

Head of the Department

- Prof. S.C. Aggarwal

Faculty Advisors : Editorial Board

- Prof. S.C. Aggarwal
- Prof. Rashmi Agrawal
- Prof. V.K. Kaul
- Prof. Surender Kumar
- Dr. Deepa Saran
- Dr. Yamini Gupt
- Dr. A.G. Dastidar (Editor)

President(BEA)

- Ch. Manoj Kumar

Vice President

- Prateek Trehan

The Editorial Board

- Mohit Budholia
- Vaibhav Garg
- K. Sharanya Rao
- Mitali Lambah
- Priyanka Pandey

Annual Convention Team

- Bhavya Sud
- Mohit Budholia
- Akshita Prabhakar
- Sandeep Yadav
- Atul Ranjan
- Dipali Pandey
- P Prashanth
- Namrata Sharma
- Vipul Gupta
- Sidhant

Master of Business Economics

In 1973, the Department of Business Economics under the aegis of University of Delhi pioneered the Masters Program in Business Economics, MBE. Since then the Department has become a centre for excellence in business education and research. This course was patterned on a similar program run by the Harvard Business School. The eclectic blend of faculty, academicians, researchers and professionals drawn from India and abroad, with their vast pool of managerial expertise distinguishes the Department from others and gives it an exalted stature.

Business Economics is essentially an application based inter-disciplinary approach to business problems. This course offers the students an opportunity to choose a dual specialization that best suits their interests and skill sets. It aims to give maximum industry exposure and applied knowledge to the students through a combination of interactions with various academicians and professionals through events like the Convention, various conclaves and seminars and internships and projects. The course has gained wide recognition and appreciation in the corporate world, as borne out by the quality of recruiters visiting the college over the years.

Master of Business Economics is the Department's flagship program and reflects its philosophy of learning through practical application of theoretical knowledge. It provides a perfect blend of practical, theoretical and analytical tools supported by a sound business sense.

From The HOD's Desk

After the onset of liberalization, privatization and globalization, the face of Indian industry has changed almost completely. India is now the third largest economy in PPP terms and most of the GDP now comes from the service sector. Many of its industries have expanded not only domestically but have invested huge sums abroad and have withstood international competition. However, some of the old structures of the industry have been replaced by the new 'soft' industries. Most of it has become possible due to fast changing pace of technology.



It is in this scenario that a business management mind-set has to be evolving and dynamic in approach and an attitude which requires a deeper understanding of the macro economic and social environment has to be developed. A strong foundation is a must for developing an analytical approach towards business and government policies in the national and international arena. The Department of Business Economics thrives to provide this foundation by exposing the students to the latest and relevant course curriculum. During the two-year's Masters programme, the students are able to acquire strong analytical skills – both Quantitative and Qualitative – which equip them to face and overcome the challenges in their respective professions. The students are also exposed to many other academic activities including seminars, conventions, lectures by eminent speakers and quizzes, etc.

The annual convention organized by the Department is an important event in the academic calendar of the Department. The objective of the Convention has been to provide exposure to the students through the interaction and sharing of ideas with corporate leaders and academic luminaries. The theme of this year's Convention "Business of Economics and Economics of Business" and its sub-themes aptly captures the concerns of the Indian economy in view of the recent slowdown in growth and tries to search for the possible answers to its revival. It also looks for answers to the new challenges which the Indian business and entrepreneurs face in a globalized world. Another sub-theme focuses on the emerging area of Analytics where its growth and scope would be explored. As we all know that analytics is going to be the future of all decision making; therefore a clarity and clear understanding of its importance and its contribution is necessary. I am sure the convention would help the students and others in this objective.

I take this privilege to invite you all to the Convention.

Prof. S.C. Aggarwal

From the Editor's Desk

This year the theme for the Business Economist is “The Economics of Business and The Business of Economics”. This relates well to the analytical mind-set of the trained ‘business economist’ who tries to apply economic fundamentals in analysing business situations.



For instance it is well understood, if India is to reap the benefits of its ‘demographic dividend’, it must achieve sustained growth in GDP per capita and employment generation must be an urgent policy priority. In this context, the role of fostering growth in private investments cannot be overemphasized. Economic theory emphasizes the importance of capital formation and productivity growth for fuelling economic growth of a nation. In a globalized world, the threat of fiscal deficits leading to widening of current account deficits, sharply limits the scope for expanding government investment. So capital formation has to be driven by private investments.

As such, policy needs to concentrate on encouraging private businesses to expand and put up new manufacturing units in order to generate jobs. In other words, one of the key tasks for the new government should be to get the ‘business climate right’. Political stability and a policy mix that ensures macroeconomic stability are key factors that influence the investment climate and hence, the quantum and quality of private investments.

Economists have long recognized that the quality of institutions play a critical role in fostering growth of businesses and in fuelling innovations, a key driver of productivity growth. Well regulated markets, a transparent and well-functioning legal system for protecting property rights, including rights to intellectual property (e.g., patents), are key institutions that spur innovation. In the recent past, landmark judgments delivered by the highest court of the land in relation to a series of ‘scams’ have demonstrated the importance of institutional quality for ensuring a stable business climate. Faulty institutions, lack of transparent and efficient allocation systems create risks and enhance uncertainty. This wreaks havoc with investment plans that typically have long planning horizons and gestation periods.

The various issues flagged in this edition of the business economist, reflect the sheer range of concerns shared by young people on various aspects of economy and business. There are papers exploring the relevance of emerging fields such as behavioral economics for businesses ; yet others emphasize the growing importance of existing fields such as analytics in the business domain; long standing issues that

still face the country, such as persistence of monsoon-dependence, lack of universal access to basic sanitation and hygiene, are also raised; alongside, there are attempts to visualize the future and also to identify countries that may be key partners; in particular, a recurrent theme is the potential of digital technology to transform our cities, our businesses, as well as the quality of governance.

Ultimately, what the future will hold for India depends on the investments it makes today, especially in education and skill formation; for the quality of human capital holds the key to fostering inclusive economic growth and development.

- Dr. A.G. Dastidar

From The Editorial Team 2014



Business and Economics, in most cases, have always had a huge bearing on how the each other performs at any given time. A business firm co-exists and interrelates with other members in the economic system. A thriving business environment bodes well for the economy as a whole while a burgeoning economy will encourage new start-ups to mushroom and existing businesses to flourish. In this edition of 'The Business Economist', we will look at various factors which help define this relationship between two words which are becoming increasingly common in the vocabulary of the Indian populace -Mohit Budholia

A landslide victory is not a promise for landslide change. The change in Indian government has made many promises for an "India Brand" in the global arena, to provide a conducive business ambience and to resolve the "Economics of Business" in India. How much have they moved on this path, how much can they actually move and what are the obstacles in this "Business of Economics"? Let's find out in this latest edition of Business Economist, the annual publication of MBE. This time we introduce a special section to focus on the dynamic digital marketing with an analytical eye. Vaibhav Garg



Business and Economics can be viewed as two interconnected pillars that support the functioning of any nation. While business strengthens the economy, economics lays the foundation for business. Today, with new business trends flourishing and the policy environment in India experiencing a change, the manifestation of this crucial relationship between Business and Economics has become all the more important. K. Sharanya Rao

The terms economics and business are co-dependent. Every business entity operates within the framework of economics with an aim to make profits and is a part of the national and global economy. On the other hand, economics explores the decision making abilities of business entities. This issue of the magazine hence aims to explore the subtler links between the two. - Mitali Lambah



Business and Economics are traditional concepts which have been studied and analysed over the years. But, the amalgamation of Business with Economics is achieving new dimensions with the changing world economy. Understanding the linkage between the two, completes a full circle of understanding what lies ahead for India. The need of the hour is creating a conducive business environment as a key driver for economic growth. - Priyanka Pandey

Contents

▪ Managing The 'Intangibles': Entrepreneurship Perspectives Mitali Lambah, MBE Previous Year	8
▪ Building A Resilient Economy Through Urbanisation Priyanka Pandey, MBE Previous Year	11
▪ Business Analytics: Market Trends K. Sharanya Rao, MBE Previous Year	15
▪ "Made In India": Making The Indian Make Better Vaibhav Garg, MBE, Final Year	19
▪ India's Look East Policy Gagan Anand, MBE Final Year	22
▪ India's Monsoon Obsession: Impact On The Economy Mohit Budholia, MBE Final Year	25
▪ The Loo-Natic Rush For Toilets Vidhi Bhatt, MBE Previous Year	29
▪ Indian Economy: 60 Months From Now Vishwesh Dixit, MBE Final Year	32
▪ Behavioral Economic: Can Business Profit From This Non Traditional Branch? Bhavya Sud, MBE Final Year	35
SPECIAL SEGMENT- DIGITAL MARKETING	
Sunil Kumar, MBE Final Year	
• Rakuten's Business And How It's Entry Will Impact E-Commerce in India	38
• Native Advertising- Growth And Future Ahead	43
• Changing Mobile Advertising Landscape	48
▪ Business Trivia	52

Managing the “Intangibles”

Business and Entrepreneurship Perspectives in a Global Context

Mitali Lambah, MBE Previous Year

What are Intangibles?

What's in a name, they say. A rose by any other name would smell as sweet. But a business with any other name would not earn as much. So when 'Brad's Drink' became too individualistic way back in the 1890s and 'Jerry's guide to the World Wide Web' didn't roll off the tongue quite that easily – Pepsi-Cola and Yahoo were born. Slowly but surely – these seemingly meaningless words had entire empires built around them. They became 'brands'. A brand – nothing tangible, but the value of which can run into billions and trillions of dollars. Hence apparently in the business world – there's a lot in a name.

Why Intangibles?

If we limit a company's worth to its physical assets alone, no company would be able to raise money for its operations in the financial markets. Consider the recent front page news about e-tailers like Flipkart and Amazon managing to raise billions of dollars for their functioning – with no retail stores, almost no fixed capital requirements and hence no tangible assets (except for their warehouses). The valuation of a company is hence a broad spectrum – no longer limited. In fact, in case of mergers and acquisitions, brands are actually

mandated as assets. It is almost like a circle – a company with a good brand value and sound finances will have higher rated securities, which would help it to raise money easily from the markets, which would further enhance its brand value and so on.

We must understand that business intangibles – including but not limited to brand names, goodwill, patents, copyrights, trademarks, R&D etc – are not new phenomena by any means. Economists like Joseph Schumpeter's entire theory revolved around how economies grow and develop only through innovation and subtle product differentiations – way back in the 1930s. However the growing importance given to these, in a world that is rapidly being integrated by technology and where 'stealing ideas' is the new norm, is worth taking note of. In this era of constant change, the way a company delivers value today won't be the same way that it delivers value tomorrow. Leading companies recognize the need to continually innovate to uncover new sources of revenue, sustainable competitive advantage and business growth. And with this comes the need to efficiently manage something which cannot be accounted for using a definite formula, nor has behavioural traits – but has made itself heard loud and clear.

Growing Importance

In fact, recognizing the role of business intangibles in promoting entrepreneurship, firm performance and socio-economic advancement, several developed countries have recently estimated the economic value of R&D and other forms of innovations, and have integrated them into the measurement of GDP. In July 2013, the U.S Bureau of Economic Analysis restructured the way it measured GDP. The most highlighted change was in the treatment of R&D – which instead of being treated as just an expense (much like electricity bills and transport costs) is now being included in the GDP of USA as an investment expenditure – akin to building a new plant or acquiring a new machine that builds capacity. To put it in perspective, this revaluation made the US economy's GDP bigger by almost 3%. Hence the transformation of R&D from an intermediate input that ate into profits to an integral invisible for investment that builds capacity is merely indicative of the rapidly rising importance of business intangibles.

Example: If we look into the infamous Apple Inc. V Samsung Electronics Co. Ltd lawsuit that took the tech world by a storm, the whole drawn out battle revolved around patent infringements, another intangible in the business world. Intellectual property rights are much talked about in the business domain as well.

What Next?

Specialized firms like 'Prophet', 'Interbrand' and 'Intangible Business' etc. have come up which claim to look into all the branding as well as intellectual property right needs of any start-up or any well-established business. Outsourcing such tasks to these specialized firms has become easier than ever. In fact, apart from the core production and manufacturing cycle, these firms aide in almost every aspect of business – from pre-production market analysis to developing a brand portfolio of the product, from press coverage to looking after copyrights and trademarks. Hence if any firm cannot manage its intangibles, chaos is no longer an option, it can always outsource.

The newest kid on the block in terms of business intangibles is digital presence. Savvy, digitally-enabled consumers expect great brand experiences online as well. The first link one finds upon doing a Google search as well as the website of the particular firm is sometimes enough to form perceptions and loyalties. But the above mentioned firms aid in developing a positive digital presence as well, in case any entrepreneurship venture or even an otherwise reputed firm fails to do so. Case in point – Electrolux, a leader in household and professional appliances, partnered recently with Prophet to map its consumer experience and to smoothly integrate the brand's digital and

physical shopping experience. Now keep in mind that Electrolux is a well-known brand globally, yet it was still struggling with its digital presence. Gradually as it worked to empower and energize its digital presence, by launching a branded food and home decor inspiration site, an online recipe site/app as well as a mobile augmented reality app to demonstrate the benefits of new products such as steam ovens, the positive results of investing in such an exercise were felt immediately as reflected in its ninth consecutive quarter of organic growth in Q1 2014.

In the End

An economy can increase its productive capacity most effectively with an increase in the development of ICT (Information Communication Technologies) capital – which is again an intangible. Managing R&D, patents, intellectual property rights, brand equities, digital presence, innovation etc is hence equally essential (if not more) than managing physical capital. In fact; when physical and human capital reach their peaks, it is technological progress that pushes the economy out of stagnation and into growth.

Bibliography:

- <http://mobile.businessweek.com/articles/2013-07-18/the-rise-of-the-intangible-economy-u-dot-s-dot-gdp-counts-r-and-d-artistic-creation>
- <http://www.interbrand.com>
- http://en.m.wikipedia.org/wiki/Innovation_economics
- <https://www.prophet.com/home>

Building A Resilient Economy Through Urbanization

Priyanka Pandey, MBE Previous Year

Urbanization and economic development are linked together. As an economy moves ahead on the path of development, the nation shifts towards urbanization.

What is Urbanization?

The demographic definition of urbanization is the scenario when an increasing share of a nation's population is living in urban areas (and thus a declining share living in rural areas). Urbanization is closely linked to modernisation and industrialisation. The move towards urbanization is also linked to sectoral changes in an economy. As per capita income levels increase, the consumer's food expenditure remains more or less fixed. But, there is an increase in the non-food expenditure. This gives way to the growth of non-food and non-farm sectors (i.e., services and industry sectors).

The Indian Perspective

The Indian economy is one of the best examples of a developing nation moving towards urbanization. The recent census held in 2011 has placed India's urban population as 377 million persons being 31.16 per cent of total population of the country. Successive census results since independence reveal a steady growth in urban population from 17.3 per cent of India's

population in 1951 to 31.16 per cent in 2011. In absolute terms the urban population has grown from 62.4 million to 377 million registering a little over six times increase in the number of urban dwellers in the country between 1951 to 2011.

One of the main reasons of urbanization in India is the shift from being an agrarian economy to a service-sector dominated economy in terms of total employment. According to the Planning Commission of India, the 2013-14 projected share of services sector in the Total GDP at constant (2004-05) price is 57.33%, while that of agriculture and allied sectors is 18.20%.

Table: Growth in Population - All India - 1951 - 2011						
Year	Total Population (including Assam and J & K)		Urban Population (including Assam and J & K)			Total No. of Cities and Towns (Excluding J & K from 1951 to 1991 & Assam for 1981)
	Total Population (in crores)	Decadal Growth (per cent)	Urban Population (in crores)	Decadal Growth (per cent)	Urban population (per cent)	
1951	36.11		6.24		17.3	3035
1961	43.92	21.6	7.89	26.4	18.0	2657
1971	54.81	24.8	10.91	38.3	19.9	3081
1981	68.33	24.7	15.95	46.2	23.3	3891
1991	84.63	23.9	21.76	36.4	25.7	4615
2001	102.86	21.5	28.61	31.5	27.8	5161
2011	121.02	17.6	37.71	31.8	31.16	7935

Source: Census of India -2011& TCPO, 2012

State-wise Urbanization

The data from 2011 census also show that although the urbanization level in India is low as compared to global

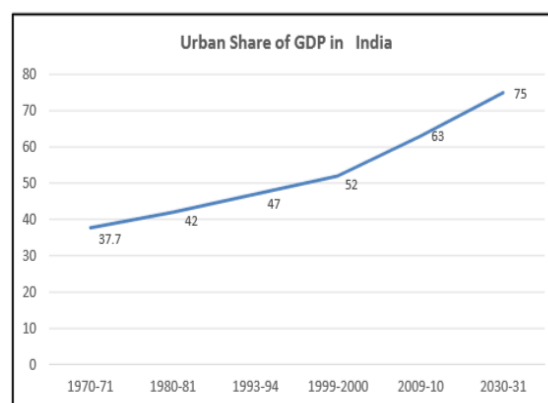
average of 50 per cent as recorded in the year 2007, the state wise figures of urbanization reveal that:

- Eighteen states and union territories (UTs – hereafter referred as states) out of a total number of 35, have recorded higher levels of urbanization than the national average of 31.16 per cent.
- Western coast and south India have shown higher levels of urbanization than the national average along with NCT of Delhi, Punjab, Haryana, West Bengal and Andaman Nicobar Islands. It is important to recall that Punjab, Haryana and West Bengal have historically or periodically developed a sound industrial base to attract interstate labour force for their economic activities whereas being the National Capital, NCT of Delhi has undergone rapid pace of expansion and economic development.
- The remaining part of India covering 17 states shows lower levels of urbanization in a range of 10 per cent to 31 per cent of their respective population than the national average. This includes states in the northern, north-east, central and eastern parts of the country.

Cities: The engines of growth

Cities are the engines of economic growth as well as economic

development. They are the hub for economic activity and wealth generation. According to a study by *Mint* on India's urbanization bonus, the estimated contribution of cities to total output range from 60% to 80% and highlights that urbanization adds about 1% to growth each year due to productivity gains from the movement of rural workers to urban areas.



Source: Draft Concept Note on Smart City Scheme, released by MoUD on 10th September 2014

Benefits of urbanization

The benefits of urbanization are manifold. The process of urbanization has direct link with productivity. It gives way to development of the services, manufacturing and industrial sectors which attracts workers. The urban hubs also witness economies of scale and become a centre for innovation.

The rural population migrates to urban areas for employment, better social and political conditions and increased standard of living.

The Way Ahead

The Narendra Modi-led NDA government is focussing on Urbanization as an engine of economic growth. The Union Urban Development Minister, M.Venkaiah Naidu, highlighted the necessity for urban reforms, planning and management for the future.

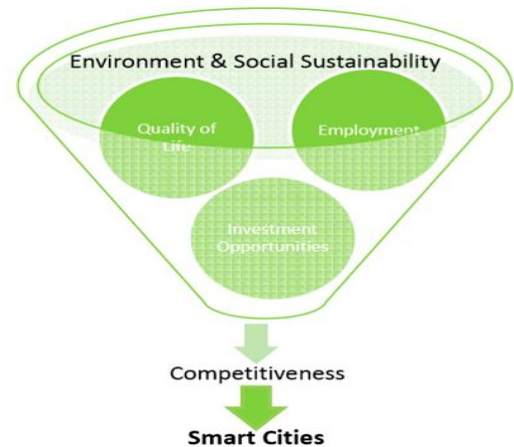
Smart City Scheme

One of the main steps suggested by the NDA Government in this direction is the Smart City Scheme.

In this context the Government has decided on **developing 100 “Smart Cities” in the country**. Finance Minister, Arun Jaitley, stated in his budget speech of July 2014 that emergence of a neo-middle class in India requires development of new cities to meet increasing migration of people from rural to urban areas. Therefore, the Prime Minister has a vision of developing ‘one hundred Smart Cities’, as satellite towns of larger cities and by modernising the existing mid-sized cities.

➤ What is a Smart City?

The Government of India defines Smart Cities as those cities that are able to attract investments. The government seeks to bring about an intersection between Competitiveness, Capital and Sustainability through the model of smart cities.



The government has identified the following four pillars for developing a Smart City:

- Institutional Infrastructure: Planning and management systems in a city along with governance.
- Physical Infrastructure: Mobility, reliable utility services, water supply, sanitation, solid waste management, storm water drainage, electricity, internet and telephony.
- Social Infrastructure: Education, healthcare and entertainment.
- Economic Infrastructure: Industrial parks and export processing zones, trade centres, service centres, skill development centres, financial centres and services, logistics hubs, warehousing and freight terminals, mentoring and counselling services.

➤ Criteria for identification of Smart Cities

- One satellite city of each of the cities with a population of 4 million people or more (9 cities)
- All the cities in the population range of 1-4 million people (44 cities)
- All State/UT Capitals, even if they have a population of less than one million (17 cities)
- Cities of tourist and religious importance (10 cities)
- Cities in the 0.5 to 1.0 million population range (20 cities)
- Delhi Development Authority (DDA) will develop a smart city through a land pooling scheme as a demonstrative city.

➤ **Budget estimates**

In the budget, finance minister had allocated Rs 7060 crore to develop 100 smart cities. The High Power Expert Committee (HPEC) on Investment Estimates in urban infrastructure has assessed a Per Capita Investment Cost (PCIC) of Rs 43,386 for a 20 year period. Their estimates cover water supply, sewerage, sanitation and transportation related infrastructure. Using an average figure of 1.0 million people in each of the 100 smart cities, the total estimate of investment requirements for the services covered by HPEC comes to Rs 7.0 lakh crores over 20 years (with an annual escalation of 10% from 2009-10 to 2014-15). This translates into an annual requirement of Rs 35,000 crores.

These funding would be routed through PPPs and contributions from not only the Ministry of Urban Development, but also be supplemented by other Ministries, such as Housing and Urban Poverty Alleviation, Health, Education, Power, ICT, Culture, Sports, etc. in relation to their respective sectors.

Based on the reference framework in the concept note released by the government, the states will submit their proposals. The scheme provides an opportunity for a boom of employment and opportunity in the technology and infrastructure sector.

Whether the scheme will be a success or not is a matter of debate. But, as of now the government should focus on successful implementation of the scheme. The scheme lays down the foundation for “Good days ahead” which revolves around cities as they are the growth enablers.

Bibliography:

- Ministry of Urban Development, Government of India, <http://moud.gov.in/>
- Smart Cities, <http://indiansmartcities.in/>
- Economic Survey 2013-14, <http://www.indiabudget.nic.in/>
- Indian economy related data, <http://www.planningcommission.nic.in/data/datatable/index.php?data=datatab>

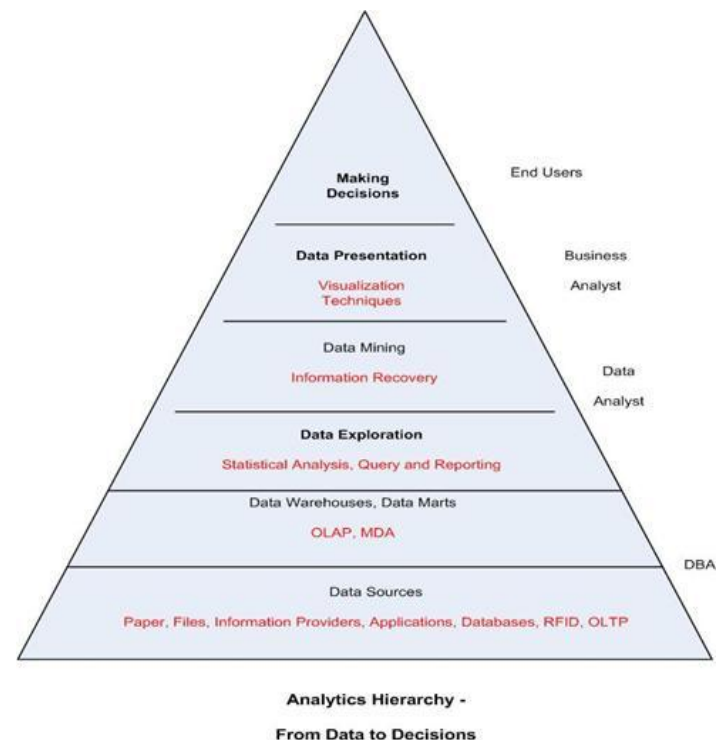
Business Analytics: Market Trends

K.Sharanya Rao, MBE Previous Year

A violin was once put up for auction. With the dusty and repulsive look that it had, there were no takers for it. Even a fall in price from \$500 to \$50 could not succeed in capturing the interest of those who had gathered. An old man then stepped forth and took the violin. He wiped off the dust from it, tuned the strings and played a beautiful piece of music. This was evidence to the perfect working condition of the instrument. The violin was finally sold for \$1000. The scenario in markets today, tells a similar story.

In order to create demand for a product, it is essential to analyze the existing scenario, identify the problem and accordingly fine tune the product to suit the prospective customer's preference. This process can be carried out only by extracting data from various sources, integrating the relevant data and analyzing it in order to get informative results. Business Analytics, by exploring a relevant set of data and statistically analyzing it, provides an insight into the

past as well as the present scenario in the business. The results obtained are instrumental in predicting the future patterns, thereby ensuring data driven decisions



In today's competitive market environment, it is crucial for business organizations to explore their current position, discover the reasons for it, understand its nature and take actions to correct or improve the situation well in

time. In other words, the data analysis should have a qualitative angle to it. Business analytics establishes any possible relationship between the variables involved, gives rise to further questions and repeats the process of analysis to arrive at the result. This gives the much needed qualitative results that facilitate an informed response to the situation at hand. This method of effectively tackling both, the certain and uncertain factors have facilitated many developments in markets across the globe.

Analytics has had a great influence on online retail- an area that has grown substantially over time and continues to grow. It has helped in providing answers to some very important questions regarding the key aspects driving customer satisfaction, efficient management of inventory to meet demand, customer targeting and response, etc. It has played a very important role in identifying the various characteristics of the customer base in order to provide customized products and design discount offerings and promotions for each segment of customers. Amazon.com is a perfect example of successfully using business

analytics to rule the e-commerce space. Its recommendation system correlates the individual purchases of each customer with others making similar purchases to come up with suggestions for things that they might buy. However, it's not only the online retail that has reaped the benefits of analytics. Even store retail has prospered by using analytics to mine customer preferences, procure appropriate merchandise and make important supply decisions. Shopper's Stop is a clear example of this.

The transport sector is also exploring the combination of technology and analytics to serve its customers in a better way. With the coming of technologies like GPS, the taxi industry particularly, is experiencing a sharp rise in demand. It has therefore, begun to use demographic details of various regions and analytics to predict demand on a day to day basis so that cabs are made available as per demand. This helps in providing timely service and successful reduction in last minute cancellations of orders due to non-availability of cabs.

Business analytics has proved to be a great boon to the pharmaceutical industry. By optimizing innovation, improving the efficiency of research and clinical trials to meet the promise of more individualized approaches, identifying potential drug candidates and increasing the effectiveness of research and development, analytics has completely revolutionized the industry.

Although the world of banking and finance has been associated with business analytics for quite some time, an increase in the need for analytics is being experienced in the recent times. In order to retain the most profitable customers, personalized offerings are expected to play a big role and designing such offers requires a good understanding and analysis of the consumer behavior. In addition to that, requirement by regulatory bodies regarding data collection, governance and reporting is pushing banks to demonstrate a better understanding of the data they possess. Analytics also facilitates better handling of market uncertainties and better risk management. In the insurance sector, business analytics has been leveraged to study the current and future trends in

order to manufacture the right product for the right segment, thereby moving a step further than merely monitoring the developments.

The IT and telecom industries are highly dependent on analytics for their day to day operations. The use of business analytics has effectively raised customer satisfaction by analyzing past trends, predicting future ones, identifying patterns of consumer behavior, calculating the true value of a customer based on the tenure and services bought and finally creating an innovative product that gives the firm an edge over its competitors.

However, an accurate analysis of the present and a reliable prediction about the future course of events requires the data set to be reliable. It is essential, therefore, to examine the reliability and relevance of the data being used for analysis. Another matter of concern is that as data brokers continue to amass huge amounts of consumer information, customers may show a greater concern about the ownership of their data. The privacy of the consumer should be given due importance.

It can be observed, therefore, that business analytics has penetrated almost every industry across the globe by changing the way business organizations approach their customers. It has not only provided a method to gain useful insights into the current period, but has also helped in managing the uncertainty associated with the future. Over the years, its role has evolved from facilitating the analysis of business scenarios, to becoming a competitive strategy in itself, to finally establishing itself as one of the main functional areas in many companies. It is an indispensable activity with respect to business and considering the fact that competition between business organizations is intensifying every second, it will continue to be so.

- <http://analyticstraining.com/2013/how-online-retailers-can-use-analytics/>

Bibliography:

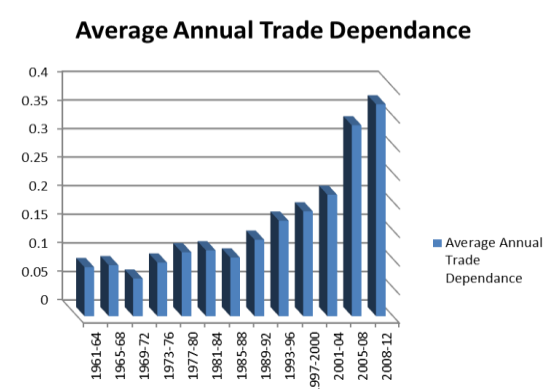
- <http://searchbusinessanalytics.techtarget.com/definition/business-analytics-BA>
- <http://www.informationweek.in/informationweek/news-analysis/287366/analytics-indian-business-competitive/page/2>

“Made in India” – Making the Indians Make Better

Vaibhav Garg, MBE Final Year

1991, the year which became a milestone in India’s economic history, eased the closed Indian economy into the global playground - though in a controlled and phased manner. Trade reforms since then have shown remarkable results whereby India’s trade to GDP ratio increased from 15 to 50 percent of GDP from 1990 to 2012. India acquired 17th position in world merchandise export and 7th in world services export. In fact, 2013-14 is the only financial year in which India’s manufacturing activity contracted by 0.7 percent, for first time since 1991-92, dragging the overall economic growth to sub-5 percent level and thus affecting the trade.

India’s Trade Dependence



Source: World Bank

Reviving the economic growth, the manufacturing sector and the trade of India is a big challenge for the government as high inflation has kept

interest rates high, impacting investments and demand. But that is surely not the final destination. India has been believed to follow Japan and China in the trade and manufacturing cycle. There has been a shift in fine cloth and textile manufacturing from Japan to China in 10 years after Japan reached the zenith of fine cloth manufacturing and eventually to India from China in another 15 years of China achieving its zenith. Why this shift? Every country updates its manufacturing and trade basket with more advanced and lucrative products. Observing the above said pattern for Japan, China and India, we surely predict and set our eyes to the “Made in India” as an aftermath of “Made in Japan” and “Made in China”.

Setting high and inevitable aims has never helped the juggernaut of Indian Economy to move smooth and fast. It remains a sluggish snail loaded economy with the burden of cumbersome clearance policies, non-integrated industrial hubs around the country and a poor play of resource availability. The new government at the Centre led by the new Prime Minister has called out to the world to “Make in India” and a spread of “Made in India” products around the world, but is the country ready to host the big

manufacturing powers of the world? Are we, the people of India, ready for this change? Let's find out.

The first step in strengthening the Indian manufacturing sector was to bring about a positive change in related policies. The new government has initiated a drive to improve the business climate in India and to streamline the application clearance mechanism, whereby all the applications related to department of industrial policy and promotion will be processed within 90 days. In case of defence manufacturing, home ministry will give clearance within 30 days. This step was taken in line with the second most important step in strengthening Indian manufacturing, i.e. inviting the companies and nations globally to come and manufacture in India.

The new government has allowed up to 100 percent foreign direct investment (FDI) in railways infrastructure and up to 49 percent in defence to address the issue of large imports by indigenising defence production. Since the defence sector was opened up in 2001, it has attracted under just about \$5 million in FDI, due to low percentage participation to foreign companies and many hindrances to obtain clearances. Invitation to foreign players brings in both - the monetary inflows for strengthening the manufacturing and the latest know-how to support the high quality production.

The new prime minister set in the flow right when he raised the "come, make in India" slogan on I-Day and called out for a "Zero defect, Zero effect" policy for manufacturing in India. "Zero defect, Zero effect" refers to zero defect manufacturing so that Indian products are accepted globally and zero effect on the Indian natural environment due to manufacturing, thereby indicating towards more environment friendly and green manufacturing techniques.

The new government has also directed all the IITs to develop know-how and divulge in research to support the "Made in India" cause. It has asked all the corporations and companies to invest their CSR (Corporate Social Responsibility) funds into research activities. Other skill development programs through specialized universities have also been initiated.

Issues such as taxation, including GST (Goods and Services Tax), land acquisition and trade policies are being addressed to create a conducive business environment to attract not only the foreign players but the Indian youth and mass to open up small and medium enterprises (SMEs). Special Economic Zones (SEZs) are being restructured and strengthened through special aids, keeping in mind that every SME would reduce the import burden and create opportunities of export for India.

Another major step taken by the new prime minister is to individually invite nations to manufacture in India. By revamping, strengthening and creating new bilateral ties with powerful industrial nations as China, Japan and Germany, the prime minister is blowing the horn of 'Best Quality Product' with 'Made in India' tag for the entire world to hear and make way for Indian products in their markets and their homes.

While the government makes a mark worldwide - it has not left the domestic market and its citizens without making a point, the point to "Own Indian". This is to urge the citizens to reduce dependence on foreign brands and make way for improved Indian products so as to help the Current Account Deficit (CAD) by reduction in import bills. Many strong statements have been made and many more strong steps have been taken by the government to first revive and then take the Indian manufacturing sector to the afore said destination. These statements sound good, these steps look good on paper, but are they as effective is a matter of concern.

The government encourages youth to get involved in the manufacturing sector. How many young people will chose a manufacturing job over a relatively easy service sector job, is a question that the Indian government faces. The steps taken to improve the business environment, their effectiveness, how many of them actually come to act and will they be able to actually strengthen the

manufacturing sector – are some issues of prime importance.

It's time the world looks at the "Made in India" tag at the back of every product, but are we ready to shine in the hour of glory or not, can only be answered as the story of this new five year government unfolds before our

Bibliography:

- Forbes Magazine
- Economic Times
- World Bank
- comtrade.un.org

India's Look East Policy

Gagan Anand, MBE Final Year

Prime Minister Narendra Modi's foreign policy has seen a marked departure from the previous governments' policy which focussed largely on the developed world and could be termed lethargic seeing the amount of activity we have seen in the first 100 days of his governance. In the first 4 months of this government, the External Affairs Minister has travelled to Singapore, Afghanistan, Vietnam, Bangladesh and Japan in an attempt to iron out differences and end the policy paralysis. Modi too has kept his foreign trips confined to the sub-continent (except attending the BRICS meet in Sao Paulo) visiting disgruntled neighbours and trying to win their support. China is also courting our neighbours- Pakistan, Bhutan, Sri Lanka & Nepal and is giving massive grants to them in order to fund infrastructure projects which these countries are badly in need of.

The '*Look East*' policy introduced by former Prime Minister P.V. Narasimha Rao in the 1990s was both farsighted and pragmatic. The East Asian economies are now the fastest growing economies in the world and are hungry for resources that could be provided by India. India is also on the way to become one of the largest markets in the world and an attractive destination for most exports. Vietnam and Thailand are also coming up as major centres for manufacturing.

Economic growth for the next 50 years would be concentrated in the Asian region – is now a notion shared by most economists in the world. India's recent aggressiveness in the implementation of its foreign policy would help build strong strategic ties with a major portion of the world's population which could be exploited over the next few decades.

India has traditionally been a centre for trade, learning and spirituality and has had cultural ties with most of the Asian countries, thereby enjoying considerable soft power. India is also a centre of high reverence for Buddhists, Hindus and Tibetans. The resurgent Look East Policy has coincided with Myanmar opening its borders and Pakistan's new found interest for maintaining normal trade relations. Myanmar providing a land route to other East Asian nations like Vietnam, Malaysia, Thailand and Cambodia would help India greatly. A plan for a multi-country highway and rail line is being formulated which will help the area tremendously by enabling easier access to resources and would also cement India's place as a strategically important neighbour.

The 21st century is often prophesied to belong to Asia, with China and India playing a large hand in the re-establishment of Asia's prosperity since they are the most populous

countries in the world and hence, the largest workforce. Due to their close geographic proximity, both nations see each other as threats. China is one of India's most significant trade partners. Every year talks about having a more engaging relationship are held but both countries still look at each other as strategic rivals. Indonesia, Philippines and Vietnam have been growing at a tremendous pace and would also play an important role in the development of the region. Thailand has been marred by political instability in the recent years, which has greatly affected its growth. India has Free Trade Agreements (FTAs) with all the members of ASEAN and the SAARC nations. Through SAARC, India has managed to promote friendship and trust amongst the 8 member countries.

Japan is another country which is responsible for the development of the Asian region. Having gone through the industrial revolution in the 70s, Japan now is in a position to help other economies. With low growth rates, deflation and limited potential for growth in the domestic market, Japan is looking outwards for expansion. Like most countries, Japan had invested heavily in China with a view to shift its industries, but with recent impasse on the Senkaku Islands and China's sabre-rattling has forced Japan to think of an alternate strategic partner in the area. Prime Minister Modi's recent visit to Japan was to ensure that they see a strong and reliable partner in India. Japanese corporations are deeply patriotic and nationalistic. With the Japanese government favouring India;

they would readily set up factories and invest in India.

Like Japan, business enterprises of many countries are looking for an alternative to China. The low unemployment rates in China would force the labour rates up and might lead to an increase in the level of inflation. This would erode its competitive advantage. Moreover, China's One Child Policy, which proved to be a boon in the 1970s, is now turning into a bane. Each working couple in China now has to support 7-8 members. The median age of the population has risen significantly and people entering the labour force are far lower than the people retiring. This would have an adverse impact on the productivity of China. Furthermore, the progress of Chinese military and increase in its financial might has made a lot of Western economies uneasy. India can be promoted as a viable alternative as we have plenty of young workers; we have one of the youngest and largest populations in the world with productivity increasing every year.

The Look East Policy is aimed at creating a ready market for "Made-in-India" products in the neighbourhood and to demonstrate that India is now free from red tapism, more investment friendly, and business ready. But Modi's charm offensive can only do so much. China has not only been funding infrastructure projects but also executing them. India doesn't have the required monetary resources to match China's efforts. China is certainly unhappy with India's recent moves. A

strong neighbour would not sit well with the Chinese administration, which is trying its best to increase its sphere of influence, especially in Asia. Although the sentiments across the world regarding India have been upbeat lately, we have to now hope that this translates into an influx of capital for our industries and raises the growth rate of our economy which has been reeling under stagflation. A vibrant manufacturing sector would help India raise millions of its citizens out of poverty and create a strong middle class.

Bibliography:

- India's Asia-Pacific Policy: From "Look East" to "Act East":

<http://www.brookings.edu/events/2014/09/09-india-pivot-to-asia-pacific>

- Look East policy: going beyond rhetoric:

http://www.livemint.com/Opinion/n8tKO15nRSitHtQxMSOiNN/Look-East-policy-going-beyond-rhetoric.html?utm_source=copy

- A strenuous September:

<http://www.economist.com/news/asia/21614184-indias-government-embarking-whirlwind-month-asian-diplomacy-strenuous-september>

India's Monsoon Obsession and Its Impact on the Economy

Mohit Budholia, MBE Final Year



Every year, market analysts, CEOs, government officials and foreign financiers wait for the news on a very important phenomenon: forecast for the June-September monsoon season. Indian economy which is still considered as an agrarian economy is largely dependent on the amount of monsoon rains as a large part of the agricultural yield comes from the monsoon fed crops. A good monsoon means a good produce and brings in cheers all around the country. A weak or poor monsoon is considered as a big stumbling block in India's economic growth. Let us take a closer look at the factors which makes the whole country fret over a cyclical weather phenomenon.

Why does monsoons in India matter so much to the Indian economy?

* Farm output and economic growth in India is largely dependent on monsoon rains since it the world's second-biggest producer of rice, wheat, sugar and cotton. 15% of India's nearly

\$2 trillion economy is based on farm output which is Asia's third biggest.

* Even though India is largely self-sufficient in major food grains, a drought can send the country to global markets. In 2009, India had to import sugar, sending global prices to record highs and pushing up inflation.

* India's food inflation has been on a steep incline over the past few years. Increasing the farm output would bring down food prices and help the government to take steps to cut the fiscal deficit and farm subsidies.

* A stronger economic outlook can lift sentiment in equity markets, mainly of companies selling products in rural areas, including consumer goods and automobiles.

* Rural India, where about 600 million people live, dependent on farm income, is a market with a huge potential - and appetite - for growth. A number of fast moving consumer good companies see a direct correlation between the monsoon and disposable income in the villages.

Year	Status of Monsoon	Production of Rice (Metric Tonnes)	Production of Wheat (Metric Tonnes)
2002-03	Below Normal Monsoon - Drought Year	71.82	65.76
2003-04	Normal Monsoon	88.28	72.11
2004-05	Below Normal Monsoon - Drought Year	83.13	68.64
2005-06	Normal Monsoon	91.79	69.35
2006-07	Normal Monsoon	92.76	74.89
2007-08	Normal Monsoon	96.69	78.57
2008-09	Normal Monsoon	99.18	80.68
2009-10	Below Normal Monsoon - Drought Year	89.09	80.80
2010-11	Normal Monsoon	95.98	86.87
2011-12	Normal Monsoon	105.30	94.88

Source: DAC data book and IMD Reports

Macro-Economic Impact of a drought

A drought year has several implications on the various macroeconomic variables in the country. We will now look at how a year with sparse rainfall can affect the economy of our country.

* Agriculture GDP growth (14% of GDP) contracts an average of 5.0% YoY in a drought Shaving 0.7pp off GDP growth

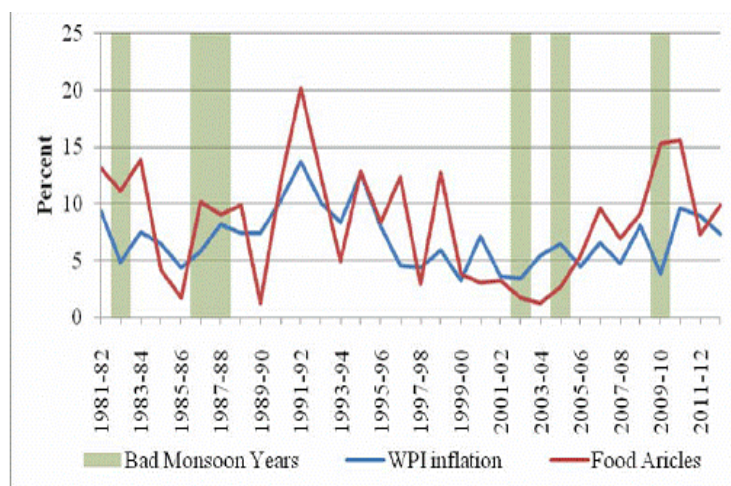
* Agriculture GDP growth is expected to be dragged to zero from 2.8%. Food grain output will contract by around 8% y-o-y in FY13 compared with growth of 5.2% in FY12.

* Food production drops by an average of 10% YoY in a drought year. Steep decline in the rain-fed summer (kharif) output. Drier soil and little water for irrigation also lower the winter (Rabi) crop.

* A swell in diesel usage becomes very likely. Barclays Capital in a recent report said the disappointing Indian monsoon has the

capability to buoy diesel demand further. In order to ease the farmers' burden, the Agriculture Ministry has declared that the price of diesel would be halved in areas where rainfall has been 50 per cent below average up to July 15. This will likely result in diesel sales to likely rising further over the month, the report pointed out.

* Poor monsoons usually push food inflation higher by 4-5 percentage points (pp). The average impact of last five droughts on WPI inflation was around 8.50% and on WPI Food inflation was at 8.80%.



*The fiscal deficit could worsen because of drought-relief measures, the carrying cost of food stocks, the increase in minimum support prices and higher allocation under the employment guarantee scheme.

Meanwhile, drought is likely to deteriorate the current account balance as agricultural imports rise on lower production and as agriculture exports falter.

Monsoon dependence - Now and Then

Monsoon's impact on India's GDP is diminishing, though it is still a potent force. In the past, economic growth has been observed

to have fallen to almost zero during a particularly bad monsoon. More recently, the growth in economic output has dipped to about 4 percent in years of bad monsoons and risen past 8 percent during particularly good years. Since India embraced the free market reforms in 1991, the farm sector was overshadowed by services and manufacturing as production controls and tariff barriers were removed to open the economy to global supply and demand. With vital industries such as software and pharmaceuticals powering India's growth now, investors don't have to worry as much as before whether a bad monsoon will hit village demand for motorcycles, shampoo or refrigerators. Hopefully in the coming decades, India will shed its image of a monsoon dependent economy.

REDUCING THE DEPENDENCE ON MONSOON RAINS

Current Scenario

The present farming and economic situation in the country calls for making agriculture in India drought resistant. There is also a need to employ methods to increase water use efficiency in agriculture to realise the objective of more crop per drop.

The government plans to clamp down hard on hoarders to prevent sharp spikes in food prices. The finance ministry is also considering reducing import duties on pulses and oil seeds to counter the supply side shock. These measures may or may not succeed in controlling food inflation in the next few months but they are certainly not long term solutions. The new government has already highlighted food inflation as one of its key challenges.

Low cost innovations are being undertaken by institutions such as the Centers for International Projects Trust (CIPT), the India entity of the Columbia Water Centre, (affiliated with the Earth Institute, USA) not only reduce water usage in agriculture but also make farmers less vulnerable to climate variability, especially as it relates to the monsoon season. Simple solutions like the ones being developed by the centre have the potential to be widely adopted and lead to significant water savings and growth in agricultural production.

Suggestions

We will now take a look at a few ideas which have the potential to help the country reduce its dependence on the monsoon rains.

Increasing the area under irrigation: About half of India's arable land is not covered by irrigation. Ensuring that 100% of arable land is put under irrigation will lead to stable food prices and end India's dependence on the rains.

Drought resistant produce: In order to reduce its reliance on the vagaries of monsoon rains, India needs to develop varieties of rice, pulses and oilseeds which are drought resistant, evolve early drought warning systems and improve meteorological tools to provide sharper forecasts.

India needs to ramp up its still scanty water conservation efforts. Too much water gets wasted. India also needs to manage its huge food stocks - over 60 million tonnes at the start of this year - much better. Too much food gets destroyed and damaged.

Amending the APMC act to control food inflation:

APMC act is a 50 year old law. It was established to protect the interests of the farmers and traders as well as regulate trade in agricultural commodities. The act provides a platform, called mandis, for farmers to sell their produce. This ensures a ready market for farmers to sell their crop and results in price discovery.

However, a deeper look reveals that mandis have become a breeding ground where auctions are rigged and the interests of the farmers are exploited. A farmer generally comes to the mandi to sell his produce. The traders in the mandi enter into an auction to buy the produce. However, these auctions are generally rigged. Sometimes the price that the farmer gets through auction is even lower than the market price. Thus, the farmer has to sell his produce for pittance as he has no other option to part with it. Also, if the commodity is in demand, traders create artificial scarcity by not conducting an auction. This inflates the prices. Further, there are so many middlemen in this

entire trade that by the time the produce reaches the end consumer prices increase significantly. Amending the archaic APMC Act and developing a system to provide farmers with real time price data will go a long way to boost agricultural incomes.

Developing the manufacturing sector:

Developing the manufacturing sector will lead to more people moving away from their dependence on the rains for their livelihood.

Bibliography:

- The Economist – It never rains
- Business Line – Monsoon, a key driver of the Indian Economy
- The Indian Economist – Impact of monsoons on Indian Economy
- Moneycontrol.com – Monsoon rains and impact on Economy

The Loo-Natic Rush for Toilets

Vidhi Bhatt, MBE Previous Year

Narendra Modi's passion for toilet-building, mentioned before but given a new impetus in his Independence Day speech, has opened the flood gates to focused corporate spending in the area.

In quick succession, many profitable companies and corporate trusts - from Tata Consultancy Services to Bharti Foundation, Hindustan Unilever, Aditya Birla Group, ITC and Adani Group - among others, have announced plans to focus their corporate social responsibility (CSR) spending in toilet building, especially for girls. Most of them have pledged substantial sums (Rs 100 crore or thereabouts) and are talking about building thousands of toilets – not the odd one or two in one village or two.

In part, this flood of offers is the result of the new Companies Act legislated last year, which mandates 2 percent CSR spending for all profitable companies. Clearly, some companies with the money were not sure where they should spend it, and others may have been fishing around for the right opportunities.

Modi's call on toilets has allowed them to align their need to find outlets for

CSR spends with a politically-defined national objective.

The Stats

36! Yes, that is the percentage of our population having access to proper sanitation facilities (according to The World Bank data, 2013). With the world average at 68%, this percentage is lower than most other developing and even some under developed countries including Bangladesh (57%), Bhutan (47%), China (65%), Indonesia (59%), Zambia (43%) and Pakistan (48%). The percentage has risen only marginally for India since 2008 when it was 31%. After this information, what's coming up next won't be very surprising: "With 626 million people practicing open defecation, India has more than twice the number of the next 18 countries combined together and accounts for 59% of all the people in the world who practice open defecation"

Why Talk?

But what is the need to talk about it? How are we concerned when we have access to toilets and do not contribute to the large percentage? The answer is- The negative consequences of open defecation are borne by everyone, even those who use toilets. Fecal germs are what economists call an externality: they make you sick even if you use proper sanitation. Open defecation takes the lives of hundreds of children in India each year. It also leads to stunted growth in children that survive as they are exposed to diseases spread by it and they are unable to grow to their full physical and cognitive potential. These children grow up to be adults who are less economically productive. Having one of the largest demographic dividends in the world and 29% of our population in the age group of 0-14 years, this could be a huge economic burden on the country. The economic impact of inadequate sanitation is about Rs. 2.4 trillion or 6.4% of India's GDP (according to the Water and Sanitation Program Report)

Why Now?

The terrible health and economic consequences of open defecation explains why it has become such a hot topic in India these days. With the Prime Minister addressing the nation about it

during his Independence Day speech, it has gained larger momentum. He plans to put this amongst his government's top priorities and work towards total elimination of open defecation by 2019. The profit making companies thereby, have a chance of getting brownie points from the government for their CSR activities in this field.

Mr. Modi also mentioned how this issue has become a reason for girls dropping out of schools due to unavailability of separate and hygienic toilets in schools. And we all know that it is not possible for any economy to grow if it neglects one half of its population i.e. their female participants.

The Right Approach

Is making toilets enough? What about the training? And maintenance? With most businesses investing in just the construction of facility we should not forget that training of people and maintenance of these toilets and sewage along with proper disposal is equally important.

Another very important aspect is branding these facilities with women. Why not loop in men who are the major decision makers in our patriarchal society. Most rural households built toilets to avoid their young women from being seen by outsiders. Hence these

facilities are not properly maintained. If men believe that they too should use toilets, they are more likely to invest in constructing and maintaining one. Using the concept of loss aversion and explaining to them how not using a toilet could be disadvantageous, seems to be a good idea.

Conclusion

Neither population nor poverty can be blamed for 64% of our people openly

defecating. Bangladesh with much higher population density and much more poverty has performed better than us in sanitation. The only change required is in the mindset of people about the issue. Now is the time for the government and the private sector with its CSR to inspire a social movement needed to change people's minds and behaviour. With a figure as popular as Narendra Modi igniting the revolution in sanitation behaviour, the results can be hoped to be optimistic for all.

Bibliography:

- The WHO website
- UNESCO website
- NSSO website
- Scroll.in

The Indian Economy: 60 months from now

Vishwesh Dixit, MBE Final Year

“Poor governance and inadequate infrastructure are holding up growth in India.” - Kaushik Basu, World Bank’s Chief Economist

Just four months back, our nation got a new Prime Minister after the Hindu Nationalist Bhartiya Janta Party (BJP) won with an overwhelming mandate from the nation. Thus, the shackles of a coalition government were broken after decades. Mr. Narendra Modi had been promising gigantic and drastic reforms in every major sector before coming to power.

Soon after he took charge as the Prime Minister, he announced his plan for the coming five years: the vision of New India. He announced a plan of building 100 new world class cities in the years to come. He has been a man known to keep promises. And many such promises that he has been making ever since are not baseless. There is an expert team behind each vision.

All such visions of an India, though still unknown, have been the result of many indications provided by our “so-called” emerging economy. After the Global Financial and Economic Crisis of the FY09, our economy is still reckoned to be a strong and a resilient one, able to withstand major crisis situations, severe turmoils in the financial world, droughts and ever-

increasing oil prices. But, the economy still maintained a consistent growth rate.

Overall, there have been four phases of growth witnessed by the Indian economy:

1. **1950-80:** A majorly agricultural society and use of the Hindu rate of growth coupled with huge investments in industries, infrastructure and agriculture.
2. **1981-90:** Improvement of the industrial sector due to good trade reforms.
3. **1991-2010:** Economic liberalisation and rise of the service sector.
4. **2011-Present:** Expected huge investments in physical, social and agricultural infrastructure.

Following is a blueprint of the India that our government has envisioned:

India Vision: 2020 Broad Physical Targets

No.	Broad category	Short-term Target (FY11-FY12)	Long-term Target (FY13-FY20)	Total
1	Doubling (Including DFC)	1,000 kms	11,000 Kms	12,000
2	Gauge conversion	2,500 Kms	9,500 Kms	12,000
3	New Line	1,000 Kms	24,000 Kms	25,000
4	Electrification	2,000 kms	12,000 Kms	14,000
5	Procurement of Wagons	33,909	2,55,227	2,89,136
6	Procurement of Diesel Locomotives	690	4644	5334
7	Procurement of electric locomotives	555	3726	4281
8	Procurement of passenger coaches	6912	43968	50880
9	World class stations (bid-out/concession)	12 Stations	38 stations	50 stations
10	High speed corridors	--	2,000 Kms	2,000

Source: Ministry of Railways

Investment in capacity enhancement and modernisation works

No.	Broad category	Short-term Target (₹ bn) (FY11-FY12)	Long-term Target (₹ bn) (FY13-FY20)	Total
1	Bottleneck removal	30	200	230
2	Capacity Augmentation	342.5	3,838.00	4,180.50
3	Rolling stock	455.63	3,461.75	3,917.38
4	Service Improvements	208	748	956
5	Technological upgrade and safety	272.35	983.19	1,255.54
6	High speed corridor	-	2,000.00	2,000.00
7	Others	99	990	1,089
8	Total	1,407.48	12,470.94	13,878.42

Source: Ministry of Railways

Sector-wise Analysis of the Indian Economy 2020

➤ Electricity

Nearly 78000 MW of extra power generation capacity has been planned including nine Ultra-Mega power projects with each having a capacity to produce 4000MW.

The infrastructure investment in this sector would account for nearly 4.3% of the GDP as estimated by D&B.

➤ Oil and Gas

Considering the population of India then, development of techniques for using fossil fuels has been planned. The government has already taken initiatives to boost exploration of alternate fuels like Coal Bed Methane.

➤ Roads and Railways

Construction of the golden quadrilateral, Delhi-Mumbai-Chennai-Kolkata-Delhi, will help link these metros and other cities by 2020.

As per the Ministry of Railways' estimates, the demand for passenger and freight services would rise exponentially requiring an expansion of nearly 25,000 kms of new lines. Rapid urbanisation including fast inter-city trains is expected in this plan.

➤ Health and Sanitation

As per the D&B's forecast, there will only be a small rise in investment in this sector from 1.3% to 1.5% of FY20's GDP.

➤ Education

Public expenditure in education will see a considerable rise from 3% to 3.9% of GDP as per D&B's forecast.

➤ Agriculture

Investment in agriculture sector is expected to grow to around 3.8% of GDP by FY20 as against 2.6% of GDP in FY11.

There are many other sectors that should have been included but we should look at the big picture here. With proper governance and more

investments in better infrastructure, things will fall into place.

The Indian economy will see the sun in the near future. Its comparison with China today is like comparing apples and oranges in the economic sense but in order to progress, India must take note of China's economic policies and its own shortcomings.

"When all is said and done, the difference between India and China can be summed up in one word: freedom." ~ Christopher Whalen

The most important aspect of the comparison of these two huge economies is that China is a very sophisticated and controlled society where market forces do not command a big role in its economic life. India, on the other hand, is a democracy with a decentralised economy, where social and religious turbulences are a common feature and are still widely accepted as such. China has a Soviet-style of economy whereas India has slowly reduced the power of the government in modelling its economic future.

The Indian economy has bottomed whereas China, today, is facing serious risks of downward growth rate. After a sluggish GDP in the past financial years, India has finally chosen its course of development after recording a 5.7% GDP lately. On the other hand, China's growth rate has slowed down but is still maintained at 7.4%. Our current account deficit has significantly eased, currency has stabilised, inflation has pulled back and corporate debt has decreased.

With decreasing inflation, the interest rates are bound to drop and with Modi providing a better business oriented government, India will hopefully get the much needed momentum to surpass China and be the biggest economy of the world

Bibliography:

- James Gruber, 5th April 2014, "Why India will soon outpace China", Forbes Magazine
- Kaushik Basu, 3rd January, 2014, "Future of India's Economy", BBC News
- "India 2020 Economic Outlook", Dunn and Bradstreet India

Behavioural Economics - Can businesses profit from this non-traditional branch of economics?

Bhavya Sud, MBE Final Year

Behavioural Economics is a branch of economics that concentrates on explaining the economic decisions that people make in practice. It explores why people sometimes make irrational decisions and how this behaviour does not follow the predictions of neoclassical economic models, which assume that human beings are rational (homo economics). This branch of economics deals with decision making models with more realistic psychological foundations.

Most of the ideas in behavioural economics are not new. When economics first emerged as a specialized field of study, psychology did not exist as a discipline. The works of Adam Smith which talk about the concept of loss aversion, Jeremy Bentham's work on utility etc., are full of insights about human psychology, which are the precursors of modern developments in the field. However beginning with the neo-classical revolution, economists hoped to redesign economics as a natural science. But even in the 20th century, many prominent neo-classical economists like Francis Edgeworth, Vilfredo Pareto etc. used more sophisticated psychological explanations. Expected utility and

discounted utility models gained acceptance. This continued well into the 1950s and 1960s when other works by prominent economists continued to be well received. Thus, the use of psychology in economics has come full circle.

Behavioural Finance

The field of behavioural finance argues that it is people's emotions, beliefs and sentiments that drive share prices which is contrary to the established notion that markets are efficient. Investors are usually risk averse and will try to reduce losses than prefer a possibility of a greater gain. Shareholders may continue to hold on to a stock no matter how low its price drops in the hope that it may eventually come back to the same level. Herd instinct is also prevalent. Often when the markets are going up or down, most of the people tend to follow what the others are doing in due to the fear that others know more than they do. On the other hand, investors' beliefs are not easily changed. They tend to be overconfident that they can pick winners and tend to focus on some striking news rather than studying averages.

Behavioural economics has been used to explain the role that greed and fear played in the 2008 financial crisis. Companies created innovative financial instruments without fully understanding the risks lured by the greed of quick profits. When the stock market crashed, fear led to investors rapidly exiting the market even though they could have bought good stocks at a pittance.

Behavioural biases can also contribute to speculative bubbles.

Behavioural economics in marketing

Behavioural economics has been used by marketers for a long time. For instance, to encourage customers to use a loyalty card at a supermarket, the company could offer the card with some points already added and ask them what they would like to buy with these points. More customers will not want to give up free points that they feel they already own.

We tend to believe that cheaper stuff is of lower quality. If given a choice between two similar products, people tend to view the one that has a higher price as better. This is true in the case of expensive jewellery and gadgets. People would rate a \$10 bottle of wine as better, if the marketer lied and told them that it costs \$60.

Marketers can also introduce a third option to make customers choose between two options. Consider the subscription offers at The Economist.

Potential customers are given two options- \$56 for an online subscription and \$125 for an online and print subscription. Most people would choose the first option. But if a third decoy option of \$125 for only print subscription is introduced, most people would now choose the second offer. The company knows that nobody will prefer the third option but has offered it just so that more people will now choose the second option as compared to the first scenario.

Behavioural economics in advertising

Taking a specific case of people who prefer to pay by cash or debit card to avoid the surcharge associated with a credit card transaction. So, if the choice is between a discount on using cash or debit cards and a surcharge on credit cards, people will prefer the former. We prefer to avoid a loss than make a potential gain i.e., the concept of loss aversion.

People respond positively to advertisements if they are contacted through the channel they prefer. The youth would respond to advertisements sent through text messages or Facebook rather than print advertisements.

Behavioural Economics in human resources

HR professionals need to understand what motivates their employees. It is not just financial incentives that will make a demotivated worker stay with the organization. By studying the behaviour of employees, they can find out what how to motivate and retain their workers without raising costs. Employers, such as Google, are using their expertise in the area of behavioural economics to apply to their HR department, or 'people operations'. This is because the field has produced remarkable insights into how to effectively design and communicate employee benefits plans and motivation schemes .

Thus, business can harness the potential of insights from behavioural economics in every part of the organization to make more realistic decision processes and profit from it.

Bibliography:

- McKinsey Quarterly
- investopedia.com
- Forbes
- "Behavioral Economics: Past, Present and Future" by Colin F. Camerer and George Loewenstein
[http://nowandfutures.com/d2/BehavioralEconomics\(conventional\)ribe239.pdf](http://nowandfutures.com/d2/BehavioralEconomics(conventional)ribe239.pdf)

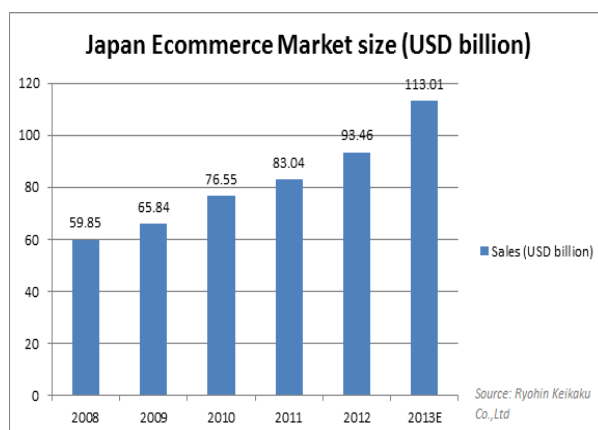
SPECIAL SEGMENT: Digital Marketing

Rakuten's Business and how its entry will impact E-commerce in India

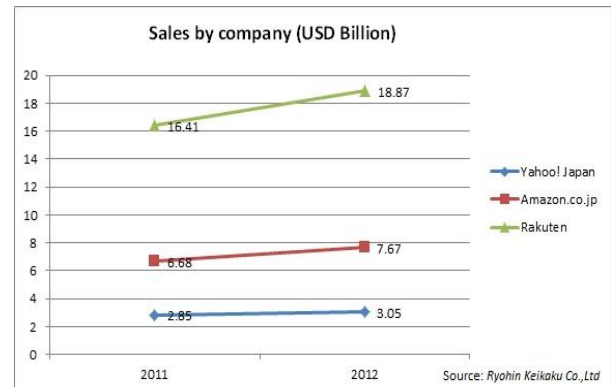
Sunil Kumar, MBE Final Year

Rakuten has opened a global unit called the Rakuten India Development and Operations Center (RIDOC) in Bangalore. Before understanding why this is a big deal, let us understand Rakuten's model and its role in Japanese e-commerce.

Japan is one of the largest e-commerce markets in the world. According to a report published by Ryohin Keikaku Company Limited, the estimated size of Japanese e-commerce market is USD 113.01 Billion (or JPY 11.5 Trillion) and the e-commerce penetration in the country is 3.5%.



Rakuten Inc. is the Japanese leader leaving behind Yahoo and Amazon in the amount of sales.



Rakuten: Overview and Major Businesses

Rakuten Group is famous for their marketplace, Rakuten Ichiba, which was launched in the year 1997. According to Hiroshi Mikitani, Chairman and Chief Executive Officer (CEO) Rakuten Inc., from 1997 till 2000, the company focussed on building their corporate culture and a unique business model of Internet shopping. In the second stage, from 2001 to 2013, the company worked to establish solid brand power in Japan and laid a foundation to build a truly global company.

Quick Facts:

- Rakuten Ichiba's domestic gross merchandise sales (GMS) surpassed USD 16.71 billion

(or JPY 1.7 trillion) in the year 2013.

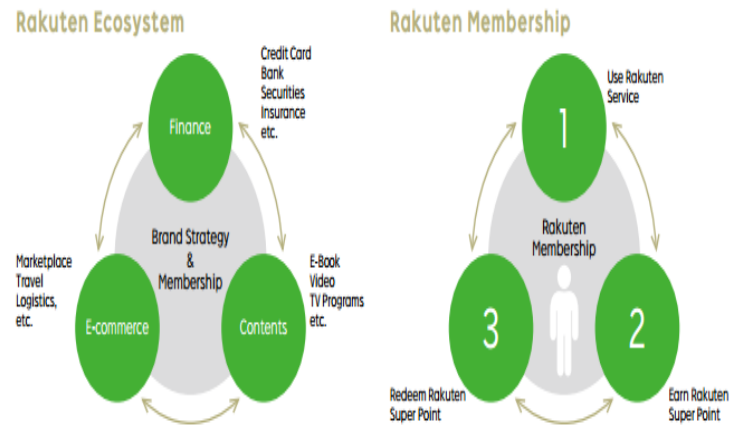
- Rakuten Ichiba and other services had a 19.8% y-o-y growth in GMS in 2013 as compared to 15.4% in 2012.
- The FY13 revenue increased by 30% from the previous fiscal year and amounted to USD 5.09 billion (or JPY 518.6 billion).
- The net income had increased by 106% to USD 427.47 million (or JPY 43.5 billion).

Besides operating in the B2C marketplace model globally, it owns a large variety of businesses.

Name	Location
Consolidated Subsidiaries	
Internet Services	
Rakuten Auction, Inc.	Japan
LinkShare Corporation	U.S.A.
LinkShare Japan K.K.	Japan
Rakuten Logistics, Inc.	Japan
Buy.com Inc.	U.S.A.
PRICEMINISTER S.A.S.	France
Rakuten Travel, Inc.	Japan
Kobo Inc.	Canada
Kenko.com, Inc.	Japan
Viki, Inc.	U.S.A.
Internet Finance	
Rakuten Bank, Ltd.	Japan
Rakuten Securities, Inc.	Japan
Rakuten Card Co., Ltd.	Japan
Dot Commodity, Inc.	Japan
Rakuten Edy, Inc.	Japan
Rakuten Life Insurance Co., Ltd.	Japan
Others	
Rakuten Baseball, Inc.	Japan
FUSION COMMUNICATIONS CORPORATION	Japan
Equity-method Affiliates	
Rakuten ANA Travel Online Co., Ltd.	Japan
TECHMATRIX CORPORATION	Japan

Business Model

The aim is to develop a global ecosystem which is based on the concept “Single brand, single membership”. Under this, the members would be issued a single global Rakuten ID which would provide access to a wide variety of services offered by the Group.



Growth plans for 2014

Rakuten has been operating in two verticals – Internet Services and Internet Finance. In internet services digital content is an area where the company is focussing on.



- Accelerate GMS growth in Japan, with the firm membership platform, especially due to new members acquired by Rakuten Super Sales and the Baseball Victory Sales.
- Enhancing Rakuten University to enable merchants to study online sales techniques starting with the basics.

- Launching Rakuten Super Sales and the Rakuten Super Points loyalty points program in the overseas market.
- The loyalty programmes would also give a boost to the Internet Finance business as it would help in credit card member acquisition.
- Project V4: Cost reduction by the following initiatives:
 - Optimization of expenses
 - Introduction of a global common e-commerce platform
 - Speedy, agile business operation by means of small teams
 - Strengthening of business operation by changing management, if necessary

Rakuten Internet Services

➤ Rakuten Ichiba

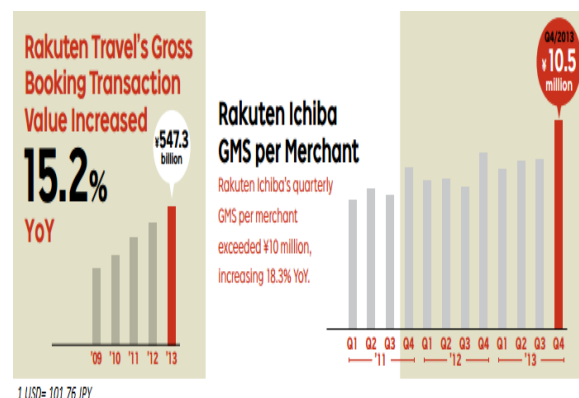
The e-commerce business of the company has been growing, as mentioned above; GMS passed USD 16.71 billion (or JPY 1.7 trillion) in the year 2013. The developments are the following:

- Brand penetration has increased.
- Revenue increased by 20.7% to USD 1.34 billion (or JPY 137.3 billion).
- Number of unique buyers increased to 15.5 million an 18.6% year-on-year growth.

- GMS via smart devices such as mobile and tablet grew by 50.7% year-on-year.

➤ Rakuten Travel

- The company saw strong demand for leisure travel sales, car rentals, and inbound services (booking services from foreign-language websites).
- Revenue rose by 11.8% to USD 340.99 million (or JPY 34.7 billion) y-o-y.



➤ Overseas Expansion

Rakuten expanded their operations in two more countries. The company opened Internet shopping malls, Rakuten.es Shopping in Spain in October 2013 and Rakuten.com.sg in Singapore in January 2014.

➤ Logistics

The firm consolidated Rakuten Fulfillment Center (RFC) sites for the purpose of reinforcing collaboration with the e-commerce business and optimizing the logistics network.

➤ Rakuten Digital Content

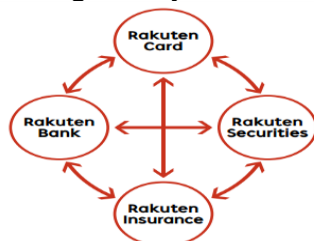
The firm is considering digital content to be a growth strategy for the future. Recent acquisitions:

- E-book subsidiary “Kobo”
- Spanish video streaming company “Wuaki.TV”
- An innovative video streaming company “Viki”

Rakuten Internet Finance

The company plans to improve the consumer’s experience by developing synergies in various businesses it operates in. Following are the developments:

- Credit Card Business: Card members grew by a net 54.7% y-



o-y.

- Rakuten Card shopping transaction value reached USD 24.56 billion (or JPY 2.5 trillion).
- Banking Business: The number of accounts reached 4.5 million in FY13. Deposits and the balance of loan receivables also increased, exceeding USD 9.82 billion (or JPY 1.0 trillion) and USD 2.26 billion(or JPY 230 billion), respectively.
- E-money service provider Rakuten Edy upgraded functions of its Rakuten Edy Smart Coupon and Itsudemo Edy Charge services

and increased the number of available locations to 370,000 to raise user convenience.

Entry Strategy: India

The company has entered India with a development centre, RIDOC, which would expand in the future into areas complementary to Rakuten’s global business.

Hiroaki Yasutake, Rakuten’s managing executive officer and director of development, said *“By developing resources at the RIDOC that will be used throughout the Rakuten Group, we will have the opportunity to develop best practices, standardize processes, improve the efficiency of our operations worldwide and build a truly global team.”*

Impact on Indian e-commerce

The Indian e-commerce market, including online travel, is estimated to be USD 12 billion and is expected to grow.

The Modi government might introduce FDI in e-commerce in the next month. Due to that the international players (eBay, Amazon) who operate in a marketplace model in India, will be able to start selling their products to the Indian consumers and thus expand their business in the country. Other retail chains like Walmart, Carrefour etc will not be bound to launch their online presence in this model. Also Chinese ecommerce giant, Alibaba is

planning to enter in the B2C segment in India.

The Rakuten Way

According to the business model, the company would provide services beyond the marketplace. It provides logistics, financial services and is now foraying into digital content as well.

If the company is able to imitate the model in India that it has in Japan then the impact on the Indian e-commerce industry can be:

Competition: The entrance of Rakuten to this space is bound to increase the competition in the industry. The consumer would be the winner due to these large players trying to gain the share of the consumer's wallet.

- Marketplace: Competition to other marketplaces like Flipkart, eBay etc.
- Logistics: Competition to 3PL and 4PL companies.
- Financial services: Competition to banks.

Creation of jobs: E-commerce companies in India are projected to

recruit over 50,000 skilled manpower and ground fleet. Thus entering of foreign players would provide more employment.

Current Scenario:

- Company's Kobo e-readers were launched last year in India.
- Setting up financial services is not an easy task. According to Department of Industrial Policy and Promotions, regulations FDI in banking sector is allowed till 74%. So even if Rakuten decides to provide financial services, they won't be able to do that without having a joint venture with an Indian company. Plus, there are a large number of banks already operating in India and would give a tough competition to the Japan's ecommerce bigshot.
- Logistics is another way in which Rakuten can enter as well. Till now the company hasn't specifically mentioned in investing in this field in India but it is expanding globally.

Native Advertising: Growth and Future Ahead

Sunil Kumar, MBE Final Year

Advertising has gone through many transformations, from print media and billboards to television and radio. However, a big drawback of the traditional means of advertising is the lack of metrics for the measurement of their reach.

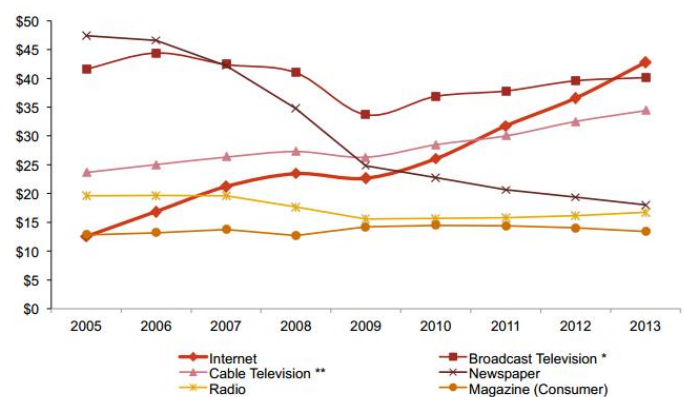
With the advent of the internet, the marketers have been provided with a new medium to reach the consumer, thereby giving a means for the new age advertising. So here the marketers used e-mail advertisement, banner ads, search engine marketing and so on. Also, social media advertising is a method that is unavoidable.

These changes portray that the marketer has to promote his product or service where the consumer is and also find a way to measure the return on investments in advertising. This is where web advertising has an advantage, as it provides metrics like traffic, impression and clicks to measure how much effective advertising has been.

Shift of Traditional advertising to Internet advertising

According to report by Interactive Advertising Bureau (IAB), the internet accounted for USD 7.2 billion or 3.03% of the total U.S Advertising spending in the year 2001. Another report by the organization, released in 2005, revealed that spending on internet increased to USD 12.4 billion or 4.7% of the total U.S Advertising spending.

Advertising revenue market share by media, 2005-2013 (\$ billions)



Sources: IAB/PwC Internet Ad Revenue Report, 2013; PwC

* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

** Cable Television includes National Cable Networks and Local Cable television advertising revenue.

Also, in 2010, Internet surpassed spending on newspaper spending and in 2013 the spending on internet advertising was highest and accounted for USD 42.8 billion.

This shows that from traditional methods, advertising is shifting to the web – search and display account for

a large share and mobile advertising is gaining speed.

Native Advertising

Web advertising started by display advertisements (banner ads) and email advertisements is now being given competition by native advertising.

Offline Advertising

One must have seen judges drinking from Coca Cola glasses on American Idol, Nike self-tying sneakers in Back to the Future trilogy, the Samsung Oscar selfie which had the highest retweets, FedEx boxes in the movie Castaway to Phil Dunphy sporting an iPad on Modern Family.

This is the form in which native advertising has been existing in the offline medium.

Native advertising in the online world

As defined, Native advertising is the form of advertising where the advertisement is visually designed in the form of the content in which the platform publishes. Like suggested posts on Facebook, promoted tweets on Twitter, promoted pins on Pinterest and so on.

Simply put, a user on a particular platform expects that the content would be depicted in a particular format, an advertisement in that format does not seem distracting to the user as compared to banner ads.

How does Native Advertising work?

The Altimeter group defines,” Native Advertising as a form converged media that combines paid and owned media into a form of commercial messaging that is fully integrated into, and often unique to, a specific platform.”

- Company (brand) owns and controls the media. It creates the content to be advertised.
- The platform provides a medium. The content is shaped by the company in the format of the platform it wants to publish the content.
- The company can measure the reach of these advertisements by the metrics provided by the platform.

It is worth noting that social sharing which is analogous to word of mouth promotion is not native advertising.

Native Advertising is of two types – closed and open.

Closed Native Advertising

In this method the company's advertisement is created in the form in which existing platforms publishes. For example creating Facebook profiles and pages, YouTube videos – they are promoted the same way the rest of the content is promoted.

Open Native Advertising

Here the company designs the content irrespective of the platform. A third party player then moulds the content according to different platforms on the behalf of the company. Nativio, Appssavvy, Sharethrough and many more offer these services.

Performance of Display advertisement

According to a report by emarketer, the spending on display advertisement is going to increase in the coming years.

US Digital Ad Spending, by Format, 2010-2016
billions

	2010	2011	2012	2013	2014	2015	2016
Search	\$12.00	\$15.10	\$17.58	\$19.76	\$21.73	\$23.32	\$24.45
Display	\$9.91	\$12.33	\$14.98	\$17.67	\$20.69	\$23.13	\$25.21
—Banner ads	\$6.23	\$7.55	\$8.68	\$9.60	\$10.27	\$10.87	\$11.29
—Video	\$1.42	\$2.00	\$2.93	\$4.14	\$5.75	\$6.99	\$8.04
—Rich media	\$1.54	\$1.65	\$1.82	\$2.03	\$2.38	\$2.69	\$3.03
—Sponsorships	\$0.72	\$1.12	\$1.56	\$1.90	\$2.28	\$2.59	\$2.86
Classifieds and directories	\$2.60	\$2.58	\$2.60	\$2.71	\$2.81	\$2.88	\$2.95
Lead generation	\$1.34	\$1.52	\$1.71	\$1.90	\$2.09	\$2.17	\$2.20
Mobile messaging	\$0.25	\$0.25	\$0.23	\$0.23	\$0.22	\$0.21	\$0.20
Email	\$0.20	\$0.21	\$0.22	\$0.23	\$0.24	\$0.24	\$0.24
Total	\$26.29	\$31.99	\$37.31	\$42.50	\$47.77	\$51.95	\$55.25

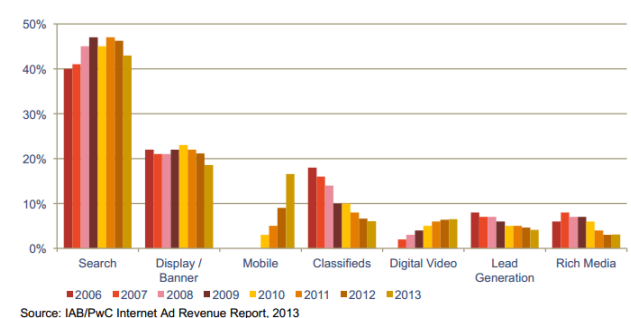
Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets on all formats mentioned; data through 2011 is derived from IAB/PwC data
Source: eMarketer, Sep 2012

144427

www.eMarketer.com

According to a report by IAB, percentage share of display/banner advertisements has been declining in the United States. In Q4 2012, it accounted for 21% of display-related advertising and in Q4 2013, it had reduced to 19%.

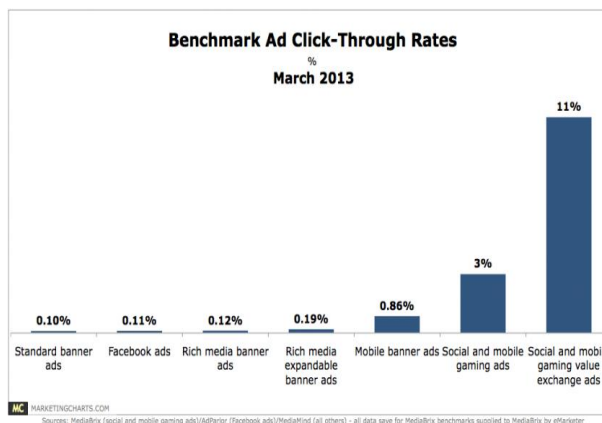
Advertising format share, 2006 - 2013* (% of total revenue)



Why is the ROI from display advertising declining?

1. Display ads are considered to be a nuisance by the consumers.

2. The average CTR has fallen to 0.10% in March 2013.



Display Ads V/S Native Ads

Display ads have been an important part of the marketers' arsenal in the world of online advertising. With its popularity going down, advertising is gradually shifting to native advertising.

Intrusive: As compared to banner advertisements, native advertisements are less intrusive to the user.

Blocking: Banner advertisements can be blocked by the user, but since native advertisements come in the same format of the platform they cannot be blocked.

Engagement: Native advertisements provide an opportunity for the company to interact with the user on the platform whereas banner advertisements just direct the user to the website of the company.

Contextual: Again native advertisement have an upper hand, they provide the user with contextually and personally relevant content thus increasing the chances of click and conversion.

Responsive: Banner advertisements are not responsive whereas native advertisements are.

Devices: The landscape of electronic gadgets is changing continuously. Earlier advertisements were rolled out on Television and radio, from there they have gone to computers and mobiles. With the proliferation of use of wearable tech, the marketer has to go there as well.

Imagine a situation when you are walking down the street wearing google glass or Samsung gear glass and a banner ad flashes. Here the banner advertisement would serve as a distraction and the user would not want to use it. Banner advertisements won't work for a Samsung galaxy gear watch as well.

Another example would be Apple's CarPlay, a person would not want to see flashing banner advertisements on the dashboard of his car.

Future of Internet Advertising

According to BiaKelsey forecasts, U.S. social advertising revenues would grow from USD 4.7 billion in 2012 to USD 11 billion in 2017.

The spending on native in 2012 was USD 1.63 billion and would increase to USD 4.57 billion.

The user has become immune to display ads. He knows that on the right hand side of the page an advertisement is running, it might even flash but still the human mind has adapted to ignoring it.

Though Native advertisement is better than banner advertisement in many ways, there is opposition to it. The argument that the opponents raise is that it crosses the ethical line and is a way of tricking the consumer.

*Image source: bigorangeslide.com,
novelgrounds.com*

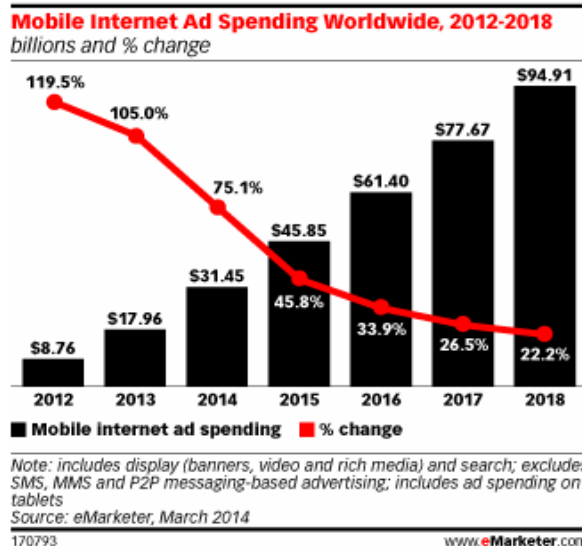
Changing Mobile Advertising Landscape

Sunil Kumar, MBE Final Year

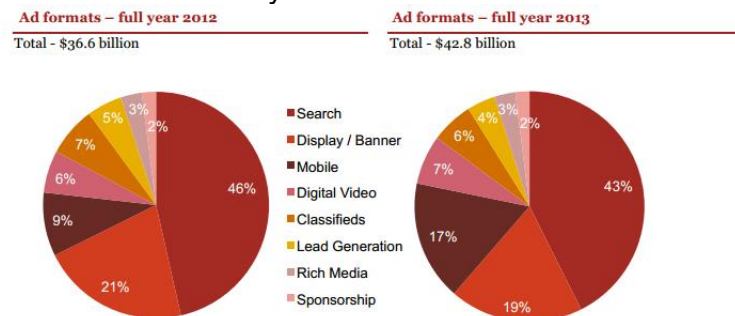
With changing technology and proliferation of high end smartphones, mobile advertising is gradually picking up. Initially it was dominated by text messages and multimedia messaging but it has now evolved to mobile web and mobile in-app advertisements. The reasons for these changes and future of mobile advertising are therefore, worth examining.

Mobile Advertising Spending

Spending on Mobile Advertising is on the rise. Global mobile advertising spending in the year 2013 accounted for USD 17.96 billion and grew at a rate of 105% from 2012, according to a report by eMarketer.



United States is the biggest market in Mobile Advertising. As compared to USD 1.6 billion in 2011 (5% of total), this figure rose to USD 7.1 billion in 2013 (17% of the total) indicating a 443.7% rise in two years.



Source: IAB/PwC Internet Ad Revenue Report, 2013

Mobile advertising spending in India was USD 35.4 million in the year 2012. With the increasing use of mobile devices, the spending on mobile advertising is expected to rise.

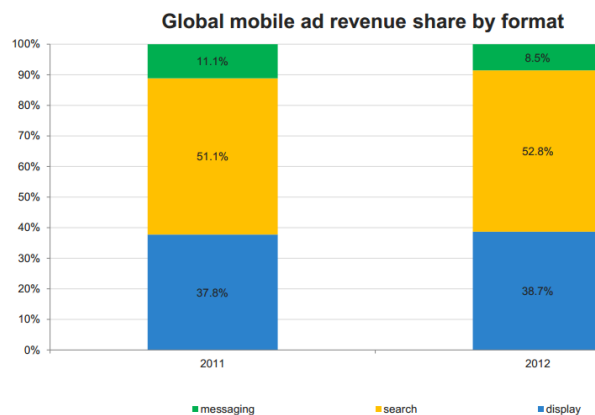
Spending by Mobile Advertisement Format

Mobile Advertising has been shifting from messaging to other formats. The spending on messaging is going to decline while search and display advertisements in mobile are expected to take over.

In India, mobile advertising was 10% of total digital advertising in the year 2013 with in app advertisements and mobile web having large shares.

Mobile Ad formats

Search and display were the dominant ad formats till 2012. From here the trend as shown by the spending trend has shifted to rich media ads and in-app advertisements.



According to a report by Opera Mediaworks, tap-to-expand and mobile video advertisement, both rich media categories, reached a share of 6% in 2013. In the Q2 2013, the report showed that in-app and rich media ads performed better than banner ads and mobile web.

Mobile Advertisement Companies

Google has the highest market share in mobile advertising while Facebook's share has grown rapidly from 5.4% in 2012 to 17.5% in 2013.

Net Mobile Internet Ad Revenue Share Worldwide, by Company, 2012-2014

% of total

	2012	2013	2014
Google	52.6%	49.3%	46.8%
Facebook	5.4%	17.5%	21.7%
Twitter	1.5%	2.4%	2.6%
Pandora	2.6%	2.1%	1.7%
YP	2.9%	2.1%	1.6%
Millennial Media	0.8%	0.8%	0.7%
Other	34.2%	25.8%	24.9%

Total mobile internet ad revenues (billions) \$8.76 \$17.96 \$31.45

Note: net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; includes display (banners and other, rich media and video) and search; ad spending on tablets is included; excludes SMS, MMS and P2P messaging-based advertising

Source: company reports, 2012 & 2013; eMarketer, March 2014

170637

www.eMarketer.com

The Indian mobile advertising industry is at a very nascent stage. The major players in this space in India are Google, InMobi, Komli and Vserv.

Vserv's speciality lies in feature phones whereas InMobi focuses on smartphones. InMobi has started providing native advertisements and has recently launched a Native Ad exchange as well.

Reasons for the Change

The mobile advertising landscape has evolved attracting the attention of marketers. It is progressing towards formats which support rich content and higher quality media.

Following reasons account for the changes.

1. Growing Mobile Subscription base: International Telecommunication Union estimates say that the number of mobile subscriptions worldwide would reach a whopping 7 billion by the end of

2014. The developing world would account for 78% of the total mobile subscription base.

Also, by Telecom Regulatory Authority of India (TRAI) estimates, the wireless subscription base of India is 904.51 million as on 31st March 2014.

2. Internet connectivity:

With a growing subscription base, the number of mobile internet users is also rising. The devices which are connected to the internet have a potential of being tapped by the means of mobile web whereas others can only be targeted by text messaging.

According to a report by Internet and Mobile Association of India (IAMAI), the number of mobile internet users in India is going to rise to 185 million by June 2014, of which the urban population would account for 153 million. This provides huge potential for the marketers to reach the consumer via mobile.

3. Devices:

The primary driver of change is the evolution of mobile gadgets. From feature phones to smartphones and now to tablets, the devices are changing rapidly.

- Smartphones: According to a report by technology research firm Gartner, the year 2013 saw global smartphone sales surge to 968 million units as compared

to 680 million unit sales in the year 2012, i.e. a growth of 42.3%.

- Tablets: Till now, the year 2014 has seen a slowdown in the tablet sales. As per International Data Corporation (IDC), the first quarter of 2014 saw a 3.9% growth over the same period last year. According to another estimate of the organization, tablet sales in the Indian market in the Q1 2014 were 0.78 million units a year-on-year decline of 32.8% over Q1 2013.

This decline can be due to people holding on to their tablets longer and also increased competition by smartphones with large screens (range of 5.5 inch to 6.99 inch) known as phablets.

- Role of large Screens: Larger screens mean more space and better viewable area. This means companies can design advertisements with better graphics and can incorporate video and high quality media. According to State of Mobile Advertising report released in Q2 2012, Apple's iPhone was the leader with an average eCPM of USD 2.85 whereas android ranked second with an average eCPM of USD 2.10. iPad had an eCPM of USD 3.96. From Q2 2012 to Q1 2014,

iOS has remained on top in terms of monetization.

- Operating System: The devices supporting android operating system has grown drastically. According to Opera Mediaworks insights, android devices have taken over iOS devices in terms of traffic.

Android OS is present on low priced devices as well. Thus, increasing android penetration means more app usage and that means more potential for in-app advertising.

phone carrier the shift would be towards complex information like time of day and day of week leading to better targeting.

- The growing use of location based sharing sites like Foursquare and Pinterest (people pin the places they visit) will contribute to increased targeting.
- Lastly, mobile in-apps advertisement would gain a large share due to rising smartphone usage.

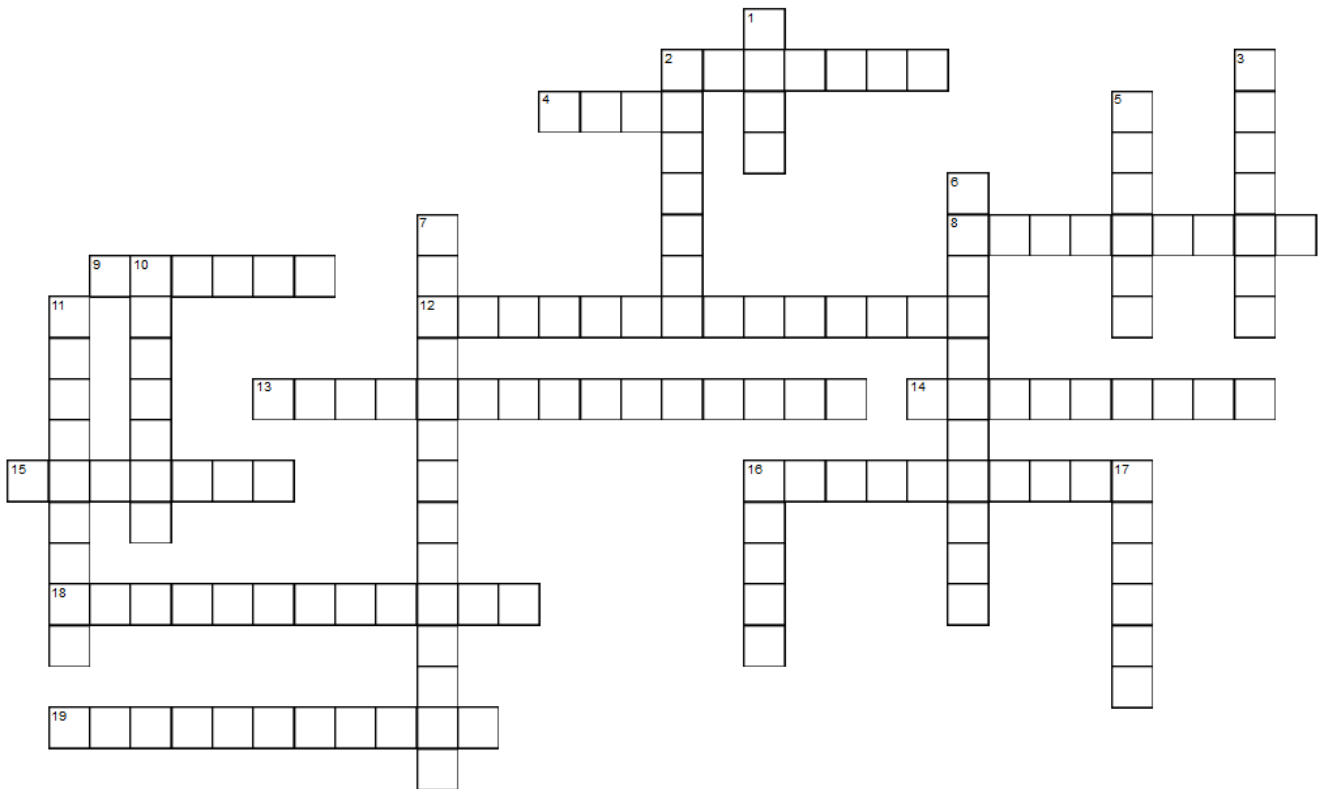
4. Gen'C':

These factors -increasing internet penetration, proliferation of mobile phone users and tablets – point towards the development of a generation of connected consumer. Thus, with rising population which accesses internet on the go, mobile advertising is on the rise.

Future of Mobile Advertising

- The spending on Mobile Advertising is going to rise globally and in India as well. Globally it is expected to reach USD 94.91 billion and in India it is projected at USD 318.34 million by 2018.
- According to Gartner, the spending would slow down due to ad space inventory supply growing faster than demand.
- From simple contextual information like demographics and mobile

Business Trivia



HINTS:

ACROSS

- 2 Joint venture of Tata & Sons and Singapore Airlines.
- 4 This company is named after the Greek goddess of victory.
- 8 Wealth of Nations written by _____, is a fundamental work in classical economics today.
- 9 Derived from the Arabic word for 'To Make Known', it is the word for duty imposed.
- 12 As per the current laws, up to what denomination can the GOI issue coins?
- 13 The 'Father of Indian Software Industry'.
- 14 Richest Man in the world according to Forbes list 2014.
- 15 Companies that continue to operate even after going bankrupt.
- 16 First device produced by a company (originally called Research In Motion) as a two way pager.

- 18 First RBI Governor of independent India.
- 19 The Union Budget 2014 allocated Rs.7060 crore for the development of 100 _____.

DOWN

- 1 Biggest loss making PSU in India for FY2013-14 (Abbrev.)
- 2 Cellco Partnership was acquired by _____ communications in 2013 for \$130 Billion, one of the biggest corporate deals of all times.
- 3 The logo of this company has been named after the NBA legend Larry Bird.
- 5 The term 'Brand Name' originated from this product.
- 6 The only Indian (and current) Chief Economist at the World Bank.
- 7 The marketing legend who first coined the term 'Privatization'.
- 10 Popularly known as China's eBay.
- 11 The term derived from the Greek word 'Oikonomia' meaning home management.
- 16 Most densely populated state in India according to the 2011 census.
- 17 This online business was named after a word in Gulliver's Travels that meant rude and uncouth.

Solutions on the next page

SOLUTION

