Rural consumption boost for FMCG cos

RIDE TO HINTERLAND

	ALL INDIA RURAL				ALL INDIA URBAN			
	Volume growth(%)		Value growth(%)		Volume growth(%)		Value growth(%)	
	2010 over '09	2011 over '10	2010 over '09	**2011 over '10**	2010 over '09	2011 over '10	2010 over '09	**2011 over '10**
FMCG	-2	10	1	**12**	2	4	4	**7**
Personal care	3	4	8	**9**	4	3	10	**10**
Household care	10	5	8	**13**	9	3	9	**6**
Food & beverages	-4	12	-2	**12**	1	4	2	**6**

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

*Number of rural households surveyed

Source: IMRB

Samidha Sharma | TNN

Mumbai: Noodles, macaronis 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 downtrading exist," said Gautam Duggad, an analyst at domestic brokerage firm Prabhudas Lilladher. Most industry players said they haven't seen any palpable signs of downtrading 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.