

DOING BUSINESS IN INDIA

4. Market Entry Strategy

Strategic planning, due diligence, consistent follow-up, and perhaps most importantly, patience and commitment are all prerequisites for successful business in India. This market necessitates multiple marketing efforts that address differing regional opportunities, standards, languages, cultural differences, and levels of economic development. Gaining access to India's markets requires careful analysis of consumer preferences, existing sales channels, and changes in distribution and marketing practices, all of which are continuously evolving.

Finding Partners and Agents

New-to-market businesses must address issues of sales channels, distribution and marketing practices, pricing and labeling, and protection of intellectual property. These issues can often be effectively addressed through an Indian partner or agent.

Relationships and personal meetings with potential agents are extremely important. Due diligence is strongly recommended to ensure that partners are credible and reliable.

Market Entry Considerations

There are many foreign companies eyeing opportunities in India. For entry into the Indian market, it is essential to identify the target market and find good partners who know the local market well and are completely acquainted with procedural issues. Foreign investors should also explore various market options in India that could include forming subsidiary relationships or joint ventures with an India-based company.

Some of the important points for market entry in India are: the ability to understand the diverse market and strategies towards specific regions and income groups (i.e. target segments); crafting offerings according to the target group in order to gain early acceptance; considering the large informal sector into your planning; approaching the market consistently; obtaining mandatory licenses and approvals; and understanding that import procedures are one of the key issues for first-time exports to India. Proper documentation and understanding of the Indian import procedures will help to ensure smooth entry of products into the Indian market.

Geographic Diversity

As stated, U.S. companies, particularly small and medium-sized enterprises, should consider approaching India's markets on a regional level. Good localized information is a key to success in such a large and diverse country. The U.S. Commercial Service offices in New Delhi, Mumbai, Chennai, Ahmedabad, Bengaluru, Hyderabad, and Kolkata provide valuable local information and advice and are well connected with local business and economic leaders. Multiple agents are often required to serve the various geographic markets in the country.

The country can be broadly divided into four economic regions as follows:

North India

North India, with nearly 370 million people, is home to 30 percent of India's total population and comprises the second largest consular district in the world. The region includes the states of Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand, the Union Territory (UT) of Chandigarh (which is the capital of both Punjab and Haryana states), as well as Delhi/National Capital Region (NCR). Northern India's per capita incomes vary greatly, with several states including Delhi, Haryana, and Punjab well above India's average GDP/capita of \$1,539, and others including Jammu & Kashmir and Uttar Pradesh significantly lower. Outside of the NCR, which includes the business centers of Gurgaon and Noida, North India, in general, is not as economically and commercially developed as Southern or Western India, although certain sectors including agribusiness, renewable energy (especially solar), machine tools, automotive and medical/consumer goods are well represented. Education, travel & tourism, and trade and investment promotion are particularly strong opportunities given North India's significant population and wealth. Punjab has very strong ties to the United States, with an estimated 350,000 Punjabis living there. Punjab also has a strong consumer culture and is one of India's top markets for luxury goods.

An economic growth priority is to increase states' competitiveness and improve the overall business climate. Since 2015, India's Department of Industrial Policy and Promotion (DIPP), in conjunction with World Bank, has done an annual Ease of Doing Business (EODB) assessment and ranking of India's 36 states/territories and UT's under the government of India's Business Reform Action Plan. In 2018, Haryana was the highest ranked North Indian state at #3, followed by Rajasthan at #9 and Uttarakhand at #11. In the middle of the pack are Punjab, Uttar Pradesh, Himachal Pradesh, and Jammu and Kashmir, at #12, 16, 20, and 22, respectively. Delhi ranked #23, followed by Chandigarh at #29.

By March 2017, the Bharatiya Janata Party (BJP), Prime Minister Modi's party, won legislative assembly elections by an overwhelming majority. Uttar Pradesh (UP) is the largest state in India with a population exceeding 200 million. The BJP's victory in UP, along with simultaneous victories in three other states led to a majority for the party in Parliament's Rajya Sabha (Upper House) and Lok Sabha (Lower House), giving Prime Minister Modi a mandate to legislate at the national level.

The U.S. Commercial Service office in New Delhi covers North India. Our New Delhi office collaborates with the U.S. Embassy in Kathmandu to cover Nepal.

West India

The Western India region includes the states of Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, and Goa. The region is more highly industrialized, with a large urban population, a land area of 951,488 square kilometers, and a regional population exceeding 279 million. The region is anchored by Mumbai, the financial, business and entertainment capital of the country. Other major cities include: Pune, Nagpur, and Aurangabad in Maharashtra; Ahmedabad, Surat, Vadodara, and Rajkot in Gujarat; Indore, Bhopal, and Gwalior in Madhya Pradesh; Panaji in Goa; and Raipur in Chhattisgarh.

The Western region is an economic powerhouse in a wide range of sectors: conventional and renewable energy, chemical and allied products, electrical and non-electrical machinery, textiles, petroleum and allied products, wine, jewelry, pharmaceuticals, engineering goods, machine tools, steel and iron castings, and plastic wares. The Western region leads in the production of petrochemicals, textiles, diamonds, and pharmaceutical products and is home to some of India's – and the world's – best known corporations, such as Reliance, Tata, Aditya Birla Group, Godrej, and Mahindra & Mahindra.

In addition to this manufacturing might, the Western region is recognized as the hub of the growing services sector in India. Several large, global banks and financial institutions are in Mumbai, including the Reserve Bank of India (central bank),

the two largest life and general insurance companies (LIC & GIC), and the two largest Stock Exchanges (BSE & NSE).

U.S. Commercial Service offices in Mumbai and Ahmedabad cover West India.

South India

The Southern region includes the states of Tamil Nadu, Karnataka, Kerala, Telangana, Andhra Pradesh, and Odisha, and the Union Territories of Puducherry (Pondicherry), Lakshadweep Islands, and Andaman & Nicobar Islands. The region has a collective population of 290 million and an area covering 791,457 square kilometers. Per India's DIPP and the World Bank's Ease of Doing Business assessment and rankings of India states, Andhra Pradesh and Telangana were the top ranked states (tied for #1), followed by Odisha at #11, Karnataka at #13, Tamil Nadu at #18 and Kerala at #20.

Tamil Nadu has four major and 44 minor ports and serves as an important gateway to Southeast Asia. The state is an important manufacturing center and the capital, Chennai, is home to many Indian companies, mostly engaged in the automotive, healthcare, information technology (IT) and financial services sectors. The state is considered as an educational hub for India as well. The other two major cities in Tamil Nadu are Coimbatore and Madurai. Many textile mills and engineering units are in these two cities.

Bengaluru (Bangalore), the capital of Karnataka, is the high-tech hub of India and one of the principal commercial and industrial centers in South India. Home to numerous high-tech companies, including domestic giants such as Wipro and Infosys Technologies,

Bengaluru is popularly known as the 'Silicon Valley' of India. The clustering of aerospace, defense, machine tools, electronics-related industries, and biotech companies in Bengaluru has also made it the aerospace and bio-tech center of the country. The city has a booming retail market and is the first destination of many global consumer brands, especially luxury labels. Increasingly, the city is also seeing high growth in the healthcare, textiles/apparel, automotive, and construction industries. The other major cities of Karnataka are Mangaluru and Mysore.

Major business sectors in Kerala include construction, shipbuilding, transportation, shipping, seafood and spices, chemical industries, IT, tourism, health services, and banking. Kochi (Cochin) is widely referred to as the commercial capital of Kerala. In recent years the city has witnessed heavy investment, thus making it one of the fastest-growing tier-two cities in India. Thiruvananthapuram (Trivandrum) is the state capital.

Telangana is India's newest state, created in 2014 after Parliament voted to bifurcate the state of Andhra Pradesh. Hyderabad, its capital, is a center for IT and other industries such as biotechnology, pharmaceuticals, aerospace, and defense manufacturing. After the bifurcation, the coastal area and inland region retained the state name Andhra Pradesh.

The capital of Andhra Pradesh, Amaravati, is under construction. In the interim, government functions take place in Amaravati's neighboring city, Vijayawada, an hour flight from Hyderabad.

Odisha (Orissa) is driven by investments in the mining, power, steel and port sectors, and major industries related to steel, aluminum, coal, and other minerals. Its capital, Bhubaneswar, is often referred to as the "City of Temples" and is a center of economic and religious importance in Eastern India.

U.S. Commercial Service offices Chennai, Bengaluru, and Hyderabad cover South India. Our Chennai office collaborates with the U.S. Embassy in Colombo to cover Sri Lanka.

East and Northeast India

The Eastern region includes the states of West Bengal, Bihar, and Jharkhand. The Northeast region includes the states of Sikkim, Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Tripura, and Manipur. The total land area of Eastern India is 524,866 square kilometers with a population of approximately 270 million.

Mining, metals and minerals, agriculture and agro-based industries, service sectors, oil & gas, petrochemical, paper, power generation are the major sectors in this region. Among the states of Eastern India, West Bengal and Jharkhand are the most industrialized.

West Bengal is the fifth largest economy in the country and the main economic engine of Eastern India. It has fertile land, good reserves of coal, iron ore, limestone, and other minerals. It is India's largest producer of rice and jute fiber and second largest producer of tea after Assam. Key industries include engineering, chemicals & petrochemicals, coal, iron & steel, tea processing, jute products, and finished leather goods. IT, construction & real estate, hospitality, healthcare, and food processing are growing sectors. Jharkhand is the largest producer of coal, copper and mica in the country and has considerable iron ore, bauxite, and uranium reserves. Steel making, automobile manufacturing and ancillary industries, and other engineering units are some of the leading industrial activities of the state.

Major festivals of this region include Durga Puja, Diwali, Bihu, Hornbill festival. The Chhau dance is performed during spring festival of Chaitra Parva. The region has good tourism potential with attractive destinations located on the sea coast, in the mountains, national parks and heritage places. The region is the only place in the world to have one-horned rhinos and features a variety of flora and fauna.

What makes this area unique from a business perspective is that it is a developing region with ample natural resources and well-trained manpower to serve industrial needs. The region borders Bangladesh, Nepal, Bhutan, Burma, and China.

The U.S. Commercial Service office in Kolkata covers East and Northeast India. Our Kolkata office collaborates with the U.S. Embassy in Dhaka to cover Bangladesh.

Border Countries

India shares borders to the northwest with Pakistan, to the north with China, Nepal, and Bhutan, and to the east with Bangladesh and Myanmar. To the west lies the Arabian Sea, to the east the Bay of Bengal, and to the south the Indian Ocean. Sri Lanka lies off the southeast coast, and the Maldives off the southwest coast.

If you fail to plan, you are planning to fail.

Setting up a business in India has been liberalised over the years, still it requires company formation, approvals if required, legal compliances and registration with various authorities. We provide our clients Business Setup Solution based on “turnkey” methodology which takes care of approvals, legal compliances, registrations with authorities etc. to provide a ready to operate business setup in shortest possible time frame. mail@farhataas.com for more information.

Start with good plans. Start with us.

THANK YOU

We hope to work with you in the future

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