

Sixty, and still shining

In its 60th year of independence, how bright is India shining? Here's a look at a few sectors that have ensured that it does.

In one of the recent CII Summits, Brand India was discussed by the leading economists and politicians of the country in which certain characteristics of India as a brand were discussed at length. Brand India, it emerged, is multi-layered due to its various castes, languages, religions, and different regions (States). Interestingly, it also highlighted the fact that, it is multi-layered because of the varied income generated by various class of income groups.

India owes its changing face in business to a few sectors. The marketing trends and practices have been changed due to these few sectors. Moreover, liberal industry-friendly policies over the years have played an important role in bringing the Indian industrial scenario to great heights.

India becomes the hottest auto-component destination: The US\$6.8-billion Indian auto industry has flourished in the recent years, and has grown at a staggering pace over the last few years, registering a CAGR of 17 percent during 1998-2003. It is projected to grow at a 15 percent CAGR till fiscal 2012 (Source: Auto Components Manufacturers Association of India). It is estimated that the sale of passenger cars have tripled compared to their sale in the last five years. Thus, the sale of cars has reached a figure of One million and is expected to increase further.

It is also to be noted that the demand for luxurious models, SUVs, and mini-cars for family owners have shot up, largely due to increase in the consumer's buying capacity. In fact, industry observers think that while Indian automobile market will grow at a measured pace, the auto components industry is poised for a take-off and is one of

the handfuls of industries where India has a distinct competitive advantage.

In the 1990s, economic liberalization allowed foreign automakers, such as Hyundai, Ford, Toyota and GM, set up base in India. While on the one hand, the local component manufacturers did not have the requisite size, technology or quality to meet the needs of these international carmakers, on the other, the high import tariffs and price sensitiveness of the Indian car buyers made it unviable for these companies to import components from their global suppliers, thus forcing carmakers to persuade their overseas component suppliers to set up local manufacturing base in India.

And, as these companies developed and stabilized their Indian operations, they realized the cost advantage of manufacturing components in India — typically lower by about 30 percent — and began to explore the possibility of exporting back these low cost, high quality components to their global factories and, thus, reduce their overall costs.

The Retail Industry: Modern retail in India could be worth US\$175-200-billion by 2016. With the economy booming, competition in the marketplace is fierce. According to 'Retail in

India: Getting Organized to Drive Growth', a report by AT Kearney, and the Confederation of Indian Industry, retail is one of India's fastest growing industries with a five percent CAGR and expected revenues of US\$320-billion in 2007. Rising incomes, increasing consumerism in urban areas and an upswing in rural consumption are set to fuel this growth to around 7-8 percent.





Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. The Indian retailing sector is, today, at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large youth population with median age of 24 years, earning substantial incomes, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

Telecom Sector: India is the fourth largest telecom market in Asia, after China, Japan and South Korea. The Indian telecom network is the eighth largest in the world and the second largest among emerging economies. The Indian telecom sector has undergone a major process of transformation through significant policy reforms that began in 1980s. The pro-business and pro-market policies (with gradually reducing regulations) are resulting into increased competition amongst existing players. This has also provided opportunities for many new market entrants and applications (like broadband services, Internet protocol virtual private network (IP VPN), wireless communications and security technologies).

The total number of mobile subscribers in India at the end of June 2007 was 185.13 million, compared to 40 million fixed-line subscribers, according to the TRAI. The country's overall tele-density, the proportion of the population with



The extraordinary growth that the automotive industry has witnessed is a result of two major factors, namely, the improvement in the living standards of the middle class, and an increase in their disposable incomes.

access to a mobile or fixed-line phone, crept up to 19.86 percent from 19.26 percent. Cellular service revenue in India will increase at a compound annual rate of 18.4 percent between this year and 2011, to reach \$25.6-billion, says a report by Gartner.

FMCG Sector: The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$13.1-billion. It has a strong MNC presence and is characterised by a well-established distribution network, intense competition between the organised and unorganised segments and low operational cost. Availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage.

The FMCG market is set to treble from US\$11.6-billion in 2003 to US\$33.4-billion in 2015. Penetration levels as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash, etc., is still low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products.

Growth is also likely to come from consumers 'upgrading' in the matured product categories. With 200 million people expected to shift to processed and packaged food by 2010, India needs around US\$28-billion of investment in the food-processing industry.

Pharma Sector: The Indian pharmaceutical industry, today, is in the front rank of India's science-based industries with wide-ranging capabilities in the complex field of drug manufacture and technology. A highly-organized sector, the Indian pharma industry is estimated to be worth \$4.5-billion, growing at about

8-9 percent annually. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured.

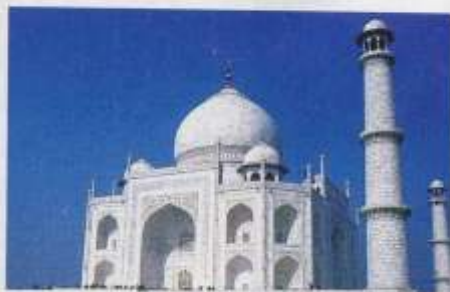
Playing a key role in promoting and sustaining development in the vital field of medicines, the Indian pharma industry boasts of quality producers and many units approved by regulatory authorities in USA and UK. International companies associated with this sector have stimulated, assisted and spearheaded this dynamic development in the past 53 years and helped to put India on the pharmaceutical map of the world.

The Indian pharmaceutical sector is highly fragmented with more than 20,000 registered units. It has expanded drastically in the last two decades. The leading 250 pharmaceutical companies control 70 percent of the market with the market leader holding nearly seven percent of the market share. It is an extremely fragmented market with severe price competition and government price control.

The pharmaceutical industry in India meets around 70 percent of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. There are about 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including five Central Public Sector Units). These units produce the complete range of pharmaceutical formulations, i.e., medicines ready for consumption by patients and about 350 bulk drugs, i.e., chemicals having therapeutic value and used for production of pharmaceutical formulations.

Technologically strong and totally self-reliant, the pharmaceutical industry in India has low costs of production, low R&D costs, innovative scientific manpower, strength of national laboratories and an increasing balance of trade. The Pharmaceutical Industry, with its rich scientific talents and research capabilities, supported by Intellectual Property Protection regime, is well set to take on the international market.

Hospitality Sector: The year 2004-05 saw tourism emerging as one of the major sectors for growth of Indian economy, with foreign exchange earnings increasing from Rs16,429-crore to Rs21,828-crore up to December. So, what is 'India' for the world? It is a million year-old civilization; a billion people speaking, reading and writing a few dozens of regional languages. It is the land that is the birthplace of some



of the major religions and philosophies of the world. It is also the world's premier IT services provider. It is an emerging hub for small-cars, a land producing the world's largest number of engineers, doctors, accountants, and so on.

Recently, the Indian government adopted a multi-pronged approach for promotion tourism, which

includes new mechanism for speedy implementation of tourism projects, development of integrated tourism circuits and rural destinations, special capacity building in the unorganized hospitality sector and new marketing strategies. A nation-wide campaign for creating awareness about the effects of tourism and preservation of our rich heritage and culture, cleanliness and warm hospitality through a process of training and orientation was launched during 2004-05. The aim was to rebuild that sense of responsibility towards tourists among Indians and re-enforces the confidence of foreign tourist towards India as a preferred holiday destination. More than 6500 taxi drivers, restaurant owners and guides were trained under the programme.

The government also took several other initiatives to promote Indian tourism industry and increased the plan allocation for tourism, from Rs325-crore in 2003-04 to Rs500-crore in 2004-05. Road shows in key source markets of Europe, the 'Incredible India' campaigns on prominent TV channels and in magazines across the world were among the few steps taken to advertise Indian tourism. In addition, a task force was set up to promote India as a prominent health tourism destination.

There could be several reasons for the buoyancy in the Indian tourism industry, ranging from the growth rate of Indian economy that has raised middle-class incomes, to India emerging as a leader in the IT area.

India shining: The aggressive advertising campaign — "Incredible India" — has contributed in changing India's image. Truly, the changing face of industrialization and management is allowing India to shine. Though Brand India is not yet settled, and is in a transition phase, the fact is it has caught the correct pace now. ■



DR. VIDYA HATTANGADI

The writer is the Director-cum-Professor of Marketing Management of Allana Institute of Management Studies, Mumbai.