Lifestyle Inflation and Addictive Consumption – Dynamics and Function among Urban Youth in Indian Metropolis

[1]Abhirav Patodia, [2]Dr. Shivaji Banerjee

[1]Student, 3rd Year, Bachelor of Commerce (Hons.), St. Xaviers' College (Autonomous)
[2]Former Head – Management Department, Faculty of Commerce, St. Xaviers' College (Autonomous) Guest Faculty – Department of Commerce and Business Management, University of Calcutta

ABSTRACT: *In today's world, one of the biggest problems faced by people is the low propensity to save. Even though the income per capita has increased over time, the spending pattern of people, especially in the young adults has shifted from necessity and allied goods to convenient and status goods. This shift in spending pattern is mostly due to the consumerism caused by comfort brands. This paper aims to study the sharp increase in young adult's spending pattern owing to the lifestyle inflation caused by consumerism and push selling. The study will involve the various avenues of increase in spending, reasons behind the increase and analysis of the propensity to save. The findings of the study complement the general notion of lifestyle inflation being the effect of push selling tactics and consumerist marketing techniques adopted by the marketers of the comfort brands in the hyperlocal segment. The paper takes into consideration services offered by cab aggregators, application-based hyper-local food delivery services, application- based utility service aggregators and online merchandise marketplaces.*

KEYWORDS: *Lifestyle Inflation, Consumerism, Spending, Urban Youth, Push Selling*

I. INTRODUCTION

The urban youth population has been the target audience for majority of the brands. This is simply because the population within this segment is more prone to consumerism compared to the other parts of the demography. People have upgraded their lifestyle beyond the rise in income. The majority of this lifestyle inflation is witnessed in the young adults. One of the reasons behind this can be their sudden increase in disposable money; owing to salary/stipend as compared to the little pocket money they were entitled to as students.

People have started to use more convenient modes of transport like hire-cabs rather than taking public transport or walking. They prefer home delivered food over cooking at home and have even shifted from once a week take out to eating out on alternate days. The comfort of getting one's clothes home delivered increases their purchase frequency when compared to going to shopping malls and purchasing them. Also, people have reduced their personal involvement in household problem since they can involve experts at the click of a button through applications who offer household solutions.

This quantity and frequency of purchase increases because of the offers that are being offered by these online platforms. These offers might make the initial purchase cheaper but also makes one addicted towards these platforms. This not only increases the cost of the individual purchase transactions in the long run, by including convenience charges and delivery fees, but also increases the overall spending since the purchase becomes easier and simpler for the common man.

When such a pattern occurs in an economy, we notice that the marginal propensity to save has a diminishing curve which suggests that for every additional rupee earned, the additional savings are diminishing in nature.

Importance of study

Thestudy is important because it aims to answer some questions that has perplexed people for a long time. The paper will answer the questions relating to hidden cost of upgrading the lifestyle and the impact of the price people pay to be able to incur such hidden costs. There is a sharp fall in the propensity to save and there have been several studies and deliberation on the same. This study also aims to understand the reasons governing the fall in propensity to save among the urban young adults who have just entered the earning scenario and aims to draw a parallel with those who have been in the earning scenario for a longer period. This study is important because it covers in detail, the impact on such areas and the extent of such impact.

Objectives of Study

- To understand the change in spending pattern of people owing to the shift from necessity and allied products to convenient and status goods as a part of upgrading their lifestyle.
- To analyze the effect of consumerism and push selling on the people's purchase patterns and the extent of these marketing tools in determining the sustainability of such marketplaces.
- To examine the fall in propensity to save among young adults who have just entered the job market and understand the reasons that govern this fall.
- To conduct detailed study on the shift from conventional spending to modern spending on transport, food and other utilities.

Conceptual Framework

Figure 1

With the help of Figure 1, we can see that there are five industries which are the main contributors towards lifestyle inflation. We have chosen 15 brands across these 5 industries to understand their marketing models and understand how they target the customers with the help of push selling tactics.

In the field of cab aggregators, the main tool of marketing is sales promotions. Brands like Uber, Ola and Meru use market penetration schemes like deep discounts. These promotional schemes, which are disguised push selling mechanisms are making the rider feel that he is taking the ride for a lower cost. However, the rider doesn't realize that this offer will soon be over, but he will be habituated to ride in a comfortable cab. This addiction is also due to status symbol for many people. Riding in public transport is surprisingly looked down upon when compared to cab-based services resulting in formation of a notion that cab based services are luxurious. These cab aggregators usually chose the hyperlocal approach with the help of which they can serve over a million customers in a day.

Food delivery applications are in the forefront of the Indian culinary revolution. The Unique Selling Proposition of these giants is the comfort they offer. They don't only sell comfort, but as a by-product also market addiction of junk food to people. These applications started with minimal delivery charge and no minimum order to attract its customers. Once the applications started getting popular among the masses, they came up with more offers to attract people and increased the delivery charges along with extra convenience fee.

Utilities applications look forward to bridging the gap between the people looking for services and the people who are providing such services. In the beginning, these companies started off as a platform that was used for merely searching and discovering service providers. Eventually, they evolved, through the years, into becoming a business model wherein they would bring on board specific services providers, train them and ensure quality control for their consumers. These applications instead of using promotional tools, worked on standardization and ensured customer satisfaction. They used word of mouth as their marketing tool.

Online grocery services have a vision to enable its customers the ease of grocery shopping online by avoiding traffic and the dreadful runs to supermarkets every now and then. Timely delivery is the essence of online shopping and so these companies have teams which put a focused approach on the delivery mechanisms. Some of these companies have developed a model with customized software which guides drivers to their destinations. This helps the company achieve a nearly on-time delivery experience for the customers. Whenever a customer places an order, the product quality and the physical condition of the product is verified by the staff personnel before it is delivered to the customer. This ensures that the right, suitable and high-quality product is sent to the customer.

Online marketplaces, in a country like India, thrive on deep discounts and customer engagement. Their marketing techniques are the fuel behind the inorganic growth throughout the country. They acquire consumers not only by giving huge promotional offers but also specialize in the customer feedbacks which further ensure more customers. One of the biggest examples of consumerism backed sustainability of these brands was witnessed when Flipkart was about to collapse as result of huge losses and stringent competition and was saved by Big Billion Days, two days of huge offers which boosted their sales. They constantly keep updating their product galleries so that the customer has no limitations when it comes to options.

Research Methodology

ResearchMethodology refers to the path through which the researchers conduct their research work. It involves the research strategy, research design, data sources, population and sample consideration, sample selection techniques, attribute check of the data and the reliability of the data being used for analysis purpose.

Research Design

While conducting the research, the underlying strategy was to understand the change in lifestyle of people, particularly the "urban youth", with respect to change in their livelihood pattern and the factor in the effect of consumerism leading to the changes in such lifestyle. The strategy further involved learning the attitude of people regarding the personal budgets, savings and the financial literacy when it comes to monthly saving schemes. The research design is set as such which fulfils the research strategy in a wholesome manner and aims to provide a concrete conclusion to the selected problem at hand.

The research design consists of the following:

Method of Data Collection

The method of data collection has been chosen keeping into mind the effectiveness of the analysis for data collected, reduction of interrogator's bias and maximum reach among the target samples. Therefore, a structured questionnaire has been chosen as the data collection tool for primary data.

Population and Sample Consideration

Population refers to the entire universe of the sampling units. Algebraically, the population is denoted by N. Sample is a subset of the population which we have chosen to conduct a study. Algebraically, the sample isdenoted by n. So, we can say the (n<N) in every case. In the given case, our population was the actual number of people living in the metropolitan cities of Kolkata, Delhi, Bangalore, Chennai and Mumbai. Each person represented a single sampling unit. For the purpose of this research, we have taken a sample size (n) of 202.

Sampling Process

The sampling technique was Convenience Sampling.

Data Validity and Attribute Check

We have collected data from the Indian Metropolis, i.e., Mumbai, Chennai, Kolkata, Delhi and Bengaluru. The data is fairly collected from each location, gender and occupations. We have tabulated data below to show that the data is representative of the population:

Gender	No. of Respondents	Percentage
Female	89	44.06%
Male	113	55.94%
Others	0	0.00%

Table 1

City	No. of Respondents	Percentage
Bangalore	31	15.35%
Chennai	34	16.83%
Delhi	40	19.80%
Kolkata	64	31.68%
Mumbai	33	16.34%

Table 2

Occupation	No. of Respondents	Percentage
Student	64	31.68%
Working Student	40	19.80%
Businessman	24	11.88%
Full Time Employee	32	15.84%
Professional	25	12.38%
Others	17	8.42%

Table 3

Age Group	No. of Respondents	Percentage
Below 19	21	10.40%
19-25	123	60.89%
26-32	30	14.85%
33-40	16	7.92%
Above 40	12	5.94%

Table 4

Fromthe above we can clearly see that the data has been collected impartially and there was no data collectors bias. We have selected a majority of population from the young professionals age of "19-25" since our study is focused on the age group. We have selected the other units so that we could draw an analytical comparison between the changes in lifestyle as witnessed in the older part of population as compared to the younger part.

II. ANALYSIS AND FINDINGS

We have used Microsoft Excel for the following analysis:

As a part of the questionnaire, certain statement-oriented questions were asked from the respondents. The respondents had to select from scale of "Strongly Disagree" to "Strongly Agree" where "Strongly Agree" would mean he completely agreed with the statement. While asking these questions the following scale was communicated to the respondents:

Table 5

Option	Inference
Strongly Agree	100%
Agree	80%
Neutral	50%
Disagree	20%
Strongly Disagree	0%

Role of Advertisement in consumer purchase decisions

By the above pie chart, we can clearly see that majority of population is impacted by advertisements in order to make purchase decisions. Approximately 17% of the respondents are totally dependent upon the advertisements while making their purchase decisions. There are only 7% of the people who have reported to have no impact of advertisements while making such decisions. In hindsight, we can say that there is a 60.15% effect of advertisement on consumer purchase decisions.
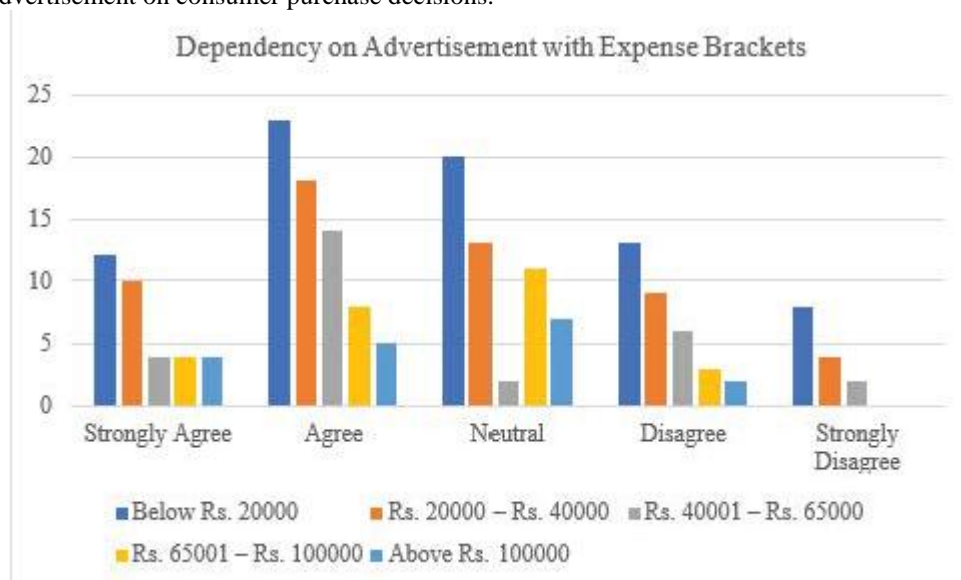

Figure 2

We can see that people who spend less then Rs. 20,000 tend to depend only 56.58% on the advertisements. Whereas respondents who are spending more than Rs. 20,000 but less than Rs. 100,000 are 61.67% dependent on advertisement. And finally, people who are spending more than Rs. 100,000 depend 66.11% on the advertisement. This shows that the people who spend more are doing so not because of higher disposable income itself but also because they are more prone to be affected by advertisements.

Role of promotional offers as a push selling mechanism for luxurious products

With the help of the above pie chart we can clearly understand that almost 71.98% impact is created among

respondents when promotional offers are put on luxury products. There are almost 38% of the people who are fairly attracted by such offers. Another 29% usually end up buying when luxury products are sold with promotions. These are the push selling tactics that companies undertake to make people materialistic and spread consumerism. There are only 2% of people who weren't affected by these offers.
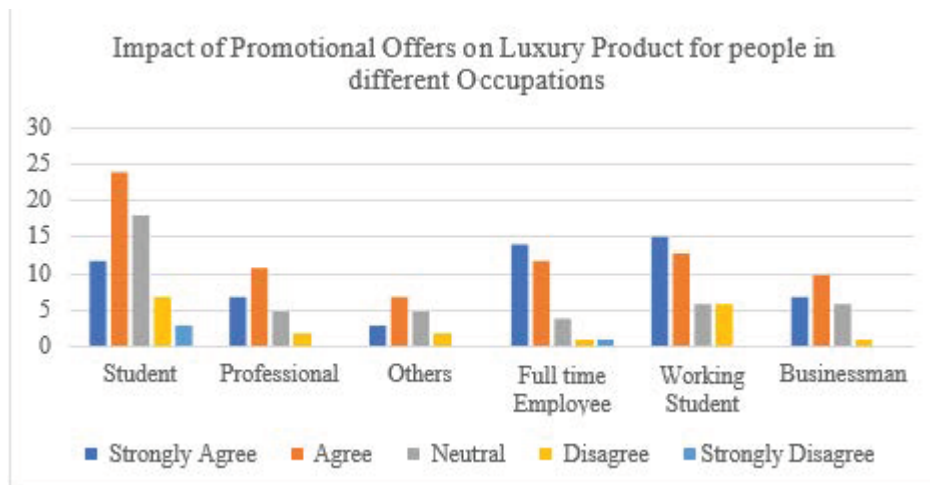

Figure 3

With the help of the above graph, we can understand that the maximum impact of promotional offers on the luxury goods is evidenced in the full-time employees – 80.63%. We also gather from it that students who have not entered the earning scenario have the least impact – 65%.

The startling discovery from the above graph is the movement from student to work student and from him to either full-time employee or a professional or a businessman. The shift of impact from a student (65%) to a working student (74%) is long jump. A working student, when witnesses a fast-growing career and continues in the job market sees a rise to 80.63%. In case, he has chosen to be professional or business, the impact will steadily rise to 75.31%.

Another important observation was that people who are not employed, also have 67.65% impact even when they don't have a current source of income.

Analysis of Cab rides vs Public transport with respect to occupation

With the help of the above pie chart we can clearly understand that almost 60.50% of the respondents prefer the use of cabs over public transports. We can clearly see that 1 in 6 every person chose a cab whenever given an option. Additionally, we also concluded that a greater number of people are seen taking cab services seldom even when their income rises. One of the reasons can be short distances, extremely high fares in some metropolis cities like Mumbai and Bengaluru or genuine dilemma when it comes to spending on luxuries like cab.

Duringdata collection, it was noticed that 36% of the people, were those who preferred cab over public transport only when there were offers while booking the cab. This shows that the person is ready to pay extra for travelling but only if he gets a discount. This is more often than not seen with hire cab services. Due to this mindset, the companies like Uber/Ola initially inflate the price and then offer discount so that people fall in the trap and book the cab.
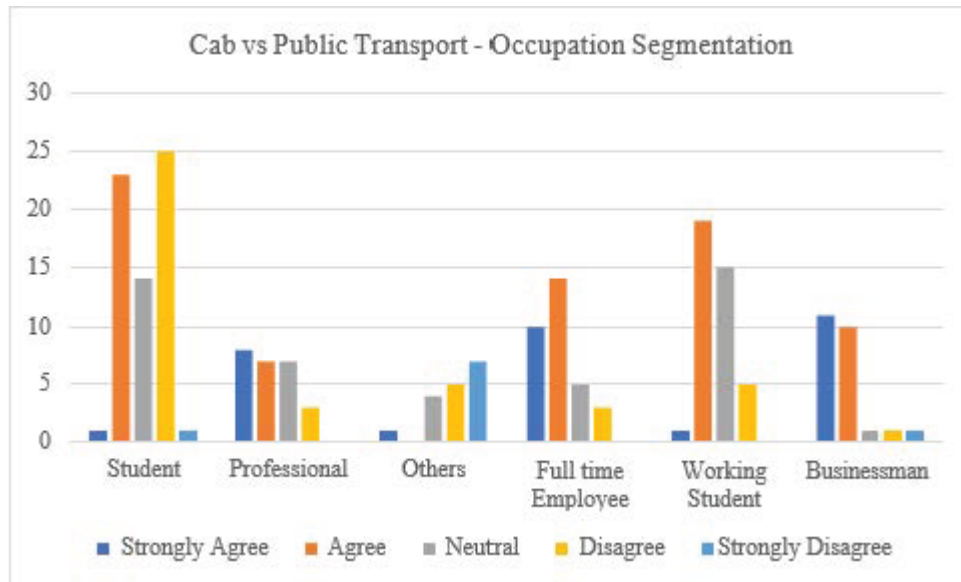
Figure 4

With the help of the above graph we can easily see that there are only 9 cases (7 of whom are unemployed) where persons strongly disagreed with the proposition of cab over public transport. This shows the in-built comfort and experiences a brand sells compared to a local bus or a metro.

We see that a student prefers cab over public transport 49.06% of the time. This figure rises to 61.75% when he works along with his studies. And once he gets a job, this figure rises to 75.94%. However, if he renders a professional service the figure rises to 70.80%. The largest rise is witnessed when he becomes a businessman, where the figure becomes 82.08%. The lowest urge to use the cab is seen in an unemployed person who just choses the cab 23.53% of the time when asked to choose between cabs and public transport.

Average number of cab rides taken with respect to age groups

Age Group	Total Number of Cab rides taken in a month	Total Number of Respondents	Average Number of Cab rides taken in a month
Below 19	121	21	5.76
19-25	1734	123	14.10
26-32	620	30	20.67
33-40	325	16	20.31
Above 40	187	12	15.58

Table 6

Inference of the above analysis

From the above we can understand that as we move from a teenager (below 19) to a young adult (19-25) the average number of cab rides increase, at a startling rate, from 5.76 per person to 14.10 per person. This increase is due to the sudden increase in the disposable income of people since there is a shift from meagre pocket money to a stable source of income.

A more surprising revelation was that this pattern didn't only continue till young adults but became a habit among people. This increasing dependency on hire cab services like Uber/Ola/Meru didn't only restrict to the initial entry to the job market. Once people got settled in their jobs and were growing in their career, they became more dependent on the cab which resulted in the number increasing from 14.10 to 20.67. This signifies that a person who took a cab once in two days is now taking a cab daily.

On further analysis it was found that in 19-25 age group 987 rides were taken among 58 respondents, who were working students or full-time employees, bringing it to 17.02 rides per respondent. This number went up to 29.17 when we consider the full-time employees in the 26-32 age group. This clearly shows that taking a cab ride became a habit for people who were using it from a younger age.As a part of the questionnaire, certain statement-oriented questions were asked from the respondents. The respondents had to select from scale of "Strongly Disagree" to "Strongly Agree" where "Strongly Agree" would mean he completely agreed with the statement. While asking these questions the following scale was communicated to the respondents:

Table 7

Option	Inference

Strongly Agree	100%
Agree	80%
Neutral	50%
Disagree	20%
Strongly Disagree	0%

Also, there were certain affirmative or negative response questions were asked from the respondents. These questions were to be answered only in "Yes" or "No".
The final part of the analysis takes into consideration, three statement-oriented questions and two affirmative/negative questions.

Analysis in respect of compliance to saving and expense budget, financial discipline and financial literacy

Non-Compliance of Budget
Out of 202 respondents, 28 respondents fully agreed with the statement and surprisingly, there were only 12 respondents who followed their budget in a disciplined manner. There is a chance of 66.29% when people don't follow the budget, they set for themselves.

Upon detailed analysis we found that out of the 28 respondents who strongly agreed, 18 belonged to the 19- 25 age group. There are only 48.33% cases when we consider the above 40 age group where people do not follow the budget. This clearly shows that with age, there is a maturity development and financial responsibilities that makes people follow the budget.

Financial Literacy among respondents
Thisanalysis brings out the only contradictory perspectives while conducting this research. Almost 67.33% of the people responded with more agreement when asked whether they were aware about the avenues where they could save.
When the "Below 19" category was left out, the number went up from 67.33% to 71.10%. This shows that most people are aware where they can save, but not many people are aware how to save.
Almost 80% of the people in above 40 age group were aware about the savings option but only 51.67% of them follow the savings budget.

Comparative study of Financial Literacy with Actual Savings

Awareness about saving avenues	Actual savings if 1/6th of the annual income	
	Yes	No
Strongly Agree	22	15
Agree	47	55
Neutral	9	13
Disagree	7	21
Strongly Disagree	5	8

Table 8

The above number clearly shows that out of the 37 people who are aware about the savings options, only 22 people are actually saving. On the other hand, 5 people who have no knowledge about the various saving avenues, are trying to save.
Only 32.43% of the people who are aware are making savings. These are the category of people who have financial literacy and discipline. There are 34.50% of the people who are aware about the savings but don't end up saving. These 34.50% comprise almost 70 respondents out of whom 49 people belong in the 19-25 age group which shows a clear sign of contradiction.

Savings in monthly schemes like SIP

Compliance to Monthly Budget	Saving in monthly schemes like SIP	
	Yes	No
Strongly Agree	6	6
Agree	8	8
Neutral	14	33
Disagree	15	84
Strongly Disagree	-	28

Table 9

In total, only 43 respondents were found to be saving in the monthly schemes through SIP. We could say that only 32.89% of people who comply to their budget, save through monthly schemes. This shows that even when people know their saving avenues and save the adequate amount, we refuse to save.

In an environment where people are aware about saving avenues, but refuse to save, we can see a sign of purchase and spend thrift driven patterns. The demand generated is not sustainable and will lose the market as soon as consumerism starts declining.

We have used the SPSS Software for the purpose of the following analysis:

Correlations		Average Annual Income (including pocket money)	Average Monthly Personal Expenditure (including Rent, if applicable)	Total ride fare you pay per month	Average Monthly Spend on Junk Food	Average Annual Spend on Clothing's
Average Annual Income (including pocket money)	Pearson Correlation	1	.798**	.407**	.502**	.581**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	202	202	202	202	202
Average Monthly Personal Expenditure (including Rent, if applicable)	Pearson Correlation	.798**	1	.444**	.606**	.644**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	202	202	202	202	202
Total ride fare you pay per month	Pearson Correlation	.407**	.444**	1	.167*	.351**
	Sig. (2-tailed)	.000	.000		.017	.000
	N	202	202	202	202	202
Average Monthly Spend on Junk Food	Pearson Correlation	.502**	.606**	.167*	1	.456**
	Sig. (2-tailed)	.000	.000	.017		.000
	N	202	202	202	202	202
Average Annual Spend on Clothing's	Pearson Correlation	.581**	.644**	.351**	.456**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	202	202	202	202	202
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

Table 10

Inference

With help of the above correlation analysis, we can understand that as our annual income rises by Re. 1, we see a Re. 0.798 increase in our monthly expenditure prorated to a year. This shows that the average propensity to consume is as high as 79.8%. However, on further analysis we find that the average propensity to consume for the age group (19-25) was as high as 82.3%. When we compare the ageing of population, we can understand that as the young adults grow, we witness a tendency of increasing APC, which suggests that the MPC isincreasing. With the help of the relation, MPC+MPS = 1, we can understand that as MPC rises, causing increasing in APC, we see a falling MPS.

Withthe help of the above table, we can understand that as our expenditure rises by Re.1, there is chance that the expenditure on Junk Food increases by Re. 0.606 and on clothing by Re. 0.644. This is majorly because, with an increase in income, youngsters tend to develop their lifestyle which includes eating in fancy restaurants and wearing designer clothes.

III. CONCLUSION AND RECOMMENDATIONS

Based on the finding, detailed analysis, calculations and understanding we can empirically conclude that the generation of young adults, who have just entered the job market, are witnessing a situation of lifestyle inflation. And with the help of the data studied we can also conclude that this is majorly because of consumerism spread tactics and push selling methods adopted by marketers of the comfort brands. The

sustainability of this demand is inorganic and temporary.

Another startling discovery during the entire study is the lack of motivation to save. With the help of Analysis 1(c), it was seen that even when individuals are financially literate, they aren't financially disciplined. We could vividly understand that the young adults, without any financial responsibilities, are the reason behind the decreasing rate of propensity to save. With multiple earning members in a family, we could see a rise in the impulse purchases of the consumers.

Recommendations

i.   Asa youth who has started to work, it is essential that he aims to save at least 1/6th of his income every month through monthly schemes like SIP. This will bring financial discipline in him.

ii. A person should always think about his future before spending in the present. His focus towards forming a suitable corpus should be greater than upgrading his current lifestyle.

Highlight to Impact in respect of COVID – 19

Since COVID -19 has spread across the entire country, people are only being able to purchase the essential necessities. And not so surprisingly, the entire push selling tactics have failed and is causing a sustainability issue for those companies who rely upon consumerism and lifestyle inflation. This is the biggest testimony we can have to prove that we are caught in the trap of pseudo luxury.

REFERENCES

[1]. A. Sulekha, R. Francina PracilaMary,Tharmalingam (2019). "Impact of Inflation of the Household Spending Power", International Journal of Recent Technology and Engineering (IJRTE)
[2]. SanketDhanokar (2017). "This invisible inflation is quietly eating away your finances. Find out how", EconomicTimes
[3]. Rahul Jain (2019). "How can millennials combat lifestyle inflation?", EconomicTimes
[4]. Sheetal Jhaveri (2019). "Are you a victim of lifestyle inflation? Here's help", Rediff.com
[5]. M. Pattabiraman (2019). "How lifestyle inflation can impact our financial stability", Freefinancial.com