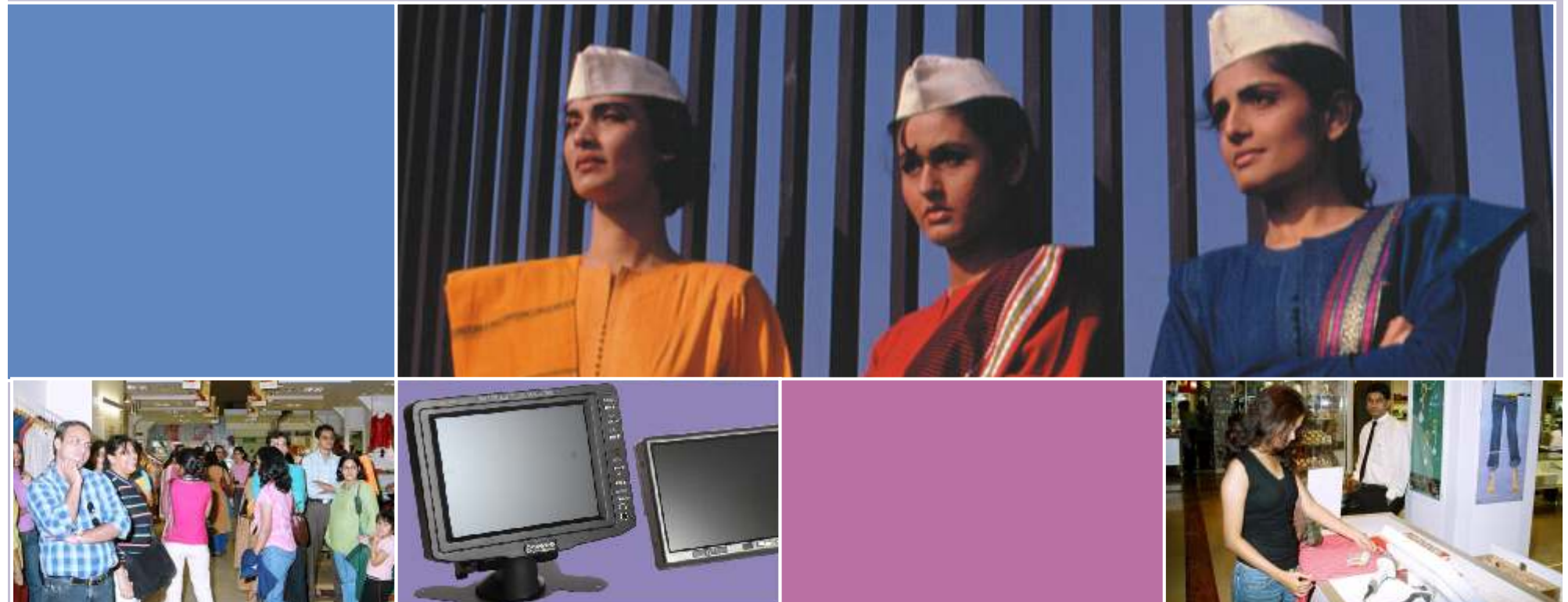




Indian Consumers

India has the youngest population profile among the numerically significant countries - there are a lot of young people, in different income segments and locations, who are influencing their parents' spending, or spending their own money. On the other hand, many farmers have unquestionably grown beyond "rural" in the broadly understood sense. Are we even comprehending, let alone capitalising, on the power of the consumer of tomorrow as well as some consumers of today, who remain an after-thought for many marketers?



# a do-it-yourself segmentation kit.

By DEVANGSHU DUTTA



I am often asked the question, "In India, what is a good market segment or consumer product opportunity to be in? What can I make a business out of?" To which my standard response is: pick the area that you really want to enter, and I'll show you the opportunity.

This is not simply a clever way to turn the question the reality is that in the past the Indian market has possibly never shown such abundance of consumer business opportunity as it does right now.

It is a fact that the Indian market is changing rapidly often more rapidly than people within the country realise. A foreigner or non-resident who visits India maybe once in a year or even once in six months can often point of specific changes which will have an impact on the market and consumers.

While economic numbers do not tell the whole story, let us at least make a passing acquaintance with the numbers that are emerging out of recent studies, most notably by the National Council for Applied Economic Research.

Consider NCAER's figures for the changing income profile in the Indian population. While most of the earlier government studies or other demographic studies blurred annual household income levels above Rs. 1,00,000 into one segment, NCAER has begun splitting the projected growth in the Rs. 90,000+ segment with interesting results. Its study, "The Great Indian Middle Class", shows that the top of the pyramid is growing at a much faster rate, even as the growth at the bottom of the pyramid is slowing down. It is a traditionally accepted fact that birth rates are highest in the lower income classes. Therefore, NCAER's projections suggest a real increase in income levels, bringing more people out of subsistence living and into reach of discretionary consumption.

## One Million Dollar-Millionaires?

NCAER's efforts are not some academic's clarification of a minute statistical error, as one may be tempted to think. The numbers are substantial in absolute terms. While in 1995-96, the population with Rs.2 lakh and more in annual household income was a little less than

3% of the total, in 2001-02 it is estimated to have risen to over 6% - that is over 60 million people, or more than the populations of either the UK, France or Italy individually. In 2005-06, it is projected to rise beyond 100 million people, which will be about 50% larger than the total population of Germany, the largest EU country, and more than a third of the total population of the USA.

Within this decade, about 15 per cent of the Indian population will be living in

### Changing Shape of the Population Pyramid –2001-02 (% Figures in parentheses is the growth over 1995-96)

Households '000	Annual household income '000
20 (+300%)	10,000<
40 (+264%)	5,000-10,000
201 (+219%)	2,000-5,000
546 (+189%)	1,000-2,000
1,712 (+163%)	500-1,000
9,034 (+133%)	200-500
41,262 (+43%)	90-200
1,35,378 (+3%)	>90

Source: NCAER ("The Great Indian Middle Class", 2004)

households earning Rs.2 lakh or more, with about 10 million people in households earning Rs.10 Lakh and more. We are now getting to a stage where references to a large Indian middle class are beginning to make sense.

However, income is only one part of the story. Consider, that even in this laudable effort, NCAER has been forced to club households earning Rs.2 lakh (say, a junior-level sales executive living with retired parents) and households earning Rs.10 lakh (possibly a senior-level sales manager). Or, conversely, the household earning Rs.5 lakh (falling right in the middle of this class of households) could comprise of a young couple, both earning about Rs. 25,000 a month and having possibly 40-60% available to spend on discretionary items.

In this scenario, broad-brush demographic statistics only sketch the outline of the emerging opportunities. Traditional socio-economic classifications hide true spending power and the real consumers, while income classifications do not highlight specific sustainable need gaps and product / service opportunities that are arising.

Types of people, or Types of Selling Opportunities?

Let us acknowledge that most businesses start small, possibly in one town or city, or possibly in a small consumer segment spread in a small geographical area. It is also a fact that most retail and consumer businesses in India remain small. Thus, as entrepreneurial businesses, they prime needs are:

- To survive

**N**o matter where you are, there are consumers...

consumers...consumers... and it doesn't matter whether they are rich or not. USA's Wal-Mart, Britain's Tesco, and India's Pantaloon have all grown from being small businesses, mainly selling value-for-money merchandise to the masses. At the same time, the Modis and others are beginning to sell expensive goods from global luxury brands, and growing these new businesses.

- To maintain positive cash flow
- To grow

In that context, each start-up needs an opportunity that brings it a minimum number of consumers spending that minimum amount of money as would enable the start-up to stay in business and reinvest cash to grow the next year.

Such opportunities abound in the new Indian market. No matter where you are, there are consumers...consumers...consumers... and it doesn't matter whether they are rich or not. USA's Wal-Mart, Britain's Tesco, and India's Pantaloon have all grown from being small businesses, mainly selling value-for-money merchandise to the masses. Even larger companies such as ITC are finding it profitable to discover new segments in previously unexplored territory in the hinterlands.

At the same time, the Modis and others are beginning to sell expensive goods from global luxury brands, and growing these new



While these youngsters are likely to be living in families located in the metros, many of them may be from smaller towns or affluent rural areas, Eating out, movies and occasional clubbing are an integral part of their lifestyle. Dress is invariably modern, and attire must be changed frequently. Sell them fashion, but make sure that the price is right - otherwise you will lose them to Sarojini Nagar in Delhi and Fashion Street in Mumbai.

businesses. Overseas travel as well as domestic lifestyle tourism is booming. Cellphones, cars and other conspicuous lifestyle items are exploding.

NCAER's study shows that about four million (34%) of the households earning Rs.2 lakh and above live in rural areas, another two million in small towns (population under five lakh), and the balance 5.6 million in the big cities (48%). Interestingly, even at the top of the pyramid, one-fifth of the consumers with household income of Rs.20 lakh or more live in the villages, and 15 per cent of the country's *crorepati* households are found in rural India.

So as far as a marketer is concerned, more and more, it is not one relatively homogenous socio-economic India geographically zoned out into states and districts. It is a complex weave of cultures and sub-cultures, some of which exist across the country, others exist in concentrated geographic regions, and still others possibly in no more than 5-10 cities.

For example, I have long expressed the view (unsupported by rigorous statistics, I must confess!) that a brand wishing to sell premium products would do well to first concentrate on possibly Delhi, Punjab and Haryana as a geographical cluster with a concentration of affluent people, and possibly Mumbai as another hub, rather than spreading itself around the country. This is now borne out by the numbers presented by NCAER in its 2003-04 study showing these locations as having among the highest density of millionaires in the country. Rural Haryana has a higher density of *crorepati*s per million households, than do Bangalore, Hyderabad or Kolkata.

Furthermore, it is possibly best to look at consumers as being complex entities in themselves. Overall lifestyle, friends and family, shopping opportunity, day of week and time of day, all influence buying.

Therefore, let us acknowledge that in this market, no segment list can be exhaustive. However, we can certainly indicate the types of segments that are changing the demographics of India forever. And some of their needs are already being fulfilled, in some cases by hugely innovative products and services, in other cases by mundane offerings that are just right for the particular segment.

#### Emerging Consumer Behaviour Groups:

1. The Young & Restless: India has the youngest population profile among the numerically significant countries. This means that there are a lot of young people, in different income segments and locations, who are influencing their parents' spending, or spending their own money. Many of them are also beginning to earn money through part-time or full-time jobs, arising out of opportunities that did not exist earlier. This gives them scope to spend money that did not exist in their parents' pockets earlier as well. Some of these segments include:

- Teen Riches, Dudes & Dudettes: This group mainly comprises young people who are from relatively affluent families, and their friends who may or may not be. Eating out, movies and occasional clubbing are an integral part of their lifestyle. Dress is invariably modern, and attire must be changed frequently. Sell them fashion, but make sure that the price is right - otherwise you will lose them to Sarojini Nagar in Delhi and Fashion Street in Mumbai. Do you have the courage to create an Indian "Zara" for them, which can give them the newest fashions quickly at a price that they can afford? Do you have the financial muscle to sustain that business, to grow along with them, and along with the others who come into this segment over the next 10-15 years?



Car accessories are a big draw, since a customised set of wheels always talks louder with this set. Let's face it, Dilip Chhabria's services are the haute couture of car customisation and he has his eyes set on bigger things now, and most neighbourhood garages do a very shoddy job of even normal accident repair. Maybe you can create a car-customisation service network that could give this set of consumers a series of Porsche Boxsters built on Honda City VTEC chassis; so what if it still smokes adulterated unleaded!

- **Call Centre Boomers:** Formerly located mainly in the IT-savvy cities, call centres and other IT-Enabled Service centres are spreading to other cities and towns as well. Populated largely by youngsters out of school or college, drawing in their first incomes, and at levels unheard of earlier.

Other than selling the goods that all other youngsters want, this crowd also has some special needs such as the need to socialise and shop when no one else does, because they are partially living in a different time zone. How about opening your store or restaurant to facilitate shopping by the call centre crowd? Or a spa treatment, to get the biorhythms normalised?

Don't forget, some of them are married, have households and even children. What about a household management service that looks after their domestic maintenance, bill payments etc. while they are leading an existence in an American time zone? Or a certified crèche, child-minder or nanny service for those overlapping hours when neither spouse is likely to be home?

2. **The Bold and The Bountiful:** This is definitely the moneyed set (or the want-to-be-moneyed set), and not afraid to show it. Describing them as nouveau riche will be a gross misjudgement and understatement of the change that they are bringing out in social and economic mores.

- **The Yuppies (Young Entrepreneurial Professionals):** Truly self-made, these are entrepreneurs who have made it after the good Doctor (Manmohan Singh) turned the country's health around in the early-1990s. The nature of business is immaterial, when you have earned the money, it's yours to enjoy. Luxury cruises, premium weekend getaways, give them the best. How about anniversary reminder services with romantic dinners and hotel nights included, as well as child-minding services as an optional extra!
- **The Yuppies (Young International Professionals):** These are likely to be people who work with multi-national companies, who are based in India but travel extensively. Their focus



is clearly on their career, leaving little time for other pursuits. How about opening up a wine and international cuisine club, that promises to guide them into becoming well-rounded professionals, giving them a boost in their multi-national careers while helping them socialise and make new friends? People running exclusive wine clubs had better watch out - your memberships could face new competition soon.

- **The Raffles (Rural Affluent Farm-Folk):** Shed your image of the farmer who gets up before the birds and tills his land walking behind a pair of bullocks. While the city-bred MBA salesperson spends most of his monthly Rs.35,000 pay, the farmer could be taking home a tax-free amount double that or more, and spending it on a wider choice of products than the MBA has ever dreamt of. He is well versed in the techniques and technology of his business - yes, it is a business - and is likely to want the best that he can afford for his farmlands. He may be more knowledgeable about flights to Europe than a travel agent, because he needs to be careful with his shipments of exotic herbs to importers. He wants the best possible fittings and fixtures for his house, the latest mobile and the Ford Endeavor with most of the optional extras.

What can you do, to bring his needs of goods or services closer to him? What can you provide to make sure he doesn't have to keep up with the city-folk?

3. **The Golden Folks in High Spirits:** Think about the retired folk, with kids who are married and living in their nuclear families, or even out of the country. This is again, obviously not a homogenous group, since their lifestyles will be as varied as their personalities were during the younger years. But let's take a couple of instances.

Several of them have led fairly good lifestyles, and have the means to continue to do so. Security and companionable neighbours are an intrinsic need beyond a certain age. Old age homes are just beginning to show up in India. Think beyond that what about a complete township planned around the health, social and security needs of an average 65-year old. Not only would the houses need

to be designed appropriately, but the road, signages, civic amenities, as well as utility and maintenance services. Would all senior citizens want to live in such a township? The answer would be no, because many of them want to remain engaged with the rest of the populace, and people of all ages, shapes and sizes. However, could you find enough of them to build and run a township such as this profitably? My guess would be, yes.

Or, spirituality – how about a chain of resorts in the spiritual hotspots, providing the full-package from pick-up to drop at home, boarding and lodging, *satsang* yoga, guided meditation, related products including books, music, items for worship the whole lot. Too cynical? No more than the multiple religious channels that beam into the homes 24x7 courtesy cable television or the numerous *katha-and kirtan-tolis* that charge for each sitting. At least, in this case you would clearly be a tour operator, which is a clearly commercial venture, albeit helping people reach their spiritual goals.

One must recognise the fact that India has long been an aspirational society, the kind that western countries have only become in the last 150 years. Consumers aspire to better lives, better possessions and better experiences. And with more money available, more Indians are turning into consumers.



4. The Foreign Friends: This one is the odd-one out in this list, but I thought an important one to include. Let us accept that in India the old saying “*atithi devo bhava*” (the guest is god) has been long reduced to a phrase. We have more foreigners than ever before, many of them coming into the country for extended periods of time, as foreign companies set up their own businesses and joint ventures here. Yet, we do little to think about their needs.

Surely, entrepreneurs can see the enormous opportunity that exists in servicing these new Korean, Japanese and even Chinese residents of India. For them India presents a completely unfamiliar face, just as the USA, Canada and Britain did to Indians who went there in the early sixties and seventies, or China and Japan might even today.

There is but one Korean restaurant in Delhi, that too in a 5-star hotel, and barely any stores selling products needed by an average Korean family on a day-to-day basis, even though there are probably more Korean-branded appliances in Indian homes than of any other nationality. Let us build cultural bridges they can be very profitable, and indeed very scalable. And think about the next round of likely visitors the Chinese from Singapore and Taiwan. One must recognise the fact that India has long been an aspirational society, the kind that western countries have only become in the last 150 years. Consumers aspire to better lives, better possessions and better experiences. And with more money available, more Indians are turning into consumers. The segments are beginning to become substantial where even niches are becoming profitable.

The question is, which segment will you choose as yours? What do you think they need? And what do you imagine they could need, but don't yet know they need? That is the way to business prosperity.

Wish you a fruitful, exciting and prosperous 2005!

*Devangshu Dutta has wide-ranging international experience in consumer products, retail and the fashion sector in business strategy and operations. As an entrepreneur, consultant and manager, he has worked with some of the most progressive companies in these sectors. (c) Devangshu Dutta, 2004*

# Indian Consumers

**SUMMAND** A decade ago, India didn't have a single mall. A year ago, there were less than a half-dozen. But within two years, more than 300 are expected to be operational.

There has been a transformation in society, fed, in part, by the explosion of new jobs for young people, primarily in the software world and as operators in "call centres".

Interestingly, the young person's influence in family purchase decisions is high. Anything to do with technology? He is God. The decision of which brand of mobile phone, flat-screen TV or two-wheeler to buy can be swayed by the resident youth in the family. While companies across all goods and services categories fall over themselves to woo the young spender, application avenues of disposable incomes are quadrupling by leaps, all leading to the next big jump in consumerism. It's an enormous shift in a nation that for decades proclaimed itself a socialist state.