



‘MAKE FOR INDIA’ - CORPORATE STRATEGIES FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT

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Abstract

The socio- economic profile of India clearly reflects that the major segment of population has low purchasing power. If corporations have to operate and sustain in a developing economy they have to shift their focus from the ‘classes’ to the ‘masses’. C.K Pralhad has suggested targeting the lower income strata to embrace a wider market (Bottom of the Pyramid). Many organizations have now adopted strategies for price sensitive customers understanding the heterogeneity in the population and challenges in the economy. Embedding inclusiveness in their strategies, these corporates are able to create a win- win situation for themselves as well as the Nation. This paper enumerates the strategies of Indian companies as they transit from the ‘classes’ to ‘masses’, balance both ‘value for money’ as well as ‘value for many’, believe strongly in making more for less for more (Gandhian engineering). Caselets of some exemplary companies who have adopted the ‘Make for India’ policy are enumerated highlighting the specific strategies adopted by them. This is a qualitative and empirical study based on secondary data. As India designs the ‘Stand up Start up’ agenda, the business models of the companies mentioned in this paper could be emulated for a sustainable economy.

Key Words- Developing Economy, Low Per Capita, Growth, Gandhian Engineering, Strategies.

INTRODUCTION

Inclusive growth is the prime agenda for India .As the country’s economy grows at an average rate of 7%, on the development front , India still has to traverse innumerable mile stones. Though its economic position may appear positive, there is an urgent need for social development to happen. Unless there is equilibrium in growth and development, India cannot ‘develop’ in the true sense. The government as the caretaker is doing its bit by redefining visions, reframing policies, redesigning strategies and realigning development agendas. These efforts may not be adequate to re-haul the economy and bring about an inclusive growth. Considering the framework of India as a developing economy, some corporations have framed strategies and even positioned themselves specifically to target the segment which needs to be included in the development process. This paper enumerates the strategies of Indian organizations as they transit from the ‘classes’ to ‘masses’. It highlights their customized actions for India as a developing economy. These actions aim at inclusiveness and give them a wider market base.

INDIA’S PRESENT STATUS

India is a developing economy with infinite challenges. It’s GDP is hovering at \$ 2 trillion and growth rate at 7%. The present population 1.25 billion and it is increasing at the rate of 1.5 percent. The global extreme poverty measure is 1.25\$(www.worldbank.org) but in India the Rangarajan committee has redefined the levels of extreme poverty at Rs 32 and Rs 47 (expenditure per day in rural and urban region respectively).As per this measure the total number of poor in the country is pegged at 363 million or 29.6 per cent of the population. India ranks 134 (2014yr) in the Human Development Index, which indicates that on the development front she is far behind. The GDP per capita income is \$ 1630.8, much below the developed economies and even some developing economies. Nearly 60 percent of the population lives below 2\$ a day (PPP)(source-www.worldbank.org). The report - Sustainability and Equity: A Better Future for All(*HDR 2011*) - said India has the world’s largest number of multi-dimensionally poor — 612 million. The UNDP calculates poverty on a multidimensional vector such as access to health services, clean water, cooking fuels, basic household goods and home construction standards (www.dnaindia.com).More than 60percent of India’s population is employed in the agriculture sector and lives in villages. In nutshell, major chunk of the market is in the rural regions, the overall income levels are low combined with numerous challenges.

NEED FOR INCLUSIVE APPROACH

The socio- economic profile clearly reflects that major segment of the population has low purchasing power. If the organizations have to operate and sustain in a developing economy they have to shift their focus from the ‘classes’ to the ‘masses’.According the Dr.Raghunath Mashelkar the corporates in India need to adopt the approach of Gandhian engineering which is explained as ‘more for less for more’. More products for fewer prices with more value preposition. C.K Pralhad has suggested targeting the lower income strata to embrace a wider market (bottom of the pyramid).Many corporates have now adopted strategies for price sensitive customers understanding the heterogeneity in the population and challenges in the economy. By embedding inclusiveness in their strategies these corporates are able to create a win- win situation for themselves as well as the Nation.

BUSINESS MODEL FOR INDIAN TOPOGRAPHY

The domestic as well as the Multinational corporations are considering the challenges and traits typical to India and realigning their strategies. **How do they do this?** Primarily these companies focus on price sensitive customer segments. They intentionally serve customers who are out of reach of more traditional business models. They design products or services specifically for these chosen customers, i.e keeping the products simple without adding attributes that increase cost. In developing the product their emphasis is on radical than incremental innovation. The revenue model is their unique selling proposition, therefore focus is on the core value of the product rather than frills which may increase the price of the product. Their cost model gives importance to value delivered. In majority of the organizations, cost of the product is defined first and then they work backwards to design the product within the given cost envelope. These companies depend on lean value chain and perform only core activities in house, outsourcing the rest. To achieve their intent these companies employ talented teams which are entrepreneurial, understand the organization culture and are innovative.

CORPORATE STRATEGIES FOR INCLUSIVENESS

Case studies of some organizations are enumerated here, to get an insight into their customized business models for the Indian conditions. Their product development and marketing strategies reflect their intent of targeting the masses rather than classes.

Tata Swach- Nano tech water purifier, an indigenous water purifying system developed by Tata Chemicals Ltd. The company engaged in making chemicals, crop nutrition and consumer products drew expertise from other Tata companies like TCS, Tata Teleservices Ltd, Titan industry and Rallis India in developing and marketing this amazingly 'low cost product'. They developed this product understanding one of the biggest challenges faced in India, which is the non-availability of clean, uncontaminated drinking water. The company used innovative technology that met the United States environment protection agency standards. This unique product does not require electricity or running water to use the device both being scarce in most parts of India. The product was launched in the year 2009 and in 2010 it was introduced at an unimaginable price of Rs499. Innovation in the product development aimed at lowering the cost. Paddy/rice husk ash is used in the water purification process thus reducing cost in major part of value chain. Tata Swach is two and half times less expensive than the Hindustan Unilever low cost Pureit filters and has a market share of 45%. Marketing of this product was done harnessing the existing channels of distribution of Rallis India and Star Bazaar. The company has adopted a cost leadership strategy, forward integration strategy and differentiation strategy besides product development strategy. It was voted as the 'Product of the year 2012' by the customers.

ChotuKool- A miniature refrigerator developed by Godrej and Boyce specifically to focus the low income group. 80% of Indian households lack basic appliances such as refrigerators. Considering the challenges of the Indian diaspora such as electricity, small shops and houses, storing of vegetables, wastage of time in buying fresh vegetables every day, Godrej and Boyce started research in the year 2006. After a thorough study of the rural landscape, Chotukool was developed with unique features such as thermoelectric chip that maintains cool temperature on 12 volt DC or external battery. The product is portable with 45 litres capacity. It was priced at an extremely affordable rate of 69\$(approx 5000INR). Value proposition targeted bottom of the pyramid consumers. The distribution was done using the community networks such as self help groups. Chotukool was awarded the 2012 Edison award Gold prize by the Business week.

Thyrocare a health care service provider started by Dr. Velumani has also adopted growth strategies considering the income levels of most of India's population. Founded in 1996 the company has successfully 'built a brand around a gland'. Quality, cost and speed are the fundamentals of this business. With core service of thyroid testing it has now diversified into other health tests, which are provided at a very affordable price of Rs 200/ test. It is one of the cheapest health care service provider yet the most profitable. Thyrocare has more than 700 franchisees in India and conducts approximately fifty thousand investigations daily. The business uses ultra modern technology, with IT enabled and controlled operations. It has a huge potential to grow with 40% YOY growth. The company has managed to keep the costs low because of a. the high volumes of business. It's centralized hub and spoke model of collecting and distributing samples from its franchises spread across India c. low cost of transporting samples by innovations in air cargo. Today, Thyrocare diagnostic company is the most successful targeting and benefitting the lower income strata.

SNAPSHOTS

Cavin care which means beauty and grace in Tamil is another company who has endeavored into product development and marketing targeting the lower income strata as well as rural regions. C.K Ranganathan believed 'whatever I make, I want the coolies and rickshaw pullers to use. I want to make my product affordable to them'. His product Chik shampoo was the outcome of intense research of the desires of the population in the lower income segment., their points of purchase and



buying patterns. This product was sold in mini and micro sizes with similar prices. The company also diversified into selling Fairever fairness cream and Ruchi pickles in sachets. This strategy enabled the company to capture a large untapped market and thus rise from Rs 15000 to a 1000 crore company.

Gillette razor- a Proctor and Gamble product entered the Indian market with one size fits all approach only to realize that to be successful in this diverse market with immense peculiarities there was a need for on field research. Challenges such as no tap water, thick skin and hair of Indian men, low incomes were observed and considered by the R& D team to develop a design which used less water, had utility blade and low cost. The product was reintroduced in the 'typical Indian market' and thereon Gillette is a success story in India. Mantra 'from classes to masses'.

Jaipur foot developed by Dr.Sethi of Bhagvan Mahavir Vikalang Sahayata samiti is another success story which serves the masses. With its very low cost artificial foot it has been benefitting thousands of amputees each year. Use of prosthetics makes this foot flexible enough to be used in all conditions in India. The organization has identified functionality requirement for Indian conditions and thereby developed this product at a very affordable cost.

Big bazaar, Patanjali, Tata Nano, Arvind eye care have also believed in the same philosophy, *More for less for more*. Their business models are exemplary and inclusive.

STRATEGIES ADOPTED BY THESE COMPANIES- AN ANALYSIS

The organized sector can successfully cater to the needs of masses as it brings with it the scale, scope of operations and management knowhow that can lead to efficiencies for itself and its potential consumers. (*The Fortune at the Bottom of the Pyramid*' C.K Pralhad).

The cases here highlight some deliberate strategies adopted by the corporates in organized sector. They have endeavored to reach out to the untapped consumer segment, fulfilling their desires and provide solutions to their persistent problems.

Strategies adopted:

Innovation strategy- The products developed or services provided by these corporates are an outcome of intense research undertaken and in depth study done of the India's challenges and population traits. From process to product innovation, these companies have explored their inherent strengths with very focused intent. In designing their business model, product and service most of them have undertaken disruptive innovation.

Cost leadership strategy is used by all these organizations as they intentionally keep the cost of their product/ service low. This enables them to target a major consumer segment that are price sensitive and be a leader in keeping the cost low.

Product and process development strategy adopted by these corporates to develop products with functionalities for Indian topography. Process innovations are used to lower the cost and increase accessibility by service provider companies such as Thyrocare and Arvind eye care.

Distribution strategy- Corporates have collaborated with the community networks or with their own companies which have reach in the remote regions to distribute the products or service. Hub and spoke model is used Cavinkare, Jaipur foot and Thyrocare as a part of reaching out to maximum consumers. Distribution strategy also encompasses increasing consumer awareness about the use of product.

Forward integration strategy- Corporates have made concerted efforts to reach out to consumers. The distribution channel developed by Chotukool or Tataswach is a forward integration strategy as they have exploited the existing distribution routes of their sister organizations.

Differentiation strategy- Cost, quality, price and accessibility are the main parameters for conceiving the product or service. Disruptive and process innovations are the cornerstone. This makes their product or service differentiate and well accepted by the mass consumers.

Scalability – Business models of Thyrocare, Jaipur foot, Cavinkare are scalable mainly because of the standardization of their operations. Besides expanding rapidly within India they now operates in many other developing countries such as Africa, Indonesia, Brazil etc.



CONCLUSION

India is now an attractive destination for organizations who intend to target a vast span of market. Communication networks in the hinterlands have given broader exposure to the people increasing their requirements. Though the per capita incomes are low, they have desires. This psychology of needs to be addressed as the corporates develop products or services. What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the lower income strata are actively engaged and, at the same time the companies providing the products and services are profitable' (*The Fortune at the Bottom of the Pyramid* C K Pralhad). As India announces the 'Start up India, Stand up India' agenda for encouraging new enterprises, business models of the companies mentioned in this paper could be emulated for balanced, inclusive and sustainable development.

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