

Indian brands going global

A USD39 billion opportunity

A study by KPMG in India and Google

July 2018



Highlights

Industries considered for the purpose of this study



International business opportunities for Indian brands in select verticals stood at **USD16 bn in 2017** and are expected to grow to **USD39 bn in 2022**

Travel, media and entertainment, SaaS, jewelry and real estate are the key verticals with high potential international opportunities

- **APAC** is one of the most attractive regions for expansion by Indian players – **China, Malaysia and Indonesia** are key target countries
- Digitally mature geographies such as the **U.S. and U.K.** are other lucrative geographies which can be explored by leveraging the online channel.

Key focus areas for international expansion include:

1. Mobile-first platforms
2. Omni-channel presence
3. International digital marketing strategy
4. Technology-driven insights to support sales and marketing
5. Key alliances within the ecosystem.

*International business opportunities for Indian brands include sales to customers in foreign markets and international customers in India

Foreword

The past decade has witnessed a range of changes in global trade paradigms, unveiling new emerging markets and channels for global business expansion. International exports have witnessed significant growth. Global merchandise exports grew at 3 per cent CAGR and commercial services exports grew at 5 per cent CAGR from 2006 to 2016. Global goods trade volumes are set to further grow by approximately 2-4 per cent in 2018 driven in part by key emerging markets, offering players ample international business opportunities. A geographical shift is being witnessed with rising contribution of developing economies in world trade. In value terms, share of developing economies in global trade stands at approximately 41 per cent of merchandise trade and approximately 36 per cent of commercial services trade, today. Rising demand from emerging nations also offers unexplored opportunities for players, which is yet untapped.

India's position in global trade has seen a significant shift over the last 25 years, evolving both in product mix and destination markets. As opposed to traditional exports (gems, precious metals, mineral fuels), Indian exporters are now increasingly focused on technology based, value added products. Moreover, India's export destinations are more diversified today, offering a wider spectrum of opportunities. In this changing context, Indian brands need to reinvent their international focus. Focus on traditional export markets such as the U.S. and the U.K. is set to witness change.

With the rising digital influence on consumers globally, online as a channel for trade is witnessing growth. Global cross border B2C e-commerce is set to rise at 25 per cent CAGR to approximately USD1.5 tn in 2022. Driven by lower prices and brand availability, over one-third of the total global online shopper-base shop from websites outside their home country. On the technological front, innovations have enabled easier global physical trade of goods. RFID sensors, IoT sensors, enhance cost efficiency and improve global product distribution. A widening range of digitally trade-able goods enable sales across borders with minimal distribution and transportation costs. Emerging economies present an evolved customer base with rising spending power, and thus opportunities exist to address these markets with customised products. Tapping high growth markets with a digital, mobile-first strategy is a key differentiator. Key regions such as Asia-Pacific constitute attractive markets for expansion - B2C travel and tourism e-commerce market in the region is set to grow at 18 per cent CAGR till 2022, while apparel, jewelry sectors are to see substantial sales

growth over online channels. Also emerging markets offer large untapped e-commerce market potential coupled with a fragmented market and rising internet penetration.

Rapidly evolving global business realities offer a level playing field for small and large players alike. At the same time, the digital medium is gaining prominence as a key sales and marketing channel. A multipronged international expansion strategy is increasingly being favoured by players – strategic alliances, omni-channel presence, product localisation, digital marketing are some of the competencies required to garner incremental international market share. India's rising prominence in the global export markets coupled with growing international opportunities offer scope for Indian players to expand internationally in travel, brands, real estate, SaaS, media and entertainment and select other verticals. This report covers aspects of international market opportunity for Indian players encompassing market size, growth drivers, industry trends, whitespaces in the market and measures to be taken by players to address these opportunities.



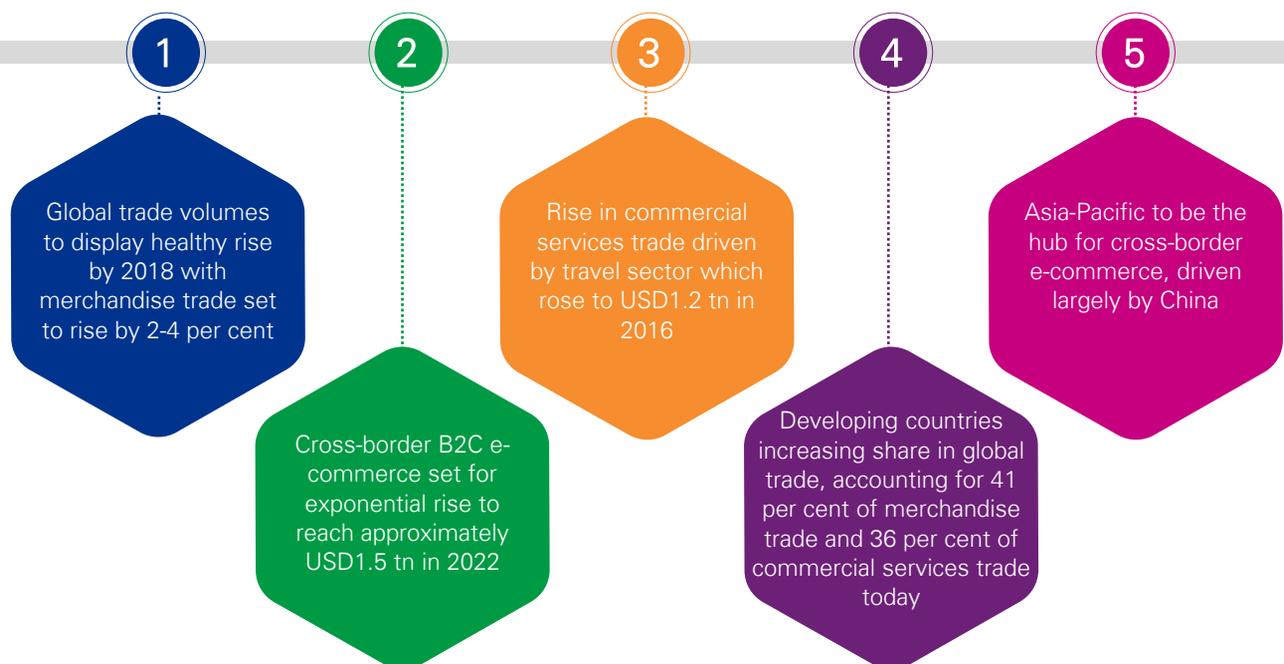
Executive summary

Overview of international opportunities for Indian companies

Global merchandise and commercial services exports* have witnessed significant growth in the recent past. While merchandise exports have grown at 3 per cent CAGR from 2006 to 2016, commercial services exports have grown at 5 per cent CAGR during the same period. Commercial services exports have been driven by the travel sector and ICT related services. Global trade is also now witnessing a geographical shift with emerging economies, especially in the APAC region now accounting for a larger share in global trade.

With the rising digital influence on consumers globally, online as a channel for trade has also grown. As of 2017, global cross-border B2C e-commerce trade stood at USD530 bn powered by approximately 0.54 bn shoppers. This market is further expected to grow at a CAGR of 25 percent to 2022, backed by a range of growth drivers.

* Elaborated in subsequent sections



Key growth drivers for global cross-border e-commerce



Innovative technologies enabling physical trade of goods



Widening range of digitally tradeable products



Increased adoption of mobile-based shopping



Rising cross-border internet traffic



Growing Internet connectivity globally

Executive summary

Potential international market opportunity of approximately USD39 bn for Indian players across focus categories by 2022

Key categories: Opportunity assessment and key insights

Travel providers

Services by Indian Airlines, accommodation, OTA service providers sold to inbound international travelers into India via online channels

Market size (in USD bn)



- APAC and Middle East are the broad focus markets. First-time fliers from emerging markets (such as Mexico, Turkey, etc.) are a lucrative customer segment. UAE and Indonesia are underpenetrated OTA (online travel agency) markets with high-potential for Indian players
- International traveler inflow into India to grow to 12.8 mn by 2022, with >90 per cent of inbound travelers traveling by air. Rising global acceptance of Indian airlines coupled with emerging markets in Latin America, Africa, Middle East present untapped growth potential in this segment. At the same time, accommodation spend by international tourists in India is also expected to grow at approximately 14 per cent

Key focus areas for Indian travel providers in international markets

- Players to adopt dynamic, targeted pricing and marketing campaigns
- End-to-end, one stop OTA solutions with multilingual, personalised features
- User friendly digital solutions in travel booking/experiences - mobile platforms, diverse payment modes.

Consumer brands

Indian players selling apparel, jewelry and consumer durables products to international customers via the online channel

Market size (in USD bn)



- APAC is the focus region for consumer brands. It is the fastest growing region in apparel, consumer durables sales. China, Vietnam and Indonesia are rapidly growing jewelry markets. Niche product categories - smart appliances, home and kitchen appliances, imitation jewelry also present untapped potential in these emerging markets
- Rising online retail penetration and demand for branded products is driving markets globally. Low-cost production capabilities across the value chain enable Indian brands to offer niche, locally-consumable products

Key focus areas for Indian consumer brands in international markets

- Digital solutions in brand building and campaigns, product offerings
- Omni-channel retail to be a key differentiator
- Investment in R&D, design centres to boost international demand
- Localised product design and pricing needed for consumer durables sales.

Real estate developers

Indian real estate developers selling Indian properties to NRI customers

Market size (in USD bn)



- NRIs are the major source of international revenues for Indian players. Key source countries of NRI investment are UAE (20 per cent), the U.S. (18 per cent), the U.K. (7 per cent) and Canada (6 per cent). Aided by recent regulatory reforms, NRIs are now increasingly viewing real estate in their hometowns and non-metro cities as profitable investment options
- The domestic real estate market offers superior long-term returns. Indian real estate developers could tap into the NRI and HNI customer base by leveraging technology/digital platforms

Key focus areas for Indian real estate developers in international markets

- One stop solutions for NRI real estate needs
- Dedicated NRI portals with a focus on brand building
- Targeted digital marketing campaigns and offline property launch events
- Enhanced user experience through virtual walkthroughs and drone-based views.

Sources for all numbers indicated in subsequent sections

Executive summary

Potential international market opportunity of approximately USD39 bn for Indian players across focus categories by 2022

Key categories: Opportunity assessment and key insights

SaaS

Indian players offering Software as a Service (SaaS) solutions

Market size (in USD bn)



- SaaS adoption by SMB customers in emerging markets is rising – the global SMB SaaS segment is expected to grow at a CAGR of 36 per cent over the 2017-22 period. Communication tools, file sharing and customer engagement the focus SMB SaaS segments
- SaaS adoption and cloud first digital transformation are gaining prominence globally. Untapped market opportunity exists in vertical focused SaaS as well as hybrid SaaS solutions. Domestic players can leverage the cheaply available talent pool (cost difference between India and the U.S. is four times) in software product development to derive competitive advantage

Key focus areas for Indian SaaS players in international markets

- Mobile-first, localised product offerings in emerging geographies
- Brand building, driven by digital marketing
- SaaS solutions integrated across usage platforms and bundled SaaS solutions to SMBs to differentiate product offerings.

Audio, video and gaming

Indian audio, video, gaming companies catering to international audiences

Market size (in USD bn)



*Market size of international revenue opportunity for Indian players in the video segment (i.e. TV, films, animation)

- NRI markets in the U.S., the U.K., UAE and vernacular, mobile-first markets like Brazil, are lucrative for video consumption. In music, growing markets in South East Asia are Malaysia and Philippines. In gaming, high-potential mobile gaming markets are - Indonesia, Philippines, East Europe. Mobile/tablet gaming is key for gaming developers in the global context
- Emergence of global non-NRI audiences is aiding Indian video content adoption. Mobile consumption is also driving traction with revenue from mobile devices to grow at approximately 12 per cent CAGR. On the supply side, India offers cost effective animation/contracted work in movies which also supplements international demand for Indian brands

Key focus areas for Indian media and entertainment players in international markets

- Mobile-first, locally consumable content targeted at emerging markets
- Innovative payment modes and customer engagement initiatives
- IP/licensing and merchandising for enhanced revenue.

Select other verticals - digital classifieds, and e-learning

Indian digital classifieds in real estate, matchmaking, catering to the international customer and Indian e-learning course providers catering to the international customers

Market size (in USD bn)



**Market size of international inbound sales for Indian players across select digital classifieds – real estate and matrimony digital classifieds

- NRIs, largely constitute the target market for digital classifieds. GCC countries, Malaysia, China are lucrative markets for real estate portals. For e-learning players, Asia, especially China and Japan, offer significant growth avenues
- NRIs prefer Indian real estate due to higher long-term returns. NRI families seeking matches within mother communities is driving matrimonial demand. In e-learning, Indian players account for only approximately 3 per cent of the global e-learning market today and are yet to tap into growing markets in the Middle East and Africa

Key focus areas for Indian players in international markets

- Exclusive service offerings by classified players for NRI customers
- International sales teams, investor outreach programmes, to target NRIs
- Localised service offerings leveraging emerging technologies
- E-learning course providers may tap Asian markets via mobile learning platforms and localised content.

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High potential sectors for international growth

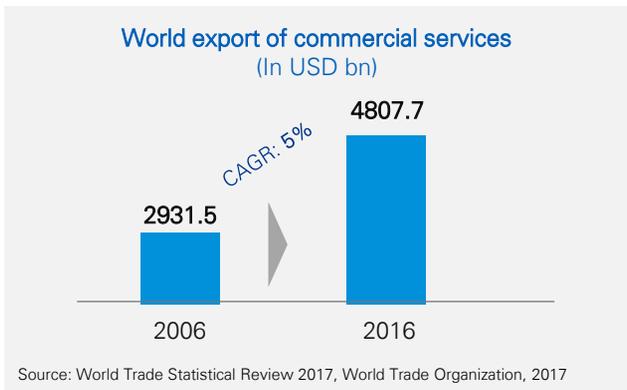
1. Travel providers
2. Consumer brands
3. Real estate developers
4. SaaS
5. Audio, video and gaming
6. Select other verticals - digital classifieds and e-learning

Overview of international opportunities for Indian players



Increasing presence of developing economies in global trade

In 2017, global merchandise trade is estimated to grow by 2.4 per cent amidst a projected global GDP rise of 2.7 per cent^[1]



In the commercial services sector, travel, ICT and financial services are the fastest growing sub segments. Travel services, which includes spend by international travelers has been significantly spurred by intra-regional travel, especially within Asia. In 2016, exports of travel rose by approximately 2 per cent standing at approximately USD1.2 tn^[2]. In the other commercial services sub segment, information and communication technology (ICT) (comprised approximately 72 per cent^[3] by computer services) category was the one of the major drivers for international trade.

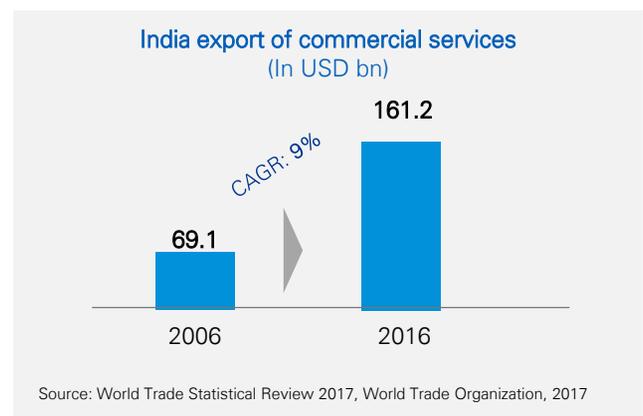
Geographically, the share of developing economies in global trade is on the rise. Developing economies now account for approximately 41 per cent of global merchandise trade and approximately 36 per cent of global trade of commercial services^[4].

For India, both merchandise (3.8 per cent) and commercial services export (3.4 per cent) witnessed growth in 2017^[5]

India's position in global trade of merchandise and commercial services has seen a significant shift over the last 25 years. Merchandise exports from India have risen from approximately USD18.1 bn in 1991^[6] to approximately USD264 bn in 2016^[7].

Geographically, India's export destinations are more diversified as compared to earlier. As of today, the top 20 destinations account for approximately two-thirds of total export from India^[8]. The U.S. is still the top destination for exports from India. However, geographies such as UAE (approximately 11 per cent of Indian exports) and Hong Kong (approximately 4.4 per cent of Indian exports) are also key destinations^[9]. Indian companies are now increasingly focusing on developing countries as opposed to established economies as lucrative export destinations. From 1991-2015, share of Asia as a destination in Indian exports has increased from 34 per cent to approximately 50 per cent^[10]. At the same time, the share of Africa has increased from 3 to 11 per cent^[11].

In terms of the product mix, India's export portfolio is now moving towards more of engineering goods and technology based value added services, pharmaceuticals as opposed to traditional items such as agricultural products, textiles, etc.^[12]



Source:

[1] Trade recovery expected in 2017 and 2018, amid policy uncertainty, World Trade Organization, April 2017

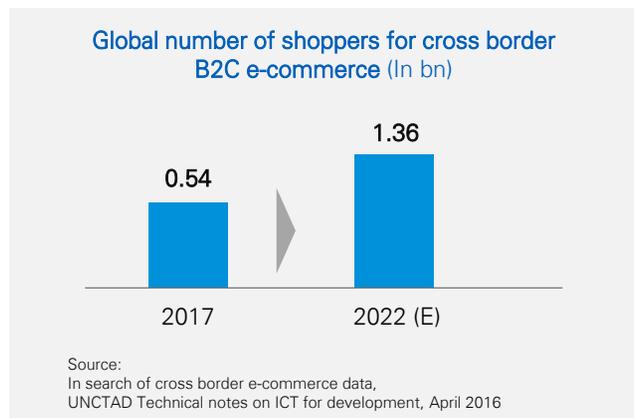
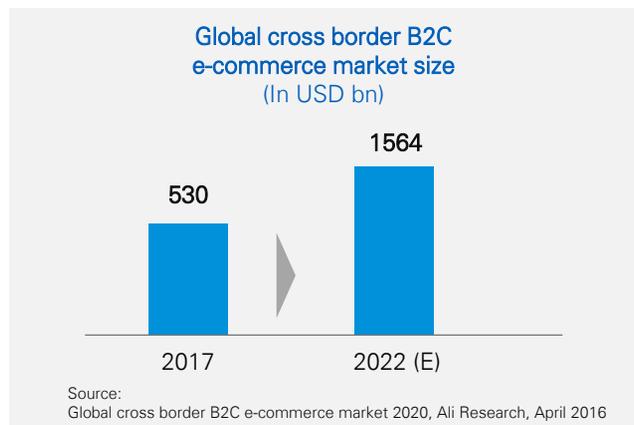
[2], [3], [4], [6] World Trade Statistical Review 2017, World Trade Organization, 2017

[5] India's services export up 3.4% to over USD160 bn in FY17, The Economic Times, May 2017, Exports likely to grow by 15% in 2017-18, Business Line, 1 February 2018

[7], [8], [9], [10], [11], [12] Trends in India's foreign trade, FICCI, May 2016

Global cross border B2C e-commerce: Approximately 1.3 bn projected international shopper base by 2022

Over approximately one-fourth of global e-commerce to be driven by cross-border sales by 2022^[13]



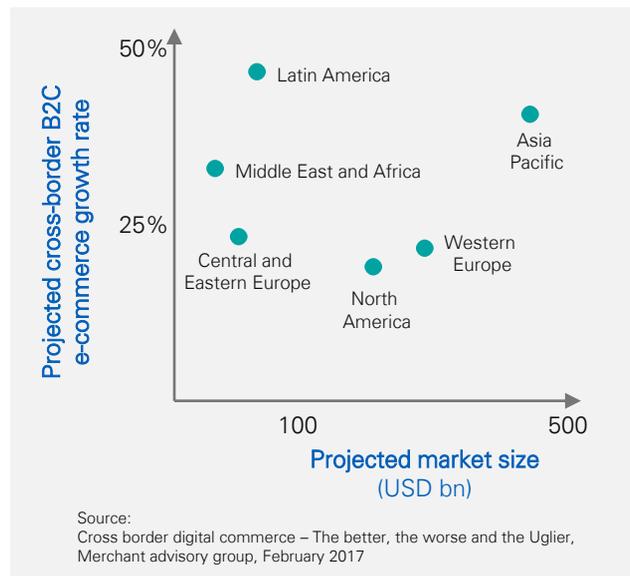
The global cross-border online shopping market is expected to grow at a CAGR of 25 per cent up to 2022^[14]. In 2014, only approximately 26 per cent of online shoppers purchased from websites based outside of their home countries which has now grown to over one-third of the total online shopper-base globally today^[15]. The number of cross-border online shoppers varies from geography to geography. In Canada, this figure is >90 per cent, however in Japan only 60 per cent of shoppers shop indulge in cross-border purchases^[16].

Cross border online shopping is largely driven by lower prices and limited availability of brands/products in the home country. Globally, approximately two-thirds of online shoppers are motivated to shop across borders by lower prices of products in other countries^[17].

Top destinations for cross-border online shopping are – the U.S., China, the U.K., Germany and Japan, with China being the standout destination for global online shoppers to shop from. Approximately 21 per cent^[18] of global cross-border shoppers prefer China as their shopping destination. In terms of source countries as well, Chinese shoppers display a marked traction towards international purchases. As of today,

, approximately 35 per cent of Chinese online shoppers purchase from international websites. Out of these, approximately 41 per cent purchase via mobile devices^[19].

Asia-Pacific expected to be most lucrative region for cross border e-commerce by 2020



Cross-border e-commerce in the Asia-Pacific region is driven by the significant Chinese online shopper base. As of 2015, cross-sales constituted approximately 17 per cent^[20] of China’s retail import and export, thus acting as both a key selling and buying market for cross-border online sales in Asia-Pacific.

The top purchasing countries from China are Hong Kong (approximately 68 per cent of cross-border shoppers purchasing from China), Brazil (63 per cent) and the U.S. (52 per cent)^[21]. As of 2014, China had captured nearly the whole of the Russian cross-border trade market worth more than USD2.5 bn^[22].

At the same time, approximately 84 per cent^[23] of Chinese online cross-border shoppers shop from sites in the U.S. Chinese shoppers are largely driven by unavailability of brands in China (parameter indicated by approximately 77 per cent of online cross-border shoppers) and higher quality products available in international markets (indicated by approximately 66 per cent of shoppers)^[24].

Source:
 [13] State of e-commerce: global outlook 2016-21, International Post Corporation, 2017
 [14] Global cross border B2C e-commerce market 2020, Ali Research, April 2016
 [15],[17],[20],[21],[22],[23],[24] Online retail cross border sales: The global trend that’s here to stay, PFS Web, December 2015
 [19],[16] Growing your global and cross-border ecommerce sales, Global E-commerce leaders forum, September 2017
 [18] PayPal cross-border consumer research, PayPal, 2016

Growth in international cross-border e-commerce has been driven by a range of factors



Rising internet connectivity globally

- Globally, internet penetration has grown from 5.95 per cent in 2000 to 54.4 per cent in 2017^[25]
- This growth has been replicated across emerging economies such as Brazil (2.9 per cent to 71 per cent), China (1.8 per cent to 55 per cent) and India (0.5 per cent to 34 per cent)^[26].



Rising cross-border internet traffic

- In the period between 2002-2012, cross-border internet traffic grew 60 per cent per year^[27]
- By the year 2025, cross-border internet traffic is expected to further rise by eight times^[28].



Mobile shopping driving growth in online shopping

- Globally, the number of mobile phone subscriptions has more than doubled since 2005
- As of 2016, global mobile penetration rate was 49.4 per cent compared to fixed broadband penetration rate of approximately 12 per cent^[29]
- Online shopping is driven by mobile, even in developing economies. Mobile shopping accounts for approximately 90 per cent of online shopping in Latin America and approximately 50 per cent in China^[30].



Widening range of digitally tradeable goods

- Product categories such as games, music, movies, books, magazines and newspapers are sold across borders with minimal distribution and transportation costs.
- Large US-based online movie streaming website reports >33 per cent subscribers are non-US^[31]
 - One of the world's largest online MOOCs provider (U.S.-based) reports over three-fourth of user base is outside of the U.S.; with almost one-third users from emerging nations like India, Brazil, etc.^[32]



Technological innovations enabling global physical trade of goods

- Use of RFID sensors aids access management, package tracking, payments and logistics in global goods trade. These sensors have proven to reduce inventory costs by up to 70 per cent and packages lost in transit by 11-14 per cent^[33]
- Use of IoT sensors has also proven to enhance container utilization by 10-25 per cent, thus improving global shipping and transport efficiency^[34].

Source:

[25], [26] Internet world statistics database, Internetworldstats.com, 2017

[27], [28] How digital trade is transforming globalization, Mckinsey & Co., January 2016

[29],[30],[31],[32],[33],[34] International trade in the digital age, United Nations Economic and Social Commission for Asia and the Pacific, 2016

Indian players to leverage cross-border e-commerce boom

Global e-commerce transactions stood at USD2.3 tn in 2017, constituting approximately 10 per cent of total retail spending^[35]. This is set to rise to USD5.8 tn by 2022 accounting for approximately 20 per cent of global retail spending^[36]. At the same time, cross border online shopping in APAC is set to rise in the next five years. Notably, shoppers in key countries like Singapore, Hong Kong, prefer China as a destination for cross-border shopping.

Focus categories for Indian players in the export context

Today India as an exporter has diversified the export portfolio and the mix of export destination geographies. In the medium term, India is expected to leverage its existing capabilities to develop sophisticated, high quality offerings targeted at emerging economies. Historical analysis of India's exports highlights key export categories:

Summary of top goods exports from India

Product	Share in exports (%)
Gems, precious metals	14.4%
Mineral fuels including oil	12.1%
Machinery including computers	5.6%
Vehicles	5.5%
Organic chemicals	4.6%
Pharmaceuticals	4.4%
Iron, steel	4%
Clothing, accessories (not knit/crochet)	3%
Electrical machinery, equipment	3%
Knit or crochet clothing, accessories	2.8%

Source: India's top 10 exports, worldstopexports.com, March 2018

Summary of top services exports from India

Product	Share in exports (%) 2007-13
Computer	45%
Travel, personal, other	11.67%
Other Business Technical, trade-related, and other business	10%
Other Business Professional and management consulting	8.25%
Transport, other	6.42%
Transport, freight	5.42%
Financial explicitly charged and other financial	4%

Source: Make in India: Which exports can drive the next wave of growth?, IMF, May 2015

In the backdrop of the key product and services export categories for India and considering the scope of digital influence in marketing and sales for these categories, the categories of focus for the purpose of this report are – **Travel, Brands, Real estate, SaaS, Media and entertainment, and Select other verticals (comprising digital classifieds and e-learning players)**

Opportunity assessment for focus categories



*Numbers stated are the domestic or addressable market sizes
Sources: KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Source:
[35], [36] MSMEs should take e-commerce path to success, Solitaire International, October 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Tapping high growth markets with a digital, mobile-first strategy

Key markets for global expansion

Indian companies need to leverage their competencies and focus on high growth markets

Asia-Pacific is one of the most attractive region for expansion by Indian players, especially for travel providers. In APAC, B2C travel and tourism e-commerce market is set to grow from approximately USD94 bn in 2017 to USD212 bn in 2022^[37].

Target markets



China, the fastest growing digital travel sales* market today (23 per cent CAGR^[38]), with the highest number of international travelers and also the fastest growing apparel market (10 per cent CAGR^[39])



Indonesia, the largest e-commerce market in South East Asia^[40], has a fragmented online channel setup and rising internet penetration



Malaysia is the fastest growing e-commerce market in the Asia-Pacific region (26 per cent CAGR^[41]). Select initiatives undertaken by the Malaysian government are set to propel the e-commerce sector further in the immediate future



Digitally mature geographies such as the U.S. and the U.K. are other lucrative geographies for key sectors such as apparel, jewelry via the online channel.

*Digital travel sales includes both B2C and B2B travel sales, i.e., leisure and unmanaged business travel sales booked via any device

The operating model: Key aspects

Alliances and omni-channel presence along with a strong mobile and digital marketing strategy is critical

Leverage alliances with key players in the ecosystem

Tie-ups with key vendors/suppliers, agents, brands and other influencers in international markets to drive sales and remove operational hurdles

Establish an omni-channel presence

Brand presence through retail outlets, experience stores along with dedicated online presence is key to gaining brand market share internationally

Adopt an international digital marketing strategy

Local content marketing and local search ads are key to building the brand in a new market.

Incorporate technology-driven insights in sales and marketing

Leverage technologies such as AI, machine learning, big data analytics to derive data-backed insights for behavioural/connection-based targeting of customers

Focus on mobile-first platforms

Mobile friendly apps/websites key to gain traction in infrastructure-challenged emerging markets

Sources: KPMG in India's research and analysis based on secondary research and industry interactions, 2018

[37] B2C E-commerce market analysis, Grand View Research, 2017

[38] Digital global travel sales forecasts, e-Marketer, 2016

[39] China – Apparel retail, market segmentation, Marketline Research, September 2016

[40], [41] E-commerce: Global developments and outlook, BMI Research, January 2018

High potential sectors for international growth

1. Travel providers
2. Consumer brands
3. Real estate developers
4. SaaS
5. Audio, video and gaming
6. Select other verticals - digital classifieds and e-learning



International opportunities for Indian travel providers

Opportunity overview

Category-wise online sales opportunity for Indian players to international travelers traveling into India

Category	2017 (USD bn)	2022 (E) (USD bn)	CAGR
Airlines	0.7	1.4	15%
Accommodation (hotels, short-term rentals, other lodging)	0.2	1	38%
Online Travel Agents (OTA)	0.47	0.69	8%



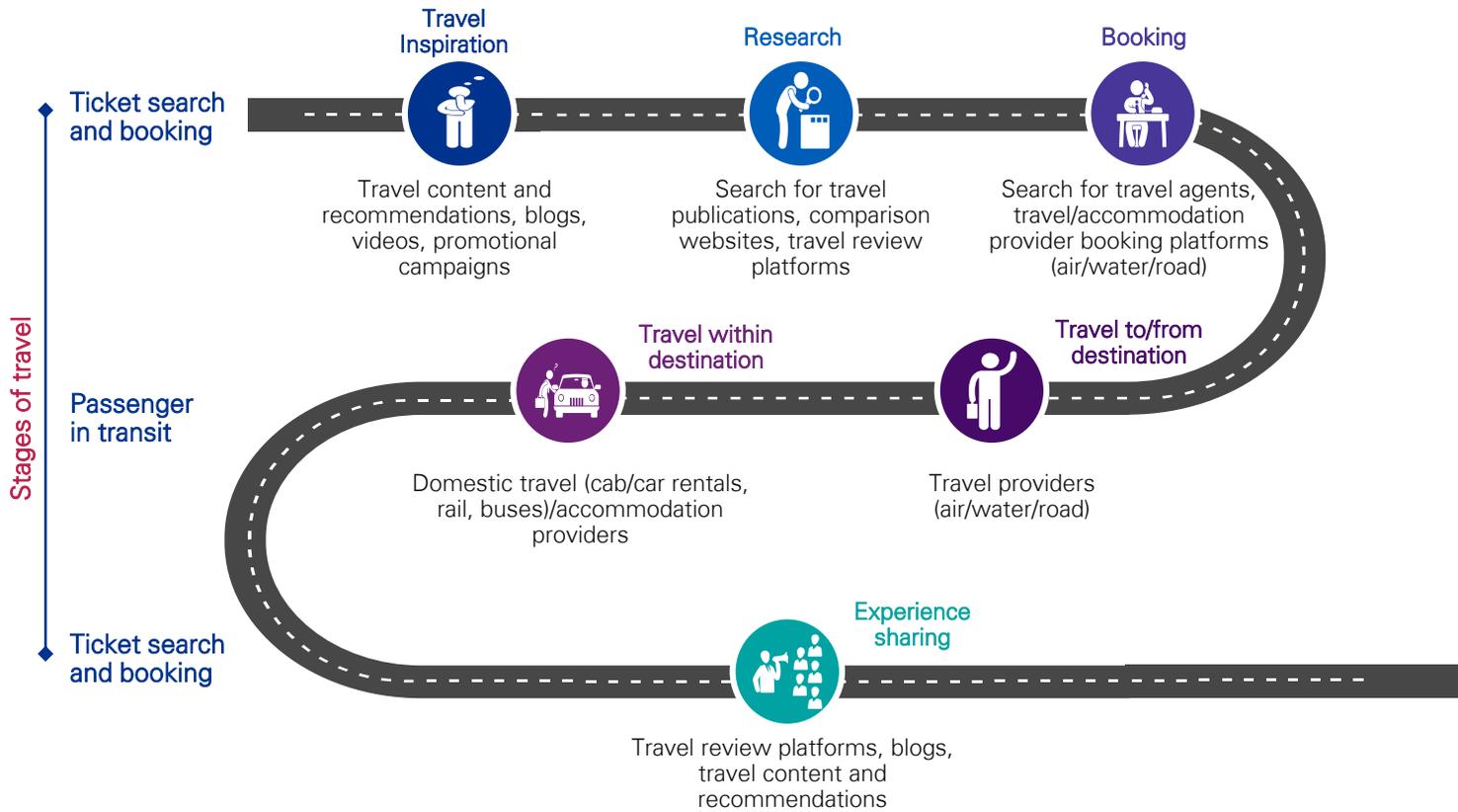
Key highlights

- APAC and Middle East are the broad focus markets. First-time fliers from emerging markets (such as Mexico, Turkey, etc.) are a lucrative customer segment. UAE and Indonesia are underpenetrated OTA markets with high-potential for Indian players
- International traveler inflow into India to grow to 12.8 mn by 2022, with over 90 per cent of inbound travelers traveling by air. Rising global acceptance of Indian airlines coupled with emerging markets in Latin America, Africa, Middle East present untapped growth potential in this segment. At the same time, accommodation spend by international tourists in India is also expected to grow at approximately 12 per cent
- Key focus areas for Indian travel providers in international markets
 - Players to adopt dynamic, targeted pricing and marketing campaigns
 - End-to-end, one stop OTA solutions with multilingual, personalised features
 - User friendly digital solutions in travel booking/experiences - mobile platforms, diverse payment modes.

The evolving travel landscape offers unique growth opportunities

Multiple stages of travel require unique products and services

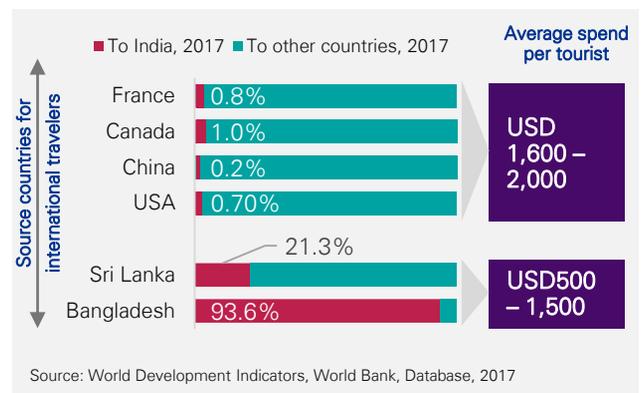
Typical travel journey of an international traveler and associated touch-points.



Traditional travel service providers such as airlines, hotels, bus operators and respective agents have witnessed significant impact of online travel agents and travel comparison websites in the last few years.

The potential business opportunity from international travelers for each of these players is unique and can be classified into - opportunities pertaining to international travelers traveling to India and opportunities for Indian players to provide their products/services in foreign markets. For international travelers traveling into India, the potential for Indian players in the airlines, accommodation and related agents sub-verticals, is significantly larger than others. Therefore, these are the focus travel categories for the purpose of this report. Indian businesses catering to demands of international travelers traveling to locations other than India is a potential international expansion opportunity for Indian players. Airlines and travel agents currently cater to such pure-play international demand, which is also a focus area for this study.

Opportunity scope for Indian players



India as an international travel destination is gaining prominence with international tourist arrivals expected to increase from 9.4 mn in 2017 to 12.8 mn in 2022, at 6 per cent CAGR^[42]. At the same time, on an average only 0.5-1 per cent^[43] of outbound international tourists from top source geographies (globally) travel to India. The average spend for these tourists is higher than tourists from developing countries.

Source:
 [42] India tourism statistics, Ministry of Tourism, 2017
 [43] World Development Indicators, World Bank, Database, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Untapped potential from international travelers into India

Travel market in India: An overview

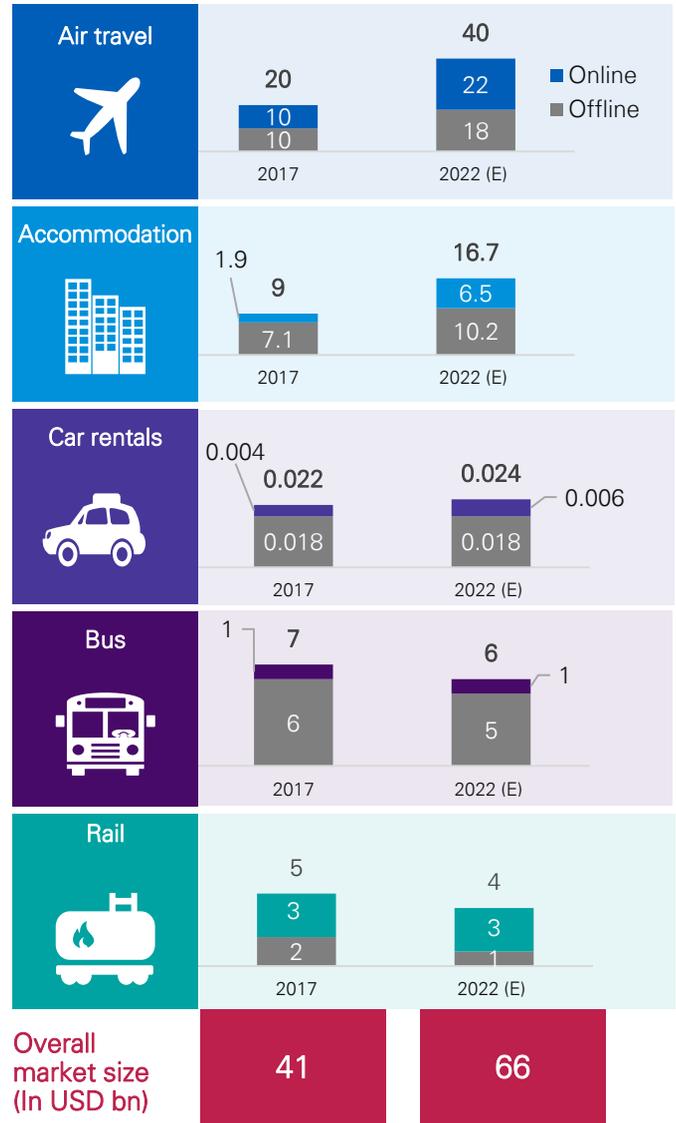
The travel and accommodation market (which includes air/rail travel and accommodation bookings) in India is dominated by air travel, accounting for approximately 58 per cent^[45] of the market in 2017. This market share is expected to rise to approximately 66 per cent^[46] in 2022.

The accommodation market in India is expected to grow at approximately 13 per cent CAGR^[47] from 2017 to 2022. However, online hotel bookings is expected to grow exponentially at a CAGR of 28 per cent^[48] up to 2022. Growth is likely to be driven by on-the-go booking convenience and price differentials offered via mobile booking platforms/applications.

In terms of channel of bookings, the travel agents market in India is expected to witness strong growth. The overall market is expected to increase from USD31 bn today to USD40 bn in 2022^[49]. Growth is expected to be driven by online travel agents whose overall market share is likely to increase from approximately 41 per cent to approximately 47 per cent^[50] in the coming five years taking the online travel agents market to USD19 bn by 2022 from USD13 bn in 2017^[51]. In addition to rising internet and smartphone penetration, growth is backed by increased awareness of online booking platforms aided by heavy discounts and first-hand reviews from satisfied users.

Car rentals market in India is largely driven by the millennial Indian population, where there is a demand for non-airport car rentals such as short duration rentals, trips and rentals for weddings.

Market size of travel categories in India (In USD bn)^[44]



Online sales opportunity for Indian players from international travelers traveling to India

Online sales by Indian travel players to international inbound travelers to India (in USD bn)

	2017	CAGR	2022 (E)
AIR TRAVEL	0.7	↑ 15%	1.4
ACCOMMODATION	0.2	↑ 38%	1
ONLINE TRAVEL AGENTS	0.47	↑ 8%	0.69

International travelers have recently exhibited an increase in preference for Indian travel and accommodation providers. This trend is expected to witness a further upsurge backed by the growth of the online channel in travel bookings. 80 per cent^[52] of international travelers today, use OTAs to explore and book travel options. In India, online penetration is expected to rise sharply across all categories of travel across stages - exploration, discovery, booking and after sales services.

Source: [44], [45], [46], [47], [48], [49], [50], [51] Euro monitor International database, 2017, Demystifying the Indian online traveler, Google and BCG, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018 [52] Social media as an influencer among foreign tourists visiting India, Final report 2016-17, Indian Institute of Tourism and Travel Management, 2017

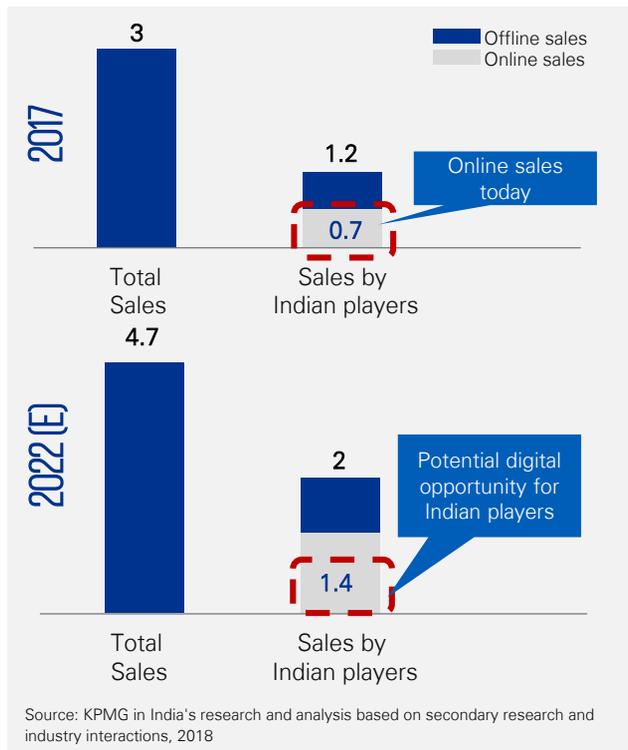
Source: KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Online sales by Indian airlines to international travelers traveling into India is expected to double over the next five years

International air travelers to India are expected to account for a significant share (approximately over 90 per cent^[53]) of the 12.8 mn international travelers estimated to travel to India, by 2022.

Opportunity assessment for Indian players from international inbound travelers

Air ticket sales to international travelers traveling into India (In USD bn)



Key growth drivers	
1	<p>Rising acceptance of Indian airlines amongst international travelers</p> <p>In FY '17, Indian carriers' international traffic to and from India grew by 11.8 per cent outpacing overall international traffic growth to and from India (8.4 per cent)^[54]</p>
2	<p>Increased number of international flights by Indian players</p> <p>Y-o-y capacity growth on international routes for major airlines significantly outpaced that in the domestic segment</p>
3	<p>Regulatory changes aiding international growth</p> <p>Government rule change from 5/20 to 0/20 rule allows new players to fly internationally without having to establish five years of domestic operations</p>
4	<p>Higher margins on international routes</p> <p>Aided by lower fuel costs, international routes offer higher margins, making international expansion more attractive for players.</p>

Presence of Indian players in international inbound air travel today

International air travel market to and from India is substantially consolidated with large players accounting for majority of the market. Out of more than 80 scheduled international operators, top six operators account for >50 per cent of international passenger traffic^[55]. Share of Indian players in the international air traffic in India is witnessing a gradual positive trend. Indian players currently account for approximately 38 per cent of international air traffic in India and is to increase to approximately 42 per cent^[56] over the next five years.

Digital channel influence in the sector today

Online retail sales in the Indian airlines market stands at a significant 50 per cent today^[57], driven by OTAs - accounting for nearly 66 per cent^[58] of online airline ticket sales in India. Adoption of mobile as a channel for exploration and travel related research is growing exponentially. As per industry surveys, travel minutes spent by international travelers on mobile have increased at 45 per cent y-o-y, vis a vis 2 per cent^[59] growth on PC/Laptop, in the past few years. Thus, online is set to be a key marketing and sales channel for Indian travel providers, especially via the mobile platform.

Source:

[53] Remarks of Tony Tyler at CII, IATA, 25 July 2012
 [54] Domestic airlines eye bigger share of foreign traffic, Business Line, 25 June 2017
 [55] Handbook on civil aviation statistics 2017, Directorate General of Civil Aviation, 2017
 [56] International market share of Indian airlines rises to 7-year high, Livemint, 20 September 2017
 [57], [58] Airlines in India, Euro monitor International, September 2017
 [59] Social media as an influencer among foreign tourists visiting India, Final report 2016-17, Indian Institute of Tourism and Travel Management, 2017

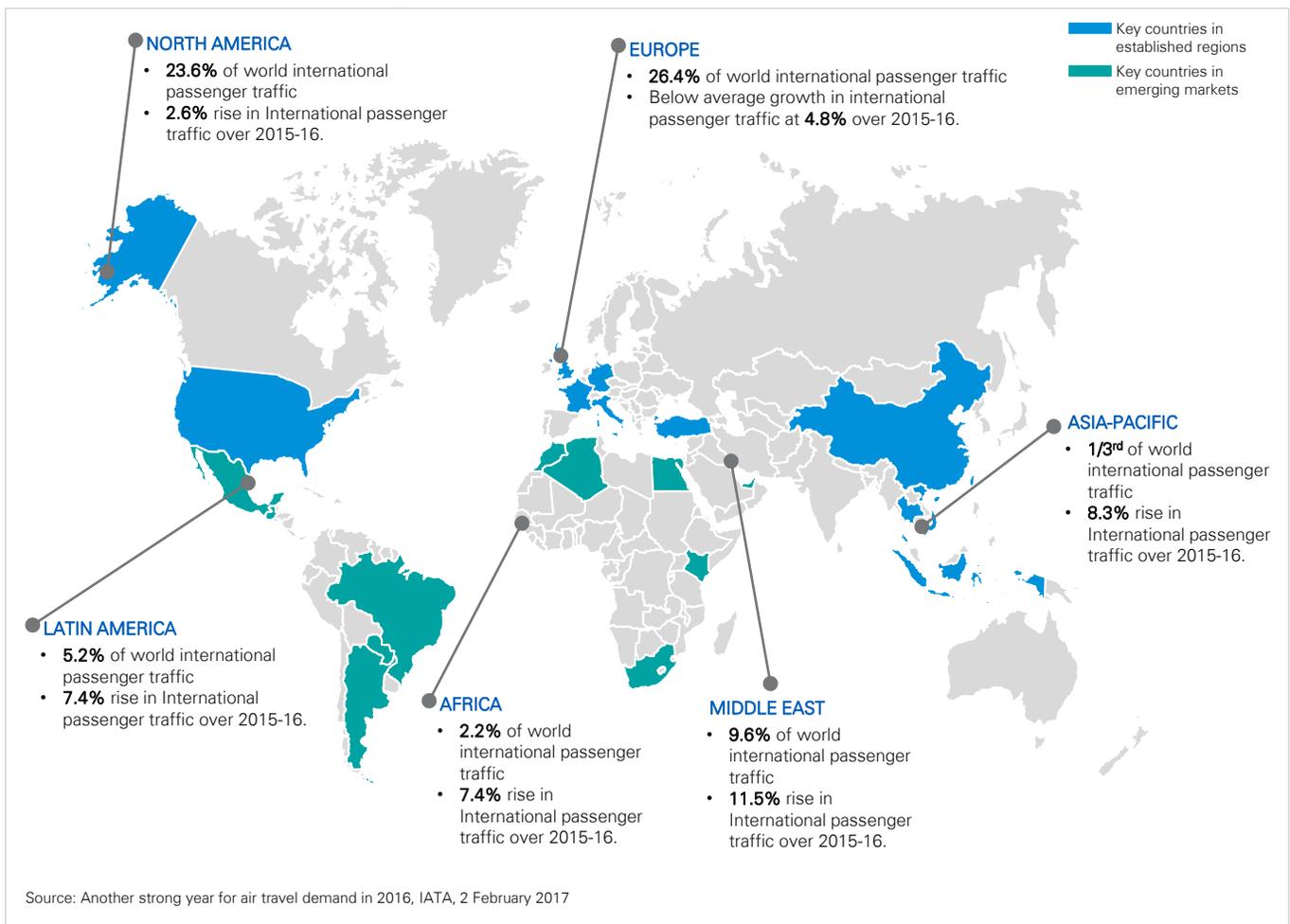
Considerable untapped opportunity for Indian airlines in emerging geographies in the global aviation market

Present scenario of players catering to international opportunities

Indian airlines currently provide flights to select destinations globally. >50 per cent^[60] of international air traffic to and from India is accounted for by countries in Africa and Middle East. In terms of revenues, Asia, Australia, Africa and Middle East account for approximately 20 per cent^[61] of revenues for major Indian players.

In terms of operating models, while scheduled national carriers operate independently over international routes, private players have opted for strategic partnerships leveraging international presence of partner airlines. Commercial code-sharing agreements between airlines is leveraged by both national and private carriers.

Potential focus areas for Indian players in the global aviation market



The overall international air passenger traffic grew at 6.7 per cent^[62] y-o-y from 2015 to 2016. Growth was driven by emerging aviation markets such as Latin America, Africa and Middle East. The combined share of these three regions in the global Revenue Passenger Kilometers market is approximately 17 per cent^[63]. Legacy (full service) carriers continue to

dominate the global airlines market constituting 77 per cent^[64] of air travel globally. Low cost carriers currently account for only 3 per cent^[65] of the total market. This implies a preference toward end-to-end holistic service providers by international air travelers. With key low cost carriers planning to expand internationally through strategic tie-ups and alliances, share of this category may witness a change.

Source:

[60] Handbook on civil aviation statistics 2017, Directorate General of Civil Aviation, 2017

[61] Annual reports of Indian carriers, 2017

[62], [63] Another strong year for air travel demand in 2016, IATA, 2 February 2017

[64], [65] World air transport statistics 2017, IATA, 2017

Focus on key emerging markets globally via digital channels to attract passengers

Opportunity scope for Indian players



Focus on international travelers originating from key geographies

- Geographies such as China (23 per cent), the U.K. (6.7 per cent) and Canada (5.9 per cent)^[66] have rapidly growing digital travel markets
- Increase in first time-travelers is expected from emerging markets and developed economies (EDME) countries such as Indonesia, Iran, Mexico and Turkey. Annual RPKs (revenue passenger kilometers) for these nations are to grow at 5.6 per cent over 2016-35, as compared to 3.7 per cent growth for established markets^[67].



Airlines to attract international travelers via their company owned and operated channels

International air carriers are expected to witness a rise in reservations through their own direct channels, which is set to increase from 33 per cent of bookings in 2016 to approximately 48 per cent in 2022^[68].



Airlines to leverage traveler data analytics to design optimal product offerings and targeted marketing campaigns

Programmes such as IATA's new distribution capability (NDC) shopping standards and one order single customer order record provide airlines with extensive data detailing the purchase record of an international traveler across product categories and purchase platforms.



Leverage technology to enhance customer experience

- As per industry surveys, approximately 57 per cent of travelers want airlines to intimate them about waiting times at security/check-in and approximately 48 per cent would like information about travel options to/from their final destination^[69]
- Approximately 9 per cent of travelers indicate that in-flight amenities wifi, movies are critical while choosing a flight option^[70].



Partnerships with global distribution system (GDS) providers

International GDS providers enable Indian carriers to reach out to international travelers cost effectively. For low cost carriers, this may also result in enhanced average fares, as is globally witnessed.



Incentive-based tie-ups with travel agents for international sales

Incentive based schemes for local/international travel agents to enhance international sales. This can be increased commission on international sales for travel agents as compared to the incumbent approximately 1 per cent^[71] (paid by most Indian carriers today).

Source:

[66] Digital global travel sales forecasts, e-Marketer, 2016

[67], [68] The future of airline distribution 2016-2021, IATA, 2016

[69], [70] Improving the airline experience, Eye for travel, September 2016

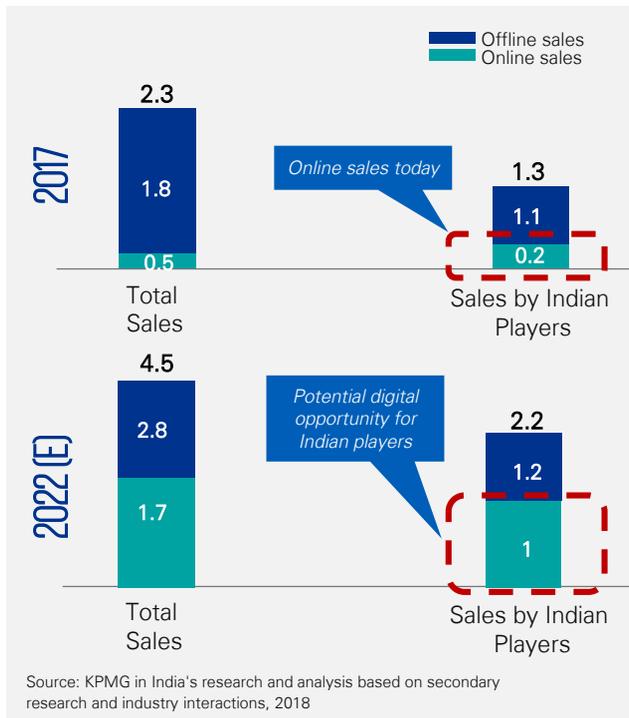
[71] International airlines to slash travel agents' commission to 1 per cent, Economic Times, 5 April 2017

Online sales by Indian accommodation players to international travelers in India is likely to be 5 times in the next five years

The Indian accommodation market comprises hotels, short-term rentals and other forms of lodging. It is one of the fastest growing markets globally, surpassing China and Southeast Asian nations. International hotel chains are leveraging the opportunity by expanding aggressively in India influenced by increased leisure travel in India, and rising occupancy rates.

Opportunity assessment for Indian players from international inbound travelers

Accommodation bookings by international tourists travelling into India (In USD bn)



Presence of Indian players today

Indian players currently enjoy a 55 per cent^[75] share of revenues in the accommodation industry. This is expected to reduce to 50 per cent^[76] over the next five years as international players plan to expand aggressively into Tier I and Tier II cities in India. Tier I and Tier II cities see the majority of leisure travel spending (approximately 87 per cent^[77] of overall international tourist spending is for leisure purposes). The accommodation market in these cities is dominated by several small and unorganised Indian players.

Source:
 [72] Lodging in India, Euro monitor International, September 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018
 [73], [74] Demystifying the Indian online traveler, Google and BCG, 2017
 [75] International hotels set to step up India expansion, investment, The Economic Times, 19 December 2017
 [76] Lodging in India, Euro monitor International September, 2017, Demystifying the Indian online traveler, Google and BCG, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018
 [77] Flows in India, Euro monitor International, September, 2017

Key growth drivers	
1	<p>Accommodation spend by international tourists to grow rapidly</p> <p>International tourists' spend on hotels in India expected to grow at a CAGR of approximately 14 per cent in the next five years^[72]</p>
2	<p>Tier I and tier II cities to remain popular tourist destinations</p> <p>Accommodation providers in Tier I, II cities to witness influx of international travelers. Cities like Manali, Ooty, Gangtok are gaining popularity</p>
3	<p>Budget accommodations to drive growth</p> <p>Budget accommodation to constitute majority of available rooms till 2022. Budget hotels category is projected to grow the fastest at 14 per cent till 2020^[73]</p>
4	<p>Rising online penetration in accommodation sales in India</p> <p>In 2017, online channel accounts for approximately 22 per cent of accommodation sales in India. This is expected to rise to approximately 40 per cent by 2022^[74].</p>

Present scenario of players catering to international opportunities

Indian players have tapped into the opportunity through tie-ups with multiple sales representation companies for lead generation, global promotion campaigns and loyalty programmes. Promotional activities are supported by comprehensive marketing campaigns globally.

Select large players have set up hotels overseas whereas smaller players depend on international travelers visiting India as it is challenging for these players to operate internationally without the desired scale. Online travel aggregators play an important role in organising the fragmented market and bridging the accessibility gap for international travelers by creating a transparent ecosystem.

Opportunity to leverage digital channels to cater to the substantial potential in accommodation

Opportunity scope for Indian players



Provide for multiple payment options for the international traveler

International travelers often perceive online payments on Indian travel portals as a challenge - diverse payment options such as:

- Secure online payment via payment gateways
- Direct 'Pay at Hotel' payment option
- Mobile/smartphone based payment solutions – NFC payments
- Payment via third-party mobile and online payment platforms can help in catering to the international traveler.

As per a recent study, 67 per cent^[78] of Chinese tourists (major contributors to international tourism) use mobile payment solutions when overseas.



Competitive advantage via digital advocacy through reviews, ratings

Personalised advocacy of experience plays a major role in finalizing the choice of accommodation. Players could increase customer engagement through advocacy during the exploration and booking stage which impacts conversion

- Online reputation management (ORM) efforts can be evolved to leverage specialised online tools and digital marketing efforts
- 55 per cent of international travelers into India seek hotel, accommodation information on PC and mobile online^[79]
- As per a recent survey^[80], international travelers (respondents) usually or always reference a top review website before selecting a hotel.



Customer friendly digital solutions

- **Interactive mobile technology/platform** – provide guests with a seamless experience from booking to checkout/bill payments
- **Real time updates on room availability/cancellation status on aggregator portals** – aids in better occupancy rates especially in the budget accommodation space
- **Provide engaging value add features** - immersive virtual reality features during booking, digital kiosks for front desk services
- **Support from online travel consultants/booking advice on the go**
- **Personalised guest experience for the mobile-first traveler** - Concierge desk innovation in the form of a mobile app provides a better mobile and brand experience for a customised traveler stay
 - Mobile self-service
 - Cross selling of hotel services
 - Value add services – loyalty rewards, special offers and service promotions.



Consolidation of last mile/in-destination experiences

The last mile/in-destination experience space including recreational activities is fragmented, but form a large share of international travelers' wallets. Players can tap into this segment by -

- **Alliances with existing vendors**- with experience aggregators and specialised players in respective segments
- **Offering customised stay packages** - incorporating curated experience options.

Source:

[78] Mobile Payment Survey: Chinese Consumers Abroad, Cancan and Kapronasia, 2017

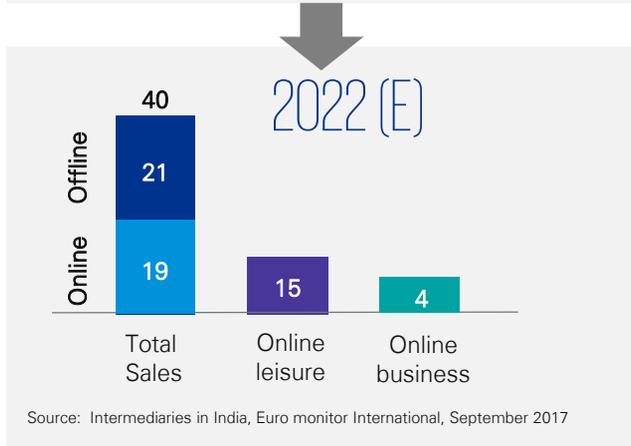
[79] Social Media as an Influencer among Foreign Tourists visiting India, Indian Institute of Tourism and Travel Management, 2017

[80] Report on importance of review sites in decision making process of travelers worldwide, Phocuswright on behalf of Tripadvisor, December 2013, Social media as an influencer among foreign tourists visiting India, Final report 2016-17, Indian Institute of Tourism and Travel Management, 2017

Leisure sales by online travel agents is likely to grow at approximately 8 per cent CAGR over the next five years to reach USD15 bn

Travel agents market in India to see 30 per cent growth over the next five years

Travel agents sales in India – by purpose of visit (In USD bn)



The Indian travel agents market, currently valued at USD31 bn is expected to reach USD40 bn by 2022, registering a CAGR of 5 per cent^[81]. The share of Online Travel Agents (OTAs) amongst all travel agents, is expected to increase from 41 per cent in 2017 to 47 per cent in 2022^[82].

Currently OTAs in India cater to a range of travel related booking services – airlines, accommodation and lodging, package holidays, cab rentals, cruise sales, travel insurance and other transport services. This includes both leisure and business travel sales. Leisure travel forms a majority of sales for OTAs and continues to remain the focus for major Indian OTAs in the near future.

Few players in the accommodation and cab rental spaces maintain their own inventory. While aggregators are focused on onboarding service providers onto their platform, players with own inventory are more focused on differentiating via service quality.

Online leisure travel market in India, today

With higher revenue margins, hotel bookings is set to be the next growth driver for OTA players with >78 per cent of online hotel bookings estimated to be routed via OTAs by 2022^[83]. Air tickets offer a margin of 5-7 per cent for OTAs while hotels offer a margin of 10-20 per cent^[84].

Hotel bookings through online channels is on the rise with online channels contributing approximately 22 per cent of the overall hotel/accommodation sales in India – split across approximately 16 per cent for OTAs and approximately 6 per cent for supplier direct websites^[85]. Budget hotels and homestays are key high-growth categories in this sector as OTAs penetrate into Tier II and III cities. More than two-thirds of India’s room supply by 2022 is expected to be driven by budget hotels.^[86]

Hotel/accommodation bookings through mobile devices have also witnessed steady growth in the recent past. With rising internet and smartphone penetration in India, coupled with increasing domestic and inbound tourists, mobile bookings are set to play a key role for OTAs over the next five years. Mobile travel sales in India are expected to witness exponential growth, rising at 67 per cent CAGR over the 2017-20 period^[87].

Source:

[81], [82] Intermediaries in India, Euro monitor International, September, 2017

[83], [84] Online hotel bookings to generate about USD 2.3 billion by 2020 for e-travel agents, Livemint, June 2017

[85] Report by Millward Brown on hotel bookings in India, 2016, KPMG in India’s research and analysis based on secondary research and industry interactions, 2018

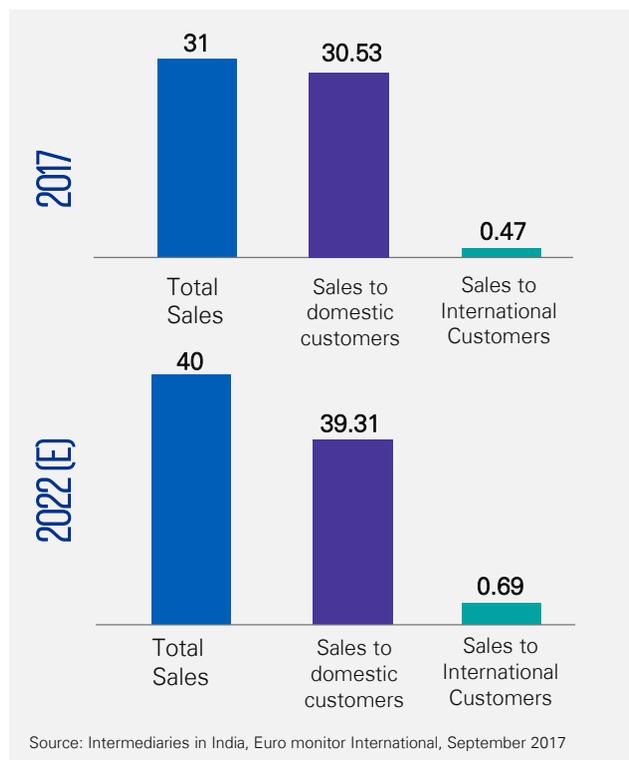
[86] Online hotel bookings to generate about USD 2.3 billion by 2020 for e-travel agents, Livemint, June 2017

[87] Mobile travel sales in India likely to rise at 67.1% from 2017-20, Economic Times, March 2017

Travel agent sales to international customers in India is expected to grow at approximately 8 per cent CAGR to stand at USD690 mn in 2022

OTA sales to international travelers standing at USD470 mn in 2017^[88] is driven by hotels and packaged holiday travel segments. These will continue to be the dominant categories in terms of contribution to international inbound revenue for Indian OTAs.

Travel agent sales in India – by customer type (In USD bn)



Key growth drivers

- 1 One stop travel booking solution services**
 Indian OTA players ensure user convenience across all segments of travel along with ease-to-use mobile applications in partnership with travel providers
- 2 Standardized listings for branded and un-branded options by Indian OTAs**
 Indian OTAs provide a higher number of listings (for travel and accommodation options) compared to global counterparts by making local, unbranded options available online
- 3 User preference for online travel provider solutions**
 Historical international customer experience facilitates adoption and use of Indian OTAs. 'Travel buyer reach' is maximum for OTAs at 83 per cent ^[89], compared to other travel sites, offline agencies.

Opportunity assessment for Indian players from international inbound travelers

Country (# mns of Foreign Tourist Arrivals – FTAs, 2017) ^[90]	Digital travel sales 2017* (USD bn) ^[91]	Digital travel sales 2022 (E) (USD bn) ^[92]	CAGR (%)
U.S. (1.39)	190	241	4.9%
U.K. (1.01)	40	55	6.7%
Canada (0.33)	11	15	5.9%
Australia (0.31)	6	7	2.6%
Germany (0.28)	27.5	32	3.1%
China (0.27)	122	343	23%
France (0.25)	21	25	3.8%

*Digital travel sales includes both B2C and B2B travel sales, i.e., leisure and unmanaged business travel sales booked via any device

Source:

[88] Intermediaries in India, Euro monitor International, September 2017
 KPMG in India's research and analysis based on secondary research and industry interactions, 2018

[89] Social media as an influencer among foreign tourists visiting India, Final report 2016-17, Indian Institute of Tourism and Travel Management, 2017

[90], [93] India tourism statistics, Ministry of Tourism, 2017

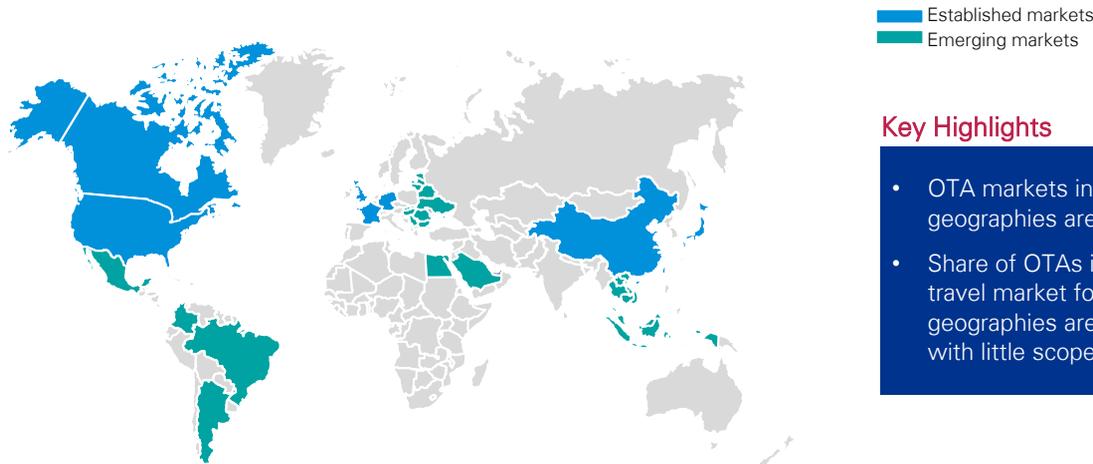
[91], [92] Digital global travel sales forecasts, e-Marketer, 2016

International travelers arriving into India have varied levels of digital maturity. Thus, Indian OTAs could target tourists arriving from countries with a high level of digital penetration and an established OTA market. The U.S., the U.K., Canada, Australia, Germany, China, France are major source geographies from where international travelers could be targeted. Tourists from these geographies primarily visit India for leisure purposes.

Amongst other source countries for inbound travelers – Bangladesh (1.48 mn FTAs) and Sri Lanka (0.31 mn FTAs) account for sizeable tourist inflow^[93]. Digital penetration in these geographies is relatively lower. Quality medical/health-care facilities and business partnerships in India are primary reasons for tourist inflow from these countries.

Latin America, South East Asia and Eastern Europe are focus geographies for Indian OTAs globally

Opportunity assessment for Indian players in global markets



Key Highlights

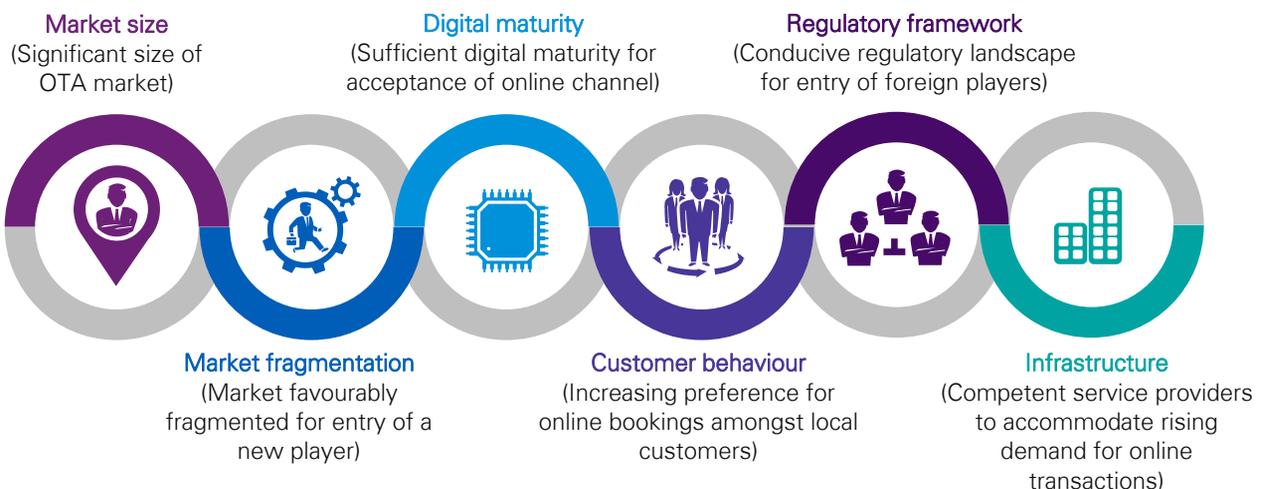
- OTA markets in larger geographies are fairly mature
- Share of OTAs in the overall travel market for these geographies are relatively higher with little scope of expansion.

Source: Online Travel Booking & Mobility Services Statistics, Statista Forecasts, 2018, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

The share of the Indian OTAs in the global digital travel market stood at 3.6 per cent in 2017^[94]. Indian OTA players are majorly present and are planning to expand to UAE, Saudi Arabia, Egypt and South East Asian countries, namely Singapore, Indonesia, Malaysia and Vietnam.

Since APAC is the fastest growing OTA market, countries in the region are being evaluated by both Indian and foreign players for expansion. Some Indian players are also evaluating expansion opportunities in Latin America and Eastern Europe on account of growing markets in select countries of these regions.

Critical parameters for evaluation of market geographies



Present scenario of players catering to international opportunities

Smaller players expanding globally have been dependent on available funds. Market entry of larger Indian OTAs into foreign geographies has been either via alliances and partnerships or through acquisitions/share purchase agreements with foreign travel providers. Certain players have also entered into joint promotions with various

tourism ministries in foreign nations. Sales and marketing efforts in foreign geographies have been limited to the digital channel. To better serve international clientele, few Indian OTAs have integrated payment systems with global payment service providers.

Source:
 [94] By 2020 Digital Travel Outlays Will Top 817 Billion Globally, eMarketer, 26 July 2016,
 eMarketer Forecasts India's Digital Travel Sales Will Top USD 22.5 Billion This Year,
 eMarketer, 2 August, 2017

Opportunity to differentiate via branding and personalisation to cater to the untapped potential in the OTA segment

Opportunity scope for Indian players



Create a brand name of trust

International travelers to India prefer global OTA platforms owing to greater familiarity with foreign brands. To tap into this market, Indian players could ensure:

- **Brand image management over digital media** to gain confidence of new travelers. A vast majority (approximately 90 per cent)^[95] of international tourists to India depend on online platforms for information before visiting the country
- **Dedicated marketing campaigns for international travelers** to ensure that international travelers trust the platform and feel secure during the travel. A global survey of travelers finds that 95 per cent^[96] of travelers use reviews to decide on the accommodation option
- **Create secure payment gateways** - Indian players face higher rates of frauds from international credit cards, which grew by approximately 12 per cent in 2015^[97]. Players who wish to cater to international travelers travelling to India need to adapt secure online payment systems to be able to do so.



Leveraging new technologies at different stages of a traveler's journey for better engagement

- **Invest in predictive modelling technologies** which leverage big data and analytics to better understand customer needs
- **Effective communication** with customers to offer an end-to-end travel solution catering to all travel needs to gain higher travel-wallet share. This can be achieved via implementation of chatbots and other such AI interactive technologies.



Personalised booking experience providing localised service offerings

- **Multilingual platforms**- International travelers from non-English speaking nations prefer native language options for platforms. Offline agents cater to this market by offering a personalised experience. Online platforms need to adapt and offer personalised services in multiple languages.



One stop solution for all travel needs

Local travel market catering to international travelers is largely captured by offline agents/players. OTA platforms should tap into this market by providing booking options for last mile travel experiences like park visits, local tours and day trips. A global survey of international travelers shows that 54 per cent^[98] of travelers are driven by 'diversity of things to do' when choosing an international travel destination.

Source:

[95] Social media as an influencer among foreign tourists visiting India, Final report 2016-17, Indian Institute of Tourism and Travel Management, 2017

[96] Travellers will find, book and trust your hotel, Trust you research, 2016

[97] Card frauds - The Nielsen Report, Nielsen, 2016

[98] How safe is your holiday destination?, CNN News reports and articles, 12 July 2017

Medical tourism market in India likely to grow by 3 times in the next five years

The Medical Tourism market in India has grown rapidly over the past decade with India becoming one of the largest global medical tourism hubs. Growth has been driven by a rise in international awareness of India's affordable healthcare, qualified healthcare professional base, coupled with investment into healthcare infrastructure and privately funded healthcare. Medical Tourism by international travelers amounted to USD4.8 bn – 3 per cent of the Indian Healthcare Market in 2017^[99] and is expected to grow to USD13.3 bn by 2022^[100].

An estimated 0.9 mn medical tourists visited India in 2017, with 1.5 mn medical tourists expected in 2022^[101].

Foreign tourist arrivals on medical visas are increasing at a CAGR of 51 per cent^[102]. Bangladesh, Afghanistan and Commonwealth of Independent States (CIS) countries are the leading source geographies accounting for more than one-third of visitors^[103]. Africa and GCC countries are expected to drive larger inbound volumes in the coming five years.

Cost effective medical procedures combined with limited healthcare infrastructure in SAARC/developing countries provide sufficient growth impetus.

Opportunity assessment for Indian players from medical tourists

Year	Market Size (USD bn)
2017	4.8
2022 [E]	13.3

CAGR: 23%

Key growth drivers

- 1

Alternative medicine (AYUSH), a driver for future growth

Indian ayurveda market is growing at approximately 16 per cent CAGR, backed by approximately 1 mn traditional medicine doctor base and proactive government promotion^[104]
- 2

Cost competitiveness driving medical tourism inflow

Medical procedures in India cost 70-80 per cent lower compared to average treatment costs in the US^[105]
- 3

Quality healthcare and travel options at affordable price points

A robust private healthcare sector and budget friendly travel destinations ensure lucrative India travel options for the international tourists.

Presence of Indian players today

The global medical tourism market in 2017 stood at USD70.5 bn, growing at a CAGR of 15 per cent^[107]. The Indian medical tourism market is the fifth largest globally^[108].

Top specialty treatments globally include cosmetic, dentistry, orthopedics, cancer, cardiovascular, reproductive and weight loss procedures. Of these, the Indian hospitals have substantial expertise and medical tourist influx in cardiovascular, orthopedic treatments. JCI (Joint commission international), NABH (National Accreditation Board for Hospitals and Healthcare Providers) accreditation and hospital marketing have led to leading medical tourism corridors in the country which garner the bulk of the medical tourists – Mumbai, Chennai, Delhi NCR, Mumbai, Bengaluru, Kolkata and Kerala.

Sources:

[99],[100] Healthcare Sector Report, IBEF, January 2017, Medical Value Travel in India, FICCI, 2016, Lok Sabha Answer, Ministry of Tourism,2017
 [101] Allied Market Research - Medical Tourism Market : Global Opportunity Analysis and Industry Forecast, 2017-2023, 2017
 [102], [103] Rajya Sabha Answer, Ministry of Tourism, 2016
 [104] Ayurvedic Market Analysis & Trends - Healthcare Products, Personal Care Products, Distribution Channel - Forecast to 2025, Research & Markets, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018
 [105] KPMG in India's research and analysis based on secondary research and industry interactions, 2018
 [106] HealthCare Sector Report, IBEF, January 2017, Medical Value Travel in India, FICCI, 2016, Lok Sabha Answer, Ministry of Tourism,2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018
 [107], [108] Allied Market Research - Medical Tourism Market : Global Opportunity Analysis and Industry Forecast, 2017-2023, 2017

Travel providers to focus on key target groups to provide a localised digital experience and user-specific promotional campaigns

A low cost eastern European airline has created a strong brand by focusing on select popular eastern European destinations and narrowing their target group to digitally adept young travelers

In the highly competitive budget airlines segment, an eastern European low-cost carrier has performed outstandingly well by creating a brand name synonymous with value-oriented, no-frills, technology first travel. The airline identified select destinations - Budapest, Sofia and other Eastern European cities as target routes. This was primarily based on the fact that these destinations are popular amongst tourist as they are rich in cultural heritage and are relatively inexpensive tourist destinations at the same time. Subsequently, the airline also identified that the tourists likely to frequent these destinations are price-conscious, digital savvy young adults, such as students. This led them to develop a technology first approach towards their product offering and marketing/sales mix.

The airline focuses on an enhanced digital experience to gain repeat customers. The objective is to deliver a seamless, convenient, fast and simple booking experience. With approximately 2/3rd of their traffic driven through mobile channel, the airline has focused on innovative measures to enhance customer experience. Regular customers have the option to make one-click bookings.

Customers are allowed to book additional check-in baggage up to 2 hours ahead of the flight. The fare-

lockin feature allows customers to lock a particular flight fare for up to 48 hours for a marginal fee. Customers such as budget oriented students have the option of making advance flight bookings up to three to six months prior to date of travel, without having to disclose details of other group travelers.

The airline depends heavily on digital marketing campaigns to appeal to its young, digital first customer base. The airline selects its own crew members with decent online following, as brand ambassadors who create social content and market the brand. The airline app/website is available in 13 languages and aims to serve as the one-stop shop for travel. Customers can book across 20,000+ discount hotels, sightseeing tours, travel guides, car rental options in over 10,000 locations through the airline app/website.



Key focus areas for Indian travel providers in terms of marketing in international geographies

<p>Enhanced digital Experience</p>	<p>Multi-country, multi-language campaigns</p>	<p>Localised digital presence</p>	<p>Geography-specific marketing strategy</p>
<p>i.e. focus on customer experience management through simple, convenient digital offerings</p>	<p>i.e. global SEO and key word optimisation in local dialects</p>	<p>i.e. apps/websites in local languages for target audience</p>	<p>e.g. mobiles are ubiquitous in East, while laptops still have a stronghold in Western countries.</p>

International opportunities for Indian consumer brands

Opportunity overview

Category-wise international online sales for Indian players across select retail verticals in key geographies

Category	2017 (USD bn)	2022 (E) (USD bn)	CAGR
Apparel	1.1	1.5	6%
Jewelry	0.4	1.1	22%
Consumer durables	0.02	0.04	15%



Key highlights

- APAC is the focus region for consumer brands. It is one of the fastest growing region in apparel, consumer durables sales. China, Vietnam and Indonesia are rapidly growing jewelry markets. Niche product categories - smart appliances, home and kitchen appliances, imitation jewelry also present untapped potential in these emerging markets
- Rising online retail penetration and demand for branded products is driving markets globally. Low-cost production capabilities across the value chain enable Indian brands to offer niche, locally-consumable products
- Key focus areas for Indian consumer brands in international markets
 - Digital solutions in brand building and campaigns, product offerings
 - Omni-channel retail to be a key differentiator
 - Investment in R&D, design centres to boost international demand
 - Localised product design and pricing needed for consumer durables sales

Evolving global retail dynamics and favourable macroeconomic factors present significant international opportunity for Indian players

The Indian retail market has grown rapidly over the past decade across urban and rural areas. This growth is driven largely by favourable demographic profile, rising disposable income, rising penetration of organised retail and urbanisation. Evolving consumer preferences have also led to increased participation of foreign players in the domestic market. Subsequently, the retail market in India totaled USD672 bn in 2017, and is growing at 18 per cent annually^[109]. E-tailing is expected to gain prominence in the coming years. The Indian online retail market was USD22 bn in 2017, and is expected to grow at a CAGR of 31 per cent up to 2022^[110].

Attractive Indian retail categories for international expansion

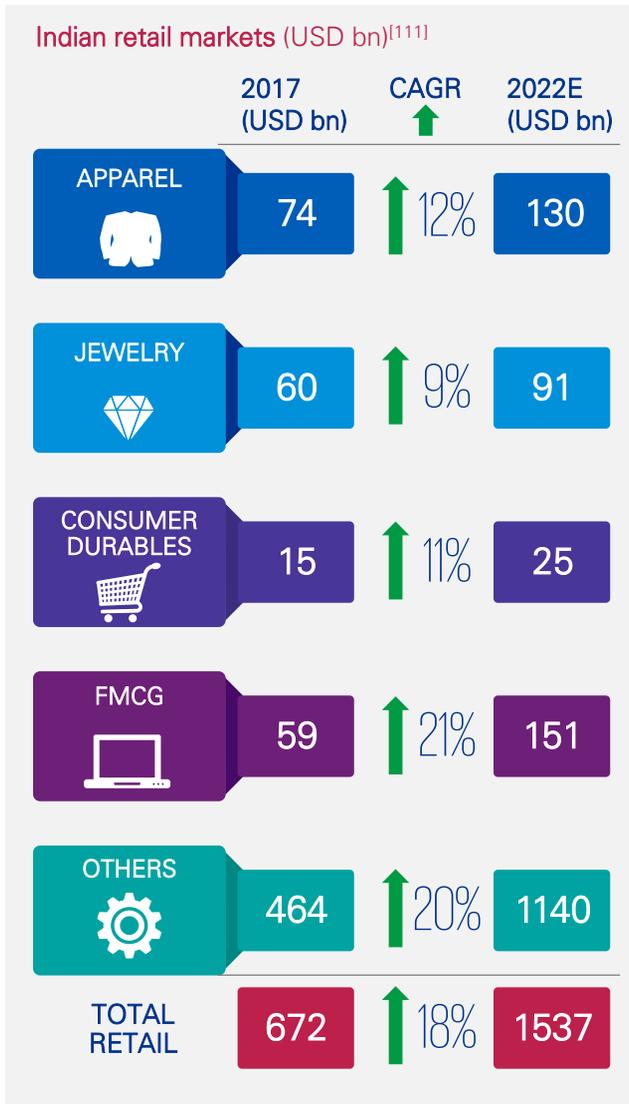


* Includes B2B and B2B2C sales
Source: KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Large Indian players in the apparel and jewelry sectors have established a niche positioning amongst international customers through a unique product offering or an Indian taste to their products.

Indian players in the consumer durables markets have also started focusing on international geographies as the next growth frontier.

Apparel, jewelry and consumer durables categories have significant international growth potential and hence these are the focus categories for consumer brands for the purpose of this report.



Positioning of Indian brands in global markets

Indian exporters in apparel, jewelry and consumer durables comprise of brands, OEMs, wholesale businesses and contract manufacturers. Major export destinations for these categories include – the U.S., UAE, the U.K., China, Germany, France and Italy. In 2016, India exported a total of approximately USD33 bn^{**[112]} worth of finished goods across apparel (USD20 bn), consumer durables (USD0.8 bn) and jewelry (USD12 bn).

In international markets, Indian players operate at different stages of the respective industry value chain in both B2C and B2B markets. The export market is significantly fragmented, composed of a large number of unorganised players. India also exports semi-finished products in apparel, jewelry and consumer durables category.

Indian players are prominent in both textiles (yarn, fabric, home textiles) and apparel export. However, branded apparel exports are limited. Indian gems and jewelry players are present across multiple stages of the industry value chain, with key competencies in diamond polishing and cutting and finished/unfinished jewelry manufacturing. India's consumer durables export is not prominent on the global stage at present. However, Indian products are prevalent in certain geographies and product segments such as mobiles, with limited brand visibility.

** Does not include gems and textiles

Source:

[109] Indian retail industry analysis, IBEF, 2017

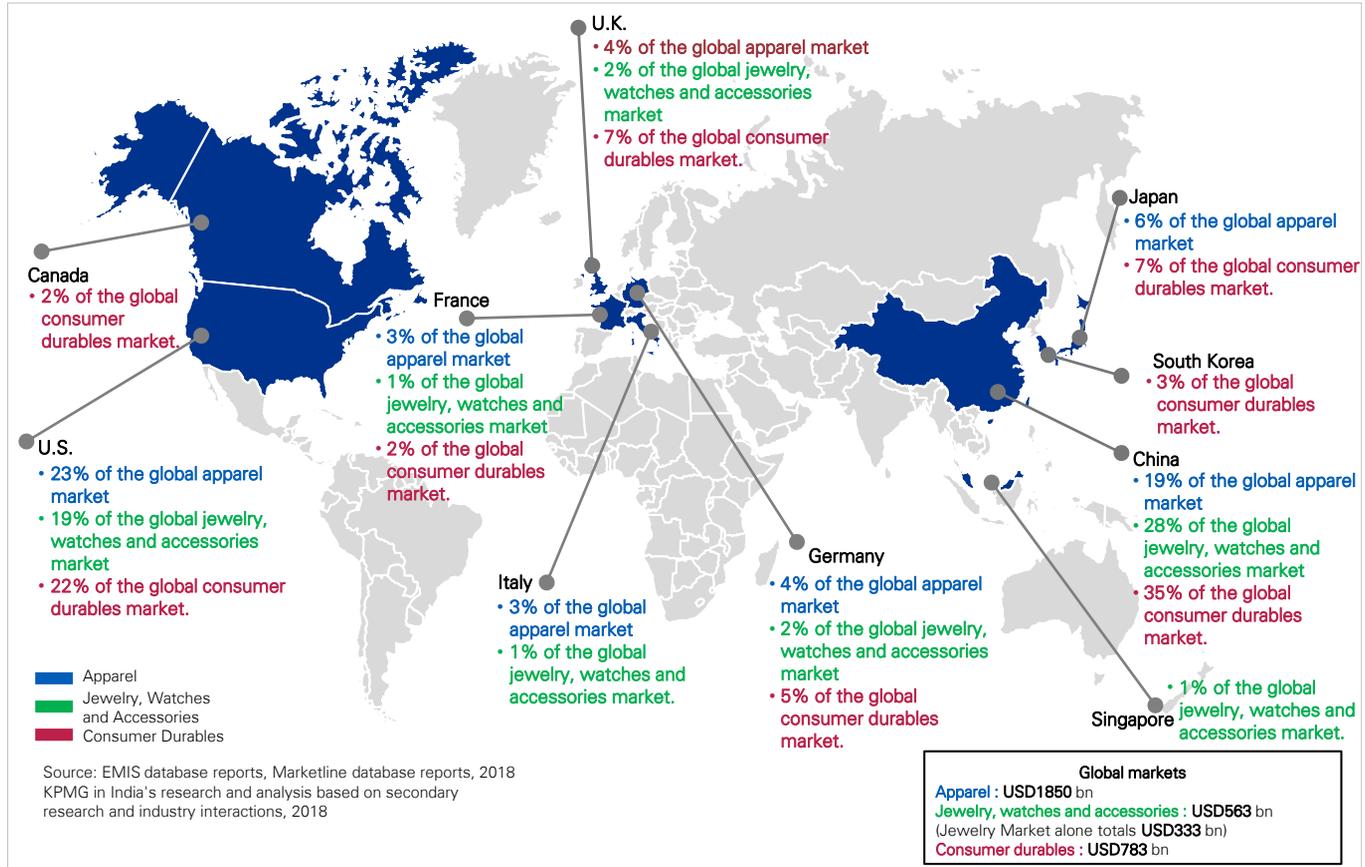
[110] Report on 'The State Of India's Online Retail Market In 2017', Forrester Research, 2017

[111] Global textile report, Axis Direct, 2015, Jewelry in India, Euro monitor International, 2017, Consumer durables report, IBEF, 2017, Indian retail industry analysis, IBEF, 2017

[112] Import export statistics database, Department of Commerce, Government of India, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

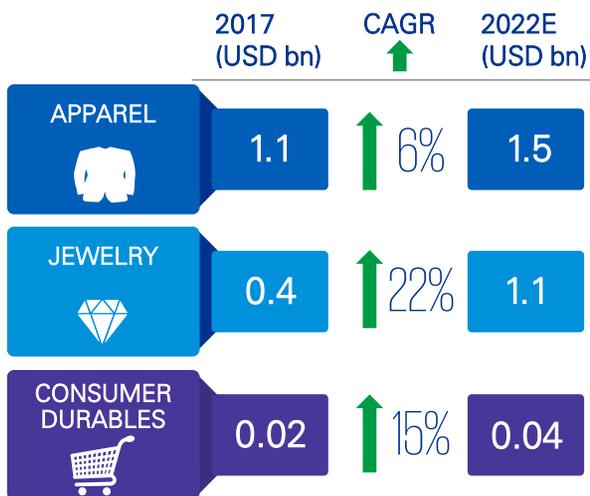
Online channel provides considerable opportunities for Indian retail players to expand beyond the domestic market

Overview of the top global retail markets as of today



Sales opportunity for Indian retail players in focus geographies via the online channel

Online sales opportunity for Indian players in select international geographies (in USD bn)



Source: KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Sources:
 [113] Global Apparel Market 2016-2020, Euro monitor International, 2016
 [114], [115] A multifaceted future: The jewelry industry in 2020, McKinsey & company, 2013
 [116] Global Electrical & Electronics Retail, MarketLine, 2016, Global Online Electronics Retailing Market - Analysis, Technologies & Forecasts to 2021, Research & Markets, 2017

Global online retail markets have been growing rapidly in recent years. This includes direct B2C and B2B2C sales. Online apparel sales has been driven by rising internet penetration, convenience of online shopping, competitive pricing and diverse portfolio offered by online apparel retailing platforms. The U.S., China, Japan, the U.K. and Germany are the largest online apparel markets in the world^[113].

Online jewelry sales are estimated to be approximately 5 per cent^[114] of the market today. However, this figure varies by region, brand and type of jewelry. The online share of jewelry retail is expected to reach 10 per cent by 2022^[115].

Globally, online consumer durables sales are estimated to be approximately 14 per cent of the market today, which is poised to grow to 27 per cent by 2022^[116]. Online durables sales penetration is led by customer preferences for convenience, discounts, and ease of returns and delivery/installation support offered by online e-tailers.

Significant opportunity exists for Indian players to tap retail markets in apparel, jewelry and consumer durables in select global geographies

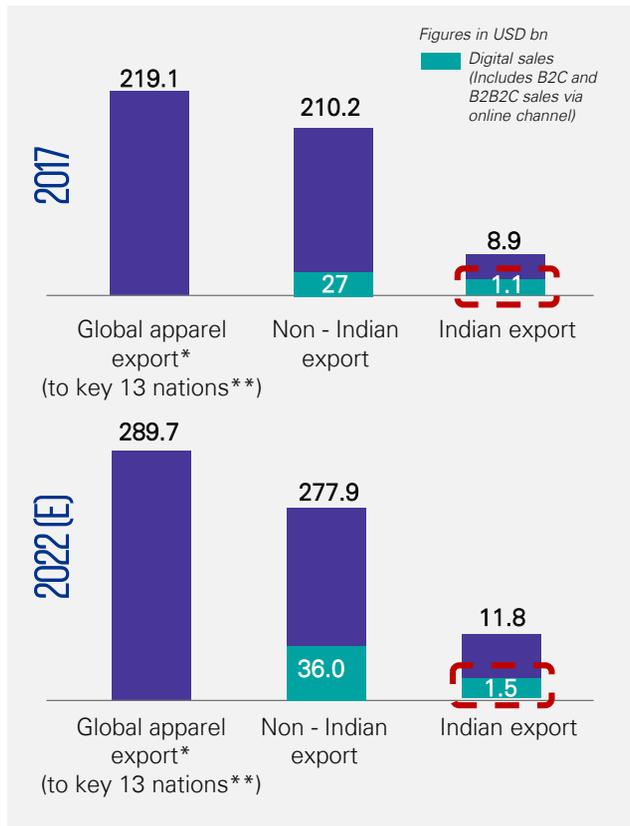
Online apparel sales for Indian players in international geographies is likely to grow to 1.3 times in five years

The market size for apparel in India stood at approximately USD74 bn in 2017 and is estimated to grow at a CAGR of 12 per cent to reach the USD130 bn mark by 2022^[117]. This growth is largely backed by the growing middle class in India. However, India accounts for only approximately 4 per cent of the global apparel market currently - this is expected to further rise to approximately 8 per cent in the coming five years^[118]. Thus, in the global apparel market scenario, there is significant opportunity for Indian players to increase their market share.

Presence of Indian players today

India currently exports approximately USD20 bn worth of apparel globally today, which is expected to increase to approximately USD32 bn in 2022^[119]. The major export hubs for Indian apparel manufacturers today are – the U.S., UAE, China, the U.K. and Germany. Historically, over the last seven years, Indian export of apparel (approximately 8 per cent) has outpaced global apparel export growth rates (approximately 7.4 per cent)^[120]. In the near future, India as a source country for apparel export is expected to witness further growth to gain a larger market share.

Online sales opportunity assessment for Indian players in select international markets



Source:

KPMG in India's research and analysis based on secondary research and industry interactions, 2018

*Includes both B2B and B2C imports

** Key 13 nations account for approximately 50% of global apparel market and approximately 45% of Indian apparel exports. These nations include – U.S., China, Japan, Germany, Italy, U.K., UAE, France, Spain, Netherlands, Switzerland, Belgium and Hong Kong

Key growth drivers	
1	Rising demand from new geographies Malaysia, Indonesia, Singapore and Brazil are some of the emerging demand hubs for Indian apparel brands internationally
2	Availability of raw material for production India is amongst the top producers worldwide for apparel raw material such as – cotton, silk and wool ^[121]
3	Manufacturing capability across the value chain India is one of the unique manufacturing hubs with production facilities across the value chain from fiber to finished clothing
4	Increased international demand through the online channel Prominent Indian players in niche categories, currently witness approximately 15 per cent ^[122] of their online business coming from international markets.

Digital channel influence in the sector today

Currently, the online channel accounts for approximately 21 per cent^[123] of total apparel retail sales in the world. However, this share is set to witness a significant shift as the global online apparel retailing market is expected to grow at approximately 14 per cent CAGR to reach the USD723.6 bn^[124] mark by 2022.

Sources:

[117], [119], [120], [121] Global shifts in textile industry and India's position, FICCI, 2 September 2016

[118] EMIS database reports, Marketline database reports, 2018, Global shifts in textile industry and India's position, FICCI, 2 September 2016, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

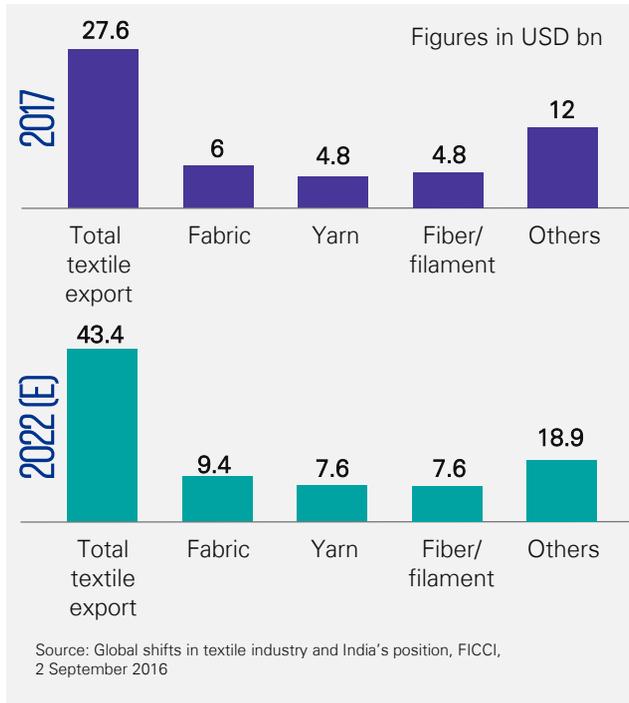
[122] KPMG in India's research and analysis based on secondary research and interactions, 2018

[123] Global Online Apparel Retailing Market 2017-2018 & 2023 - By Type, Component, Industry, Region, Research And Markets, 2018, EMIS, Marketline database reports, 2018

[124] Global Online Apparel Retailing Market 2017-2018 & 2023 - By Type, Component, Industry, Region, Research And Markets, 2018

Global apparel and textile export market is set to witness a shift and offer additional growth avenues for Indian players

Overview of textile products exported by India, today



India is currently the second largest exporter of textile products globally, accounting for approximately 5 per cent^[125] of global textile products export. The largest exporter is China, accounting for approximately 40 per cent^[126] of global exports.

India is the largest producer of cotton in the world, currently accounting for approximately 26.5 per cent^[127] of global cotton production. This provides India a competitive advantage against regional competitors such as Bangladesh and Vietnam who rely on cotton imports for their textile and apparel manufacturing. India is also the second largest producer of man made fibre, second only to China.

The U.S. is the largest export destination for Indian textile players, accounting for approximately 18 per cent of exports. UAE (9 per cent) and China (8 per cent)^[128] are the other prominent export destinations.

Role of Indian players in the apparel and textile industry value chain



India, along with China, holds the unique proposition of manufacturing capabilities across the production value chain for apparel and textile. Regional competitors such as Bangladesh and Vietnam have strong garment manufacturing capabilities but are dependent on imports for backward integration in the production value chain.

At the same time, Chinese labour costs have been increasing exponentially in the recent past, now standing at approximately USD600/month as compared to approximately USD170/month for India^[129]. This trend is expected to continue further in the coming years, which may reduce China's share in global apparel and textile exports. This provides Indian players the opportunity to tap into the global markets.

Potential geographies^[130]



Sources:
 [125], [126], [127], [128], [129] Global shifts in textile industry and India's position, FICCI, 2 September 2016
 [130] China Textiles and Clothing Exports, World Integrated Trade Solution database, 2016

Niche product offerings through an omni-channel model is expected to drive sales for Indian apparel players in international geographies

Present scenario of players catering to international opportunities

Indian apparel brands have expanded internationally across the online and offline channels. Major players have established a retail presence either through exclusive business outlets or through joint ventures/tie-ups with local business partners.

International customers prefer Indian brands for their distinct Indian value proposition and brand value - leveraging khadi, locally manufactured silk and related products

<p>Retail and online presence of Indian players</p>  <ul style="list-style-type: none"> Indian brands have offline retail presence in established markets such as the U.S., Europe and also emerging apparel markets in South East Asia and Africa Small/mid scale players have presence with major e-commerce and fashion e-tailing players in established digital markets Large scale players cater to international customers through own websites International demand over digital channel fulfilled by a hub and spoke model currently, players are likely to develop an inventory based model. 	<p>Textile export destinations</p>  <ul style="list-style-type: none"> Developed countries such as the U.S. account for a majority of exports Other major key export destinations include China, UAE, Sri Lanka, Saudi Arabia, South Korea, Bangladesh, Turkey, Pakistan, Brazil and Egypt^[131]. 	<p>Marketing and lead Generation</p>  <ul style="list-style-type: none"> B2B exporters are supported by 11 Export Promotion councils (EPCs) which enable player participation in buyer seller meets (BSMs), sponsored trade delegations and trade expos in India and foreign countries Trade magazines, online B2B directories, CRM databases, international sales agents networks are other lead generation and marketing avenues.
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Opportunity scope for Indian players

	<p>Indian brands to focus on the Asia-Pacific region to drive international growth</p> <ul style="list-style-type: none"> Asia-Pacific is the fastest growing region for global apparel markets growing at 7.3 per cent over the last four years as compared to 4.5 per cent global average growth. APAC is expected to grow at CAGR of 8.2 per cent till 2022^[132] China is the key geography of focus in Asia growing at 10 per cent CAGR. This growth is driven largely by rise of fast fashion category over the online channel. ^[133]
	<p>In established markets, online channel is key to driving sales</p> <ul style="list-style-type: none"> The U.K. has the third-highest level of per capita spending on e-commerce in Europe and the channel now accounts for 21 per cent of apparel retail in the area in 2016^[134] In the U.S., mass market and e-commerce apparel retailers are growing significantly with online accounting for 17 per cent of apparel retail in 2016^[135].
	<p>Brands to focus on online brand imaging to drive positive recommendations</p> <p>As per industry research, approximately 35 per cent^[136] of apparel buyers rely on online recommendations before making a purchase. Thus, it is imperative for brands to focus on customer experience and maintain a strong brand image amongst current buyers through positive feedback and review.</p>

Source:
 [131], [133] Global shifts in textile industry and India's position, FICCI, 2 September 2016;
 [132], [134], [135] Global Apparel Retail, Marketline Research, September 2018
 [136] Succeeding in tomorrow's global fashion market, Mckinsey.com, September 2014

Indian B2B players in apparel and textile to differentiate from competitors by developing capabilities in R&D, design and marketing

Opportunity scope for Indian players in B2C retail in international geographies

	<p>Increase focus on top-traded apparel and textile product categories globally</p> <p>India's share in export of top six globally traded apparel and textile product categories is less than 7 per cent^[137]. 'Sweaters', 'jeans and others' and 't-shirts' are the top product categories exported globally.</p>
	<p>Leverage big data and analytics to develop targeted offerings and campaigns</p> <p>Buyer data is available from multiple stages of the purchase cycle (manufacturers, retailers and service providers) which can be leveraged by brands to develop personalised advertising campaigns, customise product offerings and establish targeted pricing.</p>
	<p>Omni-channel presence is critical</p> <ul style="list-style-type: none"> • Internationally successful Indian players have established presence across the online and offline channel in key geographies • Larger international brands witness significant orders through in-store tablets for purchase of apparel not available at a particular store.
	<p>Focus on niche categories to establish brand name in foreign markets</p> <p>Segments such as ethnic wear and Indian designer wear are expected to witness international growth. International ethnic wear market is expected to stand at approximately USD2 bn in 2018^[138]. Also, India's share in the global designer wear market is expected to rise to approximately 1.7 per cent^[139] in 2020.</p>
	<p>Brand building through dedicated online presence of brands</p> <p>International customers identify with Indian brands either due to the unique styling, distinct clothing material or associated niche products. Indian brands may reach out to international customers through online marketplaces to establish brand presence.</p>

Opportunity scope for Indian players in B2B sales in international geographies

Currently, Indian players operate largely as manufacturers in the apparel and textile value chain. This is often perceived to be a low economic value activity in the value chain by international B2B clients.

	<p>Investment in research and development capabilities</p> <p>Indian players could look to establish dedicated R&D centres in order to innovate across product, operations and ancillary processes. Joint R&D centres with apparel brands may be setup, providing exclusive access to differentiated products for the brand and improve strategic relationship for Indian players.</p>
	<p>Development of design studio capabilities</p> <p>Indian B2B players may look to differentiate from competitors by enhancing their design capabilities through exclusive design studios and offering design services to clients</p>

Source:

[137] Global shifts in textile industry and India's position, FICCI, 2 September 2016

[138], [139] Can Indian ethnic retailers scale up globally?, lamwire.com, 26 September 2015

Jewelry imported from India sold via online channel in top global markets likely to grow by 2.7 times to stand at USD1.1 bn by 2022

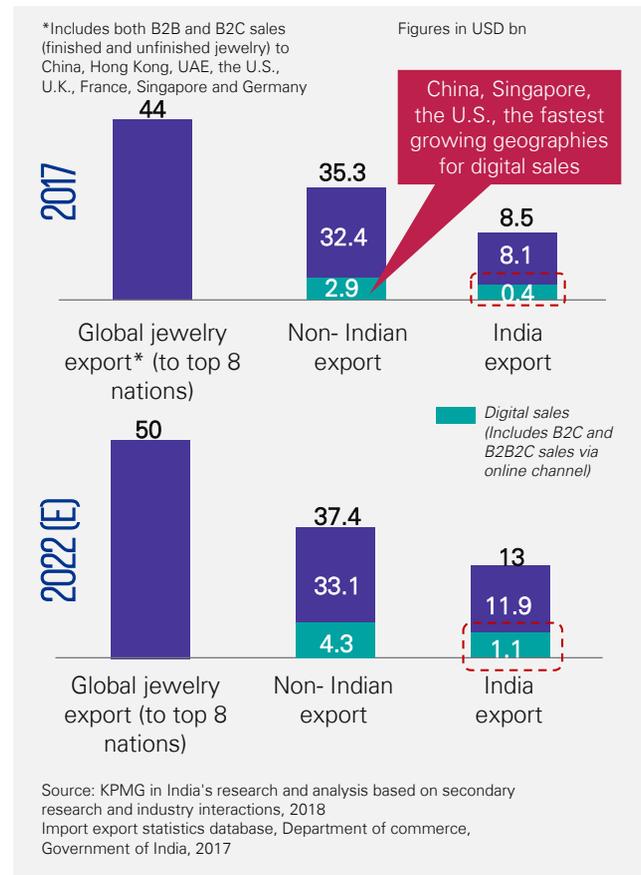
India's gems and jewelry sector is one of the largest in the world, contributing to 29 per cent^[140] of global jewelry consumption. The domestic sector is largely unorganised, with organised players contributing only 20 per cent^[141] of overall domestic retail. Gems and jewelry has been contributing around 13-15 per cent over the past five years to the country's total merchandise exports^[142]. India currently exports finished and unfinished jewelry to retailers across the globe. The two key export categories include – gems and jewelry. India exported approximately USD12 bn of gold and silver jewelry and approximately USD26 bn of gems in 2017^[143].

Presence of Indian players today

Indian jewelry exporters currently export to UAE, the U.S., Russia, Singapore, Hong Kong, Latin America, and China. Select Indian players have retail presence in the UAE/Middle East. Indian players also have online presence in some developed markets like the U.S. In other markets, Indian players are present as distributors to foreign retailers.

About 50 per cent of jewelry exports from India are plain gold jewelry sets or chains manufactured in Mumbai, Kolkata and some south-Indian cities, exported majorly to UAE, Hong Kong and Singapore. 30 per cent are in the form of diamond jewelry, manufactured majorly in Mumbai and exported to the U.S., UAE and Hong Kong. The remaining 20 per cent are in the form of precious and semi precious gem jewelry manufactured in the Indian states of Rajasthan and Gujarat and exported to UAE and the U.K. ^[144]

Online sales opportunity assessment for Indian players in select international markets



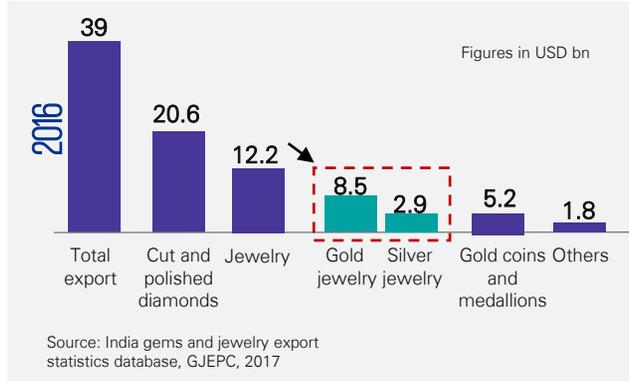
Key growth drivers

- 1 Increasing demand for branded jewelry**
Branded jewelry, which accounts for more than 20 per cent of global jewelry sales and is expected to grow up to approximately 35 per cent by 2022^[145]
- 2 Rise in demand for imitation jewelry**
Rising prices of gold/silver and increasing jewelry demand by middle class households have increased demand for imitation jewelry in select global markets - Saudi Arabia, Turkey, Pakistan and South East Asian countries like Malaysia, Thailand
- 3 Growth of online jewelry retail market**
Online jewelry sales account for approximately 5 per cent of the global jewelry market today. It is expected to rise up to 10 per cent by 2022^[146]
- 4 High value jewelry segments in select emerging geographies**
Prominent consumer segments for luxury jewelry emerging in Macau, UAE, Middle East.

Source:
 [140], [142], [144] Gems and jewelry, IBEF, November 2017
 [141] CARE ratings-Gems and jewelry sector, CARE ratings, 2015
 [143] Import export statistics database, Department of commerce, Government of India, 2017, India gems and jewelry export statistics database, Gem and Jewelry Export Promotion Council (GJEPC), 2017
 [145], [146] A multifaceted future- The jewelry industry in 2020, McKinsey & company, 2013

Cut and polished diamonds constitute approximately 54 per cent of India's overall gems and jewelry exports

India's exports in the gems and jewelry segment



India's gems and jewelry exports are largely comprised of cut and polished diamonds (approximately 53 per cent), followed by gold jewelry (22 per cent), gold coins and medallions (approximately 13 per cent) and silver jewelry (approximately 7 per cent).

India also exports pearls, coloured gemstones, synthetic stones, and costume fashion jewelry. Export of cut and polished diamonds, which constitute over 50 per cent of the total gems and jewelry export market of India grew y-o-y for the first time in FY17 over a three year period. This is because a majority of Indian cut and polished diamonds are exported to the U.S. or Hong Kong. Any slowdown in either of these nations has a cascading effect on India's diamond/jewelry industry.

Jewelry exports constitutes 29 per cent (22 per cent gold based, 7 per cent silver based) of overall gems and jewelry exports from India. India majorly exports jewelry to UAE (USD6.3 bn), Hong Kong (USD2.9 bn), the U.S. (USD2.2 bn) and the U.K. (USD0.3 bn)^[147]. Indian jewelry export was expected to grow by 11 per cent in FY17 driven by increase in gold prices^[148]. Export of gold coins and medallions grew by approximately 85 per cent in FY16 to reach USD5.2 bn^[149].

Key geographies*



*account for 75 per cent, i.e approximately USD29 bn of total gems and jewelry exports from India

India's share of the cutting and polishing industry is driven majorly by the low cost of labour in the country. Indian diamond traders are further aiming to lower costs by tying up with diamond mining companies in Africa.

The diamond exporters in India are importer led, i.e. specifications and designs are provided by retailers abroad, specially Hong Kong and the U.S. where most of the diamonds are exported to.

Role of Indian players in the jewelry manufacturing value chain

Retailing

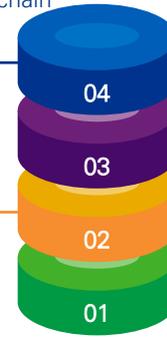
- Regional markets.
- Limited global players.
- Second highest operating margin in entire chain (10-12 per cent)

Jewelry manufacturing

- Scattered globally.
- Stable operating margins (3-5 per cent).
- Less susceptible to change in rough diamond prices

Cutting and polishing

- Production and trading of cut and polished diamond.
- Sensitive to price volatility and demand-supply balance.



Rough diamond producers

- Mining activity performed.
- Capital intensive process along with dearth of new mines.
- Highest operating margins (approximately 23-25 per cent)

Source: CARE ratings-Gems and jewelry sector- insights and prospects, CARE ratings, 2017

Indian players currently operate in the second and third stages of the jewelry value chain, leveraging availability of cheap labour in India. However, operating margins are comparatively low in these processes. Diamond studded jewelry manufactured in India is majorly mid-to-low range jewelry. High end jewelry manufacturing is carried out majorly in Europe.

In gold jewelry manufacturing, Indian players largely add value in the jewelry manufacturing phase of the value chain. The high-end jewelry design is done in countries like Italy and Turkey. Jewelry manufacturing is outsourced to low cost countries like India and China.

Indian players in gems and jewelry segment are expanding upstream to form vertically integrated businesses capable of catering to customers overseas. Select Indian retailers plan to enter the foreign markets via distributorship model. The idea is to become distributors to the large global retailers, understand the market over the course of a few years and later establish an exclusive brand presence in those geographies. Some Indian retailers already have an omni-channel presence in key geographies with higher share of online sales.

Source:

[147] Export Statistics, Observatory of Economic Complexity (OEC), 2016

[148], [149] India gems and jewelry export statistics database, GJEPC, 2017

Product customisation along with brand building is expected to drive growth in international markets for Indian players

Opportunity scope for Indian B2C players



Right products (imitation jewelry, gemstones) targeted at right markets

- **Focus on emerging geographies-** North America (U.S.) and Asia-Pacific (Singapore, India, China, Thailand, Vietnam, Japan and Indonesia) are expected to be the fastest growing regions ^[150] for global jewelry
- **Focus on growth sectors-** Export from India in certain categories has grown rapidly year on year, such as - pearls (approximately 400 per cent in FY17), synthetic stones (approximately 85 per cent in FY17) and costume fashion jewelry (approximately 116 per cent in FY17) ^[151].



Prioritise expansion via asset light operating models

- **Omni-channel presence-** Indian players could adopt digital and asset light models (like e-commerce and retail franchising) for aggressive expansion. Online jewelry sales in Asia have grown at 62.2 per cent CAGR between 2011 and 2014 ^[152]
- **Cater to online jewelry demand, leveraging predictive modelling and customisation-** Indian players to invest in machine learning to showcase designs which are more likely to be preferred by potential customers on their websites, along with customised options. This enables provision of a wider range of product offerings along with an online 'virtual inventory' that can cater to on demand, made-to-order requests.



Brand building initiatives

- **Create name of trust-** Branded jewelry accounts for more than approximately 20 per cent of the global jewelry market today, which is expected to rise to approximately 35 per cent by 2022^[153]. In a global survey, approximately 80 per cent ^[154] of respondents mentioned brands (sense of trust and upgraded lifestyle) as an important purchasing criterion.

Opportunity scope for Indian B2B players



Rise up the value chain to cater to wider markets

India exports 75 per cent ^[155] of the world's polished diamonds. India's share in the global diamond market is 90 per cent ^[156] in volume terms, however only 60 per cent^[157] in terms of value. Indian diamond processors need to move up the value chain to cater to high end diamond and precious stones processing industry to realise higher gains on capital. Digital solutions in online selling, online brand building is expected to play a critical role in this aspect.



Research, development and design investments

Currently, most Indian companies are migrating upstream to increase their level of vertical integration. This change also calls for sufficient investments in the form of design studio and process improvements to manufacture products of higher quality and gain larger autonomy in the entire cycle.

Source:

[150] Singapore: The fastest growing emerging gem and jewellery market, Rough-polished.com, February 8 2016, Global USD 443 Billion Gems & Jewelry Market 2012-2017 & 2022: Exclusive Showrooms by Leading Players and Rising Online Availability of Gems & Jewelry - Research and Markets, 2017

[151] India gems and jewelry export statistics database, GJEPC, 2017

[152] As Fine Jewelry Moves Online, The Market Sparkles, Forbes, April 14 2016

[153], [154] A multifaceted future- The jewelry industry in 2020, McKinsey & company, 2013

[155], [156], [157] Gems and jewelry, IBEF, November 2017

Consumer durables imported from India sold via online channel in key global markets is expected to grow by 2 times by 2022

The global market for consumer durables in 2017 stood at USD783 bn, of which India exported goods worth approximately USD0.78 bn^[158]. This is driven by select focus geographies which are evaluated basis –

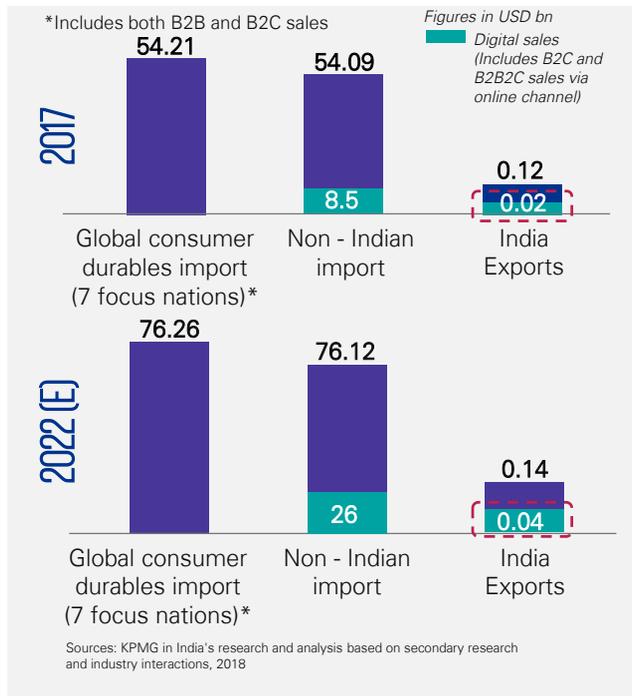
- Growth prospects in Indian export product categories – i.e fans, air coolers, refrigerators, cameras, ACs and washing machines,
- Growth in consumer durables markets with large untapped consumer segments.

Key potential export geographies for Indian consumer durables include Vietnam, Malaysia, Saudi Arabia, Turkey, Indonesia, Philippines and South Africa as well as SAARC nations like Nepal and Bangladesh.

Globally, Indian brands are prominent in categories such as - fans, air coolers, refrigerators, cameras, ACs and washing machines. Mobile phones are a notable Indian export category accounting for approximately 20 per cent of Indian consumer durables export^[159]. Indian players’ foreign presence ranges from manufacturing plants to sales subsidiaries, acquired firms and retail franchise outlets for end users.

Online sales opportunity assessment for Indian players in select international markets

*Focus countries - Vietnam, Malaysia, Saudi Arabia, Turkey, Indonesia, Philippines and South Africa



Key growth drivers	
1	<p>Increasing Brand Penetration catalysed by online channel sales and visibility</p> <p>Better brand visibility - online and via organised retail, coupled with improved e-tailer service (installation support, etc.) to drive sales in regions such as SE Asia</p>
2	<p>Rising demand from developing economies in key export categories</p> <p>Average user penetration of home appliances in developing economies is 5 per cent vis-a-vis 9 per cent globally^[160]</p>
3	<p>Niche product segments to drive growth</p> <p>Demand for differentiated products - energy efficient appliances, smart appliances is growing rapidly. The global smart appliances market is to grow at 15 per cent to reach USD49 bn by 2022^[161]</p>
4	<p>Growth of online share in overall consumer durables retail</p> <p>Online channel to account for 27 per cent of global consumer durables retail in 2022 as compared to approximately 14 per cent today^[162].</p>

Present scenario of players catering to international opportunities

Indian players cater to foreign markets via multi brand outlets, franchisee stores and presence through - foreign subsidiaries, dealers and distributors. Geographies such as the Middle East are served via partnerships, facilitated via free trade agreements (FTAs). Re-export arrangements leveraging FTAs are prominent in certain geographies. For instance, the Middle East and Africa markets are served by Indian export players through re-export via Dubai, presently.

E-tailer exclusive partnerships are also being explored as a sales channel for certain product segments such as mobile phones and tablets.

Sources:
 [158] Import export statistics database, Department of Commerce, Government of India, 2017, Domestic Appliances Market in the World to 2021, Global Research & Data Services, 2017, Global consumer electronics analysis, MarketLine research, 2015;
 [159] Import export statistics database, Department of Commerce, Government of India, 2017
 [160] Home Appliances Analysis, Statista Market Forecasts, 2017

[161] Smart Appliances Market by Smart Home Appliances, Technology, End User, and Region - Global Forecast to 2020, Markets & Markets, 2015
 [162] Global Electrical & Electronics Retail, MarketLine research, July 2016, Global Online Electronics Retailing Market - Analysis, Technologies & Forecasts to 2021, Research & Markets, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Export players to benefit from collaborative international B2B sales efforts

B2B export opportunity landscape for Indian players today

Indian exporters presently leverage B2B export opportunities in global consumer durables markets across consumer electronics, household appliances, computer hardware and peripherals. The export players encompass contract manufacturers, EMS (Electronics Manufacturing Services) companies, distributors and also multinational OEMs (original equipment manufacturers) utilizing India as an export hub.

Key export geographies include – SAARC, South East Asia, Middle East countries and China

Nature and scope of B2B export today

Electronics players, multinational OEMs and EMS (electronics manufacturing services) players in India have expanded their production to cater to local demand as well as export markets in SAARC and Asian markets. The Indian B2B export industry is fragmented and unorganised at the lower spectrum of wholesale traders/distributors for lower value products. It is more organised and consolidated for higher value products such as computer hardware and consumer electronics. Large OEMs export and manufacture a wide range of consumer electronics and appliances under their own brands.

There are a sizeable number of SMEs active in B2B export in India. The B2B activity of several ESM players in India are export oriented with made to order manufacturing arrangements.

B2B lead generation for electronics exporters

International sales and marketing teams

of export oriented firms carry out business development and sales promotion activities in destination countries.



Trade magazines

Trade magazines for electronics sub industries provide manufacturer directories, databases and business opportunity details.



Buyer seller meets (BSM)

BSM facilitates business development interactions and one on one meetings with players across the value chain.



Trade bodies

Trade bodies such as IEEMA, ELCINA, CEAMA and export promotion councils like ESC facilitate export promotion and provide trade directories.

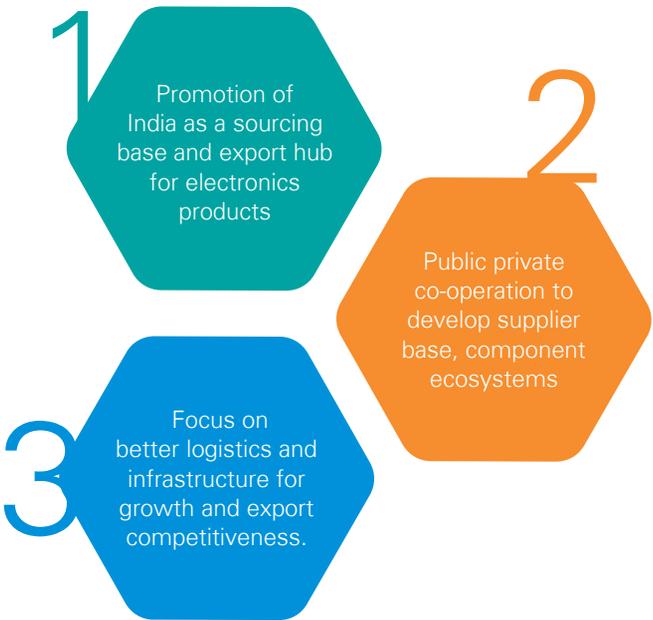


Trade shows

Trade shows, expos and conventions across electronics industries bring together a wide B2B audience.



Critical success factors for B2B export



B2B activities with scope for digital play

Opportunities to leverage strategic alliances and product localisation to cater to untapped global markets

Opportunity scope for Indian players



Proactively address unorganised market opportunities

Key export geographies, such as South East Asia, are distinct in their large unorganised markets (especially in kitchen and home appliances). Key countries in this region include Vietnam, Malaysia and Indonesia:

- The Indonesian consumer durables sector is set to grow at 13 per cent up to 2022 – the sector is highly fragmented with the top 10 players accounting for only a 9.7 per cent value share in 2016^[163]
- Online share of consumer durables retailing in Indonesia is 4.5 per cent, which is forecast to grow at 28 per cent CAGR till 2022^[164]
- Focus on asset light modes of expansion for larger coverage, e.g. – franchising options.



Localise product design and pricing for foreign markets

Product offerings should be customised for focus geography consumer segments and benchmarked against global competitors

- Adequate investment in R&D for optimal product development
- Strategic firm acquisitions to provide technological advantages for inorganic growth avenues
- Adapt product features and user interfaces with local sensibilities.



Enhanced market penetration via key partnerships in sales and marketing

Indian players' market entry could prioritise alliances and tie-ups for brand building, sales and marketing

- Co-branded product offerings to leverage partner brand value
- Licensing tie-ups with foreign brands to leverage technology, market access, distribution and manufacturing synergies
- Exclusive partnerships with e-tailers and selected channel partners for improved sales prospects.



Strategic tie-ups across the business ecosystem

Strategic alliances across the business ecosystem globally would enable competencies across the value chain.

- Cost effective tie-ups with sourcing partners and vendors across geographies to drive faster go-to-market and wider product acceptance.

Source:

[163], [164] Electricals Retailing in Indonesia - Market Shares, Summary and Forecasts to 2021, A GlobalData Retail Report, December 2017

International brands need to address a diverse set of target groups through localised branding, strategy and communication

A London-based women's apparel brand aiming to market its products in Australia and South Africa, designed a localised digital marketing strategy based on data-backed insights pertaining to their core target customer groups in these geographies

A London-based women's apparel manufacturer and retailer aimed at expanding its brand awareness in international geographies in order to gain traction via the online channel. Firstly, the brand understood the multi-cultural, multi-lingual nature of its target customer base and recognised the need for a localised digital marketing campaign in each geography. The brand leverages online tools to assess the search patterns and purchase behaviour of their target customer base, yielding results such as local keywords searched, frequency of search, local public figures of influence, locally popular websites/brands, etc.

The brand then used these insights to build targeted content, optimise product names and descriptions, enhanced digital presence through blogs, influencers and the likes. The brand even ensured the models presenting their clothing on the website were of locally

preferred ethnicity. At the same time, the brand ran online PR campaigns to partner with locally popular brands to drive organic traffic.

As a result, the brand witnessed approximately 40 per cent rise in revenues through display campaigns alone along with significant cost savings.



An Asian smartphone manufacturer leveraged online word of mouth and referral marketing to build a strong reputation in international geographies

An upcoming Asian smartphone manufacturer developed a unique online-only marketing strategy to enter new markets. The company identified its core user base and sold their products only through flash-sales either on their website or online marketplaces on a make-to-order basis. This significantly aided in lowering marketing and sales costs, thus enabling the manufacturer to provide quality products at low-cost to their customers.

At the same time, they regularly interacted with an online community of their users via online forums, who provided feedback and popularized the brand through word of mouth marketing.



Key focus areas for Indian brands in terms of marketing in international geographies

Customised SEO and SEM strategies based on search patterns and language preferences of the target user group

i.e. display campaigns, and creatives customised to local audience

Promote C2C interactions

i.e. product reviews, feedback and issue resolution via online presence through networking platforms, blogs, etc.

Data-backed insights on target groups in focus geographies

i.e. product search patterns, price points, seasonality, frequency, etc.

Customer engagement at different lifecycle stages

i.e. approaches to retain customers with attractive features and subscriptions

International opportunities for Indian real estate developers

Opportunity overview

Sales opportunity for Indian real estate developers from NRI customers

Category	2017 (USD bn)	2022 (E) (USD bn)	CAGR
Real estate builders	11.5	25.7	17%

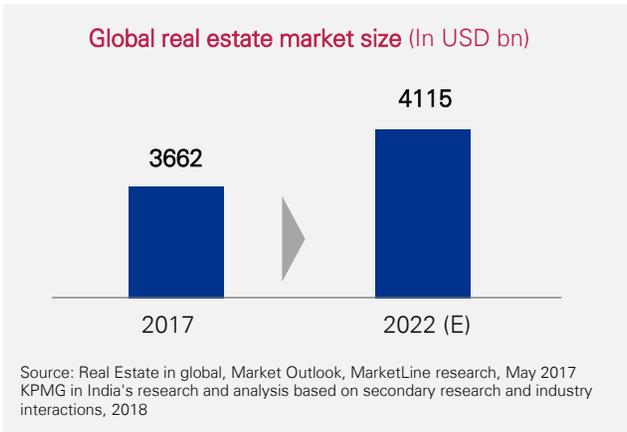


Key highlights

- NRIs are a major source of international revenues for Indian players. Key source countries of NRI investment are UAE (20 per cent), the U.S. (18 per cent), the U.K. (7 per cent) and Canada (6 per cent). Aided by recent regulatory reforms, NRIs are now increasingly considering real estate in their hometowns and non-metro cities as profitable investment options
- The domestic real estate market offers superior long-term returns. Indian real estate developers could tap into the NRI and HNI customer base by leveraging technology/digital platforms
- Key focus areas for Indian real estate developers in international market
 - One stop solutions for NRI real estate needs
 - Dedicated NRI portals with a focus on brand building
 - Targeted digital marketing campaigns and offline property launch events
 - Enhanced user experience through virtual walkthroughs and drone-based views

Domestic primary residential real estate sales in India expected to grow at 7.4 per cent CAGR by 2022

Global real estate market is expected to grow at a CAGR of 2.3 per cent between 2017 and 2022



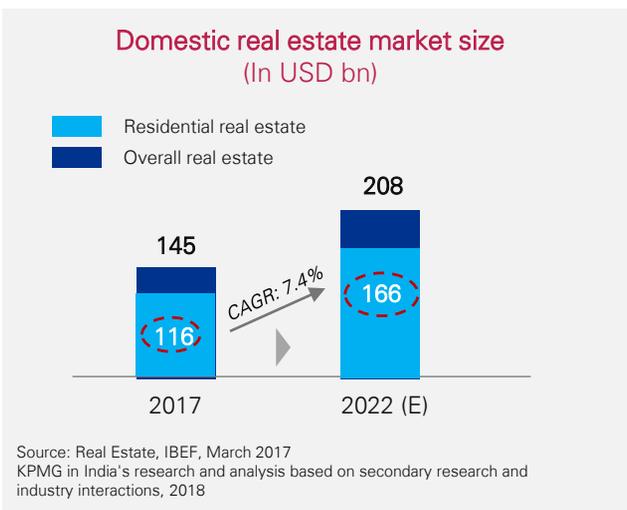
For the purpose of this report, the key geographies considered to define the global real estate market include - North and South America, Europe, Asia-Pacific, Middle East, South Africa and Nigeria.

Asia-Pacific is the largest real estate market globally, with a 59 per cent market share. This is followed by the U.S. and Europe, each having a share of approximately 15 per cent^[165]. In terms of volume, the number of houses rented/leased out is expected to grow from approximately 0.526 bn in 2017 to approximately 0.531 bn in 2022^[166].

India is one of the fastest growing real estate markets globally

The domestic real estate market comprises residential, commercial, retail, hospitality and SEZ real estate. Out of these segments, residential real estate is the major contributor, accounting for approximately 80 per cent^[167] of the overall market.

The domestic market is localised and fragmented, with only a few pan-India players, which provides scope for consolidation in the industry.



Key growth drivers

- 1** Growth in population coupled with rapid urbanisation
- 2** Rising number of nuclear families
- 3** Rising disposable income and easy availability of financial assistance
- 4** Favourable government initiatives

Digital channel influence on the sector today

- 42%** of homebuyers have used the internet as their first search medium ^[168]
- 82%** homebuyers trust online agents as good information sources ^[169]
- 92%** of homebuyers have searched for a home on the internet ^[170]

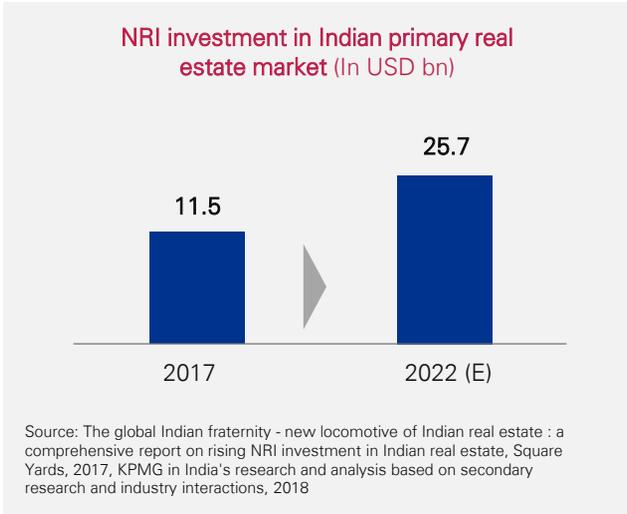
Digitisation has impacted the Indian real estate sector specifically in the exploration and discovery phase. Online searches can help potential customers explore a range of properties, while 3D imaging can enable a virtual tour of any property of their choice. Digitisation has also provided for smooth documentation.

In the coming years, the impact of digital channel is soon expected to extend to purchase phase of the real estate buying process as well.

Source:
 [165] Real estate in global, market segmentation, MarketLine research, May 2017
 [166] Real estate in global, market outlook, MarketLine research, May 2017
 [167] Real estate, IBEF, March 2017
 [168], [169], [170] How digital marketing will transform real estate industry in 2018, Socialbeat, 2017

UAE and U.S. are key focus geographies, comprising approximately 38 per cent of NRI investment into primary Indian real estate

NRI investments into Indian real estate market is expected to rise, propelled by favourable regulatory landscape



The overall NRI investment into Indian primary real estate market was estimated to be approximately USD11.5 bn in 2017 and is expected to grow to approximately USD25.7 bn by 2022, 20 per cent of these investments are made by NRIs in UAE^[171]. This is followed by NRI investments from the U.S. and Saudi Arabia.

Recent regulatory reforms in the sector have renewed NRI confidence in the sector and this is expected to further boost NRI investments into India. Introduction of reforms such as RERA act (Real estate (regulation and development) act, 2016), GST, Benami transactions amendment and others have improved NRI confidence in Indian real estate.

Historically, NRI investments into India's real estate sector were majorly meant to serve their residential needs. With growing investor confidence, NRIs are increasingly purchasing properties for investment purposes. Preferred destinations for NRI investments are also no longer limited to metros in India. Top destinations now include - Kochi, Coimbatore, Bengaluru, Chennai, Ahmedabad, Hyderabad, Trivandrum, Chandigarh, Pune and Mumbai ^[172]. Other smaller cities like Vadodara, Nashik, Noida and Ghaziabad are also witnessing a rise in investments ^[173].

Key trends in NRI investment into India

- NRIs prefer investing in real estate in their hometown**
 - 78 per cent of NRIs who are looking to invest in real estate in the country, wish to do so in their hometown ^[174]
 - 82 per cent of NRIs who want to purchase property for the purpose of long-term capital gains, prefer investing in their hometown as it gives them a sense of security ^[175].
- NRIs prefer affluent senior housing for residential purposes**
 - 72 per cent of NRIs want senior living residential properties in India which offer luxurious amenities^[176]
 - 94 per cent of NRIs looking for senior housing would not mind paying a high premium ^[177].
- One out of four searches on online real estate classifieds portals is from outside India ^[178]**
 - Largest countries on sources of searches on Indian real estate: the U.S., the U.K., Australia, Canada, UAE, Saudi Arabia ^[179]
 - Approximately 8-9 per cent of revenues of online real estate classified portals come from NRIs^[180].

NRI investment in Indian primary real estate market by source country

	UAE	20%
	U.S.	18%
	KSA	10%
	Singapore	7%
	U.K.	7%
	Canada	6%
	Others	32%

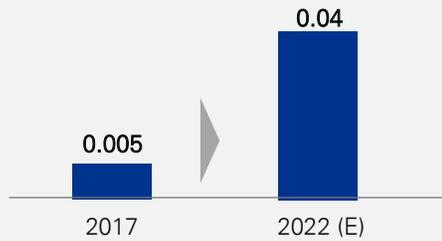
Source: The global Indian fraternity - new locomotive of Indian real estate : a comprehensive report on rising NRI investment in Indian real estate, Square Yards, 2017

Source:
 [171] The global Indian fraternity - new locomotive of Indian real estate : a comprehensive report on rising NRI investment in Indian real estate, Square Yards, 2017
 [172], [173], [174], [175] NRIs prefer to invest in hometown over major metros, housing.com, 2018
 [176], [177] Not enough supply to match NRI demand for affluent senior housing in India, housing.com, 2018
 [178], [179] Digital Classifieds in India 2020, A study by KPMG in India and Google, 2016
 [180] Website traffic statistics, Alexa, 2018, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Online real estate players need to provide a one stop solution to enhance share of wallet from NRI customers

Digital influence on NRI investments to India

NRI contribution to real estate classifieds revenue (In USD bn)



*includes lead generation revenues only

Source: The global Indian fraternity - new locomotive of Indian real estate : a comprehensive report on rising NRI investment in Indian real estate, Square Yards, 2017, Digital Classifieds in India 2020, A study by KPMG in India and Google, 2016 KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Key market drivers

1 Expanded portfolio of services offered



2 Increasing trust, credibility and accountability



3 Attractive virtual tours to aid in decision-making



Real estate classified platforms are estimated to have realised approximately USD0.005 bn^[181] in lead generation revenues from NRI customers in 2017. This is expected to rise to approximately USD0.04 bn^[182] by 2022.

Opportunity scope for Indian real estate developers



One stop solution providers for NRI customers

- Players could act as 'end-to-end solution providers' to gain wallet share from NRI customers. They could provide value added services to their NRI customers like - interior design, furniture, packing and relocation assistance
- Investment in analytics and technology to be prioritised - real estate developers to focus on new technology-enabled solutions like virtual walkthroughs, drone-based views to encourage transactions online.



Marketing efforts targeted at NRI audiences

- Property launch events in foreign geographies - Builders need to organise property launch events in foreign geographies with high NRI diaspora. Model apartments for reference can also be created
- Online forums for interactions between home owners, prospective NRI buyer and builder can generate confidence in new buyers
- Small developers can tie-up with international marketing agencies to reach out to NRI audiences in foreign countries
- Specialised online tools can help players identify markets for business opportunities and provide tailored advertising and analytics solutions to aid international marketing strategies
- Specialised online tools can help players to gain insights on target market consumer behaviour, product localisation, international payments, and logistics in foreign geographies.



Brand building

Most NRIs research for properties online but rely on offline dealers for property purchase. Both builders and online agents need to invest in building a brand which NRIs can trust as a source of information. Builders need to advertise to NRIs clearly stating their value proposition and credibility, to create immediate recall amongst target NRI audiences

Source:

[181], [182] The global Indian fraternity - new locomotive of Indian real estate : a comprehensive report on rising NRI investment in Indian real estate, Square Yards, 2017, Digital Classifieds in India 2020, A study by KPMG in India and Google, 2016, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Prominent players in real estate have leveraged digital marketing in developing economies to establish brand presence

A noted property developer expanded into the Middle East and Indian markets targeting premium and mid-premium buyers

A leading real estate player with operations in Middle East countries and India leveraged digital marketing and other novel promotional techniques in their go-to-market strategy. The player had key competencies in taking on end to end real estate projects in international locations. The player maintains separate website domains for the Middle East countries and India. A mobile-first strategy for mobile responsiveness coupled with interactive website features were developed. Moreover, for improved property visibility, the player's property portfolio is listed on leading regional and international real estate portals.

As part of its marketing initiatives, it opened global overseas sales offices in cities such as London, Singapore, Riyadh, Doha and Kuwait, in addition to Indian cities. As part of its promotional initiative, it conducted a five city roadshow in a key market to showcase its marquee properties and initiate customer dialogue, in addition to parallel television and radio campaigns.

The digital marketing platform of the developer is continuously updated to align with key property launches. The objective was to manage costs and to incorporate web space into the core marketing strategy, in addition to improved lead generation and conversion ratio, organic traffic and following on networking

platforms. Enhanced web content for organic traffic using content marketing, landing pages and a clear call to action helped to increase lead generation and conversion online. Personalised and targeted email drip campaigns were developed to generate qualified leads, thus streamlining and bettering the sales strategy.



Key focus areas for Indian real estate players in terms of marketing in international geographies

<p>Interactive brand experiences online</p>  <p>i.e. enhanced landing pages that leverage AR, VR for virtual tours, etc.</p>	<p>Investor outreach programmes</p>  <p>i.e. property exhibitions, expos across online, offline channels, etc.</p>	<p>Inbound marketing – content marketing</p>  <p>i.e. blog presence, market reports, newsletters, etc.</p>	<p>Micro-targeting</p>  <p>i.e. niche buyers such as HNIs can be targeted online through contextual campaigns</p>
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International opportunities for Indian SaaS (software as a service) players



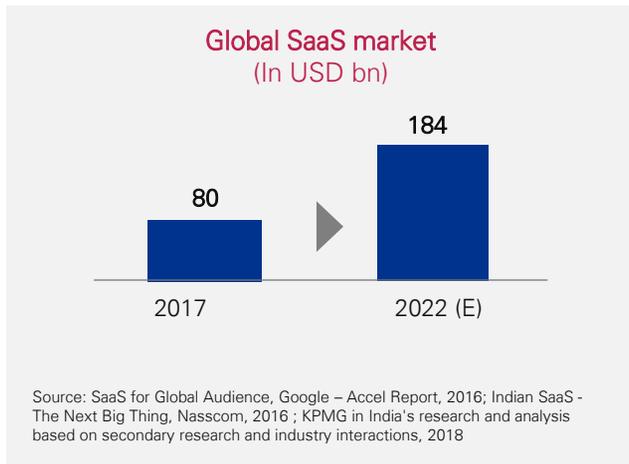
Key highlights

- SaaS adoption by SMB customers in emerging markets is rising – the global SMB SaaS segment is expected to grow at a CAGR of 36 per cent over the 2017-22 period. Communication tools, file sharing and customer engagement are the focus SMB SaaS segments
- SaaS adoption and cloud first digital transformation are gaining prominence globally. Untapped market opportunity exists in vertical focused SaaS as well as hybrid SaaS solutions. Domestic players can leverage the cheaply available talent pool (cost difference between India and the U.S. is four times) in software product development to derive competitive advantage
- Key focus areas for Indian SaaS players in international markets
 - Mobile-first, localised product offerings in emerging geographies
 - Brand building, driven by digital marketing
 - SaaS solutions integrated across usage platforms and bundled SaaS solutions to SMBs to differentiate product offerings.

Evolving SaaS solutions across key segments drive cloud adoption across the customer spectrum

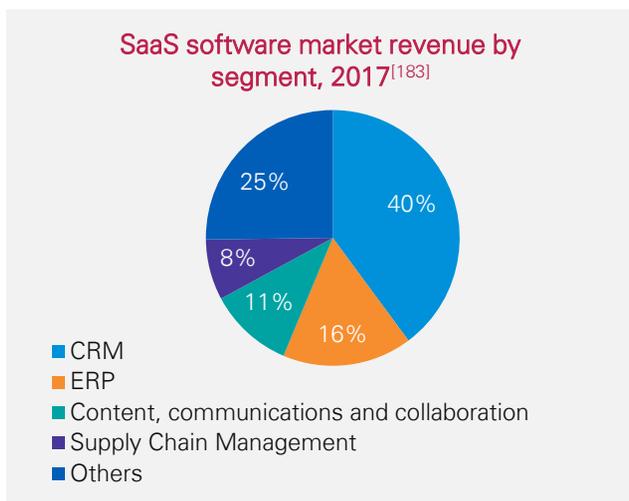
SaaS refers to delivery of applications over the internet as a service. For the purpose of this report, we define SaaS as applications for enterprise software services accessed by business end users via the internet. As opposed to the traditional paradigm of installing and maintaining software on local systems, SaaS exists as a centrally hosted (cloud) software application licensed on a subscription basis to users.

Global SaaS market outlook.



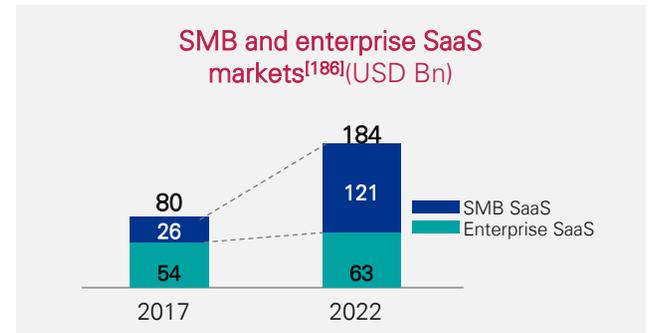
The global SaaS market is to reach USD184 bn by 2022, growing at a CAGR of approximately 18 per cent^[184]. Significant global markets by revenue, include the U.S. (40 per cent), Europe (20 per cent), Japan (5 per cent), the U.K. (5 per cent) and Germany (4 per cent)^[185].

Market growth is expected to stabilise with increasing maturity of SaaS offerings in key segments of CRM, HCM (human capital management) and financial applications. At the same time, hybrid SaaS solutions are on the rise and expected to witness further traction.



Sources:
 [183] [188], [189], [190], [191], [192] Indian SaaS - The Next Big Thing, Nasscom, 2016
 [184] [186] SaaS for Global Audience, Google – Accel Report, 2016, Indian SaaS - The Next Big Thing, Nasscom, 2016
 [185] Cloud computing – market segmentation, Marketline research, 2016
 [187] SMB Cloud Market in APAC Region, Technavio, 2016

The SMB (Small and medium businesses) SaaS segment to drive global SaaS markets



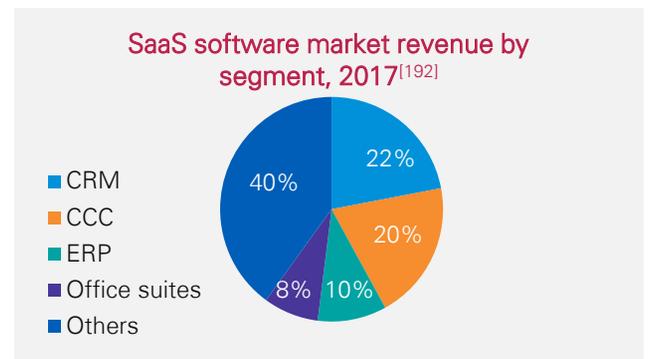
SMB SaaS refers to SaaS products and revenues linked with SMB (Small and medium businesses) customers (employee strength <250). Enterprise SaaS refers to SaaS products and revenue linked with larger businesses. SMB segment of the global SaaS market is expected to outgrow the enterprise SaaS market by 2020. The SMB segment is underpenetrated and has substantial revenue potential. Emerging markets, such as Asia-Pacific are growing rapidly, at a CAGR of 41.6 per cent from 2012-16 in the SMB SaaS segment^[187].

Indian SaaS market outlook.



The market size for Indian SaaS players is set to reach USD4.4 bn by 2022, growing at a CAGR of approximately 32 per cent^[188]. CRM, business intelligence and analytics, CCC (content, communications and collaboration) are important growth segments for Indian SaaS providers^[189].

Sector-wise, BFSI (15-20 per cent) and healthcare (25-30 per cent) are the leading verticals demanding SaaS solutions in the domestic market^[190]. E-commerce (20-25 per cent) and education (10-15 per cent) are also gaining share in the market^[191].



Growing Indian SaaS market and ecosystem enables innovative offerings for global markets

Key growth drivers – enabling Indian SaaS players to leverage international growth opportunities

1	Ecosystem readiness	The domestic Indian tech ecosystem is primed for scalable growth with a growing landscape of SaaS firms (150 - 500) ^[193] along with growing investor interest in SaaS (>USD0.449 bn ^[194] invested in FY16). Also the incremental ARR per dollar spent on inside sales in India is 2.5 times that of the U.S. based companies, providing a higher return ^[195]
2	Lower costs	Indian SaaS players can leverage the highly skilled, low cost talent pool available locally at four times the cost difference between India and the U.S. ^[196] for product development. The per capita work force cost is 0.26 times that of the U.S. ^[197] . Cloud oriented software developers (SaaS ready and skill ready) are 1.1 times the number in the U.S. and UI/UX designers are 1.8 times the number in the U.S. ^[198]
3	Capabilities in mobile product development	Indian SaaS industry is suited to leverage the next wave of growth in the global markets. As global SaaS markets steadily shift to mobile, Indian players are set to leverage their capabilities in mobile product development – India is expected to have 0.188 mn mobile app/UX developers by 2022 (growing at a CAGR of 25 per cent) ^[199]
4	Growing SMB demand for SaaS	SaaS products are being sought after by SMBs globally, Indian players are poised to cater to this demand through their customised, cost effective, on demand SaaS solution offerings.

Opportunity assessment for Indian players in international markets

A recent industry report stated that the U.S. and Europe account for approximately 80 per cent of the demand for Indian SaaS companies^[200]. Potential SaaS segments with sizeable international market opportunity for Indian players to leverage include - healthcare software, sales/CRM, HRM, data management/visualisation, logistics, education amongst others^[201]. Specialised SaaS companies and SaaS products from India can emerge in these areas.

Opportunity for Indian players to cater to global SaaS demand fulfilment landscape



For a segment with strong Indian presence, there is potential for Indian players to fulfil greater global demand in SaaS

*demand and fulfillment for SaaS products determined by online search queries for SaaS in global geographies, and SaaS businesses' webpage traffic, respectively

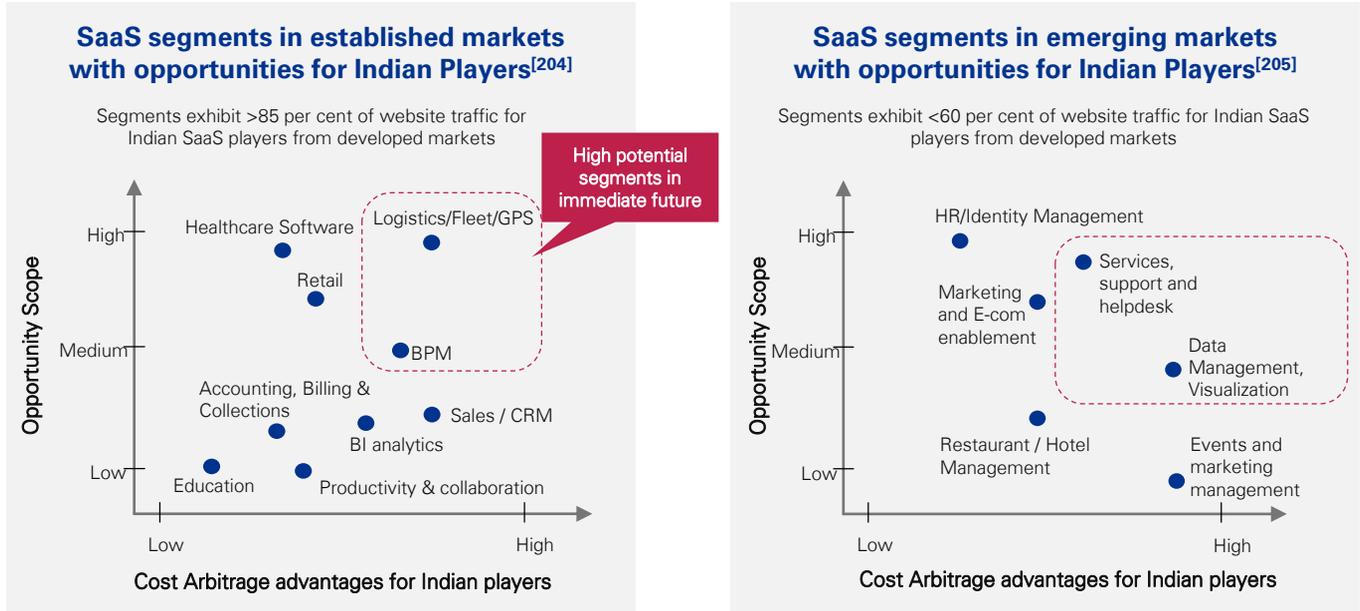
The demand for SaaS products globally is largely fulfilled by players predominantly (90 per cent) from North America and the European Union. However, given the aforementioned growth drivers, there is scope for higher global demand fulfilment by Indian players. As seen above, for a select SaaS product category with strong Indian player presence, Indian players can potentially cater to 42 per cent of the global demand fulfilment in that category.

Source:
 [193] SaaS for Global Audience, Google – Accel Report, 2016, Indian SaaS - The Next Big Thing, Nasscom, 2016
 [194] Global SaaS, Tracxn report, 2016
 [195], [196], [197], [198], [199] SaaS for Global Audience, Google – Accel Report, 2016

[200] Indian SaaS - The Next Big Thing, Nasscom, 2016
 [201] SaaS for Global Audience, Google – Accel Report, 2016
 [202], [203] KPMG in India's research and analysis based on secondary research and industry interactions, 2018, SaaS for Global Audience, Google – Accel Report, 2016

Indian SaaS players to leverage competitive advantages to cater to international opportunity

Key SaaS market segments with scope for growth for Indian players



Opportunity scope for Indian SaaS players

	<p>Mobile-first, locally customised product for clients in target geographies</p> <ul style="list-style-type: none"> Approximately 43 per cent small business owners currently use mobile devices as the primary platform for access. By 2019, approximately 90 per cent of mobile data traffic will be generated by cloud solutions^[206] Product localization based on target market is critical. Localisation could be in terms of locally preferred language, payment methods or country specific requirements. For example, as per industry surveys, users in the U.K. prefer to pay via credit cards (77 per cent of users), while users in Netherlands prefer online banking payment solutions (55 per cent of users) for transactions^[207].
	<p>Bundled range of products offered via an omni channel model</p> <ul style="list-style-type: none"> SaaS products in emerging markets require the ability to function both online and offline as data is still relatively expensive in these areas Approximately 81 per cent of SMB clients prefer a bundled solution offering as opposed to standalone applications^[208].
	<p>Brand building in emerging markets to be driven by digital marketing</p> <ul style="list-style-type: none"> Revenues in this sector are increasingly being driven by inside sales as opposed to field sales. Over the 2013-15 period, the number of SaaS companies deriving >90 per cent of their revenues through field sales declined by 50 per cent^[209] Online marketing strategy is a critical aspect of sales along with direct contact of clients by in-house sales teams via phone/mail.

Source:
 [204], [205] KPMG in India's research and analysis based on secondary research and industry interactions, 2018; SaaS for Global Audience, Google – Accel Report, 2016
 [206], [208] Emerging nations to dominate SaaS market by 2020, Medium, 26 March 2017
 [207] Developing a SaaS product for a global audience, Usersnap
 [209] The Rise of Inside Sales and What it Means For Your SaaS Business, Medium, 19 January 2017

Indian players to focus on emerging markets through localised products offered via an omni-channel model



Focus on SMB clients in emerging markets such as Indonesia and China

- As per industry surveys, SMB clients have indicated a requirement for cloud-based services support in working together – communication, file sharing etc. (indicated by 98 per cent of respondents), financial management (indicated by 94 per cent of respondents) and managing customers (indicated by 92 per cent of respondents)^[210]
- Geographically, developing nations are expected to contribute approximately 65 per cent to global SaaS sales by 2020. This is highlighted by the fact that approximately 80 per cent of the world’s working population is not supported by technology at their workplace. Approximately 50 per cent of this untapped workforce belongs to the Asia-Pacific region^[211].

A popular player in the SaaS – cloud helpdesk vertical rapidly expanded into the global market targeting mid-market, SME segments through a multi-channel approach

A leading player in cloud-based customer engagement software expanded to global markets and gradually built ancillary products. The focus was on the U.S., the U.K. and Europe dealing with key market segments of SME and mid-market enterprises. The player was prompt to design price friendly product packages for each segment.

The player made several strategic acquisitions – this helped to plug gaps in the players’ product portfolio. Multiple integrated systems for lead, deal and account management were developed in-house.

A three pronged sales strategy was followed – 1. Collaborations with resellers in foreign markets, 2. Inside sales teams (i.e remote sales teams in India) and 3. Regional sales offices (in multiple global locations). There was a customised sales process in terms of personalised mails and pre-built demos for various verticals.

The player used multiple online channels and digital platforms for marketing. Salient highlights include -

- The company developed a digital marketing strategy to ensure micro targeting of enterprises by cities and regions
- New global markets were easily catered to with the help of online translation tools customised to the company’s marketing needs
- End of end prospect tracking in terms of product demo usage, pain-points, feedback, helped the sales team design better processes to reduce - churn, customer acquisition cost (CAC) and also increase the customer lifetime value (CLTV).



Key focus areas for Indian players in marketing in international geographies



i.e competencies with remote sales teams



i.e. with lead generation features as chat bots, product demos, etc.



i.e. sales channel mix for specific market segments



i.e go-to-market must be balanced with product integrations of popular client software

Source:

[210] The small business revolution: trends in SMB cloud adoption, BCSG, 2015

[211] Emerging nations to dominate SaaS market by 2020, Medium, 26 March 2017

International opportunities for Indian video, audio and gaming players

Opportunity overview

International revenue opportunity for Indian players in the video segment (i.e TV, films, animation)

Category	2017 (USD bn)	2022 (E) (USD bn)	CAGR
Revenue from movies and other video content	0.71	3.46	37%



Domestic and global market sizes for players in select verticals in media and entertainment market

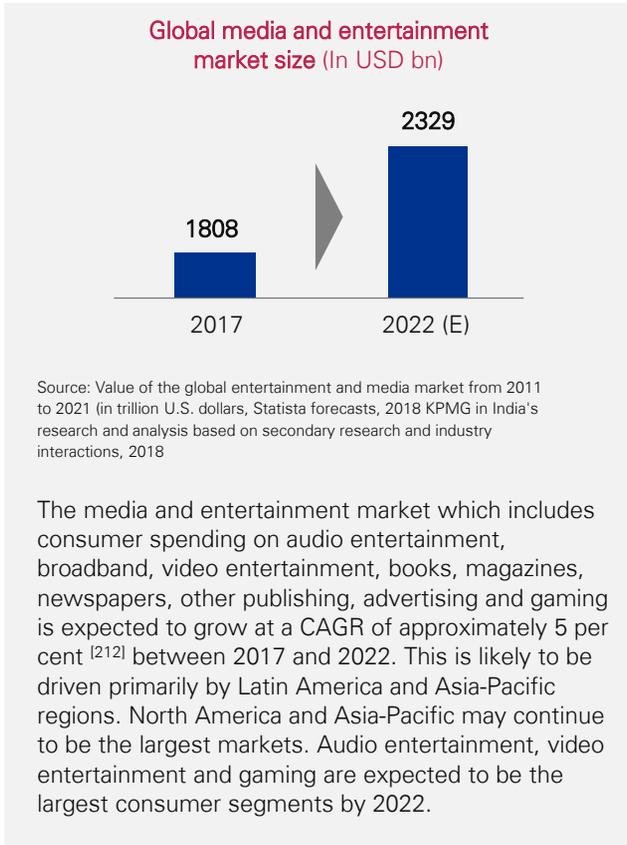
Category	2017 (USD bn)		2022 (E) (USD bn)		CAGR	
	Global	India	Global	India	Global	India
Revenue from audio content	37.1	0.2	61.4	0.5	11%	20%
Revenue from games	107	0.6	134	1.3	5%	17%

Key highlights

- NRI markets in the U.S., the U.K., UAE and vernacular, mobile-first markets like Brazil, are lucrative for video consumption. In music, growing markets in South East Asia are Malaysia and Philippines. In gaming, high-potential mobile gaming markets are - Indonesia, Philippines, East Europe. Mobile/tablet gaming is key for gaming developers in the international context
- Emergence of global non-NRI audiences is aiding Indian video content adoption. Mobile consumption is also driving traction with revenue from mobile devices to grow at approximately 12 per cent CAGR. On the supply side, India offers
 - cost effective animation/contracted work in movies which also supplements international demand for Indian brands
- Key focus areas for Indian media and entertainment players in international markets
 - Mobile-first, locally consumable content targeted at emerging markets
 - Innovative payment modes and customer engagement initiatives
 - IP/licensing and merchandising for enhanced revenue

Media and entertainment market in India is expected to reach USD43 bn by 2022 from USD22 bn in 2017

Global media and entertainment sector outlook.



3 Rise of over-the top platforms
The market share of the physical format is dropping. Global viewership of video content over OTT platforms grew over two times in 2017[215]

4 Advent of technology
Technologies like virtual reality and augmented reality enhance the storytelling experience and is likely to drive the global media and entertainment industry.

EMEA and North America are expected to grow at 4.2 per cent and 3.8 per cent CAGRs [216] respectively, over the next five years. However, emerging markets are going through a phase of growth driven by the digital channel. Latin America and Asia-Pacific are expected to grow at 9 per cent and 6.2 per cent CAGRs[217] respectively over the next five years.

The international potential for Indian players in video, audio and gaming categories are significantly larger than that in other media and entertainment categories. Thus, for the purpose of this report the assessment of global media and entertainment markets is focused on these categories.

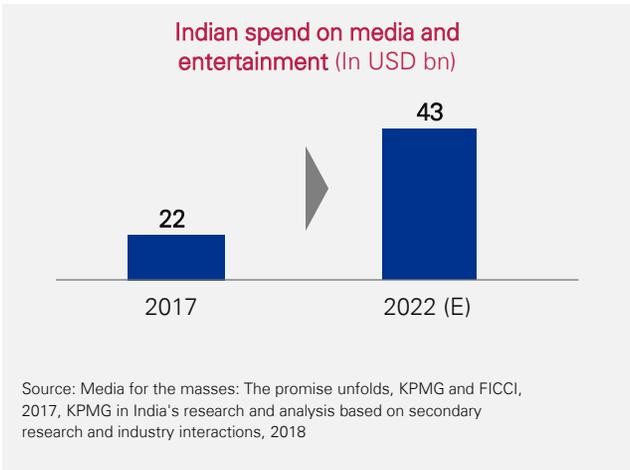
Consumption of media and entertainment content is witnessing disruption globally

1 Consumption via online digital channels
Revenue growth from digital channels (internet enabled video viewing) is expected to grow at a CAGR of approximately 8 per cent till 2022 while non-digital channels are expected to grow at only approximately 2 per cent during the same period [213]

2 Mobile devices gaining popularity
Revenue from mobile devices is expected to grow at a CAGR of approximately 12 per cent till 2022, while digital revenue from non-mobile devices is expected to grow at approximately 4 per cent CAGR during the same time period [214]

Indian media and entertainment sector outlook.

India's media and entertainment market (TV, print, movies, advertising, animation, gaming, radio and music) is estimated to grow at a CAGR of 14 per cent between 2017 and 2022. This growth is expected to be driven by digital channels, with digital advertising revenues expected to grow at a CAGR of 24 per cent [218] between 2017 and 2022.

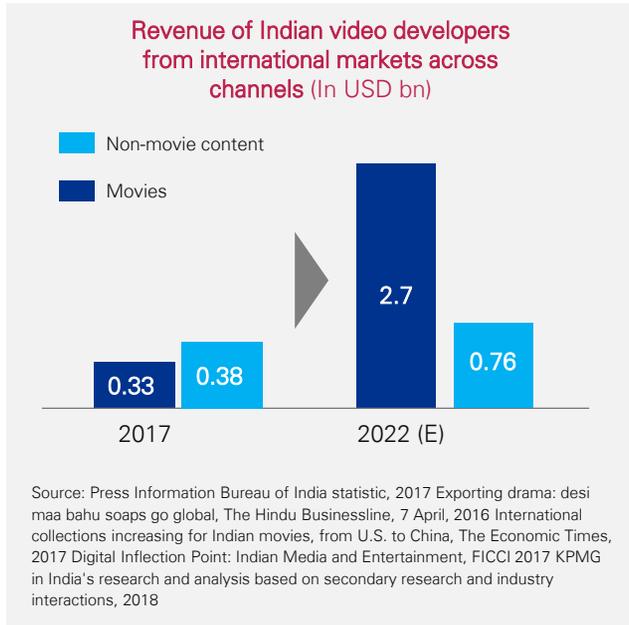


Source:
[212] Value of the global entertainment and media market from 2011 to 2021 (in trillion U.S. dollars), Statista forecasts, 2018, KPMG in India's research and analysis based on secondary research and industry interactions, 2018
[213], [214] Mckinsey global media report, Mckinsey, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018
[215] Global OTT Streaming Video Viewing Doubled—Study, broadcastingcable.com, 2018

[215] Global OTT Streaming Video Viewing Doubled—Study, broadcastingcable.com, 2018
[216], [217] Mckinsey global media report, Mckinsey, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018
[218] Media for the masses: The promise unfolds, KPMG and FICCI, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Revenue for Indian movies in international markets is expected to reach USD2.7 bn by 2022 from USD0.33 bn in 2017

Opportunity assessment for Indian players in international markets



Indian movie revenues from international markets have grown at approximately 80 per cent CAGR over the past two years and are expected to touch the USD2.7 bn^[220] mark by 2022. Popularity of Indian movie stars/musicians, coupled with India's technical competencies and abundance of talent has strengthened the image of Indian brands in international markets.

Advantages of Indian players

Availability of skilled workforce

India is a major shared services destination for global media players. A vast majority of technical work required in movie creation is contracted out of India. Global movie animation contracted out of India is expected to grow ten times between 2017 and 2020^[221]

Lower content development cost

Cost of development of video content in India is significantly lower compared to other nations like the U.S., the U.K., Canada and Australia. Select emerging tier II cities (like Kochi and Indore) in India are rising hubs for this business. The cost of animated content development in India is approximately one-fourth that of the same in the U.S.^[222]

Source:
 [219] Entertainment news, Firstpost, June 21, 2017
 [220] Digital Inflection Point: Indian Media and Entertainment, FICCI, 2017
 [221] Digital Inflection Point: Indian Media and Entertainment, FICCI, 2017, Press Information Bureau of India statistic, 2017
 [222] Trade Policy in Asia: Higher Education and Media Services, OECD, Asian Development Bank Institute, 2014

Key market drivers

- 1 Increasing demand from foreign audiences**
 Movie/TV content created in India is gaining popularity amongst non-NRI audiences in foreign geographies. A major Indian movie collected close to USD0.2 bn from China alone in 2017^[219]
- 2 Increased focus on international marketing**
 Film professionals (director/cinematographer etc.) of international repute are being hired for content creation for the foreign audience
- 3 Strong presence of NRI audience**
 NRI audience is the primary target for Indian movie and TV content releases in international markets.

Advanced technical skills on offer

Global media companies from developed nations such as the U.S. and European nations are focusing on predictive analytics and big data to get customer insights and gain competitive advantage. Since India already has an available workforce with analytics and big data capabilities, Indian players can leverage this outsourcing opportunity and gain significant benefits in the international markets.

Present scenario of players catering to international opportunities

While select Indian movies have been extremely popular at box-offices of certain international geographies, Indian TV content broadcasters are leveraging various operating models to cater to international audiences such as - launch of new channels (owned and operated), content sharing agreements and purchase of timeslots on other channels. TV content is dubbed/subtitled wherever necessary to suit the regional demand.

North America and Asia-Pacific are likely to be the largest digital video markets by 2022

Presence of Indian players in international markets

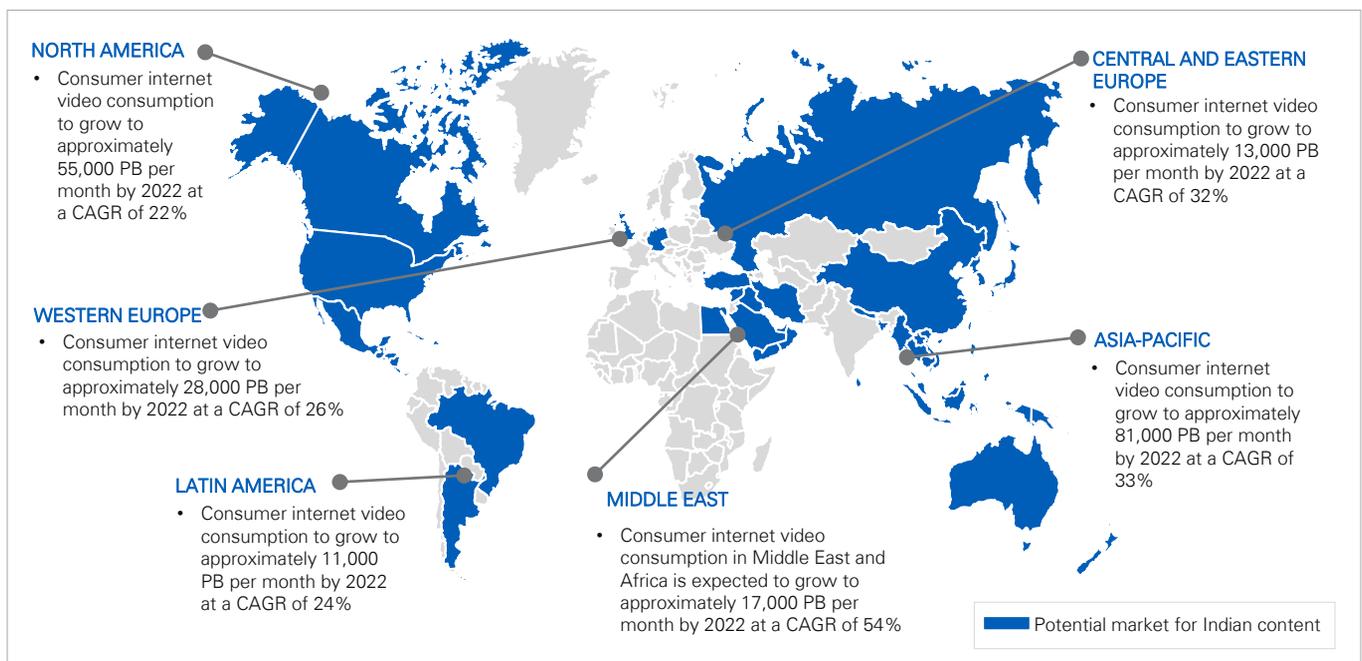
Indian movies are extremely popular in the U.S., China, the U.K. and Germany with over 100^[223] screens for Indian movies in each of these geographies. Indian movies are also screened in Canada, Australia, New Zealand, Russia, Egypt and the Middle East.

Indian TV content export is only 4-5 per cent (by value)^[224] of all content available on the Indian TV market today.

Currently content is exported majorly to Turkey, Philippines, Indonesia, Thailand, Germany, South-Africa and Russia.

In recent times, Indian content created specifically for the kids segment has also gained acceptance in global markets.

Potential focus areas for Indian players in global video market



Source: Visual Networking Index, Forecasting and Methodology, 2016-2021, CISCO, 2016 Digital Inflection Point: Indian Media and Entertainment, FICCI, 2017 Exporting drama: desi maa bahu soaps go global, The Hindu Businessline, 7 April 2016 KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Indian movies are already in high demand in markets with large Indian diaspora- the U.S., Australia, the U.K., Germany and Middle East. But in recent years, demand has risen from geographies with a comparatively lower Indian diaspora, like China. It is expected that in the future, demand for Indian movies will be generated from both - the Indian and non-Indian population residing in these geographies as Indian movie stars continue to gain popularity in these regions. Consequently, Indian content creators and distributors are now focusing on content marketing in countries which are not dominated by the Indian diaspora – besides increased marketing efforts in these countries, directors and cinematographers of global repute are engaged for creation of special content specifically for these markets.

For other video content, the existing markets of the U.S., the U.K., Philippines, Vietnam, Mexico and Canada are likely to continue to be large target geographies. However, recently Latin America (Brazil, Argentina, Mexico), Russia and Middle East regions have also shown positive growth. Indian players are focusing on creation of native content for these market. Viewers in regions such as Latin America, are highly tech-savvy and prefer to view content on internet enabled devices rather than TV.

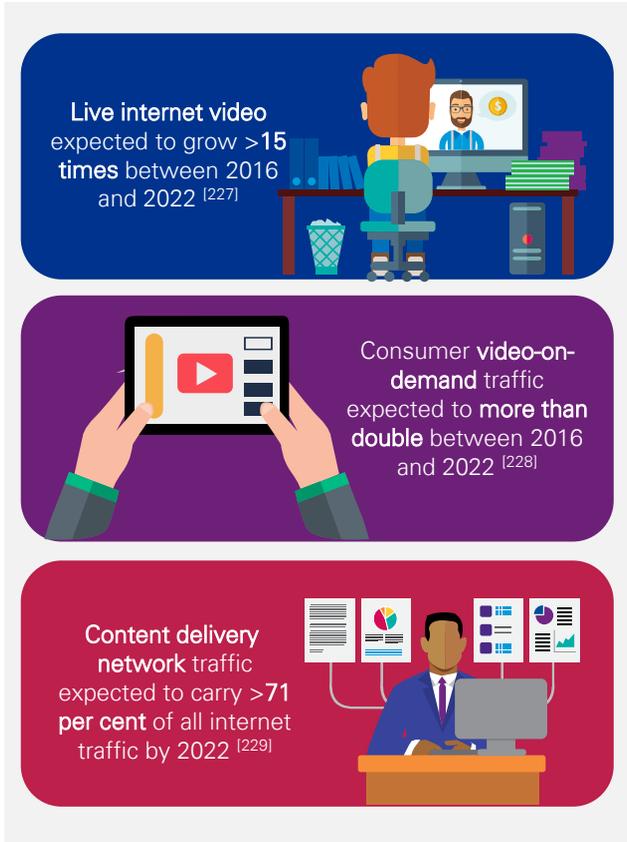
Source:

[223] Digital Inflection Point: Indian Media and Entertainment, FICCI, 2017

[224] Exporting drama: desi maa bahu soaps go global, The Hindu Businessline, 7 April 2016

Localised content creation and enhanced user experience is set to drive growth of video consumption via digital channels globally

Players could tap into the growing global digital video market



Indian players have witnessed growth in acceptance of digital channels by global customers, while TV viewership has not been growing at the same rate. Digital viewership on OTT platforms/VOD/streaming and online videos is expected to account for 38 per cent of global digital video consumption by 2019, up from 31 per cent in 2017 ^[225]. Other viewership channels include, Digital cable TV and IPTV.

- In the Americas, the U.S. was an early adopter of the digital video wave. Other countries in the region like Canada, Brazil, Mexico and Argentina are fast growing markets.
- In the EMEA region, western European countries lead the demand for video content. The U.K., Germany, France, Switzerland and Belgium are major contributors to the growth of the market.
- In the APAC region, China is the largest contributor to the digital video market. Other countries like South Korea, Australia, New Zealand and Taiwan are also growing fast ^[226].

Indian content creators catering to foreign geographies could track local consumption patterns over digitally enabled platforms like mobile, tablets and smart TVs and curate their geography specific content to suit regional tastes. Distribution platforms like OTT players need to focus on good content and convenient payment options.

Opportunity scope for Indian players

	<p>Customised content creation specific to regions offered via digital channels</p> <p>Countries in Latin America, Europe, Middle East and South East Asia need their content curated according to local tastes. Content creators can get into co-production arrangements with a range of European and Latin American countries, namely Canada, China, South Africa and other nations which offer lucrative tax incentives for the filmed entertainment industry.</p>
	<p>Content creators to leverage film festivals and trade shows to gain international traction</p> <p>Content creators can network with buyers and distributors at trade shows around the globe. They can also leverage on digital media and traditional marketing tools to market this content.</p>
	<p>Focus on IP/licensing and merchandising revenues</p> <p>India's licensing and merchandising industry (USD0.03 - 0.035 bn) accounts for only 0.4 per cent of the global industry - within this, film merchandising constitutes a minor portion of Indian licensing and merchandising industry^[230]. Unlike Hollywood movies, where merchandising revenues equal box office collections, this is still an auxiliary mode of revenue for Indian movies which can be explored by players.</p>

Source:

[225], [226] Global digital video content market 2015-2019, Technavio, 2015

[227], [228], [229] Visual Networking Index: Forecast and Methodology, 2016–2021, CISCO, 6 June 2017

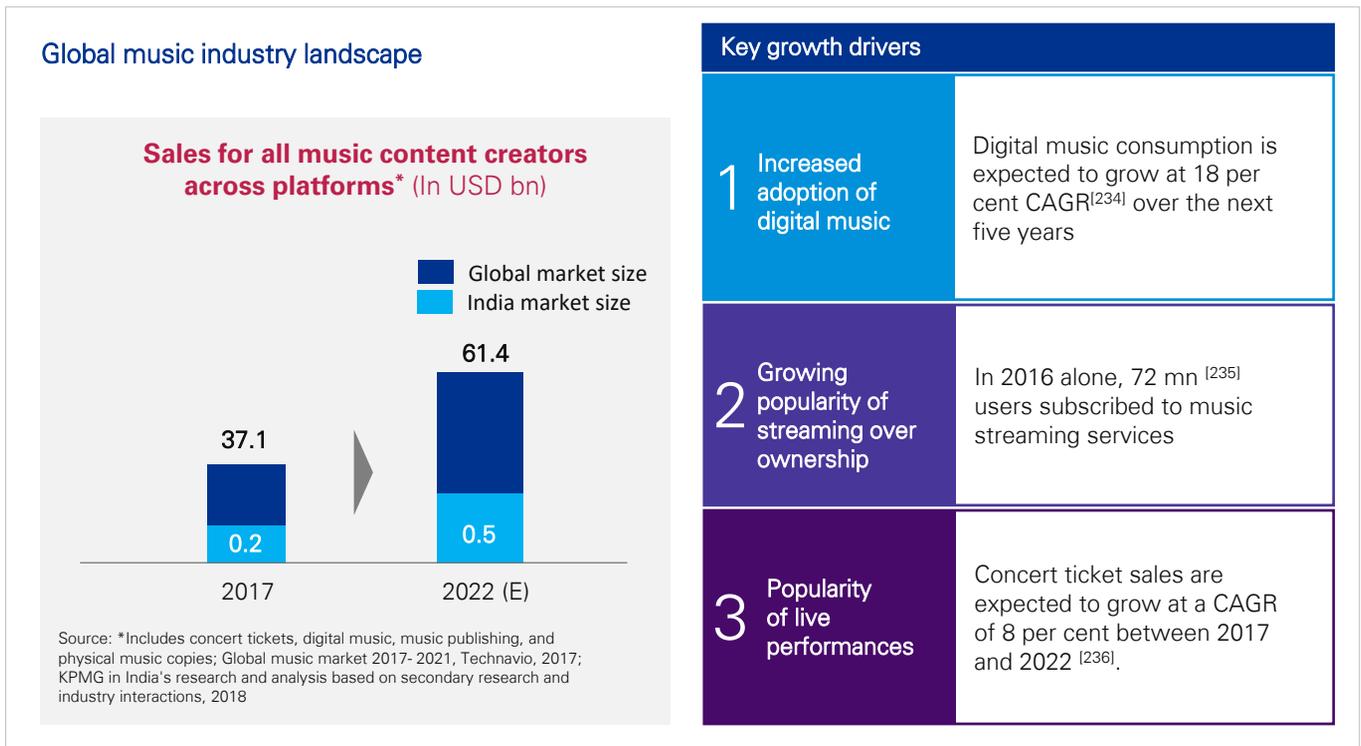
[230] Bollywood still to hit it off with merchandise business, Financial express, 2016

Global music market expected to grow at 11 per cent CAGR, while Indian music market likely to grow at 20 per cent CAGR over 2017-22

The overall size of the Indian music industry (concert tickets, digital music, music publishing*, physical copies) was estimated to be USD0.2 bn ^[231] for calendar year 2017 and is expected to reach USD0.5 bn ^[232] by 2022.

This growth was fuelled by streaming revenues which had a contribution of about approximately 47.5 per cent ^[233].

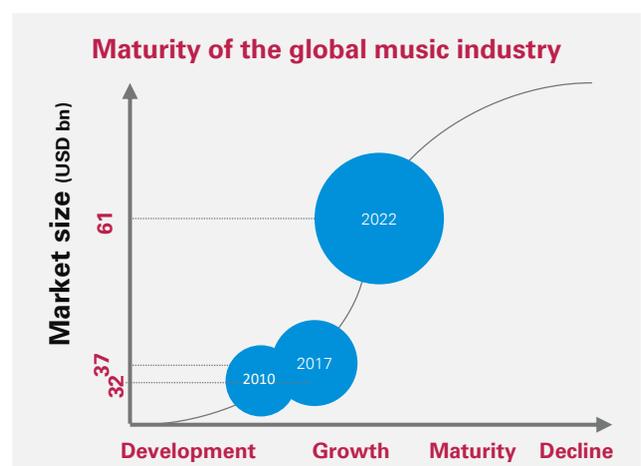
Also, select Indian OTT music players have significant presence in Asian and African markets.



The global recorded music industry (comprising digital music, music publishing and physical music copies) had lost 40 per cent of its market between 1999 and 2014^[237]. This downward trend saw a reversal in 2015, with digital recorded music driving this upturn.

In 2016, digital channel's share in the 'recorded music' segment was 50 per cent ^[238] and is expected to increase further over the coming years.

This turnaround was prompted by the adoption of digital channels and increased competition in the market amongst artists and music streaming platforms. The growth phase is expected to continue beyond the projected period of 2020.



Source: Global music market 2017- 2021, Technavio, 2017; KPMG in India's research and analysis based on secondary research and industry interactions, 2018

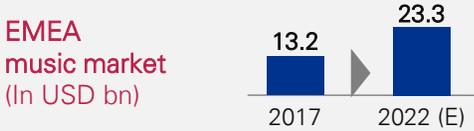
Sources:
 *includes music recording, merchandising, publishing and distribution of musical content
 [231], [232] Media for the masses: The promise unfolds, KPMG and FICCI, 2017
 [233] Global music report 2017: Annual State of The Industry, IFPI, 2017
 [234] Technavio: Global Music Market 2017- 2021
 KPMG in India's research and analysis based on secondary research and industry interactions, 2018
 [235], [236], [237] Global music market 2017- 2021, Technavio, 2017
 [238] Global music report 2017: Annual State of The Industry, IFPI, 2017

APAC and EMEA fastest growing music markets; digital music share of global music revenues set to be 39 per cent in 2022 from 29 per cent in 2017^[239]

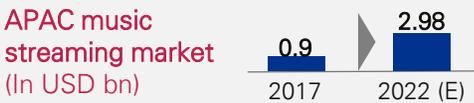
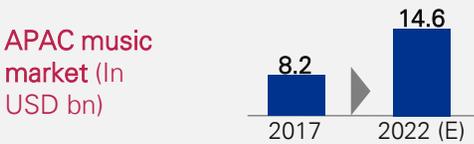
* Music market includes physical music copies, music publishing, digital sales and concert ticket sales



The Americas currently witness a majority of the market share in streamed music globally. Its market share globally is expected to decline from approximately 56 per cent to approximately 40 per cent between 2017 and 2022^[240]. Certain South American markets like Mexico and Brazil are yet untapped and may be focus geographies for upcoming players.



EMEA, the second largest region in global streamed music, witnessing 85 per cent of its revenue contribution coming from Europe^[241]. This region is expected to see continued growth over the next few years, driven majorly by the U.K., Germany and France. The share of EMEA region is expected to go from approximately 23 per cent to 25 per cent between 2017 and 2022^[242].



APAC region is expected to grow the fastest, as it goes through mobile revolution. Japan, China, India and Australia are key geographies in this region. APAC share of the global music industry is expected to go from 21 per cent to 35 per cent between 2017 and 2022^[243].

Source: Global music market 2017- 2021, Technavio, 2017, Global music streaming market 2017- 2021, Technavio, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Focus categories of music in the global market

Source of industry revenue	Global share (2017)	Global share (2021 E)	2016-21 expected CAGR
Physical music copies	5.9%	0.09%	-56.92%
Music publishing	15.3%	15.4%	9.79%
Digital music	29%	39.4%	18.30%
Concert tickets	49.7%	45%	6.88%

Source: Global music market 2017- 2021, Technavio, 2017; KPMG in India's research and analysis based on secondary research and industry interactions, 2018

In 2016, the concert ticket segment dominated the global music industry, however this segment is expected to slowdown in the future.

The music publishing segment is expected to grow based on increasing number of artists and bands globally.

Physical music copies segment is the smallest segment. Digital music is seeping into this market due to rising consumer preference for music on the go.

Sources:

[239], [240], [241], [242], [243] Global music market 2017- 2021, Technavio, 2017, Global music streaming market 2017- 2021, Technavio, 2017

Innovative payment options like career billing and offline engagement with customers to assist in penetration of newer geographies

Opportunity scope for Indian players



Focus on key geographies in the APAC region

APAC is the fastest growing music streaming market. Apart from India and China; Singapore, Hong Kong, Malaysia, Taiwan, Philippines and Japan are also high growth markets in this category^[244]. Indian content creators are also witnessing traction from Indonesia, Malaysia and Thailand. Local musicians are popular in these countries and hence, streaming platforms could onboard local artists to gain users.



Convenient payment systems to tap into emerging geographies

Players are migrating to career billing for countries in the European region. Some players also offer cash payment options in countries like Indonesia and Philippines.



Marketing campaigns for music creators to encompass online and offline channels

- Along with live performances, industry players and artists may engage in magazine shoots, promotional tours, reality shows. A few music streaming service providers organise concerts featuring local artists and musicians. Technologies like smart wristbands can play a critical role in promoting these live events.
- Many music streaming services have also partnered with popular local messaging platforms or online chat applications to allow users to share music tracks to enter markets in Japan, Taiwan, Thailand and Indonesia.



Focus on revenue from merchandising and licenced goods

Players to increase customer wallet share by cross-selling merchandising products to customers. Music merchandise sales grew by 9.4 per cent to USD3.1 bn in 2016 from USD2.83 bn in 2015^[245]. During the same period, global sales of licenced goods and services increased by 4.4 per cent^[246].

Players should leverage trade shows for business deals and partnerships

Trade shows witness players in music, technology and brands converging for licensing agreements and business deals. Trade associations also hold periodic conferences which provide opportunities for networking with business representatives, music managers, buyers, licensors/distributors and technology aggregators

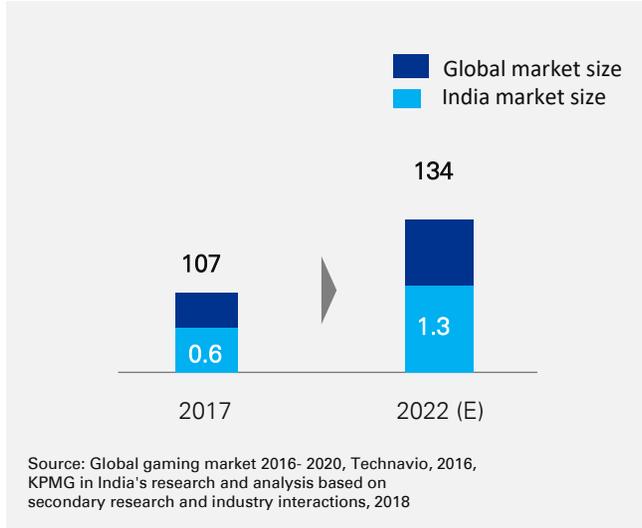
Source:

244] Localization in Asia: How Spotify Conquered 6 Challenging Markets (Includes Japan Pre-Launch Case Study), Oneskyapp, 31 October 2016

[245], [246] Global Music Merch Biz Grew to USD3.1 Billion in 2016: Study, billboard.com, 22 May, 2017

Global gaming market is expected to reach USD134 bn by 2022 from USD107 bn in 2017

Global gaming industry landscape



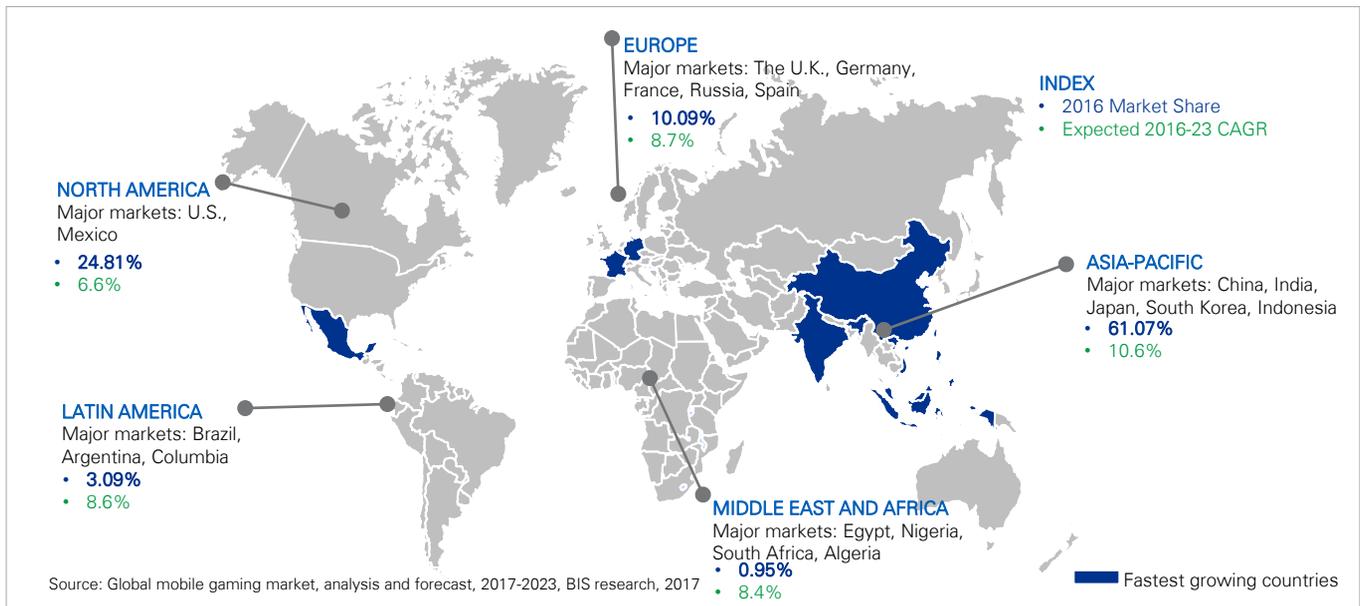
Key drivers for global markets	
1 Rise in e-sports market	Global e-sports market has grown by approximately 34 per cent over 2016-17, to reach USD660 mn
2 Exponential growth in mobile/tablet gaming	Global mobile gaming market is expected to grow at a CAGR of 9.4 per cent between 2017 and 2023 across platforms
3 Availability of high-tech games across categories	New gaming consoles and technologies like Virtual Reality and Augmented Reality are changing the global gaming market

Source: Global gaming market 2016- 2020, Technavio, 2016, E-sports quarterly update: The global esports market will generate USD660 million in 2017, A 34% YoY growth, Newzoo, 3 November 2017; Global mobile gaming market analysis and forecast, 2017-2023, BIS research, 2017

The global gaming market comprises TV console (approximately 25 per cent), massive multiplayer games (approximately 26 per cent), smartphone (approximately 24 per cent), tablets (approximately 10 per cent), box PC (approximately 6 per cent), online games (approximately 5 per cent) and handheld gaming consoles (approximately 4 per cent)[247]. The PC gaming segment is impacted by unauthorised downloads with the most popular games having over 4.5[248] mn unauthorised downloads globally. This represents a significant global gaming audience which is yet to be monetised.

The Indian gaming industry is currently estimated to stand at approximately USD0.6 bn [249] of which online gaming is approximately USD0.37 bn [250]. The gaming industry in India is expected to touch the USD1.3 bn mark by 2022,[251] adding more than 0.19 bn [252] gamers in the time frame. There has also been an increasing focus on end-to-end local development of games by various domestic players in the recent years.

Mobile gaming market share and growth rates by region



Source: [287], [288], [289], [291] Global e-learning market – Strategic assessment and forecast 2017-22, Beige Market Intelligence, 2017; [290] Online education in India:2021, Google and KPMG, 2017 [292], [293], [294], [295], [296], [298], [299] E-learning market trends and forecast 2017-21, Docebo, 2016; [297] Global MOOC enrolment jumped again last year, ICEF Monitor, 2017

Asia-Pacific to remain the largest mobile gaming market and is likely to grow at a CAGR of approximately 11 per cent between 2017 and 2022^[253]

Mobile gaming market size of select countries in APAC

Country	2017 market size (USD bn)	2022E market size (USD bn)
China	10.2	18.6
Japan	6.3	7.1
South Korea	1.5	2.1
Indonesia	0.6	1.5
Philippines	0.19	0.31

Source: Global mobile gaming market, analysis and forecast, 2017-2023, BIS research, 2017

Asia-Pacific, with a current market size of approximately USD21 bn^[254] is one of the largest and fastest growing mobile gaming market globally. China, Japan and South Korea are major revenue contributors to the region. However, the South East Asian countries are also growing rapidly.

Strategy, casino, action and casual games are expected to be the fastest growing categories of mobile gaming in the region.

APAC mobile gaming market size by genre (USD bn)



Opportunity scope for Indian players

	<p>Mobile platforms to penetrate emerging geographies and high tech games/devices to gain foothold in established markets</p> <ul style="list-style-type: none"> While gaming growth in Asia is mobile driven, in developed nations, gaming growth is expected to be driven by new technology/consoles and equipment. VR gaming, currently estimated at USD5 bn globally is to reach approximately USD35 bn by 2021^[255]. Cloud based gaming, AR, facial recognition technology based gaming are also gaining prominence Fastest growing markets for video games include Argentina, Brazil, Denmark, Egypt, Indonesia and Israel, the largest markets are Brazil, China and Japan^[256]. By 2019, the U.S. is expected to be the largest market, followed by China, Japan and South Korea^[257].
	<p>Target geographies with high per user revenue</p> <p>Countries such as Saudi Arabia, Malaysia, India and Indonesia (Asia- Middle East region) display higher average revenue per customer and could generate significant traction.</p>
	<p>Live competitions in social and casual gaming genres</p> <p>E-sports markets comprise competitive/professional video gaming, and pro-gaming with a live audience online. E-sports markets are established in China, Brazil and are growing in the U.S., Mexico and the EU.</p>
	<p>Localised, culturally appealing games</p> <p>In markets such as China, Japan and South Korea, translated games in local languages gain significant traction. Developers could follow a multilingual approach targeting consumers in these geographies.</p>

Source:

[253], [254] Global mobile gaming market, analysis and forecast, 2017-2023, BIS research, 2017

[255] Global VR Gaming Market 2017- 2021, Technavio, 2017

[256], [257] Global digital game market 2014-18, Technavio, 2014

Emerging players in media and entertainment have leveraged innovative business models to expand

A leading brand in the music streaming vertical expanded into global markets with personalised and localised music experiences

A leading player in music streaming services expanded to countries worldwide and dispersed content in more than 50 languages, while building upon its engagements with artists' and record labels worldwide. Localisation of content, experience was critical in this success and this was possible through engagement with record labels, co-marketing and partnerships with music publishers, leveraging embedded widgets, etc.

The innovative business model of the player encompassed several key features – a range of innovative advertising formats embedded natively on its app platform and integrated micro-sites, etc. The player was quick to release a browser based version of its service for users in emerging markets with limited device capabilities.

In the initial years of its release, the player leveraged beta testers of its platform, who were influencers in the technology industry – tech reporters and bloggers who were avid early adopters. Integration of online networking features onto the platform, such as messaging, sharing, personalisation of content and playlists was the next step that enabled traction in user adoption.

In the past four years, the player made strategic acquisitions of over 10 players including companies in

online music studio, music licencing, which led to vertical integration of its service capabilities. In order to expand and grow its audience beyond traditional younger users, the player invests in campaigns across digital media and online networking websites, leveraging digital story telling and influencer marketing.



Key focus areas for Indian audio, video and gaming players in terms of marketing in international geographies

Localisation



i.e in regional languages, user experience, UI and also in content database

Strategic partnerships



i.e for co-branded offerings, channel partnerships, advertising partnerships, etc.

Customer engagement



i.e increased engagement through personalised offers, influencer marketing

Differentiated marketing for content segments



i.e. as done for original programming

International opportunities for Indian players in select other verticals

Opportunity overview

International inbound sales for Indian players across select digital classifieds – real estate and matrimony digital classifieds

Category	2017 (USD bn)	2022 (E) (USD bn)	CAGR
Real estate	0.005	0.04	51%
Matrimony	0.02	0.05	20%

International inbound sales for Indian players across select digital classifieds – e-learning course providers

Category	2017 (USD bn)	2022 (E) (USD bn)	CAGR
Global e-learning market	44	61	7%
E-learning market in India	1.2	2	11%



Key highlights

- NRIs, largely constitute the target market for digital classifieds. GCC countries, Malaysia, China are lucrative markets for real estate portals. For e-learning players, Asia, especially China and Japan, offer significant growth avenues
- NRIs prefer Indian real estate due to higher long-term returns. NRI families seeking matches within home communities is driving matrimonial demand. In e-learning, Indian players account for only approximately 3 per cent of the global e-learning market today and are yet to tap into growing markets in the Middle East and Africa
- Key focus areas for Indian players in international markets
 - Exclusive service offerings by classified players for NRI customers
 - International sales teams, investor outreach programmes, to target NRIs
 - Localised service offerings leveraging emerging technologies
 - E-learning course providers may tap Asian markets via mobile learning platforms and localised content.

Indian real estate digital classified player revenues from international inbound customers (NRIs) likely to multiply by eight times by 2022

Globally, the U.S., the U.K., Germany, China and Japan are the prominent online real estate markets. Global cross border real estate investments are a reality with specialised online real estate portals/digital classifieds.

Presence of Indian players today

Leading Indian players maintain property listings of Indian and foreign projects in key countries dominated by NRIs and expatriates such as the GCC countries. Select players also have dedicated property portals for Middle East geographies targeting NRIs specifically. Few Indian players have alliances with international online real estate aggregators/portals, thereby enabling them to list Indian properties globally and vice versa.

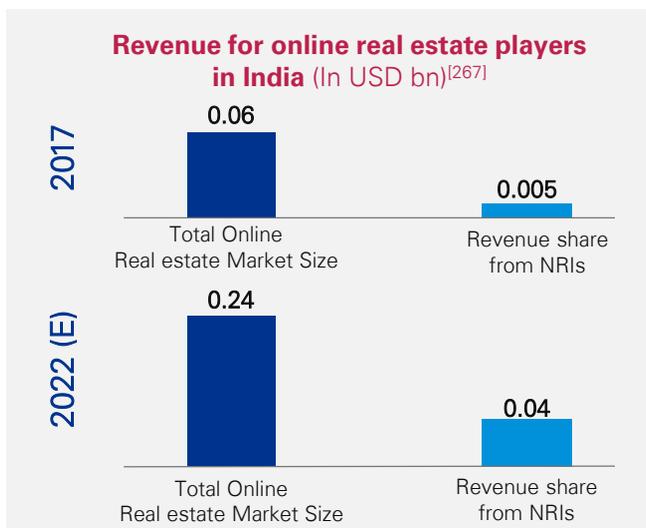
For international market expansion, Indian classified players can provide lead generation (as a listing aggregator), real estate advisory services and also lead fulfilment services through their proprietary suite of online real estate services. Notably, Indian HNI buyers are investing in UAE, Sri Lanka, Malaysia, the U.K. and Australia property markets^[258].

Opportunity assessment for Indian players from international inbound customers

Enhanced user experience, transparency and a 'one stop solution' offered by Indian players at par with

global players have led to greater NRI adoption and revenue share

The Indian real estate digital classifieds market is set to grow from USD0.06 bn in 2017 to USD0.24 bn in 2022, at a CAGR of 32 per cent^[259]. Online property listings is to grow from 10.7 mn listings in FY17 to 56 mn listings in FY22^[260]. Online portals are a prominent source of information for international customers such as NRIs who form a sizeable addressable market at approximately 13 mn^[261]. The total NRI investment in primary real estate in the top eight major Indian cities was estimated to be USD11.5 bn in 2017, i.e 20 per cent of the total primary real estate market^[262]. Over 20 per cent of NRI real estate investment in the Indian market is from UAE, followed by the U.S. and Saudi Arabia^[263]. The most preferred property investment destination by NRIs is expected to be Bengaluru, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun^[264]. As per industry reports, - 78 per cent^[265] of NRIs aiming to invest in Indian real estate, wish to do so in their hometown, making Tier II cities a lucrative real estate market. The largest source countries for searches on real estate in India were the U.S., the U.K., Australia, Canada, UAE and Saudi Arabia^[266].



Key growth drivers – NRI usage of Indian digital real estate classifieds	
1	<p>Evolving NRI mindsets towards Indian real estate</p> <p>NRIs increasingly view Indian real estate as an investment avenue driven by favourable long-term returns of over 5 per cent per annum vis-à-vis developed countries ^[268]</p>
2	<p>Rising consumer confidence in the online channel</p> <p>Enhanced process transparency, implementation of RERA, have led to better customer buying confidence</p>
3	<p>Value add services for user convenience</p> <p>User friendly services coupled with personalised real estate advisory offered by niche players.</p>

[258] Looking Beyond Borders - A look into the buying behavior of resident Indians into residential properties overseas, Knight Frank and IREX, 2017; [259] [266] Digital Classifieds in India 2020, A study by KPMG in India and Google, 2016; [260] India Classified Market Outlook to 2020, Ken Research, 2016; [261] Population of Overseas Indians, Ministry of External Affairs Statistics, 2017; [262] [263] The global Indian fraternity - new locomotive of Indian real estate : a comprehensive report on rising NRI investment in Indian real estate, Square Yards, 2017; [264] Indian Real Estate industry update, RPT, 2016; [265] 'NRIs prefer to invest in hometown over major metros', Housing.com, 2018; 'Where are NRIs investing?', PropTiger, 2017; [267] Digital Classifieds in India 2020, A study by KPMG in India and Google, 2016, Internet web traffic analysis for leading industry players' websites, Alexa, 2017, 2018, The global Indian fraternity - new locomotive of Indian real estate : a comprehensive report on rising NRI investment in Indian real estate, Square Yards, 2017, KPMG in India's research and analysis based on secondary research and industry interactions, 2018; [268] KPMG in India's research and analysis based on secondary research and industry interactions, 2018

Indian real estate digital classified players to expand internationally via new channels, service offerings and adapted technology

Opportunity scope for Indian players

Going forward, Indian classified players could gain a larger share of the NRI customers' wallet by providing mechanisms to enhance buyer trust and offer value add services such as property verification and offline support which could reduce the requirement of physical presence of property buyers for transactions.



Develop exclusive service offerings for the international and NRI customer base

- End to end property management service platform to suit the target customer base
- Digital channel to primarily aid in search and discovery but also to enable purchasing of properties.



Value added services and features

- Tie-ups with international online real estate search engines/aggregators, global brokerage firms to enhance visibility of listings and boost visitor volume
- **Customer assurance initiatives** - complete hand holding of NRI buyers throughout purchase process coupled with ancillary services: real estate advisory, bank finance facilitation, online to offline (O2O) services, etc. to be offered
- **User advocacy through user generated content (UGC)** - Promote user advocacy, i.e. reviews and ratings for real estate developers/builders.



Dedicated international sales team for NRI customer base

- International sales teams focused exclusively on NRI customers
- Emerging channels focus - wealth management networks, NBFCs
- Investor outreach programmes – international expos, exhibitions, joint efforts with wealth managers, private banks, investment advisors.

As per a 2017 consumer survey by an industry player, real estate was the top asset class on NRI investors' minds, with 70 per cent votes overall^[269]



Focus on technology led, localised service offerings for customers

Localised, mobile-first product development to enhance customer experience and online visibility. Major players reported approximately 15 per cent rise in mobile traffic in 2017, with approximately 60 per cent of total user sessions via mobile^[270]

- **User friendly, informative tools** – Experience centres, virtual and augmented realities for 3D property views, virtual walkthroughs
 - **Data visualisation and analytics** - 3D tours, property heat-maps, sentiment analysis, virtual assistants
 - **Digital contracts** for secure transactions between buyers/brokers.
- **Online branding solutions** for real estate players
 - **Tailored service suites** for developers, builders and brokers.
 - **Enhanced microsite solutions** - for property offerings by builders

Key focus geographies for Indian players include – GCC countries, Singapore, Malaysia, China

The above geographies witness India HNI and also NRI investor interest, coupled with a rapidly growing real estate market with significant untapped market opportunity

Source:

[269] Quikr homes consumer survey, 2017

[270] Industry players' corporate investor presentations, 2017

Indian matrimony player revenues from international inbound customers (i.e. NRIs) likely to expand by 2.5 times by 2022

For the purpose of this study, 'online matchmaking and dating' portals (inclusive of matrimonial classifieds) is considered to be the focus, while digital matrimonial classifieds are considered exclusively in evaluating the international inbound opportunity for Indian players.

The global online dating/ matchmaking services market is projected to grow at a CAGR of 5.3 per cent up to 2021^[271]. The U.S. and China are the largest online dating/matchmaking markets. The U.S. online dating market amounted to approximately USD2.1 bn in 2017^[272], while the China online dating and matchmaking market amounted to USD0.54 bn in 2016^[273]. At the same time, South East Asian countries like Thailand, Malaysia are also growing higher than global average annual growth rate for their respective online dating/matchmaking markets.

The Indian online matrimonial market is expected to rise from USD0.11 bn at present to USD0.26 bn by 2022, growing at a CAGR of 19 per cent^[274]. Revenue streams for online dating/matchmaking classified players comprise subscription fees, ancillary marriage services revenue and advertisement revenue.

Presence of Indian players today

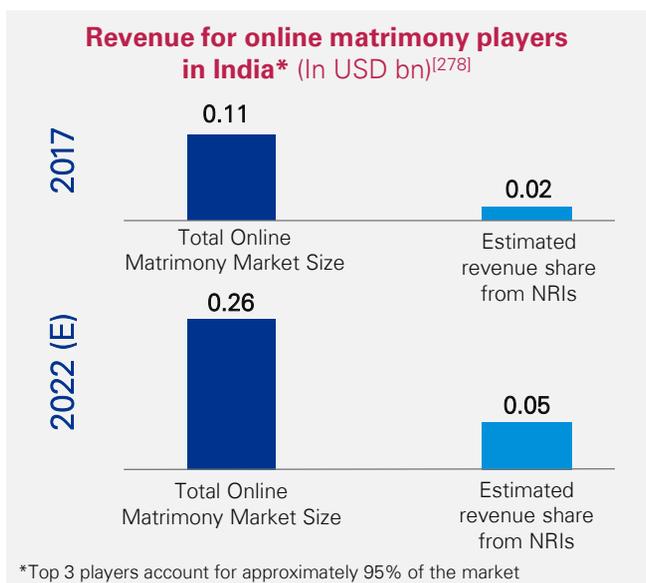
Indian players offer dedicated NRI portals and microsites. Leading players also maintain offices in global locations such as Canada, UAE (Dubai), the U.S. and the U.K. Markets such as Malaysia and Vietnam are future markets for expansion for Indian players due to their fragmented, unorganised matrimonial markets. Select Indian players also operate internationally via subsidiaries and partner firms.

Scope for Indian players from international inbound customers

The opportunity for Indian online matchmaking players in international markets comprise – Matrimony/online matchmaking/dating services, as well as optional provision of value added marriage services.

NRI customers constitute the international inbound opportunity for Indian matrimonial digital classifieds. The primary use of the online matrimony classified portals is for individuals dissociated with traditional communities, as well as for liberalised youngsters seeking diverse choices. Often, it is the family members and parents who drive portal adoption decisions.

Indian NRI population stands at approximately 13 mn individuals globally^[275]. As of 2017, more than 67 per cent of total Indian NRIs were based out of the U.S. and Middle East and Gulf countries (i.e UAE, Saudi Arabia, Qatar, Kuwait, etc.)^[276]. An examination of online traffic to leading Indian matrimonial online portals/digital classifieds show that approximately 10-15 per cent of the website traffic originates outside of India^[277]. The U.S., UAE and the U.K. contribute for bulk of the overseas web traffic to the online portals accessed.



Key growth drivers – NRI usage of Indian digital matrimony classifieds

1 Availability of profiles, convenience and privacy	As per industry surveys, 47 per cent respondents prefer online matrimonials due to higher choices available, 31 per cent prefer online matrimonials owing to convenience, 18 per cent quoted privacy as the reason for preference ^[279]
2 Match seekers disconnected with mother communities	Increased urban mobility amongst NRIs and reduced dependencies on traditional matchmaking have led to digital matrimonial classifieds as a viable alternative.

Source:

[271], [272] Online Dating Services Sector: Worldwide Forecast until 2021, Technavio, 2017
[273], [274] Digital Classifieds in India 2020, A study by KPMG in India and Google, 2016
[275], [276] Population of Overseas Indians, Ministry of External Affairs Statistics, 2017
[277] Internet web traffic analysis for leading industry players' websites, Alexa, 2017, 2018

[278] Digital Classifieds in India 2020, A study by KPMG in India and Google, 2016, Internet web traffic analysis for leading industry players' websites, Alexa, 2017, 2018; India Classified Market Outlook to 2020, Ken Research, 2016; KPMG in India's research and analysis based on secondary research and industry interactions, 2018
[279] Consumer survey by an industry player, 2017

Indian players to prioritise NRI value added services and expand via community driven, demographic customised offerings

Opportunity scope for Indian players to enhance international revenues

Going forward, Indian players should offer innovative features, services and pricing models to maintain pace with the growth momentum in NRI markets. Niche services such as matrimonial services for the elite, assisted matrimony services, Online to Offline (O2O) services are expected to play a major role in the NRI matrimonial segment.



Key focus geographies for Indian players include China, SAARC nations and South East Asian countries like Thailand, Indonesia

Focus geographies exhibit a sizeable share of arranged marriages along with rising internet penetration, and a growing, affluent middle class and increased proliferation of niche segments such as Islamic matrimony online. Market entry into these geographies must be prioritised with innovative subscription packages, localised service offerings and tie-ups to augment service portfolio and membership base.



Address the wider, unorganised NRI markets

- Offline marriage bureaus in key Indian states (with high NRI spouse demand) and Indian associations abroad, constitute the unorganised NRI market
- Ensure adoption by offering enhanced trust mechanisms and verification services for NRI profiles. As per a consumer survey, 74 per cent respondents gained confidence from Aadhar verification^[280] as a step for increasing profile authenticity.



Localisation of service offerings for international customer adoption

- Adapt online matchmaking algorithms to suit regional preferences
- Building trust through localised brand campaigns
- Community/region based service packages - personalised multi-lingual platforms with dedicated sites for 'micro-markets'.



Asset light operations overseas and value added services

- **Prioritise market entry through outsourced operations, related diversification** - Outsourced operations to localised partners and strategic acquisitions are key to diversify into segments like casual dating and niche matchmaking
- **Build platform capabilities through key tie-ups in the ecosystem** – Tie-ups with offline traditional matchmakers (marriage bureaus, community associations) and ancillary marriage service providers (wedding planners, caterers) in foreign geographies
- **Value added services for every customer need** – Curated niche communities, hyper-niche matchmaking (for niche user interests), discovery commerce platform services (marriage service providers aggregation) and facilitation of offline services, e.g. marriage counseling can be offered.

Source:

[280] Consumer survey by an industry player, 201

Prominent players in online matchmaking have leveraged localised content and digital marketing in developing economies

A prominent online matchmaking/dating website (and app) made its foray into the Indian subcontinent markets - leveraging key partnerships and key market strengths

A leading international online matchmaking website/app diversified into new markets leveraging knowledge of local markets coupled with key partnerships. Globally, the player attained organic growth in key markets and then leveraged celebrity endorsements for influencer marketing. The growing popularity of mobile dating lent more emphasis on the mobile-first app approach of the player, for smartphone users.

Globally, India has been recognised as a core market by the player, which was quick to establish an international office in India, a couple of years ago. The focus was on establishing the brand in India, and correspondingly increasing user engagement.

Notably, the app’s infrastructure allowed marketers to target age specific demographics. Content partnerships, brand partnerships and market activations spurred the player’s growth in the Indian markets. For instance, the player worked with a local online comedy group, to co-produce a video about the app, which went viral amongst its target demographic. The player has been quick to launch Bollywood inspired ad campaigns across channels. Online networking websites were frequently used channels for online video marketing. As for brand partnerships, the player also aligned with a leading food ordering app, so as to encourage users to ask matches out on date.

By leveraging campaigns focusing on making a new start and seeking connections, the player forged a distinct brand message in the minds of its users. In a few particular ad campaigns, the player actually changed the conventional paradigm of thinking on online dating, by focusing on female user centric themes. Going forward, in India and globally - VR, AR and AI are set to be major enablers that are likely to enhance member user experience for app usage.



Key focus areas for Indian digital classifieds players in terms of marketing in international geographies

<p>Localised brand campaigns</p>	<p>Gamified user experience</p>	<p>Promotions on networking platforms</p>	<p>Retention marketing</p>
<p>i.e marketing and promotion initiatives customised to local sensibilities</p>	<p>i.e. gamification elements that incentivise user activity and engagement</p>	<p>i.e promotional campaigns to micro target customer segments</p>	<p>i.e approaches to retain customers with attractive features and subscriptions</p>

Global e-learning market is expected to rise from USD44 bn in 2017 to USD61 bn in 2022^[281]

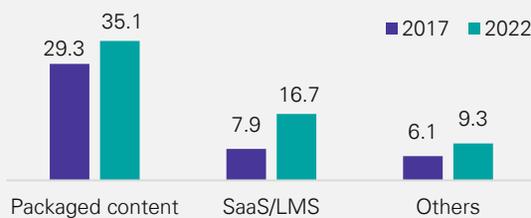
E-learning includes courseware and content delivery services across end-users split into three types by delivery mode – Packaged content, SaaS/LMS and Others. Packaged content includes various forms of standardised educational content on a subscription based model. SaaS/LMS systems include web-based training and assessment software made available to corporates for employee training and management.

In addition, there are players providing innovative learning and assessment content such as virtual classrooms, social learning, gamification and simulations. The global e-learning market size is to grow at a CAGR of 7 per cent over the 2017 to 2022 period^[282], driven by rising preference towards online courses by corporates coupled with increased penetration of mobiles/tablets amongst millennial students.

Key product offerings amongst global e-learners

Globally, packaged content is the major revenue driver for the e-learning market accounting for 67 per cent^[283] of the market. Growth of this category has been moderate in the recent past displaying only approximately 3-4 per cent y-o-y^[284] growth globally. SaaS/LMS is to witness strong growth at 16 per cent CAGR^[285] driven by the growing acceptance of SaaS based LMS trainings for employee development.

Global e-learning market by mode of delivery (In USD bn)



Source: Global e-learning market – Strategic assessment and forecast 2017-22, Beige Market Intelligence, 2017

Key end-user segments in global e-learning

K-12 and higher education end-users account for approximately 44 per cent^[286] of the e-learning market. Government push for enabling infrastructure and private investments for digital learning resources has led to increased adoption of digital learning amongst the young population in key geographies of India and China. Corporate e-learning is to drive future growth in this market. This is backed by rising need for corporates to upgrade functional and language skills of their employees.

Global e-learning market by end-user segment (In USD bn)



Source: Global e-learning market – Strategic assessment and forecast 2017-22, Beige Market Intelligence, 2017

Key geographies in the global e-learning market

NORTH AMERICA

E-learning market size:
USD18.9 bn in 2017
USD28.2 bn in 2022
Projected 5-year CAGR:
8%

LATIN AMERICA

E-learning market size:
USD2.3 bn in 2017
USD2.9 bn in 2022
Projected 5-year CAGR:
4.4%

MIDDLE EAST AND AFRICA

E-learning market size:
USD1.7 bn in 2017
USD2.6 bn in 2022
Projected 5-year CAGR:
8.6%

EUROPE

E-learning market size:
USD8.1 bn in 2017
USD9.2 bn in 2022
Projected 5-year CAGR:
2.5%

ASIA-PACIFIC

E-learning market size:
USD12.3 bn in 2017
USD18.3 bn in 2022
Projected 5-year CAGR:
7.9%

Key geographies in the region

Source: Global e-learning market – Strategic assessment and forecast 2017-2022, Beige Market Intelligence, 2017

Sources:
[281], [282], [283], [284], [285], [286] Global e-learning market – Strategic assessment and forecast 2017-22, Beige Market Intelligence, 2017

Asia region to drive growth through rising adoption of mobile learning platforms and gamification technologies

Indian e-learning market standing vis-à-vis the global market

The e-learning market in India stands at USD1.2 bn in 2017 and is to rise at approximately 11 per cent to amount to approximately USD2 bn in 2022^[287]. This market comprises packages, SaaS/LMS and other products sold via both B2C and B2B models. The market is largely constituted by self-paced learning modules accounting for approximately 85 per cent^[288] of the market by revenue. However, recent growth in

the market has been driven by MOOCs which have grown at a approximately 13 per cent^[289] CAGR over the past five years.



Key market drivers	
1	<p>Low-cost alternative to offline learning</p> <p>As of today, online skill enhancement courses are approximately 53 per cent cheaper than offline alternatives in India ^[290]</p>
2	<p>Rising private investments in the sector equip vendors to offer high-quality products</p> <p>Private investments in excess of USD0.55 bn invested into the Indian education sector in 2016^[291]</p>
3	<p>Favourable government initiatives</p> <p>E-learning promoted by government initiatives such as 'SWAYAM', 'E-Basta', 'Rashtriya Madhyamik Shiksha Abhiyan' (RMSA) and 'Digital India'.</p>

Opportunity scope for Indian e-learning players

	<p>Focus on Asia region through gamification and mobile learning platforms</p> <ul style="list-style-type: none"> China and Japan, the focus geographies for e-learning in Asia with a market size of USD5.2 bn and USD2.1 bn^[292] respectively in 2017. Growth in these markets is to be driven by need for cost effective English proficiency and functional training of corporate employees Mobile learning revenues in Asia stood at approximately USD6.2 bn in 2017 and is expected to rise to approximately USD10.6 bn in 2022^[293] Asia to be the major adopter of gamification techniques by 2020^[294].
	<p>Focus on business and management courses to attract students globally</p> <ul style="list-style-type: none"> Globally, approximately 17 per cent of students avail courses in the business and management category^[295] This is followed by courses in science (approximately 11 per cent) and social sciences (approximately 11 per cent)^[296].
	<p>Focus on non-English regional MOOCs to tap into emerging markets</p> <ul style="list-style-type: none"> Major regional MOOC providers based in China, Latin America and France have witnessed significant traction. A major regional Chinese player offering >300 Chinese language courses boasts >six mn registrants, placing it in the top five MOOC platforms in the world^[297] This indicates an untapped need for regional language MOOCs.
	<p>Provide video-based, socially collaborative learning content followed by student performance support</p> <ul style="list-style-type: none"> As per industry surveys, approximately 81 per cent of users expect their use of video content for learning to increase. At the same time, approximately 82 per cent of users expect their use of social learning to increase or stay the same^[298] Also, approximately 71 per cent of users expect their use of performance support features to increase^[299].

Source: [287], [288], [289], [291] Global e-learning market – Strategic assessment and forecast 2017-22, Beige Market Intelligence, 2017; [290] Online education in India:2021, Google and KPMG, 2017 [292], [293], [294], [295], [296], [298], [299] E-learning market trends and forecast 2017-21, Docebo, 2016; [297] Global MOOC enrolment jumped again last year, ICEF Monitor, 2017

Emerging players in the education space have leveraged alliances, acquisitions and industry-friendly courses to expand globally

A popular player in the online certifications vertical expanded into the global markets, targeting enterprises and professionals across the spectrum

A leading online professional certification provider leveraged niche market presence and affiliation with accredited institutions to expand to global markets – primarily the U.S. and the U.K. The company attained wholly owned subsidiaries in the U.S., Australia, Singapore, and evolved a global delivery model.

The initial brand building was done through various forms of digital marketing. The company was active on multiple digital platforms. A few highlights include -

- Localised digital campaigns were the broad focus including – local content marketing, local search ads and native language content
- A robust affiliate programme and referral incentive programme were rolled out to boost user base
- Dedicated pages on networking platforms to share high-quality content with users and create positive word of mouth.

As the company expanded, strategic hires were made across the senior leadership level – i.e CMO, etc.

Overseas regional sales offices set up, contributed to sales, marketing, strategic partnerships and customer relationship initiatives. The player followed a differentiated pricing strategy for different regions and positioned itself consistently as the 'go-to career partner' across markets and regions.

Strategic alliances with global MOOC players, regional ecosystem players enabled product portfolio expansion. In addition, strategic acquisition of a niche global player in digital marketing training – allowed access to new geographies, customers and competencies.



Key focus areas for Indian education players in terms of marketing in international geographies

Online reputation management (ORM)



i.e, ORM solutions and tools enable players to capture feedback, engage with customers and maintain customer relationships

Localised campaigns and course offerings



i.e, brand campaigns and course offerings to be suited to local course requirements, tastes and job markets

Inbound marketing – content marketing



i.e, creating and publishing varied content for a target audience of students

B2B trade events – fairs, expos, conventions



i.e, events bringing together multiple stakeholders to help forge business partnerships

Glossary - Abbreviations

Term	Definition
3D	Three dimension
AI	Artificial intelligence
APAC	Asia Pacific
AR	Augmented reality
ARR	Average rate of return
AYUSH	Ayurveda, yoga and naturopathy, unani, siddha and homoeopathy
Bn	Billion
B2B	Business to business
B2B2C	Business to business to consumer
B2C	Business to consumer
BFSI	Banking, financial services and insurance
BSM	Buyer seller meets
C2C	Customer to customer
CAC	Customer acquisition cost
CAGR	Compound annual growth rate
CCC	Content, communications and collaboration
CEAMA	Consumer electronics and appliances manufacturers association
CIS	Commonwealth of independent states
CLTV	Customer lifetime value
CRM	Customer relationship management
EDME	Emerging markets and developed economies
ELCINA	Electronic industries association of India
EMEA	Europe, the Middle East and Africa
EMS	Electronics manufacturing services
EPC	Export promotion council
ERP	Enterprise resource planning
ESC	Electronics and computer software export promotion council
FTA	Foreign tourist arrivals
FTA	Free trade agreement
FY	Financial year
GCC	Gulf cooperation council
GDS	Global distribution system
GST	Goods and service tax
HCM	Human capital management
HNI	High net worth individual
IATA	International air transport association
ICT	Information and communication technology

Term	Definition
IEEMA	Indian electrical and electronics manufacturers association
IoT	Internet of things
IPTV	Internet protocol television
JCI	Joint commission international
KSA	Kingdom of Saudi Arabia
LMS	Learning management system
MOOC	Massive open online course
Mn	Million
NABH	National accreditation board for hospitals & healthcare providers
NBFC	Non banking financial company
NDC	New distribution capability
NFC	Near-field communication
NRI	Non-resident Indian
O2O	Online-to-offline
OEM	Original equipment manufacturer
ORM	Online reputation management
OTA	Online travel agency
OTT	Over the top media services
PIO	Person of Indian origin
R&D	Research and development
RERA	Real estate (regulation and development) Act
RFID	Radio-frequency identification
RPK	Revenue passenger kilometers
SAARC	South asian association for regional cooperation
SaaS	Software as a service
SEM	Search engine marketing
SEO	Search engine optimization
SEZ	Special economic zone
SMB	Small and medium businesses
SME	Small and medium sized enterprises
Tn	Trillion
UAE	United Arab Emirates
UGC	User-generated content
UI/UX	User interface
USD	United states dollar
VR	Virtual reality
Y-o-y	Year on year

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