

THE ROLE OF CONSUMERISM IN MODERN RETAILING OF INDIA – A STUDY

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ABSTRACT

A new wave of consumerism driven by rapid sea changes in domestic demographics, increasing urbanization, improvement in standard of living, life styles, and advances in information technology creates a behemoth consumer market, which offers a plethora of opportunities for the growth and development of sunrise retail sector in India. The fast changing trends of consumerism based on the growing wealthy middle class consumers have conspicuous impact on modern retailing, particularly in food and grocery, apparel and entertainment sector. Hence, the emergence of supermarkets, hypermarkets and shopping malls become the destination centers to cater to the ever-changing needs of consumers. Thus, the study of changing trends of consumerism assumed significance in the wake of understanding and development of modern retail formats across the nation. However, little is understood about its actual influence and contribution to the organized retailing. The present study puts focus on the phenomenal changes and developments happening in retailing in view of the burgeoning consumerism.

INTRODUCTION

India is one of the fastest growing economies after China with 9.4% GDP growth in the world. The liberalization and globalization policies and practices have brought in structural shifts in consumption patterns of urban and rural population. Consumerism describes the shift in Indian culture from a producer-oriented society in the nineteenth century to a "consumerist" society in the twentieth century. Consumerism in India, which is based on around 300 million middle class households, is buoyed by current GDP growth in the region of seven to nine percent. India is poised for a dramatic expansion of domestic consumption that will make the country one of the largest consumer markets in the world. According to McKinsey Global Institute Report (MGI), over the next two decades, India will become fifth largest consumer market from its present 12th position and overtake Germany to be behind the US, Japan, China and the UK. It is also estimated that real consumption will grow from Rs 17 trillion today to Rs 70 trillion by 2025 (McKinsey Global Institute Report). In recent days, due to Changes in domestic demographics, life styles, improvement in standard of living, increasing urbanization, and advances in industrialization, manufacturing, transportation, communication all contributed to the growing consumer market. Overall Indian consumer goods market is about \$450 billion and is expected to double to about \$800 billion in about 5 years, if the country maintains its 8% growth trajectory (AT Kearney Retail Report, 2005). Growing consumerism would be a key driver for organized retail in India. The fastest growing retail sector in the Indian economy is expected to be dynamic and sales are expected to follow an upward trajectory with a healthy 8% constant value CAGR (compound average

growth rate) and the present total retail business is estimated as \$320 billion, which is forecast to grow to \$637 billion by 2015 (KSA Technopak retail report, 2006). Hence, it is imperative to understand the changing trends of consumerism that led to the growth of organized retailing in India. This study puts great focus upon the overview of the selected organized retail formats like food and grace I', apparel and entertainment sector and throws light upon changing trends of retailing and prospects associated with it.

SOCIO-CULTURAL IMPACT ON CONSUMERISM

Different social classes exhibit characteristically different behaviors pattern in consumerism. Out of these 1.6 million upper class households earn Rs 45 lakh (\$ 1 00,000) or more per year spending about Rs 4 lakh (\$9000) a year luxury / very premium goods and services, which made for a market potential of about \$65,000 crore (\$14.4 billion) is growing at a healthy rate of 14 % a year (KSA Technopak estimates, 2006). India's middle income group (popularly called middle-class) of 300 million is about 25% of the total population base which, about 4% are extremely rich and about 10% have just graduated into the middle class and the wealthy middle class is estimated to go up to 400 million that believe in good things of life style and indulge in conspicuous consumption worth of \$2.8 trillion in a year 2025. The changing trends of consumer class shown Table 1 reveals that percentage of increase of Consumer class in the Rich (416%), Consuming (179%) and Climbers (37%) from the year 1996-2001 to 2007 art the percentage of decrease of consumer class the Aspirant (-65%) and Destitute (-61%) class and the total change of 21 % is conspicuous indicator of changing trends of consumer market (Baja et al, 2005).

Table 1: Changing Structure of the Indian Consumer Market

Consumer Class (Annual Income Rs)	1996	2001	2007	Change
The Rich (Rs 215,000 and more)	1.2	2.0	6.2	416%
The Consuming Class (Rs 45,000 - 215,000)	32.5	54.6	90.9	179%
The Climbers (Rs 22,000 -45,000)	54.1	71.6	74.1	37%
The Aspirants (Rs 16,000 -22,000)	44	28.1	15.3	-65%
The Destitute (Rs below 16,000)	33	23.4	12.8	-61%
Total	164.8	180.7	199.2	21%

Source: NCAER – 2005

The Changing cultural and Cross-cultural values trigger a rapid change in consumer preferences, beliefs and eating habits that results the formation of fast food outlets, Domino's pizza, burgers, coffee cafes etc (Swpna Pradhan, 2007). The metamorphosis change in dress culture has made consumer irresistible to shop in modern apparel retail formats conforming to the western style.

Demographic and psycho graphic impact on consumerism

The demographic changes are the utmost influential factors in the changing trends of consumerism in India. Out of the total population of 1027 millions, about 742 million live in rural areas and 285 million in urban areas. The net addition of population in rural and urban areas during 1991-2001 has been to the tune of 113 million and 68 million respectively is an obvious indicator of increasing demand for consumer goods. The 70 % of the country's 1027 million population concentrated in rural areas consisting of 6 lakh

villages creating a demand for products such as toothpaste, instant coffee, deodorants, etc. Increase by 60 percent by 2012 (Assocham Retail Report, 2007).

The average household income in urban areas has been growing at a 5% CAGR (Compounded Annual Growth Rate) for the last decade. The income profiles of Indian households are tremendously increasing from the year 1995 – 2002 to 2007 (see Table 2), which is an encouraging phenomenon for growing consumerism.

Table 2: Income Profile of Indian households

Income Profile	Million households		
	FY 95	FY 02	FY 07E
Income group in USD			
Low (<\$ 489)	86.1	59.3	39.9
Lower Middle (\$ 490-978)	44.9	72.2	78.5
Middle (\$ 978- 1522)	18.0	23.5	36.6
Upper Middle (\$ 1523-2087)	7.0	13.6	21.4
High (> \$ 2087)	4.6	12.1	22.7
Total	160.6	180.7	199.1

Source: Tata Statistical Outline and Merrill Lynch Research – 2005

Table 3 Age Distribution of Indian Population (Millions)

Year	Kids 0-4	Children 5 -14	Adolescents 15 -19	Adults 20 - 34	Mid- aged 35- 54	Aged 55 and more	Total
1996	119.5	233.2	90.7	224.0	178.1	88.7	934.2
2001	108.5	239.1	109.09	246.8	207.3	101.7	1012.4
2006	113.5	221.2	122.4	279.1	239.2	118.7	1094.1

Source: NCAER-2005

The changing composition of work force and growing number of women employees in public and private organizations i.e. the participation of women in professional and technical workforce in India is 34% and 21 % respectively (NCEAR report, 2005) contribute a lot to the paradigm shift in consumerism. The accelerated growth in employment from 1.6% levels of 1993-2000 to 2.5% during 1999-2005 is also the good facilitator of growing consumerism. Intrinsic factors such as needs, motives, perceptions, and attitudes, interests, opinions, activities and lifestyles mostly influence the consumerism in a rapid changing environment. Personal and social motives are the most influential in increasing consumerism and creating necessity for modern retail formats that cater to meet the preferences. Consumers' motives are positively related to their pleasure and satisfaction while shopping in modern retail outlets

Table 4 Structure and Share of Retailing in India – 2006 (at current prices)

Retail Segments	India Retail Value(Rs.Crore)	Organised Retail (Rs.Crore)	%Organised in 2006
Clothing, textiles and fashion accessories	1,13,500	21,400	18.9
Jewellery	60,200	1,680	2.8
Watches	3,950	1,800	45.6
Footwear	13,750	5,200	37.8
Health and beauty care	3,800	400	10.6

services			
Pharmaceuticals	42,200	1,100	2.6
Consumer durables, home appliances and equipments	48,100	5,000	10.4
Mobile handsets, accessories and services	21,650	1,740	8.0
Furnishings, utensils, furniture – home and office	40,650	3,700	9.1
Food and Grocery	7,43,900	5,800	0.8
Catering services (F &B)	57,000	3,940	6.9
Books, music and gifts	13,300	1,680	12.6
Entertainment	38,000	1,560	4.1
Total	Rs.12,00,000	Rs.55,000	4.6

Source: Images F&R research

Apparel Retail Sector

The Indian apparel sector is the most profoundly influenced by the consumerism in India. The Indian fashion and retail sector is at a crossroads today; facing as it does, both opportunities and challenges. Following a boom in information technology and communication across India due to satellite television, internet and other forms of media, the Indian customer is now becoming aware of fashion trends happening across the world and demanding the same in India. The wardrobe of young girls and boys is changing with more prominence to western wear and Indo-western wear. A market with 600 million people of less than 25 years of age, more than a lakh people with annual incomes greater than Rs 50 lakh, more than 7 lakh people with annual incomes greater than Rs 15 lakh and growing exponentially, is an indicator of increasing consumer spending even across categories which were earlier price-driven. India is ranked as one of the world's top ten apparel exporters. The organized apparel segment is of \$1.8 billion and is expected to grow at a steady 9.5 percent per annum over the next three years. Multi-brand outlets are becoming the popular destination for customers and will outrank manufacturer retailers in size. Large retailers such as Shoppers' Stop, the RPG group, Pantaloon retail and Trent have stabilized their retail models, and are rolling out more stores to grow in size. Kids retailing is growing by leaps and bounds in India and those in the industry say it is likely to see 30-35 per cent growth per annum. When it comes to clothing, men are as conscious as women. It would come as a surprise that men's wear constitute one-sixth of India's domestic market for clothing, textiles, and fashion accessories that stands at Rs 1,13,500 Crore. The Indian consumer's particularly wealthy middle class is unmindful and unapologetic in purchasing branded apparel goods. Riding on back of buoyant consumer sentiment and demand, the Indian apparel market has galloped to over Rs 1,00,000 crore.

Emerging trends and future prospects of Retailing

The recent trends in the retail sector in India as follows:

Departmental stores, Supermarkets and hypermarkets are gaining prominence

These are driven by a consumer need for convenience and distinctive shopping experience to customers on account of services extended along with core offering and atmospherics of retail store, while the big box category killer stores are gaining importance in the specialty retail categories. While supermarkets may emerge at the

initial stages of retail market development, in the long term they are unable to match the consumer value proposition of convenience stores and hypermarkets. Some of the dominant players among the total 1,300 supermarkets in India are Big Bazaar, Ampa Skywalk, Subhiksha, Nilgiri's, Food world, Spencer's, Reliance Fresh, Heritage Fresh, etc and out of 70 hypermarkets, some of the leading retail players in hypermarkets are Hyper city, Magnet, Jumbo, C3, Shop rite, Big Bazaar and etc.

Emergence of Mall culture

The new shopping malls that have been expanding their footprint across Indian cities are well designed, built on international formats of retailing and integrated with entertainment and restaurants to provide a complete family experience. Over 600 malls are expected to be built over the next two years and most Indian cities with over a million populations will be exposed to this modern method of retailing (Deutsche Bank's research report, 2005). The Indian consumers have accepted the mall culture and shopping at malls become a favorite pass time for the consumers. The lately emerged idea of "Concept Malls", which display only one product through a number of its retail outlets within its premises in one particular area. Concept malls are expected to grow and make shopping a more pleasant experience for the consumer. Some of the categories of malls are:

Jewelry Mall: Jewelry shopping is a favorite shopping stop for the Indian women. The prominent jewelry shopping malls in India are Tanishq, Nakshata, Joy Alukkas and NSC, which is located in Chennai, is India's first specialty mall. The Joy Alukkas has all facilities for the gold shoppers. The mall has Food court children's play area, executive lounge, florist, beauty salon, besides a full floor devoted to branded jewelry goods.

Electronic Mall: The Electronic Mall caters to the customer need of any kind of electronics, electrical and while goods in one roof. The best example for this kind of mall is "CROMA" located in Chennai. The 5 storey mall have around 500 shops and show looms of Indian and International electronics consumer durables, mobile phones, TV's, VCDs, DVDs, music systems and other home appliances.

Retail reforms on the anvil

The opening up of retail trade for Foreign Direct Investment (FDI) promises to usher in revolutionary changes to the Indian consumer market in the days to come. Recently, in a significant step towards liberalizing India's retail trade, the government had decided to partially open the retail sector by announcing 51 percent FDI in single brand retailing. The Government regulations allow 100 percent FDI in cash and carry through automatic route besides the franchises and strategic licenses [or multiple brand retailers. Now, the Government also proposes further liberalization in the retail sector allowing 51 per cent FDI in consumer electronics and sports goods (India retail report, 2007). India's vast middle class and its almost untapped retail industry are key attractions for a plethora of global retail giants wanting to enter Indian retail market. Driven by changing lifestyles, strong income growth and favorable demographic patterns, Indian retail is expected to grow 25 per cent annually, has attracted the interest of a host of global giants from the US, European Union and Australia. It is estimated that FDI potential of \$300 billion investment in the retail sector would come if the proposals to allow sector-specific retail trade on the table.

Future Prospects of Retail Sector

Based on the present scenario and future projections the following are projected as the

future prospects of Indian retail industry.

- Organised retail will form 10% of total retailing by the end of this decade. In the mean time, the organised sector will grow at rate of around 30 % per annum (India retail report-07).
- India to have nearly 600 shopping malls by 20 J 0, there by paving way [or opportunities galore in real estate sector (Deutsche Bank's research report).
- Kids' retail: When it comes to Indian children, retailers are busy bonding--and branding. According to research firm KSA Technopak, the branded segment comprises US\$ 701.7 million of the total kids' apparel market-size of over US\$ 3 billion. Leading the kids' retail revolution is the apparel business, which accounts for almost 80 per cent of the revenue.
- There will be 83% increase in the turnover of the farming sector due to the efficiencies of the state of the art logistic and supply chain management practices.
- Retail sector is estimated to create 50,000 jobs per year in the next five years.
- Exports will increase by \$2 billion per year and it will reach \$40 billion by 2011
- India will attract \$150 billion of foreign direct investment by 2011 infrastructure sector alone due to the increased intense competition both by the domestic and foreign retail bigwigs.

CONCLUSION

Riding on economic growth and widespread consumerism, the Indian consumer market and retail tread has become Siamese twins and growing in tandem. With the rising affluent middle class society, changing consumption patterns, rise in number of dual income nuclear families and the youth driven culture are some of the factors fuelling the new wave of consumerism. The rapidly evolving Indian consumers are now seeking out a different shopping experience with increasing awareness of information and technology. India is now ready to leapfrog into the next stage of evolution where a large number of Indian and International retailers build sizeable scale models across the country. Opportunities are abundant, across all formats and categories, as the new Indian consumer has clearly demonstrated a readiness for all organized retailing segments. As has been the case in retail markets across the globe the influx of foreign brands and funds into the country will change the retail landscape. It will make domestic players grow bigger and more innovative in the face enhanced competitive pressures. The Indian retail sector is at an inflexion point where the growth of organized retails and growth in the consumption by the Indian populations going to take a higher growth trajectory.

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