



Bullock Cart onto FAST TRACK



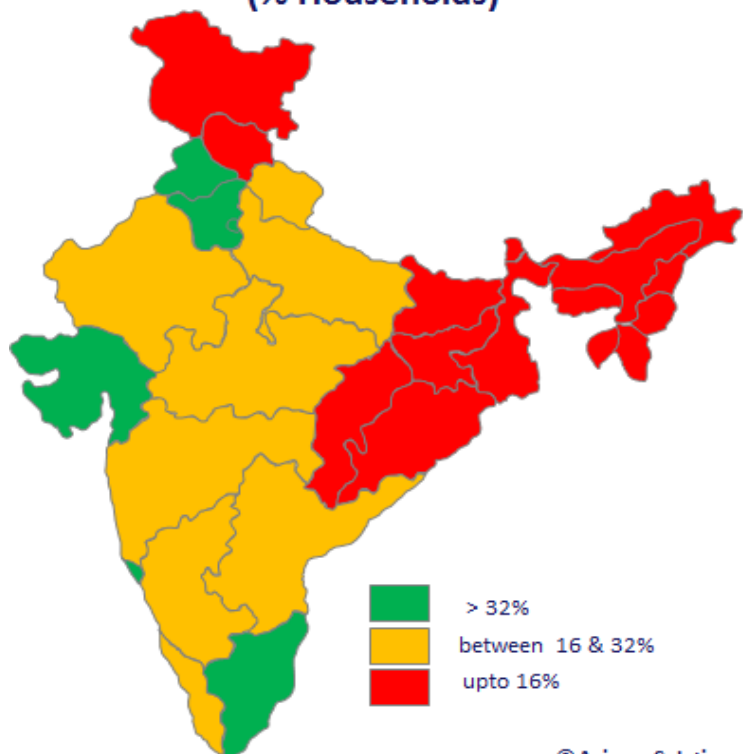
- Deepak Nighoskar, Director and Managing Partner, Avizare Solutions

- Harsha Kapoor, Director and Managing Partner, Avizare Solutions

Numbers speak for themselves. Even as analysts debate the inactivity in policy making sphere for almost three years now, Census 2011 has thrown up some interesting facts. Some of the policy initiatives unleashed over the last two decades have yielded fruits. The trends visible do not necessarily speak of the rise of the upper middle class or their more prosperous cousins - the High Networth Individuals (HNIs), but what it reveals is a more basic trend, one which is visible at the ground level. If one observes closely, an expected and desirable pattern, of how Indians have developed an affinity for wheels and how they are communicating with each other for both personal and business ends, has emerged. Ground rules of business and leisure are being re-written with the new found tools as the enablers and growth multipliers.

While we knew that over 13 million two wheelers were being added every year, providing mobility to millions of Indians, the data now coming out provides the true picture on how it is helping households

**Two wheeler penetration
(% Households)**



© Avizare Solutions



to move around, mostly for earning their livelihoods and also for leisure. Of the 247 million recorded households, around 35% households in urban India and 14% in rural India have access to a two wheeler, thereby increasing their earning potential. The decadal growth in household penetration is stupendous – growing from ~12% to 21% at an all India level.

Not surprisingly, the more prosperous states of Punjab (47%), NCR (39%), Haryana (33%) and Gujarat (34%) have relatively high penetration. Urban centres like Goa (57%), Puducherry and Chandigarh (47%) also fall in this category. Goa and Puducherry are heavily reliant on two wheelers as a source of livelihood (tourism). States like Bihar and West Bengal (8% and 8.5%) are at the bottom of rankings. District wise analysis provides a granular picture of the pockets of prosperity within the states.

Most of the two wheelers run on petrol – the ‘alleged’ fuel of elite. Every time, the price of petrol goes up, it reduces the surplus available with these households for consumption. Smart policy makers are setting the house in order and creating conditions for these households to earn, consume and grow. A case in point is Goa, where the tax on petrol was cut significantly to counter the adverse impact of high prices. Goa is an economy predominantly dependent upon tourism and wheels – both two and four wheelers are critical enablers for this industry. The multiplier effect of the cut in taxes on petrol and aviation fuel is extensive – impacts major part of the population and economy.

10% of the households in urban areas own a four wheeler (car/ jeep/

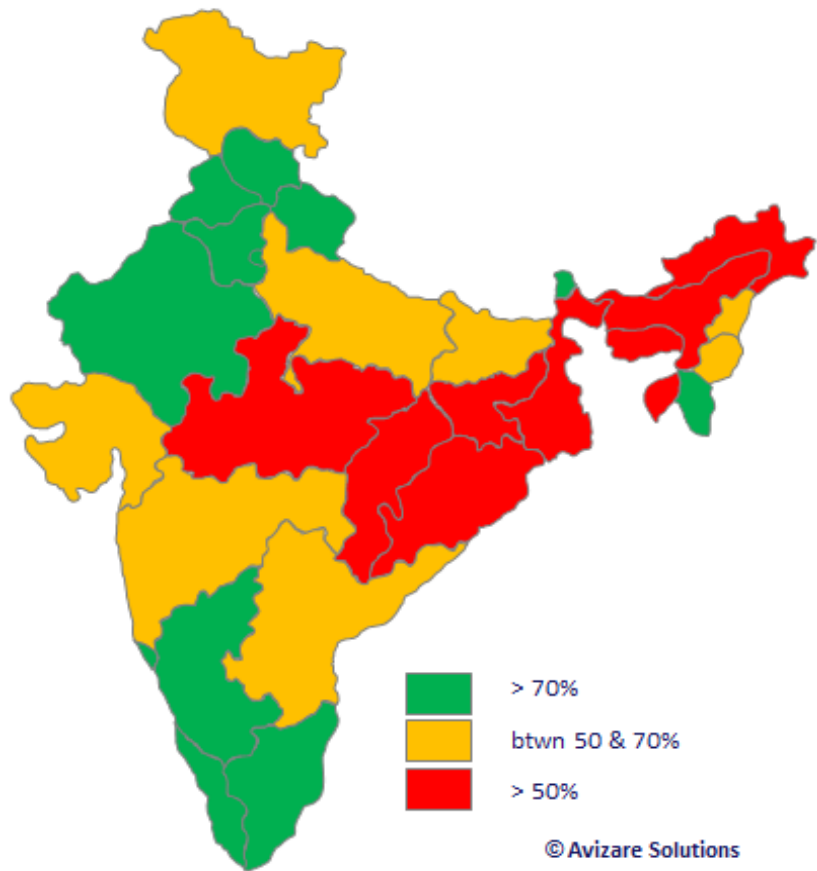
van). Since it also includes van, it is fair to assume that these machines are being used for commercial purpose too. Surprisingly, less than half the households own a bicycle in both urban and rural areas.

Even more interesting insights can be extracted from the data captured on telecom access. Telecom revolution has swept across the Indian communication landscape – cell phone access by households has been captured for the first time in the Census 2011. Telephone ownership – this includes cell phone and fixed landline both, has shot up to 63% of the households pan India. The ratio is as high as 82% in urban areas, while more than half the rural households use this piece of communication. Together with physical mobility (enabled by two and four wheelers), this mode

of communication forms the other leg of the triad – the triad that is acting as the catalyst and multiplier facilitating ease of doing business and fuelling the entrepreneurial spirit. Cell phone is no longer seen as an expensive toy in the hands of the rich but as a necessary tool of the trade and across the spectrum of society.

The use of telecom is extensive. Most of the Northern, Western and Southern regions have deep penetration; only East and North East part of the country seems to be lagging behind in this revolution. The populous states of Bihar (56%) and West Bengal (49%) are losing out in creating the facilitating atmosphere for business and entrepreneurs. As in two wheeler index, the telecom penetration

Telephone penetration (% Households)





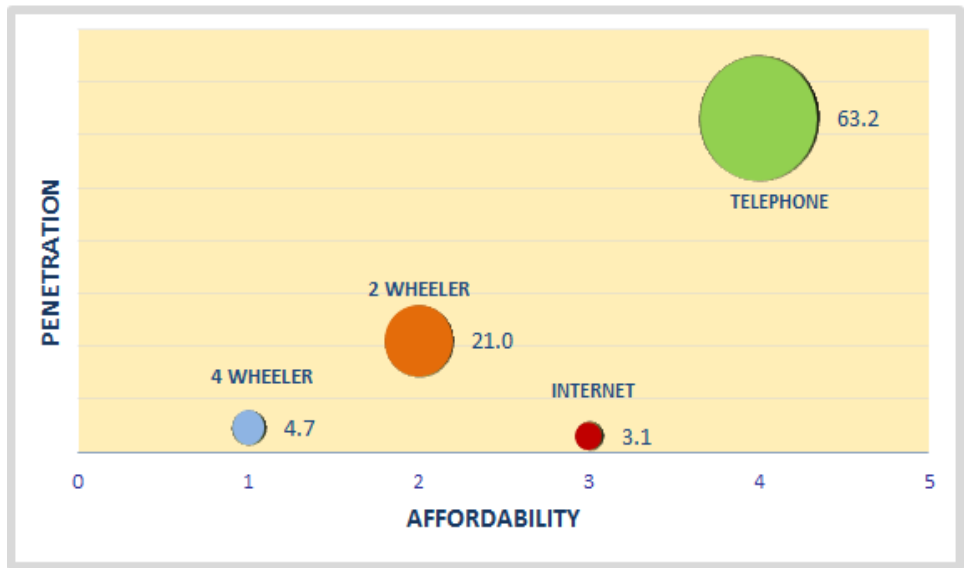
is one of the highest for NCR (91%), Punjab (82%), Haryana (79.3%), Puducherry (81%), Himachal Pradesh (82%), Goa and Chandigarh (89%). States have performed well irrespective of their size or economic performance.

The third leg of the triad – the access to internet/ broadband, has been slowest of the three to percolate down to households. Less than 10% households have access to computer or internet. While in absolute terms this is a huge number, ~9-10 crore (assuming average household size of 4), in terms of potential it is largely untapped. The use and access is highly skewed in favour of urban centres. Less than 1% households with computer in rural areas have access to internet while in urban centres this proportion is above 8. Urban centres of Chandigarh (33%), Delhi (29%) and Goa (31%) have highest number of household with access to computer or internet.

In the past, marketers and planners have mostly relied on sample data to project numbers which can then be used for their respective trades. Most of the times, they have relied upon proxy variables to arrive at income and consumption patterns. In many cases, while the aggregated numbers were available, it was not possible to look at the data at a granular level, for example households with television at district level. The granular dataset captured this time in census overcomes these limitations and equips the planners with the tool to frame and tweak policies.

The diagram shown alongside is a representation of the affordability of respective asset vis-a-vis its penetration among households. Size of the data point represents the penetration of the asset among households at all India level. A four

Asset penetration and affordability (% Households)



Source : Census 2011, GOI Statistics, Analysis Avizare Solutions

wheeler is the least affordable of the assets while a telephone is the most affordable.

This asset owning class represents a mass consumption basket that has the potential of moving on to next level of prosperity and thus a new consumption basket. As it is a very diverse group (excluding only the households below lower middle income class) only a segment wise analysis will reveal insights for better targeting.

These data points are not to be looked upon as signs of consumerism alone, but as signs of growth multipliers too. The subset of population which owns or has access to any of the assets (telephone, automobiles, internet) is to be looked as the entrepreneurial class and not the one living at the subsistence level. This is the set of households, which, given right policy environment is capable of creating wealth for itself and the nation. Government subsidy schemes could well be directed at the class not owning any of these assets.

As Rob Wagner in one of his

article points out, unleashing of the automobile phenomenon in America in the 20th century united the country and shaped the physical landscape - influencing the way American urban centres evolved. Together with Hollywood, it had a lasting impact on the American social and cultural milieu. Additionally, it created a new consuming class which became the bedrock of American ecosystem. Even as the American story was facilitated to a large extent by the automobile revolution, the India growth story could well continue to be driven in the next few decades by the triad of auto, voice and data telecom. While the American story too had telephones to back it up, the presence and growth of cell phones in Indian landscape is phenomenal in terms of access and affordability.

References

- Census 2011, Government of India (<http://www.censusindia.gov.in/>) (accessed 01 June, 2012)

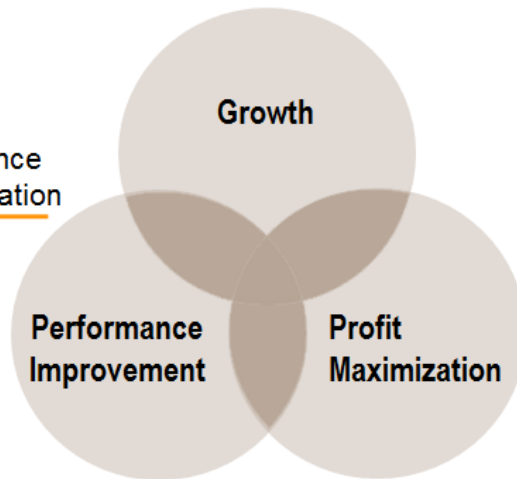
OUR SERVICES AND SOLUTION

Market assessment
Competitive intelligence
Market entry strategy

Vendor & sourcing intelligence
Logistics & inventory optimization

Consumer insights
Distribution excellence

Supply chain analytics
Production optimization



Pricing optimization
Promotion spend optimization

Project management
Corporate Governance

Avizare is a management consulting firm that aids companies in making better business decisions by leveraging facts, information and advanced analytics. We follow a customer-driven approach to develop and deliver unique and customized solutions.

Avizare Solutions

Third Floor, Block B, Vatika Atrium,
Sector 53, Golf Course Road,
Gurgaon – 122002
India

Tel : +91 124 4311222

contact@avizare.com

347 Fifth Avenue,
Suite 1402-547,
New York, NY 10016,
US

Tel: +1 212 529 5005

www.avizare.com