

An overview on Changes in Indian Consumer Demographics

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Abstract

The consumer plays a vital role in the study of marketing. The needs of customer are catered by changing demographics which categorizes the potential customers on the basis of age, gender, geographical location, education level, marital status, household income, occupation and hobbies. The peer group of buyers is also identified in the market by their attitudes, purchasing power and awareness of the product. It is very important for every business man to provide best product service in convenient mode. The changes in Indian consumer demographics are influenced by purchasing power of consumers, increasing income of consumer, market culture and availability of branded goods in the market. The Demographics are the major strands of customer segmentation where competent marketing resources are used for business breaks. The study of this paper is to understand the trends in buying behavior in a particular market scenario like retail market. The purpose of the paper talks about the changing scenario of Indian consumer demographics in the business world relating to various consumer goods. Although every consumer has distinct feature influenced by the demographic factors, the paper also deals with challenges faced by retailers with changing demographics and how are they been utilized for business opportunities. The increasing prospects for business in the retail industry in India are creating employment opportunities as per the changing trends. Even the online shopping strategies are bringing the world on one platter with emerging global markets, franchises, merchandisers etc. This is making the customer to visualize various products which are available in different brands and with different price tags that fit into their budget. This will help to understand the means to create the demand for goods in order to increase the sales, as well as lead for expansion of their business. It is a future path for producer to make brand image in the market. The large business houses are benefited by segmenting the market domestically and internationally in rendering services and offering goods to consumers at different prices. Similarly, small marketers are benefited with geographic segmentation to target specific customers and save their advertisement expenditure. It is even easy to identify the targeted customer as the personal information is collected through database. The research paper is developed based on reviewing related literature of consumer demographics, customer choice, growth of the retail sector and the challenges faced in India. The information is collected from secondary sources like books, journals, various research articles; relevant documents magazines and analyzing retail business. The result of research is focused on growth of retail markets, its contribution to economy, changing lifestyles, the consumer purchases and key factors of Indian consumer behavior. We can say that the consumer's perception is towards price and quality sensitive than looking for brand loyalty. There is a substantial increase in the buying power and greater ease in customizing or placing orders of their choice. With the growing population to cater the needs of customers the consumer markets expanded their services through digital marketing such as online, social media and internet in the present competitive situations.

Keywords: Retail Market Growth; Trends in Consumer Demographics; Contribution to Economy; Online Marketing; Challenges of Retailers.

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Introduction

The most demanding thought in the changes in Indian consumer demographics in marketing is to understand the buyer behaviour. The attitude of Indian consumers has undergone a major transformation over the last few years. The buyer today wants to lead a life with luxury and comfort without concentrating on speculation. The market reformation has enlightened the consumers with market information at their fingertips, enabling them to compare and shop wide range of goods and services anytime, anywhere. This trend is been increasing with mobile apps, internet, online shopping etc. The Post economic liberalization policies in Indian market made huge opening for sale of many variety of new local products and foreign goods. At present Indian consumers are buying products such as clothes, books, low value white goods, stationery, electronics, and educational material through internet/online and smart phones. The retail market in India is also influenced by brand ambassadors to promote the products. The celebrity endorsements (Actors of Hollywood and Bollywood, cricket players etc.) in market increases trust factor and promote the brand to all consumers in India. The consumers in India are generally interested to buy the consumer goods such as tooth paste, soaps, detergent, cooking oil, cash back, USB, headphones, speakers, mobile covers, etc. if are offered with free charge of delivery, discounts, etc.

The impact of changing consumer purchasing behaviour and increasing income of the consumers brought revolution in Indian Retail market to change since 1997. This resulted with expansion of retail sector. Even the digital medium has influenced retail market with reshaping customer behaviour and expectations. Overall change in consumer demographics led to the growth of retail business is in a constant need to retrospect their strengths, reinvent their contributions across the buying patterns of consumers. In India the major contribution to national income is from the three fourth of population who live in rural areas. After digital reformation of retail industry, India is in 3rd position with 37.4% of internet dispersion. Several rural markets were established to sell basic consumer goods and India is lucrative markets for costly products even though their per capita income is low. There is a considerable growth in ecommerce market from \$11 billion in 2014 per annum to \$20 billion in 2015 per annum. With the introduction of e-Commerce portals like Flip-kart, Amazon, Snap-deal, etc the purchasing patterns of Indian consumers has increased considerably by satisfying their shopping requirements.

The emergence of E-Commerce in India is due to the facilities provided to customers such as EMI options, Cash on Delivery, Huge discounts to buy online, Cheaper than brick and mortar stores, Increase in usage of internet through smart phones, Social reviews etc. because, the nature of Indian consumers is always to choose quality and expensive brands as they feel that price is an indicator of quality. The consumers are also keen on the services given by the branded company as buyers believe that only branded companies can ensure the service centers. In the retail market, it will be difficult to sell those products which are without service outlets to Indian buyers.

The urbanization in India is also one of the reasons influencing the life style and buying behaviour of the consumers resulting in bulk purchases from hyper stores rather than purchasing from neighbourhood store. At present the urban middle and upper class Indian consumer buying behaviour has changed their perspective towards western trends. In retail market more of international branded products are purchased. The major reason for growing rural and urban markets are due to the increasing literacy in the country, exposure to the west, satellite television, smart phones, Bollywood movies, social media and newspapers etc. This significantly increased consumer awareness in purchasing goods. This market knowledge made the Indian consumers to purchase more qualitative products. On other hand there is expansion of organized retail chains and other corporate businesses. India became a world's top sourcing by 2016-17 and with a share of 55 per cent. The most attractive nucleus for Indian retail market is the middle class people for all the retail giants across the globe. The other major reason towards the varieties of goods produced [1].

Objectives of the Study

1. This article focuses on the changing consumer demographics related to retail market in India
2. It studies about influence of consumer behaviour and changes in market growth in India
3. It studies the changes in consumption expenditure and contribution to economy

Limitations of the Study

1. The research article deals only the 'An overview on Changes in Indian consumer demographics'
2. The article is not a comparative study between various Indian consumer demographics in Retail markets of the countries.

3. The area of the study is limited to the short period only.
4. As the study is based on secondary data, the findings and conclusions are given based on the data.

Research Methodology of the Study

To fulfil the objectives of the present study, the following research methodology has been used:-

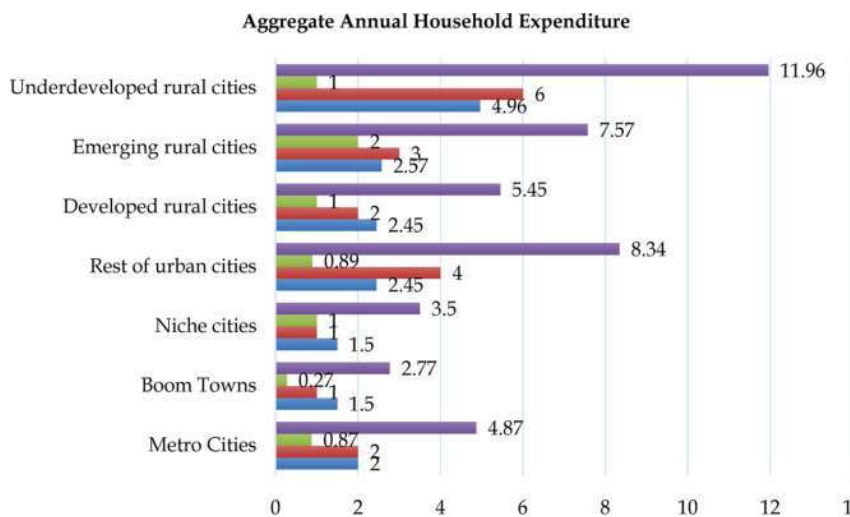
1. The topic was chosen to study the ‘An overview on Changes in Indian consumer demographics’
2. Collection of data: The main sources of secondary data are manuals, news papers, books, journals, articles, business magazines and other research papers.
3. Analysis of data: The collected data has been analyzed to the objectives in the form of tables and diagrams by using statistical tools such as percentage and growth rates.

Indian Consumer Demographics

The market is one of the most dynamic fast growing aspect with changing lifestyles, demographics, income levels, easy credit facilities and aspirations. The aspirations for an Indian consumer traditionally (before pre-liberalization) lie in 3S concept. That is (1) Savings (2) spirituality (3) safety, for consuming

goods. The genuine reasons were the invaders ruled over centuries and finally left devastated while leaving only to start everything from scratch. He would spend each rupee of money wisely and did not have much risk appetite, as he understood the value of money earned. This made the Indian consumer appear more orthodox in his life style and thinking process. As the time being changing the evolution of markets, industries and innovation of technology paved way for varieties of goods and services produced in the country [2].

In 1990 the liberalization and its policies provided opportunities to emerge a new Indian consumer with changing lifestyle, preferences and consumption of goods. Liberalization brought growth in economy and lead to a net disposable income, which made the consumer think more materialistically. The standard of living improved with satisfaction of social status needs. The consumer is armed with higher income, credit cards, exposure to multiple markets. These are resulted in increasing consumption expenditure and the same is shown in the below Table1 and Figure1. According to the Figure 1 how the aggregate house hold expenditure in various cities is spent by consumers is explained. We can observe that overall the consumption on FMCG, clothing and foot ware products are consumed more in other urban cities the consumer services expenses are more and comparatively durable goods consumption is less in metro, Boom, Rural and other underdeveloped cities. Similarly the consumption is more in emerging rural areas. The study of aggregate annual household income is shown in the Table 1 and depicted in the Figure 1.



Graph 1:

- Over all household expenditure
- Consumer durables
- Consumer services & other expenses (%)
- Essential Consumption goods (FMCG, Clothing and)

Source: Journal published Thu, Dec 08 2016.

Table 1: Aggregate annual household expenditure

Cities	Essential Consumption goods (FMCG, Clothing and foot ware) (%)	Consumer services & other expenses (%)	Consumer durables (%)	Over all household expenditure (%)
Metro Cities	2	2	0.87	4.87
Boom Towns	1.5	1	0.27	2.77
Niche cities	1.5	1	1	3.50
Rest of urban cities	2.45	4	0.89	8.34
Developed rural cities	2.45	2	1	5.45
Emerging rural cities	2.57	3	2	7.57
Underdeveloped rural cities	4.96	6	1	11.96

The chart is used to explain the aggregate annual consumption expenditure spent by consumers on FMCG and clothing products in Metro, Niche, Urban and undeveloped cities. It analyzed the household expenditure made on consumer services and consumer durables in various cities [2].

From the Table 1, it is observed that the most of the consumer's annual house hold expenditure is spent on necessary goods like FMCG and clothing. Very little amount is spent on consumer durable goods. The household people of this city are spending on consumer services equally along with other consumer goods. The overall household expenditure is more in urban areas and Metro cities and it is low in Boom towns. In Boom towns even the money spent on consumer durables is also low. The same is shown in the above Figure 1.

Changing Trends of Consumer Demographics

The changing consumption of goods is also due to the increasing awareness for youngsters. We can say this is because of internet facilities and other availabilities to know the trends of the market. The ever flowing MNCs' establishment and the tremendous growth in the IT sector, the employment opportunities for the youth have increased drastically in aspiring. The internet, television and smart phones and the advertising campaigns are influencing the young to a large extent to spend most of their income on apparel, electronic gadgets and accessories.

Increase in Income of Consumers

The increasing opportunities of income earnings of people due to huge expansion in IT sector, MNCs, telecommunications, marketing, management, banking etc., after liberalisation which opened the gates to target the consumer goods market as well as durable goods market such as electronic, vehicles, furniture, apparels etc also increased. More markets have come up to meet the demand.

With personal ambition to achieve more and live better with comforts, an average Indian works for more than 50 hours a week. This was revealed by a recent Gallup poll of more than 30 countries. It was shown that, India ranks among the hardest working nations globally with an average work week of 50 hours, where as 42 hours in United Nations, and around 40 hours in European nations. The increase in income is resulted in the consumption of consumer goods. The increase in income is influenced the consumption of goods and services. It is studied that the major contribution in the market by high income group people are made on Food and Beverage products (69%). The clothing and textile is around 11%, Beauty and personal care is 8%, and consecutively spent low Home décor and furnishing items [4].

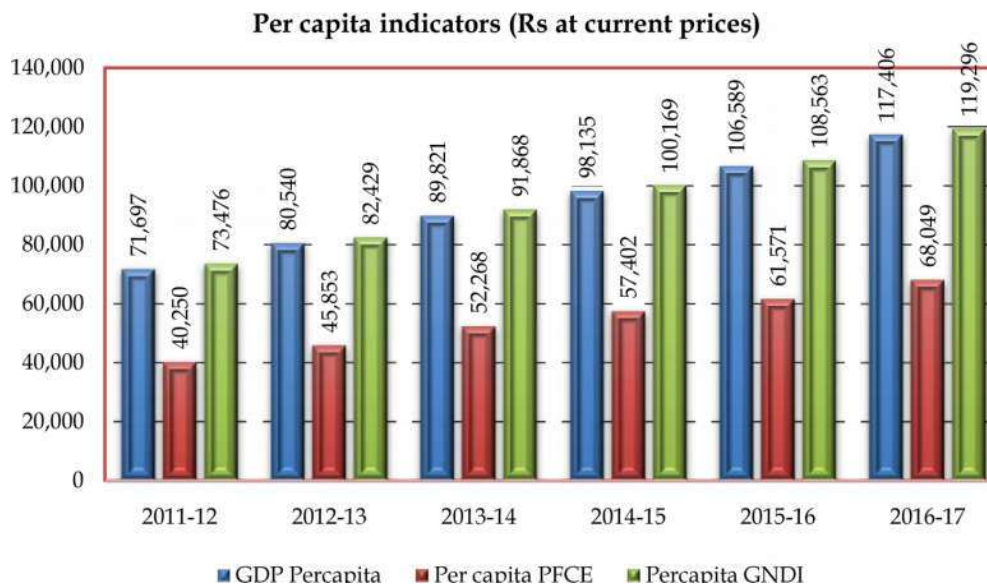
During 1980's there is a considerable growth in the Indian economy with respect to per capita income from Rs. 71,607 in 2012 to Rs. 117,406 in 2017. The per capita personal disposable income also increased from Rs. 73,476 in 2012 to Rs. 119,296 in 2017. The per capita private final consumption is Rs. 40,250 in 2012 to Rs. 68,049 in 2017. The same is depicted in the table 5 and shown in the Figure 4.

Changing the Market Size

The consumers market is primarily classified into organised markets, unorganised markets, Traditional markets and modern markets. The Indian consumer's market size started to increase by generating revenue of US\$ 641 billion in 2016. The overall growth was resulted at the rate of 12% per annum. The traditional trade growth rate per annum was 9% which concentrated in groceries and FMCG products. The organised retail market growth is at the rate of \$60 billion from consumer goods. The Therefore the Indian Business to Business (B2B) market expected to earn revenue at the rate of US\$ 700 billion in near future. This will result in online retailing well matched with physical stores throughout the country. According to Indian Chambers of Commerce and Industry

Table 2: Per capita indicators (Rs at current prices)

Year	Per capita indicators (Rs at current prices)		
	GDP Per capita	Per capita PFCE	Per capita GNDI
2011-12	71,697	40,250	73,476
2012-13	80,540	45,853	82,429
2013-14	89,821	52,268	91,868
2014-15	98,135	57,402	100,169
2015-16	1,06,589	61,571	108,563
2016-17	1,17,406	68,049	119,296

**Fig. 2:**

Source: CARE Ratings

(FICCI) and Indian Institute of Foreign Trade (IIFT) the total potential growth of Business to Consumer (B2C) earned at the rate of US\$ 26 billion and expected to achieve more \$3 billion in near future. India took the place of china in retail market expansion with booming consumption rates, urbanizing population and growing middle class.

India is the world's best ever growing e-commerce market, driven by vigorous investment in the sector and rapid increase in the number of internet users. Various private organisations promoted and worked hard for increase in sales, which resulted to attain US\$ 30 billion in the year 2016.

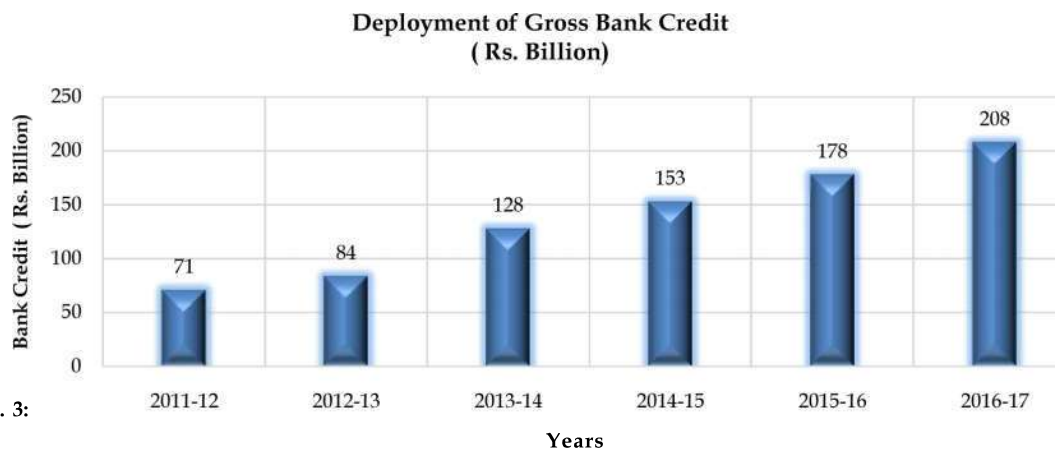
There is a simultaneous growth in telecom networks, online services and other market services. According to the report of India Direct Selling Association (IDSA) the India's, retail direct selling market size increased by US\$ 3.54 billion by 2016. The Indian exports of domestic lifestyle products also increased to 10%. Hence, the consumer purchasing attributes and their lifestyle is resulted with vigorous expansion of market in the country [5].

Life Style of Consumers in India

Increase in materialism is growing more rapidly in Indian consumers as life's pleasures have gained more importance over the past decade. The purchase of electronics goods like TV and smart phones, music systems and home appliances like refrigerators, micro ovens, along with the apparels, foot wear, cosmetics, furniture, vehicles etc has grown so dramatically because of the huge expansion that has been taken up in the financial sector. Previously, a decade ago, it was difficult to purchase high end goods as there were neither loans nor credit cards. Short term loans and credit cards have changed the consumer mentality. Today the consumer is ready to purchase any good of his choice with the huge financial options available in the market. The credit cards options along with the reward schemes, the flexible financing options from the financial institutions are tempting the consumers to purchase goods as and when they desire. From pin to car, the market is flooded with a variety of consumer goods of different ranges which cater for different income groups. Accordingly the financial options are also available for the consumers.

Table 3: Deployment of gross bank credit

Year	Deployment of Gross Bank Credit Bank Credit(Billion Rs)
2011-12	71
2012-13	84
2013-14	128
2014-15	153
2015-16	178
2016-17	208

**Fig. 3:**

Source: IBEF

From the Table 3 it is evident that the Gross Bank credit has increased over the years from 2011 to 2017. The same is depicted in the Figure 2.

Growth of Indian Market

The Indian retail market is solitary and longest growing in the world. The Indian Retail market is likely to meet the market growth of US\$ 1,100 trillion by 2020, as India's destiny is to be fifth largest retail market in the world in terms of per capita retail store availability. So the sector initiated development in all the major cities including II & III Tier cities in the country. This is resulted in changing standard of living, increase in disposable income of consumers, taste and preferences, economic growth etc. therefore these are the major factors for expansion of organised retail sector in India. The online services in the country was also taking in a big way contributing 7% to the economy at the rate of US\$ 17.8 billion to US\$ 60 billion and expected to grow by 10% by 2020. This was made possible due to private and foreign investors. The scope of Indian retail industry was widened and supported by global retailers such as Wal-Mart, GAP, Tesco and JC Penney. This also helped the franchising business in the country, where private investments increased. The government permitted 51% Foreign Direct Investment in multi-brand retail and 100 % in single brand retail through

regular transmit. This resulted in emergence of E-commerce and make in India. In India the retail industry business started to produce consumer goods as well as Food Manufacturing consumer goods with 100% of Foreign Direct Investment (FDI). Urbanization an integral part of the growth process contributes about 2/3rd of economic output. The urban population is expected to grow from 282 million to 590 million in the next two decades. Meeting the needs of the soaring urban population in terms of basic needs and consumer durables has opened the gates for more markets and investments. The size of market growth is observed increasing from 2012 to 2016 considerably with increase in expenditure from \$518 to \$672.

Influence of Urbanisation

Urbanization an integral part of the growth process contributes about 2/3rd of economic output. The urban population is expected to grow from 282 million to 590 million in the next two decades. Meeting the needs of the soaring urban population in terms of basic needs and consumer durables has opened the gates for more markets and investments. The urban consumers got converted from net savers to net spenders. With higher incomes, they expect quality and durable goods for affordable prices. Urbanisation is spreading beyond expectations and more and more small towns and cities are adopting the urban culture.

Table 4:

Year	Population Division	
	Urban Population	Rural population
1991	19.9	80.1
1981	23.3	76.7
1991	25.7	74.3
2001	27.8	72.2
2011	31.2	68.8
2015	32.7	67.3

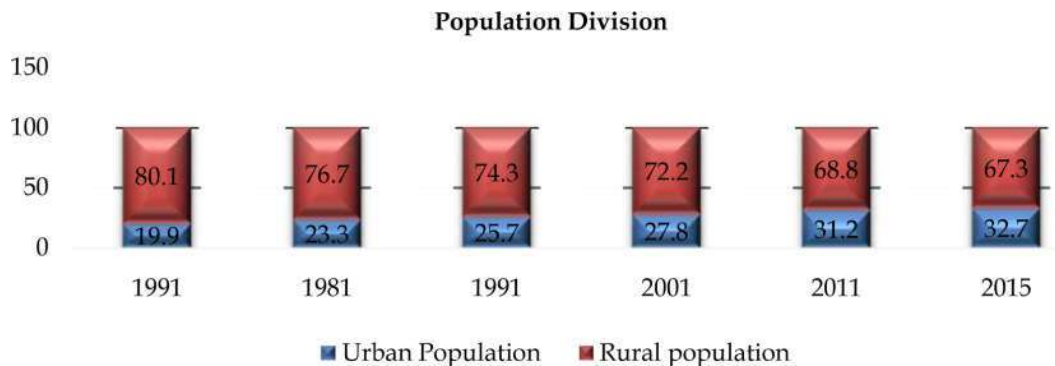


Fig. 4:
Source: CARE Ratings

From the below Table 4 we study that from 1991 to 2015 the money spent on goods being increasing from 19.9% to 32.7% and the Rural people money spending in 1991 is 80.1% and in 2015 it is 67.3%. The consumption expenditure of Rural population was high than the urban population during 1991. The consumption of rural people started decreasing relatively to 67.3% and the urban people expenditure and the contribution increased to 32.7% respectively. The contribution of population of urban and rural areas was shown in Table 5 and the same is shown in the Fig. 4 [7,8]. With the ever-spreading urbanisation the consumer demography is becoming multidimensional due to large diversity in terms of culture and tradition. The size of market growth is observed increasing from 2012 to 2016 considerably with increase in expenditure from \$518 to \$672.

Consumer's Contribution to Economy

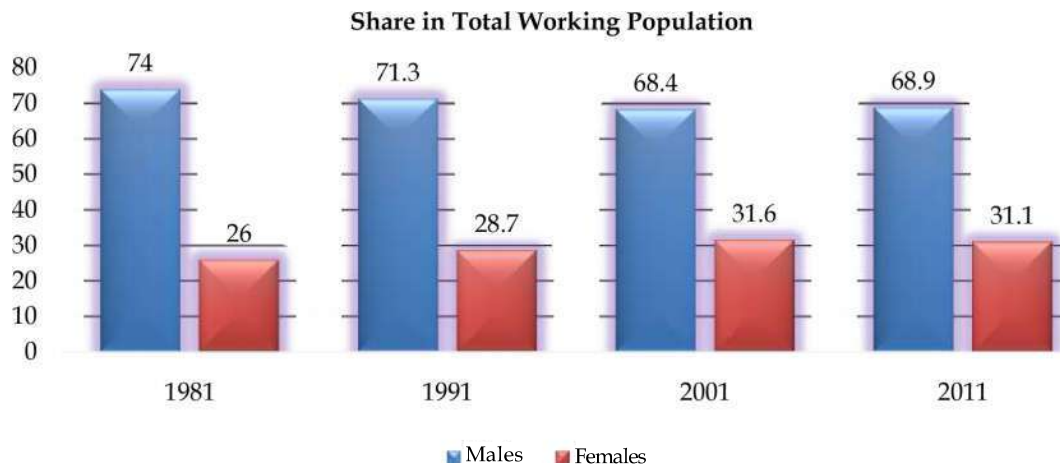
According to CAGR it is observed that the country's per capita GDP per annum is been increasing from Rs 71,607 in 2012 to Rs. 117,406 2017. There is a consumption boom in the country. The per capita disposable income also increased from Rs 73,476 in 2012 to Rs 119,296 by 2017. There is an increase in the final consumption expenditure from Rs 40,250 in 2012 to Rs.68,049 by 2017 in the country. The usage of credit and debit cards has increased to purchase goods. These were prominently accepted in the

market. The usage of cards increased with because the consumers enjoy the pleasure of cash less shopping with provided incentives, cash back offers and discounts.

The participation of female workforce in the recent times has increased considerably. They started participating in the country's economic activities more actively. The female work force has increased from 26% to 31% from FY81 to FY 11. Notably, involvement of female workforce in the organized industrial activities also has increased from 27% to 47% in FY 2011. It has increased purchasing power in the hands of working women class. With the higher purchasing power and the time constraint factors with the working women accounted to one-stop-shop concept. The one-stop-shop has all the house hold requirements ranging from food, grocery, apparel, cosmetics, foot wear, electronics, furnishings, furniture etc under single roof. This has given a wide scope for malls of different sizes and online shopping. The paper studies about that the consumption of goods being increasing due to increase in the working population of both males and females in the country. The table 5 reveals that the working population in males is increasing from 1981 to 2011 from 74 million to 68.9 million. The Female working population is increasing from 26 million to 31.1 million by 2011 respectively. The same is shown in the Figure 4.

Table 5: Share in total working population (in Millions)

Year	Share in total working population (in Millions)	
	Males	Females
1981	74	26
1991	71.3	28.7
2001	68.4	31.6
2011	68.9	31.1



Source: Care Ratings

Recommendations

With the urbanisation, higher income rates, young entering into the jobs at a very early stage, rapid growth in population, growing awareness of the technology and the gadgets, overflowing markets of different sizes, variety of goods at different prices, flexible loans and the credit card payments have changed the spending behaviour of the Indian customer.

There is a steady expansion of E-commerce in the country. Customers choices have increased. They prefer quality goods at cheaper rates with more reliability. In order to reach the Indian customer who is rigid and to gain an upper hand over the competitors, the companies have customised the products which can run in the Indian retail markets. Though India has opened its gates wide open for the international investments into the retail markets, there is about 67% of unorganised sector still remains untapped. The retailers, the online marketers, the digital retail channels are entering into the Indian markets in II tier and III tier cities to establish themselves. Both organised and unorganised retail companies have to work together to ensure better prospects for the overall retail industry, while generating new benefits for their customers. Supported by the rising incomes the industry has large scope with the favourable demographics, entry of foreign players and growing small and big cities.

Rural markets show high growth potential if tapped with the right set of products and pricing. With increasing investments in infrastructure, connectivity to such towns is now becoming easier. This helps the retailer to increase reach in such high potential markets.

The private label space in the organized Indian retail industry has begun experiencing an increased level of activity. The share of private label strategy in the US and the UK markets is 19 per cent and 39 per cent, respectively, while its share in India is just 6 percent. India's price competitiveness attracts large retail players to use it as a sourcing base. Many international retailers are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices.

Conclusion

Indian retail industry is no doubt one of the largest and fastest growing industries. Like most developed countries, India's growth also relies on growth of its retail industry. India is becoming a dynamic market with many international brands entering India to capitalize on the growing consumption pattern shown by the country. With right reforms and government

initiatives, India retail industry is surely inching its way towards becoming the next boom industry. The future of the retail industry looks promising, as more and more Government policies have come into play, making it favourable to do business.

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