

Late-entrants Have to Play Catch-up



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India has become hard to ignore. The numbers look good. Industrial output in April-May rose 9.5 percent and is expected to keep this pace for the rest of the year. The middle class is expanding rapidly. There were 7.1 million motorcycles sold in the fiscal year ended March 2006. The rate of growth was an astounding 40 percent. Similarly there were 5.1 million PCs sold last year, a 32 percent growth. Some other sectors are growing even faster. Apart from the middle class, the talent-led IT Services sector continues its growth of over 30 percent a year. R&D investments are booming. As a result, India is now high on the agenda of many CEOs.

Translating this interest into results has been hard for many MNCs in India. Some of them have been tripped up by the competitive landscape. When Coke re-entered India in 1993, it found that Pepsi had beaten it to the punch. So Coke had to play the role of the underdog something that it wasn't accustomed to. Toyota is facing that situation now. Suzuki, a bit player in Japan, has about 50 percent of the car market share in India. So Toyota has to work around that as it pursues the Indian market. The IT market is no different. Sun

Microsystems, which established a dominant share in UNIX systems many years back, humbled its nearest competitor in 2005 by shipping more than double the number of units. The upshot of all this is that being a late-entrant in India can be tough. The standard competitive playbook doesn't always work well here in these situations.

What accentuates the challenge is that often the customer dynamics are also quite different. India is largely a latent market where you have to sell to non-consumers. Take PCs as an example. Most PCs sold in India go to first-time users. That's not the case in U.S. Selling to non-consumers and developing a latent market calls for a different ballgame than serving a mature market. This is why the traditional sales and marketing programs that work in U.S. turn out to be duds in India.

Understanding the nature of growth is also a challenge. Since most of the new growth is around first-time consumers and business customers, picking the right emergent players who will generate this growth is critical for success. Sun bet big on fledgling banking automation in mid-90s and got it right. Toyota, uncharacteristically, entered with a Multi Purpose Vehicle in 1999 and got it right too. Having the correct market

insight on new growth is invaluable for late-entrants as it allows them to establish a beachhead for the future.

Playing catch-up is never easy, particularly, in a place like India. As we have seen, three things have to fall in place for a late-entrant. First, it needs the right local market insight on new growth. Second, it needs the capability to design and develop localized go-to-market and sales programs. Third, it needs a new competitor playbook that recognizes, like Toyota did, the underdog status.

So far only a few late-entrants have managed to get all the three simple things right. Some were hobbled by their lack of patience. They were so captivated by the prospect of quick gains that they invested little for market development. Others failed because they couldn't get the head office not to run the show. In these situations, at the end, there was at best a modest success to talk about and the competitive landscape remained largely unchanged.

The stakes in India are getting higher. This is aptly illustrated by the recent Reuters article asking whether “PC Sales in India to Revive Intel?” As the stakes get higher more late-entrants will arrive. Hopefully they will play smart so that a larger share of them will thrive.