



FEATURED INSIGHTS

DELIVERING CONSUMER CLARITY

MEET YOUR RURAL SUPER CONSUMER

**THE UNTOLD STORY OF INDIA'S NEW RURAL SUPER CONSUMER -
THE HINTERLAND'S HERO IS READY TO EMERGE.**

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



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

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

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In similar fashion, while India's rural opportunity is vast with a population larger than that of China's rural market, the real opportunity requires a closer look. Two things will determine a sharper and more correct identification of this opportunity. First, the identification of a key segment that can offer a firm and accessible opportunity and second, the convergence of environmental, attitudinal and marketing factors to turn possibility into reality.

THE HINTERLAND HERO IS BORN

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

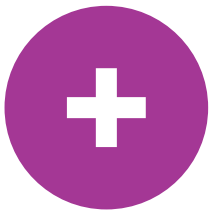
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Environmentally, a vast majority today have basic infrastructure and better electrification with 70 percent of villages linked by motorable roads. Similarly, telecommunications connectivity continues to grow at a rapid pace with the Telecom Regulatory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

STRONG IMPETUS ON RURAL INFRASTRUCTURE



68%

HAVE TO TRAVEL
<5 KMS FOR
HEALTH CARE



95.6%

OF VILLAGES
ARE
ELECTRIFIED



700,000+

SCHOOLS



388,578

KMS OF
ROAD NETWORK

Source: IMS Health, Rural Electrification Corporation, UNICEF, Census 2011



GOVERNMENT SCHEMES SUCH AS NREGA ARE NOW BEING SEEN BY THE RURAL CONSUMER AS A REALITY AROUND THEM RATHER THAN JUST POLITICAL PROMISE AND IS SERVING TO CREATE A CONFIDENT CLASS OF CONSUMERS RATHER THAN JUST A POPULOUS ONE.

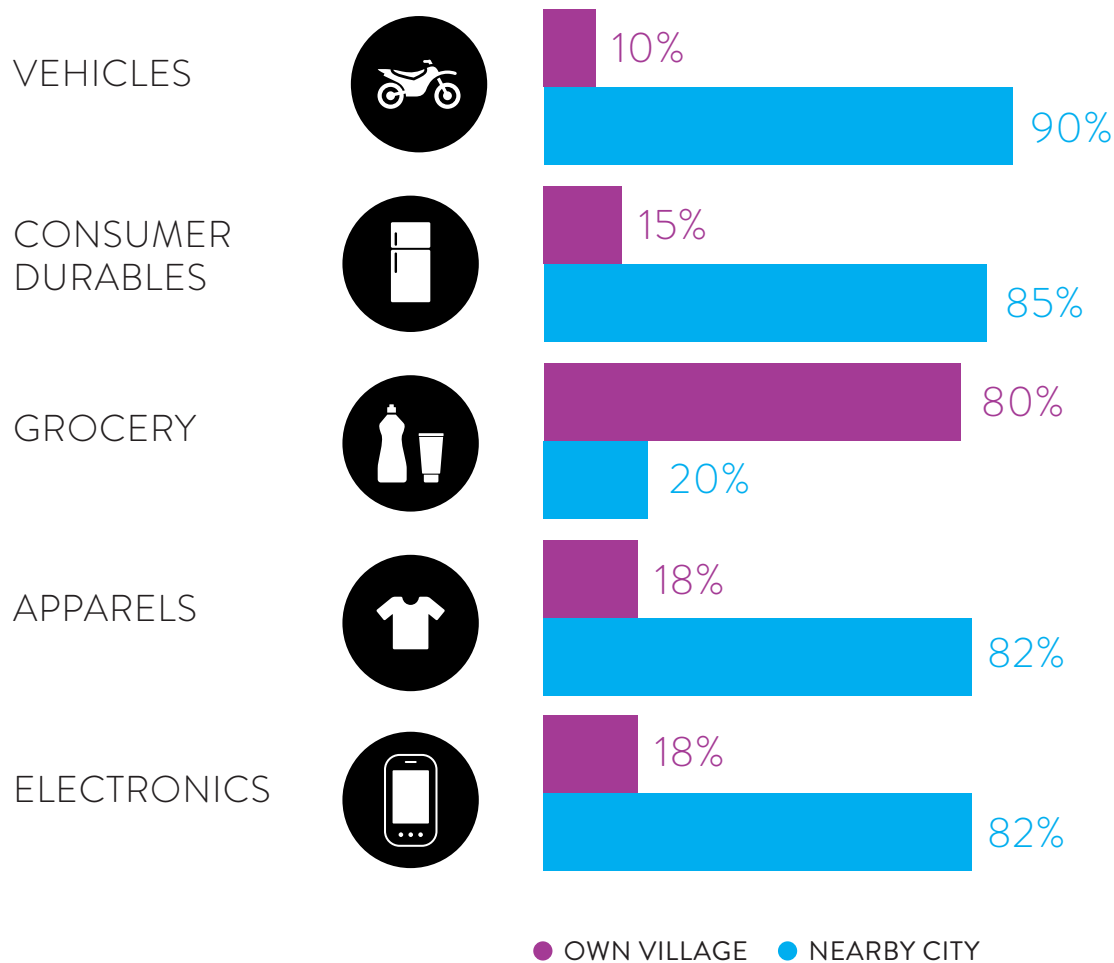


EMERGING FROM THE SHADOWS

In parallel, the powerful force of marketing has gained strength and conviction enabled by the progress on the environmental front, to energize and catalyze the aspirations of the rural super consumer. With rising commodity prices having driven a corresponding 50 percent increase in rural per capita income over the last decade, marketers have never been more focussed and committed in their efforts to reach out to rural consumers with smarter market prioritization strategies for distribution and cleverer communication strategies using technology. The result is a consumer product market that is growing in double digits compared to urban markets with a higher disposable income that have decelerated. More importantly the development of access points from a trade perspective is forging new routes to market with business increasing their direct servicing of stores and also thinking creatively about the 47,000 congregation markets or haats that form important opportunities to access the household consumption basket.

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

WHERE DO RURAL SUPER CONSUMERS SHOP FROM?

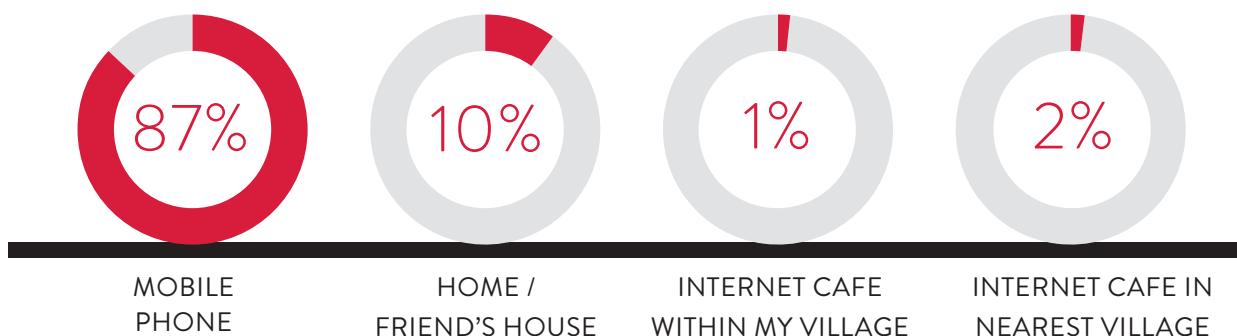


Base: For consumer's perspective: All respondents

READY TO GO SUPERSONIC

But this is just the rim of the rural playground. The real change and tipping point is occurring attitudinally. In work done most recently across rural markets by Nielsen, the rural super consumer is emerging aggressively and has announced his intent by asking for better conditions, brighter prospects and bigger ideals. Two-thirds of rural super consumers are looking for products that either improve their lives or make it easier. A vast majority (70%+) like visiting retail, buying apparel for occasions and are conscious about their health and fitness. A similar proportion is interested in mimicking their urban counterpart in terms of liking a city-like lifestyle and trying new products. As a result health care and hygiene products are witnessing a strong rise and growing penetration across these households.

RURAL SUPER CONSUMERS: INTERNET ACCESS



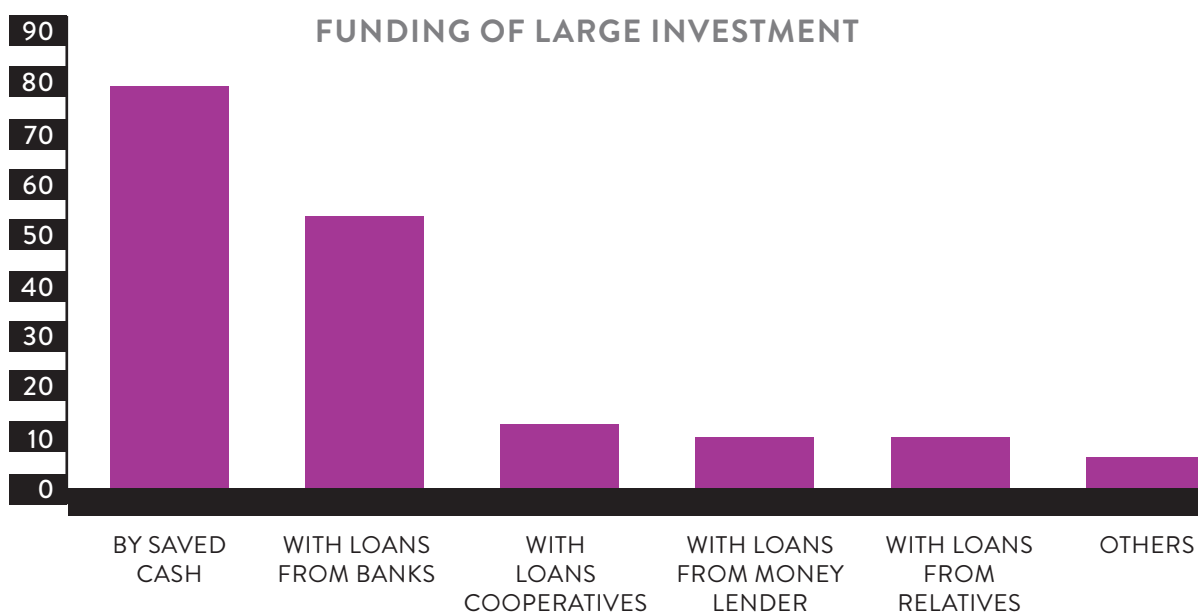
Source: Nielsen

The rural super consumer is also making the most of connectivity; – 35 percent are tech-savvy and use the internet. Coupled with increased smartphone penetration as well as low data rates for 2G, this consumer is now encouraged to access and interact with more information than ever before. As a result, information about brands and alternatives is becoming richer and reinforces the need to cling to known names. Despite his emerging experimentation with brands, 'Trust' still remains a strong determinant of brand choice.

THE RURAL SUPER CONSUMER AS AN INVESTOR

Nowhere is this more evident than the sphere of financial investments. Few, if any, of the rural super consumers trust money-lenders and informal avenues for loans, trusting instead to go with known financial institutions of formal lending.

HOW DO THEY FUND LARGE INVESTMENTS ?



Source: Nielsen

74 percent access ATMs and half that number access it more than once a week. Yet, 35 percent of them expressed dissatisfaction with their financial service providers and are looking for better planned investment advice.



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THE AVERAGE RURAL SUPER CONSUMER IS NOT A RISK TAKER WHEN IT COMES TO FINANCE, CHOOSING INSTEAD TO INVEST IN GOLD, POST-OFFICE SAVINGS AND FIXED DEPOSITS.

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

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

This issue of Featured Insights contains excerpts from Nielsen's recent study on India's Rural Super Consumers. Please write to ritesh.sahu@nielsen.com in case you're interested in accessing the full report.

ABOUT NIELSEN

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

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