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Thinking outside the bottle

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Even the world's biggest brands can struggle to succeed in India. Coca-Cola chairman and CEO Muhtar Kent urges global companies to accept the market as it is, not as they wish it to be.

I moved to India with my family as a young boy. My father, a career diplomat, was dispatched to New Delhi to serve as the Republic of Turkey's ambassador to India. We lived in New Delhi for two magical years. I don't remember anything from those days about India's politics or economics. What I do remember are the vibrant colors of clothing and flowers and shops that lined the streets, and the natural beauty of the Indian countryside, from the mountains to the north to the plains of the Ganges basin to the south. I remember the mysterious music, the aromas of spicy curries and chutneys that friends of my parents would prepare for us. And of course I remember the people: friendly, bright-eyed, ambitious, and sometimes very poor. Everywhere, crowds of people.

India was unlike any of the other places my family had lived—Sweden, Iran, Poland, Thailand, and the United States. From the moment I arrived, India captured my imagination.

Today, as a businessman, I see global companies drawn to India in much the same way I was as a boy. They are dazzled by the promise of adventure and extraordinary opportunity. They are intoxicated, even overwhelmed.

But as I learned, even as a young a boy, in India, appearances can be deceiving. For outsiders, there is always a hint of mystery. Even if you live and work there, you can never be entirely sure you understand. It is best to assume that you do not. If you come to India with some grand, predetermined strategy or master plan, prepare to be distracted, deterred, and even demoralized.

That's something I keep in mind as I think of The Coca-Cola Company's experiences in India. Coca-Cola launched operations in India in 1950 shortly after independence. Our business grew steadily. But in 1977, we exited (along with other multinational companies) after a new law diluted ownership of our assets and operations.

We returned to rebuild our business in 1993 as economic reforms unleashed a period of robust growth. It was harder going than we'd imagined. We struggled at first to find and keep talented employees. We learned that although Indian consumers were eager to embrace global brands, they resented any hint of global corporate dominance. It took us time to understand that small stores, many operated by families out of the front of their homes, were an unappreciated source of economic opportunity.

Today our India business is thriving. I am happy to report that India now ranks among our top ten markets in unit-case sales. Our growth in recent years has been particularly dynamic. I still see enormous potential in India—which is why last summer I went to New Delhi to announce that The Coca-Cola Company and its global bottling partners will invest $5 billion in our India operations between 2012 and 2020. By the end of that period, we think India could be one of our top five global markets.

The key to this success has been learning to see the Indian market as it is, not as we wished it to be.

Our first challenge was building the right team. For many years after our return to India, turnover among Coca-Cola workers was too high; as recently as a decade ago, our Indian attrition rates were 34 percent. That was a key weakness, not least because it prevented us from building relations with suppliers and consumers. So we focused on training and talent recruitment. We recruited a lot of young professionals with deep experience in India's retailing culture and provided them additional training in customer-relationship management, sales, service, and conflict resolution. These changes helped lower attrition by two-thirds.

At the same time, we worked hard to source more products from within India and deepen our ties to the Indian market. For example, we began growing mangoes and invested in citrus farms that supplied our business. Those efforts helped send an important message: all over India, people knew we were there not just to sell to them but to buy from them and invest in them as well.

And we made it a point to understand our customers. India's people still cherished long-held goals of self-sufficiency and sustainability—and those ideals were essential to our continued growth. Through careful study of how Indian consumers live—people all over the nation, not just those in cities—we learned that most are more likely to buy our products at a small family store than a big supermarket.

At the same time, we saw how a rising generation of young Indians, most of them raised without landline telecommunications infrastructure, has embraced wireless technologies and, in many ways, is leading the global revolution in mobile commerce.

Recognizing that small stores play a huge role in the lives of our customers has required us to do many things differently in India than we do in developed markets. We figured out, for example, that it wasn't enough to provide small stores with Coke signs and teach them to display our products. Often, these stores had more basic concerns. Many couldn't keep our drinks cold, because they weren't connected to the electrical grid. More critically, small stores in India often are run by women, who have more difficulty than men in exercising economic rights like getting access to credit. We found we could help store owners address those and similar problems in ways that helped them, helped their communities, and also helped Coke.

For instance, when our bottlers help supply nearby villages with access to running water, the women in those villages are spared the considerable time and trouble of walking to a well, drawing water, and bringing it home. When we help bring electric power to village stores, that helps us sell our products cold—but it also means electricity for the whole village, boosting literacy rates by making it easier for kids to study after dark. When we help a woman secure property rights for her store, that makes it easier for us to sell Coke products and also enables her to build a business and employ other residents. We recently launched our "5by20" initiative, which seeks to bring additional business training, finance opportunities, and mentoring to five million women entrepreneurs across our global value chain by 2020. Indian women make up a significant focus of this program.

One of my favorite examples of how we're trying to come up with solutions tailored for the Indian market is eKOCool, a solar-powered mobile cooler we developed for use in the tens of thousands of rural Indian villages that lack electricity. The eKOCool looks a little like an ordinary pushcart, but it's actually a sophisticated marriage of technology and local market savvy. Stores using our eKOCool solar coolers can stay open later and generate enough extra power to do double duty, recharging mobile phones or electric lanterns. We hope to distribute more than one thousand eKOCool carts to rural store owners in India by the end of 2013—and we have begun testing them in dozens of other countries.

Back when my father was stationed in India, the country was only a few years removed from colonialism. Indians had had a long and painful experience with foreign businesses exploiting their market without contributing to the well-being of the local economy. What we now understand intimately—and what other companies who want to sell in India must recognize—is that our future is tied to the communities where we operate. A thriving and sustainable India creates thriving and sustainable business opportunities for us.

For The Coca-Cola Company in India, the rewards from being in the market will materialize only if we see our investment in broad terms: not just capital investment in bottling plants and trucks but also human investment in schools and training, social investment in women entrepreneurs, and technological investment in innovations like solar carts that can power a cooler, a mobile phone, or a lantern by which a young boy or girl can study. That's an expression of our commitment to India—and our commitment to succeed on India's terms.

Muhtar Kent is chairman and CEO of The Coca-Cola Company. This essay is excerpted from *Reimagining India: Unlocking the Potential of Asia's Next Superpower.*