Understanding the Indian Rural consumers

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ABSTRACT

*"Indian Rural Market is **growth Engine** of Indian Economy" –According to many market research agency. Indian rural market is witnessing fast change in its consumption pattern, due to number of factors. The consumption pattern of rural India is changing- one third of rural Indians consume biscuits for breakfast and one in six opts for hair colours, says market research agency A C Nielsen.*

The demand for consumer products like biscuits, edible oils, snacks, hair oil and shampoo had increased in the last few years.

A C Nielsen has projected the size of the rural market to grow ten folds to USD 100 billion by 2025. The Fast Moving Consumer Good (FMCG) companies are capitalizing on the vast rural potential as well. They are establishing wider distribution network in villages and increased launch of products in 'Low Unit Packs' (LUP).

The growth in expenses outpaced the 57.6 per cent rise in consumer prices over the same period, pointing to improved living standard of rural India.

Keywords: Rural customer

INTRODUCTION

Indian Rural Market India lives in villages, close to 72 percent of Indian population lives in rural areas. In the country we have 6.36 lakh villages out of which only 13 percent have population above 2000. The rural economy contributes nearly half of the country's GDP (ETIG 2002-03) which is mainly agriculture driven and monsoon dependent. More than 50 percent of the sales FMCG and Durable companies come from the rural areas. The McKinsey report (2007) on the rise on consumer market in India predicts that in twenty years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today's urban Indian market and estimated the size of the rural market at $577 Billion. Census of India defines rural as any habitation with a population density less than 400 per sq. km., where at least 75 percent of the male working population is engaged in agriculture and where there exits no municipality or board, and the same definition being accepted for the paper here. A marketer trying to market his product or service in the rural areas is faced by many challenges; the first is posed by the geographic spread and low population density in the villages in the country. The table below gives us the population and village size details in the country.

Table 1: Rural Population Statistics

Population Number of Villages	Percentage of total	Villages
ALess than 200	114267	17.9
200-499	155123	24.3
500-999	159400	25
1000-1999	125758	19.7
2000-4999	69135	10.8
5000-9999	11618	1.8
10000 & above	3064	0.5
Total	636365	100

Source: Census 2001

The second challenge is from the low purchasing power and limited disposable incomes in these parts of the country. But this has been changing in the last few decades with agricultural growth rate faster in the 1990's and 80's than the 1970's (CMIE 1996). Green revolution through the introduction of hybrid seeds, fertilizers and systematic irrigation had a major impact on agricultural productivity, and combined with it was a price policy which ensured minimum support price, and in turn insulated the farmers from market risk, cheap input policy and a stable demand (Vyas 2002) These all lead to a quantum jump in the incomes of farmers in the country. Initially the impact of green revolution could be seen only in the prosperous agricultural states of the country but now slowly its influence has spread across the country with the increase in irrigation (Bhalla & Singh 2001). Though the income levels overall are still very low there are many pockets of prosperity which have come up in the rural areas in the country. According to NCAER 2002, the number of rural middle class households at 27.4 million is very close to their urban counterpart at 29.5 million. The improvement in the support prices being offered to farmers also has an impact on the disposable income with the farmers. And between, 1981-2001 there has been tremendous improvement in the literacy levels, poverty and rural housing in the villages of the country. Rural literacy levels have improved from 36 percent to 59 percent, the number of below poverty houses have declined from close to half to 46 percent and the number of pucca houses have doubled from 22 percent to 41 percent. These figures provide us with a clear picture that rural India with the increase in agricultural income and improving standards is on the verge of becoming a large untapped market which marketers have been aspiring for a very long period of time. Thus the current status of rural markets makes it an attractive market for marketers. The next section specifically looks at the current status of rural telecom and the technology perspective. The consumption story for most part of last year dispelled slowdown fears as Indian rural households piped urban counterparts in growth sweepstakes , said market research agency IMRB.

Noodles, macaroni and soft-drinks made rapid inroads into the rural markets driving up growth in the fast moving consumer goods (FMCG) industry - 10% by volume and 12% by value - in the first ten months of 2011. The consumption story for most part of last year dispelled slowdown fears as Indian rural households piped urban counterparts in growth sweepstakes , said market research agency IMRB. Rural India had clocked a negative volume growth during 2010 (here volume growth is the increase in sales clocked over last year while value growth is volume growth plus price hikes).

The urban FMCG market, on the other hand, grew 4% by volume and 7% in value and was led by categories such as ready-to-eat mixes, deodorants, breakfast cereals and soups. Growth for personal care products such as toilet soaps, shampoos and household products stagnated compared to last year, while F&B space saw a healthy growth. The IMRB survey is conducted across 30 product categories.

Sector analysts said the F&B market witnessed hectic action in rural India with players like ITC and Hindustan Unilever (HUL) leveraging their distribution muscle to push products in this category. ITC's Sunfeast noodles and HUL's Knorr brand of soups have been able to penetrate the hinterland leading to increase in the category reach.

"In the F&B market we are seeing the share of rural markets grow. Packaged fruit juices have traditionally been a very urban market product, but with growing health awareness among rural consumers, we are witnessing a marked growth in demand. To cater to this demand, Dabur has already expanded the distribution footprint for juices to cover smaller cities," said George Angelo, executive director sales, Dabur India, maker of Vatika shampoo and Real fruit juice. The FMCG biggie saw its personal, oral care and health supplements report strong growth in the rural markets. While the low-penetrated products in the F&B space witnessed good growth, detergents, washing soaps stagnated volume wise. "Due to lower rural reach household care categories such as floor cleaners, household insecticides are showing faster growth. But foods especially staples such as cooking maida, atta/wheat which are driving the growth in volumes," said Manoj Menon , group business director at IMRB International.

In the urban market emerging categories, noodles, macaroni, vermicelli grew 20% in terms of volume, while ready-to-cook mix products saw a whopping 64% growth and soups grew by 20%. In the personal care category, which largely remained stagnant in the urban market, deodorants saw a 31% growth.

There have been some concerns over consumer spending with price hikes being taken across the board by FMCG companies to offset the impact of rising input costs. "Because of healthy disposable income growth and lower absolute spends on FMCG products it hasn't impacted the consumption yet, however if there is uncertainty around income growth risks of down trading exist," said Gautam Duggad, an analyst at domestic brokerage firm Prabhudas Lilladher. Most industry players said they haven't seen any palpable signs of down trading yet. "Directionally there is no slowdown in the market but there could be some cut back in the next few quarters on discretionary items by consumers. The impact will be felt in the top-end product categories and non-essentials," said Saugata Gupta, CEO, consumer Products at FMCG major Marico.

Emerging rural categories

Universe*154.9 million	**Penetration**	**Households**	**Volume**
	Jan-Oct'11	% growth	%growth
Milk food drinks	11.3	34	44
Coffee	15.1	2	10
Noodle/macaroni	39.0	5	9
Toilet/bathroom cleaners	6.0	19	24
Bottled soft drinks	11.2	33	31
Insecticides	27.7	14	23
Rubs/balms	29.9	16	21
Any shaving preparations	3.5	35	40
Skin /antiseptic creams	75.4	6	14

Note: *Number of rural households surveyed

Source: IMRB SURVEY

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The LUP market forms 35 per cent of the total Indian FMCG market. The market size for LUPs is different for different categories. For example, in shampoos, close to 80 per cent of sales come from sachets than costly bottles.

The LUP attracts consumers who want to consume premium or impulse branded goods without hurting their pockets.

The main reason for the increase in the consumer goods in rural India is the increased purchasing power. The factors led to this are loan waiver by the government, increased agricultural production, more savings and government sponsored development and employment programmes.

As per the National Sample Survey, the monthly per capita expenditure in rural India reached Rs 953 in 2009-10; a rise of 64.6 per cent as compared to 2004-05.

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