

ASSESSING OPPORTUNITIES & CHALLENGES IN INDIA

MEDIA 360, MACAU

-Sam Balsara, September 18, 2008

Greetings from India! Namaste

Trying to introduce India and the market and media scenario in a few minutes, I dare say is a challenge. Let me start by saying India is a land of OPPORTUNITY like no other today, but of such diversity and contrast that whatever I say, the opposite is also true.

We are a large country. In terms of area, 3 million sq. kms. That's more than the combined area of Indonesia, Malaysia, Thailand, Hongkong and Singapore..

It is no secret that we are a country with the second largest population; 1.1 billion people, more than 3 times the combined population of the countries I just mentioned.

We are a young country with 31% below 14 years and 95% below 64 years.

We are an inclusive country. All religions co-exist. Hindus whilst they are in majority and account for 84%, we have 13% Muslims and then Sikhs, Christians and a small group following numerous other religions at 2% each.

We are a poor country with per capita GDP of only about 703 USD.

We are a **rural** country; 70% of the population live in rural area.

We have **multiplicity** of languages. As many as 15 official languages and hundreds of dialects. Hindi, the national language is spoken by only 30% of the people.

We are a **country** of contrasts. Even today **almost** 25% of Indians live below the poverty line and in the same breath our presence in the Forbes global billionaire list is fast rising.

Our **GDP** has been growing at 8%+, yet if you travel 50 kms out of most cities in most parts of India you get the feeling that life in India is frozen in time. You hear of starvation deaths, poor primary health care on the one hand and on the other consumer activists hanker for regulation of advertising that encourages over indulgence of food like colas, chips, burgers, chocolates, etc.

We are a nuclear power but trying to **improve infrastructure** continues to pose a huge challenge to us. Sometimes I feel, it is not just money, but democracy that holds us back.

In a recent quarter, **Mergers** and Acquisitions are supposed to have crossed a staggering 42 billion USD. At market price this works out to 18% of quarterly GDP!

Last year **8.3 million** Indians travelled abroad spending a whopping USD 7.5 billion, shopping for confectionery, perfumes, fashion accessories and alcohol in that order. And yet we are steeped in ancient tradition, rituals bound by family ties and even our scientists are superstitious.

Regular and huge salary hikes are happening in Corporate India in the last 3 years on the one hand, but rural income on the other is dependent completely on nature and monsoons.

We are **building** a sea link in Mumbai, yet potholes on arterial roads in metropolitan Mumbai are a common sight.

We can **grin** and bear it all and yet you can argue that we are an intolerant lot; communal riots that destroy life and properties can spark off with little provocation.

Population which was considered a noose around our necks is now our biggest asset.

From a marketing point of view, relevant to most people in this room we could safely consider India as a **country** of at least 200 million who have the purchasing power and disposable income.

The most perceptible change is taking place amongst these consumers. What is accelerating the pace of change in this group are several factors.

Thanks to our age old belief that children are **God** given and sex being the favourite past time of our forefathers, we have today the youngest population in the world. So you can argue they are more open to change.

Easy accessibility of finance, not just for home loans but for cars and consumer durables with little or no security; phenomenal increase in credit cards, **organized** Retail boom, **BPO** and IT sector boom; And a **media** explosion, are all putting more money in people's hands accelerating, virtually forcing the consumer to change, spend more money and upgrade to a better lifestyle. Cable and Satellite TV, showing western style soaps in upmarket settings is promoting a liberal lifestyle. MTV has introduced the pop culture to the young and Discovery Travel & Living has introduced society to the finer things in life. All these are stimuli that the upper middle and higher class Indian consumer is fast responding to. Not to forget the glossy **magazines** which are getting launched in hordes from Marie Claire to Cosmopolitan and Vogue.

THE MARKET

Let me give you a glimpse of the **market** estimated at 28.1 billion USDollars. The FMCG market is placed at 18.6 billion dollars **with** Food segment at 47% and growing the fastest at 21%. The **Urban** market which contributes to 30% of the population, contributes 67% to the FMCG market and is growing at 17%, bit higher than Rural which is growing at 14%. The **single** largest segment is Biscuits at 9% growing at 17% followed by Toilet Soaps and Washing Powder at 8% and 6% growing at approximately 8%. In almost all

categories, **brand** choice is exploding and in many large categories from Biscuits and Tea to Toilet Soaps and Toothpaste the increase in number of brands over 3 years is anywhere from 40% to 125%. There are **now** 600 brands of Biscuits, 500 brands of Toilet Soaps and 350 brands of Package Tea. And **along with** brands the brand variants, in terms of flavor, fragrance or colors is also increasing. **In** Biscuits the number of variants has gone up from 66 to 110. In Toilet Soaps from 72 to 142. **Modern** trade, now rapidly emerging is still minuscule with 4650 stores, but Toilet Soap is available in 6 million outlets and so are Biscuits.

The **consumer** durables market is placed at 9.5 billion USD. **Mobile** accounts for 47% and growing at 21%. **Growth** in Colour Television sets which was phenomenal in 80s and 90s has now petered out. But Air conditioners have taken their place, now growing at 59% followed by Microwave Ovens at 38%.

Indians who were **starved of choice** in 60s and 70s are now, if not killed but confused by over-whelming choice available to them.

If our growth rates are making the marketers' mouth water, I have a **word of caution** for prospective new entrants into India.

- Almost all multi-nationals who launched in India, have had to re-orchestrate their India plans because their initial plans were conceptualized on **global learnings** did not quite work in India. P&G, Coke, Kellogg's, Revlon, all learnt the hard way. You need to have your global strategies altered by intelligent local inputs.

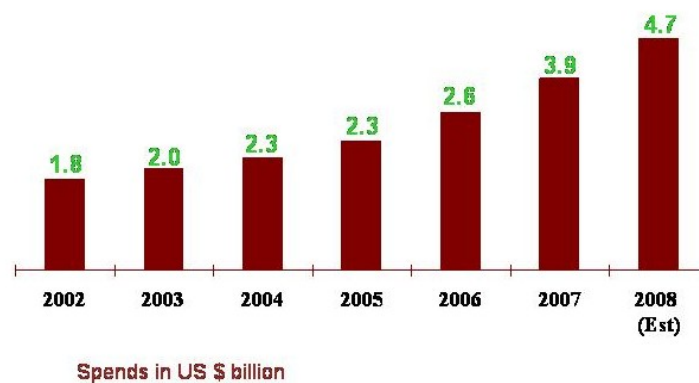
- **Distribution** has turned out to be the Waterloo of most new entrants in the early years. The virtual absence of modern retail in India today makes the task extremely complex and challenging.
- To benefit from the **gold mine** that India is or at least soon will be, with its billion people, you need to intelligently exploit the concept of **value pricing**.
- And finally India is not **one country**, but at least 4 in terms of consumer attitudes, beliefs, habits, superstitions and spending outlook.

THE MEDIA MARKET

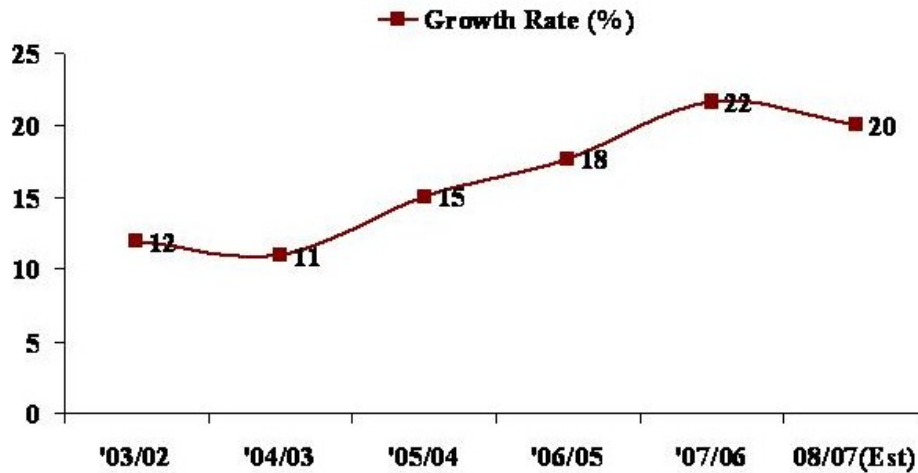
Let me now give you a peep into the **Indian** Media World where change has been even more dramatic.

Total mass media spend in 2007 was **estimated** at nearly 4 billion USD, which is less than 1% of the global advertising market.

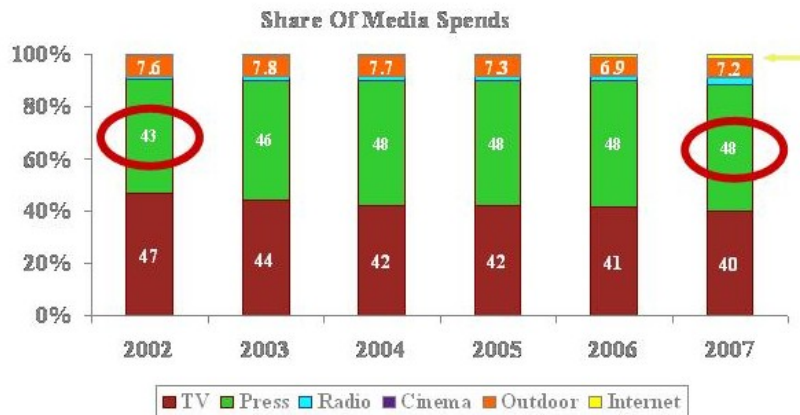
Advertising Market over the years



But look at our growth rates. From 10 and 12% in early 2002 we are now growing at over 20% and even amongst much talk about slowing down of the economy, our firm estimate is a 20% further growth in 2008.



The composition of the advertising market is also rapidly changing. Television grew from virtually 0% in the mid-80s to almost 50% of the market in 2002. But then thanks to proliferation of channels and fragmentation of viewership, has started declining and now stands at about 40%.

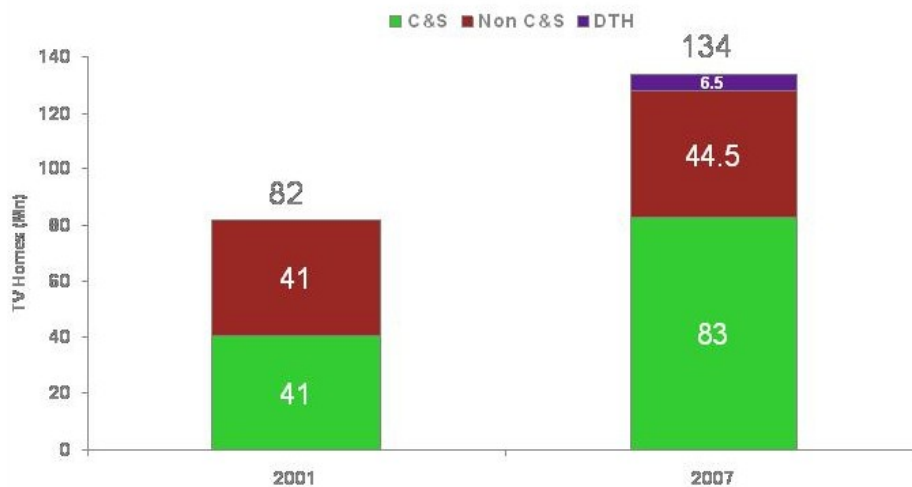


Wonder if there is any market in the world that has as vibrant a print market as India. It contributes to as much as 48% of the market – more than TV’s share and in the last 5 years has infact increased its share from 43% to 48%.

We don’t have much of a story to tell in Internet as yet; but in its second coming it now stands at just over 1%, but threatening to explode .

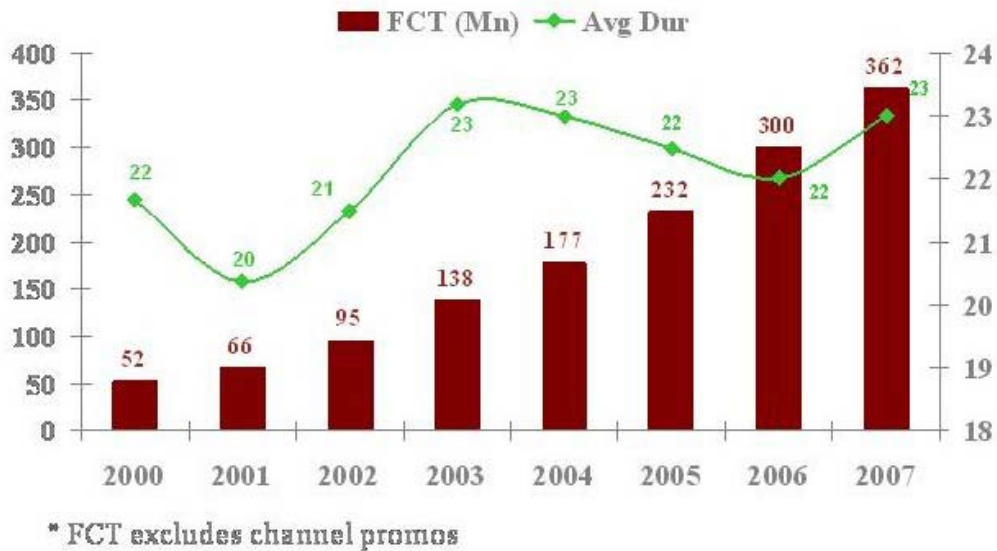
In terms of reach, Television reaches 53%, Cable & Satellite 32%, Print 20%.

TV Homes have increased in the last 5 years from 82 million to 134 million and C&S as a percent of total TV homes is at about 60% and DTH at about 5%.



The clutter in TV is now beginning to pose a serious challenge to Advertisers. In 2007 advertisers beamed 362 million seconds of advertising, a 6-fold increase over 6 years; mercifully the average duration of the

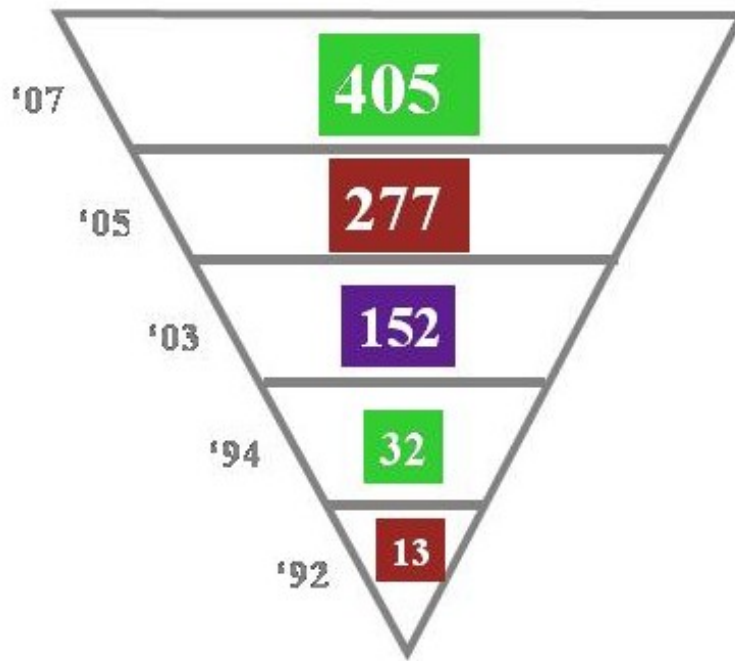
commercial has remained more or less the same over the last 6 years; 20 – 23 seconds, having come down from 30 seconds in the early 90s.



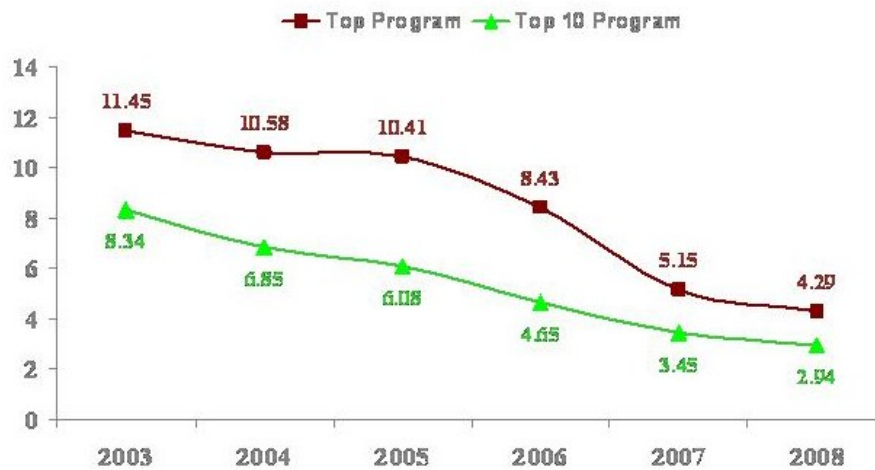
At an average you have 4.5 minutes of advertising per hour across genres, but for certain genres like News and Movies, the figure goes up to 9 - 15 minutes.

	In Minutes	
Details	2002	2007
Ad Time Per Hour	2.3	4.5
News	7.5	14.5
Movies	3.6	8.7

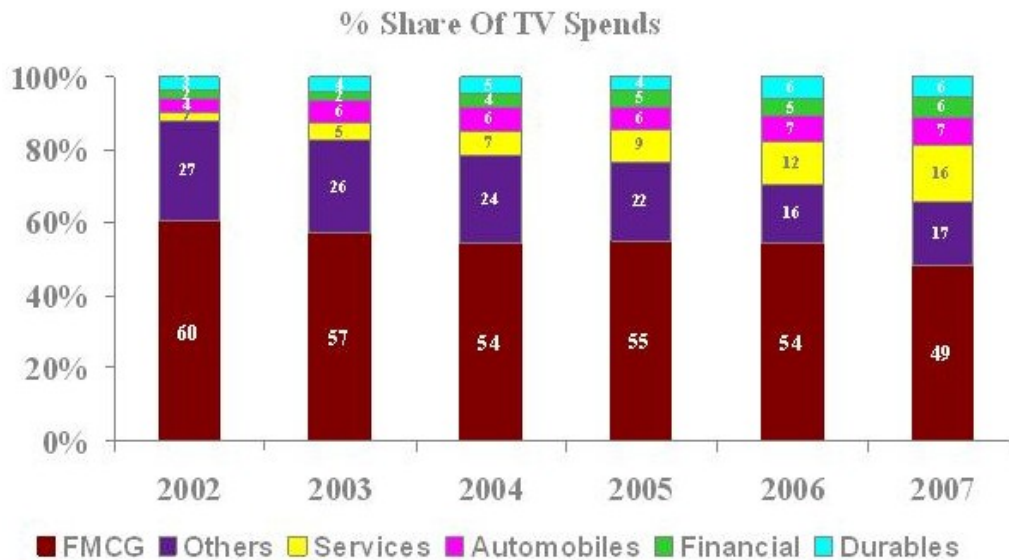
Here is a chart that is the darling of the production community - actors, directors, broadcasting equipment manufacturers and what not, but a nightmare for the advertiser community and media agencies. At last count there were 405 channels beaming 24 x 7 in India. And to think, that in 1990 we had only 5 channels.



Because of this proliferation of TV channels, viewership at a programme level is declining and the rating of the topmost program has declined from 11.45 to 4.29 and the average of top 10 from 8.34 to 2.94 over 5 years.



New categories are entering the advertising market, notably Financial and Automobiles and Durables, reducing staple FMCG share of total advertising time on television from 60% to 49%.

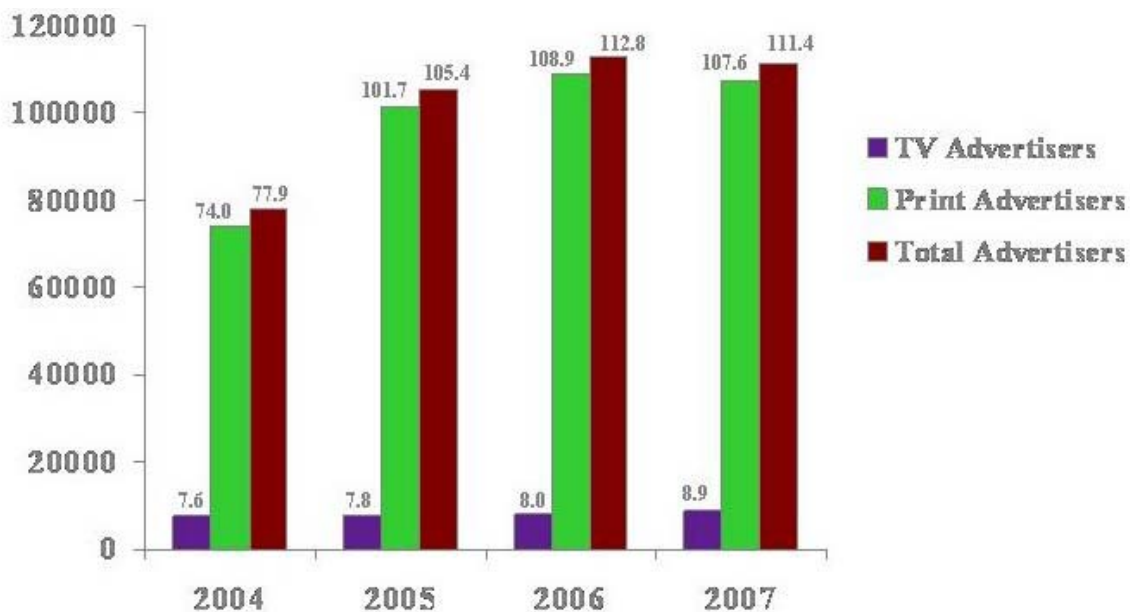


In terms of Print whilst the number of titles in English are limited and so is their reach, they are expensive relative to their language counterparts and garner a major share of the print advertising pie.

Mobiles are breeding faster than rabbits and the current mobile base is estimated at 296 million up from 115 million two years ago and estimated to reach a staggering figure of 500 million by 2010. This phenomenal increase has been achieved on the back of lowering of cost of airtime to 1 ½ cents per minute and telcos are now working towards bringing it down to 1 cent per minute to reach the magical figure of 500 million. It is a matter of time, before Mobile becomes a very powerful medium for advertising, if not The Most Powerful.

Multinationals have conventionally been believers in the power of advertising. 28% of top 500 advertisers are multinationals, accounting for 48% of the spend.

It is significant to note that not only is the advertising pie growing but the total number of advertisers are also growing. **The** total number recorded has grown from 78,000 to 111,000 over two years. Majority of them coming into Print. We have observed that when a new advertiser gets in, he enters the market through print and then moves on to television. The number of advertisers in television has also gone up, but not dramatically but one can expect that the number of 8,900 will shoot up, given the large additions coming into the print category, some of whom will graduate to TV.



THE CONSUMER

We are only just waking up to the **New** Indian consumer that western marketers are familiar with, who has:

- **L**ess time
- **M**ore money
- **I**s more demanding
- **I**s more fickle
- **H**as a mind of his own
- **I**s more difficult to reach
- **I**s more individualistic
- **I**s willing to spend more money on himself
- **I**s more selfish and
- **I**s a spendthrift.

Such sweeping changes in the consumer, his outlook, his attitude and his wallet and dramatic changes in the media environment call for a major change in our approach to media planning.

At Madison, the agency I work for, our mantra for brands to beat and exploit the new environment is four-pronged:

1. **Use** Multimedia. We have enough evidence to show that Multimedia works better than single media. Yet 70% of big brands in India still use single media
2. **Engage** your consumer. Forget how many millions you are exposing your message to. Use both passive mass media and active contact media

3. **Reward** your media partner who helps you engage rather than just expose, and
4. Build media plans based on the **concept** of media insight which is an extension of the concept of Consumer insight.

We believe it is wasteful for media agencies to spend time and money on consumer insight which is the domain of marketing people and creative agencies. Instead Media agencies could spend time and money to unearth Media Insights so that the message developed based on Consumer Insight can be delivered at a time, and in a place and manner that is more conducive to making a brand choice decision, if not actually a purchase.

I look forward to welcoming you all to India. Namaste!

(Words 2183)