Two separate incidents recently reinforced to me the need to know and understand the customer intimately, and to have the ability to respond to that knowledge with the appropriate product or service.
The first was related to me by an acquaintance who had a first-hand experience of adaptation to consumer segments at a Mumbai railway station. She asked for a cup of tea, and was offered an overly sweet, overly milky brew, which she promptly returned.

Since the *chaiwala* immediately brewed up a fresh cup for her that was immensely more drinkable, she was quite intrigued and asked him why he didn’t give her the correct brew the first time. He said that the train waiting at the platform was from Gujarat, and the first type of brew was the preferred drink of Gujaratis.

She probed further as to how he adapted each time to trains coming in from different parts of the country, and he rattled off the several different types of tea that he would conjure up depending on the train pulling into that platform.

The *chaiwala* may not have been an MBA with a marketing and finance major, but he did know how to segment the market and profit from the segments individually.

The second was a recent concert by an Indian band. The concert venue was full of billboards of a well-known motorcycle brand that apparently wanted to reach out to the young male consumer (no, personally I have nothing against women riding bikes, but the young male consumer is the stated target audience for most bike brands).

As the band settled down into their groove and the crowd with them, I looked around and here’s what I saw: possibly less than a quarter of the concert-goers were men falling within an age-group of 15-25 years (which I would presume as the core target segment for the bike brand). The rest were either women or pre-teen children or older consumers (most well over 35 years of age).

I suddenly remembered what the creator of the department store and the American inventor of the price ticket, John Wanamaker’s once said: “I know half of my advertising money is wasted, I just don’t know which half.”

From the reactions of the audience, the band clearly seemed to know what they were doing. The bike brand, unfortunately, didn’t seem to be quite on the ball.

**THE 3-D JIGSAW CALLED INDIA**

It’s funny, how gut instincts and home-grown wisdom may quote often seem more successful than planning through facts and figures.

This is partly a function of India’s complexity as a country and a market.

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Traditional marketing discipline assumes that there are large or at least measurable numbers of distinct groups of customers. Within each group, the customers are assumed to behave and buy in similar ways.
Traditional marketing discipline calls for categorising customers into segments that are similar within themselves, and distinct from each other. It assumes that there are large or at least measurable numbers of distinct groups of customers. Within each group, the customers are assumed to behave and buy in similar ways, which are quite distinct from the other groups in the market.

In large markets such as the USA segmentation-marketing came to the fore about 20 years ago, when marketers realised that once you got below the surface homogeneity, how consumers related to brands and products was different, and it would be more profitable to deal with them in different ways. The reality of life, of course, is that in any market, segments are almost always an artificial construct. In fact, it is becoming more difficult to find large segments that are cleanly demarcated – what’s more, in markets worldwide, customer segments have been blurring into each other.

The Indian market takes this complexity to another plane, and savvy marketers know this from personal experience. India as a market is anything but continuous or homogenous. This diversity is brought out by a media-group’s advertisements series on its radio-channel that make the point about India being a country with 145 festivals in a calendar of 365 days. Or as I’ve often heard Kishore Biyani and others say, in India the mix of language, food and culture changes every 80-100 kilometres.

However much one might want to develop a base product that appeals to customers along the length and the breadth of this country, it is well-nigh impossible.

Let’s face it, most mass products that are marketed in the same way across the country, are handled that way due to manufacturing or distribution economics. Some may even be handled uniformly due to the lack of marketing imagination. It is certainly not due to customers across the country being identical.

How well we can understand the dimensions and the differences can mean the difference between success or even survival and abject failure.

**WHEN FIGURES LIE…**

When analysing numbers, business planners tend to follow aggregates, averages and per capita figures quite a lot. For instance, these tell us that, on a trend-basis, Indians are about 55% more prosperous than they were at the turn of the millennium. Per capita income of almost Rs.26,000 would take an average household income of over Rs.130,000 per annum, or over Rs.10,000. That would mean the average Indian household is a middle-class household by Indian definitions of middle-class.
in consumer durables, including mobile phones under Rs. 5,000 and 21” televisions. But then should we not also see a steady rise and upgradation of the market across the country, rather than the peaks and troughs?

Okay, so I’m exaggerating to make the point, and also distorting economics here somewhat by establishing direct linkages between per capita and discretionary income. But, honestly, a lot of marketing decisions do get taken on the basis of similar analyses.

The fact is that, in the absence of accurately detailed market data (which is difficult even in “organised” markets, and almost impossible in developing economies such as India), we tend to follow the “middle-road” of averages in our business planning. A dangerous approach to follow. As dangerous as a non-swimmer planning to wade in a lake with “an average depth of only 30 centimetres” what we tend to forget is that the lake may be only 10 centimetres deep in places and 30 metres in others.

Averages provide a false sense of predictability. And in a market like India, if we are not careful, that can also lead to false sets of assumptions and misguided decisions.

A recent quote from Miles Flint of Sony Ericsson illustrates this well: “Demand for low-end handsets is much larger in emerging markets like India. Yet the demand for PDAs and high-end products like the P910 is also much higher in India than in many of the developed markets, where mobile penetration is over 100 per cent.” Notice, he is talking about the high-end of the market and the low-end; there is no mention of middle-of-the-road or average.

...OR WHEN WE LIE TO OURSELVES

There is an old saying we see what we want to see, we hear what we want to hear, and we believe what we want to believe.

Consumer marketers, retailers, economists, the media – we are leading ourselves to believe that we are in the midst of a “retail boom” which is growing on the back of the massive Indian middle-class. Or so the countless articles that have been written in the last decade would have us believe.

Would it be impertinent to ask: just what defines middle-class and how many of them are there? What do they earn and what do they buy?

Most people will quote you a number of 300-million. The conservative ones will quote 200-million. The ultra-conservative will even estimate that they would reckon “only 100-150 million” in their calculations.

I use the example of a senior marketing executive in Mumbai earning Rs. 85,000 a month who might label himself middle-class. On a graphic based on NCAER’s 2002 study on ‘The Great Indian Middle Class’ he would be right in the middle.

However and consider the numbers carefully even if he were the only wage earner in the family, they would actually be Rs. 5,000 and 21” televisions. But then should we not also see part of an elite group of 807,000 households by the 2002 survey, a mere 0.4% of the total population. A thin, thin slice.

I believe that the retail boom hasn’t really arrived because most new modern retail offerings and brands in India today are targeted at the same premium customer base that we described above.

So instead of “retail boom”, may retail-spark be a more appropriate term? For the sake of all the investors who have stepped into the sector, hopefully it is a spark on a fuse that is burning quite quickly.

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Well, then, what may the middle-class be?

When I have quoted a figure of “20-million people”, I have been faced with dead-silence and incredulous faces. However, it is not so unbelievable.

To achieve some sort of analysis parity, one might take a figure of Rs.500,000 annual household income as a bottomline by purchasing power parity this might translate into almost US$ 40,000. Estimates would provide us a figure of a little over 3.5 million households earning that or more a year.

So where are those that I call the “missing millions”? The other 280 million people who were supposed to be middle-class or above?

Why, they are in the Indian version of the middle-class those households earning Rs.90,000 up to Rs.500,000 a year. A very different set of customers, with very different sets of needs and aspirations.

An income base of Rs.7,500 a month doesn’t really light a fire in the hearts of the brand managers of most lifestyle products, does it?

So let’s start telling ourselves the truth for a change. Our customer segment may mean that we actually have 2 million customers rather than 200 million. Once we know what we are targeting, we may even draw up the correct marketing strategy.

**MATERNITY BEING THE PROOF**

In fact, let’s get a little more accurate.

I like Rama Bijapurkar’s statement: “consumption data is like maternity – a certainty; while income data is like paternity often a matter of opinion”. She points out that income data can be under-reported and, therefore, income estimates are not an accurate indicator of the potential market size.

So maybe we could be doing ourselves a disservice by underestimating our market. Instead, consumption data of allied or similar products might actually point to the likelihood of our product getting sold, and give us more accurate numbers about our target segment.

Well, if we were to randomly pick a lifestyle fashion or home products brand, its segment profile statement might say that its target consumer owns a car, among other possessions. An interesting report produced by Hansa Research and the Media Research Users Council estimates that only 1-2% of the population own a car.

And by chance, if you included the possession of a microwave or an air-conditioner…whoops…you just lost yourself a whole percentage point on the market. Your target consumers now might number less than 10 million, or less than 2 million households!

Well, the wise ones did say that maternity is an even tougher job than paternity!

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**SLICING THE MARKET**

About 105 million individuals are estimated to be in the age group of 15-19 years, already in their early years of discretionary consumption. About 112 million individuals are in the 10-14 years segment – within five years many of these will be making career choices, and in another 5 years most would have already begun earning and spending. Imagine the power of the tweens and the teens.
the film Gandhi was released to popular and critical acclaim around the world. In 1983 the team led by Kapil Dev won the World Cup. A time of great national energy and self-esteem. A time when the economic and the political worm (no pun intended) was beginning to turn, after decades of sleep.

I call the generation born 24-years ago the “choice generation”. This generation has had more choice than its predecessors whether of watches, soft drinks or even careers. With this generation, the consumer market has also grown up at a steady pace. With colour television, cable and satellite channels, the mass reach of brands has multiplied. Ready-to-wear has proliferated in the textile and apparel space. Merchandise exports have boomed and quality has improved, having a simultaneous impact on the domestic market. Mobile phones have been launched in its lifetime, and grown to become the most ubiquitous symbol of economic growth.

Let us not underestimate this choice generation, which is now beginning to enter the work-place. This generation is already beginning to have a profound impact on how the market shapes up, and will have an even bigger impact in the future on the society and the economy as they move through the further stages of their lives.

Another large chunk of population that we studied recently is the “young market” of under-20 years. Given that most marketers tend to be well over 30, it is frightening how slender our “connect” is with the largest population segment (about 44% of the total population).

About 105 million individuals are estimated to be in the age group of 15-19 years, already in their early years of discretionary consumption. About 112 million individuals are in the 10-14 years segment – within five years many of these will be making career choices, and in another 5 years most would have already begun earning and spending. Imagine the power of the tweens and the teens.

This is not one homogenous mass of youngsters who think in the same way. Age is not the key differentiating or grouping factor. Neither, it would seem, is income or education or typical SEC segmentation. There are many, possibly hundreds of segments for a marketer to deal with.

Their tastes are fluid, moving at speeds that most traditional marketing structures cannot even begin to match. Trends may be truly global, or uniquely localised even within a city or town. You can try to follow, if you’re fleet-footed. Or you can try and lead, if you’ve got your own act together. Just don’t try and predict.

Cellphone companies seem to have got it. But who else?

Now for another surprising fact that stares us in the face, but that we miss. Due to the large number of young individuals, the median age of the Indian population is expected to remain under 30 until 2025. Therefore, for most marketers the focus naturally would be on the young market, and what its desires and needs might be.
Curiously, though, a faster growing market opportunity lies in the 50+ population. While the under-30 population is expected to grow only 10% in absolute numbers in the next two decades, the over-50 population will have doubled to about 325 million people, well over the total current population of the USA.

By then, these drivers of the current economic boom will be entering the latter parts of their lives, and will begin to express different sets of needs. They would have built habits of consumption quite unlike their parents, even while saving and investing much vaster amounts of money. Can we even begin to imagine the implications for healthcare, insurance, stock-market investment vehicles, vacation and travel companies? What about the social infrastructure that we will require in terms of town-planning?

A recent myth-breaking study of software engineers highlighted a rejuvenation of the joint family, where the younger nuclear family was beginning to live with the “grey generation” again for reasons of mutual comfort, convenience, social and economic need (as has been the case for thousands of years). Will this result in “power households” for marketers, where there may be not 1-2, but 3-4 active incomes, as well as children and youngsters?

SCENARIO INSTABILITY

Enough numbers! Many people have been attributed the quote: “lies, damned lies and statistics”. Numbers can be what one will make of them.

Kenichi Ohmae is quoted as saying that he would rather talk with three housewives for three hours than to examine the results of a 1,000-person survey. Strange as it may seem, I strongly believe that is an approach one needs to apply to the Indian market very often.

The reason for that is what I call the “scenario instability” of the market. Due to the amazing rate of economic and demographic changes that interact with the slower pace of political, policy and cultural changes, any scenario that we build today is as incomplete and unstable as our understanding. And believe me when I say, I have yet to come across a person whose understanding of the market is complete. And I have not found too many stable opinions either.

If that is the case, our predictions based on numbers may not be much better than businesses that are based on gut-feel.

So at the end, to top it all off, let me add a totally non-numeric market segment into the reckoning.

CAFÉ WORKERS

The term “café workers” is not meant to refer to the thousands of people who are getting employed serving coffee at the hundreds of new coffee shops that are supposed to come up. (Although they might well be included.)

No, let’s think differently.

Most of our new Indian coffee-houses have tried to take a leaf out of the book of Starbucks, even using the term “third place” coined by Howard Schultz, to differentiate the café from the home and the office. The reality of the market and our lifestyles is that, for the most part, we don’t even have enough time for the first two, and our culture doesn’t allow us to be self-centred enough to seek a third place just yet.

A hang-out joint for youngsters? That’s already been done, and depending on who you believe, the leader is one or the other brand in the market.

So what’s left for a new coffee-house entrepreneur?

Well, what do you know, folks! Starbucks is on to the next new trend, and you might as well pick it up now, because your customers are already on to it.

There are a whole lot of self-employed professionals, start-up entrepreneurs, small businesspeople, or travellers in a city where they don’t have an office. What’s common among them? They are all looking for reasonably-priced, temporary real estate. They don’t need a business centre it would be too expensive. They do need coffee or tea, but not at 5-star prices. For an hour or two at most. A place that is easy to find.

So how about the café as an office? Have you ever held a business meeting or a job interview in a café, or surfed the internet using the wireless connection to check work emails? If not, you may have missed out on the hottest new trend in Indian real estate the hiring out of office space for the price of a cup of coffee or two.

What could the service offering consist of for this kind of a customer, in such a case? That I’m willing to discuss over a coffee at the nearest mutually convenient coffee house. You choose your brew.

Whether you do it with numbers or just intuitively, I wish you an exciting 2007, while you’re slicing the market a little differently from last year!