

Convergence & Differentiation

What is
success in
a connected
world?*

Interview transcripts of Gautam Hari Singhania,
Chairman and Managing Director, Raymond Limited,
India



Gautam Hari Singhania is Chairman and Managing Director of Raymond Limited

PwC: Raymond has been a rather strong brand in India. But how strong is the brand overseas? Are you able to maintain consistent brand equity across India?

Gautam Singhania: A survey done by AC Nielson across brands in India tells us that Raymond is today among the strongest a brand can be in any country. It is undoubtedly among the strongest brands in India. Our brand equity has been built over the last 80 years. And, yes, it has been maintained consistently across the country.

We don't sell over-the-counter abroad. We supply textiles to apparel brands. So we don't have a brand presence overseas.

PwC: You have quite a diverse range. In your view, is there a trade-off between brand premiums and low prices? Can you have both?

Gautam Singhania: A brand is built on its values. The Raymond brand is the only brand in the world that transcends such a price spectrum. Our price range starts from Rs 150 a metre and goes up to Rs 150,000 a metre. What is important for us is the fact that the consumer who is buying the Rs 150 a metre fabric has as much confidence in the brand as the one who is buying at the Rs 150,000 a metre level.

Our brand equity, brand deliverables and brand spans are the same across the price spectrum and geography.

We have stuck to the core values of the brand, which are quality, trust and excellence. And these have been put across in all our communication and advertising campaigns. Ultimately, Raymond stands for one word – trust. If the brand value is clear, it transcends price bands. If the customer trusts us at Rs 150, he/she also trusts us at Rs 150,000.

PwC: Do you think consumers in emerging markets value brand attributes any differently from those in the developed markets?

Gautam Singhania: A consumer is a consumer. If your brand equity is built on trust, then how can it vary across geographies? Trust is universal. In every language it means the same.

In the export market our product is very different. It sells as an industrial product that is used to make someone else's brand. So I can't speak from our experience in the developed markets.

In the export markets, our brand is our innovation, our delivery capability and pricing. These are completely different brand attributes from those which apply when we are selling across-the-counter. A lot of lifestyle issues come into play there. A man who buys Raymond over-the-counter in India is a man who associates himself with the 'Raymond, the Complete Man' advertising campaign. A man who buys Raymond from a converter in the US has a completely different set of brand attributes and the Raymond advertising has nothing to do with it.

PwC: Is there a good supply of people available in the country for growth? Is it getting increasingly difficult to find skilled manpower?

Emerging Markets Perspectives – CEO Insights

Gautam Hari Singhania,
Executive Director,
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Gautam Singhania: Getting good people is a challenge. The challenge is determined by where you want to take the organisation. And, yes, times are changing. What was good 10 years ago is not good today. What's good today won't be good 10 years from now. So continuous improvement and out-of-the-box thinking comes from new people.

Getting good people into your organisation is critical for growth. Having been in a system, we think in a particular way. Our brand today is among the strongest brands the country has. It is probably the only Indian brand that can go global on a global scale. Therefore, attracting good people is not a problem for us.

In terms of products, we make the best products in the world. There is no question about that. Everyone has the machines to make fabrics. Some people (from competitors) once wanted to come and see our facilities and I was asked whether we should allow them to do so or not. I said yes, let them come and see our facilities. They may have the same machines as us. But they don't have our people. And that's really what gives Raymond its competitive edge.

PwC: What makes your people so different?

Gautam Singhania: It's the culture of the organisation, and how the Raymond culture has developed over the years.

PwC: Can you describe your organisation's culture?

Gautam Singhania: Our organisational culture goes back to the same three things I mentioned earlier – quality, trust and excellence. We apply these three things in everything we do. The underlying principle is: we have to make the best fabric; period. There is no other way to look at it. Everyone in the organisation has to strive to do that.

PwC: Do you face any threats pertaining to employees?

Gautam Singhania: In business, there are threats everywhere; there are threats in everything we do. Eventually, you have to work towards retaining your people. So more than the people, it becomes a system. And within that system, we have to have quality, trust and excellence.

Any organisation that thinks that it can't do better is sadly mistaken. There is always the challenge to get to the next level. But what is the next level? That depends. Tomorrow, there might be a next level that we as an organisation may not want to go to. The next level may be too small a step.

For the sake of argument, let's say manufacturing pure Cashmere suit lengths may be the next level for Raymond. But that may mean making 100 suit lengths a year. It doesn't make sense to get into that segment. It's too small a number. And then the winter in India is not all that severe and these Cashmere suits may not get worn that frequently. They are definitely not going to sell in south India!

PwC: In your view, what is the key to winning the war for talent?

Gautam Singhania: It is an ongoing challenge. And one way of winning this war for talent is by sharing with the employees what the organisation and the top management wants to achieve. And we get that commitment through communication. We have open, transparent communication within our organisation.

But I think the most important thing is to treat human beings as human beings. You create an environment for them to work where they believe in what they are doing. In this business you have to be very passionate about what you do.

The war for talent has always been there. And it is not going to go away. Everything is hotting up. We do have attrition but we are not in the limelight, like the IT and BPO sectors. In these sectors, the attrition rates are a lot higher. But then their growth rates are higher too.

To counter attrition, you have to motivate people to stay and be part of the system.

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PwC: What does collaboration mean to you? How does this work within and across different organisational layers at Raymond?

Gautam Singhania: Collaboration to me means combined knowledge-sharing and combined growth. You collaborate to ensure that two plus two is equivalent to five.

At Raymond, we have a hierarchical organisational structure. But we are trying to make it flat. In our organisation, decision-making is slow, but we want to speed it up.

In India, we are moving away from a rather feudal system. I am told there are two kinds of companies – family-managed and professionally-managed companies. But I believe there is a third category, which is a family-managed professional company. Raymond falls into that category.

I believe that India was built on family-managed companies. The family manager is the entrepreneur. He or she provides the entrepreneurial vision and has entrepreneurship in his or her blood. A professional manager is a person who believes in a system and its processes. You will never see a professional company diversifying into a completely different business. For example, Hindustan Unilever Ltd is highly unlikely to get into power generation.

Our group's biggest strength is its collective wisdom. In every organisation, there should be healthy and open debate. But then, somebody has to take the final call. In this company, we can discuss and deliberate as much as we want, but the final call is mine.

Similarly, at different levels within the organisation, someone has to take the final call. Earlier we were very centralised. Now, we are moving towards becoming more of a decentralised organisation.

PwC: Raymond has a rather unique and differentiated approach to customer segmentation? What makes it unique? And what are your priority segments?

Gautam Singhania: I don't think anyone in this country knows the Indian consumers as well as we do. And this understanding has come from knowing the customer for the last 80-odd years.

India is a diverse country. As far as the customer goes, it is not one country. North India, south, east, west and central India – these are all very different markets. The profile of the customer varies a great deal across these regions. The customer in Maharashtra is completely different from the customer in Uttar Pradesh.

These cultural, attitudinal and behavioural differences translate themselves into different spending habits, different tastes and styles. And having this knowledge about consumers is very important and critical to our business.

We use that knowledge to manufacture and market different ranges of textiles that cater for the palates of different consumers. And understanding the consumer is a continuous process. We get live feedback from various Raymond outlets across the country. This data is then put through analysis. And from that analysis, we make forecasts for trends, tastes and preferences in the future seasons.

As far as the priority segment is concerned, the bulk of business for most companies comes from the segments in the middle. That is the case with us. Around 75% of our revenues come from the mid-segments. However, our focus is on all segments. To us, the customer is the king. How do you pamper anyone more than the king? We have to deliver quality, trust and excellence to every customer. You can't give one customer less than the other.

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- PwC:** What makes your sales and distribution methods unique and differentiated? Are there any elements of your network that can be matched by domestic and overseas competitors?
- Gautam Singhania:** Ours is the strongest sales and distribution network for textiles and apparel in this country today – both from the perspectives of reach and quality. In 1956, we opened our first retail store, long before there was talk of the retail boom in India. Today, we are the largest in our business.
- Textiles is a sunset industry in other countries. There is no other country where fabric is sold across the counter. And there is no other company in any other country that can match our sales and distribution network. No one can match our market knowledge. These are our competitive advantages.
- PwC:** Have foreign players tried to come in to compete in your business?
- Gautam Singhania:** It would take them years to set up our kind of distribution network, acquire our kind of market knowledge and manufacture the quality and quantity that we do today. There is no company in the world with our kind of profile. There are a lot of garment manufacturers but none that does over-the-counter sales.
- PwC:** Do you have a competitive edge addressing low-income consumers profitably? Does that help you build scale or capabilities?
- Gautam Singhania:** We don't want to go beyond a certain (low) price. We are present in only those segments where we have a competitive edge. We are in the business of making money, after all.
- PwC:** Is new product and service development a core differentiator for Raymond? How do you use innovation to achieve that?
- Gautam Singhania:** Of course. It is a core differentiator for any company. Innovation is a continuous process. To me, innovation is a journey and not a destination. An organisation has to create a culture for innovation: it has to be in your system. We have set ourselves a target to bring out new products every two weeks. We have teams that visit around the world to do research on new products and categories. We have design studios outside the country continuously giving us inputs.
- PwC:** So is the focus at Raymond on new products and services or on adaptation of existing ones?
- Gautam Singhania:** It's on a combination of both. Sometimes we take a fabric and re-engineer it. Sometimes, we come out with the same fabric in different colours. In summers, lighter colours sell more.
- If you go to an exclusive Raymond store (known as 'The Raymond Shop'), the salesperson will show you 400 different types of fabric. The customers know they will get choice at a Raymond store. We communicate with the customers at the point of sale. They go to the store and see the choice. Customers tell the salesperson what they want the fabric for – be it for marriage, for the office or for parties. Our sales people educate customers at The Raymond Shop.
- PwC:** Do you think the Indian Government can affect your core competencies in any positive or negative influence?

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Gautam Singhania: I think labour laws and infrastructure are two key issues on which the Government needs to act fast. Infrastructure is a problem area in India. And the Government needs to take a hard decision on labour laws.

Otherwise, we are a deregulated industry. We don't need to seek permissions or get approvals for anything from the Government. I don't go to Delhi at all, except for personal reasons. That says it all. Fifteen years back, I used to – in order to get licences, approvals and so on. But all that has changed since liberalisation.

In terms of infrastructure, the plight of our ports, airports, roads and the power sector is appalling.

However, we have dealt with a lot worse in the past. Things are definitely improving. For instance, the simplicity with which a manager of mine can travel today, buy a car or get a telephone is phenomenally better than it was 15-20 years back. And I think we need to believe in this country.

PwC: In what ways must the Government work towards improving the infrastructure?

Gautam Singhania: Things are moving in the right direction. Privatisation of airports hasn't happened for the last 50 years, but it's happening today. Look at what Laloo Prasad Yadav (the Union Railways Minister) has done to the Indian Railways. Whoever thought the railways would compete with other modes of transportation for business?

Today, we need skilled labour. We need labour reforms, so that companies can hire and fire labour. Today, if I manufacture in Vietnam I don't face the issues I face here in India. There are no infrastructural hurdles and no labour laws to bind us down.

PwC: Are there any policies that have helped you in any way? Are there any other policies you would suggest?

Gautam Singhania: Our main advantage has been the Technology Upgradation Fund (a scheme that assists different segments of the textile industry to modernise through installation of new and state-of-the-art machines). However, the strengthening of the rupee against the dollar has also caused a lot of problems for us since we export to over 55 countries across the world.

In the textile industry, the main issue has been the labour laws. Allowing companies to hire and fire their labour force will bring about more accountability, more discipline and higher efficiencies.

Over the last 20 years, a lot of mills in Mumbai that were not able to restructure (due to the archaic labour laws) have shut up shop. The big names in the textile business are all finished.

PwC: How did Raymond survive that phase?

Gautam Singhania: We survived because we invested in the future. And we invested in our brand. We bought new and modern equipment. We also survived due to some location advantages.

PwC: What is your perspective on entrepreneurial talent in India?

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Gautam Singhania: I think India is fundamentally the land of entrepreneurs. Entrepreneurship is our culture. It is in our system. Entrepreneurship is the backbone of this country. Look at the kind of jobs that have been created in the last five years in all industries.

The world is going to be ours. Five years back, one didn't see the kind of companies we are seeing today. In 1990, you didn't have many Indian companies that posted \$1bn in turnover. Today, there are many companies that make that kind of profit. Our growth path is enviable.

India has a very strong domestic market. And therefore, I feel we will always stay slightly insulated from the global economy. There are a billion people out there who are hungry for quality goods and services. Even if the market for a certain good is 10% of the total Indian population, it automatically translates into a size that's larger than the population of many countries.

Let's look at the car market for the sake of an example. India sells roughly one million passenger cars and seven million motorcycles every year. Even if Tata Nano takes away 15% of the motorcycle market, you will still witness 100% growth in passenger car sales. And I don't think 15% is an unrealistic number. Look at the spin-offs this would have on industries like steel, fabric, tyres, components and so on.

Ten years ago, everyone wanted to go abroad. Today, we are recruiting migrant Indians who want to come back to their home country. They all want to come back to India because, today, the country offers them comparable lifestyles and salaries.

In education, I feel we have a long way to go. In order to fill the skills gap, as a corporate, we are training our employees. Today, we are spending a lot more resources on training.

The biggest thing for us today as Indians is to believe in ourselves. We have always had the feeling that we are a Third World country and anything foreign is better. Today, after having travelled the world, I can say that you can't get better products than the ones you get here in India. Take any sector as an example. In aviation, the best airlines are here in India. In hospitality, we have the best hotels in the world. In technology, we are the best. In fact, we leapfrog technology. In automobiles, no other country has manufactured a world-class car for \$2,500. Look at our motorcycles. They too are the best in the world. You can go industry by industry and you'll find that we are the best in the world. Even in terms of cost, we are highly competitive.

These labour and financial crowd-outs raise the general cost in the country. Exchange rates are also part of this general system. However, the main issue is that the state has to shrink. It is omnipresent.

The third issue is the weakness of the infrastructure. Maybe it is better than that of Eastern European countries. I am sure it is better than India, but it is weak in comparison to China. It is also weak when compared to European countries. There is a railway in front of the factory but you cannot use it. It is more expensive to use it. However, we regard ourselves as a logistics business at the same time. Being able to use it would create an advantage, but we cannot use it. These problems all arise from the organisational disorder inside the state.

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