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India Inc: Shifting to top gear



Executive summary

The introductory edition of PwC's Pulse Trilogy aggregates the perspectives of marketeers, sales heads and business strategists about the ensuing financial year from across India Inc. Their opinions were collected through an online survey, through phone conversations as well as face-to-face meetings. The survey was conducted across various industries and the subsequent analysis brought forth many common trends.

After a universally acknowledged difficult year, India Inc is optimistic about the future. Our survey was held during the recent elections and we observed that there was a positive surge in the mood of our participants after the results. The decisive post-election results have swayed a few 'cautiously optimistic' fence-sitters towards a more 'bullish' stance.

A majority of the executives indicated that they were looking to grow faster as compared to the previous fiscal year. However, the increased sales targets are not at the expense of margins; growth needs to be profitable. Nevertheless, an increasingly competitive landscape and cost pressures beset all and C-level wisdom will be significantly spent in formulating win-win strategies.

Clearly, there is the need to focus on 'rurban' and rural India. Rising incomes and increasingly discerning customers are going to make Tier I, II, III townships and large rural pockets the future growth frontiers. Marketeers are increasingly searching for specific strategies to engage with the rural consumer. There is also a pronounced focus on expanding physical reach in terms of channel and distribution network strategies. Organisations intend to work out effective logistics and optimum route-to-markets, especially in the context of geographic expansion.

Executives concede that the key to growth is to primarily focus on the customer with lower acquisition costs and increased customer lifecycle value. Intelligent targeting, marketing innovation and brand-building exercises will be key. This, in most industries, will be accentuated by the increasing adoption of digital platforms, with the internet, mobile and social platforms becoming the battleground for customer acquisitions and engagements.

Analytics is increasingly being considered an important tool, not only to help target and engage customers, but also to maintain lean inventories and plan logistics as well as complex supply-chain networks through predictive analysis.

India Inc: Cautiously optimistic



Seventy-two per cent of our respondents are optimistic with differing degrees of caution thrown in while **15%** are absolutely bullish in terms of their market sentiments.

Our survey timeline coincided with the latter phases of the general elections as well as the actual results leading to the formation of the new government. A bulk of the bullish sentiments trickled in after the results and we detected more optimism from earlier respondents representing the same industries and functions in April. The decisiveness of the mandate has instilled refreshing hope in even those who were unsure earlier.

The euphoria over a stable government with decisive policies is going to be a major force for business resuscitations. Some are eagerly anticipating the forthcoming Budget and hope for winds of change. Investments in infrastructure rank high on their wish list. A few believe that since the fundamentals of the country's economy remain robust, sound governance will be the much-needed wind in the sails that will in turn resuscitate the seemingly enervating India story.

A few veterans also point towards the perceived easing of global macroeconomic conditions and the approaching windward side of international market cycles that augur well for the economy. As the world recovers, it is going to train its sights on India with a current middle-class population of an estimated 270 million that will double by 2025. India is getting aspirational and younger. At present, **65%** of the voluminous population is less than 35 years of age and as is well-documented, by 2020, the average age of Indians will be 29 compared to 37 of China. Lastly, to the burgeoning middle class and the enterprise of the people, if one adds the per capita purchasing parity index of **6.1%** of the planet's share by 2015, it becomes a compulsive factor for the foreign investor.

Our survey brings forth the immediacy of concerns that cannot be wished away by the enthusiastic analysts promising bounties using the statistics above. The nation's inevitable march will have in its wake many challenges to confront and overcome.

Many are wary of regulations that impede business growth. Indeed **40%** of our respondents cite regulations as a challenge that creates uncertainty and hampers growth. Although the point of having regulations in place is to foster competition and growth yet conflicting regulators, archaic laws and interferences from powers-that-be often erode the intended value.

Executives are also worried about competition. Progressively attractive markets draw innovators and investors alike. A trend of branded and unbranded regional players usurping market share is expected. Incumbents have expressed concern about retaining market share, holding margins and protecting prices. Consolidations are expected across industries.

Thus, India Inc finds itself at the forefront of opportunities as well as on the brink of challenges, and business as usual cannot remain so. Strategies need to be reassessed, inefficiencies need to be threshed out and innovations in product, customer engagement and supply chain frameworks need to drive successes, and sometimes, survivals.

The growth imperative



The need for growth has been the ubiquitous common denominator for our survey respondents. Ninety-six per cent of those surveyed have increased sales targets for the next financial year as compared to FY14. This is easily the biggest common factor across the survey. Out of these, more than **50%** have targets greater than **10%** than those of the previous financial year. Most sense that the inflection point has arrived and want to gather momentum for the inevitable juggernaut of growth that analysts have been promising.

Our survey ascertained the trends of various industries and the focus areas of CMOs and CSOs alike, in order to cull out major strategies under consideration for propelling the growth story. Major factors that include strategic and functional shifts are as listed.

Customer is king

The underlying commonality of our survey is the focus on the customer. An overwhelming **84%** of respondents have stressed this as crucial to their growth stories.

Comments such as “we don’t know who our customer is, or what they want” from no less than a CEO highlight the need for improved customer focus. This CEO has realised that not only will this ignorance lead to incorrect campaign strategies but, more importantly, will also diminish brand equity. There is a ubiquitous desire to invest in customer acquisition and retention strategies, depending on the growth cycle of companies. In some cases of aggressive expansion, CEOs are looking to do both across different markets.

Organisations however are only now realising that the Indian customer has become independent and powerful. They have a plethora of choices today and as a result, satisfaction quotients have been raised considerably. Loyalty for loyalty’s sake is passé. Customers now need to be engaged with and made to feel special. The paradigm shift is from customer loyalty to advocacy.

This presents the opportunity to give the customer an experience that competitors may not be able to provide. Respondents acknowledge that it is customer centricity coupled with product value proposition that will drive the next sales cycle.

Rural India is the awakening giant

Over **60%** of those surveyed considered rural expansion a decisive factor in their growth story. Interestingly, these contained not only the retail and consumer sector, but also the financial, industrial products or manufacturing, telecom, pharma as well as the media and entertainment sectors.

With urban areas reaching maturity and an increased impetus on the development of townships, companies are trying to work out ways to reach out to the Tier I, II and rural customers. They hope for better infrastructure and last-mile connectivity as well as the proliferation of technology to these areas. They hope that with increased empowerment, these regions will progressively galvanise into commercial supernovas.



Distribution and sales channel

One of the key elements of increasing sales is through effective reach enabled by distribution networks and channel proficiency. This is a clear focal point emanating from the survey, especially for those who want to penetrate rural regions as well as those who are trying to foray into e-commerce. A cost-efficient last-mile solution and an efficient route-to-market (RTM) often came as a discussion point in our survey.

Certain industrial product giants are even thinking of empowering distributors as financiers; providing them the prerogative to make business decisions for them. Yet, others are going beyond distributors and trying to own the tertiary and retail chain. These companies do not want to wash their hands off after selling to wholesalers; their sales force has as much micro-geographical knowledge as the localised wholesaler or retailer networks.

Sales force training remains a priority for respondents. Companies recognise how critical it is to train the sales teams to synergise for cross-sell or up-sell opportunities. The survey brings this out, especially for pharma and healthcare companies.

Most companies with sales focus are also exploring technology options to help enable intelligent sales. Data analytics is emerging as the gamechanger in this regard. The 360-degree-view of the customer needs remains ever-relevant, only companies are increasingly investing in technology to develop this intelligence in order to empower the sales force. This is relevant for all industries, but the data-rich businesses have an advantage which they have begun to realise and are rapidly moving towards harnessing strategic intelligence out of it.

Challenges



Over **40%** of those surveyed are worried about the increase in competition they will face. The following are some possible for this rise:

Current players who will innovate and grab market share

Typically, innovation may come either in the shape of breakthrough products, smarter routes-to-markets or even through technological adoptions such as digital strategies and data analytics. Some respondents who feel that they may not adapt as fast as their competition in embracing relevant innovations are concerned that they may start losing market share.

Consolidation, often through the entry of foreign players

Strategists have reflected on how foreign businesses with high-value products are looking to tango with the distribution networks of niche players and create synergies that can potentially bat incumbents out of the market.

Emergence of smaller and regional players

With aggressive pricing strategies, such players will slice away market share of the incumbents.

Price protection

This is a critical factor for some of those surveyed. Inevitably, these respondents are incumbents and have thus far charged premium levels but fear that the new players will offer the same value at lesser prices (and lesser margins) to garner market, leaving their own margins vulnerable. Should these

incumbents stay on with their earlier prices and risk market loss? Should they try to invest in product improvements and justify, or even increase, their prices? Should they invest in engagement strategies in order to create more profound impact about the same product in the customer mindset?

Over **42%** respondents have cited the pressure of rising costs amid the mandate for profitable growth. While the topline targets and growth story remain pertinent, margins remain sacrosanct for our respondents. Yet, costs are rising.

They following reasons may be responsible:

- Increased costs due to supply-chain and logistics dynamics
- Rising input costs; supplier and manufacturing prices as a consequence of economic realities is a concern across most sectors
- Technology implementation costs that will otherwise disrupt businesses
- Simple overheads and employee compensations

Growth in voluminous investments and extended break-evens is not an option for most of India Inc. The luxury of infinite investment has been shown by some foreign players but most of the local businesses need to juggle topline and bottomline targets. Even here, marketeers are under pressure to show ROI on trade spend.

Apart from certain systemic, operational inefficiencies that can be dealt with, the cost burden seems to be a function of the macroeconomic conditions and cannot be avoided. Hence, the survey reflects the need for low cost-per-customer-acquisition and increased customer lifetime value in order to walk the tightrope.

Innovative marketing and brand-building



Over **32%** respondents have expressed the need for more focus on marketing strategies.

This need ties in with the developing insights and hypotheses about the survey that we have been discussing thus far:

- Companies are looking for revenue growth but need to be mindful of margins and costs.
- Focus on customers is indispensable to the plan of meeting sales targets.
- Low cost customer acquisition and retention strategies are required to achieve long-term growth.

However, the survey also throws light on an insight which captures the essence of the ground reality today – that of driving more from less. The marketing spend increase for FY '15 compared to the last fiscal year is not in consonance with the higher sales target increase for FY'15, which means that the marketing and sales teams have to drive a higher target while the trade spend remains the same.

Around **30%** have indicated that their marketing budgets will remain the same as FY '14 and **36%** have indicated that theirs will increase up to **10%** more than those of FY '14.

Again, this is in tune with the bottomline sensitivity. The need for innovation in the marketing department is thus natural; an effort that can capture and retain customer mindspace and yet be of low cost will be the perfect panacea. Terms such as 'frugal innovation', 'affordable growth', 'profitable growth' have been often repeated in our survey.

Typically, the following are aspects the marketeers expressed a need for:

Increased brand pull

Some marketeers feel that their brand story is just not what it should be. Conflicting or uncoordinated messages are diluting the brand strategy, resulting in the product losing its relevance. With a deluge of information through multiple channels, the customer is inundated with messages and hard work is needed to make the brand consistently stand out.

Integrated marketing

Organisations are beginning to realise that the sum will be greater than the parts if a single message reinforced through multiple channels can be executed. Again, this boils down to customer focus since the different marketing disciplines such as offline promotions, social media, customer service etc., have been fused to have an approach specific to a particular customer's preference vis-à-vis the product.

Measurable marketing ROI

CMOs want to understand the results of marketing campaigns. This is not a mere question of accountability but that of strategy. Understanding which campaign worked and which did not and the reasons for it provide rich inputs to adjust or alter subsequent campaigns likewise. The return on marketing investment (ROMI) metric is increasingly becoming a tool for marketeers to justify the tangible and often, the intangible parameters for evaluating marketing effectiveness.



Digital marketing

Organisations have realised the power of the internet with smart devices and social media adoption becoming an extension of the customer's existence. Apart from online ads, there is immense potential for actual brandbuilding and customer engagement in the digital universe. It is refreshing to see that even where the business is B2B, there is an attempt to identify and connect with the end customer. In India, smartphone internet access is poised to outgun the old-world computer access and with non-urban customer catchpoints rising, this is going to be a marketing channel very few B2B or B2C organisations can afford to keep out of.

Co-creation of brands

Marketeers responding to the survey have recognised the immense scope for co-creation strategies. Blogs, social communities, viral marketing coupled with the free flow of opinions can translate to the birth of a superior product rather than improved versions retroactively. It also ensures an available group of early adopters who have endorsed the product capabilities and will spread the word around. With companies such as Nike, P&G, Dell etc having international success stories in this sphere, precedents have been set. The Indian customer is young, articulate and generally online and brands have begun to recognise this.

Analytics is king



“Data! Data! Data! I can’t make bricks without clay.”
– Sherlock Holmes

The great fictional detective had once exclaimed impatiently. His lament seems to have found new force in modern India’s executives, about **20%** of whom have stressed the urgent need to get their acts together in this regard.

We have alluded earlier to data analytics playing a major role in helping sales forces understand the 360 degree view of customer needs to help share leads and information and data-rich businesses are increasingly investing in related technology.

The survey also points to a common thread in marketing innovation which is the use of data analytics. Whether it is scrounging the social media with online tools for sentiment analysis, building data marts from transactional data to provide data for integrated marketing or creating business intelligence for measuring ROI of campaigns, analytics is the key. Marketeers want answers to obvious yet perplexing questions such as “should I continue to invest in the social brand strategy or make the email campaigns more precisely segmented?” or “on which channel will our most likely customers be found?”

The answers lie in gathering data from across the business value chain and extracting intelligence from it.

Another focus area of data analytics is in making distribution and logistics more efficient and cost-savvy. Executives are realising that real-time analytics can be used to identify patterns of outflow frequencies of various product SKUs from warehouses or distribution centres in different geographies. Data collected over years can effectively predict trends in terms of inventory shrinkages as well as demand spikes and inventories can be accordingly optimised.

Apart from achieving lean inventories, logistics cost patterns and supply-chain bottlenecks can also be understood and corrective measures can be taken. From distribution and logistics, this concept of data analytics can be further extended to shelf spaces in retail stores which can then be optimised based on localised demand-supply predictives. This will necessitate technical integration between the seller’s and the retailer’s real-time systems but this investment is a small price to pay in order to achieve the seamless hitherto dreamed of in the e-commerce realm. For brick-n-mortar businesses, this can be a way to achieve margin targets.

Clearly, India Inc is looking to embrace intelligent, precise and predictive marketing methods to achieve a virtuous cycle of customer targeting at lower costs and increased revenues.

The rise and rise of the digital



One of the most emphatic messages to come out of this survey was the unequivocal and increased adherence to the digital wave. It is a force powerful enough to change market dynamics and value networks and leave out those who do not adapt to it.

Over **68%** respondents have articulated the pressing need to either establish or strengthen their presence on digital platforms. A few recognise the urgency and are scrambling to establish presence.

The reasons are obvious and compelling. India has the third largest online population in the planet with around 240 million internet users which will continue to grow exponentially. Facebook has declared this April that it has over 100 million users in India, the second largest on its network. With the world's fastest growing smartphone market, the Indian customer is developing a significant presence in the digital universe and businesses see the opportunity to engage with them here.

Retail, consumer, travel, financial services, pharma and industrial products or manufacturing are all considering a digital presence as inevitable. Over **50%** of those who understand the importance of a digital forum acknowledge mobility and how it can form a powerful tool to reach out to the customers directly.

Social media is also being considered by these respondents as an extremely powerful medium. Around **80%** of all companies surveyed are satisfied with their social media presence or recognise the importance of it and are in the process of taking appropriate steps to achieve one or more of the following:

- Connecting with customers and understanding their preferences and sentiments through analytical tools
- Co-creating their brands through the social presence

- Delivering marketing messages at low costs to a wider range of targets which will help level the playing field for smaller companies

Digital strategists are now focused on creating the best roadmap for converting campaigns into tangible growth. As one of our respondents put it, the transition from a 'digital like' to 'real-time like' needs to take place.

The other developing trend from the survey was the desire to sell on the internet. All majors sectors realise that e-commerce is an opportunity for transgressing geographical barriers in terms of customer reach.

Eighty per cent respondents from these industries acknowledged their needs for e-commerce and spoke about their companies' varying levels of readiness on this online platform. These companies typically have high sales targets, have prioritised customer-centricity and want to adopt online marketing methods with measurable ROI. Thus, the pattern emerges.

In fact, there is a near **100%** correlation between companies who are considering e-commerce as an important business strategy and their present and intended digital strategies and social media presence.

Clearly, once a business takes to the internet, it needs to adopt all the digital forces that are associated with it in order to entirely reap the benefits that it promises.

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