Are Indian consumers brand conscious? Insights for global retailers

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Abstract

Purpose – The purpose of this paper is to assess Indian consumers' brand consciousness by examining their brand knowledge, purchase behaviour and perceptions of foreign brands. It provides key inputs for global retailers to harness the potential in growing consumerism in India.

Design/methodology/approach – A survey of 300 Indian consumers was conducted and the data were analysed using descriptive and simple regression techniques.

Findings – The study found that brand purchase in India varies across product categories. At present, consumer knowledge and use of foreign brands is low, and Indian consumers are price-sensitive. Indian consumers are experimenting with brands and would like more foreign brands to enter the Indian market.

Research limitations/implications – Due to the small sample size, advanced econometrics techniques could not be used to analyse the dataset.

Originality/value – The paper is the first to assess the impact of retail liberalisation on Indian consumers' shopping behaviour, particularly their brand consciousness.

Keywords Retail, Consumer behaviour, Global retailers, Brand consciousness, FDI, India, Retailing

Paper type Research paper

The relationship between economic development, rise in per capita income, growing consumerism, proliferation of branded products[1], and retail modernisation is globally well researched (Alexander and Myers, 1999; Buonofina, 1987; Goldman, 1974; Witt, 2001). International studies show that with high economic growth, per capita income increases, which leads to a shift in consumption patterns from necessity items to discretionary consumption. Consumers start experimenting with brands. The growth of retail and growing brand consciousness are also closely linked. Webster (2000) pointed out that brands offer retailers many benefits including increased consumer demand, a favourable attitude towards branded products in their stores, and credibility. One of the key beneficiaries of the interplay of such linkages demonstrated especially in an emerging economy is global retailers.

India’s gross domestic product (GDP) growth rate for 2010-2011 was 8.6 percent (Economic Survey, 2010-2011) and the economy is projected to grow at the rate of 9.5 percent during the 12th plan (2012-2017) according to the Planning Commission, Government of India (2008). The number of rich and middle-income consumers has increased, with a corresponding fall in the number of people below the poverty line.
Between 2001 and 2010, the size of the rich consumer class increased by 21.4 percent, while the middle class increased by 12.9 percent (Shukla, 2010).

Over the past few years, the emerging Indian market has attracted foreign retailers, and in 2010, India attracted the largest number of new retailers among emerging and mature markets (CBRE, 2011). As a result, the Indian consumer market is growing. In 2007, India was ranked the 12th largest consumer market and it is expected to be the fifth-largest consumer market by 2025 after the USA, Japan, China and the UK (McKinsey Global Institute, 2007). At the same time, there has been a notable change in the spending pattern of Indian consumers due to the growing size of the middle class, rising GDP, and disposable incomes. In India, around 60 percent of the GDP is consumed. At present, more than 40 percent of consumer spending is on food, but this percentage is expected to decline, while spending on non-discretionary items like wellness products is expected to rise (McKinsey Global Institute, 2007). The entry of foreign retail opened avenues for exposure to more international brands and Indian consumers are expected to become more brand conscious. In 2007, India was ranked as the third most brand conscious country, after Greece and Hong Kong (AC Nielsen, 2008).

Prior to the 1990s, India was a closed economy. The retail sector mainly consisted of small, privately owned single stores that did not have corporate management and were known as traditional retailers (Saraogi, 2006). These stores largely sold non-branded products. The concept of branding was limited and very few brands such as Bata were present in the Indian market. With the liberalisation of the economy in the 1990s, a number of multinationals entered the Indian market (Burch and Lawrence, 2007). Several Indian corporates started investing in retail and different store and non-store formats evolved. On the demand side, there has been not only an increase in income but also a change in the demographic profile of consumers (Sinha and Kar, 2007). Educational qualifications have increased, women have started entering the workforce and nuclear families have begun to replace the traditional joint family system. There is also increased awareness about global shopping patterns and products, brought about by the liberalisation of the media and access to international travel when travel restrictions were removed and airfares became cheaper (Rao, 2000). All these factors contributed to the growth and modernisation of retail.

Retail is now one of the fastest growing sectors in India. It is estimated that the share of retail trade in GDP is approximately 11-12 percent. In 2010, the Indian retail market was valued at $415 billion, of which the share of organised or modern retail was 7 percent or $29.05 billion (Kearney, 2011). The sector is expected to grow to $535 billion by 2013, while the share of modern retail is expected to reach 10 percent by 2013 and 20 percent by 2020 (Kearney, 2010, 2011).

In 2010, food and grocery was the largest segment of retail in India with a share of around 50 percent, but only around 1 percent was in the modern sector (Guruswamy et al., 2005). Modern retail has a larger presence in product categories like clothing, watches and footwear where there has been significant penetration of branded products.

Branded products are now sold in India through both traditional and modern retail outlets, using different retail formats such as exclusive brand outlets and multi-brand department stores. Brand visibility has increased through multiple advertising channels such as direct-to-home (DTH) television and lifestyle magazines. Brand-owners and retailers have implemented schemes such as customer loyalty cards to attract consumers and retain them (Aneja, 1996). Hence, Indian consumers have started...
experimenting with brands (Mukherjee and Patel, 2005). However, non-branded products continue to be sold through traditional retail outlets, although products such as food products are sold through both traditional and modern outlets (Chattopadhyay et al., 2011).

Modern retail is not spread equally across the country. It started in the south of India and large metro cities and has spread to smaller cities (Joseph and Soundararajan, 2009). Around 20 Indian cities that account for merely 10 percent of the population generate 31 percent of disposable income. Hence, modern retail has largely developed in these cities (NCAER and Future Capital Research, 2008). With the growth in modern retail, shopping space has increased; from three shopping malls in 1999 the number of malls increased to 280 in 2007 and is expected to increase at a compound annual growth rate of more than 18.9 percent between 2007 and 2015 (Images Group, 2009).

To facilitate higher growth in modern retail and provide greater variety at lower prices to consumers, in 2006 the Indian government partially opened up FDI in retail, allowing 51 percent FDI in a retail enterprise, subject to certain conditions. In January 2012, the Indian government permitted 100 percent FDI in single-brand retail with the following conditions:

- only single-brand products can be sold (i.e. retail of multi-brand goods even if produced by the same manufacturer are not be allowed);
- products should be sold under the same brand internationally;
- retail of single-brand products covers only products that are branded during manufacture;
- any addition to product categories to be sold under “single-brand” will require fresh approval from the government;
- the foreign investor should be the owner of the brand; and
- for FDI above 51 percent, 30 percent sourcing from small and medium-scale enterprises (SMEs) is mandatory.

India is probably the only country in the world that has a brand-based retail FDI policy.

Although FDI is not allowed in multi-brand retail, foreign multi-brand retailers have entered the Indian market through routes such as wholesale cash-and-carry (for example, Tesco and WalMart), franchises (for example, Versace and NEXT), and licensing that allow 100 percent FDI (Singh and Kaur, 2010).

Regardless of the present FDI restrictions, studies predict that modern retail will continue to witness double-digit growth in India (AC Nielsen, 2008; Kearney, 2011; McKinsey Global Institute, 2007). Since the Indian market is unsaturated, this is the right time for global retailers to enter the Indian market (Kearney, 2011).

Despite these important changes in Indian retail, little research has been conducted to assess how shopping behaviour is changing in the evolving retail and policy environment, particularly with regard to the brand consciousness of Indian consumers. Such an analysis would help global retailers who plan to enter the Indian market after the 2012 policy liberalisation. This paper examines the following questions:

- What do Indian consumers currently know about brands?
- What factors affect Indian consumers’ choice of brands across certain product categories?
What are Indian consumers’ perceptions and attitudes towards foreign brands?

What are the implications for global retailers?

1. Consumer choice behaviour: a review of literature

Both globally and in India, various studies have examined brand knowledge, awareness and consumer purchase behaviour. Andrews and Currim (2001) used an inter-category logit model on a stratified sample of 300 households to analyse the choice behaviour of households across product categories, using indicators such as brand loyalty, price sensitivity, store features, and aisle display. The study found that identical choice behaviour of households across categories depends on the similarity of product categories, but it does not analyse whether brand choice varies across different product categories. Blattberg et al. (1976) analysed brand choice using panel data from 343 households, using two sets of similar and dissimilar products; they found that brand choice among the households is different for both sets of products. Nelson (2007) concludes that consumers are more likely to base their purchase decision on personal experience than on preliminary research about the quality of the products. Webster (2000) highlights the importance of understanding the relationship between manufacturers, retailers and consumers; brand management is more effective when manufacturers and retailers work in close co-operation to strengthen their own brand position in the market. It is essential to analyse the linkages between brand loyalty and market strategies because trust in a brand is positively related to brand loyalty (Lau and Lee, 1999).

India has no official system to collect consumer data on consumers’ store choice and purchase behaviour across different products. Existing consumer studies map consumers’ demographic profile but do not analyse their brand behaviour (Shukla, 2010). Thus, most of the research in this area is based on primary surveys. Ramachander (1988) concluded that the degree of brand loyalty, pricing, packaging and other intervening variables such as culture and socio-economic factors influence consumers’ shopping behaviour. Indian consumers recognise that a brand adds value to a product (Rao, 1998). Urban and rural markets are similar in brand awareness and associating established brands with quality, but in better developed states there is a distinct preference for foreign brands (Rao, 2000), which is associated with. Kinra (2006), using seven-point semantic differential scale and CETSCALE on a sample of 112 consumers in Lucknow, India found that Indian consumers perceive foreign brands to be of better quality than Indian brands (Kinra, 2006). Kumar et al. (2007) and Bandyopadhyay and Banerjee (2008) based on a primary survey of consumers in Ahmedabad and Calcutta in India; highlight that country-of-origin is an important determinant of consumers’ shopping behaviour and products of advanced countries enjoy positive country-of-origin effect. Foreign products are not perceived differently even if they are manufactured domestically.

Gupta and Singh (2007), show that brand loyalty and preferences for brands are strongly linked in India. Indian consumers are also price sensitive (Joseph and Soundararajan, 2009; McKinsey & Company, 2008). In a survey of 32 villages, Kumar and Bishnoi (2007) found that rural consumers are willing to buy a variety of products and brands if their prices are lowered in the future. Within the fast-moving consumer goods (FMCG) range, low priced products constitute the majority of sales volume (KPMG, 2005).
In India consumers’ shopping behaviour is affected by demographic factors such as age and gender. With women joining the workforce, shopping patterns have changed. Women prefer a wider range of brands so that they can compare different brands before making a choice (Sinha et al., 2002). The young are more willing to experiment with different brands and children are becoming key decision-makers in household purchases (Kaur and Singh, 2007). Since around 54 percent of Indians are below the age of 25 (IBEF, 2008), there is tremendous scope for brand penetration in India.

These studies provide insights into Indian consumers’ shopping behaviour and their brand consciousness, highlighting that their brand preferences vary across rural and urban areas and different product categories and domestic and foreign brands. Some studies show that Indian consumers’ preference for foreign brands is growing and that children and women are emerging as key decision-makers. However, the evolving policy and retail environment can be expected to impact consumer behaviour, requiring the information to be updated. For example, after policy liberalisation in 2006, new foreign brands such as Giorgio Armani, Bottega Veneta and NEXT, entered the Indian market, but their impact on Indian consumers’ shopping behaviour has not been studied.

Based on a pan-India survey, this study analyses the Indian consumers’ choice of branded and non-branded products across a wide range of products, their knowledge of foreign brands, and their attitudes towards foreign brands. It adds to the existing literature by providing insights into Indian consumers’ behaviour towards global retailers that entered the market after the FDI policy change in 2006 or are planning to enter after further liberalisation of the policy in January 2012.

2. Methodology
2.1 Instrument
The survey was conducted using a semi-structured questionnaire. Part of the questionnaire was kept open-ended to maximise the information obtained. The questions focused on the following:

- Purchase of branded versus non-branded products within each product category.
- Factors affecting willingness to spend on branded products and actual expenditure on branded products.
- Consumer knowledge about foreign brands.
- Consumer attitudes towards allowing foreign brands in India.

Since the sample size was small, purchase behaviour was examined across a large number of product categories and the data were collected at a single point of time. Hence, largely descriptive techniques, simple regressions and logistic regressions were used to analyse the data.

2.2 Sampling procedure and representation
A pan-India survey was conducted in 2009-2010 covering 300 consumers. The sample was selected using a stratified random sampling technique and the data were collected through exit interviews, door-to-door surveys, and interviews in shopping malls and market areas. Exit and random interviews were conducted because shop intercepts (exit interviews) capture the recency effect and an interview away from the shop might bring only “visualised perception” rather than the real experience (Sinha et al., 2002).
Individuals who have a say in the purchase decision of the family were interviewed. To assess purchase behaviour across different product categories, 12 product categories were selected. These were fresh fruits and vegetables, preserved food and agro products, FMCG, dietary supplements, apparel, footwear, handbags, watches, metal jewellery, costume jewellery, furniture, and consumer durables. This covers most of the products that consumers purchase like fresh fruits and vegetables that are purchased on a regular basis, preserved food and agro products and FMCGs that are purchased on a monthly basis, and jewellery, which is purchased occasionally.

The entire sample was stratified based on their income, occupation and education. The data on respondents’ income were divided into three broad categories based on average annual household income: low income group of $1,980-$4,000, middle-income group of $4,000-$21,000 and rich with more than $21,000. Consumers in socio-economic classification (SEC) A, B and C, classified on the basis of education and occupation, were selected from six Tier I cities, four Tier II cities and one Tier III city[5] where modern retail has a presence. Around 94 percent of the respondents were in the age group of 23-60 years, which constitutes the core of the working population and the decision-makers in each household. A total of 62 percent of the respondents were male.

2.3 Technique
The techniques used to analyse the issues listed in Section 2.1, are described below:

1. The purchase of branded products vis-à-vis non-branded products was analysed by calculating the consumers’ average spending on branded products for each product category as a proportion of total average spending on that product (both branded and non-branded).

2. To determine the factors affecting willingness to spend and actual expenditure on branded products, the ordinary least square method was used. Since the shopping choices of Indian consumers are affected by factors such as level of income, education, international travel, gender and age, a few factors were selected as the independent variables – annual household income (i), gender (g), and international travel (n) – but variables such as education and age had to be dropped because they were found to be insignificant.

   The dependent variable, $w^b$, defined as the willingness to spend on branded products, is each respondent’s proportion of amount they are willing to spend on branded products to the total amount they are willing to spend on all products (including expenditure on both branded and non-branded products). The regression function is as follows:

   $$w^b = a + b_1i + b_2g + b_3n + e_i$$

   The dependant variable, $y^b$, is each respondent’s proportion of actual expenditure on branded products to the total expenditure on all products (including expenditure on both branded and non-branded products). The regression function is as follows:

   $$y^b = a + b_1i + b_2g + b_3n + e_i$$

3. Variations in factors influencing the choice of brands across selected products were identified using logistic regression. The respondents were asked whether
they buy or do not buy branded handbags and jewellery, furniture and fresh fruits and vegetables. Since their responses were coded as no – 0 and yes – 1, the dependent variable, Y, which is purchase of branded products, is an ordered dependent variable. Hence, logistic regression was used and the regression function is given below:

\[ Y_{(0,1)} = \beta_1 i + \beta_2 n + e_t \]

Laurent et al. (1995), defined the classic measures of brand awareness, and we used one measure – the aided awareness measure – to analyse Indian consumers’ knowledge about foreign brands. To assess this the interviewer read out a list of brands to which the respondents express familiarity only after getting to see or hear the brand name. Respondents were shown a randomly selected sample of foreign brands that are present in the Indian market and asked whether they:

- know and use the brand;
- know but do not use the brand; and
- do not know and do not use the brand.

Foreign brands’ selection was done randomly to ensure that both luxury and non-luxury brands were covered across different product categories. The sample comprised both brands that entered the Indian market before 2006 and those that entered only after the 2006 policy change.

Demographic factors affecting consumers’ attitude towards allowing foreign brands, F, to enter the Indian market were identified using logistic regression. The respondents were asked whether or not they wanted more foreign brands to enter the Indian market. Since their responses were coded as no (0) and yes (1), the dependent variable, F, is an ordered dependent variable. Hence, logistic regression was used and the regression function is given below:

\[ F_{(0,1)} = \beta_1 i + \beta_2 e + e_t \]

where, “e” is the level of education of the respondents. In this particular regression other independent variables such as international travel, media exposure, gender and age had to be dropped as they turned out to be insignificant.

3. Results
3.1 Total expenditure on each product category
Food (both fresh and preserved) accounts for 32.15 percent of the total expenditure of the respondents, as it is part of their habitual consumption. These products are bought on a regular basis largely from neighbourhood stores, due to easier access. The second important category is apparel on which around 14 percent of the total expenditure is made (Images Group, 2009). Jewellery is a high-value product that is often treated as an investment. It is bought occasionally but accounts for around 10 percent of respondents’ expenditure. Consumer durables account for only 8.4 percent of the total expenditure. Some products such as dietary supplements, costume jewellery and tiles that have not been purchased by the majority of the respondents in the past one year are clubbed in the “others” category, which accounts for 13.7 percent of the total expenditure.
3.2 Expenditure across branded and non-branded products
Respondents mainly bought branded products in product categories such as watches and dietary supplements. In categories like apparel, footwear and handbags, they buy both branded and non-branded products, while in categories like fresh fruits and vegetables, the bulk of the purchases are non-branded products (Figure 1).

3.3 Regional variations in purchases of branded products
There are regional variations in purchase of brands across different regions in different product categories (Images Group, 2009). The survey results show that respondents in the north and west of India are more likely to purchase branded fresh fruits and vegetables. In the Eastern part of India, in cities like Kolkata respondents prefer Indian brands such as Khadims in the low to mid-price ranges for shoes and handbags, while in Delhi, in the Northern part of India, respondents buy both high-priced products from modern retail outlets and non-branded products from street shops (Table I).

Figure 1. Total purchases and branded purchases across different products

Notes: *A large number of respondents buy both branded and non-branded apparel; therefore, the percentage of respondents who buy only branded apparel is low.
3.4 Factors affecting choice of branded and non-branded products

Respondents’ purchase behaviour across branded and non-branded products depends on factors such as brand availability and their perception of the quality and reliability of brands. Respondents bought branded dietary supplements because the popular ones available in retail outlets (whether traditional or modern) are largely branded. They consider them to be reliable as they go through health and safety checks and have to meet government regulations. In the consumer durables category, brands are considered a proxy for good quality, and good after-sales service is provided for branded products. Most fast-moving consumer goods (FMCG) are branded, and branded FMCGs are available across all price ranges in both modern and traditional outlets.

In product categories like footwear, apparel and handbags, branded products are chosen for design, comfort, durability and quality, while non-branded products are cheaper. In these product categories, brand loyalty is low and respondents experiment with different brands.

In the case of jewellery, products are bought from traditional retailers due to trust and interpersonal relationships. Moreover, traditional retailers offer the flexibility of exchanging old jewellery for new ones besides offering customised designs. In recent years, Indian corporate retailers have entered the jewellery business and the concept of branding has emerged. Consumers consider jewellery sold by branded corporate jewellers like Tanishq to be of better quality.

Non-branded products are preferred for products like furniture, fresh and preserved food products, and costume jewellery. Respondents like to customise their furniture and, therefore, most furniture items are non-branded and made to order. Non-branded furniture is available in all price ranges at traditional retail outlets.

Respondents pointed out that they mainly buy fresh fruits and vegetables from traditional retailers, street vendors, and hawkers. In this product category there are only a few brands and respondents perceive branded products as more expensive than non-branded products. The survey found that knowledge of brands in this segment is low.

The bulk of costume jewellery is bought from street vendors. In recent years, the concept of branded costume jewellery has gained momentum and respondents showed a willingness to experiment with different brands.

<table>
<thead>
<tr>
<th>Products</th>
<th>North</th>
<th>South</th>
<th>East</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample distribution (no.)</td>
<td>85</td>
<td>75</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>In percent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh fruits and vegetables</td>
<td>10.6</td>
<td>2.7</td>
<td>2.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Preserved food and agro products</td>
<td>64.7</td>
<td>21.3</td>
<td>51.4</td>
<td>20</td>
</tr>
<tr>
<td>Apparel</td>
<td>24.7</td>
<td>56</td>
<td>48.6</td>
<td>35.7</td>
</tr>
<tr>
<td>Handbags</td>
<td>65.9</td>
<td>28</td>
<td>61.4</td>
<td>37.1</td>
</tr>
<tr>
<td>Footwear</td>
<td>78.8</td>
<td>93.3</td>
<td>92.9</td>
<td>91.4</td>
</tr>
<tr>
<td>Jewellery</td>
<td>68.2</td>
<td>57.3</td>
<td>68.6</td>
<td>47.1</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>100</td>
<td>89.3</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Costume jewellery</td>
<td>32.9</td>
<td>4</td>
<td>18.6</td>
<td>27.1</td>
</tr>
<tr>
<td>Furniture</td>
<td>51.8</td>
<td>30.7</td>
<td>32.9</td>
<td>27.1</td>
</tr>
<tr>
<td>Ceramic tiles/sanitaryware</td>
<td>83.5</td>
<td>65.3</td>
<td>50</td>
<td>28.6</td>
</tr>
</tbody>
</table>

Table I. Regional distribution of branded product purchases
3.5 Demographic effects

Demographic factors (gender, education, age, location, and income) and awareness factors (media exposure and international travel) were analysed for their impact on consumers’ choice of branded products. The data were analysed using multiple regression. While some of these factors were insignificant, others such as age, location, and media exposure had to be dropped due to homogeneity in the sample.

In the case of respondents in the rich income group, a 100 percent increase in income leads to a 9.3 percent increase in their willingness to spend on branded products compared to the results for those in the low and middle-income groups (Table II). Women are 4.7 percent more willing than men to spend on branded products. These findings are similar to Sinha et al. (2002). The actual spending pattern is quite similar to the willingness to spend (Table III). International travel does not have a significant impact on willingness to spend or actual spending on branded products.

Logistic regression was used to assess the effect of demographic and awareness factors on purchase of branded products across different product categories and the results are shown in Table IV. For handbags and jewellery, brand purchase is affected by both household income and international travel. However, in the case of furniture, household income is not a significant factor because even rich consumers prefer customised products. For fresh fruits and vegetables, household income influences the decision to buy brands, since branded products are perceived as expensive.

3.6 Knowledge and use of foreign brands

The survey results show that knowledge of brands does not ensure brand usage (i.e. a person may know of the brand but may not use it), while brand use may not ensure that a person is aware of the country-of-origin or history and mode of entry of the brand.

Brand knowledge and use were assessed through an aided awareness measure and the responses are compiled in Figure 2. The points on the outer-most circle on the web represent the highest percentage of respondents giving that response while the points in the inner circles represent lower percentages. The longer the brand has been in India, the more likely is it to be known and used. Examples include Bata, Rayban, United Colors of Benetton, and Nike.

<table>
<thead>
<tr>
<th>Beta coefficient</th>
<th>t-value</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual household income</td>
<td>0.0931253</td>
<td>5.11</td>
</tr>
<tr>
<td>Gender</td>
<td>0.0476802</td>
<td>2.6</td>
</tr>
<tr>
<td>Traveled abroad</td>
<td>0.0407052</td>
<td>1.56</td>
</tr>
</tbody>
</table>

Note: Model $R^2 = 0.1394$, $F = 15.99$, Prob. $> F = 0.000$

Table II. Factors affecting willingness to spend on branded products

<table>
<thead>
<tr>
<th>Beta coefficient</th>
<th>t-value</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual household income</td>
<td>0.0927454</td>
<td>5.09</td>
</tr>
<tr>
<td>Gender</td>
<td>0.0513272</td>
<td>2.8</td>
</tr>
<tr>
<td>Traveled abroad</td>
<td>0.0442255</td>
<td>1.69</td>
</tr>
</tbody>
</table>

Note: Model $R^2 = 0.1445$, $F = 16.67$, Prob. $> F = 0.000$

Table III. Factors affecting actual spending on branded products
The aided awareness test results show that brands that are globally well advertised are more likely to be well known. Also, brand location has a crucial bearing on knowledge about the brand. Since brands like Ermenegildo Zegna and Giorgio Armani are located in luxury malls and five-star hotels and are not advertised extensively, awareness of these brands is limited. In contrast, brands like NEXT and Mango have positioned themselves in non-luxury malls where they are more visible and, hence, better known to a larger customer base.

**Table IV.** Demographic effects on Indian consumers’ purchase of branded products

<table>
<thead>
<tr>
<th>Variables</th>
<th>Exp(B)</th>
<th>Wald</th>
<th>Significance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handbags and jewellery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual household income</td>
<td>0.598</td>
<td>16.13</td>
<td>0</td>
</tr>
<tr>
<td>Travelled abroad</td>
<td>0.336</td>
<td>8.14</td>
<td>0.004</td>
</tr>
<tr>
<td>Model statistics</td>
<td>- 2 Log likelihood = 379.75, p &lt; 0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual household income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travelled abroad</td>
<td>0.268</td>
<td>12.79</td>
<td>0</td>
</tr>
<tr>
<td>Model statistics</td>
<td>- 2 Log likelihood = 381.35, p &lt; 0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh fruits and vegetables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual household income</td>
<td>0.509</td>
<td>9.23</td>
<td>0</td>
</tr>
<tr>
<td>Travelled abroad</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model statistics</td>
<td>- 2 Log likelihood = 166.83, p &lt; 0.005</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 2.** Knowledge and use of foreign brands

Note: Figures in parentheses show the year that the brand entered India
The mode of entry of a brand is not related to consumers' knowledge of the brand. For instance, Versace, Ermenegildo Zegna and NEXT have entered through franchise agreements but NEXT is better known.

Brands such as Giorgio Armani and Dolce and Gabbana are mainly popular for accessories like sunglasses and perfumes. These have been available through Indian department stores and shop-in-shop arrangements. Consumers tend to buy these accessories to conspicuously display their brand consciousness, which has indirectly increased awareness of these brands among consumers.

The survey results show that, in general, knowledge and use of luxury brands in India are low. Around 98 percent of the sample constitutes middle and rich Indian consumers and the aided awareness test revealed that even this group is not aware of a number of foreign brands, especially luxury brands because these brands are only available in a limited number of luxury malls and brands, such as Giorgio Armani and Dolce & Gabbana, have only recently entered the Indian market. Another reason is that these brands are relatively expensive, and only a very small proportion of the Indian population can afford these brands. Besides, Indian consumers are price sensitive (Joseph and Soundararajan, 2009; McKinsey & Company, 2008; Kumar and Bishnoi, 2007; KPMG, 2005). Respondents pointed out that since the import duty on imported luxury brands is as high as 40 percent of the maximum retail price (MRP), it is cheaper to buy them abroad than in India. In addition, respondents said that they have come across a wider range of products during their international trips. However, with rising incomes and the growing penetration of foreign brands in the Indian market, both knowledge and usage of foreign brands is expected to grow.

3.7 Consumers' attitudes towards foreign brands
Around 83 percent of the respondents are in favour of allowing more foreign brands into the Indian market. The factors that contribute to this attitude are the high level of education (graduation and post-graduation) and level of income (middle and rich income) (Table V). When asked what restricted their access to foreign brands, the respondents pointed to the restrictions on foreign multi-brand retail. Removing these restrictions would facilitate the entry of more foreign brands into the Indian market and provide consumers with greater access. Respondents argued that the quality of foreign brands is superior, and their entry into the Indian market would infuse competition, forcing domestic brands to upgrade, and would lead to the diffusion of better designs and technologies. Respondents also argued that Indian consumers are ready to experiment with brands, and access to more foreign brands would increase the choice for consumers. However, around 17 percent of the respondents are against allowing more foreign brands in India and argue that foreign brands are more expensive than Indian brands and cater primarily to higher-income groups.

<table>
<thead>
<tr>
<th></th>
<th>Exp (B)</th>
<th>Wald</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>1.984</td>
<td>8.604</td>
<td>0.003</td>
</tr>
<tr>
<td>Annual household income</td>
<td>0.661</td>
<td>6.868</td>
<td>0.009</td>
</tr>
</tbody>
</table>

Notes: Model $R^2 = 0.1394$, $F = 15.99$, Prob. > $F = 0.000$

Table V. Demographic effects on consumers' attitude towards allowing foreign brands in India.
4. Discussion: implications for global retailers

Developing country markets are remarkably different from those of developed countries. In particular the Indian market is unusual on account of factors such as purchasing habits that vary across regions, product categories, branded and non-branded products, gender, etc. There was also a difference in the knowledge and usage of foreign brands across respondents. The analysis indicates that Indian consumers are becoming more receptive to foreign brands. Global retailers entering the Indian market need to understand the variation in the Indian market and take into account these factors before devising a go-to-market strategy for India.

4.1 Go-to-market strategy

This is a market entry strategy or multiple approaches to enter a market in consonance with the local needs of that country. Among the multiple approaches that can be adopted, scale and speed are two critical factors. Scale of operations refers to adopting a stratified approach of targeting customers, and speed of expansion refers to the rate at which the foreign retailers intend to expand their operations and market sway in India. Since different global retailers have different types of products to offer they need to identify their target consumers and hence approach them accordingly. Table VI illustrates how different strata of consumers can be targeted across different product categories. The product categories have been outlined based on their affordability/price range, frequency of demand, and the nature of the products.

**Target niche.** This strategy is used to cater to specific strata of consumers who buy luxury products, such as designer clothes and high-end gadgets that have a low demand because they are expensive. Most of these luxury brands cater to less than one percent of the Indian population, but 1 percent of the population of India is close to 20 percent of the population of countries such as Italy, that has a large number of luxury brands[6]. As shown above, income and gender are positively correlated with spending on branded products. Hence, global luxury brands should target high-income Indian consumers. In addition, women are more likely to buy branded products than men. This provides opportunity to global luxury brands in cosmetics, handbags, footwear, apparel, etc. to target high-income Indian women. The study also found that Indian consumers like personalised service, especially when they buy luxury products. Thus, in order to target high-end Indian consumers, global retailers should use a personalised approach to sell premium products.

<table>
<thead>
<tr>
<th>Product categories</th>
<th>Affordability and accessibility – high/low</th>
<th>Consumer needs – global/local*</th>
<th>Correct strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>Low</td>
<td>Global</td>
<td>Target niche</td>
</tr>
<tr>
<td>Necessity</td>
<td>High</td>
<td>Global</td>
<td>Create a platform</td>
</tr>
<tr>
<td>Medium range</td>
<td>High</td>
<td>Local</td>
<td>Localise</td>
</tr>
<tr>
<td>Inferior (low range)</td>
<td>Low</td>
<td>Local</td>
<td>Reinvest in business model</td>
</tr>
</tbody>
</table>

Table VI. Go-to-market strategy

Notes: “Global needs imply consumer needs, which are quite similar across geographies; local needs are more country-specific and dissimilar across geographies
Create a platform. Creating a platform refers to generating market presence by launching a range of products within a well-established industry structure. This strategy is most suitable for necessity products such as consumer durables and automobiles that have a regular demand in India. The survey shows that respondents purchase branded consumer durables, but the expenditure on consumer durables in proportion to the total expenditure is low. Herein lie opportunities for global retailers who plan to enter this segment. In India the demand for such necessity products exists and is growing. Hence, market roll-out plans are not needed; instead a platform needs to be created for foreign brands that are new to the market. However, Indian consumers are heterogeneous. The study found regional variations in the demand patterns of the respondents. The Indian market is huge and diverse with socio-cultural variations. For instance, Indian consumers in the south of India prefer pure gold jewellery, whereas consumers in the north of India prefer diamond jewellery. Hence, global retailers need to identify similar consumer segments. Each of these segments should use products and services that have similar industry structures, rates of consumer adoption, and socio-religious factors. They need to design and implement specific product and channel strategies adapted to the specific characteristics of the targeted consumer segments. For instance, within the consumer durables segment, demand for room heating devices is higher in the north of India compared to the south due to their different climatic conditions.

Localise. This strategy is suitable for various medium-range product categories such as dietary supplements, preserved and processed foods, costume jewellery, and personal care products. The study found that expenditure on such medium-range products is not very high and preferences for branded vis-à-vis non-branded products vary. For instance, respondents purchase branded dietary supplements and non-branded preserved foods. There are not many international brands in this segment. However, various Indian companies operate in this segment. Hence, to cater to the demand for such products global retailers will have to compete with the existing local players by customising their products according to Indian consumers’ tastes and preferences. For instance, PepsiCo successfully captured the Indian snack market by introducing a customised brand of chips called Kurkure. Though it is a global food and beverage company, it has been successful in capturing a large portion of the Indian snack market by selling customised products. Despite having a global distributor and packer “Frito-Lay”, the product is quite local.

In the case of fresh fruits and vegetables the survey found that the demand for branded products is very low. Food items account for the highest proportion of Indian consumers’ expenditure. Hence, there is a huge untapped market for global retailers. However, since 100 percent FDI is not allowed in multi-brand retail, global retailers have the option of two strategies:

1. they can sell their products through Indian retailers, which will enable them to create market awareness about their brands in the Indian market; or

2. they can set up a wholesale cash-and-carry operation in partnership with an Indian company.

The study found that knowledge about a brand has a high positive correlation with the number of years the brand has been present in India. Hence, global retailers planning to enter the Indian market will face competition from older international brands such as Bata, Reebok, Nike and Adidas. To combat it, global retailers can conduct market research to identify and target segments where such brands do not have a presence. In
addition, for competitive pricing, global retailers should explore the possibilities of sourcing locally as import duties are high in India. In addition, aggressive marketing techniques through popular mediums such as newspaper and television advertisements will help global retailers entering the Indian market to generate awareness about their brand and products.

4.2 Future research

Though the present survey provides useful insight into Indian consumers’ behaviour, the sample size is small compared to the Indian population. Since India is not a homogenous market, a larger sample will help to capture more variations in consumers’ shopping behaviour and perceptions across different regions of India by adopting better econometric techniques. Also the Indian FDI policy was liberalised in January 2012. It is likely to facilitate the entry of more foreign brands and to impact the Indian consumers’ shopping behaviour. Hence, future research needs to be conducted to analyse the impact of changes in the retail policy in light of its benefits for Indian consumers and global retailers.

5. Conclusions

Indian consumers are changing—disposable income is rising, consumption patterns are changing, and the level of brand consciousness is rising. This has led to the growth of modern retail, and many global and Indian corporates are either investing or planning to invest in the Indian retail sector. Based on a pan-India survey of rich and middle-income consumers, this paper examines consumer shopping behaviour for brands across different product categories and knowledge and perception of foreign brands.

The study found that Indian consumers are heterogeneous. Their preferences for branded vis-a-vis non-branded products vary across product categories and there are regional variations in their demand patterns as well. The bulk of the respondents’ expenditure is still on food and grocery products and it is in this segment that they largely buy non-branded products. This is not merely because branded products are not available, but because the available branded products are expensive. Demand for luxury products is low and is confined to a niche segment of the market. Although brand consciousness is increasing, knowledge of foreign brands in general was low across survey participants. Brands with a longer presence in the Indian market are more likely to be known and used. The mode of entry of a foreign brand is not associated with brand knowledge. Indian consumers are price sensitive and therefore, appropriate pricing of the product is crucial for market entry and penetration.

Hence, it is important that global retailers adopt appropriate strategies to target Indian consumers given their demographic profile, income patterns, purchase behaviour, and level of brand consciousness.

Notes

1. Branded products are associated with a design, symbol, or a feature that identifies one manufacturer or seller’s goods as distinct from those of other manufacturers or sellers, whereas non-branded products are not marked with the name or symbol of the company that manufactures or sells them.
4. It is important to know that there are various projections of the Indian retail sector and they vary widely. However, they all project double-digit growth for modern retail.

5. McKinsey Global Institute (2007) classifies Tier I cities as those that have populations greater than four billion and total income greater than 100 billion Indian rupees. Tier II cities have populations between 1 million and 4 million and Tier III cities have populations between 500,000 and 1 million. For the survey, Tier I cities were Delhi, Mumbai, Kolkata, Chennai, Hyderabad and Ahmedabad. Tier II cities were Surat, Visakhapatnam, Kanpur and Allahabad and the Tier III city was Bhubaneswar.

6. Authors own calculations from CIA World Fact book.

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**Further reading**


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