

Sustained Advertising Promoting Unsustainable Consumption

Introduction

Dramatic changes have taken place in India's market place in recent years. At one end of the spectrum, even poor Indians are snapping up various consumer goods in millions every year. At the other end, thrift is no longer a virtue even among middle class Indians. The "buy now pay later" culture has taken roots in India, mainly due to innovative marketing strategies and aggressive advertising.

Result: the consumption patterns of Indians are slowly moving towards unsustainable levels, while resources as domestic savings are depleting at an alarming rate.

This Briefing Paper analyses the adverse impact of advertising on consumption patterns and suggests measures to regulate the same, so as to enhance sustainable living.

Advertising And Creating Needs

Considering the pace of change in telecommunications, it is possible for people living across the seas and continents to simultaneously receive the same kind of advertisements. As it happened for the first time in the world in 1990 when "love thy neighbour" or "thou shalt not kill" ad of "DRINK COKE" took the world by surprise.

Total global advertising expenditures multiplied nearly seven fold from 1950 to 1990. They grew one third faster than the world economy and three times faster than world population. In real terms, spending rose from \$39 billion in 1950 to \$256 billion in 1990. This is more than the gross national product of India or than all third world governments spend on health and education.

Measured in per capita terms, the total of 5.5 billion people representing nearly 6,000 distinct cultures are now soaking in the same gentle bath of advertising. The growth of advertising is equally marked. In 1950, advertisers spent \$15 for each person on the planet, while in 1970 they spent \$27, and in 1990, \$48.

Owing to skillful and persistent marketing, the "Coca-colonization" has perhaps reached more third world villages and slums than has clean drinking water or oral rehydration formula.

Advertising is fast growing in the third world, though it remains small-scale by western standards. Expenditures in China are less than 50 cents per person. Yearly ad billings in India jumped fivefold in the eighties, surpassing \$1 per person for the first time. In Latin American countries such as Mexico and Brazil, ad outlays are about \$25 per capita.

900 Million Consumers In India

Here are some facts on India. A path-breaking study, Indian Marketing Demographics, conducted by the Delhi-based National Council for Applied Economic Research (NCAER) and released in February 1996 provides some interesting figures. There are over 900 million Indians. Nearly 780 million users of cooking oil. Over 760 million consumers of tea. 450 million buyers of casual footwear. Forty million television owners. Two-and-a-quarter million automobile owners. All these numbers are growing in double digit percentage every year.

How much of the growth is influenced by advertising? Researchers funded by the International Development Research Centre (IDRC) of Canada attempted to find this out among children in India's capital city in early 1996. The results were revealing. Almost 75% of children in the 8-15 age group say they want to own products advertised on TV. Asked to name their ten favourite ads, they named detergent and even airline ads rather than those for toys, games, sweets or food products.

Many parents living in crowded Delhi slums felt they knew little about the India they see on TV. Frustrated, they admitted they now encouraged their children to watch TV, hoping it will prepare them for the world they must grow into. One can imagine the impact of advertising on the poor.

Buy Now Pay Later Culture

Nothing illustrates the changing consumption patterns better than the swelling numbers of credit cards or plastic money holders in India. Five years ago, the number of credit card holders in the country were just a handful. At the end of 1995, India has over 1.2 million credit card holders concentrated in just five of India's 400 large cities — New Delhi, Madras, Calcutta, Bangalore, and Mumbai (formerly Bombay). The number is growing at the rate of 25 per cent a year in the last five years.

With the penetration level among potential users just 25 per cent, the industry is optimistic about the number of credit card holders zooming to at least 7.5 million in the next four years.

The impact of this phenomenon on consumption patterns is dramatic. With the absence of constraint of having to find money before buying, Indians have been in a splurging mood these days. In the 1990, the billings from card holders was just Rs 2000 million (about US\$ 100 million). At the end of 1994, it has increased ten times to Rs 20,000 million (US \$ 700 million at current exchange rates).

How did this transformation occur? Initially, credit cards were marketed as a status symbol. But

realising the potential of the facility, sustained advertising in print and electronic media sold it as the "convenience card." In one of the advertisements, a popular teenage sports star exhorts television viewers with this line: "I have got my Visa card! You go get yours!!"

It is not only credit cards, but easy instalment schemes for purchasing automobiles, which is spurring an upwardly mobile population. Scores of buy-now-pay-later companies have sprung up with hire-purchase schemes which offer cheaper credit than the traditional hire-purchase financing firms. Result: Indian roads are getting choked with automobiles, while accidents and pollution are increasing at a very fast rate. Delhi is

now considered to be more polluted than even Mexico City, and the national road-accident death rates one of the highest in the world.

Boom Times For Ad Industry

The boom in India's advertising industry provides a clue to the changing consumption patterns. The industry is growing at an amazing 35 per cent rate every year since 1991 when India began to liberalise her economy. A company that spends Rs 10 million a year for advertising was considered a big spender in 1990. But today, India's top five advertisers spend five to 15 times that amount in a single year. For instance, India's top advertiser is the Unilever group (the international consumer goods giant) which spent Rs 1500 million on ads in 1995. The other top spenders were domestic consumer electronics leader BPL (Rs 600 million), Procter and Gamble (Rs 550 million), tobacco giant and BAT-subsidiary, ITC Ltd., (Rs 400 million) and electronics major Videocon (Rs 300 million).

Substantial increase in media costs, too, have not deterred the advertising spree in recent years. The cost for inserting a black and white advertisement for each column centimetre in Delhi's largest selling daily, *The Hindustan Times*, increased by 58 per cent in the last one year. And that for the country's largest selling national daily newspaper, *The Times of India* has increased by 47 per cent. Yet, the ratio of editorial to advertisement in these newspapers has not changed significantly from

Thumbs down!

Here is a tragic example of how ads influence children. In an advertisement of *Thums Up*, a cola drink marketed in India by Coca Cola, a male model performs a bungee-jump from a hill to pick up a soft drink bottle from a passing truck. He bounces back to the cliff with a 'thumbs up' sign and a bottle to the wild cheers of his friends.

Six year old Akash, the only son of a middle class couple in the Indian city of Lucknow, tried to imitate the model on his birthday in early April. He jumped from the third floor balcony of his house to amuse his friends and pick up a soft drink bottle from a passing truck. This time there were no wild cheers from friends, but rather consternation. For, he crashed onto the road and died. His grief stricken parents are inconsolable.

55:45. It costs nearly \$ 20,000 for a half page advertisement in India's No.1 business newspaper, *The Economics Times* and the cost is increasing approximately by 30 per cent every year. From a standard 16-page newspaper till five year ago, *The Economic Times* today comes out in at least 32-pages, on an average, each day, with many colour supplements as add-ons to accomodate to demand from advertisers.

Modernity Overtakes Tradition

But what is creating this boom. Take for instance, toothpaste. Till recently, in rural India, people used neem twigs as a paste-less tooth brush. And some use medicinal preparations as tooth powder. Today, the colour TV ads hardsell the healthy advantages of using angled, plastic toothbrushes made from Du Pont bristles and mint-flavoured toothpastes to the virtues of using foaming, fluoride-based tooth pastes. Some 250 million tooth brushes were sold in india in 1995. Tooth paste consumption increased from 39,610 tonnes in 1993 to 43,000 tonnes in 1994. The rural share of toothpaste is now 38 per cent — an increase of 10 percentage points in six years.

According to a McKinsey report on India's consumption patterns, Indians have given up many of their traditional items used as soaps, shampoos or medicinal remedies. Now there are 100 popular premium soaps, 60 shampoo brands and cough lozenges. Very few Indians used these items few decades ago.

From a handful, now there are 60 packaged teas available in India. India, the world's largest producer and exporter of tea now plans to import tea to cater to the rising domestic demand.

Slick advertising has definitely played a major role in promoting the consumption of these items. The national advertisement spends on toilet soaps on Indian television has increased from Rs 230 million in 1993 to Rs 370 million in 1995. In the case of tea, the TV ad spend was Rs 130 million in 1995 against just Rs 75 million in 1993. Ad spends on toothpaste has doubled to Rs 220 million in 1995 from Rs 110 milion in 1993.

The New Indian Classes on the Basis of Consumption

The NCAER study cannot be taken lightly. It is the most comprehensive survey of India's consumption patterns to date. The study covered 515 cities and 182,599 households in urban areas. Further surveys were done in 820 villages across 410 districts and 99,169 households in rural India.

Mapping the ownership and purchasing patterns of a stupendous 281,768 number of people and 18,730 genres of consumer goods and services, it reveals the dynamics that rule the vast Indian market place.

The structure of the Indian society has an impact on the consumption patterns. According to the NCAER study, Indian society is essentially divided into five categories.

At top of the Diamond structure is:

- the Very Rich comprising six million;
- the Consuming Class accounts for 150 million;
- the Climbers contribute 275 million;
- the Aspirants number another 275 million; and
- the Destitute comprise 210 million.

Note: About one million households at an average of 5.6 persons per household.

Over the years the bottom layer will narrow further while the top expands, thus approximating the diamond shape even more closely. This shape is indicative of a larger workforce, with lower dependency levels than today's because of fewer children under 15.

Indian government's latest National Sample Survey indicated that based on a certain definition of poverty, the number of households living below the poverty line has declined from 40 per cent in 1988 to 25 per cent in 1995.

But the proportion of products owned by households in the lowest income level indicate a different type of consumption:

- Forty per cent and above own portable radios, mechanical wrist-watches, and bicycles.
- Between 30 and 39 per cent own table fans.
- Between 20 and 29 per cent own mono cassette recorders, black and white TV sets, pressure cookers, electric irons, quartz wrist watches, ceiling fans and sewing machines.
- Between 10 and 19 per cent own motorcycles, mopeds, colour TVs and mixer-grinders.
- Ten per cent own scooters and refrigerators.

Just take the case of refrigerators. One of the earliest durables introduced in India, the sales grew at a snail's pace till mid-1985. There was little to differentiate between the products of the top four manufacturers. In fact, in the first two years of the 1990s the sale of refrigerators actually fell to 1.04 million units.

However, introduction of new models and competitive advertising changed this. The sales grew 15 per cent each in 1993 and 1994 and is now estimated at 1.5 million units. With manufacturers launching more ad blitz, the industry expects sales to grow 20-22 per cent a year to at least 4 million units by the year 2000. In 1990, India accounted for less than 3 per cent of the world's consumption of ozone-depleting chlorofluorocarbons (CFCs), used widely in refrigerators. But if the current growth rate of the industry continues, the CFC emissions will also increase dramatically - unless substitutes are used.

Similarly, very few households can afford air-conditioners with just 230,000 units sold nationally in 1995 even though India's climate is dusty and hot for a major part of the year. About 90 per cent of the buyers were from the corporate sector. Marketers have now, through aggressive advertising, enticed many households to buy airconditioners. Introduction of small models of 0.5 and 0.75 tonnes to fit the smaller Indian households is likely to lead to a boom in sales to 750,000 to 900,000 units in another four years. It is difficult to visualise the impact on the high-polluting and power-starved national economy due to this factor at this point of time.

How Advertising Has Changed Consumption Patterns

There are some case studies which indicate how advertising has changed the consumption of some traditional items used by Indians.

1. Honey: This commodity is available in plenty in the informal markets of India. This forest produce provides considerable income to large number of tribals. Indians used honey as a cough palliative, skin conditioners, and as an ingredient in many ayurvedic preparations (indigenous medicine system). The annual market is estimated at 8,000 tonnes.

Things changed in 1980s when a Delhi-based company started to package and sell it under its brand name *Dabur*. Aided by aggressive marketing, the company sold 247 tonnes in the first few years. Ever since it started national advertising, the sales have zoomed to 1,200 tonnes a year.

Impact: The honey-gatherers who are mainly tribals and other small producers get very little return for selling the commodity and the corporate sector will reap the rewards of their toil. Soon there may even be a shortage of honey because the unorganised production sector cannot cater to a rapidly changing market.

2. Electric Rice Cooker: For over 50 per cent of India's 900 million population, rice is the staple diet. Rice is normally just boiled in aluminium or stainless steel vessels or in pressure cookers. Rarely fried. In the 1990s, a Japanese electronics giant National, introduced an electric rice cooker in the country backed by aggressive advertising, promoting an easy life style.

Now a large number of urban households are switching over to the Japanese way of cooking rice in electric cookers. In 1993, atleast 125,000 electric cookers were sold. Each cost about US\$ 60 or about one-fourth of the average income of an urban middle class household. It has increased to 200,000 units in 1994. A leading marketing agency has predicted that its sales will increase to 7-8 million units by the year 2000.

Just another item that will add to the ever-increasing demand for electricity and the associated problems of environmental pollution. India is a power starved country. Nearly 80,000 MW is not enough and power outages is a frequent occurrence throughout the country. Portable and big diesel generators hum throughout Indian cities, whether it is summer or winter. According to current estimates, India will have to produce at least 300,000 MW by the year 2020 to cater to the rising electricity demand.

3. Baby Foods: Indian babies are usually breast-fed for upto 18 months and traditional cereal based foods are given from the age of six months.

In 1989, a Swedish food processing multinational firm introduced its milk-based cereals. It is a major advertiser in both the electronic and print media. Flexi packaging and other gimmicks now help the company sell 11,000 tonnes of this cereal every year. Mothers find this packaged food more easier to give to their babies, rather than prepare the traditional cereal food.

4. Soft Drinks: A popular Indian thirst-quencher is lime juice. In summers, it is sugarcane juice, or just plain water. Thanks to the widespread availability of a variety of fresh fruits round-the-year, Indians normally consume large quantities of fruit juices.

Not any longer. Since the entry of the world's two soft drink rivals, Coca Cola and Pepsi, Indians no longer rely on their traditional thirst quenchers. These two soft drink majors are known worldwide for their aggressive marketing. They sponsor everything from national to school level sports events, music concerts or cultural events, bus and traffic kiosks. You name it.

So they (along with few India's home-made bottled soft drinks) sold over 120 million cases of 24 bottles each in 1995. The market has been growing at 5-6 percent a year. The growth will be sharp, at a compound rate of 17 percent, and experts expect Indians to guzzle more than double the volume of fizz they do now: about 250 million cases. Nearly 90 percent of these drinks are consumed at the point of sale. Now the companies have turned their attention to promote home marketing. And that should increase the sales even more dramatically.

5. Chocolates: Till recently, chocolates were promoted as a sweet reward for children. Now it is marketed also a nutritious snack among adults. Doing away with the guilt grown-ups feel about eating chocolates - which they feel is akin to stealing a child's food - is the new trend. The impact is already felt. Sales grew by 13 percent to 10,000 tonnes between 1992 and 1993. The market size is expected to zoom to 18,000-20,000 tonnes by the year 2000 at a compounded annual rate of 15 percent.

Impact on Rural India

In the 1990s, increased urbanisation has blurred the urban-rural divide. Increased migration to cities and industrial townships has increased the knowledge of rural consumers about modern consumer products. Further, the reach of national terrestrial television (which transmits from over 650 locations) and more than a score of popular national and transnational satellite television channels too bring the colour images of modern living into the remotest corners.

In March 1996, the telecast of a popular Hindi movie on the national television network, Doordarshan, during a weekend, stretched for over 240 minutes. Because the 150-minute film was interspersed with ads of a variety of consumer goods every few minutes. There was a record ad insertions which totalled 90 minutes. Each 10 second ad spot costs about half-a-million rupees. But there are no dearth of advertisers.

To keep the ads down because of strident criticism from viewers, the network had raised the ad rates many times in past 12 months. But nothing seems to deter the advertisers because the viewership

cuts across various regions and language groups, and runs into a few hundred million for each week's telecast.

No wonder, the rural share of talcum powder consumption is now 44 percent. The purchase of wrist-watches increased from 3.5 million in 1986-87 to over eight million by 1994, with the rural share increasing from 43 to 50 percent. As the purchase of mechanical wrist-watches grew from 6.2 million to 10.5 million, rural buyers maintained their share at 75 percent. The rural share of cigarette purchases too grew from 53 to 60 percent. There are many products for which dominant purchases are now from rural India:

- Over 70 percent of bicycles, portable radios and mechanical wrist-watches.
- Between 60 and 70 percent of table fans and sewing machines.
- Between 50 and 60 percent of black and white TVs, quartz wrist-watches and cassette recorders.
- Between 40 and 50 percent of mopeds, motorcycles, pressure cookers, electric irons and ceiling fans.

The biggest increase in rural purchase in 1993 was of black and white TVs, colour TVs and pressure cookers - all products with large increases in the proportion of rural purchase between 1985 and 1993.

Conclusions

The trend is clear. Aggressive advertising is altering Indian consumption patterns irrevocably. More dangerous is the focus on children in advertisements. According to a study in April-May 1992, 35 percent of all TV ads were using children to attract consumer interest and a large proportion were targeting the child viewer specifically. Advertisers in India are frank about their strategy of instilling brand loyalty in the minds of young children. They are preparing children to become dutiful consumers, tomorrow.

So, children sell two-minute noodles, latest electronic gizmos such as cellular phones or stereo systems, soft drinks and foot-wear on TV.

The Paris-based International Chamber of Commerce, the biggest membership body of business, has also published a 19-article code of advertising practices in 1980s, aimed at promoting high ethics by self-regulation, also provides for guidelines for advertising addressed to children. Like most of ICC's solemn guidelines, it has no teeth and its members have no desire either, to follow them.

An equally dangerous trend is the displacement of less affluent viewers who no longer identify with the imagery, people, scenarios, language, dress and lifestyles of characters on television. For, most of the television soap operas and serials and the advertisements are set in the backdrop of well equipped, affluent upper middle class or middle class homes. So the TV ads are excluding already marginalised people and pushing them to the fringes of the society.

The United Nations in a report of a study done in Asia-Pacific developing countries in 1990, warned governments of the need to protect consumers

from exploitative advertising, describing the existing system as pernicious.

Even with the consumerist revolution touching only less than a fourth of India's population, the unit number of many consumer products sold are staggering. As consumerism catches up, aided by aggressive ads, the levels will go up even further. More importantly, as more and more Indians try to catch up with their western counterparts, the consumption levels of natural resources will become more and more unsustainable. This may soon lead to breakdown of social systems and catastrophe.

Recommendations

Concerned by the chaotic trends and mounting unsustainability of consumption patterns, as a social action group, CUTS demand that:

- The international community develop analyses and synthesis of the impact of advertising on consumers which promote unsustainable consumption patterns and develop regulations to curb them.
- Governments and regulatory agencies stop advertisements and marketing efforts that aim to create needs of products instead of just informing potential customers.
- Governments ban advertisements worldwide that use children to promote products which are remotely connected with their needs.
- Ban advertisements that accentuate class differences and promote unsustainable lifestyles of the rich and the famous.
- Ensure that advertisers follow an enforceable code which provides opportunities to portray various segments of the society and not marginalise the already dispossessed people.
- Ban ads that accentuate gender, race, income inequalities and those which rely on violence, gimmicks and glamour to promote products.

This is the first of a series of briefings on advertising and unsustainable consumption patterns. Contributions and comments on this draft are invited which will enable us to take forward this movement.

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