

# “A Comparative Study on Scope of Rural Marketing in FMCG Industries”

Aman Kumar Tiwari<sup>1</sup>, DR. Ravikant Sharma<sup>2</sup>

<sup>1,2</sup> School of Business Galgotias University

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## ABSTRACT

A variety of factors have rendered the rural market quite attractive to corporate in recent years. The growing opportunity in the rural market is no doubt the prime factor. The rural demand has been growing rapidly and its composition has been changing for the better in the recent years. The increased income/ purchasing power of the rural consumer and the improved income distribution has enhanced rural demand for several products. Better access to many modern products/brands has added to this growth. The heat of competition in the urban market actually serves as the stronger driver behind the growing interest of cooperates in the rural market. The fact that the rural market is still largely an untapped as well as the early entrants can tap it without having to face intense competition as in the case of the urban market, makes the rural market all the more attractive to them. Corporate have been finding the going increasingly tough in the urban market, especially for the products in respect of which penetration levels are already high. For example penetration level for the toothpaste in the urban market has now reached close to 80 per cent. In contrast, it is below 30 per cent in the rural market. Moreover in the urban market many consumers have been using toothpaste for quite some time and have settle Down to the brand, its flavor, and other characteristics .They cannot be expected to switch their brand very easily. In contrast, in rural markets, there a lot of first time users of toothpaste whom the company can tap from the scratch. Corporate find that the highly penetrated urban markets allow little room for volume growths for most of what are called, 'necessity products' (toothpaste, bath soap, washing products, tea etc). Growth opportunity for many of the 'emerging products' (coffee, shampoo, talcum powder etc) too is rather low in the urban market. The rural market thus becomes essential for companies with strong aspirations. Not comprising in the rural market keep them out of about half of the country's market for the 'necessity products' and the one-third for the 'emerging products' by value .It is but natural that in these circumstances, corporate set their sights on the rural market.

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## INTRODUCTION

The rural market of India is fascinating and challenging at the same time. It offers large scope on account of its sheer size. And, it is growing steadily. Even a modest growth pushes up the sales of a product substantially, in view of the huge base. It is attractive from yet another angle. Whereas the urban market is highly competitive, the rural market is relatively quiet. In fact, for certain products, it is totally virgin market. Simultaneously, the market also poses several problems and hurdles. The firms have to encounter them squarely and put in a great deal of effort, if they have to get a sizeable share of the market. Efforts to capture the market with due thought and focus on the constraints with streamlined strategies to overcome the same will tend to define the path ahead for rural marketing in India.

A Hindi poet has rightly said, “Bharat mate gram vasini” which means Mother India lives in her villages. According to the 2001 census, India's population was 100 million, of which 73 percent lived in villages. This is average statistics. There are states like UP, MP, Rajasthan, Kerala, Bihar and Orissa where the rural population varies from 80 to 90 percent. The spread of population in 4,200 cities and towns is to the extent of 25 percent, and of the Remaining 75 percent is in 5, 76,000 villages. This sheer base defines the volume and scope of rural marketing. Marketing in India has for a long time meant urban marketing. But now rural marketing is being widely researched and discussed. If market potential is considered, the rural market is big with approximately 70 percent of the population still residing in rural areas and with 40 percent the Gross National Product emanating from agriculture.

The following transactions, (which broadly outline the landscape of rural marketing) , can be categorized as follows:

- Marketing of agricultural inputs like fertilizers, pesticides, farm machinery etc;
- Marketing of products made in urban centers and sold to rural areas like soap, toothpaste, television sets, etc;

- Marketing of products made in rural areas sold to urban centers like khadi cloth, hand crafted products etc; and
- Marketing of products made and sold in rural areas like milk and milk products, locally manufactured toothpowder, cloth etc.

### **Analysis Of The Rural Market In India**

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 market of USA or Russia. This market is not only large, but very much scattered geographically. It is also as diverse as it is scattered. It exhibits linguistic, regional and cultural diversities and economic disparities, and hence, it can easily be considered as more complex than the market of a continent as a whole.

The rural market scene has undergone a steady and encouraging change over the last three decades. Inspite of several barriers to faster growth, the growth has not only been quantitative, but also qualitative. This change has been possible because of new employment opportunities and new sources of income made available through rural development programmers which have resulted in green and white revolutions and a revolution in rising expectations of rural masses. The rural buyers in India provide a tremendous range of .contradictions and paradoxes which baffles the urban-based marketing people and, even more so, the foreign observers. Rural consumers are less homogeneous than compare to their urban counterparts and different from region to region.

The rural market is made up of two broad components i.e., the market for consumption goods and the market for agricultural inputs. The rural markets are by and large less exploited. Another important features of the rural market is that at least in the present context, it is largely agriculture oriented. Green revolution and the consequent prosperity is restrict to very few selected areas in the country. As a result, the effective demand for consumer items has not spread all over rural India. Income generated from the money sent by the members of their families employed in towns and abroad also helped the rural people to spend more on consumer goods.

### **LITERATURE REVIEW**

#### **Strategies For Rural Marketing By an Organization' Course Project Report by Rajarshi Rakshit and M.L. Narsimhan**

ITC e-Choupal an innovative strategy which is elaborative and extensive in rural markets so far. Critical factors in the apparent success of the venture are ITCs extensive knowledge of agriculture, the effort ITC has made to retain many aspects of the existing production system, including retaining the integral importance of local partners, the company's commitment to transparency, and the report and fairness with which both farmers and local partners are treated.

#### **The Marketing Mastermind (2003), Hindustan Lever rural marketing Initiatives by "A Mukund" Marketing Mastermind has given the perspectives in which HLL has approached towards rural markets.**

Promotion of brands in rural markets requires the special measures. Due to the social and backward condition the personal selling efforts have a challenging role to play in this regard. The word of mouth is an important message carrier in rural areas. Infect the opinion leaders are the most influencing part of promotion strategy of rural promotion efforts. The experience of agricultural input industry can act as a guideline for the marketing efforts of consumer durable and non-durable companies. Relevance of Mass Media is also a very important factor.

#### **The Economic Times (2003), "The rural market likes it strong" the strength of rural markets for Indian companies. Financial express, June 19, 2000 has published the strategy about FMCG majors, HLL, Marico Industries, Colgate Palmolive have formula had for rural markets.**

The Indian established Industries have the advantages, which MNC don't enjoy in this regard. The strong Indian brands have strong brand equity, consumer demand-pull and efficient and dedicated dealer network which have been created over a period of time. The rural market has a grip of strong country shops, which affect the sale of various products in rural market. The companies are trying to trigger growth in rural areas. They are identifying the fact that rural people are now in the better position with disposable income. The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people. Marketer should understand the price sensitivity of a consumer in a rural area. This paper is therefore an attempt to promote the brand image in the rural market.

#### **Nestle India**

Nestlé India is a subsidiary of Nestlé S.A. of Switzerland. With six factories and a large number of co-packers, Nestlé India is a vibrant Company that provides consumers in India with products of global standards and is committed to long-term sustainable growth and shareholder satisfaction.

After India's independence in 1947, the economic policies of the Indian Government emphasized the need for local production. Nestlé responded to India's aspirations by forming a company in India and set up its first factory in 1961 at Moga, Punjab, where the Government wanted Nestlé to develop the milk economy. Progress in Moga required the introduction of Nestlé's Agricultural Services to educate, advice and help the farmer in a variety of aspects. From increasing the milk yield of their cows through improved dairy farming methods, to irrigation, scientific crop management practices and helping with the procurement of bank loans. Nestlé set up milk collection centers that would not only ensure prompt collection and pay fair prices, but also instil amongst the community, a confidence in the dairy business. Progress involved the creation of prosperity on an on-going and sustainable basis that has resulted in not just the transformation of Moga into a prosperous and vibrant milk district today, but a thriving hub of industrial activity, as well. For more on Nestlé Agricultural Services.

### **Hindustan Unilever Limited (HUL)**

The Global arm of Hindustan Unilever Limited is Unilever's and its mission is to add Vitality to life. Their products meet every day needs for nutrition, hygiene, and personal care with brands that help people feel good, look good and get more out of life.

HUL has deep roots in local cultures and markets around the world which gives them a strong relationship with their consumers, which are the foundation for their future growth. They benefit from their wealth of knowledge and international expertise to the service the local consumers - a truly multi-local multinational.

HUL believes that an organization's worth is also in the service it renders to the community. HUL is focusing on health & hygiene education, women empowerment, and water management. It is also involved in education and rehabilitation of special or underprivileged children, care for the destitute and HIV-positive, and rural development.

## **RESEARCH METHODOLOGY**

I propose to first conduct a intensive secondary research to understand the full impact and implication of the industry, to review and critique the industry norms and reports, on which certain issues shall be selected, which I feel remain unanswered or liable to change, this shall be further taken up in the next stage of exploratory research. This stage shall help me to restrict and select only the important question and issue, which inhabit growth and segmentation in the industry.

### **The various tasks that I have undertaken in the research design process are:**

Defining the information need  
Descriptive and casual research.

### **Secondary Data**

Information that already exists somewhere, having been collected for another purpose. Sources include census reports, trade publications, and subscription services. Data that have already been collected and published for another research project (other than the one at hand). There are two types of secondary data: internal and external secondary data. Information compiled inside or outside the organization for some purpose other than the current investigation.

Data that have already been collected for some purpose other than the current study. Researching information, which has already been published? Market information compiled for purposes other than the current research effort; it can be internal data, such as existing sales-tracking information, or it can be research conducted by someone else, such as a market research company or the U.S. government. Published, already available data that comes from pre-existing sets of information, like medical records, vital statistics, prior research studies and archival data.

### **In Many Products, the rural markets have overtaken the urban in growth rate:-**

A survey by NCAER shows that the rural market is growing faster than the urban market several products. These include packaged tea, detergent powder, washing shop, and detergent cake. Growth of motorcycle too has been more in the rural market than the urban market.

### **Position of durables**

According to NCAER survey, Rural India's market for consumer durables is estimated at Rs .4500 crore, with an annual growth rate 8 per cent.

#### OWNERSHIP OF DURABLES BY RURAL CONSUMERS:

Product	No. of owner per 100 households
Bicycles	53
Fan (ceiling)	18
Fan (table)	13
TV(B&W)	16
Pressure cooker	13
Wristwatch(mechanical)	76
Radio/Transistors	42

It can be seen from above table that now every other other rural household has a bicycle, every third households has a fan, every sixth has a black and white televisions set, and every seventh a pressure cooker. Also , nearly 80 per cent of rural holds own a mechanical wrist watch and 42 per cent a radio/transistor .Rural India now purchase a third of the color television sets, a fourth of the mixers/ grinders and fifth of the refrigerators sold in the country.

#### Factors Behind the growth and Diversification in Rural Demand:-

Variety of factors , acting in concert , have brought about the big growth and welcome changes in the rural demand, a few of them such as growth in income , changes in income distribution , changes in lifestyles, and the expectation.

#### A. Segmentation And Targeting:-

The rural consumers are not a homogeneous lot in economic conditions, or literacy, or lifestyles, or buying behavior. It would, therefore, firm to assume that the rural market as a whole can be served by a single offer or a single product -price-promotion combination. Firms have to analyses the consumers in –depth, carry out thorough market segmentation and select relevant segments as target markets. And they have to develop a distinctive positioning and a distinctive marketing mix for each target segment.

#### Geographical Segmentation:-

The rural market can be segmented geographically, using different geographical bases.

#### Climate and level of irrigation:-

Climate can be one of them; regions endowed with favorable climate are usually more prosperous compared with climatically handicapped region. Level of irrigation can be another base; irrigated areas and dry land areas pose different economic and marketing environments.

#### Nearness to a feeder town:-

Firms can also segment the rural market using ‘nearness to a feeder town’ as the base. Consumers located close to a feeder town visit it at least once a month to sell their product and/or to buy their requirements, and in buying habits, they differ from those living in the interior areas. It will thus be meaningful to segment the rural market in to consumers located closer to a feeder town and consumers located away from them.

#### Demographic segmentation:-

The rural market can be segmented demographically too. In fact, there are many possibilities of segmenting the rural market demographically.

### CONCLUSION

A variety of factors have rendered the rural market quite attractive to corporate in recent years. The growing opportunity in the rural market is no doubt the prime factor. The rural demand has been growing rapidly and its composition has been changing for the better in the recent years. The increased income/ purchasing power of the rural consumer and the improved income distribution has enhanced rural demand for several products. Better access to many modern products/brands has added to this growth. The heat of competition in the urban market actually serves as the stronger driver behind the growing interest of cooperates in the rural market. The fact that the rural market is still largely an untapped as well as the early entrants can tap it without having to face intense competition as in the case of the urban market, makes the rural market all the more attractive to them.

Corporate have been finding the going increasingly tough in the urban market, especially for the products in respect of which penetration levels are already high. For example penetration level for the toothpaste in the urban market has now reached close to 80 per cent. In contrast, it is below 30 per cent in the rural market. Moreover in the urban market many consumers have been using a toothpaste for quite some time and have settle down to the brand, its flavor, and other characteristics .They cannot be expected to switch their brand very easily. In contrast, in rural markets, there a lot of first time users of toothpaste whom the company can tap from the scratch.

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