

# The fast moving consumer goods



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The fast-moving consumer goods (FMCG) sector is an important contributor to India's GDP. It is the fourth largest sector of the Indian economy. The FMCG market is estimated to treble from its current figure in the coming decade. Penetration levels as well as per capita consumption of most product categories like jams, toothpaste, skin care and hair wash in India are low, indicating the untapped market potential. The growing Indian population, particularly the middle class and the rural segments, present an opportunity to makers of branded products to convert consumers to branded products. The Indian rural market with its vast size and demand base offers a huge opportunity for investment. Rural India has a large consuming class with 41 per cent of India's middle-class and 58 per cent of the total disposable income.

Initially the FMCG majors neglect the Indian rural market but in present scenario the main focus of the companies is to capture the highest share in the Indian rural market as the size of the market suppose to increase many folds in the coming time and the urban market are showing very slow growth rates. As the tempo of development is accelerating in rural India, with increasing purchasing power.

## **Background of Study**

“ India lives in her villages”

As described by Adi Godrej, Chairman, Godrej Group “ The rural consumer is discerning and the rural market is vibrant. At the current growth, it will soon outstrip the urban market. The rural market is no longer sleeping but we are” .

As Indian economy is basically rural economy because more than 700 million people living in rural areas in some 5, 80, 000 villages, about two third of its workforce is engaged in agriculture and allied activities with a contribution of about of about 29 percent to India's Gross Domestic Product (GDP), India is an Agrarian economy.

Additionally, the Indian rural economy has very less impact of the global economic slowdown according to the recent study conducted by the government agency RMAI.

The research found that the small town and the rural economies has very less impact of the global slowdown. The 60 per cent of the India's income remain insulated of the global crises. Moreover the disposable income of the rural India is increasing from consecutive four years due to the continuous growth of the agriculture industry.

The Indian rural fast moving consumer goods or FMCG market is expected to swell more than ten times to reach the \$100 billion mark by 2025, according to a fresh study by the marketing and advertising research firm, The Nielsen Company.

In more than half of the largest FMCG categories, growth in rural markets is expected to outpace the urban markets, Some of the largest categories include salty snacks, cream, biscuits, refined oil, chocolates, noodles, milk foods, soft drinks, and grooming products. Food categories are currently driving the bulk of this growth in the rural market that now stands at \$9 billion, according to the research firm.

On the other hand, there has also been a surge in the demand for products in the premium segment such as hair colour and fabric softener, and other grooming products like deodorants. “ The availability of lower priced packs has improved accessibility...and premium skincare brands typically associated with urban areas are growing nearly twice as fast in rural, said Prashant Singh, vice president, Nielsen, India.

Prasun Basu, executive director Nielsen, India, said the rise and stability in rural income, rise in purchasing power, and evolved consumer preferences, backed by increasing awareness, and improved availability were the leading drivers of this increase in rural consumption.

Rural India accounts for the 70 per cent of the toilet soap users and 40 % of the two wheelers sales in India according to the National Council of Applied Research.

Penetrating the rural market the companies need different innovative thinking and new strategic methods to overcome the various hurdles. Rural India meant reaching 6, 27, 000 square Km; it meant a distributor needs to travel 100 Km to target 5 shops in 5 different villages.

Thus, rural India has become one of the targets of all the multinationals, advertisers and corporate. According, to the recent study by NCAER the purchasing power of the people of rural India is increased due to high prices of the agriculture commodities and higher production of crops added to the point. Rural marketing has become latest concern and mantra of most companies like ITC, Hindustan Unilever, JNJ, P&G, Pepsi, Coca Cola all are making strategic entry in the Indian rural markets.

## **Objective of the study**

“ Any study without specific objectives is like tree without leaves”. The study have many objective but the focus revolves around the main objective. In this study the main focus is around the future scope of the rural market in India. The rural market in coming future are having huge potential in terms of growth and sales. The marketers has an eye on the happening rural markets. And so the study will be based on the various context of emerging markets.

The objectives of the study are :

To study the potential of rural markets with context to various Indian industries.

To study the present situation of rural marketing.

To study the challenges faced by the companies in penetrating the rural markets.

To study the need of the rural customer.

To study the growth prospects of the market form the MNC’s point of view.

## **Rural Marketing for various sectors**

Rural marketing is very important aspect of any business sector in present situation. As the disposable household income is increasing in the villages their is a very high potential in rural markets. Marketers are trying to explore the happening markets.

## **FMCG**

The Indian FMCG sector has a market size of \$ 13. 1 billion. Well-established distribution networks, as well as intense competition between the organised and unorganised segments are the characteristics of this sector. FMCG in India has a strong and competitive MNC presence across the entire value chain. It has been predicted that the FMCG market will reach \$33. 4 billion in 2015 from \$11. 6 billion in 2003. The middle class and the rural segments of the Indian population are the most promising market for FMCG, and give brand makers the opportunity to convert them to branded products. The rural market consists of 57 per cent share of the total FMCG market in India.

The number of households in rural India have increased from 135 million in year 2002 to 153 million in year 2009 with such a huge potential market the major FMCG giants are keeping their full concentration on the rural markets. They are trying to build the better distribution network and dealer channel so that they can explore the markets.

## **Retail**

The Indian retail industry is 5 largest in the world with size of about \$ 353 billion in 2010 and it is expected to increase at the rate 8-14 % in the coming years. It is estimated that the Indian retail industry will about \$553 billion in year 2014 with such a huge potential. The major retail players are very limited in India. The major retail giants are Reliance, Aditya Birla Group, Bharti, ITC and Future Group etc.

## **Automobiles**

The CMO of Maruti Suzuki reveals at conference that “ every second maruti car sold in market is purchased by a farmer”. The automobile sales are increasing in India by 14 % annually. Herohonda one of the major leader in two wheeler depends mostly on the sales from rural India. The automobile companies are bullish on the Indian rural market for the future sales and growth of the sector.

## **Consumer durables**

A study reports that 58 per cent of the consumer durables items comes from rural market in India. Many big CD companies are increasing their presence in rural market by developing a strong dealer network with good service. The companies like Samsung and LG had increased the number of dealers in rural markets.

## **Rural Marketing**

Rural marketing is very different from the urban marketing. As the customers in villages are of different background the same marketing strategy will not work in the villages. So, rural marketing involves the process of developing, pricing, promoting, and distributing the rural specific products. As all these process are also their in the urban marketing but the difference lies in the way the products a promoted and the packaging of the product are totally different in rural and urban scenario.

The some facts of rural customers are:

Myth

## Facts

Branded products are not purchased by rural people.

80 percent of branded FMCG sales comes from rural India.

Rural people prefer cheap products.

Rural people prefer value for money.

The market is homogenous

The market is heterogeneous.

Rural marketing is not a totally new concept to the marketers. It is practiced in India since many decades the Phase 1 of rural marketing is started in 1960's when India is moving towards globalisation. The second phase of rural marketing is started in late 70's. The phase 3 of rural marketing is when India is moving towards complete globalisation and liberalisation that is from late 1990's to present .

## **R vs. U Marketing**

Rural marketing is quite different from urban marketing. The marketers have to think about the new and the innovative techniques to cope up with the demands of the new growing market of India. The rural markets are different from urban markets in many ways :

The presence of diversity in rural markets. The rural consumer is having a diverse background and the people of one village a quite different from other



village it acts a challenge for the marketers to understand the difference and to market the product accordingly.

Rural markets are still untapped segment of India so marketers want to encash the opportunity .

The higher disposable income of rural India is one of the major factor which increased the market size .

Increase in the level of literacy has enhanced the demand for lifestyle products in the villages.

The increase in penetration of the satellite television in rural markets have increased the demand for the lifestyle products.

## **Rural customer and their Characteristics**

Different studies are conducted by various government and non governmental agencies to describe the behavioural characteristics of the rural customers . The study provide a detail knowledge of the buying habits of the rural customer .

Literacy : As the most of the rural customer are not literate it is very difficult to market a product to them. Only demonstration of the product will work .

Density : As India has large number of village the demand density is very low.

Income: As the income of the rural people is much less as compared to the urban people special care should be taken about the product pricing and packaging size.

Influencers: As in villages the people are usually innocent they are readily influenced by the group of some people in village.

Occupation: As village economy is based on agriculture the marketers should not forget that it is seasonal business and depends largely on various factors.

Culture: Rural people follows products that are close to their culture.

Language: The marketers should have good knowledge about the local language of the people so that they can easily convey their message to the people.

### **Changing Scenario of the Rural Customers**

The traditional scenario of the rural customer is that they are illiterate and depend on agriculture for the livelihood. But the thinking of the people are changing about the villagers. The scenario is changing because of the two main factors increase in the disposable income and the other is presence of the media has helped rural people to get knowledge about the various products available in the market. They are having enough knowledge about the brand and are moving towards the brand value. Rural markets are very important for the marketers . The people have quite good information about the various brands the offers available in the market all the credit goes to the television.

The rural youth is one the major decision makers for any purchase at home so they influence the market very much. They frequently travel from villages

to city and have sufficient knowledge about the various range of products available in the market.

## **Challenges in Rural Marketing**

There are lots of hurdles to the rural marketing. The marketers have to face various problems in day to day life to cope up with the business goals and the expectation of the rural customers. The marketers have to face problems like dealing with the poor distribution network, logistics and efficient deployment of the sales team and the most common is how to effectively communicate with the customer for marketing.

**Standard of living :** The major problem of rural India is the per capita income is bellow poverty line.

**Low literacy level :** Education is increasing in villages but still its not significant enough.

**Transportation:** The road network is very weak in the interiors of India. Marketers have to use bullock cart for distribution purpose.

**Warehousing:** It is another issue as well equipped storage facility are not available in rural India.

**Lack of communication system :** The communication system is not very efficient.

**Spurious brands:** The cost factor is very important factor for the purchasing decision in rural India. Large number of look alike or spurious brands are available in the rural market.

**Affordability:** The products available should be affordable by the people. The companies are launching small packaging for villages to boost the initial sales of soap etc.

**Acceptability:** The products should be accepted by people.

**Awareness:** A large part of rural India is inaccessible to conventional advertising media. Only 41 per cent rural households have access to TV. Building awareness is another challenge in rural marketing.

### Solution to the Rural Marketing

To solve the above issues the marketer have to think for the new innovative techniques and different strategies for the rural marketing.

1. Physical distribution problem can be solved, if the marketer may have a joint network of stockist/ clearing-cum-forwarding (C&F) agents at strategic location for facilitation of physical distribution for its products in the rural market. The companies and stockists will share the distribution cost as a result the burden will be divided. The combination of different modes of transport based on availability of tracks will be beneficial to the companies. Bullock cart is very important mode of transportation in villages where road networks are not available. Some of the leading companies use delivery vans in rural areas for resolving the distribution problems in rural market. The delivery van takes the products to the retail shops in every corner of the rural market and it enables the company to establish direct sales contact with majority of the rural consumers which helps in sales promotion.

2. The Fair price shops are very common in rural market it is the public distribution network in villages. The new shops should be encouraged to be open by the government and the local body rather than depending upon on weekly markets for purchases. The large number of fertilizer companies have opened factory store to facilitate the farmers and to provide the agriculture products at their door step. Similarly this model can be applied to FMCG companies. The large number of retailers can be appointed by the company and attach them to the stockist who distributes the goods to the retailers as per the potential of the market. This system has the benefit of penetrating into the interior areas of the rural markets.

The sales can be managed by appointing a effective sales team. The sales team should be hardworking and dedicated to work in the rural areas. The team members should have good knowledge about the local market and the need of the local people. The person should have strong connection with the local people.

The marketers should use effective way to communicate with the rural masses. The companies should use a complete mix of all the available sources of mass communication but strong emphasis should be laid on audio and visual communication rather than the print media because still the literacy rate is very low in villages. So the way to communicate are television, radio, cinemas, and POP(point of purchase) advertisements.

To overcome the problem of spurious products the various measures should be taken by the marketers as a counter action to the problem.

Complicated packaging: It helps in avoiding the look alike products as packaging is the most important way to control the fake products.

Products at low end: The products launched in the market should be of cheap price so that the fake products can't compete with the price mechanism.

Rural pull promotion: The higher rate of rural promotion helps marketer to curb these problems.

Promoting quality: The rural people should be made aware of the value of quality.

The problem of affordability can be solved by launching the products in various small packages. As done by various FMCG marketers have launched the products of daily use in small sachet packing of very low pricing. As a result the people with low disposable income are also able to afford the products.

The another way to encourage a product in rural market is with the help of Combo Packs. The product of low use or a new product is combined with the product of high usage, as a result the other product also get good marketing.

<http://www.docstoc.com/docs/16186068/rural-marketing>

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