Chapter 3

Introduction of FMCG

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Chapter 3

Introduction of FMCG

Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) are products that are sold quickly and at relatively low cost. Though the profit margin made on FMCG products is relatively small (more so for retailers than the producers/suppliers), they are generally sold in large quantities; thus, the cumulative profit on such products can be substantial. FMCG is probably the most classic case of low margin and high volume business.

Introduction to Fast Moving Consumer Products (FMCG)

The Indian FMCG sector is the fourth largest sector in the economy with an estimated size of Rs.1,300 billion. The sector has seen tremendous average annual growth of about 11% per annum over the last decade. In India, the scenario is quite different in comparison to developed nations where the market is dominated by few large players, whereas FMCG market in India is highly competitive and a significant part of the market includes unorganized players selling unbranded and unpackaged products.

Approximately 12-13 million retail stores exist across India, the large percentage of which around 9 million are kirana stores. India FMCG sectors’ comprises of few significant characteristics like well connected distribution network, high level of competition between the organized and unorganized FMCG players, and low operational cost. In India, FMCG companies have privilege of having easy availability of raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage.
Products which have a swift turnover and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG items are those which generally get replaced within a year. Examples of FMCG commonly include the range of daily consumed items such as toiletries, soap, detergents, cosmetics, oral care products, shaving products, packaged food products and digestives as well as other non-durables such as bulbs, batteries, paper products, glassware and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, etc.

Indian population is spreading and becoming wealthy day by day, particularly the middle class and the rural segments, offers immense opportunity which is left untapped to FMCG players. Growth effect will be seen from product customization in the matured product categories like skin care, processed and packaged food, mouth wash etc. In India, many MNCs have made their presence through their subsidiaries (HUL, Reckitt Benckiser, P&G) and the companies launches innovative products from their parent’s portfolio in the market regularly to ensure the steady growth. India is a agriculture based economy and has a varied agro-climatic condition which offers extended raw material base suitable for many FMCG sub sections like food processing industries etc. India is one among those countries which has the highest production of livestock, milk, spices, sugarcane, cashew, and coconut and has the second highest production of wheat, rice, vegetables and fruits. Similarly, India has an abundant supply of caustic soda and soda ash, the major raw materials required to manufacture soaps and detergents, which helps companies manufacturing soaps and detergents to grow and prosper. The easy accessibility and availability of these raw materials gives India an additional edge over other countries.
MAJOR SEGMENTS OF THE FMCG INDUSTRY:

**Household Care:** The detergents segment is experiencing healthy annual growth rate of 10 to 11 per cent during the past five years. The detergent market is equally dominated by the local and unorganized players which shares decent percentage of the total volume. In urban areas, people give preference to detergents in place of bars. Household care segment is featured by intense competition and high level of penetration. With rapid urbanization and increasing disposable income, introduction of the concept of small packets and sachets, the household care products demand is growing fast. In washing powder segment, HUL is the leader with ~38 per cent of market share. Other leading players are Proctor & Gamble, Nirma and Henkel.

**Personal Care:** Personal care segment includes oral care products, skin care products and cosmetics, hair care products, personal wash products etc. The Indian skin care and cosmetics market is very large and valued at $274 million and is dominated by leading players like HUL, Colgate Palmolive, Godrej Consumer and Gillette India. The coconut oil segment covers 72 per cent share in the hair oil market. The hair care market can be divided into hair oils, hair colorants & conditioners, shampoos, and hair gels. Marico (with Parachute) and Dabur are the leading players in the branded coconut hair oil market. Rural people prefer to buy sachet which makes up to 40 per cent of the total shampoo sale. Again HUL is the dominant player with around ~47 per cent market share; P&G placed at second position with market share of around ~23 per cent.

Personal wash can be further categorized into three segments i.e. Premium, Economy and Popular. Here also, HUL is leading the
market with market share of ~53 per cent; Godrej stands at second position with market share of ~10 per cent. Increasing disposable income of the Indian consumers, wide channel network of MNCs, growth in rural demand for premium products are the key drivers for pulling the future demand growth up in major FMCG categories.

The skin care market is at a primary stage in India. With modernization, the lifestyle has changed drastically, consumers have more disposable incomes which give greater product choice and availability of the products give them freedom to purchase. Moreover, people are becoming more alert and aware about personal grooming. The leading player in this segment is Hindustan Unilever with a market share of ~54 percent, CavinKare occupies second position with market share of ~12 per cent and Godrej at third with a market share of ~3 percent.

The oral care market can be categorized into various sub-segments with toothpaste -60 percent; toothpowder -23 percent; toothbrushes -17 percent. Colgate-Palmolive is the leader of this segment with market share of ~49 percent, while HUL stands at second position with market share of ~30 percent. In toothpowders market, Colgate and Dabur are the leading players.

**Food and Beverages:** This segment comprises of the food processing industry- packaged foods, health beverage industry- bread and biscuits, chocolates & confectionery, Packed Mineral Water and ice creams. The three largest consumed categories of packaged foods are packed tea, biscuits and soft drinks. Tea market dominates the Indian hot beverage market. Unorganized players enjoy the major share of tea market. Leading players of organized tea market are HUL and
Tata Tea. Major players in food segment are HUL, Amul, Dabur, Nestle, ITC and Godrej.

**Here, we will discuss few positives about FMCG sector:**

- Low operational costs
- Presence of wide distribution networks and channel members in both urban and rural areas
- Participation of well-known branded companies in FMCG sector.
- Favorable governmental Policy: Indian Government has passed the policies aimed at attaining international competitiveness through lifting of the quantitative restrictions, reducing excise duties, 100 per cent export oriented units can be set up by government approval and use of foreign brand names etc.
- Foreign Direct Investment (FDI): Automatic investment approval up to 100 per cent foreign equity or 100 per cent for NRI and Overseas Corporate Bodies investment is allowed for most of the food processing sector except malted food, alcoholic beverages and those reserved for small scale industries (SSI).

**Weak areas of FMCG sector:**

- Lower scope of investing in technology and achieving economies of scale, especially in small sectors
- Low exports levels

**Future prospects for FMCG sector:**

- Untouched rural market, Untapped opportunities, changing lifestyle
- Rising income levels and higher disposable income, resulting in increase in purchasing power of consumers
- Large domestic market with more population of age group between 20 and 30.
- High expenditure on daily used consumer goods.
- India is the largest milk producer in the world, yet the percentage of processed milk is very low around 15 per cent. The organized liquid milk business is in its early stage and also possesses the potential of long-term growth. Even there is huge investment opportunities in value-added products like desserts, puddings etc.
- Only about 10-12 per cent of output is processed and consumed in packaged form, thus highlighting the huge potential
- With booming per capita incomes and growing awareness among rural masses, the growth potential is huge.
- Smaller packs and sachet packing have made the product easy to buy and lower price are also likely to drive potential up.
- Rural demand etc.

**Threats:**

- Liberal import policies resulting in replacing of domestic brands.
- Government Taxation policies and regulatory structure
- Rural demand is seasonal and depends upon monsoon.

Fast moving consumer goods (FMCG) – or Consumer Packaged Goods (CPG) – are products that are consumed quickly over a shorter period of time. Examples include non-durable goods such as grocery items, soft drinks, dairy products and toiletries. Conditionally, the absolute
margins on goods are very low and profit made on FMCG is comparatively low, the products are sold large quantities so the substantial profits are generated. The term FMCG refers to those consumer goods that are sold quickly and at lesser prices. The life of the FMCG is very short and the products are used up over a short period of days, weeks, or months, and within one year. FMCGs have a short period of life, either due to high consumer demand or because the product deteriorates rapidly. Some FMCGs – such as dairy products, fruits and vegetables, meat, etc. are highly perishable in nature and should be used at earliest. Other goods such as soft drinks, alcohol, cleaning products, toiletries and pre-packaged foods, have higher sales volume and high turnover rates.

The main characteristics of FMCGs are:

From the consumers' perspective:

- Frequent purchase or Daily consumed products.
- Low involvement (little or no effort to choose the item -- products with strong brand loyalty are exceptions to this rule)
- Low price

From the marketers' angle:

- High volumes
- Low contribution margins
- Extensive distribution networks
- High stock turnover

FMCG denotes Fast Moving Consumer Goods, supplied in the retail marketing as per the daily consumer demand. These daily needs and wants have to be served to satisfy their hunger. Therefore these
needs are fulfilled by hard working team of sales, marketing and distribution who are present on the field with the motive to satisfy the need of the consumer on right time & place. Now, the level of awareness among consumers has increased, they check the quality, MRP and date of packaging of the product. In India, consumers are more conscious and aware due to regular broadcasting of advertisements on televisions so they gather complete information before purchasing a FMCG product. So it has become necessary to supply the fresh product in the market. Because there is a huge competition in the market and there are other alternatives available in the market so the consumer has other option to move to another branded product available in the same market. Now the competition has been rising on the top of the head on each brand. A small mistake and wrong timing of product launching in the market could lead to heavy loss of the brand image and can incur heavy loses to the company.

**Rural Consumer Behaviour towards FMCG products:**

Earlier, rural consumers made their purchasing of their requirements from nearby towns. However, in recent times, a shift and a swing have been observed in the buying behaviour of the rural consumer who has started buying the products locally. This change in consumer purchase habit has given a ray of hope to the rural marketer. This provides the immense opportunities for employment for the rural masses that can make their association with the FMCG companies and the companies can get the channel partners to promote and enhance their business in rural areas. This producer-retailer chain can ensure the supply of the products at the smaller retail outlets in villages. Studies suggested that advice to the rural
consumer by the retailer plays a very important role in making the product known and familiar among rural masses and it reduces the efforts of the companies at creating brand knowledge and positioning the product in rural markets. A promotion campaign educating the benefits of a product or brand along with hardcore distribution efforts can be seen in rural markets in the FMCG category. Customer satisfaction is essentially the highest point of a series of customer experiences or, the net result of the good experiences minus the bad experiences. It occurs when the customer’s expectations and their subsequent experiences are matched.

**Top Players in FMCG sector:**

- Hindustan Lever Limited (HLL)
- ITC (Indian Tabacco company)
- Nestle India
- GCMMF (Amul)
- Dabur India
- Asian Paints (India)
- Cadbury India
- Britannia Industries
- Proctor and Gamble Hygiene & Healthcare
- Marico Industries

**Secondary Players in FMCG sector:**

- Colgate-Palmolive (India) Ltd.
- Godrej Consumers Product Ltd.
- Nirma Ltd.
- Tata Tea Ltd.
Parle Agro.

FMCG giants such as ITC, Dabur, Godrej Consumer Products, Britannia, Marico have been making sincere efforts to promote their products in rural areas and for generating awareness among them, they have increased their marketing efforts in rural India and smaller towns with the motive to establish a local distribution networks and increase product visibility in the deep interior parts of rural markets. Godrej has organized 'Rural melas' in order to access potential rural consumers. Major domestic retailers like AV Birla, ITC, Godrej, Reliance and many others have already set up farm linkages. Hariyali Kisan Bazaars (DCM) and Aadhrs (Pantaloong Godrej JV), Choupal Sagars (ITC), Kisan Sansars (Tata), Reliance Fresh, Project Shakti (Hindustan Unilever) and Naya Yug Bazaar have established rural retail hubs.

**FMCG Sector in India:**

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US$ 13.1 billion. Multinationals have made a strong presence and is characterized by a intense competition between the organized and unorganized segments, well connected distribution network, large number of channel members and low operational cost. In India, companies enjoys the advantage of having cheaper labour supply, availability of key raw materials and presence across the entire value chain gives India a competitive advantage. The FMCG market is having a bright future in India as per studies and is expected to jump from US$ 11.6 billion in 2003 to US$ 33.4 billion in 2015. Per capita consumption/expenditure as well as penetration level in most product categories like hair wash, packaged foods, jams, skin care, toothpaste etc in India is low.
indicating the immense opportunity which is left untapped. Indian population is mushrooming and it is providing opportunities to multinationals as well as the domestic players to grow. In India, the middle class and the rural segments, presents an opportunity to producers of branded products to convert consumers to branded products and this make-shift from unbranded to branded indicates huge potential to grow in the same industry. Growth is also likely to come from consumer 'upgrading' in the matured product categories. (1)

- Indian FMCG sector is contributing Rs. 2 trillion in the total economy with rural India contributing to a third of revenues.
- As per a study conducted by Booz & Company, FMCG sector is expected to grow in the range of 12% to 17% upto 2020 and could touch a market size between Rs. 4,000 to Rs.6,200 billion by 2020.
- Consumer preferences in rural markets have shown a paradigm shift over the last few years. Their consumption basket looks very similar to that of urban counterparts. Premium products are replacing basic versions and brands are making their presence felt. Nielsen estimates that the FMCG market in rural India will mark US$ 100 billion by 2025, from the current level of US$ 12 billion. Moreover, the Government's efforts to improve the efficiency of welfare programs with cash transfers will further boost rural consumption; it plans to deposit US$ 570 billion in the accounts of 100 million poor families by 2014.
- The rural FMCG market in India has grown 15% in 2011 (Nielsen Report, 2012). The Indian rural consumer market grew 25% in 2008 and reached US$ 425 billion in 2010-11

During the year under review, the FMCG industry continued on a steady growth trajectory. Riding on continued demand for branded food products, personal care, household care, baby care and OTC products, the Indian FMCG sector crossed the Rs. 2-trillion mark in fiscal 2012-13, as per AC Nielsen. Future growth in the FMCG sector is expected to be driven by:

- Low per capita consumption: Per capita consumption levels in FMCG categories such as skin care, shampoos and toothpastes are much lower in India as compared to other markets and are expected to drive growth in future.
- Favourable demographics: 65% of India’s population is below the age of 35 years, making India one of the youngest nations and an important aspect of consumption growth.
- Low penetration levels of consumer products in most categories.
- Shift to branded products from unbranded products: Current level of unorganized market in some of the FMCG categories bodes well for future volume growth of branded products.
- Growth potential in rural markets.

**The future of FMCG:** FMCG future has a great potential and is going to become a huge Rs 400,000-crore industry by 2020. A Booz & Company research study reveals the trends that will shape its future. Considering the above research study, the anti-ageing skincare category blossomed five times between period 2007 and 2008.
Today, it has become a very lucrative and fastest-growing segment in the skincare market. Procter & Gamble’s premium anti-ageing cream Olay, covered 20 per cent of the market within a year of its launch in 2007 and today leads the market with 37 per cent share. Around ten years ago, no one had predicted the ready acceptance for anti-ageing lotions and creams. Similarly, Indian market didn’t expect that Indian consumers would take oral hygiene seriously. Indian consumers have become very sensitive when it comes to precautionary measures for the safety of their oral organs. Mouth-rinsing is picking up as a habit among Indian consumers — mouthwash penetration is growing at 35 per cent a year. Even Shampoo category has gained a good momentum in rural areas and it was not predicted. Rural penetration of shampoos increased to 46 per cent last year.

Consumption patterns have revolutionized in the last five to ten years. The consumer is trading newer experiences and is trying innovative things every day. He is looking for products with better quality, functionality, price, value for money etc. According to a recent published report by Booz & Company for the Confederation of Indian Industry (CII), called FMCG Roadmap to 2020: The Game Changers points out the key growth drivers for the Indian fast moving consumer goods (FMCG) industry in the past ten years and identifies the big trends and factors that will impact its future. FMCG sector has been booming very fast and has seen robust year-on-year growth of approximately 11 per cent in the last decade, almost tripling in size from Rs 47,000 crore in 2000-01 to Rs 130,000 crore now (it accounts for 2.2 per cent of the country’s GDP). In last 5 years, the FMCG sector has seen tremendous growth at almost 17 per cent annually since 2005. It identifies robust GDP growth, increased
income in rural areas, opening up of rural markets, growing urbanization along with evolving consumer lifestyles and buying behaviors as the key drivers of this growth. It has been predicted that the FMCG industry is set to see a boom in its annual growth and will grow at least 12 per cent annually to become Rs 400,000 crore in size by 2020. Even we can experience more brighter future if some of the factors play out favorably, say, infrastructure investments pick up, GDP grows a little faster, there is more efficient spending on government subsidy, the government removes bottlenecks such as the goods and services tax (GST) and so on, growth can be significantly higher. It could be as high as 17 per cent, leading to an overall industry size of Rs 620,000 crore by 2020.

Abhishek Malhotra (2010) told that the Indian GDP per capita is low but many Indian consumer segments which constitute rather large absolute numbers are either close to or have already reached the tipping point of rapid growth. The FMCG sector is set for rapid growth over the next 10 years, and by 2020, the industry is expected to be bigger in size, more economic, highly responsible and more tuned to its customers. According to the facts based on research on industry evolutions in other markets and discussions with industry experts and practitioners, Booz & Company has identified some important trends and explored few factors that will change the fortune of the industry in coming next ten years. Some key factors related to evolution of consumer segments are as follows:

1. **Accelerating “premiumisation”**: The rising income of Indian consumers has become a major factor for big multinationals to operate their business in India and rising disposable income has accelerated the trend towards premiumisation or up-
trading. The upward trend of purchasing of premium products can be observed prominently in the top two income groups — the rich class with annual income exceeding Rs 10 lakhs, and the upper middle class with annual income ranging between Rs 5 lakhs and Rs 10 lakhs. The rich segment are willing to spend their part of income on purchasing of premium products to satisfy their newly developed curiosity to consume, emotional value and exclusive feel, and their behavior is very much similar to consumers in developed economies. They are well-informed and aware about various product options available in the market, and want to spend on buying those products which suit their life-style. The upper middle class have a curiosity to consume premium products and wants to emulate the rich and up-trade towards higher-priced premium quality products which represents the higher status in the society offer greater functional benefits and experience compared to products for mass consumption. While these two income groups account for only 3 per cent of the population, it is estimated that by 2020 their numbers will double to 7 per cent of the total population. The rich will grow to approximately 30 million in 2020, which is more than the total population of Sweden, Norway and Finland put together. Similarly, the upper middle segment will be a population of about 70 million in 2020, which is more than the population of the UK. Over the next ten years, these groups will constitute large enough numbers to merit a dedicated strategy by FMCG companies. Abhisek Malhotra (2010) added that they have seen companies focused on selling primarily to the mid segments. Often, there is no clear segmentation being offered. Players would do well to clearly separate their
offerings for the upper and mid segments, and the two should be treated as separate businesses with a dedicated team and strategy for each.

2. **Evolving categories:** Categories are evolving at a brisk pace in the market for the middle and lower-income segments. With their rising disposable income and spending capability, these consumers are shifting from need to want based products. For instance, rural consumers have shifted to toothpastes from toothpastes and are now also demanding mouthwash within the same category. Now in rural areas, consumers have voiced for customized products, specifically tailored and designed according to their individual needs and tastes. The complexities and competitiveness within each category are increasing significantly. Initially shampoo had two variants — normal and anti-dandruff. Now, the companies are marketing anti-dandruff shampoos for short hair, long hair, oily hair, curly hair, and so on. Everything is getting customized. The trend of mass production has shifted to mass-customization of products which will categorize the buyer by age, region, ethnic background, personal attributes and professional choices. Micro-segmentation will amplify the need for highly customized market research so as to capture the specific needs of the consumer segment targeted, before the actual product design phase gets underway. The market of beauty products will expand by 20 per cent per annum as result of the upgrading socio-economic status of consumers, especially women. Women in middle-class category have become more conscious of their appearance and looks, they are willing to spend more on improving it. Few product categories such as
colour cosmetics is growing with a rapid pace nearly by 46 per cent and sun care products is growing at 13 per cent have pushed this trend rapidly.

3. **Value at the bottom:** Bottom of the pyramid is that category of the society which have existence in large numbers but they live their life with scarcity. The bottom-of-the-pyramid or BoP consumers are those who earn less than Rs 2 lakhs per annum per household. The group comprises around 900 to 950 million people. While the middle class segment is largely urban, they have resources and are mostly well-served and competitive, the BoP markets are largely rural, less equipped with resources, poorly-served and uncompetitive. Still, BoP consumers are not able to meet most of their basic needs: Water, Electricity supply, Basic healthcare, financial services, mobile phones & communication etc. And so there is untapped opportunity. Abhisek Malhotra (2010) added that the consumers have aspiration to consume better quality products, and their income level has also improved. The segment was initially being targeted with smaller packs and lower-priced products, say, Rs 2 Parle-G, Re 1 Chick Shampoo, Re 1 Hajmola packets. But increasingly the demand will be high for those products which delivers more value and contains nutrition (vitamins, proteins etc.) and can be served as a meal. PepsiCo and Tata, big multinationals are working on such products. The rural BoP population comprises about 78 percent of the total population. The segment is becoming an important source of consumption by moving beyond the survival mode. As a result of rising incomes, the growth of FMCG market in rural areas at 18 per cent a year has exceeded that of the urban markets at 12
per cent. However, maximum demand for FMCG is generated from urban areas while the rural market generates only 34 per cent demand of the FMCGs, given the current growth rates and increasing trend, its share is expected to rise to 45-50 per cent by 2020. It will require highly customized products at affordable prices with the potential of large volume supplies. Various categories of products such as fruit juices, skin creams and sanitary pads which had minimal demand in the rural markets earlier have suddenly making its mark. While most FMCG players have made their presence in rural areas and successfully making the products available to cater the needs of rural masses, the next agenda of growth is expected to come from increasing category penetration, development of customized products and up-trading rural consumers towards better quality and higher price products.

4. Increasing Globalisation: Companies are enjoying the freedom of doing business in India and they are taking it as an opportunity to expand in a big way. Leading MNCs have taken the advantage of operating in the country for years given the liberal policy environment, Tier 2 and 3 global players will see the competition in coming next 10 years. In addition, larger Indian companies are exploiting the opportunities internationally and also have an access to more global brands, globally recognized products and fair operating practices for international standards.

5. Decentralization: Despite the complexity of the Indian market (languages, cultures, distances) the market has mainly operated in a homogenous set-up. Increased scale and
spending power will result in more fragmented and tailored business models (products, branding, operating structures).

6. **Growing Modern Trade:** Modern trade share will expand rapidly in coming years and is predicted to account for nearly 30% by 2020. This channel will fulfill the objectives of the existing traditional trade (8 million retail stores which will continue to grow) and ensures distribution through its carry & forward (C&F) model as well as more ways to interact with the consumer.

7. **Focus on Sustainability:** Changes in climatic conditions globally, increasing scarcity of many natural resources (e.g. water, oil) and consumer awareness (e.g. waste) are leading to increased concerns for the environment. Companies are getting pressure due to involvement of various stakeholders for being environmentally responsible – from government (through policy) to consumers (through brand choice) and NGOs (through awareness).

8. **Technology as a Game Changer:** Technology has become more advanced with the economic development. Increased and relevant functionality coupled with lower costs will enable technology deployment to drive significant benefits and allow companies to address the complex business environment. This will be seen both in terms of efficiencies in the back-end processes (e.g. supply chain, sales) as well as the front-end (e.g. consumer marketing).

9. **Favorable Government Policy:** Nowadays government policies have become liberal for companies to operate in India, they have freedom to export outside India and can import the
raw-materials and finished products from foreign countries. Liberal government policies have helped in creating a more suitable operating environment. This will be achieved by pushing the demand side upwards through increased income and education and parallel supporting the supply side by removing bottlenecks and encouraging investments in infrastructure. The effect of many of these change drivers – technology, government policy, consumers, and channel partners – will impact the business environment within the country. Winning in this new world will require cementing and enhancing current capabilities and building new ones to bridge gaps. In this new world FMCG companies will have 6 imperatives from a business strategy perspective:

1. Disaggregating the operating model.
2. Winning the talent wars
3. Bringing sustainability into the strategic agenda
4. Re-inventing marketing for consumers
5. Re-engineering supply chains
6. Partnering with modern trade.

Another big trend that has been occurring is the emerging idea of many Indians. It is to be noted that despite having complexities in culture, tradition, language, belief and long distances, companies consider the Indian market as a homogenous market. One product is used for the entire country — the same Dabur Amla Hair Oil for Rajasthan and West Bengal, or the same Cinthol soap for Punjab and Uttar Pradesh. Besides, same advertisements are shown on television for these products across the country. Now, Major FMCG players have realized the fact that India is no more a homogenous market and the
taste, preference, life style of consumers vary significantly. Various researches have predicted that the economic growth of few states in India will exceed the growth rate and total economic size of other countries. For example By 2020, Maharashtra’s GDP will exceed that of Greece, Belgium, and Switzerland, and Uttar Pradesh’s economic size will exceed that of Singapore and Denmark. We will see companies launching different products for different geographical regions within the same country. Hindustan Unilever launched teas which has a completely different taste in 2 different states. Pepsi has a different product in Andhra Pradesh which is not sold anywhere else. Earlier, companies used differentiation strategy at the country level; now they are using it at the state level. FMCG players are adopting regional approach and they have to grow “regional” in their thinking and move towards an increasingly decentralized operating model in India. As consumer tastes and preferences differ across states, companies can adopt a regional strategy in terms of product ingredients, channel of distribution, positioning, promotion and marketing campaign. Overall, regionalization or decentralization will be used as an important tool for FMCG players for covering deep interiors of rural area. MNC presence across the entire value chain has made the FMCG industry more competitive and strong in terms of brand building. It has been predicted that the FMCG market will touch the figures of US$ 33.4 billion in 2015 from US $ 11.6 billion in 2003. FMCG companies are targeting the middle class and the rural segments of the Indian population as they consider them to be the promising market for developing their business, and give producers the opportunity to convert them to branded products. Most of the FMCG categories like chywanprash, jams, toothpaste, hair colors, skin care etc, in India, have low penetration level as well as low per capita
consumption, but the potential for growth is huge. The big firms are getting the momentum and are growing bigger while small-time companies are catching up the speed to grow as well.

**Expert views and Research studies:**

Distribution channel is considered to be the backbone of any FMCG company and it plays a major role in marketing by performing various distributing functions. Firms depend mostly on their marketing distribution channels to generate customer satisfaction, and to achieve differentiation over huge competition. The major challenge for companies is to make their products available in the remotest corners and boundaries of more than 6 lakh villages in the country. Distribution is not an easy task as it needs strong channel network which could cover the entire rural region and the goal of covering more than 6 lakh villages is not easy to achieve, and the major FMCG companies are putting immense efforts and huge investments to make their distributing system wider and stronger so that their products would be available across 3.5 million rural outlets. The average monthly sale per village shop is very low and is estimated to be less than Rs. 5,000/-, which restricts the retailer to keep variety of products and due to less margin retailer doesn’t take risk to store the products for longer duration. Since a significant portion of the sale is on credit, it doesn’t allow rural village shopkeepers to go aggressive with their selling tactics. The study conducted by Kashyap confirms the fact that despite the same products being available in the village shop, 58 percent of villagers prefer to buy these from a Haat because of availability of different options, comparative price, and better quality. In a study conducted by Industrial Credit and Investment Corporation of India (ICICI), it
was found that only 40 percent of the shops in small towns have electricity, while in interior in 88% of the cases, the shops were built on owned premises but lacked electricity supply. Around two-fifths of the retailers stocked 8-9 standard product categories. It was found that three-fourths of the outlets that stocked 8-9 product categories kept four items or less in each category, while one-fourth had 5-6 items in each category.

FMCG companies continue to pursue expansion into Rural India. The sector is one of the country’s fastest growing sectors as the population’s nominal income rises and their purchasing power parity increases. Rural India, which comprises around 70% of India’s 1.2 billion population and 240 million households, holds a huge potential for the FMCG sector and AC Nielsen published in its ‘Consumer 360’ report that the turnover could touch US$100 billion by 2025. At present, rural markets have become the backbone for Indian FMCG sector which is contributing around a third of its revenues from rural markets. Government has supported rural masses by promoting various governmental schemes like loan waivers, subsidies on seeds and farm equipments, higher Minimum Support Prices for agricultural produce, rebates on electricity bills, employment guarantee schemes like MNREGA, the measures have resulted in higher disposable income of rural Indians which have promoted consumption and demand for FMCGs in rural hinterland. The rural consumers having higher disposable income have started showing their interest on high quality products and they are spending more to get premium products which are backed by strong brand values. This is demonstrated by observing the facts that shows rural consumption growth outpacing urban consumption with the percentage increase in
monthly per capita expenditure in rural markets surpassing its urban counterparts during the period 2009-2012. (2)

India’s rural markets cover more than 6 lakh villages and the untapped market provides several opportunities. The ratio of urban rural split in consumer spending stands at 9:11, even in Fast Moving Consumer Goods (FMCG) have witnessed more than 50% of growth in its Rural and Semi-Urban Segments in 2012 which was projected to grow at an CAGR of 10% to carry forward its market size to over Rs.1,06,300 crore from level of Rs. 87,900 crore in 2010, according to an analysis carried out by the Associated Chambers of Commerce and Industry of India (ASSOCHAM). Rural consumers have been benefitted from government subsidies and rebates which have helped in rising their disposable incomes, with changing life-style the consumption level in small towns are meeting with larger, more affluent towns. Though the middle class consumers who are affluent have tendency to spend often higher than that of their big-city counterparts.

About the Dabur India Ltd

Dabur (Dabur India Ltd.) (Devanagari: डाबर) derived from Daktar Burman) is India’s largest Ayurvedic medicine manufacturer. The Dabur began with a small, but visionary endeavor by Dr. S. K. Burman, a physician tucked away in Bengal. He has set up Dabur in 1884 to produce and dispense Ayurvedic medicines. Reaching out to a wide mass of people who had no access to proper treatment. Dr. S. K. Burman’s commitment and ceaseless efforts resulted in the company growing from a fledgling medicine manufacturer in a small Calcutta house, to a household name that at once evokes trust and reliability.
His mission was to provide effective and affordable cure for ordinary people in far-flung villages. With missionary zeal and fervour, Dr. Burman undertook the task of preparing natural cures for the killer diseases of those days, like cholera, malaria and plague. Soon the news of his medicines traveled, and he came to be known as the trusted 'Daktar' or Doctor who came up with effective cures. That is how his venture Dabur got its name - derived from the Devanagri rendition of Daktar Burman.

Dabur's Ayurvedic Specialities Division has over 260 medicines for treating a range of ailments and body conditions—from common cold to chronic paralysis. Dabur International, a fully owned subsidiary of Dabur India, has sold its stake in UAE based Weikfield International on 25 June 2012.

Dabur India Ltd is one of India’s leading FMCG Companies with Revenues of about Rs 6146 Crore & Market Capitalization of Rs 31,824 Crore in 2013. Building on a legacy of quality and experience of over 125 years, Dabur is today India’s most trusted name and the world’s largest Ayurvedic and Natural Health Care Company.

**Its primary products include:**

**Health Care:** Dabur Chyawanprash, Dabur Glucose, Hajmola, Pudin Hara, Dabur Lal tail, Dabur Honey.

**Personal Care:** Amla Hair Oil, Vatika Hair Oil, Gulabari Cold Cream, Vatika Fairness Face Pack, Fem, Dabur Red Toothpaste, Babool Toothpaste, Meswak Toothpaste, Dabur Lal Dant Manjan.

**Home Care:** Sanifresh, Odopic, Odomos, Odonil, Dazzl.

**Foods:** Real Juices, Activ Juices, Hommade Cooking Pastes.
Ayurvedic Specialties: Honitus, Dabur Janam Ghunti, Shilajit, Shankha Pushpi, Mensta.

Skin Care: Fem, Gulabari, Uveda.

3.1) Segment Wise Competitor's Lists

<table>
<thead>
<tr>
<th>Category</th>
<th>Dabur’s share</th>
<th>Main Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit Juice</td>
<td>58%</td>
<td>Real &amp; Activ Tropicanna</td>
</tr>
<tr>
<td>Fruit Drinks (Coolers)</td>
<td>1%</td>
<td>Coolers Frooti &amp; Maaza</td>
</tr>
<tr>
<td>Hair oil Coconut Base</td>
<td>6.4%</td>
<td>Vatika HLL</td>
</tr>
<tr>
<td>Shampoo Vatika</td>
<td>7.1%</td>
<td>HLL, P&amp;G</td>
</tr>
<tr>
<td>Hair Oil Overall</td>
<td>27%</td>
<td>HLL, P&amp;G</td>
</tr>
<tr>
<td>Chywanprash</td>
<td>64%</td>
<td>Himani, Zandu</td>
</tr>
<tr>
<td>Honey</td>
<td>40%</td>
<td>Himani, Hamdard</td>
</tr>
<tr>
<td>Digestives</td>
<td>37%</td>
<td>Paras, Local Ones</td>
</tr>
</tbody>
</table>

Dabur India is also a world leader in Ayurveda with a portfolio of over 250 Herbal/Ayurvedic products. Dabur's FMCG portfolio today includes five flagship brands with distinct brand identities -- Dabur as the master brand for natural healthcare products, Vatika for premium personal care, Hajmola for digestives, Real for fruit juices and beverages and Fem for fairness bleaches and skin care products. Dabur today operates in key consumer products categories like Hair Care, Oral Care, Health Care, Skin Care, Home Care and Foods. The company has a wide distribution network, covering over 2.8 million retail outlets with a high penetration in both urban and rural markets. The competition ranges from local players to multinational giants. The main competitors in personal and health care space are FMCG companies like Hindustan Unilever Ltd., P&G, Colgate Palmolive (I)
Ltd., Marico Ltd., while in foods, Pepsi (through its Tropicana range), Reckitt Benckiser (in home care category), Godrej Consumer Products Ltd etc. are their chief competitors.

With its acquisition of Balsara in 2005-06, Dabur further strengthened its market share in the oral care category and gave it entry into the lucrative home care portfolio. Dabur as a company is a category definer and leader in most of the categories it operates in such as Amla based hair oils, branded chyawanprash, fruit juices, etc. And holds a decent market share in some of the intensely competitive categories such as hair oils, oral care, toilet cleaners etc. Their strong brand reinvent & break the clutter in the dynamic marketplace that they operate in. (3)

**Brief History and Milestones**

- 1896- First production unit established at Garhia
- 1919- First R&D unit established.
- 1936- Dabur (Dr. K. Burman) Pvt. Ltd. Incorporated
- 1940- Personal Care through Ayurveda with the launch of Dabur Amla Hair Oil, which became the largest selling hair oil brand in India.
- 1949- Launch of Dabur Chyawanprash, the first branded Chyawanprash in India.
- 1988- Launches Pharmaceuticals medicines
- 1996- Enters food business with the launch of Real Fruit juice, a new concept in the Indian Food market. The first local brand of
100% pure natural fruit juices made to international standards, Real becomes the fastest growing and largest selling brand in the country.

- 1998- Burman family hands over management of the company to professionals.
- 2000- Dabur establishes its market leadership status by staging a turnover of Rs 1,000 crores.
- 2003- Dabur demerges Pharmaceutical business. Dabur India now largely comprises of the FMCG business that includes personal care products, healthcare products, Ayurvedic specialties, while Pharmaceuticals business would include Allopathic, Oncology formulations and Bulk drugs.
- 2005- Acquisition of Balsara’s Hygiene and Home products businesses, a leading provider of Oral care an Home care products in the Indian Market, in an Rs 143-crore all-cash deal.
- 2006- Dabur crosses $2 billion market cap, adopts US GAAP.
- 2007- Real completes 10 years.
- 2010- Acquisition of cosmetic maker Fem care Pharma Ltd.
- 2011- Acquisition of Kozmetik Group, a Turkish personal care products company.
- 2012- Dabur surpassed Rs. 50 billion turnover. (4)

Dabur's products have made a huge presence in the overseas markets which have made dabur products more popular in the market and products can easily be identified. Today, different ranges of dabur are today available in over 60 countries across the globe. Its brands are highly in demand in the markets of US, Russia, Europe, Middle East, SAARC countries and Africa. Dabur's overseas revenues were over Rs
500 Crore in the 2008-09 fiscal and revenues raised up to Rs 1905 crore in 2013, accounting for about 31% of the total turnover.

- **Dabur derives 69% of its sales from Domestic business** (Consumer Care + Foods + Others) and 31% from International business.

The 125-year-old company, promoted by the Burman family, had laid its foundation as an Ayurvedic medicines company in 1884. Dabur India Ltd started as a small company of Calcutta, Dabur India Ltd has covered a long distance to become one of the worlds’ biggest Indian FMCG company with the largest natural and herbal product portfolio. Overall, we can say that Dabur has successfully transformed itself as a professionally managed enterprise from being a family-run business.

Dabur India Ltd. has gained 16.3% growth in Net Sales in the fiscal 2012-13 and the sales figure has touched the mark of Rs 6,146 Crore whereas the figure of Net Profit for the year recorded 18.4% growth to reach Rs 763.4 Crore.

Sustainable Development Society (Sundesh) is a non profit organisation started by S.K Burman, the founder of Dabur India Ltd., and was involved in the activities supporting the upliftment of the poor section of the society by conducting welfare activities in the spheres of health care, education and other socio-economic activities. Dabur drives its corporate socio responsibility (CSR) initiatives through Sundesh. Dabur has been ranked as the 45th most trusted brand in India by The Brand Trust Report, India study 2011.

FMCG major Dabur is unleashing a marketing blitz across the country by organising various activities like singing contests, model hunts
and beauty pageants to discover the untapped opportunities lying in the rural and semi-urban market. Dabur is focusing on states like Rajasthan, UP, MP, Punjab and Bihar for promoting various brands including Dabur hair oil, Vatika hair care range and Gulabari skin care products.

Hence, making available the whole range of home care, health care and hair care and other varieties to the rural masses, the majority of whom are engaged in farming and other physical work seems in the first instance, to be irrelevant. But with the changing values of rural society, their use is no longer considered a luxury. These are recognized as necessity arising out of a natural desire to be clean and hygiene. In other words, the people who use these products do so to improve the quality of their life for which the rural masses have a full right on equal footing with the urban population. It was established in 1884 - more than 128 Years of Trust & Excellence and has become 14 billion Rupee brands, world’s largest in Ayurveda and natural healthcare.

It has reached the sales of Rs. 61.5 billion and profits of Rs. 7.6 billion in FY2012-13. Dabur has 20 world class manufacturing facilities which are catering to needs of diverse markets and their strong overseas presence contributes 31% to consolidated sales. Dabur India Ltd has reached the landmark of 5.80 million retail outlets in India which will cater the needs of rural consumers and will cover the large portion of the rural India.

**Target Segment**

Rural sale is contributing 50 percent of Dabur's total turnover in India and hence the rural market especially females who does not prefer to move out of their villages can be targeted with these
activities. Dabur is targeting different class of young, ambitious, educated, fashion trendy youth in rural India. North India has been considered as a strongest business area of Dabur and its strength is lying in the same area and it is aiming to build upon its strengths by focusing on these cores 5 North Indian states with huge populations and same amount of purchasing power.

**Rural Activities**

DABUR is planning to tap the existing users of loose mustard oil, around 80% of who reside in rural India and convert them into loyal customers of its brand. Dabur amla has launched “BANKE DIKHAO RANI PRATIYOGITA” in rural India which is a rural beauty and talent show. This will be spread across 5 states UP, Bihar, Rajasthan and MP spread across 1000 cities.

Dabur launched a singing and talent hunt contest “DABUR NATIKA KOYAL PUNJAB DI” for launching its range of natural conditioners and organised a college beauty contest “DABUR GULABARI MISS FRESH FACE of UP.

Dabur India introduced the idea of launching sample products to make rural folk familiar to its product range. The motive of introducing sample products especially in the rural market was to get word-of-mouth advertising of product benefits and rural consumers consume the products in abundance which majorly affects the sales volume of the company. Generally, Melas and fairs are organized during harvest seasons when purchasing power of rural consumers is high, Dabur India take advantage of the season and they launch different new product categories during this season. Dabur is targeting schools majorly for boosting the popularity of its toothpaste and chywanprash among students and furthermore parents of the
students which would directly affect the sales of the above mentioned product categories. It was possible by conducting school health camps and beauty pageants, to showcase its ayurvedic beauty products.

Dabur has used mobile phones as a tool to make communication stronger, the rural sales staff is using mobile phones to report sales to their superiors and through mobile phones the superior can easily track the availability of their sales staff at the sales counter. Phones have latest technology, equipped with maps showing the demographics and market potential of each locality, with a aim to improve rural coverage. During last two years, Dabur’s rural strategies have paid off dividends and their rural coverage has increased significantly up to the number of 30,091 villages.

**Rural Marketing Initiatives:**

- Promotes contract or corporate farming e.g GHORBOTCH, BRAHMI CHIRAITA & PIPLI.
- Chemicals free baby products.
- Beauty pageant shows in rural areas.
  - ‘Dabur Gulabari Miss Fresh face of UP 2009’- The hunt covered nine major cities viz Kanpur, Lucknow, Meerut, Ghaziabad, Gorakhpur, Agra, Noida, Allahabad and Varanasi.
- Reality shows
- Tie up with IOC
  - IOC’s 1000 retail outlets across the country will stock a range of Dabur’s Ayurvedic products.
- Project GARUDA – to avoid shortages in rural areas.
Promotional Initiatives in rural areas:

- Radio
- TV ads
- Newspapers
- POP display
- Wall paintings & Hoardings
- Contest in MELAS and HAATS
- Video Vans
- Sales promotion techniques
- Word of Mouth

Project Double – Rural Coverage Enhancement

- Project Double started during 2012-13 with an aim to expand direct coverage in rural markets.
- Ten states were targeted and the project has been implemented in Uttar Pradesh, Madhya Pradesh, Maharashtra, Assam, West Bengal, Bihar, Karnataka, Odisha, Punjab and Rajasthan.
- Direct coverage rose to 30,091 villages in March 2013 from 14,865 villages in March 2011.
- This has caused to strong volume led growth in rural business with better product width and profitability. (5)

Companies need to move beyond the traditional media options like radio, television and cinema, and enter into direct engagement with consumers. With this in mind, Dabur rolled out initiatives like Dabur Amla Asli Amla Star beauty & talent hunt, Dabur Chyawanprash Immune India School Challenge and Dabur Lal Dant Manjan School
Dental Health Camps across rural and semi-urban pockets of India, to not just engage the consumer, but also give them an opportunity and pleasure to feel, touch and experience the products.

The various haats, nukkad nataks and Kumbh Mela held across the country offer another key window to reach out to the rural consumers. Over 25,000 melas are held every year and a majority of them are held during October-November or January-April period, which coincides with the Kharif and Rabi harvest season when the purchasing power of rural population is at the highest. Dabur participates consumer mindspace. The activities at our stalls at these melas serve twin purposes:

1. Educating consumers about key attributes of the brands.
2. Product sampling as there is no substitute for experiencing the functional benefit of a product.

About the Godrej Group:

The Godrej Group is among the respected and reliable business houses of India. The group has diverse business interests ranging from engineering to personal care products. Companies operating under the Godrej group are involved in a host of businesses- from locks and safes to typewriters and word processors, from refrigerators and furniture to machine tools and process equipment, from engineering workstations to cosmetics and detergents, from edible oils and chemicals to agro products. Godrej group is also well-known for its philosophy and initiation of labour reforms.

Established in 1897, the Godrej group has grown in India from the days of the charkha to nights at the call centers. Their founder, Ardeshir Godrej, lawyer-turned-locksmith, was a persistent inventor
and a strong visionary who could see the spark in the future. His inventions, manufactured by his brother Pirojsha Godrej, were the foundation of today's Godrej Empire. One of India’s most trusted brand, Godrej enjoys the patronage and trust of around 500 million Indians every single day. Our customers mean the world to us.

With 7 major companies with interests in real estate, FMCG, industrial engineering, appliances, furniture, security and agri care – to name a few – its turnover crosses 3.3 billion dollars. 25% of its business is done overseas. Its presence in more than 60 countries ensures that its customers are at home with Godrej no matter where they go. With brands you can believe in, service excellence you can count on and the promise of brighter living for every customer, Godrej knows what makes India tick today. (6)

**About Godrej Consumer Products:**

Godrej Consumer Products Ltd is one of the leading Fast Moving Consumer Goods (FMCG) companies in India. The company is the market leader in fabric care, household and personal care segments. They have established their manufacturing plants at Guwahati in Assam, Malanpur in Madhya Pradesh, Namchi in Sikkim and Thana and Baddi in Himachal Pradesh. The company operates in two segments namely personal care and soaps. The soap segment includes the Godrej brand and other brand toilet soaps and personal care segment includes deodorant, fairness cream, hair color, talcum powder, shaving cream and gel, liquid detergent and other toiletries. They are also involved in contract manufacturing of toilet soap for third parties. The company is among the largest manufacturer as well as the marketer of toilet soaps in India with leading brands such as Godrej No. 1, Cinthol, and Fairglow. Fairglow, marketed as India's
first fairness soap made the history in the marketing world as one of the most successful innovations. In India, the company is also leading in the hair colour category. They have evolved vast product range from Nupur based Hair Dyes, Godrej Renew Colourssoft Liquid Hair Colours, Godrej Liquid & Powder Hair Dyes to Godrej Kesh Kala Oil. EZEE is leading the category of Liquid Detergent. Godrej Consumer Products Ltd was incorporated as a public limited company on November 29, 2000 and was promoted by Godrej & Boyce Manufacturing Company. The liabilities and assets pertaining to the consumer products business of Godrej Soaps Ltd together with the factories situated at Malanpur and Silvassa along with the marketing, selling, distribution and related facilities have been transferred to the company with effect from April 1, 2001. Also, the company set up a new factory at Guwahati in Assam for manufacture of hair colour and toiletries during the year 2001-02.

During the year 2002-03, the company introduced Ayurvedic soap Godrej No.1 and Godrej FairGlow Saffron was launched in the southern markets of Andhra Pradesh and Karnataka. Also, they made the entry in the unbranded mehendi powder market by introducing new brand ‘Godrej Nupur’ 100 per cent natural mehendi. In May 2003, the company made efforts to enter into the baby care category, they acquired the copyright and trademark relating to the brand Snuggy for a total consideration of Rs 5.9 crore and then re-introduced as Godrej Snuggy baby diapers in the Indian market. The company started commercial production at their manufacturing unit at Baddi in Himachal Pradesh.

During the year 2005-06, the company introduced many major products in the market with an aim to target all the different sections
of the society, it includes Cinthol Hand Sanitiser, Cinthol Deo Soap, Godrej Shave Gel, Godrej Renew Cream Hair Colour, Godrej Snuggy Baby Diapers and Godrej Herbal Powder Hair Dye. In October 2005, the company closed a major international deal by acquiring 100% share in Keyline Brands Ltd, a UK based FMCG which helped them to own several international strong brands and trademarks including Aaprt, Cuticura and Erasmic in many countries.

During the year 2006-07, the company started its commercial production at their two new manufacturing units, one at Namchi in Sikkim for manufacturing of Powder Hair Colours and other at Baddi in Himachal Pradesh for manufacture of toilet soap. In September 2006, the company finished a big deal by acquiring the South African business of Rapidol, UK with their subsidiary Rapidol International.

In March 2007, they made a 50:50 joint venture company along with SCA Hygiene Products AB, it is known as Godrej SCA Hygiene Ltd, Sweden which will manufacture and market paper based absorbent hygiene products, specifically baby diapers and sanitary napkins, in India, Bhutan and Nepal. During the year 2007-08, the company introduced new variants of Godrej No.1 soap in Papaya and Lotus flavour and Godrej Renew Powder Hair Colour. They re-introduced their flagship brand Cinthol in a new range of deo sprays, soaps and talc. Godrej launched Cinthol Regular and Fresh soaps in an attractive new packaging. After forming a joint venture company, Godrej SCA Hygiene Ltd introduced Libero baby diapers, Tena and Libresse and further they re-strategized its Snuggy brand as 'Snuggy Dry' in the states of Tamil Nadu and Kerala. Readers Digest honoured the company with the Platinum prize in the 'Trusted Brand-Asia 2007' awards in the hair dye category. They stood 6th in the 'Best
Employers Study’ conducted by Hewitt Associate along with The Economic Times, 9th in the survey conducted by Great Places to work Inc., USA in 2008 for the category of ‘Great Places to Work’ and placed 14th in the survey conducted by Business Today and Mercer TNS in the category of Best Companies to Work for in India. Frost & Sullivan rewarded the Platinum Award to malanpur factory in the India Manufacturing Excellence Awards (IMEA), in the Chemicals Category and also received a commendation certificate for Strong Commitment to Excel in the CII-EXIM Bank Award for Business Excellence.

In October 2007, the company acquired Global Mid East FZE which was 100% subsidiary of Godrej International Ltd. In April 2008, 100% share of Kinky Group Properties Ltd, South Africa was acquired the company, the group is one of the leaders in South African hair category. This acquisition enabled the company to get into a new line of business and diversify their hair product portfolio. In May 2008, the company started commercial production in their newly established Chemical and Soap Noodle Plant at Malanpur in Madhya Pradesh.(7)

Godrej has got their branch offices in Delhi, Mumbai, Chennai and Kolkata which ensure pan-India coverage, while factories located at Thana & Katha (Himachal Pradesh), Malanpur (Madhya Pradesh), Sikkim and Guwahati (Assam) cater diverse requirement of product portfolio.

Godrej is continuously making efforts to make their products consumer friendly and trying to accomplish their mission to raise the quality of life of consumers continuously in high-growth markets demanding superior-quality and affordable personal care, home care
and hygiene products. They also have established their businesses in foreign countries and made its presence in international markets. As part of increasing their global footprint, they recently acquired 60% rights in Cosmetics Nacional, a Chilean hair colour company. GCPL is now enjoying the status of market leader in the fast growing African ethnic hair care market after acquiring the pan-African Darling Group, and Rapidol and Kinky in South Africa. With acquisitions in West Africa, the Megasari Group, a leading household care company in Indonesia and Issue Group and Argencos, two leading hair colorant companies in Argentina, Keyline Brands in the United Kingdom, and Godrej Global Mideast FZE, they own international brands and trademarks in Asia (ex. India), Latam, Africa, Europe, Australia, Canada and the Middle East.

**Product Width:**

- Soaps
- Toiletries
- Hair Care
- Household Care
- Fabric Care

**Godrej Rural marketing Strategies:**

Godrej introduced Godrej No.1 soap enriched with natural ingredients trusted by millions, the flagship brand of Godrej consumer product Ltd. is now the largest selling Grade 1 soap.

- Grade 1 is the highest standard laid down by the Bureau of Indian Standard (BIS). Godrej introduced it in competition with the Santoor, Breeze. Godrej in the initial stage introduced it as a
mid segment soap but after sometime it’s price was reduced and targeted to the rural area.

- Variant strategy: Godrej introduced many variants to extend the product line of soap. It introduced 6 variants in the soap category. The company later launched different product category like shampoo and talc under the name of Godrej No.1

Godrej Consumer Products Ltd (GCPL), ensuring its products fly off village store shelves has become the governing ambition. In April 2009, GCPL started its rural campaign through its ambitious Project Dharti (Dharti is the Hindi word for Earth) with an aim to increase the company’s focus on rural India. The program's goals are: to target rural areas and simultaneously generate more sales in rural India that would overtake the total sales volume in urban areas within a year; that rural sales growth will boost overall sales increases; and that GCPL’s distribution network within three years will have expanded to 50,000 villages and 8,000 small towns across India.

At first glance, those aren’t unreachable targets for the US$450 million company. About 38% of GCPL’s revenues came from rural markets in 2008-09 and the company already had a presence in 15,000 villages and 4,000 small towns when Project Dharti was launched. GCPL is the second largest bath soap manufacturer in India, after Hindustan Unilever. The company claims its Godrej No.1 brand is the best-selling Grade 1 soap (the highest rating of the Bureau of Indian Standards based on the fat content; toilet soaps have a higher fat content than bathing bars) and the market leader across north India.

With growth in rural markets beating slowdown trends, Godrej Consumer Products Ltd (GCPL) is engaging with a fresh set of
wholesalers to enhance its indirect reach across villages. Giving a fresh impetus to its two-year-old rural initiative, Project Vistaar, it has now initiated the ‘Pragati’ wholesaler’s engagement programme to feed its products across villages. “We want to strengthen our indirect reach in villages and through Pragati we will be feeding smaller villages with our products,” said Sunil Kataria, Chief Operating Officer, Sales & Marketing, GCPL. “A pilot has been started in villages with a population of around 3,000 through this feeder wholesaler’s programme. It will engage 15,000 wholesale sellers backed by technology to indirectly reach out to almost every nook and corner of the country.” Today, GCPL directly covers 50,000 villages. With Pragati, it will indirectly reach out to an additional 50,000 villages. “While it’s difficult to assess the impact of indirect reach, we expect 50,000 additional villages to be get covered as part of Pragati,” added Kataria.

At present, household insecticides have a low penetration in rural India. GCPL will be pushing its brands like Good Knight and Hit in these markets. “We will also be launching specific products under the household insecticide category,” he said.

Explaining the trends in rural sales, Kataria said: “Rural markets are not just about having smaller packs and 10-rupee sachets. Penetration of TV has led to consumers there demanding larger pack sizes and preferring premium products.” GCPL is already focussing on the rural markets with ‘Operation Vistaar’, which is a rural sales promotion and channel development in states like Bihar.”

Information company Nielsen also endorses the fact that a slowdown is happening in urban India while rural sales are registering good growth. The urban slowdown is primarily due to sales declines in
modern trade (8 per cent contribution to FMCG sales) as well as
grocer/general stores (72 per cent contribution to FMCG sales).

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markets.

Godrej Consumer Products (GCPL) has launched a pilot programme
to train rural youth in channel sales. The programme, titled 'Vijay'
has till now taken three batches in Raisen (Madhya Pradesh),
Abhanpur (Chattisgarh) and Cuttack (Odisha), respectively, and will
be ramped up in the current fiscal year.

In its annual report, GCPL said the youth are trained over 22 full days
to take up a job as a salesperson, post the training. The programme
includes 12 days of soft skills training, 5 days of sales training, 2 days
of assessment and certification processes and 5 days of on-the-job
training. The programme has been specially designed for the purpose
of training DSRs (distributor sales resources). This initiative is
The graduates of the programme may be placed with any of the Godrej companies of even other company distributors in the vicinity of the training programme, it added. In the next year these programs are likely to be scaled up to benefit many more rural and urban underprivileged youth and create value for the Godrej businesses as well. GCPL markets brands like Godrej No.1, Cinthol, Nupur, Godrej Expert, Good Knight, Hit and Ezee.

This programme is part of the Godrej group's 'Good & Green' initiative which is founded on shared value initiatives. Under 'Good & Green', the Group aspires by 2020, to create a more employable Indian workforce, a greener India and innovate for good and green products.

The per capita consumption of soap in India is one of the lowest in the world. Indian marketers are looking at ways to push higher usage. One way to do this is to increase penetration in the rural areas which would create this additional volume. Godrej has pan India distribution network to cater to the rural market. Given below are the strategies employed by it to promote its brand in the rural market.

- Distribution strategy: Godrej has tied up with FMCG Company Jyothi labs for marketing Godrej tea across the country. As Jyothi labs has large field sales force and distribution network, it will ensure faster availability of Godrej Tea across the country in maximum number of outlets. Jyothi labs would also be in the position to leverage its distribution network and earn
additional revenues with existing manpower and infrastructure. Thus, its distribution system will get more aligned with innovation in packaging and pricing.

- Promotional strategy: along with promotion on mass media like Doordarshan. Godrej also uses the vans, as below the line promotional activities to promote products in the rural areas. These van play music and provides free gifts to the audience, which has gathered in the village choupal.

Thereafter the van sell the brands to few shops in the village that are able to sell these brands on the basis of the top of the mind recall, because of recent promotions & trials of the free gifts. These campaigns & trials also generate a lot of word of mouth publicity for the brands. This strategy reduces the time gap between promotion, demonstration and actual sale. If the time between, when the promotional message is received and the product is actually purchased by the consumers is large, rural consumers cannot be expected to remember the brand name. This can jeopardize the entire rural promotional campaign.

- A new paradigm: ‘Chotukool’ is the new fridge designed for the rural market form the shelves of Godrej group, It does not have a compressor. It looks like a 43 litre cool box, which is loaded from the top, and can run on battery. The refrigerator weighs only 7.8 kg. Given the power shortage in the countryside, it also uses high-end insulation to stay cool for hours without power. The operational cost is low: the refrigerator consumes half the power consumed by regular refrigerators. But the clear winner is its cost. It costs almost 35 per cent less than the cheapest category of refrigerators available in the market today. For
ChotuKool, the Godrej group has junked the traditional model of a proprietary channel with a sales force and a distributor-dealer chain and has joined hands with micro-finance institutions. This new distribution ecosystem is just one of the unique experiments that Godrej is trying out to make a splash in the bottom of the pyramid refrigerator market.

In this distribution channel, the MFI agents take the product to the rural households on their own as they have a loyal clientele in the villages. These groups take the place of traditional retailer in the market. And this is where the risk lies in the strategy. By eliminating the rural retailer from the chain, the company is risking its future relationship with the retailer. The MFI model is not scalable and is yet to prove its sustainability. It remains to be seen whether the company wants to use this model in the entire country or not.

The MFI also sells Hindustan Unilever water purifiers and BP Energy India cooking stoves. Incidentally, these stoves were co-created by BP Energy and villagers. SKS Microfinance is now selling mobile phones for Nokia and a merchandise for Metro, the cash and carry (wholesale) chain.

The ChotuKool is a triumph of applying creative thinking to the satisfaction of emergent consumer demand - in this case, demand for a product, a refrigerator that is an avatar of emergence into the middle class.

Promotional tools used by GCPL:

- Events
  - Advertising
  - Billboard
- Hoarding
- Wall Painting
- Electronic media
- Print media
- Sales Promotion

- Relied heavily on the mass advertising like on the TV, radio & newspaper.
- Conducted the events in which the rural people have the interest. Some of the events are Navratna, Yaara Nachle, Gold awards in Mauritius etc.

**Promotional strategy used by GCPL:**

- Godrej Consumer Product Ltd. has roped in Mona singh of Jassi Jasissi koi nahi to be the brand ambassador.
- “All that Glitters is not gold, All soaps are not Grade 1 soaps.”
- Campaign educates people the advantages of using grade 1 quality soaps that produce more lather, last longer and thus is a great value for money proposition.
- Godrej soaps and Jassi both stand for the Sachchi prakritik sundarta proposition.

Thus, this study is mainly to assist manufacturing the environment in which rural market operates, the inherent problems associated with it and also the strategies which can be successfully adopted for taking the benefits of emerging opportunities.
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