

# [Indian market diversity](https://assignbuster.com/indian-market-diversity/)

[Finance](https://assignbuster.com/essay-subjects/finance/), [Market](https://assignbuster.com/essay-subjects/finance/market/)

Indian Market Diversity & Changing Consumer Behaviour The Indian consumer market is one of the most promising markets in the world, evolving faster than ever across all socioeconomic strata, regions and town classes. Post liberalisation Indians have seen a tremendous increase in incomes, multiple income households, exposure to international lifestyles and media, easier financial credit.

In these fast changing times, it becomes imperative for companies reaching out to the Indian market, to catch the pulse of the Indian consumer, to gain a better understanding of the Indian consumer behaviour and to get key insights into issues like: •What does the Indian Consumer’s shopping basket consist of? •What is it that the Indian consumer is buying - Is it Apparel? Books? Music? Or Durables or Grocery? How is she paying for her purchases? •How much is she willing to travel to get one-stop shopping options? Is she discount driven enough to wait for promotions or markdowns? •How different is the Delhi consumer from the one in Kolkata or Chennai, and how different are they from those in Lucknow or Ludhiana? All these questions have taken a top priority not only to domestic marketers but also for companies like Wal-Mart and Carrefour that are planning to set up retail chains to tap the potential Indian consumer market. Marketing in India is growing through an indefinable phase.

Various print, electronic and other media are influencing everyone right from " Karta" of thefamilyto the kid, the consumer‘ s making decision and the way in which the new generation Indian consumer behaves is undergoing change at a never before pace. In today's global marketing era, which stresses on customization and localisation, influencing the consumer’s decision has become more important in this changingenvironment. Many new upcoming trends have been noticed in the last decade.

According to the data provided by (NCAER) latest Indian market demographics report 2002 in the period from 1998-99 to 1999-2000, the purchase of white goods rose by 103%, this growth was seen mostly in the Southern India, with North and Western parts of the country still lying untapped. In other words, the potential in the North and the West is truly large. With income levels rising- especially in the post-reforms period the number of upper-medium and high-income households rose from 4. 1 % of the total numbers of households in 1989-90 to 11. 9% in 1998-99.

The pattern of consumption has also undergone a sea change. Similarly, the number of low-income households, that is households with an annual income of less than Rs. 35, 000 per year, has fallen from 58. 2 % in 1992-93 to 39. 7 % in 1998-99. Income Levels : From NCEAR, LM – Lower Middle class, M – Middle Class, UM – Upper Middle Class and H – Higher Class. (All figure in %) Income Class92-9395-9698-99 Low=, Rs 35, 00058. 248. 939. 7 LM= Up to Rs 70, 00025. 430. 734. 5 M= up to Rs 1, 05, 00010. 411. 913. 9 UM = up to Rs 1, 40, 0003. 756. 2 H =. Rs 1, 40, 0002. 33. 55. 7

A traditional family in India is different from a western family, the decision making process for the purchasing of consumer durables is quite elaborate, as many members with their diverse view are involved in it. At the same time, the characteristics of Indian families are fast changing. Indian families are presently in a state of flux, shifting from being strictly hierarchical to more egalitarian in character. This is all because of a sea change in the structure of income distribution (as shown in the table) where: •High-income class is expanding very fast. Middle-income classes bulging in size especially in rural India. •During the post reform period the rate of growth in the upper income categories was much higher, compared to the corresponding decline in the size of the low-income class. The growth of the top most income class after 1995-96 has been of the order of about 19%. •A significant negative growth in the urban low-income class was observed in south and west India, followed by north India. The High class consumers are at the top end with the mindset: “ I pay more to get more”, where the purchase is driven by the emotional surplus that the consumer experiences.

The mid-level which thinks: “ I get good value at a reasonable price”. More important, however, is the large block at the lower income level which says: “ I pay less and I get less” and is totally satisfied with that. This is probably a segment that many marketers tend to overlook since they feel that there is no existing demand there. Nothing could be further from the truth. The problem was that earlier, there were no goods and services targeting this large chunk; but today companies are reaching out into this segment.

There is a growing realisation today that it is easier to compete in the smaller towns because many of the big brands and their marketing managers and sales teams don’t make the effort to travel there. Hence, if one does go there, market share is easy to achieve because even though the overall pie is smaller, there is less competition. Rural –Urban divide: •The rural markets are growing. However the level of infrastructure development (including that of the services sector), performance of agriculture, and dependency on Monsoon will determine their further growth. Availability of electricity alone is a critical factor for durable ownership. In urban markets, aspiration is the key — it is all about brands, lifestyles and show-off value. This is followed by quality and finally price. Rural India is driven primarily by price, followed by aspiration and then quality. However, what is important to understand is that the Indian consumer, no matter where he or she is or what category he or she belongs to, still looks for a good bargain. That is a unique Indian characteristic.

While they maybe driven by the same desires, there are still differences in the way people live in the non-metropolitan cities when compared with the metropolitan cities or ‘ metros’ as they are usually called. A degree of homogeneity may exist in large cities, but there is a disconnect when compared with their counterparts in smaller towns — whether it is regarding theirphilosophy, their thoughts or their approach to life. Thus, marketers today also need to think about creating brands that address these differences in consumers’ lifestyles.

The Indian consumer is also maturing fast and is upgrading within product segments at a pace that consumer companies are struggling to keep up with. The mobile phone category is a classic example, where individuals across segments are constantly moving to the next price level as soon as they master thetechnologyof their current phone. Companies therefore have to straddle the whole consumer pyramid rather than being focused on one part of it. These changes have also raised new challenges for old brands.

There is a danger of them fading if they do not reinvent themselves to satisfy current needs. As a result, there is a whole new marketing opportunity and challenge for those brands that have to reinvent themselves and try to compete. The retail experience has also created a niche for new products and services. Gadgets like mobile phones are sold through kiranas (small family stores) and telephone booths since those are the outlets that have electricity. This is the total opposite of the mallcultureseen in urban India and it is a need that consumer companies will need to address.

Indian FMCG market in 1990's •During the 1990's the rural segment of the FMCG market has grown steadily at over 3% per annum. •Market size for products with lower penetration and consumption levels has grown at over 40% per annum during the later half of the 1990's. Significantly such products are at the higher side of the price line. •There are others such as washing materials, toiletries, toothpaste and tea where substitution effects are taking place. The role played by members of the family varies with demographics parameters as well as with the type of products.

While a number of psychological variables are useful in obtaining into consumer's psyche, it is worthwhile to probe into some specific aspects of consumer decision making in order to formulate marketing strategies. In case of a family, the influencer does not usually have expertise but assume their respective roles on the basis of the family dynamics. Once the decision to buy a particular consumer durable product is made and announced. Family members provide what information is available to them about the product, and even assign members to gather information.

For collecting additional data, the influencers use any of the four basis sources of information, via, personal, commercial, public and experiential. The degree of acceptance of the information and the preference of the influencers may, however, vary. The entire family members will act as an influencer. The moderator (Whom the influencers confine) may be instructed to collect the desired information. By the early nineties FMCG marketers had figured out two things: •Rural markets are vital for survival since the urban markets were getting saturated. Rural markets are extremely price-sensitive. Thus, a number of companies followed the strategy of launching a wide range of package sizes and prices to suit the purchasing preferences of India's varied consumer segments. Hindustan Lever, a subsidiary of Unilever, coined the term nano-marketing in the early nineties, when it introduced its products in small sachets. Small sachets were introduced in almost all the FMCG segments from oil, shampoo, and detergents to beverages.

Cola major, Coke, brought down the average price of its products from around twenty cents to ten cents, bridging the gap between soft drinks and other local options like tea, butter milk or lemon juice. It also doubled the number of outlets in rural areas from 80, 000 during 2001 to 160, 000 the next year, almost doubling its market penetration from 13 per cent to 25 per cent. This along with greater marketing, led to the rural market accounting for 80 per cent of new Coke drinkers and 30 per cent of its total volumes. Emergence of the new consumer

Understanding the Indian consumer market means understanding its individual segments. Three major segments are emerging •Kids •The Youth (including the young working singles) •The Urban Indian Woman These segments have shown a tremendous increase in influencing and driving purchase decisions and hence are huge drivers of change in the consumer market. Purchases are being driven not by necessity, but to satisfy individual needs. A high-potential emerging market is also the vast rural hinterland, which has its own unique characteristics.

Kids: Getting older younger There are 300 million children aged between 4–14 years in India — a vast market by any standards. The role that children play in purchase decisions has changed dramatically in the past 4–5 years. From pester power, kids have changed their role to becoming influencers, this is not only in product categories like confectionary and toys, but in larger long term use categories such as cars, electronics and even consumer durables like refrigerators and air conditioners, which were, traditionally, decisions taken by parents.

Today the roles are reversed, with kids pointing out the pros and cons of purchase decisions to their parents. In fact, in the older age group, kids have actually become consultants, whom parents turn to for advice during the decision-making process. Another driver is their mastery of technology, which is a primary component of a high proportion of new products in the market. The relative ease with which they are able to grasp technicalities and understand product features and usability (or lack of) has made them experts in the eyes of their parents.

Youth - Charting their own path: With the majority of India’s population below the age of 25 years, young consumer market is the primary target of every consumer goods company. The trend towards homogeneity is also apparent in terms of aspiration between segments and there is no difference in the mindset of the younger demographic. The aspirations of the youth are the same, driven primarily by the fact that they are all Internet savvy and this has given them equal access to information. Along with the love for brands and gadgets, they are equally comfortable with Indian values and Indian culture.

Life is about visiting religious centres with their parents and then spending the evening with friends at the local club or a similar social venue. Indian youth are also very patriotic, not in the classical, pre-independence sense but in a modern sense which reflects their pride in being Indian in today’s world. As a segment, they are on the whole sensible, very clear about what they want to achieve in their lives and not easily carried away by hype and show. The outsourcing phenomenon in India ha has been the main driver of this consumer segment.

A larger number of younger people now have cash in hand and this combined with increasing brand awareness has resulted in a lot of spending on leisure and personal gratification. This has also brought about a dramatic change in the concept of saving. The young generation lives for today, the concept of saving for a rainy day is alien to most of them — especially since the majority of them have not experienced shortages in their lives. This is also a segment constantly on the move — mentally and physically.

The young do not want to be at home and are spending twice the amount of time outside the house than they would have done a couple of years ago. So, whether they are at a multiplex, a mall or a cyber cafe, hanging out with friends is a clear preference. The Urban Woman: Defining her own space In India, it has been a long accepted fact that it is the women in a family who define the environment at home. In the urban cities and even in small towns, they have been the ‘ silent influencers’ for some time now, directing family purchases and expenditures.

It is only recently, however, that the urban woman has come into her own, and today there is no looking back from her newly gained independence. In the past five years, there has been a large increase in the product categories specifically targeted towards the urban woman. Be it mobile phones, computers, apparel, jewellery or even financial products, women in the cities are finding themselves spoilt for choice. One prominent manifestation of this segment is seen in the daily soap operas on Indian television.

While the characters may seem regressive at first glance, increasing viewership has proved that they have struck a chord — whether the woman is a homemaker or a professional. Today women go out with each other, a trend that was not seen previously. They are also much more into indulgence and satisfying their emotional self. ” So, whether it is spending time at clubs with friends, pampering herself at the salon, experimenting with cosmetic surgery or enrolling at the fitness centre, the need to look good has now become a priority. It is no longer only about getting married and having kids.

Implications for marketers: •Commoditisation of brands: Routine items and white goods will be bought on price, accessibility and not for brand values. •Novelty will not be a reason for trial: The new generation consumer will try to simplify complexity by dropping into routine behaviours. •Brand will be for pleasure: Brand will have to redefine role, where consumers are physically more satisfied and psychologically more confidant. •Evaluation parameter of brand will change: When consumers are going to continuously ask about the long-term safety/ effects of using