

International Journal of Scientific Research

Listed in International ISSN Directory, Paris

Volume 1 | Issue 1 | June 2012



ISSN No. 2277 – 8179

A Multi-Subject Journal
Journal for All Subjects



ISSN No. 2277 – 8179

International Journal of Scientific Research

Journal for All Subjects

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ISSN : 2277 – 8179



Evolution of New Consumer Class in India

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June, 2012

Abstract

Indian economy is one of the fastest growing economies of the world and its market potential has attracted attention of multinational companies around the world. There are significant changes occurred in people lifestyle and attitude due to improved economic status. Customers no more believe in compromise but looks for the best value proposition. This paper evaluate how Indian consumer's perspective changes with more choices available due to the availability of global brands. These changes in consumer behavior are examined in various sectors and illustrate how the focus has gradually shifted from the producers' market to the consumers' market.

Keywords : Consumer Behavior, Customer Satisfaction, Lifestyle and Attitude

Introduction

One are the days when people have to book the product and wait for its delivery. Customers have become conscious about time value and money value with increase in number of options available. In the time of intense competition, no company can afford to lose its customers because of any inefficiency at any stage of consumer purchase decision. The loss of customer value is not calculated for short term transactions anymore but the loss is evaluated in terms of customer lifetime value. So it becomes extremely important to understand the changes in consumer lifestyle and attitudes. The changing demographics, social environment, cultural environment and economical environment should be carefully observed and strategies should be designed to maximize customer satisfaction for long term profitability. This paper evaluates the changes in various environmental factors influencing consumer behavior. Various sources of secondary data are used to examine the evolution of new consumer class in India. This paper will give a direction to practitioners about the way forward to capitalize on emerging opportunities in Indian market.

Changing Trends in Indian Market

India is one of the fastest growing economies in the world. BRIC (Brazil, Russia, India, China) Countries account for more than 42 percent of the world's population, their economies account for only 26 percent of the world's GDP. This disproportionate growth of population versus GDP may put extra pressure on country resources but if utilized properly the population base may act as a huge asset for progress in the country. The improved literacy and increase in techno-managerial manpower has attracted foreign investment in a big way. The retail markets in the BRIC countries has already become sizeable and in India retail has become one of the largest industry to employ people. If we take only retail as a growth indicator then it clearly indicates the growth potential. The retail sector in India is expected to grow from \$315 billion to \$635 billion by 2015.

The growth in various sectors in India is phenomenal and has led to increase in employment opportunities thus growth in disposable income. With growing disposable income and the highest ever consumer confidence levels, Indian consumers' propensity to spend is soaring. According to one of the study conducted by Mckinsey global institute, CAGR (compounded

Annual Growth Rate) for household income in India during 2000 to 2005 was 4.6 percent for urban India, 2.8 percent for rural India and 3.6 percent for all India. The CAGR expected between 2005 to 2025 is 5.8 percent for urban India, 3.6 percent for rural India and 5.3 percent for all India.

The CAGR growth indicates the growth in average household income in urban, rural and all India level but to gauge the overall prosperity for people another indicator like reduction in poverty and growth of middle class should also be taken into consideration.

Changing Business Trends and Consumer Preferences across Various Sectors

Recent macro-economic and geo-political changes have enhanced the market opportunities and increased accessibility in developing markets. India and China has taken various positive initiatives to reduce the regulatory and legislative burden of doing business especially in the retail sector. In the nineties, when the government started vacating swathes of economic activity, the private sector was viewed as the great hope for Indian consumers long harassed by the shoddy service and restricted choices of the pre-liberalization era. The post liberalization era is more customers centric and marketing has become more pull oriented rather than push oriented.

The Indian Banking sector has seen a sea change in the way business is done after the entry of foreign banks in India which has changed the banking environment with high technological advancements with consumers comfort in focus. This has made the other Indian banks to improve their technological infrastructure to compete with the foreign banks. This has changed the Indian Banking sector for ever which has augured well for upcoming Indian youth. Net banking, phone banking, mobile banking, ATMs and bill payments are the new buzz words that banks are using to lure customers.

The automotive sector in India is witnessing the customer centric marketing with latest technology and advanced feature in upcoming models of vehicles. At times it was observed that the new model of car or bike is introduced in India even before they are launched in western countries. Customers are flooded with lot of options when it comes to buying four wheelers or two wheelers in all price ranges and features. The Indian Automotive industry is a level Playing field which is very well competed by both Indian and MNC players of which the consumer is reaping the most benefit.

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The Indian FMCG companies have also evolved and come a long way from just manufacturing to adopting quality Practices and giving the consumer best value. Therefore the Consumer has stood to gain from globalization as he has the choice to buy the best option in a variety of choices. The best food brands that Indian consumers have cherished have been a healthy mix of global brands and Indian company brands as well. The bargaining power and purchasing power of Indian Consumers has gone up with increase in the number of multinational companies in FMCG sector. For example, packaged bottle water in Indian market was dominated by Bisleri but now it has many international players like Kinley & Aquafina.

With the advent of fast food outlets in India like McDonalds, Pizza Hut, Subway, Dominos etc. the consumer can choose them from the conventional restaurants. Thus the opening up of the economy has been a boon for all the Indian consumers and they can satisfy their palette with world class tasty food.

The textiles and garments industry is one of the largest and most prominent sectors of Indian economy, in terms of output, foreign exchange earnings and employment generation. The textile industry is crucial to the Indian economy in terms of contribution to GDP and employment. It contributes about 4% to the GDP, accounts for over 14% of total industrial production, generates 8% of the Central excise revenue and contributes around 35% of gross export earnings in trade and 16% of gross export earnings.

The Indian apparel industry was dominated by mills based out of Bombay like Raymonds, Bombay dyeing and Vardhaman over the years. The Competition in the Indian apparel industry has heightened several times with entry of many foreign players like Reid & Taylor, and Belmonte and other ready made brands like Levi, Adidas, United colors of Benetton, Nike, Lee, Pepe Jeans, Arrow, Peter England. With advent of foreign brands and spawning Indian companies like Spykar and Killer, the Indian consumer has variety of options in different price ranges to choose from. The apparel industry companies are trying to cater to all kinds of needs and segments of Indian segments. With advent of the Indian retail boom, the consumer has better facility to make informed decision and get the best value and satisfaction of his money.

One of the greatest revolutions in the Indian economy has been in the telecommunications industry. The migration from a fixed to a revenue share license regime provided the desired relief to the private operators - earlier burdened by huge debts that they had to service owing to their license fee commitments. This was the starting point of the cellular revolution being witnessed in the country today, wherein almost 2 million lines are getting added to the network every month. Liberalization of the national and international long distance sector by the Government led to the setting up of private companies in both service segments, and the consequent competition that has emerged has led to reduction in tariffs, which are lower than 80 per cent of the pre-liberalization days. The reduced tariffs are now almost at par with world benchmarks.

Indian players such as Bharti, Reliance, BSNL & MTNL and foreign players such as Hutchison have capitalized on this boom in subscriber base. Both This telecom revolution has reduced transaction costs, increased connectivity and has brought Indians closer to each other. It is driving today the growth of both incomes and employment. Competition coupled with favorable government regulations and advanced infrastructure has enabled the customers to enjoy quality service at on of the lowest prices in the world. Here again, the choice is not limited to merely Indian service providers. As consumer loyalty is very low, only those players can expect to survive who provide the highest levels of service quality.

Of late, India has witnessed a wide proliferation of television channels. A typical Indian with satellite television can choose

from an array of channels dedicated to news, movies, sports, business and soaps. While most of the regional channels are owned by local players, global media giants have stakes in a good number of them. Television channels like the Star network, Sony network and CNBC have significant foreign holdings. But the scene was not the same in the 80s and early 90s. Till 1975 only seven Indian cities had television channels. Needless to say, DD was the only channel available. Even after the start of the national programme in 1982, DD remained the only channel that catered to news, entertainment and social content. With the advent of satellite channels in the 90s the scene began to change. The viewer now had more choice. Competition among the channels improved program content & quality. TV took the role of an effective channel of communication for manufacturers to advertise their products. In a way, consumer choice began to be influenced by TV. At the same time regional channels in local languages having local content compete effectively with their national counterparts. The lower socio-economic classes have a lower level of penetration and both Indian and foreign media players have taken advantage of this situation to expand their operations.

Radio broadcast has also seen radical changes over the years. Private radio broadcasters like Radio Mirchi, Radio City and other FM broadcasters are giving All India Radio a run for its money. Like TV, the program content, news and advertisement volumes have improved.

The power of internet in transforming the availability of information is very well recognized now. The volume of information available and large number of areas covered has never been imagined before. Internet has also played an important role in India in influencing buying behaviour as consumers have more information about price, quality & design of products and they can make comparisons with competing brands.

Evolution of the new Consumer Class

Since liberalization, India has witnessed a considerable change in the expenditure pattern and buying behaviour. A combination of changing lifestyles, higher disposable income, greater product awareness and affordable pricing has been instrumental in bringing about this change. Indian consumers are noted for the high degree of value orientation. Such orientation to value has labeled Indians as one of the most discerning consumers in the world. Even, luxury brands have to design a unique pricing strategy in order to get a foothold in the Indian market.

The post liberalization era has witnessed a sharp rise in the number of people who belong to the middle class segment. Their spending power has also risen with rise in incomes and so have their preference for foreign brands. Earlier when a person decided to buy a car, he essentially chose between an Ambassador and a Maruti. It didn't matter if the car had a six month waiting period as it was considered normal. Anyway, a Maruti or an Ambassador had little to offer in terms of design, comfort, or fuel efficiency. Now demands such as color, power steering, Euro IV compliance and delivery within weeks are considered fairly normal. Indian consumers no longer buy products which are just ok or because they are manufactured in the country. They buy what best suits their needs. This is what defines the modern Indian consumer.

Modern trade has acted as an enabler of consumer choice. Unlike the traditional mom and pop stores or the 'Kirana' stores, the consumers do not have to settle for whatever the shop owner offers. They have becoming more demanding and have developed a sense of brand awareness that didn't exist before. Quality has come to the forefront as competing substitutes are available in the same retail store. Modern trade outlets have enabled foreign producers to effectively place and market their products. Moreover the modern consumer is not averse to buying them.

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