

EMERGING MARKETS INDIA



Country Background

India is the world's fourth largest economy (measured by purchasing power parity) and has a population of 1.12 billion. The country covers an area of 3.28 million km² and is divided into 29 states and five union territories. It is the largest English-speaking country in the world, although this is only one of the 18 official languages spoken.

India is recognized as a leader in IT, biotechnology and aerospace; it also has a very large pharmaceuticals industry, worth \$6.5 billion, and growing at nearly 10 percent per annum. The country produces 200,000 engineering and 300,000 technically trained graduates every year. This large, skilled workforce has made India an attractive destination for many multinational companies looking to outsource aspects of their business.

As one of the youngest countries in the world, by 2030 about 544 million people in India will be at the peak of their working careers.

Marketing Environment in India

The per capita income in India has been steadily rising over the last five years and there is a high level of consumer confidence. The attitude is to indulge today rather than wait until tomorrow, and the line between luxury and necessity goods is blurring. India has the fastest growing number of high net worth individuals at twice the global average (Merrill Lynch/Cap Gemini

World Health Report). It is the growth in the country's middle and upper income classes that is likely to lead to a dramatic hike in the demand for big-ticket items like cars.

India is a net importer of goods: In 2005 exports were valued at \$76 billion whilst imports were \$113 billion. A key export is ready-made clothing and many major brands source goods from India: Wal-Mart sources \$1 billion, GAP \$600 million and Hilfiger \$100 million.

Top Lifestyle Statements in India

<i>Statement</i>	<i>% of people that definitely agree</i>
You should make use of every opportunity that comes your way	62
I think it's important to have a lasting relationship with one's husband/wife	56
If at first you do not succeed, you must keep trying	53
I often worry whether my family is getting adequate nutrition	49
Children should be allowed to express themselves freely	49
I enjoy spending time with my family	47
In a job, security is more important than money	46
I pray/perform pujas regularly	46
I do not like the idea of being in debt	45
It is important to be well informed about things	44

Source: TGI India

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Unique Challenges for Marketers in India

Nearly two-thirds of all middle income households in India are rural; they represent half of India's buying potential. The challenge for marketers is in reaching them as these consumers are spread across a huge number of villages. Innovative distribution solutions have included appointing sub-stockists in the larger villages that are connected to small towns by road. These sub-stockists in turn distribute a company's products to smaller villages using bicycles, scooters and bullock carts.

Those in the lower income classes are paid daily; this means that smaller pack sizes are needed to make products affordable. Nearly 40 percent of shampoo sales in the country are in the very small, single use size.

The sheer geographic spread and the diversity in cultures across the different regions throw up interesting challenges in tailoring the media mix and in striking a fine balance between national and regional representation in media campaigns. Whilst mass media still holds sway in the overall scheme of communication, there is an increasing focus on communicating at the retail level. Besides this, non-traditional forms of communication—e.g., advertising via “village theatre,” sponsoring village fairs, etc.—are increasingly used to tap the semi-urban and rural markets.

Media Environment in India

Below is the breakdown in advertising investment by media:

Press - 48%

TV - 42%

Radio - 2%

Internet - 0.5%

Cinema - 0.5%

Outdoor - 7%

India's advertising industry, which is worth \$2.6 billion, is projected to be the third largest growth driver of the global advertising industry in 2006. Cinema is a rapidly growing medium and is forecast to grow by 80-100 percent during 2006. Viral marketing is also gaining popularity.

	TV*	Computer Ownership*	Internet Access**	Broadband	Mobile Phone
Penetration (%)	51	2.5	4.2	N/A	16
Users (MM)	108	5	21	1.5	101

* TV and computer ownership figures are for the no. of households
 ** Active users 21 million
 SOURCE: NRS 2005 and IMRB Syndicated Studies

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Top Media Outlets in India

Television	Newspaper	Magazine	Search Engines
Star Plus	Dainik Jagran (Hindi)	India Today (Hindi)	Yahoo
Sun TV (Regional Language: Tamil)	Dainik Bhaskar (Hindi)	Saras Salil (Hindi)	Google
Gemini TV (Regional Language: Telugu)	Eenadu (Telugu)	India Today (English)	Indiatimes
Zee Cinema	Hindustan (Hindi)	Kungumam (Tamil)	MSN
Sony	Amar Ujala (Hindi)	Kumudam (Tamil)	123India

India's Top Advertisers (2005)

- Hindustan Lever
- Maruti Udyog (Suzuki)
- Pepsico
- LG Electronics
- Procter & Gamble
- Dabur India (Food and Drink {Juices}).
- Bajaj Auto (Manufacturer of Scooters and Motorcycles)
- Hero Honda
- Nokia
- Paras Pharmaceuticals

Source: Group M/Industry Sources

Retailing in India

The growing number of affluent urban young people and their demand for goods have precipitated a retail explosion. In the period August 2005-7, retail space in India will grow by 181 percent: from 9,750 km² to 27,400 km². By the end of 2006 there will be 220 malls, and over 600 by 2010. The fastest growing retail categories are food, groceries, books and music. The overall retail market is expected to grow by 36 percent by 2008.

With an estimated 13.2 million shops (40 percent of which stock packaged goods), retail is India's second largest employer after agriculture. However, the sector is extremely fragmented with only 4 percent of urban homes using supermarkets/self service outlets to shop for groceries.

The average monthly expenditure of urban Indian households stands at approximately US \$165. A majority (56 percent) of housewives do not prepare a shopping list, indicating substantial opportunities for POS activation. About 7 percent of households use the phone to order in groceries and other packaged goods. Approximately 6 percent of households in urban India use their domestic help to go to the outlet and shop for groceries.

Tips for Advertisers

Print and television are still the most popular media for advertising, both growing at around 15 percent.

Print growth has been fuelled by sectors such as real estate, finance, banking and educational institutes.

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English and Hindi account for the majority of the ad-space revenue. News is the most popular genre, followed by music, Hindi movies and kids.

The outdoor advertising industry is led by a few major players like Selvel Vantage, Madison Outdoor, Portland and Posterscope. It continues to be a favorite reminder medium among advertisers and is evolving in terms of planning accountability. In the coming years, this medium is expected to control a significant share of the market as Out of Home (OOH) media has seen a plethora of innovations.

Radio is witnessing high growth and increasing competition and is expected to evolve the content standards over time. Moreover, a big boost from the government in the form of waiver of the license fee

and the opening up of the second phase of license bidding would result in 330 stations across 91 cities, in the near future.

Today India has the fourth largest Internet user base and, contrary to popular belief, 49 percent of Internet users come from outside the top eight cities. Vertical sectors such as real estate, travel and jobs will expand the scope of the Internet in the future. The growth of revenue will increase through e-commerce, which is currently being driven by tourism.

Cinema is expected to grow at a healthy rate, fuelled by multiplexes and digital distribution. The low spend so far has been due to a lack of systematic ROI measurement. This will change as the focus becomes more corporate and technology develops.

Key Millward Brown Metrics

	AI	Persuasion %	Enjoyment	Involvement
India-North	6	76	4.67	4.96
India-East	7	52	4.47	3.67
India-West	8	64	4.53	4.98
India-South	6	71	4.72	4.59

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Fun Facts and Trivia

- The name "India" is derived from the River Indus, the valleys around which were the homes of the early settlers.
- Sushruta is regarded as the father of surgery and was conducting complicated operations such as cesareans, plastic and brain surgery over 2,600 years ago.
- The first six Mogul Emperors of India ruled in an unbroken succession from father to son for nearly two hundred years, from 1526 to 1707.
- The world's highest cricket ground is in Chail, Himachal Pradesh. Built in 1893 after leveling a hilltop, this cricket pitch is 2,444 meters above sea level.
- The largest commercial employer in the world is the Indian railway system, employing over 1.5 million people.
- India is the world's largest consumer of gold (over 1,000 tons), but it does not produce any gold of its own.
- India has a middle class of more than 250 million people, which is more than the population of the US.
- India has one of the largest pools of software professionals; 28 percent of IBM employees and 34 percent of Microsoft employees are Indian.
- India is the biggest movie producer in the world with around 800 films per year compared to 500 by the US.
- The cow is a sacred animal for the majority of Indians; they have even introduced a Bill of Rights for Cows!
- Soap operas are hugely popular in India. Primetime TV (mainly soap operas and the news channel) on the major TV channels (Zee TV, Star Plus and Sony) can easily reach 50 percent of the national population.
- India is one of the world's largest diamond cutting and polishing centers.

Tips for Visitors

It would be a hard task to cover all of India in one trip. Key tourist destinations are:

- The Himalaya Mountains in the North
- Nature at its best in Kashmir (Caution: security permitting)
- Delhi, Agra (Taj Mahal) and Jaipur in the North
- Exotic wildlife in the Kumaon/Garhwal regions (Corbett National Park), Bandipur (Karnataka)
- Beaches, backwaters and lagoons in the states of Kerala and Tamil Nadu
- Traditional health spas (Ayurveda) in Kerala
- Temples in the South (Karnataka, Tamil Nadu) and in the Eastern state of Orissa.

- The best time to visit the country is between October and March, when the summer heat has abated. Most of India's colorful festivals, such as Dussehra, Diwali and Holi, take place during this period.
- It is not usual practice to greet with a kiss (men/women and women/women). You can greet a person with folded hands ("Namaste") or shake hands.
- Hindi is the national language though in most large cities and tourist spots, many people speak English.
- Tipping is common in India. Ten percent is standard, paid in cash or added to a credit card pay slip.

Eating Out

- The country is a gourmand's delight, boasting about as many cuisines as the number of communities.
- Though Indian foods can be broadly categorized into North Indian and South Indian, there is considerable culinary variation even within each state.
- Generally, curries are made with vegetables and tend to be spicier in the South.
- Mughlai cuisine is rich, creamy, deliciously spiced and liberally sprinkled with nuts and saffron.

To Buy

- Hand knotted silk and wool carpets, old tribal kelims
- Embroidered shawls from Jammu and Kashmir
- Indian handcrafted art objects, bronze and sandalwood figurines
- Handmade jewelry with precious and semi-precious stones
- Silk "sarees" (garments worn by ladies) from the state of Tamil Nadu

Must Read

- *Freedom at Midnight* by Larry Collins and Dominique Lapierre
- *No Full Stops in India* by Mark Tully

Useful Links

Travel and Tourism:
www.incredibleindia.org
www.tourism.gov.in
www.explorerruralindia.org

News:
www.timesofindia.com
www.ndtv.com

Airlines:
www.jetairways.com
www.indian-airlines.nic.in

Hotel Chains:
www.tajhotels.com
www.oberoihotels.com