



India Rising: Embracing the Potential of a 1.4 Bn Consumer Market

Insights for Market
Entry in India

KX

India at a Glance

Population



1.38 billion

Nominal GDP



\$2.84 trillion

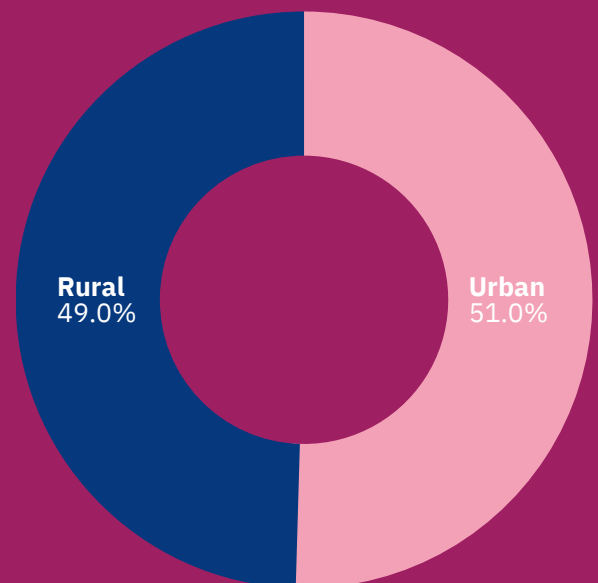
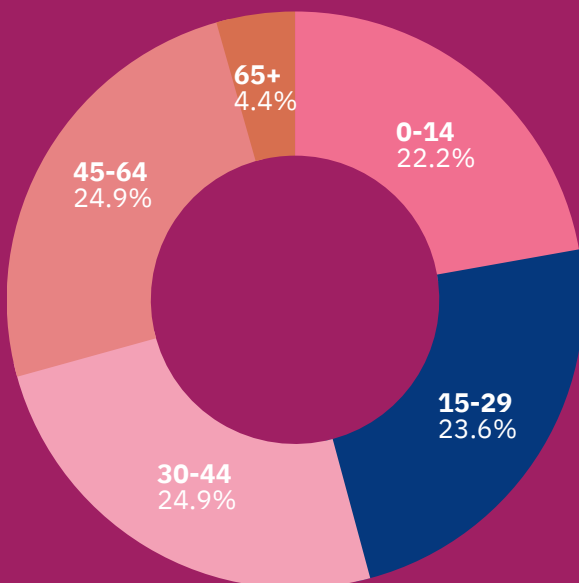
Ease of doing Business Index Rank



63

Consumer Market

India's Consumer Population Growth is young (Consumer Class Population Growth 2022-30)



India's consumer class is highly dispersed, with nearly equal headcount for rural and urban areas.

Understanding Indian Consumer Behavior

Indian consumerism is deeply rooted in cultural preferences and ethnic diversity. No comprehensive trend or insights based on one-size-fits-all approach can sufficiently cater to this diverse diaspora. It becomes more than crucial to align branding strategy and value proposition to suit across the spectrum.

A photograph of two men sitting in a vibrant, cluttered textile shop. The shop is filled with various colorful fabrics, including saris and shawls, hanging from the ceiling and draped over racks. The man on the left is wearing a blue patterned shirt, and the man on the right is wearing a green shirt. They are both smiling at the camera. The text "India's consumer is time rich & money poor." is overlaid in white on the image.

India's consumer is time rich & money poor.

Cultural Nuances

Modern India is one of the world's most varied countries, a subcontinent with over 100 languages, 700 separate tribes, every major religion, and some of the world's largest cities as well as isolated regions with practically no inhabitants.

Value-consciousness

85% of Indian consumers consider price as the most important factor in their purchasing decisions.

Digitally active and information-centred

Nearly 90% 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.

Interconnectedness

92% of Indian consumers trust recommendations from friends and family when making purchasing choices.

Overview of The Indian Market

India presents immense opportunities for market entry due to several factors, including its rapidly growing economy, diverse consumer base, and evolving consumer trends.



Booming E-Commerce

India's e-commerce market is booming, projected to reach \$200 billion by 2026, with a compound annual growth rate (CAGR) of over 30%. This growth is fueled by increasing internet penetration, rising smartphone usage, and the government's push for digitalization.

Industries at the Frontier

Best-performing frontiers in India include- Health and Insurance Sector, FMCG Sector, Information Technology (IT) Sector, Infrastructure Sector, Renewable Energy Sector, Real Estate Sector and the Automobile Sector.



Renewable Thrust

India is committed to reducing its carbon footprint and has set ambitious renewable energy targets. The renewable energy sector, including solar and wind power, presents significant investment opportunities, with the government focusing on promoting clean energy initiatives.

India will be one of only three economies in the world that can generate more than \$400 billion in annual economic output growth from 2023 onward, and this will rise to more than \$500 billion after 2028.

Emerging Consumer Trends and Demands

1

Rising Middle Class

- India's middle class is expanding rapidly, driving demand for consumer goods, housing, and lifestyle products.
- By 2030, it is estimated that the middle class will make up around 45% of the population, providing a substantial consumer base.

2

Increasing Urbanization

- Urbanization in India is on the rise, with more people moving to cities in search of better job opportunities and lifestyles.
- This urban population seeks convenience, quality products, and experiences, creating opportunities for companies catering to urban consumers.

3

Digital Payments and Fintech

- The digital payments landscape in India has witnessed a revolution with the rise of mobile payment platforms and fintech innovations.
- The adoption of digital payments, including mobile wallets and UPI (Unified Payments Interface), has surged, presenting opportunities for companies in the fintech space.

Local Competition Landscape



Diverse and Competitive Market

India's market is highly diverse, with both local and international players competing across various sectors. Understanding the competitive landscape is crucial for market entry. Local players often have a strong understanding of consumer preferences and established distribution networks.

Government Initiatives

The Indian government has implemented several initiatives to promote domestic manufacturing, such as "Make in India" and "Atmanirbhar Bharat" (self-reliant India). These initiatives aim to boost local industries and can influence market dynamics.

Niche Opportunities

While competition exists in mainstream industries, niche sectors and untapped markets present opportunities for innovative and specialized products or services. Identifying gaps and catering to specific consumer needs can be a successful market entry strategy.

How to enter the Indian market

A foreign company planning to set up business operations in India has the following options:



- As an incorporated entity
- Wholly owned subsidiaries/Joint ventures
- As an office of a foreign entity
- Liaison Office / Branch Office

Key Regulations Governing India Entry Strategy

- The Companies Act 2013 governs the rules with regard to the registration and management of the unit.
- The Competition Act
- The Income Tax Act
- The Indian Contracts Act
- The Foreign Exchange Management Act
- The Indian Contracts Act
- The SEBI Act
- The Securities Contract Regulation Act 1956

Factors to consider when entering the Indian market



Why bother about getting comprehensive research done before entering India?

Structure of demand in India is quintessentially unique.

India has a single digit ranking in the world in terms of total GDP but is below 100 in ranking in terms of per capita income. As a result, the structure resembles the one in which a lot of people earning and consuming a little bit each adds up to a lot; and not a few people earning and consuming an enormous amount each that adds up to a lot, as is the case in developed markets. It is therefore imperative to gauge consumer sentiments depending on the target market, align with local preferences, local competition landscape, etc.



Vast and fragmented market.

Indian states are often compared to individual nations, given their size and diversity in language, culture, talent and infrastructure. This creates a considerable variance in business landscapes. Additionally, regulations, rules, and policies can also vary from state to state, as can subjective interpretations of prevailing laws. This makes it highly important that foreign businesses looking to enter the market has a strong grasp on the nitty-gritties of the country.

Less-influential, more informed customers

Buyers in India are money wise poor in comparison with their counterparts in the developed world; but are well informed on what is possible and available everywhere in the world, thanks to the country's record-high internet penetration and cheap data provisions. Further complemented by their value-conscious nature, consumer base in India is hard to impress. It is therefore critical that brands looking to enter the market addresses crucial pain points of the crowd and at the same time align with their niche preferences offering unique value proposition, or else, they are bound to face an appalling state of relevance in the already crowded market.

How does market research help?

Cultural and language barriers

By closely looking at the socio-cultural factors, consumer behavior, values, and preferences in the Indian market, businesses need to gain cultural intelligence before foraying into the highly competitive and diverse Indian markets. Therefore, subscribing to comprehensive market research that integrates language research, and identifying cultural nuances, traditions, and customs that may impact product positioning, packaging, branding, and messaging strategies is highly critical. By leveraging these cultural and language insights, businesses can then tailor their offerings and marketing efforts to resonate with local consumers.

Distribution and supply chain challenges

Facilitating an exhaustive assessment of the distribution landscape, logistics infrastructure, and supply chain complexities in India, comprehensive market research can equip businesses looking to enter the market with actionable insights. By gaining insights into the most effective distribution channels, retail networks, and potential partnerships, businesses can be positioned to reach their customers in a timely and cost-efficient manner.



Pricing and localization strategies

The Indian economy is predominantly low-middle income which means that your India entry strategy should be well-aligned when it comes to strategizing the prices. Thorough market research can help in this regard, by collecting insights into local market conditions, competition, and consumer affordability. This understanding is instrumental in determining optimal pricing strategies that account for local market conditions, competition, and consumer affordability. Additionally, market research identifies opportunities for product localization, enabling businesses to adapt features, packaging, or sizes to align with the specific preferences of Indian consumers.



Regulatory environment and legal considerations

Companies should conduct market research before entering India to understand the regulatory and legal considerations, especially in light of the characteristics of the Indian judicial system. With a single integrated approach to state and union laws, the Indian judicial system often faces a significant backlog of cases. This backlog can have implications for businesses, as resolving a company default or navigating legal issues may require substantial time, effort, and financial resources. Market research helps companies comprehend these dynamics by providing insights into the functioning of the Indian judicial system, its processes, and the potential impact on business operations. It allows companies to gauge the potential challenges and complexities involved in legal matters, including the time and resources required to resolve disputes or address legal obligations. Companies can proactively assess the potential risks associated with the regulatory environment and devise strategies to mitigate them.

Marketing and branding approaches

Empowering businesses with information on target audience, competitors, and market trends, market research can largely augment your marketing and branding efforts. The comprehensive data from market research assists in identifying the most impactful marketing channels, messaging strategies, and positioning techniques to effectively reach and engage the Indian market. This facilitates companies to develop compelling branding approaches that differentiate their offerings and foster brand loyalty among Indian consumers.



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