



## A Study on Rural Marketing Strategy - with Special Emphasis on Selected Customer Preferences for Hindustan Uniliver Limited's (H.U.L.) Selected Products in Valsad District

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### ABSTRACT

Over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living. Rural India with its traditional perception has grown over the years, not only in terms of income, but also in terms of thinking. The Indian FMCG (Fast Moving Consumer Goods) sector is the fourth largest sector in the economy with a total market size in excess of US\$ 20.1 billion. The FMCG sector is a corner stone of the Indian economy. This sector touches every aspect of human life. The FMCG producers now realize that there is a lot of opportunity for them to enter into the rural market. It has a strong MNC presence and is characterized by a well-established distribution network, intense competition between the organized and unorganized segments and low operational cost. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, etc. The purpose of this study is to examine the effectiveness of rural marketing strategy implemented by Hindustan Uniliver Limited (H.U.L.), which is having highest market share in rural market of India, and acceptance of the same by the rural customers of Valsad district of Gujarat State.

**Keywords:** Rural Market, FMCG, Rural marketing strategy

### 1. INTRODUCTION :

The rural markets are estimated to be growing faster compared to the urban markets. The potentiality of rural markets is said to be like a 'woken up sleeping giant'. These facts are substantiated in a study of market growth conducted by various researchers. 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. In this context, a special marketing strategy, namely, rural marketing has taken shape.

The reasons why companies are going rural are manifold. Higher rural income driven by agricultural growth, increasing enrolment in primary schools, high penetration of TV and other mass media have increased the propensity to consume branded and value added products in rural areas.

Marketers and manufacturers are increasingly aware of the burgeoning purchasing power, vast size and demand base of the once neglected Indian hinterland. Efforts are now on to understand the attitude of rural consumer and to walk their walk and talk their talking talk.. The marketing mix of many companies is now being tailored to rural taste and lifestyle.

#### 1.1 RURAL MARKET :

Government agencies like IRDA( Insurance Regulatory and Development Authority) and NCAER define 'rural' as "villages with a population of less than 5,000 with 75% of the male population engaged in agriculture, etc". Two-third of the country's consumers( more than 700 millions ) live in rural areas and almost 26% of the national income is generated there. And 10 consecutive good monsoon have lead to improved returns from agriculture ( which is India's largest economic sector and accounts for 26% of GDP), increasing the spending power in India's rural area. India is divided in to 597 districts and has 638,667 villages of which 32% can be reached and are connected by pucca roads. However, 68% of the rural market lies untapped due to various reasons ranging from inaccessibility to lack of awareness.

In all, there are more than 3.8 million retail outlets in rural India, averaging 5.8 shops per village ( the term 'shop' refers to any type of premises – haats , stalls, shacks , that sell goods). Over all the rural market has been growing at 3-4 % per annum, adding more than 1 million new consumers every year, and now accounts for close to 50% of the volume of consumption of FMCG in India. As a result, it is important part of the market development strategies of all FMCG companies, including multinational ones, as well as consumer durables businesses and services companies as well.

#### 1.2 FMCG SECTOR :

Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG products are those that get replaced within a year. Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars.

India's FMCG sector is the fourth largest sector in the economy and creates employment for more than three million people in downstream activities. Its principal constituents are Household Care, Personal Care and Food & Beverages. The total FMCG market is in excess of Rs. 85,000 Crores. It is currently growing at double digit growth rate and is expected to maintain a high growth rate. FMCG Industry is characterized by a well established distribution network, low penetration levels, low operating cost, lower per capita consumption and intense competition between the organized and unorganized segments.

#### 1.3 FACTORS RESPONSIBLE FOR RURAL MARKET BOOM :

The following factors have been identified (by Agadi & Paramashivaiah, 1997) to be responsible for the rural market boom :

- I. Increase in the population, and hence increase in the demand. The rural population in 1971 was 43.80 crores, which increased to 52.50 crores in 1981, and 72 crores in 1994.
- II. A market increase in the rural incomes due to agrarian prosperity.
- III. Large inflow of investment for rural development programmes from government and other sources.
- IV. Increased contact of rural people with their urban counterparts due to development of transport and a wide communication network.
- V. Increased in literacy and educational level among rural folks, and the resultant inclination to lead sophisticated lives,
- VI. Inflow of foreign remittances and foreign made goods into rural areas.
- VII. Changes in the land tenure system causing a structural change in the ownership pattern and consequent changes in the buying behaviour .

#### 1.4 WEAKNESS OF RURAL MARKET:

In spite of rural marketing boom in India, the Indian marketing literature has shown several weaknesses. After having made a very comprehensive literature survey on subject, Jha (1998) has broadly summarized the weakness of rural marketing literature as follows:

- I. In terms of participants, it almost ignores the majority of rural population, the rural poor.
- II. In terms of products, it concentrates on tangibles and ignores some of the basic need satisfying 'products' like, health, education, drinking water, housing and other products like transportation, labour, land, money, etc. even in tangibles, the focus seems to be exclusively on economic goods.
- III. In terms of modalities, it does not say much about the criteria for development of market centers ( except a few economic studies ) , roles of various parties ( including regulating

#### 2. REVIEW OF RELATED LITERATURE :

Hagargi (Jun 2011, Vol1, Issue 1) In this paper, he finds that, there is tremendous opportunity for any company in rural India. But with this companies are facing many challenges in tackling the rural markets, like to understand the requirements of rural consumers, proper distribution channels, effective marketing strategy to give their message across the rural consumers. By applying some new innovative techniques for the above problem they can make good profits and can have greater market share.

(Makarand Wath, March 2011), he has studied that, the size of the rural market is expanding very fast. Rural market is attractive and challenging at the same time. It offers large scope for any company because of its greater size. It is a market for the truly creative market

(Maheshkumar, 2010) he find that, There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world. The demand could be increased further if this company change the mindset of the consumers, make them aware about the new products, desing the products according to their requirement. Previously Indian consumer were not much brand conscious, but now a days there are different brands available in the market and they are ready to pay higher price for that. Young age population in India may trigger a spurt in confectionary products.

Ramanathan V. and S. Sudhamathi (2009), have stated in their study that, the recent successes and failures of the different companies in the rural market have clearly indicated that the Indian rural market is totally different market in terms of its structure, consumer's demographic profile, need expectations and value expectancy from products and services.

Sarangapani A. and Mamatha T. (2008) Rural consumer be-

havior is a very complex phenomenon, which needs more efforts to understand, explain and predict. In order to get a clear understanding of the same, every marketer should realize that consumer behavior is, in fact, an assumption every marketing manager must make, if he plans to market on any basis other than hit-or-miss. Although some individuals find it difficult to make this assumption, one must agree that behavior is not so erratic or mysterious that it defies explanation. In this paper, an attempt has been made to analyze and highlight the rural consumer post-purchase evaluation, rural consumerism with regard to different Consumer Protection Acts, consumer satisfaction levels with regard to selected FMCGs and duplicate brands which have penetrated rural India. The paper also provides some useful suggestions to FMCG marketers for a more effective penetration of the rural markets.

#### 3. RESEARCH METHODOLOGY :

##### 3.1. OBJECTIVES OF THE STUDY :

- 1) To analyze various factors affecting the rural consumer buying behavior towards H.U.L. products.
- 2) To evaluate the satisfaction level of respondents with the use of selected HUL products in Valsad District of Gujarat State.
- 3) To identify the most attractive promotional activity by rural consumers.
- 4) To understand the impact of price on selected products, on rural consumer buying behavior.
- 5) To identify the availability of HUL's selected products in Valsad District of Gujarat State.

##### 3.2 RESEARCH DESIGN:

The study is combination of descriptive and exploratory in nature. The researcher makes an attempt to describe the various concepts of rural marketing, distribution channel, pricing, promotional strategies. The study needs more theoretical and fundamental analysis on existing rural marketing practices.

##### 3.3 TARGET POPULATION:

Target Population for this study is selected rural areas of Valsad district in Gujarat state. The target areas for this study includes various selected villages of the Valsad district.. As these rural areas comprise of representation of different types of rural backward, rural minority, rural lower income, rural middle income respondents. These areas are upcoming target market for FMCG products in Valsad District.

##### 3.4 SAMPLING TECHNIQUES:

Convenience sampling has been considered for drawing the sample size.

##### 3.5 SAMPLE SIZE:

With the consultation of academic experts and Marketing Professionals across Gujarat, researcher made an attempt to arrive at true representative sample size. In this regard various authors such as Kohlen and Sekaran in the area of social research taken in to consideration for finalization of the sample size. The questionnaire was administered to 120 respondents out of which 100 valid questionnaire were considered as sample size for study purpose.

##### 3.6 METHODS OF DATA COLLECTION:

Primary methods of data collection with the help of structured close ended questionnaire have been used for this study. Initially questionnaire was drafted on the basis of past references used by prominent scholars in that field. In initial draft questionnaire was having 74 questions. Entire questionnaire were divided broadly two category viz demographic detail and Products Specific Details. In the final draft there were 65 total questions.

##### 3.7 HYPOTHESIS :

The hypothesis for the studies are as below:

- 1) Hypothesis 1:  
H0: There is no association between variety of size of the product and buying decision in rural areas.

H1: There is association between variety of size of the product and buying decision in rural areas.

**2) Hypothesis 2:**

H0: There is no association between the presence of spurious product and advertisement of the product in the rural areas.

H1: There is association between the presence of spurious product and advertisement of the product in the rural areas.

**3) Hypothesis 3 :**

H0: There is no association between price of the product and easily availability of the product in the rural areas.

H1: There is association between price of the product and easily availability of the product in the rural areas.

**4) Hypothesis 4 :**

H0 : Irrespective of any qualification all respondent believe that shop keeper does not charge higher prices in rural areas.

H1 : Irrespective of any qualification all respondent believe that shop keeper charge higher prices in rural areas.

**3.8 FINDINGS :**

Table – 1 explain the demographic profile of the respondent. The first component of the demographic profile is gender. Out of 100 respondents, 71% are male and 29% are female.

The second component of the demographic profile is the occupation of the respondent. There are six categories of occupation, i.e. self- employment in agriculture, Regular Salary / wages, Self employment in non-agriculture, Unemployed, study and others. Majority of the respondent ( 31 %) are belong to regular salary, 26% respondent are belongs to self employment in agriculture, while 23% are belongs to self- employment in non agriculture , only 4% belongs to unemployed category, and 16 % of the respondent are belongs to others and study.

Table -1 : Demographic Profile of respondent :		
Gender	No. of respondent	Percent
Male	71	71
Female	29	29
Occupation		
Self-employment in agriculture	26	26.0
Regular Salary /Wages	31	31.0
Self-employment in non-agriculture	23	23.0
Unemployed	4	4.0
Study	11	11.0
Others	5	5.0
Income		
2000-4000	10	10.0
4000-6000	13	13.0
6000-8000	13	13.0
8000-10000	18	18.0
10000 – above	46	46.0
Type of house		
Kutchha house	16	16.0
Pacca house	84	84.0

The third component of the demographic profile is total monthly Income of the family, of the respondents. Total respondents are divided in to four category, in that 46 % the total population is having the total monthly income more than Rs.10000, while 18 % of the respondent have the total income between Rs.8000-10000. 13% of respondent have the total income between 6000- 8000, while 13 % of the respondent have the total income between Rs.4000- 8000. And 10 %

of the respondent have total income between Rs. 2000-4000.

The fourth component of the demographic profile of the respondent is type of their house. In that 84% of the respondent have pacca house, while only 16% of respondent have Kutchha house.

Table-2 A: Satisfaction Level of Selected Products				Table-2 B: Availability of selected products			
Satisfaction Level	Toilet Soap	Detergent Soap	Tooth Paste	Availability	Toilet Soap	Detergent Soap	Tooth Paste
Highly Dissatisfied	2	3	3	Not Available	2	1	1
Dissatisfied	6	3	3	Rarely Available	1	1	1
Neutral	16	16	19	Can not say	4	4	5
Satisfied	67	64	56	Mostly Available	63	63	62
Highly Satisfied	1	7	10	Always Available	24	24	24
Total	92	93	91	Total	94	93	93

Table-2-A ,shows the satisfaction level of the rural respondents for the selected HUL products. Tables shows that majority of the respondents are satisfied with the products, in all three selected categories, only 7% of average respondents are not satisfied with the products.

Table-2-B, shows the Availability of selected products, in this also the result is showing that majority of the respondents are saying that, the products are easily available in their rural areas. Other respondents are HUL non users, so total is not less than 100.

Table : 3 buying decisions depend on variety of size of products.		
	Frequency	Percent
Neutral	11	11.0
Agree	44	44.0
Strongly Agree	45	45.0
Total	100	100.0

Table – 3 shows the importance of the variety in the size of products in the buying decision of rural people. Respondent says that the variety in the size of product helps them more in their buying decisions by giving more cho. Almost 90% of respondents are agreed and strongly agreed with this. So variety in the size of the product is also beneficial to the company to move their product in the market.

Table -4 :The promotional activity liking ratio for H.U.L products			
Promotional Activity	Lux/ Lifebouy	Rin / Wheel	Close-up / Pepsodent
Free Samples	0	5.0	4.0
Extra quantity with same price	82.0	67.0	61.0
Advertisement through different media	0	8.0	4.0
Attactive packing	0	5.0	6.0
Discounted price	18	15.0	25.0
Total	100	100.0	100.0

Table 4 indicates the favorite liking promotional activity for different three category. The respondents are given with five options. In all three product category, majority of respondents are liking the promotional activity of extra quantity with same price and the second preferable promotional activity is product with discounted price.

Table -5 :

		Advertisement enhances product knowledge.				
		Totally Disagree	Disagree	Neutral	Agree	Totally Agree
<b>There is a availability of spurious products in rural area.</b>	Totally Disagree	0	1	2	1	0
	Disagree	0	1	1	0	1
	Neutral	2	3	3	4	0
	Agree	3	4	6	55	4
	Totally Agree	1	0	2	5	1
Total		6	9	14	65	6

Chi-Square Tests			
	Value	df	Assymp. Sig (2 sided)
Pearson Chi-Square	30.859	16	0.014
Likelihood Ratio	28.974	16	0.024
Linear-by-Linear Association	5.334	1	0.021
N of Valid Cases	100		

Table 5 indicates that, 15% respondents are not agree on that, there is a presence of spurious products in the rural market, and affect of advertisement on knowledge enhancement. But rest of 85% respondent are agree with the presence of spurious products in rural area and also agree with that, advertisement always enhance their product knowledge and which will helpful to them to understand the difference between spurious product and original products.

Here the person's chi-square value is 0.014, which is less than 0.05, so here we accept the hypotheses. So it can be said that there is a association between advertisement for product knowledge against the presence of spurious products in rural areas.

Table-6 :

		I buy the product because it is easily available.				
		Totally Disagree	Disagree	Neutral	Agree	Totally Agree
<b>I give preference to price compare to brand &amp; quality</b>	Totally Disagree	4	3	4	6	2
	Disagree	2	1	1	1	1
	Neutral	0	4	4	3	0
	Agree	1	0	4	38	0
	Totally Agree	0	1	3	13	4
Total		7	9	16	61	7

Chi-Square Tests			
	Value	df	Assymp. Sig (2 sided)
Pearson Chi-Square	55.32946604	16	0
Likelihood Ratio	55.78108995	16	0
Linear-by-Linear Association	17.92358714	1	0
N of Valid Cases	100		

The above table shows that only 16 % of rural people are not giving importance only to the price of the product & easily availability, but give importance to the other factors like brand name and quality of product. 84% rural people give more importance to the price & easily availability of product, compare to the brand name and quality of the product.

The chi-square table shows that the value is 0.00 which is again lesser than 0.05, so the hypothesis is accepted, that means there is association between price of the product and availability of the product in the rural areas.

**CONCLUSION :**

From the above all data calculation it can be concluded that, there are different factors like Price of the product , variety in size of the product, main sources of the product knowledge, advertisement, which plays an important role in rural buying decision. Moreover that it can be said that majority of the respondents are happy with the selected products of HUL. According to them it can be said that advertisement plays an important role against spurious products available in the market. And they preferred more extra quantity in the same price as favorable promotional scheme.

Over all it can be said that products are easily available in the rural areas of Valsad district of Gujarat State, and respondents are happy with the pricing policy , quality and variety of size availability.

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