



INFOSYS ANALYST MEET

DIGITAL CONSUMERS

November 2, 2010

CORPORATE PARTICIPANTS

Sandeep Dadlani
VP & Head – Retail, CPG – USA

ANALYSTS

Jamie Friedman
Susquehanna

Sandeep Dadlani

Okay. Hello. It's that time of the day when you do not know whether to say good morning or good afternoon but hello, everybody. How many of you have blogged or tweeted in the last one month, anywhere on anything? Quite a few of you. How many of you have Facebook accounts? Almost all of you. How many of you have purchased music online? iTunes? All of you. Well, the next one is on Digital Consumers and it is about you, as consumers. My name is Sandeep Dadlani. I head the Retail, CPG & Logistics vertical in the US for Infosys. Today, I will be talking about Digital Consumers as a theme across verticals. We go through what is happening to consumers, what is happening to enterprises, customers that you work with, how are they reacting to the consumers and then what is happening to Infosys. How are we investing in the changing trends that we see? So, fasten your seat belts.

Let us talk of 3 key words that define our way of looking at the Digital Consumer space. N=1, Self-Service and Co-Creation. Let us pick up Self-Service. On Thursday, September 9th, in the middle of the night, Craig Fugate, who is the Head of FEMA, the Federal Emergency Management Organization was woken up to the news that there is a fire in San Bruno, California. Unlike most government officials, he did not switch on the TV or call his government aids to find out what happened. He actually whipped out his Android phone, logged in to Twitter and typed "Explosion California." Through the Twitter feeds he got, he constructed a clear picture within seconds about how vast was the fire, how bad was the disaster, how should he react and he put together a disaster recovery plan in seconds. That is a fine example of Self-Service. Today's consumer goes out and reaches for that information when she/he wants.

Let us look at Co-Creation. Almost all of you know that you can construct your own shoe on nikeid.com or if you do not want to just do it, onmyadidas.com. You can construct your own coffee on starbucks.com. If you want to push the limit a little further you can construct and market your own food today. Lunch will be served but for dinner I want you to try something. Go to 4food.com. 4 is the number. It is a store on 286 Madison Avenue. You can construct your own burger, all the spicy jalapenos that you always wanted on your burger, you can try that. Order it online, go and collect it in-store. More than that, you can market it to a community of social friends on the website and if they buy the same burger, if they happen to share the same taste you get paid for it. That is co-creation at its best. You can co-create your own lunch, dinner and make money out of it.

N=1. Most marketers when they looked at this community here would look at them as 25-30 year old, mobile, financially well-off, good looking people. Part of that is true at least. N=1 means that each one of you will be looked at as an individual for whom products, services, news and everything is constructed and customized. Netflix is a good example of that. Amazon is a great example of that. These three key words summarize our point of view to the market.

Let us shift to our customers. Retailers, CPG companies, banks, manufacturers and the others. How are they looking at this market? How are they trying to decipher all the craziness when they look at it? Let us look at 4 distinct parts just to make sense - Digital Commerce, Digital Marketing, Mobile, and Social. All of you will tell me all that is intermingled in many ways, but for simplicity sake, for our customers' sake, just divide it into 4 parts. Digital Commerce - Last year in 2009, 154 million Americans logged in and purchased something online. That is about two-thirds of anybody who is legally allowed to do so. They purchased goods and services worth \$155 bn. Gartner, Forrester, and everybody else predicts that this number will grow at 10% every year regardless of whether there is recession, slow growth, inflation, deflation etc. Europe had a similar number of about \$93 bn in goods and services. Overall, in the world about \$400 bn of e-commerce sales happen and that excludes auto and travel sales. That is a big market for our customers whoever

they are. But wait a second. All of this is direct sales on e-commerce. How many of you have researched products? Television, electronics, online and then gone in-store and purchased them. Many of you. That is web-influenced in-store sales or web-influenced sales in the physical world. That is estimated to be 5 to 6 times online e-commerce sales. So when our customers, large enterprises look at the Digital Commerce numbers, they are looking at \$2.5 tn-\$3 tn of sales that can be influenced or directly impacted. That is the number that they are looking at.

Let us go to Mobile. 1.4 billion handsets will be shipped this year actually and in about 2-3 years mobile will become the biggest computing device. Many of my colleagues have spoken about that already. I think the strength in the entire mobile space is playing out in more ways than one.

Let us go to Social. All of us know that Facebook has 500 million plus users, the third largest country in the world, if you may. It took the radio 38 years to get its first 50 million users. It took the internet 4 years to get its first 50 million users. It took Facebook the last 9 months for the last 200 million users that it had. Facebook has become the epitome of social networking for all our corporations who want to get on to the Facebook action.

Let us take an example of Wal-Mart. If you go to the Wal-Mart Facebook page, it has 2 million fans and 2 million fans exercising the four letters that are the most powerful four letters in the web. L-I-K-E. LIKE. If you go to the crowd saver portion of that Wal-Mart Facebook page, you can actually bid for some ridiculous deals going on and if enough of you like that ridiculous deals, Wal-Mart will make it real for one day online. That is co-creation of lowest prices using social networking as an option.

Finally Digital Marketing – Any of you can guess which is the world's biggest search engine in terms of searches. That is a simple question. Which is the world's best, largest search engine? Thank you, Google. Which one do you think is a second largest search engine in the world? It is YouTube. YouTube happens to have the second most searches in the world. When our clients, corporations look at search, YouTube features high in the way they are trying and do their Digital Marketing. 24 of the top 25 newspaper chains are showing decline in sales. 78% of the Americans think that they do not trust any advertisement that they see. They rather trust their peers. These statistics form parts of a marketing strategy of any organization. We have taken a quick summary of how consumers are changing, how enterprises are looking at the consumers and then let us see the results. If you look at retailers like Wal-Mart, Target, GAP etc, having active Facebook strategies and active mobile campaigns, if you look at CPG companies like P&G, Unilever, Coke, Pepsi, significantly shifting their marketing outlays from a physical world to a digital foray. These are the trends that emerge thereafter.

Let us look at Infosys and its addressable market size. We talked about \$400 bn being e-commerce sales all over the world. If you add to that another \$ 300 bn in B2B sales, not consumer sales, but B2B sales which are manufacturing vertical or other verticals we look after, that adds up to about total number of \$700 bn e-commerce sales. Most traditional enterprises attribute about 1-1.5% to their IT spend of sales but when you are talking eCommerce it is significantly higher. We are looking at 3%-4% of e-commerce sales being the overall IT spend and that comes to about \$ 28 bn. If I do the approximation right, about 40% of that spend can be addressable by us as Infosys, so we are looking at approximately a market size of \$11 bn.

With that market spend, let us look at how we have been investing in this space. If you look at the 4 areas we outlined, digital marketing, digital commerce, mobility and social media, we have been carrying out a plethora of investments both in IP, in solutions, in training people, in building centers of excellence, in building niche skill sets etc., building alliances, partnerships and a significant portion of those investments have yielded us great results, both last year and in continuing trends this year and that is apparent up there. The best part is that the innovation pipeline for future new

areas of investments and revenue growth remains healthy as outlined by my colleague, Vishnu, when he talked about Flypp and my other colleagues.

Let me take you through some examples of how this is playing out. The first example there is a Diageo, a premium drinks company has brands like Johnnie Walker, Smirnoff, Bailey's brands that you probably are not aware of, but look at how Diageo used to operate earlier. Let us take a brand manager in Peru. He wants to launch a campaign to do something special with Johnnie Walker Black Label. He had to develop an ecosystem of a creator ad agency locally. He would also look at a technology company locally to host or create a campaign, he would coordinate with that and launch a campaign in Peru. If he wants to take that campaign global, it would be a nightmare because he would coordinate with about 150 other brand managers in different countries who would all have their empires and ecosystems of creative ad agencies, technology companies and so on, you get the picture. What Infosys provides to Diageo is a single integrated technology platform plus a shared services model where we as Infosys coordinate and triangulate between the brand manager, the creative ad agency, provide reusable assets through a shared services model and host and manage this technology platform completely. For Diageo, it is working on a cloud for all practical purposes. By the way the customers here is not the CIO, it is the Chief Marketing Officer. The result - most of the times when they wanted to take a concept to market, it used to take 19 weeks. Today it takes 9 weeks. The cost savings for them removing the labor arbitrage part, is now 40% just from a marketing budget and effectiveness perspective. Almost all the ad agencies and creative agencies have committed back that the platform that they are using is far more adaptable, usable and easy to work with. So that is Diageo.

The next one is Nestle. Nestle wanted to launch a mobile campaign in India, of all the places to launch something called Nestle Kitchen, a nutritional and well-ness campaign. So if today you go on to nestle.in, that is an Indian web site of Nestle, you can download this cool mobile app again posted and managed completely by Infosys using a transaction-based pricing model, you can download this app that gives you the tip of the day, the nutrition tips, recipes of the day, etc. and is live at hundreds of users across 14 states of India. The analytics emerging out of it is amazing because these users can actually friend each other and share nutrition tips with each other etc., and the analytics provide Nestle unique consumer insights that hitherto were not available. Mobile campaigns on a managed basis is something that is picking up in Europe and the US as well. Couple of pilots running here in the US with large CPG companies.

The third one is interesting. It is one of the largest broadline retailers in the US. This retailer came to us about 4 years back and said "We have a plethora of websites that we want to integrate into a common platform." Well, Infosys did what it is good at. It integrated all the web sites into 1 single platform within a record time of 12 months to deliver it on-time and on budgets, year-on-year sales since then have grown by about 30%. The retailers said, but wait a second. "We today sell only 500,000 SKUs, SKUs means unique items online to our consumers. These consumers now go to other web sites like book web sites for buying books, music web sites for buying music, movies, etc., you get the picture. We want our web site to be the destination web site for all their needs." So the retailer tied up with 12,000 vendors and increased their SKU assortment to about 13 million SKUs, the number of hits and number of consumers registering on their web site quadrupled. We help integrate with all the 12,000 vendors and created an open marketplace which is a unique concept for the retailers. Next, with this retailer, we launched several mobile apps, some custom developed for the retailers, some managed with a platform by Infosys. Next, the retailer integrated with Facebook. Next, the retailer launched its own social platform which was launched a few days ago. Now if you go in, you can create your profile, shop socially, share tips, share deals, advise, etc. and actually create a socially network buying experience. This is an example of a complete digital transformation. Wait a second. It is not complete. Every 4 weeks we roll out a new functionality for this retailer. We do not know what the next functionality will be because this space is changing so fast in this entirely connected world.

The last one and has been mentioned before is the Infosys iEngage platform, the social networking platform which we use for a hi-tech major who wanted to build more consumer intimacy. We have about 120,000 plus users who were registered, about 50 plus communities, 16 blogs, etc. This is a managed service that is run by Infosys.

These are 4 good examples of transformations happening. By no means they are exhaustive. The same kind of programmes that represented the banking vertical, in the manufacturing vertical, in the services vertical, and in all our industries.

That is all I had for today. Thank you and I am open for questions.

Jamie Friedman

Thanks Sandeep. That was an interesting presentation. I was wondering if you could map some of the technological requirements that you described in digital to some of the more traditional services the way the company describes it. In other words, do you have a higher percentage of application development, maintenance, consulting, testing, engineering, BPO etc. in the digital solutions than you might in some of the others verticals that were described earlier.

Sandeep Dadlani

It is a good question. Frankly, a lot of work that we do can be attributed to digitization of the enterprise. And that is where the lines get blurry. But when you look at the Digital Consumer space that is primarily the new transformations attributed to digital commerce, digital marketing, social commerce, mobile, gaming, etc., that today forms the percentage that I displayed earlier in terms of revenues and services. These are discrete large transformation programs that we have separated and carved out outside of the regular work that we do. This involves digitization of the entire enterprise. Does that makes sense?

Jamie Friedman

I also wanted to ask you did you sound very savvy with the consumer product and branding and ad branding element of your business. I think investors are aware of your product set. I was wondering whether you feel that corporations are as well aware. How do you brand your solutions in this innovative area to make sure that you get the line share for your innovation?

Sandeep Dadlani

Yeah, great question. I think a number of our innovations usually start off as co-creation pilots and that is very important for us which means that we are not innovating in an ivory tower and then producing a product suddenly and launching it one fine day in the newspapers. We usually take a set of pilot clients and co-create with them. Once it is successful, then we go out and reach out to a larger set of clients and evangelize the offerings and customize it for them. That has been a branding strategy throughout. You would not see a Tiger Woods commercial or something like that coming out for our set of products.

Any other questions? Thank you very much.
