

SECTOR:
DIGITAL INNOVATION



SECTOR OVERVIEW:
DECEMBER 2011

CONTACTS:
Digital Innovation

Welcome to the UKIBC quarterly report on Digital Innovation. The goal of this report is to provide a roundup of the happenings in ICT and the media and entertainment industries. We provide insights on happenings in the marketplace, collaborations between UK and India, and case studies of companies that have succeeded. For those who are following our sector views, we are cycling through a variety of areas that come under Digital Innovation sub sectors and providing you with articles that we hope are informative, and which touch on the types of opportunities that we are seeing.

There have been many significant occurrences over the last few months in India in the technology arena. The Internet users in India have crossed a 100Million, making India the third largest country of internet users after China and the United States. India has also crossed 850 million mobile users, implying that it is inching closer and closer to the number of subscriptions in China, the world's largest country of mobile usage.

Cloud computing is beginning to take off with an innovative SME collaboration utilising this technology. The media and entertainment industry in India grew at around 11% in 2010 and it is expected to grow at a compounded growth of 14% till 2015. Digital technologies have taken off in a big way with DTH (Dish to home) reaching 28 million users and according to KPMG, digital music sales in India have exceeded the physical format sales.

On the British side, the domestic ICT sector is the largest in Europe, and it is expected to grow to over £29 billion by 2012. In the UK, we have had the Technology Strategy Board open the first of the UK Technology and Innovation Centres which the government hopes will become a stimulus for the economy through new technologies and innovation. There have been innovations on technology to extend the battery life of smart phones with ARM unveiling its new chip design. A new strategy document has been published by the Cabinet Office that states that cloud computing should account for half of central government's new ICT spending by the end of 2015.

Recently, we hosted a session at UKTI's TechWorld on November 16th on "Making technology work for the Indian customer" where we had BT, Ricardo, Philips and Fabriqate present interesting case studies of



Priya
Kurien

Email: Priya.Kurien@ukibc.com

Tel: +44 (0)20 7592 3040

SECTOR:
DIGITAL INNOVATION



technology innovations for the Indian market. Soon we will also launch a report on the Innovation imperative for UK-India trade.

BUSINESS OPPORTUNITY

Telecommunication, the tool of empowerment in India

With over 850 million mobile users in India, this is just the beginning of the telecom revolution that is going to take place in India over the next 10-20 years. With such a massive platform, it is now possible to create all types of innovation and also tools that can empower the masses. Applications such as TCS' mKrishi (Krishi means farming in Hindi), the Mobile Agro Advisory System provides an ecosystem that empowers farmers. This is done by providing information on microclimate, local market price and other subjects of relevance to farmers on a mobile phone. It also enables farmers to send queries specific to their land and crop and receive personalized replies from agricultural experts, on their phones. Another example is the application created by Bangalore-based Vinfinet Technologies, called Kisan Raja, it is a GSM-based controller that allows farmers to control irrigation pumps using mobile or landline phones from within the comforts of the house.

Second wave of e-commerce in India

The second wave of e-commerce in India is here, with the number of internet users crossing 100 Million. This wave of e-commerce is about evolving business models for India's specific requirements rather than simply replicating what happened in the West in the last century. One aspect of customising the business model for the Indian market has been around the payment options offered to the consumers since those making a success of e-commerce in India have accepted that the Indian consumer is still mostly comfortable with cash payments. Therefore, cash on delivery or part payment on the web followed by payments offline is how the payment model has evolved. This large number of internet users implies that for any e-commerce firm that is successful, it also means taking into consideration scalability right from the beginning.

Cloud Computing and Indian SME Collaboration

The Tirupur Exporters Association, in Tamil Nadu, through a special purpose vehicle called G-Tech Info Solutions, has collaborated with top global vendors (including Microsoft, Wipro and SAP) to form a common 'cloud computing' platform. This will automate and simplify process across domains like manufacturing, logistics, finance, human resource, customer and vendor relationship for over 4,000 SME's in Tirupur. "Garments alone do a business of \$9 billion out of India. It is no big deal to increase the exports by 15%, if this system is implemented in other clusters of India," says Sanjay Kumar Gupta, CMD of G-Tech Info Solutions. Gupta, an entrepreneur himself, is now planning to roll out the model to other textile clusters across India and foreign markets such as Malaysia and Indonesia.

SECTOR:
DIGITAL INNOVATION



Increasing digitisation of entertainment in India

India is the world's third largest TV market with almost 138 million TV Households (HHs) behind China and USA. Cable and Satellite (C&S) penetration has reached close to 80 percent with soaring growth shown by the DTH platform. DTH subscribers grew by 75% from 2009 reaching 28 Million net subscribers, showing a shift towards digital technologies for entertainment. The Indian government is also pushing for digitization by mandating that digital infrastructure is to be used by 2015. As the UK has already made the shift from analogue to digital, there is experience embedded in the UK that can support the development of India's digital infrastructure and of digital content.

Innovation and the UK

First UK Technology and Innovation Centre Opened

The first Technology and Innovation Centre has been opened. This initiative is part of the Government's plan to grow the UK economy. The new centre in high value manufacturing (HVM) will be the first of at least six Technology and Innovation Centres to be established by April 2013. The Centre will capitalise on existing expertise and facilities established in the UK, bringing together seven institutions of excellence to better support UK manufacturing:

- Advanced Forming Research Centre (University of Strathclyde)
- Advanced Manufacturing Research Centre (University of Sheffield)
- Centre for Process Innovation (Wilton & Sedgefield)
- Manufacturing Technology Centre (Coventry)
- National Composites Centre (University of Bristol)
- Nuclear Advanced Manufacturing Research Centre (University of Manchester and Sheffield)
- Warwick Manufacturing Group (University of Warwick)

By incorporating the seven institutions, the HVM Technology and Innovation Centre will support a number of different industries including pharmaceuticals and biotechnology, food & beverages, healthcare, aerospace, automotive, energy, chemicals and electronics. The HVM Technology and Innovation Centre will commercialise business-led research and innovation that will help UK manufacturing businesses become more competitive on a world stage.

Innovative UK technology for longer battery life

The Cambridge chip design company ARM provides the chips for the majority of the smartphones and tablets on the market. ARM has just unveiled a chip design that it says could mean cheaper smartphones with battery lives five times longer by 2013. Already Broadcom, Compal, Freescale, HiSilicon, LG Electronics, Linaro, OK Labs, QNX, Redbend, Samsung, Sprint, ST-Ericsson and Texas Instruments have publicly signed up to support the technologies.

UK Government's priority for Cloud Computing

SECTOR:
DIGITAL INNOVATION



Cloud computing is definitely gaining attention as the UK Cabinet Office released a new strategy document that states that cloud computing should account for half of central government's new ICT spending by the end of 2015.

INVESTMENT UPDATE

Some of the highlights on the investment front include:

- A Zinnov study finds an increase in R&D expenditures by global technology firms on their Indian centres as the focus shifts to innovation and value creation.
- India expects a massive \$132 billion investment in Telecom as it makes provisions for adding 1.2 Billion new users by 2017. The Department of Telecommunication in India has set a target of 175 million broadband connections by 2017 and also to provide fibre connectivity to 250000 village Panchayats.
- India also is looking to invest \$100 billion in the electronics industry and aims to create 28 million jobs by 2020 in the draft National Policy of Electronics, 2011 released by the Department of Information technology.
- NDS Group (owned by News Corporation and Permira Funds) creates technologies and applications for digital pay TV has said it will invest USD 440 million (over Rs 2,160 crore) in the next five years in India on product development and on enhancing customer base.

In the Merger & Acquisition area, IMI mobile, an Indian provider of value-added services (VAS) solutions to mobile telephone operators, has acquired Skinkers, a UK-based digital agency in a move that is expected to be beneficial to both companies as the services of the other organisation can now be provided to their existing clients. A number of young, impatient companies still raising funds from venture capital investors are acquiring smaller firms to plug gaps in their businesses and ramp up fast, rather than build these from scratch.

COMPANY PROFILE

IMI MOBILE

IMImobile is a pioneer in the mobile data space offering a rich portfolio of managed services for mobile operators, media companies and enterprises. The Company provides mobile and online technology platforms and content services to mobile operators and media companies in India and internationally.

With over 500 employees at its headquarters in Hyderabad, India, IMImobile has a global presence across Asia, Europe, Latin America, Middle East and Africa. The company hosts its technology platforms and services in data centers worldwide, and currently enables over 77 mobile operators in 66 countries, generating 40 million billing transactions every month and reaching over 780 million subscribers worldwide.

SECTOR:
DIGITAL INNOVATION



In 2011, IMI mobile's DaVinci Platform™ content management system won the World Vendor Award for 'Best Outsourcing Initiative'

Sources: ISI Emerging Markets; IMI mobile

Case Study - Artevea Digital

Artevea Digital Limited is a leading UK manufacturer and supplier of digital radio communications infrastructure systems. The company is based in the renowned Cambridge technology cluster and proudly leads the way in technology innovation delivering the most advanced professional communications systems in the industry.

Artevea has generated innovative solutions by making the most out of a synergic approach between their UK R&D team and qualified Indian engineers based in Noida, India. This has resulted not only in major product improvements but also in lower development costs and a greater access to the Indian market.

Through exports, they have achieved double digit growth figures during the past 3 years and the firm expects to double its turnover this financial year. Artevea received the 2011 Frost & Sullivan European award for product innovation in TETRA infrastructure and is currently pursuing growth in the Indian market.

Qualified engineers at the software development centre in Noida convert new application ideas into real products based on R&D from their UK counterparts. The company's UK strengths in R&D and product innovation can be successfully exported in very price sensitive markets through local licensed manufacture and assembly under license, preferably with an entity with majority control to protect IPR. This generates higher business volumes and revenues to fund more product innovation and R&D.