

Micro-scale products for the bottom of the pyramid – ‘Sachet Marketing’

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ABSTRACT

In modern marketing times, packaging has become a very important part of product management. With increasing competition, marketers are turning to innovative packaging to gain a distinctive edge to their overall product offers. Marketers also use packaging as a device for renovating the product. When a declining trend in the sale of the product noticed, marketers often use the packing to arrest the decline. They change the package and give a new look to the product without bringing about any substantive change in the product. The product is then advertised as new on the strength of the newness of the packing. Examples of innovating packaging are: Harpic liquid toilet cleaner with its directing nozzle, Bourn vita’s 200gm reusable mug-cum jar pack, Cadbury’ drinking chocolate in a shaker pack, its cocoka in a special measuring cup, catch 22 and products like shampoo, biscuits are available in small pouch(sachets)

In India more than 70% population lives in rural areas and rural India is dominated by unorganized retailing where local provisional stores caters to the needs of local population. They may or may not deal with branded products. But after the advent of visual media (e.g. television) into rural India, the rural consumers are also looking for designer and quality branded products from their village stores. Also because of its huge size, large industries and multinational companies ranging from cars to detergents, shampoos are rushing to rural India to market their wares and tap the huge potential. There is a vast difference in life styles of the rural and urban consumers and traditional four P’s of marketing ***Product, Price, Promotion and Place*** have been replaced by a different framework for analysis. A no. of companies have taken four A’s –, ***Acceptability, Affordability Availability and Awareness*** as challenges for rural

marketing and they are developing their marketing strategies accordingly. The rural consumers in India are price sensitive as they are generally the daily wage earners and they don't have monthly income like their urban counterparts. The companies are providing value addition to the products and greater benefits to the consumers through packaging route. They are focusing on their core competency such as technological expertise to design specific products for the rural economy that are affordable. The most remarkable example in this context is the launch of sachets, which has transformed the rural market considerably, as packaging in smaller units and lesser priced packs, increases the products affordability.

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Introduction

The biggest mistake a market can make while entering the rural India is to treat it as an extension of urban market. But there is a vast difference in life styles of the rural and urban consumers. The rural Indian consumer is economically, socially and psycho graphically different from his urban counterpart. The kind of choices that an urban customer takes for granted is different from choices available to the rural counterparts. The basic characteristics of a rural consumer can be highlighted as under:-

1. Education Profile: Most rural consumers are illiterate .As per census 1951; literacy in rural area was 25% while in 2001 literacy rate was overall in India 65.4%. In rural areas it was less than 60% in males and around 45% in females.

2. Income Level: Though rural incomes have grown manifold in last decades, still an average consumer has a much lower income than his/her urban counterpart. Still a large part of his income goes to provide basic necessities leaving a smaller income to be spent on other consumer goods. This makes the rural consumer much more price sensitive than urban consumer.

3. Occupations: Agriculture is the main occupation in rural economy. Because of which the purchasing of rural consumer is highly unpredictable which can lead to high variations in demand patterns. To help and supplement the agriculture, other activities are also performed in villages. Basic occupations that exist and help directly agro-related works are:

Farm labour, Blacksmith, Carpenters, Washer man etc. Animal Husbandry and poultry farming also in the list of main occupations.

4. Reference Groups: Typically in rural areas, the reference groups are primary health workers, doctors, teachers and panchayat members. Even grocery shop owner or village trader, retailer may also be an important influencer in rural consumer's decision making.

5. Media Habits: The rural customer is fond of music and folklore e.g. 'Tamasha' in Maharashtra, 'Nautanki' in U.P. are sources of entertainment for rural people. Apart from these television and radio are best source of entertainment for these people. Because of low education level print media does not have as much of an impact as the audio and audio-visual media does.

Small Isn't Always Beautiful

BOP proponents view sachets and other small packages as an ideal way to tap low-income markets. Prahalad (2005, p.16) argues that because small packages are more affordable, they encourage consumption and provide a choice for the poor. But the empirical evidence does not support his contention. An ACNielsen study on rural markets in India revealed that, for several products, the best-selling package size is the same across rural and urban areas (Dobhal and Das Munshi, 2005).⁴ For products including biscuits, jam, washing powder, sanitary napkins, and milk powder, the smallest available packages are not the largest contributors to the total volumes of products sold in rural areas. The two exceptions are shampoo and razor blades; for these two products the smallest packages do account for the largest share of the total volumes sold. In the cases of jam and milk powder, larger packages (e.g. 500 g) are better sellers even though smaller packages are available (e.g., 12 g in jam and 3 g in milk powder).

SACHET MARKETING

In the FMCG industry, packaging of products has always been the most important factor driving consumer behavior and fuelling marketing initiatives. A change in packaging technology always brings about a paradigm change in consumer patterns. Tetra Pak, a Swedish company introduced a flexible packaging product in the 1950s and forever changed the packaging of liquid consumables.

The next breakthrough in flexible-packaging occurred in 1983. C.K. Ranganathan, a Madras based entrepreneur started selling shampoo in small packets (later called 'sachet', meaning small bag in French), instead of bottles, to make it affordable to the poor. These sachets were small, flexible, and inexpensive. Ranganathan's firm, now known as Cavin Kare, started on

a shoestring investment of \$300 became the market leader in shampoo in the Indian rural market by the early 1990s.

There was a fortune to be explored at the bottom of the pyramid. Even today, around 4 billion of the global population of 7 billion are living on a budget of less than \$2 per day. These potential consumers are hungry to improve the quality of their lives by using new technology. With this in view, MNCs like Unilever and Johnson & Johnson entered the sachet market through India in the mid-1990s. The advent of the new millennium already saw 60% of shampoo sales in India in the form of sachets (see Exhibit 1 for complete evolution). Early in the 2000s, P&G, the largest consumer goods company globally started selling their flagship shampoo brand – Pantene in sachets in South-east Asia and India. The sachet market was no longer constrained to India. It was a huge opportunity for all companies to grow their businesses across categories in developing markets. Industry bigwigs like Unilever, P&G, Nestle, Kraft, ITC, L’Oreal and others started selling everything from food & beverages to laundry products in the form of sachets.

Sachet marketing is nothing but efforts made by marketers to make the goods available to those who otherwise cannot afford to buy branded and costly products. It can broadly be defined as micro-selling concept that comprises small sized offerings, light product versions, services and loans in small portions. It not only makes product affordable to the target consumer, but also motivates them to adopt new product. Today many items such as Washing powder, Coconut oil, Hair oil, Shampoo, Coffee etc are available in sachets. Majority of the products which were earlier not used by the rural consumers have today become a part of their lives due to sachets and cheaper price.

Sachet signifies a revolution in marketing. It introduces the customer into a product category and makes it accessible to him. It also gives consumers more opportunity to experiment with a larger range of brands. Sachet has picked up fast in rural areas. Lower purchasing power and limited availability of cash for shopping force the rural consumers to go for small packs(with low unit price).In some cases, consumers also prefer small packs so that they can make a trial on small scale and after satisfaction go in for bulk purchases. Majority of the products which were earlier not used by rural consumers have today become a part of their lives as the rural consumers now can afford these products. So it has become the ideal tool for entering the highly price sensitive rural markets.

Firms went in for small packs in order to-

- a. Capture new market segments.
- b. Boost the sales volume.
- c. Compete through differentiation cum price oriented strategy with a small size and a low unit price.

Sachet was first introduced in India in 1990 by Cavincare by launching a 10ml sachet of velvette shampoo, at a very low price. The other companies later followed the strategy with great joy. The company also offered single use perfumes at Rs.2. Most of the FMCG Products are available in small packs from facial creams to shampoos, detergents, tea, coffee biscuits and chocolates etc.

Sachet Marketing' named after Hindustan Levers introduction of shampoo sachets in India. The Shampoo sachets were created to specifically target the 'bottom of the pyramid [BOP] market'. The products are available in smaller quantities than traditional shampoo bottles, to better suit the income and cash flow of individuals in the market. The concept allows consumers

to have access to affordable products at a small scale more suited to their levels of daily income. Round a decade ago, sachets established beyond doubt that good things come in small packages. It was a time of unprecedented growth, when shampoos became a truly mass-market phenomenon, aided by the lowering of excise duties and packs priced at an unimaginably cheap 50 paisa. Sachetisation promptly attained the status of the next big buzzword and a variety of companies pushed more products through sachets with varying degrees of success. Shampoos remain the biggest gainer in this industry . Unilever sells many millions of products in single-use sachets, particularly in developing and emerging markets. Single-use sachets make brands affordable to people on low incomes. They give people the opportunity to buy products in small quantities when they need them. They are also an efficient use of packaging, creating less waste by weight per milliliter of product sold than bottles. However, in the developing markets where sachets are most popular, infrastructure for recycling or disposal is often limited, and discarded sachets can end up in landfill or as litter.

EXAMPLES OF SOME FMCG PRODUCTS AVAILABLE IN SMALL PACKING

- **SHAMPOOS:** Brands like velvette & chick were the sachets pioneers; they gained a lot of penetration in the rural market through sachets. The low unit price of the sachets at Rs 1 and in some cases 75 paisa made it affordable. Masses of consumers could not afford to buy.80 - 100 ml bottles with a starting price of Rs 30 -45 and up, but they readily welcomed the Rs 1.50 sachet of shampoo. The contribution of the rural market in the region of 15% in the late 1980's has grown to 35 - 40%. Garnier now has products in sachets, which includes shampoos & conditioners (Rs 3 & Rs 4 respectively). The shampoo industry in India has evolved extensively since the 1960's, which was then



considered a lifestyle product in urban India. Until 2005, the market was dominated by flagship companies such as Hindustan Lever Ltd. and Procter and Gamble. But since then the competition has broadened to include many more multi-national companies and domestic companies such as Garnier and ITC Ltd. There is high capacity of growth in top and bottom ends of the industry, which is an advantage for companies since the penetration rates are comparatively low.

- **SOAPS AND DETERGENTS:** HUL has launched lifebuoy at Rs. 2 for 50 gm and Godrej has Cinthol, fairglow in 50 gm at Rs. 4-5. Mysoresandal soap is available in travel pack. India today has mini planner cum wallet, which is easy to carry aimed at modern woman. HUL plans combo sachets of shampoo and hair oil at Rs 1. It also hiked the price of its detergent bar Surf Excel (120 g) earlier known as Rin Supreme from Rs 13 to 15 and also increased some of their toilet soap brands.
- **PARLE:** Sales have gone up 250% ever since it launched the Rs 5 half - litre bottle of bailey.
- **CADBURY'S CHOCOLATES:** Small pack volumes are now outstripping the volumes of the large dairy milk bar. Perk also came in the small pack- perk slim at Rs 5 and Cadbury germs are Rs 1 for a pack of four units.
- **CADBURY'S BOURNVITA:** It is pushing the sale of bourn vita through Rs 3.50 sachet.
- **FAIR & LOVELY:** HUL's premium brand fair & lovely fairness cream came in 5 ml at Rs 3.
- **NESCAFE:** It was launched in a single serve pack at Rs 5.
- **KIT KAT:** It was launched in Rs 2 pack.



- **HORLICKS:** It was launched in a 25 gms sachet and then in 18 gms.
- **PROCTER & GAMBLE:** P&G has reduced the pack size of its flagship detergent brand 'Tide' from 1 kilo to 850 gm while maintaining the price point at Rs 62. They have also also reduced the size of its 500 gm to 480 gm at the same price.

The 5 gms Vicks vaporub tin, small size lifebuoy soap, talcum powder, detergents are a couple of other examples.

OBJECTIVES OF THE STUDY:-

- To study the various reasons that influences the rural consumers to purchase goods in small packs.
- To study the time and place of using sachet package.
- To study the satisfaction level of rural consumer regarding quantity and quality of goods purchased in sachets.

• **METHODOLOGY:-**

The study is intended to analyze the attitude of consumer towards sachet marketing of FMCG products. Mainly eight products washing powder, hair oil, shampoo, tooth paste, fairness cream , biscuits, talcum powder and mobile recharge cards are taken into account for the purpose of study.

- **SOURCES OF DATA COLLECTION -:** Data is collected from both primary & secondary sources. The data for the study, primary in nature, has been collected by using

questionnaires. Secondary data is collected from journals, newspapers, books, business magazines and websites.

- **SAMPLING DESIGN -:** The present study was carried in patiala district by selecting the respondents from four cites namely Nabha ,Rajpura ,Bhawanigarh and ,Samana. Sample of 200 customers was selected for collecting primary data. To carry out the study in a more accurate and easier way, convenience sampling was adopted.

DATA ANAYSIS AND INTERPRATION

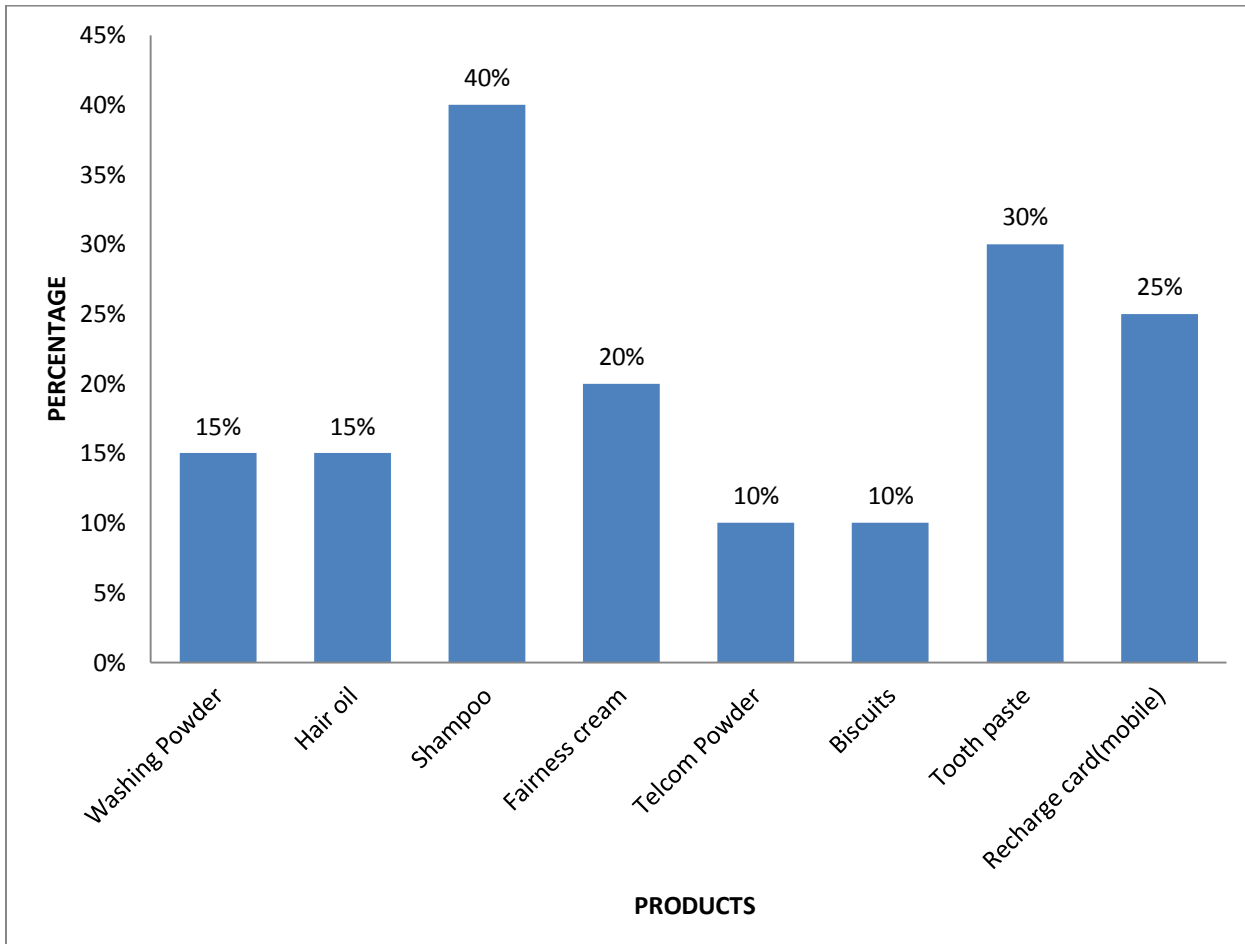
TABLE 1:-Monthly income of respondents

Monthly Income(in Rs)	Respondents(percentage)
Less than 5000	64%
5000-10000	36%
10000-20000	32%
20000-30000	34%
Above 30000	34%

It is evident from this table that the majority of (64%) respondents belongs to income group whose monthly income is less than Rs 5000. Due to their low income, they prefer to purchase items in sachets than in large packs.



TABLE 2:-The respondents were asked to tick the products given in the list, they are purchasing in sachet .The responses are as follows:



Products	Percentage of respondents
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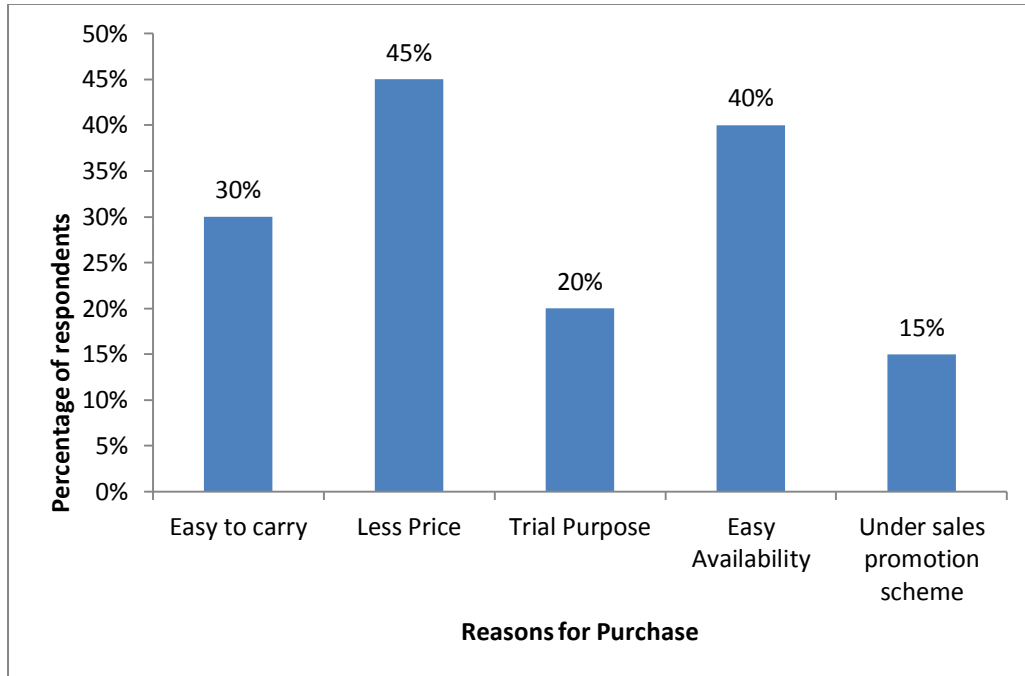


Washing Powder	35%
Hair oil	35%
Shampoo	60%
Fairness cream	40%
Talcum Powder	30%
Biscuits	10%
Tooth paste	30%
Recharge card(mobile)	25%

The respondents were asked to choose as many product categories as they purchase in small packs. So the above table shows that out of the 200 respondents, 60% respondents purchase shampoo in sachets, 10% biscuits, 30% toothpaste, and 35% washing powder and 40% fairness cream, 30% talcum powder, 35% hair oil and 25% mobile recharge card . So majority of respondents purchase shampoo in sachets followed by toothpaste and mobile recharge card.

TABLE 3: The respondents were asked to mention the reason of purchasing the products in sachet. The responses are as follows:

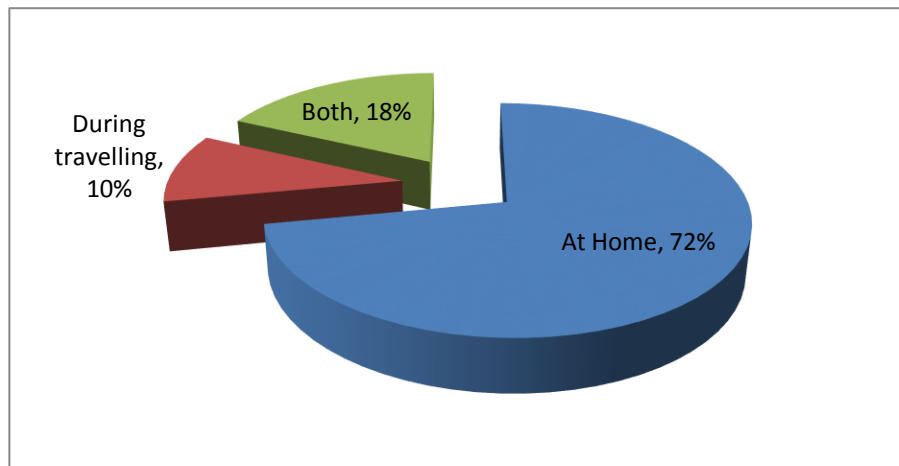
Reasons for purchase	Percentage
Easy to carry	40%
Less Price	55%
Trial Purpose	30%
Easy Availability	50%
Under sales promotion scheme	25%



The respondents were asked to mention as many reasons as they consider for purchasing the products in sachet. The above table reveals that the main reason behind sachets purchasing is less price. Out of 200 respondents, 55% said that they purchase sachets due to lesser price, 50% due to easy availability as these are easily available from any shop, 25% respondents purchase due to sales promotion schemes, 30% for trial purpose, and 40% find them easy to carry.

TABLE 4: The respondents were asked whether they use sachet only at home or during travelling or both. The responses are as follows:

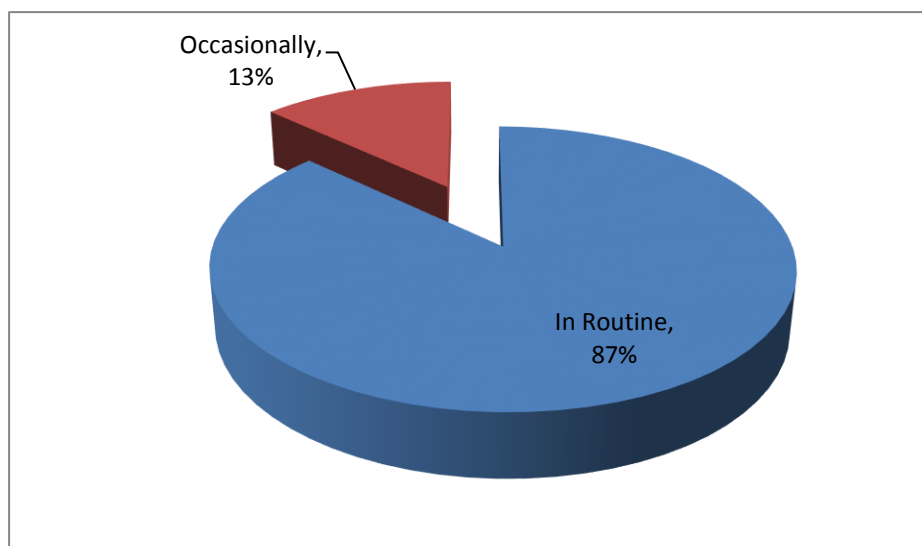
At Home	72%
During Travelling	10%
Both	18%



So it is evident that majority of respondents use sachet both at home.

TABLE 5: The respondents were asked whether they use sachet in routine or occasionally.

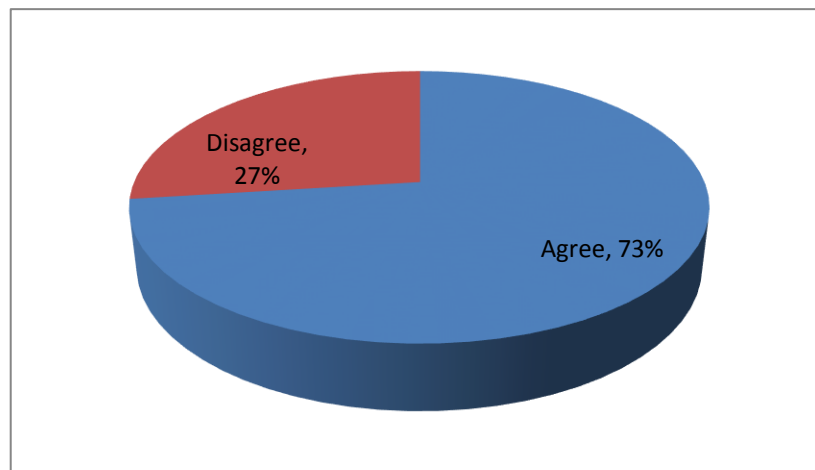
In Routine	87%
Occasionally	13%



So it is evident that majority of respondents use sachet both at home as well as during travelling.

TABLE 6:- The respondents were asked whether they agree that multiple sachet purchasing is cheaper than one time large pack purchasing or not.

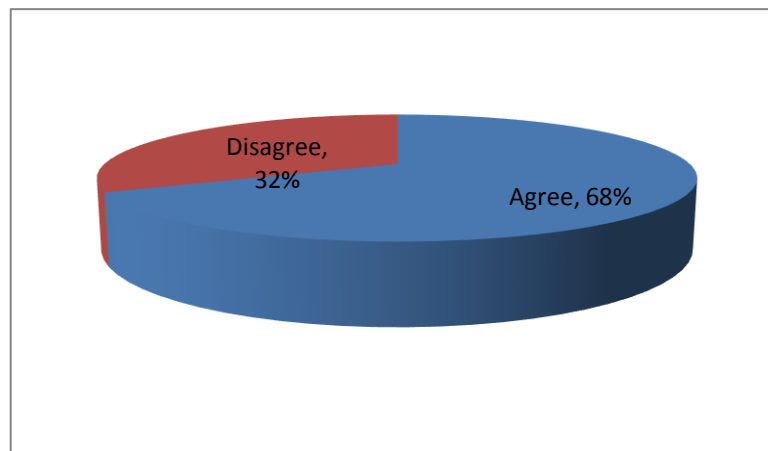
Agree	73%
Disagree	27%



The above table indicates that out of total 100 respondents, 73% respondents think that purchasing multiple sachets for a particular quantity is still cheaper than purchasing a large bottle of same quantity.

TABLE 7:- The respondents were asked whether they agree that sachet has the same quality as that of large pack or not.

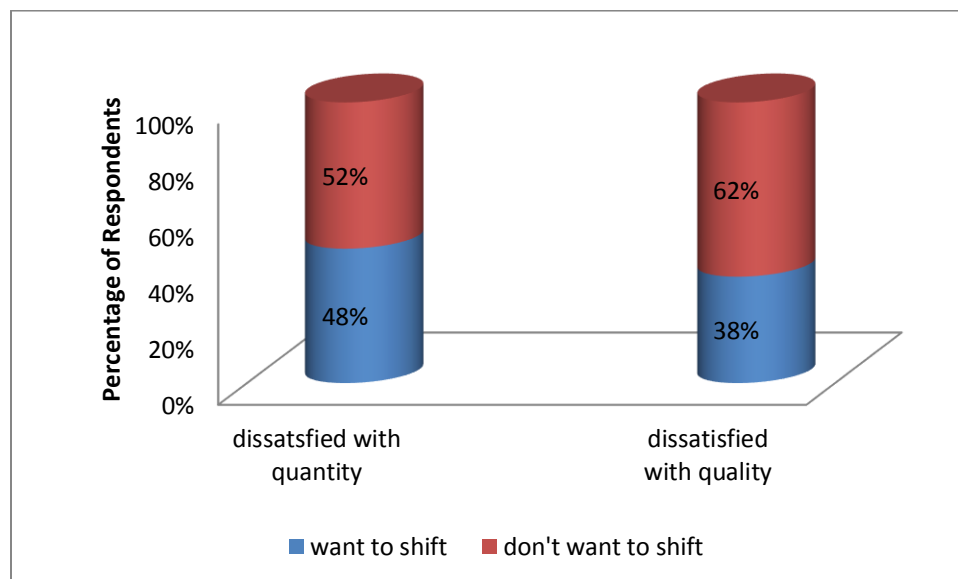
Agree	68%
Disagree	32%



It is evident that 68% agree and 32% disagree, which shows that majority of consumers agree that the quality of sachet corresponds the quality of large size pack.

TABLE 8: The respondents, who were disagreed with the quantity or quality of sachet packing, were asked whether they want to shift towards large pack purchasing or not.

	Respondents dissatisfied with quantity	Respondents dissatisfied with quality
Want to shift	48%	38%
Don't Want to shift	52%	62%



It shows that out of 27% customers who were not satisfied with the quantity of multiple sachets in comparison to quantity available in large pack, 48% want to shift

their purchasing to large size pack. On the other hand, out of 32% respondents, who are not satisfied with the quality of sachet, 38% want to shift to large size pack.

Major Findings of the Study:-

- Majority of the rural consumers are of lower income group. So they prefer these products in sachets.
- Products like shampoo, toothpaste and mobile recharge cards are mostly purchased in sachets.
- Majority of respondents think that the items in sachets are quality wise good which shows that they are satisfied with the quality of products available in sachets.
- The major reasons behind their purchase are lesser prices followed by easy availability. Also majority of respondents purchase sachet because it is easy to carry. But some persons also use these products for trial purpose. Only few consumers purchase under sales promotion schemes.
- Majority of respondents use product sachets at home in routine. Only few use small packs during travelling and also on special occasions.
- Majority of consumers think that purchasing multiple sachets is cheaper rather than purchasing one time large pack. And majority is satisfied with the quality of product available in small pack.
- Out of 27% respondents who are not satisfied with quantity available in sachet, only 48%

want to shift and out of 32% respondents who are not satisfied with the quality of product available in sachet, only 38% want to shift towards large pack purchasing. So majority of respondents want to continue their purchase of small packs.

Conclusion

So it is evident that packages are invaluable aid to decision making by the consumers. A package design itself acts as a registered brand. The rural consumers in India are price sensitive and sachets have transformed their life style. They have shifted their purchase from non branded goods to branded ones which are now available in affordable price. Companies are spending crores of rupees on attracting rural customers by designing the products and package as per their requirements. But to get more and more success in this move of making the product affordable to rural consumers, more and more sales promotion schemes for sachets should be launched. Also, the companies must ensure that the quality of product available in small pack must correspond to quality available in large pack. They should try to put more products in the consumption basket of rural consumers by practicing this move of sachet packing on other products also. So sachet marketing is useful to facilitate trials of new products and to deliver value across the market by making products more affordable and accessible. The extensive network of corner stores provides the distribution system needed to reach the farthest and remotest markets. To be successful, the brands must be popular and priced in a manner compatible with the coinage system in a market.