

UKIBC Case Study

JCB

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

JCB was founded in 1945 by Joseph Civil Bamford and started off by building construction and agricultural equipment. WE expanded this range over time and became a global company operating in every country in one or another – primarily in the construction and agricultural industries but also in waste and recycling, demolitions, military all in terms of machinery. We have a range of over 300 machines at present

Tell us about your global geographical footprint?

We operate worldwide and are the leading construction equipment manufacturer in Europe and the UK. You will find JCB equipment pretty much everywhere

When did you make the first investment in India?

We first made the investment in 1979

What were the main drivers of your decisions to foray into India?

Vision of the chairman at the time of the opportunities the Indian market would present over time. He had a personal interest in India and saw it as a good business opportunity and thought JCB should be present in that market.

What was your business strategy for entering India?

The chairman thought India would go through immense development in its infrastructure and so there would be a lot of construction and where there is construction there is a need for machinery. back in 1979 the industry was very small indeed and there were few players. The vision was that it would turn into a strong market

What business model did you leverage for market entry into India?

We entered with a partner as joint venture as there was a regulatory need at the time to be joint with an Indian Partner. So we teamed with Escort - they were manufacturing agricultural equipment primarily tractors at the time. We brought ourselves out of the joint venture in 2003 and have since then expanding rapidly and have doubled our capacity.

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What have been your biggest challenges of entering and operating in India?

It was one of our first overseas investments, so managing a business from the UK that was growing India was a huge challenge because of the distant, May not seem like a huge issue today but back in 1979 that was a challenge without the internet. Managing a business that was a first joint venture was also a challenge as that was our first joint venture. We had to rely on our joint venture partner to manage the business in India and at the same time had to put in place controls.

In addition, building up a distribution network and staying the course when the business wasn't huge was challenging. We continued investing without high returns for a long time but those investments paid off in the longer term

Has the Indian investment met up with your expectations, please state why?

Yes it has been absolutely worthwhile as we are number one in an industry within one of the fastest growing markets in the world

What key factors would you attribute your success in India to?

Quality of distributors – we work with our dealers to make sure they can look after our customers in place so we have a customer focused distribution network and get them to invest continuously so they remain the best

People – we recruit the best people and have an outstanding team of people in India that run a big business extremely well. Their capabilities, knowledge base, perseverance and skill levels are very high indeed

Product strategy – we know what the market needs in terms of products and we make sure that we have the right product at the right price and right positioning for them.

Continued investment – we keep investing to take advantage of opportunities. We have expanded our capacity and capabilities; we have new factories and engineering design centres, our dealers have expanded so we have more depots than other manufacturer in India so we are closer to our customers and that continued investment has been key.

Longevity – we stayed in India through the bad times and we had established ourselves so when the market took off in last 5-6 years we were already well positioned to take advantage of that growth – we had built up credibility, capability infrastructure.

Can you provide perspectives on how your profits, revenues and operating margins have compared between your local UK business and business in India over the past three years?

India represents about 15% of our total revenue

What impacts (if any) have you experienced as a result of economic downturn in the UK and India?

Like every company involved in the construction industry, we have been hard hit in India

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like in other countries. Construction has been one of the key sectors hit by the credit crunch and that has hit us hard and we have to adjust our cost base but less so in India. The recovery has been much quicker in India and we are seeing things moving well and we are exceeding our expectations this year in terms how we are seeing our business grow. The agricultural side was more stable but the construction side has been tough. Also the spend on infrastructure was hard hit due to inflationary pressures on commodity prices and credit crunch so that was hard hit but that has come back quite quickly

Does your business operate in China? If so, could you tell us more about how your experiences of doing business in China differ from that of India?

For us it's vastly different, we were very late in the Chinese, market so we don't have a strong market share / presence so it's not comparable. Our business in India is much more substantial

What is your candid view on future opportunities within India for your business?

Very strong, we think there will be a lot of construction opportunities in India and that's why we continue to invest. The government has significant infrastructure plans and we see ourselves as being part of that. We will broaden our distribution network, product range so that as the market evolves we are able to continue taking a lead position. The government election provided a much more stable political platform which will enable them to drive their economic strategies through in a clearer and more effective way without comprising their position.

What advice would you give to other mid-cap businesses in the UK looking to do business in India?

India is a fascinating country that will grow and evolve dramatically over the next few years – there are opportunities in a multitude of sectors and you have the added benefit of being able to enjoy the country so you can enjoy the beautiful country as you get to enjoy spending time there. If you have a business that has any opportunities in India you should go for it. You have to have people with you that know and understand the country – use the expertise and capabilities that are out there and can help help you to drive your business forward.