

BOOK REVIEW - 2

WE ARE LIKE THAT ONLY :

Understanding the logic of Consumer India'

Bijapurkar Rama, Penguin India Ltd.

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What do you say about a book whose Foreword is written by a person who has been voted as the number one 'Management Thinker' of 2008 in the world by Thinker 50? The first Indian to occupy this place, deservedly. I am referring to none other than Prof. C. K. Prahlad of the University of Michigan, Ann Arbor and author of such great concepts on Core Competency, Competing for future and Bottom of the Pyramid. As if this is not enough, there is also an Afterword by the darling of the Indian corporate world, Chairman and Chief Mentor of Infosys Technologies Ltd., N.R. Narayana Murthy. There are also the kudos by three eminent persons from the world of academics and industry. With these credentials, it will be very difficult to find any faults with the book!

Rama Bijapurkar, undoubtedly, has created a brand equity of her own as a researcher, academic and a consultant with a wide experience. This book is a compilation of the articles which she wrote for a business periodical. This is about Consumer India, what we are, and how we are. There are 13 sections in the book dealing with issues like made for India, why bother about Consumer India, market segmentation on the basis of demographics, psychographic and social basis, rural Consumer India and such details. Taking inspiration from her teacher (Prof. Prahlad), she dwells on understanding the 'bottom of the pyramid' Consumer India and offers a prescription on 'winning in the Indian market'.

The first question which comes to my mind is for whom is this book written? The author, herself an authority in Marketing, would have also asked this question if she had to review a book. It is obvious that it is targeted Multi National Corporations (MNC's) who are aspiring to enter the Indian market because of the sheer size of this market. Like a true consultant and academic, the author provides all the data to them, talks about few success stories like Nokia, Honda and LG and several failures like Kellogg, Mercedes, Coke/Pepsi and others. She draws heavily from the statistics provided by NCAER and other research organizations. At some time, it looks like a book on Economics!

The theme of this book is simple. Consumer India has been the source of belied expectations & frustrating resistance to conventional global offerings, keeping the marketer guessing as to what it will embrace and what it will not. The strategies which worked in other developed markets will not necessarily work in India. The author claims that after 1991, there were hyped expectations, early demand boom and subsequent demand stagnation. At the same time, India cannot be ignored as Consumer India is large, it is poor but getting less poor, number of rich is going up but at the same time Consumer India is schizophrenic! The author brings out lucidly the understanding of demographic, psychographic, cultural and social India.

She quotes from Economist/Newsweek as well as from McKinsey

Quarterly. 'India might have several Silicon Valleys but it also has three Nigerias within it, more than three million people living on less than a dollar a day. This gives a confusing picture. Why bother with India when they have China, the question is posed? Is there enough evidence that India can be a consumption power house? Does Indian middle class have the purchasing power? Is there really a fortune at the bottom of pyramid?' The book is supposed to provide the answers which unfortunately it does not.

The author has given several illustrations without elaborating. The failure of Kellogg, why India sells more Scotch whisky than is distilled in Scotland, the case of Glucometer (for diabetic patients) are really excellent cases. As academics, we would have loved to know the reasons so that the others would have learnt a lesson not to make the same mistakes.

In conclusion, the author states that the tried and tested models of the western world will not work in India. Now this could be debated as knowledge is universal. How you put it to use for a particular marketing environment makes the difference between success and failure. Thus, you cannot generalize. Her recommendations to the MNC's that winning in the Indian markets is about being able to design the right business machine which can profitably deliver adequate quality at affordable prices to serve Indian market makes sense. She suggests that they should begin with small and profitable operations in class markets and wait until mass market gets rich enough, This however, does not make much sense.

It is not the first time these types of findings have emerged. David Ogilvy, the father of modern advertising, in one of his

articles 25 years back had written that 'Marketing in India is a nightmare. For, there is not a single market, but, minimum two and as many as 16 markets on the basis of major languages spoken'. He should have known better because he ran an advertising agency in India since 1968. Since historical times, those businesses became successful who knew their customers well. This is the simple principle of marketing which needs to be understood by all, whether they are an Indian company or a MNC.

While the author has correctly analyzed the Indian Marketing Environments, one area she has not touched at all. And that is Polity. As one leading American Economist pointed out, 'India's problem is not economic, it is Political'. She should have commented on government policies on liberalization, foreign equity, privatization and other aspects also which will have an impact on dealing with Consumer India. The soft policy on population growth has undoubtedly created a large market tempting foreign companies to come to India, but, it has also created a large low and middle income groups revelling in the fallacies of a huge market. As commented earlier, the target of the book is MNC's. What about the Indian companies? How will they strategize to tap this market, combat the challenges from foreign players and so on? She could have drawn on the success of organizations like Haldiram which made Pepsi run away from the market, Amul which is perhaps India's most popular brand and many others. The launch of Tata's Nano has already become a case study material in B-Schools where it is the principle of 'bottom of the pyramid' which has been put to use. These are the success stories of Indian companies which will be inspirational to many, students and professionals. The author is not an Economist even though she

has drawn a lot from that discipline. As they say, 'All Economists agree to disagree. They first come out with models and then with explanation why it has not come out true'. This will not be applicable to this book because it gives some rich data. It is entirely up to the readers to put them to use giving results. From that view point, the author deserves kudos for writing the book.

Dr. Dilip M. Sarwate

EXCERPTS

MANY INDIAS, EVOLVING DIFFERENTLY

For years businesses have been trying to come up with a singular and definitive point of view of India and the Indian market. Lately, however, most of them have begun to realize that finding the Holy Grail of the Indian market lies in understanding its plurality; and that in order to extract the maximum value from the Indian market, they need to develop the mindset, the strategy and the competencies to manage that plurality. India's plurality goes far beyond the heterogeneity of a consumer base of sixty-two socio-cultural regions, twenty-three languages, and diverse food habits, climatic conditions and cultural orientations. Managing plurality is also not about operational marketing stuff -about executing programmes and policies and tweaking products and pack sizes and communication for socio-cultural diversity.

Understanding plurality in the context of the Indian market is about recognizing that the 'big monolith' mental model we have of one Indian market should actually be replaced by a mental model for a schizophrenic India. The key here is to think of India as being a collection of many discrete islands-each with its distinctive economy, consumer character, demography as well as distinctive demand

drivers and consumption patterns. It is also about recognizing that the many discrete islands will evolve in different ways, depending on where they are and what forces affect them. These changes end up creating many more discrete islands or little Indias, in the future.

THE LOGIC OF THE DEMAND SEGMENTS

Market analysts and businesses operating in India have all too often been done in by what they describe as the fickle and capricious behavior of consumer demand in India. For no apparent reason, sales patterns suddenly shift and sales volumes start zooming upwards or suddenly slow down. It is not unusual for several quarters of steady growth of the premium segment of the market to be suddenly followed by equally healthy growth of the discount segment. The usual factors, such as a slowdown in GDP growth, environmental shocks that shake consumer confidence or new entrants into the market, etc., cannot always explain this erratic behavior. It is not unusual for poor monsoons to be followed by a spurt in motorcycle sales but a decline in the sales of toilet soap.

However, when all this is viewed through the lens of the 'many Indias', which are, in effect, many distinctive demand segments, it becomes clear there is a logic behind all the erratic and capricious consumer demand in India. The key to understanding and forecasting the behavior of the Indian market is to recognize its schizophrenic nature and know that the overall demand patterns that we see are actually merely the aggregate of these individual demand segments. And each of these individual demand segments is subject to a different

set of forces, and responds differently to the same environmental forces. Hence, each has its own pace of demand growth and consumer evolution.

The IT India and agricultural India are examples of two totally different small Indias or demand segments. The first is rich, relatively small, very young and well educated. It has a little over 1.5 million people directly employed in it; counting all their dependants, IT would have about 10 million people and account for about 5 per cent of India's GDP. In short contrast, agricultural India has fifty times more population than IT, but accounts for only five times as much in terms of share in India's GDP. It is older and is very low on education. One is global in outlook and benefits hugely from the forces of globalization that are flattening the world. The other is extremely local in outlook and highly vulnerable to the forces of globalization and the WTO regime as they are today. IT India's consumer confidence hinges on the behavior of the US economy, while agricultural India's consumer confidence depends largely on the behaviour of the local rain god. To see the two as being on a continuum of modernity to backwardness would be totally simplistic. Interestingly, IT India has many young people from very small towns who are experiencing the bright city lights for the first time and are struggling with culture shock, while agricultural India embraces cell phones, television and the Internet and other technologies with ease.

Rural India has two distinctive demand segments within it, of which agricultural India is just one. The non-agricultural rural India comprises half the population of agricultural rural India, but it is an equivalent-sized economy. This segment comprises the non-agricultural entrepreneurs of rural India and this

explains why motorcycle sales in rural India are the basic business enablers for these entrepreneurs, enabling them to widen their footprint of operation and transactions between the rural hinterland and the nearby towns.

A bad monsoon, which has the power to swing India's GDP growth rate by over 1 per cent, does not affect IT India at all. And the US immigration law has no effect on agricultural India though it can make or break IT India.

Government employees form another interesting mini India or demand segment. The government economy comprises about 20 million people employed in government and quasi-government jobs-including families and direct dependants. By reckoning, the government economy demand segment harbours anywhere between 150 and 200 million people. They account for more than two-thirds of the organized sector employment, although they are just 20 per cent of the total population of the country. They are, however, mercifully, a shrinking segment. The hallmark of this entire group is cautious, regular and planned spending and surges in spending when special bonuses with arrears of pay are received all at once by this entire group.

In the 1990s, durables market in India suddenly boomed. Some unfortunate companies assumed it was the beginning of rise of the middle class. Then the growth died out and the market returned to its original levels. The reason for the one-time starburst of demand was this interesting demand segment called government employees. Twenty million in number, they are well paid and with a high degree of bargaining power over their employers.

They had been accorded a pay hike with retrospective effect and resultantly at least US\$4 billion was pumped into the disposable income of this demand segment. This is just one of the many illustrations of how environmental factors can affect just one demand segment and create significant distortion in the overall market. Today as the government contemplates privatization of the larger government-owned businesses, a large part of this demand segment, which stands to lose its jobs, has become savings oriented and cautious, and this can be a boom for mutual funds and pension schemes.

In sharp contrast to government employees is self-employed India, whose growth is matched by the decrease in formal employment in the government sector and the transition of the manufacturing sector from the old small scale labour intensive factories to modern, large scale, capital intensive ones. On the other hand, since labour laws in India have not been liberalized and the threat of highly political trade unions still looms large, almost all of the organized sector, including the government has moved to outsourcing services to small sized satellite vendors who also tend to have far lower overheads as

compared to the organized sector. This set of forces has provided lots of opportunities for self-employment. Today, almost of the urban Indian male workforce is self-employed. Rural India has always been self-employed, in the sense that they have been agriculturists or freelance agricultural labour. However, as discussed in chapter 2, with over half of rural India's GDP coming from non-agricultural activities, over one-third of rural families are engaged in some form of self-employment or work in micro scale enterprises. Since the services sector requires virtually no capital, especially if done on a very modest scale, it is the logical activity for most self-employed people.

The dependence of the self-employed mostly on the services sector, where there is intense competition and low customer loyalty, gives them exceptionally fragile consumer confidence. The business people among them (as contrasted with professionals) have a fair amount of black money or undeclared income and will spend on 'invisible' or hidden assets. At a time when the economy is booming and confidence is high, they spend freely. They go into a non-spending shell at the first signs of interest rate hikes or stock market hiccups.

