CHAPTER III: CHANGING CONSUMERS BEHAVIOR

3.1 Introduction-Impact of liberalization on consumer behavior

When viewing any retail design project; for a retailer the first concern is the customer - how have they changed, what are their pre-occupations and what are their desires? Over the years, and especially over the last 20 years, the relationship between the customer and retailer has changed significantly. And of course retailers have responded accordingly. Retailers were national, were concerned about advertising, increasing real estate value, installing POS technology and operational improvements.

In the 1990s they were becoming more global, more concerned with not just selling the product but also selling the brand, providing more added value information both for the customers and themselves and being more entertaining. Technology in thought, if not always in practice was becoming the norm. Children are becoming technology savvy. In essence retailers are becoming more responsive to customer needs.

But what of the new customer, the 21st century customer? Again the research points to the customer attitudes changing. They no longer want just to be sold something. They want a dialogue with the retailer, they want sociability, service and ideas but still require value (if not always cheapest) they want an experience together with reassurance and they want authenticity. In many ways this is what they always wanted and used to get in the little local store - one’s mother’s store - emotions and relationships are thus getting lost in the mass-market anonymity store of today. Customers were also becoming global - what kids wear, watch, listen to, and their attitudes are becoming the same the world over. They also accept technology without it having to be overtly ‘techies’ - it’s just the normal thing - no longer celebrated like the latest fashion icon but used like your favorite comfortable shoes.

3.1.1 Demographic Factors

Population size and age distribution determine what the retailers must be offering and to which segment of the market, depending upon their goals. Further, factors like average life expectancy, birth rate, marriage age, average number of children, family life cycle define the requirements of the market and the firms (retailers) should act accordingly. Applying the traditional family life cycle to retailers, thereby figuring out the relevance of each stage in cycle for retailing, we have the following table:
<table>
<thead>
<tr>
<th>Stage in Cycle</th>
<th>Characteristics</th>
<th>Relevance of Retailing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Nest 1</td>
<td>Youngest child under 6 years. One / One and a half incomes. Limited independence. Future oriented</td>
<td>Goods and services geared to child. Family oriented items. Practicality of items and appeal to economy</td>
</tr>
<tr>
<td>Full Nest 2</td>
<td>Youngest child under 6 years. One and a half to two incomes. Dependent. Future oriented</td>
<td>Savings, Home, Education. Children oriented items. Family vacations. Appeal to comfort and luxuries</td>
</tr>
<tr>
<td>Empty Nest 2</td>
<td>Retirement. Limited income. Present oriented</td>
<td>Travel, Recreation, Health related items. Little interest in luxury. Appeal to comfort</td>
</tr>
<tr>
<td>Sole Survivor 2</td>
<td>Only one spouse alive. Limited income Retired.</td>
<td>Travel. Entertainment Health related items. Appeal to economy and social activity</td>
</tr>
</tbody>
</table>

3.1.2 Number of households and their composition
They have key implications for retailers. These will influence the purpose (self use or to be used by others) of purchases made. These factors also determine the
types of goods and services for which the demand is high and hence in which there is scope for retailers to make money.

Population mobility results into:

* Prosperity of well-known chains and franchisees.
* Higher sales of national and regional brands.
* Higher purchase levels, especially of clothing and home related goods and services, because some items are discarded in moving to new environments (particularly if the moves are long distance and there are climate changes).
* Boom in unified, nationwide credit system, which can ease and thus encourage purchase transactions.
* Necessity of large scale advertising which will be helpful in generating and maintaining a retailer’s image. E.g. Food World and Music World started in the south and are catching up in the northern and western states of India. Crossword has franchised outlets to enable better reach.

Location:

Location of the population determines what it will buy and where. It is location of the buying population, which plays a vital role in deciding

* Locations of the retail units.
* Opportunities for various types of retailers and also various types of items such as furniture, lawn mowers and snow blowers.

Working women - Their median ages and composition of their families along with their desire of combining the roles of working women, wife and/or mother has these implications for the retailers.

* Are concerned with convenience and ease of performing household duties and hence are apt to spend large amounts for major appliances and household equipment, especially when they are time saving
* Are more independent in their purchases as they seek individualism and personal identity; are self confident and individualistic
* Are prone to use leisure time for pleasure.
(The above two points have a strong influence on the market for ready-made clothing, sports goods and car-rental agencies).
* May be unable to shop during regular retail hours, thus creating opportunities for direct marketers and retailers with extended hours
* Have less time to prepare meals - hence help in growing the importance of prepared foods, convenience foods and quick serve restaurants
* Increasing family affluence, thus expanding the purchase of luxuries and are demanding as consumers.
* Will be more responsive to advertisements placed in evening time periods, particularly on television.

* Females are spending 60% on shopping entertainment and eating out whereas men are spending about 50% (Source: KSA Technopak)

**Income** - higher incomes broaden markets for luxury goods and services. They also lead us to the anticipation of increase in the demand for high quality services and wider assortments. At the same time retailers should also keep in mind that due to unemployment and inflation, there are consumers with low-income levels who also need to buy goods and services.

### 3.1.3 Life Style Trends

**Gender Roles** - the increasing number of working women (with characteristics as described above) is altering the life styles significantly, not only of women themselves, but also of the males. Larger number of males is now fulfilling the roles that were thought to be females in the past. These trends reflect on the demand for better and more services and for more automated equipment, which the retailers can encash.

**Consumer sophistication and confidence** - With increasing number of consumers who are cosmopolitan in tastes and styles and more knowledgeable and demanding than before, the expected outcomes are:

* Decreasing desire for conformity.
* More willingness to experiment.
* Insistence on detailed information.
* Sharply stronger demand for quality in goods and services.

**Poverty of time** - results from the trend of increase in the number of working women, increases in distances between locations of work and home and increase in the number of people working at second jobs. This leads consumers to place a high value on goods and services minimizing time expenditure may be sought by consumers in one or more of the following ways:

- Emphasizing physical fitness
- Emphasizing or de-emphasizing material possessions and status symbols
- Attain individuality ("doing one's own thing")

In responding to consumer desires for self-fulfillment, the retailers must act according to their understanding of the motivations of their target markets. These factors looked upon in the context of a particular geographical region, decide the numbers of various types of retailers functioning in that markets.
### Table III. Where does the time go?

<table>
<thead>
<tr>
<th>Activities</th>
<th>North</th>
<th>East</th>
<th>West</th>
<th>South</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sleeping</td>
<td>53.2</td>
<td>49.3</td>
<td>54.2</td>
<td>55.4</td>
</tr>
<tr>
<td>Work</td>
<td>30.5</td>
<td>28.8</td>
<td>33.8</td>
<td>32.0</td>
</tr>
<tr>
<td>Household work</td>
<td>26.8</td>
<td>21.6</td>
<td>23.5</td>
<td>26.1</td>
</tr>
<tr>
<td>Misc. Work</td>
<td>20.5</td>
<td>41.6</td>
<td>27.1</td>
<td>15.1</td>
</tr>
<tr>
<td>In-Home Leisure</td>
<td>20.5</td>
<td>18.8</td>
<td>18.7</td>
<td>20.1</td>
</tr>
<tr>
<td>Out of Home</td>
<td>16.1</td>
<td>10.0</td>
<td>12.2</td>
<td>20.8</td>
</tr>
<tr>
<td>Shopping</td>
<td>5.9</td>
<td>3.0</td>
<td>3.0</td>
<td>7.1</td>
</tr>
<tr>
<td>Entertainment</td>
<td>5.8</td>
<td>3.0</td>
<td>3.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Eating Out</td>
<td>1.4</td>
<td>3.0</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Hobbies &amp; Sports</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>

### Table IV. Satisfaction with Stores

<table>
<thead>
<tr>
<th>Attributes</th>
<th>% of respondents looking out for this attribute in a retail outlet.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polite &amp; Courteous Sales People</td>
<td>86.1</td>
</tr>
<tr>
<td>Quality of Products</td>
<td>85.9</td>
</tr>
<tr>
<td>Non-intrusive Sales People</td>
<td>76.2</td>
</tr>
<tr>
<td>Value for Money</td>
<td>75.1</td>
</tr>
<tr>
<td>Attractive Displays</td>
<td>75.0</td>
</tr>
<tr>
<td>Range of Products</td>
<td>65.8</td>
</tr>
<tr>
<td>Schemes &amp; Promotions</td>
<td>48.8</td>
</tr>
<tr>
<td>Exchange/ Return policy</td>
<td>44.1</td>
</tr>
<tr>
<td>A Trial Room</td>
<td>32.0</td>
</tr>
<tr>
<td>--------------</td>
<td>------</td>
</tr>
<tr>
<td>Acceptance of Credit Cards</td>
<td>25.1</td>
</tr>
<tr>
<td>An Entertainment Center for Children</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Table IV. Non-Store Formats: Reasons for Non-Use

<table>
<thead>
<tr>
<th>Format</th>
<th>Direct Mailers Card Offers</th>
<th>Catalogue Mail Orders</th>
<th>Tele Shopping</th>
<th>Net Shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Like to touch /feel the product</td>
<td>21</td>
<td>27</td>
<td>26</td>
<td>15</td>
</tr>
<tr>
<td>Don’t trust the quality</td>
<td>17</td>
<td>20</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>No fun involved</td>
<td>16</td>
<td>18</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>Don’t know whom to contact</td>
<td>14</td>
<td>12</td>
<td>--</td>
<td>10</td>
</tr>
<tr>
<td>Inadequate Range</td>
<td>6</td>
<td>7</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Never receive offers/Watch T.V. programme</td>
<td>--</td>
<td>--</td>
<td>7</td>
<td>--</td>
</tr>
<tr>
<td>Don’t have a computer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>39</td>
</tr>
<tr>
<td>Others</td>
<td>35</td>
<td>--</td>
<td>13</td>
<td>10</td>
</tr>
</tbody>
</table>

(Source: -“Retail Revelations”, Business Today (July 22, 1999)

Note: A figure in a particular cell in this table refers to the percentage of respondents who do not use the non-store format mentioned in the column for shopping due to the reason mentioned in the row.

Table V Use of Non Store Retail Formats

<table>
<thead>
<tr>
<th>Non Store Format</th>
<th>% of respondents who have ever heard of this format</th>
<th>% of respondents who have ever used this format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Shopping</td>
<td>72</td>
<td>5</td>
</tr>
<tr>
<td>Direct Response</td>
<td>62</td>
<td>9</td>
</tr>
<tr>
<td>Direct Mailers</td>
<td>54</td>
<td>8</td>
</tr>
<tr>
<td>Net Shopping</td>
<td>40</td>
<td>1</td>
</tr>
</tbody>
</table>
Changing shopping patterns

Using the power of the Internet

Users 92 Million
Shoppers 55 Million
Buyers 28 Million

(source: Commerce Net/Nielsen Media Research -2000)

Indian Consumers ...the fastest community to adopt technology

This fact is reflected in the facts given below:

- 1 mn+ of net users in India: poised to grow to 4 mn by 2003
- Concept of "SOHO" picking up gradually
- Home PC market growing at a fast pace (88% in '99-'00) (Source: IDC)
- Emergence of Net savvy 60+ populations
  - Retired officials
  - Parents with siblings abroad

Consumer base is broadening...

The various reference groups within as well as outside the family are helping to broaden the consumer base.

- Family emerging as the buyer
  - Children made ready for the career of the future
  - Other family members also getting hooked onto the revolution
  - Family members as "buying consultants" (brand reference)
- Technology getting installed in educational institutions

According a KSA study, the cross border moves would also give rise to small formats and fashion oriented formats. This is driven by the fact that consumers want to shop from outlets near their residences. They do not want to travel beyond five kilometers to shop; this will give rise to small and other formats. In fact, saving time is becoming more important than saving money.

(Source: Big retail chains eye cross-border business—a study conducted by retail consultant KSA Technopak, Business Standard, Jan 28, 2002).

Is the Indian market ready for organized retail? This is the 100-store question facing several prospective entrants today. To arrive at an answer, it's necessary to study the Indian consumer and his spending habits. No analysis on the retail industry is complete without an insight into the consumer. Consumer knowledge is core to business strategy including decisions like location, store size, format, and merchandise, break-even period and funding. ETIG (Economic Times
Intelligence Group looked at NRS 2005 data and the KSA Consumer Outlook Study 2005 to analyze how the Indian consumer has progressed in the last couple of years.

3.2 The Way ahead - A consumer revolution

Thus, organized retail is uniquely positioned to take care of the convenience and aspirational needs of Indian consumers. Retailing is a complex task with several functions working simultaneously. A successful retail enterprise has to have a vast network of people and error-free processes in place. The following Discussion focuses on apparel and food - the two largest retail markets. ETIG also looks at real estate and IT - crucial factors in retail. An analysis of the payback scenario reveals the financial aspect to be considered while setting up a retail enterprise.

A consumer revolution is on its way as far as the Indian urban household is concerned. A positive factor for organized retail, whose survival depends on these households: ETIG analysis of the NRS data over the last two years shows that the urban consumer is definitely becoming more discerning and demanding as far as lifestyle is concerned. The NRS survey is conducted over a base sample of 1.9 lakh households and 6.8 lakh individuals in rural and urban India. This survey is perhaps the most authentic survey done on Indian consumption and readership habits. Here are some excerpts from the lifestyle section of the survey for urban India.

3.2.1 The Income Angle- Indian Consumer is getting richer

With GDP Per Capita slated to approx. double by 2010; it is noticed that the number of households by Year 2008 with income bracket Rs.2,50,000 will be:

FY 2008: 23 Million Households in Rs 2,50,000 Income brackets

(Source: Merrill Lynch: India Economics)

Income data for urban India over the last two years reveals that urban Indian household income is on the rise.

- Of the 179 million Indian households, only 14 million are in the top 8 metros - Delhi, Mumbai, Kolkata, Chennai, Bangalore, Ahmedabad, Hyderabad & Pune. Out of these 14 million households, only 1.18 million are earning an MHI of Rs 10,000 or above – which could be safely called the Consuming Class.

- There are 2.2 million Households in the rest of India, which touch the mark of Rs 10,000 MHI, who are ready to join the spending bandwagon.
Some consumption figures unearthed from the IRS data for 2003 reveals that a wave of consumerism has been ebbing in the non-metro locations in the past year.

- 9 lakh Households acquired cars in the last 2 years in India out of which 6.7 lakh Households were from towns other than the top 8 metros.
- 3.5 million Households purchased motorcycles in the last 2 years. 3.1 were from cities other than the top 8 metros.
- 9 lakh Households have Personal Computers in India of which 3.36 lakh Households are from towns other than the top 8 metros.
- 1 million Households acquired refrigerators in towns other than the top 8 metros in the last 2 years.

There is unbelievable amount of credit friendliness amongst Indians now & the old school of thought about postponing consumption finds no takers amongst the young Indian consumers. The trend clearly shows that the purchasing power of urban India is increasing. This is good news for organized retail - as increase in purchasing power world mean higher demand for better lifestyle, which can get translated into a need for better shopping ambience,’ superior quality products and improved service. All these factors form the basis of organized retailing and can result in higher footfalls and conversions for the retailers. One is already witnessed an early signs of this revolution - with several retail chains now turning profitable and large expansions planned by many players in the industry,

3.2.2 Asset Acquisition -The steep upward curve of Indian Consumer spending:

The salient features of changed consumer spend is reflected in the points discussed below:

- There is a considerable growth in the consumer spending over the years, as shown below:
  
  \[
  \begin{array}{cccc}
  \text{Year} & \text{1999} & \text{2000} & \text{2001} & \text{2002} & \text{2003} \\
  \text{Growth} & +10\% & +7\% & -1\% & 12\% & +16\% \\
  \end{array}
  \]

  Figures represent consumer spending on discretionary items.

- Conspicuous expenditure rising; spends on durables, home textiles risen.
- Consumers are seeking value for grocery, personal grooming items and eating out.

Let's have a look at the Indian Consumer spending basket which is ever expanding:

<table>
<thead>
<tr>
<th>Categories Grown in 2003</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>..Consumer Durables</td>
<td>53 %</td>
</tr>
<tr>
<td>..Books &amp; Music</td>
<td>32%</td>
</tr>
</tbody>
</table>
Haying seen a rise in income levels, ETIG analyzed how this has translated into increased spending. They looked at the asset acquisition rate of households which revealed interesting details. (see table "Lifestyle Prospers"),

Clearly, the acquisition of assets is increasing and, significantly, lifestyle assets figure among the top buys, Thus, while regular assets like say scooters or radios have seen flat or negative growth, the second rung lifestyle assets like ovens, air conditioners, vacuum cleaners and so on, which hitherto had negligible market potential, have seen double digit growth. This means that the urban household is striving to improve its lifestyle and relying on gadgets to reduce household work.

The other factor unearthed by the survey is that the number of urban households without domestic help has actually increased by 7 per cent. On the other hand, the number of households where the chief wage earner is a female has grown by 8 per cent. This is one more reason for the increase in demand for lifestyle equipment - for devices that ease household pressures. The findings of the survey are a positive signal to the multinationals to introduce their latest technology in India as the demand for better lifestyle is being translated into modified purchasing habits.

This change in the purchasing power of the households has a lot to do with the change in the demographic composition of the household and that of the key decision-maker in the family (see table Who is the Boss?). Notably, the age of the chief wage earner and hence the key decision-maker in the family is increasingly going down. The other major factor is that the level of education is increasing.

The number of urban households with chief wage earner and key decision-maker of higher postgraduate education has actually increased by 7 -10 per cent. Increase in education and exposure to the latest trends through various media has led to an increase in demand for lifestyle goods, which is visible in the increased ownership of these products. The data on the demographic profile of the urban households and that of the key wage earner and decision-maker offers valuable insights to the retailer in areas of merchandise planning and
management. For example, the percentage of chief wage earners in the skilled and student category is increasing, which means that the profile of the earning members of the family is more modern and educated. Thus, there is a definite shift towards trendier clothing and products. This is already visible in some of the bigger metros in the country and from the movement of products on the retail shelf.

In fact, the NRS survey also captures the intention to buy factor (see table 'Dare to Dream'). This clearly shows that the number of households that have expressed a desire to purchase specific lifestyle products have grown at a rapid pace over the last two years. This is a great sign for marketers of these products, as the growth phase will last for the next couple of years. This data can also give several cues to existing retailers regarding their promotional activity. Considering the aspirational value that some of the products carry, organization of promotional activities around these products could attract higher customers to the stores.

3.2.3 Lifestyle Changes:
The lifestyle of urban households has changed considerably (see table 'Personal Pampering'). In spite of the overall slump in the market, the percentage of households that have traveled outside the city in which they live and number of households who eat out have increased. Personal ownership of cars has gone up. These factors suggest an overall prosperity in the economy, which is further bolstered by the growth in income levels discussed earlier.

NRS 2005 data shows that urban households in India have become more assertive about their preferences and consumption habits.

<table>
<thead>
<tr>
<th>Where it's at?</th>
<th>Average visits per month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Hyper Markets</td>
<td>1.0</td>
</tr>
<tr>
<td>Super Markets</td>
<td>1.0</td>
</tr>
<tr>
<td>Departmental Stores</td>
<td>1.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shoppers' Usage Of Modern Store Types In Urban India in 6 Major Cities last month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend Most Money used in the last Month</td>
</tr>
<tr>
<td>Hyper Markets</td>
</tr>
<tr>
<td>Super Markets</td>
</tr>
<tr>
<td>Convenience Stores</td>
</tr>
</tbody>
</table>
Modern Trade V/S Traditional Trade- (Based on FMCG Categories)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern</td>
<td>07</td>
<td>10</td>
</tr>
<tr>
<td>Traditional</td>
<td>93</td>
<td>90</td>
</tr>
</tbody>
</table>

(Source: Ac Nielsen Shopper Trends 2005)

3.3 KSA CONSUMER OUTLOOK 2005

KSA- Technopak has been tracking Indian retail development- The company - an associate of Kurt Salmon Associates of UK - undertakes a consumer outlook study every year- Its Consumer Outlook Study 2005 focuses on the consumer’s shopping and spending habits, trends and preferences across the range of product categories like apparel and fashion, accessories, jewellery and watches, footwear, durables and appliances, home improvement, books and music, vacationing and travel, food service/eating out and entertainment. The study covers 10,000 consumers across SEC A and B, 15-58 years age group across 20 cities in India- The cities covered include - Delhi, Chandigarh, Jaipur, Ludhiana, Lucknow, Kolkata, Patna, Bhubaneshwar, Guwahati, Mumbai, Nagpur, Pune, Surat, Ahmedabad, Indore, Bangalore, Chennai, Hyderabad, Madurai and Cochin.

This report studies household spends on 20 categories in depth, across 10,000 SEC A & B Urban Indians. The categories covered include basic ones such as food & grocery, consumer durables and personal care as well as new emerging ones such as mobile phones and payment to household help. Special Feature in this Report Youth trend mills – a snapshot of Indian Kids (aged 11 to 21) In keeping with the global trends, the influencing and spending power of Indian tweens and teens is rising significantly. This understanding of the Indian Urban Kid has been incorporated in Consumer Outlook 2005 as a special feature. This survey carries forward the quest to further understand the Indian Urban consumer and demystify her preferences and shopping patterns.

The year 2004 was a year of reckoning wherein the Indian consumer was recognized globally as a significant participant in world consumption and commerce. This was also the year where the Indian consumer emerged strongly as a discerning and individualistic consumer who was not satisfied with handouts of traditionally "more developed" countries. The spending on discretionary items...
went up by 16% in the year 2003 over 2002. All lifestyle categories — rather than basic — witnessed double-digit growths.

The year 2005 saw a lot of excitement building up in the marketplace with modern formats, more stores, fresh brands and new products offering the customer an array of options. Consumers are now becoming familiar with the new shopping destinations and ambience. As compared to earlier years when organized retail formats existed as standalone entities with a lot of customer pull, 2001-05 saw increasing competition in the market. Thus pull strategies gave way to push strategies in which the consumer was the final beneficiary. These years were also a difficult one for consumers with many losing money in the stock market. But this did not stop them from shopping. Right from the manufacturer to the retailer — all came together to offer the best value proposition to the customer which resulted in an overall increase in the volumes transacted. On the negative side, the big bargains led to a decline in top line growth. The KSA study shows that the overall consumer spending dropped by one per cent in 2001 (see graph 'Market Forces').

3.3.1 Top Purchases

2005 was a great year for consumer electronics that saw several product innovations. The time gap between an international product launch and the introduction of that product in India has come down sharply. Moreover, the lower duties on imported raw materials aided the growth of this industry. The mega promotion offers drew in a lot of middle class customers. But in spite of the major increase in consumer spend on durables; this segment saw a decline in the value spent. The year saw a revival in spends on home appliances, home textiles and other products that are used to make the home a better place to live in. This reveals the increasing importance of 'home' in the lives of the Indian consumer (see table "Winners v/s Losers"). Prices of clothing came down substantially in 2005. Most of the apparel manufacturers suffered major losses during the year. Buying food has always been the top priority for consumers. At the same time, another factor that has gained prominence in the last few- years is eating out. All in all, food is at the top of the purchase list for consumers (see table "Priority List"). However, other priorities have fluctuated. The emergence of new categories has made category collision more intense. Gifts, accessories, pre-cooked food/ready to eat meals were some of the new additions.

3.3.2 Consumer Segments.
India Is Young. The lowest Median Age is of 24 years for its 1 Bn + Population. In the year 2000, the number was 24 Billion, and is expected to grow reach 34 billion by 2025. (Source: Population Division, DESA, United Nations)

- Largest “Young” Population

<table>
<thead>
<tr>
<th></th>
<th>FY91</th>
<th>FY96</th>
<th>FY01</th>
<th>FY06E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>210m</td>
<td>24%</td>
<td>224m</td>
<td>24%</td>
<td>247m</td>
</tr>
<tr>
<td>26%</td>
<td>279m</td>
<td>27%</td>
<td>312m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Merrill Lynch: India Economics)

The fast changing profile of Indian consumers is affecting their shopping patterns and practices. With growing aspirations, the SEC differences are rapidly diminishing (see table 'Vanishing Gap'). Difference between spending of SEC A and SEC B has narrowed down and it is felt that now there is a need for looking at other segmentation criteria. There are variations in regional preferences though (see table 'Across Borders').

Eating out ranks number two for west and south Indian consumers as these two regions have large number of restaurants and eating joints that are affordable and hygienic. Also, these regions have the maximum number of working women. For the more fashion conscious North Indians, personal care is the second most important area of spending. Apparel holds second place in the east - it is primarily clothing that drives consumers in Kolkata.

Those residing in Mumbai spend more time and money buying and reading books and listening to music - this is simply because most of the people spend about 2-3 hours traveling each day for work. Despite interest rates dropping drastically, savings still figure amongst the top priority of Indians. This proves that most Indians by nature have a tendency to save.

3.3.3 Teen Talk

Relative spending of youth with respect to older age groups has increased over the last three years (see graph 'Catching them Young'). The higher purchaser in the middle and upper age groups is primarily due to their higher spending on household goods and groceries. Youth (15 years to 24 years) is emerging as a core target customer for "look good feel good" categories.

This is also the age when most Indians get married and heavy expenditures are incurred on fashion and lifestyle products. In the age group of 20-24, the expenditure on 'movies & theatres', 'eating out' and 'personal care' is very high. While interest in movies & theatres (outside home) decreases considerably with increasing age, interest in 'books & magazines' rises in 30 plus consumers. There
is significant increase in propensity to save and invest in the age of 20 to 24 years and in spending on home products in the age of 25 to 34 years.

3.3.4 Women Power

The overall spending of a working woman is about 10 per cent more than that of a housewife (see table 'Impact of Independence'). However, this spend is much more on lifestyle products. Working women are shelling out the most on movies and mobile phones in comparison to housewives. They also spend more on eating out, books & music and gifts than non-working women do. The ratio of men to women spending in single income households to double income households is 1.12: 1 whereas it is 1.05:1 for Double Income No Kids (DINKS) households.

3.3.5 Time Spend:

With time becoming more and more precious, consumers are reducing the "discretionary" time spend. As compared to previous years, consumers are pessimistic about spending time on shopping, leisure and other outside-home facilities. With increasing work pressure, people want to relax at home and spend some time with their family. So consumers are shopping closer to home now than ever before (see table 'Not Going Too Far'). Increasing "time consciousness" is leading to higher "shopping efficiency". For the same amount of grocery shopping, consumers are spending 20 per cent less time. For the same amount of eating out spends, consumers are spending about 50 per cent less time (see table "A Tight Schedule"). However, "convenience" - both in terms of location of the store and in-store convenience is a key value driver.

The study clearly indicates that the Indian consumer is reacting fast to the developments in the markets (see table 'Desperately Seeking Perfection'). The Indian consumers, like their international counterparts, are becoming increasingly demanding and knowledgeable. They are tough critics, savvy purchasers, value driven spenders and practical thinkers when it comes to shopping. The demands for their time at work and home have made consumers extremely selective about how they will spend their limited and precious leisure hours. Shopping today is much more than just buying material, it is an experience in itself. To best utilize the available time, the Indian consumer is on the lookout for avenues that give him the maximum value for his money and time spent.

3.4 The New Indian Consumer:
Let's see what two of the most prominent world magazines have to say regarding the Indian Consumers.

1 **Business Standard, 2004:**
   - “India leads Asia-Pacific in consumer confidence. Indians also appear to display the highest degree of confidence in their economy than consumers in other Asia-Pacific countries.”

2 **Time Magazine, 2003:**
   - “... A new breed of consumer in India -young, increasingly wealthy and willing to spend on everything from mobile phones to speakers to French fries.”

It is quite evident that the Indian consumers are changing very fast in terms of their tastes and preferences. This is reflected in the latest various consumers’ behavioral traits as stated below:

- Demanding & Knowledgeable
- Tough critic
- Time Pressured
- Value driven
- Increasing propensity to spend
- Increasing choices
- Increased branding
- Media explosion
- Service orientation
- Organised retailing

### 3.4.1 Overall Metamorphosis in Mindset

It has been noticed that there has been a sea change in the Indian consumers’ mindset. He has drastically changed from a conservative consumer to a liberal, aspirant, and more indulgent in materialistic goods and durables. He has changed now.........*From Hinduistic 'self denial' To Indulgence.*

For retailing, enabled by an explosion of lifestyle spending options, these are certain glaring observations:

- Availability of lifestyle spending options are increasing and inducing higher spends on “status acquisition”
- Over 400 malls under construction across 60 cities; 70-80 million square feet
- Growth in multiplexes: Number of screens to grow by over 1000 in 2004
• Converging aspirations: Differences in wants and desires of consumers in conventionally defined segments like metros vs. small towns, SEC's diminishing.

3.4.2 Credit Friendly Indian:
- Radical change in Indian consumer mindset: credit no more a feared entity.
- Personal Credit off take has increased from about Rs 50,000 Crores in 2000 to about Rs 160,000 Crores in 2003 giving an unprecedented boom to high ticket item purchases e.g. housing and automobiles.
- 12% people in urban SEC A/B are currently paying EMI's for loans, of which 40% have taken a home loan.

3.4.3 Capital expenditures becoming revenue expenditure

TRADITIONAL: Traditional List of items for expenditure under two heads are given as follows:

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Revenue expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>House</td>
<td>Food and grocery</td>
</tr>
<tr>
<td>Vehicles</td>
<td>Clothing</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>Entertainment</td>
</tr>
<tr>
<td>Jewelry</td>
<td>Books and music</td>
</tr>
</tbody>
</table>

NOW: Where as with the changed mind set the list of items under two heads are as follows:

Capital expenditure:
- Easy availability of finance has made traditional capital expenditure now a part of the consumer revenue expenditure

Revenue expenditure:
- Food and grocery Clothing Entertainment Books and music
- Housing loan Car loan Purchase on credit

This augurs so well for retailers, and brands. The good news continues for retailers and brands!!

3.4.4 Emergence of the Two faced customer

Regarding the metamorphosis of Indian consumers it has been observed that now he possesses two faces simultaneously as reflected in points given below:
- Seeks value at one end whereas Indulges on the other end.
- Overall consumers spending power is increasing.
- Value is more important.
- A quick review of Indian urban consumer shopping basket reveals that;
Earlier he was spending on seeking cheaper options like:
- Grocery - Personal care & - Eating Out etc.

Now he is upgrading his spend to:
- Mobile Phones - Housing - Automobiles - Durables
- Education etc.

3.5 Indian Consumers of the Next Decade:

He can be categorized into following three groups as follows:

1. 8 to 19 years “Technologies’ Babies” 32 million
2. 20 to 25 years “Impatient aspirers” 16 million
2. 26 to 50 years “Balance seekers” 41 million

Universe = Urban, SEC A/B/C * (Source: KSA estimates) 26 to 50 years

3.5.1 Technologies’ Babies:

- India’s urban tweens and teens are growing up midst a growing economy surrounded by feel good factors.
- Born to be wired and tech savvy
- Knowledge seekers
- Growing up with the Indian value system but high degree of western influence as well.
- Desire to set themselves apart from the other age segments

What are they spending on? TEENS (15-19 YEARS)

Top 5 Spends

Rank 1 Books & Music
Rank 2 Apparel and footwear
Rank 3 Eating Out
Rank 4 Movies & Theatre
Rank 5 Mobile phones

Wired Generation:

This generation is technology savvy and is well versed with usage of technogizmos to be used in their lives. So they are found doing things like using latest gizmos:

- Homework online
- Purchase books / CDs online
- Info seek for Car purchase

The typical progression

Influence on Household purchases
• In India, there is a high degree of influence of the tweens and teens on household purchases and brand choices, as seen globally
• 48% of parents agree that their children play a major role in decisions about household purchases and what brands to buy.
• The guilt factor of urban upper and middle class "time pressed" parents leading to increasing 'pester power' influence of tweens and teens on household purchases.
• Implications for marketers – cannot afford to exclude targeting kids in marketing plan.

Attitudes survey

<table>
<thead>
<tr>
<th>Teen Attitude</th>
<th>% indicates people agreeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 My friends’ opinion is important to me</td>
<td>-49%</td>
</tr>
<tr>
<td>2 Would rather be a trend setter than a follower</td>
<td>-61%</td>
</tr>
<tr>
<td>3 Shop at places where there are special offers or sales, rather than consistently at one store</td>
<td>-33%</td>
</tr>
<tr>
<td>4 I always buy latest fashion</td>
<td>-69%</td>
</tr>
</tbody>
</table>

In Conclusion we can say it augurs well for retailers or .... Good news for retailers!

Targeting the Young... As a consequence we find several marketers targeting this segment, as reflected in the examples given below:
• Look around, and you will see several examples of youth marketing:
• HBO's 'Generation Me' programme slot
• Barista's 'coffee collection' of Elle 18 cosmetics,
• Femina Girl, Seventeen and JAM
• Samsung has launched a youth marketing initiative Target Yo!

Targeting the Young.....Credit cards aimed at the young.
This segment is very aspiring and impatient to fulfill their aspirations. As a result the marketers address this need too.

3.5.2 20 to 25: Impatient Aspirers.
• Rash, impatient to make a mark, old dogmas are not for me attitude
• On their own due to new income opportunities
• Indulgent
• Aware of opportunities
• Converging aspirations, similar mindsets with mini metros

For Retail Sector this category falls in realm of: New Economy; New Avenues of Income which is inclusive of Yuppies from BPO and IT sectors. They can very rightly be termed as young adults too.

Thus, YOUNG ADULTS (20-25 YEARS) = BPO'S & IT'es

What are they spending on?

Top 5 Spends

<table>
<thead>
<tr>
<th>Spending Category</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eating Out</td>
<td>1</td>
</tr>
<tr>
<td>Books &amp; Music</td>
<td>2</td>
</tr>
<tr>
<td>Movies &amp; Theatre</td>
<td>5</td>
</tr>
<tr>
<td>Apparel</td>
<td>4</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>3</td>
</tr>
</tbody>
</table>

Young adult Attitude

1. I buy more things on impulse now like apparel/ durables / holidays than what I used to earlier - 60%
   * Implication for the retailer— Planned spontaneity Many purchase decisions, impulsive. Implications for store display

2. I am more focused on living for today, rather than planning for the future - 58%
   * Implication for the retailer— 'Saving for future' attitude not for this segment – indulgence the order of the day.

3. I enjoy adventure sports like trekking, rafting, paragliding - 49%
   * Implication for the retailer— Need for active wear

4. My mental well being and peace of mind are more for concern with me now - 84%
   * Implication for the retailer— Mental well being critical – important to bear in mind for brand imagery.

The term 'Planned Spontaneity' is sourced from www.trendwatching.com

3.5.3 26 to 50: Balance Seekers

• Transition to household status
• Wallets are stretched. New categories of spend mostly related to house, children and consolidating future
• Awareness of ageing. Looking good is important
• Stretched for time. Disposable minutes are at premium. Seek convenience for conducting day to day activities.

What are they spending on? Mature Adults (26-50 Years)
Top 5 Spends

Eating Out Rank 1
Books & Music Rank 2
Precious jewelry Rank 5
Consumer durables Rank 4
Apparel Rank 3

Mature Adult Attitude:

1. I make a point of shopping at stores where fast service is available -65%
   * Implication for the retailer-- Time saving a definite need
2. I am more likely to use products/wear clothes which make me feel young -69%
   * Implication for the retailer-- Conscious of ageing -- implications for product positioning / designing.
3. Shop at places where there are special offers or sales, rather than consistently at one store. -52%
   * Implication for the retailer-- Value seekers so implications for pricing, positioning.
4. I often spend more – If I find a helpful salesperson, convenience and to cut time. - 55%
   * Implication for the retailer-- Use salesmen help for convenience and to cut time
   - So one of the main implications for targeting Mature Adults is to Offer “breathing space” in their time stretched environment

3.6 Impact on Retailing

What is the possible impact of these factors on the retailers? It is very interesting to notice for them the consequences of these changes getting reflected in the consumers.

- Socializing becoming a lifestyle norm
- “Reference groups” would become more important to product and brand decision
- Develop customer social groups by initiating “Customer Clubs”

3.6.1 Implications for Retailers

1. Indian consumer is time rich and sees shopping as the leisure activity.
   Strategy: Grab her time share for shopping and enhance her shopping experience through:
   -- Innovative retail formats.
Clubbing "fun" with shopping.

2 Indian consumer is driven by the trust of store rather than the trust induced by the brand.
   Strategy: Develop "relationship marketing" to enhance his loyalty.

3 Most of the purchases are planned and need-based and not driven by impulse.
   Strategy: Rational and informative advertising and promotion is likely to yield higher returns

4 Indian consumers' expectations on retailing are yet to be formed.
   Strategy: Drive her expectations by developing need-based retail formats

5 The success of organized retailing in India depends on:
   - Providing value for money rather than value for time
   - Developing the store as a brand that conveys "trust"
   - Offering one-stop shop with a variety of product and services

6 Consumers more upbeat about "money spending" and more conscious about "time spending".
   Strategy: Orient your business to offer your customer "value for time" apart from "value for money"
   - Focus on: Shop location - Visual merchandising
   - In-shop selling skills - Merchandise assortment
   - Promote "All Under One Roof" concept to facilitate spending more in lesser time

7 Consumers are shopping most of their grocery items from a single store close to home.
   Strategy: Offer strong "product assortment" and/or "price differentiation" through hypermarkets/ discounters
   Strategy: Stay close to your customer's home with a wide network of convenience stores

8 Consumers are looking for more "variety" than "exclusivity" in an apparel store
   Strategy: Adopt "large formats" to offer variety
   Strategy: Shift from "exclusive stores" to "multi-category" and "multi-brand stores"

9 The "store as a brand" will yield more payoffs than "brands within the store"

10 Insignificant growth in adoption of non-store formats
"Brick and Mortar" retailing will remain dominant: E-tailing would complement and not compete.

Latent need for "late-hours" shopping
"Extended shopping hours" may emerge as a strong differentiator.

The C3 of What Consumers Want:
1 Creativity 2 Care 3 Convenience

• More demanding & loss forgiving
• Interested in finding solutions rather than lowest price & highest selection
• Getting bored easily
• Wish to derive highest value w.r.t. time from retail equation (shopping, eating, entertainment)
• Closer the better

Indian consumers of the future-It's not all about money. What new as a retailer one has to offer is this 5 Consumer Currencies:
Information Time Energy Money Space

Back to basics:

The Supplier
Gives Goods & Services
Gets Money

The Consumer
Gives Time
Gets Space
Gives Energy
Gets Information
Gives

Consumers Shall Look For Solutions:
• Consumers shall look for Solutions and not merely Products
• Solutions which can add Value in terms of saving time
• Enriching Quality of Life
• Enhancing productivity
• Lifestyle aspirations

Therefore Solutions Shall Be The Key. For instance:
• McDonald's Drive-thru is 60% of Sales! – Saves Time.
• Also started a home delivery service.

The End