

June 2009

# Selling and Distribution in India

Opportunities and Challenges associated with Traditional Trade

*Select Excerpts from Webinar*

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# Agenda

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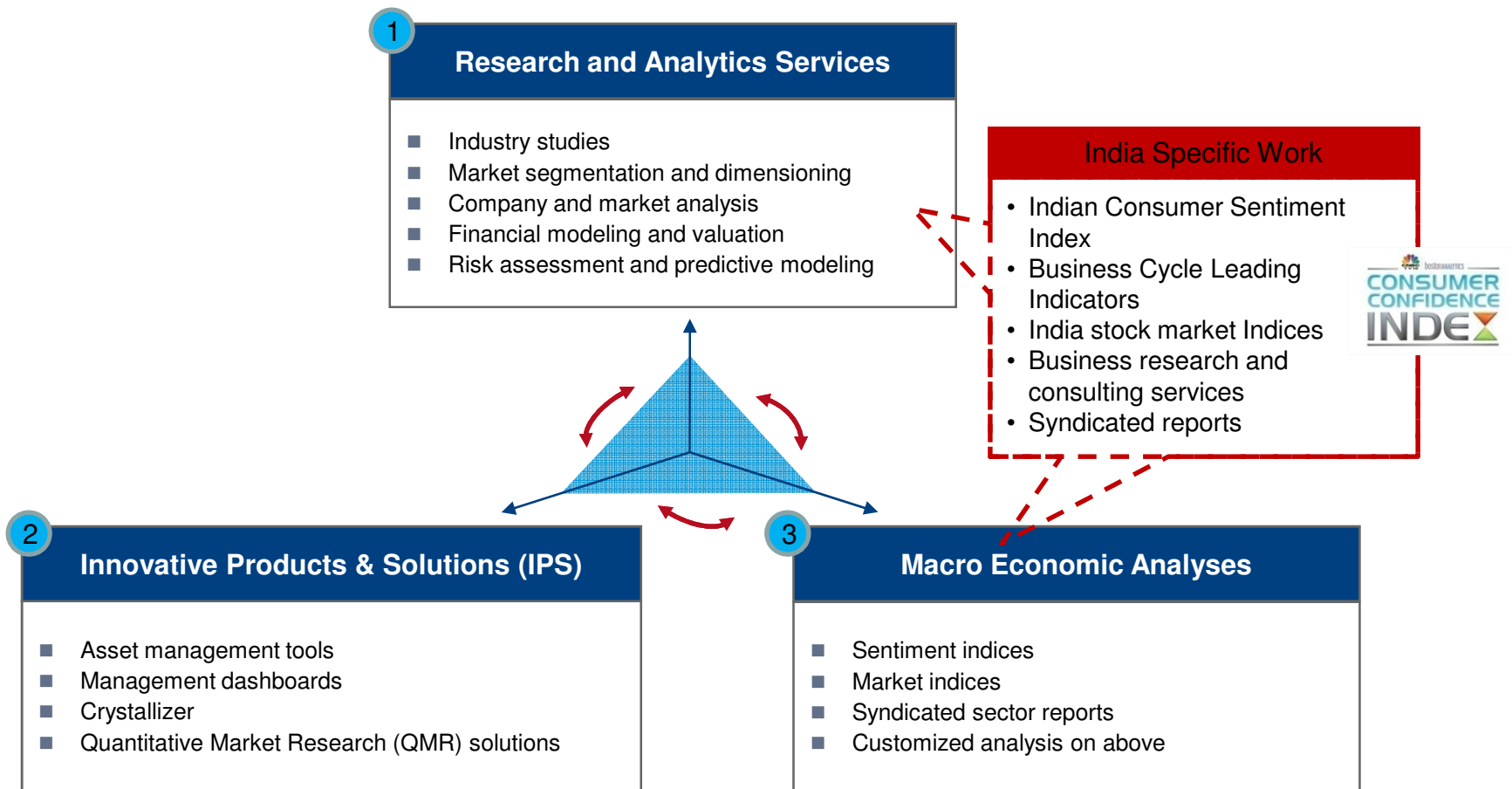
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# Company Overview

- Boston Analytics (BA) is headquartered in Boston, MA with the majority of its staff located in India
- BA provides fully customized research and analysis to corporations, financial institutions, corporations, government agencies and professional services firms
- We serve clients located around the world and study markets around the world
- BA services can be segmented into three areas:



# Introduction to Traditional Trade

## Objective of Presentation

- The objective of this presentation is to present a picture of the opportunities and challenges associated with sales and distribution via traditional trade in India, which represents over 90% of the total consumer product trade

## Definition of Traditional Trade

*Traditional Trade is defined as all that trade that flows through traditional outlets, such as kiosks, corner shops, local mom and pop shops, open markets, etc. It represents all trade with the exception of that which flows through retail chains, supermarkets, or super stores*

## Key Characteristics

- Traditional trade is characterized by a large complex network of independently owned retailers and distributors carrying primarily local or regional brands.
- It is the prevailing form of consumer trade in emerging markets.
- It can be difficult to penetrate for both national and multi-national firms given its highly fragmented nature, yet it serves as the conduit for reaching the largest percentage of the consumer population

### Traditional Trade Categories

Food and Beverages

Clothing and Textile

Consumer Durables

Jewelry and Watches

Home Décor and Furnishing

Personal Care

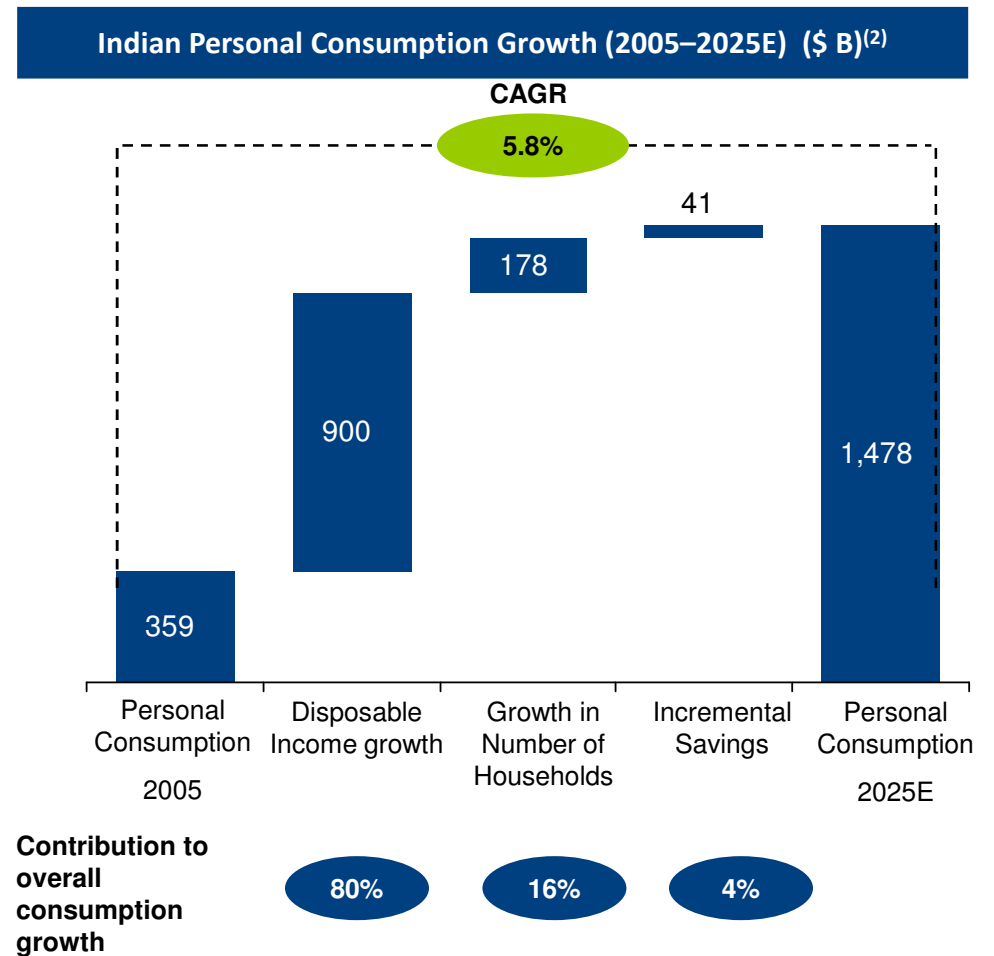
Footwear

Books, Music and Gifts

# Consumer spending represents a large percentage of India's GDP unlike other developing countries such as China

Components of Real GDP 2008–09 <sup>*(1)</sup>			
Components	INDIA % of GDP	USA % of GDP	China % of GDP
Personal Consumption Expenditures (durables + non-durables + services)	62%	71%	36%
Investment Expenditures	34%	14%	41%
Government Expenditures	11%	18%	14%
Net Exports (exports - imports)	-7%	-3%	8%
Other	0%	0%	1%
GDP	100%	100%	100%

\*Estimates

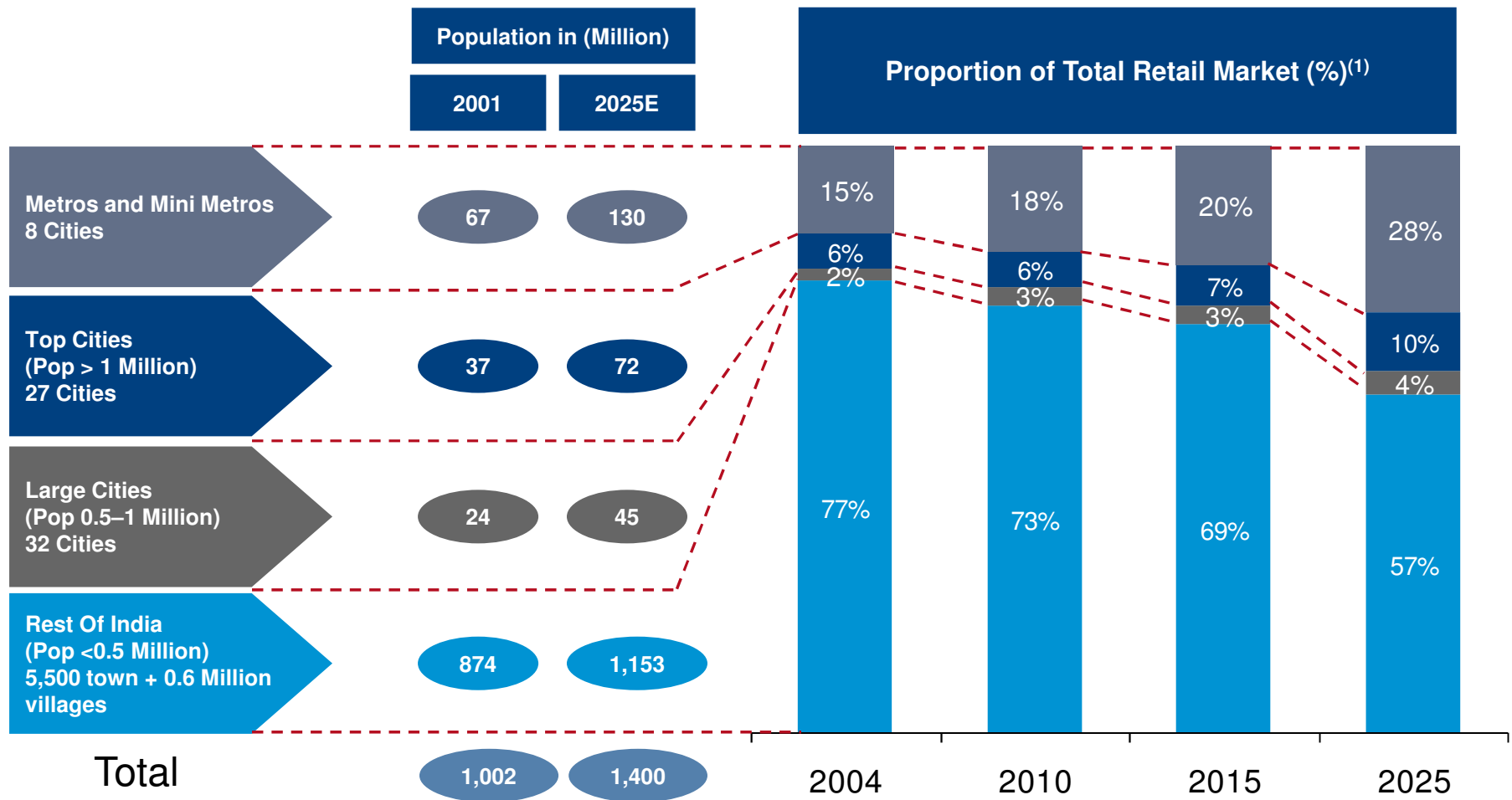


Source:

(1) Bureau of Economic Analysis, Ministry of Statistics and Programme Implementation.

(2) The 'Bird of Gold': The Rise of India's Consumer Market, McKinsey Global Institute.

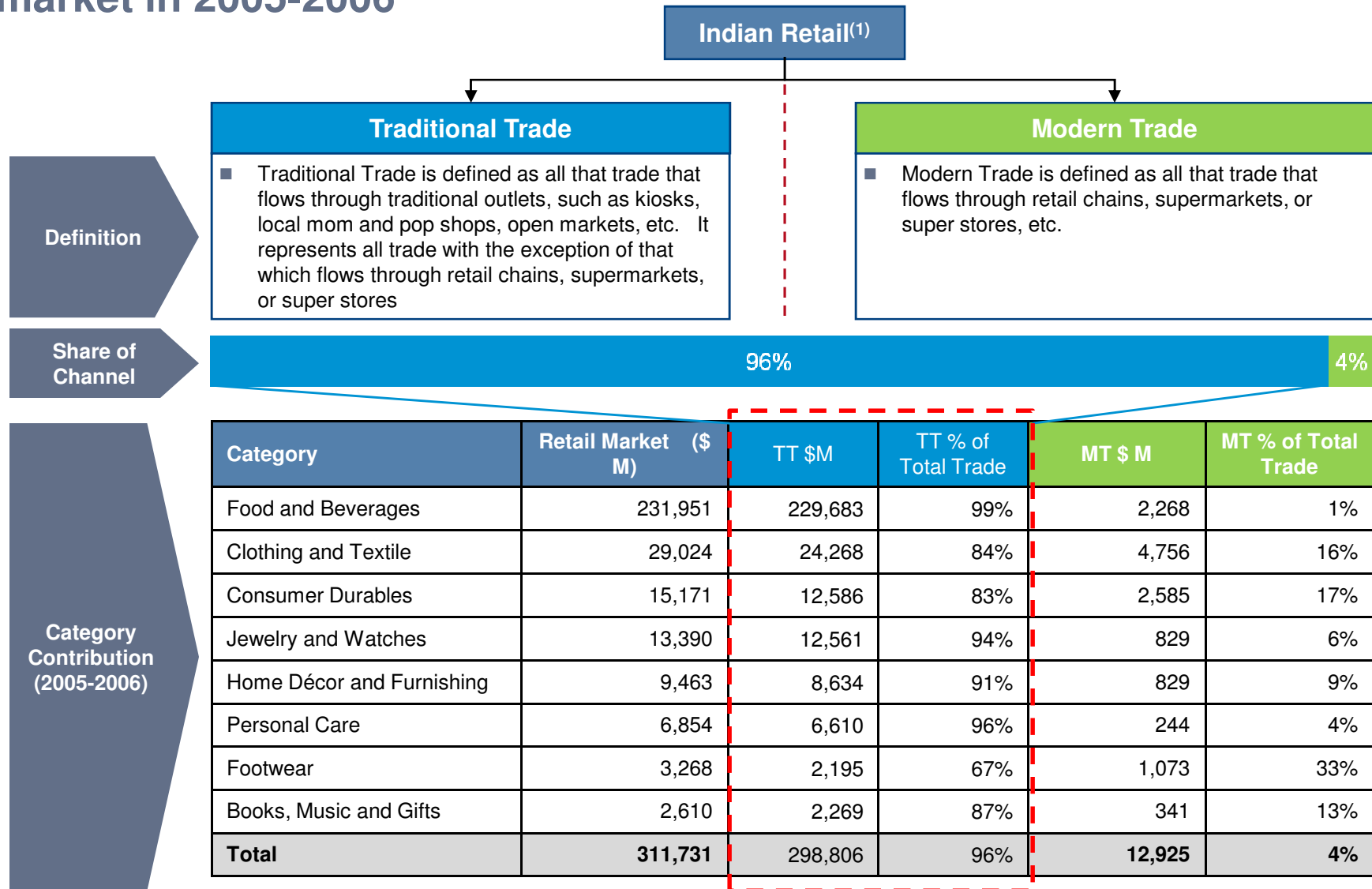
# Largest proportion of retail spending comes from innumerable small towns and villages with a population <0.5 M



Source:

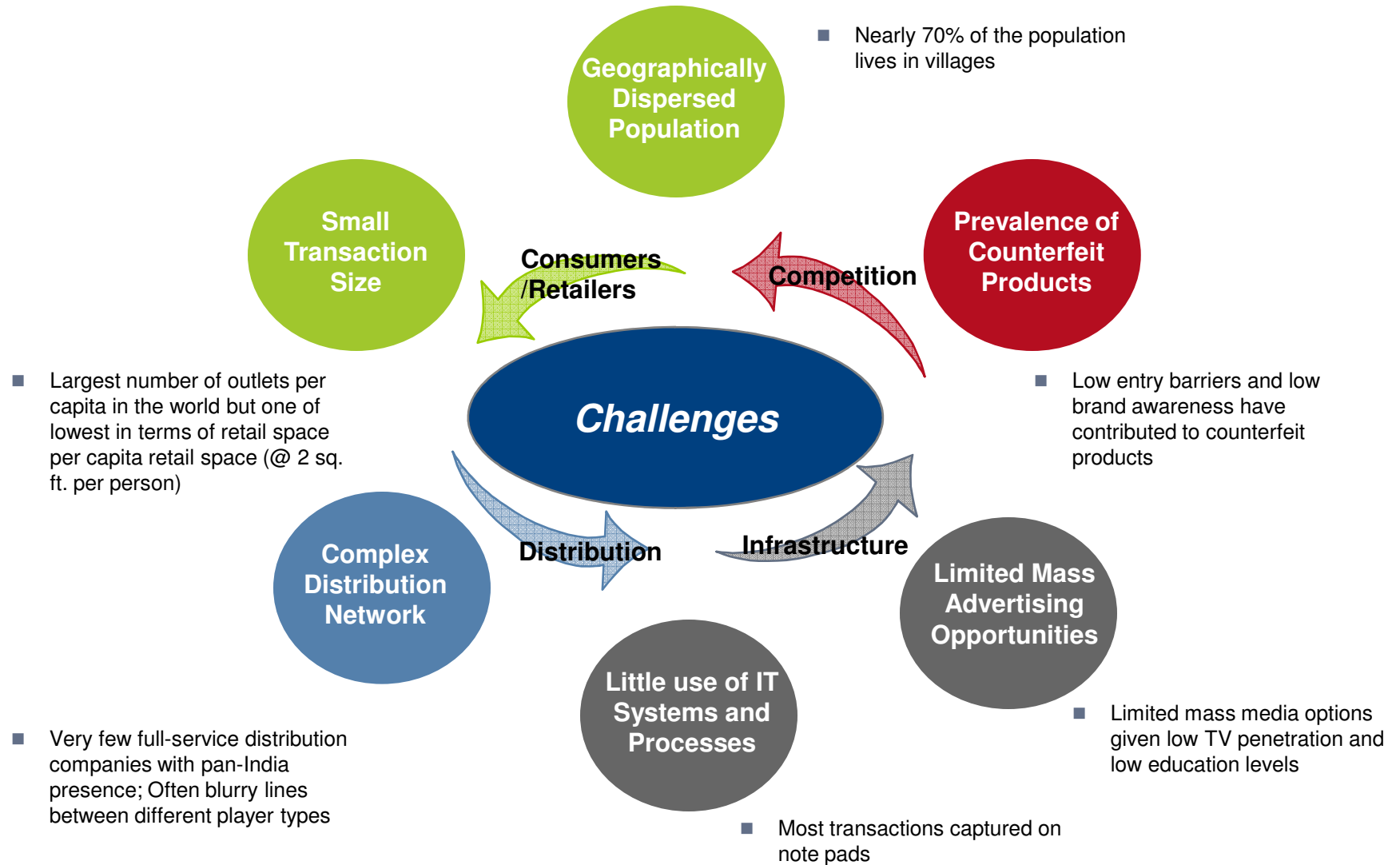
(1) NCAER Figures from Organised Retail in India: The Next Growth Frontier, TSMG.

# Traditional trade outlets accounted for ~96% of the India retail market in 2005-2006



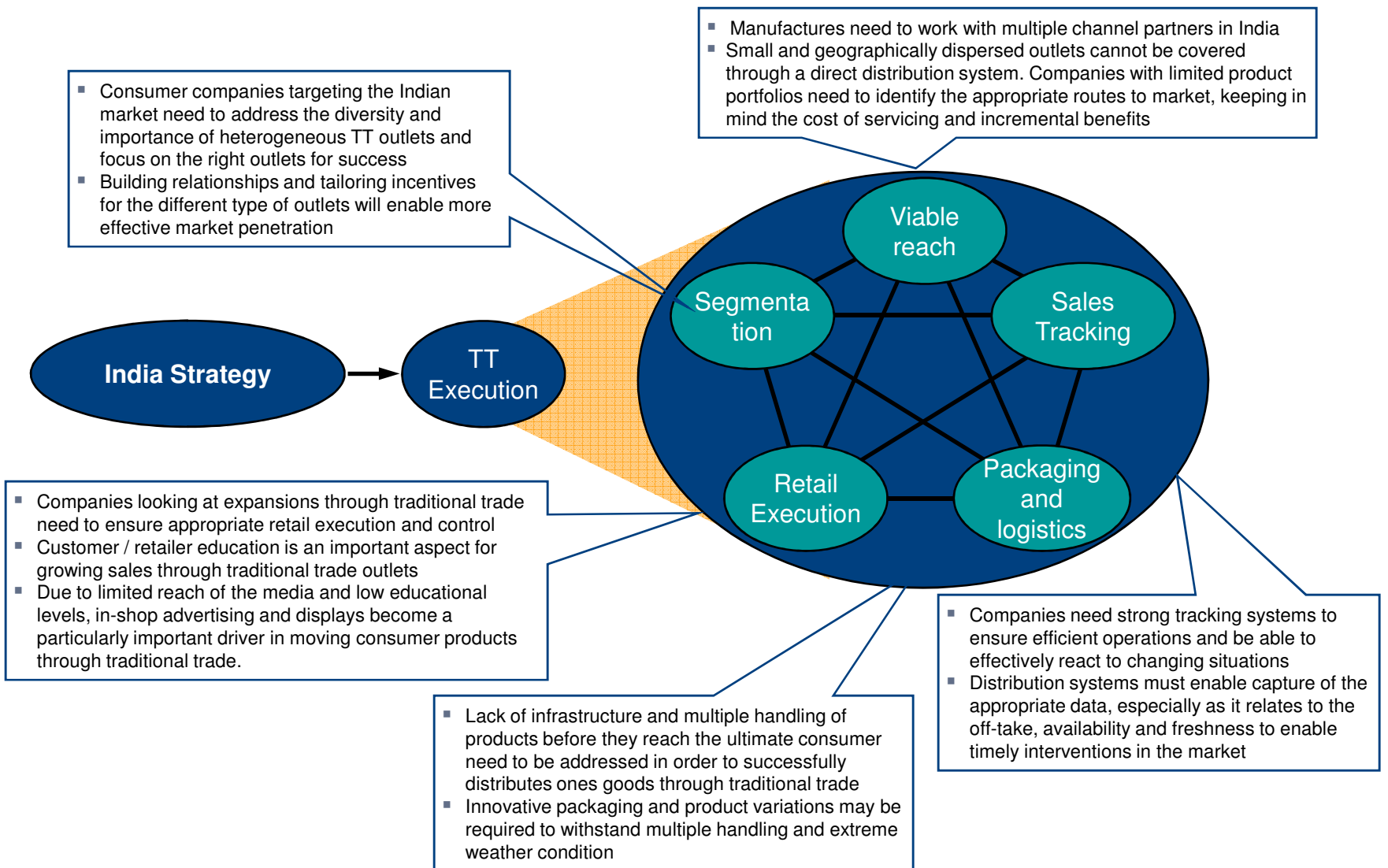
Source:  
(1) Retail: Market and Opportunities, IBEF.

# In order to successfully penetrate traditional trade in India, consumer products companies face a number of challenges



Source:  
(1) BA Analysis.

# Success in India requires an appreciation of traditional trade and strategic alignment to its dynamics



Source:  
(1) BA Analysis.

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