Arvind Singhal: Balkanisation of India's markets

The complexity in segmentation of customers and markets is only going to increase, and that too manifold

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In the easiest of times, India was never really a single, relatively homogeneous market. Myriad differences in language, culture, ethnicity, social beliefs and practices, and climatic diversity made it very difficult to understand and keep track of what consumers really want, where the real markets are, how big the opportunity may be, and how to reach out to those consumers through appropriate products, channels, and value-proposition. Hence, the common and even today, perhaps the most simplistic segmentation of the market is either just “urban/rural” or merely gender-based, i.e. “men/women” or socioeconomic classification-based, i.e. SEC A/B/C or R1/R2/ R3 etc. Beyond this, segmentation is also often done by simply dividing India into four regions, i.e. North, West, South, and East, or sometimes state-wise, or the category of town-wise.

However, this complexity in segmentation of customers and markets is only going to increase, and that too manifold, in the coming years and could eventually lead to a very different type of fragmentation of India’s marketplaces wherein many of these fragments are fundamentally different from each other. These changes are concurrently taking place in many dimensions, leading to very different outcomes in different parts of India. For instance, the National Capital Region (NCR) is seeing a very different magnitude of economic activity than the rest of India, or even the states adjoining the NCR. The region already has the highest per capita income in the entire country (twice the national average), including the Greater Mumbai region. At the current growth rate, the region’s “GDP” in 2025 could well be more than what India’s GDP was in 1991! Similarly, the “GDP” of the top-eight Indian city/metro cluster (NCR, Greater Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad and “greater” Chandigarh) could be as much as one-third of that of the entire country by 2025. Some of the relatively poorer regions of yesteryears could turn out to be new engines of growth in the next decade or so. These may include Orissa, Bihar, Chhattisgarh and Jharkhand as mega investments in mining, heavy industry, power generation and physical infrastructure begin to make a very perceptible economic impact in this East/Southeast region of India.

Beyond just the economic output, there are increasing differences even among each of these high economic growth areas. Investment in physical infrastructure is at very different levels between, say, the NCR and Greater Mumbai. Even in terms of diversity of education from primary to higher and vocational, each of these economic clusters is different from the other, leading to differences in the types and quantum of jobs created, and the percentage of women entering into career-oriented workforce. The NCR’s Gurgaon sub-region, for instance, has clearly emerged as one of the wealthiest and most cosmopolitan in all of India, its abysmal infrastructure notwithstanding. Bangalore, with a very high share of the overall economic activity arising out of “export-oriented” industries namely IT and apparel manufacturing, is becoming more “international” in terms of attitude and lifestyle than any other region in India. And, there are many other such trends either already very visible or are in the making.

The implications for all businesses, but perhaps most importantly for marketers of consumer products and services, are many. The most important one could be to actually have more than one "business strategy", different products/services and even different marketing channels and approaches for these emerging "markets". Hence, while multinational firms may limit their planning to having a unique "India" strategy, companies already present in India for some years should now consider having an NCR strategy, a Greater Mumbai strategy, or an East/Southeast India strategy. The ground realities in these markets are sufficiently different to warrant such an approach. For instance, with increasing traffic congestion in the major metro regions and rising time-poverty, direct-to-customer selling and delivery of products and services utilising the about to be launched 3G and lower-cost broadband services will make more sense rather than investing in increasingly more expensive physical retail channels. "Ready to eat" or "ready to cook" food will find quicker acceptance in some of these clusters rather than on a pan-India basis. And there are many such differences and local opportunities (and challenges). It will be very interesting to see how Indian businesses adapt to this Balkanisation of the Indian marketplace.

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