Chapter IV

Study of Indian Retail Market

Market Segmentation

Retail Marketers and analysts use segmentation to organize and manage market and customer data. A segment is built by analyzing data and grouping (clustering) elements that share sought characteristics (in the case of retail, demographic, expenditure, lifestyle and media preference information). Segmentation is essential for cost effective, accurately targeted direct marketing.

By organizing customer and market data in this way, organizations are able to understand the differences and similarities between groups of customers and prospects, and develop effective messaging, products and distribution channels appropriate to the specific needs and wants of a given segment.

• **Geographic** – Retailers can segment the market on the basis of geography
  
  • metropolitan cities,
  • cities,
  • towns and
  • other urban areas,
  • suburban areas and
  • Rural areas.

• **Demographic** – Retailers can target customers based on
  
  • age,
  • gender,
  • income,
  • social class, etc.
• **Psychographic** – Retailers can target based on their
  
  • Lifestyle and  
  • Personality  
  • The customers can also be targeted shopping for special occasions  
  • On the basis of benefits they expect from products and services.

**The Rising Middle-Class**

An annual household income of above Rs. 2 lakhs chosen as the base income of the middle class. Based on the findings of IMDR, 365 out of every 1000 households in this category owned automobiles in 01-02, 325 owned scooters, 285 motorcycles and 103 mopeds. Rs. 10 lakhs is chosen as what constitutes the upper end of the middle class – beyond this income level consumption patterns change quite significantly. However, it is the category of the rich that has been growing the fastest till 2010 (please refer the table below)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Income Class</th>
<th>2001-02</th>
<th>2005-06</th>
<th>2009-10*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deprived</td>
<td>&lt;90</td>
<td>135,378</td>
<td>132,250</td>
<td>114,394</td>
</tr>
<tr>
<td>Aspirers</td>
<td>90-200</td>
<td>41,262</td>
<td>53,276</td>
<td>75,304</td>
</tr>
<tr>
<td>Seekers</td>
<td>200-500</td>
<td>9,034</td>
<td>13,813</td>
<td>22,268</td>
</tr>
<tr>
<td>Strivers</td>
<td>500-1000</td>
<td>1,712</td>
<td>3,212</td>
<td>6,173</td>
</tr>
<tr>
<td>Near Rich</td>
<td>1000-2000</td>
<td>546</td>
<td>1,122</td>
<td>2,373</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------</td>
<td>-----</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Clear Rich</td>
<td>2000-5000</td>
<td>201</td>
<td>454</td>
<td>1,037</td>
</tr>
<tr>
<td>Sheer Rich</td>
<td>5000-10000</td>
<td>40</td>
<td>103</td>
<td>255</td>
</tr>
<tr>
<td>Super Rich</td>
<td>&gt;10,000</td>
<td>20</td>
<td>53</td>
<td>141</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>188,192</strong></td>
<td><strong>204,283</strong></td>
<td><strong>221,945</strong></td>
<td></td>
</tr>
</tbody>
</table>

As much as 82% of the rural population in 2001-02 was deprived; and another 15% consisted of aspirers. By 2009-10, the deprived will constitute 63% and 30% will be in the aspired category.

The “seekers” form the “backbone” of the great Indian middle class, accounting for four fifths of the category. While this class has some purchasing power, accessing them is not easy as it is with the higher income categories. 36% in rural areas and 18% in small towns. A low cost but well knit distribution network is critical.

In urban areas, we find SEC A households right next to SEC E neighborhoods. While 18% of the country’s deprived live in urban areas, they comprise 46% of the urban population. Even for cities with a population more than 5 million, 25% is deprived.

The great Indian middle class combining seekers and strivers, which can be categorized as lower and upper-middle class respectively; earning between 200,000
and 100,000 Indian Rupees. The continued income growth will be the long-awaited emergence of the large Indian middle-class.

India’s Population by 2025

![Bar chart showing the share of population in each income bracket from 1985 to 2025F.]

Note: Figures are rounded to the nearest integer and may not add up to 100%.
Source: MGI India Consumer Demand Model, v1.0