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Curbing Consumption by the Wealthy for Managing Environmental Impact: The Scenario and Road Ahead for Marketers

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India is home to the second largest population in the world. The country, known for its rich legacy of a wealthy past has been, since gaining its independence from its colonial masters in 1947, trying to ensure an equitable and prosperous life for its citizens. While there have been several experiments on this road to prosperity and affluence, including a near-absolute implementation of a rigid socialistic approach to economic planning – doctrinaire changes since the early 1990s have rewritten the economic roadmap of the country.

The Reforms of 1991, and the subsequent changes in the economic framework have come to define the growth story of India in recent times. The journey so far has not been without its pitfalls, but has continued to exhibit robust trends, far outstripping the notorious 'Hindu rate of growth' of the late 1970s and 1980's. Even assuming a conservative rate of 6 – 7 % GDP growth, the consumption expenditure alone can be expected to grow by a factor of three every year, reaching a staggering USD 4 trillion by 2025[1]. This nominal YoY expenditure growth of about 12% for India is more than twice the expected global rate of 5% and is anticipated to raise the country to the status of the third-largest consumer market by 2025.

However, while the country continues to move rapidly on this trajectory of growth, there is a growing chasm of inequity and unbalanced progress that is threatening to unsettle the journey.

A recent survey[2] reports that the top 1% of the Indian population currently holds about 73% of the nation's wealth. And as if this state of inequity were not enough, it has also been calculated that it would take a minimum wage earner in rural India at least 941 years to earn what a top paid executive at a leading Indian garment manufacturer would take home as his salary this year alone. A staggering indictment of the Indian growth story – if ever we needed one.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

This growing imbalance in the distribution of income, and the concurrent concentration of wealth in the hands of a select few, have therefore contributed significantly towards defining the consumption patterns in the country.

Understanding the Indian Scenario: The Emerging Consumption Pattern

The Indian household can be divided into five categories based on income, viz[3].

1. Elite, with gross annual household income of over 30,800 USD
2. Affluent, with gross annual household income of between 15,400–30,800 USD
3. Aspirers, with gross annual household income of between 7,700–15,400 USD
4. Next Billion, with gross annual household income between 2,300–7,700 USD
5. Strugglers, with gross annual household income of less than 2,300 USD

Their current scenario is illustrated below:

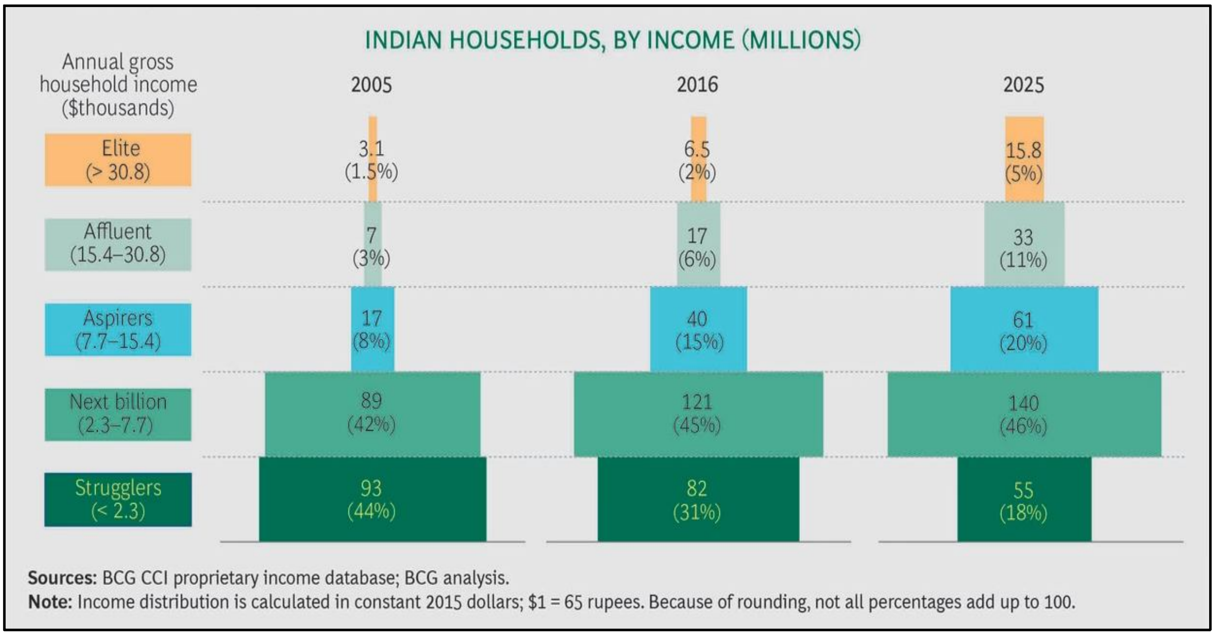

Figure 1.The changing composition of household income in India

From Figure 1, it is evident that the top two tiers of the Indian households by income are set to grow from just under 5% in 2005 to well over 16% by 2025, representing a very significant portion of the economic might of the nation.

This rapid growth of the Indian consumer segment is characterized by three key factors, namely:

ISSN:0971-1260

Vol-22-Issue-10-November-2019

a. Fundamental shifts in the traditional Indian family structure, with a marked move in favour of the nuclear family setup

b. A continuing and unique pattern of urbanisation, noticed only in India

c. And a robustly growing level of affluence

The scenario is illustrated in Figure 2 below.

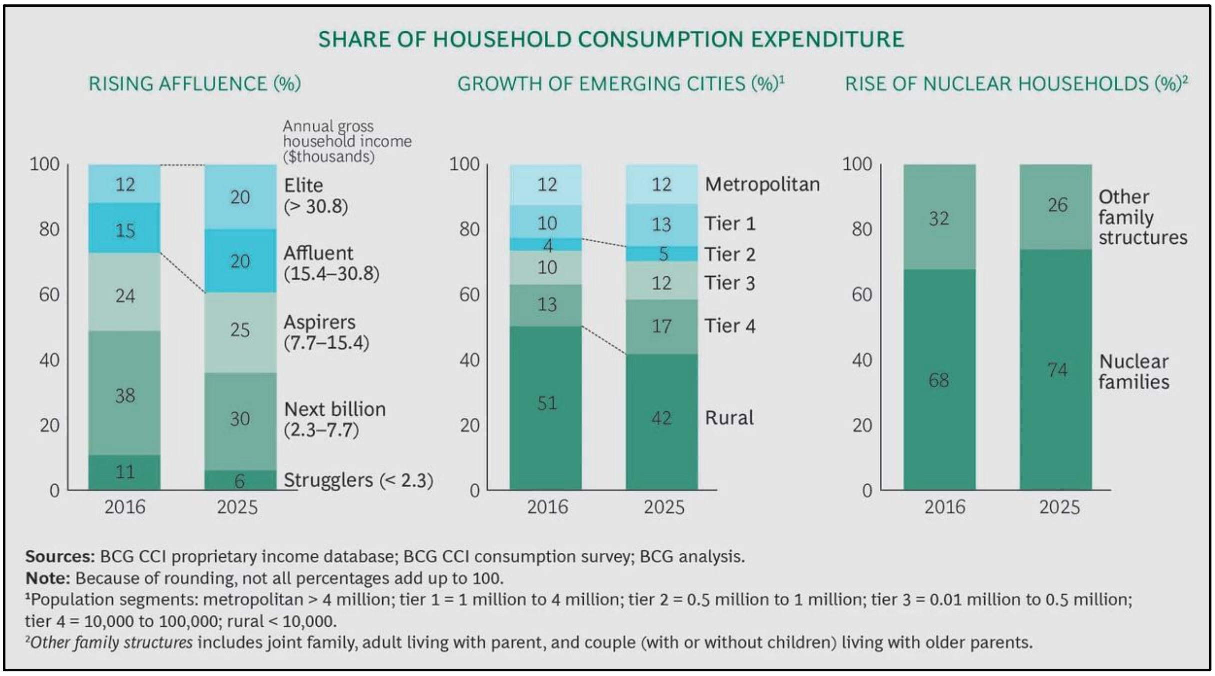

Figure 2.Factors affecting the Indian consumption patterns

Recent research confirms that this move towards affluence will, as a trend, only strengthen with the passage of time, and that by 2025, the top two segments (Elite and Affluent) will account for a little over 40% of the country's demand for consumer goods and services. This is illustrated in Figure 3.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

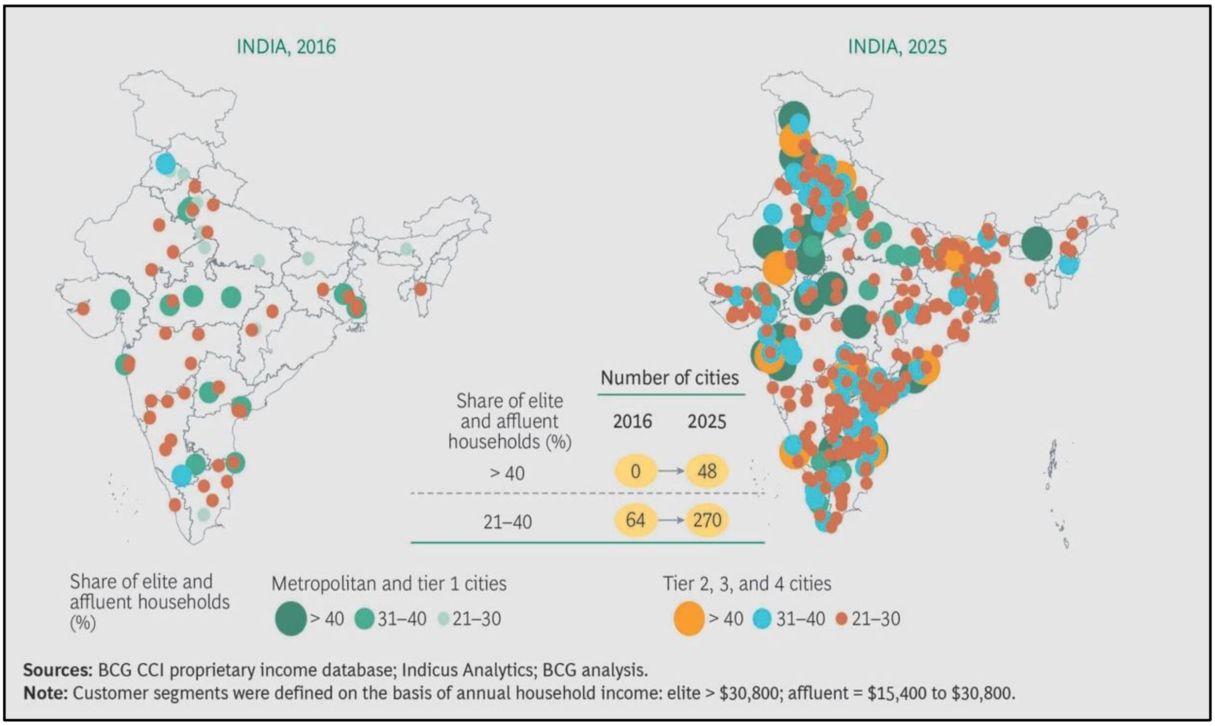

Figure 3.The growth of affluence – by 2025

This shift in demand patterns are a clear indicator that any measure undertaken to address the growing environmental impact due to the change in the consumption patterns would therefore have to directed towards these two segments, especially towards their preference for luxury items.

The Environmental Impact: An Evaluation of the changes

The emerging spending pattern has been most evident in energy consumption and the growing demand for an increasingly larger amount of natural resources to be dedicated towards the production and delivery of consumer goods. These can be summed up as below[4]:

a. Pressure on Land

India faces one of the most intense pressures on agricultural land. The county has about forty three percent of the landmass under cultivation, one of the highest in the world, with every million hectares supporting an upward of 7.27 million people. A transition in the food habits of the populace has further increased the burden on land, resulting in significant environmental impact.

The resultant intensification and extensification of agriculture in the country

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Vol-22-Issue-10-November-2019

has been the source of much debate and soul-searching among experts. However, there is a consensus that considering the growth in the net sown area has been marginal from – 140 million hectares in 1970-71 to a mere141 million hectares in 2000-2001 – the increased output has been due to a higher intensity of irrigation and the use of chemical fertilizers, insecticides and pesticides. This dependence of excesses beyond what was traditionally considered as being acceptable, has given rise to a host of environmental challenges, including water logging, excess Stalinization and alkalization of croplands, a growing eutrophication of water bodies, and a concomitant decrease in the levels of biodiversity.

Forest resources in the country have also come under severe pressure, with increasingly larger segments being converted for other – notably agricultural, pastoral, and industrial – uses. It must be kept in mind here that the scenario on this count is already dire, with India currently supporting a little over a $1/7^{th}$ of the global population with less than 2% of the world's forest cover.

b. Growing demand for energy

The changes in the spending pattern have been most evident in energy consumption. While most of the power in the county continues to be supplied from coal-fired thermal power stations, the almost 10 times rise in the production of coal and lignite in the last 50 years is a grave source of concern. What is perhaps even more disturbing is that while production of electrify has grown from a nascent 5 billion KWH in 1950-51 to about 500 billion KWH in 2000-2001, this has been achieved by an unbalanced move towards a greater utilization of fossil fuel-based sources. The share of thermal power (dependent primarily on fuel sources like coal) has grown from 51 percent to about 82 percent, whereas such environment friendly alternatives like hydropower have declined from 49 percent to under 15 percent.

Also, the rise in the demand for petroleum products by 29 times during the same period points to the growth in demand for automobiles – both for direct personal use, and for transporting other commodities. This has had a major impact on the environment; with growing air pollution emerging as one of the key factors affecting the health of the citizens in the country. The problem has attained alarming proportions in recent times, with several Indian cities

ISSN:0971-1260
Vol-22-Issue-10-November-2019

and urban areas being identified by the WHO for their poor air quality.

c. Water scarcity and water pollution

While the usage of fresh water has continued to grow in India, the challenges of pollution are not far behind. The ever-increasing burden of industrial effluents (including the waste from the thermal power plants), the growing domestic sewage and the run-off from today's chemical-intensive agricultural activities have been identified as the key factors that have an impact on this vital natural resource. Furthermore, the growing demand due to an expanding population has resulted in hiking the demand for safe potable water, making the provision of this scarce resource an activity of vital importance.

The Role of Marketing: Current Situation and Roadmap to the future

As of July 2013, the American Marketing Association defines Marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."[5] The definition itself underlines the importance of the value delivery mechanism vis-à-vis the society in its entirety.

Considering the rapid and lopsided growth in consumption demands in India, and the resultant environmental impact, it is necessary to take a closer look at the marketing activities and institutions against the backdrop of the current scenario.

By now, it is evident that the changes in the economic landscape in the post-reform era have had a major impact on how marketing initiatives are organized; institutions created, and processes defined and implemented. We can reasonably say that considering the enhanced industrial potential unleashed by of the economic reorganization, ideas like having to wait for the delivery of something as basic as a two-wheeler as being symbolic of the underlying quality have been assigned to the pages of history. But what has this led us to?

In the current situation, it can be said with age degree of certainty that marketing is increasingly focusing on faster delivery of goods and services for meeting what is perceived as the slightest hint of a demand in the marketplace. It seems that we have moved from a producer-centric setup to what is being perceived as a customer-is-

ISSN:0971-1260
Vol-22-Issue-10-November-2019

king model, wherein the faintest expectation of the consumer has gained centre stage.

While it can be argued that this near-ideal represents the very highest norms and expectations of human society, the environmental impact of such a consumption-driven model is being overlooked, often intentionally. Not only are we pleading ignorance under the guise of a higher rate of growth and prosperity, we are also turning a blind eye to the results that are there for us to see and perceive.

As an activity, institution, and a collection of processes, marketing can no longer ignore its higher responsibilities to the largest possible number of stakeholders. It must therefore evolve a set of value principles and guiding mechanisms to deliver on what is clearly its expected role as a part of the society at large. This has been summed up in the following:

a. As a socially-responsible value delivery mechanism

Marketing plays a crucial role in the identification, creation and delivery of value in our society. However, marketers must actively assess the environmental impact of their offerings before allowing them to reach the marketplace. While the government has put in place guiding mechanisms, it is morally incumbent upon the marketers to not only adhere to these standards, but to also identify and recommend newer and more effective measures as a part of a socially responsible self-regulation mechanism.

b. As market regulators

While staying true to the ideals of free and fair market operations, marketers must increasingly take on a moral role as market regulators for products that have been shown to have an adverse impact on the environment. The use of harmful chemicals and the ecologically irresponsible use of natural resources must therefore be curbed at the earliest, with marketers taking an active role in avoiding and abhorring those offerings which rely on these harmful practices.

c. As green marketers

With the emerging changes in the nature and availability of goods, marketers must increasingly position themselves as green marketers. The focus should shift towards selling goods and services based on their environmental benefits. This would include:

ISSN:0971-1260

Vol-22-Issue-10-November-2019

- Ensuring the products offered are manufactured in a sustainable fashion
- That the offerings do not contain toxic materials, including ozone-depleting substances
- Making sure that the goods can be recycled and/or is produced from recycled/renewable materials
- Not making use of excessive packaging
- Redesigning the products to make them mostly repairable and reusable, and curbing a growing "use-and-throw" mentality.

As demarketers wherever necessary

This is where the role of marketers and marketing take on a whole new dimension. Not only must they seek to avoid the production, promotion and delivery of environmentally hazardous products, they must also, in specific cases, consciously subscribe to the idea of demarketing such products.

Our conception here however, goes beyond the traditional definition of demarketing. Instead of merely using advertising to decrease the demands of the goods in short supply, we propose the use of marketing tools to drive down the demand for products which have been shown to have an adverse environmental impact. Adapting to this role, like the three other activities mentioned before, would therefore involve embracing a stronger moral and socially-beneficial stand while going about the activity of marketing.

"We Do Not Inherit the Earth from Our Ancestors; We Borrow It from Our Children"[6]

In the end, it must be kept in mind that marketing as an activity, institution, or a collection of processes is not exclusivity by itself and must operate within the greater overall framework of the society at large. It is therefore imperative that we remember the adage of "We Do Not Inherit the Earth from Our Ancestors; We Borrow It from Our Children" as we go about our activities as marketers, identifying and delivering sustainable value in the process.

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Vol-22-Issue-10-November-2019

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