Chapter 2

FMCG INDUSTRY IN INDIA

The Indian FMCG sector is the fourth largest in the economy and has a market size of US$13.1 billion. Well-established distribution networks, as well as intense competition between the organized and unorganized segments are the characteristics of this sector. FMCG in India has a strong and competitive MNC presence across the entire value chain. It has been predicted that the FMCG market will reach to US$ 33.4 billion in 2015 from US $ billion 11.6 in 2003. The middle class and the rural segments of the Indian population are the most promising market for FMCG, and give brand makers the opportunity to convert them to branded products. Most of the product categories like jams, toothpaste, skin care, shampoos, etc, in India, have low per capita consumption as well as low penetration level, but the potential for growth is huge.

The Indian Economy is surging ahead by leaps and bounds, keeping pace with rapid urbanization, increased literacy levels, and rising per capita income. The big firms are growing bigger and small-time companies are catching up as well.

According to the study conducted by AC Nielsen, 62 of the top 100 brands are owned by MNCs, and the balance by Indian companies. Fifteen companies own these 62 brands, and 27 of these are owned by Hindustan UniLever. Pepsi is at number three followed by Thums Up. Britannia takes the fifth place, followed by Colgate (6), Nirma (7), Coca-Cola (8) and Parle (9). These are figures the soft drink and cigarette companies have always shied away from revealing. Personal care, cigarettes, and soft drinks are the three biggest categories in FMCG. Between them, they account for 35 of the top 100 brands.

The companies mentioned here are the leaders in their respective sectors. The personal care category has the largest number of brands, i.e., 21.

inclusive of Lux, Lifebuoy, Fair and Lovely, Vicks, and Ponds. There are 11 HUL brands in the 21, aggregating Rs. 3,799 crore or 54% of the personal care category.

Cigarettes account for 17% of the top 100 FMCG sales, and just below the personal care category. ITC alone accounts for 60% volume market share and 70% by value of all filter cigarettes in India.

The foods category in FMCG is gaining popularity with a swing of launches by HUL, ITC, Godrej, and others. This category has 18 major brands, aggregating Rs. 4,637 crore. Nestle and Amul slug it out in the powders segment. The food category has also seen innovations like softies in ice creams, chapattis by HUL, ready to eat rice by HUL and pizzas by both GCMMF and Godrej Pillsbury. This category seems to have faster development than the stagnating personal care category. Amul, India’s largest foods company, has a good presence in the food category with its ice-creams, curd, milk, butter, cheese, and so on. Britannia also ranks in the top 100 FMCG brands, dominates the biscuits category and has launched a series of products at various prices.

In the household care category (like mosquito repellents), Godrej and Reckitt are two players. Goodknight from Godrej, is worth above Rs 217 crore, followed by Reckitt's Mortein at Rs 149 crore. In the shampoo category, HUL's Clinic and Sunsilk make it to the top 100, although P&G's Head and Shoulders and Pantene are also trying hard to be positioned on top. Clinic is nearly double the size of Sunsilk.

Dabur is among the top five FMCG companies in India and is a herbal specialist. With a turnover of Rs. 19 billion (approx. US$ 420 million) in 2005-2006, Dabur has brands like Dabur Amla, Dabur Chyawanprash, Vatika, Hajmola and Real. Asian Paints is enjoying a formidable presence in the Indian sub-continent, Southeast Asia, Far East, Middle East, South Pacific, Caribbean, Africa and Europe. Asian Paints is India’s largest paint company, with a turnover of Rs.22.6 billion (around USD 513 million). Forbes Global
magazine, USA, ranked Asian Paints among the 200 Best Small Companies in the World.

Cadbury India is the market leader in the chocolate confectionery market with a 70% market share and is ranked number two in the total food drinks market. Its popular brands include Cadbury's Dairy Milk, 5 Star, Eclairs, and Gems. The Rs.15.6 billion (USD 380 Million) Marico is a leading Indian group in consumer products and services in the Global Beauty and Wellness space. The Indian fragrances market generated total revenues of $25.6 million in 2009, representing a compound annual growth rate (CAGR) of 9% for the period spanning 2005-2009.

- The Indian haircare market generated total revenues of $1.4 billion in 2009, representing a compound annual growth rate (CAGR) of 15.4% for the period spanning 2005-2009.
- The Indian make-up market generated total revenues of $141.6 million in 2009, representing a compound annual growth rate (CAGR) of 12.9% for the period spanning 2005-2009.
- The soap and detergent industry covers laundry and toilet soaps and synthetic detergents in the form of liquids, powders and bars. These are consumer products and their quality, price, marketing and distribution network determines the success of the units in the sector. The industry has developed both in the small scale sector and organized sector. The manufacture of detergents and toilet soaps has been delicensed
- The Indian personal care market is estimated to be worth US$ 4 Billion (approx. Rs. 20,000 crore) this includes Bath and Shower products, Hair Care, Skin Care, Cosmetics, Fragrances and Deodorants. Bar Soaps also has grown at a growth rate of 5% per annum over the last 5 years and stands at market size of US$ 1.5 billion (approx Rs. 7500 crores).
- The overall Indian personal care market has the potential to grow at 15-16% per annum and thereby double to US$ 8 billion (approx 40,000 crore) by 2012.
- Global turnover of Essential Oil Industry business is estimated to around US$14 billion. In this turnover India’s share is just about 10% though
potential is much more. Based on population ratio, the potential is estimated to be 18%. The lack of coordination is responsible for not exploiting the potential to the full extent. There are 400,000 plant species of both aromatic and medicinal plants known to the scientists. Of these about 2000 species come from nearly 60 botanical families of essential oils. Total production of essential oils in the world is over 100,000 tones. India’s share is estimated to be about 15%. This is almost stagnant for quite some time due to a variety of reasons.

- Aromatherapy is one of the more popular natural therapies across the globe Essential Oils, which are extracted from flowers, fruits, roots, resins and leaves are some of the earliest recorded medicines.
- More than 300 essential oils are in use today. Essential oils contain on average 100 chemical components and have myriad functions. Some are antibacterial, antiseptic or digestive while others are antidepressant.
- The major drivers for Essential oils and perfumes are Other Mint oils, Peppermint Oil (Mentha Piperita), Perfumes and Perfumery Compounds, Other perfumes and Toilet Waters and Synthetic Perfumery compounds.

**THE TOP 10 COMPANIES IN FMCG SECTOR**

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<th>S. NO.</th>
<th>Companies</th>
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<tr>
<td>1.</td>
<td>Hindustan Unilever Ltd.</td>
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<td>2.</td>
<td>ITC (Indian Tobacco Company)</td>
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<td>3.</td>
<td>Nestlé India</td>
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<td>4.</td>
<td>GCMMF (AMUL)</td>
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<td>5.</td>
<td>Dabur India</td>
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<td>6.</td>
<td>Asian Paints (India)</td>
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<td>7.</td>
<td>Cadbury India</td>
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<td>8.</td>
<td>Britannia Industries</td>
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<td>9.</td>
<td>Procter &amp; Gamble Hygiene and Health Care</td>
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<td>10.</td>
<td>Marico Industries</td>
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India’s GDP unlike that of other emerging developing countries has a bigger consumer percentage than investment. This is because India’s economic growth model has not followed the traditional export growth model of the other countries in Asia like China. This makes India more resilient to external shocks like the Lehman crisis and provides a more domestic orientation to growth. India has one of the fastest growing economies in the world and as the per capita income increase, consumer companies in India are reaping outsized rewards. India has a competitive consumer goods market with a number of domestic and international companies competing in multiple markets and segments. Some of the companies like HLL which is a subsidiary of the global consumer giant Unilever has become an Indian company all but in ownership. Fast Moving Consumer Goods (FMCG) companies are different from Consumer Durables companies. FMGC companies are what is known as Consumer Non-Discretionary Group of Companies. These Companies sell products of everyday use and are recession proof in the sense that the products sold by FMCG Manufacturers can’t be ignored even in times of economic recessions.

Fast Moving Consumer Goods Companies have been expanding rapidly in the Indian market and are set to grow to the next level as India’s middle class grows bigger and bigger and the existing middle class becomes richer. India’s Fast Moving Consumer Goods Stocks form a great defensive investment class. They not only have “defensive” characteristics but also growth as well. India’s FMCG sector is expected to grow by more than 100% in the next 5-6 years as more and more consumers move from unorganized
part of the industry to the organized industry. Though competition has been fierce in India’s Non Discretionary Consumer Goods Industry with the P&G and Unilever Price War in the Detergent Segment, the Industry has seen its share of winners with Nestle, Colgate being multiage’s in the last 10 years giving huge returns to investors. These stocks trade at high multiples justified with their very high returns, strong brands and low investment requirements.

ITC Ltd. – With a market capitalization of Rs.137, 000 crores, ITC is one of India’s foremost private sector companies. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care and Stationery. ITC is one of the country’s biggest foreign exchange earners (US $ 3.2 billion in the last decade). The Company’s ‘e-Choupal’ initiative is enabling Indian agriculture significantly enhance its competitiveness. It earned revenues of Rs.5,000 crores & a net profit margin of 25% in December 2010.

Hindustan Unilever Ltd. - HUL is India’s largest Fast Moving Consumer Goods Company with categorized business like soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, and water purifiers. With a market capitalization of Rs. 61,000 crores, the Company is a part of the everyday life of millions of consumers across India. The company earned revenues of Rs. 5,000 crores with a net profit margin 12%. Its parent company is Unilever, which holds about 52 % of the equity. Its portfolio includes leading household brands such as Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond’s, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall’s and Pureit.

Nestle Ltd. – Nestle India is a subsidiary of Nestle S.A. of Switzerland. With a market cap of Rs.35, 000 crores it operates with seven factories and a large number of co-packers. The main business includes manufacture of Milk products. It specializes in infant food, while the other products in this range
are ghee, dahi & dairy whitener. It also has a diversified product chain like prepared dishes & cooking aids – the major one being Maggi, others are sauces, pasta, beverages like coffee & iced and instant tea. Nestle is also known for its chocolate & confectionery range the major brands being Kitkat, polo & bar-one. The sale is not only limited to India but also abroad. The company marked a steady growth in 2010 with Rs. 1,000 crores as revenues & a net profit margin of 15%. It has been acknowledged amongst India’s ‘Most Respected Companies’ and amongst the ‘Top Wealth Creators of India’.

United Spirits Ltd. - The Company was earlier known as the McDowell & Co. The market cap of the company is Rs 13,000 crores with revenues of Rs.1,000 crores & 6% net profit margin in Dec 2010. United Spirits Limited (USL) is the largest spirits company in India and second largest spirit company in the world. It enjoys a strong 59% market share for its first line brands in India. The company has 20 millionaire brands (selling more than a million cases per annum) with Whyte & Mackay and Bouvet Ladubay being its 100% subsidiaries. The leading brands are Antiquity, Black Dog, Royal Challenge, Signature, Bagpiper, Mc’Dowell’s No.1. The company is known for creating new benchmarks in blends and packaging in the global spirits industry.

Dabur India – Dabur India Limited is the fourth largest FMCG Company in India with Market Capitalization of Rs.16,000 crores. Dabur operates in key consumer products categories like Hair Care, Oral Care, Health Care, Skin Care, Home Care & Foods. For the past 125 years, the company has been dedicated to providing nature-based solutions for a healthy and holistic lifestyle. They touch the lives of consumers, in all age groups, across all social boundaries. Dabur specializes in Ayurvedic products. Some well known in the category are Chyawanprash, baby medicines – Janam-Ghutti & gripe water, Hajmola, Glucose-D & Pudinhara. It earned a revenue of Rs.900 crores & a net profit margin of 14% in Dec’10.

Colgate Palmolive (India) Ltd. – With Rs.11,000 crores as the market capitalisation & Rs.500 crores revenues with a net profit margin of 11% in
December 2010, Colgate Palmolive Ltd. is a truly global company serving hundreds of millions of consumers worldwide. Started as a small soap & candle company, the company is now 200 years old. Colgate is well known for its Oral care products like toothpastes & toothbrushes. Lately introduced – Colgate sensitive toothpaste takes care of the sensitive teeth. It has also diversified its business into personal care & home care, professional care – trusted by dentists across the country.

Godrej Consumer Products Ltd. - Rs.350 crores 18%.is a leader among India’s Fast Moving Consumer Goods (FMCG) companies, with leading Household and Personal Care Products. The major brands are Good knight, Cinthol, Godrej No. 1, Expert, Hit, Jet, Fairglow, Ezee, Protekt and Snuggy are household names across the country. With Rs. 11,000 crores as the market capitalization, the company is largest marketers of toilet soaps in the country and is also leaders in hair colors and household insecticides. The ‘Good knight’ brand has been placed continues to be the most trusted household care brand in the country in Brand Equity’s Most Trusted Brands Survey 2010.

The company has an emerging presence in markets outside India. With the acquisition of Keyline Brands in the UK, Rapidol and Kinky Group, South Africa and Godrej Global Mideast FZE, Godrej owns international brands and trademarks in Europe, Australia, Canada, Africa and the Middle East. Godrej has also recently acquired Tura, a leading medicated brand in West Africa, Megasari Group, a leading household care company in Indonesia and Issue Group and Argencos, two leading hair colorant companies in Argentina.

TATA Global Beverages Ltd.- With Rs.6,000 crores as its market capitalisation TATA beverages are No.2 in Tea worldwide. It is a part of the Tata Group. With the inception of TATA tea in 1983, there is no looking back. The company acquired the Tetley group UK in 2000 & in 2010 TATA global beverages corporate announced formation of Pepsi JV. Its famous brands are TATA tea, Tetley, Himalayan water, Good earth.
Marico Ltd. - Marico is a leading Indian Group in Consumer Products & Services in the Global Beauty and Wellness space. Marico’s Products and Services in Hair care, Skin Care and Healthy Foods generated a turnover of about Rs. 26.6 billion during 2009-10. The company has a market capitalisation of Rs.8,000 crores. Marico markets well-known brands such as Parachute, Saffola, Sweekar, Hair & Care, Nihar, Shanti, Mediker, Revive, Manjal, Kaya, Aromatic, Fiancee, HairCode, Caivil, Code 10 and Black Chic. Marico’s brands and their extensions occupy leadership positions with significant market shares in most categories- Coconut Oil, Hair Oils, Post wash hair care, Anti-lice Treatment, Premium Refined Edible Oils, niche Fabric Care etc. Marico is also present in the Skin Care Solutions segment through Kaya Skin Clinics in India, Middle East and Bangladesh.

**Consumer Products – Products**

**Soaps**

The product categories can be classified into three segments; premium (Lux, Dove), popular (Nirma, Cinthol), and economy (Nirma Bath, Lifebuoy). The price differential between the premium and economy segments is about 2X. The popular and economy segments account for about 4/5ths of the entire market for soaps.

Penetration of toilet soaps is high at 88.6%. However per capita consumption levels remain low. India’s per capita consumption of soap at 460 gms per annum is lower than that of Brazil at 1,100 gms per annum.

**Distribution network**

Soaps are available in 5 m retail outlets in India, 3.75 m of which are in the rural areas. Therefore availability of these products is not a problem. 75% of India’s population is in the rural areas; hence about 50% of the soaps are sold in the rural markets.
Growth

Rural demand growth is expected to occur mainly with consumers moving up towards premium products. But in the past, the proportion of premium soaps to economy soaps has not changed much, in volume terms. This is because as some consumers move up the value chain with increase in disposable incomes, some consumers move down looking for cheaper substitutes as prices move up. This has been the case especially, as growth in soap prices has generally outpaced overall consumer inflation.21

Detergents

The Indian fabric wash market consists of synthetic detergents (comprising bars, powder and liquids) and oil-based laundry soaps.

Although the per capita consumption of detergents in India (2.7 kg pa) is comparable to some countries like Indonesia, China and Thailand (around 2 kg pa), it is lower than in others such as Malaysia, Philippines (3.7 kg) and the USA (10 kg). The Indian detergent market is expected to grow at 7-9% pa in volume terms. The synthetic detergent market can be classified into premium (Surf, Ariel), mid-price (Rin, Wheel) and popular segments (Nirma), which account for 15%, 40% and 45% of the total market, respectively. The product category is fairly mature and is dominated by two players, HUL and Nirma. Nirma created a revolution in the market by pioneering the concept of low-cost detergents.

Growth

High consumer awareness and penetration levels will enable the market to grow at an average 8-10% per annum with slightly higher growth in the rural areas. Higher penetration stems from popularity of low-cost detergents. Hence, besides increase in per capita consumption, there is tremendous scope for movement up the value chain.

HUL, Nirma and P&G are the major players in the market with 40%, 30% and 12% share, respectively. While HUL dominates the premium segment, Nirma is the leader in the popular segment.

**Personal Care Products**

The annual value of personal products business in India, including oral care, hair cares and skin cares products, is currently estimated to be Rs 54.6 bn.

Just five years ago personal products were considered to be luxury items and attracted a high excise duty of 120% (except the oral care category). Gradual taxation reforms in India since 1991 have lowered the excise duty rates to a reasonable 30%, making these products more affordable. At the same time, rising income levels have led to rising aspirations on the part on Indian consumers. These factors have been the catalysts in the exponential growth rate in the personal product category over the past five years.

Personal care products are further divided into 6 categories: Oral care

- Hair care - oils
- Hair care - shampoos
- Skin care
- Cosmetics
- Feminine Hygiene

**Oral Care**

The oral care market can be segregated into toothpaste (60%), toothpowder (23%) and toothbrushes (17%). While 60% of toothpaste is sold on the family platform, around 35% is sold on cosmetic propositions. On the other hand, while toothpowder accounts for 52% of the market, red toothpowder accounts for 40% and black toothpowder accounts 8%. The penetration level of toothpaste/powder in urban areas is 3X that in the rural areas. Traditional materials such as neem and tobacco are popular for cleaning in the rural areas.
areas, Frequency of usage for toothpaste is only 1.5 times among other consumers, compared with 2 times in the developed world. Per capita consumption of toothpaste is only 70 gm compared with 300 gm in Europe and 150 gm in Thailand.

Given the low per capita consumption and penetration rates, toothpaste demand is mainly being driven by the overall market growth of 8-10%. Toothpowder growth is also being driven by the rural segment.

**Hair care - Oils**

The hair oil market is huge, valued at Rs 6 bn. Due to the varied consumption habits of consumers across the country, where coconut oil and edible oil are interchangeably used, the size of the market is likely to be higher than estimated. More importantly, the market is growing at an impressive 6-7% in volume terms despite the high penetration level.

Usage of hair oil is a typical Indian traditional habit. It is perceived to offer benefits of nourishment, hair strengthening, faster and better growth, and reduce the problem of falling hair. There are two types hair oil available in the market; coconut oil and non greasy perfumed oil. Coconut oil comprises 2/3 rd of the total market and the balance comprises the non greasy perfumed oil.

Usage of hair oil is an everyday habit with 50% of the population out of which some perceive that massaging the head with hair oil has a cooling impact. The penetration of hair oil is fairly high at around 87% and evenly distributed among the urban and rural areas.

**Hair Care - Shampoos**

The shampoo market in India is valued at Rs 4.5 bn with the penetration level at 13% only. The market is expected to increase due to lower duties and aggressive marketing by players Shampoo is also available in a sachet, which is affordable and makes upto 40% of the total shampoo sale.
The Indian shampoo market is characterised by a twin-benefit platform: cosmetic and anti-dandruff. It is basically an upper middle class product, as more than 50% of the consumers use ordinary toilet soap for washing hair.

While the awareness level is high, the penetration level is very low even in the metros which is only 30%. Urban markets account for 80% of the total shampoo market, The penetration level is rapidly increasing due to decline in excise duty, which was 120% in 1993 to 30% currently.

**Skin Care**

The skin care market is at a very nascent stage with basic requirements of the consumers being protecting the skin from cold and dryness in winter, and improving fairness of the skin. Most of the product categories are niche segments.

While the awareness rate is high in both urban areas accounting for 60% and rural areas accounting for 30%, the penetration level is low for both. This is because of apprehensions that usage of skin care products may benefit in the long run due to the chemical contents. Many households prefer to use traditional and natural home made products.

Since the market is at a very nascent stage with very low penetration levels, the growth rates are expected to be higher at 24-25% over the next five years. New players such as Avon and Oriflame have entered the market with the natural ingredient benefit platform, which could further spur growth.

**Cosmetics**

The cosmetic segment primarily comprises of colour cosmetics (face, eye, lip and nail care products), perfumes, talcum powder and deodorants. All these are very small segments.

Talcum powder is the most popular cosmetic product in India. This market is estimated at Rs 3.5 bn and is yet growing at 10-12% pa. Awareness is very high at 80%, with a penetration of 45.4% in urban areas and 25.2% in rural
areas. Pond's dominates the talcum market with a 70% share followed by Johnson & Johnson, which has a 15% market share.

Attar and alcoholic perfumes each account for 50% of the fragrance market estimated at Rs 3 bn. In the alcoholic perfume market, 1/3rd represented by an unorganised, with the balance largely imported. The June 98 budget halved duties to 50%. Lakme has a minor presence in the segment.

Perception of damage to skin on account of chemical ingredients restricts usage of face care products. The nailpolish market is the largest at Rs 1.25bn followed by the lipstick market at Rs 0.7 bn. All segments in this category are growing at Rs 25-30%.

Deodorants have a very negligible presence in the Indian market with an estimated of Rs 0.3 bn. Worldwide, deodorants is the largest market followed by skin care, shampoos and toothpaste. HUL has launched a couple of products in this segment.

Feminine Hygiene Most women use cloth during their menstruation days. This is because price is the biggest entry barrier. A pack of 10 sanitary napkins would cost Rs 30-40. Therefore, average spending during the menstruation days would be around Rs 48, which is expensive by Indian standards.

While awareness in the urban areas would be reasonable given the substantial advertising, the penetration rate is abysmally low at 10%. The product is virtually absent in rural markets.

Given the low base and increasing awareness of hygienic products, the market is growing at a robust 20-25%. Entry of cheaper brands, at Rs 20 for a pack of 10, has spurred market growth. Currently, the market is mainly urban.

**Indian cosmetics market**

**This market** has been growing at a rapid pace and outpaced all market dimensions. The cosmetics market is not just expanding, but also becoming more complex due to the influence of Western Culture on the population. Media has played a quite significant role in the growth of the industry.
Increasing consumer awareness and affordability are the two key growth drivers of the Indian cosmetic industry. Our research revealed that segments, especially hair care have been showing tremendous performance and emerged as a potential investment area for players. Moving forward, hair care market is anticipated to grow at a 20% CAGR during 2011-2014 to reach around INR 208 Billion by 2014. Indian cosmetics industry has witnessed strong growth during the past few years and has emerged as one of the industries holding immense future growth potential. The cosmetics industry registered impressive sales worth Rs 422.3 Billion (US$ 9.3 Billion) in 2010. The sector has mainly been driven by improving purchasing power and rising fashion consciousness of the Indian population. Moreover, the industry players are readily spending on the promotional activities to increase consumer awareness.

Perfumes have been a part and parcel of our lives since time immemorial. Attars which are the oldest form of fragrance are used till today. In ancient India scented oils made from flowers and herbs were used as perfumes. The concept of branded perfumes in India is relatively new.

Branded perfumes in India today have become an inseparable part of an individual. Adorning and dressing up is a like ritual for a woman. Along with looking good one has to also smell good these days. The usage of perfumes is becoming an indispensable part of every Indian. Nowadays people are recognized with the kind of aroma they exhibit. Nowadays perfumes define the style statement of the Indian woman and man both.

The global perfume market is estimated at $ 40 billion, out of which India and China have a considerable share. The Top Perfume Brands in India are Christian Dior, Hugo Boss, Calvin Klein etc. These top perfume brands in India are known for their vast collections of unique and elegant perfumes. Be it in the form of colognes, body sprays, apparel scents or deodorants perfumes in Indian are used by all classes and masses. The perfume industry in India has witnessed stunning growth over the last two decades. The Indian perfume industry which was simply a cottage industry a few decades ago turned into a full fledged fragrance industry lately. Presently the perfume
market in India is almost worth Rs 300 crores and is growing at a rapid rate of almost 100% annually. According to industry experts the market trend shows a promising growth of almost double the figure in the next two years. The credit for the growth in the branded perfume market in India is also largely due to the fact of the marketing strategies adapted by the top perfume brands in India. Mostly endorsed by celebrities these perfume brands create such an aura that people do not think twice before paying a hefty sum for a tiny little bottle.

Top Perfume Brands in India

1. Clive Christian Imperial Majesty
2. 10 Corso Como
3. Turmeric and Roses
4. Naphthalene and Indole
5. Fish Auction in Kochi

The size of Indian Cosmetics Industry globally is $ 274 billion, while that of the Indian cosmetic industry is $ 4.6 billion. According to analysis and figures given by the Confederation of Indian Industries (CII), the total Indian beauty and cosmetic market size currently stands at US$950 million and showing growth between 15-20% per annum.  

Since 1991 with the liberalization along with the crowning of many Indian women at international beauty pageants, the cosmetic industry has come into the limelight in a bigger way. Subsequently there has been a change in the cosmetic consumption and this trend is fueling growth in the cosmetic sector. Indian cosmetic Industry had rapid growth in the last couple of years, growing at a CAGR of around 7.5% between 2006 and 2008. While this is due to the improving purchasing power and increasing fashion consciousness, the industry is expected to maintain the growth momentum during the period 2009-2012. In the Indian Cosmetic Industry both electronic as well as print

22 (http://www.indianmirror.com/indian-industries/cosmetics.html)
media are playing an important role in spreading awareness about the cosmetic products and developing fashion consciousness among the Indian consumers.

Due to the development of satellite television and a number of television channels as well as the Internet in the modern day, the Indian consumers are constantly being updated about new cosmetic products, translating into the desire to purchase them.

Additionally, the flourishing Indian fashion/film industry is fueling growth into the Cosmetic industry in India by making Indians to realize the importance of having good looks and appearances. Today most of the cosmetics manufacturers in India cater to the domestic market but they are gradually establishing their footholds in overseas markets. In recent years, cosmetic manufactures in India have received orders from overseas markets; for example - Indian herbal cosmetic products have a tremendous demand in the international market.

The Indian Cosmetics Industry is defined as skin care, hair care, color cosmetics, fragrances and oral care segments which stood at an estimated $2.5 billion in 2008 and is expected to grow at 7%, according to an analysis of the sector. Today herbal cosmetics industry is driving growth in the beauty business in India and is expected to grow at a rate of 7% as more people shun chemical products in favour of organic ones.

The emphasis of the herbal cosmetic has been on the spectacular growth of the herbal and ayurvedic beauty products business as conveyed by beauty expert Shahnaz Husain who was the first to introduce the concept of ayurvedic cosmetics to the world when she launched her products way back in 1970. Today, the Indian cosmetics industry has a plethora of herbal cosmetic brands like Forest Essentials, Biotique, Himalaya, Blossom Kochhar, VLCC, Dabur and Lotus and many more. The Indian cosmetics industry has emerged as one of the unique industries holding huge potential for further growth. In 2009, the cosmetics industry registered sales of INR 356.6 Billion (US$ 7.1 Billion) despite the global economic recession. Indian cosmetics
Industry has mainly been driven by improved purchasing power and rising fashion consciousness of the Indian population and industry players spending readily on the promotional activities to increase consumer awareness and develop their products.

According to a new research report, the Indian Cosmetics Industry is expected to witness impressive growth rate in the near future owing to rising beauty concern of both men and women. Today the industry holds promising growth prospects for both existing and new players. The baseline is that there has been a rise in variety of products offered by the industry players in the country. The companies have started going for rural expansion and are offering specialized products to generate revenues from all the corners of the country. Improvement and strengthening of the Indian economy in the coming years will also pave the way for the Indian cosmetics market over the forecast period and develop the Cosmetic Industry.

The Indian Cosmetic market which traditionally a stronghold of a few major Indian players like Lakme, and Ponds has seen a lot of foreign entrants to the market within the last decade. India is a very price sensitive market and the cosmetics and personal care product companies, especially the new entrants have had to work out new innovative strategies to suit Indian preferences and budgets to establish a hold on the market and establish a niche market for them.

According to analysis and figures given by the Confederation of Indian Industries (CII), the total Indian beauty and cosmetic market size currently stands at US$950 million and showing growth between 15-20% per annum. The overall beauty and wellness market that includes beauty services stands at about US$2,680 million, according to CII estimates. The size of Indian Cosmetics Industry globally is $274 billion, while that of the Indian cosmetic industry is $4.6 billion. The current size of the Indian Cosmetic Industry is approx US$ 600 million. Among these fastest growing segment is color cosmetics, accounting for around US$ 60 million of the market. Industry sources estimate a rapid growth rate of 20% per annum across different
segments of the cosmetics industry reflecting with an increasing demand for all kinds of beauty and personal care product. Growth in the Indian Cosmetic Industry has come mainly from the low and medium-priced categories that account for 90% of the cosmetics market in terms of volume. Costs for importing other products are much higher than producing it in the country. India usually allows the entry of imported cosmetics without any restrictions but the average import tariff on cosmetics products is currently very high at 39.2%.

**Cosmetic Industry : Top leading Companies**

* Lakmé is the Indian brand of cosmetics, owned by Unilever. It started as a 100% subsidiary of Tata Oil Mills (Tomco), part of the Tata Group; it is named after the French opera Lakmé, which itself is the French form of Lakshmi, the goddess of wealth who has is also renowned for her beauty.

* Revlon is an American cosmetic for skin care, fragrance, and Personal Care Company founded in 1932.

* Oriflame Cosmetics S.A. (Luxembourg) is a cosmetics group, founded in 1967 in Sweden by the brothers Jonas AF Jochnick and Robert AF Jochnick.

* The L’Oréal Group is the world’s largest cosmetics and Beauty Company. It concentrates on hair colour, skin care, sun protection, make-up, perfumes and hair care.

* Chambor cosmetic line is a blend of the finest traditions in terms of radiant color, soft texture and skin accentuatior.

* Maybelline is a makeup brand sold worldwide and owned by L’Oréal.

* Avon Products, Inc. is a US cosmetics, perfume and toy seller with markets in over 140 countries across the world.

* Make-up Art Cosmetics or MAC Cosmetics, is a manufacturer of cosmetics which was founded in Toronto, Canada by Frank Toskan and Frank Angelo in 1984.
* ColorBar cosmetics are one of the leading brands of color cosmetics in India.

* Street Wear is a young, funky and hip brand which globally is positioned at the young and trendy shopper and the range consists of about 30 SKUs covering categories like nail enamel, lipsticks, lip gloss, face make-up kits and eye shadows.

**Cosmetic Industry Latest developments**

* According to Indian Cosmetic Sector Analysis (2009-2012), the Indian cosmetics industry is expected to witness fast growth rate in the coming years on the back of an increase in the consumption of beauty products. Owing to growing disposable income of the middle class households and changing lifestyle, it is expected that the cosmetics industry will grow at a CAGR of around 17% during 2010-2013.

* A study even shows that affordability and rising consumer base were the main drivers behind the high cosmetic sales of around INR 356.6 Billion (US$ 7.1 Billion) in 2009. Market players are getting lucrative and good opportunities as people have become more beauty conscious due to changing lifestyle and spreading consumer awareness.

* According to ASSOCHAM the size of India’s cosmetics market will rise by almost a half to 1.4 billion dollars in the next two-three years as people get fashion conscious and more brands are launched. With increased awakening about cosmetics brands, which is evident even in rural India, the industry size will grow to around 1.4 billion dollars from current level of 950 million. It is projected to grow at a CAGR of around 7% during the forecast period.

* Indian Cosmetics Industry is set for a significant growth depending on the capability of the manufacturers to market their products. Products that claim to renew cells, minimize pores, and restore hydration have created an $83 billion worldwide market.

* Due to the optimistic assessment the domestic cosmetic and toiletries
industry show that with increased awakening which is growing even in rural India, its size will grow in next 2-3 years to around US$ 1400 million from current level of US$ 950 million. Till then India’s per capita consumption of cosmetic and toiletries products could be on par with that of China which currently is US$ 1.5, says ASSOCHAM analysis.

**The Indian hair care market** is mainly dominated by the hair oil segment, which constitutes over half of the overall market. Perfumed oil (cooling oils, light oils, and heavy amla oils) and coconut oil comprises the main segments of hair oil market, while others account for minimal share in the market. The consumption pattern of hair oil differs across different regions of the country. Coconut oil is very popular in southern regions, while people in the north prefer others, such as sesame, rapeseed, etc.

Although the market is conventionally dominated by the women’s segment, men are fast emerging as a separate consumer category. In the current scenario, the market is witnessing a tremendous change in buying pattern of the men’s segment, as growing young generation are looking for care and styling products catering to their specific needs. Consequently, industry players are also introducing various products to meet the growing male buyers demand.

Hair oils: The hair oil market is valued at ` 6 billions. Hair oiling is a major niche in the hair care segment. Unlike market abroad, India has a large number of consumers whose hair care expenditure also includes hair oils. The penetration level of hair oil is around 87%. Around 50% of the population uses hair oil everyday. The growth rate of hair oils in rural India is faster than the growth rate in urban India.

Hair gels: Hair gel market segment is at a primary stage and not many local brands are available in India. Hair gels/creams are mainly used for hair grooming by men and is used as a fashion accessory. The market penetration of hair gels/creams is very low, and is limited to a small section of the urban
The Indian Soap Industry includes about 700 companies with combined annual revenue of about $17 billion. Major companies in this industry include divisions of P&G, Unilever, and Dial. The Indian Soap Industry is highly concentrated with the top 50 companies holding almost 90% of the market. The market size of global soap and detergent market size was estimated to be around 31M tonne in 2004, which is estimated to grow to 33M tonne in the coming years. Toilet soaps account for more than 10% of the total market of soap and detergents. In Asia, the countries like China and India are showing rapid growth in the toilet soap section. Market share of body wash was estimated to be around 2% in 2004 and is showing signs of healthy growth in these markets. India’s soap market is Rs 41.75 billion.

Indian Soap Industry volume is Rs 4,800-crore. For the purpose of gaining a competitive edge, Indian companies are now relaunching their brands with value-additions to woo consumers across India. For instance, Hindustan Lever Ltd (HUL) has recently launched a host of toilet soap brands which include Lifebuoy, Lux, Breeze and Liril—with value additions. Also is in the process of rolling out ‘Ayush’ ayurvedic soap. The aim is to meet the evolving needs of customers.

One of the factors which affect the demand of soaps is the penetration, which the products have in market. In case of soaps this has not been a major issue as the penetration in the rural area is as high as 97% and that for urban area is around 99%. Thus approximately the penetration is around 99% for overall India.

In terms of market share for Indian Soap Industry the data indicates that HUL had a market share of 64 % in the soap market, followed by Nirma at 16.8 % and Godrej at 4.4%. Nirma’s market share was in the northern region was 21 %. The largest contributor to the toilet soaps market in Indian market is Hindustan Lever with the total contribution to the economy & enjoys almost a two-thirds share, with the second ranked Nirma Soaps placed at a distantly
low share of 16.8%. Lux and Lifebuoy have held the sway of the market for almost fifty years.

Soap Top Leading Companies

In the Rs 4,800-crore Indian toilet soaps market, the lead players include:

* HUL

* Godrej Consumer Products Ltd

* Colgate Palmolive Ltd and

* Wipro Consumer Care

Personal Wash (Soaps): The personal wash can be segregated into -

* Premium- Lux, Dove

* Economy- Nirma Bath, Lifebuoy

* Popular- Nirma, Cinthol

The price of the premium segment products is twice that of economy segment products. The economy and popular segments are 4/5ths of the entire soaps market. The penetration level of toilet soaps is 88.6%.

The toilet soaps market is estimated at 530,000 TPA including small imports where the Hindustan Lever is the market leader. The market has several leading national and global brands and a large number of small brands. The popular brands include Lifebuoy, Lux, Cinthol, Liril, Rexona, and Nirma. Premium soaps are estimated to have a market volume of about 80,000 tonnes. This translates into a share of about 14 to 15%. However, by value it is as much as 30%. The Indian Soap Industry includes about 700 companies with combined annual revenue of about $17 billion. 70% of India’s population resides in the rural areas and around 50% of the soaps are sold in the rural markets.
The market is littered over with several, leading national and global brands and a large number of small brands, which have limited markets. The popular and premium brands include Lifebuoy, Lux, Cinthol, Liril, Rexona, and Nirma.

Toilet soaps, despite their divergent brands, are not well differentiated by the consumers. It is, therefore, not clear if it is the brand loyalty or experimentation lured by high volume media campaign, which sustain them. A consequence is that the market is fragmented. It is obvious that this must lead to a highly competitive market. Toilet soap, once only an urban phenomenon, has now penetrated practically all areas including remote rural areas. The incremental demand flows from population increase and rise in usage norm impacted as it is by a greater concern for hygiene. Increased sales revenues would also expand from up gradation of quality or per unit value.

As the market is constituted now, it can be divided into four price segments: premium, popular, discount and economy soaps. Premium soaps are estimated to have a market volume of about 80,000 tonnes. This translates into a share of about 14 to 15%. However, by value it is as much as 30%.

Indian Shampoo Market:

At a time when most FMCG (fast moving consumer goods) categories are inching along, personal products are being seen as the harbinger of prosperity. And hair care products is the fastest-growing category within personal products. Between 1994 and 1998, the market size of products such as skincare and toothbrushes doubled in value. But the size of the shampoo market expanded two-and-a-half times over the same period. Not surprisingly, shampoos is a high priority area for major players such as Hindustan Lever. The current size of the shampoo market, according to ORG-MARG, is Rs 850 crore -- equivalent to 30,000 tonnes in volume terms.

Unlike other FMCG categories such as soaps and detergents, which boast of a penetration level of more than 90 per cent, shampoos remain a low penetration category. Industry sources estimate that the urban market penetration of shampoos is a modest 36 per cent. Shampoo usage in the rural
markets is even more infrequent, with a penetration level of 12 per cent. Thus, even for the largest player in this industry, there is considerable scope for volume expansion by converting non-users.

The major players in hair shampoo category are HUL, Marico, and Dabur India.

The shampoo market is valued at Rs 4.5 billions and has the penetration level of only 13% in India. The market is expected to expand due to increased marketing by players, lower duties, and availability of shampoos in affordable sachets. Sachet makes up to 40% of the total shampoo sale. The Indian shampoo market is divided in two parts:-

* Cosmetic
* Anti-dandruff

The major players are HUL, and Procter & Gamble.

For a market with high potential, the shampoo market in India is dominated by just a few players. From scores of brands five years ago, the shampoo market has now been whittled down to a handful. Hindustan Lever (HUL), with a 65 per cent volume share (68 per cent share by value), dominates the market with brands such as Sunsilk, Clinic Plus and Clinic All Clear. Cavin Kare Limited, an unlisted company from Chennai, with brands such as Chik and Nyle follows with a 19.8 per cent volume share.

Procter & Gamble (P&G) is the only other large player in this category with brands such as Pantene Pro-V and Head & Shoulders. P&G discontinued its shampoo manufacturing operations in India in 2000. Most of its brands are today directly imported from other Asian countries such as Thailand, Taiwan and Vietnam. New entrants are probably discouraged by the formidable task of establishing a distribution network from scratch. HUL’s long established ties with retailers and its extensive distribution reach probably acts as an entry barrier for new entrants.

23 (http://www.hindu.com/businessline/iw/2001/01/21/stories/0521e051.htm)
Cavin Kare Limited, which has managed to garner a significant share of the shampoo market despite this handicap, has focussed on scaled-down versions of its brands and herbal shampoos -- two segments where the market leader did not have a presence. Cavin Kare's shampoo business has grown faster than the overall market, at 20 per cent in 1998, 4 per cent in 1999 and 34 per cent over the past four quarters.

Despite its undisputed potential, the rapid expansion of the shampoo market was interrupted in 1999. Overall growth rates in the market slowed to 1.7 per cent in 1999, from 16 per cent the previous year. Between January and November 2000, however, the market appears to have recovered some, and the shampoo category has grown by around 10 per cent.

The company has identified three major barriers to shampoo use in India -- the perception that shampoos contain harsh chemicals that could damage hair, high price and the view that the shampoo is more of a glamour product rather than a hygiene

His counterpart in Cavin Kare attributes the slowdown in growth rates to the contraction of agricultural incomes. Roughly a fourth of the shampoo market is in rural India. But the rural market is the key driver for sachets, which make up 70 per cent of the total shampoo sales. HUL has higher stakes in the rural market with an 80 per cent share.

Therefore, the strategies of the major players have revolved around attacking these barriers to usage. The players obviously believe that the key obstacle to recruiting new users lies in the high price of shampoos as a product. Unlike other FMCG categories, where marketers are experimenting with low unit packs, as a concept, the low unit shampoo packs have been around for over a decade. Therefore, marketers have been working at scaling down prices further.

Cavin Kare made the first such attempt last year. It introduced a smaller 50 paise sachet of Chik, when most other sachets retailed at Rs 2. The effort appears to have been an unqualified success, with the Chik brand expanding
by 40 per cent after the launch. A new 50 ml bottle of Chik priced at Rs 6 (when most other brands were available in 100 ml bottles and above) has also helped expanded the brand.

HUL acknowledges that the Chik innovations have expanded the overall market, trimming HUL’s volume shares by 2-3 percentage points. “Cavin Kare has expanded the market itself. Though our volume shares are down, our brands have not lost volume. They continue to sustain their earlier growth rates,” says Mr Shiva kumar.

HUL has responded with its own 50 paise version of Lux shampoo. The company claims the recently launched 30 ml bubble pack for Clinic Plus (Rs 8), is an innovative and cost-effective alternative for sachet users. While sachets are difficult to store and re-use, the bubble pack allows the user to extract just the right quantity for a single wash.

The scaled down versions could help pep up volume growth rates for major players. But they have also had the effect of lowering the per ml cost of the major brands retailed through sachets. Till the time the players upgrade users to the larger pack sizes, the sachet revolution could restrict margin expansion for the players.

Players have also tried other routes to expand the shampoo market. Fighting the perception that shampoos are essentially glamour products, marketers have tried to add a utility value to shampoos by offering functional benefits. Anti-dandruff shampoos represent this attempt. Clinic Plus, one of the first anti-dandruff brands, is the largest shampoo brand today, with a market share of 31 per cent.

Clinic All Clear, an anti-dandruff extension targeted at the youth has also managed to garner a 13 per cent share. Due to its low pricing (Rs 71 for a 160 ml bottle against Rs 68 for a 100 ml bottle of Head & Shoulders anti-dandruff shampoo), the brand also has a significant rural market share of 44 per cent.

HUL has also experimented with different versions of Sunsilk for dry, normal and oily hair. Procter & Gamble’s Head & Shoulders Menthol and Pantene
Lively Clean also offer functional benefits to users. Since these add-ons enable brands to command a price premium over the plain shampoos, this strategy could aid both volume and margin expansion.

One of the key barriers to shampoo usage lies in the reluctance to use a synthetic product on hair. Worldwide, therefore, herbal shampoos or botanicals, are a fast growing category. Ayur from RDM Traders Private Limited and Nyle Herbal, a herbal shampoo launched by Cavin Kare, have been some of the early entrants in the Indian herbal shampoos market.

These products claim to use traditional Indian herbs such as shikakai, soap nuts and amla as ingredients and have been a success. Nyle Herbal is among the top five shampoo brands in the country and herbal shampoos today account for 10 per cent of the market size.

That industry leader, Hindustan Lever, does not as yet have a presence in this segment is noteworthy. However, brands such as Sunsilk have been emphasising natural ingredients such as `fruitamins'.

However, high price could be a key barrier when it comes to herbal shampoos. The key challenge in manufacturing herbals lies in efficacy. Users typically require larger quantities or higher concentrations of herbal shampoos to replicate the results of synthetic shampoos. Bringing down prices can therefore be quite difficult in this case. This is probably why 90 per cent of the herbal shampoos still sells only in the urban markets.

Meanwhile, the value-added shampoo segment is getting quite crowded, with a range of pharmaceutical and cosmetics companies launching specialised products. While Dabur has leveraged Vatika's brand equity to launch Vatika Herbal shampoo, Godrej Soaps has leveraged its dominance of the hair colour market to launch Godrej Colourgloss shampoo, for users with coloured hair. This apart, several pharma companies (including Johnson & Johnson) have launched medicated anti-dandruff shampoos (which will probably carry higher credibility with buyers), while cosmetic companies such as Biotique and Lotus Herbals also have herbal shampoos on the shelves.
The contribution of rural markets, which are growing faster than urban markets, to Hindustan Unilever's (HUL) turnover is expected to rise from about 40% now to 50% in the next four to five years. HUL is the leading fast-moving consumer goods (FMCG) company in India with deep rural penetration of its home and personal care brands. HUL's turnover is roughly Rs 18,000 crore. The company has put in place a direct distribution model to enhance its presence in the hinterland. Over the last decade, the maker of Lux soap, Wheel detergent and Sunsilk shampoo has launched special initiatives to push its rural sales through project shakti and shaktimans. However, HUL is not the only company which is keen on growing its rural pie. Powered with an incremental increase in earnings through schemes such as NREGA (National Rural Employment Guarantee Act), rural consumers are uptrading to aspirational products like face wash, deodorants, cream biscuits and noodles.

Statistics reveal that while the number of rural consumers earning about a dollar a day would come down from 400 million to 250 million by 2020, the number of consumers earning over $5 a day would have catapulted from 50 million today to 150 million by then. This represents a huge opportunity for marketers to increase their rural presence.

According to the Neilson's January-February data 2011, HUL's market share (volumes) in shampoo segment declined by 1.3 percentage points to 47.3 per cent while P&G gained by 2.4 percentage points with a market share of 17.7 per cent. Dabur on the other hand gained 0.8 percentage points capturing 6.7 per cent market share in the estimated Rs 3,000 crore Indian shampoo market. The company's brands 'Clinic Plus', 'Dove' and 'Pantene' competes against the likes of P&G's 'Head & Shoulder' and Dabur's 'Vatika', ITC's 'Fiama Di Wills'. The company had recently revised prices upwards of its 'Lux' and 'Liril' soap brands by up to 10 per cent. In the last couple of years, the company has revamped its entire portfolio in an effort to attract customers. It has been heavily spending on advertising and promotional activities in the last
one year. HUL spent around Rs 2,140.95 crore on advertising and other promotional campaigns.

It was much more than its net profit of Rs 1,736.83 crore for the same period. In the toothpaste category, where HUL sells brands like ‘Close-Up’ and ‘Pepsodent’, its market share grew by 1.3 percentage points to garner a share of 23.3 per cent during January-February 2011 in the estimated Rs 3,200 crore Indian toothpaste market. According to the Nielsen data, market leader Colgate almolive’s market share declined by 1.2 percentage points to 52.4 per cent.

The Toothpaste Market In India

Currently the toothpaste market in India stands at ` 2,000-rovers. Toothpaste usage in India is very low as compared to other countries. The potential for growth is immense in the urban toothpaste market. The usage of toothpaste in the Indian cities is about 190gms whereas in developed countries like USA and England the toothpaste usage is 375 gms per person annually.

The top toothpaste brands in India include Colgate Palmolive, Hindustan Lever Limited and Dabur India. The level of penetration of toothpaste in India is 50 per cent. However the major toothpaste players in India are trying their best to increase penetration levels in the rural parts of the country which is still by far untapped.

At Present Colgate holds a market share of 52% and HUL 23%. 14.5% of the market share is shared by brands such as Pepsodent, Babool, Sensofoam, Cibaca, Neem, Vicco etc.

Colgate-Palmolive

Synonymous with toothpaste in India Colgate-Palmolive (India) Limited has been ruling the oral health care industry in India over years. Colgate produces a wide range of oral health care products which includes toothpastes and

24(**http://www.thehindubusinessline.com/industry-and-economy/marketing/article1684908.ece)
toothbrushes and toothpowder. The company is reputed for providing scientifically proven oral care products that come along with a host of benefits. According to a survey conducted by Brand Equity Colgate has been ranked India's Most Trusted Brand for four consecutive years.

**Hindustan Lever Limited**

The other top toothpaste brand in India is Close Up by Hindustan Lever Limited. This company has the credit for launching the first toothpaste in India in 1975. The brand is known as Close Up which was the first gel toothpaste in India. The brand is available in a host of flavors since then and has been relaunched quite a few times. The company has also tried to tap the rural market by launching `10 packs.

**HUL**

Hindustan Lever is the largest contributor to the toilet soaps market of India. It enjoys almost a two-thirds share, with the second ranked Nirma placed at a distantly of 16 %. Some of the big brands in Soaps are Lifebuoy, the largest selling soap in India, Lux, Liril, Pears, Hamam, Rexona, Breeze, Dove, and Savlon.

Lux and Lifebuoy have held the sway of the market for almost fifty years. While the former brand remained the preserve of the high-end rich consumers, Lifebuoy ruled the roost with health-conscious users as a hygienic soap.

The products underwent up gradations with the introduction of versions like International Lux and Lifebuoy Personal. In between came brands like Breeze, Caress, LeSancy. In 1993 came Dove.

Earlier, Liril made waves with its lemon touch and bathing acrobatics. At the medium and lower rungs, brands like Hamam, Moti, Jai, Rexona (third largest brand) were ruling the roost.
While Pears has dominated as high profile specialty soap, HUL undertook, in 1992, a project to manufacture the product for the world market at Khamgaon in Maharashtra. Commercial production commenced in 1993.

To provide a sound base to its toilet soaps operations, HUL has also branched out into other toiletries like shampoos and related products like glycerine, fatty acids.

**Denim is HUL’s franchise for Men’s toiletries.**

The Core Competencies of HUL is its nation wide strong Distribution network. Before we look at its distribution network, the best so far in this country, let us reflect on the rural India scenario.

Around 700 million people, or 70% of India’s population, live in 6,27,000 villages in rural areas. 90% of the rural population is concentrated in villages with a population of less than 2000.

The statistics is daunting. Particularly for HUL, which markets Packaged Mass Consumer Goods (PMCG) of everyday use, the size of the rural market makes it essential to tap.

HUL has traditionally focused on the rural market. Several of our company’s major business categories, such as Fabric Wash, Personal Wash and Beverages, already get over 50% of their sales from rural areas. HUL realises that there is much more that needs to be done. To service rural markets, the key issues that need to be addressed are the 3 important A’s viz. availability, awareness and overcoming prevalent attitudes and habits.

**Extending Availability**

Data on rural consumer buying behaviour indicates that the rural retailer influences 35% of purchase occasions. Therefore, sheer product availability can determine brand choice, volumes and market share.
**Project Streamline** was conceptualized to significantly enhance HUL’s control on the rural supply chain through a network of rural sub-stockists, who are based in these very villages. As part of the project, higher quality servicing, in terms of frequency, credit and full-line availability, is provided to rural trade. Thereby, giving HUL a substantial competitive edge over the next decade.

The principle of Project Streamline is to leverage HUL’s scale and organizational synergy to increase reach in rural markets. The pivot of Streamline is the Rural Distributor (RD), who has 15-20 rural sub-stockists attached to him. Each of these sub-stockists is located in a rural market. The sub-stockist then performs the role of driving distribution in neighboring villages using unconventional means of transport such as tractor, bullock cart, and other means of transport.

From 1998, the project has been rolled out in select states of the country where the terrain or poor stage of market development typically makes any distribution system unviable. The Streamline system has extended direct HUL reach in these markets to about 37% of India’s rural population from 25% in 1995. Most important, the number of HUL brands and SKUs stocked by village retailers has gone up significantly. Having done that, the project now aims to expand our coverage to 50% of rural population by 2003.

**Influencing Affordability**

Influencing affordability Project Streamline focused on extending distribution, Project Bharat’s influence was restricted to raising penetration and awareness levels. On the anvil, is a new rural program, which will reach villages with a population below 2000 and influence income as well.

This path-breaking venture aims to facilitate the doubling of our share of the rural consumer’s wallet in three years. The model is unique in that it influences all the variables that influence growth. The model triples physicals reach, doubles communication reach, creates a platform for influencing attitude changes and raising incomes.
HUL’s rural growth engine raises incomes of rural families by channel intervention through rural Self - Help Groups (SHG), which operate like direct-to-home distributors. The model consists of groups of (15-20) villagers below the poverty line (Rs.750 per month) taking micro-credit from banks, and using that to buy HUL’s products, which they will then directly sell to consumers. In the process, generating employment and incomes for themselves, and increasing the reach of their products.

HUL is tying up with various Non-Governmental Organizations, United Nations' Development Programme (UNDP), and voluntary organizations to propagate health and hygiene messages. The goal is to reach 2,35,000 villages up from the current 85,000; 75% of the population up from 43% today; and a message reach of 65% up from the current TV reach of 33%. In the process we aim to increase access, influence attitudes, create a channel to raise awareness of its brands and catalyze affluence in rural India

**Enhancing awareness**

Mass media reaches only 57% of the rural population. Generating awareness, then, means utilizing targeted, unconventional media including ambient media. HUL has been utilizing events such as fairs and festivals, etc. as occasions for brand communication. Cinema vans shop-fronts, walls and wells are other media vehicles that we have utilized to heighten brand and pack visibility.

**Overcoming attitudes and habits**

Creating distributive reach is not sufficient to tap the rural markets. Market development can be a difficult task because in rural India, both consumption and penetration of Soaps is quite low. For instance, even for other personal care products only three out of 10 people in rural areas use toothpaste or talcum powder, or shampoo and skin care products, and only six use washing powders.

*In Soap category, which has the most high penetration amongst the other PMCG, the consumption is barely once per five bathing occasions.*
Project Bharat, the first and largest rural home-to-home operation to have ever been mounted by any company, sought to address many of these issues. The operation was conducted in high-potential districts of the country. The exercise was started by the Personal Products Division in 1998, and covered 13 million households by the end of 1999. In the course of the operation, company vans visited villages across the country and distributed sample packs comprising a low-unit-price pack of soaps.

The distribution was supported by explanation of product usage and a video show, which was interspersed with product communication. Thus we generated awareness of its product categories and the availability of affordable packs.

Consumers were also made aware of the superior benefits of using our products vis-à-vis their current habits (example: stress on hygiene), and the affordability of the pack sizes on offer. The project, thus, successfully addressed issues of awareness, attitudes and habits. Hopefully, as consumers in rural areas get exposed to such value-added, value-for-money alternatives, they will continue to buy into the categories. The project saw a 100% increase in penetration, user-ship and top-of-mind awareness in the districts targeted. However, sampling once is not adequate to convert non-users. So Personal Products rolled out a follow-up program, the Integrated Rural Promotion Van (IRPV), to once more target villages with a population of over 2,000.

Nirma

Nirma’s success is based on the premise of consistent and effective delivery of value for money equation to our customers. These benefits along with betterment in the areas of distribution, packaging, advertising will ensure steady growth for Nirma in future. Nirma’s low-cost strategy is putting rivals through the wringer. Nirma’s strategy appears to have become a fashionable mantra, even among large Indian groups.
Non-premium products account for 92% of Nirma’s revenues- and it spends little on promoting its premium labels like Nirma Premium. Karsanbhai Patel says that Nirma’s strategy is to get into a niche market.

Karsanbhai Patel, a 55-year-old chemist, has his rivals in lather. In three decades, his company, Nirma, has grown from a one-man operation to a cleaning-products empire that employs 12,000 people. It recorded sales of Rs15 billion (US$345 million) for the year ended March 1999. And it’s giving multinational rivals, including Hindustan Lever and Procter & Gamble, a run for their money.

A cost-conscious approach forced Nirma into backward integration by setting up an 80000-tpa LAB (linear alkyl benzene) plant in 1998 and a 400000-tpa soda ash plant in 2000. Nirma has achieved a significant penetration and has notched up an impressive 16.8%, second stand in the industry in just three to four years. Nirma Ltd. has been putting up a backward integration plant to produce soda ash and linear alkyl benzene.

Nirma’s formula for cleaning up ? Sell at lower prices than the competition by cutting costs throughout the production and distribution chain. Nirma’s strategy is particularly applicable in a developing country such as India where consumers are price conscious.

Before Nirma entered the market, rivals had used high-cost foreign technology to produce detergents. Nirma pioneered a lower-cost manufacturing method. He looks for ways to save costs throughout his organization. Raw materials had accounted for almost 80% of his manufacturing costs before 1998. Nirma saw vertical integration as a way to slash those costs and remove uncertainties in supply. So it set out to have the company manufacture the key raw goods it needed itself. It invested Rs3.8 billion in a plant that makes linear alkyl benzene, a key ingredient for Nirma detergent. The factory churns out 75,000 tonnes of it a year.

Now, Nirma is setting up another plant to produce a second ingredient that’s used in making his cleaning products: soda ash. The Rs10 billion factory will
make 420,000 tonnes of soda ash each year. Iodized salt, another commercial commodity, is a by-product.

**Godrej Soaps**

Godrej is currently the number three player, volume wise in the Industry. Cinthol its flagship brand has recorded since the past few years decline in its sales. This has led to the re-launch of Cinthol targeted for the entire family unit. Currently even when the market is declining Godrej is recording a high sale in terms of value of 24% by competing vigorously in the marketplace. A correction in the prices of inputs resulted in better margins in the soaps business as compared to the previous year. Godrej has come out with a number of innovative consumer and trade offers.

The highlight was the launch of Fairglow which is the first innovative breakthrough soap offering in the Indian market for many years. The product meets a stated need of the consumer at no extra cost or effort and has met with universal acceptance by the trade and consumers. Sandal and Natural variants of No.1 soap launched keeping with the rising popularity of ‘natural’ variants in the soap industry. Renewed focus on Institutional sales and sales to Canteen Stores Department led to growth in sales value in this segment.

Godrej has the distinction of being the first company in the world to develop technology to make soap with vegetable oils, way back in 1930. It is also manufacturing for other players in the Industry. Contract manufacturing of toilet soaps registered a 20% volume growth but grew by only 7% in value terms to Rs618mn.

**Capacity utilization in the industry varies from as low as 50% to 80%.**

Godrej Soaps has been using its capacity by working for other producers. It still makes Camay and has arrangement to produce it for two more years. GSL makes Rexona and Dettol for Reckitt & Colman of India and Johnson’s Baby Soap for Hindustan Lever (Johnson & Johnson). And yet only half of its capacity of 71,000 tonnes is being used.
The company manufactured 45530 tons of toilet soap in 2001. Capacity utilization of toilet soaps has improved from 46% in 2000 to 64% in 2001. In 1996, Godrej Soaps undertook an expansion programme. It set up new toilet soap finishing lines with a 48 tpd capacity each at its Vikroli and Malanpur factories. It also set up a fatty acids distillation plant with a 75 tpd capacity.

**Rural FMCG Market of India - Overview**

The Rural FMCG Market of India is still unexplored and it provides tremendous growth opportunities. The loan waiver announced in the Union Budget 2008, would certainly facilitate further growth of the India agriculture sector.

The Rural FMCG Market of India is on the verge of registering substantial expansion across the country. The Indian Rural FMCG market is mostly unorganized and it is generally dominated by small time retailers. The organized FMCG market is only confined to the urban areas of India. Rural India mostly depends on agriculture, directly or indirectly for livelihood. Further, almost 70% of Indian population lives in rural India in around 6,00,000 villages.25

Rural India offers tremendous growth prospects for the FMCG industry. Facilitation of better rural infrastructure like roads, telecommunication, electricity, supply chain, and transportation would propel the growth of Rural FMCG Market of India. Further, very low per capita consumption of FMCG products also provide tremendous opportunity for the growth of Rural FMCG markets in India.

The FMCG sector, which offers tremendous growth prospects are Food and beverage sector, health care and personal care. Presently, rural India accounts for 34% of total FMCG consumption, but it accounts for more than 40% consumption in major FMCG categories like as personal care, hot

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beverages, and fabric care.

The government of India new road map for the development of Indian agricultural sector will facilitate growth of rural FMCG industry. The Government of India’s latest decision to waive-off loan (Union Budget 2008-2009) to the tune of ` 60,000 crores would help better crop production in India, which in turn would definitely help the Indian Rural FMCG market grow to new heights.

The rural market is not homogeneous. The individual sections of this market are not too big, although the overall size is large. There are Geographical, demographical, statistical and logistical differences. Positioning and realities regarding the potential of each of these market segments differ and lie at the very core of forming the strategy for the rural markets. Gone are the days when rural consumer went to nearby city to buy ‘branded products & services’. The rural consumer is growing and this is an opportunity to grab the market share for all the global players in the market – whether it is into Fast Moving Consumer Goods (FMCG) sector or retail sector (either insurance or banking). Insurance sector has one of the biggest potential in the upcoming scenario and the fact lies in the statement that only eight to ten percent of the rural households are covered by life insurance.

Several companies trying to reach out to rural consumers are exploring alternative cost effective channels. Direct selling through company delivery vans, syndicated distribution between non-competitive marketers, setting up of temporary stalls in rural melas / haats are few successful examples. Use of stockiest and their staff for effecting direct sales to rural consumers have also been found to be successful by companies like Hindustan Unilever / ITC / Colgate / Godrej. Rural markets/mandis are emerging as the target centers for direct sales. BPCL introduced specially designed Rural Marketing Vehicle, which moved from villages to villages to fill cylinders on spot.

Another innovative distribution model that merits mention is the HLL’s Shakti project, which connects Self-Help Groups (SHGs) with business opportunities. Hindustan Lever promotes and uses the SHGs network present in the villages
for increasing its sales in the rural areas. The SHGs are offered chance to become company’s local small scale distributor in the rural areas. The groups, typically of 15 to 20 people, buy a small stock of items such as soap, detergent or shampoo and then sell directly to consumers in their homes.

Lower prices/smaller packaging has been the most common strategies adopted by FMCG companies to penetrate rural markets. HLL initiated Operation Bharat to tap rural market by rolling out low priced sample packets of its toothpaste, fairness cream, shampoo, cream and other products. Similarly LPG companies have introduced small sized cylinders ensuring that price remains in the affordable range for its rural consumers. When developing products in any category, marketers must identify the typical rural specific needs. Urban products cannot be dumped into rural markets without modifications. The rural audience better receives tailor-made products as the consumers feel empowered and tend to identify with the offering. For instance, shampoos or soaps with distinctive, strong rose or jasmine perfumes are very with the rural women in South India. The urban women do not identify as strongly with these perfumes.

Every marketer must realize that the rural consumer is not a miser. He is not simply looking for the cheapest product in every category. He understands and demands value for money in every purchase that he makes. Pricing therefore is a direct function of factors including cost-benefit advantage and opportunity cost. Pricing offered to consumers should be for value offerings that are affordable. Price sensitivity is extremely high and comparison with competitive prices is common.

It must be remembered that the rural consumer does not have a budget problem. He has a cash flow problem. This is because the village folk receive funds only twice a year. At these times, he is capable of making high volume purchases. At all times, however, the unit price is critical and so is the pack size. Because of this, in the lean season when there is a cash flow crunch, marketers need to provide financial products, schemes or solutions that suit the needs of the rural population
Different target segments require different marketing approach and rural market is no exception to it. Experience suggests that mere extension of urban marketing strategies in rural India will fail unless they are customized to the needs, ethos of rural India. In the rural context, one of the best way to capture the audience is through Event Management. Since rural areas have limited venues for entertainment, conducting an event in rural areas can bring a good response. Some of the interesting events that can be conducted are Road Shows, Melas, Street Theatre, Film Shows and so on. Several Agrochemical companies such as Rallis India Limited, Wockhardt and tractor companies like Escort, Mahindras have successfully employed melas, local communication to get higher sales.

The classic conundrums of reach and coverage of the media are shattered. Several creative communication media have been used by various companies to tackle the problem of having to use visual communication and non-verbal communication to reach the rural audience. This is required because a large proportion of the rural population cannot read or write. Getting together with small industries, dharmasalas, post offices or other rural outlets for advertising and marketing purposes can be quite useful. Word of mouth is a big advantage in rural India.

Rural Marketing is an evolving concept, and as a part of any economy has untapped potential; marketers have realized the opportunity recently. Improvement in infrastructure and reach promise a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on availability, accessibility and affordability. Constant scanning and sieving of ideas and plans is essential at all times. Focused attention needs to be paid to market research that goes on to reduce the uncertainly in dealing with these markets. More specifically, in relation to rural areas, demand is seen to a very highly price elastic. To break the price barrier is essential. Only this can keep the grey area local brands in check.

There is no doubt that divides do exist between urban India and Rural Bharat. However, with a silent revolution that has already begun, a seamless
integration of rural and urban markets is underway. Once this happens the gulf that divides the two markets will become bridges. For this, change needs to be engaged and managed. The overall marketing mix framework for rural markets must therefore focus around plugging the segments with the right product, using value for money pricing, selecting the most appropriate channel of distribution, building long term relationships with the customers and finally, using the power of emotional brands.

The FMCG market is set to treble from US$ 11.6 billion in 2003 to US$ 33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like jams, toothpaste, hair oil, skin care, hair wash etc in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products. Growth is also likely to come from consumer 'upgrading' in the matured product categories. With 200 million people expected to shift to processed and packaged food by 2010, India needs around US$ 28 billion of investment in the food-processing industry (Bansal, 2009)

Organizations like Hindustan Lever Ltd., Nirma Chemical Works, Colgate Palmolive, Parle foods and Malhotra Marketing have carved inroads into the heart of rural markets. Various categories of products have been able to spread their tentacles deep into the rural market and achieved significant recognition in the country households. And, in the process, the regional brands, local brands and the other unbranded offerings got displaced by the leading brands.

<table>
<thead>
<tr>
<th>Company</th>
<th>Household penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUL</td>
<td>88%</td>
</tr>
<tr>
<td>Nirma Chemical Works</td>
<td>56%</td>
</tr>
<tr>
<td>Colgate Palmolive</td>
<td>33%</td>
</tr>
<tr>
<td>Parle Foods</td>
<td>31%</td>
</tr>
</tbody>
</table>
Of the expenditure on consumer goods in rural household, approximately, 44% is on food articles such as biscuits, tea, coffee and salt, 20% on toiletries, 13% on washing material, 10% on cosmetics, 4% on OTC products and 9% on other consumables. A number of category products have established themselves firmly in the rural households. It is evident that in the villages low-priced brands are well accepted and one might feel that a larger proportion of the purchases made in rural market can be attributed to local/unbranded players. Surprisingly, however, the unbranded/local component contributes to a substantial portion of the volume of only a few of the highly penetrated categories.

<table>
<thead>
<tr>
<th>Category</th>
<th>% volume of local brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washing cakes/bars</td>
<td>88%</td>
</tr>
<tr>
<td>Tea</td>
<td>56%</td>
</tr>
<tr>
<td>Salt</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: Rural Marketing: Strategies, T.P.Gopalswamy

<table>
<thead>
<tr>
<th>Category</th>
<th>Category Penetration</th>
<th>Brand with highest penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toilet Soap</td>
<td>91%</td>
<td>Lifebuoy</td>
</tr>
<tr>
<td>Washing cakes/Bars</td>
<td>88%</td>
<td>Wheel</td>
</tr>
<tr>
<td>Edible oil</td>
<td>84%</td>
<td>Double Iran mustard</td>
</tr>
<tr>
<td>Tea</td>
<td>77%</td>
<td>Lipton Taaza</td>
</tr>
<tr>
<td>Washing powder / liquid</td>
<td>70%</td>
<td>Nirma</td>
</tr>
<tr>
<td>Salt</td>
<td>64%</td>
<td>Tata Salt</td>
</tr>
<tr>
<td>Biscuits</td>
<td>61%</td>
<td>Parle G</td>
</tr>
</tbody>
</table>

Source: Rural Marketing: Strategies, T.P.Gopalswamy
Promotions & Advertising in Rural Markets

There are a lot of barriers that militate against homogenous media and message delivery. These barriers stem from the fact that rural markets vary immensely in terms of tastes, habits and preferences leading to different expectations of every segment of the population.

However, one fact is certain across all areas. The rural consumer likes to touch and feel a product before making a choice. Demonstrations are undoubtedly the most effective promotional tool that shapes purchase decisions of the rural population. Demonstrations establish the credentials of any new technology used in developing the product.

In today’s information era, it is very important for companies to wise-up on emerging technologies. It has in fact become a medium to attract larger audiences for a product demonstration. Technology must be used to prepare a database of customers and their requirements. The use of video using mobile vans and even large screen video walls at events should be arranged.

The classic conundrums of reach and coverage of the media are shattered. Several creative communication media have been used by various companies to tackle the problem of having to use visual communication and non-verbal communication to reach the rural audience. This is required because a large proportion of the rural population cannot read or write. Alliances with cottage industries, dharmsalas, panchayats, post offices and police stations for advertising have also helped immensely. More importantly, in rural India, experience has proved time and time again that word of mouth is the key influencer.

Intermediaries are the foundation to rural distribution. If the intermediary understands and is constantly reminded about your product, then the end user will not be allowed to forget. The companies must reinforce this highly effective medium and use all their innovation and money tom develop more dramatic point of sale and point of contact material. This becomes all the more important when in rural India, more often than not, the overlap between
the product categories sold in a single outlet in tremendous. For instance, a store may call itself as a grocery store but will stock everything from groceries to vegetables to fertilizers and may at times even stock medicines. In such cases, the point at which the customer actually comes in contact with a product may not be the point at which the sale is affected.

The re-use capacity and colour of the container in which the product is packed is also a crucial factor. In fact, reusable packaging is considered a major aid in promoting sales for products in the rural market.

Consumer and Trade schemes that Incentivise Spending using discount coupons, off season discounts, free samples, etc. encourage spending. Lucky draws and gift schemes are a major hit in most states.

The use of local idioms and colloquial expressions are an excellent way to strike a rapport with the rural consumer and must be borne in mind when developing media plans and public relations programmes. No high voltage publicity is required. The rural consumer is very down to earth but equally discerning and marketers need to step into the shoes of the rural folk while creating product promotion campaigns.

Another unique feature of rural markets is that the Decision making process is collective. The persons involved in the purchase process - influencer, decider, buyer, one who pays can all be different. So marketers must address brand messages in their campaigns at several levels. Apart from regular household goods, several agribusiness companies have also started providing gift schemes with offers for free jewellery that influences the ladies to pressure the farmers to purchase agricultural inputs from select companies. This promotion strategy thus makes women influence purchase decisions that they would ordinarily not be involved in.

Youth power is becoming increasingly evident in villages. Rural youth bring brand knowledge to the households. This has forced several companies to change the focus and positioning of their products and services towards this segment that is growing in absolute number and relative influence.
There are other attributes in the promotion strategy which are explained as under:

1. **Mass media:** In the present world mass media is a powerful medium of communication. The following are the mass media generally used:
   - Television.
   - Cinema
   - Radio

Print media: Handbills and Booklets, posters, stickers, banners, etc.

2. **Personal selling and opinion leaders:** In personal selling it is required that the potential users are identified and awareness is created among them about the product, its features, uses and benefits. This can be achieved only by personal selling by highly motivated sales person. In fact the word of mouth information holds lot validity in rural areas even today. This is the reason why opinion leaders and word of mouth are thriving among rural consumers. An opinion leader in rural areas can be defined as a person who is considered to be knowledgeable and is consulted by others and his advice is normally followed. The opinion leaders may be big landlords or politicians or progressive farmers.

3. **Special campaigns:** During crop harvest and marketing seasons it is beneficial to take up special promotion campaigns in rural areas. Tractor owners (tinee) conducted by MRF Limited is one such example. Brooks Bond carries out marches in rural areas with band, music and caparisoned elephants to promote their brand of tea.

**Wall paintings:**

It is an effective and economical medium for communication in rural areas, since it stays there for a long time depending upon the weather conditions. The cost of painting one square foot area is just Rs.10. Retailers welcome painting of their shops so that the shop will look better. Walls of farm houses,
shops and schools are ideal places for painting and the company need not have to pay any rent for the same. The walls have to be painted at least one or two feet from ground level. It is better to take permission of the owner. Very often the owner takes responsibility for taking care of the wall painting. Painting to be avoided during election time and rainy season. The matter should be in the form of pictures, slogans for catching the attention of people. Companies marketing TV, fans, branded coffee/tea, toothpaste, pesticides, fertilizers etc. use wall painting as promotion medium in rural areas.

- **Tree boards:**

These are painted boards of about two square feet in dimension having the picture or name or slogan of the product painted on it. The cost of such a painted board is about Rs.80. These boards are fixed to the trees on both sides of the village road at a height of about 10 feet from ground level. These boards attract the attention of slow moving vehicles like cycles, bullock carts and tractors and people walking on the road. Considering the poor condition of roads, even the buses move at slow speed through village road. Fertilizer and pesticide companies in rural areas extensively use tree boards. These are low priced promotion items and can be used by consumer goods companies too.

- **Informal/Rural specific media**

These media with effective reach and personalized communication will help in realizing the promotional objectives. Companies to suit the specific requirements of rural communication are using a variety of such media effectively and some of the more important media and methods are given below.

- **Farm-to-Farm/House-to-House visit:**

Rural people prefer face-to-face communication and farm visits facilitate two-way communication. The advantage is that the sales person can understand the needs and wants of the rural customer by directly discussing with him and
answer his queries on products and services. Potential customers in the village are identified and the company's/distributor's representative makes farm-to-farm visits and highlight the benefits of the products. The person carries with him literature in local language and also samples of products. The person does not sell the product but only promotes the use of the product. Very often the local dealer also joins the representative in making farm-to-farm visits. The dealer clarifies the terms and conditions of sale and also makes independent follow up visits for securing orders. Example: This approach has been found to be very effective for agricultural machinery, animal health products and agricultural inputs. Many LIC agents and companies dealing with high value consumer durables have tried this method with success in rich rural areas.

➢ **Group meeting:**

Group meetings of rural customers as well as prospects are an important part of interpersonal media. The company is able to pass on the message regarding benefits of the products to a large number of customers through such meetings. Group meeting of key customers are conducted by banks, agricultural inputs and machinery companies in rural areas. The bankers visit an identified village, get the village people in a common place and explain the various schemes to the villagers. Such meetings could be organized in prosperous villages for promoting consumer durables and two wheelers also. Example: MRF Tyres conduct tractor owners meet in villages to discuss repairs and maintenance of tractors.

➢ **Opinion leaders:**

Villagers place more emphasis on the experience of others who have used a product/brand to make purchase decision. Opinion leader is a person who is considered to be knowledgeable and is consulted by others and his advice is normally followed. Such opinion leaders could be big landlords, bank official, panchayath-president, teachers, extension workers etc. Examples: a) Mahindra Tractors use bankers as opinion leaders for their product. b) Asian Paints promoted its Utsav brand of paint by painting the village Sarpanch’s
house a few months prior to the launch if the branch to demonstrate that the paint does not peel off.

➢ **The Melas:**

Melas are of different types i.e. commodity fairs, cattle fairs and religious fairs and may be held only for a day or may extend over a week. Many companies have come out with creative ideas for participating in such melas. Examples:

a) Britannia promotes Tiger Brand Biscuits through melas.
b) The mahakumbh at Allahabad is the biggest mela in India. HLL has put up 14 stalls in the mela grounds for promoting Lifebuoy. Handcarts have been deployed for increasing access.

➢ **The Haats:**

Traditionally on certain days of week, both the sellers and buyers meet in the village to buy and sell goods and services. These are the haats that are being held regularly in all rural areas. The sellers arrive in the morning in the haat and remain till late in the evening. Next day they move to another haat. The reason being that in villages the wages are paid on weekly basis and haat is conducted on the day when the villages get their wages. For the marketer, the haat can be an ideal platform for advertising and selling of goods. By participating in haats and melas, the company can not only promote and sell the products but also understand the shared values, beliefs and perceptions of rural customers that influence his buying behaviour.

➢ **Folk dances:**

These are well-appreciated form of entertainment available to the village people. The folk dance “Kuravan Kurathi” is popular in Tamil Nadu. The troupe consists of dancers, drummers and musicians and they move in a well-decorated van from one village to another village singing and dancing. In a day the troupe covers about 8-10 villages. As soon as the van reaches a village, film songs are played to attract the attention of the villages. This is followed by folk dances. Mike announcement is made about the company’s products and leaflets are distributed. After the dance programme, queries, if
any, about the products are answered by the sales person. Folk dance programme costs about Rs.5000 per day and therefore these programmes are conducted during the peak season in selected villages. Examples: Fertilizer and pesticide companies organize folk dance programmes during peak season in selected markets. Thumps Up has sponsored Lavnis, the folk dance programme of Maharashtra and over 30 programmes have been arranged in selected rural markets.

> **Audio Visual Publicity Vans (AVP Vans):**

AV unit is one of the effective tools for rural communication. The van is a mobile promotion station having facilities for screening films, slides and mike publicity. The sales person makes a brief talk about situation in the village, the products and the benefits. The ad film is screened along with some popular film shots and this continues for about 30 minutes. At the end of the film show, he distributes handbills and answers queries of the customers. The whole operation takes about 1-2 hours depending upon the products under promotion, number of participants in the meeting and time taken for question and answers. The vans move to the next village for the second show. The cost of running a fully equipped AVP unit is about Rs.4000 per day and AVP van operation has to be considered as an investment for business development in rural areas. Example: Companies such as HLL, Colgate, and Phillips have made effective use of AVP vans for popularizing their products in rural areas.

> **Product display contests:**

Package is an integral part of the product. Its main purpose is to protect the product during transit, to preserve the quality and to avoid any loss in quality and quantity. The main purpose of this contest is to remind the customer to buy the product as soon as he enters the shop. Another objective is to influence the dealer to stock the product and support the company in increasing the sales. The display contest has to be announced well in advance and promotional materials to be distributed to all the selected dealers in a geographical area. Prizes for best displays are announced to motivate the
dealers; the contest lasts for about a month. A well-planned product display contest not only increases the involvement of dealers in the company’s products but also increases the sales during the contest period. This is used for promoting consumer goods such as shampoos, soaps and toothpaste.

➢ **Field demonstration:**

This is based on the extension principle “seeing is believing” and is one of the most effective methods to show the superiority of the company’s products to the customers. A progressive farmer who is an opinion leader is selected and the demonstration is conducted in his field in the presence of a group of farmers in the village. The farmers observe the results in the field and the local dealer calls on them in their farms and persuades them to buy the particular brand of pesticide or fertilizer. Examples: a) Spraying a particular brand of an insecticide against insect pests and showing the farmer how effectively the insects are controlled. b) Demonstrating the use of tractor/implements for different agricultural operations. c) Hawkins pressure cooker has demonstration representatives who carry out demos in rural households. The representative receives 1% commission for every customer who approaches the dealer via demonstrations. e) Similarly effectiveness of detergents, pressure cookers, vacuum cleaners and mosquito coils could be promoted by demonstrations in selected markets.

➢ **Field days:**

These are extension of field demonstrations. One of the main objectives of following modern agricultural practices is to increase the yield. The company organizes demonstrations in a piece of land belonging to progressive farmers. All the fertilizers, pesticides, nutrients etc. are applied after making field observations. Just before harvest, all the important farmers are invited to see demonstration plot and see for themselves how the yields are better in the plot compared to other fields. Field demonstrations/field days consume lot of time and efforts and therefore have to be planned well.
Information centers:

They provide latest information on cultivation of crops, fertilizer application, weed, management and control of pests and diseases. Experienced agricultural graduates who make frequent visits to the field and advice farmers on modern agricultural practices manage the centers. They also provide information on farm implements, seeds, fertilizers, pesticides, diesel engines, sprayers and tractors etc. Many consumer goods companies have opened show rooms in prosperous rural areas. Example: Hero Honda has opened extension counters with show room facilities in major rural markets.

Life-style marketing:

Each rural market segment has certain special features i.e. they share common life-style traits. They include village sports, religious events, prominent personalities and role models. Examples: Textile mills maintaining community gardens, Mineral water companies supplying clean drinking water during summer festivals in villages and Consumer goods companies sponsoring Kabaddi.

Mandi and Mela magic

At last count, India witnessed over 50,000 melas. Of these 25,000 melas are held to signify religious, cultural festivals as well as local fairs and events. On an average, visitors at these melas spend between Rs. 5,000 to Rs. 50,000 a day. For example, 3 lakh people visited the annual mela at Navchadi which lasts for 7 days in Meerut. The largest such mela is the Maha Kumbh Mela which is visited by an average of 12 crore people.

There is however, a caveat when an organization is considering using mela for marketing their products. Is the audience at this mela fit for promotion of the product at hand? What are the psychographics of this audience? What is the motivational and behavioural impetus that brings visitors to each of these melas. On considering these questions, it has been observed that melas are fit to generate product exposure, package familiarity, brand reminder and word of mouth. However, for products that need concept marketing and those
that have high prices, such melas are not suitable promotion media. This is because the time and the mood of the people that visit these melas are not right to digest technical information or for making large purchases. People come to melas to have a good time and are not reminded of such high technology or high priced products when they return home. In the words of Mr. Neville Gomes, Managing Director of Multimedia Aquarius, promotion at melas is like a “one night stand”. There will be no reminder later. Thus, a large amount of qualitative judgment is indeed in planning promotions at melas by media planners.

Haats

Haats are the nerve centre of Rural India. They are a readymade distribution network embedded in the fabric of rural society for over 1000 years. They have been held on a regular basis across the length and breadth of the country for over 1000 years. Right from the time of Chandragupta Maurya, Haats are seen as a place for social, cultural and economic interchange.

One in every five villages with a population of over 2000 has a haat. In villages with less than 2000 people this figure reduces to 1 in 20 villages. Typically, an average haat will have close to 300 stalls. A haat usually serves around 5000 visitors. Considering that the average population of an Indian village is approximately 1000, each haat serves 5 villages. A study estimates that 47,000 haats are conducted in rural India. These rural super markets are much larger than all the world’s K-marts and Wal-marts put together.

A lot of re-distribution also occurs through haats. This is because, a large number of retailers and sub-wholesalers buy from haats for their village stores. What is most attractive to marketers is that 90% + of sales in haats are on cash basis. Traditionally, in village shops a lot of credit sales occur due to the fact that in a small geographic area of a village, everybody knows everybody. Considering that over 5000 visit a haat from 5 villages, the system gets derelationalised. Apart from the 90% cash sale, 5 to 7% is conducted on barter system and the rest 3 to 5% is on credit. Also attractive to companies wishing to use the system is the low selling overheads. Participation fees at
haats are a flat Re.1 to Rs.5 per stall and this rate is common to a giant like Hindustan Lever and the smallest local seller.

Distribution costs must be reduced through optimum utilization of the network. Thus, incorporating haats in the distribution strategy of a rural marketing organization selling consumer goods and FMCG products (typically once a week purchase items) is a tremendous opportunity.

Perhaps the other most important factor to consider while developing rural distribution strategy is that the move from transactional marketing to relationship marketing is most evident in the village market. A strong bond needs to be created with every consumer even in the remotest village and the smallest town. Marketing in Rural India is undoubtedly a long-haul exercise and one that involves great expense. Only those with a strong mind, a tough heart and stiff hands survive.

There is also a need to realise that the dealer is the company's "unpaid" sales force. It is essential to educate and involve him as he is the local company representative and is the only member in the channel of distribution that is in direct contact with the final consumer. The dealers' feedback needs to be obtained as the direction for future strategy emanates here.

The power of Rural Communication

With the growth and development in the field of agriculture, large number of Industrial products is being used as inputs for productivity improvement and maintenance. Similarly, a large number of industrial and urban manufactured products are being used for various consumption purposes in rural areas. There is a definite trend in favor of the industry playing a predominant role in rural agricultural production and consumption processes. This new and increasing role has prompted a new way of understanding the processes known as rural marketing.

The mass media has created increased demand for goods and services in rural area. Smart marketers are employing the right mix of conventional and no-conventional media to create increased demand for products. The role of
cable television has been noteworthy in bringing about a change in rural people's mindset and influencing their lifestyles.

Further, the existing approach to rural markets has viewed the market as homogenous one. But in practice, there are significant buyers and user differences across regions as well as within, that require a differential treatment of the marketing problems. The understanding of market norms in agricultural input markets is crucial, not only to device good marketing strategies, but also to avoid and unearth the unethical practices which distort the market environment. Since, the products are inputs in a production process, some of these practices have implications for food, health and environmental sectors. Even the question of outcomes is always marked by risk and uncertainties for the ultimate users. Therefore, rural marketing needs to combine concerns for profit with a concern for the society, besides being tilted towards profit.\textsuperscript{26}

As a developmental intervention, rural marketing as an activity gets influenced by village level endogenous factors. Therefore, the final outcome of a rural marketing activity will depend on the nature and effectiveness of interaction with these rural farmers in the market.

The development is accelerating in rural India, coupled with increase in purchasing power because of scientific agriculture, the changing lifestyle and consumption pattern of villagers with increase in education, social mobility, improved means of transportation and communication and other penetration of mass media such as television and its various satellite channels have exposed rural India to the outside world and hence their outlook to life has also changed. Because of all these factors, rural India is now attracting more and more marketers.

\textsuperscript{26} Singh Sukhpal (2009): “Rural Marketing Management”, Vikas publishing House, 2\textsuperscript{nd} Edition, pg5
Tapping the Rural Market

Many companies having marketing expertise are focusing on rural markets as there are opportunities to market brands, various different products and services as rural markets are lucrative than urban areas.27

- Rural markets are **growing faster** and form the target group for various consumer goods.

- Intensive competition in urban markets has resulted in *increase in costs* but not high market share and profits.

- Traditionally farmers have treated agriculture as a way of living and they produce just enough quantities to meet their family requirements. Many progressive farmers have increased the yields of crops by following modern agricultural practices. Even small farmers will be encouraged to increase production.

- Increase in rural income and savings has led to green house cultivation of flowers and vegetables, mushroom cultivation, development of industries such as cotton ginning and spinning mills, paddy processing units etc.

- Diversification of Agriculture, development of village level industries and marketing of modern goods and services, provide employment opportunities.

- With a very large consumer base rural markets have tremendous potential.

- The rural markets are highly scattered over a wide geographical area and therefore that marketers have huge potential markets for promoting products and services.

• The village retailer is the link between the rural consumer and manufacturer. He plays a major role in introducing new products in rural markets.

Competitive product Strategies for Rural Markets


2. Customer Value Strategy: Rural consumers are price sensitive. They are more concerned about functional benefits of the products and the value-for-money they pay.

3. Innovation strategies: Some companies choose to develop products especially to meet rural market needs.

4. Spurious Good strategies: Spurious products, generally marketed by the unorganized, low end entrepreneurs somehow make their way into the market and eat away the large chunk of corporate marketer’s profits. The imitations will have resemblances that dupe the gullible consumer.\(^{28}\)

5. Packaging strategies: To enter the rural market innovative packages are necessary to add value to the premium products. Small packs and combo-packs have become a major attraction in rural India.

6. Brand Strategies: A company may introduce several brands in a product-line with different features to appeal to different categories in the same customer group.

7. Co-Branding Strategies: Today, we find offers with two or more brands of the same company or different companies. When a marketer offers one brand with another brand of the same company or another company, such offers may gain image for the brand

Companies or brands which adopted various strategies to lure the rural markets are: Nirma, Lifebuoy, Tata Tea, Coca-Cola, Mahindra & Mahindra, Kelvinator, Fair Glow, Colgate etc.

Companies are coming up with new technology and they are properly communicating it to the customer. There is a trade-off between Quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. The perception of the Indian about the desired product is changing. Now they know the difference between the products and the utilities derived out of it. As a rural Indian customer always wanted value for money with the changed perception, one can notice difference in current market scenario.29

The companies have realized the importance of proper communication in local language for promoting their products. They have started selling the concept of quality with proper communication. Their main focus is to change the Indian customer outlook about quality. With their promotion, rural customer started asking for value for money.

If one go to villages they will see that villagers using Toothpaste, even when they can use Neem or Babool sticks or Gudakhu, villagers are using soaps like Nima rose, Breeze, Cinthol etc. even when they can use locally manufactured very low priced soaps. Villagers are constantly looking forward for new branded products. What can one infer from these incidents, is the paradigm changing and customer no longer price sensitive? Indian customer was never price sensitive, but they want value for money. They are ready to pay premium for the product if the product is offering some extra utility for the premium.

Companies have recognized that social and cultural values have a very strong hold on the people. Cultural values play major role in deciding what to buy. Moreover, rural people are emotional and sensitive. Thus, to promote

their brands, they are exploiting social and cultural values.

The customers want value for money. They do not see any value in frills associated with the products. They aim for the basic functionality. However, if the seller provides frills free of cost they are happy with that. They are happy with such a high technology that can fulfill their need. As "Motorola" has launched, seven models of Cellular Phones of high technology but none took off. On the other hand, "Nokia" has launched a simple product, which has captured the market.

Companies are picking up Indian models, actors for advertisements as this helps them to show themselves as an Indian company. Diana Hyden and Shahrukh Khan are chosen as a brand ambassador for MNC quartz clock maker "OMEGA" even though when they have models like Cindy Crawford.

MNCs are associating themselves with India by talking about India, by explicitly saying that they are Indian. M-TV during Independence Day and Republic daytime make their logo with Indian tri-color. Nokia has designed a new cellular phone 5110, with the India tri-colour and a ringing tone of "Sare Jahan se achcha".

Companies are promoting Indian sports teams so that they can associate themselves with India. With this, they influence Indian mindset. LG has launched a campaign "LG ki Dua, all the best". ITC is promoting Indian cricket team for years, during world cup they have launched a campaign "Jeeta hai jitega apna HindustanIndia India India". Similarly, Whirlpool has also launched a campaign during world cup.

Companies are now talking about normal India. It is a normal tendency of an Indian to try to associate himself/herself with the product. If he/she can visualize himself/herself with the product, he/she becomes loyal to it. That is why companies like Daewoo based their advertisements on a normal Indian family.

Many companies are developing rural-specific products. Keeping into consideration the requirements, a firm develops these products. Electrolux is
working on a made-for India fridge designed to serve basic purposes: chill drinking water, keep cooked food fresh, and to withstand long power cuts.

Companies use Indian words for brands. Like LG has used India brand name "Sampoorna" for its newly launched TV. The word is a part of the Bengali, Hindi, Marathi and Tamil tongue. In the past one year, LG has sold one lakh 20-inch Sampoorna TVs, all in towns with a population of around 10,000.

As Indian brands are operating in India for a long time and they enjoy a good reputation in India. MNCs have found that it is much easier for them to operate in India if they acquire an Established Indian Brand. Electrolux has acquired two Indian brands Kelvinator and Allwyn this has gave them the well-established distribution channel. As well as trust of people, as people believe these brands. Similarly Coke has acquired Thumps up, Gold Spot, Citra and Limca so that they can kill these brands, but later on they realized that to survive in the market and to compete with their competitor they have to rejuvenate this brands.30

Media Rural marketing is being used by companies. They can either go for the traditional media or the modern media. The traditional media include melas, puppetry, folk theatre etc. while the modern media includes TV, radio, e-chaupal. LIC uses puppets to educate rural masses about its insurance policies. Govt of India uses puppetry in its campaigns to press ahead social issues. Brook Bond Lipton India ltd used magicians effectively for launch of Kadak Chap Tea in Etawah district. In between such a show, the lights are switched off and a torch is flashed in the dark(EVEREADYs tact). ITC’s e-chaupal (chaupal is the common place where villagers gather) has been the most elaborate and extensive venture in this field so far. Conceived by ITC’s international business division and launched in 2000, the e-chaupal project has since grown to around 2,700 chaupals covering a population of around 1.2 million in five states - Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh and Maharashtra.

30 Pradeep Kashyap, “Rural people look up to urbanites,” Jan.21-Feb.3, 2002, p.82
Rural marketing requires the understanding of the complexities and this article reviews some of the key issues. Indian agricultural industry has been growing at a tremendous pace in the last few decades. The rural areas are consuming a large number of industrial and urban manufactured products.

The rural agricultural production and consumption process plays a predominant role in developing the Indian economy. This has designed a new way for understanding a new process called Rural Marketing. The concept of rural marketing has to be distinguished from Agricultural marketing. Marketing is the process of identifying and satisfying customers needs and providing them with adequate after sales service. Rural marketing is different from agricultural marketing, which signifies marketing of rural products to the urban consumer or institutional markets.

Rural marketing basically deals with delivering manufactured or processed inputs or services to rural producers, the demand for which is basically a derived outcome. Rural marketing scientists also term it as developmental marketing, as the process of rural marketing involves an urban to rural activity, which in turn is characterised by various peculiarities in terms of nature of market, products and processes. Rural marketing differs from agricultural or consumer products marketing in terms of the nature of transactions, which includes participants, products, modalities, norms and outcomes. The participants in case of Rural Marketing would also be different they include input manufacturers, dealers, farmers, opinion makers, government agencies and traders. The existing approach to the rural markets has viewed the markets as a homogeneous one, but in practice, there are significant buyers and user differences across regions as well as within that require a differential treatment of the marketing problems. These differences could be in terms of the type of farmers, type of crops and other agro-climatic conditions.

One has to understand the market norms in agricultural input so as to devise good marketing strategies and to avoid unethical practices, which distort the marketing environment. Many of the inputs used for production process have
implications for food, health and environmental sectors. Rural marketing needs to combine concerns for profit with a concern for the society, besides being tilted towards profit. Rural market for agricultural inputs is a case of market pull and not market push. Most of the jobs of marketing and selling is left to the local dealers and retailers. The market for input gets interlocked with other markets like output, consumer goods, money and labour.

The importance of rural marketing can be understood from the fact that today modern inputs i.e. diesel, electricity, fertilisers, pesticides, seeds account for as much as 70% Green Revolution areas. Further the percentages were higher at 81% of land. Strategic aspects Rural marketing in India is not much developed there are many hindrances in the area of market, product design and positioning, pricing, distribution and promotion.

Companies need to understand rural marketing in a broader manner not only to survive and grow in their business, but also a means to the development of the rural economy. One has to have a strategic view of the rural markets so as to know and understand the markets well. In the context of rural marketing one has to understand the manipulation of marketing mix has to be properly understood in terms of product usage. Product usage is central to price, distribution, promotion, branding, company image and more important farmer economics, thus any strategy in rural marketing should be given due attention and importance by understanding the product usage, all elements of marketing mix can be better organised and managed.

Proper distribution channels are recognized by companies. The distribution channel could be a Big scale Super markets, they thought that a similar system can be grown in India. However, they were wrong, soon they realized that to succeed in India they have to reach the nook and the corner of the country. They have to reach the "local Paan wala, Local Baniya" only they can succeed. MNC shoe giants, Adidas, Reebok, Nike started with exclusive stores but soon they realized that they do not enjoy much Brand Equity in India, and to capture the market share in India they have to go the local market shoe sellers. They have to reach to local cities with low priced
MNCs have realized that in India celebrities enjoyed a great popularity so they now associate themselves with Indian celebrities. Recently Luxor Writing Instruments Ltd. a JV of Gillette and Luxor has launched 500 "Gajgamini" range of Parker Sonnet Hussain special edition fountain pens, priced at Rs. 5000. This pen is signed by Mr. Makbul Fida Hussain a renowned painter who has created "Gajgamini" range of paintings. Companies are promoting players like Bhaichung Bhutia, who is promoted by Reebok, so that they can associate their name with players like him and get popularity. Melas are places where villagers gather once in a while for shopping. Companies take advantage of such events to market their products. Dabur uses these events to sell products like JANAM GHUTI(Gripe water). NCAER estimates that around half of items sold in these melas are FMCG products and consumer durables. Escorts also displays its products like tractors and motorcycles in such melas.

A picture is worth thousand words. The message is simple and clean. Rural people like the sight of bright colours. COKE, PEPSI and TATA traders advertise their products through paintings.