CHAPTER – 2

UNDERSTANDING CONSUMERISM
AND CONSUMERS
Chapter Content

2. Understanding Consumerism and Consumers
   2.1 History and origins
      2.1.1 Consumerism in the 21st century
      2.1.2 Teenagers and Young Adults: the affluent class
      2.1.3 Kids in the deciding mode
   2.2 Indian Youth Consumer and Consumer Market
      2.2.1 Young and eager to consume
      2.2.2 Educating the consumer
      2.2.3 Distributing right
      2.2.4 Shopping carnivals
      2.2.5 Indian consuming class
      2.2.6 Classification of Indian Consumer
         a) Income based classification
         b) Socio-economic classification
         c) Age demographics
         d) Geographical classification
      2.2.7 The different habits of today’s Youth consumers
      2.2.8 Keeping the retailer’s busy
   2.3 Consumer Perception about Processed Food
      2.3.1 Industrial relevance
      2.3.2 Consumer Priorities
      2.3.3 Perceived risks
      2.3.4 Product benefits a driving factor
      2.3.5 Communicate with the public
Consumerism

Consumerism is the equating of personal happiness with the purchasing of material possessions and consumption. Consumerism is a social and economic order based on fostering a desire to purchase goods and services in ever greater amounts. The term is often associated with criticisms of consumption starting with Thorstein Veblen. Veblen's subject of examination, the newly emergent middle class arising at the turn of the twentieth century, comes to full fruition by the end of the twentieth century through the process of globalization.[1]

The term "consumerism" is also used to refer to the consumerist movement, consumer protection or consumer activism, which seeks to protect and inform consumers by requiring such practices as honest packaging and advertising, product guarantees, and improved safety standards. In this sense it is a movement or a set of policies aimed at regulating the products, services, methods, and standards of manufacturers, sellers, and advertisers in the interests of the buyer.[2]

In economics, consumerism refers to economic policies placing emphasis on consumption. In an abstract sense, it is the belief that the free choice of consumers should dictate the economic structure of a society (cf. Producerism, especially in the British sense of the term).[3]

The term "consumerism" was first used in 1915 to refer to "advocacy of the rights and interests of consumers" (Oxford English Dictionary) but in this article the term "consumerism" refers to the sense first used in 1960, "emphasis on or preoccupation with the acquisition of consumer goods" (Oxford English Dictionary)
History

Origins

Consumerism has weak links with the Western world, but is in fact an international phenomenon. People purchasing goods and consuming materials in excess of their basic needs is as old as the first civilizations (e.g. Ancient Egypt, Babylon and Ancient Rome).

A great turn in consumerism arrived just before the Industrial Revolution. In the nineteenth century, capitalist development and the industrial revolution were primarily focused on the capital goods sector and industrial infrastructure (i.e., mining, steel, oil, transportation networks, communications networks, industrial cities, financial centers, etc.).[4]

At that time, agricultural commodities, essential consumer goods, and commercial activities had developed to an extent, but not to the same extent as other sectors. Members of the working classes worked long hours for low wages – as much as 16 hours per day, 6 days per week. Little time or money was left for consumer activities.[5]

Further, capital goods and infrastructure were quite durable and took a long time to be used up. Henry Ford and other leaders of industry understood that mass production presupposed mass consumption. After observing the assembly lines in the meat packing industry, Frederick Winslow Taylor brought his theory of scientific management to the organization of the assembly line in other industries; this unleashed incredible productivity and reduced the costs of all commodities produced on assembly lines.[6]
While previously the norm had been the scarcity of resources, the Industrial Revolution created an unusual economic situation. For the first time in history products were available in outstanding quantities, at outstandingly low prices, being thus available to virtually everyone. So began the era of mass consumption, the only era where the concept of consumerism is applicable. Consumerism has long had intentional underpinnings, rather than just developing out of capitalism. As an example, Earnest Elmo Calkins noted to fellow advertising executives in 1932 that "consumer engineering must see to it that we use up the kind of goods we now merely use", while the domestic theorist Christine Frederick observed in 1929 that "the way to break the vicious deadlock of a low standard of living is to spend freely, and even waste creatively".\[7\]

The older term and concept of "conspicuous consumption" originated at the turn of the 20th century in the writings of sociologist and economist, Thorstein Veblen. The term describes an apparently irrational and confounding form of economic behaviour. Veblen's scathing proposal that this unnecessary consumption is a form of status display is made in darkly humorous observations like the following:

“It is true of dress in even a higher degree than of most other items of consumption, that people will undergo a very considerable degree of privation in the comforts or the necessaries of life in order to afford what is considered a decent amount of wasteful consumption; so that it is by no means an uncommon occurrence, in an inclement climate, for people to go ill clad in order to appear well dressed.” \[8\]
The term "conspicuous consumption" spread to describe consumerism in the United States in the 1960s, but was soon linked to debates about media theory, culture jamming, and its corollary productivism.

“By 1920 most people [Americans] had experimented with occasional installment buying.” [9]

**In the 21st century**

Beginning in the 1990s, the most frequent reason given for attending college had changed to making a lot of money, outranking reasons such as becoming an authority in a field or helping others in difficulty. This correlates with the rise of materialism, specifically the technological aspect: the increasing prevalence of compact disc players, digital media, personal computers, and cellular telephones. Madeline Levine criticized what she saw as a large change in American culture – “a shift away from values of community, spirituality, and integrity, and toward competition, materialism and disconnection.” [10]

Businesses have realized that wealthy consumers are the most attractive targets of marketing. The upper class's tastes, lifestyles, and preferences trickle down to become the standard for all consumers. The not so wealthy consumers can “purchase something new that will speak of their place in the tradition of affluence”. [11] A consumer can have the instant gratification of purchasing an expensive item to improve social status.

Emulation is also a core component of 21st century consumerism. As a general trend, regular consumers seek to emulate those who are above them in the social hierarchy. The poor strive to imitate the wealthy and the wealthy imitate celebrities and other icons. The celebrity endorsement of products can be seen as evidence of the desire of modern
consumers to purchase products partly or solely to emulate people of higher social status. This purchasing behavior may co-exist in the mind of a consumer with an image of oneself as being an individualist.

The European Commission will launch a raft of proposals on Wednesday to curb the environmental impact of consumerism in the 27-nation EU by supporting eco-friendly products and technology. The plan comes as the European Union moves to cut energy consumption amid soaring fuel and power prices and as part of its ambitious mid-term goal of cutting carbon dioxide emissions by one fifth by 2020, compared to 1990 levels. "This will mainly be targeted at products that use a lot of energy, such as computers, televisions, water heaters and industrial fans," a source at the Commission, the bloc's executive arm, said on Monday.

Faced with oil at record highs, and with years of investment needed to reach renewable energy goals, the European Union's main near-term response is to cut energy consumption.

French Ecology Minister Jean-Louis Borloo, whose country is EU president, said last week at a meeting of energy ministers in Paris that the bloc had reached a turning point with energy efficiency becoming the "keystone" in EU energy strategy. The Commission's "action plan on sustainable industrial policy and on sustainable consumption and production" is part of that push. "There will be proposals on green
public procurement, as well as widening the scope of the existing directive on eco-design to help improve the energy efficiency of buildings, and the scope of rules on eco-labeling will be widened," the Commission source said.

Eco-labeling schemes, which help consumers choose the most efficient products, will be extended to cover goods beyond the existing narrow range, which is mainly focused on electrical appliances[12]

Opponents call it an eco-dictatorship. Proponents say it’s one of the most effective ways of cutting energy consumption so the European Union can meet its ambitious goals on cutting greenhouse gases.

On Wednesday the European Commission is expected to make proposals for how energy efficient goods like computers, shower heads and window frames must be. The rules would tighten existing standards for some products and introduce new rules on a range of others.

The new legislation probably would raise prices on items that already are among the most costly for consumers, including homes. On the other hand, such an initiative could help create growth and new jobs.

Is legislating green consumerism too unfair on today’s shoppers? Or is it a sound way to ensure a prosperous future for all? [13]

A few days ago Will Wilkinson linked to this brief piece in the Harvard Business Review by professors Anat Keinan and Ran Kivetz, summarizing their research into consumer regret
Our research shows that forgoing indulgences today can feed strong regrets later, and that near-term regrets about self-indulgence dramatically fade with time. These responses are so strong that we were able to influence people’s buying behavior simply by asking them to anticipate their long-term regrets.

People who unduly resist self-indulgence suffer from an excessive farsightedness, or hyperopia—the reverse of typical self-control problems. Rather than yielding to temptation, they focus on acquiring necessities and acting responsibly and they see indulgence as wasteful, irresponsible, and even immoral. As a result, these consumers avoid precisely the products and experiences that they most enjoy. Their hyperopia can inhibit consumption in ways that are bad both for their own well-being and for marketers’ bottom lines. We don’t advocate trying to motivate consumers to make ill-considered purchases, of course, but marketers can help customers make appropriately indulgent choices that they’ll appreciate over the long term.

The “of course, but” in that last sentence seems very telling. These are marketing professors after all. It seems to me that they are trying to motivate consumers to rethink their resistance to consumerism and are trying to encourage marketers to remind them of a future self that will nostalgically look back on that consumerism as a life well lived.

Our findings suggest that marketers of luxury products and leisure services could benefit from prompting consumers to predict their feelings in the future if they forgo the indulgent choice.
This rationale is often used in defense of advertising—it helps consumers find their wants, and get more out of the concept of desiring itself by stimulating it. It unleashes our impulsivity, which is freedom in action, right? I’m sure all those people who thought long-term about the houses they were buying in 2006 feel great about their purchases now and are so pleased that they didn’t stop themselves from indulging.

If desiring things is in itself pleasurable—and it clearly is—then advertising does us the great service of stoking it. But desire is not an unalloyed good; it’s a cognitively draining state of contradiction—mixed in with the excitement and fantasies of possession and the motivation to achieve that it brings, it also yields envy and disappointment and dissatisfaction at the same time. The point of criticizing consumerist desire is not that it’s inherently bad or un pleasurable, but that it restricts us to certain definitions of what is pleasurable, and casts our dreams and regrets (as the researchers discovered) into a specific mold. Clearly we should take more action in the present moment, but that need not take the form of making purchases, as this marketing research seems to imply. Seems like similar studies could be contrived to suit this un consumption motto: Work less, buy less, do more. [14]

"Consumerism" is likely to dominate the Indian market in the next Millennium, thanks to the economic reforms ushered in and the several agreements signed under the World Trade Organization. The transition will be from a predominantly "sellers market" to a "buyers market" where the choice exercised by the consumer will be influenced by the level of consumer awareness achieved. By "consumerism" we mean the process of realizing the rights of the consumer as envisaged in the Consumer Protection Act (1986)
and ensuring right standards for the goods and services for which one makes a payment. This objective can be achieved in a reasonable time frame only when all concerned act together and play their role. The players are the consumers represented by different voluntary non-government consumer organizations, the government, the regulatory authorities for goods and services in a competitive economy, the consumer courts, organizations representing trade, industry and service providers, the law-makers and those in charge of implementation of the laws and rules.\textsuperscript{[15]}

In the good olden days the principle of Caveat emptor, which meant buyer beware governed the relationship between seller and the buyer. In the era of open markets buyer and seller came face to face, seller exhibited his goods, buyer thoroughly examined them and then purchased them. It was assumed that he would use all care and skill while entering into transaction.

The maxim relieved the seller of the obligation to make disclosure about the quality of the product. In addition, the personal relation between the buyer and the seller was one of the major factors in their relations. But with the growth of trade and its globalization the rule no more holds true. It is now impossible for the buyer to examine the goods before hand and most of the transactions are concluded by correspondence. Further on account of complex structure of the modern goods, it is only the producer / seller who can assure the quality of goods. With manufacturing activity becoming more organized, the producers / sellers are becoming more strong and organized whereas the buyers are still weak and unorganized. In the age of revolutionized information technology and with the emergence of e-commerce related innovations the consumers are further deprived to a
great extent. As a result buyer is being misled, duped and deceived day in and day out.

Mahatma Gandhi, the father of nation, attached great importance to what he described as the "poor consumer", who according to him should be the principal beneficiary of the consumer movement. He said:

"A Consumer is the most important visitor on our premises. He is not dependent on us we are on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favor to a consumer by giving him an opportunity. He is doing us a favor by giving an opportunity to serve him."

In spite of these views consumerism is still in its infancy in our country, thanks to the seller’s market and the government monopoly in most services. Consumer awareness is low due to the apathy and lack of education among the masses. No one has told them about their rights - to be informed about product quality, price, protection against unsafe products, access to variety of goods at competitive prices, consumer education etc. What consumerism lacks here is education and information resources, testing facilities, competent leadership, price control mechanism, and adequate quasi-judicial machinery. The providers of goods and services have been reluctant to give due consideration to consumer interest protection.

In present situation, consumer protection, though as old as consumer exploitation, has assumed greater importance and relevance. Consumerism is a recent and universal phenomenon. It is a social movement. Consumerism is all about protection of the
interests of the consumers\textsuperscript{[16]}. According to McMillan Dictionary (1985) "Consumerism is concerned with protecting consumers from all organizations with which there is exchanged relationship. It encompasses the set of activities of government, business, independent organizations and concerned consumers that are designed to protect the rights of consumers". The Chamber's Dictionary (1993) defines Consumerism as the protection of the interests of the buyers of goods and services against defective or dangerous goods etc. "Consumerism is a movement or policies aimed at regulating the products or services, methods or standards of manufacturers, sellers and advertisers in the interest of buyers, such regulation maybe institutional, statutory or embodied in a voluntary code occupied by a particular industry or it may result more indirectly from the influence of consumer organizations"\textsuperscript{[17]}

As commonly understood consumerism refers to wide range of activities of government business and independent organizations designed to protect rights of the consumers. Consumerism is a process through which the consumers seek redress, restitution and remedy for their dissatisfaction and frustration with the help of their all organized or unorganized consumers in relation to the producers of goods and providers of services. In-fact consumerism today is an all-pervasive term meaning nothing more than people's search for getting better value for their money. Consumer is the focal point of any business. Consumers' satisfaction will benefit not only business but government and society as well. So consumerism should not be considered as consumers' war against business. It is a collective consciousness on the part of consumers, business, government
and civil society to enhance consumers' satisfaction and social welfare which will in turn benefit all of them and finally make the society a better place to live in.

There are various components of consumerism. First and foremost is self-protection by consumers. Consumer must be aware of his rights, raise voice against exploitation and seek redressal of his grievances. Consumers' consciousness determines the effectiveness of consumerism. It is the duty of the consumer to identify his rights and to protect them. Voluntary Consumer Organizations engaged in organizing consumers and encouraging them to safeguard their interests is another important element of consumer movement. The success of consumerism lies in the realization of the business that there is no substitute for voluntary self-regulations. Little attention from the business will not only serve consumers' interest but will also benefit them. Some businesses in India have come together to adopt a code of conduct for regulating their own activities. Regulation of business through legislation is one of the important means of protecting the consumers. Consumerism has over the time developed into a sound force designed to aid and protect the consumer by exerting, legal, moral and economic pressure on producers and providers in some of the developed countries.[18]

Outside, in the chaos of the Indian street, bicycle rickshaws battle honking cars for road space, pedestrians dash for safety and the occasional cow settles down for a nap in the road.

Inside, in the glass-walled fortress of India's new prosperity, it's a whole different kind of chaos. Past the entryway of The Metropolitan mall, a young woman in a tight skirt hawks perfume from a stage: "The new fragrance by Jennifer is fresh and sexy and clean," she
purrs to a Saturday night audience. Around her, lights flash, music blares and parents chase galloping children. "What are you waiting for?" she asks. These days, Indian buyers aren't waiting for much.

Here, in the malls of this once-quiet town south of New Delhi, is where India's exploding consumerism meets its growing prosperity — and where just about every Indian stereotype is crushed beneath an endless variety of stuff. There are no robed holy men in the malls of Gurgaon, and no beggars. There are no women selling spices from open baskets. Traditional Indian food is overshadowed by Pizza Hut, Subway and Ya! China, where, a neon sign promises, "yummy Chinese food awaits you." Instead, you can get anything from a $35 Toastissimo toaster to a bright red $47 Marks & Spencer bra. All this in a country where the average Indian earns well under $2 a day.

"Things are changing in India," said Rohit Kumar, waiting for a movie to start at The Metropolitan's cinemas on a recent evening. "Things are changing all the time, and people are enjoying it." Kumar is one of a new breed of Indian — single, well-paid and well-versed in the brand-name nomenclature of 21st century consumerism. He earns more than $6,500 a year, far above the $1,800 needed to be considered middle-class here. "People used to dream of this," he said, gesturing around the four-story mall. "Now they can have it."

India has been transformed since opening itself to international trade in 1991. The economy has grown at an average of 6 percent a year, giving this nation one of the world's largest economies. Certainly, it still has desperate problems. Nearly one-third of India is illiterate, and almost a quarter live in poverty. For millions of Indians, proper
toilets and regular electricity remain just dreamed-of luxuries. But a middle class has also blossomed on the back of the economic boom, growing by some 10 to 12 percent per year, according to the National Council of Applied Economic Research. Estimates of its size reach to 300 million people.

Gurgaon is perhaps the most dramatic reflection of that growth — and its malls the most dramatic reflection of the raging consumerism that has accompanied it. About 20 miles south of New Delhi, the town has been developed into a sprawling, modern middle-class escape from the crowding, poverty and chaos of the Indian capital. Over the past decade, 10-story office buildings have erupted, shadowed by towering Mediterranean-style apartment complexes. Late into the night, the sparks of welders' torches shower down from construction sites as what remains of farm fields are rapidly consumed by the building boom.

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 250 are expected to be operational, according to Prodipto Roy, associate director at the consulting firm KSA Technopak, which has studied Indian consumer behavior.

"There has been a transformation in society," Roy said. It's been fed, in part, by the explosion of new jobs for young people, primarily in the software world and as operators in Indian "call centers" that handle toll-free calls for American and European corporations. It's an enormous shift in a nation that for decades proclaimed itself a socialist state. After independence in 1947, India celebrated "swadeshi," or locally produced goods, and Mohandas Gandhi dreamed of a nation of small villages earning
their living through cotton spinning and farming. So not everyone is happy about the new consumerism. Rights activists worry that the poor are being abandoned and nationalists wonder if India's native industries are being swallowed by global behemoths.

Even the consumers see the dilemmas. Praveen Kumar, a friend of Rohit's and a co-worker at Honda's Indian scooter division, said he worries about consumerism's affects — even if he's spending his Saturday night at the mall. "Frankly speaking, this is not our culture," he said, gesturing at the stores around him. "Our culture is sitting at home with our family, being cared for by our mother or our sisters." His friend laughs. He says times have changed — at least for some of India. "Go just a kilometer from here," where cows graze in fields of scrub brush and houses are still without indoor plumbing, said Rohit Kumar, "and you'll find the real India."[19]

"...Consumerism is big business in India...Obviously, every multinational company now wants to sell in India...Why, then, did Kellogg's suffer years of losses in India? The answer lies in the quirks of Indian consumption patterns. Something my uneducated cook understood, but the suits at Kellogg's didn't..."

The Indian middle class has grown so affluent that they can easily afford to eat out more often compared to a decade ago. In fact, according to a McKinsey report, the Indian food industry grew faster than the information technology industry over the last 10 years.

The fast food industry in India is even bigger business. India's fast-food industry is growing by 40% a year and is expected to generate over a billion dollars in sales this year.
Consumerism is big business in India. There will be 628 million middle-class Indians by 2015. And already, their net income has doubled over the last 10 years. Obviously, every multinational company now wants to sell in India. Some companies have failed and others succeeded. The ones that failed did so because they were not sensitive to the cultural factors that affect consumer behavior in India.

Consumerism in India: the suits get it wrong

Kellogg’s introduced corn flakes in India in 1995. But the product failed miserably. It achieved less than 20% of its initial sales target. How could Kellogg’s have gone wrong?

Indians consume differently. Indeed, what people buy in any country is defined by local culture. Very simply, different strokes for different folks.

And in this case, Indians like HOT milk in their cereal. Kellogg’s cereal is made for cold milk and didn’t hold up to hot milk. It became soggy. Nobody wanted to eat it. For years, Kellogg’s struggled in India. It was only after revamping its product and making a cereal suitable for hot milk that Kellogg’s became profitable in India.

So here are some cultural quirks multinationals should keep in mind when marketing in India:

1. Indians like hot cereal.

2. Most Indians worship cows; part of the country is vegetarian.

3. Indians don’t kiss (at least not in the movies).
Enter the 'Maharaja Mac'. A 100% ground lamb burger served with lettuce, tomatoes, special sauce, cheese, onion and pickles on a sesame bun. Other items include the Chicken Maharaja Mac, the McVeggie and the McAloo Tikki (with potatoes). The vegetarian items are advertised with a "100% pure veg" stamp on them.

Seventy-five percent of the McDonald's menu in India is Indianised. In 2001, McDonald's also introduced the Veg Surprise burger, a veggie burger with Indian spices. Not surprisingly, sales volume shot up 40%.

As for the flagship Maharaja Mac and the McVeggie, not only are they profitable, they are also politically correct burgers. Indian political activists are always eager to protest again so-called "cultural imperialism". And foreign-based fast food chains are easy targets.

Take KFC, for example. After an ambitious start in the late 1990s, KFC scaled back its expansion plans after major protests. KFC was also accused of using illegally high amounts of MSG and frying its chicken in pork fat (India's 150 million Muslims don't eat pork). Activist groups protested outside the restaurant in Bangalore, holding placards reading "Quit India" and "Stop Playing Foul". KFC now has just one restaurant in India.

McDonald's has 58 restaurants in India. And it seems all set to "beef up" more profits in the country.

As the Managing Director of McDonalds India, Vikram Bakshi, says "When you go into any country, very clearly, you have to understand the culture; you have to understand how you intend to be relevant to the consumer in that country. I don't think any brand, no
matter how big it is, can take the market lightly. And I think the biggest mistake is when you think you have a big brand and that everyone is overwhelmed by it. Because whatever the brand, it has to be relevant to the consumer of that country." Hence the Maharaja Mac.\[20\]

It's a blistering 115° on a summer Sunday in New Delhi, and it feels as if your head is stuck in a tandoor. But Saurabh Kedia, 22, would never know it. The New Delhi native dips his flat naan bread into a dish of spinach curry in the air-conditioned comfort of a friend's private club. On the table lies Kedia's prized possession, an Ericsson feature-loaded mobile phone with PDA-like functions that cost him nearly $400, almost as much as an average Indian earns in a year. That night he plans to watch X2: X-Men United at a posh, newly built multiplex theater south of New Delhi and then sip cappuccinos with friends at one of the city's hip new coffee shops, a twice-weekly indulgence for Kedia. With his job as a computer-call-center manager, he is earning enough to consider buying a car and even his own apartment. "We are able to make more and much easier money," says Kedia, beaming. "Every year in India, things are looking up."

Kedia is a new breed of consumer in India — young, increasingly wealthy and willing to spend on everything from mobile phones to sneakers to French fries. In the not-too-distant past, such goodies were off limits to all but a fortunate elite in India, but a rapidly changing economy is making the higher life available to more and more of the country's billion-strong population. College graduates are landing well-paying jobs in a host of emerging industries that barely existed in India three years ago: retail chains, fast-food restaurants, mobile-phone companies and especially call centers, data-processing firms
and other businesses that do "back office" work for U.S. companies. KSA Technopak, a management-consulting firm in New Delhi, estimates that these young adults command $10.5 billion in cash to burn. The spending of these college grads is rising about 12% a year — more than twice the pace of the economy's growth.

The youngsters are part of a middle-class boom in India. The National Council of Applied Economic Research estimates that the number of people living in households that earn at least $1,800 annually — considered the minimum for middle-income families — has increased 17% in just the past three years, to more than 700 million. At this income level, Indian families can purchase motorbikes, televisions and refrigerators. The organization expects the number to rise an additional 24% by 2007. "Income is growing like anything," says R.K. Shukla, a statistician at the National Council. "The future is very rosy in India."

In this way India is mimicking — and still trailing — Asia's other Goliath: China. Beijing's cadres embraced market reform much earlier than their Indian counterparts did — back in the late 1970s — and have been much more devoted to liberalization. As a result, China's per-capita income, now about $900, has been growing at least twice as fast as India's for the past 20 years. With incomes rising in China, foreign investors found a more sizable market for their wares there than in India. For example, China has 230 million mobile-phone users, India a measly 18 million.

Yet such companies as Citibank, McDonald's and Motorola are hustling to tap India's burgeoning number of young big spenders. Brands like Reebok and Nokia are making deeper inroads than ever before. Modern malls and fast-food restaurants are proliferating.
among the crumbling British colonial buildings and ancient monuments that dot India's cities. "These guys are a huge consumer audience," says Raman Roy, managing director of Wipro Spectramind, one of India's largest call-center operators. "There is a fundamental economic change happening."

Gurgaon has become the official stomping ground of Swati Jain and Yamini Kandari, both 22, roommates and co-workers at a nearby call center, where they field phone traffic for a U.S. computer maker. Every weekend they stroll the malls shopping for Levi's jeans, watch movies and make the obligatory stop at McDonald's. Though they both have big dreams (Kandari wants a Ferrari; Jain prefers a Mercedes), they spend half their annual salaries — about $2,000 -- on shopping, eating out and other living expenses. "I'm living life for the day," says Kandari.

Only three or four years ago, high-paying jobs were largely limited to India's famed technology sector, centered in the southern city of Bangalore — only engineering geeks needed apply. Now more diverse foreign businesses are taking advantage of India's low-cost, highly educated work force. Add the fast-growing Indian companies, especially in the service sector, and the result is that good jobs become available to anyone with a college degree. Bharti Tele-Ventures, India's largest mobile-phone service provider, has hired 1,600 customer-service staff over the past two years. Wipro Spectramind had only 200 employees at the end of 2000; now it employs 5,100.

This growth has been a godsend for Indians like Kedia. Two years ago, Kedia was just a run-of-the-mill college grad with little idea of what to do next. He tagged along with a friend visiting a call center. The recruiter there asked if he would interview for a job, and
he scribbled out a resume on the spot. His first task was troubleshooting for U.S. computer-maker customers over the phone, working all night in New Delhi to help Americans with their PCs during the day. Since then, Kedia moved to a similar company and has been promoted twice to manager. His salary has quadrupled to $6,200 annually — a treasure in a country where the per-capita income is only $470—and he believes it will double again over the next two years.

Jyoti Sthankey, 21, a part-time student from western India, left a job at a state-run airline this year to become a sales clerk at Wills, a new clothing shop in central New Delhi, convinced that she had a better chance to move up in the rapidly growing chain. She's aiming to quadruple her $2,000 salary by advancing to management in two years. In June, Sthankey and her brother, who manages a Pizza Hut restaurant, moved into their first, small house, its $10,400 cost paid entirely with savings. A month before, she spent a month's salary on a Nokia mobile phone. "In previous days, we didn't have such an opportunity," Sthankey says.

Kedia and Sthankey can thank an increasingly liberalized Indian economy for their more affluent lifestyle. For the first four decades after India gained independence from Britain in 1947, its socialist-leaning leadership, fearful of domination by foreigners, walled off its economy from global markets, using high tariffs and stiff entry barriers. An ideology favoring small cottage industries, fostered by no less a figure than Mohandas Gandhi, led the government to tie up private enterprise in a web of regulations, nicknamed the License Raj, that shifted economic power to inept bureaucrats. Foreign companies pushing their way in often found that only a few people had the cash to buy their...
products. But by 1991, with its economy stalling, India began opening up its markets. Though that process has often crawled along, Indian incomes have been climbing more rapidly.

The rising number of young consumers in India is providing one of the few hot markets in a sluggish world economy. U.S. telecom-equipment maker Motorola says sales of its mobile phones in India increased 200% in the first six months over the same period last year. Tearing a strategy page from its very successful China playbook, Motorola targets youngsters with cheap phones. In June Motorola joined up with Bharti to offer phones at $64--an offer it claims is the cheapest in India. "The attitude of the young generation is to enjoy life and spend money," says Pramod Saxena, president for Motorola in India. "We're looking at India as a major growth market."

Economic liberalization has led to cultural liberation too, as young Indians become more connected to global entertainment. From only two staid state-run television channels in the early 1990s, cable-TV subscribers can now get 80 or more, replete with MTV and episodes of Friends. These mutually reinforcing trends prompt Indians to crave the big-name foreign brands that India's protectionist politicians kept out of reach for so long.

Attitudes toward money are also changing. The mantra for the average Indian family, as in most of Asia, has always been save, save, save, but young Indians today, inspired by job opportunities, have switched to spend, spend, spend. According to KSA Technopak, Indians spent 55% more money eating out in 2002 than the year before. They're also more willing to take on debt. In the past two years, the number of new credit cards issued has jumped 25% annually, and new mortgages 35%.
Global marketers still have to cater to Indian tastes, which can take some doing. Just ask Vikram Bakshi, managing director of McDonald's India. When McDonald's opened its first outlet in 1996, it had to toss out much of its standard menu: Hindus consider a cow sacred and won't eat beef. Bakshi tried introducing India-friendly alternatives. Now McDonald's' menu in India is so customized to Indian tastes that an American would scarcely recognize it. The best seller is the McAloo Tikki burger, a vegetarian fried-potato patty with cheese. The newest entry is the McCurry Pan, a flat pastry filled with hot broccoli or chicken curry. The result: while the floundering fast-food giant scales back and shuts restaurants elsewhere in the world, in India it can't dish out the veggie burgers fast enough. McDonald's has 48 stores in India, 60% of them built in the past 18 months. The outlets see on average 3,000 customers a day, placing the units in the company's top 10%. Bakshi expects sales to grow 40% annually in coming years. "Our products in India should be relevant to the Indian consumer," he says.

Reebok markets sneakers with a similar strategy: taking international campaigns and tailoring them for the young Indian. For example, an ad campaign in the U.S. for Reebok Classics pictured typical figures of Americana, like a little boy with a baseball bat, clad in throwback simple sneakers. In India, Reebok replaced the lad with a grizzled, bearded snake charmer in a turban — with a flute and a woven, cobra-filled basket — and pristine white sneakers. Sales of Reebok footwear are growing at 30% a year. Rajeev Bakshi, chairman of Pepsico India, pushed the same idea a step further. "We took the variable of nationalism," he says. Earlier this year, for the Cricket World Cup, a sporting event in India of Super Bowl importance, Pepsi launched a fluorescent-blue cola matching the
color of the wildly popular national cricket team. A television ad for the soda showed a blue-clad movie actor bluntly saying, "Drink Pepsi Blue. Cheer for the men in blue."

Young consumers are also reshaping how large sections of the economy work. Take, for example, the cinema industry. Movie houses have been almost exclusively mom-and-pop outfits and, as a result, old, dingy and broken down. But the young, high-spending crowd is enticing major corporate players to invest. Bombay-based Inox Leisure opened its first two multiplexes over the past year and is investing $50 million to build 11 more, each with as many as six screens, by mid-2005. Shishir Baijal, Inox's CEO, estimates that 100 multiplexes are in the works nationally. Though he charges as much as three times more for a ticket than the old cinemas did, Baijal sees the young set "coming back all the time. They are getting more exposure. They know what they want."

Executives and economists see little chance that the boom in spending will slow down anytime soon. The National Association of Software & Service Companies, an industry group in New Delhi, expects that 1 million people will be working in call centers and other "back office" operations in India by 2008, up from 160,000 in March. "There will be significant opportunities for people to look for higher incomes," says Hemendra Mathur, a manager at KSA Technopak. For all those millions of potential Saurabh Kedias, the news could hardly be better.\[21\]

"Mama, please, please buy me the Fairytopia Barbie with a flying horses' carriage", whines a five year old, watching the magical Barbie commercial introducing its latest collection of dolls. The punch line is "collect them all", luring the young TV viewer to pester Mama to buy them all.
There are umpteen ads on television channels like this for toys, drinks, soaps, stationery, confectionery, biscuits and more – It is an endless list. Most of the advertising today is either aimed at children directly or even if the product advertised is not kids’ stuff a child definitely figures somewhere to lend a warmer, more congenial touch to the ad. It is almost as if the advertisers have a ready formula in a child to boost sales.

Since cable television has invaded almost every home kids are bombarded with such advertising most of their waking hours. It is little wonder then that they have emerged as the biggest consumers of our millennium

**Kids in the deciding mode**

According to a recent survey carried out by Cartoon Network in association with Synovate India, both as direct and indirect consumers in the Indian market, kids exercise a major influencing power, or alternatively termed as “pester power”, on parents in buying big items like cars. They spend nearly Rs.291 crores as pocket money. The survey was conducted in 14 Indian cities covering 4,043 children. The findings of the survey were interesting,

84 percent of parents took their children along with them for shopping and admitted that they influenced major purchases such as television sets, cars and mobile phones.

71 percent of parents agreed that their child influences which brand is chosen while buying TV sets, 70 percent for computers, 67 percent while buying mobile phones and 66 percent on the purchase of a car.

To quote Duncan Morris, Vice president Research and Marketing, Turner International,
“We found that Indian kids are increasingly becoming tech savvy, with a mobile phone and camera figuring high on their list of aspirations... they prefer the mobile as the primary mode of communication, but ironically instead of talking on it, they use it for text messaging and games.”

**Trends are changing**

Advertising apart, giving a fillip to this manic consumption is the “me too” syndrome. The peer-pressure is so strong among kids that they buy similar brands or products simply to be in the “in group”. Hence, the with-it generation dons the same look, hairstyle, accessories and gizmos to get that extra surge of confidence leading to a homogenization of culture.

Another aspect of this societal change is the preference for gizmos and gadgets, be it video games or computer games software. Experts forecast that video games will overtake traditional toys by 2008. The annual growth rate of video games is 70 percent and the major growth boosters are PC-related games.

Talking about toys, we should not forget how the market is flooded with imported Chinese toys. Parents prefer buying Chinese toys because of their price competitiveness and incredibly attractive looks and packaging. But, do they know that their low pricing is due to the pitiful, subnormal working conditions of mainly Chinese women - women who work sixteen hours a day making toys and are paid a pittance. It is a serious human rights problem and many agencies have raised an alarm about it. If children are made aware of
these facts chances are they will pause to think before making their next purchase. Children, they say are more humane than human.

Despite all this, consumerism per se is fantastic for the industry. It has led to tremendous growth in nearly all the sectors. Sales have grown exponentially and so has the ad budgets of various companies. However, hefty ad budgets do not ensure ethical advertising. An advertiser has to take on the social responsibility of passing the correct information to young and impressionable minds. Children’s interest has to take precedence over profit. But, many a times this is not so. Kids are clueless about the trap they fall into every time they buy a new toy or gizmo. Even most of the parents are unaware of the bad effects of this rampant consumerism. Whenever we give in to the demands of a hysterical child we are unleashing materialistic forces in our society, thereby crushing other more harmonizing and life-giving values of love and charity. We are ourselves giving rise to an acquisitive generation. By teaching our children that acquiring things does not make a man happy, instead love, friendship, respect and honesty are the real colors of life, we can, to an extent, curb their urge to amass new things. Also, we have to make children aware that all the images and ads they view on TV have to be taken with a pinch of salt. Seeming is not being. Arming our children thus, we can ensure that kids decide wisely and ensure that their purchasing is need based rather than ad induced.

India's large youth population is driving the consumerism trend in the country. For the youth shopping is just not a necessity but a leisure activity. Also more disposable income and more number of persons working in families have also contributed to this trend. The
good news is that Indian consumerism is yet to attain maturity. But the catch here is society has a whole believes in saving rather than spending.

A liberalized economy has open doors to MNCs, and all the companies have successfully adapted their products or their marketing communication or in some cases both to the local conditions and preferences. Like Mac-Donalds, Pizza-Hut, Maggi - the noodles tastes different in every country. I had the pleasure to have Maggi noodles of different regions; I must tell you it does taste different.

Organized retail formats have also contributed to the spending spree in the country. One myth is that Indian consumers are price sensitive. It is partly true, yet it is fast changing. FMCGs or fashion brands have all above average pricing, but in spite of this, these companies have gained profit from operations in the sub-continent. We need value for money and this is misinterpreted quite a few times. But certain conditions such as high inflation which is prevalent here right now, hinders the new found consumerism confidence.

Well thinking global and acting locally works very well here. The Bharatiya or the Indianness is crucial to the people and this is precisely what companies are cashing in on. One needs to see how this strategy would work in the future as the socio-economic scenario is fast changing here in India.
2.2 Indian Youth Consumer and Consumer Markets

The Indian market, one of the most promising in the world, is fast evolving. So is the Indian consumer, across all Socioeconomic strata, regions and town classes. Rising incomes, multiple income households, exposure to international lifestyles and media, easier financial credit and an upbeat economy are enhancing aspirations and consumption.

In these fast changing times, it becomes imperative for companies reaching out to the Indian market, to catch the pulse of the Indian consumer. India Consumer Trends 2006 is a step in that direction - to gain a better understanding of the Indian consumer behavior and 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? Also, how different is the Delhi consumer from the one in Kolkata or Chennai, and how different are they from those in Lucknow or Ludhiana? Of course, then there is the question of an overall shopping behavior.

The India Consumer Trends - 2006™ is an attempt to bridge these gaps and is a resource that brings together information pertaining to the Indian market and Indian consumer in one place. The study truly reflects the changing dynamics of Indian consumer behavior.\[1\]
The ongoing democratization of luxury has created powerful icons of new-style mass consumption: think Nokia, H&M, Zara, ING, DELL Computers, Gap, Virgin, Microsoft, Nike, EasyJet, or L'Oreal.

These companies cater to what TRENDWATCHING.COM has dubbed MASS CLASS: the hundreds of millions of global consumers who are now unified in their quest for the best deals on offer on a global scale in virtually each B2C category.

The MASS CLASS has not replaced its well-know predecessor, the 'Global Middle Class', but rather incorporated its richer cousin, sharing a level of purchasing power when it comes to most B2C goods and services, save for the really big ticket items like housing, college education and high-end cars.

Unprecedented wealth in the 'developed' world, encouraging and inspiring leading entrepreneurs and corporations to continually introduce higher quality goods and services.

Global communication channels allowing for mass branding and advertising like we haven't seen before in economic history: the global MTV network alone annually attracts more than 366 million households and a billion viewers.

Each and every of these developments warrants its own trend description and elaboration; the upcoming issues of this newsletter will bring you just that.

How to profit from a massive trend like MASS CLASS? Well, to start off with, try incorporating it into your strategic vocabulary. MASS CLASS as a phenomenon
represents new markets, new consumers, and new competition going after these vast opportunities. Prepare for a new breed of entrepreneurs willing to challenge any existing business model that shows even the slightest sign of fatigue, jumping on the enormous economies of scale and scope made possible by this unified mass of consumers. Furthermore, expect many incumbents in retail, travel, financial services, etc. to try to copy their low cost / high quality rivals by imitating new business ideas, failing to grasp that behind those ideas lie fundamentally different business models. Witness airlines like British Airways and KLM recently giving up on establishing MASS CLASS carriers inspired by Ryan Air and EasyJet.

And consider the opportunities offered by the unavoidable anti-trend, which for MASS CLASS would be MASSCLUSIVITY: a sudden craving for a bit of privilege and status amongst the masses will favour a new breed of nimble service providers, modeled after phenomena like the restricted-access airport lounge. But even here, incumbents may find that their 'old-style middle class' won't fill this niche: their bland service levels represent neither true privilege nor true MASS CLASS value.

We admit we're jealous it wasn't us but Goldman, Sachs & Co. who came up with the 'BRIC' acronym. BRIC stands for Brazil, Russia, India and China, the four nations that together -- according to a Goldman Sachs report -- will outdo the current G7 in economic output in the next three to four decades. Which means even more eager consumers will be joining the MASS CLASS.

One company that understands the deep impact of BRIC nations joining the world of conspicuous consumption is IKEA. The Swedish furniture phenomenon announced that
it will be expanding and opening new mega stores in Russia and China, which makes sense as its Moscow MegaMall and Beijing and Shanghai super stores are selling furniture faster than you can say 'BRIC'. Late 2004, Moscovites will be able to wander through another 230,000 square meters of retail space when MegaMall 2 opens its doors in the northern suburb of Khimki, close to MegaMall 1.

And Chinese members of the MASS CLASS can look forward to two new IKEA stores: one in Beijing and the other one possibly in South China's Guangdong Province. By 2010, IKEA hopes to have a total of 10 new stores in Beijing, Guangdong and Shanghai's Pudong New District. TRENDWATCHING.COM wouldn't be surprised if that number proves to be on the prudent side, seven years from now. [2]

India's growing market for consumer goods, already in the top ten (Exhibit 1), could reach $400 billion by 2010—making it one of the five largest in the world. Add the fact that during the next few decades India will likely surpass China as the world's most populous country, and it is clear that multinational consumer goods companies seeking faster growth must begin to focus on the subcontinent.
Multinationals in the grocery, durable-goods, and packaged-goods sectors have been entering India since 1991, when restrictions on foreign investment were relaxed. Some companies have adopted a specialty-player strategy, catering to a small segment of "global Indians" and marketing products much as they would be marketed to any such customer around the world. These companies concentrate on a few big cities. Their business model is low risk and easily rolled out, can often be sustained initially through imports, and requires a limited distribution network. Although businesses of this kind can be profitable, their sales volumes are typically modest and will grow only as fast as the
segment does. In many ways, this strategy misses the point of entering a market as large as India.

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<th>Multinationals win market share</th>
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<td><strong>Breakfast cereals</strong></td>
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<td>Market size, $ million</td>
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<th><strong>Wafers, potato chips</strong></th>
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<th><strong>Washing machines</strong></th>
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By contrast, other multinationals have targeted "aspiring India"—the much bigger and faster-growing middle-income segment—with an eye to making the country a core market. In some cases, these companies have won substantial shares in product segments ranging from breakfast cereals to washing machines to cars (Exhibit 2). With this market-shaping strategy, a company can achieve scale and create a strong position that should allow it to reap even bigger benefits in the future. But it is also a challenging route, and some companies have stumbled, confounded by attempts to make money in a geographically immense market of consumers who demand high value at low prices.

In our work with multinationals, we have found two keys to serving India's giant middle segment successfully. First, the winners have worked hard to understand its needs and the country's rapidly changing consumer goods landscape. That knowledge was critical to informing the next step: tailoring products and pricing to the budgets and tastes of these consumers.
A new consumer generation

Since 1990 India's economy has grown, on average, by 5.7 percent a year. Its per capita income has nearly doubled in real terms since liberalization, reaching $543 in 2004. But these numbers don't tell the whole story of the Indian consumer goods market. In fact, there are several Indias, each moving at a different pace.

Looking at the pyramid

An estimated 1.2 million affluent households sit atop the Indian income and consumption pyramid. This is "global India"—only a third as large as the comparable segment in China but expanding by more than 20 percent a year. These households buy branded products, vacation abroad, own a number of cars and television sets, and generally behave like their counterparts in developed markets. Moreover, they are largely concentrated in the top eight cities. This segment may be worthwhile for manufacturers of high-end products such as perfume, haute-couture apparel, and luxury cars, but it is far too small for most consumer goods companies to make India a key market.

At the bottom of the pyramid are the large but poor segments. "Struggling India" comprises more than 110 million households earning $1,500 to $4,000 a year—$7,500 to $20,000, adjusted for purchasing-power parity (PPP)—and "destitute India" comprises 40 million households that are poorer still. For the most part, people in these segments will be able to afford only basic necessities for some time to come.

The real drivers of the growing consumer goods market occupy the center section of the pyramid, among India's 40 million middle-income households, which purchase more than
just the basics (Exhibit 3). In this "aspiring India," a typical family comprises five people, lives in a city, and has an educated head of household who is an employee or a small-business owner earning $4,000 to $10,000 ($20,000 to $45,000, adjusted for PPP). Such a family often lives in a small apartment, has a bank account, and owns a television, a refrigerator, and a motorcycle or small car. This new consumer group, growing by about 10 percent a year, is expected to comprise 65 million households by 2010. Its emergence is signaled, for example, by passenger car sales of $5 billion in 2004, more than twice the level of sales five years earlier. The growth in mobile telephony has been even more extraordinary: in excess of 55,000,000 Indians are subscribers, up from 300,000 in 1996.
Young and eager to consume

We can use our recent work in the apparel, durable-goods, financial-services, media, and telecom sectors to paint a profile of this consumer group. For starters, India's consumers are young: 70 percent of the country's citizens are below the age of 36, and half of those are under 18 years of age. These people are deeply rooted in Indian culture and traditions yet connected to and curious about the outside world. Their incomes may be growing, but
their budgets are still limited. Together, these characteristics have big implications for the product categories and brands they select.

Such consumers focus on the right housing (that is, housing with access to power and water) and on food, health, and hygiene products. While people in this middle-income segment still spend about half their budgets on the basics, that amount is falling every year, leaving more money for other areas of consumption. This demographic is the new battleground for companies and brands alike.

Beyond basic needs, households make their children's future a clear priority; education is seen as a passport to a better tomorrow. To gain a winning edge, parents spend much money and effort securing the right schools and tutoring for their children and invest in nutrition, computer games, and books. As a result, several categories of products—from protein powders to educational toys—have enjoyed rapid growth.

With basic needs satisfied and the future looked after, these consumers will consider product categories representing the good life—perhaps a new color TV or a new motorcycle after 4 years (compared with the earlier 12 years) or a simple statement such as serving guests Coke instead of the traditional lime juice.

What's on the mind of young Indian consumers as they shop? Price and value for money are certainly important considerations. On the contrary, these consumers increasingly demand brands that are relevant to their own experience and reflect local preferences. One successful effort to fuse local and global tastes is MTV India, where local language
and music account for 80 percent of the programming. Not surprisingly, Indian young people love it.

Tailoring the business model to India

Knowing what makes consumers tick is a vital first step. To capture their hearts and wallets—profitably—companies must use that knowledge to tailor the business model to local conditions.

Offer value at the right price

For several years, a leading multinational attempted to sell global brands in India at global prices. The company bet that the country's consumers would move in a premium direction because of their technological sophistication. It also decided to restrict its distribution presence, assuming that the brands were strong enough to attract consumers. These assumption turned out to be wrong. After 15 years, the company had only a marginal 4 percent share of the market and was clearly missing the boat. It then tailored its products and production methods to Indian market conditions and cut its prices by 65 percent. It is now rebuilding its distribution network and in general has begun to adapt its offerings more systematically to the needs (and wallets) of Indian consumers. The results are already visible: 12 months after the change in strategy, sales are increasing by double digits.

Similarly, Nokia India (Nokia's Indian subsidiary) successfully introduced a customized version of the 1100 model mobile phone. The new version is equipped with features such as a dust-resistant keypad, an antislip grip, and a built-in flashlight (a particular favorite
among the country's hundreds of thousands of truck drivers, who use it during stops along
India's poorly lit highways).

Getting the price right is just as important. Although the incomes of Indian consumers are
growing, they still have many competing pulls on their modest budgets. Winning
companies thus have learned the importance of affordability. Take the Indian mobile-
telecommunications market—the fastest growing in the world—which has 55 million
customers. Mobile telephony is also cheaper in India than it is anywhere else; steep and
continual price cuts have led to rates of five cents a minute. In only 8 years, the market
has reached a level of penetration that took television sets 25 years to achieve.

Successful companies have reduced the consumer's cost of entry into product categories
by providing payment options such as financing, pay-per-use, and community ownership.
In segments as diverse as motorcycles, durable goods, and apparel, for example,
companies have representatives from banks and other financial institutions in stores to
process loans in just a few hours. Game console brands are considering pay-per-use
formats, including prepaid cards. Along with PC makers, they are also studying ideas for
community ownership (at schools, for instance) as a way to drive penetration and
consumption.

Affordability also has a bearing on price points for everyday products, sometimes in a
paradoxical way. The shampoo market, for example, was revolutionized by ten-milliliter
sachets, priced under five cents each. In ten years, the shampoo-buying share of India's
population increased to 45 percent, from 18 percent, and such sachets drove almost all of
this growth despite their premium price per unit of volume. These products succeeded
because consumers who could not afford to spend 20 to 30 times more on a bottle of shampoo can now opt for single-serve portions.

**Educate the consumer**

Adapting a product and its price to a specific market sometimes does not suffice to create demand, however. Several Indian product markets are in the early stages of development, and winning in them will require patience and investment. The beauty care market, for example, is now worth only an estimated $60 million, and market penetration is below 5 percent, even among urban women. Similarly, less than 2 percent of all homes have air conditioners, and just 1.2 percent of India's people hold credit cards.

The barriers to building these markets are not only the limited awareness and availability of brands and products but also a lack of knowledge about what they do. To educate consumers, in the 1990s a manufacturer advertised the benefits of the washing machine—"It washes, it rinses, it even dries your clothes; in just a few minutes, you are ready for the show"—and used housewives to demonstrate the product in their homes. One multinational is currently advertising air conditioners as a way to purify air and thus to maintain a healthier home environment.

To expand the beauty market, a winning company would not only launch a cosmetics line and build a brand but perhaps also create a "beauty academy" to train hundreds of young women. One implication is that winning companies will need patience, since the market will emerge in stages. The good news is that the market shaper often has big advantages, both in brand recognition and in the insights required to stay ahead of the competition.
Design to cost

In a market where demand exists, selling an appealing product at the right price is not extremely difficult. But how do multinational consumer goods companies in India make a profit at prices consumers can afford? Instead of setting a target profit and adjusting the price accordingly, a winner calculates the price required to create demand, determines the desired profit margin, and then designs a business model in which cost equals price less profit. It then uses several levers to construct a business model with the right cost structure.

Indeed, our work with clients suggests that the design-to-cost approach can shave as much as 30 percent off a product's cost without any deterioration in the consumer experience, since this approach usually reflects the trade-offs local consumers themselves make between performance and price. Both sides ultimately benefit: a better price utility equation for the customer and a better cost margin sweet spot for the company.

Winners also improve their cost position in other ways—for instance, by using Indian contract manufacturers, which typically have lower labor and production costs as well as lower overheads. They then manage their products' quality by placing their own quality teams in these contract units.

Getting distribution right

Reaching India's consumers cost effectively is a challenge because of the sheer size of the country and its fragmented distribution and retailing networks; some 12 million mom-and-pop stores, for example, have long dominated Indian retailing. Companies that can
solve this problem will have a competitive advantage. If, as expected, the government permits foreign direct investment in retailing, consumer goods companies should have greater opportunities to sell products in the modern formats they understand. The traditional network of local retailers, however, will remain important for years, even if modern retailing continues to grow at the current rate of 25 percent a year. With about 5 percent of the total market, modern retailing has a lot of room to expand.

As some companies have demonstrated, the key to distributing products successfully in India is to rely on a third-party network, since building one takes too long and is ultimately more expensive. Unilever, for instance, has achieved national reach through more than 20 distribution centers, run by third-party agents, that transport and store its goods. These centers serve in excess of 7,000 distributors, which use salespeople trained by Unilever to work with more than eight million retailers. Our experience suggests that setting up the right go-to-market strategy (including distribution, rollout, and methods and places for integrating third parties) has a significant—4 to 5 percentage point—impact on net margins, as the costs of direct distribution are 4 to 5 percent higher than those of the third-party approach. Direct distribution also delays the network's rollout, so it takes companies longer to achieve scale and a national footprint.

The modernization of India's retailing sector will complicate life for consumer goods companies, which must not only go on building and leveraging their far-flung small-store networks but also adopt key-account-management skills from the developed world and other countries where modern retailing has moved ahead. To complicate matters further, local retailers are aggressively launching store brands, and Indian consumers don't
differentiate between them and brand-name products from big consumer goods companies, according to our research. Clearly, the growth of modern retailing will be a boon for Indian customers. But to maximize the Indian opportunity, big consumer goods companies must learn to manage a widespread distribution network as well as to navigate the modern retailing sector.

India will be a critical growth market for many multinational consumer goods companies. But several distinct Indias now coexist. Global players must define which of them to target—the biggest opportunity is the rapidly growing middle class—and then design the right business model. While the journey will not be easy, the reward will be a share of the world's last big untapped consumer market.[3]

The Indian market has risen by about 11% to Rs1.29 trillion in the 12 months ended September, according to researcher Nielsen Co.

Growth has slowed from 14% in the same period of the previous year, mainly because of a drop in the growth of home and personal care products to only 8%.

Price corrections in many large segments such as soaps, detergents and shampoos could be the main reasons for this, as companies are not experiencing any adverse effects of inflation on demand. The market can potentially grow at a higher rate than this.

In a recent study, Nielsen has identified some categories that are growing faster, by about 20% on an average, or nearly twice the market growth. In foods, impulse foods are growing at a much faster rate.
Some of this is attributable to companies expanding distribution to cover a wide number of retail formats. Salted snacks are growing by nearly 20-30% across formats, with the modern trade scoring the highest.

Chocolate sales are growing at 11-49% and biscuit sales at 10-48% across various retail formats. As far as the store format is concerned, general stores are showing the slowest growth, with the highest growth being reported in the modern trade.

The growing number of modern trade outlets, attractive displays and product positioning at the checkouts (preying on the impulsive shopper) could be the main reasons behind faster growth in these outlets.

Products that are positioned as being good for health and wellness are also growing at a fast pace.

Convenience foods, such as breakfast cereals and noodles, are another segment seeing a rapid growth. Kellogg Co. expects sales of breakfast cereals in India to triple between now and 2015.

This trend presents a challenge and an opportunity for large consumer firms. The challenge is to move beyond their core categories and enter new ones. It is a riskier approach that will require significant investments and patience as some of these segments may take time to reach a critical mass. But the alternative is sitting out on these growth opportunities and seeing nimbler companies become the market leaders.[4]

While just 5 per cent of the country's population can be classified as middle class today, this will grow to over 40 per cent by 2025. India is poised for a dramatic expansion of
domestic consumption that will make the country one of the largest consumer markets in the world.

However, many voices in the country have expressed concern that this explosion of spending power will compromise India's ability to invest for the future. New research by the McKinsey Global Institute (MGI) finds that these fears are misplaced.

If overall economic growth remains on a long-term path of 7 to 8 per cent, as most economists expect, then consumption will soar. We estimate that real consumption will grow from Rs 17 trillion today to Rs 70 trillion by 2025, a fourfold increase.

This will vault India into the premier league among the world's consumer markets. Today its consumer market ranks 12th. By 2015 it will be almost as large as Italy's. By 2025, India's market will be the fifth largest in the world, surpassing Germany. Our results show that a significant expansion in consumption is not dependent on an equally significant decline in savings. There are three major factors driving increased consumption, by far the most important being rising incomes which we estimate will account for 80 per cent of the total growth over the next two decades.?

The second driver will be population growth which we find will account for a further 16 per cent of the overall rise in consumption.

The third factor will be savings but developments on this front will play a relatively minor role. We expect India's household savings rate to peak and gradually decline from its current level of 28 per cent of disposable income to 22 per cent in 2025 as India's demographics become more youthful.
However, this change will account for just 4 per cent of future consumption growth. Even if household savings were to remain flat, consumption would still grow substantially.

The primary driver of India's growth as a consumer economy will thus be increasing incomes. Our analysis shows that average real household disposable income is set to grow from Rs 113,744 in 2005 to Rs 318,896 by 2025, a compound annual growth rate of 5.3 per cent. This is much more rapid than the 3.6 per cent annual growth of the past 20 years and, with the exception of China, much quicker than income growth in other major markets.

Income growth is, in turn, dependent on sustaining overall economic growth in the years ahead. We are optimistic on this front because of the substantial scope for Indian businesses to increase their productivity, the growing openness and competitiveness of the Indian economy and favourable demographic trends.

Our income estimate assumes real compound GDP growth of 7.3 per cent a year from 2006 to 2025, an acceleration from the 6 per cent growth of the previous two decades but in line with most estimates of India's long-run sustainable growth path.

India's economic reforms and the increased growth that has resulted have already proved to be the most successful anti-poverty programme in India's history. In 1985, 93 per cent of the population had an annual household income of less than Rs 90,000 - an income bracket we categorise as deprived.
By 2005, this had dropped by about two-fifths to 54 per cent of the population. By 2025, we see the deprived segment shrinking even further to only 22 per cent of the total population.

Rising incomes will also create a sizeable and largely urban middle class. We define the middle class as spanning real annual household disposable incomes of Rs 200,000 to Rs 1,000,000. In 2005, the Indian middle class was still relatively small with 50 million people or some 5 per cent of the population.

However, if India achieves the growth we assume, its middle class will swell to 583 million people or 41 per cent of the population. In addition, households with real earnings of more than Rs 1,000,000 a year, which we refer to as global, will comprise nearly 2 per cent of the population but earn almost a quarter of its income.

Widespread concern that India does not save enough and that investment will suffer if consumption becomes the driving force of the economy is not warranted, in our view.?

Negative comparisons about India's level of savings are usually made against China whose gross national savings rate has risen from 33.6 per cent in 1985 to 50.4 per cent in 2005 - arguably too high a rate and driven by inefficiencies in China's financial sector.?

Against other high-saving countries such as South Korea and Japan, India's savings rate is actually relatively high.

National savings are made up of three sources: households, businesses and government. Indian households are among the most frugal in the world, saving even more than their
Chinese counterparts. The slight decline in their savings rate that we predict would merely bring them closer to levels seen in other fast-growing economies.

But India's businesses and government save far less than they should and this leaves the country's national savings skewed and heavily dependent on households. While India's services-driven economy has not been as capital-hungry as China's manufacturing-based one and household savings have been sufficient for the required investments so far, rectifying this imbalance offers the key to accelerating India's growth rate in future.

There are three issues that need to be addressed in order to rebalance the composition of Indian savings. First, as other MGI work has shown, reforming India's financial system will be critical to making the allocation of capital in India more efficient, increasing the depth of its capital markets and raising real returns in the economy, thus encouraging capital formation.

Poor capital allocation coupled with India's heavy regulation of many industries continues to discourage the formation of medium- and large-sized enterprises. This leaves much of India's capital inefficiently tied up in small-scale, informal businesses and classified as household savings. Both the financial system and regulations on industry need to be reformed over time.

Second, the Indian government needs to play its part in maintaining fiscal responsibility and growing its own contribution to net national savings.

Finally, it will be important to acknowledge that FDI can also play a growing role in supplying India with investment capital and should be encouraged. While FDI is still
modest relative to the size of India's economy (and dwarfed by the flows of FDI going to China and other parts of Asia), it has increased almost 18-fold from $315 million in 1992 to about $15 billion in 2006.

We expect FDI to continue to increase significantly, especially if the regulatory and business environment continues to evolve in directions that welcome it.

Growth in Indian incomes and consumption will deliver substantial societal benefits with further declines in poverty and the growth of a large middle class. The good news for the long-term health of the economy is that India's growth as a consumer superpower doesn't depend on Indians saving less but rather on high overall growth continuing to translate into rising incomes.

However, this positive outcome does depend on Indian businesses making their contribution by saving more and the government being fiscally responsible while continuing to reform the economy to ensure that India has sufficient capital to invest in its future growth. [5]

That the Indian consumer is a breed apart was demonstrated in the latest global ACNielsen Consumer Confidence and Opinions Survey.

Indicator: even as India once again topped the 45-country survey with a consumer confidence index of 137, suggesting the highest optimism about the future, Indian consumers do not seem to be willing to spend much.

The country does not figure in the top 10 spenders' list for any of the categories, except for investing in shares and mutual funds, where it leads the world.
On the other hand, more than half the respondents from the country keep their spare cash in bank accounts, while they are in the lower 30th percentile when it comes to choosing holidays and new clothes. That's a very different pattern, for example, from the Russians and the Thais, who while scoring a lower 107 in consumer confidence, are on top of the respective lists when it comes to updating wardrobes and taking holidays.

India stands out again while factoring in "concern areas" as reflected in consumer confidence: apart from terrorism, the country does not appear in the top 10 list for any of the areas of concern.

Further, it is seventh in the list of countries that have no worries at all! The conclusions are mutually reinforcing: even though Indians are on a high, with minimum worries and high confidence about job prospects and the economy, they remain conservative when it comes to spending.

The second implication would be that the higher consumer confidence could in itself be a reflection of the fact that they are conservative spenders. Because, while they are not free-wheeling shoppers, they also top the charts in savings in mutual funds and shares. There is a financial foundation on which their confidence is built.
What should companies be doing while targeting this special breed of consumers? The obvious answer would be to make brands more relevant for them. Smart companies are already doing this by regionalising their brands.

Second, there is the need to identify future growth segments and start building a knowledge base from this perspective. ITC has managed the transition in recent years from a company that mostly had an understanding of male preferences (cigarettes) to understanding the housewife as well.

Third, companies should ride on both well-entrenched trends as well as those which are yet to be established. The focus on health and well being is an emerging trend which companies like Pepsi (through Tropicana) are riding on. On the other hand, Hindustan Lever has identified "return to nature" and "increased social consciousness" as factors to tailor its communication for Surf.[6]

The latest round of the ACNielsen Consumer Confidence and Opinions Survey seems to suggest that the answer lies somewhere in between.

According to the survey, which was conducted in October/ November 2006, Indians are the most optimistic consumers in the world - again. At 137, India is at the top of the consumer confidence index for the fourth time in a row, an all-time high: the June 2006 score of 131 was a point lower than the previous round.

The optimism seems to have extended across the world, but the global and regional scores seem decidedly mediocre when compared with India. While the global index has climbed one point to 99, the Asia Pacific region moved up four points to settle at 98.
Still, the Indian consumer's confidence doesn't seem to translate readily into a willingness to spend. The country doesn't figure in the top 10 spenders' list for any of the choices, except investing in shares and mutual funds, where it leads the world.

Instead, over half the respondents still keep their spare cash in bank accounts, while those choosing holidays and new clothes are in the lower 30th percentile.

Internet users from India turned out to be the most upbeat on all issues polled. Roughly 505 respondents from the country were surveyed - just one less than the number last year - and all appeared overwhelmingly optimistic about prospects in the job market and the state of the economy.

And 95 per cent think local job prospects will be good in the next 12 months, while 88 per cent feel the same way about the state of their wallets - the highest scores not just in Apac, but across the world.

About 68 per cent think this is a good time to buy things they want or need, a climb back to the optimism of 2005. Here, India is just slightly behind Denmark - 71 per cent Danes believe it is the right time to go shopping.

**Shopping carnivals**

So where does that leave Indian manufacturers seeking markets and customers for their products? Perhaps they should head for South America, instead. Apparently, there's a continent full of people there who are eager to spend good money on new clothes, holidays and parties, new technology and even doing up their homes.
Unlike Apac respondents who prefer (49 per cent) to rest their disposable incomes in savings accounts, less than 40 per cent of Latin Americans follow that practice. Instead, they prefer to spend their spare cash on new technology and out of home entertainment (42 per cent each), new clothes (40 per cent) and decorating their homes (38 per cent).

Equally significantly, just 8 per cent of South American respondents said they had no spare cash. Compare that with those living paycheque to paycheque in other parts of the world: 20 per cent in North America and 13 per cent in Europe.

Clearly this is a market waiting to be tapped. (For the record, Indian companies have already woken up to the region's potential: last year trade with Latin America crossed $5.3 billion.)

Like their counterparts across the world, consumers in Apac still prefer to keep their money in savings accounts, with holidays, new clothes and out of home entertainment following in no particular order.

Most consumers seem to be house proud, and Indians are no exception: 39 per cent prefer to keep their spare rupees to do up their homes. That's higher than the global and regional averages (26 and 22 per cent, respectively).

Indians are clearly still more debt and risk averse than the rest of the region. Compared to the Apac figure of 25 per cent, about 32 per cent of Indian consumers prefer to pay off debts and credit cards with any spare cash, while 52 per cent left it in the bank. Or are they?
An almost equal number (49 per cent) said they bought shares and mutual funds with their disposable income, up from 40 per cent in the last round. Clearly, the lure of the rising Sensex is still irresistible.

**How it was done**

The ACNielsen Online Consumer Confidence and Opinion Survey covers more than 25,000 internet users around the world every six months - representing a global online population of close to 1 billion consumers.

The survey was launched as an Asia Pacific initiative about six years ago, before "going global" at the of 2004. The latest survey, conducted in October/November 2006, polled Net users in 45 markets.

In the Asia Pacific region, the countries surveyed are: Australia, China, New Zealand, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, Singapore, Thailand, Taiwan, Vietnam and the Philippines. About 500 people were interviewed in each country.

Three questions are used to calculate the consumer confidence index. They relate to job prospects in the next 12 months; the state of the respondent's personal finances in the next 12 months; and, based on the cost of things and the respondent's personal finances, whether or not it's a good time to buy things he wants and needs.

The scale of answers to all three questions are: Excellent, Good, Not so good and Bad. To calculate the index, each response was given values: Excellent (200), Good (133.3), Not so good (66.6) and Bad (0).
Using these values, the average of the three questions was taken for each respondent. The index for each country was calculated by taking the index average for each respondent in that country. An index value of 100 corresponds to an average halfway between "Good" and "Not so good". [7]

This report is intended to assist consumer product companies in identifying a plausible market size for their product/s in India. The table below should be viewed in conjunction with the text that follows.

### India's consuming class

<table>
<thead>
<tr>
<th>Annual income (in Rupees) at 1994-95 prices</th>
<th>No. of households (in million)</th>
<th>Annual income (in Rupees) at 1994-95 prices</th>
<th>Classification</th>
<th>Number of households (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25,000</td>
<td>80.7</td>
<td>&lt;16,000</td>
<td>Destitutes</td>
<td>5.3 27.7 33.0</td>
</tr>
<tr>
<td>25,001-50,000</td>
<td>50.4</td>
<td>16,001-22,000</td>
<td>Aspirants</td>
<td>7.1 36.9 44.0</td>
</tr>
<tr>
<td>50,001-77,000</td>
<td>19.7</td>
<td>22,001-45,000</td>
<td>Climbers</td>
<td>16.8 37.3 54.1</td>
</tr>
<tr>
<td>77,001-106,000</td>
<td>8.2</td>
<td>45,001-215,000</td>
<td>Consumers</td>
<td>16.6 15.9 32.5</td>
</tr>
<tr>
<td>&gt;106,000</td>
<td>5.8</td>
<td>&gt;215,000</td>
<td>The rich</td>
<td>0.8 0.4 1.2</td>
</tr>
<tr>
<td>Total no. of households: 164.9 million</td>
<td></td>
<td>Total no. of households</td>
<td></td>
<td>46.6 118.2 164.8</td>
</tr>
</tbody>
</table>

**Source:** National Council of Applied Economic Research (NCAER). The above presentation has been slightly modified by [IndiaOneStop.Com](http://IndiaOneStop.Com)
Data on income distribution of households is insufficient in determining market size for different consumer products in India. This is because of the lack of homogeneity of the consuming class and the varying prices of a single product in different parts of India. For example, vegetables generally cost more in Mumbai than in Calcutta, hence vegetable-purchasing power for identical income groups would be different in the two places even though they are the two biggest cities in India with comparable populations. In other words, purchasing power is location-specific, not income specific. Consumption habits of households are therefore better determinants of consumer market size than income distribution. Of course, other factors are also to be considered and they are detailed below.

While determining market size for a consumer product, the structure of the consuming class as seen in Table II above, can be both revealing as well as misleading depending on the kind of product. For example, any specific consuming class would be fit to be a market for consumer products like tea or soap, but a product such as vacuum cleaners would find market largely only in the "consumers" and "rich" segments of the market as defined in Table II above. Furthermore, even this may not be correct, because a taste for a vacuum cleaner is not necessarily a function of purchasing power but of culture and/or taste as well.

Identifying a plausible market size for a consumer product is therefore a hazardous task in a heterogeneous country like India. Yet, the marketer needs some data to come as close to the real picture as possible. For this purpose, it can be cautiously assumed that purchasing power is proportional to income despite variables such as location, taste etc.
Companies are therefore advised to plan their consumer product marketing strategies on an area-by-area basis, rather than on an all-India basis.

Income data is insufficient. Therefore, it must be supplemented by product-specific information regarding its existing stock in the marketplace (in the case of consumer durables) and existing rate of purchases.

It is also advisable to further refine the plausible market size by taking into account details based on social, cultural and demographic factors.

Marketing a super-premium product such as a Rolex watch is relatively easy. Just go for the income class above Rs. 106,000 per annum (in 1995-96) as per Table I above. This class, Table I shows, comprises 5.8 million households. But the problem lies in the fact that the 5.8 million households are spread all over India.

The prime market for consumer products in India is aware of the cost-benefit, or value for money, aspect. Their concept of value incorporates socio-cultural benefits in addition to product utility. For example, many households in the "consumers" class and the "rich" class (as defined Table II) may have two television sets, but both the sets may not be top-of-the-line. Thus, while they may be demand for an additional TV set in many households in the two mentioned classes, it must not be mistaken as demand for the higher priced TV models. The prime consumer market in India therefore is not a market for absolute premium products, but for something between the "high end popular brands" to the "premium brands."
The class described in the previous paragraph is actually the "consumers" class defined in Table II. This class comprises 33.5 million households as at 1995-96 and it owned and 'consumed' most of the expensive consumer products such as refrigerators and washing machines as well as premium expendables. At 1994-95 prices, their annual household incomes ranged between Rs. 45,000 and Rs. 215,000 (to calculate the latest income statistics, use an annual inflator of 5 per cent). In addition to this class, the "climbers" and "aspirant" classes (defined in the Table II) totaling 23.9 million households in urban India, also have the socio-cultural traits of the "consumers" class and, with time, will join the consumers class. Medium-to-long-term marketing strategy must therefore aim at the aspirants and the climbers as well. This is based on the safe assumption that, except for the destitute class as defined in Table II, the other classes are on the way to the next higher class. For companies with long-term marketing plans in India, the "consumers" (urban + rural), "climbers" (urban only) and "aspirants" (urban only) classes can be clubbed together to give a market size of around 57 million households which can be said to be the "prime segment" of the Indian consumer market. This becomes even more true as consumer financing and the credit card culture picks up. Fine-tuning between the classes is of course important, as explained in the next paragraph.

Suppose you are marketing washing machines. Go for two broad types: fully automatic and semi-automatic. Target the fully automatic machines at the "consumers" class and the semi-automatic at the "aspirant" class; the "climbers" class will then overlap the market for both the types of washing machines.
All of the above may be confusing, but the marketing strategist has to live with it because that's how the Indian consumer market is in reality. There is hardly a characteristic that applies across the market. Hence, the term "Indian consumer market" is a misnomer: it would be more accurate to describe it as a collection of different consumer markets.[8]

(Please note that the figures given in this report have been contested by some people in India itself. So, they may not be accurate. Yet, they are indicative).

India has registered a very impressive growth of its middle class -- a class which was virtually non-existent in 1947 when India became a politically sovereign nation.

At the start of 1999, the size of the middle class was unofficially estimated at 300 million people.

The middle class comprises three sub-classes: the upper middle, middle middle and lower middle.

The upper middle class comprises an estimated 40 million people. They have annual incomes of US$600,000 each in terms of Purchasing Power Parity (PPP). (Please note that the calculation of PPP is complicated, but suffice it to say that it is based on what a unit of currency can PURCHASE in one country compared to what the same currency can purchase in another country. It is also known as the "law of one price" that governs the price level of general goods and services between the two countries).

The middle class comprises an estimated 150 million people, each with PPP incomes of US$20,000 per year each.
The lower middle class comprises an estimated 110 million people. An estimate of their annual income is not available, but they are mostly the relatively affluent people in the rural areas of India.

The middle classes ON THE WHOLE (i.e. upper middle + middle middle + lower middle classes) is expected to grow by 5 to 10 percent annually. [9]

WE ARE LIKE THAT ONLY — Understanding the Logic of Consumer India: Rama Bijapurkar; The focus of the book is the central question of all marketing and strategy thinkers as well as managers: how large really is the Indian market, and how can we reach it profitably? For, surely there is no altruism or developmental orientation at all in the eyes and minds of Big Business be it Indian or international. The fact is that the bottom of the pyramid, presented most recently and forcefully by C.K. Prahalad, is a chance for them to make a fortune.

Rama Bijapurkar’s book provides, among other things, some directions as to how one might define this as well as the rest of the pyramid, starting from the creamy layer on the top. Much has indeed been said in the past decade, and since 1991, about the mammoth consumer market of 300 million people. What they did not have is an appropriate mental model, a picture that was true to the reality of the Indian market — in terms of both its structure and behaviour.

Fallacies

What they should do, as Rama argues is to see the fallacy of facile simplifications and clichés about market segmentation. Many are irrelevant to India. It is fashionable to say
that there are two Indias, and the sound-bite makers have coined the terms, India and Bharat to describe them. The truth is that there are far more than two types of India, perhaps a dozen. Much depends on what parameters you are looking at in segmenting and aggregating the target population.

To the CEO of a newly entering multinational, the issue is of great importance because it is a major step and a significant commitment of management time. Assessing the true potential means making adjustments to one’s lenses and seeing the reality as it is, not drawing inappropriate European or American parallels. She makes the point strongly that the sheer variety and diversity of the population is more than that of continental Europe.

Yet another fallacy is the great rural foray that everyone is so convinced about today. It is easy to think that the rural areas comprise mainly farmers and therefore incomes come mainly from agriculture. This is yet another fallacy that needs to be exploded, as the author does, showing the power and the growth potential of the self-employed and trader segments of the population. In fact, the purchasing power of the rural middle income group in the aggregate is as large as that of its urban counterpart. What is more the purchase and consumption of durables amongst the non-farm rural population follows a pattern not dissimilar to that of the urban counterparts.

**Insight, the key**

Her persistent use of the new and more research based mental models is very encouraging. The fact of the matter is a good marketing strategy in India of today demands a combination of the skills of a sociologist, anthropologist and economist,
which is quite rare in any individual and difficult to come by among the permanent staff of a company.

Insight rather than information or statistics should guide thinking on any relevant, innovative marketing strategy. It is a lesson that many CEOs tend to learn slowly and somewhat reluctantly. Here is a book that should help along the way, if they are so persuaded.

A common friend once described Rama Bijapurkar’s chief strength as the ability to popularize difficult concepts and turn research findings into layman’s language. I thought that it was a perceptive remark, considering how she has used a career in marketing research, and understanding the complex entity called the Indian consumer market as a springboard to becoming a well-recognized publicist for marketing and a strategy consultant.

After reading the very interesting volume full of insightful arguments and convincing data, one tends to agree. The book demonstrates that “Rama is like that only.” [10]

India has a population of over 1 billion and 4 climatic zones. Several religious and personal beliefs, 15 official languages, different social customs and food habits characterize Indian consumer class. Besides, India is also different in culture if compared with other Asian countries. Therefore, India has high distinctiveness in demand and the companies in India can get lot of market opportunities for various classes of consumers. Consumer goods marketers experience that dealing with India is like dealing with many small markets at the same time.
Indian consumer goods market is expected to reach $400 billion by 2010. India has the youngest population amongst the major countries. There are a lot of young people in India in different income categories.

Consumer goods marketers are often faced with a dilemma regarding the choice of appropriate market segment.

In India they do not have to face this dilemma largely because rapid urbanization, increase in demand, presence of large number of young population, any number of opportunities are available. The bottom line is that Indian market is changing rapidly and is showing unprecedented consumer business opportunity.

As the restrictions on foreign investments were relaxed in 1991, Multi-National Companies have been entering India since then.

<table>
<thead>
<tr>
<th></th>
<th>Market Size in $ million</th>
<th>Market Share in %</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast cereals</td>
<td>2</td>
<td>25</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>Wafers, potato chips</td>
<td>6</td>
<td>35</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>37</td>
<td>63</td>
</tr>
<tr>
<td>Washing Machines</td>
<td>40</td>
<td>570</td>
<td>98</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td>TV</td>
<td>630</td>
<td>3,030</td>
<td>97</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>49</td>
<td>51</td>
</tr>
</tbody>
</table>

1992 $=30 rupees
2004 $=45 rupees
Source: Center for Monitoring Indian Economy (CMIE)
Indian consumer class can be classified according to the following criteria:

1. Income  
2. Socio-Economic status  
3. Age demographics  
4. Geographical dispersion

**Income Based Classification**

India has a population of 1.095 billion people, comprising of 1/6th of the world population. India's population can be divided into 5 groups on the basis of annual household income. These groups are:

1. Higher income  
2. Upper middle income  
3. Middle middle income  
4. Lower middle income  
5. Lower income

The income classification does not represent a real scenario for an international business because the purchasing power of currencies differs significantly. The real purchasing power of Indian rupee is higher than the international exchange value.

In addition to that, income classification is not an effective tool to ascertain consumption and ownership trends in the economy.

**Consumer Classification**

According to National Council of Applied Economic Research (NCAER) there are 5 consumer classes that differ in their ownership patterns and consumption behavior across various segments of goods.
<table>
<thead>
<tr>
<th>Consumer Classes</th>
<th>Annual Income in Rs.</th>
<th>1996</th>
<th>2001</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Rich</td>
<td>Rs. 215,000 and more</td>
<td>1.2</td>
<td>2.0</td>
<td>6.2</td>
<td>416%</td>
</tr>
<tr>
<td>The Consuming Class</td>
<td>Rs 45- 215,000</td>
<td>32.5</td>
<td>54.6</td>
<td>90.9</td>
<td>179%</td>
</tr>
<tr>
<td>The Climbers</td>
<td>Rs. 22-45,000</td>
<td>54.1</td>
<td>71.6</td>
<td>74.1</td>
<td>37%</td>
</tr>
<tr>
<td>The Aspirants</td>
<td>Rs. 16-22,000</td>
<td>44</td>
<td>28.1</td>
<td>15.3</td>
<td>-65%</td>
</tr>
<tr>
<td>The Destitute</td>
<td>Below Rs. 16,000</td>
<td>33</td>
<td>23.4</td>
<td>12.8</td>
<td>-61%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>164.8</td>
<td>180.7</td>
<td>199.2</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Source: NCAER*

The 5 classes of consumer households (consumer classification) show the economic development across the country based on consumption trends.

**Socio-Economic Classification**

In addition to income classification and consumer classification, Indian households can also be segmented according to the occupation and education levels of the chief earner of the household (the person who contributes most to the household expenses). This is called as Socio-Economic Classification (SEC), which is mainly used by market planners to target market before launching their new products. SEC is made to understand the purchase behavior and the consumption pattern of the households. The urban area is segregated into: A1, A2, B1, B2, C, D, E1, E2.
### Socio-Economic Classification

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>Less than 4 yrs in school</td>
</tr>
<tr>
<td>Skilled</td>
<td>E2</td>
</tr>
<tr>
<td>Unskilled</td>
<td>E2</td>
</tr>
<tr>
<td>Shop owner</td>
<td>D</td>
</tr>
<tr>
<td>Petty trader</td>
<td>E2</td>
</tr>
</tbody>
</table>

| Employer of-        |           |           |           |           |           |           |           |
| Above 10 persons    | B1        | B1        | A2        | A2        | A1       | A1         | A1         |
| Below 10 persons    | C         | B2        | B2        | B1        | A2       | A1         | A1         |
| None                | D         | C         | B2        | B1        | A2       | A1         | A1         |
| Clerk               | D         | D         | D         | C         | B2       | B1         | B1         |
| Supervisor          | D         | D         | C         | C         | B2       | B1         | A2         |
| Professional        | D         | D         | D         | B2        | B1       | A2         | A1         |
| Senior executive    | B1        | B1        | B1        | B1        | A2       | A1         | A1         |
| Junior executive    | C         | C         | C         | B2        | B1       | A2         | A2         |

Source: Indian readership survey (IRS)

Sections A & B refer to High-class- constitutes over a quarter of urban population

Sec C refers to Middle-class-- constitutes 21% of the urban population

Sections D & E refer to Low-class-- constitutes over half the urban population

To understand the table, consider an example: A trader whose monthly household income (MHI) is more than that of a person in section A cannot be included in this SEC because his educational qualification or occupation do not qualify him for inclusion.

Sec C constitutes households whose Chief Wage Earners are employed as:
Skilled workers | 33%  
Petty traders  | 12%  
Clerk/Supervisor | 37%  
Shop owners   | 18%  

3/4th of them have studied till 10th or 12th class while the remaining 1/4th have studied till 9th class.

Less than half of the Chief Wage Earners of households belonging to sections D & E are unskilled workers. Petty Traders are 18%, while Skilled Workers are about 28%.

More than 80% of the population of upper strata consumers is living in the top 7 cities. Those top 7 cities are Mumbai, Kolkata, Delhi, Chennai, Ahmedabad, Bangalore, and Hyderabad. With increase in economic prosperity, this population (upper strata consumers) is growing at 10 percent annually.

The rural area is segregated in to: R1, R2, R3, R4

<table>
<thead>
<tr>
<th>Education of chief wage earner</th>
<th>Type of House</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pucca</td>
</tr>
<tr>
<td>Professional degree</td>
<td>R1</td>
</tr>
<tr>
<td>Graduation/ PG</td>
<td>R1</td>
</tr>
<tr>
<td>College</td>
<td>R1</td>
</tr>
<tr>
<td>SSC/HSC</td>
<td>R2</td>
</tr>
<tr>
<td>Class 4-Class 9</td>
<td>R3</td>
</tr>
<tr>
<td>Up to class 4</td>
<td>R3</td>
</tr>
<tr>
<td>Self-learning</td>
<td>R3</td>
</tr>
<tr>
<td>Illiterate</td>
<td>R4</td>
</tr>
</tbody>
</table>
Age Demographics

India is a very young nation, if compared with some advanced and developed countries. Nearly two-thirds of its population is below the age of 35, and nearly 50% is below 25.

Marketers explain that the boom in the consumption level and leisure related expenditure is because of this young population. It will have a significant impact over the consumer goods market. In addition to that, it is expected that this will generate trade opportunities and continuous investment in the economy. There is huge potential for further consumption of goods and services due to the increased level of disposable income. The expenditure on essential goods and services has a higher share in developing countries as compared with that of developed countries.

Age distribution if Indian population (In Millions)

<table>
<thead>
<tr>
<th>Year/ Age</th>
<th>2006</th>
<th>2001</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 4 yrs</td>
<td>113.5</td>
<td>108.5</td>
<td>119.5</td>
</tr>
<tr>
<td>5-14 yrs</td>
<td>221.2</td>
<td>239.1</td>
<td>233.2</td>
</tr>
<tr>
<td>15-19 yrs</td>
<td>122.4</td>
<td>109.0</td>
<td>90.7</td>
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<tr>
<td>20-34 yrs</td>
<td>279.1</td>
<td>246.8</td>
<td>224</td>
</tr>
<tr>
<td>35-54 yrs</td>
<td>239.2</td>
<td>207.3</td>
<td>178.1</td>
</tr>
<tr>
<td>55 &amp; above</td>
<td>118.7</td>
<td>101.7</td>
<td>88.7</td>
</tr>
<tr>
<td>Total</td>
<td>1094.1</td>
<td>1012.4</td>
<td>934.2</td>
</tr>
</tbody>
</table>
Consumption Trends

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Essentials</td>
<td>45.68%</td>
</tr>
<tr>
<td>Essential Services (water, power, rent, and fuels)</td>
<td>10.1%</td>
</tr>
<tr>
<td>Clothing</td>
<td>4.9%</td>
</tr>
<tr>
<td>Footwear</td>
<td>0.63%</td>
</tr>
<tr>
<td>Medicare</td>
<td>4.25%</td>
</tr>
<tr>
<td>Transport &amp; Communication</td>
<td>14.51%</td>
</tr>
<tr>
<td>Recreation, Education, and Culture</td>
<td>Less than 4%</td>
</tr>
<tr>
<td>Home Goods</td>
<td>3.25%</td>
</tr>
</tbody>
</table>

Geographical Dispersion of Market Potential

There is large difference in economic prosperity levels among several states in India, linked to the wealth creation from trade, industrial, and agricultural development. There are poor districts in many states, classified according to their market potential. India has 500 districts, out of which 150 districts (category A) and next 150 districts (category B) account for 78% and 15% of the national market potential respectively. Remaining 200 districts (category C) are backward and account for only 7% of national market potential. Category C districts have 40% of the geographical share. [11]

The CNBC Awaaz consumer awards 2008 were held at Mumbai last evening, felicitating the most preferred consumer brands of India, based on research by The Nielsen Company.
The awards were based on research conducted by research organisation, The Nielsen Company, who conducted research across 17 product and service categories across the country in 21 cities, and 84 rural locations. The study covered 10,000 respondents across all strata of society to arrive at the most preferred brands.

The awards spanned the product and service categories including consumer durables, telecom, fast moving consumer goods (FMCG), financial services, retail and automobiles.

**Most preferred Retail brands:**

**Multi-brand food retail chain:** Amongst retail giants Reliance Fresh, Subhiksha, Big Bazaar, and Vishal Megamart, Big Bazaar emerged the winner. Pantaloon Retail chairman Kishore Biyani accepted the award.

**Fast food and beverage chain:** Barista, McDonalds, Coffee House, Café Coffee Day, and Pizza Hut competed for this award. Café Coffee Day, where a lot can happen over coffee, emerged the winner of the category.

**Lifestyle brand:** Three prominent brands, Agni, Asmi and Tanishq competed in this category, with Tata Group company Tanishq bagging the honour.

**Food and beverage brand:** Parle, Tata Tea, Nescafe, and Lays were part of this category, with Parle emerging the winner. [12]
A section of Indian youth are still conservative in making friends outside their religious circles and more than a two-third have never heard about globalisation, said a report released in New Delhi.

The report 'Indian Youth in a Transforming World: Attitudes and Perception' was released by Centre of the Studies of the Developing Societies on Monday in collaboration with Konard-Adenauer-Stiftung, an international organisation with German roots.

The report said that only 29 per cent of the Indian youth have ever heard about globalisation while 66 per cent of them still consider alcohol as taboo.

About 48 per cent said they have strong faith in the democratic values while 27 per cent were indifferent to these issues.

Presiding the event, psephologist Yogendra Yadav from CSDS said 'the survey exposes the underlying attitude of the youth and tries to study political and social values prevalent among the India's youth population.'

Family remains a key institution among the Indian youth with parental authority continuing to be crucial, with 60 per cent saying that final decision on marriage should be taken by parents.

"Family support system is invaluable." While 27 per cent of country's youth reported that they did not have friend from other gender, religion or caste.
Commenting on the fact that youth of the country is transforming but the politics is not, Lok Sabha MP Sachin Pilot a panel member said, "India politics is also changing and we will see much transformation during the next decade."

"There is disconnection between globalisation and the 'Dalit youth' of this country because youths belonging to that segment of the society are still concerned about social and political security like right to vote," a panelist, Bhanwar Meghuvanshi of Dalit Adhikar Avam Ghumantu Adhikar Abhiyan from Rajasthan said.

"Dalits welcome modernisation and technology but we are afraid of globalisation as we are not able to participate in it," he said.

Muslim youths said they are discriminated upon in terms of employment opportunities, according to the survey.

Youths are vertically split about India's relations with the United States of America. 39 per cent of the youths oppose US hegemony while 35 per cent are in favour of broad relationship with the super power.

Urban youths want better relations with Pakistan in comparison to rural youths, the survey claims.

"Dressing up in the latest fashion is important among the Indian youth. Young men in India tend to be more fashion conscious than young women," the report said. Internet penetration in India remains poor.

Only 12 per cent used internet frequently.
Asked about prioritizing their concerns, 54 per cent said that they are most worried about unemployment and poverty while 35 per cent of the youth said that terrorism in the country is largely due to the government failure.

For 44 per cent of the youth population carrier is their greatest anxiety. 24 per cent of the youth said that they are anxious about global terrorism.

The survey recognised 'education' as the key driver of modernism and the educated youths pledged more faith in the Indian democratic system.

India's 34 per cent of the total population consist of the youths, one of the worlds largest and in line with countries like China and Brazil. Remarkably, India will be the only country even after more than a decade which will continue to have 34 per cent of the youth population[13]

**The young India of 2006 is conformist, confident and very, very Indian.**

When we started work on this survey, we had in our mind a vague notion of Indian youth. This was formed from impressions gathered from some of the top qualitative researchers in the country, family and friends and nieces and nephews. There was in our mind a picture of a somewhat boring, conformist young man. He is obedient and traditional. He wants a home, a car, a wife and a couple of EMIs as soon as possible. By the time he is in his mid- to late-20s, he wants to ‘settle down’.

But surely this was an incomplete picture since we had what was largely a Mumbai/Delhi perspective. Every generation has to be viewed in its context. The generation that grew up during independence had a different fire in them; they wanted to build India from the
scratch into a model country. The 1970s had a cynical, depressed generation that fled the country in droves since they saw no future here. The ones who remained idolised an angry Amitabh Bachchan.

By that reckoning this one has the best shot at the future. Its DNA was coded post-liberalisation. It has grown up with more choice, more access to information, more money and more opportunities than any other generation of Indians before it. It has also grown up with the knowledge that life has much more to offer, the possibilities are endless. All they have to do is stretch their minds to discover new worlds. So, the national picture of the young Indian, post survey results, would surely have some surprises, we thought.

To be honest, we were disappointed. Almost half the 5,485 young people surveyed across 15 cities such as Kochi, Jaipur or Bangalore (see ‘Who I Am’ on page 42) are willing to do a job that is boring if they earn enough money. Over half are religious (nobody is questioning God) and more than 72 per cent would happily marry a person their parents chose. (Whatever happened to falling in love?) In fact, more than half want to get married. Mind you, this is a sample where the mean age is 20 years, so they are pretty young to be making up their minds on this. They are very close to their parents. More than three-fourths make their career choices with the help of their parents and they believe in the joint family.

Some things, of course, haven’t changed, such as the desire to go abroad. So, in spite of the promise of India, about 56 per cent want to settle abroad. Or the angst of simply being
young and gawky. More than three-fourths worry about what people think of them, of the impression they create when they walk into a room, and so on and so forth.

The picture that emerges of the people who represent the future of India is of a traditional, albeit confident generation. As you will read in the stories that follow, none of the dilemmas of identity that haunted previous generations, haunt them, nor is there any moral ambiguity about anything. Pre-marital sex and living together is taboo, so is smoking and drinking. Almost all of these questions have the respondents saying nyet with an overwhelming majority. They are Indians through and through — for better or for worse.

What makes India’s youth worth studying is evident; one of the world’s hottest economies, a billion people, roughly half of them between the ages of 15 and 29 years, and rising purchasing power. It is a demographic gold mine for marketers and a case-study-in-progress of democratic capitalism. There is much happening to make us a happier, more chilled-out country.

The fact is that in spite of the malls, media and the positive cheer surrounding us, India remains a poor, half-illiterate, difficult-to-live-in country. Getting the basics, a home in an area with decent electricity, clean surroundings, water supply, schools and so on, in any city is still a difficult and expensive business. Earlier generations spent decades trying to get just these. The young see no virtue in huffing and puffing over what they think are hygiene factors. They want to get them out of the way before they deal with some of life’s more interesting pleasures — foreign holidays or alternative careers. So,
they are alright doing a boring job (how interesting can call centres be?), not working too hard (over one-third do not think hard work is essential for success), and making money.

This is a self-centred, goal-fixated generation that will, with full comprehension and at any price, secure its future. The sacrifices and martyrdom for a cause is not for them, unless it means signing an online petition or holding some candles (though 30 per cent of them are keen on a career in politics). No rough backpacking or exploring the world for them. This generation seems happier achieving the status quo their parents did, only faster. Their enthusiasm for life seems very rooted to the here and now, and the immediately achievable.

Or, and this is a theory propounded by one of my younger colleagues who doesn’t agree with some of the survey results, people simply avoid telling the truth when they answer questions in a survey. [14]

**Marketers are trying to connect with the young in their new media spaces**

Early this year, Nokia (India) tied up with ACNielsen to carry out an exercise in ‘webnography’. The idea was to gauge the post-launch reactions to its latest Nokia fashion series — 7260 and 7280. The survey studied 38 Indian bloggers, zeroed in on after sifting through several blogs listed on Blogstreet, Indibloggers and other blog listings. The bloggers were chosen to fit one of two profiles — college going youngsters (17-21) and young working adults (21-25). The objective: to get feedback from high net worth, young, tech-savvy consumers from Mumbai, Delhi, Bangalore, Pune and Chennai.
While the webnography confirmed Nokia’s offline research results, it was different from the offline survey in three ways.

Anjali Puri, director (client services), ACNielsen, for instance, it discovered among youngsters a common “I’m on my own” trauma and, hence, a greater need for communication — insights it did not get through the traditional means. And three, it proved to be an effective way of tapping into Nokia’s target group. A large number of youngsters found online were much more into technology and were leading edge consumers. Of course, Nokia’s need to connect with the young is, perhaps, more desperate. It has just seen has-been rival Motorola walk away with over 10 per cent of its market share, largely on the basis of its youth targeting (see ‘Upwardly Mobile, page 34.)

There are no clear numbers on how much marketers spend on targeting the young, or how much of that is going to new media spaces. But for a perspective, think of this: five years back, almost everybody looked for a job, a home, a partner or friends offline. Today, young people, who form two-thirds of the 37-odd million surfers in India, do all of this and more online. As a result, almost three-fourths of the classified advertising in English newspapers has shifted online.

The attempt to reach young people is as old as consumer goods marketing. This generation is more elusive. And they are spoilt for choice. So they spend less time on traditional media such as TV and print but more on the mobile phone, the Internet or in the mall. More importantly, unlike previous young generations, they have extremely short attention spans, do 3-4 things at one time (blog, chat, listen to radio and keep the TV on) and are (like most generations) very influenced by their peers. But perhaps, for the first
time, the young in India now have money either because their middle-class parents are
doing well enough to give them lots of pocket money or, because they are serving
counters behind pizza parlours or working in call-centres (see ‘Who I Am’.)

BPO employees, about 300,000 of them aged 18 to 24 are a great case in point. They
work evenings and nights and, therefore, the prime time TV phenomenon completely
passes them by. That is 300,000 people who miss TV ads, assuming of course that they
do not watch TV in the day. Most usually, do not read newspapers much. They prefer
hanging out online or at malls or any other place to staying inside single TV homes where
their parents can watch what they are watching. Like all youngsters, they want privacy.
And that is what every new media option is offering them.

There is no pattern, no method in what is happening. All that can be fathomed is that
marketers are putting their time, money and efforts to figuring out these ‘new media
spaces’; then they are trying to wriggle their way into these spaces; having done that, they
are attempting to make their connect as personal and interactive as possible. Much of this
marketing effort acts either as a tool for plain promotion or for research and feedback. It
is not expected to be a stimuli for sales, as of now. However, several interesting
experiments are happening in the process and, perhaps, pushing the envelope on the
possibilities of marketing.

Finding New Hangouts, Getting Into Them

Take blogs and social networking sites such as Orkut.com and MySpace.com. These have
completely changed the way people connect online. They create a sense of community
among users and are virtual hang-out joints — a place where youngsters spend several hours of their day. And by their very nature, social networks have large user bases. Orkut, for example, has nearly 2.5 million Indian users on its network (of a total 30 million). And there are plenty of other social networks out there too — Gazzag, Hi5, Facebook... the list goes on. For youngsters, it is their personal space — one they turn to for making friends, seeking advice or simply hanging out. From a marketers’ perspective, online communities do more than create brand recall. For one, prolonged use will create brand loyalty (several girls on HLL’s Gangofgirls do not use other networking sites). Two, it offers marketers a chance to have a one-on-one dialogue with users, build a relationship and tap into their psyche.

So, across the world, marketers are now trying to get into social networking sites. It explains why Google paid a fortune to be the exclusive provider of text-based advertising and keyword targeted ads through its AdSense programme on MySpace.com as well as many other sites on Fox Interactive Media’s network.

Much of the valuation game for online or mobile properties in the US is driven by one simple fact — the audiences are shifting there. Therefore, the ad dollars (about $15 billion of it in 2006) too have shifted. The US, for instance, has 12 million bloggers. For typical youth brands like MTV and Coca-Cola, their online communities play a significant role in their marketing campaigns.

That is what most major marketers in India reckon will happen here too on the Internet, since much of the Indian action runs parallel to the global one. In June 2006, HLL, the 11,000-crore FMCG major created gangofgirls.com, an online community to connect...
with young women. It has identified key topics important to this group — fashion, job hunts, having fun, emotional bonding, gossip, etc.

Then there is SMS, retail outlets, college fests and dozens of other spaces through which marketers are trying to reach the young. Reebok India ran a campaign called ‘Click for Kicks’ in December 2005, around the US National Football League (NFL) jerseys. It placed cutouts of American athletes in its stores and people could get photos clicked with them. Within six hours these were then put up online. About 20,000 people had their pictures clicked. Retail chains such as Café Coffee Day (CCD) or Barista routinely run promos centered around the mobile phone. Of its total 140 outlets, Barista has Wif-Fi enabled 28; it is planning to enable more in the future. Since more youngsters are spending more time online and lots of young working adults own laptops, this is Barista’s way of saying, ‘I’m giving you free Internet, so stay for longer. And while you are here, you might as well have another cup of coffee.’

As youth brands such as Barista or MTV build stronger communities, non-youth brands are finding it worth their while to partner with them in order to plug into the segment. ABN Amro has tied up with Barista to give out branded ‘cards’ that consumers can use to collect loyalty points and rewards. Citibank also has a similar tie-up with MTV for a special ‘credit card’ that offers discounts and free entries at pubs and restaurants. But the way marketers use the two — the new media spaces and the traditional is an interesting sidelight. Lee Jeans is using print media to promote Lee Lounge, its online social community, and WAP site for mobile phones. “For us, traditional media has started taking a backseat to our other marketing initiatives in online, mobile and on-ground
activities,” says Priya Sanghvi, director (marketing), Lee. The company spends 8 to 10 per cent of its sales revenues on marketing, and less than a third of this goes to print. The rest is spent on outdoor and other marketing strategies.

This also means, of course, that traditional media is not quite as irrelevant when it comes to this particular target group. In fact, many youth media brands such as MTV work across the spectrum with marketers who want to reach MTV’s audience. It collaborates with Barista, PVR Cinema and INOX, and has over 600 touch points across the country, including over 75 college campuses. “We want to be not just a media partner, but also a marketing partner,” says Aditya Swamy, vice-president (marketing), MTV India.

**Getting Personal**

Axe, the deo-fragrance brand from HLL, partnered with Google in March to drive users to its online advertising. The ‘Come to Axeland’ campaign was built around a fantasy land that an Axe consumer could visit and be a part of by registering. Axe used Google’s Ad Words to target consumers who were searching for topics similar to the brand values. While Ad Words accounted for 13 per cent of all impressions for the online campaign, it delivered 37 per cent of click-through. The site received 18,000 visits and close to a thousand registrations in a single day.

This is the second thing that marketers are doing, focusing their effort much better. Much of new media allows contextual advertising. That means the marketer can get the consumer in the right frame of mind to receive his brand, because it is related to what he’s searching for. “When a user clicks on your ad, it is already an expression of intent,” says Manish Agarwal, vice-president (marketing).
But if you accept the argument, though the statistics for this are hard to come by, that more young people hang out online or tend to use value-added phone services, then much of this targeting makes sense.

Also, remember that the older audience (late 20s onwards) is much more stable. So if they are online, they will tend to be on one or two sites; if they are on TV, it will be just 3-4 channels they will stick to. Getting their attention is not the marketer’s dilemma. It is getting to them before they hit that age group that causes all the problems.

Maybe it is time someone set up a social networking site for marketers stressed out from trying to crack the young. Wonder who would advertise on that? [15]

**Keeping Retailers Busy**

With the growth of retail in India, customer expectations are rising much faster than the pace at which retailers are able to roll out their services. That is the inescapable conclusion drawn from the performance of companies in three segments — lifestyle and fashion stores, coffee chains and fast food

![Image showing rankings and loyalty segmentation data](image_url)

Indian consumers want more. And retailers are gearing up to give them that consumers want more. And retailers are gearing up to give them that As India’s retail sector booms, customer expectations are rising much faster than the pace at which retailers are able to roll out their services. That is the inescapable conclusion drawn from the performance of companies in three segments — lifestyle and fashion stores, coffee chains and fast food
joints. For example, though lifestyle and fashion stores like Shoppers’ Stop, Pantaloons, Lifestyle, and Globus are offering a shopping experience that is decidedly better than what was available five years ago, customers are demanding more. The segment has managed to muster a loyalty of only 36 per cent.

A similar story plays out in the coffee chains category. Thirty-two per cent of customers feel they are trapped. Now, that’s not a comforting thought for a coffee bar. In fast foods, Pizza Hut comes out far ahead of competitor Domino’s because customers think that the Pizza Hut’s staff is more service oriented.  

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[Image of table titled "PERFORMANCE MEASURES: LIFESTYLE & FASHION STORES"

<table>
<thead>
<tr>
<th></th>
<th>Industry*</th>
<th>Shoppers’ Stop</th>
<th>Lifestyle</th>
<th>Globus</th>
<th>Westside</th>
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<td>Merchandise</td>
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[Image of table titled "THE RANKINGS"

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<tbody>
<tr>
<td>Rank</td>
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<td>2</td>
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[Image of table titled "LOYALTY SEGMENTATION: RETAIL CHAINS-COFFEE OUTLETS"

<table>
<thead>
<tr>
<th></th>
<th>Cafe coffee day</th>
<th>12</th>
<th>31</th>
<th>5</th>
<th>53</th>
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</thead>
<tbody>
<tr>
<td>Barista</td>
<td>18</td>
<td>32</td>
<td>5</td>
<td>44</td>
<td></td>
</tr>
</tbody>
</table>

[Image of table titled "Industry Avg."]

|                  | 15              | 32 | 5  | 48 |

*Notes: Percentage of people who were unhappy in these parameters. *Customers who rated performance as 'excellent' or 'very good'.

[16]
### 2.3 Consumer Perception about Processed Foods

There are many researches that has taken place in this area. Some of them are presented here:

The objectives of this research were to evaluate consumer perception and awareness of safe food preparation practices at homes. 124 consumers who were primarily responsible for preparation of foods and owned a refrigerator at home were the respondents whose responses were taken through questionnaire which was self-administered to. The collected data was analyzed by frequencies and chi-square test. Safe food practices were considered as 'very important' (97.6%) by most of the consumers. Whereas a few of the respondents considered related Hazard Analysis and Critical Control Point to safe food preparation practices (8.9%). The most serious threat to safety of food (80.5%) was the microbiological hazard. *Salmonella* was most well known (79.8%). Diarrhea (23.7%) was a common symptom of food-borne illness. Majority of the respondents around 50% always had a habit of checking out for the expiry dates on labels, seals and would never purchase swollen cans. Only 48.4% consumers 'always' used separate cutting boards for meats and vegetables. There were some respondents (6.5%) who felt that it was

<table>
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<tr>
<th>Performance Measures: Retail Chains-Coffee Outlets</th>
<th>Retail Chains-Coffee Outlets</th>
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<td>64</td>
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<td>Ordering &amp; services</td>
<td>58</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Food &amp; beverages</td>
<td>64</td>
<td>63</td>
<td>66</td>
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<tr>
<td>Staff at the outlet</td>
<td>62</td>
<td>61</td>
<td>63</td>
</tr>
<tr>
<td>Value added services</td>
<td>48&lt;sup&gt;14&lt;/sup&gt;</td>
<td>43&lt;sup&gt;18&lt;/sup&gt;</td>
<td>54</td>
</tr>
<tr>
<td>Advertising &amp; communication</td>
<td>40&lt;sup&gt;13&lt;/sup&gt;</td>
<td>38&lt;sup&gt;14&lt;/sup&gt;</td>
<td>43&lt;sup&gt;11&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

*Superscript: Percentage of people who were unhappy in these parameters; *Customers who rated performance as 'excellent' or 'very good'.*
appropriate to give unfit food to someone else. Critical points in safe food preparation practices for effective public health education were identified in the study. [1]

In another research that took place in US conjoint analytic surveys were administered to 225 potential consumers of foods processed by innovative and emerging food technologies in order to assess the factors contributing to their interest in using such products. The Respondents included 1) a consumer panel of civilian lab employees, 2) shoppers in a mall in the northeastern U.S., and 3) U.S. military troops on training exercises. The rating giving by the respondents in their interest in 49 different food product concepts that varied in food type, processing or production technology, costs, benefits, risks, endorsing agencies, and product information. Results showed that the relative importance of factors did not vary greatly among the consumer groups. Perceived risks associated with the technologies were the most important factors influencing interest in use. The term “cold preservation” had positive associations for all groups, but “minimally processed” had negative associations. Implications of the data for the marketing of foods processed by innovative and emerging technologies are discussed.

**Industrial relevance**

The food industry is currently interested in a variety of novel production and processing technologies that may result in economical and improved quality products. However, consumer attitudes toward and conceptions of these new technologies can greatly influence their success in the marketplace. [2]
ARLINGTON, Texas—Forty percent of American consumers are more likely to consume foods labeled as “rich in antioxidants” very frequently or somewhat frequently compared to 25 percent who prefer foods labeled as “antioxidants added”, according to Decision Analyst’s Food

Based on a survey of 16,392 U.S. grocery shoppers, the findings indicates that consumers prefer the label copy “rich in” as opposed to “added.” In fact, 27 percent preferred “rich in omega-3, compared to 19 percent who preferred “omega-3 added”; 25 percent preferred “rich in iron” compared to 15 percent who preferred “iron added.”

"Our findings suggest that more Americans frequently consume products labeled ‘rich in’ these ingredients, compared to products that have the same ingredients ‘added.’ This is likely due to the perception that foods rich in an ingredient are more natural and less processed, compared to foods that have these ingredients added to them during the manufacturing process,” said Diane Brewton, senior vice president of the Market Intelligence Group at Decision Analyst. “Consumer perceptions and beliefs about ingredients contained in their foods, as well as nutritional information on food packaging, are important factors driving their purchase behavior. Understanding consumer knowledge and beliefs is crucial for food marketers, as this helps them effectively highlight healthful, or even ‘magic,’ product ingredients in messaging and packaging claims.” [3]
An innovation’s success is dependent upon successfully responding to consumer needs and communicating benefits in a believable persuasive manner. Consumers respond to good taste, convenience, and health enhancing properties.

The magnitude of any risk the innovation or technology imposes including impact on the environment is also of concern. While people rely on mass media and advertisement their communication network is complex and the opinion of family and friends is a powerful influence. Public acceptance is influenced by perceived credibility of data, rigor of regulatory policy, impartial action of regulators, and demonstrated responsibility of industry.

**Consumer Priorities**

Consumers do not ask for technologies; frequently they do not know details of how food is grown, harvested, processed or distributed. They expect the food industry to deliver products with benefits important in their lives. Consumers want great tasting, convenient, healthy products. Food safety and worker safety are basic expectations. Many passively or actively support food production methods that are sustainable with minimal environmental impact.

Consumer attitudes and knowledge are affected by information received. Television, newspapers, magazines, the internet, books and family and friends are influential sources of information on food and health (American Dietetic Association 2000; Cogent 2006). Information from these sources in addition to traditional methods of communication like advertising and product labeling affect purchase decisions.
Good flavour, convenience, and health enhancing properties are key consumer benefits in today’s marketplace. An examination of the most successful new products in the United States supermarket indicates that products with a new flavour, unique flavour combination or new recipe constitute three of the top five supermarket new product successes. Dietary fibre, beneficial fatty acids, lycopene, added vitamins, calcium and probiotic cultures are among the top functional foods covered by the media (Center for Media and Public Affairs 2004; Information Resources Inc 2008a). People are seeking foods with benefits beyond basic nutrition, and products with nutritional appeal are also among the most successful new introductions (Information Resources Inc 2008b).

Innovative processing technologies can help realize some of the advantages that consumers seek, but the path from introduction to acceptance is not always clear. Some consumers are skeptical of technology and believe a low technology approach promotes health and environmental sustainability. The introduction of a food processed by a new technology may create concern among these individuals. The public is generally unaware of methods used or safeguards employed in processed food. Any risks associated with an innovation may be seen by the public as imposed by the processor and beyond the control of the consumer. In some consumer's mind an unfamiliar approach presents unknown risks which could be potentially harmful.

**Perceived risks**

Several theories have been developed to explain risk perception. Characteristics of risk, such as severity of consequences, involuntary exposure to risk, harm to the environment, exaggerated reports and adequate regulations were found to be important for predicting
consumer perception of risk (Yeung & Morris 2006; Yeung & Yee 2005). Risks are enhanced in the public's mind when imposed by others, when not accompanied by clear benefits, or when viewed as unfair (Slovic 1987).

Consumer research can identify the questions consumers have about a new technology. People want to know what risk may be reduced by a new technology and what risk is imposed by the technology. People are primarily interested in how a new process or technology affects them. Taste can be determined by personal experience, but the long term affect on health requires additional input beyond the individual's capabilities. For example, more people are interested in how biotechnology or genetic modification affects safety rather than how the technology works (Bruhn & Mason 2002).

Concern about a technology may influence flavour expectations. Some researchers found that flavour ratings were lower when people were told a product was produced by a new processing method (Cardello 2003; Lahteenmaki et al 2002). Flavour ratings and acceptability increase when people actually see the product, statements about safety are provided, and when benefits are described (Cardello et al 2007; Cardello, Schutz & Lesber, in review; Information Resources Inc 2005c; Tuorila, Cardello & Lesber 1994). Repeated exposure to neutral or positive information about a technology or innovation lowers concern (Cardello et al 2007; Schultz 1994).
Product benefits, a driving factor

Research can identify consumer perception of the most importance product characteristics. Taste is consistently rated as the most important factor that drives consumption and repeat purchase (Cardello et al 2007; Cardello, Schutz & Lesber, in review; Information Resources Inc 2005c). The promise of improved flavour was the driving factor for the introduction of the biotechnology modified Flavr Savr® tomato. Flavour continues to be viewed positively. Almost two-thirds of US consumers surveyed (67%) indicated they would likely purchase a biotechnology modified product with improved flavour (Cogent Research 2007b).

A majority (80%) of people in the United States believe specific foods and beverages will improve heart health, contribute to overall health and wellness (77%) and improve digestive health (76%) (Cogent Research 2007a). The majority of Americans say they are currently consuming or would be interested in consuming these health enhancing foods.

Although people cite nutrition and health as important in product selection (American Dietetic Association 2000), good taste is a more dominant market force. The importance of good flavour has increased in recent years with more people indicating they rarely or never gave up good taste for health in 2004 compared to 1994 (Information Resources Inc 2005c). Nutritious products that do not deliver satisfactory flavour do not remain in the market. This is illustrated by the rise and fall in demand for low carbohydrate foods perceived as helpful in weight management (Information Resources Inc 2004b, 2004d).
Convenience is a driving force in today's market. The opportunity to provide quality comparable to fresh while maintaining convenience and health benefits is ripe for innovation (Information Resources Inc 2005b; Ragaert, Verbeke, Devlieghere & Debevere 2004).

Demand for specific attributes varies by demographic groups. The likelihood to buy minimally processed vegetables is higher among better educated consumers and those with young children. A survey based upon 3000 personal interviews in the United Kingdom, Germany, and France found that the perception of personal benefits and environmental friendliness were the most important factors affecting likelihood to purchase products processed by an innovative process, high pressure (Butz et al 2003). The importance of each factor varied by country. Almost 40% of German consumers indicated they would purchase a product processed by high pressure for better health while this was a driving factor for only 18% of French consumers.

Communicate with the public

Continuous consumer communication plays a pivotal role in acceptance. Communication is more than advertising. Effective communication is a two way process which involves listening, identifying, and responding to consumer questions while addressing pertinent dimensions of the innovation.

Information should be presented through a variety of sources, with preferred sources varying by age and gender. Consumers find television, newspaper, magazines and
supermarket brochures convenient. More men and younger consumers prefer web based sources than women or older persons (Li-Cohen & Bruhn 2002).

When deciding about controversial or complex issues, consumers will likely be influenced by opinion leaders, trusted people, or organisations that are knowledgeable about technology (Rogers 1995). Endorsement by respected experts increases the acceptance of food processed by new methods.

Issues other than those that can be scientifically measured determine if a technology is accepted (Belton 2001). When message components were segregated, trust in the spokesperson was significantly more important in explaining attitudes than accuracy of information (Bord & O’Conner 1989). Similarly Sapp and colleagues found that word of mouth and trust in government and industry were more important than demographic factors in predicting consumer acceptance of irradiation (Sapp, Harrod & Zhan 1994).

Trust is greatest for groups perceived as knowledgeable, unbiased, and acting with the public's best interest in mind (Frewere, Howard, Hedderley & Shepherd 1996). While no one organisation is trusted by everyone, patterns of trust have emerged. In the United States, health organisations such as the American Medical Association and the American Dietetic Association are viewed as trustworthy by the largest percentage of consumers (American Dietetic Association 2000; Pew Initiative on Biotechnology 2004). People who prefer low technology approaches to food processing may resist innovations. Those who prefer to avoid food technologies and select organic foods have lower levels of trust
in government sources compared with those who select conventional products (Williams & Hammit 2001).

To increase trust and the likelihood that communications are understood, educational programs should be designed around what the public wants to know, as determined by consumer research. New technology should be described using lay terminology. The innovation may be compared to a similar or more familiar technology. Communication should acknowledge that risks can never be completely eliminated. Consumer benefits should be emphasized. Transparency is the operative word, sharing what is known and not known both in regards to risk and benefits. Consumers today are interested in the impact of a technology on worker safety and environmental stewardship, as well as personal welfare. If the industry is perceived as responsible and regulators establish and enforce appropriate standards, trustworthiness is likely to be high.

Products will have the greatest likeliness of success when developers address consumer needs, respond to consumer concerns and offer tangible benefits. Researchers have demonstrated that statements about the benefits associated with a particular food or food processing technique will reduce concerns and increase likelihood of consumption. Factual information from a trusted source, clear statements about safety and benefits, and exposure to a product that delivers quality and convenience will increase consumer acceptance[^4].
CHICAGO—A new report from Technomic revealed that consumers are changing their perception of fast food from quick-service, drive-thru restaurants and convenience stores to a dual concept of traditional fast food, and “food fast,” served quickly with a greater emphasis on flavor, quality and ambiance. Additionally, 41 percent of consumers report that their idea of places offering “fast food” has expanded recently to include fast-casual restaurants and full-service restaurants offering carryout and curbside service.

The report, “Status and Future of Fast Foods: Consumer Trend Report,” examines how consumers are seeking faster, more convenient service from all types of foodservice establishments, including convenience stores, food trucks and grocers offering retail meal solutions.

Based on data from a November 2009 survey of 2,000 consumers, the report integrates industry data from the Top 500 U.S. restaurant chains, select secondary sources and menu analysis from Technomic’s proprietary MenuMonitor database. Appendices include menu and concept profiles of 10 innovative food-fast concepts, and comprehensive demographic breakdowns for fast-food and fast-casual restaurant user groups and consumer clusters.

“As Americans continue to trade down from full-service concepts, more restaurants are competing for the ‘fast food/food fast’ customer,” says Darren Tristano, EVP at Technomic. “Both quick-service and fast-casual restaurants are borrowing elements from the other to drive traffic. This represents a host of challenges to operators rethinking their
brands. Understanding consumers’ changing perceptions of fast food, as well as competitors’ responses, will be central to success.” [5]

The goal of this research is to investigate the present situation for front of pack labeling in Korea and the perception of consumers for the new system of labeling, front of pack labeling, based on the consumer survey. We investigated the number of processed foods with front of pack labeling in one retailer in Youngin-si. And we also surveyed 1,019 participants nationwide whose ages were from 20 to 49; the knowledge of nutrition labeling, the knowledge of 'front of pack labeling', and the opinion about the labeling system. The data were analyzed using SAS statistics program. The results were as follows: 13.4% of processed foods had front of pack labeling, and 16.8% of the consumers always checked the nutrition labeling, while 32.7% of the consumers seldom checked it. In addition, 44.3% of the consumers think that 'front of pack labeling' is necessary, and 58.3% of the consumers think it is important to show the percentage of daily value as a way of 'front of pack labeling'. However, 32% of the consumer think the possibility of 'front of pack labeling' is slim. Meanwhile, 58.3% of the consumers think that it is important to have the color difference according to contents. The number of favorite nutrients in the front of pack was four or five. It seems that the recognition of current nutrition labeling has the influence on the willingness of using the future 'front of pack labeling'. Along with our study, the policy for 'front of pack labeling' has to be updated and improved constantly since 'front of pack labeling' helps consumer understand nutrition facts. [6]
This paper is derived from a larger scale project investigating consumer attitudes towards organic food in the UK. Presents focus group results on consumer perceptions, attitudes and behaviour in relation to two key interrelated food trends: organic food and animal welfare. The results indicate that consumers often confuse organic and free-range products because they believe that “organic” is equivalent to “free-range” food. Focus group discussions were conducted to identify the main beliefs and attitudes towards organic food of both organic and non-organic food buyers. Results indicate that, although health and food safety concerns are the main motives for organic food purchases, ethical concerns, specifically in relation to standards of animal welfare, play a significant influencing role in the decision to purchase organic food. The results are consistent with parallel research into consumer concerns about animal welfare, which showed that consumers are primarily concerned about food safety issues. Furthermore, the research illustrates the central outcome that animal welfare is used by consumers as an indicator of other, more important product attributes, such as safety and the impact on health. Indeed, ethical considerations seem to motivate the purchase of organic food and free-range products and, therefore, may be viewed as interrelated. However, such ethical frameworks are closely related, if not contingent upon, the quality of the product, which includes perceptions of higher standards of safety and healthiness. Based on the qualitative data, suggests that the organic market could take advantage of research on consumer motivation to buy free-range products, by embodying ethical concerns as an indicator of product quality. [7]
Many consumers are interested in local products because of the perceived benefits of freshness, stronger taste and higher quality. To consumers the origin attribute represents a strong purchasing criterion. With respect to organic produce, local food products may be perceived either as substitutes or as complementary. A qualitative approach to data collection (focus groups) and to data processing (content analysis) has been used to analyze Italian consumers’ perception with respect to local and organic food products. Focus groups interviews indicate that Italian consumers place much importance on the local origin of food products, especially if fresh consumed. The origin with its implication of seasonality, territoriality and localness are among the major motivating and trust factors, however not always linked to organic food products. The lack of availability of local and organic food products together with retailing issues are taken into consideration. Differentiation throughout animal and non-animal products and between processed food products and commodities is analyzed. Organic seems to suffer in global markets, localness may suggest a solution. The research provides insights on substitution and complementary marketing strategies. [8]