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Reimagining India: Creating partnerships for the future

In short excerpts from *Reimagining India*, two CEOs from very different industries reflect on how global companies can succeed in India.

The power of partnership

Howard Schultz

We hope to have thousands of stores in India. I look forward to a day in the not-too-distant future when India takes its place alongside China as one of our two largest markets outside North America. But we know getting there won't be easy. And our successful beginning in India has not been without hurdles; on the contrary, it was a complicated six-year journey. Along the way, we learned a lot about India and ourselves.

One key to our success has been our partnership with the Tata Group. We announced our joint venture with Tata in January 2012. Ten months later, the Indian government loosened restrictions on foreign investment in the retail industry. From a legal standpoint, we could have tried to set up shop in India on our own. But I can't imagine bringing Starbucks to India without the assistance we've received from Tata. They helped us find great locations for our stores. They helped with store design and in getting the food menu right (*tandoori paneer* rolls and cardamom-flavored croissants!). They helped us overcome the many logistical and infrastructure obstacles to make sure everything on our India menu is fresh. They also helped with recruiting, which is crucial for us because no matter how big we get, the essence of Starbucks is to make that human connection: serving coffee one person, one cup, one neighborhood at a time.

The other unique aspect of our alliance with Tata is the ability to source and roast coffee beans locally in India. India is the only major market in the world where we can do that, and it is only because of our relationship with Tata, which is the largest coffee-estate owner in all of Asia. They not only own farms but also operate their own roasting facilities. We were able to work with them to develop an India-only espresso roast, designed specifically for India, that is every bit as good as the espresso we serve all over the world.

Developing that blend required us to do some things differently. We created a unique blend for India, and it's not roasted by our team, which is something we had never done before. It was a real test of our trust in our new partner because it required us to share with Tata some of the roasting secrets we have perfected over four decades and guarded very closely. But the result has been well worth it. In the process, we learned that not everything needs to be invented in Seattle, and that with the right partner, we can collaborate and coauthor, as long as there is a foundation of trust.

Howard Schultz is chairman, president, and CEO of Starbucks Coffee Company.

Finding the right prescription

Miles White

In business, sometimes you find the most valuable insights in places you'd least expect them. In my case, it was a crowded Mumbai alley full of "chemist" shops where I went to buy some medicine. That brief visit helped me understand why, after imagining India for a long while, my company had to become an integral part of it.

It was 2009. I had embarked on what might be called an immersion course in India—in particular in its health system. I toured its hospitals and other health-care facilities, at all levels of service. I visited private homes across a broad spectrum of socioeconomic levels. I tried to understand as well as I could what it was like to be an Indian citizen during this extraordinary moment in the country's history and what it was like to provide and receive health care.

As it happened, in the course of investigating India's health-care system, I came to need a little care myself. That's how I found myself in the lanes surrounding Bombay Hospital, where about 30 chemist shops, each with a storefront perhaps three to five meters wide, serve the hospital's many patients. The scene I encountered was eye-opening. Clerks clamored for my attention as I walked past. Indian pharmacies function as informal doctors as well as medicine purveyors, but the people manning these shops were unexpectedly young and could have been selling any commodity. Once I chose a shop, the young man at the counter asked numerous questions about the malady I wanted to treat. After a loud discussion between him and someone in the back—during which passersby could easily overhear details of my symptoms—I received a small bag of generic medicines. The drugs prescribed were just what I needed, and I was stunned by how little they cost—a fraction of the price I would have paid for them in the United States or almost any other developed country. In a way that no spreadsheet or PowerPoint ever could, this experience drove home to me how crucial it was for us at Abbott to be part of India's health-care solution.

The medicines I bought that day were what are known as "branded generics," and their prevalence in India underscores the essence of the country's health-care system. At the tip of the iceberg is outstanding care for the relatively few who can afford it. But the overwhelming majority of people receive a very different level of care, if any. For this majority, branded generics are appealing because, although their patent protection has expired, they offer the quality of manufacture and trustworthiness of consistency that comes with the imprimatur of a major pharmaceutical firm, at a much more accessible price than newer, patent-protected drugs. India is a powerhouse for these drugs, due to its wealth of scientific and managerial talent and its low production costs. We concluded that securing a major foothold in India would provide Abbott an ideal base from which to sell not only to the 1.2 billion people in India but also to fast-growing markets throughout the developing world.

We made a series of key transactions in 2010, acquiring the pharmaceutical business of Belgium-based Solvay, which had an Indian operation larger than our own, and forming a partnership with a major Indian pharmaceutical maker to market drugs in emerging economies outside India. Then came the deal that was fundamental to our vision: our $3.7 billion acquisition of Piramal Healthcare Solutions, a part of Piramal Group, one of India's largest companies. These actions made us one of the largest players in the health-care system of the second-most-populous nation on earth. In just four years, we've achieved our goal of attaining a number-one position in India's pharmaceutical sector where we have about 7 percent of the market. India now represents more than 4 percent of our total sales and almost 5 percent of profits—percentages that will surely grow.

Miles White is chairman and CEO of Abbott Laboratories.