

## UKIBC Case Study

# Mid Cap Market Entry

The only certainty in the current global economic environment is that the world is going to be a very different place at the end of the year compared to the beginning. Few would argue against the fact that there has been a noticeable shift in power which has led to the Asian economies assuming a more powerful seat at the world table.

India's position among the Asian economies is key as the fastest growing free-market democracy in the world, housing the world's second largest population. The country has a burgeoning middle class with significant spending power poised to stand at 523 million by 2025.

Leading UK companies like HSBC, Standard Chartered, British Telecom and Vodafone are playing a significant role in India already. And no, it is the SMEs and MMEs that are increasingly looking to invest in India.

The emergence and subsequent importance of India as a global centre for outsourcing and off shoring over the last two decades is well documented. However, recently there has been a significant shift in perception as UK companies have begun to appreciate the opportunity that a large and growing consumer market presents for their goods and services. This is increasingly important given the impact of the economic downturn over the next few years in the more mature developed markets.

Mid-cap companies are increasingly looking at opportunities that would allow them to access the increased consumer spending power. Enquiries received from SME/MME's have gone up c.25% over the past year.

This is especially true in industries that have matured and to an extent plateaued in the western economies e.g. consumer goods, mobile telecoms, financial services etc.

Another aspect of entering the Indian market is access, especially for technology and engineering companies, to a pool of well educated and technically advanced resource pool (over 700,000 science and engineering graduates are added to the talent pool in India annually). Recently, the knowledge pool has been enhanced further by an increasing trend of Indians from overseas returning home.

Cobra beer is a good example of a medium sized enterprise that GT have helped to enter

# partnership in action

India. GT helped Cobra with the regulatory and tax issues involved in entering India. These issues were particularly important given the industry.

The reasons behind Cobra's entry were similar to the reasons noted in the article i.e. a growing customer base and customers who are increasingly demanding a wider choice, to name a few.

Cobra's entry has been well received in India but it is still early days to judge the success of Cobra's foray into India.

Despite the above, there are nevertheless some challenges in doing business in India which must not be overlooked. According to the World Economic Forum's Global Competitiveness Report for 2006-07, the three most problematic factors for doing business in India are an inadequate supply of infrastructure, inefficient government bureaucracy, and restrictive labour regulations. There are efforts being made to improve this perception and to this effect the government is providing significant impetus on infrastructure development by increasingly implementing the Public Private Partnership model. Furthermore, India has demonstrated a strong desire and commitment to reducing trade barriers, carrying out regulatory reforms, protecting investor interests and facilitating trading across borders - all factors contributing strongly to creating the right climate to do business.

Undoubtedly for a UK Company well versed in doing business in the UK only there could be initial apprehensions, a degree of fear and even reluctance to enter the Indian market. This initial hurdle can be overcome by partnering with a local partner who can provide access to local market knowledge, customers and assistance with regulatory issues which makes market entry less painful. India has an advantage here given that the local partners possess not only the relevant technical skill sets but are also generally entrepreneurial in nature.

In conclusion, although overseas expansion of any nature can appear challenging for a business, UK companies cannot ignore the immense market opportunity in India. The process will almost certainly be easier than envisaged given the similarities in business culture, regulation and language between the two countries. In addition, using a local partner at least in the initial phase will simplify matters even more and yield significant benefits.