



Sharing experiences in entering the Indian market

Leung Wai Ho



India is a pluralistic, multi-religions country with huge cultural diversity. It is the world's seventh largest country in terms of national territory (3.3 million km²) and the second largest in terms of population (1.2 billion). Its rapid economic growth since the 1990s has nudged it into the ranks of the top 10 industrial powers. In recent years, Its purchasing power is exceeded only by that of the United States, China and Japan, establishing its position as the fourth largest economy in the world.



A Shining Economy

In recent years, with the U.S economy to recovery, an incessant flow of encouraging news about the Indian economy has arisen, and a series of figures reflecting economic growth have been the cause of celebration for Indian people.



To date, the Indian finance, insurance, real estate, trade and service industries achieved an annual growth of 7%, and the number of mobile phone users increases by 2.2 million each month. A plan is in accelerated implementation for widening and renovating India's national highway network with a total length of 34,000km.



In the financial field, India has skyrocketed from fifteenth place to third on the list of the world's most attractive investment destinations. Some European and American media have even gone so far as to predict that “India will become the world's third largest economic power by 2040, after the United States and China.” The expression “shining India” has become a favorite phrase of quite a number of Indian officials.



Huge Market Potential

Domestic demand-driven economic growth is one of the notable features that differentiate India from China and other developing countries. The essence of Indian economic growth is highly reliable --- with the primary driving force being personal expenditure. India has the highest private domestic consumption as share of GDP among the major economies of the Asia-Pacific region, estimated at around 57% in 2010.





Over the past decade, India's middle class has been rapidly growing and the disposable personal income also continue to increase. On average, India's saving rates are roughly one-third of their income, which is not low. However, a typical Indian middle-class household's saving ratio is even higher as estimated by the NCAER, standing at roughly half of their income. Unleashing further spending by Indian middle-class households will contribute further to the country's retail boom.



The most notable characteristic of the Indian economy, especially its retail industry which relates closely to the watch industry, is that it has the greatest density of outlets and the most fragmented retail market in the world. There are a total of 15 million retail outlets throughout India, as compared with 900,000 in the United States; In sharp contrast with so many outlets, the combined market share of the top 5 Indian retailers is below 2%.



The backwardness of the retail trade and the reality of the rising economy and open commerce of India have planted the firm belief in market players that modern retailers will secure an annual sales growth rate of 15% in the coming decade. For retailers brimming with confidence, what is even more important is that many Indians have a newly attained level of wealth and are driving a rapid swelling of demand.



Pursuit of Trade rather than Manufacturing

I have been involved in the expansion of the India market for 28 years. In 1985, when I went to India from Hong Kong to open up the local market, I felt as if I had plunged into cold water in the middle of winter.



That is a time I would rather forget. Bangalore has now become a city renowned for IT software development, but at that time, the city was one of backward traffic conditions, no direct flights to Hong Kong and very few hotels, which had nothing to recommend them in terms of sanitary conditions. To make things worse, the food did not suit my taste.



I remember that many Taiwanese manufacturers entered India at about the same time, and most of them intended to set up local factories to produce watches. However, they finally retreated in failure for various reasons. Their experience and the lessons they learned show that in opening up the India market, it is better to pursue trade rather than manufacturing.

Indian Watch Market



The proportion of watch wearers in India is very low. In a well developed market, on average 250 out of every 1000 people wears a watch, but the figure is only 25 in India. Calculations based on the Indian population gives a demand of 30 million watches, only 14 million of which (worth USD 203 million) can be met through regular channels. The number of legally imported watches is simply far from enough, thus creating the opportunity for Hong Kong enterprises to enter the Indian market.



If the Indian watch market were to mature, a population of 1.2 billion would represent a demand for 300 million watches, meaning that a market 10 times the present scale is waiting for us. This is undoubtedly a huge potential market.

In India, watches come in a wide range of price niches, from USD 8.7 to USD 2,715, with low grade, medium grade, high grade, extra high grade and premium grade products available. According to statistics, nearly 70% of all watches in the Indian market sell at a price of less than USD 22.

A close-up photograph of two hands shaking in a firm grip, symbolizing a business deal or agreement. The hands are wearing light blue sleeves.

Changing Consumption Preferences and Rising Brand Awareness

In spite of the present wide coverage of low-end products, Indian consumers still prefer high-quality watches. Today, they no longer look at watches from a functional perspective only. They have an intense brand awareness and see brand as a symbol of status which can bring out their individuality. Over 58% of the Indian population is under the age of 25 (a total of 696 million) and over 80% is under the age of 45 (960 million)

A decorative bar chart at the bottom of the slide with vertical bars of varying heights in shades of blue and white.



Meanwhile, today's India has 60,000 billionaires, 30 million millionaires and a middle class of 300 million with an annual income of more than USD 5000.

From this angle, Hong Kong manufacturers, by playing to their strengths, are fully capable of guiding the consumption preferences and brand awareness of consumers in Indian cities through brand culture, creative products, far-reaching international influence and diversified advertising.



I am very optimistic about the prospects of the Indian market. Several years ago, I joined a delegation organized by the Government of HKSAR and Hong Kong Trade Development Council to conduct an inspection tour of the Indian market. According to local officials that received us, 320 shopping malls would be completed in recent years, each about as large as Pacific Palace at Admiralty, Hong Kong. Therefore, the market conditions in India allow for a big role to be played by the Hong Kong timepiece industry.

Local Customs and Partners



There are two things that impressed me most in my interactions with Indians, which I want to share here.

The first is that the local people have a different sense of time. It is commonplace for them to be 1 to 2 hours late for an appointment. Even during a session of the Indian Parliament, it is common for politicians and officials to arrive late. So in this regard, You cannot tightly hold onto their sense of time, On the contrary, you must keep more patient, more tolerant and more understanding toward them, and to leave leeway in scheduling. In short, “When in Rome, do as the Romans do”.



The second thing is that, to succeed in India, it is very important to find a reliable partner, preferably a company with high prestige.

My biggest partner in India now is Titan Industries Ltd under Tata Group, which has a history going back 136 years. Ratan Tata, the present head of the group, is the richest man in India and the Forbes Asian Businessman of the Year for 2005.



His family's holdings are valued at USD 14.3 billion and represent an annual business turnover equal to about 5% of the Indian GDP. And Titan Industries Ltd which cooperate with us is one of the most outstanding company under Tata Group. Through many years' trade contact, We two companies therefore established a long-term relation of friendly cooperation.



For watch dealers, smuggling may be the biggest challenge to their entry into the Indian market. The number of watches smuggled into India each year amounts to 80 million, more than 10 times the number imported legally. But the impact on my business is limited, as most of the smuggled watches are low grade, while I focus on medium- and high-end products.



Thank you!

