

MNCs AS INDIA'S BRAND AMBASSADORS

In September this year, 50 of Scandinavia's largest companies — mostly manufacturing firms—visited India to get a first-hand feel of India's business and economic environment. The group, which included the chairmen and CEOs of well-known Nordic giants such as ABB, SKF, SAAB, Alfa Laval, and SKF, among others, interacted with several policy and decision makers. The India Brand Equity Foundation supported this visit and helped with the programme.

What they experienced of the Indian business climate did create positive impressions which, hopefully, in the long and medium term, should translate into FDI flows and new partnerships.

One particularly caustic observation, however, caught my attention. During one of the presentations on India's manufacturing sector, a Swedish CEO remarked, "If your manufacturing capabilities are so good, why isn't India on the international radar screen the same way as China is?" The presenter, Sunil Kant Munjal of the Hero Group gave a candid answer, "Because we do a lousy job of marketing our capabilities and strengths." There were some bemused expressions and quite a few nods.

There is an undeniable truth in the reply. Are we not often hearing the conclusive summation that China will be the world's manufacturing hub while India will be the world's back office. It is generally believed, particularly in the West, that we are not into big-time manufacturing.

This, I believe, is one of the biggest perception gaps, which we have to contend with as we strive to create Brand India.

Not too many international investors know that in a 2002 study, McKinsey made an assessment that India could compete with China in 75 per cent of manufacturing sectors. The same consulting firm concluded in 2004 that India had the potential to emerge among the top-two producers in nine manufacturing sectors—ranging from textiles, automobiles, garments, leather products, gems and jewellery, through chemicals and pharmaceuticals to metals, metal products and machinery.

It is time that we aggressively promoted India's manufacturing sector. This can be done in several ways. Highlighting the emergence of world-class Indian manufacturing firms is one way. Addressing foreign investor woes, albeit through the Investment Commission—is another. I personally believe that the biggest stamp of endorsement on Indian manufacturing needs to come from multinationals—especially those that have leveraged the Indian manufacturing advantage. In other words, India needs a slew of brand ambassadors to sell their manufacturing successes in India abroad. And there are no better ambassadors than the Indian affiliates of US and European global corporations.

How many people are aware that Kodak has a camera manufacturing and assembly plant near Bangalore, which produces over four million units per year and that a large proportion of this production is exported to the US and Europe? Not too many people in the US know that some of the Timex watches they wear are made in India.

The economic spin-offs of sourcing from India need to be brought to the fore aggressively. Vindi Banga of Hindustan Lever Ltd, a subsidiary of Unilever, believes that capital costs for tooth-

paste manufacturing in India are about 35 per cent that of Europe and conversion costs (from raw material to finished product) are a mere 15 per cent. Similarly, in the case of tea bags, HLL believes that its conversion costs are 25 per cent of the US.

What, in fact, really requires showcasing—because this is an advantage that India has and China does not — are the high skill, high knowledge-intensive products being made by MNCs based in India. For instance, McKinsey recently indexed cost of manufacturing at ABB's manufacturing plant in India to Europe and found the voltage switching devices to be 33 per cent cheaper, and components 41 per cent cheaper. ABB has now decided to develop India as a low cost sourcing and manufacturing hub for several products, including circuit breakers and magnetic actuators.

The time has come for us to convince such companies to actively engage decision makers and stakeholders in their parent countries—both formally and informally. There are many ways of doing this, and I can think of three easy ones.

The most obvious way—and this is what we've been doing at India Brand Equity Foundation—is to showcase success stories. We have compiled country-wise case studies of successful MNC operations, disseminating this information at every conceivable international gathering. We now have plans to refine this process further to create greater impact.

Another option is to take full advantage of the Indian Diaspora—especially the academic community. There is an urgent need to tap into this stream and develop case studies of successful MNC operations in India. Currently, most of the India-specific case studies being taught in the US are either country studies or cases of Indian firms. While these are important, I think we need to get Indian professors to teach and talk of the world-class and hugely successful transnational operations thriving in India.

The third way—and perhaps the most effective way—is to create a country-wise caucus of multinationals operating in India. I am aware that some of these already exist in India, but what is required is not just a talk shop, but effective knowledge dissemination among decision makers in the home country.

India may never become a purely export-driven manufacturing country like Malaysia or Thailand or Korea. Going forward, however, India is considerably better placed as a low cost-manufacturing base. That is because along with China, India's increasing incomes and an ever-expanding domestic market allows MNCs to reap massive economies of scale and reduce costs across the value chain.

Several chapters in India's manufacturing story have already evolved. The challenge now is to get these published.

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