

India's Role in the Global Inkjet-Graphics Industry

As published in *Screen Printing*, November 2006
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It is human nature to remember the leader, numero uno, the first-place finisher. And it is almost second nature to glean over—even immediately forget—the runner-up or the second in command. Sports fans love reciting past championship winners. We hear about Nobel Prize recipients, but rarely much about those who almost won. And I would be surprised if anyone could name more past US vice presidents than past presidents.

So why all of this mention of second place? Well, there's been a lot of talk recently about China and the impact that Chinese companies will have—especially on the global wide- and grand-format markets for inkjet printing. China lays claim to the world's largest population and the fastest growing global economy. And China's more than 25 domestic manufacturers of inkjet printers and an equal numbers of suppliers of both inkjet ink and inkjet media make it very difficult to ignore.

But what impact will India, the country supporting the world's second largest population and the second fastest growing global economy, have on the graphics industry? And how will it differ from the impact that China has had and possibly will have? I will try to answer these questions and provide my own predictions on India's future impact in the global wide- and grand-format-graphics industry.

A big market—but how big?

With 1.1 billion people, India's population is the world's second overall largest. It is also the world's largest English-speaking population.

India's GDP grew by an estimated rate of more than 9% in the first quarter of 2006, making it the second fastest growing major economy. But to be more accurate, India supports the fourth largest economy as measured by purchasing power parity and the twelfth largest economy as measured in terms of the US dollar exchange rate. But just how big is the graphics-printing industry in India? And what exactly does this mean for those companies serving the US market? The answer to both questions is that nobody really knows for sure.

Several estimates have been made about the size of India's graphics market, but none has come from any organized group specifically following graphics printing in India. That said, I am confident that India's market for graphics printing is big, that it is growing at least 15% per annum, and that the potential for continued growth is great. India's potential is not, however, as a manufacturing hub of printers, inks, and flexible materials, but instead as a possible supplier of printed materials to Western markets. Some interesting market dynamics and outside influences affect India today, and

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these factors will help drive not only the domestic graphics industry, but also the potential for the export of printed graphics.

The advertising industry in India will be something just short of \$3 billion in 2006. And similar to the US market, outdoor advertising captures about 7% of total ad expenditures. In India, that percentage equates to \$200 million of the total money spent on advertising. As a comparison, the Outdoor Advertising Association of America (www.oaaa.org) estimated that advertisers spent \$6.3 billion on outdoor advertising in the US in 2005. This demonstrates the huge potential represented by the Indian market and explains why it is capturing international attention. In August, JCDecaux, the world's number two outdoor-advertising company, announced its entry in the Indian market. The company agreed to an exclusive contract to service approximately 200 bus shelters in the city of New Delhi.

The retail environment

The interesting thing about the retail sector in India is not its size (approximately \$250 billion), but its overwhelmingly underdeveloped structure. There are approximately 10 million grocery stores and another 15 million retail outlets in India. About 95% of these outlets are small and family-owned. The infrastructure to support these shops is just now developing. And it can be said that the infrastructure to support print advertising is only in the very early stages as well.

How long might the wide- and grand-format-graphics markets take to develop? One might think that with the advancements and price reductions in inkjet technology that the transformation could happen very quickly; however, I believe it will most likely take some time. Why? Both the retail sector and the advertising industry (including outdoor advertising) are nascent and fragmented. There's also a lack of investment in the advertising infrastructure. Many look to large, multinational corporations to help fuel this advertising investment. This in turn helps raise the quality standards of print advertising.

So what can delay this growth in the retail environment? This is complex issue. On one hand, the complete fragmentation of the retail environment (and weak competition) results in a huge, untapped market that makes India desirable to multinational corporations. On the other hand, the lack of a modern distribution infrastructure supporting the retail sector creates a relatively high barrier of entry to new companies, as well as a competitive edge to current retailers. To develop this infrastructure, the government is aware that foreign investment is required to improve the warehousing and distribution networks. Unfortunately, much of the government works to protect small shopkeepers while monitoring the entry of multinational corporations. So something has to give.

Urbanization

The move is on in India. According to the TVB School of Habitat Studies in New Delhi, India today is 28% urbanized. But that proportion is expected to double within the next 30 years. Web Consulting began to watch the effects of urbanization in China and its effects on the market for printed graphics, and we predict a similar phenomenon in India. The number of cities in India with populations of more than 100,000 has grown more than 31% from 299 cities in 1991 to 393 cities in 2001. In addition, India had only one metropolis (Calcutta) with a population of more than one million in 1901. Today, there are 35 such cities in India.

What does this mean for inkjet?

Let's not forget that the wide-format-inkjet market in the US was fueled by a local need for custom advertising. And inkjet began satisfying this need about 15 years ago during a period of consolidation in the US retail sector. A similar situation exists in India today, only inkjet technology has had more than a decade to advance and competition has forced prices to fall. Therefore, one might expect significant growth in print advertising on the back of the retail industry's transformation. But it is not that simple.

Like many other markets around the world, wide- and grand-format solvent inkjet printers have flooded the market in India. Many of these printers are made in China. But the Indian market for high-quality and high-value-added graphics printing is developing. There is, of course, the commoditized market for less than \$0.25/sq ft for printed banners on inexpensive Chinese flex material. But who would want to actively compete in that market?

The far more interesting facet of this developing market is that there are shops buying Western-made printers and using quality and professional color management to woo advertising agencies and international brands to develop sophisticated advertising campaigns. This is a new phenomenon that will only continue to grow. But it will take time. It also may present geographically convenient printers with an opportunity to export high-quality wide-format graphics.

Bottom line

I don't think that India will emerge as a manufacturing center of wide- and grand-format inkjet printers. In fact, I believe that there will be—or at least that there needs to be—a global concentration of manufacturers. In many developing countries, low-cost machines and supplies have accelerated competition and the erosion of prices for printed graphics at unheralded rates. Therefore, I feel that India, unlike China and more like Korea, will emerge as one of the leading wide-format-printing hubs of the world—possibly even with flatbed inkjets. And that will make this runner up worth remembering.

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