

# Changing baskets of consumption in rural households

## Conference Session Discussion Summary

With the expansion in the rural economy and urbanization reaching the remote villages of the rural areas, there are multiple level of changes happening at the rural household level. These changes are of the nature of social, economical and political in nature. The reports from multiple rounds of NSSO highlights the increasing share of expenditure coming from the rural areas in the aggregate expenditure of the country. The blurring boundaries of rural-urban presents a continuum in which the opportunities for growth and development are plenty and translate in form of better access to goods and services. Consumption is the major indicator to assess the well-being of a household and the expenditure incurred on consumption serves as a proxy indicator to assess the income levels of the households. The consumption at the household is driven by multiple factors and markets play a dominant role in it. The rural markets, which cater to these households, are also transforming with respect to increased number of shops and the variety of goods and services they offer. The relationship between households and markets is a representation of the theory of demand and supply in which one drives the other.

With this background, a research study was planned to assess the changing consumption patterns at the household levels, factors behind these changes and the role of rural markets in it. The study was planned in multi-location format with similar methodology was adopted in different field areas. The conference on “Rural India: Blossoming in neglect” had one parallel session dedicated to the topic. The session had participation from the research collaborators along with external invites speakers, who have been associated with the rural markets and consumer research domain. The chairperson of the session was Ms. Roda Mehta.

The key highlights of the session are as follows:

- **Welcome note** - The tone for the session was set by sharing the objectives with which the research theme was selected.
- **Introductory Note by the Chairperson**
  - The chairperson introduced the theme by sharing the strategy followed by Hindustan Lever when they started marketing in rural markets. To cater to a very different category of the consumers, the company changed the product mix and marketing strategy. Thus, highlighting that the rural consumer is different from the urban counterparts and their consumption practices are also different
  - Rural Indian markets are a breakthrough for many FMCG companies and pose a challenge to reach to the remote villages to offer the products and services
- **Synthesis by Archana Chandola**
  - Synthesis of findings from multi-location study highlighted that in all across the study locations, the rural households are moving closer to the urban counterparts especially in terms of consumption practices
  - There is a shift from traditional consumption practices with respect to traditional food grains and self-cultivated pulses and vegetables towards items purchased from the markets
  - Diversification of income at the household level has resulted in increase in availability disposable income. This increased disposable income is spent in non-food items thereby shifting the share of household’s total expenditure from food to non-food items

- Across all the study locations, it was found that the penetration of mass media and mobile technology has a deep impact at the household level and the choices they make for their consumption
  - Also, with the growing demand at the household levels, the rural markets are emerging becoming a replica of the bigger town markets, offering services that are at par with the bigger markets
  - Influence of bigger town markets is visible in the smaller markets and is driven by improvement in the overall infrastructure of the villages and the markets
  - Expansion of the markets in terms of increased number of shops is also due to the fact that opening up a shop is an employment option for the people in the villages, where job opportunities are limited
  - Since the rural households are changing, the overall expenditure has increased and their needs and aspirations are also evolving
  - Market push and demand pull are operating in synchronisation with each other in these rural areas thereby pushing the growth of consumer goods and services
- **Presentation by Benjamin Matthew- Head of Strategy, Partner, MART Global Management Solutions LLP**
    - Benjamin Matthew presented a macroeconomic perspective of the changing rural consumption. He discussed aspects about changing income and consumption trends, issues in the rural areas for markets, opportunities that the rural areas present as the large consumer base
    - Changing geography and demography of the rural areas is driving the FMCG market
    - Increased penetration of technology is influencing the markets and the consumers
    - Data was presented concerning how rural household consumption is evolving
    - He also mentioned the definition of migration and rural wealth. Discussions were held on these definitions
- **Discussion by Partha Sarthy Banerjee - VAF Research Collaborators**
    - The paper on Sundarbans was discussed. Consumers demand is creating pressure on the shopkeepers. The shopkeepers have to incur high costs to supply the products demanded by the consumer. Hence, they charge over the MRP
    - Increasing consumption is not necessarily on goods and products. It is mostly on the education and health
- **Presentation by Hemant Mehta (Kantar IMRB and Chief Strategy Officer, Kantar South Asia)**
    - The drivers of rural consumption were discussed. The drivers were education, shrinking household sizes, connectivity, multiple earners, new occupations, growing incomes, media reach, digitalisation, homogenisation of aspirations
    - Discussions were done on whether rural consumption is a marketer's pull or push
    - Marketer's push was decided as a driving influence. Rural and urban demand is a continuum
- **Presentation by SK Mohanta (Director – Ecociate Consultants Pvt. Ltd.)**
    - The presentation focussed on the role that government policies and expenditure under various schemes influence the consumption at the household level
    - How the introduction of Swachh Bharat Abhiyaan has also increased the demand for toilet-related products/ services and Pradhan Mantri Gram Sadak Yojana – increased demand for building materials

- Case studies of products were discussed. Some of the products do not fit into the daily habits of the rural consumers. So, the advertisements were made in such a way as to inculcate the habit in the rural consumers. This would eventually lead to an increase in the consumption of the product. This created a push appeal for the product. E.g., Lifebuoy, Shakti Amma
- **Manoj Mishra (VAF, Research Collaborator)**
  - The presentation highlighted the tool used for Market Potential assessment
  - He discussed the consumption patterns and how the scope of enterprises could be expanded through the assessment of these patterns
  - Challenges to enterprise promotion were discussed
  - There were discussions as to how a market potential index can be designed using the block coefficients of the supply side estimation approach and the demand side estimation approach for various commodities
- **Concluding remarks by Chairperson**
  - Rural is a significant driver in the development of consumption. India faces two problems today – land fragmentation and increasing population. These pose as primary problems for Rural marketing activities. Consolidation of agriculture is one of the solutions. Also, there should be policy suggestions to the government where the agricultural land is used for its specific purpose and not for any other purpose.
  - The job market and the education quality does not match up. Increasing consumption leads to various new employment opportunities. But the education quality does not match to fulfil these opportunities.
  - China, where the land is owned by the government, was discussed as an example for consolidation of land.
  - This example led to an eventual discussion of capitalism vs. socialism and which would be more effective in effective execution of the increasing rural consumption patterns