



Know Before You Go: Five Insights for Retail Expansion in India



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With the Asian financial crisis of the late '90s now a distant memory, more U.S. retailers are setting their sights on expanding into the region.

The opportunities are exploding — Asian-based retail and restaurant brands are still being established, leaving room for savvy competition. And while much of the retail world is focused on expansion into China, there are great opportunities in China's hugely populous neighbor to the west: India.

Before entering any new market, it's important to dispel a few common misconceptions and establish some guidelines. Here are five basic insights companies should keep in mind when considering a move to India:

1

The Western lifestyle is welcomed.

(Though the price tag not so much.)

Despite their increased earning power and affinity for a branded experience, Indian shoppers are still price-sensitive overall. Take the average man's dress shirt, for example. The U.S. consumer would probably expect to pay between \$55 to \$75 or more for a quality item. For the Indian shopper, \$25 USD would be more in line with their expectations.

Indian consumers desire the branded retail store experience, but still expect the prices of a traditional Indian marketplace. So how do retailers meet this best-of-both-worlds demand? Start by avoiding an overcomplicated store design. Keeping it simple and streamlined helps achieve lower development costs and better margins. Indians believe that retail isn't just defined by a quality experience and customer satisfaction, but also value.



2

The younger generation drives the economy.

Indians in their late 20s and 30s have more money to spend than you think. There is a growing trend, among members of the “newly rich” middle class, to showcase their financial success. Not only has their disposable income increased, they’re traveling internationally more often — increasing their exposure to Western lifestyles, as well as their desire for branded items. Luxury brands around the world now see India as a future retail destination. Current figures indicate that the Indian luxury goods market is growing at a compounded annual growth rate of 25 percent.

3

Demand for quality knows no borders.

Thinking that the Indian population won’t know any better, retailers might be tempted to cut a few quality corners during expansion opportunities. Resist this at all costs. If anything, Indians expect even higher quality from Western brands. So replicate the same quality measures you adhere to in your home market — devoting every effort to ensure your brand equity supports their high standards.

4

There is still some resistance against foreign direct investors.

Like in the U.S., some smaller retailers fear losing to superstore “takeovers.” Becoming a part of the local community should be a primary goal of any retailer who wants to enter the Indian retail market. In many cases, government regulators are more than willing to cooperate — knowing that their population is demanding more experiential, branded retail environments. I would suggest that you hire local contractors, architects, buyers and vendors to show your support of the local economy.

5

The English language is accepted — but don't rely on it alone.

Indians are embracing Westernized ideas, and indeed, English is the predominant language for all business communication. But do not assume you will succeed with an entirely English language experience in even the largest Indian cities. Be prepared to translate everything into the many local languages — packaging, branded graphics, signage and other retail elements. And make sure the message still resonates and is locally relevant. After all, a tagline that hits the mark in English might not have the same impact in the local language. Or worse: it could offend.

Here are a few examples of major restaurant chains that have made changes to cater to Indian tastes:

- **McDonald's** replaced menu offerings with meatless burger options such as the McAloo Tikki and the BigSpicy Paneer Wrap to appeal to the largely vegetarian population.
- **Domino's** came up with the tagline Khushiyon ki Home Delivery (means: Happiness home delivered) which is part Hindi part English (commonly known as 'Hinglish'). This resonates with Hindi speakers in many urban and semi-urban regions.
- **Pizza Hut** has incorporated menu items like Kadai Paneer Pizza, and Chicken Tikka Makhani Pizza (Chicken Tikka Makhani is a very popular spicy gravy dish, particularly in Northern India.)



With a region full of emerging markets, there's no denying that India offers plenty of potential for retail success. Just be sure to heed one of our most important golden rules here at WD: **A great global experience isn't possible without a local understanding.**