

Chapter 3

Market Development Strategy for India's Rail Company Ircon in Asia, Africa, and Middle East

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ABSTRACT

The Ircon International Limited is major player in rail infrastructure development backed by Indian government and railways. It has presence in Asia, South East Asia, and the Middle East. The idea is to devise a strategic marketing plan based on infrastructure spending data, location accessibility, and market friendliness of the target countries. The research design carried out is of comprehensive study of data analysis from email survey, archive survey, and in-depth interview. The survey data outcomes from relevant sample respondents having international experience in construction business have opined that infrastructure spending of country is of utmost importance in market development, also the deciding factors like market entry plan, entry strategies, and attributes determined penetration level into various markets. The data emphasis for restructuring businesses also summarized Ircon's lacking in marketing and financing means for large-scale projects.

INTRODUCTION

The development of infrastructure projects of public importance like transportation, public utility buildings like institutions, hospitals and utility buildings are the priority of the developing economy in the world. The construction sector consists 6 – 15% of any national economy and the construction of public infrastructure market is still a bulk market which is fragmented into sub markets as the work is contracted among the set of contractors locally and internationally (Mawhinney, 2001). The world organisations such as World Bank encouraged the governments to pursue policies to involve other country organization and privatization of certain projects for delivering the infrastructure services and projects for more efficiency (Kirkpatrick et al., 2006). The impact of rail transportation development in India has positive impact and benefits interms trade costs and interregional price gaps, increased interregional and international trade,

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increased real income level during colonial period (Donaldson, 2018). Ircon International limited is a government of India incorporated company under the Ministry of Railways, India as public-sector company and is a turnkey contractor and specialized in the construction of railways, railway electrification, signal and telecommunication, highways, roadways, industrial, commercial and residential buildings, airports, mass rapid system and leasing of railway machineries. Ircon has completed more than 300 Infrastructure projects in India and 100 projects across the globe in more than 21 countries in Asia, Africa and Europe (Ircon Website, 2015). The company has earned a total foreign exchange of Rs 2117 crore in the period of 2008- 2013 (Jagarn Josh, 2013). The infrastructure budget in East Asia countries has tremendously increasing to match the increased economic activity in the region. India being a developing economy is at task in implementing projects across major cities it needs US \$ 190 billion for the growing needs of infrastructure development (World Economic Forum website, 2010). ASEAN countries have open market principles which are unlikely to change and the positive cooperation as well business integration shows it is largely market driven economies with huge trade and positively increased FDI inflows into the infrastructure sector with strong supply chain network supported by various organisation shows positive economic activity (Bhattacharyay & Nath, 2009). The Table 1 gives the projected spending on infrastructure in Asian countries.

African government historically have shown that they have relied heavily on donor aid and soft financing in developing infrastructure in the region and out of every 10 major projects in Africa 4 are related to transportation sector, country like Ethiopia where the government supported transformation program provides projects worth \$ 20 billion revenue and scope for \$ 2 billion profits to the contractors (KPMG Africa, 2013). In Middle east the public transportation sector is underdeveloped and the thrust lies in the development of railway network as the railway track density is low (Ives et al., 2013). Oman rail project of \$ 15 billion is designed to connect various ports and adjacent cities, similarly other middle eastern countries upgrading their public transportation infrastructure providing billions of businesses to contractors across the world (Urban Transport Technology, 2014).

Problem Statement

The Ircon International limited has vast experience in doing projects in these regions and the areas to be ascertained for entry and stabilisation of business are listed below.

- Slow pace in tapping market potential in other Asian countries of potential market.

Table 1. Infrastructure spending projection in Asian countries

| Sl no. | Asian countries | Projected infrastructure spending till 2025 | Projected growth rate annually |
|--------|-----------------|---|--------------------------------|
| 1 | Indonesia | \$ 165 bn | 7% |
| 2 | Philippines | \$ 27 bn | 10% |
| 3 | Singapore | \$ 18 bn | - |
| 4 | Thailand | \$ 58.5 bn | - |
| 5 | Vietnam | \$ 56 bn | 9% |

Source: (PwC, 2014)

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