

SECTOR:
DIGITAL INNOVATION



SECTOR OVERVIEW:

With an aim to learn more about the growing opportunities in India's ICT industry, the UKIBC hosted an event in November to provide guidance on how best to tap onto this high growth sector. In this quarter's report we carry on with this theme, highlighting the industry's drivers for growth, challenges faced and importantly, a collection of tips to succeed in the market.

In our Market Update section we share with you some relevant developments which include the government's efforts to incentivise FDI in telecom, and a revised PMA policy for imports of electronic equipment which meet WTO regulations.

Here you will also find further details on our upcoming business delegation to New Delhi, Gurgaon and Bangalore in March, and notes following our participation in India's premier ICT exhibition Indiasoft in November. Geoff Baker, founder of apps publisher ICN, also shares with us his views on India's Digital Innovation potential following his recent fact finding trip to India.

CONTACT:
Digital Innovation

Radhika Pandey
radhika.pandey@ukibc.com
+44 (0)20 7592 3040

In focus: Opportunities and challenges in India's ICT industry

Growth in the Indian Information and Communication Technology (ICT) industry has been phenomenal over the last five years, with projected spending in IT estimated to reach US\$71.5 billion in 2013 (Gartner). The country is the world's third largest internet market with 120 million current users, and this number is expected to go up to 370 million by 2015. Moreover, mobile internet users are expected to reach 130 million within the next year. Such fantastic growth figures have placed India on the international map and are attracting enormous opportunities for investment.

To learn more about this opportunity, the UKIBC hosted an event featuring experts in the digital innovation space in November. On this occasion, speakers shared their experiences with UK businesses and provided guidance on how best to tap into this high growth sector. We would like to thank speakers from AcceleratorIndia, Infosys, [Flexera Software](#) and [TVS](#) for their insightful contributions.

Drivers for Growth

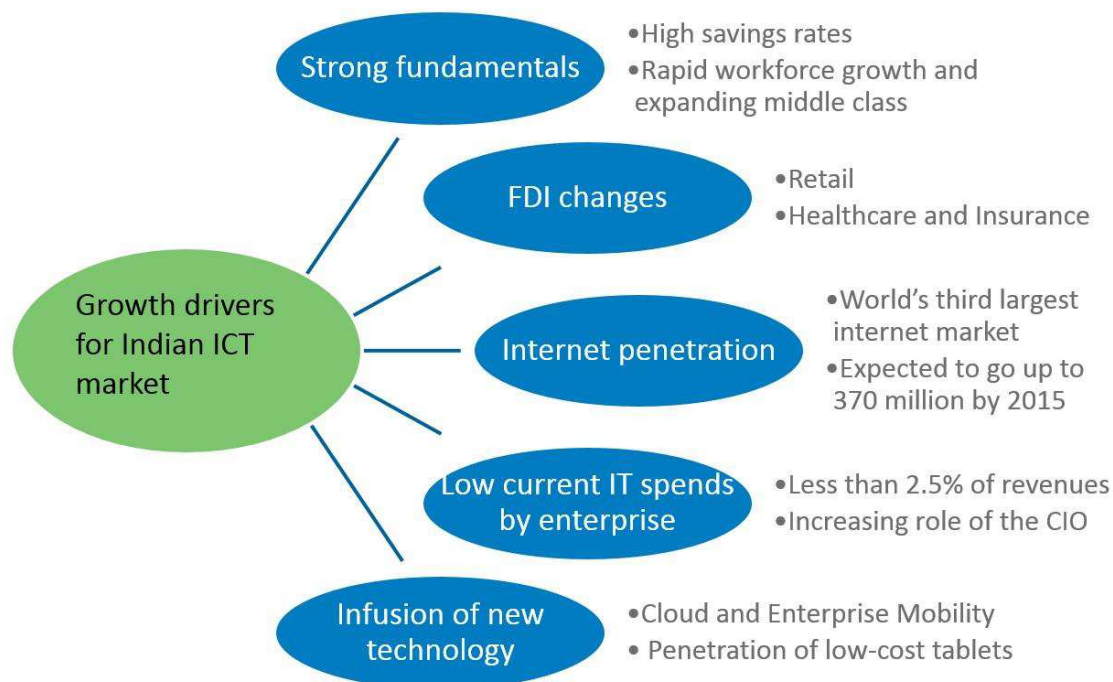
India's rapid development is driving demand across segments in ICT, from government spending in IT, businesses investing in infrastructure and digital solutions, and consumers investing in hardware, apps and content.

Infosys helpfully identifies the market growth drivers as follows:



Opportunity India- Growth drivers for the Indian ICT market

| 27



Source: Infosys

In addition to the above, India's fast-developing towns and cities also add to this growing demand, as consumers in these formerly unconnected regions access equipment and enjoy better connectivity.

Key Challenges

AcceleratorIndia, experts in go-to market strategies, summarised some of the key issues faced by industry in India's ICT as follows:



Key issues faced by Indian Media & Telecoms companies

- Data, metrics & analytics related to media ratings (TV, film, online) – note the big controversy around TAM ratings in India
- Content and data security, piracy – how to tackle the problem
- Monetisation of content (TV, film, online) and services (mobile, cable, satellite, broadband) – subscriptions not popular vs one-off payments and “free” options
- Scaling up content aggregation and distribution to serve target audiences – 1.2 billion potential consumers served by a fast developing infrastructure (digitization of TV, cable / satellite, and rollout of 4G)
- Implementing online and mobile solutions / business models in traditional markets – for example retail and banking applications

Source: AcceleratorIndia

Indeed, based on the views of experts at the event as well as our conversations with industry, many of the challenges in India are around monetisation of content, finding adequate distribution channels, IP protection, highly price-sensitive consumers, and the increasing costs of production, real estate and workforce.

Innovative products and business models as well as adequate networks are essential to succeeding in Indian ICT.

A successful market entry

The discussion turned up useful comments that we summarised below as tips for a successful market entry:

- Take time to understand the ecosystem and value chain
- Shape the right product or service to meet buyers' needs
- Set out realistic pricing and profitability expectations

**SECTOR:
DIGITAL INNOVATION**



- Find the right distribution strategy and/or partner
- Have a well-defined privacy protection framework and register your IP
- Invest time and focus your efforts
- Recruit staff with an emphasis on skills and expertise

Potential Opportunities

One of the key trends in India is the upcoming 4G rollout. This is generating a lot of buzz on opportunities emerging in telemedicine, retail, mobile TV, logistics and many more. Infosys, with data from IDC and Gartner, presented the following potential opportunities:

Potential opportunities

| 29

- **Large government infrastructure programs eg**
 - The National Broadband Plan- target is to connect about 160 million of India's 275 million households to broadband services by the end of 2014
 - Delhi-Mumbai Industrial Corridor Project – USD \$90B development project covering over 1450 kms with a significant proportion of spends on telecom, technology and infrastructure
- **Consolidation and working with larger players**
 - Participate in programs run by larger System Integrators (SIs)- both Indian and global based in India
 - The Indian market is likely to enter into consolidation mode soon- leader has only 10% market share
- Services spending on the **government transparency and efficiency-related projects** such as Unique Identification and Accelerated Power Development and Reforms Programme
- **Increase in mobile subscriptions and mobile applications** - EIU forecasts that the number of mobile subscriptions to rise by about 10% annually, to exceed 1.5 billion by 2016
- **Digital services** – marketing, healthcare, education, location-based services, etc
- **Enterprise IT spends by SMEs** - 41% of Enterprise IT spending in 2012 was by SMEs. This proportion is expected to increase to 43% by 2016 - Government initiatives and Public Private Partnerships are bridging infrastructure and R&D gaps

Source: IDC, Gartner



Source: Infosys

If you wish to learn more about accessing opportunities in India, please get in touch at Radhika.pandey@ukibc.com

SECTOR:
DIGITAL INNOVATION



Market Update

UKIBC India Business Delegation 2014: 10 March – 17 March 2014

UKIBC is taking a [business delegation to Delhi, Gurgaon and Bangalore in March 2014](#). This week long delegation will enable you to:

- Understand the Indian market;
- Meet Indian businesses looking for British suppliers and partners;
- Meet British businesses already succeeding in India;
- Learn about emerging opportunities in your sector;
- Meet experts that can help you access those opportunities; and
- Visit the UK-India Business Centre.

Delhi, its satellite Gurgaon, and Bangalore were chosen as all three give you access to range of opportunities, across all sectors. The programme will help you access these opportunities, and the UKIBC and UKTI staff in India will be on hand to support you throughout.

For more information, please contact Daxa.Bharadwa@ukibc.com

The UKIBC recently facilitated a delegation to India's IT Show, IndiaSoft 2013



To meet the global aspirations of the Indian software industry, the Electronics and Computer Software Export Promotion Council (ESC), organized the India IT show on the 26th and 27th of November 2013 in Mumbai. IndiaSoft is the premier ICT exhibition in India, meant to create awareness about the capabilities and core competencies of Indian Software and Services industry, and to facilitate joint ventures, collaborations and strategic alliances for outsourcing with overseas buyers.

A group of about 6 companies from the UK attended the show last year with the objective of not only getting a deeper insight into India's software market but also exploring potential business partnerships. The event was a global congregation of IT experts and entrepreneurs and provided attendees an

opportunity to understand the characteristics, the challenges and prospects of the Indian market.

A series of conferences also explored in greater detail issues relating to local and global synergies for emerging IT markets. It suggested the routes, strategic modifications and understanding of key factors responsible for the success of IT ventures in new global perspectives.

SECTOR:
DIGITAL INNOVATION



Revised Preferential Market Access policy for imports of electronic equipment approved

In a positive development, the Union Cabinet has approved a revised Preferential Market Access policy for [imports of security sensitive electronic equipment by public sector companies and defence procurement](#). The initial version of the policy gave preference to domestically manufactured electronic products with security implications for the country, however, by July, the Prime Minister's Office had said that a revised policy would have no such requirements, which is in accordance with the WTO.

Media and entertainment in South India to grow at 16% CAGR by 2017

[A recent report by FICCI and Deloitte](#) points to the fast growth taking place in South India's M&E sector, driven by popularity of vernacular content and rapid digitisation. The report also states that the market is currently dominated by television (56%), print (28%) and films (11%). It is also expected that new media and radio will grow at rates higher than industry average due to their growing power of engagement and in the case of radio, boosted by the upcoming Phase III auction.

Monetisation continues to emerge as an industry challenge, with many players in the print industry looking to develop mobile apps and websites to attract new readers. This opens up yet further opportunities in the digital space. Unlike other markets, India is unique in the sense that print media is growing at a steady CAGR of 8% to 2017.

South India's film industry is the third largest segment in the sector, and it is rapidly adopting new technologies, from film-making to e-ticketing, again generating opportunities in the sector.

6 Digital Trends in India

In an insightful [article by East West Relations, 6 trends in India's Digital sector are identified](#). Up and coming growth figures, which seem to be reversing the economic slowdown of recent years, are inspiring confidence in India's recovery phase. Interesting highlights from these Indian trends include the proliferation of stripped-down twitter and Facebook, innovations in and rapid uptake of e-commerce, and the decreasing importance of broadband costs. All of these quite particular to India.

Investment Update

India's Telecom department plans to attract \$141 billion in FDI

[An incentive package is to be formulated to attract approximately \\$141 billion in India's telecom](#) sector. As a measure to boost manufacturing, which is one of the country's most ambitious goals, more than 50% of this investment is proposed to take place in the products manufacturing space. Cost reduction, technology transfer and a components ecosystem are likely to be the main focus areas. A meeting to determine further details of this package is likely to include participants from industry, vendors and governments.

SECTOR:
DIGITAL INNOVATION



Case Study: ICN

<http://www.icncorporate.com/>

Geoff Baker, Founder & CEO

Following an introductory fact-finding trip to India, Geoff Baker from ICN shares his fresh views on the Digital Innovation Sector's challenges and opportunities.

India's Digital Innovation Sector: views on challenges and opportunities

ICN is an Apps publishing company that specialises in doing Apps with 'talent' (or to use the more commonly used term: "celebrities") in order to provide authoritative and credible content and utility, as well as awareness in what is a market of multi millions of Apps. With 12 Apps in the Appstore through the UK & US, ICN is looking to publish Apps in the markets with the largest smartphone and tablet installed bases: India, China, Japan, Brazil and Mexico.



Challenges

Having recently returned from a fact finding trip to India (kindly facilitated by UKIBC), it is clear that while the growth opportunities are phenomenal, there are some potential pitfalls. A conscious awareness of them can help mitigate risk. Many of these have been pointed out before, but with a particular emphasis on the creative/media sectors, the following are worth considering:

- Not one market: it is an oversimplification from a media perspective, to assume one product is going to access 1.2 billion people. It is more of a federal set up with many languages, and even 'Bollywood' is far from homogenous to India.
- Local allies and partners: I went out of my way to pre-arrange meets with or follow up with local people in the industry where alliances and overlaps could be mutually beneficial. It is crucial to also visit their office and see their set up. It may be tempting to sit in the lobby of a multinational hotel and pretend that you've "been to India" and "seen it for yourself" but you may end up concluding that was naïve.
- Speed of response: when returning home, it is not only the 4.5 hour time difference and several thousand kilometres to consider, there are obvious business culture differences. I can't claim to have cracked these, but I am trying to ensure repeated follow up so that what can sometimes be a slower response time is minimised.
- Creative/technical competency alignment? There is clearly a major strength in terms of technical know-how amongst young educated Indian nationals. While looking into the possibility of also utilising that in India, my concern was over the design strengths, and from a creative industry point of view, the two do not appear to be aligned. A hybrid model – if it can be effectively operationally managed – seems to make more sense, with UK design and Indian technical implementation.

**SECTOR:
DIGITAL INNOVATION**



- Mobile infrastructure: speaking to local people, as an Apps publisher there is no point in assuming that broadband and mobile internet infrastructure is comparable to the western countries. Consequently, I specifically have to consider that when developing product specifications for the Indian market.
- The Indian psyche: also when planning media products for the Indian market, there is no point in projecting Western approaches to what has worked elsewhere. I dedicated time on my trip in particular to understanding the role of areas like Bollywood/cinema and cricket, and also understanding India's sense of self in 2013, and the challenges thrown up on Indian society by a rapidly developing international economy and increasingly skilled, educated and international workforce. This appears to place perhaps an even greater strain between generations within families than elsewhere, how that impacts on media and culture is important to understand when planning products that can appeal to those and other local cultural nuances.

But these risks are far outweighed by the potential advantages.

Opportunities

- Language/cultural affinity – I sensed for all the all the potential awkwardness of imperial shame, the primary emotion between Britain and India remains a strong bond of a shared heritage, and the English language appears to have emerged as the common tongue for all Indians to be able to communicate with each other, which is very lucky for us Brits!
- Technological advancement – as an Apps publisher, the fact that many Indians are going straight to a mobile device rather than a computer or laptop as a way to access the internet is great news, with the Android operating system is the clear winner.
- Indian diaspora – while India is more federal than at first glance, it still remains enormous! And there is much talk of the Indian 'diaspora' – the global network as it were! I am pushing on with designing products aimed at appealing to this major demographic globally as well as the indigenous population.
- Support networks – the existence of organisations like UKTI and UKIBC yields a sense of not being alone in what is very much an out of comfort zone experience initially. Tapping in to that undoubtedly radically reduces risk, and many of the points highlighted here were pointed out to me through being involved with those groups. There's no point signing up and not being pro-active though, the onus in on the company or individual to go and seek out help and knowledge and it has been very worthwhile for ICN.

I'm very much looking forward to advancing our plans to India, and negotiations are already at an advanced with a major Bollywood name and a sponsor for our first Indian App, which to be able to announce soon.