

## **India's Changing Middle Class**

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**B**eing highly motivated to spend, India's middle class has been driving consumption growth – a fact that has even received significant attention in India as well. This paper clarifies the consumption patterns of India's middle class by targeting Indian consumers “living in Tier-1 cities and having annual household incomes between \$7,500 and \$35,000.”

New and old senses of values coexist in India. As a new sense of values, there are growing attitudes toward being flexible in accepting new functions (secular-rational values) and the acceptability of doing things differently from others (self-expression values). At the same time, people still make decisions based on their faith and lifestyle habits (traditional values) and attach importance to rules and bonds to maintain and strengthen the community (survival values).

Compared to their Japanese counterparts, more Indian consumers tend to trust the opinions of actual users and attempt to gather a larger amount of shopping information. In addition, they are less reluctant to use financial tools for purchases. These findings suggest an orientation toward secular-rational values. Nevertheless, many Indian consumers still want to see products at physical stores rather than completing purchase transactions only via the Internet, exposing views that are not based on secular-rational values. The orientation toward self-expression values can be seen in attitudes on shopping for enjoyment. Because of the trend toward smaller families and the economic and social empowerment of women, the middle class can freely spend a greater portion of their incomes, enabling them to enjoy shopping. The spread of IT and SNS has caused people to act conspicuously to show themselves off in the best light, such as by publicly carrying brand products.

Conventional consumption behaviors that reflect traditional and survival values are a normal part of their lives, often rendering them unaware of their behavior. Indian behaviors that reflect traditional values include judging quality by sense of touch and making purchases during religious events. In addition, even though they are motivated to spend based on secular-rational values, they act within a framework of conduct acceptable to their religious faith. Behaviors representing survival values include placing importance on emotional connection not only with products but also with suppliers (companies). Such behaviors are also seen in the role of the family. Family plays an important part in the division of responsibilities for shopping, decision-making criteria and justification of spending.

The value for money (VFM) attitudes that strike a balance between secular-rational and traditional values, as well as the attitudes toward putting family first (family-first principle) that balance self-expression and survival values, constitute the characteristics of India's middle class. These attitudes are expected to remain particularly strong in the future.

## I This Paper's Objectives and Subjects for Consideration

The authors often hear Japanese business people say, “It is difficult to develop business in India” or “It is difficult to figure out Indian consumers.” Based on our experiences of living in India as expatriates, we feel that their thinking of India and Indian consumers is highly likely to be dependent on considerably biased or one-sided information. Or, before anything else, they often lack sufficient understanding of India. Japanese companies that intend to do business in India must understand the factors in which Indian consumers find value and those that influence their buying decisions. With focus on the fast moving consumer goods (FMCG) industry, this paper aims to help Japanese companies and individual entrepreneurs who plan to develop business in India gain a deeper understanding of India’s middle class in terms of its sense of values and buying behavior.

To have a clear picture of the Indian middle class that is undergoing change, the subjects for consideration are confined to the middle class in urban areas. In Japan, the description provided in the “2012 Strategy for the New Middle Class” published by the Ministry of Economy, Trade and Industry is often used to define the middle class. According to this definition, the middle class refers to households with annual incomes ranging from \$5,000 to \$35,000. As shown in Figure 1, the Indian population is generally divided into five classes according to household income from “rich” to “lower bottom.” While it may differ depending on the purpose of the classification, in urban areas, in consideration of factors such as the cost of living, the middle class is often defined as households falling under the upper middle class and higher classes.

In this paper, “urban areas” are defined as Tier-1

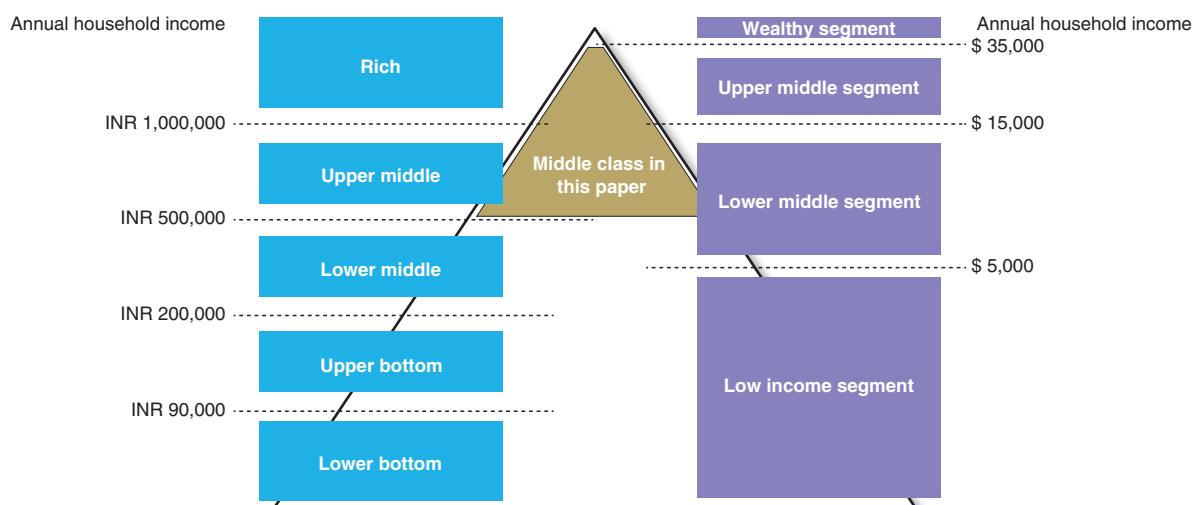
cities <sup>Note 1</sup>. In Tier-1 cities, ahead of local cities and suburban areas, logistics infrastructure has been developed and the use of e-commerce has begun. Of course, income levels and lifestyles vary even among cities that belong to the same city category. Therefore, in studying specific strategies to develop business, the characteristics of the target city/district must be identified while considering the general features of Tier-1 cities.

Based on these considerations, “India’s middle class” in this paper refers to “households living in Tier-1 cities and with annual incomes between INR 500,000 (\$7,500) and \$35,000.” Nomura Research Institute (NRI) estimates that as of 2015, the size of India’s middle class is 2.22 million households, accounting for about 15 percent of all households in urban areas (14.83 million). Given that the size of the middle class in urban areas in 2010 was 1.29 million households, the size grew by about 1.7 times over the last five years. While India’s middle class accounts for about 15 percent in terms of the number of households in urban areas, NRI estimates that this class occupies about 35 – 40 percent in terms of total spending in urban areas, thus serving as the drivers of consumption growth.

## II The Sense of Values among Indian Consumers

According to the World Values Survey, the variation in human values between countries can be measured by two major dimensions: a first dimension is “traditional values vs. secular-rational values” and a second dimension is “survival values vs. self-expression values.” The 2015 survey found that India’s scores were located almost in the middle on both dimensions. Because it is difficult to consider that India is an intermediate country

**Figure 1. Definition of India’s middle class in this paper**



Note: As of April 15, 2016, the Indian Rupee (INR) to Japanese Yen exchange rate was 1 INR = 1.63 Yen and the U.S. Dollar to Japanese Yen exchange rate was \$1 = 108 Yen. Based on these exchange rates, “INR 500,000 to \$35,000” equals “\$7,500 to \$35,000.”

in the world, these findings should be interpreted in the following context.

First, the comparison of 1996 and 2015 survey data indicates shifts from traditional to secular-rational values and from survival to self-expression values over the past 20 years. Second, regardless of such shifts, the attitudes toward emphasizing traditional values and survival values still remain in India, exposing a situation where new and old values coexist. While a relatively large number of Indian consumers falling in the middle class have a new sense of values, orientations toward emphasizing traditional values and survival values are still prevalent in India's middle class, as revealed by two studies explained in Chapter III (Figure 2).

In terms of the sense of values that influence consumption, what do the new growing attitudes toward emphasizing secular-rational and self-expression values mean? What do the still remaining orientations toward traditional and survival values suggest?

Secular-rational values give more focus to rational decision making than to traditional or religious decision making. People who embrace these values have high levels of acceptance toward changes that bring benefits to consumers such as new functions, locations and price settings. Traditional values bring the opposite preferences and tend to reject these changes. Lying behind traditional values includes religious ideas, uninterrupted practices and an inherited way of thinking. Because about 80 percent of the Indian population are Hindu, Hinduism also influences consumer spending behavior.

Self-expression values give higher priority to individuality and freedom of expression than to public order and social issues such as the stability of the local community. With increased incomes and exposure to different cultures, people who have these values tend to consider doing something different from others in terms of consumption and possession as acceptable. Survival

values give priority to community over individuals. With emphasis placed on rules and bonds to maintain and strengthen community, people having these values worry about aspects such as reputation and appearance; these values exert influence over behaviors of individuals such as spending behavior.

In this way, varying values coexist in India. In addition, as shown in Figure 3 in Chapter III, compared to Japanese consumers who tend to have ambiguous thoughts as represented by their saying "somewhat..." Indian consumers mostly have clear opinions as represented by their saying "A or B." Because Indian consumers have varying values and individuals have their own clear thoughts, Japanese companies may have the impression that there is a greater variety among Indian consumers than among Japanese consumers. Here, the authors see one of the reasons for the dismay of Japanese companies, "The Indian market is difficult to understand."

### III Spending Behavior of India's Middle Class

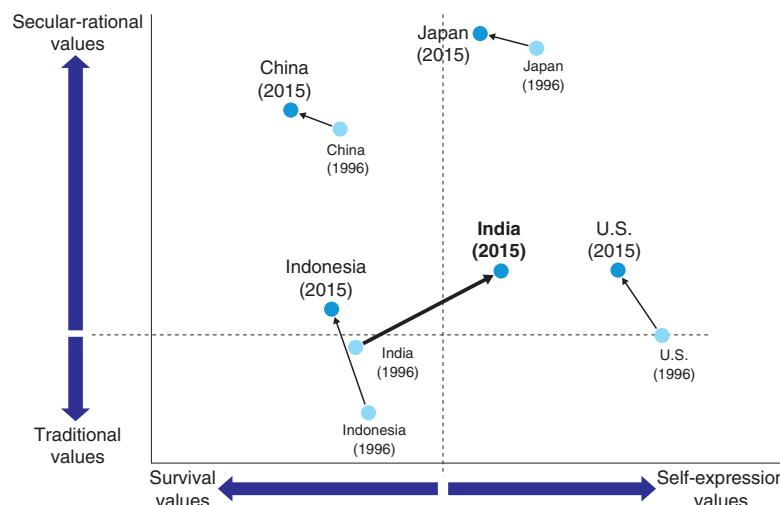
What buying behavior are middle class Indian consumers adopting? To clarify consumption patterns that are evolving with the rise of secular-rational values and self-expression values, NRI conducted questionnaire and interview surveys of 100 Indian consumers in the middle class (Study 1).

#### Study 1: Differences between Indian and Japanese consumers

##### (1) Spending behavior reflecting secular-rational values

Comparison with Japanese consumers accentuates the characteristics of Indian consumers' orientation toward

**Figure 2. Comparison of India's changing values and those of other countries**



Source: Compiled based on the World Values Survey conducted in 1996 and 2015.

secular-rational values. Therefore, the authors attempted to identify the characteristics of the Indian middle class in comparison with the results of the NRI Survey of 10,000 Consumers.

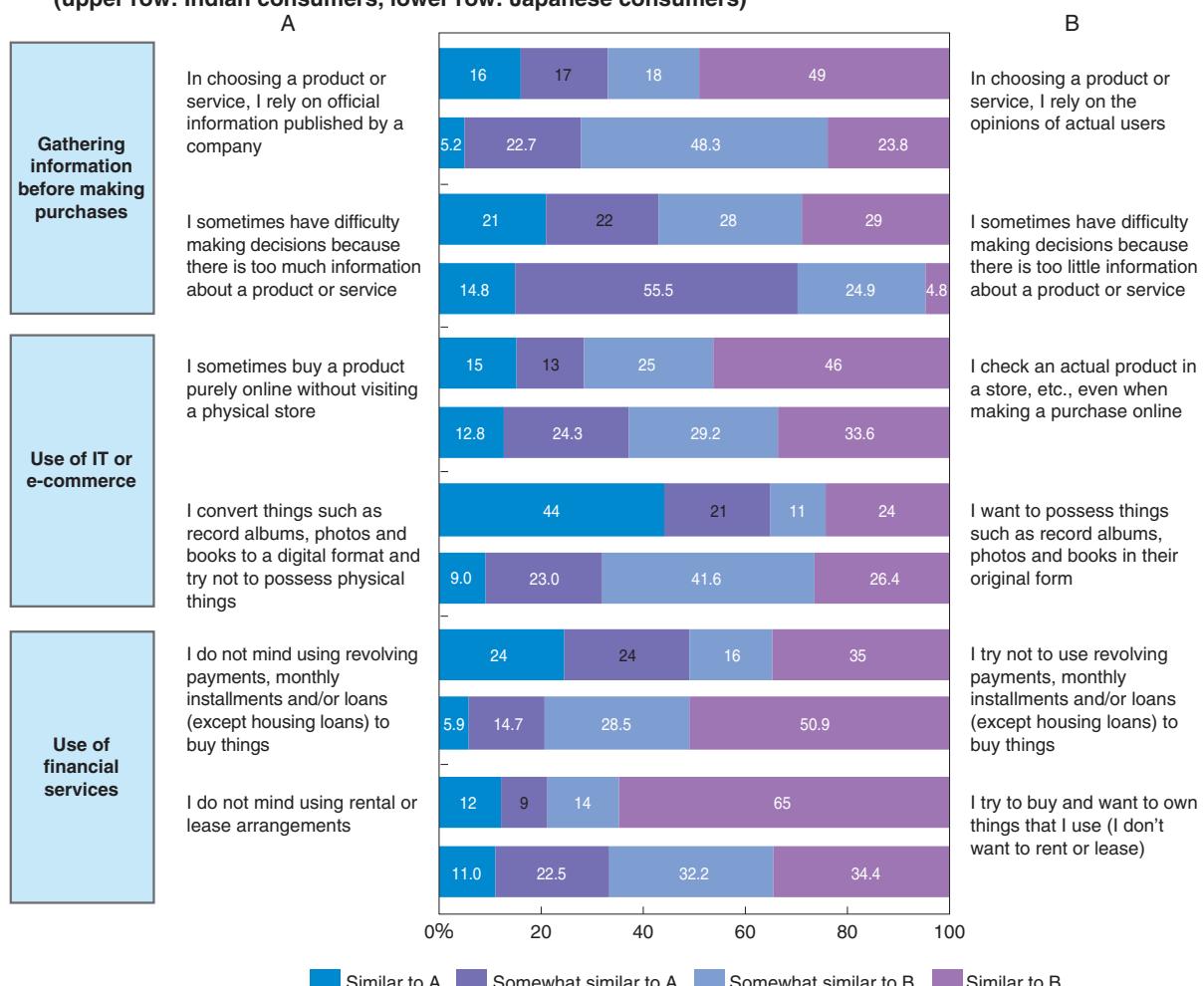
The first characteristic revealed is that the proportion of Indian consumers who consider the opinions of actual product users when gathering information before making purchases is overwhelmingly larger than those who favor official information published by each company. Even when they already have a certain amount of product/service information, a larger number of Indian consumers than their Japanese counterparts consider that they still lack information. The reason often cited is that Indian consumers are suspicious of companies and businesses. Because of this, they tend to trust the opinions of actual users and attempt to gather a greater amount of information.

Second, when using e-commerce or IT-based transactions to buy products online, a larger number of Indian respondents (46 percent) evaluate products in physical stores before purchasing online, with the proportion of Japanese respondents who do so being 31.5 percent.

Many middle class consumers in their late twenties and older in India are reluctant to purchase unless they confirm the quality and conditions of products with their own five senses. On the other hand, those in their teens and in their early twenties generally have an attitude of trust in Internet shopping. Nevertheless, resistance to e-commerce has been diminishing year by year.

For example, as represented by “bigbasket.com,” the business of selling fresh vegetables and fruits online, which was considered to be difficult just a few years ago, has already begun to penetrate large cities. With the launch of a “no questions asked return and refund policy” whereby shoppers can return the product due to reasons such as that they are not satisfied with the quality or freshness of the product, as well as with the availability of a “cash on delivery” option, bigbasket.com has quickly gained popularity. Other findings include that as compared to their Japanese counterparts, Indian consumers are less reluctant to possess things in the form of data, rather than having physical things such as record albums, photos and books. Without being bound by preconceived ideas such as that possessing

**Figure 3. Comparison of attitudes between Indian and Japanese consumers  
(upper row: Indian consumers, lower row: Japanese consumers)**



Notes: Upper row: Attitudes of middle class Indian consumers living in urban areas (survey subjects) (n = 100, survey conducted in March 2016)  
Lower row: Attitudes of average Japanese consumers (subjects for comparison) (n = 10,316, survey conducted in August 2015)

“No answer” responses were excluded when calculating percentages; numbers may not add up to 100 percent due to rounding.

Source: “2015 Survey of 10,000 Consumers” conducted by Nomura Research Institute

physical things in the form of media such as paper is a status symbol, they tend to more readily accept the benefits brought about by IT.

Third, while opinions are divided among Indian consumers about the use of financial tools for purchases such as revolving payments, monthly installments and loans, they are less reluctant to use such tools as compared to their Japanese counterparts. This positive feeling comes from the fact that India's economy is expected to grow at a steady pace, bringing increased income. Actually, with the infrastructure for credit card payments already in place in urban areas, the use of credit cards has become common among middle class consumers. In terms of the possession of things, they are more inclined to own things themselves, rather than to rent or lease them (Figure 3).

## (2) Spending behavior reflecting self-expression values

Attitudes toward self-expression values can be identified based on the social background in which such values are enhanced as well as through interview surveys. The three factors lying behind the rise of self-expression values among middle class Indian consumers are the trend toward smaller families, women's economic and social empowerment and the spread of IT and SNS.

The trend toward smaller families is correlated with urbanization. An increasing number people including those in the middle class are moving to urban areas as they seek better jobs and greater educational opportunities and form a single-person household or a nuclear family. An interview survey found that most respondents prefer "having up to two children." Thus, the number of people per household among India's middle class has been decreasing <sup>Note 2</sup>. Other findings of the interview survey included the opinion, "Although I could not do so as I cared about what other people thought when I was a member of a large family in a village, now, in a nuclear family, I can buy what I like." While people in small households still have the attitude of valuing a social group called the family, they have a greater tendency toward embracing self-expression values as compared to those in large households.

According to the statistics of the International Labor Organization (ILO), the female labor force participation rate in India is about 30 percent. While there is no reliable statistical data for only urban areas and the middle class, among 34 women interviewed, a majority of them (21 persons) answered that they have a job. One interviewee said, "Educated people have more positive attitudes toward women working." These findings suggest that middle class Indian women are changing in the direction in which they have jobs and buy things themselves that they need, thus obtaining independence and freedom as individuals. Actually, many interviewees made positive comments such as that "I can enjoy shop-

ping as I earn my own salary/wages."

The spread of social networking services (SNS) contributed to making middle class Indian people more self-assertive. As often witnessed at places such as international conferences, generally, Indian people are positively assertive. With the average age of the population being in their twenties, India is the young country where middle class people make the most of PCs, smartphones, SNS and the like. To a question about the most important social media site (Facebook, LinkedIn, etc.), respondents replied, "I can't answer that question because there are too many indispensable SNS sites," one after another. Some said, "I intentionally try to introduce my own experiences and show expensive things that I have on social media sites." In this way, SNS sites are promoting spending behavior whereby consumers show other people that they are doing something different from others such as owning expensive brand products.

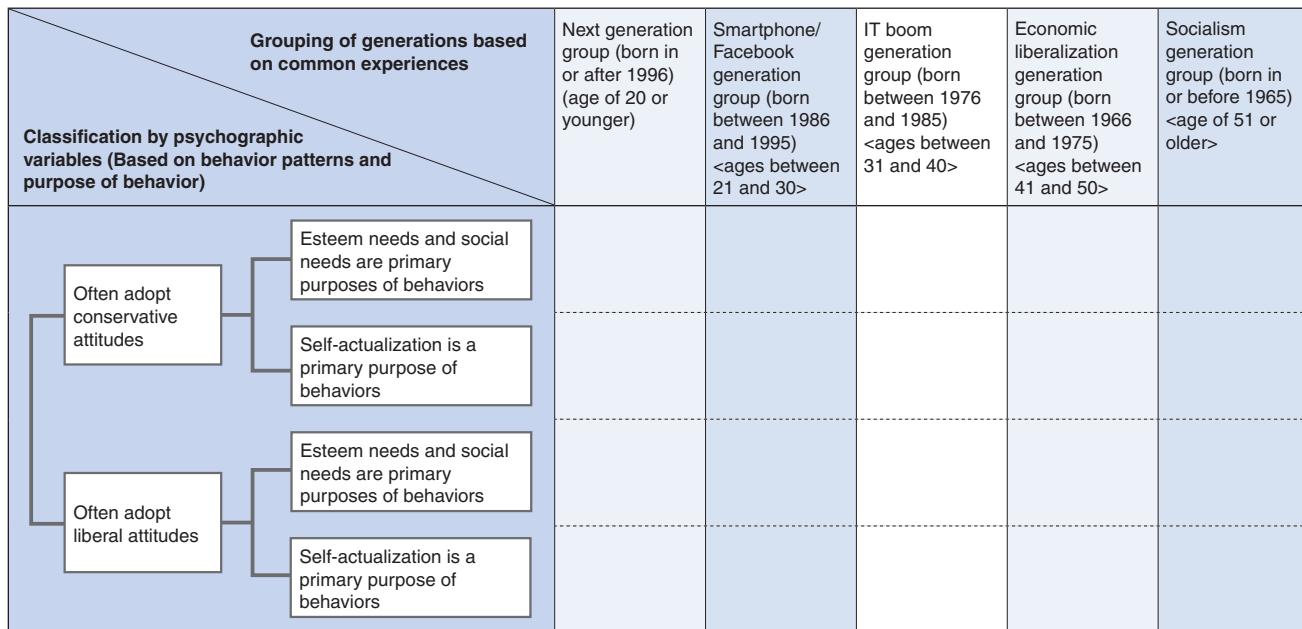
As such, middle class Indian consumers earn incomes as smaller families or as individuals, and have greater shares of their incomes to spend freely. Furthermore, they are active in expressing themselves while increasing the number of acquaintances and friends. When traditional survival values prevailed, trying not to stand out in a community was important. However, now, conspicuous consumption has started to appear such as publicly showing brand products that have been purchased. Furthermore, they have come to consider shopping itself as an enjoyable activity (do not feel obliged).

## Study 2: Consumption behavior of Indian middle class analyzed through behavioral observation and depth interviews

In many cases, consumers themselves are aware, to some extent, of new consumption behavior that reflects secular-rational and self-expression values. However, conventional consumption behavior that reflects traditional and survival values is a normal part of their lives, often rendering them unaware of their behavior. Given this situation, it is difficult to uncover behavioral features through questionnaire and/or interview surveys. Therefore, Study 2 implemented behavioral observations of representative middle class Indian consumers by using pseudonyms for selected personae. Because the consumption behavior revealed by Study 2 included new behavior that reflects secular-rational and/or self-expression values, such behavior is also described in the report.

### (1) Segmentation of India's middle class

While there are various personae to be selected depending on the purpose of the study, NRI India often assumes the 20 types of personae listed in Table 1. This classification first focuses on generational differences. India

**Table 1. Segmentation of middle class Indian people living in urban areas (examples)**

Note: fb: Facebook

experienced several decades of political and economic upheavals including the economic liberalization policy in 1991 when the country opened its doors to world markets. Therefore, the classification was made by giving due consideration to the significant impact that common experiences could have had on each generation during the periods ranging from receiving education to finding jobs when people were in their mid-teens to their early twenties.

Second, the classification adopted four types of psychographic variables. The World Values Survey adopted two major dimensions of “traditional values vs. secular-rational values” and “survival values vs. self-expression values.” By giving another thought to this variation, NRI India’s classification used a measure of “conservative vs. liberal” for behavior patterns and a measure of “self-esteem needs/social needs vs. self-actualization” for the purpose of a behavior. All of these four types are frequently seen in India. Albeit broad grouping, this framework could consist of typical psychographic variables applicable to India.

## (2) Creating personae in India

Next, typical personae were created for each segment. For persona creation, consideration is generally given to factors such as gender, age, academic background, annual household income, single or married, with or without children, household composition, occupation and position, hobby, digital affinity, attitudes toward money and spending and concern over one’s future. In addition to these general factors, factors that could affect consumption in India’s urban areas were added. They include religious involvement, hometown and current involvement with hometown, length of residence in an urban area, overseas experience and communities to

which one belongs other than the company for which one works and relatives. These factors have significant impacts on spending behavior. Because of space limitations, this paper discusses four representative personae from among 20 types (Table 2).

In describing these personae, the factors that affect consumption such as the breakdown of expenditures, a sense of the value of money, hobbies and religion are explained. In households with children such as those of Johnny and Pankaj (pseudonyms), a large proportion (10 to 15 percent) is spent for education regardless of the amount of annual household income. Actually, we often heard people saying, “I spare no effort to pay for education even if I must cut other expenses such as those for food.” Other findings include that as explained in the case of Raveena (pseudonym), an orientation toward traditional values was observed in that she made purchases during religious events. The more expensive the product, the more consideration given to the time to buy and good fortune.

## (3) Behavioral observation and depth interviews

Going one step further after creating personae, the authors selected actual people who are appropriate for these personae and implemented behavioral observation. Because the authors created personae with specific actual Indian people in mind, all candidates who are suitable for such personae have already been present at the persona creation stage. By selecting actual persons who are suitable for each persona, the authors accompanied them on a shopping trip for about half a day and observed their behaviors in detail. In addition, through depth interviews, we attempted to unveil their attitudes toward spending.

- Sunil (pseudonym): Male, aged 31, IT boom generation group, liberal and self-actualization type
- Ravina (pseudonym): Female, aged 25, smartphone/Facebook generation group, conservative and self-esteem needs type
- Pankaj (pseudonym): Male, aged 43, economic liberalization generation group, conservative and self-actualization type
- Johnny (pseudonym): Male, aged 51, socialism generation group, liberal and self-esteem needs type

### **1) Sunil's case: Supermarket shopping for groceries and daily necessities**

- Sunil's profile

Sunil has an annual household income on the order of \$23,100, putting him in an upper rank of the middle class. Because both Sunil and his wife work and have no children, they can afford to save some money as well as spend some on entertainment. Despite arranged marriages being commonplace in India, Sunil married for love. While he classifies himself as being Hindu, he rather separates his faith from his daily life, exposing his liberal way of thinking in Indian society. He is hoping to build his career overseas, aiming for self-actualization in the global market. He currently works as a professional in an American company. He has acquired both a bachelor degree and a master (MBA) degree in India. His parents could not afford to send him to study abroad when he was a student. He does not yet fall under the wealthy segment.

- Points noted

We interviewed Sunil and his wife after watching them buy groceries and daily necessities at a supermarket. Given that Sunil and his wife were shopping as a couple, we paid particular attention to their division of roles and how they influenced each other. Furthermore, because they were not shopping for anything special, but were instead buying groceries and other daily necessities, which is something that they would normally do subconsciously, we, in the capacity of a third party, tried to discover their consumption patterns including those of which they were unaware. Specifically, we interviewed them in detail about the background and reasons for choosing a certain brand. Because Sunil is in an upper rank of the middle class, he has several credit and debit cards. We paid close attention to how he paid at the checkout counter, as well as to any free offers or benefits that he used.

- Results of observation and interview

Both Sunil and his wife have favorite brands concerning each and every item of food and daily necessities. While doing their daily shopping, they

concentrate on looking for and buying these brands. Even if other brands are on sale, they ignore them. If a store does not carry their favorite brand, they go without. Only when they absolutely need that product, do they consider other brands that are located on store shelves.

Since they moved to the city (New Delhi) about six years ago, they have had a much wider choice of places to shop. After some trial and error shopping, they settled on the brands they now buy. For example, when buying food, they consider reliability, taste, health benefits (such as nutrients and whether the product is organic) and price. After considering these factors, they have decided on favorite brands that struck a balance between these factors for all items that they buy. Because both of them are working, they do not want to spend much time shopping every day. Once they have decided on a brand, they no longer hesitate to select it.

For example, when buying dairy products, they choose those made by Amul <sup>Note 3</sup>, while they buy daily necessities and supplements made by Patanjali <sup>Note 4</sup>. They have a strong affinity toward these companies, which goes beyond their products and prices. Amul's products are famous for their "Taste of India" concept and are known to be safe and reliable. At the same time, the company is respected for its history as a leader in the Indian dairy industry. Patanjali's products are known to be healthful as they are based on India's traditional Ayurveda medicine, while their products are priced at 20 to 30 percent below those of similar products. Furthermore, the company's founder has used his own money to offer a large number of free yoga classes, which gives an impression of the company's clean corporate image.

Almost unconsciously, Sunil and his wife touch all the food they buy before they put it into their basket to check whether it is fresh and to confirm its quality. In India, it is common to use one's hands to eat a meal, such that checking items by touch has become a habit. Particularly with food, which they will later eat, they try their best to buy fresh and healthy products.

The food and daily necessities that are used by both Sunil and his wife are chosen by his wife, while each of them chooses those daily necessities that each uses separately. His wife has a say in how they will pay at the checkout counter. Although Sunil would normally use a credit card, he pays with a debit card when he is with his wife, who dislikes using a credit card (Figure 4).

- Points identified

Middle class Indian people are strongly committed to certain brands. They have decided on preferred brands for each and every daily necessity and food item, and they concentrate on looking for such

brands. While they naturally consider taste, quality and price, their brand preferences are also based on a company's management efforts in offering its products as well as on the reputation of its president and executives. Because they seek emotional connections with companies (suppliers), this quest is thought of as their being oriented toward survival values. For food, they pay attention to whether a product is healthful by looking at labels that indicate the presence of any additives and its cultivation. This behavior is thought of as their being oriented toward self-expression values. When couples shop together, it is usually the wife that leads. Even though they may consult each other somewhat over buying a favorite product when their opinions are divided, it is usually the wife who has the final say. Furthermore, considering that, in this instance, the

wife does not like to use a credit card, the husband has refrained from using a credit card. This attitude of putting family first can be interpreted as part of an orientation toward either self-expression values or survival values.

## 2) Raveena's case: Shopping for apparel and cosmetics at a mall and a local market

- Raveena's profile

Raveena's annual household income of about \$13,900 places her in the lower rank of middle class. Because she lives with her parents, she has a relatively large amount of disposable income even though her total income is small. Although her parents have retired, they are comfortable financially with their own house in Gurugram, so they have no

**Table 2. India's persona examples (living in urban areas and being in the middle class)**

Item	Sunil (pseudonym) (IT boom generation group, liberal and self-actualization type)	Raveena (pseudonym) (Smartphone/fb generation group, conservative and self-esteem needs type)
Gender and age	Male, 31	Female, 25
Academic background	Graduated from university (liberal arts) with MBA in finance	Graduated from university (science and engineering)
Annual household income	\$23,100	\$13,900
Marital status and with or without children	Married, with no children (DINKs)	Unmarried
Number of family members living together	Couple	Three, lives with her parents (her elder brother lives separately, their father is a retiree)
Occupation and position	Professional; mid-level, regular employee	Works for an IT service company; young, regular employee
Hobbies	Travel, mountain climbing (especially wants to increase new overseas experiences), going for drives	Watching movies, dining with friends
Digital affinity	Uses a notebook PC and emails daily for work; uses SNS such as fb and LinkedIn in private as needed	Uses a smartphone, various apps (such as fb and LINE) and emails daily; knows and made a trial of social games, but does not like them so much
Attitude toward money and spending	Places highest priority on quality; if satisfied with quality, does not mind even if price is somewhat higher	Considers quality to be important; buys a product if price is justified by quality; tries to make purchases in such a way that her parents will think them good purchases
Anxiety for future	Currently satisfied with his decisions on employment, marriage, etc.; considers future to be bright as long as he continues to improve himself	Wants to be affluent so that it is no longer necessary to earn income; wants to have a happy family, but has anxiety over marriage because her parents will decide her potential husband
Religion	Hinduism; has faith and considers religion to be important, but does not like daily lives that are too much dependent on religion	Hinduism; participates in religious events together with her parents and relatives; last year during Diwali, her parents gave her jewelry as a present
Hometown and current involvement with hometown	Haridwar (170 km north of Delhi); visits his hometown several times a year to meet his parents	Kashmir (northwest India); as her entire family moved to Gurugram, currently has no involvement
Length of urban residence	Has lived in New Delhi for six years and three months	Has lived in Gurugram for about 10 years
Overseas experience	Only overseas travel and business trips with no experience of living abroad; pursues career involving more opportunities to go on overseas business trips and to live abroad	Only overseas travel with no experience of living abroad; has interest in overseas travel, but does not want to live abroad as she likes her parents' home
Community participation	Only participates in the university alumni (does not want to belong to communities more than necessary)	Participates in a dance class and an NGO for poor children

Note: fb: Facebook

hardships in their lives. Raveena often uses a smartphone and Facebook, and keeps in touch with friends of her own age through social networking (SNS). While Raveena seems to act like a modern person, her parents have had a significant impact on her view of life and her consumption values, such that she has rather conservative views about matters such as home and marriage. She is very interested in what her parents, relatives and friends think of her, revealing that the purposes of her behavior are strongly inclined toward self-esteem needs and social needs.

- Points noted

As Raveena was browsing through a shopping mall and her local market, we observed the process of her behavior in finding the clothes and cosmetics that she wanted. Attention was paid to the selection of

places to shop including online stores, as well as to priorities that drive her buying decisions. In addition, we tried to identify how she came to select those places to shop and how she set those priorities. Raveena said that she sometimes shops alone and sometimes shops with her mother or her friends. This time, we observed her while she was shopping alone.

- Results of observation and interview

Raveena looked forward to shopping for clothes and cosmetics. On the day of observation, she was determined to not miss a chance of finding attractive products. To find things that she likes, she thinks all places to shop – shopping malls, local markets and online stores – are important. Although she has her favorite brands of clothes, shoes and cosmetics, she

Item	Pankaj (pseudonym) (Economic liberalization generation group, conservative and self-actualization type)	Johnny (pseudonym) (Socialism generation group, liberal and self-esteem needs type)
Gender and age	Male, 43	Male, 51
Academic background	Graduated from high school and technical school	Completed a master's course of graduate school (science and engineering)
Annual household income	\$8,300	\$33,300
Marital status and with or without children	Married, with two children (two males aged 9 and 5)	Married, with two children (male aged 15 and female aged 12)
Number of family members living together	Six members consisting of his parents, a couple and two children (his father is a retiree)	Four members consisting of a couple and two children
Occupation and position	Delivery service, manager	Professional, manager
Hobbies	Watching TV programs (sports programs, etc.), watching movies	Listening to music (rock music, etc.)
Digital affinity	Recently bought a smartphone and often uses map apps and Skype; because he is not yet accustomed to it, he tries various apps by getting advice from his friends	Uses a smartphone and a notebook PC for different purposes; often uses email and LinkedIn for work; makes the most of apps that enable easy calling and emails at lower cost
Attitude toward money and spending	Selects reliable Indian local brands rather than unbranded products; places first priority on expenditures for his career and for the future of his children	Places highest priority on balance between quality (including durability) and price; prefers foreign brands over Indian brands because quality is often better
Anxiety for future	Worries about the impact of economic conditions on the transport industry as well as on the performance of his company and department	Has no worries about work because he can earn sufficient income and has plenty of employment opportunities; he is concerned about how best to create a living environment where his family and relatives can live together
Religion	Hinduism; especially has a strong faith in Goddess Durga; is always conscious of his and others' castes	Christianity (Roman Catholicism); goes to church every week; he considers himself to be a pious Christian
Hometown and current involvement with hometown	Uttarakhand (northwestern India); as all members of his parental family moved long ago, currently there is no involvement with hometown	Kerala (south India); as his relatives still live there, he visits Kerala once a year to participate in relatives' gatherings
Length of urban residence	Has lived in Kolkata for about two years; immediately after relocation, his family members were at a loss, but have become used to urban living to a large extent	Lived in Mumbai for five years, subsequently lived overseas, and has now lived in Bangalore for eight years
Overseas experience	Has no overseas experience; even though he has vague interest in an overseas visit, he currently has no opportunity to do so	Has experience of studying abroad and living abroad (worked for a foreign company); considering his family, he is not sure if he would accept overseas assignments in the future
Community participation	Nothing particular; sometimes participates in gatherings of children's parents as necessary	Participates in church community (activities); joins volunteer activities as needed

**Figure 4. Shopping scene of Sunil (pseudonym) and his wife**

wandered around many times without limiting herself to places where her favorites are located to be sure to explore the entire floor. She did so knowing that there could be a chance to discover bargains or find new brands or designs that she would like.

As she walked around, she put everything that she liked into her basket to later decide which items she really wanted to buy. In this way, she keeps the things that she likes because, otherwise, she would forget which products had fascinated her. The important factors that draw her to a product include design, color, price and size. In addition, she places emphasis on an item's "feel" (such as the texture of a fabric). Applying a lesson that she learned from her mother, Raveena always touches a product before checking the price and size. Her mother taught her what good quality feels like and what price is reasonable.

Even if Raveena sees a product that she likes at a shopping mall, she always considers whether she could find something similar at either a local market or online. This is because a similar product could be cheaper. For example, cosmetics are relatively expensive, and their quality only becomes apparent through continued use. So, Raveena relies on the evaluations of her friends and those that she finds on the Internet. Then, when she is in a store, she only looks at the highly evaluated products. Because she wants to use her five senses to check on the design and quality of clothes and shoes, she is more likely to buy them in stores than online (Figure 5).

#### • Points identified

Middle class Indian people use either physical stores or online stores depending on the product involved. However, it is uncommon for them to buy a product online without first checking it in a physical store, indicating that traditional values still remain. Nevertheless, as far as clothing is concerned, more and more people are buying items such as underwear

online when their primary interest is size, material and price with the design being less important. They make every effort to search for products that they like, and to not miss products that they want, revealing the orientation toward self-expression values. When they find something they like, they tentatively put it in their shopping basket. If they decide to look at other stores, they either ask a store clerk to hold it for them or write a memo of its item number. Although the degree varies, we can imagine the influence that their parents have on their buying decisions. This tendency is even more pronounced when they live with their parents. Because they talk with their parents about almost everything in detail including their spending, they try to be sure that they can accurately explain quality and price as well. As an indication of their orientation toward traditional values, they tend to purchase big-ticket items at Diwali (Indian New Year). In addition to a high likelihood of discounts offered at this time, in Hinduism, it is thought that shopping during Diwali brings good luck.

### 3) Pankaj's case: Buying footwear in a local market

#### • Pankaj's profile

Pankaj has an annual household income of around \$8,300, placing him at the bottom of the middle class as defined in this paper. He lives with his wife, two children and his parents, making his life somewhat complicated for this family of six. However, he does place importance on his children's education, and always manages to pay for that. Not only is Pankaj a pious Hindu, he is also conservative in his thinking and always remembers to act appropriately for his caste. Pankaj started his own delivery business. However, he currently works as a manager for a medium-sized company, while pursuing his desire for self-improvement and upward mobility. Rather

**Figure 5. Shopping scene of Raveena (pseudonym)**

than trusting his future to a company or fate, he is well motivated to create his own career. In this sense, he places greater emphasis on self-actualization than on social needs as the purpose of his behavior.

- Points noted

We watched how Pankaj haggled over and ultimately bought the footwear that he needed for his work at a local market. As well as watching the actual exchanges that went on prior to his buying the footwear, we subsequently interviewed Pankaj to understand what was going through his mind. It should be noted that because Pankaj is not affluent in comparison with other middle class individuals, his thinking concerning quality and price is a little different. In addition, he tries to minimize any risk by getting a guarantee to ensure that he does not fail in his purchases. While he says that shopping is “fun,” we can see a glimpse of his attitude toward not experiencing failure with his purchases.

- Results of observation and interview

When he needs clothing, shoes and daily necessities, Pankaj shops at his local market. He seldom goes to the shopping mall because the prices there are higher. He always has a budget when he heads out to shop. On this day, his budget was INR 700 – 1,000. Within that range, he would decide based on quality, brand and his own preferences.

He cannot afford to buy foreign brands, but does have some favorites among Indian domestic brands. He even considers no-brand products. In that case, he more carefully checks product quality in a store before making a purchase. Even among Indian brands, as far as those which he likes and those with a good reputation are concerned, he trusts the quality. For him, quality means that a product is not scratched or otherwise flawed and that a product does not fall apart easily.

Clothes and shoes, in particular, are no longer products that people buy out of necessity. Usually, Pankaj does not have a set time to go shopping. Instead, he prefers to buy things when he notices they are cheap, or when he can shop without being in a hurry. He first makes an entire round of the market to find a store that is selling goods that he wants, or that he wishes to visit. In the stores, he checks the quantity of goods displayed and the variety of colors.

On this day, at the shoe store, he looked at both shoes and sandals, but ultimately bought shoes. The shoes that he bought were originally priced at INR 1,000, but both he and the seller were happy to make a deal at INR 650. At the local market, discounts of 30 – 40 percent are the norm. He was not about to make a purchase unless he could get a discount of at

least 30 percent. Although his goal was a discount of 50 percent, he settled on 35 percent because he really liked the shoes.

Pankaj tries to keep a record of everything that he buys. He always gets a receipt and the business card of the store so that he can return the goods if anything goes wrong. In fact, on this day, while he went to withdraw cash from an ATM, he had the store clerk fill out his records with the shoes that he had decided to buy and the price that they agreed upon (Figure 6).

- Points identified

Among persons who are toward the bottom of India’s middle class, prices and their budget are the most important factors affecting their shopping. Although they are aware of what is available at the shopping malls and the brands that can be bought there, when they actually make a purchase, they do so at a local market and buy Indian brands or unbranded products. However, they do occasionally go to a mall to look at brand goods so that they can appreciate what a good quality product is. They adopt a behavior pattern in which they try to find products that are close to brand products in terms of quality but at a much lower price. Because money is important to them, they are very careful not to lose any through poor shopping practices. To them, it is essential that the products they buy last a long time, and they always make sure that products can be returned if necessary. They negotiate for discounts in local markets and search for good quality at low prices. These behavioral patterns can be interpreted as orientation toward either secular-rational values or traditional values – a tradition among Indian people that has been prevalent throughout their history.

**Figure 6. Shopping scene of Pankaj (pseudonym)**



#### 4) Johnny's case: Shopping for clothes for his daughter at a specialty store

- Johnny's profile

Johnny's annual household income is around \$33,300, which places the family right at the top of the middle class as defined in this paper. While he spends a lot on his children's education, his high income means that he still has enough money for entertainment and savings. Although Johnny is in his 50s, he is forward-thinking and tries to incorporate new ideas into his life as seen in his efforts to make good use of a smartphone. At the same time, he enthusiastically takes part in gatherings at his church and events with relatives, and strives to fulfill the roles that are expected of a person of his age and position, which, in other words, can be described as trying to meet social needs.

- Points noted

We observed Johnny while he bought clothes as a present for his daughter in a specialty store in a mall. Because this is a specialty store and because he was choosing clothes for other than himself, a store clerk approached him and offered many kinds of advice. It should be noted that he maintained his own stance toward selecting a product without listening to the sales clerk. While he said that price is important, at no time did he look at discounted or no-brand products because of their inferior quality. We noted that among factors affecting purchasing decisions, price has a considerably low priority.

- Results of observation and interview

Johnny sees buying clothes for his family, especially his daughter, as his responsibility. Rather than that a father buying clothes for his family is common in India, he takes on this role because his family, including his daughter, admires his fashion sense.

He buys clothes based on two factors, namely, design and degree of satisfaction. The design is influenced by color, cut, pattern, sewing and so on. In particular, it is important for him to choose colors and patterns that are suitable for the color of his daughter's skin. The skin color of Indian people varies widely from white to black. Therefore, many Indians are very careful to choose clothing with colors/patterns that are appropriate for their own skin tone.

Johnny makes his purchases based on a balance between price and quality. He judges quality based just not on the material, but also on its feel and durability. He says that when he touches a material, he can roughly tell the type of material and the blend (ratio of cotton to polyester).

Johnny does not buy discounted items. He sometimes shops at limited-time sales where everything

in the store is on sale. If there are any particular items in the store that have been discounted, he assumes that there must be some reason for the items being unsold.

Whenever he selects a product, he usually ignores the advice of sales assistants. This is because he feels he has greater success when he makes his selections for himself. However, once he has chosen a product, he lets the assistants put it on hold or find a different size. He maintains a clear line between his choosing clothes and the tasks to be done by the assistants after he has made his selection (Figure 7).

- Points identified

Once a household is placed at the upper rank of the Indian middle class and comes within reach of the wealthy segment, price becomes unimportant for them when shopping for everyday items such as clothes. It is interesting to note that not only do these households lose interest in places selling things cheaply, they go out of their way to avoid them. While we cannot go so far as to say that cases like Johnny's where he takes on the responsibility of buying his daughter's clothes are common in India, there are cases in which one family member is responsible for buying a certain thing. In particular, as substantiated by the fact that even a father takes on the responsibility for shopping, they have a strong sense of family. These attitudes reveal the orientation toward both traditional values, which place emphasis on bonds and self-expression values, which are boosted through an increase in the number of small households. Johnny's case is not unusual in that Indian people are confident about the judgments they can make with their sense of touch, and can even identify the content of a material and the fibers constituting a blend. This is a characteristic traditional value of India where the hands are used in many aspects of lifestyle.

**Figure 7. Shopping scene of Johnny (pseudonym)**



## IV Consumption Values of India's Middle Class

### 1 Findings of Studies 1 and 2

In this paper, the sense of values among Indian consumers is classified according to the two broad dimensions of “traditional values vs. secular-rational values” and “survival values vs. self-expression values.” While associating consumption patterns with this classification to some degree, Studies 1 and 2 clarified the spending behaviors of Indian people.

In the past, conversations around the water cooler were often a source of shopping information. However, in recent years, middle class Indian consumers use IT to collect information and e-commerce to buy goods. They rely more on the evaluations by actual users than on information published by companies to make their buying decisions. Given the rise of credit cards and other new financial tools, they actively adopt new forms of payment. Their drive to adapt to new purchasing opportunities and functions shows an orientation toward secular-rational values. It was surprising to note that middle class Indian people have adapted to new attitudes to a higher degree than their Japanese counterparts in some aspects, even though India’s economy is still not as developed as in Japan.

Be that as it may, they are not completely devoted to secular-rational values. We observed behaviors reflecting attitudes that can be classified as traditional values – the opposite of secular-rational values. As such, they often spend money during religious events such as Diwali for luck and good fortune. While middle class Indian people are motivated to adapt to new trends, religion and other factors are restricting their behavior. For example, Hindus strongly avoid spending behaviors contrary to the Hindu norm.

Many spending patterns representing both traditional and secular-rational values have also been observed. While middle class Indian people are motivated to make the most of IT, (at the current stage), they are still unwilling to complete purchase transactions only via the Internet. At local markets, they negotiate for discounts as part of their daily practices. As is the case in Pakistan, Lebanon and Syria, negotiations for bargains and lower prices are a part of everyday life in India. Lying behind this deep-rooted commercial practice is the emphasis by Indian consumers on balancing quality and cost. A distinctive characteristic found during our observations is that they judge quality by sense of touch (feel) <sup>Note 5</sup>. The decisions made by middle class Indian consumers always conform to their own value for money (VFM) standards.

In addition, by experiencing changes in social structure, including the trend toward smaller families, economic and social empowerment of women, spread of IT and growing popularity of SNS, Indian consumers

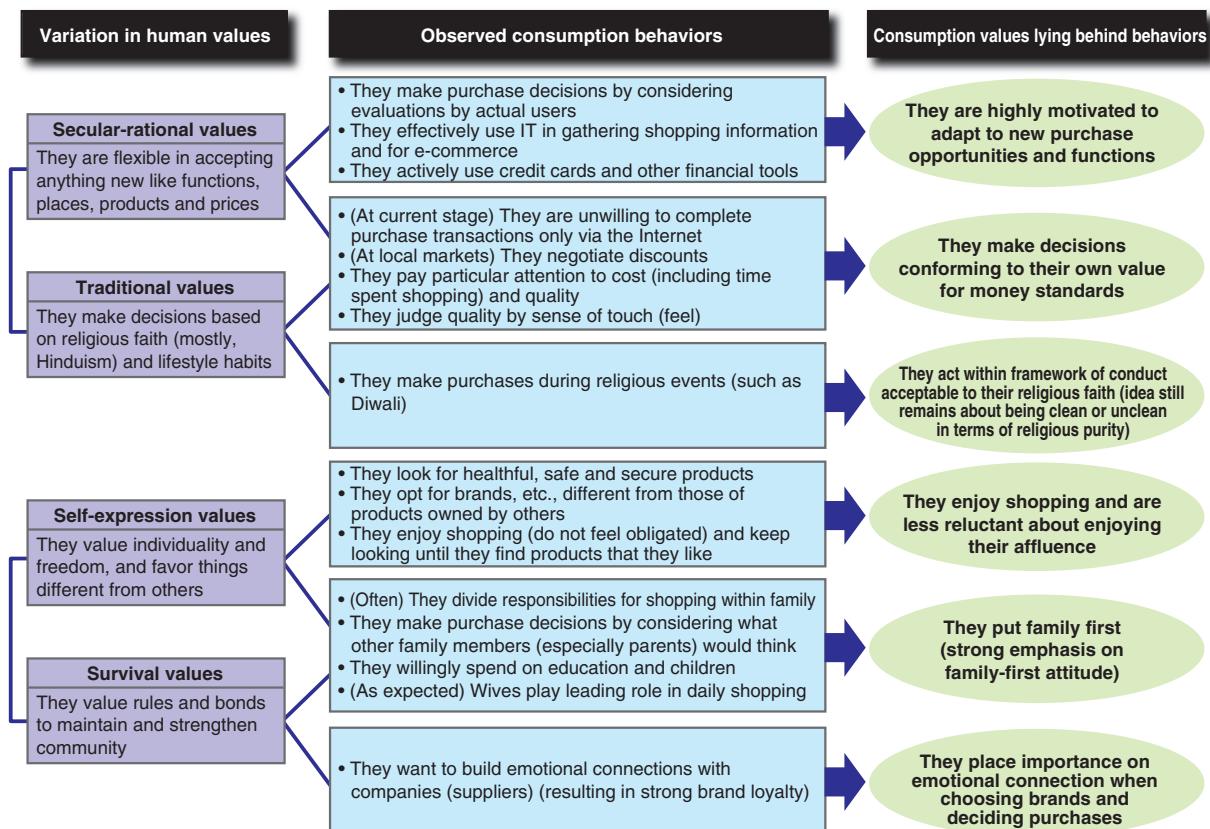
have become more strongly oriented toward self-expression values. This orientation can be seen in brand affinity – they want brands that are different from those of products owned by other people – and in the high priority placed on healthful, safe and secure food. “Shopportunity” – a combination of the words “shop” and “opportunity” – was coined in India. As this term suggests, middle class consumers enjoy shopping (such as to buy clothing) and keep looking until they find products that they like. While ascetic traditions still persist in India, middle class consumers have become less resistant to enjoying affluent lifestyles.

At the same time, the orientation toward survival values, which are the opposite of self-expression values, still remains. In the past, emotional connections and bonds with others were important to Indian people for maintaining and strengthening community. This mindset can be identified in the attitude of consumers seeking some form of emotional connection with companies (suppliers) in their consumption lifestyles. This tendency can be one of the key factors to consider in building a successful brand.

Not a few consumption behaviors can be interpreted from the factors of both self-expression values and survival values. As a node between individuals and society (community), the “family/household” unit has become a broad bundle of consumption behaviors. This node has become more significant than ever before. Examples include the division of responsibilities for shopping within a family and the justified spending on someone within a family such as placing a high priority on paying for a child’s education. Furthermore, family members make purchase decisions by considering what other family members (especially their parents) would think. So, family is an important part of the decision-making criteria. In Indian families, wives (mothers) often take the lead in everyday shopping. These findings reveal the strong emphasis on the “family first” attitude among India’s middle class (Figure 8).

### 2 Consumption values being maintained and enhanced in the future

Studies found that while traditional values and survival values still remain prevalent, India’s middle class also has growing orientations toward secular-rational values and self-expression values. So, what will be the key values that underpin the future of India’s changing middle class? The authors think that values and behaviors that strike a balance between these varying orientations can be viewed as characteristics of the middle class, and believe that these values and behaviors will remain strong in the future. Specifically, the “value for money” and “family first” attitudes are particularly important in considering the future of India. Therefore, in concluding this paper, the following sections provide further descriptions of these attitudes.

**Figure 8. Consumption values and behaviors among middle class Indian people living in urban areas**

### (1) Value for money

A “value for money” standard involves how best to strike a balance between two factors, namely, “What are values?” (value recognition) and “How much should be paid?” (sense of the value of money).

The study findings gave us clues to the sense of the value of money among middle class Indian people. Pankaj, whose annual household income places him at the bottom of the middle class, had an upper limit on his shopping budget. Raveena did not set a budget for herself so that she could discover higher-quality products. However, after she found a product that she liked, she tried to buy it at the lowest possible price by looking for a similar product online or at a local market. Johnny not only paid almost no attention to price but rather went out of his way to avoid bargains. As is clear from these findings, with annual incomes ranging from \$7,500 to \$35,000, the sense of the value of money among India’s middle class varies to a fairly large extent. In particular, we think that Indian consumers at the upper rank of the middle class are considerably generous because of their current high incomes coupled with optimistic outlooks for their future incomes.

The annual incomes also influence value recognition. If values are seen from the perspective of brands, Pankaj, Raveena and Johnny opted for “no-brand products,” “Indian brands” and “foreign brands” (from developed countries), respectively, as the products that each of them often bought, i.e., the products within the

monetary reach of each person. However, both Pankaj and Raveena are well aware of foreign brands and are motivated to increase their incomes so that they can afford to buy international brands.

A look at values from a different angle reveals that Pankaj puts a focus on practicality including durability, whereas Johnny pays great attention to his emotional response concerning design and whether he likes a product. In particular, Johnny did not rely on the advice from sales assistants at all; instead, he kept firm on making his own judgments. Given the particular attention paid by upper middle class Indian consumers to their emotions while shopping (emotional engagement), any sales activities that propose only halfway measures would never be able to satisfy these consumers.

The background factor behind the strict attitudes that middle class Indian consumers have in their value for money standards is that the consumers have their own financial equations that have been built through everyday negotiations in shopping in India. To understand India’s middle class, attention must be paid to the levels of each consumer in terms of sense of the value of money and value recognition. Marketing strategies that appeal to a desire to move up the income ladder are more likely to achieve success.

### (2) Family-first principle

The spending on someone within a family is justified according to this principle. This justification is also

common in other countries such as Japan. One of India's distinctive characteristics is that because of strong family bonds, the thoughts and ideas of others within the same family have a great impact on purchasing decisions. The impact is exerted in the following two directions.

The first direction is seen in Raveena's case, where the parent (older generation) exerts an influence on the child (next generation). As far as the findings of this study are concerned, parents teach their children how to judge quality with their five senses including "feel" and an attitude of thrift, that is, to not waste money. The former involves a matter of sensitivity inculcated when parents and children shop together. With respect to the latter attitude, the parents can pass on a sense of thrift to younger generations through conversations about when they were poorer or about similar experiences, depending on their background.

Conversely, the second direction involves an influence that children (next generation) have on parents (older generation). As can easily be imagined from the trend toward smaller families and their willingness to spend on children, middle class Indian people raise their children with special care, which means that parents listen carefully to their children. An example of the impact that children have on parents is that parents try out new fashion trends that their children told them about, such as wearing jeans, or go on shopping trips to new places (malls, specialty stores, etc.) together with children. Among interviewees, we met seniors who were fashionably dressed and enjoyed shopping at malls. They all said that the clothes and malls were first recommended by their children.

As such, we consider that marketing strategies aimed at middle class Indian consumers would be more effective when due consideration is given to the influence within a family. When dividing households into groups, marketers should consider the form of family, namely, "households with parents and children living together" or "households with a parent only or a child only." It should also be noted that in the case of households where either a parent or a child lives alone (the latter form) over a long period of time, their spending behaviors tend to be biased because attitudes are not inherited across generations.

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### Notes:

- 1 According to the Associated Chambers of Commerce and Industry of India (ASSOCHAM), there are eight Tier-1 cities in India. They are Delhi, Mumbai, Bangalore, Chennai, Kolkata, Hyderabad, Ahmedabad and Pune. Tier-1 cities are those cities with a population of more than four million and a total income of more than 100 billion Indian rupees.
- 2 In recent years, a popular phrase in India has been "chota parivar sukhi parivar" (a small family is a happy family). The underlying message is that a family consisting of a couple with two children is the most appropriate size for a household.
- 3 Amul is India's largest dairy brand, formed in 1946 and marketed by the Gujarat Cooperative Milk Marketing Federation Ltd. Amul has been a driving force for the production and sales of milk and dairy products in India. With a compound annual growth rate (CAGR) of 15 percent from 2012 to 2015, Amul's presence has grown even further.
- 4 The full company name is Patanjali Ayurved Limited, which is a fast-moving consumer goods (FMCG) venture founded in 2006. While the entire FMCG market has grown at a CAGR of about 11 percent over the past decade (2005 – 2015), Patanjali has achieved amazing growth and drawn attention as a game changer that is going to completely change the market structure.
- 5 India is noted for the custom of eating with the right hand. Indian people enjoy engaging the sense of touch (feel) in the process of eating. They use their hands for many other purposes as part of their lifestyle habits. Therefore, it is assumed that many Indian consumers touch things with their hands in their consumption behaviors to effectively use their keen sense of touch as a means of judging quality.

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