

A STUDY ON RETAIL FMCG MARKETING IN RURAL INDIA

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Abstract

Rural marketing is a vast and developing area and when it comes to exploring rural market, it has a great future possibility to expand the market. FMCG sector in India is the fourth largest in the economy & none of the FMCG companies would like to miss this opportunity, it gives an immense growth possibilities. Characteristics like low income, illiteracy, heterogeneity, scattered population are making it a bit unattractive but still it has a huge scope of penetration as government are now launching various schemes to uplift the rural India to get them pace with the current scenario of technological advancement. FMCG companies are also adopting various marketing strategies and approaches to penetrate in to rural market and have win-win situation. This paper tries to understand what rural market are? Its origin, characteristics, contribution to economy, challenges and future prospects.

Key words : Rural market, FMCG, retail, marketing.

Rural marketing has become the most fashionable subject today for the corporate firms in the recent times as urban markets are saturated & also because of the fact that rural incomes are increasing. The rural market of India started showing its potential in the 1960s. Before 1960 rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to agricultural marketing. Agricultural produces like food grains and industrial inputs like cotton, oil seeds, sugarcane etc. occupied the central place of discussion during this period. During 1960 to 1990 green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centers. As a result, the demand for agricultural inputs went up especially in terms of wheat and paddies. Two separate areas of activities had emerged- during this period "marketing of agricultural inputs" and the conventional "Agricultural Marketing". During this period, the marketing of rural products received considerable attention in the general marketing frame work. After Mid 1990s the products which were not given attention so far during the two earlier phases were that of marketing of household consumables and durables to the rural markets due to obvious reasons. The economic conditions of the country were as such that the rural people were not in a position to buy these kinds of products. Secondly, our market was in a close shape and we never allowed companies (foreign) to operate in Indian market. But we lifted the ban and opened up economy, consequently companies started flourishing in India. The economic reforms further accelerated the process by introducing competition in the markets. Steadily, the rural market has grown for household consumables and durables. 70% of India's population lives in rural areas so it would appear to be India's consumers. Profitable farming & better marketing in some states have made villagers a potential consumer for consumer durable & FMCG (fast moving consumable goods).

Rural market : "Rural marketing can be seen as a two-way marketing process". There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.

FMCG sector : The fast-moving consumer goods (FMCG) sector is an important contributor to India's GDP and it is the fourth largest sector of the Indian economy. Products in this category are meant for frequent consumption and they usually yield a high return. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and it extends to certain electronic goods. The Indian FMCG sector, which is the fourth biggest sector in the Indian economy, has a market size of '2 trillion with rural India contributing to one third of the sector's revenues.

Distinction between rural and urban marketing : The market is a place where consumers and vendors exchange things. It is a place where consumers and vendors exchange products for some value in return such as capital. So the Market is similar all over the place. But the dissimilarity is in the consumer behavior. There will be different consumers in every market. This is because of different aspects which influence them. So the same way there is dissimilarity between rural and urban market. The aspects are so many to define. There is a difference in all the marketing variables. That is where the majority of the companies approach with different marketing strategies to rural market. The strategies are different from the urban to rural market. The companies which have understood the fact of rural market have succeeded in the market. Two social thinkers Sorokin and Zimmerman set variables that distinguish rural and urban market :

S.No.	Variable	Rural culture	Urban culture
1	Culture	Is stiff, traditional in approach and custom bound. Society is guided by age old customs. No systematic outlook.	Free from conventional outlook. Progressive and systematic approach.
2	Social view	Family controls the people	Economy controls the society.
3	Occupation	Rural public depend on natural world for their work. Jobs are traditional and custom oriented.	Rely on man-made conditions. Modern and outcome oriented. Families choose jobs as per their capacities.
4	Specialization	No specialty. All jobs are done by one man. There is no separation of labour.	Urban culture is full of specialties. Dependence on others and there is separation of labour.
5	Mobility in Society	Social mobility is nil. People do not change their job, place, religion or political ideas.	In urban culture, any or all can change. There is social mobility.
6	Social Change	Change occurs as slow pace. No or little competition in rural society and hence no or little changes.	Changes quickly. Large competition and hence social changes take place.
7	Social Stratification	Society is divided on traditional system.	Divided on the basis of economic social, political status or educational factors.
8	Position of women	No independent financial status.	Most women have independent financial status.
9	Population.	Low density. Village consists of small population.	Tightly populated and large numbers stay closely.
10	Size of society.	Small with one main occupation agriculture.	Generally large and many with occupations of different categories.

CHARACTERISTIC OF RURAL MARKETING

Population : 833.5 million people lives in rural areas as per Census 2011, which was more than two-third of the total population while 377.1 million people lives in urban areas. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

Higher purchasing capacity : Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

Market growth : The rural market is growing steadily over the years. Demand for traditional products such as bicycles, and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines have also grown over the years.

Development of infrastructure : There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

Low standard of living : A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

Traditional outlook : The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

Marketing mix : The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

CONTRIBUTION OF RURAL MARKETING TOWARDS ECONOMY :

Growth in rural market omen well for the FMCG sector. The rural market is currently worth approximately USD 9 billion in consumer spending in the FMCG space annually. Rural India accounts for 700 million consumers or 70% of the country's population, accounting for one -third of the total FMCG market. According to a report by Nielsen, the Indian rural market is tipped to grow more than ten-fold to USD 100 billion by 2025, presenting a huge opportunity for leading FMCG brands. One of the key drivers of the rural FMCG market has been the unprecedented growth of smaller packaging options. Lower priced packs have improved accessibility and increased the pace of penetration of FMCG products in rural areas. The Indian FMCG industry represents nearly 2.5% of the country's GDP. The industry has tripled in size in past 10 years driven by rising income levels, increasing urbanization, strong rural demand and favorable demographic trends. The sector accounted for 1.9% of the nation's total FDI. The rural market may seems to be more lucrative but it is not without its basic problems like Low per capita disposable incomes which is exactly half of the urban disposable income, daily wage earners, dependency on monsoon. However, the rural consumer is not unlike his urban counterpart in many ways. The more daring MNCs are meeting the consequent challenges of availability, affordability, acceptability and awareness (the so-called 4 As)

- Availability
- Affordability
- Acceptability
- Awareness

Opportunity of Retail FMCG Marketing :

One of the key factors for the growth of the rural FMCG market has been the exceptional growth of smaller packaging options. Lower priced packs have improved accessibility and increased the rate of penetration of FMCG products in rural areas.

The purchasing power in rural India has increased in comparison of urban as non-farm incomes improve, enforcing consumer spending on FMCG products.

literacy levels, higher government spending on welfare programs, growing support to agricultural sector, which is the major occupation of rural India and better infrastructure and DTH and mobile connections have also acted as a catalyst in bolstering rural demand for FMCG products.

Several measures taken by the government to support the rural population including higher minimum support prices (MSPs), loan waivers, and disbursements through the National Rural Employment Guarantee Act (NREGA) programme have bolstered the purchasing power of this segment

Goods and Service Tax (GST) which will replace the multiple indirect taxes levied on FMCG sector with a uniform, simplified and single-pint taxation system, is likely to be implemented soon (the benefits are likely to come in by the end of FY'14). The rate of GST on services is likely to be 16% and on goods is proposed to be 20%. A swift move to the proposed GST may reduce prices, bolstering consumption for FMCG products.

FDI in retail : The decision to allow 51% FDI in multi brand retail and 100% FDI in single brand retail augers well for the outlook for the FMCG sector. The move is expected to bolster employment, and supply chains, apart from providing high visibility for FMCG brands in organized retail markets, bolstering consumer spending, and encouraging more product launches.

Foreign firms have increased their exposure in the FMCG. The reason is quite simple. Irrespective of how the economy is performing, the demand for consumer goods, daily necessities like food and toothpastes, remains stable. During difficult times, people will reduce spending on discretionary items such as cars and air-conditioners but continue to buy basic essentials.

Problems and challenges of rural marketing : Rural market reveals opportunities and a great appeal to the marketers but it is not so simple to enter this market in a smooth way. There are various challenges in this market and every marketer has to work hard to face these challenges successfully. Some challenges faced by marketers in rural market are : Scattered and vast market, Seasonal and irregular demand, Lack of aspiration for new modern life style, High inventory cost, Inadequate marketing support, Inadequate communication facility, Lack of planning, Immature consumer, High pricing of product

Recommendations

Advertisements through media like radio and press.

Distribution channels should be effective.

Product awareness must be increased among the peoples.

Profit margin percentage of the product for the retailers should be increased.

A variation in the kind of media mix that is used to express the messages to the rural customers. It needs to use different models and means to reach them as what appeals to the urban customer may not appeal to the rural due to varying lifestyles. The communication and the plan of it are also different as what attracts one need not attract the other as well.

Infrastructure like- road, electricity facility needs to be improved because most of the MNC's tap the rural market due to such difficulties.

Conclusion : Rural India offers wonderful opportunity for MNC's to tap. Looking at the challenge and the opportunity, which rural markets offer to the marketers, it can be said that the future is very promising. Various factors which need considerations are customer's demands, proper distribution channel, pricing of product and effective marketing strategies. Thus, A essential change in approach of marketers towards the exciting and growing rural markets is called for, so they can successfully make an impression on millions of rural consumers in rural India.

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