Indian market. It was the mid-sized Ikon, which was launched in October 1999, and has since taken the market by storm.

According to Vinay Paparsania, Ford's VP, sales, marketing and external affairs, "The Ford Ikon is today India's leading mid-size car with over 190,000 units sold, including exports." An adaptation by Ford India for the Indian market is the Ford Fusion, "a combination of an SUV and a luxurious sedan in one model." Changes for India in the Ford Fusion include an all-new air-conditioning system for the hot and humid tropical climate. The car also meets stringent Ford requirements of water-wading for India and was subjected to tests for varying terrain like highways, semi-urban roads, rough roads, and city roads.

The Indian subsidiary of the Dutch multinational, Royal Philips, has been operating in India for 75 years and has a long track record of continuously adapting its products for the Indian market. For instance, it realised that it had to change its toasters and dry irons to suit Indian conditions. The toasters were adapted for smaller bread slices used in India while the dry irons faced the problem of failing

thermostats owing to high dust levels. "We changed the thermostat which was manufactured in India, to make it virtually dust-proof, and the life of the irons turned out much longer than earlier ones," says Nilesh Pandit, regional manager, kitchen appliances, Philips India.

The Korean consumer-goods major, LG Electronics, has adapted both products and services to the Indian market. Says K.R.Kim, managing director, LG India, "LG was one of the first companies which recognised the emerging changes in consumer needs and decided to differentiate their products on the basis of technology, with health benefits." Apart from leveraging the health angle across the broad spectrum of its product portfolio, LG has come closer to the Indian consumer by researching aspects as seemingly small as the paint preferences of purchasers across the regions. The result: different colours for different markets.

There are other adaptations which make LG products friendlier to Indian consumers; in televisions, LG has four regional languages for the On Screen Displays etc. In microwave ovens, LG has introduced mechanical panel models which are easier to operate in the rugged conditions prevailing in semi-urban areas. Consequently, it is not surprising to

discover that LG is now the market leader in colour televisions, refrigerators, washing machines and microwave ovens.

Perhaps the most striking example of designing products specially for India comes from the case book of the numero uno cellular handset maker, Nokia. That is because the design imperatives of a ubiquitous product such as a cellphone seem universal. Nor has a cell phone been around long enough to acquire a baggage of a culture-specific tradition. But Nokia executives, who view India as a major market, thought otherwise. Research showed that dust was a major irritant to users - and also a cause for malfunctioning of the instrument. In the tropics, sweaty palms was a reason why cell phones kept slipping.

In August 2003, Nokia, which was already the first to offer text messaging in local languages, unleashed the 1100 model. It was promoted as a Made for India product with a keypad that was melded into the body to make it dust-resistant. It also offered an anti-slip grip; and for good measure, it also had a torch thrown in. The torch was a novel and thoughtful add-on, particularly useful in rural India where power blackouts can sometimes be frustrating. Small wonder that the 1100 has turned out to be one of Nokia's most enduring and best-selling models.

Not all successful products have been designed from scratch. Sometimes, adaptations are effective. Like in the case of the Electrolux's innovative washing machine Washy Talky, which gives instructions on how to load the machine. For the Indian market, Electrolux made an adaptation by incorporating the Hindi language as an option.

Sometimes, product adaptations can take simpler forms such as packaging innovations.

Unilever's Indian subsidiary, Hindustan Lever, was reputedly the first to use sachets to sell single-use packs of its shampoos. The concept was to lure the millions of potential consumers in rural India, who may not have had ready cash for a higher-priced, and larger, shampoo bottle. For them, the smaller packets, with correspondingly lower prices, made a sound purchasing proposition. The sachet concept has become marketing lore in

DIFFERENT STROKES FOR A DIFFERENT MARKET

TWO AND A HALF YEARS ago Philips India introduced a crank up, or free-power, radio in the Indian market that didn't require any batteries since it works on mechanical power through the movement of a rotary arm. By turning the arm for one minute, you can listen to the radio for 30 minutes. "This has huge benefits in the power-starved regions of the country. It saves on energy consumption and running costs in the small towns," says Gunjan Srivastava, director, audio-video business, Philips India. Within Philips there has been talk of taking this product to its other markets in the Asia-Pacific region.

Philips India is working on another product, a special DVD player which won't require any power. "You can connect it to an inverter or your car battery," says Srivastava. He expects the product to hit the Indian market within the next six months.



Unilever's Indian subsidiary, Hindustan Lever Ltd, is India's largest consumer goods company, with a formidable track record in R&D. Recently, HLL developed a proprietary technology in detergents which reduces water consumption by 50 per cent, a significant benefit, given the acute water shortage in most of India where laundry consumes 20 per cent of household water.

HLL and Unilever scientists have also developed and patented a low cost device, which makes water as safe as boiled water, besides removing pesticides.



India and it is estimated that about 70 per cent of the volume of shampoos sold is packed in sachets.

Making products especially for the Indian market has predictably entailed investments, in terms of building local facilities or vendor networks. McDonald's has built its own unique cold chain in the country; which took more than six years and an investment of over \$100 million. Similarly, Ford India, has focussed on building a strong local supply base to increase local content and have a competitive cost structure. The indigenous content of the Ford Ikon manufactured at Ford India is currently over 90 per cent.

LG entered the Indian market in 1997 with a single manufacturing plant at Greater Noida, in the north Indian state of Haryana, manufacturing a limited portfolio of products. Encouraged by the response the company received for its wares in India, it set up another unit at Pune, near Mumbai. And it is planning to invest an additional \$250 million and make its Indian subsidiary the export hub for LG worldwide, catering to the Middle East and African markets. Nokia has decided to set up a manufacturing facility for handsets in India. The Unilever group is already making India the global source for many of its FMCG products.

Some brands erroneously thought that their lure alone would be strong enough to win customers.

Though the Indian consumer has his uniqueness, he is not altogether out of sync with the rest of the world. And, he is changing. Some of the aspects of a western lifestyle that have caught on with the younger generation are eating out with friends — against eating out with family — and take-away and home delivery services. McDonald's responded to this demand by introducing take-away counters and McDonald's Delivery. "The hectic pace of life and long commuting hours have been instrumental in creating this need," says Jatia.

Another aspect, which has earned the Indian consumer the epithet of being thrifty, is his preference for the value-for-money proposition. Many of the early entrants in the great Indian bazaar misread the signal and thought that the

lure of the brand-name would be strong enough to charge market prices prevalent in developed economies. Several brands collapsed under the weight of their prices; many are now attempting a comeback. Even among the survivors, from cell handset and automakers to brands of writing instruments and even with McDonald's, there has been a paring of prices.

To bring in the volumes, LG - which wants to position itself as a premium brand in the imminent future — has introduced its 'economy' range of products. Nokia too has brought down its price points to fight competition from a weakening 'grey' market. In the endeavour of getting a sizeable market share in a major consumer market, low prices may not be the only answer. Nor is the mere introduction of global products. Perhaps the winning formula may be the perspective of Philips India's Pandit: "You cannot blindly bring products from your international range and sell them in India. Various parameters such as design, product quality and pricing need to be evaluated before bringing in the product to be sold in India."

As more and more international brands enter the Great Indian Bazaar, they will discover the gravitas of Pandit's philosophy.