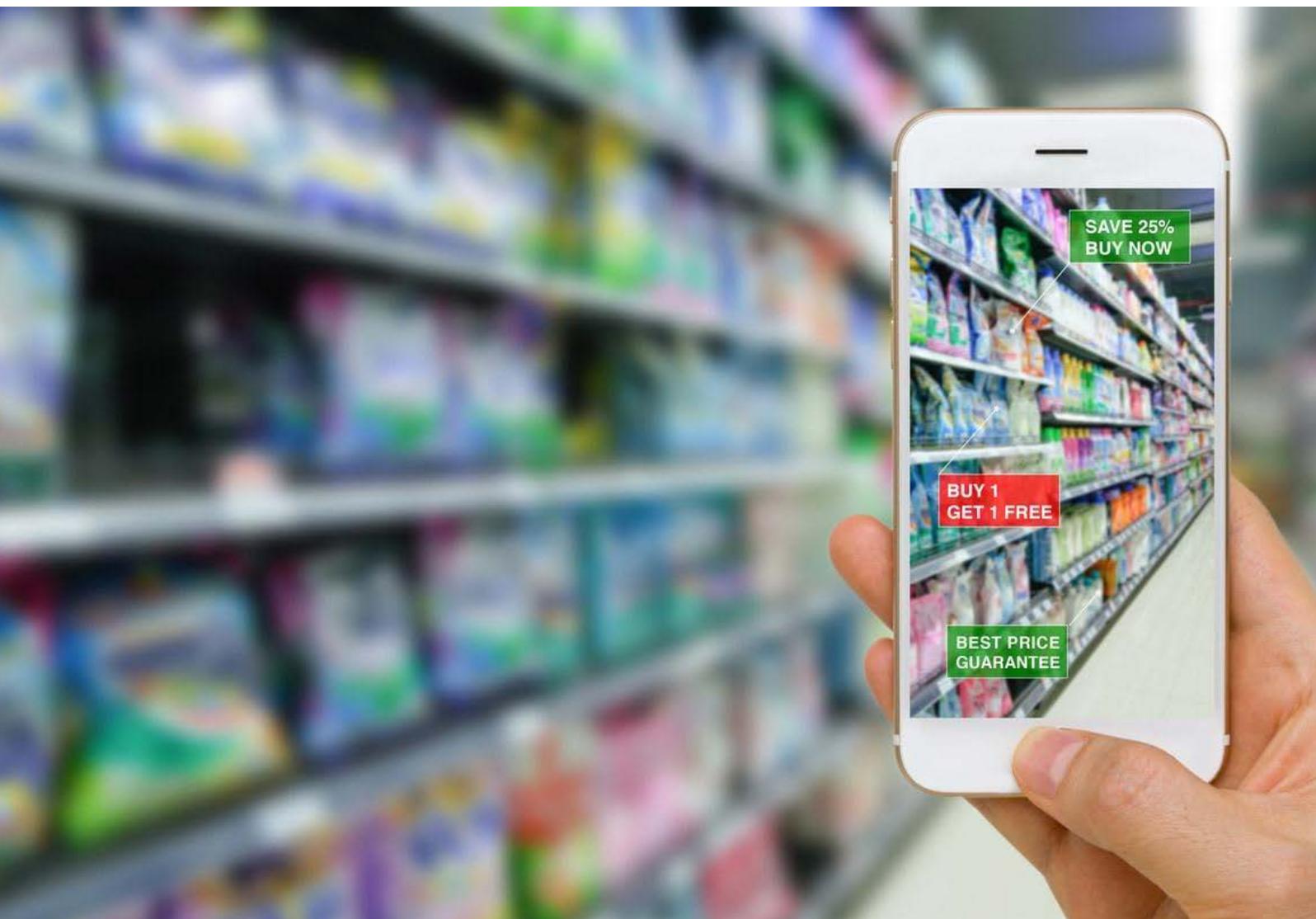


# Thoughts

Reflexion and Analysis for the Indian Market

December 2019

## Indian Consumer Behaviour Reshaped



## Foreword

India has emerged as one of the most attractive investment destinations in the world with increasing disposal incomes, rapid industrialisation and a significant shift in the demographic pattern. Among the key contributors in this growth story have been consumer-centric sectors such as retail, FMCG and e-commerce.

These sectors have come of age and gone through a major transformation over the last decade with a noticeable shift towards organised retail and numerous policy advocacies. India's retail segment is expected to reach USD 1 trillion over the next five years as it expands at a CAGR of 15%. The e-commerce market is projected to rise to USD 125 billion in terms of gross merchandise value by 2020. Growing at the rate of 30%. The packaged consumer goods sector is estimated to grow at a pace of 18% and cross the USD 100 billion mark.

These market performances reveal that attitudes in India are changing and new consumer trends have quickly taken root in almost all Indian cities and across all demographic segments. The behaviours can be found among men and women of all ages, at every income level, and in every size of city. The ubiquity of the behaviours has important implications for companies trying to expand their bases of business in India.

### - **The rise of the Indian women decision maker**

A few years ago, the gender gap in secondary education in India, which had been narrowing for decades, disappeared altogether. On the heels of this change has come another: women now have the final say in the majority of household purchasing decisions. And that final say isn't limited to categories traditionally targeted to women. Fifty-one percent of Indian women make the ultimate decision about their families' leisure travel plans and 44% have the final say about bikes and scooters. Moreover, women shop differently from men. For example, when shopping for gadgets, men will look for a popular brand that they've researched online, while women will visit multiple stores and take the time to hear what store associates have to say.

### - **Purchasing experiences become more important than purchasing products**

Increased household income allows Indian consumers to pay for the experiences they are having. But higher income isn't the only enabler of experiences. A surprising proportion of urban Indians are financing their experiences by trading down in certain product categories, including jewelry, mobile phones, apparel, and home furnishings.



The preference for experience over products can be seen when the consumer buy a massage instead of clothes when she wants to pamper herself! These experiences are linked with the positive attention it brings them on social media!

- **Information-centered shopping**

People in Indian cities now treat information gathering as an integral part of the shopping experience. Eighty-five percent of consumers check at least two data points (beyond prices and discounts) when they're buying something, and roughly 50% do some sort of online research. Among the sorts of information that people look for are product reviews, manufacturing and expiration dates, and how a product compares with alternatives in terms of features.

- **Staying trendy**

A desire to be in sync with the latest trends is increasingly driving purchases among Indian consumers. Not surprisingly, the categories that ranked high for trendiness had products that tended to be those that someone might well see and notice such as tablets, laptops, four-wheel vehicles just to stay up to date with the latest in the market.

- **Health and Wellness are factors for decision-making to purchase**

Health consciousness has seeped into the national conversation in recent years. A large majority of consumers now spend on health and wellness which includes consumers who are spending on services such as health checkups, gym memberships, diet consultations and healthier food.

The trend toward health and wellness is also affecting non-health-related industries in some unpredictable ways. For example, consumers occasionally walk to a destination instead of taking a cab and they cut down on their media and online use to create more time for physical activities.

Interestingly, for a majority of the Indians who spend on fitness activities, the motivation is less to feel healthy than to look healthy. The pleasure of being perceived favorably by others seems to be the real motivation. While it is mentioned more frequently by younger consumers, it is a motivation, to one degree or another, for members of every age group in India.

- **Adoption of time-saving products and services**

Urban Indians pay for a product or service that saves them time. And they do this even if what they're buying costs more than the alternative or causes them to underuse an existing resource.

While this trend can be seen everywhere, it is most prevalent among affluent consumers and in metro and tier 1 cities.

For instance, after signing a lease on a new flat, a young couple will buy all their furniture online from Urban Ladder, thus avoiding the need to make multiple shopping excursions in the scorching summer heat. Another family will contract out the refurbishment and painting of their house to an end-to-end provider to avoid the hassle of dealing with multiple contractors.

#### - **Rising demand of customized products**

Mass-produced offerings have long dominated the Indian market. But in certain product categories, there's also now a belief that what one buys should reflect one's individual preferences and needs—even if one has to pay extra for the difference.

Customizations were most common in the women's apparel category. Requests for custom features in two-wheel and four-wheel vehicles are also common

#### - **A preference for Indian brands over international ones**

It's no accident that in Indian retail stores, locally produced products have prominent shelf positions: 50% of Indian consumers will bypass international brands in favour of an Indian brand in at least one category.

The trend is strongest in food, including staples and packaged beverages. Personal and home care products are other areas where the trend is visible. The preference for Indian brands is expressed to about the same degree in apparel, mainly because of the widespread belief that such brands do a better job of considering Indian consumers' needs and therefore deliver superior results.

#### - **Exclusivity adds value**

The traditional notions of best price and of good quality at a reasonable price continue to hold sway among Indian consumers across the majority of categories. In certain categories, however, exclusivity is now seen as enhancing a product's value.

For example, Indians value exclusivity with regard to eyewear, apparel, and select electronic items.

#### - **Renting over buying**

Presented with a list of products that are traditionally purchased—as varied as kitchen appliances, clothes, and furniture— Indian consumers rent more and more these products, rather than purchased them. In part, this is a function of supply: India has a

growing number of high-profile startups that offer rentals in big cities in a variety of categories.

But simply having the option to rent is only part of what's driving the trend in India. Among lower-income, the main motivation to rent was affordability. People in the higher-income segments rent for different reasons. One is the flexibility that renting enables: young professionals on temporary assignments, for example, prefer to rent their furniture. Another reason is variety – for instance being bale to rent a new smartphone every few months.

For Indian companies and multinationals alike, the right response to the country's budding consumer trends will depend on the peculiarities of each company's product segments and how they are changing. These trends offer a large space to innovation and being able to offer to today consumers the products of tomorrow.

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