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The Nielsen Annual Client Conference

Date: May 16, 2007



Realising opportunities in the

dynamic

Retail, Media and Consumer environment

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The great Indian buyout

Country will turn into fifth largest consumer market by 2025.
Rising incomes will swell middle-class ranks to 58 crore: New study

Suman Layak
Mumbai, May 3

BY 2025, India will grow into the fifth-largest consumer market in the world, ahead of the likes of Germany and Italy. The affluent middle-class population will outnumber those living below the poverty line and fuel the boom, predicts a new study.

In the next two decades, Indian household income will triple and 29 crore people (twice the present population of Bangladesh) will have risen above the poverty line, says *Bird of Gold — The Rise of India's Consumer Market*, a new study by McKinsey and Company.

McKinsey partner Subbu Narayanswamy told HT: "We assumed a 7.3 per cent growth and no dramatic reform measures, just the continuation of the current momentum. This will change the shape of the Indian consumer pyramid."

The study also says that the list of very rich people will be as long as 2.3 crore.

Predicting a population of 142 crore, the study says 22 per cent would still be "deprived" but that's still better than the 2005 level of 54 per cent. The 58-crore-strong middle-class would comprise 41 per cent of the population.

Between the deprived and the middle-class, there is a class defined as the 'Aspirers'. Their numbers were at 18 per cent of the total population in 1995 and rose to 41 per cent in 2005.

The numbers in this class will move up to 43 per cent by 2015 and then fall to 36 per cent in 2025 as more aspirers join the more affluent middle-class.

Annual incomes have been taken at the year 2000 level to determine various classes.

**2.3 CRORE
INDIANS WILL
BE 'VERY RICH' BY
2025, EARNING
OVER Rs 10 LAKH
A YEAR**

Continued on Page 9



Source: McKinsey Global Institute

INDIA BIDS GOOD-BUY

Food, beverages tobacco	42
Transportation	17
Housing utilities	12
Personal products & services	08
Health care	07
Apparel	06
Education & recreation	05
Household products	03
Communication	02

Food, beverages tobacco	25
Transportation	20
Housing utilities	10
Personal products & services	11
Health care	13
Apparel	05
Education & recreation	09
Household products	03
Communication	06

All figures in per cent. Figures have been rounded to the nearest integer and may not add up to 100%

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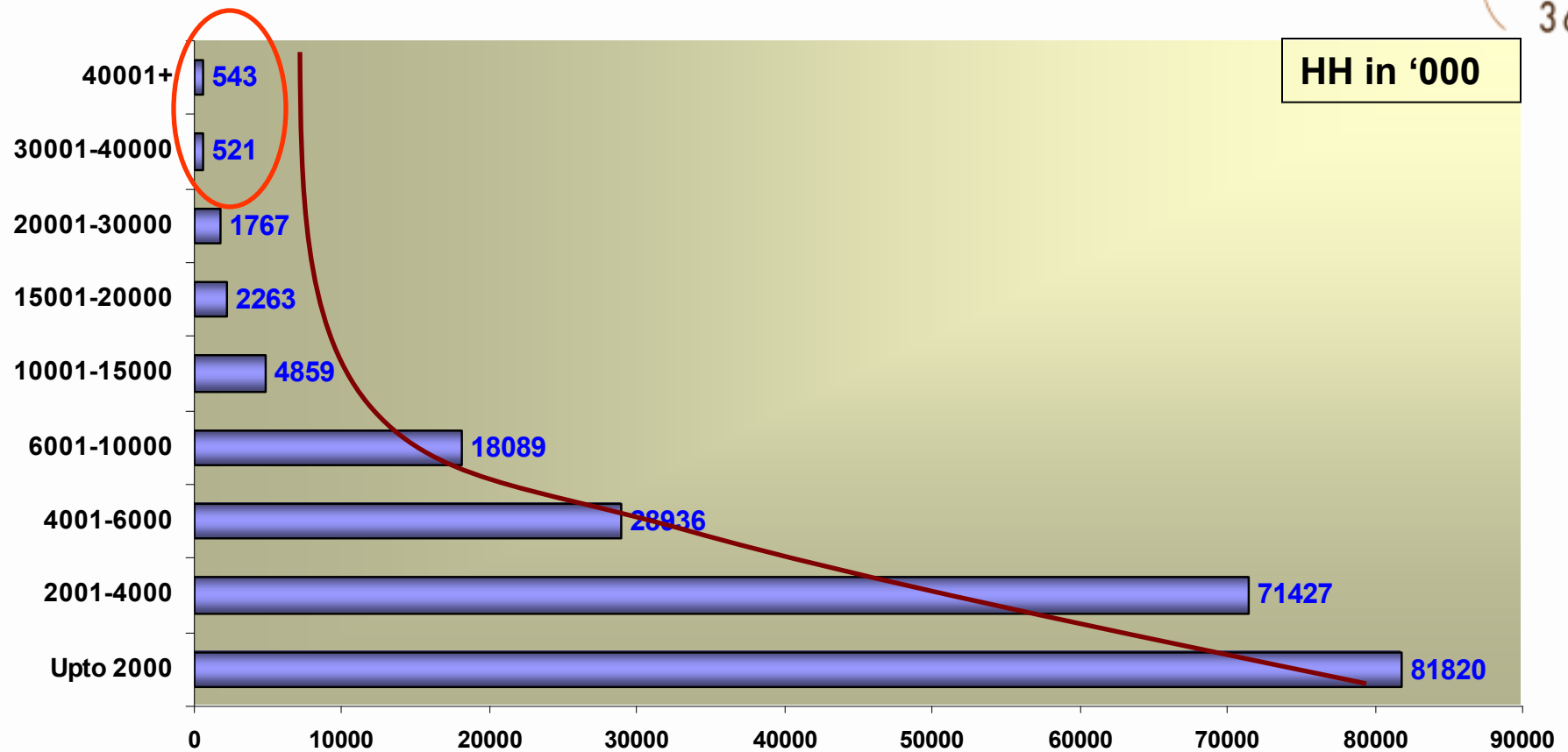
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Consumers..



Distribution of HH's by MHI : 2006

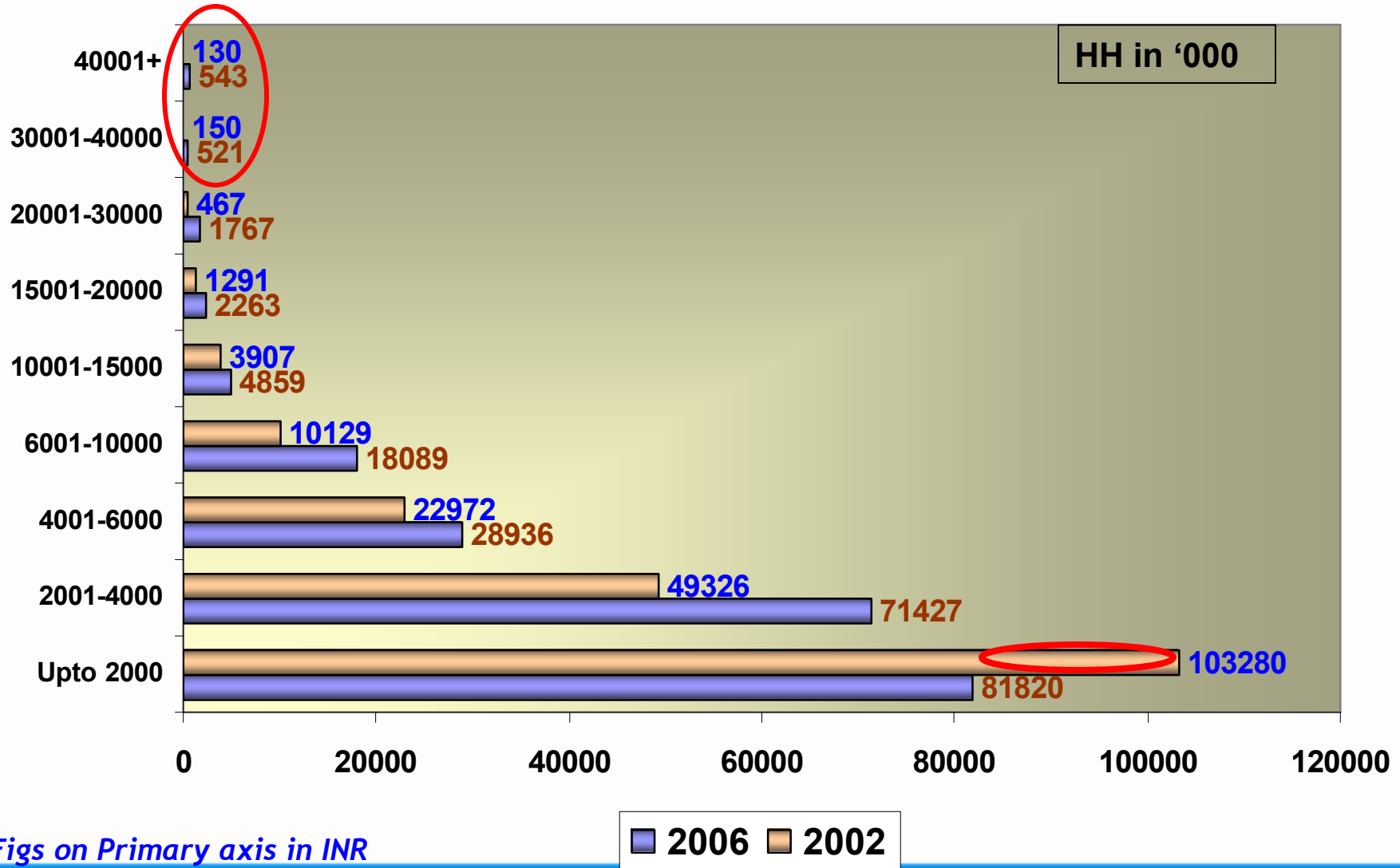
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Source : NRS 2006

Figs on Primary axis in INR

Change in MHI : 2006 Vs 2002



Growth of the High Income Group – More prominent in Metros

	All Urban		
	2006	2002	Index
Base HHs (Million)	66	56	
MHI	%	%	
Upto Rs.2000	17.6	26.6	66
Rs. 2001-4000	29	31.9	91
Rs. 4001-6000	19.9	22.3	89
Rs. 6001-10000	16.5	11	150
Rs. 10001-15000	5.6	5.1	110
Rs. 15001-20000	2.8	1.9	147
Rs. 20001-30000	2.5	0.7	357
Rs. 30001-40000	0.7	0.2	350
Rs.40001+	0.6	0.2	300

Top 8	Other	5-10L	1 - 5L	< 1L
Metros	Metros	Towns	Towns	Towns
18	9	6	14	19
Index				
45	52	56	68	80
74	74	99	101	105
85	87	92	95	90
154	163	160	142	136
106	147	105	100	97
138	245	129	114	111
350	633	244	220	233
475	800	250	200	100
400	500	133	100	100

Source : NRS 2006

Conclusions:

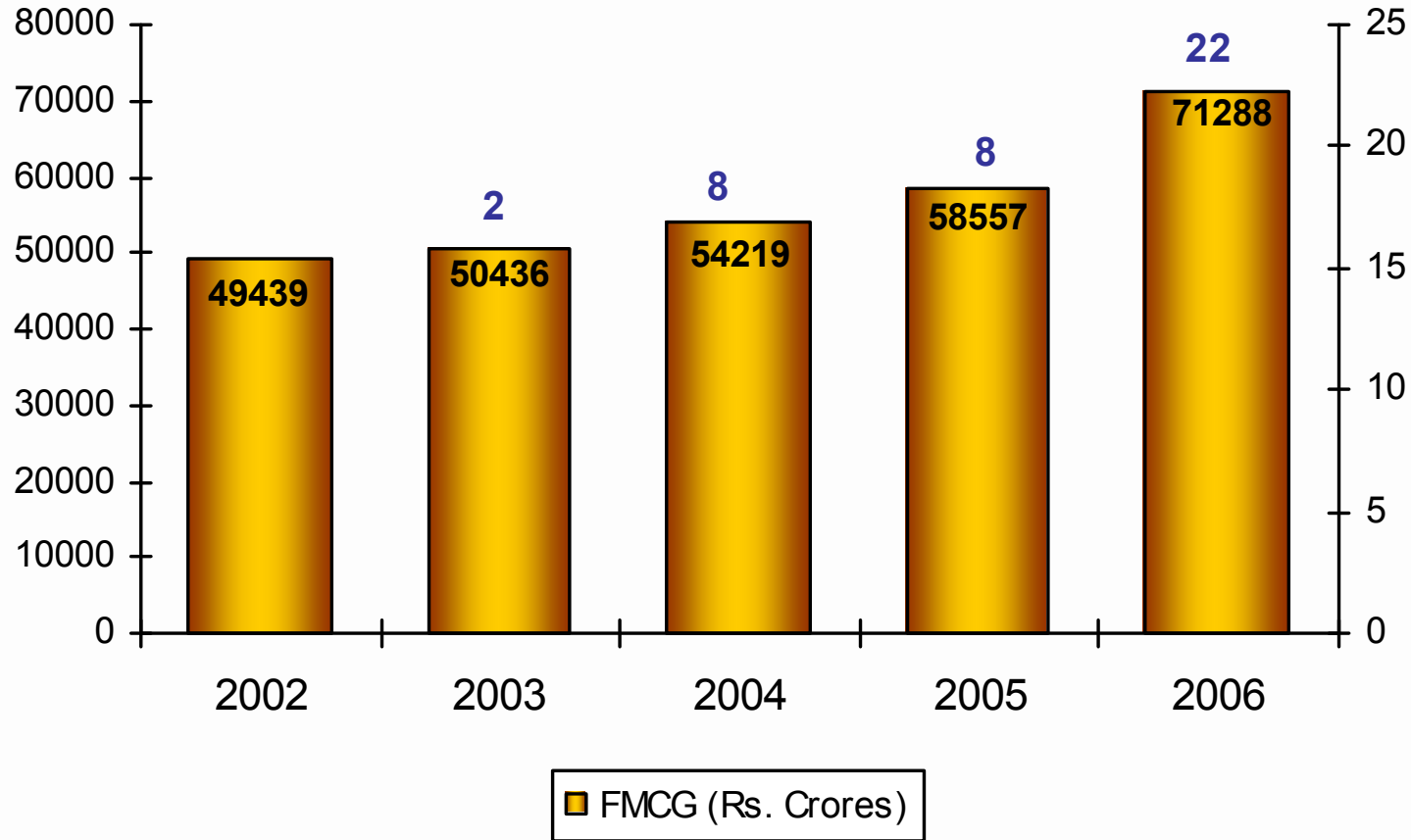
- The potential for ultra-premium products still very limited
- The “upper middle” (RS 20-40k p.m) has grown substantially, but still accounts for less than 2.5 mn homes
- Significant improvement in income at the bottom of the pyramid, but most branded products still out of reach

20K+p.m.	(Growth 06 vs 02)
Total (U+R)	= 3.8 times
Urban	= 4 Times
Top 8 Metros	= 4.5 Times
Other Metros	= 6.2 Times
Rural	= 2.7 Times

Market...



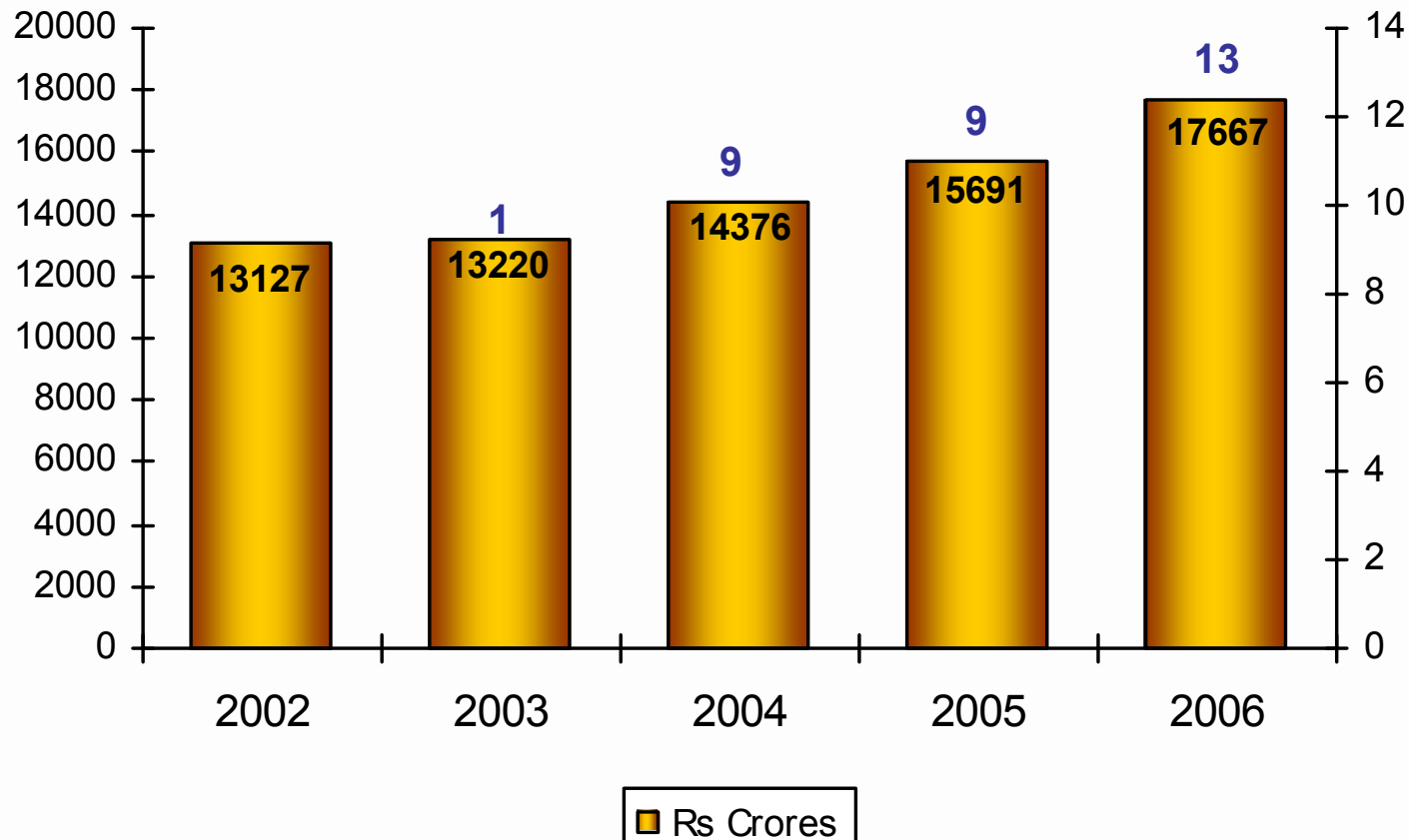
FMCG industry gaining momentum



Source : Nielsen Retail Measurement Service

Figs on the top of the bars indicate %growth YA (secondary axis)

Durables industry trend



Source : ORG-GFK, Urban

Figs on the top of the bars indicate %growth YA (secondary axis)

FMCG growth driven by Metros. They account for almost one-third of the FMCG industry



FMCG Value - Rs. Crore	2002	2006	CAGR (%)
All India (U+R)	49,439	71,288	9.6
All India - Urban	29,989	47,386	12.2
All India - Rural	19,451	23,901	5.3
All India - Metro (23 metros)	12,147	21,253	15.0
All India - Town Class 1	8,654	13,019	10.8
All India - Rest of Urban	9,188	13,115	9.3

Source : Nielsen Retail Measurement Service



Metros and Class 1 Towns driving the Durables growth



Durables Value (CE + HA)- Rs. Crores	2002	2006	CAGR (%)
All India Urban	13127	17667	7.7
	%	%	
All India - 23 Metros	32	40	14.2
Population (1-10 Lacs)	37	44	12.2
Population (<1 Lacs)	31	16	-8.5

CE = Consumer Electronics

HA = Home Appliances

Source : ORG-GFK, Urban



Opportunity - Metros

Potential Categories : Metros
Liquid Soap
Hair Conditioner
Face Wash
After Shave Lotion
Perfumes/Deos
Confectionery
Flavoured Milk, UHT Milk
Tea bags
Ready to Eat Food
Instant Food Mixes
Breakfast Cereal

The construct :

Potential categories for Metros = *Those which have grown in 2006* (as per RMS) but have a *household penetration of less than 10% in Metros* (NRS)

Source : NRS 2006, RMS

Durables Penetration

% Penetration	Top 8 Metros	Other Metros	5 - 10 Lakh	1 - 5 Lakh	< 1 Lakh	Rural 5000+	Rural 2-5K	Rural < 2000
Colour TV	76	69	63	55	43	25	16	13
B&W TV	12	17	20	23	24	25	24	22
Mixer/Grinder	62	52	50	39	32	18	10	7
Refrigerator	51	50	38	30	21	7	5	4
Any 2 Wheeler	29	48	37	28	21	10	11	10
Washing Machine	25	22	14	9	5	1	1	0
Air Coolers	13	28	20	15	11	3	3	3
Cameras	12	11	8	6	4	1	1	1
Cars	10	11	6	3	2	1	1	0
Toaster	8	8	4	2	2	0	1	0
Air conditioners	6	5	2	1	0	0	0	0
Microwave Oven	6	4	2	1	0	0	0	0
Digital Cameras	3	3	2	1	1	0	0	0
Vacuum Cleaner	3	3	2	1	0	0	0	0
Electric Water Purifier	3	3	1	0	0	0	0	0
Video/handy camera	1	1	1	0	0	0	0	0

Conclusions:

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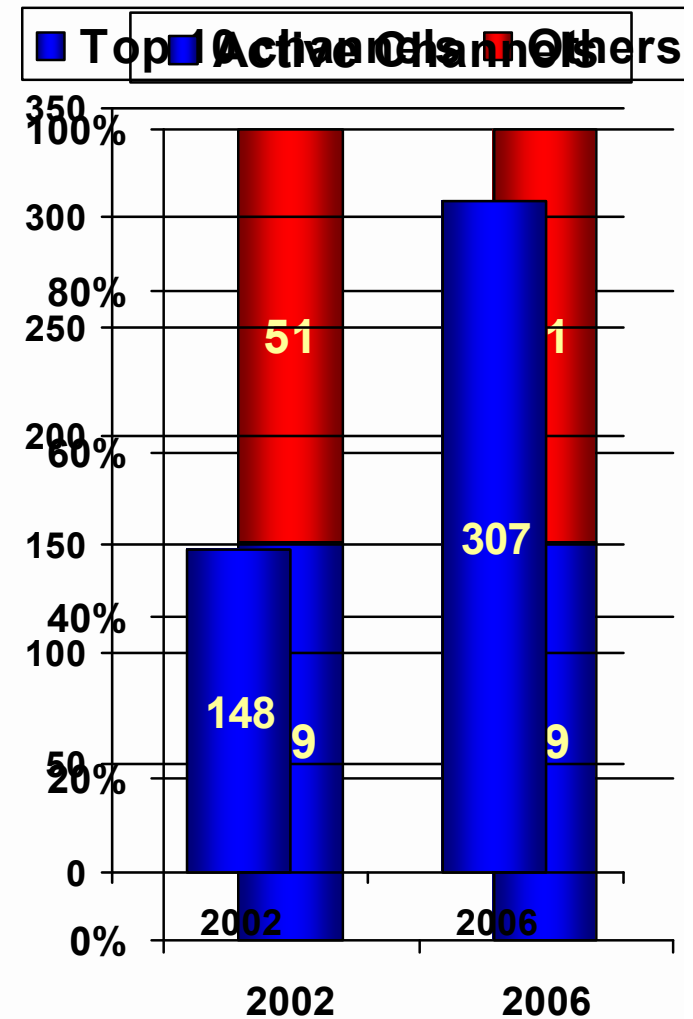
- The “low-hanging fruit” is still in the large towns
- The medium term should see growth in all consumer products, but especially the mid-priced

Media..



TV & C&S-A growing Media phenomenon!

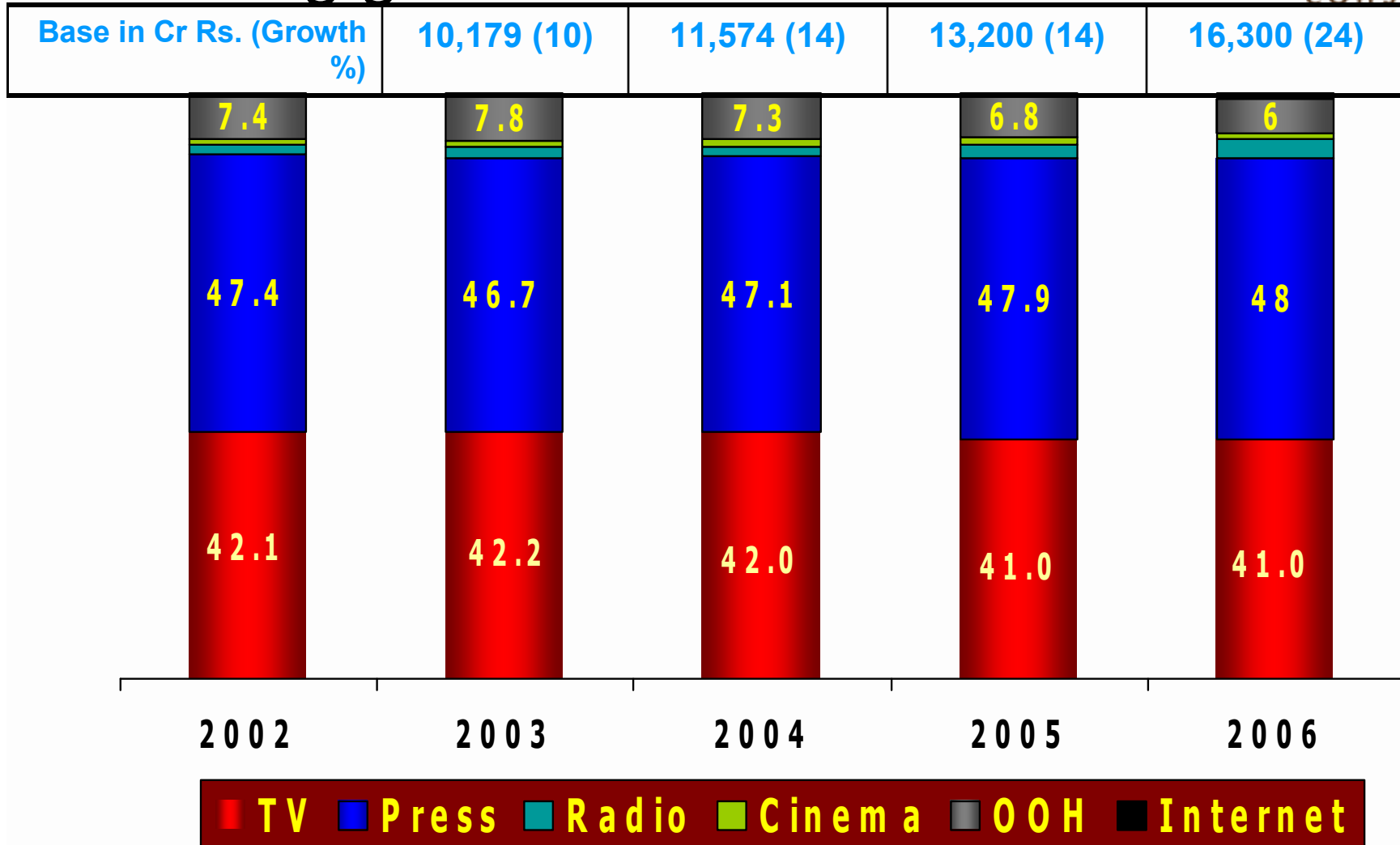
Detail	Year 2002 (Hh Mn)	Year 2006 (Hh Mn)	% Growth
Total Homes	192	219	14%
<u>TV owning homes</u>	82	112	37%
Terrestrial Homes	41	44	7%
<u>C&S homes</u>	41	68	66%
Color TV homes in C&S	22	49	123%
Black & white TV homes in C&S	19	19	0%



The no. of TV channels have more than doubled!

Fuelling growth in Ad Revenue too!

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Source : Industry Estimates compiled by ADEX India, division of TAM Media Research

Top Categories on TV + Print + Radio

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Year: 2002

Rank	Category	Spends (in Mn.)	% share
1	Corporate/Brand Image	2252	3%
2	Two Wheelers	2228	3%
3	Toilet Soaps	2012	3%
4	Cars/Jeeps	1897	3%
5	Soft Drink Aerated	1579	2%
6	Washing Powders/Liquids	1568	2%
7	Tooth Pastes	1360	2%
8	Shampoos	1238	2%
9	Publications/Books	1195	2%
10	Televisions	1110	2%

Year: 2006

Rank	Category	Spends (in Mn.)	% share
1	Cars/Jeeps	4352	3%
2	Properties/Real Estates	4339	3%
3	Corporate/Brand Image	4283	3%
4	Educational Institutions	3888	3%
5	Toilet Soaps	3741	3%
6	Cellular Phone Service	3488	3%
7	Two Wheelers	3355	3%
8	Independent Retailers	3288	3%
9	Shampoos	2554	2%
10	Cellular Phones	2540	2%

% Contribution of Top 10 Categories on TV + Print + Radio Spends in 2002 was 25% where as in 2006 it was 27%

based on Industry Estimates and in Millions

Period: Year 2002 & 2006

2002 contains data of TV & Print only

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Conclusions:

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- Any dramatic change in spends by type of media unlikely over the medium term (except for radio)
- With increasing fragmentation, TV channels will have to reduce rates of 'premium' programs
- With retail "supermarkets" growing exponentially, BTL spends will increase substantially

Thank You

