

Consumer behaviour towards toothpaste



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Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labor economics. Rural Markets constitute an important segment of overall economy, for example, in the USA, out of about 3000 counties, around 2000 counties are rural, that is, non-urbanized, with population of 55 million. Typically, a rural market will represent a community in a rural area with a population of 2500 to 30000.

The census of India defines rural as any habitation with a population density of less than 400 sq. km where at least 75% of the male working population is engaged in agriculture and where there exists no municipality. Of the nearly 6.4 lakhs villages in India, only 20,000 villages have population more than 5000. Leaving aside HUL and ITC most companies in FMCG sector would define rural as any place with a population up to 20000. Similarly durable and agri-input companies would consider any town with a population below 50000 as rural.

But, FMCG and consumer durable companies are considering a territory as a rural market which has more than 20,000 and below 50,000 population.

According to them, class-II and class-III towns are considered as rural.

According to the census of India 2001, there are more than 4,000 towns in the country that are categorized as Class II and III Towns based on the population. Size of rural market is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market.

According to

Definitions

Limitations

Census

Village: Basic unit for rural areas is the revenue village, might comprise several hamlets demarcated by physical boundaries.

Town: Towns are actually rural areas but satisfy the following criteria.

Minimum population ≥ 5000

Population ≥ 400 sq. km.

75% of male population engaged in non-agri activity.

Term 'rural' is not defined. The definition does not specify the population strata.

Term 'rural' is not defined. The definition does not rule out 5000+ population villages.

RBI

Locations with population up to 10000 will be considered as rural and 10000 to 100000 as semi-urban.

It does not include 10000+ population villages in rural definition.

In the contrary, the definition includes 5000-10000 population towns in rural.

NABARD

All locations irrespective of villages or town up to a population of 10000 will be considered as ‘ rural’.

Village and town characteristics are not defined.

Planning Commission

Towns with population up to 15000 are considered as ‘ rural’.

Town characteristics are not defined.

Sahara

Locations having shops commercial establishments’ up to 10000 are treated as rural.

Population criteria and other characteristics are not taken into consideration.

LG Electronics

The rural and semi urban area is defined as all other cities than the 7 metros.

Source: Rural marketing (Kashyap, 2008)

According to LG Electronics Managing Director Moon B. Shin, “ In terms of population and numbers of households, rural has become the future.

Disposable incomes in rural areas have gone up considerably, primarily because the domestic market has maintained a healthy growth rate, despite the recession worldwide. Over the next five years, as the economy continues to grow, we expect disposable incomes to go up even further. An average urban household income is about \$2, 000 annually, while an average rural

household income is \$1, 000. Rural spending is, of course, dominated by necessities, which means disposable income is still small but the number of households is large.”

Households and houses over time in rural regions

Year

No. of households(In million)

1981

90. 9

1991

111. 6

2001

138. 2

Source:-1. Central Stastical Organisation, 2004

2. Census of India, 2003

EMERGENCE OF RURAL MARKET

The growth story of India is now spreading itself to India’s hinterlands. The rural consumer market, which grew 25 per cent in 2008, is expected to reach US\$ 425 billion in 2010-11 with 720-790 million customers, according to a white paper prepared by CII-Technopak, in November 2009. The figures are expected to double the 2004-05 market size of US\$ 220 billion.

With a population already in excess of one billion people, our country has caught the eye of MNCs across the globe as a place of opportunity for

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exploring new markets. Whereas India has portions of their population that would be considered wealthy or middle class by Western standards, a much greater percentage of India's population is low income. They (Rural Indians) spend money, live, and use products differently than the countries where most multinational corporations originate (Prahalad Lieberthal, 2003). Rural areas exemplify these differences. Understanding the characteristics and issues that make the people and the market in rural India unique can help corporations to enter this market with success. The key characteristics define the term rural, determine the amount and flow of income, and determine the types of products and packages that are typically used in rural India.

IMPULSE TO GO RURAL

Gandhi, the father of modern India, believed that the country's future lay in her villages. These days, every major business group that plans to move into the hinterland would agree. There are many reasons that have urged the FMCG companies to enter the uncharted territory of rural India. Few attractions are:

LARGE POPULATION

The rural Indian population is large and its growth rate is also high. Over 70% India's one billion plus population lives in around 640, 000 villages in rural areas.

Thus it shows the great potentiality rural India has to bring the much needed volumes and help the FMCG companies to bank upon the volume driven growth.

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GROWTH IN RURAL MARKET

The purchasing power in rural India is on steady rise and it has resulted in the growth of the rural market. The market has been growing at 3-4% per annum adding more than one million new consumers every year and now accounts for close to 50% of volume consumption of FMCG. The growth rates of lots of FMCGs are higher in rural markets than urban markets.

In product categories like toilet soaps, talcum powder, cooking oil, vanaspati ghee, tea, cigarettes and hair oil, the share of rural market is more than 50%. The table above indicates the projected market size of FMCG products in 2001 - 02 and 2006 - 07 based on the annual growth rates.

GOVERNMENT POLICIES

The Union Budget for 2010-11 has hiked the allocation under the National Rural Employment Guarantee Act (NREGA) to US\$ 8. 71 billion in 2010-11, giving a boost to the rural economy.

INDUSTRY OVERVIEW:

(Source: The Analyst, Sep. 2010)

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. The oral care market, especially toothpastes, remains under penetrated in India (with <https://assignbuster.com/consumer-behaviour-towards-toothpaste/>

a penetration level below 45 %)-(IBEF, The great Indian Bazar). Traditional materials such as neem, tobacco coal etc. are popular for cleaning in the rural areas.

Frequency of usage for toothpaste is only 1.5 times among other consumers, compared to 2 times in the developed world.

Per capita consumption of toothpaste in India is one of the lowest in the world; it currently stands at 70 grams as compared to 300 gm in Europe and 150 gm in Thailand and the global average of 362 grams. It is because 74 percent of our population live in rural areas and are not well versed with personal health and hygiene. The penetration level of this rural segment is at a low of 30 percent, which means that only 200 million of our 740 million rural population uses toothpaste (Equitymaster. com).

The industry is very competitive both for organised and smaller regional players. (Indian Brand Equity Foundation, The great Indian Bazar).

Toothpaste Market In India

Toothpaste market in India is worth Rs 2200 Crore (2006).

In India, per capita toothpaste consumption stood at 74g in 2005, which is amongst the lowest in the world, compared to 350g and 300g in Malaysia and Vietnam respectively.

Toothpaste have a country wide penetration level of 50%.

Rural: 39%

Urban: 75%

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Oral hygiene continues to be under aggressive competition, with sales increasing by a modest 3% in current value terms in 2006 to Rs. 2, 400 Crores. Toothpaste accounted for a whopping 83% of value sales.

HLL's market share in the dental care market has grown from such a low 5% in 1979 to an impressive 36% today, whereas Colgate-Palmolive has been seen its market share decline from a dominating 75 % to a struggling 56 %.

Charcoal, neem sticks, husk, salt and powder mixtures have been some of the traditional form of oral hygiene products used in rural India. But these products are losing favour, especially due to the efforts of many organizations and companies, foremost among them, Colgate. The company claims to have persuaded about 300 million people into using oral hygiene products in the country for the last 25 years (The COLGATE Case Study, Oct. 2010).

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

Segments:

As per India Infoline Sector report, about 60% of toothpaste in India is sold on family platform; there is single toothpaste for the entire family.

Specialized toothpaste such as for children has been available in India only in last 2-3 years (mainly imported products) and usage is extremely low. About 35% of toothpaste is sold on cosmetic propositions. These are targeted mainly at young consumers and upper urban class on the proposition of fresh breath, white teeth and functional benefits of controlling plaque,

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preventing cavity etc. There is a niche market (5% of total) for toothpaste with therapeutic benefits. Toothpaste is also segmented based on product attributes as White, Gel, Herbal, etc. Some products are also available as a combination of both Whites and Gel.

Popular Segment: - Colgate Dental Cream, Pepsodent Declining

Low Price Packs: - Cibaca, Babool Growing

Niche Products: - Ayurvedic and Sensitive toothpastes Stagnant

Freshness Segment: - Colgate MaxFresh, Close Up, Anchor Gel Growing

Price-Based Segments:-

Regular Segment: 100 gm: Rs 25-30

Low Price Segment: 100 gm: Rs 14-20

The Lower Price Point segment accounts for around 25% of total category volumes. Regional and small brands from the low priced segment are expected to perform well because they are often close to the market, respond faster to changes and are willing to learn from their mistakes.

PRODUCT

Colgate

Colgate has been present in the domestic oral care market (of India) for the last 70 years.

A dominant position in the toothpaste segment with a 48% market share in the domestic market.

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1. 5 times the second largest player.

Was acquired by Colgate in 1994 from Ciba Geigy.

Today the company has two main brands in the toothpaste segment ‘ Colgate and Colgate Cibaca.

Colgate Cibaca has risen to become the 4th largest toothpaste brand in the country in volume terms after Colgate Dental Cream, Pepsodent and Close-Up.

Pepsodent

Brand of Hindustan Unilever Ltd (HUL, erstwhile HLL)

In a declining toothpaste market, HUL has managed to grow its brands and this has been attributed to Pepsodent’s value proposition being redefined.

Pepsodent’s share has been climbing steadily from 15. 5 per cent in the last quarter of 2002 to 16. 3 per cent in the quarter ending June 2006.

HUL’s Dental insurance scheme, being launched through a partnership with the New India Assurance, offered a dental insurance of Rs 1, 000 on purchase of any pack of Pepsodent.

Anchor

Anchor belongs to Anchor Health and Beauty Care (AHBC), a part of the Anchor Group (makers of Anchor Electrical switches).

Anchor White Toothpaste was positioned as India’s first British Dental Health Society certified 100 per cent vegetarian toothpaste, in 1997.

Anchor and Ajanta price their offerings at more than 40% discount, giving the market leaders a run for their money. These low priced competitors accounted for more than 80 per cent of the growing ' discount segment'.

Close UP

Unlike the typical opaque, mint-flavored toothpaste of the time, Close Up debuted in 1967 as a clear red gel with a spicy cinnamon taste and mouthwash right in the toothpaste.

A unique brand identity was developed, with Close-Up positioned as the toothpaste that gives people confidence in those very " up close and personal" situations.

First toothpaste in US to combine mouthwash and toothpaste in one formula

First gel toothpaste in the world the flouride in Close Up called monofluorophospate, makes the entire tooth structure more resistant to decay.

Top 5 Brands – Market Share (2006)

Colgate Dental Cream 34%

Close-Up 14%

Pepsodent Complete 10 11%

Colgate Cibaca Top 5. 7%

Colgate Fresh Energy Gel 3%

Other Brands 32. 3%

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a. Anchor, Babool, Ajanta, etc

Market Share Of Major Players:

Company

Market Share

Colgate Palmolive Ltd

52%

HLL

26%

Dabur

13%

Source: The Analyst, Sep 2010

LITERATURE REVIEW:

Consumer behaviour is a set of actions directly involved in obtaining, consuming, and disposing of products and services including the decision processes that precede and follow these actions (CONSUMER BEHAVIOUR, Engel & Blackwell, Sixth edition, Pg. No. 3). Consumer behaviour refers to the reasons why customers buy, their choice criteria, when, how and where they buy. It is the behaviour of individuals when buying goods and services for their own use or for private consumption.

Consumers make product choices based on which combination of product attributes best suits their needs based on dimensions of value, cost, and prior satisfaction (Kotler, 1997).

Keller (1993) has classified brand associations into attributes, benefits and attitudes. Attribute is defined as descriptive features that characterise a product or service (e. g. physical characteristics or product packaging), benefits may be defined as the personal value consumers attach to a product or service and attitude refers to consumers' overall evaluation of the brand i. e. his/her liking or disliking.

There is an effective impact of product and service quality on Customer Satisfaction, loyalty and commitment. (Hazra May 2010).

After conducting a small research in the rural areas COLGATE concluded with five things that were common in all their rural consumers across India, they were:-

Rural consumers are brand loyal. They have disposal income (i. e. because their needs are limited, so lesser scope to spend.)

Literacy level is on an increase.

Elderly person in the family have the decision authority.

If a brand is turned down in a household in a village, the whole village sooner or later boycotts the brand.

Several comprehensive theories/models have been developed in the field of consumer behavior (Engel et al., 1968; Engel et al., 1995; Howard and Sheth, 1969; Nicosia, 1966). Models have been developed for specific contexts, such as for information processing (Bettman, 1979) and family decision making (Sheth, 1974).

Consumer behaviour in rural market: ABCD Paradigm (Rani, S. Sakthivel, Jan2010) proposed that there are four stages of purchase and consumption process. These are

Access

Buying behaviour

Consumption characteristics

Disposal

The first step which provides Access to the products/service for consumer within rural areas. It is related to physical access as well as economic access.

Economic Access refers to the issue of affordability of products/services for the rural market.

Although the per capita national income in India is only \$270 per year (Aswathappa, 1991) yet there is also a thriving group of upper and upper-middle class consumers (Gandhi, 1985). The large population base and higher disposable income would definitely be an advantage to marketers. Gaining physical access to rural consumers is generally a function of the distribution system within the rural market and the infrastructure of the rural. It is a well-known fact that distribution systems in rural India.

The second stage which is “ Buying behavior” encompasses all factors impacting on decision making and choice within the market. These factors include attitudes, perceptions and consumer responses such as brand loyalty.

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The third stage “ Consumption characteristics” says that specific products/services that are purchased and consumed may be different.

The fourth stage “ Disposal” refers to the behaviour of consumer after buying and consuming the product. Most consumers, including the rural consumers, are becoming more environmentally conscious and moving away from throw-away products. Hence marketers need to design systems to facilitate the safe disposal, resale, recycling or remanufacturing of products. They must also meet their social responsibilities especially in relation to public safety and environmental pollution.

OBJECTIVE OF THE STUDY:

The following are the main objectives of the study;

To ascertain the factors affecting purchase decision.

To study the brand loyalty of toothpaste consumers.

HYPOTHESIS

RQ: To ascertain the factors affecting purchase decision.

H1: Purchase is not influenced by any external enforcement.

H2: Attributes of the toothpaste is positively related with purchase.

RQ: To study the brand loyalty of toothpaste consumers.

H3: Rural consumers are not brand loyal.

H4: Rural consumers are store loyal.

METHODOLOGY:

Methodology is based upon the primary data. The data is to be collected with the help of questionnaire. Questionnaire will include two main sections relevant to the dimensions of the study. The first section will intend to ascertain the factors affecting purchase decision of toothpaste in rural market (Dimension 1). The second section will be designed for understanding the brand loyalty towards toothpaste consumers in rural market. The questionnaire would be based upon likert scale.

The sample of approximately 100 respondents would be selected. The stratified sample would consist of approximately all the facets of rural consumers.