

## THE CHANGING FACE OF FMCG MARKETING IN RURAL SECTOR

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### **Abstract**

*The Indian rural market with its vast size and demand base offers a huge opportunity that companies cannot afford to ignore. We are a country with 1.12 billion people of which 70% live in rural areas which means more than 700 million people spread around 6,27,000 villages. India's rural population comprises of 12% of the world's population presenting a huge, untapped market. This paper critically examined the current status of Indian rural marketing in present economic scenario. It analysed the problems prevail in the rural marketing. It does quest the opportunities, rural marketing strategies, problems along with challenges exists in rural marketing.*

*Due to the media explosion and increasing literacy levels, people in rural areas are becoming conscious about their lifestyles and demanding a better life. With increasing disposable incomes, the rural consumer has become more demanding & choosier in his purchase behaviour than ever before. Brand consciousness is on the rise and marketers have realized this. As urban markets are getting saturated for consumer goods, marketing executives are fanning out and discovering the strengths of large rural markets.*

**Keywords:** *Rural Market, Rural Marketing Strategies, Challenges.*

### **Introduction**

India is an agro-based economy and the growth of most of the other sectors of economy is driven by rural demand. Urban market is reaching towards the saturation point, thus bringing in an urgent need to focus on rural development. Moreover, more than 70% of India's population lives in villages and constitutes a big market for industry because of increasing disposal incomes and awareness level.

In comparison to just 5,161 towns in India there are 6, 38,365 villages in India. This in itself is an indicator where the real India resides. Companies are realizing slowly but surely that the key to gain true market leadership lies in tapping the rural potential.

Several market experts have called rural India the future of Indian business and the corporate world's efforts to reach this big but fragmented market have opened the gates of various opportunities for both the urban and rural masses.

Agriculture is no longer a poor man's profession. Factors like globalisation and liberalisation have also stimulated the pace of transformation, often to composite levels. Even in the present context, the agricultural sector hires more than 65 per cent of the national workforce and lends a handsome 23 per cent to the GDP.

### **Changing Myths of Rural India**

FMCG (Fast Moving Consumer Goods) marketing is no more going to be the same again! The changing consumer mindset thanks to more knowledgeable and discerning customers coupled with changing competition and saturated market is giving a tough time to the FMCG marketers. The changed scenario not only demands a new game plan with a sharp and decisive strategy but also a lot of creativity and insight. Some of the players in Indian FMCG industry have already taken a lead and are smartly moving to chart a success story for their brands. Some brands that reaped magnificent dividend from adopting a new strategy are *Fairever, Ujala, Ghadi* detergent, *Chik*, and *Dandi namak*.

### **Growth in Rural is Slow**

A FICCI survey indicated that consumer durables would see 12 per cent growth in 2008. The rural market is growing faster than the urban market. The rural market, which accounts for nearly 70 per

cent of the total number of households, saw 25 per cent annual growth while the urban consumer durables market grew at 7 to 10 per cent...Seventy per cent of India's population, 56 per cent of its income, 64 per cent of its expenditure and 33 per cent of its savings come from rural India. It is time we did better than just 'assume' what these people desire, detest, appreciate and expect.

### **Rural India is all about Agriculture**

First, agriculture's contribution to India's GDP has steadily come down to just 17.5 per cent. Further, almost half of the rural Indian economy is non-agriculture-based and a third of the households — around 50 million — are engaged in non-agricultural activities — people working in manufacturing, or as traders, shopkeepers, providing services such as electricity generation, construction, mining and quarrying, transportation and haulage. About 40 per cent of rural households are landless. Half of the remaining 60 per cent are marginal farmers (owning less than 2 hectares of land). Large farmers, owning more than 10 acres of land, form a tiny 4 per cent of the rural population. In 2007, by NCAER estimates, the split was about 40:60 — 41 per cent being farm income!

### **Lack Purchasing Power**

According to NSSO report no. 527, there was little difference between rural and urban households in the share of the budget allocated to fuel and light (10 per cent for rural, 9 per cent for urban) and clothing, including bedding and footwear (7 per cent for rural, 6 per cent for urban). While in 1998-99 over 83 per cent of rural households fell in the lower and lower-middle classes, the number has fallen to 70 per cent in 2006-07; the comparative fall for urban India is from 53 per cent to 27 per cent (NCAER data). And if experts are to be believed, the number is set to fall at a rapid rate over the next 20 years...

### **Low Disposable Income**

Number of middle class HHs (annual income Rs. 45,000 - 2, 15,000) for rural sector is 27.4 million as compared to the figure of 29.5 million for urban sector. Rural incomes CAGR was 10.95% compared to 10.74% in urban between 1970-71 and 1993-94.

### **Price-Inelastic and only Suited For 'Value-For Money' Products**

Despite lower incidence of premium product purchases, the rural consumers across all income segments exhibit marked propensity to spend on premium high quality products which are backed by strong brand values, where they correspond to their own aspirations and quality needs. The problem really lies in market not being able to offer a premium product in the specific context of rural demand.

In the year 2005, the FMCG Market in India was growing at a rapid rate of 5.3 percent. The value of the industry stood at Rs. 48,000-crore in the same year.

### **Growth Drivers of the FMCG Sectors in Rural India**

#### **Higher Incomes**

Per-capita income in the country expanded at a CAGR of 12.5 % over 2001-11. Strong income growth is set to continue in future as well: IMF forecasts point to a CAGR of 8.8 per cent over 2012-17 to USD 2,428.5. An important consequence of rising income is growing appetite for premium products, primarily in the urban segment.

#### **Government Initiatives for Rural Development**

The Indian govt has been supporting the rural population with higher MSPs, loan waivers, and disbursements through the NREGA programme. These measures have helped in reducing poverty in rural India and have thus propped up rural purchasing power.

### **Distribution Networks**

The Indian FMCG market also has a well-defined and established distribution network that makes products available even in the most urban areas of the country.

Over the last few years companies like Dabur, HUL and ITC have managed to change the face of the FMCG industry in Rural India by using cutting edge technology in production and a very strong distribution channel. Companies like Colgate Palmolive and Britannia have also managed to penetrate into the urban areas of the country.

### **Awareness and Access**

Growing awareness, easier access, and changing lifestyles of rural areas has meant growing consumer spending in modern retail stores.

Spending at modern retail stores in India shot up by 31 % in 2011 compared to the previous year.

Modern retail spending is expected to shoot up to USD 5 billion in 2015 from USD 1.8 billion in 2011.

### **FDI Inflow**

The sector has been witnessing healthy FDI inflows over the years; in fact during 2001-13, FMCG accounted for 1.9 % of total inflows. Within FMCG, food processing was the largest recipient; it's share was 46.8%.

**Top FMCG Companies** in India of the top FMCG Companies in India Hindustan Unilever Ltd. Nestlé India Cadbury India ITC (Indian Tobacco Company) Asian Paints (India) Procter & Gamble Hygiene and Health Care AMUL Dabur India Britannia Industries Marico Industries.

### **Challenges**

It's there all right. But consumer goods makers who have hit the dust roads out of the cities are finding rural buyers a bundle of contradictions and paradoxes. Some beginnings have been made, but experts say they are too skewed and superficial to be consistent. At the moment. There's only ITC and HLL's e-choupal and Project Shakti, respectively, and there seems to be some enthusiasm about them at the moment.

But the problems are larger that stem from the under-developed markets. The awareness of rural consumer about products is obviously lesser than the urban markets and therefore, more purchasing power is not enough. Also, urban and semi-urban-based salesmen are not able to tap the full potential in the villages.

"We have strongly suggested that marketers select and employ educated unemployed from villages and venture into wider areas" said Piruz Kambhatta, CMD of Rasna .

Along with soaps, detergents and toothpaste, ITC's e-choupal sagar sells almost everything — TVs, DVD players, pressure cookers, room heaters, watches, sewing machines and grinders.

And, of course, cigarettes. Farmers can also buy motorbikes, or even tractors. ITC has launched its own rural range of clothing and shoes too — trousers at Rs 166 a pair tailored for the village folk. ITC officials claim that the mall is doing brisk business.

There's also a question of population shifts and tough competition from local brands in the rural market, which baffles the urban-based marketing people. Rural consumers are far less homogeneous than their urban counterparts and differ from region to region. The Indian rural market of India consists of about 80% of the population of the country.

Apparently in terms of the number of people, the Indian rural market is almost twice as large as the entire US market or Russia. This market is large, but scattered and diverse. It exhibits linguistic,

regional and cultural diversities and economic disparities, and hence, it can easily be considered as being more complex than the market of a continent as a whole.

The prices of rural marketing pose many problems due to the vastness of the country and a high potential for providing an effective marketing system. Another myth is that purchasing power is low. He said that at 15.6m 'middle class' households, the rural areas compared well with 16.4m urban households.

For the same income level, disposable surplus in villages is much higher than in urban India, he said. Companies have begun offering urban-like shopping experience at venues where rural business transactions are undertaken.

But rural consumers are more value-conscious than the urban consumer and market watchers are wondering whether marketers can retain the interest once the novelty runs out. As a long-term measure, these initiatives will bear fruit, but experts say there's no concerted effort by other companies to make inroads.

Rural at the moment is still the semi-urban markets. Auto makers indicate that bikes and cars are not impulse products but 'considered' products. Besides most manufacturers, over the last few years have penetrated into most of the rural markets.

Says RL Ravichandran, CEO of Eicher, "Malls like e-choupal will increase awareness, but not lead to actual sales. Manufacturers are trying to rope in finance companies into malls as more than 70% of the goods bought in the rural markets are financed."

The greatest challenge for managers is to visualize an active market when what exists is abject poverty. These successful brands are just doing that- focusing on untapped markets. Take the example of Dandi namak. Who would have advised them to enter the branded salt market when Tata and HLL virtually share the whole market among them? But they entered this category when conventional wisdom said no. And they became a success story overnight. They entered the market not to compete with Tata and HLL, but with the focus to take branded salt to rural and semi-urban areas. With this narrow focus, they not only captured a large rural and semi-urban market but also got some share of the urban market due to rub off effect.

Moreover, these small players fully realize that in today's world, marketing needs money. So they don't shy away from investing in marketing. Again take the example of Dandi namak. They splashed out money on their lengthy TV commercials to ensure that the message gets ingrained in the mind of the prospect. Fairever and Ujala adopted the same strategy. Of course they don't spend as much as the MNCs do but they do spend enough to get attraction.

One of the important aspects of the strategy being adopted is effective communication about product. Take the case of Dandi namak. The TV advertisement was bland and uninteresting. However, without any glitz, it was able to connect to its target customers because it talked in the language of its target customers. These brands send a powerful message to their target customers that they are made for each other.

## **Conclusion**

The core of a scientific approach is to understand the market opportunities for rural products along with the country's development priorities and to chalk out a strategy where rural industries have an important role to play. While rural products are forced to increasingly become part of global supply chains, these products need to adapt themselves, not only according to the changing tastes of the national market, but also according to changes in tastes in the international market. Therefore, a process is essential to explore the market linkages and capacity building for SHGs through a bottom up approach and continuous dialogue with stakeholders of rural enterprise. This process should

ensure the participation of rural people as consumers and producers in the globalization mechanism, with better livelihoods and global access to markets. The real challenge of building a sustainable market linkage starts here.

Currently the FMCG Market in India is one of the biggest and is growing at a rapid rate of almost 60 per cent. Despite the economic downturn the FMCG Market in India currently stands at Rs.85,000 crore. The phenomenal growth of the FMCG industry especially in the tier II and tier III cities in India is mostly due to the improvement in the standard of living of the people of such cities and the rise in the level of disposable income.

The FMCG sector in India happens to be the fourth largest in the world. According to experts this industry will reach US\$ 33.4 billion by 2015. Both the organized and the unorganized sectors are largely responsible for the success of the Indian FMCG industry.

Thus, looking at the challenges and the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers spread over approximately six hundred thousand villages in rural India

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