



Assessment of Market Penetration of Processed and Packaged Foods in Rural India



Subhendu Panigrahi

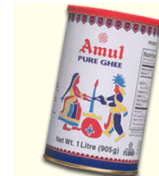
Student, Agricultural and Food Engineering

IIT Kharagpur

Sushil Kumar

Associate Professor

IIM Lucknow



Objectives of Study



- Study focused on four limiting factors
 1. Availability
 2. Affordability
 3. Acceptability
 4. Awareness
- Find out Popular branded food products in Rural Parts.
- Find out the best marketing medium in Rural Parts.



Bird's Eye View of the Market

- India consumes food products worth **\$200 billion** .
- **53%** of the total is processed food.
- Industry to grow from **8%** to **35%** by **2025**.
- Processing level is very low. **2.2%** in fruits and vegetable, **35%** in milk, **21%** in meat and **6%** in poultry.



Rural Consumer Profile



- Rapid urbanization, Increased literacy and Changing lifestyle in Rural India are key drivers in this sector.
- Rural India has a large consuming class with **41%** of India's middle-class and **58 %** of the total disposable income.
- The number of households owning Television sets has increased from **40.5 %** to **66.6 %** (61st NSSO report).



Research Method

- Questionnaire Survey of 21 products (popular in Urban India) spanning over the Four Major sectors of Food Industry ([Table 1](#)).
- Color printed images of products/packages (form in which they are marketed) were used to survey the respondents.
- 104 families covering 2 Districts of Central UP with diverse socio economic backgrounds were surveyed.
- Questionnaire tested the
 1. Consumption and Awareness levels.
 2. Reasons and Frequency of consumption.
 3. Reasons of not preferring branded products.
 4. Media through which the consumers absorb information about the products.



Segmentation of Processed Food Industry

Table 1

#	Sector	Products
1.	Milk	Milk Powder, Butter, Ghee, Cheese, Ice-Cream
2.	Fruits and Vegetables	Sauce, Jam, Juice, Pickle, Squash
3.	Cereals and Grains	Vermicelli, Noodles, Bread, Papad, Energy Drinks
4.	Snacks and Beverages	Potato Chips, Namkeen, Chocolates, Ready-to-Eat, Aerated Drinks, Baby Foods



Results

- Product having higher level of awareness and consumption belong to Non-alcoholic beverages or aerated drinks with awareness level being **100 %**.
- Other popular products are Juices (**79.8%**), Squash (**79 %**) , Noodles (**73.1 %**) , Potato Chips (**72.1 %**) and Chocolates(**76.0 %**).
- Least popular products are Pickle(**10.6 %**), Vermicelli (**9.6 %**), Baby Food (**15.4 %**) and Ready-to-Eat (**0.0 %**).



Reasons of Consumption

- Taste is the dominant factor in consumption of branded products.
- Families belonging to higher Income group tend to buy costlier products like **Energy Drinks** and **Milk Powder**.
- Families having more than 2 children consume milk powder reporting health as the reason.



Socio-Demographic Factors Influencing Consumption



- Families having higher income tend to buy costlier and branded products.
- Awareness level was relatively high in respondents having education more than higher secondary level.
- Branded products in Papad segment popular during Indian marriages and festivals like **Holi** and **Diwali**.
- **19.2 %** respondents reported that they consume Bread in winter as bread gets contaminated in the summer.



Limiting factors for the popularity of Branded Products.



- Respondents reported cost as one of the main factors for not preferring Branded products.
- Physical accessibility is also a pre-dominant factor.
- Local brands or Home-made products in Pickle, Papad, Bread and Vermicelli, Ghee and Milk Powder segment are popular because they cater to local tastes and needs.



Television – The Best Medium

- The number of households owing television was **76 %** which is the best medium to penetrate into Rural Masses.
- Brand recalling was seen in Young Generation mainly among the Teenagers.
- Respondents recalled the brand's jingle and the person endorsing the brand.



The 4 As - Availability

- India with **627 000** villages spread over **3.2 million sq km** with **700 million** people offers a huge challenge to MNCs and National companies to reach them.
- Poor state of roads adds to the problem.
- Most food products are **perishable**, so they need a cold chain system to facilitate their transportation.
- **Pepsi** and **Coca-Cola** started distributing refrigerators and low price cold units to shops to solve this problem.





Acceptability



- India with diverse diaspora offers a platform for experimentation and brings its own problems.
- Product acceptable to one region fails in another.
- Need to develop products suiting local tastes and preferences.



Affordability



- 44 % of the respondents were in low income group: the daily wage group.
- Low disposable income retards the growth of Branded products.
- To solve the problem introduction of small unit packs sold at lower price as practiced by the Top Soft drink companies **Pepsi** and **Coca-Cola** and to some extent by **Nestle India** by selling **Maggi**: a popular noodle at a **5 Rupee** pack has been successful.





Awareness

- Rural consumers have same tastes as that of urban counterparts—movies and music.
- 76 % respondents have television sets and 48.1 % radio sets.
- These Higher proportion doesn't solve the problem as the rural consumer is exposed to conventional advertisements and T.V viewing restricted to Local Channels and Doordarshan.
- Print media has also less effect on awareness level as mainly local and regional newspaper are popular which carry less campaigns of Branded Products.



Conclusion



- Local and geographic specific rural market models.
- Small unit packets and selling at lower price points.
- Increase volume of advertisements in state owned channels and Doordarshan preferably in Local Languages
- Introduction of new products in school breakfast club and mid day meal scheme.
- Advertise new products by offering small promotional units with Other products as a gift offer.
- Target young age or teenagers which is a rising group both in aspirations and number.
- With increased penetration of Cellular Telephony(60.6%), Mobile advertisement will be a revolutionary concept in both urban and rural areas.



THANK YOU

E-mail id - subhendu.panigrahi@gmail.com

sushil@iiml.ac.in