

BEYOND
THE
METROS
UK
BUSINESS
SUCCESS
IN
INDIA'S
EMERGING
CITIES



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Richard Heald

Chief Executive, UKIBC

I. Foreword

Businesses new to India may feel inclined to starting their India venture in tried-and-tested destinations like Mumbai, New Delhi, Chennai or Bangalore. They are well known and well connected. However, while they offer more mature and well-networked markets, they too can pose challenges of their own, such as a highly competitive and a more costly environment.

India's less-known or "emerging" cities offer huge business potential, which makes them ideal destinations for UK entrepreneurs and investors. They also offer, on the whole, higher growth rates, as they come from behind the major metros to gain a share of the wealth created by India's rapid growth. This report aims to inform UK plc of the advantages and disadvantages of doing businesses in India's emerging cities, and explore the reasons why these markets deserve special attention.

Today, more than 340 million people live in India's urban cities, and a report by McKinsey Global Institute estimates that India will have more than 68 Indian cities with a population of over 1 million by 2030. This demonstrates emerging cities' vast market potential: some of these cities will indeed be larger than some small countries in terms of population and output.

It is noteworthy that the Indian government itself expects the next round of economic growth to be driven by emerging cities; they are making strides in industrial diversification and infrastructure development. Cities like Coimbatore or Vadodara, for example, are quickly rising to the opportunity. Taking action on emerging cities today will no doubt prove advantageous in the long term.

Beyond the Metros gathers the views of businesses operating in emerging cities in order to assist the market entry or expansion strategies of other UK businesses interested in India. The report identifies the main challenges that affect businesses in emerging cities and provides top tips on how to overcome them. Findings are presented in two parts: first, the results of a survey conducted among our members and partners to identify UK activity in India; and second, a series of case studies of UK businesses' success in emerging cities across regions and sectors.

The UK India Business Council (UKIBC) wishes to help UK plc succeed in India and raise awareness of the opportunities in emerging cities and their advantages, such as rapid growth, untapped potential and low costs. We work closely with UK Trade and Investment (UKTI), the UK government's trade and investment arm, which helps UK-based companies succeed in international markets. There are good links between UKIBC's line of work on emerging cities and UKTI's outreach programme of visiting key Indian emerging cities to scan opportunities, build contacts and develop relationships. Further resources and additional material can be found on our website at www.ukibc.com and at the website of UK Trade and Investment www.ukti.gov.uk.

UKIBC is extremely grateful to the businesses that kindly contributed their time and expertise to making this report possible. We hope that you will find this document interesting and useful, and that you will feel encouraged to pioneer 'beyond the metros'.

II. Beyond The Metros: Survey

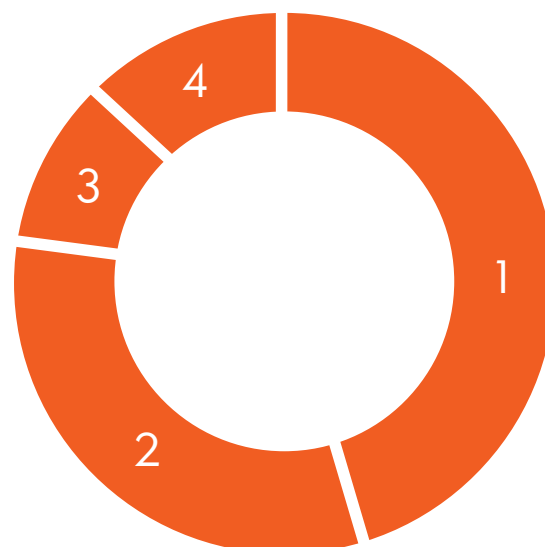
In the summer of 2010, UKIBC surveyed a pool of 40 companies from within our network consisting of UKIBC members and partner organisations. The aim was to develop a clearer idea of the activity of UK companies in India's emerging cities. Almost all the companies that responded to our survey were interested in finding out more about how the UK India Business Council and UK Trade and Investment (UKTI) were able to help them to explore potential business opportunities in India. The survey drew respondents from the consumer products, construction, creative and media, education and training, energy, financial services, food and drink, ICT, leisure and tourism and life sciences sectors.

Survey Findings

Of those respondents already operating in India, 37.5% were doing business solely in India's metros (New Delhi, Mumbai, Bangalore, Hyderabad, Chennai and Kolkata). Around 12.5% did business solely in an emerging city, and 34.4% had operations in both emerging cities and metros.

Figure 1: UK plc survey respondents, on their business footprint in India

1. Metro cities only	37.50%
2. Both metros and emerging cities	34.40%
3. Emerging cities only	12.50%
4. Does not operate in India	15.60%



II. Beyond The Metros: Survey

Potential opportunities were far and away the most important factor that led companies to India's emerging cities. Other reasons cited by respondents were the lower costs associated with doing business, infrastructure, availability of skilled staff and the presence of a known or preferred business partner.

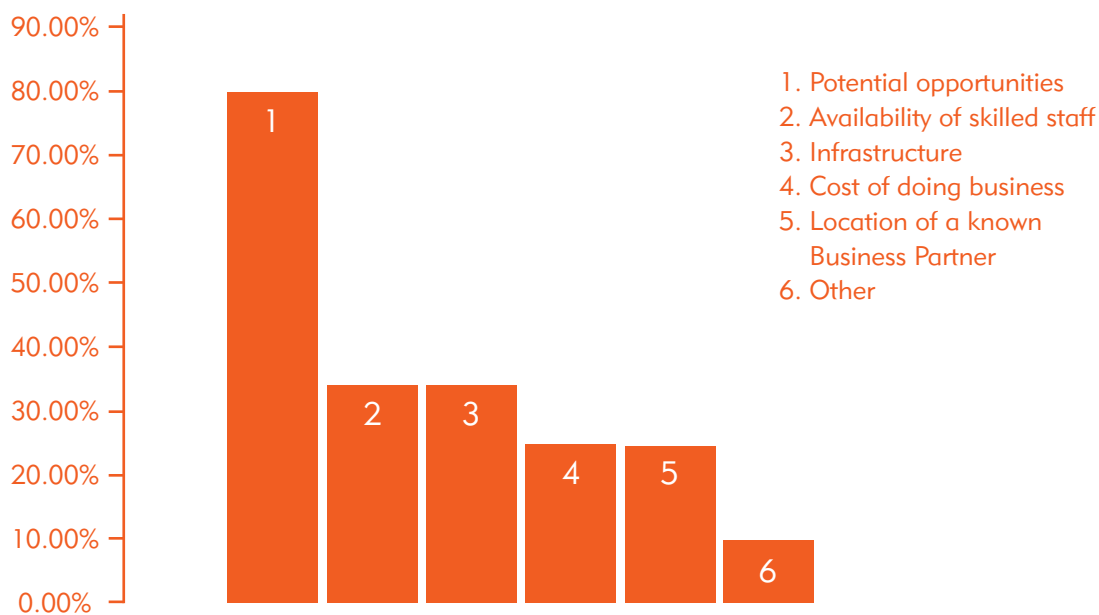


Figure 2: UK plc survey respondents

The most popular forms of business in India's emerging cities were direct exports, consultancy assignments and joint venture arrangements. Three quarters of respondents undertook thorough research before venturing beyond the metros. Emerging cities compared unfavourably to metros in terms of infrastructure and the availability of certain skills. However, there was more than adequate recompense by way of lower operating costs and the potential of untapped opportunities.

Emerging cities where businesses operate in, or that they considered as potential destinations included most notably: Pune, Ahmadabad, Chandigarh, Jaipur, Kochi, Coimbatore, Nagpur, Vadodara, Indore, Bhubaneswar and Goa.

The following challenges were cited by those doing business in the emerging cities (in descending order with the most challenging first):

- Legal or taxation issues
- Corruption
- Difficulty finding a suitable partner
- Tailoring your product to the market/product pricing
- Regulatory impediments
- Local competition
- Finding suitable staff
- Limited resources (management, financial) at the UK end

Respondents did not consider India an easy market to enter, though those that had entered felt that day-to-day business was relatively easy. Given that over half of our respondents with operations in India are present in emerging cities, it is clear that UK plc is already waking up to the vast untapped potential of these areas. The case studies that follow both mirror and elaborate on the survey data.

III. UK Business' Success In Emerging Cities Of India: Case Studies

Eleven UK companies successfully doing business in emerging cities were selected to feature as case studies in this report. The selection process, conducted in close collaboration with UK Trade and Investment (UKTI), involved businesses operating beyond the Indian metros of New Delhi, Mumbai, Bangalore, Hyderabad and Chennai. This helped us build on the survey data to understand how challenges and success factors affected individual companies.

The companies operate in various sectors and in different Indian regions. Sectors included: engineering, IT/ITeS, skills and education, digital innovation, mining, food and beverages, and manufacturing. Moreover, they operate in diverse business models such as subsidiaries, joint ventures, liaison/branch offices or captive facilities. This provided a diverse and complete sample of businesses. The following sections explore findings in greater detail, followed by the case studies.

IV. Doing Business In Emerging Cities

The chart below summarises various business considerations in both emerging and metro cities of India. It broadly reflects the views of the interviewed UK businesses operating in these locations and demonstrates that both types of cities can pose their own challenges and advantages. Businesses considering the Indian market should weigh up these issues when evaluating a new location.

Chart: Business Considerations In Emerging Cities Vs. Metros

	Emerging Cities	Metro Cities
Cost Of Business	<ul style="list-style-type: none"> • Low cost of labour • Overall lower operational costs • Sustainable cost advantage 	<ul style="list-style-type: none"> • High cost of labour • High operational costs • High cost of land
Human Resources	<ul style="list-style-type: none"> • Easier to differentiate your business and attract the local talent pool • Availability of local talent and skills • People have a very positive attitude • Easier to retain staff compared to metros • Lower staff turnover results in more stability for your business • Difficulty recruiting senior, managerial or highly specialised staff • Smaller talent pool compared to metros 	<ul style="list-style-type: none"> • Large talent pool • Availability of highly specialised labour • High competition to attract talent • Talent pool more ambitious and money-driven • High staff turnover – difficulty retaining staff

Chart: Business Considerations In Emerging Cities Vs. Metros

Services	<ul style="list-style-type: none"> • Frequent power cuts • No or little choice of international schools 	<ul style="list-style-type: none"> • Good standard of services • Wide range of suppliers
Living Standards	<ul style="list-style-type: none"> • Good standard of living • Relaxed environment • Less pollution • Low cost of living • Less crowded 	<ul style="list-style-type: none"> • Considerable levels of pollution
Infrastructure	<ul style="list-style-type: none"> • Infrastructure not as developed but sufficient • New investments in infrastructure result in more modern facilities and roads • Little choice of hotels • Roads often in poor condition 	<ul style="list-style-type: none"> • Good infrastructure but roads are saturated
Travel	<ul style="list-style-type: none"> • Easy to reach depending on the city • Ease of travel within city – very little traffic • Limited flight connections • Added time of travel from international locations – remote cities may involve an overnight in New Delhi, Mumbai or nearby hub 	<ul style="list-style-type: none"> • Huge size of the cities – long distances • Heavy traffic • International airports offer many flight connections
Generating Business	<ul style="list-style-type: none"> • Untapped potential and growing opportunities • Few competitors • Expanding industries • Small size of cities is good for networking • Cities are large enough for business • People and businesses are very welcoming • Easier to differentiate your business • Business networks not very developed • Markets not as mature as in Indian hubs 	<ul style="list-style-type: none"> • Mature markets • Springboard effect to other cities • Business and relations are more impersonal • Strong competition • You are not new – your business is one of a multitude • Difficult to differentiate your business, which requires more energy and resources into branding • Markets are saturated
Servicing Clients	<ul style="list-style-type: none"> • Proximity to clients • Easier to provide post-sale service 	<ul style="list-style-type: none"> • Most clients have offices in metros • Greater concentration of clients • Support cycle can take longer due to travel and traffic conditions – it is time-consuming to visit clients frequently
Partners	<ul style="list-style-type: none"> • You can have more influence with a smaller partner in a smaller city • Partners may have limited previous international experience 	<ul style="list-style-type: none"> • Businesses are more aware and experienced on international partnerships
Regulatory Framework	<ul style="list-style-type: none"> • Standardised pan-India • Government decision makers are more accessible 	<ul style="list-style-type: none"> • Standardised pan-India • Government decision makers more difficult to reach due to market saturation – but they have more experience with foreign investors

Advantages Of Doing Business In Emerging Cities

As demonstrated by the findings of this report, the most notable advantages of doing business in an emerging city are the low operational costs and potential opportunities.

Cost of land, labour and living are all considered to be lower in emerging cities than in metros where land is highly priced and the talent pool demands higher salaries.

Emerging cities present many **untapped opportunities**. As metro cities saturate quickly, businesses are looking to expand to lesser-known destinations that are still large markets in their own right. Depending on the type of business, from manufacturers to business service providers, each location can provide different advantages such as a high concentration of colleges (engineering colleges in Nagpur); state incentives for export manufacturing; access to certain **infrastructure** such as ports or highways; proximity to a large hub (e.g. Pune to Mumbai); or a large concentration of industry players and suppliers (for instance manufacturing in Coimbatore or automobile manufacturers in Aurangabad). Emerging cities are high-growth markets, with some cities forecast to double their retail space over the next few years. As these centres develop and incomes rise, the demand for goods and services will continue to grow. Furthermore, as Indian businesses in emerging cities look to expand in India and overseas, they have a newfound appetite for foreign **partnerships** in order to acquire capital and know-how and to grow. Exploring new and untapped markets provides businesses with the opportunity to benefit from **first-player advantage** and **low competition**.

In terms of **Human Resources**, businesses acknowledged that talent and skills are available in emerging cities, albeit not as abundantly as in metros. While there can be issues with retention, mainly owing to staff migration to larger cities in search of opportunities, it is far easier to retain employees in an emerging city compared to a metro. Talent in metro cities is known to be highly ambitious and money-driven because of the pressures and costs of living in a big city. This results in a high rate of labour attrition and higher costs for the company. Moreover, even when the right talent is recruited in a metro, the candidate may live up to 3 hours away from the company, given the sheer size of the city, which further complicates the recruitment process.

Traffic was found to be a notable difficulty of operating in metro cities. It could take between 2 and 3 hours to reach a destination in cities such as Mumbai or Chennai due to traffic congestion. By contrast, in emerging cities **little traffic** allows for more frequent visits to clients and an overall higher quality of life. Less pollution and welcoming attitudes further improve the perceived **standard of living**.

Some businesses based their operations in an emerging city because it was the location of a preferred partner, while others conducted a careful evaluation of various potential locations. Emerging cities served as **business incubators** to

some of these companies, by allowing them to set up in a smaller location with fewer competitors. With a better control of costs and getting to know the local market on a smaller scale, some businesses then grew from emerging on to metro cities.

Challenges

While both the survey and case study findings mention similar challenges such as **regulatory impediments** or difficulty **finding a suitable partner**, these could take place in metros as well as in emerging cities. The legal system in India is largely based on English law, hence it provides a largely standardised legal system across states. Interestingly, while the challenges are predominantly pan-India, the benefits associated with emerging cities are outstanding.

As mentioned earlier, **legal or taxation** issues can pose problems for businesses. Again, this challenge is not limited to emerging cities and can be attributed to the complex and often changing regulations in the country. Businesses often tackle these challenges by employing local legal and accounting advisors.

The two most notable challenges of emerging cities are those related to staffing (specific skills) and infrastructure. Other challenges mentioned include the cities' yet immature business networks and long travel times.

Staffing can be challenging, especially when it comes to finding appropriate sales, senior and managerial staff, or other highly specialised skills. However the talent is there, with more and more professionals choosing to stay in their cities and villages instead of moving to large hubs where competition and cost of living are higher; even more so if they have the prospects of a good employer.

Infrastructure remains an issue in emerging cities. However, many agree that the new investments in infrastructure result in more modern roads and buildings comparable to or even surpassing those of metro cities. Although power cuts are frequent, state governments are taking bold steps towards developing power plants destined exclusively for the growing demands of emerging centres (e.g. Maharashtra's investment on a power plant for Pune). Also, some states provide incentives to investment, which may include guarantees of uninterrupted power supply in industrial enclaves. While infrastructure is improving, businesses in remote rural areas still face issues with roads in poor condition. Transporting goods by road can take 10-12 days from the southern cities to northern hubs like New Delhi or Kolkata. Limited flight connections and less choice of hotels are also listed among the infrastructure-related challenges of emerging cities.

Business networks are less developed in emerging cities. Business groups or associations, and experience of dealing with foreign investors exist at the very early stages. This, however, is not necessarily a deterrent to business as it allows first-players to have greater influence and visibility. Investors are advised to take part in events and business delegations, which can help develop relationships early on. UKTI organises outreach visits to key emerging cities, welcoming participation of UK businesses with interest in the respective destinations. Most emerging cities discussed in this report are easy to reach

from overseas destinations. Locations like Trivandrum, for example, have more direct connections to countries in the Middle East than to Indian hubs; while Pune is only 3 hours away from Mumbai by road. By contrast, rural areas or more remote cities like Bhubaneswar still require long **travel times**, sometimes involving an overnight in each direction. Factories in remote locations may have staff who live in nearby guesthouses during working days and return to their home cities for the weekend.

Top Tips: Achieving Success Beyond The Metros

The following suggestions are valuable to businesses in emerging cities but they can be applied to India as a whole:

- **Make the most of India's growing potential:** India presents many opportunities and they are worth taking prompt action on. Pay special attention to emerging cities, as they offer growing and attractive markets with few competitors.
- **A good working environment is beneficial:** Shape your company culture and create a good working environment. This will greatly reduce attrition and provide stability to your business.
- **Adopt a long-term view:** Be patient – achieving results in India can take longer than in the UK. Demonstrate commitment to the market and be prepared to travel there frequently. Establish a close working relationship between your headquarters and offshore activities.
- **Networking:** a good network is of utmost importance in India. Connect with chambers of commerce and sector-specific networks. Approach sources of help like UKTI and UKIBC and attend networking events and delegations. The small size of emerging cities is good for networking. UKTI's Overseas Market Introduction Service (OMIS) is a chargeable service that can assist you by undertaking tailored research to find suitable business contacts (agents, distributors, suppliers or potential partners) in metros as well as in emerging cities of India.

Visit: www.ukti.gov.uk/export/accessinginternationalmarkets/overseasmarketintroductionservice.html

- **Focus your market:** India is such a large market that you can easily lose sight of what you want to do. Do not overextend yourself, especially if your business is an SME. Focus your business and define your goals. Favour an emerging city, as it will allow you to control your costs and have more visibility.
- **People on the ground:** Doing business remotely with India can pose many challenges, and growing your business can become nearly impossible. It is important to hire locally or have people on the ground.
- **Think local:** Adapt to local sensitivities and demonstrate cultural awareness, particularly in emerging cities and rural areas. Take the time to research the local culture and adapt your product or service accordingly. Culture can vary greatly from region to region.



CLIFTON PACKAGING GROUP LTD

AHMEDABAD GUJARAT



1. Tell us about your business - its origin, offering and coverage.

Clifton Packaging Group Ltd started in 1981 as wholesalers of carrier bags and paper bags, supplying to retail shops in the London area. The company is a privately owned family business. Over the years we expanded our activities and became involved in manufacturing of printed packaging films and bags, especially for the rapidly growing food industry. Today we supply world-class printed packaging to many blue chip companies all over the UK and abroad, and are proud to be ranked amongst some of the most innovative packaging companies.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

The ever-increasing costs of production in the UK and increasing competition led us to start a challenging journey to establish strategic long-term partnerships with successful companies in emerging countries. We started our search in China and India in 2002 and soon realised that India was a better option with huge potential but that it required a lot of groundwork.

We started off by trying to duplicate our UK manufacturing facility in India, but we soon realised that Indian entrepreneurs were investing and excelling rapidly, both in India and in global markets. We then decided to search for partnerships with Indian companies utilising world-class technologies that were keen to partner with well-established companies from the West.

After many years of trials and errors, we finally entered into joint investment and partnership agreements with selected companies, mainly in Ahmadabad, Mumbai and Delhi. Today we enjoy the very substantial rewards of all the years of hard work in India: our supply lines from India are very stable and secure and they meet the high quality standards required in Western Europe. Investing, expanding and exploring new markets are part of an ongoing process of evolution between Clifton and our Indian partners.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

At Clifton we are well recognised for always being at the forefront of packaging innovation and keeping absolutely up to date on global developments in the packaging industry. Our case was not one of learning about the India opportunity, but more about creating an opportunity for Clifton from the ground. We started working on the Indian equation well ahead of our competitors. Having done in-depth risk analysis, we were convinced well ahead of others that the benefits of entering India far outweighed the obstacles.

'OUR CASE WAS NOT ONE OF LEARNING ABOUT THE INDIA OPPORTUNITY, BUT MORE ABOUT CREATING AN OPPORTUNITY FOR CLIFTON FROM THE GROUND'

4. What was your business strategy for entering the Indian emerging city?

We never had a preference for any particular city in India. It was clearly a case of establishing links and partnerships wherever we found the most suitable state-of-the-art infrastructure. The strategy was to search, locate and establish firm, long-term partnerships with existing packaging set-ups rather than starting on our own, as we would have encountered many daunting challenges.

5. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

When we set out plans to take our business to India, we made a short exploratory trip, during which we received a great response from Indian companies keen to work with us. We rushed into a joint venture (JV) agreement with a company that had a similar structure to Clifton in the UK, but the relationship was not suitable for us in the long term, because of differences in our operational and management procedures. We then revisited our strategy and adopted different commercial relationships.

Outsourcing proved to be the best option but in order to be successful it required a lot of financial and human resource input in the start-up stages. Our clients are very demanding in terms of quality and production management standards, so in order to meet these requirements we worked very closely with our Indian partners to implement the necessary systems. This allowed both parties the opportunity to operate and manage our business independently, which proved to be a very successful formula. Today, I can confidently say that working with our Indian partners is as smooth and efficient as working with local companies.



Establishing local partnerships has been the hallmark of our success in India. India has been instrumental in our UK and global growth. Ever since we started dealing with India, we have enjoyed sustained growth year in, year out. India has given Clifton a formidable edge in the world of packaging and helped us to substantially expand our product portfolio.

It is important to mention that we did not need to downsize our UK manufacturing in order to achieve our objectives in India. Our partnership with India in fact allowed us to further expand our manufacturing base in the UK and make us stronger, rather than having to reduce our workforce.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

'INDIA HAS BEEN INSTRUMENTAL IN OUR UK AND GLOBAL GROWTH. EVER SINCE WE STARTED DEALING WITH INDIA, WE HAVE ENJOYED SUSTAINED GROWTH YEAR IN, YEAR OUT.'

Establishing our business in India has been one of the most demanding projects undertaken by Clifton. We faced numerous obstacles in India but we were totally convinced that the country was our future security.

One of the most important things needed to succeed in India is the ability to understand the business culture, which is vastly different from what we are used to in the West. Having grown up in a very cosmopolitan environment in East Africa and the ability to speak Indian languages fluently gave us a good understanding of Indian culture, which made things much easier for us.

In the early years our biggest challenge was finding the right partner, and the logistics of moving goods and travelling to different cities proved extremely demanding.

All our Indian partners are very well established and have put highly efficient systems in place. Today, Clifton is proudly working in India. Establishing mutual trust is the single most important secret of success in India.

7. Has the market in emerging cities met with your expectations?

We have a very clear and well established relationship with our partners in India. We have for a number of years engaged in highly skilled technical and knowledge transfer programmes, which have proved to be of great value to us. For Clifton, India has been and still is a great success story, way beyond our expectations. We achieved more than we expected because we entered India well prepared and we had the resilience to see us through the difficult times.

8. What key factors would you attribute your success in the emerging city to?

Understanding the local culture is the key to success in these markets; cultures vary tremendously as you travel to different parts of the country. Furthermore, success will only come your way if you firmly believe and are fully committed to making things work in your favour. An ability to approach matters with an enterprising open mind and to think outside the box proved to be most helpful.

Foreign companies working without local partners have to face many daunting challenges. We were very fortunate to locate high-quality skilled people through our partners in India and this was instrumental in accelerating our progress overall, with the result that they are not just ideal but perfect partners now.

Clifton personnel travel to India on a regular basis but our biggest secret of success was to bring over selected personnel from our Indian partners and provide them intensive training on all the quality systems, production procedures and management structures of our UK manufacturing. Armed with all this disciplined training, they all returned to India and applied their experience. Clifton has regular staff exchange visits with our partners in India to keep fully abreast of procedures and developments at both ends.

9. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

India is Clifton's most important secondary production base and the main hub for sourcing key raw materials for our UK manufacturing site. We do not sell anything on to the local markets in India.

'THERE IS A HUGE ABUNDANCE OF HIGHLY SKILLED WORKERS AND MASSIVE UNTAPPED POTENTIAL. WE HAVE GAINED SUSTAINED BENEFITS AND HOPE FOR MANY MORE IN THE FUTURE.'

There is a huge abundance of highly skilled workers and massive untapped potential. We have gained sustained benefits and hope for many more in the future.

The majority of our travels in India are by air, due to time constraints, and fortunately the internal flights are very regular and on time.

India has come a very long way in the last 15 years. Today, the State of Gujarat can proudly claim to be among the greatest global success stories in terms of infrastructure development. A classic example is Ahmadabad, which now has a world-class airport, the road networks are excellent and the industrial development is awe-inspiring. The city is one of the best places to do business in India, compared to many metros, where rush-hour traffic is 24 hrs per day, wasting a lot of valuable working time. People in the emerging cities of India are enterprising and exceptionally proactive on all fronts in the commercial arena.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

Indian entrepreneurs have consistently proved to have a remarkable resilience and ability to navigate India's regulatory environment. They are able to overcome bureaucratic impediments, corruption, bribery and many other obstacles. Clifton would not have been able to deal with any of these on its own.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

India plays a very important part in Clifton's future strategy and development plans. The country is growing rapidly and at Clifton we are proud to be part of this change. We are constantly monitoring and adjusting our plans to ensure that we do not overlook any opportunity. Large industrial parks supported by the government are emerging throughout India. We are in regular dialogue with our Indian partners to see how best to further our business.

12. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?

The global financial equation is changing rapidly and today India and China cannot be ignored. The secret of success in India is to adapt, improvise and get to fully understand the culture of doing business in the Indian commercial arena, which is vastly different from that of the Western world. Before entering India to explore opportunities, it is vitally important to pre-plan, to establish a focused strategy and to establish firm links with Indian partners who have proven track records. Do not underestimate the vastly improved state-of-the-art technologies that Indian companies are using to compete worldwide.

My simple advice is "don't try to run before you can walk". In India things happen in a very different way and it is important to understand their methods of doing business. Establish solid personal relationships based on trust and total commitment with local partners and you will surely progress rapidly in realising your long-term objectives.

Emerging markets are resilient and committed. Embrace them and win the race, or ignore them at your own peril.



EDEXCEL INTERNATIONAL

NOIDA UTTAR PRADESH



'LARGE CITIES DO HAVE A LARGER POOL OF CANDIDATES AND COLLEGES DELIVERING QUALIFICATIONS BUT THIS ALSO MEANS THAT THERE ARE A LOT MORE PLAYERS IN LARGE CITIES. AN ADDED ADVANTAGE OF EMERGING CITIES IS THAT THERE ARE VIRTUALLY NO COMPETITORS.'

1. Tell us about your business - its origin, offering and coverage.

Edexcel is the UK's largest awarding body, providing academic and vocational qualifications and testing to more than 25,000 places of learning, including schools, colleges, employers and other places in the UK and in over 100 countries worldwide. Edexcel prepares courses, assesses, examines, quality controls and certifies achievement. Our offered qualifications include A-levels, GCSEs, Key and Basic Skills, and the vocational BTEC suite that provides progression to National Diplomas and tailor-made qualifications for employers. The company employs around 1,000 permanent staff and another 1,000 temporary staff in peak periods, together with 16,000 examiners and moderators. The head office is in London, with regional offices in the UK and four offices overseas.

We are recognised by regulatory bodies in the UK including the Office of the Qualifications and Examinations Regulator (Ofqual) and the Joint Council for Qualifications (JCQ).

Edexcel International in India works within the offices of Pearson Education located in Noida, in Uttar Pradesh. Edexcel is a part of Pearson, a world leader in education publishing, media and related services. With support from the UK office – all academic content is developed in the UK – Edexcel's regional Indian office is dedicated to the delivery of qualifications and acts as liaison to local business. In India, we are recognised by the Indian Ministry of Human Resource Development, which regulates foreign international organisations delivering academic qualifications.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

Edexcel began operations in India in 2002, initially managing the business from the UK and delivering examinations in India through our partnership with the British Council. It was not until 2008 that Edexcel hired local representatives.

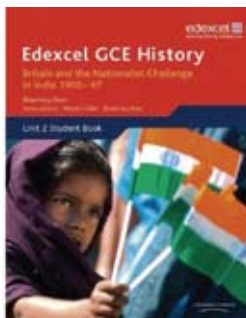
Currently there are over 30 approved accreditation centres for academic or vocational qualifications throughout India, many of which are located in emerging cities such as Chandigarh, Gurgaon, Vadodara, Dehradun, Mysore, Pune, Surat and Trivandrum.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

Economic and industrial development in India has brought an increased demand for formal training. The increased awareness among colleges to provide world-class accreditations is a very good incentive for our business expansion in India.

4. What was your business strategy for entering the Indian emerging city?

Edexcel began operations in India in 2002, managing the business remotely from the UK office. Having no full-time representatives in the country posed a few challenges in overseeing the day-to-day operations and it became very difficult for the business to grow.



Between 2005 and 2008, with the help of consulting firms, the company made significant progress in the Indian market. By 2008 we had full-time representatives based in Pearson's offices in Noida and we now count 9 staff including one person in Chennai.

The strategy and challenges vary from region to region, for instance colleges in large metropolitan cities are traditionally more aware of international qualifications, whereas colleges in south India have only recently become interested and proactive in seeking such qualifications.

5. What business model did you leverage for market entry into the emerging city?

(Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

Edexcel operates across the globe, but the company cannot deliver examinations on its own. We must rely on our partners. Qualifications can be delivered through a wide array of partners, such as governments, professional bodies, companies, training providers, colleges and schools.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

When an institution enquires about qualifications or to become an accreditation centre, the prospective partner must go through a strict process to satisfy quality measures before Edexcel can approve them to deliver qualifications, as is required by regulatory bodies. The process considers an institution's systems and processes; the credentials of teaching staff; facilities and premises; and the level of quality and support they provide to their students. Bringing institutions up to standard can be slightly trickier in smaller cities because of their limited previous experience with foreign providers. Nonetheless, coaching and training are a regular component of the accreditation process, which Edexcel is happy to deliver.

The biggest challenge in emerging cities for us has been to change perception of the need to adopt international qualifications. We have had to adapt to local sensitivities. When conducting audits, there is an added cost and time to visit remote areas but it has in no way limited our development. Infrastructure and transport have not been a problem for us.

7. Has the market in emerging cities met with your expectations?

Yes, India as a whole is increasingly more aware of the need for internationally recognised education.

One of the advantages of working with large partners in metro cities is the springboard effect it has into other cities. For instance, a college in New Delhi providing Edexcel's qualifications will likely extend their offer when expanding into smaller towns and opening new campuses. This represents more business for us.

8. What key factors would you attribute your success in the emerging city to?

'INVESTORS CANNOT ENTER THE INDIAN MARKET THINKING "I WANT TO MAKE X AMOUNT OF BRITISH POUNDS BY X DATE". YOU MUST THINK IN RUPEES – THINK LOCAL.'

Operating under the umbrella of Pearson Education was very helpful in setting up our office in India, mostly because of the company's longstanding presence in the country and the advantages of brand recognition.

India's increased demand for skilled labour has definitely played a role in our business growth. Education is now more than ever linked to employment: employers are consumers of talent and India's industrial development means more of these employers require their workforce to be trained and globally competitive. Edexcel's qualifications help standardise these skills, and the quality of our product has been a key factor in our success.

Moreover, our business partners across India have in great measure enabled Edexcel to thrive in the country.

9. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

There is no great difference between the two, perhaps only slightly in terms of awareness and costs.

All Edexcel centres, regardless of their classification, abide by the "instructions for conducting examinations" as determined by regulatory bodies. This enables us to control and monitor quality levels.



Large cities do have a larger pool of candidates and colleges delivering qualifications but this also means that there are a lot more players in large cities. An added advantage of emerging cities is that there are virtually no competitors.

From a regulatory perspective, relations with government are quite similar in both emerging and metro cities. If there is a difference, it is once again that of awareness. Officials in large cities are more aware of our business and are therefore easier to gain access to.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

Unlike the manufacturing sector, our line of business does not often profit from government incentives. However, the Indian government is serious about education and has taken decisive action towards reform. Nowadays the government is looking outward more and hence is keen to work with foreign providers and receptive to foreign accreditation bodies.

India's Prime Minister's development initiative outlines ambitious plans to train 500 million Indians by 2022, a clear indication of the importance placed on education.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

We definitely see our business growing in India. Edexcel is well placed to take advantage of the business opportunities arising in India's changing demographics and the untapped potential of emerging cities.

12. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?

- Be open to consider the potential of emerging cities: growth will be massive in the coming years.
- UK companies need to be patient and sensitive to Indian needs. Be aware of local sensitivities.
- Smaller Indian cities hold the key to growth. Large cities are saturated.
- Investors cannot enter the Indian market thinking "I want to make X amount of British pounds by X date". You must think in rupees – think local.



CDE ASIA

KOLKATA WEST BENGAL



1. Tell us about your business - its origin, offering and coverage.

CDE Global was founded by Tony Convery in the early 1990s. It originated and continues to operate from County Tyrone in Northern Ireland, UK. The company is popularly known as “the washing people”, owing to our wide experience and reputation in washing different materials. Some of the traditional applications that we offer are washing sand and gravel, lignite removal, recycling construction and demolition waste, water treatment, and sludge management.

Our Indian operations also offer innovative technologies for washing and to upgrade low-grade Iron ore. Our coverage is worldwide with offices in England (Coventry), India (Kolkata and Bangalore) and the Middle East (Dubai and Doha). Further to these offices, we have a distributor network throughout Europe.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

CDE sought to take part in India’s growth story. The opportunity to establish our India office presented itself following successful initial sales that encouraged us to further investigate the market. Our partner, the Bhartia family, was our first exclusive distributor for the Indian market. At that time CDE supported the marketing efforts in India by sending sales experts, resulting in a very successful first year of partnership. Good sales and a successful partnership were the primary reasons for us to establish a company in India.

‘INDIA IS LIKE 10 COUNTRIES PUT TOGETHER. LANGUAGE, ETIQUETTE AND BUSINESS CULTURE VARY FROM REGION TO REGION.’

In 2007 we formed CDE Asia Limited in partnership with the Bhartia family. CDE established the Indian head office and regional fabrication base in Kolkata, the natural choice as Kolkata is the mineral capital of India. Subsequently we opened sales offices in Bangalore and Hospet (Hosapete). Our markets are situated in smaller towns/districts like Durgapur, Purulia, Bankura, Rourkela, Jajpur, Keonjhar, Jamshedpur, Raipur, Hyderabad, Rudrapur, Goa, Hospet, Bellary, Kanya Kumari and Biratnagar and Kathmandu in Nepal. We have installed projects in all these locations. CDE Asia serves customers throughout Asia.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

Companies engaged in steel production, mining or construction use our products, and such companies have to operate from remote locations owing to availability of resources like land, raw material and manpower. We understood early on that our projects cannot operate in large cities but rather in less-developed areas where resources are available.

4. What was your business strategy for entering the Indian emerging city?

India is like 10 countries put together. Language, etiquette and business culture vary from region to region. Accordingly, our business development managers speak multiple languages; they have a wide knowledge of local cultures; and they are able to travel to remote areas by train or bus. In the early stages of business development they seeped into the heart of India, recruiting local agents and consultants to understand the market and find the business opportunities.

5. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

Following initial sales in India through appointed distributors, CDE and the Bhartia family established a joint venture. However, the branding, systems and ethos of a subsidiary were adopted early on.

India as a whole is price sensitive. The emerging cities are no different. In order to be competitive we established an Indian manufacturing plant right from the start. We bring in critical parts from across the world but the bulk of the manufacturing happens in our Indian factory. Our projects require us to install and commission plants, with the assistance of an engineering team. Through local partnerships in emerging cities we outsource our requirement of engineers and technicians locally, making our business a lot easier.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

In our experience, identifying the correct partner is the biggest challenge. Tier II and III cities have tremendous potential but the opportunities are difficult to find, due to lack of networking or promotion programmes by the regional governments. Local companies in emerging cities have the resources, market and hunger but lack the vision, contacts and confidence to establish global partnerships. Finding and retaining good talent in emerging cities is also a challenge, as there are considerable differences with the lifestyle attainable in big cities. Qualified staff such as engineers, MBAs and CAs make good money in modern India and they prefer the Western lifestyle of the metros.

7. Has the market in emerging cities met with your expectations?

We are satisfied working in these markets. The people are very easy to deal with; they still value and honour their word. We normally get the resources that we need.

8. What key factors would you attribute your success in the emerging city to?

The availability of natural resources and easier access to our clients attract new investments. Our equipments are capital goods and we are witnessing a flurry of new projects coming up near emerging cities.

Our partner's experience in India played a key role in CDE's success. The Indian market is fractured and people's attitudes vary from region to region. Our partner's long experience in the local industry therefore enabled us to break through and sell new applications according to the market's needs. Allocating resources, finance and infrastructure was also made easier with local help.



Our product is unique, and as such there are limited players in our segment. This was very relevant to us.

9. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

We have offices in Kolkata and Bangalore. These cities have good connectivity and networking. Most of our clients have offices in large cities, so these locations give us easy access to their operations base. Being in a port city is also important for us, as we import a lot of critical parts and machines from our UK factory and from global suppliers.

'BEING IN A PORT CITY IS ALSO IMPORTANT FOR US, AS WE IMPORT A LOT OF CRITICAL PARTS AND MACHINES FROM OUR UK FACTORY AND FROM GLOBAL SUPPLIERS.'

From a regulatory perspective, CDE Asia did not pursue government incentives. While incentives exist in the form of tax breaks or industrial subsidies for companies operating in determined locations (Special Economic Zones or Export Parks), I would not recommend selecting your location on the basis of a subsidy alone. While the benefits may be attractive in the short term, they may not compare well to the advantages you can achieve elsewhere in a market that is better suited for your company.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

Our experience so far has been very positive and we haven't had any notable barriers to doing business in India. Corruption and bureaucracy may still exist

but it has never stood in the way of our development. Tax structures, company laws and accounting standards are surprisingly similar to British systems.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

We hope to open sales and service centres in smaller towns with an aim to provide better services to our customers.

“Inclusive growth” is the mantra of new India. Emerging cities are the “connection” to take the government’s business plan into rural India. I believe that the success of emerging cities is critical to sustain the high growth trajectory India is aiming for.

12. Given your experience in India’s emerging cities, what advice would you offer other companies seeking to enter this market?

- Don’t try to do it alone: find the right partner, with a good network of contacts rather than spotless balance sheets.
- Carry out quality control checks and reinforce what is expected.
- Manage carefully the Indian “can-do” attitude.
- Work on your India relationship: visit the country; embrace the culture; train your staff to help shape your company culture.

‘EMERGING CITIES ARE THE “CONNECTION” TO TAKE THE GOVERNMENT’S BUSINESS PLAN INTO RURAL INDIA. I BELIEVE THAT THE SUCCESS OF EMERGING CITIES IS CRITICAL TO SUSTAIN THE HIGH GROWTH TRAJECTORY INDIA IS AIMING FOR.’



INTERACTIVE IDEAS

BHUBANESWAR ORISSA



1. Tell us about your business – its origin, offering and coverage.

Interactive Ideas is a value-added software distributor based in the UK with distribution activities across Europe. The company holds a leading position in the distribution of Linux and Open source software and we work with major software manufacturers such as Red Hat, SolarWinds, JBoss and Novell, among many others. Interactive Ideas helps manufacturers develop a channel of resellers and we leverage sales through the use of marketing, technical resources, accounting and credit risk into the IT channel.

Our customers include over 2,000 corporate, government and IT resellers in the UK.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

We started with an outsourcing partner based in Bangalore for the development of a website. That partnership ended after one year and we now have a new partner, Interfinet, based in Bhubaneswar.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

When looking for ways to better leverage our budget, we experimented with outsourcing projects in India and Ukraine. In India, we initially partnered with a company in Bangalore but the relationship ended after one year as we had grown fairly dissatisfied with the partner owing to a combination of technical and cultural issues.

'THE MAIN REASON TO MOVE TO BHUBANESWAR WAS OUR PARTNER.'

Our business is constantly approached by prospective partners but we found our current partner Interfinet through social and business networks.

The main reason to move to Bhubaneswar was our partner. While we had experienced some hindrances to doing business in a large city like Bangalore (mostly heavy traffic), we would not have changed locations if we had had a satisfactory business relationship there.

4. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

We first gave our local partner a small test project; we visited them and established the relationship. They started by doing outsourcing for our own systems but little by little we gave them more mission-critical work. Knowing that they would be doing critical work, we decided we wanted to make them shareholders in order to provide us with management say and to ensure that they had financial stability. Interfinet now delivers services to our customers remotely, provides support and customisation of products and employs dedicated staff exclusively for Interactive Ideas. We have also helped them develop their business in the UK.

5. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

There are no direct flights between the UK and Bhubaneswar, so every time we go there it takes a day of travel and an overnight in Delhi in each direction.

There are problems with infrastructure when it comes to electricity supply, so we often use generators, which are inconvenient and costly. Energy supply was not an issue in Bangalore.

6. Has the market in emerging cities met with your expectations?

At the moment we do not sell products in India. Our partner Interfinet does sell products but they do not distribute Interactive's software in the country. In the future we may consider distribution in India.

7. What key factors would you attribute your success in the emerging city to?

- A high level of trust between the partners. I have been to Bhubaneswar on holidays with my family and spent time with Interfinet's owners and senior staff. Personal relationships are very important in India.
- After our initial partnership experience in Bangalore, we deliberately chose a smaller and younger company to partner with, placing ourselves in a position to influence the business culture within the company.
- A mutual understanding of processes between the partners is very important.
- We visit our partner twice a year.

8. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)



- Pool of talent is smaller in Bhubaneswar but retention of staff is better and there is more stability. Retaining staff is very difficult in big cities where people hop from job to job.
- Travel: traffic conditions in a smaller city are much better. If you get stuck in traffic in Bhubaneswar, you will be delayed about 20 minutes, whereas in Bangalore or Mumbai it could be up to 3 hours.
- Bhubaneswar is smaller, newer and a more modern city. It is more set up for cars and is a more relaxing place to go.

9. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

We did not encounter any such problems and setting up our business in India was fairly straightforward. IT, however, is quite an exceptional sector and our investment was relatively modest. We are not controller shareholders.

10. What is your candid view on future opportunities for your business in other Indian emerging cities?

When sourcing from India, it is perhaps best to do it from one location. We might look at expansion once we reverse the flow and start selling our supply software in the country. Then there will be a need for multiple locations.

11. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?



- Favour an emerging city because so much of your business in India is relationship-based. You need a medium-term view, so you want to make sure there is relative stability in the staff. A medium/small-sized city is more likely to offer you that stability.
- The biggest problem in India is communication. We think they speak English and they think they speak English, but actually it is quite different English. In the UK we have high expectations that we will be able to communicate effectively because we share a common language but you have to be more self-aware.
- Recognising that the cultural aspects of saving face often mean people won't ask questions and won't say if they do not understand something, you have to address issues in a culturally sensitive way to avoid misunderstandings.

'BHUBANESWAR IS SMALLER, NEWER AND A MORE MODERN CITY. IT IS MORE SET UP FOR CARS AND IS A MORE RELAXING PLACE TO GO. '

DEL CAM SOFTWARE INDIA

PUNE MAHARASHTRA





'PUNE HAS
A GREAT
INFRASTRUCTURE
AND IS
ACCESSIBLE
IN COST AND
EASY TO REACH.'

1. Tell us about your business – its origin, offering and coverage.

Delcam was started more than three decades ago when Donald Welbourn carried out research in Cambridge University to assist the modelling of difficult 3D shapes with the use of computers. His enterprise eventually developed into a public limited company and in 1991 it adopted the name Delcam International.

Delcam currently operates throughout the Americas, Europe, the Far East and Australasia through a network of regional headquarters and sales offices. We currently have a presence in more than 80 countries and our regional offices provide support and assistance to the numerous sales offices in their area. The company is headquartered in Birmingham, UK.

Our software solutions are used in many different industries, including aerospace, automotive, electrical appliances and packaging. The market has advanced a great deal since the 1970s and it is now cost-effective to extend the use of software tools beyond traditional sectors to design consumer goods such as footwear, jewellery, ceramics, toys and sporting equipment. Nowadays we are also present in other industries, including healthcare equipment, e.g. orthopaedics and dental.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

Our office in India is a wholly owned subsidiary of Delcam plc, UK. We have 135 employees in the country in 14 offices and industrial locations covering most industrial towns and cities. Our India headquarters are located in Pune, and we have offices in Delhi, Mumbai, Kolkata and Chennai. We also have a presence in Gurgaon, Ludhiana, Ahmadabad, Hyderabad, Bangalore, Chennai and Coimbatore.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

India offers very good opportunities.

When we were looking to set up our business in India, we considered Pune because it was home to two major automotive companies. The city concentrates several automotive parts suppliers, which typically make our customer base. We thought Pune would make a good base for our business because manufacturers there would place more value on the quality of our technology rather than a cheap price. We wanted to be known not for low cost but because of our technology. Pune has a great infrastructure and is accessible in cost and easy to reach.

4. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

Worldwide, we operate a mix of direct operations, joint ventures and distributors, according to the characteristics and needs of each market.

'OUR COMPANY HAS NOT HAD ANY TROUBLE RECRUITING QUALIFIED STAFF, NOR IN HIRING GOOD SALES PEOPLE.'

We began operations in India with one single employee. At first we thought that by setting up 2 or 3 employees in the country it would be enough to support the work of our India distributors. However, within a few months we realised that this was not the best way forward. The distributor model works well, but once the sale has been made they do not want to spend extra time, money or effort post-sale. In our business, every time a client wants to use our systems to design a new product or shape – for instance cutting a new automotive part – they require technical support services, and no-one is better positioned than we are to provide that post-sales coaching and support. Our customers needed people on the ground and the distributor model was becoming very difficult in this regard. Once we made the decision to set up offices in India, we went from 3 employees to 12 in a matter of days and we eventually set up the subsidiary.

5. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

The challenges that we encounter are normal business challenges. Since our product is highly diversified, we find that sometimes when developing a product for a new industry – medical equipment for orthopaedics, for example – it can be challenging because we do not have the connections in that particular sector. It takes a long time to get the right technology to the right people, and we need to reach out to understand our clients' requirements. Local business networks are still in very early stages.

6. Has the market in emerging cities met with your expectations?

Being responsible for our market in the Middle East as well as India, I can confidently say that in India there are many advantages, not the least of which is the ease of communication in English. What I see in India is that communities are willing to learn; they are happy to invest in their future and are open to look at new directions and technologies. India is very much aligned to the West, looking to it for direction. Nowadays I find that whatever is launched in the West makes its way to India almost simultaneously. We are able to keep abreast of what is happening.

7. What key factors would you attribute your success in the emerging city to?

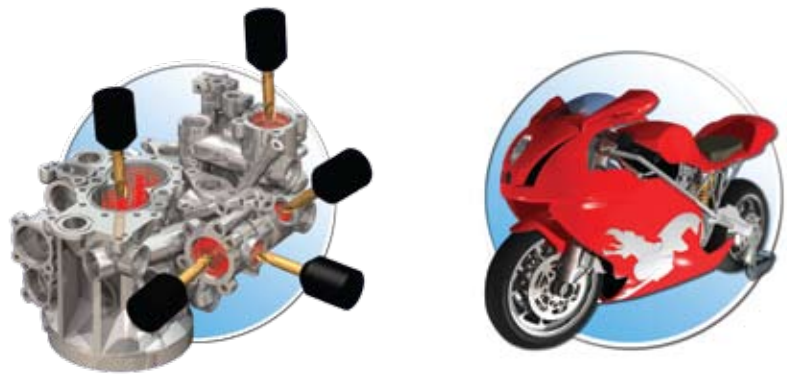
It is clear that in order to sustain growth, India has to step up its export manufacturing. Manufacturing has become mainstream and, together with technology, it is now a priority sector in India. This creates more business for us, as the industry focus is very high.

Our location in Pune is home to several automotive companies and parts manufacturers, which gives us easy access to our customers.

8. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

Emerging cities are good on many counts. There is a visible effort from the local population to bring up the city as a whole. The emerging city thrives on local entrepreneurship and talent. Pune, for example, is a place where people are used to being entrepreneurial.

The software solutions sector is different from say, automotive. If you are an automotive manufacturer, your clients can see the product – touch the car, see the colour, etc.; but in the software industry the product is only as good as it is presented to you. It is therefore your staff that becomes the key piece in your value chain. Our company has not had any trouble recruiting qualified staff, nor in hiring good sales people. Our product sales are highly technical.



Emerging cities offer a big pool of talent that can either be exported to the larger metros or used locally. The talent is there, readily available and accessible. Retention can at times be difficult, but our enterprise is people oriented, which is much appreciated by our employees. We have continued our worldwide ethos as a humane company, and while some staff may still want to migrate to a metro in search of opportunities, generally people are quite appreciative of the good working environment that Delcam provides. A good working environment goes a long way here; it is not just about pay.

You can find and train manpower equally in both emerging and metro cities, but in a metro, once you find the right candidate, he or she may live hours away from your company and not be willing to come and work for you. For instance, in Delhi we recently had to let go an excellent candidate because he lived at the other extreme of the city and commuting was too burdensome. So in the end, you may still lose out on talent in a big metro.

An emerging city like Pune allows you to travel to visit a client more than once a week; but in a metro this would be almost impossible because of the traffic. Your support cycle therefore takes longer in a metro, and the saving of time alone is a very good reason to consider setting up in an emerging city.

There are challenges and advantages in both.

9. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption.)

India offers a very business-friendly environment, so regulatory barriers have not been an issue for us. You are free to work in any industry, except for armament technology. Unlike other countries, India has no embargoes, so it is very easy for us to import tools and equipment that we require in our line of business. Import duties are reasonable, but of course they could be less.

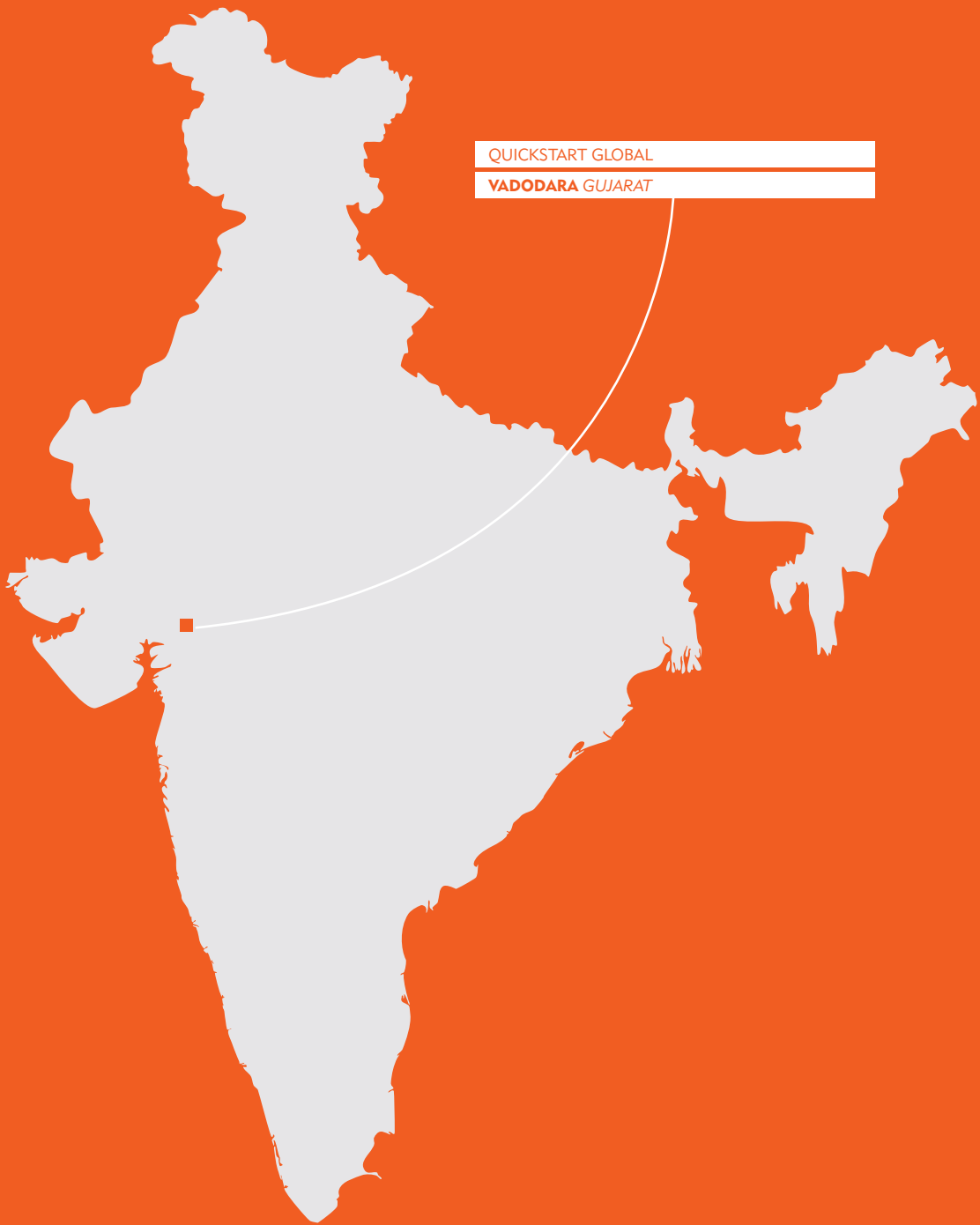
10. What is your candid view on future opportunities for your business in other Indian emerging cities?

We have gained a lot in India, but we feel we can gain even more. At present, Kolkata is our only office in the east and we would like to open a few more offices in that region. In northeast India, for example, we don't yet have business operations but people are equally willing and welcoming to our sector, so it is an attractive area of opportunity. India's emerging cities are on the growth path and there are many locations where we would like to set up more offices.

11. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?

Our two words of advice: Do it.

If you haven't yet come to India, do so quickly. Anyone who doesn't will be disappointed later on. What I see in India, in addition to very good opportunities, is no language barriers, no technological barriers, and no bureaucratic barriers.



QUICKSTART GLOBAL

VADODARA GUJARAT



1. Tell us about your business – its origin, offering and coverage.

Quickstart Global provides companies with effective solutions to implement global strategies. Our customer base is primarily SMEs looking to expand internationally for one of three reasons: 1) to sell abroad; 2) to manage their supply chain more efficiently; or 3) to establish back office operations. We provide customers with a streamlined process so they can establish a dedicated office and team.

Quickstart Global operates worldwide, and we have offices in locations in the US, Canada, Asia, Europe, Africa and the Middle East.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

Quickstart Global was founded in 2006. Our first client centre was set up in Vadodara, India, in 2007 and we now have a second location in Pune.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

We felt that if we had started a new company in one of the metros, it would have been very difficult to establish our brand. Competition for talent is very strong in the big cities.



Many of our clients operate in the IT business, and we would not have been able to attract the staff we were after by setting up in Bangalore or another large Indian metro. We had no reputation and no physical presence.

So we opted for Vadodara and started with a tiny office. Five years ago, Vadodara was much less crowded; we were able to quickly differentiate ourselves and attracted staff from day one. Five years on, we now have 500 employees in India.

4. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

'IF WE HAD STARTED A NEW COMPANY IN ONE OF THE METROS, IT WOULD HAVE BEEN VERY DIFFICULT TO ESTABLISH OUR BRAND.'

We did it on our own. The nature of our business is to enable companies of all sizes to go global, so we do not advocate the partnership model. For those who think that they "must" have a JV or a distributor to enter the Indian market, I would say that this is not necessarily the case any more. It was the case in the 20th century that to be able to expand overseas you needed a local partner with people on the ground, but nowadays, with the help of the Internet, you can sit back and do your research remotely.

5. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

The state of Gujarat is very well connected and we have not had any infrastructure-related issues. In the IT sector it can be difficult to find cutting-edge talent in an emerging city. Retention of senior staff can also be somewhat challenging.

6. What key factors would you attribute your success in the emerging city to?

Emerging city: Starting in Vadodara was critical because we were able to establish a brand quickly and we recruited good talent.

People: We have a great and solid team on the ground.

Product: The innovative model that we offer.

7. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)



If you compare an emerging city with a metro like Mumbai, time makes a big difference. In Vadodara, for example, the airport is only 10 minutes away from the office, whereas in a metro it takes a lot longer to get around. In the state of Gujarat, the highway is fast and excellent.

The infrastructure is there, and it is as good in an emerging city as in a metro – at least in terms of IT and communications. The historical challenges of smaller cities are no longer current.

If you are involved in manufacturing, then definitely set up in an emerging city, where infrastructure is adequate. Try to split your locations in more than one city so that you end up in the right places, with the right people, and at the right cost. I would not recommend setting up a manufacturing facility in a metro.

8. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

We found the regulatory framework pretty challenging, not so much in complexity but because it is constantly changing. It is a moving target all the time. The tax schedule in the Software Technology Parks of India programme, for example, has changed almost every year since we first started. This challenge would not be any different in a metro.

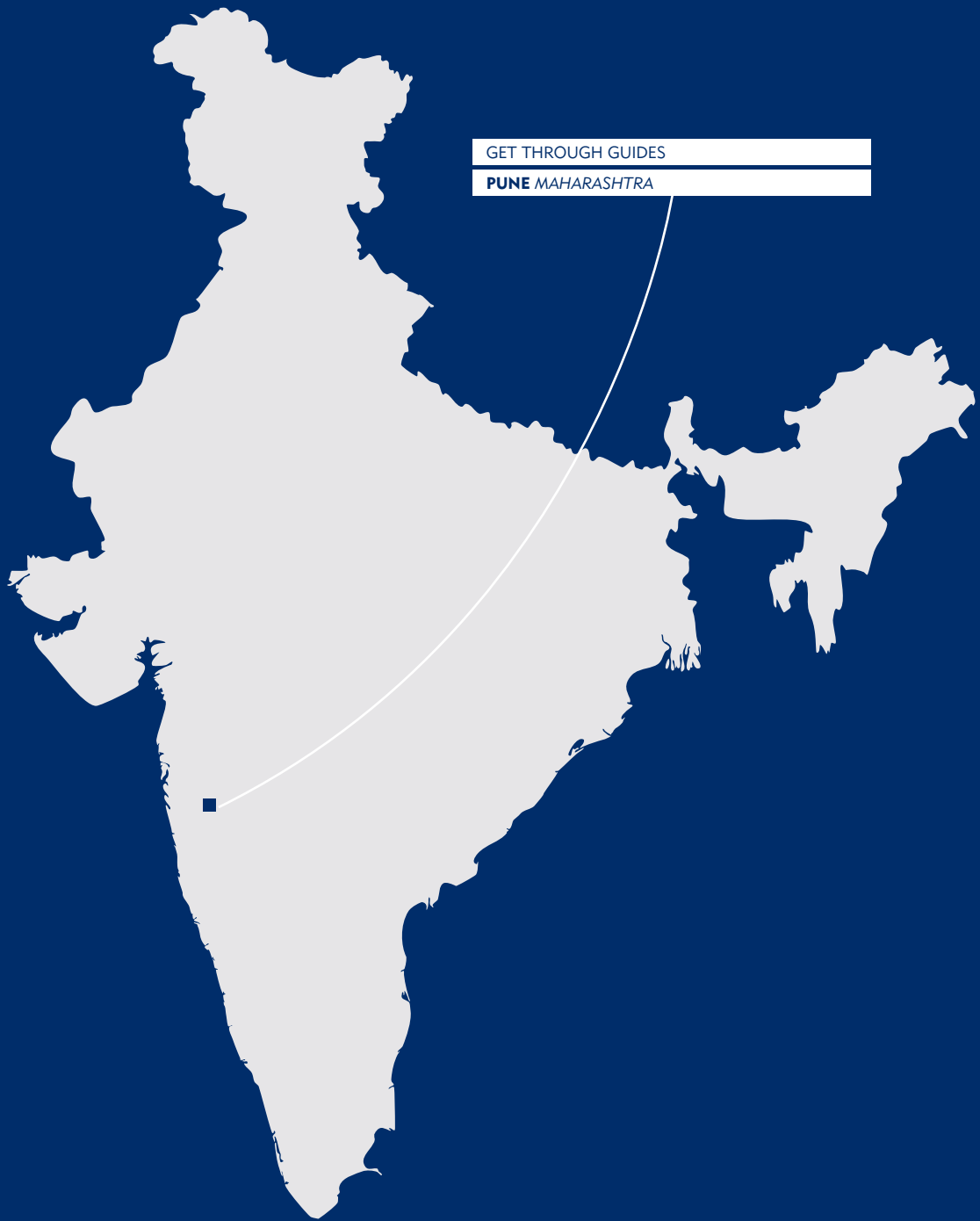
9. What is your candid view on future opportunities for your business in other Indian emerging cities?

We definitely see our business expanding in India. We started in Vadodara and are now in the process of expanding to the metros. In order to prevail in India we will need to end up with more offices in emerging cities – our goal is to grow our business pan-India.

10. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?

Don't just launch into a distribution or JV-type of strategy just because it feels like the easiest thing to do in what is perceived to be a complex market. Evaluate different options. Today there are smarter ways of doing it and you could find that you have more and better control of your operations.

'IF YOU COMPARE AN EMERGING CITY WITH A METRO LIKE MUMBAI, TIME MAKES A BIG DIFFERENCE. '



GET THROUGH GUIDES

PUNE MAHARASHTRA

Vandana Saxena Paria OBE

Chief Executive



1. Tell us about your business – its origin, offering and coverage.

Get Through Guides (GTG) is divided in two areas: publishing books and training people. The publishing side is backed by over 15 years of experience training professionals in International Financial Reporting Standards (IFRS). Our publications, focusing on professional qualifications in finance, management and accounting, include materials for the Association of Chartered Certified Accountants (ACCA); Certified Accounting Technician; and Diploma in IFRS. Content is predominantly written in India, then quality-checked by experts in many different locations. Our books are sold in 5 continents, and our clients include, among other, ICAI, KPMG, Ernst & Young and Grant Thornton, and a host of colleges and bookshops worldwide. Our model allows us to produce and transmit content electronically to then print it wherever it is needed.

'WE GOT INVOLVED EARLY ON WITH THE BRITISH TRADE OFFICE (UKTI) AND OTHER BUSINESS NETWORKS AND ASSOCIATIONS.'

The training part of the business also involves IFRS, accountancy and finance at professional levels. We train blue chip companies including Deutsche Bank, J. P. Morgan, Barclays and KPMG in India, as well as the Central Bank of Sri Lanka and other clients in Bangladesh and in central and eastern Europe. GTG's trainers are subject to an intensive internal development programme before going overseas to deliver training.

We are certified by ACCA, by the Institute of Chartered Accountants in England and Wales and by the Chartered Institute of Personnel and Development in the UK.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

We set up our office in Pune in 2006.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

From the very beginning, we had a clear idea of what we wanted to do: to produce world-class content at affordable prices. So we moved to India to start a business in publishing. We spent 6 weeks looking for the ideal base for our business. We drafted a list of qualities that we required from our ideal location in terms of infrastructure, quality of life, people's skills and transport, and spent a week in each of 6 cities: Mumbai, Delhi, Bangalore, Hyderabad, Kolkata and Pune. In the end, Pune ranked best for our needs.



Although Pune is a small Indian city, its population of 5 million makes it a massive city by UK standards. Emerging cities are like separate countries and they should be treated as such. I am not convinced that it would have been any easier to start up our business in a larger city.

4. What was your business strategy for entering the Indian emerging city?



The key to succeeding in India and in India's emerging cities is networking: get to know as many people as you can. We set up the British Business Group (BBG) in Pune for this very purpose, because we knew it would make it easier for other companies to come in. We got involved early on with the British trade office (UKTI) and other business networks and associations.

Our business model was to establish the main head office in an emerging city in order to better control our costs, to hire and retain quality staff, and to then use the city to springboard to other, larger markets in Delhi and Mumbai. This is very cost-effective.

5. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

We set up our local office in Pune with 2 people. Less than a year later we had grown to 18 people.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

Infrastructure and power are a challenge throughout India. Although Pune has grown incredibly fast, there remain a few major issues in terms of infrastructure, and they could use more international flight connections. Currently, the local airport offers direct flights to Dubai and Germany.

7. Has the market in emerging cities met with your expectations?

Yes.

8. What key factors would you attribute your success in the emerging city to?

People: Our staff and also our engagement with organisations such as UKTI and the BBGs.

Networking: All these cities are interconnected. If, for instance, you win business in Pune, the same client may have offices in other cities, therefore giving you more business. Our businesses in Colombo and in Chennai developed from a client in Pune.

Also in terms of mobility, a lot of people nowadays move locations for work. Imagine we train someone in Bangalore who later moves to Mumbai for work they may enquire about further training with their new employer and create yet more business for us. Our alumni are a very good network in itself.

9. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

The main reasons why we chose not to set up in a metro were traffic and the size of the city. This makes visiting clients quite complicated, with a meeting taking up to a whole day.

Pune has an ideal temperate climate and also offers a very good standard of living.

In Mumbai for example competition is fierce, it is a very expensive city, and infrastructure and start-up costs can be twice as high as in an emerging city. Although there is a larger pool of talent in terms of numbers, you also face strong competition from many other companies that are chasing after the same talent, which happens to be more ambitious and strongly driven by money and position.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

There are a few challenges in India per se, but not any more or less by being in an emerging city. It may in fact be slightly easier in an emerging city to gain access to the top people.



In terms of incentives, these are mostly directed towards large companies and facilities. A small organisation could not take advantage of incentives such as an SEZ, but we indirectly benefit because the region attracts talent moving to Pune in search of opportunities.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

We are constantly expanding in India, and we would like to expand even further. We would like to be in every emerging city.

12. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?

The most important piece of advice is that you should not try to do India as a "fly in-fly out" – it doesn't work. If you are running an SME, you are probably overstretched, so you may think that sending someone a few times should be enough. In fact, you need to send somebody from the UK to camp here and setup, or alternatively find someone locally whom you can assign responsibility to and trust. You need to keep in constant contact and you need people on the ground.

Get into the newspapers and get to see clients. This is made much easier in an emerging city, whereas in a metro you are one of a multitude.

There are certain people in the local market who can play the role of enablers and help your business. An enabler can be an influential businessperson who understands your business, who has the local contacts and can make your company jump to the next level. Get to know your sector and look up trustworthy enablers that can open doors for you. Consultancy services have their place if you are a large organisation or if you are absolutely sure that the consultant has the expertise you need. However, there are other ways to connect with the right people, through the local chapters of the BBGs, chambers such as FICCI or CII, or other more sector-specific networks like NASSCOM. Go to events and speak to people.

If you want to succeed, India is a commitment that you have to make.

**'GET INTO THE NEWSPAPERS AND
GET TO SEE CLIENTS. THIS IS MADE
MUCH EASIER IN AN EMERGING CITY,
WHEREAS IN A METRO YOU ARE ONE
OF A MULTITUDE.'**



RENOLD INDIA

COIMBATORE *TAMIL NADU*

The Renold logo is displayed in a bold, blue, sans-serif font, enclosed within a dashed rectangular border.

1. Tell us about your business – its origin, offering and coverage.

Renold plc is an international engineering group. We manufacture a wide range of industrial power transmission products with a focus on chain, couplings and gears.

Headquartered in Manchester, UK, we have 14 manufacturing locations worldwide including the UK, Germany, USA, China, Australia, South Africa, Malaysia, and most recently India. We have sales to over 90 countries worldwide.

Our biggest customer base is industrial distributors, but we also sell directly to end users. The industries we serve are wide-ranging – industrial plants, food processing, amusement parks, timber, cement, marine and mass transit – basically all industries that operate machinery and require mechanical power transmission parts.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

Renold plc and partner L.G. Balakrishnan & Bros (LGB) formed the joint venture “Renold Chain India” in 2008.

Our primary sales, marketing and design office is based in Coimbatore, which is the second largest city in the southern Indian state of Tamil Nadu. Our factory is located in Dindugal District of Tamil Nadu, which is approximately 3 hours’ drive from Coimbatore. We have 12 sales staff across India’s metro cities including Kolkata, Delhi, Jaipur, Mumbai, Ahmadabad, Chennai, Hyderabad, Pune and Bangalore.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

We knew we wanted to be in India and we started by entering a joint venture. We initially approached LGB as they are involved in manufacturing similar products to Renold. LGB had an industrial division, which was an adjunct to their main business of supplying the automotive industry. As the industrial division was not integral to their core business, LGB were receptive to the initiative of spinning off the division into a joint venture with Renold. Our partner’s experience in producing industrial chains – our main line of business – made them a perfect match for us.

4. What was your business strategy for entering the Indian emerging city?

When Renold was looking to come to India, we explored a number of strategies, including setting up a greenfield investment or a distribution business for direct imports. We were also looking for the benefits of having a manufacturing base in this low cost country; in the end we decided to form a JV because it provided us with the most benefits.

A significant source of support proved to be the engagement of a leading Indian legal firm during the process of acquisition. This was very positive in guiding the company through the involved registration process.

5. What business model did you leverage for market entry into the emerging city?
(Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

Our partner had been manufacturing high-quality chains for over 50 years, with a dedication to excellence in product quality and customer service equal to our own. A joint venture gave us great benefits, mostly because their business came along with existing market channels and a leading brand. The new company retained the brand name (Rolon) and benefited from existing sales channels. The results were evident right away in the form of sales and brand recognition in India.

Through this JV, Renold India was able to take our global expertise into the Indian market. We added a broad range of chain from the global portfolio of Renold Group that had not previously been available in the Indian market.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

To reach our factory in Tamil Nadu, we generally travel via the nearest big city which is Coimbatore – at least a 3-hour drive away; the nearest town is a half hour drive from the factory itself. So we are very much located in rural India.

We mostly employ staff from the surrounding villages, but our biggest challenge in terms of HR is to attract managerial talent. If you are a candidate with high potential or proven experience, you can most likely find employment in a metro and work for a large Indian company or multinational, which pays well. If instead you are working for a company in a small town, you have to live in a rural area, away from the activity of big cities. Therefore recruiting and retaining talent can be a challenge.

**‘DESPITE BEING
SITUATED IN RURAL
INDIA, WE ARE STILL
ABLE TO SUCCESSFULLY
SERVICE OUR SALES
AND DISTRIBUTION
THROUGHOUT INDIA.’**

The Indian market is booming – yes, you can recruit graduates, but finding a seasoned manager, either for production, engineering or even finance, is extremely difficult. Small towns are generally not a destination of choice for talented professionals.

Infrastructure can also be a challenge in our location. We often have to cope with scheduled electrical power cuts, sometimes lasting up to 6 hours per day. Since our factory works 24 hours a day, these power cuts pose added costs, as we have to operate diesel generators which on average cost four times as much as the mains electricity.

From an expat perspective, it can be difficult working in a small town. My family lives in Bangalore because there is no international school within commutable distance of the factory. For instance, my own commute to the factory involves a drive to the airport on Monday mornings, then a 1-hour flight and finally a 3-hour drive. A number of the senior managers, including HR,

operations, purchasing and accounts managers, all travel back to their homes on the weekend, as do I. This is common practice.

7. Has the market in emerging cities met with your expectations?

Yes. We have an experienced workforce and have access to low-cost local workers. Despite being situated in rural India, we are still able to successfully service our sales and distribution throughout India.

8. What key factors would you attribute your success in the emerging city to?

Our JV partner, a shareholder in the company, also had in their best interests that we got off to a good start. Their support has been crucial, together with their advice on the best way to handle the cultural practices in Indian business. They fully understand quality standards, which is very advantageous when compared to some other parts of the world.

A couple of years before entering India, Renold went through an acquisition process in China, and from that experience, we learnt that in India the ability to conduct business and communicate in English is a great advantage.

9. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

In a metro city you have a larger pool of customers because so many of them are concentrated in one place. So distribution costs are less and customers are easier to service.



Is it easier working in a metro? Not necessarily. Both metros and emerging cities pose advantages and challenges.

Traffic can be a nightmare in big metros, but roads in small villages are in very poor condition. For instance, in the UK it would take you 1.5 hours to drive 100 miles on the M1, whereas in Tamil Nadu the same distance would take you twice or three times as long, simply because of the poor quality of the roads and hazards such as cows and carts. Travel time and distances, in the metros as well as in emerging cities, can be a challenge. Our company transports goods from the south of India, where our factory is based, to the north of India to metros like Kolkata and New Delhi, and it can take 10-12 days to complete the journey by road. Security is generally not an issue, but product damage can be.



Metros are definitely more expensive. In a metro there is a better supply of services and supplies, but the cost is much higher: land is very expensive and so is labour. The biggest advantage of working in a small village is low costs.

Our company employs many of the local villagers and they tend to stay with us for a long time – we offer them convenient and stable work near their home villages.

By comparison, staff turnover in other parts of India can be as high as 15% to 25%, and in a metro your business can face a high and costly turnover.

The staff work Monday to Saturday and many of the senior managers take a bus on Monday morning from their homes, which are several hours away, and then during the week stay in a local guesthouse facility provided by the company. They then take the bus back home on Saturday evenings. The guesthouse came after the establishment of our JV and is quite common for Indian companies who are situated in more rural locations.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

Throughout India there is inevitably a big burden in terms of paperwork and bureaucracy.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

Once you get established in India, you start networking with other professionals such as recruiters, accountants, bankers and consultants, which is very helpful. Having a network of expats in Bangalore to share experiences with has been useful.

I would definitely encourage others to come to India's emerging cities, although it depends on the type of product that you are selling or manufacturing. If you are in the business of manufacturing high-tech or highly specialised products, it may be best to set up in a metro where advanced skills are more widely available. To manufacture a less elaborate commodity, you would do well in a rural area.

12. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?

Business and success can take longer to achieve in India. You may work 100% of the time but only get 30% results, so it can take a considerable amount of energy. You need to keep in mind that change will not happen overnight have patience.

'IS IT EASIER WORKING IN A METRO? NOT NECESSARILY. BOTH METROS AND EMERGING CITIES POSE ADVANTAGES AND CHALLENGES.'



TITAN HMG PAINTS INDIA LTD

COIMBATORE *TAMIL NADU*

John Fenton

Operations Board Manager & Board Director



1. Tell us about your business – its origin, offering and coverage.

HMG have been established since 1930 with headquarters in Manchester, UK. The company manufactures paints and surface coatings, supplying all areas of industry. HMG Paints Ltd operates as a family-owned SME.

Previous to the firm's business in India, HMG Paints Ltd had very limited international experience, consisting only of a distribution operation in the USA and a small proportion of product exports to Europe and the rest of the world.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

HMG joined Indian partner Titan in June 2008 to create Titan HMG Paints India Limited. Our manufacturing facility is located in Coimbatore and we sell to customers in various locations.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

Through our membership to the British Coatings Federation, we learnt of an Indian paints manufacturer seeking advice to improve their formulas and to supply a new range of paints. When HMG Paints Ltd responded to their query, we took the first step in establishing a business relationship with Titan.

'OPERATING IN INDIA'S METROPOLITAN CITIES WAS NEVER PART OF OUR STRATEGY AND IN TRUTH WE OWE SOME OF OUR SUCCESS TO HAVING STARTED IN COIMBATORE RATHER THAN IN A METRO.'

After a few visits to Titan's facilities in Coimbatore and successful knowledge sharing between the two companies, it became clear that the best way to help Titan and to move forward was to create a joint venture. Coimbatore, often called "the Manchester of South India", proved to be a good starting point for this new venture. Much in the same way as the firms' home cities of Manchester and Coimbatore share common traits, so did HMG and Titan: both are family-owned companies, SMEs, operate in industrial cities, and make similar products. These "lucky" coincidences further aided the partnership process.

Furthermore, HMG Paints and Titan shared similar aspirations and a joint venture provided both partners with an advantageous opportunity for growth. Titan provided sales expertise and local market access, while HMG was able to bring in technology upgrades and improved production methods. It was undoubtedly a win-win partnership.

4. What was your business strategy for entering the Indian emerging city?

In meetings with the Regional Development Agency and with UK Trade and Investment, it had become clear to HMG that, in order to survive in the long term, the company would have to reach out to international markets. HMG joined UKTI's Passport to Export Programme, which helped develop an export strategy, and we also gained valuable knowledge on IP protection.

Once Titan came along and we set out to establish a joint venture, HMG worked in close cooperation with UKTI's business advisors operating from Chennai, who were most helpful in sharing their knowledge of India's legal

structure and the cultural aspects of doing business in the country, and who provided support throughout the process of setting up the joint venture.

5. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

What initially started as a process of knowledge sharing and cooperation soon developed into a joint venture with partner Titan.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable, staff, etc.)



Infrastructure is not as developed as it is in the metros. There are limited options when it comes to hotel accommodation, and reliable power supply remains an issue. Recruitment of technical and administrative staff has not been a challenge but we have experienced difficulty finding good sales staff based in Coimbatore.

Limited resources have also posed a challenge. Our joint venture in Coimbatore set out with ambitious plans of expansion, which included sending UK technical staff to the south Indian city. Unfortunately, the global economic crisis and a struggling industry in the UK caused us to temporarily withdraw some of our India efforts in order to refocus on the UK market. We now hope to be able to allocate more resources to our India operation.

7. Has the market in emerging cities met with your expectations?

Yes. It has been essential for us to focus our efforts so as to not overextend our capacity as an SME. There are so many directions you can take in India that there is a risk you end up doing nothing at all.

8. What key factors would you attribute your success in the emerging city to?

Our experience in India has been very positive and we have not experienced any problems, largely thanks to our partner's expertise and positioning in the Indian market. Working in close cooperation with UK Trade and Investment was also an invaluable resource in preparing for our business venture in India.

9. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

Operating in India's metropolitan cities was never part of our strategy and in truth we owe some of our success to having started in Coimbatore rather than in a metro. We would not have been this successful had we started in a larger city. Indian metros present similar challenges to those of London: they are more impersonal, costs are higher and travel is more difficult. Our colleagues and clients based in Chennai, for example, frequently experience severe traffic conditions.

**'WE ARE 100% CERTAIN
TO SEEK FURTHER
EXPANSION IN INDIA.'**

In our experience, Coimbatore is large enough for business; it has expanded considerably and it is similar to our home city of Manchester in size and industrial composition. It is easy to get around, and, most importantly, people want you here. There aren't many Western people in India's emerging cities, so locals tend to be more welcoming.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)



Although common knowledge suggests that bribery and corruption are a common occurrence in India, this has not been the experience of Titan HMG, neither in the start-up of our business nor in the day-to-day operations.

Recently, Titan HMG engaged the services of a consultant to inform the company's bidding process for a contract with Indian Railways. While the consultant suggested that "favours" may be required in exchange for business, Titan HMG has not experienced any such requests and the company is firm on its policy not to engage in these practices.

Coimbatore is a rapidly growing city that provides regulatory incentives to foreign companies to establish manufacturing facilities, especially in the automotive sector. Incentives consist mostly of guaranteed power supply, which is very attractive given the scarcity of this resource in the country. Uninterrupted power to newcomers, however, has come at the expense of already established firms. Our facility has experienced recurring power outages, hence adding significant costs to our operations.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

We are 100% certain to seek further expansion in India. At the moment we have firm plans to establish a second manufacturing facility.

12. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?



The opportunities are definitely there. I would encourage others to approach UKTI and make use of their support structure available throughout their posts in India. It is a great advantage to have someone there who can help you.

Look for the right partner, as it could be almost impossible for a UK-based company to succeed on its own.

Focus your market and do not overextend yourself.



ACIS - A COMPANY OF ALLIANZ

TRIVANDRUM KERALA



1. Tell us about your business – its origin, offering and coverage.

ACIS is a captive offshore facility of Allianz Insurance plc UK. It was established in 2003 at Trivandrum. Over the last 7+ years ACIS has continuously expanded its range of services and we currently employ more than 800 staff on IT, ITeS and IT infrastructure services for our parent company in the UK and 9 other Allianz group companies in Europe and USA.

ACIS is now emerging as an in-sourcing partner of choice for the Allianz Group.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

ACIS is located in the Technopark in Trivandrum, the capital city of Kerala. Technopark is one of the earliest technology parks and is hailed as one of the greenest in the country, with over 185 companies employing directly more than 25,000 professionals.

We took a bold decision by opting for an emerging Tier II city as early as 2003, and ACIS is now one of the flagship companies in the Technopark. Trivandrum turned out to be a hidden treasure in many ways.

3. What were the main drivers of your decision to set up a facility in an emerging city and how did you learn of this opportunity?

The key considerations in choosing India were the labour cost of approximately £3k for new graduates, an ever-increasing graduate population, the strong English language capability, and a healthy work ethic, among others.

The state of Kerala was chosen because of its strong educational tradition, its similarity to Western literacy levels, the optical fibre backbone, proximity to continental links from Cochin and an alternative route to Europe, lower cost of property, lower competition, and the fact that many Keralites until recently left the state to find work. All this coupled with the Technopark facilities was ideal to start the business.



When we began our search for the right location, we knew India was our best bet, but within India, which city? So we toured the country with experts and consulted with people who had set up captive facilities in the past and with colleagues working overseas.

Trivandrum, a Tier II city, gave us very competitive cost savings. Government incentives were also attractive.

**'TRIVANDRUM
TURNED OUT TO BE
A HIDDEN TREASURE
IN MANY WAYS.'**

4. What was your business strategy for entering the Indian emerging city?

Our greenfield operation was set up by a joint team of Britons and Indians working overseas in the Allianz group. We sought expertise from consultants and from similar captives of UK firms who had previously established their presence in India. A combination of expatriate, local UK expertise and contacts worked for us.

We increased visits from the UK to India to improve their understanding of ACIS. Many captive companies make the mistake of cutting travel expenditure, but we, by contrast, increased our travel budget. Seeing is believing, and when our customers come here, they meet the people who work here and see the place. We complement this with audio and video conferencing and, as a result, the relationship between offshore and UK teams has become stronger.

5. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

Greenfield operation. We set up a captive outsourcing facility.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)

Emerging cities mostly lack even a basic network of service providers. Recruiting middle and senior management has been and continues to be our biggest challenge to date.

In Kerala, though it is perceived as a union-ridden state, the IT industry has found a way to successfully base itself and grow, to the benefit of the state and industry.

We used to have problems with staff retention but if you pay attention to creating a good working environment as we did, a great place to work greatly reduces attrition rates. We have created a number of initiatives driven by employees, thereby empowering them further.

7. Have you been able to obtain the results mapped out for your facility in this emerging city?

Yes, it has more than met our expectations. The skills of our employees and the quality of the work they do are on a par with anything the employees in the UK would provide. The complexity of processes and services delivered has grown every year. We have been able to deliver far ahead of initial plans and set higher benchmarks in many areas.

8. What key factors would you attribute your success in the emerging city to?

Sustainable cost advantage and leveraging of local talent are strong points in favour of emerging destinations like Trivandrum. The city also offers better quality of life, lower cost of living, shorter distances with lesser traffic, and less pollution.

Our facility benefited from a government incentive programme called STPI (software incentive programme), which is a tax benefit offered to companies who base their operations within an approved location such as the Technopark.

Furthermore, the Technopark is a gated community, which offers the added advantages of safety, common infrastructure, better availability of resources and an atmosphere conducive to software operations like ours. The brand Technopark also adds value when recruiting employees.

9. How is operating in an emerging city different from operating in a metro like Delhi or Mumbai? (Better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)



It is certainly easier to start a business in a metro that has a network enabling plug and play. But the initial challenges that one may face in an emerging city like Trivandrum should not discourage one from taking the plunge. Eventually you find from experience that in emerging cities there is a cost advantage to sustain and scale your business if you have the planning and vision to take it forward.

In terms of travel, we are well connected to cities in the Middle East, from where we take direct flights to European and US destinations. From Trivandrum one can reach London in 13-14 hours, starting early and arriving in London by late afternoon.

The state had sufficient power and water in 2003 and continues to be in a much better position than most of the other states in India. As in any other city in India, the road and airports have significantly expanded since 2003. Unfortunately traffic has also grown.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

Though there may be similarities between the trade law of India and the UK, India is not always perceived as a very business-friendly country. We have had the advantage of employing local legal and financial consultants who have smoothed the way for us. The single window clearance system that Technopark offers has also helped us a great deal.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

We are very happy with our decision to come to Trivandrum. Given our experience and the success of our emerging-city model, we prefer emerging cities to metros. There are many emerging tier-2 and tier 3 cities which could be considered.

12. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?



- You will do well by choosing an emerging city as your Indian operating base.
- It will be good to have a team with a good mix of Indian and UK consultants and legal experts to help you.
- Visit and understand as much as you can from others who have done business in India before you.
- India is a destination for a long-term player with plans to scale at a steady pace.

**'VISIT AND UNDERSTAND AS MUCH AS
YOU CAN FROM OTHERS WHO HAVE DONE
BUSINESS IN INDIA BEFORE YOU. '**



SCOTLANDS COLLEGES INTERNATIONAL (SCI)

NAGPUR MAHARASHTRA



1. Tell us about your business – its origin, offering and coverage.

Scotland's Colleges International (SCI) is a national agency working on behalf of colleges in Scotland to promote and develop international relationships leading to the formation of partnerships and consortium work with government education departments, private educational institutions and commercial partners throughout the world. We provide bespoke solutions and consultancy work appropriate to the client's needs across a wide range of vocational and professional areas.

SCI enables individual colleges in Scotland to access potential opportunities in international markets fitting to their specific areas of expertise.

2. When and where did you make the first investment in India? In which cities do you currently have business relationships and/or business activity in India?

SCI started business in India in June 2006. With the support of SCI, a number of Scottish colleges have successfully implemented vocational and professional projects in various locations in India. One of our recent achievements in India includes the signing of an MOU with a group of Indian organisations in Nagpur, covering areas of cooperation in resource sharing, curriculum development and exchanges.

3. What were the main drivers of your decision to do business in an emerging city and how did you learn of this opportunity?

We have followed up on work done by UKIBC on emerging cities, targeting a few of the cities identified in their reports as harbouring potential.

4. What was your business strategy for entering the Indian emerging city?

After a number of years working in India, we have now developed a very strong network, which is essential in the country. We also work with UKIBC, UKTI and an expansive network of contacts.

Our business in India started by taking business missions to the country and our strategy has consisted mostly of identifying needs and promoting collaborative partnerships.

We endeavour to visit the market regularly, approximately 5–6 times per year.

5. What business model did you leverage for market entry into the emerging city? (Local partnerships, outsourcing, direct exports, local manufacturing, etc.)

Scotland's Colleges International does not do commercial business; rather, we open the doors in India for our members. Our work leads to the formation of partnerships with local institutions.

6. In your experience, what have been the biggest practical challenges of entering and operating in emerging cities in India? (Infrastructure, identifying suitable partners, hiring suitable staff, etc.)



Our challenges in emerging cities are mostly those of general infrastructure and operational, for instance the lack of or limited availability of hotels in some areas.

Emerging cities are not as mature as markets like Mumbai but this can work in our favour because local institutions have not yet identified foreign partners. The fact that there are not so many competitors in emerging cities makes a big difference to us. Our main competitors are other countries who are very active throughout India.

India can be a difficult market in terms of branding, so you have to be very clear on what you want to do. Massive market advertising is costly: promotional tools like seminars have a very small impact in terms of the number of people you can reach, yet the cost is high.

7. Has the market in emerging cities met with your expectations?

Yes. Our efforts have been absolutely worth it.

8. What key factors would you attribute your success in the emerging city to?

India's links to the UK (cultural, regulatory, language similarities) are very positive.

Our factors of success definitely include our portfolio of courses. We have the backing of our human capital embodied in over 20,000 members of staff; and over 500,000 students trained annually. In addition, our external contacts have been extremely valuable; in India, you have to work on developing your contacts.

Also, the cost of operations in India is very reasonable.

9. Does your business operate in metro cities in India? In what ways is it different from doing business in emerging cities? (Better/poorer infrastructure, better/poorer skills availability, ease/difficulty in local travel, low/high operational cost, untapped opportunities, easy/difficult business culture)

The difference between a city like Nagpur and a metro such as Delhi is that in an emerging city people are more open and responsive. In Delhi they have seen you before and your clients are quite sure of what they want, whereas in Nagpur you could still take the opportunity to carefully identify the needs of your client.

10. From a regulatory perspective, what have been the main barriers to doing business in India's emerging cities? (Bureaucratic impediments, legal or taxation issues, corruption)

'YOU MUST COME TO INDIA WITH A 5–10 YEAR PLAN TO MAKE AN IMPACT.'

From a regulatory perspective, the hangover that India has from British rule means that government organisations work in a very similar way: regulation is exactly the same in all Indian cities, whether it is a small city in Maharashtra or a megacity like Delhi.

SCI's qualifications consist of vocational and undergraduate skills and as such regulation by the Ministry of Human Resources Development (MHRD) does not really apply to us the way it does to formal education institutions.

11. What is your candid view on future opportunities for your business in other Indian emerging cities?

We definitely see our brand growing in India. Often when we speak to people there, we find they have previously heard of our qualifications.

12. Given your experience in India's emerging cities, what advice would you offer other companies seeking to enter this market?

You must come to India with a 5-10 year plan to make an impact.



I recommend working with bigger branded organisations like UKTI; Chambers of Commerce; UKIBC; the Confederation of Indian Industry (CII); and the Federation of Indian Chambers of Commerce and Industry (FICCI). They can help you find the right people to speak to.

Build relations and work with the right people. In India you need to communicate effectively and maintain open channels of communication.

'GOVERNMENT ORGANISATIONS WORK IN A VERY SIMILAR WAY: REGULATION IS EXACTLY THE SAME IN ALL INDIAN CITIES, WHETHER IT IS A SMALL CITY IN MAHARASHTRA OR A MEGACITY LIKE DELHI.'

Survey Questions

I. Beyond the Metros survey

The UK India Business Council (UKIBC) is publishing "UK plc in India: Beyond the Metros", a follow-up research piece to our landmark report "Opportunities for UK plc in Emerging Cities of India", later this year. The report identifies alternative investment destinations in India.

For the report, we are conducting a survey among UK companies with interests in India, especially in the emerging cities (non-metros) to learn more about what it takes to expand your business beyond India's traditional metros (New Delhi, Mumbai, Bangalore, Hyderabad, Chennai and Kolkata). Your responses will help us identify the "hows" and "whys" of venturing into India's emerging cities.

If you wish to learn more about the work of the UKIBC, please visit www.ukibc.com. Thank you for your time and support.

II. About your business

1. Please give us your name, company name and contact details:

Name: _____
 Company: _____
 Email address: _____
 Phone number: _____

2. Is your company currently doing business in/with India?

Yes No

3. Would you be interested to know how UKIBC/UKTI could help you explore potential business opportunities in India?

Yes No

4. Please select the sector that your company operates in:

- Advanced engineering
- Chemicals
- Consumer products
- Construction
- Creative & media
- Education & training
- Energy
- Environment & water
- Financial services
- Food & drink
- ICT
- Leisure & tourism
- Life sciences
- Other (please specify)

5. In which of the following Indian emerging cities have you considered or are already doing business in?

Select all that apply:

- Ahmadabad
- Bhubaneswar
- Chandigarh
- Coimbatore
- Nagpur
- Indore
- Jaipur
- Kochi
- Pune
- Vadodara
- Other

6. Are you currently doing business in:

- Metros only (New Delhi, Mumbai, Bangalore, Hyderabad, Chennai or Kolkata)
- Emerging cities (non-metros)
- Both
- I do not do business in India

III. Experience in India's emerging cities

1. What were the key drivers that influenced your decision to do business in an emerging city? Select all that apply:

- Cost of doing business
- Potential opportunities
- Infrastructure
- Availability of skilled staff
- Access to raw materials
- Business partner
- Other (please specify)

2. What is the form of your business in the emerging city?

Select the one that applies:

- Direct exports
- Local manufacturing
- Consultancy assignment
- Sourcing
- Local distribution or dealer
- Subsidiary
- Joint venture
- Other

3. How extensive was your research prior to entering the emerging market?

- Minimum research
- Moderate research
- In-depth research

4. How does business in the emerging city compare to doing business in a metro?

Please rate as appropriate

Emerging Cities Offer	Better	Worse	N/A Don't know
Infrastructure			
Skills Availability			
Business Cultures			
Operating Costs			
Untapped Opportunities			

5. What challenges have affected your business in the emerging city?

Please rate as appropriate.

	Strongly agree	Agree	No particular effect	Disagree	Strongly disagree/ NA
Regulatory impediments					
Difficulty finding a suitable partner					
Legal or taxation issues					
Corruption					
Local competition					
Finding suitable staff					
Tailoring your product to the market					
Product pricing					
Limited resources (management/ financial) at the UK end					
Not a priority					

6. What is your overall perception about the Indian market?

	Excellent	Good	Neither good nor bad	Poor	Very Poor
Ease of entry					
Ease of doing business					
Stability					

UK Trade and Investment (UKTI)

UK Trade and Investment helps UK-based companies succeed in international markets. UKTI's team in India, with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Validated lists of agents/distributors
- Alerting you to key market players or potential customers in the Indian market
- Arranging appointments
- Organising seminars or other events for you to meet contacts and promote your company in the Indian market

This work is available via the Overseas Market Introduction Service (OMIS), a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work or accessing other UKTI services and specialist advice, please visit the UKTI website: www.ukti.gov.uk

UK India Business Council (UKIBC)

The UK India Business Council (UKIBC) is the premier business-led organisation promoting bilateral trade and investment between the two countries. Our mission is to help UK companies get business and succeed in India. By facilitating partnerships, and with an extensive network of influential corporate and individual members, UKIBC provides the resource, knowledge and infrastructure support vital for UK companies to make the most of emerging opportunities in India.

Membership of UKIBC can help you succeed in India. It gives you access to networking events which can connect you to professional advisors, contacts in India and other companies already successful in the Indian market.

To learn more about UKIBC membership, events and services, please visit: www.ukibc.com. See also our recent publication:

- Insight India: A convenient entry-level guide on how to do business in India. Practical insight into the regulatory environment and how to set up a business.

