

Saimaa University of Applied Sciences
Business Administration, Lappeenranta
Degree Program in International Business
International Business

Mari Ahokainen

INDIA AS A MARKET AREA FOR FINNISH GRANITE

Bachelor's Thesis 2009

TABLE OF CONTENTS

1 INTRODUCTION	5
1.1 Targets and Purpose of the Research	5
1.2 Research Methods	6
2 EXPANSION TO NEW MARKETS.....	8
2.1 Exporting.....	8
2.2 Research and Analysis of New Markets	9
2.4 Keys to Success in International Markets	10
2.5 Management Tools Used in New Market Evaluation	11
2.5.1 SWOT-Analysis	11
2.5.2 PESTE-Analysis	12
3 GRANITE MARKETS OF THE WORLD.....	14
3.1 Granite Usage	14
3.1 Granite Markets.....	15
3.2 Granite Production	16
4 FINNISH GRANITE.....	18
5.1 Finnish Natural Stone Industry	18
4.2 Problems and Solutions in Exports to India	19
4.3 Finnish Export Statistics to India.....	20
5 INDIA AS A MARKET AREA FOR FINNISH GRANITE	22
5.1 Business and Granite Areas	22
5.2 Infrastructure	26
5.3 Logistics Operations.....	27
5.4 Import Statistics.....	28
5.4 Comparison between China and India.....	29
6 MANAGEMENT TOOLS AND ANALYSES OF INDIA.....	32
6.1 PESTE- Analysis.....	32
6.1.1 Political Aspects	32
6.1.2 Economic Aspects.....	33
6.1.3 Sociological Aspects	34
6.1.4 Technological Aspects	36
6.1.5 Environmental Aspects.....	36
6.2 SWOT-Analysis.....	37
6.2.1 Strengths.....	37
6.2.2 Weaknesses.....	38
6.2.3 Opportunities.....	39
6.2.4 Threats.....	39
7 ANALYSES.....	41
7.1 General Market Situation.....	41
7.2 Utilization of Granite in India.....	42
7.3 Export Commodities	42
7.4 Utilization of Finnish Granite.....	43
7.5 Evaluation of Market Share	44
7.6 Indian Stone Industry Capacity.....	45
7.7 Chinese and Indian Stone Industry.....	45
8 CONCLUSION AND DISCUSSION	47
8.1 Analyses Based on Theory and Interviews	47
8.2 Future Steps for Finnish Companies	49
REFERENCES	51

ABSTARCT

Mari Ahokainen

India as a Market Area for Finnish Granite, 52 pages

Saimaa University of Applied Sciences, Lappeenranta

Degree Program in International Business

Specialization in International Business

Bachelor's Thesis 2009

Instructor: Principal Lecturer Kirsi Viskari

The purpose of the research was to examine whether India can be a more profitable market area for Finnish stone companies in future. India is known for its stone industry and it is one of the biggest exporters of natural stone in the world. The economic growth in India can be seen in construction business and many surveys predict that India and China will be Asia's giants in future. Finnish stone companies export 90 per cent of the stone production and have a strong experience of the international business environment. The research focuses on the view how potential Indian markets will develop for Finnish exporters in future?

The theoretical information was gathered from books, databases, newspapers and magazines. The main goal of the theory part was to introduce the stone sector and describe Indian and Finnish stone business. PESTE- and SWOT-analyses were used to examine and process the theoretical information gathered. The empirical part was done by interviewing a Finnish representative and conducting a survey among Indian representatives. The Theme interview face-to-face with the Finnish businessman provided perspective of Finnish exporters. Open-ended questions in an e-mail survey on the other hand discovered the Indian point of view of the market situation there. Comparing Indian and Finnish professional perspectives made it possible to examine both perspectives on a deeper level and widen understanding of the market situation in India.

The results of the research confirm previous forecasts that Indian stone business will continue to grow in the following years. The markets offer large growth potential for many foreign exporters. Finnish stone companies, and stone generally, are not well-known in India and therefore Finnish stone companies need to raise awareness and promote more Finnish stone qualities. Annual stone exhibitions have a great importance in collecting new contacts in stone business and could be used to find and establish long-term relations. The companies large scale production in India, strong Euro and rising costs of sea freights are all great challenges for Finnish exporters. To be able to overcome these challenges Finnish companies should tailor and customize their materials and pricing to suit the local markets. Finnish stone companies need to prove to Indian customers that they came to stay. A Further study is required to find out how Finnish companies could find reliable agents in India and what marketing strategies could be used to make Finnish granite well-known in India.

Key words: Granite Industry, Exports, India, Natural Stone, Expansion

TIIVISTELMÄ

Mari Ahokainen

Intia suomalaisen graniitin markkina-alueena, 52 sivua

Saimaan Ammattikorkeakoulu

Liiketalous, Lappeenranta

Kansainvälinen kauppa

Opinnäytetyö 2009

Ohjaaja: Yliopettaja Kirsi Viskari

Opinnäytetyö tutkii Intian kivimarkkinoita ja suomalaisten kivialan yritysten kasvavia markkinoita siellä. Intia on tunnettu kivituoannostaan ja on yksi maailman suurimmista luonnonkiven viejistä. Talouden kasvu näkyy rakennus alalla ja monet tutkimukset ennustavat, että Kiina ja Intia tulevat olemaan tulevaisuudessa "Aasian suuret". Suomen suurimmat kivialan yritykset vievät ulkomaille 90 prosenttia tuotannostaan ja niillä on vankka kansainvälisten kivimarkkinoiden kokemus. Tutkimus keskittyy selvittämään kuinka potentiaaliset Intian markkinat todella ovat suomalaisille kivialan yrityksille.

Teoriaosuus koostuu materiaalista, mitkä on kerätty kirjoista, lehdistä, tietokannoista ja Internetistä. Tavoite oli kuvata kiviteollisuutta yleisesti sekä kertoa Intian ja Suomen välisestä kaupasta. PESTE- ja SWOT- analyysijä on käytetty kerätyn teorian analysoinnissa ja yhteenvedossa. Empiriaosuus koostuu pääosin haastattelusta sekä kyselyistä, joilla kerättiin tietoa alalla toimivilta asiantuntijoilta. Teemahaastattelu suomalaiselta edustajalta tarkensi suomalaisten viejien näkökulmaa. Kyselyt kuvasivat alalla toimivien intialaisten asiantuntijoiden näkökulmaa ja ajatuksia tulevaisuuden kehityksestä. Vertailemalla maiden näkökulmia tutkimuksessa päästiin tarkastelemaan syvemmälle alalla toimijoiden ajatuksista kehityksen suunnasta Intian kivimarkkinoilla.

Tutkimustulokset tukivat aiempia ennusteita, joiden mukaan Intian kivimarkkinat jatkavat kasvua tulevina vuosina. Markkinat tarjoavat suuren kasvupotentiaalin ulkomaalaisille kauppakumppaneille. Suomalaiset kivialan yritykset sekä kivilaadut ovat vielä suhteellisen tuntemattomia intialaisille alalla toimiville yrityksille ja tämän vuoksi suomalaisten yritysten pitäisi markkinoida enemmän ja tehdä suomalaisesta kivistä tunnetumpi. Vuosittain järjestettävät kivialan messut ovat hyvin tärkeitä tapahtumia erityisesti kivialalla ja osallistuminen messuille varmasti auttaisi löytämään uusia liikekumppaneita ja kontakteja. Intian laaja oma tuotanto, vahva euro sekä rahtihintojen nousu luovat haasteita suomalaisille kiven viejille. Nämä haasteet voidaan päihittää materiaalien sekä hintojen muokkaamisella sopiviksi juuri Intian markkinoille. Suomalaisten yritysten on todistettava intialaisille asiakkaille, että ne tulivat Intiaan jäädäkseen. Lisätutkimusta tarvittaisiin siitä, kuinka suomalaiset yritykset voisivat löytää luotettavia agentteja Intiasta sekä mitä markkinointistrategioita voitaisiin käyttää, jotta suomalainen kivi saataisiin tunnetummaksi Intiassa.

Asiasanat: Intia, kiviteollisuus, ulkomaankauppa, vienti, luonnonkivet

1 INTRODUCTION

1.1 Targets and Purpose of the Research

The thesis examines whether India can be a more profitable and bigger market area for Finnish granite in future. India has been known for decades for its stone industry and it is one of the biggest exporters of natural stone in the world. The country uses natural stone as building material more than many other countries. Finland is also known for its natural stones and 90 per cent of the stone production in Finland is exported to all over the world. The research explores whether Finnish companies can increase their exports to India and how likely it is that stone imports will grow there. Each country has unique soil and granite. Granite from Finland is very different compared to Indian granite and it cannot be copied. The unique appearance of Finnish granite is definitely a competitive advantage that should be considered when planning export strategies.

Many studies predict that India will grow economically in future and it will be one of the Asia's giants. In that case Finnish stone companies should start promoting their material in advance to establish business relations. Granite is often used as building material in India for example in interior decoration and monuments. The economic growth in India has resulted growth in construction field and many investments are made in high volume projects. The infrastructure has suffered from over usage of the huge population and needs large scale investments. In many Finnish stone companies Asia, especially China, plays an important role. Chinese markets have been growing each year and many surveys predict that markets will become matured in some point and then there should be other countries to replace and take that role. Companies that have several countries they export to are dividing the risk and bearing loses in some market area. How can Finnish stone companies gain better market position on markets that have already large production of their own? And how can Finnish stone companies overcome challenges in exports such as the strong value of Euro and costs of sea freights? These questions will be covered in the research.

1.2 Research Methods

The research is executed by using literature as theory and an interview and questionnaires to collect specified information about the Indian markets. Literature is gathered from different sources. Traditional books are found from libraries and also data bases are used and found from schools web pages. Newspapers and magazines give more detailed information about stone branch and companies operating there. A PESTE-analysis and SWOT- analysis process and examine the theoretical information gathered. The questionnaire and interview are used to give deeper perspective and understanding of Indian markets through experts operating in stone business.

The questionnaire among Indian representatives reveals what experts in the stone industry think of the current market situation in India. The interview with a Finnish representative gives the Finnish perspective of Indian market situation. Comparing the responses from the interview and the questionnaires will provide access to more detailed information about how the both countries see the progress and future of Indian stone markets. The questionnaire was executed by using open-ended questions and the questions were promptly determined in order to have specified answers. The interview was implemented by using a theme interview face to face with a Finnish representative. E-mail survey was completed by questioning Indian businessmen because interviewees are living abroad in India. These experts are accustomed to use e-mail everyday as their working tool and therefore this survey method is the most convenient way for them to answer questions.

Theme interviews are one of the most popular interview models used in Finland to collect qualitative information. The basic idea of the interview is very simple; the interview is accomplished by conversation between the interviewer and interviewee about a certain theme. Nowadays the interview model has changed from a direct question-answer type to a more conversational and informal interview. An important consideration is whose purposes the interview is promoting and will the interviewee get something more of it than just a good feeling of promoting science. It has been analyzed that there are three

motivating factors for allowance to an interview. The first factor is the opportunity to state the interviewee's opinions on a certain matter. A research interview is seen as a forum or channel to state ideas and thoughts. The second motivator is the urge of telling and sharing experiences with other people. Some people want to think that their thoughts are very valuable and therefore worth telling. Others want to help people in the same situations by sharing their experiences. The third motivating aspect is a good memory of participating earlier on a scientific study and having a positive picture of the interview situation. (Aaltola & Valli 2007, pp. 25 – 27.)

The theme topics are carefully determined in theme interviews but the exact form and order of questions are missing. The interviewer decides beforehand which themes will be covered but the order and width can change in each interview. The occasion in open interviews seems more like casual conversation. This will have a negative impact on the results and success of the whole interview. The basic idea when starting an interview is not to go straight to the subject. Sometimes prefaces are used also in the middle of the interview to open conversation or lighten the discussion. Language is an important decision because the most important goal is to gather information and therefore mutual understanding and communication have key roles in a successful interview. (Aaltola & Valli, 2007 p. 31.)

E-mail questionnaires are executed via a computer on the Internet. One of the biggest advantages is cost efficiency. It is also a fast and convenient way to gather information because answers can be easily picked and turned into documents. E-mail questionnaires have not yet reached high popularity and usually the young generation has more positive attitudes towards this kind of questionnaires. It is very important to consider the target group and the suitability of the e-mail questionnaire to that certain group. Often older people prefer traditional postal surveys, but younger generations see the e-mail survey as reliable as the postal survey. In many working environments computers and e-mail are the most important working tools and therefore the younger generation consider e-mail questionnaires more convenient and time saving. (Proctor 2005, pp. 139- 142.)

2 EXPANSION TO NEW MARKETS

The research examines whether India can be more a profitable market area for Finnish exporters in future and therefore the main focus in this chapter is on the export perspective. India represents new market areas that have growth potential for Finnish companies.

2.1 Exporting

“There are three kinds of companies: those who make things happen; those who watch things happen; and those who wonder what’s happened.” - Anonymous (Kotler 1999, p. 3).

Professional exporters increase profits and reduce risks by relying on time-tested techniques and practices. Export trade requires contracts and documents. Partners should know how to construct a complete contract of sale, because the “master” contract will determine the other documents prepared such as transport documents, insurance policy and payment related documents. Competitive advantage and success is nowadays measured by the company’s ability to learn faster than competitors. Export activities are in an important role when creating the status of “learning” organization. Another trend is diversifying risks by selling to multiple countries and markets. (Jimenez 1997, pp.11-12.)

The company should consider strategic and tactical issues before it decides if it is ready to enter foreign markets. Strategic decisions compile such things as choice of countries, product markets, target segment, models of operation and timing. Tactical decisions on the other hand includes operations within a given country such as product positioning, product adaption, advertising, media selection, and pricing and distribution decisions. It is very important to evaluate the readiness to enter certain markets. Every company, regardless of its size and experience, should determine how ready it is to make a move. The main focuses that needs to be covered are competitive capabilities in the domestic markets, motivation for internalization, commitment of the management level,

product readiness, resources and experience and training. This kind of measurement will provide a good starting point for decision making. However, later on a more comprehensive analysis e.g. SWOT-analysis should be done. (Albaum et al 2005, p. 16.)

When a company is starting to export to new country managers should think “It is not what we know but who we know”. Facts about the country’s markets are important to know, but even more important is to have contacts and relations with important people in the new market area to be able to start business operations there. Before a company starts creating relations to start doing business they should make research on what they need to know on the certain markets. In a market analysis there are criteria that together determine whether the market area is suitable for certain exports. (Horchover 1997, p. 14.)

2.2 Research and Analysis of New Markets

A simplistic answer is that a company has to know at least the minimum necessary information to avoid making costly mistakes. To examine more carefully there are several aspects to consider. It is important to have some idea of politics of the country you are planning to export to because there are often regions or territories where it is impossible to sell. Also checking possible tariff barriers, customs duties, quotas affecting the selling process of products or materials is important. Many people think they can easily list what countries are rich and poor and which are developing countries and which are not. Sometimes the distribution is not as clear as it seems. There are several different measurements to determine countries’ economic situation. One often used measurement is to find out the electricity output per million people to be able to classify the development stage. Naturally competitors are important to explore both in value and quantity. An exporter should find out which products of its own range are manufactured locally and especially in what standard, range and price. Currency is also one of the most important aspects, particularly its stability and convertibility. Social conditions often explain customers’ buying behavior and business culture. (Horchover 1997, p. 15.)

Criteria used in a market's analysis for new export market areas are tariff levels, transport cost, size of market, and ease of promotion, competition, risk factors and distribution. A high tariff level can decrease the profitability of each order. Transport costs are crucial because these costs are added to the price of order, whether by seller or buyer, depends on the delivery term. Sometimes competitive prices are not enough when transport costs are high. The size of a market can determine potential profits. Ease of promotion helps to make product or material well-known. Sometimes advertising restrictions are a challenge to foreign companies. A competition levels both locally and internationally will help to make decisions on strategy and pricing. Risk factors such as payment, government or legislative can set a risk on success and those factors should be considered carefully to be able to overcome them in case something appears. Distribution is also closely related to core operations in exports and its profitability calculations. (Horchover 1997, p. 25.)

2.4 Keys to Success in International Markets

Success in an international market place is measured in profits and market share. Certain activities are claimed to improve success in new markets.

- A company should get beyond cultural aspects. There are many cultural differences but the company can learn from them and eventually understand those differences.
- An early investigation of the markets is the key to success. The best information will come from your own industry both from domestic and foreign markets.
- The slogan "Where there is competition there is a market" encourages to export to countries where already is competition. Companies should not be afraid of competition, they should overcome obstacles and think out of the box to be able to beat competitors.

- The budget should be planned carefully to cover short time losses but achieve long-term profits.
- In international business more patience is required compared to domestic trade. Building relations and trust takes time and effort.
- Communication between partners is crucial to ensure both parties understand each other and sales transactions will satisfy both. The companies should offer customers quality service of communicating often, clearly and simply. It is important to remember is that expert counseling saves money.
- The company should ask help from different organizations such as banks, freight forwards and department of commerce to be able to minimize costly mistakes.
- Selection of distributors is also critical for success. They will affect strongly on customers' satisfaction and overall profitability.
- On a strategic level the company should try to be proactive rather than reactive. The overall development of the industry should be followed continuously to be among the first ones to enter profitable markets and make good profits. (Nelson 2000, p. 287.)

2.5 Management Tools Used in New Market Evaluation

2.5.1 SWOT-Analysis

A SWOT-analysis consists of strengths, weaknesses, opportunities and threats. It provides the foundation of finding strategic direction to the firm. The SWOT is used to synthesizing all the information into a usable package for making decisions. This information will be used to determine the feasibility of strategic alternatives, once those have been identified. It is important to consider both

internal and external factors to create powerful strategies for the future success of the firm. Strengths can be both internal and external. Before listing some aspect into strengths you must assess the fact information. Believing is not enough and companies should make research on matters to prove that the factor is categorized into strengths. Weaknesses can also be both internal and external. When analyzing weaknesses two perspectives can be examined; what do we think are our weaknesses and what do competitors think are our weaknesses. Many authors think opportunities can only rise from the external environment. In some cases opportunities can also come from the company itself e.g. growth and profit can be found in external factors and trends, but also exploring internal activities. Threats are usually categorized through external environment. (Formisano 2003, pp. 103-107.)

2.5.2 PESTE-Analysis

“The external context of strategic decisions is very wide-ranging. It can include governments, competitors, technological and social change and the dynamics of buyer and supplier markets. One way for managers to analyze their exposure to the set of potential contextual factors is through the application of a PEST-analysis.” (Thomas 2007)

Companies can operate in various external conditions, typically analyzed in terms of the PEST acronym that summary the five most basic environmental forces such as political, behavior, economic, social and technological. Political forces appear in forms of government regulations and actions, legal issues and international agreements. Behavioral aspects mean usually considering customers and their interaction with products. Economic forces originate from the consumer and the structure of markets. Those products and services that change the ways in which consumers purchase goods and services will be counted as economic forces. Also negotiations over alliances and scale and scope of operations result from economic forces. (Cooper 2000)

Social forces mean that products affect the way people interact with one another. A recent example of social factors is e-mail as a new product and its influence socially. It has caused adaption to new rules and etiquette as a learning process to its users. Technical forces have gained a lot of attention in media. In practice it means faster processors, bigger hard drivers and more memory in technical devices. The rapid progress changes dramatically consumers' expectations of new product qualities and the value of the products. Nowadays also ecological issues have become important and therefore PEST-analysis have been complemented with additional E stating environment. Some researches add also L for legislative aspects and C for cultural aspects. However, environmental issues such as pollution, climate change and green house effect have become very important issues and many companies have started to allocate more resources on environmental friendly production. (Cooper 2000; PESTE-analysis 2003)

3 GRANITE MARKETS OF THE WORLD

3.1 Granite Usage

Granite has been used for centuries as a construction stone because of its properties. Menkaure's Pyramid in Egypt was built of limestone and granite blocks. The third largest Egyptian pyramid was named The Red Pyramid of Egypt based on the granite color on surface. Many Hindu temples are also made of granite in southern India. Nowadays granite has been extensively used as a dimension stone and as flooring tiles both in public and commercial buildings and monuments. Increasing amount of acid rain in different parts of the world has been the reason why granite has begun to substitute marble as monument material, since it is more durable. Polished granite is also nowadays a widely used choice for kitchen countertops due to its high durability. (Ezine Articles)

Granite has been used as building material for centuries but few decades ago its hardness was limiting the used applications. Within the innovations in technology especially diamond technology and developments in the architectural and decoration field the granite industry has taken a new direction. Nowadays there are machines and tools that can slice and polish granite to give different finishes to suit the purpose. The use of water jet cutting machines, CNC machines and diamond tools have revolutionised the industry. The granite can be polished and cut as customers want it to be. (Stone Panorama 2009, p.38.)

Granite has become one of the most popular building materials. It has been used for thousands of years in both interior and exterior applications. Granite dimension stone is used in buildings, bridges, paving, monuments and many other exterior projects. In indoor decoration polished granite slabs and tiles are used in countertops, tile floors, stair treads and many other design elements. The industry has seen a sudden spurt in granite's use as countertops for example kitchen, bathroom and reception counters. There is massive demand

for granite countertops in the UK, Middle East, North America and other countries in Far-East and Europe. There has been negative propaganda stating that granite is not safe building material and this has affected demand level by slowing growth. These statements have however started disappearing after scientific studies have proved that granite is a safe material and it is not causing any harm to mankind. (Stone Panorama 2009, p. 38; Geology)

Today in India granite is used widely in domestic construction sector, monuments construction markets, hospitality industry, export market and handicraft and antiques. The material is starting to be more well-known and popular because of technological advancements, sophisticated quarrying techniques, and decreased cost of mining and growth in usage as material in the decoration sector. Granite as material is showing beauty and long-lasting value and therefore people have started to use it more and more in memorials and in other funerary items. Today granite is popular material in laying floors and cladding walls in airports, hotels and other public and commercial centres. A large shopping mall was recently built in Dubai and there was used 30 000 square meters of granite in 26 qualities of granite from all over the world. These kinds of projects can create huge profits to companies and at the same time create competition among different producers. (Stone Panorama 2009, p. 39.)

3.1 Granite Markets

The worldwide import and export of stone has continued to grow for many years. One major reason is the dynamic growth in of South –East Asia. There domestic consumption, output and import and export have risen and will continue to do so. The main explanation for this is the overall performance of the Chinese economy that has influenced the whole sector. The other centre of the international stone trade is the United States. Domestic production is significant, but still has never been sufficient to meet the market's internal needs. This shortfall is fulfilled by using imports. China has been for some time the largest processor of granite and exports of processed granite has changed the face of the whole sector by radically altering the role of traditional

processors such as Spain and Italy and producers such as South Africa. These countries are now losing a share worldwide. Only large countries such as India and Brazil have managed to keep up with the development with China. (Natural Stone in the World 2006, p. 25.)

The main goal globally is to produce an attractive quality-price ratio taking competitors into consideration. European producers and processors have the Atlantic to cross and a strong euro that weight heavily on exports. Combining these factors with difference in production costs and more strict regulations involved with environmental and production issues makes it more challenging to export European production. These are also reasons why European exports often tend to look more at regional and domestic markets. North American markets have continued to consume stone at a steady volume and Brazil has gained the biggest share and profit for this consumption. India has also benefited from this increase of consumption. The latest forecast made by the OECD presents a view of the world future development that is geographically more balanced than it has been in the past. The stone sector is changing and adapting new demand and change in requirements. Changes provide opportunities to those who know how to exploit them and perhaps there is the future challenge for the whole stone sector. (Natural Stone in the World 2006, pp. 26-29.)

3.2 Granite Production

The general model includes two production types that work all over the world. The first involves raw materials that are so special because of their property such as color and quality. Each country has unique soil and therefore the natural stone base looks different. Some countries do not have their own reserve of granite at all because of the composition of soil. The hardness and durability are relatively similar in different continents. The different colors of granite are therefore the most important visual criteria for selecting certain granite qualities. Sometimes markets pay them special attention because of fashion, price or specific period. Trends in construction and interior decoration

fields can show in the consumption of different granite qualities. Also cultural aspects define which colors represent positive meanings, e.g. in China red color represents happiness and wealth. In many countries colors represent certain values or beliefs and therefore it is important to consider the different meanings when promoting different stone qualities. (Natural Stone in the World 2006, p. 29.)

The second type involves selected products that are processed in such a manner that only a few companies can supply them. This can result technical difficulties in the process or the specific project itself that is so unique. Also short delivery times can explain why just few companies are able to respond to the demand. This market segment is clearly smaller and therefore there are only few producers that are specialized in it. It is also a segment of varying sizes where quality is not necessarily playing the most important role. Instead of quality available sizes, volume, delivery times and additional services are creating more value for the customer. These cases indicate why it is not always enough to have the right machinery and materials to succeed in the markets. (Natural Stone in the World 2006, p. 29.)

4 FINNISH GRANITE

5.1 Finnish Natural Stone Industry

There are over 60 quarries in Finland and natural stone in its various forms is exported all over the world year round. The export of natural stone has been practised in Finland for over one hundred years. One reason for its long history is that the location is safe, there are no earthquakes, volcanic eruptions or other natural catastrophes that can harm the natural stone base. Almost 90 per cent of the total production goes to export and Finnish granite is exported to over 40 countries mainly in Europe and Asia. The large export share has culminated the whole stone industry in Finland by increasing investments in more advanced technology. Finnish stone suppliers are usually small or medium-sized family businesses. Commonly Finland is considered a safe and reliable business partner producing high quality stones. (Suomen Kiviteollisuusliitto)

Today Finland is a well-known producer of natural stone producing granite, marble, schist and soapstone. The main focus is on granite and soapstone production. The two main granite production centres are in Rapakivi granite areas in south-western and south-eastern Finland. Soapstone is mainly produced in the eastern part of Finland. The annual turnover of the industry is approximately 200 million euro including both soapstone and granite products and material. Finland is one of the major exporters of granite and leader in world's soapstone production. There are about 200 operating stone companies in Finland employing more than 2000 persons. (Stone Panorama 2009, p. 42.)

India has been for a long time an unknown and distant country to Finnish companies. Just few companies have established a long-term position and relationships there. The situation has however changed fast and dramatically. As a market area India is very challenging though there are similarities when comparing entering markets in China. Companies have to prove that they came to stay and to prove this they have to work hard and determinately. Statistics also show that a Finnish company's export share to India is very low. It is at a

same level as exports to Greece, Singapore, Ireland or Portugal. Exporting granite as raw material to India has however a bigger market share. This is because they have a lot of their own production and granite is often used material in house building and interior decoration. (Grundström & Lahti 2005, p. 44.)

4.2 Problems and Solutions in Exports to India

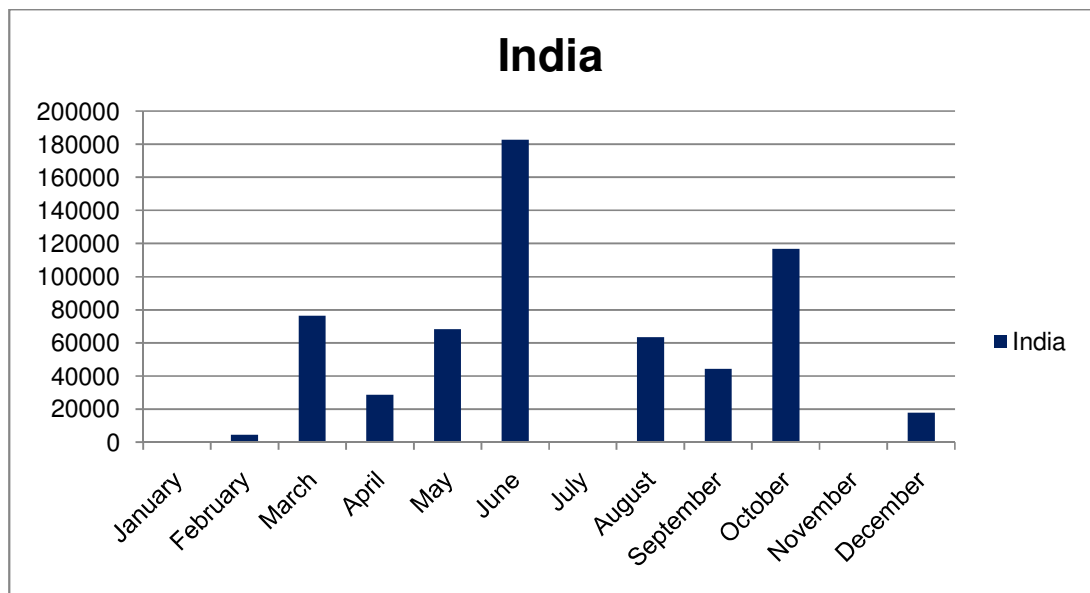
Finnish stone companies face often problems when they cooperate with locals in India. It is often a challenge to find reliable suppliers, agents and other partners in India. Solutions to this are establishing partnerships by regular buying and active communication with the partner to maintain relations. Companies could check background information about the potential partner so that the company seems reliable. The competition that Finnish exporters face is often hard and dishonest. Prices that Finnish companies offer are often too high for local buyers and they are not willing to pay for the quality as much as asked. In this case the company should tailor the product or material and pricing strategy to suit the local markets. Many times Indian business partners start negotiating about contract terms again during the deal. This can be very frustrating to western representatives, but crucial is to understand local business manners and culture. Sometimes local agents can help negotiating when they have experience and knowledge about local discussion tactics. Indian suppliers have regularly quality problems. Careful quality control and tight cooperation with the suppliers help companies to maintain their good reputation. (Korhonen et al 2008, p. 104.)

Finnish companies are also advised to create good personal relationship with the important decision-making authority. Legislation in India is complex and execution is very slow. The one solution is to choose a state that is more tolerant in certain business activities. Finnish companies are sometimes unknown to locals and in this situation the company has to work hard to make it more known by using the help of different organizations. The lack of proper infrastructure can make logistics operations challenging to Finnish exporters.

Also in this case companies should choose a state that is known for more advanced infrastructure and investment level. (Korhonen et al 2008, p. 102.)

4.3 Finnish Export Statistics of Granite to India

Total exports of Finnish granite in 2008 were 32 044 488€. Generally the best sales were in April and March. The lowest profit in sales came in November and December. In year 2008 Finnish granite was exported to India all together worth 603 061€. Comparing the import value of Indian granite to the export value of Finnish granite, the export share is four times bigger. The most profitable months were June and October with almost 200 000€ sales. The most unprofitable months were January, July and November. Dramatically the total sales were 0€ in those months. The difference in the sales volume between different months is remarkable. The low season months January and July can be explained. In Finland there are summer breaks in the quarries and production and operations stop and that is why there is not much material to sell. On February in Asia there are celebrations like Chinese New Year and this affects sales each year. Generally could be said that autumn and spring are high seasons for selling Finnish granite to India. (Tulli 2008 a.)



4.3 Export of granite from Finland to India (Tullihallitus a.)

The graph 4.3 shows granite exports in Euros from Finland to India in year 2008. The most profitable and unprofitable months can be seen from the picture.

To compare China and India in Finnish exports statistics China is clearly in the leading position. In year 2008 total granite exports to China were worth 18 424 647€. The export value to China is three times bigger than the value to export to India. China is clearly the biggest market area for exporting Finnish granite with total exports more than half compared to Finnish exports to all countries calculated together. (Tulli 2008 a.)

5 INDIA AS A MARKET AREA FOR FINNISH GRANITE

Developed rich countries are interested in India now. The term “India phenomenon” can be used to describe the huge attention that India as a country and its economic growth have created in different information channels all around the world. In the USA and Britain there has been discussion about India’s role in future but discussions have just started in Finland. Some countries have been faster to notice the change and potential in India and also act according to that. Several countries have established business councils in India to advance business relations between countries. (Grundström & Lahti 2005, p. 100.)

5.1 Business and Granite Areas

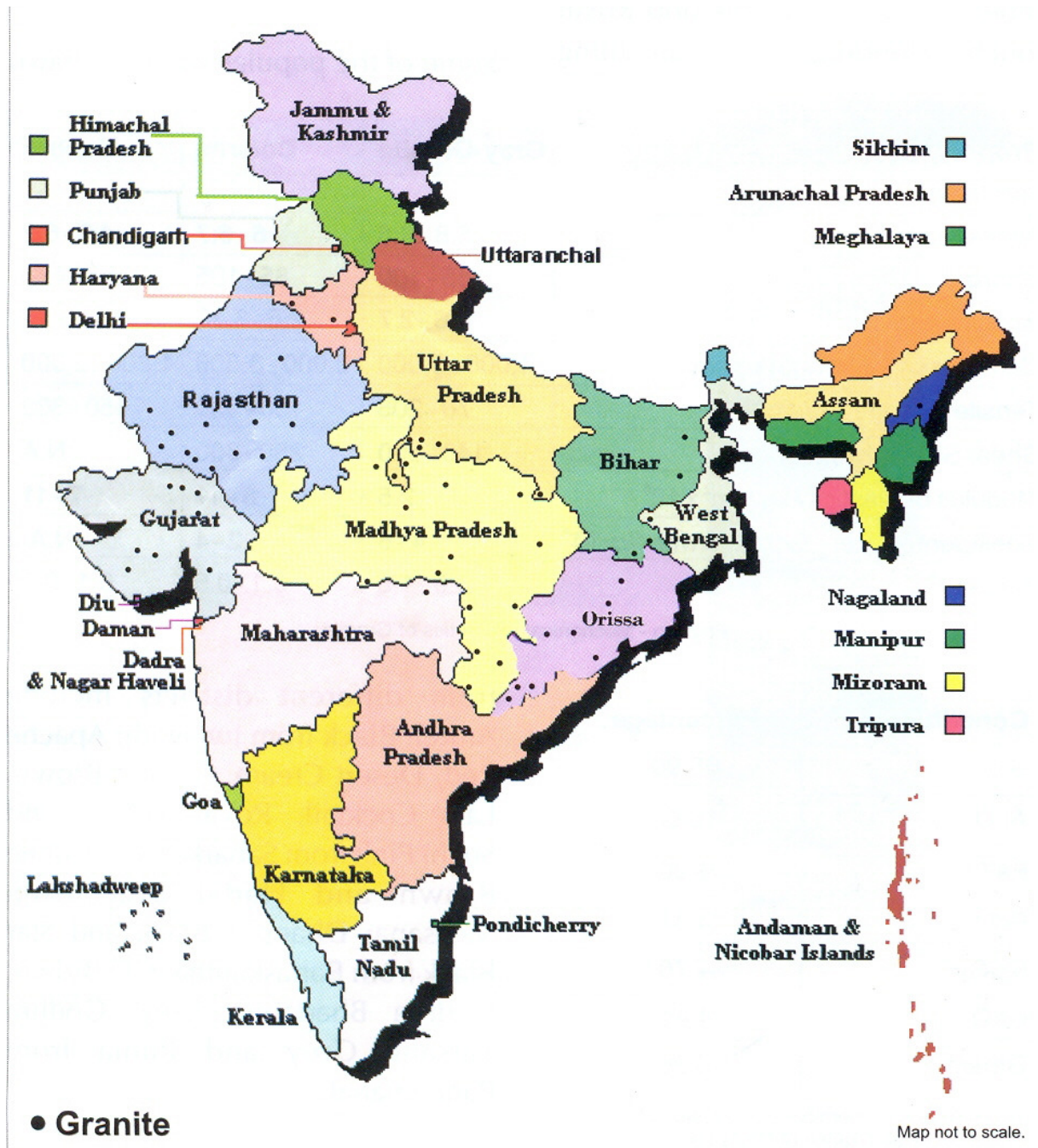
The most well-known business areas are in Chennai and Bangalore. These cities are in the states called Tamil Nadu and Karnataka in the southern part of India. In future Hyderabadia and Punea should be carefully explored because those cities can have even bigger potential than Bangalore infrastructure of which is already suffering from over usage. Hyderabadia is located in the state called Andhra Pradesh and Punea is located in the state called Maharashtra. There are huge gaps in the development level between different cities and these differences only seem to grow in future. The economic growth is focusing on the western and southern part of India and it is the fastest in areas that are the richest and have the latest technology and newest factories. There are five states; Gujarat, Mumbai area in Maharastra, Delhi, Karnataka and Tamil Nadu that had over 66 per cent of all foreign investments in 2006. This might also be explained by the lack of imagination of foreign investors. Companies should do research on which areas are the most promising and then discuss with the local authority. Still many companies select the easy and safe way to build a factory and select a location. (Grundström & Lahti 2005, p. 85.)

Traditionally southern states of India called Andhra Pradesh, Tamil Nadu and Karnataka have been the centre of the granite industry. However, there have been geological surveys and market research stating that several northern states have great potential in the field. It is not only the building and construction sector that have potential but also the artefacts sector is showing promising future. The states of Rajasthan, Uttar Pradesh, Madhya Pradesh, Gujarat, Bihar, Orissa, Haryana and West Bengal are marketing and producing different varieties of granite in several colours and shades. (Stone Panorama 2009, p. 35.)

The state of Rajasthan has endless reserves of granite, estimated 8,479 million cubic metres. The most important cluster of granite processing and quarrying in Rajasthan is Jalore. Some well-known granite qualities are quarried and available here in different colours and shades. Hundreds of small tiling plants are operating in Jalore. Approximately 183 million cubic metres of geological reserves of granite have been estimated in Barmer that is also located in Rajasthan. The state of Gujarat has granite resources located in Banaskanta, Mehsana, Sabarkantha, Panchmahal, Amreli, Baroda, Broach, Bhavnagar, Kutch, Rajkot and Junagadh. Gujarat is the most well-known for its black and coloured granite ranging from grey to dark red. (Stone Panorama 2009, p. 35.)

The state of Madhya Pradesh has an estimated 6,71 million cubic metres of granite deposit and it is the fourth largest granite reserves in India. The state has decided to develop its processes by establishing a high-end granite processing unit at Katni on five acres of land equipped with new cutting and processing machinery. This unit would take into consideration building and construction markets but also the fast growing demand for granite countertops for kitchen and other purposes. It is obvious that the state's granite industry would get a massive boost in quality production and export. At the moment 35 processing units in the state are exporting gang-saw-size blocks mainly to Korea, Indonesia and Far East countries. The new unit could increase selling of processed granite. (Stone Panorama 2009, pp. 36-37.)

The state of Haryana has its main granite deposits located in Bhiwani and Mahendra Garh. The rock is fresh, homogenous, compact, hard and non-foliated. The colour varies from light to dark grey, light to dark brown and greenish grey. The state of Orissa holds many unknown granite qualities and Uttar Pradesh state is one of the largest selling granites in Northern India. The state of Bihar has granite deposits spread over an area of 2,235 square kilometres. (StonePanorama 2009, pp. 37-38.)



Picture 1 Granite deposits in North India (Stone Panorama 2009, p. 33.)

States are marked in the picture with different colours and granite deposits are shown with black spots. The states that have the most deposits were described earlier, are Rajasthan, Gujarat, Madhya Pradesh, Haryana, Orissa, Uttar Pradesh, West Bengal and Bihar. The stone production is focused on the

northern part of India and there is no remarkable stone production on the southern part of India. (Stone Panorama 2009, p. 35.)

5.2 Infrastructure

Generally the infrastructure in India is weak but certain areas have invested more in developing the infrastructure and especially these areas are tempting foreign companies. Insufficient roads affect especially companies that have production in India and transport their products to different places there. Finnish companies have stated that especially problematic is the lack of proper electric- and road connections. There can be tens of electric disconnections during one day. Finnish companies have solved this by establishing their own generators and power plants to their factories. There is also a supplementary system that balances the usage of power during a power failure. This system is commonly used among IT companies. Road connections play an important role in selecting the production location. The weak infrastructure is often seen as a disadvantage but many companies see it also as an opportunity to gain big profits. Companies in the construction field can take part in large projects to develop infrastructure. (Korhonen et al 2008, p. 84.)

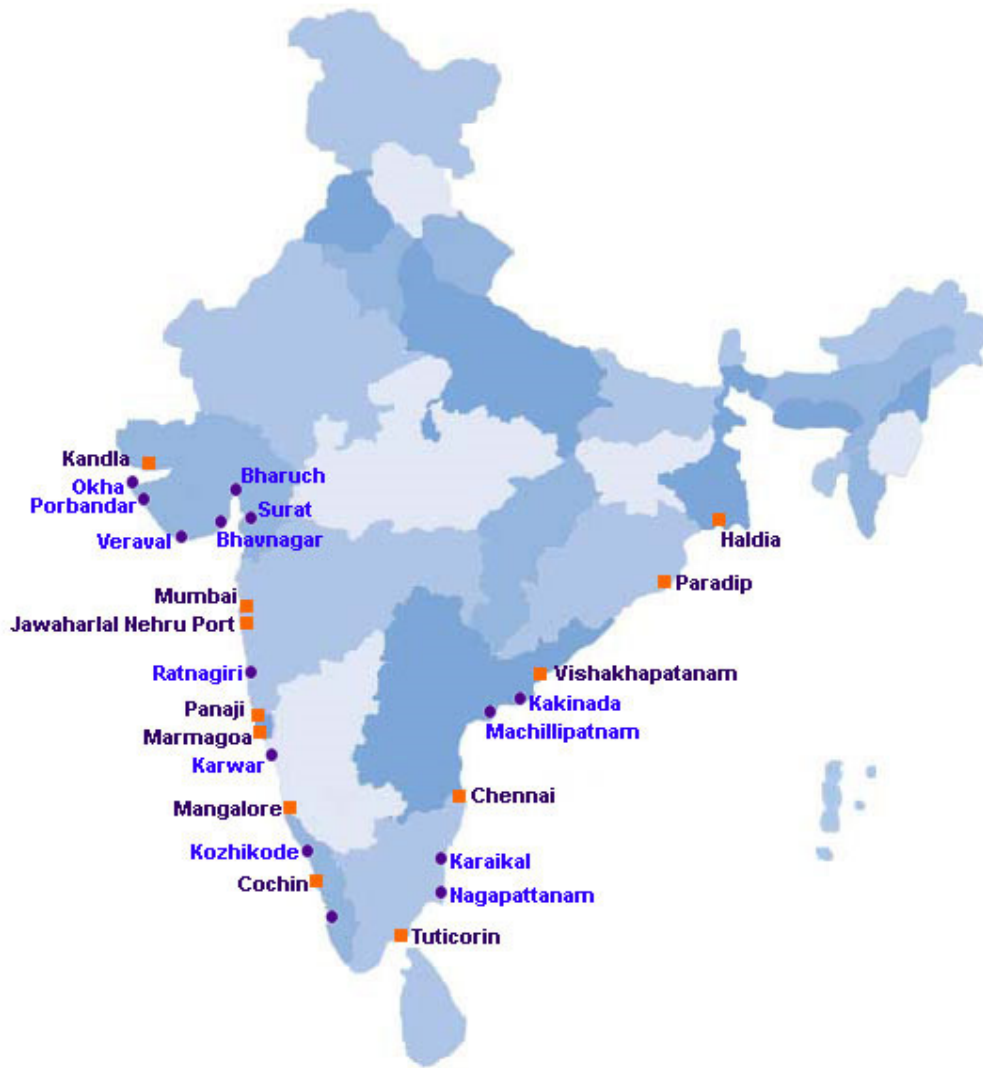
India has recently opened construction business and infrastructure projects to foreign investors. There are also large scale national projects for highways, airports and city centres for building and renovating. A house building “boom” has increased demand for interior decoration. There are large scale investments in many projects to develop countries infrastructure. In 1999 started a national highway development project to modernize main roads in the next 15 years. A national shipping development program invested over 11 billion to develop harbours in India. There are also plans to extend Jawaharlal Nehru and Calcutta harbours. The need for energy is estimated to double by year 2020. Airports in Delhi and Mumbai will be modernized by the year 2010. New airports will be build to Bangalore and Hyderabad. Granite can be used in

many earlier mentioned projects as building material. (Grundström 2006, p. 25; Grundström & Lahti 2005, p. 67)

5.3 Logistics Operations

Granite is exported as ocean freight because of the heavy weight of the stone. Shipments are the cheapest way to transport natural stone and therefore ports play an important role in the logistics operation chain to India. From ports granite is usually transported by trucks to manufacturing fabrics in India and also in Finland trucks are used to transport stone blocks to harbours from quarries. The close distance of a harbour will be cost efficient in both countries.

India has a 6000 km long coastline and its ports are the gateways to international trade by sea. There are 12 major ports and 181 intermediate ports of which 139 are operating. The biggest ports are located at Calcutta/Haldia, Chennai, Cochin, Ennore, Jawaharlal Nehru Port at Nhava Sheva, Kandla, Mormugao, Mumbai, New Mangalore, Paradip, Tuticorin and Vishakhapatnam. These major 12 ports handle 90 percent of trade and port throughput and are managed by the Port Trust of India under the central government jurisdiction. The 139 minor ports are under the jurisdiction of the respective state governments. Notable is that approximately 80 per cent of the ports' traffic consists of dry and liquid bulk cargo. The main bulk traffic is carried through sea, although the existing port infrastructure is insufficient to handle operations effectively. The main reason for this is that the current capacity at major ports is overstretched. The limited capacity and high demand has inevitably created port congestion and results of these are longer ship turnaround times and pre-berthing delays. Compared to other international ports, India is clearly behind in capacity, productivity and efficiency. Granite is usually transported by sea because of the heavy weight. Finnish stone companies could compare different harbours to make operations more efficient. (Indiacore; Ports and Terminals 2009)



Picture 4.6 Sea ports in India (Ports in India 2009)

The picture shows the major sea ports and intermediate sea ports in India. The major sea ports are mainly located in bigger cities and intermediate sea ports into smaller cities. The total number of sea ports is huge in India.

5.4 Import Statistics

Generally energy dominates India's import strategies. India's top ten import sources in 2004 were the USA, China, Belgium, Switzerland, the UK, Germany,

Korea, Japan, Australia and the United Arab Emirates. These ten countries had 41, 4 per cent of the total import share. The top five imports to India from Finland are electronic machinery and electronics, mechanical machinery, paper and products, instruments and project goods. An interesting aspect is that many of the top imports to India from Finland are also top imports to China from Finland. This means that if the economy of India grows Finnish exports to India can also be expected to grow. (Bhide et al 2006, pp. 23-29.)

In year 2008 Indian granite was imported to Finland worth 149 217€. The most profitable months for importing Indian granite were May and August. In May the imports were worth 45 050€ and clearly the biggest sales compared to other months. The lowest sales were in June, October and November with no sales at all to Finland. (Tulli 2008 b.)

5.4 Comparison between China and India

China plays a major role in international stone business. The country does not have its own stone production and therefore it imports all stone qualities from abroad. Many Finnish stone companies consider Chinese companies as their most important customers in volume. Many surveys state that India and China have become the biggest stone suppliers in Asia and therefore the comparison between the two countries will improve the understanding of Indian stone business compared to its biggest competitor. Strengths and weaknesses between countries are characterized to explain the current market situation.

Asia's giants China and India are often compared to each other. Yet, too often foreign countries have understood the comparison wrong. An overly positive image of China has not only lead observers to calculate its actual performance wrong but also provides a false metric to measure the performance of others. The Chinese government is good at dramatizing policies as success stories and therefore outsiders may not notice how well or poorly China is actually doing.

One surprising result came out when World Health Organization made research on health delivery in 191 countries all over the world. China was the 144th while India ranked the 113th. Both rankings were low but even more surprising was the low placing of China compared to general beliefs. When the Chinese think of India they think of poverty, slums and traffic crashes. In India there are people begging money on streets and tourists see India as a very poor country. China has also had rural poverty but the difference is that China has always hidden that carefully. Tourists are not allowed to go to areas where poor people are. (Friedman & Gilley 2005, p. 14.)

The service sector has been the fastest growing sector in India in recent decades. The development is different compared to China where growth has been based on the industrial sector. One major problem in agriculture in India is the slow growth in industrial production. Contrary to China, it has not been growing fast enough to employ the majority of people living in rural areas that are unemployed. In comparison to China, India has stricter labor legislation and poor education level and these issues have strong effect on the industrialization of agriculture. (Tenhunen & Säävälä 2007, p. 177.)

A problematic aspect is that large companies are not allowed to lay off employees without permission from a local labor court in India. This law makes it very difficult for companies to adapt to changes in the economic situation and maintain its operations profitably. Although the law is problematic to companies it protects employees. In India factories do not insult employee rights and expose them to health risk as much as in China and Thailand. Service sector, outsourcing and IT-industry have a promising future growth scenario. To be able to maintain the leading position in outsourcing India has to increase the level of spoken English. So far India has been one step ahead from China, but the situation can change in future because China has started to invest more in English training. Therefore once again education will have a major role in the future development. (Tenhunen & Säävälä 2007, pp. 184-192.)

From an investor's point of view India is a more potential mass market area in future because it is surpassing China in sophistication, openness, internationalism and transparency. India's institutional structure and national psychology are based on political and economic freedom. The country has press that has no heavy restricts, a modern if slow legal system, international standards on accounting and a strong research and academic education structure. China and India are both success stories when comes to reducing poverty and moving towards market economy is conserved. The countries have used very different economic strategies within different political systems. India has focused more on investing in political development and created an open society. China on the other hand has focused more on economic modernization and shunned political aspects. Successful economic modernization in China and India is a key to success in the future global economy. (Bullis 1998, p. 19; Friedman et al. 2005, p. 66.)

6 MANAGEMENT TOOLS AND ANALYSES OF INDIA

6.1 PESTE- Analysis

A PESTE-analysis has been executed by describing political, economic, sociological, technological and environmental issues in India. The theory is gathered to analyse the country from different perspectives and it improves the understanding of India as a potential market area.

6.1.1 Political Aspects

The fast economic growth started after an economic reform in 1991. India abandoned its centre governance planned economy that it had adopted after independence from the colonial period and the rule of Great Britain in year 1947. India had combined a democratic parliament to a planned economy inspired by the example of the Soviet Union. At that time the Soviet Union represented a success story of how to transform an agricultural country to a industrial economy in one generation. The fast growth after reform changes in the economic policy had also convinced the opposition party of the future political direction. Poverty had been estimated to decrease from 55 per cent to 26 per cent in year 1973 -1999 and India has been the second fastest growing economy in the world after China for the last 15 years. India has been able to maintain its democracy after independence, which is exceptional compared to other colonies. (Tenhunen & Säävälä 2007, pp. 19- 21.)

Indian government has variety of different political persuasions and those have remained committed to the market oriented reform since it was introduced in 1991. Usually theories focus on formal institutions such as party and electoral systems existing studies ignore the value of informal political institutions. In India these institutions have driven economic elites towards adaption, negotiation and compromise, while allowing leading elites to divide opponents

of reform into a range of political machineries. These include shifting blame, betraying trust of political allies and other suspicious actions. (Jenkins 2000, p. 1.)

6.1.2 Economic Aspects

The economic growth in India has become remarkably faster during the last few decades. The growth has been based on the industrial sector, and in services on an especially explosive increase in the IT-service sector. The economic growth has been estimated to stay at the same level or even increase in the next 25 years. India is the second fastest growing economy in the world. A study has estimated that India will be the world's third largest economy in 2035 after USA and Japan. India is becoming an active participant in the global economy and it is drawing investors among foreign investors as well as national governments to Europe, North-America and Asia. The intense competition between foreign companies and domestic companies has led locals to upgrade the quality of their products. It seems that entrepreneurial spirit has helped the country's economy to grow, especially in the information technology industry. It also shows in the success of migrants who have moved overseas and utilized their entrepreneurial spirit in achieving their goals. (Kumar & Kumar 2005, pp. 27-28; Grundström & Lahti 2005, p. 42.)

The economic growth potential is looking promising for the next 25 years. Population growth and age structure are supporting the increasing need for labour force and at the same time growth in savings and investments. Research made of Bosworth and Collins in 2004 estimated that the economic growth will reach seven per cent in year 2004 - 2035. It is possible that economy will grow even faster because of the "catching up" effect. India is seen at the moment as under performer compared to other developing countries at the same development level. (Ali-Yrkkö et al 2005, p. 28.)

There are still major challenges to be faced in future. The shortfall in the public economy has turned out to be almost impossible to overcome despite the fact that all biggest parties are supporting economic amendments. The main reason for the shortfall is the low income of the government taxation system. Only one per cent of the total population is paying income tax. The shortfall is decreasing opportunities to invest more in infrastructure, building, education and health care. The future challenge is at the same time to reduce the shortfall and break the continuum of poverty by developing the education system, social security system and public health care. It would mostly require developing governmental policies so that economic support would be directed to poor people. Bureaucracy has been a difficult problem in India and caused bribery. Bribery has also been decades a great challenge to overcome. The main disadvantages of bribery are the burden for economy and bad reputation of democratic institutions. It lowers the investment level because illegal incomes are used in individual consumption, despite the fact that these incomes should belong to legal investments and economy. There is still hope that internationalization will decrease bribery because international corporations will bring new game rules to the table. (Tenhunen & Säävälä 2007, p. 80; Vaarnas & Virtanen 1996, p. 44.)

6.1.3 Sociological Aspects

India can be described best using the word diversity. This was discovered in the number of languages, ethnic groups, religions and other cultural aspects. Considering the number of inhabitants it is not a wonder diversity shows so clearly. There are three major racial groups called the Indo-Aryans, Dravidians and Mongoloids. There are significant differences in everyday life between people living in northern part or in the southern part of India. The distinction shows already in each state when every state has its own language and ethnic culture. More than 82 per cent of the country's population is Hindu, 11 percent are Muslims and the rest are Christians, Sikhs, Buddhists, Jains or other tribal religions. Notable is that India is the home to the third largest Muslim population. (Bullis 1998, p. 14.)

Hinduism has provided the century's sense of unity of people, but it has not been dominant enough to create an economic and political unity. The Hindu caste system is reminding of old tradition and at the same time complicated system dividing inhabitants. In the modern Indian life it has created hatred and inequality among people. It originates from over three thousand year ago when the priest class tried to promote their superiority. Eventually the attempt turned into social behaviour separating four castes. People in lower castles had no opportunity to educate themselves and proceed to a higher caste from their birth determined social level. Nowadays castes no longer determine traditional occupation but still most workers seem to be from lower castes. Rural India consists of 70 per cent of population. Life in rural areas is very traditional despite education. Marriages are arranged and women's behaviour is more restricted compared to more developed and economically advanced areas. Education is becoming more and more important and it has been seen the best method for achieving social and economic advancement. (Bullis 1998, p. 15.)

Education is an important source to increase wealth. In India population is huge and it has been estimated that 40 per cent of the world's population that cannot read or write lives there. Nowadays approximately nine from ten primary level students go to school. However, in teenage, change is dramatic and especially girls stop attending school. Reasons for this are the concern of the girl's safety and honour outside home. In some cases, they need to help families financially and therefore they start working. Also low ages for getting married in some areas make girls quit studying and focus on family life. Generally girls' education is in high value but the problem is that a family has to find an as well educated groom and pay higher price when the girl gets married. In India people believe strongly in the liberating power of education. People in different social classes in the society put large effort on their children's education, both mentally and financially. Usually children go to public school but if parents have enough money they put their children to a private school where they study in English. Education is seen as an investment in the whole family. Improvement in the education level means increase in welfare both individually and socially. (Tenhunen & Säävälä 2007, p. 153.)

6.1.4 Technological Aspects

The new technologies offer an opportunity to developing countries to fasten development by adapting fast the newest technology. Accordingly to the OECD the implementation of information technology in undeveloped areas might reduce poverty more efficiently than the IT companies operating there. The wealth does not spread from IT professionals to normal poor people. Both the central government and governments in all states have tried to contribute to the implementation of the new technology. However, because of electric disconnects, poor reading skills and high price of computers, mobile phones are spreading fast but only few have their own computers. The motives of the implementation of the new technology are wide and closely related to cultural values. Technology is used to support old traditional values for example the middle class in India has started to use technology to find out the gender of the fetus. In case the fetus is female parents will consider making an abort to be able to avoid engagement expenses. (Tenhunen & Säävälä 2007, p. 197.)

There has been growth in the IT sector of Indian corporations, but still they lack in skills of building their own intellectual property. In case India wants to maintain the position of growth in corporate R&D, it faces the challenge of upgrading education in producing technical graduates at master's and doctoral levels. (Chakrabarti & Bhaumik 2009)

6.1.5 Environmental Aspects

The centre for Science and Environment estimates that over one million people in India dies because of pollution and ten million people are suffering from health problems and other symptoms caused by pollution. The Rivers are badly polluted and the air pollution level surpasses one and half times emission regulations almost in 60 per cent of the cities in India. Economic growth increases environmental problems. On the other hand cleaning air and water could fasten the economic growth by reducing health costs. Population and

economic growth increase environmental problems, but the main reason is governmental weakness. There is no help of new machinery and systems if people are not able to use them because of costs. Although India has comprehensive environmental legislation the government has turned out to be powerless to do actual improvements. Politicians have no courage to tell to the large corporations to be more conscious of environmental matters and these corporations are often the biggest polluters. (Tenhunen & Säävälä 2007, p. 213.)

India has invested a lot of money during the last decades in purifying rivers, but water cleaning has not created as good results as purifying air. Water cleaning units are producing the drinking water to big cities, but the current technology cannot separate heavy metals and fertilizers from the water. These units work inefficiently because of weak overhaul and electric disconnects. However, India has also introduced a few pioneering environmental protection solutions. One of them is the world's largest biological waste treatment system operating in Calcutta where wastes are utilized without expensive technology. Another example comes from Delhi. There the Centre for Science and Environment sued the city of Delhi in court for not following environmental legislation and the Supreme Court ordered authorities to start detailed operations to improve the clean air level. The results of these actions were remarkable. (Tenhunen & Säävälä 2007, p. 216.)

6.2 SWOT-Analysis

6.2.1 Strengths

India is a member of the World Trade Organization and its economy is relatively stable. The markets are slowly opening and allowing direct foreign investments and capital. Stock markets are also open to foreign buyers and investors. There have not been political instabilities that might threaten the economic situation. In future there will be size over one hundred million people's consuming middle

class. It has been said that the huge number of habitants is one of the biggest strengths in future. This population will offer not only cheap labour force but also consuming middle class. No wonder companies all over the world are watching closely India's economic growth. English is the main language in business life and this makes it easier for foreign companies to communicate with the locals and handle business. (Finpro maaraportti 2009)

India has not got rich natural resources and therefore the biggest resource is its huge population. More than one sixth of the humans of the world are living in India. The growth estimations for the economy are closely related to the structure of the population especially to the growth of the number at working age people. The administrative centre is in New Delhi, the business centre in Mumbai and the art centre in Calcutta are all metropolises. Furthermore, there are several million inhabitants in cities located all over India. The giant population is seen as a resource and opportunity but it can also be seen as a problem. It also makes economic growth more difficult by increasing the cost of education. (Grundström & Lahti 2005, p. 69.)

6.2.2 Weaknesses

India's political structure is heavy and bureaucratic. The government is corrupted and therefore it is not working as efficiently and fast as it could. These are one of the biggest weaknesses in the political structure and have a strong impact on the whole country. In international business the notable issues are related to high tariffs and slow decision making-processes. Infrastructure is weak and a massive burden against growth. The taxation system is very complicated and ownerships of the land are still not clear. The country is struggling against poverty and this is a huge future challenge because 29% of the population is living under the poverty level. (Finpro maaraportti 2009)

The ability to offer education to its citizens will be crucial when India's position in international competition is solved. The constitutional law says that all under 14 year old children have to go to school but this regulation has not been followed

in real life. Approximately 40 per cent of the illiterates are living in India. There are both public and private schools in India. The quality of education varies highly and it has been criticized often to be inefficient. (Grundström & Lahti 2005, p. 69.)

6.2.3 Opportunities

India has become the second biggest market area in Asia after China offering a lot of potential both in investments and products. There have been many high volume investments in infrastructure and this will improve logistics operations inside the country. Industrialization has been fast and India is becoming a global outsourcing centre. The population is young; there are 360 million inhabitants that are under 16. There is plenty of cheap and professional labour force to choose from and companies can keep salary costs at a low level. The fast growing middle class offers a considerable target group for consumption goods and this tempts intrigues companies to Indian markets. (Finpro maaraportti 2009)

There are forecasts that economic growth will reach even seven per cent during 2004 - 2025. India is said to have a “catching up” advantage meaning it can directly utilise more advantaged technology and this will offer huge potential to growth. It is said nowadays that India has all the potential to rise. (Grundström & Lahti 2005, p. 42.)

6.2.4 Threats

The religious groups have still a strong effect on the government’s decisions. There has been tension between some neighbouring countries, for example arguments with Pakistan and disorders in the area of Kashmir. The huge gap between the rich and poor might cause some disorders in future. The population of 1,1 billion makes the country over-populated. However, this can also be

considered as an opportunity. Environmental issues create a threat because the public hygiene level is very low. Piracy has become a bigger threat on shipments. The Indian Ocean has become one of the oceans where pirates attack constantly. Last year the number of attacks grew three times bigger compared to the previous year. (Finpro maaraportti 2009 ; Rantanen 2009)

Corruption is one of the biggest challenges for the government in India. Finnish companies can educate their employees to recognize corruption and set strict rules for behaviour and response. Patience is also required and understanding that it might take more time to gain allowances can help companies to operate in India. Bureaucracy and red tape are also problems that Finnish companies face. There should be enough resources to cover long process expenses. (Korhonen et al 2008, p. 102.)

7 ANALYSES

Indian respondents are businessmen who work in local stone companies. One of them is an agent and others are buyers who import granite from abroad. These people were selected, because they have experience in international business and, the most important, they have strong knowledge of Indian markets. They also have some knowledge of Finnish stone business, because they have approached or been cooperating with Finnish stone companies. The Finnish respondent Mr. Jouni Okko is Chief Executive Officer of Finnish stone company Granite Development Oy and chairman in the board of Finnish Stone Industry Association. He has many years' experience in exporting Finnish granite abroad and knowledge of different market areas. The Finnish interviewee was asked seven questions using a theme interview. The Indian respondents were asked the same questions with a questionnaire sent by e-mail.

7.1 General Market Situation

The first questions involved the current general market situation and the results of recession in India. The respondents were asked to compare impacts both in domestic and international trade. The Indian businessmen commented that the recession has had impact generally because exports of India depend on sales to the USA. The results of recession show especially in international business but not that much in domestic trade. One of the respondents commented that Indian economy has remained less affected by the global meltdown because it is the most upcoming consumer economy along with China. However, the decrease in international volume has been a very hard hit also in India. The Finnish representative had very similar thoughts and he commented that India's exports to the USA must have dropped from earlier level and because the price of oil has dropped also exports to the Middle-East could have decreased. He forecasted that the recession did not show in domestic markets in India as clearly compared to international business. These comments reveal that India

has massive domestic consumption of natural stone and therefore its own stone production is not relying on exports.

7.2 Utilization of Granite in India

The second question deals with projects in domestic markets where granite is utilized. Indian respondents answered that granite is mostly used in cut-to-size and residential projects. The main markets would be builders and developers and also residential owners. The most popular items were such as kitchen tops, flooring, bathrooms and walls. The order of importance varied and it seemed that the order depended on the company and its customers. The Finnish expert thought that public buildings and especially infrastructure were the most important projects where granite is utilized. Also private building projects are common in India. Based on these answers given by Indian representatives it seemed that granite is widely utilized in interior decoration projects. Notable is the fact that both Indian and Finnish respondents considered the private sector important. India has unequal income distribution and therefore there are many rich people who can afford to have large volume investment projects on their own. In Finland income distribution is more balanced because of taxation laws and therefore there are not that many overly rich people.

7.3 Export Commodities

The third question discussed what the most important stone export articulated for Indian companies are in order of importance. Indian respondents had all very similar comments on this and granite slabs seemed to be number one export commodity for Indian companies. The next most important utilities were tiles, kitchen and vanity tops and monuments/tombstones. Generally granite cut-to-size projects scored high. One of the interviewees also gave a wider scale of different natural stone qualities and graded granite slabs, tiles etc higher than

marble slabs, sandstone, limestone and quartzite. The Finnish representative answered slabs cut-to-size projects, environmental stones and monuments. Slabs seem to be clearly the biggest export commodity among all respondents. Blocks were mentioned only once by an Indian respondent and even then the grading was low. Based on the results of the survey India has invested in cutting and sawing machinery and focuses on selling cut to size stones and slabs. Finnish stone companies on the other hand sell usually blocks and companies haven't invested in cutting machinery.

7.4 Utilization of Finnish Granite

The fourth question covered how Finnish granite is utilized in Indian domestic markets and how large quantity of that goes to further exports in slabs. Indian respondents saw that Finnish granite was utilized very little in India, because domestic markets use primarily their own granite produced in India. One of the Indian salesmen commented that in smaller cities Finnish granite is totally unknown. They also stated that most of the Finnish granite imported to India is exported further to the USA and other countries in a more sophisticated form. The Finnish interviewee had very similar thought about the situation. He said that Finnish granite is not widely used in India and usually goes to further exports. However, he also saw potential opportunities in the market area.

India has invested in cutting and polishing machinery. A cost of processing raw materials to a sophisticated form is cheaper in India compared to Finland because of cheaper labor costs. The costs of processing are higher and it is the main reason why Finnish companies have not invested in the machinery in the same volume compared to India. Indian granite is cheaper compared to imported granite and therefore the country prefers using its own granite deposits. However, Finnish granite looks very different compared to Indian and that can also be a competitive advantage in future if the country wants to use other new and different looking materials. The construction sector has so large

building volume that new materials are searched continuously to create something different.

7.5 Evaluation of Market share

The fifth question was about giving estimation on how large market share Finnish stone companies will have in future in India. The answers varied much on this question. Some Indian salesmen saw that Finnish stone companies will not have a large market share and some saw that there are opportunities depending on how active Finnish stone companies will be in taking care of relationships. One of the Indian respondents wrote that he did not believe that Finnish companies could gain a big market share because India has a huge reserve of granite and these granites are widely available. He saw that Finnish granite will always be more expensive and not very attractive to Indian markets. An other Indian salesman saw that it depends on the capacity of production and availability of blocks in Finland.

There was one agent who thought that it depends on the marketing of the materials and competitive prices. He claimed that prices need to be as competitive as the prices offered to Chinese customers. The agent pointed out that it requires many extensive visits to the customers and participating in stone exhibitions held in India. Generally Finnish materials need to be made more popular and known in India. The Finnish respondent thought that the market share will be 10% after five years. He said that Indian companies recognize Finnish granite relatively well and India will buy more in the following years. The question had wide variation of different opinions. Some Indian sellers saw the situation negative and some very potential. There were many comments on that Finnish companies need to raise awareness of Finnish stone qualities to be able to sell more.

7.6 Indian Stone Industry Capacity

The sixth questions asked an estimation of how large capacity Indian stone businesses will have after five years. Indian salesmen said that it is difficult to say because everything depends on the market conditions and scenarios. Nevertheless, some salesmen were very optimistic and gave estimations of 20-30 per cent compared to the current capacity. One of the experts even estimated that it will surely double. They also commented that companies are growing locally very fast and local use of stone is going to rise at least 30 per cent every year and therefore local use of granite will be quite huge in the next five years. All of the respondents gave a very positive image of the future development of stone business in India. The Finnish interviewee also thought that growth will be huge in five years and he estimated that 25 per cent could be achieved. The optimistic future predictions make India a very attractive market area in future for Finnish stone companies. However, other countries are also monitoring the development and it is sure that competition between different countries is just beginning.

7.7 Chinese and Indian Stone Industry

The seventh and last question in the questionnaire and the interview involved the success factors in Indian stone business compared to Chinese. Indian respondents commented that Indian stone business has variety of stones available and the stone industry always goes by quality of the end product. China on the other hand has bigger volume and cheaper prices. These aspects are very difficult to beat. One of the Indian representatives mentioned that dependability of Indian companies is better compared to Chinese. The Chinese strategy was also criticized; by selling at lower prices they lose the market value and then there are no benefits to promote. Margins become low and automatically the material loses its demand. Generally all respondents agreed that India will always be smaller than China in terms of volume but this does not

mean that the volume of Indian stone business will be small on any account and India will continue to be very large compared to the rest of the world. Competition was said to be tough with China only.

The Finnish interviewee commented that India has a wide selection and reserve of high quality granite and therefore prices are higher there compared to China. Finland and India quarry so called classical stones and China does not have that stone base and therefore the country imports everything from abroad. Cultural differences can be seen in the trade with the two countries but the end results are still the same. The surveys revealed that business strategies between the two countries are very different. China focuses on high volume and low pricing and India on service and quality. Indian companies want to offer all possible stone variations to their customers and beat their local competitors. There is a notable private sector in India and maybe that is the reason why service needs to be more comprehensive.

8 CONCLUSION AND DISCUSSION

8.1 Analyses Based on Theory and Interviews

There have been several surveys that indicate the growth speed and volume of Indian economy in the following years. Despite the different predictions one thing is sure, the fact that the economy of India will continue to grow. The growth potential has raised attention internationally and many foreign companies have started to allocate resources on developing their position on the Indian markets. However, India has many unsolved problems such as poverty, unequal income distribution, pollution and corruption that need to be considered seriously. These problems might not show in the short-term development, but in long-term those can develop even bigger threats in economic growth. The government of India, local companies and also foreign companies have the responsibility of improving the quality of life for Indian people and also make sure there are no obstacles for the future economic development.

A board perspective of India was given in PESTE-analysis. The economic reform in 1991 is still relatively new and the country is still adapting to changes. However, the results speak for themselves and future looks positive for the whole nation from the political perspective. India is known for its economic problems such as shortfalls in public economy, continuing poverty and unequal income distribution. Nevertheless, at the same time it has been estimated to be one of the largest economies in the world in 2035 after the USA and Japan. Socially India can be best described using the word diversity. The diversity of different religions, languages, ethnic groups etc. can be seen both as an opportunity and huge challenge. The government and managers of companies need to consider diversity in their decision making process. Education is generally seen as one of the best ways to improve the quality of life and also increase wealth. Environmentally pollution is the greatest challenge in India and in order to improve the quality of inhabitants' life large scale improvements need to be done also in future.

The SWOT-analysis evaluated the strengths, weaknesses, opportunities and threats in Indian markets on more detailed level compared to the PESTE-analysis. The main strengths are stable economy, huge consuming middle class and spoken English skills. A weakness, on the other hand, is the heavy and bureaucratic political system. Although the economic reform has opened the economy and had positive results such as decreasing poverty government is still corrupted and decision-making processes are slow. India will invest more in future and there will be many large scale investment projects in the following years. Threats are mainly related to the governance of the multi ethnic and diverse population and cultural cocktail. The income gap between rich and poor people and overpopulated land are maybe one of the most challenging threats

India is one of the biggest exporters of natural stone in the world. It produces raw material for its own markets and exports further processed products to the USA and other market areas. Based on the interviews it seems that high-quality both in products and services are very important issues to Indian suppliers. Good service means offering their customers all possible stone qualities existing in other words having wide selection of different materials. The private sector in India has remarkable volume and it explains why Indian suppliers put very much effort on satisfying their customers' demands. Natural stone has been utilized decades as building material in India and the main reasons for long history are India's own reserve and production. The granite quarried in India is less expensive compared to foreign materials. The reason for this is that sea freights increase the price of foreign materials, strong value of Euro and labour costs are more expensive in the developed countries. These facts make the competitive environment more challenging for foreign companies.

Finnish stone companies export 90 per cent of their production all over the world and especially China has been one of the biggest buyers in volume. The industry relies strongly on exports and therefore changes in some key market areas can be seen clearly. The study revealed that Finnish stone companies and stone qualities are not generally well-known in India. Even though India is not going to rise to the same level as China in volume it is wise to spread risk in

different market areas and as earlier mentioned the volume of India is not small in any account compared to the rest of the world. The research states that India has a lot of potential but at the same time large domestic production creates challenges for Finnish companies when trying to improve market position. China imports natural stones from abroad because it does not have its own granite reserve. India, on the other hand, has large production of its own and mainly uses its own production on domestic markets. How can Finnish stone companies gain better market position on markets that have already large production of their own? And how can Finnish stone companies overcome challenges in exports such as the strong value of Euro and costs of sea freights?

8.2 Future steps for Finnish Companies

Finnish stone qualities are unique and different compared to Indian stone qualities. The appearance cannot be copied. Therefore Finnish stone companies could raise awareness of their materials. Marketing could highlight the uniqueness and different outlook and how desirable it would be to have granite from Finland utilized in construction projects. Uniqueness is a trend nowadays in many business branches. India has been using its own granite for ages and therefore using foreign materials would be something new and different. Stone exhibitions are one of the most effective channels to collect new contacts in the industry and to gain more visibility. However Finnish stone companies have not been attending fairs actively in India. All suppliers know that fairs are important especially in stone business. It seems that Finnish stone companies have not really decided if they should start promoting more in Indian markets and therefore Finnish stone remains relatively unknown to Indian suppliers. The ultimate strategic decision needs to be done before any actions. Success in expansion usually goes to those who are active and show their interest in their customers. Finnish companies need to prove to Indian customers that they came to stay.

The strong value of Euro makes European prices more expensive on comparison to other countries that use Dollars. Sea freights on the other hand, depend much on the pricing that shipping lines use. These issues are closely related to pricing and very difficult to overcome. Companies should make long-term planning to be able to overcome short-term losses. The prices that Finnish companies offer are often too high for local buyers. In this case, the company should tailor its material and pricing strategy to suit the local markets. In stone business pricing is a very crucial part of successful business operations, because there are only few possibilities to tailor stone blocks that usually go to further processing on customers behalf. If possible companies could try to add value by increasing additional services e.g. in distribution or communication.

Indian people have the entrepreneurial spirit and therefore in business they behave in a very active and enthusiastic way. Many times Indian business partners start to negotiate about pricing and contract terms again during the deal. It is important to understand the cultural reasons behind this certain behaviour. Finnish stone companies need to establish reliable long-term relations to be able to start selling more consistently. Indian business partners require active communication and visits to India to maintain existing relations. Finnish stone companies need to decide when to start allocating more resources and set goals for the future development in the market area. More research could be done on what marketing strategies could be used in improving the knowledge of Finnish stone qualities and how companies could find reliable agents and business partners in Indian markets. Different marketing strategies are utilized in different market areas and therefore it is important to plan carefully before entering new markets. Agents provide easier access to markets that are new to foreign companies and in a challenging market environment as in India it could be a wise way to start new business relations.

REFERENCES

- Aaltola, J. & Valli, R. 2007. Ikkunoita tutkimus-metodeihin. Juva: PS-kustannus. 5th Edition.
- Albaum, G, Duerr, E & Strandskov, J. 2005. International Marketing and Export Management. England: Pearson Education Limited.
- Ali-Yrkkö, J. De Carvalho, A. & Suni, P. 2005. Intia maailmantaloudessa. Helsinki: Elinkeinoelämän Tutkimuslaitos
- Bhide, S. & Mukhopadhyay, D. & Singh, D. 2006. Prospect for India-Finland Economic Cooperation. Helsinki: Edita Prima Oy.
- Bullis, D. 1998. Doing Business in Today's India. Greenwood Publishing Group, Incorporated.
- Cooper, L. 2000. Strategic Marketing Planning for Radically New Products. Journal of Marketing 64, 1 – 15.
- Ezine Articles: Granite Properties and Usage. <http://ezinearticles.com/?Granite--Properties-and-Usage&id=989404> (Visited on 11.9.2009)
- Formisano, R. 2003. Manager's Guide to Strategy. United States: McGraw-Hill Trade.
- Friedman, E. & Gilley, B. 2005. Asia's Giants: Comparing China and India. Palgrave Macmillian.
- Geology: Uses of Granite. <http://geology.com/articles/granite.shtml> (Visited on 22.9.2009)
- Chakrabarti, A. & Bhaumik, P. 2009. Internatinalization of Technology development in India. Journal of Indian Business Research 1. 26 – 38. Emerald.
- Granite from North India. 2009. Stone Panorama 11, 35 - 38
- Grundström, E. & Lahti, V-M. 2005. Intia-ilmiö ja Suomi; Sitran Intia-ohjelman taustaselvitys. Helsinki: Edita Prima Oy.
- Grundström, E. 2006. Kiven ja raudan Intia. Helsinki: Edita Prima Oy.
- Horchover, D. 1997. Doing Business Abroad. United Kingdom: How to Books.
- Indiacore: Ports and Terminals. www.indiacore.com/ports.html (Read 20.8.2009)
- Jenkins, R. 2000. Democratic Politics and Economic Reform in India. Cambridge: Cambridge University Press

- Jimenez, G. 1997. Export-Import Basics. Paris: ICC Publishing S.A
- Korhonen, K. & Penttilä, A. & Shimizu, M. & Kerola, E. & Kosonen, R. 2008. Intia suomalaisyritysten toimintaympäristönä. Helsinki: Helsingin Kauppakorkeakoulu
- Kotler, P. 1999. Kotler on Marketing; How to Create, Win and Dominate Markets. Great Britain: Simon & Schuster UK Ltd.
- Kumar, R. & Kumar, S. 2005. Doing Business in India: A Guide for Western Managers. India: Palgrave Macmillan
- Natural Stone in the World 2006 Directory. 11th Edition. Spain: Roc Maquina
- Nelson, C. 2000. Import Export: How to Get Started in International Trade. McGraw-Hill Professional Book Group
- Nuutinen, E. 2008. Maaraportti: Intia. <http://www.finpro.fi/fi8-FI/Market+Information/Country+Information/Aasia/Intia/Intia> (Visited on 10.8.2009)
- PESTE-analysis. 2003. <http://www.edu.fi/txtpageLast.asp?path=1,438,3086,3987,25359,35941,25360,25926> (Visited 28.11.2009)
- Ports in India. <http://oceanicgss.com/images/IndiaPort.jpg> (Visited 5.11.2009)
- Proctor, T. 2005. Essentials of Marketing Research. Fourth Edition. England: Pearson Education Limited
- Rantanen, M. Suomen sotalaiva Somalian vesille. 2009. Helsingin Sanomat. <https://157.24.202.67:2063/yritykset/sanoma-arkisto/artikkeli> (Visited on 16.10.2009)
- Suomen Kiviteollisuusliito. Stones from Finland. Esite.
- Thomas, H. 2007. An Analysis of the Environment and Competitive Dynamics of Management Education. Journal of Management Development. Emerald.
- Tenhunen, S & Säävälä, M. 2007. Muuttuva Intia. Helsinki: Edita Prima Oy
- Tulli a. Uljas-Tavaroiden Ulkomaankauppatilastot. 2008. http://www.tulli.fi/fi/suomen_tulli/ulkomaankauppatilastot/uljas/index.jsp (Visited on 15.9.2009)
- Tulli b. Uljas-Tavaroiden ulkomaankauppatilastot. 2008. <http://uljas.tulli.fi/Dialog/SaveShow.asp> (Visited on 15.9.2009)
- Vaarnas, M. & Virtanen, J. 1996. Intia liiketoiminta-alueena. Suomen ulkomaankauppaliiton julkaisusarja.