

Modi's millennials drive India's online revolution

The shift in focus for emerging markets from GDP growth at all costs to sustainable economic development is driving many important investable themes.

To identify these themes, we use grassroots research trips, consumer interviews and focus group discussions.

On a recent trip to India, we visited three lower-tier cities – Ahmedabad, Pune and Lucknow – to meet middle-class consumers aged 20-30.

We also took an online survey of 1,200 millennials across India, home to more millennials than any other country in the world, to help us identify three key themes.

Digital democratisation

Internet and mobile penetration in smaller cities such as Pune and Lucknow is beginning to match that of larger metropolitan cities like Delhi and Mumbai. Since 2016, data prices in

India have plummeted 95% to approximately 18 rupees (\$0.26) per gigabyte (GB), according to the Telecom Regulatory Authority of India. That has contributed to an eightfold increase in usage. By the end of 2018, the average user consumed 9GB of data per month (see chart).

Data entry

As consumers spend more time online, the information gap tends to shrink and consumer patterns can shift.

Many consumers said the proximity and convenience of brick-and-mortar stores shape their purchasing choices, but they like to compare prices online to get better value.

Our online survey and the interviews with millennials revealed the use of ride-share services, meal and grocery delivery, digital payments, social media and video streaming are now nearly as common in lower-tier cities as they are in metro cities. We believe the likely beneficiaries of this theme include digital service providers, logistics companies, e-commerce platforms and digital entertainment companies.

Pride of a nation

Until recently, "modernisation" implied the adoption of Western products and preferences. But prime minister Narendra Modi

As data costs plummet, Indian consumers spend more time online



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has changed this approach by tapping into national pride.

His government has backed the popular "Make in India" campaign and partly funded movies and TV shows that reinforce India's cultural values and military prowess.

Today, many young Indians see modernisation as combining the best of their ancestral roots with modern technologies.

The result is greater demand for domestic brands and products that put a modern twist on tradition, combining "eternal"



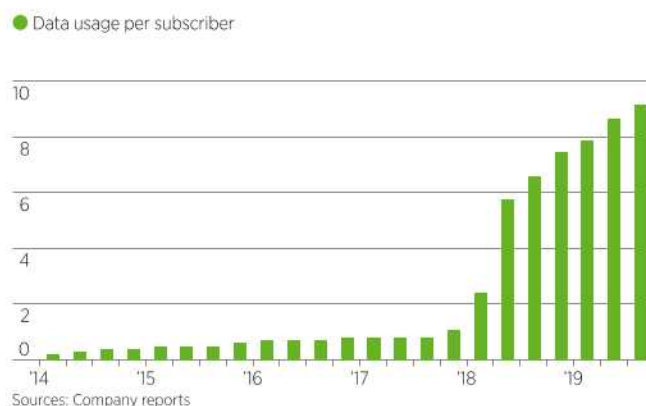
Simon Henry
Fund manager,
Wellington EM
Development Fund

and "emerging" India. These include:

- A line of smoothies with traditional flavours but slick packaging, under the tag line "drinks and memories".
- A popular chain store selling clothing in modern styles but with traditional embroidery.
- Charcoal toothpaste, historically considered "backward", back on supermarket shelves.
- An orthopaedic commode step stool designed to allow the user to mimic the posture of squatting over traditional toilets.

Indian data usage since 2016

Data usage (gigabytes)



State of independence

Millennials face the conflicting pulls of independent lifestyles with the moral and financial support of family. Most of our respondents said they hope to become financially independent and buy their own homes. Yet they also want to remain close with their parents, who are often the primary source of childcare.

According to the Ministry of Housing and Urban Affairs, India has a massive housing deficit (an estimated 12 million units in cities and another 33 million in rural areas), contributing to soaring real estate prices in many cities and scant consumer protection for home buyers.

Approximately 80% of Indian millennials live with their parents, but how they live is changing. Many real estate developers are building larger bungalows or apartments for multiple generations. These offer privacy for occupants and feature contemporary amenities like multiple baths and living areas. They also provide shared facilities like playgrounds, fitness centres and swimming pools.

Millennials also highly value social networks. In particular, women cited their friendship groups as lifelines to community, empowerment and fun. Demand for collective experiences and leisure activities is high. They like to hang out with friends at shopping malls and are spending more on eating out, shopping and watching movies.

Travel remains aspirational, with even the younger genera-

IN NUMBERS

\$0.26

Data price per gigabyte

9GB

Average data usage per month

12M

Urban housing deficit (units)

Source: Telecom Regulatory Authority of India/Ministry of Housing and Urban Affairs

tion mainly travelling domestically or for religious reasons. However, many of our respondents expressed a desire to take trips abroad in the coming years.

Possible ways of investing in this theme include select real estate developers (especially those offering consumer protections), branded theatres and cinema chains, mall operators and travel and tour groups.

The rise of millennials and their changing aspirations are creating strong structural return opportunities in India, which are often echoed in other emerging markets. **LW**

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