

Marketing Mantra: Get Sharper or Get Weaker

As the first flush of consumerism's heady growth tapers off, further dividing consumer pockets, spotting growth catalysts and attracting the right talent will redefine leaders



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Last week, I met two consumers. One was Revathi, a destitute 30-year-old in rural Tamil Nadu, who seemed to be seriously affected by food inflation. Surprised to find her using an expensive soap, I asked her why she had not considered a cheaper alternative. Without a moment's hesitation, she said the cheaper ones were meant for poor people. The other was Asha, a well-off 20-year-old in Chandigarh. She had a range of expensive skincare products, accessories and apparel brands. Nothing unusual. What surprised me was that the same Asha had traded down to a cheap, discount bar of soap. This seemingly contradictory behaviour by consumers across categories is not a one-off.

Consider these facts. While the income of households in the second quintile is higher than those households in the fourth quintile by 120%, the growth in consumption across categories can vary. For example, while growth in consumption of household durables and non-durables across these quintiles rises by 50%, it increases by 200% in the case of jewellery, entertainment and clothing, and a whopping 400% when it comes to appliances, furniture and footwear. So, while the consumption water table goes up for every category with increase in household income, some categories see exponential growth. That is why most companies in the country have had a party in recent years — some more so than others.

That could change for three reasons as consumers confront a new reality. First, with double-digit food inflation, 80% of Indian households who spend over half their money on food are being squeezed. Second, rising interest rates have meant a 20%-plus increase in EMI payments for the top quintile of households. And finally, volatility of input costs has resulted in differential rates of inflation across sectors. These changes will mean greater volatility and unpredictability in consumption.

So, looking forward, over the next couple of years, what will separate the best companies from the poorly-run ones? It will be in their ability to shift from a one-size-fits-all approach to a sharper, more segmented understanding of where consumption is likely to grow faster and where it could slow down sharply. This will mean four things.

First, be more granular than ever before. Segment the Indian market into many smaller clusters of markets and customers to really understand them in a much sharper way. In doing so, go beyond the lens of the category and look at the consumer holistically. Take Bihar, for example: the investment in education of the girl child in that state will change the structure of consumption dramatically in the next five years.



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With this granular, but holistic, understanding, ask the questions: where are the profit pools? Where is growth and why? Which segments will you ignore? Where will you step up investments? In answering these questions, construct a portfolio of market and customer segments to leverage the unpredictable ups and downs that consumption will invariably see across segments. One category, for example, has worked out a growth quotient for every town in the country that indicates the propensity of the category to grow in a given geography.

Second, identify which combination of levers will drive growth for each of these clusters. Almost all companies realise that product performance, the impact of price, the role of advertising, the role of promotion, the role of investments in building lasting relationships all vary across market and customer segments. Yet, there are few stories of applying this combination in different ways across markets and customer segments. Take a glaring example. Why is it that there is an almost obsessive focus on customer acquisition versus retention even when it is clear that the lifetime value of a loyal customer is many multiples of that of a new customer? The answer to that is the

mindset of 'land grab'. After all, in a market that has grown so rapidly, return on investment for acquisition is more tangible and easier to measure. The central challenge going forward is, therefore, to develop a fact-based and holistic way to measure the return on all levers so that investments can be made in a sharper and more targeted way.

Third, ensure brutal simplification. Leaders must be able to look at the combination of growth levers across market and customer segments, and then simplify them into a few key manageable platforms: be it innovation or market deployment. These platforms must be integrated into the very heart of the business model and be the basis for capital expenditure, cost reconfiguration as well as external partnerships with others in the quest for creating joint value.

Fourth, create the right talent mindset and culture. Three important ingredients stand out: curiosity, flexibility and rigour. An unpredictable world calls for curiosity, the ability to observe customers and

form patterns without preconceptions, to be humble and constantly learn from customers, from competitors, from partners and from the world outside. People who display flexibility who have the capacity to thrive in ambiguity who are not stuck in a groove and obsessed with only one way of doing things, who are unafraid to make changes to the way business is navigated and run based on customer feedback are the ones who will succeed and be in demand. In a marketplace that is changing rapidly it is rigour — the ability to look at facts and large amounts of data, simplify this and then interpret it — that is the most crucial pre-requisite that will help align and persuade all stakeholders on what it takes to win.

The Indian consumer market has rewarded most companies with handsome growth as the consumption water table has risen. This could change in the medium term as consumers confront headwinds. Companies that will win in such an environment are those that are likely to be far sharper, far more targeted and far more flexible than before. But that is what makes the Indian market the most exciting place. (The author is executive director for home and personal care at Hindustan Unilever. Views are personal)

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