Research Paper Management

Rural Marketing: An Inquiry into Experiences of Indian FMCG Companies

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ABSTRACT

Rural marketing is a very wider term in itself. It is the marketing which is specially meant for the rural people and the products which are specially meant for them and to make them aware about the products which they are not known. Through this paper the effort has been done to know about the rural markets and their impact on FMCG products. The awareness towards the various FMCG companies and their sources have been examined. An analysis of the rural consumer has been done with the help of the questionnaire through which the opinions of the consumer are presented.

KEYWORDS rural, marketing strategies, awareness, FMCG

1. Introduction

It becomes amply clear that rural India has to be the hot target in future for FMCG companies as it presents a plethora of opportunities, all waiting to be harnessed. Many of the FMCG companies are already busy formulating their rural marketing strategy to tap the potential before competition catches up. With extensive competition not only from MNCs but also from the numerous regional players and the lure of an untapped market has driven the marketers to chalk out bold new strategies for targeting the rural consumer in a big way.

2. Company Experiences in Going Rural

All biggies in the industry be it HUL, Marico, Colgate-Palmolive or Britannia, are showing deep interest in rural India. However not everything is all rosy and there exist some gray areas in the rural strategies also. To increase sales, growing the consumer pie rather than sharing it, has emerged as one of the key strategies being used by FMCG majors. Offering more product variants, categories, price points, sizes and different marketing and distribution channels, all form part of a FMCG corporate's strategy.

To gauge the extent of shift in focus of the FMCG giants just sample this: recently Godrej Consumer Products Ltd (GCPL) did something that it hadn't done before; it introduced smaller pack sizes of some of its soaps and put them on the market for Rs 5. FMCG giant HLL has just launched a green variant of Lifebuoy soap, which, it hopes will be a winner in the rural areas. Also, don't be too surprised if you village folk having their hair washed and dyed en masse as they are only taking advantage of the live demonstrations conducted by Chennai-based CavinKare Products. So it is clear that rural markets have caught the eyes of FMCG marketers and it is being targeted through experiments in a big way. But is it a right marketing strategy? Or will it prove to be an expensive mistake? Well that's the issue most FMCG companies face today and the one we discuss here. HLL has also established a single distribution channel by consolidating categories. The channel seeks to build a network of sub-stockists.

In 2003, about 6000 such sub stockists were appointed to service 50,000villages with a total population of 250 million. Likewise, at Coca Cola India, to reach out to rural villages, the company started out by drawing up a hit list of high-potential villages from India's various districts. To ensure full loads, large distributors were appointed, and they were supplied from the company's depot in large towns and cities. Full load supplies were offered twice weekly. On their part, the large distributors appointed small distributors in adjoining areas. The small distributors in turn fixed journey plan on a weekly basis.In addition to these innovative distribution techniques, a number of FMCG companies have now started relying on savvy entrepreneurs who trawl the rural hinterland, gathering mountains of village level data. One such entrepreneur, Pradeep Lokhande, distributes used computers to schools in about 28,000 villages through his Pune-based rural consumer organisation, Rural Relations. Lokhande supplies computers, collects data in exchange, which is then sold to companies. The company now has a database of 35,000 schools. Besides tapping schools, Lokhande also strikes direct contacts with opinion leaders in villages and recording obscure details of the local economy. This data is now being lapped up. In 1996, Lokhande got his first customers for the data: Tata Tea and Parle. Today, he has clients like HUL, P&G, Marico, Asian Paints, Telco and DSP Merrill Lynch. The focus on rural markets doesn't really come as a surprise. India's rural market has been growing steadily over the years and is now bigger than the urban market for fast moving consumer goods (53% share of the total market). The annual size in value terms currently estimated at around US $ 11 billion. According to a study by the National Council for Applied Economic Research (NCAER), there are as many 'middle income and above' households in the rural areas as there are in the urban areas.

Moreover, there are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. As per the NCAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India, the middle and high-income market is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India. But despite the high rural share in these categories, the rural penetration levels are low, thus offering tremendous potential for growth. This is why Coke and HUL are looking to increase their reach. And others are following suit.

Chennai-based CavinKare Products which makes hair dyes

organises live demonstrations in remote areas where villagers get a free tinge of jet black or blonde or red – free of cost. Brooke Bond Lipton India markets its rural brands through magic shows and skits. Reckitt and Colemen use NGOs in rural areas to educate customers about product benefits. But rural India isn't just being developed as a consumer market. It is also being developed as a cost effective supply chain. Tobacco and foods major ITC is focusing on the rural segment to bring down its transaction costs. With a judicious blend of click & mortar capabilities, agricultural communities in villages use internet kiosks - known as e-Choupals to access ready information in their local language on the weather & market prices. They are also able to disseminate knowledge on scientific farm practices & risk management. The aggregation of the demand for farm inputs from individual farmers gives farmers access to high quality inputs from established and reputed manufacturers at fair prices. As a direct marketing channel, virtually linked to the 'mandi' system for price discovery, 'e-Choupal' eliminates wasteful intermediation and multiple handling.

Thereby it significantly reduces transaction costs. While the farmers benefit through enhanced farm productivity and higher farm gate prices, ITC benefits from the lower net cost of procurement (despite offering better prices to the farmer). Launched in June 2000, 'e-Choupal', has already become the largest initiative among all Internet based interventions in rural India. 'e-Choupal' services today reach out to more than two million farmers growing a range of crops - soyabean, coffee, wheat, rice, pulses, shrimp - in over 21,000 villages through 4100 kiosks across six states. Whether the objective is to increase market share or to lower transaction costs, the end objective is to improve the robustness of the rural supply chain. Moreover, these are scalable and robust models, and, given the right policy environment, it should be possible to seamlessly integrate them in the months and years to come.

3. Objectives of the study

1. To ascertain the awareness towards the various FMCG companies in Rural areas;
2. To identify the media that is significant in creating the awareness; and
3. To trace the rural marketing experiences of Indian FMCG companies.

4. Methodology of the study

600 respondents were contacted through area sampling method on a disproportionate basis from the eleven taluks of Tirunelveli districts and have been contacted using a structured questionnaire.

5. Awareness towards FMCG companies

The table below shows the awareness towards the various FMCG companies.

Table1-Awareness level towards companies

FMCG companies		Unaware	Neither aware nor unaware	Aware	Highly aware	Mean	Std. Deviation
Hindustan Unilever Ltd.	Count	0	0	274	326	4.5433	.49853
	%	.0%	.0%	45.7%	54.3%		
ITC (Indian Tobacco Company)	Count	0	49	376	175	4.2100	.57427
	%	.0%	8.2%	62.7%	29.2%		
Nestlé India	Count	0	6	274	320	4.4433	.49953
	%	.0%	1.0%	45.7%	53.3%		
Dabur India	Count	0	224	303	73	3.7483	.65756
	%	.0%	37.3%	50.5%	12.2%		
Cadbury India	Count	0	0	352	248	4.4133	.49284
	%	.0%	.0%	58.7%	41.3%		
Britannia Industries	Count	0	6	273	323	4.3433	.49973
	%	.0%	1.0%	45.2%	53.8%		
Procter & Gamble Hygiene and Health Care	Count	0	73	430	97	4.0400	.53123
	%	.0%	12.2%	71.7%	16.2%		
Marico Industries	Count	399	177	24	0	2.3750	.56116
	%	66.5%	29.5%	4.0%	.0%		
Colgate Palmolive	Count	0	0	24	576	4.9600	.19612
	%	.0%	.0%	4.0%	96.0%		
Godrej consumer	Count	0	0	444	156	4.2600	.43900
	%	.0%	.0%	74.0%	26.0%		

Except for Marico Industries and Dabur India all the other FMCG companies had high awareness among the rural respondents. The highest awareness was observed for Colgate Palmolive with a mean of 4.9600, and lowest awareness was observed for Marico Industries with a mean of 2.3750. Highest variation in opinion is observed for ITC (Indian Tobacco Company) with standard deviation of .57427, and lowest variation in opinion is observed for Colgate Palmolive with standard deviation of .19612.

6. Agreement level towards various sources of awareness

The table below summarizes the agreement level towards various sources of awareness among the contacted respondents.

Table2-Agreement level towards various sources of awareness

Sources of awareness		Highly disagree	Disagree	Neither agree	Agree	Highly agree	Mean	Std. Deviation
Word of mouth	Count	0	0	78	249	273	4.3250	.69295
	%	.0%	.0%	13.0%	41.5%	45.5%		
Poster/Wall paintings	Count	249	175	176	0	0	1.8783	.83348
	%	41.5%	29.2%	29.3%	.0%	.0%		
Newspaper	Count	0	0	127	274	199	4.1200	.72788
	%	.0%	.0%	21.2%	45.7%	33.2%		
Radio	Count	0	0	102	250	248	4.2433	.72457
	%	.0%	.0%	17.0%	41.7%	41.3%		
Television / D.T.H.	Count	108	54	72	219	147	3.4050	1.41220
	%	18.0%	9.0%	12.0%	36.5%	24.5%		
Internet	Count	290	255	55	0	0	1.6083	.64985
	%	48.3%	42.5%	9.2%	.0%	.0%		
Others	Count	146	146	308	0	0	2.2700	.82759
	%	24.3%	24.3%	51.3%	.0%	.0%		

Among the sources the highest agreement with regard to creating awareness was for '*word of mouth*'with a mean agreement score of 4.3250 and the lowest agreement with regard to creating awareness was for '*internet*'with a mean agreement score of 1.6083

Further among the sources of awareness the highest variation in agreement was for '*Television / D.T.H*' with a standard deviation of 1.41220 and the lowest variation in agreement was for '*internet*' with a standard deviation of .64985

7. Model of awareness towards FMCG Products

To know the sources of awareness that are significant in creating awareness a model of awareness towards FMCG Products was formed from the various sources of awareness such as word of mouth, poster/wall paintings, newspaper, radio, television / D.T.H, Internet and other sources as predictors was constructed.

Estimation of overall awareness towards FMCG Products

$$= a + b_1X_1 + b_2X_2 + \ldots\ldots\ldots + b_7X_7$$

The power of the regression model was represented by the R^2 was a highly healthy .830 and the F test of the model shows that the significance of the model was high as the significance of F was .000 which was less than .05 as seen presented below.

Table 4-Model of awareness towards FMCG Products formed out of various sources of awareness

R	R Square	Sum of Squares	df	Mean Square	F	Sig.
.911	.830	1.397	7	.200	.649	.000
		182.097	592	.308		
		183.493	599			

To decide which variables are good explanatory variables *t*-test for each variable was analysed and presented in table below.

Table5- t-test showing regression coefficients accepted by the model of awareness towards FMCG Products formed out of various sources of awareness

Predictors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.430	.259		17.072	.000
Word of mouth	-.001	.037	-.002	-.040	.008*
Poster/Wall paintings	-.035	.030	-.052	-1.150	.001*
Newspaper	.053	.037	.069	1.422	.016*
Radio	-.006	.035	-.008	-.183	.005*
Television / D.T.H.	-.024	.020	-.061	-1.215	.000*
Internet	-.014	.038	-.016	-.364	.716
Others	-.014	.031	-.020	-.442	.659

***= significant at 5% (If the sig. of t is less than 0.05 it indicates that the concerned variable is significant in the model)**

The model's t test shows that the predictors namely, *word of mouth, poster/wall paintings, newspaper, radio, television / D.T.H* are significant at 5% in the estimation of status of overall awareness towards FMCG Products. Further it shows that the predictors namely, *Internet and other sources* are not significant at 5% in the estimation of status of overall awareness towards FMCG Products.

8. Rural Initiatives

ITC's Agri-Business is India's second largest exporter of agricultural products. ITC is one of the India's biggest foreign exchange earners (US $ 2 billion in the last decade). The Company's 'e-Choupal' initiative is enabling Indian agriculture significantly enhance its competitiveness by empowering Indian farmers through the power of the Internet. This transformational strategy, which has already become the subject matter of a case study at Harvard Business School, is expected to progressively create for ITC a huge rural distribution infrastructure, significantly enhancing the Company's marketing reach.

The company places computers with Internet access in rural farming villages; the e-Choupals serve as both a social gathering place for exchange of information (choupal means gathering place in Hindi) and an e-commerce hub. What began as an effort to re-engineer the procurement process for soy, tobacco, wheat, shrimp, and other cropping systems in rural India has also created a highly profitable distribution and product design channel for the company—an e-commerce platform that is also a low-cost fulfillment system focused on the needs of rural India. The e-Choupal system has also catalyzed rural transformation that is helping to alleviate rural isolation, create more transparency for farmers, and improve their productivity and incomes. Coke's spokesperson: "We are launching a new version of our Sprite brand, Sprite Zero, for the metro audience.

Similarly, we have introduced variants of our Maaza brand in the market. We have also introduced 200 ml versions of Diet Coke at Rs 10, compared to the 500 ml Rs 20 version." This, Coke maintains, is its strategy to grow the consumer pie, rather than share it with players in existing categories. It is creating more choices and price points for the carbonated and non-carbonated drink consumers, who at present stand at less than three per cent of the total market. Agrees Mr Shahra. He says consumer base is different across categories". For instance, we offer different products for different target audiences. We provide soya products at different price points in different markets."

Realising the importance of reaching the consumer, more and more companies are experimenting with alternative channels like direct marketing, rural haats, etc. Mr Press says Godrej generally keeps experimenting with alternate channels to pump up volumes. "Our strategy hinges on effective communication and distribution plans," he adds.

ITC is experimenting with its e-Choupal as a procurement and marketing channel to expand its presence in rural India, while HUL has a similar initiative in Project Shakti. Says Mr Banga, India is one of the most exciting markets offering great potential. Over the next ten years India's per capita income is likely to double. In FMCG, there is an opportunity to catalyse penetration, increase usage and upgrade consumers. Volume growth at HUL is following value growth as a result of building capabilities and strengthening brands. This, in turn, he says, will bring profit growth. This seems to be the story of rest of the Indian FMCG sector as well. They seem to have done everything right. They have consolidated brands, built capacities and have increased reach. Consumer sentiments and spends are positive. Monsoons are on track and rural demand is also believed to be on track. So bring on the tea, cold drinks, juices, and ready-to-eat snacks now. The FMCG party seems like a long one.

9. Rural Vs Urban Consumers - Challenges

The biggest mistake a FMCG company can make while entering the rural India is to treat it as an extension to the existing urban market. But there is a vast difference in the lifestyles of the rural and urban consumers. The rural Indian consumer is economically, socially, and psycho graphically different from his urban counterpart.

The kind of choices that an urban customer takes for granted is different from the choices available to the rural counterparts. The difference in consumer behavior in essence stems from the way of thinking with the fairly simple thought process of the rural consumer in contrast to a much more complex urban counterpart. On top of this there has hardly been any research into the consumer behavior of the rural areas, whereas there is considerable amount of data on the urban consumers regarding things like - who is the influencer, who is the buyer, how do they go and buy, how much money do they spend on their purchases, etc. On the rural front the efforts have started only recently and will take time to come out with substantial results. So the primary challenge is to understand the buyer and his behavior.

Even greater challenge lies in terms of the vast differences in the rural areas which severely limits the marketer's ability to segment, target and position his offerings. The population is dispersed to such an extent that 90% of the rural population is concentrated in villages with population of less than 2000. So the geographical spread is not as homogeneous as it is with the urban areas owing to vast differences culture and education levels. Also with agriculture being the main business of rural sector the purchasing power of rural consumer is highly unpredictable which can lead to high variations in demand patterns. One more gray area that needs to be probed into is the importance of retailer in rural trade.

Rural consumer's brand choices are greatly restricted and this is where the retailer comes into the picture. The rural customer generally goes to the same retailer to buy goods. Naturally there's a very strong bonding in terms of trust between the two. Also with the low education levels of rural sector the rural buying behavior is such that the consumer doesn't ask for the things explicitly by brand but like "laal wala sabun dena" or "paanch rupey waali chai dena". Now in such a scenario the brand becomes subservient to the retailer and he pushes whatever brand fetches him the greatest returns. Thus, as there is a need to understand the rural consumer, similarly need is there to study the retailer as he is a chief influencer in the buying decision.

10. Developing Effective Rural Marketing Strategy

Till recently most FMCG companies used to treat rural markets as adjuncts to their urban strongholds and rural consumers as a homogeneous mass without segmenting them into target markets and positioning brands appropriately. However it is beyond doubt that the treat rural markets are not dumping grounds for low-end products basically designed for an urban audience. The winning strategy instead is to focus on their core competency such as technological expertise to design specific products for the rural economy. The most remarkable example in this context is the launch of sachets which has transformed the rural market considerably as packaging in smaller units and lesser-priced packs increases the product's affordability. Also companies like HLL and Nestle who have adopted this strategy have benefited tremendously. Another case is of Britannia with its Tiger brand of low priced and conveniently packaged biscuits becoming a great success story in rural markets. Companies also need to change the profile of their brand managers as they are usually urban-bred MBAs, fed on a staple diet of western marketing principles and are alien to the rural India. A step in this direction like hiring managers from the Institute of Rural Management Anand (IRMA) could probably go a long way in improving the situation. Along with the cultural dynamics, the needs and latent feelings of the rural people have to be well understood before launching products in rural segments. Marketers would do well to first understand this and then designing products accordingly. For example, Cadburys has launched ChocoBix, a chocolate flavored biscuit which is based on the consumer insight that rural mothers opt for biscuits rather than chocolates for their children. Another very important factor that needs to be looked at is the proliferation of spurious products. Rural masses are illiterate people and they identify a product by its packaging (color, visuals, size etc.). So it becomes very easy for counterfeit products to eat into the market share of established reputed brands. The retailer also gets a larger profit on selling the counterfeits rather than the genuine products and hence is biased towards the fakes. Brands such as "Jifeboy", "Bonds Talcum", "Funny & Lovely" etc., which are doing the rounds of rural markets, pose considerable challenge to rural marketers. Companies would also do well to have a proper sales and distribution network. In terms of sheer reach the companies can gain significant competitive advantages as the rural market is highly fragmented and a brand needs to be on the shop shelf before it can be sold. Companies should also make sure that the prices of their products are not pushed up because of a channel of middlemen who are neither required nor add any value to the product. The rural market remains quite price-sensitive and thus squeezing costs at every stage is

of vital importance. Some FMCG giants like HUL are in process of enhancing their control on the rural supply chain through a network of rural substockists, who are based in the villages only.

Apart from this to acquire further edge in distribution HUL has started Project SHAKTI in partnership with Self Help groups of rural women. However not all traditional strategies need to work and the need is to generate creative ideas. A very significant step for change could be an effort to directly tap the haats, mandis, melas and local bazaars which provide an opportunity of promoting the brand in front of a large congregation of rural consumers. Finally an effective rural strategy for FMCG companies must include the use of traditional media for creating awareness about their products in the rural markets. The need for unconventional media arises as the mass media is too glamorous, interpersonal and unreliable for a rural consumer. The traditional media on the other hand with its effective reach, powerful input and personalized communication system will help in realizing the goal. Besides this when the advertisement is couched in entertainment it goes down easily with the villager.

The advantages of traditional media which make it a powerful marketing communication channel are: accessibility is high, it involves more then one sense, interest arousal capability is high and minimum cost. There are few companies which have used traditional media effectively and reaped rich dividends. Brooke Bond Lipton India Ltd (BBLIL) markets its rural brands through magic shows and skits. Reckitt and Colemen uses NGO's in rural areas to educate customers about product benefits which establishes one to one communication channels.

11. Findings

1. All the other FMCG companies except for Marico Industries and Dabur India had high awareness among the rural respondents. The highest awareness was observed for Colgate Palmolive with a mean of 4.9600, and lowest awareness was observed for Marico Industries with a mean of 2.3750.
2. Word of mouth, poster/wall paintings, newspaper, radio, television / D.T.H are significant in the estimation of status of overall awareness towards FMCG Products.

12. Conclusions

Almost all the leading companies in the FMCG sector are having strategies to cater rural markets. The awareness towards these companies is also higher.

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