

The road to 2010 and beyond...

How income and consumption growth will continue driving the India story and impact marketers, advertisers and the media

Before I get on to bringing in 'three' things that will impact marketing, media, advertising, let me put in what I feel is the single biggest thing that will impact these areas! It's a coincidence that I am penning this down while I read the latest report from the McKinsey Global Institute, 'The Bird of Gold'. I would recommend that anybody in the profession take a hard look at this report. It really puts into perspective the road to 2025 (and not just 2010) and gives a picture of things to come, given certain GDP growth rates and some basic assumptions.

I believe (just as the report), that the single biggest thing to happen to advertisers, media and marketers is, very simply put, the TRUE Rise of the Indian Middle Class (and therefore the Indian Consumer Market). Now this might sound rather clichéd or 'not so new' a statement. Therefore, let me borrow a bit more from the report (with complete acknowledgement of the efforts of the McKinsey Global Institute and all the others who helped shape that piece of research).

There are some very straightforward reasons to believe that we haven't really seen the full potential of the Indian market place play out. Though the period 1985 to 2005 has seen a marked shift in growth trends of GDP as well as real household incomes across different income groups.

"India's rising real incomes have had a significant impact on poverty reduction. In 1985, 93 per cent of the population had an annual household income of less than Rs 90,000 p a. By 2005, this had dropped by about two fifths to 54 per cent, with the biggest fall occurring in the period 1995 to 2005. Thus, more than 103 million people moved out of desperate poverty in the course of one generation - not just in India's urban centers but in rural India as well!!" (Source: NCAER, Mc Kinsey Global Institute)

I believe (so do many others actually), that the real engine of change and development in India, not just in the next 3 to 5 years but over the next few decades, is going to be RISE IN REAL INCOMES OF INDIAN HOUSEHOLDS!

Let's see what the McKinsey report has to say about that:

"Rising incomes will lift 291 million out of poverty and create a 583 million-strong middle class. As incomes rise, the shape of the country's income pyramid is also going to change dramatically. Apart from a substantial reduction in poverty, India will create a sizeable and largely urban middle class."

The other important observation is that about the middle class growth spreading beyond top-tier cities, a fact that is already evident in many different pockets from Ludhiana to Nashik to Vizag to Rourkela and Dhanbad!

Some more:

'Growth in urbanization will make Urban markets the biggest driver of consumptions (almost 2/3rd of India's consumption growth will be driven out of urban centers as against less than 45 per cent currently)'.
 "Discretionary spending will account for 70 per cent of all spending by 2025".

Therefore to summarize the key changes that, in my view will be driving the India story and therefore the media, marketing and advertising story are: -

1. Rise in real incomes of households and individuals, creating a larger middle class
2. Quadrupling of consumption basis this rise in income over the next two decades
3. Urbanization (and creation of many substantial urban agglomerations that will drive consumption and income growth)

There are many 'sub-head' points that are worth a mention, but I'd leave forming any conclusions out of that for the time being though they are equally important. One of the key changes being the emergence of a 15 million-plus strong set of 'global' Indians - whose income and lifestyles match that of the creamy layer anywhere in the world.

What does this mean for us in the profession?

One, it is a sobering thought for many a new media pundit! 'Traditional' media will probably continue to show strong secular growth and may be a lot of new media will co-exist. Many naysayers and 'saturation theorists' may be proven wrong and new alternatives may not be as disruptive or detrimental to traditional alternatives as one is given to

	2007	2011	CAGR
TV	19100	51900	22%
PRINT	12800	23200	13%
RADIO	500	1700	28%
FILM	8500	17500	16%
MUSIC	720	870	4%
INTERNET	160	950	43%

All Figs in Crores

believe.

The media and entertainment industry is in for a dream run. The numbers speak for themselves. A case in point is Indian television. Out of 250 million households, the penetration of TV homes is 90 million while Cable & Satellite TV reach is 60 million. With the introduction of new delivery formats such as DTH, television viewing is poised for even more growth in the coming years. We are far from saturation in the so called 'traditional' media avenues, both, in terms



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