

The Indian consumer market

A roundtable discussion



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INDIA ROUNDTABLE SERIES

This publication is part of a series of reports produced by Spencer Stuart India. Our roundtables bring together leading figures of Indian business to discuss critical issues and trends that affect them and the future health of their organisations. The roundtables are hosted by Spencer Stuart and include contributions from senior search consultants from India and other parts of the world. To date, roundtable reports have been produced on the themes of Private Equity, Enhancing Board Effectiveness, Human Resources, and the Consumer sector. Further reports are planned in the near future. To access copies of these reports, visit www.spencerstuart.com/research.

Spencer Stuart, India hosted a roundtable discussion in Mumbai on the Indian consumer market, which was attended by senior executives from leading consumer companies in India. The session was chaired by Narayanan Vaghul of ICICI Banking Corporation and facilitated by Subbu Narayanswamy of McKinsey & Company.

The Indian consumer market has never had it better. Higher disposable incomes, the development of modern urban lifestyles and an increase in consumer awareness have affected buyer behaviour — in cities, towns and even rural areas. According to a 2007 report by McKinsey & Co., India is set to grow into the fifth largest consumer market in the world by 2025.

Buying power has also expanded to new consumer segments — be it the youth or the urban woman. The vast rural hinterland of India is beckoning and the sheer numbers make it impossible to ignore. In this scenario, creating consumer loyalty is now a whole new challenge.

These demographic shifts have also created the need for leaders who can keep pace with change and identify with and predict future demand. The Spencer Stuart roundtable involved a group of key leaders in the consumer space and search consultants who shared their insights and experiences on the dynamics of domestic demand in India and the resulting implications for talent needs and corporate leadership. A summary of the discussion follows.

The Indian consumer market landscape

The Indian consumer story is one that has caught the attention of the rest of the world. Rising incomes in the hands of a young population, a growing economy, expansion in the availability of products and services and easy availability of credit — all of this has given rise to new consumer segments and a rising acceptability of debt.

While consumerism has seen a gradual build-up, what is certain today is that there has been a genuine uptake in consumption. Whether it is mobile phones, credit cards, apparel or organised retail, people clearly seem to be spending more, particularly on discretionary items. And the consumer seems to be everywhere, whether it be the large metros, the emerging new cities, the small towns and even rural India.

What has emerged in this consumer story is the fact that there is much more homogeneity in the market than ever before; for the first time some patterns have begun to emerge in consumer behaviour.

“There is so much choice today and people do not accept poor service. We cannot make any excuses but need to gear up our systems to provide that level of service.”

NARAYANAN VAGHUL, CHAIRMAN, ICICI BANKING CORPORATION

“One of the patterns that we are seeing is to give terrific value at a reasonable price,” according to Ishan Raina, OOH Media. It is no longer true that a premium product needs to be expensive — and technology is a large contributor to this trend. So whether it is mobile phones, digital music players or even the new Tata Nano, the price/value equation has forever been altered. This has led to an increase in expectations as well as the desire for immediate satisfaction, which in turn has raised expectations for customer service. As Mr Vaghul, Chairman, ICICI Banking Corporation, explained: “There is so much choice today and people do not accept poor service. We cannot make any excuses but need to gear up our systems to provide that level of service.”

Today, every city has its premium consumers and its middle class consumers and this has put companies into a fix. They now need to craft strategies that address the subtle differences but satisfy each group equally. So what is the Indian consumer market today? It is a market with three segments. The first comprises the top end with the mindset: “I pay more to get more”, where the purchase is driven by the emotional surplus that the consumer experiences. The second is the mid-level which thinks: “I get good value at a reasonable price”. More important, however, is the large block at the bottom which says: “I pay less and I get less” and is totally satisfied with that. This is probably a segment that many marketers tend to overlook since they feel that there is no existing demand there. Nothing could be further from the truth. D Shivakumar, Nokia, reiterated its importance when he said: “The problem was that earlier, there were no goods and services targeting this large chunk; it is only today that people are going out into these small towns.”

“Today, the drivers in urban and rural areas are the same — aspiration, quality and price — differing only in order.” — D SHIVAKUMAR, NOKIA

There is a growing realisation today that it is easier to compete in the smaller towns because many of the big brands and their marketing managers and sales teams don’t make the effort to travel there. Hence, if one does go there, market share is easy to achieve because even though the overall pie is smaller, there is less competition.

Another shift has been the changing dynamics of rural migration to urban centres. As Asif Adil, Diageo, pointed out: “I think we are increasingly going to see a reverse shift happening, where people are not going to come to the urban areas in the same kind of numbers that they were migrating before — essentially because quality of life and opportunities are improving in smaller towns.”¹

¹ In India, under most state laws, no village or settlement can be classified as a town unless its population exceeds 20,000 inhabitants. Some laws distinguish only towns and villages from each other, but by usage, settlements with larger populations, such as those having a municipal committee or municipal corporation, are called cities. The recent Census of India classified all settlements above 5000 population (subject to some other rules) as urban areas for the sake of census.

Furthermore, the factors behind purchasing decisions are merging in urban and rural areas. As D Shivakumar pointed out: “Today, the drivers are the same, differing only in order.” In urban markets, aspiration is key — it is all about brands, lifestyles and show-off value. This is followed by quality and finally price. Rural India is driven primarily by price, followed by aspiration and then quality. However, what is important to understand is that the Indian consumer, no matter where he or she is or what category he or she belongs to, still looks for a good bargain. That is a unique Indian characteristic.

While they maybe driven by the same desires, there are still differences in the way people live in the non-metropolitan cities when compared with the metropolitan cities or ‘metros’ as they are usually called.² A degree of homogeneity may exist in large cities, but there is a disconnect when compared with their counterparts in smaller towns — whether it is regarding their philosophy, their thoughts or their approach to life. Thus, marketers today also need to think about creating brands that address these differences in consumers’ lifestyles.

“The Indian consumer is maturing fast, and is upgrading within product segments at a pace that consumer companies are struggling to keep up with.”

— SUBBU NARAYANSWAMY, MCKINSEY & COMPANY

The complexity does not end there. Subbu Narayanswamy, McKinsey & Company revealed: “The Indian consumer is also maturing fast and is upgrading within product segments at a pace that consumer companies are struggling to keep up with.” The mobile phone category is a classic example, where individuals across segments are constantly moving to the next price level as soon as they master the technology of their current phone. Companies are therefore having to straddle the whole consumer pyramid rather than being focused on one part of it.

² The Census Commission recognises Indian cities with a population above 4 million as metropolitan cities (also called a metro). Cities other than these are also called non-metropolitan cities or ‘non-metros’.

These changes have also raised new challenges for old brands. There is a danger of them fading if they do not reinvent themselves to satisfy current needs. As a result, there is a whole new marketing opportunity and challenge for those brands that have to reinvent themselves and try to compete.

“There is a new normal in the Indian consumer market today.” — ISHAN RAINA, OOH MEDIA

Today, some hold the view that predictions for the Indian consumer market are over-optimistic. However, it is said that any new trend is always overestimated in the short term but underestimated in the long term. Furthermore, in these changing times, consumer behaviour patterns are likely to see drastic shifts and it will become critical for marketers to be cognisant of developments in the present and of the potential for the future. As Ishan Raina put it: “I think there is a new normal in the Indian consumer market today.” And therefore, in consumer marketing, the future will belong to people who can see the storm through, while others drop out because of over-predictions in the short term.

Emergence of the new consumer

Understanding the Indian consumer market means understanding its individual segments. Pertinent questions facing Indian marketers today include: “Who are the new consumers? What are they spending their money on?” The roundtable provided interesting insights into these emerging consumer segments and their buying behaviour.

“From pester power, kids have changed their role to becoming influencers. In the older age group, they have actually become consultants, whom parents turn to for advice during the decision-making process.” — RAJAT JAIN, MOBILE2WIN

Three major emerging segments were identified: Kids, the Youth (including the young working singles) and the Urban Indian Woman. These segments have shown a tremendous increase in influencing and driving purchase decisions and hence are huge drivers of change in the consumer market. More interestingly, purchases are being driven not by necessity, but to satisfy individual needs. A high-potential emerging market is also the vast rural hinterland, which has its own unique characteristics.

KIDS: GETTING OLDER YOUNGER

There are 300 million children aged between 4–14 years in India — a vast market by any standards. The role that children play in purchase decisions has changed dramatically in the past 4–5 years. As Rajat Jain, Mobile2Win described: “From pester power, kids have changed their role to becoming influencers.” And this is not only in product categories like confectionary and toys, but in larger long-term-use categories such as cars, electronics and even consumer durables like refrigerators and air conditioners, which were, traditionally, decisions taken by parents. Today the roles are reversed, with kids pointing out the pros and cons of purchase decisions to their parents. “In fact, in the older age group, kids have actually become consultants, whom parents turn to for advice during the decision-making process,” said Rajat Jain.

One aspect that has contributed to this change is the fact that kids seem to be growing older younger — a 12-year-old’s state of mind today is similar to what a 14-year old’s would have been 10 years ago. Due to a higher degree of exposure to the outside world, their awareness levels are rising and as a result, they

are clearer about what they want. Another driver is their mastery of technology, which is a primary component of a high proportion of new products in the market. The relative ease with which they are able to grasp technicalities and understand product features and usability (or lack of) has made them experts in the eyes of their parents.

“Parents are also becoming more indulgent. The relationship between parents and children has changed, moving from a hierarchical system to one driven by respect for children’s views and abilities.” — JACOB KURIAN, NEW SILK ROUTE

Sachin Rajan, Spencer Stuart, remarked: “What is fascinating is that this demographic shift is being seen across categories and even across cities and is another characteristic of the homogeneity trend visible in the Indian consumer market.” As in the broader market, while the values, beliefs and way of life between geographical areas maybe different, the shift in the role of kids in purchase decisions is identical.

This change also reflects social and economic drivers. Jacob Kurian, New Silk Route, revealed the social facet of this trend when he said: “Parents are also becoming more indulgent. The relationship between parent and child has changed, moving from a hierarchical system to one driven by respect for children’s views and abilities.” Peer pressure for children and the ever-increasing multitude of choices in products has also added to demand.

“The differences are the breadth and depth of the Indian market and the fact that India has undergone much more social and economic change in the last generation than the US has.”

— DAVID DANIEL, CEO OF SPENCER STUART

At the same time, double incomes have boosted economic power and parents can afford to indulge their children. The danger is in over-indulgence and as a result, many parents are struggling to draw the line between necessary and inappropriate expenditure on their kids.

David Daniel, CEO of Spencer Stuart, shared his thoughts on the kids market, remarking on the similarities with the transition and emergence of new consumers and new markets in the US: “The differences are the breadth and

depth of the Indian market and the fact that India has undergone much more social and economic change in the last generation than the US has. Therefore Indian consumers and marketers are probably facing a far more intense and highly contrasted situation.”

YOUTH: CHARTING THEIR OWN PATH

With the majority of its population below the age of 25 years, India’s young consumer market is the primary target of every consumer goods company.

The trend towards homogeneity is also apparent here, as Shantonu Aditya, UTV explained. “In terms of aspiration between SEC A, B, C, D, E³ there is no difference in the mindset of the younger demographic.” The aspirations of the youth are the same, driven primarily by the fact that they are all Internet savvy and this has given them equal access to information.

“The younger demographic is equally comfortable at home with family and out with friends, which is very interesting because this means that the marketers can address both these needs differently.” — SHANTONU ADITYA, UTV

They are also a unique market. Along with the love for brands and gadgets, they are equally comfortable with Indian values and Indian culture. Life is about visiting religious centres with their parents and then spending the evening with friends at the local club or a similar social venue. As Shantonu Aditya said: “They are equally comfortable in both situations, which is very interesting because this means that marketers can address both these needs differently.” Indian youth are also very patriotic, not in the classical, pre-independence sense but in a modern sense which reflects their pride in being Indian in today’s world. As a segment, they are on the whole sensible, very clear about what they want to achieve in their lives and not easily carried away by hype and show.

The outsourcing phenomenon in India has been the main driver of this consumer segment. A larger number of younger people now have cash in hand and this combined with increasing brand awareness has resulted in a lot of spending on leisure and personal gratification. This has also brought about a

³ Socio-Economic Classification, see page 21

dramatic change in the concept of saving. The young generation lives for today; the concept of saving for a rainy day is alien to most of them — especially since the majority of them have not experienced shortages in their lives.

This is also a segment constantly on the move — mentally and physically. The young do not want to be at home and are spending twice the amount of time outside the house than they would have done a couple of years ago. So, whether they are at a multiplex, a mall or a cyber café, hanging out with friends is a clear preference. And as Ishan Raina observes: “They practice extreme multi-tasking — using a mobile and an iPod as well as surfing the Internet, while chatting with friends. They seem to want to do five things at the same time!”

All of this has raised new challenges for marketers, the basic question being: How does one actually address such a person and get inside their way of life? This is a segment which has a short attention span, a limited amount of patience and is already focused on three other things at the same time. Direct advertising through mobile phones is one option, but constant SMS-ing can actually hurt a brand if it is taken as an intrusion into their privacy. Furthermore, this segment is also very vocal about their feelings and will express their irritation with a brand to an average of 9–10 individuals, compared with 2–3 a decade ago.

“The young generation are severely multi-tasking — using a mobile and an iPod as well as surfing the Internet, while chatting with friends. They seem to want to do five things at the same time!” — ISHAN RAINA, OOH MEDIA

For urban teenagers, or those in a small town, there may be marginal differences in their degree of preparedness to pay or their awareness levels, but they all have a similar mindset — driven by the desire for success and the need to enjoy that success. “This is why it is such a great time to be a consumer marketer today,” said Jacob Kurian. “You are a genius no matter what you do. You still get 40 per cent growth, so it is a fantastic time for business.”

THE URBAN WOMAN: DEFINING HER OWN SPACE

In India, it has been a long-accepted fact that it is the women in a family who define the environment at home. In the urban cities and even in small towns, they have been the ‘silent influencers’ for some time now, directing family purchases and expenditures. It is only recently, however, that the urban woman has come into her own, and today there is no looking back from her newly gained independence.

“The Indian woman is perhaps less homogenous and more conflicted as a consumer group compared to the Indian man.” — JACOB KURIAN, NEW SILK ROUTE

In the past five years, there has been a large increase in the product categories specifically targeted towards the urban woman. Be it mobile phones, computers, apparel, jewellery or even financial products, women in the cities are finding themselves spoilt for choice.

Which brings us to the question: “Just who is this new age woman? What is she like?”

One prominent manifestation of this segment is seen in the daily soap operas on Indian television. While the characters may seem regressive at first glance, increasing viewership has proved that they have struck a chord — whether the woman is a homemaker or a professional. As Shantonu Aditya explained: “The serials depict a number of scenarios that a woman cannot openly communicate about within her family and in-laws and therefore the television becomes the messenger.”

There is another unique characteristic of this segment. Anjali Bansal explained this as follows: “The urban woman wants to break out from her traditional, sacrificing image, but does not want to go all the way. She wants to conform to the values she believes in and yet wants to do her own thing.” And in the midst of this soul-searching process, the marketer is bewildered. It is a challenge to identify the boundaries correctly and to touch the right chord with this new consumer.

A measure of her growing independence is the changing profile of the urban woman’s out-of-home activities. As D Shivakumar said: “Today women go out with each other, a trend that was not seen previously. They are also much more

into indulgence and satisfying their emotional self.” So, whether it is spending time at clubs with friends, pampering herself at the salon, experimenting with cosmetic surgery or enrolling at the fitness centre, the need to look good has now become a priority. It is no longer only about getting married and having kids.

Asif Adil, Diageo, also threw some light on emerging consumption patterns of the urban woman: “There are two things happening — one is behavioural change in terms of the consumer and the second is structural change in terms of the retail outlets themselves. Therefore, women are feeling more and more secure that they can go into a store and actually get the product.”

“At the same time,” Jacob Kurian observed, “the Indian woman is perhaps less homogenous and more conflicted as a consumer group compared to the Indian man.” The change for women is starker. While the traditional role of the male has not changed much, the role of the woman changes dramatically the minute she achieves a level of economic empowerment or moves out of a joint family home into an independent one where she has much greater ability to influence decision making. And while she enjoys this independence, she may experience a certain level of conflict as she constantly wrestles with her role change between her professional life and her domestic one. The problem is compounded to a certain extent in that women have effectively transitioned many generations in a very compressed period.

RURAL INDIA: WAKING UP TO OPPORTUNITY

Anjali Bansal raised the question of whether the growing rural market in India has already become a focus for consumer companies or whether it is a market of the future. There was agreement across the board on the fact that the rural market can no longer be ignored by consumer companies. There are regions of India that are growing at 15–30 per cent in terms of spending power. The aspirations of populations in the semi-urban and rural areas are also much greater than their urban counterparts, especially because they are being exposed to a range of products and services that they have never seen before. This translates into a larger marketing opportunity for companies.

However, Mr Vaghul also pointed out that purchases are sometimes triggered by social pressures, for example a farmer wanting to buy the best tractor, not because he needs it but because his neighbour owns one. This kind of behaviour leads to a higher number of loan defaults and often happens because there is a fine line between ‘intention/desire to pay’ and ‘ability to pay’ in

the case of the average rural consumer — a sign that companies sometimes misread.

“Is the growing rural market in India already become a focus for consumer companies or is it a market of the future?” — ANJALI BANSAL, SPENCER STUART

However, the scenario is changing. There was consensus across the board that technology has given rural India a new identity. An area with potential is the smart card, which can be used for multiple purposes — whether it be to draw cash or make payments for seeds and fertilisers. The biggest benefit is that a smart card can be used by individuals who may be illiterate as well, since it stores cardholder information and is linked to the purchase centres.

The retail experience is also distinct for new products and services. Gadgets like mobile phones are sold through kiranas (small family stores) and telephone booths since those are the outlets that have electricity. This is the total opposite of the mall culture seen in urban India and it is a need that consumer companies will need to address.

“In 5–10 years, I see a very different rural India. In sheer economics, there will be 30 per cent more expenditure in the next 20 years compared with the last 20 years.”

— D SHIVAKUMAR, NOKIA

Another gulf between urban and rural communities is consumer education. While rural consumers are becoming increasingly comfortable with technology, understanding it is still on a need-to-know basis and learning the basics is taken as sufficient.

Nonetheless, D Shivakumar is highly optimistic about the future of the Indian rural market: “In 5–10 years, I see a very different rural India. In sheer economics, there will be 30 per cent more expenditure in the next 20 years compared with the past 20 years — this is a significant shift and will impact India very differently.” Today, 46 per cent of all households in India have a bicycle, while only 34 per cent have a radio. In 10 years time, the mobile phone will be king and therefore all advertising and communication will happen on mobile platforms. What will be critical is language capability in gadgets, a factor unique to India.

This viewpoint was endorsed by Mr Vaghul who foresees a major change in the way commercial transactions will take place in rural India: “The consumer will have his debit card within his phone and will use the device to transfer funds between his and the seller’s accounts.” This is the future of business in the rural hinterland, where the facility will be based on biometric identification, will be available in different languages and will be used by the farmer for all his transactions. Compare this to the INR 60 lac a year it costs a bank to run a rural branch and you have a very powerful product.

“The rural consumer will have his debit card within his phone and will use the device to transfer funds between his and the seller’s accounts.”

— MR VAGHUL, CHAIRMAN, ICICI BANKING CORPORATION

This economic model, based on the concept of mobility and eliminating the need for distribution and warehouses, is clearly going to be a very different one.

Consumer buying behaviour

India has always been a diverse market, with different consumer segments exhibiting varied buying behaviour. As Jacob Kurian explained: “We have always had consumers across all social and economic categories and across all towns. The difference is that in the past the lower SEC consumers did not have the same confidence about the future and therefore, if he aspired to something, he saved up until he could afford to buy it.” Today, the consumer would rather buy something immediately, even if it means taking credit, rather than save and buy something tomorrow.

Thus, there has been a decreasing fear of debt and credit cards have become the new currency. As Nitin Gupta, Mastercard, pointed out: “We are talking about growth in spends of 100 per cent plus, year on year. Paradoxically, of the 100 million credit and debit cards in India, 90 per cent have never been used to purchase anything.” Total spends on cards in India are of the order of USD 15 billion, which sounds like a reasonable number but is actually only 3 per cent of family consumption expenditure. In other developed markets this number is around 30 per cent. The interesting point, however, is that this very paradox is actually a huge opportunity and it remains to be seen how consumer companies will take advantage of it.

“We are talking about growth in spends of 100 per cent plus, year on year. Paradoxically, of the 100 million credit and debit cards in India, 90 per cent have never been used to purchase anything.” — NITIN GUPTA, MASTERCARD

What is important for marketers to understand are the dynamics of this change. What is it that makes Indian consumers spend their money, especially since it is finite and definitely lower than the income of their developed country counterparts? A large part of consumption is currently being driven by emotional discretionary income, enabling people to spend on things beyond basic necessities such as food, education and shelter. But where will they make the trade-offs and what will they spend on? Health or education; fashion or technology? These are the questions that are keeping Indian marketers awake at night.

According to Rajat Jain: “The non-discretionary area of spend is going to be education, given the fact that life is becoming more competitive.” School and university fees are rising but parents are not compromising on the amount they spend on this aspect of their children’s lives. “By comparison, the discretionary part of income that is spent on entertainment and leisure is still a relatively smaller proportion of the total incremental disposable income an individual generates in a year.” In the past 20 years, expenditure on education has increased 11 per cent, twice as much as anything else.

“The non-discretionary area of spend is going to be education; given the fact that life is becoming more competitive.” — RAJAT JAIN, MOBILE2WIN

“Education in India will even take precedence over healthcare,” remarked Ishan Raina, “compared to developed markets where it is the reverse.” More and more parents are sending their children overseas for higher education, especially since they want them to become global citizens. The price that needs to be paid for that is not an issue.

Within education, vocational training is growing the fastest in India, such as technical training or even hospitality and air hostess training. Education is seen as a step towards increasing opportunities for entrepreneurship and for gaining prosperity.

What is amazing is the attitude towards education in rural India. Mr Vaghul shared an experience of meeting an individual who owned a kiosk, but also ran English language classes in his village. In spite of the high fees (INR 4000 for a six-month course, quite expensive for rural India), he had a waiting list simply because he had no more space for expansion. This is indicative of the changing behaviour of the rural consumer and shows how even illiterate parents are wanting their children to have a better life.

However, as Jacob Kurian pointed out, what is lacking is a systematic approach to tapping this opportunity, which is where investors need to step in.

The other area of major consumption is communication, from mobile phones and the Internet to computer games. The main barrier to this is access to the Internet, broadband and wireless and the relatively high unit price of personal computers. "What we need is the 100 dollar PC," said Subbu Narayanswamy, McKinsey & Co.

David Daniel pointed out the link between the education opportunity and the focus on communication, especially in light of the constraints of physical infrastructure. There is a huge opportunity for direct learning or e-learning which could be the answer to reaching out to the entire Indian population.

The leadership conundrum

As the consumer market in India grows, niches are developing, raising new challenges for consumer companies. Foremost is the question of leadership. As Anjali Bansal put it: “What kind of talent will companies need now that they are selling to a new consumer, an emerging consumer that is not well understood? More importantly, what kind of leadership will be required to manage growth effectively?”

These questions gain special importance given that companies are increasingly being led by individuals very unlike the majority of their consumers. Urban professionals are hypothesising about rural India and making decisions that affect the lives of the middle class in the small towns. Is this healthy, or should companies be concerned?

“At the operational level, I feel we need diversity. But at a strategic level, we need the ability to manage diversity, which includes ambiguity.” — NITIN GUPTA, MASTERCARD

“I think many companies are re-evaluating their talent model,” said Subbu Narayanswamy, “as they realise that there are very big implications in the kind of talent that one brings into one’s company.” Common questions that have to be tackled in this dynamic environment are: How does one create more empathy for the woman consumer? For companies, how do they cultivate empathy for ambiguity in their employees?

Nitin Gupta captured the point when he said, “I think the kind of challenges surrounding talent at the corporate level are different from the challenges for talent at the strategic level. So, at the operational level I feel we need diversity. But at a strategic level, we need the ability to manage diversity, which includes ambiguity.” In today’s fast-paced world, opportunities are emerging everywhere and therefore a leader needs to deal with and manage diversity, which includes diversity of ideas, diversity of businesses and diversity of talent — all of which requires flexibility and the ability to shift and turn with every opportunity.

India is also in a state of flux. In such a scenario, Asif Adil explained: “One of the key things we need to focus on is an entrepreneurial mindset.” Tomorrow’s leaders need to be able to pick up the contagious ideas, the next big opportunity. Furthermore, due to the unique dynamics of the Indian market, they need to be very quick in identifying the threads that are going to work in India.

“One of the key things we need to focus on is an entrepreneurial mindset.”

— ASIF ADIL, DIAGEO

“It is a fact that companies are facing a talent gap,” said Anjali Bansal, “and it is going to be a challenge to train individuals to develop the mindset to understand the new consumer market.” At the same time, there is a general level of optimism that a new crop of leaders will emerge in the next few years who will have experienced the dynamics of these new consumer segments and therefore will be well positioned to lead companies through the uncharted waters.

“We are going through a classic boom-time phenomenon. But I am a pessimist on talent principally because in boom times a lot of mediocrity tends to rise.”

— JACOB KURIAN, NEW SILK ROUTE

Jacob Kurian, however, raised a note of caution: “We are going through a classic boom-time phenomenon. But I am a pessimist on talent principally because in boom times a lot of mediocrity tends to rise.” In such a high-growth scenario, it is easy to think that everything one is doing is right — the danger is in believing that you have it all figured out. It is important to keep in mind that India is still a supply-constrained economy and this becomes apparent when compared with the West, which is full of very mature, saturated economies where companies are finely positioned and have had to work on building issues of people and talent identification into their strategy.

A major concern is that the internal processes in many companies are not helping. D Shivakumar described some of the factors that are impeding the development of leadership in companies. One is the move from a hierarchical to a matrix organisation, which has reduced the time available to senior management to sit back and reflect on the larger picture of growth. Second, the process of 'hiring fit for executing growth' has companies mapping people to a profile that leaves no scope for internal recruitment, since every individual is stretched to the maximum, concentrating only on managing execution for growth. All of this has pushed coaching, mentoring and on-the-job-training to the back-burner. Consequently, no-one has the time or the inclination to think about the larger good of the organisation or to concentrate on strategy five years down the line. It is all about now — and this short-term thinking will adversely affect the future.

Organisational structures intended to further growth are actually doing the reverse. This is an issue that today's leaders will have to tackle in order to narrow the talent gap in the future.

A last word

There is a great deal of optimism surrounding the Indian consumer market. With double-digit growth rates, new consumer segments and an ever increasing range of products and services, the sector seems to have it all.

But is the future as buoyant as many people think? While all trends indicate that it is, consumer marketers accept that the industry is faced with a talent crunch and if companies fail to tackle this issue in the present, there will be a huge gap in effective leadership in the future.

Tomorrow's leaders not only need to understand leadership concepts, but they also need the ability to understand current trends while identifying future opportunities. At the same time, companies need to create internal processes and structures that encourage an entrepreneurial spirit, while giving individuals the time and space to think beyond their immediate action areas.

It is only when the individual and the organisation approach this together, that the talent gap will be met and the commercial opportunity will be fully realised.

Socio-Economic Classification

A common classification that is used by marketers to describe the Indian population is the Socio-Economic Classification (SEC).

SEC is the classification of Indian consumers on the basis of two parameters: Occupation and education of the chief wage earner (head) of the household. The SEC classification, created in 1988, was ratified by the Market Research Society of India (MRSI) and is used by most media researchers and brand managers to understand the Indian consuming class.

According to SEC, urban Indian households are classified on the basis of the two parameters — education and occupation — into SEC A₁, A₂, B₁, B₂, C, D, E₁, E₂.

In urban households SEC A₁ includes those individuals with a graduate/post-graduate qualification, holding senior positions (C-level and middle management) and also entrepreneurs with a college education and employing more than 10 staff members.

Rural Indian Households are classified into SEC R₁, R₂, R₃, R₄. Here, the parameters are the education of the chief wage earner and the house type.

The SEC classification helps the marketers to identify segments that have a high consumption potential and is also used by media planners to decide the media which gives the client maximum effectiveness.

Although this classification has been popular for over 18 years, it has its negatives since it takes into account only two parameters: education and occupation. The model is based on the assumption that higher education leads to higher income thus higher consuming potential. This may not be true in all cases.

Hence the Market Research Users Council (MRUC) has devised another classification called New Consumer Classification System (NCCS) which calculates a Household Potential Index (HPI), which takes into account parameters like ownership and consumption of media services and products, along with other demographics.

Roundtable chairman



NARAYANAN VAGHUL, ICICI BANK

Narayanan Vaghul is currently chairman of the board of ICICI Bank Limited, which is the second largest bank in India at present. During his 11-year tenure as CEO, ICICI was transformed from a small, long-term credit bank to a large, diversified financial conglomerate. He was also responsible for the promotion of India's first credit rating company CRISIL, which has since emerged as a market leader in the region. In addition to being the chairman of ICICI Bank, Mr Vaghul is also on the board of several companies. He has also been closely associated with the policy formulation at the national level and was the chairman of several committees and task forces constituted by the government and the Reserve Bank of India.

Roundtable facilitator



SUBBU NARAYANSWAMY, PARTNER, MCKINSEY & CO., INDIA

Since joining McKinsey & Co. in June 1996, Subbu Narayanswamy, a partner in the Mumbai office, has worked extensively in both emerging and developed markets on retail, sales, distribution and marketing/branding of consumer goods, supply chain management and petroleum. He has extensive experience in McKinsey offices in Singapore, USA, Europe, Thailand and the Middle East. He currently plays a leadership role in McKinsey India's Consumer and Retail Practice. His experience has included counselling several retail and consumer goods players in India on their growth strategy, broad-based transformation programmes, development of new product propositions (by using consumer insight) and assisting a large Asian petroleum player over a four-year period in its transformation from a state-owner player into a highly successful 'petropreneur' in the wake of impending de-regulation. In addition to client work, Subbu also heads the Professional Development Committee for the India office. Prior to joining the firm, Subbu worked as a summer associate with Citibank, N.A., New Delhi.

Participant biographies

ASIF ADIL, MANAGING DIRECTOR, DIAGEO (INDIA)

Asif Adil is the managing director of Diageo India. Prior to his current role, he proved his entrepreneurial skills by conceiving, developing and co-founding Kaya Skin Care Clinics and also ran the franchise with KFC in Mumbai and Pune. Earlier he was a partner for over 11 years in McKinsey & Co. He was a leader of North American Consumer and Healthcare Practices and a geographic leader who pioneered the establishment of the India office. Asif's early career was with PepsiCo where he held several finance and strategic planning positions at Frito-Lay, Inc. and PepsiCo International culminating in his role as regional finance director for South-East Asia. He holds a master's degree in Business Administration (MBA) with distinction from Cornell University, USA (1980) and is a certified CPA (1983).



SHANTONU ADITYA, EXECUTIVE DIRECTOR, UTV GLOBAL BROADCASTING LTD

Shantonu Aditya is the executive director of UTV Global Broadcasting and is responsible for heading the launch and running of Variety, Entertainment and Speciality Channels. Previously, Shantonu served as chief executive officer of Sahara One Media and Entertainment Limited. He has also been an executive director of UTV Broadcasting Limited, a subsidiary of UTV Software Communications since April 2007 where he set up the entire distribution bouquet of the UTV Group's forthcoming broadcast initiatives and is also responsible for identifying JV partners.



NITIN GUPTA, COUNTRY MANAGER — SOUTH ASIA, MASTERCARD WORLDWIDE

Nitin has over 24 years of corporate experience with proven expertise in general management, consumer lending, mergers and takeovers, new category development and brand management. Prior to joining MasterCard, Nitin was the president and chief operating officer of Rediff.com, one of Asia's most successful internet ventures, where he helped lead Rediff's successful listing on the NASDAQ stock exchange in the US. He has previously worked across financial services (president — Retail Financing Business, GE Capital), marketing and advertising industries (Pond's, Unilever, American Express, J. Walter Thompson). Nitin is an alumnus of IIM, Ahmedabad. He holds a law degree from Bombay University and is an economics (honours) graduate from St. Stephen's College, Delhi.





**RAJAT JAIN, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER,
MOBILE2WIN**

Rajat Jain has partnered with the founders and investors of mobile2win as the new MD & CEO to build on the company's leadership position in the mobile value-added services space. In a career spanning two decades, he has worked across the consumer, telecom and media sectors at both entrepreneurial and established companies. Rajat combines an entrepreneurial mindset with the managerial ability to lead teams to deliver results with impact. Rajat was most recently managing director, The Walt Disney Co. India, and was responsible for putting together the strategy and business plans and a strong management team. Prior to Disney, Rajat was with Sony Entertainment as executive vice president and business head, SET MAX, their movies and cricket TV channel. Rajat has also held senior management positions with the Essel Group, Telstra International, Benckiser India and Hindustan Lever. He is a postgraduate from IIM, Ahmedabad and an engineering graduate from IIT, Delhi.



JACOB KURIAN, PARTNER, NEW SILK ROUTE

Jacob Kurian is a partner with New Silk Route, a USD 1.2 billion pan-Asian fund with a specific focus on India. He moved to private equity after a long career in the consumer space. After he earned an engineering degree and an MBA, he joined the prestigious Tata Administrative Services in 1983. He was assigned to a fledgling IT services company and spent ten years at the forefront of building India's IT services sector. He returned to India in 1993, after 5 years in the US to join one of India's best known consumer marketing companies, Titan Industries Limited, moving through the international and domestic watch division to become the first chief marketing officer of the watch division. He also drove the Tanishq jewellery business and its re-positioning as India's largest specialty retailer.

**ISHAN RAINA, CHIEF EXECUTIVE OFFICER AND
MANAGING DIRECTOR, OOH MEDIA**

Ishan started his career at Lintas India after which he moved to become executive director at Contract Advertising, a J. Walter Thompson subsidiary. He then became the founder CEO & JV partner of Euro RSCG Advertising Worldwide, part of the Havas group, which also owns the media brand MPG. Between 1998 December and 2006 June, Ishan served as chairman & CEO of Euro RSCG Indian sub-continent & Middle East and has also served as a board member for Euro RSCG Asia Pacific and a member of the executive committee of Euro RSCG Worldwide. He has also been chairman and joint venture partner MPG India, and co-founder, investor and chairman of Mediaturf India, an on-line marketing & media solutions company. In 2006, Ishan Raina and 3i, an international private equity group, created Out of Home (OOH) Media, India's largest digital out-of-home television company where he serves as CEO & managing director. He has a post-graduate diploma in international law from Delhi University and an MBA from the Indian Institute of Management, Calcutta.



**D SHIVAKUMAR, VP & MANAGING DIRECTOR — MOBILE PHONES,
NOKIA INDIA PVT LTD**

Shivakumar is the vice president and managing director, mobile phones for Nokia India. Nokia India is the second largest country for Nokia Corporation and is India's largest multinational. Shiv has over two decades of experience in India working across categories and 34 brands. Shiv's experience comes from marketing and general management in Hindustan Lever, where his last assignment was category head of hair and care. Shiv is an engineer and an MBA and teaches regularly in Indian and international business schools.



Spencer Stuart biographies



ANJALI BANSAL, SPENCER STUART

Anjali Bansal manages Spencer Stuart's Mumbai office, which serves multinational and Indian companies on critical leadership and board issues. Anjali focuses on world-class leadership development in India. Prior to joining Spencer Stuart, Anjali was a consultant with another global executive search firm, working with private equity and venture capital firms and conducting search assignments for clients in the financial services, industrial and technology sectors. Previously, Anjali was with McKinsey & Company, where she focused on strategy consulting assignments with financial services firms in banking, capital markets, insurance and private equity.



DAVID DANIEL, SPENCER STUART

As chief executive officer, David leads the firm with a focus on setting and enabling the highest levels of professional standards and client service — all with the aim of delivering outstanding results for our clients. David joined Spencer Stuart's New York office in 1994 and has served clients on a range of leadership issues, including high-level executive and board searches. David joined the firm after 15 years spent shaping some of the world's leading brands. He served as president/CEO of Simint USA, the American division of Armani Jeans. Prior to that, he was president of Louis Vuitton, North America, and CEO of Evian Waters of France (U.S.). David initially developed his global branding skills as a senior marketing manager with Pepsi-Cola. His background in the retail and apparel business began at Lord & Taylor. David serves on the advisory boards of the Yale School of Management and the Yale Center for Customer Insights.

SUNAINA PATEL, SPENCER STUART

Prior to joining Spencer Stuart, Sunaina was an independent consultant, advising private equity firms on investment opportunities, building growth strategies for portfolio companies and advising large business on CSR strategies. She has also worked in the areas of infrastructure finance and emerging markets private equity where she played a key role in influencing public policy, driving investment policy and identifying new business initiatives. Starting her career with IDFC, India's premier infrastructure investor, she has also worked with Boston Consulting Group in India, where she focused on strategic and operational assignments across several sectors, including healthcare, consumer goods and financial services. She holds a bachelor's degree in economics from Oberlin College in the U.S., and has an MBA from INSEAD. She concentrates on the Financial Services and Consumer Goods & Services practices.



SACHIN RAJAN, SPENCER STUART

Prior to joining the search industry, Sachin enjoyed a successful career in various project and operational roles in companies like General Electric (GEMS-IT), Ranbaxy and Bristol-Myers Squibb. Working with the Ranbaxy group, he played a founding role in the establishment of SRL Ranbaxy, the region's first and largest network of clinical laboratories. He has also helped Manipal Group, one of India's largest integrated hospital, academic and research networks strategise and execute new forays in the healthcare delivery space. Sachin is a microbiologist and a biochemist by training and holds an MBA from Jamnalal Bajaj School of Management, Mumbai. He leads the Consumer, Media and Technology practices in India and a key member of the Life sciences, Healthcare and Pharmaceuticals practices globally.



AKHIL VERMA, SPENCER STUART

Prior to joining the search industry, Akhil was group chief financial officer and head of India operations for MobiApps Holdings, a Singapore-headquartered telematics (tracking systems & technologies) company. He was the expatriate manager of a market research and analytics company leading its Hyderabad-based division and served as the same company's VP finance, based in San Francisco. Akhil also spent nearly 10 years with BearingPoint previously known as KPMG Consulting, in the US, Singapore and Brazil has lived, worked and led projects on five continents. He holds an MBA in international business from Southern New Hampshire University. Akhil leads the Financial Officer Practice in India, and also is a core member of the firm's Technology, Communications & Media and Industrial practices.



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