

# Digital marketing flashcard



**ASSIGN  
BUSTER**

Online and upcoming: The Internet's impact on India Chancre Misbranding Ann. Mammogram Noshes Kaka James Monika Michael Chug Jacques Bugging Malcolm Gomes This report is furnished to the recipient for information purposes only. Each recipient should conduct their own investigation and analysis of any such information contained in this report. No recipient is entitled to rely on the work of McKinney & Company, Inc. Contained in this report for any purpose. McKinney & Company, Inc. Sakes no representations or warranties regarding the accuracy or imprecision of such information and expressly disclaims any and all liabilities based on such information or on omissions therefore. The recipient must not reproduce, disclose or distribute the information contained herein without the express prior written consent of McKinney & Company, Inc. Online and upcoming: The Internet's impact on India Preface In the four decades since its inception, the Internet has driven dramatic change. It has enabled flows of information, including entertainment, news, and financial and academic material.

It has brought people closer together by enabling various forms of interpersonal communication, notably e-mail, instant messaging, video conferencing, and social networking. And it has allowed consumers to purchase virtually anything at any time, while providing producers with direct access to a wide range of markets. Furthermore, the Internet is a bustling industry, spurred by entrepreneurship and supported by a variety of industries and large enterprises. Online productivity tools and communications advancements provide benefits to almost all enterprises and governments.

The Internet has helped governments to broaden their services to citizens and improve their delivery. In a very short period, it has become dulcet for most of us to imagine a world without Instant and continuous access to the Internet, series in which we examined the Internet's impact on a group of developing countries that have both the scale and the dynamism to become significant players on the global stage in the near future (see Online and upcoming: The Internet's impact on aspiring countries, McKinney & Company, January 2012).

It also builds on our earlier assessment of the impact of the Internet on the advanced economies and several large developing economies, such as China, Brazil, Russia and India (see McKinney Global Institute, Internet matters: The Net's sweeping impact on growth, Jobs, and prosperity, May 2011). As an ongoing body of work, our view of the Internet's impact on India is evolving. The insights and conclusions presented in this report are refinements of our earlier multi-country work, based on an in-depth assessment of India-specific data and multiple expert interviews in India.

As data sources improve and the body of knowledge relating to the Internet expands in India, we look forward to continue to evolve our perspectives. Our research focuses on the way the Internet affects Indian's economy currently, and TTS potential to do so in future. In our attempt to understand the impact of the Internet, we focus on how economic growth and prosperity have been affected; we also seek to discover how individuals, entrepreneurs, enterprises, and public sector entities have been transformed.

In addition to assessing the Internet landscape and its impact on the various groups of participants, we examine the potential for India to utilize the particular strengths of its economy to enable businesses and individuals to derive greater benefits from the Internet. We do not offer prescriptive policies, but Ochs on opportunities and possibilities for India to accelerate its efforts to capture the Internet's benefits.

This is an independent McKinney & Company report that draws on various sources: research from Muckiness's Technology, Media, and Telecoms Practice; information from academic and public sources; research conducted with Google; and work from the McKinney Global Institute (MGM'), the business and economics research arm of McKinney & Company. Without the contributions of the academics and researchers who are cited throughout the report, our effort would not have been possible.

To understand the trends in Internet activity in India versus other countries, we relied on several analytical approaches: (1) we constructed macroeconomic analyses for India, taking into account data related to Internet expenditure, Internet usage, the infrastructure, and various other environmental enablers of the Internet; (2) we conducted microanalyses of various Internet ecosystem participants and user groups, using publicly available data and interviews with company chief technology officers (Cots); (3) we surveyed about 550 small and medium-sized enterprises (Seems) in India; (4) we utilized data from Muckiness proprietary Digital Consumer surveys in India in 2010 and 2012; (5) we constructed a forward-looking view on the potential size of the Internet user base in India; and (6) we conducted

thought experiments to behavior could shape the Internet landscape. To test our conclusions, we interviewed industry experts in India and asked academics to review our findings. As a result, we are confident that the findings are directionally robust, despite the challenges of limited data availability.

However, there is a clear need to conduct further research and analysis on the basis of enriched sets of data, given the growing importance of the Internet and its transformational impact. The project was led by Chancere Misbranding, a McKinney principal in Bangor, and Ann. Mammogram, a senior fellow at MGM' in Iambi, along with Noshing Kaka, managing director of McKinney in India, James Monika, a McKinney and MGM' director in San Francisco, Michael Chug, a senior fellow at MGM' in San Francisco and Jacques Bugging, a McKinney director in Brussels.

Malcolm Gomes managed the project team of Chums Gain, Million Speaker, and Emmanuel Thomas. We are grateful for the review, challenge and advice provided by our academic advisers for this research: we thank Martin N. Bail, the Bernard L. Schwartz Chair in Economic Policy Development at the Brookings Institution, and Rakes Moan, professor in the Practice of International Economics of Finance, School of Management, Yale University.

We are also grateful for the insights of Raja Amanda, Betsy Massively, and Armament Sings at Google. The authors would like to acknowledge Muckiness's researchers who made significant contributions to the fact base: Shirr Guppy from MGM' Economics and Thru Farm from Muckiness research

and information network. Finally, we offer special thanks to the industry experts we interviewed during this project.

For their perspectives on the evolution of the Internet landscape in India we thank Sunnis Abraham, Director of the Centre for Internet and Society; Raja Katharine, Director and Chief Executive of ' CRIER; Some Imitate, President of MASCOT; and Sub's Ray, President of the Internet & Mobile Association of India. For their insights into the Internet-related investments of their enterprises and the prospects for Internet innovation in India, we thank the many Cots and technology company executives we interviewed. All references to specific companies in this report come from public sources.

Our aspiration is to provide facts and analyses to better understand some of the most important trends that are shaping the Internet in India. We hope our findings will enrich the dialogue about the ways that businesses, policy makers, and innovators can accelerate Indian's Internet transformation.

Principal, McKinney & Company Bangor Senior Fellow, McKinney Global Institute Iambi Managing Director, India, McKinney & Company Director, McKinney & Company, and Director, McKinney Global Institute San Francisco

San Francisco Director, McKinney & Company Brussels 1 billion Internet users in 30 aspiring countries? half of the global tally of Internet users 120 million Internet users in India: the third largest user base in the world Across seven aspiring countries the average number of Internet users for every 100 people is 3410 compared to in India The average number of fixed broadband subscribers for every 100 people across the seven aspiring countries is 7 1 Our illustrative subset of seven of the " aspiring" countries, I. E. , Argentina,

Brazil, China, Malaysia, the Philippines, South Africa, and Vietnam. 1. % average contribution of the Internet to GAP across all aspiring countries, versus in developed countries 3. 4% contribution of the Internet to Indian's GAP, amounting to \$30 billion \$12 billion average estimated consumer surplus associated with Internet usage across the seven aspiring countries, versus \$9 billion Average international bandwidth capacity for every 10, 000 people across the seven aspiring 28 Mbps 6 Mbps Contents Executive summary Indian's Internet landscape Economic impact of the Internet 18 Indian's Internet ecosystem 25 Impact on principal user groups 29 A vision for broad-based Internet inclusion

Appendix: Methodology and approaches Bibliography 53 The Internet today connects more than two billion people worldwide. The Internet already has immense impact on the global economy, contributing an estimated \$1. 7 trillion, or just under 3 percent, of global GAP in 2010. 1 Yet half the number of Internet users lives outside the advanced economies, often in countries that are quickly developing, have significant economic potential and are socially and culturally diverse.

India has about 120 million people online today and offers a striking example of the Internet's growth potential. India is adopting the Internet at a much more rapid pace than advanced economies and even many developing economies, yet 90 percent of its population is currently not connected. This report assesses the impact of the Internet on Indian's economy, estimating its impact on GAP. Looking beyond that, we measure the Internet's broader impact in terms of consumer surplus and the development of Internet ecosystems.

We also look at the ways in which various participants have benefited from the Internet already. We measure India's environment for e-commerce and entrepreneurship, and we analyze in detail the impact of the Internet on its small and medium-sized enterprises (SMEs). Finally, we assess the potential for the future impact of the Internet and what it would take for India to bring this potential into being.

As a basis for comparison, we use a set of 57 middle-income developing nations, and some populous but less-developed nations; these collectively constitute 91 percent of world GDP. Thirty of these countries are what we call "aspiring countries," defined as having the scale and dynamism to fuel economic performance in the global economy while driving significant domestic growth and offering prosperity to their own citizens. These aspiring countries have a collective GDP of \$19 trillion, or 30 percent of global GDP.

We focus our comparisons with India more closely on an illustrative subset of seven of the aspiring countries: Argentina, Brazil, China, Malaysia, the Philippines, South Africa and Vietnam. Of the set of more than 20 developed countries in our database, we focus our comparisons on five: Germany, South Korea, Sweden, the United Kingdom, and the United States. Our report offers seven key findings concerning the impact of and outlook for the Internet in India: 1.

India's base of about 120 million Internet users is currently the third-largest in the world. Though India's users spend less time online per capita than users in developed countries, their pattern of online behavior is rapidly converging. The Internet's role in communication, social networking, and



informing and influencing Indian's consumers in categories such as apparel, books, financial services, and travel is already comparable with that of developed countries. 2.

India is likely to have the second-largest user base in the world, and the largest in terms of incremental growth, with 330 million to 370 million Internet users in 2015. Given current downward trends in the costs of Internet access and mobile devices, India is on the verge of an Internet boom. In an evolution pattern unique to India, users who access the Internet only through a mobile or tablet device will constitute around 75 percent of new users and 55 percent of the aggregate user base in 2015, leading to increasing demand for content that is optimized for a small screen. . India has the potential to double its economic contribution from the Internet in the next three years, from 1.6 percent of GDP at present to 2.8 to 3.3 percent by 2015. Despite the large current base of users, the Internet currently contributes a modest 1.6 percent to Indian's GDP, in line with 1 For a detailed account of the Internet's contribution to GDP in several developed and aspiring countries, see Internet matters: The Net's sweeping impact on growth, jobs, and prosperity, McKinney Global Institute, May 2011. Most aspiring countries. This could grow to 2.8 to 3.3 percent by 2015 if India achieves its potential for growth in the number of Internet users and Internet technology-related consumption and investment over this period, increasing the Internet's contribution to GDP from \$30 billion today to nearly \$100 billion in 2015. This would make the Internet-related economy larger than the education sector and as large as the health care sector, in terms of share of GDP at present.

Currently, Indian's information and communication technology (ICT) exports are the most significant component of the Internet's impact on GDP. But private consumption, 4. The impact of the Internet in India is constrained by current gaps and obstacles in the Internet ecosystem. While India scores well on the availability of human and financial capital, it rates poorly on Internet infrastructure, Internet engagement, the e-commerce platform, the ease of Internet entrepreneurship, and the impact of e-governance.

On most indicators of the strength of the Internet ecosystem, India ranks in the bottom quartile of our comparison set of 57 countries. 5. Although the Internet ecosystem is becoming more vibrant, the benefits have been relatively concentrated. Indian's Internet start-ups are scaling up through creative adaptations to overcome infrastructural and systemic bottlenecks. Yet, while large enterprises have gained from their early adoption of the Internet, there is scope among individual consumers, SMEs and the government sector to significantly increase engagement.

Today, Indian's measurable consumer surplus from the Internet is estimated at \$9 per user per month, at the low end of the range for aspiring countries (\$9 to \$26) and well below the range for developed countries (\$18 to \$28). Even by 2015, with overall Internet penetration likely to reach 28 percent, rural penetration is likely to be just 9 percent. 6. India can achieve broad-based Internet impact by aiming for the digital inclusion of nearly 40 percent of its population, to reach a user base of 500 million by 2015, rather than the likely target of 330 million to 370 million.

Most of the additional 150 million to 160 million users would be individuals and small businesses in semi-urban and rural parts of the country. Extending Internet access to these segments of the population, and promoting the usage of many more online services, would enable India to derive much more of the intended benefits from government programs of inclusive growth in employment, education, health care, nutrition, and financial services. Concerted actions by policy makers and businesses in five areas can help India achieve an inclusive Internet transformation: reduce the cost of Internet access across devices, content and applications; increase access to low-cost, high-speed connectivity in rural and semi-urban India beyond the top cities; promote widespread digital literacy through the introduction of devices and content tailored to the local context; devise Internet applications in new areas such as agriculture, health care, education, energy, utilities, and public information; and create a more favorable business environment for

Internet entrepreneurs to support rapid innovation. 1. Indian's base of about 120 million Internet users is currently the third-largest in the world, and the pattern of online behavior is rapidly converging with that of users in more developed countries Indian's large economy, with its young and increasingly urbanize consumer base, offers strong growth potential for Internet usage.

Weak infrastructure has kept Indian's Internet penetration low; at 10 percent, it is much lower than the average of 40 percent across aspiring countries. Even so, with about 120 million people online in 2011, India is the third-largest Internet user base in the world. Internet users in India spend 20 to 25 hours online per month, about the same as their counterparts in Latin

America, but only a quarter of the amount spent by those in Asia Pacific countries such as China and Malaysia.

However, the time spent on the Internet per user in India rose 24 percent from 2010 to 2012; more online transactions and entertainment, grew more rapidly than reading and browsing. The share of Indian digital consumers who use online media for search, awareness, and research to purchase products is already high across multiple categories: in apparel (26 percent), travel (51 percent), books (36 percent), and uncial services (30 percent), the proportions are comparable with those in Germany, Japan and the United States. 2. India is on the verge of an Internet boom with a projected user base of 330 million to 370 million by 201 5, which will be the second largest in the world, and the largest in terms of incremental growth Indian's current Internet user base of about 120 million is likely to nearly treble by 201 5, and will thereby account for approximately 12 percent of the global total (Exhibit E1).

The projected growth in Indian's Internet users, an additional 230 million or so between 2011 and 2015, is likely to be the sights incremental growth in the world. In recent years, Indian's rate of growth of Internet users has been faster than that of many aspiring countries? for example, Malaysia's Internet user base grew 1. 8 times from 2005 to 2011, and South Africans grew 1. 9 times, while Indian's grew more than 5 times. Indian's Internet revolution is being shaped by telecoms players' strategies to reduce cost of access.

Smartened costs are falling rapidly as players achieve scale economies, while the proliferation of G/G services in India is likely to reduce connectivity

costs and overcome the challenge of limited fixed-line connections. As a result, nearly 75 percent of new users and more than half of Indian's base of Internet users in 2015 is likely to be mobile-only subscribers who will use Internet-enabled devices. By contrast, mobile-only users are likely to constitute a mere 10 to 15 percent of the market in Indian's regional counterparts, China and Malaysia.

Indian's Internet market is therefore likely to require a unique approach to content and application design. Mobile-based users will demand limited textual content and more audio-visual content because of the small screen size of their devices. Furthermore, it will become essential for entrepreneurs and innovators to make their applications or services compatible for users with a basic mobile device, in order to target those in the rural population who might not be able to afford a sophisticated smartened.