direct
marketing
an
overview
India

DMA
Direct Marketing Association

REGENCY DIRECT MARKETING (I) PVT. LTD.
“A Targeted Alternative Media Company”
www.rdmipl.com
Country Guide - India
by Dharti Desai

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The Direct Marketing Association (DMA) is the largest trade association for business interested in interactive and database marketing, with more than 4,600 member companies from the United States and 53 other nations. Founded in 1917, its members include direct marketers from every business segment as well as the nonprofit and electronic marketing sectors. Included are cataloguers, internet retailers and service providers, book and magazine publishers, book and music clubs, retail stores, industrial manufacturers, and a host of other vertical segments including the service industries that support them.

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Acknowledgment

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India.....at a glance

Location
The Indian subcontinent touches three large bodies of water, is the huge terrestrial beak between Africa and Indonesia, with the Bay of Bengal to the east, the Arabian Sea to the west, and the Indian Ocean to the south.

Climate
Varies from tropical monsoon in south to temperate in north. In general, temperatures tend to be cooler in the north, especially between September and March. The south is coolest between November to January.

Population
Slightly more than one-third the size of the US, is the world's second most populous country, with a population of **1,080,264,388** (July 2005 est.)\(^1\) and is projected to surpass China by 2007.

Age Structure
0-14 years: 31.2%
15-64 years: 63.9%
65 years and over: 4.9%\(^2\)
The average age of an Indian is 26 years, which buoys positively for economic growth.

Median Age
Total: 24.66 years
Male: 24.64 years
Female: 24.67 years\(^3\)

Ethnic Groups
Indo-Aryan 72%, Dravidian 25%, Mongoloid and Other 3%\(^4\)

Languages
English enjoys associate status but is the most important language for national, political, and commercial communication; Hindi is the national language and primary tongue of 30% of the people; there are also 14 other official languages and countless dialects.\(^5\)

Literacy
Total population: 59.5%
Male: 70.2%
Female: 48.3%\(^6\)

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Sources
1-6. CIA Fact Book
Local Nuances & Wordings

- 1 “Lakh” (1,00,000) equals 100,000
- 1 “Crore” (1,00,000,00) equals ten million (10,000,000)
- “doing the needful” means doing what it takes to get the job done
- Car steering wheels are on the right hand side like the UK
- “revert back to you” means the same thing as “I’ll get back to you”
- Payment is made by “cheque”, not check
- People live in “flats” not apartments

Major Festival & Holidays

- Diwali - The festival of lights - Oct/Nov
- Ramadan Eid - Celebrated after the holy month of Ramdan - Date varies as per lunar calendar
- Holi - The festival of colours - March/April
- Gandhi Jayanti - Birth Anniversary Of Mahatma Gandhi - 2nd October
- Independence Day - 15th August

Conversions*

<table>
<thead>
<tr>
<th>Currency</th>
<th>Standard/Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USD = 44.55 INR</td>
<td>28.3495 grams = 1 ounce</td>
</tr>
<tr>
<td>1 EUR = 52.8342 INR</td>
<td>2.2 lbs = 1 kilogram</td>
</tr>
<tr>
<td>1 GBP = 76.9337 INR</td>
<td>1.6 kilometers = 1 mile</td>
</tr>
</tbody>
</table>

* As on March 10th 2006
India’s economy is one that has traveled through different rules and rulers, the famous British “Raj”, socialist reforms, and today has reached a democratic threshold of drastic economic change and is embarking on an era of rapid economic policy and governance changes. This has brought in a buzz everywhere in the market place and is witnessing new excitement among its people.

Today, India’s economy has more than doubled in real terms since reform began, in 1991, and shows no signs of cooling (current Real GDP growth rate of 8%). The broad commitment to liberalization demonstrated by three successive governments has sparked unprecedented growth and opportunity, both for local companies and for foreign ones thinking about entering the subcontinent for the first time. India’s consumer demand, increasing three to five times faster than the economy, reveals the outlines of an aspiring middle class that is vibrant, growing and young. Indeed, 70% of India's citizens are less than 36 years old and the country is home to 20% of the world's population under the age of 24.

This growing openness and rising consumer and investor confidence are helping sustain rapid growth, buoying foreign investor interest.

Foreign Direct Investment (FDI) reached $6 billion in 2005 from $3.5 billion in 2004 making India the world's third most favored destination for FDI, behind China and the US, according to a survey by management consultants AT Kearney which tracked investor confidence among global executives.

The Government continues to loosen the FDI limits in the retail and telecom sectors which is currently 51% and 74% respectively from the previous 49%, thus enabling an overseas partner to have controlling stakes in an Indian company.

The health of the Indian Banking System has also improved dramatically in the recent years. Indian banks have one of the largest exposures to government securities in the world and the banking sector is dominated by the Public Sector Banks.

However, while a large branch network ensures an overall level of access to banking services compared to other developing countries in the region, large segments of the population lack such access in India.

Ample liquidity and historically low interest rates have helped fuel property prices which have risen in major cities by over 20% annually, over the past 2 years.

In the 8 months preceding June 2005, the Indian Rupee appreciated by 4% against the US Dollar (6.5% in real effective terms).

Though these favorable conditions provide an opportunity for future growth in 2006-07, growth is expected to decline slightly as the economy further adjusts to higher oil prices accompanied by rising domestic and world interest rates.

Rising oil prices may also cause inflation to rise from 4.75% in 2005-06 to 5.5% in 2006-07.

Sources
7. 11-15. IMF Country Report No. 06/55 February 2006
11. The India…..at a glance
India…..at a glance / The Economy

Since India's GDP growth is largely dependent on the domestic market (mainly agriculture and manufacturing) a 10% growth in each of these sectors could help India to become an Economic Superpower in the next 10-15 years. "Even in the worst case scenario, we should be able to achieve 6% growth. Even then we can achieve economic prosperity by 2025, if not by 2020", an opinion shared by many economic experts. 16

Further, decreasing custom duties to ASEAN levels (9%) by 2009 will enhance competitiveness and help India double its share in World Trade. 17

Moreover, the central and state governments plan to balance their current deficits by 2008-09 and reduce their overall deficits to 3% of GDP or below by 2009-10, to meet the Fiscal Responsibility and Budget Management Act (FRBM) and Twelfth Finance Commission (TFC) targets. 18

The Political Structure

India is divided into 28 states and 7 union territories. 19 India enjoys multi-party parliamentary democracy type of government. India has dozens of national and regional political parties; but only parties with four or more seats in the People's Assembly are listed.

India is the largest practicing democracy in the world. The electoral process is well developed with free and fair elections at all levels, right down to individual villages, with universal adult suffrage. General Elections, 11 of which have taken place in the 50 years of Independence, are held every five years.

The Union Legislature (Parliament) comprises two houses - the Lok Sabha (lower house, elected directly by the people of India) and the Rajya Sabha (upper house, elected by the state legislatures which, in turn, are elected directly by the people). The Parliament is responsible for enacting the laws of India.

A similar structure exists in the states, where the head of the Executive is the Governor, who is appointed by the President of India. The Council of Ministers is head by the Chief Minister and is responsible to the State Legislature (Legislative Assembly). The people of each state elect the Legislative Assembly, which performs functions similar to those performed by Parliament.

India is a secular country with no official religion. The Constitution guarantees fundamental rights to the people, including freedom of speech, occupation and religion. India has a well-developed independent judiciary. The Supreme Court, the apex judicial authority, is vested with powers to enforce fundamental rights and acts as a guardian of the Constitution.

Sources
17, 18. IMF Country Report No. 06/55 February 2006
19. CIA Fact Book
Economic Highlights (2006)

Export sector can generate 21 mn jobs by 2010: As per Commerce Minister Kamal Nath (April 17, 2006)

Export Sector is currently providing direct and indirect jobs to 16 million people in India.

The government has released a study (April 2006) entitled "Towards Employment Oriented Export Strategies: Some Explorations", by leading think-tank Research and Information System for Developing Countries (RIS), the minister said, "In all, merchandise export activity seems to sustain nearly 16 million jobs currently."

The report was released alongside the Annual Supplement to the Foreign Trade Policy (2004-09).

"If India is able to exploit export opportunities in labour intensive goods and follow labour intensive modes of production, India's merchandise exports in 2009-10 could reach $165 billion, which would generate 21 million new jobs (directly and indirectly)," the report states.

It has identified 12 export sectors: textiles and garments; leather goods; gems and jewelry; cereal exports; horticulture exports; flowers, fruits and vegetables; dairy products; processed foods; toys and sports goods; pharmaceutical industry; automobiles and auto components; consumer electronics and electronic hardware.

Textile sector is on an upswing

The overall textile output has grown nearly 20% to stand at $40bn.

Textile exports, which were growing at close to 10% before quotas were removed in '05, have grown nearly 20% to clock revenues of $13bn for the calendar year. Export estimates for the fiscal year reckon that textile exports could generate $15bn for the year ended March 31. Nayan Parikh, chairman, Textiles Committee, says, “From now until '10, we're targeting an annual growth of 25% in export revenues for the textile sector.

Indian plays catch-up with free-trade zone
Economic Highlights (2006)

Indian policymakers having finally grasped the importance of such zones, have come up with a new set of rules for enclaves that are designed to spur trade by providing businesses with a "foreign" environment free of domestic tariffs.

The good news for India is that the new regulations, which came into force in February 2006, are already a big hit.

Investors should pay attention. As of last month, the Indian government had either cleared or was close to approving some 176 proposals for these new economic zones. Some of them will have tenants from a variety of businesses; others will focus on single firms or operate in niche areas, such as biotechnology, computer software, textiles or jewelry.

Since the Indian government doesn’t have the money to build large, Chinese-style zones, it's counting on the private sector to do the job. In the process, it’s allowing some of them to be as tiny as 40.5 hectares, or 100 acres.

The developers building the zones will get a 10-year tax holiday on their profits. Tenants will enjoy tax-free profits for the first five years; in the subsequent 10 years, as much as half of their net export earnings will qualify for exemption.

That, however, isn’t the main draw of these enclaves. What makes them attractive, especially to manufacturers, is that the federal government has given states the flexibility to keep these "foreign" territories out of the purview of draconian labor laws.

Detailed reports by sector (Telecom, Banking, Agriculture with GDP facts and figures) are available at:

**Suvarna Gurao**
India Infoline Ltd.
15th Floor, P. J. Towers,
Dalal Street, Fort,
Mumbai - 400 001.

OR

Send a mail to Suvarna Gurao (Email: research@indiainfoline.com) or Call +91 022 5549 1744 for further purchase inquiries.
Why India for Direct Marketers?

A country where…

• Products can be manufactured with assured quality and added value

• Easy access to markets of the other nations belonging to the South Asian Association for Regional Cooperation (Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka) is available

• Printing & mailing is quite economical (approximately 25-35% cheaper than North American rates)

• 1-800 (toll free) numbers are available in most major metros

• The mobile phone sector has risen 53% in the last 18 months and there are more mobile users than land line users

• Credit card penetration is some 19 million.

• Between now and 2007, India has earmarked more than US $117 billion to improve its infrastructure

….offers an open playing field for Direct Marketers

As CEO of India's oldest direct response company (Regency Direct Marketing India www.rdmipl.com), the author points out, “At the moment there are no restrictions as to what can and cannot be said. Although DM in India is being compared to the ‘wild wild west’ and does lack the sophistication of its western counterparts and there are many concerns such as privacy and data protection, accelerated changes are being seen here.”

“Pioneering companies which have been patiently waiting in the wings for the last five or six years are just about reaping the benefits of their perseverance. For example, Regency Direct Marketing hung in there through very tough times and is today very successful and the first company most DMers think of when they think of India”

So India where labor is cheap but highly educated has major pluses on its side.

Moreover, apprehensions about mass advertising and spamming are a sign that targeted marketing will continue to gain momentum and command ever-increasing portions of the marketing budget. India, within the complexities of its size, population, technology and business environment, offers infinite opportunities for direct marketing practitioners, and this fast-growing breed is gearing up to grab every one of them.
The Main Direct Marketing Sectors And Channels

Insurance

The insurance sector in India has come a full circle from being an open competitive market (in 1970s) to nationalization (in 1991) and back to a liberalized market again (in 2004).

With the largest number of life insurance policies in the world, insurance happens to be a mega opportunity in India. It’s a business growing at the rate of 15-20% annually and presently is of the order of $10.1 billion. Together with banking services, it adds about 7% to the country's GDP.

Yet, nearly 80% of Indian population is without life insurance cover and health insurance and non-life insurance coverage continues to be below international standards. The senior part of the population is also subject to weak social security and pension systems with hardly any old age income security. This presents a huge potential for existing and new players in the insurance sector.

Internet

India has now crossed the 50 million mark of internet users and has moved to the 4th spot on the world internet user base after USA, China and Japan. PC penetration of homes is not as high as in Europe (India has some 4 million).

According to research consultancy IDC’s India quarterly PC market review, the Indian PC market witnessed a 26 per cent growth in unit sales in 2005, with sales of nearly 4 million units; sales to commercial establishments has been growing at a slower pace-14 percent.

Source:
E-commerce too has registered an impressive growth. Currently, the total e-commerce market in India is estimated at **$264 million** (2005-06). Changing lifestyles coupled with multiple internet access points are expected to propel e-commerce transactions **to $516 million** by 2006-07, an over 100% increase.22

A recent study by ACNielsen, covering 38 markets and over 21,100 respondents across the globe has revealed that more Indians are taking to shopping online (5.2 purchases) when compared with global averages (4.9 purchases).23

During 2005 Diwali (Fall Festival of Lights), online shopping sites witnessed a whopping 127% jump in sales to **$25 million** (which is more than 10% of total online sales for the year, excluding the travel category) against last year’s $11 million, a clear indication that consumers are getting accustomed to shopping online.24

In India, books followed airline reservations closely, with 35% of the netizens buying them online. Nearly 24% buy electronic items and more than 20% purchase items such as apparel, music & electronic entertainment such as movies, DVDs and games.25

Consumer electronic items such as digital cameras, mobile phones and accessories, DVD players and microwaves topped the online Diwali shopping list in most major cities.

Metros account for most of the online sales.26

In India, even though male online users increased in absolute numbers from 2004-05 to 2005-06, the percentage of female users increased from 28%-32% during the same period.27 It was also found that, when it comes to translating online action to dollars, women showed much more propensity to buying online unlike their male counterparts who primarily believe in exploring and viewing the content on net. Women tend to go online with specific goals.

**Sources:**
23. The Economic Times 26th Dec 2005
25. The Economic Times 26th Dec 2005
27. IAMAI Report on Varied Activities of Women Online 2006
Online marketing is more evolved in the US. 50% of revenues in the US is derived from online advertisements and sales. India, in comparison, is yet to tap the opportunities available on online advertising and marketing. "The revenue earned from online advertisements in India is less than 1%," noted Preeti Desai, president, Internet and Mobile Association of India (IAMAI). "There is a classified market of 18 billion here; we will just have to search for it," Desai added.

When it comes to paying online.  

Online Payment Preference

<table>
<thead>
<tr>
<th>Payment Option</th>
<th>% Online Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>COD</td>
<td>91%</td>
</tr>
<tr>
<td>Cheque</td>
<td>72%</td>
</tr>
<tr>
<td>Demand Draft</td>
<td>72%</td>
</tr>
<tr>
<td>Debit Card</td>
<td>39%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>35%</td>
</tr>
</tbody>
</table>

Online marketing is more evolved in the US. 50% of revenues in the US is derived from online advertisements and sales. India, in comparison, is yet to tap the opportunities available on online advertising and marketing. "The revenue earned from online advertisements in India is less than 1%," noted Preeti Desai, president, Internet and Mobile Association of India (IAMAI). "There is a classified market of 18 billion here; we will just have to search for it," Desai added.

Sources:
29.www.domain-b.com/ebusiness/general/20060119_commerce.html
Younger viewers are moving away from the TV & spending more time online. Time spent on TV dropped from 108 minutes in 2003 to 104 minutes in 2005, whereas an increase in internet usage was observed during this same period, from 58 minutes to 63 minutes.  

At the same time, with TV losing its viewership, advertising spends on TV is expected to slip to 37.8% of total ad spends by 2007 and the internet share of ad spending is projected to rise to 4.4% in the same period. 

According to the Computer Industry Almanac, future internet user growth is likely to come from China, India, Brazil, Russia and Indonesia. This is because the internet user penetration is now in the 65-75% range for leading countries and future growth is limited. 

Moreover, Ken Mandel, VP and CEO Digital and Group Media, comments, “The Internet is entering a very exciting renaissance period right now after the dark years trailing the dotcom crash. India, with its strong lock on software development and passionate entrepreneurs, will play a pivotal role in this emerging revival.” 

Sources:  
31. The Economic Times 16 Sept 2005  
32. Times Of India 22 Feb 2006 pg. 17  
The mobile services industry generates an annual GDP contribution of $7 billion\(^{34}\) and the Indian Government has raised the limit on foreign investment in telecom service firms to 74% from 49%.\(^{35}\)

India's cellular sector, with a subscriber base of 124.2 million\(^ {36}\), is witnessing the highest growth in the world. This is mainly because of it's favorable demographics. And this “youth market” is estimated to have 27.6 million subscribers by 2007, spending $2460 on phone bills on an average per year.\(^ {37}\)

Each mobile subscriber in India on an average receives 6 SMSs and sends out 4 daily.\(^ {38}\) Messaging does not involve any additional hardware investment, as a consequence, SMS based messaging is being increasingly adopted by Indian DMers as a new channel of communication. 60% of the telecom company's revenue from the text messaging service comes from SMS advertising.\(^ {39}\)

Advertisers like Whirlpool & Virgin Atlantic are promoting their services via SMS. Ford Ikon was also promoted via SMS and response rates were high enough to bring down the cost per SMS.

DMers in India also use short codes as a medium of response for their offline DM activities.

With the rural sector getting connected by wireless services in the next 2-3 years, India could easily be at par with China in tele-density.\(^ {40}\)

A market study from Portio Research predicts that 50% of the world's population will be using a mobile phone by the end of 2009 and among the top 25 growth markets ranking list (2006-2011) India wins the top spot, just ahead of China, and almost equally in 3rd place are Brazil, Indonesia and Nigeria with the US in the 6\(^{th}\) spot.\(^ {41}\)

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**Sources**

34. Ovum Report on ‘Economic benefits of mobile services in India’ Jan 2005
38. www.iamai.in/section.php3?secid=16&press_id=767&mon=1
The Main Direct Marketing Sectors And Channels

Telemarketing

Carrying out transactions over the telephone has a long history, beginning with operator services and later, reservation lines, particularly for airlines. But in the last 15-20 years, with the introduction of information technology and telecommunication advances, the type of work that is possible to undertake while reducing costs has expanded.

There are a variety of factors, which have led to the increase of telephone services - privatization and fierce national competition, falling telephony costs and the introduction of toll-free numbers; the high degree of penetration and familiarity of telephone technology; and the ability to communicate complex information by phone in real time.

With the world's lowest call rates, (less than 2 US cents a minute), India has been luring subscribers in the telecom sector.

Reliance Telecom, the GSM arm of Ambani Enterprises, is set to change the face of the telecommunications sector in India - with 1.73 million subscribers across eight circles, it has recently put together a network and infrastructure equipment deal with Motorola. As part of this deal, which is estimated to be worth under $100 million, the US telecom vendor's Indian arm is expected to supply mobile switches at a price that sets a new benchmark for such equipment in a cost-conscious market like India.

India's largest mobile operator, Bharti Tele-Ventures Ltd., saw its mobile user base leap from 16.38 million in December 2005 to 18.45 million in February 2006 (a 13% jump). Thus, bringing the Indian mobile market to 22.15% from 21.6% in December 2005.

Also, Bharti expects to cover all of India's 5200 towns by March 2007, up from 3200 today.

The scope of telemarketing is thus widening and spreading in India.

India has one of the largest pools (when compared to Brazil, China, Hungary, Mexico, Philippines and Singapore, etc.,) of talented low-cost English speaking scientific and technical people.

According to the Indian Banks' Association (IBA), around 40-50% of new credit cards issuance (about 300,000 cards a month) and up to 25% of retail loans are sold through tele-marketing. Bankers say tele-sales are at least 40-50% more economical than other sales options.

Telemarketing clients so far include banks (such as Citibank), financial institutions, automobile manufacturers and TV shopping networks among others.

Regarding international long distance, India has some of the lowest rates in the world. Anyuser Telecom, an Indian Voice over Internet Protocol (VoIP) leader and a subsidiary of the Korea-based Anyuser.net, has slashed its international long distance call rates to all countries.

Sources:
47. DMA India, DM Report, 2005
The Main Direct Marketing Sectors And Channels / Telemarketing

Now calling the United States, the United Kingdom and Canada will cost Indian users only $0.01 per minute, down from the current $0.03 per minute.

The company has also reduced its rates by 50% to Australia, New Zealand, Saudi Arabia, the Gulf states, and the South Asian Association for Regional Cooperation (SAARC) and European nations.\(^{48}\)

However, the Indian Banks’ Association (IBA) has proposed restrictions on telemarketing, thereby forcing banks to shift focus to direct mailers and feet-on-the-street direct marketing.

The share of tele-marketing in selling retail products could come down to around 10% from the current level of 20%.\(^{49}\)

Another issue is that the central government plans to either give an option to cell users to sign a ‘do not disturb’ register that would keep their phones out of bounds for telemarketers or to give all telemarketers an easily distinguishable prefixed number to allow the cell user the option of refusing the call.

Editor’s Note: Mobile use and land-line use in India are both “calling party paid”.

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Sources:
50. Indian Journal of Marketing - Dec. 2005
The Main Direct Marketing Sectors And Channels

Call Centers

Since its inception five years ago, the Indian BPO industry has experienced a phenomenal growth rate and has now become a very important part of the export-oriented IT software and services environment.

Initially, it confined its activities to multinationals. But today, it offers a variety of outsourcing services ranging from customer care, transcription, billing services and database marketing, to web sales/marketing, accounting, tax processing, transaction document management, telesales/telemarketing, HR hiring and biotech research. First and second level helpdesk/trouble shooting/web / email/chat support, besides voice, are also outsourced to India.

KOL (Knowledge Outsourcing Ltd.) India Ltd., an outbound call center states that 60-70% of their calls are market research related and the rest for data capture for insurance companies and other players in the financial services sector.

India has the third largest higher education system in the world and the largest English speaking population after the US.  

Labor is the single largest cost element accounting for 55-60% of the total cost. In India the manpower cost is approximately 1/8th of that overseas. Per agent cost in the USA is approximately $40,000 per year investment while in India it is $5000.

India’s unique geographical positioning makes it possible to leverage time zone differences, thus, offering 24*7 service.

DMers in India set up in-house call centers or tie up with other call centers to compliment their offline DM activities.

One of the most important challenges for an Indian BPO is managing the attrition rate of 30-40%.

The Mckinsey NASSCOM report predicts a shortage of about 500,000 professionals by 2010.

Sources:
53. Indian Journal of Marketing - Dec. 2005
Even though, direct mail generates the maximum sales per $ spent against other modes of communication, it still is an underutilized channel of DM in India. Where the US average household is hit by over 600 DM solicitations a year, the average Indian household receives less than 4.

Marketers using direct mail are interested in English literate consumers. English mail pieces impart some snob-value to the recipient and are therefore welcomed.

Moreover, “Indian customers love getting direct mail since it is not yet considered 'junk' and responses are seen in double digits on sweeps mailings”, comments Dharti Desai, CEO of Regency Direct Marketing (I) Pvt. Ltd. (www.rdmipl.com)

**Products sold via Direct Mail in India**

<table>
<thead>
<tr>
<th>Distribution of Mail Order</th>
<th>Sales %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic</td>
<td>30%</td>
</tr>
<tr>
<td>Cosmetic</td>
<td>10%</td>
</tr>
<tr>
<td>Fitness</td>
<td>35%</td>
</tr>
<tr>
<td>Leather*</td>
<td>20%</td>
</tr>
<tr>
<td>Jewelry</td>
<td>5%</td>
</tr>
</tbody>
</table>

(Source: DM Report 2005 by DMAI)

The volume of direct mail grows much faster as the economy grows. Now that the Indian economy is growing at an average rate of 8%, direct mail volumes are expected to rise even faster than estimated.

* India is one of the world's largest leather manufacturers and has in recent years contributed very heavily in the overall sales percentage. No specific numbers available at time of going to print.
India Post

Earlier, say 15 years ago, one could not send more than 1000 mails via the Indian Postal network i.e. One mailer could post no more than 1000 per day. But today, it handles over 19 million mail articles daily.\(^5^5\)

India has the largest postal network in the world with 155,669 post offices, of which 89% are in rural areas. On an average, a post office serves an area of 19.09 sq. km. and a population of 6,939.\(^5^6\)

In India, Bookpost (unsealed post) is generally used by DMers in order to cut costs. The rate is $0.08 for 0-50 grams and $0.06 for each additional 50 grams.\(^5^7\)

Domestic postal rates in India for a 0-20 grams (sealed) package is $0.11 and an additional $0.11 for each additional 20 grams. There is an upper limit of 2 kilograms on this.\(^5^8\)

Other mailing options available are:

Source: Mail Order Solutions, India (www.mosindia.biz)

- For an extra charge of $0.44, any mail-piece can be 'speed-delivered'.
- Periodicals can use a special low rate by registering themselves with the Registrar of Newspapers and Periodicals in India.
- A business-reply-envelope for which a license can be obtained costs $0.02 per response.
- Discounts of up to 2% are available for bulk mailing (over 10,000 pieces) if you are a registered vendor with India Post.
- Registered mail pieces take a couple of days longer to be delivered but are 99% reliable and costs $0.38 (for 0-20 grams) and an additional $0.06 for acknowledgment.
- For bulky packages, self-declarations are necessary and which are paid by company sending the goods.
- India Post also offers a VPP (COD) service.

Sources:
55,56. Department of Posts
57,58. Inland Postal Tarriff rate card
With a view to introduce products and services to increase the business volumes and revenue, the Department of Posts has launched Direct Post. Direct Post is the un-addressed component of direct mail, and comprises un-addressed postal articles like letters, cards, brochures, questionnaires, pamphlets, samples, promotional items like CDs/floppies and cassettes etc., coupons, posters, mailers or any other form of printed communication that is not prohibited by the Indian Post Office Act 1898 or Indian Post Office Rules 1933. Direct Post articles can be sent only within India.

Direct Post allows businesses to send their un-addressed mailers to prospective customers at very low rates of $0.03 for local articles, and $0.04 for inter-city. The senders would have to tender a minimum of 1000 articles and a 5% discount would be available for mailings of over 50,000 articles. The advertising agencies will also be entitled to a 5% commission on mailings of over 50,000 articles. 

The downside is that the government-run monopoly mail service is slow (4\textsuperscript{th} day delivery). More critically, it is only 90% reliable.

For a detailed overview on the Indian market conditions for mailing, please refer to the India Post Website: www.indiapost.gov.in

Note: All prices as per price revision by India Post (as on March 2006)

Sources:
59,60 Department of Posts
'Teleshopping' is another name for DRTV shopping, a concept originated in the US in the mid-1980s. In India, teleshopping networks became operational in the mid-1990s and have managed to sustain an **annual growth rate of 10%**.\(^{61}\)

Some of the key players in India are Telebrands, Asian Sky Shop (ASK), Shop 24 Seven, Star Warnaco, TVC, TSNM, TV Shoppe.

Initially these players focused on offering innovative and value for money products, which were otherwise not available in the market. But today the products offered range from utility products (fitness devices, healthcare/autocare products, household appliances and electrical devices) and value-expressive products (jewelry, apparels and home decor) to electronic goods, toys, clothes, books and music.

Prices generally range from $22.44-$673.40 and are in demand even in small towns and villages.

Mainstream entertainment channels like Star Plus, Sony, Zee, Sahara One, SAB and even music channels like MTV have added this kind of programming. According to the data provided by research agency TAM India, across nine channels teleshopping programmes were aired for 159 hours in 2005.\(^{62}\)

Rates of teleshopping programmes can be as high as $1122.33 for a 30-minute slot on a mainstream channel and as low as $67.34-$112.23 for a slot on regional or cable channels.\(^{63}\)

Even though teleshopping is at a nascent stage in India, mainly because people prefer the touch and feel concept, it is believed to hold a lot of potential, primarily on account of the increasing base of the middle class (which is the size of the US population) and the high degrees of credit card penetration in the country (some 70 million).

DMers in India like LintasPersonal have experienced high levels of response through this channel.

Thus, it would not be too far fetched to think of 24 hours dedicated teleshopping channels in India in the near future.

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**Sources:**

The Main Direct Marketing Sectors And Channels

Database/List Management

Although database management has been around for over 2 decades in India, it is receiving a renewed interest.

Even back then, direct response lists were not readily available and direct response companies like Regency Direct turned to the only companies they knew of, with names and validated addresses of individuals who had the means of purchasing via direct mail - Banks.

Unlike financial organizations in other markets, banks in India will allow responder/buyer capture. Banks will not let out data files; lettershopping has to be done at their facility. Thus, if one wants access to their customers, they can either provide them with the artwork for printing and personalization or make inserts in their monthly billing statements, which is a concept pioneered by RDM in India in 1998.

Other DMers in the Indian market capture databases by offering premiums and have reported to receive responses up to 26%.

A word of caution: India does have a grey market in the list business & there are no guarantees that a $200/m file will perform better than a $2 one. It is thus advisable to follow traditional DM norms i.e. ask for past list usage and source of data.

Today, a lot of companies are coming around to trust databases. Charitable organizations like UNICEF, WorldVision and Greenpeace are using these databases to fulfill their fund-raising needs and are found to be sending out mail volumes ranging from 100,000-250,000 each quarter.44

Aside from these, private insurance, mutual fund, cellular, credit card companies and retail giants (like Westside and Shoppers' Stop) are among the top users of databases in India.

Some lists are updated every 3 months, but most are updated once a year. Moreover, accurate merge-purge is difficult mainly due to lack of standardized addresses. Most DMers are now building software in-house to help them standardize addresses.

Since India is at the beginning stages of an involvement with direct marketing, the development of larger and more refined lists is still ahead.

Sources:
64. Mailing Lists Asia-India.
The Indian direct selling industry ranks 11th in the global charts, it has achieved an annual growth rate of 25-30% over the last decade and today it is a $6.6 million industry.

What’s more striking is the exponential 30% growth this industry notched up in fiscal (2004) against the paltry 2.2% its counterparts in the traditional fast moving consumer goods space could muster in the urban markets.

According to the Pitch-Synovate survey conducted in Mumbai, Delhi and Bangalore in May 2005, of the 300-odd consumers polled, a high 22.5% (67.5) have made purchases from DS agents. The survey also notes a high customer satisfaction level with 44.3% of them being very satisfied with DS products, while only 4.7% are very dissatisfied. The main reason for this high satisfaction level is the product quality.

At present, there are about 400 types of products with over 1,700 variants being sold by DS agents.

The main players in the industry are Amway, Avon, Oriflame and Tupperware. But, the kind of success these companies have seen in India is only the tip of the iceberg. Mexico, which has a similar socio-economic level and a tenth of India's population, has a turnover of over $3.3 billion. "Clearly, the potential for the direct selling industry in India is huge," says Pinckney, MD & CEO of Amway India.

The Indian Direct Selling Association (IDSA) chairman, expects the industry to grow to around $5.6-6.7 billion or a ten-fold jump over the next decade. This growth will be driven by the whopping demand for health, nutrition and lifestyle products that accounted for almost 40% of total sales in fiscal (2004).

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**Sources:**
65. World Federation of Direct Selling Associations - 2005
66-68,69,72. Pitch Magazine June 2005 pg. 32

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The Main Direct Marketing Sectors And Channels

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Sales ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>03</td>
<td>29.5 bn</td>
</tr>
<tr>
<td>Japan</td>
<td>03</td>
<td>27.0 bn</td>
</tr>
<tr>
<td>Brazil</td>
<td>04</td>
<td>3.92 bn</td>
</tr>
<tr>
<td>Britain</td>
<td>03</td>
<td>3.09 bn</td>
</tr>
<tr>
<td>Italy</td>
<td>04</td>
<td>2.97 bn</td>
</tr>
<tr>
<td>Germany</td>
<td>04</td>
<td>2.87 bn</td>
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<tr>
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<td>03</td>
<td>2.88 bn</td>
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<tr>
<td>S. Korea</td>
<td>03</td>
<td>2.73 bn</td>
</tr>
<tr>
<td>France</td>
<td>04</td>
<td>1.71 bn</td>
</tr>
<tr>
<td>Taiwan</td>
<td>03</td>
<td>1.56 bn</td>
</tr>
<tr>
<td>India</td>
<td>04</td>
<td>6.60 mm</td>
</tr>
</tbody>
</table>

*Source: WFDSA 2005.*
The Main Direct Marketing Sectors And Channels

Product Sourcing / Merchandising

Not so long ago, cost pressures were the sole reason that drove multinationals to low cost manufacturing destinations in the developing world. Invariably most companies flocked to China. These days going offshore has become less a strategic advantage and more a competitive necessity. And India's competitive advantage doesn't come from cost alone. It is about Full Service Supply (FSS) capability. As product life cycles and lead time for product development shrink, Indian manufacturers have evolved from 'build to print' to customised offerings.

The Confederation of Indian Industry (CII) estimates manufactured product outsourcing could be as big as $10 billion by 2007 and $50 billion by 2015. In the last few years, outsourcing from India has been growing at around $1 billion a year. Already, an estimated $5 billion worth of engineering goods, auto components, pharmaceutical products and textiles products have been outsourced from India over the past 4 years. 73

Some positive trends for DM in India include it's emergence as a sourcing hub for leather goods, costume jewelry, textiles and printed material.

Payment Methods

One of the rewarding aspects of Indian Direct Marketing is that once the sale is closed, credit quality is very high. Especially because Indian customers are very savvy and prefer that ‘touch and feel’ before closing a sale, returns are very low.

However, there has been significant change in the Indian customers' credit quality since 1991.

Unlike the U.S., where credit cards account for 75% of cash payments, in India cash and cheques are the popular payment methods, accounting for more than 60% of the transactions.

The Indian economy is slowly gravitating from a debit based mindset to a credit one. Proof of this is in the amount of credit card penetration that has taken place over the last decade.

Having said that, 60% of the transactions still take place via cash and cheque (40:20) and only 40% via credit cards.

Also, Cash on Delivery has been found to be high on the payment preference list, especially for online purchases. This is mainly due to the fear of identity theft.

Source:
73.http://www.indianembassy.at/content/india/documents/Global_Sourcing.pdf
The Main Direct Marketing Sectors And Channels

Print Production / Lettershopping / Fulfillment

The trend of consolidation seems to have been growing rapidly with every second company going this way. Customers can expect to benefit from the latest technology combined with lower prices and better after sales services.

Even though the printing technology adopted by Indian companies is at par with those overseas, it costs 25-35% less to use this technology here. This is mainly due to the low setup cost and the abundance of cheap labor.

Several lettershops have introduced outsourcing print production work and remailing solutions to drop ship direct mail to the customer’s door step. Moreover, Indian offset printers are well informed and a recent influx of hi-tech machines from Kodak, Xerox, IBM, etc. puts India at par with global printing standards.

In India, lettershopping mostly refers to stuffing an envelope. This is done manually and hence economical as no investment for auto inserters is required.

DM agencies in India offer a variety of physical fulfillment services ranging from laser bulk personalization to coordinating with the postal or express services to ensure smooth transit of outbound direct mail as well as inbound responses is achieved at the optimal costs.
The Main Direct Marketing Sectors And Channels

Targeted Alternative Media

With *abundance of cheap labor* on its side, India is in a position to approach its market with innovative media. To name a few…

Bank Card Syndication/ Statement Inserts/ Co-ops/ Co-branding

The total credit card market has grown from some 4 million in 2000 to the current **19 million**. And continues to grow at a rate of 30-35% p.a.

**The leaders in the market are**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>3.7</td>
</tr>
<tr>
<td>Citi</td>
<td>1.9</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>1.8</td>
</tr>
<tr>
<td>HDFC</td>
<td>1.5</td>
</tr>
</tbody>
</table>

(All figures in millions)  
(Source: RDM)

Inserts in monthly billing statements enable the advertisers to access this growing market of credit worthy customers who have immediate means to order and pay. And there is no postage cost to the advertiser.

Direct response merchandising offers may also be sent with savings account statements, where direct debit to the savings account is the payment mechanism.

Billing statement inserts is done through credit card issuing banks, mobile phone companies, large retail stores, oil companies, etc.

**The current playing field (to name a few)**

<table>
<thead>
<tr>
<th>Banks</th>
<th>Retail Stores</th>
<th>Mobile companies</th>
<th>Oil companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citi Bank</td>
<td>Shoppers’ Stop</td>
<td>Airtel</td>
<td>BPCL</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>Globus</td>
<td>Hutch</td>
<td>HPCL</td>
</tr>
<tr>
<td>HSBC</td>
<td>In Style</td>
<td>BPL</td>
<td></td>
</tr>
<tr>
<td>American Express</td>
<td>West Side</td>
<td>Reliance</td>
<td></td>
</tr>
<tr>
<td>HDFC</td>
<td>Pantaloons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICICI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canara Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: RDM)

*Source:*  
Moreover, all major credit card issuing banks in India, accept direct response merchandise offers.

So far, most of the co-branded cards in India are associated with a single brand or a category like airlines/ departmental stores. But of late, multi-branded loyalty programs in credit cards are gaining pace. The new 'American Express Card' has tie-ups with 18 companies in 12 categories ranging from jewellery to power distribution companies.

Even though the banking sector has continued to strengthen, some risks remain. Rapid credit growth raises concerns about credit quality. Also, co-operative banks, accounting for 6% of banking system assets, remain in poor health.  

Door Drops

Next to direct mail, door drop marketing is probably the most precise medium there is, as the message quite literally gets into the hands of your target audience. This tool is particularly useful when no accurate database is available. Through conversations with DMers, it was found that this innovative approach does deliver high response rates, especially for lead generating and prospecting.

Door-To-Door / Newspaper Inserts

One of the most significant developments in communication began precisely 400 years ago, with the triumphant advance of the newspaper. Today India ranks 2nd, just behind China, in daily newspaper circulation.

This is yet another medium of accessing the 270 million households across India.

This medium of advertising is fairly new to India, but offers great cost benefits to small and medium business owners who cannot afford the expensive space and off the page advertisements.

Sources:
75. IMF Country Report No. 06/55 February 2006
76. 'Newspaper & Technology' (Oct-Dec 2005)
Case Studies

A. Regency Direct Marketing - Merchandise offer through Billing Statement Insert

Customer: International Leather Shop  
Product: Cheque Book Wallet  
Targeted Audience: All Card Base  
Ticket Size: Rs. 399/-  
Vehicle: Billing statement insert through:-  
• Citibank  
• ICICI Bank  
• HDFC  
• Standard Chartered Bank

Quantity: 600,000 inserts  
Response: 4.2% response at an average order size of 1.4.

Result: The advertiser initially received 25,200 orders adding up to a sale of 35,280 Cheque Book Wallets and is still going!

B. Lintas Personal - Promoting Indian coffee in international markets

Customer: The Coffee Board of India

Process followed:
• Created a new brand identity for Coffees of India using Madhubani form of art  
• 13 Sub-brands for different coffee-growing regions of India, using flora and fauna of each region to emphasize eco-friendliness  
• 3 Sub-brands for speciality coffees from India  
• “Coffee Karma” and “Coffee Nirvana” films were made to emphasize the involvement of coffee growers, workers and exporters in their work  
• Played up on the “exotic” feel of the orient, since the other major exporters are from Latin America  
• Participation in International Coffee Exhibitions and Trade-shows  
• Intense lobbying to make India the “Portrait Country” at the Annual Convention of Speciality Coffee Association of America. This is like the “Oscars of Coffee”.  
• Appointment of Ken David (a renowned Coffee-cupper) as Brand Ambassador for Coffees of India  
• Coffee-cuppers are like wine-tasters. They are experts who are influential in the high-end coffee market.  
• Ken David, being a brand ambassador uses only Indian coffee in his coffee-cupping sessions with high-end importers, roasters, distributors and customers.  
• Established one-to-one contact with 13 of the biggest coffee importers from Japan.  
• Send Direct Mailers to them, including detailed information of Indian coffee  
• Invited them to visit India

Result: Business relationships started with 9 of the 13 importers contacted.
Case Studies

C. DIREM - Retail Loyalty program to retain customers and consolidate their purchases

Customer: Bharat Petroleum Corporation Limited

Program strategy and mechanics:
A points-based retail rewards program linked to payment
Smart Card based program  Fuel and non-fuel retail and partner earnings

Process followed:
Program Operations Member Communication(Point statementing, Relationship Mailing, Member Helpdesk, Member Feedback and Surveys, Campaign Development and Management)
Campaign Analytics
Customer contact and rewards management
Developed Loyalty Program for Fleet Owners (SmartFleet)
Developed Loyalty Program for In and Out Convenience Stores

Benefits:
• Increasing revenue from loyal customers  (Increased share of wallet)
• Developed relationship with customers
• Helps BPCL track and understand the purchase behavior of loyal customers

Results:
• India's largest retail loyalty program outside of the credit card industry
• In December 2000 (1 year post launch) - member base of 105,000
• Awarded Smart Card Program of the Year in 2001
• The Program contributes significantly to the total retail sales
• Currently, over 1.8 million members and 25,000 customers enrolling every month
• Presence in 67 cities with 3,000 Petrol Stations
Vendor List

Telemarketing / Call Centers / BPO

Company: Knowledge Outsourcing Ltd.
Contact person: Jhankhana Desai
Designation: Director - Contact Centre
Contact number: 91 022 2898 3535/ 4545
Email id: jhankhana.desai@iyg.biz

Address:
Sukshanti, Chiku Wadi, Shimpoli Road, Borivali (West), Mumbai 400 092, India.
Website: www.iyg.biz

Company: Kankei Relationship Marketing Services Pvt. Ltd.
Contact Person: Mr. Aniruddha Roy
Designation: Chief Executive Officer
Numbers:
Phone: 022-2684 7979/ 2684 6161
Fax: 2684 6171
Email id: aroy@kankei.com

Address:
A-301, Dipti Classic, 32/34 Suren Road, Andheri (E), Mumbai -400 093
Website: www.kankei.com

Database / List Management

Company: Mailing Lists Asia - India
Contact person: Sonal Yeragi
Designation: Sr. Executive - Client Servicing
Numbers:
Phone: 91 022 2284 2923 / 4 / 6
Fax: 91 022 2204 6825
Email id: sonal@mla-india.com

Address:
61, Anjali, Minoo Desai Road, Colaba, Mumbai 400 005 India.
Website: www.mla-india.com

Company: Regency Direct Mail Ltd.
Contact person: Sanjeev Aggarwal
Designation: Director
Numbers:
Phone: +1 604 853 3035
Fax: +1 604 853 3036
Email id: sanj@rdmipl.com

Address:
#202B-33228 S. Fraser Way, Abbotsford, British Columbia, Canada, V2S 2B3
Website: www.rdmipl.com
Vendor List

Vendor List / Product Sourcing / Merchandising

Company: Marketing Capital Company India Pvt. Ltd.
Contact person: Devang Dalal
Designation: Director
Numbers:
Phone: 91 022 2490 3410
Fax: 91 022 2490 3415
Email id: devang@rdmipl.com
Address:
302, Manish Commercial Centre,
Dr. Annie Besant Road,
Worli, Mumbai - 400018, India.
Website: www.rdmipl.com

Print Production / Lettershopping / Fulfillment / Worldwide Distribution

Company: Mail Order Solutions, India.
Contact person: Mehul A. Desai
Designation: Chairman and CEO
Numbers:
Phone: 91 022 2490 3410
Fax: 91 022 2490 3415
Email id: mehul@mosindia.biz
Address:
2, Matruchhaya,
K. Hatiskar Marg, Old Prabhadevi,
mumbai 400 025, India.
Website: www.mosindia.biz

Bank Card Syndication/ Statement Inserts/ Co-ops/ Co-branding

Company: Regency Direct Marketing India Pvt. Ltd.
Contact person: Dharti Desai
Designation: CEO
Numbers:
Phone: 91 022 2490 3410
Fax: 91 022 2490 3415
Email id: dhartidesai@rdmipl.com
Address:
302, Manish Commercial Centre,
Dr. Annie Besant Road,
Worli, Mumbai - 400018, India.
Website: www.rdmipl.com
Vendor List

Vendor List / Direct Marketing Agencies

**Company: Direm Marketing Services India Pvt Ltd.**
Contact person: Sandeep Mittal
Designation: Marketing Director
Numbers:
Phone: 91 022 2496 0033
Fax: 91 022 2496-1622.
Email id: smittal@bom.direm.com

Address:
Hansraj Pragji Building, 83C Moses Road, Worli,
Mumbai - 400 018, India.
Website: www.direm.com

**Company: LintasPersonal**
Contact person: Deepak Shah
Designation: Senior Consultant - Relationship Development
Numbers:
Phone: 91 022 2285 4590 / 97
Fax: 91 022 5632 7400
Email id: deepak.shah@lintasindia.com

Address:
Nirmal, 16th floor, Nariman Point, Mumbai 400 021 India.
Website: www.lintaspersonal.com

**Company: Regency Direct Marketing India Pvt. Ltd.**
Contact person: Dharti Desai
Designation: CEO
Numbers:
Phone: 91 022 2490 3410
Fax: 91 022 2490 3415
Email id: info@rdmipl.com

Address:
302, Manish Commercial Centre, Dr. Annie Besant Road,
Worli, Mumbai - 400018, India
Website: www.rdmipl.com

**Company: RMG Connect**
Contact person: Sumantra Sengupta
Designation: Vice President & General Manager
Numbers:
Phone: 91 022 4098 5757  D: 91 022 5663 7031
Fax: 91 022 4098 5858
Email id: sumantra.sengupta@rmgconnect.com

Address:
Peninsula Chambers, Ganpatrao Kadam Marg,
Lower Parel, Mumbai 400 013, India.
Website: www.rmgconnect.com
Vendor List / Direct Marketing Agencies

Company: Wunderman India Limited (A Y&R Worldwide Company)
Website: www.wundermanindia.com
Contact Person: Rajat Sethi
Designation: CEO & Director:

Mumbai Office:
Contact: Manas Mohan
Designation: Vice President
Phone: 91-22-55049570
Address:
Kalpaturu Synergy, 2nd Floor, Opp. Grand Hyatt, Vakola,
Santa Cruz (East), Mumbai 400055.

Delhi Office:
Contact Person: Ajay Sood
Designation: Vice President
Phone: 91-11-41609260
Address:
1st Floor, 28, Okhla Industrial Estate, Phase 3,
New Delhi – 110020.

Bangalore Office:
Contact Person: Aditya Mehrish
Designation: General Manager
Phone: 91-80-41133182
Address:
201 Haudin House 2nd Floor, Old Number 5, New Number 13,
Haudin Road, Off Ulsoor Road,
Bangalore – 560 042.

Chennai Office:
Contact Person: Kaushik Tiwari
Designation: Vice President
Phone: 91-44-28554436.
Address:
Shakti Towers, 3rd Floor, 766 Anna Salai,
Chennai – 600 002.
Entry Strategies for Foreign Investors

STARTING OPERATIONS IN INDIA

A foreign company planning to set up business operations in India has the following options

AS AN INDIAN COMPANY

A foreign company can commence operations in India by incorporating a company under the Companies Act, 1956 through joint ventures or wholly owned subsidiaries. Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to equity caps in respect of the area of activities under the Foreign Direct Investment (FDI) policy. Details of the FDI policy, sectoral equity caps and procedures can be obtained from Department of Industrial Policy and Promotion, Government of India (http://www.dipp.nic.in).

Joint Venture With An Indian Partner

Foreign Companies can set up their operations in India by forging strategic alliances with Indian partners. A joint venture may entail the following advantages for a foreign investor: established distribution/marketing set up of the Indian partner; available financial resource of the Indian partners; established contacts of the Indian partners which help smooth the process of setting up operations.

Wholly Owned Subsidiary

Foreign companies can also set up wholly-owned subsidiaries in sectors where 100% foreign direct investment is permitted under the FDI policy.

Incorporation of Company

For registration and incorporation, an application has to be filed with Registrar of Companies (ROC). Once a company has been duly registered and incorporated as an Indian company, it is subject to Indian laws and regulations as applicable to other domestic Indian companies. For details please visit the website of Department of Company Affairs under Ministry of Finance at http://dca.nic.in.

AS A FOREIGN COMPANY

Foreign Companies can set up their operations in India through Liaison Office, Representative Office, Project Office or Branch Office. Such offices can undertake only the activities permitted them under relevant regulations. Companies have to register themselves with Registrar of Companies (ROC) within 30 days of setting up a place of business in India.
Legal Framework in India

Liaison Office/Representative Office
A Liaison office acts as a channel of communication between the principal place of business or head office and entities in India. A Liaison office can not undertake any commercial activity directly or indirectly and can not, therefore, earn any income in India. Its role is limited to collecting information about possible market opportunities and providing information about the company and its products to prospective Indian customers. It can promote export/import from/to India and also facilitate technical/financial collaboration between the parent company and companies in India.

Approval for establishing a liaison office in India is granted by Reserve Bank of India (RBI).

Project Office
Foreign Companies planning to execute specific projects in India can set up temporary project/site offices in India. RBI has now granted general permission to foreign entities to establish Project Offices subject to specified conditions. Such offices can not undertake or carry on any activity other than the activity relating and incidental policy to execution of the project. Project Offices may remit outside India the surplus of the project on its completion, general permission for which has been granted by the RBI.

Branch Office
Foreign companies engaged in manufacturing and trading activities abroad are allowed to set up Branch Offices in India for the following purposes:
(i) Export/Import of goods
(ii) Rendering professional or consultancy services
(iii) Carrying out research work, in which the parent company is engaged.
(iv) Promoting technical or financial collaborations between Indian companies and parent or overseas group company.
(v) Representing the parent company in India and acting as buying/selling agents in India.
(vi) Rendering services in Information Technology and development of software in India.
(vii) Rendering technical support to the products supplied by the parent/group companies.
(viii) Foreign airline/shipping company. A branch office is not allowed to carry out manufacturing activities on its own but is permitted to subcontract these to an Indian manufacturer. Branch Offices established with the approval of RBI, may remit outside India profit of the branch, net of applicable Indian taxes and subject to RBI guidelines. Permission for setting up branch offices is granted by the Reserve Bank of India (RBI).
Legal Framework in India

Branch Office on “Stand Alone Basis”
Such Branch Offices would be isolated and restricted to the Special Economic zone (SEZ) alone and no business activity/transaction will be allowed outside the SEZs in India, which include branches/subsidiaries of its parent office in India.

No approval shall be necessary from RBI for a company to establish a ranch/unit in SEZs to undertake manufacturing and service activities subject to specified conditions.

Application for setting up Liaison Office/ Project Office/ Branch Office may be submitted in form FNC 1 (available at RBI website at www.rbi.org.in )

FOREIGN DIRECT INVESTMENT (FDI) POLICY
FDI under automatic route is now allowed in all sectors, including the services sector, except a few sectors where the existing and notified sectoral policy does not permit FDI beyond a ceiling.

Automatic Route No prior approval is required for FDI under the Automatic Route. Only information to the RBI within 30 days of inward remittances or issue of shares to Non Residents is required. RBI has prescribed a new form, Form FC-GPR (instead of earlier FC-RBI) for reporting shares issued to the Foreign Investors by an Indian company.

For details please contact:

Chief General Manager,
Reserve Bank of India
Foreign Investment and Technology Transfer Division,
Exchange Control Department,
Shaheed Bhagat Singh Road,
Mumbai 400001.
Tel.: + 91-22-2266 1603
Fax + 91-22-2266 5330
Website: www.rbi.org

Government Approval
Foreign Investment proposed not covered under the 'Automatic Route' are considered for Governmental Approval on the recommendations of the Foreign Investment Promotion Board (FIPB). Please visit: www.finmin.nic.in for more details.

For more details on the 2006 Fiscal budget, please visit www.rdmipl.com
Dharti Desai is president and co-founder of both Marketing Capital Company India Private Limited (MCCI), and Regency Direct Marketing India Pvt. Ltd. (www.rdmipl.com) one a direct marketing consulting company and the other an alternative media company both located in Mumbai, India.

Ms. Desai is also President of D. D. Worldwide Marketing Corporation, located in New York City. The company provides consulting and creative copywriting services to its clients in six countries. The company also engages in investments and joint ventures in mail order projects around the world. Its area of expertise is offer development and creative services and other forms of interactive games and techniques to increase response or customer order size. Ms. Desai, fluent in English, French and Hindi also provides specialized translation services through D. D. Worldwide to multi-national direct mail companies.

Ms. Desai is member of the Direct Marketing Ideas Exchange (DMIX) in New York, the DMA International Council and the Direct Marketing Association, USA. Ms. Desai is also a founder member of the Indian Confederation of Direct Marketers (ICDM). She has been invited as a speaker at the DMA's annual conventions. She is a graduate of Wilson College, Mumbai University (India) and resides in New York, but divides her time between the USA and India.

About the Author
Dear Global Direct Marketer,

India joins the big league with natural advantages:

1. English speaking population (giving it a distinct advantage over other Asian markets as language is not a barrier);

2. A middle class population the size of the United States (with immense purchasing power);

3. A country which is very instinctively able to globalize (taking the best of the global world and melding it into it's own culture)

- The World needs to benefit from this!

Though there are no accurate statistics on the DM expenditure by media spend or commerce, there is no doubt that India is underserved, thus an abounding opportunity for Direct Marketers.

The quality of manpower combined with an extremely sophisticated vendor base and improvements in local infrastructure places India as the next jewel in the international DM crown.

Regency Direct Marketing (RDM) (www.rdmipl.com) was established by visionaries to enable an evolution in the Indian media and marketing services industry. Over the past decade, RDM has gained insight and expertise in identifying which products, lists and creative work best in India.

The biggest challenge faced by DMers in India is - Myopia - in order for this industry to grow DM needs to be looked at as an investment and not an expenditure.

We hope this guide, which is the first statistically reliable census ever available on the Indian DM environment, provides an insight into the marketplace and encourages you to begin to look at the great potential of doing business within and out of India.

Farheen Chinoy
Regency Direct Marketing