

NAVIGATING THE GLOBAL INFORMATION MARKETPLACE
Global Information Industry Summit
September 14-15, 2006 - Hilton Amsterdam

FINDING NEW OPPORTUNITIES ASIA

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WE THANK OUR PANEL

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Chief Executive, Macmillan Publishers Ltd.

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Managing Director
Business Information Industry Association Asia Pacific (BIIA)

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TAKEAWAYS

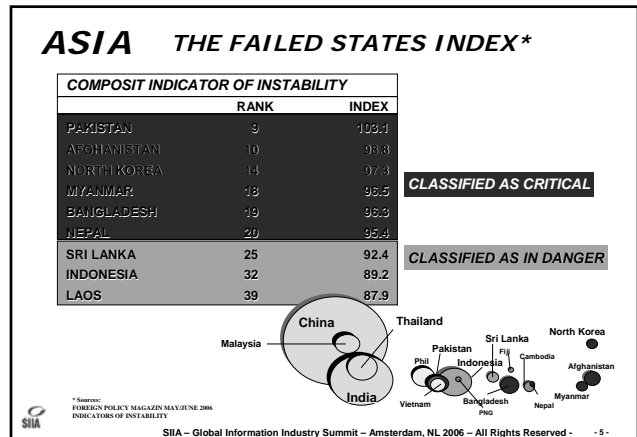
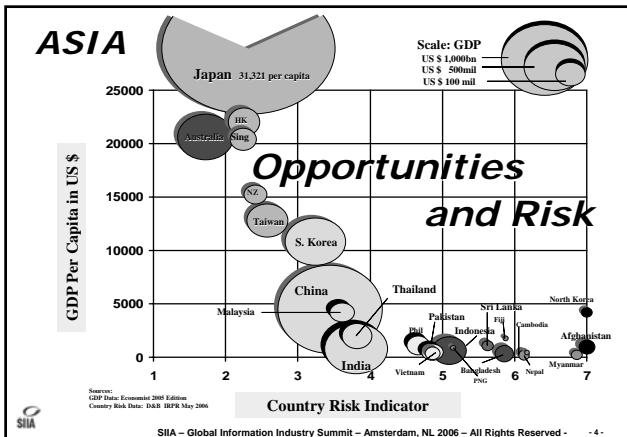
- *Fragmented Market*
- *Quantifying Opportunity – Problematic*
- *Market Characteristics*
- *It is all about Management*

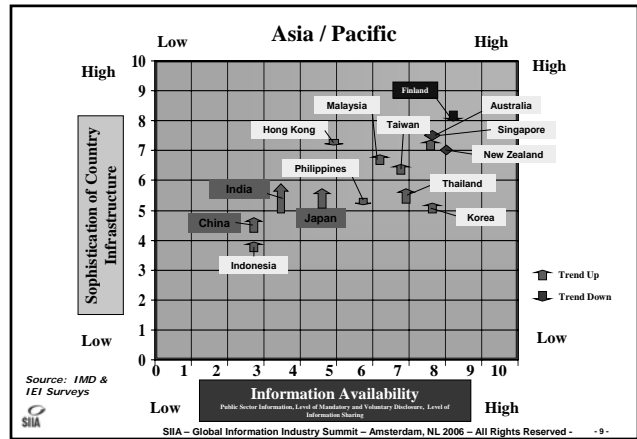
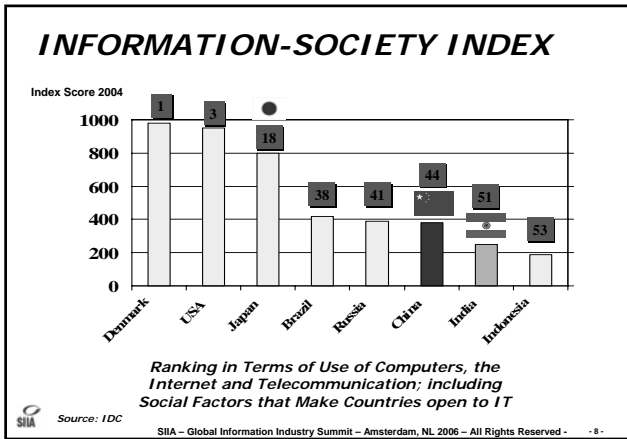
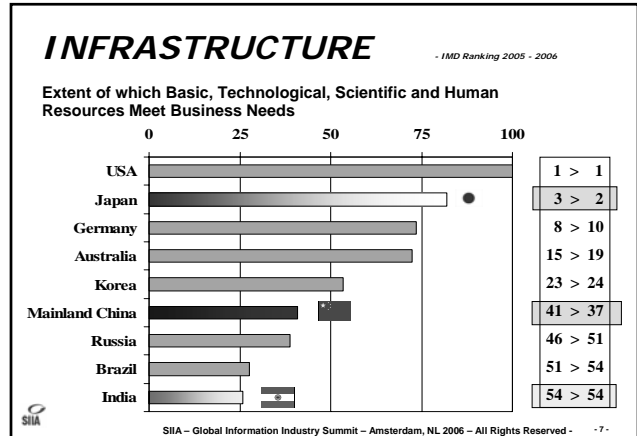
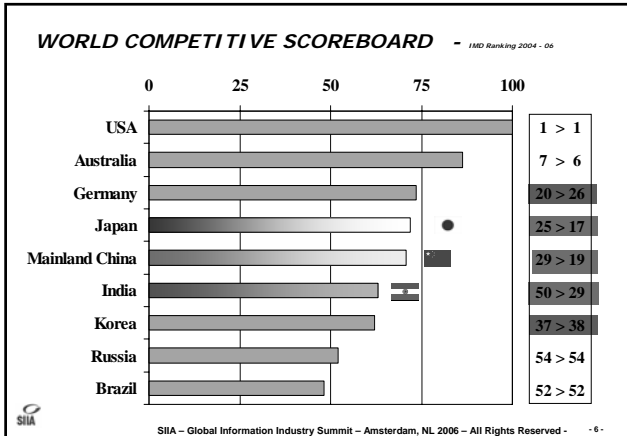
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TAKEAWAYS

- *Fragmented Market*
- *China, India and Japan Dominating*
- *Other Markets lack Scale*
- *Some Markets are quite Risky*
- *State Interference and Attitudes Retard Development*
- *Be Prepared for 'Brick Walls'?*

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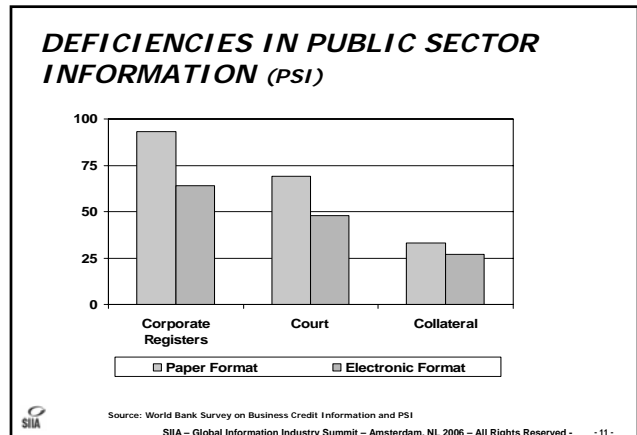




TAKEAWAYS

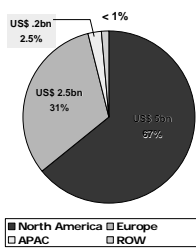
- Quantifying Opportunity – Problematic
 - Lack of Disclosure
 - Mandatory or Voluntary
 - Public Sector Information (PSI) Underdeveloped
 - Information Industry Lacks Transparency
 - Markets in Developing Countries still Relatively Small
 - Asymmetries in Information

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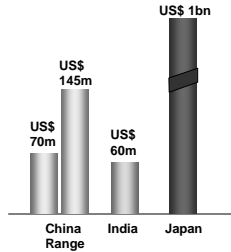
WHAT DO WE KNOW?

Example:
Legal, Tax and Regulatory
Publishing
North American and European
Publishers Share in Asian Markets



Source: EPS Market Monitor 2004

**Market of Legal, Tax and
Regulatory Publishing in
China, India and Japan**



Source: EPS Focus Report July 2006

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OPPORTUNITIES

*"If I could have one thing,
it would be data"*

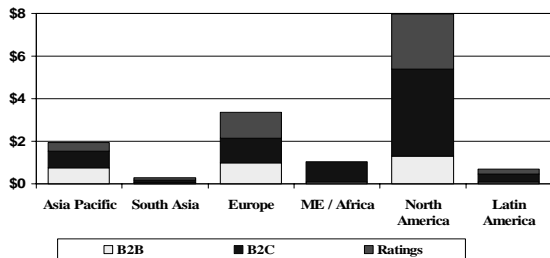
Ron Logan, Pacific Card Center China

Source: The Asian Banker

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ASYMMETRIES IN INFORMATION

Example: Credit Information and Credit Ratings



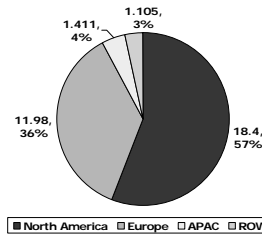
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B2B Information Services

B2B Segments:
Information Services,
Directories & Catalogues,
Exhibitions and Trade

**B2B, B2C Credit Information
and Credit Rating Services**
US\$ 14.5bn



Source: EPS Market Monitor 2005

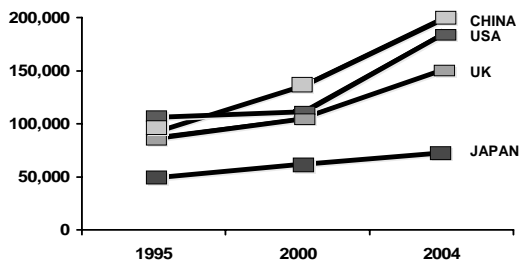


Source: Intrepid Explorers, Inc. Estimates 2006

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UP, UP AND AWAY

BOOKS PUBLISHED

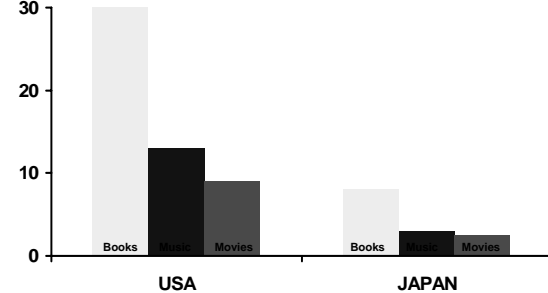


Source: Andrew Grabois / Foreign Policy Magazine May/June 2006

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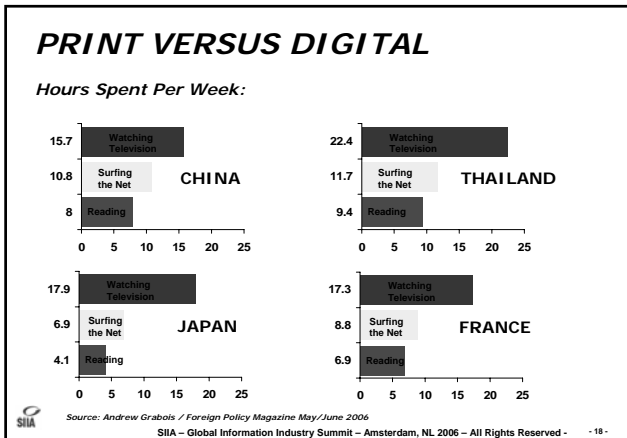
ENTERTAINMENT REVENUES

US Bn Dollars
2004



Source: Andrew Grabois / Foreign Policy Magazine May/June 2006

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TAKEAWAYS

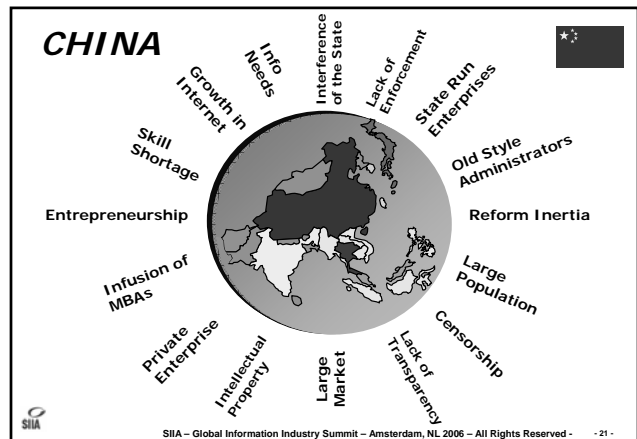
- **Market Characteristics**
 - Dealing with State Monopolies
 - Entrenched Competition in India and Japan
 - The Challenges of Asia's Non-identical Twins (China & India)
 - Improving Infrastructure
 - Containing Social Issues
 - Reengineering the Supply Chain
 - Responding to Consumer Revolution
 - China: The World's largest Internet Market
 - New Internet Culture - Coming Our Way

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CHINA AND JAPAN DOMINATE THE REGION IN TERMS OF BOTH SIZE AND INFLUENCE

	China	Japan	Hong Kong	South Korea	Taiwan	Singapore
Population (m)	1,285	127.3	7.0	47.1	22.3	4.1
Total expenditure on education as % of GDP	2.5%	3.5%	4.1%	3.8%	3.6%	3.5%
Total expenditure on R&D as a % of GDP (2001)	1.1%	3.0%	0.6%	2.9%	2.2%	3.1%
Primary	140.0	7.9	0.5	3.8	1.9	0.2
Secondary	65	8.4	0.5	3.8	1.9	0.2
Tertiary	6.1	3.9	0.1	2.5	1.0	0.1
Mobile telephone subscribers per 100 inhabitants in 2003	21.4	70.0	105.8	69.4	110.8	79.6
Human Development Index ⁽¹⁾	72.6	93.3	88.8	88.2	-	88.5
Corruption Index ⁽²⁾	3.5	7.1	8.2	4.5	5.6	9.3
Number of patents granted to residents (2000)	3,742	123,978	-	34,052	20,094	-
Number of scientific publications (1990)	11,700	47,800	1,800	6,700	5,700	1,700
Percent of Holzblick regional sales 2003	8%	59%	6%	12%	7%	3%

(1) UN Development Programme combined statistics in adult literacy, life expectancy, income levels and years of schooling.
(2) Rank countries based on how much corruption is perceived to exist among politicians and public officials. 10 = least corrupt.
Source: The Economist; The International Telecommunication Union, UNESCO, and for Taiwan, the British Council Publishers Association.
MACMILLAN



THE BRICK WALLS

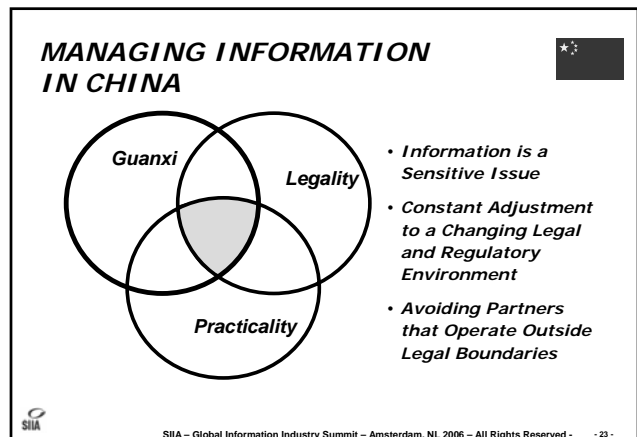
Greetings from a Country which Invented:

- Paper
- Art of Record Keeping
- Movable Type

Information should Be Free:

- Information is Secret
- Censorship
- Information to Be in the Public Domain
- Information should Be Free

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"CHICKEN TALKING TO DUCK"

Issue of Localization

- Broken English
- Info Speak
- Internet English
- Macmillan English?
- Etc. Etc. ...

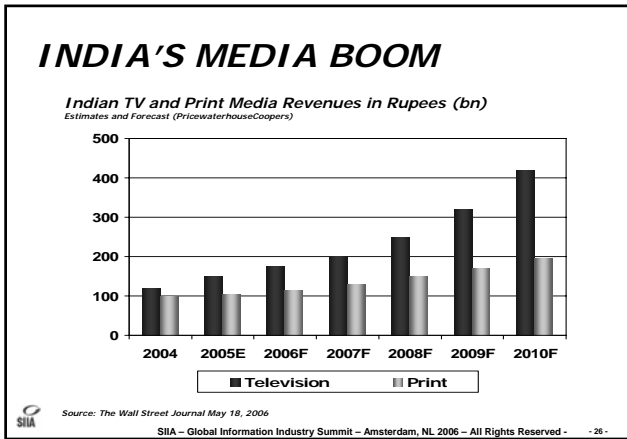
McKinsey Quarterly

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INDIA

- Competitive Outsourcing Market Software
- Large English Language Market
- Largest Democracy
- Entrenched Competition
- Corporate Governance
- Large Population
- Skill Shortage
- Poor Physical Infrastructure
- Low Information Readiness
- Super Bureaucracy
- Relatively Small Information Market
- Lack of Transparency
- Social Issues

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INDIA IS ALREADY SUPPLYING SERVICES AND BUILDING COMPETENCE IN AREAS CRITICAL FOR INTERNATIONAL PUBLISHERS

Low cost and an educated and stable workforce have led in the last three years to a very substantial shift of work from the US and Europe in four key areas

Macmillan India has focused on Journal related data entry and manipulation (type setting) but has skills in each of the four areas

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INDIA HAS STARTLING PUPIL NUMBERS BUT THE AVAILABLE MARKET IN EURO TERMS IS SURPRISINGLY SMALL

Compulsory education has only been enforced in 4 states and territories at the primary level, but all states provide free education.

Overview of Indian school market

	No. of schools	Total enrolments	Enrolments per school average	Age levels
Primary	610,763 (67%)	120 million (63%)	196	Age 6-11
Middle	185,560 (21%)	50 million (26%)	269	Age 11-14
High	107,100 (12%)	20 million (11%)	186	14-16 and 16-18
Total	903,369 (100%)	190 million (100%)	210	

Languages of instruction include Bengali, English, Gujarati, Hindi, Marathi, Tamil, Urdu

Estimated total market value €600m
Estimated relevant market value €70m
Growth rate (relevant market) 5%

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THE VAST MAJORITY (82%) OF THE INDIAN SCHOOL MARKET IS CONTROLLED BY THE STATE

School market (total: €600million)

- = Government controlled State Board Market (82%). Syllabuses set by state governments
- = Private available Market/Non State affiliated Primary Schools (15%). Some syllabuses at secondary level set nationally
- = State Market open to Private Publishers (3%)

MIL is active in only 18% of the overall market

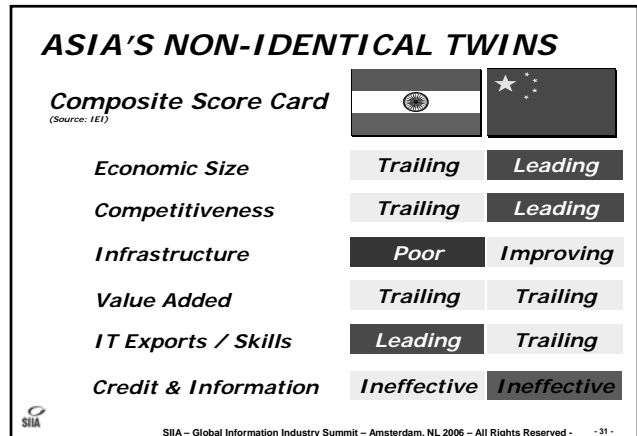
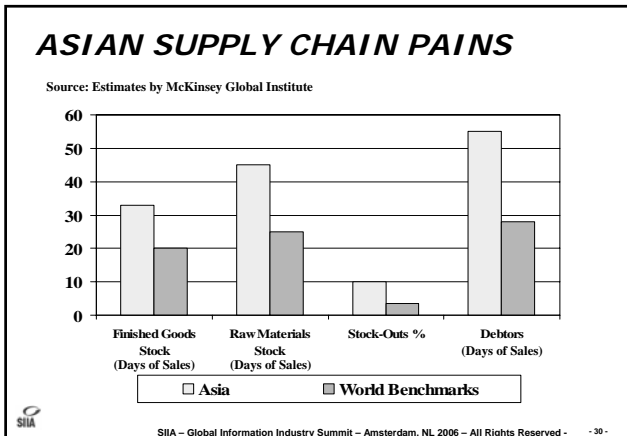
Possibilities of opening up of state monopolised publishing sectors

Education is a state and not central subject

All states publish books for state aided schools which are not open to private publishers (these are the majority of schools)

If this sector opens up, huge opportunities could exist

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- ### TAKEAWAYS
- *It is all about Management*
 - *Managing Relationships in Shifting Legal & Regulatory Environments*
 - *Finding and Retaining Competent Management*
 - *Expatriates VS Local Hire*
 - *Training / Retaining / Incentives*
 - *Difficulty in Managing the Country Side*
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- ### MANAGEMENT AND SKILL SHORTAGE
- **Management Talent**
 - Current Inventory 3,000 to 5,000
 - Demand 75,000
 - **Management Retention**
 - 30% - 40% of Managers Switch Jobs every Year
 - Intense Competition over Talent
 - **Expatriates vs. Local Hire**
 - Initial Skills
 - Short vs. Long Term Effectiveness
- ↓
- **Investment in Long Term Skill Development**
- * Source: McKinsey Quarterly
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- ### Guanxi and the Walls of China
- Are Personal Connections – Guanxi still Important?
-
- High Degree of Political and Economic Decentralization
 - Regulatory Infrastructure is Maturing
 - Professionalism and Precedents May Come into Play
- Can Guanxi Overcome Political Barriers?
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- ### How to Reach Consumers?
- **Distribution & Logistics**
 - Underdeveloped Outside Large Cities
 - **Consumer Behavior**
 - Fragmented Market
 - Big City vs. Country Side
 - Ethnic Diversity
 - Different Income Levels
 - **Managing the Country Side**
 - Difficulty of Finding and Retaining Management
- * Source: McKinsey Quarterly
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**FINDING
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IEI (Intrepid Explorers, Inc.) www.intrepidex.com; BIIA
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