

Rural Consumer Behaviour for FMCG

*** DR. S. Mohan**

**** S. Vennila**

* Principal, Department of Commerce, S.K.S.S. Arts College, Thiruppanandal

** Research scholar, Department of Commerce, S.K.S.S. Arts College, Thiruppanandal

Abstract

Fast Moving Consumer Goods (FMCG) sector is the fourth largest sector in India touching everybody's life every day with changing profile and mindset of Indian Consumers, this sector has a constructive potential in the form of semi-urban, urban slums and emerging rural segment. In coming years, with rapidly changing socio-economic landscape bottom of pyramid will be the growing consumer market. The study first examined the socio-economic factors, followed by product preferences- generic or branded under various heads of FMCG product categories, reasons for such preferences followed by factors affecting the buying behaviour.

Introduction

The liberalization of the Indian economy had far reaching consequences, which led to entry of global brands in the Indian market. Earlier companies focused their marketing efforts towards the urban markets targeting the educated consumer. However, with the saturation of markets in their urban sector, many companies focused their attention towards the fast growing rural sector. Also the rural markets in India are still evolving and the sector poses a variety of challenges. The consumption patterns, tastes and needs of the rural consumer are entirely different from that of urban consumers. While it is evident that urban Indian has adapted much faster than the rural consumer due to higher exposure of media and changing life style, the rural consumers are not far behind.

Consumer Behaviour

Consumer behaviour may be defined as a psychological, social and physical behaviour of potential consumer as they become aware of, evaluate, purchase, consume and tell other people about purchase and services. The study of consumer behaviour is concerned with the decision process involved in purchase, and the whole behaviour of a person while making purchases is termed as consumer behaviour.

Consumer behaviour is determined to a large extent by the social, psychological, and economic factors and it is necessary for a manager to understand the factors for proper planning of marketing strategies. The reasons why consumers buy particular products or brands are due to buying motives. All buying behaviour starts with motivation. A motive is a stimulated need that an individual seeks to satisfy. These motivations can be bioorganic needs and motives are influenced by perceptions.

These perceptions are in turn influenced by consumer's habit, fashion, education, and advertisement. Demand for goods varies with race, climate, income, education, religion and occupation. So, the seller's task is to fulfil the consumer's desire for his products by influencing the factors, which influence the motives of a consumer.

Definition of Rural Marketing

The term rural marketing has been used widely in both academic and corporate literature. According to Modi (2009), rural marketing is any marketing activity whose positive net developmental impact on rural people is positive.

Velayudhan (2009) explained that rural marketing includes all those activities of assessing, stimulating, and converting the rural purchasing power into an effective demand for specific products with the aim of raising the standard of living.

Rural Market and Rural Marketing

Different experts and organisations have divergent views on what constitutes the term, 'rural' as a place far away from towns and cities. A rural market broadly comprises of consumer markets,

institutional markets and services (Dogra & Ghumun, 2008), According to Velayudhan (2002), rural marketing includes all those activities of assessing, stimulating and convert the rural purchasing power into an effective demand for raising the standard of living. It is a two way marketing process of flow of goods and services from rural to urban areas and vice-versa (George & Muller, 1955) Rural marketing is any activity in which one dominant participant is from rural area (Kotler, at ai 2009).

	Rural seller (RS)	Urban Seller (US)
Rural Buyer (RB)	I:RS-RB Intra- Rural(All Products)	II:US-RB Consumer goods, services, agro inputs ,farm implements of machinery
Urban Buyer (UB)	III:RS-UB Farm & non- farm products	IV:US-UB Intra- Urban (All Products)

(Source: Secondary Data)

Four “P” For Rural consumers	Four “A” for Rural Consumers
Product	Acceptability
Price	Affordability
Place	Availability
Promotion	Awareness

(Four “P” matched with Four “A” of rural marketing) In FMCG companies make their strategies in such a way so that the above combination is matched properly them it will be a win- win engagement for both consumer and producer. Income is the main variable to in creating Bop but now PPP of rural consumer is increasing that make them able to upgrade their lifestyle and effect their purchasing.

Evolution of Rural Marketing

PHASE	ORIGIN	FUNCTION	MAJOR PRODUCTS	SOURCE MARKET	DESTINATION MARKET
I	Before Mid-1960 (from independence to green revolution)	Agricultural Marketing	Agricultural Produce	Rural	Urban
II	Mid-Sixties (Green revolution to pre-Liberalization period)	Marketing of Agricultural inputs	Agricultural inputs	Urban	Rural
III	Mid- nineties (post liberalization period on 20 th century)	Rural Marketing	Consumables and Durables for consumption & production	Urban& Rural	Rural

(G. Vani (2010), “Consumer Buying Behaviour model for Toothpastes”)

1. Phase I (from Independence to Green Revolution):

Before the advent of the Green revolution, the nature of rural market was altogether different. Rural marketing then referred to the marketing of rural products in rural & urban products.

2. Phase II (Green Revolution to Pre-liberalization period):

During these times, due to the advent & spread of the Green Revolution, rural marketing represented marketing of agriculture inputs in rural markets & marketing of rural produce in urban areas.

3. Phase III (Post-liberalization period on 20th century):

The third phase of rural marketing started after the liberalization of the Indian economy. In this period, rural marketing represented the emerging, distinct activity of attracting & serving rural markets to fulfil the need & wants of rural households, peoples & their occupations.

4. Phase IV (21st century):

Learning from its rural marketing experiences after the independence, the corporate world has finally realized the quick-fix solutions & piecemeal approaches will deliver only limited results in the rural markets. And, if an organization wants to tap the real potential of the rural market, it needs to make a long-term commitment with this market. Its approach & strategies must not focus in just selling products & services, but they should also aim at creating an environment for this to happen.²

The objective of rural marketing in the current phase is the improvement of the quality of life by satisfying the needs & wants of the customers, not through and -alone products or services, but by presenting comprehensive & integrated solutions which might involve a set of inter-related products & services.

Till recently, the focus of marketers in India was the urban consumer and by large number specific efforts were made to reach the rural markets. But it felt that with the tempo of development accelerating in rural India, coupled with increase in purchasing power, because of scientific agriculture, the changing life style and consumption pattern of villagers with increase in education, social mobility, improved means of transportations and communication and other penetrations of mass media such as television and its various satellite channels have exposed rural India to the outside world and hence their outlook to life has also changed. Because of all these factors, rural India in now attracting more and more marketers. Increase in competition, saturated urban markets, more and move new products demanding urban customers, made the companies to think about new potential markets. Thus, Indian rural markets have caught the attention of many companies, advertisers and multinational companies. According to a recent survey conducted by the National Council for Applied Economic Research (NCAER), the purchasing power of the rural people has increased due to increase in productivity and better price commanded by the agricultural products. By and large this rise in purchasing power remains unexploited and with the growing reach of the television, it is now quite easy for the marketers to capture these markets.

Rural marketing has become the latest mantra of most corporate. Companies like Hindustan Lever, Colgate Palmolive, Britannia and even Multinational Companies (MNCs) like Pepsi, Coca Cola, L.G., Philips, Cavin Kare are all eyeing rural markets to capture the large Indian market.³

Coming to the frame work of Rural Marketing Rural Marketing broadly involves reaching the rural customer, understanding their needs and wants, supply of goods and services to meet their requirements, carrying out after sales service that leads to customer satisfaction and repeat purchase/sal

➤ The Problem in Rural Marketing

Where the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy o operate in rural market because of several attendant problems. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems.

➤ Underdeveloped People and Underdeveloped Markets

The number of people below poverty line has not decreased in any appreciable manner. Thus underdeveloped people and consequently underdeveloped market by and large characterize the rural markets. Vast majorities of the rural people are tradition bound, fatalistic and believe in old customs, traditions, habits, taboos and practices.

➤ **Vastness and Uneven Spread**

The number of villages in India is more than 6 lacs. Again, the villages are not uniform in size. Nearly **50%** of the villages have a population of less than 500 persons, which account for **20%** of the rural population. This type of distribution of population warrants appropriate strategies to decide the extend of coverage of rural market.

➤ **Lack of Proper Physical Communication Facilities**

Nearly fifty percent of the villages in the country do not have all weather roads. Physical communication of these villages is highly expensive. Even today, most villages in the eastern parts of the country are inaccessible during the monsoon. Moreover, **3,00,000** villages in the country have no access to telephones. Local telecom companies are working with the Department of Telecommunications (DOT) to provide service in rural areas at local costs which could be a costly affair considering the underdeveloped infrastructure.

➤ **Low Growth Rate**

The slowdown in the economy is of serious concern to everyone in Government, industry and every other sector of the economy. Our GDP growth target for the Tenth Plan is 7.7%, rising to 8.1% in the subsequent one. Today we are at a 6% level, which is itself below the current Plan. Even more worrying is the fact that our growth rate has been trending down for the last 3 years. The sectoral components of this slowdown are very telling. Agricultural growth has dropped to 0.9% from an average of 3.9% in the 1980's and 3.3% in the 90's. Industrial growth too has slowed to below 6% from 6.6% in the last decade. We believe there is an urgent need to lift overall GDP growth sustainably by addressing a central issue - the slowdown in rural incomes.

➤ **Low Per Capita Income**

Even though about **33-35%** of gross domestic product is generated in the rural areas, it is shared by **74%** of the population. Hence, the per capita incomes are low compared to the urban areas. High costs in finance is a stumbling block while higher purchase is unheard of, the small town culture works against financing of products. The sprawling unorganized market offers prices that the organized industry finds difficult to match. Many existing product lines continue to be too expensive or irrelevant.

➤ **Many Languages and Dialects**

The number of languages and dialects vary widely from state to state, region to region and probably from district to district. Messages have to delivered in local languages and dialects. Even though the number of recognized languages is only **16**, the dialects are estimated to be around 850,

➤ **Low levels of Literacy**

Literacy rate is low in rural areas as compared to urban areas. This again leads to problem of communication. Print medium becomes ineffective and to an extend irrelevant in rural areas since its reach is poor.

➤ **Different Way of Thinking**

There is a vast difference in the lifestyles of the people. The rural customer usually has 2 or 3 brands to choose from whereas the urban one has many more choices. The rural customer has fairly simple thinking as compared to his urban counterpart. Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices.

➤ **Transport**

Many rural areas are not connected by rail transport. Around **68%** of the rural roads have been poorly surfaced, and many are totally destroyed or severely damaged by the monsoon and remain unserviceable leaving interior villages isolated. Though it would be desirable to connect all villages by all-weather roads, use of bullock carts is inevitable for many years.

➤ **Distribution Problem**

Rural markets typically signify complex logistical challenges that directly translate into high distribution cost. Coupled with relatively slower growth of incremental demand and lack of adequate institutional mechanism for retail operations, margins are squeezed to the utmost. Infrastructure also poses a major problem when a marketer thinks of targeting the rural markets.

Types of Rural Market

Various companies and organization, dissect rural market as per the nature and the sector of the business they are in. Broadly, for convenience of administration, rural market could be classified as

- Weekly bazaars / Haats
- Occasional markets like melas (push kar mela etc)
- Rural Conventional Markets
- Mandies / A.P.M.C for Agro products
- Specific Regional Markets
- Door to door market(ferry)

'Go rural' is the slogan of marketing gurus after analyzing the socio-economic changes in villages. The Rural population is nearly three times the urban, so that Rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agri-input products such as seeds, fertilizers, pesticides and farm machinery. The Indian rural market today accounts for only about Rs 8 billion of the total ad pie of Rs 120 billion, thus claiming 6.6 per cent of the total share. So clearly, there seems to be a long way ahead. Although a lot is spoken about the immense potential of the unexplored rural market, advertisers and companies find it easier to vie for a share of the already divided urban pie.

Rural FMCG market of India

The FMCG market of India is on the verge of registering substantial expansion across the country. The Indian Rural FMCG market is mostly unorganised and it is generally dominated by minor retailers. The organised FMCG market is only confined to the urban areas of India. Rural India mostly depends on agriculture, directly or indirectly for live hood.

Rural India offers tremendous growth prospects for the FMCG Industry. Facilitation of better rural infrastructure like roads, telecommunication electricity, supply chain, and transportation would people the growth of rural FMCG market of India. Further, very low per capita consumption of FMCG products also provide tremendous opportunity for the growth of rural FMCG markets in India.

The FMCG sector, which offers tremendous growth prospects are food and beverage sector, health care personal care, presently, rural India accounts for 34% of total FMCG consumption, but accounts for more than 40% consumption in major FMCG categories like as personal care, hot beverages, and fabric care.

The rural market fabric care homogeneous. The individual sections of this market are not too big, although the overall size is large. There are Geographical, demographical, statistical and logistical differences.

The rural consumers is growing and this an opportunity to grab the market share for all the global players in the market. Weather it is into fast moving consumer Goods (FMCG) sector or retail sector (either insurance or banking).

Every marketer must realize that the rural consumer is not a miser. He is not simply looking for the cheapest product in every category. He understands and demands rural for money in every purchase that he makes. Pricing therefore is a direct function of factors including cost-benefit advantage and opportunity cost. Pricing offered to consumers should be for rural offering that are affordable. Price sensitivity is external high and comparison with competitive prices is common.

Conclusion

Rural consumers buy the FMCG through retailer in their village. The present study proved that the retailers are aware of the fact that their customers listen to them. They are the one who can create their interest in product. It as price influences rural purchase of FMCG, it is recommended to the low- price strategy in rural marketing for rural customers, value for money is very important when they purchased FMCG. The study re valued that the rural customers are not only price sensitive but also think about quality, performance, reliability, branded another critical aspects.

It is rationality rather than just making low price appeal rural markets should design innovative promotional strategies for rural markets that can express message in an easy way to the villagers and compatible with their education and understanding levels. Rural consumers are highly affected by their lifestyle and attitude, Rural marketing is highly influenced by celebrity endorsement and should take care of this and take hat celebrity who is popular in rural areas.

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