



Flexibility in price and size of FMCG Products in Rural Retail: A Comparative study of Personal Care Products

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Abstract

Rural Market is the biggest market in India via size and demand. It is still a great puzzle for the FMCG companies to tap it. One of the major strategies adopted by the FMCG companies is the cutting down the prices of their products in rural markets via introducing their products in lesser size in comparison to urban markets. The cutting down of the prices of the products especially for the rural market clearly points towards the flexibility of the companies regarding product size and prices. This paper is aimed to find out the flexibility in terms of prices and the sizes of the products that have been introduced by the FMCG companies. We aim to fill this knowledge gap by addressing the following issues:

- (i) *To analyze the extent of flexibility of prices and sizes given by FMCG companies in rural areas*
- (ii) *To analyze the present promotion strategy of top three FMCG company in rural markets.*

Keywords: *Rural Market, FMCG, Flexibility, Price, Size*

Introduction

Retail Industry is the largest industry in India which generates employment of around 10%. The share of the Industry in GDP is around 8-10% in 2007, presently around 12% and likely to touch 22% by 2010.

The rural retail market has grown by a rate of 25% as compared to 7-8% in urban retail in 2008. Nearly 87% of the rural retail sector has no access to organized retail, there is a tremendous potential for the industry to develop. This sector is still in its developing stage, many companies like DCM Shriram, ITC, Dabur and HUL has tried to tap the market potential. With the penetration of the products reaching the saturation levels in many urban markets, FMCG companies had to turn towards rural areas in order to sustain a revenue growth and profitability. Since the disposable income in the hands of rural people had been increasing in the late-1990s and the early 21st century, it made sense for companies to focus their energies on this segment. Unfortunately none of them is very much successful in reaching their targeted revenues.

Indian Marketers have two understandings about the rural markets. Firstly the urban metro products and marketing products can be implemented in rural markets with some or no change. Secondly the rural marketing required the separate skills and techniques from its urban counterpart. The marketers have following facilities to make them believe in accepting the truth that rural markets are different in so many terms.

The rural market has the opportunity for.

- Low priced products can be more successful in rural markets because the low purchasing, purchasing powers in rural markets.
- Rural consumers have mostly homogeneous group with similar needs, economic conditions and problems.
- The rural markets can be worked with the different media environment as opposed to press, film, radio and other urban centric media exposure.

Flexibility is not a new concept to the world. It is commonly used in the engineering and the physical sciences section. It's is still in developing stage as far as business world is concerned. However, its applications can be easily seen in many strategic and business decisions of various organizations.

The various FMCG companies had adopted the strategy of introducing their products in lesser sizes and prices so that it comes in the range of the people of the rural markets. Since they have lesser disposable income and work on daily wages. So they can only afford to buy products of less cost.

Methodology

We have first commenced focused group discussions among ourselves to define the problem statement. We then picked out three product categories namely: Soaps, Shampoos and Toothpastes. Toothpastes covered both toothpastes and toothpowders which are clearly indicated in the figures about to come in the paper. We have taken four companies on our domain of research namely HUL, ITC in soaps section and HUL, Dabur, Palmolive in the toothpastes section.

We have surveyed the different shops in the rural and sub-urban areas and collect the data for these three categories of products in these markets. We then club the data as per the three categories and represent it in the pictorial and graphical representation. We then represent the findings of the study in this paper.

Please note that we have focused on the most commonly available combinations of size and prices of different product categories of various companies and not on the rare available combinations which are out of scope of this empirical study.

Marketing Strategies of FMCG Companies to support Flexibility

The FMCG companies have adopted various innovative promotions and marketing strategies to increase the acceptability of their products in the rural market. The different strategies used by the companies are presented below with the help of various initiatives taken by different companies.

Advertisements with Indian models and actors

As majority of rural India possesses and is glued to TV sets, it will be a good strategy to use Indian actors and actresses to promote their products. For instance

- HUL's LUX soap is advertised by Indian actress 'Aishwarya Rai'.
- HUL's Sunsilk shampoo is advertised by Indian actress 'Priyanka Chopra'.

Adopting localized way of distributing

Major brands supply their products to every hook and corner of the area especially, the '*local pan walas*' or '*local baniyas*' as people are familiar with them. For instance, HUL made Clinic Plus and Sunsilk Shampoo in small sachet's available at local baniyas @50paise or Rs.1.

Organizing various Campaigns

HUL sought to promote hand washing with soap in rural area which helped prevent diseases like diarrhea by promoting health and hygiene awareness amongst the poor, who were infrequent users or non users of soap (especially, Lifebuoy).

Small unit and low priced packing

Larger pack sizes are out of reach for rural consumers because of their price and usage habits. This method has been tested by various products like shampoos, toothpastes etc.

- HUL's Clinic Plus, Sunsilk and ITC's Superia and Vivel shampoos were launched in small sachets for Rs.1.
- Dabur Red Toothpaste launched in small tubes of 20gm, 50gm so that people try the product.

Direct Interaction with Media

In 2001, Colgate-Palmolive launched "Operation Jagruti" to educate villagers about oral hygiene and its benefits vis-à-vis traditional products like "Neem." Through product trials and free samples, the company was able to generate awareness in this new market.

Flexibility in the Soaps

Soap is a very important skin product and is considered a need of everyone and everywhere, especially in rural areas where people are easily prone to diseases. Now looking at the present demand of soaps, which varies from people in urban areas to people in rural areas, various brands like HUL, ITC, etc. have launched their products in small sizes. Lower priced unit packs and increased promotions for value brands in rural markets have led to selling of 50% soaps in rural markets which constitute the 75% of the population of India. At Rs 2, Lifebuoy would be in a better position to enable deeper penetration into the rural market, which comprises 40 per cent of HUL's turnover. It would also offer an option to the urban consumer at a low price point. However, the company can later try to push the Rs 2 (18 gram) Lifebuoy in a new packaging format and will sell the soap in a strip of 12 packs, like in shampoo sachets.

BRAND	NAME	SIZE	PRICE
HUL	Lifebuoy	50gm	Rs 4.50
HUL	Lifebuoy	100gm	Rs 13
HUL	Lifebuoy	150gm	Rs 17
HUL	Lux Pink	100gm	Rs 13
HUL	Lux White	100gm	Rs 13
HUL	Lux Sandal	100gm	Rs 14
HUL	Breeze Rose	100gm	Rs 8
HUL	Breeze Soft n Silky	100gm	Rs 9
HUL	Breeze Lime	300gm	Rs 20

HUL	Breeze Sandal	300gm	Rs 20
ITC	Superia	100gm	Rs 10
ITC	Superia	4x100gm	Rs 33
ITC	Vivel	100gm	Rs 18

Figure 2: Table of Different Soaps available in the market

Flexibility in the Shampoos

Indian people are very conscious about their hairs as it can easily be seen with the demand of shampoos in the market both urban and rural. 80% of people living in rural areas are aware of shampoos, accounting for 20% of shampoo sold in the country. The success in rural areas has been possible due to shifting from selling of bigger packs to small sachets, which became 40% of all shampoo consumption in the country. Sachets have been particularly popular in rural areas due to their one-time use nature and affordability. At Rs 0.50, Clinic Plus sachets would be in a better position to enable deeper penetration into the rural market. The shampoo market is driven mainly by rupee one small packs, with over 90% of the rural market dominated by sachets. In cities, sachets account for about 40% of total sales. Small packs have helped in increasing penetration in rural areas where pricing plays a major role.

BRAND	NAME	SIZE	PRICE
HUL	Clinic Plus	25 ml	Rs 5
HUL	Clinic Plus	40 ml	Rs 10
HUL	Clinic Plus	100 ml	Rs 40
HUL	Clinic Plus Milk	100 ml	Rs 30
HUL	Clinic Plus Milk	200 ml	Rs 35
HUL	Sunsilk	40 ml	Rs 10
HUL	Sunsilk	100 ml	Rs 37
HUL	Sunsilk	200 ml	Rs 70
HUL	Sunsilk	400 ml	Rs 125
ITC	Vivel	100 ml	Rs 49
ITC	Vivel	200 ml	Rs 89

Figure 2: Table of Different Shampoos available in the market

Flexibility in the Toothpastes

Prior to the toothpastes Oral Hygiene was the domain of local homemade powders and ayurvedic practitioners. With the entry of Colgate in Indian marketplace, the awareness and importance about oral care has greatly increased. The major players in the toothpaste Industry being Colgate Palmolive and Hindustan Unilever Limited and several minor players like Dabur, etc. The growth in the Urban market has been largely by the Gel Segment where as Powder has been the reason for the growth in rural market.

BRAND	NAME	SIZE	PRICE
HUL	Pepsodant	80 gm	Rs 20
HUL	Pepsodant	175 gm	Rs 40
HUL	Pepsodant(toothpowder)	100 gm	Rs 19
HUL	Closeup(Red)	40 gm	Rs 12.50
HUL	Closeup(Red)	150 gm	Rs 42
HUL	Closeup(Lime)	40 gm	Rs 15
HUL	Closeup(Lime)	150 gm	Rs 47
PALMOLIVE	Colgate	40 gm	Rs 12.50
PALMOLIVE	Colgate	80 gm	Rs 25
PALMOLIVE	Colgate	150 gm	Rs 44
PALMOLIVE	Colgate(toothpowder)	100 gm	Rs 20.50
PALMOLIVE	Colgate(toothpowder)	200 gm	Rs 37
DABUR	Lal Dant Manjan	100 gm	Rs 19
DABUR	Lal Dant Manjan	150 gm	Rs 26

Figure 3: Table of Different Toothpastes available in the market

Research Findings

The different findings on the basis of our empirical study are presented below in the each of three product category.

1. Soaps

The key research findings are

- HUL alone offers three types of soaps namely Lifebuoy, Lux and Breeze which are segmented at hygiene, beauty and freshness respectively.

- Lifebuoy comes in three different combinations of size and prices.
- Lux comes in three colors which represent different moods namely pink, white and sandal with the very little or none difference in size and prices.
- Breeze offers more flexibility to the customers as it is available in four different moods namely Rose, soft & silky, lime and sandal with very little price and size difference.
- ITC on the other hand offer high priced soaps available in two different moods namely Superia & Vival.
- Superia is available in two different sizes in the market while vival has only one combination of price and size available in the market.

2. Shampoos

The key research findings in the shampoo segment are shown below.

- HUL offers two main different types of shampoos namely Clinic Plus and Sunsilk to its customers mainly focused on anti-dandruff and normal hair segment respectively in the rural market.
- Clinic Plus is available in two different forms, one is simple and the other one is known as Clinic Plus milk.
- Normal Clinic plus Shampoo offers three while Clinic Plus milk offer two different combinations to the customers.
- Sunsilk offers four different combinations of price and sizes but it is twice as expensive as Sunsilk.
- ITC on the other hand offers only Vivel shampoo in the sub-urban areas which is available in two different combinations but is highly priced as compared to HUL Shampoos.

3. Toothpastes

The different findings on the basis of our empirical study in the toothpastes segment are discussed below:

- HUL offers two different toothpastes brands namely Pepsodant and Close-Up. While Palmolive offers only one brand which is very strong in the rural market which is known as Colgate. On the other hand Dabur offers its tooth powder which is most widely available under the name of Lal Dant Manjan.
- Pepsodant is available both in the forms of toothpaste and toothpowder offering in total three different combinations of price and sizes.
- Close-up is available in two different moods namely red and Lime normally which equally offers two different combinations of size and products each.
- Colgate is also available both as tooth powder and toothpaste. Toothpaste offers three different combinations while toothpowder offers two different combinations of prices and sizes.

- Dabur Lal Dant Manjan, the flagship toothpowder brand in the rural markets comes in only two combinations of the price and sizes.
- Colgate is 25% more expensive as compared to the Pepsodant and has similar price level with Close-up.
- Colgate offers more flexible combinations as compared to individual brands of HUL and Dabur in this product segment.

Conclusion

The concept of flexibility in the forms of different variants in price and size had no doubt greatly increases the penetration of personal care products in the rural market. Before the introduction the flexibility, the rural market normally remain equipped with the local brands in normally all the product segments. The rural shop was just considered as the local branded shop. The flexibility has totally changed the face of the rural retail today as it was 7-8 years back.

With the commencement of HUL Shakti project, ITC E-Choupal and DCM Hariyali Bazaar the flexibility is like to be increase in the rural markets. HUL is the sole dominator in introducing the flexibility in the personal care products. But it can't remain the leader the toothpaste segment which is greatly influenced the Colgate which is still considered as the most reliable brand in the rural market. Moreover, the habit of people living in rural areas of using tooth powder has increased the problems of HUL to succeed over Dabur which is again the strongest brand in this segment.

ITC has now started its reach towards rural markets but its products are still very highly priced as compared to HUL, Dabur or Palmolive. Its products are just meant for the big farmers and so-called Zamidars of the villages. It is easily understood the in the coming future rural market will witness more flexibility in the type and the combination to price and size not only in the personal care segment but in other segments too. The simple cause which is supporting it that 70% of the total population lives in the villages and with the entry of new and newer products in this area gives rise to tighten competition which in revert greatly demand innovation and flexibility to work together with.

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