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AN OVERVIEW OF RURAL MARKETING AND FMCG

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MANAGEMENT IN MARKETING

ABSTRACT

The Fast Moving Consumer Goods (FMCG) sector is the key contributor of the Indian economy. This fourth largest sector of Indian economy provides employment to around 3 million people which accounts for approximately 5% of the total factory employment in the country. These products are daily consumed by each and every strata of the society irrespective of social class, income group, age group etc. FMCG sector is more lucrative because of low penetration levels, well established distribution network, low operating cost, lower per capita consumption, large consumer base and simple manufacturing processes for most of products resulting in fairly low capital investments. The industry is highly competitive due to presence of multinational companies, domestic companies and unorganized sector. A major portion of the market is captured by unorganized players selling unbranded and unpackaged products. More than 50 per cent of the total revenues of FMCG companies come from products worth Rs 10 or less. This has made the proliferation of localized brands which are offered in loose form in small towns and rural part where brand awareness is low.

INTRODUCTION

In India, there are around 6.27 lakhs towns. More than 70 for every penny of Indian customers live in these towns. From the perspective of the stream of products, in volume and esteem, buys by rural customers account for around 50 for each penny of

India's aggregate purchaser spending. In perspective of the unmistakable spatial polarity amongst rural and urban regions, marketing operations require distinctive ways to deal with the urban and rural market. Be that as it may, inquire about on rural marketing and in this manner the information of fitting marketing mediations are still in its underlying stage. With regards

to economic changes happening in India's rural fragment of the economy is changing into a money economy. Rostov likewise said about the upheaval in marketing strategies to which India is prompting to, given the push rural advancement in India 67 Along with the economic changes in rural India however rural market is developing with extraordinary potential significantly more scientific research should be done to toss all the more light on this rural marketing framework, as the current distributed materials are close to home assessments or easygoing perceptions. Additionally the progressions that happen in rural India with

Regards to more formative speculation give chances to dissecting new viewpoints in the investigation of buyers.

Buyer Behavior in Rural Areas

As of late 68 buyer India is at the point where there is a multiplicative impact of pay development, goal to devour and a changed utilization cordial belief system/social talk over the pay board, particularly in rural India. Subsequently, the purchasing conduct of rural customers has turned into an interesting issue of exchange on the grounds that rural India, lately, is eagerly devouring everything from cleanser to engine cycles

and this "rural preference" is being considered as one of critical themes of market examination. In addition, we know well that buy choices in India homes have turned into an aggregate procedure with ladies and high school youngsters assuming a noteworthy part on item and brand decisions. Basic leadership has turned into a joint procedure in the family; lady is the initiator and/or item evaluator, man the lender and youngster, an impact. Consequently, the market examiners are receiving both the "item window" approach and "customer or individuals window" approach for getting a knowledge into the structure and drivers of shopper request especially in rural India. The principal approach manages the viewpoint of "the amount of what is being purchased" and the last manages "what number of 68 Me of what sort of individuals are purchasing". The push is no what is being purchased as well as who is purchasing and investigation must be made considering both "item fragments" and "shopper portions".

FMCG Sector and Indian Rural Market

FMCG is the fourth biggest segment in the Indian Economy with an aggregate market size of Rs. 60,000 crores. FMCG area produces 5% of aggregate industrial facility work in the nation and is making work for three million individuals, particularly in residential areas and rural India. The accompanying few pages introduces a diagram about the idea of FMCG, classes of FMCGs, FMCG advertise and the execution of FMCG advertisers.

(i) Concept of FMCGs

It is bundled business items that are devoured through utilize. They incorporate pre-bundled nourishment and beverages, liquor, wellbeing and excellence things, tobacco items, paper items, family chemicals and chemicals, creature mind things, anything that we need, can purchase appropriate off the rack, and go through every day living. Not at all like purchaser durables—attire, hardware, DVDs, little apparatuses, and so forth., which last through their utilization—FMCG are genuinely economical items that we should always re-purchase keeping in mind the end goal to live. These items are expended rapidly and acquired every now and again. The 70 noteworthy players in the FMCG class in rural markets are HLL.,P&G, Dabur,

Marico. Colgate-Palmolive, Nirma, Cavinkare and Godrej.

(ii) The FMCGs: Categories

The FMCGs might be characterized under the accompanying heads. Individual Care, Oral Care, Hair Care, Skin Care, Personal Wash (cleansers); Cosmetics and toiletries, antiperspirants, scents, female cleanliness, paper items; Household mind texture wash including clothing cleansers and manufactured cleansers; family unit cleaners, for example, dish/utensil cleaners, floor cleaners, can cleaners, air fresheners, bug sprays and mosquito anti-agents, metal clean and furniture clean.

About 50 % of India's population uses tooth pastes, 27 % uses tooth powder while 23% in the rural areas are yet to use products meant for oral care. Mouth freshening washes, dental floss and teeth whitening products are at a primary stage in India. The use of these products is limited to urban areas. To increase the penetration level of oral care products, HLL and Colgate in tandem with Dental Associations have launched nationwide informative commercials on oral health and community dental health programs to inculcate hygienic practices in rural area. Industry sources

expect an increase in penetration level of oral care products to 70% from current level of around 49% because of increase in advertising campaigns and awareness. This Segment is characterized by high entry barriers, a few major players, high advertisement spending, and frequent product variant launches. The major players in this segment are: ColgatePalmolive, Hindustan Lever Ltd. and SmithKline Brachium. Some of the small Indian brands in this segment are: Anchor, Babool, Neem and Vicco. Colgate-Palmolive is the market leader in oral care segment. Colgate and I-

ILL together account for 85% of organized toothpaste market. In toothpowders market, Colgate and Dabur are the major players.

(i) FMCC Market

According to the NCAER survey, the rural market accounted for 53 per cent of the total consumption in the country in 1998-99. The estimated size of the FMCG rural market was around Rs.484 billion in 1998-99 at current prices. Another estimate by Francis Kanoi in 2002 puts the rural market size at Rs. 650 billion.

Table (1) Growth of FMCG Sector

Year	Market size(Rs. billion)at 1995-96		
	urban	rural	total
1992-93	220.4	319.9	540.3
1998-99	371.3	415.5	786.8

The rural market has grown consistently in the 1990s (except for a decline between1997-98 and 1998-99 due to low growth in agriculture and allied activities). After 1995-96, there was a boom in rural markets, Which was mainly because of increased levels of awareness and aspirations to consumer. A spatial distribution of the FMCG rural market shows that four states, namely Uttar Pradesh, Maharashtra, Andhra Pradesh and West Bengal, account for a 50 per cent share of this market.

Income class		Market size(Rs. Billion)		Expenditure per house hold		Income groups share in total market in%	
		Rural	Urban	Rural	Urban	Rural	Urban
Low	Upto 35000	39	156	4205	2639	9	32
Lower middle	35001-70000	112	180	6735	4176	26	37
Middle	70001-105000	106	75	9505	5846	25	16
Upper middle	105001-140000	78	39	13027	8158	18	8
High	140000above	97	34	15618	9381	22	7
		432	484	8759	3921	100	100

Table (2) shows the distribution of FMCG market by income

An examination of market distribution by income groups reveals that the spending by high-income households on FMCGs is 3.6 times that of the lower-income groups. But the two lowest-income groups account for 69 per cent of consumption, unlike urban where this segment accounts for 35 per cent

only. The dominance of low-income-group consumption is a clear signal that marketers need to address the bottom of the pyramid with cost-effective value-for-money products. To understand the overall FMCG market, it is important to assess the market growth scenario of specific products in rural.

The following table shows that though the rural share of most products has gone up in the 1990s, high growth was registered by

products like shampoos, toothpastes and electric bulbs.

Table 3 Percentage of Rural Share for Selected FMCGs Year Product 1992-93 1998-99

product	Year	
	1992-93	1998-99
Tooth powder	73	78
Washing cake	72	67
Tea	57	60
Toilet soap	54	58
Hair oil/cream	46	52
Tooth paste	38	47
Packaged buscit	49	44
Electric bulb	32	42
shampoo	24	33

Source: NCAER 2002

About 50 per cent of the sale of soaps, detergents and beverages, 37 per cent of personal products (shampoo, toothpaste and skin cream) and 12 per cent of food products comes from the rural market. Despite the high rural share of these products, penetration remains low. This shows that

products like shampoos, toothpastes, electric bulbs and packaged biscuits offer the opportunity to grow further in the coming years. A study conducted by A.C. Nielsen Retail audit, (MAT, July 2004) found the top five popular consumables in the rural and urban market ranked based on the

highest per capita sale. According to the study, toilet soap ranks number one in both rural and urban market. The other four products in rural markets are, washing powder, packaged tea, biscuits, and detergent cakes. Whereas, the ranking is different in urban market, with biscuits

taking the second position, washing powder, packaged tea and detergent cakes occupying third, fourth and fifth position respectively. According to A.O Nielsen ,Retail Audit (MAT July 2004) for packaged atta, perfume/deodorant and shampoo, the growth rate in rural market exceeds 20 per cent.

Table shows the per capita consumption of key product categories in urban and rural markets for the period 2002 – 2003

Product category	Urban	rural	total
Hair oil	211	47	93
Toilet soap	887	266	439
Tooth powder	51	15	25
Tooth paste	191	32	76
Washing powder	2523	872	1331
Detergent cake	2138	641	1057

Source: ORG for the period 2002-03

The fact that 70 per cent of the population accounts for only 50 per cent of even relatively well-penetrated categories such as soaps and detergents indicates the enormous scope for consumption-led growth in these categories. For example, only four out of

seven baths in rural India are taken with soap. As a result, per capita consumption of soap in rural India is just about one-third that of urban consumption. Such categories will drive growth through increased frequency of usage. In categories that are

relatively less penetrated (several personal-care products), rural India offers an even bigger growth opportunity through greater penetration and then consumption. Only 'three out of ten' consumers in rural markets

The Impulse of FMCG Sector to go Rural

(i) Large Population Two-thirds of India's consumers lie in rural areas. The rural areas continue to be the place of living for a vast majority of Indian's. This indicates that there is a huge prospective consumer base in rural india.The rural Indian population is large and its growth rate is also high. Over 70% of India's one billion plus population lives in and around 627,000 villages in rural areas. This shows the great potentiality rural India has to bring the much needed volumes and help the FMCG companies to bank on the volume driven growth.Rising Rural Prosperity India is now seeing a dramatic shift towards prosperity in rural households. To drive home the potential of rural India, just consider some of these impressive facts about the rural sector. As per the National Council for Applied Economic Research (NCAER) Study, there areas many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income'

use-shampoo or skincare products. Growth in such categories will emerge only when more consumers purchase these products and continue to use them regularly.

households in rural areas as in the urban areas.

(iii) Market Growth the Rural market has been growing at 3-4 per cent per annum adding more than one million new consumers every year and now accounts for close to 50 per cent of volume of consumption of FMCGs in India. Research organizations like NCAER, ORGMARG have made substantial studies which show that rural markets are growing at five times the rate of 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 below indicates the projected market size of FMCG products in 2001 - 02 and 2006— 07 based on the annual growth rates compounded for 1994 - 99 period, along these lines offering huge potential for development. Economic development in India's agrarian area a year ago was more than 7 for every penny contrasted and 3 for every penny in the modern part. More development means more salary, and more pay means all the

more spending force for the rural buyer and consequently more deals. There has been a sensational change in rural wages and rural spending power. Progressive great rainstorm has prompted to emotional lift in harvest yields. Impose exception on rural wage too has been in charge of this improved rural acquiring power.

(iv) Market Growth the Rural market has been developing at 3-4 for every penny for each annum including more than one million new purchasers consistently and now represents near 50 for every penny of volume of utilization of FMCGs in India. Look into associations like NCAER, ORGMARG have made significant reviews which demonstrate that rural markets are developing at five circumstances the rate of urban markets. In item classes like cancleansers, baby powder, cooking oil, vanaspati ghee, tea, cigarettes and hair oil, the share of rural market is over half. The table beneath shows the anticipated market size of FMCG items in 2001 - 02 and 2006—07 in view of the yearly development rates aggravated for 1994 - 99 period.

Table for Rural Market Growth Rate for Selected FMCGs

Category	Growth %	2001 - 02		2006 - Projected		Rural Market Share
		Total	Rural Share	Total	Rural Share	
Toilet Soap	13.4	9645	6021	18086	11291	62.4
Talcum Powder	23.65	1445	793	4237	2292	54.1
Tooth Paste	23.5	3195	1441	9376	4140	45.1
Cooking Oil	7.63	4549	2846	6648	4108	62.6
Tea	10.97	8009	4955	13495	8337	61.9
Health Beverage	28.54	60	5398	2110	839.8	39.8
Electric Bulb	9.4	354	1371	555	38.4	31.7
Electric Tube	10.15	74	308	121	46.8	38.7
Cigarette	13.09	9784	6422	18026	11879	65.6
Biscuit	6.79	2862	1323	4014	1837	46.2
Hair Oil/Cream	30.85	300	179	1159	689	59.7

The evaluated yearly business from rural markets is for Rs 1,23,000 crore, containing Rs 65,000 crore of FMCG, Rs 5,000 crore of durables, Rs 45,000 crore of agrarian sources of info including tractors and Rs 8,000 crore of bikes and four wheelers. In this manner we need to take a gander at the rural market genuinely for future extension.

(i) Huge Market Potential FMCGs have accomplished just 62 for every penny showcase

entrance while durables, notwithstanding TVs and radio, are yet to achieve 25 for each penny infiltration in rural India. This demonstrates there is a gigantic potential in the rural market. Table 3.9 demonstrates the infiltration of chose FMCGs in rural family units on appear differently in relation to urban amid the year 1998-99

FMCG Products: Penetration Rates (Purchasing Per '000 Households) 1998-1999

Purchasing HI-I per '000 households

Products	Urban	Rural
Toilet soap	998	992
Washing cake	980	950
Cooking oil	968	952
Hair oil/cream	897	787
Tea	876	758
Toothpaste	822	449
Washing powder	819	576
Electric bulb	723	394
Shampoo	663	352
Packaged biscuit	579	314
Health beverage	324	67
Source: NCAER. Indian Market Demographics 2002		

It is construed from the table that there is very little contrast in the entrance rate of consumables amongst urban and rural market with the exception of few. For wellbeing drink, cleanser and electric globule the entrance rate in rural market is generally low. Advertisers can make utilization of this chance to tap the market.

(iii) Impact of Globalization

The effect of globalization will be felt in rural India as much as in urban. Be that as it may, it will be moderate. It will have its effect on target bunches like ranchers, youth and ladies. Ranchers today 'stay in contact' with the most recent data and amplify both finishes. Creature bolster makers no longer take a gander at Andhra Pradesh or Karnataka. They keep their PDAs continually associated with worldwide markets. Without a doubt, value developments and items' accessibility in the worldwide commercial center appear to

Objective

There are following objectives of the project:-

- To determine about the rural consumers preference towards FMCG products.

drive their neighborhood business techniques. On youth its effect is on learning and data and keeping in mind that on ladies despite everything it relies on upon the financial viewpoint. The advertisers who comprehend the rural purchaser and tweak their methodology are certain to receive rewards in the coming years. Truth be told, the authority in any item or administration is connected to initiative in the rural India with the exception of few way of life based items, which rely on upon urban India for the most part

RESEARCH METHODOLOGY

In rural areas more than 75% of the population engaged in agriculture. They also required products and services for consuming similar to urban areas. Because it effectsabig opportunity to all the product and service providing companies to cover-up all persons living under rural areas.

To know about the recent demand of FMCG products in rural area

Research Methodology Data Collection

To determine the number of respondents that will be asked to participate and give information regarding the study convenience sampling will be used. Convenience

sampling means to collect or interview individuals who actually experience the phenomenon. Convenience sampling will focus on individuals who covers under rural areas.

Primary and secondary sources of data would be used for the study. Surveys will be the primary method of data collection. Internet survey would be the primary source of data. Internet surveys have been both hyped for their capabilities and criticized for the security issues it brings. Internet surveys would also require less time for the researchers and the respondents. Secondary source of data would involve the use of books and journals.

Limitation of study

The research design chosen is both exploratory and conclusive in nature. In spite of all the positive measure, the

Present study has some limitation. This study is restricted

What Rural India Buys?

- Products more often (mostly weekly).
- Buys small packs, low unit price more important than economy.

- Many brands are building strong rural presence without much advertising support, like shampoos, detergent, talcum powder and beauty cream, etc.
- Fewer brand choices in rural areas; number of FMCG brands in rural areas is half of urban area.

Buys value for money, not cheap products.

Increasing Income

Different programs undertaken have helped to improve the economic the economic situation of the rural areas. The increase in income is seen in both absolute values as well as in the increase in average number of days of occupation in a year.

Competition in Urban Areas

The urban market is getting saturated and thus is enable to provide the much needed market to many companies and in search of greener pastures many of these companies are now targeting the rural market.

Accessibility Markets

Though the road network has not developed to the best possible extent but a fire amount of development has been made in many

regions, making these regions accessible from the urban region and making it easier for supplying products to these regions.

Challenges in Rural Marketing

Without a doubt there are attractions in focusing on rural market. Meanwhile some hazy areas are likewise there in focusing on this mass. A portion of the challenges are introduced beneath.

(i) **Large and Scattered Market** The rural market of India is substantial and scattered as in it comprises of around 700 million rural buyers who are spread over roughly six hundred thousand towns.

(ii) **Geographical Variations** The rural market is not a homogeneous one. Varieties in economic improvement and socio social foundations impact purchaser eagerness to acknowledge developments and items in various territories. For instance the proficiency rate in rural south India is considerably higher than in the rural north. The rural shoppers in the south are more brand cognizant and accomplished thus they would incline toward an all the more innovative and marked item when contrasted with their northern partners.

(iii) **Major pay from farming** Nearly 60 for every penny of the rural pay is from agribusiness. Subsequently, rural thriving is tied with farming success.

(iv) **Low expectation for everyday comforts** More than 70 for each penny of the rural populace are utilized in little scale agrarian and related occupations. This high reliance on horticulture and characteristic element has prompt to an intense regularity and high possibility component in their wage receipts. Furthermore, low proficiency, social backwardness, low reserve funds, and so on have added to a lower expectation for everyday life.

(v) **Traditional Outlook** The rural customer values old traditions and convention. They are impervious to change. Rural customers have an arrangement of states of mind; which impact their buys. For them usefulness is more essential than style and mold, the contrast between brands of neighborhood producers and corporate brands is not deserving of their thought.

(vi) **Infrastructure offices** The infrastructural offices like streets, distribution centers, correspondence framework, money related offices are deficient in rural regions. About 50 for each

penny of the towns in the nation are not associated by streets by any stretch of the imagination. Henceforth physical appropriation is an obstruction because of insufficient framework offices.

(vii) Perception and its impact In rural markets hues are translated in an unexpected way, so are sizes and shapes. For instance, the shading yellow shows flourishing in the characteristic of affliction and sickness (jaundice). The lower education levels in the rural markets builds the significance of perceptual impact. It is accounted for that Govinda7 " - the Hindi cine performing artist stands out crosswise over rural market since his minds and figures of speech are more non-metro and the rural group relates to him. Rural markets, as a major aspect of any economy, have undiscovered potential. There are a few challenges defying the push to completely investigate rural markets. The idea of rural markets in India is still fit as a fiddle, and the segment represents an assortment of difficulties. Dissemination costs and non accessibility of retail outlets are real issues confronted by the advertisers. The one of a kind utilization examples, tastes, and needs of the rural customers ought to be broke down at the item arranging stage with the goal that they coordinate the requirements of the rural

individuals. Along these lines taking a gander at the difficulties and the open doors which rural markets offer to the advertisers one might say that what's to come is exceptionally encouraging for the individuals who can comprehend the elements of rural markets and adventure them further bolstering their best good fortune.

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