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Rural consumers aspire for more urban products

The milk food and drinks category in rural India saw volumes grow 41% in 2011 from the year ago compared with 8% expansion in 2010

Sapna Agarwal

Mumbai: Rural consumers are buying more premium health, hygiene, personal grooming, packaged foods and convenience consumer packaged products, reflecting aspirations towards changes in lifestyle.

The milk food and drinks category in rural India saw volumes grow 41% in 2011 from the year ago compared with 8% expansion in 2010. Shampoos grew 12% versus 4%, while toilet and bathroom cleaners accelerated 25% from 10%, according to IMRB International, the research division of Hindustan Thompson Associates (HTA).

While personal care and household care product volume slowed to 3% and 4%, from 4% and 10%, respectively, premium products had significant growth.

For instance, while soaps grew 3% and detergent cakes recorded flat growth in 2011, "premium category brands (Dove, Pears, Dettol) grew in double digits," said Manoj Menon, group business director, IMRB.

Industry experts said the increase may have been fuelled by increased media exposure, better education and welfare programmes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme putting more money in the hands of the rural consumer.

According to the 66th round of the household consumption expenditure survey of the National Sample Survey Office (NSSO) released in July last year, the monthly per capita expenditure (MPCE) in rural India was R 953.05 in 2009-10—an increase of 64.6% from 2004-05. The share of food in total consumption has declined since 1987-88 by about 10 percentage points to 53.6% in the rural sector, giving the rural consumer more money to spend on non-food items, which include consumer durables, education and recreation.

"The rural consumer is aspiring for similar brands as the urban one. However, the choice of SKU (stock-keeping unit or pack) is driven by the disposable income," said Tarun Arora, executive vice- president, marketing, Godrej Consumer Products Ltd. The "low-smoke" mosquito coil that's part of the

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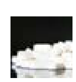

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company’s household insecticides category saw increased traction in the interiors although it is priced higher than regular coils.

Godrej’s Cinthol Soap Regular, which is priced at a premium in Tamil Nadu, has also grown significantly, added Arora.

“If we look at the rural and urban consumer, their choice of categories is the same—education, food, housing. Within that though their spend levels may differ,” said Amitabh Mall, partner and director at the Boston Consulting Group, a global management consulting firm.

The demand for premium products was supplemented with increased availability. For instance, the penetration of premium soaps increased from 37% in 2007 to 47% in 2011. Penetration of premium shampoos increased from 28% to 81% and that of premium toothpastes increased from 31% to 47% in the same period, according to IMRB International.

In the past three years, 400 towns with a population of 100,000 to one million added over 250 stores, each selling consumer packaged goods, according to a December 2011 report by Nielsen, *Managing the Middle India Gold Rush*.

India’s largest consumer packaged goods company by revenue, Hindustan Unilever Ltd, more than doubled its direct reach, covering more than two million outlets in the past three years.

“This provides us an opportunity to take an assortment of products to rural areas,” said an HUL spokesperson while explaining that in a market like India, the secular trend shows upgrading to premium products across rural and urban markets.

Likewise for PepsiCo India Holdings Pvt. Ltd, which has over the past few years increased its sales force, sharpened its go-to-market (G2M) strategy and invested in supply chain, coolers and increased capacities. This has resulted in the rural market growing at twice the rate of the urban segment, said a PepsiCo India spokesperson.

However, the purchasing power of the rural consumer could weaken.

“We expect moderation in growth in 2012, primarily driven by a slowdown in rural income growth as agri-commodity prices soften. We also expect moderation in premiumization trends in home and personal care,” stated a 9 January India Infoline report.

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