



■ *The increasingly affluent and powerful female consumers in China and India will stimulate extraordinary growth—and deliver growth to the companies that serve them.*

■ *China's female economy will grow from \$1.3 trillion in 2010 to \$4 trillion in 2020.*

■ *India's female economy is more fragile—but it is expanding and will reach \$900 billion by 2020.*

■ *Understanding what Chinese and Indian women want—their devotion to their children, their desire for safe and nutritious food, their fondness for affordable luxury, their brand consciousness—will be critical to the success of companies operating in these markets.*

Driving Growth: The Female Economy in China and India

WX Liu is a farmer in Shunhezhuang, a small village deep in China's northeastern province of Hebei. It is no rural idyll, and her calloused and muscular hands reflect a lifetime of working long hours in the fields. Now nearly 60, she has endured droughts, disappointing harvests, and unpredictable prices for her corn, and she has had only limited access to modern agricultural technology.

Yet despite her tough existence, she is cheerful and smiles often. With her own hard work, combined with the income earned by her live-in son and daughter-in-law, she is starting to fulfill some of her dreams. She lives in a two-story house that has a garage for the two cars that she still hopes to buy one day. She built her home brick by brick, having borrowed money from friends and relatives. "I am pretty satisfied with my life now," she says, in her rapid-fire, no-nonsense way. "It's so much better than it was just a few years ago."

Across the Himalayan peaks, Saumya, a 33-year-old middle-class Indian, is fulfilling a similar dream. She recently moved to an apartment on the eleventh floor of a high-rise complex in Whitefield, one of the best suburbs in Bangalore, India's third-largest city. It has everything that she and her husband, Jaideep, were looking for: landscaped gardens, children's play areas, a clubhouse, a gym, tennis courts, and a huge shopping center. From the moment she moved in, she set about filling the apartment with beautiful things. "Ever since my childhood, I have always wanted to decorate my own house," she says. "I just thought it would be such a great feeling to live in a home that had been decorated from corner to corner by me."

Throughout China and India, there are millions of women from all walks of life who could tell similar stories. They are driving the female economy in China and India—and they are driving growth.

China's female economy is already strong—and over the next few years, we expect to see it grow even stronger. In particular, young professional women will break into middle and top

management jobs and fuel the next wave of growth in the luxury business. Female earnings in China will grow from \$1.3 trillion in 2010 to \$4 trillion by 2020, up from \$680 billion in 2005 and \$350 billion in 2000. That is more than a tenfold increase in 20 years.

By contrast, India's female economy is more fragile. In the world's biggest democracy, India's voters elected a female prime minister (Indira Gandhi) and a female president (Pratibha Patil). But only the most affluent urban women have a real taste of equality. For the rest, there is significant gender discrimination, limited access to education, low formal labor-participation rates, and low wages. The female labor-force participation rate has been stuck at around 32 percent since 2000, while female wages have actually declined to 26 percent of men's wages, on average. This decline is driven by repressive, education-stunting conditions in rural areas as well as by a government unwilling to step in and end discrimination, harassment, and physical threats.

Nonetheless, the overall size of the Indian female economy is expanding fast. In 2010, some 134 million working women earned \$280 billion. By 2020, there will be 158 million working women and their earnings will have more than tripled—to some \$900 billion.

With Chinese and Indian women earning close to \$5 trillion annually by 2020, understanding what they truly want will be critical to the success of companies operating in the two countries.

What Women Want in China and India

At The Boston Consulting Group, we have been tracking the hopes, dreams, and aspirations of women around the world for nearly a decade. In our most recent poll of Chinese and Indian women, we found considerable optimism about life and future prospects.

Chinese women are more optimistic and feel more secure than women in the West. According to our research, 88 percent of Chinese women feel secure in their current financial position, whereas only 62 percent of American women feel that level of security. Eighty-seven percent of Chinese women feel secure in their current job, compared with only 44 percent in the United States.

Moreover, Chinese women have many role models of success in the business world. Seven of the top 13 richest self-made women in the world are from China. Four of

the wealthiest are under the age of 50. They include property developers, a paper producer, real estate magnates, a cigarette maker, and a medical-supplies producer from Tibet with a degree in physics.

India's urban middle-class women are similarly optimistic—particularly when it comes to their political, social, economic, and professional futures. Indeed, compared with all the other women we surveyed globally, they are twice as optimistic about the future of their external world. Some 81 percent of the Indian women in our survey believe that their personal life will be better five years from now, and 86 percent—the highest of any country surveyed—believe that they will achieve more both economically and professionally in ten years.

Again, as in China, there are several standard-bearers of success. Currently, 11 percent of large-company CEOs in India are women, compared with 3 percent in the *Fortune* 500. The CEOs of two of the three largest private-sector banks, two of the three largest multinational banks, and four state-owned banks are women. Two of the top six executives at Hindustan Unilever are women.

But if Chinese and Indian women are optimistic, they are not without their private fears and personal insecurities. Chinese women, for instance, display a low satisfaction with their physical appearance. In our global survey, only 15 percent of Chinese women described themselves as very attractive, compared with 37 percent in the United States, 48 percent in Turkey, and 51 percent in Russia. In contrast with Chinese women, roughly half of Indian women described themselves as very attractive physically, the second-highest percentage among women from 21 countries. They also said that they are close to their ideal weight and ranked themselves very high on emotional health, second only to Russia.

But Indian women have fears, too—mainly centered on health and longevity, family well-being, and financial security. “I fear being bankrupt or sick, or losing my husband,” one woman told us. In a society where the male is dominant at home, there is fear of divorce and family crisis. Indian women control less than half of household incomes.

Despite these insecurities, Indian women spend more time shopping—and shop for food and other household items more frequently—than do women in the rest of the world. Middle- and upper-class women are willing

to pay top dollar in a large swath of categories, including food, clothing, apartments, hair care, restaurants, and kitchen appliances. Favorite brands include Nokia, Sony, and Levi's.

Similarly, as Chinese women garner increased spending power, they, too, want to consume brands that ensure quality—and they often choose Western brands. China's favorites include Adidas, L'Oréal, Apple, Nokia, Lancôme, Chanel, Samsung, Johnson & Johnson, and two Chinese brands: Li-Ning, a sports company, and Haier, the domestic appliance company.

Captivating the New Female Consumers

Chinese and Indian women put their families first—especially their children. In China, because of the one-child system, a mother's son or daughter is her hope and dream, and it is common to spend as much as 30 to 40 percent of household income on the upbringing of that child. Among India's urban middle class, in which families tend to be smaller than those of the lower and rural classes, there is a similar devotion to the next generation.

Companies that really want to succeed must understand and act upon this maternal instinct. Some have already done so. In India, for example, Maggi, a brand of instant noodles owned by Swiss food company Nestlé, has developed products that are especially responsive to the technical, functional, and emotional needs of mothers. Initially, the company targeted “two-minute convenience” positioning with quick snacks for children, but this approach did not resonate with mothers. To rethink its strategy, Nestlé engaged with mothers to determine their needs with regard to nutrition and local taste. The company then created a variety of Indian flavors and offered whole-wheat nutrition—along with vegetables, as suggested by the mothers—to make a hearty snack. Maggi is now a \$500 million brand with an 80 percent share of the instant-noodle market.

But if women put their families first, they also like to treat themselves—and we expect them to drive the luxury goods market in the years to come. Still, it is necessary to understand the subtleties of the different markets. In India, women continue to have a strong allegiance to traditional clothing: in 2010, they spent some 70 billion rupees (\$1.5 billion) on saris and other traditional wear for women, up from 45 billion rupees (\$1 billion) in 2005, or about 55 percent of the women's apparel market in India. Hermès, the French luxury

company, understood this trend, and after opening the country's first stand-alone luxury retail store in Mumbai in July 2010, it unveiled its first line of Paris-manufactured saris in October.

Meanwhile, in China, women are showing a great appetite not only for cosmetics but also for cars. Maserati, the Italian sports-car brand owned by Fiat, reports that 30 percent of its buyers in China are women, compared with the 2 to 5 percent typical in the United States and Europe. For its part, L'Oréal, the French consumer giant, has seen long-term success in China. The company now has 30,000 workers there and has built an R&D center in Pudong—one of the fashionable skyscraper districts of Shanghai. “China is a country for skin care and facial products,” says Paolo Gasparrini, head of L'Oréal China. “Chinese consumers don't want to copy the beauty products of the United States or the European Union. You need to be humble in this market. Prepare for fast change.” Chinese consumers spent \$31 billion on personal luxury goods in 2010, with \$5 billion of that amount devoted to cosmetics alone.

It should be clear that female consumers cannot be ignored if a company hopes to succeed in China and India over the next ten years. As the governments of both countries improve the lot of women—by ensuring higher literacy rates, equal access to educational offerings, a better range of jobs, a greater political voice, and overall parity both in socioeconomic opportunity and in status—there will be powerful new waves of consumer spending. The new female consumer, contributing in an unprecedented way to the rising economies of the world's most populous nations, will stimulate extraordinary growth in these two countries—and in the companies that serve them. We anticipate that annual consumer spending in China and India combined will rise to \$10 trillion by 2020—three times the amount spent in 2010. But with a fully functioning female economy, this \$10 trillion prize could be even bigger.

As you consider the opportunities in China and India, remember Farmer Liu. She has had only three years of formal schooling—and for most of her adult life, her household income was below \$1,000. Now, with a working son and daughter-in-law living under her roof, and a higher productive yield from her small farm, her family income has skyrocketed to \$5,000 per year. She has cash in her pockets, no debt, and an aspiration to continue to trade up. She and others like her in China and India

have confidence, a positive income trajectory, and a growing list of wants and needs. They are increasingly affluent and discriminating consumers with a drive to succeed and to enjoy a better life. If you embrace them, they can be your best new customers for life.

Michael J. Silverstein
Abheek Singhi
Carol Liao
David Michael

Michael J. Silverstein is a senior partner and managing director in the Chicago office of The Boston Consulting Group. Abheek Singhi is a partner and managing director in the firm's Mumbai office. Carol Liao is a partner and managing director in BCG's Hong Kong office. David Michael is a senior partner and managing director in the firm's Beijing office.

You may contact the authors by e-mail at:
silverstein.michael@bcg.com
singhi.abheek@bcg.com
liao.carol@bcg.com
michael.david@bcg.com



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