

A study on Challenges in the Rural Marketing of FMCG Products

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Abstract

The fourth-largest sector of the Indian economy, fast-moving consumer goods (FMCG), makes a significant contribution to India's GDP. Similar to other countries, India's FMCG industry has had success selling goods to lower- and middle-income consumers. Today, middle class households account for over 70% of sales, and rural India accounts for over 50%. A growing rural population with rising wages and a willingness to spend money on products that enhance lifestyle is exciting to the industry. Additionally, due to the near saturation and fierce rivalry in urban India, many FMCG firms are under pressure to develop innovative new techniques for effectively reaching rural consumers. It goes without saying that with changing demographics, the pattern of marketing will also alter. The FMCG industry in India is seeing a transformation in the way it is growing. Rural markets will control a growing portion of the entire FMCG market as rural penetration rises. Although urban markets are expanding as well, rural areas are adding customers and households at a rate that is significantly higher than urban markets. Most FMCG majors now use rural marketing as their latest marketing mantra. The rural areas of India are enormous and full of untapped potential. As a result, the Indian FMCG industry is hard at work developing a parallel rural marketing strategy. Marketers need to comprehend how sensitive a rural consumer is to price.

Keywords: *Rural Market, Brand, Rural customer, Brand loyalty, customer Behavior, FMCG industry.*

Introduction

The Indian Fast Moving Consumer Goods (FMCG) industry began to shape during the last fifty-odd years. The FMCG sector is a cornerstone of the Indian economy. This sector touches every aspect of human life. Indian FMCG market has been divided for a long time between the organized sector and the unorganized sector. Unlike the US market for FMCG which is dominated by a handful of global players, India's Rs. 460 billion FMCG market remains highly fragmented with roughly half the market going to unbranded, unpackaged home-made products. This presents a tremendous opportunity for makers of branded products who can convert consumers to buy branded products. In both India and the rest of the world, the FMCG industry has had success selling goods to consumers with lower and middle incomes. Nowadays, middle class homes receive over 70% of sales, and over 50% of those transactions are done in India's rural areas. The sector is encouraged by a growing rural population, whose salaries are rising and which is eager to spend money on products that would improve living. Additionally, due to the nearly saturated market and fierce rivalry in urban India, several FMCG firms are being forced to develop innovative new plans for aggressively pursuing the rural consumer.

The enormous size and demand of the Indian rural market presents fantastic potential for marketers. Nearly one third of the country's income is produced in rural areas where two thirds of Indian customers

reside. Whether for marketing consumer durables, textiles and apparel, personal care items, or financial services, it is viewed as a plethora of opportunities (Sathyanarayana, 2011). When marketing in a rural location as opposed to an urban area, a marketer must deal with a completely different set of circumstances and issues. Distribution presents a significant obstacle for the majority of marketers who want to target rural consumers. Infrastructure is a prerequisite for exploring rural markets successfully. The distribution problems in rural India are getting worse because there is no such infrastructure. In addition to these issues, FMCG companies must also face with rural markets' limited size, isolation, inadequate connectivity, and extreme heterogeneity. Other significant obstacles include low literacy rates, an abundance of languages and dialects, cultural diversity, poor banking services, phoney goods, low per capita disposable incomes, a severe reliance on monsoon season demand, and a lack of media coverage. Therefore, the main challenge for marketers trying to break into rural markets is to comprehend the diverse rural consumers, get their goods to these far-flung places, and communicate with media-averse rural spectators.

Review of Literature

John, S & Mano Raj, John & Selvaraj, Dr. (2023). Social Changes and the Growth of Indian Rural Market: An Invitation to FMCG Sector. This Paper Covers the attractions for the FMCG marketers to go rural, the challenges, then difference between the rural and the urban market and the suitable marketing strategy with the suitable example of companies and hire experience in going rural market. And this paper also includes reasons of FMCG companies to enter uncharted territory of rural India and also discussed about population under percentage distribution of household and income & distribution of people income-wise. further includes effective of communication, IT penetration in rural market, Impact of globalization in that company experiences in going rural, rural vs urban consumer challenger, developing effective rural marketing strategy. This paper can conclude in the end it is certain that FMCG companies will have to really gain inroads in the rural markets in order to achieve double digit growth in future in rural market.

A Comparative study Of Advertising, Sales promotion, Strategies and Challenges in FMCG of Rural Marketing. This paper mainly focused on the advertising, sales promotion, strategies and challenges of FMCG in the rural marketing. In this research paper research done on rural consumer purchasing power, 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. The research methodology used the primary and secondary data. this paper includes the 323 sample size. in that male and female respondents are students and farmers include job holders, businessman and others. based on the research conclusion of the research paper is that rural people are aware of FMCG products especially ITC FMCG products but, not many customers are aware of brands like Marico and Dabur. (Revankar, B., 2021.)

Jayanthi (2017) stated that fast-moving consumer goods (FMCG) are products that are sold rapidly and at relatively low cost. Examples incorporate non-durable goods and soft drinks, over-the-counter drugs, toiletries, processed foods and other consumables. FMCG is the fourth largest sector in the Indian economy and is esteemed at about USD 49 billion as of 2016 (as per IBEF). The FMCG industry has seen some large players but disruption by new players has likewise changed the Indian scenario. The top Indian FMCG companies incorporate names like ITC, HUL, Nestle and New Entrant Patanjali. The main purpose of this paper is to study and examine about fast-moving consumer goods (FMCG) sector in India. This paper focuses on significance of FMCG Sector, three main segments of FMCG, Evolution of FMCG in India, Challenges in FMCG Sector, Advantages of FMCG Sector, Growth in Indian FMCG Sector, Market Share of Companies in a few FMCG Categories as of October 2017, Top 10 FMCG Companies of India 2017, Trends of FMCG Sector, Strategies Adopted in FMCG, and Scope of the FMCG Sector. Data has been gathered from multiple sources of evidence, in addition to books, websites, journals, and newspapers.

FMCG Product Categories

There are mainly 4 Product Categories in FMCG:

1. Household
 2. Personal care
 3. Food
 4. Beverages
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1. **Household Care:** The household category of products includes:
 - a) Fabric wash - laundry soaps and Synthetic detergents
 - b) Household cleaners - Dish/utensil cleaners, floor cleaners, Toilet cleaners, Air fresheners, Insecticides and Mosquito repellent's, Metal polish and Furniture polish
 2. **Personal Care:** The personal category of products include:
 - a) Oral Care - Toothpaste.
 - b) Skin Care - Creams, Lotions, Gellies.
 - c) Hair Care - Hair Oil, Shampoos.
 - d) Personal Wash – Soaps.
 - e) Cosmetic & Toiletries.
 - f) Talcums.
 - g) Deodorants.
 - h) Perfumes.
 - i) Paper Products - (tissues, diapers, sanitary).
 - j) Shoe care.
 3. **Food:** This includes:
 - a) Confectionary.
 - b) Staples/Cereals.
 - c) Bakery products - Biscuits, bread, cakes.
 - d) Snack food.
 - e) Chocolates.
 - f) Ice cream.
 - g) Processed fruits.
 - h) Vegetables.
 - i) Meat.
 - j) Dairy products.
 - k) Branded flour, rice, sugar.
 4. **Beverages:** This includes:
 - a) Tea
 - b) Coffee
 - c) Juices
 - d) Bottled water
 - e) Health beverages.
 - f) Soft drinks.

Consumer Behaviour: Consumer behaviour is the study which deals with the study of consumer buying behaviour primarily to find out the answers of the following questions:

- How consumers buy?
- What consumers buy?
- When consumers buy?
- Where consumers buy?
- Why consumers buy?
- How often consumers buy?

The important factors which affect the consumer behaviours are; cultural factors, social factors, personal factors and psychological factors. The marketers are always keen to know the above mention factors, because these factors play important roles in shaping the consumers decision.

Consumer Decision Making Process: The consumer decision making process start with need recognition and finally ends with purchase of the goods and services.

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Steps Involved in Consumer Decision Making Process

Step1: Problem Recognition: At this stage, consumers identify the issue as an unmet demand, and they seek to address it through the use of the many alternatives offered by the market.

Step 2: Searching of Alternative: The consumers look for options at this stage that will satisfy their requirements and wants, which differ from person to person and are met by a variety of products on the market. At this point, individuals will use all available tools to give them the stimuli they need to make additional decisions, including newspaper and television commercials, friends, family, and reference groups.

Step 3: Evaluation of the alternatives: The consumer then evaluates all of the potential options in front of them based on factors including price, quality, availability, after-sales support, and competitive advantage. They will choose the product based on this, making sure it meets the consumers' expectations for the aforementioned factors.

Step 4: Purchase Decision: After the customer has completed the evaluation process, they will choose what to buy and where.

Step 5: Post Purchase Behaviour: Following a customer's first use of the product, they will assess its actual performance in light of their preconceived notions. The consumers' memories of this event will be preserved, and they will use it as a reference point when making decisions in the future. (If they continue to buy from the same category of goods or services.

Challenges of Rural Marketing Mix (4A'S of Rural Marketing):

1. Availability: One of the main obstacles facing the corporation as it manufactures FMCG products is availability. India has 7,00,000 villages dispersed across 3.2 million square kilometres; although 700 million Indians may reside in rural areas, it is difficult to locate them. They are incredibly scattered. Due to poor infrastructure, it becomes challenge for the companies to regularly to far reach villages.

2. Affordability: Rural consumers still earn half as much per capita as urban customers. One of the issues for the company making FMCG products is that they are low margin products. Products must be

inexpensive for rural consumers, the majority of whom are on daily wages due to their low disposable incomes. The introduction of smaller unit packs is one remedy for this issue (Sachet). Most of the shampoos are in sachet pack: 1. Fair and lovely was launch in small pack. 2. Coco cola launch Rs 5 per bottle for rural customers.

3. Acceptability: It has been noted that a product intended for the urban market may or may not satisfy the needs of clients in the countryside. Regarding their living circumstances, as well as how they would see and utilise the good or service, the rural environment must be taken into consideration. Because there were no refrigerators or electricity in the rural areas, Coca-Cola offered inexpensive ice trays as a solution. Additionally, a thermocol box for seasonal outlets and a tin box for new outlets were provided.

4. Awareness: The task of raising awareness is one more that rural marketing faces. The traditional advertising media are not available in a significant portion of rural India. Only roughly 57% of rural communities have access to the media. One of the difficulties in communication is low literacy.

Statement Of the Problem

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. Globally, the FMCG sector has been successful in selling products to the lower- and middle-income groups, and the same is true in India. Over 70% of sales are made to middle class households today and over 50% is in rural India (Kavitha, 2012). The sector is energized about an escalating rural population whose incomes are rising and who are willing to spend on goods designed to improve their lifestyle. As the growth potential in urban markets is reducing, to sustain and survive, it is necessary for all companies to look, reach and serve the rural markets and the rural consumers, for volume-based growth. As the rural penetration increases in India, rural marketing becomes the latest marketing mantra of most of the FMCGs companies in order to tap the unlimited opportunities and putting in place a parallel rural marketing strategy for attracting the rural consumers. The present study is undertaken to make an assessment of the growing eminence of FMCG industry in the era of enriching rural market in India.

Objective of the Study

- To develop a thorough understanding and insight in the field of rural market.
- To assess about the FMCG product.
- To study the present scenario of rural market.
- To study the major challenges and identify the opportunities available in the rural market.
- To understand consumer perception towards FMCG products
- To study the rural consumer buying behaviour.

Scope of the Study

With its enormous size and diverse customer base, the rural Indian market presents marketers with several chances. Rural areas produce about half of the nation's GDP and are home to two thirds of the nation's customers. Rural marketplaces naturally make up a significant portion of the overall market.

India's market. Our country is divided into about 450 districts and 630000 villages, which can be categorized according to a variety of factors including literacy rates, accessibility, income levels, market penetration, distances from nearby towns, etc.

A brand's likelihood of success in the rural Indian market is as unpredictable as the weather. It has never been easy to predict the size of the rural market. Many brands that ought to have been successful have utterly failed. People frequently blame luck for success in rural markets. Because of this, even though there is a constant trend nationally, marketers need to grasp the social dynamics and attitudinal variances within each hamlet. Although the rural market is undoubtedly very appealing to marketers, it would be absurd to believe that any business could just enter the market and gain a substantial proportion. Actually, there are a wide range of issues on the market. The primary issues with rural marketing include:

- Physical distribution
- Channel Management
- Promotion and Marketing Communication

Methodology

Data Collection Method

The data was collected through secondary data the study aims at evaluation of the criteria of rural consumer behaviour with special reference to FMCG (Fast Moving Consumer Goods) products. The present study is an analysis the determinants of buyer behaviour in rural area as well as challenges faced by FMCG sector in rural area. The research methodology consists of:

- News Papers & Periodicals
- Research Journals
- Published Reports of various FMCG Companies
- Internet sources

Findings

- Word of mouth places an important role in rural marketing all FMCG companies need to work on it.
- To reach rural market companies need to have high involvement in creating products that are relevant to their needs.
- Most of the rural customer purchase Sachets.
- Money is of prime important for rural customers company should set affordable price for FMCG products.
- Rural Costumers understand symbol and colours better so, Companies need to advertise their products in such way that rural customers can remember their brand.
- It is recommended that marketers create packaging for the rural markets using less expensive materials.
- Rural areas have a lower literacy rate than urban areas. This brings up the issue of communication for marketing purposes once more.
- The main issues that marketers face are distribution costs and a lack of retail outlets.

- In order to ensure that the product arrangements reflect the sole consuming habits, preferences, and demands of rural consumers requirements of rural residents.
- Although there is a clear trend nationally, marketers must understand the social dynamics and approach changes inside each community.

Suggestions

- The marketers have great opportunities in a vast and fast developing Indian rural market. In order to tap rural market, the manufacturers should reduce production cost.
- The distributors should find out effective methods of distribution and minimize selling and distribution costs. Price and durability of the products are sensitive issues for majority of the rural consumers.
- In order to increase the purchasing power of rural people, efforts are needed to be undertaken for increasing agriculture income, providing credit facilities and creating employment opportunities to non-farm workers.
- Priority should be given for creation of transportation and communication infrastructure and electrification of all the villages.
- An effective communication strategy should be formed to make aware rural consumers about dangers of consuming spurious products.

Conclusion

After my finding we have come into conclusion that there are many challenges in the rural market, but the future of the rural marketing is bright. The future is very promising to those companies who understand the needs and wants of rural customers and shopkeeper effectively and accordingly implementing their marketing strategies. The shopkeeper plays a very important role in the promotion and distribution of FMCG products in rural areas and after my analysis I have come into conclusion that proper training should be provided to the shopkeeper's which will help in building the brand value in the mind of the customer.

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, an 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.

Obviously, a number of FMCG companies are trying their best to harness the business opportunities in rural India. Electronic media, efficient transportation system, increasing levels and strategic marketing policies are the major contributing factors to enhance the scope of rural marketing. Rural consumer is changing his consumption habits to suit himself to changing environment.

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