

Understanding the rural consumers and rural trade for healthcare over the counter products of Dabur

A Project Report

Submitted in partial fulfilment for the award of the degree of

Post Graduate Diploma in Management (PGDM)

In

Marketing

By

Tanuj Agarwal

77119473874

NMIMS Global Access School for Continuing Education



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CONTINUING EDUCATION**

MAY 2021

Acknowledgement

I would like to express my sincere thanks to my mentor through the project, Professors for providing me with an opportunity and assisting me with their valuable knowledge & devoting his precious time to aid in enhancing our skills and knowledge.

I take this opportunity to express my profound gratitude and deep regards to my teachers for their exemplary guidance, monitoring and constant encouragement throughout the course of this project. The blessing, help and guidance given by them time to time shall carry me a long way in the journey of life on which I am about to embark.

At the last, I would like to thank my batch mates and all who have directly or indirectly helped us completing this project.

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Executive Summary

Dabur India Limited is one of the oldest FMCG Company in India. It was established by Burman family in Kolkata in 1888. The Company has products in various categories like hair care, oral care, healthcare, skin care, home care and foods. The various sub units of Dabur are Consumer Care Business, Foods Business and International Business. The Consumer Care Business includes healthcare that is composed of health supplements, digestives, over-the-counter (OTC) and Ayurveda ethical products, and home and personal care. The Company has many sub brands like Dabur Chyawanprash, Dabur Honey, Dabur Baby, Vatika, Hajmola, Real, Fem, Dabur Amla and Dabur red Tooth Paste, among others. Indian rural markets represents almost three quarters of the total 1.2 billion population of India. It provides immense opportunities for companies seeking high performance and cannot be ignored. The rural markets were first unpredictable due to higher dependence on varying agricultural income but now as the share of non-farm income has increased to around 50%, there is stability and high enough spending which creates a market potential which no company can ignore. Various policies like minimum procurement price and NREGS have increased the rural income. The increase in spending by government in rural regions and easy availability of credit have boosted rural markets. Rural consume are more aware about the brands and are knowledgeable about the latest market trends. Rural FMCG market is expected to grow with CAGR of 17.20% till 2025 according to a report by Indian Brand Equity Foundation (IBEF). Hence, companies are looking for ways to expand their reach in rural areas by innovating and reinventing their reach in the region. In the past few years, Dabur has lost leadership in few categories to competitors; for example Eno leads Pudín Hara in its category. There is a threat from a new competitor Patanjali Ayurveda which is gaining market share across various healthcare categories at the cost of Dabur's market share. As the consumers are becoming aware of the side effects of frequent use of allopathy and becoming health conscious, they are preferring Ayurveda products for common health problems. Hence, the market is expanding for Dabur as it offers most of its OTC products in Ayurveda line. Dabur has a rich heritage of providing quality products and has potential to capitalize further on its brand value. It has started to change its positioning by

launching new products and investing more in Research and Development. Dabur strives to capture consumer voice through its product innovation and offerings. As a part of this project, we did both primary research and secondary research to gain insights about rural ++markets and to understand the behaviour of the rural consumer. As primary research, I visited a nearby village in Gurgaon (Bhondsi) and asked owners of various general stores and pharmaceutical stores number of questions related to the purchasing patterns of the consumer, preferences of consumer, effect of media, promotions, influence of shopkeeper and price as they had a better understanding of consumers because a village was close knitted community. For secondary research, I analysed various reports regarding the healthcare sector and rural markets. I also collected information from various research and news articles. By combining the learnings from the two methods of my research, I attempted to answer some questions like the decision-making process of the consumer, the types of media influencing purchase, the consumption frequency of OTC healthcare products in rural markets While the focus has been on over-the-counter healthcare products, similar insights could be applied to most products in the rural segment as a whole, as many of the characteristics such as purchasing and consumption patterns remain the same across the board for these products. However, the insights as to some other factors such as advertising and branding reach may not be applicable for other segments as the value proposition may change according to the product.

1. Introduction

1.1 objective of the project

- To determine how rural consumers, decide between various brands
- To identify the types of media that influence purchase choices of rural consumers and the level of effect
- To identify the consumption pattern of rural consumers related to over-the-counter healthcare products
- To analyse the distribution channels in Rural - how retailers stock different products and the factors that influence their purchase.
- To determine the touch points for rural consumers

1.2 Significance of the project

Indian rural markets represents almost three quarters of the total 1.2 billion population of India. It provides immense opportunities for companies seeking high performance and cannot be ignored. The rural markets were first unpredictable due to higher dependence on varying agricultural income but now as the share of non-farm income has increased to around 50%, there is stability and high enough spending which creates a market potential which no company can ignore. Various policies like minimum procurement price and NREGS have increased the rural income. The increase in spending by government in rural regions and easy availability of credit have boosted rural markets. Rural consumers are more aware about the brands and are knowledgeable about the latest market trends. Rural FMCG market is expected to grow with CAGR of 17.20% till 2025 according to a report by Indian Brand Equity Foundation (IBEF). Hence, companies are looking for ways to expand their reach in rural areas by innovating and reinventing their reach in the region.

Thus any data regarding rural market and rural consumer is invaluable to a high performance seeking organization. The rural markets also provide a greater opportunity for over-the-counter health products when compared to the urban market where 6 consumers preferred prescribed drugs or healthcare products. Using the data collected by us during the primary and secondary research we would provide a better understanding of rural

customer and their purchase of OTC products and the position of Dabur in this sector with respect to other competitors.

1.3 Dabur's Product Mix for OTC Products

Healthcare

- a) Supplements - Dabur Chyawanprash, Dabur Honey, Dabur Glucose D
- b) Digestives - Hajmola, Hajmola Candy, Dabur Pudín Hara, Dabur Pudín Hara Lemon Fizz, Dabur Sat Isabgol, Dabur Nature Care Double Action, Dabur Nature Care Regular, Dabur Nature Care Isabgol Powder
- c) Cough and Cold - Dabur Honitus cough syrup, Dabur Honitus cough drops, Dabur Honitus Madhuvanni
- d) Woman Health Care - Dabur Dashmularishta, Dabur Active Blood Purifier, Dabur Ashokarishta

Haircare

- a) Oils - Dabur Amla Hair Oil, Vatika Enriched Coconut Hair Oil, Dabur Almond Hair Oil, Vatika Enriched Olive Hair Oil, Vatika Jasmine Hair Oil, Vatika Enriched Coconut Oil with Hibiscus, Vatika Brave & Beautiful Oil, Dabur Brahmi Amla Kesh Tel
- b) Shampoo - Dabur Almond Shampoo, Vatika Health Shampoo, Vatika Anti Dandruff Shampoo, Vatika Black Shine Shampoo.

Oral Care

Dabur Red Paste, Dabur Lal Dant Manjan, Dabur Meswak, Dabur Babool Toothpaste.

Home Care

Odomos, Odonil, Odopic, Odonil Occasions, Sanifresh Shine.

Ethical

Dabur Janma Ghunti, Dabur Amla Hair Oil, Dabur Active Antacid, Dabur Lohasava, Dabur Agastya Haritaki Avaleha, Dabur Ashwagandharishta, Dabur Ashwagandhadi Lehya, Dabur Chitrak Haritaki, Dabur Talisadi Churna, Dabur Sitopaladi Churna, Dabur Broncorid Syrup, Stresscom, Dabur Gastrina Tablets, Dabur Laxirid Syrup, Dabur Madhu Rakshak, Rheumatil Oil, Rheumatil Tablet, Dabur Mensta Syrup, Dabur Triphala Churna, Dabur Sitopaladi Churna, Dabur Talisadi Churna.

2. The current scenario for Dabur in the OTC healthcare segment

2.1 Segmentation, Targeting and Positioning

Segmentation

Dabur segments OTC market in following ways:

a) Geographic:

Dabur has segmented the market nationally as well as regionally. It has segmented markets in urban and rural markets. During the financial year 2012-13, Project Double was launched by the company to increase the coverage of rural markets.

b) Demographic:

Economic class – Lower, middle and upper class

Age group- Kids (6-10 years), youth and old age people

Gender - Male and female

c) Psychographic:

Dabur targets customers who are health conscious and desire for natural products for their various needs like personal care, food and home care

Targeting

Due to a large network of distributors and retailers, Dabur is able to make its products available to consumers across the country. Dabur's OTC healthcare products are largely targeted at people who are health conscious and want to try a natural and traditional approach as an alternative to allopathic approach. The products are targeted mainly to the middle class. While both the urban and rural populace have the opportunity to purchase these products, Dabur focuses on the latter due to greater opportunity and

the culture of rural consumer to prefer traditional Indian Ayurveda approach.

Positioning

Dabur initially have ambiguous positioning. It was unclear to the public reason being that although they are in Health care, personal care, foods & home care but it was shedding its old-age umbrella brand strategy, where its entire product portfolio was under one roof. They realised this mistake & repositioned its brands on the basis of benefits. Also they separated their FMCG & pharmaceuticals business. It position itself as a provider of high quality products at affordable price. It positions itself as provider of natural and Ayurveda OTC products made from natural herbs found from traditional Indian heritage. The positioning strategy mentioned is same for all product range of Dabur but it may be tweaked a little according to the product and the target consumer. The brand Hajmola which is the leader in natural digestives, is the classic example of this positioning strategy. The same strategy is seen in the branding of Honitus cough syrup.

2.2 SWOT Analysis

Strengths

- Dabur has a wide range of OTC products catering to needs of various age groups.
- A strong and large distribution network.
- A strong and rich legacy.
- Excellent product diversification in healthcare, oral care, food personal care and home care.
- A strong brand image and has successful brands like Hajmola, Dabur Chyawanprash, Dabur Honey and Dabur Lal Tel.
- Innovative and high spending on research and development of new products.
- Strong financial which helps extensive marketing and advertising campaign.

Weakness

- Lack of dedicated retail outlets which means unbranded players accounts for 2/3rd of the total market.
- Lack of advertisements of OTC products on television. It has resulted in the low penetration for products like chyawanprash. Also the profitability is uneven across the product line.
- Real fruit juices do not have additives or preservatives and thus the company has had to invest profusely into determining technologies for packaging in order to retain the freshness and quality of their drinks. The low shelf life also creates challenges in distribution channel management.
- Doctors prescribe allopathy medicines as they get more incentives from medical companies and hence the share of Ayurveda medicines are less compared to allopathy medicines.

Opportunity

- OTC market has been expanding with very fast pace of 14.6% CAGR. It provides a big avenue for Dabur to innovate and come up with the new range of product offerings.
- Consumers are becoming health conscious and critical of allopathic medicines. Consumers are moving towards Ayurveda and traditional medical practices. Thus providing immense opportunity for Dabur to capture this market considering its legacy and expertise in this field.
- Growing women's earning power has made them independent and has made them to be more health and beauty conscious a segment in which dabur too is trying to capitalize with its products.

Threats

- New competitors like Patanjali are gaining market share in these segment by offering lower prices and branding their product as natural and produced from knowledge of Ayurveda
- Rising threat of counterfeits and local unbranded products which are marketed by local retailers and are offered at lower price

- Lack of awareness among the consumers about the benefits of products
- International brands are bringing new organic products which may substitute some of the products of Dabur
- Lead and ferric content is more present in Ayurveda medicine this may sometime result in reverse side effects when consume over a long time.

2.3 Competitor Analysis

Patanjali

Patanjali has been a disruptor in FMCG category as well as the over-the-counter segment. Started in 2006, it has gained a leadership position with a very high inorganic growth. It has achieved an annual revenue of INR 10,561 crore for FY 2017-18. Patanjali has connected with the rural consumers at very deep emotional level by its products' quality and pricing. Baba Ramdev, the promotor and the face of the brand, has his own support group due to his influences of Yoga. This support group is very loyal to the brand. The positioning of brand as swadeshi has also helped Patanjali gain market share in a short time.

GlaxoSmithKline Pharmaceuticals Ltd (GSK)

GSK is also a leader in the over the counter healthcare product segment. Its most successful product Eno has become market leader in the antacid category with 45.8 percent market share. While Dabur's Pudina Hara has dropped to a 5.3 percent market share. Intensive ad campaign on television and advertising it as fast relief has been the selling point of the product. Dabur has come up with Pudina Hara Fizz in the response but it will take time and investment to regain its market share.

Emami Limited

Emami offers a wide range of products, many of which compete with Dabur's product offering in the category. Emami has also established

product reputation in the segment. Its products in Chyawanprash, digestive and oil category are close substitute of Dabur. Emami has come up with many new products offering in recent years making its offering diverse and penetrating its market reach.

Himalaya

Himalaya is one of the biggest pharmaceutical companies of India. It also has a long legacy like Dabur and offers products which are directly competing with Dabur products or are close substitutes of Dabur products. It has been operating in herbal health care for a long time. The company has more than 300 products across various categories like toothpaste, medicines etc.

3. Research Methodology

3.1 Primary Research methodology

I visited the Bhondsi village in Gurgaon, Haryana and interacted with various shopkeepers across the village. I spoke with five general store shopkeepers and five medicine shopkeepers and asked them various questions to get a better picture of the rural consumer for OTC healthcare products in India. Since there is a lot of closeness between the shopkeepers and the consumers in rural areas, the former would have more insight about the latter. I asked the shopkeepers questions about their preferences for brands, whether Dabur was preferred either by the shopkeepers or the consumers themselves. I also took a look at the products being sold and observed if Dabur Healthcare products are present, and which ones if so. For example, if I observed Dabur Pudina Hara being sold, I also looked for competitor's products such as Eno and asked the shopkeepers which item was being preferred more. I also asked them about their distribution channel and the transaction medium. I also questioned them about the various media channels that were present in the village and if consumers were referring to them for their purchases. Another line of questioning was the various schemes that were effective in the rural segment, for example cash-back offers, buy-one-get-one-free offers and so on. Lastly, I also asked about the advertising methods being employed either at the store level or at the village level, for example billboards or television.

3.2 Secondary Research methodology

For my secondary research, I have used various resources present online to obtain the relevant data. The significant sources have been given in the references segment, but some of the external sources I used are UN reports, Datamonitor 360 (Marketline) and CRISIL reports. I have also perused online to find relevant reports already made for parts of this segment and collated them in order to obtain a proper answer to the problems raised as part of the project objective. For finding out about the distribution channels in rural as well as the touch points, I have used this information primarily.

4. Our Findings

4.1 Who is the rural customer?

It is often said that if you can sell a product across the length and breadth of India, you can easily sell it in any part of the world. Partly due to the unimaginable diversity of the country and partly due to a great divide between its rural and urban areas, selling and marketing have been the most daunting tasks in this part of the world. The task is even more uphill, when it comes to tapping the rural customer. Often, marketing managers are caught off guard in the rural heartland. And problems are plenty lack of infrastructure, inadequate distribution network, lack of understanding of the consumer's mind set. Sometimes, the problem is due to the misconceived notions companies have about rural customer that rural is a niche market. The rural customer is changing along with the times on economic as well as the technological lines. Disposable incomes are shooting up and have resulted in change in buying preferences. Their spending does not solely depend on farm income but is augmented by the non-farm income. Remittances from the migrant workers in cities are flowing in and thus, increasing the spending power of the rural population. There are several factors to which this can be attributed:

1. Increase in the minimum procurement price by the government on the back of good harvests across the northern belt has led to this increase in income.
2. Improved banking facilities due to financial inclusion schemes by the government has got them a formal line of credit and improved their finances significantly.
3. Effective implementation of employment schemes such as NREGS amongst others has also led to increase in disposable income of the households.

4.2 How does a rural consumer decide between brands?

With the changing consumption pattern of the rural consumers, I was able to infer that, at least in our sample village, people generally preferred branded products to cheaper quality unbranded products which they used

for healthcare purposes. So, given the brand equity Dabur enjoys on a wider scale, it easily trumps the cheaper brands in this regard. Diving deep in to the question, I came to know that people generally prefer to buy the items from the local shop and online marketplace penetration is extremely low. People also avoid traveling to the nearby city of Gurgaon for their daily need items and thus, the local shopkeeper enjoys a high degree of trust and is the sole point of contact between the customer and the brand. With the local shopkeeper enjoying such a high degree of influence over the populace, it is imperative to tap the customer at this point itself. According to our research, the shopkeeper is open to promote the brand over others for small incentives, which may be in cash or kind, like 1-3% more discount in the purchase price of the products.

Also, I gathered that rural people first like to try a product before they trust it, hence one time free distribution of the product, by way of coupons or the retailer must be given a go ahead, especially for products like Pudín Harra fizz, where the awareness and recall is low can be tried out.

As the strategies of the companies keeps on changing, be it in Chyawanprash industry, a company has to create perceptions and cover 74 them into realities. It is an expensive proposition requiring huge expenditure on advertising, sponsorships and media. Thus, the ideal company will be the one which combines the high end technology with consumer insight.

4.3 The types of media affecting purchases in rural markets

Although the mobile penetration has been increasing YoY, the digital literacy has been still lagging behind. So, according to our research digital marketing channels are not a suitable way to promote OTC healthcare products for the rural markets. Most of the youth are migrating to the nearby bigger cities, though they are a tech savvy generation and avid adopters of technology like digital payment solutions.

Also, I observed the increasing penetration of TV in these areas and free to air channels were the major channels watched by the rural populace. These could be targeted to spread awareness about the products. Mass media still dominates the rural sector in terms of reach and platforms like

TV, billboards etc., and should be used to increase awareness about the products. Cricketers and movie stars still dominate these mediums.

A large number of rural customers prefer to get cash discounts on the products, even if buy one get one offer is ongoing, they will still prefer to get a small discount on the product they want to buy by exchanging the extra good. This shows that in order to entice the customer to try out new product it must be distributed free as a standalone product or with a steep discount to make them try it.

PayTM and other cash wallet offers are not going to suffice as there is lack of digital literacy in the population. Posters which are a part of in store branding is also an enabler for the consumer to try out the OTC product.

4.4 Consumption Patterns of rural customers

Rural consumers are very economical and budget oriented for the consumption of OTC products. The consumption of baby care products, digestive products and nutritional products in particular are on a frequent basis. They buy mostly from small retailers with an inclination for small sizes to medium size SKUs. For example, we found out from a retailer that consumers were purchasing significantly high number 15 of Rs.10 sachets of a nutritional milk additive than its Rs.5 sachets given both sachets have amount in the same proportion. The reason was that they could make it only one glass of milk from Rs.5 sachet but they use to make three glasses of milk by using Rs.10 sachet.

High and middle-income groups purchased the products for weekly to monthly consumption. They preferred middle to large SKUs as per their requirements.

Lower income group mostly purchased goods for 2-3 days use to few weeks. They mostly preferred small packs but purchased medium packs of regular use items, for discounted pricing.

Sachets seem to be the way to deliver in the rural areas given that they are extremely popular in these areas. People seem to like getting extra value on their products, like extra 20% in the pack and this also makes it an attractive proposition for the consumers.

4.5 Distribution channels in Rural India

From my conversation with the retailers, the distribution network is at most a 3 tiered system with manufacturer, distributor and retailer included in the mix. In areas where the products are manufactured, they follow a two tiered system.

Retailers do not have any inclination towards a particular brand, unless the customer demands a particular brand (as in the case of Eno vs Pudim Hara, where customers demand Eno). They are most interested in getting things as fast as possible off their shelves and do not generally keep new products unless a significant number of consumers demand it. In order for them to stock new products there is significant friction to get them to accept them, unless the manufacturer/distributor can take back the stock if unsold or provide some guarantee.

It was also seem that some retailers do extend a line of credit to their old customers and will alter their perceptions significantly if these demand new products due to the trust established between the two parties. Credit lines are extended to only long 16 standing customers.

4.6 Touch points for rural consumers

All the touch points are physical in nature, owing to the low digital literacy. Before Purchase: The primary touch points for rural consumers are word of mouth publicity, physical advertising such as in store materials and roadside banners and posters and advertising through media such as television and newspapers. During Purchase: Due to absence of digital infrastructure and dismal facilities, there is no point of contact during sales. The maximum being that the shopkeeper would be able to cross sell some product, if the customer trusts him during the transaction. After Purchase: For OTC Healthcare products, there is not much in terms of after sales service since they are consumables. The billing itself is not a major touch point since most of the transactions are made via cash.

5. Our Suggestions

- Focus more on traditional media like newspapers and TV to generate awareness among customers.
- SKU size really matters in rural areas and hence adequate attention must be paid to these. Pudina Hara pearls sell more than standalone pudina hara ready to mix solution.
- Reaching out to new geographies, within and outside India.
- Improve operational efficiencies by leveraging technology.
- Be the preferred company to meet the health and personal grooming needs of our target consumers with safe, efficacious, natural solutions by synthesizing the deep knowledge of Ayurveda and herbs with modern science.
- Provide consumers with innovative products within easy reach.
- Vatika hair care centre: On the lines of Marico's Kaya Skin Clinic, Dabur could start a venture called Vatika hair care centre which would provide total hair care solutions. It could have hair care experts to solve hair problems. Services could include dandruff treatment, straightening of hair, treatment for split ends etc.
- Position Dabur Chyawanprash is not more of a medicine but as something which is necessary for health.
- The rural consumer is extremely value conscious and hence, care must be taken to price the product and cash discounts must be preferred over Buy 1 Get 1 schemes as most of them usually exchange them for discounts anyway.
- Shopkeepers are willing to allot premium shelf space to the brands, but might want to be incentivized for it. During our field study, we came across customers who had a generic description of the product in mind like soap, but proceeded to buy a particular brand which was kept on the eyesight level of the customer, which was a little more expensive than the average soap.
- Shopkeepers and word of mouth are extremely powerful influencers in these areas and thus, shopkeepers must be made aware of the OTC products for healthcare as people generally flock to chemists for general ailments like stomach pain, who end up recommending allopathic medication instead of Ayurveda medicine.

- During our talks with some customers, other than the traditional methods of advertising, sponsoring traditional melas during Diwali and clever product placements during puppet shows and the likes during these melas are effective ways of advertising in these areas.

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