



A changing profile of the Indian consumer

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Abstract

The study on consumerism and its progress shall remain incomplete without a reference to the changing profile of both urban and rural consumers. Hence, in the present chapter, an attempt has been made to present in brief the various aspects of demographics, the consumer basket, etc. When we attempt to draw a profile of the Indian consumers, we tread on difficult territory (Saxena, 1999). No comprehensive study of the Indian consumers has been undertaken so far. We have to rely on the fragmented studies that have been conducted by different agencies. With due recognition of this limitation, we shall attempt a broad profile of the India consumer.

Keywords: consumerism, demographics

Introduction

Any study on consumerism and its progress shall remain incomplete without a reference to the changing profile of both urban and rural consumers. Hence, in the present chapter, an attempt has been made to present in brief the various aspects of demographics, the consumer basket, etc. When we attempt to draw a profile of the Indian consumers, we tread on difficult territory (Saxena, 1999). No comprehensive study of the Indian consumers has been undertaken so far. We have to rely on the fragmented studies that have been conducted by different agencies. With due recognition of this limitation, we shall attempt a broad profile of the India consumer.

The Consumer Basket

We shall devote some attention to the consumption pattern of the Indian consumer. Studies by the Centre for monitoring Indian Economy (CMIE) reveal that structural shifts have been taking place in the consumption pattern of Indian consumers in recent years and the shifts have gained greater momentum since the launch of economic reforms.

Favorable Shift in Consumption in Post-Liberalisation Years

According to CMIE, the consumption pattern of Indian household has undergone a significant change in the post-liberalisation years.

Given our low per capita consumption base, food and beverages continue to account for the larger part of the household's final consumption expenditure. But, what is significant is that its share has come down sharply in the late 1990s. The share of food in total private final consumption expenditure has declined from 50.37 per cent in 1993-94 to 45.68 percent in 1998-99.

The change in consumption pattern, of course, has been a continuous process for the last three decades and the share of food in total final consumption expenditure has been declining steadily. It accounted for 54 percent of the total expenditure in

the seventies, about 51 percent. Conventionally, the share of food in the household's consumption basket always declines with the rise in income and standard of living.

The share of transport and communication in aggregate private final consumption has increased sharply from 11.26 percent in 1993-94 to 14.51 percent in 1998-99. It means that the Indian households have preferred to spend a major part of their earnings on transport and communications, rather than on consumer goods and durables, as is generally expected, another significant change of the nineties has been the increasing consciousness about the medical care and health services. Its share in aggregate consumption has increased from 3.38 to 4.25 percent in 1998-99. The share of consumption towards furniture and household appliances increased from 3.05 percent in 1993-94 to 3.25 percent in 1998-99.

In recent times, Indian families are also spending more and more on their children's education. In the five years between 1993-94 and 1998-99, the private final consumption expenditure on education has increased by over 50 percent from Rs. 10,092 crore to Rs. 15,196 crore, against a 31 percent increase in total private consumption expenditure during the same period.

Changes in Lifestyle and Buying Habits

Currently, one is also witnessing significant changes in lifestyles and buying habits of Indian consumers. Convenient foods and ready-to-eat foods are now popular, modern gadgets like vacuum cleaners and cooking ranges have gained entry into households. With the nuclear family, there is also a shift in the woman's attitude to cooking and the meals she serves. Teenagers are also becoming influencers of change in their family's meal patterns.

The average Indian is now spending his money more liberally than ever before. Yesterday's luxuries are fast becoming today's necessities. Data from the NCAER National Survey of household expenditure on consumer durables and consumer goods pointedly suggests that conventional notions of what is a

luxury good and what is an essential commodity are fast changing. The change has been stimulated to an extent by exposure to media, especially T.V. The media gives exposure to the lifestyles of the well-to-do, as well as the modern products.

Classification of Indian Consumer (Based on Economic status)

The Indian consumers are classified into four broad groups.

- The affluent group
- The middle class
- The relatively poorer section
- The BPL section
- Affluent Group

Numerically, this group is small. It does not form a large enough demand base in itself for most products. Yet, it has a good deal of marketing significance. This is because firstly, it is a useful segment for luxury products. Secondly, in respect of other products too, super premium brands depend on it. That is why it is sometimes described as the “image segment” National Council of Applied Economic Research (NCAER) has estimated the affluent population in India with an income of over Rs. 10 Lakh per annum to be in the range of one million households. It means that a target audience of 5.6 million individuals is available for products priced at the top-most end of the scale. This segment is looking out for “Something new” to buy; it is constantly upgrading to the styles set by the affluent in the West.

The Middle Class

It is the middle class that constitutes the largest segment of consumers for manufactured goods in the country. It constitutes the real consuming populace. Accordingly, it has a great marketing significance. Marketers must have a good grasp of the evolution of this class, its expansion in recent years and the growing buying potential of the class.

The Relatively Poorer Section

The third category, viz, the relatively poorer section, also account for good-sized demand base for certain products. Though their purchasing power is very low, their size is very large. NCAER has found that over 75 percent of the purchase in categories like cooking oil, tea detergent cake, bath, soap, tooth powder, transistor radios and certain kinds of footwear, came from people with income levels below Rs. 25,000 per annum. In recent years, this group is receiving the benefits of several social, educational and economic programmes. Over time, a good part of this group may advance economically and join middle class. Already, at the aspirational level, a good part of this group is a part of the middle class.

The BPL Section

The BPL (Blow Poverty Line) section is the fourth category. It is also large in size. It does not form part of demand base for most branded consumer products. The category is, however,

Projected to shrink substantially in the coming years, meaning that a part of this section will advance and emerge as consumer for some branded consumer products.

The middle class explosion

In the past few years, a virtual explosion has been taking place in the Indian middle class. In fact, the emergence and growth of this class has been the most significant development in the country's marketing scenario in the last decade. The middle class has emerged as a result of several socioeconomic developments that took place over the years. The size of the middle class is now placed at around 300 millions. The middle class is now emerging as the “Consumption community” of the country. As the members of this class are better educated and better exposed to global lifestyles, their aspirations have been constantly growing. Their spending is steadily on the increase. They often spend more than what they earn at any given point of time in order to cope with their new social image. Their expenditure on non-food items is continuously on the increase. Toiletries and cosmetics, including premium brands, have become common items of consumption for them. Instant coffee and soft drinks find a place on their daily menu. Costly fabrics, ready-mades, furniture, fans, stereo-music system, TVs, refrigerators, electric mixers and grinders, pressure cookers and gas stoves have become essential items for the class. Modern household appliances like washing machines, dishwashers and vacuum cleaners have gained a rapid entry into the homes of the upper segment of this class. In addition to economic factors, socio-cultural and life segment of this class. In addition to economic factors, socio-cultural and life style factors have also contributed to the rapid shift in the consumption pattern of the middle class. The growth of urbanization is the first among these factors (Kulkarni, 1999).

The middle class is not confined to the metros and other big cities. An analysis of penetration of select Fast Moving Consumer Goods (FMCGs) and durables show that there is now respectable product penetration even in small towns. Actually, penetration, even in rural areas, is reasonably good, sales in feeder towns reflect, in part, the demand from the rural hinterland. An NCAER study reveals that rural households in the upper income categories are growing at a much faster pace than urban households in the corresponding categories. While the latter been growing at 10-16 percent annum, the former have been growing at 20-30 percent per annum.

As mentioned earlier the economic reforms and liberalization of the 1990s has given a boost to the growth of the middle class. A recent study by the NCAER on the “Indian Consumer Market” provides some useful insight on the Indian middle class consumers. Exhibit 2.1 shows some of the findings of the study.

Gurcharan Das, the noted marketing expert in his book *India Unbound* elaborates on the new middle class buoyancy from a marketing man's perspective.

Indian Consumer Market-NCAER Study

Table 1

The "Consuming Class" holds with an annual income of Rs. 45,000-2, 15,000 at 1994-95 prices, which is normally considered as the middle class, now totals 53.4 million. About 27.5 million of these middle income households are in urban areas and 25.9 million in rural areas.	In other words, the poorest class will roll back from more than 51 percent of the total population to about 14 percent by 2006-07.
Granting an average 5.56 people per household, the size of the middle class consumers can be pegged at about 297 million.	At the other end of the income spectrum, the very rich will account for 2.6 percent of all households in 2006-07 up from 1.6 percent in 1998-99 and 0.3 percent in 1989-90.
As proportion of the population, the consuming class has doubled from 14 percent of total households in 1989-90 to 3 percent in 1998-99.	In terms of numbers, the affluent will jump from a mere 4 million in 1994-95 to 35 million by 2006-07.
The percentage of very poor households is shrinking. It has dropped by almost half in the past decade—from 25 percent in 1989-90 to 13.2 percent 1998-99. And the figure is expected to fall further to 7.7 percent, by 2006-07.	The consuming class will grow the fastest.
"The Destitute: (income range: Rs. 16,000 per annum) and "The Aspirants" (income range: Rs. 16,000-22, 00 per annum) will shrink significantly.	Economic liberalization has had a positive impact on Indian households, pushing up their incomes and expenditures.

Source: NCAER's Ten year white Book- The Indian Consumer Market 1997-2007.

The New Middle Class

Table 2

The most striking features of contemporary India is the rise of a confident new middle class. It is full of energy and drive, and it is making things happen.	They demonstrate that there is a way up from the bottom to the top—a message that has been the driving force behind the dynamism of the US and which could have the same impact here.
The middle class is at the centre of socio-economic upheaval now taking place in India.	The middle class is by far the fastest growing segment of Indian society.
India is passing from an inward-looking, predominantly rural society to an increasingly integrated and important player in the world economy, opportunities are opening up to the middle class as never before. Whether in the workplace or in their personal lives, the young have more chance to shape their future than their parents ever had.	The new middle class is street smart and focused on increasing their income. It is non-ideological, pragmatic and result oriented. It is here to stay.
Indian entrepreneurs from the middle class are seizing key slots in the global information and media industries.	

Source: Gurcharan Das, India Unbound, 2001.

In the Grip of Big Change

On the whole, the Indian consumer is in the grip of big change. Our understanding of the Indian consumer is getting outdated fast. This is because the country and its environment have become more complex in recent times. The various segments of society are affected by the changes. Already, Indian society, especially the middle class, was in the threshold of a change, the new trend towards globalization, is taking India further on the path of change. The well-off segments are becoming more cosmopolitan in work-culture, food habits, entertainment and lifestyle in general. A fusion of the East and the West is taking place. In fact, one can say that kind of an internationalization of the Indian upper middle class society is on.

The Immense Potential of the Middle Class Market.

The profile of the Indian middle class consumers reveals one vital point. They account for a lion's share of the demand base in the country in respect of most branded consumer products. Their needs are on the increase, as is their disposable income. Marketers of most products and services will be targeting this class. They have to naturally study the class in depth and properly assess the buying motives and

buying behaviour of each segment in the class. Only then, will they be able to develop marketing strategies that will click. And by concentrating on this class, or for that matter a few select segments of the class depending on the product, they can tap the largest chunk of demand in the country.

Geographical and Economic Mobility of the Indian Consumer

Any analysis of the Indian consumer at the present juncture should take into account one more aspect the mobility phenomenon. Present-day India is characterized by a brisk mobility of a sizeable segment of the total consumer population. In fact, two types of mobility characterize today's consumers, (i) geographical mobility and (ii) economic mobility.

The geographical mobility of consumers is taking place in a variety of ways: mobility of people from rural areas into the nearby urban areas, mobility of people from all parts of the country. Equally intense is the economic mobility. A large number of people are rapidly moving upwards in income levels. In fact, the two forms of mobility are interrelated in many cases. With mobility, the consumer profile keeps changing and so do the markets. And markets that were

relatively more homogeneous earlier tend to get segmented sharply.

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