

THE FACTORS INFLUENCING RURAL CONSUMERS WITH SPECIAL REFERENCE TO FMCG SECTOR

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ABSTRACT:

The Indian market is a mix of growing incomes and aspirations of around 850 million consumers who inhabit 650,000 villages in the country. The rising double income consumers and the growing life styles of the customers are new significant attraction to this FMCG sector. There is a lot of market for FMCG sector here in the rural market. There are more than middle income households in the rural areas as compared to the urban. Consumption patterns in rural areas are also gradually mirroring those of their urban counterparts. Due to this changing trend and the size of the market, the hinterlands provide massive investment opportunity for private players. This made the FMCG sector proliferate into the rural market and has been successful in selling products to the middle and low income consumers. This paper observes the changing dynamics in the FMCG sector through the late 20th century, which forced the FMCG majors to revamp their product, marketing, distribution formats to meet the changing customer requirements or preferences. In the light of this, the study discusses some innovative customer-centric initiatives taken by companies It finally explores future threats and opportunities for the retailing and FMCG industry in India.

Keywords: FMCG industry in India, Changing customer requirements, Changing demographics, rural market in India

OBJECTIVES OF THE STUDY:

- The main objective is to identify the factors influencing the purchase of FMCG by rural consumers in India.
- To assess the potential of the Indian rural market.
- To gain an understanding of the changing Indian rural consumer and rural market.
- To determine the major challenges and Opportunities the Indian rural market.
- To analyze the SWOT of FMCG market in India.

FMCG INDUSTRY IN INDIA:

The Indian FMCG sector is the fourth largest sector of the Indian economy. The FMCG Industry is more than 115 years old the fast moving consumer goods sector is an important contributor to India's GDP. The growing Indian population, particularly the middle class and the rural segments present an opportunity to makers of branded products to convert consumers to branded products.(Meenakshi Sharma 2012). The FMCG sector consists of consumer non-durable products, which broadly include personal care, house hold care, consumable items (other than groceries/pulses) and food and beverages that one needs to buy at regular intervals. India's FMCG sector creates employment for more than 3 million people in down stream activities. The total FMCG market is in excess of Rs. 850 billion. It is

currently growing at double digit rate and is expected to maintain a high growth rate. Exports India is one of the world's largest producers of a number of FMCG products but its exports are a very small proportion of the overall production. Total exports of food processing industry were \$10 billion in 2013 and marine products accounted for 60 percent of the total exports.

Though the Indian companies are going global, they are specifically focusing on only few overseas markets. The Indian FMCG sector has a market size of 15 million dollars. Well established distribution networks, as well as intense competition between the organized and unorganized segments are the characteristics of this sector. FMCG in India has a strong and competitive MNC presence across the entire value. FMCG goods are popularly named as consumer packaged goods. FMCG companies in India have always enjoyed a vast potential market because of the large population of the rural and urban consumers in the country. The improving economic situation of both the rural and urban consumers has helped FMCG companies to further expand their market to the hinterlands of the economy.

FMCG industry is characterized by a well established distribution network, low penetration levels, Low operating costs, Low per capita consumption and intense competition between the organized and unorganized segments. A subset of FMCG's are fast moving consumer electronics which include innovative electronic products such as mobile phones, MP3 players etc., these are replaced more frequently than other electronic products. Fast moving consumer goods sector in rural and semi-urban India is estimated to cross \$ 20 billion by 2018 and \$ 100 billion by 2025, According to an AC Nielsen survey it is also revealed that growth in the FMCG sector in India is increased 4 times from 2004 to 2014, as compared to 3.2 times in urban India.

RURAL MARKETING:

DEFINITION:

The term "Rural Marketing" used to be an umbrella term for the people who dealt with the rural people in one or the other way. It is a two-way marketing process where in there the process will be from urban to rural, rural to urban (see HalfCree 1993, 1995; Pandey 1996) Rural marketing is defined as managing all the activities involved in assessing, stimulating and converting the purchasing power of rural consumers into effective demand for specific products and services and moving them to the people in rural areas to create satisfaction and a better standard of living and thus achieving organizational objectives(Journal of Marketing by Meserole 1938).

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 the purchasing power of the rural communities. On account of the green revolution in India, the rural areas are consuming a large quantity of industrial and urban manufactured products. Rural India is mostly termed as "high opportunity" market, is no longer just an opportunity, but is now yielding results. In India, leaving out a few metropolitan cities, all the districts and industrial

townships are connected with rural markets. Two-third of the Indian people as well prospect consumers live in rural areas, approx 30% GNP generated from rural business.

The current marketing environment and economic scenario have brought the corporate under contemporary roofs of modern India, which is challenging the current standards of segmenting, targeting and reaching the customers. A survey by India's premier economic research entity, national council for applied economic research (NCAER) indicates that rise in rural incomes is keeping pace with the rise in urban incomes.

FACTORS RESPONSIBLE FOR THE RURAL MARKET BOOM TO COME INTO EXISTENCE:

- Increase in population and hence increase in demand.
- A Market increase in the rural income due to agrarian prosperity.
- Standard of Living is also increasing in rural areas.
- Large inflow of investment for rural development programs from government and other sources.
- Increased contact of rural people with their urban counterparts due to development of transport and wide communication network.
- Increase in literacy and educational level and resultant inclination to sophisticated lives by the rural folks.
- Inflow of remittances and foreign made goods into rural areas.
- Change in the land tenure systems causing a structural change in the ownership patterns and consequent changes in the buying behavior.
- Rural markets are laggards in picking up new products.

SWOT ANALYSIS OF FMCG INDUSTRY IN INDIA:

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Low operating costs • Established Distribution networks in both urban and rural areas • Presence of well-known brands in the 	<p>WEAKNESS</p> <ul style="list-style-type: none"> • Lower Scope for technological investment • Low export levels • 'Me-too' Products • Lower Scope for Achieving economies of scale (mainly Small Sectors)
<p>OPPURTUNITIES</p> <ul style="list-style-type: none"> • Untapped rural market • Rising Income Levels • Large Domestic Market • Export potential • Rural marketing • High consumer goods Spending 	<p>THREATS</p> <p>Removal of import restrictions resulting in place of domestic market.</p> <p>Slow down in rural demand.</p> <p>Tax and regulatory structure.</p>

Low literacy- the literacy rate is as low as 36% when compared to all India average of 52%.

Seasonal Demand: Demand for goods in rural markets depends upon agricultural situation, as agriculture is the main source of income.

Distribution: An effective distribution system requires village- level shopkeepers, wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level.

Traditional Life: Many rural areas is still governed by customs and traditions and people do not easily adapt new practices.

Transportation: Many rural areas are not connected by rail transport. Kacha roads become unserviceable.

Communication Problems: facilities such as telephone, Fax and telegram are rather poor in rural areas.

Buying Decisions: Rural consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after being personally satisfied, do they buy the product.

Media for promotions: Reach of formal media is low in rural households; therefore the market has to undertake specific sales promotional activities in rural areas like participating in melas or fairs.

Future trends: Markets which are not able to face the stiff competition posed by MNC's can restore their profits in rural sector.

THE 4 A APPROCH:

The Indian rural market contributes 50% in the total sales of durable and non-durable products. The rural consumer is not unlike his urban counterpart in many ways. The Indian rural market is growing faster than the urban market. The four A's of rural marketing is similar to the marketing mix. The four A's are as follows:

1) **Affordability:** It refers to the ability of the consumers to pay for the product. The Price of products should be set match to the level of income of rural consumers. Affordability does not mean that the marketer should provide cheaper products but the product should be brought into the range of ability to pay. Therefore, rural population prefers to buy small quantity products which are affordable to them.

2) **Availability:** It refers to the reach of a distribution channel in the rural market. Distribution is the biggest problem of the rural market due to lack of transportation facilities. In rural areas, retailers maintain good relationships with customers; therefore, it takes less time to sell a new product. An organization should adopt the best distribution channel to reach the rural market with minimum cost possible.

3) Awareness: It refers to promotional activities to provide information to customers. The best media to meet the rural market is TV, Internet, News papers etc., the organization should conduct awareness programs in local languages to convey the message.

4) Acceptability: It refers that a product should be readily acceptable by rural customers. Marketing mix should be properly designed to suit the rural customers.

RURAL MARKETING STRATEGIES:

- **Client location and specific promotion** involves participation between the marketing agencies and the client.
- **Joint or co-operative promotion** strategy involves participation between the marketing agencies and the client.
- **‘Bundling the Inputs’ denote a marketing strategy**, in which several related items are sold to the target client, including arrangement of credit, after sales service and so on.
- Developmental marketing refer to taking up marketing programs keeping the development objective in mind.
- **Media** acts as both Traditional and modern promotional media
- **Unique selling proportion (USP)** involves presenting a theme with the product to attract the client to buy that particular product.
- **Partnership for sustainability** involves laying and building a foundation for continuous and long lasting relationship.

TRENDS IN RURAL MARKETS:

Online rural market (Internet, nicnet): rural people can use two-way communication through online service. The information in online marketing is easily accessible in rural areas because of the spread of telecommunication facilities all over India.

Cost benefit analysis: Cost benefit can be achieved through development of information technology at the door step of customers.

Need Based supply: Supply plays a major role in the price of rural produce.

Market Driven Extension: FMCG extension is continuously going through renewal process where the focus includes a whole range of dimensions varying from institutional arrangements, privatization, decentralization, partnership, efficiency and participation

Smart buying and Smart comparison: the rural customers are very sharp and smart in buying goods(FMCG) they will be comparing store to store price and also prices with the neighborhood kirana store and then they will be deciding when, where and how to buy goods.

RECOMMENDATIONS:

Rural consumers trust retailers in their villages. It is observed out that though the retailers are aware of the fact that their customers listen to them, they are not aware of this wonderful

principle called "Trust Factor". The companies must educate rural retailers about such modern marketing principles for a better performance. As the price influences rural purchase of FMCG low price strategy is recommended to pursue in rural marketing. Attaining low price not only requires low cost manufacturing but also performing various marketing activities such promotion and distribution in cost effective manner. It is also recommended to promote goods on price plank. It is also recommended to promote FMCG in lines of rationality rather than just making low price appeals.

CONCLUSION

The new phase of rural consumption process appears to provide a great opportunity for the FMCG sector. Marketers will need to evolve new strategies to connect and communicate with a more aware and unreserved consumer than ever before, the study found. Today's rural consumer is not just indulgent, but 'smart' too: she wants products that carry the best traditional wisdom and modern science, providing her convenience and individualism in one go.

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