THE RISE OF INDIA’S RURAL SUPER CONSUMER
MEET YOUR RURAL SUPER CONSUMER

BY: ADRIAN TERRON
EXECUTIVE DIRECTOR, NIELSEN INDIA

The untold story of India’s new rural super consumer - the hinterland’s hero is ready to emerge.

Since the mid-1990s, three new opportunities in a liberalized India dominated popular business thinking about India’s prospects. The first announced the great Indian middle class, the strong core of the consuming Indian populace whose change in attitude, unfettered desire to own brands and growing income would spur unprecedented economic growth in an economy that was opening up. The second confirmed the demographic dividend – the percentage of population below the age of 25 which comprised half the nation’s projected population that would cause a future surge in productivity and consumption. And the third heralded the rise of the rural consumer – the vast populace in the rural hinterland that promised to be a bedrock of growing consumption and commercial opportunity.

Nearly a fifth of a century later, the first idea faded away as business burnt its fingers trying to chase the compelling but complicated middle class that was thought of as one monolithic mass but turned out to be a heterogeneous universe of difficult to reach consumers with varying degrees of purchasing power and propensity. However, the other ideas have persisted. India’s demographic dividend continues to drive the business case for creating and delivering products and services and the rural opportunity has retained its allure given the catalytic effect of road and telecom connectivity.

The key learning in how these mega-trends have played out though seems to be that it is no longer sufficient to merely look at the size of an opportunity but the specifics of what drives it. For instance, the middle class opportunity still exists but it requires gleaning which segments are actually addressable and offer a suitable return on business investment.

"IT’S NO LONGER SUFFICIENT TO MERELY LOOK AT THE SIZE OF AN OPPORTUNITY BUT THE SPECIFICS OF WHAT DRIVES IT."
In similar fashion, while India’s rural opportunity is vast with a population larger than that of China’s rural market, the real opportunity requires a closer look. Two things will determine a sharper and more correct identification of this opportunity. First, the identification of a key segment that can offer a firm and accessible opportunity and second, the convergence of environmental, attitudinal and marketing factors to turn possibility into reality.

**THE HINTERLAND HERO IS BORN**

Both these aspects seem to point to the emergence of a hero from the deep recesses of the rural heartland – India’s rural Super Consumer. A breed of consumers that are economically and emotionally inclined towards higher-ticket, branded consumption and are not unlike their urban counterpart. Not to be confused with merely the wealthy rural consumer, this subset is a new breed of consumers no longer fettered by a ‘scarcity mentality’ or burdened by memories of a time when rural meant rustic or unsophisticated. In many ways, this has been a consumer who has always existed – sometimes eluding marketing attention and at other times, revealing themselves to carry a blockbuster product or service to salvation. Yet, a few factors have now aligned to help marketers feel the full force of this consumer.

Environmentally, a vast majority today have basic infrastructure and better electrification with 70 percent of villages linked by motorable roads. Similarly, telecommunications connectivity continues to grow at a rapid pace with the Telecom Regulatory Authority of India (TRAI) suggesting that in the last four years alone, the rural subscriber base has expanded seven times and logged faster growth than urban India. Combined with this, rural literacy has risen to ~68 percent, its highest level since independence. This robust foundation is now at an inflection point and continues to be spurred on by government impetus with a continued focus in the latest Union Budget. The more important point though is that government schemes such as NREGA are now being seen by the rural consumer as a reality around them rather than just political promise and is serving to create a confident class of consumers rather than just a populous one.

**EMERGING FROM THE SHADOWS**

In parallel, the powerful force of marketing has gained strength and conviction enabled by the progress on the environmental front, to energize and catalyze the aspirations of the rural super consumer. With rising commodity prices having driven a corresponding 50 percent increase in rural per capita income over the last decade, marketers have never been more focussed and committed in their efforts to reach out to rural consumers with smarter market prioritization strategies for distribution and cleverer communication strategies using technology. The result is a consumer product market

---

**NOT TO BE CONFUSED WITH MERELY THE WEALTHY RURAL CONSUMER, THIS SUBSET IS A NEW BREED OF CONSUMERS NO LONGER FETTERED BY A ‘SCARCITY MENTALITY’ OR BURDENED BY MEMORIES OF A TIME WHEN RURAL MEANT RUSTIC OR UNSOPHISTICATED.**

**GOVERNMENT SCHEMES SUCH AS NREGA ARE NOW BEING SEEN BY THE RURAL CONSUMER AS A REALITY AROUND THEM RATHER THAN JUST POLITICAL PROMISE AND IS SERVING TO CREATE A CONFIDENT CLASS OF CONSUMERS RATHER THAN JUST A POPULOUS ONE.**
that is growing in double digits compared to urban markets with a higher disposable income that have decelerated. More importantly, the development of access points from a trade perspective is forging new routes to market with business increasing their direct servicing of stores and also thinking creatively about the 47,000 congregation markets or haats that form important opportunities to access the household consumption basket.

This momentum means that India’s rural FMCG market is slated to touch the $100 billion mark within the next decade. What’s interesting is how it will do so. We predict that much of this is being driven by the rural super consumer. Here’s why - the growth in value is being aided by a sure shift from mass brands towards popular and premium brands. But this drive towards consumption is not uniformly spread - and like even super heroes who cannot be in multiple places at the same time, super consumer in rural India are driving this growth in specific pockets. For instance, 72 percent of rural FMCG consumption happens in just 10 states and 66 percent of soft drink sales in rural occur in just 19,000 villages.

**READY TO GO SUPersonic**

But this is just the rim of the rural playground. The real change and tipping point is occurring attitudinally. In work done most recently across rural markets by Nielsen, the rural super consumer is emerging aggressively and has announced his intent by asking for better conditions, brighter prospects and bigger ideals. Two-thirds of rural super consumers are looking for products that either improve their lives or make it easier. A vast majority (70%+) like visiting retail, buying apparel for occasions and are conscious about their health and fitness. A similar proportion is interested in mimicking their urban counterpart in terms of liking a city-like lifestyle and trying new products. As a result, health care and hygiene products are witnessing a strong rise and growing penetration across these households.
The rural Super Consumer is also making the most of connectivity; – 35 percent are tech-savvy and use the internet. Coupled with increased smartphone penetration as well as low data rates for 2G, this consumer is now encouraged to access and interact with more information than ever before. As a result, information about brands and alternatives is becoming richer and reinforces the need to cling to known names. Despite his emerging experimentation with brands, ‘Trust’ still remains a strong determinant of brand choice.

Nowhere is this more evident than the sphere of financial investments. Few, if any, of the rural super consumers trust money-lenders and informal avenues for loans, trusting instead to go with known financial institutions of formal lending. 74 percent access ATMs and half that number access it more than once a week. Yet, 35 percent of them expressed dissatisfaction with their financial service providers and are looking for better planned investment advice.

Marketing success in rural India is now poised to move from frugality to utility. With the emergence of the rural super consumer, marketers now have an early majority that can buoy the right brands of product and service to finally form a feasible market for smart innovation, communication and distribution. From his humble beginnings and undiscovered potential, the rural super consumer is ready to emerge and might just be the hero smart marketers deserve.
GOING RURAL
THE RURAL MAKEOVER

The global recession seems to have had little impact on the spending habits of the Indian shopper. India is the fifth largest retail destination in the world. Expected to touch INR 47 trillion by FY’17, the retail markets of India have seen market wars and brand battles aplenty! There has been a gradual shift in this struggle for market share. From major cities and metros, retailers eventually moved to tier I and II towns. Today, the retail revolution has once again shifted the battle ground. They have set their sights on the heart of India.

And who can blame them? Rural India has never looked more inviting. Focused development has resulted in improved infrastructure, increased employment, better information services, and access to funding in rural India. The future looks equally bright.

“RURAL INDIA HAS NEVER LOOKED MORE INVITING. FOCUSED DEVELOPMENT HAS RESULTED IN IMPROVED INFRASTRUCTURE, INCREASED EMPLOYMENT, BETTER INFORMATION SERVICES, AND ACCESS TO FUNDING IN RURAL INDIA.”
THE NEW INDIA

Dusty untarred rural roads, poverty stricken villages without even basic infrastructure and the token gullible village simpletons can now only be found in Bollywood movies. Rural reality is pleasantly different. Tar roads are slowly replacing village roads. Over 3.1 million kilometers of rural roadways exist, ensuring better connectivity and access. Not surprisingly, penetration of education infrastructure, health care and market access for commodity sales has increased. 68 percent of rural Indians have to travel less than 5 km to access hospital care. Rural India has seized all opportunities sent its way with both hands.

INFRASTRUCTURE: 95.6 percent of villages have power and basic infrastructure. (Source: Rural Electrification Corporation) The government has made strides towards improving rural infrastructure with over 70 percent of the villages linked by roads. At least three out of every five rural households are now powered by electricity. (Census 2011) The outcome of improved road connectivity is directly felt on the economic conditions of villagers. Travel to the nearest city is easier and therefore more frequent. Employment and trade opportunities are also broader in scope, leading to better paying jobs or higher income.

STRONG IMPETUS ON RURAL INFRASTRUCTURE

- 68% have to travel <5 KMS for health care
- 95.6% of villages are electrified
- 700,000+ schools
- 388,578 KMS of road network

Source: IMS Health, Rural Electrification Corporation, UNICEF, Census 2011
COMMUNICATIONS: It is no longer just roads that are linked. There has been a boom in communications too. Mobile phones and Direct-to-Home (DTH) services have been the channels of change, connecting even remote villages to the outside world. According to data from the Indian Readership Survey (IRS) 2008, Economic Survey, FY11 and Census 2011, in the 10 years between 2001 and 2010, tele-density jumped from a mere 0.7 percent to a healthy 21 percent.

Meanwhile, the Telecom Regulatory Authority of India (TRAI) data suggests that in the past four years alone, the subscriber base has expanded seven times in the villages, outstripping the three-fold growth in urban areas. Digital media is just as accessible. Television Audience Measurement (TAM) reports that the reach of digital media in rural India far outstrips the urban.

LITERACY: Indians across the country are making education a priority. Literacy rates across India have increased by more than 9 percent to stand at 74 percent in 2011. This attitudinal shift is visible among rural Indians too. 2011 census data points to 68.9 percent rural literacy, an increase of almost 10.2 percent since the 2001 census. This is an impressive number given that rural India’s population currently stands at 857 million, surpassing even that of China. The government, too, is fostering this changed attitude. A recent UNICEF report states that India now has more than seven lakh rural schools.

RURAL PERCEPTIONS OF SCHOOL ENROLLMENTS

- 77% OF RESPONDENTS BELIEVE THAT ENROLLMENTS IN PRIMARY SCHOOLS HAVE INCREASED
- 68% OF RESPONDENTS POLLED BY NIELSEN BELIEVE THAT ENROLLMENTS IN SECONDARY SCHOOLS HAVE INCREASED

FINANCIAL EMPOWERMENT: Not surprisingly, this improved connectivity and access has paid dividends. According to 2011 census, the growth rate of ATMs experienced a CAGR of over 30 percent between March 2010 and March 2013, with 11,500+ ATMs being installed in rural areas.

EMPOWERING RURAL INDIA

- 54.4% OF RURAL HOUSEHOLDS ACCESS BANKING SERVICES
- 1.47 LAKH VILLAGES ARE COVERED BY BANKING OUTLETS
- 11,500+ ATMS INSTALLED IN RURAL AREAS BETWEEN MARCH 2010 & 2013.

Source: Census 2011, RBI
RETAIL REVOLUTION REDUX

Nearly 69 percent of the country’s population lives in rural India. That means three out of every four Indians lives in a village. And yet, only 35 percent of fast moving consumer goods (FMCG) sales take place in rural areas. Retailers who have been doing the math can see the writing on the wall. The retail revolution may be reaching saturation point in urban India but it has left a forwarding address. Rural India.

The potential that this almost untapped market offers is staggering. 47,000 congregation markets or haats dot the rural landscape. Compare this with the United States which has just 35,000 supermarkets. The sheer volume that rural India offers has retailers queuing up for a piece of the pie. But here’s where the challenges arise. With increasing awareness and literacy, there has been an attitudinal shift in the target consumers. The rural consumer of today is a different buyer than he was ten years ago.
THE RURAL SUPER CONSUMER

To understand the behaviour and attitudes of this segment and to find out what drives India’s rural upper populations and influencing factors, Nielsen carried out a survey in four key states - Andhra Pradesh*, Maharashtra, Gujarat and Punjab as they contribute substantially to the country’s agricultural GDP. Our study sample drew from villagers perceived as opinion leaders and influencers. Their decisions and views hold weight among the rest of the community.

At Nielsen, we call them the Rural Super Consumer – a breed that is disproportionately engaged, both emotionally and economically with brands across categories.

So what are some of the traits that define this rural super consumer?

“THE RURAL SUPER CONSUMER FORMS THE ELITE OF RURAL INDIA. A GROUP THAT HAS BETTER PURCHASING POWER, A PROPENSITY TO PREMIUMIZE AND THE ABILITY TO INFLUENCE THE REST OF THE COMMUNITY. THEY ARE SEEN AS OPINION LEADERS AND REACHING OUT TO THEM IS TANTAMOUNT TO CONNECTING WITH A MUCH LARGER COMMUNITY OF ASPIRANTS.”

*Undivided Andhra Pradesh
CONFIDENCE

The average rural consumer no longer limits his purchase to the price tag. Although still cost conscious, the consumer now also places a premium on other factors like quality, brand, and appearance. It is not enough that the product only has utility value but it should also be durable.

This new consumer is confident in his knowledge of the market as well as his needs. Nearly 35 percent of rural super consumers are tech-savvy and use the internet. Increased smartphone penetration as well as low data rates for 2G ensure that the rural super consumer is always connected to the world around them. Moreover, with the falling prices of LED and LCD TVs, television as a medium, becomes even more indispensable for the marketer to connect with a rural audience.

RURAL SUPER CONSUMERS: INTERNET ACCESS

- **87%** Mobile Phone
- **10%** Home/Friend’s House
- **1%** Internet Cafe within my village
- **2%** Internet Cafe in nearest village

TYPE OF TV CONNECTION

- **70%** Cable/Local connection
- **30%** Dish Antenna/Satellite connection

Source: Nielsen
AS CONFIDENT AS HIS URBAN COUNTERPART

As part of our primary survey, we also studied the consumer confidence index displayed by the rural super consumer in the four states of Maharashtra, Andhra Pradesh, Gujarat and Punjab. Significantly, Maharashtra (131) scored higher than the national average of 128, indicating that how the rural super consumer is confident, and almost on par with the urban consumer.

The rural super consumer is optimistic about his income and job prospects. In fact, 90+ percent of the respondents in Andhra Pradesh believe that their prospects would be good or excellent in the next 12 months.

Similarly, when it comes to attitude towards their personal finance, the rural upper crust believes that their current financial situation is poised to improve in the next 12 months.

<table>
<thead>
<tr>
<th>RANK</th>
<th>INCOME AND JOB PROSPECTS ATTITUDES</th>
<th>PERSONAL FINANCE ATTITUDES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>92%</td>
<td>92%</td>
</tr>
<tr>
<td>2</td>
<td>86%</td>
<td>82%</td>
</tr>
<tr>
<td></td>
<td>86%</td>
<td>81%</td>
</tr>
<tr>
<td>3</td>
<td>77%</td>
<td>82%</td>
</tr>
<tr>
<td></td>
<td>82%</td>
<td>75%</td>
</tr>
</tbody>
</table>

- INCOME PROSPECTS AS GOOD OR EXCELLENT
- JOB PROSPECTS AS GOOD OR EXCELLENT
- PERCENT BELIEVING THAT THEIR PERSONAL FINANCES WILL BE GOOD OR EXCELLENT IN THE NEXT 12 MONTHS
- PERCENT BELIEVING THAT THE TIME TO BUY THINGS IS GOOD OR EXCELLENT NOW
BRAND CONSCIOUSNESS

A brand means different things to a rural consumer than it does to an urban one. They purchase products from the point of view of utility and quality. Status oriented purchases are less common. For instance, a high-tech smartphone means nothing more than faster connectivity and increased convenience. While no longer as cost conscious as before, value for money is still a priority. To the rural consumer, a brand also means that he is getting benefits that transcend the actual product value. A branded product is a guarantee of quality. The rural super consumer understands the implications of following a penny-wise, pound-foolish policy. They are not willing to compromise on quality and reliability and do not mind spending extra.

FOR A RURAL SUPER CONSUMER, “BRAND” MEANS

GOOD UTILITY VALUE
CHEAPEST MAY NOT BE THE OBVIOUS CHOICE
NO SHORTCUTS: SHORT TERM MEASURES

“92% OF RURAL SUPER CONSUMERS IN ANDHRA PRADESH BELIEVE THAT THE BEST TIME TO BUY THINGS IS RIGHT NOW, WHICH IS MORE THAN THE NATIONAL AVERAGE OF 77%.”

CELEBRITY ENDORSEMENTS MAY NOT SWAY THIS CONSUMER BUT A DETAILED DESCRIPTION OF THE BENEFITS MIGHT.
ASPIRATION

Aspiration plays a more important role in the buying decisions of this consumer than before. 99 percent of respondents own a two-wheeler. Improved road connectivity means that the city is never far away. Nor is the ambition to lead a life that comes as close to city living. Television also plays a critical role in promoting awareness of city lifestyle. Exposed to a variety of choices, buying decisions are therefore based as much on ease of use and comfort as on reliability and durability. Tapping into this need could yield rich dividends.

"EXPOSED TO A VARIETY OF CHOICES, BUYING DECISIONS OF RURAL SUPER CONSUMERS ARE BASED AS MUCH ON EASE OF USE AND COMFORT AS ON RELIABILITY AND DURABILITY. TAPPING INTO THIS NEED COULD YIELD RICH DIVIDENDS."

""
LIFESTYLE ORIENTATION

Earlier, the average rural consumer would buy for the purpose of utility. Choice was limited to what was available in village shops and brands to him, only meant as much cost and durability. Today, that basic awareness of branding has evolved. Of all the respondents polled for this Nielsen survey, 70 percent said they liked the idea of a city lifestyle. 64 percent admitted to a fondness for fashion and trends. And 60 percent said they liked to experiment and try new products.

The aspiration to be urban is a new one. A majority of our respondents said they enjoyed social trade outlets like bazaars and fairs. An equally high number said that they were health conscious and followed some form of fitness regimen.

In the past, poverty, lack of awareness and weak presence of utilities such as power and cooking gas in rural areas meant that the average home lacked many of the comforts urban dwellers take for granted. Even consumers who could afford white-ware, such as televisions and refrigerators, saw no point in purchasing them as voltage fluctuations and chronic power failures rendered them virtually useless. Today, with improved infrastructure, the scenario has changed. Rural households are almost as well equipped as their urban counterparts. All respondents had the basics; power connection and cooling fans. Nearly all of them also had a television, some form of motorized transport and an LPG connection.
### What Items Do Rural Super Consumers Possess?

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity connection</td>
<td>100%</td>
</tr>
<tr>
<td>Ceiling fan</td>
<td>100%</td>
</tr>
<tr>
<td>Colour TV</td>
<td>99%</td>
</tr>
<tr>
<td>Two wheeler</td>
<td>99%</td>
</tr>
<tr>
<td>LPG connection</td>
<td>95%</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>72%</td>
</tr>
<tr>
<td>Washing machine</td>
<td>31%</td>
</tr>
<tr>
<td>Air conditioner</td>
<td>15%</td>
</tr>
<tr>
<td>Four wheeler</td>
<td>19%</td>
</tr>
<tr>
<td>Computer / Laptops</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Types of Television Possessed**

- CRT: 83%
- LED: 11%
- LCD: 9%

**Source:** Nielsen Primary Survey, 2014
It is no longer enough to just offer product variations like sachet packs to this consumer. From volume to value, the evolution in consumer attitudes is noteworthy. Branding in rural India has always rested on twin foundations of trust and utility. New products, or at least more relevant variants, will capture the attention of this consumer. For instance, voltage fluctuations are a huge problem in rural areas, shortening the lifespan of a light bulb. Developing a product that meets this need would be an indicator of success.

“RURAL CONSUMERS ARE LOOKING FOR PRODUCTS THAT WILL TAKE THEIR SPECIFIC NEEDS AND ENVIRONMENTAL LIMITATIONS INTO ACCOUNT. FOR INSTANCE, VOLTAGE FLUCTUATIONS ARE A HUGE PROBLEM IN RURAL AREAS, SHORTENING THE LIFESPAN OF A LIGHT BULB. DEVELOPING PRODUCTS THAT FACTOR THESE CONSTRAINTS WOULD SIGNIFICANTLY ACCELERATE THE RATE OF BRAND ADOPTION AND CATEGORY GROWTH.”
CHANNEL PREFERENCE

Retailers need to identify the hubs of purchase most relevant to their products. While the local store is the preferred outlet for ‘low involvement purchases’ such as FMCG products, Rural super consumers prefer to travel to the nearest mall for high-involvement purchases, especially with regard to consumer durables or clothes. A visit to the mall is treated as a social outing. Often, consumers make ‘status’ purchases on impulse.

WHERE DO THEY SHOP FROM?

<table>
<thead>
<tr>
<th>Category</th>
<th>Own Village</th>
<th>Nearby City</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEHICLES</td>
<td>10%</td>
<td>90%</td>
</tr>
<tr>
<td>CONSUMER DURABLES</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>GROCERY</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>APPARELS</td>
<td>18%</td>
<td>82%</td>
</tr>
<tr>
<td>ELECTRONICS</td>
<td>18%</td>
<td>82%</td>
</tr>
</tbody>
</table>

Base: For consumer’s perspective: All respondents
Malls and supermarkets also offer value-savers such as ‘mega packs’ that their local stores do not. However, consumers may or may not opt for them, depending on their financial status at that time.

TRUST-BASED RELATIONSHIPS

Trust seems to be the deciding factor in all decisions, including brand acceptance. One of the best ways to achieve this is by demonstrating to the consumer that he is more than just a sales target or statistic. One FMCG major made huge inroads by appointing a prominent local farmer from each of the villages it offered services to, as an agent or ‘Sanchalak.’ These individuals ran the FMCG retailer’s local agriculture purchasing, information, and distribution business. The company soon gained credibility by extension, riding-in on the agent’s own personal credibility. Other retailers have also used innovative approaches to reach out to the target consumer, generating loyalty among consumers which translates to brand acceptance.

ACCESS TO FUNDING

Gone are the days when the village money lender charged usurious rates of interest, financially crippling the hapless farmer. Today, the rural super consumer has better access to formal sources of credit while the popularity of informal sources has correspondingly dipped. According to an RBI paper published in 2013, at least 51 percent of rural households could access the formal sources in 2002. Today, the rural super consumer demonstrates a high degree of comfort in using new banking technology. 74 percent access ATMs with 38 percent accessing it more than once a week.

WITH 99% OF THE RESPONDENTS OWNING A TWO-WHEELER, MOBILITY TO NEARBY TOWNS HAVE INCREASED; AS A RESULT THE RURAL SUPER CONSUMER IS EXPOSED TO A WIDER NUMBER OF CHOICES TODAY.
“FINDING AN INNOVATIVE APPROACH TO CONNECT WITH AND BUILDING A TRUST-BASED RELATIONSHIP WITH THE END CONSUMER MAY BE KEY TO BRAND SUCCESS. THE LOYALTY THEY FEEL TOWARDS THE COMPANY WILL MANIFEST IN PURCHASING DECISIONS”
BUYING BEHAVIOUR AND KEY INFLUENCERS

The rural super consumer has changed in attitude and buying behaviour. What are the possible influencers that trigger buying decisions? Our study threw up some interesting results.

BRAND

Rural super consumers are a unique blend of quality consciousness and aspirational buying. As mentioned earlier, a brand symbolizes a guarantee of quality. An off-roader or SUV is less a status symbol than a convenient and cost-effective way to navigate rocky rural terrain. Not only is it fuel-efficient, but it also has plenty of room to carry machinery, fodder, or even farm workers.

Nielsen finds that brands that have succeeded in rural India tend to have the following characteristics:

DURABILITY: Branded products are reliable. Moreover, they offer service and maintenance post purchase. Villagers opt for branded refrigerators because they can run despite voltage fluctuations.

EASE OF USE: Quality products ensure ease of use. Cheaper detergent bars force women to spend a lot of time doing laundry. A branded product will cost more but reduce labour and time.

IMPLICIT BENEFITS: A cheap product may cost more in the long-run. A branded product, because of its guarantee of quality, will prove more cost-effective. For example, unsealed cooking oil can be adulterated and could result in illness which would then necessitate treatment which in turn, means additional expense. It would be cheaper therefore, to buy branded oil instead.

INTERESTINGLY, RURAL CONSUMERS STILL TEND TO RELATE TO COLOURS AND NUMBERS RATHER THAN ACTUAL BRAND NAMES. BUT AUTHENTIC, WELL-KNOWN BRANDS ARE NOW BOTH, MARKERS OF PROGRESS AS WELL AS SIGNALS OF BETTER VALUE, QUALITY AND UTILITY.
THE NETWORKED VILLAGE

A typical Indian village is a powerhouse of networking! Opinion leaders, such as a successful farmer or a respected entity like the teacher, doctor or panchayat members, can significantly sway opinion and start trends. Reaching out to the locus of control of the networks and understanding the network that exists in the village would help the marketer to create an impact.

Dealers, shopkeepers and distributors are also considered key influencers and are often sources of information for four out of every five villagers. Nielsen also found that the villagers also look to advertisements on posters and banners for information.

CHANNELS WHICH AIDED IN RECENT PURCHASES

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>TELEVISION</td>
<td>90%</td>
<td>90% OF RESPONDENTS MOST EFFECTIVE CHANNEL INFLUENCING CONSUMER DECISION</td>
</tr>
<tr>
<td>RETAILER</td>
<td>44%</td>
<td>44% OF RESPONDENTS LAST POINT OF PURCHASE IS THE NEXT MOST IMPORTANT TOUCHPOINT</td>
</tr>
<tr>
<td>PRINT / NEWSPAPER / MAGAZINES</td>
<td>43%</td>
<td>43% INCREASING LITERACY HAS MADE THE STRENGTHENED THIS MEDIA</td>
</tr>
<tr>
<td>FRIENDS / RELATIVES</td>
<td>39%</td>
<td>39% OF RESPONDENTS</td>
</tr>
</tbody>
</table>

Source: Nielsen

“NEIGHBOURS, FELLOW FARMERS, DEALERS, SHOPKEEPERS AND DISTRIBUTORS ARE KEY INFORMATION SOURCES FOR 80 PERCENT OF VILLAGERS BEFORE MAKING PURCHASE DECISIONS.”
Fellow farmers, again, are major purchase influencers. This underscores the importance villagers attach to spending time with other farmers, sometimes reading newspapers or discussing advertisements. The discussions sometimes focus on the latest trends in agriculture as well.

The rural super consumer also pays attention to television and newspapers. 70 percent of polled respondents owned a cable connection while 30 percent even had DTH or satellite television.

THE RURAL SUPER CONSUMER AS AN INVESTOR

With more disposable income today than 10 years ago, the rural super consumer also displays increased financial savviness. Large purchases are funded from savings. They do not undertake debt willingly and when they do opt for loans, they are cautious and prudent. Less than 10 percent approached the local money lender for loans. Instead, more than 50 percent approached banks.

HOW DO THEY FUND LARGE INVESTMENTS?

FUNDING OF LARGE INVESTMENT

- By Saved Cash
- With Loans From Banks
- With Loans From Cooperatives
- With Loans From Money Lender
- With Loans From Relatives
- Others
The average rural super consumer is not a risk taker when it comes to finance, choosing instead to invest in gold, post-office savings and fixed deposits.

The top 3 investments listed by respondents of our survey are:

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Percentage of Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Deposits</td>
<td>41%</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>38%</td>
</tr>
<tr>
<td>Gold</td>
<td>32%</td>
</tr>
</tbody>
</table>

When it comes to availing financial services too, the rural super consumer tends to take decisions on their own. 31 percent consult ‘agents’ in the village before taking a decision while a further 21 percent consult friends or opinion leaders. There seems to be huge potential in this sector as nearly 35 percent of respondents expressed dissatisfaction with their financial services providers, especially around their investment needs.
WHAT’S GOING INTO THE SHOPPING CART?

The India-Bharat divide is slowly becoming a thing of the past. Our study indicates that although relatively still untapped, the FMCG sector offers huge potential to the retailer.

So what does the rural super consumer buy?

Food items such as cream biscuits, carbonated drinks and bread are the top three FMCG purchases. Villages with populations of up to 10,000 account for about 5 percent of the Rs. 5,500-crore chocolate and cream market. Most rural sales occur at the Rs. 5 price point and the fast growing point is Rs. 10.

Even in the premium space, the rural super consumer is giving their urban counterparts a run for their money. Categories like aerated drinks, cream biscuits and bread are frequent purchases for this segment. However, what’s significant is that contrary to popular perception, this segment also purchases products in premium categories like liquid hand wash, green tea and ready-to-eat dishes.

PREMIUM FMCG CATEGORIES CONSUMPTION

<table>
<thead>
<tr>
<th>Category</th>
<th>EVER USED</th>
<th>FREQUENTLY USED</th>
</tr>
</thead>
<tbody>
<tr>
<td>COFFEE</td>
<td>62</td>
<td>39</td>
</tr>
<tr>
<td>CREAM BISCUITS</td>
<td>65</td>
<td>47</td>
</tr>
<tr>
<td>CARBONATED SOFT DRINKS</td>
<td>64</td>
<td>49</td>
</tr>
<tr>
<td>BREAD</td>
<td>60</td>
<td>46</td>
</tr>
<tr>
<td>BRANDED PACKAGED HAIR OIL</td>
<td>46</td>
<td>36</td>
</tr>
<tr>
<td>PACKAGED SALTY SNACKS</td>
<td>46</td>
<td>33</td>
</tr>
<tr>
<td>CONDITIONER</td>
<td>29</td>
<td>20</td>
</tr>
<tr>
<td>FACE WASH</td>
<td>24</td>
<td>13</td>
</tr>
<tr>
<td>READY TO COOK MEAL MIXES</td>
<td>28</td>
<td>21</td>
</tr>
<tr>
<td>MILK ADDITIVES LIKE MILK FOOD DRINKS</td>
<td>26</td>
<td>21</td>
</tr>
<tr>
<td>LIQUID HANDWASH</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>INSTANT NOODLES</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>GREEN TEA</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td>READY TO EAT DISHES</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>BREAKFAST CEREALS</td>
<td>10</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Nielsen
“CONTRARY TO POPULAR PERCEPTION, THE RURAL SUPER CONSUMER PURCHASES PRODUCTS IN PREMIUM CATEGORIES LIKE LIQUID HAND WASH, GREEN TEA, INSTANT NOODLES AND READY-TO-EAT DISHES.”

To put this in perspective, let’s also take a look at the value and volume growth rates of key premium categories in both all-India rural and all-India urban and rural combined.

<table>
<thead>
<tr>
<th>CATEGORY NAME</th>
<th>VALUE GROWTH</th>
<th>VOLUME GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All India(U+R)</td>
<td>All India Rural</td>
</tr>
<tr>
<td>MILK ADDITIVES</td>
<td>5.3</td>
<td>14.3</td>
</tr>
<tr>
<td>BREAKFAST CEREALS</td>
<td>10.9</td>
<td>17.8</td>
</tr>
<tr>
<td>COFFEE</td>
<td>3.6</td>
<td>9.5</td>
</tr>
<tr>
<td>HAIR CONDITIONERS</td>
<td>23.9</td>
<td>46</td>
</tr>
<tr>
<td>HAIR OILS</td>
<td>10.3</td>
<td>12.6</td>
</tr>
<tr>
<td>LIQUID TOILET SOAPS</td>
<td>21.4</td>
<td>33.3</td>
</tr>
<tr>
<td>SALTY SNACKS</td>
<td>20.7</td>
<td>33.8</td>
</tr>
<tr>
<td>SANITARY NAPKINS</td>
<td>19.7</td>
<td>28.7</td>
</tr>
</tbody>
</table>

Moving Annual Total March 2014 over Year Ago

WHAT DOES THE FUTURE HOLD?

With only 35 percent of FMCG sales taking place in villages, it is clear that retailers have only touched the tip of the iceberg.

Rural India certainly has high growth potential, especially when it comes to high-expense sales. For example, even after an 85 percent jump in the number of households with tiled or mosaic floors between 2001 and 2011, less than 4 percent of all rural houses have such flooring. The same is the case with LPG connections. The whopping 144 percent spike in the number of connections only corresponds to 11 percent of total households in rural India.

Rural super consumers are keen to flex their financial muscle but on products and services that are relevant to them. It is up to retailers to provide them with that opportunity.
ABOUT THE AUTHORS

ADRIAN TERRON  
EXECUTIVE DIRECTOR  
NIELSEN INDIA

RITESH SAHU  
DIRECTOR  
NIELSEN INDIA

Dibiya Chatterjee from the Nielsen Consumer Insights team was instrumental in the creation of this report.

ABOUT THE STUDY

The report ‘The Rise of India’s Rural Super Consumer’ is derived from a detailed primary survey carried out by Nielsen in four agriculture driven states – Andhra Pradesh, Maharashtra, Gujarat and Punjab, states which contribute substantially to the country’s agriculture GDP. The study, carried out between April and June 2014, covered only opinion leaders or influential villagers belonging to SEC A and B (rural India) and residing in the most agriculturally progressive districts, zones and villages.
ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

For more information, visit www.nielsen.com.

Copyright © 2014 The Nielsen Company. All rights reserved. Nielsen and the Nielsen logo are trademarks or registered trademarks of CZT/ACN Trademarks, L.L.C. Other product and service names are trademarks or registered trademarks of their respective companies.