



THE INDIA OPPORTUNITY

Concept Note



Knowledge Partner

TATA STRATEGIC MANAGEMENT GROUP



(BACKGROUND)

As one of the world's fastest growing large economies, India is expected to become the world's third largest consumer market by 2030, if it continues to grow at over 7%. Domestic consumption, which drives nearly 60% of India's GDP today, will quadruple to \$6 trillion by 2030. This consumption will be supported by a young population with a median age of 31 years, and hence has significant potential for sustenance in the long term.

This steep growth of consumption in India will present one of the largest business opportunities in the world over the next decade. As India's #1 business house with presence across multiple key consumption sectors, Tata Group is uniquely positioned to not only participate in this opportunity, but to help drive it.

**SO, HOW DO WE LEVERAGE
THE INDIA OPPORTUNITY
TO CREATE EXPONENTIAL
VALUE FOR THE GROUP?**



(INDIA OPPORTUNITY MAP)

As India undergoes a major transformation, there are 5 aspects of the India story that can create significant opportunities for businesses that seek exponential growth.

URBANIZATION

**GROWING
AFFLUENCE**

**MASS ADOPTION
OF DIGITAL**

**NEW AGE
CONSUMERS**

**FOCUS ON
RESOURCES
& SUSTAINABILITY**



URBANIZATION

By 2030, India will have a population of over 1.5 billion, more than 40% of whom will reside in urban areas. This would mean an increase in urban population by over 120 million in about a decade. To accommodate this massive influx, India's urban landscape will see significant growth. According to BCG, India will need to create over 400 new tier-3 & tier-4 towns, 25 new tier-1 & tier-2 cities and double the number of metros by 2025.

Infrastructure and mobility will be mega opportunities as cities transform to house and sustain these large urban populations. McKinsey sees a 4x gap between demand and supply in rail based mass transit, and a shortage of 38 million units of affordable housing in 2025. Urban congestion is another key challenge, which may create a need for fundamentally reimagining living & commuting options.

Apart from these mega opportunities, healthcare, apparel, durables, education, basic services will all need to scale up to serve the growing urban population beyond today's cities and towns.



GROWING AFFLUENCE

By 2030, India will add nearly 140 middle income (\$8.5k - \$40k/year) and 21 upper income (>\$40k/year) households, doubling the share of these segments in the population to 51%. Middle income and high-income households will spend nearly \$4 trillion by 2030, of which \$2 trillion will be on new categories or premiumization of existing categories.

While essential categories like food, housing, transport and communication, apparel and personal care will see a 2.5x growth due to increase in income levels, categories such as well-being, entertainment and household services will see a 3-4x growth. WEF estimates that about 40-45% of Indian households in India's top 40 cities would increase spend for quality, features or value-added services, rather than on incremental volumes.

Increasing affluence will require opportunities for multiple Tata Group companies to introduce new categories, premium products, as well as attract new customers. Air travel, hospitality, consumer durables, jewellery, financial services, apparel and entertainment are already a part of the Group portfolio and will see significant opportunity with growing affluence.



MASS ADOPTION OF DIGITAL

India already has 400+ million internet users, with mobile being the primary point of internet use for the population. By 2030, India will have 1 billion plus internet users, with 90% of citizens above 15 years of age having internet on their mobiles. Digital will become as important to rural, vernacular language consumers as it is today to urban, English literate customers.

Digital platforms (especially e-commerce portals) have already moved the points of discovery and sale online for multiple categories, such as apparel, electronics and durables. In addition, multiple digital businesses are emerging to plug natural supply gaps in areas like education and healthcare, where most new consumers would be in rural areas, while top-quality service providers would like to live in cities. Digitally enabled business models, such as ride-hailing cabs, service aggregators and rental/ subscription services are challenging established traditional models of companies.



NEW AGE CONSUMERS

By 2030, 77% of India's population will be Millennials and Generation Z, with nearly 90 million leading households. Unlike earlier generations, these customers, even in rural and low-income segments, will be connected and aware of brands. Millennial and Gen Z consumers come without the constraints of earlier generations, who were much more frugal and savings oriented. As a result, they will be willing to spend more on aspirational brands and products/services. However, these consumers will require high degree of personalization in their products and services and expect well curated experiences.

New age consumers will have a different customer journey than customers of today, as they would primarily rely on social circles rather than mass media to help decide on purchases. They would also be highly networked on social media and will seek personal, real-time attention from brands. Serving new age consumers will require significant changes to how companies engage, deliver and support customers throughout their lifecycle.








FOCUS ON RESOURCES & SUSTAINABILITY

As India becomes the world's largest population by 2030, there will be intense pressure on resources and sustainability. By 2030, India's water demand would be twice the available supply, according to Niti Aayog. India's energy demand is to more than double from 709 mtoe in 2015 to 1628 mtoe by 2030 according to McKinsey. India already has 14 of the 15 most air-polluted cities are in India, and generates 150,000 tonnes of solid waste every day, of which less than 30% is treated. The World Bank expects the daily waste to expand two-and-a-half times by 2025. Significant investments will need to go into unpolluting land, air and water and to conserve resources, and the government is likely to mandate/ enlist the support of corporates to achieve these goals.

Sustainability is an imperative as well as an opportunity for the Tata Group.

(TO KEEP IN MIND WHILE SOLVING THE CASE)

What would be the expectations from you? The suggested scope is:

-  Prioritized business opportunities for the company (new products/ segments/ markets) aligned to the megatrend chosen by the company
-  Extent of scale & profitability that can be driven along shortlisted opportunities
-  Business model options/ ideas for addressing shortlisted opportunities
-  Mode of entry (organic/ partnership/ M&A) for shortlisted opportunities
-  Key risks & areas for further exploration