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About the authors

Liliana is a portfolio manager on our emerging markets small-cap approach. She manages equity assets on behalf of our clients, drawing on research from Wellington Management's global industry analysts. **Simon** manages our thematic emerging markets equity approach. His top-down background in emerging markets allows him to focus his research on understanding evolving development trends. Liliana and Simon work in our Singapore office.

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Jai hind: This is the new India

"Hail the Motherland," "Long live India," "Victory for India." Interpretations of "Jai hind," the popular expression sweeping India, vary — but only slightly. As nationalist fervor and a desire to accelerate modernization have taken hold, India is embracing an identity as a global competitor that proudly celebrates its culture and traditions.

On our latest grassroots research trip to India, we visited three lower-tier cities — Ahmedabad, Pune, and Lucknow — to meet with middle-class consumers between the ages of 20 and 30. We also conducted an online survey of 1,200 millennials across the country. This paper outlines our observations and offers potential investment implications driven by a rapidly changing "Young India."

High-level observations

- India is home to more millennials than any country in the world, with nearly 473 million people born between 1985 and 2000.¹
- Digital democratization is driving lifestyle convergence between metro and lower-tier cities.
- Expanding internet access and a wave of national pride have begun to shift consumption trends.
- The desires to bridge tradition with modernity and gain independence without losing family ties have boosted markets for inventive products and aspirational experiences.

Trend: Digital democratization is reshaping consumption patterns

Internet and mobile penetration in smaller cities like Pune and Lucknow are beginning to match that of large, metro cities like Delhi and Mumbai. Data prices in India have plummeted 95% to approximately 18 rupees (US\$0.26) per Gigabyte (GB) since 2016 (FIGURE 1), contributing to an eightfold increase in usage with the average user consuming nine GB of data per month as of the end of 2018 (FIGURE 2).

¹PopulationPyramid, 2019.



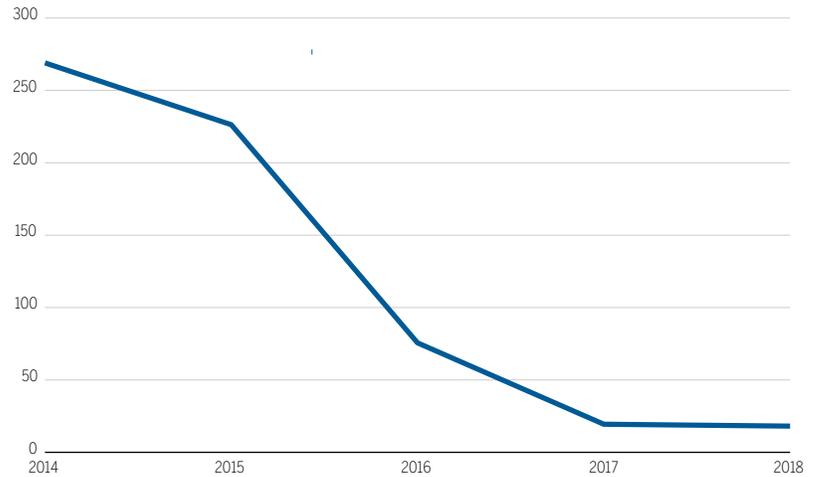
Many of the consumers we spoke with said the proximity and convenience of brick-and-mortar stores shape their purchasing choices, but they love being able to compare prices online to get better values.



FIGURE 1

Data costs have plummeted in India since 2016

Average tariff per GB of wireless data, Indian rupees (Rs)

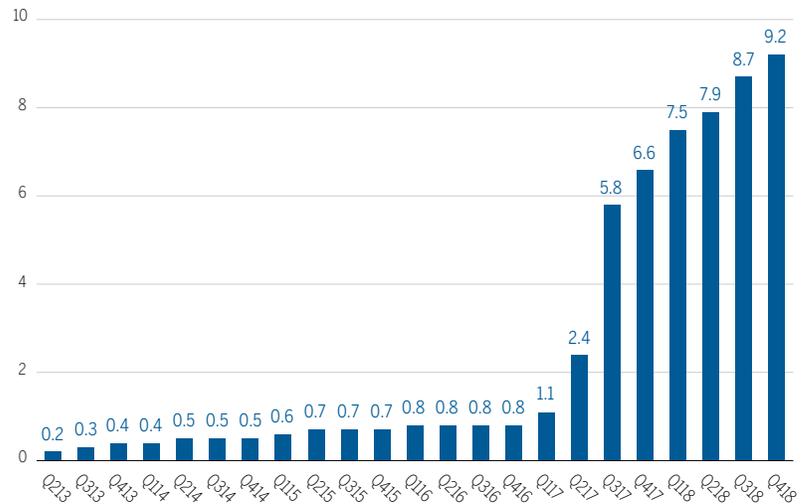


Data as of December 2018. For illustrative purposes only. | Source: Telecom Regulatory Authority of India

FIGURE 2

Data usage has soared over the same period

Data usage per subscriber (GB)



Data as of December 2018. For illustrative purposes only. | Sources: Company reports

As consumers spend more time online, the information gap tends to shrink and consumer patterns can shift. Many of the consumers we spoke with said the proximity and convenience of brick-and-mortar stores shape their purchasing choices, but they love being able to compare prices online to get better values. Our online survey and personal interviews with millennials reveal that use of ride-share services, meal and grocery delivery, digital

PRIME MINISTER NARENDRA

MODI is recognized by millennials for his progressive policies. In addition, many young people appear to respect that he is self-made man who came from poverty and worked as a tea seller. Becoming something from nothing was a common definition of success among the millennials we met.

Mr. Modi seems to understand that, historically, ethnicity has been one's primary identity in India. Over time this has created a fractured society and diffuse political support. In our view, the push toward modernization and nationalism has begun to create a more homogeneous populace with shared values and aspirations.

Many young people believe that Mr. Modi has boosted India's international standing, and they applaud his efforts to make India more competitive. His policies around rural development and women's empowerment get high marks as well, while unemployment remains a sore spot. Mr. Modi is up for reelection in 2019.

payments, social media, and streaming video are now nearly as common in lower-tier cities as they are in metro cities. (Interestingly, a few of the lower-tier cities in India are relatively affluent, so previously lower internet use was likely a function of access rather than cost.)

Investment ideas: digital service providers, logistics companies, e-commerce platforms, digital entertainment

Trend: Nationalism is helping to create shared values and a common identity

Until recently, "modernization" in India implied adoption of Western products and preferences. But a potent combination of internet penetration and patriotic political rhetoric has changed the equation. Today, young Indians interpret modernization as combining the best of their ancestral roots with modern technologies and conveniences. Prime Minister Narendra Modi has tapped into a powerful sentiment: national pride. His government has backed the popular "Make in India" campaign and partially funded movies and TV shows that reinforce India's cultural value and military prowess.

Domestic brands and products that put a modern twist on tradition — combining "eternal" and "emerging" India — are seeing greater demand. For example:

- A line of juice smoothies features slick packaging and traditional flavors, using the tag line "Drinks and Memories."
- A popular chain store sells clothing with modern styles made with classic cotton and traditional embroidery.
- Charcoal toothpaste, historically considered "backward," is making a comeback on supermarket shelves.
- Ghee, a traditional clarified butter, is being marketed as an Indian delicacy.
- Many millennials said that they aspire to buy a larger car and prefer it be Indian manufactured.
- There's even an orthopedic commode step stool designed to allow the user to mimic the posture of traditional squatting over traditional toilets.

Trend: Independence vs family

Millennials in India seem to be navigating the dual pull toward independent lifestyles and the moral and financial support of family. Most of our respondents expressed hopes of becoming financially independent and buying their own home; however, the desire to remain close with parents, who are often the primary source of child care, was very strong. India has a massive housing deficit (an estimated 12 million units in cities and another 33 million in rural areas),² contributing to soaring real estate prices in many cities. Finally, consumer protections for home buyers have been hard to come by.

It's no surprise that approximately 80% of Indian millennials live with their parents,³ but how they live is changing. Many real estate developers have found success building larger bungalows or apartments that can accommodate multiple generations. So-called "jodi" apartments offer privacy for occupants and feature contemporary amenities like multiple baths and living areas and common facilities like playgrounds, fitness centers, and swimming pools.

²Ministry of Housing and Urban Affairs, Government of India, 2018.

³"The Youth Barometer: A CBRE & Credai Report," Credai.org, 2018.

Why we take research trips

We believe that in order to understand emerging market (EM) domestic growth opportunities and develop differentiated investment insights, we need to understand the markets from within, particularly the consumers who drive long-term demand for goods and services. Our on-the-ground approach is based on one-on-one dialogues with rural and urban consumers, business owners, and company management teams. In a rapidly changing environment where access to information and technology is reshaping demand, we think it is important to get these local consumers' points of view. We strive to comprehend what they value and how they see change, and then to incorporate these insights into our long-term view of potential emerging markets opportunities.

We found that millennials also highly value social networks. Women in particular cited “friendship groups” as lifelines to community, empowerment, and fun. Demand for collective experiences and leisure activities is high. Hanging out with friends at shopping malls (called, rather obviously, “mallng,”) is very popular. Malls often include cinemas, so eating out, shopping, and moviegoing are an increasing share of wallet. Travel, particularly affinity group travel, is aspirational. Most people, even younger generations, still mainly travel domestically or for religious reasons, but many of our respondents expressed a desire to travel abroad in coming years.

Investment ideas: real estate developers (especially those that offer consumer protections), branded theaters and Cineplex chains, mall operators, travel and tour operators

The desire among many Indian millennials to bridge culture, tradition, and family with modern, independent, technology-rich lifestyles is strong. Eternal and emerging India are no longer seen as opposing forces, but rather, a single pull toward a common goal: the national pride and competitive spirit embodied in the popular saying, “Jai hind.” ■



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