

Insight Report

Future of Consumption in Fast-Growth Consumer Markets: INDIA

A report by the World Economic Forum's System Initiative on Shaping the Future of Consumption
Prepared in collaboration with Bain & Company

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Preface



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The Fourth Industrial Revolution is transforming entire systems of production, distribution and consumption. This drives opportunities for value creation and innovation through game-changing technologies but is also creating challenges in ensuring inclusivity. With consumer spending as an engine of economic activity, the emerging power of technology to create new growth opportunities for all is paramount to progress. To successfully navigate through the Fourth Industrial Revolution, a premium will be placed on innovation, the willingness of organizations to disrupt themselves, active collaboration and a commitment to advance inclusive growth.

In the context of this seismic change, the **World Economic Forum System Initiative on Shaping the Future of Consumption** envisions transforming the consumption landscape by enabling inclusive models, well-being of consumers, sustainability of the environment, and trust and transparency among stakeholders. It seeks to advance responsible consumption while ensuring benefits for both business and society, across developed and emerging markets.

Over the next decade, shifting global forces, more than one billion first-time consumers and the Fourth Industrial Revolution will continue to change the landscape of consumption in the fast-growth consumer markets of China, India and the ASEAN region. Both business and political leaders will need to adapt their strategies to the changing needs and demands of connected and empowered consumers. The **Future of Consumption in Fast-Growth Consumer Markets**, a multi-year project, focuses on the evolution of consumption in emerging markets that comprise more than 40% of the world's population. Critical foresights on drivers of growth and levers of inclusivity can benefit global leaders as they grapple with similar issues.

The 2017 study focused on China; **in 2018, the focus was on India**. India is one of the fastest-growing economies in the world. It is also one of the most diverse, with many regional, spiritual and cultural nuances. Over the coming years, the confluence of robust economic growth, a vibrant consumption landscape, greater connectedness and key social reforms will create a massive opportunity to advance inclusive and responsible consumption for decades to come.

Developed in collaboration with Bain & Company, this report builds on in-depth consumer surveys conducted across 5,100 households in 30 cities and towns in India, covering all key demographic segments. It also draws from over 40 in-depth interviews with private and public-sector leaders. This leads to rich insights on India's present and future outlook on consumption. The report highlights the most significant implications for businesses that aim to thrive in India over the next decade. It also lays out a call to action for all stakeholders in India's growth to build an inclusive future for India.

The project team of the World Economic Forum would like to extend its appreciation and gratitude to all parties who played a key role in developing this Insight Report: the Bain & Company team led by Nikhil Ojha and all participants who contributed via our workshops and interviews. We are confident that our collective effort will contribute to realizing a prosperous future with sustainable benefits for both business and society.

Executive Summary

India is on the cusp of a tremendous opportunity for both economic progress and improvement in the general well-being of its citizens. India is currently the world's sixth largest economy and one of the fastest-growing large countries, with an annual gross domestic product (GDP) growth rate of 7.5%, a momentum that is expected to sustain over the next decade. Domestic consumption, which powers 60% of the GDP today, is expected to grow into a \$6 trillion opportunity by 2030. This consumption growth will be supported by a 1.4 billion strong population that is younger than that of any other major economy. Household savings have historically been high as thrifty and cautious Indian families put away more than a fifth of their incomes for a rainy day. This buffer provides support to domestic consumption expenditure even through challenging cycles in economic activity.

The vision for the future of consumption in India is anchored in the growth of the upper-middle income and high-income segments, which will grow from being one in four households today, to one in two households by 2030. At the same time, India will also lift nearly 25 million households out of poverty, to reduce the share of households below the poverty line to 5%, down from 15% today. Thus, India represents a relatively broad-based pattern of growth and benefit sharing, in contrast to the global scenario of increasing inequality wherein the richest 10% of the population is capturing an increasing share of national incomes and, consequently, wealth.

Since the beginning of the journey of liberalization in 1991, the average Indian consumer has witnessed an exponential growth in the options available in every consumption category. One of the most visible changes has been in

the car industry that went from three major models in the mid-1990s to more than 30 today. The liberalization era has also witnessed a massive growth in the IT/ITES¹ sector, that today employs nearly one-fourth of the 12-13 million employees in India's organized private sector. Growth in IT/ITES jobs has been an engine for job creation and has represented an aspirational stepping-stone for numerous young Indians over the past 20 years.

The generational cohorts that were in their peak-consuming years during the past two decades (30-50-year-olds today) were born between the 1970s and the 1980s. These cohorts still carry with them memories of a more constrained era when consumption options were fewer and thrift was a greater virtue. Over the next decade, one of the biggest changes in India will be the coming of age of liberalization's true children – the nearly 700 million people born through the late 1980s to the 2000s². These individuals will have grown up in a more open and confident India and will not carry the cultural or economic baggage of their predecessors. This is a generation on the move that aspires to a materially better life, backed by the ability to spend and make it a reality.

One of the most challenging and exciting implications for companies in India is the opportunity to shape consumption patterns – in terms of categories consumed, brands purchased or ways of accessing products and information. Companies will need to look beyond Western assumptions and rules of doing business. India's unique combination of preferences, aspirations and prudence will require innovation specifically for this market. Related, future consumption growth will come from the many Indias – from the rich and densely populated metro cities and also from





the geographically dispersed thousands of developed rural towns whose aspirations have begun to converge with those of urban India. Businesses will need to tailor offerings to serve these aspirations, while innovating to solve for challenges (such as access to physical and digital infrastructure) that differentially influence consumption choices across the many Indias.

India has historically leapfrogged generations of technologies – the jump straight to mobile phones bypassing the stage of widespread landline connectivity being an oft-cited example. The Indian business landscape now abounds with numerous other indications of a similarly varied path to growth. Digital entertainment and subscription video have eliminated the need for owning personal media. E-commerce is taking a share from traditional retail at a speed that “modern” organized retail has struggled to emulate. Youngsters in crowded cities are embracing alternative forms of transport before car ownership. Mobile-based payment models have acquired greater acceptance in a shorter time than credit cards did over the past two decades.

A massive increase in internet penetration will lead to more than a billion internet users in India by 2030. Online connectivity, and the resultant access to information, is proving to be a key driver of differences in aspiration and the desire to spend and upgrade consumption, even among people at similar income levels. Those who are more connected have a keener sense of what is “desirable” and are willing to invest in more comfortable living – including a greater spend on household durables and services. As a vast majority of India is connected over the next decade, this pattern will become a driver of overall consumption growth.

India is often compared to China, the other Asian behemoth. The Chinese economy is structurally different, with a lower share of consumption expenditure in the GDP at about 40%, and a much higher rate of household savings at 37%. However, in terms of the relative choices made by households across different elements of the consumption basket, India most closely mirrors China and looks very different from the patterns of other large economies. Both countries are very similar in their high share of mobile

powered internet connectivity, as opposed to other modes of access. Chinese business model innovations, ranging from mobile-based fin-tech, artificial intelligence powered e-commerce to ecosystems at the centre of a wide variety of services, provide very relevant templates for Indian businesses to learn from.

The coming decade presents numerous opportunities for businesses to serve the growing needs and demands in India. Richer, younger, more confident and more connected consumers will pave the way for tremendous innovation in products, services and business models. To unlock the full potential of this opportunity and ensure equitable growth, the private sector and governments will need to proactively address three critical challenges:

1. Skill development and future-focused employment generation will be critical to direct the potential of India’s young workforce. As nearly 10-12 million working-age persons get added to India annually over the next decade, it will be critical to provide them with gainful and more formal employment and reduce the skills-gap that exists today.
2. Social and economic inclusiveness of rural India is also a key imperative, especially as connectedness creates aspirations. Currently, multiple “access” barriers, such as poor physical and digital connectivity and lack of financial inclusion, constrain the spend and well-being of rural dwellers. Innovative efforts by businesses and governments, like the impetus to cashless, digital transactions, can accelerate the inclusion of rural India.
3. A broad set of stakeholders will need to evaluate and respond to the challenges of creating a sustainable and healthy future through better access to healthcare, reduction in pollution and better urban planning to reduce congestion.

Companies, governments and civic society have the opportunity of a lifetime to advance responsible consumption and shape positive outcomes for India over the next decade.

Introduction

The macro context of India

India is the largest democracy in the world and the second most populous nation, with nearly 1.35 billion people. It is also the sixth-largest economy, with a GDP of \$2.6 trillion in 2017. In purchasing power parity (PPP³) terms, India ranks third behind the United States (US) and China. As one of the world's fastest-growing economies, with a current and projected annual GDP growth of nearly 7.5%⁴, India is a critical engine of global economic growth.

India's economy has some structural strengths that have enabled robust economic growth and allowed the economy to be relatively resilient to the vagaries of global economic patterns:

- **Domestic consumption driven economy:**
Nearly 60% of India's GDP is driven by domestic private consumption, as compared to 40% in China.⁵ Hence the economy is protected to a great extent against external shocks and cycles of low or high public investment.
- **Healthy savings:**
Compared to low personal saving rates in many developed countries in the west and east (6%-7% in the US, 9%-10% in Germany, 4% historically in UK, 2.5% in Japan⁶), India's households have maintained a high savings share of their income at 22%. This may have been a necessity due to lack of access to consumption or lack of social security nets. As access to goods and essential services (e.g. healthcare) improves, these savings will continue to provide a buffer for further consumption.
- **Working age majority:**
With a median age of 28 years, India is a nation of young working-age persons who drive both income and consumption. It will continue to remain young up to 2030 with a median age of 31 years, compared to 40 years in the US and 42 years in China.

Having stayed a relatively closed economy for many years after independence, India initiated reforms in 1991 for a more liberalized economy. These reforms have made the country competitive on a global stage by opening up to global businesses, doubling down on the services sector and improving the business environment through lower tariff barriers and taxes, and deregulation of many sectors. In recent years, lower interest rates coupled with declining inflation have further supported consumption growth. The economy is also supported by healthy investment rates and a strong services sector, including technology services exports. India was the 10th largest recipient of global foreign direct investment (FDI) in 2017, with a record FDI of nearly \$60 billion in 2016-2017, with robust momentum continuing into 2018.⁷ The investment-friendly environment could be credited to many enablers (Table 1 in Appendix), key among them being:

- **Policy reforms** such as increased FDI limits in most sectors, including retail, manufacturing and telecom driving increased participation of foreign investors and easier investment norms for non-resident Indians
- **Active campaigning** by the government for investment and trade cooperation, including Make in India and Start-up India to create a supportive environment for manufacturing and entrepreneurship respectively
- **Increased ease of doing business** through changed processes such as a uniform Goods and Services Tax across India since mid-2017 and easier norms for opening, obtaining licences and investing in new businesses
- **Large-scale infrastructure development projects** such as smart cities, industrial corridors, road, rail and shipping hubs, and power projects.

Overall, economic growth and policy reforms have led to a strongly positive global sentiment regarding India's future. In 2017, the credit rating agency Moody's upgraded India's sovereign credit rating by one notch after 14 years⁸ and upgraded the outlook on India from positive to stable. India has jumped 23 places in a year to rank 77 in the World Bank's Ease of Doing Business Ranking for 2019.

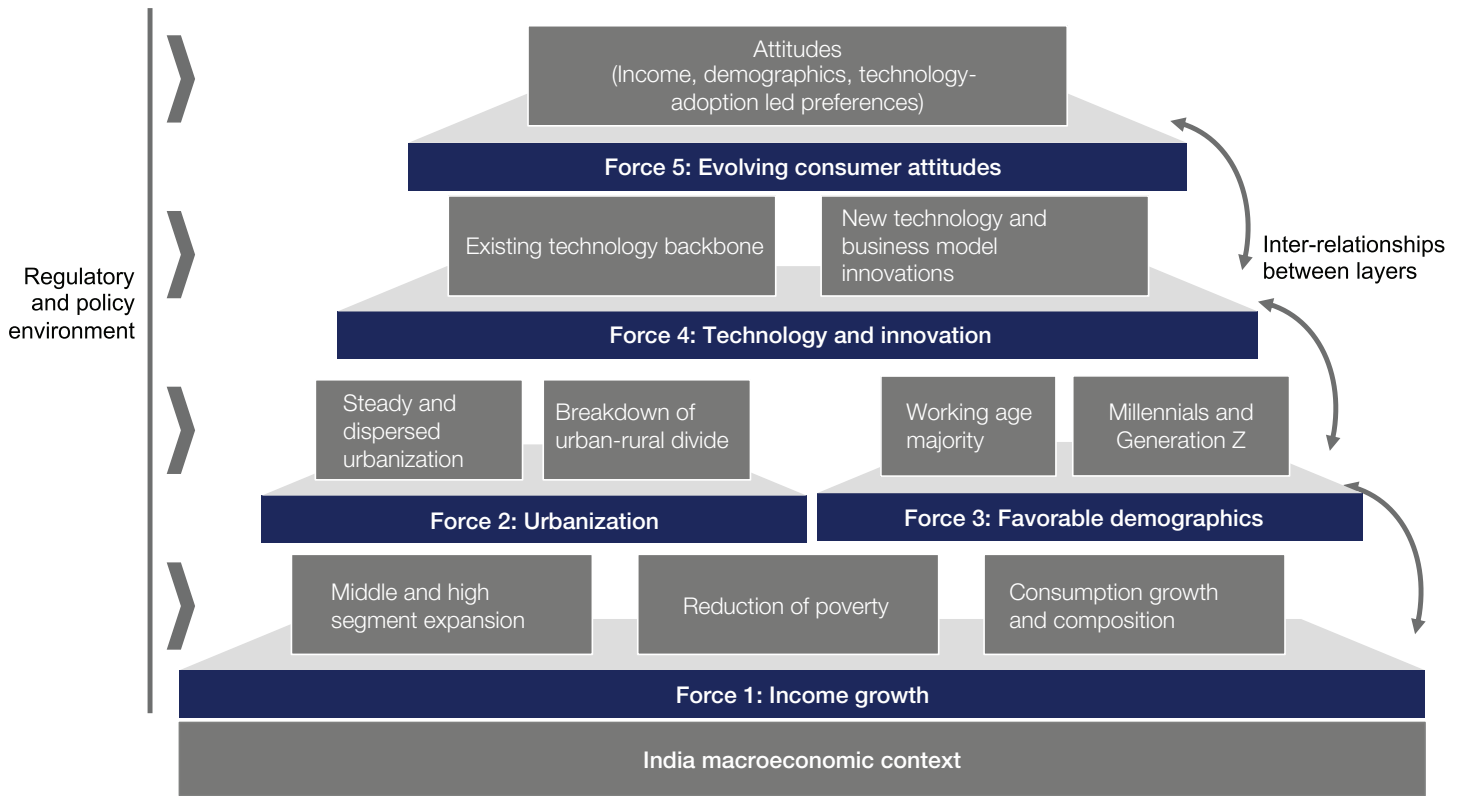
Looking ahead, favourable demographics will drive strong consumption growth while a stable and reform-focused policy framework will support an environment conducive to business and investment. However, to unlock India's massive implied economic potential, the country will need to accelerate and sustain its upward trajectory on key human development indicators and aim for inclusive progress.

The future presents an opportunity for India to tackle challenges on employment, skills, health and sustainable living at a national level, and undertake efforts to further reduce economic and human development disparity at a regional level. There is also an opportunity to strengthen the ecosystem for innovation and entrepreneurship, to allow India to reap the full potential of a young and inherently entrepreneurial population that now has access to knowledge and technology that can drive innovations to solve real needs and challenges. Business, government and policy leaders have a truly unique opportunity to become custodians of India's long-term economic prosperity and inclusive society.

Drivers of future consumption in India

Within this macro context, five major drivers will be the important pillars of the future of consumption in India, while the right regulatory and policy framework will be a critical enabler of all these drivers (Figure 1).

Figure 1: Drivers of future consumption in India



Source: Bain & Company/World Economic Forum analysis

1. Income growth

Growth in income will transform India from a bottom-of-the-pyramid economy to a truly middle-class led one, with consumer spending growing from \$1.5 trillion today to nearly \$6 trillion by 2030.

This will be driven by:

- **Middle-class expansion and emergence of a sizeable high-income segment:**
By 2030, India will add about 140 million middle-income† and 21 million high-income households, overall nearly doubling the total share of these segments to 51% (Figure 2).
- **Transformation of the consumption profile:**
Upper middle-income households will drive 47% (\$2.8 trillion) of total consumption, and high-income households will drive another 14% (\$0.8 trillion), compared to 30% and 7% respectively today.
- **Breakthrough states:**
While India's aggregate income and consumption will grow rapidly, 10 large "breakthrough" states will lead the way: Kerala, Karnataka, Andhra Pradesh, Telangana and Tamil Nadu in the south; Delhi, Haryana and Punjab in the north; and Maharashtra and Gujarat in the west (Figure 10 in Appendix).
- **Poverty elimination becoming a reality:**
Income growth will have an even more positive aspect – India will lift nearly 25 million households out of poverty; less than 5% of households will lie below the poverty line by 2030, down from 15% today.

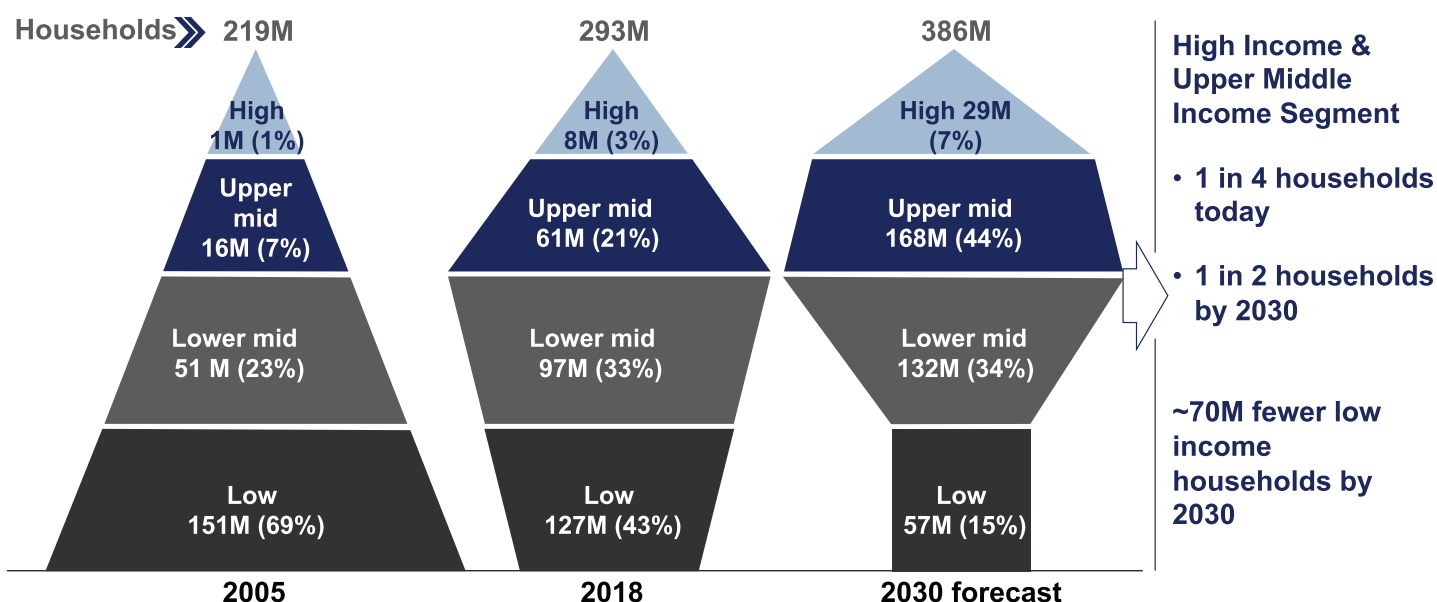
2. Steady and dispersed urbanization

While metros and emerging boom towns continue to drive economic growth, rural per capita consumption will grow faster than in urban areas mimicking consumption patterns of urban counterparts.

This will be characterized by:

- **Dispersed urbanization and an urban-rural income continuum:** By 2030, 40% of Indians will be urban residents. The top nine metros⁹ and 31 boom towns will be significantly richer than other cities. However, there will also be >5,000 small urban towns (50,000-100,000 persons each) and >50,000 developed rural towns (5,000-10,000 persons each) that already have very similar income profiles (Figure 3).
- **Growth of rural consumption and breakdown of the urban-rural paradigm:** Rural per capita consumption will grow to 4.3 times by 2030, compared to 3.5 times in urban India. With incomes in developed rural towns already mimicking those in small towns and greater internet penetration narrowing digital divides, the erstwhile urban-rural paradigm may no longer be the most accurate lens to assess aspirations and preferences across India. Although the gap is narrowing, opportunities for developed rural consumers will be truly unlocked only by tackling head-on, the issues of poor infrastructure (roads, power, internet), access to organized retail and financial inclusion. The aspect of aspirations constrained by poor access is further discussed in subsequent sections of this report.

Figure 2: Evolution of the household-income profile in India

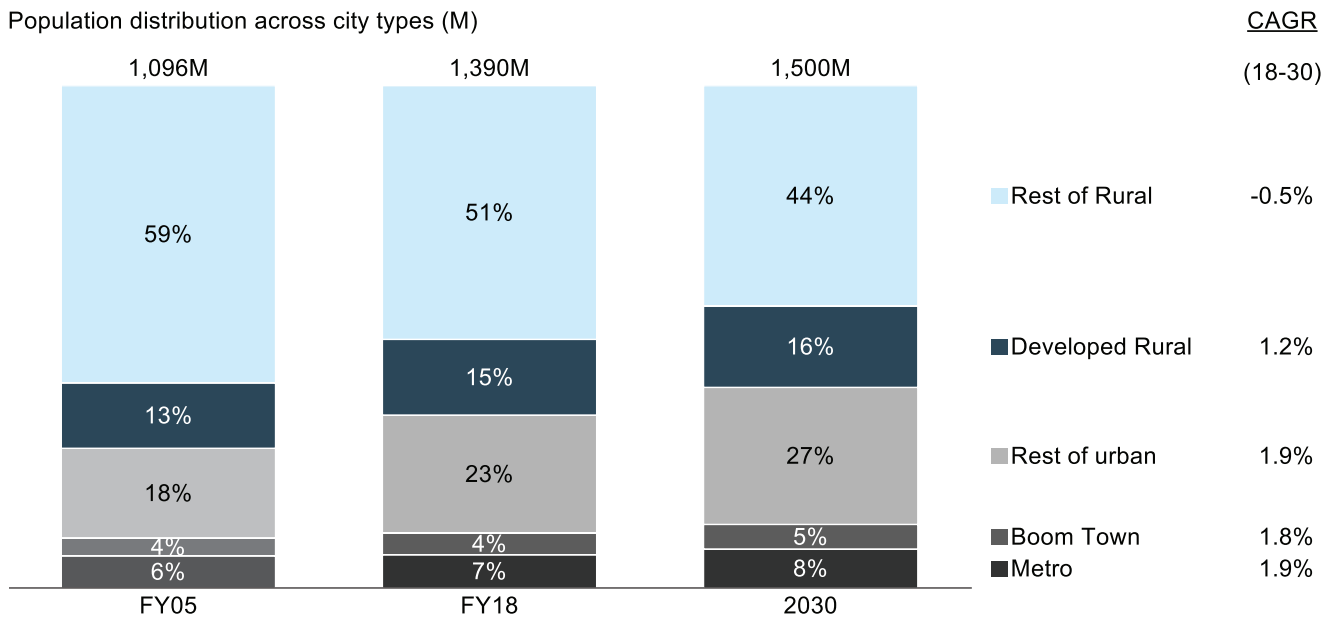


Note: Low income: <\$4,000, Lower-mid: \$4,000-8,500, Upper-mid: \$8,500-40,000, High income: >\$40,000 basis income per household in real terms; Projections with annual GDP growth assumed at 7.5%

Source: PRICE Projections based on ICE 360° Surveys (2014, 2016, 2018)

† Household income per annum in 2017-18 prices by income segment: Low < \$4k (<INR 2.5 lakhs), Lower-middle- \$4k – 8.5k (INR 2.5 – 5.5 lakhs), Upper-middle- \$8.5k – 40k (INR 5.5 – 27.5 lakhs), High: >\$40k (>INR 27.5 lakhs). Poverty line at <\$2 (< INR 125) per day per person

Figure 3: Population growth across urban and rural India.



Note: CAGR- Compound Annual Growth Rate
 Source: Oxford Economics, Euromonitor, PRICE Projections based on ICE 360° Surveys (2014, 2016, 2018)

3. Favourable demographics

Unlike many ageing nations in the West and East, India will remain a nation of the young with a median age of 31 in 2030.

The key demographic drivers of consumption growth will be:

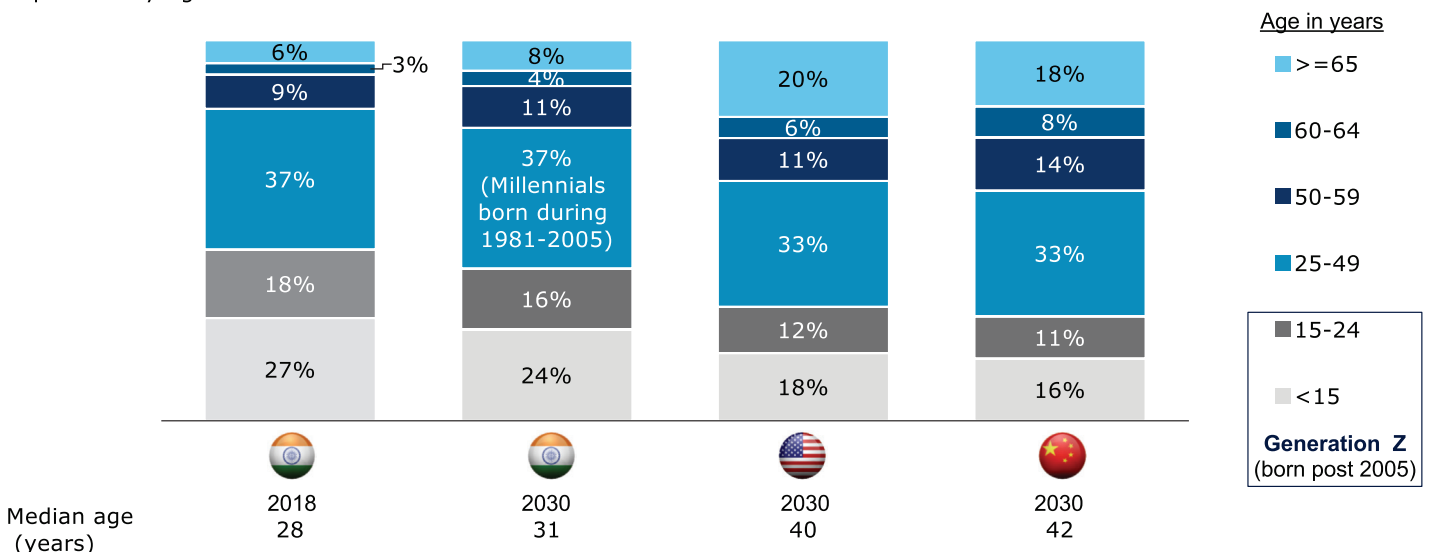
- **A working age majority:** With a median age of 31 in 2030 (versus 42 in China, 40 in the US) India will remain one of the youngest nations in the world with one of the largest working-age populations. India will add more working-age citizens to the world than any other country.
- **Young millennial households:** India will add nearly 90 million new households headed by millennials who

were born into liberalized India. Having grown up with better education/ employment opportunities, and having higher incomes, they will likely break away from the frugal attitudes of their preceding generations.

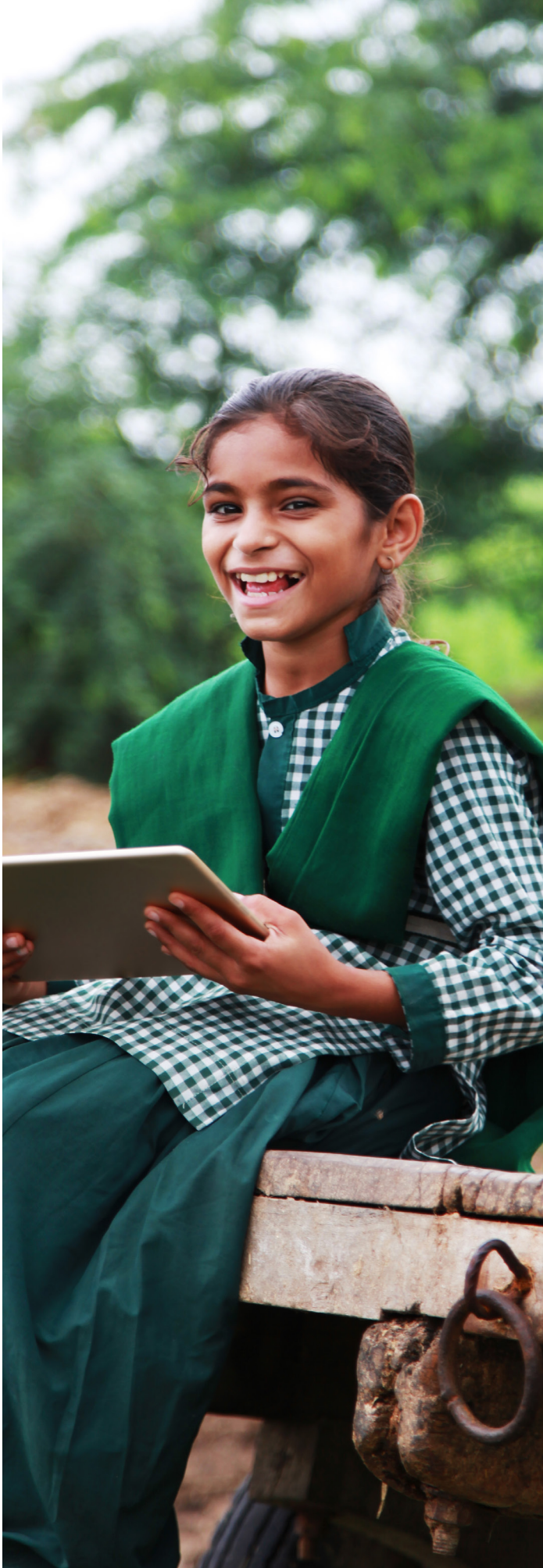
- **Rise of the digital natives:** In 2030, India will have about 370 million Generation Z consumers of ages 10-25, who would have grown up in an India with ubiquitous internet, smartphones, digital media and digital consumption platforms. As they start consuming, earning and spending, they will actively use technology-enabled consumption models, and in turn influence consumption behaviour of their household (Figure 4).

Figure 4: In 2030, 77% of India's population will comprise Millennials and Generation Z

Population by Age cohort



Note: Age groups 20-64 represent working population; Source: Euromonitor



4. Technology and innovation

Internet access will be democratized by 2030 with more than 1 billion Indians – rural and urban, old and young – on the internet, a truly remarkable achievement in terms of inclusion.

The key enablers will be:








- **A “third wave” of telecom revolution:** The first wave (2003-2013) established widespread access to mobile phones and helped India reach more than 100 million mobile users. The second wave (2016-2018) saw massive growth in 4G and internet penetration, driven by steeply declining prices of data¹⁰ and handsets¹¹. The coming decade will be the third wave of democratization as voice-based user interaction, vernacular and video content and easier access to the internet will unlock a tremendous user base for consumption on digital platforms.
- **1 billion diverse internet users:** Access to the internet will extend to about 1.1 billion users in 2030. Nine out of 10 Indians over 15 years of age will be online by 2030. The profile of India’s connected consumers will be much more diverse than today – more vernacular (~80% versus 60% today), more rural (50% versus 40% today) and with older users (>35-year-old users to be 45% of users versus 25% today).
- **Mobile-first consumers:** More than 80% of internet users in India primarily access the web through mobile phones, a figure expected to increase to more than 90% over the coming years. This will be a significantly different profile of connected consumers for businesses to target, compared to the US, the UK and even China, where nearly half of internet users today access the web through their desktops¹².

5. Evolving consumer attitudes

The triad of age, education/occupation and connectedness will result in distinct consumer preferences even as income remains a strong determinant of consumption choices.

India's future consumption characteristics will be shaped by preferences of distinct consumer archetypes. Figure 5 (below) briefly describes the consumer profiles of seven distinct archetypes.

Figure 5: Profiles of India's seven consumer archetypes

Consumer archetype	Average annual household income (\$)	Average age (years)	Highest level of education and current occupation	Access to smartphones	Share of population ¹³ 2018 → 2030
Poor Rural 	2,800	43	<ul style="list-style-type: none"> >70% below grade 10 70% informally/non-employed 	5%	29% → 9%
Poor Dreamers 	5,200	41	<ul style="list-style-type: none"> >70% below grade 10 70% informally/non-employed 	10%	14% → 11%
Young and Savvy 	5,200	21 <i>(all born post-1990)</i>	<ul style="list-style-type: none"> 50% till grade 10, 20% Bachelors/Masters 25% employed, 40% students 	65%	11% → 15%
Middle India 	6,800	47	<ul style="list-style-type: none"> >70% below grade 10 70% informally/non-employed 	10%	19% → 21%
Connected Aspirants 	6,800	39	<ul style="list-style-type: none"> 45% till grade 10, 25% Bachelors/Masters 60% employed 	95%	15% → 19%
Conservative Rich 	40,000	49	<ul style="list-style-type: none"> 65% below grade 10, 30% passed grade 10 70% informally/non-employed 	15%	4% → 8%
Sophisticated Rich 	40,000	35 <i>(35% born post-1990)</i>	<ul style="list-style-type: none"> 40% till grade 10, 45% Bachelors/Masters 55% employed, 20% students 	95%	7% → 17%

As these drivers evolve, they create a vision for the most likely scenario for the future of consumption in India by 2030, presented in-depth through key predictions in the following section and related implications. This is followed by a discussion on capability development for business to thrive in such a future.

Finally, macro uncertainties, as well as critical societal challenges to be addressed by both business and policy leaders, are presented for consideration.

Vision for consumption in India in 2030

India has been evolving as one of the world's most dynamic consumption environments and is expected to maintain steady economic growth. Indian consumers in 2030 will be richer and as young and as diverse as they are today. At the same time, innovation and technological development will elevate consumption models to the next level.

Enabled by the five major drivers, seven key predictions will define the future of consumption in India in 2030 (Figure 6). These key predictions have significant business and societal implications for India's future and are elaborated below.

Figure 6: Seven key predictions for the Future of Consumption in India in 2030

1



Rising incomes and the expansion of the middle class and high-income segments will reshape future consumption

2



Many Indias will drive consumption growth and the urban-rural divide will diminish significantly

3



Liberalization's children – India's Millennials and Generation Z will become a major consumption pool and spend more than their predecessors

4



Indian peculiarities will shape future opportunities for indigenous offerings, e-commerce, value-for-money brands and digital entertainment

5



Many consumer archetypes will persist as age, education, occupation and connectedness begin to strongly influence preferences within each income segment

6



Connected India, with more than 1 billion internet users, will have significantly more informed consumers who will demand greater transparency from brands

7



New business models enabled by technology, will monetize and organize latent consumption opportunities

1. Rising incomes and the expansion of the middle class and high-income segment will reshape future consumption

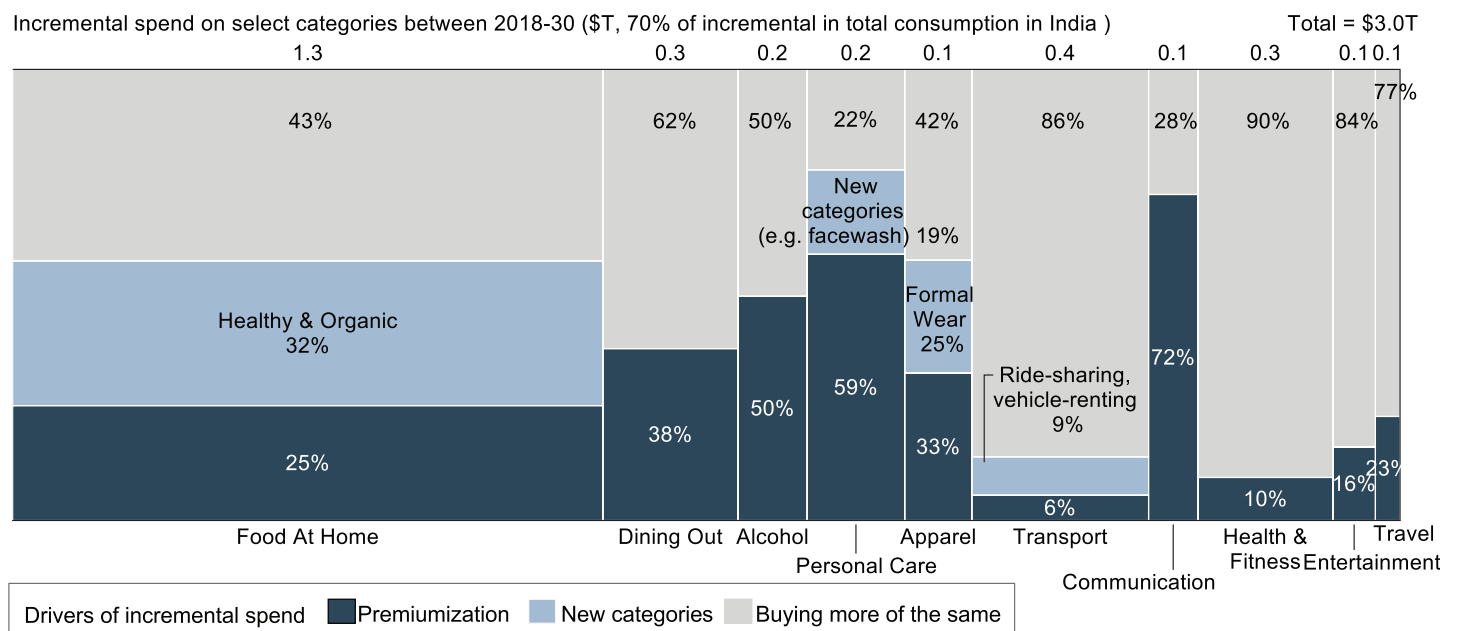
Middle-income and high-income households will drive nearly \$4 trillion of incremental consumption spend by 2030. Overall, there will be nearly \$2 trillion of incremental spend on affordable, mid-priced offerings, in parallel with \$2 trillion incremental spend led by consumer upgrading to premium offerings or adding new categories of consumption.

An India with a sizeable middle- and high-income consumer population will have **three key implications:**

- **Specific categories will drive significant growth in spending:**
Households moving up an income level will spend two to two-and-a-half times more on essential categories such as food, housing, transport and communication and also on apparel and personal care. They will also spend three to four times more on well-being, entertainment and household services. Those entering the upper-middle class will drive an increase of 15%-20% in penetration of consumer durables.

- **Affordable, mid-priced products and services will drive aggregate growth:**
By 2030, 80% of incremental spend will be led by middle-income consumers. Nearly \$2 trillion of incremental spend will be on “more of the same” products and services. Price points similar to those today will continue to be important.
- **Premiumization and new category adoption primarily led by upper middle and high-income consumers:**
The remaining \$2 trillion incremental spend will be led by consumers upgrading to packaged, branded or higher-priced offerings, or adding new products or services to their consumption routine. Consumers will especially upgrade or expand their choices in apparel, personal care and food and beverages (Figure 7). India’s income growth will drive a huge opportunity for packaged, branded offerings.

Figure 7: Drivers of future incremental spend for select categories of consumption



Note: Does not include all consumption categories
Source: Bain PRICE Consumer Survey 2018 (n= 5100); Bain Analysis

2. Many Indias will drive consumption growth and the urban-rural divide will diminish significantly

While India's top 40 cities will form a \$1.5 trillion opportunity by 2030, many thousands of small urban towns will also drive an equally large spend in aggregate. In parallel, there will be an opportunity to unlock nearly \$1.2 trillion of spend in developed rural areas by improving infrastructure and providing access to organized and online retail.

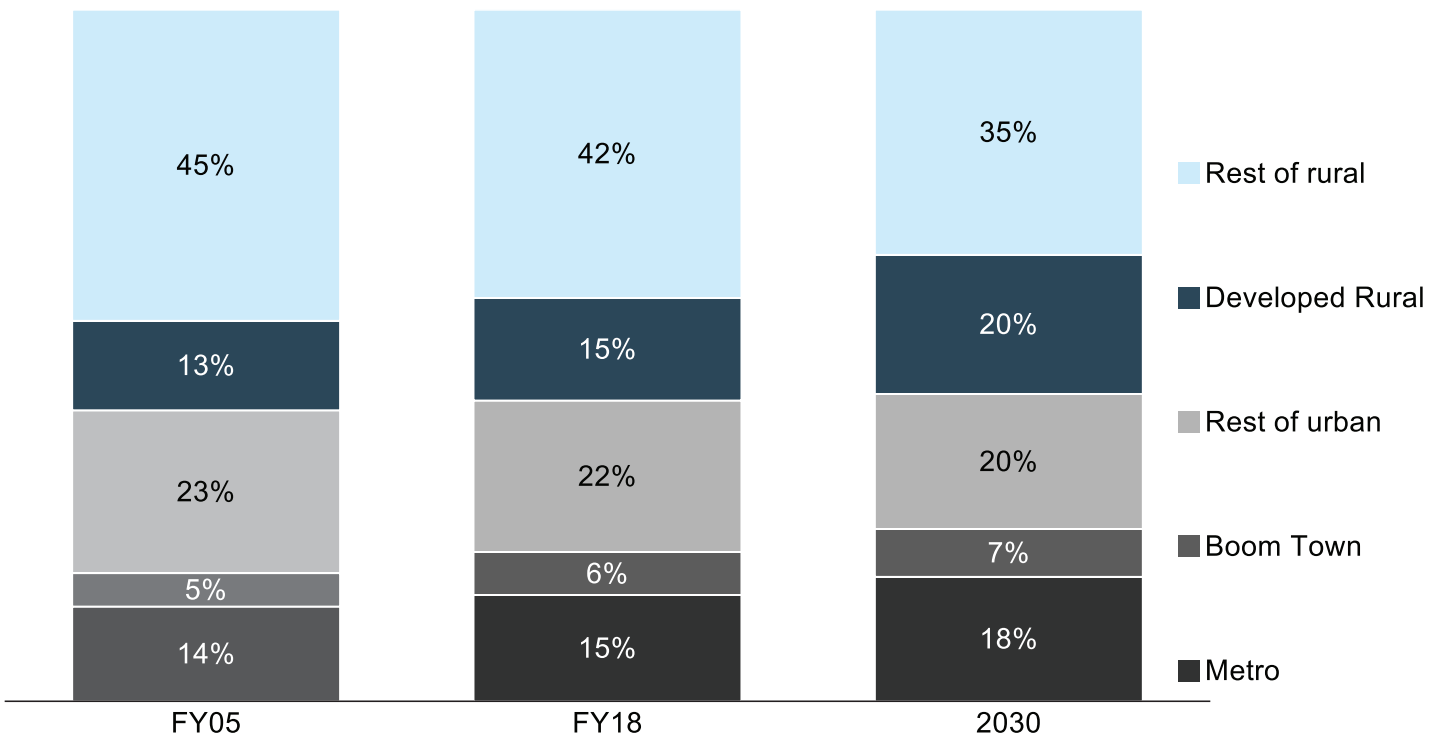
As incomes, access and aspirations grow in smaller towns, there will be **three key implications**:

- **India's metro and boom town consumers will premiumize and will be open to innovation:**
Between 40%-45% of households in India's top 40 cities have increased spend to upgrade the quality, features or value-added service features to their consumption. These cities have access to superior infrastructure and have upper-middle and high-income segments to support upgraded consumption preferences. These 40 cities will form a \$1.5 trillion market (25% of total) by 2030 and will continue to be the testing ground for innovative products and services (Figure 8).

- **Businesses seeking growth will need to reach a highly dispersed continuum of large and small towns:**
At the same income, rural and urban households aspire for similar brands and a convenient and healthy lifestyle. They are equally aware of and comfortable with digital media, online product discovery and technology-enabled consumption like online food ordering or at-home services. With nearly 240 million consumers in 2030, developed rural towns will represent a large but dispersed \$1.2 trillion consumption opportunity (~20% of total).
- **However, only by improving access can the developed rural opportunity be truly unlocked:**
While these consumers can afford and aspire for goods and services used by their urban counterparts, the desire will not translate into an urban-equivalent spend until governments and businesses tackle poor infrastructure (roads, power) and limited access to organized retail. Today, a developed rural household spends one-and-a-half to two times less than a small town urban household with the same income (Figure 11 in Appendix).

Figure 8: Consumer expenditure across various city types in India

Consumer Expenditure in India across city types (% total)



Note: Projections with GDP growth assumed to be 7.5%, at 2017-18 prices
Source: PRICE Projections based on ICE 360o Surveys (2014, 2016, 2018)



3. Liberalization's children – India's millennials and Generation Z will become a major consumption pool and spend more than their predecessors

Millennials and Generation Z will form 77% of India's population by 2030. They will be more willing to spend, be more brand-aware and informed than India's previous generation of consumers. Mass marketing to this generation will be less effective, as they seek more genuine feedback from family and influencers.

The India of 2030 will have 90 million new millennial-led households and nearly 370 million¹⁴ Generation Z consumers (10-25 years old) shaping the future of consumption along **three key dimensions**:

- **Consumers will be more willing to spend without any frugal attitudinal constraints:**
As shared previously, India's new age consumers have been exposed to a significantly wider set of consumption options than preceding generations. The Consumer Survey for this project highlights that these consumers, more than others, have the greatest willingness to spend more and gain access to material comforts of, say, a home and a car.
- **Businesses will need to engage consumers who are more brand-aware than ever before:**
Being born into an era of widening brand options and with increased connectivity, India's young consumers will be very brand-aware. This will be true even for lower-income consumers, and those in rural areas, who will be very aware of what is aspirational – a marked departure from preceding generations whose awareness was substantially more limited.
- **Future consumers will trust their social networks while influence of traditional media will decline:**
The youngest respondents to the Consumer Survey for this project cited the highest share of influence from internet and social media, and the least share of influence from TV, print and radio. Young consumers have already shown a tendency to rely more on genuine feedback from their social network of family, friends and influencers.

4. Indian peculiarities will shape future opportunities for indigenous offerings, e-commerce, value-for-money brands and digital entertainment

Future consumption patterns will be shaped by uniquely Indian characteristics such as preference for very "Indian" offerings in food, beverages and personal care, adoption of e-commerce in a dispersed market and a shift towards private labels led by the intrinsically value-conscious Indian consumer. Supply-side interventions can convert intent into spend across many categories, especially in entertainment where affordable subscriptions are beginning to fuel a tremendous growth in consumption of paid content.

India will continue to display unique preferences with **five key implications** for consumption in future:

- **Preference for "Indian" flavours, especially in food and beverages, and personal care:**
This will accentuate existing variations in regional preferences. In food and beverages, this will translate into Indian and local cuisines and snacks retaining mainstay position¹⁵, even as consumers experiment with global tastes. Personal care will witness widening appeal of Ayurveda¹⁶-based and herbal products that are considered best in class by an equal share of consumers in both the middle-income as well as the high-income segment.

Case study: Paper Boat

Launched in 2013, Paper Boat is a beverages brand by Hector Beverages, positioned as a uniquely Indian preservative-free alternative to aerated drinks and juices. Paper Boat flavours hitherto existed only as home-made drinks, hence these recipes hold nostalgic value for millennials. An innovative packaging (doy-shaped pack) and distribution strategy (partnering with airlines and supply-chain of a major fast-moving consumer goods player) helped the brand to quickly establish presence. It has since expanded its range of beverage flavours and ventured into uniquely Indian snacks like peanut chikki (brittle peanut-based sweet). Hector Beverages revenues grew 71% year-on-year to reach INR 118 crore (\$17 million) in 2017-18.

5. Many consumer archetypes will persist as age, education, occupation and connectedness begin to strongly influence preferences within each income segment

In 2030, India will continue to have very distinct consumer archetypes, with the more digitally connected consumers within each income segment creating significant consumption and business opportunities.

The relative share of these archetypes in India's population will shape future consumption trends. Deriving insights from the Bain PRICE research, India's future consumer behaviours can be explained by **seven key consumer archetypes** (below), that businesses must keep in mind while evaluating growth opportunities in India over the next decade.



Sophisticated Rich: 30% share of consumption today. High-income, well-educated, tech-savvy millennials who are heavily influenced by online media and are premiumizing rapidly. They have clear brand preferences and aspire to spend more on themselves. Their consumption behaviour is similar to their global counterparts.



Conservative Rich: 18% share of consumption today. Older, less educated and more traditionally employed though with high incomes. Despite income, they remain largely offline, buy more of the same (than premiumize), own fewer durables and have lower preferences for brands. They also save more than other archetypes.



Connected Aspirants: 12% share of consumption today. Low-middle income but online and well educated; 40% search online and 25% purchase online already, and more will do so in future; 80% of them know of, and 15% use, technology-enabled services such as online food delivery and ride sharing. These consumers have clear brand preferences.



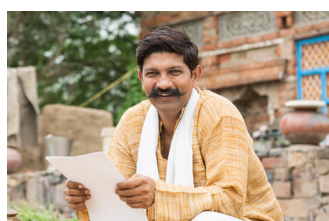
Young and Savvy: 7% of total consumption today. 1990s millennials, of which nearly 7 of 10 are already online, are willing to spend on themselves; 50% own brand apparel and more than 50% own high-end cellphones; 60% know of technology-enabled consumption models, 10%-15% use them. Adoption of such models will increase in future.



Middle India: 15% share of total consumption today. Older and less educated than Connected Aspirants, though in the same income segment. Largely offline and conservative in their spending – not upgrading to premium products, they have low durable ownership, a high preference for Indian brands and rely on a network of influencers.



Poor Dreamers: 8% share of total consumption today. Nearly all are offline today and are relatively uneducated. They aspire to behave like the Young and Savvy but are constrained by their income – 60%-80% of them express preference for established or global brands over small or Indian ones, but, in reality, they spend on less aspirational brands. They have the most materialistic aspirations but do not expect to increase spending in future.



Poor Rural: 11% share of total consumption today though forming 29% of the population. Lowest stated improvement in income and assets over the past few years. They spend the most on food, own few durables, rely on friends and family for recommendations, and aspire for good health and peace of mind for self and family, as opposed to more material ambitions.

6. Connected India, with 1 billion-plus internet users, will have significantly more informed consumers who will demand greater transparency from brands

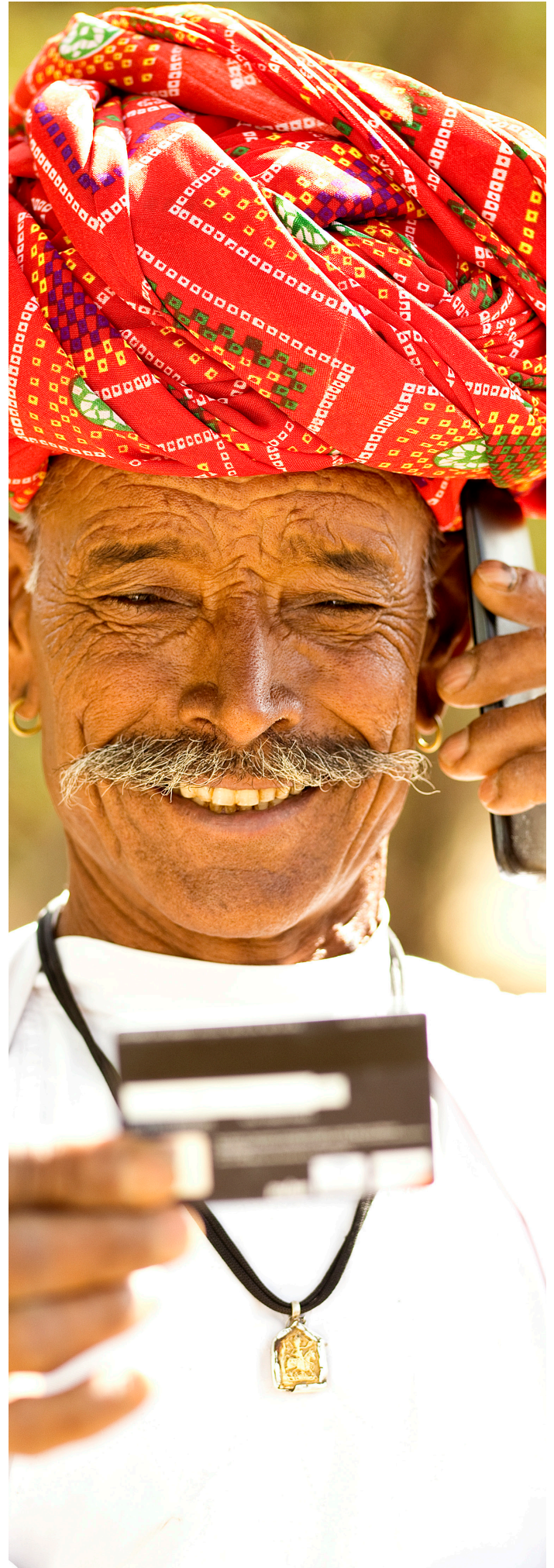
India's consumers will be more informed about consumption options than ever before. Connected consumers, mostly accessing the internet through mobiles, will give instant feedback at scale, demand transparency and tilt the balance of power from brands to consumers.

There will be **three major implications** for the landscape of consumption:

- **The role of point of sale will transform into an experience centre:** Of the Sophisticated Rich, Connected Aspirants and Young and Savvy segments, 50%-70% already search online before purchasing. These consumers will drive up the share of digitally influenced purchases from 22% today to 40% by 2030. As these customers come to a point of sale, it will transform to serve the connected consumers, and will expand its role to closing the sale
- **Price transparency and instant feedback will tilt the balance of power from brands to consumers:** The value-conscious Indian consumer will use technology to drive better bargains. Price comparison on smartphones will allow consumers to demand the “right price”, whether they purchase online or offline. Digital platforms will enable consumers to immediately voice their pleasure or displeasure and generate feedback in real-time and at scale.
- **Consumers will be mobile first:** More than 90% of internet users will access the internet on their mobiles, unlocking opportunities for location-based targeting and understanding cross-platform shopping behaviour at a scale unmatched elsewhere in the world.

7. New business models enabled by technology, will monetize and organize latent consumption opportunities

Technology will enable new business models to organize and monetize consumption to serve India's unique needs and preferences while leveraging the increasing share of digitally connected consumers. Sharing and rental services, service aggregators, subscription models and digitized services for well-being will be the business models of the future in India.



These four new models of consumption and cases to illustrate these models are discussed below.

Sharing and rentals: As an original “usership” economy, India will have lessons for the sharing and renting economy of the world. Indian consumers have traditionally used public transport (over owning vehicles), low-cost “second-hand” furniture, white goods or vehicles (over costlier new purchase). A usership-friendly and tech-savvy population will create a massive opportunity for:

- **Ride-sharing service:** Only about a third of India’s Sophisticated Rich own cars today, even though they could all afford to do so; 70% of consumers surveyed (including those who can afford a car) expect to increase spend on ride sharing by more than 10% over the next three to five years. Ride-sharing services can expect to gain 65-70 million new users in the next few years but will need to stay competitive with India’s traditional, low-cost public transport – currently app-based cab rentals are up to twice the price of the ubiquitous auto-rickshaw or bus services in India (Figure 12 in Appendix).
- **Renting:** Young consumers already seek convenience and variety through low-cost access to durables (e.g. furniture), apparel and vehicles via online rentals. One in five Sophisticated Rich consumers already use apps to rent; another 50%-60% are aware of them.

Service aggregators: Convenient availability of affordable service providers for services like cleaning, washing, repairs and maintenance mean that as Indian households grow richer, they spend three to four times more on services. Meanwhile, vacuum cleaners, washing machines or do-it-yourself tools are relatively under-penetrated in India. As Indians’ incomes rise, the demand for these services could form a \$100 billion opportunity by 2030, driven primarily by ~175 million households being able to spend significantly on this category. Technology enabled services aggregators have already begun to monetize this demand and organize a sector that is largely unorganized.

Subscription models: Subscriptions to products and services allow Indian consumers to try out new brands and product categories at a small recurring spend. These consumption models serve the value-conscious, repertoire-seeking and convenience-seeking nature of consumers. Of Sophisticated Rich and Connected Aspirants, 20%-30% already use subscriptions in food and beverages, cosmetics, health and fitness and entertainment, while another 50%-60% are aware of them.

Digitized services for well-being – edtech and healthtech: Households spend four times more on education and healthcare as they move one level up the income ladder. As these households also become more tech-savvy, there is huge opportunity (as well as a societal imperative) to use technology as a medium to eliminate barriers to quality education and healthcare. Web and mobile-based learning can help skill and re-skill the vast majority that cannot access premier educational services that are concentrated in the top cities. Paradoxically, while nearly 60% of Indians live in rural areas, nearly 80% of India’s doctors are in urban areas. E-consultation can provide basic diagnostic and advisory services to rural consumers across the breadth of the country.

Ola Cabs: Founded in 2011, Ola Cabs is one of the largest cab aggregators in India and competes with Uber. Valued at over \$4 billion, Ola has gained over \$1 billion in funding from Tencent and SoftBank. Ola has doubled its daily rides since 2015, from 0.7 million to nearly 1.5 million daily rides in 2018. It is present in 110 Indian towns, including small urban towns, compared to 31 cities that Uber operates in. In 2018, Ola began to expand to the UK, Australia and New Zealand.

UrbanClap: Founded in 2014, UrbanClap (UC) is currently the largest on-demand services player in India, providing a variety of housekeeping services like plumbers, carpenters, house painters and electricians, along with salon, fitness and tutor services, among others. UC matches customers to nearby service providers; customer reviews help establish credibility of providers. UC scaled up steadily from 1,000 requests a day in 2015 to 10,000-15,000 requests in 2018. UC has secured more than \$110 million in funding from marquee investors like Bessemer Venture Partners, Steadview Capital, SAIF Partners and Accel.

Bombay Shaving Club: Founded in 2015, Bombay Shaving Club (BSC) offers a subscription service for male grooming products like razors, travel kits and facial scrubs, competing with multiple start-ups (e.g. Ustraa) and global brands like Gillette. Aiming to achieve annual revenues of \$3 million soon, BSC serves 80,000 customers across 18 retail channels and was chosen by Amazon for a global launch. In 2018, it raised \$2.6 million of funding from Colgate-Palmolive, on top of \$2.5 million invested by Fireside Ventures in 2017.

Byju’s (by Think and Learn): Launched in 2015, Byju’s is a mobile learning application by the Indian edtech company Think and Learn, with the aim of providing internet-based learning content. Byju’s has grown 100% annually and has 20 million registered students, including 1.26 million paid subscribers. Byju’s recently entered India’s unicorn club and is backed by marquee investors, having raised a total of \$244 million from investors like Tencent, Sequoia Capital and the Chan-Zuckerberg initiative. Byju’s has since entered the Middle East market and is targeting expansion to the US, UK and other Commonwealth countries.

Firm of the future in India

The next decade in India will be a great consumer story, both in scale and in the diversity of consumer demands. The future is an opportunity and a call to action for global and Indian businesses, established and emerging businesses. Incumbents who perfect the trifecta of scale, agility and purpose will thrive. Customer-centric innovative brands can leverage digital media and online platforms to reach out to India's billion-plus savvy and connected consumers. This section discusses the key capabilities needed for the successful operations of a company in India.

To capitalize on the opportunities presented in the above-mentioned seven "predictions", companies that wish to thrive in India will need to foster demand-side innovation while also building effective supply-side competencies to serve future demand. Firms of the future in India will need to build **six critical capabilities**, as discussed ahead.



1. Unlock consumption through inclusion – voice, video, vernacular and “mobile-first” opportunities

Content, user experience and user interfaces must evolve to engage the diverse connected consumers of India 2030. Businesses must swiftly and responsibly utilize the unparalleled opportunity to engage the largest mobile-user base in the world.

- **Content and consumer experiences that speak to digital non-natives:** India's new connected consumers will increasingly be vernacular-speaking, rural and older than before. These consumers may be less familiar and less comfortable with digital shopping experiences and app-based consumption than their English-speaking, urban and smartphone-native young counterparts today. Innovative ways will be necessary to build a trustful relationship with these consumers as they begin accessing information and engaging with businesses through digital platforms. Voice-assisted purchase pathways, simpler interfaces with intuitive imagery and symbols, communication through video content and customer service through vernacular chatbots can accelerate the inclusion of the diverse new consumers.
- **Engaging the billion-plus mobile-first consumers:** Nearly 90% of consumers will access the internet through mobile phones, interact with digital platforms all day while switching between multiple such platforms. Highly customized and localized content and offers can be developed, as relevant for the demographic (age, gender, location) and cross-platform behavioural profile of an individual consumer. This is a huge opportunity that also places the onus on businesses to responsibly access, store and process consumer data within the context of an evolving regulatory framework for data privacy and usage in India.

Case study: Hotstar

Star India launched Hotstar in 2015 as the first digital, mobile entertainment platform for India. As of 2018, Hotstar hosts 100,000 hours of content in 17 languages and is available in the US and Canada. Mobile views drive more than 90% of watch time. The biggest jump in watch time during 2016-2017 came from towns of less than 1 million people each. In 2018, one of India's leading e-retailers, Flipkart (a subsidiary of Walmart), partnered with Hotstar to launch a video advertisement platform (Shopper Audience Network) that allows brands associated with Flipkart to target consumers via personalized advertisements on Hotstar.

2. Innovate for India

Businesses will need to embrace localization and personalization to innovate for diverse and unique preferences that will increasingly be further nuanced by the income, education and connectedness of the Indian consumer. Innovations will be needed to creatively solved for India's structural peculiarities.

- **Unique or highly localized preferences:** From beverages rooted in the nostalgic Indian flavours of home-made drinks to one-rupee transactions on digital wallets, India's product and service landscape has been, and will, remain rooted in the uniquely Indian preferences of its diverse consumers. Established global firms will need to incorporate a deep understanding of these preferences to "build for India", as opposed to replicating or remodelling offerings of the West.
- **Structural uniqueness:** Innovation will need to be in the context of India's unique profile and stage of evolution, with respect to its demographics (77% share of millennials and Gen Z consumers by 2030 and 80% of consumption growth led by the middle class), technology landscape (\$0.1 for 1 GB of data consumers, nascent but evolving data privacy laws) and infrastructure (one of the densest urban cities, gap in urban-rural physical infrastructure).

Case study: Paytm

Started in 2010 as an online bill pay and recharge company, Paytm is now one of India's largest digital financial services company, valued between \$10 billion-\$12 billion. Paytm has been a first-mover in digital payments, both in product offerings and partnerships. Understanding the need for cashless transactions in India, Paytm transitioned to e-wallets in 2014 and was among the first payment banks in India in 2017. Paytm innovatively allowed unbanked merchants to sign up and receive payments, without needing a bank account. In terms of partnerships, it was one of the earliest payments partners for Uber in India. Currently an estimated 300 million users drive 5 million daily transactions and over 9 million offline merchants accept payments through Paytm.

3. Build transparent, uniform customer experiences

Businesses will need to match the expectations of connected consumers who will evaluate their options with respect to price, quality and service levels.

- **Transparency:** Transparent pricing, product information and benchmarked product quality will become a must-have capability to serve informed consumers. With decreasing asymmetry of information between customers and companies, high levels of integrity in all communication will become a basic expectation.
- **Quick feedback loops:** Digital platforms will enable customers to express their displeasure in real-time and at scale, irrespective of geography. Therefore, firms will need to be highly responsive and empathetic to customer feedback and address the challenge of conforming to a uniform corporate standard at regional and local levels.

Case study: Amazon India

Amazon entered India in 2012 with Junglee.com – a price comparison website – and quickly followed up with a marketplace for selling books, films, TV shows and mobiles. Thereafter, Amazon India rapidly expanded its investments in India, committing to an investment of \$5 billion¹⁸ in India and is solidifying its presence in small towns. With five customer service facilities in India, Amazon puts customers at the centre of its strategy, investing considerable resources to understanding the Indian consumer. Analytics and feedback loops are used to improve customer satisfaction and service agents are trained in quick resolution of issues.

4. Reimagine the point of sale enabled by flexible yet scalable supply chains

For big and small businesses, flexibility and scale must come together to serve India's dispersed consumption growth, while omni-channel shopping experiences would necessitate reimagining the role of the point of sale.

- **Reimagining the role point of sale:** Omni-channel shopping will take on multiple roles. As many first-time consumers across geographically dispersed areas begin their shopping journeys, an asset-light and distributed point of sale footprint, with assisted shopping and access to an online catalogue will become important. This will enable companies to test latent demand in new markets before choosing to establish an offline footprint.
- **Flexible yet scalable supply chains:** The transformed point of sale must be supported by simplifying and de-layering traditional supply chains. Legacy supply chains with multiple intermediaries must be re-evaluated for efficacy and cost-efficiency. This will become increasingly important in order to compete with asset-light start-ups that leverage the modular e-commerce supply chain to reach as many (or as few customers) as needed. Frequent product launches and innovations, in an evolving consumer market, will further necessitate strict reduction of obsolescence and inventory lock-up.

Case study: StoreKing

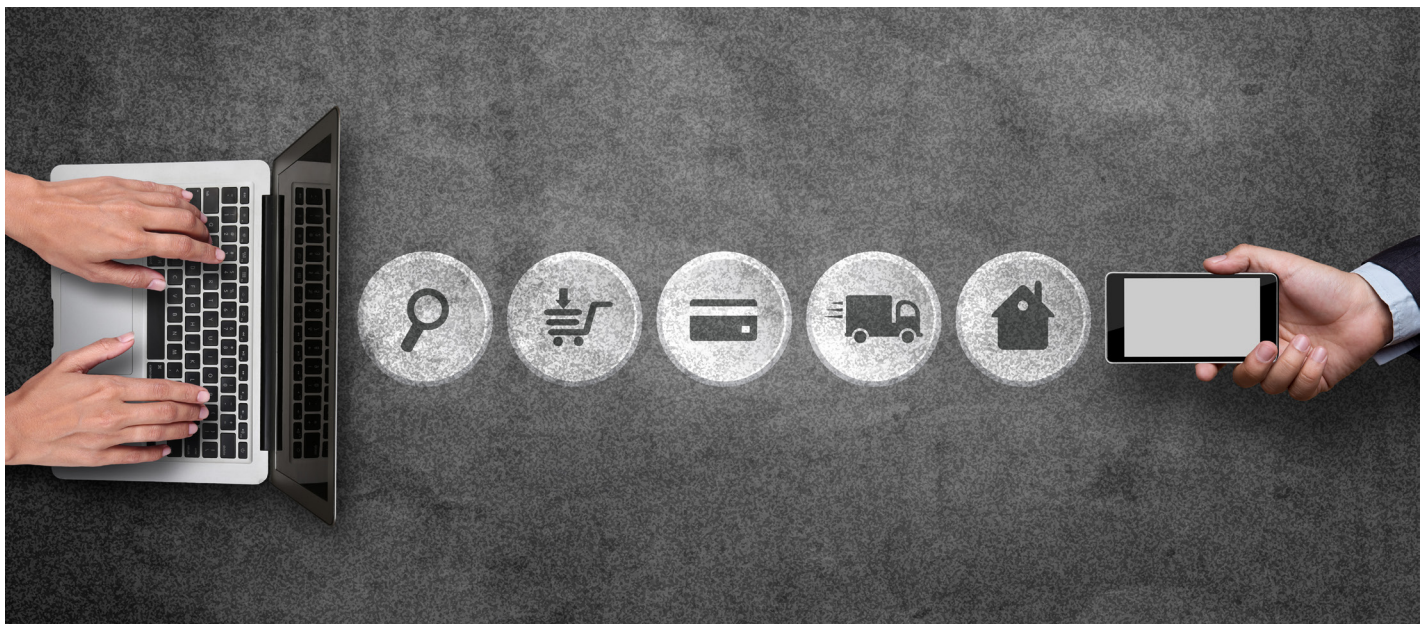
Serving about 1.4 million consumers a day, StoreKing is a rural retail distribution network closing the last-mile gap for consumer products and services companies. StoreKing partners with about 40,000 retail stores spread across small towns and villages in India and acts as the last-mile fulfilment centre for more than 100,000 products across 10 states. StoreKing acts as a digital touchpoint for small rural retailers, aggregates their orders and takes care of end-to-end logistics, including returns and replacements. It offers all digital payment solutions for customers and captures rich data to analyse rural consumption behaviour.

5. Embrace partnerships to adapt to value migration

As companies adapt to the migration of value – away from the product or content provider and towards distribution channels – it will be imperative to create effective partnerships and restructure existing business models to deal with disruptive platforms.

Distribution channels of digital consumption platforms will increasingly have superior information about the source and nature of consumer demands. Be it an online retailer or an online video-streaming platform, the distribution channels of the future will be equipped to craft a “just right” product or service based on accurate understanding of features, functionality and price desired by the consumer. Indian customers have lower brand loyalty than their Western counterparts and are willing to shift to private-label equivalents that provide adequate value. Companies with no ownership, control or meaningful partnerships with these distribution channels may find their brands competing with (or marginalized by) private labels. Building win-win partnerships with these channels will become a critical capability for established and emerging businesses alike.

Overall, partnerships will be crucial to capture consumption growth opportunities, as can be learnt from the growth of strong consumption ecosystems in China. Players like Alibaba and Tencent have formed deep partnerships across the retail value chain, through meaningful relations with offline and omni-channel retailers, logistics providers and payments providers.



6. Ensure agile and entrepreneurial decision-making

Large businesses must adopt the agile decision-making and frontline ownership that characterizes India's successful entrepreneurs, to respond to rapidly growing consumption demand that retains uniquely Indian characteristics.

To achieve many of the above-mentioned business model shifts, large and established consumer businesses (or parts of the organization) must think locally and operate like indigenous start-ups. Developed rural areas may mimic "Metro India", but the behaviours and constraints of these consumers will be starkly different, requiring localized decision-making. Therefore, a lean hierarchy for decision-making and an empowered frontline is imperative. Large businesses must cultivate nimble business units to identify unique consumer needs, design the right communication and focus on consumer experience to compete with asset-light and fast-moving start-ups. Organizations with a deeply embedded Founder's Mentality™¹⁹, that combines an insurgent mission, frontline obsession and a strong owner's mindset, will be able to drive towards profitable growth in India.

Case study: Oyo Rooms

Oyo Rooms is an Indian unicorn that strongly exemplifies many of the Founder's Mentality™ traits. Oyo is India's largest branded chain of hotels, offering standardized stay experiences at affordable prices. Founded in 2013, Oyo now has a valuation of \$5 billion with a network of more than 8,500 hotels across 230 cities in India. It is on a rapid international expansion in China, Malaysia, the UK, Nepal, Japan and the United Arab Emirates. Distributed leadership serves as a key pillar for the rapid decision-making essential for the pace of growth that Oyo has seen over the years. Recruiting a strong CXO team and giving them a mandate for swift decision-making, empowering business unit leaders to be "owners", and a focus on "test and learn", has helped Oyo rapidly expand while maintaining a close-knit entrepreneurial culture across geographies and business units.

The key engine driving all business capabilities will be a skilled workforce. Hence, to realize the vision for building a firm of the future, Indian and global businesses will need to invest in recruiting, continuously skilling and retaining talent from multiple sources – be it in-house talent, third-party teams or gig-economy workers. The availability of skilled workers is a key imperative for realizing the positive future of consumption envisioned in this report. This is also one of the most critical concerns shared by key stakeholders in India.

The next section lays out this and other key uncertainties and the corresponding alternative future scenarios for India. The subsequent section identifies the calls to action for India's leaders to come together to address some of the biggest societal challenges for India.



Key uncertainties for India 2030

While the vision for 2030 portrayed in previous sections is the most likely path forward, India's response to key uncertainties will significantly impact the trajectory of socio-economic growth in India over the next decade. There are a number of variables that could impact the fundamental case vision for the future of consumption. However, **two stand out** for their ability to impact large numbers of people.

1. Pace and nature of job creation:

Over the next decade, India will add more working-age citizens to the world than any other nation. However, very few workers in India are formally skilled or employed in formal-sector jobs. According to The Future of Jobs Report 2018 by the World Economic Forum, on average, an Indian worker today needs about 100 days for re-skilling to be ready for future jobs by 2022. Leaders across industry, academia and policy in India have expressed concern about the employability of current workers as well as the readiness of the future workforce for the economic and technological changes expected over the next decade.

2. Pace of bridging the regional and urban-rural growth divide:

India has vastly different human development indicators for various regions and states and even within regions

across the urban-rural divide. Referring to state archetypes discussed earlier, "breakthrough" states such as Maharashtra, Gujarat, Karnataka, Telangana and Delhi, have the highest concentration of rich households, having better access to and quality of infrastructure, healthcare, education and jobs. On the other hand, "emerging" and "steady" states, such as Jharkhand, Orissa, West Bengal and Uttar Pradesh, have poorer health and employment indicators and lag behind on GDP growth. The same infrastructural and human development divide is seen between rural and urban India. While incomes may have begun to rise in rural India, this may not translate into a commensurate growth of productivity and consumption unless the urban-rural divide is reduced.

The pace of job creation and the ability to drive growth across various parts of India will directly impact the expected GDP growth rate, resulting in two alternative scenarios (Figure 9). Importantly, the size of the critical "upper-middle" income class will differ by 100 million people between the low and high cases, which is substantial in terms of scale. The subsequent section of the report elaborates on the societal challenges associated with these uncertainties that will need to be addressed to realize the most positive future scenarios for India as envisioned by its businesses, policymakers and civic society stakeholders today.

Figure 9: Alternative scenarios for the Future of Consumption in India in 2030 (approximate macroeconomic indicators)

	Base Case	Low Case	High Case
Annual GDP and income growth rate (real)	7.5%	6.5%	8.5%
Middle- and high-income persons added over 2018-2030	500 million	450 million (50 million fewer vs base)	550 million (50 million more vs base)
Upper-middle and high-income share of total population in 2030	48%	44% (5% lower than base case)	53% (5% higher than base case)
Total household savings as a share of total household income in 2030	23% – similar to savings share today	20% (2-3 percentage points lower vs base case - aspirations outgrow pace of income growth, steady/emerging states and rural towns continue to struggle against poor infrastructure, healthcare expense burden and remain informally employed - limiting ability to save incremental income)	25% (2-3 percentage points higher vs base case, while also being able to spend more on goods and services. More employed workers, better connectivity and human development in laggard states and rural towns, social safety net of formal jobs will imply ability to spend and save more)
Consumption expenditure in India in 2030	\$5.7 trillion	\$5.3 trillion (7% lower spend per household vs base)	\$6.2 trillion (9% higher spend per household vs base)

Critical societal challenges and calls to action

The positive vision for the future of India will only materialize when both business and policy leaders take an inclusive approach to the country's economic and, hence, consumption growth. The private and public sector must collaborate today to deliver the vision for tomorrow and the long-term future, especially as India faces key uncertainties related to employment and the inclusion of rural India into the growth story. An inclusive and sustainable growth, with a focus on economic progress and human development will ensure that the future of consumption is truly a positive one for India.

The **three biggest challenges** to society and commensurate calls to action are as laid out below.

1. Skills development and employment for the future workforce

With a majority in the working age, India's envisioned income growth requires massive efforts to provide the right skills and gainful employment, with support from industry, civil society, educational institutions and policy leaders.

As nearly 10-12 million working-age persons get added to India annually over the next decade, India faces a huge challenge in providing them gainful employment and, in turn, enabling the income behind the envisioned consumption of the future. The current landscape of this challenge revolves around **four key dimensions**:

- **Knowledge-oriented rather than skill-oriented education:** While India's educational framework has focused on "knowledge" so far, the future will require a focus on "skills" to ensure employability. India's gross enrolment ratio at secondary and tertiary levels is 20% lower than China. India also ranks lowest among the BRICS nations on the Global Talent Competitiveness Index (rank 81).
- **Informal rather than formal sector-led job creation:** Only 2.3% of India's workforce is formally skilled²⁰, compared to 40% in China. The National Skill Development Corporation conservatively estimates the need to skill at least 125 million Indians by 2022 to keep them relevant in the evolving economy. At the current pace of about 6-7 million job additions a year, 30-35 million work-seekers may face unemployment by 2030.
- **Regional disparity in employment opportunities:** Nearly half of the incoming workforce will belong to the "steady" states that have bottom-tier employment rate and health indicators. To derive a demographic dividend, these states will require providing jobs within or outside the state. Lack of opportunities within and mass outward migration could, in turn, pose infrastructure and societal challenges in the recipient states and cities.

- **Low female labour force participation rate (FLPR):** FLPR in India is one of the lowest in the world with only 25% of women in the working-age participating in the workforce. More worryingly, FLPR has declined over the past decade, with the exception of the top few income deciles. Hence, India is deprived of the talent, productivity and socio-economic benefits that accrue from empowering half of its population.

Calls to action

- **Inclusive platform for skilling:** National and state-level interventions will be required to skill or re-skill both the current and the future workforce as India's businesses begin to emphasize greater service orientation and technology-enablement. The government can create a "marketplace" for learning through a digital platform for all, with efforts to especially enable states and demographic groups with a high need for skill development.
- **Industry impetus to skill development and formal-sector opportunities:** Industry, academia and non-profit organizations must play a part in delivering the "right" content and mentoring to groom learners into workers, with skills for the industry's need. The government's marketplace can also serve as the platform to connect skilled job seekers with formal-sector opportunities and on-the-job training programmes driven by the corporate sector. Such public-private collaboration can substantially boost skills development and foster employment.

Initiative in action:

The "Skill India" campaign is a positive impetus to efforts to empower India's working-age population. Launched in 2015, Skill India aims to train more than 400 million Indians in various skills by 2022. It encompasses multiple policy initiatives, including the National Skill Development Mission (NSDM) that aims to holistically address skill development through inclusion of skilling in school curriculum, vocational training and matching skilling initiatives to industry demands. It also skills unorganized sector workers to transition them to more organized, formal-sector jobs. Many industry organizations now support this mission. For instance, Lenovo and Motorola India run academies in seven cities²¹ of India to skill youth from low-income families in laptop and mobile repair, information technology and retail skills – both highly relevant for rapidly growing industries in India. Honda supports NSDM through its 10 automotive laboratories to train local youth. IBM will train more than 40 high school students selected by Atal Innovation Mission²² to skill them for careers in areas like artificial intelligence, internet of things, cybersecurity, cloud computing and block chain.

2. Socio-economic inclusion of rural India

While rural aspirations have begun converging with those of the rest of India, concerted efforts will be required to remove significant barriers preventing full socio-economic inclusion of rural India in India's growth story.

India's rural population is spread across tens of thousands of towns and villages where consumption and lifestyle aspirations are fast converging with those of urban India. However, to fulfill the aspirations of rural India and make them equal partners in India's growth story, business and policy leaders must address **three critical "access" barriers** that currently constrain income, spend and well-being of rural dwellers.

- **Physical connectivity:** 30% of villages with 250 or more persons still do not have access to all-weather roads, while only about 8% of total villages in India have all households with reliable access to electricity²³. Lack of basic infrastructural amenities constrains rural dwellers' ability to access economic opportunities, essential and discretionary consumer goods, healthcare and civic services available to their urban counterparts.
- **Digital connectivity:** Only about 18% of rural Indians have access to the internet, compared to nearly 65% in urban India. This is a tremendous opportunity as there is significant appetite to try out new technologies by those living in rural India. According to the Bain PRICE research, rural and urban consumers within the same income segment conveyed nearly the same degree of comfort trying out new technologies.
- **Financial inclusion:** Less than 10% of India's 650,000 villages have commercial bank branches.²⁴ Less than 40% of the rural adult population is making use of bank accounts for storing their savings.²⁵ Ability to save, invest and benefit from education, health or consumption loans is limited by poor access and education about financial institutions and tools in rural areas.

Calls to action

- **Physical infrastructure development:** National, state and local governments must prioritize infrastructure development that will enable rural consumers to access the products and services commensurate with their incomes, needs and aspirations. Road connectivity to nearby urban centres and power supply to all households will be a major impetus to substantially improve the quality of lives of those in rural India.
- **Accelerating digital and financial inclusivity:** Government-led efforts like Digital India²⁶ are aimed at providing access to many civic and governance-related services to rural consumers electronically. This helps widen the presence of the internet and promotes digital literacy across all sections of the society. Businesses driving affordable data and smartphones, and establishing a wider network of digital services and internet access, will be key players in the government's mission to reduce the digital divide. Government and private-sector efforts will need to work in tandem to improve access and financial literacy among rural dwellers.

Initiative in action

The government has already taken multiple steps in this direction, such as the national mission for financial inclusion, Pradhan Mantri Jan Dhan Yojana, that focuses on opening basic savings bank accounts for all, providing access to credit, insurance and pension services with special focus on low-income, rural and women beneficiaries. There is still, however, a huge need to improve banking infrastructure (e.g. ATMs and bank branches) required to help new consumers through the banking process. As technology-enabled businesses can help rural consumers leapfrog to digital banking and payments, there is already significant adoption of the government-supported and private-sector offerings (e.g. Paytm, PhonePe, Google Pay). Vernacular content, easy user interfaces and expansion of financial services available online can help financially empower rural India.



3. Healthy and sustainable future

An unhealthy population and cities grappling with alarming rates of congestion and pollution can significantly dampen the benefits of India's demographic dividend and urban growth and lead to a fast-deteriorating quality of life for citizens.

Business and policy leaders must take initiatives to improve health and urban liveability for India's citizens. There are **four key dimensions** to prioritize:

- **Access to and affordability of healthcare:** Health shocks routinely deplete household incomes, which in turn affect their ability to spend on essential or discretionary consumer goods and services. While more than half of India lives in rural towns, about 80% of doctors are located in urban India. There are only about seven doctors and seven hospital beds per 10,000 people in India.²⁷ Hence, there is need for a massive increase and upgrade of both the physical and human infrastructure to meet the needs of a 1 billion-plus population. Since only one Indian in three has any form of health insurance, more than 60% of all healthcare spend in India is paid for out of pocket, compared to about 35% in China and 12% in the US.
- **Non-communicable diseases (NCDs) burden and an unhealthy future:** India is facing a tsunami of NCDs that may form nearly 70% of India's disease burden by 2030. Born out of unhealthy food and lifestyle choices, a huge share of this burden from cardiovascular diseases, such as heart ailments and diabetes, require early detection as well as preventive healthcare and greater consciousness about fitness and healthy living. This is true of rural and urban population segments, across incomes.
- **Air, water, waste crises:** India has the densest urban agglomerations among large economies of the world, with 450 persons per square kilometre, compared to 150 in China and 350 in Japan. Nine of the world's 10 most air-polluted cities are in India[†], including its capital, New Delhi. India's "Silicon Valley", Bengaluru, faces tremendous traffic congestion and a looming threat of groundwater running out in the near future. India generates more than 150,000 tonnes of solid waste every day; while 80% is collected, less than 30% is treated. The World Bank expects the daily waste to expand two-and-a-half times by 2025²⁸.
- **Urban congestion:** While India's cities are the engines of India's growth, their residents are facing the burden of toxic air²⁹, polluted and scarce drinking water, overflowing waste landfills and congested roads. As India's cities expand and its population rises, there is expected to be a struggle in balancing the need for more housing and more roads with the need for green cover, healthy water bodies and better waste management.

Calls to action

- **Pro-active regulatory and policy efforts:** Policy efforts will need to harmonize India's growing need for housing,

† World Health Organization (WHO) Global Air Quality Database 2018

roads, transport services and packaged goods, and the resultant impact on the environment. Sustaining economic growth and managing air quality, groundwater reserves and reducing waste cannot be a binary choice, as the latter will be the life support for citizens and consumers. Guidelines on responsible transport, packaging, construction, water usage and waste recycling can help India become a model economy for sustainable, robust growth.

- **Reconnect with India's roots in sustainable consumption:** Responsible packaging by consumer-facing businesses can help India leapfrog the Western trend of massive waste that follows a growth in packaged, branded goods consumption. Ride-sharing services can help decongest India's crowded urban cities. Technology platforms can build strongly connected digital communities that foster a shared civic consciousness to solve the problems of India's towns.
- **Expansion of healthcare services, infrastructure and insurance:** This must be a joint initiative by the private and public sector to improve the overall health and wellness of India's population. Initiatives like Ayushman Bharat³⁰ can propel India towards greater healthcare coverage, and primary, secondary and tertiary healthcare infrastructure must support this mandate. More affordable insurance packages and awareness drivers can help on-board the middle-income and rural consumers who cite price and lack of awareness as prime reasons for not opting for private insurance.
- **Promotion of healthy living choices:** Businesses must take responsibility to improve health and wellness of India's current (and future) consumers through healthier and nutritious offerings, promotion of health and wellness-creating services. Technology-enabled businesses have an opportunity and an imperative to promote a fitness and wellness revolution in India through connected devices and online platforms that allow affordable access to fitness, healthcare and wellness services, and promote a healthier lifestyle

Initiative in action

The Eat Right Movement is an initiative launched by the Food Safety and Standards Authority of India (FSSAI), in collaboration with the consumer goods industry, to promote healthy food offerings for consumers. With a slogan of "aj se thoda kam" (Reduce sugar and salt intake a little, starting today), this initiative is focused on generating demand for healthier food, setting product and marketing guidelines for products targeted at schoolchildren, ensuring responsible labelling of packaged food and food menus and encouraging industries to formulate healthier and safer products. Edible oil industry, bakeries and 15 packaged food companies (Hindustan Unilever, Nestlé India, Mapro, MTR, Britannia, Patanjali, Haldiram's, Bikanervala, Bagrry's, Weikfield, Kraft Heinz, Del Monte, Kellogg's, ITC and Marico) have already signed up, with commitments to begin reducing salt and sugar in their products by 2020.

Conclusion

India will continue on its path as one of the world's most dynamic consumption environments, propelled by five major drivers: income growth; steady and dispersed urbanization; favourable demographics; technology and innovation; and evolving consumer attitudes. As these drivers move India forward, many stakeholders have the potential to shape the country's positive consumption future. Through shared accountability, both the private and public sector can ensure an inclusive and responsible future of consumption in India. There are opportunities for businesses to serve India's 1 billion-plus consumers through innovative and inclusive business models, supported in parallel by a favourable policy environment by the government. Key actors, such as academia and civic institutions, also have a huge role to play in ensuring the well-being of India's citizens and to drive towards inclusive growth. Working together, these stakeholders can help build a future that benefits consumers and society.

The time is ripe for these stakeholders to come together and address head-on the most pressing societal challenges facing India today – skilling and job creation, socio-economic inclusion of rural India, and building a healthy and sustainable future for its citizens. Collaborative efforts to address these challenges will unlock the full potential of a young, connected and thriving nation, and establish India as a model for fast-growing consumer markets of the world.

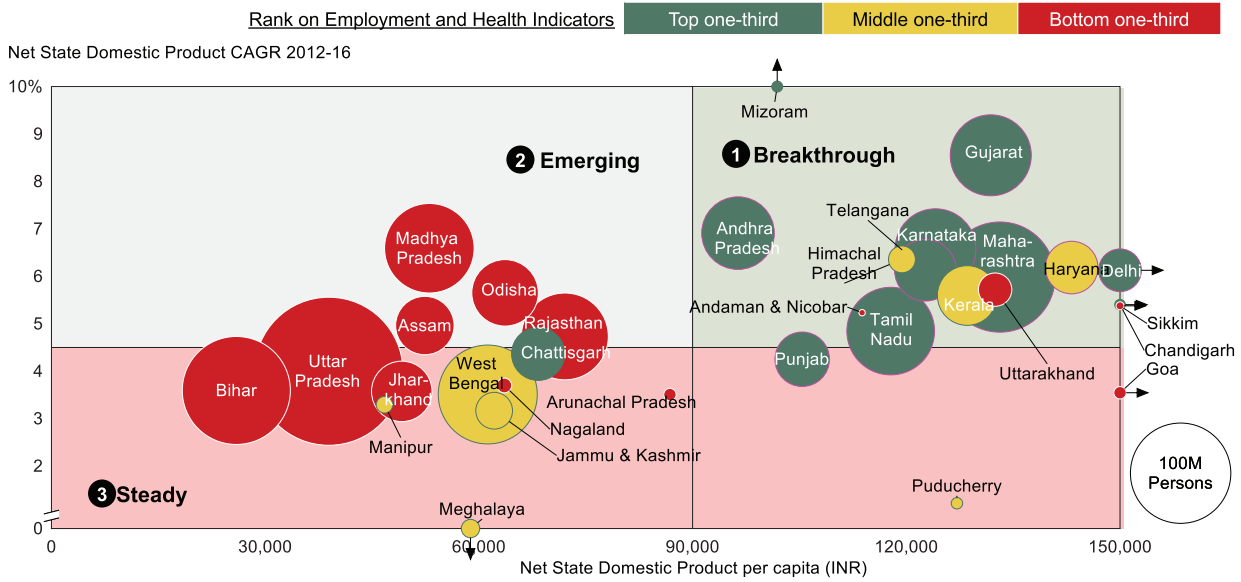


Appendix

Table 1: Policy initiatives that enable a positive macroeconomic environment in India

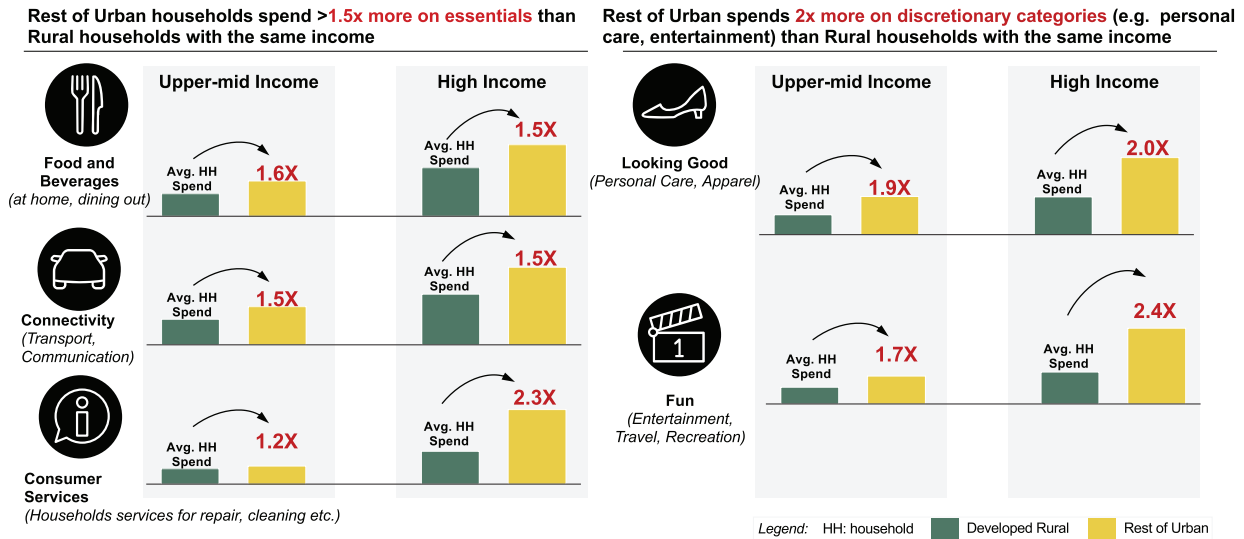
Initiatives	Objective and impact
Easing of foreign direct investment (FDI) norms³¹	<ul style="list-style-type: none"> – Retail: 100% foreign ownership for single-branded retail and marketplace model e-commerce, 51% foreign ownership in multi-brand retail subject to minimum of \$100 million investment and approval by individual states – Food: 100% in food processing, 100% in food retailing provided food is manufactured and/or produced in India – Telecom: 100% FDI, 49% through automatic route – Automotive and automobiles: 100% FDI – Private-sector banking: 49% through automatic route – Launched Foreign Investment Facilitation Portal (FIFP) as an online interface for single window clearance of FDI applications that need government approval
Make in India	<ul style="list-style-type: none"> – Launched in September 2014, to encourage global and domestic companies to manufacture in India and to create jobs and enhance skills in 25 sectors of the economy – Key initiatives include de-licensing and deregulation to increase speed and transparency of doing business, thrust to infrastructure via smart cities and industrial clusters in industrial corridors with connectivity and eased investment caps and controls in industrial sectors such as defence, construction, railways, among others
Start-up India	<ul style="list-style-type: none"> – Aimed at the continued growth of innovative start-ups across sectors (e.g. manufacturing, rural) and creation of a vibrant entrepreneurship ecosystem, with incremental gainful employment for urban and rural population – Initiatives for improved ease of setting up and running start-ups and increased funding through domestic/foreign angel and venture capital investors, banks and microfinance institutions
Goods and Services Tax (GST)	<ul style="list-style-type: none"> – Launched in India on 1 July 2017, GST is India's biggest tax reform, putting in place one indirect tax for all of India, and aimed at making India a unified common market. It has replaced all indirect taxes on goods and services by the central and state governments. – GST acts as a single tax on supply of goods and services, from the manufacturer to the consumer. Credits of input taxes paid at each stage are made available in the subsequent stage of value addition; the final consumer bears only the GST charged by the last dealer in the supply chain, with set-off benefits at all previous stages
Digital India	<ul style="list-style-type: none"> – Aims to provide internet connectivity to 250,000 villages with an investment of INR 32000 crore (\$4.5 billion) with an additional INR 16000 crore (\$2.2 billion) to improve mobile connectivity – Other initiatives include provision of public internet access, e-governance, electronic delivery of government services, digital lockers, digital signatures, medical records, digitized government records, rural business process outsourcing centres, etc.
Smart Cities Mission³²	<ul style="list-style-type: none"> – Launched in 2015 to promote cities that provide core infrastructure, decent quality of life, a clean and sustainable environment and application of “smart” solutions to their citizens; the focus is on sustainable and inclusive development and creating a replicable model for other cities to follow – Nearly \$6.5 billion has been approved for developing 100 cities, \$1.4 billion has already been disbursed for 99 cities identified for this mission

Figure 10: State archetypes as per GDP per capita, GDP growth and human development



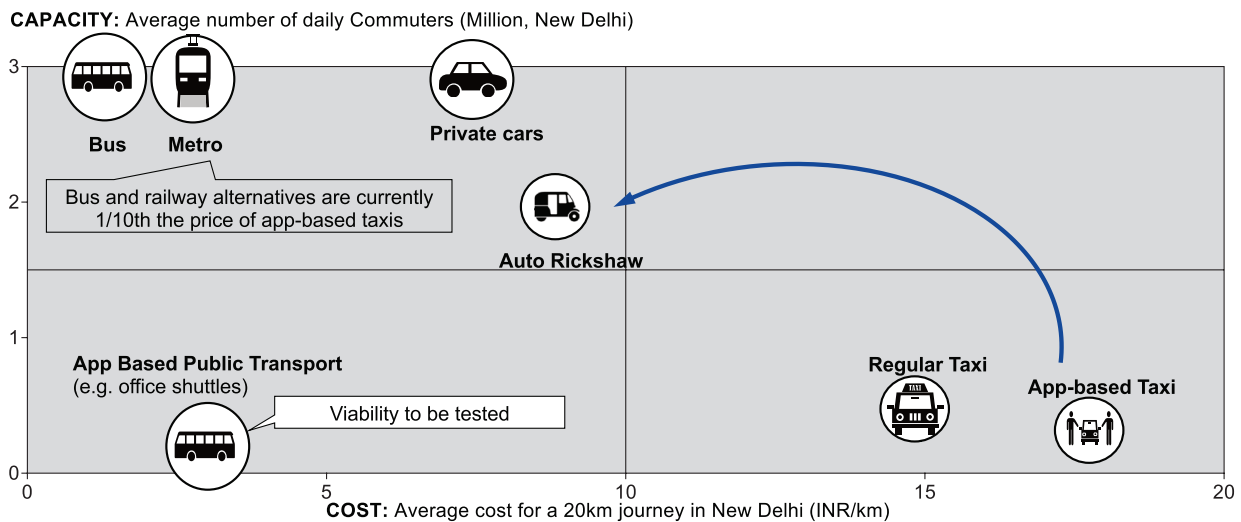
Note: All State Domestic Product values at constant FY12 prices and factor costs
 Source: Ministry of Statistics & Program Implementation, NITI Aayog, UNDP HDI Indices

Figure 11: Constrained rural consumption expenditure



Source: Bain PRICE Consumer Survey 2018 (n= 5100)

Figure 12: Capacity vs unit cost of various transport services in New Delhi



Note: Assumed rate per kilometers (km) for 20km across modes of transportation; Bus- INR 15/km for >10km; Metro INR 20 for 12 km ride; Cost of private car includes fuel cost for a car with 20km/liters mileage and cost of ownership- amortized value and typical cost of servicing loan through easy monthly installments over 5 years

Contributors

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Proprietary research and research partners

In addition to inputs from more than 80 reports and databases on macro-economic and business data, this report draws rich insights from proprietary research conducted by our research partners for the purpose of this project:

- Study of Consumption in India 2018 – A consumer survey conducted across 5100 households and 30 towns across urban and rural India, led by Bain and **People Research on India's Consumer Economy (PRICE)**
- Household Immersions – Consumption behaviour study conducted through home visits and discussions with 45 consumers across age, income and city-types in India, led by Bain and **Ipsos Group GIE**
- Macroeconomic research for historical and current data and future projections for India, led by **PRICE**
- 45 in-depth interviews with Indian and global leaders across consumer business, policy and civic society organizations

Organizations whose leaders were interviewed for key insights and/or joined us for our workshops

- A91 Partners LLP
- Anheuser-Busch InBev NV
- Bata
- Bennett Coleman and Co. Ltd
- Britannia Industries Ltd
- Confederation of Indian Industry (CII)
- Dabur India Ltd
- Delhivery
- Dentsu Inc.
- Diageo Plc
- Ecolab Inc.
- Fabindia Overseas Pvt. Ltd
- Flipkart Group (subsidiary of Walmart, Inc.)
- Godrej Industries Ltd
- Google Inc.
- Indian Institute of Management Ahmedabad
- Industree/Mother Earth
- Infosys Ltd
- INOX Group
- International Trade Centre (ITC)
- Ipsos Group GIE
- Jubilant Bhartia Group
- Lego Brand Group
- Levi Strauss & Co.
- National Restaurant Association of India
- Nestle SA
- Netflix

- National Institution for Transforming India (NITI) Aayog
- OYO
- Patanjali Ayurved
- PepsiCo Inc.
- Reliance Industries Limited
- SAP SE
- Sequoia Capital India Advisors Pvt. Ltd
- SS Associates
- Star India Private Limited
- Suntory Holdings Limited
- Swiggy
- Unilever
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Endnotes

1. IT: Information Technology, ITES: Informational technology enabled services referring to processes that can be enabled by IT, such as finance, human resource management, health care, telecommunication or manufacturing
2. Persons in India as of today, born 1986 onwards, as per national and UN statistics in India in 2030: The Future Demographic, available at <https://www.euromonitor.com/india-in-2030-the-future-demographic/report>
3. Purchasing Power Parity currency conversion rate that equalizes purchasing power of different currencies by eliminating differences in price levels across countries. Economists build a basket of comparable goods and services and look at prices of that basket across countries; PPP conversion is the exchange rate for \$100 to buy the same quantity of products in those countries
4. International Monetary Fund estimates as of May 2018
5. Reserve Bank of India and World Bank estimates
6. Household savings as percentage of household disposable income over 2016-18 as per a) OECD estimates for US, Japan, Germany available here: <https://data.oecd.org/hha/household-savings.htm>. and b) official reports for UK available here <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/makingendsmeetarehouseholdslivingbeyondtheirmeans/2018-07-26>
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8. Moody's upgraded India's rating from Baa3 to Baa2 in November 2017, the first upgrade since January 2004
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10. \$4 GB in 2015 to \$0.1/GB today
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16. Ayurveda is a nearly 5,000-year-old traditional system of healing originating in India. Ayurvedic skincare products are formulated with herbs, spices and other naturally occurring ingredients
17. Opportunity in 2030 in nominal terms at 2030 equivalent of current prices
18. See " Amazon Increases India Investment by \$2 Billion" available here: <https://www.usnews.com/news/national-news/articles/2018-06-05/amazon-increases-india-investment-by-2-billion>
19. As per research by Bain & Company, Founder's Mentality™ consists of 3 traits of an insurgent mission, an owner mind-set and obsession with the front line; the most sustainably profitable companies are those that nurture and maintain these three traits.
20. National Skill Development Mission Findings available here: <https://www.msde.gov.in/assets/images/Mission%20booklet.pdf>
21. Bhubaneswar, Ernakulum, Jodhpur, Mysore, Trichy, Chandigarh and Delhi
22. Government programme to promote innovation and entrepreneurship in India
23. Government of India latest dashboard on electrification available here: <http://garv.gov.in/dashboard>
24. World Bank Findings
25. NABARD All India Rural Financial Survey Table 11.7B available here: https://www.nabard.org/auth/writereaddata/tender/1608180417NABARD-Repo-16_Web_P.pdf
26. Digital India Initiative, see here: <http://digitalindia.gov.in/>
27. United National Human Development Report available here for 2018: <http://hdr.undp.org/en/composite/Dashboard1>
28. World Bank Estimates, read "India's waste management problem" available here: <https://www.livemint.com/Opinion/V2CgeiUq89kl1k2fDwJXML/Swachh-Bharats-waste-management-problem.html>
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30. Ayushman Bharat is a national health protection scheme, which will cover more than 100 million poor and vulnerable families (approximately 500 million beneficiaries), providing annual coverage of \$6,800 per family for secondary, tertiary care healthcare
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32. Smart Cities Mission Statement of the Government of India available here : [http://164.100.161.224/upload/uploadfiles/files/SmartCityGuidelines\(1\).pdf](http://164.100.161.224/upload/uploadfiles/files/SmartCityGuidelines(1).pdf)





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