WHY SOME SLUMDOGS FEEL LIKE MILLIONAIRES AND SOME MILLIONAIRES LIKE SLUMDOGS

THE THEORY OF MULTIPLE POVERTY LINES

Shobha Prasad

INTRODUCTION

Post on Facebook: *"Very cool website(http://globalrichlist.com/) ...plug in your annual income and see your rank on the global rich list. It totally stumped me! On the one hand I almost feel guilty now to ask for a pay hike :) but then relatively speaking I am on the poverty line compared to the really really rich folks!!"*

A London taxi driver: *"I went to India- people had so little but they were smiling and happy. Why? I have stopped complaining."*

What is rich? And what is poor? Why do some really rich people complain about not having enough to support their lavish lifestyles? And what keeps some people with low incomes happy and contented?

What consumers buy, the choices they make, the images and media messages they respond to are strongly influenced by the consumer's level of affluence. What exactly is affluence?

Conventionally, we define affluence linearly based on income levels and assets / durables owned. Even the Socio Economic Classification followed in research today in India simply provides a surrogate for income (which respondents were not very forthcoming with), with classes A, B, C, etc. effectively substituting for income slabs. At a very broad level, we consider SEC A to be an affluent class, SEC B & C to be the middle classes while classes below these are considered bottom of the pyramid (BOP), or "struggling" classes. We assume that spending patterns also follow this classification. Consumers from SEC A have greater disposable income, and therefore allocate a greater proportion of resources to luxuries. Consumers at the BOP would have lower disposable incomes and allocate a greater proportion of resources to achieving and upgrading the quality of the basic necessities of food, clothing and shelter.

The first clue that there is greater complexity to this than meets the eye is the fact that an enormous number of consumers across SEC's in India describe themselves as "middle class". A news article in *The Hindu* describes the puzzlement of a researcher who visits one of the poorer sections of Bangalore to find out if workers there described themselves as "poor" or "working class", and finds instead, that they all consider themselves to be "middle class". Similarly, we have encountered consumers who describe themselves as “middle class” all the way up to businessmen who earn up to Rs. 10 lakhs a month which would actually place them at the very tip of the Indian income pyramid. So does this mean that India has an enormous unwieldy middle class straddling a huge range of incomes?

Also, amazingly, there are many, who by absolute standards would have been classified as wealthy, who report lack of a sense of well-being and distinct feelings of poverty. They are strugglers in their minds, dissatisfied with their economic status, wishing to climb higher and reach a position of “economic equilibrium”. We have encountered “strugglers” across income bands.

And there have been those who describe themselves as “well off” at an income of $330 a month which comes in steadily, without worry or struggle. In fact it is rare to encounter people who actually describe themselves as “rich” regardless of their level of wealth.

Obviously, there are different benchmarks being used by individuals to judge whether they are affluent, middle class or poor. There appears to be a stratified approach where each social class seems to be defining for itself a set of standards based on which the “members” of that social class assess their economic situation. Within this social class, a member could feel poor or feel rich as per the standards of that class. This could be called a “reference set”.

The point is that these do not necessarily correspond with a linear, income based assessment of affluence. The bigger question is whether the way the consumer perceives his level of affluence affects his consumption and saving behaviour?

This paper postulates the following:

1. There are multiple layers to which every individual feels he belongs.
2. Each layer has its own standards, “affluence ceilings” and “poverty lines”.
3. An individual’s social and economic behaviour is determined, not by how poor/ rich he is in absolute economic terms, but by how poor/ rich he feels by the standards for his reference set.

We have examined qualitative research in the last 10 years in India where concepts of aspiration and affluence have been explored. The specific categories that have been covered for this enquiry have been cigarettes, motorbikes and foods.

Additionally, a short qualitative exercise has been conducted using in depth interviews with a sample of 15 males in the age band of 25-45 years, from SECs ‘A’, ‘C’ and ‘E’ in the city of Mumbai. This exercise was used to unravel the anatomy of ‘affluence’ and ‘poverty’ at different levels of society, understand how consumers define their own position in the ladder of affluence, and understand the impact that these have on their economic and social behaviour.

MULTIPLE LAYERS TO WHICH EACH INDIVIDUAL FEELS HE BELONGS

"All of us are prisoners of our own socialisation," says C.K. Prahlad in "*The Fortune at the Bottom of the Pyramid*". Every human has a drive for self-evaluation - people want to evaluate their skills and performance by comparing themselves with others. This is the essence of the Social Comparison Theory first put forth by Leon Festinger.

In India, the actual reference set that each individual forms for the sake of comparison is influenced by the following:

Internal factors

- *Family status*: Every child is born into a family which, through their circumstances, social standing, nurturing and resources devoted, would shape his adult standards and aspirations. Peter M. Blau and Otis Duncan were sociologists whose early work on the Status Attainment Theory showed that the status of the family strongly affected the status attained by the offspring- men had a higher chance of being in high status jobs if their fathers had high status jobs. In India, where the children tend to stay with parents and do not leave home early, the family has a very strong influence on the kind of benchmarks that are adopted.
- *Extended family*: Within an extended family, there are often inequalities where some members do much better than others. These tend to form a sort of benchmark for the entire extended family.
- *Community and caste/ sub caste*: Each caste/ community in India has distinct lifestyles and norms. These norms and habits form strong reference sets.
- *Peer group*: peer group benchmarking, i.e. based on "people like me"- from similar geographies, with similar education. Occupational groups such as groups of painters, or MBAs, etc. provide benchmarks.
- *Personal ability*: the individual also develops an understanding of his own abilities, strengths and weaknesses.

External factors

- The media, advertising, the role models and benchmarks for achievement and lifestyles propogated.

Through all of these, the individual forms a rough idea of the kind of lifestyle he wants to lead, and a reference set against whom he compares himself.

The Indian consumer appears different from the western consumer in some fundamental ways:

- Western theory tends to emphasise the individual. Hence the "self" is the individual self. The Indian on the other hand has a stronger social identity, and tends to define "self" as his "family" or his "community". Even in spoken Hindi, the word "humm" meaning "we" is used more often while the word "main" meaning "me" or "I" is used far less frequently- even while describing behaviour.
- The individual self, while it exists, is often subsumed by the social self and the drive to conform to the norms of the social/ filial set.
- This need for conformity drives behaviour. Occasionally the individual and social selves conflict to create some duality in behaviour.
- Today, with western influences, there is an emerging class of "Wild Geese" for whom the benchmarking patterns are pseudo western.

Typical reference sets

Reference sets may be multiple including:

- family reference sets,
- professional reference sets - typically, an MBA fresh out of business school would reference himself against other MBAs across different business schools. He would also compare himself to others of his own age within his family.

Stratification

Indian society has had centuries of rigid stratification through the "varna" system. A "varna" or caste was essentially an occupation that was defined- for example, Brahmins were teachers and spiritual leaders, Kshatriyas were warriors, Vaishyas were merchants and Shudras did menial jobs. Within each there were subcastes where the occupations were more finely defined - e.g. potters, artisans, masons, etc. As per this system, a man was born into a caste, married within that caste and could not have aspirations outside this caste. The castes were also hierarchical – a Brahmin or Kshatriya was above the Vaishya who was above the Shudra. While members of every caste were careful not to get "above themselves" they were equally careful to preserve their status and not "go lower" - so staying at the "middle" was important.

While today the caste system does not operate rigidly and mobility across occupations is free, there is still the remnant of the attitude of acceptance of limits to aspiration. Equally, Indian society is status conscious and would go to great lengths to preserve appearance of a minimum lifestyle due to their status and not "go below".

Based on all of these, each individual creates a scale for himself – a social class – with "minimum" and "maximum" boundaries: a minimum lifestyle below which he would not like to go, and a maximum level that he can reasonably achieve.

Santosh, an office boy, is a migrant into Mumbai from a nearby village. He lives in a slum in a *kachcha* house and considers himself poor as he is able to save nothing from his income and the temporary nature of his house makes him feel uncomfortable, ashamed and insecure. He would feel middle class if he could live in a *pakka chawl* (shared accomodation where each family is allotted a single room and shares the bathroom with the rest of the families). He would feel rich if he could buy a one bedroom flat in a 4 storied building, a bus stop outside his home for ready access to public transport, and a steady income to enable him to invest in life insurance worth $8000-9000. Santosh knows that given his background and education, there is no point aiming for anything more than this. He "knows" his social class and in this class he is currently close to his poverty line. And he has a well-defined aspirational ceiling in place.

EACH LAYER HAS ITS OWN STANDARDS, "AFFLUENCE CEILINGS" AND "POVERTY LINES"

Let us look first at the conventional definitions of "poor", "middle class" and "rich" or "affluent".

Poverty

The World Bank has the following to say about poverty:

"A person is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs. This minimum level is usually called the "poverty line". What is necessary to satisfy basic needs varies across time and societies. Therefore, poverty lines vary in time and place, and each country uses lines which are appropriate to its level of development, societal norms and values."

The World Bank sets a global poverty line at $1.25 a day. McKinsey Global Institute (MGI), in their report on the Indian consumer, defines a segment of "Deprived":

They earn less than 90,000 Indian rupees a year ($1,969 per household, or about a dollar per person per day), and include subsistence farmers and unskilled laborers who often struggle to find work.

The interesting aspect of the World Bank definition is the use of the words "basic needs". What are "basic needs"? Given that each individual defines himself as being part of a social class and therefore a certain expected lifestyle, the concept of "basic needs" would vary by social class.

Santosh in the example given earlier takes home a salary of Rs. 7000, roughly around $150 a month which is at the poverty line laid down by the World Bank. He feels he is poor because his "basic needs" include a "pukka" house and a good school (preferably English medium) for his children.

In another example, Anish, a project manager with a Masters in Computer Applications, earns a salary of more than $20,000 per annum at the age of 29. When asked about his current status in life and how he feels about his lifestyle he says, "*I feel I am slogging. Day by day liabilities are increasing but I get a pay raise once a year. In that span liabilities increase at a greater pace while my pay package doesn't. So I see myself slogging in near future. If I had no liabilities then this package is somewhat OK, but definitely not with my liabilities. So in a nutshell I consider myself financially unstable."* Anish has taken a housing loan and a car loan in order to achieve the kind of lifestyle he wants to live.

There is actually no real difference between Santosh and Anish in terms of where they perceive themselves. Both are struggling to achieve the minimum basic lifestyle standards that they have set for themselves, and both feel that they are "slogging" it out for the moment. Even by the basic definition provided by the World Bank, both are "poor".

What this suggests is the existence of *Multiple Poverty Lines* rather than a single basic line that "fits all". All individuals at these poverty lines show similar characteristics:

- They are "strugglers" in their own minds.
- They suffer from low self-esteem, feel that they are not successful as compared with peers and indeed their own standards.

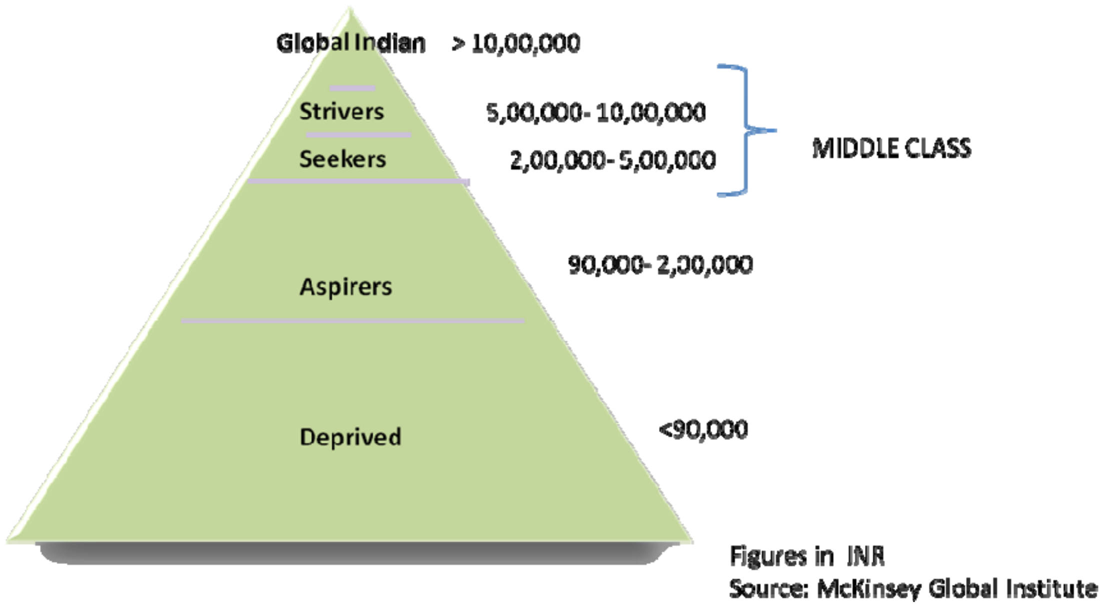
- They are opportunistic and unstable, willing to change jobs, not very committed to brands they use. Interestingly, in a recent exercise conducted to study brand switching behaviour for a well-known brand of cigarette priced at Rs. 25 per pack, known to have a strong loyal following, those who showed an openness to switch from the brand tended to be those who were clearly Strugglers who were smoking the brand due to their economic constraints.
- They are frugal, do not spend easily on what they would consider luxuries.
- Their definition of "necessities" and "luxuries" depend entirely on the Basic Minimum Lifestyle that they want to achieve. For instance, in the examples given, Anish would not dream of buying anything less than a flat screen colour TV.

"Middle Class": Who exactly is middle class?
The media and marketing gurus are excited about the growth of the "Great Indian Middle Class", growing larger as more and more people emerge from below the poverty line due to overall growth in prosperity levels. However there are no clear definitions of what exactly constitutes "middle class". As of now, any household that makes it across the "poverty line" by definition becomes "middle class". The Indian middle class, which is defined roughly as consuming between $2 and $20 a day is estimated to have grown by 205 million between 1990 and 2008. The growing middle class is seen to be responsible to a great extent for the country's growth in prosperity as this class is progressive, demanding and willing to consume. There has been a spurt of products that are low cost such as the Tata Nano and the Godrej $70 refrigerator aimed at the lower end of the middle class that is just emerging from the poverty line. The assumption is that this class is more relaxed about their financial situation and therefore in the mood to buy products that are beyond just the basics.

Individuals themselves tell you that there are many more subdivisions- there is "lower middle class", "middle middle class" and "upper middle class". The McKinsey Global Institute report on India has named these segments "Aspirers", "Strivers" and "Seekers" defined purely on the basis of income levels:

- On 'Aspirers': Earning between 90,000 and 200,000 rupees ($1,969-$4,376) per year. Their lives are not easy... They spend about half of their income on basic necessities, and many of their other purchases are bought secondhand or in what Indians call the "informal economy."
- On 'Seekers': earning between 200,000 and 500,000 rupees ($4,376- $10,941)... They enjoy a lifestyle that most of the world would recognize as middle class and typically own a television, a refrigerator, a mobile phone and perhaps even a scooter or a car. Although their budgets are stretched, they scrimp and save for their children's education and their own retirement.
- On 'Strivers': with incomes of between 500,000 and 1 million rupees ($10,941-$21,882) ... Successful and upwardly mobile, they are highly brand-conscious, buying the latest foreign-made cars and electronic gadgets. They are likely to have air conditioning, and can indulge in an annual vacation, usually somewhere in India.

FIGURE 1
MGI HOUSEHOLD INCOME BRACKETS



"Middle class" however seems to be more a state of mind than demography. Karen Aho, in an article in *MSN Money*, remarks:

"In the United States, a family earns $200,000 a year and an Xbox game console so kids don't have to play outside but barely blinks before labelling itself middle class. In India a scooter company aims ads at a schoolteacher who earns $2,500 a year and lives in a tiny brick house. Why? Because that teacher, according to marketers, is middle class. And yet, experts say, neither is incorrect. The Indian teacher, despite his relative poverty, earns an extra sliver of his income that will allow him to buy what he doesn't absolutely need."

This observation that deals with differing standards across countries also holds good within a country, in fact, within the same city.

Jaiprakash Rai is a 40 year old autorickshaw driver living in a chawl in Mumbai. He earns an income of Rs. 10,000 ($220) a month and feels this is adequate to feed a family of four, including two daughters. He has a room of his own and owns the autorickshaw he drives. He believes he is a middle class person. A middle class person according to him is someone who earns between Rs.8000 to Rs.15000 ($175- 330) per month, can take care of his family's basic needs with no worry about food. His dream is to give his children a good education and hopes that they will grow and take care of him and the family. He would have liked to have owned three autos which would have given him an income of around Rs. 15,000 ($330) per month, at which point he would have felt rich and would have power and status in his society. He is cautious about how he spends his money.

Vatsal is a 27 year old who has his own manufacturing unit. His definition of upper middle class is someone who earns at least $10,000 per month. He defines himself as middle class as he easily fulfils the basic requirements of his lifestyle, for which he needs about $ 1500 per month and is ambitious to achieve a much higher income level. He aims to achieve, one day, an earning level of $60,000-70,000 per month at which point he will have both financial and political clout.

Both Jaiprakash and Vatsal share a sense that the basics of the lifestyle that they would like to have, have been secured. What both are seeking, each at his level, is a value addition in their lives that would take them to the top of their social class. Jaiprakash would like to have greater status and power in his *chawl* while Vatsal would like to gain a wider circle of power and recognition over a wider circle. Both are ambitious, but without the desperation that the Struggler feels. What is interesting is the vast difference between their income levels, and even in their age.

This stratified approach is also visible in the way consumers see brands. Typically, in brand mapping exercises, consumers often spontaneously divide brands into "classes"- usually labelling these "A" class, "B" class and "C" class brands based on price X quality perceptions. In the case of cigarette brands, we have observed that SEC C respondents generally ignore the existence of higher end / imported king sized brands, and typify a set of brands, containing their brand of cigarette, as "middle class". Higher SEC respondents who are king sized cigarette smokers would typically mark this same set as "low class" or for "economically constrained" people and label the set containing their brand as "middle class".

This is true not just for cigarettes but also for categories of any of the lifestyle products such as motorcycles and apparel. There appears to be no common benchmark that everyone uses to mark out their status on the map.

The other interesting observation on this segment of "middle class" is a sense of loyalty and value that they have for the products and brands that they consume. Status seems to be important for this segment hence the importance of a well known brand name, or a name with strong status connotation. In a research conducted in the last decade, on the brand Onida, a long standing Indian brand of television, strong Onida loyalists across SEC segments tended to be those who had a self image of being stable and middle class.

Being rich: Hamster on a treadmill

As mentioned earlier, very few people actually like to own up to being "rich". However, enough euphemisms are used such as "comfortable" or "well off". But what precisely is rich?

A small survey conducted by Bankrate.com, a financial portal based in the United States, showed that for 33% of those who took the online poll, rich meant having enough money "not to worry". An additional 26% defined rich as having enough money to quit their jobs. Very few people actually put dollar amounts on the definition of wealth. A study also found that people in the west were no happier in the last 50 years despite being healthier, wealthier and more widely travelled.

Sociologists have conducted many studies to understand whether happiness results more from absolute wealth or from relative wealth. An experiment was conducted at the University of Bonn by Prof. Christian Elger and Prof. Armin Falk to understand this using a brain scan. What they found was that no matter what the level of wealth, money is most rewarding if you have relatively poor friends, peers and colleagues.

So being rich seems to be a relative concept. You need to be "richer than" peers and others that you define to be in the same social segment, in order to define yourself as "rich".

An example of the "rich" not being as rich as they seem is seen in an article by Shawn Tully in *Fortune Magazine*. He describes a class of "High Earners, Not Rich Yet," whom he calls "the HENRYs" for short.

"They're the doctors, attorneys, accountants, owners of real estate agencies and security firms, who earn -- or used to earn -- between $250,000 and $500,000 a year. These aren't investment bankers, hedge fund managers, CEOs, trust fund babies or other members of the super-rich. No, the HENRYs are generally folks in their 30s and 40s who got the best grades in high school, worked their way through college, and logged long hours as law firm associates or consultants on the rise. In most HENRY households, the husband and wife both work to tally those big incomes…

"… just before the presidential election, Barack Obama was targeting the HENRYs for big tax increases, declaring that families making over $250,000 a year were "the rich" and needed to "pay their fair share." Even then, I argued, the HENRYs were so squeezed between their big expenses for the things they considered staples -- private schools and day care for the kids, for example -- and an immense tax burden that typically took at $100,000 from a $350,000 income, that they not only weren't rich, but stood little chance of ever saving the big nest egg to qualify as truly wealthy."

The "HENRYs" are clearly Strugglers and Climbers in a social class that they have just entered through hard work, grit and ability.

In a different world, in a different social class lives a man called Ravi - an autorickshaw driver in Warangal, a small town near Hyderabad. He is secure about his status and is doing much better than his peers and family. He owns three autorickshaws and also obtains income from rentals. At an income level of around Rs. 18,000 (around $400) per month in a small town, Ravi feels distinctly well off and is well regarded and respected by his peers.

So does this mean that people do not compare themselves to other more affluent social groups? A recent study conducted amongst SEC C and D men in the city of Chennai- mechanics, electricians, autorickshaw drivers, etc. - to understand values, attitudes and lifestyles, showed that people of this social class harboured a deep resentment of those from obviously wealthier "white collar" segments. They believed that they were "lucky" and had been "born wealthy" and couldn't help but be happy as they had "no money troubles". Interestingly, however, it was found that the class they resented was considered out of reach and therefore "beyond aspirational". In fact it was this angle that actually created resentment.

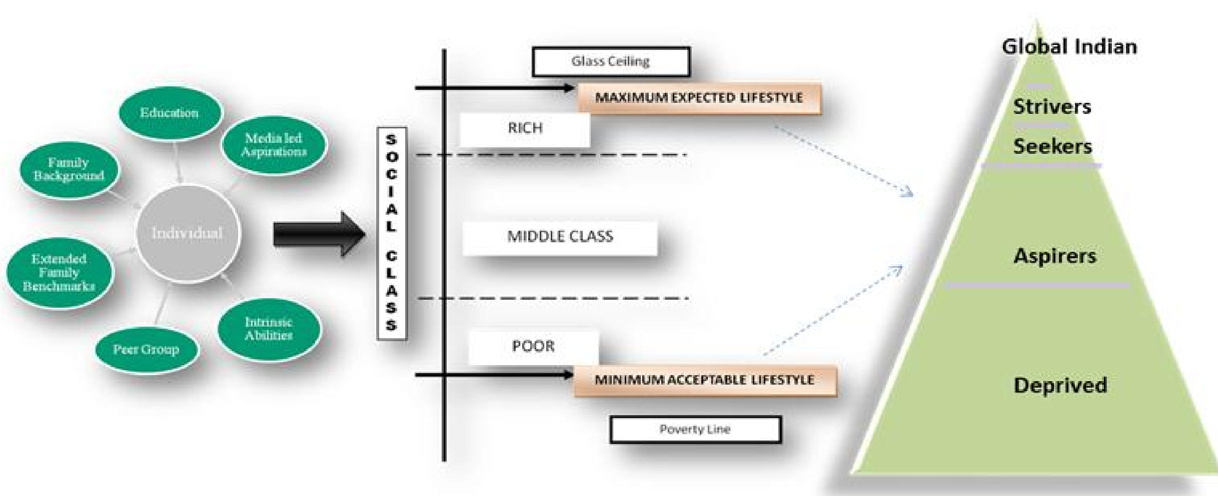
In a study designed to understand status, we obtained reactions to mood boards that depicted different types of status. This study was conducted in Delhi, Chennai and Mumbai. Across centres, SEC C segment found boards expressing what we would consider an ordinary middle class ethos to be the most aspirational. SEC A on the other hand found this same board to be a depiction of current middle class reality and totally non aspirational.

What we can infer from this is that, just as an individual defines for himself a kind of aspirational lifestyle, he also defines a limit which provides the ceiling beyond which he does not believe he will progress. To a great extent, these ceilings are simply pragmatic estimates of what it is possible to achieve from the point where an individual starts. The achievement of the wealthiest member of the social class is likely to set this glass ceiling for the class.

Given that there are multiple social layers or classes, there are *Multiple Aspiration Ceilings* across the spectrum. And those who achieve the level of this ceiling for their social class feel rich. Even displays appear to be for those within the community or reference set and therefore "badges" are community defined.

Figure 2 shows the construct in stable economic and social conditions.

FIGURE 2
INDIVIDUAL'S SOCIAL CLASS DEFINITION IN STABLE CONDITIONS



What happens in unstable conditions?
What has been described so far holds good for relatively stable conditions, without much social mobility or drastic changes in lifestyle. However this is not always the case. Economies such as India and China have started to grow rapidly over the last few years. And more recently, the world economy is in a recession which has affected different countries to different extents, and has drastically changed many lives virtually overnight.

Impact on the social order of sudden changes in fortunes: "Crazy Eddie" moments and shifting aspirations
India has seen massive growth in the last ten years and salaries for some segments have grown enormously. Across sectors opportunities for employment and earning have opened up. Those who began their careers in the late 1980s and early 1990s have witnessed a huge growth in their salaries and have moved from a controlled economy where they have had to economise and plan their consumption to an open, hedonistic scenario.

Hemant is an astrophysicist by qualification and for about a decade, by profession. One day, he decided on a midstream change of profession and set out to explore opportunities in the private sector in software technology. His entry was well timed as the Indian software industry was beginning to boom and salaries were beginning to rise. One day, he received a job offer from a multinational at six times the salary he was currently drawing at his position. Hemant, who thus far had defined himself as a conservative, middle class, pragmatic person and not one to waste money, went out and bought himself a Mont Blanc pen for Rs. 10,000 ($220). After this sudden rush of "crazy behaviour", he continued with his original lifestyle – pragmatic and well ordered.

The first few thousand Infosys employees found themselves sitting on a windfall when the company shares they owned skyrocketed in value and converted them into millionaires. The new millionaires ranged from drivers and office boys to middle level executives and a few senior executives, all of whom had hitherto followed a non-ostentatious and conservative lifestyle, based on the example set by Mr. Narayanmurthy himself. They largely continue to follow the same lifestyle without many outward signs of change. They feel very rich given that there is an enormous gap between the lifestyle they desire to have, and the amount of money at their disposal.

When Vasu started his career in the mid-1980s, he earned what would be considered today a pittance. He was not perturbed in the least. He was at the bottom of his consuming class but knew he would progress from buying the lowest priced watch of his aspirational brand to the highest priced watch in the same brand. Today, 25 years later, he can afford to buy a far superior high status brand (which he had completely ruled out ever owning 25 years ago)- but again, just the lower end of this brand. He has somewhere down the line upgraded the social and consuming class to which he belongs, but in a sense come back to where he started, since he is at the lower rung of this social class.

Today, bright students out of top business schools earn starting salaries far beyond what their fathers could have expected at the end of a complete career. When they reach a goal or a milestone in their career, they go out and buy an aspirational brand or product- BMW's, Mercs, expensive watches.

For a while they would feel rich till they start to adjust to a new social ladder, their current lifestyle becomes a hygiene requirement, and they readjust their eyes to new goals and aspirations.

To one accustomed to a certain basic lifestyle, a dip in fortunes creates a problem.

Shawn Tully of Fortune captures the insecurity of the so called "rich classes" – the HENRYs- in his article:

"The HENRYs… saw their incomes jump in the great economy of the early-to-mid 2000s. During those flush years, they took on bigger and bigger fixed expenses and commitments, from big mortgage payments to private school tuition to college saving plans. "Now, the HENRYs are trying to cut their costs by shortening vacations and considering public schools," he says.

"The rub is that the drop in their incomes is so dramatic that they can't economize fast enough to maintain a decent flow of savings for retirement. "The HENRYs weren't saving much before," says Glassman. "Now, they're dipping into their savings and investments to maintain something close to their former lifestyles."

"What does that mean for their future? What looked like a far from luxurious retirement -- even in the good times, they could forget about getting rich is now looking even more modest. "The HENRYs will typically end up with $1 to $2 million in savings," says Glassman. So at 4%, they will have incomes of maybe $100,000 a year in retirement, including Social Security. And that $100,000, points out Glassman, will be worth a lot less than it is today.

When recession hit the world, the CEO of a large multinational service company in India decided to postpone purchase of a new large LCD TV, which could cost no more than the smallest fraction of a large pay package. Another senior executive in the same bracket postponed purchasing durables for his mother for the same reason.

This sort of behaviour appears inexplicable – but shows a very high level of insecurity at play even amongst those whom we believe to be highly affluent and secure in their fortune. Their lifestyles in their view seem to be precarious and shaky, and their ability to take risks not as high as we would imagine.

The theory of multiple poverty lines/ multiple aspiration ceilings

Therefore to summarise the ideas expressed so far:

1. There are multiple socio-economic layers – each 'socio-economic layer' has its own standards, "affluence ceilings" and "poverty lines". Every individual feels he belongs in a particular "layer".
2. "Affluence" and "poverty" are not absolute concepts- these arise as the difference between the minimum acceptable economic standards (for the layer that the individual believes he is in), and the economic level he achieves. When this is positive, he feels happy and well off; where this is zero or negative, he begins to dissonate and feel poor. (And someone who feels poor feels compelled to act to correct the situation…).
3. Based on this, every individual actually creates a 'ceiling' for himself that he does not aspire to go beyond at a realistic level.
4. Within each layer, there would be:

a. *"Strugglers"* who are close to the poverty line, struggling to rise to a level where they would achieve an acceptable lifestyle

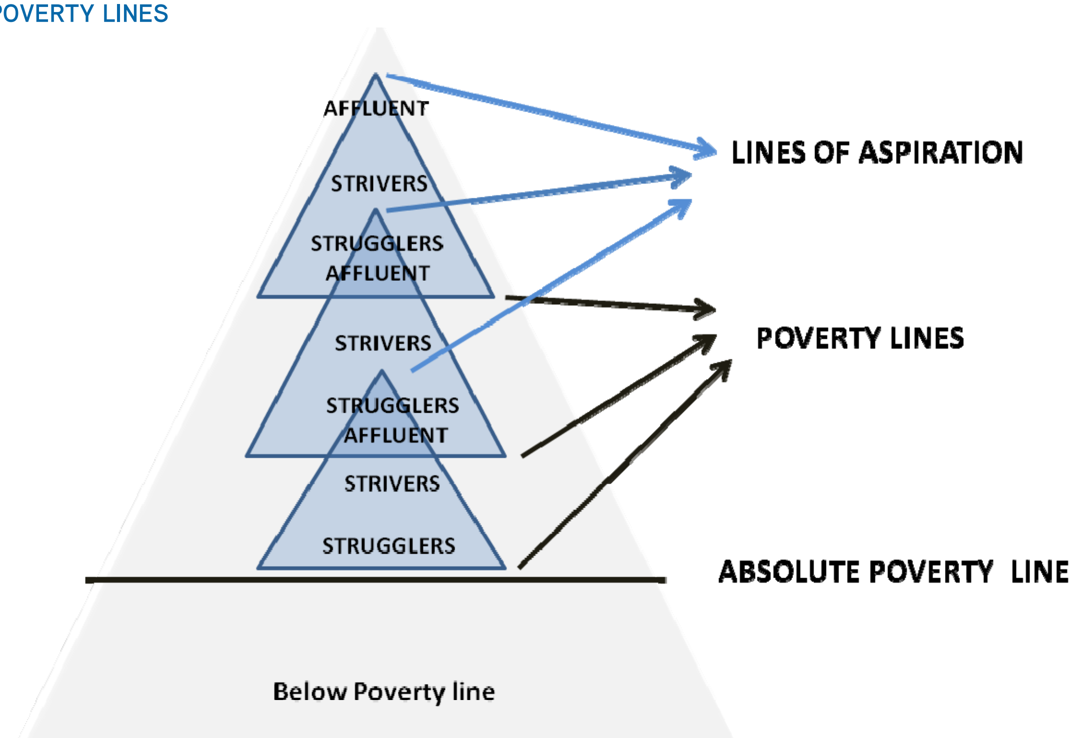
b. *"Strivers"* - Middle class who have no trouble meeting basic needs as defined for their social class, but who have not achieved their aspirational level

c. *"Affluent"* - Affluent, performing better, financially, than their peers in the social class, a brief period when they benchmark downwards before they start perceiving themselves as part of a higher social class .

5. Given this you are likely to meet Strugglers ("poor"), Strivers (Middle Class) and Affluent ("rich") right across the income spectrum above the conventional Poverty Line.
6. People over a period do shift social/ consuming classes over a period and could go from being "Affluent" to "Struggler" over a period.
7. Sudden windfalls and sudden drops in income cause momentary periods of "crazy eddie" or irrational behaviour. However lifestyle expectations and standards take a while to catch up.

As opposed to the conventional approach that the concept of affluence and poverty where the assumption is that as income rises, disposable incomes also are on the increase, and propensity to spend on non-essentials increases, this paper suggests that each social/ consuming class has a different set of benchmarks as a result of which people see themselves as poor or rich, depending on the lifestyle and standards they have selected for themselves. It is this that drives behaviour.

FIGURE 3
MULTIPLE POVERTY LINES



AN INDIVIDUAL'S SOCIAL AND ECONOMIC BEHAVIOUR ARE DETERMINED, NOT BY HOW POOR/ RICH HE IS IN ABSOLUTE TERMS, BUT BY HOW POOR/ RICH HE FEELS BY THESE STANDARDS

How does an individual's perception level of his affluence level influence his behaviour?

The Relative Income Hypothesis states that consumer choice is a function of prices, income, *and* community consumption standards. The last consideration, that community consumption influences a representative consumer's choice behavior, rests on the premise that individuals derive status from their consumptive behaviors and that status, in turn, is determined within a community specific context.

Self-perception in terms of social segment / affluence level affects behaviour as follows:

Choice behaviour

Strugglers, Climbers or the middle class, and Affluent would be found at all levels of the market. Strugglers are extremely economy conscious in their choices. Climbers and Affluent are both Status Seekers and have value for the brands and choices they make and display greater loyalty. This implies that there are likely to be status drivers and economy drivers operating at all levels of the market.

An example of a status brand at the lower end of the market is the Godrej Cold Gold refrigerator. For many years this was an aspirational brand for the lower income buyer of Direct Cool refrigerators, who did not feel comfortable about upgrading to Double Door Frost Free refrigerators yet. The brand, though in the economy end of the market, had status connotations for this segment and strong brand loyalty.

Similarly there are economy drivers at play at all levels of the market. The Pulsar 220 DTS Si is an aspirational brand of motorcycle for a large segment of upper middle class buyers. But a large proportion of this segment buys the 135 cc / 150 cc version of this bike for reasons of economy.

Responses to advertising

Consumers respond to images that project the values at the "affluence ceiling" or aspiration line they have set for themselves. Aspirations beyond this make no sense to the consumer. It is very difficult, for instance, for a person for whom the ceiling of aspiration is the achievement of a stable income and a one bedroom apartment, to connect with or even aspire to the lifestyle of a high flying CEO. He does not believe he will ever get there. Images and symbols of a stable middle class life are far more likely to be aspirational to this individual.

Therefore while crafting messages for each audience, it is important to find out what exactly is the level that is aspired to and to build propositions built around this level.

There is therefore a need to:

- understand the community badges,
- define symbols in terms of these badges,
- communicate these with a sensitivity to the class definition, and the aspiration for that class.

Understanding cultures

Benchmarks that apply to a particular culture cannot be transferred easily to other cultures. A London cabbie who was reeling under the 20% cut in his earnings due to recession visited a village in Goa, India, and found it difficult to understand why they were so happy when they had so much less than he did. The answer was simple: benchmarks were different.

In a recent study amongst SEC E, a client from Canada was equally perplexed by the happy housewife that he encountered in Dharavi, the biggest slum in Mumbai. She lived with a family of four in a small room with no running water. She did have a TV and a refrigerator and felt quite well off compared with her peers.

Because of the multiple layers of society in India, and the ability to benchmark against a specific reference group, without really aspiring to go beyond the ceiling set for that layer, it is possible to be happy and content at various levels.

The Indian "consumer boom"

One would imagine that the Indian consumers with newfound prosperity would continue to be confident spenders. The reality is that the prosperity has been sudden and has created a sense of euphoria as people have suddenly found themselves to be rich vis-à-vis the expectations that they had initially set out for themselves. The current rush to buy high end cellphones, large TVs and many other lifestyle products has been driven by euphoria.

However, as this young "rich" population settles down into their new lifestyle and readjusts aspirations, they could turn into Strugglers in their new social class. The Struggler mindset is typically insecure and cost conscious. When consumers find themselves precariously poised as far as their lifestyles are concerned, they are likely to become hypersensitive, especially in recessionary times.

It may be that the slightest sign that bad times might be round the corner would cause people to draw in their spending and turn hyper cautious- like the CEO who postponed buying a product that cost just 1% of his salary.

CONCLUSION

The Indian consumer has a very strong concept of social self and defines himself as belonging to a specific social band based on his family background, community, education and intrinsic capability.

For each band, there is a *poverty line* as well as a *ceiling of affluence* representing the upper and lower limits for the band. Individuals/ households define themselves as affluent or poor with respect to the norms for this band. The need to conform to the lifestyle norms for the "social band" drives most choices and whether one is a Struggler, Climber or Affluent is defined by the benchmarks within this band.

This analysis shows that the definition of reference social class strongly affects the Indian consumer's self-definition and drives his behaviour.

For more effective marketing and communication, it is important therefore to discover the social band that the consumers at various levels feel part of and to understand the norms and boundaries of these classes.

This would help in:

- defining value propositions at different levels of the market,
- positioning for brands at different levels of the market,
- sharply defined communication.

This would also lead to a better understanding of benchmarks across cultures and to a deeper understanding of aspirations that drive behaviours across cultures.

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THE AUTHOR

Shobha Prasad, Drshti Strategic Research Services, India.

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