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# UNIT 4 TRENDS IN CONSUMER BEHAVIOUR

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## Objectives

After going through this unit you should be able to :

- Describe the underlying trends in the Rural markets with respect to consumption habits
- Evaluate changes that might have occurred over the years in patterns of consumption
- Comment upon Category specific behavioural patterns
- Analyse the differences in urban and rural trends with respect to buyer behaviour
- Suggest the road ahead for the rural marketers

## Structure

- 4.1 Introduction
- 4.2 Rural Buyer Behaviour - Recent Trends at Macro Level
- 4.3 The Changes that have Occurred Over the Years
- 4.4 Current trends in the consumption patterns
- 4.5 The Implications for the Marketers
- 4.6 Summary
- 4.7 Self Assessment Questions
- 4.8 Further Readings
- 4.9 References

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## 4.1 INTRODUCTION

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The earlier unit (unit 3) gave you an insight into the buying behaviour processes in the rural markets and the influences on consumer's behaviour. This unit is more of a reality check of the market and analyses the recent trends in the rural markets. Further it also compares the trends with the past data to find any underlying changes that might have occurred or are currently occurring in the market. It is important, as a student of rural marketing, for you to understand the aggregate picture of the trends in buyer behaviour as it enables you to have a dynamic assessment of the target group you want to reach. This unit, through an analysis of the consumption patterns in the rural market, tries to create direction for areas of possible marketing effort that needs to be made. It also outlines the marketing implication of these trends. The unit builds upon the conceptual understanding of influences on buyer behaviour studied by you in the last unit.

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## 4.2 RURAL BUYER BEHAVIOUR - RECENT TRENDS AT MACRO LEVEL

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Owing to several macrotrends like rising rural incomes, growing literacy levels, migration to more urbanized locales and rising penetration of audiovisual mass media, the rural markets are showing interesting changes at overall, aggregate levels. A case in point is the concept of Rural Insurance; wherein a concept of



this kind was unheard in the past, only players like LIC made some efforts there. Today with the Insurance sector opening up, private players are flocking to the rural India. On the flip side, 55% of LIC's business during 2000-01 came from the rural sector where it sold an impressive 10.7 million policies.' Obviously there is a market waiting to be tapped but it will ask for a gameplan very different from the urban markets.

The anticipated growth rates between rural and urban markets anticipated by NCAER have some interesting facets to it.

**Table 4.1: Anticipated Growth Rates in Rural & Urban Markets**

Income Groups	Urban	Rural
	2001-02 to 2006-07 (%)	2001-02 to 2006-07 (%)
Low (Up to 22,500)	-26.5	-6.9
Lower Middle (22,501-45,000)	-9.2	3.4
Middle (45,001-70,000)	2.5	13.4
Upper Middle (70,001-96,000)	13.0	5.9
High (Above 96,000)	15.9	14.3

*Source:* Development of Life Insurance Business in Rural Area by S. P. Subhedar

The large mass of the middle class is likely to swell much more in the rural markets as compared to the urban markets and this is where marketers have immense opportunities to exploit the market. <sup>2</sup>Besides, for the same level of income, disposable surplus (purchasing power) in rural could be higher owing to food, shelter, primary education and health being relatively cheaper or free as compared to the urban markets where 60-70% of the cost is incurred under these heads. The rural share in FMCG and durables are also on the rise with about 50% share of ownership as compared to less than 25% in the 1980's. Roughly the rural market is expected to be valued at Rs.500 billion for FMCG's, Rs.5<sup>3</sup> billion for consumer durables, Rs.450 billion for agricultural inputs and implements and Rs.8 billion for automobiles annually.' These figures speak of the substantive part of the market and there are already favourable transitions in the market.

Bicycles, Radio/Transistors, wristwatches, B/W television, Cassette Recorders, pressure cookers, table fans and sewing machines have already registered more than 50% of the share of sales in rural markets and expensive products like motorcycles and refrigerators have registered growths of 20-25%<sup>4</sup>. In some categories of FMCG like cooking oil, toilet soaps and washing cakes, both the rural and the urban markets have registered similar penetration levels. The rural consumer is no more relying on traditional forms of savings and investments. Bullion reserve and land were the more conventional approaches to saving and investments and they have made way for more contemporary means of investing like Fixed Deposits, Recurring Deposits and even Insurance policies.

Rural Credit has always existed, but has been highly unstructured and unorganised. The Bank credit schemes have only been the bastion of a select few prosperous farmers. A few traditional products like tractors and agricultural equipment have long been procured through bank credit schemes. However, trends are beginning to change and there seems a conscious effort from the financial sectors to look at structural changes rather than vanilla products. It might be too early to predict a fully evolved hire purchase market structure like the urban markets but with comparatively higher liquidity in the rural markets, one will witness more sustained activities of the organized credit sector.



Infrastructure will continue to be a problem in the rural markets for a long time. Approximately, 742 million consumers live in rural markets spread over six hundred thousand villages. Unfortunately, "approachable roads" cover 40% of such villages and therefore in most cases it will be difficult to cover the length and breadth of the markets. For instance take the case of rural insurance, which relies on direct marketing. The insurance industry will have to change course to sell its products. Similarly, for products, which are more physical in nature, it will mean adopting alternative logistics model for ensuring product availability. A few other issues that will affect markets are those of rural electrification, public health, sanitation conditions and hygiene habits. Issues, which are seemingly unrelated but have gained immense importance in light of the potential that the market holds. However, there are some attempts which have been made regionally by the governments and there are a few private initiatives too, which have had some impact in the region. The next few sections will take you through the current rural market trends versus the past, which will help you analyse the possible changes that might have occurred.

### Activity 1

Two major variables in rural market have KIM& the size of the rural market for a long time. In your own understanding and after discussion with your peers in the rural marketing course, outline in which product classes the following 2 variables, if improved, are likely to enhance consumption.

- Rural infrastructure of Roads, power and water supply
- Organised credit system

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## 4.3 THE CHANGES THAT HAVE OCCURRED OVER THE YEARS

The biggest debate in the rural markets has been the population issue. With almost 70%+ population in the rural markets it has always been a market with significance but with an absence of reasonable degree of access and relatively lower levels of purchasing power. As the latter is changing, marketers are trying to find ways of overcoming the problem of access. You can get an idea an idea of the growth trends in rural population, and the transition over the years by looking at table 4.2 and 4.3

**Table 4-2: Rural Population in India**

Census Year	Rural Population (in Crores)	Total Population (in Crores)	% of Rural Population to Total Population
1961	36.03	4392	82.0
1971	4300	5411	811
1981	5238	6833	716
1991	6187	84.63	74.3

Source: From the article titled, Rural Insurance: Prospects and Constraints by R. Vaidhyathan and S. Jyothilakshmi



**Table 4.3: Rural vs Urban Population in India: Picture from Select States**

States	Rural		Urban	
	2001 (in WE)	%age of Total Population	2001 (in lakhs)	%age of Total Population
Andhra Pradesh	551	73	215	27
Arunachal Pradesh	86.8	80	22.2	20
Assam	23.2	87	3.3	13
Bihar	74.1	90	8.6	10
Gujarat	31.6	63	18.8	37
Himanchal Pradesh	5.4	90	0.5	10
Karnataka	34.8	66	17.9	34
Madhya Pradesh	44.2	73	16.1	27
Maharashtra	55.7	58	41.0	42
Orissa	31.2	85	5.4	15
Punjab	16.0	66	8.2	34
Rajasthan	43.2	77	13.2	23
Tamilnadu	341	56	272	44
Uttar Pradesh	1311	79	34.5	21
West Bengal	57.7	72	22.4	28

Source: Census of India 2001, website: <http://www.censusindia.net>

While from Table 4.2 a clear indication of the decline in % of rural population is apparent, Table 4.3 still reflects a clear domination of the rural population as against the urban counterpart in most states, which is indicative enough of the market's size.<sup>5</sup> Though the decline in population in rural markets cannot be for the same reasons as in urban markets, however, migration of population coupled with awareness of family planning has been the primal reason for the decline. Though percentage wise rural population has declined from 82.0 to 72.2 in 50 years, in absolute volume terms the rural population has grown from 36.03 to 74.17 crores i.e. by nearly 105.86%. There has been also indication of a steady economic growth in the region, which has been a harbinger of change. Economic growth in the agrarian sector has been 79% as compared to 3% in the industrial sector, reason enough for the sector to cheer, This has had impact on the income distribution in the region too. (Table 4.4.)

**Table 4.4: The changing income distribution of Rural Population**

Income Group	1985-86	1989-90	1995-96
High (above Rs.96,000 p.a.)	0.3	0.5	2.0
Upper Middle (Rs.70,000 to Rs.96,000 p.a.)	0.7	1.2	3.1
Middle (Rs. 45,001 to Rs. 70,000 p.a.)	4.0	7.1	8.6
Lower Middle (Rs.22,501 to Rs.45,000 p.a.)	21.4	23.9	29.0
Low (Upto Rs.2,500 p.a.)	73.6	67.3	57.2

Source: From the article 666, Emerging Life Insurance Market in Rural India by T.K. Banerjee

With the economic growth in the region and as per NCAER the mobility towards higher income groups being higher in the rural sector as compared to the urban markets, a few distinct trends have been noticeable:

- (1) Increased monetisation of rural economy, whereby there is cash surplus holdings by rural population. Earlier, apparently the cycle of transactions from goods to cash and then to other goods was much faster than they are today.



- (2) Financial assets are gradually gaining importance in rural sector as against the traditional habit of creating physical assets. Thus the process of institutionalisation of savings has started.
- (3) People are more conscious of security of their money and traditional institutions are the preferred ones.

However, there are some anomalies in this context, chief among them being the heterogeneity in the segments. The rural population is broadly divided into the following segments.

- (i) Big Landlords
- (ii) Micro-Enterprise/ Small Farmer
- (iii) Marginal Farmer
- (iv) Labourers

There are sizeable gaps in resource profile of each of these segments and this obviously has an impact on the economic prosperity of the region. Besides, from buying behaviour perspective too it has its own influences. A look at the declining poverty rates (Table 4.5) and growth rates across income classes (Table 4.6) will give you an idea of the transitions that are taking place.

**Table 4.5: Population below poverty line**

Number of poor (Mn.)	2001-02	1993-94	1973-74
Rural	137.5	244.0	261.3
Urban	*44.5	76.3	60.0
Total	182.0	320.4	321.30
Poverty Ratio (%)			
Rural	18.6	37.3	56.4
Urban	18.6	32.4	49
Total	18.0	36.0.	54.6

Source: Statistical Outline of India

**Table 4.6: Anticipated growth rate in income classes (%)**

Income groups (Rs. in 1994-95 prices)	Urban	Rural	Urban	Rural
	2001-02 to 2006-07		1994-95 to 2001-02	
Low (Upto 22,500)	-26.5	-8.6	-12.5	-5.5
Lower Middle (22,501-45,00)	-9.2	3.4	1.7	8.3
Middle (45,001-70,000)	2.5	13.4	6.5	8.1
Upper Middle (70,001-96,000)	13.0	5.9	11.4	9.9
High (Above 96,000)	15.9	14.3	18.1	11.5

Source: Statistical Outline of India

Both tables are indicative of the declining population below the poverty line and it augurs good promise for marketers. A clear indication of that is also demonstrated from the Table 4.7 which is fairly indicative in nature and shows how the consumption profile has show a shift in the last decade. You can get a more complete and updated productwise picture, through the statistical data provided in the appendix of block III of this course.



**Table 4.7: Purchase of Consumable Products-Rural Share(%)**

Product	1986-87	1998-99
Body Talcum Powder	41.00	45.7
Cigarettes	54.00	57.90
Face Cream	21.00*	27.83
Cooking Medium (Oil)	66.00	65.92
Cooking Medium (Vanaspati)	58.00	59.22
Electric Bulb	31.00	41.62
Electric Tube	32.00	35.99
Footwear (Casual)	66.00	61.21
Footwear (Leather)	62.00	58.31
Footwear (PVC)	70.00	##
Footwear (Sports)	#	46.6
Hair Oil/Cream	47.00	51.89
Health Beverage	30.00	31.02
Lipstick	-	-
Nail Polish	-	-
Packaged Biscuits	54.00	43.6
Shampoo	-	32.69
Tea	55.00	59.85
Toilet Soap	50.00	58.43
Toothpaste	27.00	46.88
Toothpowder	69.00	78.23
Vanishing-Cream	23.00	* *
Washing Cake	61.00	66.88
Washing Powder	42.00	57.85

Source: Indian Market Demographics Report 2002, '-Not surveyed/not available. \* Cold cream only. # Included under footwear (Casual and Leather), ## Included under Footwear (casual)

Though the figures are not a segment wise indication, they do explain the current scenario wherein both FMCG and durables have shown positive growth signs. Some variation by mode of financing new purchases is also indicative of the way rural India has been acquiring goods. (Table 4.8)

**Table 4.8: Distribution of New Purchases by Mode of Finance (1993-94)**

Product	Cash Down			Hire Purchase			Loan			Gift		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Transistors/radios	88.19	84.94	85.94	5.19	5.08	5.10	2.92	4.44	4.11	3.70	554	5.15
Mono Cassette Recorders	82.69	88.10	85.90	9.03	5.23	6.77	5.85	3.48	4.44	2.43	3.20	2.88
Pressure	88.02	80.34	84.47	6.35	6.94	6.62	135	0.41	0.91	4.30	12.31	8.00
Pressure Pans	80.45	92.08	82.54	3.23	0.00	2.65	1.77	0.00	1.45	14.56	7.92	13.36
Bicycles	88.13	86.33	86.73	6.95	5.30	5.67	2.09	3.93	3.52	2.83	4.44	4.08
Wrist Watches (Quartz/Electronic)	88.54	87.13	87.83	3.14	2.78	2.96	0.73	0.11	0.42	7.59	9.97	8.79
Wrist Watches (Mechanical)	88.56	82.96	84.30	1.85	3.89	3.40	0.74	1.72	1.48	8.85	11.43	10.82
Electric Irons	90.87	89.57	90.32	3.98	0.35	2.45	0.66	5.29	2.61	4.49	4.80	4.62
Ceiling Fans	85.75	83.91	84.86	1.26	759	8.89	1.29	3.79	2.49	2.70	4.72	3.67
Table Fans	80.86	84.02	82.82	1034	6.70	8.08	1.78	0.69	1.11	7.02	3.58	7.99

Source: Indian Market Demographics-The Consumer Classes, NCAER

Patterns of purchases by type, whether new purchase or second hand, also show some variation between rural and urban markets. (Table 4.9)

**Table 4.9: Distribution of Purchases by Types of Purchase**

(in percentage)



Product	New Purchase			Second Hand Purchase		
	Urban	Rural	Total	Urban	Rural	Total
Transistors/ radios	95.39	92.35	92.98	4.61	7.65	7.02
Mono Cassette Recorders	93.50	91.14	92.08	6.50	8.86	7.92
Pressure Cookers	100.00	100.00	100.00	0.00	0.00	0.00
Pressure Pans	100.00	100.00	100.00	0.00	0.00	0.00
Bicycles	91.34	82.60	84.40	8.66		15.60
Wrist Watches (Quartz/Electronic)	98.89	97.96	98.42	1.11	2.04	1.58
Wrist Watches (Mechanical)	96.50	94.36	94.86	3.50	5.64	5.14
Electric Irons	98.01	98.88	98.37	1.99	1.12	1.63
Ceiling Fans	98.50	97.77	98.14	1.50	2.23	1.86
Table Fans	95.42	95.43	95.42	4.58	4.57	4.58

Source: Indian Market Demographics-The Consumer Classes, NCAER

From an overall picture of the rural ownership of consumer durable it is possible to see that the acquisition profile, product category wise is showing a shift over the year (Table 4.10)

**Table 4.10: Penetration (ownership per '000 households) of Durable Products-Rural**

(Per cent)

Products	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Bicycles	495.68	510.97	529.03	556.85	579.37	605.78
Mopeds	15.33	16.50	17.74	20.94	22.12	24.15
Scooters	17.19	19.15	21.13	23.89	26.40	29.03
Motorcycles	16.16	17.48	18.70	21.15	24.28	28.13
B&W TVs (S&R)	114.47	132.94	154.83	178.77	203.34	195.47
Colour TVs (S&R)	19.30	22.95	26.35	30.86	38.27	48.41
Cassette Recorders	129.86	152.56	173.15	201.20	227.26	246.07
Radios (Portable)	380.76	400.89	418.87	441.97	463.25	491.61
VCRs/VCPs	1.12	1.29	2.01	2.18	2.47	2.77
Pressure Cookers	108.38	118.42	130.27	146.10	161.73	178.10
Mixer/ Grinders	25.95	28.72	31.23	35.03	39.29	43.88
Refrigerators	14.06	16.99	20.37	24.54	29.14	34.55
Washing Machines	2.84	3.95	5.04	6.49	8.03	9.77
Electric Irons	70.17	76.83	82.66	90.61	99.44	109.24
Pressure Pans	0.70	1.10	1.70	2.55	3.37	4.27
Ceiling Fans	149.60	169.49	190.49	217.62	248.01	280.29
Table Fans	107.68	120.50	130.99	141.94	160.91	177.67
Sewing Machines	61.87	63.59	65.44	67.11	68.85	71.09
Mechanical Wrist	732.14	746.39	759.68	790.58	811.45	823.90
Quartz Wrist Watches	194.35	224.90	257.51	295.36	345.25	400.90
Geysers (Storage)	0.41	0.43	0.45	0.57	0.61	0.65
Geysers (Instant)	0.26	0.28	0.30	0.41	0.46	0.49

Source: Indian Market Demographics Report, 2002, NCAER, <sup>91</sup> indicates figures not available

The trends can be seen in the figures below. Fig.4.1 gives an idea of the changing picture of durables ownerships while Fig.4.2 shows the patterns of purchase by low income category households.



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**Table 4.11**  
**Number of Purchasing Households ('000) 1993-94**  
**Number of Consumers ('000)**



Product	Households			Consumers		
	Urban	Rural	Total	Urban	Rural	Total
<b>Nail Polish</b>	4509	2755	7264	25252	15426	40678
<b>Lipstick</b>	5974	635	6610	33457	3557	37014
<b>Packaged Biscuits</b>	19244	22199	41443	107767	124316	232082
<b>Electric Bulbs</b>	31884	51135	83019	178550	286354	464904
<b>Footwear PVC</b>	18779	38091	56870	105160	213312	318472
<b>Footwear Leather</b>	22281	38702	60982	124773	216728	341501
<b>Footwear Casual</b>	23970	56526	80495	134230	316544	450774
<b>Washing Powder</b>	29915	56602	86517	167524	316973	484497
<b>Washing Cake</b>	40176	98770	138946	224987	553110	778098
<b>Cooking Medium Oil</b>	40002	99734	139736	224008	558513	782521
<b>Vanaspati</b>	19825	39981	59806	111018	223895	334912
<b>Tea</b>	37908	88293	126201	212286	494441	706727
<b>Body talcum powder</b>	26598	39316	65914	148949	220168	369117
<b>Shampoos</b>	11300	6910	18210	63280	38694	101974
<b>Face Cream</b>	11715	15540	27256	65605	87026	152631

*Source:* Indian Market Demographics-The Consumer Classes, NCAER

The tables above are a broad indication of the market and its characteristics. The main issue here is the differences in the urban and the rural markets and how has the rural markets covered ground especially in the last few decades. In the next section you will see some recent trends in the rural markets. However, if one were to summarise this section it will be in the form of a few logical conclusions:

- (i) The growth in the rural sector especially from the primary sector has been substantially more as compared to the secondary sector overall, which means that economic resources are now more in the rural sector than in the past and that has definitely meant rise in the spend levels of the region.
- (ii) The second issue is the traditional norms and means of investments and savings are giving way to the more contemporary ones, especially with the penetration of the banking and financial sector alongwith necessary reforms.
- (iii) FMCG growth continues to dominate in the rural sector and durables are gradually beginning to make way for themselves.
- (iv) Infrastructure is an issue and especially electricity will be the chief concern in most regions, and may continue to inhibit growth in the electricity dependant durables market.
- (v) The market size will continue to grow even though shrinking population share is a gradual trend in the region, because overall growth rates in population continue to be higher in rural India.

### Activity 2

Study the recent report of NCAER The Indian market demographics 2002 .Also go to the websites suggested in Block V of this course .Identify which are the 5 product/service categories growth rates. Also indicate show a decline.



#### 4.4 CURRENT TRENDS IN THE CONSUMPTION PATTERNS

This section will help you analyse the recent trends in the rural markets and effort has been made to make necessary comparisons with the urban markets too. The ensuing tables give an indication of the recent scenario from the rural sector. Interestingly, growth still is in the traditional sectors and segments but some new dimensions, particularly with respect to credit and finance systems, are critical for you to evaluate. Though the rural markets are still not full-grown matured markets in respect of credit and finance but there has always been unorganised market, existing for long. The ensuing tables are indication of the recent trends in the rural markets.

**Table 4.12: Consumer Durable Products- Market Growth**

(per cent average annual rate)

	Pm-reform period (1989-90 to 1992-93)			Post-reform period- I (1992-93 to 1995-96)			Post-reform period- II (1995-96 to 1998-99)		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Group I	4.8	3.2	4.2	5.7	4.0	5.1	11.1	5.2	9.2
Group II	9.6	2.7	5.5	19.6	6.4	12.7	9.9	-10.5	-0.2
Group III	1.6	1-4.4	-3.0	25.0	20.8	21.9	22.5	13.6	16.3
Total	5.3	2.0	3.9	8.8	7.0	8.0	11.5	2.9	8.1

Source: Indian Market Demographics 2002, NCAER

According to NCAER; the rural markets are growing, the levels of infrastructural developments (including that of service sector) and performance of agriculture in a given season, however, will be, critical for realizing the purchase power potential of a given rural area. Availability of electricity alone will be a major variable in deciding the ownership of consumer durables as the table 4.13 shows.

**Table 4.13: Factors Affecting Penetration of Consumer Electrical Products in Rural Areas**

Factor	Per cent Contribution	
	1989-90	1998-99
Income	18.8	22.9
Electricity	55.1	56.0
Interaction between income & electricity	15.4	9.9
Lifestyle	10.7	11.2

Source: Indian Market Demographics 2002, NCAER

The approximate market size for the FMCG segment, across rural and urban sectors presents an interesting picture, as you can analyse from the table below (4.14)

**Table 4.14: The FMCG Market**

Year	Market Size (Rs. billion at 1995-96 prices)			Growth (percent per annum)		
	Urban	Rural	Total	Urban	Rural	Total
1992-93	220.4	319.9	540.3	-	-	-
1995-96	292.5	378.6	671.1	9.9	5.8	7.5
1996-97	309.1	410.5	719.6	5.7	8.4	7.2
1997-98	382.5	457.6	840.0	23.7	11.5	16.7
1998-99	371.3	415.5	786.8	-2.9	-9.2	-6.3
1995-99	-	-	-	8.3	3.2	5.4

Source: Indian Market Demographics 2002, NCAER

On the FMCG market there will be steady growth as indicated in the figures below for the 22 products as classified by NCAER. Besides, for the durables sector consumer finance will be the key to future growths. According to NCAER' the three key reasons for the same will be:

- (i) income effect (boom) of the mid 90's is over;
- (ii) latent demand of the mid 90's has exhausted;
- (iii) and there is no more a 'ready made' consumer market, the same will need to be cultivated and built.

**Table 4.15: FMCG Product Market Growth**

(per cent per annum)

Product	Change in growth
Lipstick	+13.9
Nail Polish	+16.9
Shampoo	+17.5
Tooth paste	+6.7
Electric Tube	+8.4
Face Cream	-2.7
Body talcum powder	+3.2
Footwear- Leather	-3.4
Health Beverages	-3.0
Packaged Products	-0.5
Footwear sports	-
Electric Bulb	-6.3
Tea	-7.5
Tooth powder	-3.9
Washing powder	-4.1
Cooking oil	-0.4
Hair Oil/Cream	-4.5
Washing Cake	+1.9
Vanaspati	-4.6
Cigarettes	-0.2
Toilet Soap	-9.0

Source: Indian Market Demographics 2002, NCAER

The birth of the consumer finance is primarily because of the financial and banking sector reforms and which is evidently helping consumers immensely. It is also a key variable in creating purchase potential for large segments of lower and lower middle income classed going in for durables purchases.

(Table 4.16)



**Table 4.16: Growth in Financed Purchases of White Goods**

(per cent per annum)

	1992-93 to 1995-96	1995-96 to 1997-98	1997-98 to 1998-99	1998-99 to 1999-2000
Urban	19.6	14.8	-17.1	17.4
Rural	20.4	14.3	-5.9	39.6
Total	19.8	14.6	-14.1	23.9

Source: Indian Market Demographics 2002, NCAER

The figures are indicative of the trends in the rural markets where the growth has been promising and definitely from the buyer behaviour perspective there have been distinct changes too. The next section evaluates the implications from the marketer's perspective and identifies some indicative learning that he has to apply for an effective rural marketing effort.

### Activity 3

Talk to some of the following organizations

1. A private insurance provider
2. A Cellular services provider
3. A leading FMCG manufacturer
4. A consumer durables manufacturer

Discuss with them to find out how they define the rural market opportunity in respect of their own organization, and in response to the trends apparent in the rural markets. Record the outcome of your discussion here.

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## 4.5 THE IMPLICATIONS FOR THE MARKETERS

According to an article by Prof. V. Mukanda Das, titled, 'India's Emerging Consumer Markets- Relevance of the evolving Rural Consuming systems, the rural market transition shows interesting dimensions. Das points out to the directions of change very clearly. Though the paper is from the early 1990's yet seems very relevant in today's context. According to him, "There are two dominant changes/shifts discerned in the rural consuming systems. These changes, it is to be understood, are from a pre-agrarian prosperity level to one after agrarian prosperity or rural development investments. (i) The first change in spending is manifested in an increasing proportion of incremental income being spent for buying consumer durables from a previous state of buying more land, in the affluent segments of rural consumers. (ii) The second change is from a situation of buying locally made (mostly within village) goods to one of buying urban made consumer goods."

The three factors which have initiated the first direction of change are<sup>10</sup> :

- (a) Spurt of Agrarian Prosperity
- (b) Reduction of Risk (perceived) in Agriculture
- (c) Change in the (conception) of Ideal Consumption Basket

Based on these issues the implications for the marketers are important to understand". Initially land and bullion reserve were considered important for security purposes. However, as things stand today this saving preference has made way for more contemporary viewpoints. The evolution of the consuming system is because of the change in the consumption choices and this evolution is based on the mutual reinforcement of the two factors as the critical condition as illustrated in Figure 4.3."

Marketers will have to very clearly understand the current dynamics and based on this, they will have to look at their marketing plans for the rural marketing. A sudden dose of advertising or by being merely present at specific fairs or haats will not ensure product saleability. Infact, a critical point of difference is that unlike his urban

counterpart the rural consumer is not an impulsive consumer. His buying is ideally referred to as "Ideal Consumption"<sup>12</sup>, which has a very strong social and economic influence. Marketers will have to clearly realise that there are a few distinct notions within the rural mindsets, which will be difficult to remove as they are a by product of the socio-economic fabric of village life. For instance,

TV viewing in the villages is more of a community affair rather than family based affair in the urban market. The TV is therefore displayed not merely for public viewing but a silent endorsement is also required for brand/ product consumed. If the village mukhiya endorses the p the social status of the individual owing the product, is augmented manifold. These

are traits hard to remove and where marketers cannot do much except maintain visibility and opinion leadership levels. Another aspect is that the quantity of consumption product wise is lower too. Usage of soaps has already indicated, in contrast to urban situation is fairly low. In such cases marketers will have to provide for proportionate quantity of product. Sachets have therefore become immensely popular in the rural markets. Take a look at the

pictures 1, 2 and 3 alongside and it will show how sachets are prominently



displayed in the rural markets. Infact, these pictures are taken in the villages of Haryana and they typically reflect the state of a typical rural grocery and how the products are displayed. For an urban counterpart it might seem very different from the grocery shop that he visits, however, the product display patterns are fairly similar. The concept of wall painting and signboards is still very popular in rural setting. Another very critical aspect is the message styles, which are fairly bold and prominent. The logo is prominently displayed and the product depiction is also very stark and distinct. As press plays a minimal role here in rural markets, emphasis is heavy on the in-store display and especially on below the line promotions.

Going back to the marketing implication of rural consumption trends the second issue highlighted by Prof. V. Mukanda Das, is in the context of change from locally made goods to urban consumer goods. According to him this is because of filtered information from the urban markets and of course today TV does play critical role in information flow and decision making.

However, it is important to understand that the rural customer will be no different than the urban eventually in terms of values that he seeks. When TV was relatively new to the cities and towns, DD (Doordarshan) was the only option available with a basket of products that viewers waited for days in the week to watch Chitrahaaar, Sunday Feature Film, Aap or Hum, Phool Mille Hai Gulshan Gulshan to name a few. Of course, the evergreen hart Hai to Jahan Haai or Krishi Darshan was always there for an awaiting rural audience, though rural penetration of TV those days, was low. Things changed with the advent of soap operas like Hum Log, Buniyaad, and Ramayan... Post 1991, C&S (cable and satellite) changed the way we watched television and today there are a plethora of channels to be viewed. The urban markets have become fairly evolved atleast in terms of the viewership patterns and the content. The rural markets largely dependant on Doordarshan, are also undergoing similar transitions and they are better placed as compared to the position contentwise, from the picture in last decade, since the. DD content today is far richer and better what was than offered in the past. The gradual penetration of C&S in times to come, will also ensure that the rural sector will gain exposure levels similar to his urban counterparts. This has been the trend in most cases and categories.

Infrastructure, especially electricity will continue be the prime concern as has been adequately covered in the earlier sections. According to NCAER estimates, there will be direct co-relationship between durable purchase and availability of electricity. In some states, where even the cities are grappling with all day electric supply, it will be a tall order before the rural sector is adequately covered.

Figure 4.4 explains clearly the need for the marketers to understand how the marketer needs to consider the filtered urban consumption values and its implications for the rural customers. Research shows that urban consumption has an aspirational value for those rural consumers, who are in touch with or exposed to such consumption. However, this must not be taken for granted that the consumer here is a linear extension of the urban counterpart. He has shown himself be patient, methodical and evaluative in nature before he makes the final purchase. The value sought will be more keenly evaluated and thus the time taken in the purchase process will be higher. Products like refrigerators, washing machines, OTG's and other related durables have entered in the commoditisation mode in the urban markets, which is still not the case in the rural markets and therefore the value sought is still at a stage where propositions have to be translated into resulting utility and functional benefits, meaningful to the rural consumer, in relation to the price paid for the durable.



Some of the indicators of changes are:

- a. The ever-increasing levels of input usage has to rationalise and stabilise itself to sustainable levels. The concept of sustainability includes elements of balance in the environment, society and economy here.
- b. The growing complexity of the newer products which are becoming very technical, sophisticated and expensive, is an issue. The consumer needs to "understand" the utility: price equation as well as be satisfied about the possible repair and maintenance scenario.
- c. Slowly, the concept of economies of scale, which is so much talked about in the industrial goods manufacturing, is going to come in agricultural production system also.
- d. With growing urban influences and the process of urbanisation that is taking over the rural areas, including advent of mass media and lowered insulation of the village itself, the traditional dependence of rural customers upon channel members, for advice, credit and goods is slowly going to come down.
- e. The rural customer is now getting influenced by the concept of a brand. It will make him switch from anonymous commodities to recognisable brands.
- f. We are witnessing an increased migration from the rural to urban areas. The youth too is not looking at agriculture as an attractive career option. He has more career/livelihood options to choose from. This has an indirect impact in the form of aging of the rural population in times to come and resultant shifts in consumption behaviour, unless some means of reversing the tide of migration can be employed.

In conclusion, a few learnings that can be gleaned from the unit are :

- (i) The rural customer will be more discerning and value conscious than the urban customers. This however, does not draw from any possible differences in the spend levels between urban and rural markets.
- (ii) Infrastructure is critical for markets to grow and flourish.
- (iii) The current trends in rural markets have displayed economic growths higher as compared to the urban markets and overall GDP growths are higher in the last few years, which augurs well for marketers eyeing this market.
- (iv) Traditional products like bulbs, tooth powders, washing bars are making way for more contemporary options like tubes, pastes or detergent powders.
- (v) TV penetration is high but press, specifically, vernacular medium, is low in reach, width seems to be in direct correlation to the literacy level in a given
- (vi) Some traditional products like Radio , bicycles still continue to dominate and have been consistently performing well. Some recent indications and figures show motorbikes are increasingly finding a bigger rural audience.



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## 4.6 SUMMARY

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Analysis of overall trends in the rural market is important as it enables the marketer to have a general idea of the directions and composition of growth in a given market. Sector wise analysis can provide a clearer picture of pockets of opportunity in some product areas and declining preferences for the others. An understanding of these trends can also lead the marketer to an assessment of the underlying causes of the existing scenarios and the direction in which these underlying variables can take the market. This unit gives an aggregate level picture of the trends in the rural market and also brings to you some product sector wise analysis of consumption trends. The implications as drawn from these trends are also presented to guide marketing action.

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## 4.7 SELF ASSESSMENT QUESTIONS

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1. Evaluate some of the programmes on Doordarshan targeted at the rural audience on the primetime and evaluate the possible changes in the programming patterns before 1991 and now. Do you think that some of the programmes have universal approach for national audience or is region specific? Evaluate the products being advertised on DD as compared to other C&S channels and identify the reasons for differences in the product profile being advertised.
2. From the NCAER data on the Indian Market Demographics, 2002, find out the visible differences in the durable purchase patterns and identify reasons for the same.
3. Visit any local village in your vicinity and speak to the local durables retailer. Gather data on the recent trends in buying patterns and with your understanding of this unit try to explain the underlying reasons for the trends.

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## 4.8 FURTHER READINGS

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3. R.K. Swamy/BBDO guide to market planning, 1999.
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6. From the article titled , Rural Insurance : Prospects and Constraints by R. Vaidyanathan and S.jyotilakshmi
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8. Source: Indian Market Demographics 2002, NCAER
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12. Source: India's Emerging Consumer Market- Relevance of the Evolving Rural Consuming Systems by V. Mukanda Das, 1991
13. Source: <http://www.sanvenbiz.lmarketing/>