<CN> 13: <CT>**The B2B Market in India**

Introduction and Learning Objectives

In this chapter, we embark on a slightly different journey. The previous chapters helped us lay the foundation and conceptualize the broad framework of business-to-business marketing, here we build upon that further while focussing on the Indian business market. Being a fast-growing economy, India has a lot of attractions for any business. However, since it is an emerging market, there are certain constraints, challenges, and conditions that are characteristic to this country. This chapter provides an overview of the issues that are common to business marketing in India. The mini case in Box 13.1 gives a glimpse of the size the Indian corporate sector may assume when it needs to compete with the best in the world. This is one side of the dichotomous coin that sums up the Indian economy and the market.

Box 13.1: Mini Case
Reliance Jamnagar: One of the 'World's Top 5'

Discovery Channel's 'World's Top 5' is a television series which showcases the greatest engineering marvels of the world. The Jamnagar refinery of Reliance Industries Limited has featured as one of the world's top 5 in an episode on factories. The refinery is not only the largest industrial project ever to be implemented in the Indian corporate sector, but also one of the largest greenfield oil refineries of the world. It is a fully integrated manufacturing complex comprising a petroleum refinery, and associated petrochemical plants. The complex also houses a power plant, a port, and a terminal which provides access to a pipeline network. The refinery has the capacity of processing more than one million barrels of oil per day. Including a township for the employees and other utilities, the entire complex covers an area of over 7500 acres. Needless to say, the project entailed a heavy investment of around USD 6 billion at the time, the late nineties.

The successful completion of the project has set a benchmark in terms of size and execution time, amongst other parameters. As per international standards, projects of such magnitude generally take about 48 months for completion; but the aggressive timelines set by Reliance and implemented by the project contractors ensured that the refinery was ready in less than 36 months. One of the primary project consultant companies hired by Reliance, Bechtel, involved engineers from 19 of its offices in different countries to manage this project. Additionally, almost all the suppliers of industrial consumables such as lubricants, fasteners, welding and cutting items, grinding wheels, NDT chemicals, etc. had set up offices and stores in the city of Jamnagar and its surroundings.
Source: www.bv.com*;* www.discoverychannel.co.in*; and* www.ril.com

Chapter Aims

After completing this chapter, you should be able to:

- Identify the key characteristics of the Indian economy
- Understand the features of Indian institutional buyers
- Develop a sense of dealing with the government agencies as buyers
- Ideate marketing tactics for growth in India

13.1 The Indian Business Environment

The Indian business environment, like that of most other emerging economies, consists of corporate enterprises, institutions, government organizations, and NGOs. All these organizations form the entire customer base for business firms intending to market their products and/or services.

Economy

Overall, the Indian economy has grown to USD 7.277 trillion in PPP terms and is currently the third largest economy of the world with an expected economic growth rate of 5.8% (IMF, 2015). One characteristic feature, much in line with most developed economies of the world, has been the increasing shift of the Indian economy towards the services sector. The share of services in the GDP has grown to 57% in the financial year 2013–14, whereas that of manufacturing has stayed more or less stagnant at around mid-20s for the past four decades (Planning Commission, 2014). Additionally, services sector is now the second biggest employing sector after agriculture.

The exceptionally strong growth figures, as seen earlier, however, have concealed certain aspects of the Indian market that have constrained the rise of the economy to the heights everyone expected it to achieve. Despite the ever growing GDP, the highly skewed distribution of economic wealth across various geographical regions is a major concern. The eastern part of the country, although rich in natural resources, has not been able to keep pace with other regions in terms of uniform economic and industrial development. Thus, the demand for both business and consumer products and services is considerably lower in this region. Owing to this uneven distribution of economic wealth and increased demand for products and services, prominent industrial clusters have developed in different geographies over the years. This shall be discussed in more detail in Section 13.2.

Additionally, the business environment in India suffers from certain problems such as insufficient infrastructure, poor access to financing, excessive yet inept bureaucratic interferences, and prohibiting labour laws. To add to these, there is the issue of corruption that hinders many firms of the developed economies from investing in India. Let us look at the various factors that have important effects on the overall business scenario in the country.

Economic policies of the government

In the post-independence era, when India was still trying to establish its foothold in the world market, business was primarily controlled by the government and licences were given out for building up capacities in crucial sectors such as steel, power, and communication. The government gradually got into diverse sectors such as steel, heavy engineering, refining, and power in the form of public sector undertakings (PSUs). Banks and airlines were nationalized. Over time, the licence owners built up powerful corporate empires and the licensing system created an inefficient bureaucracy. All these policies and actions caused the national growth rate to plummet to 3.5%.

Under threat of default, the Government of India opened up the economy in 1991 and allowed private ownership, management, and control in the PSUs. It allowed for private and foreign investment into erstwhile restricted sectors such as telecom, steel, oil, banking, aviation, and financial services. These policies also led to some negative effects such as curtailed growth in some industries, reduced employment opportunities due to adoption of capital intensive technology, sell-outs and takeovers by foreign companies, loss of market, and declining capacity utilization.

Legal framework

The business environment and the general business sentiment also depend heavily on the legal framework of the nation. Even after the liberalization of the economy, there still exist some archaic laws governing certain aspects of business which hamper its efficient functioning. For example, each manufacturing unit of a typical manufacturing company is subjected to inspection from 35–40 inspectors from various departments of the government. On top of that, labour laws have not been liberalized or modernized which prevent firms from taking important decisions for improving productivity and operating efficiency. The multiplicity of laws has also neither been able to safeguard the workforce nor encourage the growth of labour-intensive industries (www.moneycontrol.com, 2014). This has indirectly affected the supply of skilled labour to the manufacturing sector. Additionally, the legal framework of India is riddled with corruption which calls for employing middlemen to get clearances and approvals (www.rediff.com, 2012; Singh, 2014). According to the World Bank (2014), setting up a business in India takes more than 28 days which is significantly higher than the corresponding number for South Africa (19) and Russia (11).

Technology

India is clearly divided in terms of technology absorption. The country boasts of some of the most technologically advanced firms and institutions such as Biocon (bio-technology), Infosys (IT), ISRO (Space research), etc. Even core sector industries such as steel, heavy engineering and cement have adopted cutting-edge technology in order to augment their productivity and efficiency. Also, the advent and proliferation of the Internet has changed the face of banking, insurance, e-commerce, logistics, and software services in the country. But, on the other hand, large parts of the country are still dependent on products and services based on out-dated technologies. Majority of micro, small, and medium enterprises (MSMEs) suffer from high operating costs arising out of rudimentary technology usage. A 2012 Intuit report revealed three business types among the MSMEs—'tech non-adopters' who do not employ technology to any great extent and rely mostly on manual methods, 'tech aspirers' who only adopt technology solutions after they are tried and tested by others, and 'moderate tech adopters' who are the most technology-savvy of the sample and have an evolved understanding and use of technology. However, this is still at the nascent stage (Intuit, 2012). The main barriers to technology adoption are cost, lack of awareness of the benefits of technology, poor infrastructure, lack of skilled manpower, and security and privacy. The crucial dilemma faced by a lot of firms in India is the timing of the decision for investment in advanced technology. So, the benefits emanating out of using automation may not be available to these firms.

13.2 Business Customers in India

The classification of business customers, as in Chapter 2, can be done for the Indian market as well. The customers may be largely divided into commercial enterprises and institutions on one hand and government on the other.

Commercial enterprises and institutions

Large commercial enterprises may primarily consist of one or more of the following sectors —oil and gas, steel, metals and minerals, automobiles, power, telecom, heavy engineering, IT, consumer products, cement, and coal. It is quite evident that all these sectors, except IT, belong to the manufacturing industry. Additionally, a large number of PSUs also belong to this category. For manufacturing industries, the investment in fixed assets forms a considerable part of their outlay. As a result, this sector draws maximum attention from business marketers. The implications of this for business marketers shall be discussed in greater detail in Section 13.5.

As regards the institutions, the services sector commands almost 60% of the Indian economy. The most important segments in the services sector are banking, insurance, financial services, IT services, health care, and hospitality. The banking and the insurance industries are among the fastest growing ones with the use of newer and more innovative distribution channels. But the IT services industry led by the business process outsourcing (BPO) segment, which got a major boost soon after the opening up of the Indian economy in 1991, has been the forerunner in this sector. This growth was fuelled by the well-established IT industry and the presence of 'technically literate English speaking people', though these were, in reality, call centres for large firms based out of developed countries (Budhwar et al., 2006; Taylor and Bain, 2004) .

Due to the increased influx of tourists thanks to special promotional drives by the government, hospitality has emerged as another very important industry with a growth rate well over 15%. This industry earns valuable foreign exchange and also provides employment to around 17 million people in the country (FHRAI, 2015). It is imperative to state here that marketing practitioners need to attach greater importance to services sector as the firms belonging to the different segments in this sector also need to invest in operational equipment and procurement of consumables and supplies. The requirements of these firms may be very different from the manufacturing industry but they provide sustenance to a large segment of support firms, especially from the MSMEs.

Geographical concentration

The Government of India, in order to homogenize the regional disparities existing from the pre-independence era, decided to set up and promote industrial clusters in different parts of the country. As a result of specific interventions, some regions have excelled in a particular industry and have grown into major industrial hubs. Thus, one can think of Chennai and Gurgaon as the auto and auto component hubs. Gurgaon, along with Faridabad and Noida, has become the BPO hub of the country. Given here are some other prominent industrial clusters:

- Bengaluru: IT, R&D, Biotechnology
- Hazira-Jamnagar-Vadodara: Petrochemicals
- Nashik: Fruit processing
- Pune: Auto, Auto components, Light engineering
- Tiruppur: Hosiery

Government

Government is the biggest business customer in India. It includes various ministries and departments of the central government, state governments, municipal bodies, and *panchayats* (local self-government units at the village or small-town level). Moreover, there are various public sector units (PSUs) and public sector banks (PSBs) run by the Central and the state governments which are also business customers for many firms. Total procurement of various products and services by all these entities would comprise 25–30% of the GDP, which translates to USD 500 billion (CUTS, 2012). Naturally, owing to this huge quantum of purchases, the procurement process is rendered heavily process-bound to ensure transparency. The spectre of audit by the Comptroller and Auditor General (CAG) and investigations into irregularities by the Central Vigilance Commission (CVC) ensure constant pressure on the procuring departments and personnel. These checks also apply to autonomous institutions such as research and educational institutes and various central and state universities.

Two of the major buyers within the ambit of the Indian government are Railways and Defence. For the year 2014–15, the Indian Railways had an expenditure budget of INR 14.917 billion which encompassed new projects, track gauge conversions, new trains, and working expenses (Indian Railways, 2014). In the financial year 2012–13, Indian Railways carried a record 8.5 billion passengers. To manage such huge numbers, it maintains more than 9000 locomotives, 64000 passenger rakes, and around 250,000 wagons all over India (Indian Railways, 2013). For the financial year 2014–2015, USD 38.35 billion were earmarked for the Defence sector, which primarily caters to the maintenance of equipment, development and procurement of new weapons, equipment, vehicles, and operational costs other than personnel cost (*Business Today*, 2014). The government supports the armed forces by providing them with a large range of consumer goods such as FMCG products, shoes, luggage, liquor, etc., at subsidized prices. The sale of these products to the Canteen Stores Department (CSD) is an important part of the revenue of the firms dealing in these products.

All these government bodies suffer from a perpetual budget deficit which affects their procurement policies and strategies, which adds to the compulsion of buying from the lowest bidder. All information about the procurement rules, tender enquiries, and award of contracts by various government departments are available at the Central Public Procurement Portal (www.eprocure.gov.in). However, despite all the precautionary measures, the malice of corruption has not been eradicated from these government organizations.

Projects

In an emerging economy like India, infrastructural challenges abound. One of the major focus areas for successive governments at the Centre has been infrastructure projects, namely highways, airports, ports, railways, power plants, dams and canals, universities, etc. An economy's development is largely gauged by successful planning, design, and implementation of such projects. However, it would not be wise to expect the government to have *all* the requisite capabilities to execute *all* the planned projects. Given such a scenario, the participation of the private sector becomes inevitable, more so now since the economy has been opened up. This model of project implementation, where both the government and private players join hands to undertake the successful completion of a large-scale project, is known as Public Private Partnership (PPP). Efficient management of these PPP projects is crucial for the development of the country. For firms that are operating in the Engineering-Procurement-Construction (EPC) space, marketing their services and quality of implementation to the PPP project management teams becomes very critical. Customer satisfaction, attention to detail, ability to think on the feet, and strong credentials are important elements of marketing communication to potential clients.

DGS&D

Directorate General of Supplies and Disposals or DGS&D is the successor of the Central Buying Department which was set up by the British Government. DGS&D provides services to the central and state governments for finalizing rate contracts for commonly purchased items. From the perspective of the purchasing departments, an annual rate contract reduces their price discovery activities. The department also has a Quality Assurance (QA) wing that offers technical services in procurement specifications formulation, vendor evaluation, and quality assurance of incoming goods. For marketing firms, a registration with DGS&D is mandatory for breaking into the government procurement process. Registered firms or vendors get access to tender notices in advance and the earnest money deposit (EMD) for each individual tender is waived off for them. EMD is the amount that PSUs and government departments require be submitted along with the final bid to ensure that the bidder does not submit a dummy bid or back out during tender opening.

13.3 OBB: An Indian Outlook

India has been a supply-deficient economy since Independence. As a result of this, the marketing firms have been able to get away with shoddy products and poor delivery. Even innovation in product design as a source of competitive advantage was offset by scarcity (Deshpandé & Farley, 2004; Deshpandé et al, 2004). In such a situation, mere availability of an item became very important for the procurement department.

However, as a result of economic liberalization, more firms entered the market, both domestic and foreign, and created a competitive scenario which rendered the buyers more selective in terms of quality, delivery, price, and after-sales service.

The buying firms, on the other hand, also have been compelled to streamline their purchasing process and cut out inefficiencies in order to reduce procurement costs. Indian firms have started using the Internet for sourcing from global suppliers as well, something which they had not been doing until the last couple of decades. They have begun using more and more information technology in carrying out the buying process, which has led to a reduction in the procurement manpower, and ensured accuracy in the ordering system. Integration with the suppliers' ERP systems has also become commonplace leading to a holistic supply chain perspective to materials management. Additionally, Indian firms have started using efficient operations management practices such as JIT, outsourcing, etc.

Characteristics

The buying behaviour of firms, as described in Chapter 2, mentions certain influences. similarly, the buying pattern of Indian firms evolves from the original vision of the firm and also the individual characteristics of the people leading the procurement team. The factors that affect the firm buying behaviour also apply to Indian firms as well but there are certain aspects which are characteristic to India.

As far as the external factors are concerned, Indian firms concentrate more on the political orientation of the central government expecting certain reliefs in terms of excise, VAT, and GST exemptions. Then there are infrastructural challenges such as poor roads, hostile terrain, delay in clearing from docks and airports, and inclement weather which force buyers to buy more in quantity.

Within the organization, the purchasing process typically gets affected if the finance department delays payments of the vendors or creating roadblocks in providing approvals for purchase orders. In doing so, these firms create a poor reputation for themselves which in turn leads to a disinterest from competent potential future vendors. These firms do have to pay more as the vendors are mostly not willing to give them the best prices. In India, there are a good number of family-owned businesses. Purchasing decisions of these firms may sometimes get influenced by the whims and fancies of the owner or the owning family. Finally, for the individual purchasing manager, his educational background or prior work exposure also affect his own buying behaviour, and in turn, that of the firm. In India, very few people with the requisite and relevant technical background are in the senior purchasing roles. Consequently, there is a high perceived risk with respect to buying decision-making of the firm as the individual may not be capable enough to assess the alternatives. In such cases, the person may create his/her own heuristics to finalize, which may eventually lead to sub-optimal decisions.

The more efficient and better-performing firms are now getting more professionals into the purchasing process, other than in the purchasing function. People who are typically involved in technical functions such as manufacturing/operations, engineering, and maintenance are also being involved in the buying process throughout. For high ticket purchases, the final nod typically comes from the board or the CEO. The purchase department mostly plays the administrative role and is involved in the information search stage.

Role of specifiers

We have discussed the buying centre in Chapter 2. In the current business-buying context, presence and role of a few other members needs to be looked into. These are the *specifiers*. The premier specifiers in India are mostly large engineering consultancy firms such as MN Dastur, MECON, Engineers India Limited, Tata Consulting Engineers, etc. Firms intending to launch new or capacity expansion projects seek professional guidance for developing the RFPs (Request for Proposals). The consultants on their part formulate the specifications for materials, project management, and vendor development. Specifiers also undertake feasibility studies to chalk out the scope of work, performance standards, and service level agreements for service projects such as purchase and installation of software systems such as CRM or ERP. In this domain, TCS and Infosys are important players.

Government buyers

In Section 13.2, we saw the different types of government buyers in the Indian market. Cumulatively, it was noted that the quantum of government procurement is quite large for any selling firm to ignore. But there are certain complications in the procurement process that may put off a lot of firms, especially multinationals, from marketing to government bodies.
To begin with, the entire buying process is done through tendering. The prime motive of the government tendering process is to purchase from the lowest bidder. As has been discussed before, other government organizations such as DGS&D and RDSO (for Railways) aid the purchasing process. However, given the fact that the entire government procurement pro-

cess, also referred to as public procurement process, is carried out using the taxpayers' money, accountability and transparency issues become absolutely imperative. Policy matters take precedence over benefit to the organization. Thus, the purchasers do not try to be innovative in their buying process to ensure there are no discrepancies in the policies laid down by the government. Their primary objective is to eliminate post-purchase hassles due to departmental enquiries or auditor queries, and not to ensure the best result for the organization. Consequently, the purchasers keep compromising with the quality of the input materials, delivery schedule of the consignments, etc. Even if one considers the PSUs which are relatively better managed and are nimbler in terms of decision-making, the aversion towards taking decisions which might lead to auditor queries or departmental enquiries is still there. Even though these organizations are corporatized, there is considerable interference from the political class; as a result of which, a lot of crucial decisions are taken sub-optimally.

For research and educational institutes run by the government, the buying process is distinct due to the dissimilarity to regular government purchasing as it is tedious and long drawn. Since most administrative positions are manned by scientists, researchers, and academicians, and purchases are also highly technical and sophisticated in nature, the participation is very intense. But the final financial decision is vetted by the concerned ministry as also by the Finance ministry.

Sadly, many firms which manufacture and market quality products and services are not interested in supplying to government institutions and have stopped participating in the bidding processes. One reason for this is that they need to employ the services of middlemen or agents who have the right contacts in the ministries (Nag, 2014; rediff.com, 2015). This may not be palatable for multinationals which follow stringent corporate laws in their home countries.

13.4 Marketing on the Ground

Needless to say, a lot of exposure and understanding of the ground realities is needed for doing business in India. Certain aspects need to be carefully considered and planned for while devising the marketing strategy for Indian markets. The issues include (a) recruitment of salespeople, who are conversant with not only the industry but also the terrain and the channels, (b) product design keeping in mind improper usage by semi-literate operators in the user firms, and (c) maintaining channel prices in the light of illegal trade practices by channel members, among others. Not only multinationals but Indian firms also need to account for these aspects as even great products and services may not work unless basic issues are addressed. In this section, we look into two crucial aspects of the Indian business markets — Supply chain and personal selling.

Supply chain

The topography of India and the constraints in infrastructure shape the marketing mix for all operating firms — business or consumer. Let us take a look at a few examples of supply chain management in the retail industry.

In spite of infrastructural challenges, retail industry has been able to overcome several hurdles pertaining to the supply chain. The public distribution system (PDS) was envisioned by the government for providing citizens with essential goods such as food grains, sugar, and edible oil at reasonable rates. For years, PDS's supply network consisting of warehouses and fair price shops had been running well; but over the past few years, several instances of leakages and wastages across the PDS infrastructure have come to light. Organized retail, on the other hand, has been able to plug most of these lacunae. However, it has so far stuck to the cities and has not yet ventured into the hinterland. Also, most players in organized retail are corporate entities, some of them having collaborated with experienced multinationals of the domain. These include Big Bazaar of the Future Group, Spencers of the RP–Sanjiv Goenka Group, Reliance Fresh and Reliance Mart, etc. These companies have used the global best practices to set up highly efficient supply networks.

Logistics

The mainstay of such efficient supply networks is logistics and successful management of the same. In India, logistics assumes an even more critical position due to the challenges already discussed before. Given the business-unfriendly, inter-state taxation rules, the warehousing requirements in India are affected more by these taxation rules rather than by demand and distance computations. In order to avoid inter-state sales, firms have been compelled to set up warehouses in each state (where they operate) which leads to duplication of capacities and unutilized warehouse spaces. Such a tax structure distorts rational network design and can generate cost inefficiencies (Avittathur et al, 2005). These issues have given birth to a new breed of specialist service providers —Carrying and forwarding agents (CFA). Further, another factor that has constrained logistics from consolidating is that there are too many small and unorganized players operating without any specific industry guidelines or standards. In any case, the industry suffers from the absence of well-defined standards and processes (Parkan & Dubey, 2009). Hence, the presence of such unorganized players further aggravates the situation. All these issues have never allowed the logistics business to flourish as an industry. But there are bright spots as well which make it evident that professional management can actually add value to the entire process. Bharat Forge and Sundaram Fasteners in the auto components industry, and Reliance Fresh in the agri-products business industry have been successful in getting the best out of the respective logistic networks.

Wholesalers/distributors

When it comes to setting up an efficient distribution network and supply chain, appointment of suitable wholesalers or distributors turns out to be a key success factor. The number of wholesalers in India is much smaller as compared to that employed by FMCG or consumer durables multinationals in the Western economies. One reason for this is that the wholesalers in those countries are mostly national players whereas the Indian ones operate in a relatively smaller geographical space. Normally, these wholesalers are private enterprises owned by an individual with a sound financial backing. Nevertheless, only strong finances are not enough to make these entities comparable to western corporations such as Grainger. Maco Corp and the like have set up shop in India for plugging this very important gap. These wholesalers are expected to appoint their own salespersons to complement the selling of the manufacturer's products. They are also expected to support the point-of-purchase display and merchandizing activities of the manufacturer. This way they help enrich the brand value of the final offering as all these individual aspects add on to create the perception of the brand for the end-customer. Channel managers from various industries have suggested that these wholesalers provide all such useful support services at very low margins.

Personal selling

It is a well-established fact that personal selling accounts for 70–90% of the total expenses of B2B marketing communications (Sarin, 2013). The benefits and importance of personal selling have been discussed in Chapter 12. Just as in any other country, personal selling plays a crucial role in the Indian business marketplace. However, in India salespersons are expected to acquire customers more than build relationships and deliver value to the customers (Mantrala et al., 2012). The sales personnel have to meet people who are at different professional positions and come from varying backgrounds for generating sales revenues. These include managers of large corporate firms, owner-managers of SMEs, and dealers and distributors. Given the academic and economic make-up of the Indian buyers, the sales people have to be geared up technically to detail their offerings to highly qualified engineers from IITs and have a commercial outlook for dealing with proprietors and/or distributors whose only qualification might be financial soundness and vast market experience without any academic background whatsoever. Indian salespersons, especially those operating in highly technology-oriented industries, need to be sufficiently open-minded for such situations. They also have to be resilient to excel in the challenging Indian marketplace which has constraints in transport, communication, and weather conditions.

The Indian business environment cannot stay disconnected from the greater sociocultural backdrop as various cultural factors affect the interests and priorities of the buyers (Singh & Koshy, 2011). The sales people need to take care of such matters while presenting their cases. Practitioners involved in training sales personnel often refer to these cultural issues and suggest keeping these in mind for being more successful as a salesperson. These include religion, festivals, cricket, movies, and politics, to name a few. It is common knowledge that business transactions seldom fructify unless the salesperson does not strike a good rapport with the client by broaching some of these aspects. Some practitioners are of the opinion that subscription to a local religious or social festival fund for which the purchaser is a senior office-bearer is imperative for cracking deals or getting insider information.

However, veterans from the Indian salesforce and experts differ considerably in this regard. According to most of them, such tactics may only work once in a while. The purchasers and dealers will seal the deal only when they see good value, as most Indian buyers are fixated on the initial monetary outlay in the purchase. Salespersons in India also have to face the inordinately long response times from the buyers.

13.5 Marketing Implications

So far in the chapter, we have delved into several issues which are typical of the Indian business market. The Indian market, as we know it today, has largely been shaped by these factors. In this final section of the Chapter, we take a look into how these factors affect the marketing firms operating in India. In other words, we shall discuss the ramifications of all these issues for the marketing manager of any B2B marketing company. The rapid growth of the services sector in the past two decades has greatly influenced marketing practices in India. The concept of industrial marketing has grown in its ambit to subsume services and service firms, causing the academicians to rename it as business-to-business marketing.

Geographical concentration

The geographical accumulation of firms belonging to a certain industry, as seen in the beginning of the chapter, has its own implications for the marketing firms. The firms need to ensure an optimal and appropriate allocation of marketing resources to derive the best results. In this regard, the location of the salespersons and the size of the sales force is the first question that needs to be addressed. For example, all leading welding product firms such as Esab, Ador Welding, and L&T Eutectic have their salespersons posted at locations like Jamshedpur in Jharkhand (to cater to the steel, auto, and engineering industries), Beawar in Rajasthan (to take care of the requirements of the many marble and mining industries), or Singrauli in Madhya Pradesh (to tap a rich market of several super thermal power plants, coal mines, and aluminium smelters). It is interesting to note that none of these locations is the most important city of its respective state but has been accorded greater importance by these firms due to its immense potential. Further, posting a salesperson and appointing distributors in such industrial hubs ensure better services in terms of product deliveries and technical assistance. Customers can always call upon the sales engineer in case of any emergency. This allows the firms to enjoy a premium for providing such specialized and customized service. Lastly, these clusters of industrial activity govern supply chain decisions of the firms and help in zeroing in on the best locations to install warehouses.

New product innovation

The discussion on the effect of technology on the Indian business market had pointed out to the presence of a technology absorption divide. However, a bigger challenge facing the Indian industrial development is the conspicuous lack of innovation across industries. Even if we consider those firms that are perceived to possess strong R&D capabilities, the output from the government research institutes and industrial research departments has been abysmally low, pulling the national output down severely (Bhaduri, 2013). The quantum of patent applications from the country as a whole is way less than firms such as GE or IBM. The investment made by Indian firms in research and development which may lead to innovative products and services is very low. This has naturally resulted in a negligible presence of Indian products in the global markets.

The impact of this lacuna is mainly felt by the Indian product managers who deal in products of industrial applications. With a serious crisis of innovative products, Indian firms involved in selling products and services are compelled to bring in offerings from developed economies and attempt to develop the market to make it compatible. Most products in India have been found to follow a cycle–recycle form of life cycle (Kotler & Keller, 2006). The product is re-established in a cyclical pattern by virtue of its easy affordability and availability. The marketing managers need to promote newer applications of the products at the end of the decline stage and restart another growth phase (Mukerji & Tripathi, 2005).To quote an example, one can think of ERP software packages which have gone through such a life cycle in India. In the mid-to-late nineties, most large corporate firms in India were trying to get ERP systems and there was quite a growth for the systems offered by SAP, Oracle, and BAAN. But the dip in sales happened as lack of implementation experience, poor IT infrastructure, and dubious involvement of consultants. As the consultants matured and the bandwidth improved, firms started reviewing their investments into ERP systems. More firms followed suit and the ERP packages also became comparatively affordable. This created the recycle phase of the PLC.

Marketing of services

The growth of the services sector in India has been repeatedly talked about not only in this chapter, but also in various business publications and academic literature. It is also known that all individual service performances are 'moments of truth' which go a long way in the marketing of those services (Carlzon, 1991). At each service encounter, the three pillars of services always come to the fore—operations, human resources, and marketing. Despite the runaway growth of the services sector, the quality of services in India is not up to the mark. The personnel recruited by service providers are inhibited by inherent lack of education, civic sense, and general progressiveness. Inculcating a sense of internal branding and general training remain major challenges for the service firms. While the government of India has an overbearing presence in important services such as health care, primary education, railways, postal services, and domestic tourism, the aforementioned deterrents keep the population from getting access to good quality services.

Despite these challenges, all is not lost. Getting the right people and training them properly can help India shed the tag of 'poor services' that has been haunting Indian firms for ages. The marketers should realise the advantages that the huge population of India can offer. They can tap into a pool of young people which can be transformed into quality service providers through the right training. Also, this large population will serve as a good market for the services being provided. This will in turn draw in more service providers. Finally, more innovative services may be expected as more people enter the services sector.

Value creation in tendering

In their paper on tendering in India, Singh et al (2013) have stressed in the light of the surfeit of tenders to be submitted for getting contracts in India, that it is imperative on the part of the marketing managers of supplier firms to carve out paths which lead to creating value for the buyers. The buying behaviour of the government organizations, as discussed in Section 13.3, mentions the use of tenders as the regular buying policy. According to the purchasing norms set out in the General Financial Rules of the Government (2005), any purchase above INR 100,000 must be made through tenders. The authors also suggest that the suppliers need to engage with various departments of the buying firm. These actions have to be taken much before the specifications that go into the tender document are finalized. It is quite obvious that such actions cannot be taken in isolation, so the nucleation and development of strong relationships are both very crucial for finalizing the specification. The supplier firms can also take advantage of the technical loadings even after the specifications are fixed.

Pricing conundrum

The main fallout of the tendering form of procurement process to hit the marketers of business products and services in India has been the undue attention given to pricing. Globalization has increased the competition manifold so firms have started focusing on cost reduction as well. Its two-pronged effect on marketing has led to most marketers getting caught in a mindset of low pricing. However, with greater competition from far eastern countries like China, Korea, and Taiwan, Indian companies are fighting for a lost cause in this price war. The worst part in this price competition is that the firms are losing on profitability badly in the race to grab orders from domestic firms. On the other hand, when these firms aim for large companies with a good reputation in the market, a very low price tag might actually backfire due to a perceived poor price-quality correspondence. This is the classical pricing conundrum that is being faced by most Indian firms.

The underlying factors for this vicious cycle are low self-esteem of the firms in competing with global players, ignorance of prevailing market prices due to poor market intelligence generated by the sales and marketing team, and unfinished pricing models created by the costing and marketing departments. To be able to successfully compete with the global players, firstly, Indian firms need to believe that they are capable of creating the best possible offering for Indian business buyers as they have the best idea of the context the products and services are expected to work in. For example, a slew of products designed and manufactured in the developed countries, especially sophisticated electronic components and equipment, have failed to perform under harsh Indian weather conditions and erratic power supply. The collection of market information, an important feature for market-oriented firms (Kohli & Jaworski, 1990) is a very critical step in preventing incorrect pricing decisions. Finally, the inputs from the previous two actions should go into the designing of the pricing model. This should be preceded by a well-executed costing exercise. Though cost need not be the main influencing factor for pricing, but it certainly provides a guideline for the final price. Keeping in mind the suggestions provided in the previous topic of creating value in the tendering process, the practitioners in Indian business marketing firms need to act on the given lines. This way they can hope to get out of the pricing riddle.

Customer education

It has been discussed previously that the supply-constrained economy that India was prior to 1991 had created certain anomalies in the markets. The Indian customer firms did not have the luxury of seeking innovative products for solving their operational problems as they considered themselves lucky if they could get their regular orders fulfilled on time. With the government as supplier of critical products such as coal, power, petroleum, and even rutile sand, the supply crisis used to be a perennial issue for buyers. Given such a backdrop, the supplier firms, public or private, never tried to keep the buyers abreast of basic information like supply status, delivery updates, etc. Expecting them to educate the customers about their products and services was too much to ask for. The perception among marketing managers about educating customers is that if one educates the customers about the offerings, then they start dictating terms and may ask for lower prices or additional benefits.

In reality, though it might sound counter-intuitive, educating customers does increase sales and turn customers into long-term ambassadors. When a purchaser needs to buy a product or service for the first time, it is quite possible that the person does not know much about it. The values available from the product, the available alternatives, or the reliability of the firm may all be unknown to the person. A balanced and objective view of the purchase situation, preferably from the seller, would help the buyer in taking an educated decision and it is more likely that the person comes back to the same firm again for information and also purchases its offerings. Marketing theory talks about USP or point of differentiation that helps a product in positioning itself distinct from the competition. If one wants the potential client to know and remember one’s strengths vis-a-vis other alternatives, then the buyer ought to be explained appropriately about the relative strengths and benefits. Consequently, the buyer will be in a better position to understand and appreciate the technicalities of the products.

Similarly, there are numerous instances where the user does not use the product or the service correctly. A steel plant may be using the graphite electrode in its arc furnace without proper balancing of the electrical phase load. This might affect its furnace output adversely or might lead to higher electrode consumption. Naturally, the electrode supplier would be blamed in such a case. A better educated customer, on the other hand, would have used the product correctly and saved the electrode supplier some trouble. Thus, educating customers helps the marketing firm in the long run.

Summary

- The key points to take from this chapter are as follows: The different facets of the Indian economy and how they matter from a business marketing perspective
- The sectoral skewness of the Indian economy and the consequent stress on the services sector
- The technological divide of the Indian corporate sector
- The different types of Indian business buyers including the various government organizations
- The abundance of projects in an emerging economy and marketing to them
- The buying behaviour of Indian business organizations
- Impact of supply chain and personal selling on marketing
- Ramifications of all the discussed factors for marketing practitioners

Case Study

Zemech Technologies*is one of the global industrial automation triumvirates. It has an extensive product range both across different industry verticals such as automotive power generation, transportation, renewable energy, and health care, and across different product groups such as automation and services. One of its most important product groups deals in Building Technologies which offers products and services to businesses towards ensuring maximum energy efficiency and best comfort in buildings, plants, and other infrastructure. To best serve a host of industry sectors such as life science companies, airports, utility companies, hotels, hospitals, and data centres, Zemech regularly comes up with energy solutions specific to the particular industry. It has a wide range of building automation systems for heating, ventilation, air-conditioning, fire safety, security, lighting, etc. and also provides products and systems to handle power failure within a plant or building premises through intelligent distribution of power. These systems ensure that the customer firms are able to optimize their energy costs without compromising on the safety and security of the plant or building premises.

A global marketing meet of the Building Technologies Group of Zemech was going on in Vienna. Jürgen Sammer*, the Head of Global Marketing, Anjan Mohanty*, the India Head, and Shreenath Hegde*, the India Marketing Manager, met for an informal discussion on the operations of the Building Technologies division of Zemech in India. Sammer acknowledged that most Indian customers in the private sector, chiefly in hospitality, pharmaceuticals, and manufacturing, just like the multinationals, appreciate the value offered by Zemech through its products, services, systems, and technologies. As a result, the marketing approach to these firms is quite 'secular'. By 'secular', Sammer meant that the national and/or cultural aspects do not interfere in marketing to these firms. These firms largely focus on technology and features governing the Zemech systems, linking them with tangible benefits that would accrue to the firms. Some firms are very particular about the quality and efficacy of the systems, especially when the systems have a direct bearing on the firms' manufacturing processes. These companies, mostly the blue-chips of the Indian corporate sector, unsurprisingly follow the best practices in their respective industry sectors. For example, more and more Indian firms are now opting for greening of their office buildings with a view to reduce their carbon footprint. The expertise and experience of Zemech in this regard is highly cherished and sought after by such firms.

Sammer acknowledged that Mohanty, Hegde, and their team of marketing managers employ the standard Zemech marketing approach to showcase the value Zemech offers to its potential clients. This helps them bag contracts without getting into a price war with the smaller players from the unorganized sector. The process begins with Zemech suggesting the product best suited to the buyer from its rather diverse range of products. Around the same time, the marketing people get in touch with the *specifiers* – the EPC firms and the industry consultants. These organizations lay down the tender specifications on behalf of the buyers. Zemech personnel interact with these firms, understand their actual requirements, provide specific technical inputs which would benefit the customer, and in the process finalize the tender specifications. This step is very crucial because this is when the marketing team of Zemech shapes the tender specifications to their advantage. Once the tender notice is floated, the work becomes easier and the situation favourable relative to the competition.

However, a large slice of the Indian corporate sector belongs to the public sector undertakings (PSU) where the government is the primary shareholder. The operations of these organizations in the steel, power, and oil and gas sectors are greatly influenced by ministerial and bureaucratic interventions. Accordingly, Zemech tries to follow a marketing strategy best suited for these firms but the bid price becomes a very important factor for finalizing the contract. These firms, more often than not, award the tender to the lowest bidder. Thus, tuning the tender specifications to one's own benefit is necessary but not sufficient for winning the contract. To be a step ahead of their competitors, Hegde said that they try to gauge the project cost estimated by a firm from the declared earnest money deposit (EMD) amount.

Here, Mohanty stepped in stating that the similarities in the buying processes of most Indian customers in the private sector with those of the firms of the USA and the UK end when it comes to commercial building projects in India. These commercial projects constitute about 40% of the industrial automation market. Both Mohanty and Hegde explained to Sammer that for the proprietors of these firms, building automation and safety features are nothing but compliance features which need to be installed to conform to government regulations. They also apprised Sammer of the profile of a typical Indian builder. Largely a businessman with holdings in real estate, the builder does not seek or see any value in installing building technology products and systems in his projects. The primary reason for such an attitude is lack of awareness about the benefits of high-technology products. While marketing to such buyers, the Zemech marketing and sales team always come across the pricing issue at the very outset. These firms are only concerned with the cost of installing the systems. Normally, they shortlist various names suggested by project consultants but eventually always finalize on the seller which offers the lowest basic price. Concepts such as total cost of ownership do not cut much ice with these buyers. For dealing with such buyers, Zemech also ends up pruning its product offerings to the bare minimum, with no value added services attached. Marketing activities in terms of senior management visits, promotional exercises, and after-sales support are also very minimal. These firms are categorized in the value engineering category by Zemech as they focus primarily on optimizing costs and normally strip down most purchases of any value added services to save the project cost to the extent possible.

By the end of the meeting, Sammer was quite convinced of the fact that the business dynamics in India is way too different from that of the developed countries. The issues raised by the two Indian senior executives made him recall his previous stint in the Middle East. In the Gulf countries, despite the generally high standard of living, builders and promoters of commercial building projects were fixated on reducing costs by any means.

*Names have been changed

Source: This case is based on the author's personal interviews with the executives of the company.

Case study questions

- What are the different types of buyers for building technology solutions in India?
- How do Zemech's marketing practices differ for these different types of buyers?
- What can be said about the promoters of commercial building projects in India in terms of their approach towards building systems? What can be the basis for such a buying behaviour?

Discussion Questions

1. Suggest how a multinational business marketing firm should evaluate the Indian market before entering.
2. What shall be the marketing strategy for a firm which markets chemicals for food processing industry in the light of industry clusters in India?

3. Discuss the benefits and downsides of educating Indian buyer organizations about the nuances of the offerings. Does it affect the pricing?
4. What are the hindrances to providing quality business services in India? What steps should an accounting firm take for creating customer satisfaction?

Further Reading

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