

TRADING IN INDIA



Encountering the **UNEXPECTED IN INDIA**



In an environment of past terrorist attacks, traffic jams and Hinglish, the potential for confusion when trading in India is considerable. But what is perhaps the most unsettling feature is how New Zealand business people are perceived by Indians. **Ruth Le Pla** reports.

When terrorists attacked a series of targets in Mumbai on the evening of November 26 last year, the news rippled throughout the world. New Zealand exporters working in the Indian market joined local people in downing tools, switching on their TVs and calling round to check everyone they knew in Mumbai was safe.

Soon after, says Alan Koziarski, people determinedly got on with business. "It was as if they were making a statement that the attacks were not going to stop them."

Koziarski is New Zealand Trade and Enterprise's new regional director for South and South East Asia. He says the attacks raised a negative profile for India. "But in the longer term – and I'm talking about a few months after the bombing – the Indians are determined to make it business as usual."

Kiwi exporters to India will notice some small changes. "When a business person enters the country they'll now maybe have to wait another hour in line," says Koziarski. "And the Indian government will want to invest more money in security infrastructure so therefore taxes or debt will rise ever so slightly.

"This will have an impact at the national level but it won't be heavily noticeable on individual deals... These things are very small micro-costs on an individual deal basis."

As with most countries, current prospects in the Indian economy

are tempered by the global economic crisis. But the terror strikes have, almost ironically, created business opportunities in the security industry – an area where New Zealand has much expertise.

New opportunities, for example, are opening up as the Indian government and the hospitality and hotel industries ramp up investment in security measures.

Koziarski urges anyone considering a trip to India to check out the latest travel advisories on the Ministry of Foreign Affairs and Trade (MFAT) SafeTravel website. He also recommends people register their travel intentions on the site. "So if there is an event, MFAT knows who's there and who's where."

In India, Koziarski suggests exporters develop a heightened sense of personal security and exercise common sense.

While it's important to acknowledge the tragedy of what happened in Mumbai, Koziarski says statistics add another perspective. "In the past year, over 100,000 people died on Indian roads."

There is still plenty of room for upside when it comes to our trade with India. At the moment, our main exports are coal, wool, wood, wood pulp, machinery, hides and skins. Coal exports, in particular, are flourishing.

India is our third fastest growing export market. New Zealand exports rose from under \$200 million in 2004 to \$366 million



Tourists queue up for a security check near the Taj Mahal hotel, one of the sites of last year's militant attacks, during New Year celebrations in Mumbai. Expect delays when travelling in India.

in the year to December 2007.

This could be set for a further boost. New Zealand and Indian officials are conducting a joint study on the possibility of negotiating a bilateral Free Trade Agreement.

Once the study is completed, the two governments will consider its recommendations and decide whether to launch

FTA negotiations.

If they decide to go ahead, MFAT, and other government agencies preparing for the negotiations, will consult stakeholders and invite written submissions.

In the meantime, Kiwi business people could make some basic changes to how they go about capturing business in India.

Indian perceptions

When, in the middle of last year, NZTE commissioned a study of Indian perceptions of New Zealand, it unveiled some sobering truths. The overarching finding was that we have good ethics but lack business appetite. As one respondent put it: "While the whole world is racing, New Zealand is pacing".

According to the report, we reveal our lack of business appetite in a number of ways:

- a preference for transactional rather than long-term relationships. (This also indicates a high level of risk averseness and suggests weak negotiation skills, say the report writers);
- a reluctance to understand Indian culture, consumer needs and market requirements;
- an inflexible 'take it or leave it' approach;
- low availability of information about New Zealand products

and businesses; and

- lack of marketing and promotional material.

The study included interviews across the food and beverage, wood and building/construction, specialised manufacturing and ICT sectors. The final report concludes that many of the comments about New Zealand businesses have been documented in other countries as well as India. What makes India stand out is the enjoyment they find in the interpersonal side of business.

"It is disappointing," the report concludes, "for Indian business people to find that although New Zealanders are honest and trustworthy, they take a seemingly cold, transactional approach to business with an emphasis on profit, not relationship."

On this measure, we come off second-best to Australians. "Australians are perceived as more fun than Kiwis," says the report. "Indians find enjoyment

IMAGE PREPARATION

When Michael Hamid was working for the Gallagher Group, he met an Indian business contact who would revolutionise his life. Hamid is now managing director of his own company, Goofyfoot. It's a small start-up company specialising in image preparation and IT consulting. The image part of it, in particular, draws heavily on Hamid's ability to merge market strengths in India with market needs in New Zealand.

Goofyfoot specialises in clearcutting the background from images. Among other uses, the process is used for product displays on websites and brochures and for graphic design. Clients include Pumpkin Patch, and Hamid is currently talking with a raft of advertising agencies and other companies with regular need for his clearcutting services.

It's detailed and labour-intensive work, heavily reliant on good access to electronic transfer of clients' files. The team of specialist clearcutters are based in Bangalore, India, turning round projects within a couple of days for clients in New Zealand.

At the moment, says Hamid, the company employs just a few people in Bangalore. He plans to take on more as the business grows.

He acknowledges that one of the attractions of working with India is the relative cheapness of the labour force there. But he adds that the workers are highly skilled and their ability to speak English is an additional bonus. "I can ring the guys there directly and talk with them about the work. They are very professional.

"The trickiest thing," he says, "is that they quite often don't tell you if they can't do something. They don't like saying 'no'. The trick is to question them several times. It can be embarrassing if you have promised something to a client and it doesn't arrive.

"My main driver for being in India is having someone on the ground who I can really trust. You need to be able to talk very openly with someone who is based there."

in business and this enjoyment is perceived to be missing in New Zealanders.

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Overall, it seems that a lack of interest and commitment is holding New Zealand businesses back from success in India. “For a burgeoning market such as India,

million bottles of water, buy 72,329 pairs of jeans and snaffle up 10.4 million movie tickets. These are some of the notions batted around at the India Business Forum presented in Auckland by AUT late last year.

Vijey Kapoor is CEO of FirstRand Private Wealth Management – India & Middle East. At the conference he half-joked that the difference between China and India is that “China is about

“Indians find enjoyment in business and this enjoyment is perceived to be missing in New Zealanders. This characteristic is important to Indians, and New Zealanders could do worse than lighten up a little in their interactions with Indian businesses.”

commitment also requires New Zealand businesses to cooperate with each other in order to meet volume demands,” says the report. “It is important for businesses to understand that it is possible to partner and cooperate with others, without compromising business success.”

Growth

No-one doubts India’s rapid rate of growth. Consider this. Every year 20 million people in India join the ranks of the middle class. That’s like saying New Zealand’s entire population – more than four times over – emerges into a new world of possibility. That being said, with the global economic slowdown, lower growth is expected. The Economist Intelligence Unit expects growth to drop from nine percent in 2007/08 to six or seven percent through to 2009/10.

Collectively, on any one day, Indian consumers now drink 5.76

great macro and rubbish companies while India is about rubbish macro and great companies”.

In any case, he challenged, “since when did the best business ideas come out of statistics?” In Kapoor’s thinking, the bedrock of good business is identifying and solving consumer problems. “Whatever is a problem is an opportunity.”

Jack Stephens is NZTE’s group general manager business and regional capability, South and South East Asia, Australia and the Pacific. He groups Kiwi business opportunities in India into five key areas:

- infrastructure (airports, ports, railways, roads and energy)
- agriculture reforms (farm technology, machinery, logistics, food processing)
- education (IT, aviation, retail, agriculture, biotech and corporate)
- building (especially green technologies)

NZTE’s just-published perceptions study found Indians seek enjoyment and fun in business, and New Zealanders should lighten up



REUTERS

- changing consumer lifestyles (urbanisation, food habits, travel habits, demand for lifestyle products, brand awareness and technology)
- Stephens says businesses should be looking to adapt their products and services to the needs of the market in India – not simply creating a product or service, then trying to sell it. “They also need to be at a price the market can bear, and scaleable.”

It’s only fair to say that, while much has been written about the attractions of the Indian market, Kiwi companies are also waking up to its downsides. Paul Hunt, an advisor to leading Indian IT company CMC Ltd, pointed out that the arrival of companies such as Accenture and IBM is bidding

up wages in the outsourcing sector.

Darshan Shetty, business development manager for secure email and software development services company SMX, listed a large number of what he calls ‘barriers of size’. These include the presence of large global competitors, lack of familiarity with the market, dubious companies or ‘cheats’, market expectations of low cost, the need to keep up with market growth, and high set-up costs.

His ‘barriers of distance’ include linguistic differences that can bamboozle wannabe Kiwi exporters. “Hinglish – a blend of Hindi and English – can be confusing,” he says. “You may receive emails saying things like, ‘I have hazaar things on my mind



According to Hindu culture, pouring milk pacifies the dead. Here Tsunami survivors pour milk into the Bay of Bengal to mark the tsunami anniversary on December 26

right now' (I have a thousand things on my mind right now). Or 'Please do the needful' (Can you please do what we agreed on)."

So what steps can we take to get it right? Firstly, says Stephens, do your homework. "India is a collection of many markets. Go into a state or a metropolitan area first as the country is too big to hit in one go."

He encourages exporters to look realistically at where they can target their product. "Remember that the percentage of India's 1.2 billion people enjoying a Western-sized pay packet is still very small."

He urges newcomers to understand how Indian culture and market requirements are changing as new generations of consumers grow up. "Some products previously thought of as unnecessary in Indian culture (for example, baby strollers) are beginning to have 'status' appeal."

And don't underestimate the cost of visiting or operating in India. "When travelling, leave plenty of time for the unexpected.

Traffic jams and airport delays are common."

When it comes to business etiquette, Soumitra Chakravorty, director of India HorizoNZ, says that in an Indian business context it is acceptable for several people to talk at once "and it does work".

He cautions Kiwi business people to make sure their Indian counterpart is actually the one empowered to do the deal.

And buckle up for some hard-ball action. "Prepare for a discussion about the bottom (or top) line after the agreed bottom (or top) line," he warns.

Finally, when it comes to business hospitality, be warned that dinner is served very late. Most importantly, know that alcohol is consumed late and without food. You could be part of the growing phenomenon that reputedly sees some 8.6 million bottles of beer consumed in India every day.



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Farmers carrying a paddy crop. Farm machinery and technology has been identified as an opportunity for New Zealand companies in India

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SOLID PERFORMANCE

It would be fair to say that Solid Energy is the grand-daddy of New Zealand business in India. It is by far our largest exporter to the country, over the past 20 years building up a formidable business supplying high-quality coking coals for India's vast steel industry. In 2007, India accounted for 36 percent of the company's total export sales as Solid Energy continued to balance its market diversification with Japan, China and South Africa.

India's significant hunger for steel is driven by huge infrastructure and construction projects, plus a growing demand for cars and whiteware. New Zealand's coking coals – which are low in ash and high in reactivities – are perfect for blending with India's domestic coal.

David Ferguson, Solid Energy's national marketing manager, acknowledges he is a relative newcomer to the Indian market. But in his two years he has racked up some 12 visits to the country and built on the institutional knowledge gleaned by colleagues.

He recalls business meetings in India where the two Solid Energy representatives have fronted up to find 30 people on the Indian side of the negotiating table.

According to Ferguson, there are some standout messages for Kiwi exporters. Firstly, he says, you need to clearly define and redefine your value proposition. This may require independent research. Next, build in a huge reservoir of patience: business is characterised by slow qualification and slow negotiations.

Ferguson stresses the importance of having the right agent, representative or consultant, and of investing time to understand customer requirements. This, he says, includes market visits. He urges New Zealand companies to find commercial solutions to any disputes in India and adds, "As everywhere, relationships are important."