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IndiaNow

BUSINESS AND ECONOMY

JANUARY-FEBRUARY 2019

IBEF
INDIA BRAND EQUITY FOUNDATION
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DEEP DIVE: TRACTOR INDUSTRY

INDIA MADE: ARVIND LTD

STARTUP: ZOMATO

THE CONNECTED CONSUMER

E-commerce transforming buying patterns of Indians



IN THE FAST LANE

India has emerged as a global automobile hub



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CEO SPEAK



DEAR READERS,

India is one of the largest trading partners of United Arab Emirates (UAE) with merchandise trade at US\$ 53 billion and engineering trade at US\$ 6.3 billion in 2017. UAE is the second largest destination for Indian engineering exports with ships, boats, and floating structures; iron and steel and its products; copper and its products, and electric machinery being the major exported product groups. In order to further push the engineering exports from India, EEPC India led a delegation of over 50 Indian companies to Big 5 2018 in Dubai.

Being the largest event for construction in the Middle East, Big 5 Dubai is a much sought-after platform for Indian and other global exporters looking to target the UAE construction market. India Brand Equity Foundation (IBEF) provided support by way of venue branding, print advertising, and SMS advertising at the event. With the objective of promoting strengths of Indian pumps & valves, strategic positions at major entry and exit points at the Dubai World Trade Centre were used for projection.

Back home, IBEF branded the 36th India Carpet Expo, Varanasi. It supported the event through branding elements across the city and exhibition hall and a press conference. The exhibition strives to promote the skills of hand-knotted carpet artisans of India among global buyers and is one of the largest hand-made carpet shows in Asia.

The event was inaugurated by the Hon'ble Prime Minister of India Shri Narendra Modi via video conference in the presence of Hon'ble Smt Smriti Zubin Irani, Minister for Textiles, Government of India. Around 270 small, medium and large manufacturer exporters from several states including Uttar Pradesh, Rajasthan, Haryana, Jammu and Kashmir, Punjab, Madhya Pradesh, Himachal Pradesh, and Andhra Pradesh participated in the expo, which witnessed the presence of more than 350 overseas buyers from 38 countries and 225 buying representatives/buying houses.

IBEF also came out with an updated version of the '50 Reasons to Partner with India' factbook. The factbook captures 50 strong facts about Indian economy and business. Ranging from consumer markets to agriculture and automobiles, the factbook captures the resilience of sectors and the growth opportunities and business partnership opportunities therein. IBEF has initiated a social media campaign for promotion of this factbook. It is also prominently displayed at major international events.

IBEF will continue to support branding of key sectors across various platforms.

Bhupinder S Bhalla

Joint Secretary, Department of Commerce
& Chief Executive Officer
India Brand Equity Foundation

EDITORIAL

DEAR READERS,

The cornerstone of any successful sales and marketing strategy is an indepth knowledge of the consumer's habits and proclivities. This is more so in a market as culturally diverse as India. Take the example of cash on delivery. E-commerce retailers had to reverse their insistence on digital payment when they realised that cash was the preferred mode of payment among a majority of their customers in the country. So much so that India was the first country in which the global cab aggregator Uber accepted cash payments.

Factors such as distinct geographical and regional preferences, rising affluence, and a growing millennial population, along with increased internet and smartphone penetration have changed the way the nation buys. Technology has also levelled the playing field, and competition today is intense with smaller companies posing a stiff challenge to established players through innovative products and services. New-age consumerism is also blurring the lines between the urban and the rural in India. According to a 2017 BCG report, *The New Indian: The Many Facets of a Changing Consumer*, India's nominal year-over-year expenditure growth of 12% is more than double the anticipated global rate of 5% and will make India the third-largest consumer market by 2025.

The retail landscape is realigning at a fast pace and companies would do good to keep pace with the shifts in consumer behaviour, look beyond the obvious, and restructure their India growth strategy.

Maneck Davar
MANECK DAVAR

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A SHADE BETTER

India grows its coffee under a two-tier mixed shade canopy of evergreen leguminous trees

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The penetration of the Internet and its influence are reasons for the expansion of urban and rural consumers. E-commerce is steadily changing the way people shop.

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Deeply interwoven in history, pashmina is a fine fabric that is traditionally handmade.



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The Blue Mountain Trail

Covered in lush and dense forests with gently flowing rivers and waterfalls, Ooty is a picturesque hill station that stands out amidst commercial tourist spots.



INDIA IN NEWS

Pradhan Mantri Ujjwala Yojana achieves 6-crore mark

On January 2, Vice President Shri M Venkaiah Naidu gave out the 6-crore LPG connection under the Pradhan Mantri Ujjwala Yojana (PMUY). He handed over the papers to a beneficiary Jasmina Khatoon in New Delhi. Appreciating the efforts of the officials of the Ministry of Petroleum and Natural Gas, he acknowledged the vision of Prime Minister Shri Narendra Modi. PMUY was launched on May 1, 2016 with a target to give 5 crore deposit-free LPG connections by March 2019 but was later raised to 8 crore connections by 2021 with a budget allocation of ₹12,800 crore. It covers the release of LPG connections to all women belonging to the Below Poverty Line (BPL) families. Minister of Petroleum and Natural Gas & Skill Development and Entrepreneurship Shri Dharmendra Pradhan said that almost 80% beneficiaries under the PMUY have been refilling the cylinders. PMUY has been hailed by the international organisations and developed countries while it has set an example for the developing countries of the world. Additionally, Oil Marketing Companies (OMCs) plan to add 835 LPG distributors by March 2019 across the country to strengthen the LPG distribution infrastructure.



100 days of Ayushman Bharat

On January 1, Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) completed 100 days. It is known as one of the world's largest government-funded healthcare programme. It has provided 6.85 lakh patients with hospital treatment, 5.1 lakh paid claims, averaging 5,000 claims per day in the first 100 days, according to Finance Minister Mr Arun Jaitley's tweet. According to The Financial Express, 5.29 lakh hospitalisation claims have been filed under this scheme, which is said to amount to ₹684.6 crore, averaging hospitalisation costs to ₹12,932 per patient. Gujarat accounts for 76,000 hospital admissions cleared under the AB-PMJAY, followed by Tamil Nadu with 54,273 admissions, Chhattisgarh at 53,180, Karnataka at 40,216 and Maharashtra at 27,237 admissions. The scheme, launched on September 23, aims to provide medical coverage of ₹5 lakh per family annually, benefiting more than 10.74 crore poor families or over 50 crore people for secondary and tertiary care hospitalisation through a network of 16,000 government and private hospitals.



Bogibeel Bridge begins operation

On December 25, Prime Minister Shri Narendra Modi inaugurated the 4.9km Bogibeel bridge in Assam, which is the country's longest rail and road bridge. The Prime Minister crossed the bridge to the north bank of Brahmaputra and flagged off the Tinsukia-Naharlagun Intercity Express. This train will run five days a week and will cut down travel time between Tinsukia in Assam to Naharlagun town of Arunachal Pradesh by over 10 hours. It is strategic important as the bridge will get rid of bottlenecks to several districts of Arunachal Pradesh. It is also likely to play a crucial role in the defence movement along the Indo-China border in Arunachal Pradesh. The bridge and the train connection is also beneficial to the people of the Dhemaji district in Assam as travel is made easier to hospitals, colleges and the airport in Dibrugarh. The cost to construct the bridge escalated from ₹3,230.02 crore to ₹5,960 crore due to delays in its implementation.



AirSewa 2.0 launched

Union Minister of Civil Aviation and Commerce & Industry, Shri Suresh Prabhu and Minister of State for Civil Aviation, Shri Jayant Sinha launched AirSewa 2.0 website and mobile app in New Delhi. The upgraded version includes features such as secure sign-up and log-in with social media, chatbot for travellers support, improved grievance management including social media grievances, real-time flight status and detailed flight schedule. The app is available on both android and iOS platforms and will offer passengers a convenient and hassle-free air travel experience. On the occasion, Shri Prabhu said, “The focus is now on improving the quality of services so that passengers who are travelling have a safe and comfortable experience.”



Startups in India raise US\$ 38.3 billion

According to a report by Yostartups, Indian startups have raised US\$ 38.3 billion in funding in 2018. The report made mentions of Flipkart’s US\$ 16 billion deal with American retailer Walmart. Swiggy raised about US\$ 1.3 billion over three deals, Oyo raised US\$ 1 billion, and Paytm Mall raised US\$ 895 million among others. Across the world, about 14,300 funding deals were struck by startups last year out of which 1,000 deals were signed by Indian startups. These deals collectively raised over US\$ 400 billion—an increase of around 23% from the previous year. The report added that added that over 3,700 seed funding deals were struck amounting to US\$ 6.9 billion and 7,357 venture-funding deals were signed in 2018, raising US\$ 217.9 billion.



Integrated Government Online Training Programme launched

Minister of State (Independent Charge) Development of North Eastern Region (DoNER), Dr Jitendra Singh has launched the Integrated Government Online Training Programme (iGOT) as part of the Digital India initiative. This programme will supplement the existing training mechanism and make training inputs available to government officials. The programme is developed by the Department of Personnel and Training (DoPT) that will continue encouraging the government’s digital initiative and keep adding more programmes. The training courses under iGOT will be accessible through DoPT’s website.

“From the extension of banking facilities to previously excluded sections of the people to the implementation of the Goods and Services Tax regime, various measures had been taken to boost the formal economy. In this manner, loopholes in misuse of public money are being addressed.”

SHRI RAM NATH KOVIND, HON’BLE
PRESIDENT OF INDIA

“Very few in the world thought that our country’s prospects were bright. Today our GDP is nearing US\$ 3 trillion, and India is well on its way to becoming one of the three richest countries in the world. In the next two decades, I can confidently say that India shall be leading the world and shall contribute to the next wave of global economic growth.”

MUKESH AMBANI, CHAIRMAN AND MANAGING
DIRECTOR, RELIANCE INDUSTRIES LIMITED

INDIA IN NEWS



ICRA report projects growth for hospitality industry

In a recent ICRA report, the hospitality sector is said to grow annually by 9 to 10% through 2023 with a higher growth rate of 10 to 12% in 2018-19. The factors contributing to this growth are high domestic demands that are driven by air connectivity and increasing numbers in domestic leisure travel. The report also predicts a revenue improvement and margin expansion for the industry and an increase in the number of premium rooms across 12 key cities that are likely to go up from 82,800 in FY18 to 98,900 by FY23. The industry will also recover from its debt and will improve to 1.2 times in FY23. ICRA Vice President, Pavethra Ponniah said, “We expect the current industry up-cycle to continue over the next three to four years and the outlook continues to be stable. The stable outlook will be driven by robust domestic demand and a muted supply pipeline. The return of pricing power across key markets will be more evident from the next rate cycle beginning January 2019 and a consequent improvement in financial performance is expected.” However, she also warns the players in the industry to not overlook costs and monitor it regularly.



NITI Aayog chief draws India's path to growth

At the India Economic Conclave organised by the Times Network, NITI Aayog Chief Executive Officer, Shri Amitabh Kant focused on the need to increase India's exports to make it a US\$ 5-trillion economy by 2025. “In the last four years, we (Centre) have taken a series of measures to improve our rankings in ease of doing business, along with many structural reforms like RERA, GST and IBC. These measures will make India extremely efficient in the long run. However, to address the real challenge of growing the GDP at 9-10 % over the next three decades, India will have to increase its exports,” he said. Shri Kant also noted that the private sector will play a significant role in boosting the country's economy and that with the support from the government, it is necessary to create champion companies like Tata Consultancy Services (TCS). “No country has grown without exports. Take the example of Japan, Korea and China, which have grown on the back of exports. So, India needs to push for exports, which would require size and scale of manufacturing and penetrating global markets,” he added.



Railways on the road to improvement

The Indian Railways will soon provide free WiFi service to 2,000 railway stations out of which 700 already have installed WiFi. Apart from this, the Minister of Railways and Coal, Shri Piyush Goyal has drawn a roadmap for the first quarter of 2019 which includes channelling all complaints to a single helpline number, making the reservation chart publically available, redevelopment of 68 stations by February, completion of 3D digital museums, and welfare measures for porters. Besides these, the minister has set other goals for the railway that include time-bound work when it comes to safety and passenger services, monitoring the online railway services, constructing a dedicated freight corridor and distribution of PoS machines in all trains to the catering staff and TTEs. Cleanliness, train upgradation, station improvement and development, online monitoring, catering improvement, and revenue generation are also some of the goals that are to be achieved within this year.



RESPONSIBLE HEALTHCARE

India is the largest provider of generic drugs globally

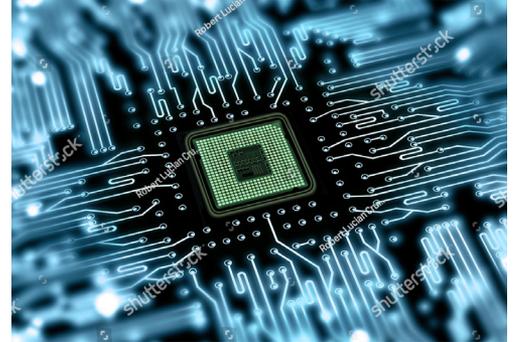


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TECH CORNER

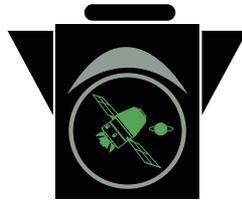
India's IT and business services market poised to reach US\$ 13.9 billion by 2019

As per an International Data Corporation (IDC) report India's IT and business services market is expected to register an annual growth rate of 7.9% and reach US\$ 13.9 billion by the end of 2019 from US\$12.9 billion by the end of 2018. Hosting infrastructure services, hosted application management, application management, and IT consulting were among the faster-growing services in the first half of 2018. "The demand for services around emerging technologies such as cloud, artificial intelligence (AI), machine learning (ML), automation, and internet of things (IoT) will be boosted in the next three-five years," said Ranganath Sadasiva, Director Enterprise, IDC India.



India Post announces foray into e-commerce

With the aim to leverage its parcel business for end-to-end delivery of products, India Post has announced its full-fledged entry in ecommerce business. Minister of State (Independent Charge) of the Ministry of Communications; and Minister of State in the Ministry of Railways Shri Manoj Sinha said, "We have simplified decision-making process at Department of Posts (DoP) by setting up a separate parcel directorate. It can make quick decision on parcel rates and related provisions. India Post will leverage its vast network for e-commerce services for doorstep delivery of products." India Post has delivery network of 1.55 lakh post offices, which offer service to the remotest of villages. With this move, the entity will be open for registration of all vendors for e-commerce business, will pick up products from the vendor, and deliver to doorstep of customers. It will also facilitate return of products.



Gaganyaan gets green light

In a meeting chaired by Prime Minister Shri Narendra Modi, the Union Cabinet gave approval to Gaganyaan—India's first manned to space—slated to take off in 2022, making the country the fourth in the world to do so. At ₹1000 crore—alotted for technology development, flight hardware realisation, and infrastructure—this is one of the least costly manned spaceflights in the world, and is designed to carry three human beings for seven days. It will get support from academia, the scientific community, the industry, and Indian Space Research Organisation (ISRO). ISRO will work with Indian Air Force, whose agency Institute of Aerospace Medicine will be responsible for selection of astronauts for the mission. This mission is seen as a step towards establishing the country's autonomy in this field.



President inaugurates 13th edition of CII Agro Tech India – 2018

The 13th edition of CII Agro Tech India-2018, held in Chandigarh, was inaugurated by President, Shri Ram Nath Kovind. He expressed confidence that Agro Tech India-2018 will help the country's farmers by promoting partnerships in fields such as biotechnology, nanotechnology, data science, remote-sensing imaging, autonomous aerial and ground vehicles, and artificial intelligence, which hold the key to generating more value for agriculture. Mr Kovind also said, "Indian agriculture needs a renewal of its marriage with contemporary technology; protection against climate change, price fluctuations and demand shocks; and sustained investment by and partnership with business. Together these will enhance agricultural value and competitiveness— as well as lead to better incomes."



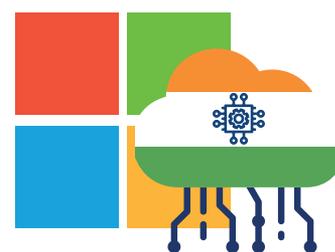
SMEs to benefit from Google's new business app

Google India launched the redesigned Google My Business App—a free tool for SMEs to start their digital journey through listings on Google and keep their business presence up-to-date on Google Search and Google Maps. It allows businesses to update their profile, converse with customers, and attract new ones in real-time. Overall, this app aims to facilitate seamless interactions between businesses and their customers, in real time.

Shalini Girish, Director - Marketing Solutions, Google India said, “The new app will encourage businesses to manage their presence on Google in real time, make their profiles more appealing and interact with customers.”

2022

The year in which Gaganyaan mission is slated to take off.



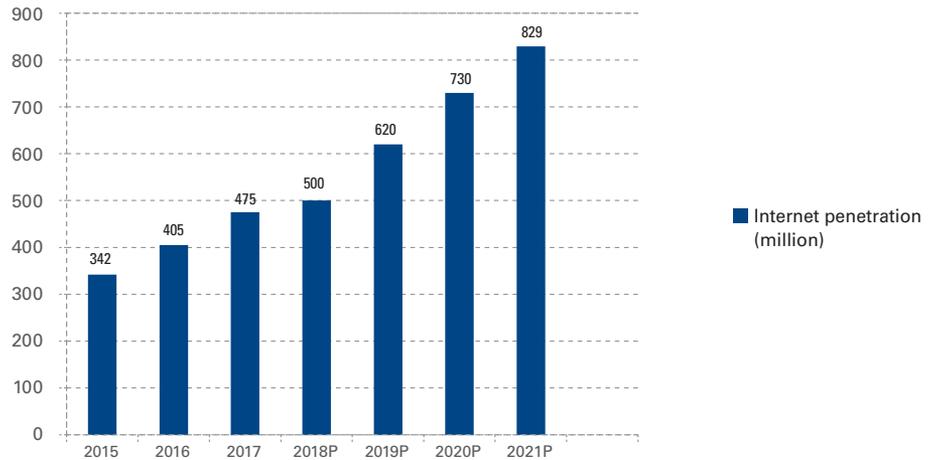
Microsoft to start building AI-ready workforce in India

Technology giant Microsoft announced a three-year collaborative program Intelligent Cloud Hub, in India, to empower facilitate the skilling of students in artificial intelligence (AI) and cloud technologies. This program will equip the selected research and higher education institutions with AI infrastructure and build curriculum and faculty capability to skill students in AI and cloud technologies. Manish Prakash, Country General Manager-PS, Health and Education, Microsoft India said in a statement, “Jobs of tomorrow will require a very different set of skills, and collaborating, training and working with AI will be as important as collaborating with people.” India is the only country in the world where Microsoft is initiating such as program.

STATISTICS

CHANGING CONSUMER DYNAMICS

INTERNET PENETRATION IN INDIA



P: projected

Source: <http://ultraxart.com/wp-content/uploads/2018/05/internet-penetration-in-India-2018-fig-3-min.jpg>

NUMBER OF MOBILE INTERNET USERS IN INDIA



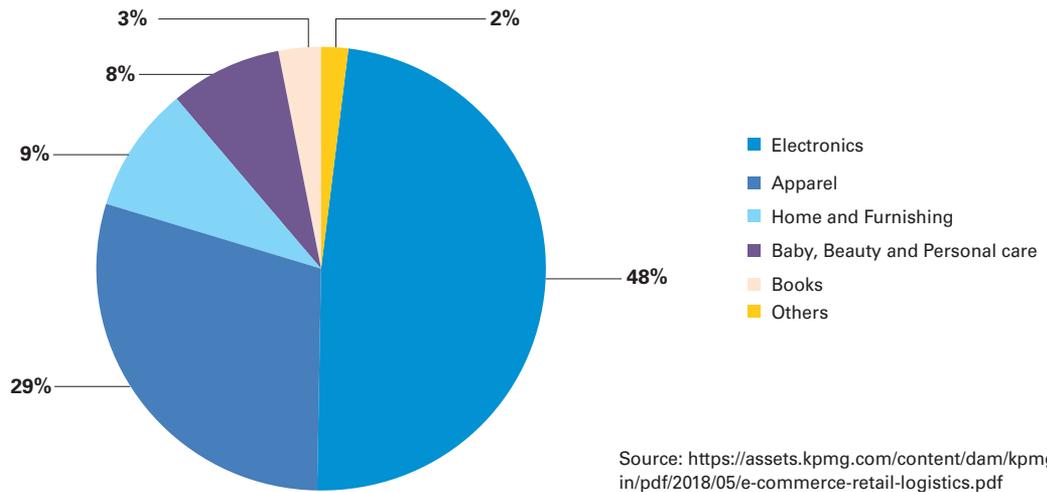
Source: <https://www.statista.com/statistics/558610/number-of-mobile-internet-user-in-india/>

KEY NEW TECHNOLOGIES THAT INDIAN RETAILERS ARE PLANNING TO INVEST IN OVER THE NEXT TWO YEARS

Technology	Respondents in %
E-commerce platform	83
Marketing automation	83
CRM applications	73
Supply chain management	70
Mobility	66

Source: <https://www.pwc.in/assets/pdfs/industries/technology/techworld-may-2018.pdf>

E-COMMERCE RETAIL MARKET BY VALUE



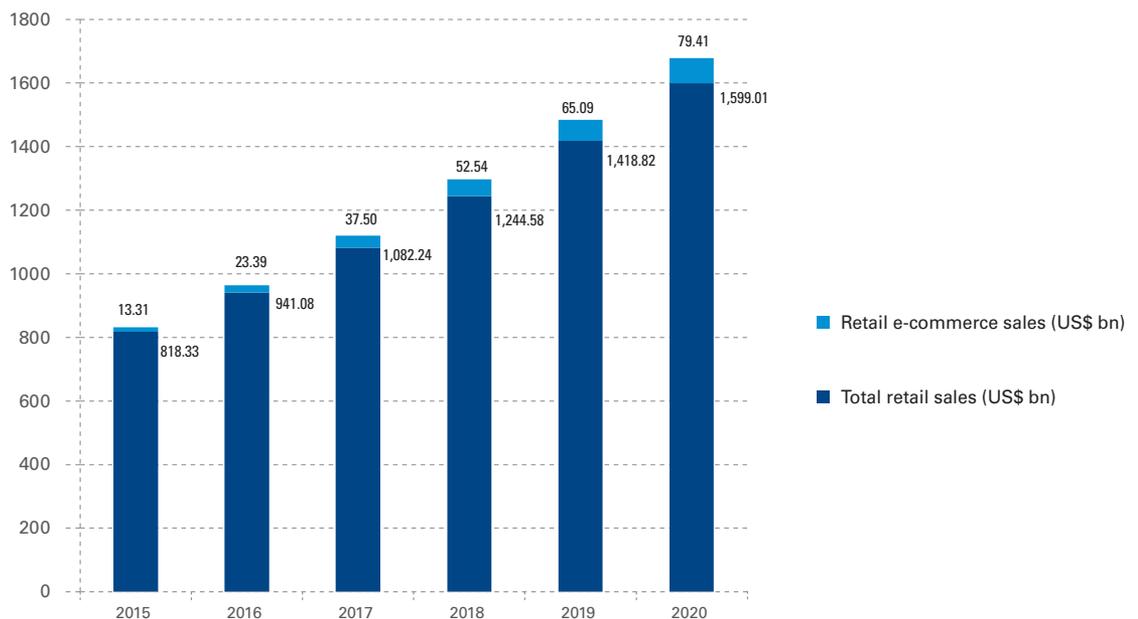
Source: <https://assets.kpmg.com/content/dam/kpmg/in/pdf/2018/05/e-commerce-retail-logistics.pdf>

E-COMMERCE STATISTICS OF MSMEs

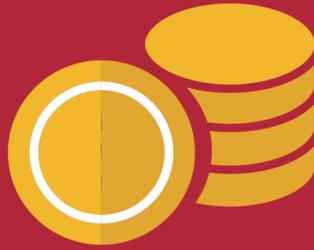
Percentage of the Indian MSMEs using e-commerce	27%
Investment required for MSMEs to enter into the e-commerce space	~US\$ 100
Reduction in marketing and distribution costs for MSMEs using e-commerce	Up to 60%
Growth in revenue for MSMEs who have adopted e-commerce vis-à-vis their offline counterparts	27%
Projected e-commerce market size in 2020	US\$ 100 billion

Source: https://www.unido.org/sites/default/files/2017-10/WP_15_2017_.pdf

TOTAL RETAIL AND E-COMMERCE RETAIL SALES IN INDIA



Source: <https://www.emarketer.com/Chart/Total-Retail-Retail-Ecommerce-Sales-India-2015-2020-billions-change-of-total-retail-sales/194284>



Changing Face of Indian Consumerism

PROLIFERATION OF TECHNOLOGY HAS LENT THE COUNTRY'S CONSUMERS THE POWER OF CHOICE, IN UNPRECEDENTED MEASURE. AND BUSINESSES ARE TAKING NOTE.







E-commerce: Giant Leap for Consumerism

India's e-commerce market is pegged to potentially grow to US\$ 150 billion by 2022, more than four times the market in 2017, which stood at US\$ 36 billion.¹ This swift and radical transformation is changing the dynamics of the marketing process in unprecedented ways for both brands and consumers.

ASHUTOSH GOTAD

Ever since Videsh Sanchar Nigam Limited (VSNL) launched the internet in India back in 1995, making it accessible to the general public, the phenomenon has percolated into and found use in most sectors over the years. Business done via the internet has changed from a norm to a necessity now, as more and more companies are setting up online infrastructure and presence. An illustration of this is a finding by PwC, which terms e-commerce platform and market automation as the top two key new technologies that Indian retailers are planning to invest in, in the next two years.² As per a report by Nasscom and PwC India, the number of internet users in India is expected to reach about 850 million by 2022 from 450 million in 2017.³ During

this same five-year period, the size of the country's middle-class is expected to grow from 380 million to 540 million.⁴

As per a Codilar report, India trails China and the US, which are the top e-commerce markets in the world; however, the country acers the two in terms of growth rate.⁵ An ASSOCHAM-Forrester study in 2016 puts the annual e-commerce growth rate for India at 51%, followed by China at 18%. As online sales in India are expected to reach US\$ 120 billion by 2020, the future for this sector looks quite assuring. This is also attributed to the increased inclination of people towards smartphones, which creates a significant platform for m-commerce to flourish. As a result, the percentage of mobile purchases in total e-commerce sales is increasing every year.

BOOST TO E-COMMERCE

Various government initiatives such as Digital India, Make in India, Start-up India, and Innovation Fund have helped in the development of e-commerce, among others. Department of Industrial Policy and Promotion has issued guidelines allowing 100% FDI in B2B e-commerce under the automatic route.⁶

In order to facilitate infrastructure, Union Budget 2018-19 has allocated ₹8,000 crore to BharatNet project, which will provide broadband services to 150,000 gram panchayats.⁷ The government is also working on the second draft of its e-commerce policy, incorporating inputs from various stakeholders.⁸ Under BharatNet phase-1, the government has set up 15,000 Wi-Fi hotspots of which around 11,000 are in rural areas and the rest in semi-rural.⁹

Ministry of Electronics and Information Technology is spearheading negotiations on e-commerce under various forums/ Free Trade Agreements such as Regional Comprehensive Economic Partnership, WTO, and BRICS.¹⁰

E-commerce operations are now covered under the Consumer Protection Act, 1986.¹¹

E-TAILING: A FLOURISHING MARKET

Shopping online is a growing trend among Indians as they find it more comfortable, time saving and convenient. Consumers making online purchases are affected by various factors—price, trust, choice and convenience. The already flourishing e-tailing market in India is expected to grow at a CAGR of 30% to exceed US\$ 60 billion in market size by 2022.¹² Simultaneously, the number of online shoppers is also expected to rapidly grow to 150–200 million during this period, which will make India a hotspot for domestic and global brands, over the years, as per a PwC report.¹³ The report also states that one out of three mobile phone consumers, is willing to spend about US\$ 100-200 on a new smartphone.¹⁴ As opined by Sandeep Ladda, partner and global technology, media and telecom sector leader at PwC India, “The next frontier for the battle in the Indian e-commerce industry is set to be fought around a seamless shopping experience, building digital trust, voice-based or conversational commerce, and creating an inventory of localised content.”¹⁵

THE ALREADY FLOURISHING e-tailing market in India is expected to grow at a compounded rate of 30% each year to exceed US\$ 60 billion in market size by 2022.

RISING AFFLUENCE AND URBANISATION

According to a Nielsen insight, India has 440 million millennials and 390 million in the Gen Z market segment, which is a substantial portion of the country’s total population.¹⁶ This is a young and digitally forward group that is evolving into a new consumer class with higher disposable income at hand. “Nearly 73% of them (millennials) prefer shopping online, out of which close to 63% use smartphones and apps to complete their purchases. ‘Fauxsumerism’ is the latest consumerist fashion trend for them—they browse, research potential purchases online and create their wish lists for later purchases. Millennials rely heavily on user generated content for completing their purchase decisions and companies leading the pack are ones who are encouraging the users of their products and services to post online reviews”, says Dr Debashish Sengupta, author, *The Life of Y - Engaging Millennials as Employees and Consumers*.

This report also notes that wealthy, single urbanites—comprising 1% of the country’s total population of 1.3 billion—most often base their consumption decisions on lifestyle considerations rather than functional needs and they are also early adopters and consumers across all categories, which is shifting consumption dynamics in urban India.¹⁷ Some of the other findings are:

- Urban youth are fast changing priorities from relationships to education and career, leading to the rise of one-person households. Other factors that contribute to this lifestyle are the proliferation of technology, hands-on connectivity among social circles, and a host of entertainment options.¹⁸
- On an average, wealthy single urbanites spend 20 hours a week on smartphones—this time span being slightly more for males than females.¹⁹
- Social media is influencing how the youth make their travel plans as more than 50% of the respondents of this survey agreed that holiday photographs posted by their contacts on social media influence where they decide to go for their own vacations.²⁰

EVOLVING TRENDS

Early this year, Google India released an annual report, *Year in Search*, that shares insights into the

way the country consumes content for the year 2017. The report gives an outlook on notable trends, major events, and users' 'searches' that reflect their interests, giving perspective on the changing preferences of the millions of 'online Indians'. This is important for companies and brands as it will help them understand, basically, what will sell 'tomorrow'.²¹ Some of its findings are:

With two out of every three search queries coming from non-metros, it is evident that these lower-tier towns are catching up with their more urbanised counterparts.²² Vernacular searches too are becoming prominent by the day as these have shown strong and steady growth.²³ Among Indian languages, Hindi holds the dominant position whereas other languages such as Bengali, Telugu, Marathi, Gujarati, Tamil, Kannada, Malayalam, and Punjabi too are gaining popularity online.²⁴

Digital marketing seems to be the way forward, and this is validated by the findings of Digital Marketing Industry Report by Social Beat, a leading Indian digital marketing agency, which states that 68% of brands leverage digital marketing to promote their products and services, 42% of brands continue to use social media marketing as their primary form of digital marketing, and 33% of brands allocate over 40% of their marketing budget for digital.²⁵ Brands indulge in spending on digital with an aim to reach out to tier 2 and tier 3 cities—touted to generate the next billion internet users in the country.²⁶

A direct correlation between online research and offline purchase has been established in sectors

CONSUMERS' ONLINE

expenditure—expected to grow to US\$ 100 billion by 2020—has been driving growth in sectors such as travel, finance, and digital media too.

such as auto, banking, finance and insurance (BFSI) too.²⁷ Trends showed that consumers in the FMCG and banking sector first educated themselves on the product through online search and then perform the transaction.²⁸ The report (Digital Marketing Industry Report 2018) goes on to add that the internet will influence US\$ 45 billion of FMCG sales in India.²⁹

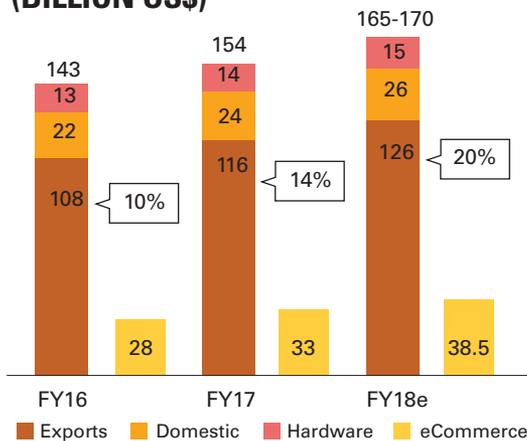
Consumers' online expenditure—expected to grow to US\$ 100 billion by 2020—has been driving growth in sectors such as travel, finance, and digital media too.³⁰ The country's online spender base is expected to reach 180-200 million by 2020, thereby propelling growth for ecommerce.³¹

Online search for stores seems to be fast-becoming the preferred shopping option, with findings revealing 50% increase in searches such as 'stores near me'. Another finding of the report states that 79% buyers had first watched a video of the car online before making the purchase.³² These facts point towards the fading lines between online and offline.

As Chaitanya Ramalingegowda, Co-founder, Wakefit, says, "As the evolution of internet progresses rapidly, the role of technology in the online retail business has grown to be immense. Nowadays, consumers have the power to drive the business since there is wide variety of online options available. Every online retailer is putting best efforts to enhance the shopping experience. This whole process to make it smooth for the customer is possible only when technology, logistics, and manufacturing capabilities are on point."

Providing consumers an omni-channel experience—one that adopts an integrated approach—seems to be the need of the hour for most brands in all sectors today. Such an experience creates a cohesive environment where consumers can access and buy products or services from their desktops, smartphones, on their phone (over a call), by actually visiting the bricks-and-mortar store, or getting it delivered at their doorsteps, all of these being made to work in tandem. Dr Sengupta says that though mobile and apps dominate the online purchase behaviour of millennials, companies who have led the e-commerce and m-commerce revolution have realised that the right approach is a combination of website and app and never just one. "Flipkart and

IT-BPM INDUSTRY REVENUE (BILLION US\$)



Percentage contribution by digital

Source: <https://www.pwc.in/assets/pdfs/industries/technology/techworld-may-2018.pdf>

THE CONSUMER IMPACT

Auto: Google's Year in Search report shows an increase in the number of online searches related to the auto sector.³³ Digital sales in non-metros generated 2% of sales for original equipment manufacturers.³⁴ Searches related to parts and accessories and servicing grew by 43% and 70% respectively.³⁵

There is a 50% reduction in offline enquiries by car buyers, who prefer relying on the internet for videos and virtual test drives, instead of multiple visits to the showroom. It also states that 71% of consumers believed that an actual test-drive could be replaced by virtual reality test drives and 360-degree videos.³⁶

Travel: The Indian travel market is expected to touch US\$ 48 billion by 2020, with tier 2 cities being the foremost growth drivers.³⁷ The key factors in travel-related searches happen are voice and fast loading mobile experiences along with brand awareness.³⁸ This shows that before visiting a place physically, consumers prefer 'visiting it online'.

Education: Searches related to learning and education grew two times where as content related to education on Youtube grew by four times. Searches from non-metros showed a 100% growth, with maximum interest in courses that taught machine learning, cloud computing, and AI.³⁹

FMCG: In 2017, searches related to beauty, parenting, and baby care saw a 60% rise. YouTube too witnessed a four-fold growth in watch time for baby care videos.⁴⁰ As per YouTube Brandcast 2018, more than 50% of women professionals watch YouTube videos for more information before purchasing in categories like beauty, real estate and automobiles.⁴¹

Real estate: With a 43% rise in search queries related to real estate and a 49% growth in searches related to affordable housing, last year, developers are fast-realising that showcasing their properties online is an opportune business approach.⁴² Casagrand, a Chennai-based real estate company generated 190 crore in revenue using Facebook's marketing solutions. This was achieved at a cost that is 60% lower per lead compared to other digital channels.⁴³

Retail: Retail sector which was quick to adopt digital is now going a step further, opting for the omni-channel approach, an example of which is Shoppers Stop's association with Google to connect their offline sales with their digital marketing spends, which earned them 2.5 times return on advertisement spends.⁴⁴

RECENT MAJOR DEVELOPMENTS IN ECOMMERCE

The year 2017 saw 21 private equity and venture capital deals amount to US\$ 2.1 billion in the ecommerce space in India. This number stood at 40 deals worth US\$ 1,129 million in the first half of 2018.⁴⁵

The recent acquisition of Indian online retail giant Flipkart by Walmart at a price of US\$ 16 billion made news across all media. This seems to have generated a lot of opportunities for Flipkart as it is expected to launch more offline retail stores in the country—a move aimed at promoting private labels in segments such as fashion and electronics.⁴⁶

Online payments major Paytm launched Paytm Payment Bank—India's first bank with zero charges on online transactions, no minimum balance requirement, and free virtual debit card.⁴⁷

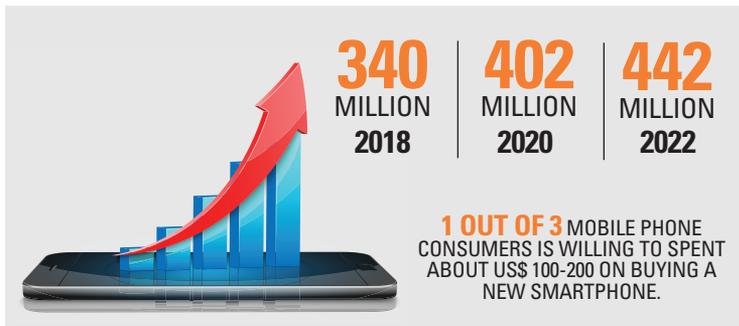
Google too is planning to enter into the e-commerce space by November 2018 and India is expected to be its first market. The company has also collaborated with Tata Trust for a project called Internet Saathi, which aims to improve internet penetration among rural women in India.⁴⁸

Amazon has tied up with India Post to provide service to 19,000 pin codes. Most deliveries of e-commerce companies are made through Indian Postal Service, 89.7% of whose branches are situated in rural India.⁴⁹

Myntra made the same mistake. Both went app-only for some time before realising their mistake and came back to relaunch their desktop websites”, he adds. Another key learning he highlights is that online dominance does not mean offline experiences are dead. So while offline retailers are going online with offers and discounts using platforms like Zopper, online retailers are opening limited offline stores for enabling the physical experience for the new-age customer. Babyoye, Zivame, Jabong all have taken the

offline route as well. Pepperfry, one of the leading online furniture and home marketplace has opened a concept store called Studio Pepperfry. Mobility and apps are definitely the future, but a multi-channel approach is more dynamic and stable.” With growing presence of consumers online, the prominence of e-commerce will only keep rising, and first-movers and fast-movers will stand to gain the most from it, provided they also remain smart movers. ■

INDIA'S SMARTPHONE USER BASE



Source: <https://www.pwc.in/assets/pdfs/industries/technology/techworld-may-2018.pdf>

HOW ONLINE PLAYERS ARE APPROACHING THE EVOLVING MARKET

Online retail in the Indian market, though not dominant, is growing at a tremendous pace—from 0.8% in 2014 to 3.6% of total retail sales in 2017. This has led to many existing and new players coming up with differential strategies based on consumption trends. Amazon, for example, has acquired stakes in many retail chains such as Shopper Stop and More (backed by Aditya Birla Retail Limited); the most recent being Future Retail. This way, the company plans to gain a greater market share by taking the offline route to complement their online strategy.*

Another example is of Walmart's acquisition of 77% stake in India's largest online retailer Flipkart. The deal helped Walmart enter the Indian ecommerce market, gaining it access to the country's vast potential along with Flipkart's expertise— building an ecosystem, their innovations, and payments systems. In return, Flipkart (which still remains a distinct brand after the deal) stands to learn from Walmart's experience in sourcing, grocery and supply chain knowledge, and omni-channel expertise. This is seen as a strategy to face competitors such as Amazon and Alibaba and also to retain the highest share in the high-growth Indian ecommerce market.**

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CUSTOMER ENGAGEMENT- THE NEW REALITY

In the age of social media, brands are compelled to listen to customers, as that is what makes the difference between their growth and downfall. Social media acts as a channel for customers to give feedback and it also serves a platform for brands to reach out to customers in a more interactive fashion. An example of this is Garnier Men's 'Missed Call Ad' campaign in partnership with Facebook— aimed at increasing online sales. Being the official sponsors of India Premier League team Rajasthan Royals, Garnier ran photo ads on Facebook asking users to click on the ad to get an opportunity to meet their favourite cricketers from Rajasthan Royals, and win match tickets and official merchandise. An all-encompassing media plan by Garnier and Facebook's strong presence in the Indian online space led to a total campaign reach of 15 million people, increase in yoy online sales of 250%, and total engagement of 239, 205.⁵⁰

E-COMMERCE AND DIGITAL SHOPPER METRICS IN INDIA



RETAIL E-COMMERCE SALES:
US\$ 32.70 BILLION



RETAIL E-COMMERCE GROWTH: **31%**



DIGITAL SHOPPERS AS A % OF POPULATION:
25.3%

Source: eMarketer, April 2018

DIGITAL MEDIUM CREATING CUSTOMER CONNECT

Vijay Sinha, Managing Director and Chief Executive Officer of DHFL General Insurance Ltd

How has the rise of e-commerce and m-commerce changed the behavioural patterns of the new age consumer?

With the proliferation of e-commerce channels and growing footprint of mobile telephony, today's consumer has become accustomed to on-demand purchase patterns—everything from electronics, groceries, travel tickets, to insurance policies can be purchased at a click of a mouse. As a result, consumers expect quicker service, and this has led to the speeding up of delivery modes too—one can have his/her favourite mobile phone/clothes/groceries on a same-day delivery or through overnight express. Consumers are placing great value in online reviews, comparison charts, recommendations and videos whilst choosing to buy or not buy products and services.

How has consumer behaviour pattern changed as far as the BFSI is concerned?

While the BFSI segment has always been viewed as serious business, today companies are using the digital medium to connect more deeply with their consumers. Efforts to demystify finance, investing, and insurance have come a long way in bettering customer engagement. The digital medium has become an information-gathering tool for consumers to seek advice on how to buy and product and policy reviews. During the purchase process, people today want to look up customer reviews—positive and negative, and not just depend on agents, peers or mass advertising.

How has this benefitted the economy and how has it helped in attracting foreign investments?

The Indian insurance industry is home to numerous players across the life, and non-life (general) insurance segments, working towards demystifying insurance and offering customers more tailored choices. Because of the explosion of e-commerce and m-commerce in the country today, global insurers are viewing India as a favorable destination to partner with Indian companies to bring in international expertise, products and services.

PAYMENT APPS FUELLING THE E-COMMERCE SURGE

The potential that the e-commerce market holds in a diverse geography like India has give rise to many online payments platforms. More and more people have started opting for electronic funds transfer to pay for offline and online purchases, bill payments, and other purposes. Transactions on the Unified Payments Interface (UPI) saw a 30% rise in September increasing to 405 million from 312 million in August, this year.⁵¹ This surge can also be attributed to merchants, who are now beginning to accept UPI as a mode of payment. Last year, Amazon revealed that almost 55% of transactions during its Great Indian Festival Sale were completed through digital payments—net banking, debit and credit card payments.⁵² Mobile wallets had a share of 7% of e-commerce transactions by volume in 2013; this had increased to 29% by 2017.⁵³ Cash or cheque payments had come down from 31% to 16% during the period according to GlobalData.⁵⁴ Moreover, led by the stellar growth in mobile payments, the digital payments market in India is expected to reach US\$ 1 trillion by 2023 from US\$ 200 billion in 2018.⁵⁵

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Rise of the programmatic

Changes in consumer buying patterns and growing competition have forced companies to relook their marketing strategies - to place renewed focus on engaging consumers and influencing their choices. Programmatic advertising is one of the best ways to achieve this close connect.

VASUTA AGARWAL IS VP & GM, INDIA & SOUTH ASIA, INMOBI

By automating the bulk of the media buying and digital advertising process, programmatic has dramatically improved the efficiency of advertising today. Thanks to programmatic, brands and their advertiser partners can reach their target audiences at scale with more ease.

Programmatic media buying has been steadily growing over the past few years. To understand why this may be true, consider the following statistics for a moment¹:

- Programmatic buying across the globe has seen a growth of 25% year on year and is expected to reach US\$ 75 billion in 2018.
- Between 2017 and 2018, the US has seen a 20% increase in media buying via programmatic. More than four of every five digital display ad dollars in the US today transact via programmatic means. And mobile accounts for two-thirds of all programmatic ad dollars.²
- Meanwhile, India has witnessed a 35% growth in programmatic ad spending in 2018 compared to 2017 and is among the top 5 fastest growing programmatic spenders in the world.
- On the InMobi network, mobile in-app programmatic spending in India has grown almost 8X between the first half of 2017 and the initial six months of 2018.

Programmatic has become mainstream, as advertisers are now programmatically buying premium mobile video ad inventory on exchanges. While advertisers of all stripes are now embracing programmatic, FMCG companies have taken the lead. In 2019, we expect at least half—if not more—of all FMCG budgets to be transacted programmatically.



**Vasuta Agarwal, VP & GM,
India & South Asia, InMobi.**

REACHING TARGETED AUDIENCES AT SCALE VIA PROGRAMMATIC

One of the key benefits of programmatic media buying is that it helps advertisers reach their target audiences at scale. As audiences become more fragmented and less centralized, legacy advertising methods become ineffective. The days of reaching a mass audience through one newspaper ad are long gone.

Today, the smartphone has supplanted the television set as the primary screen in people's lives. By 2019, there will likely be over 813 million smartphone owners in India.³

But, to reach these smartphone users, advertisers need to leverage the benefits of scale through programmatic, especially since most mobile device owners are spending their time on and are scattered across multiple apps. In India, the typical smartphone user leverages more than 40 apps in a given month.⁴ Instead of trying to ink and manually manage campaigns with each and every app, brands are better off turning to programmatic, thereby running and optimising their efforts across a diverse array of apps.

AUTOMATION, PERFORMANCE, AND INSIGHTS—UNDERSTANDING THE PROGRAMMATIC ADVANTAGE

For brands and their advertising partners, programmatic brings a number of key benefits:

- For starters, it has a proven track record of success. According to figures previously cited by Forbes, some companies have been able to boost the number of conversions seen from their digital advertising campaigns by more than 500% thanks to programmatic.⁵
- It's much faster than humans. Programmatic algorithms can, in real time, calculate optimal ad prices and tweak campaigns as necessary to optimally reach target audiences and meet key objectives.
- It can help advertisers gain more granular insights into how their campaigns are performing on different types of apps with different types of end users and different creatives, among other variables. The amount and specificity of the data available programmatically are unrivaled. According to a 2017 survey, more than 60% of respondents cited targeting and optimization as the top benefits of programmatic.⁶
- By shifting the heavy lifting and onus onto algorithms and automation instead of manual insertion orders and human intuition, brands, ad agencies and their partners can be certain that their efforts and budgets are being fully optimised.⁷

Since January 2018, one of the world's leading demand-side platforms (DSPs) specialising in content syndication and content discovery has leveraged the InMobi Exchange, our programmatic network marketplace, to access additional premium publisher inventory globally. Thanks in part to the reach of the InMobi Exchange, the DSP has been able to increase revenue by 200 percent while also significantly boosting worldwide reach and maintaining low costs per impression figures for its advertiser partners.⁸

Programmatic is not without its naysayers though, as some bemoan its lack of human oversight and

“TODAY, THE SMARTPHONE HAS supplanted the television set as the primary screen in people’s lives. By 2019, there will likely be over 813 million smartphone owners in India.”

the potential issues it causes, like brand safety. But, the benefits outweigh the drawbacks, which is why programmatic media buying is being so enthusiastically embraced and adopted for all kinds of digital advertising campaigns.⁹

In 2019 and beyond, expect programmatic to become even more central to digital advertising. Peak programmatic saturation hasn't arrived just yet, but it's on the horizon. ■

YOY GROWTH IN PROGRAMMATIC BUYING GLOBALLY: 25%

PROGRAMMATIC AD SPENDING IN INDIA IN 2018: 35% GROWTH FROM 2017

INDIA IS AMONG THE TOP 5 FASTEST GROWING PROGRAMMATIC SPENDERS IN THE WORLD

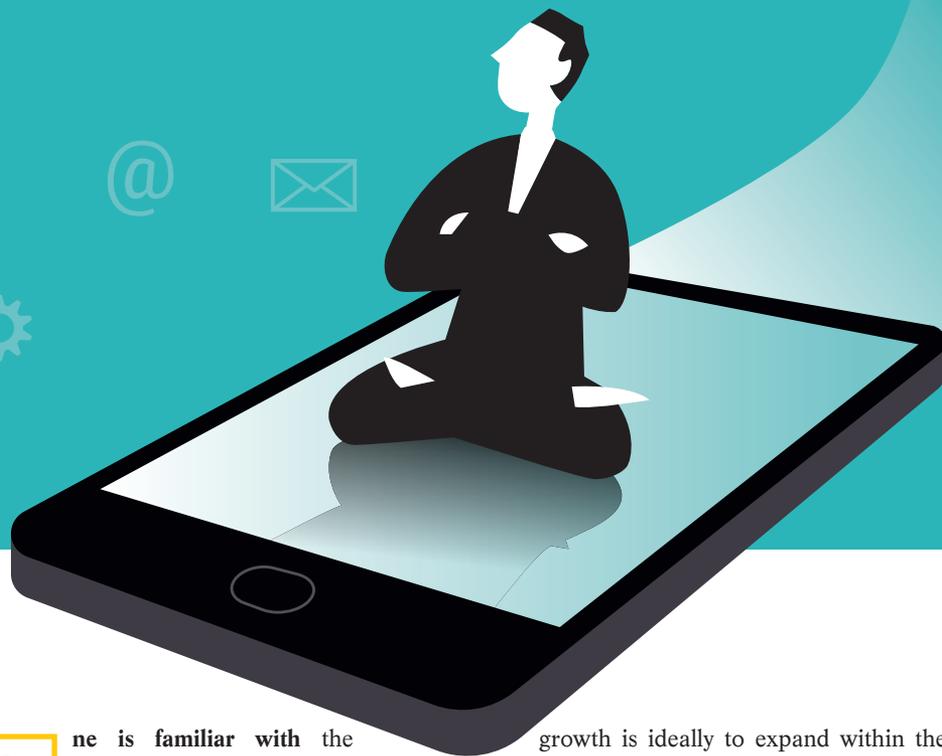
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Changing Patterns

High internet penetration in rural areas is providing an impetus to e-commerce and influencing the behavioural pattern of rural consumers. As per a Boston Consulting Group report, around 70% of rural users access the internet from their mobile phones and the share of rural internet users is said to increase. This is precisely why many brands are fashioning their services and products to suit customer needs unique to the different regions of the country.

AMIT TRIPATHI, FOUNDER & MANAGING DIRECTOR, IDEATELABS



One is familiar with the phrase, 'think global, act local,' because it perpetuates a narrow perception of the globalisation strategy. Developing one global product for the world market to achieve vast economies of scale is a common practice among multinationals. But this perspective overlooks the success that companies selling at a regional level enjoy.

Businesses use regionalisation as a management tool and a way to make certain that needs unique to an area are met. Firms start off by competing in their own country and many do not go forward. Others go on to exporting and then set up foreign operations. Most start off at nearby countries. The next stage of

growth is ideally to expand within the region of the home county which is partly due to trade agreements and physical or cultural proximity. After becoming a regional player, some firms do adopt global strategies; research suggests that for even global firms, their home region remains the most important. The world's largest firms, measured by revenues and assets have averaged 77% of their sales and 81% of their assets in their home region over the last ten years. Only a handful 20% have significant operations in each of the three broad regions. Despite globalisation rhetoric, business is largely regional.

Some industries like consumer electronics might prosper with the globalisation strategy. Conversely, for the manufacturing and an all-service industry, a

“REGIONS REPRESENT ONE WAY of aggregating across borders to achieve greater efficiencies than by using a country-by-country approach.”

national or regional approach is the sensible choice. There are a lot of other industries like bulk chemicals, automobiles and pharmaceuticals that have shifted from a national to regional focus. Latest statistics also suggest a rise of over 85% in regional distribution by all the prominent industries of the world.

Many companies see the Internet as a potential source of revenue, and push companies to buy Indian products in the e-commerce world, further emphasising the growing sense of India as a ‘regional island’. It is highly essential for all businesses operating on digital platforms to stay updated on ongoing e-commerce trends. Website and mobile app development call for an aggressive personalisation strategy, which is what helps in regionalisation. In order to keep people engaged, websites, and mobile apps need to



Amit Tripathi, Founder & Managing Director, IdeateLabs.

REGIONALISATION IN INDIA

The e-commerce boom is steadily changing the shopping landscape of rural India as more and more e-retailers reach out to customers in tier-3 towns and villages¹

- Players such as Amazon, Flipkart, and Snapdeal have initiated pilot projects to find solutions to logistics and other issues while delivering products in rural areas.²
- Startups such as IndiaBuys, H3S, and InThree are focussing on assisting rural customers shop online.³
- Payment platforms like IPay are working towards empowering rural people with e-commerce technology and processes, apart from offering cash payment and fulfilment options to e-merchants.⁴

be designed in ways that cater to each customer in a way they feel comfortable. E-commerce has changed the way people shop, and the industry only seems to be escalating at a rapid pace.

Leading companies seem to have grasped two important truths about the global economy. One being that the geographic distinction gets submerged by the rising tide of globalisation, which is also gaining a lot of importance. The other being regionally-focused strategies that are a discrete family of strategies used in conjunction with local and global initiatives significantly boost a company’s value.

The extent of regionalisation in economic activity reflects the importance given to geographical, cultural, administrative and economic proximity—these four factors are interconnected. The right regional strategy can generate a higher value than a purely global or a purely local one. However, the regional approaches explored so far may or may not apply to all companies.

Regions represent one way of aggregating across borders to achieve greater efficiencies than by using a country-by-country approach. Some other bases of cross-border aggregation that companies have executed are products, channels, customer types, functions, and technologies. All these bases of aggregation offer multiple possibilities for crafting strategies that are intermediate to the local and global levels. Amidst a world that is neither completely local nor global, such strategies can prove to provide a powerful competitive advantage. ■

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Making a Fashion Statement

A fifth-generation business that found India a pride of place in the global textile market, Arvind Limited has over the years woven itself into a sprawling conglomerate. In leveraging opportunities, proactively recalibrating strategies, and balancing objectives, they exude the resilience of a perfect blend—one that lends them the confidence to double their textile business to ₹12,000 crore in a span of five years from now.¹

TEXT: ANITHA MOOSATH

A tiny piece of thread—sometimes that’s all you need to fashion a world of possibilities.” This is what exactly Arvind Mills has achieved in a span of a little over eight decades—growing from a textile mill clothed in Swadeshi spirit to a US\$ 1.5 billion dollar behemoth, braving odds and building future-readiness all the way.

The story of Arvind Mills is intertwined with India’s social and political fabric, having been set up in 1931 in response to Mahatma Gandhi’s call to boycott foreign goods during pre-independence days. At the outset, the company ensured that its fabrics met the best in global standards and in four years, its butta voiles were competing in markets in Switzerland and the UK.

BEYOND TEXTILES, ACROSS BORDERS

The decades that followed saw Arvind proving its mettle as a leader in textiles, considerably expanding its presence in foreign shores. By the end of 1987, they diversified into areas such as cotton shirting; and soon, through tie-ups, rewrote India’s fashion saga by introducing global brands like Lee and Arrow in the market. A decade later, they set up a 450-acre plant in Santej, near Ahmedabad, to produce high-value cotton shirting, bottoms, and knitted fabric for international markets.

Arvind has been spreading far and wide since then—they have diversified into fabric and apparel, brands and retail, real estate, engineering, internet, water management, advanced materials, environment solutions, and telecom—and assumed the stature of a



The Santej shirting facility, with a capacity of 34 million metres, was commissioned in 1998. It is known globally for sustainable practices in the textile industry.

conglomerate. That is the reason why they renamed themselves as Arvind Limited in 2008.

FASHIONING INNOVATION

Innovation has always been integral to Arvind, across the value chain and product invention cycle. “At Arvind, we are not about conventional design and manufacturing. We always have invested very heavily in product innovation, partnering with global brands, coming up with new concepts and bringing them to consumers across the globe,” said Kulin Lalbhai, Executive Director, Arvind Limited, in an interview to ET Now channel.²

To bring about the best, they always keep track of the customers’ evolving needs. Flying Machine, India’s first denim apparel brand, is perhaps the best example.



It lent a new dimension to youth aspirations in the 1980's, while slowly gaining position as a wardrobe staple. In 1985, they drew up Renovision, a strategic plan that further boosted the company's strengths in denim and found India a place in the global denim manufacturing map. The Arvind Denim Lab is a state-of-the-art facility where brand design teams work together, and co-create signature products and finishes.

As of April 2018, Arvind's denim business had about 40% market share in the organised denim market, registering an 8-10% annual growth.³ Despite having pioneered the denim revolution in India, Arvind has never remained complacent. They have grown to power the most iconic denim brands across Europe, the US, and Asia. In 2015, they partnered with Invista, owner of the Lycra fibre brand, to manufacture stretch denim fabric in India. Also, in tribute to their Swadeshi roots, they lent India's signature fabric of 'khadi' a twist—each single yard of Khadi Denim is spun, dyed, and woven by handloom artisans. Collaboration with Arrow led to the launch of a 4-in-1 smart shirt. Notable among other innovations is the wrinkle-free Traveller Shirt, which has anti-microbial properties and provides UV protection. Recently, they also signed an agreement with Directa Plus to infuse graphene-based products into denim fabrics.⁴

MAKING A MARK

Brand Arvind is now a multi-layered entity, but the most prominent segments remain textiles, readymades, denims, and also Studio Arvind, the bespoke tailoring unit. In addition to their own brands like Flying Machine, Unlimited, Colt, Ruggers, and Excalibur, they also manage 15 global apparel brands, including Tommy Hilfiger, US Polo, Calvin Klein, GAP, Nautica, and Sephora.

Their brands are retailed in over 1,300 standalone stores and about 5,000 departmental and multi-brand stores in over 192 cities and towns across India.⁵ It was in 2010 that the first Arvind store was set up and now there are over 180 of them across India, each housing all of their best brands and offering the services of Studio Arvind. Speaking to *India Now Business and Economy*, Ambi Parameswaran, Founder of Brand-Building.com, says, "Arvind is one of the first Indian companies to adopt what we call a House of Brands strategy, where multiple brands co-exist. This is an expensive way of building a business...Along with Zodiac and Madura Coats, Arvind created the Men's Fashion category in India."

"ARVIND IS ONE OF THE FIRST Indian companies to adopt what we call a House of Brands strategy, where multiple brands co-exist."

Both the homegrown as well as global brands traverse a wide spectrum of lifestyles, categories, and price points. Sale of brands like Arrow, Flying Machine, Calvin Klein, Tommy Hilfiger, Aeropostale, and Gap, among others, contribute to more than 35% of the company's quarterly revenue. The branded apparel segment's revenue stood at ₹957.64 crore in the quarter ending December 2017, registering a year-on-year jump of 23.6%⁶ An Edelweiss Financial Services report says, "With Unlimited (rebranded retail format) turning the corner and operating leverage playing out as brands ramp up, we expect a nearly 230 bps improvement in EBITDA margin and about 40% CAGR over FY18-20E. All in all, Arvind remains our top pick in the textile and branded apparel space."⁷

EACH YEAR, **ARVIND DENIM**
PRODUCES OVER **100 MILLION**
METRES OF FABRICS AND
6 MILLION PAIRS OF JEANS

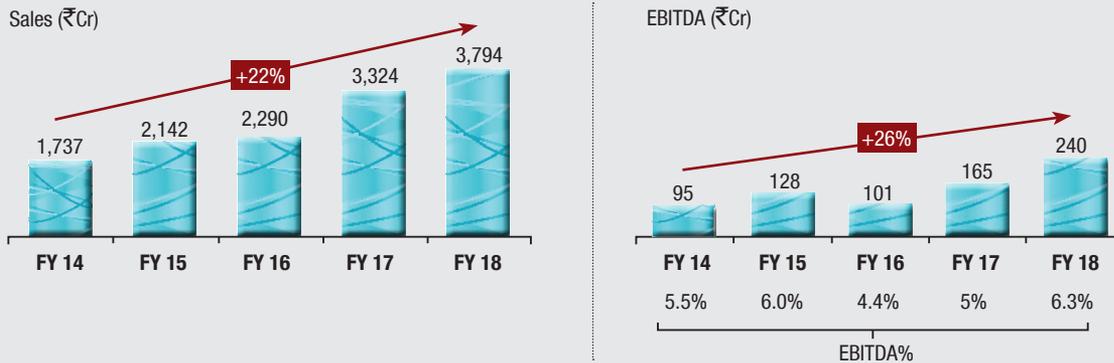
TODAY, THE FABRIC MADE BY ARVIND CAN
GO AROUND THE EARTH **6 TIMES OVER**

PLANTS INSTALLED BY THE COMPANY PROCESS,
TREAT, AND RECYCLE **OVER 100 MILLION LITRES**
OF WATER AND WASTE WATER EVERY DAY

Sources: <http://arvind.com>
<https://www.arvindensvisol.com/wp-content/uploads/2018/10/Arvind-Envisol-Corporate-Presentation-2018.pdf>

Track record of robust and profitable growth

Profit and sales growth trends for Arvind Mills



Source: http://www.arvind.com/sites/default/files/field_investor_updates_file/AFLInvestorPresentation25Aug18.pdf

DIGITAL DIVIDEND

Arvind has always stayed abreast of the changes in the business landscape and redrawn themselves accordingly, be it warehousing, supply chain, or logistics. Embracing digital marketing has been one such timely step. Kulin says, “Arvind is making very very strong investments in the entire digital landscape ahead of the time... Arvind Internet is a startup that is empowering the digital toolkit right into the heart of the business model of brands. So you have to embrace the disruption, disruptions can always be difficult. But usually, if you can navigate them, it’s a huge opportunity.”⁸

Creyate, launched in 2014 under Arvind Internet, is a true reflection of the company’s readiness to embrace disruption; it took customised menswear to a new level through a combination of clicks and bricks. As of March 30, 2018, there were 12 Creyate stores, mostly located in metros.⁹ “E-commerce is not just a transaction platform for Arvind. The brands of the future are going to be built digitally... the digital footprints we have will allow us to sell these brands in a very rich way,” Kulin has said.¹⁰ The company is also looking to expand it to other countries, including Singapore, Dubai, London and the US.

BLUEPRINT FOR THE FUTURE

Arvind plans to invest ₹1,500 crore in the next three years in Arvind Limited to make it a ₹10,000 crore company, from ₹6,000 crore currently. In the brand

“CREYATE, LAUNCHED IN 2014 under Arvind Internet, is a true reflection of the company’s readiness to embrace disruption.”

and retail segment, each of their brands is growing at the rate of 20% and this business is expected to grow to ₹9,000 crore in the next five years from the ₹4,000 crore presently.¹¹ In the quarter ended September 30, 2018, Arvind Limited registered a 16.38% increase in its consolidated net profit to ₹75.08 crore.¹²

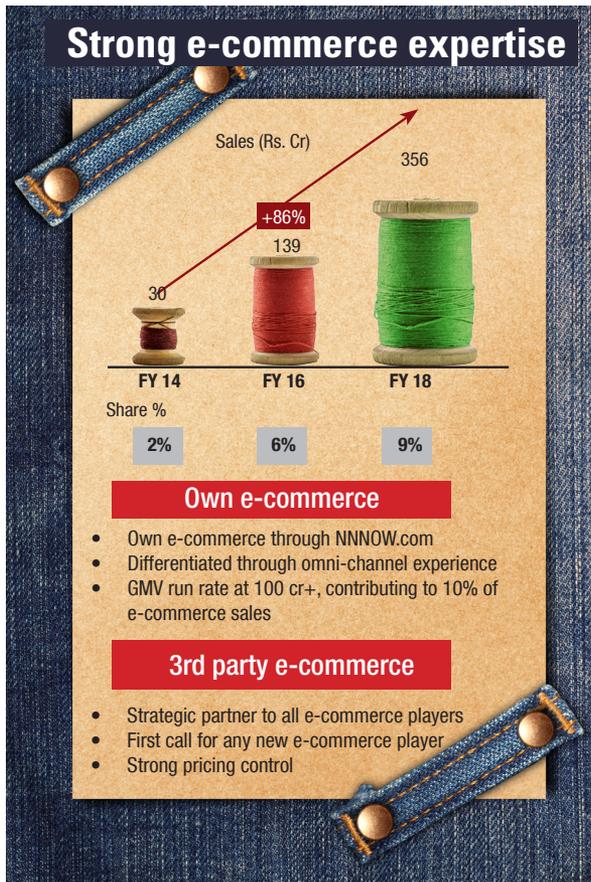
The company is all set for a churn too. In an interview to BloombergQuint in September 2018, Sanjay Lalbhai, Chairman and Managing Director of Arvind, said that they want to flip it completely—from a traditional textile business—and make it a technology company led by IPRs, designs, and strategic relations with customers. In five years or so, all the textile production will be outsourced and the focus will be on garments. “We have 1,500 looms and in five years we will have none. This will only be a processing centre, designing centre; we will be creating innovation, giving complete solutions to our 10 most important customers globally, and 10 or more domestic customers.”¹⁵

Global trade in textiles business is moving to South Asia, and Arvind Mills is poised to cash in on this huge opportunity. “Arvind, in order to take advantage of this opportunity, is getting into a large capex cycle of ₹2,500 crore over the next five years.

Powerful Portfolio



Source: http://www.arvind.com/sites/default/files/field_investor_updates_file/AFLInvestorPresentation25Aug18.pdf



Source: http://www.arvind.com/sites/default/files/field_investor_updates_file/AFLInvestorPresentation25Aug18.pdf

We are investing to become a solution provider rather than a provider of raw materials that go into garments. We would be producing end-to-end garment packages, which is what we call verticalisation,” says Kulin.¹⁴

Arvind Limited exists at the intersection of design and innovation, customer centricity, sustainability, and technology. And powering it all is able stewardship, nimbleness that takes every tumult in its stride, and commitment to create value for multiple stakeholders. They see business as “a wonderful platform to impact positive change”¹⁵, and with this vision, they are sure to spin a new yarn—for themselves as well as for the country at large. ■

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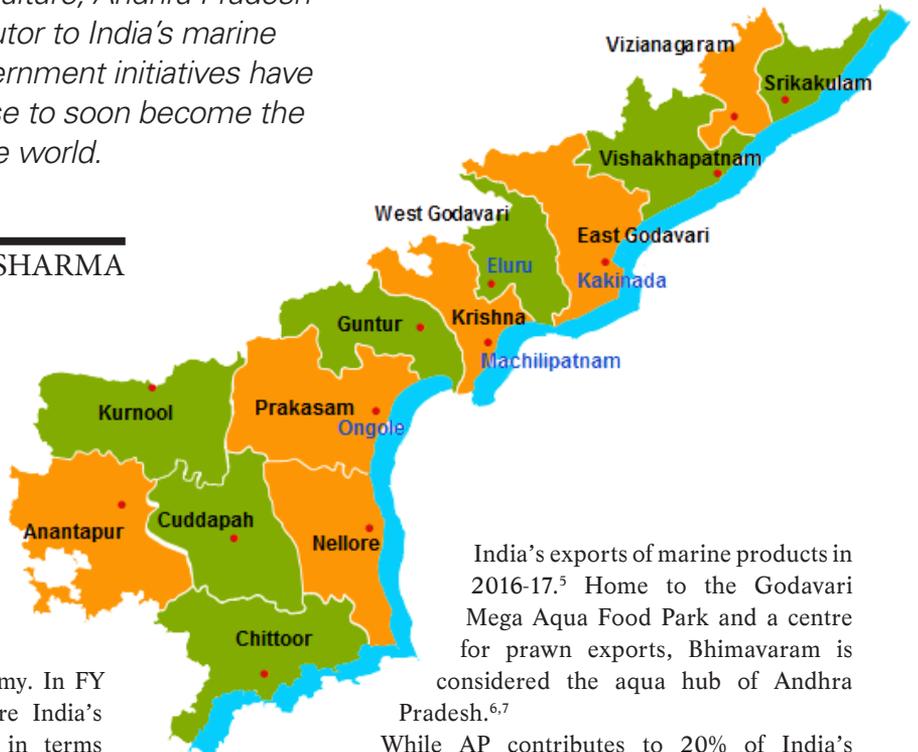
Andhra Pradesh's Blue Revolution

With 974 km of coastline and acres of land demarcated for aquaculture, Andhra Pradesh is the highest contributor to India's marine product exports. Government initiatives have set the state on course to soon become the aquaculture hub of the world.

KANIKA PUNWANI SHARMA

India's water bodies have long formed an important part of the country's economy. In FY 2018, marine products were India's largest agricultural export in terms of value, reaching US\$ 7.39 billion (Basmati rice stood second at US\$ 4.16 billion).¹ India is the second largest producer of fish worldwide after China, and accounts for 6% of total global fish production.² The country was the world's top exporter of shrimp as of 2015-16, when, with exports reaching 373,866 MT in terms of quantity and US\$ 3.8 billion in terms of value, it overtook Vietnam that had exports of US\$ 3 billion. In 2017-18, India earned US\$ 4.85 billion from shrimp exports (quantity of 565,980 tons), a figure that is expected to double and surpass US\$ 7 billion by 2022.³

Access to these marine resources is largely due to India's 7,500 km of undulating coastline—the crown jewel of which is undoubtedly the southeastern state of Andhra Pradesh (AP). Contributing to 1.18% of global fish production (2014-15)⁴ and around 21% of national fish production, the state has grown from strength to strength in its export potential over the years. Andhra Pradesh contributed around 20% to



India's exports of marine products in 2016-17.⁵ Home to the Godavari Mega Aqua Food Park and a centre for prawn exports, Bhimavaram is considered the aqua hub of Andhra Pradesh.^{6,7}

While AP contributes to 20% of India's marine products exports in quantity, its contribution in terms of the value of these exports is closer to 43%. In March 2018, V Padmanabhan, president of the Seafood Exporters' Association of India, noted that seafood exports were fetching ₹40,000 crore in foreign exchange, of which AP had the highest contribution of ₹17,000 crore.⁸ Additionally, AP ranks first in the production of fish and shrimp in India and contributes more than 70% of the country's cultured shrimp production.⁹ The state's exports of marine products have increased from US\$ 1,559.49 million in 2014-15 to US\$ 2,680.14 million in 2017-18. Fish/prawn production rose from 17.69 lakh tonnes in 2013-14 to 27.66 lakh tonnes in 2016-17.¹⁰

COMPETITIVE ADVANTAGE

The geography of AP makes it particularly conducive for marine products. The state has thirteen districts, including nine districts with a combined coastline of 974 km, making it the second longest coastline in India

after Gujarat. In addition, it has around 605,000 marine fishermen, 29,195 fishing vessels in four fishing harbours, 353 fish landing centres and 555 fishing villages.¹¹

Vizag, or Visakhapatnam, is the state's largest port. In 2016-17, 159,973 tons of marine cargo worth ₹9,294.31 crore was exported from here, a marked improvement over 2015-16 figures of 1,28,718 tons worth ₹7,161 crore.¹² These rose further in 2017-18, with Vizag exporting 200,779 tonnes of marine cargo valued at ₹11,442.39 crore.¹³

While AP is undoubtedly a key contributor to India's marine product sector, these products simultaneously contribute hugely to the state's economy. For example, fish and prawn production contributed around 6.4% of the state's GSDP and supported the livelihood of 1.45 million persons as of 2017-18.

The state government has undertaken several measures to ensure that AP cements its position as an aquaculture hub not only of India, but of the world. Government initiatives aimed toward building AP into an aquaculture hub are three-pronged, concentrating on quality control, welfare of workers, and growth and development of the industry—with the final goal being the achievement of a 'Blue Revolution' in the country: achieving economic prosperity for fisherpeople by enhancing fish production through sustainable utilisation of resources.¹⁴

QUALITY FIRST

Quality control is by far one of the most important areas to ensure AP's sustained dominance in marine product exports, with a special focus on ensuring that illegal antibiotics are not used in the farming of marine products. The AP state government has been particularly proactive with measures taken to form district level committees to prevent the illegal sale of antibiotics and chemicals. Furthermore, the government has undertaken disease surveillance to identify various shrimp and fish diseases and plans to initiate remedial measures in 181 aqua clusters in nine coastal districts covering 1,248 villages. The establishment of these clusters is the first initiative of its kind in India.¹⁵

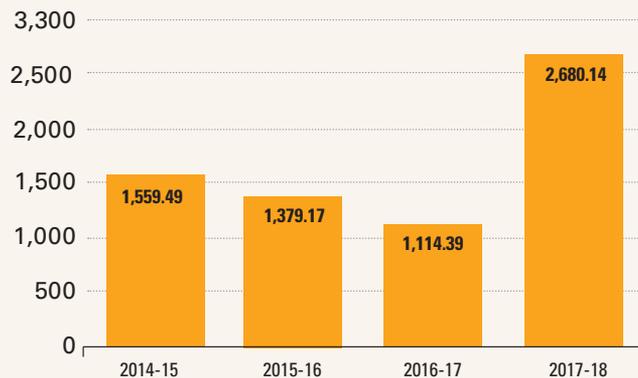
Quality control has, in the past, resulted in consignments being rejected from Europe, to which the state exports a significant quantity of shrimp. The state government has accordingly established apex and task force committees to conduct studies on the use of various antibiotics, unwanted chemicals and drugs, and additives, and to recommend a comprehensive action plan to prevent rejection from happening in the future.¹⁶

WHILE AP CONTRIBUTES TO 20% of India's marine products exports in quantity, its contribution in terms of the value of these exports is closer to 43%.



Dried fish stocked on a fishing harbour in Visakhapatnam. Harbours are one of the target areas for infrastructure investments in the State.

ANDHRA PRADESH MARINE PRODUCTS EXPORTS (US\$ MILLION)



Source: https://www.ibef.org/download/Andhra_Pradesh-Oct-20181.pdf

FISH AND PRAWN PRODUCTION (IN LAKH TONNES)



Year	Marine (including marine shrimp)	Inland fish & Fresh Water prawn	Brackish Water Shrimp	Total Production	Growth Rate%
2013-14	4.38	12.43	0.88	17.69	11.35
2014-15	4.75	13.98	1.05	19.78	11.86
2015-16	5.20	16.01	2.31	23.52	18.91
2016-17	5.80	18.69	3.17	27.66	17.60
2017-18 (upto Dec. 2017)	4.28	19.74	3.47	27.49	

Source: <https://www.aponline.gov.in/aportal/Downloads/Socio%20Economical%20Survey%20%202017-18.pdf>

The state's dedication to quality control marks its reputation as a serious player in marine products exports.

PEOPLE BEFORE PRODUCT

While the state's water bodies play a significant role in the success of its marine products sector, its most important resource is its workforce. Recognising this, the government is taking several steps to ensure worker well-being along with ease-of-business measures. These initiatives are largely in the form of financial compensation and subsidies along with training programmes.

Initiatives include subsidies on HSD oil used by mechanised and motorised boats; sea safety and navigational equipment such as life jackets, GPS systems and echo sounders; and implementation

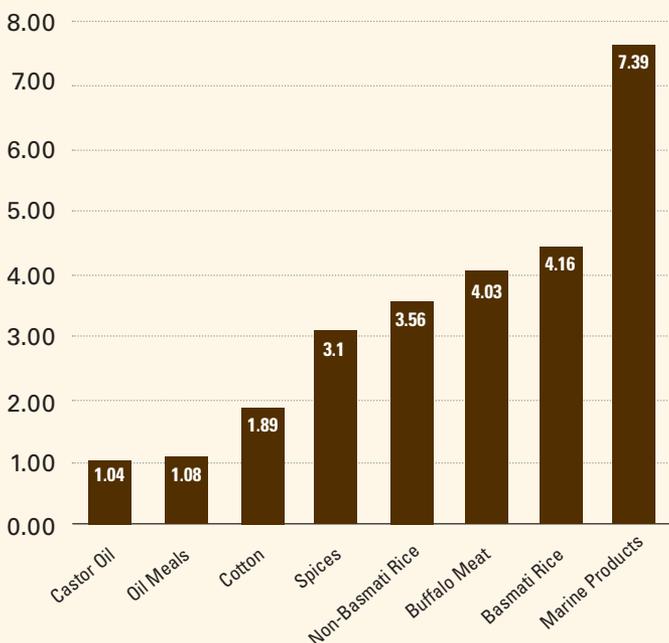
THE GEOGRAPHY OF AP MAKES it particularly conducive for marine products. The state has thirteen districts, including nine districts with a combined coastline of 974 km.



Photos courtesy: Shutterstock.com

Andhra Pradesh contributes more than 70% of the country's cultured shrimp production.

KEY AGRICULTURAL AND ALLIED SECTORS FROM INDIA IN FY18 (US\$ BILLION)



Source: <https://www.ibef.org/download/Agriculture-and-Allied-Industries-Report-June-2018.pdf>

of Chandranna Bima, which covers insurance for workers in the unorganised sector, including fishermen, at a nominal premium. Fishermen are assured a sum of five lakh rupees, and presently 1.58 lakh fishermen are covered under the scheme.

The government also recognises the importance of promoting minority labour and is working to build skills for women in the fisheries sector through *matsya mitra* groups and fisherwomen's cooperatives.

Finally, the government has employed various technical measures to allow for ease-of-business. These include ensuring coastal security through

supplying biometric ID cards to all fisherpeople and building a communication system for dissemination of cyclone warnings and potential fishing zone (PFZ) information through voice message and digital display boards. Additionally, training programmes, awareness camps and exhibitions are being conducted regularly with technical support from State Institute of Fisheries Technology (SIFT).¹⁷ These provide further networking and skill building resources for the state’s fisherpeople, helping them remain competitive with other markets.

AQUACULTURE: A NEW FRONTIER

The state is also advancing the growth (through infrastructure expansion) and development of marine products by devoting resources and investments to the sector. For FY 2018-19, the state government allocated US\$ 59 million for investment in the sector as compared to US\$ 56 million the previous year.¹⁸ Some of the major areas for infrastructure investments in the sector are developing fishing harbours and fish landing centres.

Especially high on the government’s agenda is a focus on aquaculture (or farmed seafood) as a means of increasing seafood production. Through measures such as establishing aquaculture farms for mud crabs and sea bass, mechanising processes in aquaculture, and de-silting and de-weeding 56 identified drains and creeks to ensure the free flow of fresh water to aquaculture ponds¹⁹, the government plans to further increase aquaculture’s contribution to the state’s economy from the present 6.5% of GSDP.²⁰

The Draft Export Promotion Policy of the Government of Andhra Pradesh is planning to introduce a traceability mechanism to track, trace and certify seafood produce at farm, hatcheries and port level. The government has set an ambitious target of 42 lakh tonnes of production by 2020.²¹ By working toward these targets for increased production and concentrating on sustainability through farming and quality control measures, along with its initiatives for the prosperity of fishermen, Andhra Pradesh looks well on its way to achieving a Blue Revolution. ■

FISHERMEN CO-OPERATIVE SOCIETIES

Type of Societies	Nos	Members
Inland Fishermen Coop. Societies	1,402	134,117
Marine Fishermen Coop. Societies	430	85,776
Brackish water Fishermen Coop. Societies	9	1,058
Fisherwomen Coop. Societies	501	39,442
TOTAL	2,342	260,393

Source: <https://www.aponline.gov.in/apportal/Downloads/Socio%20Economic%20Survey%20%202017-18.pdf>

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GROWTH TRENDS IN PORT-WISE EXPORTS OF MARINE PRODUCTS

Port		2014-15	2015-16	2016-17	2017-18
VIZAG	Quantity in tons	115,672.00	128,718.00	159,973.00	200,779.00
	Value in US\$ million	1,251.83	1,105.76	1,401.94	1,797.08
	Value in Rs crore	7,578.27	7,161.00	9,294.31	11,442.39

Source: http://mpeda.gov.in/MPEDA/marine_products_exports.php#



On the Trail of the Tractor

From depending on imported tractors to becoming a major international player within six decades, the story of the evolution of the Indian tractor industry has been a phenomenal one.

NALINI RAMACHANDRAN

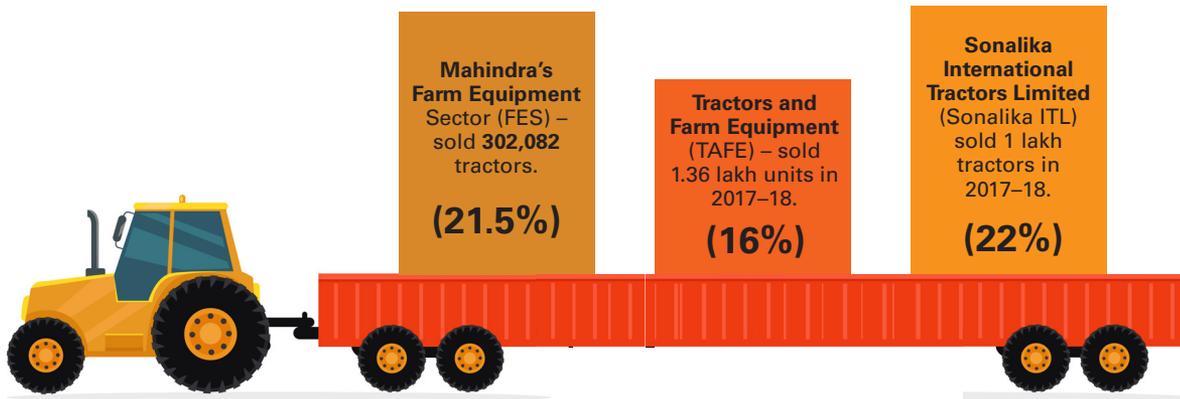
When 19-year-old Yogesh Nagar from the Baran district in Rajasthan noticed that his father, a farmer who spent much of his work time driving his tractor, had developed acute backache, he immediately set about finding a solution—a remote-operated tractor, which his father could control from afar.¹ The entire evolution of the Indian tractor industry, from the boardrooms of large corporate players to grass-roots innovators like Yogesh, is strongly anchored to the needs of the agriculture sector.

Agriculture is among the primary growth drivers of the Indian economy. The Union Budget 2018 allocated ₹14.34 lakh crore for creation of livelihood opportunities in rural areas, which will include agriculture and allied activities and construction of rural infrastructure.² Furthermore, the present government is striving to double the income of the

country's farmers by 2022. With information on best practices being disseminated widely—one of the positive outcomes of the Digital India initiative—more and more farmers are adopting improved farming methods and investing in better farm equipment, especially tractors. An essential farm vehicle, it eases the processes of tilling/ploughing the land, planting seeds, harvesting the crop, and carrying the produce to markets for farmers.

A GOOD YIELD

The tractor industry registered a 22% growth in 2017–18, boasting domestic sales of 711,478 units; it is further poised to grow by 12–14% in 2018–19.³ Farmers from Bihar, Jharkhand, West Bengal, Assam, Uttar Pradesh, Haryana, Tamil Nadu and Andhra Pradesh⁴ have chiefly contributed to this growth: 21 states of the country have increased their budgetary allocation to agriculture by a significant 47%.⁵



Note: Figures in brackets denote percentage growth.

Sources: <http://www.mahindra.com/resources/investor-reports/FY19/Announcements/AGM06072018.pdf>

<https://www.thehindubusinessline.com/economy/agri-business/tractor-sales-at-all-time-high/article23701997.ece>

An interesting attempt at increasing farm mechanisation is being made by Assam—which leads the tractor utilisation graph, in comparison to the other six states, in the Northeast⁶—where plans are under way to invest in 25,000 tractors, so that each village in the state has at least one tractor.⁷ The state recorded a whopping growth of 120 per cent in tractor sales in 2017–18.⁸

TR Kesavan, President of Tractor and Mechanization Association (TMA)—a non-profit organisation that works with the government and industry leaders to maintain a healthy ecosystem for the rise of the Indian tractor sector, has said, “The major drivers of growth in the industry during the year were the farm loan waiver, subsidy support for tractor purchase by several states, good crop output on the back of a good monsoon and the availability of retail finance (particularly from private players).”⁹

TRACK RECORD

The growth of India’s tractor industry has been dynamic: until 1960, the country relied on imported tractors;¹⁰ however, today, the tractor market in India constitutes 35% of the global volume.¹¹ The Green Revolution helped the industry evolve in the country in the 1960s, and in 1974, Punjab Tractors Limited had commercially launched the first-ever indigenous tractor, aptly named Swaraj.¹² Following its acquisition in 2007, the company continues to exist as the Swaraj Division of Mahindra and Mahindra Limited’s Farm Equipment Sector (FES), which is the world’s no. 1 tractor player by volume today.¹⁵

As established by the sales reports of the industry’s leading companies, 2017–18 has been a profitable year. Mahindra’s FES, which achieved 42.9% share in the Indian market in 2017-18, has sold 302,082 tractors, thus witnessing a YoY growth of 21.5%. The company’s

THE TRACTOR INDUSTRY registered a 22% growth in 2017–18, boasting domestic sales of 711,478 units; it is further poised to grow by 12–14% in 2018–19.

tractor exports for 2017–18 too showed a 5.9% rise, having sold 15,449 tractors internationally.¹⁴ To further strengthen its exports, FES has been partnering with organisations in other countries: “With our investment in strategic alliances with Mitsubishi Agri Machinery in Japan, Sampo Rosenlew in Finland and Hisarlar and Erkunt in Turkey, we are serious about extending our farm implements business,” Rajesh Jejurikar, President of FES, has said.¹⁵

Tractors and Farm Equipment (TAFE), the country’s second-largest producer of tractors that accounts for around 25% of the domestic market share,¹⁶ sold 1.36 lakh units in 2017–18, recording a 16% rise in sales.¹⁷ Exports make up around 12–15% of the company’s total production¹⁸—TAFE has created an impact in the tractor markets across 100 countries. Aiming for a 20% growth in 2018–19,¹⁹ TAFE has planned to expand its Turkey manufacturing unit, even as it expects business growth in the USA, South America, and Africa—an important market for Indian tractor companies. It has also invested ₹250 crore to additionally produce 50,000 tractors in its manufacturing plants at Bhopal and Doddaballapur.²⁰

The country’s third-largest tractor manufacturer, Sonalika International Tractors Limited (Sonalika ITL), too listed a growth of 22%, having sold 1 lakh tractors in 2017–18.²¹ About the company’s overall sales from April to December 2018, (87,507 units comprising both domestic sales and exports), Raman

Mittal, the Group's Executive Director, has said, "The year 2018 was full of achievements, creating newer milestones, breaking records as well as receiving accolades. We are extremely delighted with the overall company's growth of 20.8% on cumulative basis (April-Dec'18) with Exports registering robust growth of 36 %."²² In Algeria, one of its key export markets, Sonalika ITL controls around 80% of the market share.²³

TECHNOLOGY ROADMAP

As domestic sales show an incline, the R&D divisions of Indian tractor manufacturers have been constantly innovating to address various needs and challenges faced by farmers. The R&D team of Sonalika ITL, known for having set up the 'world's no. 1 integrated tractor manufacturing plant' in Hoshiarpur (Punjab) with an annual production capacity of 3 lakh units, comprises 300 expert engineers.²⁴ "Sonalika Tractors has set a vision to double its annual sales to two lakh tractors in the next five years (2023-24). In line with this vision, the company is investing Rs 2 billion in setting up an R&D facility in the NCR region,"²⁵ the company has announced. It will hire around 150 designers and domain experts for this facility where technologically advanced tractors conforming to newer emission limits as well as insightful farming solutions will be developed.

However, despite financial aid from the government, a large percentage of farmers with smaller farm areas are still unable to purchase tractors. A key solution

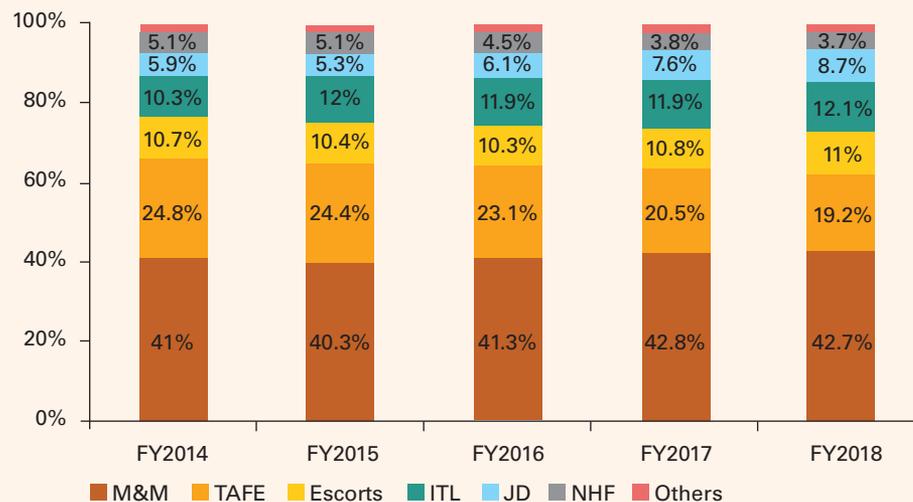
MAHINDRA'S FES DEVELOPED Digisense—a technology that enables tractor owners to track their vehicles in real time.

has been the pay-per-use model for farm equipment. Tractor Market - Global Outlook and Forecast 2018-2023, an August 2018 report, states that the pay-per-use model "will boost the demand for innovative machinery in the global market", for it provides small farmers access to "expensive agriculture tractors and equipment at a reasonable price."²⁶

In an interview with *The Hindu BusinessLine* (published in October 2018), Mallika Srinivasan, Chairman and CEO of TAFE, has said, "Today, over 20 crore farmers have no or limited access to farm mechanisation and on another side we have 45 lakh tractors that are significantly under-utilised."²⁷ It is this lacuna that JFarm Services, a mobile app by TAFE, addresses by allowing farmers from Gujarat, Madhya Pradesh, Rajasthan, and Uttar Pradesh²⁸ to hire a tractor and go about their agricultural work more smoothly. Srinivasan has also said that the initiative has reached "more than 65,000 farmers" and "created 260,000 hours of rental income for farmers under this platform till now."²⁹

Mahindra's FES, which also focuses on technology-driven innovation and the digital empowerment of the Indian farmer, developed Digisense—a technology that enables tractor owners to track their vehicles in real

TREND IN MARKET SHARE IN THE TRACTOR INDUSTRY (DOMESTIC)



Source: Industry data, ICRA Research

<https://auto.economicstimes.indiatimes.com/news/commercial-vehicle/indian-tractor-market-to-grow-8-10-in-fy19/64483327>

time. This is especially useful for farmers who lease out their tractors, for they can view usage details such as distance covered, goods delivered, and fuel consumption as well as identify engine issues and call for help in case of a breakdown.³⁰ The R&D teams at FES have further been working on a new tractor model that may cost less than ₹2 lakh.³¹ Once created, it will be affordable to numerous farmers who still rely on manual agricultural labour or rental farm equipment.

Meanwhile, India Tractor Market By Power Output (Under 40 HP, 40–100 HP), By Drive Type (2-Wheel Drive & 4-Wheel Drive), By Application (Agriculture & Construction/Mining & Logistics), Competition Forecast & Opportunities, FY2013–FY2023, a May 2018 report, states that the Indian tractor market is “projected to grow at a CAGR of over 10% by FY2023, on the back of rising inclination of farmers towards high-powered tractors to increase productivity. Moreover, rising need for agricultural products across the country is boosting demand for tractors in the country.” The industry is thus set to move ahead at a good pace in the domestic market.

Tractor Market–Global Outlook and Forecast 2018–2023, which estimates that the global tractor market would have produced “over 2.8 thousand units by 2023”, includes TAFE, Mahindra and Mahindra, and Sonalika Group as both “major vendors” and “prominent players in the global tractor market”—a clear indication of the major share that these manufacturers enjoy in the international market.³² With a stronghold in the world market (the country’s tractor exports are predicted to progress at 15% in 2018–19³³) and offering a range of solutions for all kinds of farmers (from low-cost options and rental services to high-end vehicles), the Indian tractor industry has geared up to ride high. ■

SELF-DRIVING TRACTORS

Tractor innovations are not just limited to the R&D teams of large companies; ideas emanate from within farmer communities too—young innovators like Yogesh Nagar and Kaustubh Dhonde being examples. When Dhonde learnt that his relative, a farmer from Wai (Maharashtra), had sold off his tractor after he began facing health issues on account of driving it for long hours—also, he could no longer afford to maintain the vehicle—he saw scope for technological intervention. Thus was born AutoNxt Automation, a startup that has come up with the concept of the ‘world’s first electric autonomous tractor’.³⁴

In an interview with *The Better India*, Dhonde said, “While the high maintenance has been an accepted trait of diesel tractors, farmers undergo serious health problems which were due to the heavy vibrations caused by diesel tractors. Hence, it struck us that an electric vehicle shall be the way and an autonomous mode for it shall be the perfect solution.”³⁵

Innovations such as these, together with larger companies’ focus on new-age farm equipment, are driving the industry forward.

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Top of the Food Chain

Zomato has grown at a rapid pace over the years. Within a few clicks, one can get a list of restaurants, altered to their preferences and price. Here's how the start-up became a leading foodtech firm.

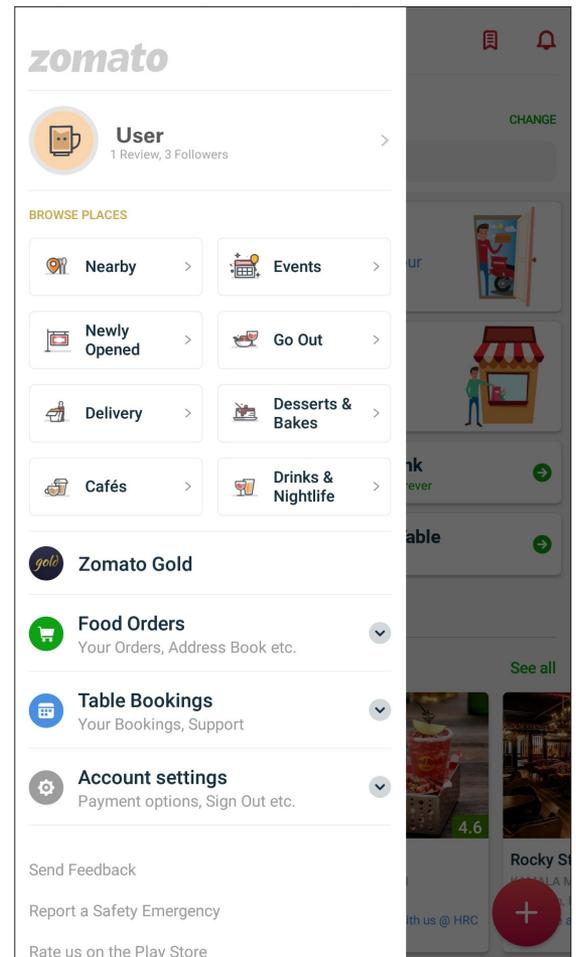
TEXT: MELISSA FERNANDES

In a 2016 post on the Zomato blog, co-founder Pankaj Chaddah wrote, “In any business, you are only as good as your customers think you are.”¹ While delivering on fickle customer expectations in an arena like foodtech is always a challenge, Zomato, one of India's leading players in the space has done quite well so far.

Launched as Foodiebay.com in 2008 by Deepinder Goyal and Pankaj Chaddah, Zomato started in Gurugram, and soon expanded to cities such as Kolkata, Mumbai, Bengaluru, and Pune. Presently, Zomato is used by millions of people in over 10,000 cities across 24 countries—Brazil, South Africa, Australia, Indonesia, Sri Lanka, New Zealand, the UK, the US, Canada, the UAE, Italy, and many more.² As of October 2018, Zomato achieved a milestone of 21 million monthly online food orders in India alone, excluding around 2 million orders placed over the phone.³ The company got into online food ordering in 2015 but only received a performance boost after acquiring Runnr in 2017 to get its own delivery fleet. By the end of 2017, it earned 35% of the overall revenue from food ordering, which increased to 65% in September 2018.⁴

A LOOK BACK

The concept of Zomato was born out of the need to make menus easily accessible. While working at Bain & Co., the two founders saw their colleagues go through a hoard of restaurant menu cards just to order food.⁵ To declutter this process, they launched



Source: Zomato app

**US\$ 74
MILLION**

EARNED IN FY18,
AROUND 45% GROWTH
FROM FY17

**US\$ 11
MILLION**

OPERATING BURN IN
FY18, COMPARED TO
US\$ 15 MILLION IN FY17

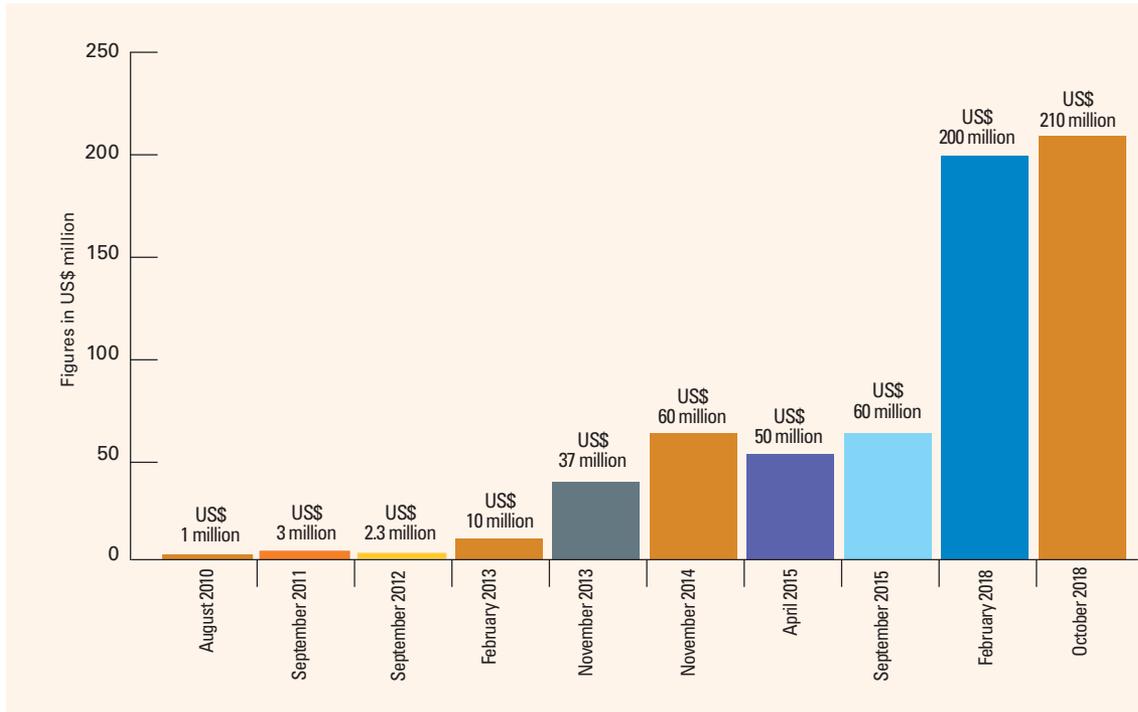
**US\$ 100
MILLION**

ANNUALISED
REVENUE RUN RATE

30%

REVENUES EARNED
FROM FOOD ORDERING
IN FY18, COMPARED TO
18% IN FY17

FUNDING RECEIVED BY ZOMATO



Source: www.zomato.com/blog

Foodiebay.com, a website that listed scanned menu cards, reviews of eating joints and recommendations with a mission of ensuring that ‘nobody has a bad meal’. However, the internet had just entered the consumer domain in India and for a platform that initially listed scanned restaurant menu cards, attracting customers was a difficult proposition. In November 2010, they rebranded as Zomato to avoid confusion with the brand ebay.

Further, with an intention to expand and make their initiative more user-friendly, the company launched as an app that could be accessed on smartphones.

THE STORY SO FAR...

With its first investment in 2010 by Info Edge, Zomato expanded its resources, refined its technology and accelerated the company’s growth. It also began reaching out to customers overseas. By 2014, it already had its presence in 100 cities in India and across eighteen countries,⁶ covering over 69,000 restaurants overseas.⁷ It was also one of the first internet companies out of India with such a product for consumers on a global scale.⁸ But they did not stop at this. Zomato made five acquisitions in a single year, and by 2015 it had a total of nine acquisitions.⁹ It recorded a revenue of ₹30.6 crore for 2013-14, triple the revenue it earned in the previous year. However, its EBITDA loss in FY14 widened to ₹41.28 crore from



**Deepinder Goyal,
Founder & CEO, Zomato**

“India is home and has always been our highest priority market. We are committed to building further depth within the country, and are doing everything possible – to enable the growth of the restaurant industry, while helping our users make better food choices.”

ACQUISITIONS

2014	New Zealand's Menu-Mania
2014	Poland-based Gastronauti
2014	Slovakia's Obedovat.sk
2014	Czech Republic's Lunchtime.cz
2014	Italy's Cibando
2015	Turkey-based Mekanist
2015	Urbanspoon
2015	Maple Graph
2015	NexTable
2016	Sparse Labs
2017	Runnr
2018	TongueStun

Source: www.zomato.com/blog

₹10.03 crore previously.¹⁰ This did not deter growth, as even before Zomato entered the food-delivery space in 2015, it showed a growing trend in revenues—it grew by 83% to ₹7,883.57 lakh in FY 2014-15 as compared to FY 2013-14.¹¹ By 2016, Zomato was valued at over US\$ 1 billion.¹² However, Zomato and its prime competitor Swiggy have been striving to manage costs, fight competition, reduce burn rate and make bigger profits. In mid-2016, amidst rising losses, the company cut its operating costs from US\$ 9 million to US\$ 1.7 million by pulling out its physical presence in nine countries, including the US and the UK.¹³ The year 2016 onwards, the food tech sector saw capital dry up as investors hesitated due to the lack of challenges in achieving scale. According to VCCEdge, investments in foodtech posted a 358% increase in deal value to US\$ 504 million in 2015 with 85 registered deals. This dropped to 33 deals worth US\$ 67 million in 2016 until September.¹⁴ However, Zomato and Swiggy survived the bloodbath that ensued due to their sound fundamentals and the sector bounced back with the entry of newcomers like Uber Eats and Ola's acquisition of FoodPanda, both in 2017.¹⁵ Zomato too expanded in more countries, a total of 24 till date, and also launched new products like Zomato Gold, Treats, and hygiene ratings.

BUSINESS MODEL

On Zomato, users can find a restaurant, order food online, reserve tables, browse through the menu, and customise their orders. Users in 38 cities in India and five cities in the Middle East can order food online through Zomato. Online food delivery through Zomato will be launched in other markets too in the

THE ONLINE FOOD DELIVERY market's GMV grew 150% to US\$ 300 million in 2016, doubled to US\$ 700 million 2017 and is expected to reach US\$ 2.5-3.5 billion by 2021.

future. Zomato's product enables restaurants and users to interact with each other. Targeting an audience between 20 and 40 years of age,¹⁶ Zomato aims to stay quirky through its list of restaurants categorised in appealing collections including romantic, value for money, legendary outlets, veggie friendly, and luxury dining. Even in its advertisements, it maintains a jovial, fun experience. Over the years, Zomato has monetised by selling ad space, which is supported by a strong content platform. It also launched Zomato Gold, an exclusive members' only club, in November 2017 that received a tremendous response with over 300,000 paid subscribers and 2,200 partner restaurants in around six months.¹⁷ In their annual report FY18, Zomato Gold was labelled as possibly the fastest user subscription programme in the country with a wait list of 500,000 users.¹⁸ In an interview in September 2018, Pramod Rao, VP, Marketing, Zomato said, "In terms of the business split, ad sales currently account for around 70% of revenue, online ordering for around 25% and Zomato Gold and other businesses for the remaining."¹⁹

SURVIVAL OF THE FITTEST

Over the past ten years, Zomato has been strengthening its core to accelerate the growth of its business. It has been steadily keeping pace with the growing number of competitors and scaling back on its losses through its innovative products and services. Caught in a battle for market leadership in the food ordering and delivery space, Zomato and Swiggy are said to be the biggest aggregators that have survived successfully among other foodtech startups like Uber Eats and the latest entrant, Ola-Foodpanda. Swiggy launched in August 2014 as a delivery app and Zomato began food deliveries only in 2015. However, Zomato and Swiggy have remained the top two players in the foodtech space. Till date, Zomato has raised a total of US\$ 635 million in 11 rounds, and is looking to raise between US\$ 500 million to US\$ 1 billion from Primavera Capital and Ant Financial in a new financing round. Swiggy has raised US\$ 1.45 billion in 8 rounds.²⁰ Swiggy maintains its position as one of the top players by not only offering food deliveries from big restaurants but also small ones who form a part of the unorganised restaurant sector. On the other hand, Zomato focuses on increasing

its repeat user rate through its subscription and exclusive products.

When it comes to food deliveries, Swiggy has 120,000 delivery agents across India while Zomato's fleet amounts to 150,000—60% of which are fulfilled by its acquisition, Runnr.²¹ Fighting for the top spot, both Zomato and Swiggy increased their cash burn by five times since March 2018 to build and strengthen their fleet capacity. As of June 2018, the monthly expenditure of Swiggy was at US\$ 16-18 million, while Zomato spends over US\$ 20 million and Uber Eats burns US\$ 4-5 million. The monthly order volume of Uber Eats is at 4 million, Foodpanda is at 6 million while Zomato and Swiggy are at 21 million and 20 million respectively.²² According to industry experts, while the rising spends is natural in the fight for market share, its impact is crucial in determining success. Ujjwal Chaudhry, engagement manager, RedSeer Consulting, said, "While food aggregators are spending a lot, operational issues will crop up as they scale. The resolution of those issues along with getting the better deal on restaurant exclusivity and gaining customer mind share in a high-frequency space will determine the extent of success."²³ Companies in the food delivery space are continuously looking for new avenues to grow and pushing aggressively to sustain in the market. According to RedSeer estimates, the online food delivery market's GMV grew 150% to US\$ 300 million in 2016, doubled to US\$ 700 million 2017 and is expected to reach US\$ 2.5-3.5 billion by 2021.²⁴

WHAT NEXT?

After achieving various milestones and rapid growth, Zomato aims to become the biggest farm-to-table food company in the world.²⁵ Mid-2018, it ventured into cloud kitchens, where the chefs prepare food in a physical outlet for orders that they receive online. It invested the first portion of US\$ 5 million in Bengaluru-based Loyal Hospitality exclusively for its cloud kitchen project. Loyal Hospitality plans on setting up 10,000 kitchens across the country. According to the agreement, these kitchens will serve Zomato's orders exclusively with about 200 kitchens in Bengaluru alone.²⁶ Zomato aims to add new products to their mix and increase their delivery fleet through Runnr to boost the revenue earned from food delivery. According to the Statista Online Food Delivery report, food delivery revenue presently stands at US\$ 91,701 million and is expected to reach US\$ 234,206 million by 2022.²⁷

Zomato has significantly contributed to the growth of the foodtech industry. On the completion of ten years, in a 2018 post, Mr Goyal wrote, "We are working towards the idea of a world wherein most people

should have access to safe and nutritious meals at the same price or cheaper than the cost of preparing them at home. We want to solve the need to 'cook versus eat out/ order', and see cooking as something that people should want to do because it's a joyous activity instead of being a chore."²⁸ Having overcome the initial tumultuous period and firmly establishing itself as a leading player in terms of deciding your next meal, Zomato is in an excellent position to capitalise on the growth of the sector across the length and breadth of the country. ■

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Photo courtesy: Saroj Jalan

Pashmina is finding prominence in fashion shows—in India and abroad—as a lightweight, luxury accessory that can be draped in different ways.

Priceless Pashmina

Jammu & Kashmir is home to the timeless art of Pashmina, one of the most loved souvenirs from India.

BINDU GOPAL RAO

JANUARY-FEBRUARY 2019

www.ibef.org

Exquisite, elegant, and extravagant—the pashmina fabric from Kashmir has been a favourite among royalty since several centuries. Even today, the Pashmina sets its own benchmarks in sophistication and grandeur, and is an aspirational product across the world. The word ‘Pashmina’ is derived from the Persian word pashm meaning wool. And in Kashmiri language, the term Pashmina is literally ‘soft gold’.

The Pashmina wool comes from four unique species of Cashmere goats. Two Pashmina-producing goat breeds—Changthangi and Chengu, are found in India. The Changthangi breed is domesticated in the Ladakh region of Jammu and Kashmir. On the other hand, Chengu is found in the Lahul, Spiti, and Kinnaur regions of Himachal Pradesh and Uttarkashi, and the Chamoli and Pithoragarh regions of Uttarakhand.

CRAFT CUES

Pashminas today are made both by hand and by machine. Typically, it takes about six months to one year to complete one Pashmina shawl, which is soft to touch and light to drape. Similarly, one handmade Pashmina scarf could take up to 180 man hours to complete.

“A real Pashmina wrap can be crafted in two primary variants—hand spun and handwoven, and machine spun and handwoven. The machine-spun variant was introduced to be easy on people’s pockets because the threads are spun on a machine, thereby reducing the human effort,” says Saroj Jalan, an Indian fashion designer. The art of weaving Pashmina is an elaborate, yet tedious process that requires skill and patience. The wool used for weaving the Pashmina from scraps to strings is derived from a special breed of Kashmiri goat found in the high ranges of the Himalayas known as *Capra hircus*, which produces the highest quality fibre. It is considered be the emerald among other fibres, as they range between 12 and 15 microns.

“The harvested pashms are washed and combed. In the later steps, a handloom is set up along with a coded pattern—which can only be read by the weaver and his family—then aligned, and the procedure begins. The shawl has two components, the foundation thread and the pattern used to create the design. Both these merge and form patterns and add a scenery of lustrous colours from one end to another. This occurs due to the kani sticks arranged in a synchronised manner as per the design of the shawl. Each stick is inserted one at a time and when the pattern changes, a new one is added. Both the sticks need to be interlocked and assembled in order to continue the pattern. The more extensive the design the more kani sticks are aligned; thus, it takes



Floral motifs abound in this unique weave from Kashmir.



Photo courtesy: Saroj Jalan

Photo courtesy: Bindi Gopal Rao



Photo courtesy: YUMI

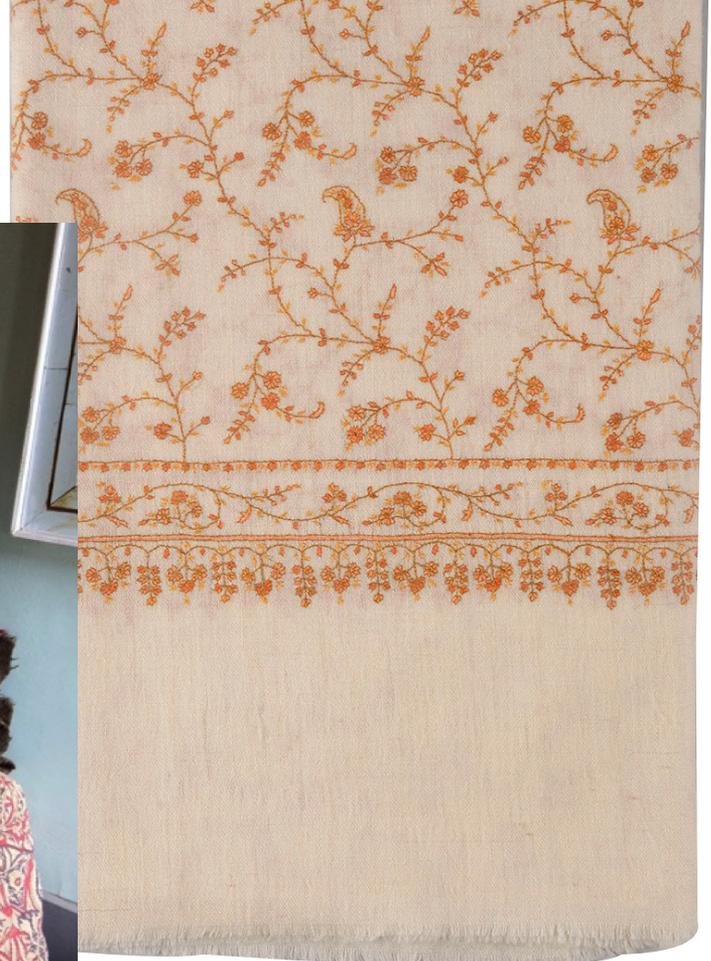


Photo courtesy: Khazir Sons

Pashmina shawls, stoles, and saris are among the most coveted wardrobe favourites.

up to two years or more to weave a detailed Pashmina shawl,” says Saddam Zaroo, Managing Director, Khazir Sons. The entire production takes place in villages 20-30 km from Srinagar, such as Ganderbal, Budgam, Veeru Budgam, Bhatpura, and Chatragul.

NOW TRENDING

Nowadays, pashmina is predominantly being used to create specialised sarees which are extremely soft to touch and have a great fall. It can also be teamed with a jacket or a blazer to give a sophisticated and elegant look. “The Pashmina shawl can be turned into a shrug by utilizing an elastic band and placing the shawl on your shoulders, hold the two long ends at the back together and pull it through with the help of an elastic band and adjust it so it sits underneath the back of the shawl,” says Zaroo. Accessorising with scarves is ideal if you are going for a bohemian look. Pashminas with intricate embroideries are also in trend, especially for the upcoming winter wedding season.

GOVERNMENT PUSH

To safeguard the art, the Government of India through its Ministry of Textiles has launched a major

PASHMINA IS ONE OF THE OLDEST cottage industries of the state known to generate handsome revenues by way of exports and sales within the country.

programme for the development of Pashmina and Pashmina developers in the Ladakh Region. This plan envisages a new Pashmina wool development scheme with a special package and financial allocation of ₹41.21 crore.¹ Special exhibitions are also being organised that provide a platform to the craftspersons to generate awareness about the craft as they interact with the customers as well as help them sell their merchandise. The handicrafts and handlooms industry of Kashmir provides employment to about 400,000 people in Kashmir.² Pashmina is one of the oldest cottage industries of the state known to generate handsome revenues by way of exports and sales within the country. This industry thrives only in the state of Jammu & Kashmir, as craftsmen and artisans from here alone have the expertise to create these pieces of art. A number of training centres to educate and teach



Photo courtesy: Bindi Gopal Rao

the local people the craft of shawl-making have been opened by the Government in places like Ganderbal, Pulwana, Shopian, and Budgam in Kashmir, in the quest of keeping this art alive,” says Varuna Anand, Designer and Founder, The Splendor of Kashmir.

The key markets where Pashmina is exported are Italy, the US, the UAE, Switzerland, and Thailand. Brazil, the US, and Canada were the leading importers of Pashmina shawl from India; Brazil accounts for 63.55%, followed by the United States of America with 28.43% and Canada with 3.24%, as per imports shipping bills filed with India Custom.³ Anand says, “Pashmina being a luxury commodity always, the main markets where it is exported are in Europe. The requirement for head scarves and accessories made from Pashmina is there in the Gulf countries as well.”

OVERCOMING CHALLENGES

The growing availability of fake Pashmina, at a cheaper rate, is what creates unhealthy competition and puts original Pashmina at stake. Also, the younger generation is not keen to continue with the craft. There is so much that needs to be done for Pashmina goats, their environment, and their guardians. “Fair commerce needs to be encouraged for the entire value chain of the people associated with it, so that the largesse does not remain entirely with the traders. Improved designs need to be introduced to them so that there is a unique translation of the traditional art heritage. Certification of authenticity needs to be formulated and implemented with integrity and responsibility, so that the hand spun and handwoven products retain their place of origin, true nature and value against the machine-made imitations,” opines Natasha Chaudhri, co-founder of online store YUMI. Bhavya Chawla,



Photo courtesy: Voonik.com

Pashmina exudes a subtle elegance that matches its fine texture and exquisite craftsmanship.

Chief Stylist, Voonik.com, adds, “While the production capacity increases manifold, there are questions that the quality of pure Pashmina is being compromised as the fibres are very fragile and cannot withstand the force of a power loom. Nylon and other synthetic fibres are added during the spinning process to strengthen it.” However, today, it is not just about weaving a Pashmina shawl but bringing the same kind of craftsmanship this art is so known for. “The endeavor to encourage such craftsmen and take their work to the right people is something which will eventually lead to the increase in demand of these goods, benefitting both the craftsmen and the handloom industry of the state,” concludes Anand. Considering that the art of Pashmina is not just intrinsic to India but also a source of livelihood for its dwindling artisans, it is indeed time to get our act together to promote the craft more aggressively and give it the importance it deserves. ■

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The Blue Mountain Trail

Ooty leaves an indelible impression when one walks down the lanes that tell tales of its historical past.

TEXT: TAMILSELVI JAYACHANDRAN



The toy train excites the rider the most in its steep bridges and dark winding tunnels.

I am often asked why I love my hometown Ooty so much. Is it because I am a person attuned to nature? Or because I am a mountain person? Or is it because I love the cold? All of these assumptions are actually correct, and perhaps so is my fascination with history, which endears this hill station to me. I now live far away in a crowded metropolis where all I see are roof and concrete in all seasons, sometimes obscuring even the sky. Not the azure blue of the winter sky or the roiling clouds of the monsoons.

While growing up in a place, however exquisite and beautiful it may be to the outside world, it is not unusual to take our surroundings for granted. During our many playful adventures on the railway tracks while in school, I did not know that the Ooty Lake was an artificial one or the train we tried to outrun was vintage. Getting to know the legacy of my hometown was a discovery over the years.

SULLIVAN'S OOTY

Ooty was discovered accidentally in 1818 by two assistants to the then Collector of Coimbatore, Mr John Sullivan who is credited with its discovery. The original place he reached, however, was a village in Kotagiri called Dimhatti. Mr Sullivan is also credited with the construction of the first house in Ooty - The Stonehouse, which incidentally is the name-lender to the town itself.

Before Stonehouse was purchased by Mr Sullivan, it was occupied by a Toda hut known as 'whottemund' (the single Toda House), which the Europeans corrupted into Ootacamund. The huge oak tree called the Sullivan's Oak, planted by Sullivan 150 years ago, stands to this day in its tangled glory. The Stonehouse now houses the Government Arts College.

THE NILGIRI MOUNTAIN RAILWAY

The Nilgiri Mountain Railway, fondly called the 'toy' train is where one can come closer to history than anywhere else in Ooty. Built in 1908, it took an astonishing 45 years to construct the railway. The ride—on a train that looks right out of a museum attached with a UNESCO heritage tag and moves at a pace little above that of an average cyclist—gives itself to those who want to slow down. For a distance of 46 km, it takes about five hours to make the arduous climb as it takes you from 1,069 ft at Mettupalayam to 7,228 ft at Ooty! Yet, it is a ride that is dreamier than a dream transporting the traveller to times of the colonial era.



Top: St Stephen's Church, with its lovely, stained windows and wooden beams carted from the palace of Tipu Sultan, is located in the centre of the town.

Below: The Ooty lake and boat house, a major tourist attraction, is an artificial lake formed by John Sullivan for fishing.

Docked at the Mettupalayam station in the early morning, shrouded mysteriously in smoke, the train brings to mind the 'Hogwarts Express' in the magical world portrayed in the *Harry Potter* series. As the train chugs lazily up the steep slopes, at a gradient of 1:12.5 (the steepest gradient in Asia) at some places, sense of time is lost on the traveller.

During the entire duration of the ride, one is either gaping at the huge rocky terrains or staring dreamily into the mist-enveloped fields and shola forests. Add to this the possibility of elephants crossing and you have the thrill factor too. The stations en route are delightful with an old-world-charm and will leave you excited like a child. As the train gets close to Coonoor, tall alpine plantations, tea plantations and inviting cottages vie for the traveller's attention. Getting off the train is like waking up from a beautiful dream.

Although the landscape is mesmerising, it is the engineering marvel of its creators that made possible this journey into the secret folds of the mountains.

ON A HERITAGE TRAIL

No. There is no map of heritage places in Ooty. Simply walk around the town and you cannot miss history. Let us put the centre point at Adam's statue in Charing Cross, with five roads leading out of it. Walk any way and you will bump into historic sites dotted over the town. One road takes you up to the St Stephen's Church, dating back to the 19th century, passing through Brecks Memorial School established in 1874 in memory of the then Collector Mr J W Brecks; Take another road from Adam's statue and land at the Botanical Gardens past the Assembly Rooms, a



ballroom converted into a theatre; yet another road leads up to the Stonehouse.

During school days, my friends and I revelled in walking around the town, often deliberately missing the school bus to walk home. It would not be an exaggeration to say that our walking forays cemented the bond between us and our hometown. Walking is a natural part of being in Ooty. To know the town and experience the rich tapestry of history woven in, one needs to walk the town. Or you would never experience the sense of history that envelops a structure retaining its antiquity in the busiest junctions. One such personally cherished building is the Nilgiri Library, which largely remains unnoticed.

THE NILGIRI LIBRARY

Constructed in 1869, this tall Victorian structure is a library that speaks history not by its books alone. Stately reading halls fitted out with charming reclining chairs and the light streaming in from the huge French windows, the ambience is one that any bibliophile



clear demarcation of trade and profession—Kota tribe, the artisans; Todas, dairymen and weavers and Kurumbas, the honey collectors. The Badagas are a community of migrant settlers who fled the Tipu Sultan rule and took the role of cultivators.

Top: Toda men in their traditional embroidered shawls. Done by the women they create stunning geometric patterns on unbleached cotton with red and black thread.

NATURAL HERITAGE

The term natural heritage is superfluous to Ooty but is explicitly important, for the march towards development has tread many irreplaceable ecosystems in its wake. The landscape one sees here is the result of the European settlers’ introduction of native species from

Below: A Toda temple, where only the priests are allowed inside during religious ceremonies.

would die for. Climb a few stairs to the Wardrop room and look at books in leather-bound volumes on an array of topics ranging from local flora to the world war in handsome shelves, complete with the ladder right out of Victorian movies.

In my school days, the membership to the library was guarded and prestigious. I remember vividly the day the library board approved my membership and how exalted I felt to walk the halls of this bibliotheca. Far removed, I still keep my membership alive holding on to my childhood memories and in some way to the legacy of a bygone era.

PEOPLE OF OOTY

Being close to Kerala and Karnataka, the populace here is an eclectic mix of migrants from both the States, the Tamils and the original tribes and communities settled in Ooty. The tribes before European insurgence had a

Britain. The native, original ecoscape of Ooty can be seen when one travels towards Avalanche or Mukurthi where grasslands are interspersed with the shola forests. Rivers originate in these grasslands. Home to the Nilgiri Thar, Langurs, Sambar, Gaur, Tiger, leopards and other innumerable mammals, birds and reptiles, the biodiversity of these ecosystems is rich and unique, forming a part of the Western Ghats hotspot.

Whether you are in Ooty on a heritage trail or a do-nothing holiday, the distinctive architectural style stands out amidst the tourist hustle it has recently morphed into. The modern amenities springing up to cater to the commercial tourist are becoming despoilers and the need of the hour is responsible tourism. Despite this, Ooty continues to beckon the discerning traveller with its signature architecture and unique natural heritage. ■

WHAT'S NEW @IBEF

Brand India Engineering at Big 5 2018, Dubai

IBEF worked closely with EEPC India to promote strengths of Indian engineering in pumps & valves during Big 5 2018, Middle East's largest construction event, that was held in Dubai, UAE from November 26 to 29, 2018. IBEF managed venue branding with advertisements at prominent locations at the Dubai World Trade Centre and also issued a two-page supplement in KhaleejTimes, UAE's first and the country's longest-running English broadsheet. In addition, IBEF also carried out a targeted SMS campaign in Dubai promoting India's participation at the event.



50 Reasons to Partner with India

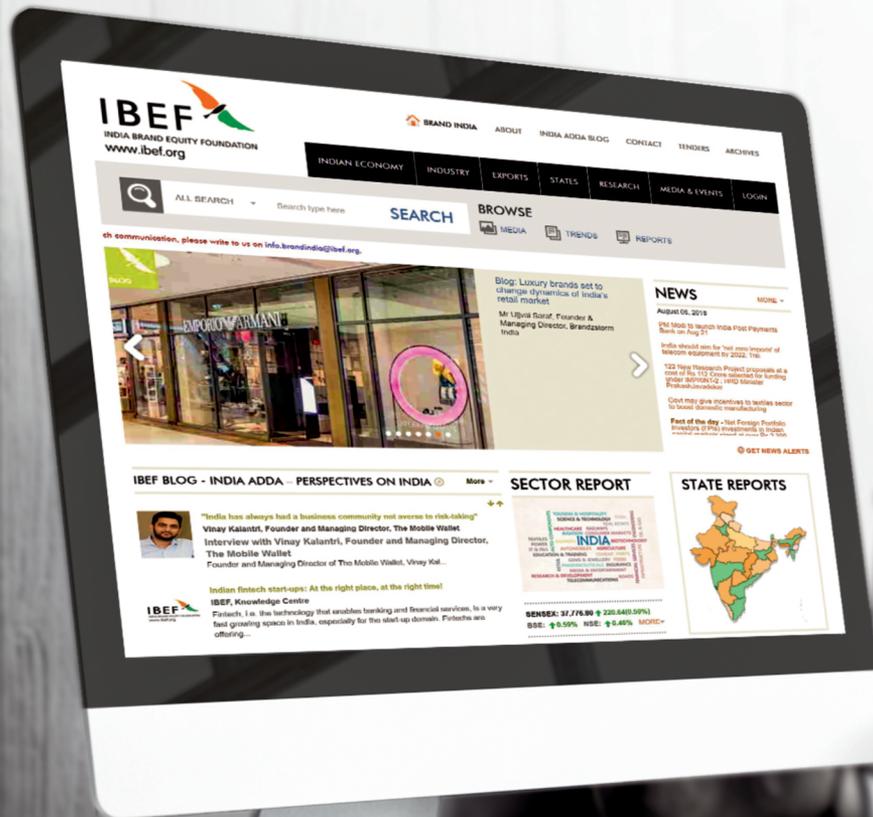
IBEF released the updated version of *50 reasons to Partner with India* factbook. It presents 50 strong facts about Indian economy and business, which not only reflect the strengths of Indian business and economy but also resonate the credibility of the Made in India label and flagship programmes of the government such as Make in India, Skill India, Digital India, Jan Dhan Yojana, Start up India et al. Ranging from consumer markets to agriculture and automobiles, the factbook captures the resilience of sectors and the growth opportunities and business partnership opportunities therein.



Promoting Indian Rugs at 36th India Carpet Expo, Varanasi

The 36th India Carpet Expo, which aims to promote the skills of Indian hand-knotted artisans, was organised in Varanasi during October 21-24, 2018. Around 270 small, medium, and large manufacturer exporters from across the country participated. The exhibition was inaugurated by Shri Narendra Modi, Hon'ble Prime Minister of India via video conferencing, and Smt Smriti Zubin Irani, Hon'ble Minister of Textiles presided over the function as Chief Guest. IBEF was involved in branding at the venue, across prominent locations in the city, and also organised a press conference gaining coverage in leading publications.





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