

# Titan Industries Limited

*“Delivering value by creating Brands”*



*August 2012*

# Q1 - Background

- Economic slowdown with high inflation, high interest rates, lower pay hikes and fewer wedding dates
- Depreciation of the Indian Rupee affected gold price and input costs
- Persistent high gold prices affected gold volumes – customers paid more, but bought lower quantity
- Company focus on retail network expansion continues – 20 outlets (39k sft) added during the quarter across divisions
- Network as at 30<sup>th</sup> June – 847 stores, 1.075 million sft
- Launch of affordable diamonds in the range of Rs 10,000-Rs 25,000 by Tanishq
- Launch of “Ganga” gold collection from Tanishq
- New customer acquisition strategy in Eyewear division implemented

# Q1 - Retail growth

	<b>Sales value growth</b>	<b>Like to like growth</b>
<i>World Of Titan</i>	14%	9%
<i>Tanishq</i>	11%	3%
<i>Goldplus</i>	-1%	-8%
<i>Helios</i>	177%	19%
<i>Fastrack</i>	86%	12%
<i>LFS – Watches</i>	23%	3%
<i>Titan Eye+</i>	20%	1%

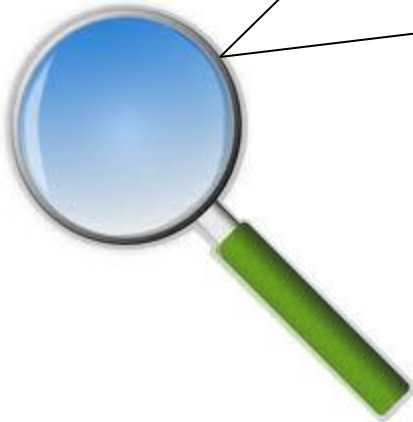
# Current Business Scenario

- Rupee continues to be under stress – keeps gold rate and input costs in Watches high
- International gold rates inching up – closing in on \$1700 per ounce – speculation is it might increase further
- Monsoon below par – but not as bad as expected earlier in August
- Inflation levels not expected to come down in the near term
- WGC expects gold jewellery revenues to be down 10% in 2012-13 and volumes down by 30%
- Discretionary spend seems to be driven by “discounting”
- However walk ins have improved post the significant dips in May and June

# Titan's plans for current year

- Planned network expansion to go on – particularly in jewellery where most of the expansion will be with franchisees
- Jewellery - Margin drivers will be lower cost of gold through direct import of gold, no excise duty on branded gold jewellery and higher studded share
- Watches – price increases to cover increase in input costs due to rupee devaluation
- Eyewear – Focus on customer acquisition to continue – re laddering of prices to help in this
- Volumes are expected to be under pressure – however price increases and network expansion should enable top line growth
- Bottom line growth expected by maintaining/marginally improving margins particularly in jewellery
- Most of the growth in the current fiscal will come in the second half

# THE INDIAN CONSUMPTION STORY



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# The Indian consumption story : key themes

1. Discovering the key to India's large middle class
2. What upper-middle class consumers seek
3. Women : a segment we cannot ignore
4. Appealing to Indian youth
5. Kids : an opportunity in its infancy
6. Middle India : the new gold rush
7. Marketing with a difference to small town India
8. Popular misconceptions about Indian consumers

# **1. DISCOVERING THE KEY TO INDIA'S LARGE MIDDLE CLASS**



# An illustration : Sonata watches

- Sonata – a mass market watch brand, priced primarily below Rs. 1,000 per watch
- Has grown dramatically to 7 million watches per year
- Key to growth : Excellent quality, TATA assurance
- Key to growth : Extensive distribution reach, 9000+ outlets across the country

# Goldplus: Mass market jewellery

- Gold Plus was launched in 2006, in 5 years, this has crossed Rs. 500 Cr Sales from small towns of Tamil Nadu and a small presence in few states.
- Unique marketing efforts of Big Bangle and Gold Plus Nano Car.

# The Upper Middle Class

- Key to growth : Superb, well-designed products
- Key to growth : Category mastery
- Key to growth : Customer experience
- Key to growth : Brilliant retail formats which showcase products

# Women

- Key to growth : Strong insight into what uniquely will make women adopt the category
- This insight is likely to be very different from the male consumer
- Key to growth : Strong product differentiation. Women love colour, flowing design, curves...

# Indian Youth

- Key to growth : speaking the language of youth, to connect with them
- Key to growth : being where youth are
- Key to growth : use of youth media
- Key to growth : constant product newness, therefore scale is essential

# Kids

- Kids (less than 12 years of age) constitute 25% of the Indian population
- There are virtually no organised brands catering to this large consumer segment
- Zoop watches from Titan is our first offering, just a year old. We are still learning.

# Middle India

- While metros and rural India continue to be large, a colossal opportunity is emerging in small town India
- 410 towns, with population between 1 lakh and 10 lakh people. Home to 100 million Indians
  - Examples : Bhatinda, Jhansi, Nanded, Anantapur
- Purchasing power in Middle India is unprecedented, and will grow rapidly, outpacing All-India averages.
- Marketers will have to be mindful of some infrastructural drawbacks, such as roads & transportation

# **8. POPULAR MISCONCEPTIONS ABOUT INDIAN CONSUMERS**



# Misconceptions

- The large Indian middle class is attracted by cheap products
  - No, Indian consumers seek aspirational brands
- Because the market is huge and growing, brands will rise with the tide
  - No, brands have to shape the market. Else they will fail
- Indians are satisfied with mediocre quality
  - In category after category, Indians are seeking world-class products

# Another major misconception

- Lifestyle companies should stick to the knitting and not dabble in manufacturing businesses

# Titan continues....

- To unearth unorganised product categories
- To discover underserved consumer segments
- To invest in fundamental capabilities like brands, manufacturing and retailing
- To take care of its primary stakeholders....its employees and associates

**...IN ORDER TO CREATE WEALTH!**

**Thank You**