GREAT LAKES
INSTITUTE OF MANAGEMENT, CHENNAI


Exclusive :
India as Dr. Philip Kotler sees it

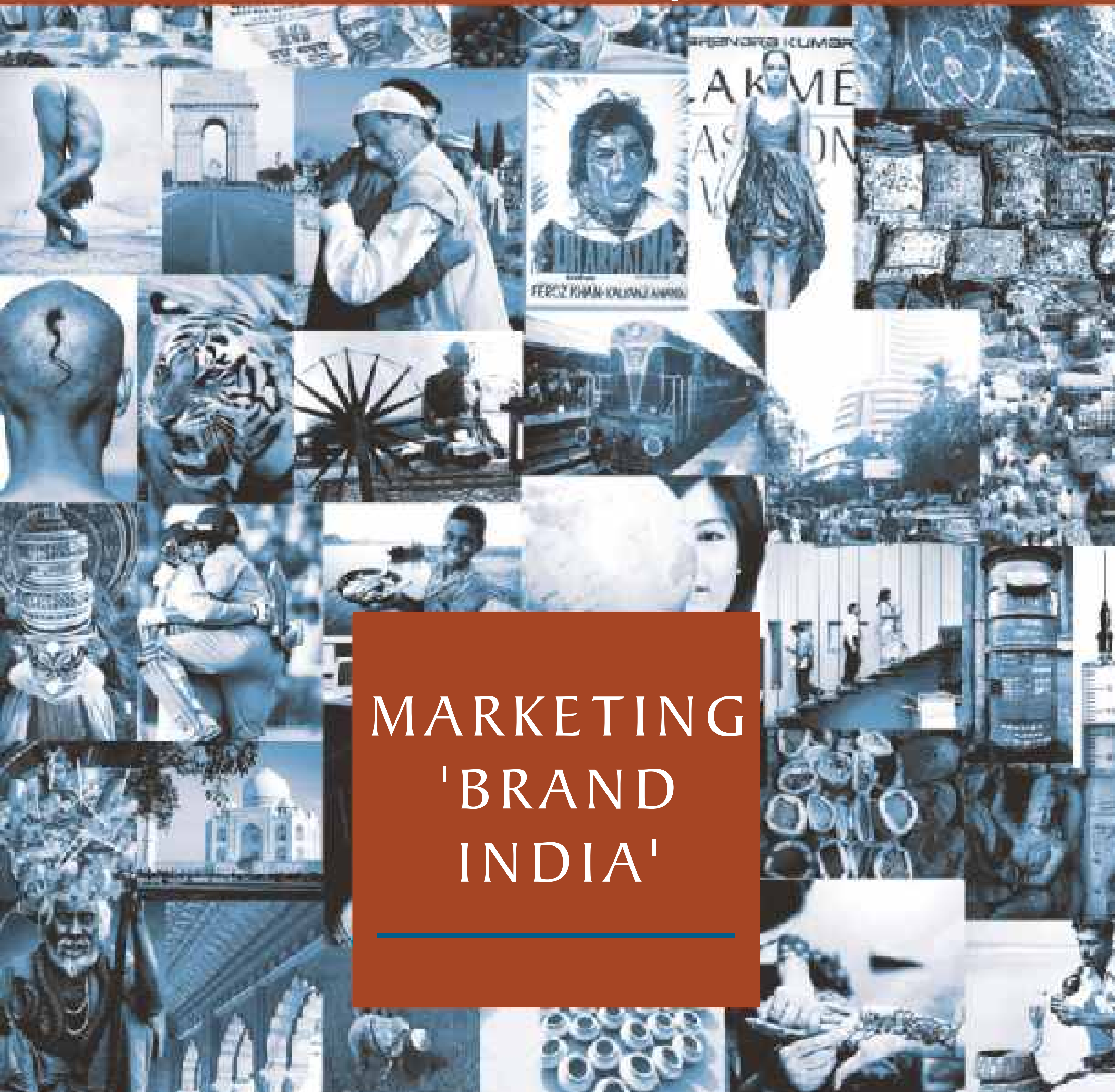

Indra Nooyi
@ Great Lakes


Interview :
Deepak Advani

Issue 3, Dec 2006

# GRAVITY

The Great Lakes Magazine



# MARKETING 'BRAND INDIA'

# Team Gravity

From L to R: Sai Yogetha Reddy, Koushik Srinivas, Srividhya V., Karthikeyan V.,
Priyamvada S., Sachin Kumar Bhagwata, Saishree Srinath, Sriharsha B.V., Kartika Natarajan


## Acknowledgements

***Our sincere thanks to :***

*Dr. Bala V. Balachandran*
*Prof. S. Sriram*
*Dr. Rakesh Singh*
*Dr. Venkat R. Krishnan*
*Mr. V. Sankaran*
*Ms. Malathi Ramkumar*
*Mr. Venkit Subramanian*

***And fellow GreatLakers :***

*Ashwin Sunderkumar*
*Ashwin Valecha*
*Bala Venkatesh*
*Prasanna V.*
*Ramachandran C.V.*
*Sheetal E.*

*Our special thanks to* ***Ms. Shrada Mohan*** *and* ***Ms. Sheetal E****. for designing the cover.*

# The Spirit Of Gravity

*Gravity is ubiquitous and has been in existence for ever. However, it took a Newton's ingenuity 'to ask why' resulting in the discovery of gravity. On hindsight, the discovery looks very simple and 'common sensical', yet for so many centuries in the past, no one had looked at it the way Newton did.*

*The managers from Great Lakes emulate this Newtonian attitude. Great Lakers are a bunch of individuals who have learnt to look at things differently, to ask why and to innovate, continuously!*

*A manifestation of this Great Lakes culture is 'Gravity'.*

# From the Editor's Desk

> "It is only shallow people who do not judge by appearances."
>
> – Oscar Wilde



Dear Reader,

India's astounding success in the past five years has held the business world with rapt attention and captured the media's interest in a dazzling blaze. Yet, I am ever mindful of the paradox that is India. The world has certainly borne witness to India's bedazzling opulence and mind-numbing poverty, its irrepressible urge for modernization and its equally determined resolve to retain tradition. We are one of the fastest growing economies in the world today, with a consistent growth trajectory of 8%- plus that is heading to the elusive 2-figure growth rate, and this growth seems set to continue in the years to come. Despite this phenomenal growth, we are ranked lowest among the BRIC countries in terms of foreign direct investment (FDI) attracted. Our rich heritage, pristine pulchritude and culture notwithstanding, we do not figure in the exclusive 'top 10 destination' list for tourists from across the globe. The litany could just go on, but suffice to say that they are issues that are not irremediable.

Given the endless potential India has, we at Gravity felt that the most appropriate theme for our magazine this year would be **Marketing 'Brand India'**. Like consumer brands, 'Brand India', projects a long term vision, sustainable development, a national advantage, with the flexibility and diversity to nestle in the shifting sands of time, making India the preferred global destination. Gravity seeks to be a road map to this destination.

To offer various perspectives on this contentious topic, we have brought together a veritable who's who of academicians as well as some of the leading lights from the corporate world, in an attempt to unearth some meaningful answers. Right from the 'Messiah of modern marketing', **Dr. Philip Kotler**, to the man behind 'Brand Lenovo', **Deepak Advani**, the latest edition of Gravity features the perspicacious and keen insights of these authorities in the fields of 'Brand Building' and 'Marketing'. We also believe that India's amelioration lies in learning a thing or two from our Chinese counterparts. The magazine is privileged to have two of the most respected economists, in the country, Dr.Subir Gokarn and Dr. Rakesh Singh, offering their insights on these two Asian giants (India & China) that are so similar and yet so different.

If India is to become a brand to be reckoned with, the Indian woman has a pivotal role to play. The archetypal Indian woman plays so many roles with élan, and this multitasking ability of hers is often undervalued, if not underestimated. This edition of Gravity also features some leading women from the industry, including the "Business Maharani" Gita Piramal and President and Chief Executive Officer of PepsiCo, Ms. Indra Krishnamurthy Nooyi offering their insights on a plethora of topics.

At Great Lakes, we have constantly had the good fortune of interacting with the barons of the industry, and these have been great learning experiences more than anything else. Some of these guest lectures and events on campus have also been featured in this edition of Gravity.

India's moment in the world may well have arrived, and we have all the makings of a 21st century miracle. It has always been in the Indian mindset to just surprise pleasantly, let accomplishments speak for themselves and not create too much hype. We have always chosen to be the silent achievers. However, in this new world, we cannot afford to ignore the value of brand building. While a great product can become outmoded, the value of a great brand is timeless. 'Brand India' can't be taken for granted and it would bode well to remember that 'We are the future' and do our bit.

As always, we look forward to your candid comments and feedback at gravity@glakes.org.

Till then, Happy Reading!

Priyamvada Sivasubramanian

# Note from N.R. Narayana Murthy

Globalization has enabled corporations to source capital and the raw materials from where it is the cheapest, process the inputs in geographies that offer the best ‘quality-cost’ configuration and sell the finished goods in the most lucrative markets. In order to gain maximum advantage of globalization, a nation should understand where exactly it fits in this value continuum. Based upon its capabilities, a nation, through planned and focused efforts, should understand who its external customers are and what the customer needs. These are essentially the fundamentals of marketing.

Michael Porter notes, “National prosperity is created, not inherited”, and that, “In a world of increasing global competition, nations have become more important”. As India aspires to be a strategic player in the global economy, it should get fully integrated with the global economy by forging ties with countries and several organizations around the world. In essence, India has to adapt to the requirements of the world. Successful nations are similar to successful companies the companies that know how to adapt to and succeed in a continuously changing marketplace.

India is emerging as a booming local market, as a manufacturing hub, as a source of high quality manpower and as a competitive player in global trade. Outbound investments by Indian firms have touched a record high in the current year. Several Indian firms have made strategic acquisitions across geographies. The Indian economy is poised to play a crucial role in the global market. In this context, I find the theme of this magazine - Marketing 'Brand India', very relevant. I am sure the articles and deep analysis presented in this issue would be of much use and would offer a pleasurable reading.

I am glad to know the significant strides that Great Lakes Institute of Management is making in the field of management, and I am sure that the institute and its fraternity have a great future ahead of them.

**N.R. Narayana Murthy**
*Chief Mentor, Infosys*
*Member of the Business Advisory Council, Great Lakes Institute of Management*

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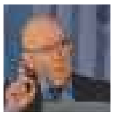

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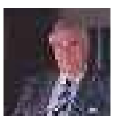

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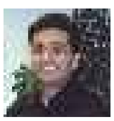

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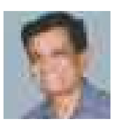

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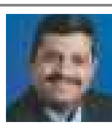

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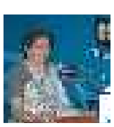

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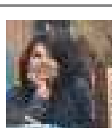

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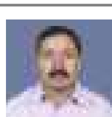

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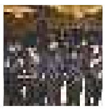
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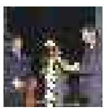
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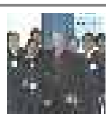
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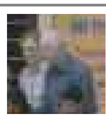
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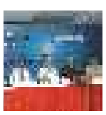
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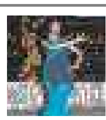
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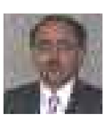
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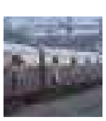
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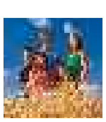
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# Founder and Honorary Dean's
## Message

Welcome to the third edition of Gravity- The Great Lakes Magazine. "*The more things change, the more they remain the same*", goes an adage. There are changes to this edition too- there is a new team, there are fresh perspectives and there is the new concept of branding nations, which is the theme of this edition. However, what remains the same is the passion, vigor and enthusiasm, and the spirit of Gravity that has been handed over by the previous team of Junior Pioneers to the 2007 batch of Crusaders.

**Junior Pioneers as brand ambassadors of Great Lakes**

The second batch of Great Lakes, the Junior Pioneers, graduated in the month of April 2006. The entire batch was placed in record time across a diverse set of industries and corporations in India and abroad. The average salary offered was Rs. 7.5 lakhs. They have been performing in various capacities as Analysts, Consultants and Managers. But the important point to be noted is that they are representing Great Lakes as its brand ambassadors. A lot of the recruiters have expressed deep satisfaction at the quality of the Great Lakes' student and are visiting the campus again for this season's placements. To cite Business India- "Great Lakes has become the most sought after hunting ground for all the recruiters"…"it is clear that in such a short span Great Lakes has risen to this admirable level."

This year also saw the setting up of an Alumni association, a very important constituent of branding Great Lakes. However, branding efforts are not limited to the association or to the batch of Junior Pioneers; every batch here is part of our extended family and therefore, the responsibility rests with each one of us to see the Great Lakes brand shine bright.

**The Messiah of Marketing**

The students at Great Lakes had an opportunity to interact with the 'Messiah of Marketing' himself- Dr. Philip Kotler. He enthralled the students with his views on some of the new developments in the field of marketing and shared a few of his mantras that could probably define the way marketing would be done in the future. Interactions such as these are a very important part of learning for students. The **'Kotler - Srinivasan Center for Research in Marketing'** chair was instituted this year to venerate the contributions of Dr. Kotler and Dr. Seenu Srinivasan of Stanford in the field of Marketing. This edition carries an interview that the Gravity team had with Dr. Kotler.

# Founder's Message

**L'Attitude 13°05'**

The annual fest of Great Lakes saw an overwhelming response last year. Participants from premier B-schools such as the six IIMs, FMS and SPJIMR battled it out for the biggest rewards and glory. This flagship event of the institute promises to be even bigger this year with more schools having confirmed their participation. The two-day event held at the Green Meadows resort is where the sharpest minds of the country would meet to discuss, debate and get quizzed on various disciplines of Management such as Marketing, Finance, Strategy and Human Resources.

**The Road Ahead**

The placement season is underway for the present batch of Crusaders. As many as 80 Indian and international companies are expected to visit the campus this year. Salaries offered this year will also see a quantum jump. Preparations are also on to welcome the next batch of Great Lakers, who would be christened “Junior Crusaders”. An overwhelming number of applications have been received so far, which is indeed gratifying and explanatory of the schools success. The quality of the applicants has further improved in terms of the colleges they come from and the number of years of work experience they have.

Great Lakes currently operates out of a rented premise in the serene Srinagar Colony at Chennai. While the college has all the facilities to operate in a way that is conducive to learning, the need for a bigger campus is always felt. Great Lakes has decided to construct a permanent campus of its own and has already marked 14 acres of land on the picturesque ECR road in Chennai which is the new knowledge corridor of Chennai. The new campus will be residential and full fledged with all the modern amenities such as amphitheatres, electronic classrooms, auditorium, staff quarters and spacious playgrounds. The design of the building is ready and the institute plans to start the construction activity in a couple of months and wishes to start operations by the 2008 academic year.

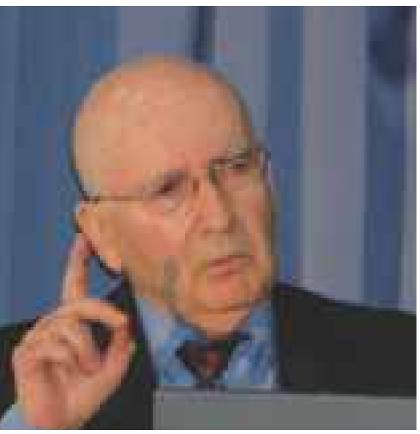
In the light of all these changes my message to my beloved Crusaders is to forge on ahead and keep up the faith and hold the Great Lakes torch high. Earn to learn, but learn to give as well. To the Gravity team, I wish them all the best in their future endeavors as well. Continue to work from your heart and give your 100 percent for all the activities that you do both personally and professionally.

Jai Hind, Jai Great Lakes, God bless all of you.

**Padmasri Dr. Bala V. Balachandran**

# 'CCDV'- The New Mantra of Marketing

Dr. Philip Kotler, Kellogg School of Management,
Northwestern University



***Dr. Philip Kotler***

***Dr. Philip Kotler is the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management at Northwestern University. He has been hailed by the Management Centre, Europe as "the world's foremost expert on the strategic practice of marketing." He is also considered to be one of the pioneers of social marketing.***

***Dr. Kotler has authored, what is widely recognized as the most authoritative textbook on marketing: 'Marketing Management', now in its 12th edition. He has also authored and co-authored a number of other leading books, including 'Kotler on Marketing', 'Lateral Marketing' and 'Strategic Marketing for Non-Profits'.***

***You have a Master's degree in Economics and have pursued your post-doctoral studies in Mathematics and Behavioral Sciences. What drew you to marketing?***

I am a trained economist. But my training helped me recognize that economics failed to address some major issues. I learned free-market economics from Milton Friedman at the University of Chicago and my Keynesian economics from Paul Samuelson at M.I.T. I felt that economics needed much more contact with the reality of the market place, especially in understanding consumers and producers and distributors behavior better. These gaps drew me into marketing. Most of marketing is a branch of economics.

***The first edition of your book 'Marketing Management' came out in the year 1967. Since then, you have come out with eleven other editions. Could you walk us through the metamorphosis of marketing? What have been the paradigm shifts?***

In the early days, marketing focused on consumer packaged goods which were similar to each other. Advertising was used heavily to differentiate brands. Today marketing is much broader. For example, business to business marketing has become more prominent.

Secondly, in 1967 marketing was product-centric. Today, marketing is more service-oriented. Services are a bigger part of the economy today.

Thirdly, marketing has become relationship oriented. In the old days, marketing's drive was to help make a sale. Marketing was transaction-oriented. The word 'exchange' was more prominent in my earlier books. Now we are making 'value' the centerpiece of marketing. The expression I use now is CCDV (Create, Communicate & Deliver Value).

The four P's fit into this framework. When you create value, it is a function of the *product and the price*. When you communicate value, it is a function of *promotion*. When you deliver value, it is about *place*.

In essence, we are folding in the four P's into 'CCDV'.

***What would the thirteenth or fourteenth edition look like?***

The twelfth edition put branding throughout the book rather than in one chapter. Branding is applied not only to commodities but to people, places, and organizations. The thirteenth edition will place an emphasis on customer centricity and value innovation.

***India has come to be known as the "back office of the world". As we look to the future, how can we change perceptions in order to position "Brand India" differently, say as a nation that produces high value products and services?***

India would have to continue to expand its BPO business where it is doing a wonderful job. India also has to expand its medical and finance business. India's cost advantage would also mean that India should do more with agricultural products and textiles.

China is doing a great job with products. India, too, should enter into the product production arena.

***In your new book 'According to Kotler' you have addressed 'Demarketing.' Comment on this.***

'Demarketing' is to help discourage the overuse or wrong usage of products. An example would be to discourage watering one's lawn when there is an acute water shortage.

***Should India engage in 'double image marketing'?***

Let me take the example of Ireland. Ireland wants to market two things that are really contradictory. The Irish want to market their place as one of magic, greenery and mystery. They also wanted to market Ireland as a high-tech nation leading in computer projects.

India is in a similar situation. It has a spiritual side with ashrams, holy-men and yoga. But India is also projecting itself as a tech-savvy nation. But it shouldn't gain on one image and lose out on another.

***Your itinerary includes meetings with the Who's Who of the Indian Information Technology industry. Could you shed some light on the implications of these meetings in terms of the larger scheme of things?***

I am interested in finding out about the IT business in India and the quality of the marketing thinking. I am also interested in learning more about the relationship between the Sales and Marketing divisions in the IT companies.

***China is the biggest market in the world to get into now. Everyone is getting into the Chinese market. What strategies can India use to penetrate the Chinese market?***

Every industry is based on a value chain. India should try to identify growth areas in China and plug into some of these areas. What value gaps can India fill? India can be a supplier of high-skilled and medium-skilled labor to China.

***What should be India's focus on rural marketing?***

A large percentage of India is rural. India needs goods to flow in two directions. City goods should efficiently reach the furthest point of rural society. For example, Coca-cola needs to get its drinks into the hinterland. But we also want rural goods to reach the cities and generate incomes for the villages.

Each village should really have an “extension agent” who would bring training for growing crops and developing handicrafts. The village elders should be stimulated to discuss what they could do to create more value for the rest of India and therefore derive more income. This relates to the concept of 'place marketing'.

Do you remember what Gandhi said? Gandhi said that there must be village industries. He talked about the 'Charka' to support the weaving industry. India needs to set up demonstration villages to show how to transform villages into value innovators.

***Do you think the Walmart model can be replicated in India?***

Wal-Mart would have to be modified if replicated. First of all, Wal-Mart depends on automobile traffic. Maybe initially one Wal-Mart would be located in a major city. How many people would be able to drive to a Wal-Mart to buy things at a lower price? Maybe the cost of the gas would be more than the savings. If Wal-Mart is successful, it would hurt a lot of small businesses. It would create some unemployment. Perhaps India should first move from low to middle-intensity retailing.

***Professor Bala .V. Balachandran, our dean, has been your colleague for close to three decades now. You have worked together on projects in the past. How has the relationship been, and are you planning on any more projects?***

We know each other well. I've admired his ability to advance accounting theory and to relate accounting theory to economic theory. He's not the normal accountant. He is very research oriented and very important to the Kellogg accounting department. Currently, we are discussing projects we might do that would integrate marketing, economics and accounting.

***What are you working on right now?***

I am working on three books. One is a book on alleviating poverty. The thesis is that people who are poor are very heterogeneous. They are poor for different reasons. So my idea is to use market segmentation to gain insight into different poverty problems and tailor different solutions. Secondly, every national anti-poverty program has to be localized. Thirdly, decisions have to be made between helping the poorest and helping those who have the best chance to escape poverty.

I am also updating my book on health care. In 1987, I wrote *Marketing of Healthcare Organizations*. I am redoing it now because the problem of providing adequate health care is getting more complex. Hospitals are competing with hospitals, clinics with clinics and doctors with doctors. Additionally, there is this whole finance and payment question as there is the problem of improving the quality of medical service.

The third project is to update my book on *Strategic Marketing* for educational institutions . There is so much competition between higher education institutions. Some have their pick of the best prospects; others are half empty. The task is help schools identify their best prospects, communicate with them and deliver better value for the money.

I recently published '*Marketing in the Public Sector: A Roadmap for Improved Performance'*. Public agencies need to remember that they exist to serve citizens, not the bureaucracies, and that they can improve their service to the public through better products, services, communications and locations.

***-As told to 'Team Gravity'***

# Marketing India: Unleashing the Virtuous Cycle

Dr. Sunder Narayanan, Stern School of Business, NYU

Marketing is all about delivering value to the customers. Value can be of two types- functional and image-based. A good marketing strategy aims to provide both types of value to customers. In the pursuit of this objective, marketers have two weapons in their arsenal- products and brands. The product is the actual physical product that is offered to customers at a certain price. The brand is a set of associations and feelings (such as success, status, etc.) that are linked to the brand in customers' minds. In typical product marketing, the physical product along with its price provides the functional value, whereas the brand provides the image-based value[1]

Products and brands are interdependent constituents of the company's offering to the customer. They both need to reinforce each other in order for the offering to succeed. The ideal situation is when both the product and the branding are strong. If the product is weak, then investing money in trying to create a strong brand may eventually be wasteful and counter-productive. In these cases, a more productive approach would be to fix the product before investing in the branding. But if the product is good, then investing in a strong branding can create unique images and help differentiate the product from the competition, which ultimately results in loyalty, trust, and long-term relationships with customers. Thus the product and brand can help each other grow strong due to a virtuous cycle created by synergies between the two.

The above principles can be applied in marketing India to one important target market foreign investors in the India, who typically value an attractive return/risk ratio for their investment in a foreign economy[2]. Any meaningful approach to marketing India to this segment would therefore aim to unleash the virtuous cycle described above by using a two-pronged strategy; (1) analyze and fix any problems associated with Product India (the realities in the country), and (2) communicate the right images about the country to create a strong 'Brand India' (the images and perceptions about the country).

To help us with the first step, namely analyzing Product India, we can refer to ranking systems developed by several international organizations, such as the ***Global Competitiveness Report*** published by the World Economic Forum, the ***Heritage Foundation/Wall Street Journal Index of Economic Freedom (IEF), the Transparency International's Corruption Perceptions Index (CPI), and the World Bank's 'Ease of Doing Business' Index (EDB)***. Table 1 presents these rankings for India and several other key countries on these five indices.

The World Economic Forum's ***Global Competitiveness Report*** looks at both macro- and micro-factors that affect a country's competitiveness in the global marketplace[3] There are two separate indices in this report. The ***Growth Competitiveness Index (GCI)*** ranks countries based on macro-factors that drive economic growth, and the Business Competitiveness Index (BCI) ranks countries based on micro-factors that drive productivity and efficiency of companies operating in that country. The GCI also provides ranking of countries on its three components- the ***Technology Index***, the ***Public Institutions Index***, and the ***Macroeconomic Environment Index***. Similarly, the BCI provides rankings on its two components Company Operations and Strategy, and the Quality of the National Business Environment.

India's rank in the GCI is 55 out of 104 countries ranked in 2004. Among the countries compared, only Russia has a lower rank. In addition, the rankings on the components of the GCI are also relatively low (63 on the 'Technology Index', 53 on the 'Public Institutions Index', and 52 on the 'Macroeconomic Environment Index'). In the BCI, India fares somewhat better with a rank of 30 out of 103 countries ranked in 2004, with only China and Russia scoring lower than India. The rankings on the components of the BCI are similar (30 on the 'Company Operations and Strategy', and 32 on the 'Quality of the National Business Environment').

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**Table 1**

| Country | Rankings | | | | |
|---|---|---|---|---|---|
| | GCI (2004) | BCI (2004) | IEF (2006) | EDB (2006) | CPI (2005) |
| India | 55 | 30 | 121 | 116 | 88 |
| USA | 2 | 1 | 9 | 3 | 17 |
| Finland | 1 | 2 | 12 | 13 | 2 |
| Japan | 9 | 8 | 27 | 10 | 21 |
| UK | 11 | 6 | 5 | 9 | 11 |
| Chile | 22 | 29 | 12 | 25 | 21 |
| China | 46 | 47 | 111 | 91 | 78 |
| Russia | 70 | 61 | 122 | 79 | 126 |
| # countries ranked | 104 | 104 | 157 | 155 | 159 |

The **Heritage Foundation/Wall Street Journal Index of Economic Freedom**[4] measures countries on ten broad factors of economic freedom[5.] Based on these measures, the index classifies countries into four categories, (1) Free, (2) Mostly Free, (3) Mostly Unfree, and (4) Repressed. On the premise that economic freedom reduces constraints on investors and thereby facilitates growth and prosperity, investors ought to prefer countries with a higher rank for investment purposes. India with a rank of 121 is categorized as 'Mostly Unfree'. Among the countries compared, only Russia has a lower rank than India. On further examination of the ten broad economic factors that make up this index, India is found to be particularly weak on Trade (score = 5), Banking, and Regulations (scores = 4), relatively strong on Monetary Policy (score =2), and about average on the other factors (scores =3)[6.]

The ***World Bank's Ease of Doing Business*** ranks countries on how much the regulatory environment is conducive to doing business in that country[7.] The index is calculated based on country rankings on each of the ten topics covered in the World Bank's Doing Business in 2006 report[8.] A higher rank on this index would make the country more attractive to investors. India's ranking of 116 among the 155 countries ranked is way behind the other countries compared in Table 1.

The **Transparency International's Corruption Perceptions Index (CPI)** measures perceptions of corruption in countries around the world based on expert assessments and opinion surveys[9.] India's ranking of 88 in the CPI (2005) is lower than the countries of comparison, except for Russia. More worrisome for India is the fact that in the **Global Corruption Barometer Index (2005)**[10] another report produced by Transparency International, India has the unfortunate distinction of being the most pessimistic country in the world with regard to corruption with the highest percentage (78%) of those surveyed believing that corruption in the country will increase over the next three years (Table 2).

The above rankings suggest that several improvements are required on Product India in order for it to successfully support a strong Brand India. Many of the problems identified in these rankings are fundamental and structural, and do not allow for quick solutions. Fixing problems of these magnitudes will require a concerted and coordinated effort over a prolonged period of time by several key constituencies including the Indian government, various industry sectors, the media, and private citizens. Therefore, by any realistic standards, it can take several years before global perceptions change and India's ranking rises to the top of these global indices.

One area of particular concern is corruption, where India needs creative solutions as it prepares to take an important place in the world stage during the 21st century. Setting specific goals toward the elimination of corruption, combined with the government creating the conditions, such as monitoring and law enforcement, to help the country move towards those goals would significantly impact brand India's image in the global marketplace.

**Table 2**[11]

| Country | Expectations: Will Corruption Levels Increase Or Decrease Over The Next Three Years? | | | |
|---|---|---|---|---|
| | % Increase | % Stay the Same | % Decrease | % Don't Know /No Answer |
| India | 78 | 9 | 9 | 4 |
| USA | 56 | 28 | 14 | 2 |
| Finland | 40 | 34 | 9 | 17 |
| Japan | 42 | 47 | 9 | 1 |
| UK | 46 | 36 | 11 | 8 |
| Chile | 20 | 37 | 29 | 13 |
| China | China Figures not reported | | | |
| Russia | 50 | 34 | 8 | 8 |

India's rankings also point to specific issues with the economic policies in the country, specifically in relation to economic freedom, and trade policies. In particular, the GCI rankings indicate problems at the macro-level variables such as ***'Public Institutions'*** and the ***'Macroeconomic Environment'***. With India moving in the right direction on many of these issues, global perceptions will eventually change. India does show some strength on the micro-level variables as seen in the BCI rankings. However, to be on par with the developed economies and serve as an investment platform for the region and the world, India would need to significantly improve its standing on all of the above rankings.

Another area of concern is the ranking on the World Bank's ***'Ease of Doing Business'***, where India particularly has a low ranking. Again, eliminating cumbersome procedures that stifle innovation and creativity will ensure that investors gain confidence in investing in India. This will enhance India's profile in investors' portfolios and eventually result in increased investment flows into India.

It is interesting to note that China which is probably India's closest competitor among the countries considered above does not score much higher than India in the above rankings. Yet it manages to attract far more foreign direct investment than India, especially in the manufacturing sector[12]. Clearly these rankings only show a part of the picture. One explanation could be that while 'Product China' scores marginally higher than 'Product India', 'Brand China' may be much stronger than 'Brand India'. Therefore the virtuous cycle may already be working in China's favor at the present time. The lesson for India is that working on the image and perceptions about the country is as important as fixing the problems in the country. That is another area where collaboration among the different key constituencies is required to create a sustained long-term strategy to create the right images about 'Brand India'. India's advantages over China in its democratic governments, better developed capital markets, more efficient resource allocation in the private sectors, and its expertise in the services and information technology are some of the key areas where India can differentiate itself from China. The goal should be to match China in manufacturing and be superior in services. For now, the prospects look bright as India is already on its way to fixing some of its problems, and the results are visible in the growing perceptions among foreign investors of India as a modern, stable, prosperous, and high-growth democratic country, that is an attractive destination for their investments.

*References*

*1. For example, without its branding a Mercedes-Benz automobile is just an expensive upscale luxury car with good engineering, but with its branding, it also becomes an indicator of the owner's status and success.*

*2. Unlike most goods, country branding may involve several target markets, each with a different value function, such as foreign or domestic investors, foreign or domestic customers, foreign governments, or international institutions, etc.*

*3.http://www.weforum.org/en/initiatives/gcp/index.htm.*

*4. http://www.heritage.org/research/features/index.*

*5. The factors are: Trade, Fiscal Burden, Government Intervention, Monetary Policy, Foreign Investment, Banking, Wages and Prices, Property Rights, Regulation, and Informal Market.*

*6. These are scored on a 5-point scale. The best score is a 1, and the worst is a 5*

*7.http://www.doingbusiness.org/documents/DoingBusines2006_fullreport.pdf*

*8. The ten topics are: Starting a Business, Dealing with Licenses, Hiring and Firing Workers, Registering Property, Getting Credit, Protecting Investors, Paying Taxes, Trading across Borders, Enforcing Contracts, and Closing a Business.*

*9.http://www.transparency.org/policy_research/surveys_indices#cpi.*

*10.http://www.transparency.org/policy_research/surveys_indices/gcb*

*11. Information distilled from Table 12 of the Transparency International's Global Corruption Barometer Index (2005)*

*12. However recent trends indicate that India's profile in manufacturing is uprising, with several multinationals increasing their presence in India.*

# The Future of Multinational Advertising Campaigns

Dr. John Philip Jones, Syracuse University, New York

As a country develops economically-and this is happening very fast in India today-advertising becomes increasingly important, mainly as a weapon in a competitive market place. Large multinational companies begin to operate, some successfully and some less so, and one of the main issues they face is whether or not to employ multinational advertising campaigns.

In any country, large or small, the brands sold can be classified into four groups:

- Brands from local companies that are sold only locally
- Brands from multinational companies that are sold only locally
- Multinational brands from multinational companies that are sold in many countries, and are supported by locally-generated advertising
- Multinational brands from multinational companies that are sold in many countries, and are supported by multinational advertising.

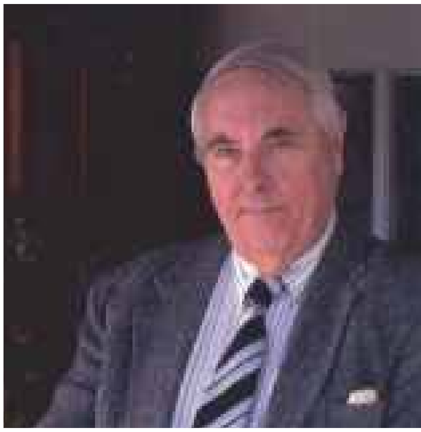
In total advertising billing, the fourth group is usually the smallest, accounting for a "guesstimated" 10% to 20% of all advertising expenditure, depending on the country. This is the only group relevant to this article. Multinational advertising was used most widely in the 1960s, after which it retreated to some extent because many advertisers had burned their fingers. But this does not mean that multinational advertising is unimportant. On the contrary, it includes some of the most striking individual advertising successes. This is because it is now planned strategically with much greater care than it used to be. It is not a field for the inexperienced.

Note my use of the word multinational, which I believe to be preferable to the alternatives. Global implies that the campaign is reaching out geographically further than any such campaigns ever go; they never cover more than a quarter of all countries in the world. The word international implies that the campaign was developed for international use, for some undefined international consumer. This is very rarely the way such campaigns are planned. A typical multinational campaign started in one country and was targeted at a national consumer, and was subsequently rolled out into other markets. The place of origination is almost invariably a large market, e.g. the United States or the United Kingdom, but there are exceptions. The roll-out policy is prudent but can involve a serious loss of time. It took six years for Timotei to reach out beyond four small markets (three successes and one failure). During such an extended period, competitors are normally able to pre-empt the idea in countries, which the brand has not reached.

Multinational campaigns can be found, although not usually in more than a minority of campaigns, in advertising for financial services, technical/electrical/electronic products, many fast-moving consumer goods (FMCG), fast food, gasoline, travel, expensive personal possessions, upmarket clothing. They are rarely used for cars or for direct response campaigns. They are so uncommon as to be almost unknown in beer, most packaged foods, retail advertising, over-the-counter (OTC) medications, direct-to-consumer (DTC) medical prescriptions (only permitted in two countries), commodity advertising and 'good cause' campaigns. They are also more widely used by some companies, e.g. Unilever and Colgate Palmolive, than others, e.g. Procter & Gamble (P&G) and Nestlé. Multinational campaigns are also used occasionally for the same brand sold in different countries, but employing a different name (e.g. Burger King in the United States and Hungry Jack in Australia).

Two demographic groups are important to multinational advertisers. Both command substantial purchasing power although the actual numbers of people are not large. The first is the young (the athletic-shoes-and-baseball-cap generation), the ubiquity of whose lifestyles can easily be observed. The second group is the affluent, especially senior business people (the laptops-in-the-business-class-cabin community).

Two pieces of practical advice could be given here. The first is concerned with planning a multinational



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advertising campaign; the second concerns evaluating its effectiveness.

**(1) THE OBJECTIVE OF THE MULTINATIONAL CAMPAIGN**

By objective of the advertising, I exclude anything as general as boosting total sales by entering new markets. It is assumed that the advertiser will have moved forward from this type of objective by setting up a manufacturing or at least a selling organization in each foreign country. With the mechanics of marketing the brand in place, it is important to spell out why a multinational advertising campaign should be part of the marketing mix and why this will be better than locally-produced advertising.

Every country in the world is different from every other. Advertisers should judge, as far as their own products are concerned, the extent to which individual countries might be coalescing. As a close observer of the scene, I am skeptical about whether the biggest national differences will ever disappear or even get much less important than they are today. This is considered with the possible exception of the influence of media overlap between countries with similar languages- overlap that will increase because of the proliferation of audio-visual media. But this does not invalidate the potential for multinational campaigns. There are individual points of similarity between consumers in different countries that can indeed be exploited.

At least six reasons are put forward for using multinational campaigns. I shall list them below (describing them in typical client language), with my comments.

- *"I want a uniform multinational presentation of my brand."* This is the least relevant argument, because it is only important in cases where the same individual consumers buy or use the brand in different countries. Such buying is usually trivial (e.g. small purchases during foreign vacations), but there are exceptions (e.g., American Express, used by frequent business travelers).

  *"As management policy I like to centralize decision-making."* There are better ways than using advertising to exercise control over satellite operations. For some companies, advertising centralization strangles initiative. Pan American (Pan Am) used to scrutinize and approve in New York every translation of the company's advertisements, which were all centrally produced. There are many reasons for the eventual demise of Pan Am, but the rigidity of its operations was one. P&G, a highly centralized organization and a very successful one, hardly ever uses multinational campaigns.
- *"There can be an explosion of publicity if a major product innovation is launched simultaneously and in a similar way in a number of important countries."* This policy, which has been followed occasionally by Kodak and Gillette, makes some sense. But a word of caution is needed. Most product innovations are failures, so that if the worst comes to the worst, a multinational launch could become a multinational disaster.
- *"I am looking for quality control; it is better to have a single campaign that is reasonably suitable for a number of countries than a patchwork of campaigns, some of which are awful."* This argument makes some sense, and is related to the last of my six points.
- *"I want to save money on production costs."* This argument is substantially valid, but be careful how you interpret it. When a film is used in a number of countries, the production cost is normally divided pro rata (e.g., on the basis of a brand's sales in each country). In addition to the basic production cost, there are usually substantial add-ons for voice-overs, titling etc. In many countries, the total cost of using a multinational film is sometimes higher than what would be paid for a local production. The important point therefore is that a multinational film offers far higher quality for the same (or a slightly higher) cost than a locally-produced film. This is an important consideration in how the Lux campaign is used (although in India, the international Lux strategy is executed with the use of locally-produced films: a tribute to the advanced state of development of the Indian film industry). Incidentally, there is often a legal impediment to using television commercials shot in other markets. These are sometimes embargoed because of bans imposed by local trade unions.
- *"Demonstrably good advertising ideas are rare; if we find one let's use it everywhere we can."* I believe that this is most persuasive reason for the use of multinational campaigns. It is certainly why the campaigns for Dove and Lux have been totally successful, and why the Timotei campaign was a substantial medium-term success although the brand eventually lacked staying power. We should always remember Marlboro, the most ubiquitous example of a multinational campaign.
- *The point about clarifying the objective(s) of the campaign is that it will make it much easier to judge the group of markets as a whole, e.g., country A may require particularly high quality film productions because of the existence of sophisticated competition; countries B and C may be contiguous, with a substantial overspill of media; countries D, E and F may be managed by the client as a single unit. A theme that should run through the evaluation document is the purpose(s) of the multinational approach.*

**(2) ALL CASE STUDIES NEED EMPIRICAL SUBSTANTIATION**

All too often, a campaign is deemed successful in one country, and without too much thought is thrown into a number of others. This is simply not good enough for a multinational case study. Effects must be seriously evaluated. This is a difficult issue, because it is almost unknown for sophisticated data to be provided on a comparable basis in a broad range of countries. Here is a list of four types of information that should in an ideal world be provided in each market.

1. Econometric studies isolating and quantifying the effects of advertising.
2. Consumer purchasing and related data of varying degrees of complexity and range.
3. Cognitive data to track awareness and image attributes of the leading brands.
4. Cognitive tracking of advertising awareness for the most important brands in the category.

It is unlikely that alternative 1 will ever be available on a multi-market basis. Small countries cannot afford this type of research because of the low sales and consequently small profits earned by the brand. Alternatives 3 and 4 are commonly available, at least from intermittent "dipstick" checks, but they are not enough on their own. Alternative 2 should receive the main priority. The aim should be to provide reliable and uniform data from each country measuring consumer sales, and supported if possible by cognitive information ("dipstick" checks at least) to provided diagnostics.

**Note two additional points:**

- The research should be presented country-by-country as uniformly as possible and preferably tabulated as an appendix. The research can therefore be discussed in the body of the report, and the arguments can be reinforced by references to specific data at the back of the document. It is generally not a good idea to lump groups of countries together because this conceals internal differences.
- I strongly advise *against* estimating the (often dramatic) value of incremental sales that have resulted from the campaign- a computation usually derived from an econometric deconstruction of sales. Any such calculation is not only implausible but is also misleading. This is because it ignores the *additional direct* and *indirect costs* that had to be incurred in manufacturing the additional volume. The best approach is to make a careful estimate of the additional direct costs and give these an additional weighting according to the firm's normal ratio of directs to indirects. The total can then be *deducted from the estimate of incremental sales value.* This type of calculation, which is common in the United States and is known as the 'Advertising Payback', shows a high degree of uniformity between successful campaigns in different fields- a payback in the range of 70 to 50 cents per dollar invested above the line. This calculation realistically computes the true net cost of the campaign, which is (as explained) normally between 30% and 50% of the space/time budget.

To illustrate what can be achieved with the use of uniform multinational data, let me cite information from the case study that I published describing the multinational campaign for diamond gemstones (De Beers).

De Beers collects a comprehensive battery of information in all the countries in which it operates. These data include the main economic variables influencing the demand for diamonds, and these formed the basis for my study. I used uniform data from 28 countries- 19 markets where diamond sales were strong, plus 9 weaker markets. Here are the data on diamonds from each country that I used in my study:

- Total retail value of sales.
- Acquisition of women's diamond jewelry.
- Average retail price of diamond jewelry.
- Change (over time) in average retail price of diamond jewelry.
- Pieces of diamond jewelry sold (indexed over time).
- De Beers' advertising as a ratio of retail sales value. I also used data on a number of general market economic indicators namely private consumption per capita, change in private consumption per capita (indexed over time) and average annual inflation rate.

As a result of looking at all this information in many different ways (although I did not calculate any statistical correlations), three strongly- supported conclusions are drawn. These are as follows: The first influence on sales of diamond jewelry is the affluence of the purchaser (i.e., demand is income-elastic). The second is the price of the stones (i.e., demand is also price-elastic). The third point is that advertising has a demonstrable although marginal influence on sales in both the short term and the long term. The last point is remarkable because De Beers' advertising budget represents an extremely small advertising to sales (A:S) ratio, varying in different countries between 0.1% and 1.0%. (In the weaker markets the A:S ratio is much lower than in the stronger markets: a very significant point.)

One characteristic of the diamond market that simplified my analysis is the absence of direct competition. In more normal markets, competition cannot be ignored; and the competitive situation is usually quite different in different countries. This should be explained.

In the evaluation document, be as explicit as you can about any artificial impediments to the success of a multinational campaign. In my experience the worst problem has been the resistance of the locals, both client and agency. Good agencies have amour-propre, an attitude usually described as "not invented here" (NIH), and they do not enjoy using other people's work. This skepticism is sometimes justified, but not always. The most subtle persuasion is often needed before locals will accept the merits of a multinational campaign. But it does not help when the local creative talent is seen (from afar) to be made up of "skilled hacks."

In the case of De Beers, there are a number of creative centres. Each follows a totally uniform campaign strategy, and creative work is delegated to the agency offices that demonstrate the best specialist abilities. The work from these centres is then syndicated out to a number of markets. We should also remember that very small countries have occasionally originated successful multinational campaigns, despite the doubts of people in large markets.

# Inheriting the Legacy of Big Blue

## Interview with Deepak Advani, CMO, Lenovo

*Mr. Deepak Advani is senior Vice-President and Chief Marketing Officer of Lenovo. He is also the acting head of strategy for Lenovo. Mr.Advani joined IBM 12 years ago and was part of the team that built a $1 billion supercomputer business in four years. As the Vice President of strategy and market development, he crafted IBM's early strategies around Linux. He has a Bachelor's degree in Computer Science and a Master of Science degree in Computer Engineering, as well as an M.B.A. from the Wharton School of Business.*

***Consolidation and M&A have made companies truly global and you have been a part of that transition. Hence in your perspective what is that one defining skill that differentiates the leaders and the rest of the pack?***

Understanding each organization's culture and primary strengths intimately is fundamental for a successful integration.

However, to become truly global, companies cannot be bound by national boundaries. Instead, they need to combine the strengths of multiple cultures. The company delivers innovative, world class, high quality products in all markets equally well. It recognizes the lessons learnt from local markets and cultures as best practices and adopts them in relevant markets across the globe.

At Lenovo, we focus on innovation that enables our customers to become more productive.

Innovation is in our DNA; it's what differentiates Lenovo in the market. As a company we have received more than 1,000 patents and maintain R&D labs in China, the US and Japan. These labs will continue to play a key part in driving innovation across all of Lenovo's product lines. As innovation at Lenovo goes beyond products, we are also always looking to innovate in terms of how we go to the market, serve our customers and build and operate our entire business.

We believe this is what truly sets us apart from the competition and provides us with a strong competitive advantage globally.

***You had mentioned in one of your interviews that Lenovo studied the key values of itself and IBM, and they mapped almost one-on-one. So what in your opinion is the one cultural difference that you found was difficult to cope with?***

It's true and when we studied the key values of both companies, we were pleased to find so many shared values. In fact our employee surveys showed a very high alignment between Lenovo employees and former IBM PC Division employees especially in values such as integrity, trustworthiness and customer service. That laid a solid foundation our integration.

We're often asked about cultural differences - but really it's the similarities that have been striking. And technology has been a key common denominator as well.

Sure, there are differences. For instance, American and European executives tend to be more vocal in meetings about voicing their opinions when compared to the Asian executives. This doesn't mean that Asian executives don't have opinions, they're just more reticent. So we went around during meetings to make sure that everyone had a chance to speak.

We also set up an 'Executive Expressions Program'. This is aimed at helping Asian executives communicate and present more effectively in a mixed environment. This includes understanding each other's communication style, body language and other verbal and non-verbal aspects while communicating.

We also have a program called 'Kids Connect', where employees' children in different parts of the world are encouraged to take up pen pal relationships to better understand another culture. 'Day in the life of' diaries and reports on different cultures where Lenovo now operates are also made available to the staff via the company intranet.

***For the Indian market, what marketing strategies are you resorting to in order to tap the potential especially in the light of the current economic boom and the magnitude of the rural market?***

The Indian market is extremely diverse and our strategies have to be aligned accordingly. Over the last one-and-a-half years, the Lenovo brand has forged an identity for itself and gained substantial mindshare in

India. We consciously look to be innovative and different in our marketing approach and use media that is popular and in line with our brand values.

We gained significant brand awareness when we placed Lenovo products on the popular television show Kaun Banega Crorepati. More than 1.2 million viewers across India saw Lenovo on television and it created instant brand recall. We followed that up by placing products on another variant of this show called Kaun Rahega Crorepati, and this was also very successful.

When we launched our consumer PC range in India, for the first time outside China, we needed to ensure a connect with our target audience. We engaged the brother-sister duo Saif Ali Khan and Soha Ali Khan as our brand ambassadors. Their fresh, youthful appeal was exactly what we wanted to associate with Lenovo brand qualities like innovation and style. Another successful marketing tactic was the placement of our 'ThinkPads' in the Bollywood movie Corporate.

The vast, largely untapped rural market requires us to be local and focused at our audiences using mass media channels that play to mass interests such as cricket. We've gained significant brand awareness through product placement on the show Straight Drive during the India-West Indies cricket series this year. We used this opportunity as cricket has a mass audience reach, across metros and non-metros. We continue placing Lenovo products in popular television shows such as Sa Re Ga Ma, MTV Select and Channel [V] Basement. Our marketing campaign Non-Metro Blast proved to be extremely successful in connecting with our partners and customers in non-metro areas.

According to a recent AC Nielson Ominibus Study, total brand awareness of Lenovo has gone up from 38 per cent in February 2006 to 65 per cent in June 2006 and is much higher than all competitor brands except one. That's a truly remarkable achievement in such a short time.

***According to a survey conducted by the CMO council, only 10% of the respondents felt that marketing groups are highly influential and strategic within the company. What is your reaction to this alarming finding?***

I was surprised to see such a low number. Part of the problem is that many CMOs view their job as developing advertising campaigns. And this moves them away from the strategic core of the company, and away from the issues that keep CEOs up at night. CMOs need to view their jobs more broadly. Advertising is important, but so is ensuring that the company delivers on the brand value proposition at every customer touch point. Marketing needs to play a key role in selecting customer segments, and then focusing maniacally on how to serve them better than competition. In other words, marketing is all about value creation and value capture. CMOs also need to be forward looking, so they can identify future profit pools and capture them before competition.

***Has marketing undergone a 'paradigm shift' from the 'creativity' and 'people' oriented function it was a decade ago, to the more 'Logistics' and 'Finance' oriented function that it is today?***

Marketing will always be about creativity. It is true that in the new paradigm, marketing needs to also be about accountability, and not just creativity. Marketing should be held accountable for delivering business results. Along with measuring metrics like brand awareness, proven recall and preference, marketing also needs to focus on growing strategic revenue and profitability.

***'Google' (The Company) has not spent a single penny on marketing though it is the most recognized brand in the world today. Has Google redefined marketing?***

There are three steps to brand building. Step 1: Get clarity on your brand essence. Brand essence has to be relevant to customers, differentiated from competition and grounded in a brand truth. Step 2: Communicate the value proposition or the customer benefit that is derived from your brand essence. Advertising plays a key role here, and unfortunately many CMOs spend 100% of their time here. Step 3: Deliver the customer benefit at every customer touch point. Enlightened companies are realizing that the most important step is step #1. Once you get the clarity on your brand essence, then what is most important is step #3. The only way to build sustainable brand equity is through word of mouth, and this happens when customers walk away delighted with their customer experience. Google is an example of this, but they're not the only ones. Microsoft didn't advertise in their early years. Neither did Starbucks or Harley Davidson. They built their great brands through word of mouth marketing.

***Do you think marketing can be taught in Business schools? What are the things aspiring marketing majors can pick up from school that they would need in their jobs?***

The fundamental marketing principles can be taught; yes. Classic marketing theory, business finance, how to do proper marketing research and P&L management are useful. Case studies are also useful as long as we remember that they are rear-view mirrors.

The marketing breakthroughs of the future, by definition, haven't happened yet. The trouble with Ries & Trout is that their words of wisdom should be seen as the end of the beginning; not the end of the end. The best B-schools operate in the real world, through interaction with present practioners who mix it up with the academics.

***Today, the internet is creating a global virtual community, so to speak. Do you think Lenovo in some way epitomizes today's global integrated enterprise?***

As I mentioned earlier, we not only reflect a globally integrated company but also a New World Company; one that is truly boundary-less, much like the global virtual community created by the Internet. Lenovo is a global company, operating in worldwide markets, led by an international management and board. While our China origins make us unique in global markets, we operate all over the world and we have found acceptance across the world. We have executive headquarters in Raleigh, USA, our Chairman Yuanqing Yang, is Chinese and our CEO William Amelio is an American. The Lenovo Senior Management is represented by executives from various countries.

Lenovo is a fusion of the best from East and West. We combine IBM worldwide management savvy, B2B marketing skills, and design and engineering strengths with supply chain efficiencies, energetic entrepreneurship, consumer and emerging market leadership from the original Lenovo.

***Despite the fact that this might not be true, there is still an impression among people that Lenovo is a company whose decisions are taken by the Chinese Government. Do you see this as a major obstacle in your brand building?***

Lenovo is a publicly traded, commercial, for-profit enterprise run by business people, and not the Chinese government. Lenovo has been listed on the HKSE for many years, and cited as an outstanding example of transparency.

The Chinese Academy of Science holds a stake in Lenovo which is about 25 percent and invested US$25,000 in 1984 to help Lenovo get started, in much the same way as many universities and research institutions in the US and elsewhere in the world assist start-ups. However, Lenovo has never received subsidies or any operational guidance from the Chinese government. They have no seats on the Lenovo board.

The challenge is one of education and correcting misinformation that may still persist despite these obvious facts. However, we've not seen it as an obstacle in our brand building in anyway.

***Big Blue is a global brand to be reckoned with even today. Do you think Lenovo can emulate or possibly, even outdo IBM in terms of its brand building? What obstacles do you anticipate in reaching these goals?***

The Big Blue brand was not built overnight, or over a couple of years but over decades. It required very strong marketing and branding initiatives, supported by products that lived the brand promise to establish itself as one of today's most iconic technology brands.

Our ambition at Lenovo is to become a global, leading, technology brand and we are investing and working towards achieving that. Our brand strategy has two elements to it. The first is to build Lenovo as a very strong master brand. The key brand promise for Lenovo is really innovation, and innovation that makes our customers productive.

When we talk innovation people immediately think of "product innovation." But what we're talking about is putting more innovation in the hands of more people through efficient design, manufacturing and customer service so that they in turn can do amazing things.

The second element of our branding strategy is to strengthen the ThinkPad brand. ThinkPad is the strongest product brand in the IT space. It was built over a decade through a very disciplined and focused process. We intend to build on ThinkPad's great tradition of innovation and quality, and stay true to its brand essence of the ultimate business tool.

***What is your business model for competing with the likes of Dell and HP? How do you propose to overcome the disadvantage Lenovo faces with respect to economies of scale, when compared to your larger rivals?***

We focus on our customers, not on competition. We believe that innovation is the greatest differentiator.

Business-wise, Lenovo is focused on what we call the 'Dual Business model' - dividing our business into Relationship and Transactions.

The **relationship model** is where Lenovo has a long-term, face-to-face relationship with a customer, whether the products are sold directly or through a business partner. Typically, PCs sold via the relationship model will require a certain amount of customization for particular needs. In our relationship business, comprised of large enterprises, governments, educational institutions, we will leverage the expertise from our PCD heritage. This experience is critical to us as we look to deploy those skills and drive success in the relationship business in China. We will continue to serve the large customers mainly on a relationship model and increase their satisfaction.

The **transactional model** is a business model designed for customers that have common needs, served through a very efficient distribution model, like Web and telephone sales. Minimal customization, maximum efficiency. In our transaction business, focused towards small business and individuals, we will take the lessons learned there in China, mix in the best ideas from our market intelligence, and create the most successful transaction business model in our industry.

Outside of China, we have more transactional customers than relationship ones; elsewhere, we have more relationship customers. The old IBM PCD is leveraging the practices of Lenovo in China to take the successful Chinese model world wide; The Lenovo China team is working on building its skills and successes in the Relationship model.

By fully deploying each of these models everywhere in the world, we can optimize our customer responsiveness and innovation across all customer segments. We're starting in India, where we have taken all we've learned in China's vibrant emerging market and are transplanting our transaction model here.

Lenovo is also the most well placed IT company to straddle, and thus execute, on the hybrid- model a mix of both direct and indirect sales. While our competitors are heavily into one model or another, Lenovo can do both. That is one of our key strengths as well.

***What would you think will be the implications (on India and Lenovo as well) of India not accepting the 100 $ laptop idea?***

There has been increasing, widespread interest in solving the problems of rural India using low cost computing. The $100 laptop is definitely an innovative, interesting idea and a step in the right direction. But there are other ways to address the needs of the developing nations. While Lenovo may not offer a $100 PC, we have other solutions that address this opportunity, and this is one of the reasons why we have over 35 per cent market share in China. We address this issue not only through cost optimization but also through technology innovation. We have products that make PCs easier to use which is a key requirement. We also have innovation that enables multiple users to share a desktop PC, which is important for schools in emerging markets.

***Lenovo created strong linkages between its world wide partnership with the Olympics and its other marketing programs. What are the drivers that caused Lenovo to make a strategic decision to create alliance-based marketing initiatives, instead of pursuing "traditional marketing programs" to build brand awareness and to penetrate its chosen markets?***

The Olympics is giving us a world stage to tell our story. It provides an outstanding opportunity to catapult the Lenovo brand on to a global arena. Lenovo is an Olympic Games sponsor for at least three reasons. They are the leading example of international goodwill and understanding; they provide the opportunity for Lenovo to support a complex technology infrastructure; and they provide an unmatched global stage to show the best of Lenovo our people and our computing equipment.

***The IBM logo is slated to stay on the ThinkPad for a period of 5 years. With the strong brand association the ThinkPad has with IBM, what is Lenovo doing to ensure that it doesn't destroy the core essence of the ThinkPad?***

Actually, Lenovo now OWNS the ThinkPad brand. We're going to continue to strengthen the brand equity we have in ThinkPad, and to some degree leverage the IBM association that we have with it, because we have the rights to use the IBM logo for up to five years. Today, the IBM logo remains on the product, and we are absolutely leveraging that. Our market research has showed that a lot of customers, when they start hearing about Lenovo, take time to get familiar with the company. So the fact that they see the IBM logo makes them feel very comfortable about doing business with Lenovo.

At least for the first 18 months we will leverage the IBM logo completely. After that and upto five years we have the rights to use it in different forms, maybe smaller than what it is now. But as the Lenovo brand starts to increase in awareness, consideration and preference, my inclination is to reduce the focus on the IBM brand.

***In August 2006, a Greenpeace report ranked Lenovo as the "worst among major electronics companies", based on their use of toxic chemicals and recycling programmes .How is Lenovo gearing up to face the challenges of anti-dumping of its e-Waste, since IT hardware accounts for more than 30% of E-Waste generated every year?***

Lenovo meets or exceeds applicable environmental regulations globally, and we don't believe Greenpeace's ranking accurately reflects Lenovo's environmental record. We sell our products primarily to commercial enterprises, not consumers, and we offer recycling services on a bid basis to any commercial customer with whom we do business. Those bid services do not appear on our website, and company websites were noted as one of the main sources for Greenpeace's evaluation.

In fact, our line of ThinkPad notebooks, ThinkCentre desktops and ThinkVision monitors received an overall 'EPEAT Silver' rating from EPEAT, a procurement tool funded by the Environmental Protection Agency to help purchasers evaluate PCs based on environmental attributes. The EPEAT tool indicates that we not only met "green" computer standards, but also met requirements beyond the baseline measurements of environmentally safe PCs. A total of 42 Lenovo PCs were rated by EPEAT, indicating the breadth of environmentally friendly products available from Lenovo.

Our goals for 2007 cover recycling, energy consumption, and paper usage for manufacturing sites. For products, our goals focus on energy efficiency, design for recycling and reuse, use of recycled materials and environmentally preferable finishes, among others.

***-As told to 'Team Gravity'***

# An Approach to the Measurement, Analysis and Prediction of Brand Equity and Its Sources

Dr. Seenu Srinivasan, Stanford Business School, Stanford

*Dr. Seenu V Srinivasan is the Adams Distinguished Professor of Management at the Stanford Business School and the Faculty Director of its Strategic Marketing Management executive program. He was formerly the Director of Stanford Business School's Doctoral program. He worked for two years as a production-planning engineer at Larsen and Toubro, Mumbai prior to joining Carnegie-Mellon University where he received his MS and Ph.D in Industrial Administration. Dr.Srinivasan's expertise is in the area of market research. In particular, he is most well known for his research in 'conjoint analysis'.*

**INTRODUCTION**

To the surprise of many car buyers, Toyota Corolla and the Geo Prizm are identical cars both made at the same manufacturing facility in Fremont, Calif. Only the name - and the brand image - are different. Yet the Corolla commands a $300 price premium and sells five times as much, despite having a smaller dealer network.

Coke drinkers may be puzzled to note that in branded taste tests, their diet can of Fizz comes out on top, despite Diet Pepsi taking the prize in blind taste tests.

***That, in short, is the power of branding.***

Over the last two decades, brand equity has been one of the most important marketing concepts in both academia and practice. A key requirement for managing brand equity is the availability of good measures. Several researchers have proposed approaches to measuring brand equity. However, there exist notable gaps among them. Brand equity is neither a result of product superiority nor marketing 'push' efforts. It is instead a payoff from past and present investments in the brand.

In my research paper with the above title published in the September 2005 issue of the journal Management Science, my coauthors Chan Su Park of Korea University and Dae Ryun Chang of Yonsei Business School and I define brand equity as the incremental monetary contribution per year obtained by the brand in comparison to the same product (or service) at the same price but with no brand-building efforts (i.e, the base product). Our paper proposes a new method for measuring, analyzing, and predicting a brand's equity in a product market.

Simple brand awareness is one source of brand equity. Brand associations (perceptions) also contribute to brand equity. The 'attribute' based component of brand equity is created by brand associations related to product attributes resulting in favorably biased attribute perceptions. The 'non-attribute' based component of brand equity is created by brand associations unrelated to product attributes such as user imagery (enabling customers' self-expression through the brand), brand personality (e.g., the rugged and masculine image conveyed by the Marlboro Man), and usage situation imagery.

We model brand equity as arising from (i) increased brand awareness, (ii) incremental preference due to enhanced attribute perceptions, and (iii) incremental non-attribute preference. In addition, we take into account the indirect effects of the above three sources on the increased availability of the brand in the retail channel (customer pull).

Based on this conceptualization and using a multiattribute probabilistic choice model, our approach estimates the incremental choice probability (relative to the base product) at the individual customer level. Summing across customers (or a segment of customers) the incremental choice probabilities multiplied by the corresponding category-level purchase quantities and the brand's contribution margin yields an output measure of brand equity in financial terms. In addition, the model evaluates the relative impacts on the incremental choice probability from the three sources, thus helping brand managers better understand the relative importance of these sources of brand equity in their particular product market.

THE MODEL

Investments in brand building efforts can be linked to different sources of brand equity and bottom line growth with the help of this model. Alternatively, this model could be a useful tool to evaluate alternative brand building strategies.

The source of brand equity lies in the customer's incremental choice probability for the brand over the base product. At the level of the individual customer, i, the incremental contribution to brand j is given by

$$e_{ij} = q_i \triangle p_{ij} \, g_j$$

where

$e_{ij}$ : brand j's equity from customer i($/year)

$q_i$ : customer i's total category-level purchase (units/year)

$\triangle p_{ij}$ : customer i's incremental choice probability for brand j

$g_j$ : brand j's contribution margin = unit price - unit variable cost ($/unit)

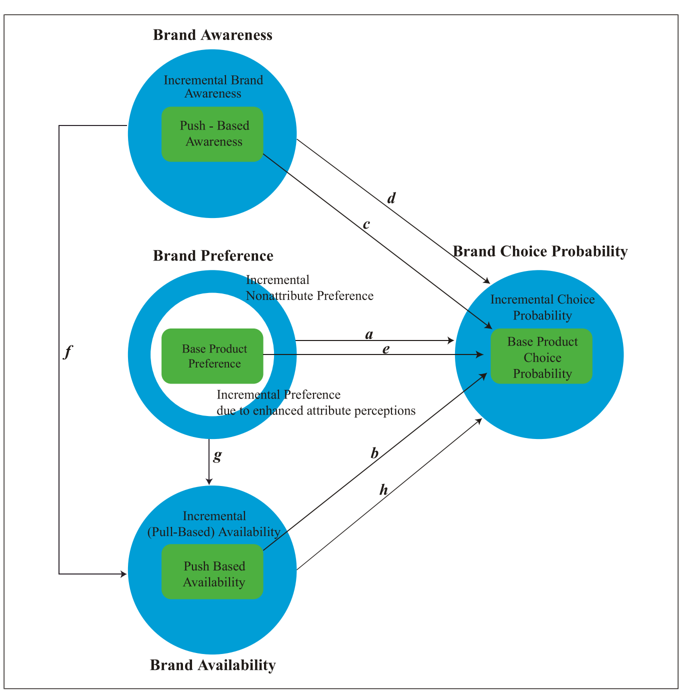
Aggregating the individual measures of brand equity over N respondents in a representative sample and scaling it to the overall market (or market segment) gives an aggregate-level (or segment-level) brand equity measure ej for the brand.

$$e_j = (T/Q) \, g_j \lesssim_i (q_i \triangle p_{ij})$$

where

T : total product category purchase quantity for the entire market (units/year)

Q $= \lesssim_i (q_i)$,




so that the factor (T/Q) represents the scaling up from the survey sample to the entire market.

To better elucidate the underlying sources for the choice probability $\triangle p$ (subscripts omitted for simplicity), we postulate that the choice probability, p' for the base product is driven by (a) base product preference, (b) push-based availability, and (c) push-based awareness (see Figure 1). Likewise, the brand choice probability, p is a result of (d) brand awareness, (e) brand preference, and (h) brand availability.

Thus, the incremental choice probability ($\triangle p = p - p'$) arises due to incremental brand awareness and from incremental brand preference as a result of enhanced perceptions of attributes and nonattribute-based factors, and indirectly due to the effect of these sources (see f and g) on the incremental (i.e., pull-based) retail availability.

## AN APPLICATION

We present the results from applying the proposed approach to Korea's digital cellular phone market. We considered four major brands in the market: Samsung Anycall, LG Freeway, Motorola MicroTac, and Qualcomm.

Based on existing market research results provided by the sponsoring firm, we chose seven product attributes, namely length, type (bar or flip), battery hours, signal reception capability, durability, voice-activated dialing feature (present or absent) and price. Signal reception capability and durability were the subjective attributes in this case. Objectively measured attribute levels for the four brands were provided either by the sponsoring firm or taken from data published by the Consumer Protection Board. The client firm also provided data on availability, measured by the average shelf space occupied by each brand in retail outlets.

Personal interviews of cellular phone users, conducted by a commercial market research firm, measured the following: awareness of brands, last brand purchased, attribute perception ratings for familiar brands, attribute importance ratings, hypothetical multiattribute paired comparisons, brand preferences, and demographics. In order to avoid including respondents with a superficial level of awareness, only those that were able to provide attribute perceptions were counted as being aware of a brand.

From the above data, aggregate choice probabilities, brand equities and the individual contributions from brand awareness and preference were calculated.

By taking into account the direct effects of the previously mentioned (three) sources of equity on customers' choices, and also the indirect effects of enhanced brand availability, we estimated that Samsung, for example, earned $127 million per year from brand equity, topping the chart of companies that compete in the cell phone market in Korea. Brand awareness was found to be the major driver of brand equity followed by 'non-attribute' based preferences. (see Tables 1 and 2).

The four brands show significant differences with respect to brand equity. For example, if Samsung (alone) had not built a brand, it would have achieved only 17.7% of the market share, instead of the 52.5% it enjoys as a result of vigorous brand-building efforts.(The loss of 34.8% of the market by not building the Samsung brand would have gone to the remaining brands, data not shown in the table). Notice also, that relative to its base product's choice probability, LG Freeway has the highest incremental choice probability, indicating that its brand building efforts have had a higher proportional effect. Table 1 also shows in its last column the brand loyalty, the aggregate likelihood that buyers of that brand will repeat purchase that brand. Additionally, Table 2 shows that the biggest contribution to the LG Freeway's brand equity comes out of brand awareness. Had LG's brand awareness been reduced to no more than its push-based level, the Freeway would have lost 16.9% of its market share. When the different sources of brand equity act together the overall result is less than the sum of the individual effects.

To illustrate the what-if analysis capability, we considered Qualcomm, which has the lowest brand equity. Suppose it adopted the strategy of enhancing its brand awareness from its current level of 30% to 60% and increasing its brand availability from its current level of 10% to 30%, we calculate that Qualcomm's market share would rise from its current value of 3.0% to 8.7%. The cost of implementing this strategy would determine whether it results in a net improvement.

The finding that 'non-attribute' preference is an important source of brand equity indicates that brand associations unrelated to product attributes can be a significant driver in differentiating a brand from its competitors. However, more research needs to be done to uncover the underlying dimensions of non-attribute based preference and measure their relative impacts. Another avenue for further research would be to relate this customer-based measure of brand equity to a stock market valuation measure of brand equity.

## Tables 1, 2: Brand equity and its sources

| Brands** | p | p' | (p - p') | Brand equities ($) | Brand loyalties |
|---|---|---|---|---|---|
| Samsung Anycall | 0.525 | 0.177 | 0.348 | 127MM | 0.583 |
| LG Freeway | 0.211 | 0.023 | 0.188 | 69MM* | 0.266 |
| Motorola MicroTac | 0.107 | 0.020 | 0.087 | 32MM* | 0.197 |
| Qualcomm | 0.027 | 0.003 | 0.024 | 9MM* | 0.163 |

| | Sources of brand equity | | | |
|---|---|---|---|---|
| Brands | Awareness $(p - p^{aw})$ | Enhanced attribute perceptions $(p - p^{a})$ | Nonattribute preference $(p - p^{n})$ | Total[a] $(p - p')$ |
| Samsung Anycall | 0.218 | 0.067 | 0.144 | 0.348 |
| LG Freeway | 0.169 | 0.039 | 0.084 | 0.188 |
| Motorola MicroTac | 0.060 | 0.019 | 0.042 | 0.087 |
| Qualcomm | 0.021 | 0.003 | 0.015 | 0.024 |

# Microfinance: Lending Hope to Rural India

## Interview with Dr. Vikram Akula, Founder, SKS Foundation

***In the words of our President Dr. APJ Abdul Kalam, "A new situation is emerging in India. Very rarely in history have we come across such a constellation: an ascending economic trajectory, rising foreign exchange reserves, reducing inflation rates, global recognition of technological competence, energy of 540 million youth, umbilical connectivities of 20 million people of Indian origin abroad, and the interest shown by developed countries to invest in our engineers and scientists, including in new R&D centres. This opportunity must be fully utilised to bridge the rural-urban divide, using knowledge as a tool." What does "India Empowered" mean to you?***

India Empowered means an India without poverty. India has no doubt made great strides in the arena of economic development. Liberalization has allowed the country to harness the energy of the private sector and that has proven to expand growth in the last decade or so. We now need to ensure that there are investments in basic needs, such as education and health so that this growth spreads to all. Economic development also means bridging the gap between rich and poor and microfinance provides the forum to bridge this gap. The impact from microfinance is tremendous. People earn income and build assets, families eat better, they can afford healthcare, and children are more likely to attend school. This is not to say that microfinance is the only development intervention, but microfinance is an important first step as it provides the economic base to serve as a foundation for other development initiatives, such as in the areas of health and education.

***It is encouraging to see that someone like you who grew up in upstate New York wants to work towards alleviating poverty in India while many of India's youth are looking at plush jobs elsewhere. What prompted you to start SKS Microfinance?***

This interest in poverty alleviation was initially spurred during my school holidays. Though born in India, I grew up in the US, and during these visits, I was jarred by images of the poor malnourished children working on railway platforms, emaciated laborers toiling on construction sites, women in torn sarees doing back-breaking field labor, and beggars in rags with outstretched arms. I firmly resolved to someday do something about this poverty.

Later on, through my studies in philosophy (particularly Gandhi's thoughts) and international development, and through my experience as a development worker in India, I realized that, of the development interventions, microfinance - the provision of small loans and other financial products to the poor - had the greatest impact on poverty. I felt it was the foundation that provided the base for other development interventions, such as health and education.

As a result, I founded SKS in 1997, with a vision to change traditional microfinance. I saw that current microfinance practices were inefficient and not scalable. But by applying global business practices such as standardization and automation, I realized microfinance could be scaled better, and therefore provide access to financial services to poor people across the country.

***The high interest rates and forced loan recovery practices of micro-finance institutions have been held responsible for the suicide of several farmers in Andhra Pradesh. It is also argued that poverty makes good business sense to MFIs. How has SKS countered such criticism?***

SKS is a social venture that uses a business model. The social commitment was and still is the driving force behind SKS. The business-aspect allows us to remain sustainable and expand operations, which ultimately means we are reaching out to more poor people.

Last year, for example, we grew by 160% to a current base of over 3,00,000 members and disbursement of 425 crores in 11 states, which exceeded our own goals. That is exceptional growth by any standard. Moreover, we have received numerous awards for our transparency, business processes and innovation - all of which suggests that we are on the right track.

***Dr. Vikram Akula is the founder of SKS Microfinance. He has over a decade of work and research experience in microfinance and is a former management consultant with McKinsey & Company. He has received several awards for his work with SKS, including the 'Echoing Green Public Service Entrepreneur Fellowship'. In 2006, Vikram was named by TIME Magazine as one of the world's 100 most influential people. Vikram holds a B.A. from Tufts, an M.A. from Yale, and has a Ph.D. from the University of Chicago.***

However, we do see cases where a handful of microfinance players do not have a social mission as their primary goal. In our case, we strive to be profitable because it enables us to reach out to more poor people. But when you have players coming into microfinance who do not have that end, then sometimes you get unethical practices. We as an industry need to spotlight rogue practices and ensure that this does not happen. In that regard, SKS, along with the industry network, Sa-dhan and other top MFIs, just developed a 'Microfinance Code of Conduct' in pursuit of these goals.

***What challenges did you encounter while trying to garner support from banks and financial institutions initially? Has there been any change in the level of difficulty since you first started convincing the banks of the financial viability of your projects?***

When I launched SKS in 1997, I had to contend with obstacles at both the fundraising and field levels.

Initially, it was not easy to raise financing. Bankers were not willing to fund me because I lacked a track record. So I raised start up funds from 352 individualsfrom graduate school friends contributing $11 (Rs.495) to NRI doctors who gave up to $1,001 (Rs. 45,045). With $52,000 (Rs. 23.4 lakhs) in hand, I returned to India to launch SKS. Today, those same banks that would not even give me an appointment are providing multi-million dollar lines of credit. Today, our lenders include nearly every major financial player in India - ICICI, HDFC, UTI, ABN-AMRO, Citibank, and HSBC. SKS's success has also encouraged equity investors to look at microfinance, and this past March, we closed the largest equity investment ever made in a microfinance institution in India for 13.9 crores.

At the field level, there were also myriad challenges. They included demands for bribes from bureaucrats to resistance from village loan sharks who harassed and physically attacked me and my staff. Other groups that interfered were rural mafia groups who tried to extort money, politicians who pressurized SKS to direct resources to their cronies, and Naxals who threatened to murder SKS staff. Despite these challenges, I always held firmly to my principles, and doing so, has enabled me and my team to overcome such challenges.

***Given your background and wide exposure to rural India what in your opinion can be done to improve the Rural Marketing scenario in India?***

At SKS, we have always done village level marketing--village meets, group training, open center meetings, and are now starting to brand ourselves to the wider public as different from other MFIs. This marketing has been strictly word-of-mouth.

That being said, SKS does have a dedicated communications strategy but we've seen that viral marketing is really the best 'marketing device. Standardization comes into play here standardizing our logo or having our loan officers carrying SKS bags and passbooks with SKS insignia on it is all part of this effort. We are also looking at advertising on village store walls and other publicly-accessible places. But, marketing is in the nascent stage, especially when compared to corporates.

***According to the RFAS report of 2005, 70 % of the marginal/ landless farmers do not have a bank account and 87% have no access to credit from a formal source. Also, as per your '777 vision' you plan to corner 7 lakh customers and 700 crores by 2007. Given these numbers what is your game-plan?***

The market for microfinance in India is largely untapped, and it is through our continued focus on using business best practices that we will be able to reach out to those poor who do not have access to finance. SKS is a new generation microfinance institution, and is distinguished by three unique features (1) financial sustainability (2) applying business principles to scale fast (3) the use of technology to streamline operations and lower costs.

First, we believe in financial sustainability because only by adopting a commercial approach can we access the vast amount of capital needed by the poor. The belief that it is possible to run a sustainable microfinance initiative also comes from what we have learned from the poor that they do not want charity, instead they want an opportunity to use their entrepreneurial talents to get out of poverty. Financially sustainable microfinance provides them that opportunity. This is why we are structured as a not-for-profit and why we strive to establish ourselves as a financially sustainable enterprise.

Second, we believe that by applying best practices from business to microfinance one can scale faster and therefore reach out to more poor families. In our case, we apply a range of such business principles - from lean processing to standardization.

Third, we believe in deploying technology to streamline operations and lower costs. For example, we've developed an easy-to-use automated Management Information System which enable staff to independently handle up to 600 borrowers each and up to Rs.30 Lakhs of loans.

It is through these features that SKS will continue to serve great numbers of poor people, with an aim of reaching 10 million clients by 2011.

***The Teachers Insurance and Annuity Fund/College Retirement Equities Fund (TIAA-CREF), a New York City-based provider of retirement savings products and services in the academic, medical, and cultural fields, has announced the creation of a $100 million Global Microfinance Investment Program (GMIP) to invest in selected microfinance institutions (MFIs) around the world. What should SKS do if it plans to derive funding from global sources like TIAA-CREF?***

In addition to what I mentioned earlier, we will continue to focus on business excellence and transparency. To that end, SKS has received numerous awards including the CGAP Pro-Poor Innovation Award, the ABN-AMRO/Planet Finance Process Excellence Award, the Digital Partners SEL Award, and the Grameen Foundation USA Excellence Award. SKS is also the only MFI in India to receive the MIX Transparency Certification and to be named in CGAP's worldwide transparency competition for two consecutive years.

***Your website states that SKS' core products are for income***

***generating activities with the belief that your clients have the best understanding of how best to employ working capital. Given SKS's reach would it not be better for SKS to educate villagers about the most profitable businesses given their resources?***

In my experience, microfinance unleashes the entrepreneurial talent that already exists among the poortalent that is yearning to break free if given the right opportunity. Our members have a core competence in the activities they engage in. This knowledge is one of the reasons that we see return on investment figures of 25-250% for our members.

I do agree that for destitute populations, populations that microfinance has yet to reach, livelihood training is beneficial. For this reason, SKS is launching a program of microfinance for the destitute called SKS Assist that will combine food provision, skills training and microfinance to the poorest of the poor.

***Were you involved with the social development sector while at McKinsey? If yes, in what ways has your McKinsey experience helped you at SKS?***

I served as a management consultant to companies on issues of strategy, marketing and sales, operations, and organizational structure. This experience was incredibly helpful, especially in terms of giving me exposure to cutting-edge techniques in regards to streamlining processes and training. For example, the lean manufacturing (lean processes pioneered by Toyota) was a learning that I picked up at McKinsey, where we were applying lean manufacturing to retail banking. It was natural for me to apply those same concepts to microfinance. We have a team that is currently doing extensive process mapping for all our key functions and periodically examining our processes, to determine at which areas waste can be cut down within processes, as well as to coordinate between processes.

In addition, my exposure to a top-notch training program at McKinsey installed a belief that developing a standardized, streamlined, and effective training program should be a core focus at SKS. This program is currently in-the-works, and will be even more essential as we continue to hire greater numbers of staff.

***Do you interact with SHG's, considering that they have a larger reach compared to MFI's? Have students been involved in SKS's activities?***

No, we do not formally interact with SHGs.

While students have been limited in their involvement with SKS activities, I truly believe that social development will be driven by the youth. Young people have the drive, the passion, and the optimism to catalyze social change. At SKS, we have nearly 1,000 staff members and the average age is 25. In fact, our field staff members are mostly fresh intermediate graduates, no older than 20 years or so. They may not have experience, but they have raw skills and talents and we can train them to excel.

***SKS targets only women, citing that women are the most marginalized and use resources more productively than men. Has this policy evoked criticism of any sort? If yes, what has SKS's reaction to the criticism been?***

No, it has not evoked a great deal of criticism. At the village level, we explain to prospective women members and their husbands the purpose of targeting women as clients because women use resources more productively then men, investing the entirety of their earnings in the family, and are the most marginalized members of our society. In actuality, microfinance positively impacts the entire family including men. Often times, the businesses that women start are husband and wife team-affairs so husbands are not necessarily excluded from the business-elements of microfinance.

**More on why SKS works with women:**

1. Social research and my experience suggest that women tend to be extremely careful when they invest in project whereas men tend to be much more risky. As a result, women's projects tend to succeed more. They tend to be better entrepreneurs, at least poor rural women are.

2. Social research and my experience also suggest that women invest profits in their household and family whereas men tend to spend some of profits earned on personal consumption before bringing money home for the family.

3. Though we focus on the economic components, we are also aware that by working with women, we are socially empowering a group that is marginalized even among the marginalized poor. So it is a positive side effect to see women becoming more confident, gaining greater respect in their household, and even running for panchayat and block elections.

***In your website, there is a very interesting story of a divorcee named 'Pahima' of Neredparla who was first a client and then joined SKS as a Loan Officer. Are there many more "Pahima's" out there?***

Of course! What I enjoy most about my work is visiting the field and hearing about and seeing the impact that microfinance has made in their lives. Each member is a success story in her own right in that each member is able to use microfinance to make a better life for herself and her family. We have had independent impact studies of SKS members and they show that families move out of poverty in about 5-6 years. People earn income and build assets, families eat better, they can afford health care, and children are more likely to attend school.

***Imagine that this is the year 2020. What do you consider as SKS's biggest achievement?***

One of the reasons we have been successful at SKS is that we focus on our core competence. We are incredibly good at providing the poor with access to finance and we intend to maintain a laser-like-focus on doing that. What we will do however is to continue to expand our vision. For example, my vision initially was to reach out to 1 lakh members, but we are already 2.21 lakh members so now my vision is to one day reach 100 lakhs and perhaps one day have an SKS in every village and every slum and put a microfinance loan in the reach of every poor person.

By 2011, we hope to reach out to 10 million members.

***-As told to 'Team Gravity'***

# Building a Competitive Advantage: Supply Chain Strategy Redefined

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Organizations have spent a lot of effort on the design, creation, management and analysis of their forward supply chain. A recent study shows that many businesses, especially in the manufacturing, sector, still follow a strategy in which there exists a unidirectional flow of primary activities-starting from inbound logistics to operations, outbound logistics, marketing, and finally service (Fine et al., 2002). These businesses are of the belief that service (e.g., installation, repair, training, and adjustment) is the final primary activity that enhances a product's value and hence determines a firm's profit margin. It is hence not surprising that few companies have formal strategies for managing and benefiting from product returns. The traditional approach of many firms towards used products has largely been to ignore them. Firms typically did not feel responsible for what happened to their products after customer use. Further, firms generally believed that the costs of incorporating these requirements would far outweigh the benefits.

In this article we look at a new perspective that portrays a supply chain's primary activities as a closed loop (rather than a one-way direction) when customers return the products. Product returns in reverse logistics contain two forms: (1) return for reuse, repair, retrieval, refurbishing, remanufacturing, recycling, recovery, disposal and (2) return of unconsumed products (For example, product did not meet customer's expectations; customer found a better deal elsewhere). Reverse logistics such as recovery, recycling, remanufacturing, redesign, and reanalysis of returned products from the customers or end-users provides critical feedback information needed for further improving existing support and primary activities and creates new values from product recovery, reuse in new products, or new environmental awareness. Organizations are now extending their distribution channels beyond the end customer to include the acceptance and disassembly of final products for reuse and reanalysis in new products (Jayaraman et al., 1999; Guide and Jayaraman, 2000). Increasingly, customers now expect companies to minimize the environmental impact of their products and processes. The resulting commercial pressure, environmental lobbying and regional and national legislations require companies to consider how their manufacturing and service strategy meets requirements and specification set in place for take-back and recovery obligations that have been enacted or are underway in the advanced markets such as the United States and Europe.

Closed-loop supply chains have traditional forward supply chain activities in addition to a set of activities required for the reverse supply chain. These include (Guide et al., 2000): Product acquisition  this consists of the set of activities required to collect returned products from the end-users; Reverse Logistics  the activities required to move products from point of use to point of disposition; Test, sort and disposition  the need to determine the condition of returned products and to find the most economically feasible option for reuse; Refurbish  the option to repair, remanufacture, recycle or dispose; Distribution and marketing  the option to develop markets for refurbished products and to employ an efficient distribution strategy. Hence for the forward chain, the channel ends with the end customer. However, for the closed-loop supply chain, there is value that can be recovered from products that can be obtained from the end-user.

To manufacturers, once a product has been returned to a company, there are several disposal options from which to choose, including resell, repair, refurbish, remanufacture, recycle, and disposal to landfill. Figure 1 (Jayaraman, 2006) shows the various reverse logistics value chain channels that could be taken by a product that is returned by the customer:

There are three major drivers behind adopting a reverse logistics strategy in a closed-loop supply chain environment. Reverse logistics inbound flows may be economically attractive. They can provide direct gains by reducing the use of raw materials and disposal costs and by adding value with recovery of parts and materials from returned products. Recovery is often less expensive compared to purchasing new products. Indirect gains could be achieved by marketing the company as being environmentally conscious. Competition is also forcing companies to engage in recovery activities to prevent other companies from

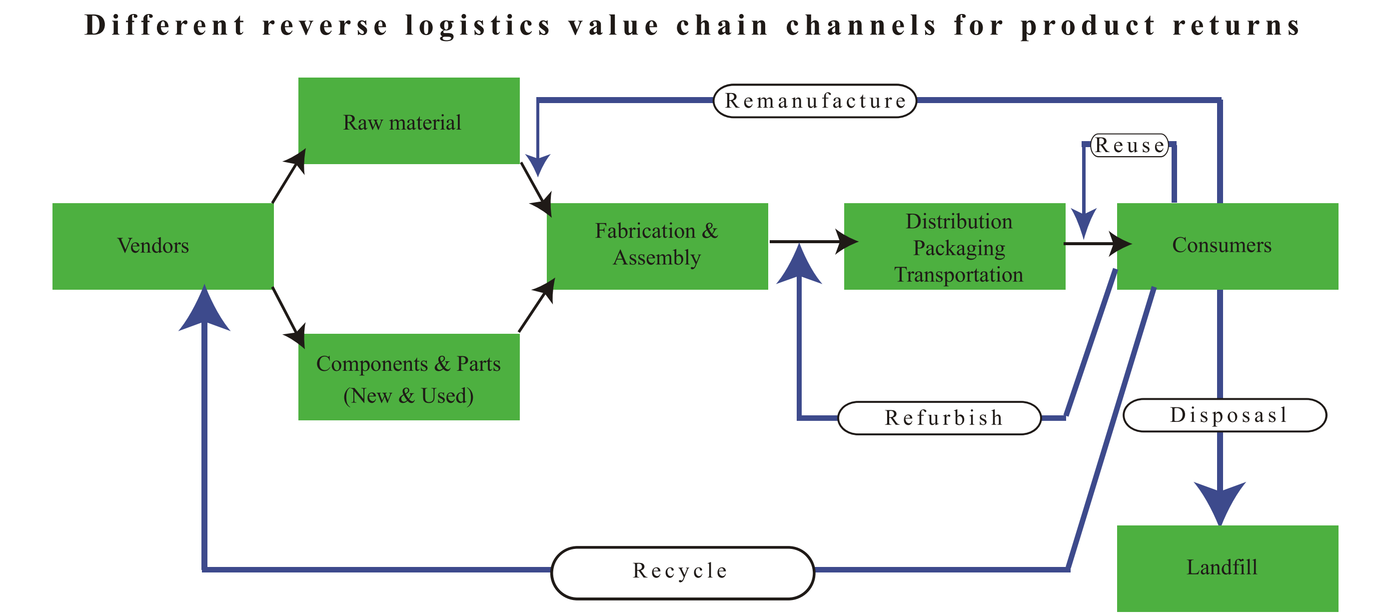


Figure 1

obtaining their technology. The second major driver is legislation. Extended producer responsibility has become a key element of public environmental policy in several countries. The final driver is due to corporate citizenship. Firms are acting as good corporate citizens by contributing to the good of the community. While this policy may not be the reason why customers purchase their products, firms are using reverse logistics strategically to not just be environmentally friendly, but to also provide an incentive to customers at a real cost to their businesses.

One procedure to assess value creation through the returns process is to use the Return on Assets (ROA) approach (Jayaraman and Dekker, 2005). This approach is a key indicator of the profitability of a firm and also a key contributor to shareholder value. There are several steps that can be taken in effectively managing returns that have a direct impact on ROA (Mollenkopf and Closs, 2005): Customers have become increasingly conscious of the environmental impact of the companies they have to deal with. In the context of reverse logistics, environmentally conscious companies have to deal with a set of values or principles that forces them to minimize any impact on the environment. There is real value in the goodwill to be earned when a company acts in an environmentally responsible way. This will help the company gain repeat business while increasing customer loyalty through the goodwill that the company gains from well developed reverse logistics activities. This has direct impact on increase brand equity and an increase in long term revenues via sales; Product and parts reclaimed with effective returns management can be reutilized in the supply chain and hence reduce a company's cost of goods sold. Firms that lease their products such as computer and office equipment manufacturers focus on asset recovery to reclaim their end-of-lease products. These products and their parts still have useful life that can be offered to other customers at very minimal cost expenditure. Effective and innovative management of returns can have a direct impact on operating expenses. If the returns process is streamlined from a customer's perspective, customer service costs could also be reduced. Information about the reasons for returns can be leveraged to further improve the product and hence reduce operating expenses in returns. Improved processing of returns and increase in labor productivity resulting from better flow management can also lead to a reduction in variable expenses; Assets in the form of obsolete inventories can be reduced if returns are managed effectively and efficiently. Asset turnover can improve with better management of returns inventory. Managing the timing of returns is critical for short life-cycle and seasonal products. Recovered products may be resold through existing or new channels and should be viewed as a source of additional revenue (Mollenkopf and Weathersby, 2003). Further, managing the inventory of these products can help retain higher margins on sold products.

**Closed-Loop Supply Chains Perspectives from India**

Electronic discards is one of the fastest growing segments that accounts towards the waste stream in India. E-waste is a popular name for electronic goods nearing the end of their “useful” life. A broad classification of electronic waste covers items that have turned obsolete and include computer peripherals, monitors, central processing units, servers, telecommunication equipments and so on. Many of these products can be reused, recycled, refurbished or remanufactured. In major metropolitan areas such as Bangalore, Chennai, Delhi and Mumbai, concerns are on the rise over lack of scientific handling of increasing e-waste generated.

In this new economy, environmentalists, policy-makers and the Pollution Control Boards would all have to grapple with new phenomena such as sustainability and E-waste or electronics waste.

Sustainability is described in various sources as applying and adopting resources for the generation of benefits in such a manner that future generations will not be negatively impacted. Sustainability considers the traditional supply chain and integrates issues such as product design, manufacturing by-products, product life extensions and product disposition at the end-of-life.

A recent study conducted by a non-governmental organization, Toxics Link, points out that even as the domestic generation of e-waste is likely to increase soon with the high rate of obsolesce of technology, the "illegal" import of e-waste from developed countries continues unabated (www.hinduonline.com). The report also revealed that a large percentage of e-waste was dumped into the Indian market by developed countries like the US, Singapore, Malaysia, Belgium and Middle East. It also noted that to circumvent the Custom Authorities, computer waste was imported as "Mixed Electronic Computer Scrap" through the major ports in India. According to the data provided in the report, it is United States that exports most of the e-waste. While there were instances of e-waste coming in from Singapore and Middle East, in all probability, these two could be acting as turntable ports for computer scrap coming in originally from the European countries.

To combat the ever growing e-waste problem, there need to be very strict rules, regulations and policies in place in developing countries such as India. In such developing countries, resources are often scarce while population density is high. Any effort that can be undertaken to improve resource productivity would certainly enhance their economies, sustainability and quality of life. Principles such as industrial ecology which aim to maximize resource productivity should be central to the development planning process. An industry ecologist takes the effort to find uses of the byproducts and wastes generated by industrial systems during manufacture, use and disposal.

Over the past several years, the Government in India has instituted several regulations for better management of hazardous waste in the country. Some of these regulations include (cyberlawindia.blogspot.com): Hazardous wastes (management and handling) rules, DGFT policies to handle used personal computers and laptops, Guidelines for safe road transport of hazardous chemicals, Bio-medical wastes rules and Municipal solid wastes rules. However, none of these regulations deal directly and specifically with e-waste. The need of the hour is the enactment of a special law dealing with the nuisance of e-waste. Many pollution control boards through out the country are now working on ways to tackle e-waste generated by information technology companies. The adoption of an ambitious e-governance plan by India is certainly a good step and one would hope that e-waste management regulations and sustainability issues are addressed in a large scale soon.

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# Indra Nooyi @ Great Lakes

**Indra Krishnamurthy Nooyi, the President and Chief Executive Officer of PepsiCo,** attended the first ever Yale-Great Lakes Research Conference held on 24th December, 2006 in Chennai. She addressed the gathering of students from Great Lakes and other eminent business schools including ISB, IIM Ahmedabad, IIM Bangalore, MDI Gurgaon and XLRI Jamshedpur. Nooyi, a graduate of the Yale School of Management and a Successor Fellow at the Yale Corporation, holds Yale close to her heart and commended Great Lakes for having partnered with Yale to establish the Yale-Great Lakes Center for Research.

Indra Nooyi enthralled the audiences by talking about how ethnography and cultural focus would play a major role in predicting future customer behavior. She urged the research foundation to concentrate on such new methods in addition to using quantitative techniques. On hearing that Chinese was being taught at Great Lakes, she lauded the college for being the pioneers in teaching the language to management students. After all, Chinese is the language spoken by one sixth of the world's population and doing business with Chinese firms that are growing at break-neck speed offers exciting opportunities for one and all.

Ms. Nooyi congratulated Dr. Bala and his students for being persistent and fastidious about creating a world class business school of repute in a short duration of time. She went on to lay emphasis on the importance of brand building.

The Yale-Great Lakes Research Conference also saw doyens from the world of academia talk on a plethora of subjects. Dr. “Seenu Srinivasan” of Stanford, known as the world's leading expert in Marketing Research focused on using 'Conjoint Analysis' as a method to predict future consumer behavior. Dr. Paul Prabhaker, Dean of FSU and a visiting professor at Great Lakes spoke on the DNA of a substantial business enterprise.

Dr. Venkat R. Krishnan, the Director of the Yale - Great Lakes Center for Management Research, speaking on the objective of the research center, said that the center aims to promote, facilitate and advance India-centric management research. The center would concentrate on developing advanced techniques in the field of management. He said that the conference would act as a bridge that links scholars around the globe with India as a common interest.

In all, the Conference that started with the august presence of the 'World's Most Powerful Woman in Business (Fortune Magazine, 2006) was a runaway success. One can only hope that it provides a useful platform for experts from the industry and academia to share their thoughts and inspire the younger generations to convert it into action.

“It is the nature of thought to find its way into action.”

*- Bovee*

***- 'Team Gravity'***

***Indra Nooyi is President & Chief Executive Officer for PepsiCo, Inc. In this position, she is responsible for all of PepsiCo's corporate functions, including finance, strategy, business process optimization, corporate platforms and innovation, procurement, investor relations and information technology. Prior to assuming her current position in May 2001, Ms. Nooyi was Senior Vice President and CFO, and SVP of Corporate Strategy and Development. She has played key roles in the Tricon spin-off, the purchase of Tropicana, the public offering of Pepsi Cola bottling group and the merger with Quaker Foods.***

# Têtê-à-Têtê with the Smart Manager

## Interview with Dr. Gita Piramal, Managing Editor, The Smart Manager

***Dr.Gita Piramal is Director, Corporate Communications for VIP Industries Ltd and Blow Plast Ltd and Managing Editor of 'The Smart Manager', India's first world class management magazine.***

***Dr.Piramal is also one of India's foremost business writers and business historians. With a Ph.D in business history, she has written and contributed chapters to nine books, including 'Business Maharajas', 'Business Legends', 'Managing Radical Change' and 'World Class' in India. Dr. Piramal received the 'Business Today Award' for being one of India's 25 most powerful women in 2004.***

***Given that there were not too many women pursuing higher education in the 80s, what obstacles did you have to overcome in pursuit of your dreams? What sparked your interest in 'Business History'?***

There were no obstacles. Bombay University is fairly gender-neutral. I simply had to register for the PhD program. My academic grades were accepted. My childhood and adulthood were rooted in family business, and I enjoy history  I had an excellent history teacher as a child; my English literature teacher was also good.

Business history has always fascinated me, so much so that I invested eight years for a doctorate in it. Unlike other freshly minted Ph.Ds however, I never got round to publishing my research. This was partly because of my desire to use it to compile - someday in the nebulous future - an annotated bibliography on the economic history of Bombay. Such a project would be far more useful than my dissertation, I felt, yet the dissertation was the foundation for a 'more useful' book. I resolutely shelved years of hard labor waiting for the right moment to arrive.

The moment came unexpectedly and not in the guise I suspected. Fortunately I had enough sense to seize the opportunity when it knocked on my door. While chatting with other business historians, I heard about the Lalbhais' treasure trove of old letters. The entire collection of Kasturbhai Lalbhai's correspondence had been carefully stored - and the family was willing to allow me to rifle through them. Thousands of letters which no-one had ever seen! I felt as Aladdin must have as I unpacked the red cloth potlas into which the files were stuffed. Postcards from Mahatma Gandhi, Rajiv and Sonia Gandhi's grey hand-made silk paper wedding invitation, angry exchanges between Kasturbhai Lalbhai and the income tax authorities, the arbitration papers dividing the brothers' assets, a son's sorrow over his mother's illness - history came to life in front of my eyes. The added advantage was that my rigorous training and reading enabled me to grasp the contents of the letters, and to sift the trivial from the critical.  That's how 'Business Legends' came to be written. I am always fascinated by people and their legacies

***Who according to you is a "Management Guru"? Can you name a few of your favorite management thinkers, and how they influenced you?***

I suppose the only definition of a management guru is the one which is true for all leaders: there have to be followers. And the more powerful the followers, the bigger the guru's influence on the evolution of management theory. Jagdish Sheth became a world figure partly because Jack Welch practiced the 'Rule Of Three' in GE.

I think the lives and behaviors of people around me have probably influenced me more than management gurus. I also hold that while management theories enable clarity in thinking, there is nothing to beat experience. For example, Michael Porter's dictum that everything is sold on the basis of either cost or differentiation. It's important to always remember this, but equally an active and consistent focus on implementation is key to business success.

***You have co-authored a number of books with Dr. Sumantra Ghoshal, who has been regarded as one the greatest thinkers in management, in recent times. Can you throw some light on how it was to work with him and share some of his contributions to the field of management?***

Sumantra and I worked together for almost a decade. He came from the world of professional managers, I from family business. He was an academic, I a journalist. He grew up in India and spent a good part of his working career in the West, I grew up in the West and spent a good part of my working career in India. I think we helped each other understand the different worlds we knew. We challenged each other a lot but what we had in common were a set of fundamental beliefs: a belief in the forces of good, the importance of helping people be the best they can be, that companies need social legitimacy especially as they become larger and other institutions weaken. Both of us could write in diverse styles, which helped us mesh the books we wrote together better than many other books written by two authors specializing in two different areas.

Sumantra's research focused on strategic, organizational and managerial issues confronting large, global companies. He first came into prominence with the book 'Managing Across Borders: The Transnational Solution', (1989), co-authored by Christopher Bartlett. It was listed in the Financial Times as one of the 50 most influential management books of this century. 'The Differentiated Network: Organizing the Multinational Corporation for Value Creation', a book he co-authored with Nitin Nohria, won the George Terry Book Award in 1997. Another book, 'The Individualized Corporation', co-authored with Christopher Bartlett, won the Ignor Ansoff Award in 1997.

Apart from coining the much-used word 'transnational', Managing Across Borders became one of the boldest and most accurate pronouncements of the arrival of a new era of global competition and truly global organizations. The ‘Individualized Corporation’ marked a further step forward in his thinking where he showed how new, revitalizing, organizational forms are continuously emerging. Using a 'Purpose People Process' model, Sumantra exhorted companies to develop self-renewal abilities. Ultimately the job of the manager is to get ordinary people to create extraordinary results.

***Interestingly, almost every leader in 'Business Maharajas' is from an established family, leading his family conglomerate. But 'Smart Leadership' hardly has any such leaders. Is there a definitive shift in the Indian organizations to hire professional leaders to run their companies?***

Let me answer this question differently. As you know I launched 'The Smart Manager' in 2002. We decided to focus on the person, the individual. How can we help people be the best they can be? That's why we are not 'smart management' but 'the smart manager'. In this scenario, we focus on individual achievements, wherever we find it: family business, small companies or big, young start-ups or megacorps, promoters or career professionals, public sector or joint sector or private sector. In The Smart Manager, the only entry barrier is achievement and the willingness to personal share learnings. Smart Leadership is based on essays which appeared in The Smart Manager.

***Considering the profiles of leaders in both these books, is an MBA really necessary for a CEO?***

No. Passion is the key element in all success, passion to follow the same dream for between ten to twenty years.

***Some of the largest businesses in India are family-owned and family-run. How are family-run businesses in India different from elsewhere? The recent BW-Hansa survey also shows that 64% of India's youth believe in the joint family system. Do you think this is encouraging for the family-run businesses to continue to flourish?***

Family business is the life blood of vibrant economies. Countries need them as they are critical creators of wealth. They are also major destroyers of wealth. And in ways that could be so easily avoided if only entrepreneurs are helped with just a very little support and guidance. In the West, the governments of countries like the USA and UK provide this support in endless little ways. Hence these countries are doing so well.

***What is your vision for 'The Smart Manager'? Would that include a 'branding-my-country' perspective?***

I can only state our mission statement here: The Smart Manager's mission is to update its readers on the latest thought provoking strategic ideas from experienced world class managers, academics and consultants from across the globe, ideas which are useful, well-researched and actionable, enabling the reader to produce results in an era of transition and disruptive technologies.

***What are your current areas of interest? Are there any exciting books in the pipeline?***

I am always engaged in research. It is a passion. I am currently a long way away from publishing.

***Being a journalist and a business historian, would there be any one book which you would prescribe to all MBA students?***

I would sound as if I am blowing my own trumpet or engaging in aggressive self promotion if I said, read 'Managing Radical Change', but it is a useful little book to help understand the world of real business combined with the kind of values that will help a young manager build a good company.

***Now that 'Business Maharajahs' is in print and has received international acclaim, will there be a 'Business Maharanis' to look forward to?***

Not yet maybe, some day, when women finally come into their own.

***What is your message for the aspiring women entrepreneurs and managers to whom the glass ceiling is still a reality?***

Trust yourself, do what you enjoy, and the rewards will come.

***-As told to 'Team Gravity'***

# Insights into the India-China Nexus

## Interview with Dr. Subir Gokarn, Chief Economist, CRISIL

*Dr. Subir Gokarn, is the Executive Director and Chief Economist of CRISIL. He also heads CRISIL's Centre for Economic Research, CRIS Infac, Global Data Services of India Limited and the business development arm of CRISIL's Research and Information business.*

***Do you think liberalization policies formulated in India/China have done their job taking into account the needs of the rural masses?***

One should not confuse liberalization with rural development. It is important to be very clear about what the objectives of specific policies are and what the needs of specific sectors are. Liberalization is not designed in any situation to be a cure all or a panacea for all the countries. It was designed to address a specific set of requirements and in both countries it has done this. It has made those economies more efficient, more competitive and has contributed significantly to the acceleration in growth that we have seen in both countries post the policy changes. But liberalization is not intended to be a solution to the problems of the rural poor. Both India and China need complementary instruments. We need different kinds of policies to address those problems. Certainly liberalization does create opportunities for the rural masses to find different kinds of employment- more productive sources of employment, higher standards of living etc. But other mechanisms are needed by which people are geared with power to take advantage of the opportunities. So liberalization, as it is, should not be judged in terms of whether it has had any impact on the rural masses.

***Speaking of mechanisms, what mechanisms should be in put in place so as to facilitate this positive shift?***

There can be two kinds of mechanisms. Let me focus this specifically on the work force. One needs both the demand side mechanism and a supply side mechanism. The demand side essentially relates to the attractiveness of hiring more workers as far as employers go. We have problems in the manufacturing sector and I think those problems are directly related to the regulatory framework that applies to labor markets in the manufacturing sector. We do not have such problems in the services sector and as a result employment in the services sector has exploded. Not just for the IT professionals and business community and so on but also for people working in the farms, blue collar, low income, low-skill kind of jobs. But that same process has not happened in manufacturing in India. It happened in China partly because they realized the benefits of flexible labor markets and they worked to implement them. Initially only in certain zones (SEZs) but subsequently in rest of the economy.

***The November 2006 issue of the Economist states that India cannot run as fast as China owing to a lower investment rate and inflexible labor market. Is Indian growth a bubble? Is the 8% growth rate sustainable?***

I personally believe that this 8 % growth is sustainable in today's condition even without any dramatic changes on the policy front. We will have ups and downs of course. We will go through business cycles. But on an average on the next five years or so I don t think 8% is unattainable but going beyond that is really difficult because we are now at the extreme capacity utilization of our overall system. When I say overall system I am referring to the capacity for infrastructure and the capacity of our government public sector.

So taking all this into consideration the growth registered is certainly not a bubble. I think we would have seen far more signs of the bubble bursting if the situation were such. We would have started to see early indicators in terms of corporate performance, rising inflation and various other signs that one would typically associate with unsustainable growth.

***This year, E&Y came out with a report suggesting that the total NPA's of China's banks are to the tune of $911 billion, with the big four accounting for as much as $358 billion. However, nine days later, on May 12th, E&Y withdrew the report, stating that the big four have NPA's only to the tune of $133 billion. Will the lack of transparency ultimately pose a problem for China?***

Each country has been doing things in its own way. When you talk of Chinese reforms or Chinese liberalization, it doesn't really mean the same thing as Indian reforms or Indian liberalization. Reform is a much better word to use because reform means change from existing regime. Liberalization means something narrowly defined it means moving from an existing relatively regulated and controlled regime to relatively freer regime. So, liberalization is a subset of reforms. China has reformed but not liberalized.

Now, transparency is something that is associated with liberalization and not necessarily with reforms. China had started to do things differently almost 30 years ago. It introduced market forces in many things but it did not introduce it in the financial sector. Now on could argue that this could well be a disaster that China has still not liberalized its financial sector in the past 30 years. But the point here is that China has not so far attempted to liberalize. At some point Chinese banks might become unsustainable and they all start to fold up. That is certainly a possibility but we don't know about it because it all leads to the basic problem that things are not very transparent in China. So the basic point I would like to make is that the Chinese government uses the banking system as a completely subordinate instrument for its growth strategy.

India tried this in 1962, 1969 until the 80s but China has done it with much more control and much greater intervention. So the banking system is really an extension of the government there and its policies and not a separate stand alone commercial system.

***The Chinese banking sector seems to be ailing and is considered technically insolvent. What can be the reasons for this poor performance?***

'Failing' in the context of the government having washed its hands off has not yet happened. The government is using the banks as a way to finance projects and several activities, which it considers as a priority.

***But are they technically considered as insolvent?***

No, they are insolvent if you measure them from the perspective of stand alone financial institutions. But if you look at them as extensions of the government as a whole and the government is willing to bail them out whenever they are likely to default, then one cannot use insolvency in the strict sense of the term. That is because all the banking liabilities are effectively fully guaranteed by the government.

***Democracy is always associated with long term economic growth. How important do you perceive this to be an advantage for India over China?***

I think democracy cannot be seen as an instrument, which is either wholly good for growth for growth or bad for growth. Democracy is a state that is desirable for its own sake. So we should not be engaging in this debate as to whether democracy is costing us in terms of growth rates or not, because I don't believe that this is a valid evaluation of democracy. One should not put a functional evaluation on democracy.

***India has over 200 SEZs whereas China has only 6 SEZs. While China's SEZs are primarily located on the coastal region, Indian SEZs are being built all over the country wherever land can be acquired. The largest SEZ in China is built over 49500 hectares while India is inviting bids for sector specific SEZs to be developed on just 10 hectares of land. Will India be able to recreate China's SEZ magic?***

This again depends on the terminology. The Chinese SEZ and the Indian SEZs are by no means the same concept. There are certain similarities in the philosophy underlying the two but the scale of implementation is completely different. If we make one simple contrast, we can understand that when China embarked on its SEZ based strategy they realized that all of the rules and regulations that prevailed in the economy were completely antagonistic to private investment. They did not have a concept of private ownership or capital.

So in order to infuse foreign investment into the economy they had to follow a dualistic approach. They did this by creating a clearly differentiated, divided geographical area, where a different set of rules prevail. Thus the Chinese SEZ was the creation of a completely new system, which was almost 180 degrees opposite to what prevailed in the economy at that time. That was why they needed large areas and the rules that SEZ operate in China are very different or diametrically opposed to the rules that were in the Mainland. Those differences have still narrowed but they are still there.

In India we are really talking about SEZs not in the context of a fundamentally different regime that operates within the SEZ. We are talking about how what prevails inside the SEZ is one set of rules and what prevails outside is another set of rules. The jurisdiction, laws and regulations that apply are probably the same. So we are making a differentiation. What we are trying to do is create islands or pockets of relatively balanced infrastructure and other services. This is the problem that the rest of the country faces as well; we never seem to have a balance of infrastructure. There is always some bottleneck in terms of power, roads etc and we are somehow getting them all on an equal footing and exploiting the complementaries that infrastructure necessarily operates under. It is more of an experiment to allow the private sector to provide that balance. So we are not talking about a different state which is what the Chinese essentially did. So by calling them SEZ we misled people .We should have called them something else because people associate SEZ with China and we are not in that plane at all.

***The world has witnessed China's phenomenal growth over the past two decades. Yet, beggars have begun to appear on the streets of Shanghai where none could be found a decade ago. The labor laws in China are heavily pro-employer, and workers constantly face the threat of non-renewal of contracts. Has China sacrificed equity for growth?***

The growth pattern that China has followed has been extremely labour intensive. It has created enormous number of blue collar jobs and this has also allowed several millions of people to move out of agriculture into the industry. This is an inherently equalizing process and not an inequitable one because you are moving people from low productivity jobs to high productivity jobs and are giving them the benefit (to whatever extent) of that higher standard of living that comes from higher productivity. So I would not characterize the Chinese process of growth as an inherently iniquitous process.

Before China embarked on this strategy it was a completely equal society (or at least in theory it was one) and when it moved into this globalized, export laiden, manufacturing intensive set up some people benefited more than others. I think that is inevitable in any development process and even more so in a country where the rate of growth is so rapid. But that is not the same as telling one that there are significant losers in the process. The same holds good for India. You make a very strong argument when you say that some people have benefited more than others but that is different from saying that some people have benefited at the cost of others.

***The Average GDP growth rate of India over the past decade: 6.5%, China: 9.0%, FDI inflow into India during 2004 in billion dollars: 5.33, China: 60.63, Adult Literacy rates in India: 73%, China: 95%. The list of indicators on which the Indian economy is lagging the Chinese economy is almost endless. Why then do we constantly hear of a comparison between the two countries?***

It is always necessary to benchmark against somebody and since our economies in terms of size, the diversity of resources and governments and so on are quite similar to each other and even the distance in terms of development achievements are not too far apart, I suppose it is valid to compare the two nations. But we can't go too far and make all our decisions and choices predominantly with reference to what China has or has not done. I think every country has to recognize its own limitations and capabilities and what its system can accommodate. This gets us back to the show of democracy versus authoritarianism. The real question is whether India is living up to its potential. Within the democratic context India is certainly not doing so because we are not effectively capitalizing on our inherent competitiveness in the manufacturing sector and that again relates to two basic problems that India has not been able to solve-inadequate infrastacture and investment. This again tells us why China is getting so much more foreign investment than we are. China's growth path has primarily been driven by manufacturing growth. Manufacturing is capital intensive and that's where the investment is growing. India on the other hand has sort of forgotten about manufacturing. True, it's been growing in recent years but it has not contributed much to the GDP growth and it has not played the same role that manufacturing plays in China.

***The number of Indian companies that have set shop in China are far greater than the opposite. Besides, India has approved $260 million FDI from China, while the actual inflow has been just $3 million. In comparison, China has approved $150 million FDI from India and actual inflow into China has been over $50-60 million. Apart from the FDI cap imposed by India on Chinese companies in some sectors, what are the other factors that are holding back Chinese Investment in India?***

Indian firms are investing in China for the same reason that other nations invest in China. China provides a cost advantage. The same Indian firms are not investing in India for the same reasons that Korean, Japanese, American and German companies are not investing in India. This is due to the reason that, from a manufacturing perspective India is a high cost location. One invests in India because there are certain resources, which India has a strong advantage in. But you do not invest in India in order to set up a mass production line. This is because the better opponent is China and Indian companies behave in the same way. Why should Indian companies behave any differently from American companies? They are all here for making money. Now that is certainly not a negative statement. In fact, it is a perfectly valid reason for being in business.

***When do you think global oil flows will crest? Are India and China equipped to face this challenge considering that our oil reserves are only 175 & 25 million barrels respectively, compared to 700 million barrels hoarded by the US?***

This is a very important question. I think it is the number one risk that both countries are facing in terms of sustainability. We are currently on a steeply rising portion of our energy consumption curve and we are likely to be in that curve for many years to come, as is China. Our increasing dependence on energy as well as the fact that we don't have much of it domestically is the one great vulnerability that both economies share. You can see that both are pursuing similar strategies as far as locking in energy securities is concerned. India is looking to enter into a number of oil equity kind of arrangement, locking in oil supplies from various parts of the world and China is doing the exact same thing.

However, when it comes to a crisis, whether any of these deals/ arrangements can be effectively enforced or not is the question for which we don't have an answer at this point of time. While this is a valid way to approach things, the risk does not fully mitigate.

I am not adequately informed about Chinese efforts to conserve energy consumption and Indian efforts are not adequate at this point in time and a lot more has to be done. Part of it is because of the break down of the public sector and public systems, but part of it is also because of the attitudes and awareness which have to be shaped. It is a risk, not an imminent check at this point in time but certainly a risk.

***India and China are providing dynamism and leadership to the world. There is a clear transfer of economic power to Asia. What will this mean for global power equations and how will the rest of the world adjust to this paradigm shift?***

When one looks back at history we notice different regions assume economic dominance at different points in time. In a sense, it is Asia's turn now. Obviously, there is greater responsibility on Asian countries and governments to recognize its role and to act responsibly as this power shift takes place. But by and large, the Asian governments are aware of this and are acting responsibly as one could expect them to. It is a natural evolution and there is nothing surprising, unexpected or dramatic about it.

***-As told to 'Team Gravity'***

# India and China: An Economist's Viewpoint on the Two Asian Tigers

Dr. Rakesh Singh, Professor of Economics & Business Strategy, NMIMS

China and India have emerged as two important global economic powers. Among countries with at least 10 million people in 2004, China and India have been growing very rapidly. Their rapid growth has had a significant impact on the global economy. The financial press all over the world is agog over the rise of India and China in the international economy as these two are not only the fastest growing economies but also due to the fact that they rank 2 and 4 on the basis of the 'Purchasing Power Parity (PPP) based GDP'. China has emerged as a major destination for global manufacturing and India a major destination in terms of global outsourcing. India is trying to catch up with China in terms of manufacturing but sadly lags behind China in this domain. China as of now is integrated to a greater extent than the rest of the world economy. There is a huge debate over "whether India will takeover China'. But in this article I intend to see what India can learn from China, rather than when and how India can take over China.

*Dr. Rakesh Singh is a Professor of Economics & Business Strategy at NMIMS, Mumbai. He also heads 'Consultancy & Corporate Research' in NMIMS. In an academic career spanning fifteen years, Professor Rakesh Singh has earned the reputation of being an expert in the area of Agribusiness, Rural Marketing, Indian and Chinese economics and Supply Chain Forecasting. His articles have been published in various prestigious research journals around the globe.*

What has been the basis of Chinese competitiveness? Chinese economic reforms began in December 1978, after Deng and his associates had taken firm control over the Chinese communist party following the death of Mao in 1976. The need for reforms as perceived by the new leadership was quite different from that felt in former Soviet Union and Eastern Europe and even India. The new Chinese leaders were frustrated with the slow pace of growth and lack of modernization in the Chinese economy under the Maoist rule. Deng made everyone believe that "it is glorious to be rich". Their sense of frustration became acute when they looked eastward and saw the economic miracle that was taking place in the other countries that had close ethnic ties with the Chinese Mainland.

China's first priority was to reform agriculture, as despite extensive land reform during Mao's reign the per capita grain output in 1978 was same as that in 1950.The reform basically consisted of decollectivisation and allowing for the produced goods to be sold in free markets at market determined prices, instead of government controlled prices. Because of this, the grain output increased at an average annual rate of five percent. Rising rural incomes not only created demand for goods and services but also released labour for non-agricultural activities. All these combined to generate the growth of township and village enterprises. This in turn generated more employment in rural areas and set the base for further reforms. The overseas Chinese provided the much needed impetus in terms of the capital technology and entrepreneurial ability. All these led to a big political support base for more reforms. The infusion of FDI and growth of production for competitive markets exposed China to new ideas and technologies and changed the prevailing mindset.

'Invest, tax and foreign exchange' regimes designed to attract FDI in export oriented industries in a few SEZs has made China a manufacturing hub. The rising Chinese income has integrated China faster into the global economy. China is also a big demand base for the US and EU products apart from being a major exporter. A proactive Government has built up an investment climate which is facilitating the productivity and growth of Chinese manufacturing.

India on the other hand has succeeded in being a destination for global outsourcing and exports of Information Technology Enabled Services. There is some recent evidence that India's manufacturing sector is accelerating. The aggregate growth is bound to rise if the growth in services does not slacken but in turn is sustained. Unlike China, India's globalization is one-way and trade barriers have hindered India's integeration with the global economy. Most of the growth in India is due to the bounty of demographic changes taking place in the world and a legacy of an education system which teaches Indians English (which is truly a global vehicle for services integeration through outsourcing). Yes, India's growth in services has purely been despite the State.

It is quite surprising to see that the entrepreneurial drive in India along with its English speaking denizens is prophesied to be India' competitive edge over China . What is often ignored is the contribution of the overseas Chinese in China's economic rising. China's meteoric rise can be attributed to the investment climate advantage it enjoys over India. According to the World Bank 'the performance gap between India and China has a great deal to do with the investment climate. The constituents of the investment climate are institutional and policy variables that have a crucial bearing on business performance (but on which firms have no control individually). The state has done a commendable job in China. The Indian success story is largely despite the state as mentioned earlier.

Indian industries have come a long way and have started showing competitive strength in certain areas of manufacturing by improving quality standards and hence competitiveness. This is due to the fact that it draws its strength from the services sector which enables competition with giant producers from countries like China. India needs to scale its manufacturing to meet the competition from its eastern neighbours.

India has far more strength than the Chinese as far as the knowledge based industries are concerned. However, the day is not far when China will develop the kind of expertise that India has developed. China has begun opening its doors to foreign education service providers and is fairly successful in attracting many reputed universities from advanced countries. Thus, India has to catch up fast in manufacturing and its governments need to create a business environment which facilitates large capacity creation within a short span of time like the Chinese government which has structured the system in a way such that large capacities can be created within a short span of time.

Though both the countries are rising to become the factories of the world, as Economist Pranab Bardhan says "a much more complicated picture belies the rosy visions of optimists". In China, rural and urban inequality as well as regional inequality are growing at alarming rates, stirring unrest amongst those hundreds of millions who remain impoverished. India's much vaunted high-tech sector employs only one fourth of one percent of the labour force. But even here China is far ahead. Going by the latest HDI report India is ranked 126 among 177 countries, whereas China is ranked 81st.

It is clear that though China and India are the fastest growing economies in the world, China is far ahead of India in terms of aggregates. But despite their impressive growth, both these Asian giants have the foot of clay and as Pranab Bardhan says "only patience and struggle not destiny - can guide India and China to the level of super powers."

# Class of 2006 Graduates!

"Grab leadership opportunities to propel India into a meaningful and purposeful future", Mr. Adi Godrej, Chairman, Godrej Group, advised the second batch of students from Great Lakes Institute of Management, The Junior Pioneers, who graduated on April 27th 2006. All the 130 Students of the full time MBA Program received their diplomas from Mr. Adi Godrej at a glistening and memorable function.

In his convocation address to the students, Mr. Godrej urged the outgoing batch of students to exhibit leadership by taking tough decisions which may not be popular, taking big chances, playing always to win but without playing dirty and daring to have mighty goals. He also advised them to make their vocation enjoyable if they wished to succeed.

Addressing the Convocation, Mr. Adi Godrej said "The more I hear about the wonderful achievement of Great Lakes Institute of Management, the more I am impressed. I am also very pleased that the institute has started an Executive MBA program too. I wish Great Lakes continued success and an outstanding future. My heartiest congratulations to Dr. Bala V Balachandran and his dedicated colleagues."

Mr. K. B. Chandrasekar, Chairman & CEO, JamCracker Inc., USA also graced the occasion with his presence.

***- 'Team Gravity'***

*(L to R) : Prof.Sriram, Dr. Bala V Balachandran and Mr. Adi Godrej*

*(L to R): Release of Gravity-April 2006 issue: Prof Sriram, Dr. Bala, Mr. Adi Godrej , Mr. K. B. Chandra Sekar, Prof.Narasimhan.*

# Inaugural of the Class of 2007

The inauguration of Great Lakes' third batch of PGPM students was attended by the likes of Mr.Ravi Venkatesan , Chairman , Microsoft India ,K C Chakrabarty, Chairman and Managing Director, Indian Bank and by the founder and honorary dean of Great Lakes Institute of Management , Dr. Bala V Balachandran.

Mr. Venkatesan has a bachelor's degree in mechanical engineering from the Indian Institute of Technology (IIT), Bombay, a master's in Industrial Engineering from Purdue University, Indiana, and a MBA from Harvard University, Massachusetts, where he was a Baker Scholar. In partnership with the leaders of Microsoft's other business units, Mr. Venkatesan provides a single point of leadership for the company, playing an integral role in defining Microsoft's relationship with policy makers, customers and business partners across Microsoft Corporation (India) Pvt Ltd's six distinct business units in India.

Speaking at the inaugural function, Mr.Ravi Venkatesan called upon the students to seize the opportunity and use IT for solving large scale problems in the country instead of opting for labour arbitrage IT services. He added that the country would make huge transformations if it built its own intellectual property from labour arbitrage and offshoring. Mr.Venkatesan also pointed out that the middle and bottom of the population pyramid of the country offered a lot of opportunities and said that serving these segments would be tantamount to serving the nation. He concluded by wishing the third batch all the success in their future endeavours. The third batch of the post graduate programme has 162 students from diverse industry backgrounds.

***- 'Team Gravity'***

# Dr. Kotler weaves his Magic


When was the last time you got to meet a person whose books, papers and thoughts pervade an entire field of study? When Dr. Bala.V.Balachandran, the honorary dean of Great Lakes told us that we were to host Dr. Philip Kotler, widely considered as the father of marketing, the feeling of heady excitement was immense. The mastermind behind the bible of marketing was going to share his thoughts and visions with us! What followed was a flurry of activities as the college shifted smoothly into the 'coordinating mode'- planning and arranging every minute detail of the trip! The whole show was aptly titled 'Marketing Mantras'.

Come D-Day, the one thing about Dr.Kotler that amazed us all within a few minutes of his entry was his energy. Stepping out of the plane after a grueling twenty-eight hour journey, Dr. Kotler's first words during the drive to the Taj were on 'Marketing Automation' and the marketing of IT companies in India. The next couple of days were packed with energy, knowledge and his overwhelming charisma.

Dr. Kotler addressed the students from the Class of 2007 on July 16th and talked about the myriad changes that were happening in the business environment and the need for marketers to reinvent themselves in the face of newer challenges. He talked of the paradigm shifts in marketing and how the product-centric world was shifting its gaze towards the services sector. He also introduced new concepts such as CCDV (Create, Communicate & Deliver Value) as an equivalent to his now legendary four P's of marketing. The audiences were enthralled as the indefatigable Dr.Kotler, flanked by long time friend and colleague Dr. Bala.V.Balachandran and Mr. K. Anand Krishnan (CTO, Tata Consultancy Services) fired away about cutting edge marketing tools and innovations.

If one thought that Chennai was amazing, Bangalore was absolute bliss. Addressing a business gathering at Le Meridian, Dr. Kotler received a standing ovation following his talk that focused on new strategies of marketing including ethnographic concepts and the need for using technology to interact more with the customer. Dr. Kotler addressed another business gathering at the Taj West End on the 17th, and focused this time on the strategic importance of marketing.

Dr. Kotler, apart from being on the 'Business Advisory Council' of Great Lakes, is also working on projects with the students on Great Lakes, with an aim to throw more light on the Indian industry and the synergy that exists between technology and marketing. The 'Kotler-Srinivasan Research Centre for Marketing' has also been established and would try to customize global concepts according to Indian needs. With Dr. Kotler to bring in the strategic angles and Dr. Seenu Srinivasan, the Adams Distinguished Professor at Stanford Graduate School of Business to improve the 'body of knowledge' of marketing, the future for research certainly does look great!

***- Koushik Srinivas, PGPM Class of 2007***

# President Carter and Great Lakes

***'The sea is coming inland', they cried.***

Death stared them in the face as an angry sea swallowed friends, relatives and strangers alike. In Kofi Annan's words, it was an unprecedented global catastrophe that required an unprecedented global response. And therein started the great work that many an NGO has been doing to rehabilitate people and put communities back on their feet.

One such tiny step was the building of thirteen homes by volunteers of the 'Jimmy Carter Work Project' organized by 'Habitat for Humanity India' (HFHI). Located on the East Coast Road, the tiny fishing hamlet of Hanumanthaikuppam was one of the worst affected Tsunami areas. Habitat stepped in and offered a helping hand to these villagers. Their help would be in line with their mission of building 'simple, decent and affordable' houses. And so they did.

With the work going on in full swing, the first set of houses was ready to be occupied by October 31, 2006. And this day would forever be remembered by the villagers as one of hope, an auspicious day when they received brand new houses built of brick and mortar and that none other than the former US President and Noble Laureate Jimmy Carter would be attending their house warming ceremony. The students of Great Lakes would have the opportunity to volunteer for Habitat and witness the event.

Braving the rains and the chilly winds, volunteers worked on a gamut of tasks ranging from cleaning the beach front to filling pot holes on roads to handling the media. We bore witness to the passion and energy that Jimmy Carter had shown in his twenty year association with Habitat for Humanity India. Carter had stood side by side with volunteers from across the globe. We also learnt of our own dean, Professor Bala .V. Balachandran's involvement and support of HEHI's efforts through the years. The thought invigorated the volunteers; we worked harder and with a purpose. It was indeed a day of pleasant revelations.

Come evening and the village wore a festive look. When the Carters arrived, they were welcomed as if old friends were returning to the village. Children danced to famous South Indian tunes, village leaders thanked him and everybody else was delighted by the very presence of the Carters. President Carter then spoke passionately of how this was just the start of things and that his commitment to this long, long process of rehabilitation was of paramount importance to him.

The Carter entourage then moved on to the village of Malavli (Lonavala, Maharashtra); where a total of hundred houses have been planned with help pouring in from over two thousand volunteers from both India and abroad to work towards the cause of rehabilitation. This is definitely one of those unprecedented responses that Kofi Annan talked about with families, celebrities and students working side by side to help families overcome obstacles.

Overall, the experience was a cathartic- one that on a normal plane involved the building of houses and at a transcendental level involved the rebuilding and transformation of lives.

***- Koushik Srinivas, PGPM Class of 2007***

# The Yale - Great Lakes Connection

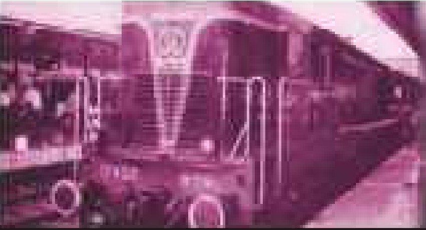

Since its inception, Great Lakes has been bringing the best brains in the world of management to India with an objective to provide world class management education. It is the school's intrinsic belief that research is one of the fundamental methods to achieve this objective and to facilitate quality management research in India. For this same, the school has established tie-ups with eminent universities of international repute.

One such initiative is the **'Yale-Great Lakes Center for Management Research',** started in partnership with Yale University, USA. As part of this initiative, Great Lakes organized an international conference in Chennai on 24 December, 2006. Ms. Indra Nooyi , President and CEO of PepsiCo, was the key note speaker at the event . The theme of the conference was “Global Mindset, Indian Roots”. Illustrious management professors from Stanford, Kellogg, Columbia, to name a few, participated in the conference.

The Yale-Great Lakes Center for Management Research aims at promoting, facilitating and advancing India-centric management related research, which contributes to the development of basic and applied knowledge in the field of management. The center will be a bridge that links scholars around the globe with India as a common interest.

Great Lakes invited papers on the theme **“Global Mindset, Indian Roots”** from the world of academia and from the industry. Sure enough, the event received an excellent and overwhelming response of 75 papers from different quarters. After a two stage scrutiny, 30 papers were selected for presentation including papers from the Gallup Organization, the IIMs, Georgia State University, XLRI, Reliance Industries Ltd, Standard Chartered and TCS. Apart from paper presenters several distinguished management Professors from schools of global repute such as Dr. Paul Prabhaker, Dean of Fayetteville State University and Dr. Sudhakar Balachandran, adjudged the best faculty at Columbia University were key speakers. Among the others who addressed the gathering were Dr. Suj Krishnaswamy (Principal Consultant at Strategic Insights Inc.), Dr. Sridhar Moorthy (Manny Rothman Professor of Marketing, University of Toronto), Dr. Rama Shankar (Managing Partner, Delta Management Associates), Dr. Siva Nathan (Associate Professor School of Accountancy, J. Mack Robinson College of Business, Georgia State University), Dr. Ashok Vasudevan (Co-founder and Chief Executive of Preferred Brands International Ltd., Chairman of Tasty Bite Eatables Ltd. and Professor of International Entrepreneurship at Harvard Business School) and Dr. Neharika Vohra (Indian Institute of Management, Ahmedabad).

***- 'Team Gravity'***



# Sangamitra

Great Lakes Institute of Management celebrated its cultural fest - '**Sangamitra 2006**' with great zeal and pomp on August 9th 06'. Here is a glimpse of the revelry and unrestrained fun.


# Sangamitra


# Careers in Banking

## Mr. Subir Mehra, Head, HSBC - Commercial Banking, India

Mr. Subir Mehra, the Head of HSBC India's commercial banking unit was the guest speaker in December 2006. Mr. Mehra delivered an informative and gripping lecture on the career prospects in banking, backed by his extensive experience and knowledge about the banking industry. Mr. Mehra also happens to be an alumnus of Kellogg.

*Here are some excerpts of his talk.*

**Consumer/Retail Banking Services**

Generally banks offer a wide range of personal financial services (PFS): Branch Banking and Wealth Management, Private Banking, NRI Business, Credit Cards & Retail Assets, Consumer Finance & Delivery Channels. Apart from these, banks also offer a variety of financial planning services. All this entails assisting clients in identifying their needs and selecting insurance and investment products best suited to these needs.

**Commercial Banking Services**

Careers in commercial banking encompass the following:

- **Business banking** provides services for small and medium enterprises. SMEs are defined as companies with a turnover of upto INR 500 million. Key offerings in this segment include transaction banking services such as cash management solutions, forex solutions etc.
- **Factoring** relates to the financing and collection of account receivables in domestic and international trade. It enables companies to sell their outstanding book debts for cash. Mr. Mehra added that HSBC offers a range of domestic and international factoring products to provide seamless supply and delivery to corporates, which includes vendor finance, receivables finance etc.

In addition to all this, their **Mid Market Enterprise services** provide Commercial short to medium-term lending to small, medium-sized and middle-market enterprises. Their payments and cash management would include collection and payment services with a view of minimizing costs, maximizing returns and controlling cash flows and risk.

While talking of their trade (international and domestic) services, Mr.Mehra explained that the solutions offered by HSBC primarily include Letters of Credit and export collections for the commercial segment. Other offerings, he said, included import services (like import financing, import collections services etc) and export services (like export financing, export collections services etc).

**Corporate, Institutional Banking and Markets Services**

- **Corporate banking services:** It offers a wide range of banking and financial services including term and working capital finance and transaction banking services to multinationals and large domestic Corporate segments.
- **Institutional banking:** This offers an entire gamut of banking services in areas of debt capital markets, treasury, payments and cash management, trade and custody. These services are offered to banks, financial institutions, securities houses, stock exchanges, insurance companies and asset management companies.
- **Treasury and capital markets:** It serves corporate and institutional clients and provides a comprehensive range of products that include foreign exchange, money market, fixed income and derivative products. He added that the securities services cater to global custodians, fund managers and brokers/ dealers worldwide.

HSBC's presence in India dates back to 1859. Currently there are 46 branches in 22 cities across India. A variety of group businesses are managed that includes asset management, audit services, insurance broking, investment banking, primary dealership, private equity and software development.

HSBC has three primary business interests in India

- Investment Banking Advisory ('IBA'): M&A's, equity capital markets, strategic advice, privatization & structured financial solutions
- Equities Research and Brokerage
- Project and Export Finance: Multisource export credit finance, project advisory, project debt arranging, forfeiting etc.

Banks also offer attractive opportunities for operations in order to stream line the processes thereby optimizing resources. In conclusion, Mr. Mehra reiterated that banks offer challenging roles and international exposure to those seeking careers in banking and stressed that it was certainly a worthwhile career move to take the plunge.

***- Sai Yogetha Reddy, PGPM Class of 2007***

# 'Organized retail in India: The Reliance Juggernaut'

## Mr. B. Venkataramana, Vice President - HR, Reliance Retail

Mr. Venkatramana, the Vice President HR of Reliance Retail addressed the class of 2007 on December 2006. He threw light on Reliance's strategy for its foray into the retail sector. Given below is a gist of his talk at Great Lakes.

Mr.Venkatramana drove home the fact that the buzzword in India today after IT/ITES is retail. There is tremendous potential for organized retail today, especially in India where the unorganized sector currently dominates the retail scenario, accounting for over 97% of the retail market. Reliance has recently plunged into the organized retail domain and aims at capitalizing on this wave of consumerism that has hit India off late. With the likes of Bharti, Birlas and the Tata's vying for a share of the retail pie, the competition is definitely heating up. Mr. Venkatramana stressed on the fact that retail today is all about the 'buy, move and sell' catchphrase. He emphasized on the role sourcing has to play in order to ensure the success of a retailing operation. Items are sourced from various corners of the country and are typically parked at distribution centers, where sorting and grading of the sourced items takes place. Finally, the products are sent across to the stores where they are available to the customers.

He also mentioned that Retail makes for a high volume, low margin business. Careful strategies have to be implemented to stay competitive in the retail industry. Growth drivers need to be considered here, and these would be in terms of demographics, environmental factors, shopping attitudes, behavior, needs and desires of the people and their lifestyle. Apparel, FMCG, lifestyle, consumer durables and the food business would constitute a large chunk of the Reliance retail pie. Reliance has a first mover advantage in terms of the scale of operations that they are looking at. Thirty stores in a span of a mere one and a half months in Chennai should give one a fair idea about the speed with which Reliance plans to scale up their operations. Reliance would be looking at backward integration, and this would involve building a strong agri-background for the food business. This would be accomplished by means of '***contract/capital farms***', wherein they will be able to control the quality and quantity of produce that they obtain. Ironically, in a country like ours, agri opportunities are very few. But the business model that Reliance is looking at would open up a floodgate of opportunities for people specializing in agricultural studies. As a natural consequence of Reliance's scale of expansion, the real estate business is bound to benefit in a big way. Mr Venkatramana stressed that the supply chain and operations would also play a very crucial role.

He reiterated that opportunities in retail are remarkable with marketing, operations, accounting and HR, all playing a crucial role in ensuring success of the organization. HR, he said, had been steadily gaining importance in the past few years. He added that the Chief HR officers today were replacing the CFOs as the second most important officials in the board room, primarily because businesses today are becoming increasingly HR centric. According to him, recruiting was only the tip of the iceberg when it came to problems faced by the organization. Retention of talented employees was an even bigger challenge faced by the modern day organization. Keeping these problems in mind, he stressed on the importance of coming up with innovative HR practices. The roles and responsibilities of HR have widened from mere policing or routine activities to contribution towards major strategic/policy decisions in the organization. "When we look at an aggregate employment level of about 10 lakh employees in the retail segment, training, managing collectivism, providing back end HR support (SAP), and ensuring statutory compliances assumes a very important role at many levels" said Mr. Venkatramana. He concluded by proclaiming that technology is a major focus area and that Reliance would be looking towards a large mass of IT people as well. Overall, this guest lecture was heartening from the point of view of a fresh management graduate, keeping in mind the numerous career options available in the booming retail industry.

***- Sai Yogetha Reddy, PGPM Class of 2007***



# Fortune in an Electric Train

***"If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value conscious consumers, a whole new world of opportunity will open up"*** **- C.K.Prahalad, The Fortune At the Bottom of the Pyramid**.

It was a sunny Friday afternoon as I boarded my train to Tiruvallur from the bustling Moore market complex in Chennai Central. The train was full and I considered myself lucky to find a seat albeit close to the aisle. I usually prefer the window seat because I like to gaze at the country side and the breeze sets a somnolent ambience. But this was a different day and a different experience.

Seated along with me was a cross section of what I would call India's semi-urban population. There was an electrician, two nuns, an old couple, a couple of political enthusiasts, a group of factory workers and a bunch of school kids. I call them semi-urban because they work, pray, shop, study and conduct most of their activities in the city while living in the towns and villages surrounding it. With nothing else to do, I began to listen to the snippets of conversations that were floating about. The conversations though banal had a surprisingly common thread running through them. All of them and I repeat, all of them were bullish about their careers, companies and India in general. These are the kind of conversations that would make any marketer worth his salt salivate.

My train came to a halt as it approached a station and so did my train of thoughts at the sight of the grime and commotion outside. The hawkers and beggars were having a field day with the huge crowds that thronged the station. I began to wonder as to just how we as a country could be so bullish about ourselves while lagging behind the developed countries by such a wide margin. Hope and opportunity were the two words that immediately came to my mind.

As the train started moving away; I saw a hawker who was carrying his wares, jump into the train. Through the crowd, I could see that he had made it safely. He went about his business straight away- hawking samosas. He was selling them at Rs.2 a piece. I did not buy them being concerned about hygiene, but everyone around me was interested. I could see from their expressions that the samosas were hot and tasty but I was more interested in something else. How could he deliver the samosas right where his customers wanted them at this price? Then out of nowhere came a guy supplying chilled water packets at Rs.1 each. As is anyone's guess, these were lapped up immediately. I am tempted to add that it was a very good example of 'complementary businesses in collusion'.

The conversations around me had by now reached a feverish pitch and I became interested in a debate that was ensuing between the two political activists. They were discussing the political implications of the regional government's decision to give away a free color television to everyone. Here we were, I thought, trying to put up a brave capitalist face on the one hand and touching new heights in socialistic ideas on the other. But then, these extremities are what make our nation so fascinating. The hawkers with their wares kept coming. There was a biscuit vendor selling freshly baked butter biscuits at Rs.1 each, a hawker selling roasted peanuts, a little girl selling a variety of trinkets, an old woman came to sell unripe guavas and even the original samosa vendor came back to sell the crumbs and leftovers that he had at a differential price. Like clock work they came with appropriate time gaps between them in an order that ensured that there was business for all. It sure would have made any supply chain manager proud. The amazing part in all this was that even if one treated oneself to each and every goody on the smorgasbord, it would have hardly made a dent by twenty rupees (that is less than half a US dollar at current exchange rates).

Discerning as these people were while parting with what they had, they definitely had the propensity to buy probably because of the inherent bullishness that I had mentioned earlier. But then, where were the organized companies and their goods? Did they not see the opportunity at hand? The legalities of the situation might have demanded restraint from them, I supposed. Then again, what did my fellow travelers have to offer these companies? Well, they had some money, definitely had time in their hands and most importantly they had the willingness to spend, a very good proposition for the likes of insurance brokers, awareness campaigners, market researchers, new product testers and everyone in this ilk.

I saw the bright yellow signage outside hinting that my station had arrived. As I got down and watched the train move away, I saw yet another vendor jumping in. These vendors and hawkers, I thought, understood co-creation of value, the importance of communication with their customers and with their co-opetitors, just in time supply chains, carrying zero inventories, differential pricing, manufacturing close to their customers, economies of scale and scope and many more. Of course, they weren't aware of these concepts, but out of sheer necessity and instinct, they simply understood!

They surely have a lot more to teach us. The question is - are we ready to listen?

PS: In 2003, BBC aired a program on the Dabbawalas of Mumbai, which was part of a series on unique businesses of the world. In 2003, Paul S. Goodman and Denise Rousseau, both faculties at the Graduate School of Industrial Administration of the Carnegie Mellon University, made their first full-length documentary called 'The Dabbawallas'.

According to the press release of the TV station presenting the documentary, "The film also serves as a counterpoint. Instead of asking how knowledge in developing countries can help less developed countries, this film focuses on how developed countries can learn from less the developed countries".

Back home, the Dabbawalas were invited to speak at the Confederation of Indian Industry (CII) meets and at leading Indian business schools such as IIM, Bangalore and Lucknow.

***- C.V. Ramachandran, PGPM Class of 2007***

# Marketing to Kids - The BRIL Way!

Jayaram Rajaram, Partner - Manager Marketing, BRIL

Gone are the days when marketers used to woo kids indirectly by targeting their parents. Today, kids represent a very important demographic for marketers, considering that they have their own purchasing power and also greatly influence their parents' purchase decisions. They also give marketers a chance to plant the seed of brand recognition in young children, in hopes that the seeds would grow into lifetime relationships. No wonder the industry average expenditure on advertising to kids has increased from $100 million in the early 1990's to a couple of billion dollars today! To BRIL, a dominant player in the fountain pen inks market, marketing to kids has been a steep learning curve, especially since the introduction of our school stationery line of products. Through this article, I hope to share the 'BRIL Experience' of marketing to kids.

When we decided to increase our product portfolio under the BRIL brand, we introduced school stationery products including sketch pens, wax crayons, color pencils, pens, pencils, erasers, sharpeners, geometry boxes, other allied school stationery products and art & craft material. During this phase of related diversification, we decided that the brand should resonate fun, and we should position the brand as a brand that facilitates education through fun. This positioning we felt, would help us compete in a larger market space of education, rather than being limited to the stationery industry in future. However, the main reason behind this positioning was a result of primary research that we conducted. Through research we realized that education and learning were associated with being nerdy and boring by children (our target audience). Hence we decided that BRIL would strive to change this perception by helping children learn while having fun, and also communicate the fact that smart kids don't have to be nerds.

Kids as a target audience are an extremely different ilk to gauge vis-à-vis adult customers. A kid's attention span is lower in comparison to that of an adult and keeping their attention fixed is a challenge in itself. Shorter product life cycles also mean that product innovation should be rapid and must seamlessly integrate with communication to customers. Being aware of the latest fads and continuously leveraging this knowledge is of paramount importance.

On the other hand, we find that conventional market research does not throw accurate insights into a kid's preferences. For example, when we conducted a conventional questionnaire based research with children on their color preferences, black was the most preferred color. After that, red, yellow and blue were almost equally preferred. However, when the children were asked to pick their favorite colors from a bunch of color pencils, none of them picked black. Further research revealed that children say they like black when asked, because they associate it with strength, being trendy, etc. When it comes to selecting colors available in front of them, they select those which they actually like. Hence observation is a much better alternative, and BRIL has always encouraged its managers and sales representatives to stay in touch and understand customer preferences through observation techniques.

When it comes to communication, BRIL uses 'Buzz Marketing', a new twist to the tried-and-tested 'word of mouth' method. If you can attract the imagination of one kid, all his/her friends will have the same product in a matter of days. Within a week, all his or her classmates will be using it. It is amazing to see how kids can inspire their peer groups. Sponsoring school events has been another strategy that has worked wonders for BRIL. Events including painting, public speaking, quizzes and other fun contests are held at schools or residential complexes every year. We have also tied up with CRY (Child Rights and You) as part of our CSR initiative. In addition to donating part-proceeds from sales of BRIL school-stationery products to CRY, we conduct innovative contests in conjunction with CRY. Through these contests we are trying to teach privileged children the importance of being socially responsible in a fun way, further extending our 'Make Learning Fun' positioning. Targeted marketing has, among other things, helped us measure ROI on marketing spends. This is an important metric for any company today, as most mass advertising/marketing spends are becoming highly discretionary.

In our quest to position BRIL as a brand that educates through fun, we have also learned to align our processes with the customer's needs. With electronics and Information Technology enabling processes, reaction times are expected to improve and help us serve customers more efficiently and effectively. Harnessing 'Pester Power' a child's ability to influence parents' decisions provides us with even more opportunities and also opens up an entire future generation to market our products to!

# Life at Great Lakes

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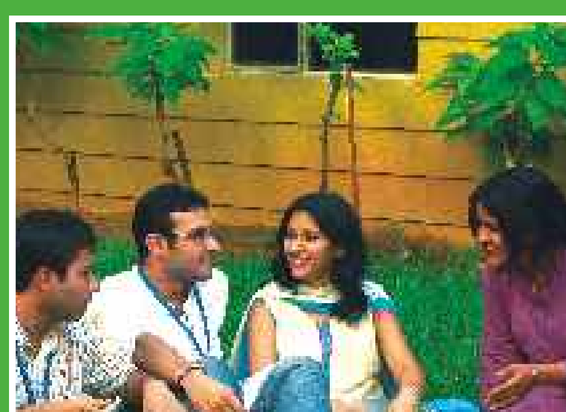

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Printed & Published by Prof. S. Sriram on behalf of Great Lakes Institute of Management,
24, South Mada Street, Srinagar Colony, Saidapet, Chennai - 600 015.
Editor: Prof. S. Sriram, Great Lakes Institute of Management.