

Marketing & Sales Practice

Marketing consumer durables in India: A journey into the minds of digital-age consumers

A new McKinsey metric helps Indian marketers get buyers' attention at the beginning of their decision journey—when it counts the most.

by Ankit Agarwal, Jaidit Brar, Dave Elzinga, and Anuradha Tyagi



Over the past decade, McKinsey has revolutionized thinking on how digital-age consumers make their purchase decisions. Through our extensive research over several years, we have discovered that the consumer decision journey (CDJ) is anything but linear; consumers often take many irregular paths as they move from brand awareness to purchase and loyalty. This research helped us develop the nonlinear CDJ (Exhibit 1). We have tested this model with more than 100,000 consumers across more than 450 cities and 30 brands in India with the goal of

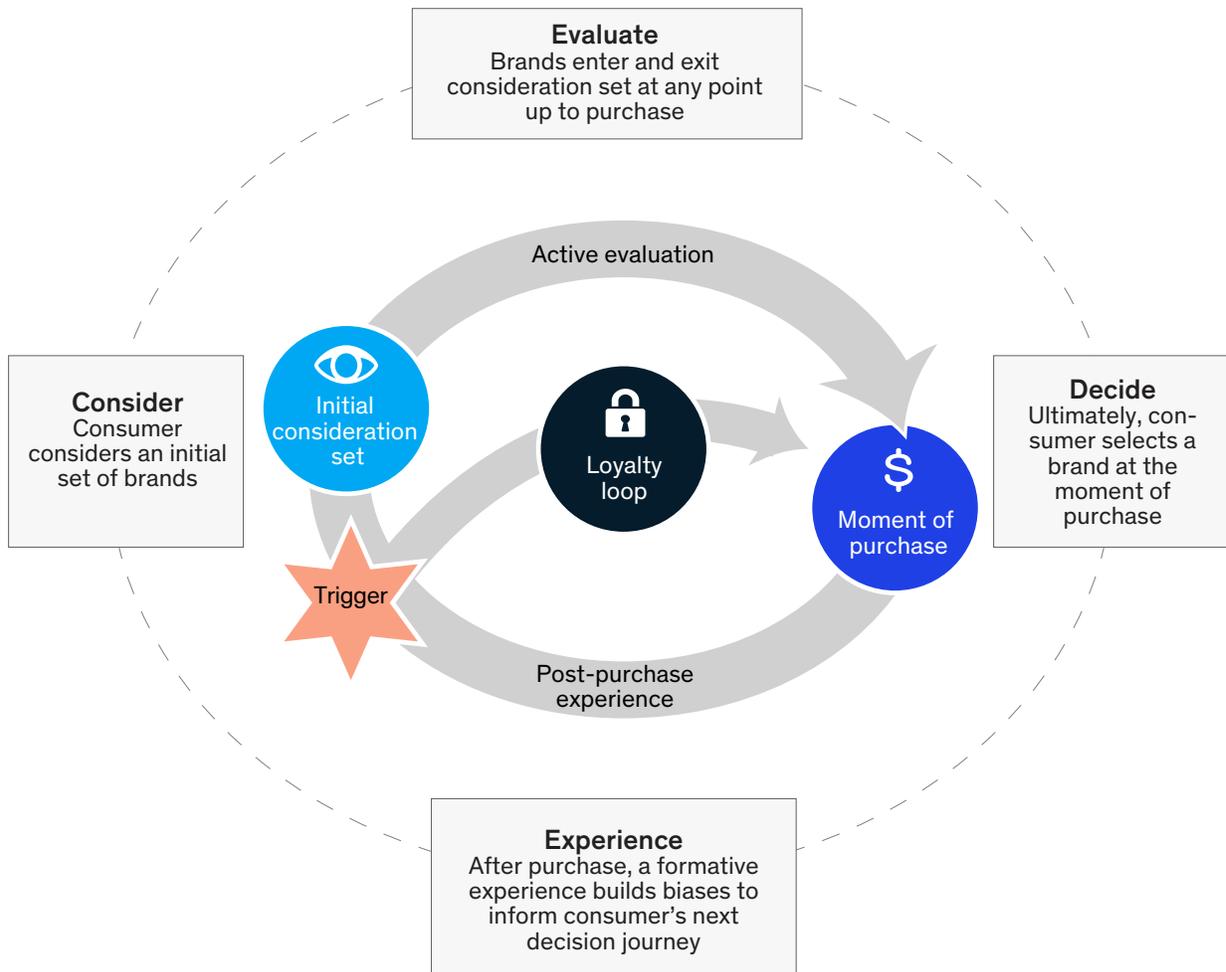
generating deeper and more-actionable insights to help marketers and sales leaders prioritize their investments. This article covers specific findings based on detailed assessment of and research in the consumer-durables category, focusing on the refrigerator segment.

Initial consideration matters

Our study of the CDJ makes it clear that gaining a spot in the initial consideration set (ICS) can be the differentiator between winning and losing

Exhibit 1

McKinsey introduced the consumer decision journey in 2009 to address changing consumer behaviors in the digital age.



brands. Indeed, 70 to 75 percent of consumers' final purchases are made from brands in the ICS, more than twice as many as brands a consumer first considers much later in the decision-making journey.

This in no way diminishes the need for a well-orchestrated marketing program across the CDJ, including staying in the mix during active evaluation, converting sales at moment of purchase, and ensuring loyalty and retention. But in a world where market noise will inevitably increase, initial consideration has emerged as marketing's most critical battleground.

The importance of a presence in the ICS to a company's growth strategy is underscored by a metric we developed to understand the variation in sales growth among competing brands. The Customer Growth Indicator (CGI)

measures the ratio between the percent of consumers who initially consider a brand and the brand's market share based on actual sales. For most categories, CGI explains a full 60 to 80 percent of the variation in sales growth between brands (Exhibit 2). This suggests that the new metric is a useful benchmark for assessing brand health.

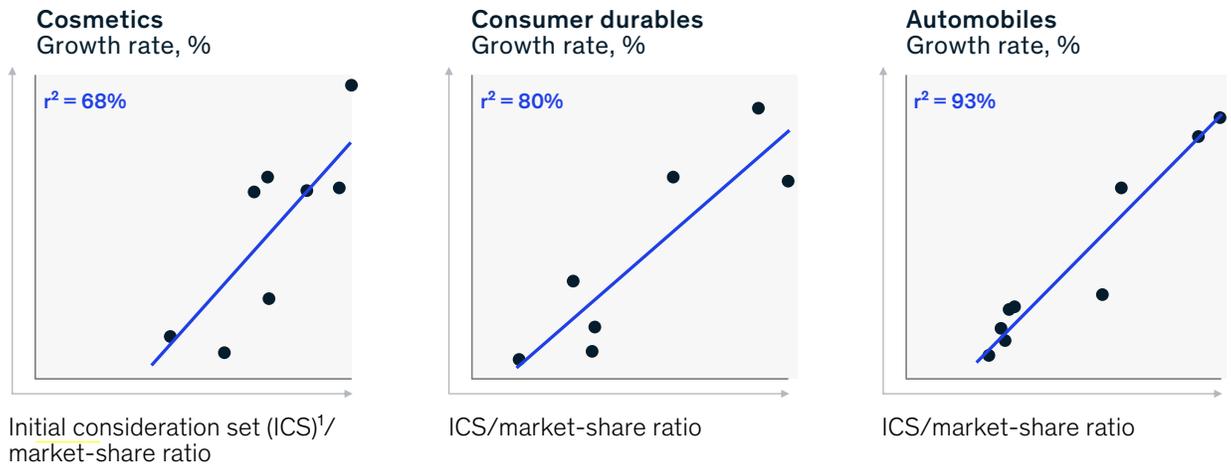
In the refrigerator category, for example, we also found that using the CGI shows that a strong ICS presence tends to correlate with a winning market share (Exhibit 3).

We performed a deeper assessment of the refrigerator category in the Indian consumer-durables market. The insights and illustrations that follow in the rest of this article are based on that assessment.

Exhibit 2

In most shopping-driven categories, the ratio of initial consideration to market share explains more than 60 percent of growth variance.

Selected industry examples



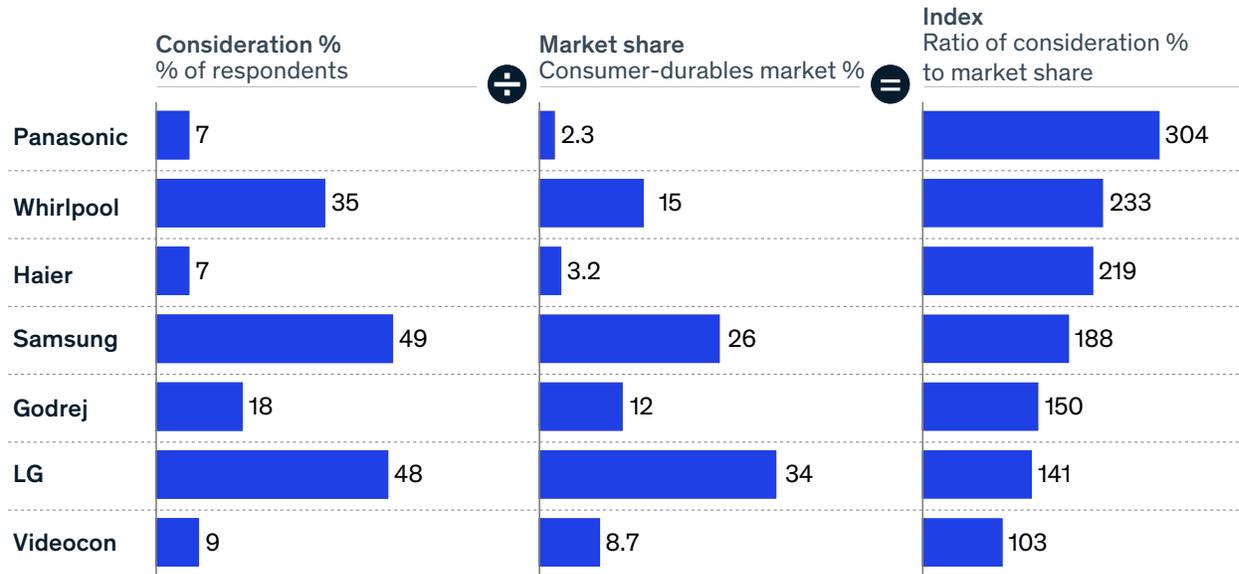
Note: r^2 is the proportion or percentage of variance explained by a regression.

¹ The brands a consumer thinks of when first deciding to make a purchase.

Exhibit 3

An indexed view of brand consideration highlights the consumer-driven competitive set.

Cross-considered brands indexed by market share



Assessment of the CDJ

While the CGI offers marketers a better tool to understand their company’s growth potential relative to their competitors’, a brand’s presence in the ICS only increases its likelihood of being the brand purchased. Marketers still need to win across the CDJ and hence need a detailed assessment of the competition at each stage of the journey. The following purchased–considered matrix highlights each brand’s principal competition in the refrigerator category (Exhibit 4).

This assessment highlights six key points for brands in this sector to keep in mind about the consumer’s journey to purchase a refrigerator.

1. The market can be divided into six consumer clusters

Indian buyers’ unique decision journeys and preferences sort into six distinct consumer segments, each with its own characteristic behaviors (Exhibit 5). As brands plan marketing spend, messaging, and positioning, it is important that they grasp the behavioral nuances of each segment’s buying patterns and the information and influencers it relies on, in order to target segments through relevant channels and messages.

2. Approximately 70 percent of refrigerator purchases are triggered by replacement need

It is important for brands to grasp what motivates a consumer to consider a purchase, since the trigger

Exhibit 4

A purchased–considered matrix highlights a brand’s competition.

When this brand was purchased ... consumers also considered (top 7 consumer-durables brands)

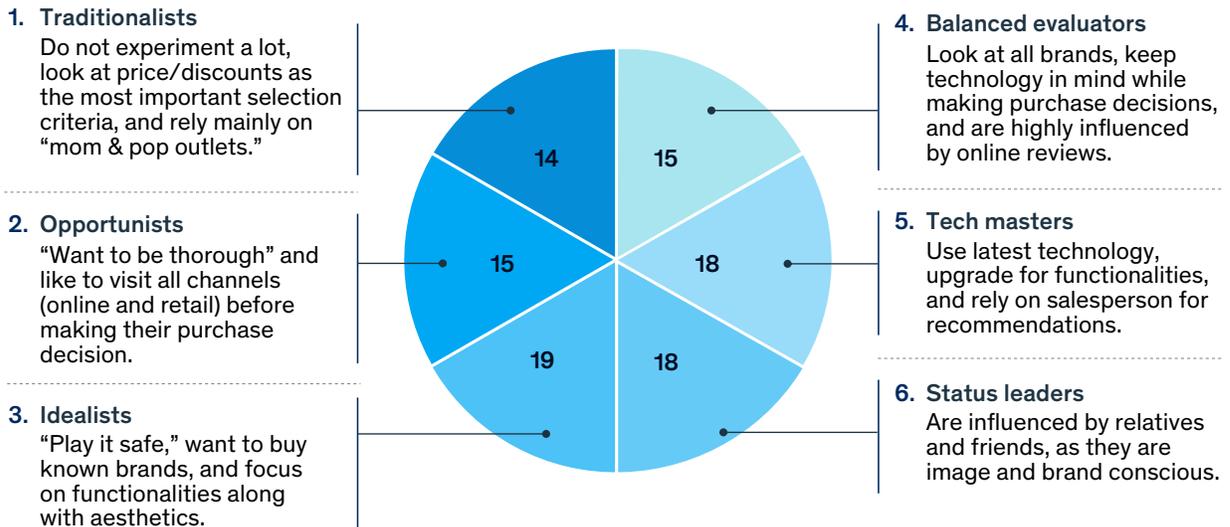
Decreasing market share ↓	LG n=311	Samsung 46%	Whirlpool 31%	Godrej 20%	Videocon 12%	Haier 9%	Panasonic 9%	Hitachi 6%
	Samsung n=250	LG 43%	Whirlpool 34%	Godrej 15%	Haier 10%	Panasonic 8%	Hitachi 8%	Videocon 6%
	Whirlpool n=132	Samsung 40%	LG 34%	Godrej 33%	Videocon 20%	Panasonic 19%	Haier 13%	Hitachi 12%
	Godrej n=101	Samsung 38%	LG 35%	Whirlpool 29%	Videocon 25%	Haier 18%	Hitachi 12%	Panasonic 10%
	Videocon n=58	Whirlpool 38%	Godrej 34%	LG 31%	Samsung 22%	Haier 17%	Panasonic 14%	Hitachi 12%
	Haier n=31	Samsung 42%	LG 29%	Whirlpool 29%	Videocon 19%	Panasonic 19%	Hitachi 19%	Godrej 16%
	Panasonic n=21	Samsung 38%	Godrej 33%	LG 29%	Whirlpool 24%	Videocon 24%	Haier 19%	Hitachi 14%

Source: McKinsey survey

Exhibit 5

The refrigerator category has six distinct consumer segments.

Consumers per segment, %



Note: Figures may not sum to 100%, because of rounding.

Source: McKinsey survey

point determines whether a brand makes it to the initial consideration stage. Understanding that triggers vary across age groups and geographies helps a brand position itself appropriately in the consumer's mind. Most refrigerator purchases spring from replacement demand.

3. Loyalty is not guaranteed in today's market

None of the five consumer-durables categories we studied were loyalty driven; that is, rather than automatically choosing the same brand from one purchase to the next, consumers tended to shop around. In the refrigerator category, only 20 percent of consumers repurchased the brand they currently owned without considering others (Exhibit 6). Of the remaining 80 percent, only half ultimately chose the incumbent brand, and a full 25 percent switched brands at the point of sale.

This suggests that marketers need to fine-tune their understanding of consumers in each segment, what triggers them to shop, and how best to enter their ICS. Even when their brand

is in a consumer's ICS, marketers will still need to fend off competitors during the active-evaluation round in order to improve their odds of winning the consumer at the moment of purchase.

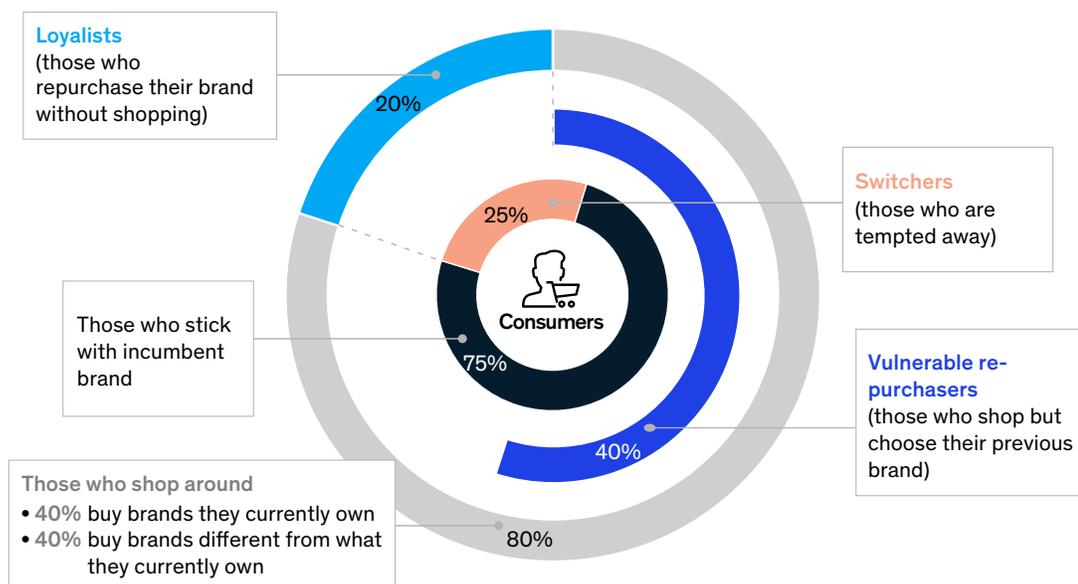
Although consumers shop around, they return to their incumbent brand for 60 percent of purchases and are responsive to repurchasing incentives. Marketers therefore need to continue to emphasize quality and service or offer rewards to the most loyal customers during the post-purchase experience. However, investing disproportionate marketing money to buy loyalty is risky, as today's environment makes it easier to lose consumers than to add new ones.

4. Retail touchpoints remain dominant in the active-evaluation stage

Digital marketing has become an important channel across the world, but in India, retail touchpoints continue to dominate. About 75 percent of consumers visit an exclusive brand outlet (EBO) or a multibrand outlet (MBO) to

Exhibit 6

Only 25 percent of consumers switch brands at point of sale, and average brand loyalty is as low as 20 percent.



evaluate and compare brands. On average, Indian consumers visit two EBOs before making a refrigerator purchase. Live demos and physically viewing, touching, and experiencing products are important to them and are very influential at the moment of purchase.

5. Attackers can win at point of sale

Although only 25 percent of consumers switch at the moment of purchase to a brand other than the one they decide on in the active-evaluation stage, it is clear that brands that lag behind in the initial consideration stage can catch up with leading brands by strong persuasion at point of sale. Usually, the information that is persuasive in the retail store at point of sale includes brands, price, warranty, product features, after-sales service, offers or special promotions, availability, and user reviews.

6. At every point along the CDJ, influencers—consumers, retailers, and online reviews—matter

Typically, consumers add new brands to the initial consideration set and discard some of them as they learn more and their selection criteria shift. In India, we have found that up to 80 percent of consumers will consider a new brand based on the recommendation of a key influencer. These influencers vary across product categories and segments, and it's therefore important for brands to focus time and resources on the right ones at each waystation on the decision journey.

Research shows that selection is most influenced by family or friends in the active-evaluation stage, but it is the retailers, salespeople, and online user reviews that persuade consumers to switch at point of sale.

Exhibit 7

Performance on Customer Growth Indicator and moment of purchase informs actions to drive growth.

Perform: Drive conversion

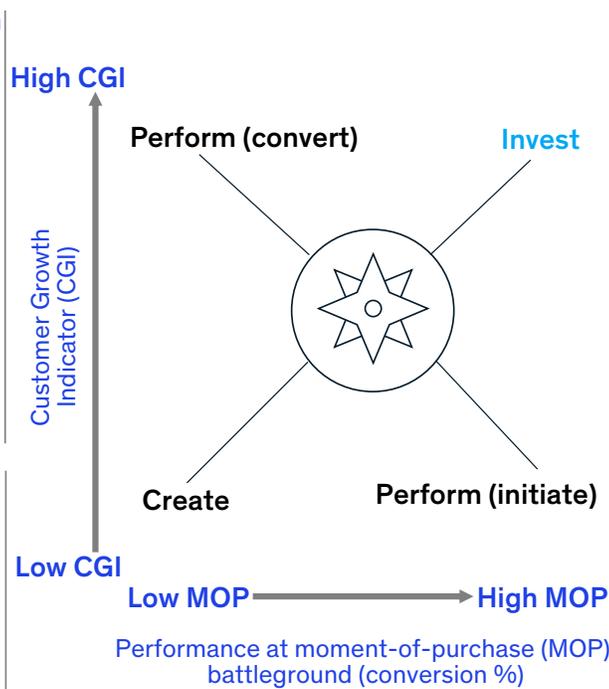
Harness brand potential by improving conversion performance.

- Revenue growth management (RGM): optimize pricing to improve capture rate
- In store:
 - frontline sales transformation
 - display/promotion
 - package design
- Online:
 - personalization at scale
 - customer experience
 - e-commerce

Create: Transform the business

Reset the core elements of the value proposition to enable future growth.

- product/service innovation
- brand repositioning/value-proposition redesign
- zero-based budgeting
- real-time strategy
- harvest/divest



Invest: Open the aperture

Leverage brand and execution strength to build value by designing, launching, and scaling new products, services, and business models to find your next S-curve.

- RGM: optimize to maximize revenue
- assortment expansion
- category expansion
- channel expansion
- geographic expansion
- new products/technology
- new customer segments

Perform: Drive initial consideration

Strengthen brand equity by using new techniques to continuously improve marketing and customer experience.

- digital marketing
- brand strategy/messaging
- marketing-spend optimization
- product design

It is also important to note that the intensity of influence varies significantly by consumer segment. For example, while status leaders are mostly influenced by their family and friends, tech masters may switch at the moment of purchase because of online reviews. These insights, combined with knowing how important it is to get into the ICS, could play a significant role in getting higher returns on any marketing investment.

Marketing in the shopping-driven world

Marketers can now inform their spending decisions with insights into how their brand performs across the CGI and what their conversion rates are at the moment of purchase (Exhibit 7).

While the importance of the consideration phase of the CDJ is hardly a new concept, the need to place greater emphasis on it requires a new focus by doing the following:

- **Invest more in ICS.** Although many marketers emphasize sales incentives and rewards for loyalty, such initiatives are poor at driving consideration and can even encounter diminishing returns. Often, there is a mismatch between marketing allocations and the touchpoints at which consumers are best influenced. Our analysis of dozens of marketing budgets reveals that 70 to 90 percent of spend goes to advertising and retail promotions that hit consumers at the initial-consideration and moment-of-purchase stages. But consumers are often greatly influenced during active evaluation by their previous experience with the product or service.
- **Encourage consideration.** With funding freed up, marketers can begin to compete for initial consideration across two horizons. First, they can boost consumer awareness of their brand's products and services through major media or social channels, which can motivate consumers to learn more about them. Second, developing the brand's website to provide creative interactions that convey a fuller picture of the brand's value is an excellent approach to moving beyond simple awareness to real brand consideration.
- **Allocate nonworking spend in a variety of channels.** Before the digital age, every communication with consumers entailed a variable media cost that typically outweighed the creative's fixed costs. Hence, management focused on "working media spend," the portion of a marketing budget devoted to what is today known as paid media. Now, marketers must also consider "owned media"—the channels that a brand controls, such as websites—and "earned media," which includes customer-created channels, such as communities of brand enthusiasts. Further, an increasing portion of the budget must go toward "nonworking" spend—the people and technology required to create and manage content for many channels and to monitor or participate in them.

In the consumer-durables sector, Indian buyers tend to purchase a brand that's in their initial consideration set. But for marketers who understand customer motivation, there are opportunities along the entire consumer decision journey to influence final purchase decisions.

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