

coverstory

How to set up shop in India

Donal Griffin speaks to three Irish entrepreneurs who are at the vanguard of Irish business's tentative foray in to India. They discuss the subcontinent's patriarchy, as well as its sharp levels of competition and sheer scale.

A cursory glance at the list of Irish businesses taking part in the forthcoming trade mission makes it quite clear that Ireland Inc. has finally noticed India.

No less than 14 colleges are going, presumably eager to set up links with local institutions – there are more degree-holders in India than the entire population of France, according to Enterprise Ireland literature. Pharma companies such as Biotrin don't want to miss out while software concerns like Duolog Technologies may seek a talented and low-cost staff.

With a cheap workforce and a one-billion population growing in affluence, India is a massive source of labour and sales potential. Its education system produces 400,000 engineering graduates each year. Illiteracy is 27%, a high figure but down 20% since 10 years ago. However, if the following testimonies are anything to go by, India's opportunities may also be its barriers. Indians are picking up mobile phones at a frantic rate. Over the course of the week-long trade mission, nearly 900,000 people will have bought one for the first time. This phenomenal figure also shows, however, that the mobile revolution is only beginning in India.

Indian law still stipulates that if you wish to register as an Indian company, there must be Indian shareholding in it, unless you're in an industry where "100% FDI" is permitted.

And there are cultural differences too – an Irish hotel-owner describes her experience as a white woman trying to run a business in a part of India unaccustomed

to such a thing.

Irish Government bodies, mobile phone gaming companies, venture capitalists and construction companies are all going on this trip. There doesn't seem to be a strand of Irish business that has not twigged that India's population has much to offer Irish enterprise. According to those we interviewed, however, the country should be approached with caution.

Bibi Baskin (the Raheem Residency)

Bibi Baskin, the former RTÉ presenter, was freelancing in Britain when she decided to come to Kerala, a coastal state in the southeast of India. Motivated by boredom and an interest in Kerala's ancient medicine (Ayurveda), she arrived with a novel-in-progress in her suitcase and absolutely no plan whatsoever to set up a business. She had sold her house in England and was looking for a place to live when she came across the Raheem Bungalow, an old colonial villa in a place on Kerala's coast called Alleppey. She bought it, renovated it and turned it into the Raheem Residency, a small luxury retreat with seven rooms. Speaking over the phone on a cold January morning, she's enjoying the climate of 30 degrees, all year round.

Running for two years now, the Raheem Residency opens all year except for the monsoon season in July. The clientele, according to Baskin, is "relatively exclusive", including a weekly entourage of Irish. During the peak season in the winter, rooms go for between €110 and €130. It makes a profit, she says, but running a small business in this part of India, far away from a metropolis, can be difficult.



Left: Bibi Baskin
Below: Raheem Residency

telephone banking and mobile phones as well as being able to integrate all these. In 2000, it acquired Interlink, a UK-based ATM software company with an Indian operation, before expanding in 2003 with a full office of 30 people in Bangalore.

CR2 chose to enter the Indian market primarily because of its size but the Bangalore office isn't just for Indian banks – it's more a low-cost base for customer support, sales and IT elsewhere. In Bangalore, CR2 caters for about 70 banks, only four of which are actually based in India and many of them in Africa. This includes Canara Bank, a state-owned bank of nearly 30 million customers. Less than three million of these use ATMs, however, giving an indication of the gulf in technological awareness between India and the West.

Unlike Selatra, CR2 chose to go into India directly, instead of working through a local partner. "We currently do business in 75 countries and we think we're pretty adept at adapting to other cultures," says Kieran Kilcullen, the company's global sales and marketing director. "We do try to hire local staff. I think if you're going to get the cultural nuances, you've got to find good sales presence in the market itself as opposed to shipping it in from overseas."

"You can build up a bit of an understanding on various trips as to the cultures and the relationships and the way to interact with people but, realistically, if you want to be successful and you want to sell, you have to have a local representative, someone who's brought up in the culture."

The IT skills a company like CR2 requires are there in abundance.

The average wage for their employees is €8,000 per annum so costs are obviously fairly low. The Indian operation is profitable but Kilcullen doesn't imagine too much growth for CR2 in India. Not only are they up against huge competition from local Indian software companies, but banks also have their own IT teams. And foreign competitors are only going to increase. As a

source of talented and cheap staff, it's working, however.

Selatra

Selatra makes or sells on games for mobile phones and has been in operation since 2002. Backed by 4th Level Ventures, CEO Sean Cronin saw the company first enter the Indian market in 2003, attracted by the sheer size of the market. Unlike CR2, they chose not to have a base on the ground but instead to do business through local partners.

At the moment, each partner – People Infocom and Indiagames – is bringing in about 40,000 downloaded games each month.

The most recent figures from TRAI, India's telecom regulator, show over 71 million mobile subscribers. During November, it went up by 3.5 million and the rate of growth is increasing.

Very roughly, 100,000 Indians pick up a mobile phone for the first time each day. Imagine the population of Ireland buying its first mobile phone over a month and you should start to get the picture. This is only the start of it, however. Even when that figure gets to 100 million sometime this year, it's still only one in 10 Indians.

"It's the urban city dwellers, the ones that want to be trendy," says Cronin of his customers.

"Those that can afford it always have the most recent handsets and like to get the latest games, screensavers and logos, things like that. That demographic, that percentage of the market in India is rising as the people become more affluent."

However, prices remain very low for Selatra. Cronin expects to bring in €130,000 from their Indian business, which should return a profit of about €50,000. The market is huge and only starting to grow but the prices are low.

Selatra's range of games vary from the budget to the premium and an Indian can get one for as cheap as 10 cents before splashing out €1.50 on the premium game. The Irish customer will pay between €3.50 and €6.50 while, in Britain, one of Selatra's strongest markets, the most expensive game costs over €10.

Cronin knows that prices aren't going to rise soon but the market is growing so quickly and has such volume that they have to be over there.

He expects at least 50% growth next year in Indian downloads and is in talks with two other potential partners.



comes in as 'Dear Sir'... A lot of government officials that you're dealing with are very petty-minded.

"They're not that accustomed to dealing with women... They especially don't know how to deal with white women because they've never met them before."

CR2

With a sales presence in India since 1998, CR2 must be one of the first Irish companies to enter this developing market. The company sells software to banks that enables them to use ATMs, the internet,