



India @ 2030: The future of the Indian consumer



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ABSTRACT

India is changing both at an economic level and at a deeper level in terms of attitudes, values and behavior of the people. Obviously, there are generational changes as nations evolve but the pace at which it is happening amongst Indian consumers in terms of their attitudes, values and behavior is breathtaking. The major factors which are causing this tectonic shift are changes in demographics, increase in empowerment of certain segments of society, global exposure, improvement in infrastructure and worries about health and sustainability. These changes will be reflected in terms of how identities will evolve – how confident and free do Indians feel in being able to express themselves and hence what will they seek to stimulate their senses. Will technology enable or disable relationships or the very nature of relationships will change? How will Indians deal with creativity – will it be a part of their DNA? And finally, what parameters will define well-being and how willing will the Indian consumer be to pursue it.

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McKinsey and Company's report on the Indian consumer market¹ says “During the first millennium AD, merchants referred to India as the bird of gold due to the glittering dynamism of its market. Over the next two decades, the bird may take flight once again”. My submission is that Indian consumer market has taken flight already and will continue to do so in the next four decades and not just till 2025. We cannot underestimate the change that will occur in the future in this market place. The change in this market is usually linked to economic growth and increased consumption. While this is true, yet a deeper shift will be caused by the intersection of changing social attitude, technology, shifting cultural values, varying environment and technology, reinforced by the economic environment. This paper seeks to focus on these changes in consumers as people rather than the market place in the future.

This future perspective starts by examining the key forces of change which will transform the consumer landscape in India. It looks at the evidence from hard facts up to 2025 as estimates are available only till then. From here, it moves on to look at the broader trends shaping consumer attitudes and values and hence what could be expected on the Indian consumer from 2030 onwards. This part of the paper is based on circumstantial evidence which has been mentioned to the extent possible. Some aspects are based on my experience of working in this area for many years.

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¹ Report on India consumer market by McKinsey and Company [1]. McKinsey Global Institute undertook a year-long study to examine the future of the Indian consumer market. They assembled a proprietary database of 20 years linking macroeconomic and demographic variables to Indian income and consumption levels. They worked very closely with the data from Market information survey of households (MISH) conducted by National Council of Applied Economic Research which covers 300,000 households, as well as the household consumption expenditure database from National Sample Survey Organisation. This data was integrated with the dataset of McKinsey and an econometric model was created to forecast household income and spending from 2006 to 2025.

1. Forces of change

In India's case, there are five forces of change which are and will be responsible for where the Indian consumer is going. *The first driver of change is really the notion of people.*

India is going to have a lot of young people with a demographic dividend for the next 30 years. What is unique about this is that India will be the only country in the world to have this demographic dividend. In other words, it will be the only young country in an aging world.

In his address to students in Mumbai U.S. President Barak Obama said, *"You are future leaders, future educators, entrepreneurs and future electors. More than half of all Indians are under 30-years-old. Great statistic. Every single child holds promise of greatness".*

There is a high impact of youth on society. Along with their youthful energy, they bring in optimism, and an authority to influence behavior connected to technology, style and popular culture.

There is another side to it as well, as Nandan Nilekani [2] says *"Unless the youth have infrastructure, they have roads to go to work, they have lights to study at night – only in those cases can you really get the benefit of a demographic dividend. In other words, if you don't really invest in the human capital, the same demographic dividend can be a demographic disaster. Therefore India is at a critical point where either it can leverage its demographic dividend or it can lead to a demographic disaster".*

Youth also impacts the mindset of older people who feel the need to be in sync with the youth bringing in a shedding of old mindsets. This is about a fear of being irrelevant and hence pushing boundaries and challenging age typical conventions along with a high importance on living for the present.

The second big force is 'Emerging consumer groups' i.e. middle class, women, people at the bottom of the pyramid, migrants, and different household structures.

Today's 32.9 million middle class households which are driving consumption will increase to 128 million in 2025 [3]. This class will account for 45% of total income and will result in the creation of one of the largest markets in the world. The middle class growth will spread beyond top tier cities. While this will include rural areas also, the main consumption will be in the urban centers – 68% as compared to 32% in rural areas [1].

The other big thing is 'women's empowerment' which will result in a strong group of consumers – women. The research done by an international consulting and management firm Booz and Company [4] ranked India at 115 out of 128 countries and noted that with the second-largest population in the world, India generates 14 per cent of the global talent pool, among which are the 5.5 million women entering India's workforce each year, all overwhelmingly driven to succeed. *"Yet India's women—whether in Mumbai's conference rooms or Kerala's backwaters—must navigate a familiar but daunting set of obstacles and challenges in their search for economic empowerment and professional success," the report says.*

67% of total population growth in India in next 25 years is expected to take place in urban areas and by 2030, India will have more than 68 cities with over 1 million population [1]. With a growing migrant population, attitudes will change. This will also have an impact on household size where more single households will increase.

In today's scenario, more employment is being created in the service sector. Life is having to adapt to the demands of people no longer confined to traditional work routines. Populations continue to shift to urban areas, exposing more people to the 24/7 temptations and opportunities of city life.

While people at the Bottom of the Pyramid will continue to grow, NCAER and McKinsey estimate [1,3] that economic growth will continue to benefit India's poorest citizens and that the deprived segment will further drop from 54% of the population in 2005 to 22% by 2025. Overall, a further 291 million people will move out of poverty by 2025.

The third force of change is that there is a rise of more knowledgeable and empowered consumers.

This is largely driven by technology. Today we live in a country which has the world's third-largest Internet user-base with over 137 million the world's second-largest mobile phone user base of 930 million; the 3rd largest Face book country with a base of 65million (barely 8million two years ago) [6]; and ranks 6th on Twitter user base [5].

Let us also not forget that 90 per cent of those mobile phones are prepaid phones because people do not have credit history. 40 per cent of those prepaid phones are recharged at less than 20 cents at each recharge. That is the scale at which technology has liberated and made it accessible. And therefore technology has gone from being seen as something forbidding and intimidating to something that is and will be empowering and changing the way Indians think [2].

Similar to elsewhere in Asia, the technological boom in India has a much deeper impact than in the western world. It is introducing information that previously was unknown, it is opening a world that was aspirational but very distant, it is connecting the country as a whole, is challenging societal conventions about our identities, relationships and what we term as progress. The sheer momentum is huge and beyond that is actually the number of people who are being touched by it. Of course, it is being led by information and communication technology currently but connectivity via transport will also play a big role as we go ahead.

The second factor leading to this feeling of power is that Indians today are far more comfortable with globalization. As Indians come and work all over the world, consumers will gain a lot more confidence and will, in fact, participate in this globalization. And the fact that the demographics are in our favor, because we are the only young country in an aging world, makes globalization all the more attractive to Indians.

The fourth change is in retail infrastructure.

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