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An Investigation on the Progress of Indian Rural Market Place: A Case Study of FMCG Market

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Abstract – The Fast Moving Consumer Goods (FMCG) division is a foundation of the Indian economy. This part touches each part of human life. The FMCG makers now understand that there is a great deal of chance for them to go into the rural market. The segment is amped up for the rural populace whose incomes are rising and the lifestyles are evolving. There are the same number of center income households in the rural zones as there are in the urban. Subsequently the rural marketing has been developing consistently through the years and is presently greater than the urban market for FMCGs. Universally, the FMCG division has been effective in offering products to the lower and center income bunches and the same is valid in India. More than 70% of offers is made to white collar class households today and more than half of the working class is in rural India. The division is amped up for a prospering rural populace whose incomes are rising and which is willing to spend on goods intended to enhance lifestyle. Additionally with a close immersion and vicious rivalry in urban India, numerous makers of FMCGs are headed to chalk out strong new methodologies for focusing on the rural consumers in an enormous manner. Be that as it may the rural infiltration rates are low. This displays a colossal open door for producers of marked products who can change over consumers to purchase marked products. Numerous organizations including MNCs and provincial players began creating marketing systems to draw the undiscovered market. While adding to the procedures, the marketers need to treat the rural consumer uniquely in contrast to their partners in urban in light of the fact that they are monetarily, socially and psycho-graphically distinctive to one another. This paper covers the attractions for the FMCG marketers to go to rural, the difficulties, the distinction between the rural and the urban market and the suitable marketing system with the suitable case of organizations and their involvement in going rural.

INTRODUCTION

The Indian Fast Moving Consumer Goods (FMCG) industry started to shape amid the last fifty odd a long time. The FMCG area is a foundation of the Indian economy. This area touches each part of human life. Indian FMCG market has been isolated for quite a while between the sorted out area and the chaotic segment. Dissimilar to the US market for FMCG which is overwhelmed by a modest bunch of worldwide players, India's Rs. 460 billion FMCG market remains profoundly divided with generally a large portion of the market going to unbranded, unpackaged home made products. This introduces a huge open door for producers of marked products who can change over consumers to purchase marked products.

Universally, the FMCG segment has been effective in offering products to the lower and center income bunches, and the same is valid in India. More than 70% of offers is made to working class households today and more than half is in rural India. The area is amped up for a blossoming rural populace whose incomes are rising and which is willing to spend on goods intended to move forward lifestyle. Likewise

with a close immersion and vicious rivalry in urban India, numerous makers of FMCGs are headed to chalk out strong new methodologies for focusing on the rural consumer in an enormous way.

Shop, the pro rural marketing and rural advancement consultancy, has observed that 53 every penny of FMCG deals and 59 every penny of consumer solid deals lie in the rural ranges. Of two million BSNL versatile associations, 50 every penny went to residential communities and villages; of 20 million Rediffmail memberships, 60 every penny originated from residential areas; so did a large portion of the exchanges on Rediff's shopping site. As per a study by Chennai-based Francis Kanoi Marketing Planning Services Pvt Ltd, the rural market for FMCG is worth Rs.65,000 crore, for durables Rs 5000 crore, for tractors and agri-inputs Rs.45,000 crore and two- and four-wheelers, Rs.8000 crore. Altogether, an astounding Rs.123,000 crore. This could be multiplied if corporates comprehended the rural buying conduct and got their circulation and valuing right.

RURAL MARKETING

The idea of Rural Marketing in India Economy has assumed a powerful part in the lives of people. The rural market in India is not a different substance in itself and it is profoundly affected by the sociological and behavioral variables working in the country. Rural marketing decides the completing of business exercises getting the stream of goods from urban parts to the rural districts of the country and also the marketing of different products fabricated by the non-agrarian laborers from rural to urban regions. The rural market in India is inconceivable, scattered and offers an a lot of chances in examination to the urban part. It covers the greatest populace and areas and consequently, the most extreme number of consumers. 'Go rural' is the trademark of marketing master is in the wake of dissecting the financial changes in villages. The Rural populace is about three times of the urban, so rural consumers have turned into the prime target market for consumer sturdy and non-tough products, sustenance, development, electrical, hardware, autos, banks, insurance agencies and different divisions other than hundred every penny of agri-info products, for example, seeds, manures, pesticides and farm machinery.

However, the accomplishment of the product in the rural market is as unsurprising as downpour. It has dependably been hard to comprehend the rural markets. Marketers need to comprehend the social flow and mentality varieties inside every village. However by defeating the difficulties and investigating the opportunities which rural markets offers to the marketers it is said that what's to come is exceptionally encouraging for the individuals who comprehend the motion of rural markets and endeavor them to their best advantage. Rural markets confront the discriminating issues of Distribution, Understanding the rural consumer, Communication and Poor base. The marketer needs to reinforce the conveyance and valuing methods. Change in framework and achieve, guarantee a brilliant future for those meaning to go rural. Rural consumers are enthused about marked goods these days, so the market size for products and services appears to have prospered. The rural populace has demonstrated a pattern of needing to move into a condition of steady urbanization regarding introduction, propensities, lifestyles and finally, utilization examples of goods and services. To extend the market by tapping the countryside, numerous MNC's are foraying into India's rural markets. Among those that have made progress are Hindustan Liver, Coca-Cola, LG gadgets, Britannia, Colgate Palmolive and the remote contributed telecom organizations. These organizations' predicting the limitless size and request in the rural market can't stand to disregard. Rural market represents a large portion of the aggregate market for TV sets, Fans, Pressure cookers, bikes, washing cleanser and tooth powder where FMCG products in rural products in rural markets is developing much quicker than the urban partner. Lately, rural markets have obtained importance, as the

general development of the economy has come about into considerable increment in the purchasing force of the rural groups. As a result of green unrest, the rural zones are expending a substantial amount of modern and urban fabricated products. In this connection, an exceptional marketing technique, in particular, rural marketing has risen. On the other hand, frequently, rural marketing is mistaken for agrarian marketing - the last indicates marketing of produce of the rural ranges to the urban consumers or mechanical consumers, while rural marketing includes conveying made or prepared inputs or services to rural makers or consumers. The Indian Fast Moving Consumer Goods (FMCG) industry started to shape amid the most recent fifty years. The FMCG part is a foundation of the Indian economy. This part touches each part of human life. Indian FMCG market has been separated for quite a while between the composed part and the chaotic division. Not at all like the US market for FMCG which is ruled by a modest bunch of worldwide players, India's Rs. 460 billion FMCG market remains very divided with generally a large portion of the market going to unbranded , unpackaged home made products. This exhibits a colossal open door for creators of marked products who can change over consumers to purchase marked products. Universally, the FMCG part has been fruitful in offering products to the lower and center income bunches, and the same is valid in India. More than 70% of offers are made to white collar class households today and more than half is in rural India. The area is amped up for a prospering rural populace whose incomes are rising and which is willing to spend on goods intended to enhance lifestyle. Likewise with a close immersion and relentless rivalry in urban India, numerous makers of FMCGs are headed to chalk out strong new methods for focusing on the rural consumer in a huge manner. Bazaar, the authority rural marketing and rural improvement consultancy, has observed that 53 every penny of FMCG deals and 59 every penny of consumer strong deals lie in the rural regions. Of two million BSNL versatile associations, 50 every penny went to residential communities and villages; of 20 million Rediffmail memberships, 60 every penny originated from residential communities; so did a large portion of the exchanges on Rediff's shopping site. As per a study by Chennai-based Francis Kanoi Marketing Planning Services Pvt Ltd, the rural market for FMCG is worth Rs.65,000 crore, for durables Rs 5000 crore, for tractors and agri-inputs Rs.45,000 crore and two-and four-wheelers, Rs.8000 crore. Altogether, an incredible Rs.123,000 crore. This could be multiplied if corporate comprehended the rural buying conduct and got their conveyance and estimating right.

PROGRESS IN MARKET

The purchasing power in rural India is on enduring ascent and it has brought about the development of the rural market. The market has been developing at 3-4% every annum including more than one million

new consumers consistently and now represents near to half of volume utilization of FMCG. The development rates of part of FMCG are higher in rural markets than urban markets. In product classifications like can cleansers, talcum powder, cooking oil, vanaspati ghee, tea, cigarettes and hair oil, the offer of rural market is more than 50%. The table above demonstrates the anticipated market size of FMCG products in 2001 – 02 and 2006 – 07 in view of the yearly development rates intensified for 1994 – 99 period. The evaluated yearly business from rural markets was Rs 1,23,000 crore, including Rs 65,000 crore of FMCG, Rs 5,000 crore of durables, Rs 45,000 crore of agrarian inputs including tractors and Rs 8,000 crore of bikes and fourwheelers. Twenty nine every penny of the rural people own autos, 27 every penny own shading TVs, 24 every penny own fridges and 10 every penny own clothes washers, which indicates the undiscovered potential in the rural territories. "We along these lines need to take a gander at the rural market truly for future devel

CATEGORY	GROWTH%	2005- 2006		2010- PROJECTED		RURAL MARKET SHARE %
		TOTAL	RURAL SHARE	TOTAL	RURAL SHARE	
TOILET SOAPS	13.4	9645	6021	18086	11291	62.4
BODY TALCUM POWDER	23.65	1445	793	4237	2292	54.1
TOOTH PASTE	23.5	3198	1441	9376	4140	45.1
COOCKING OIL	10.19	20946	15731	35295	25806	73.4
VANASPATHI	7.63	4549	2846	6648	4108	62.6

TABLE 1. RURAL FMCG MARKET PROJECTIONS.

RISING RURAL PROSPERITY

India is now seeing a dramatic shift towards prosperity in rural households. To drive home the potential of rural India just consider some of these impressive facts about the rural sector. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas.

Income groups	2001 - 02			2006 - 07		
	Total	Rural No.	%	Total	Rural No.	%
High	1.48	0.41	27.7	2.96	0.7	23.6
Middle	69.18	4.83	64.8	90.25	59.85	66.3
Low	32.29	29.52	91.42	20.41	95.8	95.7
Total	102.95	74.76	72.6	114.52	80.96	70.7

Table 2. Distribution of people income-wise.

According to NCAER projections, by 2006 – 07, the lowest income class (i.e.Rs.2500 and below) will shrink by more than 60%. The higher income classes are

likely to double by 2006 – 07. This apparently is the result of development work, which happened under the five years plans and other special programmes such as land reforms, rural electrification rural communication, and rural credit facilities, etc. The absolute size of the rural market is thus expected to double that of urban India. But despite the high rural share in these categories, the rural penetration rates are low, thus offering tremendous potential for growth. According to Mr. D. Shivakumar, Business Head (Hair), Personal Products Division, Hindustan Lever Limited, the money available to spend on FMCG (Fast Moving Consumer Goods) products by urban India is Rs. 49,500 crores as against is Rs. 63,500 crores in rural India.

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. However, 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 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. Therefore, 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. Therefore, 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 appears. The rural customer generally goes to the same retailer to

buy goods. Naturally, there is 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 does not 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.

COMPANY EXPERIENCES IN GOING RURAL

It gets to be abundantly pass that rural India must be the hot focus in future for FMCG companies as it displays a plenty of chances, all holding up to be saddled. Large portions of the FMCG companies are as of now occupied with forming their rural marketing methodology to tap the potential before rivalry gets up to speed. With far reaching rivalry from MNCs as well as from the various territorial players and the draw of an undiscovered market has driven the marketers to chalk out strong new techniques for focusing on the rural consumer in a huge manner. All biggies in the industry be it HLL, Marico, Colgate-Palmolive or Britannia, are indicating profound enthusiasm for rural India. However not all that matters is all ruddy and there exist some hazy areas in the rural procedures too. To build deals, developing the consumer pie instead of offering it, has developed as one of the key methods being utilized by FMCG majors. Offering more product variations, classifications, value focuses, sizes and diverse marketing and conveyance channels, all structure a piece of a FMCG corporate's method. To gage the degree of shift in center of the FMCG monsters simply test this: as of late Godrej Consumer Products Ltd (GCPL) did something that it hadn't done before; it presented littler pack sizes of some of its cleansers and put them on the market for Rs 5. What's more, FMCG goliath HLL has recently propelled a green variation of Lifebuoy cleanser, which, it trusts will be a champ in the rural ranges. Likewise, don't be excessively shocked in the event that you village people having their hair washed and colored altogether as they are just exploiting the live exhibits led by Chennai-based CavinKare Products. So it is pass that rural markets have gotten the eyes of FMCG marketers and it is being focused through investigations in an enormous manner. In any case is it a right marketing methodology? Then again will it turn out to be an extravagant error? Well that's the issue most FMCG companies confront today and the one we examine here. HLL has additionally settled a solitary circulation channel by combining classes. The channel tries to manufacture a system of sub-stockists. In 2003, around 6000 such sub stockists were selected to service 50,000villages with an aggregate populace of 250 million. Moreover, at Coca Cola India, to connect with rural villages, the company began by drawing up a hit rundown of high-potential villages from India's different locale. To guarantee full loads,

huge wholesalers were selected, and they were supplied from the company's stop in vast towns and urban communities. Full load supplies were offered twice week by week. On their part, the substantial merchants designated little wholesalers in connecting regions. The little merchants thusly altered adventure anticipate a week after week basis. In expansion to these inventive dispersion systems, various FMCG companies have now begun depending on sagacious business visionaries who trawl the rural hinterland, gathering heaps of village level information. One such business person, Pradeep Lokhande, circulates utilized PCs to schools as a part of around 28,000 villages through his Pune-based rural consumer association, Rural Relations. Lokhande supplies PCs, gathers information in return, which is then sold to companies. The company now has a database of 35,000 schools. Other than tapping schools, Lokhande additionally hits direct contacts with feeling pioneers in villages and recording dark points of interest of the nearby economy. This information is presently being slurped up. In 1996, Lokhande got his first clients for the information: Tata Tea and Parle. Today, he has customers like HLL, P&G, Marico, Asian Paints, Telco and DSP Merrill Lynch. The emphasis on rural markets doesn't truly come as a shock. India's rural market has been developing consistently throughout the years and is presently greater than the urban market for quick moving consumer goods (53% offer of the aggregate market). The yearly size in worth terms right now assessed at around US \$ 11 billion. As per a study by the National Council for Applied Economic Research (NCAER), there are the same number of 'center income or more' households in the rural zones as there are in the urban regions. Besides, there are twice the same number of 'lower center income' households in rural ranges as in the urban regions. At the most astounding income level there are 2.3 million urban households as against 1.6 million households in rural ranges. According to the NCAER projections, the quantity of center and high-income households in rural India is relied upon to develop from 80 million to 111 million by 2007. In urban India, the center and high-income market is relied upon to develop from 46 million to 59 million. In this way, unquestionably the measure of rural India is required to be twofold that of urban India. Anyway in spite of the high rural partake in these classifications, the rural entrance levels are low, in this manner offering enormous potential for development. This is the reason Coke and HLL are looking to expand their scope. Also, others are sticking to this same pattern. Chennai-based CavinKare Products which makes hair colors, arranges live exhibits in remote regions where villagers get a free tinge of dark black or blonde or red – free of expense. Brooke Bond Lipton India markets its rural brands through enchantment shows and productions. Reckitt and Coleman utilizes NGOs as a part of rural regions to instruct clients about product advantages. Yet rural India isn't simply being produced as a consumer market. It is likewise being produced as a practical production network. Tobacco and nourishments major ITC is concentrating on the

rural section to cut down its exchange costs. With a wise mix of click & mortar abilities, rural groups in villages use web stands - known as echoupals - to get to prepared data in their nearby language on the climate & market costs. They are additionally ready to disperse information on logical homestead hones & 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, basically connected to the „mandi“ framework for value revelation, „e-Choupal‘ takes out inefficient intermediation and various taking care of. In this way it altogether diminishes exchange costs. While the agriculturists advantage through improved homestead productivity and higher ranch entryway costs, ITC profits from the lower net expense of obtainment (notwithstanding offering better costs to the rancher). Dispatched in June 2000, 'e-Choupal', has as of now turned into the biggest activity among all Internet based mediations in rural India. 'e-Choupal' services today contact more than two million ranchers developing a scope of harvests - soyabean, espresso, wheat, rice, heartbeats, shrimp - in more than 21,000 villages through 4100 stands over six states. Whether the goal is to expand market offer or to lower exchange costs, the end target is to enhance the heartiness of the rural production network. Besides, these are adaptable and hearty models, and, given the right strategy environment, it ought to be conceivable to consistently incorporate them in the months and years to come. Coke's representative: "We are propelling another form of our Sprite image, Sprite Zero, for the metro gathering of people. Essentially, we have presented variations of our Maaza image in the market. We have additionally presented 200 ml renditions of Diet Coke at Rs 10, contrasted with the 500 ml Rs 20 form." This, Coke keeps up, is its procedure to develop the consumer pie, instead of offer it with players in existing classifications. It is making more decisions and value focuses for the carbonated and non-carbonated beverage consumers, who at present stand at under three every penny of the aggregate market.

NEED OF FMCG IN RURAL AREAS

Following quite a while of development got basically from the urban markets, the FMCG companies have now understood that India lies in its rural villages. To such an extent, that rural marketing has turned into the most recent marketing mantra of most FMCG majors. With broad rivalry from MNCs as well as from the various local players and the draw of an undiscovered market has driven the marketers to chalk out striking new techniques for focusing on the rural consumer in a huge manner. To gage the degree of shift in center of the FMCG goliaths simply test this: as of late Godrej Consumer Products Ltd (GCPL) did something that it had not done before; it presented littler pack sizes of some of its cleansers and put them on the market for

Rs 5. Moreover, FMCG goliath HLL has recently dispatched a green variation of Lifebuoy cleanser, which, it trusts will be a victor in the rural areas. Likewise, don't be excessively shocked in the event that you village society having their hair washed and colored as they are just exploiting the live shows led by Chennai-based CavinKare Products. Accordingly, it is pass that rural markets have gotten the eyes of FMCG marketers and it is being focused through investigations in an enormous manner.

More than 70% of India is 1 billion or more populace lives in around 627,000 villages in rural areas. This essentially demonstrates the immense probability rural India needs to bring the abundantly needed volumes and help the FMCG companies to bank upon the volume-driven development. What's more, the rural market has been developing relentlessly throughout the years and is presently greater than the urban market for FMCG's (53% offer of the aggregate market) with a yearly size in quality terms right now evaluated at around 50,000 crores. It is a positive aid in camouflage for the FMCG majors who have effectively come to the level of their business bend in urban India and are urgently looking for better approaches to expand deals.

To drive home the capability of rural India simply consider some of these noteworthy truths about the rural segment. According to the National Council for Applied Economic Research (NCAER) study, there are the same number of 'center income or more' households in the rural areas as there are in the urban areas. There are twice the same number of 'lower center income' households in rural areas as in the urban areas. At the most elevated income level, there are 2.3 million urban households as against 1.6 million households in rural areas. As per the NCAER projections, the quantity of center and high-income households in rural India is relied upon to develop from 80 million to 111 million by 2007. In urban India, the same is relied upon to develop from 46 million to 59 million. Accordingly, indisputably the measure of rural India is required to be twofold that of urban India. In any case, in spite of the high rural partake in these classifications, the rural entrance rates are low, subsequently offering huge potential for growth.

CONCLUSION

At last it is sure that FMCG companies will need to truly pick up advances in the rural markets so as to accomplish twofold digit development focuses in future. There is tremendous potential and most likely there is parcel of money in rural India yet the savvy thing would be to say something the detours as painstakingly as could be allowed. The companies entering rural market must do as such for vital reasons and not for strategic picks up as rural consumer is still a shut book and it is just through

enduring duty that the companies can make a scratch in the market. At last the champ would be the one with the obliged assets like time and money furthermore with the highly needed creative thoughts to tap the rural markets.

A notice of rural India may evoke an image of miserable neediness in the psyches of numerous people. This, nonetheless, does not hold valid on account of a couple of quick moving consumer goods (FMCG) companies that have throughout the years been giving their rural operations a restored push. Why might these companies be taking advantage of the rural markets in any case? In the first place, let us take a gander at the dissemination systems of three driving FMCG companies in India - Hindustan Lever Limited, Colgate Palmolive and Britannia. These three companies are market pioneers in their center areas and quite a bit of their prosperity needs to do with the mind boggling marketing systems they have grown through the years. Hindustan Lever, as would be normal, has the biggest reach as far as the markets serviced. Colgate, then again, has embraced a focused approach by concentrating on less markets. Britannia, contrasted with the initial two, has a much smaller reach.

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