

# Indian consumer market

[Business](#), [Marketing](#)



Consumer is the one who purchases a final product manufactured by a company, for resale purpose or for final consumption. 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 liberalization 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 behavior 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 the family to 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 localization, influencing the consumer's decision has become more important in this changing environment.

### Emergence of the New Consumer

Understanding the Indian consumer market means understanding its individual segments. Pertinent questions facing Indian marketers today include: “ Who are the new consumers? What are they spending their money on?”

Three major emerging segments were identified: Kids, the Youth (including the young working singles) and 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. More interestingly, 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:** 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.” And 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. Due to a higher degree of exposure to the outside world, their awareness levels are rising and as a result, they are clearer about what they want. 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:** With the majority of its population below the age of 25 years, India's young consumer market is the primary target of every consumer goods company. 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 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. So even companies now a days are focusing on this segment more too, they are valuing their requirements and then are also producing as per they demanded it.

**Urban Women:** 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. Almost all the household products like washing machines, microwave ovens, refrigerators, etc. are innovated and designed in such a manner that women find them

easy to use and reduces their efforts and save their time and energy. Such products are designed keeping in mind the modern working women.

Rural Area: About three quarters of the Indian population are in the rural areas and with the growing middle class, specially in the Indian cities, the spill over effect of the growing urban middle class is also felt in the rural areas.

The Indian rural market has been growing at 3-4% per annum, adding more than 1 million new consumers every year and now accounts for close to 50% of the volume consumption of fast-moving consumer goods (FMCG) in India. The market size of the fast moving consumer goods sector is projected to more than double to US\$ 23. 25 billion by 2010 from the present US\$ 11. 16 billion. As a result, it is becoming an important market place for fast moving consumer goods as well as consumer durables.

#### Economic Growth and Rising Disposable Incomes

India is growing at an average annual rate of 7. 6% for the past five years and it is expected to continue growing at an equal if not faster rate. The rapid economic growth is increasing and enhancing employment and business opportunities and in turn increasing disposable incomes. As the benefits of growth trickle down, an increasing number of people are moving up from the economically weaker class to join the middle class.

The middle class with its rising numbers and incomes is thus becoming the biggest market segment. The affluent class too will continue to grow in terms of size and value, albeit, at a slower pace than the middle class.

## Decoding the Empowered Indian Consumer

The Indian consumer market is drawing global attention not just because of its promise of sheer volumes but also because of the tectonic shift happening in the nature of demand. Increasing urbanization, increasing incomes and rising aspiration for a better life, especially, among the lower economic strata are some of the factors reshaping the Indian consumer market. The result of this flux is a new Indian consumer who is more discerning than ever, ready to place his money on brand, quality and convenience and eager to explore the organized retail market.

**Aspiration for a better life:** As millions of economically deprived households move into the lower strata of the middle class segment, they will begin to be able to afford and demand products and services beyond food and clothing. Increasing penetration of media and infrastructure facilities will expose the rural India to urbanized lifestyle and fuel the latent desire for improved living standards. Together the ' aspirants' from rural and urban areas will push up demand for goods and services at the lower end of the spectrum.

**Value and innovation:** The new Indian consumer will be as discerning when buying a product as his previous avatar. In fact, due to a rise in income, increased awareness about products and proliferation of choices, he will become pickier with his purchases. Product, positioning and packaging innovation will be the key for companies to attract this new consumer. For example, as consumers become increasingly health conscious they will choose a food product that not only tastes great but is also fortified with health benefits. Similarly, global products especially in case of food will have

to be adapted to suit the local taste as the Indian consumer while becoming global will continue to be attached to his roots. It is no wonder, that international fast food chains have had to Indianize their pizzas and burgers to attract consumers here.

Companies will have to drive innovation differently for different regions and consumer classes. The sachet or pouch innovation for example, has given a head start to FMCG companies for penetrating the rural India. The rural India too like the urban area is beginning to demonstrate a demand for packed goods but their purchasing power limits their capacity to buy. When products like edible oil and shampoos were made available in small pouches, they were well received by rural India.

The brand conscious consumer: The Indian consumer market, which is primarily dominated by young generation, is becoming increasingly sophisticated and brand conscious. A typical upper middle class young consumer is beginning to look beyond the utility aspect of a product to seek intangibles like brand and lifestyle statement associated with the product. This modern consumer wants his purchases to reflect his lifestyle or at least the one he aspires for. As a result of this brand consciousness, the food and beverage segment of the FMCG sector is already witnessing a significant shift in demand from loose to branded products.

The Indian affluent class has always had a penchant for premium branded goods and this fetish will continue. A recent luxury brands survey conducted by The Nielsen Company, a global information and media research company, has ranked India third after Greece and Hong Kong in the list of most brand

conscious countries in the world. Over 35% of Indian respondents said they spend money on luxury brands.

Food, Beverages and more...: As several first time consumers enter the market, demand for food and beverages will continue to increase. The MGI study estimates that growth in consumption will accelerate to 4.5% annually by 2025, from 3% witnessed over the past 20 years. Rise in income and increasing social and economic awareness will fuel expenditure on health, education, communication, transport and entertainment. Thus, electronic goods, personal care, health care, automobiles sectors are expected to receive a significant boost in the coming years.

Organized retail: Indian consumer purchasing is largely through the unorganized sector or through the kirana stores. Organized retail constitutes a small percentage of the Indian retail market. However, with urbanization and increasing value-consciousness among consumers, the organized retail format is beginning to take root. The organized retail format promises consumers better quality and better shelf-life for products due to their excellent storage facilities and anti tampering checks. An important factor attracting consumers towards formal retailing mechanisms such as hypermarts and departmental stores is the shopping experience. These shopping outlets allow consumers to explore their choices and touch and feel products in the comfort of a glitzy and energetic environment, something a kirana or mom and pop stores have never been able to offer.

Conclusion



The Indian consumer market is thus on a cusp of metamorphosis. The upbeat mood of the economy, the youthful exuberance of the population and its increasing integration with globalized lifestyle and consumption patterns will drive growth in the Indian consumer market. However, to assume that the Indian consumer will become an exact replica of his global counterpart is the biggest fallacy companies can make. While, the Indian consumer's appetite for value and brand dominated goods and services is increasing, the cultural and regional framework characterizing him is intact.

In fact, the income induced class movement happening across the rural and urban regions is forcing companies to re-look at their customer segmentation and product positioning. Consumer companies are thus realizing that the Indian consumer market is a tough nut to crack but the one they can't do without.